



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

January 22, 2018

TO: Members
Blue Ribbon Commission on School Funding

FROM: Russ Kava, Fiscal Analyst

SUBJECT: School District Equalization Aid Categories

At the request of the Commission, this memorandum provides information on the aid categories of school districts under the equalization aid formula.

Background

Equalization Aid. A major objective of the equalization aid formula is tax base equalization. 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 rather on the level of expenditures. 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. There is an inverse relationship between equalization aid and property valuations. Districts with low per pupil property valuations receive a larger share of their costs through the formula than districts with high per pupil property valuations.

The equalization aid formula is calculated using school district data (pupil membership, shared costs, and equalized valuations) from the prior school year. There are three guaranteed valuations used in the equalization formula that are applied to three different expenditure levels. The rate at which shared costs are aided through the formula is determined by comparing a district's per pupil property value to the three guaranteed valuations. Equalization aid is provided to make up the difference between the district's actual tax base and the state's guaranteed tax base.

Primary Tier. The 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 a comparison of the 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. 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.

Secondary Tier. The second tier is for shared costs that exceed \$1,000 per member but are less than the secondary cost ceiling, which is equal to \$9,619 per member in 2017-18. 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. In 2017-18, the secondary guaranteed valuation is \$1,172,875.

Tertiary Tier. The third tier is for shared costs that exceed the secondary cost ceiling of \$9,619 per member in 2017-18. State aid on tertiary shared costs is calculated using the tertiary guarantee, which, by law is set at the statewide average equalized valuation per member. The tertiary guarantee is \$573,439 in aid year 2017-18. If a school district's tertiary aid is a negative number, this amount is deducted from its secondary aid. 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.

Special Adjustment Aid. Special adjustment aid is fully funded as a first draw from the general school aids appropriation. Under special adjustment aid, the state provides additional general aid to districts as a hold harmless to limit any year-to-year decline in a district's general aid payment. An eligible district receives a payment equal to the amount needed to make the district's total general aid eligibility equal to 85% of its prior year's general aid payment.

Aid Categories of Districts

The main factor that determines a district's position in the equalization aid formula is its property value per pupil. There are exceptions based on cost, however.

- "Positive aid districts" have an equalized value per member that is below the tertiary guarantee. Districts in this category will receive positive aid at the primary, secondary, and tertiary (if applicable) levels.
- "Negative tertiary aid districts" have primary, secondary, and tertiary costs and an equalized value per member that is between the secondary and tertiary guarantees. These districts receive positive aid at the primary and secondary levels, but the positive secondary aid is partially offset by negative aid generated at the tertiary level.
- "Primary aid hold harmless districts" generally have an equalized value per member that is between the primary and secondary guarantees. These districts receive positive aid at the

primary level but generate negative aid overall at the secondary and/or tertiary levels. Under the primary aid hold harmless, these districts receive their primary aid amount.

- "No equalization aid districts" have an equalized value per member that exceeds the primary guarantee, and generate negative aid at all levels of the formula. As a result, they do not receive equalization aid.

The attachment shows the school districts in each aid category in the 2017-18 aid year. The districts marked with a single asterisk in the attachment were positive aid districts in the 2017-18 aid year, but would have been negative tertiary aid districts if they had had tertiary costs. The districts marked with a double asterisk received special adjustment aid in addition to the equalization aid entitlement generated under the formula as a result of its aid characteristics. While there is generally some stability as to which districts are in each aid category from year to year, a district can move to a different category based on changes in its equalized value per pupil and shared cost per pupil relative to the statewide average value per pupil and cost per pupil.

