



Luther S. Olsen
State Senator
14th District

TO: Joint Committee on Education
FROM: Senator Luther Olsen
DATE: Thursday, October 3, 2019
SUBJECT: Testimony for Senate Bill 415 and Assembly Bill 461

Thank you members of the Senate Committee on Education, Chairman Thiesfeldt, and members of the Assembly Committee on Education for holding a hearing and allowing me to testify in support of Senate Bill 415 (SB 415) and Assembly Bill 461 (AB 461).

Under current law, school districts receive their state aid in four quarterly payments. They receive 15% in September, 25% in December and March, and the remaining 35% in June. However, they also have the ability to receive their funding in 10 equal payments from September to June, as long as they pay a portion of their state aid back to the state to recover lost interest due to the more frequent payments.

During our Public Hearings on the Blue Ribbon Commission on School Funding, we heard from numerous districts that have had to resort to taking out short term loans as a result so that they can cover their costs until their next payment from the state comes in.

This legislation would modify the current disbursement amounts gradually by two percentage points until they reach four equal payments. It will increase the September payment by two percentage points and decrease the June payment by two percentage points each year for five years until all four of the quarterly payments reach 25%. This model will provide more local control to schools and school districts by allowing them more flexibility in how they budget and manage their cash flow.

SB 415/AB 461 will help to put more money in the classroom and stop the short term borrowing which wastes state aid that should be going to our children's education.

Again, thank you for holding a hearing today. I ask for your support on SB 415/AB 461 and I would be more than happy to answer any questions.



Rob Hutton

STATE REPRESENTATIVE • 13TH ASSEMBLY DISTRICT

October 3rd, 2019

To: Joint Committee on Education
From: Rep. Rob Hutton
Re: Senate Bill 415/ Assembly Bill 461

Testimony of Rep. Rob Hutton in Support of Senate Bill 415/ Assembly Bill 461

Mr. Chairman and members of the committee, thank you for giving these bills a public hearing. Two sessions ago, a broad group of education experts came together to discuss areas of agreement to improve all schools so that we can better serve the children of Wisconsin.

Last year the Blue Ribbon Commission on School funding held hearings throughout the state. Again this was a broad group of education experts joined by a common goal of better serving the children of Wisconsin.

Common in the recommendations of both groups was a desire to modify the equalization aid disbursement schedule to better reflect the cash flow realities of local school districts.

Under current law, the Department of Public Instruction pays equalization aid to school districts for each school year in the following four installments: 15 percent in September, 25 percent in December, 25 percent in March, and 35 percent in June. SB415/ AB461 increases the percentage of equalization aid distributed in September by 2 points each school year, and decreases the percentage of equalization aid distributed in June by 2 points each school year, until the 2023-24 school year, at which time the amount of equalization aid distributed in both September and June will be 25 percent. The result is that equalization aid will be paid to school districts in four equal installments beginning in the 2023-24 school year

This legislation provides greater budget control and encourages school districts to model good private sector practices. While not completely solving the issue, SB 415/ AB 461 will help to alleviate the problem of short term borrowing that many of our school districts face in order to meet expenses. While these loans are often repaid quickly, school districts still lose money to the interest that is charged on the loan. One recent compilation has shown that this costs public school districts \$3.8 million annually. This is \$3.8 million that could be going to the classroom instead of paying interest on loans.

One area of commitment we all have is to find creative ways to give our schools more financial predictability. SB415/ AB461 illustrates that commitment and offers a small step in the right direction.

Thank you again for the opportunity to testify in support of SB 415/ AB 461.



THE SCHOOL DISTRICT OF NORTH FOND DULAC

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Phone: (920) 929-3750

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October 3rd, 2019

Testimony of Support for SB 415 and AB 461

Dear Senate and Assembly Education Committee Members,

Living and serving in the state of Wisconsin is a blessing and gift – Public Education in Wisconsin is strong; the past investment in public education is appreciated and has been and will be used judiciously. On behalf of superintendents, thank you for including our colleagues, Ted Neitzke, Dr. Michelle Langefeld and Dr. Joni Burgin on your Blue Ribbon Commission, giving us input on the future of Wisconsin education funding – your inclusion of us on this seminal work is appreciated. We are here to help, thank you for allowing us that opportunity.

My name is Aaron Sadoff and I am proud to serve the School District of North Fond du Lac as superintendent; we are a growing district of more than 1,490 students (up 150 over the last 2 years), the largest employer in our community (with a budget of over \$20,000,000) employing over 190 staff; and a partner with local business and educational institutions to make our community stronger. Our student body is made up of 18% Special Education students; 10% English Language Learner students; 49% of our students qualify for the Federal Free and Reduced Lunch Program and a 100% of students that deserve the best education we can afford, develop and implement.

