



State Aid to School Districts

Informational
Paper
24

Wisconsin Legislative Fiscal Bureau

January, 2019

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Prepared by

Russ Kava and Christa Pugh

Wisconsin Legislative Fiscal Bureau
One East Main, Suite 301
Madison, WI 53703
<http://legis.wisconsin.gov/lfb>

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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, achievement gap reduction, pupil transportation, and bilingual education. Categorical aid is either paid on a formula basis, on a per pupil 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 2018-19. More detailed descriptions of these aid programs are provided later in this paper.

The third method of state support is through property tax credits. The school levy tax credit and the first dollar credit 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, nearly \$5.9 billion was appropriated for general and categorical school aids in 2018-19. Of that amount, 99% is funded through state general purpose revenue (GPR); the other one percent is supported with segregated revenue (SEG) and program revenue (PR). School aid represents nearly 33% of the state's total general fund budget for fiscal year 2018-19. 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 (Chapter 220) 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: 2018-19 General and Categorical School Aid by Funding Source

Agency	Type and Purpose of Aid	Amount
DPI	<i>General Aid--GPR Funded</i>	
	General School Aids*	\$4,656,848,000
	High Poverty Aid	<u>16,830,000</u>
	<i>Total General Aid</i>	<u>\$4,673,678,000</u>
DPI	<i>Categorical Aid--GPR Funded</i>	
	Per Pupil Aid	\$549,098,400
	Special Education	368,939,100
	High-Cost Special Education Aid	9,358,800
	Special Education Transition Grants	3,600,000
	Supplemental Special Education Aid	1,750,000
	Transition Readiness Investment Grant	1,500,000
	Achievement Gap Reduction	109,184,500
	SAGE--Debt Service	133,700
	Sparsity Aid	25,213,900
	Pupil Transportation	24,000,000
	High-Cost Transportation Aid	12,700,000
	Personal Computing Devices	9,187,500
	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 Education Boards	4,067,300
	School Performance Improvement	3,690,600
	School Based Mental Health Services	3,250,000
	School Mental Health Programs	3,000,000
	School Breakfast	2,510,500
	Peer Review and Mentoring	1,606,700
	Summer School Programs	1,400,000
	Four-Year-Old Kindergarten Grants	1,350,000
	School Day Milk	617,100
	Rural School Teacher Talent Pilot Program	500,000
	Aid for Transportation--Open Enrollment/Early College	454,200
	Robotics League Participation Grants	250,000
	Gifted and Talented	237,200
	Supplemental Aid	100,000
DOA	Debt Service on Technology Infrastructure Bonding	<u>832,300</u>
	<i>Total Categorical Aid--GPR Funded</i>	<u>\$1,171,587,700</u>
DPI	<i>Categorical Aid--PR Funded</i>	
	AODA	\$1,284,700
	Tribal Language Revitalization Grants	<u>222,800</u>
	<i>Total Categorical Aid--PR Funded</i>	<u>\$1,507,500</u>
DPI	<i>Categorical Aid--SEG Funded</i>	
	School Library Aids	\$37,000,000
DOA	Educational Telecommunications Access Support	<u>15,984,200</u>
	<i>Total Categorical Aid--SEG Funded</i>	<u>\$52,984,200</u>
	<i>Total Categorical Aid--All Funds</i>	\$1,226,079,400
	<i>Total School Aid--All Funds</i>	\$5,899,757,400

*Includes eligibility for equalization aid (\$4,594.6 million), integration aid (\$50.4 million), and special adjustment aid (\$11.8 million). These eligibility amounts will be reduced by \$42.6 million attributable to the Milwaukee private school choice program and \$71.5 million related to the independent charter school program that will lapse (revert) to the general fund.

Overview of School Finance

The state has 368 K-12 districts, 43 elementary (K-8) districts, and 10 union high school (UHS) districts, for a total of 421 school districts in 2018-19. All are fiscally independent, meaning 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 2018-19, 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 (364), 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 2016-17, 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 2016-17, districts received the majority of their revenue (over 88%)

Table 2: 2016-17 School District Revenue (\$ in Millions)

Revenue Source	Amount	Percent
State Aid	\$5,317.0	46.1%
Gross Property Tax	4,858.1	42.2
Federal Aid	824.3	7.2
Other Local Revenues	<u>519.3</u>	<u>4.5</u>
Total	\$11,518.7	100.0%

through state aid and the property tax. In 2016-17, the state provided \$1,003.0 million in school levy and first dollar property tax credits to reduce the gross amount of school property taxes shown in Table 2 (\$4,858.1 million) paid by taxpayers to a net amount of \$3,855.1 million.

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, property taxes, and exempt property aid programs. General school aids include equalization, integration, and special adjustment aids, as well as high poverty aid. Exempt property aid is state funding provided to local units of government, including school districts, to hold local governments and property taxpayers harmless from the impacts of exempting specified equipment from the property tax. [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 1999-00. The gross school property tax levy is the total school district levy without being offset by the school levy and first dollar tax credits. The total school cost measure is generally the cost of school districts' general, special project, and debt service funds (including transportation and facility acquisition costs) plus food service and community service

Table 3: State School Aid, Gross School Levy, Total School Costs, Enrollments and Inflation (1999-00 through 2018-19)

Fiscal Year	<u>State School Aid</u>		<u>Gross School Levy</u>		<u>Total School Costs</u>		<u>Pupil Membership(b)</u>		<u>Costs Per Member</u>		Consumer Price Index(c)
	Amount(a)	Percent Change	Amount(a)	Percent Change	Amount(a)	Percent Change	Pupils	Percent Change	Amount	Percent Change	
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	10,749.7	1.7	856,792	0.1	12,546	1.6	1.5
2014-15	5,241.7	3.2	4,754.3	1.3	10,971.7	2.1	854,359	-0.3	12,842	2.4	1.6
2015-16	5,244.2	0.0	4,854.7	2.1	11,057.5	0.8	854,363	0.0	12,942	0.8	0.1
2016-17	5,444.6	3.8	4,858.1	0.1	11,274.4	2.0	855,307	0.1	13,182	1.9	1.3
2017-18	5,730.0	5.2	4,945.2	1.8	N.A.		855,804	0.1	N.A.		2.1
2018-19	5,899.8	3.0	4,987.9	0.9	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 1999 through 2017.

N.A.: Not available.

costs. 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. Per pupil aid for 2015-16 enrollments paid on a one-time delayed basis in the following fiscal year is credited to 2015-16.

Funding For K-12 Education

Different methods can be used to calculate the state's participation in financing K-12 education, and there has been disagreement over what amounts should be included in both the numerator for state support and the denominator for school costs or revenues. However, two main definitions of school costs or revenues have traditionally been used. The first, called partial school revenues, includes only state aid and the property tax levy, which typically accounts for approximately 90% of total revenue. This approach measures those costs that would be supported by the property tax in the absence of state aid. This is helpful when considering one of the primary objectives of state support for schools, which is to relieve the burden of the property tax. The second cost base includes all K-12 expenditures regardless of fund source. National comparisons of state support for K-12 education often employ this total cost methodology, which can be easier to understand than a partial revenue definition.

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 partial school 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 pupil cost 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, or 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

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

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
State Aid	\$5,315.3	\$5,325.0	\$4,893.5	\$4,964.4	\$5,079.2	\$5,241.7	\$5,244.2	\$5,444.6	\$5,730.0	\$5,899.8
School Levy Credit	747.4	747.4	747.4	747.4	747.4	747.4	853.0	853.0	940.0	940.0
First Dollar Credit	145.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0
Program for the Deaf/ Center for the Blind	<u>11.8</u>	<u>11.8</u>	<u>11.2</u>	<u>11.2</u>	<u>10.8</u>	<u>10.8</u>	<u>11.2</u>	<u>11.2</u>	<u>10.9</u>	<u>10.9</u>
Total	\$6,219.5	\$6,234.2	\$5,802.1	\$5,873.0	\$5,987.4	\$6,149.9	\$6,258.4	\$6,458.8	\$6,830.9	\$7,000.7
Partial Revenues	\$9,731.9	\$9,899.7	\$9,398.7	\$9,493.2	\$9,658.6	\$9,872.5	\$9,975.5	\$10,158.4	\$10,525.0	\$10,712.3
State Share	63.91%	62.97%	61.73%	61.87%	61.99%	62.29%	62.74%	63.58%	64.90%	65.35%
Total Costs	\$10,833.7	\$11,161.9	\$10,584.9	\$10,567.7	\$10,749.7	\$10,971.7	\$11,057.5	\$11,274.4	N.A.	N.A.
State Share	57.41%	55.85%	54.81%	55.58%	55.70%	56.05%	56.60%	57.29%	N.A.	N.A.

N.A.: Not available.

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. In its final form, the law specified that in even-numbered fiscal years the amount appropriated would be set by law (in the budget bill or separate legislation). For odd-numbered fiscal years, the Joint Committee on Finance was required to determine the amount to be appropriated in the following school year by June 30.

