



Legislative Fiscal Bureau

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 442/Senate Bill 412: Whole Grade Sharing Categorical Aid

Assembly Bill 442 was introduced on September 13, 2019, and was referred to the Assembly Committee on Education. On October 29, 2019, the Assembly Committee on Education recommended adoption of Assembly Amendment 1 by a vote of 13-0, and recommended the bill for passage as amended on a vote of 13-0.

Senate Bill 412, a companion bill to AB 442, was introduced on September 17, 2019, and was referred to the Senate Committee on Education. On October 17, 2019, the Senate Committee on Education recommended adoption of Senate Amendment 2 by a vote of 9-0, and recommended the bill for passage as amended on a vote of 9-0.

BACKGROUND

Under current law, two or more school districts can enter into a whole grade sharing agreement to allow all or a substantial portion of the pupils enrolled in one or more grades to attend school in another district for all or a substantial portion of the school day. Under such an agreement, two or more districts can consolidate pupils in a particular grade level by offering that grade in only one of the participating districts.

The districts may enter into a whole grade sharing agreement prior to February 15 of school year preceding the first year in which the agreement would take effect. The information that must be included in the agreement is specified in law, and includes the grade levels that would be subject to the agreement; the payment that would be provided by the district of residence to the district of attendance; and which school district would be responsible for granting diplomas, maintaining pupil records, and providing transportation to pupils attending a non-resident district under the agreement.

A school board must adopt a resolution stating its intention to enter into a whole grade sharing agreement at least 60 days before doing so. A public hearing must be held at least 30 days before the

agreement is entered at which the proposed agreement is described and any school district elector can comment. A feasibility study of the whole grade sharing agreement can be requested through a petition signed by at least 20% of the electors residing in the school district and filed with the school board within 30 days after the school board resolution is published. If a study is requested, the school board must contract with an approved organization to conduct the feasibility study upon receiving the petition and post the results of the study on its Internet site.

Current law does not provide any additional categorical aids for school districts that enter into a whole grade sharing agreement. However, in the school year in which a whole grade sharing agreement takes effect and each of the following four school years, DPI is required to pay additional general aid to each participating district to ensure that no district would receive less state aid than the amount for which the district was eligible in the school year prior to the school year in which the agreement took effect. In the fifth school year, each school district is entitled to a payment equal to 66% of the payment in the prior year, and in the sixth school year, each district is entitled to a payment equal to 33% of the payment from two years prior. Additionally, the school district providing transportation to pupils under the agreement is eligible for state transportation aid.

A provision similar to the bill was added to Assembly Bill 64/Senate Bill 30 (the 2017-19 biennial budget bill) by the Joint Committee on Finance and passed by the Legislature. The provision was deleted through partial veto.

Additionally, the Blue Ribbon Commission on School Funding recommended providing funding for whole grade sharing in January, 2019. The bipartisan Commission, which consisted of sixteen members, including legislators, school administrators, and other stakeholders, held public hearings and informational hearings throughout 2018 in locations throughout the state. During public hearings, the Commission heard testimony regarding the difficulty for school districts in rural areas of providing educational opportunities to pupils. The Commission recommended providing \$750,000 GPR annually to fund payments of \$150 per pupil included in a whole grade sharing agreement.

In its fiscal estimate, DPI indicated that no school boards have entered into a whole grade sharing agreement, and the Department is not aware of any districts pursuing a whole grade sharing agreement.

SUMMARY OF BILL

Under AB 442/SB 412, a new appropriation would be created providing \$750,000 GPR annually beginning in 2019-20 for aid for whole grade sharing agreements.

Beginning in 2019-20, a school board would be eligible for aid if it does both of the following: (a) enters into a whole grade sharing agreement; and (b) adopts a resolution declaring that it will consider consolidation. Aid would be equal to \$150 multiplied by the number of pupils enrolled in the district in a grade level that is subject to the whole grade sharing agreement. A school board could qualify for aid for up to five years of a whole grade sharing agreement. The bill specifies that if funding in the appropriation is insufficient, payments would be prorated.

SUMMARY OF ASSEMBLY AMENDMENT 1/SENATE AMENDMENT 2

Assembly Amendment 1/Senate Amendment 2 would modify the bill so that school boards could first qualify for aid under the program in 2020-21, rather than 2019-20. As a result, the \$750,000 GPR provided in 2019-20 is deleted.

AA 1/SA 2 also specifies that a school board must participate in a whole grade sharing agreement in order to qualify for aid under the program. (The bill does not require that a district participate in a whole grade sharing agreement in order to qualify for aid, only that the district enter into such an agreement.)

In addition, AA 1/SA 2 includes a non-statutory provision specifying that in the 2019-20 school year, a school board could enter into a whole grade sharing agreement until May 2, 2020. AA 1/SA 2 also deletes an effective date provision from the bill.

FISCAL EFFECT

As described above, the bill as amended would provide \$750,000 GPR for the whole grade sharing categorical aid program beginning in 2020-21.

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