



BUSINESS SERVICES DEPARTMENT

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To: Board of Education
 From: Daniel A. Nerad, Superintendent
 Date: July 6, 2010
 Subject: 2010-11 July 1 Aid Estimate Summary

On July 1 of each year, the Department of Public Instruction (DPI) is required to provide each school district in the State of Wisconsin a General Aid Estimate for the upcoming fiscal year. This Aid Estimate has shifted for MMSD in a good way, which will attempt to be explained. The following is a brief five year history of aid received by MMSD to put all of this into context:

Year	Amount	% Change
2006-07	\$56,984,763	
2007-08	\$57,301,616	0.56%
2008-09	\$60,743,743	6.01%
2009-10	\$51,514,340	-15.19%
Estimated 2010-11	\$45,330,641	-12.00%

As you can see over the past five years, equalization aid for MMSD has been slightly erratic, increasing for two years and then decreasing drastically over the past 2 years as the State of Wisconsin removed \$147 million of funding from the equalization aid formula.

The 2009-10 school year was the first time over the last 10 years that MMSD saw a maximum decrease in funding from the State of Wisconsin, which statutorily is set at 15%. For MMSD this was a decrease in the State's commitment to public education in Madison of over \$9.2 million when compared with funds received in 2008-09.

When planning for the 2010-11 school year budget, Administration openly planned for another reduction in equalization aid funding of 15% or approximately \$7.8 million. The early aid estimate that was released on July 1, 2010 shows MMSD in a better situation than was first projected through the budget process for one reason. The breakdown of equalization aid for MMSD in 2010-11 as projected by the DPI is as follows:

Equalization Aid Estimate	\$41,543,225
*Special Aid Adjustment / 220 Integration Aid	\$2,201,951
Act 28 Aid Adjustment	\$1,584,951
Estimated Equalization Aid (7/1/10)	\$45,330,641

*This adjustment is the amount given by statute to not allow MMSD to lose more than 15% of equalization aid when compared to the prior year.

The piece of the equalization aid formula that benefited MMSD for the 2010-11 school year deals with the Act 28 Aid Adjustment, that was enacted for the first time with the 2009-11 biennial budget. The text of this formula is as follows:

Modify the impact of the \$147,001,900 base funding reduction to general school aids by requiring DPI to make an additional set of adjustments to the payments of certain districts after the equalization aid formula has been used to calculate aid for all districts. Under these adjustments, districts that would otherwise have lost more than an estimated 10% percent of their aid as a result of the base reduction would have their aid increased to limit their reduction to approximately 10%. Certain districts that would have lost less than 0.9% of their aid as a result of the base funding reduction would have their aid decreased to result in a 10% reduction. These adjustments would apply for the 2009-11 biennium only.

To implement these aid adjustments, require DPI, after calculating the net general school aid payment for each school district for FY10 and for FY11, to perform an additional series of calculations to reduce or increase the aid received by certain school districts. To calculate these additional aid adjustments, require DPI to run the aid formula a second time as if an additional \$147,001,900 of funding had been appropriated for general school aid. For each school district, require DPI to compute the percentage reduction in aid under the first aid run compared to the second aid run. Using this percentage reduction, require DPI to make two adjustments to the net aid provided to school districts under the first aid run.

The first adjustment would apply to each district that satisfies the following criteria: (a) the district has an equalized value per member that is above the statewide average; (b) the district has fewer than 35% of its pupils eligible for the federal free and reduced price lunch program; and (c) the district has a percentage change between 0.0% and -0.9%. For these districts, DPI would calculate how much the net aid under the second aid run would need to be reduced to achieve a 10% aid reduction, and then would reduce the net aid under the first aid run by that amount.

The second adjustment would apply to school districts with the highest percentage aid reduction in the first aid run compared to the second aid run. For these districts, require DPI to increase their net aid by the amount reduced in aggregate from the first group of districts. Require DPI to allocate these moneys to provide districts in the second group with additional aid until their percentage aid reduction under the two aid runs is the same as the percentage aid reduction for the next lower school district, until the moneys are fully allocated.

Governor Veto:

Reduce general school aids for almost all school districts, rather than the targeted group in the first adjustment above, in order to increase aid under the second adjustment.

Using the FY10 aid factors that were not available when the legislative provision was created, a total of 5 districts are eligible for additional aid under the second adjustment in FY10.

What Act 28 effectively did for MMSD was to increase funding from the State of Wisconsin in the form of equalization aid by an additional \$1,584,951. This additional funding from the State of Wisconsin, without any further Board action, we project will decrease the property tax bill for a home valued at \$250,000 by \$17.50, decreasing from an increase of \$222.00 to approximately \$204.50. This was accomplished by a two step process as outlined within the legislation. First the DPI is required to run the July 1, 2010 aid estimate with the \$147,000,000 removed from the formula. Second, they are required to run the same formula with the \$147,000,000 in the aid formula. These separate calculations are then compared for every school district to see the actual decreases and possible increases with the formula. It appears that MMSD is benefiting from the provision within Act 28 legislation that reads, *“Under these adjustments, districts that would otherwise have lost more than an estimated 10% percent of their aid as a result of the base reduction would have their aid increased to limit their reduction to approximately 10%.”* I believe that we are slightly penalized on this provision because we also qualify for the Special Aid Adjustment of \$2,201,951 in this estimate, but we are working with DPI to clarify this.

The main problem with the July 1, 2010 aid estimate is that the DPI is utilizing every school districts submitted budget from the fall of 2009 to run this estimate. Final figures for each school district will become available closer to October of 2010, and we will have to monitor how this will impact the Act 28 credit MMSD is currently projected to receive.