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, with the funding level determined through the budget process similar to most other state appropriations. While the state does not provide a statutorily-required level of statewide funding, the level of support received by an individual district still varies based on that district's per pupil 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 65.35% over the last 10 years.

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 private school choice programs and the independent charter school program.

Equalization Aid Formula

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 received 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. The 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, thus exempting high-valuation districts from full equalization.

The Supreme Court's decision on 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, 2018-19 equalization aid is calculated using

membership and shared costs from the 2017-18 school year and 2017 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. By law, the definition of summer enrollment includes 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.

Membership counts for all districts are taken on the September, January, and May count dates, as applicable. 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.

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 and who attend district schools are generally counted in that district's pupil membership for general aid purposes. Pupils who are placed in programs in another district, for whom the district of residence is paying tuition, are also 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 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.

Pupils attending a school through the Milwaukee private school choice program and

pupils who first participated in the Racine and statewide private school choice programs prior to 2015-16 (who are called "continuing pupils" in statute) are not included in their resident district's pupil membership count for general aid purposes. Pupils who first participated in the Racine or statewide programs in the 2015-16 school year or later (called "incoming pupils" in statute) are included in the pupil membership of their resident district for general aid purposes. Pupils attending a private school under the special needs scholarship program are also included in their resident district's aid membership.

Pupils attending an independent charter school authorized by an entity that had that ability prior to the 2015-17 budget act (the City of Milwaukee, the Chancellors of UW-Milwaukee and UW-Parkside, and the Milwaukee Area Technical College District Board) are not included in the pupil membership of their resident district. Pupils attending an independent charter school authorized by any of the entities that were allowed to authorize schools under the 2015-17 or 2017-19 budget acts are included in the resident district's general aid membership. These entities are the Office of Educational Opportunity in the UW System, UW Chancellors other than the Chancellors of UW-Milwaukee and UW-Parkside, Technical College District Boards other than the Milwaukee Area Technical College District Board, the College of Menominee Nation, the Lac Courte Oreilles Ojibwa Community College, and the Waukesha County Executive.

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.

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.

Under 2015 Act 55, a school district may issue to up \$2,000,000 in debt for the costs associated with an environmental remediation project on district-owned property under a remediation plan approved by the Department of Natural Resources and the Environmental Protection Agency. This debt issuance is not subject to referendum requirements, and any debt service costs are excluded from shared costs under the equalization aid formula.

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. An individual school district's equalized valuation is compared to the guaranteed valuations and state aid is provided equal to the amount of revenue which would be generated by the "missing" portion of the guaranteed tax base.

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 2018-19 aid distribution, the secondary cost ceiling is equal to \$9,729 per member. 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 2018-19, the secondary guaranteed valuation is \$1,241,233 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 value 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 \$594,939 per member in 2018-19.

The tertiary guarantee feature of the equalization formula is intended to serve two purposes. First, it can serve as a disincentive for higher spending levels by causing districts to be taxed at higher rates for costs above the ceiling. Second, it can attempt 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 districts that consolidated before July 1, 2019, the cost ceilings and guaranteed valuations in the formula are increased by 15% in each of the first five years after the consolidation. This is intended to provide additional aid to consolidated districts. These consolidated districts receive a revenue limit adjustment in the sixth year after consolidation equal to 75% of the consolidation aid received by the district in the fifth year after consolidation. Under the 2017-19 budget act, districts that consolidate on or after July 1, 2019, will receive a flat categorical per pupil payment of \$150 for five years rather than have the cost ceilings and guaranteed valuations under the formula increased. The \$150 is reduced in the sixth and seventh years following consolidation. [For further information about aid payments to consolidated districts, see the Legislative Fiscal Bureau's informational paper entitled, "School District Reorganization."]

For the 2018-19 aid year, 95% (401) of the state's school districts have equalized values per pupil lower than the primary guarantee, 89% (377) have values per pupil lower than the secondary guarantee, and 58% (244) 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.

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 can provide a disincentive to higher spending. Table 5 compares the annual change in equalization aid eligibility with the annual change

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
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
2015-16	4,396.2	0.0	1,101,448	0.4	546,173	2.7
2016-17	4,505.4	2.5	1,146,821	4.1	558,546	2.3
2017-18	4,515.2	0.2	1,172,875	2.3	573,439	2.7
2018-19	4,594.6	1.8	1,241,233	5.8	594,939	3.7

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

in the formula's guaranteed valuations per member over the last 10 years, using data from the October 15 aid run for each year.

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 payments 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 the amount from this distribution 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 to the district 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 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.

The equalization 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 have 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.

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

Table 6: Equalization of Two School Districts

	District X	District Y
District Factors		
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
Scenario with No Equalization Aid		
6. Taxes per \$1,000 in Value Needed to Support Total Costs (Row 2 ÷ Row 4)	\$45.00	\$15.00
Scenario with State Guarantee of \$1 Million in Tax Base		
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

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.

Other General School Aids

Equalization aid, integration (Chapter 220) aid, and special adjustment aid are all paid from the same general school aids appropriation. Integration 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 2018-19, net equalization aid eligibility accounted for nearly 99% of the general school aids appropriation. For most districts, equalization aid is typically the only type of general aid received. A separate appropriation provides additional general aid to school districts with high levels of poverty.

A brief description of integration aid, special adjustment aid, and high poverty aid 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. The program is being phased out under the provisions of 2015 Act 55 (the 2015-17 biennial budget act).

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.

Act 55 Phase Out. Under 2015 Act 55, the Chapter 220 program started to be phased out, beginning in the 2016-17 school year. Under Act 55, pupils may not attend a school under the program unless they were participating in the program in the 2015-16 school year. In addition, a district can only enter into an agreement to transfer, and can only receive integration aid for, pupils who attended a school in the district (or in the underlying K-8 district for a UHS district) under the program in the 2015-16 school year.

Act 55 also created a seven-year hold harmless provision under which a district's integration aid entitlement in a given year during that period cannot be less than an amount equal to its 2014-15 aid entitlement multiplied by a specified percentage. That percentage was 62.5% in the 2017-18 aid year and 50% in the 2018-19 aid year. That percentage will decline by 12.5 percentage points each year until the hold harmless no longer applies in the 2022-23 aid year.

Extent of Participation (2018-19): Four districts (Madison, Milwaukee, Racine, and Wausau) are eligible for intradistrict aid with 11,076 pupil transfers. Twenty-two districts (Milwaukee and 21 suburban Milwaukee districts) are eligible for interdistrict aid with 954 pupil transfers. Additional

detail on integration aid payments can be found in Appendix III.

	<u>Intradistrict Transfer Aid</u>	<u>Interdistrict Transfer Aid</u>	<u>Total Integration Aid</u>
2015-16	\$38,375,500	\$18,889,000	\$57,264,500
2016-17	38,857,200	17,175,800	56,033,000
2017-18	35,115,000	14,638,100	49,753,100
2018-19	34,152,100	12,268,000	46,420,100

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 in the amount needed to make the district's total general aid eligibility equal to 85% of its prior year's general aid payment. A district's aid payment cannot exceed its shared costs, however.

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. 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. A consolidated district receives a revenue limit adjustment in the sixth year after consolidation equal to 75% of the consolidation aid received by the district in the fifth year after consolidation. [For further information about aid payments to consolidated districts, see the Legislative Fiscal Bureau's informational paper entitled, "School District Reorganization."]

Districts that enter into a whole grade sharing

agreement are also eligible for special adjustment aid. In each of the first five years after an agreement first takes effect, each participating district is guaranteed to receive at least as much general aid as it received in the year prior to the agreement taking effect. If a participating 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. In the sixth and seventh years after the agreement takes effect, a participating district will receive payments equal to 66% and 33%, respectively, of any special adjustment aid received in the fifth year.

Extent of Participation (2018-19): 53 school districts.

	<u>Funding</u>
2015-16	\$17,004,000
2016-17	17,548,500
2017-18	14,660,100
2018-19	11,645,500

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 private school 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 at least 50% (rounded to the nearest whole percentage point) of the district's enrollment on the third Friday of September in the immediately preceding even-numbered year satisfied the income eligibility criteria for a free or reduced-price lunch in the national school lunch program. Aid per pupil (\$80 in 2018-19) 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 (2018-19): 68 school districts.

	<u>Funding</u>
2015-16	\$16,830,000
2016-17	16,830,000
2017-18	16,830,000
2018-19	16,830,000

General School Aid Reductions

A portion of the general fund's costs for the private school choice programs, the special needs scholarship program, and the independent charter school program are offset through lapses from the general school aids appropriation. Statutes determine whether a particular aid reduction affects the amount determined to be received by a district as state aid for any other purpose. A brief description of these program and the related aid reductions follows.

