

**Assembly Education Committee**  
**February 1, 2018**

**Wisconsin Department of Public Instruction**  
**Testimony on 2017 AB 803**

Thank you, Chairman Thiesfeldt and members of the Assembly Education Committee for the opportunity to be here today to speak on AB 803. My name is Bob Soldner. I'm the Director of the School Financial Services Team for the Department of Public Instruction.

Since 1973-74, the State of Wisconsin has had what has been called a "power equalization" formula for the distribution of state general school aids. One of the primary guiding principles of our state school aid formula is the achievement of tax-base equalization so that districts that tax at the same rate spend at the same rate, all other things being equal. Our state school aid formula is designed to "equalize" each school district's property tax base so that a district's local tax rate is not dependent upon its property tax base, but rather on its level of spending per pupil. More simply put, a student should not be unfairly disadvantaged as a result of where she or he lives. School districts with less property value per student receive state general school aids at a higher percentage than districts with higher property values per student. The fundamental purpose of the equalization aid formula is to "equalize" the level of resources available to each school community.

One of the major equalizing components of our school aid formula relates to its redistribution of state general aid within the formula from higher property-value, higher spending districts that are known as "negative tertiary" districts to lower property-value, lower spending districts. There are 116 negative tertiary districts in this year's aid formula.

The third or final "tier" of funding in our school aid formula is designed to narrow the spending disparity among school districts and to serve as a disincentive for spending above the state-set secondary cost ceiling, which under state law is set at 90 percent of the statewide average shared cost per student (\$9,619 this year). Again, it is important to note this feature in the current formula has been in place for nearly 45 years as it was present in the former two-tier formula as well.

While the arguments of proponents of this bill and negative tertiary districts themselves are not without merit, we are opposed to AB 803 because it would work in the opposite direction of tax base equalization by allowing higher property-value, higher spending districts to exclude certain debt service costs from their eligible aidable costs, which compared to current law, would result in a redistribution of state general aid away from mostly lower property-value, lower spending

districts.

It is critical to note that the state general school aid appropriation is a sum certain, not sum-sufficient, appropriation so if one district or type of district receives more state general aid as a result of a change in state law, other districts will receive less state general aid as a result, which practically speaking, will result in higher property taxes in those districts.

Under this bill, no district would be able to spend more; rather, it would result in a shift in the distribution of state general school aid, which directly affects local property tax levies since general school aid is received within school district revenue limits.

Notably, this bill would not result in an increase in state general school aid for all negatively aided districts; rather, it would provide additional state school aid, compared to current law, only for those negative tertiary aided, or higher property-value districts that pass a debt referendum in the future. In fact, negative tertiary districts that do not pass a referendum would also receive less general school aid, like most other districts, if other negative tertiary districts pass debt referenda when compared to current law.

Please see the map we have handed out, which color-codes districts into certain categories to show, for this year, which districts, when compared to current law, would have possibly received more state aid due to this bill's provisions; which districts would lose state aid again compared to current law; and those districts that would likely not be impacted either way due to this bill. It is important to know a district's "position" in the general school aids formula. Certain districts that are light green colored now, could become cream colored (negative tertiary aided) if shared costs would increase.

*Red and burnt orange colored districts-The bill would have no impact on these districts.*

*Cream colored districts-Would receive more state aid if they had a referenda compared to current law.*

*Green (light and dark) colored districts-Would receive less state aid than compared to current law.*

Finally, while we do not support this bill, we have long agreed that the broader issue here should be addressed as schools districts are penalized for spending more than 90 percent of the state average cost per student under our school aid formula. As you may know, State Superintendent Evers has forwarded his Fair Funding plan to the Governor/Legislature four times over the past eight years and one aspect of his plan addresses this issue by increasing the secondary cost ceiling to 100 percent of the state average cost per student to immediately address this concern for all district spending, not just that portion related to successful passage of debt referenda. This solution was actually raised as an alternative by the Legislative Fiscal Bureau back in 1999 in one of its biennial budget issue papers as an option for addressing this concern by those who raised it at that time.

Again, thank you Chairman Thiesfeldt and members of the committee for the opportunity to testify today. I would be happy to answer any questions at this time.

