



JOEL KITCHENS

STATE REPRESENTATIVE • 1ST ASSEMBLY DISTRICT

Testimony for the Assembly Committee on Education Assembly Bill 223 Thursday, June 13, 2019

Thank you Chairman Thiesfeldt and fellow committee members for holding a public hearing and giving me the opportunity to testify on Assembly Bill 223, legislation that creates a new state aid program for certain consolidated school districts.

I want to be clear right up front that this legislation, which is endorsed by the Blue Ribbon Commission on School Funding, does not force school districts to consolidate. What it does is provide incentives to school districts that decide to move forward with consolidation.

One of the goals of the commission was to remove barriers and assist schools that are considering consolidation. This bill is one in a series of four bills which will be coming out to achieve that goal. You may have received written testimony in opposition to this bill from a group that felt it did not go far enough. They did not realize that this bill is only one small piece of the total effort.

One of the obstacles that districts frequently face when considering consolidation is that the mill rate of one district is considerably lower than the other district or districts. This means that property taxes will rise in that district if consolidation occurs. This bill softens that impact.

To be eligible for the new state aid program under AB 223, the consolidation must officially occur on or after July 1, 2020. In addition, the consolidated school district's maximum allowable levy rate must be greater than the lowest levy rate of the school districts that were consolidated to create the combined school district.

In the first school year following the consolidation, qualifying school districts will be entitled to aid that is equal to the consolidated school district's equalized value multiplied by the difference between the maximum allowable levy rate of the consolidated school district and the lowest levy rate of the underlying school districts. This is known as the base aid amount.

In the second year, the consolidated school district will receive 80 percent of the base aid amount. The level of aid will continue to be reduced by 20 percent each school year, which will result in the funding no longer being available following the fifth school year after consolidation.



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Current law limits the total amount of revenue a school district may receive from general state aids and property taxes in a school year. This is known as a school district's revenue limit.

The new aid provided under the bill is a general state aid for purposes of school district revenue limits. Thus, this new aid reduces the amount of property taxes that the consolidated school district is allowed to levy.

Again, I would like to reiterate that this bill does not force school districts to consolidate. It provides them with incentives if consolidation is the best option for them.

Consolidation can potentially increase efficiency and reduce costs for a school district. Perhaps more importantly, however, it frequently allows districts to increase course offerings, particularly of advanced placement courses. Numerous studies have shown that students who take these advanced courses perform better on standardized tests and are better prepared and more successful in their post-secondary education.

We should be doing everything within our power to ensure our students have the tools they need to become successful and contributing members of society.

Thank you for taking the time to listen to my testimony and I hope you will support this legislation. I would like to thank the bill's other author, Sen. Marklein, and his staff for all the hard work they put into this proposal. I would be happy to answer any questions if you have them.



HOWARD MARKLEIN

STATE SENATOR • 17TH SENATE DISTRICT

June 13, 2019

**Assembly Committee on Education
Testimony on Assembly Bill 223**

Good morning!

Thank you Chair Thiesfeldt and committee members for hearing Assembly Bill 223 (AB 223), which was drafted from one of the recommendations of the Blue Ribbon Commission on School Funding. Also, thank you to Rep. Kitchens for co-chairing the commission, and commission members Representatives Quinn and Pope.

AB 223 creates a general school aid that provides property tax parity phased out over the five year period after consolidation. The mill rate for the newly consolidated district would be set equal to the lowest mill rate among the consolidating districts in the year prior to consolidation.

A major obstacle for school districts considering consolidation is the disparate property tax rates of the individual districts. Our proposal would create a new aid program for consolidated districts that are formed on or after July 1, 2020, to gradually phase in property tax increases for the lower taxed district residents.

To accomplish this, the revenue limit calculation would be made for the newly consolidated district and the mill rate and gross levy amount determined, under the assumption that the district chooses to levy the maximum allowable amount. The gross levy amount would then be compared to the gross levy that the new district would receive if its mill rate was equal to the lowest mill rate of the consolidated districts in the year prior to the year in which consolidation takes effect. Additional general aid would then be provided in an amount equal to the difference between the two levy amounts from a separate general aid appropriation established for this purpose. To ensure that the additional aid would reduce property tax levies, the aid would be counted under the district's revenue limit.

The first year after consolidation, the new district would receive 100% of the calculated amount. In year two, the consolidated district would receive 80% of what it received in year one. In year three, the consolidated district would receive 60% of what it received in year one. These reductions would continue until year 6, when the consolidated district would no longer receive the additional aid.

Thank you again for hearing AB 223, and your timely action on the bill.

Assembly Committee on Education
June 13, 2019

Wisconsin Department of Public Instruction
Information on 2019 Assembly Bill 223

Analysis Assembly Bill 223

This bill creates a new aid program for school districts whose consolidation takes effect **on or after July 1, 2020**, and for whom the consolidated school district's maximum allowable levy rate is greater than the lowest levy rate of the original underlying school districts.

In general, the levy rate of a school district is the total amount of property taxes levied by the school district divided by the school district's equalized value. Under the bill, for the eligible consolidated school districts in the first school year following the consolidation, the consolidated school district is entitled to a base aid in an amount equal to the consolidated school district's equalized value multiplied by the difference between the maximum allowable levy rate of the consolidated school district and the lowest levy rate of the underlying school districts. This aid would be phased out over five years as follows: in the second school year following the consolidation, the consolidated school district is entitled to aid in an amount equal to 80 percent of the base aid amount, then 60, 40, and 20 percent, in the third, fourth, and fifth years (respectively) following consolidation.

Under the bill, the appropriation for supplemental aid for consolidated districts is created as a sum-sufficient appropriation (i.e., would not be prorated) and the aid would be received as a general aid, under the revenue limit. Thus, the new aid would serve as property tax relief for taxpayers in the district, rather than as a source of additional spending capacity for the consolidated school district.

