



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #631

### High Poverty Aid (DPI -- General School Aids and Revenue Limits)

[LFB 2023-25 Budget Summary: Page 484, #3]

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#### CURRENT LAW

Base funding of \$16,830,000 GPR is appropriated for high poverty aid. A district is eligible for high poverty aid if at least 50% of its enrollment on the third Friday of September in the immediately preceding even-numbered year, rounded to the nearest whole percentage point, satisfied the income eligibility criteria for a free or reduced-price lunch in the national school lunch program. Aid per pupil is calculated by dividing the appropriated amount by the total pupil membership of all eligible districts, using the pupil membership data from the equalization aid calculation in the first year of the biennium. A district's total payment is determined by multiplying that amount by each district's pupil membership.

By law, for all districts except the Milwaukee Public School (MPS), this aid is subject to revenue limits. For MPS, high poverty aid must be used to reduce the property tax levied to offset the aid reduction attributable to the Milwaukee private school choice program. In either case, the effect of this aid is to reduce the property tax levy of the eligible school district.

Under the private school choice programs, the state pays a statutorily-determined per pupil amount for children from eligible families to attend participating private schools. For the Milwaukee program, DPI was required by law to reduce the general school aid for which MPS was eligible in 2022-23 by a net amount of 6.4% of the estimated total cost of the Milwaukee program, after consideration of aid that is paid to the City of Milwaukee to reduce the levy it raises on behalf of MPS. This percentage will be reduced by 3.2 percentage points each year, until no aid reduction is made in 2024-25. Under revenue limits, MPS can levy to make up for the aid reduction, less the amount of high poverty received.

## DISCUSSION POINTS

1. High poverty aid was created in the 2007-09 budget act. Attachment 1 provides historical information on high poverty aid since its creation, including the amount appropriated each year, the number of eligible districts, and the aid per pupil paid to eligible districts. Because the calculation is based on enrollment from the immediately preceding even-numbered year, the number of eligible districts and aid per pupil is the same in both years of a biennium, unless the appropriation amount is different between the two years. Attachment 2 shows the distribution of high poverty aid for 2022-23.

2. The creation of high poverty aid was related to the financing structure for the Milwaukee private school choice program. At the time of its creation, general fund expenditures for the Milwaukee program were offset by a reduction in the general aid that would otherwise have been paid to MPS in an amount equal to 45% of choice expenditures. Under revenue limits, MPS could increase its levy to backfill that aid reduction. As a result, the general fund paid for 55% of the choice program and MPS for 45%. Providing high poverty aid to MPS to reduce the choice levy increased the state share of choice program costs and reduced the MPS share. Providing additional general aid under revenue limits to other districts that met the 50% poverty threshold provided a similar benefit to other districts across the state with concentrations of poverty.

3. Under the 2009-11 budget act, the 45% aid reduction to MPS was split into two parts, with the MPS aid reduction set at 38.4% of choice expenditures beginning in 2010-11 and an amount equal to 6.6% of the cost of the program beginning in 2010-11 being paid to the City of Milwaukee to reduce the choice levy. The 2013-15 budget act specified that the 38.4% MPS aid reduction would be reduced by 3.2 percentage points per year, beginning in 2013-14, thus establishing the current 12-year phase-out of the MPS aid reduction.

4. The October 15, 2022, general aid calculation used an estimate of \$240.9 million for the total cost of the Milwaukee program in 2022-23. Thus, MPS's general aid was reduced by a total of \$15.4 million. In 2022-23, MPS received \$3.9 million in high poverty aid. After consideration of high poverty aid, the effective aid reduction for MPS related to the choice program was \$11.5 million, which was 4.8% of the estimated cost of the program in 2022-23.

5. Under current law, there will be no choice aid reduction for MPS beginning in 2024-25, with the program being fully state funded at that point. Thus, there will no choice levy for high poverty aid received by MPS to offset.

6. The high poverty aid appropriation makes up a very small proportion of overall state general aid funding. In 2022-23, the \$5,201.6 million in the equalization aid appropriation represented 99.7% of total general aid funding, while the high poverty aid appropriation represented 0.3% of the total.

7. Given that one of the original rationales for the creation of high poverty aid will no longer exist, and that the funding is a relatively small proportion of total general aid, the Committee could choose to delete the funding and program statutes for high poverty aid. [Alternative 1]

8. The budget bill would delete \$16,830,000 GPR annually in base funding and the appropriation and program statutes for high poverty aid.

9. It could be viewed as desirable to continue to provide additional general aid funding to districts with concentrations of poverty, even if one of the original rationales for the program would no longer apply. Property wealth, not income wealth, is used to determine the distribution of equalization aid. High poverty aid provides a means, however minor, of using income in the distribution of general aid.

10. The Committee could choose to maintain base funding for high poverty aid, but delete the statutory language specifying that high poverty aid received by MPS must be used to reduce the property tax levied to offset the aid reduction attributable to the Milwaukee private school choice program. [Alternative 2] Without this language, high poverty aid received by MPS would be treated in the same manner as high poverty aid received by any other eligible district.

