Elementary and Secondary School Aids

Informational
Paper

27

Wisconsin Legislative Fiscal Bureau
January, 2005

Elementary and Secondary School Aids

Prepared by

Russ Kava and Layla Merrifield

Elementary and Secondary School Aids

Under the provisions of Wisconsin's Constitution (Article X, Section 3), the Legislature is responsible for the establishment of public school districts which are to be "as nearly uniform as practicable" and "free and without charge for tuition to all children." Under the statutes, the state provides financial assistance to school districts to achieve two basic policy goals: (1) reduce the reliance upon the local property tax as a source of revenue for educational programs; and (2) guarantee that a basic educational opportunity is available to all pupils regardless of the local fiscal capacity of the district in which they reside.

The cost of elementary and secondary (K-12) education is supported by the state through three different methods. First, unrestricted general aids are provided through a formula that distributes aid on the basis of the relative fiscal capacity of each school district as measured by the district's per pupil value of taxable property. This formula is known as either the "general school aid formula" or the "equalization aid formula." In addition, the Legislature has established other general school aid programs that are associated with the equalization formula.

The second means of state support are categorical aids that partially fund specific program costs such as special education, class size reduction, pupil transportation, and bilingual education. Categorical aid is either paid on a formula basis or awarded as grants. Table 1 lists the various general and categorical school aid programs and the amounts appropriated for fiscal year 2004-05. More detailed descriptions of these aid programs are provided later in this paper.

The third method of state support is the state school levy tax credit. Although the school levy tax credit is discussed briefly in this paper, the primary focus of this paper will be to examine general and categorical aids. This is because the school levy credit is paid to municipalities to offset the property tax whereas the general and categorical aids are paid directly to school districts.

For the 2003-05 biennium, the Legislature appropriated over $9.66 billion in general and categorical school aid. More than 98% of this amount is funded through state, general purpose revenues (GPR); the other two percent is supported with segregated revenues (SEG) and program revenues (PR). School aid represents approximately 40.0% of the state's total general fund budget for fiscal year 2004-05. It is the largest commitment by the Legislature to any single governmental program.

This paper will first provide an overview of elementary and secondary education finance. In subsequent sections, information will be provided on the equalization aid formula, other general school aids, and the various categorical aid programs. In addition, there are three appendices. The first appendix provides general descriptive statistics regarding school districts in Wisconsin. The second appendix provides a description of the school levy tax credit. The final appendix provides sample calculations of the equalization aid formula. Finally, information on current year general school aid amounts and estimates of state support by school district are presented on the Legislative Fiscal Bureau webpage at http://www.legis.state.wi.us/lfb.

Table 1: General and Categorical School Aid by Funding Source in 2004-05

Agency	Type and Purpose of Aid	Amount
	General Aid--GPR Funded	
DPI	Equalization Aid	$4,159,635,900
	Integration Aid (Chapter 220)	84,733,400
	Special Adjustment Aid	13,176,600
	*Total General Aid--GPR Funded**	$4,257,545,900
	General Aid--SEG Funded	
	Equalization Aid	$60,000,000
	Total General Aid--All Funds	$4,317,545,900
	Categorical Aid--GPR Funded	
DPI	Special Education	$320,771,600
	SAGE	90,290,600
	SAGE-Supplement	4,739,000
	SAGE-Debt Service	300,000
	Pupil Transportation	17,742,500
	Tuition Payments/Open Enrollment Transfer	9,741,000
	Bilingual/Bicultural Education	8,291,400
	P-5 Grants	7,353,700
	Alternative Education Grants	5,000,000
	Grants for AODA Prevention and Intervention	4,520,000
	School Lunch	4,371,100
	County Children with Disabilities Education Boards	4,214,800
	Head Start Supplement	3,712,500
	Children at Risk	3,500,000
	School Breakfast	1,055,400
	School Day Milk	710,600
	Aid for Transportation-Open Enrollment	500,000
	Peer Review and Mentoring	500,000
	Aid for Cooperative Educational Service Agencies	300,000
	Supplemental Aid	125,000
	Aid for Transportation -- Youth Options Program	20,000
DOA	Debt Service on Technology Infrastructure Bonding	6,852,200 **
	Total Categorical Aid--GPR Funded	$494,611,400
	Categorical Aid--PR Funded	
DPI	Head Start Supplement	$3,500,000
	AODA	1,565,600
	Total Categorical Aids--PR Funded	$5,065,600
	Categorical Aid--SEG Funded	
DPI	School Library Aids	$29,000,000
DOA	Educational Telecommunications Access Support	$11,324,200
UW	Environmental Education, Forestry	$400,000
	Environmental Education, Environmental Assessments	30,000
	Total Categorical Aid--SEG Funded	$40,754,200
	Total Categorical Aid--All Funds	$540,431,200
	Total School Aid--All Funds	$4,857,977,100

* Includes an estimated $39.3 million attributable to the Milwaukee parental choice program and $29.9 million related to the Milwaukee-Racine charter school program that will lapse to the general fund.
 **Includes $2,098,400 in federal E-rate monies that would be used for this debt service.

Overview of School Finance

The state has 369 K-12 districts, 47 elementary (K-8) districts and 10 union high school (9-12) districts, for a total of 426 school districts. All are fiscally independent; that is, they do not depend on other local units of government such as counties or municipalities for their local tax revenue. In addition, 12 cooperative educational service agencies (CESAs), which are fiscally dependent on school districts, provide programs and services to local districts. In 2004-05, five counties operate county children with disabilities education boards (CCDEBs), of which one (Marathon) is fiscally dependent and four (Brown, Calumet, Racine and Walworth) are fiscally independent. The Racine CCDEB will cease operations in 2005-06.

School districts are classified as common (369), union high (10), unified (46) and first class city (Milwaukee). Common and union high districts are required to hold an annual meeting at which a majority of electors present approve the district's property tax levy. However, the school board has the authority to adjust the tax levy if it is determined that the annual meeting has not voted a tax sufficient to operate and maintain the schools or for debt retirement. School boards in unified and first class city school districts do not hold annual meetings.

School districts derive their revenue through four major sources: state aid, property tax, federal aid and other local nonproperty tax revenues such as fees and interest earnings. Table 2 shows revenue by source for 2002-03. The state aid amount shown in Table 2 is for school districts only and excludes monies paid to CESAs and CCDEBs. In 2002-03, school districts received the majority of their revenue through state aid and the property tax (88.4%).

Under current law, there is a limit on the annual amount of revenue per pupil that each

Table 2: 2002-03 School District Revenue ($ in Millions)

Revenue Source	Amount	Percent
State Aid	$4,707.7	52.7%
Property Tax	3,192.0	35.7
Federal Aid	549.3	6.1
Local Receipts	489.8	5.5
Total	$8,938.8	100.0%

school district can raise through the combination of general school aids, computer aid, and property taxes. General school aids include equalization, integration, and special adjustment aids. Computer aid is state funding provided to local units of government, including school districts, equal to the amount of property tax that would otherwise have been paid on exempt equipment. In general, the maximum allowable increase per pupil is $241.01 for 2004-05 and is adjusted annually for inflation in future years. [For further information about revenue limits that apply to school districts, see the Legislative Fiscal Bureau's informational paper entitled "Local Government Expenditure and Revenue Limits."]

Table 3 presents information on state school aids, the gross school property tax levy, school district costs, public school enrollments, costs per pupil and the rate of inflation as measured by the Consumer Price Index from 1989-90 through 2003-04. The gross school property tax levy is the total school district levy without being offset by the school levy tax credit. For all years prior to 1999-00, the total school cost measure is the sum of the following: (a) school district's gross cost of the general, special project, debt service, and food service funds, plus the net cost of the capital projects fund; (b) the cost incurred for the operation of the cooperative educational service agencies; and (c) the cost incurred by county children with disabilities education boards. The total school cost measure for 1999-00 and subsequent years includes the above, plus transportation, facility acquisition, and community

Table 3: State School Aid, Gross School Levy, Total School Costs, Enrollments and Inflation (1989-90 through 2004-05)

Fiscal Year	State School Aid Amount(a)	Percent Change	Gross School Levy Amount(a)	Percent Change	Total School Costs Amount(a)	Percent Change	Public School Enrollment(b) Pupils	Percent Change	Costs Per Pupil Amount	Percent Change	Consumer Price Index(c)
1989-90	$1,693.2	7.7%	$2,158.5	8.5%	$4,142.1	7.6%	782,905	1.0%	$5,291	6.5%	4.8%
1990-91	1,857.4	9.7	2,356.4	9.2	4,555.7	10.0	797,621	1.9	5,712	8.0	5.4
1991-92	1,950.4	5.0	2,568.0	9.0	4,877.1	7.1	814,671	2.1	5,987	4.8	4.2
1992-93	2,046.0	4.9	2,843.8	10.7	5,287.9	8.4	829,415	1.8	6,375	6.5	3.0
1993-94	2,186.6	6.9	2,988.1	5.1	5,527.1	4.5	844,001	1.8	6,549	2.7	3.0
1994-95	2,462.0	12.6	2,995.7	0.3	5,848.2	5.8	860,581	2.0	6,796	3.8	2.6
1995-96	2,705.2	9.9	3,023.6	0.9	6,150.2	5.2	870,175	1.1	7,068	4.0	2.8
1996-97	3,566.1	31.8	2,528.1	-16.4	6,546.8	6.4	879,149	1.0	7,447	5.4	3.0
1997-98	3,804.7	6.7	2,590.4	2.5	6,939.0	6.0	881,248	0.2	7,874	5.7	2.3
1998-99	3,989.4	4.9	2,735.8	5.6	7,250.7	4.5	879,537	-0.2	8,244	4.7	1.6
1999-00	4,226.3	5.9	2,795.2	2.2	7,535.4	3.9	877,713	-0.2	8,585	4.1	2.2
2000-01	4,463.3	5.6	2,927.8	4.7	7,899.8	4.8	879,476	0.2	8,982	4.6	3.4
2001-02	4,602.4	3.1	3,071.8	4.9	8,349.0	5.7	879,361	0.0	9,494	5.7	2.8
2002-03	4,775.2	3.8	3,192.0	3.9	8,749.9	4.8	881,231	0.2	9,929	4.6	1.6
2003-04	4,806.4	0.7	3,367.6	5.5	N.A.		880,031	-0.1	N.A.		2.3
2004-05	4,858.0	1.1	3,612.9	7.3	N.A.		N.A.		N.A.		2.4 (d)

(a) In millions of dollars; 1996-97 through 2003-04 state school aids are appropriated amounts.
(b) Headcount of the number of pupils enrolled on the third Friday in September.
(c) Percent change in the average CPI for calendar years 1989 through 2003.
(d) Estimate.

N.A.: Not available.

service costs, less the cost incurred for CESAs and CCDEBs.

From Table 3, the following observations can be made:

• The state has provided significant increases in the amount of school aid during the period with increases of 9% or more occurring in 1990-91, 1994-95 and 1995-96, and a 31.8% increase in 1996-97. The large increase was provided in 1996-97 to meet the state's commitment to fund 66.7% of partial school revenues in that year. With the repeal of the two-thirds funding commitment in 2003 Act 33, the 0.7% and 1.1% increases in 2003-04 and 2004-05, respectively, are the smallest increases during the period.

• The gross school levy increased by an average of 9.6% annually between 1989-90 and 1992-93. Since that time, the percentage change in the school levy was significantly lower than in prior years, with a 16.4% decrease in 1996-97 as a result of the substantial increase in school aids. The levy increases in 2003-04 and 2004-05, however, are both larger than all but one year of the two-thirds funding period.

• Total school costs increased by approximately 8.5% annually from 1989-90 to 1992-93. Between 1992-93 and 1998-99, the average annual rate of growth was approximately 5.4%. Between 1999-00 and 2002-03, the average annual rate was 5.1%.

• Although enrollment growth in each year since 1989-90 has been less than the increase in the CPI, growth in state school aid, total school costs and costs per pupil have exceeded inflation over that time period, with the exception of the state school aid increases in 2003-04 and in 2004-05.

Funding For K-12 Education

Over the years, there have been a variety of different methods used to calculate the state's participation in financing K-12 education. There has been disagreement over what amounts should be included in both the numerator for state aid and the denominator for school costs or revenues. There have been basically two definitions of school costs or revenues. The first, called "partial school revenues," includes only state aid and the property tax levy, which accounts for nearly 90% of total revenue. The advantage of this approach is that it helps in measuring one of the primary objectives of state support for schools, which is to relieve the burden of the property tax. It seems logical to examine those costs that would be borne entirely by the property tax absent state aid. The second cost base includes all K-12 expenditures regardless of fund source. The main arguments for the "total cost" method is that it is easier for the general public and school districts to understand what proportion state aid is to total expenditures than to some partial revenue definition, and that national comparisons of state support for K-12 education employ this methodology.

