



DALE KOOYENGA

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February 1, 2018

TO: Assembly Committee on Education
FR: Representative Dale Kooyenga
RE: support for Assembly Bill 803

Thank you for holding a hearing on this bill.

Assembly Bill 803 relates to excluding costs funded by referenda from shared costs for the purpose of determining general equalization aids for school districts.

Under current law, school districts subject to negative tertiary aid who pass a referendum need to levy property taxes above the amount actually needed to fund their referendum. This means that these school districts must levy more than a dollar for each dollar of additional revenue needed.

This bill would redirect the excess portion from an operating or capital referendum that was previously directed to spending in other school districts to property tax relief in the impacted negative tertiary school district. This is a property taxpayer protection bill that will result in lower spending and has the support of numerous school districts around the state.

Assembly Amendment 1 to Assembly Bill 803 removes the operating referendum provision so that the bill only pertains to capital referendum.

Thank you for your attention to this legislation. I respectfully ask for your support of Assembly Bill 670.

**Assembly Education Committee
February 1, 2018**

**Wisconsin Department of Public Instruction
Testimony on 2017 AB 803**

Thank you, Chairman Thiesfeldt and members of the Assembly Education Committee for the opportunity to be here today to speak on AB 803. My name is Bob Soldner. I'm the Director of the School Financial Services Team for the Department of Public Instruction.

Since 1973-74, the State of Wisconsin has had what has been called a "power equalization" formula for the distribution of state general school aids. One of the primary guiding principles of our state school aid formula is the achievement of tax-base equalization so that districts that tax at the same rate spend at the same rate, all other things being equal. Our state school aid formula is designed to "equalize" each school district's property tax base so that a district's local tax rate is not dependent upon its property tax base, but rather on its level of spending per pupil. More simply put, a student should not be unfairly disadvantaged as a result of where she or he lives. School districts with less property value per student receive state general school aids at a higher percentage than districts with higher property values per student. The fundamental purpose of the equalization aid formula is to "equalize" the level of resources available to each school community.

One of the major equalizing components of our school aid formula relates to its redistribution of state general aid within the formula from higher property-value, higher spending districts that are known as "negative tertiary" districts to lower property-value, lower spending districts. There are 116 negative tertiary districts in this year's aid formula.

The third or final "tier" of funding in our school aid formula is designed to narrow the spending disparity among school districts and to serve as a disincentive for spending above the state-set secondary cost ceiling, which under state law is set at 90 percent of the statewide average shared cost per student (\$9,619 this year). Again, it is important to note this feature in the current formula has been in place for nearly 45 years as it was present in the former two-tier formula as well.

While the arguments of proponents of this bill and negative tertiary districts themselves are not without merit, we are opposed to AB 803 because it would work in the opposite direction of tax base equalization by allowing higher property-value, higher spending districts to exclude certain debt service costs from their eligible aidable costs, which compared to current law, would result in a redistribution of state general aid away from mostly lower property-value, lower spending

districts.

It is critical to note that the state general school aid appropriation is a sum certain, not sum-sufficient, appropriation so if one district or type of district receives more state general aid as a result of a change in state law, other districts will receive less state general aid as a result, which practically speaking, will result in higher property taxes in those districts.

Under this bill, no district would be able to spend more; rather, it would result in a shift in the distribution of state general school aid, which directly affects local property tax levies since general school aid is received within school district revenue limits.

Notably, this bill would not result in an increase in state general school aid for all negatively aided districts; rather, it would provide additional state school aid, compared to current law, only for those negative tertiary aided, or higher property-value districts that pass a debt referendum in the future. In fact, negative tertiary districts that do not pass a referendum would also receive less general school aid, like most other districts, if other negative tertiary districts pass debt referenda when compared to current law.

Please see the map we have handed out, which color-codes districts into certain categories to show, for this year, which districts, when compared to current law, would have possibly received more state aid due to this bill's provisions; which districts would lose state aid again compared to current law; and those districts that would likely not be impacted either way due to this bill. It is important to know a district's "position" in the general school aids formula. Certain districts that are light green colored now, could become cream colored (negative tertiary aided) if shared costs would increase.

Red and burnt orange colored districts-The bill would have no impact on these districts.

Cream colored districts-Would receive more state aid if they had a referenda compared to current law.

