

AN EDUCATIONAL HEAD FAKE

WHY WISCONSIN'S SCHOOL AID SYSTEM WON'T CHANGE

GEORGE LIGHTBOURN

When the final gun sounded ending the Bobcats' 41-8 drubbing of conference rival Three Lakes, the victorious fans from Florence began the celebration. However, a pall hung over the celebration, given the real possibility that the Bobcats might never take the field again. A lost football program would be but one of the many casualties that lay ahead for Florence. It looked likely that the school district would dissolve.

The prospect that this small rural district (approximately 600 students) was facing dissolution was an ominous sign for dozens of school districts. Florence represented a tremor that could trigger a tsunami throughout Wisconsin. District after district looked at Florence and saw far too many similarities to their own profile.

On July 11 the Florence School District had voted to dissolve, an action that would send its students in a starburst to neighboring school districts. Nothing like this had occurred in Wisconsin since 1990. All eyes were watching Florence since the factors affecting Florence were endemic to small rural districts throughout Wisconsin. While most people felt sympathy



thy for the people of Florence, there was also a small faction hoping that Florence would ignite a revolution of school finance in Wisconsin.

Cast in the role of the villain in the Florence drama was none other than Wisconsin's system of school finance, specifically the state school aid formula. Throughout the state in school board meetings, editorial

board conferences, and in the halls of the state Capitol there was a growing consensus that the current formula was broken beyond repair. Wisconsin needed an entirely new way to fund education.

Stoking the notion of overthrowing the formula was a guerrilla movement that for years had been meeting, plotting, and publishing studies; all with the express purpose of destroying the current formula. From the ashes of the formula they saw an opportunity to build a superior way to finance education in Wisconsin.

Now, with the prospect of a poor, defenseless school district actually facing dissolution, these zealots had been delivered the strategic

George Lightbourn is a Senior Fellow of the Wisconsin Policy Research Institute.

boost they needed. Tiny Florence offered the poster material that their movement had been lacking. In a letter to his colleagues in the Legislature, Senator Roger Breske (whose district includes Florence) wrote, “[T]he way we distribute state aid and revenue authority needs to change for the sake of all our schools.” Further, he predicted that “an entire region of districts would have to dissolve before Madison would sit up and listen.” What had been a low-boil policy debate was about to have the heat turned up.

Alas, at the eleventh hour the voters of Florence County did something they had failed to do in three previous attempts; they voted to increase their taxes, sending an extra \$4.75 million to the schools over the next five years. With that action, the Florence School District was back in business.

The vote by the people in Florence robbed the reform movement of its poster child. However, the movement to replace the formula has not gone away. Expect talk of reform to continue, both in the rhetoric of this fall’s campaign, as well as when the Legislature reconvenes next January. But without a Florence-type poster child, the debate will have less hyperbole. But it will not go away.

In the eyes of many, the legitimacy of our system for financing education has never been more severely under attack. But is it really under siege? Let’s review the real picture of education finance, both the push behind the reform movement and a handicapping of the movement’s chances.

The Case for Reform

The debate over school aids bears watching for two reasons. First, there are many more school districts facing circumstances similar to Florence. Look for budget pressures to push other districts to the breaking point. Second, from any perspective, school aids are significant. The \$11.3 billion devoted to school aids in the current two-year budget, consumes no less than 43% of the state budget. Further, nothing affects the local property tax bill to the degree that school aids do.

In one sense, it is difficult to argue with those calling for change. The current school aid formula almost defies understanding or explanation. If truth be told, it is really understood by a few financial analysts in Madison, a handful of legislators, and a select number of lobbyists who are paid to find ways to tilt school funding to flow one direction or another.

The concept behind the formula—to equalize the ability of both poor and rich districts to finance education—is relatively simple. And it was simple in 1949 when equalization was introduced into state law. However, over the intervening decades, the formula has been cluttered with patch after patch as legislators and governors have tried to use the formula to accomplish a myriad of objectives.

How complex is the formula? The short answer is very! For example, a central piece of data needed to run the formula is the number of students in each school district. That seems simple enough, right? Wrong! Read the following excerpt from a Legislative Fiscal Bureau paper used to explain the formula to legislators:

- A five-year-old kindergartener in a half-day program is counted as 0.5 member. A pupil enrolled in a five-year-old kindergarten program for a full day, five days a week, is counted as 1.0 member. A full-time equivalency method is used for kindergartners attending a full day but fewer than five days a week.
- A four-year-old kindergarten pupil is counted as 0.5 member if the pupil attends for at least 437 hours, unless the program provides at least 87.5 additional hours of outreach activities, in which case the pupil is counted as 0.6 member.
- A pupil, age three or older, enrolled in a preschool handicapped education program is counted as 0.5 member.

