



WISCONSIN LEGISLATIVE COUNCIL

REVIEW OF STATE SCHOOL AID FORMULA

Legislative Fiscal Bureau Conference Room
Madison, Wisconsin

September 13, 2006

10:00 a.m. - 2:30 p.m.

[The following is a summary of the September 13, 2006 meeting of the Special Committee on Review of State School Aid Formula. The file copy of this summary has appended to it a copy of each document prepared for or submitted to the committee during the meeting. A digital recording of the meeting is available on our Web site at <http://www.legis.state.wi.us/lc>.]

Call to Order and Roll Call

Chair Olsen called the meeting to order. The roll was called and it was determined that a quorum was present.

COMMITTEE MEMBERS PRESENT: Sen. Luther Olsen, Chair; Sens. Alberta Darling; Jon Erpenbach; and Julie Lassa; Reps. Brett Davis; Jason Fields; Jeffrey Mursau; Pat Strachota; Debi Towns; Amy Sue Vruwink; and Mary Williams; and Public Members Gary Andrews, Todd Berry, Robert Borch; John Burnett; John Gaier; Nancy Hendrickson; Dianne Lang; Michelle Nate; Andy Reschovsky; and Ron Welch.

COUNCIL STAFF PRESENT: Russ Whitesel and Mary Matthias, Senior Staff Attorneys.

APPEARANCES: Terry C. Anderson, Director, Legislative Council; Dave Loppnow, Program Supervisor and Russ Kava, Fiscal Analyst, Legislative Fiscal Bureau, Overview of School Aid Finance in Wisconsin.

Opening Remarks

Terry C. Anderson, Director of the Legislative Council, welcomed the committee and introduced the Legislative Council staff members assigned to work with the committee. He discussed rules for voting and described the process of reimbursement of expenses for public members. He noted that the committee's meetings will be recorded and available on the Internet.

Chair Olsen's Remarks

Chair Olsen welcomed the committee members to the meeting and briefly outlined his focus for the committee's work. He indicated that he is looking for ways to improve the current school aid formula. However, he stated he was going to use caution and approach the task with the intent to "do no harm" and to avoid any unintended consequences. He stated that he expects the committee to be finished with its work by mid-January, in time for any recommendations to be taken up in conjunction with the 2007-09 biennial budget. He indicated that the initial meetings would be devoted to gaining an understanding of the current school aid formula and at subsequent meetings, representatives of selected school districts will testify on the problems they are facing. At later meetings, the committee will review alternative approaches to school aid financing.

At Chair Olsen's request, each member of the committee introduced himself or herself and provided a brief background description of their interest in and goals for serving on the committee.

Brief Description of Materials Distributed

Russ Whitesel briefly reviewed the materials that were distributed to the committee prior to the meeting. Included in this review were the following items:

- Legislative Fiscal Bureau Informational Paper No. 27, *Elementary and Secondary School Aids* (January 2005).
- Publication, *State Financing of K-12 Education in Wisconsin, Overview*, Legislative Fiscal Bureau (September 13, 2006).
- Memorandum, *2005-06 Estimated State Support for School Districts* (May 15, 2006).
- Legislative Fiscal Bureau Informational Paper No. 12, *Local Government Expenditure and Revenue Limits* (January 2005).
- Information Memorandum 00-08, *Constitutionality of Wisconsin School Aid Formula* (July 31, 2000).
- *Principles of a Sound State School Finance System* (July 1996).

Legal Issues Related to School Finance and Principles

Chair Olsen asked Mr. Whitesel to review the Information Memorandum on the constitutionality of Wisconsin school aid formula. Mr. Whitesel briefly reviewed the memorandum as well as other recent cases dealing with the Wisconsin school aid formula.

Mr. Whitesel indicated that the divided court upheld the constitutionality of the school aid formula as it existed prior to 2000, in the *Vincent v. Voight* case. The majority opinion in the case, authored by Justice Crooks, held that "Wisconsin students have a fundamental right to an equal opportunity for a sound basic education. An equal opportunity for a sound basic education is one that will equip students for their roles as citizens and enable them to succeed economically and personally." The opinion further elaborated that the Legislature has articulated a standard for equal opportunity for a

sound basic education in the statutes as “the opportunity for students to be proficient in mathematics, science, reading and writing, geography, and history, and for them to receive instruction on the arts and music, vocational training, social sciences, health, physical education, and foreign language, in accordance with their age and aptitude.” The opinion also stated that an equal opportunity for a sound basic education acknowledges that students and districts are not fungible and takes into account districts with disproportionate numbers of disabled students, economically disadvantaged students, and students with limited English language skills. Mr. Whitesel pointed out that the divided court concluded that so long as “the Legislature is providing sufficient resources so that school districts offer students the equal opportunity for a sound basic education as required by the Constitution, the state school finance system will pass Constitutional muster.” Mr. Whitesel answered several questions related to the opinion. In response to one question, Mr. Whitesel indicated that the court recognized the state obligation to provide support for the schools but also recognized the importance of the local governance of educational decisions. Mr. Whitesel also responded to a question regarding possible inequities within school districts and stated that the opinion in *Vincent v. Voight* did not deal directly with that topic.

