



WISCONSIN LEGISLATIVE COUNCIL

REVIEW OF STATE SCHOOL AID FORMULA

Legislative Fiscal Bureau Conference Room
Madison, Wisconsin

January 22, 2007
10:00 a.m. – 2:30 p.m.

[The following is a summary of the January 22, 2007 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. Julie Lassa and Jon Erpenbach; Reps. Brett Davis, Jason Fields, Jeffrey Mursau, Pat Strachota, 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, Debi Towns, and Ron Welch.

COMMITTEE MEMBERS EXCUSED: Sen. Alberta Darling.

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

<p>*ATTENTION: This was the final meeting of the Special Committee on Review of State School Aid Formula. Committee members are requested to send any corrections regarding these Minutes to the Legislative Council staff. After the incorporation of any corrections, these Minutes will be considered approved by the committee.</p>
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Approval of the Minutes of the December 18, 2006 Meeting of the Special Committee

Representative Williams moved, seconded by Robert Borch, to approve the minutes of the December 18, 2006 meeting of the Special Committee. The motion passed on a unanimous voice vote.

Discussion of Committee Assignment

- **Pupil Transportation Aid**

Chair Olsen welcomed the members to the meeting. He asked the Legislative Fiscal Bureau staff to describe the memorandum prepared for the committee entitled, *Pupil Transportation Aid - Example of Option for Aid for Excess Costs*. Chair Olsen said he favored the option that would reimburse districts for 75% of their transportation costs that are in excess of 5% of the district's total education costs (the "75%/5% proposal"). He asked members for their opinions regarding this alternative and for their thoughts on whether the proposal should be funded out of the current transportation fund or from equalized aid formula funds.

Mr. Reschovsky commented that he did not support the proposal because it could create an incentive for districts to spend more money on transportation and could reward districts that are not operating their transportation systems as efficiently as possible. He said he would prefer reimbursing districts on the basis of actual miles driven by their busses. Chair Olsen explained that the committee had discussed that option at length at a previous meeting which Mr. Reschovsky had been unable to attend and that the committee at that time decided that the 75%/5% proposal would help "sparse" districts - i.e., those districts with a small pupil population dispersed over a large geographic area.

Mr. Berry stated that sparsity is a big concern and that some sparse districts may not survive if they do not get help soon. He suggested limiting the proposal to school districts that meet a certain square mile size threshold. He also advocated allocating funds from general aids to fund the proposal. Ms. Towns questioned the appropriateness of addressing the sparsity issue through the use of transportation funds and commented that under the proposal, districts could manipulate their bus routes to make money. Mr. Gaier and others said they thought it was very unlikely that districts would manipulate their bus routes to take advantage of the funding proposal. The committee discussed the pros and cons of various methods of reimbursing districts for transportation costs.

Mr. Reschovsky suggested that rather than promoting a new method of reimbursement, the committee should endorse adding a category to the current reimbursement formula that would provide additional aid for the transportation of students who live more than 12 miles from school. Mr. Berry suggested an alternative using the current formula but collapsing the mileage categories into three categories and increasing the amount of aid provided for each category. Mr. Loppnow of the Legislative Fiscal Bureau pointed out that the 75%/5% option would provide a bigger boost to the neediest districts than would the other proposals because of the relatively small amount of money provided under the general transportation aid formula.

Senator Lassa expressed her unease about voting for any proposal without knowing exactly how it would affect the school districts in her Senate district. Senator Erpenbach suggested that funding for

any of the proposals come from the State General Transportation Fund rather than funds designated for public education.

After further discussion, the committee tentatively agreed to direct the Department of Public Instruction (DPI) to collect data from school districts on the total number of miles driven by school busses in each district per semester to transport pupils to and from school, excluding any transportation provided for special education pupils and for extra curricular activities. The purpose of this data collection is to aid future analysis of the impact of providing transportation aid to districts based on actual miles driven. The committee also tentatively agreed to recommend allowing DPI to prorate district transportation payments positively from the appropriation for school district transportation under ss. 121.58 (6) and 20.255 (2) (cr), Stats. Under current law, DPI may only prorate those payments negatively when the appropriation is insufficient to cover costs filed by districts. Finally, the committee tentatively agreed to endorse DPI's budget request to increase the district reimbursement rate for pupils transported more than 12 miles from their home from the current annual rate of \$180 to \$220 annually, to be funded from the current appropriation of \$27.3 million annually.

Declining Enrollment

Chair Olsen noted that its previous meeting, the committee determined that the second alternative in the December 18, 2006 Legislative Fiscal Bureau memo entitled, *Additional Information on Declining Enrollment Alternatives* best addressed the declining enrollment issues facing school districts. That proposal would restructure the current law declining enrollment adjustment from a single-year to a three-year adjustment. Under this alternative, in the first year of an enrollment decline, a district would receive 100% of the allowable revenues that the decline would have generated. In the year after the decline, the district would receive an adjustment equal to 75% of the first-year adjustment. In the second year after the decline, the district would receive an adjustment equal to 50% of the first-year adjustment. The Committee expressed consensus to move this proposal forward.

