

WISCONSIN

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I. GENERAL BACKGROUND

State

In 1998–1999, state aid for K–12 public school districts totals \$3,989.4 million. Of this amount, \$3,560.1 million (89.2%) is provided in the form of general school aid, while the remaining \$429.3 million includes a number of categorical aids for various school district costs. State aid for school districts has increased significantly in recent years, from \$2,186.6 million in 1993–1994 to the current level of \$3,989.4 million in 1998–1999, which represents an increase of 82.4% over that five year period. This increase has occurred in the context of a statutory commitment by the state to reduce local school property taxes by increasing its share of school revenues.

Nearly all of state general school aid in 1998–1999 (97.4%) is provided as equalization aid. The state uses a three-tier equalization aid formula to distribute this aid to the 426 local school districts in Wisconsin. The current three-tier equalization aid formula replaced the previous two-tier formula in 1996–1997.

Wisconsin also provides indirect support of schools through several tax credit programs. In 1998–1999, a credit is provided on property tax bills that reduces the school taxes of all property owners by \$469.3 million, which is funded with general fund monies. A second credit of \$147.8 million for the same purpose is provided on property tax bills in 1998–1999, which is funded with proceeds from the state lottery. In addition, an estimated \$217.8 million in targeted income tax credits for farmers, homeowners, and renters was attributable to the school tax.

School aid is funded through state general purpose revenues (primarily the individual income tax, the general sales and use tax, and the corporate income and franchise tax). In 1998–1999, 39.7% of the state's general fund budget is appropriated for school aid, which is the largest single spending program. No revenues are specifically earmarked for K–12 education except for a relatively small “common school fund” designated for school library aids and technology grants.

Local

Wisconsin has 369 K–12 districts, 47 elementary (K-8) districts and 10 union high school (9–12) districts for a total of 426 school districts. All are fiscally independent. In addition, 12 cooperative educational service agencies (CESAs), which are fiscally dependent, provide programs to school districts. Five counties operate county children with disabilities education boards (CCDEBs), one of which is fiscally dependent and four are fiscally independent.

Property taxes constitute the sole source of local district tax revenues. Wisconsin's districts are classified as common (368), union high (10), unified (47) and first class (Milwaukee). Common and union high districts are required to hold an annual meeting at which a majority of voters present approve the district's tax levy. School boards in unified and first class districts do not hold annual meetings.

Funding Summary 1998–1999

Total State School Aid (All Programs)		\$	3,989	million
Grants in Aid	3,989	million		
Teacher Retirement Contributions	0	million		
FICA	0	million		
Total Local School Revenue		\$	3,039	million
Property Tax	2,736	million		
Other local source tax revenue	0	million		
Local source non-tax revenue	303	million		
Total Combined State and Local School Revenue		\$	7,028	million
State Financed Property Tax Credits Attributable to School Taxes		\$	617	million

II. LOCAL SCHOOL REVENUE

Property Tax

The property tax is the only local tax available to school districts. In 1998–1999, it generated \$2,735.8 million, which represents 45.8% of total property tax collections in Wisconsin (\$5,974.3 million). The statewide average property rate

per \$1,000 of equalized value was \$11.22 in 1998–1999, although this varied significantly among individual school districts.

Although state law requires that property be assessed at full value, most municipalities assess property at some fraction of full value. However, state law requires local assessments to be within 10% of full value at least once every four years. Failure to comply may result in a state-ordered reassessment of the municipality to be monitored by the state. This requirement applies separately to each major class of property.

The state Department of Revenue (DOR) annually determines the equalized (or full) value of all taxable property in the state and for each local taxing jurisdiction (including school districts). In addition, DOR assesses all manufacturing property in the state.

Income Tax and Other Sources of Local Tax Revenue

The state does not allow school districts to collect an income tax or other sources of tax revenue.

Tax Credits and Exemptions

Wisconsin employs two forms of tax credits to relieve or reduce the burden of school property taxes.

Tax Credits on Property Tax Bills. Two credits are provided. First, a “school levy” credit offsets the taxes of all property owners; the funds (\$469.3 million in 1998–1999) are distributed according to each municipality’s 3-year average share of the statewide school levy. Second, a “lottery” credit offsets the taxes of all property owners. In 1998–1999, the lottery credit equaled the school tax levy on the first \$4,600 of the property’s value. The total cost was \$147.8 million, which was paid through state lottery proceeds. Under the state’s commitment to fund two-thirds of partial school revenues, only the school levy credit is counted.

