



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #510

Per Pupil Aid (DPI -- Categorical Aids)

[LFB 2015-17 Budget Summary: Page 341, #1]

CURRENT LAW

A sum sufficient per pupil aid appropriation was established in the 2013-15 biennial budget act (2013 Act 20). Each school district receives a \$150 per pupil payment in 2014-15 and each year thereafter, outside of revenue limits, from this appropriation. A district's current three-year rolling average pupil count under revenue limits is used to calculate the aid payment. By law, this aid is paid on the fourth Monday in March

GOVERNOR

Delete \$126,975,000 in 2015-16 and provide \$14,932,800 in 2016-17 relative to base level funding of \$126,975,000 for per pupil aid. Under the bill, no funding would be provided for this aid in 2015-16 and \$141,907,800 would be provided in 2016-17.

Change the per pupil aid appropriation from a sum sufficient to a sum certain appropriation. Specify that aid per pupil in a given fiscal year would be calculated by dividing the appropriated amount by the total number of pupils enrolled in all school districts in that school year, and that each district's total payment would be determined by multiplying that per pupil amount by the number of pupils enrolled in the district in the current year.

For the purpose of submitting its agency budget request for the 2017-19 biennial budget bill, require DPI to submit information concerning the per pupil aid appropriation as though the amount of that appropriation for 2016-17 was zero.

DISCUSSION POINTS

1. Under 2013 Act 20, in 2013-14, a \$75 per pupil adjustment was provided under revenue limits and a \$75 per pupil aid payment was appropriated, thus providing school districts with total of \$150 per pupil in additional financial resources compared to the prior year. In 2014-15, an additional \$75 per pupil adjustment was provided under revenue limits and a \$150 per pupil aid payment (an increase of \$75 compared to the prior year) was provided, giving school districts an additional \$150 per pupil in additional financial resources compared to the prior year.

2. Traditionally, additional financial resources have been provided to school districts under revenue limits, either through the per pupil adjustment or other adjustments to the revenue limit calculation. School boards have the ability to levy for any additional revenue limit authority, with the state providing support either through general school aids or the school levy tax credit to fund school district operations and reduce the local levy.

3. Per pupil aid represented a new approach in providing state support to school districts. Per pupil aid could be viewed as a form of minimum aid, under which each district receives a fully state-supported payment per pupil, regardless of the level of property wealth in the district. As a categorical aid, this payment is outside of a district's revenue limit.

4. Under the bill, there would be no per pupil adjustment provided under revenue limits in 2015-16 or 2016-17. There would be no per pupil aid payment to school districts in 2015-16. Based on current enrollment, an estimated \$168 per pupil aid payment would be made in 2016-17 under the provisions of the bill.

A. Funding Level

5. There are any number of alternatives the Committee could choose in funding per pupil aid, based on the condition of the state general fund, other priorities for general fund revenues, the overall level of financial resources for school districts that is deemed to be appropriate, and the amount of funding provided for other appropriations for K-12 state support. (Bill provisions related to funding for general school aids and for the school levy tax credit are discussed in separate issue papers.)

6. During public hearings on the budget bill, the Committee heard testimony from school district officials on the effects of the reduction in per pupil aid in 2015-16. This testimony generally indicated that providing no per pupil aid in that year, which would represent a reduction of \$150 per pupil from the prior year, would have an adverse effect on school district finances and the ability of districts to maintain ongoing educational programs.

7. To address this concern, the Committee could choose to restore per pupil aid funding in 2015-16 (Alternative A2). Based on the enrollment used to calculate aid in 2014-15, \$126.8 million in funding would need to be provided to restore the aid to current law levels in 2015-16.

8. Under the bill, the per pupil aid payment would change from \$150 in 2014-15 to \$0 in 2015-16, an estimated \$168 in 2016-17, and \$0 in 2017-18. To address this fluctuation in funding,

the Committee could instead choose to split the funding provided in 2016-17 under the bill between both years of the biennium to provide an equal payment in both (Alternative A3). Under this alternative, \$71.0 million annually would be provided in per pupil aid, resulting in an estimated \$84 per pupil payment in each year.

