



Legislative Fiscal Bureau

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November 30, 2005

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 418: State Aid to Certain Large-Area, Declining Enrollment School Districts

Assembly Bill 418, relating to providing aid to certain school districts with large areas and declining enrollments, was introduced May 12, 2005, and referred to the Joint Committee on Finance.

BACKGROUND

The Florence School District covers all of Florence County, with an approximate area of 497 square miles. In addition, the District has experienced declining enrollment in recent years, from an aid membership of 889 in aid year 2000-01, to an aid membership of 779 in aid year 2003-04, which represents a decrease of 12.4%. The aid membership used to calculate aid for the 2005-06 aid year is 692 for Florence, for an overall decline of 22.2% since 2000-01. In 2005-06 the Florence School District has a school mill rate of \$9.49 per \$1,000 of equalized value, and has an equalized value of \$463.2 million.

On July 11, 2005, the Florence School District board adopted a resolution to order the dissolution of the District, effective July 1, 2006. The board scheduled two referenda for November 8, 2005. First, a nonbinding advisory referendum on the dissolution of the District was held, which voters rejected. Second, a referendum was held to exceed the District's revenue limit by \$500,000 in 2005-06, \$750,000 in 2006-07, \$1,000,000 in 2007-08, and \$1,250,000 in 2008-09 and 2009-10. The second referendum passed. On November 15, 2005, the School District Boundary Appeal Board, which under current law reviews certain school district reorganizations, voted to reject the dissolution of the District.

CURRENT LAW

Under current law, categorical aid funding is provided under a program known as supplemental aid for school districts with a large area, with an annual appropriation of \$125,000 GPR. In order to be eligible, a school district must have: (a) an area of at least 200 square miles; (b) had an enrollment in the previous school year of fewer than 500 pupils; and (c) at least 80% of the real property in the school district that is exempt from taxation, is taxed as forest cropland, or is tribal land. The Department of Public Instruction is required to award eligible school districts \$350 per pupil. If the appropriation is insufficient to pay the full amount, funding must be prorated among the eligible school districts. Under current law, the supplemental aid appropriation has not been fully expended since 1999-00. In 2004-05, a total of \$95,550 was expended. In 2005-06, it is estimated that a total of \$93,100 will be expended under the program. In 2004-05 and 2005-06, one school district (Laona) qualified for aid under this program.

SUMMARY OF BILL

AB 418 would provide that, if in any fiscal year the amount appropriated for supplemental aid is not fully expended under the provisions of current law, then the remaining balance would be used to pay school districts satisfying a second set of criteria. Each district that met the following criteria would receive \$350 for each pupil enrolled in the school district in the previous year: (a) the school district is at least 475 square miles in area; and (b) the school district's aid membership in the 2000-01 and 2003-04 school years declined more than 12% between those school years. AB 418 would provide that, if the balance is insufficient to pay the full amount, the funds would be prorated among the entitled school districts. Finally, if enacted, the bill would first apply to state aid distributed in the 2005-06 school year.

FISCAL EFFECT

Based on the factors specified in AB 418, only the Florence School District would qualify for aid under the bill. Because the Florence School District would be added to the supplemental aid program, that appropriation would be fully expended beginning in 2005-06, rather than lapsing approximately \$30,000 annually to the general fund. However, state GPR appropriations would not be increased under this modification.

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