

# State Aid to School Districts



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# State Aid to School Districts

Under the provisions of Wisconsin's Constitution (Article X, Section 3), the Legislature is responsible for the establishment of public school districts which are to be "as nearly uniform as practicable" and "free and without charge for tuition to all children." Under the statutes, the state provides financial assistance to school districts to achieve two basic policy goals: (1) reduce the reliance upon the local property tax as a source of revenue for educational programs; and (2) guarantee that a basic educational opportunity is available to all pupils regardless of the local fiscal capacity of the district in which they reside.

The cost of elementary and secondary (K-12) education is supported by the state through three different methods. First, general aids are provided primarily through a formula that distributes aid on the basis of the relative fiscal capacity of each school district as measured by the district's per pupil value of taxable property. This formula is known as either the "general school aid formula" or the "equalization aid formula." In addition, the Legislature has also established other smaller general school aid programs. General aids are subject to revenue limits.

The second means of state support are categorical aids that in most cases partially fund specific program costs such as special education, class size reduction, pupil transportation, and bilingual education. Categorical aid is either paid on a formula basis or awarded as grants. Categorical aids are outside of revenue limits. Table 1 lists the various general and categorical school aid programs and the amounts appropriated for fiscal year 2014-15. More detailed descriptions of these aid programs are provided later in this paper.

The third method of state support is the school levy tax credit and the first dollar credit. These credits are paid to municipalities to offset the property tax. The appropriation through which these credits are funded was statutorily included in the definition of state support when the state provided two-thirds funding of K-12 partial school revenues. While these credits will be referenced in this paper within the context of total state support, the primary focus of this paper will be to describe direct state aid payments to school districts.

As shown in Table 1, over \$5.2 billion was appropriated for general and categorical school aids in 2014-15. Of that amount, 99% is funded through state general purpose revenues (GPR); the other one percent is supported with segregated revenues (SEG) and program revenues (PR). School aid represents approximately 32% of the state's total general fund budget for fiscal year 2014-15. It is the largest commitment by the state to any single governmental program.

This paper will first provide an overview of state aid to school districts. In subsequent sections, information will be provided on the equalization aid formula, other general school aids, and the various categorical aid programs. In addition, there are three appendices. The first appendix provides general descriptive statistics regarding school districts in Wisconsin. The second appendix provides sample calculations of the equalization aid formula. The third appendix provides additional detail on payments under the integration aid program. Finally, information on current year general school aid amounts and estimates of state support by school district are presented on the Legislative Fiscal Bureau webpage at: <http://legis.wisconsin.gov/lfb>.

**Table 1: General and Categorical School Aid by Funding Source in 2014-15**

Agency	Type and Purpose of Aid	Amount
	<i>General Aid--GPR Funded</i>	
	General School Aids*	\$4,475,960,500
	High Poverty Aid	<u>16,830,000</u>
	<i>Total General Aid</i>	\$4,492,790,500
	<i>Categorical Aid--GPR Funded</i>	
DPI	Special Education	\$368,939,100
	High-Cost Special Education Aid	3,500,000
	Supplemental Special Education Aid	1,750,000
	Per Pupil Aid	126,975,000
	SAGE	109,184,500
	SAGE--Debt Service	133,700
	Pupil Transportation	23,703,600
	High-Cost Transportation Aid	5,000,000
	Sparsity Aid	13,453,300
	Bilingual-Bicultural Aid	8,589,800
	Tuition Payments	8,242,900
	Head Start Supplement	6,264,100
	Educator Effectiveness Grants	5,746,000
	School Lunch	4,218,100
	County Children with Disabilities Boards	4,067,300
	Career and Technical Education Incentive Grants	3,000,000
	School Breakfast	2,510,500
	Peer Review and Mentoring	1,606,700
	Four-Year-Old Kindergarten Grants	1,350,000
	School Day Milk	617,100
	Aid for Transportation--Open Enrollment	434,200
	Aid for Cooperative Educational Service Agencies	260,600
	Gifted and Talented	237,200
	Supplemental Aid	100,000
	Aid for Transportation--Youth Options	17,400
DOA	Debt Service on Technology Infrastructure Bonding	<u>2,052,300</u>
	<i>Total Categorical Aid--GPR Funded</i>	\$701,953,400
	<i>Categorical Aid--PR Funded</i>	
DPI	AODA	\$1,284,700
	Tribal Language Revitalization Grants	<u>222,800</u>
	<i>Total Categorical Aid--PR Funded</i>	\$1,507,500
	<i>Categorical Aid--SEG Funded</i>	
DPI	School Library Aids	\$34,000,000
DOA	Educational Telecommunications Access Support	11,105,100
UW	Environmental Education, Forestry	200,000
	Environmental Education, Environmental Assessments	<u>130,500</u>
	<i>Total Categorical Aid--SEG Funded</i>	\$45,435,600
	<i>Total Categorical Aid--All Funds</i>	\$748,896,500
	<i>Total School Aid--All Funds</i>	\$5,241,687,000

\*Includes eligibility for equalization aid (\$4,396.5 million), integration aid (\$65.3 million), and special adjustment aid (\$14.2 million). These eligibility amounts will be reduced by \$61.1 million attributable to the Milwaukee parental choice program and \$68.6 million related to the independent "2r" charter school program that will lapse (revert) to the general fund.



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## Overview of School Finance

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The state has 368 K-12 districts, 46 elementary (K-8) districts, and 10 union high school (UHS) districts, for a total of 424 school districts in 2014-15. All are fiscally independent; that is, they do not depend on other local units of government such as counties or municipalities for their local tax revenue. In addition, 12 cooperative educational service agencies (CESAs), which are fiscally dependent on school districts, provide programs and services to local districts. In 2014-15, four counties operate county children with disabilities education boards (CCDEBs), of which one (Marathon) is fiscally dependent and three (Brown, Calumet, and Walworth) are fiscally independent.

School districts are classified as common (367), union high (10), unified (46) and first class city (Milwaukee). Common and union high districts are required to hold an annual meeting at which a majority of electors present approve the district's property tax levy. However, the school board has the authority to adjust the tax levy if it is determined that the annual meeting has not voted a tax sufficient to operate and maintain the schools or for debt retirement. School boards in unified and first class city school districts do not hold annual meetings.

School districts derive their revenue from four major sources: state aid, property tax, federal aid, and other local nonproperty tax revenues such as fees and interest earnings. Table 2 shows revenue by source for 2012-13, which is the most recent year for which audited data is available. The state aid amount shown in Table 2 includes only funding received by school districts and does not include aid funding provided to other entities (such as CESAs, CCDEBs, and Head Start agencies) or lapsed to the general fund. In 2012-13, districts received the majority of their revenue (over 88%)

**Table 2: 2012-13 School District Revenue (\$ in Millions)**

Revenue Source	Amount	Percent
State Aid	\$4,806.9	44.8%
Local Property Tax	4,656.1	43.4
Federal Aid	836.7	7.8
Other Local Receipts	<u>423.1</u>	<u>4.0</u>
Total	\$10,722.8	100.0%

through state aid and the property tax.

Under current law, there is a limit on the annual amount of revenue that each school district can raise through the combination of general school aids, computer aid, and property taxes. General school aids include equalization, integration, and special adjustment aids, as well as high poverty aid. Computer aid is state funding provided to local units of government, including school districts, equal to the amount of property tax that would otherwise have been paid on exempt equipment. [For further information about school district revenue limits, see the Legislative Fiscal Bureau's informational paper entitled "Local Government Expenditure and Revenue Limits."]

Table 3 presents information on state school aids, the gross school property tax levy, school district costs, public school enrollments, costs per pupil, and the rate of inflation as measured by the Consumer Price Index since 1995-96. The gross school property tax levy is the total school district levy without being offset by the school levy and first dollar tax credits. For all years prior to 1999-00, the total school cost measure is the sum of the following: (a) school district's gross cost of the general, special project, debt service, and food service funds, plus the net cost of the capital projects fund; (b) the cost incurred for the operation of the CESAs; and (c) the cost incurred by CCDEBs. The total school cost measure for 1999-00 and subsequent years includes the above, plus transportation, facility acquisition,

**Table 3: State School Aid, Gross School Levy, Total School Costs, Enrollments and Inflation (1995-96 through 2014-15)**

Fiscal Year	State School Aid		Gross School Levy		Total School Costs		Pupil Membership(b)		Costs Per Member		Consumer Price Index(c)
	Amount(a)	Percent Change	Amount(a)	Percent Change	Amount(a)	Percent Change	Pupils	Percent Change	Amount	Percent Change	
1995-96	\$2,705.2	9.9%	\$3,023.6	0.9%	\$6,150.2	5.2%	848,681	1.4%	\$7,247	3.7%	2.8%
1996-97	3,566.1	31.8	2,528.1	-16.4	6,546.8	6.4	859,832	1.3	7,614	5.1	3.0
1997-98	3,804.7	6.7	2,590.4	2.5	6,939.0	6.0	867,547	0.9	7,998	5.0	2.3
1998-99	3,989.4	4.9	2,735.8	5.6	7,250.7	4.5	868,146	0.1	8,352	4.4	1.6
1999-00	4,226.3	5.9	2,795.2	2.2	7,535.4	3.9	868,274	0.0	8,679	3.9	2.2
2000-01	4,463.3	5.6	2,927.8	4.7	7,899.8	4.8	869,327	0.1	9,087	4.7	3.4
2001-02	4,602.4	3.1	3,071.8	4.9	8,349.0	5.7	871,204	0.2	9,583	5.5	2.8
2002-03	4,775.2	3.8	3,192.0	3.9	8,749.9	4.8	871,979	0.1	10,035	4.7	1.6
2003-04	4,806.3	0.7	3,367.6	5.5	8,911.2	1.8	871,214	-0.1	10,228	1.9	2.3
2004-05	4,857.9	1.1	3,610.7	7.2	9,216.2	3.4	869,002	-0.3	10,605	3.7	2.7
2005-06	5,159.1	6.2	3,592.3	-0.5	9,539.4	3.5	868,089	-0.1	10,989	3.6	3.4
2006-07	5,294.4	2.6	3,787.8	5.4	9,902.9	3.8	867,699	-0.0	11,413	3.9	3.2
2007-08	5,340.1	0.9	4,066.6	7.4	10,265.1	3.7	863,013	-0.5	11,894	4.2	2.8
2008-09	5,462.4	2.3	4,279.0	5.2	10,623.3	3.5	860,477	-0.3	12,346	3.8	3.8
2009-10	5,315.4	-2.7	4,537.6	6.0	10,833.7	2.0	858,205	-0.3	12,624	2.3	-0.4
2010-11	5,325.0	0.2	4,692.9	3.4	11,161.9	3.0	857,273	-0.1	13,020	3.1	1.6
2011-12	4,893.5	-8.1	4,646.7	-1.0	10,584.9	-5.2	855,327	-0.2	12,375	-5.0	3.2
2012-13	4,964.4	1.4	4,656.1	0.2	10,567.7	-0.2	856,147	0.1	12,343	-0.3	2.1
2013-14	5,079.2	2.3	4,694.4	0.8	N.A.		856,955	0.1	N.A.		1.5
2014-15	5,241.7	3.2	4,754.3	1.3	N.A.		N.A.		N.A.		N.A.

(a) In millions of dollars.

(b) Membership used for the calculation of general school aids in the next year.

(c) Percent change in the average CPI for calendar years 1995 through 2013.

N.A.: Not available.

and community service costs, less the cost incurred for CESAs and CCDEBs. Federal funding from the American Recovery and Reinvestment Act of 2009 that was used to replace state funding for general school aids in 2008-09 and 2009-10 is included as state aid in the table.

### **Funding For K-12 Education**

Over the years, there have been a variety of different methods used to calculate the state's participation in financing K-12 education. There has been disagreement over what amounts should be included in both the numerator for state aid and the denominator for school costs or revenues. There have been basically two definitions of school costs or revenues. The first, called partial school revenues, includes only state aid and the property tax levy, which typically accounts for approximately 90% of total revenue. The advantage of this approach is that it helps in measuring one of the primary objectives of state support for schools, which is to relieve the burden of the property tax. It seems reasonable to examine those costs that would be borne entirely by the property tax absent state aid. The second cost base includes all K-12 expenditures regardless of fund source. The main arguments for the total cost method is that it is easier for the general public and school districts to understand what proportion state aid is to total expenditures than to some partial revenue definition, and that national comparisons of state support for K-12 education often employ this methodology.

Under the provisions of 1995 Act 27, state support for K-12 education increased from \$3.032 billion in 1995-96 to \$4.035 billion in 1996-97. The purpose of this increase in state funding was to fulfill the commitment established in 1993 Act 437 under which the state would fund two-thirds of K-12 revenues, thereby significantly reducing the reliance on local property taxes to fund K-12 education. The state's share of partial school revenues ranged from 48.4% in 1993-94 to 52.7% in 1995-96. The two-thirds

funding commitment was calculated on a statewide basis; the level of state aid received by an individual district may have been higher or lower than two-thirds, depending on the district's per member shared costs and equalized value.

The statutes defined both the numerator and denominator of the two-thirds state funding calculation. The numerator was the sum of state general and categorical school aid appropriations and the school levy tax credit. The denominator, which was called "partial school revenues," was the sum of state school aids and, with certain exceptions, property taxes levied for school districts. Under 2001 Act 16, the general program operations appropriation in the Department of Public Instruction (DPI) for the Educational Services Program for the Deaf and Hard of Hearing and the Center for the Blind and Visually Impaired was added to both the numerator and the denominator of the two-thirds funding calculation.

The school levy tax credit appropriation was statutorily included in the definition of state support when the state moved to two-thirds funding. The first dollar credit, created in 2007 Act 20, is funded through the same appropriation. The school levy tax credit is extended to all taxable property. The credit is distributed based on each municipality's share of statewide levies for school purposes during the preceding three years multiplied by the annual amount appropriated for the credit and allocated proportionately to reduce individual owners' property tax bills. The first dollar credit is extended to each taxable parcel of real estate on which improvements are located. The credit is calculated for each eligible parcel of property by multiplying the property's gross school tax rate by a credit base value determined by the Department of Revenue (DOR) or the property's fair market value, whichever is less. [Further information on these credits can be found in the Legislative Fiscal Bureau's informational paper entitled, "State Property Tax Credits."]

Under two-thirds funding, a statutory process existed to annually determine the amount necessary in the general school aids appropriation to meet the two-thirds funding level. Each year by May 15, the Departments of Public Instruction and Administration and the Legislative Fiscal Bureau were required to jointly certify to the Joint Committee on Finance an estimate of the amount necessary in the general school aids appropriation that, in combination with the amounts provided in the other specified state aid, levy credit, and general program operations appropriations, would achieve the two-thirds funding level in the following school year. Annually by June 30, the Joint Committee on Finance was required to determine the amount to be appropriated in the following school year. General school aids were appropriated in a sum-sufficient appropriation equal to the amount determined by Joint Finance.

The 2003-05 budget (2003 Act 33) eliminated the state's two-thirds funding commitment and the associated statutory provisions. General school aids funding is now provided in a sum-certain appropriation. The general school aids funding level is currently determined through the budget process similar to most other state appro-

priations. While the state no longer provides two-thirds funding, the level of support received by an individual district still varies based on that district's per member cost and equalized value and the amount of funding received from categorical aids and the levy credit. Using the definitions of state support and partial school revenues that existed prior to the repeal of two-thirds funding, the state's share of K-12 revenues has ranged from 61.73% to 66.06% since the repeal of the two-thirds commitment.