1. 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 are eligible to participate 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 220% of the federal poverty level for families residing elsewhere in Wisconsin, (with a \$7,000 offset for pupils whose parents or guardians are married). For a family of four, 300% of the federal poverty level is \$73,800 in 2018-19 (or \$80,800 if the pupil's parents are married), and 220% of the federal poverty level is

\$54,120 (or \$61,120 if the pupil's parents are married).

There is no limit on the number of pupils who can participate in the Milwaukee or Racine programs. For the statewide program, the total number of pupils residing in a school district who can participate is limited to no more than 3% of that school district's prior year membership in 2018-19. The participation limit increases by one percentage point in each year until the limit reaches 10% in 2025-26, after which no limit will apply.

[Further information on this program can be found in the Legislative Fiscal Bureau's informational paper entitled, "Private School Choice and Special Needs Scholarship Programs."]

State Share: For each pupil attending a choice school in 2018-19, the state pays the school, on behalf of the pupil's parent or guardian, \$7,754 if the pupil is enrolled in grades K through 8 or \$8,400 if the pupil is in grades 9 through 12.

Payments for 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 19.2% of the estimated total cost of the Milwaukee program in 2018-19. 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. Under revenue limits, MPS may levy property taxes to make up for the amount of aid lost due to the net reduction. Pupils are not included in MPS's membership count for the calculation of general aids or revenue limits.

For the statewide and Racine private school choice programs, per pupil payments for legacy pupils (those who first participated in the

programs prior to 2015-16) are fully funded through state GPR. Legacy pupils are not included in their public school district's membership count for the calculation of those districts' general aids or revenue limits. Payments for all other pupils are fully funded through a reduction in the state aid that would otherwise be paid to those pupils' school districts of residence. To make up for the aid reduction, school districts can count these choice pupils for general aids on a prior year basis, and receive a revenue limit adjustment in the current year equal to the aid reduction.

Extent of Participation (2018-19): DPI estimates that approximately 28,100 full-time equivalent (FTE) pupils will participate in the Milwaukee program, 3,200 pupils will participate in the Racine program, and 6,900 pupils will participate in the statewide program. As of October, 2018, 129 private schools were participating in the Milwaukee program, 26 were participating in the Racine program, and 213 were participating in the statewide program.

	Total Pupil Membership	Total Funding (in Millions)	Aid Reduction (in Millions)	Net GPR Funding (in Millions)
2015-16	31,000	\$229.9	\$72.7	\$157.2
2016-17	32,300	244.1	77.6	166.5
2017-18	34,900	269.6	90.6	179.0
2018-19*	38,200	302.0	110.9	191.1

* Estimated

2. Special Needs Scholarship Program

The special needs scholarship program was created under 2015 Act 55. Under the program, pupils with a disability is eligible to receive a state-funded scholarship to attend a participating private school. To be eligible, a pupil must have an individualized education program (IEP) or services plan in effect.

[Further information on this program can be found in the Legislative Fiscal Bureau's

informational paper entitled, "Private School Choice and Special Needs Scholarship Programs."]

State Share: For each pupil attending a choice school in 2018-19, the state pays the school, on behalf of the pupil's parent or guardian, \$12,431.

Payments are funded from a GPR sum sufficient appropriation established for the program. In general, payments are fully funded through a reduction in the state aid that would otherwise be paid to pupils' school districts of residence. To make up for the aid reduction, school districts can count these choice pupils for general aids on a prior year basis, and receive a revenue limit adjustment in the current year equal to the aid reduction.

Beginning in 2019-20, an alternative payment amount could apply if a private school submits a financial statement showing the actual costs incurred to implement the pupil's most recent IEP or services plan or provide related services in the prior school year. If a financial statement is submitted, the payment amount would equal the amount shown on the financial statement in the prior year. Payments up to 150% of the per pupil payment amount for that year would be fully funded through a reduction in the general aid that would otherwise be paid to the pupil's school district of residence. If the costs exceed 150% of the per pupil payment, the school would be reimbursed for 90% of the remaining cost, but no corresponding aid reduction would occur. (As a result, payments made for costs incurred about 150% of the per pupil payment would be funded with state GPR.)

Extent of Participation (2018-19): DPI estimates that approximately 660 full-time equivalent (FTE) pupils will participate in the program. As of October, 2018, 76 private schools were participating in the program.

	Total Pupil Membership	Total Funding (in Millions)	Aid Reduction (in Millions)	Net GPR Funding (in Millions)
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2016-17	215	\$2.6	\$2.6	\$0.0
2017-18	240	3.0	3.0	0.0
2018-19*	662	8.4	8.4	0.0

* Estimated

3. Independent Charter School Program

Description: Charter schools are public schools created by a contract between an authorizing entity and the school's governing board. Charter schools are generally not subject to statutory provisions governing K-12 education. Under the independent charter school program, entities other than school districts are authorized to contract to operate charter schools.

Prior to the 2015-17 budget act (2015 Act 55), the Common Council of the City of Milwaukee, the Chancellors of UW-Milwaukee and UW-Parkside, and the Milwaukee Area Technical College District Board were authorized to contract to operate charter schools. Under the 2015-17 and 2017-19 budget acts, the following new entities are allowed to authorize independent charter schools: the Director of the Office of Educational Opportunity in the UW System, all remaining UW Chancellors and Technical College District Boards, the College of Menominee Nation, the Lac Courte Oreilles Ojibwa Community College, and the Waukesha County Executive.

Funding Mechanism: DPI pays the operators of independent charter schools a statutorily-determined per pupil amount. In 2018-19, the per pupil payment is \$8,619. The per pupil payment in each year is equal to 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. These payments are funded from separate, GPR sum sufficient appropriations established for those purposes.

The effect of independent charter schools on revenue limits and general aid differs based on whether the authorizer of an independent charter school had that authority prior to 2015 Act 55.

The cost of the payments from the appropriation for pre-Act 55 authorizers is offset by a lapse from the general school aids appropriation to the general fund in an amount equal to the estimated payments for pupils attending those schools. 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 for pre-Act 55 authorizers. Thus, a school district can increase its property tax levy to offset any aid reduction made related to these charter schools. These pupils are not counted by any district for revenue limit and general aid purposes.

A pupil attending a charter school authorized by one of the post-Act 55 authorizers is counted by their district of residence for revenue limit and general aid purposes. DPI is required to reduce a district's general aid payment (and categorical aid, if necessary) in an amount equal to the total of the per pupil payments made for pupils residing in the district. A district will not be able to levy to back-fill that aid reduction. [Further information on this program can be found in the Legislative Fiscal Bureau's informational paper entitled, "Charter Schools."]

Extent of Participation (2018-19): An estimated 8,200 FTE pupils will attend independent charter schools authorized by pre-Act 55 entities, while an estimated 250 FTE pupils will attend schools authorized by post-Act 55 entities.

	Funding (In Millions)	Pupil Membership	Per Pupil Amount
2015-16	\$71.3	8,807	\$8,079
2016-17	61.6	7,526	8,188
2017-18	65.6	7,813	8,395
2018-19	72.9*	8,450*	8,619

* Estimated

Categorical Aids

The state provides three types of categorical aids: (1) formula-driven programs 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; (2) per pupil aid, where school districts receive a set dollar amount for each pupil; and (3) 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; 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 2018-19 data for some aid programs, the amounts committed under each program are shown. The funding tables indicate whether the 2018-19 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. Per Pupil Aid

A sum sufficient per pupil aid appropriation was established in 2013 Act 20. Each school district receives a statutorily-specified, flat per pupil aid payment, outside of revenue limits, from this appropriation. Under 2017 Act 59, each district receives a \$654 per pupil payment in 2018-19 and a \$630 per pupil payment in 2019-20 and each year thereafter. 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. (Aid for 2015-16 enrollments was paid on a one-time delayed basis on the second Monday of July, 2016.)

Extent of Participation (2018-19): All 421

school districts.

	<u>Per Pupil Payment</u>	<u>Funding</u>
2015-16	\$150	\$126,589,800
2016-17	250	210,477,800
2017-18	450	377,925,800
2018-19	654	549,098,400*

*Budgeted.

2. 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 enrolled 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 reimbursement.

Independent 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 (2017-18): 419 school

districts, 19 charter schools, 12 CESAs, and three CCDEBs.

	<u>Funding</u>	<u>Proration</u>
2015-16	\$368,939,100	26.5%
2016-17	368,939,100	26.2
2017-18	368,939,100	25.7
2018-19	368,939,100	24.5*

*Estimated.

3. High-Cost Special Education Aid

Description: This program provides aid for certain special education costs 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.

Extent of Participation (2017-18): 162 school districts and two CCDEBs.

	<u>Funding</u>	<u>Proration</u>
2015-16	\$3,500,000	39.5%
2016-17	8,500,000	100.0
2017-18	9,239,000	77.1
2018-19	9,353,800	N.A.

4. Supplemental Special Education

Description: This program provides 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 (2017-18): 12 school districts.

