



Legislative Fiscal Bureau

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TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Description of 2007 Assembly Bill 506 Relating to K-12 School Funding, the School Levy Tax Credit and Shared Revenue

This memorandum describes the provisions of 2007 Assembly Bill 506 that would establish the 2007-09 budget for K-12 school aids, school district revenue limits, the school levy tax credit, and shared revenue. Each of the provisions of the bill is summarized in the following sections of this memorandum. Finally, three attachments summarize the school aid funding under the bill, compare the funding under the bill with the amounts proposed under the various versions of SB 40, and compare the revenue limit provisions under the bill with other versions of the budget.

General and Categorical School Aids Funding

General School Aids. The bill would provide \$79,319,200 GPR in 2007-08 and \$156,075,200 GPR in 2008-09 for general school aids. Total funding would increase from \$4,722,745,900 in 2006-07 to \$4,802,065,100 in 2007-08 and \$4,878,821,100 in 2008-09. This would result in increases of 1.7% in 2007-08 and 1.6% in 2008-09 from the prior year.

Aid for Special Education. The bill would provide \$17,420,900 GPR in 2007-08 and \$36,167,500 GPR in 2008-09 for special education categorical aid, which would represent increases of 5.2% in 2007-08 and 5.4% in 2008-09. Total funding would increase from \$332,771,600 in 2006-07 to \$350,192,500 in 2007-08 and \$368,939,100 in 2008-09. It is estimated that this funding would equal 28.8% of eligible costs in 2007-08 and 29.0% in 2008-09.

Aid for the Student Achievement Guarantee in Education Program (SAGE). The bill would provide \$13,396,100 GPR annually above annual base level funding of \$98,588,000 for SAGE. This funding would allow the per pupil payment amount to increase from \$2,000 per low-income pupil to \$2,250, the statutory payment amount established under 2005 Act 125.

School Safety Grants. The bill would provide \$10,000,000 GPR in 2008-09 and create a new, annual appropriation for grants to reimburse school districts for costs allowable under the federal Safe and Drug Free Schools and Communities Act, but not paid under that act. The bill would specify that if in any fiscal year appropriated funds are insufficient to pay all claims, aid would be prorated.

Pupil Transportation Reimbursement Rate. The bill would increase the annual reimbursement rate for pupils transported over 12 miles between home and school from \$180 to \$220 beginning in 2007-08. Aid rates for pupils transported less than 12 miles would remain the same, as shown below. No additional funding would be provided, as the bill would maintain annual base level funding for pupil transportation aid of \$27,292,500 GPR. However, it is estimated that this base level funding would be sufficient to fund the estimated additional annual cost of \$900,000 under the proposed rate increase.

<u>Distance</u>	<u>Current Law</u>	<u>Bill</u>
0-2 miles (hazardous area)	\$15	\$15
2-5 miles	35	35
5-8 miles	55	55
8-12 miles	110	110
Over 12 miles	180	220

School Breakfast Reimbursement Rate. The bill would provide \$1,458,100 GPR in 2007-08 and \$1,835,200 GPR in 2008-09 over annual base funding of \$1,055,400 to increase the state school breakfast reimbursement rate from \$0.10 to \$0.15 per breakfast served. Total funding would equal \$2,513,500 in 2007-08 and \$2,890,600 in 2008-09.

School Library Aids Reestimate. The bill would provide \$6,000,000 SEG in 2007-08 and \$11,000,000 SEG in 2008-09 over annual base level funding of \$29,000,000, as a reestimate of school library aids. The segregated revenue is interest earned on loans and investments from the Common School Fund, and aid is distributed on a per-capita basis based on the number of four- to twenty-year-olds living in each school district.

Milwaukee Parental Choice Program Reestimate. The bill would provide \$10,114,000 GPR in 2007-08 and \$18,738,000 GPR in 2008-09 over annual base year funding of \$108,866,000 in the appropriation for payments for the Milwaukee parental choice program.

