



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

2017

Joint Committee on Finance

Paper #500

Sparsity Aid (DPI -- Categorical Aids)

[LFB 2017-19 Budget Summary: Page 348, #3]

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 less than 10 pupils per square mile of district attendance. Aid is equal to \$300 multiplied by the school district's membership in the previous school year. If funding is insufficient, payments are prorated.

GOVERNOR

Provide \$9,961,100 GPR in 2017-18 and \$10,119,500 GPR in 2018-19 above base level funding of \$17,674,000 GPR for sparsity aid.

Increase payments for districts that meet current law eligibility requirements by \$100 to a total of \$400 per pupil. Additionally, provide that school districts meeting the following criteria would qualify for aid under the program equal to \$100 per pupil: (a) an enrollment of between 745 and 1,000 pupils; and (b) a population density of less than 10 pupils per square mile of district attendance area.

Delete statutory language allowing DPI to use any funds remaining in the appropriation after paying the full amount to eligible districts to provide \$300 per pupil to any district that received aid under the program in the previous year but had an enrollment of greater than 745 pupils in the current year.

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 \$300 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. In 2016-17, 141 school districts qualify for aid with a combined pupil membership of approximately 60,700. Aid is prorated at approximately 97.1%, or \$291 per pupil. The following table 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 2008-09 and 2016-17.

Sparsity Aid, 2008-09 to 2016-17

	<u>Districts</u>	<u>Appropriation</u>	<u>Proration</u>
2008-09	110	\$3,644,600	44.7%
2009-10	115	3,517,100	23.0
2010-11	123	14,948,100	93.9
2011-12	130	13,453,300	80.3
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

4. Under 2015 Act 305, DPI is authorized to make payments to any school district that received sparsity aid in the previous year but, due to an increase in the district's membership, does not qualify for aid in the current school year. Payments can only be made if funds remain in the appropriation after fully funding aid payments to eligible districts. In 2015-16, \$355,600 remained in the appropriation after the initial distribution of aid, and as a result payments were made to two school districts: Crivitz and Spring Valley, with payments to these two districts prorated at 80.7%. No payments were made under this provision in 2016-17 because funding in the appropriation was insufficient to fully fund payments to eligible districts. The bill would eliminate this provision, and as a result any funds remaining in the appropriation after aid payments were made would lapse to the general fund.

5. In 2008-09, the first year of the program, aid amounts were calculated based on the

percentage of pupils in each district that were eligible for a free or reduced-price lunch. Districts in which between 20% and 50% of pupils were eligible for free or reduced-price lunch qualified for a payment of \$150 per pupil, and districts in which more than 50% of pupils were eligible for free or reduced-price lunch qualified for \$300 per pupil. Districts with less than 20% of pupils eligible for a free or reduced-price lunch did not qualify for aid. Beginning in 2009-10, the two tiers of aid were eliminated, but districts were only eligible for aid if 20% of their pupils or more were eligible for a free or reduced-price lunch. The free and reduced-price lunch criterion was eliminated under 2015 Act 55.

6. In 2013, the Speaker's Rural Schools Task Force was formed to identify challenges facing rural schools and to make recommendations to address those challenges. In May, 2014, the Rural Schools Task Force issued a report with the following recommendations for the sparsity aid program: (a) change the appropriation from a sum certain to a sum sufficient appropriation; (b) modify the eligibility criteria to increase the pupil membership limit to 1,000 pupils; and (c) allow districts with pupil membership of up to 2,700 pupils and a population density of less than seven pupils per square mile to qualify for a reduced amount of aid. The task force reported that it had heard testimony stating that sparse population increases expenses for districts, regardless of the district's total pupil population.

7. The Committee may wish to consider an approach similar to that recommended by the Rural Schools Taskforce. Under the proposal, districts meeting the following criteria would qualify for \$300 of aid per pupil: (a) membership of less than 1,000 pupils; and (b) pupil population density of less than 10 pupils per square mile. Districts could qualify for \$100 of aid per pupil if they met the following criteria: (a) membership of between 1,000 and 2,700 pupils; and (b) pupil population density of less than seven pupils per square mile. Based on data used to calculate the 2016-17 distribution of sparsity aid, it is estimated that 182 districts would qualify for \$300 of aid per pupil and 21 districts would qualify for payments of \$100 per pupil. The total cost of the program under this approach would equal an estimated \$31,801,100 annually, an increase of \$4,166,000 GPR in 2017-18 and \$4,007,600 GPR in 2018-19 relative to the funding provided in the bill.

