



WISCONSIN LEGISLATIVE COUNCIL

REVIEW OF STATE SCHOOL AID FORMULA

Legislative Fiscal Bureau Conference Room
Madison, Wisconsin

December 18, 2006
10:00 a.m. – 1:15 p.m.

[The following is a summary of the December 18, 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, Julie Lassa, and Jon Erpenbach; Reps. Brett Davis, 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, and Ron Welch.

COMMITTEE MEMBERS EXCUSED: Rep. Jason Fields; and Public Member Andy Reschovsky.

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

Approval of the Minutes of the November 17, 2006 Meeting of the Special Committee

Representative Williams moved, seconded by Gary Andrews to approve the minutes of the November 17, 2006 meeting of the Special Committee. The motion passed on a unanimous voice vote.

Chair Olsen's Remarks

Chair Olsen thanked members for e-mailing the staff their ideas for "near-term" solutions to help school districts facing financial difficulties. He explained that he reviewed all of the submissions with

staff to identify those that were of interest to a large number of committee members. He asked the Legislative Fiscal Bureau (LFB) to prepare discussion papers on those ideas for today's meeting, but he explained that the other ideas that have been submitted can be discussed at future meetings if the committee decides there is sufficient interest to pursue any of them. He also encouraged committee members to feel free to send staff any additional ideas they may have.

Discussion of Committee Assignment

Chair Olsen asked the LFB to briefly describe the papers prepared for the meeting relating to financial issues.

Layla Merrifield, Fiscal Analyst, LFB, outlined the contents of a memorandum prepared on the *Public Transportation Costs – Options For Additional Categorical Aid*, dated December 18, 2006. She explained that the memorandum provided information relating to options for additional categorical aid for school districts with high school district pupil transportation costs. Ms. Merrifield reviewed Attachment 1 showing transportation costs as a percentage of total education cost by district and indicating which costs exceeded certain thresholds. Ms. Merrifield explained that one option for the committee to consider would be to provide aid to districts whose pupil transportation costs are comparatively high, such as greater than 3% of the total education costs of the district. She also indicated that the state could fund 75% of transportation costs above certain percentages. For example, if the state chose to provide aid for 75% of the transportation costs above 5% of total district educational costs, the estimated total aid would be \$6 million annually. With funding for 75% of transportation costs above 4% of total costs, the annual estimated aid would be \$18.6 million. For a policy that would fund 75% of transportation costs above 3% of total costs, the annual estimated aid would be \$47.9 million.

Chair Olsen noted that this funding could be shifted from other current transportation funding rather than be provided as new money.

In response to a question, Dave Carlson, Department of Public Instruction (DPI), outlined the current DPI transportation aid program.

Chair Olsen asked whether it would be feasible to provide funding based on the mileage driven as opposed to the number of pupils and the distance that pupils are transported.

The committee also discussed whether it would be more appropriate to make a decision on transportation aid after deciding whether to provide any aid based on sparsity. Following this discussion, the committee decided to review the LFB memorandum on sparsity before making any final decisions on transportation aid.

Ms. Merrifield also reviewed for the committee her paper dated December 19, 2006, entitled, *Large Area, Low Enrollment School Districts – Options for Sparsity Aid*. Ms. Merrifield explained that the memorandum provides information related to options for a categorical aid program for school districts with large geographical areas and low enrollment. She reviewed various factors that could be used in a formula for providing aid to those districts, such as low enrollment or large area, expressed in square miles. She described the attachment to the memorandum showing, for example, that there are 223 school districts in Wisconsin with areas over 100 square miles and these districts have a total

enrollment of 353,535 students. The committee discussed at some length what would be the appropriate size and characteristics for a district to be eligible for sparsity aid. During this discussion, the committee considered whether it would be more appropriate to provide transportation aid rather than sparsity aid. Mr. Berry stated that if there was to be sparsity aid or transportation aid for low enrollment districts he would favor placing a cap on that aid and how the aid would be calculated.

Following this discussion, the committee determined that transportation would be a more appropriate focus than sparsity and asked that the staff prepare possible options for the distribution of additional support for high transportation cost districts. It was also agreed that there would be an attempt to find data relating to the number of miles pupils are transported and the number of miles buses travel annually to possibly serve as a different base for transportation aid. Staff was also asked to provide options ranging from adding \$18.5 million of new money as well as providing a shift of \$18.5 million from the equalization formula. In addition, it was agreed that the committee could look at possibly modifying the current transportation aid package. Finally, it was agreed that staff would calculate the additional aid that would be generated if districts that incurred more than 5% of their costs on transportation were aided at a level of 75% of those costs.