Under current law, the maximum amount paid per pupil under the choice program in a given school year is equal to the amount paid per pupil in the prior school year adjusted by the percent change, if non-negative, in the general school aids appropriation from the previous school year to the current school year. With annual general school aid increases proposed in the bill of 1.7% and 1.6%, respectively, the maximum per pupil choice payment under current law would increase from \$6,501 in 2006-07 to \$6,610 in 2007-08 and \$6,716 in 2008-09. It is estimated that 18,000 students in 2007-08 and 19,000 students in 2008-09 will participate in the

program. Total program funding would be \$118,980,000 in 2007-08 and \$127,604,000 in 2008-09.

Under current law, the estimated cost of the payments from the choice program appropriation is partially offset by a reduction in the general school aids otherwise paid to the Milwaukee Public Schools (MPS) by an amount equal to 45% of the total cost of the choice program. Under revenue limits, MPS may levy property taxes to make up for the amount of aid lost due to this reduction. As a result, the general fund pays for 55% of the choice program and MPS for 45%. Based on the funding in the bill, the MPS choice reduction would increase by \$4,551,300 in 2007-08 and \$8,432,100 in 2008-09 over the base choice reduction amount of \$48,989,700. The net general fund fiscal effect of this reestimate would be to increase expenditures by \$5,562,700 in 2007-08 and \$10,305,900 in 2008-09.

Milwaukee and Racine Charter School Program Reestimate. The bill would provide \$4,614,500 GPR in 2007-08 and \$9,239,500 GPR in 2008-09 above annual base level funding of \$39,564,500 to provide sum sufficient funding for the Milwaukee and Racine charter school program. Under current law, the Common Council of the City of Milwaukee, the Chancellor of the University of Wisconsin-Milwaukee, and the Milwaukee Area Technical College are authorized to operate or contract to operate charter schools located within Milwaukee Public Schools. The Chancellor of the University of Wisconsin-Parkside is authorized to operate or contract to operate one charter school located within the Racine Unified School District (RUSD). There are currently 15 charter schools participating in the program, including one in RUSD. A total of 5,000 students are attending these charter schools in 2006-07, and the aid per pupil is \$7,669.

Under current law, the per pupil payment for the Milwaukee and Racine charter school program is increased by the amount of increase in the per pupil payment amount for private schools participating in the Milwaukee parental choice program. The parental choice payment is increased by the percentage increase in the general equalization aids appropriation. Based on the funding for equalization aid in the bill, the choice and charter per pupil payments would increase by \$109 in 2007-08 and an additional \$106 in 2008-09.

This proposed funding level assumes that 5,500 pupils will be enrolled in the program in 2007-08 and that the aid per pupil will be \$7,778. In 2008-09, it is assumed that 6,000 pupils will participate at a per pupil cost of \$7,884. Based on these estimates, charter schools would receive \$42,779,000 in 2007-08 and \$47,304,000 in 2008-09.

In addition, under current law, RUSD will receive additional aid, outside of revenue limits, based on the amount of equalization aid it receives in the current year multiplied by the number of students attending the charter school who were previously enrolled in the RUSD. It is estimated that RUSD will receive \$1,400,000 in 2007-08 and \$1,500,000 in 2008-09 under this provision.

Under current law, payments to these charter schools and to RUSD are fully offset by a

proportionate reduction in the general school aids of all school districts in the state. Under revenue limits, school districts may levy property taxes to make up for the amount of revenue lost due to these aid reductions.

Program Revenue and Federal Revenue Reestimates. The bill would reduce funding for funds transferred from other state agencies--local aids by \$123,900 PR annually as a reestimate of these revenues. The bill would reestimate federal revenues for local aid by \$37,341,800 FED in 2007-08 and by \$39,649,600 FED in 2008-09.

Other School Aid Appropriations. The bill would repeal and recreate the appropriation schedule under the section for the Department of Public Instruction (DPI) relating to aids for local educational programming. This part of the bill would have the effect of establishing the 2007-09 funding levels for the appropriations under DPI relating to school aids. Unless summarized separately above, in each case the appropriation would be set at the same amount as in the 2006-07 base year.

Attachment 1 shows the funding level for each appropriation under DPI that would be affected by the bill. In addition, Attachment 1 shows base level funding for each year for two appropriations under the Department of Administration and two under the UW System that are included in the calculation of state support of K-12 public schools. These appropriations are shown in the table for ease of comparison, although the bill would not affect them.