Table 4 shows the level of state support for K-12 education for the last 10 fiscal years. The table includes the school levy and first dollar credits and the appropriation for the Program for the Deaf and Center for the Blind as part of state support. The state's share is shown as a percentage of partial school revenues and total costs. State aid reflects the amounts shown in the final appropriation schedule that is printed in the statutes. State aid amounts include funding provided to CESAs and CCDEBs, and also include the amounts lapsed to the general fund for parental choice programs and the independent "2r" charter school program.

**Table 4: State Support for K-12 Education (\$ in Millions)**

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
State Aid	\$5,159.1	\$5,294.4	\$5,340.1	\$5,462.4	\$5,315.3	\$5,325.0	\$4,893.5	\$4,964.4	\$5,079.2	\$5,241.7
School Levy Credit	469.3	593.1	672.4	747.4	747.4	747.4	747.4	747.4	747.4	747.4
First Dollar Credit				75.0	145.0	150.0	150.0	150.0	150.0	150.0
Program for the Deaf/ Center for the Blind	<u>10.4</u>	<u>10.4</u>	<u>11.5</u>	<u>11.5</u>	<u>11.8</u>	<u>11.8</u>	<u>11.2</u>	<u>11.2</u>	<u>10.8</u>	<u>10.8</u>
Total	\$5,638.8	\$5,897.9	\$6,024.0	\$6,296.3	\$6,219.5	\$6,234.2	\$5,802.1	\$5,873.0	\$5,987.4	\$6,149.9
Partial Revenues	\$8,637.3	\$8,927.4	\$9,250.2	\$9,574.1	\$9,731.9	\$9,899.7	\$9,398.7	\$9,493.2	\$9,658.6	\$9,872.5
State Share	65.29%	66.06%	65.12%	65.76%	63.91%	62.97%	61.73%	61.87%	61.99%	62.29%
Total Costs	\$9,539.4	\$9,902.9	\$10,265.1	\$10,623.3	\$10,833.7	\$11,161.9	\$10,584.9	\$10,567.7	N.A.	N.A.
State Share	59.11%	59.56%	58.68%	59.27%	57.41%	55.85%	54.81%	55.58%	N.A.	N.A.

N.A.: Not available.

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## Equalization Aid Formula

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### Background

The basic concept of equalizing the fiscal capacities of school districts has been promoted through the state's general school aid formula since 1949. The fiscal capacity measure used by the formula is per pupil property valuations, as equalized by DOR.

From 1949 through 1972, school districts that had extremely high per pupil property values were not subject to the equalization formula. Instead, they were granted flat aid payments based on the number of pupils enrolled. In the 1973-75 biennial budget, the Legislature made substantial revisions to the formula, including the elimination of flat aid, the application of the equalization formula to all school districts, the establishment of a two-tiered formula (which became a three-tiered formula in the 1995-97 biennial budget), and the requirement that districts with valuations above the state guarantee pay negative aid to the state for distribution to other districts beginning in 1976-77. The fundamental purpose of these changes was to apply the concept of equalization to all school districts. That concept could not be fully implemented without the negative aid provision. However, under a 1976 State Supreme Court decision (Busé v. Smith), the negative aid provision was ruled unconstitutional, thereby exempting high-valuation districts from full equalization. In 1985, the Legislature restored a form of flat aid payments, called minimum aids, which was repealed in the 1995-97 budget.

The Supreme Court's decision canceling negative aids contravened the goal of equal tax rates for equal per pupil spending. In addition, the use of prior year data (pupil enrollment, aidable costs, and property values) creates a one-year lag before the equalization formula adjusts for changes in school district factors. Further, non-

equalizing state aid programs represent funds that could have otherwise been available to enhance the equalization of tax base among school districts. These factors have affected the state's ability to achieve perfect tax base neutrality in school finance.

The most recent decision by the State Supreme Court on the constitutionality of the school aid formula was issued in July, 2000, in the case of Vincent v. Voight. In that decision, the Court concluded that the state school finance system did not violate either the uniformity clause or the equal protection clause of the Wisconsin Constitution. The Court also held that the school aid system more effectively equalized the tax base among districts than the system upheld as constitutional in the previous school finance decision of the Court in 1989 (Kukor v. Grover).

In the Vincent decision, the Court also held that Wisconsin students have the right to an equal opportunity for a sound basic education that "will equip them for their roles as citizens and enable them to succeed economically and personally." The decision also noted that this standard must take into account districts with disproportionate numbers of disabled students, economically-disadvantaged students, and students with limited-English proficiency.

### Equalization Formula

The formula operates under the principle of equal tax rate for equal per pupil expenditures. In pure form, this means that a school district's property tax rate does not depend on the property tax base of the district, but on the level of expenditures. The rate at which school costs are aided through the formula is determined by comparing a school district's per pupil tax base to the state's guaranteed tax base. Equalization aid is provided to make up the difference between the district's actual tax base and the state guaranteed tax base. Thus, there is an inverse relationship between equalization aid and property valuations.

Those districts with low per pupil property valuations receive a larger share of their costs through the equalization formula than districts with high per pupil property valuations.

**Formula Factors.** There are five factors used in the computation of equalization aid: (a) pupil membership; (b) shared cost; (c) equalized property valuation; (d) the state's guaranteed valuations; and (e) the total amount of funding available for distribution. Membership, shared cost, and equalized valuation are based on school district data from the prior school year. For example, 2014-15 equalization aid is calculated using membership and shared costs from the 2013-14 school year and 2013 equalized values.

*Membership* is the number of pupils which, by statute, can be counted for equalization aid purposes. For most districts, membership is the sum of: (1) the average of the number of pupils enrolled on the third Friday in September and the second Friday in January of the previous school year; and (2) the full-time equivalent summer enrollment (in the summer prior to the counted year) in academic summer classes or laboratory periods that are for necessary academic purposes, as defined in administrative rule by DPI. Under 2013 Act 257, the definition of summer enrollment was expanded to include interim session classes for districts providing year-round school, as well as online classes offered in the summer or interim sessions for pupils in grades 7-12 who complete or receive credit for a class that fulfills a high school graduation requirement.

Under 2009 Act 28, the definition of membership used in calculating equalization aid for the Milwaukee Public Schools (MPS) was changed. Act 28 established an additional count date for MPS on the first Friday in May of each year, and specified that aid membership for MPS would include the highest enrollment of the three count dates (the third Friday of September, the second Friday of January, and the first Friday of May), rather than the average of the September and

January counts.

Special provisions apply in determining membership for pupils enrolled in kindergarten and preschool programs:

- A five-year-old kindergartner enrolled in a half-day program is counted as 0.5 member. A pupil enrolled in a five-year-old kindergarten program for a full day, five days a week, is counted as 1.0 member. A full-time equivalency method is used for kindergartners attending a full day but fewer than five days a week.
- A four-year-old kindergarten pupil is counted as 0.5 member if the pupil attends for at least 437 hours, unless the program provides at least 87.5 additional hours of outreach activities, in which case the pupil is counted as 0.6 member.
- A pupil, age three or older, enrolled in a preschool special education program is counted as 0.5 member.

Pupils who are residents of a school district are generally counted in that district's membership. For example, pupils who are placed in programs in another district, for whom the district of residence is paying tuition, are counted as members by the district of residence. In addition, pupils who attend a nonresident school district under the state's open enrollment program are also counted by the district of residence. A school district would also count resident pupils who are either enrolled in a program operated by a CESA, jointly enrolled in the district and a CCDEB-operated program, or enrolled in a charter school authorized by the district. School districts are able to count in membership students attending the Challenge Academy program operated by the Department of Military Affairs. Pupils transferred across district lines for racial balance purposes under the integration (Chapter 220) aids program are counted as 0.75 member by the district of residence. Students attending a school participating in a private school choice program

or operating under the independent "2r" charter school program, however, are not counted in the membership of any school district.

Membership counts for all districts are taken on the third Friday in September and second Friday in January. MPS also takes a count on the first Friday in May. Except for audit corrections, the counts remain unchanged for aid purposes regardless of the number of children who might transfer into or out of the district during the remainder of the school year. Furthermore, a district's membership reflects the number of pupils officially enrolled as eligible to attend class, whether or not such pupils are actually in attendance on that day. The term "pupil" is used to mean "member" throughout this paper.

*Shared cost* refers to school district expenditures that are aidable through the equalization formula. Shared cost is determined by subtracting certain deductible receipts from the gross cost of a district's general fund for operating costs and its debt service fund for expenditures for long-term debt retirement. The primary deductions are state categorical aid, federal aid, and local nonproperty tax receipts (such as ticket sales, student fees, and interest earnings). These items are deducted because they represent costs that have already been offset by revenue sources other than the property tax or equalization aid.

School districts are authorized to create a capital expansion fund to finance current and future capital expenditures related to buildings and sites. Statutes specify that, if a district makes an expenditure from its capital expansion fund, its shared cost is increased by an amount determined by dividing the expenditure amount by the number of years in which the district levied a tax for the capital project.

Under 2013 Act 336, districts are also authorized to create a long-term capital improvement trust fund to finance the costs of the projects included in a long-term capital improvement plan.

The plan must be approved by the school board and cover at least a 10-year period. Districts may not make expenditures from the fund in the first five years after its creation. Statutes specify that a district's shared cost includes any amount deposited into the fund, and does not include any amount expended from the fund.

*Equalized valuation* is the full market value of taxable property in the school district as determined by DOR as of January 1 of each year. In October, districts receive a certification of those values, which is used to apportion the property tax levy for that school year. Any adjustments to those values are included in a final certification of values that is made in May of the following calendar year. These values are used in calculating equalization aid in the following school year. If a school district's value is affected by reassessments in the value of manufacturing property or telephone company property, equalization aid adjustments can be made within four years after the date of the redetermination.

*Guaranteed valuations* are the amount of property tax base support that the state guarantees behind each pupil. There are three guaranteed valuations used in the equalization formula that are applied to three different expenditure levels, or tiers.

The primary (first) tier is for shared costs up to the primary cost ceiling of \$1,000 per member. State aid on these primary shared costs is calculated using the primary guaranteed valuation of \$1,930,000 per member. Both the primary cost ceiling and the primary guarantee are set in statute. Primary aid is based on the comparison of a school district's equalized valuation per member to the \$1,930,000. Primary aid equals the amount of costs that would be funded by the missing portion of the guaranteed tax base.

Every district whose equalized valuation per member is below \$1,930,000 receives at least the primary aid amount. A district's primary aid cannot be reduced by negative aid generated at the

secondary or tertiary aid levels. This feature of the formula is referred to as the primary aid hold harmless.

The secondary (second) tier is for shared costs that exceed \$1,000 per member but are less than the secondary cost ceiling. These costs are referred to as secondary shared costs. For the 2014-15 aid distribution, the secondary cost ceiling is equal to \$9,225. By law, the secondary cost ceiling is set equal to 90% of the prior year statewide shared cost per member. The state's sharing of secondary costs is calculated using the secondary guaranteed valuation. By law, the secondary guarantee is set at the amount that generates equalization aid entitlements that are equal to the total amount of funding available for distribution. The setting of the secondary guarantee depends on the other four formula factors. If any of these four factors is changed, the secondary guarantee would be adjusted to distribute the available funds. In 2014-15, the secondary guaranteed valuation is \$1,096,593 per member.

The tertiary (third) tier is for shared costs above the secondary cost ceiling. State aid on tertiary shared costs is calculated using the tertiary guaranteed valuation. By law, the tertiary guarantee is set equal to the statewide average equalized valuation per member. The tertiary guarantee is tied to the average property tax base per pupil to reflect statewide changes in property value and enrollment. It is also set at an amount lower than the secondary guarantee so that the state's share will be lower on costs above the secondary cost ceiling. If a district's tertiary aid is a negative number, this amount is deducted from its secondary aid amount. However, as noted above, if the sum of a district's secondary and tertiary aid is a negative number, this amount is not deducted from its primary aid amount. The tertiary guaranteed valuation is \$531,883 per member in 2014-15.

The tertiary guarantee feature of the equalization formula is intended to serve two purposes.

First, it serves as a disincentive for higher spending levels by causing districts to be taxed at higher rates for costs above the ceiling. Second, it attempts to narrow the per pupil spending disparities among school districts by redistributing state aid to districts that spend at lower levels.

Separate primary, secondary, and tertiary guaranteed valuations are established for each of the three types of school districts. This is done to ensure uniform treatment of elementary (K-8) and union high schools (UHS) districts in the aid formula. The guaranteed valuations for K-8 districts are set at one-and-a-half times the K-12 guaranteed valuations. The UHS guaranteed valuations are set at three times the K-12 guaranteed valuations.

For a consolidated district, the cost ceilings and guaranteed valuations in the formula are increased by 15% in each of the first five years after the consolidation. Under 2013 Act 20 (the 2013-15 biennial budget act), in the sixth and seventh years after consolidation, the formula factors are increased by 10% and 5%, respectively. This provision is intended to provide additional aid to consolidated districts.

For the 2014-15 aid year, over 95% (405) of the state's school districts have equalized values per pupil lower than the primary guarantee. Nearly 90% (381) have values per pupil lower than the secondary guarantee and 57% (242) have values per pupil lower than the tertiary guarantee.

*Total funding available for distribution* is established in an appropriation from the general fund, which is the source of funds for aid distributed under the equalization formula. If the state increases the amount of aid provided through the formula, the percentage of shared cost aided through the formula also increases assuming that all other factors are constant. If more funding is available, the secondary guaranteed valuation increases to the level necessary to distribute the additional amount.



**Table 5: Total Equalization Aid Eligibility and the State's Guaranteed Valuations Per Member (\$ in Millions)**

	Gross Equalization Aid Eligibility*		Secondary Guarantee (K-12)		Tertiary Guarantee (K-12)	
	Amount	% Change	Amount	% Change	Amount	% Change
2005-06	\$4,517.9	7.1%	\$1,211,095	17.5%	\$442,182	8.6%
2006-07	4,620.4	2.3	1,291,886	6.7	483,017	9.2
2007-08	4,618.8	0.0	1,330,187	3.0	528,306	9.4
2008-09	4,699.3	1.7	1,375,392	3.4	563,395	6.6
2009-10	4,521.8	-3.8	1,255,824	-8.7	582,588	3.4
2010-11	4,548.0	0.6	1,243,890	-1.0	581,087	-0.3
2011-12	3,932.3	-13.5	968,337	-22.2	564,023	-2.9
2012-13	4,193.2	6.6	1,105,090	14.1	555,356	-1.5
2013-14	4,295.2	2.4	1,090,654	-1.3	536,519	-3.4
2014-15	4,396.5	2.4	1,096,593	0.5	531,883	-0.9

\*Excludes integration and special adjustment aid as well as aid reductions.

Because school district memberships, costs, and property values change from one year to the next, there is no direct relationship between the annual change in equalization aid funding and the annual change in the secondary guarantee. For example, if funding for equalization aid increases by 3% over the prior year's amount, the secondary guarantee will not necessarily increase at the same rate. The secondary guarantee has no bearing on decisions regarding the amount of equalization aid, but comes into play only after the total aid amount has been established. There is also no direct relationship between the secondary and tertiary guarantees, except that if the tertiary guarantee is lower, it provides a disincentive to higher spending. Table 5 compares the annual change in equalization aid eligibility with the annual change in the formula's guaranteed valuations per member over the last 10 years.

