



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #745

### **Grants for Cooperative Educational Service Agencies and Grants for Consolidation and Coordination Studies (DPI -- Categorical Aids)**

[LFB 2001-03 Budget Summary: Page 540, #11; Page 542, #14]

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#### **CURRENT LAW**

*Cooperative educational service agencies (CESAs).* CESAs are statutorily-created agencies designed to serve as a vehicle for groups of school districts within a geographic area to contract for programs and educational services. The state currently provides \$25,000 in aid annually to each of the 12 CESAs for the administrative cost of the agencies. School districts must collectively match the state's contribution according to their percentage of average daily membership within the CESA.

*School district consolidation.* The school boards of two or more school districts may adopt resolutions stating that they will consider consolidating their school districts. In the first July after the adoption of those resolutions by the affected boards, the boards may order the affected districts consolidated by the adoption by August 1 of a subsequent resolution ordering the consolidation. If the board of each affected district adopts a resolution ordering the consolidation, the consolidation takes effect on the following July 1, unless a referendum is ordered by a school board or by petition of 10% of the electors of any affected school district. If a majority of the votes cast in each affected district favor consolidation, the districts are then consolidated on the following July 1.

If two or more districts consolidate, for the first five years after the consolidation takes effect, the guarantees and cost ceilings used to calculate equalization aid for the consolidated district are multiplied by 1.1, thus entitling the district to receive additional aid. This additional aid is excluded from the definition of general school aids for the purpose of revenue limits. In addition, in the five years after consolidation, the consolidated school district's general school

aids cannot be less than the aggregate school aids received by the consolidating school districts in the school year prior to the consolidation.

## **GOVERNOR**

Provide \$850,000 GPR in 2002-03 for grants to CESAs to develop non-instructional educational services for school districts. Allow an individual CESA or a consortium of two or more CESAs to apply for these grants. Require that a CESA or consortium of CESAs provide matching funds equal to at least 50 percent of the grant amount. Specify that a grant may not exceed \$300,000. Require DPI to promulgate rules to implement and administer the grants.

Provide \$50,000 GPR in 2002-03 for grants to school districts to study consolidation or coordination. Specify that the grants be awarded to two or more school districts that are considering consolidating or coordinating the provision of educational services for the purpose of studying the feasibility of the consolidation or coordination. Require DPI to promulgate rules to implement and administer the grants.

## **DISCUSSION POINTS**

1. The Governor's Blue Ribbon Task Force on State-Local Partnerships for the 21<sup>st</sup> Century, which issued its final report in January of 2001, recommended that Wisconsin encourage neighboring governments that wish to consolidate to do so and create incentives for governments to work collaboratively on cost-effective strategies for service delivery. Appropriating state resources to CESAs and school districts could be viewed as an incentive for consolidation or coordination of educational functions among regional or local governments in Wisconsin.

2. Administration staff indicate that the CESA grant program was proposed to provide financial support to those agencies to be able to provide administrative services to school districts. CESA services can be provided to school districts on a chargeback basis, but it could be argued that CESAs may need some start-up funding to be able to develop services and provide them in the first year of any arrangement. Administration staff indicate that the 50 percent match requirement would still require the CESA to have a significant degree of support and participation by districts to undertake a particular project.

3. CESAs already have the ability to provide administrative services on a contractual basis to school districts under current law if agreed to by the CESAs and the districts. Examples of services being provided by CESAs under such arrangements include cooperative purchasing, instructional technology purchasing, delivery service, equipment repair and data collection processing. It could be argued that it is unnecessary to provide state resources to allow CESAs and school districts to undertake activities that they already are doing or have the ability to do.

4. Currently, there are 426 school districts in Wisconsin. In the last 10 years, school districts have consolidated twice. In 1992, the Arkansaw and Durand School Districts consolidated into a newly-created Durand School District. In 1995, the West Grant and Bloomington School

Districts merged to become the River Ridge School District.

5. The State Superintendent's School Finance Task Force, which issued its final report in June of 2000, recommended the creation of a grant program, funded at \$50,000, to provide grants of up to \$5,000 to any school district to study the feasibility of consolidation. The Task Force report noted that some school districts operate with diseconomies of scale, and that the consolidation of school districts may provide cost savings as the result of sharing administrative and support services, for example. The Task Force noted that, since there have been only two school district consolidations since 1992, further incentives might be necessary to encourage consolidation.

6. Providing funding to school districts to study the possibility of consolidating or coordinating services could be seen as an effective way to provide districts the resources necessary to study the financial and programmatic implications of such actions before undertaking them. Since the funding would be provided as categorical aid, it would be outside of a district's revenue limit. Thus, a district would not have to expend general school aid or local school property tax revenue that might otherwise be used for direct instructional or operational purposes for such studies.

7. However, the state already provides a financial incentive for school districts to consolidate in the form of additional equalization aid outside of revenue limits. Given that only one consolidated district has been formed since the imposition of revenue limits, it could be argued that they may be some larger intangible impediments to consolidation that might not be resolved through studies. Further, given that CESAs already exist as a vehicle for groups of school districts to contract for services, it could be argued that providing similar funding to individual school districts for these purposes is duplicative.

8. It may also be questionable that funding for studies, rather than provision of direct educational and instructional services, would be provided as part of the state's commitment to fund two-thirds of partial school revenues. The Committee could choose to specify that the proposed appropriation for grants for consolidation and coordination studies not be included in the definition of state aid or partial school revenues for purposes of calculating the state's two-thirds funding goal.

9. Under the two-thirds funding calculation, if funding for categorical aids such as the CESA grants or the consolidation and coordination studies grants are increased, there is a reduction in general school aids equal to one-third of the increase. 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 aid in order to maintain two-thirds funding of partial school revenues.

## **ALTERNATIVES TO BASE**

### **A. Grants to Cooperative Educational Service Agencies**

1. Approve the Governor's recommendation to provide \$850,000 in 2002-03 for grants to CESAs to develop non-instructional educational services for school districts. Delete \$283,300 in

2002-03 for general school aids to adjust two-thirds funding.

<b>Alternative A1</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$566,700
<i>[Change to Bill]</i>	<i>[\$0]</i>

2. Take no action. To maintain two-thirds funding, general aids would increase by \$283,300 in 2002-03 compared to the bill.

<b>Alternative A2</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>-\$566,700]</i>

### **B. Grants for Consolidation and Coordination Studies**

1. Approve the Governor's recommendation to provide \$50,000 in 2002-03 for grants to school districts to study consolidation or coordination. Specify that the grants be awarded to two or more school districts that are considering consolidating or coordinating the provision of educational services for the purpose of studying the feasibility of the consolidation or coordination. Delete \$16,700 in 2002-03 for general school aids to adjust two-thirds funding.

<b>Alternative B1</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$33,300
<i>[Change to Bill]</i>	<i>[\$0]</i>

2. Modify the Governor's recommendation to specify that the appropriation for grants for coordination and consolidation studies not be included in the definition of state aid or partial school revenues for purposes of calculating the state's two-thirds funding goal.

<b>Alternative B2</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$50,000
<i>[Change to Bill]</i>	<i>[\$16,700]</i>

3. Take no action. To maintain two-thirds funding, general aids would increase by \$16,700 in 2002-03 compared to the bill.

<b>Alternative B3</b>	<b>GPR</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>-\$33,300]</i>

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