RK/bh
Attachment

ATTACHMENT

Equalization Aid Categories for School Districts for 2017-18

Positive Aid (249 Districts)

| | | | |
|--------------------------|----------------------|----------------------|------------------------|
| Abbotsford | Colfax | Howard-Suamico | Mukwonago * |
| Albany | Columbus | Independence | Neenah |
| Algoma | Cornell | Iola-Scandinavia | Neillsville |
| Alma Center | Crivitz * | Iowa-Grant | New Glarus |
| Almond-Bancroft | Cuba City | Ithaca | New London |
| Altoona | Cudahy | Janesville | New Richmond |
| Amery | D C Everest Area | Jefferson | Niagara |
| Antigo | Darlington Community | Johnson Creek | North Crawford |
| Appleton Area | Deerfield Community | Juda | North Fond du Lac |
| Arcadia | Denmark | Kaukauna Area | Norwalk-Ontario-Wilton |
| Argyle | DePere | Kenosha | Oak Creek-Franklin |
| Ashland | Dodgeand | Kewaunee | Oakfield |
| Athens | Dodgeville | Kickapoo Area | Oconto |
| Auburndale | Dover #1 | Kiel Area | Oconto Falls |
| Augusta | Durand | Kimberly Area | Omro |
| Baldwin-Woodville Area | Eau Claire Area | Lac du Flambeau #1 * | Oostburg |
| Bangor | Edgar | Ladysmith | Oregon |
| Baraboo | Edgerton | LaFarge | Osceola |
| Barneveld | Eleva-Strum | Lake Mills Area | Oshkosh Area |
| Barron Area | Elk Mound Area | Lancaster Community | Osseo-Fairchild |
| Beaver Dam | Ellsworth Community | Lena | Owen-Withee |
| Belleville | Elmwood | Little Chute Area | Parkview |
| Belmont Community | Evansville Community | Lomira | Pecatonica Area |
| Beloit | Fall Creek | Loyal | Peshigo |
| Beloit Turner | Fall River | Luxemburg-Casco | Phillips * |
| Benton | Fennimore Community | Manawa | Pittsville |
| Berlin Area | Flambeau | Manitowoc | Platteville |
| Black Hawk | Fond du Lac | Marathon City | Plum City |
| Black River Falls | Fort Atkinson | Marinette | Plymouth * |
| Bloomer | Frederic | Marion | Port Edwards |
| Bonduel | Freedom Area | Marshall | Portage Community |
| Boscobel Area | Galesville-Ettrick | Marshfield | Potosi |
| Bowler | Genoa City J2 | Mauston | Prairie du Chien Area |
| Boyceville Community | Germantown * | Mayville | Prairie Farm |
| Brillion | Gillett | Medford Area | Prescott |
| Brodhead | Glenwood City | Mellen | Pulaski Community |
| Brown Deer | Granton Area | Melrose-Mindoro | Racine |
| Butternut | Grantsburg | Menasha | Randolph |
| Cadott Community | Green Bay Area | Menominee Indian | Reedsburg |
| Cambria-Friesland | Greendale | Menomonie Area | Reedsville |
| Cameron | Greenwood | Merrill Area | Rib Lake |
| Cashton | Gresham | Milton | Richland |
| Cedar Grove-Belgium Area | Hartford J1 | Milwaukee | Rio Community |
| Chilton | Highland | Mineral Point | Ripon Area |
| Chippewa Falls Area | Hilbert | Mishicot | River Ridge |
| Clayton | Hillsboro | Mondovi | Riverdale |
| Clear Lake | Holmen | Monroe | Rosendale-Brandon |
| Clinton Community | Horicon | Monticello | Royall |
| Clintonville | Hortonville | Mosinee | Saint Croix Central |
| Colby | Howards Grove | Mount Horeb Area | Saint Croix Falls |

Salem J2
Seneca
Seymour Community
Sharon J11
Shawano
Sheboygan Area
Sheboygan Falls
Shiocton
Shullsburg
Silver Lake J1
Somerset
South Milwaukee
Southwestern Wisconsin

Sparta Area
Spencer
Spring Valley
Stanley-Boyd Area
Stevens Point Area
Stratford
Sun Prairie Area
Superior
Thorp
Tomah Area
Tomorrow River
Trevor-Wilmot
Tri-County Area

Two Rivers
Union Grove J1
Valders Area
Viroqua Area
Walworth J1
Waterford UHS
Waterloo
Watertown
Waupun
Wausau
Wautoma Area *
Wauwatosa *
Wauzeka-Steuben