Equalization aid is distributed to school districts according to the following statutory payment schedule: 15% on the third Monday in September; 25% on the first Monday in December; 25% on the fourth Monday in March; and 35% on the third Monday in June. A district may also request to receive payments equal to 10% of its total aid entitlement each month from September to June, at the cost of compensating interest pay-

ments to the state. The state pays \$75 million of equalization aid on a delayed basis, with districts receiving these monies on the fourth Monday in July of the following school year.

DPI is statutorily required to prepare general aid distributions by July 1 and October 15 of each year, using the most accurate data available. The July 1 distribution is a preliminary estimate that uses budgeted shared cost information rather than audited data. The October 15 distribution uses audited cost data, and districts use this estimate to set their levies under revenue limits. Because the October 15 distribution uses the audited cost data, it can differ, sometimes significantly, from the July 1 estimate.

DPI also recalculates aid at the end of each year using final data to determine if any adjustments need to be made to the October 15 calculation. By law, these adjustments are made by increasing or decreasing the payment made in September of the following school year.

**Concept of Tax Base Equalization.** A major objective of the equalization aid formula is tax base equalization. The purpose of this policy is to minimize the differences among school districts in their abilities to raise revenue for educational

**Table 6: Equalization of Two School Districts**

	District X	District Y
<b>District Factors</b>		
1. Pupil Membership	1,000	1,000
2. Shared Cost	\$9,000,000	\$9,000,000
3. Shared Cost per Member (Row 2 ÷ Row 1)	\$9,000	\$9,000
4. Property Value	\$200,000,000	\$600,000,000
5. Property Value Per Member (Row 4 ÷ Row 1)	\$200,000	\$600,000
<b>Scenario with No Equalization Aid</b>		
6. Taxes per \$1,000 in Value Needed to Support Total Costs (Row 2 ÷ Row 4)	\$45.00	\$15.00
<b>Scenario with State Guarantee of \$1 Million in Tax Base</b>		
7. State Guarantee Per Member	\$1,000,000	\$1,000,000
8. Per Member Tax Base Supported by the State (Row 7 - Row 5)	\$800,000	\$400,000
9. Aid Rate (Row 8 ÷ Row 7)	80%	40%
10. State Aid (Row 2 x Row 9)	\$7,200,000	\$3,600,000
11. Unaided Costs Supported on the Levy (Row 2 - Row 10)	\$1,800,000	\$5,400,000
12. Taxes per \$1,000 in Value Needed to Support Unaided Costs (Row 11 ÷ Row 4)	\$9.00	\$9.00

programs. The provision of state aid through the formula allows a district to support a given level of per pupil expenditures with a similar local property tax rate as other districts with the same level of per pupil expenditures, regardless of property tax wealth.

It is important to understand that the formula does not guarantee that all districts will have the same tax rate. Rather, it is intended to ensure that differences in tax rate primarily reflect differences in district spending levels. Equalization of district tax bases, not rates, is the formula's goal. A district that spends more per pupil than another district will continue to face a higher tax rate unless the district is not subject to the formula because its local tax base exceeds the state's guaranteed tax base.

To achieve tax base equalization, it is necessary to establish a guaranteed tax base. In the case of the equalization aid formula, this base is the guaranteed valuation. An individual school district's equalized valuation is compared to the guaranteed valuation and state aid is provided equal to the amount of revenue which would be generated by the "missing" portion of the guaran-

teed tax base.

Table 6 illustrates the equalization principle by showing a simplified example of the calculation of equalization aid for two hypothetical districts. As shown in the table, Districts X and Y both have 1,000 pupils and \$9,000,000 of shared cost, or \$9,000 per pupil. The only difference between the two districts is that District X has \$200 million in property value (\$200,000 per pupil), while District Y has \$600 million in property value (\$600,000 per pupil).

The first scenario considered in the table is one in which the state provides no equalization aid, meaning the districts' costs would be fully supported by the levy. In this scenario, District X would need to levy 45 mills (\$45 per \$1,000 of property value) to raise \$9,000,000 in revenue on \$200 million of property value. District Y, with \$600 million in property value, would need to levy only 15 mills (\$15 per \$1,000 of property value) to raise the same amount of revenue.

Table 6 also shows a second scenario in which the state provides equalization aid, with one state guaranteed valuation of \$1,000,000 per

pupil. Because District X has \$200,000 in property value per pupil, the state would support the \$800,000 difference, or 80% of the guaranteed valuation. District Y, with \$600,000 of property value per pupil, would have only \$400,000 in property tax base supported by the state, which is 40% of the guaranteed valuation.

With \$9,000,000 in shared cost and an 80% aid rate, District X would receive \$7,200,000 in state aid, while District Y's 40% aid rate would result in \$3,600,000 in aid for the same level of costs. District X would have \$1,800,000 in costs unaided by the state, while District Y would have \$5,400,000 in unaided costs. To raise the amount of revenue needed to support their unaided costs, both districts would need to levy 9 mills (\$9 per \$1,000 of property value). Thus, with the state providing aid to equalize the tax base of the districts, both districts would levy the same mill rate to support the same level of cost, despite the difference in property value between the two.

The preceding provides a simplified example of how equalization aid is calculated. However, the current equalization aid formula is more complicated because shared costs can be aided at three different levels. A particular district's equalization aid entitlement depends upon whether its shared costs are above or below the secondary cost ceiling and how the district's equalized valuation compares to the primary and secondary guaranteed valuations, as well as the tertiary guaranteed valuation, if the district's shared costs exceed the secondary cost ceiling. A more detailed description of the calculation of equalization aid is provided in Appendix II of this paper.

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### **Other General School Aids**

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Equalization aid, integration (Chapter 220) aid, and special adjustment aid are all paid from the same general school aids appropriation. Inte-

gration aid and special adjustment aid are each fully funded as a "first draw" from that appropriation, with the remaining funding provided as equalization aid. In 2014-15, net equalization aid eligibility accounted for 98% of the general school aids appropriation. For most districts, equalization aid is typically the only type of general aid received.

A separate appropriation was created in the 2007-09 biennial budget act to provide additional general aid to school districts with high levels of poverty. Also, a portion of the general fund's costs for the Milwaukee private school choice program and the independent "2r" charter school program are offset through lapses from the general school aids appropriation.

A brief description of integration aid, special adjustment aid, and high poverty aid, as well as of the choice and charter programs, follows.

#### **1. Integration (Chapter 220) Aid**

*Description:* Under the integration aid program (commonly called Chapter 220 after the 1975 session law), the state provides funds as an incentive for districts to voluntarily improve racial balance within and between school districts. To be eligible, a district must transfer pupils between attendance areas or districts with certain concentrations (a 30% threshold) of minority or nonminority pupil populations. A minority group pupil is defined as a pupil who is Black or African American, Hispanic, American Indian, an Alaskan native, or a person of Asian or Pacific Island origin. Pupils attending schools serving an entire school district are statutorily eligible for aid. This could include magnet schools or specialty schools that can have citywide attendance areas. School districts with merged attendance area (school pairing) plans are also eligible for aid.

Integration aid is calculated through two different formulas depending upon whether a pupil

is transferred within a district (**intradistrict**) or from one district to another (**interdistrict**). Under both formulas, districts receive state aid based on the number of pupils transferred in the prior school year.

Integration aid is treated as a deductible receipt for the purpose of calculating a district's shared costs that are aided through the equalization aid formula. This means that integration aid offsets shared costs, reducing the level of costs aided through the formula. A district providing transportation for Chapter 220 pupils may not claim state categorical transportation aid for those pupils.

**Intradistrict Transfer Aid.** State aid is based on the school district's equalization aid per pupil multiplied by 25% of the number of eligible transfer pupils. This weighting factor is used to address the school district's transportation costs associated with the program.

As part of the neighborhood schools initiative in 1999 Act 9, a hold harmless was established on the amount of intradistrict aid that would be received by MPS, which is generally equal to the greater of: (a) the 1998-99 aid amount (\$32.9 million); or (b) the actual aid entitlement generated under the formula. This hold harmless provision applies until the bonds issued under the initiative are paid off in 2023-24.

The neighborhood schools initiative was designed to assist MPS in the renovation and construction of school facilities and in the delivery of educational services for children in that district. A total of \$98.5 million in bonds have been issued related to the initiative, which was intended to reduce the number of pupils who are transported outside of their neighborhood under the intradistrict transfer program. As a condition of receiving intradistrict aid, MPS is required to receive written consent from the parents or guardians of 95% of pupils transferred under the program each year.

**Interdistrict Transfer Aid.** The state provides financial support to both the district which accepts the transfers (the receiving district) and the district from which the transfers came (the sending district).

The receiving district is paid an amount equal to its average net cost per pupil for each transfer accepted. Net cost per pupil is calculated by dividing the sum of the district's shared costs and interdistrict aid received in the prior year by the sum of the district's aid membership and the number of transfer pupils in the prior year.

The sending school district continues to include pupils transferred to another district as members for general school aid purposes, which is commonly referred to as sender aid. These transfers are counted as 0.75 pupil. A separate integration aid payment is not calculated for sending districts; instead, the district receives these funds as part of its equalization aid payment.

Transportation for an interdistrict transfer pupil is provided pursuant to an agreement between the sending district and the receiving district. Statutes specify that if either the sending district or the receiving district operates an intradistrict transfer program, that district shall be responsible for the cost of transportation. Effectively, this provision requires MPS to provide transportation for pupils in the interdistrict transfer program. MPS may meet this responsibility either by contracting directly for provision of transportation or by reimbursing another district for the cost of such a contract.

*Extent of Participation (2014-15):* Four districts (Madison, Milwaukee, Racine, and Wausau) are eligible for intradistrict aid for 26,940 pupil transfers. Twenty-two districts (Milwaukee and 21 suburban Milwaukee districts) are eligible for interdistrict aid for 1,881 pupil transfers. Total payments are shown in Table 7. Additional detail on integration aid pay-

**Table 7: Integration (Chapter 220) Aid Funding**

Fiscal Year	<u>Intradistrict Transfer Aid</u>		<u>Interdistrict Transfer Aid</u>		<u>Total Integration Aid</u>	
	Amount	% Change	Amount	% Change	Amount	% Change
2011-12	\$39,470,800	-11.2%	\$28,657,700	-2.7%	\$68,128,500	-7.8%
2012-13	38,941,000	-1.3	24,267,800	-15.3	63,208,800	-7.2
2013-14	41,250,600	5.9	21,627,200	-10.9	62,877,800	-0.5
2014-15	39,869,700	-3.3	19,921,100	-7.9	59,790,800	-4.9

ments can be found in Appendix III.

## 2. Special Adjustment Aid

*Description:* The state provides special adjustment aid to districts either as a form of hold harmless payment or as an incentive for school district consolidation.

*State Share:* Under the main type of special adjustment aid, the state provides additional general aid to districts as a hold harmless to limit any year-to-year decline in a district's general aid payment. An eligible district receives a payment equal to the amount needed to make the district's total general aid eligibility equal to a statutorily-specified percentage of its prior year's general aid payment. A district's aid payment cannot exceed its shared costs, however.

Prior to the 2011-13 biennial budget act, the special adjustment aid hold harmless percentage had been set at 85%. Under that act, the hold harmless percentage was increased to 90% for the 2011-12 aid calculation only. Beginning with the 2012-13 calculation, the 85% hold harmless once again applied. The increase to 90%, combined with the reduction in general aid funding in 2011-12, resulted in a relatively large amount of special adjustment aid being paid in that year.

Consolidated districts are eligible for a second type of special adjustment aid. In each of the first five years after consolidation, the new district is guaranteed to receive at least as much general aid as the separate districts received in the year prior to consolidation. Under 2013 Act 20, in the sixth and seventh years after consolidation, consolidat-

ed districts are guaranteed 66% and 33% of the fifth-year amount, respectively. If the consolidated district's general aid eligibility in any of those years is less than its guaranteed amount, special adjustment aid will be paid in the amount needed to make up the difference.

*Extent of Participation (2014-15):* 68 school districts.

	<u>Funding</u>
2011-12	\$252,864,300
2012-13	31,200,800
2013-14	17,905,500
2014-15	13,932,200

## 3. High Poverty Aid

*Description:* The 2007-09 biennial budget act created an appropriation to provide additional unrestricted aid to school districts with high poverty. By law, for all districts except MPS, high poverty aid is subject to revenue limits. For MPS, high poverty aid must be used to reduce the school property tax levied for the purpose of offsetting the aid reduction attributable to the Milwaukee parental choice program. In either case, the effect of this aid is to reduce the property tax levy of the eligible district.

*State Share:* A district is eligible for aid if, in the October preceding each biennium, at least 50% (rounded to the nearest whole percentage point) of the district's enrollment for the third Friday in September pupil count is eligible for free or reduced-price lunch in the national school lunch program. Aid per pupil for both years of the biennium is calculated by dividing the amount of funding appropriated by the total

membership in all eligible districts, using the 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 membership.

*Extent of Participation (2014-15):* 110 school districts.

	<u>Funding</u>
2011-12	\$16,830,000
2012-13	16,830,000
2013-14	16,830,000
2014-15	16,830,000

#### 4. Private School Choice Programs

*Description:* Under the choice programs, state funds are used to pay for the cost of eligible children to attend private schools. Pupils in grades K-12 with family incomes at the time of initial participation of less than 300% of the federal poverty level for families residing in the City of Milwaukee or the Racine Unified School District, or 185% of the federal poverty level for families residing elsewhere in Wisconsin, (with a \$7,000 offset for pupils whose parents or guardians are married) are eligible to participate in the program. There is no limit on the number of pupils who can participate in the Milwaukee or Racine programs. Participation in the statewide program is limited to 1,000 full-time equivalent pupils in 2014-15 and each year thereafter, and the number of participants cannot exceed 1% of the total membership of any district. Pupils participating in the choice programs are not included in their public school district's membership count for the calculation of those districts' general aids or revenue limits. [Further information on this program can be found in the Legislative Fiscal Bureau's informational paper entitled, "Private School Choice Programs."]

*State Share:* For each pupil attending a choice school in 2014-15, the state pays the school, on behalf of the pupil's parent or guardian, an amount that is equal to the lesser of \$7,210 if the pupil is enrolled in grades K through 8 or

\$7,856 if the pupil is in grades 9 through 12, or the private school's operating and debt service cost per pupil related to educational programming, as determined by DPI.

The choice programs are funded from separate, GPR sum sufficient appropriations established for those programs. The cost of payments from the appropriation for the Milwaukee program is partially offset by a net reduction (after consideration of aid paid to the City of Milwaukee to defray the choice levy it raises on behalf of MPS) in the general aid otherwise paid to MPS by an amount equal to 32% of the estimated total cost of the Milwaukee program in 2014-15. This percentage will be reduced by 3.2% each year until 2024-25, when general aid payments to MPS are no longer reduced to fund the Milwaukee program. General aid payments to RUSD or other districts are not reduced as a result of parental choice programs.

Under revenue limits, MPS may levy property taxes to make up for the amount of aid lost due to the net reduction. Other than MPS, no school districts' aid payments and property tax levies are affected by the choice program funding structure.

