

**Manitowoc Public School District**  
**Minutes of the Finance and Budget Committee Meeting**  
Tuesday, July 15, 2014

Committee Chairperson Karen Rohrer called the Finance and Budget Committee to order at 12:00 p.m. The following committee members were also present: Board President Linda Gratz and Catherine Shallue. Superintendent Marcia Flaherty and Director of Business Services Ken Mischler were also present.

**Equalization Aid**

The purpose of the Finance and Budget Committee was to inform the committee so that better understanding of the state equalization aid and the aid formula. In addition, how does the equalization aid formula affect the amount of aid the Manitowoc Public School District receives? Ken Mischler shared a PowerPoint presentation with the committee.

Mischler mentioned that the total state general aid amount for 2014-15 is set at \$4,475,960,500. Equalization aid is about 97.8% of the total general aid appropriation. The fundamental purpose of the equalization aid formula is to level the playing field by providing equalization aid to poorer districts (districts with lower property value per member) to make up for what they can't get from their property tax base. The theory is that district's that spend the same, tax the same.

Mischler stated that there are certain factors that affect the district's equalization aid.

1. Shared costs (expenses minus certain revenues)
2. Equalized Property Value
3. Membership

The equalization formula is a three-tier cost-sharing formula, where both the state and the local district contribute a portion to fund the total cost of educational expenses. The district's percentage is determined by the percentage the district value per member is of the guaranteed valuation per member. The district then assumes that percentage of cost at that tier, with equalization aid making up the difference. The three levels of funding are primary,

One key point to remember is that the Manitowoc Public School District is eligible for positive aid at all three levels. The DPI sent out equalization aid estimates on July 1. The estimates shows a \$171,000 decrease in equalization aid from the year before. The estimate illustrated that the Manitowoc Public School District is positively funded at only the primary (77.6%) and secondary (59.7%) levels, because of lower shared costs. Basically if the district spends more, the district will receive more aid. But the paradox is the MPSD cannot spend more because of the revenue limit.

Why is the district losing equalization aid? Look at the three critical factors.

1. Shared costs - The District cut costs and lowered expenses, thus equalization aid will go down.
2. Equalized Property Value – The District is getting poor based on property value per member, thus equalization aid will go up.
3. Membership – The District is losing membership/enrollment, thus equalization aid will go down.

The net result is equalization aid will go down.

The question was asked how the referendum will affect the district's equalization aid. The result is referendum will increase expenditures and thus the district's equalization aid will increase. In one example, an increase of \$1,000,000 in expenses resulted in an additional \$546,000 in district equalization aid. Additional discussion was held. No Finance and Budget Committee action is necessary.

A motion to adjourn was made by Linda Gratz and seconded by Catherine Shallue. The meeting was adjourned at 12:20 p.m.

Respectively submitted,

Ken Mischler  
Acting Secretary  
F&B 07-15-14