	<u>Funding</u>
2015-16	\$1,050,000
2016-17	1,750,000
2017-18	1,750,000
2018-19	1,750,000*

*Budgeted

5. Special Education Transition Grants

Description: Under 2015 Act 55, a program was created to provide grants to school districts or independent charter schools for each pupil with a disability who is employed or enrolled in post-secondary education within a year after graduating from high school.

Under the program, school districts or charter schools are eligible for up to \$1,000 for each pupil who meets the following criteria in the year two years prior to the year in which the district or school applies for the grant: (a) was enrolled in high school in the district or charter school and exited from high school; (b) had an individualized education program (IEP) in place; and (c) had been enrolled in a higher education program, another postsecondary education or training program, or competitively employed for at least 90 days. Aid is prorated if the appropriation is insufficient to meet the eligible district claims.

Extent of Participation (2017-18): 156 school districts.

Funding

2016-17	\$100,000
2017-18	1,694,000
2018-19	3,600,000*

*Budgeted

6. Special Education Transition Readiness Grants

Description: This program was first created under 2017 Act 59. Under the program, grants of not less than \$25,000 nor more than \$100,000 are awarded to school districts and independent charter schools to fund special education workforce transition support services, including pupil transportation, professional development for school personnel, and employing adequate school personnel.

Extent of Participation (2018-19): 37 school districts.

Funding

2017-18	\$0
2018-19	1,500,000*

*Budgeted.

7. 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 (2017-18): Three CCDEBs (Brown, Calumet, and Walworth).

	<u>Funding</u>	<u>Proration</u>
2015-16	\$4,067,300	79.1%
2016-17	4,067,300	72.9
2017-18	4,067,300	74.3
2018-19	4,067,300	N.A.

8. Achievement Gap Reduction (AGR) Program

Description: Under 2015 Act 53, the AGR program replaced the Student Achievement Guarantee in Education (SAGE) program.

Under the AGR program, participating schools must implement one or more of the following strategies in K-3 classrooms: (a) one-to-one tutoring provided by a licensed teacher; (b) instructional coaching for teachers provided for a licensed teacher; or (c) maintaining 18:1 or 30:2 classroom ratios and providing professional development on small group instruction. Schools must report to DPI at the beginning and end of each school year which strategies they intend to use or used during the school year.

Participating schools must specify performance objectives, including reducing the achievement gap between low-income pupils in math and reading. Each school must also identify formative and summative assessments that will be used to determine if the school achieved its objectives. School boards are required to review implementation and progress towards achieving the performance objectives in each participating school at the end of each semester.

Under the programs, participating schools receive a payment for each low-income pupil attending the school in a SAGE or AGR classroom. The aid must be used to satisfy the terms of the SAGE or AGR contract or program requirements. Of the total appropriated amount (\$109,184,500) DPI is statutorily required to allocate \$125,000 annually beginning in 2018-19 for an evaluation of the program.

State Share: DPI is required to determine the total number of low-income pupils enrolled in grades K-3 in all schools participating in the SAGE or AGR programs and then divide the appropriation by the number of pupils to determine the per pupil allocation. In 2017-18, the payment amount was equal to approximately \$2,381 for each low-income pupil.

Extent of Participation (2017-18): 418 schools in 203 districts.

	<u>Funding</u>
2015-16	\$109,059,500
2016-17	109,059,500
2017-18	109,059,500
2018-19	109,059,500*

*Budgeted.

9. 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 (2017-18): Nine school districts.

	<u>Funding</u>
2015-16	\$133,700
2016-17	133,700
2017-18	133,700
2018-19	133,700*

*Budgeted.

10. 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. 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). In 2017-18, the payment was equal to approximately \$30.22 per child.

Extent of Participation (2018-19): All 421 school districts.

	<u>Funding</u>
2015-16	\$37,700,000
2016-17	32,100,000
2017-18	35,700,000
2018-19	37,000,000*

*Budgeted.

11. Sparsity Aid

Description: This program provides aid to school districts meeting the following criteria: (a) school district membership in the prior year of less than 745 pupils; and (b) population density of less than 10 pupils per square mile of the district's area. Beginning in 2018-19, aid is equal to \$400 times membership in the previous school year. (In 2017-18 and prior years, payments were equal to \$300 per pupil.) If funding is insufficient, payments are prorated. Any district that qualified for sparsity aid

in one year but does not qualify the following year is eligible for stop-gap aid equal to 50% of its prior year award in the year in which it became ineligible for sparsity aid.

Extent of Participation (2018-19): 143 school districts were eligible to receive aid under the program, plus an additional two districts received aid under the stop-gap provision.

	<u>Funding</u>	<u>Proration</u>
2015-16	\$17,674,000	100.0%
2016-17	17,674,000	97.1
2017-18	18,496,200	98.8
2018-19	25,071,900	100.0

12. 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 2015 Act 55, independent charter schools that choose to provide transportation are also eligible to receive aid.

Under current law, \$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 2017-18, one district (Bayfield) qualified for \$19,875 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, 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	\$10
5-8 miles	55	20
8-12 miles	110	20
12 miles and over	365	20

Extent of Participation (2018-19): Based on preliminary data, 422 school districts and independent charter schools will receive aid in 2018-19 for transporting a total of 445,638 public school pupils and 28,438 private school pupils in 2017-18.

	<u>Funding</u>	<u>Proration</u>
2015-16	\$23,954,000	None
2016-17	23,954,000	None
2017-18	24,000,000	None
2018-19	24,000,000*	N.A.

*Budgeted.

13. 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 it meets two criteria: (a) per pupil transportation cost, based on audited information from the previous fiscal year, exceeding 145% of the statewide average per pupil cost; and (b) pupil population density of 50 pupils per square mile or less. Aid is distributed to eligible districts based on the difference between the district's per pupil transportation cost and the aid threshold of 145% of the statewide average. If appropriated funds are insufficient to pay the full amounts, payments are prorated.

Additionally, under 2017 Act 59, a stop-gap measure was created under which any district that qualified for high cost transportation aid in the immediately preceding school year but is ineligible for aid in the current school year because its transportation costs did not exceed the aid threshold may receive 50% of its prior year aid award. Payments under the stop-gap measure cannot exceed

\$200,000 in any year, and may be prorated if eligibility exceeds that amount.

Extent of Participation (2017-18): 126 school districts were eligible to receive aid under the program, plus an additional 13 districts received aid under the stop-gap provision.

	<u>Funding</u>	<u>Proration</u>
2015-16	\$7,500,000	60.4%
2016-17	7,500,000	51.6
2017-18	12,700,000	84.8
2018-19	12,700,000*	N.A.

*Budgeted.

14. 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. In addition, TEACH provides curriculum grants to a consortium of school districts to develop and implement a technology-enhanced high school curriculum. Public school districts, private schools, CESAs, technical college districts, charter school sponsors, juvenile correctional facilities, private and tribal colleges, public museums, and public libraries are eligible for funding under this program.

Under 2015 Act 55, changes were made to the program to provide grants to rural schools for information technology infrastructure during the 2015-17 biennium (with a sunset date of June 30, 2017), as well as ongoing grants for training teachers on the use of educational technology. Under 2017 Act 59, the infrastructure grant program was reauthorized for the 2017-19 biennium, with a sunset date of July 1, 2019. To qualify for the infrastructure grant program, membership in the previous school year divided by the school district's area in square miles must be 16 or less (an increase from 13 in the 2015-17 biennium). A consortium of school districts is eligible for technology training grants if each school district's

membership in the previous school year divided by the school district's area in square miles is 13 or less. Under 2017 Act 142, public libraries were added to the list of eligible recipients of infrastructure grants and technology training grants in the 2017-19 biennium.

State Share: State 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. As of October, 2018, monthly payments of \$100 and \$250 cover up to 100 megabits and 1 gigabit 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. If funding from the USF is insufficient for this purpose, federal e-rate reimbursement monies may be utilized, to the extent revenue is available.

In addition to providing access to data lines and video links, the Department may provide competitive block grants during the 2017-19 biennium for information technology infrastructure to rural school districts on the basis of an application which provides information regarding: (a) specific infrastructure, including equipment, that would be purchased by the district; (b) the plan for purchase, installation, and utilization of the infrastructure; and (c) the readiness of the school district to utilize the infrastructure. Further, DOA must, on an ongoing basis, provide grants to consortia of three or more rural school districts that apply to receive funding for the cost of training teachers on the use of educational technology, as determined by the following formula: \$7,500 for districts with fewer

than 750 students; \$10 per student for districts with between 750 and 1,500 students; and \$15,000 for districts with more than 1,500 students.

Extent of Participation (2017-18): In 2017-18, up to \$15 million may be provided for infrastructure grants and \$1.5 million is budgeted for technology training grants. In 2018-19, up to \$7.5 million may be provided for infrastructure grants and \$1.5 million is budgeted for technology training grants.