*Extent of Participation (2014-15):* DPI estimates that 26,000 pupils will participate in the Milwaukee program, 1,700 pupils will participate in the Racine program, and 1,000 pupils will participate in the statewide program. As of September, 2014, 113 private schools were participating in the Milwaukee program, 15 were participating in the Racine program, and 31 were participating in the statewide program.

	<u>Total Funding (In Millions)</u>	<u>Total Pupil Membership</u>	<u>Maximum Per Pupil Amount</u>
2011-12	\$145.8	22,440	\$6,442
2012-13	157.8	24,300	6,442
2013-14	171.9	26,480	6,442
2014-15	213.0	28,700	K-8: 7,210 9-12: 7,856

## 5. Independent "2r" Charter School Program

*Description:* Under the independent "2r" charter school program, the City of Milwaukee, UW-Milwaukee, and UW-Parkside operate or contract to operate charter schools. The "2r" designation is a reference to the main statutory citation governing these schools, s. 118.40(2r) of the statutes.

Prior to 2013 Act 20, schools chartered by the City and UW-Milwaukee were required to be located within the Milwaukee Public Schools, and UW-Parkside was authorized to establish one charter school, which is located in the Racine Unified School District. In general, attendance in those schools was limited to pupils who resided in the district in which the charter school was located. Under 2013 Act 20, UW-Milwaukee can establish or contract to establish a school located anywhere in Milwaukee County or in an adjacent county. The chartering authority for the City of Milwaukee and UW-Parkside was unchanged in that act. Also under Act 20, a pupil who resides in Milwaukee County or in an adjacent county can attend any independent "2r" charter school established in Milwaukee County or in an adjacent county. [Further information on this program can be found in the Legislative Fiscal Bureau's informational paper, entitled "Charter Schools."]

*Funding Mechanism:* DPI pays the operators of these charter schools a statutorily-determined per pupil amount. In 2014-15, the per pupil payment is \$8,075. Under 2013 Act 20, beginning with the 2015-16 school year, the per pupil payment in each year will equal the sum of the prior year's payment plus the per pupil revenue limit adjustment for the current year, if positive, plus the change in the amount of statewide categorical aid per pupil between the previous year and the current year, if positive.

The charter program is funded from a separate, GPR sum sufficient appropriation established for that purpose. The cost of the payments

from the appropriation is offset by a lapse from the general school aids appropriation to the general fund in an amount equal to the estimated payments under the program. DPI is required to proportionately reduce the general school aids for which each school district is eligible by an amount totaling the charter lapse. A school district's revenue limit calculation is not affected by the charter aid reduction. Thus, a school district can increase its property tax levy to offset any aid reduction made related to the charter program.

*Extent of Participation (2014-15):* Based on the October 15, 2014, general school aid calculation prepared by DPI, there are an estimated 8,500 FTE pupils attending "2r" charter schools. The payment amount is \$8,075, so the "2r" charter schools will receive approximately \$68.6 million in total.

	Funding (In Millions)	Pupil Membership	Per Pupil Amount
2011-12	\$54.4	6,863	\$7,775
2012-13	58.7	7,459	7,775
2013-14	63.1	7,964	7,925
2014-15	68.6*	8,500*	8,075

\* Estimated

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### Categorical Aids

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The state provides two types of categorical aids: (1) most of the programs are **formula-driven** in which funds are automatically provided to school districts based on the number of pupils meeting a specific criterion and/or for costs devoted to a specific function; and (2) the remainder are **grant programs** in which districts must submit a request to DPI in order to receive the funds.

The following basic elements apply to the state's categorical aid programs:

1. Unlike equalization aid, the funds are

distributed without regard to the relative size of a school district's property tax base.

2. Categorical aids are not subject to revenue limits, and therefore provide additional resources to the school district.

3. School district costs that are not reimbursed through a particular categorical aid program are included as shared costs under the equalization aid formula. Therefore, the state shares in these unreimbursed costs, but only to the extent to which a school district is supported under the equalization formula.

4. Generally, payments under the formula-driven categorical aids are based on costs incurred and/or pupils served by school districts in the prior school year.

5. Categorical aids are funded through state GPR, with the exception of:

- school library aid from income from the common school fund;
- Department of Administration (DOA) telecommunication access grants and subsidies from the universal service fund;
- demonstration grants for alcohol and other drug abuse programs from a penalty assessment surcharge on certain court imposed forfeitures;
- funding for environmental education grants from both the forestry account of the conservation fund and penalty assessments on fines and forfeitures for violations of administrative rules or Department of Natural Resources orders related to pollution discharge, drinking water or septic tank statutes; and
- tribal language revitalization grants funded from tribal gaming program revenue transferred from DOA.

6. Most of the programs are funded on a

sum certain basis. As a result, if the appropriated amount in a particular year is insufficient to fully fund a categorical formula, aid payments are prorated.

The following section provides a brief description of each categorical aid program, including the extent to which school districts participate in the program and funding levels for the last four fiscal years. With the exception of fiscal year 2014-15 data for some aid programs, the amounts committed under each program are shown. The funding tables indicate whether the 2014-15 amount is estimated or appropriated. In addition, the tables indicate if a formula-based categorical aid has been prorated in a particular year by noting the percentage of full funding achieved; no percentage means that full funding was achieved in that year.

## 1. Special Education

*Description:* Both state and federal law require that local school districts provide special education and related services for children with disabilities ages 3 through 21 who reside in the district. Under state law, a child with a disability is defined as a child who, by reason of any of the following, needs special education and related services: cognitive disabilities, hearing impairments, speech or language impairments, visual impairments, emotional disturbance, orthopedic impairments, autism, traumatic brain injury, other health impairments, or learning disabilities. In addition, a school district may include a child with significant developmental delay who needs special education services, if consistent with DPI rules.

Special education is provided by school districts, either on their own or through cooperative arrangements with other districts, cooperative educational service agencies (CESAs), and county children with disabilities education boards (CCDEBs). The state reimburses a portion of the costs for educating and transporting pupils en-



rolled in special education, including school age parent programs.

*State Share:* By statute, the cost of special education for children in hospitals and convalescent homes for orthopedically disabled children is fully funded as a first draw from the special education aids appropriation. The following costs are also eligible for reimbursement from the appropriation but are subject to proration if total eligible costs exceed the remaining funding available:

- salary and fringe benefit costs for special education teachers, special education coordinators, school nurses, school social workers, school psychologists, school counselors, paraprofessionals and consulting teachers;
- the salary portion of any authorized contract for substitute teaching or paraprofessional staffing services, physical and occupational therapy services, orientation and mobility services, educational interpreter services, educational audiology, speech and language therapy, pupil transition services for eligible pupils who are 18 to 21 years old, or any service approved by the State Superintendent;
- the cost of transportation for pupils enrolled in special education programs;
- the cost of board, lodging, and transportation of nonresident children enrolled in a district's special education program;
- salary and travel expenses for special education outside the school district of employment;
- expenditures for the salaries of teachers and instructional aides, special transportation, and other expenses approved by the State Superintendent for a school age parents program; and
- any other expenditures approved by the State Superintendent as eligible for reimburse-

ment.

Provisions of 1999 Act 9 extended eligibility for special education aid to independent charter schools. Charter schools that operate a special education program and that are determined by the State Superintendent to be in compliance with federal special education law may be reimbursed for transportation costs and for expenses for salaries of teachers, special education coordinators, school nurses, school social workers, school psychologists, school counselors, paraprofessionals, consulting teachers, and any other personnel as approved by the State Superintendent.

*Extent of Participation (2013-14):* 423 school districts, 19 charter schools, 12 CESAs, and three CCDEBs.

	<u>Funding</u>	<u>Proration</u>
2011-12	\$368,939,100	26.6%
2012-13	368,939,100	27.5
2013-14	368,939,100	27.1
2014-15	368,939,100	26.9*

\*Estimated.

## 2. High-Cost Special Education Aid

*Description:* Under 2005 Act 25, a categorical aid program for certain special education costs was created for school districts, CESAs, CCDEBs, and operators of independent charter schools. Applicants are eligible for additional aid if the applicant incurred, in the previous school year, more than \$30,000 of non-administrative costs for providing special education and related services to a child, and those costs were not eligible for reimbursement under the state special education and school age parents program, the federal Individuals with Disabilities Education Act, or the federal Medicaid program. For each child whose costs exceeded \$30,000, DPI is required to pay an eligible applicant in the current school year an amount equal to 90% of the costs above \$30,000. If appropriated funds are insufficient to pay the full amounts, payments are prorated. The program took effect on July 1, 2006.

*Extent of Participation (2013-14):* 131 participating school districts, two CESAs, and three CCDEBs.

	<u>Funding</u>	<u>Proration</u>
2011-12	\$3,500,000	30.8%
2012-13	3,500,000	34.5
2013-14	3,500,000	31.5
2014-15	3,500,000	N.A.

### 3. Supplemental Special Education

*Description:* Under 2007 Act 20, a new program was created to provide aid to school districts meeting the following criteria in the prior year: (a) per pupil revenue limit authority below the statewide average; (b) special education expenditures as a percentage of total district expenditures above 16%; and (c) membership less than 2,000 pupils. A district may receive either supplemental special education aid or high cost special education aid in a given year, but not both. Aid is distributed proportionally among eligible districts based on their total special education expenditures in the prior year. Under the program, aid to any one district cannot be less than \$50,000, nor more than \$150,000, or 50% of its total special education expenditures, whichever is less.

*Extent of Participation (2013-14):* 11 school districts.

	<u>Funding</u>
2011-12	\$1,750,000
2012-13	1,750,000
2013-14	1,650,000
2014-15	1,750,000*

\*Budgeted

### 4. County Children with Disabilities Education Boards (CCDEBs)

*Description:* Fiscally independent CCDEBs, which fund the local share of their educational programs through the county property tax levy, receive state aid. The state provides aid for pupils enrolled solely in CCDEB-operated programs and for costs incurred by CCDEBs for pupils

jointly enrolled in school district and CCDEB programs. The one fiscally dependent CCDEB (Marathon County) receives revenues through contracts with participating school districts.

*State Share:* The payment to the CCDEB is determined by recalculating each participating school district's equalization aid by adding: (1) resident pupils solely enrolled in the CCDEB program to the district's membership; and (2) the net cost of services provided by the CCDEB to both jointly enrolled and solely enrolled resident pupils to the district's shared costs. The percentage of the district's shared costs funded by equalization aid that is produced by this recalculation is then multiplied by the net costs of the CCDEB program.

*Extent of Participation (2014-15):* Three CCDEBs (Brown, Calumet, and Walworth).

	<u>Funding</u>	<u>Proration</u>
2011-12	\$4,067,300	73.9%
2012-13	4,067,300	74.9
2013-14	4,067,300	76.3
2014-15	4,067,300	N.A.

### 5. Per Pupil Aid

A sum sufficient per pupil aid appropriation was established in 2013 Act 20. Each school district receives a \$75 per pupil aid payment in 2013-14 and a \$150 per pupil payment in 2014-15 and each year thereafter, outside of revenue limits, from this appropriation. A district's current three-year rolling average pupil count under revenue limits is used to calculate the aid payment. By law, this aid is paid on the fourth Monday in March.

*Extent of Participation (2014-15):* 424 school districts.

	<u>Funding</u>
2013-14	\$63,462,200
2014-15	126,975,000*

\*Budgeted.

## **6. Student Achievement Guarantee in Education (SAGE)**

*Description:* The SAGE program, created under 1995 Act 27, awarded five-year grants to school districts with at least one school with an enrollment made up of at least 50% low-income pupils (in general, defined as being eligible for free or reduced-price school lunch) in the previous school year. School districts could enter into one contract for a school with at least 30% low-income pupils (MPS could contract for up to 10 schools).

Under 1997 Act 27, a second round of contracts was authorized for additional school districts, beginning with kindergarten and first grade in 1998-99, adding grade two in 1999-2000, and grade three in 2000-01 (MPS could contract for an additional 10 schools).

Under 1999 Act 9, a third round of SAGE contracts was authorized, allowing all school districts to participate, with no limit on the number of schools that could receive grants. This third round of contracts applied to kindergarten and first grade in 2000-01, kindergarten to grade two in 2001-02, and kindergarten to grade three in 2002-03. Third round schools were required to meet the following conditions: (a) the school board was not already receiving a grant on behalf of the school under the preschool to grade 5 program, a smaller class-size reduction program begun in 1986-87; (b) if eligible in the 1996-97 and 1998-99 school years, the school board participated in the program during either year; and (c) the school was not already a beneficiary of a SAGE contract. DPI is allowed to enter into five-year renewal contracts with any participating SAGE school.

An additional round of five-year contracts was authorized under 2009 Act 301, beginning with the 2010-11 school year. Under this round, a district could enter into a SAGE contract on behalf of one or more schools if all of the following

applied: (a) in the previous school year, each school had an enrollment that was at least 30 percent low income; (b) the school board was not receiving a grant under P-5 on behalf of the school; and (c) the school was not already a beneficiary of a SAGE contract. Under these contracts, schools were required to reduce each class size in at least kindergarten and grade one in 2010-11, in at least kindergarten to grade two in 2011-12, and in at least kindergarten to grade three in 2012-13 to 2014-15.

In addition, Act 301 modified the contract requirements for current SAGE schools. Beginning in 2010-11, schools may satisfy the class size limitation by reducing each class covered by the contract to no more than 18 pupils, or to no more than 30 pupils if two classroom teachers are assigned to the class. Previously, the maximum class size in all SAGE schools was 15 pupils to one teacher.

Finally, 2011 Act 105 modified the program requirements to allow a participating school district to choose not to comply with the requirement to reduce class size in grades two, three, or both, in one or more SAGE schools in the district. The district may choose this option for one or more years covered by their current SAGE contract, although if class size is not reduced, then that grade is not eligible for aid under the program.

School districts must do all of the following in each SAGE school: (a) reduce each class size to 18 pupils to one teacher, or 30 pupils to two teachers in the applicable grades; (b) keep the school open every day for extended hours and collaborate with community organizations to make educational and recreational opportunities as well as community and social services available in the school to all district residents; (c) provide a rigorous academic curriculum designed to improve academic achievement; and (d) create staff development and accountability programs that provide training for new staff members, en-

courage employee collaboration, and require professional development plans and performance evaluations.

Under 2011 Act 32, the P-5 program was eliminated. Instead, schools that participated in P-5 in 2010-11 were permitted to join the SAGE program in 2011-12. The former P-5 schools were required to reduce class sizes to 18 in grades kindergarten and one in 2011-12, kindergarten to grade two in 2012-13, and kindergarten to grade three in 2013-14 through 2015-16. Contracts may be renewed after five years, as is the case for all SAGE schools. No additional funding was provided.

*State Share:* Funding for SAGE is \$2,250 per low-income pupil enrolled in eligible grades in every SAGE school in the state, until the amount appropriated is fully distributed. The program also provides \$250,000 annually as a first draw from the SAGE appropriation to fund an evaluation of the program.

By administrative rule, DPI uses a two-step process for awarding SAGE aid. The initial count of SAGE pupils is reported in October. If the total does not encumber the entire appropriated amount, under the rule DPI can allow a second reporting window in January, for eligible pupils who were not identified in October, and a third reporting window in March. If funding is insufficient to fully fund \$2,250 per pupil, DPI prorates the payment. In 2013-14, approximately \$2,027 was paid per eligible pupil.

*Extent of Participation (2013-14):* 425 schools in 205 districts.

