

## 2013-15 Budget Issue Paper Impacts on Rural School Districts

[LFB 2013-15 Budget Summary: page 369, #5; page 375, #6]

### Governor's Proposal:

#### Pupil Transportation Aid

- Approve increase in reimbursement rate for pupils transported over 12 miles from \$220 to \$275 per pupil in both FY14 and FY15, the cost of which would be covered by the current base appropriation.
- Deny the request for \$212,000 GPR in both FY14 and FY15 and the statutory language change to include 2r charter schools in pupil transportation reimbursement.
- Deny the request of \$7,318,400 GPR in FY15 to reimburse school districts for the high-cost pupil transportation incurred above 150 percent of the statewide average.

#### Sparsity Aid

- Deny the request of \$3,300,500 GPR in FY14 and FY15 to fully fund the estimated eligible costs for the sparsity aid categorical grant program.
- Deny the request to eliminate the FRL criteria for districts to qualify for sparsity aid.

#### Special Education Aid

- Deny the special education categorical aid reimbursement increase of \$17,322,200 GPR in FY14 and \$56,122,300 GPR in FY15 to maintain the estimated FY13 special education categorical aid reimbursement rate of 26.64 percent in FY14 and increase to 28 percent in FY15.
- Deny the high-cost special education aid increase of \$1,500,000 GPR in both FY14 and FY15 to increase the estimated reimbursement rate of high-cost special education claims to 55.0 percent in FY14 and 52.3 percent in FY15.

#### Revenue Limit

- ❖ Deny the request to increase the per pupil revenue limit by \$225 per pupil in 2013-14 and \$230 per pupil in 2014-15 (a 2.2 – 2.4 percent increase in annual revenues for the average school district).

#### No Aid or Low-Aid Districts

- ❖ Establish a Special Needs Scholarship Program to be paid for through a deduction in the resident school district's equalization aid.

**DPI Position: Support transportation rate increase; Oppose creation of Special Needs Scholarship Program and remove from budget.**

### Rationale:

- ❖ **Wisconsin's small and rural districts are hardest hit by increasing transportation costs.**

There are 83 districts with pupil transportation costs per member above 150 percent of the state average, making their total transportation costs nearly \$10 million. The amount requested in DPI's proposed budget is 75 percent of those costs to be covered by the state, or \$7,138,400. By denying this high-cost pupil transportation aid request,

the Governor is leaving it up to districts, many of whom have declining revenues and increasing costs already, to cover these substantial expenses.

❖ **Many of the state's small, rural districts face unique fiscal challenges which Sparsity Aid attempts to address.**

Many of the state's small, rural districts are facing even greater budget cuts while simultaneously suffering from a number of challenges: declining enrollment, large geographic areas, rising property values, and low median income. Many educational programs, including core academics, are becoming relatively more expensive for these districts given the challenges facing these rural districts. In the 2013-15 biennial budget, DPI requested to fully fund the sparsity grant program, in order to alleviate some of the financial burden facing these districts. Sparsity Aid is flexible allowing districts to put the resources where local needs dictate. The governor's denial of this request instead puts even more pressure on small, rural districts in Wisconsin who are already experiencing rapidly decreasing revenues that do not compensate the expected costs of running their schools.

❖ **Rising special education costs have essentially reduced the spending authority of some school districts for regular education.**

Federal and state categorical aids for special education have not increased at the same rate as costs, and this disparity is expected to continue to grow. The primary state source of revenue for special education is through categorical aid, and it is projected that with capped revenue limits, districts will increasingly be forced to use funds from regular education to pay for special education. This is especially detrimental to small, rural schools that are facing financial burdens most harshly. Any special education costs that are not reimbursed by the state or federal governments are eligible for reimbursement under state general equalization aids; however, revenue limits restrict the amount of state general equalization aids and property tax revenue a school district may receive.

