



Matt Kranich <mattkranich@gmail.com>

Impact of 4K on state aid for WGSD

Soldner, Robert DPI <Robert.Soldner@dpi.wi.gov>
To: Matt Kranich <mattkranich@gmail.com>

Mon, Mar 3, 2014 at 4:34 PM

Hello Matt,

As we just discussed on the phone, I'm providing a methodology to be used to estimate the fiscal effect of adding a 4K program in the Waterford Graded School District (WGSD). My goal in providing this information is to assist you and the community as you debate the issues.

As you know, the addition of a 4K program affects districts' finances incrementally over at least 3 years. The Revenue Limit computation uses a 3-year membership average, and the Equalization Aid Computation uses prior-year data. Results of both computations, in tandem, provide a major portion of a district's resources used in providing educational programming.

One strategy in ascertaining the impact of a 4K program would be to re-run the 3 most recent years of Waterford Graded Revenue Limit and Equalization Aid Computations, assuming the district had the extra 72 FTE and incorporating the added revenues/cost in those years. Although this approach may have its limitations, projections into the future are not possible due to the fact that Revenue Limit computation details and Equalization Aid appropriations are not yet known. Using the three most recent years of actual data would hold everything else constant, with the new information flowing through the computations. Given that Waterford typically under levies, the greatest challenge in this scenario will be to determine the amount of under levy that would have occurred under the new circumstances. Here is a brief description of what the process might look like:

The Revenue Limit Computation would be the first affected by the new 4K program enrollment, and because of the 3-year average involved, any new FTE would have a 1/3, 2/3, 3/3 effect over 3 years. To view this effect, select a prior-year blank executable Revenue Limit worksheets (found at http://sfs.dpi.wi.gov/sfs_workexe) for Year 1 of the scenario and the district's corresponding actual prior-year Revenue Limit data (found at http://sfs.dpi.wi.gov/sfs_rl_worksheets). Replicate the actual computation before adding the new FTE to ensure the spreadsheet is working properly. You will notice that adding 72 FTE will increase Line 11 (Maximum Revenue Limit Authority). As previously stated, it will be necessary to make an assumption of what would have been levied/under levied in the new scenario. This is important, as the base of Year 2 of the scenario would be constructed by using the end result of Year 1 of the scenario. At this point, it would be instructive to measure the additional Year 1 Revenue Limit revenue against what the Year 1 cost would be for the new program. You will likely find that the cost of the program will exceed the Year 1 revenue generated by the Revenue Limit computation. Most districts find they will need to use fund balance or a start-up grant to fund this first year. Future years' results will depend on your program cost estimations.

Next, create the Revenue Limit Year 2 base from the Year 1 scenario and copy the appropriate membership numbers from Year 1 into the new year. Include the new FTE in the current year membership. (It should already be included in the previous years' membership number from the Year 1 scenario.) Replicate all other data from

the computation until you reach the October 15 Aid Certification. At this point, you'll need to determine the effect of the new program on the Equalization Aid to be received in Year 2. To view this effect, identify the appropriate executable Equalization Aid worksheet (found at http://sfs.dpi.wi.gov/sfs_workexe) and the district's actual aid certification from the same year (found at http://sfs.dpi.wi.gov/sfs_aid_worksheets). Again, replicate the actual computation before adding the new data to ensure the spreadsheet is working properly. Add the prior year data attributable to the new 4K program. You will have 72 FTE, and the revenue/expenditure data for the 4K program. (Note that the new tax revenue attributable to the additional levy would be added to 10R 000000 000 as well as 10R 000000 210.) Carry the scenario aid revenue to the Year 2 Revenue Limit computation. Again, you will need to determine what the under levy might have been in the presence of the new levying authority and the new aid amount. Again, it will be instructive to measure the additional Year 2 Revenue Limit revenue against what the Year 2 cost would be for the 4K program. Revenue Limit Year 3 is created and assessed in the same manner as Year 2.

The following graph summarizes what needs to be re-estimated from the state computation perspective:

Computation	Year 1	Year 2	Year 3
Revenue Limit	Add 72 FTE (1/3 effect)	Add 72 FTE (2/3 effect)	Add 72 FTE (3/3 effect)
Equalization Aid	No Effect because based on prior year actual revenues and costs.	72 FTE and related prior year revenues and costs in Equalization Formula	72 FTE and related prior year revenues and costs in Equalization Formula

District estimations of program cost in each of the 3 years will assist in determining the overall fiscal effect of adding a 4K program.

I hope this information has been helpful to you. Please contact me if you have additional questions.

Bob

Robert A. Soldner, Director
School Financial Services

Department of Public Instruction
125 South Webster Street
Madison, WI 53703

Phone: 608-266-6968
Fax: 608-266-2840