



Legislative Fiscal Bureau

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May, 2019

Joint Committee on Finance

Paper #557

Hold Harmless Aid (DPI -- General School Aids and Revenue Limits)

[LFB 2019-21 Budget Summary: Page 320, #11]

CURRENT LAW

No provision.

GOVERNOR

Create a sum sufficient appropriation from the general fund for hold harmless aid, and provide \$7,500,000 for payments in 2020-21. Specify that if a school district would receive less in equalization aid in 2020-21, before any prior year aid adjustments are made, than it would receive from the sum of general aid, the school levy credit had it still been applicable, and high poverty aid had it still been applicable, the Department would pay the district an amount equal to the difference. (The bill would reallocate funding from the school levy tax credit and high poverty aid to the general school aids appropriation.) Provide that, for a district from which territory is detached to create a new district, the district's prior year aid total would be adjusted by the proportion of pupil membership remaining in the district after the detachment. Provide that, for a consolidated school district, the district's prior year aid total would be the sum of the amounts received by the separate districts prior to consolidation.

Specify that hold harmless aid would be a general aid under revenue limits. Specify that no hold harmless aid could be paid after the 2020-21 school year.

DISCUSSION POINTS

1. The bill would provide additional general school aid funding, make several modifications to the general school aid formula, and reallocate funding for the school levy and first

dollar tax credits and high poverty aid to the general aid appropriation. Hold harmless aid would provide one year of funding to ensure that districts would not lose aid as a result of the school finance changes under the bill.

2. Under prior Committee action, the bill provision to reallocate funding from the school levy and first dollar tax credits to the general school aids appropriation was deleted. Since the relatively large amount of funding provided for the property tax credits (\$1.09 billion in 2018-19) would not be allocated using a different method, there would appear to be little rationale for creating a hold harmless aid appropriation.

3. To the extent that the Committee adopts any of the other bill provisions modifying the general school aid formula, special adjustment aid would work within the general aid appropriation as a hold harmless payment. Under current law, an eligible district receives a payment equal to the amount needed to make the district's total general aid eligibility in the current year equal to 85% of its prior year general aid payment. The bill would increase that threshold to 90%. (This provision is discussed in a separate issue paper.)

ALTERNATIVES

1. Approve the Governor's recommendation, with technical corrections, to create a sum sufficient appropriation from the general fund for hold harmless aid, and provide \$7,500,000 for payments in 2020-21.

ALT 1	Change to	
	Base	Bill
GPR	\$7,500,000	\$0

2. Take no action.

ALT 2	Change to	
	Base	Bill
GPR	\$0	- \$7,500,000

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