Green (light and dark) colored districts-Would receive less state aid than compared to current law.

Finally, while we do not support this bill, we have long agreed that the broader issue here should be addressed as schools districts are penalized for spending more than 90 percent of the state average cost per student under our school aid formula. As you may know, State Superintendent Evers has forwarded his Fair Funding plan to the Governor/Legislature four times over the past eight years and one aspect of his plan addresses this issue by increasing the secondary cost ceiling to 100 percent of the state average cost per student to immediately address this concern for all district spending, not just that portion related to successful passage of debt referenda. This solution was actually raised as an alternative by the Legislative Fiscal Bureau back in 1999 in one of its biennial budget issue papers as an option for addressing this concern by those who raised it at that time.

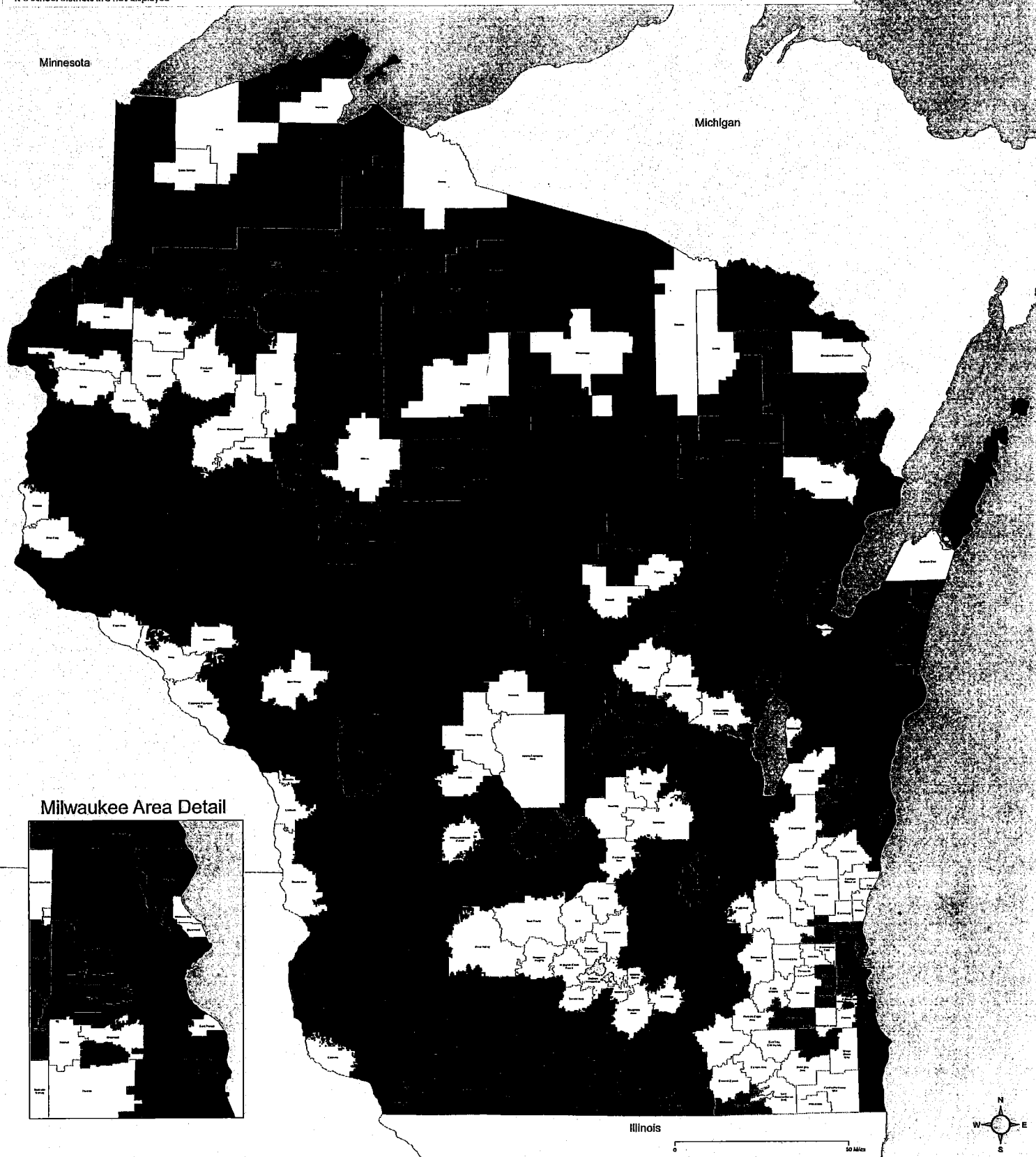
Again, thank you Chairman Thiesfeldt and members of the committee for the opportunity to testify today. I would be happy to answer any questions at this time.