Infrastructure grants totaling \$7,808,954 were awarded to 251 school districts in 2017-18. Technology training grants totaling \$1,499,601 were awarded in 2017-18 to 27 consortia representing 201 rural school districts. In 2017-18, one curriculum grant of \$24,984 was awarded to the Embarrass River Valley Instructional Network Group, which consists of eight school districts. Additionally, the program subsidized video links and data lines in 2017-18 for 277 public school sites.

Funding for telecommunications access, infrastructure grants, and technology training grants is provided in an annual appropriation. The table below provides state expenditures on telecommunications access for public school districts and CESAs, amounts awarded to school districts for infrastructure grants, and amounts awarded to school district consortia for technology training grants.

	<u>Funding</u>
2015-16	\$9,080,200
2016-17	10,051,700
2017-18	14,112,900
2018-19*	15,984,200**

* Budgeted.

** Of this amount, it is estimated that \$10,112,900 will be allocated to school districts and CESAs.

15. 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 \$832,300 GPR in 2018-19.

16. Personal Electronic Computing Device Grants

Description: Under 2017 Act 59, a program was created to provide grants to school districts, independent charter schools, private schools, and tribal schools for personal electronic computing devices.

Grants can be used for the following purposes: (a) to purchase personal electronic computing devices; (b) to purchase software for personal electronic devices; (c) to purchase curriculum, including any related educational content or materials, a portion or all of which includes content that may be accessed on a personal electronic computing device; or (d) to train professional staff on how to effectively incorporate personal electronic devices into a classroom and into a high school curriculum. A "personal electronic computing device" is defined as an electronic computing device that meets all of the following criteria: (a) is mobile; (b) is assignable to an individual pupil to be used solely by that pupil; and (c) may be used to access the Internet.

Grants are equal to \$125 for each ninth grade pupil enrolled in the school, and each school or district must provide matching funds as a condition of receiving the grant. If funding is insufficient, payments are prorated. Grants can be

awarded beginning in the 2018-19 school year and ending in the 2022-23 school year.

Extent of Participation (2018-19): Information not available.

	<u>Funding</u>
2017-18	\$0
2018-19	9,187,500*

*Budgeted.

17. 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 2017-18 school year, the Abbotsford, Barron, Beloit, Delavan-Darien, Green Bay, Madison, Sheboygan, Walworth, and Waterloo school districts were eligible for the first-draw funding.

Extent of Participation (2017-18): 51 school districts.

	<u>Funding</u>	<u>Proration</u>
2015-16	\$8,589,800	8.6
2016-17	8,589,800	8.6
2017-18	8,589,800	8.1
2018-19	8,589,800	N.A.

18. 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. No funding was used for this purpose in 2017-18.

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 (2017-18): 25 school districts.

	<u>Funding</u>
2015-16	\$8,224,500
2016-17	8,056,800
2017-18	6,582,500
2018-19	8,242,900*

*Budgeted.

19. Head Start Supplement

Description: State grants are provided as a supplement to the federal Head Start program that provides comprehensive educational, health, nutritional, social, and other services to economically disadvantaged preschool 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 \$116.4 million in federal fiscal year 2017-18.

Extent of Participation (2018-19): 38 grantees including five school districts (Green Bay, Kenosha, Merrill, Milwaukee, and West Bend), three CESAs, and one independent charter school.

	<u>Funding</u>
2015-16	\$6,264,100
2016-17	6,264,100
2017-18	6,264,100
2018-19	6,264,100*

*Budgeted.

20. 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 (2017-18): 408 school districts and 15 independent charter schools.

	<u>Funding</u>
2015-16	\$4,670,800
2016-17	5,663,200
2017-18	5,540,000
2018-19	5,746,000

21. 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. Independent charter schools, as well as the state residential schools in Janesville and Delavan, are

eligible entities for state school lunch matching payments.

State Share: School lunch: a variable percentage (28.5% for 2018-19 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 (2016-17):

	<u>School Districts</u>	<u>Residential & Charter Schools</u>	<u>Private Schools</u>
School Lunch	400	19	275
School Breakfast	361	16	97
Elderly Nutrition	5	0	0

Funding:

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18*</u>	<u>2018-19*</u>
School Lunch	\$4,140,700	\$4,118,200	\$4,218,100	\$4,218,100
Elderly Nutrition	31,700	28,800	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	\$7,300,000	\$7,274,600	\$7,345,700	\$7,345,700

*Budgeted.

22. Performance Improvement Grants

Description: These grants may be awarded to any school that is located in the boundaries of Milwaukee Public Schools or a school district that

received an overall rating of "Fails to Meet Expectations" in the previous school year, and meets the following criteria: (a) develops a written school improvement plan to improve pupil performance in math and reading; and (b) if the school received funds under this program in the previous year, the school's overall accountability score improved from its score two years prior to the previous year.

Schools eligible for grants under the program include public schools, independent charter schools, and private schools participating in a private school choice program. For private schools, only pupils participating in a choice program are counted for the purpose of calculating and distributing funding under the program.

Funding for each school is determined by dividing the total amount of funding by the total number of pupils enrolled in each school eligible to receive an award.

	<u>Funding</u>
2017-18	\$0
2018-19	3,690,600*

*Budgeted.

23. Mental Health Collaboration Grants

Description: This competitive grant program awards funds to school districts and independent charter schools for the purpose of collaborating with community mental health providers to provide mental health services to pupils. Activities eligible for grants under the program can include co-locating community mental health clinics in schools and providing screening and intervention services.

Extent of Participation (2018-19): 64 school districts.

	<u>Funding</u>
2017-18	\$0
2018-19	3,250,000

24. Aid for School Mental Health Programs

Description: Under 2017 Act 59, this program reimburses school districts and independent charter schools for increases in their general fund expenditures for school social workers.

Under the program, school districts and independent charter schools are eligible for aid if they increased the amount expended in the prior school year over the amount expended two years prior to employ, hire, or retain social workers. School districts and independent charter schools are eligible for reimbursement of up to 50% of the amount by which the school district or independent charter school increased its expenditures to employ, hire, or retain social workers in the prior year compared to two years prior. Payments may be prorated if funding is insufficient.

Any funds remaining in the appropriation may be used to reimburse eligible school districts and independent charter schools for total general fund expenditures for school social workers, less the amount of increased expenditures already reimbursed. Payments may be prorated if funding were insufficient.

	<u>Funding</u>
2017-18	\$0
2018-19	3,000,000*

*Budgeted.

25. 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 (2017-18): 61 grants awarded to 48 school districts, one independent charter school, and 12 CESAs. These fiscal agents represented a total of 136 school districts.

	<u>Funding</u>
2015-16	\$1,265,100
2016-17	1,420,200
2017-18	1,362,400
2018-19	1,606,700*

*Budgeted.

26. MPS Summer School Grant Program

Description: This program provides \$1,400,000 annually to Milwaukee Public Schools beginning in 2018-19. Under the program, the MPS Board is required to develop a program to annually award grants to develop, redesign, or implement a summer school program to increase pupil attendance, improve academic achievement, or expose pupils to innovative learning activities. Grants can be awarded to public schools located in the City of Milwaukee, excluding independent charter schools.

27. Four-Year-Old Kindergarten Grants

Description: This program provides 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 districts new to the grant program in their first year.

Extent of Participation (2017-18): Six school districts.

	<u>Funding</u>
2015-16	\$1,350,000
2016-17	1,350,000
2017-18	1,350,000
2018-19	1,350,000*

*Budgeted.

28. 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 (2017-18): 43 school districts and 3 CESAs, which administered grants on behalf of consortia representing 23 additional school districts.

	<u>Funding</u>
2015-16	\$1,207,100
2016-17	1,228,800
2017-18	1,245,300
2018-19	1,284,700*

*Budgeted.

29. Rural School Teacher Talent Pilot Program

Description: Under this program, grants are awarded to CESAs to coordinate with universities and colleges to provide practicums, student-teacher placement, and internships for

undergraduate college students in rural school districts. Eligible expenses under the program include the CESA's cost to coordinate the program and to provide mileage reimbursement and stipends to participating undergraduates. Grant monies may be used to expand an existing program or create a new program, but not to maintain an existing program.

Extent of Participation (2017-18): One CESA (CESA 8).

	<u>Funding</u>
2017-18	\$499,400
2018-19	500,000*

*Budgeted.

30. Open Enrollment and Early College Credit Program Transportation

Description: Under the full-time 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.

Under the early college credit program, any public or private high school pupil can enroll in an institution of higher education for the purpose of taking one or more nonsectarian courses, including during a summer semester or session. An institution of higher education is defined as: (a) an

institution within the University of Wisconsin System; (b) a tribally-controlled college; or (c) a private, nonprofit institution of higher education located in Wisconsin. 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 (2017-18): 2,827 pupils received aid for open enrollment transportation.

	<u>Funding</u>	<u>Proration</u>
2015-16	\$434,200	20.1%
2016-17	434,200	21.2
2017-18	454,200	18.7
2018-19	454,200*	N.A.

*Budgeted.

31. Robotics League Participation Grants

Description: Under 2015 Act 280, a program was created to provide funding for participation in robotics competitions.

