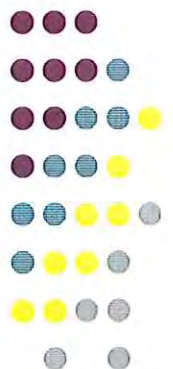




State Aid to School Districts

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State Aid to School Districts

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 primarily 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 also established other smaller general school aid programs.

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 2010-11. More detailed descriptions of these aid programs are provided later in this paper.

The third method of state support is the school levy tax credit and the first dollar credit. These credits are paid to municipalities to offset the property tax. The appropriation through which these credits are funded was statutorily included in the definition of state support when the state provided two-thirds funding of K-12 partial school revenues. While these credits will be referenced in this paper within the context of total state support, the primary focus of this paper will be to describe direct state aid payments to school districts.

As shown in Table 1, over \$5.3 billion was appropriated for general and categorical school aids in 2010-11. Of that amount, 99% is funded through state general purpose revenues (GPR); the other one percent is supported with segregated revenues (SEG) and program revenues (PR). School aid represents approximately 38% of the state's total general fund budget for fiscal year 2010-11. It is the largest commitment by the state to any single governmental program.

This paper will first provide an overview of state aid to school districts. 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 two appendices. The first appendix provides general descriptive statistics regarding school districts in Wisconsin. The second 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://legis.wisconsin.gov/lfb>.

Table 1: General and Categorical School Aid by Funding Source in 2010-11

Agency	Type and Purpose of Aid	Amount
	<i>General Aid--GPR Funded</i>	
DPI	General School Aids*	\$4,652,500,000
	High Poverty Aid	<u>18,700,000</u>
	<i>Total -- General Aid</i>	\$4,671,200,000
	<i>Categorical Aid--GPR Funded</i>	
DPI	Special Education	\$368,939,100
	Additional Special Education Aid	3,500,000
	Supplemental Special Education Aid	1,750,000
	SAGE	109,184,500
	SAGE-Debt Service	148,500
	Pupil Transportation	26,337,300
	Sparsity Aid	14,948,100
	MPS Pupil Achievement	9,650,000
	Bilingual/Bicultural Education	9,544,200
	Tuition Payments/Open Enrollment Transfer	9,158,800
	P-5 Grants	7,096,400
	Head Start Supplement	6,960,100
	Alternative Education Grants	4,825,000
	Grants for AODA Prevention and Intervention	4,361,800
	School Lunch	4,218,100
	County Children with Disabilities Education Boards	4,067,300
	Children at Risk	3,377,500
	School Breakfast	2,789,400
	Four-Year-Old Kindergarten Grants	1,500,000
	Mentoring for Initial Educators	1,302,700
	School Day Milk	685,700
	Aid for Transportation-Open Enrollment	482,500
	Peer Review and Mentoring	482,500
	Aid for Cooperative Educational Service Agencies	289,500
	Gifted and Talented	263,500
	Grants for Nursing Services	241,200
	Supplemental Aid	120,600
	Advanced Placement	96,500
	English for Southeast Asian Children	96,500
	Science, Technology, Engineering, and Math	59,400
	Aid for Transportation -- Youth Options Program	19,300
DOA	Debt Service on Technology Infrastructure Bonding	<u>4,342,400</u>
	<i>Total Categorical Aid--GPR Funded</i>	\$600,838,400
	<i>Categorical Aid--PR Funded</i>	
DPI	AODA	\$1,427,500
	Tribal Language Revitalization Grants	<u>247,500</u>
	<i>Total Categorical Aid -- PR Funded</i>	\$1,675,000
	<i>Categorical Aid--SEG Funded</i>	
DPI	School Library Aids	\$39,600,000
DOA	Educational Telecommunications Access Support	11,190,700
UW	Environmental Education, Forestry	400,000
	Environmental Education, Environmental Assessments	<u>130,500</u>
	<i>Total Categorical Aid--SEG Funded</i>	\$51,321,200
	<i>Total Categorical Aid--All Funds</i>	\$653,834,600
	<i>Total School Aid--All Funds</i>	\$5,325,034,600

*Includes eligibility for equalization aid (\$4,548.0 million), integration aid (\$78.9 million), and special adjustment aid (\$25.6 million). These eligibility amounts will be reduced by \$50.2 million attributable to the Milwaukee parental choice program and \$57.3 million related to the Milwaukee-Racine charter school program that will lapse (revert) to the general fund.

Overview of School Finance

The state has 368 K-12 districts, 46 elementary (K-8) districts, and 10 union high school (UHS) districts, for a total of 424 school districts in 2010-11. 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 2010-11, four counties operate county children with disabilities education boards (CCDEBs), of which one (Marathon) is fiscally dependent and three (Brown, Calumet, and Walworth) are fiscally independent.

School districts are classified as common (367), 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 from 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 2008-09, which is the most recent year for which audited data is available. The state aid amount shown in Table 2 includes only funding received by school districts and does not include aid funding provided to other entities (such as CESAs, CCDEBs, and Head Start agencies) or lapsed to the general fund. Federal funding from the American Recovery and Reinvestment Act of 2009 that was used to replace state funding for general school aids in 2008-09 is shown separately in the table. In 2008-09, districts received the majority of their revenue (over 84%) through state aid and the

Table 2: 2008-09 School District Revenue (\$ in Millions)

Revenue Source	Amount	Percent
State Aid	\$4,760.7	44.3%
Local Property Tax	4,279.0	39.9
Federal Aid	742.6	6.9
Federal Stabilization Aid	552.3	5.1
Other Local Receipts	<u>403.1</u>	<u>3.8</u>
Total	\$10,737.7	100.0%

property tax.

Under current law, there is a limit on the annual amount of revenue that each 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, as well as high-poverty aid. 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 2010-11, districts receive a \$200 per pupil increase under revenue limits. [For further information about school district revenue limits, 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 1993-94 through 2010-11. The gross school property tax levy is the total school district levy without being offset by the school levy and first dollar tax credits. 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 CESAs; and (c) the cost incurred by CCDEBs. The total school cost measure for 1999-00 and subsequent years includes the above, plus transportation, facility acquisition, and community service costs, less the cost incurred for CESAs and CCDEBs.

Table 3: State School Aid, Gross School Levy, Total School Costs, Enrollments and Inflation (1993-94 through 2010-11)

Fiscal Year	State School Aid		Gross School Levy		Total School Costs		Pupil Membership(b)		Costs Per Member		Consumer Price Index(c)
	Amount(a)	Percent Change	Amount(a)	Percent Change	Amount(a)	Percent Change	Pupils	Percent Change	Amount	Percent Change	
1993-94	\$2,186.6	6.9%	\$2,988.1	5.1%	\$5,527.1	4.5%	823,426	1.7%	\$6,712	2.8%	3.0%
1994-95	2,462.0	12.6	2,995.7	0.3	5,848.2	5.8	837,022	1.7	6,987	4.1	2.6
1995-96	2,705.2	9.9	3,023.6	0.9	6,150.2	5.2	848,681	1.4	7,247	3.7	2.8
1996-97	3,566.1	31.8	2,528.1	-16.4	6,546.8	6.4	859,832	1.3	7,614	5.1	3.0
1997-98	3,804.7	6.7	2,590.4	2.5	6,939.0	6.0	867,547	0.9	7,998	5.0	2.3
1998-99	3,989.4	4.9	2,735.8	5.6	7,250.7	4.5	868,146	0.1	8,352	4.4	1.6
1999-00	4,226.3	5.9	2,795.2	2.2	7,535.4	3.9	868,274	0.0	8,679	3.9	2.2
2000-01	4,463.3	5.6	2,927.8	4.7	7,899.8	4.8	869,327	0.1	9,087	4.7	3.4
2001-02	4,602.4	3.1	3,071.8	4.9	8,349.0	5.7	871,204	0.2	9,583	5.5	2.8
2002-03	4,775.2	3.8	3,192.0	3.9	8,749.9	4.8	871,979	0.1	10,035	4.7	1.6
2003-04	4,806.3	0.7	3,367.6	5.5	8,911.2	1.8	871,214	-0.1	10,228	1.9	2.3
2004-05	4,857.9	1.1	3,610.7	7.2	9,216.2	3.4	869,002	-0.3	10,605	3.7	2.7
2005-06	5,159.1	6.2	3,592.3	-0.5	9,539.4	3.5	868,089	-0.1	10,989	3.6	3.4
2006-07	5,294.4	2.6	3,787.8	5.4	9,902.9	3.8	867,699	-0.0	11,413	3.9	3.2
2007-08	5,340.1	0.9	4,066.6	7.4	10,265.1	3.7	863,013	-0.5	11,894	4.2	2.8
2008-09	5,462.4	2.3	4,279.0	5.2	10,623.3	3.5	860,477	-0.3	12,346	3.8	3.8
2009-10	5,315.4	-2.7	4,537.6	6.0	N.A.		858,205	-0.3	N.A.		-0.4
2010-11	5,325.0	0.2	4,692.9	3.4	N.A.		N.A.		N.A.		N.A.

(a) In millions of dollars; data since 1996-97 are appropriated amounts.

(b) Membership used for the calculation of general school aids in the next year.

(c) Percent change in the average CPI for calendar years 1993 through 2009.

N.A.: Not available.