School Districts By Category of State Equalization Aid in 2017-18

- No Aid
- Positive Primary & Secondary Aid
- Primary Aid Only
- Positive Primary, Secondary & Tertiary Aid
- Negative Tertiary Aid



*K-8 school districts are not displayed





Legislative Fiscal Bureau

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January 22, 2018

TO: Members
Blue Ribbon Commission on School Funding

FROM: Russ Kava, Fiscal Analyst

SUBJECT: School District Equalization Aid Categories

At the request of the Commission, this memorandum provides information on the aid categories of school districts under the equalization aid formula.

Background

Equalization Aid. A major objective of the equalization aid formula is tax base equalization. The formula operates under the principle of equal tax rate for equal per pupil expenditures. In pure form, this means that a school district's property tax rate does not depend on the property tax base of the district, but rather on the level of expenditures. 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. There is an inverse relationship between equalization aid and property valuations. Districts with low per pupil property valuations receive a larger share of their costs through the formula than districts with high per pupil property valuations.

The equalization aid formula is calculated using school district data (pupil membership, shared costs, and equalized valuations) from the prior school year. There are three guaranteed valuations used in the equalization formula that are applied to three different expenditure levels. The rate at which shared costs are aided through the formula is determined by comparing a district's per pupil property value to the three guaranteed valuations. Equalization aid is provided to make up the difference between the district's actual tax base and the state's guaranteed tax base.

Primary Tier. The first tier is for shared costs up to the primary cost ceiling of \$1,000 per member. State aid on these primary shared costs is calculated using the primary guaranteed valuation of \$1,930,000 per member. Both the primary cost ceiling and the primary guarantee are

set in statute. Primary aid is based on a comparison of the school district's equalized valuation per member to the \$1,930,000. Primary aid equals the amount of costs that would be funded by the missing portion of the guaranteed tax base. Every district whose equalized valuation per member is below \$1,930,000 receives at least the primary aid amount. Primary aid cannot be reduced by negative aid generated at the secondary or tertiary aid levels. This feature of the formula is referred to as the primary aid hold harmless.

Secondary Tier. The second tier is for shared costs that exceed \$1,000 per member but are less than the secondary cost ceiling, which is equal to \$9,619 per member in 2017-18. 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 secondary costs 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 funding available for distribution. In 2017-18, the secondary guaranteed valuation is \$1,172,875.

Tertiary Tier. The third tier is for shared costs that exceed the secondary cost ceiling of \$9,619 per member in 2017-18. State aid on tertiary shared costs is calculated using the tertiary guarantee, which, by law is set at the statewide average equalized valuation per member. The tertiary guarantee is \$573,439 in aid year 2017-18. If a school district's tertiary aid is a negative number, this amount is deducted from its secondary aid. 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.

Special Adjustment Aid. Special adjustment aid is fully funded as a first draw from the general school aids appropriation. Under 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.

Aid Categories of Districts

The main factor that determines a district's position in the equalization aid formula is its property value per pupil. There are exceptions based on cost, however.

- "Positive aid districts" have an equalized value per member that is below the tertiary guarantee. Districts in this category will receive positive aid at the primary, secondary, and tertiary (if applicable) levels.

- "Negative tertiary aid districts" have primary, secondary, and tertiary costs and an equalized value per member that is between the secondary and tertiary guarantees. These districts receive positive aid at the primary and secondary levels, but the positive secondary aid is partially offset by negative aid generated at the tertiary level.

- "Primary aid hold harmless districts" generally have an equalized value per member that is between the primary and secondary guarantees. These districts receive positive aid at the

primary level but generate negative aid overall at the secondary and/or tertiary levels. Under the primary aid hold harmless, these districts receive their primary aid amount.

- "No equalization aid districts" have an equalized value per member that exceeds the primary guarantee, and generate negative aid at all levels of the formula. As a result, they do not receive equalization aid.

