

## DPI 2007-09 BIENNIAL BUDGET REQUEST

### DECISION ITEM 5002 – SPARSITY AID FOR SMALL/RURAL DISTRICTS

#### 272 – Aid for small/rural districts

##### s. 20.255 (2)(bj) – New

FISCAL SUMMARY	
2007-08 Request	2008-09 Request
\$0	\$26,462,400

#### Request/Objective

The department requests \$26,462,400 GPR in FY09 to create a new statewide, categorical aid program for small, rural districts that meet certain criteria and provide them with additional funding to be used for locally-determined purposes.

#### Background/Analysis of Need

Many of the state's small, rural districts face a similar set of issues that include a lack of economies of scale, declining enrollment, rapidly rising property values, low median income, higher transportation costs, and large geographic boundaries. While certain specific district situations have been highlighted recently (i.e. Florence School District), many of the state's small, rural districts face more challenging circumstances each year. Further, a greater percentage of rural districts (as opposed to urban or suburban) are experiencing declining enrollment, which has further exacerbated issues related to their size and ability to maintain their core educational programs.

Some data indicate districts with the lowest student density, or students per square mile, are among the state's lowest wealth districts in terms of average income. These districts have higher poverty rates, higher transportation costs, and in some cases have high property values that result in the district receiving lower levels of state aid due to the districts' property "wealth" as measured by the state school aid formula. Further, some educational research asserts that some state and federally required programs are often more costly for small, rural districts to operate or implement due to lower enrollments in programs that require teachers and staff with specific skills.

Research from 2000 indicates that roughly 30 states incorporate a "sparsity" factor into their state school aid formula and/or provide direct assistance to small, rural districts. Between 1997 and 2002, 68 percent of Wisconsin's rural districts (as defined by the Institute for Wisconsin's Future [IWF]) experienced declining enrollment, compared to 56 percent of the state's urban districts (as defined by IWF) and 38 percent of its suburban districts (as defined by IWF).

Currently, there is one state categorical aid program specifically designated to assist a small, rural district. The supplemental categorical aid program, which was created in 1999-00, provides \$125,000 GPR annually to the Laona School District as it is the only district that meets the statutory criteria (under 500 students, over 200 square miles, and 80 percent of property in district is tax-exempt) to receive this aid.

This proposal would establish the following eligibility criteria: (1) district enrollment of 2000 or less; (2) less than 15 students per square mile; and (3) a district free or reduced-price lunch (FRL) eligibility of at least 20 percent. For those districts that qualify, per pupil aid would be \$300 for districts with FRL above 40 percent and \$150 for districts with FRL between 20 percent and 40 percent. Funds could be used for any purpose. Using 2005-06 data, approximately 185 districts would qualify for the aid. The actual districts eligible in FY09, however, cannot be determined as 2007-08 data will be used to calculate the Sparsity Aid grants.

In addition, the department will require that eligible districts would have to report back to their local communities on the use of these funds each year at their annual meeting (if applicable), as well as to the department. To the extent new state aid would assist in addressing certain costs currently incurred under revenue limits, districts would have funds “freed up” to use for other purposes (i.e. classroom).

**Statutory Language**

The department is proposing statutory language related to this request. See *Sparsity Aid for Small/Rural Districts* in the Statutory Language section of this document.