Under the provisions of 1995 Act 27, state support for elementary and secondary (K-12) education increased from $3.032 billion in 1995-96 to $4.035 billion in 1996-97. The purpose of this increase in state funding was to fulfill the commitment established in 1993 Act 437 to raise the state's average share of K-12 revenues to 66.7%, thereby significantly reducing the reliance on local property taxes to fund K-12 education. The state's share of partial school revenues ranged from 48.4% in 1993-94 to 52.7% in 1995-96. In 1997 Act 27, the funding goal was modified to be two-thirds funding, rather than 66.7%. The two-thirds funding commitment was calculated on a statewide basis; the level of state aid received by an individual district may have been higher or lower than two-thirds, depending on the district's per member shared costs and equalized value.

The statutes defined both the numerator and denominator of the two-thirds state funding calculation. The numerator was the sum of state

5

general and categorical school aid appropriations and the school levy tax credit, which is briefly described in Appendix II. The denominator, which was called "partial school revenues," was the sum of state school aids and property taxes levied for school districts. Under 2001 Act 16, the general program operations appropriation in the Department of Public Instruction (DPI) for the Educational Services Program for the Deaf and Hard of Hearing and the Center for the Blind and Visually Impaired was added to both the numerator and the denominator of the two-thirds funding calculation.

Under two-thirds funding, a statutory process existed to annually determine the amount necessary in the general school aids appropriation to meet the two-thirds funding level. Each year by May 15, the Departments of Public Instruction and Administration and the Legislative Fiscal Bureau were required to jointly certify to the Joint Committee on Finance an estimate of the amount necessary in the general school aids appropriation that, in combination with the amounts provided in the other specified state aid, levy credit and general program operations appropriations, would achieve the two-thirds funding level in the following school year. Annually by June 30, the Joint Committee on Finance was required to determine the amount to be appropriated in the following school year.

General school aids were appropriated in a sum-sufficient appropriation equal to the amount determined by Joint Finance.

The 2003-05 biennial budget act (2003 Act 33) eliminated the state's two-thirds funding commitment and the associated statutory provisions. General school aids funding is now provided in a sum-certain appropriation. The general school aids funding level is currently determined through the budget process similar to most other state appropriations. While the state no longer provides two-thirds funding, the level of support received by an individual district still varies based on that district's per member cost and equalized value and the amount of funding received from categorical aids and the levy credit. Using the definitions of state support and partial school revenues that existed prior to the repeal of two-thirds funding, the state's share of K-12 revenues declined to 65.16% in 2003-04 and an estimated 63.75% in 2004-05.

Table 4 shows the level of state support for K-12 education for fiscal years 1995-96 through 2004-05. The table includes the school levy credit and, beginning in 2001-02, the appropriation for the Program for the Deaf and Center for the Blind as part of state support. The state's share is shown as a percentage of partial school revenues and total

Table 4: State Support for K-12 Education ($ in Millions)

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
State Aid	$2,705.2	$3,566.1	$3,804.7	$3,989.4	$4,226.3	$4,463.3	$4,602.4	$4,775.2	4,806.4	$4,858.0
School Levy Credit	319.3	469.3	469.3	469.3	469.3	469.3	469.3	469.3	469.3	469.3
Program for the Deaf/ Center for the Blind							10.1	9.9	9.1	9.1
Total	$3,024.5	$4,035.4	$4,274.0	$4,458.7	$4,695.6	$4,932.6	$5,081.8	$5,254.4	$5,284.8	$5,336.4
Partial Revenues	$5,736.7	$6,094.1	$6,392.5	$6,714.5	$7,034.2	$7,403.7	$7,644.2	$7,919.5	$8,111.0	$8,371.0*
State Share	52.72%	66.21%	66.86%	66.40%	66.75%	66.62%	66.48%	66.35%	65.16%	63.75%*
Total Costs	$6,150.2	$6,546.8	$6,939.0	$7,250.7	$7,535.4	$7,899.8	$8,349.0	$8,749.9	N.A.	N.A.
State Share	49.18%	61.64%	61.59%	61.49%	62.31%	62.44%	60.87%	60.05%	N.A.	N.A.

*Estimated
N.A.: Not available.

costs. State aid for 1996-97 through 2004-05 reflect the amounts shown in the final appropriation schedule that is printed in the statutes. State aid amounts include funding provided to CESAs and CCDEBs, and also include the amounts lapsed to the general fund for the Milwaukee parental choice program and the Milwaukee and Racine charter school program.

Equalization Aid Formula

Background

The basic concept of equalizing the fiscal capacities of school districts has been promoted through the state's general school aid formula since 1949. The fiscal capacity measure used by the formula is per pupil property valuations, as equalized by the state Department of Revenue.

From 1949 through 1972, school districts that had extremely high per pupil property values were not subject to the equalization formula. Instead, they were granted flat aid payments based on the number of pupils enrolled. In the 1973-75 biennial budget, the Legislature made substantial revisions to the formula including the elimination of flat aid, the application of the equalization formula to all school districts, the establishment of the two-tiered formula, and the requirement that districts with valuations above the state guarantee pay "negative aid" to the state for distribution to other districts beginning in 1976-77. The fundamental purpose of these changes was to apply the concept of equalization to all school districts. That concept could not be fully implemented without the "negative aid" provision. However, under a 1976 State Supreme Court decision (Busé v. Smith), the "negative aid" provision was ruled unconstitutional, thereby exempting high-valuation districts from full equalization. In 1985, the Legislature restored a form of flat aid

payments, called "minimum aids," which was repealed in the 1995-97 budget.

The Supreme Court's decision canceling negative aids contravened the goal of equal tax rates for equal per pupil spending. In addition, the use of prior year data (membership, costs, and property values) creates a one-year lag before the equalization formula adjusts for changes in school district conditions. Further, non-equalizing state aid programs represent funds that could have otherwise been available to enhance the equalization of tax base among school districts. These factors have affected the state's ability to achieve perfect tax base neutrality in school finance.

The most recent decision by the State Supreme Court on the constitutionality of the school aid formula was issued in July, 2000, in the case of Vincent v. Voight. In that decision, the Court concluded that the current state school finance system did not violate either the uniformity clause or the equal protection clause of the Wisconsin Constitution. The Court also held that the current school aid system more effectively equalizes the tax base among districts than the system upheld as constitutional in the previous school finance decision of the Court in 1989 (Kukor v. Grover).

In the Vincent decision, the Court also held that Wisconsin students have the right to an equal opportunity for a sound basic education that "will equip them for their roles as citizens and enable them to succeed economically and personally." The decision also noted that this standard must take into account districts with disproportionate numbers of disabled students, economically-disadvantaged students and students with limited-English proficiency.

Equalization Formula

The formula operates under the principle of equal tax rate for equal per pupil expenditures. In

pure form, this means that a school district's property tax rate does not depend on the property tax base of the district, but rather depends on the level of expenditures. The rate at which school costs are aided through the formula is determined by comparing a school district's per pupil tax base to the state's guaranteed tax base. Equalization aid is provided to make up the difference between the district's actual tax base and the state guaranteed tax base. Simply stated, there is an inverse relationship between equalization aid and property valuations; those districts with low, per pupil property valuations receive a larger share of their costs through the equalization formula than districts with high, per pupil property valuations.

Formula Factors. There are five factors used in the computation of equalization aid: (a) membership; (b) shared cost; (c) equalized property valuation; (d) the state's guaranteed valuations; and (e) the total amount of funding available for distribution. Membership, shared costs, and equalized valuation are based on school district data from the prior school year. For example, 2004-05 equalization aids are calculated using membership and shared costs from the 2003-04 school year and 2003 equalized values.

Membership is the number of pupils which, by statute, can be counted for equalization aid purposes. A school district's membership is the sum of: (1) the average of the number of pupils enrolled on the third Friday in September and the second Friday in January of the previous school year; and (2) the number of full-time equivalent pupils enrolled in an approved summer school program during the summer prior to the counted year.

Special provisions apply in determining membership for pupils enrolled in kindergarten and preschool programs:

• A five-year-old kindergartner enrolled in a half-day program is counted as 0.5 member. A

pupil enrolled in a five-year-old kindergarten program for a full day, five days a week, is counted as 1.0 member. A full-time equivalency method is used for kindergartners attending a full day but fewer than five days a week.

• A four-year-old kindergarten pupil is counted as 0.5 member if the pupil attends for at least 437 hours, unless the program provides at least 87.5 additional hours of outreach activities, in which case the pupil is counted as 0.6 member.

• A pupil, age three or older, enrolled in a preschool handicapped education program is counted as 0.5 member.

Pupils who are residents of a school district are generally counted in that district's membership. For example, pupils who are placed in programs in another district, for whom the district of residence is paying tuition, are counted as members by the district of residence. In addition, pupils who attend a nonresident school district under the state's public school open enrollment program are also counted by the district of residence. A school district would also count resident pupils who are either enrolled in a program operated by a CESA, jointly enrolled in the district and a CCDEB-operated program or enrolled in a district's charter school. Under 2001 Act 109, school districts are able to count in membership students attending the Youth Challenge program operated by the Department of Military Affairs. Pupils transferred across district lines for racial balance purposes under the integration (Chapter 220) aids program are counted as 0.75 member by the district of residence. Students attending a school operating under the Milwaukee parental choice program or the Milwaukee-Racine charter school program, however, are not counted in the membership of Milwaukee Public Schools or the Racine Unified School District.

Membership counts are taken on the third Friday in September and second Friday in January.

Except for audit corrections, the counts remain unaltered for aid purposes regardless of the number of children who might transfer into or out of the district during the remainder of the school year. Furthermore, a district's membership reflects the number of pupils officially enrolled as eligible to attend class, whether or not such pupils are actually in attendance on that day. The term "pupil" is used to mean "member" throughout this paper.

Shared cost refers to school district expenditures that are aidable through the equalization formula. Shared cost is determined by subtracting certain deductible receipts from the gross cost of a district's general fund for operating costs and its debt service fund for expenditures for long-term debt retirement. The primary deductions are: (1) state categorical aid; (2) federal aid; and (3) local, nonproperty tax receipts such as ticket sales, student fees and interest earnings. These items are deducted because they represent costs that have already been offset by revenue sources other than the property tax or state equalization aid.

Equalized valuation is the full market value of taxable property in the school district as determined by the Department of Revenue (DOR) as of January 1 of each year. Equalized valuations are used not only to calculate equalization aid but also to apportion the property tax levy, including the school levy to individual municipalities. DOR notifies municipalities of their equalized values as of January 1 of each year on the following August 15. However, school district equalized values are not available until October 1. If a school district's value is affected by reassessments in the value of manufacturing property, equalization aid adjustments can be made within four years after the date of the redetermination. Under 2003 Act 33, similar adjustments can also be made for reassessments in the value of telephone company property.

Guaranteed valuations are the amount of property tax base support that the state guarantees behind each pupil. There are three guaranteed valuations used in the equalization formula that are applied to three different expenditure levels.

The first level is for shared costs up to the "primary cost ceiling" of $1,000 per member. The state's sharing of costs at the primary cost ceiling, referred to as "primary shared costs," is calculated using a statutory guaranteed valuation of $1,930,000 per member. State aid at the primary level is based on a comparison between a school district's equalized valuation per member and the primary guaranteed valuation; state aid will equal the amount of costs that would be funded by the missing portion of the guaranteed tax base.

Every school district is guaranteed no less in total equalization aid than its primary aid amount. A district's primary aid cannot be reduced by negative aids generated at the secondary or tertiary aid levels. This feature of the formula is referred to as the "primary aid hold harmless."

The second level is for shared costs per member that exceed $1,000 but are less than the "secondary cost ceiling," referred to as "secondary shared costs." For the 2004-05 aid distribution, the secondary cost ceiling is equal to $7,679. The secondary cost ceiling is set equal to 90% of the prior year statewide shared cost per member. The state's sharing of costs at or below the secondary cost ceiling is calculated using the secondary guaranteed valuation. The secondary guarantee is not set statutorily, but is placed at a level that generates equalization aid entitlements that are equal to the total amount of funds available for distribution. It is a variable amount, the setting of which depends on the other four formula factors. If any of these four factors is changed, the secondary guarantee requires adjustment to distribute the available funds. In 2004-05, the secondary guaranteed valuation is $1,030,488.

The state's sharing of costs above the secondary

9

cost ceiling, referred to as "tertiary shared costs," is calculated using the tertiary guaranteed valuation. It is set by statute at 100% of the statewide average equalized valuation per member. The tertiary guarantee is tied to the average property tax base per pupil to reflect statewide changes in property value and enrollment. It is also set at an amount lower than the secondary guarantee so that the state's share will be lower on costs above the secondary cost ceiling. If a school district's tertiary aid is a negative number, this amount is deducted from its secondary aid amount. However, as noted above, if the sum of a district's secondary and tertiary aid is a negative number, this amount is not deducted from its primary aid amount. The tertiary guaranteed valuation is $407,263 in 2004-05.