From Table 3, the following observations can be made:

- When the state provided relatively large increases in school aid in 1994-95 and 1995-96, under revenue limits, the statewide levy increases were minimal. In 1996-97, the first year of the state's two-thirds funding commitment, the state provided the largest school aid increase during the time period shown, which also resulted in the largest levy decrease during the period.

- Since the repeal of the two-thirds funding commitment in 2003 Act 33, effective beginning in 2003-04, the state has generally provided smaller increases in school aid, typically resulting in larger increases in the gross school levy. The relatively large increase in aid in 2005-06, however, resulted in the second decrease in the gross statewide levy in the time period shown.

- After increasing during the mid-1990s, statewide enrollment was basically level from 1997-98 to 2002-03. Since that year, enrollment has declined annually.

- Although enrollment growth in each year from 1993-94 to 2008-09 was less than the increase in the CPI, growth in total school costs and costs per pupil have generally exceeded inflation over that time period.

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 typically accounts for nearly 90% of total revenue. The advantage of this approach is that it helps in measuring one of the primary objec-

tives of state support for schools, which is to relieve the burden of the property tax. It seems reasonable 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 often employ this methodology.

Under the provisions of 1995 Act 27, state support for 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 general and categorical school aid appropriations and the school levy tax credit. The denominator, which was called "partial school revenues," was the sum of state school aids and, with certain exceptions, 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.

The school levy tax credit appropriation was statutorily included in the definition of state support when the state moved to two-thirds funding. The first dollar credit, created in 2007 Act 20, is funded through the same appropriation. The school levy tax credit is extended to all taxable property. The credit is distributed based on each municipality's share of statewide levies for school purposes during the preceding three years multiplied by the annual amount appropriated for the credit and allocated proportionately to reduce individual owners' property tax bills. The first dollar credit is extended to each taxable parcel of real estate on which improvements are located. The credit is calculated for each eligible parcel of property by multiplying the property's gross school tax rate by a credit base value determined by the Department of Revenue (DOR) or the property's fair market value, whichever is less. [Further information on these credits can be found in the Legislative Fiscal Bureau's informational paper entitled, "State Property Tax Credits."]

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 budget (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 has ranged from 62.97% to 66.06% since the repeal of the two-thirds commitment.

Table 4 shows the level of state support for K-12 education for fiscal years 1995-96 through 2010-11. The table includes the school levy and first dollar 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 costs. State aid for 1996-97 through 2010-11 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 DOR.

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	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
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	\$4,857.9	\$5,159.1	\$5,294.4	\$5,340.1	\$5,462.4	\$5,315.3	\$5,325.0
School Levy Credit	319.3	469.3	469.3	469.3	469.3	469.3	469.3	469.3	469.3	469.3	469.3	593.1	672.4	747.4	747.4	747.4
First Dollar Credit														75.0	145.0	150.0
Program for the Deaf/ Center for the Blind							<u>10.1</u>	<u>9.9</u>	<u>9.1</u>	<u>9.1</u>	<u>10.4</u>	<u>10.4</u>	<u>11.5</u>	<u>11.5</u>	<u>11.8</u>	<u>11.8</u>
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	\$5,336.3	\$5,638.8	\$5,897.9	\$6,024.0	\$6,296.3	\$6,219.5	\$6,234.2
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	\$8,374.6	\$8,637.3	\$8,927.4	\$9,250.2	\$9,574.1	\$9,731.9	\$9,899.7*
State Share	52.72%	66.21%	66.86%	66.40%	66.75%	66.62%	66.48%	66.35%	65.16%	63.72%	65.29%	66.06%	65.12%	65.76%	63.91%	62.97%*
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	\$8,911.2	\$9,216.2	\$9,539.4	\$9,902.9	\$10,265.1	\$10,623.3	N.A.	N.A.
State Share	49.18%	61.64%	61.59%	61.49%	62.31%	62.44%	60.87%	60.05%	59.31%	57.90%	59.11%	59.56%	58.68%	59.27%	N.A.	N.A.

N.A.: Not available.

*Estimated

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 (pupil 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 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) pupil 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 cost, and equalized valuation are based on school district data from the prior school year. For example, 2010-11 equalization aids are calculated using membership and shared costs from the 2009-10 school year and 2009 equalized values.

Membership is the number of pupils which, by

statute, can be counted for equalization aid purposes. For most districts, 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. Under 2009 Act 28, the definition of membership used in calculating equalization aid for the Milwaukee Public Schools (MPS) was changed, beginning in the 2010-11 aid year. Act 28 established an additional count date for MPS on the first Friday in May of each year, and specified that aid membership for MPS would include the highest enrollment of the three count dates (the third Friday of September, the second Friday of January, and the first Friday of May), rather than the average of the September and January counts.

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 special 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. School districts are able to count in membership students attending the Challenge Academy 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 for all districts are taken on the third Friday in September and second Friday in January. MPS also takes a count on the first Friday in May. 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 state categorical aid, federal aid, and 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 equalization aid.

Equalized valuation is the full market value of taxable property in the school district as determined by 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 or telephone company property, equalization aid adjustments can be made within four years after the date of the redetermination.

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 guaranteed valuation of \$1,930,000 per member. Both the primary cost ceiling and the primary guarantee are set in statute. 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 2010-11 aid distribution, the secondary cost

ceiling is equal to \$9,298. By law, 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. By law, the secondary guarantee is set at the amount 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 would require adjustment to distribute the available funds. In 2010-11, the secondary guaranteed valuation is \$1,243,890.

The state's sharing of costs above the secondary cost ceiling, referred to as tertiary shared costs, is calculated using the tertiary guaranteed valuation. By statute, it is set equal to 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 \$581,087 in 2010-11.

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.

For the 2010-11 aid year, over 95% (404) of the state's school districts have equalized values per pupil lower than the primary guarantee. Over 90% (385) have values per pupil lower than the secondary guarantee and nearly 59% (249) have values per pupil lower than the tertiary guarantee.

Total funding available for distribution is established in an appropriation from the general fund, which is the source of funds for aid distributed under the equalization formula. If the state increases the amount of aid provide 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 3% 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 5 compares the annual change in equalization aid eligibility with the annual change in the formula's guaranteed valuations per member over the last ten years.

Table 5: 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
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
2005-06	4,517.9	7.1	1,211,095	17.5	442,182	8.6
2006-07	4,620.4	2.3	1,291,886	6.7	483,017	9.2
2007-08	4,618.8	0.0	1,330,187	3.0	528,306	9.4
2008-09	4,699.3	1.7	1,375,392	3.4	563,395	6.6
2009-10	4,521.8	-3.8	1,255,824	-8.7	582,588	3.4
2010-11	4,548.0	0.6	1,243,890	-1.0	581,087	-0.3

*In millions; excludes integration and special adjustment aid.

Equalization aid is distributed to school districts according to the following statutory payment schedule: 15% on the third Monday in 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 districts receiving these monies on the fourth Monday in July of the following school year.

DPI is statutorily required to prepare general aid distributions by July 1 and October 15 of each year, using the most accurate data available. The July 1 distribution is an estimate that uses budgeted shared cost information rather than audited data. The October 15 distribution uses audited cost data, and districts use this estimate to set their levies under revenue limits. DPI also recalculates aid at the end of each year using final data to determine if any adjustments need to be made to the October 15 calculation. By law, these adjustments are made by increasing or decreasing the payment made in September 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 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 district spending levels. Equalization of district tax bases, not rates, is the formula's goal. A district that spends more per pupil than another district 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.

Table 6 illustrates the equalization principle by showing a simplified example of the calculation of equalization aid for two hypothetical districts. As shown in the table, Districts X and Y both have 1,000 pupils and \$9,000,000 of shared cost, or \$9,000 per pupil. The only difference between the two districts is that District X has \$200 million in property value (\$200,000 per pupil), while District Y has \$600 million in property value (\$600,000 per pupil).

The first scenario considered in the table is one in which the state provides no equalization aid, meaning the districts' costs would be fully supported by the levy. In this scenario, District X would need to levy 45 mills (\$45 per \$1,000 of property value) to raise \$9,000,000 in revenue on \$200 million of property value. District Y, with \$600 million in property value, would need to levy only 15 mills (\$15 per \$1,000 of property value) to raise the same amount of revenue.

Table 6 also shows a scenario in which the state provides equalization aid, with one state guaranteed valuation of \$1,000,000 per pupil. Because District X has \$200,000 in property value per pupil, the

Table 6: Equalization of Two School Districts

	District X	District Y
District Factors		
1. Pupil Membership	1,000	1,000
2. Shared Cost	\$9,000,000	\$9,000,000
3. Shared Cost per Member (Row 2 ÷ Row 1)	\$9,000	\$9,000
4. Property Value	\$200,000,000	\$600,000,000
5. Property Value Per Member (Row 4 ÷ Row 1)	\$200,000	\$600,000
Scenario with No Equalization Aid		
6. Taxes per \$1,000 in Value Needed to Support Total Costs (Row 2 ÷ Row 4)	\$45.00	\$15.00
Scenario with State Guarantee of \$1 Million in Tax Base		
7. State Guarantee Per Member	\$1,000,000	\$1,000,000
8. Per Member Tax Base Supported by the State (Row 7 - Row 5)	\$800,000	\$400,000
9. Aid Rate (Row 8 ÷ Row 7)	80%	40%
10. State Aid (Row 2 x Row 9)	\$7,200,000	\$3,600,000
11. Unaided Costs Supported on the Levy (Row 2 - Row 10)	\$1,800,000	\$5,400,000
12. Taxes per \$1,000 in Value Needed to Support Unaided Costs (Row 11 ÷ Row 4)	\$9.00	\$9.00

state would support the \$800,000 difference, or 80% of the guaranteed valuation. District Y, with \$600,000 of property value per pupil, would have only \$400,000 in property tax base supported by the state, which is 40% of the guaranteed valuation.