The attachment shows the school districts in each aid category in the 2017-18 aid year. The districts marked with a single asterisk in the attachment were positive aid districts in the 2017-18 aid year, but would have been negative tertiary aid districts if they had had tertiary costs. The districts marked with a double asterisk received special adjustment aid in addition to the equalization aid entitlement generated under the formula as a result of its aid characteristics. While there is generally some stability as to which districts are in each aid category from year to year, a district can move to a different category based on changes in its equalized value per pupil and shared cost per pupil relative to the statewide average value per pupil and cost per pupil.

RK/bh
Attachment

ATTACHMENT

Equalization Aid Categories for School Districts for 2017-18

Positive Aid (249 Districts)

Abbotsford	Colfax	Howard-Suamico	Mukwonago *
Albany	Columbus	Independence	Neenah
Algoma	Cornell	Iola-Scandinavia	Neillsville
Alma Center	Crivitz *	Iowa-Grant	New Glarus
Almond-Bancroft	Cuba City	Ithaca	New London
Altoona	Cudahy	Janesville	New Richmond
Amery	D C Everest Area	Jefferson	Niagara
Antigo	Darlington Community	Johnson Creek	North Crawford
Appleton Area	Deerfield Community	Juda	North Fond du Lac
Arcadia	Denmark	Kaukauna Area	Norwalk-Ontario-Wilton
Argyle	DePere	Kenosha	Oak Creek-Franklin
Ashland	Dodgeand	Kewaunee	Oakfield
Athens	Dodgeville	Kickapoo Area	Oconto
Auburndale	Dover #1	Kiel Area	Oconto Falls
Augusta	Durand	Kimberly Area	Omrö
Baldwin-Woodville Area	Eau Claire Area	Lac du Flambeau #1 *	Oostburg
Bangor	Edgar	Ladysmith	Oregon
Baraboo	Edgerton	LaFarge	Osceola
Barneveld	Eleva-Strum	Lake Mills Area	Oshkosh Area
Barron Area	Elk Mound Area	Lancaster Community	Osseo-Fairchild
Beaver Dam	Ellsworth Community	Lena	Owen-Withee
Belleville	Elmwood	Little Chute Area	Parkview
Belmont Community	Evansville Community	Lomira	Pecatonica Area
Beloit	Fall Creek	Loyal	Peshtigo
Beloit Turner	Fall River	Luxemburg-Casco	Phillips *
Benton	Fennimore Community	Manawa	Pittsville
Berlin Area	Flambeau	Manitowoc	Platteville
Black Hawk	Fond du Lac	Marathon City	Plum City
Black River Falls	Fort Atkinson	Marinette	Plymouth *
Bloomer	Frederic	Marion	Port Edwards
Bonduel	Freedom Area	Marshall	Portage Community
Boscobel Area	Galesville-Ettrick	Marshfield	Potosi
Bowler	Genoa City J2	Mauston	Prairie du Chien Area
Boyceville Community	Germantown *	Mayville	Prairie Farm
Brillion	Gillett	Medford Area	Prescott
Brodhead	Glenwood City	Mellen	Pulaski Community
Brown Deer	Granton Area	Melrose-Mindoro	Racine
Butternut	Grantsburg	Menasha	Randolph
Cadott Community	Green Bay Area	Menominee Indian	Reedsburg
Cambria-Friesland	Greendale	Menomonie Area	Reedsville
Cameron	Greenwood	Merrill Area	Rib Lake
Cashton	Gresham	Milton	Richland
Cedar Grove-Belgium Area	Hartford J1	Milwaukee	Rio Community
Chilton	Highland	Mineral Point	Ripon Area
Chippewa Falls Area	Hilbert	Mishicot	River Ridge
Clayton	Hillsboro	Mondovi	Riverdale
Clear Lake	Holmen	Monroe	Rosendale-Brandon
Clinton Community	Horicon	Monticello	Royall
Clintonville	Hortonville	Mosinee	Saint Croix Central
Colby	Howards Grove	Mount Horeb Area	Saint Croix Falls

Salem J2
Seneca
Seymour Community
Sharon J11
Shawano
Sheboygan Area
Sheboygan Falls
Shiocton
Shullsburg
Silver Lake J1
Somerset
South Milwaukee
Southwestern Wisconsin