The tertiary guarantee feature of the equalization formula is intended to serve two purposes. First, it serves as a disincentive for higher spending levels by causing districts to be taxed at much higher rates for costs incurred above the ceiling. Second, it attempts to narrow the per pupil spending disparities among school districts by redistributing state aid to districts that spend at lower levels.

Separate primary, secondary, and tertiary guaranteed valuations are established for each of the three types of school districts. This is done to ensure aid parity for elementary (K-8) and union high schools (UHS) districts. The guaranteed valuations for K-8 districts are set at one-and-a-half times the K-12 guaranteed valuations. The UHS guaranteed valuations are set at three times the K-12 guaranteed valuations.

Table 5 shows the state's guaranteed valuations per member for the 2004-05 aid distribution. Over 94% (402) of the state's 426 districts have equalized values per pupil lower than the secondary guarantee and nearly 61% (258) of the districts have equalized values per pupil lower than the tertiary guarantee.

Table 5: State Guaranteed Valuations Per Member

Type of Guarantee	District Type		
	K-12	K-8	UHS
Primary	$1,930,000	$2,895,000	$5,790,000
Secondary	1,030,488	1,545,732	3,091,464
Tertiary	407,263	610,894	1,221,789

Total funding available for distribution is established in two appropriations, one from the general fund and one from the transportation fund, which are the source of funds for aid distributed under the equalization formula. As the state increases the amount of aid provided through the formula, the percentage of shared cost aided through the formula also increases assuming that all other factors are constant. If more funding is available, the secondary guaranteed valuation increases to the level necessary to distribute the additional amount.

Because school district memberships, costs and property values change from one year to the next, there is no direct relationship between the annual change in equalization aid funding and the annual change in the secondary guarantee. For example, if funding for equalization aids increases by 5% over the prior year's amount, the secondary guarantee will not necessarily increase at the identical rate. The secondary guarantee has no bearing on decisions regarding the amount of equalization aid, but comes into play only after the total aid amount has been established. There is also no direct relationship between the secondary and tertiary guarantees, other than the fact the secondary guarantee has to be higher to provide a disincentive to higher spending. Table 6 compares the annual change in equalization aid eligibility with the annual change in the formula's guaranteed valuations per member since 1996-97.

Equalization aid is distributed to school districts according to the following statutory payment schedule: 15% on the third Monday in

Table 6: Total Equalization Aid Eligibility and the State's Guaranteed Valuations Per Member

	Total Equalization Aid Eligibility*		Secondary Guarantee (K-12)		Tertiary Guarantee (K-12)	
	Amount	% Change	Amount	% Change	Amount	% Change
1996-97	$3,109.5		$569,584		$232,954	
1997-98	3,315.8	6.6%	625,199	9.8%	247,530	6.3%
1998-99	3,474.0	4.8	676,977	8.3	263,246	6.3
1999-00	3,682.5	6.0	765,441	13.1	280,880	6.7
2000-01	3,843.6	4.4	874,011	14.2	303,298	8.0
2001-02	3,959.1	3.0	903,569	3.4	325,154	7.2
2002-03	4,111.4	3.8	955,663	5.8	353,152	8.6
2003-04	4,171.8	1.5	974,422	2.0	378,459	7.2
2004-05	4,219.6	1.1	1,030,488	5.8	407,263	7.6

*In millions; excludes integration and special adjustment aid.

September; 25% on the first Monday in December; 25% on the fourth Monday in March; and 35% on the third Monday in June. A school district may also request to receive payments equal to 10% of its total aid entitlement each month from September to June, at the cost of compensating interest payments to the state. The state pays $75 million of equalization aid on a delayed basis, with school districts receiving these monies on the fourth Monday in July of the following school year.

Concept of Tax Base Equalization. A major objective of the equalization aid formula is tax base equalization. The purpose of this policy is to minimize the differences among school districts' abilities to raise revenue for educational programs. The provision of state aid through the formula allows a district to support a given level of per pupil expenditures with a similar local property tax rate as other school districts with the same level of per pupil expenditures, regardless of property tax wealth.

It is important to understand that the formula does not guarantee that all districts will have the same tax rate; rather, it is intended to ensure that differences in tax rate primarily reflect differences in school district spending levels. Equalization of school district tax base, not rate, is the formula's goal. A school district that spends at a higher per

pupil level than another will continue to face a higher tax rate unless the district is not subject to the formula because its local tax base exceeds the state's guaranteed tax base.

To achieve tax base equalization, it is necessary to establish a guaranteed tax base. In the case of the equalization aid formula, this base is the guaranteed valuation. An individual school district's equalized valuation is compared to the guaranteed valuation and state aid is provided equal to the amount of revenue which would be generated by the "missing" portion of the guaranteed tax base. The equalization formula identifies all costs which, in the absence of state equalized aid, would be supported by the property tax.

Table 7 illustrates the equalization principle by showing a simplified example of the calculation of equalization aid for two hypothetical districts. District X has a property valuation per pupil ($342,000) that is half the amount per pupil in District Y ($684,000), but each district has identical shared costs per pupil ($8,550). In this example, the state guaranteed valuation is set at $855,000 per pupil and the primary and tertiary guarantee levels of aid are not considered.

In the simplified example, the low-value district's (District X) per pupil tax base ($342,000) is 40% of the state guaranteed valuation per pupil ($855,000); thus, the state assumes the remaining 60% of the district's shared costs. In the case of the high-value district (District Y), its tax base is 80% of the guarantee; therefore, 20% of this district's shared costs would be aided by the state. The percent of shared costs borne by the local property tax is the same percent that a district's equalized valuation per member is of the state's guaranteed valuation. The percentage of costs contributed by the state is equal to the net guaranteed valuation (or the difference between the state's guaranteed

Table 7: Equalization of Two School Districts

	District X		District Y	
1. Formula Factors				
a. Membership	1,000		1,000	
b. Shared Cost	$8,550,000		$8,550,000	
c. Equalized Valuation	$342,000,000		$684,000,000	
d. Equalized Valuation Per Pupil	$342,000		$684,000	
e. State Guaranteed Valuation Per Pupil	$855,000		$855,000	
2. Aid Calculation				
f. State Guaranteed Valuation (a x e)	$855,000,000		$855,000,000	
g. Equalized Valuation (c)	-342,000,000		-684,000,000	
h. Net Guaranteed Valuation (f-g)	$513,000,000		$171,000,000	
i. Shared Cost/State Guaranteed Valuation= "Required Levy Rate" (b ÷ f)	0.010		0.010	
j. State Aid (h x i)	$5,130,000		$1,710,000	
3. State/Local Share of Costs				
State Share	$5,130,000	(60%)	$1,710,000	(20%)
Local Share	3,420,000	(40%)	6,840,000	(80%)
Total Shared Costs	$8,550,000	(100%)	$8,550,000	(100%)

valuation and the district's equalized valuation) divided by the state's guaranteed valuation.

In theory, District X and District Y would both have a local property tax rate of 0.01 (or $10 per $1,000 of equalized value) even though their equalized valuations per pupil are very different. In Table 7, the quotient of shared cost divided by the state's guaranteed valuation is called the "required levy rate." The required levy rate in this simplified example will vary between districts only if their shared costs per pupil are different. As long as two districts spend at the same per pupil level, this rate will be equal.

To provide the desired level of funding ($8,550,000) for District X, the state provides an amount equal to the required levy rate times the district's net guaranteed valuation (.01 x

$513,000,000 = $5,130,000) and taxpayers within the district raise an amount equal to the required levy rate times the district's equalized valuation (.01 x $342,000,000 = $3,420,000). When the required levy rate is multiplied by the guaranteed valuation, it generates the total shared cost of the district (.01 x $855,000,000 = $8,550,000). In essence, in the simplified example, the equalization aid formula ensures that every public school pupil will enter the schoolhouse door with the same, state-supported tax base.

The preceding provides a simplified example of how equalization aid is calculated. However, the current equalization aid formula is more complicated because shared costs can be aided at three different levels. A particular school district's equalization aid entitlement depends upon whether its shared costs are above or below the secondary cost ceiling and how the district's equalized valuation compares to the primary and secondary guaranteed valuations, as well as the tertiary guaranteed valuation, if the district's shared costs exceed the secondary cost ceiling. A more detailed description of the different levels of equalization aid is provided in Appendix III of this paper.

Other General School Aids

General school aids include equalization aid, integration (Chapter 220) aid, and special adjustment aid. In 2004-05, equalization aid comprises 97.7% of total general school aid. For most school districts, equalization aid is the only type of general school aid received. Integration aid and special adjustment aid are funded through the same appropriation as equalization aid. Since these two programs both act as a "first draw" from that appropriation, payments are not subject to

proration. Also, a portion of the costs of the Milwaukee parental choice program and the Milwaukee and Racine charter school program are offset through lapses from the general school aids appropriation.

A brief description of integration aid and special adjustment aid, as well as of the choice and charter programs, follows.

1. Integration (Chapter 220) Aid

Description: Under the integration aid program (commonly called Chapter 220 after the 1975 session law), the state provides funds as an incentive for districts to voluntarily improve racial balance within and between school districts. To be eligible, a school district must transfer pupils between "attendance areas" or districts with certain concentrations of minority or nonminority pupil populations. [Further information about the integration aid program can be found in the Legislative Fiscal Bureau's informational paper entitled "School Integration (Chapter 220) Aid."

Integration aid is calculated through two different formulas depending upon whether a pupil is transferred within a school district (**intra**district) or from one school district to another (**inter**district). Under both formulas, school districts receive state aid based on the number of pupils transferred in the prior school year.

Intradistrict Transfer Aid. State aid is based on the school district's equalization aid per pupil multiplied by 25% of the number of eligible transfer pupils. The same formula is used to compute state aid for desegregation plans using merged attendance areas (school pairing).

As part of the neighborhood schools initiative in 1999 Act 9, a "hold harmless" was established on the amount of intradistrict aid that would be received by the Milwaukee Public Schools (MPS), which is generally equal to the greater of: (a) the

1998-99 aid amount ($32.9 million); or (b) the actual aid entitlement generated under the formula.

Interdistrict Transfer Aid. The state provides financial support to both the district which accepts the transfers (the "receiving" district) and the district from which the transfers came (the "sending" district):

Receiving District. The receiving district is paid an amount equal to its average net cost per pupil for each transfer accepted. This is calculated by taking the number of pupils transferred into the school district in the previous school year times the school district's net school cost divided by the sum of membership plus the number of transfer pupils in the prior year.

Sending District. The sending school district continues to include pupils transferred to another district as members for general school aid purposes, which is commonly referred to as "sender" aid. These transfers are counted as 0.75 pupil. A separate integration aid payment is not calculated for sending districts; instead, the district receives these funds as part of its equalization aid payment.

In addition, a third category of aid (minority census tract) provides an incentive for the Milwaukee Public Schools to increase school enrollments in minority-populated areas of the city; however, to date, only a minimal amount has been paid under this provision.

Integration aid is funded through the same appropriation as equalization aid. Since the program acts as a "first draw" from that appropriation, payments are not subject to proration.

Extent of Participation (2004-05): Five districts (Beloit, Madison, Milwaukee, Racine and Wausau) are estimated to receive intradistrict aid for 31,448 pupil transfers. Twenty-four districts (Milwaukee

Table 8: Integration (Chapter 220) Aid Funding

Fiscal Year	Intradistrict Transfer Aid		Interdistrict Transfer Aid		Total Integration Aid	
	Amount	% Change	Amount	% Change	Amount	% Change
2001-02	$41,545,500		$42,329,800		$83,875,300	
2002-03	41,220,100	-0.8%	41,218,900	-2.6%	82,439,000	-1.7%
2003-04	43,237,100	4.9	40,133,400	-2.6	83,370,500	1.1
2004-05	44,397,700	2.7	37,189,900	-7.3	81,587,600	-2.1

and 23 suburban Milwaukee districts) are estimated to receive interdistrict aid for 4,150 pupil transfers. Total payments are shown in Table 8.

2.   Special Adjustment Aid

Description: The state provides additional general school aid to districts to either cushion the effect of reductions in general school aid from one year to the next, commonly referred to as a "hold harmless" payment, or as an incentive for school district consolidation. These aids are fully funded from the general school aids appropriation.

State Share: A district is guaranteed a specific percentage of its prior year's payment of general school aid, including equalization, integration and special adjustment aid, thus limiting a district's annual decline in general school aid. The hold harmless aid insures that a district's general school aid payment is no less than 85% of its prior year payment.