With \$9,000,000 in shared cost and an 80% aid rate, District X would receive \$7,200,000 in state aid, while District Y's 40% aid rate would result in \$3,600,000 in aid for the same level of costs. District X would have \$1,800,000 in costs unaided by the state, while District Y would have \$5,400,000 in unaided costs. To raise the amount of revenue needed to support their unaided costs, both districts would need to levy 9 mills (\$9 per \$1,000 of property value). Thus, with the state providing aid to equalize the tax base of the districts, both districts would levy the same mill rate to support the same level of cost, despite the difference in property value between the two.

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 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 II of this paper.

Other General School Aids

Equalization aid, integration (Chapter 220) aid, and special adjustment aid are all paid from the same general school aids appropriation. Integration aid and special adjustment aid are each fully funded as a "first draw" from that appropriation,

with the remaining funding provided as equalization aid. In 2010-11, equalization aid eligibility accounted for nearly 98% of the general school aids appropriation. For most districts, equalization aid is the only type of general aid received.

A separate appropriation was created in the 2007-09 biennial budget act to provide additional general aid to school districts with high levels of poverty. Also, a portion of the general fund's costs for 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, special adjustment aid, and high-poverty aid, as well as of the choice and charter programs, follows. Also described is a minor, temporary equalization aid adjustment required under 2009 Act 28.

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 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 district (**intradistrict**) or from one district to another (**interdistrict**). Under both formulas, 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

Table 7: Integration (Chapter 220) Aid Funding

Fiscal Year	<u>Intradistrict Transfer Aid</u>		<u>Interdistrict Transfer Aid</u>		<u>Total Integration Aid</u>	
	Amount	% Change	Amount	% Change	Amount	% Change
2007-08	\$46,871,500	-7.2%	\$31,774,200	-7.2%	\$78,645,700	-7.2%
2008-09	46,781,300	-0.2	31,677,900	-0.3	78,459,200	-0.2
2009-10	45,737,300	-2.2	30,712,300	-3.0	76,449,600	-2.6
2010-11	44,442,700	-2.8	29,463,200	-4.1	73,905,900	-3.3

multiplied by 25% of the number of eligible transfer pupils.

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 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.

Extent of Participation (2010-11): Four districts (Madison, Milwaukee, Racine, and Wausau) are

estimated to be eligible for intradistrict aid for 29,096 pupil transfers. Twenty-four districts (Milwaukee and 23 suburban Milwaukee districts) are estimated to receive interdistrict aid for 2,756 pupil transfers. Total payments are shown in Table 7.

2. Special Adjustment Aid

Description: The state provides special adjustment aid to districts either as a form of hold harmless payment or as an incentive for school district consolidation.

State Share: Under the main type of special adjustment aid, the state provides additional general aid to districts as a hold harmless to limit any year-to-year decline in a district's general aid payment. An eligible district receives a payment equal to the amount needed to make the district's total general aid eligibility equal to 85% of its prior year's general aid payment. A district's aid payment cannot exceed its shared costs, however.

Consolidated districts are eligible for a second type of special adjustment aid. In each of the first five years after consolidation, the new district is guaranteed to receive at least as much general aid as the separate districts received in the year prior to consolidation. If the consolidated district's general aid eligibility in any of those years is less than that amount, special adjustment aid will be paid in the amount needed to make up the difference. (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 (2010-11): 70 districts received special adjustment aid and another 29 districts received only an adjustment to the special adjustment aid from the prior year.

	<u>Funding</u>
2007-08	\$20,573,000
2008-09	16,712,200
2009-10	48,779,400
2010-11	25,313,400

3. High Poverty Aid

Description: The 2007-09 biennial budget act created a new appropriation to provide additional unrestricted aid to school districts with high poverty. By law, for all districts except MPS, high poverty aid is subject to revenue limits. For MPS, high poverty aid must be used to reduce the school property tax levied for the purpose of offsetting the aid reduction attributable to the Milwaukee parental choice program. In either case, the effect of this aid is to reduce the property tax levy of the eligible district.

State Share: A district is eligible for aid if, in the October preceding each biennium, at least 50% (rounded to the nearest whole percentage point) of the district's enrollment for the third Friday in September pupil count is eligible for free or reduced-price lunch in the national school lunch program. Aid per pupil for both years of the biennium is calculated by dividing the amount of funding appropriated by the total membership in all eligible districts, using the membership data from the equalization aid calculation in the first year of the biennium. A district's total payment is determined by multiplying that amount by each district's membership.

Extent of Participation (2010-11): 47 school districts.

	<u>Funding</u>
2007-08	\$9,000,000
2008-09	12,000,000
2009-10	18,700,000
2010-11	18,700,000

4. Milwaukee Parental Choice Program

Description: Under the choice program, state funds are used to pay for the cost of children from low-income families to attend, at no charge, private schools located in the City of Milwaukee. Pupils in grades K-12 with family incomes less than 175% of the federal poverty level who reside in the City are initially eligible to participate in the program. Continuing pupils and siblings of current choice pupils are eligible to participate if family incomes are less than 220% of the federal poverty level. The limit on the number of pupils who can participate in the program is statutorily set at 22,500 full-time equivalent pupils. Pupils participating in the choice program are not included in the MPS membership count for the calculation of the District's general aid or revenue limits. [Further information on this program can be found in the Legislative Fiscal Bureau's informational paper entitled, "Milwaukee Parental Choice Program."]

State Share: For each pupil attending a choice school in 2010-11, the state pays the parent or guardian an amount that is equal to the lesser of \$6,442 or the private school's operating and debt service cost per pupil related to educational programming, as determined by DPI.

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 net reduction (after consideration of aid paid to the City of Milwaukee to defray the choice levy it raises on behalf of MPS) in the general school aids otherwise paid to MPS in 2010-11 by an amount equal to 38.4% 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, less any high-poverty aid received. After consideration of high-poverty aid, in 2010-11 the general fund will pay for 69% of the choice program and MPS for 31%. Other than MPS, all school districts' aid payments and property tax levies are not affected by the choice program funding structure.

Extent of Participation (2010-11): DPI estimates that 20,300 pupils will participate in the choice program. As of September, 2010, pupils were attending 102 private schools.

	<u>Funding (In Millions)</u>	<u>Pupil Membership</u>	<u>Maximum Per Pupil Amount</u>
2007-08	\$120.3	18,558	\$6,501
2008-09	128.8	19,428	6,607
2009-10	130.1	20,515	6,442
2010-11	130.8	20,300	6,442

5. 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.

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 \$3.73 million in 2010-11. [Further information on this program can be found in the Legislative Fiscal Bureau's informational paper, entitled "Charter Schools."]

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 (RUSD) 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 2010-11, the Racine Unified School District is eligible to receive equalization aid per member equal to \$6,065.

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 424 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 (2010-11): Based on the enrollment counts used in the October 15, 2010, general school aid calculation prepared by DPI, there are an estimated 7,200 FTE charter school pupils attending 18 charter schools. The payment amount is \$7,775 in 2010-11, so the charter schools will receive approximately \$56.0 million in 2010-11, including an estimated \$1.3 million for the Racine Unified School District. Funding for 2007-08 through 2010-11 follows.

	<u>Funding* (In Millions)</u>	<u>Pupil Membership</u>	<u>Per Pupil Amount</u>
2007-08	\$43.5	5,487	\$7,669
2008-09	42.7	5,296	7,775
2009-10	49.7	6,124	7,775
2010-11	57.3	7,200**	7,775

*Includes payments to RUSD.

**Estimated.

6. Act 28 Adjustment

As passed by the Legislature, the 2009-11 biennial budget bill contained a provision to modify the impact of the \$147 million base funding reduction to general school aids in each year of the

biennium by requiring DPI to make an additional set of adjustments to the payments for all districts after the equalization aid formula has been used to calculate aid. This provision was modified by a partial veto by the Governor as part of 2009 Act 28. This adjustment applies for only the 2009-10 and 2010-11 aid years.

The Act 28 adjustment was intended to limit the aid lost by school districts attributable to the \$147 million aid reduction to no more than 10% of the amount of aid they would have received had the aid reduction not occurred. To accomplish this goal, a limited amount of aid was reallocated from all other districts to mitigate the aid loss for those districts most affected by the \$147 million reduction in general aid funding.

Under the Act 28 adjustment, DPI was required to perform an additional series of calculations to increase or decrease the aid received by districts, after calculating the net general school aid payment for each district. To calculate these adjustments, DPI had to run the aid formula a second time as if an additional \$147 million of funding had been appropriated for general school aids. For each district, DPI had to compute the percentage reduction in aid under the first aid run compared to the second aid run. Using this percentage reduction, DPI had to make several calculations, before adjusting the net aid provided to districts under the first aid run.

