



WISCONSIN LEGISLATIVE COUNCIL

REVIEW OF STATE SCHOOL AID FORMULA

Legislative Fiscal Bureau Conference Room
Madison, Wisconsin

November 17, 2006
10:00 a.m. – 2:22 p.m.

[The following is a summary of the November 17, 2006 meeting of the Special Committee on Review of State School Aid Formula. The file copy of this summary has appended to it a copy of each document prepared for or submitted to the committee during the meeting. A digital recording of the meeting is available on our Web site at <http://www.legis.state.wi.us/lc>.]

Call to Order and Roll Call

Chair Olsen called the meeting to order. The roll was called and it was determined that a quorum was present.

COMMITTEE MEMBERS PRESENT: Sen. Luther Olsen, Chair; Sens. Alberta Darling, Julie Lassa, and Jon Erpenbach; Reps. Brett Davis, Jeffrey Mursau, Pat Strachota, Debi Towns, Amy Sue Vruwink, and Mary Williams; and Public Members Gary Andrews, Todd Berry, Robert Borch, John Burnett, John Gaier, Nancy Hendrickson, Dianne Lang, Michelle Nate, Andy Reschovsky, and Ron Welch.

COMMITTEE MEMBERS EXCUSED: Rep. Jason Fields.

COUNCIL STAFF PRESENT: Russ Whitesel and Mary Matthias, Senior Staff Attorneys.

Approval of the Minutes of the October 25, 2006 Meeting of the Special Committee

Representative Williams moved, seconded by John Burnett, to approve the minutes of the October 25, 2006 meeting of the Special Committee. The motion passed on a unanimous voice vote.

Chair Olsen's Remarks

Chair Olsen thanked members for e-mailing the staff their ideas for “near-term” solutions to help school districts facing financial difficulties. He explained that he reviewed all of the submissions with staff to identify those that were of interest to a large number of committee members and that would be a good starting point for committee dialogue. He asked the Legislative Fiscal Bureau (LFB) to prepare discussion papers on those ideas for today’s meeting, but he explained that the other ideas that have been submitted can be discussed at future meetings. He also encouraged Committee members to feel free to send in any additional ideas they may have.

Brief Description of Material Distributed

Memoranda from the LFB:

- *Pupil Transportation Costs*

Layla Merrifield, LFB Fiscal Analyst, provided the committee with information on pupil transportation costs and discussed options for structuring state categorical aids for a portion of those costs. Currently, school districts are paid a flat annual amount per transported pupil, which varies according to the distance that each pupil is transported. In 2005-06, state aid reimbursed approximately 8 % of the transportation costs of school districts.

Ms. Merrifield presented options for reimbursing school districts for a higher percentage of their transportation costs than the current 8% of their transportation costs. She said that each additional percentage point of reimbursement would cost an estimated \$2.7 million annually. She also described an alternative that would reimburse districts that have “excess costs” for transportation, i.e., those whose transportation costs make up more than 5% of their total education costs.

The committee discussed the option of reimbursing districts for the number of miles traveled on their bus routes. Ms. Merrifield explained that since the Department of Public Instruction (DPI) does not collect this information from districts, it would be very difficult to estimate the cost of providing aid by this method.

Chair Olsen stated that it is important to provide funding to districts that have excess transportation costs since those excess costs negatively impact the children in those districts. He said state aid for excess transportation costs could create a level playing field for all districts. Ms. Hendrickson agreed that it is an important goal, since districts have no choice but to provide transportation.

The committee discussed whether providing reimbursement of 100% of excess costs of transportation might be an incentive for districts to take on extra costs such as by redesigning or adding bus routes. Mr. Loppnow suggested that to ensure districts do not take advantage of the new aid, the aid could be limited to an amount less than 100% of excess costs.

Committee members also discussed limiting the aid to districts that meet certain criteria such as large geographical size or low pupil population density.

It was decided that for the next meeting, the LFB staff would calculate which districts would receive additional funding if transportation aid were provided to districts that spend more than 5% of their educational budget on transportation. The LFB staff will also calculate the cost of reimbursing those districts for 100% and 75% of those excess costs.

- *Options for Aid Based on District Sparsity*

Ms. Merrifield described the option for sparsity aid set forth in her memorandum to the committee. She explained that “sparsity” aid would be directed at districts that have a large geographical area and low pupil enrollment.

Mr. Loppnow explained that large area/low enrollment districts have higher costs per students since they lack economies of scale and have high transportation costs. It may not be feasible for large districts to consolidate with a neighboring district because the resulting district would be so large that it would be impractical to transport pupils to school. Many of these districts have a generally low income population which makes it difficult to pass a referendum to exceed the revenue limits.

The committee discussed possible criteria for sparsity aid eligibility such as district square mileage, income levels, pupil population density, and total pupil enrollment.

The committee discussed the benefits of establishing a grant program rather than an aid program. Concerns were expressed that a grant program would be more administratively burdensome for districts and would not provide as much predictability for budgeting purposes. However, a grant program would allow DPI to pinpoint aid to the most needy districts. General criteria for an aid program might not encompass certain districts that do not fit within the parameters of the criteria but nevertheless have sparsity-related needs.

In response to a question, Mr. Loppnow explained that efforts to assist school districts are often cost-driven, in that it is first determined how much money is available, and based on that amount it is determined how many districts will receive aid.