	<u>Funding</u>
2011-12	\$109,184,500
2012-13	109,184,500
2013-14	109,184,500
2014-15	109,184,500*

\*Budgeted.

## 7. SAGE Debt Service Aid

Under this program, if a school board, other than MPS, passed a referendum and gained DPI approval prior to June 30, 2001, it is eligible for state aid equal to 20% of debt service costs associated with SAGE building costs. The referendum had to identify the amount of bonding attributable to increased classroom space needs resulting from participation in the SAGE program.

*Extent of Participation (2014-15):* 11 school districts.

	<u>Funding</u>
2011-12	\$133,700
2012-13	133,700
2013-14	133,700
2014-15	133,700*

\*Budgeted.

## 8. School Library Aids

*Description:* Aids are provided to school districts for the purchase of library books, instructional materials from the Historical Society, and other instructional materials. Under 2011 Act 105, this aid may be used to purchase library-related computers and software to be housed in the school library, if the district consults with the library media coordinator. The funding source is income generated from the state's common school fund, which is primarily derived from interest payments on loans made from the fund to municipalities and school districts by the Board of Commissioners of Public Lands. Under the state Constitution, revenues from certain fines and forfeitures and sales of public lands are deposited in the common school fund.

*State Share:* Each school district receives a per capita payment based on its proportionate share of the total number of children in the state between the ages of 4 and 20 residing in each district (according to an annual school census).

*Extent of Participation (2014-15):* All 424 school districts.

	<u>Funding</u>
2011-12	\$32,500,000
2012-13	30,100,000
2013-14	30,200,000
2014-15	34,000,000*

\*Budgeted.

## 9. Pupil Transportation

*Description:* School districts required by state law to furnish transportation services to public and private school pupils enrolled in regular education programs, including summer school, are eligible to receive categorical aid.

Under 2007 Act 20, \$35,000 annually is allocated from this appropriation to reimburse school districts for 75% of the cost of transporting pupils to and from an island over ice, including costs for equipment maintenance and storage. If eligible costs exceed available funding, payments are prorated. In 2013-14, one district (Bayfield) qualified for \$18,400 in aid under this provision.

*State Share:* For the primary aid program, a flat, annual amount per transported pupil which varies according to the distance that each pupil is transported to school. In addition, under 2011 Act 105, if the transportation aids appropriation in any year exceeds the amount of claims, DPI is required to distribute the balance in proportion to each district's total aid entitlement generated by the per pupil amounts based on distance transported.

<u>Distance</u>	<u>Regular Year</u>	<u>Summer School</u>
0-2 miles (Hazardous Areas)	\$15	---
2-5 miles	35	\$4
5-8 miles	55	6
8-12 miles	110	6
12 miles and over	275	6

*Extent of Participation (2014-15):* Based on preliminary data, 419 school districts will receive aid in 2014-15 for transporting a total of 481,896

public school pupils and 33,170 private school pupils in 2013-14.

	<u>Funding</u>	<u>Proration</u>
2011-12	\$23,703,600	None
2012-13	23,703,600	None
2013-14	23,703,600	None
2014-15	23,703,600*	N.A.

\*Budgeted.

## 10. High-Cost Transportation Aid

*Description:* Under 2013 Act 20, additional funding is provided to districts with higher per pupil transportation costs compared to the statewide average. A district is eligible for aid if its per pupil transportation cost, based on audited information from the previous fiscal year, exceeds 150% of the statewide average per pupil cost. Aid is distributed to eligible districts based on the difference between the district's per pupil transportation cost and the aid threshold of 150% of the statewide average. If appropriated funds are insufficient to pay the full amounts, payments are prorated.

*Extent of Participation (2013-14):* 128 school districts.

	<u>Funding</u>	<u>Proration</u>
2013-14	\$5,000,000	33.7%
2014-15	5,000,000*	N.A.

\*Budgeted.

## 11. Sparsity Aid

*Description:* Under 2007 Act 20, a program was created for school districts meeting the following criteria: (a) school district membership in the prior year of less than 725 pupils; (b) population density of less than 10 pupils per square mile of the district's area; and (c) at least 20% of school district membership qualifies for free or reduced-price lunch under the National School Lunch Program. Aid is equal to \$300 times membership in the previous school year. If funding is insufficient, payments are prorated.

*Extent of Participation (2014-15):* 133 school districts.

	<u>Funding</u>	<u>Proration</u>
2011-12	\$13,453,300	80.3%
2012-13	13,453,300	82.1
2013-14	13,453,300	79.1
2014-15	13,453,300	78.7

## 12. Telecommunications Access Program

*Description:* This Department of Administration (DOA) program, Technology for Educational Achievement (TEACH), provides eligible entities access to the Internet and two-way interactive video services through rate discounts and subsidized installation of data lines and video links. This state program was enacted as part of 1997 Act 27. Public school districts, private schools, CESAs, technical college districts, charter school sponsors, juvenile correctional facilities, private and tribal colleges, and public library boards are eligible for funding under this program. However, only the funding provided to public school districts is included as categorical aid.

*State Share:* Funding for this program is provided through the segregated universal service fund (USF), which receives its funding through assessments on annual gross operating revenues from intrastate telecommunications providers. By statute, an approved applicant's monthly payments to the state may not exceed \$100 per month for each data line or video link that relies on a transport medium operating at a speed of 1.544 megabits per second or less, and may not exceed \$250 per month for each data line or video link that operates at a higher speed. Since July, 2008, the connections provided at those rates have operated at higher speeds than is required; monthly payments of \$100 and \$250 cover up to 10 megabits and 100 megabits per second, respectively. The difference between the cost to provide access and the monthly payment to the state is paid for by DOA with funding from the USF.

*Extent of Participation (2013-14):* The pro-

gram subsidized video links and data lines in 2013-14 for 409 public school sites as of August, 2014. Funding for this program is provided in a biennial appropriation.

	<u>Funding*</u>
2011-12	\$11,105,100
2012-13	11,105,100
2013-14	11,105,100
2014-15	11,105,100

\*Budgeted.

## 13. Technology Infrastructure Financial Assistance

*Description:* Under the infrastructure financial assistance program, school districts and public libraries could apply for loans to fund the upgrading of electrical wiring in buildings in existence on October 14, 1997, and installation and upgrading of computer network wiring. Schools and libraries are required to pay the debt service on the loans, which represent 50% of the financial assistance, and the state pays the debt service for the grants, which are the other half of the financial assistance. The program was closed to new applications for assistance as of July, 2003. A total of 193 school districts received loans under the program. Bonds totaling \$71.9 million were issued under the program for school districts. Debt service costs for the financing of the infrastructure loans to school districts was budgeted at \$2,035,800 GPR in 2014-15.

## 14. Bilingual-Bicultural Education

*Description:* In certain cases, school districts are required by state law to provide special classes to pupils of limited-English proficiency (LEP). These classes are required at schools that enroll 10 or more LEP pupils in a language group in grades K-3, or 20 or more in grades 4-8 or 9-12. These school districts are eligible for categorical aid.

*State Share:* State aid payments are based on

the ratio of the categorical aid appropriation to the total aidable costs of the eligible districts in the prior year. Aidable costs are defined as the districts' prior year costs for salaries, special books, equipment and other expenses approved by DPI that are attributable only to programs for LEP pupils. The state share has decreased in recent years due to growth in program expenditures.

Current law earmarks \$250,000 as a first draw from the bilingual-bicultural education aids appropriation, to be divided proportionately based on reported costs, among school districts whose enrollments in the previous school year were at least 15% LEP pupils. In the 2013-14 school year, the Beloit, Delavan-Darien, Green Bay, Lake Geneva, Madison, Sheboygan, Walworth, Waterloo, and Whitewater school districts were eligible for the first-draw funding.

*Extent of Participation (2013-14):* 52 school districts.

	<u>Funding</u>	<u>Proration</u>
2011-12	\$8,589,800	8.0%
2012-13	8,589,800	8.3
2013-14	8,589,800	7.4
2014-15	8,589,800	N.A.

## 15. State Tuition Payments

*Description.* The state reimburses the cost of educating children who live in properties for which there is no parental property tax base support. Specifically, school districts and county children with disabilities education boards are eligible for tuition payments for the following:

a. Pupils in children's homes (nonprofit organizations licensed by the Department of Children and Families) who have usually been placed in the home by the state or by county social services departments.

b. Pupils whose parents are employed at, and reside on the grounds of, a state or federal

military camp, federal veteran hospital or state charitable or penal institution.

c. Pupils who live in foster or group homes if the home is outside the district in which the pupil's parent or guardian resides and is exempt from the property tax.

d. Pupils who live in foster or group homes outside the district in which the pupil's parent or guardian resides, if the pupil is a child with a disability and at least 4% of the pupils enrolled in the school district reside in foster or group homes that are not exempt from the property tax.

State law also specifies that if a school district loses pupils under the open enrollment program and the amount of state aid received by the district is insufficient to cover the net transfer payments, then the balance is paid from the state tuition appropriation. A payment was first made for this purpose in 2013-14, when \$37,000 was used to cover the net transfer payments for Linn J4.

*State Share:* The state payment is calculated on the basis of the school district's average daily cost per pupil and the number of school days the child is enrolled in school.

For pupils qualifying under the 4% provision, annual payments are at the special annual tuition rate only, which is the sum of instructional and specified services costs unique to that program divided by the average daily membership of all pupils enrolled in the program, including those for whom tuition is paid.

*Extent of Participation (2013-14):* 32 school districts.

	<u>Funding</u>
2011-12	\$8,242,900
2012-13	7,904,500
2013-14	7,602,300
2014-15	8,242,900*

\*Budgeted.

## 16. Head Start Supplement

*Description:* Since 1990-91, state grants have been provided as a supplement to the federal Head Start program that provides comprehensive educational, health, nutritional, social, and other services to economically disadvantaged pre-school children and their families. Funds are distributed to federally designated Head Start agencies, to enable expansion of their programs to serve additional families. Grants may be used as a match for federal funds only if the state funds are used to secure additional federal support. Federal funding for Head Start and Early Head Start in Wisconsin was an estimated \$118.9 million in federal fiscal year 2014-15.

*Extent of Participation (2014-15):* 41 grantees including five school districts (Green Bay, Kenosha, Merrill, Milwaukee, and West Bend) and three CESAs.

	<u>Funding</u>
2011-12	\$6,264,100
2012-13	6,264,100
2013-14	6,264,100
2014-15	6,264,100*

\*Budgeted.

## 17. Educator Effectiveness Grants to School Districts

*Description:* Under 2011 Act 166, DPI was required to develop an educator effectiveness evaluation system. The program requires school districts to evaluate teachers and principals on a regular basis under a system developed by DPI or an equivalent process designed by the district and approved by DPI.

Under 2013 Act 20, an annual appropriation was created to provide grants to reimburse school districts participating in the DPI program for payments to DPI associated with system development, training, software, support, resources, and ongoing refinement, or for those districts using an approved alternative evaluation process, to

fund development and implementation of the equivalent process. Districts receive a payment of \$80 for each teacher, principal, or other licensed educator in the district.

*Extent of Participation (2013-14):* 446 school districts and independent "2r" charter schools.

	<u>Funding</u>
2013-14	\$5,726,900
2014-15	5,746,000*

\*Budgeted

## 18. Nutrition Programs

*Description:* The state makes payments to school districts and private schools for the following purposes: (a) to partially match the federal contribution under the national school lunch program that provides free or reduced price meals to low-income children; (b) to support the cost of reduced price meals served to the elderly; (c) to reimburse the cost of milk provided to low-income children in preschool through fifth grade in schools that do not participate in the federal special milk program; and (d) to provide a per meal reimbursement for school breakfast programs. Under 2005 Act 25, independent charter schools participating in the Milwaukee and Racine charter program, as well as the state residential schools in Janesville and Delavan, were specified as eligible entities for state school lunch matching payments.

*State Share:* School lunch: a variable percentage (28.9% for 2014-15 aids) of the amount of federal basic reimbursement provided in 1980-81 (\$14.4 million) determines the state match, which is then allocated among school districts, charter schools, and private schools according to the number of lunches served during the prior school year.

Elderly nutrition: 15% of the cost of the meal or 50 cents per meal, whichever is less. These payments are made from the school lunch appropriation.



School day milk: 100% reimbursement if funds are available.

School breakfast: Funding is used to provide a per meal reimbursement of \$0.15 for each breakfast served under the federal school breakfast program. If there is insufficient funding to pay the full amount, payments are to be prorated.

*Extent of Participation (2012-13):*

	<u>School Districts</u>	<u>Residential &amp; Charter Schools</u>	<u>Private Schools</u>
School Lunch	414	23	364
School Breakfast	353	18	108
Elderly Nutrition	9	0	1

*Funding:*

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14*</u>	<u>2014-15*</u>
School Lunch	\$4,124,300	\$4,109,200	4,218,100	4,218,100
Elderly Nutrition	30,000	29,700	N.A.	N.A.
School Day Milk	617,100	617,100	617,100	617,100
School Breakfast	<u>2,510,500</u>	<u>2,510,500</u>	<u>2,510,500</u>	<u>2,510,500</u>
Total	\$7,281,900	\$7,266,500	\$7,345,700	\$7,345,700

\*Budgeted.

**19. Career and Technical Education Incentive Grants**

*Description:* Under 2013 Act 59, funding was provided to encourage high school programming that results in pupils earning certificates in industries or occupations identified in consultation with the Department of Workforce Development and the Wisconsin Technical College System as experiencing worker shortages. Act 59 provided an annual appropriation of \$3,000,000 GPR to fund the program beginning in the 2014-15 fiscal year. Funds are allocated based on the number of pupils in each district who received both a high school diploma and a certificate in an area approved by DPI in the previous year. Districts are eligible to receive payment of \$1,000 per pupil, but payments may be prorated if eligible reimbursements exceed the appropriated amount.

	<u>Funding</u>
2013-14	\$0
2014-15	3,000,000*

\*Budgeted

**20. Peer Review and Mentoring**

*Description:* Under this program a cooperative educational service agency (CESA) or a consortium consisting of two or more school districts or CESAs, or a combination thereof, may apply to DPI for a grant to provide technical assistance and training for teachers, who are licensed by or have been issued a professional teaching permit by the State Superintendent, to implement peer review and mentoring programs. Grantees are required to provide matching funds, which may be in the form of money or in-kind services or both, equivalent to at least 20% of the amount of the grant awarded. The Department cannot award more than \$25,000 to an applicant in a fiscal year.

*Extent of Participation (2013-14):* 72 grants awarded to 59 school districts, one charter school, and 12 CESAs. These fiscal agents represented a total of 198 school districts.

	<u>Funding</u>
2011-12	\$368,500
2012-13	1,323,900
2013-14	1,424,200
2014-15	1,606,700*

\*Budgeted.

**21. Four-Year-Old Kindergarten Grants**

*Description:* An aid appropriation was created in 2007 Act 20 for two-year grants to school districts that implement a new four-year-old kindergarten (K4) program. Each eligible district receives up to \$3,000 for each K4 pupil enrolled in the district in the first year of the grant and up to \$1,500 for each K4 pupil enrolled in the second year of the grant. If the appropriation amount is insufficient to fully fund the maximum payments, DPI is required to prorate the payment amounts. In awarding the grants, DPI is required to give preference to districts that use community approaches to early education. Under DPI rules, districts continuing in the grant program in their second year have priority for funding over dis-

districts new to the grant program in their first year.