Thank you for bringing these bills forward to help improve the ability to serve the students of this great state. I support each of the 12 bills that are being discussed today. I am very impressed and thankful that the Senate and Assembly are working together to bring these ideas forward. Public education is the foundation of our great state, seeing our legislators work together to help us grow and have better resources to do our work is very appreciated. I am also grateful that many of the recommendations today and conversations throughout the process are rooted in the seminal work of the National Conference of State Legislators, *No Time to Lose: How to Build a World-Class Education System State by State*. Wisconsin public education is strong, and we can even do better, by learning from others.

Although I support all the bills being discussed today (and appreciate that none of the bills are unfunded mandates), I am here to give testimony to specifically support SB 415 and AB 461, Equalization Aid. The School District of North Fond du Lac is financially strong. We have a total budget of over \$20,000,000, increasing enrollment and a strong fund balance of roughly 20% (based mainly on our two annual, largest funds, Fund 10 general/discretionary and Fund 27 special education) currently at about \$3,363,351. The District receives state aid of approximately 65% of our revenue authority, which was \$9,748,445 last fiscal year.

These two bills address an issue that results from state equalization aid being distributed at 15% in September, 25% in December, 25% in March and then 35% at the end of the fiscal year in June. This discrepancy cause the largest strain in the months of November and December when expenditures are eating away at fund balance due to not getting local tax revenue yet and having to fund 25% of the years expenditures with only 15% of equalized aid. This is what triggers short-term borrowing and bringing

additional costs to Districts. Our District has been fortunate to not have to short-term borrow yet, but that will change for this year if things remain status quo.

Here is a chart of what the proposed changes in would do to the aid for our District:

SD NFDL Aid Impact of SB 415 and AB 461

Based on 2018 - 2019

State Aide Amount - **\$9,748,445**

Fund Balance - **\$3,363,351 – Down to \$13,261.09 (November 2018)**

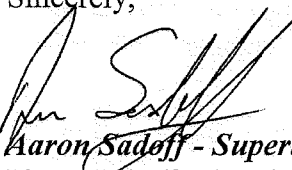
% of State Aide	\$\$	Increase over 15%	September - June Payments
15%	\$1,462,267		Current SEPT - JUNE
35%	\$3,411,956		
17%	\$1,657,236	\$194,969	Proposed 2019 - 2020
33%	\$3,216,987		
19%	\$1,852,205	\$389,938	Proposed 2020 - 2021
31%	\$3,022,018		
21%	\$2,047,173	\$584,907	Proposed 2021 - 2022
29%	\$2,827,049		
23%	\$2,242,142	\$779,876	Proposed 2022 - 2023
27%	\$2,632,080		
25%	\$2,437,111	\$974,845	Proposed 2023 - 2024

As proposed, by the 2023-2024 school year, the District would receive almost \$1 million more in state equalization aid at the beginning of the school year, helping to pay expenditures and possibly allowing for resources to be freed up to do one time investments and improvements. More consistent revenue would mean changing the level of Fund Balanced needed (for higher aided districts) to avoid short-term borrowing. These resources could be used for many things, including professional development, seed money for partial self-funded health insurance or facility improvements.

According to the Department of Administration Fiscal Bureau projections, this change may cost just over \$11,000,000 in 2023-2024 due to lost interest revenue. Although I do not have specific data, I believe this amount is incredibly lower than the interest District are paying for short-term borrowing, allowing for more money to go directly to student achievement and growth.

In closing, budgeting for public education is like “nailing Jell-O to a wall,” there are so many uncertainties and our budgets do not get approved until the end of October, which is a quarter through the fiscal year. Any help to give more consistent, equal aid payments would be helpful for Districts that need that revenue sources to pay expenditures. These bills hurt no districts and only help the fiscal viability of districts in need. Thank you for your efforts to continue supporting our most precious natural resource, our children.

