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Joint Committee on Finance

Paper #509

Sparsity Aid (DPI -- Categorical Aids)

[LFB 2021-23 Budget Summary: Page 470, #14]

CURRENT LAW

Sparsity aid provides additional funding to small, rural districts meeting two eligibility criteria, based on data from the previous school year: (a) an enrollment of less than 745 pupils; and (b) a population density of fewer than 10 pupils per square mile of district attendance area. Aid is equal to \$400 multiplied by the school district's membership in the previous school year. A district that loses its eligibility as a result of an increase in its pupil population density can receive up to 50% of its prior year award in the year in which it loses eligibility. If funding is insufficient, payments are prorated. Base level funding is \$24,813,900 GPR in 2020-21.

DISCUSSION POINTS

1. The sparsity aid program was created in 2007 Act 30, and aid was first distributed in the 2008-09 school year. The program provides additional funding for small rural districts outside of their revenue limits. Aid to each eligible school district equals \$400 times the district's membership in the previous school year. If funding is insufficient, school districts receive a prorated portion of the total amount for which they qualify.

2. The program is intended to mitigate a number of challenges experienced by rural districts with both a small pupil membership and a sparsely populated area. In districts with low enrollment, fixed costs are spread across fewer pupils, and class sizes in required courses may be so small as to further increase per pupil costs. Declining enrollment in many rural districts further decreases the resources available to affected districts and provides an additional challenge to districts with enrollments that are already low. Additionally, districts with low pupil density typically experience higher transportation costs associated with transporting a small number of pupils over a greater distance.

3. Under 2017 Act 59, a provision was created under which any district that qualified for sparsity aid in one year but did not qualify the following year as a result of an increase in its membership would receive 50% of its prior year award in the year in which it became ineligible for sparsity aid. The provision first applied in the 2017-18 school year. No districts lost eligibility in 2017-18, so no aid was paid under the provision in that year. In 2018-19, two districts (Chequamegon and Crivit) qualified for a total of \$213,500 in one-time aid under the provision. No districts qualified for aid under this provision in 2019-20, and one district (Riverdale) qualified for \$143,535 in aid under this provision in 2020-21.

4. In 2020-21, 144 school districts qualified for aid with a combined pupil membership of 62,275. (One additional school district, Riverdale, received aid under the provision described above.) Aid payments were prorated at 99.6%. The table below shows the number of districts that qualified for aid, the total amount of funding appropriated, and the proration rate in each of the years between 2012-13 and 2020-21.

Sparsity Aid, 2012-13 to 2020-21

	<u>Districts</u>	<u>Funding</u>	<u>Proration</u>
2012-13	129	\$13,453,300	82.1%
2013-14	133	13,453,300	79.1
2014-15	133	13,453,300	78.7
2015-16	137	17,674,000	100.0
2016-17	141	17,674,000	97.1
2017-18	144	18,496,200	98.8
2018-19	145	25,071,900	100.0
2019-20	143	24,713,900	99.4
2020-21	144	24,813,900	99.6

5. Under Assembly Bill 68/Senate Bill 111, the program would be modified to create an additional tier of aid eligibility that would provide \$100 per pupil to any district with an enrollment of more than 745 pupils and a population density of fewer than 10 pupils per square mile. It is estimated that an additional 85 districts would have qualified for aid in 2020-21 had the expanded eligibility provision been in place in that year. The bill would provide an additional \$9,922,100 in 2020-21 and \$10,038,900 in 2022-23 to fully fund the proposed expansion.

6. Additionally, the bill would provide districts that received sparsity aid in the previous school year but are not eligible in the current year because they do not meet the sparsity criterion with one-time aid equal to 50% of their prior year award. Under current law, districts are only eligible for this aid if they are ineligible for aid as a result of an increase in their membership. The creation of the second tier of aid would mean that there would no longer be a membership limit for sparsity aid eligibility, so that districts that continue to meet the sparsity criterion but whose membership exceeds 745 pupils would still qualify for the smaller per pupil payment under the program.

7. It could be argued that the second tier of aid would provide greater stability for

districts whose membership is close to the 745 pupil cut-off for aid. Under current law, a small change in membership can result in a significant loss of aid for those districts whose membership is close to the cut-off. Under this proposal, a district whose membership increased above 745 would still receive aid, but in a lesser amount. Additionally, the second tier of aid would result in additional state support for all districts meeting the sparsity criterion, regardless of their total pupil membership. It could be the case that sparse districts experience additional financial pressures even if they have a larger number of pupils, such as costs associated with transporting pupils over a large geographic area.

8. On the other hand, it could be argued that sparsity aid was conceived to address the challenges associated with both a small pupil membership and a sparsely populated area, and a district with a large number of pupils may not experience the same financial pressures caused by small class sizes and fewer pupils to share fixed costs. Additionally, other state aid programs, such as the high cost transportation program, exist that may address the areas in which districts with a large geographic area experience higher costs. Under the high cost transportation aid program, districts qualify for aid if they meet the following eligibility requirements: (a) a transportation cost per member greater than 145% of the state average in the prior year; and (b) a pupil population density of 50 pupils per square mile or less, calculated by dividing the school district's membership in the previous school year by the district's area in square miles.

9. DPI's agency request included an expansion of the sparsity aid program that would provide \$100 per pupil to any school district with an enrollment of between 745 and 1,000 pupils and a population density of fewer than 10 pupils per square mile. This approach would provide greater predictability for districts whose membership is close to the 745 pupil cut-off, but at a reduced cost to the state. This proposal would require additional funding of \$3,148,500 GPR in 2021-22 and \$3,169,900 in 2022-23 above the base. [Alternative 2]

10. The Committee may also wish to consider fully funding the program with the existing eligibility criteria. DPI estimates that eligibility under current law will total \$24,930,000 in 2021-22 and \$25,046,800 in 2022-23. Based on these estimates, fully funding the existing program with no proration rate would require an increase of \$116,100 GPR in 2021-22 and \$232,900 GPR in 2022-23. [Alternative 3]

ALTERNATIVES

1. Provide an increase of \$9,922,100 GPR in 2021-22 and \$10,038,900 GPR in 2022-23, and modify the program to create an additional tier of aid eligibility that would provide \$100 per pupil to any district with an enrollment of more than 745 pupils and a population density of fewer than 10 pupils per square mile.

ALT 1	Change to Base
GPR	\$19,961,000

2. Provide an increase of \$3,148,500 GPR in 2021-22 and \$3,169,900 GPR in 2022-23, and modify the program to provide \$100 per pupil to any school district with an enrollment of between 745 and 1,000 pupils and a population density of fewer than 10 pupils per square mile.

ALT 2	Change to Base
GPR	\$6,318,400

3. Provide an increase of \$116,100 GPR in 2021-22 and \$232,900 GPR in 2022-23 to fully fund the sparsity aid program under current law.

ALT 3	Change to Base
GPR	\$349,000

4. Take no action.

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