Calculation of Amount Available for Reallocation. In order to calculate the amount available for reallocation under the Act 28 adjustment, DPI had to first determine which districts met the following criteria: (a) the district had an equalized value per member that is above the statewide average; (b) the district had fewer than 35% of its pupils eligible for the federal free and reduced price lunch program; and (c) the district had a percentage change in the two aid runs of between 0.0% and -0.9%. For these districts, DPI had to calculate how much the net aid under the second aid run needed to be reduced to achieve a 10% aid reduction. The total amount

generated by this calculation was the maximum amount that was available for redistribution to eligible districts.

Distribution of Reallocated Aid to Districts with Large Aid Losses. For districts with more than a 10% aid reduction in the first aid run compared to the second aid run, DPI had to increase their net aid such that their percentage aid reduction under the two aid runs was limited to 10%. If the amount of funding available for reallocation as determined above was insufficient to fully accomplish this adjustment, DPI had to decrease the percentage of aid reduction to as close to 10% as possible.

Proportional Aid Reduction for All Other School Districts. To offset the cost of reallocating aid to districts with large aid losses, DPI had to proportionately reduce the general aid payments to all districts in the state not eligible for the first adjustment by an amount that, in total, would generate enough funding to pay that aid adjustment to eligible districts.

In 2009-10, nearly \$400,000 in aid was redistributed under the Act 28 adjustment. In 2010-11, nearly \$3.4 million was redistributed.

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

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;
- 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 2010-11 data

for some aid programs, the amounts committed under each program are shown. The funding tables indicate whether the 2010-11 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 nurses, school social workers, school psychologists, school counselors, 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 Superintendent 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 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 nurses, school social workers, school psychologists, school counselors, paraprofessionals, consulting teachers, and any other personnel as approved by the State Superintendent.

Extent of Participation (2009-10): 422 school districts, 16 charter schools, 12 CESAs, and three CCDEBs.

	<u>Funding</u>	<u>Proration</u>
2007-08	\$350,192,500	28.8%
2008-09	368,939,100	28.7
2009-10	368,939,100	27.9
2010-11	368,939,100	26.7*

*Estimated.

2. High-Cost Special Education Aid

Description: Under 2005 Act 25, a categorical aid program for certain special education costs was created for school districts, CESAs, CCDEBs, and operators of independent charter schools. Applicants are eligible for additional aid if the applicant incurred, in the previous school year, more than \$30,000 of non-administrative costs for providing special education and related services to a child, and those costs were not eligible for reimbursement under the state special education and school age parents program, the federal Individuals with Disabilities Education Act, or the federal Medicaid program. For each child whose costs exceeded \$30,000, DPI is required to pay an eligible applicant in the current school year an amount equal to 90% of the costs above \$30,000. If appropriated funds are insufficient to pay the full amounts, payments are prorated. The program took effect on July 1, 2006.

Extent of Participation (2009-10): 133 school districts, two CESAs, and two CCDEBs.

	<u>Funding</u>	<u>Proration</u>
2007-08	\$3,500,000	39.6%
2008-09	3,500,000	35.4
2009-10	3,500,000	31.5
2010-11	3,500,000	27.4*

*Estimated.

3. Supplemental Special Education

Description: Under 2007 Act 20, a new program was created to provide aid to school districts meeting the following criteria in the prior year: (a) per pupil revenue limit authority below the statewide average; (b) special education expenditures as a

percentage of total district expenditures above 16%; and (c) membership less than 2,000 pupils. A district may receive either supplemental special education aid or high cost special education aid in a given year, but not both. In the first year of the program, DPI is required to pay each eligible district the same amount. Thereafter, aid will be distributed proportionally among eligible districts based on their total special education expenditures in the prior year. Under the program, aid to any one district cannot be less than \$50,000, nor more than \$150,000, or 50% of its total special education expenditures, whichever is less. Funding was provided beginning in 2008-09.

Extent of Participation (2009-10): 20 school districts.

	<u>Funding</u>
2008-09	\$1,750,000
2009-10	1,750,000
2010-11	1,750,000

4. 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 (2010-11): Three CCDEBs (Brown, Calumet, and Walworth).

	<u>Funding</u>	<u>Proration</u>
2007-08	\$4,214,800	67.7%
2008-09	4,214,800	63.2
2009-10	4,067,300	64.0
2010-11	4,067,300	N.A.

5. 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 is allowed to enter into five-year renewal contracts with any participating SAGE school.

An additional round of five-year contracts was authorized under 2009 Act 301, beginning with the 2010-11 school year. Under this round, a district may enter into a SAGE contract on behalf of one or more schools if all of the following apply: (a) in the previous school year, each school had an enrollment that was at least 30 percent low income; (b) the school board is not receiving a grant under the preschool to grade 5 program on behalf of any of the schools; and (c) none of the schools is already a beneficiary of a SAGE contract. Under these contracts, schools must reduce each class size in at least kindergarten and grade one in 2010-11, in at least kindergarten to two in 2011-12, and in at least kindergarten to grade three in 2012-13 to 2014-15.

In addition, Act 301 modified the contract requirements for current SAGE schools. Beginning in 2010-11, schools may satisfy the class size limitation by reducing each class covered by the contract to no more than 18 pupils, or to no more than 30 pupils if two classroom teachers are assigned to the class. Previously, the maximum class size in all SAGE schools was 15 pupils to one teacher.

School districts must do all of the following in

each SAGE school: (a) reduce each class size to 18 pupils to one teacher, or 30 pupils to two teachers; (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 de-signed 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 \$2,250 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.

By administrative rule, DPI uses a two-step process for awarding SAGE aid. The initial count of SAGE pupils is reported in October. If the total does not encumber the entire appropriated amount, under the rule DPI can allow a second reporting window in January, for eligible pupils who were not identified in October. If funding is insufficient to fully fund \$2,250 per pupil, DPI prorates the payment. In 2010-11, an estimated \$1,999 will be paid per eligible pupil.

Extent of Participation (2010-11): 458 schools in 214 districts.

	<u>Funding</u>
2007-08	\$111,905,900
2008-09	111,984,100
2009-10	109,139,500
2010-11	109,184,500*

*Budgeted.

6. SAGE Debt Service Aid

Under this program, if a school board, other than MPS, passed a referendum and gained DPI

approval prior to June 30, 2001, it is eligible for state aid equal to 20% of debt service costs associated with SAGE building costs. The referendum had to identify the amount of bonding attributable to increased classroom space needs resulting from participation in the SAGE program. For 2010-11, DPI expects to disburse approximately \$140,000 to 11 school districts under this program.

	<u>School Districts</u>	<u>Expenditures</u>
2007-08	11	\$139,400
2008-09	11	139,900
2009-10	11	148,500
2010-11	11	148,500*

*Budgeted.

7. 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.

Extent of Participation (2010-11): The program subsidized video links and data lines in 2009-10 for 432 school sites and as of November, 2010, is subsidizing 516 school sites. Funding for this program is provided in a biennial appropriation.

	<u>Funding*</u>
2007-08	\$11,340,700
2008-09	11,340,700
2009-10	11,190,700
2010-11	11,190,700

*Budgeted.

8. 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 closed to new applications for assistance as of July, 2003. A total of 193 school districts received loans under the program. Bonds totaling \$71.9 million were issued under the program for school districts. Debt service costs for the financing of the infrastructure loans to school districts was budgeted at \$4.3 million GPR in 2010-11.

9. Improving Pupil Academic Achievement

Description: Under 2007 Act 20, a new program was created for grants to Milwaukee Public Schools (MPS) to improve pupil academic achievement. The MPS Board of Directors may apply to DPI for an annual grant of up to \$10,000,000 to implement initiatives to improve pupil academic achievement in all grades, such as employing licensed teachers to tutor pupils who are struggling academically, or employing persons to coordinate the district's instructional programs and provide ongoing profes-

sional development for teachers. The MPS Board must submit with its applications a plan describing the initiatives for which the grant will be used, the research showing that the initiatives have a positive effect on pupil achievement, and including criteria for evaluating the effectiveness of the initiatives, such as high school graduation rates or the results of the Wisconsin knowledge and concepts exams.

DPI may approve the plan in whole or in part. If DPI approves the plan in part, then the Board may submit an additional plan for the same school year, and DPI may award the Board all or part of the balance of grant funds. Funding was provided beginning in 2008-09.

	<u>Funding</u>
2008-09	\$10,000,000
2009-10	9,650,000
2010-11	9,650,000

10. 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. Under 2007 Act 20, up to 25% of this aid may be used to purchase library-related computers and software to be housed in the school library, if the district consults with the library media coordinator. 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 (2010-11): All 424 school districts.

	<u>Funding</u>
2007-08	\$35,000,000
2008-09	35,300,000
2009-10	32,000,000
2010-11	39,600,000*

*Budgeted.

11. 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.

Under 2007 Act 20, \$35,000 annually is allocated from this appropriation to reimburse school districts for 75% of the cost of transporting pupils to and from an island over ice, including costs for equipment maintenance and storage. If eligible costs exceed available funding, payments are prorated. In 2009-10, one district (Bayfield) qualified for \$17,100 in aid under this provision.

State Share: For the primary aid program, a flat, annual amount per transported pupil which varies according to the distance that each pupil is transported to school.

<u>Distance</u>	<u>Regular Year</u>	<u>Summer School</u>
0-2 miles (Hazardous Areas)	\$15	---
2-5 miles	35	\$4
5-8 miles	55	6
8-12 miles	110	6
12 miles and over	220	6

Extent of Participation (2010-11): According to preliminary data, 420 school districts will receive aid in 2010-11 for transporting a total of 503,691 public school pupils and 38,849 private school pupils in 2009-10.