*Extent of Participation (2013-14):* 8 school districts.

	<u>Funding</u>
2011-12	\$1,350,000
2012-13	1,350,000
2013-14	1,350,000
2014-15	1,350,000

## 22. Alcohol and Other Drug Abuse (AODA) Grants

*Description:* The AODA program provides block grants administered by DPI to address the problem of alcohol and other drug abuse among school-age children. Emphasis is placed on both AODA prevention and intervention including K-12 curriculum development, family involvement, drug abuse resistance education, and pupil designed AODA prevention or intervention projects. Program revenue from the penalty assessment surcharge funds these grants.

*Extent of Participation (2013-14):* 52 school districts and 4 CESAs, which administered grants on behalf of consortia representing 36 additional school districts.

	<u>Funding</u>
2011-12	\$1,284,100
2012-13	1,204,600
2013-14	1,279,700
2014-15	1,284,700*

\*Budgeted.

## 23. Open Enrollment and Course Options Aid for Transportation

*Description:* Under the open enrollment program, a pupil may attend a public school outside his or her school district of residence, provided the pupil's parent complies with certain application dates and procedures and the applicable acceptance criteria are met. The pupil's parent is responsible for transporting the pupil to and from the school, except that if a child with disabilities

requires transportation under his or her individual education plan (IEP), the nonresident district must provide transportation for the child. Parents of pupils who are eligible for the federal free or reduced-price lunch program may apply to DPI for reimbursement of transportation costs. DPI determines the reimbursement amount, which may not exceed the parent's actual costs or three times the statewide average per pupil transportation costs, whichever is less. If the appropriation is insufficient, payments are prorated.

The part-time open enrollment program was expanded under 2013 Act 20 to create the course options program, which allows any pupil enrolled in a public school to enroll in up to two courses at any time at other educational institutions, including public schools in a nonresident school district, the University of Wisconsin System, technical colleges, nonprofit institutions of higher education, tribal colleges, charter schools, and any nonprofit organization that has been approved by DPI. Parents are responsible for transporting pupils to and from courses. The parent of a pupil can apply to DPI for reimbursement of the costs of the pupil's transportation if the pupil and parent are unable to pay the cost of such transportation. DPI determines the amount of the reimbursement. DPI must give preference in making reimbursements to pupils who would be eligible for the federal free or reduced-price lunch program.

*Extent of Participation (2013-14):* 1,895 pupils received aid for full-time open enrollment transportation. No pupils received aid related to course options.

	<u>Funding</u>	<u>Proration</u>
2011-12	\$434,200	31.5%
2012-13	434,200	30.9
2013-14	434,200	27.1
2014-15	434,200	N.A.

## 24. Environmental Education

*Description:* Since 1990, the Wisconsin En-

vironmental Education Board (WEEB), currently under the UW System, has provided grants to school districts, private schools, governmental units, and nonprofit corporations to enhance environmental, forestry, and school forest education programs within their institutions. Grants of up to \$20,000 are awarded for 18-month periods. All awards require a 25% local match. WEEB grants are funded by a 14% surcharge on environmental fines, which was increased from 5% on all violations occurring after July 1, 2009; monies transferred from the forestry account of the conservation fund; and private gifts and grants. In 2013-14, WEEB received \$200,000 from the conservation fund, \$114,500 from the surcharge, and \$14,100 in donations.

*Extent of Participation (2014-15):* 41 grants, 18 of which were awarded to school districts.

	<u>Total Grants Awarded</u>
2011-12	\$363,000
2012-13	390,200
2013-14	321,800
2014-15	284,600

## 25. CESA Administration

*Description:* Aid is provided for the administrative cost of each of the 12 CESAs. These agencies serve as a vehicle for groups of school districts within a geographic area to contract for programs and educational services. The state payment is \$21,717 per agency (\$260,600 in total) and school districts must collectively match the state's contribution according to their percentage of average daily membership within the CESA.

*Extent of Participation (2014-15):* 12 CESAs.

	<u>Funding</u>
2011-12	\$260,600
2012-13	260,600
2013-14	260,600
2014-15	260,600

## 26. Gifted and Talented Grants

*Description:* Aid is provided annually as a grant program to provide gifted and talented pupils with services and activities not ordinarily provided in a regular school program. Grants may be awarded to nonprofit organizations, CESAs, institutions within the University of Wisconsin System, and Milwaukee Public Schools, either individually or as collaborative projects.

*Extent of participation (2013-14):* Five CESAs and MPS.

	<u>Funding</u>
2011-12	\$198,500
2012-13	174,100
2013-14	107,200
2014-15	237,200*

\*Budgeted.

## 27. Tribal Language Grants

*Description:* This program provides tribal language revitalization grants to school districts and CESAs. Funding is provided from tribal gaming program revenue transferred from DOA. A district or CESA in conjunction with a tribal authority may apply to DPI for a grant for the purpose of supporting innovative, effective instruction in one or more American Indian languages.

*Extent of Participation (2013-14):* 9 school districts.

	<u>Funding</u>
2011-12	\$190,000
2012-13	165,000
2013-14	170,100
2014-15	222,800*

\*Budgeted.

## 28. Supplemental Aid

*Description:* This categorical aid is provided annually for school districts that satisfy certain criteria. A school district that satisfies all of the criteria can apply to DPI by October 15 of each school year for a grant to supplement the equali-

zation aid it will receive. The criteria are: (a) the school district had an enrollment of fewer than 500 pupils in the previous school year; (b) the school district is at least 200 square miles in area; and (c) at least 80% of the real property in the school district is exempt from property taxation, taxed as forest croplands, owned or held in trust by a federally recognized American Indian tribe, or owned by the federal government. One school district, Laona, qualifies for the program.

DPI pays the school district that satisfies these criteria \$350 for each pupil enrolled in the previous school year, by June 30 of the current school year. If funding is insufficient to fully fund a \$350 per pupil payment, the monies must be prorated.

*Extent of Participation (2014-15):* One school district (Laona School District).

	<u>Funding</u>
2011-12	\$78,800
2012-13	80,500
2013-14	74,600
2014-15	100,000*

\*Budgeted.

## 29. Youth Options Aid for Transportation

*Description:* The youth options program allows any 11th or 12th grade public school pupil to enroll in one or more nonsectarian courses at a postsecondary institution (including UW campuses, technical colleges, participating private, nonprofit colleges and tribally-controlled colleges) for high school or postsecondary credit. Funding is provided to reimburse parents of pupils who are unable to afford the cost of transportation between the high school and the postsecondary institution. Preference for funding is given to pupils who are eligible for free or reduced-price school lunches. In order to be eligible for reimbursement, the postsecondary course must be taken for high school credit. If funding is insufficient, payments are prorated each semester. For the fall of 2013, the prorate was 86.0%. For the

spring of 2014, the prorate was 71.0%.

*Extent of Participation (2013-14):* 23 pupils received aid in the fall of 2013, and 24 pupils received aid in the spring of 2014.

	<u>Funding</u>
2011-12	\$17,400
2012-13	17,400
2013-14	17,400
2014-15	17,400

## 30. Science, Technology, Engineering, and Math (STEM) Grants

*Description:* A nonstatutory provision was included in 2013 Act 20 to provide grant funding to districts engaging in innovative science, technology, engineering, and mathematics education projects. A biennial appropriation of \$250,000 was provided in Act 20 to fund the program. Fifteen school districts were selected to receive grants of between \$8,454 and \$19,222 beginning in June, 2014, and ending in June, 2015, out of an applicant pool of 70 school districts. Grantees are required to provide matching funding equaling 25% of the total grant amount.

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## Recent Trends in Categorical versus General Aid Funding

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Table 8 shows the allocation of state school aid funding between equalization aid, other general aids, and categorical aids for the last 20 years.

During most of the years shown in Table 8, equalization aid has been approximately 86% to 87% of the total, other general aids have been approximately 2% of the total, and categorical aids have represented approximately 11% to 12% of the total. In 2011-12, the base funding reduction in general aid and the one-time increase in the special adjustment hold harmless percentage

**Table 8: Allocation of State School Aids (\$ in Millions)**

Fiscal Year	Equalization Aid		Other General Aids*		Categorical Aids		Total School Aid
	Amount	% of Total	Amount	% of Total	Amount	% of Total	
1995-96	\$2,237.1	82.7%	\$104.4	3.9%	\$363.7	13.4%	\$2,705.2
1996-97	3,109.5	87.2	72.7	2.0	383.9	10.8	3,566.1
1997-98	3,316.1	87.2	77.4	2.0	411.2	10.8	3,804.7
1998-99	3,474.0	87.1	86.1	2.1	429.3	10.8	3,989.4
1999-00	3,682.5	87.1	85.5	2.0	458.3	10.8	4,226.3
2000-01	3,843.6	86.1	88.3	2.0	531.4	11.9	4,463.3
2001-02	3,959.1	86.0	92.5	2.0	550.8	12.0	4,602.4
2002-03	4,111.4	86.1	89.6	1.9	574.2	12.0	4,775.2
2003-04	4,171.8	86.8	101.3	2.1	533.2	11.1	4,806.3
2004-05	4,219.6	86.9	97.9	2.0	540.4	11.1	4,857.9
2005-06	4,517.9	87.6	96.0	1.9	545.2	10.6	5,159.1
2006-07	4,620.4	87.3	102.3	1.9	571.7	10.8	5,294.4
2007-08	4,618.8	86.5	112.9	2.1	608.4	11.4	5,340.1
2008-09	4,699.3	86.0	112.2	2.1	650.9	11.9	5,462.4
2009-10	4,521.8	85.1	149.4	2.8	644.2	12.1	5,315.4
2010-11	4,548.0	85.4	123.2	2.3	653.8	12.3	5,325.0
2011-12	3,932.3	80.4	352.7	7.2	608.5	12.4	4,893.5
2012-13	4,193.2	84.5	117.3	2.4	653.9	13.2	4,964.4
2013-14	4,295.2	84.6	103.2	2.0	680.8	13.4	5,079.2
2014-15	4,396.5	83.9	96.3	1.8	748.9	14.3	5,241.7

\*Includes integration (Chapter 220) aid, special adjustment aid, and high poverty aid, as well as minimum aids and aid to CCDEBs prior to 1996-97.

NOTE: Equalization and other general aid figures represent aid eligibility prior to any choice and charter program reductions.

(to 90% rather than 85%) resulted in the highest proportion of funding (7.2%) in the last 20 years being distributed as other general aids, as well as the lowest proportion of funding (80.4%) being distributed as equalization aid during that time period. More recently, the percentage of aid be-

ing distributed as equalization aid has declined from 84.5% in 2012-13 to 83.9% in 2014-15, and the percentage of categorical aids has increased from 13.2% in 2012-13 to 14.3% in 2014-15, because categorical aids have received relatively larger increases, particularly per pupil aid.

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## APPENDICES

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The final section of the paper includes the following three appendices:

- Appendix I provides general descriptive statistics on school district pupil membership, valuation, shared cost, and school levy rates.
- Appendix II provides sample calculations of the equalization aid formula.
- Appendix III provides additional detail on payments under the integration aid program.

## APPENDIX I

### School District Characteristics

This appendix provides general descriptive statistics regarding Wisconsin's school districts. A series of tables present data on the distribution across districts of pupil membership, equalized valuations per member, shared costs per member, and mill rates. The first three variables are based on 2013-14 school year data, which is used to compute 2014-15 general school aids. The mill rates are based on property tax levies for the 2014-15 school year.

Information is provided on the number of school districts under selected ranges of each variable. The tables also show, for each variable, the median, average, minimum, and maximum amounts as well as the amounts that mark the 10th and 90th percentile levels.

Table 9 shows that pupil membership ranges from 54 (Norris) to 81,744 (Milwaukee) with an average of 2,021. The fact that over half of all

**Table 9: School District Pupil Membership – 2013-14 School Year**

Pupil Membership	Number of Districts	Percent of Total	Cumulative Percent
Under 250	32	7.5%	7.5%
250 - 499	72	17.0	24.5
500 - 999	123	29.0	53.5
1,000 - 1,499	63	14.9	68.4
1,500 - 1,999	30	7.1	75.5
2,000 - 2,999	37	8.7	84.2
3,000 - 4,999	35	8.3	92.5
5,000 - 9,999	22	5.2	97.7
10,000 and Over	<u>10</u>	<u>2.4</u>	100.0
<b>Total</b>	<b>424</b>	<b>100.0%</b>	
Median	917		
Average	2,021		
Smallest	54		
10 <sup>th</sup> Percentile	289		
90 <sup>th</sup> Percentile	3,985		
Largest	81,744		

districts have memberships of less than 1,000 is reflected in the lower median membership of 917. Eighty percent of all districts have memberships between 289 and 3,985.

**Table 10: Equalized Valuation Per Member\* -- 2013-14 School Year**

Equalized Valuation Per Member	Number of Districts	Percent of Total	Cumulative Percent
Under \$300,000	19	4.4%	4.4%
\$300,000 - \$349,999	35	8.3	12.7
\$350,000 - \$399,999	54	12.8	25.5
\$400,000 - \$449,999	66	15.6	41.1
\$450,000 - \$499,999	41	9.7	50.8
\$500,000 - \$599,999	72	17.0	67.8
\$600,000 - \$699,999	33	7.8	75.6
\$700,000 - \$999,999	54	12.8	88.4
\$1,000,000 - \$1,999,999	32	7.6	96.0
\$2,000,000 and Over	<u>17</u>	<u>4.0</u>	100.0
<b>Total</b>	<b>423</b>	<b>100.0%</b>	
Median	\$496,816		
Average	531,883		
Lowest	163,238		
10 <sup>th</sup> Percentile	332,096		
90 <sup>th</sup> Percentile	1,132,438		
Highest	8,264,584		

\*Valuations for K-8 and UHS districts have been adjusted to be comparable to K-12 districts. Because of its unique characteristics, the Norris School District has been excluded, except for the average.

Table 10 shows that adjusted equalized valuation per member ranges from \$163,238 (Beloit) to \$8,264,584 (North Lakeland) with an average of \$531,883. Again, the median value per member (\$496,816) is lower, reflecting the concentration of districts below the state average.

Eighty percent of all districts have equalized values per member between \$332,096 and \$1,132,438. The secondary guaranteed valuation (for K-12 districts) under the equalization formula for the 2014-15 aid year is \$1,096,593 per member.

**Table 11: Shared Cost Per Member\* -- 2013-14 School Year**

Shared Cost	Number of Districts	Percent of Total	Cumulative Percent		
Under \$9,500	45	10.6%	10.6%	Median	\$10,460
\$9,500 - \$9,749	33	7.8	18.4	Average	10,250
\$9,750 - \$9,999	37	8.7	27.1	Lowest	8,445
\$10,000 - \$10,249	50	11.8	38.9	10 <sup>th</sup> Percentile	9,474
\$10,250 - \$10,499	57	13.5	52.4	90 <sup>th</sup> Percentile	12,364
\$10,500 - \$10,749	35	8.3	60.7	Highest	28,778
\$10,750 - \$10,999	30	7.1	67.8		
\$11,000 - \$11,499	53	12.5	80.3		
\$11,500 - \$11,999	29	6.9	87.2		
\$12,000 - \$12,999	25	5.9	93.1		
\$13,000 and Over	<u>29</u>	<u>6.9</u>	100.0		
Total	423	100.0%			

\* Because of its unique characteristics, the Norris School District has been excluded, except for the average.

