

State Superintendent's Advisory Council on Rural Schools, Libraries and Communities

**Policy Issue Brief
First Priority—Funding and Finance
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What is Rural? Definitions and School Finance Adjustments for Sparsity in Wisconsin and Other States

Overview

There are many rural districts in Wisconsin that face a similar set of challenges including a lack of economies of scale, declining enrollment, low median income, higher transportation costs, and large geographic boundaries. These issues coupled with federal and state educational mandates have made it difficult for school districts in rural Wisconsin, as well as rural districts nationwide, to maintain core educational programs. About thirty states, including Wisconsin, have developed funding mechanisms targeted at providing additional funding to rural school districts.

Generally, there are no accepted funding methodologies or strategies that states employ to provide supplemental funding for rural school districts. The majority of states recognize, either through a small-school adjustment or through supplemental transportation aid, the diseconomies associated with small size. However, the manner in which states react to this complex issue is often determined by the unique characteristics of the state, tradition, political decisions, and the number of small schools and districts in the state.

The U.S. Census Bureau utilizes definitions of urban and rural for classifying the population. Certain federal grant programs make use of these classifications in determining eligibility for federal aid. For Census 2000, the Census Bureau classifies as "urban" all territory, population, and housing units located within an urbanized area (UA) or an urban cluster (UC). It delineates UA and UC boundaries to encompass densely settled territory, which consists of:

- core census block groups or blocks that have a population density of at least 1,000 people per square mile and,
- surrounding census blocks that have an overall density of at least 500 people per square mile

In addition, under certain conditions, less densely settled territory may be part of each UA or UC.

The Census Bureau's classification of "rural" consists of all territory, population, and housing units located outside of UAs and UCs. Geographic entities, such as census tracts, counties, metropolitan areas, and the territory outside metropolitan areas, often are "split" between urban and rural territory, and the population and housing units they contain often are partly classified as urban and partly classified as rural.

In a December 2003 report to the Wyoming Legislature, Management Analysis and Planning, Inc. (MAP) studied small school funding adjustments made by several states. The authors admitted that some of the descriptions of sparsity funding methods may be out-dated; however, taken as a whole, the information provides a broad sample of the issues and alternatives in funding small schools and districts. After

completing their survey of several states, MAP compiled a comparison of “small school funding adjustments.” These adjustments are broken down by Eligibility criteria (for school districts and schools) and resource allocation methods.

This paper also includes a section about Wisconsin legislative history of school funding adjustments for sparsity and a description of the Rural Initiative as proposed by the Rural Advisory Council and included in the Department of Public Instruction’s 2005-07 Biennial Budget request.

Eligibility Criteria for a Small Size Adjustment

Criteria vary widely among states. Even within criteria there is large variation. The factors that states most often consider when they adjust for district or school smallness are listed below with appropriate examples cited.

Districts:

- (a) *District size.* Sets maximum eligible size. Georgia has a “base” size for districts of 3,500 full-time equivalent students; Colorado, on the other hand, reports its limit is 5,626 students.
- (b) *Sparsity.* Pupils per square mile maximum. Arkansas uses district size and two levels of sparsity, five students per square mile receive one level of support; 1.2 students per square mile generate additional aid.
- (c) *Non-formula criteria in law or regulations.* Utah requires districts to make annual application for small-school allowance.
- (d) *Local wealth.* Tax base per pupil: Pennsylvania uses a combination of size and district wealth per student in its formula. In Wisconsin (supplemental aid) a certain portion of an eligible district area must be exempt from property taxes.

Schools:

- (a) *School size.* Sets maximum eligible size. Minnesota limits formula to elementary schools with fewer than 20 students per grade; Georgia’s adjustment goes up to 450 students.
- (b) *Sparsity.* Pupils per square mile maximum. Nebraska uses a formula that adds dollars to schools with 200 students in more than a 600-mile area.
- (c) *Non-formula criteria in law or regulations.* Utah sets aside money for small and rural schools that “cannot be readily consolidated with other schools.”
- (d) *District size.* Maximum district size for individual school eligibility: California limits support for schools in districts of less than 2,501 students. Small schools in larger districts receive no adjustment.
- (e) *Distance from other schools offering same grade levels.* North Dakota provides funds based on the percent of students who would have to travel at least 20 miles to attend school.

Resource Allocation Methods

The methods for providing additional support for small schools and districts vary as well.

District and School:

- (a) *Linear formula.* Based on empirical analysis, often a regression equation—the line flattens out at maximum eligible size. Montana is an example of a state that uses a straight-line distribution mechanism.
- (b) *Step function.* All schools or districts in a size category receive the same amount. California provides a flat amount for schools within various ranges—all elementary schools of less than 26 students get the same amount, as do schools within the ranges of 26-50, 51-75, and 76-100 students.

- (c) *Simple cutoff.* All schools or districts below a certain size receive the same amount per pupil. Pennsylvania gives a flat dollar amount per pupil to any district that is below average wealth and has less than 1,501 students.
- (d) *Non-formula decision process.* Funding is based on criteria in law or regulation; it may require district or school to submit application. Utah uses such a formula.