	<u>Funding</u>	<u>Proration</u>
2007-08	\$25,272,800	None
2008-09	24,737,900	None
2009-10	23,858,000	None
2010-11	26,337,300*	N.A.

*Budgeted.

12. 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 Children and Families) 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 (2010-11): 37 school districts.

	<u>Funding</u>
2007-08	\$8,130,700
2008-09	7,971,400
2009-10	8,983,000
2010-11	9,158,800*

*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 \$6,498 in 2009-10. In that year, 31,916 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."]

13. 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 2009-10 school year, the Beloit, Delavan, Green Bay, Madison, Lake Geneva, Whitewater, Wausau and Sheboygan school districts were eligible for the first-draw funding.

Extent of Participation (2009-10): 55 school districts.

	<u>Funding</u>	<u>Proration</u>
2007-08	\$9,890,400	11.3%
2008-09	9,890,400	10.8
2009-10	9,544,200	9.7
2010-11	9,544,200	9.1*

*Estimated.

14. 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 was \$94.3 million in federal fiscal year 2009-10.

Extent of Participation (2010-11): 36 grantees including five school districts (Green Bay, Kenosha, Merrill, Milwaukee, and West Bend) and three CESAs.

	<u>Funding</u>
2007-08	\$7,209,500
2008-09	7,205,300
2009-10	6,937,000
2010-11	6,960,100*

*Budgeted.

15. 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 (2010-11): 38 elementary schools within four school districts (Beloit, Kenosha, Milwaukee, and Racine).

	<u>Funding</u>
2007-08	\$7,241,000
2008-09	7,309,600
2009-10	7,056,800
2010-11	7,096,400*

*Budgeted.

16. 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 (2010-11): 87 school districts and 12 CESAs.

	<u>Funding</u>
2007-08	\$5,957,400
2008-09	5,910,500
2009-10	5,711,600
2010-11	5,789,300*

*Budgeted.

17. 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 generally totaling 100% in the first through third 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.

Extent of Participation (2010-11): 70 grants were awarded to 86 school districts and two CESAs.

	<u>Funding</u>
2007-08	\$4,930,100
2008-09	4,923,900
2009-10	4,756,300
2010-11	4,825,000*

*Budgeted.

18. Nutrition 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. Under 2005 Act 25, independent charter schools participating in the Milwaukee and Racine charter program, as well as the state residential schools in Janesville and Delavan, were specified as eligible entities for state school lunch matching payments.

State Share: School lunch: a variable percentage (28.9% for 2007-08 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, charter schools, 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. These payments are made from the school lunch appropriation.

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

School breakfast: Funding is used to provide a per meal reimbursement of \$0.15 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 (2008-09):

	<u>School Districts</u>	<u>Residential & Charter Schools</u>	<u>Private Schools</u>
School Lunch	416	18	418
School Breakfast	321	16	117
Elderly Nutrition	17	0	1

Funding:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11 (Budgeted)</u>
School Lunch	\$4,159,700	\$4,055,400	\$4,131,900	\$4,218,100
Elderly Nutrition	92,600	87,200	N.A.	N.A.
School Day Milk	710,600	685,700	679,700	685,700
School Breakfast	<u>2,513,500</u>	<u>2,789,400</u>	<u>2,788,800</u>	<u>2,789,400</u>
Total	\$7,476,400	\$7,617,700	\$7,600,400	\$7,693,200

19. 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 per-

formance criteria, the district receives an amount equal to 10% of its prior year's equalization aid per pupil.

Extent of Participation (2009-10): 29 school districts.

	<u>Funding</u>	<u>Proration</u>
2007-08	\$3,500,000	34.3%
2008-09	3,500,000	33.9
2009-10	3,337,500	40.7
2010-11	3,377,500	N.A.

20. Sparsity Aid

Description: Under 2007 Act 20, a new program was created for school districts meeting the following criteria: (a) school district membership in the prior year of less than 725 pupils; (b) population density of less than 10 pupils per square mile of the district's area; and (c) at least 20% of school district membership qualifies for free or reduced-price lunch under the National School Lunch Program. Aid is equal to \$300 times membership in the previous school year. If funding is insufficient, payments are prorated. Funding was provided beginning in 2008-09.

Extent of Participation (2010-11): 123 school districts.

	<u>Funding</u>	<u>Proration</u>
2008-09	\$3,644,600	45.0%
2009-10	3,517,100	23.0
2010-11	14,948,100	94.0

21. Four-Year-Old Kindergarten Grants

Description: A new aid appropriation was created in 2007 Act 20 for two-year grants to school districts that implement a new four-year-old kindergarten (K4) program. Funding was provided beginning in 2008-09. Each eligible district receives up to \$3,000 for each K4 pupil enrolled in the district in the first year of the grant and up to \$1,500 for each K4 pupil enrolled in the second year of the grant. If the appropriation amount is insufficient to fully fund the maximum payments, DPI is required to prorate the payment amounts. In

awarding the grants, DPI is required to give preference to districts that use community approaches to early education. Under DPI rules, districts continuing in the grant program in their second year have priority for funding over districts new to the grant program in their first year.

Extent of Participation (2010-11): 10 school districts.

	<u>Funding</u>
2008-09	\$3,000,000
2009-10	3,000,000
2010-11	1,500,000

22. Mentoring Grants for Initial Educators

Description: Under administrative rule Chapter PI 34, three stages of licensure were established: initial, professional, and master educator. PI 34 requires that initial educators be provided with professional mentors. Created under 2005 Act 25, the mentoring grant program requires DPI to award a grant for each initial educator employed in a position requiring a teaching license. Each grant equals the amount that the employer is spending to provide a mentor for the initial educator, not to exceed \$375 per initial educator. If funding is insufficient, payments are prorated.

Extent of participation (2009-10): 266 school districts and charter schools and 137 private schools and agencies.

	<u>Funding</u>	<u>Proration</u>
2007-08	\$1,303,100	None
2008-09	1,335,000	None
2009-10	1,108,900	None
2010-11	1,302,700*	N.A.

*Budgeted.

23. 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 (2010-11): Ten school districts and 11 CESAs.

	<u>Funding</u>
2007-08	\$462,100
2008-09	486,800
2009-10	452,200
2010-11	482,500*

*Budgeted.

24. 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 his or her 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 (2009-10): 1,722 pupils received aid for full-time open enrollment transportation. No pupils received aid related to part-time open enrollment.

	<u>Funding</u>	<u>Proration</u>
2007-08	\$500,000	48.4%
2008-09	500,000	49.4
2009-10	482,500	32.7
2010-11	482,500	N.A.

25. Environmental Education

Description: Since 1990, the Wisconsin Environmental Education Board (WEEB), currently under the UW System, has provided grants to school districts, private schools, governmental units, and nonprofit corporations to enhance environmental, forestry, and energy education programs within their institutions. Small grants of up to \$5,000 and large grants of up to \$30,000 are awarded for 18-month periods. All awards require a 25% local match. WEEB grants are funded by a 5% surcharge on environmental fines, which was increased to 14% on all violations occurring after July 1, 2009; monies transferred from the forestry account of the conservation fund; and private gifts and grants. In 2010-11, WEEB received \$380,000 from the conservation fund, \$69,200 from the surcharge, and \$1,000 in donations.

Extent of Participation (2010-11): 48 grants, 17 of which were awarded to school districts and one of which was awarded to a charter school.

	<u>Funding</u>
2007-08	\$539,000
2008-09	475,600
2009-10	468,000
2010-11	450,200

26. 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 (2010-11): 12 CESAs.

	<u>Funding</u>
2007-08	\$300,000
2008-09	300,000
2009-10	289,500
2010-11	289,500

27. Grants for Nursing Services

Description: A new program was created under 2007 Act 20 for competitive grants to school districts, other than MPS, to employ additional school nurses or contract for additional nursing services. Grants must be awarded to those school districts that demonstrate the greatest need for nursing services based upon criteria such as the ratio of pupils to nurses, the rate of chronic health problems among pupils, and the number of pupils from low-income families. Funds may not be used to supplant existing staff or services. Grant recipients are required to submit a report to DPI describing the district's use of the grant and its effectiveness in providing additional nursing services to pupils.

Extent of Participation (2009-10): Eight school districts.

	<u>Funding</u>
2007-08	\$250,000
2008-09	160,500
2009-10	241,200
2010-11	241,200

28. Tribal Language Grants

Description: Under 2009 Act 28, a new grant

program was created for tribal language revitalization grants to school districts and CESAs. Funding is provided from tribal gaming program revenue transferred from DOA. A district or CESA in conjunction with a tribal authority may apply to DPI for a grant for the purpose of supporting innovative, effective instruction in one or more American Indian languages.

Extent of Participation (2009-10): 10 school districts.

	<u>Funding</u>
2009-10	\$247,500
2010-11	247,500*

*Budgeted.

29. Gifted and Talented

Description: Beginning in 2005-06, aid is provided annually as a grant program for advanced curricula and assessments for gifted and talented pupils. Grants may be awarded to nonprofit organizations, CESAs, and Milwaukee Public Schools, either individually or as collaborative projects.

Extent of participation (2010-11): Nine CESAs and MPS.

	<u>Funding</u>
2007-08	\$266,000
2008-09	241,800
2009-10	221,000
2010-11	263,500*

*Budgeted.