In addition, consolidated districts are guaranteed, for up to five years, no less than the total amount of general aid received by the separate districts in the year prior to consolidation. [Note: Consolidating districts also receive a 10% increase in the equalization aid formula's guaranteed valuations and cost ceilings; however, this provision is funded through equalization aid.]

Extent of Participation (2004-05):   54 school districts.

	Funding
2001-02	$6,304,300
2002-03	4,657,800
2003-04	14,111,200
2004-05	13,084,800

3.   Milwaukee Parental Choice Program

Description: Since 1990-91, state funds have been used to pay for the cost of children from low-income families to attend, at no charge, private nonsectarian schools located in Milwaukee. After resolution of litigation relating to the program, private sectarian schools began participating in the program in 1998-99.

Pupil participation is limited to pupils in grades K-12 with family incomes less than 175% of the federal poverty level who reside in the City of Milwaukee. The limit on the number of pupils who can participate in the program is 15% of the MPS membership. Pupils participating in the choice program are not included in the MPS membership count for the calculation of the District's equalization aids.

State Share: For each pupil attending a Milwaukee choice school, the state pays the parent or guardian an amount that is equal to the lesser of: (a) the private school's operating and debt service cost per pupil related to educational programming, as determined by DPI; or (b) the amount paid per pupil in the previous school year adjusted by the percentage change, if positive, in the general school aids appropriations from the previous school year to the current school year. [Further information on

this program can be found in the Legislative Fiscal Bureau's informational paper entitled, "Milwaukee Parental Choice Program."]

The choice program is funded from a separate, GPR sum sufficient appropriation established for that purpose. The cost of the payments from the appropriation is partially offset by a reduction in the general school aids otherwise paid to 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%. Other than MPS, all school districts' aid payments and property tax levies are not affected by the current choice program funding structure.

Extent of Participation (2004-05): DPI estimates that 14,700 members will participate in the choice program, which is 14.9% of the MPS membership. As of September, 2004, pupils were attending 117 private schools.

	Funding (In Millions)	Membership	Per Pupil Amount
2001-02	$59.4	10,497	$5,553
2002-03	65.6	11,304	5,783
2003-04	76.2	12,950	5,882
2004-05	87.4	14,700	5,943

4. Milwaukee-Racine Charter School Program

Description: The Common Council of the City of Milwaukee, the Chancellor of UW-Milwaukee and the Milwaukee Area Technical College are authorized to establish by charter and operate, or contract with a group or individual to operate a charter school. The first schools under this provision were established in 1998-99.

A charter school established or contracted for must be located within the MPS district and pupils residing within the MPS district may attend the charter school. Additionally, in the school year prior to their initial enrollment, participants are required to have been enrolled in MPS, the Milwaukee parental choice program (MPCP), the proposed charter schools, or grades kindergarten through three in private schools located within the City of Milwaukee that are not participating in MPCP, or not enrolled in school.

Under 2003 Act 156, additional eligibility criteria were created for pupils attending the Woodlands School, a private school located in MPS that had previously participated in the Milwaukee parental choice program, but also enrolled tuition-paying pupils who resided within or outside MPS. Woodlands contracted with the UW-Milwaukee to convert to a charter school beginning in 2004-05. Act 156 modified the law in order to accommodate pupils who wished to continue attending Woodlands but who did not meet the enrollment requirements listed above. Instead, pupils may attend Woodlands regardless of their school district of residence if: (a) the pupil attended Woodlands in the 2003-04 school year and, beginning in the 2005-06 school year, in the previous year; or (b) a member of the pupil's family who resides in the same household as the pupil attended Woodlands in the 2003-04 school year. [Further information on this program can be found in the Legislative Fiscal Bureau's informational paper, entitled "Charter Schools."]

Under 2001 Act 16, UW-Parkside was authorized to operate or contract to operate a K-8 charter school. The school opened in 2002-03 in the Racine Unified School District, and will be eligible to receive an estimated $2,510,000 in 2004-05.

State Share: DPI pays the operators of these charter schools an amount equal to the sum of the amount paid per pupil in the previous school year and the amount of increase per pupil allowed under the Milwaukee parental choice program.

In addition, DPI is required to pay the Racine Unified School District an amount equal to its equalization aid per pupil multiplied by the number of pupils attending the school who were previously enrolled in the District. For 2004-05, the Racine Unified School District is eligible to receive equalization aid per member equal to $5,400.

The charter program is funded from a separate, GPR sum sufficient appropriation established for that purpose. The cost of the payments from the appropriation is offset by a lapse from the general school aids appropriation to the general fund in an amount equal to the estimated payments under the program. DPI is required to proportionately reduce the general school aids for which each of the 426 school districts, including MPS, is eligible to be paid by an amount totaling the charter lapse. A school district's revenue limit calculation is not affected by the charter aid reduction. Thus, a school district can increase its property tax levy to offset any aid reduction made related to the charter program.

Extent of Participation (2004-05): Based on the enrollment counts reported to DPI on the third Friday in September of 2004, 4,050 FTE charter school pupils were attending 12 charter schools. The payment amount is $7,111 in 2004-05, so the charter schools will receive approximately $29.9 million in 2004-05, including an estimated $1.15 million for the Racine Unified School District.

Categorical Aids

The state provides two types of categorical aids: (1) most of the programs are **formula-driven** in which funds are automatically provided to school districts based on the number of pupils meeting a specific criterion and/or for costs devoted to a specific function; and (2) the remainder are **grant programs** in which districts must submit a request-

for-proposal (RFP) in order to receive the funds.

The following basic elements apply to the state's categorical aid programs:

1. Unlike equalization aid, the funds are, in most cases, distributed without regard to the relative size of a school district's property tax base.

2. School district costs that are not reimbursed through a particular categorical aid program are included as shared costs under the equalization aid formula. Therefore, the state shares in these unreimbursed costs, but only to the extent to which a school district is supported under the equalization formula.

3. Generally, payments under the formula-driven categorical aids are based on costs incurred and/or pupils served by school districts in the prior school year.

4. Categorical aids are funded through state GPR, with the exception of:

• school library aid from income from the common school fund;

• DOA telecommunication access grants and subsidies from the universal service fund;

• a portion of the Head Start supplement from federal Temporary Assistance for Needy Families (TANF) funding;

• demonstration grants for alcohol and other drug abuse programs from a penalty assessment surcharge on certain court imposed forfeitures; and

• funding for environmental education grants from both the forestry account of the conservation fund and penalty assessments on fines and forfeitures for violations of administrative rules or DNR orders related to pollution discharge, drinking water or septic tank statutes.

5. Most of the programs are funded on a sum certain basis. As a result, if the appropriated amount in a particular year is insufficient to fully fund a categorical formula, aid payments are prorated.

The following section provides a brief description of each categorical aid program, including the extent to which school districts participate in the program and funding levels for the last four fiscal years. With the exception of fiscal year 2004-05 data for some aid programs, the amounts committed under each program are shown. The funding tables indicate whether the 2004-05 amount is estimated or appropriated. In addition, the tables indicate if a formula-based categorical aid has been prorated in a particular year by noting the percentage of full funding achieved; no percentage means that full funding was achieved in that year.

1. Special Education

Description: Both state and federal law require that local school districts provide special education and related services for children with disabilities ages 3 through 21 who reside in the district. Under state law, a child with a disability is defined as a child who, by reason of any of the following, needs special education and related services: cognitive disabilities, hearing impairments, speech or language impairments, visual impairments, emotional disturbance, orthopedic impairments, autism, traumatic brain injury, other health impairments, or learning disabilities. In addition, a school district may include a child with significant developmental delay who needs special education services, if consistent with DPI rules.

Special education is provided by school districts, either on their own or through cooperative arrangements with other districts, cooperative educational service agencies (CESAs), and county children with disabilities education boards (CCDEBs). The state reimburses a portion of the costs for educating and transporting pupils enrolled in special education, including school age parent programs.

State Share: By statute, the cost of special education for children in hospitals and convalescent homes for orthopedically disabled children is fully funded as a first draw from the special education aids appropriation. The following costs are also eligible for reimbursement from the appropriation but are subject to proration if total eligible costs exceed the remaining funding available:

- salary and fringe benefit costs for special education teachers, special education coordinators, school social workers, school psychologists, paraprofessionals and consulting teachers;

- the salary portion of any authorized contract for physical and occupational therapy services;

- the cost of transportation for pupils enrolled in special education programs;

- the cost of board, lodging, and transportation of nonresident children enrolled in a district's special education program;

- salary and travel expenses for special education outside the school district of employment;

- expenditures for the salaries of teachers and instructional aides, special transportation, and other expenses approved by the State Superrintendent for a school age parents program; and

- any other expenditures approved by the State Superintendent as eligible for reimbursement

Provisions of 1999 Act 9 extended eligibility for special education aid to Milwaukee charter schools. Charter schools that operate a special education program and that are determined by the State

17

Superintendent to be in compliance with federal special education law may be reimbursed for transportation costs and for expenses for salaries of teachers, special education coordinators, school social workers, school psychologists, para-professionals, consulting teachers, and any other personnel as approved by the State Superintendent.

Extent of Participation (2003-04): 413 school districts, four charter schools, 12 CESAs, and four CCDEBs.

	Funding	Proration
2001-02	$315,681,400	33.7%
2002-03	315,681,400	31.9
2003-04	316,466,900	30.5
2004-05	320,771,600	29.6*

*Estimated.

2. County Children with Disabilities Education Boards (CCDEBs)

Description: Fiscally independent CCDEBs, which fund the local share of their educational programs through the county property tax levy, receive state aid. The state aids pupils enrolled solely in CCDEB-operated programs and for costs incurred by CCDEBs for pupils jointly enrolled in school district and CCDEB programs. The one fiscally dependent CCDEB (Marathon County) receives revenues through contracts with participating school districts.

State Share: The payment to the CCDEB is determined by recalculating each participating school district's equalization aid by adding: (1) resident pupils solely enrolled in the CCDEB program to the district's membership; and (2) the net cost of services provided by the CCDEB to both jointly enrolled and solely enrolled resident pupils to the district's shared costs. The percentage of the district's shared costs funded by equalization aid that is produced by this recalculation is then multiplied by the net costs of the CCDEB program.

Extent of Participation (2004-05): Four CCDEBs (Brown, Calumet, Racine and Walworth).*

	Funding	Proration
2001-02	$4,116,000	51.6%
2002-03	4,214,800	47.7
2003-04	4,214,800	46.1
2004-05	4,214,800	N.A.

*The Racine CCDEB will cease operations in 2005-06.

3. Student Achievement Guarantee in Education (SAGE)

Description: The SAGE program, created under 1995 Act 27, awarded five-year grants to school districts with at least one school with an enrollment made up of at least 50% low-income pupils (as defined by USC 2723) in the previous school year. School districts were eligible to enter into a five-year achievement guarantee contract with DPI on behalf of one school in the district if in the previous school year, the school had an enrollment that was made up of at least 30% low-income pupils and the school board was not receiving a preschool to grade 5 (P-5) program grant on behalf of that school. The Milwaukee Public Schools (MPS) could enter into contracts on behalf of up to 10 schools. If other districts had more than one eligible school, they were required to contract for the school with the largest number of low-income pupils in kindergarten and first grade.

The original SAGE contracts, which applied to school years 1996-97 through 2000-01, covered kindergarten and first grade in 1996-97, with the addition of grade two in 1997-98 and grade three in 1998-99. These contracts were scheduled to expire on June 30, 2001. Under 1997 Act 27, a second round of contracts was authorized for additional school districts to cover school years 1998-99 through 2002-03, beginning with kindergarten and first grade in 1998-99 and the addition of grade two in 1999-2000 and grade three in 2000-01. MPS could enter into contracts on behalf of up to an additional

10 schools under the second round. These contracts expired on June 30, 2003.

Under 1999 Act 9, a third round of SAGE contracts was authorized, allowing all school districts to participate. This third round of contracts applied to school years 2000-01 through 2004-05, and allowed schools to participate beginning with kindergarten and first grade in the 2000-01 school year, with the addition of grade two in 2001-02 and grade three in 2002-03. Third round schools were required to meet the following conditions: (a) the school board was not already receiving a grant on behalf of the school under the P-5 program; (b) if eligible in the 1996-97 and 1998-99 school years, the school board participated in the program during either year; and (c) the school was not already a beneficiary of a SAGE contract. No school district, including MPS, was limited in the number of third round contracts it could enter into on behalf of eligible schools. DPI could not enter into SAGE contracts after June 30, 2001. Under 2001 Act 16, DPI is allowed to enter into five-year renewal contracts with any currently participating SAGE school.

Under the program, school districts receive an amount equal to $2,000 multiplied by the number of low-income pupils enrolled in the eligible grades.