❖ **Revenue limit caps hurt small, rural districts as they are facing significant challenges already with current revenue.**

As part of the Fair Funding for our Future proposal, the department requested increasing the revenue limit by \$225 per pupil in FY14 and \$230 per pupil in FY15, representing a 2.2 – 2.4 percent increase in annual revenues for the average district. Revenue limit caps hurt small, rural districts as they are facing significant challenges already with current revenue. By freezing revenue limits while costs increase, small districts will be unable to cover their ongoing expenses. In addition, many of the cost savings available through Act 10 have been realized, leaving districts with little choice but to cut staff, services, and programming.

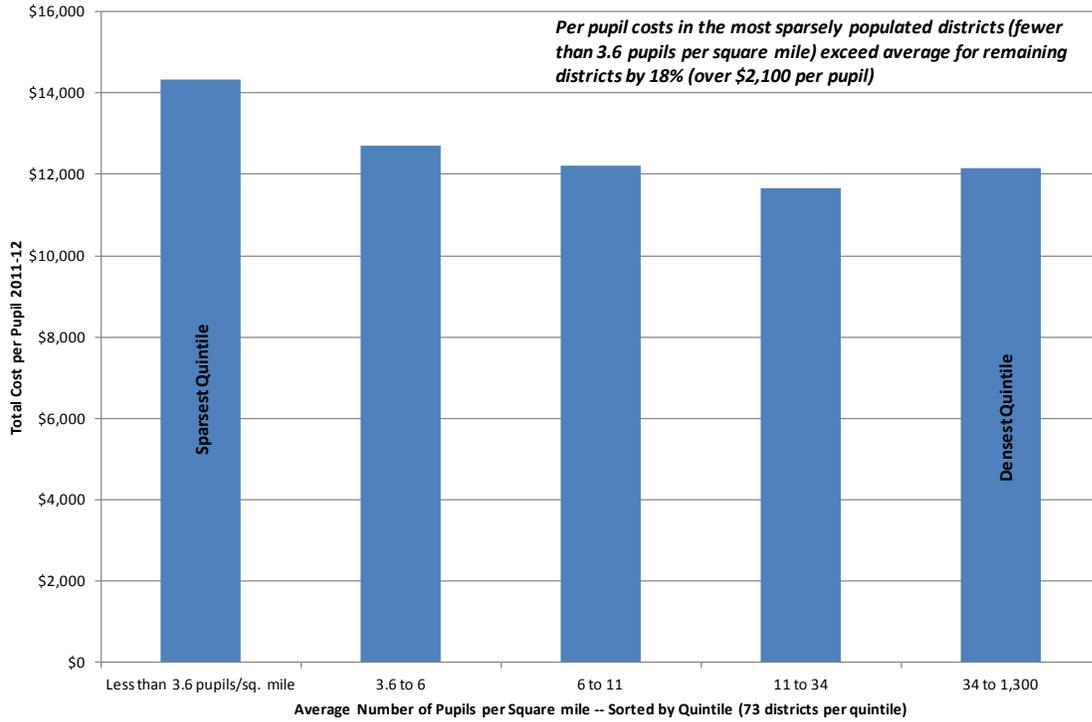
❖ **No aid and low-aid districts continue to be hardest hit by the governor's budget.**

In addition, property taxpayers in no aid and low-aid districts are unable to receive any, or very little, benefit from the \$129 million increase in general school aids in the Governor's budget. Because revenue limits are frozen, the increase in general aid serves only to lower property taxes, not increase per pupil spending. But for no aid and low-aid districts, because they receive almost no general aid, there will be very little impact of the \$129 million on local school property taxes.

Districts with Special Needs Scholarship students will have their budgets cut even further, since the scholarship is funded through a deduction in the resident school district's equalization aid. 20 districts receive no general school aid through the formula, while another 41 receive a small amount of aid at the primary level only. Districts funding this Special Needs Scholarship will suffer from reductions to whatever small amount of general state aid they may receive. Additionally, these districts cannot levy supplemental funding from property taxes to replace the state aid that was lost to the scholarship. However, as these districts are already predominantly funded with property taxes, it may not be reasonable to expect those boards to further increase taxes as a result of the loss of state aid.

### Sparse populated school districts have higher per pupil costs

(K-12 districts only)



### Sparse populated school districts have higher transportation costs

(K-12 districts only)

