



Legislative Fiscal Bureau

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TO: Members
Special Committee on Review of State School Aid Formula

FROM: Russ Kava and Layla Merrifield

SUBJECT: School District Consolidation Aid Under Current Law

This memorandum summarizes the aid incentives provided under current law for school district consolidation. The first section of the memorandum describes current law governing school district consolidation under Chapter 117 of the statutes. The second section presents the criteria that by law must be considered in school district reorganizations, including a school district consolidation. The final section of the memorandum describes the aid incentives under current law for a school district consolidation, and shows an example of this additional aid.

Statutory Procedure for School District Consolidation

School district consolidation may be initiated by the adoption of resolutions by two or more school boards stating that they will consider consolidating their school districts. The school district clerk of each school board adopting such a resolution must send a certified copy of the resolution to the school boards of each of the other affected school districts and to the Secretary of the School District Boundary Appeal Board (SDBAB).

In the first July following adoption of the resolutions to consider consolidation, the affected school boards may order the school districts consolidated by adoption of resolutions ordering the consolidation. A consolidation may occur only if all of the affected school boards agree by August 1. The school district clerk of each school board must, within five days after the adoption of a resolution either ordering or denying a consolidation, send a certified copy of the resolution to the school boards of each of the other affected school districts and file a certified copy of the resolution with the SDBAB. If the resolution approves reorganization, within five days after receipt of the resolution, the Secretary of the SDBAB must send a certified copy to the clerk of each city, village, town or county, any part of which is contained within an affected school district.

If the school board of each affected school district adopts a resolution ordering the consolidation, the consolidation takes effect on the next July 1, unless a referendum is required. If the affected school boards agree to consolidate, a referendum must be held if a petition requesting a referendum is filed before the second Tuesday of September. The petition must be signed by at least 10% of the electors who reside in any affected school district and must be filed with the clerk of the school district that has the highest equalized valuation of the affected school districts. Alternatively, a referendum must be held if, at the time of adopting a resolution ordering the consolidation, the school board of any affected school district directs the holding of a referendum. The results of the referendum vote are binding, and the referendum must pass in each affected school district for the consolidation to occur. The consolidation referendum is held on the Tuesday following the first Monday in November. If the consolidation is approved, then the school districts are consolidated as of the next July 1.

On the effective consolidation date of two or more districts, the school districts that were consolidated cease to exist. Title to all property and the assets of the school districts become vested in the new consolidated district. Claims, obligations and contracts of the school districts become claims, obligations, and contracts of the new consolidated school district. Employees of the school districts become employees of the new consolidated district. The new consolidated district assumes the rights and obligations of the consolidating districts under the provisions of any collective bargaining agreement that applies to these employees. The collective bargaining agreement remains in effect until the expiration date of the agreement or until a new collective bargaining agreement between the school district and representatives of these employees is effective, whichever occurs first. A written agreement between two or more school districts considering consolidation to continue to operate a program or facility at a specific location for a specified period after consolidation, not to exceed five years, is binding on the new joint interim school board or elected school board.

The school boards of the consolidating school districts make up the joint interim school board of the new school district. The joint interim school board begins its duties, if no referendum is required, on the second Tuesday of September following the adoption of the resolution to consolidate, or, if a referendum is required, on the 31st day following the date the order of reorganization is filed. The joint interim board has all of the powers and duties of a school board elected for the school district and performs those duties until a new school board is elected. The date of the next election is set in the resolution to consolidate, usually within four months after the consolidation effective date. Any action of the joint interim school board requires an affirmative vote of a majority of a quorum of the joint interim board.

Any person aggrieved by the denial of the consolidation by the school boards may appeal the decision to a circuit court. To begin the appeal, the aggrieved person must serve written notice, specifically stating the grounds for the appeal, upon the Secretary of the SDBAB and file the notice with the clerk of circuit court of any county in which any territory of any affected school district is located. The appeal must be initiated within 30 days after copies of the school boards' decisions are filed with the Secretary of the SDBAB.

Criteria for School District Reorganizations

The statutes list a number of criteria by which school boards and the SDBAB must evaluate school district dissolution or reorganization requests, including school district consolidations. The effect of the reorganization is assessed for the educational welfare of all the children residing in all of the affected school districts. The following items must be considered:

- a. geographical and topographical characteristics of the affected school districts, including the estimated travel time to and from school for pupils in the school districts;
- b. the educational needs of students, the educational programs currently offered by each affected school district and the ability and commitment of each school district to meet those needs and continue to offer those educational programs;
- c. if territory is proposed to be detached from one school district and attached to an adjoining school district, whether the proposed detachment will have any adverse effect on the program currently offered by the school district from which the territory is proposed to be detached, including both curricular and extracurricular aspects of that program;
- d. the testimony of and written statements filed by the residents of the affected school districts;
- e. the estimated fiscal effect of the proposed reorganization on the affected school districts, including the effect of the apportionment of assets and liabilities;
- f. whether the proposed reorganization will make any part of a school district's territory noncontiguous;
- g. the socioeconomic level and racial composition of the pupils who reside or will reside in territory proposed to be detached from one school district and attached to an adjoining school district or in a school district proposed to be dissolved;
- h. the proportion of the pupils who reside in such territory who are children at risk;
- i. the effect that the pupils affected by a reorganization will have on the present and future socioeconomic level and racial composition of the affected school districts and on the proportion of the affected school districts' enrollments that will be children at risk;
- j. the results of any referendum relating to dissolution; and
- k. other appropriate factors may be considered.