**Table 12: Preliminary School Levy Rates\* -- 2014-15 School Year**

Levy Rate	Number of Districts	Percent of Total	Cumulative Percent		
Under 7.00	20	4.9%	4.9%	Median	10.45
7.00 - 7.99	5	1.2	6.1	Average	10.25
8.00 - 8.99	36	8.7	14.8	Lowest	2.91
9.00 - 9.99	95	23.0	37.8	10 <sup>th</sup> Percentile	8.54
10.00 - 10.99	107	25.9	63.7	90 <sup>th</sup> Percentile	12.69
11.00 - 11.99	73	17.7	81.4	Highest	17.05
12.00 and Over	<u>77</u>	<u>18.6</u>	100.0		
Total	413	100.0%			

\*Levy rates for K-8 and UHS school districts have been combined and the 10 UHS districts are excluded from the table, as well as the Norris School District.

Table 11 shows that shared cost per member ranges from a minimum of \$8,445 (Weyauwega-Fremont) to a maximum of \$28,778 (North Lakeland) with an average of \$10,250. The median amount (\$10,460) is higher than the state average. Eighty percent of all districts have shared costs per member between \$9,474 and \$12,364. The secondary cost ceiling under the equalization formula for the 2014-15 aid year is \$9,225 per member, equal to 90% of the statewide average shared cost in the prior year.

Table 12 shows that the preliminary school levy rates in 2014-15 range from 2.91 mills (Gi-

braltar Area) to 17.05 mills (Cassville). The median levy rate (10.45 mills) is estimated to be slightly higher than the state average of 10.25 mills. Eighty percent of all districts are estimated to have levy rates between 8.54 and 12.69 mills. The mill rate is the amount of taxes levied for every \$1,000 in equalized property value. Therefore, a property taxpayer who owns a home with a market value of \$150,000 has, on average, a school tax bill of \$1,538 (\$10.25 times 150). A taxpayer in Cassville is estimated to have a school tax rate which is nearly six times greater than a taxpayer in Gibraltar.

## APPENDIX II

### Sample Calculations of the Equalization Aid Formula

The fundamental factors in determining a school district's eligibility for equalization aid are: (1) whether its equalized property value per pupil is greater than or less than the state's guaranteed value(s); and (2) if, and to what extent, its shared costs per pupil exceed the secondary cost ceiling.

School districts can be placed in one of five categories depending on their per pupil costs and values, as follows:

1. *Primary and Secondary Aid.* A school district in this category has shared costs per member below the secondary cost ceiling and an equalized value per member below the secondary guarantee. As a result, the district would receive positive aid on two tiers of the formula: primary aid and a lower level of secondary aid.

2. *Positive Tertiary Aid.* A district in this category has shared costs per member above the secondary cost ceiling and an equalized value per member below the tertiary guarantee. The district would receive positive aid on all three tiers of the formula: primary aid, a lower level of secondary aid and a still lower, but positive, level of tertiary aid.

3. *Negative Tertiary Aid.* A district in this category has shared costs per member above the secondary cost ceiling and an equalized value per member between the secondary guarantee and the tertiary guarantee. Under this district's aid calculation, positive primary and secondary aid is generated, but the positive secondary aid is partially offset by negative aid generated on the tertiary level.

4. *Primary Aid Only.* Primary aid only districts have costs at all three tiers and an equalized

value per member between the primary and tertiary guarantees. These districts generate positive aid at the primary level, but either generate positive secondary aid that is completely offset by negative tertiary aid, or generate negative secondary and tertiary aid. Under the primary aid hold harmless, these districts would be entitled to the amount of aid generated at the primary level.

5. *No Equalization Aid.* A few districts have an equalized value per member above the primary guarantee. A district in this category would generate negative aid on all levels of the formula and would not receive any equalization aid. However, the district would qualify for special adjustment aid, based on the general school aid it received in the previous year.

This appendix provides sample calculations of the equalization formula that reflect the five categories described above. Table 13 summarizes 2014-15 aid year data regarding the number of school districts that fall into these particular categories of equalization aid.

**Table 13: Five Categories of Districts in the Equalization Aid Formula for Aid Year 2014-15**

Category	Number of Districts	Percent of Total
Primary and Secondary Aid	22	5.2%
Positive Tertiary Aid	225	53.0
Negative Tertiary Aid	117	27.6
Primary Aid Only	41	9.7
No Equalization Aid	<u>19</u>	<u>4.5</u>
Total	424	100.0%

The guaranteed valuations and cost ceilings used in the sample calculations are the actual factors used in calculating equalization aid in 2014-



15. These formula factors are:

	<u>Per Member</u>
Primary Guaranteed Valuation	\$1,930,000
Secondary Guaranteed Valuation	1,096,593
Tertiary Guaranteed Valuation	531,883
Primary Cost Ceiling	1,000
Secondary Cost Ceiling	9,225

Equalization aid is the sum of primary and secondary aid and, where applicable, tertiary aid, calculated using the primary, secondary, and tertiary guarantees. The equalization aid formula can be expressed as shown in Equation 1. This equation is referred to as the required levy rate method of calculating equalization aid. Statutorily, the calculation of equalization aid follows this method. The same calculation, however, can also be expressed mathematically in a slightly different manner, which is shown as Equation 2. This equation is known as the percentage method of calculating equalization aid.

**Equation 1: Required Levy Rate Method**

$$\text{State Aid} = [\text{State Guaranteed Value} - \text{District Equalized Value}] \times [\text{Shared Cost} \div \text{State Guaranteed Value}]$$

**Equation 2: Percentage Method**

$$\text{State Aid} = [1 - (\text{District Equalized Value} \div \text{State Guaranteed Value})] \times \text{Shared Cost}$$

To illustrate the calculation of equalization aid, the following examples will show each of the steps in the calculation for each district rather than condense the calculation into a mathematical format. The aid factors for each of the districts in the examples are shown. Each example also shows the calculation of shared costs, aid rates, and aid amounts at each tier, as well as the total aid payment.

**District A: Primary and Secondary Aid**

The first example, School District A, receives

primary and secondary aid only.

District A has 1,000 pupils, \$9.0 million in shared costs, and \$350 million in property value. Thus, District A has \$9,000 in shared cost per member and \$350,000 in property value per member. The first step in calculating equalization aid is to determine the amount of shared costs aided at each tier. Because District A's \$9,000 in shared cost per member is less than the \$9,225 secondary cost ceiling, the district will be aided on the primary and secondary tiers of the formula. The first \$1,000 of shared cost per member is aided at the primary tier. With 1,000 members, District A has \$1,000,000 in primary shared costs. The remaining \$8,000 in shared cost per member, or \$8,000,000, is aided at the secondary tier.

The second step in calculating equalization aid is to determine how much of the guaranteed tax base the state supports at each tier, which is the aid rate on the shared costs at each tier. Since District A's value per member of \$350,000 is below the secondary guarantee of \$1,096,593, the district receives positive aid at both tiers of the formula. On the primary tier, the state guarantees \$1,930,000 in value per member, while District A has \$350,000 in value per member. The state supports the \$1,580,000 difference between the two, which is 81.87% of the guaranteed value. On the secondary tier, the state provides a smaller guarantee of \$1,096,593 per member. With District A's \$350,000 in value per member, the state supports \$746,593 in tax base per member, or 68.08% of the guaranteed value.

The third step in calculating equalization aid is to determine the amount of aid received at each tier, using the results of the first two steps. On the primary tier, District A has \$1,000,000 in shared cost and the state aids 81.87% of those costs. This results in \$818,700 in primary aid. On the secondary tier, District A has \$8,000,000 in shared cost and the state aids 68.08% of those costs, resulting in \$5,446,400 in secondary aid.

The final step in calculating equalization aid is to add the results at each level, subject to any statutory hold harmless provisions. For District A, the primary and secondary aid amounts are added together, resulting in a total aid payment of \$6,265,100. With \$9,000,000 in total shared costs, this results in an overall equalization aid rate of 69.61%.

At the primary and secondary aid category, some key observations can be made:

1. As cost increases, aid increases;
2. As membership increases, aid increases;
3. As the state guaranteed valuations increase, aid increases; and
4. As equalized valuation increases, aid decreases.

In the 2014-15 aid year, 22 of the state's 424 school districts (or 5.2%) were primary and secondary aid districts under the equalization formula.

## District A: Primary and Secondary Aid

### Aid Factors:

1.	Pupil Membership	1,000
2.	Shared Costs	\$9,000,000
3.	Shared Costs per Member (Row 2 divided by Row 1)	\$9,000
4.	Property Value	\$350,000,000
5.	Property Value per Member (Row 4 divided by Row 1)	\$350,000

### Aid Calculation:

	<u>Primary</u>	<u>Secondary</u>
<i>Shared Costs at Each Tier</i>		
6.	Shared Cost per Member at the Tier	\$1,000
7.	District A's Membership	1,000
8.	Shared Cost at the Tier (Row 6 multiplied by Row 7)	\$1,000,000
<i>Aid Rate at Each Tier</i>		
9.	State Guarantee per Member at the Tier	\$1,930,000
10.	District A's Property Value per Member	\$350,000
11.	Per Member Tax Base Supported by the State (Row 9 minus Row 10)	\$1,580,000
12.	District A's Aid Rate at the Tier (Row 11 divided by Row 9)	81.87%
<i>Aid Amount at Each Tier</i>		
13.	District A's Aid Payment at the Tier (Row 8 multiplied by Row 12)	\$818,700
<i>Total Aid Payment</i>		
14.	Primary Aid	\$818,700
15.	Secondary Aid	<u>5,446,400</u>
16.	Total Aid (Sum of Rows 14 and 15)	\$6,265,100
17.	Aid as Percent of Costs (Row 16 divided by Row 2)	69.61%

## District B: Positive Tertiary Aid

For school districts with shared cost above the secondary cost ceiling, aid is computed using the primary, secondary, and tertiary tiers. The next example shows how aid would be computed for a district with costs at all three tiers. District B has the same pupil membership and property value as District A from the previous example, but District B has total shared costs of \$9,500 per pupil rather than \$9,000 per pupil.

District B's shared costs of \$9,500 per pupil exceed the secondary cost ceiling of \$9,225. As a result, equalization aid for the district is computed using the primary, secondary, and tertiary guaranteed valuations.

As with District A, the first \$1,000 of shared cost per member is aided at the primary tier. Shared costs above \$1,000 per member but below the \$9,225 secondary cost ceiling (\$8,225 per member for District B) are aided at the secondary tier. Any costs in excess of \$9,225 per member (\$275 per member for District B) are aided at the tertiary tier. The first step in calculating aid for District B results in \$1,000,000 of primary shared costs, \$8,225,000 in secondary shared costs, and \$275,000 of tertiary shared costs.

Because District B has the same value per member as District A, it is aided at the same rate at the primary (81.87%) and secondary (68.08%) tiers. Because District B has tertiary costs, its aid rate at the tertiary tier must also be determined. On the tertiary tier, the state provides a guarantee of \$531,883 per member. With District B's \$350,000 in value per member, the state supports \$181,883 in tax base per member, or 34.20% of the guaranteed value. The smaller state guarantee at the tertiary tier results in a lower aid rate for

tertiary shared costs than the aid rate for primary and secondary shared costs.

With shared costs at all three tiers and three positive aid rates, District B receives positive aid at the primary tier (\$818,700), secondary tier (\$5,599,580), and tertiary tier (\$94,050). The total aid payment of \$6,512,330 represents 68.55% of District B's total shared costs. With some of its costs aided at the less-generous tertiary level, District B's overall aid rate is lower than that of District A.

Similar to the primary and secondary aid districts, these observations can be made regarding positive tertiary aid districts:

1. As cost increases, aid increases;
2. As membership increases, aid increases;
3. As the guaranteed valuations increase, aid increases; and
4. As equalized valuation increases, aid decreases.

However, any increases in aid at the tertiary level are less in both total dollar value and on a percentage basis than at the secondary level, because the costs that are being funded are above the secondary cost ceiling, and therefore subject to the tertiary guaranteed valuation. As a result, although on average this district receives aid equal to 68.55% of its total shared costs, at the margin only 34.20% of any additional shared costs will be aided by the state.

In the 2014-15 aid year, 225 of the state's school districts (or 53.0%) are positive tertiary aid districts.

## District B: Positive Tertiary Aid

### Aid Factors:

1. Pupil Membership	1,000
2. Shared Costs	\$9,500,000
3. Shared Costs per Member (Row 2 divided by Row 1)	\$9,500
4. Property Value	\$350,000,000
5. Property Value per Member (Row 4 divided by Row 1)	\$350,000

### Aid Calculation:

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>
<i>Shared Costs at Each Tier</i>			
6. Shared Cost per Member at the Tier	\$1,000	\$8,225	\$275
7. District B's Membership	1,000	1,000	1,000
8. Shared Cost at the Tier (Row 6 multiplied by Row 7)	\$1,000,000	\$8,225,000	\$275,000
<i>Aid Rate at Each Tier</i>			
9. State Guarantee per Member at the Tier	\$1,930,000	\$1,096,593	\$531,883
10. District B's Property Value per Member	\$350,000	\$350,000	\$350,000
11. Per Member Tax Base Supported by the State (Row 9 minus Row 10)	\$1,580,000	\$746,593	\$181,883
12. District B's Aid Rate at the Tier (Row 11 divided by Row 9)	81.87%	68.08%	34.20%
<i>Aid Amount at Each Tier</i>			
13. District B's Aid Payment at the Tier (Row 8 multiplied by Row 12)	\$818,700	\$5,599,580	\$94,050
<i>Total Aid Payment</i>			
14. Primary Aid	\$818,700		
15. Secondary Aid		5,599,580	
16. Tertiary Aid		<u>94,050</u>	
17. Total Aid (Sum of Rows 14, 15, and 16)		\$6,512,330	
18. Aid as Percent of Costs (Row 17 divided by Row 2)		68.55%	

### **District C: Negative Tertiary Aid**

While the Wisconsin Supreme Court ruled payment of "negative aid" by school districts to the state for distribution to other districts unconstitutional, the current formula retains a negative aid aspect with regard to the tertiary tier. If a school district has per pupil costs greater than the secondary cost ceiling and if that district has a per pupil valuation that falls between the tertiary guarantee and the higher secondary guarantee, then that district generates a negative amount of aid on its tertiary costs. The district receives no state aid on its tertiary costs and, in addition, the negative aid that the formula generates for the district's tertiary costs is used to reduce the aid generated for the district's secondary costs.

In the next example, District C has positive secondary aid which exceeds negative tertiary aid. District C has the same pupil membership and shared costs as District B from the prior example, but has twice as much property value as District B. The \$700,000 in property value per member for District C is between the secondary guarantee of \$1,096,593 and the tertiary guarantee of \$531,883.

District C has the same level of shared costs at each tier as District B. Because District C has more property value per member than District B, its aid rate at each tier is lower. Because District C's property value per member of \$700,000 is lower than both the primary and secondary guarantees, the district still generates positive aid at both of those tiers. At the tertiary tier, District C's property value per member is greater than the state guarantee. As a result, the district's taxpay-

ers will be required to generate revenues equal to 131.61% of the tertiary costs, with the excess levy being used to offset the reduction in positive secondary aid.