School districts must do all of the following in each SAGE school: (a) reduce each class size to 15 pupils; (b) keep the school open every day for extended hours and collaborate with community organizations to make educational and recreational opportunities as well as community and social services available in the school to all district residents; (c) provide a rigorous academic curriculum designed to improve academic achievement; and (d) create staff development and accountability programs that provide training for new staff members, encourage employee collaboration, and require professional development plans and performance evaluations.

State Share: Funding for SAGE is $2,000 per low-income pupil enrolled in eligible grades in every SAGE school in the state, until the amount appropriated is fully distributed. The program also provides $250,000 annually as a first draw from the SAGE appropriation to fund an evaluation of the program.

For 2003-04, total low-income pupils enrolled in SAGE classrooms exceeded estimates and left the SAGE program with a net shortfall of $539,200. Rather than prorate payments, DPI requested funding be transferred from state tuition payments, which otherwise would have lapsed to the general fund. Acting under s. 13.10 of the statutes, the Joint Committee on Finance approved this transfer of $539,200 on June 30, 2004.

Extent of Participation (2004-05): As of December, 2004, 524 schools in 227 districts are participating in the program.

	Funding
2001-02	$75,613,800
2002-03	94,848,600
2003-04	95,568,200
2004-05*	95,029,600

*Budgeted.

4. SAGE Debt Service Aid

In 1999 Act 9, $3,000,000 GPR was provided in 2000-01 to reimburse school districts, except MPS, for 20% of debt service costs associated with SAGE building projects. School boards were required to pass a referendum and gain DPI approval prior to June 30, 2001, to be eligible for funding under the program. The referendum must identify the amount of bonding attributable to increased classroom space needs resulting from participation in the SAGE program. In 2001 Act 16, the appropriation was lowered to $300,000 annually. As of December, 2004, DPI expects to disburse approximately $134,000 to 10 school districts under this program in 2004-05.

5. Telecommunications Access Program

Description: This Department of Administration (DOA) program for technology for educational achievement provides eligible entities subsidized access to new data lines and video links or grants for data lines and video links in existence prior to the enactment of the this state program as part of 1997 Act 27. School districts, private schools, CESAs, technical college districts, charter school sponsors, secured correctional facilities, private and tribal colleges, and public library boards are eligible for funding under this program. However, only the funding provided to school districts is included as categorical aid.

State Share: Funding for this program is provided through the segregated, universal service fund (USF), which receives its funding through assessments on annual gross operating revenues from intrastate telecommunications providers. Under the new data line or video link component of the program, an approved applicant pays the state not more than $100 per month for each data line or video link that relies on a transport medium that operates at a speed of 1.544 megabits per second and not more than $250 per month for each data line or video link that operates at a higher speed. The remaining costs of the line or link is paid for by DOA with funding from the USF.

For schools with existing contracts, DOA may award an annual grant to a school district for access to a data line or video link. The grant may be equal to the amount of the subsidy provided under the new line or link component of the access program; however, the grant may not be greater than the contract cost in effect. The existing contract grant program sunsets December 31, 2005.

Extent of Participation (2004-05): It is estimated that the program subsidizes 268 video links, 581 data lines, and 45 grants for existing contracts in 2004-05. Funding for this program is provided in biennial appropriations.

	Funding*
2001-02	$8,393,300
2002-03	9,613,700
2003-04	10,893,400
2004-05	11,324,200

*Budgeted.

6. Technology Infrastructure Financial Assistance

Description. Under the infrastructure financial assistance program, school districts and public libraries could apply for loans to fund the upgrading of electrical wiring in buildings in existence on October 14, 1997, and installation and upgrading of computer network wiring. Schools and libraries are required to pay the debt service on the loans, which represent 50% of the financial assistance, and the state pays the debt service for the grants, which are the other half of the financial assistance. The program was authorized to contract public debt up to $100 million for school districts. Under 2003 Act 33, the program was ended as of June 30, 2003. A total of 193 school districts received loans under the program. Nine public libraries received loans. Bonds totaling $90.2 million were issued under the program. Debt service costs for the financing of the infrastructure loans to school districts was budgeted at $4,753,800 GPR in 2004-05. In addition, $2,098,400 in federal E-rate monies is budgeted for this debt service in 2004-05.

7. School Library Aids

Description: Aids are provided to school districts for the purchase of library books, instructional materials from the Historical Society, and other instructional materials. The funding source is income generated from the state's common school fund, which is primarily derived from interest payments on loans made from the fund to municipalities and school districts by the Board of Commissioners of Public Lands. Under

the state Constitution, revenues from certain fines and forfeitures and sales of public lands are deposited in the common school fund.

State Share: Each school district receives a per capita payment based on its proportionate share of the total number of children in the state between the ages of 4 and 20 residing in each district (according to an annual school census).

Extent of Participation (2004-05): All 426 school districts.

	Funding
2001-02	$24,000,000
2002-03	17,416,600
2003-04	20,251,400
2004-05	29,000,000*

*Budgeted.

8. Pupil Transportation

Description: School districts required by state law to furnish transportation services to public and private school pupils enrolled in regular education programs, including summer school, are eligible to receive categorical aid.

State Share: A flat, annual amount per transported pupil which varies according to the distance that each pupil is transported to school. These rates have not changed since 1980-81.

Distance	Regular Year	Summer School
0<2 miles (Hazardous Areas)	$12	---
2<5 miles	30	$4
5<8 miles	45	6
8<12 miles	60	6
12<15 miles	68	6
15<18 miles	75	6
18 miles and over	85	6

Extent of Participation (2004-05): Based on preliminary information, 420 school districts will receive aid for transporting a total of 550,326 public school pupils and 47,287 private school pupils.

	Funding	Proration
2001-02	17,742,500	89.2%
2002-03	17,742,500	90.3
2003-04	17,742,500	91.3
2004-05	17,742,500	91.0*

*Estimated.

9. State Tuition Payments; Open Enrollment Transfer Payments

State Tuition Payments. The state reimburses the cost of educating children who live in properties for which there is no parental property tax base support. Specifically, school districts and county children with disabilities education boards are eligible for tuition payments for the following:

a. Pupils in children's homes (nonprofit organizations licensed by the Department of Health and Family Services) who have usually been placed in the home by the state or by county social services departments.

b. Pupils whose parents are employed at, and reside on the grounds of, a state or federal military camp, federal veteran hospital or state charitable or penal institution.

c. Pupils who live in foster or group homes if the home is outside the district in which the pupil's parent or guardian resides and is exempt from the property tax.

d. Pupils who live in foster or group homes outside the district in which the pupil's parent or guardian resides, if the pupil is a child with a disability and at least 4% of the pupils enrolled in the school district reside in foster or group homes that are not exempt from the property tax.

State Share: The state payment is calculated on the basis of the school district's average daily cost per pupil and the number of school days the child is enrolled in school.

For pupils qualifying under the 4% provision, annual payments are at the special annual tuition rate only, which is the sum of instructional and specified services costs unique to that program divided by the average daily membership of all pupils enrolled in the program, including those for whom tuition is paid.

Extent of Participation for State Tuition Payments (2004-05): 39 school districts and two CCDEBs.

	Funding
2001-02	$8,803,700
2002-03	8,981,600
2003-04	8,777,400
2004-05	9,741,000*

*Budgeted.

Open Enrollment Transfer Payments. Under the full-time open enrollment program, if a school district loses pupils, its state aid is reduced by a per pupil transfer amount, which was $5,446 in 2003-04. In that year, 15,409 pupils transferred between school districts under full-time open enrollment. If the amount of equalization aid and other state aid received by a school district is insufficient to cover the net transfer payments, then the balance is paid from the state tuition appropriation. No payments have been made to date for this purpose. [For more information on the open enrollment program, see the Legislative Fiscal Bureau's informational paper entitled, "Interdistrict Public School Open Enrollment."]

10. Bilingual-Bicultural Education

Description: In certain cases, school districts are required by state law to provide special classes to pupils of limited-English proficiency (LEP). These classes are required at schools that enroll 10 or more LEP pupils in a language group in grades K-3, or 20 or more in grades 4-8 or 9-12. These school districts are eligible for categorical aid.

State Share: State aid payments are based on the ratio of the categorical aid appropriation to the total aidable costs of the eligible districts in the prior year. Aidable costs are defined as the districts' prior year costs for salaries, special books, equipment and other expenses approved by DPI that are attributable only to programs for LEP pupils. The state share has decreased in recent years due to growth in program expenditures.

Current law earmarks $250,000 as a first draw from the bilingual-bicultural education aids appropriation, to be divided proportionately based on reported costs, among school districts whose enrollments in the previous school year were at least 15% LEP pupils. In the 2003-04 school year, the Wausau School District and the Sheboygan School District were the only districts eligible for the first-draw funding.

Extent of Participation (2003-04): 42 school districts.

	Funding	Proration
2001-02	$8,291,400	16.5%
2002-03	8,291,400	12.8
2003-04	8,291,400	12.7
2004-05	8,291,400	N.A.

11. Head Start Supplement

Description: Since 1990-91, state grants have been provided as a supplement to the federal Head Start program that provides comprehensive educational, health, nutritional, social, and other services to economically disadvantaged preschool children and their families. Funds are distributed to federally designated Head Start agencies, with preference given to those already receiving federal funding, to enable expansion of their programs. Grants may be used as a match for federal funds only if the state funds are used to secure additional federal support. Federal funding for Head Start in Wisconsin has increased from $26.6 million in federal fiscal year 1990-91 to $90.6 million in federal fiscal year 2003-04. Beginning in 1999-00, a portion of the state funding is program revenue funding from federal childcare funds transferred to

DPI from the Department of Workforce Development.

Extent of Participation (2004-05): 58 programs including six school districts (Eau Claire, Green Bay, Kenosha, Merrill, Milwaukee, and West Bend) and three CESAs.

	Funding*
2001-02	$7,425,000
2002-03	7,425,000
2003-04	7,212,500
2004-05	7,212,500

*Budgeted.

12. Preschool to Grade 5 Grants

Description: Since 1986-87, grants have supported programs designed to improve the education of preschool through grade five pupils enrolled in school districts with high concentrations of economically disadvantaged and low-achieving pupils. A district receiving a grant must ensure that each elementary school complies with certain requirements regarding class size (no more than 25 pupils per teacher), annual testing in basic skills, 4-year-old kindergarten, identification of pupils needing remedial assistance, parental involvement, in-service training and staff evaluations.

State share: Grants are awarded on a competitive basis to elementary schools within a limited number of school districts (based on high numbers of dropouts and low-income pupils) for a three-year period. Grants cannot be renewed unless it is determined that the school has met performance objectives jointly established by DPI and the school. The grants are to supplement existing programs and cannot replace funds otherwise available for such programs.

Extent of Participation (2004-05): 38 elementary schools within four school districts (Beloit, Kenosha, Milwaukee, and Racine).

	Funding
2001-02	$7,307,500
2002-03	7,350,300
2003-04	7,353,700
2004-05	7,353,700*

*Budgeted.

13. Alcohol and Other Drug Abuse (AODA) Grants

Description: The AODA program provides block grants administered by DPI to address the problem of alcohol and other drug abuse among school-age children. Emphasis is placed on both AODA prevention and intervention including K-12 curriculum development, family involvement, drug abuse resistance education, and pupil designed AODA prevention or intervention projects.

Extent of Participation (2004-05): 112 grants to school districts and three grants to CESA consortia.

	Funding
2001-02	$5,812,200
2002-03	5,865,200
2003-04	5,793,600
2004-05	6,085,600*

*Budgeted.

14. Alternative Education Grants

Description: The alternative education grant program is administered by DPI under rules promulgated by the Department. School districts and consortia of school districts or CESAs may apply for grants to fund alternative or adaptive school structures and teaching techniques designed for pupils having difficulty succeeding in the regular school setting as evidenced by academic failure, truancy, expulsion or suspension, disruptive behavior, criminal involvement, violent behavior, or alcohol and other drug abuse involvement. Eligible applicants must submit an application to the Department that includes all of

the following: (a) the need for the program; (b) the type of pupils to be served; (c) evidence of partnerships that will help facilitate the program; (d) an outline of measurable program goals and activities; (e) a schedule for implementation of the program; (f) an explanation of how the program will continue after the five year grant period; and (g) a description of how the program will be evaluated.

The State Superintendent determines which applicants receive grants and in what amount. Grants are awarded in five-year cycles, with awards totaling 100% of program costs for the first three years, 60% in the fourth year, and 40% in the fifth year. To the extent possible, the grants are distributed equally throughout the state, and they may not be used to supplant funding available from other sources. Under 2001 Act 16, $50,000 from this appropriation in 2001-02 was allocated to the Wisconsin Humanities Council to organize a Wisconsin Book Festival.

Extent of Participation (2004-05): 97 grants totaling $5.0 million were awarded to 75 individual districts and 22 consortia of districts and CESAs.