Consolidation Aid Incentives Under Current Law

There are two separate aid provisions relating to school district consolidations. First, current law establishes a five-year hold harmless for the consolidated school district. The statutes specify that 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 general school aids cannot be less than the total aggregate general school aids received by the consolidating school districts in the school year prior to the consolidation.

Second, an aid incentive is provided for those districts that do consolidate. In calculating general school aids for a school district created by a consolidation, in the school year in which the consolidation takes effect and in each of the subsequent four school years, the primary and secondary cost ceiling amounts for shared costs are multiplied by 1.1 and rounded to the next lowest dollar. The same is true for a consolidated district's primary, secondary, and tertiary guaranteed valuations per member, which are multiplied by 1.1 and rounded to the next lowest dollar, for the same period of time. Further, any additional state aid generated by these three provisions for a consolidated district is outside of revenue limits.

As a result of these provisions, more of a consolidated school district's costs are aided at the more generous primary and secondary levels of the formula than would be the case if the school districts remained separate. Further, those costs are aided more generously for a consolidated district as a result of the higher guarantees provided by the state at each level of the formula. Because the incremental aid generated by the higher cost ceilings and guarantees is outside of revenue limits, it represents an additional financial resource for a consolidated district, rather than a property tax reduction under revenue limits. The aid that would otherwise be generated if the districts remained separate remains under the revenue limit.

As an example of the effects of the current law consolidation aid incentives, a brief summary of the aid effects relating to the school district consolidation that occurred this year is presented. Beginning with the 2006-07 school year, Trevor Grade School and Wilmot Grade School consolidated and became the Trevor-Wilmot Consolidated School District. As a result of this action, aid for the consolidated district from 2006-07 to 2010-11 will be calculated using the more generous cost ceilings and guarantees noted above. The attachment to this memorandum provides additional detail on the aid calculation for Trevor-Wilmot Consolidated for 2006-07. If the two districts had remained separate in 2006-07, Trevor would have received \$2,760,952 in aid, which is 68.4% of its shared costs. Wilmot would have received \$805,842, which is 51.6% of its shared costs. As a consolidated district, Trevor receives \$3,005,931 in aid, which is 74.5% of its shared costs, and Wilmot receives \$939,325, which is 60.2% of its shared costs. The incremental aid increase of \$378,462 is outside of the Trevor-Wilmot revenue limit for 2006-07.

RK/LM/sas
Attachment

ATTACHMENT

2006-07 General Aid Calculation for the Trevor-Wilmot Consolidated School District

Trevor Grade School				Wilmot Grade School			
Membership	413	Membership	146				
Shared Cost per Member	\$9,768	Shared Cost per Member	\$10,690				
Adjusted Value per Member *	\$325,425	Adjusted Value per Member *	\$458,314				
Aid Calculated as Separate Districts							
	Total				Total		
	Aidable Cost	Aid		Aidable Cost	Aidable	Guaranteed	Aid
	Per Pupil	Percentage	Amount	Per Pupil	Costs	Valuation	Percentage
Primary	\$1,000	83.1%	\$343,362	\$1,000	\$146,000	\$1,930,000	76.3%
Secondary	7,252	74.8	2,240,620	7,252	1,058,792	1,291,886	64.5
Tertiary	1,516	32.6	204,325	2,438	356,007	483,017	5.1
Prior Year Adjustment							
Charter Reduction			-\$3,820	Prior Year Adjustment			-\$6
			-\$23,535	Charter Reduction			-\$6,860
District Subtotal	\$9,768	68.4%	\$2,760,952	District Subtotal	\$10,690	\$1,560,799	51.6%
Aid Calculated as Consolidated District**							
Primary	\$1,100	84.7%	\$384,662	Primary	\$1,100	\$2,123,000	78.4%
Secondary	7,977	77.1	2,540,063	Secondary	7,977	1,421,074	67.7
Tertiary	691	38.8	110,646	Tertiary	1,613	531,318	13.7
Prior Year Adjustment				Prior Year Adjustment			-\$6
Charter Reduction			-\$3,820	Charter Reduction			-\$7,996
			-\$25,620				
District Subtotal	\$9,768	74.5%	\$3,005,931	District Subtotal	\$10,690	\$1,560,799	60.2%
Summary							
Total Aid as Separate Districts			\$3,566,794				
Total Aid as Consolidated District			\$3,945,256				
Difference			\$378,462				

*Because Trevor and Wilmot are K-8 districts, the value per pupil shown for each is adjusted to be 2/3 of the total property valuation within the districts' boundaries.

** While Trevor-Wilmot consolidated into a single district for the 2006-07 school year, aid entitlements are calculated separately as two districts because general aids are calculated on a prior year basis.