Tax Credits through the Income Tax System. Several programs target relief to Wisconsin residents through the income tax system to offset property taxes attributable to residential or agricultural property. Under the homestead tax credit, \$79.8 million (actual) in 1997–1998 and \$79.0 million (estimated) in 1998–1999, and the farmland preservation tax credit, \$20.0 million (actual) in 1997–1998 and \$19.6 million (estimated) in 1998–1999, eligible recipients are granted a refundable credit against their income tax based upon the level of their household

income and property tax. For those individuals not required to file an income tax return or those with no income tax liability, a direct payment is made. In addition, the farmland tax relief credit, \$11.1 million (actual) in 1997–1998 and \$11.1 million (estimated) in 1998–1999, provides a refundable credit to farmers without any income or preservation requirements. Finally, the property tax/rent credit program allows individual income taxpayers to claim a credit against their income tax liability for property taxes or rent paid in lieu of property taxes. In 1998–1999, the maximum credit was increased on a one-time basis from \$200 to \$350. The cost of this credit was \$228.9 million in 1997–1998 and is estimated at \$365.7 million in 1998–1999. Since these credits are provided to individuals and not local governments, it is difficult to attribute an amount to K–12 schools – an approximation would be \$217.8 million in 1998–1999. However, these credits are generally not considered when measuring the state’s level of support.

III. TAX AND SPENDING LIMITS

Revenue Limits

School districts are subject to a limit on the annual increase in their revenue per pupil derived from general school aid and property taxes. In general, the allowable increase in revenue per pupil cannot exceed \$208.88 in 1998–1999, which will be adjusted for inflation in future years. For the purpose of the revenue limits, general school aid consists of equalization aid, integration (Chapter 220) aid and special adjustment (hold harmless) aid. These aids represent nearly 90% of the funds provided as state aid to school districts.

On October 15 of each year, the state provides school districts with an estimate of their general school aid for the current school year. The difference between a school district's revenue limit and the October 15th general school aid estimate determines the maximum amount of revenue that the district is allowed to raise through the property tax levy. School districts are not required to levy the maximum allowable amount and may carry forward 75% of the unused revenue authority to the following school year. A school district that exceeds its revenue limit is subject to a penalty, in the form of reduced state aid, in the amount of the excess revenue.

Actual general school aid and property tax revenues received in the prior school year are used to establish the base year amount in order to compute the allowable revenue increase for the current school year. A three-year rolling average of a school district's pupil enrollment is used to determine the allowable per pupil revenue increase.

Debt service is not subject to the limit if the borrowing was: (a) authorized without a referendum prior to August 12, 1993; or (b) approved by referendum at any time. A school district can exceed the revenue limit by receiving voter approval at a referendum. However, only excess revenues approved for a recurring purpose can be included in a district's base for determining the revenue limit for the next school year. Other adjustments to the revenue limit are allowed for districts under the following circumstances: (a) a transfer of service responsibilities between the district and another governmental unit (including a school district) or changes in the district's boundaries; (b) prior year base revenue of less than \$6,100 per pupil; (c) a one-time adjustment of 75% of any decline in the three-year rolling average pupil enrollment; (d) a reduction in federal impact aid received by the district; and (e) school district reorganization.

Annual Meeting Approval of Tax Levy

In a common or union high school (378 or 89% of the state's 426 districts), the property tax levy must be approved at the district's annual meeting by a majority of voters present. The meeting is held between May 15 and September 30 and only those electors present at the meeting may vote. 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.

Voter Approval of School Borrowing

Under state law governing municipal borrowing, school districts can generally borrow up to an aggregate of \$1.0 million without holding a referendum. A lesser amount is applied to small school districts based on a statutory formula and a greater amount is applied to a newly created school district. If the \$1.0 million exemption does not apply and the school board intends to issue a promissory note (10 years maximum maturity), then a referendum is required only if a petition signed by 7,500 voters or 20% of voters, whichever is less, is filed. If the \$1.0 million exemption does not apply and the board intends to issue a municipal bond (20 years maximum maturity), then the board has three options: (a) call for a referendum; (b) hold a public hearing at which the voters present vote on whether a referendum should be held; or (c) expose the bond issuance to a petition for referendum (subject to the same signature requirements as for a promissory note). Exceptions to the referendum requirements are allowed if the district, under a governmental order, has to remove a hazardous substance from a school or

remedy a fire code violation. Because debt service on borrowing is subject to state revenue limits unless the debt is approved by referendum, nearly all debt issued by school districts is approved by voters.

IV. STATE EARMARKED TAX REVENUE

Except for a small “common school fund,” that is designated for library aids and technology grants (see Section XII), no state revenues are earmarked specifically for K–12 education.

V. BASIC SUPPORT PROGRAM

Equalization Aid Formula

Funding in 1998–1999: \$3,474.0 million.

Percentage of Total State Aid: 87.1%.

Nature of Program: Guaranteed tax base formula with three tiers of state sharing in school district costs (WIS. STATS. §§ 121.07, 121.08).

Allocation Units: Pupils. Membership is based on the average of two counts – third Friday in September and second Friday in January – plus the number of full-time equivalent pupils enrolled in an approved summer school program in the prior school year.

Local Fiscal Capacity: Equalized assessed property valuation.

How the Funding Formula Works: The state guarantees a certain base amount of property value per pupil with state aid making up the difference between the guaranteed tax base and the local tax base. There are five factors used in the computation of equalization aids: (a) membership; (b) shared cost; (c) equalized property valuation; (d) the state’s guaranteed valuations; and (e) the total amount of funding available for distribution. The first three factors are based on school district data from the prior school year. Therefore, there is a one-year lag before the equalization aid formula adjusts for changes in school district conditions.

There are three guaranteed valuations that are applied to three different expenditure levels. Shared cost (those costs eligible for sharing under the formula) includes operating expenses, capital outlay and debt service. Costs that have already been offset by other revenue sources, such as categorical aid, federal aid

and local, nonproperty tax receipts, are excluded from shared cost. The first level is for shared costs up to the “primary cost ceiling” of \$1,000 per member. State aid on these costs is calculated using a statutory guaranteed valuation of \$2,000,000 per member and is based on a comparison of the district’s equalized valuation per member to the \$2,000,000. State aid equals the amount of costs that would be funded by the missing portion of the guaranteed tax base. Every district with an equalized value below \$2,000,000 per member receives at least the primary aid amount; primary aid cannot be reduced by negative aids generated at the secondary or tertiary aid levels.

The second level is for shared costs that exceed \$1,000 but are less than the “secondary cost ceiling,” which was equal to \$6,285 in 1998–1999. The secondary cost ceiling is adjusted for inflation annually. The state's sharing of costs at or below the secondary cost ceiling is calculated using the secondary guaranteed valuation. The secondary guarantee is not set statutorily, but is allowed to float to a level that fully distributes the amount of funds available for equalization aids. In 1998–1999, the secondary guaranteed valuation was \$676,977.

The third level is for costs above the secondary cost ceiling, referred to as “tertiary shared costs,” and is calculated using the tertiary guaranteed valuation, which is set by statute at 100% of 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 was \$263,246 in 1998–1999.

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.

The equalization aid formula can be expressed in the following form:

$$\text{State Aid} = \left[1 - \frac{\text{Equalized Value Per Pupil}}{\text{State Guaranteed Value}} \right] * \text{Shared Cost}$$

For each level of aid (primary, secondary and tertiary), the same calculation is performed. The only difference is in the use of three different guaranteed valuations to determine the state's share of those costs up to the primary cost ceiling, above the primary cost ceiling and above the secondary cost ceiling.

In order to ensure aid parity for elementary (K-8) and union high schools (UHS) districts, separate primary, secondary and tertiary guaranteed valuations are established for each of the three types of school districts. The guaranteed valuations per member for 1998-1999 are as follows:

	<u>K-12</u>	<u>K-8</u>	<u>UHS</u>
Primary	\$2,000,000	\$3,000,000	\$6,000,000
Secondary	676,977	1,015,465	2,030,931
Tertiary	263,246	394,869	789,738

State Share: At each level of shared costs, a district's equalized valuation is compared to the state guaranteed valuation. State aid equals the amount of costs that would be funded by the missing portion of the guaranteed tax base. A district's primary, secondary and tertiary aid amounts are added together to arrive at that district's total equalization aid payment. As noted, negative tertiary aid is subtracted from a district's secondary aid, but 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.

Local Share: The local share is equal to a district's equalized value as a portion of the guaranteed tax base multiplied by its aidable costs.

Weighting Procedures: In determining a district's membership, kindergarten pupils are counted as members based on the percentage of time spent in school and the pupil's age. 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 regardless of the length of time in school, unless the program provides at least 87.5 additional hours of outreach activities in which case the pupil is counted as 0.6 member. In addition, a pupil, age three or older, enrolled in a preschool handicapped education program is counted as 0.5 member.

Adjustments for Special Factors: None.

Aid Distribution Schedule: Aid is distributed as follows:

- (1) 15% of prior year aid amount on 3rd Monday in September,
- (2) 25% of current year aid amount on 1st Monday in December,
- (3) 25% of current year aid amount on 4th Monday in March,
- (4) 35% of current year aid amount on 3rd Monday in June,
- (5) \$75 million on 4th Monday in July following the school year.

Districts Off Formula: In 1998–1999, one school district had an equalized valuation per pupil greater than the primary guaranteed valuation of \$2,000,000, and therefore, did not receive equalization aid. The district did, however, receive special adjustment aid.

Special Adjustment Aid

Funding in 1998–1999: \$6.2 million.

Percentage of Total State Aid: less than 1%.

Description: The state provides additional general school aid to districts to either cushion the effect of reductions in general school aid from one year to the next (a hold harmless payment) or as an incentive for consolidation (WIS. STAT. §121.105).

State Share: A district is guaranteed a specific percentage of its prior year's payment of general school aid, including equalization, integration and special adjustment aid, thus limiting a district's annual decline in general school aid. The hold harmless aid insures that a district's general school aid payment would be no less than 85% of its prior year level or the prior year payment minus \$1,000,000. Consolidated districts are guaranteed, for up to five years, no less than the total amount of general aid received by the separate districts in the year prior to consolidation. Consolidating districts also receive additional aid generated by 10% increase in the equalization aid formula's guaranteed valuations and cost ceilings for five years; however, this provision is funded through equalization aids.

Extent of Participation: 13 districts (3.1%).

Integration (Chapter 220) Aid

Funding in 1998–1999: \$79.9 million.

Percentage of Total State Aid: 2.0%.

Description: The state provides funds as an incentive for districts to voluntarily improve racial balance within (intradistrict) and between (interdistrict) school districts. To be eligible, a school district must transfer pupils between “attendance areas” or districts with certain concentrations of minority or nonminority pupil populations (WIS. STAT. §§ 121.85, 121.86).

State Share: Integration aid is calculated through two different formulas depending on the type of student transfer. Intradistrict transfer aid is based on the school district's equalization aid per pupil multiplied by 25% of the number of eligible transfer pupils. Interdistrict transfer aid is provided to both the “sending” and “receiving” districts. For each transfer accepted, the receiving district is paid an amount equal to its average net cost per pupil. The sending school district continues to include pupils transferred to another district as members for general school aid purposes. However, a separate integration aid payment is not calculated for sending districts; instead, the district receives these funds as part of its equalization aid payment. Under both formulas, school districts receive state aid based on the number of pupils transferred in the prior school year.

Extent of Participation: Five districts (Beloit, Madison, Milwaukee, Racine and Wausau) are estimated to receive intradistrict aid for 32,825 pupil transfers. 24 districts (Milwaukee and 23 suburban Milwaukee districts) are estimated to receive interdistrict aid for 5,440 pupil transfers.

General Aid to County Children with Disabilities Education Boards (CCDEBs)

Funding in 1998–1999: \$2.3 million.

Percentage of Total State Aid: less than 1%.

Description: Fiscally independent CCDEBs receive general aid for pupils enrolled solely in county-operated programs and for costs incurred by CCDEBs for pupils jointly enrolled in school district and county programs (WIS. STAT. § 121.135).

State Share: The state payment is determined by calculating each participating school district’s equalization aid, by adding certain pupils and costs, in an attempt to simulate the additional general school aid that each district would have received had the pupils been served by the school district rather than the county. The additional aid amount is then paid to the county. The state paid a prorated amount equal to 35.6% of the aid entitlement of these boards in 1998–1999.

Extent of Participation: Four CCDEBs.

VI. TRANSPORTATION

Funding in 1998–1999: \$17.7 million.

Percentage of Total State Aid: less than 0.5% of total state school aid.

Description: 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. The amount of aid is based on the number of pupils served in the prior school year. (WIS. STAT. § 121.58).

State Share: The state pays a flat amount per transported pupil which varies according to the distance that each pupil is transported to school (rates have not changed since 1980–1981):

<u>Distance</u>	<u>Regular Year</u>	<u>Summer School</u>
0<2 miles (hazardous areas)	\$12	\$0
2<5 miles	30	4
5<8 miles	45	6
8<12 miles	60	6
12<15 miles	68	6
15<18 miles	75	6
Over 18 miles	85	6

Total state aid payments cannot exceed the appropriated amount. A proration of 85% of full-funding of payments occurred in 1998–1999.

Local Share: The district assumes the remaining costs; however, transportation costs not reimbursed through categorical aid are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 421 districts (99%).

VII. SPECIAL EDUCATION

Funding in 1998–1999: \$275.5 million.

Percentage of Total State Aid: 6.9%.

Description: Special education to children with disabilities is primarily provided by local districts, either on their own or through cooperative programs. However, regional agencies (CESAs and CCDEBs), which are described in Section I, also serve children with disabilities. The state reimburses districts, CESAs and CCDEBs for a portion of their prior year costs for educating and transporting pupils enrolled in special education, including school age parents programs (Wis. STATS. §§ 115.88, 115.93).

State Share: The state pays a fixed percentage of cost regardless of the amount expended or the property tax base of the district. The percentages are:

63% of the cost of salaries for special education teachers; physical and occupational therapists; teacher and therapy aides; and program supervisors and coordinators.

63% of the cost of transportation for pupils enrolled in special education programs.

51% of the cost of salaries for school psychologists and social workers regardless of whether they are employed in special education programs.

100% of the cost of board, lodging and transportation of nonresident children enrolled in a district's special education program and the cost of special education for children in hospitals and convalescent homes for orthopedically disabled children.

Aidable costs exclude any offsetting federal or state tuition receipts. Total state payments cannot exceed the appropriated amount. Proration of reimbursement rates has occurred every year since 1985–1986. In 1998–1999, the proration factor was 55.7%. However, costs not reimbursed through categorical aid are eligible for state cost sharing under the equalization aid formula. As a result, school districts, on average, will be reimbursed for approximately 73.4% of this

category of special education expenditures through a combination of equalization and categorical aids in 1998–1999.

Local Share: The district assumes the remaining costs; however, as noted, costs not reimbursed through categorical aid are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 426 districts (100%) and 16 regional agencies (12 CESAs and 4 CCDEBs).

VIII. COMPENSATORY EDUCATION

Preschool to Grade Five Program

Funding in 1998–1999: \$7.0 million.

Percentage of Total State Aid: less than 1%.

Description: Grants support 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 with renewal subject to state approval. The grants are to supplement existing programs and cannot replace funds otherwise available for such programs.

Local Share: No local contribution is required.

Extent of Participation: 39 elementary schools within 4 districts: Beloit, Kenosha, Milwaukee and Racine (0.9% of all districts but 3.1% of all elementary schools).

Aid to Milwaukee Public Schools
(Desegregation Settlement Aid)

Funding in 1998–1999: \$8.0 million.

Percentage of Total State Aid: less than 1%.

Description: This program fulfills an agreement made by the Governor and the State Superintendent with the Milwaukee School Board, as part of a 1987 desegregation lawsuit, to provide state funds for compensatory education programs to address the academic deficiencies of disadvantaged pupils (Wis. STATS. §§ 119.71 - 119.82). There is no longer any court-imposed requirement that this aid be provided to MPS; however, the Legislature has continued to appropriate these funds.

State Share: The state provides a set amount to Milwaukee to be used for specific purposes. In 1998–1999, the aid distribution included: (1) \$5.1 million to expand the number of full day, 5-year-old kindergarten programs available to low-income pupils; (2) \$1.1 million to extend the High Scope curriculum model, used in the all-day kindergarten programs, to first grade classes in several elementary schools; (3) \$0.9 million to contract with private, nonprofit day care centers for early childhood education; (4) \$0.5 million for alternative education programs for pupils subject to Learnfare, a school attendance requirement for children of welfare recipients; and (5) \$0.4 million for an extended-day pilot program.

Local Share: No local contribution is required.

Extent of Participation: 1 district (Milwaukee Public Schools).

Student Achievement Guarantee in Education (SAGE)

Funding in 1998–1999: \$15.0 million.

Percentage of Total State Aid: less than 1%.

Description: Certain school districts with a high percentage of low-income pupils are eligible to receive SAGE grants. A district must enter into a five-year achievement guarantee contract with the state 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. The Milwaukee Public Schools can statutorily enter into contracts on behalf of up to 10 schools. Districts that receive

grants are required to insure that the SAGE schools meet certain criteria relating to class size reduction, extended school hours, community services, curriculum, staff development and accountability programs. The first five-year contracts expire on June 30, 2001. A second round of contracts is permitted for additional school districts to cover school years 1998–1999 through 2002–2003.

State Share: Funding per pupil is determined by dividing the amount appropriated by the number of low-income pupils enrolled in eligible grades in every SAGE school in the state. In 1998–1999, SAGE schools received an estimated \$2,000 for each low-income FTE pupil in kindergarten through third grade. An additional \$250,000 annually was provided to fund an evaluation of the program.

Local Share: The district assumes the remaining cost; however, costs not reimbursed through categorical aid are eligible for state sharing under the general equalization aid formula.

Extent of Participation: As of January 1, 1999, 80 schools in 46 districts were participating in the program (10.8% of all districts and 6.4% of all elementary schools).

IX. GIFTED AND TALENTED EDUCATION

No specific categorical aid program.

X. BILINGUAL EDUCATION

Funding in 1998–1999: \$8.3 million.

Percentage of Total State Aid: less than 1%.

Description: Districts required by state law to provide special classes to pupils of limited English-speaking (LES) ability are eligible for state aid. These are districts that have schools that enroll ten or more LES pupils in grades K–3, or 20 or more in grades 4–8 or 9–12 (WIS. STAT. § 115.995).

State Share: The state pays a percentage of the district's prior year costs for salaries, special books, equipment and other state-approved expenses that are attributable only to programs for LES pupils. The reimbursement rate, 21% in 1998–1999, is based on the ratio of the categorical aid appropriation to total aidable costs of eligible districts.

Local Share: The district assumes the remaining costs; however, costs not reimbursed through categorical aid are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 38 districts (9%).

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–1999: \$5.0 million.

Percentage of Total State Aid: less than 1%.

Description: Grants provide a supplement to the federal Head Start program (Wis. STAT. § 115.3615). State aid is provided through the special education aid formula (see Section VII) support the costs of pre-school education programs for children age three or older with exceptional education needs. In addition, a pupil enrolled in pre-school special education is counted as 0.5 member under the general equalization aid formula. Further, three grant programs (Preschool to Grade 5, Aid to Milwaukee Public Schools and Student Achievement Guarantee in Education) have early childhood education components.

State Share: Funds are distributed to federally-designated Head Start agencies, with preference given to those already receiving federal funding, to enable expansion of their programs. State funds can be used as a match for federal funds only if the state funds are used to secure additional federal support.

Local Share: No local contribution is required.

Extent of Participation: 34 Head Start agencies, including six school districts and three CESAs.

XII. OTHER CATEGORICAL PROGRAMS

School Library Aid

Funding in 1998–1999: \$14.3 million.

Percentage of Total State Aid: less than 1%.

Description: Aids are provided to school districts for the purchase of library books and other instructional materials. 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, according to an annual school census.

Local Share: The district assumes the remaining cost; however, costs not reimbursed through categorical aid are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 426 districts (100%).

Tuition Payments

Funding in 1998–1999: \$7.6 million.

Percentage of Total State Aid: less than 0.2% of total state school aid.

Description: The state reimburses school districts and CCDEBs for the cost of educating children who live in properties for which there is no parental property tax base support, such as children's homes, military camps or penal institutions and foster or group homes (WIS. STATS. §§ 121.79, 121.83).

State Share: The state payment is calculated on the basis of the district's average daily cost per pupil and the number of school days the child is enrolled in school.

Local Share: No local contribution is required.

Extent of Participation: 35 school districts (8.2%) and one CCDEB.

Driver Education

Funding in 1998–1999: \$4.5 million.

Percentage of Total State Aid: less than 1%.

Description: The state pays categorical aid for each high school pupil who successfully completed the classroom and behind-the-wheel components of a driver education course in the prior school year (WIS. STAT. § 121.41).

State Share: The state pays \$100 per pupil. In no case may total aid exceed the actual cost of instruction. Total payments cannot exceed amount appropriated.

Local Share: The district assumes the remaining cost; however, costs not reimbursed through categorical aid are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 353 districts (83%).

Nutrition Programs

Funding in 1998–1999: \$4.9 million.

Percentage of Total State Aid: less than 1%.

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 (\$4.1 million); (b) to reimburse the cost of morning milk provided to low-income children in grades K–5 (\$0.5 million); (c) to support the cost of reduced price meals served to the elderly (\$0.2 million); and (d) to provide grants to establish school breakfast programs in schools with high concentrations of low-income pupils (\$0.2 million) (WIS. STATS. §§ 115.34, 115.341, 115.343, 115.345).

State Share: (a) School lunch – a variable percentage (28.8% for 1998–1999 aids) of the amount of federal basic reimbursement provided in 1980–1981 (\$14.4 million) determines the state match, which is then allocated among school districts and private schools according to the number of lunches served during the prior school year; (b) Morning milk – 100% reimbursement if sufficient funds are available; (c) Elderly nutrition – 15% of the cost of the meal or 50 cents per meal,

whichever is less; and (d) School breakfast – grants of up to \$10,000 to each school district or private school.

Local Share: (a) School lunch – district assumes costs above federal and state reimbursement; (b) Morning milk – no local contribution required unless insufficient funds available for full state reimbursement; (c) Elderly nutrition – district assumes remaining costs although participants can be charged, and (d) School breakfast – district assumes remaining costs and all recurring costs of program although participants can be charged.

Extent of Participation: School lunch – 407 school districts (96%) and 437 private schools; Morning milk – 191 districts (45%) and 35 private schools; Elderly nutrition – 43 districts (10%) and 5 private schools; School breakfast – 21 districts (5%) and 5 private schools.

Children-at-Risk Programs

Funding in 1998–1999: \$3.5 million.

Percentage of Total State Aid: less than 1%.

Description: Certain districts are eligible to receive state aid to fund programs for pupils who are considered at-risk of not completing high school (as defined by state law). Eligibility is based on a district's prior year dropout statistics (50 or more dropouts and a dropout rate exceeding 5% are required to apply for aid while districts with 40 or more dropouts may voluntarily apply). Districts receive aid for each at-risk pupil who meets certain performance standards, such as minimum attendance and number of credits earned (WIS. STAT. § 118.153).

State Share: For each pupil meeting the performance criteria, the district receives an amount equal to 10% of its prior year's equalization aid per pupil.

Local Share: The district assumes the remaining cost; however, costs not reimbursed through categorical aid are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 18 districts (4%).

Alcohol and Other Drug Abuse Grant Programs

Funding in 1998–1999: \$5.8 million.

Percentage of Total State Aid: less than 1%.

Description: Various grant programs are administered by the Department of Public Instruction to address the problem of alcohol and other drug abuse among school-age children. Emphasis is placed on both AODA prevention and intervention including after-school and summer school programs, K–12 curriculum development, family involvement, drug abuse resistance education, and pupil designed AODA prevention or intervention projects (WIS. STATS. §§ 115.36, 115.361, 115.362).

State Share: Grants are awarded on a competitive basis with the state share set at varying levels depending on the program.

Local Share: For some grant programs, a local match is required. However, in all cases, any remaining costs are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 188 districts (44%) and 6 CESAs.

Additional Categorical Programs

Funding in 1998–1999: \$2.4 million.

Percentage of Total State Aid: less than 1%.

Description: Additional categorical aids, primarily competitive grant programs, provide funds to school districts and regional agencies for items such as staff development, environmental education, CESA administration and alternative schools for American Indians.

Extent of Participation: Not reported.

XIII. TEACHER RETIREMENT AND BENEFITS

Prior to 1973–1974, the employer’s share of the payments for teacher retirement and social security had been paid directly by the state. Beginning in 1973–1974,

this cost became a school district obligation and eligible for state sharing under the general equalization aid formula.

XIV. TECHNOLOGY

Technology Block Grants

Funding in 1998–1999: \$35.0 million.

Percentage of Total State Aid: less than 1%.

Description: Public school districts are eligible to receive grants administered by the Technology for Educational Achievement in Wisconsin (TEACH) Board. The grants may be used for any purpose related to technology use in the education or training of any person or in the administration of a school and related telecommunications services, except for the funding of salaries or benefits of any school district employee (WIS. STAT. § 44.72 (2)).

State Share: Of the total, \$30 million of the funding is distributed based on a formula that uses equalized value per member. Each eligible school district receives \$5,000 from the amount appropriated. The balance of the \$30 million is distributed in proportion to a weighted membership of each district. The remaining \$5 million is distributed based on the number of persons residing in the district between the ages of four and 20.

Local Share: No local contribution is required.

Extent of Participation: 426 districts (100%).

Training and Technical Assistance Grants

Funding in 1998–1999: \$4.0 million.

Percentage of Total State Aid: less than 1%..

Description: This program, administered by the TEACH Board, awards grants to CESAs and to consortia of school districts, CESAs and/or public library boards for training and technical assistance in the use of technology (WIS. STAT. § 44.72 (1)).

State Share: Grants are awarded on a competitive basis with priority given to consortia that include one or more public library board. The TEACH Board is required, to the extent possible, to ensure that grants are equally distributed on a statewide basis.

Local Share: The district assumes the remaining cost; however, costs not reimbursed through categorical aid are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 23 consortia.

NOTE: 1998–1999 awards are pending as of January, 1999. A total of \$2 million was provided in 1997–1998 and \$4 million in 1998–1999; however, all \$6.0 million provided in the 1997–1999 biennium was awarded in 1998–1999.

Telecommunications Access Program

Funding in 1998–1999: \$5.5 million.

Percentage of Total State Aid: less than 1%.

Description: Funds are provided to school districts to subsidize access to new data lines and video links or for grants for data lines and video links in existence prior to the enactment of the program in 1997–1998 (WIS. STAT. § 196.218 (4r)).

State Share: Funding is provided through the segregated, universal service fund, which receives its funding through assessments on annual gross operating revenues from intrastate telecommunications providers. For new data lines or video links, the state funds costs not covered by the district. Schools with existing contracts may receive an annual grant, the amount of which cannot exceed the actual cost of the contract.

Local Share: For each new data line or video link, the district pays to the state, an amount not to exceed \$100 or \$250 per month depending on the speed of the transport medium used. For schools with existing contracts, the district assumes costs not covered by the grant; however, costs not reimbursed through categorical aid are eligible for state sharing under the equalization aid formula.

Extent of Participation: 324 school buildings, 34 school districts and two CESAs.

Technology Infrastructure Loan Program

Funding in 1998–1999: \$2.9 million.

Percentage of Total State Aid: less than 1%.

Description: School districts and public libraries may 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. Debt service on the loans is partially funded by the state.

State Share: Funding is provided for one-half of the debt service costs for the financing of the infrastructure loans to school districts and libraries.

Local Share: School districts and libraries receiving loans under the program pay for one-half of the debt service costs for the financing of the loans.

Extent of Participation: 90 school districts (21%) as of January, 1999.

XV. CAPITAL OUTLAY AND DEBT SERVICE

Capital outlay and debt service costs are aidable under the basic support program.

Local Capital Project Financing

There are four principal methods available to districts to finance capital projects:

Operating Budget. Districts place capital costs directly into their operating budget and the full cost is paid within one fiscal year. This method is usually used for minor maintenance, repair and equipment costs.

Capital Expansion Funds. Districts can create a segregated, capital expansion fund (commonly called a sinking fund) to budget prospectively for capital projects. In common or union high school districts, this fund can only be created by the annual meeting of the district electors. A portion of the tax levy is designated for a future specified project and the amount is collected over a period of years.

State Trust Fund Loans. These are constitutionally established trust funds through which revenues from fines and forfeitures and the sale of public lands are collected and then made available for loans to school districts and municipalities. Loan amounts are usually small and are made at relatively low interest rates.

General Obligation Promissory Notes and Bonds. The most common method of capital financing is the issuance of promissory notes (maximum maturity of 10 years and sold either publicly or privately) and municipal bonds (maximum maturity of 20 years and sold publicly). A district must establish a separate debt service fund and levy an annual, nonrepealable property tax for the purpose of making principal and interest payments. The referendum requirements for school borrowing are described in Section III.

Special provisions apply to the Milwaukee Public Schools. The district does not have the general authority to issue promissory notes and school bonds are automatically subject to a citywide referendum. The district can levy a school construction tax of up to 0.6 mills annually and voters can approve a higher rate.

Debt Limit: A school district's aggregate amount of indebtedness cannot exceed 5% of its equalized property valuation. However, school districts that offer grades 1–12 and receive equalization aid (about 87% of districts) are allowed a debt to valuation ratio of up to 10%.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

Statewide Standards

The state recently adopted statewide pupil academic standards in mathematics, science, reading and writing, geography and history. These standard were issued as an executive order by the Governor in January, 1998, and school districts had until August, 1998, to either adopt these statewide academic standards or develop their own.

High School Graduation Exam

Under provisions of the 1997–1999 state budget, each school district that operates a high school is required to administer a high school graduation test at least twice each year beginning in 2000–01. If the school board adopts the statewide standards, it may use the high school graduation exam being developed by the state Department of Public Instruction.

Beginning on September 1, 2002, a school board cannot grant a high school diploma to any pupil unless the pupil has passed the high school graduation exam. School boards are required to provide pupils with at least four opportunities in the high school grades to take the exam. A pupil may be excused from the exam upon the request of a parent or guardian. School boards must establish alternative

criteria upon which to determine qualification for graduation if a pupil has been excused from taking the exam. In order to graduate from high school, a pupil who was excused from the exam must satisfy the alternative criteria.

Social Promotion

Under 1997 Act 237, enacted in 1998, beginning in 2002-2003, if a school board administers the state's 4th or 8th grade examinations, it may not promote a pupil to 5th or 9th grade if he or she does not score at the basic level or above in each subject area on the 4th or 8th grade knowledge and concepts examination. If a school board administers its own 4th or 8th grade examination, it may not promote a pupil to 5th or 9th grade unless the pupil achieves a passing score, as determined by the school board, on the examination. School boards are required to provide a pupil with at least two opportunities to achieve a score sufficient for promotion. School boards are required to excuse a pupil from taking the 4th or 8th grade examination upon the request of the pupil's parent or guardian. Each school board is required to develop alternative criteria for evaluating a pupil who did not take the 4th or 8th grade examination that was required for promotion to 5th or 9th grade. A pupil who did not take the examination but satisfies the alternative criteria may be promoted to the next grade.

A school board may determine not to administer the 4th, 8th or high school examination to a pupil enrolled in a special education program or a limited-English speaking pupil, and a school board may modify the format and administration of an examination for these pupils or permit a pupil to be examined in his or her native language.

XVII. REWARDS/SANCTIONS

There are no programs under which districts are rewarded or penalized based on performance or standards.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

Public School Open Enrollment

Under the state's 1997–1999 budget, beginning in 1998–1999, a pupil may apply to attend any public school located outside his or her school district of residence. School boards can limit the number of transfers out if they exceed 3% of the resident district's membership in 1998–1999. In each of the seven succeeding school years, this threshold will be increased by an additional 1%. After 2005–

2006, no limit can be imposed by the resident district. The nonresident school district may establish acceptance and rejection criteria including the availability of space, class-size limits and other considerations. A statewide per pupil transfer amount, \$4,543 in 1998–1999, was added or subtracted from a school district's equalization aid based on the school district's net loss or gain of pupils under the program. 2,464 pupils transferred between school districts in 1998–1999.

Milwaukee Area Charter Schools

Under the state's 1997–1999 budget, the City of Milwaukee, the University of Wisconsin-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. These charter schools must be located within the Milwaukee Public Schools (MPS) district. Payments to the operators of these charter schools, \$351,016 in 1998–1999, equaled the shared cost per member of MPS in the prior year multiplied by the number of charter school pupils. An equivalent amount of aid is deducted from the state aid paid to MPS. The per pupil payment amount was \$6,052 in 1998–1999. Approximately 58 pupils attended a charter school under this provision in 1998–1999, which was the first year this law applies. Other charter schools in the state do not receive special funding.

XIX. AID TO PRIVATE SCHOOLS

Milwaukee Parental Choice Program

Funding in 1998–1999: \$28.1 million.

Percentage of Total State Aid: less than 1%.

Description: A portion of the Milwaukee Public Schools' state equalization aids are used to pay for the cost of children from low-income families (less than 175% of the poverty level) living in Milwaukee to attend, at no charge, private sectarian or nonsectarian schools located in Milwaukee. Students were permitted to attend sectarian schools under the program for the first time in 1998–1999. Pupil participation is limited to 15% of the Milwaukee Public Schools' membership (WIS. STAT. §119.23).

State Share: For each pupil attending a private school, the state pays the school an amount equal to the lesser of Milwaukee's equalization aid payment per member or the private school's operating cost per pupil for that particular school

year and reduces the District's equalization aid payment by MPS's equalization aid per member multiplied by the number of choice pupils.

Extent of Participation: 5,806 pupils participated in the choice program in 1998–1999, which was 5.6% of the MPS membership. As of September 1998, pupils were attending 87 private schools.

NOTE: State aids provided for nutritional programs (see Section XII) and the telecommunications access program (see Section XIV) also apply to private schools. In addition, pupil transportation aid and special education aid compensate districts for costs related to private school pupils; however, the payments are made to local districts and not the private schools.

XX. RECENT/PENDING LITIGATION

A 1979 lawsuit (*Kukor v. Grover*), filed by the Milwaukee Public Schools, challenged the constitutionality of the state's financing of K–12 education. The Wisconsin Supreme Court ruled in *Kukor v. Grover*, 436 N.W.2d 568 (Wis. 1989) (by a 4-3 vote) that the current system is constitutional. In response to that ruling, amendments to the state constitution have been proposed in the legislature to change the education article, which currently requires that districts be “as nearly uniform as practicable” to require “adequate funding” for education and to allocate state aid through a formula that assures “equal educational opportunity” in all districts. However, these amendments have not been adopted. A coalition of about 150 school districts (primarily low-wealth districts including Milwaukee) filed suit to challenge the financing system. To date, the state's financing system has been affirmed as constitutional from this most recent challenge at the Circuit Court, which was affirmed by the Wisconsin Court of Appeals.

XXI. SPECIAL TOPICS

N/A.