Attachment 2 compares school aid and school levy credit funding under the bill with each version of the 2007-09 budget bill. Attachment 2 shows the proposed funding level for general school aids, special education, SAGE, all other categorical aids, and the school levy credit by fiscal year.

Revenue Limits

Revenue Limit Per Pupil Adjustment. The bill would make no changes to the current law inflationary adjustment to the per pupil adjustment. As a result, the per pupil adjustment would be \$264 in 2007-08 and an estimated \$270 in 2008-09 under the bill.

Low-Revenue Ceiling. The bill would increase the low-revenue ceiling from \$8,400 per pupil in 2006-07 to \$8,700 per pupil in 2007-08 and \$9,000 in 2008-09. Under current law, any school district with base revenue per pupil of less than \$8,400 may increase its revenues up to the low-revenue ceiling of \$8,400 per pupil.

Declining Enrollment Adjustment. Under the bill, the declining enrollment adjustment would increase from 75% to 100%, beginning in the 2007-08 school year. Under current law, if a school district's current year three-year rolling average pupil enrollment is less than the prior year three-year rolling average, the district receives a nonrecurring adjustment in a dollar amount equal to 75% of what the decline in the three-year rolling average memberships would have generated.

Prior Year Base Revenue Floor for Severe Declining Enrollment. The bill would provide that a district's initial revenue limit for the current year would, in certain cases, be set equal to its prior year's base revenue, beginning in the 2007-08 school year. Specify that this base revenue floor would apply if a district's revenue limit in the current year, after consideration of the per pupil adjustment and low-revenue ceiling, but prior to any other adjustments, is less than the district's base revenue from the prior year. The adjustment would be nonrecurring.

Attachment 3 compares the major revenue limit provisions under the bill with each version of the 2007-09 budget.

State Residential Schools

The bill would provide \$1,080,500 GPR in 2007-08 and \$1,088,000 GPR in 2008-09 compared to the 2006-07 appropriation amount for the Wisconsin Educational Services Program for the Deaf and Hard of Hearing and the Wisconsin Center for the Blind and Visually Impaired. These funding amounts are the same as the amounts recommended by the Governor and Joint Finance for this appropriation.

County and Municipal Aid

The bill would repeal and recreate the appropriation for the county and municipal aid program and set the program's appropriation at \$854,703,200 in each year of the 2007-09 biennium. This represents an increase over the current law funding level of \$100 per year and is similar to a provision included by the Governor in SB 40. In SB 40, the Governor sought to increase the funding level for the county and municipal aid program by an additional \$100 annually to ensure that the appropriation provides spending authority sufficient to fund the entire distribution based on the current law allocation formula. Without this adjustment, the distribution would exceed the appropriation by \$24 annually. This provision would authorize expenditure authority for aid payments in 2007 and 2008.

School Levy Tax Credit

The bill would increase the current school levy tax credit distribution for the 2008(09) property tax year and for each year thereafter by \$200,000,000, from \$593,050,000 to \$793,050,000. Since the school levy tax credits appearing on the December, 2008, property tax bills would not be paid until July, 2009, additional funding for the credit would not be needed until 2009-10. The additional funding would cause the tax credit for a median-valued home taxed at the statewide average school tax rate to increase by \$64 from \$203 in 2007(08) to \$267 in 2008(09).

