To: Legislative Colleagues
From: Sen. Kathleen Vinehout
Date: February 8th, 2018
Re: Co-sponsorship of LRB 5382/1: Sparsity Aid for High Property Value School
                       Districts
Deadline: 3pm on Friday, February 16th, 2018

Rural communities work hard to support their schools, but provisions of the state's school funding formula work against rural schools.

State aid for schools is allocated based on a school district's enrollment. Fewer students results in less aid. Sparsely populated rural school districts already struggle with less state aid to meet ever-increasing costs of operation, but many of these districts lose huge amounts of state aid as declining enrollment reduces the maximum amount of state aid they receive year after year.

In 2007, I worked with lawmakers and DPI to create sparsity aid. This categorical aid assisted sparsely-populated smaller school districts. Sparsity aid was cut back in the 2011-13 budget and has not kept up with rising costs. This fact, along with historic cuts to general school aid, forced many rural school districts to go to referenda just to pay operating costs.

LRB 5382/1 addresses a quirk in the state's equalization aid formula that requires some rural school districts to give back state aid even though they receive sparsity aid to assist with maintaining basic operations. The reason is they fall into the category of Negative Tertiary Aid.

The state's equalization aid formula is a cost-sharing formula. The state and the local district each contribute to fund the total cost of schools. The formula uses a number of "tiers" to calculate the amount of aid a district receives. The formula equalizes or "levels the playing field" by distributing more aid to poorer school districts - defined as those with lower property value – to make up for what they can't provide from their property tax base.

Negative Tertiary Aid requires wealthy school districts – defined as those with high property value – to give back state aid to "equalize" available resources across the state. The problem arises because many rural schools often have high property value, which makes them appear to be "wealthy," but they have low resident income.

Expensive hunting land, lake homes as well as other recreational properties, often owned by out-of-state persons, can drive up the value of rural property. Local residents with lower income levels cannot support a school district strictly on property taxes.

The Pepin school district is an example of the problem. Pepin school district, which qualified for sparsity aid, loses $900,000 a year in "negative tertiary aid" when their mill rate is $14 per $1,000 assessed value. The statewide average is about $10.26 per $1,000 assessed value.

This bill would eliminate or reduce "negative tertiary aid" for school districts receiving sparsity aid. This is a commonsense change to help small rural districts. LRB 5382/1 was drafted at the request of several western Wisconsin superintendents and in consultation with analysts at the Department of Public Instruction. We ask for your support.

To co-sponsor this legislation, please **reply to this email or call Sen. Vinehout's office at 6-8546 before 3pm on Friday, February 16th.**

Analysis by the Legislative Reference Bureau

This bill creates a categorical aid for a school district that qualifies for sparsity aid under current law but that does not receive sparsity aid payments from the Department of Public Instruction because of high property valuation in the school district. A school district qualifies for sparsity aid under current law if the number of pupils, or membership, in the district is no more than 725 and if the membership divided by the school district's area in square miles is less than ten. A school district that qualifies for the categorical aid under the bill receives the lesser of the following: 1) an amount determined by multiplying the equalized valuation of the school district by the difference between the mill rate of the school district and the statewide average mill rate, or 2) the amount by which the tertiary guaranteed valuation per member of the school district exceeds the school district equalized valuation multiplied by the tertiary required levy rate.

Current law defines the equalized valuation of a school district as the full value of the taxable property in each part of each city, village, and town in each school district; this value is determined, annually, by the Department of Revenue, which certifies the amount to DPI. Current law defines "tertiary guaranteed valuation per member" as the amount, rounded to the next lower dollar, determined by dividing the equalized valuation of the state by the state total membership. Current law defines "tertiary required levy rate" as the tertiary shared cost divided by the tertiary guaranteed valuation. Current law defines "tertiary shared cost" as that portion of a school district's shared cost which is greater than the secondary ceiling cost per member multiplied by its membership. Finally, current law defines the "secondary ceiling cost per member" as an amount determined by dividing the state total shared cost in the previous school year by the state total membership in the previous school year and multiplying the result by 0.90.

*For further information see the **state and local** fiscal estimate, which will be printed as an appendix to this bill.*