Grants of up to \$5,000 are available to eligible teams from public schools, private schools, independent charter schools, or home-based educational programs. Eligible teams must include pupils in grades 9-12 and at least one mentor, and may include one or more pupil in grades 6-8. Funds must be used to participate in a competition sponsored by a non-profit organization that requires teams to design and operate robots. Eligible expenses include fees, kits, supplies, travel expenses, and a stipend for the team's mentor. Teams must provide matching funds equal to the amount of the grant.

Extent of Participation (2017-18): 121 grants were awarded, including grants to 59 school

districts and one independent charter school.

	<u>Funding</u>	<u>Proration</u>
2016-17	\$250,000	53.6%
2017-18	250,000	51.8
2018-19	250,000	N.A.

32. 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 school districts, nonprofit organizations, CESAs, and institutions within the University of Wisconsin System, either individually or as collaborative projects.

Extent of participation (2018-19): Four school districts and five CESAs.

	<u>Funding</u>
2015-16	\$237,200
2016-17	237,200
2017-18	237,200
2018-19	237,200*

*Budgeted.

33. 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 (2017-18): 10 school districts.

	<u>Funding</u>
2015-16	\$145,800
2016-17	203,900
2017-18	207,500
2018-19	222,800*

*Budgeted.

34. 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 equalization 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 (2018-19): One school district (Laona School District).

	<u>Funding</u>
2015-16	\$73,500
2016-17	77,000
2017-18	77,000
2018-19	100,000*

*Budgeted.

35. School Safety Grants

Description: Under 2017 Act 143, \$100 million GPR was provided on a one-time basis in a continuing appropriation for grants for expenditure related to school safety. The grant program is administered by the Department of Justice.

Under the program, DOJ is required to award grants for expenditures related to improving school safety to school boards, independent charter school operators, private school governing bodies, and tribal schools. Eligible expenditures

must include the following: (a) complying with model practices for school safety that will be developed by the Office of School Safety under DOJ, which was created under the act; (b) training for school staff provided by the Office of School Safety, for which a school can be charged a fee if the school receives grant funding; (c) completing safety-related upgrades to school buildings, equipment, and facilities; and (d) complying with a requirement created in the act to submit to the Office of School Safety a copy of the most recent blueprint of each school building and facility in the school district, or of each private school and its facilities.

As of December, 2018, 1,312 grants had been awarded totaling approximately \$94.2 million, including grants to 419 school districts.

36. Consolidation Aid

Description: This program provides funding for two or more school districts that consolidate into one district after July 1, 2019.

Under the program, the consolidated district will receive aid equal to \$150 per pupil attending school in the district in the school year in which a school district consolidation takes place and each of the subsequent four school years. In the fifth year following the year in which the consolidation takes effect, the consolidated district will receive 50% of the amount received in the fourth year after the consolidation. In the sixth year following the year in which the consolidation takes effect, the

district will qualify for 25% of the amount received in the fifth year after the consolidation. The aid payment is calculated using the district's three-year rolling average pupil count.

Recent Trends in Categorical versus General Aid Funding

Table 7 shows the allocation of state school aid funding between equalization aid, other general aids, and categorical aids for the last 20 years.

During the years prior to 2011-12 shown in Table 7, equalization aid ranged from 85% to 87% of the total, other general aids were approximately 2% of the total, and categorical aids represented approximately 11% to 12% of the total. In 2011-12, the base funding reduction in general aid and a one-time increase in the special adjustment hold harmless percentage (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 a reduction in the proportion of funding distributed as equalization aid. More recently, the percentage of aid being distributed as equalization aid has declined from 84.5% in 2012-13 to 77.9% in 2018-19, and the percentage of categorical aids has increased from 13.2% in 2012-13 to 20.8% in 2018-19, because categorical aids have received relatively larger funding increases, particularly per pupil aid.

Table 7: Allocation of State School Aids (\$ in Millions)

Fiscal Year	<u>Equalization Aid</u>		<u>Other General Aids*</u>		<u>Categorical Aids</u>		Total School Aid
	Amount	% of Total	Amount	% of Total	Amount	% of Total	
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
2015-16	4,396.2	83.8	96.6	1.8	751.4	14.3	5,244.2
2016-17	4,505.4	82.7	95.6	1.8	843.6	15.5	5,444.6
2017-18	4,515.2	78.8	85.7	1.5	1,129.1	19.7	5,730.0
2018-19	4,594.7	77.9	79.0	1.3	1,226.1	20.8	5,899.8

*Includes integration (Chapter 220) aid, special adjustment aid, and high poverty aid.

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

APPENDICES

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 2017-18 school year data, which is used to compute 2018-19 general school aids. (There were 422 school districts in the 2017-18 school year.) The mill rates are based on property tax levies for the 2018-19 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 8 shows that pupil membership ranges from 34 (Norris) to 77,164 (Milwaukee) with an

Table 8: School District Pupil Membership – 2017-18 School Year

Pupil Membership	Number of Districts	Percent of Total	Cumulative Percent
Under 250	32	7.6%	7.6%
250 - 499	79	18.7	26.3
500 - 999	116	27.5	53.8
1,000 - 1,499	58	13.7	67.5
1,500 - 1,999	33	7.8	75.4
2,000 - 2,999	36	8.5	83.9
3,000 - 4,999	36	8.5	92.4
5,000 - 9,999	23	5.5	97.9
10,000 and Over	<u>9</u>	<u>2.1</u>	100.0
Total	422	100.0%	
Median	925		
Average	2,028		
Smallest	34		
10 th Percentile	294		
90 th Percentile	4,004		
Largest	77,164		

average of 2,028. The fact that over half of all districts have memberships of less than 1,000 is reflected in the lower median membership of 925. Eighty percent of all districts have memberships between 294 and 4,004.

Table 9 shows that adjusted equalized valuation per member ranges from \$188,337 (Beloit) to \$9,373,202 (North Lakeland) with an average of \$594,939. Again, the median value per member (\$549,419) is lower, reflecting the concentration of districts below the state average.

Eighty percent of all districts have equalized values per member between \$380,378 and

Table 9: Equalized Valuation Per Member* -- 2017-18 School Year

Equalized Valuation Per Member	Number of Districts	Percent of Total	Cumulative Percent
Under \$300,000	5	1.2%	1.2%
\$300,000 - \$349,999	19	4.5	5.7
\$350,000 - \$399,999	38	9.0	14.7
\$400,000 - \$449,999	47	11.2	25.9
\$450,000 - \$499,999	50	11.9	37.8
\$500,000 - \$599,999	87	20.7	58.4
\$600,000 - \$699,999	49	11.6	70.1
\$700,000 - \$999,999	66	15.7	85.7
\$1,000,000 - \$1,999,999	40	9.5	95.2
\$2,000,000 - \$2,999,999	12	2.9	98.1
\$3,000,000 - \$3,999,999	4	1.0	99.0
\$4,000,000 and Over	<u>4</u>	<u>1.0</u>	100.0
Total	421	100.0%	
Median	\$549,419		
Average	594,939		
Lowest	188,337		
10 th Percentile	380,378		
90 th Percentile	1,272,308		
Highest	9,373,202		

*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: Shared Cost Per Member* -- 2017-18 School Year

Shared Cost	Number of Districts	Percent of Total	Cumulative Percent		
Under \$9,500	19	4.5%	4.5%	Median	\$11,009
\$9,500 - \$9,749	23	5.5	10.0	Average	10,810
\$9,750 - \$9,999	20	4.8	14.7	Lowest	8,296
\$10,000 - \$10,249	26	6.2	20.9	10 th Percentile	9,748
\$10,250 - \$10,499	39	9.3	30.2	90 th Percentile	12,909
\$10,500 - \$10,749	38	9.0	39.2	Highest	26,122
\$10,750 - \$10,999	43	10.2	49.4		
\$11,000 - \$11,499	82	19.5	68.9		
\$11,500 - \$11,999	47	11.2	80.0		
\$12,000 - \$12,999	44	10.5	90.5		
\$13,000 and Over	<u>40</u>	<u>9.5</u>	100.0		
Total	421	100.0%			

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

Table 11: School Levy Rates* -- 2018-19 School Year

Levy Rate	Number of Districts	Percent of Total	Cumulative Percent		
Under 7.00	22	5.4%	5.4%	Median	9.68
7.00 - 7.99	35	8.5	13.9	Average	9.44
8.00 - 8.99	78	19.0	32.9	Lowest	2.77
9.00 - 9.99	95	23.2	56.1	10 th Percentile	7.71
10.00 - 10.99	86	21.0	77.1	90 th Percentile	12.17
11.00 - 11.99	50	12.2	89.3	Highest	14.99
12.00 and Over	<u>44</u>	<u>10.7</u>	100.0		
Total	410	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.

\$1,272,308. The secondary guaranteed valuation (for K-12 districts) under the equalization formula for the 2018-19 aid year is \$1,241,233 per member.