Russ Kava, Fiscal Analyst, LFB, reviewed the memorandum dated December 18, 2006, entitled, *Additional Information on Declining Enrollment Alternatives*. Mr. Kava indicated that the memorandum provides additional detail on two alternatives relating to declining enrollment discussed at the November 17 meeting of the committee. He indicated that the first alternative involved a delay by one year in the enrollment counts used to calculate revenue limits. The second alternative described by Mr. Kava involved a restructuring of the current law relating to declining enrollment adjustments to move from a single year to a three-year adjustment. After reviewing the data and the options, the committee determined that the second alternative best addressed the declining enrollment issues facing school districts. It was acknowledged that this approach would not necessarily fix the problem but would allow school districts more latitude to address problems at the local level. It was agreed that the LFB staff would prepare an additional memorandum on the program for the committee's review.

Mr. Kava also reviewed the memorandum entitled, *Revenue Limits – Low-Revenue Ceiling*, dated December 18, 2006. Mr. Kava explained that the memorandum discusses the history of the low-revenue ceiling provision under revenue limits and alternatives to provide additional revenue limit authority under the provision.

Chair Olsen suggested that allowing the low revenue ceiling to increase could be seen as a way of addressing the "adequacy" issue by permitting a higher spending ceiling for low spending districts. He suggested that if the low spending districts were permitted to enjoy more latitude, this could allow those districts to approach or achieve a level of adequacy that would not otherwise be attainable. Several options were suggested to allow school districts to increase their levy, above their revenue cap, including a proposal to allow a board to assess higher property taxes in an initial year with state aid in subsequent years increased to support that spending level.

During this discussion, several members raised the issue of the discrepancy between the revenue limits and the 3.8% increase allowed under the qualified economic offer (QEO). Committee members pointed to the imbalance of revenues versus increasing costs as causing serious problems. The consensus was that the equalized aid formula functions appropriately, but with revenue caps spending levels are not able to keep up with cost requirements driven by salary and health care costs.

During this discussion, the suggestion was made to cap high spending districts to let others “catch up” to those districts. Chair Olsen disagreed with this suggestion and indicated that he thought it would be good public policy to let some school districts spend more rather than restricting their ability to spend. Senator Darling agreed with this observation, explaining her view that it was better not to restrict the top spending districts but to allow the lower spending districts to increase spending at a somewhat faster pace. The committee agreed to focus on the operation of the revenue caps rather than the state aid formula, since it is the area where changes are most needed in the current system of school funding. It was agreed that addressing the gap between the revenue generated under the caps and the ongoing actual costs would be a valuable improvement.

A suggestion was made that one approach that would retain local control would be to allow a school board to increase spending over the revenue cap level utilizing local property taxes only without any state aid. This amount then would not be counted towards a two-thirds funding goal when calculating state aid. A suggestion was made that this authority could be limited by capping it at a certain percentage or requiring a supermajority vote of the school board to exceed the revenue cap. Senator Erpenbach stated that there is no reason to impose a supermajority vote requirement on such a decision because school boards would be accountable to the voters for any decision that did not reflect their interest. In response to a question, Chair Olsen stated that under the proposal, a school board could vote to exceed the revenue cap without going to referendum and if it did so, state aid would not be provided for spending exceeding the revenue cap. However, if a referendum to increase spending were held and passed, state aid would be available to support any additional spending, as is the case in current law. Mr. Loppnow, in response to a question, suggested that this approach could raise legal questions with regard to the ability of certain districts to incur higher costs with substantially lower resources.

During this discussion, a question arose as to cost savings that may be realized with shared services. It was agreed that most districts already have substantial incentive to enter into agreements with other districts or with cooperative educational service agencies (CESAs) to jointly provide services or share services. Staff was asked to obtain information on the number of districts that share some level of services or work through CESA districts to address collective purchasing of services and materials.

Following additional discussion relating to district costs, it was agreed that health care costs constitute a significant problem but that the health care funding system is beyond the scope of the committee’s charge. Therefore, it was agreed that it would be more appropriate to focus on flexible ways for local districts to address local funding issues themselves. It was also noted that this would not involve a determination at the state level of what is an adequate curriculum for a school to fund, leaving that decision to a greater extent to the local elected school board. Following this discussion it was agreed that staff would prepare a paper that would provide a projection of how the additional spending authority under the proposal to allow school boards to exceed revenue caps would affect the school aid funding picture over the next four to five years.

The committee also discussed funding schools with an expanded sales tax. Senator Erpenbach opined that an expanded sales tax would constitute an excellent source of funds that could be used to replace the property tax portion of the state school aid formula. The committee discussion on this point focused on the imbalance of state spending and available revenues.

Plans for Future Meetings

It was agreed the committee would next meet on *January 22, 2006*. Chair Olsen indicated that if general agreement was reached by the committee at that time, it could be the last meeting of the committee. He indicated that any additional items, including the school consolidation issue, could be taken up at the January 22nd meeting.

Adjournment

The meeting was adjourned at 1:15 p.m. The next meeting of the Special Committee will be held on *January 22, 2006, at 10:00 a.m., in the LFB Conference Room*.

RW:tlu