	Funding
2001-02	$4,942,100
2002-03	4,921,800
2003-04	4,905,000
2004-05	5,000,000*

*Budgeted.

15. Nutritional Programs

Description: The state makes payments to school districts and private schools for the following purposes: (a) to partially match the federal contribution under the national school lunch program that provides free or reduced price meals to low-income children; (b) to support the cost of reduced price meals served to the elderly; (c) to reimburse the cost of milk provided to low-income children in preschool through fifth grade in schools that do not participate in the federal special milk program; and (d) to provide a per meal reimbursement for school breakfast programs.

State Share: School lunch: a variable percentage (29.2% for 2004-05 aids) of the amount of federal basic reimbursement provided in 1980-81 ($14.4 million) determines the state match, which is then allocated among school districts and private schools according to the number of lunches served during the prior school year.

Elderly nutrition: 15% of the cost of the meal or 50 cents per meal, whichever is less.

School day milk: 100% reimbursement if funds are available.

School breakfast: Funding is used to provide a per meal reimbursement of $0.10 for each breakfast served under the federal school breakfast program. If there is insufficient funding to pay the full amount, payments are to be prorated.

Extent of Participation (2003-04):

	School Districts	Private Schools
School Lunch (includes elderly)	412	452
School Breakfast	250	95

Funding:

	2001-02	2002-03	2003-04	2004-05 (Budgeted)
School Lunch and Elderly Nutrition	$4,294,000	$4,256,353	$4,301,405	$4,371,100
School Day Milk	597,300	681,958	681,969	710,600
School Breakfast	907,000	983,740	1,047,029	1,055,400
TOTAL	$5,798,300	$5,922,051	$6,030,403	$6,137,100

16. Children-at-Risk Programs

Description: Since 1987-88, certain school districts have received additional state aid to fund programs for pupils who are considered at-risk of not completing high school (as defined by state

law). Eligibility for aid is based on a district's prior year dropout statistics (districts with 30 or more dropouts or a dropout rate exceeding 5% may apply for aid). Districts receive aid for each at-risk pupil who meets certain performance standards (such as minimum attendance and number of credits earned).

State Share: For each pupil meeting the performance criteria, the district receives an amount equal to 10% of its prior year's equalization aid per pupil.

Extent of Participation (2003-04): 21 school districts.

	Funding	Proration
2001-02	$3,500,000	51.0%
2002-03	3,500,000	46.5
2003-04	3,500,000	43.0
2004-05	3,500,000	N.A.

17. Peer Review and Mentoring

Description. Under this program a cooperative educational service agency (CESA) or a consortium consisting of two or more school districts or CESAs, or a combination thereof, may apply to DPI for a grant to provide technical assistance and training for teachers, who are licensed by or have been issued a professional teaching permit by the State Superintendent, to implement peer review and mentoring programs. Grantees are required to provide matching funds, which may be in the form of money or in-kind services or both, equivalent to at least 20% of the amount of the grant awarded. The Department cannot award more than $25,000 to an applicant in a fiscal year.

Extent of Participation (2003-04): 27 new and eight continuation grants to consortia.

	Funding*
2001-02	$500,000
2002-03	500,000
2003-04	500,000
2004-05	500,000

*Budgeted.

18. Open Enrollment Aid for Transportation

Description: Under the full-time open enrollment program, a pupil may attend a public school outside his or her school district of residence, provided the pupil's parent complies with certain application dates and procedures and the applicable acceptance criteria are met. The pupil's parent is responsible for transporting the pupil to and from the school, except that if a child with disabilities requires transportation under the individual education plan (IEP), the nonresident district must provide transportation for the child. Parents of pupils who are eligible for the federal free or reduced-price lunch program may apply to DPI for reimbursement of transportation costs. DPI determines the reimbursement amount, which may not exceed the parent's actual costs or three times the statewide average per pupil transportation costs, whichever is less. If the appropriation is insufficient, payments are prorated.

Under the part-time open enrollment program, a pupil enrolled in a public school in grades 9 to 12 is able to attend public school in a nonresident school district to take a course offered by the nonresident school district. A pupil may attend no more than two courses at any time in nonresident school districts. Parents are responsible for transporting pupils to and from courses. The parent of a pupil can apply to DPI for reimbursement of the costs of the pupil's transportation if the pupil and parent are unable to pay the cost of such transportation. DPI determines the amount of the reimbursement. DPI must give preference in making reimbursements to pupils who would be eligible for the federal free or reduced-price lunch program.

Extent of Participation (2003-04): 777 pupils received aid for full-time open enrollment transportation. No pupils received aid related to part-time open enrollment.

	Funding	Proration
2001-02	$398,300	---
2002-03	500,000	98.4%
2003-04	500,000	91.6
2004-05	500,000*	N.A.

*Budgeted.

19. Environmental Education

Description: Since 1990, the Wisconsin Environmental Education Board, under the UW System, has provided grants to school districts, private schools, govern-mental units and nonprofit corporations to enhance environmental and forestry education programs within their institutions. Small grants of up to $5,000 and large grants of up to $20,000 are awarded for 18-month periods. A 25% local match is required.

Extent of Participation (2003-04): 61 grants, 24 of which were awarded to school districts.

	Funding
2001-02	$464,700
2002-03	441,100
2003-04	372,500
2004-05	430,000*

*Budgeted.

20. CESA Administration

Description: Aid is provided for the administrative cost of each of the 12 CESAs. These agencies serve as a vehicle for groups of school districts within a geographic area to contract for programs and educational services. The state payment is $25,000 per agency ($300,000 in total) and school districts must collectively match the state's contribution according to their percentage of average daily membership within the CESA.

Extent of Participation (2004-05): 12 CESAs.

	Funding
2001-02	$300,000
2002-03	300,000
2003-04	300,000
2004-05	300,000

21. Supplemental Aid

Description: Under 1999 Act 9, $125,000 was provided annually as a categorical aid for school districts that satisfy certain criteria. A school district that satisfies all of the criteria can apply to DPI by October 15 of each school year for a grant to supplement the equalization aid it will receive. The criteria are: (a) the school district had an enrollment of fewer than 500 pupils in the previous school year; (b) the school district is at least 200 square miles in area; and (c) at least 80% of the real property in the school district is exempt from property taxation, taxed as forest croplands, owned or held in trust by a federally recognized American Indian tribe, or owned by the federal government.

State Share: DPI pays each school district that satisfies these criteria $350 for each pupil enrolled in the previous school year, by June 30 of the current school year. If funding is insufficient to fully fund a $350 per pupil payment, the monies must be prorated among the eligible school districts.

Extent of Participation (2004-05): One school district (Laona School District).

	Funding
2001-02	$106,800
2002-03	101,200
2003-04	99,050
2004-05	95,550

22. Youth Options Aid for Transportation

Description: The youth options program allows any 11th or 12th grade public school pupil to enroll in one or more nonsectarian courses at a postsecondary institution (including UW campuses, technical colleges, participating private, nonprofit colleges and tribally-controlled colleges) for high

school or postsecondary credit. Funding is provided to reimburse parents of pupils who are unable to afford the cost of transportation between the high school and the postsecondary institution. Preference for funding is given to pupils who are eligible for free or reduced-price school lunches. In order to be eligible for reimbursement, the postsecondary course must be taken for high school credit.

Extent of Participation (2003-04): 67 pupils received aid related to the youth options program.

	Funding
2001-02	$20,000
2002-03	20,000
2003-04	20,000
2004-05	20,000

Recent Trends in Categorical versus General Aid Funding

In the 1995-97 budget, a number of categorical aid programs were eliminated and nearly all of the additional funding for school aids was allocated to equalization aids. In the 1997-99 budget, the Technology for Educational Achievement in Wisconsin (TEACH) Board was created and a number of new categorical aids established, but most existing categorical aid appropriations were level funded. Because of this funding allocation, the percentage of state aid being distributed through the equalization aid formula increased from 79.4% in 1993-94 to 87.2% in 1997-98. Funding increases provided in the 1999-01 budget for some categorical appropriations, primarily SAGE and special education, led to an increase in the proportion of school aids funding distributed as categorical aids in 2000-01. These proportions remained basically unchanged in the 2001-03 biennium. In the 2003-05 budget, most of the programs associated with the TEACH Board were eliminated, resulting in a decrease in the proportion of categorical aid funding. Table 9 shows the allocation of state school aid funding between equalization aid, other general aid and categorical aids from 1993-94 through 2004-05.

Table 9: Allocation of State School Aids ($ in Millions)

Fiscal Year	Equalization		Other General Aid*		Categorical Aids		Total School Aid
	Amount	% of Total	Amount	% of Total	Amount	% of Total	
1993-94	$1,735.4	79.4%	$96.8	4.4%	$354.4	16.2%	$2,186.6
1994-95	1,990.1	80.8	103.3	4.2	368.6	15.0	2,462.0
1995-96	2,237.1	82.7	104.4	3.9	363.7	13.4	2,705.2
1996-97	3,109.5	87.2	72.7	2.0	383.9	10.8	3,566.1
1997-98	3,316.1	87.2	77.4	2.0	411.2	10.8	3,804.7
1998-99	3,474.0	87.1	86.1	2.1	429.3	10.8	3,989.4
1999-00	3,682.5	87.1	85.5	2.0	458.3	10.8	4,226.3
2000-01	3,843.6	86.1	88.3	2.0	531.4	11.9	4,463.3
2001-02	3,959.1	86.0	92.5	2.0	550.8	12.0	4,602.4
2002-03	4,111.4	86.1	89.6	1.9	574.2	12.0	4,775.2
2003-04	4,171.8	86.8	101.3	2.1	533.2	11.1	4,806.3
2004-05	4,219.6	86.9	97.9	2.0	540.4	11.1	4,857.9

*Includes integration (Chapter 220) aids, minimum aids, and various hold-harmless aids, as well as aid to CCDEBs prior to 1996-97.

NOTE: Equalization and other general aid figures represent aid eligibility prior to the choice and charter program reductions.

APPENDICES

The final section of the paper includes the following three appendices:

- Appendix I provides a summary of school district characteristics such as membership, valuation, shared cost and school levy rates.

- Appendix II summarizes the school levy tax credit.

- Appendix III provides sample calculations of the school equalization formula.

APPENDIX I

School District Characteristics

This appendix provides general descriptive statistics regarding Wisconsin's school districts. A series of tables present data on the distribution across districts of membership, equalized valuations per member, shared costs per member and mill rates. The first three variables are based on 2003-04 school year data, which is used to compute 2004-05 general school aids. The mill rates are based on property tax levies for the 2004-05 school year.

Information is provided on the number of school districts under selected ranges of each variable. In addition, the tables present, for each variable, the median, average, minimum and maximum amounts as well as the amounts that mark the 10th and 90th percentile levels.

Table 10 shows that membership ranges from 70 (Norris) to 98,338 (Milwaukee) with an average of 2,045. The fact that over half of all districts have memberships of less than 1,000 is reflected in the lower median membership of 991. Eighty percent of all districts have memberships between 338 and 3,787.

Table 11 shows that adjusted equalized valuation per member ranges from $151,003 (Wauzeka-Steuben) to $4,500,354 (Boulder Junction J1) with an average of $407,623. Again, the median value per member ($367,864) is lower, reflecting the concentration of districts below the state average.

Eighty percent of all districts have equalized values per member between $233,832 and $749,646. The secondary guaranteed valuation (for K-12 districts) under the equalization formula for 2004-05 is $1,030,488 per member.

Table 10: School District Membership – 2003-04 School Year

Membership	Number of Districts	Percent of Total	Cumulative Percent
Under 250	23	5.4%	5.4%
250 - 499	64	15.0	20.4
500 - 999	127	29.8	50.2
1,000 - 1,499	70	16.4	66.7
1,500 - 1,999	36	8.5	75.1
2,000 - 2,999	41	9.6	84.7
3,000 - 4,999	37	8.7	93.4
5,000 - 9,999	17	4.0	97.4
10,000 and Over	11	2.6	100.0
Total	426	100.0%	

Median	991
Average	2,045
Smallest	70
10th Percentile	338
90th Percentile	3,787
Largest	98,338

Table 11: Equalized Valuation Per Member* -- 2003-04 School Year

Equalized Valuation Per Member	Number of Districts	Percent of Total	Cumulative Percent
Under $250,000	61	14.4%	14.4%
$250,000 - 299,999	75	17.6	32.0
$300,000 - 349,999	55	12.9	44.9
$350,000 - 399,999	57	13.4	58.4
$400,000 - 499,999	77	18.1	76.5
$500,000 - 599,999	29	6.8	83.3
$600,000 - 999,999	46	10.8	94.1
$1,000,000 and Over	25	5.9	100.0
Total	425	100.0%	

Median	$367,864
Average	407,263
Lowest	151,003
10th Percentile	233,832
90th Percentile	749,646
Highest	4,500,354

*Valuations for K-8 and UHS districts have been adjusted to be comparable to K-12 districts. Norris School District had $879 in equalized value per member and has been excluded, except for the average.

