

April 10, 2012

From: Tom Beebe, Institute for Wisconsin's Future

Re: Fixing our finance system to give all children opportunities to learn



Fixing Wisconsin's school finance system is an issue that will come up again and again during the upcoming elections. The purpose of this memo is to provide some background about that system, the impact on our schools of the most recently passed budget, and some message points that we would urge you to use.

We are a non-profit organization and are not able to provide political advice. This document is a policy memo and is being made available to all candidates.

HISTORY

Since obtaining statehood in 1848, and even before then, the citizens of Wisconsin have understood that financial security and prosperity for their families and future generations depend on the education of their children. Whether to ensure democracy or to improve production on our farms or to build successful businesses, we have fought for the right to an education that would allow all of our children to succeed economically and personally. The quality of life and competitive advantages that the state has secured have always relied on the state's tradition of providing a high quality education.

The job of state and local government has always been to provide the necessary resources to schools in order to make sure all children have the opportunities they need for this type of quality, public education.

THE PROBLEM

That system has worked well in the past, but we have failed to comprehensively update it. It is now a patchwork of policies that no longer address the needs of Wisconsin's young people, our schools, or our communities. Of particular concern, the current school funding formula is a one-size-fits all system that does not adequately reflect concentrations of poverty, sparsely populated regions, non-English speaking students, and extremely small school districts. Finally, the current system hurts the 70 percent of Wisconsin districts that have declining enrollments.

Because the funding system hasn't kept pace with these changes, the state's share of the cost of quality education for our children has diminished over the last 20 years, resulting in higher property taxes and fewer educational opportunities.

Now, things have gotten worse. In addition to these structural problems, the state's public schools face significant challenges as a result of the most recently passed state budget. In fact, over this current two-year budget period, the state has slashed public school funding by \$1.6 billion compared to previous law—a move that has resulted in larger class sizes, a reduction in academic and extra-curricular offerings, and an overall decline in the quality of Wisconsin public school education (<http://dpi.wi.gov/eis/pdf/wasdasurveyresults.pdf>).

In other words, even though parts of Act 10 might have allowed some school districts to ease through one or two years of local budgets with minimal impact on students, there is no doubt that the 2011-13 Wisconsin budget reduced the needed opportunities to learn for our children. Added to the impact of the last 20 years of neglect of our school-funding system—under both Republican and Democratic leadership—many of our children and their schools are now in crisis mode.

THE SOLUTION

Just as the funding problem is both a structural problem and a revenue problem, the solution is both structural and related to the need for more revenue. The “Fair Funding for our Future” plan (<http://www.fairfundingforourfuture.org>) was introduced in his last budget by State Superintendent of Schools Tony Evers. It is a forward thinking, comprehensive plan that addresses many of the structural problems related to Wisconsin’s current school funding laws.

It has a number of important components that will make it attractive to all:

- It guarantees a minimum amount of state funding for every student (\$3,000), providing vital resources to the 54 school districts that currently receive little or no state aid.
- It incorporates a poverty-factor into the formula to account for families’ ability to pay—not just their property value.
- It makes technical changes in the formula that strengthen rural districts and districts with declining enrollment.
- It establishes a predictable growth in state aid (by the greater of 2 percent or CPI), creating a more sustainable system.
- It provides some growth in revenue limits which provides a modest increase in school spending while protecting taxpayers.
- It ends the school funding “shell game” by redirecting the school levy tax credit into general school aid.

“Fair Funding for Our Future” is a great first step. It creates a structure that addresses long-standing problems with the school funding formula and does so with few winners and losers. The plan on its own, however, will not adequately undo the damage of the last state budget. To do that, we need to restore resources cut from the system.

Remember, no matter how you look at it, the facts are that the last state budget cut more than \$1.6 billion in state and local aid and revenue—opportunities for our children—over the biennium. In order to undo that damage, the state will have to add approximately \$900 million to school aid beginning in 2013.

Restoring those cuts can be done. It’s a matter of priorities. Budgets reflect the morals and ideals of the state, and our budget needs to reflect the value we put in our children, our schools, and the futures of our communities.

Wisconsin has the lowest sales tax in the Midwest and one of the lowest in the nation. We can restore the cuts made to public education in the last state budget by increasing that sales tax one-cent—”A Penny for Kids” (<http://www.apennyforkids.org>). Additionally, the Institute for Wisconsin’s Future has detailed many other possibilities in “Tax Reform Options for Wisconsin” (http://wisconsinsfuture.org/publications_pdfs/tax/cat_of_tax_opts_web.pdf).

If you or your staff have any questions about school finance generally, or the solutions outlined, I invite you to contact me directly. I can be reached at Tom Beebe, 920-650-0525 or tbeebe@excellentschools.org.



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