30. School District Grants

Description: Act 28 provided \$180,000 in 2009-10 on a one-time basis to provide grants of \$60,000 each to the following school districts: (a) Pepin Area, for technology improvements and a distance learning lab; (b) Cochrane-Fountain City, for purposes of transportation, class size reduction, and comprehensive education; and (c) Plum City, for purposes of transportation and specialized instruction. DPI was prohibited from encumbering funds

from this appropriation after June 30, 2010.

31. 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.

Under 2007 Act 20, DPI was required to award one or more grants totaling \$30,000 in 2007-08 from this appropriation to school districts in Ashland, Price, or Sawyer counties to study consolidation. Under that provision, grants were provided to Butternut, Glidden, and Park Falls school districts (\$9,000 each) and to Mellen School District (\$3,000), in addition to Laona School District, which received funding under the criteria of the original program (\$86,800).

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 (2010-11): One school district (Laona School District).

	<u>Funding</u>
2007-08	\$116,800
2008-09	85,800
2009-10	80,500
2010-11	120,600*

*Budgeted.

32. English as a Second Language for Southeast Asian Children

Description: Aid is provided for the Wausau School District for English instruction for 3-, 4-, and 5-year-old Southeast Asian children. These payments were previously funded from Temporary Assistance for Needy Families (TANF) funds under the Department of Workforce Development. Under 2005 Act 25, funding was shifted to GPR in a new appropriation under DPI.

	<u>Funding</u>
2007-08	\$100,000
2008-09	100,000
2009-10	96,500
2010-11	96,500

33. Advanced Placement Grants

Description: Under 2005 Act 25, a program was created to provide grants to school districts to partially reimburse the costs related to offering advanced placement (AP) courses in high schools that have not offered such courses in the past, or that expand the number of such courses offered. A grant cannot exceed an amount equal to \$300 multiplied by the number of pupils in the high school's AP courses in the fall or spring session in which the grant is awarded. In 2009-10, grants were prorated to \$66 per pupil.

Extent of participation (2009-10): 40 school districts received AP grants.

	<u>Funding</u>	<u>Proration</u>
2007-08	\$100,000	18.3%
2008-09	100,000	17.4
2009-10	96,500	22.0
2010-11	96,500	N.A.

34. Science, Technology, Engineering, and Mathematics

Description: Under 2007 Act 20, a new program was created for grants to school districts for the following activities: (a) to develop innovative instructional programs in science, technology, engi-

neering, and mathematics; (b) to support pupils who are typically under-represented in these subjects; and (c) to increase the academic achievement of pupils in these subjects.

Extent of Participation (2010-11): 12 school districts.

	<u>Funding</u>
2007-08	\$61,500
2008-09	59,800
2009-10	53,200
2010-11	59,400*

*Budgeted.

35. Distance Learning

Description: Under 2009 Act 28, one-time funding of \$50,000 in 2009-10 was provided for a grant to the Chequamegon School District for a distance learning lab.

36. Global Academy

Description: Under 2009 Act 28, one-time funding of \$50,000 in 2009-10 was provided for a grant to a consortium of seven school districts in Dane County, known collectively as the "global academy," to support program planning and development for specialized coursework leading to post-secondary education in the areas of health science, information technology, architecture and construction, or related to science, technology, engineering, and mathematics.

37. 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. If funding is insufficient, payments are prorated each semester. For the fall 2009 semester, the prorate was 54%. For spring 2010, the prorate was 50%.

Extent of Participation (2009-10): 49 pupils received aid related to the youth options program.

	<u>Funding</u>
2007-08	\$20,000
2008-09	20,000
2009-10	19,300
2010-11	19,300

Recent Trends in Categorical versus General Aid Funding

Table 8 shows the allocation of state school aid funding between equalization aid, other general aids, and categorical aids from 1993-94 through 2010-11. 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.

While some increases to categoricals were provided in the 2005-07 budget, relatively larger increases were provided for general aid funding, resulting in the highest proportions of school aid funding in recent history being distributed through the equalization aid formula in the 2005-07 biennium. However, that proportion decreased in the 2007-09 budget as a result of relatively small increases in equalization aid coupled with the creation of high poverty aid (a new type of other general aid) and relatively large increases in categorical aids, including special education and SAGE. That proportion decreased further in the 2009-11 budget as a result of the base funding reduction in general aid, resulting in the lowest proportion of aid being distributed through the equalization formula since 1995-96.

Table 8: Allocation of State School Aids (\$ in Millions)

Fiscal Year	<u>Equalization Aid</u>		<u>Other General Aids*</u>		<u>Categorical Aids</u>		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
2005-06	4,517.9	87.6	96.0	1.9	545.2	10.6	5,159.1
2006-07	4,620.4	87.3	102.3	1.9	571.7	10.8	5,294.4
2007-08	4,618.8	86.5	112.9	2.1	608.4	11.4	5,340.1
2008-09	4,699.3	86.0	112.2	2.1	650.9	11.9	5,462.4
2009-10	4,521.8	85.1	149.4	2.8	644.2	12.1	5,315.4
2010-11	4,548.0	85.4	123.2	2.3	653.8	12.3	5,325.0

*Includes integration (Chapter 220) aid, special adjustment aid, and high poverty aid, as well as minimum aids and aid to CCDEBs prior to 1996-97.

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

APPENDICES

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

- Appendix I provides general descriptive statistics on school district pupil membership, valuation, shared cost, and school levy rates.
- Appendix II provides sample calculations of the equalization aid 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 pupil membership, equalized valuations per member, shared costs per member, and mill rates. The first three variables are based on 2009-10 school year data, which is used to compute 2010-11 general school aids. The mill rates are based on property tax levies for the 2010-11 school year.

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

Table 9 shows that pupil membership ranges from 67 (Norris) to 85,239 (Milwaukee) with an average of 2,019. The fact that over half of all districts have memberships of less than 1,000 is

reflected in the lower median membership of 953. Eighty percent of all districts have memberships between 300 and 4,028.

Table 10 shows that adjusted equalized valuation per member ranges from \$210,944 (Beloit) to \$9,007,893 (North Lakeland) with an average of \$581,087. Again, the median value per member (\$526,706) is lower, reflecting the concentration of districts below the state average.

Eighty percent of all districts have equalized values per member between \$347,536 and \$1,196,358. The secondary guaranteed valuation (for K-12 districts) under the equalization formula for the 2010-11 aid year is \$1,243,890 per member.

Table 9: School District Pupil Membership – 2009-10 School Year

Pupil Membership	Number of Districts	Percent of Total	Cumulative Percent
Under 250	28	6.6%	6.6%
250 - 499	72	16.9	23.5
500 - 999	122	28.7	52.2
1,000 - 1,499	67	15.8	68.0
1,500 - 1,999	30	7.1	75.1
2,000 - 2,999	39	9.2	84.2
3,000 - 4,999	37	8.7	92.9
5,000 - 9,999	20	4.7	97.6
10,000 and Over	<u>10</u>	<u>2.4</u>	100.0
Total	425	100.0%	
Median	953		
Average	2,019		
Smallest	67		
10 th Percentile	300		
90 th Percentile	4,028		
Largest	85,239		

Table 10: Equalized Valuation Per Member* -- 2009-10 School Year

Equalized Valuation Per Member	Number of Districts	Percent of Total	Cumulative Percent
Under \$300,000	13	3.1%	3.1%
\$300,000 - \$349,999	32	7.5	10.6
\$350,000 - \$399,999	56	13.2	23.8
\$400,000 - \$449,999	53	12.5	36.3
\$450,000 - \$499,999	47	11.1	47.4
\$500,000 - \$599,999	58	13.7	61.1
\$600,000 - \$699,999	48	11.3	72.4
\$700,000 - \$999,999	60	14.2	86.6
\$1,000,000 - \$1,999,999	36	8.5	95.0
\$2,000,000 and Over	<u>21</u>	<u>5.0</u>	100.0
Total	424	100.0%	
Median	\$526,706		
Average	581,087		
Lowest	210,944		
10 th Percentile	347,536		
90 th Percentile	1,196,358		
Highest	9,007,893		

*Valuations for K-8 and UHS districts have been adjusted to be comparable to K-12 districts. Norris School District had \$1,325 in equalized value per member and has been excluded, except for the average.

Table 11 shows that shared cost per member ranges from a minimum of \$8,820 (West Bend) to a maximum of \$21,636 (Phelps) with an average of \$10,331. The median amount (\$10,529) is slightly higher than the state average. Eighty percent of all districts have shared costs per member between \$9,604 and \$12,331. The secondary cost ceiling under the equalization formula for the 2010-11 aid year is \$9,298 per member, equal to 90% of the statewide average shared cost in the prior year.

Area) to 16.57 mills (Elmwood). The median levy rate (9.95 mills) is estimated to be slightly higher than the state average of 9.76 mills. Eighty percent of all districts are estimated to have levy rates between 8.11 and 12.12 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 \$175,000 has, on average, a school tax bill of \$1,708 (9.76 times \$175). A taxpayer in Elmwood is estimated to have a school tax rate which is five and one-half times greater than a taxpayer in Gibraltar.