District C receives \$637,300 in primary aid and \$2,974,983 in secondary aid. The positive aid generated at the secondary tier, however, is offset by a loss of \$86,928 in aid at the tertiary tier. In total, District C receives \$3,525,355 in aid, which is 37.11% of its total shared costs.

In the case of positive tertiary aid districts, such as District B, state aid drops off considerably at the tertiary level, which may serve as a disincentive against higher expenditures. This disincentive is even stronger for districts whose positive secondary aid exceeds negative tertiary aid, such as District C, because the district actually loses aid if it increases its costs. Although on average, District C receives 37.11% of its shared costs in equalization aid, at the margin it actually loses nearly 32 cents for each dollar of additional costs because of its -31.61% tertiary aid rate.

The key observations of the negative tertiary aid category are:

1. As tertiary cost increases, negative tertiary aid increases;
2. As tertiary cost increases, secondary aid is reduced as a result of the negative tertiary aid.

In the 2014-15 aid year, 117 school districts (27.6% of all districts) are negative tertiary aid districts.

## District C: Negative Tertiary Aid

### Aid Factors:

1.	Pupil Membership	1,000
2.	Shared Costs	\$9,500,000
3.	Shared Costs per Member (Row 2 divided by Row 1)	\$9,500
4.	Property Value	\$700,000,000
5.	Property Value per Member (Row 4 divided by Row 1)	\$700,000

### Aid Calculation:

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>
<i>Shared Costs at Each Tier</i>			
6.	Shared Cost per Member at the Tier	\$1,000	\$8,225
7.	District C's Membership	1,000	1,000
8.	Shared Cost at the Tier (Row 6 multiplied by Row 7)	\$1,000,000	\$8,225,000
<i>Aid Rate at Each Tier</i>			
9.	State Guarantee per Member at the Tier	\$1,930,000	\$1,096,593
10.	District C's Property Value per Member	\$700,000	\$700,000
11.	Per Member Tax Base Supported by the State (Row 9 minus Row 10)	\$1,230,000	\$396,593
12.	District C's Aid Rate at the Tier (Row 11 divided by Row 9)	63.73%	-31.61%
<i>Aid Amount at Each Tier</i>			
13.	District C's Aid Payment at the Tier (Row 8 multiplied by Row 12)	\$637,300	\$2,974,983
<i>Total Aid Payment</i>			
14.	Primary Aid	\$637,300	
15.	Secondary Aid	2,974,983	
16.	Tertiary Aid	<u>-86,928</u>	
17.	Total Aid (Sum of Rows 14, 15, and 16)	\$3,525,355	
18.	Aid as Percent of Costs (Row 17 divided by Row 2)	37.11%	

### **District D: Primary Aid Only**

The next example is District D, which receives primary aid only. District D has the same pupil membership and shared costs as District C from the prior example, but it has twice as much property value as District C. Its value per member of \$1,400,000 is between the primary guarantee of \$1,930,000 and the secondary guarantee of \$1,096,593.

District D has the same amount of shared costs at each tier as District C. At the primary tier, the state supports a tax base of \$530,000 per member for District D, which is 27.46% of the primary guarantee. This results in primary aid of \$274,600 for District D. Since the district's value per pupil exceeds the secondary guarantee, negative aid is generated at both the secondary and tertiary levels. Due to the primary aid hold harmless provision in the statutes, the district's positive primary aid is not reduced by negative secondary and tertiary aid. The state, then, would aid 2.89% of total shared costs in District D.

Key observations of the primary aid only category are:

1. Unless the equalized valuation per pupil falls below the secondary guaranteed valuation, only primary aid will be received by this type of district. Secondary aid would only be generated if it exceeded the amount of negative tertiary aid.

2. Unless the district becomes eligible for secondary aid, as cost increases, aid remains constant. However, if membership increases, the district would receive more aid at the primary level, and may receive aid at the secondary level, but only if its equalized valuation per pupil is less than the state's secondary guaranteed valuation and negative tertiary aid does not offset its secondary aid.

In the 2014-15 aid year, 24 school districts had an equalized valuation exceeding the secondary guarantee, and generated negative secondary aid. In addition, 17 school districts had negative tertiary aid which completely offset their positive secondary aid. In total, 41 school districts (9.7% of all districts) were primary aid only districts.



## District D: Primary Aid Only

### Aid Factors:

1. Pupil Membership	1,000
2. Shared Costs	\$9,500,000
3. Shared Costs per Member (Row 2 divided by Row 1)	\$9,500
4. Property Value	\$1,400,000,000
5. Property Value per Member (Row 4 divided by Row 1)	\$1,400,000

### Aid Calculation:

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>
<i>Shared Costs at Each Tier</i>			
6. Shared Cost per Member at the Tier	\$1,000	\$8,225	\$275
7. District D's Membership	1,000	1,000	1,000
8. Shared Cost at the Tier (Row 6 multiplied by Row 7)	\$1,000,000	\$8,225,000	\$275,000
<i>Aid Rate at Each Tier</i>			
9. State Guarantee per Member at the Tier	\$1,930,000	\$1,096,593	\$531,883
10. District D's Property Value per Member	\$1,400,000	\$1,400,000	\$1,400,000
11. Per Member Tax Base Supported by the State (Row 9 minus Row 10)	\$530,000	-\$303,407	-\$868,117
12. District D's Aid Rate at the Tier (Row 11 divided by Row 9)	27.46%	-27.67%	-163.22%
<i>Aid Amount at Each Tier</i>			
13. District D's Aid Payment at the Tier (Row 8 multiplied by Row 12)	\$274,600	-\$2,275,858	-\$448,855
<i>Total Aid Payment</i>			
14. Primary Aid		\$274,600	
15. Secondary Aid		-2,275,858	
16. Tertiary Aid		<u>-448,855</u>	
17. Total Aid (Primary Aid Hold Harmless = Row 14)		\$274,600	
18. Aid as Percent of Costs (Row 17 divided by Row 2)		2.89%	

### **District E: No Equalization Aid**

The final example is District E, which does not receive equalization aid. District E has the same pupil membership and shared costs as District D, but it has twice as much property value as District D. District E's value per member of \$2,800,000 is greater than the primary guarantee of \$1,930,000. As a result, District E generates negative aid at all three levels of the equalization aid formula. This district will thus receive no equalization aid from the state. District E would, however, be eligible for special adjustment aid,

under which a district is guaranteed at least 85% of its prior year's general school aid payment.

The main observation to be made for the no equalization aid category is that, unless the equalized valuation per pupil in the district falls below the primary guaranteed valuation, no equalization aid will be generated by this type of district regardless of its per pupil shared costs.

In the 2014-15 aid year, 19 school districts (4.5% of all districts) had an equalized value per member exceeding the primary guarantee.

## District E: No Equalization Aid

### Aid Factors:

1. Pupil Membership	1,000
2. Shared Costs	\$9,500,000
3. Shared Costs per Member (Row 2 divided by Row 1)	\$9,500
4. Property Value	\$2,800,000,000
5. Property Value per Member (Row 4 divided by Row 1)	\$2,800,000

### Aid Calculation:

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>
<i>Shared Costs at Each Tier</i>			
6. Shared Cost per Member at the Tier	\$1,000	\$8,225	\$275
7. District E's Membership	1,000	1,000	1,000
8. Shared Cost at the Tier (Row 6 multiplied by Row 7)	\$1,000,000	\$8,225,000	\$275,000
<i>Aid Rate at Each Tier</i>			
9. State Guarantee per Member at the Tier	\$1,930,000	\$1,096,593	\$531,883
10. District E's Property Value per Member	\$2,800,000	\$2,800,000	\$2,800,000
11. Per Member Tax Base Supported by the State (Row 9 minus Row 10)	-\$870,000	-\$1,703,407	-\$2,268,117
12. District E's Aid Rate at the Tier (Row 11 divided by Row 9)	-45.08%	-155.34%	-426.43%
<i>Aid Amount at Each Tier</i>			
13. District E's Aid Payment at the Tier (Row 8 multiplied by Row 12)	-\$450,800	-\$12,776,715	-\$1,172,683
<i>Total Aid Payment</i>			
14. Primary Aid		-\$450,800	
15. Secondary Aid		-\$12,776,715	
16. Tertiary Aid		<u>-\$1,172,683</u>	
17. Total Aid (Negative Aid Not Permissible)*		\$0	
18. Aid as Percent of Costs (Row 17 divided by Row 2)		0.00%	

\* District E would receive special adjustment aid equal to 85% of its prior year general aid payment.

## APPENDIX III

### Integration Aid Payments

Table 1 summarizes 10 years of state aid payments and pupil transfers under the integration aid (Chapter 220) program. The data shown in the table are from the October 15 general school aids distribution run prepared by DPI for the indicated year. Not included in these amounts are the equalization aid payments that school districts receive for pupils sent to other districts under the interdistrict transfer program, since separate "sender aid" payments are not made by the state. The aid amounts shown include reductions made related to lapses for the parental choice programs and the independent "2r" charter school program under the statutory provisions that applied in the particular year.

Table 2 provides a breakdown by school district of interdistrict transfers, total aid payments, and aid payments per transfer for the last three years. Sixteen school districts in Milwaukee County and six districts outside Milwaukee

County currently participate to varying degrees in the program. Table 2 shows that while estimated payments per transfer averaged \$10,590 in 2014-15, they ranged from a low of \$8,487 (Milwaukee) to a high of \$16,195 (Nicolet UHS).

As noted previously, sending districts do not receive separate sender aid payments. The primary beneficiary of the sender aid provision is Milwaukee. In the 2013-14 school year (for aid paid in 2014-15), 88% of the 1,881 interdistrict transfer pupils were MPS residents. The 1,655 pupils who transferred from MPS to the suburban school districts represent 2.0% of Milwaukee's 2013-14 membership.

Table 3 displays pupil transfers, total aid payments, and aid payments per transfer for the last three years for the school districts participating in the intradistrict component of Chapter 220.

**Table 1: Integration Aid Payments**

Fiscal Year	Intradistrict Transfer Aid				Interdistrict Transfer Aid				Total	
	Pupils	Percent Change	Aid Amount	Percent Change	Pupils	Percent Change	Aid Amount	Percent Change	Integration Aid	Percent Change
2005-06	33,172	6.5%	\$48,849,500	10.0%	3,794	-8.6%	\$35,372,400	-4.9%	\$84,221,900	3.2%
2006-07	33,576	1.2	50,524,700	3.4	3,457	-8.9	34,225,300	-3.2	84,750,000	0.6
2007-08	31,580	-5.9	46,871,500	-7.2	3,251	-6.0	31,774,200	-7.2	78,645,700	-7.2
2008-09	31,200	-1.2	46,781,300	-0.2	3,111	-4.3	31,677,900	-0.3	78,459,200	-0.2
2009-10	30,416	-2.5	45,737,300	-2.2	2,905	-6.6	30,712,300	-3.0	76,449,600	-2.6
2010-11	29,096	-4.3	44,442,700	-2.8	2,756	-5.1	29,463,200	-4.1	73,905,900	-3.3
2011-12	28,504	-2.0	39,470,800	-11.2	2,632	-4.5	28,657,700	-2.7	68,128,500	-7.8
2012-13	27,652	-3.0	38,941,000	-1.3	2,348	-10.8	24,267,800	-15.3	63,208,800	-7.2
2013-14	28,504	3.1	41,250,600	5.9	2,085	-11.2	21,627,200	-10.9	62,877,800	-0.5
2014-15	26,940	-5.5	39,869,700	-3.3	1,881	-9.8	19,921,100	-7.9	59,790,800	-4.9

**Table 2: Interdistrict Transfer Payments**

	2012-13			2013-14			2014-15		
	Pupil Transfers	Aid Payment	Aid Per Transfer	Pupil Transfers	Aid Payment	Aid Per Transfer	Pupil Transfers	Aid Payment	Aid Per Transfer
Brown Deer	7.00	\$85,262	\$12,180	2.00	\$24,344	\$12,172	0.00	\$0	\$0
Cudahy	17.00	173,003	10,177	13.00	141,544	10,888	12.00	121,921	10,160
Elmbrook	248.49	2,833,479	11,403	217.21	2,453,775	11,297	182.31	2,054,360	11,268
Fox Point J2	97.55	1,199,654	12,298	87.80	1,125,532	12,819	93.14	1,174,480	12,610
Franklin Public	102.05	1,070,583	10,491	87.13	902,929	10,363	72.00	849,266	11,795
Germantown	23.00	229,311	9,970	20.00	195,380	9,769	26.00	256,532	9,867
Greendale	53.00	559,914	10,564	57.48	607,810	10,574	72.94	770,924	10,569
Greenfield	94.23	989,611	10,502	62.49	639,870	10,240	62.95	655,463	10,412
Hamilton	112.29	1,123,334	10,004	116.87	1,164,871	9,967	111.55	1,149,601	10,306
Maple Dale-Indian Hill	23.90	359,110	15,026	23.88	364,409	15,260	20.66	312,018	15,103
Menomonee Falls	193.16	2,214,446	11,464	169.30	1,868,310	11,035	139.33	1,525,026	10,945
Mequon-Thiensville	88.00	932,711	10,599	81.50	872,423	10,705	85.00	932,484	10,970
Milwaukee	325.50	2,729,329	8,385	262.10	2,240,364	8,548	226.40	1,921,514	8,487
New Berlin	20.00	206,023	10,301	16.51	171,357	10,379	11.39	125,016	10,976
Nicolet UHS	56.23	897,822	15,967	49.61	772,631	15,574	39.54	640,352	16,195
Oak Creek-Franklin	109.50	962,753	8,792	116.00	1,067,750	9,205	121.50	1,147,278	9,443
Saint Francis	52.83	537,009	10,165	49.13	510,186	10,384	35.88	371,204	10,346
Shorewood	149.06	1,665,115	11,171	151.91	1,720,156	11,324	139.21	1,607,827	11,550
South Milwaukee	58.66	593,784	10,122	38.06	391,090	10,276	28.93	296,082	10,234
Wauwatosa	206.44	1,723,971	8,351	164.36	1,429,613	8,698	124.56	1,163,460	9,341
West Allis	54.50	495,261	9,087	46.71	438,607	9,390	29.39	297,352	10,117
Whitefish Bay	216.28	2,184,437	10,100	212.26	2,116,208	9,970	206.21	2,140,428	10,380
Whitnall	39.38	501,856	12,744	39.96	408,078	10,212	40.16	408,463	10,171
Total	2,348.05	\$24,267,778	\$10,335	2,085.27	\$21,627,237	\$10,371	1,881.05	\$19,921,051	\$10,590

**Table 3: Intradistrict Transfer Payments**

	2012-13			2013-14			2014-15		
	Pupil Transfers	Aid Payment	Aid Per Transfer	Pupil Transfers	Aid Payment	Aid Per Transfer	Pupil Transfers	Aid Payment	Aid Per Transfer
Madison	964	\$513,370	\$533	948	\$447,114	\$472	1,036	\$503,792	\$486
Milwaukee	21,552	31,449,024	1,459	20,876	31,282,479	1,498	20,124	30,325,821	1,507
Racine	4,964	6,733,378	1,356	6,496	9,253,326	1,424	5,620	8,802,059	1,566
Wausau	172	245,245	1,426	184	267,695	1,455	160	238,026	1,488
Total	27,652	\$38,941,017	\$1,408	28,504	\$41,250,614	\$1,447	26,940	\$39,869,698	\$1,480