This bill **does not eliminate** current law provisions relating to consolidation aid, which are described below.

Consolidation Aid Adjustments under Current Law

The summary below is from the Legislative Fiscal Bureau's 2019 Informational Paper on School District Reorganization (#30) and describes current law consolidation aid adjustments.

In the school year in which a school district consolidation takes effect and in each of the subsequent four school years, the consolidated school district's state general school aids cannot be less than the total aggregate state general school aids

received by the consolidating school districts in the school year prior to the consolidation. The statutes specify that these additional aid payments are to be paid from the general equalization aids appropriation.

Additionally, in computing general equalization aid for districts that consolidated **prior to July 1, 2019**, in the school year in which the consolidation takes effect and in each of the subsequent four school years, the primary and secondary ceiling cost amounts for shared costs are multiplied by 1.15 and rounded to the next lowest dollar. The same is true for a consolidated district's primary, secondary, and tertiary guaranteed valuations per member. (The multiplier increased, from 1.10 to 1.15, effective with aid distributed in FY10, under 2009 Act 28).

Any additional state aid generated by these provisions for a consolidated district is outside of revenue limits. In the sixth year after the consolidation, the consolidated district receives a recurring revenue limit adjustment equal to 75 percent of the aid that is outside of revenue limits received by the district in the previous year (provision inserted under 2015 Act 55, first applicable to school districts that consolidated effective in the 2009-10 school year).

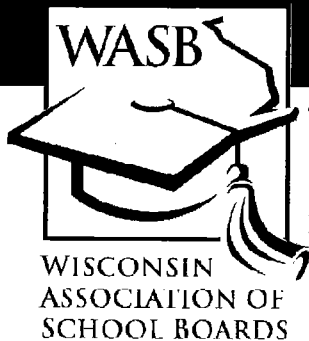
Consolidation aid payment provisions changed substantially under 2017 Act 59 (the 2017-19 biennial budget). For districts that consolidate **on or after July 1, 2019**:

- Aid will be provided in the form of a categorical aid equal to \$150 per pupil attending school in the consolidated district in the school year in which the consolidation takes place and each of the subsequent four school years. A district's current three-year rolling average pupil count under revenue limits is used to calculate the aid payment.
- In the sixth year following the year in which the consolidation takes effect, the consolidated district will receive 50 percent of the amount received in the fifth year after the consolidation.
- In the seventh year following the year in which the consolidation takes effect, the district will qualify for 25 percent of the amount received in the fifth year after the consolidation.
- The appropriation to pay this new consolidation aid is sum-sufficient (no proration).
- Consolidation aid provisions in current law relating to higher cost ceilings and guarantees under the equalization aid formula, as well as related revenue limit adjustments, will not apply to consolidations that become effective on or after July 1, 2019.
- Additionally, in the school year in which a school district consolidation takes place and each of the subsequent four school years, the consolidated district will be eligible to receive Sparsity Aid (\$400 per member) equal to not less than 50 percent of the aggregate amount of Sparsity Aid received

by the consolidating school districts in the school year prior to the year in which the consolidation takes effect.

Recent Consolidations

- The school boards of three K-8 districts (Herman #22, Neosho J3, and Rubicon J6) voted in July, 2015, to consolidate into one district, called the Herman-Neosho-Rubicon School District. The consolidation became effective on July 1, 2016.
- The school boards of Friess Lake and Richfield J1, both K-8 districts, voted in July, 2017, to consolidate into a new district, Holy Hill Area School District. The consolidation became effective on July 1, 2018.



"Leadership in Public School Governance"

JOHN H. ASHLEY, EXECUTIVE DIRECTOR

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TO: Members, Assembly Committee on Education
FROM: Dan Rossmiller, WASB Government Relations Director
DATE: June 13, 2019
RE: SUPPORT for ASSEMBLY BILL 223, relating to supplemental state aid for consolidated school districts

Assembly Bill 223 stems from the work of the Blue Ribbon Commission on School Funding. The bill reflects one recommendation from a set of five separate recommendations offered by the Commission to provide incentives for school districts to consolidate. It is the first bill reflecting a recommendation of the Commission to come before a legislative committee.

The WASB supports incentives for districts to reduce per pupil expenditures through voluntary consolidation. This bill is intended to encourage or incentivize consolidation by providing additional property tax relief to taxpayers in newly consolidated districts where the consolidating school districts have disparate property tax rates. It would do this by providing supplemental state aid to reduce the tax (mill) rate within the newly consolidated district to the lowest tax (mill) rate among the consolidating districts in the year prior to consolidation. Under the bill, this additional supplemental aid would be phased out over a five-year period.

To the extent that the additional property tax relief provided under the bill can be estimated prior to the consolidation and is known to the respective school boards and to the property taxpayers and voters of the districts considering consolidation, it could provide an additional incentive or inducement to support consolidation. Because the bill creates a sum sufficient appropriation to fund the additional supplemental aid, once the aid amount is set it would not be altered, except by the five-year phase out.

Tax rate disparities are often raised by the public as an issue when consolidation is discussed, along with facilities and athletics. People in a particular district may shy away if they believe consolidation will result in raising their tax rates or reducing state general aid. This bill would help to minimize this concern, at least within the five-year period following consolidation.

It should be noted that because this aid would be received under the revenue limit, it would not provide the newly consolidated district with additional spending authority, rather this aid would have to be applied toward reducing the property tax levy. So, while it can help incentivize consolidation from a property tax perspective, it would not, by itself, necessarily directly reduce expenditures or increase educational opportunities or spendable resources in the consolidated district.