Table 12 shows that shared cost per member ranges from a minimum of $6,966 (Washington-Caldwell) to a maximum of $15,501 (Phelps) with an average of $8,533. The median amount ($8,719) is slightly higher than the state average. Eighty percent of all districts have shared costs per member between $7,874 and $9,945. The secondary cost ceiling under the equalization aid formula for 2004-05 is $7,679 per member, equal to 90% of the statewide average shared cost in the prior year.

Table 13 shows that the preliminary school levy rates in 2004-05 range from 2.68 mills (Gibraltar Area) to 15.56 mills (Ithaca). The median levy rate (9.74 mills) is estimated to be slightly higher than the state average of 9.47 mills. Eighty percent of all districts are estimated to have levy rates between 7.89 and 11.79 mills. The mill rate is the amount of taxes levied for every $1,000 in equalized property value. Therefore, a property taxpayer who owns a home with a market value of $150,000 has, on average, a school tax bill of $1,421 (9.47 times $150). A taxpayer in Ithaca is estimated to have a school tax rate which is nearly six times greater than a taxpayer in Gibraltar.

Table 12: Shared Cost Per Member* -- 2003-04 School Year

Shared Cost	Number of Districts	Percent of Total	Cumulative Percent		
Under $7,750	22	5.2%	5.2%	Median	$8,719
$7,750 - 7,999	42	9.9	15.1	Average	8,533
$8,000 - 8,249	41	9.6	24.7	Lowest	6,966
$8,250 - 8,499	66	15.5	40.2	10th Percentile	7,874
$8,500 - 8,749	47	11.1	51.3	90th Percentile	9,945
$8,750 - 8,999	56	13.2	64.5	Highest	15,501
$9,000 - 9,499	76	17.9	82.4		
$9,500 - 9,999	33	7.8	90.1		
$10,000 - 10,999	27	6.4	96.5		
$11,000 and Over	15	3.5	100.0		
Total	425	100.0%			

*Norris School District has been excluded because it reported shared costs of $4,543 per member in 2003-04.

Table 13: Preliminary School Levy Rates* -- 2004-05 School Year

Levy Rate	Number of Districts	Percent of Total	Cumulative Percent		
Under 8.00	47	11.3%	11.3%	Median	9.74
8.00 - 8.99	88	21.2	32.5	Average	9.47
9.00 - 9.99	105	25.3	57.8	Lowest	2.68
10.00 - 10.99	81	19.5	77.3	10th Percentile	7.87
11.00 - 11.99	59	14.2	91.6	90th Percentile	11.79
12.00 - 12.99	27	6.5	98.1	Highest	15.56
13.00 and Over	8	1.9	100.0		
Total	415	100.0%			

*Levy rates for K-8 and UHS school districts have been combined and the 10 UHS districts are excluded from the table, as well as the Norris School District.

APPENDIX II

School Levy Tax Credit

This appendix provides information on the school levy tax credit. [The Legislative Fiscal Bureau's informational paper entitled, "State Property Tax Credits" provides further details on this program.]

Equation 1: School Levy Credit Formula

$$\frac{\text{Municipality's 3-Year Average School Levies}}{\text{Statewide 3-Year Average School Levies}} \times \text{Total Funding} = \text{Municipality's Credit}$$

Distribution Formula. The school levy tax credit is distributed based on each municipality's share of statewide levies for school purposes during the three preceding years. The formula can be stated as shown in Equation 1.

The school levy credit formula includes levies for elementary and secondary school districts and for county children with disabilities education boards. These levies are net of municipal surplus funds applied against them. Levies of technical college districts are not included in the formula.

Statewide, the credit reduced the school portion of 2004(05) property tax bills by an average of 12.7%. On a home with a full market value of $140,300 subject to the average statewide levy rate for school purposes, school taxes of $1,328 would have been reduced by a credit estimated at $168. Higher-valued homes would receive a proportionately higher credit. For example, a $200,000 home taxed at the same rate would have a school tax bill of $1,894 and would receive a credit estimated at $240. The actual percentage reduction in school taxes will vary by municipality.

Table 14 on the next page illustrates the computation of the school levy tax credit for the City of Antigo in Langlade County. This credit was used to reduce property taxes levied in 2004 (payable in 2005).

Notification and Payment to Municipality and Allocation to Taxpayer. Although it is based on school levies, the credit is initially paid to municipalities since municipal treasurers serve as property tax administrators. State law requires DOR to inform municipalities of their school levy credit payments on or before December 1. Since the credit is meant to reduce individual owners' property tax bills and is not to be considered a source of revenue in determining the municipal budget, the notification date has been set at a point after most local units have established their budgets.

Municipalities prepare tax bills after they receive notice of the credit amount. They compute the mill rate reduction produced by the credit and reduce each taxpayer's bill by that amount. In effect, each individual taxpayer in a municipality shares in the tax credits paid to the municipality, based on their share of the municipality's total assessed value. On property tax bills, school tax levies are reported net of school levy tax credits. In addition, the tax bill reports the school levy tax credit for the current year in a separate box.

Table 14: School Levy Tax Credit Computation (2004 Property Tax Levy) for the City of Antigo

Step 1: Calculate Average School Levies

	C. Antigo	State
2001 school tax levies	$2,770,128	$3,082,195,208
2002 school tax levies	2,776,974	3,204,104,526
2003 school tax levies	2,973,121	3,380,294,746
3-Year Average	$2,840,074	$3,222,198,160

Step 2: Calculate School Levy Tax Credit

Total Statewide Funding Available = $469,305,000

$$\text{Antigo's school levy tax credit} = \frac{\$2,840,074}{\$3,222,198,160} \text{ X } \$469,305,000 = \$413,650$$

Municipalities receive the school levy tax credit payment on the fourth Monday in July. Although calculated on the property tax levy for school purposes, the payment is treated the same as other tax collections and shared with all levying units through the property tax settlement process.

Funding Level. Funding for the credit was set at $319.3 million for the tax levies between 1987(88) through 1995(96). The statutory funding level was increased to $469.3 million for 1996(97) and has remained at that level. Funding in following years will stay at this amount unless the Legislature establishes a new funding level. The $150 million funding increase for 1996(97) coincided with the state's commitment to assume responsibility for funding two-thirds of partial school revenues. Funding for the school levy credit, general school aids and categorical school aids were counted towards the two-thirds requirement, which was repealed in the 2003-05 biennial budget act.

Sample Calculations Of The School Equalization Formula

The fundamental factors determining a school district's eligibility for equalization aid are: (1) whether its equalized property value per member is greater than or less than the state's guaranteed value(s); and (2) if, and to what extent, its shared costs exceed the secondary cost ceiling.

School districts can be placed in one of five categories depending on their per member costs and values, as follows:

1. *Primary and Secondary Aid.* A school district in this category has shared costs per member below the secondary cost ceiling and an equalized value per pupil below the secondary guarantee. As a result, the district would be supported at two levels of state cost-sharing and would receive primary aid and a lower level of secondary aid.

2. *Positive Tertiary Aid.* A district in this category has shared costs per member above the secondary cost ceiling and an equalized value per pupil below the tertiary guarantee. The district would receive positive aid on all three tiers of the formula: primary aid, a lower level of secondary aid and a still lower, but positive, level of tertiary aid.

3. *Positive Secondary Aid Exceeds Negative Tertiary Aid.* A district in this category has shared costs per member above the secondary cost ceiling and an equalized value per pupil between the secondary guarantee and the tertiary guarantee.

Under this district's aid calculation, positive primary and secondary aid is generated, but the positive secondary aid is partially offset by negative aid generated on the tertiary level.

4. *Primary Aid Only.* Primary aid only districts have costs at all three tiers and an equalized value per pupil between the primary and tertiary guarantees. These districts generate positive aid at the primary level, but either generate positive secondary aid that is completely offset by negative tertiary aid, or generate negative secondary and tertiary aid. Under the primary aid hold harmless, these districts would be entitled to the amount of aid generated at the primary level.

5. *Special Adjustment Aid Only.* A few districts have an equalized value per pupil above the primary guarantee. A district in this category would generate negative aid on all levels of the formula and would not receive any equalization aid. However, the district would qualify for special adjustment aid, based on the general school aid it received in the previous year.

This appendix provides sample calculations of the equalization formula that reflect the five categories described above. Table 15 on the following page summarizes 2004-05 data regarding the number of school districts that fall into these particular categories of equalization aid and the total membership of the districts in each category.

Table 15: Five Categories of Districts Receiving Equalization Aid in 2004-05

Category	Number of Districts	Percent of Total	Membership	Percent of Membership
Primary and Secondary Aid	18	4.2%	17,161	2.0%
Positive Tertiary Aid	249	58.5	560,328	64.3
Positive Secondary Aid				
Exceeds Negative Tertiary Aid	117	27.5	254,400	29.2
Primary Aid Only	37	8.7	38,160	4.4
Special Adjustment Aid Only	5	1.2	1,165	0.1
Total	426	100.0%	871,214	100.0%

The state-determined variables used in the sample calculations (the guaranteed valuations and the cost ceilings) are based on the actual factors used in calculating equalization aid in 2004-05. In the sample calculations, the state formula factors are:

	Per Pupil
Primary Guaranteed Valuation	$1,930,000
Secondary Guaranteed Valuation	1,030,488
Tertiary Guaranteed Valuation	407,263
Primary Cost Ceiling	1,000
Secondary Cost Ceiling	7,679

Equalization aid is the sum of primary and secondary aid and, where applicable, tertiary aid, calculated using the primary, secondary and tertiary guarantees. As illustrated in Table 7 of the paper, the equalization aid formula can be expressed as shown in Equation 2. This equation is referred to as the "required levy rate" method of calculating equalization aid. Statutorily, the calculation of equalization aid follows this method.

The same calculation, however, can also be expressed mathematically in a slightly different manner, which is shown below as Equation 3. This equation is known as the "percentage" method of computing equalization aid and because of its simplicity, it will be used in the following examples.

Equation 2: Required Levy Rate Method

State Aid = [State Guaranteed Value–District Equalized Value] x [Shared Cost ÷ State Guaranteed Value]

Equation 3: Percentage Method

$$\text{State Aid} = 1 - \frac{\text{Equalized Value Per Pupil}}{\text{State Guaranteed Value}} \times \text{Shared Cost}$$

District A: Primary and Secondary Aid

The first example, School District A, receives primary and secondary aid only.

District A has shared costs of $7,000 per pupil, which is below the secondary cost ceiling of $7,679 per pupil; therefore, the district's equalized valuation is compared to the primary and secondary guaranteed valuations. Since the district's valuation per member ($200,000) is below the secondary guarantee ($1,030,488), the district receives aid at both the primary and secondary levels. In total, the district will have its shared costs aided at 81.9%, which is somewhat higher than the percentage of the secondary guarantee that the district is missing. This additional funding is attributable to the primary guarantee, which provides a significantly higher level of support for the first $1,000 of costs per member.

District A: Primary and Secondary Aid

<u>District Factors</u>

	<u>Total</u>	<u>Per Pupil</u>
Membership	1,000	NA
Equalized Valuation	$200,000,000	$200,000
Shared Cost	$7,000,000	$7,000
Primary Shared Cost	$1,000,000	$1,000
Secondary Shared Cost	$6,000,000	$6,000

<u>Computation</u>

$$\text{Primary Aid} = \left[\; 1 - \frac{\$200,000}{\$1,930,000} \; \right] \times \$1,000,000$$

$$[\; 1 - 0.104 \;] \; \times \; \$1,000,000$$
$$0.896 \; \times \; \$1,000,000$$

Primary Aid = $896,373

$$\text{Secondary Aid} = \left[\; 1 - \frac{\$200,000}{\$1,030,488} \; \right] \times \$6,000,000$$

$$[\; 1 - 0.194 \;] \; \times \; \$6,000,000$$
$$0.806 \; \times \; \$6,000,000$$

Secondary Aid = $4,835,503

<u>Summary Table</u>

<u>Tier</u>	<u>Aid Amount</u>	<u>Shared Costs</u>	Aid as <u>Percent of Costs</u>
Primary	$896,373	$1,000,000	89.6%
Secondary	4,835,503	6,000,000	80.6
Total	$5,731,876	$7,000,000	81.9%

At the primary and secondary aid category, some key observations can be made:

1.   As cost increases, aid increases;

2.   As membership increases, aid increases;

3.   As the state guaranteed valuations increase, aid increases; and

4.   As equalized valuation increases, aid decreases.

In 2004-05, 18 of the state's 426 school districts (or 4.2%) were "primary and secondary aid" districts under the equalization formula. These districts accounted for approximately 2.0% of the state's total membership.