Table 12 shows that the preliminary school levy rates in 2010-11 range from 3.01 mills (Gibraltar

Table 11: Shared Cost Per Member* -- 2009-10 School Year

Shared Cost	Number of Districts	Percent of Total	Cumulative Percent		
Under \$9,500	28	6.6%	6.6%	Median	\$10,529
\$9,500 - \$9,749	41	9.7	16.3	Average	10,331
\$9,750 - \$9,999	41	9.7	25.9	Lowest	8,820
\$10,000 - \$10,249	48	11.3	37.3	10 th Percentile	9,604
\$10,250 - \$10,499	50	11.8	49.1	90 th Percentile	12,331
\$10,500 - \$10,749	42	9.9	59.0	Highest	21,636
\$10,750 - \$10,999	30	7.1	66.0		
\$11,000 - \$11,499	57	13.4	79.5		
\$11,500 - \$11,999	34	8.0	87.5		
\$12,000 and Over	<u>53</u>	<u>12.5</u>	100.0		
Total	424	100.0%			

*Norris School District has been excluded, except for the average, because it reported shared costs of \$7,218 per member in 2009-10.

Table 12: Preliminary School Levy Rates* -- 2010-11 School Year

Levy Rate	Number of Districts	Percent of Total	Cumulative Percent		
Under 7.00	21	5.1%	5.1%	Median	9.95
7.00 - 7.99	12	2.9	8.0	Average	9.76
8.00 - 8.99	59	14.3	22.3	Lowest	3.01
9.00 - 9.99	120	29.1	51.3	10 th Percentile	8.11
10.00 - 10.99	92	22.3	73.6	90 th Percentile	12.12
11.00 - 11.99	60	14.5	88.1	Highest	16.57
12.00 and Over	<u>49</u>	<u>11.9</u>	100.0		
Total	413	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

Sample Calculations Of The Equalization Aid Formula

The fundamental factors in determining a school district's eligibility for equalization aid are: (1) whether its equalized property value per pupil is greater than or less than the state's guaranteed value(s); and (2) if, and to what extent, its shared costs per pupil 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 member 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 member 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. *Negative Tertiary Aid.* A district in this category has shared costs per member above the secondary cost ceiling and an equalized value per member 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 member 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. *No Equalization Aid.* A few districts have an equalized value per member 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 13 summarizes 2010-11 aid year data regarding the number of school districts that fall into these particular categories of equalization aid. (The formula uses data from the prior year; there were 425 school districts in 2009-10.)

Table 13: Five Categories of Districts in the Equalization Aid Formula for Aid Year 2010-11

Category	Number of Districts	Percent of Total
Primary and Secondary Aid	10	2.4%
Positive Tertiary Aid	243	57.2
Negative Tertiary Aid	119	28.0
Primary Aid Only	32	7.5
No Equalization Aid	<u>21</u>	<u>4.9</u>
Total	425	100.0%

The guaranteed valuations and cost ceilings used in the sample calculations are the actual factors used in calculating equalization aid in 2010-11. These formula factors are:

	<u>Per Member</u>
Primary Guaranteed Valuation	\$1,930,000
Secondary Guaranteed Valuation	1,243,890
Tertiary Guaranteed Valuation	581,087
Primary Cost Ceiling	1,000
Secondary Cost Ceiling	9,298

Equalization aid is the sum of primary and secondary aid and, where applicable, tertiary aid, calculated using the primary, secondary, and tertiary guarantees. The equalization aid formula can be expressed as shown in Equation 1. 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 as Equation 2. This equation is known as the percentage method of calculating equalization aid.

Equation 1: Required Levy Rate Method

$$\text{State Aid} = [\text{State Guaranteed Value} - \text{District Equalized Value}] \times [\text{Shared Cost} \div \text{State Guaranteed Value}]$$

Equation 2: Percentage Method

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

To illustrate the calculation of equalization aid, the following examples will show each of the steps in the calculation for each district rather than condense the calculation into a mathematical format. The aid factors for each of the districts in the examples are shown. Each example also shows the calculation of shared costs, aid rates, and aid amounts at each tier, as well as the total aid payment.

District A: Primary and Secondary Aid

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

District A has 1,000 pupils, \$9.0 million in shared costs, and \$350 million in property value. Thus, District A has \$9,000 in shared cost per member and \$350,000 in property value per member. The first step in calculating equalization aid is to determine the amount of shared costs aided at each tier. Because District A's \$9,000 in shared cost per member is less than the \$9,298 secondary cost ceiling, the district will be aided on the primary and secondary tiers of the formula. The first \$1,000 of shared cost per member is aided at the primary tier. With 1,000 members, District A has \$1,000,000 in primary shared costs. The remaining \$8,000 in shared cost per member, or \$8,000,000, is aided at the secondary tier.

The second step in calculating equalization aid is to determine how much of the guaranteed tax base the state supports at each tier, which is the aid rate on the shared costs at each tier. Since District A's value per member of \$350,000 is below the secondary guarantee of \$1,243,890, the district receives positive aid at both tiers of the formula. On the primary tier, the state guarantees \$1,930,000 in value per member; District A has \$350,000 in value per member. The state supports the \$1,580,000 difference between the two, which is 81.87% of the guaranteed value. On the secondary tier, the state provides a smaller guarantee of \$1,243,890 per member. With District A's \$350,000 in value per member, the state supports \$893,890 in tax base per member, or 71.86% of the guaranteed value.

The third step in calculating equalization aid is to determine the amount of aid received at each tier, using the results of the first two steps. On the primary tier, District A has \$1,000,000 in shared cost and the state aids 81.87% of those costs. This results in \$818,700 in primary aid. On the secondary tier, District A has \$8,000,000 in shared cost and the state aids 71.86% of those costs,

resulting in \$5,748,800 in secondary aid.

The final step in calculating equalization aid is to add the results at each level, subject to any statutory hold harmless provisions. For District A, the primary and secondary aid amounts are added together, resulting in a total aid payment of \$6,567,500. With \$9,000,000 in total shared costs, this results in an overall equalization aid rate of 72.97%.

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 2010-11, 10 of the state's 425 school districts (or 2.4%) were primary and secondary aid districts under the equalization formula.

District A: Primary and Secondary Aid

Aid Factors:

1.	Pupil Membership	1,000
2.	Shared Costs	\$9,000,000
3.	Shared Costs per Member (Row 2 divided by Row 1)	\$9,000
4.	Property Value	\$350,000,000
5.	Property Value per Member (Row 4 divided by Row 1)	\$350,000

Aid Calculation:

Shared Costs at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	
6.	Shared Cost per Member at the Tier	\$1,000	\$8,000
7.	District A's Membership	1,000	1,000
8.	Shared Cost at the Tier (Row 6 multiplied by Row 7)	\$1,000,000	\$8,000,000

Aid Rate at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	
9.	State Guarantee per Member at the Tier	\$1,930,000	\$1,243,890
10.	District A's Property Value per Member	\$350,000	\$350,000
11.	Per Member Tax Base Supported by the State (Row 10 minus Row 9)	\$1,580,000	\$893,890
12.	District A's Aid Rate at the Tier (Row 11 divided by Row 9)	81.87%	71.86%

Aid Amount at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	
13.	District A's Aid Payment at the Tier (Row 8 multiplied by Row 12)	\$818,700	\$5,748,800

Total Aid Payment.

14.	Primary Aid	\$818,700
15.	Secondary Aid	<u>5,748,800</u>
16.	Total Aid (Sum of Rows 14 and 15)	\$6,567,500
17.	Total Shared Costs	\$9,000,000
18.	Aid as Percent of Costs (Row 16 divided by Row 17)	72.97%

District B: Positive Tertiary Aid

For school districts with shared cost above the secondary cost ceiling, aid is computed using the primary, secondary, and tertiary tiers. The next example shows how aid would be computed for a district with costs at all three tiers. District B has the same pupil membership and property value as District A from the previous example, but District B has total shared costs of \$9,500 per pupil rather than \$9,000 per pupil.

District B's shared costs of \$9,500 per pupil exceed the secondary cost ceiling of \$9,298. As a result, equalization aid for the district is computed using the primary, secondary, and tertiary guaranteed valuations.

As with District A, the first \$1,000 of shared cost per member is aided at the primary tier. Shared costs above \$1,000 per member but below the \$9,298 secondary cost ceiling (\$8,298 per member for District B) are aided at the secondary tier. Any costs in excess of \$9,298 per member (\$202 per member for District B) are aided at the tertiary tier. The first step in calculating aid for District B results in \$1,000,000 of primary shared costs, \$8,298,000 in secondary shared costs, and \$202,000 of tertiary shared costs.

Because District B has the same value per member as District A, it is aided at the same rate at the primary (81.87%) and secondary (71.86%) tiers. Because District B has tertiary costs, its aid rate at the tertiary tier must also be determined. On the tertiary tier, the state provides a guarantee of \$581,087 per member. With District B's \$350,000 in value per member, the state supports \$231,087 in tax base per member, or 39.77% of the guaranteed value. The smaller state guarantee at the tertiary tier results in a lower aid rate for tertiary shared

costs than the aid rate for primary and secondary shared costs.

With shared costs at all three tiers and three positive aid rates, District B receives positive aid at the primary tier (\$818,700), secondary tier (\$5,962,943), and tertiary tier (\$80,335). The total aid payment of \$6,861,978 represents 72.23% of District B's total shared costs. With some of its costs aided at the less-generous tertiary level, District B's overall aid rate is lower than that of District A.

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 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 72.23% of its total shared costs, at the margin only 39.77% of any additional shared costs will be aided by the state.