Mr. Whitesel briefly pointed out the highlights of the “*Principles of a Sound State School Finance System*” document distributed to the committee.

Overview of School Aid Formula

Chair Olsen asked Dave Loppnow, Program Supervisor, and Russ Kava, Fiscal Analyst, Legislative Fiscal Bureau (LFB), to provide the committee with an overview of the state school finance system in Wisconsin. Mr. Loppnow and Mr. Kava reviewed the contents of “State Financing of K-12 Education in Wisconsin.” Mr. Loppnow noted in his presentation that:

- Elementary and secondary school aids comprise nearly 40% of the total general purpose revenue expenditures in the state for the 2006-07 fiscal year.
- The 2003-05 Biennial Budget eliminated the state’s commitment to provide two-thirds funding for K-12 education and the statutory provisions associated with the commitment.
- General school aids funding is now provided in a sum-certain appropriation and the funding level is determined through the budget process similar to most other state appropriations.
- State support for K-12 education from all funds for the 2006-07 fiscal year is equal to approximately 66.2% of the total costs (estimated).

LFB staff also provided an outline of state support for K-12 education by individual fund source and reviewed the school district revenue sources.

Mr. Loppnow indicated that based on United States Census Bureau data, in 2003-04, Wisconsin was the 12th highest state in elementary and secondary per pupil expenditures. He also stated that *Education Week* publishes an annual issue that compiles data on each state’s K-12 public education system. In January of 2006, *Education Week* ranked Wisconsin as the 11th highest state, in per-pupil expenditures for 2002-03, using data from the National Center for Educational Statistics. After adjustment for regional cost differences, *Education Week* showed Wisconsin as ranking 8th highest among the 50 states in per pupil expenditures for 2002-03.

Mr. Kava reviewed the revenue limits which currently restrict the allowable annual increase in a school district's per pupil revenue derived from general school aid, the property tax levy, and computer aid. These revenue limits were imposed beginning in 1993-94. He noted that categorical aid, federal aid, and other sources of local revenue are not subject to the revenue limits. Mr. Kava reviewed the factors used to calculate revenue limits and indicated that the allowable per pupil increase in 2006-07 is \$256.93, adjusting for inflation under current law. He also reviewed the past allowable annual per pupil adjustment amounts under the revenue limits. Mr. Kava described how school district membership is calculated and described several adjustments to revenue limits that may be made under special circumstances. He explained the referendum requirements that must be met in order to exceed revenue limits.

Mr. Kava also reviewed general school aids, which includes equalization aid, integration (ch. 227) aid, and special adjustment aid. He noted that in 2005-06, \$4.6 million was appropriated in general school aids.

The LFB staff proceeded to review the factors used to determine the amount of equalization aid provided to a school district annually, which include the total amount of funding available for distribution, the district's membership from the prior year, the shared cost from the prior year, the equalized value from the prior year, and the guaranteed valuation. Mr. Loppnow then provided examples of how the amount of equalization aid would be calculated for two hypothetical school districts. Mr. Loppnow noted that in the example, the two districts, each with equal per pupil spending, would have the same tax *rate* despite the difference in their property tax basis under the equalization factor included in the state school aid formula. The LFB staff also reviewed the other appropriations included in the two-thirds funding calculation, including categorical aids, reimbursement of special education costs, bilingual education, and pupil transportation aid, and SAGE funding. The LFB staff also outlined the calculation of the school levy tax credit and briefly described the operation of the qualified economic offer used in collective bargaining.

The LFB staff also responded to questions relating to the operation of the school aid formula and clarified how the formula operates.

Other Business Related to Committee Assignment

Representative Mursau indicated that there was increasing interest in addressing the issues related to the Menominee school district in his Assembly district. Also, members pointed out the accounting requirement relating to showing fringe benefit costs in school budgets may be an issue the committee should consider.

There was no other business related to the committee assignment that was brought before the committee.

Discussion of Committee Assignment and Plans for Future Meetings

Chair Olsen indicated that the next meeting of the Special Committee will be held on *Thursday, October 5, 2006, at 10:00 a.m., in the Legislative Fiscal Bureau Conference Room, Madison, Wisconsin*, and would involve invited testimony from superintendents and business managers from representative school districts throughout the state. He also indicated that the committee had tentatively

scheduled a third meeting for *Wednesday, October 25, 2006, at 10:00 a.m., in the Legislative Fiscal Bureau Conference Room, Madison, Wisconsin.*

Adjournment

The meeting was adjourned at 2:30 p.m.

RW:tlu