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Attachments

ATTACHMENT 1

School Aid Funding Under the Proposal

<u>Type and Purpose of Aid</u>	<u>2006-07</u>	<u>Proposed Funding</u>		<u>Change to</u>	
		<u>2007-08</u>	<u>2008-09</u>	<u>Base Year Doubled</u>	<u>Amount</u>
General School Aids--GPR Funded	\$4,722,745,900	\$4,802,065,100	\$4,878,821,100	\$235,394,400	2.5%
Categorical Aid--GPR Funded					
Special Education	\$332,771,600	\$350,192,500	\$368,939,100	\$53,588,400	8.1%
Additional Special Education	3,500,000	3,500,000	3,500,000	0	0.0
SAGE	98,588,000	111,984,100	111,984,100	26,792,200	13.6
SAGE Debt Service	150,000	150,000	150,000	0	0.0
Pupil Transportation	27,292,500	27,292,500	27,292,500	0	0.0
School Safety Grants	0	0	10,000,000	10,000,000	N.A.
Bilingual/bicultural education	9,890,400	9,890,400	9,890,400	0	0.0
Tuition payments/Open Enroll	9,491,000	9,491,000	9,491,000	0	0.0
P-5 Grants	7,353,700	7,353,700	7,353,700	0	0.0
Head Start Supplement	7,212,500	7,212,500	7,212,500	0	0.0
Alternative Education Grants	5,000,000	5,000,000	5,000,000	0	0.0
AODA Prevent and Intervention	4,520,000	4,520,000	4,520,000	0	0.0
School Lunch	4,371,100	4,371,100	4,371,100	0	0.0
Cty Children w/ Disabl Educ Bds	4,214,800	4,214,800	4,214,800	0	0.0
Children at Risk	3,500,000	3,500,000	3,500,000	0	0.0
Mentoring Grants for Educators	1,350,000	1,350,000	1,350,000	0	0.0
School Breakfast	1,055,400	2,513,500	2,890,600	3,293,300	156.0
School Day Milk	710,600	710,600	710,600	0	0.0
Aid Transportation--Open Enroll	500,000	500,000	500,000	0	0.0
Peer Review and Mentoring	500,000	500,000	500,000	0	0.0
Aid for CESAs	300,000	300,000	300,000	0	0.0
Gifted and Talented	182,000	182,000	182,000	0	0.0
Supplemental aid	125,000	125,000	125,000	0	0.0
Advanced Placement Courses	100,000	100,000	100,000	0	0.0
English for Southeast Asian Child	100,000	100,000	100,000	0	0.0
Aid Transp--Youth Options	20,000	20,000	20,000	0	0.0
Debt Service on Tech. Bonding	<u>6,600,800</u>	<u>4,478,400</u>	<u>4,475,700</u>	<u>-4,247,500</u>	-32.2
Total Categorical Aid--GPR Funded	\$529,399,400	\$559,552,100	\$588,673,100	\$89,426,400	8.4%
Categorical Aid--PR Funded					
AODA	\$1,518,600	\$1,518,600	\$1,518,600	\$0	0.0%
Categorical Aid--SEG Funded					
School Library Aids	\$29,000,000	\$35,000,000	\$40,000,000	\$17,000,000	29.3%
Educ. Teleco Access Support	11,330,100	11,330,100	11,330,100	0	0.0
Envir. Education, Forestry	400,000	400,000	400,000	0	0.0
Envir. Education, Environmental	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>0</u>	0.0
Total Categorical Aid--SEG Funded	\$40,760,100	\$46,760,100	\$51,760,100	\$17,000,000	20.9%
Total Categorical Aid--All Funds	\$571,678,100	\$607,830,800	\$641,951,800	\$106,426,400	9.3%
Total Aid--All Funds	\$5,294,424,000	\$5,409,895,900	\$5,520,772,900	\$341,820,800	3.2%

State Support Under the Proposal

General School Aids	\$4,722,745,900	\$4,802,065,100	\$4,878,821,100	\$235,394,400	2.5%
Categorical Aids	571,678,100	607,830,800	641,951,800	106,426,400	9.3
School Levy Tax Credit	593,050,000	593,050,000	793,050,000	200,000,000	16.9
State Residential Schools	<u>10,397,900</u>	<u>11,478,400</u>	<u>11,485,900</u>	<u>2,168,500</u>	10.4
Total	\$5,897,871,900	\$6,014,424,300	\$6,325,308,800	\$543,989,300	4.6%

ATTACHMENT 2

Comparison of School Aid and Levy Credit Funding under the Proposal with other Versions of the Budget

2007-08

	General <u>School Aids</u>	<u>Categorical Aids</u>			School <u>Levy Credit</u>
		<u>Special Education</u>	<u>SAGE</u>	<u>All Other</u>	
Base Year	\$4,722,745,900	\$332,771,600	\$98,588,000	\$140,318,500	\$593,050,000
Governor's Recommendations	4,802,065,100	350,192,500	108,954,900	150,665,300	593,050,000
Joint Finance Version	4,802,065,100	350,192,500	108,954,900	151,740,600	593,050,000
Senate Version	4,802,065,100	350,192,500	111,984,100	166,653,200	593,050,000
Assembly Version	4,782,745,900	350,192,500	108,954,900	156,651,700	593,050,000
Proposal	4,802,065,100	350,192,500	111,984,100	145,654,200	593,050,000
Proposal Change to:					
Adjusted Base	79,319,200	17,420,900	13,396,100	5,335,700	0
Governor's Recommendations	0	0	3,029,200	-5,011,100	0
Joint Finance Version	0	0	3,029,200	-6,086,400	0
Senate Version	0	0	0	-20,999,000	0
Assembly Version	19,319,200	0	3,029,200	-10,997,500	0