West Allis
West DePere
West Salem
Westby Area
Westfield *
Weston
Whitehall
Wisconsin Rapids
Wittenberg-Birnamwood
Wrightstown Community

Negative Tertiary Aid (116 Districts)

Adams-Friendship Area
Alma
Arrowhead UHS
Ashwaubenon
Beecher-Dunbar-Pembine
Blair-Taylor **
Bristol #1
Bruce
Burlington Area
Cambridge
Campbellsport
Cassville
Cedarburg
Central/Westosha UHS
Chetek-Weyerhaeuser **
Cochrane-Fountain City
Coleman
Crandon
Cumberland
DeForest Area
Delavan-Darien
DeSoto Area
East Troy Community
Elkhorn Area
Franklin Public
Gilman
Gilmanton **
Grafton
Greenfield
Hamilton

Hartford UHS
Hartland-Lakeside J3
Herman-Neosho-Rubicon
Hudson
Hurley
Hustisford
Kettle Moraine **
Kewaskum
LaCrosse
Lake Geneva J1 **
Lake Geneva-Genoa UHS
Laona
Lodi
Luck
Madison Metropolitan
Maple
Markesan
McFarland
Menomonee Falls
Merton Community
Middleton-Cross Plains
Monona Grove
Montello
Muskego-Norway
Necedah Area
Nekoosa
New Auburn **
New Holstein
New Lisbon
North Cape

North Lake **
Northern Ozaukee
Norway J7
Oconomowoc Area
Onalaska
Palmyra-Eagle Area **
Pardeeville Area
Pepin Area **
Pewaukee
Port Washington-Saukville
Poynette
Prentice
Princeton
Randall J1
Random Lake
Raymond #14 **
Rhineland
Rice Lake Area
Richmond **
River Falls
River Valley
Rosholt
Saint Francis
Sauk Prairie
Shell Lake
Shorewood
Siren
Slinger
Solon Springs

Southern Door
Stockbridge
Stoughton Area
Sturgeon Bay
Tigerton **
Turtle Lake
Twin Lakes #4
Union Grove UHS
Unity **
Verona Area **
Washburn
Washington-Caldwell **
Waterford J1
Waukesha
Waunakee Community
Waupaca
West Bend
Weyauwega-Fremont
Wheatland J1
Whitefish Bay
Whitewater
Whitnall
Wilmot UHS
Winneconne Community
Wisconsin Heights
Wonewoc-Union Center
Yorkville J2

Primary Aid Hold Harmless (36 Districts)

| | | | |
|----------------------------|------------------------|-----------------|-----------------|
| Bayfield ** | Friess Lake ** | New Berlin ** | Tomahawk ** |
| Big Foot UHS ** | Glendale-River Hills | Nicolet UHS ** | Wausaukee ** |
| Brighton #1 ** | Goodman-Armstrong ** | Paris J1 ** | Webster ** |
| Chequamegon ** | Hayward Community | Richfield J1 ** | White Lake ** |
| Elkhart Lake-Glenbeulah ** | Kohler | South Shore ** | Wild Rose ** |
| Elmbrook ** | Lake Country ** | Spooner Area | Williams Bay |
| Erin ** | Lake Holcombe ** | Stone Bank | Winter** |
| Florence ** | Maple Dale-Indian Hill | Suring ** | Wisconsin Dells |
| Fox Point J2 | Mequon-Thiensville | Swallow ** | Woodruff J1 |

No Equalization Aid (21 Districts)

| | | | |
|-------------------|-----------------|--------------------|----------------|
| Birchwood ** | Green Lake ** | Norris | Three Lakes ** |
| Drummond ** | Lakeland UHS ** | North Lakeland | Wabeno Area ** |
| Elcho ** | Linn J4 ** | Northland Pines ** | Washington |
| Fontana J8 ** | Linn J6 ** | Northwood ** | |
| Geneva J4 | Mercer | Phelps ** | |
| Gibraltar Area ** | Minocqua J1 ** | Sevastopol ** | |

*District would have received negative tertiary aid if it had tertiary costs, but did not have such costs in aid year 2017-18.

**District received special adjustment aid in aid year 2017-18.