Sparta Area
Spencer
Spring Valley
Stanley-Boyd Area
Stevens Point Area
Stratford
Sun Prairie Area
Superior
Thorp
Tomah Area
Tomorrow River
Trevor-Wilmot
Tri-County Area

Two Rivers
Union Grove J1
Valders Area
Viroqua Area
Walworth J1
Waterford UHS
Waterloo
Watertown
Waupun
Wausau
Wautoma Area *
Wauwatosa *
Wauzeka-Steuben

West Allis
West DePere
West Salem
Westby Area
Westfield *
Weston
Whitehall
Wisconsin Rapids
Wittenberg-Birnamwood
Wrightstown Community

Negative Tertiary Aid (116 Districts)

Adams-Friendship Area
Alma
Arrowhead UHS
Ashwaubenon
Beecher-Dunbar-Pembin
Blair-Taylor **
Bristol #1
Bruce
Burlington Area
Cambridge
Campbellsport
Cassville
Cedarburg
Central/Westosha UHS
Chetek-Weyerhaeuser **
Cochrane-Fountain City
Coleman
Crandon
Cumberland
DeForest Area
Delavan-Darien
DeSoto Area
East Troy Community
Elkhorn Area
Franklin Public
Gilman
Gilmanton **
Grafton
Greenfield
Hamilton

Hartford UHS
Hartland-Lakeside J3
Herman-Neosho-Rubicon
Hudson
Hurley
Hustisford
Kettle Moraine **
Kewaskum
LaCrosse
Lake Geneva J1 **
Lake Geneva-Genoa UHS
Laona
Lodi
Luck
Madison Metropolitan
Maple
Markesan
McFarland
Menomonee Falls
Merton Community
Middleton-Cross Plains
Monona Grove
Montello
Muskego-Norway
Necedah Area
Nekoosa
New Auburn **
New Holstein
New Lisbon
North Cape

North Lake **
Northern Ozaukee
Norway J7
Oconomowoc Area
Onalaska
Palmyra-Eagle Area **
Pardeeville Area
Pepin Area **
Pewaukee
Port Washington-
Saukville
Poynette
Prentice
Princeton
Randall J1
Random Lake
Raymond #14 **
Rhineland
Rice Lake Area
Richmond **
River Falls
River Valley
Rosholt
Saint Francis
Sauk Prairie
Shell Lake
Shorewood
Siren
Slinger
Solon Springs

Southern Door
Stockbridge
Stoughton Area
Sturgeon Bay
Tigerton **
Turtle Lake
Twin Lakes #4
Union Grove UHS
Unity **
Verona Area **
Washburn
Washington-Caldwell **
Waterford J1
Waukesha
Waunakee Community
Waupaca
West Bend
Weyauwega-Fremont
Wheatland J1
Whitefish Bay
Whitewater
Whitnall
Wilmot UHS
Winneconne Community
Wisconsin Heights
Wonewoc-Union Center
Yorkville J2

Primary Aid Hold Harmless (36 Districts)

Bayfield **	Friess Lake **	New Berlin **	Tomahawk **
Big Foot UHS **	Glendale-River Hills	Nicolet UHS **	Wausaukee **
Brighton #1 **	Goodman-Armstrong **	Paris J1 **	Webster **
Chequamegon **	Hayward Community	Richfield J1 **	White Lake **
Elkhart Lake-Glenbeulah **	Kohler	South Shore **	Wild Rose **
Elmbrook **	Lake Country **	Spooner Area	Williams Bay
Erin **	Lake Holcombe **	Stone Bank	Winter**
Florence **	Maple Dale-Indian Hill	Suring **	Wisconsin Dells
Fox Point J2	Mequon-Thiensville	Swallow **	Woodruff J1

No Equalization Aid (21 Districts)

Birchwood **	Green Lake **	Norris	Three Lakes **
Drummond **	Lakeland UHS **	North Lakeland	Wabeno Area **
Elcho **	Linn J4 **	Northland Pines **	Washington
Fontana J8 **	Linn J6 **	Northwood **	
Geneva J4	Mercer	Phelps **	
Gibraltar Area **	Minocqua J1 **	Sevastopol **	

*District would have received negative tertiary aid if it had tertiary costs, but did not have such costs in aid year 2017-18.
**District received special adjustment aid in aid year 2017-18.