2008-09

	General <u>School Aids</u>	<u>Categorical Aids</u>			School <u>Levy Credit</u>
		<u>Special Education</u>	<u>SAGE</u>	<u>All Other</u>	
Base Year	\$4,722,745,900	\$332,771,600	\$98,588,000	\$140,318,500	\$593,050,000
Governor's Recommendations	4,878,821,100	368,939,100	109,494,900	165,700,700	693,050,000
Joint Finance Version	4,878,821,100	368,939,100	109,494,900	166,350,100	693,050,000
Senate Version	4,878,821,100	368,939,100	112,524,100	183,994,700	693,050,000
Assembly Version	4,812,745,900	368,939,100	108,954,900	161,899,000	793,050,000
Proposal	4,878,821,100	368,939,100	111,984,100	161,028,600	793,050,000
Proposal Change to:					
Adjusted Base	156,075,200	36,167,500	13,396,100	20,710,100	200,000,000
Governor's Recommendations	0	0	2,489,200	-4,672,100	100,000,000
Joint Finance Version	0	0	2,489,200	-5,321,500	100,000,000
Senate Version	0	0	-540,000	-22,966,100	100,000,000
Assembly Version	66,075,200	0	3,029,200	-870,400	0

ATTACHMENT 3

Comparison of Major Revenue Limit Provisions

Provision	Governor	Joint Finance	Senate	Assembly	Bill
Per Pupil Adjustment	Maintain current law inflationary adjustment (\$264 in 2007-08, estimated \$270 in 2008-09).	Include provision.	Same as Governor and Joint Finance.	Set adjustment at \$200. If a district provides similar and less expensive health care benefits than the state health plan, the \$264/\$270 would apply.	Same as Governor and Joint Finance.
Declining Enrollment	Increase current law adjustment from 75% to 100%, beginning in 2007-08.	Include provision.	In addition to Governor's first-year 100% adjustment, create a second-year 75% adjustment and third-year 50% adjustment.	Same as Governor and Joint Finance.	Same as Governor and Joint Finance.
Prior Year Base Revenue Floor	Provide that a district's initial revenue limit for the current year would at least be set equal to its prior year's base revenue, beginning in 2007-08.	Include provision.	Same as Governor and Joint Finance.	Same as Governor and Joint Finance.	Same as Governor and Joint Finance.
Low-Revenue Ceiling	Increase low-revenue ceiling per pupil from \$8,400 in 2006-07 to \$8,700 in 2007-08 and \$9,000 in 2008-09.	Include provision.	Same as Governor and Joint Finance.	Same as Governor and Joint Finance.	Same as Governor and Joint Finance.
Adjustment for School Safety	Provide an adjustment for school safety costs, beginning in 2008-09, equal to \$25,000 per 500 pupils in grades 9 through 12.	Same as Governor, modified to be nonrecurring.	Provide an adjustment for school safety costs, beginning in 2007-08, equal to the greater of \$100 per pupil or \$40,000.	No provision. (A separate categorical would be created for these costs.)	No provision. (A separate categorical would be created for these costs.)

ATTACHMENT 3 (continued)

Comparison of Major Revenue Limit Provisions

Provision	Governor	Joint Finance	Senate	Assembly	Bill
Adjustment for Teacher Mentoring	Provide an adjustment for teacher mentoring costs, beginning in 2008-09, equal to expenses incurred not to exceed \$2,160 per initial educator.	Same as Governor, modified to be nonrecurring.	Same as Joint Finance.	No provision.	No provision.
Adjustment for School Nurses	No provision.	No provision.	Nonrecurring adjustment for salary and fringe benefits costs of school nurses.	No provision.	No provision.