## ALTERNATIVES

1. Delete \$16,830,000 annually and the appropriation and program statutes for high poverty aid.

ALT 1	Change to Base
GPR	- \$33,660,000

2. Beginning in 2023-24, delete the statutory language specifying that high poverty aid received by MPS must be used to reduce the property tax levied to offset the aid reduction attributable to the Milwaukee private school choice program.

3. Take no action.

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Attachments



## ATTACHMENT 1

### High Poverty Aid Funding History

	<u>Funding</u>	<u>Number of Eligible Districts</u>	<u>Aid Per Pupil</u>
2007-08	\$9,000,000	24	\$80
2008-09	12,000,000	24	107
2009-10	18,700,000	47	112
2010-11	18,700,000	47	112
2011-12	16,830,000	99	69
2012-13	16,830,000	99	69
2013-14	16,830,000	110	58
2014-15	16,830,000	110	58
2015-16	16,830,000	103	66
2016-17	16,830,000	103	66
2017-18	16,830,000	68	80
2018-19	16,830,000	68	80
2019-20	16,830,000	102	66
2020-21	16,830,000	102	66
2021-22	16,830,000	130	54
2022-23	16,830,000	130	54



## ATTACHMENT 2

### 2022-23 High Poverty Aid by School District

<u>School District</u>	<u>Amount</u>	<u>School District</u>	<u>Amount</u>
Abbotsford	\$42,563	Gilman	\$17,882
Adams-Friendship Area	75,115	Gilmanton	8,727
Algoma	37,263	Goodman-Armstrong	5,622
Alma Center	28,590	Granton Area	12,903
Almond-Bancroft	23,450	Grantsburg	44,705
Antigo	116,447	Green Bay Area	1,147,070
Arcadia	67,191	Gresham	12,903
Ashland	107,506	Hayward Community	93,747
Augusta	32,123	Hillsboro	26,662
Baraboo	154,727	Independence	25,324
Barron Area	71,528	Janesville	488,863
Bayfield	23,075	Juda	12,207
Beaver Dam	185,030	Kenosha	1,073,240
Beecher-Dunbar-Pembine	12,903	Kickapoo Area	22,968
Beloit	347,146	Lac du Flambeau #1	30,410
Berlin Area	82,129	LaCrosse	337,295
Birchwood	10,922	Ladysmith	40,529
Black Hawk	21,255	LaFarge	13,385
Black River Falls	91,659	Lake Holcombe	15,152
Boscobel Area	41,332	Lakeland UHS	39,137
Bowler	20,880	Luck	26,823
Brown Deer	89,785	Madison Metropolitan	1,443,569
Bruce	26,930	Marinette	115,858
Butternut	7,174	Marion	25,592
Cassville	12,635	Mauston	74,419
Chequamegon	39,672	Mellen	14,509
Chetek-Weyerhaeuser	56,537	Menasha	187,707
Clayton	16,062	Menominee Indian	52,789
Clintonville	65,906	Mercer	7,710
Colby	53,003	Milwaukee	3,929,164
Cornell	21,683	Montello	37,638
Cudahy	125,549	Necedah Area	38,387
Delavan-Darien	135,239	Nekoosa	58,625
DeSoto Area	28,269	New Auburn	14,884
Dodgeland	37,210	New Lisbon	32,605
Drummond	19,702	North Crawford	23,611
Flambeau	29,500	North Fond du Lac	73,777
Florence	24,360	Northland Pines	68,905
Frederic	27,198	Norwalk-Ontario-Wilton	32,016
Gillett	30,035	Oconto	55,306

<u>School District</u>	<u>Amount</u>	<u>School District</u>	<u>Amount</u>
Owen-Withee	\$26,020	Superior	\$229,842
Phelps	5,568	Suring	19,649
Plum City	13,706	Thorp	29,661
Prairie du Chien Area	52,736	Tigerton	13,545
Prairie Farm	16,651	Tri-County Area	32,498
Racine	1,114,840	Turtle Lake	26,073
Rhineland	125,763	Twin Lakes #4	20,559
Richland	71,367	Two Rivers	90,427
River Ridge	28,965	Unity	54,235
Riverdale	36,567	Walworth J1	22,326
Royall	29,821	Wausaukee	21,523
Saint Francis	42,670	Wautoma Area	72,652
Seneca	12,421	Wauzeka-Steuben	12,796
Sharon J11	11,671	Webster	31,749
Shawano	126,352	West Allis	435,539
Sheboygan Area	542,135	Westfield	61,356
Shell Lake	29,500	Weston	15,687
Shullsburg	17,668	White Lake	8,620
Siren	23,450	Whitehall	38,923
South Milwaukee	152,157	Whitewater	108,202
South Shore	9,958	Winter	13,813
Sparta Area	169,236	Wisconsin Dells	92,247
Spooner Area	63,444	Wisconsin Rapids	272,566
Stanley-Boyd Area	57,715	Wonewoc-Union Center	20,024
Sturgeon Bay	59,160	Woodruff J1	<u>24,039</u>
		TOTAL	\$16,830,000