8. Of the total increase provided in the bill, \$3,173,500 in 2017-18 and \$2,981,100 in 2018-19 would fund a proposed second tier of aid for districts that meet the following two criteria: (a) an enrollment of between 745 and 1,000 pupils; and (b) a population density of less than 10 pupils per square mile of district attendance. Districts meeting these criteria would qualify for aid equal to \$100 per pupil. Based on DPI estimates, 37 districts with total membership of approximately 31,700 would qualify for aid in 2017-18 and 35 districts with total membership of approximately 29,800 would qualify for aid in 2018-19.

9. 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 the bill, a district whose membership increased above 745 would still receive aid, but in a lesser amount. A district whose membership increase above 1,000 pupils would no longer qualify for aid, but as a result of the smaller per pupil payment, the effect would be limited.

10. The remaining increase in funding would provide full funding to the program based on

DPI estimates, as well as provide an increase in the per pupil payment for districts eligible for funding under current law. Of the total increase, \$672,200 in 2017-18 and \$935,300 in 2018-19 would fully fund the existing program at \$300 per pupil, based on DPI estimates of membership in eligible districts of approximately 61,150 in 2017-18 and 62,000 in 2018-19. The remaining \$6,115,400 in 2017-18 and \$6,203,100 in 2018-19 would fund a \$100 per pupil increase in aid payments for districts that qualify for aid under current law.

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$9,961,100 in 2017-18 and \$10,119,500 in 2018-19 above base level funding of \$17,674,000. It is estimated that this funding level would provide full funding for the program, including a \$100 increase in per pupil payments for districts that qualify for aid under current law in addition to creating a new \$100 per pupil payment for districts with a membership of between 745 and 1,000 pupils.

ALT 1	Change to	
	Base	Bill
GPR	\$20,080,600	\$0

2. Modify the Governor's recommendation with one of the following changes:

a. *Fully Fund Program Under Current Law.* Delete provisions increasing the per pupil payment by \$100 for districts that qualify for aid under current law and allowing districts with between 745 and 1,000 pupils to qualify for aid of \$100 per pupil. Reduce funding by \$9,288,900 in 2017-18 and \$9,184,200 in 2018-19 to reflect these changes. It is estimated that this funding level would provide full funding of \$300 of aid per pupil for districts eligible under current law.

ALT 2a	Change to	
	Base	Bill
GPR	\$1,607,500	-\$18,473,100

b. *Increase Payment for Current Law Districts.* Delete provision allowing districts with between 745 and 1,000 pupils to qualify for \$100 of aid per pupil. Reduce funding by \$3,173,500 in 2017-18 and \$2,981,100 in 2018-19 to reflect the decrease in the number of participating schools. It is estimated that this funding level would provide the \$400 of aid per pupil proposed in the bill for districts meeting current law eligibility requirements.

ALT 2b	Change to	
	Base	Bill
GPR	\$13,926,000	-\$6,154,600

c. *Create Second Tier of Aid.* Delete provisions increasing the per pupil payment for districts that qualify for aid under current law. Reduce funding in the bill by \$6,787,600 in 2017-18 and \$7,138,400 in 2018-19, which would provide net funding of \$3,173,500 in 2017-18 and \$2,981,100 in 2018-19 to create a second tier of aid for districts that meet the following two criteria: (a) an enrollment of between 745 and 1,000 pupils; and (b) a population density of less than 10 pupils per square mile of district attendance. Additionally, provide \$672,200 in 2017-18 and \$935,300 in 2018-19 to fully fund the existing program at \$300 per pupil.

ALT 2c	Change to	
	Base	Bill
GPR	\$7,762,100	- \$12,318,500

3. *Rural Schools Taskforce Recommendation.* Delete provision. Instead, increase funding in the bill by \$4,166,000 in 2017-18 and \$4,007,600 in 2018-19 to provide \$300 of aid per pupil to districts with a membership of less than 1,000 pupils and pupil population density of less than 10 pupils per square mile, and \$100 of aid per pupil to districts with a membership of between 1,000 and 2,700 pupils and pupil population density of less than 7 pupils per square mile.

ALT 3	Change to	
	Base	Bill
GPR	\$28,254,200	\$8,173,600

4. Delete provision and related funding. Under this alternative, the estimated prorate would equal 96.3% in 2017-18 and 95.0% in 2018-19.

ALT 4	Change to	
	Base	Bill
GPR	\$0	- \$20,080,600

Prepared by: Christa Pugh