Table 10 shows that shared cost per member ranges from \$8,296 (Crivitz) to \$26,122 (North Lakeland) with an average of \$10,810. The median amount (\$11,009) is higher than the state average. Eighty percent of all districts have shared costs per member between \$9,748 and \$12,909. The secondary cost ceiling under the equalization formula for the 2018-19 aid year is \$9,729 per member, equal to 90% of the statewide average shared cost in the prior year.

Table 11 shows that the school levy rates in 2018-19 range from 2.77 mills (Gibraltar Area) to 14.99 mills (Elmwood). The median levy rate (9.68 mills) is slightly higher than the state average of 9.44 mills. Eighty percent of all districts have levy rates between 7.71 and 12.17 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 \$1,416 (\$9.44 times 150) in 2018-19. A taxpayer in Elmwood has a school tax rate which is nearly five and one-half times greater than a taxpayer in Gibraltar in 2018-19.

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 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 generally 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.* Some 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.

Any district can be eligible for special adjustment aid, under which a district is guaranteed at least 85% of its prior year's general school aid payment. Most of the districts in the primary aid only and no equalization aid categories receive special adjustment aid, and most of the districts receiving special adjustment aid are in those two categories.

This appendix provides sample calculations of the equalization formula that reflect the five categories described above. Table 12 shows the number of school districts in each of the categories of equalization aid for the 2018-19 aid year (which used data from the 2017-18 school year, when there were 422 districts).

Table 12: Five Categories of Districts in the Equalization Aid Formula for Aid Year 2018-19

Category	Number of Districts	Percent of Total
Primary and Secondary Aid	38	9.0%
Positive Tertiary Aid	217	51.4
Negative Tertiary Aid	110	26.1
Primary Aid Only	36	8.5
No Equalization Aid	<u>21</u>	<u>5.0</u>
Total	422	100.0%

The guaranteed valuations and cost ceilings used in the sample calculations are the actual factors used in calculating equalization aid in 2018-19. These formula factors are:

	<u>Per Member</u>
Primary Guaranteed Valuation	\$1,930,000
Secondary Guaranteed Valuation	1,241,233
Tertiary Guaranteed Valuation	594,939
Primary Cost Ceiling	1,000
Secondary Cost Ceiling	9,729

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, \$9.5 million in shared costs, and \$350 million in property value. Thus, District A has \$9,500 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 \$9,500 in shared cost per member is less than the \$9,729 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 \$8,500 in shared cost per member, or \$8,500,000, 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 \$1,241,233, 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 \$1,241,233 per member. With District A's \$350,000 in value per member, the state supports \$891,233 in tax base per member, or 71.80% 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 \$8,500,000 in shared cost

and the state aids 71.80% of those costs, resulting in \$6,103,000 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 \$6,921,700. With \$9,500,000 in total shared costs, this results in an overall equalization aid rate of 72.86%.

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

1. As cost increases up to the secondary cost ceiling, aid increases. Aid on costs above the secondary cost ceiling would be determined by

comparing the district's value per member to the tertiary guarantee.

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 2018-19 aid year, 38 school districts (or 9.0%) were primary and secondary aid districts under the equalization formula. If those districts would have had tertiary costs, 27 would have generated positive tertiary aid and 11 would have generated negative tertiary aid.

District A: Primary and Secondary 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>
<i>Shared Costs at Each Tier</i>		
6.	Shared Cost per Member at the Tier	\$8,500
7.	District A's Membership	1,000
8.	Shared Cost at the Tier (Row 6 multiplied by Row 7)	\$8,500,000
 <i>Aid Rate at Each Tier</i>		
9.	State Guarantee per Member at the Tier	\$1,241,233
10.	District A's Property Value per Member	\$350,000
11.	Per Member Tax Base Supported by the State (Row 9 minus Row 10)	\$891,233
12.	District A's Aid Rate at the Tier (Row 11 divided by Row 9)	71.80%
 <i>Aid Amount at Each Tier</i>		
13.	District A's Aid Payment at the Tier (Row 8 multiplied by Row 12)	\$6,103,000
 <i>Total Aid Payment</i>		
14.	Primary Aid	\$818,700
15.	Secondary Aid	<u>6,103,000</u>
16.	Total Aid (Sum of Rows 14 and 15)	\$6,921,700
17.	Aid as Percent of Costs (Row 16 divided by Row 2)	72.86%

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 \$10,500 per pupil rather than \$9,500 per pupil.

District B's shared costs of \$10,500 per pupil exceed the secondary cost ceiling of \$9,729. 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 \$9,729 secondary cost ceiling (\$8,729 per member for District B) are aided at the secondary tier. Any costs in excess of \$9,729 per member (\$771 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, \$8,729,000 in secondary shared costs, and \$771,000 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 (71.80%) 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 \$594,939 per member. With District B's \$350,000 in value per member, the state supports \$244,939 in tax base per member, or 41.17% 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 (\$6,267,422), and tertiary tier (\$317,421). The total aid payment of \$7,403,543 represents 70.51% 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 70.51% of its total shared costs, at the margin only 41.17% of any additional shared costs will be aided by the state.

In the 2018-19 aid year, 217 of the state's school districts (or 51.4%) are positive tertiary aid districts.

District B: Positive Tertiary Aid

Aid Factors:

1. Pupil Membership	1,000
2. Shared Costs	\$10,500,000
3. Shared Costs per Member (Row 2 divided by Row 1)	\$10,500
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	\$8,729	\$771
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	\$8,729,000	\$771,000
<i>Aid Rate at Each Tier</i>			
9. State Guarantee per Member at the Tier	\$1,930,000	\$1,241,233	\$594,939
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	\$891,233	\$244,939
12. District B's Aid Rate at the Tier (Row 11 divided by Row 9)	81.87%	71.80%	41.17%
<i>Aid Amount at Each Tier</i>			
13. District B's Aid Payment at the Tier (Row 8 multiplied by Row 12)	\$818,700	\$6,267,422	\$317,421
<i>Total Aid Payment</i>			
14. Primary Aid		\$818,700	
15. Secondary Aid		6,267,422	
16. Tertiary Aid		<u>317,421</u>	
17. Total Aid (Sum of Rows 14, 15, and 16)		\$7,403,543	
18. Aid as Percent of Costs (Row 17 divided by Row 2)		70.51%	

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 \$1,241,233 and the tertiary guarantee of \$594,939.

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 117.66% 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 \$3,805,844 in secondary aid. The positive aid generated at the secondary tier, however, is offset by a loss of \$136,159 in aid at the tertiary tier. In total, District C receives \$4,306,985 in aid, which is 41.02% 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 negative tertiary aid districts, such as District C, because the district actually loses aid if it increases its costs. Although on average, District C receives 41.02% of its shared costs in equalization aid, at the margin it actually loses nearly 18 cents for each dollar of additional costs because of its -17.66% 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 2018-19 aid year, 110 school districts (26.1% of all districts) are negative tertiary aid districts.

District C: Negative Tertiary Aid

Aid Factors:

1.	Pupil Membership	1,000
2.	Shared Costs	\$10,500,000
3.	Shared Costs per Member (Row 2 divided by Row 1)	\$10,500
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	\$8,729
7.	District C's Membership	1,000	1,000
8.	Shared Cost at the Tier (Row 6 multiplied by Row 7)	\$1,000,000	\$8,729,000
<i>Aid Rate at Each Tier</i>			
9.	State Guarantee per Member at the Tier	\$1,930,000	\$1,241,233
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	\$541,233
12.	District C's Aid Rate at the Tier (Row 11 divided by Row 9)	63.73%	-17.66%
<i>Aid Amount at Each Tier</i>			
13.	District C's Aid Payment at the Tier (Row 8 multiplied by Row 12)	\$637,300	\$3,805,844
<i>Total Aid Payment</i>			
14.	Primary Aid	\$637,300	
15.	Secondary Aid	3,805,844	
16.	Tertiary Aid	<u>-136,159</u>	
17.	Total Aid (Sum of Rows 14, 15, and 16)	\$4,306,985	
18.	Aid as Percent of Costs (Row 17 divided by Row 2)	41.02%	

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 \$1,241,233.

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 2.62% 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.
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 2018-19 aid year, 24 school districts had an equalized valuation exceeding the secondary guarantee, and generated negative secondary aid. In addition, 12 school districts had negative tertiary aid which completely offset their positive secondary aid. In total, 36 school districts (8.5% of all districts) were primary aid only districts.