Is that clear? Keep in mind that this clutter has built up just over the way that students are counted in the formula. There are dozens of similar calculations required to run the school aid formula. In many ways the Wisconsin for-

mula rivals the federal tax code in complexity. And, like the tax code, the results are often unpredictable.

The formula has so many moving parts that it is impossible to predict what will actually happen to the flow of dollars when changes are made. That is why, for example, that opponents of Milwaukee's school choice program were able to show the choice program was taking dollars away from districts in distant corners of Wisconsin. Tracking those dollars through the school aid formula became a real whodunit in the halls of the Capitol.

Florence was caught in one of the many policy cracks in the school funding formula. Among the factors robbing Florence of aid was their declining enrollments. Fewer students meant lower state aids which for Florence meant shaving the full time staff from 110 to 86. No less than 60% of Wisconsin school districts will see their enrollments shrink over the next several years and face the same reduction in school aids that Florence experienced.

Of course, many observers said that it seemed logical that aids should go down as enrollments shrunk. However, the loss of aids is never met with resignation. Instead, the reduction of aids to Florence was portrayed by Senator Breske and others as a failure of the formula to do what it had always done; bail out districts which had always looked to state aid to cure school districts' financial ills. They saw the formula as the enemy, a force that had turned against local schools.

The Case for a Foundation Formula

Not only does the current formula come up short in its mind boggling complexity, reformers argue that it has not kept pace with major forces affecting education today. Most critics of Wisconsin's formula point to the

needs of special education students, as well as low income urban students as two factors that are not adequately addressed under the current school finance system. These critics are quick to point out that *equity*, the core precept of the equalization formula, has outlived its usefulness. In its place they suggest a formula driven by *adequacy*. Each school district should have enough money, regardless of where the money comes from, to finance a sound basic education. Only through such an approach, they argue, can schools have the resources they need to address the basic educational needs of their students, including the added burden that comes with special education and low income urban students.

Each school district should have enough money, regardless of where the money comes from, to finance a sound basic education.

The approach advocated by these people is a foundation formula for financing Wisconsin schools. Foundation formulas are used by no fewer than forty states in allocating state aids to local school districts. Under a foundation formula, each school receives aids, not based upon the relative wealth of the district, but rather on the basis of what is needed to educate the

students in that district. A specific dollar amount of spending is required of each school district. State taxpayers usually provide the lion's share of the funding. Implicit in defining that ideal spending level is an assumption of the ideal school size, the ideal class size, the ideal level of staffing and pay, the ideal curriculum, etc.

Three features of foundation funding formulas are touted as advantages: The formula is simple and easy to understand, it is based on research about what is required to educate a contemporary student, and it is seen as fairer. This last advantage does not stand up under analysis, but whenever a foundation formula is discussed it is described as being a fairer way of funding education.

Of course, a foundation formula requires choosing what amount local schools should be spending. That amount can be determined in a variety of ways, including simply dividing the amount of available money into the number of students. Alternatively, the foundation amount can be set by examining, from the ground up, the amount required to provide the quality of education desired. This requires costing out the various components of the educational experience.

Only one such attempt at costing out the ideal educational cost in Wisconsin has been attempted. In 2002 the Institute for Wisconsin's Future, a think tank funded by organized labor, attempted to cost out what they considered was needed. That analysis showed that Wisconsin's funding of education came up 25% short. In today's dollars, that would equate to a need for an additional \$1 billion. This exposes a major weakness of foundation plans: They establish an expectation that is beyond the taxpayers' capacity.

The Real Motive behind the Reform Movement

What is really behind the reform movement? It seems that the groups pressing for dumping the current formula are only marginally troubled by the distribution of local aids under the existing formula. And, truth be told, they are not really that troubled by the plight of rural districts like Florence.

In reality the push for a new school aid formula is a reaction to years of chaffing under the spending limits placed on Wisconsin schools. Since 1996, schools have been limited on the level of local taxes and teacher compensation. As the education community has been forced to either cut spending or go cap-in-hand to the voters for more money, they look for a way to break the back of the current spending limits. If given a choice between a new school aid formula or eliminating cost controls, it is likely that they would favor eliminating the cost controls.