The committee discussed whether large area and low enrollment always equates with high costs per pupil. For example, it was stated that some geographically large districts may be able to afford to have small class sizes. The committee discussed the need to define a “quality education” in order to determine whether “sparse” districts can provide a quality education.

Representative Towns stated that if the state provides funding in the form of sparsity aid, then the state should specify what the funds may be used for. Mr. Welch responded that sparsity aid would be used to fund the basics, which are already mandated by statute and federal laws, such as the No Child Left Behind Act.

Several members commented that the problems that would be addressed by sparsity aid are long-term problems that will not disappear over time, and need long-term solutions. It was stated that the “sparsity” problems are caused by the state aid formula and revenue caps that make it necessary for a district to go to referendum just to meet the basic needs of students and keep the district operational. Chair Olsen stated that sparsity would still be a problem for certain districts even if the school aid formula were changed because they are “outliers” and can not be adequately worked into the formula.

Chair Olsen asked LFB staff to work with DPI to develop options for a grant program based on “sparsity” and gather additional information on various alternatives for sparsity aid.

- *Revenue Limits – Declining Enrollment*

Mr. Kava described the proposals to provide additional revenue limit authority for school districts with declining enrollment, as set forth in the memorandum he prepared for the committee. He described the declining enrollment adjustment in current law and options to increase the amount of the adjustment or make it a multi-year adjustment. He also discussed changing the current three-year rolling average method of determining pupil enrollment to a five-year rolling average, and DPI’s request to set the revenue limit for a district with declining enrollment at the previous year’s level.

The committee discussed the impact of these proposals on school districts. Mr. Pahnke commented that the number of districts with declining enrollments has recently decreased, which may be due, in part, to more districts offering 4-year old kindergarten.

The committee discussed allowing districts to choose from among various methods of calculating pupil enrollment to determine which is most advantageous to a particular district. The committee also discussed methods of allowing a district to phase-in enrollment drops over time to avoid sudden sharp drops in revenue. Mr. Loppnow explained that the current declining enrollment adjustment was originally proposed in a budget bill as a 75%-50%-25% 3-year phase-out but the second two years were vetoed by the Governor.

Chair Olsen pointed out that to have sufficient support for passage, any proposal addressing declining enrollment must not take revenue from districts with increasing enrollment. He asked LFB staff to calculate the impact of several of the ideas discussed by the committee and present the information to the committee at its next meeting.

- *School District Consolidation Aid Under Current Law*

Mr. Kava described the aid incentives under current law for school district consolidation, as set forth in the memorandum he prepared for the committee. In response to a question, Mr. Kava said that there is currently no aid provided to help districts study the feasibility of consolidating. The committee discussed developing a method to provide aid to districts that want to study feasibility of consolidating.

Mr. Borch said the one large barrier to consolidation is the unwillingness of a district to take on the debt of another district. He said that if the state wants to encourage consolidation of districts, it must address the debt issue. Mr. Welch commented that it is politically very difficult for a school district administrator to propose consolidation, and that there may be negative impacts for a community that is part of a consolidation. Ms. Hendrickson stated that it is not known whether mass consolidations throughout the state will achieve a significant cost savings. She said it is crucial for the state to assist districts in analyzing the possible costs and benefits of consolidation.

Chair Olsen said he does not think consolidation saves a lot of money but it does allow districts to offer more courses and opportunities to its pupils. He agreed that the state should offer financial help to districts studying the feasibility of consolidation. He suggested that if these studies show that debt is a crucial disincentive to consolidation, the state should address that issue at that time.

The committee discussed setting aside several thousand dollars to be available as grants to districts considering consolidation. Mr. Borch stated that it would be very helpful for DPI to also provide a consultant with expertise in consolidation to present options to the districts. Ms. Hendrickson stressed that leadership and structure are needed from the state on this issue if consolidations are to occur. She said districts need help in determining whether consolidation is in the best interest of students.

Chair Olsen asked the Legislative Council and the LFB staff to gather more information on previous consolidation proposals and prepare a paper discussing various options for a consolidation feasibility grant program.

- *Equalization Aid – Secondary Cost Ceiling*

Mr. Kava described the proposal to modify the secondary cost ceiling of the equalization aid formula, as set forth in the memorandum he prepared for the committee. Mr. Berry pointed out that the proposal had the unexpected effect of providing more funding to Madison and less to Milwaukee. Chair Olsen commented that the proposal would create an incentive for districts to spend more. Mr. Welch commented that instead of this proposal, he would prefer a proposal that would close the spending gap between districts.

Mr. Pahnke of the Department of Public Instruction commented that there are 130 districts currently receiving negative tertiary aid. This may lead some people to conclude that the school aid the formula is not working effectively. Mr. Borch commented that what is needed is a mechanism to help districts lower their spending as property values increase.

After further discussion, Chair Olsen asked LFB staff to prepare a paper discussing options for raising the low revenue ceiling.

Discussion of Committee Assignment and Plans for Future Meetings

There was no further discussion.

Adjournment

The meeting was adjourned at 2:22 p.m. The next meeting of the Special Committee will be held on December 18, 2006 at 10:00 a.m., in the LFB Conference Room.

MM:tlu