District B: Positive Tertiary Aid

For school districts that spend above the secondary cost ceiling, aid is computed using the primary, secondary and tertiary aid formulas. The next example shows how aid would be computed for a district with secondary and tertiary costs. District B is identical to District A from the previous example in every respect, except that its total shared cost is $8,000 per pupil rather than $7,000 per pupil.

District B's shared costs of $8,000 per pupil exceed the secondary cost ceiling ($7,679) by $321 per pupil. As a result, equalization aid for the district is computed using the primary, secondary and tertiary guaranteed valuations. The formula for tertiary aid is identical to that for primary and secondary aid with the exception that the lower tertiary guaranteed valuation is compared to the district's equalized valuation. At the secondary aid level, the district has 80.6% of its shared costs

aided by the state because the district's equalized valuation is 19.4% of the secondary guarantee. However, at the tertiary aid level, the district's equalized valuation ($200,000 per pupil) is 49.1% of the tertiary guaranteed valuation ($407,263); therefore, only 50.9% of the district's tertiary costs are aided through the third tier of the formula. Because of the lower tertiary aid, state aid will represent 80.5% of the district's total shared costs.

Similar to the primary and secondary aid districts, these observations can be made regarding positive tertiary aid districts:

1.   As cost increases, aid increases;

2.   As membership increases, aid increases;

3.   As the guaranteed valuations increase, aid increases; and

4.   As equalized valuation increases, aid decreases.

However, any increases in aid at the tertiary level are less in both total dollar value and on a percentage basis than at the secondary aid level, because the costs that are being funded are in excess of the secondary cost ceiling, and therefore, subject to the tertiary guaranteed valuation. As a result, although on average this district receives aid equal to 80.5% of its total shared costs, at the margin only 50.9% of any additional shared costs will be aided by the state.

In 2004-05, 249 of the state's school districts (or 58.5%) are positive tertiary aid districts. These districts accounted for 64.3% of the state's total membership. Eight of the ten largest school districts in the state in terms of membership are positive tertiary districts.

District B: Positive Tertiary Aid

<u>District Factors</u>

	Total	Per Pupil
Membership	1,000	NA
Equalized Valuation	$200,000,000	$200,000
Shared Cost	$8,000,000	$8,000
Primary Cost	$1,000,000	$1,000
Secondary Cost	$6,679,000	$6,679
Tertiary Cost	$321,000	$321

<u>Computation</u>

Primary Aid   = $\boxed{1 - \dfrac{\$200,000}{\$1,930,000}}$ X $1,000,000

[1 - 0.104] x $1,000,000
0.896 x $1,000,000

Primary Aid = $896,373

Secondary Aid   = $\boxed{1 - \dfrac{\$200,000}{\$1,030,488}}$ X $6,679,000

[1 - 0.194] x $6,679,000
0.806 x $6,679,000

Secondary Aid = $5,382,721

Tertiary Aid   = $\boxed{1 - \dfrac{\$200,000}{\$407,263}}$ X $321,000

[1 - 0.491] x $321,000
0.509 x $321,000

Tertiary Aid = $163,362

<u>Summary Table</u>

Tier	Aid Amount	Shared Costs	Aid as Percent of Costs
Primary	$896,373	$1,000,000	89.6%
Secondary	5,382,721	6,679,000	80.6
Tertiary	163,362	321,000	50.9
Total	$6,442,456	$8,000,000	80.5%

District C: Positive Secondary Aid Exceeds Negative Tertiary Aid

While the Wisconsin Supreme Court ruled payment of "negative aid" by school districts unconstitutional, the current formula retains a negative aid aspect with regard to the tertiary guarantee level. That is, if a school district has per pupil costs greater than the secondary cost ceiling and if that district has a per pupil valuation that falls between the tertiary guarantee and the higher secondary guarantee, then that district generates a negative amount of aid on its tertiary costs. The district receives no state aid on its tertiary costs and, in addition, the negative aid that the formula generates for the district's tertiary costs is used to reduce the aid generated for the district's secondary costs.

In the next example, District C, in which positive secondary aid exceeds negative tertiary aid, is identical to District B from the prior example in every respect, except that it has an equalized valuation per pupil of $500,000, which is between the secondary guarantee of $1,030,488 and the tertiary guarantee of $407,263. As shown, the district receives $740,933 in primary aid and its positive secondary aid of $3,438,302 is reduced by its negative tertiary aid of $73,094 to produce a total aid payment of $4,106,141. In this example, the state will provide 74.1% and the local district 25.9% of the district's primary shared cost. At the secondary level, the state will pay 51.5% of the districts secondary shared costs. At the tertiary level, the district's taxpayers will be required to generate revenues equal to 122.8% of the tertiary cost, with the excess levy being used to offset the reduction in positive secondary aid. Because of the tertiary aid reduction, overall equalization aid to the district will represent 51.3% of total shared cost and the district will be required to raise the remaining 48.7%.

In the case of positive tertiary aid districts, such as District B, state aid drops off considerably at the tertiary level, which may serve as a disincentive against higher expenditures. This disincentive is even stronger for districts whose positive secondary aid exceeds negative tertiary aid, such as District C, because the district actually loses aid if it increases its costs. Although on average, District C receives 51.3% of its shared costs in equalization aid, at the margin it actually loses 22.8 cents for each dollar of additional costs.

The key observations of the negative tertiary aid category are:

1.   As tertiary cost increases, negative tertiary aid increases;

2.   As tertiary cost increases, secondary aid is reduced as a result of the negative tertiary aid.
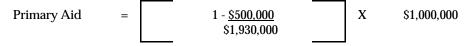
In 2004-05, 117 school districts (27.5% of all districts and 29.2% of the total membership) were affected by the negative tertiary aid feature of the formula, but had positive secondary aid that exceeded the negative tertiary aid.

District C: Positive Secondary Aid Exceeds Negative Tertiary Aid

District Factors

	Total	Per Pupil
Membership	1,000	NA
Equalized Valuation	$500,000,000	$500,000
Shared Cost	$8,000,000	$8,000
Primary Cost	$1,000,000	$1,000
Secondary Cost	$6,679,000	$6,679
Tertiary Cost	$321,000	$321

Computation

Primary Aid $= \left[1 - \dfrac{\$500,000}{\$1,930,000} \right] \times \$1,000,000$

$$[1 - 0.259] \times \$1,000,000$$
$$0.741 \times \$1,000,000$$

Primary Aid = $740,933

Secondary Aid $= \left[1 - \dfrac{\$500,000}{\$1,030,488} \right] \times \$6,679,000$

$$[1 - 0.485] \times \$6,679,000$$
$$0.515 \times \$6,679,000$$

Secondary Aid = $3,438,302

Tertiary Aid $= \left[1 - \dfrac{\$500,000}{\$407,263} \right] \times \$321,000$

$$[1 - 1.228] \times \$321,000$$
$$- 0.228 \times \$321,000$$

Tertiary Aid = - $73,094

Summary Table

Tier	Aid Amount	Shared Costs	Aid as Percent of Costs
Primary	$740,933	$1,000,000	74.1%
Secondary	3,438,302	6,679,000	51.5
Tertiary	-73,094	321,000	-22.8
Total	$4,106,141	$8,000,000	51.3%

District D: Primary Aid Only

The next example is District D, which receives primary aid only. District D is identical to District C from the prior example in every respect, except that its equalized valuation per pupil is $1,200,000, which is between the primary guarantee of $1,930,000 and the secondary guarantee of $1,030,488. For District D, the state will provide 37.8% of the district's primary costs. Since the district's equalized valuation per pupil exceeds the secondary guarantee, negative aid is generated at both the secondary and tertiary levels. Due to the primary aid hold harmless provision in the statutes, the district's positive primary aid is not reduced by negative secondary and tertiary aid. The state, then, would provide 4.7% of total shared costs in District D, with the local district providing the other 95.3% of shared costs. The district will receive equalization aid equal to its primary aid amount, regardless of its level of expenditures.

Key observations of the primary aid only category are:

1. Unless the equalized valuation per pupil falls below the secondary guaranteed valuation, only primary aid will be received by this type of district. Secondary aid would only be generated if it exceeded the amount of negative tertiary aid.

2. Unless the district becomes eligible for secondary aid, as cost increases, aid remains constant. However, if membership increases, the district would receive more aid at the primary level, and may receive aid at the secondary level, but only if its equalized valuation per pupil is less than the state's secondary guaranteed valuation and negative tertiary aid does not offset its secondary aid.
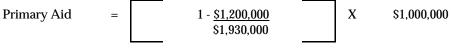
In 2004-05, 19 school districts had an equalized valuation exceeding the secondary guarantee, and generated negative secondary aids. In addition, 18 school districts had negative tertiary aids which completely offset their positive secondary aid. In total, 37 school districts (8.7% of all districts and 4.4% of total membership) received only the primary aid amount.

District D: Primary Aid Only

District Factors

	Total	Per Pupil
Membership	1,000	NA
Equalized Valuation	$1,200,000,000	$1,200,000
Shared Cost	$8,000,000	$8,000
Primary Cost	$1,000,000	$1,000
Secondary Cost	$6,679,000	$6,679
Tertiary Cost	$321,000	$321

Computation

Primary Aid $= \left[1 - \dfrac{\$1,200,000}{\$1,930,000} \right] \times \$1,000,000$

$[1 - 0.622] \times \$1,000,000$
$0.378 \times \$1,000,000$

Primary Aid = $378,238

Secondary Aid $= \left[1 - \dfrac{\$1,200,000}{\$1,030,488} \right] \times \$6,679,000$

$[1 - 1.164] \times \$6,679,000$
$-0.164 \times \$6,679,000$

Secondary Aid = - $1,098,674

Tertiary Aid $= \left[1 - \dfrac{\$1,200,000}{\$407,263} \right] \times \$321,000$

$[1 - 2.946] \times \$321,000$
$- 1.946 \times \$321,000$

Tertiary Aid = - $624,826

Summary Table

Tier	Aid Amount	Shared Costs	Aid as Percent of Costs
Primary	$378,238	$1,000,000	37.8%
Secondary	-1,098,674	6,679,000	-16.4
Tertiary	-624,826	321,000	-194.6
Subtotal	-$1,345,262	$8,000,000	
Actual Aid Amount	$378,238		4.7%
[Primary Aid Hold Harmless]			

District E: Special Adjustment Aid Only

The next example is District E, which receives no equalization aid. District E is identical to District D from the prior example in every respect, except that its equalized valuation per pupil is $2,300,000, which is greater than the primary guarantee of $1,930,000. As a result, District E generates negative aid at all three levels of the equalization aid formula. This district will thus receive no equalization aid from the state. District E would, however, be eligible for special adjustment aid, under which a district is guaranteed at least 85% of its prior year's general school aid payment.

The main observation to be made for the special adjustment aid only category is that, unless the equalized valuation per pupil in the district falls below the primary guaranteed valuation, no equalization aid will be generated by this type of district regardless of its per pupil shared costs.

Five school districts with 0.1% of total membership had an equalized value per member exceeding the primary guarantee in 2004-05. These five districts are Boulder Junction J1, Gibraltar Area, Linn J6, Phelps, and Washington.

District E: Special Adjustment Aid Only

District Factors

	Total	Per Pupil
Membership	1,000	NA
Equalized Valuation	$2,300,000,000	$2,300,000
Shared Cost	$8,000,000	$8,000
Primary Cost	$1,000,000	$1,000
Secondary Cost	$6,679,000	$6,679
Tertiary Cost	$321,000	$321

Computation

Primary Aid $= \left[1 - \dfrac{\$2,300,000}{\$1,930,000} \right] \times \$1,000,000$

$[1 - 1.192] \times \$1,000,000$
$-0.192 \times \$1,000,000$

Primary Aid = -$191,710

Secondary Aid $= \left[1 - \dfrac{\$2,300,000}{\$1,030,488} \right] \times \$6,679,000$

$[1 - 2.232] \times \$6,679,000$
$-1.232 \times \$6,679,000$

Secondary Aid = -$8,228,209

Tertiary Aid $= \left[1 - \dfrac{\$2,300,000}{\$407,263} \right] \times \$321,000$

$[1 - 5.647] \times \$321,000$
$-4.647 \times \$321,000$

Tertiary Aid = -$1,491,833

Summary Table

Tier	Aid Amount	Shared Costs	Aid as Percent of Costs
Primary	-$191,710	$1,000,000	-19.2%
Secondary	-8,228,209	6,679,000	-123.2
Tertiary	-1,491,833	321,000	-464.7
Subtotal	-$9,911,752	$8,000,000	
Actual Aid Amount	$0*		0.0%

*District E would receive aid equal to 85% of its prior year general school aids [Special Adjustment Aid]