



## Legislative Fiscal Bureau

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May 29, 2001

Joint Committee on Finance

Paper #730

### **General School Aids Funding Level (DPI -- General School Aids)**

[LFB 2001-03 Budget Summary: Page 529, #1 and #2]

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#### **CURRENT LAW**

The state has a goal of funding two-thirds of K-12 partial school revenues. For the purposes of the two-thirds funding goal, state funding is defined as the sum of state general and categorical school aids and the school levy tax credit. With certain limited exceptions, partial school revenues is defined as the sum of state school aids and property taxes levied for school districts.

The state provided \$4,695.6 million in 1999-00 and \$4,932.6 million in 2000-01 to meet two-thirds funding of partial school revenues. The two-thirds funding commitment is calculated on a statewide basis; the level of state aid received by an individual district may be higher or lower than two-thirds, depending on the district's per member shared costs and equalized value.

In 2000-01, the state appropriated \$3,931.9 million in general school aids. General school aids include equalization aid, integration (Chapter 220) aid and special adjustment aid. In the 2000-01 base year, school districts are eligible for \$3,843.6 million in equalization aid, \$86.6 million in integration aid and \$1.7 million in special adjustment aid.

Each year by May 15, the Departments of Public Instruction and Administration and the Legislative Fiscal Bureau must jointly certify to the Joint Committee on Finance an estimate of the amount necessary in the general school aids appropriation which, in combination with the amounts provided in the other state aid and levy credit appropriations, would achieve the two-thirds funding level in the following school year. Annually, by June 30, the Committee must determine the amount to be appropriated in the following school year.

## GOVERNOR

Increase state funding to meet two-thirds funding of partial school revenues from the base amount of \$4,932,579,300 in 2000-01 to \$5,108,584,600 in 2001-02 and \$5,292,765,000 in 2002-03. These funding increases would represent annual increases over the prior year of 3.6% in each year of the 2001-03 biennium.

Of those amounts, general school aids funding would increase from \$3,931,871,500 in 2000-01 to \$4,087,327,900 in 2001-02 and \$4,250,046,700 in 2002-03. These proposed funding levels would be an increase of \$155,456,400 in 2001-02 and \$318,175,200 in 2002-03 compared to the base. That represents annual increases over the prior year of 4.0% in each year of the 2001-03 biennium.

A summary of these funding amounts with the administration's estimates of partial school revenues at the time of budget submission is presented in the following table.

### State Support for K-12 Education -- Governor's Proposal (\$ in Millions)

	2000-01 Base Year	Governor's Proposal	
		2001-02	2002-03
State Funding:			
General School Aids	\$3,931.9	\$4,087.3	\$4,250.0
Categorical Aids	531.4	552.0	573.4
School Levy Credit	<u>469.3</u>	<u>469.3</u>	<u>469.3</u>
Total	\$4,932.6	\$5,108.6	\$5,292.7
Partial School Revenues	\$7,403.7	\$7,662.9	\$7,939.1
State Share	66.62%	66.67%	66.67%

## DISCUSSION POINTS

1. Based on current estimates of projected K-12 partial school revenues and categorical aids under the bill, it is estimated that an additional \$12 million in 2001-02 and \$15 million in 2002-03 in general school aids funding would be needed to meet the state's two-thirds funding goal, compared to the bill. Restated as a change to the base, this change to general school aids would total \$70 million, which would reflect the effects of the reestimate of \$27 million as well as the effects of other bill provisions relating to revenue limits and categorical aids that impact general school aids funding, totaling \$43 million.

2. As an alternative to providing additional GPR funding for general school aids, the Committee could repeal the current law two-thirds funding goal and appropriate, on a sum certain basis, the amounts in SB 55, which would provide an estimated 66.5% in 2001-02 and 66.4% of

partial school revenues in 2002-03.

3. School district revenue limits restrict the amount of revenue obtained through the combination of general school aids, the property tax levy and computer aid. Under revenue limits, any increase in the amount of general school aids would be offset with a decrease in the school property tax levy. Similarly, any decrease in the amount of general school aids would be offset by an increase in the school property tax levy.

4. If the Committee modifies provisions relating to revenue limits or school aids, the amount of funding needed to attain the two-thirds funding goal will change. Although each alternative or motion before the Committee identifies the estimated change to two-thirds funding, there can be interaction effects that would require an additional adjustment to general school aids to properly meet the two-thirds goal.

5. Specifically, under the two-thirds funding calculation, if categorical aids are increased, there is a reduction in general school aids equal to one-third of the increase in categorical aids. This reduction is made so that total state aid does not exceed the two-thirds funding goal. Similarly, if categorical aids are decreased, there is an increase in general school aids equal to one-third of the decrease in categorical aids in order to maintain two-thirds funding of partial school revenues.

#### **ALTERNATIVES TO BASE**

1. As a change to the bill, provide \$12 million in 2001-02 and \$15 million in 2002-03 for equalization aid to maintain the goal of two-thirds funding of partial school revenues.

<b>Alternative 1</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$544,000,000
[Change to Bill]	\$27,000,000]

2. Delete the current law requirement that the state fund two-thirds of partial school revenues and instead appropriate the amount of funding provided in the bill for equalization aid on an annual sum certain basis.

<b>Alternative 2</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$474,000,000
[Change to Bill]	\$0]

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