School Administrators Alliance

Representing the Interests of Wisconsin School Children

TO: Assembly Committee on Education
FROM: John Forester, Executive Director
DATE: February 1, 2018
RE: AB 803 – Excluding Costs Funded by Referenda From Shared Costs

The School Administrators Alliance (SAA) opposes Assembly Bill 803, relating to excluding costs funded by referenda from shared costs for the purpose of determining general equalization aids for school districts.

This is a difficult issue for the SAA. SAA members line up on both sides of this legislation. Some probably question why the SAA is taking a position on the bill. Let me explain. An important part of the job of every school administrator is to advocate for the interests of the students and parents they serve as well as the district's taxpayers. The SAA's role is to advocate for the collective interest of all SAA members in every Wisconsin school district. But that's not all. We also advocate for the long-term interests of public education in Wisconsin as well.

I have been lobbying for the SAA for 16 years now. Throughout my tenure, the SAA has supported a school equalization aid formula as the primary distribution mechanism for state school aid. It is one of a handful of firmly-held core beliefs we have on school finance. I believe that maintaining the integrity of the equalization aid formula is part of the collective interest we represent. It is also in the long-term interest of public education in Wisconsin. AB 803 runs counter to tax base equalization, one of the guiding principles of our school aid formula. If adopted, it would result in a redistribution of general aid that will create winners and losers among Wisconsin school districts.

One of the biggest concerns we have about the bill is there is no definitive analysis laying out what the impact of the bill will be on all school districts in Wisconsin. SAA members throughout Wisconsin need to have at least a reasonable idea of what that impact will be so they can respond to their legislators about the bill. Without that analysis, we simply believe the bill should not move forward.

While we do not support this bill, we are not unsympathetic to the arguments offered by proponents about the hardships of the current policy. We simply believe that these types of changes should not be considered in a piecemeal fashion; rather, they should be considered in the broader context of potential changes to the equalization aid formula. As an example of this broader context, the SAA has long supported increasing the secondary cost ceiling from its current 90% of statewide average shared cost per pupil to at least 100% of the state average. This policy change would clearly be positive for negative tertiary districts. It makes no sense from a policy standpoint that Wisconsin begins penalizing school districts under the equalization aid formula for spending at 90% of the state average.

Speaker Vos and Majority Leader Fitzgerald have created the Blue Ribbon Commission on School Funding to deliberate on possible changes to the equalization aid formula and other aspects of the Wisconsin school finance system. We believe that is where discussion of the subject of AB 803 belongs. It should be noted that at the Commission's first meeting held on December 14, 2017, the issues of negative aid and the secondary cost ceiling were raised as subjects for future discussion.

While I'm sure the SAA's position on AB 803 and our suggestion that it be discussed within the broader context of the Blue Ribbon Commission's charge will not be viewed favorably by the proponents, we believe it affords us the best way to maintain the integrity of the equalization aid formula and to balance the interests of all Wisconsin school districts on this issue.

Thank you for your consideration of our views. If you should have any questions on our position on AB 803, please call me at 608-242-1370.



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You Can Build on That

January 26, 2017
Representative Dale Kooyenga
C/o Wisconsin State Capitol
324East
Madison, WI 53708

Dear Rep. Kooyenga,

I would like to voice my support for AB803 to restructure school funding for negative school districts. It is my hope that this piece of legislation will restore tax fairness to all school districts in Wisconsin.

Public schools are the most important economic development drivers for every school district. Quality schools drive home prices, tax base, development and other forms of job creations.

My family and I have been active in the Wauwatosa School District for over 20 years. We have volunteered as PTA leadership, coaching athletics, Girl Scout leadership and raising dollars for athletic and academic programs. Even though we have no children in the district we still are active when asked for assistance.

This bill is a simple tax fairness issue. The classroom of 20 years is different than the classroom of today. The classroom of 2038 will be different will be different than the classroom of 2018.

School districts need the flexibility to be able to address the needs of the workforce of the future. It is my hope that the legislature and the Governor will give school districts and the taxpayers a level playing field.

Thank you for you leadership in introducing this legislation.

Sincerely,

A handwritten signature in black ink that reads 'Bob Dennik'. The signature is written in a cursive, flowing style.

Robert R. Dennik
VJS Construction Services