In 2010-11, 243 of the state's school districts (or 57.2%) are positive tertiary aid districts. Eight of the ten largest school districts in the state in terms of membership are positive tertiary districts.

District B: Positive Tertiary Aid

Aid Factors:

1.	Pupil Membership	1,000
2.	Shared Costs	\$9,500,000
3.	Shared Costs per Member (Row 2 divided by Row 1)	\$9,500
4.	Property Value	\$350,000,000
5.	Property Value per Member (Row 4 divided by Row 1)	\$350,000

Aid Calculation:

Shared Costs at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>
6.	Shared Cost per Member at the Tier	\$1,000	\$8,298
7.	District B's Membership	1,000	1,000
8.	Shared Cost at the Tier (Row 6 multiplied by Row 7)	\$1,000,000	\$8,298,000
			\$202,000

Aid Rate at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>
9.	State Guarantee per Member at the Tier	\$1,930,000	\$1,243,890
10.	District B's Property Value per Member	\$350,000	\$350,000
11.	Per Member Tax Base Supported by the State (Row 10 minus Row 9)	\$1,580,000	\$893,890
12.	District B's Aid Rate at the Tier (Row 11 divided by Row 9)	81.87%	71.86%
			39.77%

Aid Amount at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>
13.	District B's Aid Payment at the Tier (Row 8 multiplied by Row 12)	\$818,700	\$5,962,943
			\$80,335

Total Aid Payment.

14.	Primary Aid	\$818,700
15.	Secondary Aid	5,962,943
16.	Tertiary Aid	80,335
17.	Total Aid (Sum of Rows 14, 15, and 16)	\$6,861,978
18.	Total Shared Costs	\$9,500,000
19.	Aid as Percent of Costs (Row 17 divided by Row 18)	72.23%

District C: Negative Tertiary Aid

While the Wisconsin Supreme Court ruled payment of "negative aid" by school districts to the state for distribution to other districts unconstitutional, the current formula retains a negative aid aspect with regard to the tertiary tier. 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 has positive secondary aid which exceeds negative tertiary aid. District C has the same pupil membership and shared costs as District B from the prior example, but has twice as much property value as District B. The \$700,000 in property value per member for District C is between the secondary guarantee of \$1,243,890 and the tertiary guarantee of \$581,087.

District C has the same level of shared costs at each tier as District B. Because District C has more property value per member than District B, its aid rate at each tier is lower. Because District C's property value per member of \$700,000 is lower than both the primary and secondary guarantee, the district still generates positive aid at both of those tiers. At the tertiary tier, District C's property value per member is greater than the state guarantee. As a result, the district's taxpayers will

be required to generate revenues equal to 120.46% of the tertiary costs, with the excess levy being used to offset the reduction in positive secondary aid.

District C receives \$637,300 in primary aid and \$3,627,886 in secondary aid. The positive aid generated at the secondary tier, however, is offset by a loss of \$41,329 in aid at the tertiary tier. In total, District C receives \$4,223,857 in aid, which is 44.46% of its total shared costs.

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 44.46% of its shared costs in equalization aid, at the margin it actually loses over 20 cents for each dollar of additional costs because of its -20.46% tertiary aid rate.

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 2010-11, 119 school districts (28.0% of all districts) are negative tertiary aid districts.

District C: Negative Tertiary Aid

Aid Factors:

1.	Pupil Membership	1,000
2.	Shared Costs	\$9,500,000
3.	Shared Costs per Member (Row 2 divided by Row 1)	\$9,500
4.	Property Value	\$700,000,000
5.	Property Value per Member (Row 4 divided by Row 1)	\$700,000

Aid Calculation:

Shared Costs at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>	
6.	Shared Cost per Member at the Tier	\$1,000	\$8,298	\$202
7.	District C's Membership	1,000	1,000	1,000
8.	Shared Cost at the Tier (Row 6 multiplied by Row 7)	\$1,000,000	\$8,298,000	\$202,000

Aid Rate at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>	
9.	State Guarantee per Member at the Tier	\$1,930,000	\$1,243,890	\$581,087
10.	District C's Property Value per Member	\$700,000	\$700,000	\$700,000
11.	Per Member Tax Base Supported by the State (Row 10 minus Row 9)	\$1,230,000	\$543,890	-\$118,913
12.	District C's Aid Rate at the Tier (Row 11 divided by Row 9)	63.73%	43.72%	-20.46%

Aid Amount at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>	
13.	District C's Aid Payment at the Tier (Row 8 multiplied by Row 12)	\$637,300	\$3,627,886	-\$41,329

Total Aid Payment.

14.	Primary Aid	\$637,300
15.	Secondary Aid	3,627,886
16.	Tertiary Aid	<u>-41,329</u>
17.	Total Aid (Sum of Rows 14, 15, and 16)	\$4,223,857
18.	Total Shared Costs	\$9,500,000
19.	Aid as Percent of Costs (Row 17 divided by Row 18)	44.46%

District D: Primary Aid Only

The next example is District D, which receives primary aid only. District D has the same pupil membership and shared costs as District C from the prior example, but it has twice as much property value as District C. Its value per member of \$1,400,000 is between the primary guarantee of \$1,930,000 and the secondary guarantee of \$1,243,890.

District D has the same amount of shared costs at each tier as District C. At the primary tier, the state supports a tax base of \$530,000 per member for District D, which is 27.46% of the primary guarantee. This results in primary aid of \$274,600 for District D. Since the district's value 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 2.89% of total shared costs in District D.

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 2010-11, 18 school districts had an equalized valuation exceeding the secondary guarantee, and generated negative secondary aid. In addition, 14 school districts had negative tertiary aid which completely offset their positive secondary aid. In total, 32 school districts (7.5% of all districts) received only the primary aid amount.

District D: Primary Aid Only

Aid Factors:

1.	Pupil Membership	1,000
2.	Shared Costs	\$9,500,000
3.	Shared Costs per Member (Row 2 divided by Row 1)	\$9,500
4.	Property Value	\$1,400,000,000
5.	Property Value per Member (Row 4 divided by Row 1)	\$1,400,000

Aid Calculation:

Shared Costs at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>	
6.	Shared Cost per Member at the Tier	\$1,000	\$8,298	\$202
7.	District D's Membership	1,000	1,000	1,000
8.	Shared Cost at the Tier (Row 6 multiplied by Row 7)	\$1,000,000	\$8,298,000	\$202,000

Aid Rate at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>	
9.	State Guarantee per Member at the Tier	\$1,930,000	\$1,243,890	\$581,087
10.	District D's Property Value per Member	\$1,400,000	\$1,400,000	\$1,400,000
11.	Per Member Tax Base Supported by the State (Row 10 minus Row 9)	\$530,000	-\$156,110	-\$818,913
12.	District D's Aid Rate at the Tier (Row 11 divided by Row 9)	27.46%	-12.55%	-140.93%

Aid Amount at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>	
13.	District D's Aid Payment at the Tier (Row 8 multiplied by Row 12)	\$274,600	-\$1,041,399	-\$284,679

Total Aid Payment.

14.	Primary Aid	\$274,600
15.	Secondary Aid	-1,041,399
16.	Tertiary Aid	-284,679
17.	Total Aid (Primary Aid Hold Harmless - Row 14)	\$274,600
18.	Total Shared Costs	\$9,500,000
19.	Aid as Percent of Costs (Row 17 divided by Row 18)	2.89%

District E: No Equalization Aid

The final example is District E, which does not receive equalization aid. District E has the same pupil membership and shared costs as District D, but it has twice as much property value as District D. District E's value per member of \$2,800,000 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 no equalization aid 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.

In 2010-11, 21 school districts (4.9% of all districts) had an equalized value per member exceeding the primary guarantee.

District E: No Equalization Aid

Aid Factors:

1.	Pupil Membership	1,000
2.	Shared Costs	\$9,500,000
3.	Shared Costs per Member (Row 2 divided by Row 1)	\$9,500
4.	Property Value	\$2,800,000,000
5.	Property Value per Member (Row 4 divided by Row 1)	\$2,800,000

Aid Calculation:

Shared Costs at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>	
6.	Shared Cost per Member at the Tier	\$1,000	\$8,298	\$202
7.	District E's Membership	1,000	1,000	1,000
8.	Shared Cost at the Tier (Row 6 multiplied by Row 7)	\$1,000,000	\$8,298,000	\$202,000

Aid Rate at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>	
9.	State Guarantee per Member at the Tier	\$1,930,000	\$1,243,890	\$581,087
10.	District E's Property Value per Member	\$2,800,000	\$2,800,000	\$2,800,000
11.	Per Member Tax Base Supported by the State (Row 10 minus Row 9)	-\$870,000	-\$1,556,110	-\$2,218,913
12.	District E's Aid Rate at the Tier (Row 11 divided by Row 9)	-45.08%	-125.10%	-381.86%

Aid Amount at Each Tier.

	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>	
13.	District E's Aid Payment at the Tier (Row 8 multiplied by Row 12)	-\$450,800	-\$10,380,798	-\$771,357

Total Aid Payment.

14.	Primary Aid	-\$450,800
15.	Secondary Aid	-\$10,380,798
16.	Tertiary Aid	-\$771,357
17.	Total Aid (Negative Aid Not Permissible)*	\$0
18.	Total Shared Costs	\$9,500,000
19.	Aid as Percent of Costs (Row 17 divided by Row 18)	0.00%

* District E would receive special adjustment aid equal to 85% of its prior year general aid payment.