Wisconsin Legislative History of School Funding Adjustments for Sparsity

Wisconsin school finance law has been adjusted to provide additional financial assistance to certain low enrollment and low area school districts. However, these adjustments have affected a limited number of school districts.

1. Supplemental Aid

1999 Wisconsin Act 9, the biennial budget bill, provided supplemental aid for certain school districts with large areas and low enrollments. Beginning in the 2000-01 school year, the law provided \$350 for each pupil enrolled in a school district in the previous school year for each school district that met the following criteria:

- (a) The school district had an enrollment in the previous school year of fewer than 500 pupils.
- (b) The school district is at least 200 square miles in area.
- (c) At least 65 percent of the real property in the school district is exempt from taxation under s. 70.11 (state tax exempt property), owned by or held in trust for a federally recognized American Indian tribe or owned by the federal government.

2001 Wisconsin Act 16, the biennial budget bill, amended paragraph (c) to specify that 80 percent of a district's real property value is constituted of forest cropland. It appears that this law was created and amended to ensure that only one school is eligible to receive supplemental aid. The Laona School District has been the only district eligible to receive Supplemental Aid (see amounts below)

<u>School Year</u>	<u>Aid</u>
1999-00	\$125,000
2000-01	98,400
2001-02	106,800
2002-03	101,200
2003-04	99,050
2004-05	95,550

2. Revenue Limit Exemption for Large Area, Low Enrollment School Districts

2001 Wisconsin Act 16, the biennial budget, created a one-time revenue limit adjustment for certain large area, low enrollment districts in the 2001-02 school year meeting the following criteria:

- (a) At least 275 square miles in area and in which the number of pupils enrolled in the 2000–01 school year was less than 450 is increased for the 2001–02 school year by the following amount:
 - I. If the number of pupils enrolled in the school district declined between the 1996–97 school year and the 2000–01 school year, but the decline was less than 10 percent, \$100,000.

- II. If the decline in the number of pupils enrolled between the 1996–97 school year and the 2000–01 school year was at least 10 percent but not more than 20 percent, \$175,000.
- III. If the decline in the number of pupils enrolled between the 1996–97 school year and the 2000–01 school year was more than 20 percent, \$250,000.

The following three districts received this revenue limit exemption in the 2001-02 school year:

<u>School District</u>	<u>Revenue Limit Exemption</u>
Winter	\$175,000
South Shore	250,000
Glidden	175,000

The Rural Initiative

The Wisconsin State Superintendent’s Rural Advisory Council was created to advise policymakers on a wide range of issues facing rural communities. The Council developed three major school funding changes targeted at assisting school districts in rural regions of the state. The department’s 2005-07 biennial budget request to the Governor included all three proposals.

1. *Transportation Aid (\$21,130,000 each year)*
 - (a) fully fund the current transportation aid.
 - (b) double the state statutory transportation reimbursement rates to reflect increased costs of transporting pupils in all districts.
 - (c) provide even higher reimbursement rates to districts transporting pupils the farthest distances (over 12 miles).

2. *Sparsity Aid (\$24,000,000 in FY07)*
 - (a) 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.
 - (b) this proposal would establish the following eligibility criteria:
 - I. district enrollment of 2000 or less
 - II. less than 15 students per square mile
 - III. a district free-and-reduced lunch (FRL) eligibility of at least 20 percent.
 - (c) 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.

3. *Changes the current 75 percent hold harmless nonrecurring exemption to a recurring exemption*
 - (a) provides an additional buffer for the financial effects of declining enrollment.

State Grant Information

Title II—Part B Mathematics and Science Partnerships Rural Component

Background:

Under the federal No Child Left Behind (NCLB) Act, Title II, Part B, Mathematics and Science Partnerships grant, a discretionary grant program was established by the department to award funds to high-need school districts that partner with institutions of higher education to provide highly qualified teachers in 1) middle level mathematics and 2) high school chemistry and physics. Because high schools in rural school districts have difficulty employing highly qualified physics and chemistry teachers (as required under NCLB), the rural component is directed at component number 2) above.

Eligibility Criteria:

A school district applying for the high school level chemistry and physics (rural) component must meet all of the following:

- The total enrollment must be 700 or less.
- The district must meet the census locale code 6, 7, or 8 (density per mile).
- The number of students taking chemistry or physics is at least 10.
- The chemistry and/or physics teachers need further training.

Available Funds:

In FY05, the state received a total of \$1,621,003. Of this amount:

- Under the middle level math initiative, \$1,313,549 has been recommended to be awarded in grants ranging from \$100,000 to \$750,000.
- Under the high school chemistry and physics (rural) initiative, one grant of \$145,354, has been recommended to be awarded to a k-16 partnership with the Laona School District, UW Barron County, Alma Center, Stockbridge, Flambeau, Mellen, and Elkhart. This grant will serve 25 rural teachers.
- The remaining amount is for administration.