9. The Committee could also elect to delete the Governor's recommendation and maintain current law (Alternative A4). Under this option, a \$150 per pupil payment would be provided annually. This would require annual per pupil aid funding of \$126.8 million, which would represent a net increase of \$111.8 million in funding compared to the bill.

10. If the Committee opts to provide additional K-12 state support in other appropriations, it could delete the \$141.9 million in per pupil aid funding in 2016-17 and the related statutory language for the aid program (Alternative A5). Under this approach, per pupil aid would not be an ongoing method for providing state support.

B. Aid Calculation

11. In addition to modifying the level of funding for per pupil aid, the bill would also modify the calculation of the aid. Under the bill, the Legislature would determine the amount of funding in a sum certain per pupil aid appropriation, with the per pupil payment then determined based on statewide enrollment. This would be similar to most other categorical aid appropriations, in which aid payments can be prorated based on a comparison of total district aid entitlements with the amount of funding appropriated.

12. Under current law, the Legislature sets the per pupil payment in statute, with the total amount of funding determined based on statewide enrollment and expended from a sum sufficient appropriation. This is conceptually similar to revenue limits, under which a district's revenue authority is calculated based on the number of pupils enrolled. The Committee could choose to maintain this treatment of per pupil aid and delete the bill provision (Alternative B2).

C. One-Time or Ongoing Funding

13. Under the bill, for the purpose of submitting its agency budget request for the 2017-19 biennial budget bill, DPI would be required to submit information concerning the per pupil aid appropriation as though the amount of that appropriation for 2016-17 was zero. This means that per pupil aid in 2016-17 would be provided as one-time funding. This serves to reduce expenditures for the purpose of considering the structure of the 2017-19 biennial budget.

14. However, providing this aid on a one-time basis arguably does not help districts support their ongoing operations. In addition, no other school aid appropriations are provided on a one-time basis in a manner similar to that proposed under the bill for per pupil aid. As such, the Committee could choose to delete this provision and specify that this funding would be ongoing (Alternative C2).

15. Under either of these alternatives, the 2017-19 Legislature would be able to change the law to modify the amount of per pupil aid, if any, that is provided. This set of alternatives would,

however, specify what the base level of per pupil aid funding would be for the next biennium absent a subsequent change in the law.

ALTERNATIVES

A. Funding Level

1. Approve the Governor's recommendation to delete \$126,975,000 in 2015-16 and provide \$14,932,800 in 2016-17 for per pupil aid. (This would provide no payment in 2015-16 and a \$168 per pupil payment in 2016-17.)

2. Provide \$126,842,300 in 2015-16 to restore funding for an estimated \$150 per pupil aid payment in that year. (This would provide a \$150 per pupil payment in 2015-16 and a \$168 per pupil payment in 2016-17.)

ALT A2	Change to Bill
GPR	\$126,842,300

3. Provide \$70,953,900 in 2015-16 and delete \$70,953,900 in 2016-17 to provide the same level of per pupil aid in each year of the biennium. (This would provide an \$84 per pupil payment in each year.)

4. Maintain the current \$150 per pupil payment in each year. Provide \$126,842,300 in 2015-16 and delete \$15,065,500 in 2016-17.

ALT A4	Change to Bill
GPR	\$111,776,800

5. Eliminate per pupil aid and delete \$141,907,800 in 2016-17 as well as the statutory language authorizing per pupil aid. (If this alternative is approved, no action is needed on alternatives under B. and C.)

ALT A5	Change to Bill
GPR	- \$141,907,800

B. Aid Calculation

1. Approve the Governor's recommendation to change the per pupil aid appropriation from a sum sufficient to a sum certain appropriation and specify that aid per pupil in a given year be calculated by dividing the appropriated amount by the total number of pupils enrolled in all school districts.

2. Delete provision, which would maintain the current sum sufficient appropriation with a per pupil payment set by law.

C. One-Time or Ongoing Funding

1. Approve the Governor's recommendation to specify that, for the purpose of submitting its agency budget request for the 2017-19 biennial budget bill, require DPI to submit information concerning the per pupil aid appropriation as though the amount of that appropriation for 2016-17 was zero.

2. Delete provision, which would maintain the current ongoing appropriation for per pupil aid.

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