What are the Prospects for Change?

How serious is the challenge to the current formula? The short answer is that there is little prospect that the current school aid formula will be replaced any time soon. The politics, funding, and culture are all working against change. Yet it is equally unlikely that efforts to overthrow the current formula will subside. Let's examine each of the reasons why it is unlikely that the formula will be scrapped.

East Wing Reality

Governor Doyle is the Democratic governor that many in the education community had been looking forward to for sixteen years. He was elected partially on the premise that he was the candidate most likely to support WEAC, the union representing Wisconsin teachers. In his first year in office, Governor Doyle appeared ready to take on the status quo and shake up the world of education finance. He appointed a high profile task force which was widely perceived as the vehicle for moving Wisconsin toward a foundation formula for education finance.

However, in the end, Governor Doyle looked at the risk and saw an inadequate upside to boldly championing an entirely new way to finance education. So he chose a well-worn path taken by many governors before him. He decided to stick with the current formula and add patches that he hoped would serve his agenda for education.

Governor Doyle discovered the time-worn lesson that campaigning for reform is one thing, but actually navigating the waters of reform requires a strong stomach and wide public support. And, the reality is that, without support from the East Wing, significant change to education finance is simply not in the cards.

Constitutional Reality

In 2000 the Wisconsin Supreme Court issued a ruling on *Vincent v. Voight*, the most recent decision on educational finance. It was a

dandy. The constitutional challenge to the school aid formula was supported by all sectors of the educational community. They argued that the formula failed to meet the test of the uniformity clause of the state Constitution.

While the inner workings of the Supreme Court remain shrouded in secrecy, the *Vincent* decision provided a window into the back scratching that must have gone on behind closed doors. It is evident from the court's decision that the justices came within a whisker of finding the formula unconstitutional. Justice Crooks, who penned the majority decision, joined with three other justices in finding the formula met the uniformity test and would therefore stand. However, the same Justice Crooks joined with the three dissenting justices in determining a new standard by which the adequacy of state funding should be measured. The new standard is that each child has a right to a sound basic education. In the short term, the Court's decision preserved the status quo. However, in the longer run the Court, in setting the "sound basic education" standard lowered the bar for future challenges to the uniformity clause.

The closeness of the Court's decision was an interesting side show. The importance of their decision was that the current system for distributing aids was found to be constitutional. The closeness of the vote is insignificant compared to the absolute finding that the aid formula was constitutional. Any alternative formula that might be enacted would surely face a court challenge, and given the 2000 ruling, would be undertaken with a considerable legal disadvantage.

Fiscal Reality

Any change to the school aid formula, no matter how small, is examined through the prism of the computer printout—that cold splash of water that reduces even the most eloquent policy rationale to the starkness of winners and losers. Veteran observers of state budgets have heard generations of elected officials decry the use of the printout in the development of public policy. However, very few legislators are willing to vote either red or green without knowing what the change will do to schools in their district.

That is why formula change of any consequence takes grease. Grease in this case is the extra money needed to mitigate the negative effects of formula changes. The last significant change in education funding occurred in 1996 when Governor Thompson and the Legislature added \$1 billion of state tax revenue to school aids. That billion dollars was available only due to a state economy that was heating up. Unanticipated tax receipts provided the grease that allowed the state to boost its share of school spending to two-thirds (which was linked to the imposition of spending restraints on local schools). The likelihood of that magnitude of funding being available in the foreseeable future is limited. No grease, no formula change.

So we should expect to see no fundamental change in the way the state sends money to local school districts. Politics, money, and even the Supreme Court have ganged up in support to the status quo. The support is admittedly lukewarm, but that is all that is enough. The current formula will probably even withstand the outcry for change that will be heard the next time a district like Florence is threatened with foreclosure.

Grease in this case is the extra money needed to mitigate the negative effects of formula changes.

Do not expect the debate over the school funding formula to ever be extinguished. But it will never gain the traction required for real change to occur. Talk of a foundation plan will remain an abstruse, bookish discussion that resonates with a handful of legislative gadflies. The mainstream legislative mood will continue to reluctantly support the current school aid system, albeit adorned with yet more patches and add-ons.

That is not to suggest that the movement supporting a foundation funding formula for Wisconsin will collapse, for it is a movement populated with noisy, active zealots. They will

continue to push for change, since their real mission is to get more money into local schools. