



Legislative Fiscal Bureau

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May 31, 2017

TO: Representative John Nygren
Room 309 East, State Capitol

FROM: Russ Kava, Fiscal Analyst

SUBJECT: K-12 School Funding Proposal

At your request, I am providing information on a proposal to modify the Governor's budget bill as it relates to K-12 school finance.

Low Revenue Adjustment. The proposal would set the low revenue adjustment at \$9,800 per pupil in 2018-19 and each year thereafter. Under current law and the budget bill, the adjustment is set at \$9,100 per pupil each year. On a statewide basis, it is estimated that this would provide an additional \$92.2 million in revenue limit authority that would be used by school districts.

General School Aids. The proposal would provide an additional \$20.0 million in 2017-18 and \$10.0 million in 2018-19 for general school aids. Under the budget bill, an additional \$72.8 million in general school aids is provided in 2018-19 as a change to the base year. As a result, under the proposal, general school aids would increase by \$20.0 million in 2017-18 and \$82.8 million in 2018-19 compared to the base.

School Levy Tax Credit. The proposal would delete \$35.0 million from the \$87.0 million increase in the school levy tax credit distribution in the 2017(18) property tax year under the bill, resulting in a \$52.0 million increase in the credit distribution for the 2017(18) property tax year. The proposal would provide an additional \$60.0 million above the \$87.0 million increase to base level funding in the 2018(19) property tax year under the bill for a total increase of \$147.0 million compared to the base. Because the levy credit is paid on a delayed basis in the following year, the proposal would reduce expenditures by \$35.0 million GPR in 2018-19 and increase expenditures by \$60.0 million GPR in 2019-20 compared to the bill.

Per Pupil Aid. The proposal would increase the categorical per pupil aid payment from \$250 per pupil in 2016-17 to \$400 in 2017-18 and to \$600 in 2018-19. Under the bill, the payment would be up to \$450 per pupil in 2017-18 and \$654 per pupil in 2018-19, provided school districts make required certifications related to employee payment of health care costs and pass-through of funding to school buildings, and provided that there is funding lapsed to the general fund related to

self-insurance for state employees. Assuming that the maximum per pupil payments would be provided to all districts under both the bill and the proposal, the proposal would reduce funding by \$42,692,300 in 2017-18 and \$48,106,100 in 2018-19 compared to the bill.

Statewide Private School Choice Reestimate. Based on reestimated enrollment, the appropriation for the statewide private school choice program is estimated to increase by \$6,170,200 in 2017-18 and \$9,523,200 in 2018-19 compared to the bill. The revenue limit adjustments and associated aid reductions and levy for the program are estimated to increase by \$5,976,400 in 2017-18 and \$11,473,100 in 2018-19. The net GPR effect is an increase of \$193,900 in 2017-18 and a reduction of \$1,949,900 in 2018-19.

Independent Charter School Reestimate. Based on reestimated enrollment, it is estimated that expenditures for the independent charter school program, as well as the associated aid reductions and levy, will be reduced by \$3,362,000 in 2017-18 and \$3,448,800 in 2018-19 compared to the bill. This item would result in no change in net GPR expenditures.

Choice and Charter Indexing Mechanism. Under current law, payments for the private school choice, independent charter, and special needs scholarship programs are annually adjusted by the per pupil revenue limit adjustment for the current year, if positive, plus the change in the amount of statewide categorical aid per pupil between the previous year and the current year, if positive. Under the bill, it is estimated that the various payments under these programs would increase by \$217 per pupil in both 2017-18 and 2018-19. As a result of the per pupil aid modification above, under the proposal, it is estimated that the payments would increase by \$167 in 2017-18 and \$213 in 2018-19.

The appropriations for the private school choice, independent charter, and special needs scholarship programs would decrease, in total, by \$2,149,600 in 2017-18 and \$2,457,700 in 2018-19 under the proposal compared to the bill as reestimated. Under the funding mechanisms for these programs, the associated aid reductions and levy would decrease, in total, by \$986,900 in 2017-18 and \$1,150,100 in 2018-19. The net general fund fiscal effect would be decreased expenditures of \$1,162,700 in 2017-18 and \$1,307,600 in 2018-19.

The attachment summarizes the changes in general fund expenditures and the estimated statewide levy under the proposal compared to the bill and compared to the base.

You asked about the effect of the proposal on the estimated levy on the median-valued home. Under the proposal, it is estimated that the net levy on the median-valued home would decrease from \$2,852 in 2016-17 to \$2,842 in 2017-18 and to \$2,842 in 2018-19. This would represent an increase of \$10 in 2017-18 and \$11 in 2018-19 compared to the bill.

You also asked about the level of K-12 financial resources for school districts under the bill compared to the proposal. This would involve comparing the revenue limit and per pupil aid provisions of the bill and the proposal, as the general school aid, school levy tax credit, and choice and charter modifications would change the mix of state and local funding, but not the overall level of school district resources. Compared to the bill, the proposal would reduce K-12 resources by

\$42,692,300 in 2017-18 and increase them by \$44,093,900 in 2018-19, a biennial increase of \$1,401,600.

I hope this information is helpful. Please contact me if you have further questions.

RK/sas
Attachment

ATTACHMENT

GPR and Levy Changes to Bill and Base Under Proposal

Change to Bill

	GPR		Aid Reductions		Net GPR		Levy	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Low revenue adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$92,200,000
General school aids	20,000,000	10,000,000	0	0	20,000,000	10,000,000	-20,000,000	-10,000,000
School levy tax credit	0	-35,000,000	0	0	0	-35,000,000	35,000,000	-60,000,000*
Per pupil aid	-42,692,300	-48,106,100	0	0	-42,692,300	-48,106,100	0	0
Statewide choice reestimate	6,170,200	9,523,200	5,976,400	11,473,100	193,800	-1,949,900	5,976,400	11,473,100
Charter reestimate	-3,362,000	-3,448,800	-3,362,000	-3,448,800	0	0	-3,362,000	-3,448,800
Choice/charter indexing	-2,149,600	-2,457,700	-986,900	-1,150,100	-1,162,700	-1,307,600	-986,900	-1,150,100
Total	-\$22,033,700	-\$69,489,400	\$1,627,500	\$6,874,200	-\$23,661,200	-\$76,363,600	\$16,627,500	\$29,074,200

*GPR expenditures would increase by \$60.0 million in 2019-20.

Change to Base

	GPR		Aid Reductions		Net GPR		Levy	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Low revenue adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$92,200,000
General school aids	20,000,000	82,750,000	0	0	20,000,000	82,750,000	-20,000,000	-82,750,000
School levy tax credit	0	52,000,000	0	0	0	52,000,000	-52,000,000	-147,000,000*
Per pupil aid	125,167,200	292,767,200	0	0	125,167,200	292,767,200	0	0
Statewide choice reestimate	11,734,100	25,204,500	15,557,600	31,077,100	-3,823,500	-5,872,600	15,557,600	31,077,100
Charter reestimate	-13,089,200	-7,991,200	-13,089,200	-7,991,200	0	0	-13,089,200	-7,991,200
Choice/charter indexing	-2,149,600	-2,457,700	-986,900	-1,150,100	-1,162,700	-1,307,600	-986,900	-1,150,100
Total	\$141,662,500	\$442,272,800	\$1,481,500	\$21,935,800	\$140,181,000	\$420,337,000	-\$70,518,500	-\$115,614,200

*GPR expenditures would increase by \$147.0 million in 2019-20.