District D: Primary Aid Only

Aid Factors:

1.	Pupil Membership	1,000
2.	Shared Costs	\$10,500,000
3.	Shared Costs per Member (Row 2 divided by Row 1)	\$10,500
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	\$8,729	\$771
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	\$8,729,000	\$771,000
<i>Aid Rate at Each Tier</i>				
9.	State Guarantee per Member at the Tier	\$1,930,000	\$1,241,233	\$594,939
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	-\$158,767	-\$805,061
12.	District D's Aid Rate at the Tier (Row 11 divided by Row 9)	27.46%	-12.79%	-135.32%
<i>Aid Amount at Each Tier</i>				
13.	District D's Aid Payment at the Tier (Row 8 multiplied by Row 12)	\$274,600	-\$1,116,439	-\$1,043,317
<i>Total Aid Payment</i>				
14.	Primary Aid	\$274,600		
15.	Secondary Aid		-1,116,439	
16.	Tertiary Aid		<u>-1,043,317</u>	
17.	Total Aid (Primary Aid Hold Harmless = Row 14)	\$274,600		
18.	Aid as Percent of Costs (Row 17 divided by Row 2)		2.62%	

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.

For the calculation of special adjustment aid, a district's prior year payment is reduced by the amount of any aid penalty incurred because the district levied more than the amount allowed under its revenue limit. As a result, a district in this category with a very small general aid payment could

become ineligible for special adjustment aid on an ongoing basis if it incurs such a penalty in a particular year. Such districts would then receive no general school aid.

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 2018-19 aid year, 21 school districts (5.0% of all districts) had an equalized value per member exceeding the primary guarantee. Of those districts, five are not eligible for special adjustment aid, and thus receive no general aid.

District E: No Equalization Aid

Aid Factors:

1.	Pupil Membership	1,000
2.	Shared Costs	\$10,500,000
3.	Shared Costs per Member (Row 2 divided by Row 1)	\$10,500
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	\$8,729
7.	District E's Membership	1,000	1,000
8.	Shared Cost at the Tier (Row 6 multiplied by Row 7)	\$1,000,000	\$8,729,000
<i>Aid Rate at Each Tier</i>			
9.	State Guarantee per Member at the Tier	\$1,930,000	\$1,241,233
10.	District E's Property Value per Member	\$2,800,000	\$2,800,000
11.	Per Member Tax Base Supported by the State (Row 9 minus Row 10)	-\$870,000	-\$1,558,767
12.	District E's Aid Rate at the Tier (Row 11 divided by Row 9)	-45.08%	-125.58%
<i>Aid Amount at Each Tier</i>			
13.	District E's Aid Payment at the Tier (Row 8 multiplied by Row 12)	-\$450,800	-\$10,961,878
<i>Total Aid Payment</i>			
14.	Primary Aid	-\$450,800	
15.	Secondary Aid	-10,961,878	
16.	Tertiary Aid	<u>-2,857,634</u>	
17.	Total Aid (Negative Aid Not Permissible)	\$0	
18.	Aid as Percent of Costs (Row 17 divided by Row 2)	0.00%	

APPENDIX III

Integration Aid Payments

Table 13 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 private school choice programs and the independent charter school program under the statutory provisions that applied in the particular year.

Table 14 provides a breakdown by school district of interdistrict transfers, total aid payments, and aid payments per transfer for the last three years. Table 15 displays similar data for districts participating in the intradistrict component of Chapter 220.

As noted previously, sending districts do not receive separate sender aid payments. The primary beneficiary of the sender aid provision is Milwaukee. In the 2017-18 school year (for aid paid in 2018-19), 90% of the 954 interdistrict transfer pupils were MPS residents. The 862 pupils who transferred from MPS to the suburban school districts represent 1.1% of Milwaukee's 2017-18 membership.

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, under which MPS' aid entitlement in a given year cannot be less than its 1998-99 aid amount (\$32.9 million). This hold harmless provision applies until the bonds issued under the initiative are paid off in 2023-24.

Under 2015 Act 55, the Chapter 220 program started to be phased out beginning in the 2016-17 school year. Under Act 55, pupils may not attend a school under the program unless they were participating in the program in the 2015-16 school year, and a district can only receive integration aid for pupils who attended a school in the district under the program in the 2015-16 school year. Act 55 also created a seven-year hold harmless provision under which a district's integration aid entitlement in a given year during that period cannot be less than an amount equal to its 2014-15 aid entitlement multiplied by a specified percentage. That percentage was 75% in the 2016-17 aid year, 62.5% in the 2017-18 aid year, and 50% in the 2018-19 aid year.

The districts that received aid under either of these hold harmless provisions in the indicated year are noted with an asterisk in Tables 14 and 15.

Table 13: 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
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
2015-16	21,192	-21.3	38,375,500	-3.7	1,721	-8.5	18,889,000	-5.2	57,264,500	-4.2
2016-17	20,592	-2.8	38,857,200	1.3	1,464	-14.9	17,175,800	-9.1	56,033,000	-2.2
2017-18	15,212	-26.1	35,115,000	-9.6	1,182	-19.3	14,638,100	-14.8	49,753,100	-11.2
2018-19	11,076	-27.2	34,152,100	-2.7	954	-19.3	12,268,000	-16.2	46,420,100	-6.7

Table 14: Interdistrict Transfer Payments

	2016-17			2017-18			2018-19		
	Pupil Transfers	Aid Payment	Aid Per Transfer	Pupil Transfers	Aid Payment	Aid Per Transfer	Pupil Transfers	Aid Payment	Aid Per Transfer
Cudahy	9.00	\$96,036	\$10,671	4.00	\$76,726*	\$19,182*	4.00	\$61,320*	\$15,330*
Elmbrook	136.57	1,576,486	11,543	100.56	1,285,196*	12,780*	76.47	1,027,162*	13,432*
Fox Point J2	88.97	1,211,342	13,615	86.95	1,260,039	14,492	74.63	1,132,955	15,181
Franklin Public	37.34	638,088*	17,089*	32.00	531,310*	16,603*	26.00	424,626*	16,332*
Germantown	41.61	405,638	9,749	32.50	292,192	8,991	25.00	282,172	11,287
Greendale	49.50	579,905*	11,715*	44.52	488,322	10,969	42.01	456,563	10,868
Greenfield	25.40	492,477*	19,389*	16.27	410,065*	25,204*	12.51	327,727*	26,197*
Hamilton	96.32	991,835	10,297	77.56	741,862	9,565	60.72	574,790*	9,466*
Maple Dale-Indian Hill	18.02	287,223	15,939	15.75	234,844	14,911	12.00	177,054	14,755
Menomonee Falls	84.35	1,145,814*	13,584*	62.21	954,070*	15,336*	42.64	762,499*	17,882*
Mequon-Thiensville	123.00	1,322,965	10,756	97.50	1,119,160	11,479	81.50	925,915	11,361
Milwaukee	152.60	1,469,592*	9,630*	126.00	1,232,189*	9,779*	92.00	993,777*	10,802*
New Berlin	10.10	125,571	12,433	6.00	76,935*	12,823*	3.00	61,481*	20,494*
Nicolet UHS	39.51	673,614	17,049	31.81	544,490	17,117	37.46	662,572	17,687
Oak Creek-Franklin	74.69	861,996*	11,541*	48.20	717,748*	14,891*	33.13	573,628*	17,314*
Saint Francis	33.06	375,817	11,368	28.36	336,496	11,865	11.11	185,599*	16,706*
Shorewood	101.31	1,208,745*	11,931*	78.00	1,005,872*	12,896*	69.62	909,566	13,065
South Milwaukee	13.62	222,363*	16,326*	8.27	185,153*	22,389*	5.08	147,976*	29,129*
Wauwatosa	76.00	874,154*	11,502*	60.00	727,872*	12,131*	56.00	581,719*	10,388*
West Allis	32.81	329,363	10,038	20.86	186,027*	8,918*	20.27	200,755	9,904
Whitefish Bay	186.03	1,942,346	10,441	172.84	1,875,572	10,851	142.40	1,532,827	10,764
Whitnall	<u>33.80</u>	<u>344,418</u>	10,190	<u>32.00</u>	<u>355,987</u>	11,125	<u>26.00</u>	<u>265,340</u>	10,205
Total	1,463.61	\$17,175,788	\$11,735	1,182.16	\$14,638,127	\$12,383	953.55	\$12,268,023	\$12,866

*Received aid under hold harmless provision.

Table 15: Intradistrict Transfer Payments

	2016-17			2017-18			2018-19		
	Pupil Transfers	Aid Payment	Aid Per Transfer	Pupil Transfers	Aid Payment	Aid Per Transfer	Pupil Transfers	Aid Payment	Aid Per Transfer
Madison	652	\$379,113*	\$581*	496	\$315,416*	\$636*	360	\$252,083*	\$700*
Milwaukee	19,680	31,676,207	1,610	14,576	29,135,965*	1,999*	10,680	29,373,583*	2,750*
Racine	160	6,623,014*	41,394*	72	5,514,697*	76,593*	24	4,407,381*	183,641*
Wausau	<u>100</u>	<u>178,885*</u>	1,789*	<u>68</u>	<u>148,927*</u>	2,190*	<u>12</u>	<u>119,023*</u>	9,919*
Total	20,592	\$38,857,219	\$1,887	15,212	\$35,115,005	\$2,308	11,076	\$34,152,070	\$3,083

*Received aid under hold harmless provision.