Low Revenue Ceiling

Russ Kava of the LFB discussed the memo he prepared for the committee entitled, *Revenue Limits: Information on Additional \$100 Increase in Low-Revenue Ceiling*, dated January 22, 2007. Chairperson Olsen said he supported this proposal and said it would help ensure adequacy of educational opportunity throughout the state. Mr. Reschovsky disagreed and discussed several handouts that he prepared on the topic. He said that low revenue districts currently have authority to increase spending since they are spending below the revenue cap limits. Mr. Reschovsky said that the amount spent per pupil by a district to achieve adequacy varies since educational costs vary greatly among districts. For example, some high spending districts have a high percentage of low-income or special education students.

Mr. Welch said that some low-spending districts feel that high-spending districts have not made the same level of budget cuts as have the low-revenue districts. Representative Strachota stated that some low-spending districts also have a high percentage of students with special needs. Ms. Nate said she could support the proposal if she had assurance that it would not result in less funding being available to other districts. Mr. Loppnow said the proposal would not have redistributive effects if the state chose to maintain 2/3 state funding, but pointed out that it is not statutorily required maintain that level.

After further discussion, the committee expressed consensus to move forward a proposal to increase the low-revenue ceiling by \$400 per pupil in each year of the next biennium. Thus, the 2007-08 low-revenue ceiling would be increased to \$8,800 per pupil and the low-revenue ceiling in the 2008-09 school year would be increased to \$9,200.

Revenue Limits- Flexibility Options

Russ Kava of the LFB discussed a memo he prepared entitled *Revenue Limits- Flexibility Options*, dated January 22, 2007. He explained that the proposal described in the memo would allow a school board to increase its revenue limit, on a non-recurring basis, by an amount equal to a statutorily set percentage of the statewide average allowable revenue per pupil in the previous school year, multiplied by the district's current year three-year rolling average pupil count. Chair Olsen said he was in favor of allowing a district to exceed its revenue cap by 1% of statewide average allowable revenue per pupil, and specifying that any amounts generated by this additional authority would not be included in the partial school revenues for the purpose of calculating state aid. In other words, the amounts generated would not generate corresponding state aid and would not be included in the state's 2/3 funding goal calculation. He said the 1% increase would amount to roughly \$100 per student.

Ms. Towns stated that districts already have authority to exceed their revenue caps if they get approval through a referendum and suggested that districts should be required to follow this procedure. Mr. Burnett expressed support for the proposal saying that it allows for local control over a very small amount of a district's budget. The committee discussed the effect of the proposal on negative tertiary aid districts. It was pointed out that the proposal would allow such a district to spend the entire amount raised through the increase in local property taxes, rather than having to in effect raise a larger amount in property taxes than could be spent by the district if exceeding the revenue cap were approved by referendum under current law.

Representative Davis said he was concerned about allowing an increase in school district revenue without creating any controls on spending. He said the proposal would defeat the purpose of the revenues caps, which was to slow down property tax increases. The committee discussed the problem of the ongoing gap between average annual school district spending authority and annual cost increases, primarily due to the increasing expenses of employee salaries and health care. Ms. Towns stated that she opposed the proposal because it would run counter to the philosophy of the aid formula and revenue caps and would benefit negative tertiary aid districts. Mr. Borch said that providing school boards control over 1% of their budget would not damage the system of school finance.

Chair Olsen said the proposal would provide needed immediate relief to districts that are having a hard time staying afloat. He said that if the Legislature does not address the school finance system, it is only a matter of time until it faces another legal challenge and there is a possibility that revenue limits could be struck down by the courts. Mr. Reschovosky agreed and said the proposal is needed because it is more broad-based than the other proposals discussed by the committee, which would only be available to a small percentage of school districts. Mr. Berry commented that the cost of employee benefits is the biggest financial problem for districts. Mr. Andrews said that the proposal does not provide enough for districts but it will help. Representative Strachota said the proposal would inappropriately allow districts to circumvent the referendum requirement. Representative Davis said he would like a statement to be included with the committee's recommendations stating that the Legislature should examine the issue of out-of-control costs faced by school districts and develop controls on those costs.

The committee agreed to move the proposal forward with the understanding that several members did not support increasing school district spending authority without implementing additional cost controls.

Grant Program for School District Consolidation Feasibility Studies

Russ Whitesel briefly described WLC 0029/1, creating a grant program for school district consolidation feasibility studies, making an appropriation, and creating rule-making authority. He explained that under the proposal, a consortium of two or more school districts could apply to DPI for a one-time grant to conduct a school consolidation feasibility study. An applicant would be required to submit a plan identifying the school districts engaged in the study, the issues the study would address, and how the grant funds would be allocated. The program would be funded with an appropriation of \$250,000 in the 2008-09 fiscal year and grant amounts would be limited to \$10,000 per year. DPI may give priority to applications that demonstrate prior district attempts to address underlying issues associated with management and operation of the district and the district's programs. The results of the study must be provided to DPI. DPI is directed to promulgate rules to implement and administer the program.

The committee discussed the proposal and agreed to move it forward.

Other Business

Chair Olsen thanked the members for their service on the committee. He encouraged them to promote the work of the committee and said that unless members and other interested people contact their legislators and urge them to support the proposals they will likely not be passed into law. He said it would also be helpful for members to contact local media and the Governor to express their support for the committee's recommendations.

[**Note:** Subsequent to the meeting, Chair Olsen directed staff to prepare a mail ballot for committee members to vote in the package of proposals developed at the meeting.]

Adjournment

The meeting was adjourned at 2:30 p.m.

MM:tlu