Title VI–Part B Rural Education Achievement Program (REAP)

There are two programs under NCLB Title VI/REAP to address the unique needs of rural schools:

- Title VI–Part B, Subpart 1—**Small, Rural School Achievement Program**. Eligible districts must apply directly to the U.S. Department of Education (USDE) to receive funds. In FY05, a total of \$3,099,921 was awarded to these school districts.

Eligible districts are identified by the department and must meet the following criteria:

- 1) Have an average daily attendance of less than 600 students or all schools in the LEA must reside within a county with a population density of less than 10 people per square mile (Forest and Iron counties).
- 2) Have a census locale code of 7 or 8 (density per mile).

The program provides two benefits to eligible school districts:

- 1) Alternative use of funds authority—allows eligible school districts to use funds from a variety of titles to carry out a variety of activities under NCLB.
 - 2) Additional funding from the USDE—allows eligible school districts to apply to the USDE to receive up to \$60,000 in additional funds to be used to carry out a variety of activities under NCLB.
- Title VI—Part B, Subpart 2—**Rural and Low-Income School Program.** A formula grant is awarded to the department, which in turn, is awarded as sub-grants to eligible school districts. Sub-grants are awarded by formula based on student enrollment as determined by the school district's average daily attendance. In FY05, a total of \$124,286 was awarded to Augusta, Geneva J4, Hillsboro, Menominee Indian, Norwalk-Ontario-Wilton, and Royall school districts.

Eligible districts are identified by the department and must meet the following criteria:

- 1) The district cannot be eligible for Title VI-B, Subpart 1, the Small, Rural School Achievement Program.
- 2) The district must have a locale code of 6, 7 or 8.
- 3) The district must have 20% or more of the children ages 5-17 years served by the district from families with incomes below the poverty line.

Funds may be used for teacher recruitment and retention, teacher professional development, education technology, parent involvement activities, etc.

Grant Applications for Rural Schools

For grants administered by the department under NCLB, rural school districts must apply to the department on the same consolidated application as all the other school districts.

Examples of Cooperative Educational Service Agencies (CESA) Grant-related Services

- The CESA 6 Grant Writing Office facilitates the development of small pockets of educational reform that respond to the needs of area school children. Now in its tenth year, the consortium has expanded to include thirty-two member districts. The office has been very successful, raising over 34 million dollars in competitive grants for participating school districts. Because many schools lack the necessary time and expertise to write competitive grant proposals, their access to professional grant writing services affords them an advantage over other school districts competing for the same money.
- CESA 6 has received federal Title III funds for English Language Learners. The CESA has met with administrators and teachers to determine what are the common needs throughout the CESA 6 area. In order to address these needs, CESA 6 staff have developed resources and are providing high-quality services. CESA 6's Title III website is one resource that provides relevant information regarding the education of ELL students.
- The CESA 7 Safe & Drug Free Schools Consortium is a group of schools in the CESA 7 region who have pooled their federal Safe & Drug Free Schools funds in order to do some specific activities. An Advisory Council of district members oversees the planning of the activities. The CESA 7 program facilitator carries out these plans and administers the grant on behalf of the consortium. Over the years, the Consortium has sponsored a wide range of trainings for students, teachers, administrators, board members and parents. The consortium member schools pay no or reduced fees for attending these trainings. In addition, the consortium schools pay no rental fees for the more than 300 videos available through the CESA 7 ATOD Media Center. CESA 11 has a similar consortium of 34 districts.

- CESA 8 Technology Plan—From the Executive Summary (*highlights* added):
“This technology plan was developed as a tool to assist CESA 8 (Cooperative Educational Service Agency 8) in making technology related decisions. This plan should be viewed as a living document due to the evolving nature of technology. The ultimate purpose of this plan is to provide guidance for the effective use of technology, including the management of information

Development of this plan had to take into consideration several factors. Among these are:

- ***The large geographic area*** within CESA 8’s boundaries.
- Many of the school districts are small and have limited resources and overburdened.
- Communities in CESA 8 have some of the highest poverty rates in Wisconsin.
- ***The rural nature of the region limits technology.***
- The CESA 8 region is one of the largest regions with declining school district enrollments.

While these may seem like overwhelming obstacles, the CESA 8 Technology Committee rose to meet these challenges. The 2004-2006 CESA 8 Technology Plan successfully plans for goals and objectives that will promote the effective use of technology within the region. ***In order to overcome geographic limitations***, CESA 8 will utilize its website to disseminate and collect information. ***District awareness of grants and technology initiatives will be provided*** to assist districts with limited resources. Distance learning opportunities will be made available in an effort to reduce travel expenses and staff time.”

Discussion Outcome Questions

1. Given this discussion, does the Advisory Council need a single definition of “rural”? Or, will it continue to be more dependent on particular aid/grant program parameters?
2. What can the Department of Public Instruction do to enhance rural school/district capacity to compete for state and federal grants?
3. Can the Advisory Council identify three state or federal grants that would seem to have particular benefit or relevance to rural schools/districts that should consider having their eligibility criteria modified to favor rural schools and/or districts?