Sincerely,



Aaron Sadoff - Superintendent

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Email: asadoff@nfdlschools.org



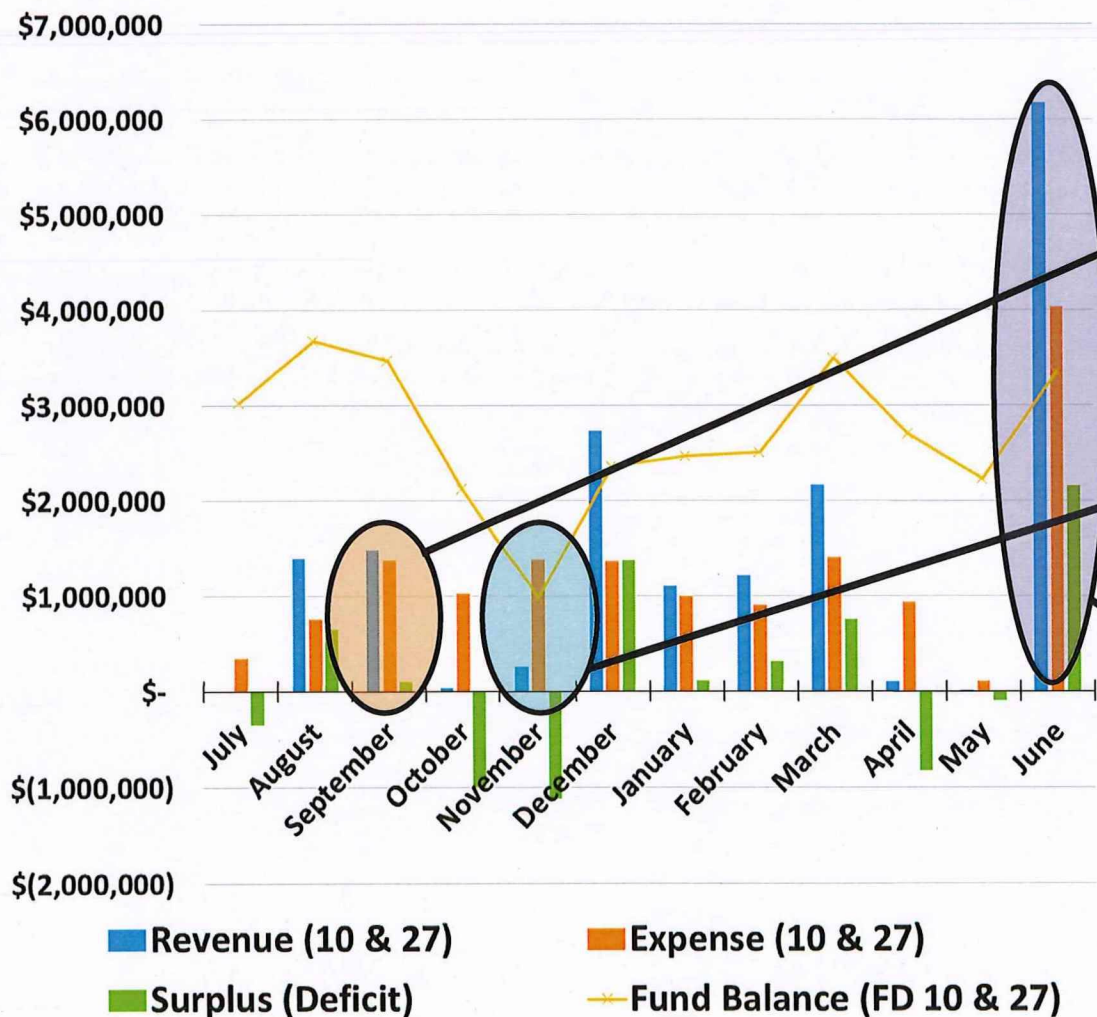
The School District of North Fond du Lac

Information for presentation of support for SB 415 and AB 461, presented on Thursday, October 3rd, 2019 by Aaron Sadoff, superintendent of the School District of North Fond du Lac.

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2018-19 SDNFDL Monthly Operations (Fund 10 & 27)

This is a summary graph of revenue, expenditures, fund balance levels and surplus/deficits for the 2018-2019 school year. The two funds shown are for the general (Fund 10) and special education (Fund 27). These are the largest funds of the District.



The blue line shows the Revenue for the month, including the first aid payment of 15% (\$1,462,267). The revenue also includes other aide and tax collections. This is where the Fund Balance (cash flow) is significantly reduced.

The yellow line shows the Fund Balance each month. The second aid payment of 25% (\$2,437,111) came in the first week of December. On the November 28th, the District had \$13,261.09 left in Fund Balance).

The blue line shows the Revenue for the final month of the fiscal year, including the final aid payment of 35% (\$3,411,956). This amount replenishes the Fund Balance. (This year the District had a \$190,000 surplus which actually lowered the percentage of the FB to 20% due to increased expenditures (growing budget) for the projected 2019-2020 school year.

Senate Committee on Education and Assembly Committee on Education
October 3, 2019

Wisconsin Department of Public Instruction
Information on 2019 Senate Bill 415 and Assembly Bill 461

Under current law, the department (DPI) pays equalization aid to school districts for each school year in the following four installments: 15 percent in September, 25 percent in December, 25 percent in March, and 35 percent in June.

This legislation increases the percentage of equalization aid distributed in September by 2 points each school year, and decreases the percentage of equalization aid distributed in June by 2 points each school year, until the 2023-24 school year, at which time the amount of equalization aid distributed in both September and June will be 25 percent. The result is that equalization aid will be paid to school districts in four equal installments beginning in the 2023-24 school year.

Under Senate Bill 415 (SB 415) and Assembly Bill 461 (AB 461) the total general equalization aid eligibility would not be impacted, but the distribution of it throughout the school year would change. School districts would receive more of their aid in the September payment, and less of their aid in the June payment.

Some districts rely more on short-term borrowing than others. For instance, districts that receive little or no state general aid may choose to short term borrow to manage cash flow until they receive revenues from their property tax levy, a good share of which is distributed to school districts in August, after the school year has ended. To the extent that the bill reduces the need for short-term borrowing, districts may save on costs associated with short-term borrowing. The amount of those savings would vary from district to district and cannot be projected by the department.



School Administrators Alliance

Representing the Interests of Wisconsin School Children

TO: Senate Committee on Education
FROM: John Forester, Executive Director
DATE: October 3, 2019
RE: AB 461/SB 415 – Payment of State Equalization Aid

The School Administrators Alliance (SAA) supports Assembly Bill 461 and Senate Bill 415, relating to the payment of state equalization aid to school districts. The SAA supports this bill because it will improve cash flow and lower short-term borrowing costs for most Wisconsin school districts. And these savings could then be repurposed for the classroom or other annual budget uses. We thank the authors for bringing this bill forward.

The current school revenue distribution schedule in Wisconsin is end-loaded, with most of a school district's revenue arriving, in the form of local property taxes and state aid, more than six months after the beginning of the fiscal year (July 1). For example, under current law, a school district receives 15 percent of its state general aid in September, 25 percent in December, 25 percent in March, and 35 percent in June after the conclusion of the school year and close to the end of the fiscal year. Other factors contributing to school district cash flow challenges include:

- Some general aid is paid to districts in July after the end of the fiscal year.
- Districts receive no general aid in August, October, November and May.
- Districts receive no property tax revenue for the first half of the fiscal year (July through December).
- The \$1.09 billion in school levy tax credits are received by districts in August after the fiscal year is over.

AB 461/SB 415 addresses these district cash flow challenges by paying equalization aid to school districts in four equal installments of 25% each after a five-year phase-in. The five-year phase-in, as well as addressing this issue in a low interest rate environment like we have now, will serve to limit the state fiscal impact of adopting this bill.

Some argue that passage of this bill will automatically mean that school districts will: 1) discontinue plans to build a larger fund balance, or 2) reduce the amount of fund balance they are carrying. Some districts may be able to do that and we applaud the fiscal flexibility afforded under the bill. However, Wisconsin has 421 school districts. Each district operates under unique fiscal and educational circumstances and has unique reasons for building its financial cash reserves. Therefore, blanket statements or general recommendations cannot possibly cover all the unique situations that necessitate a larger or smaller district fund balance.

Allow me to share just a couple of examples. School districts that receive little or no state general aid will still need to carry significant cash reserves to meet their cash flow needs, even if the bill is adopted. In addition, for the more than 60 percent of school districts that are currently in declining enrollment, sufficient cash reserves allow these districts to better manage the decline.

In closing, I would like to share with the committee several reasons, other than cash flow purposes, why sufficient cash reserves are so important to Wisconsin school districts.

- A district's financial cash reserves must be adequate to protect the short-term and long-term educational opportunities for that community's children against some type of financial disruption.
- Provides a way to set money aside for planned and unplanned expenses such as repairs (roof), maintenance (new heating systems etc.), catastrophic (or near catastrophic) events, or major purchases (buses, textbooks, new educational programs).
- Sufficient cash reserves insulate districts against revenue loss and instability. Uncertainty about state and federal funding and the myriad problems posed to school districts in declining enrollment are among the biggest reasons that districts add to their fund balances.
- The establishment of sufficient and stable district cash reserves is considered a prudent business practice that will result in higher credit ratings and lower district borrowing costs.

Thank you for your consideration of our views. If you should have any questions regarding our thoughts on AB 461/SB 415, please call me at 608-242-1370.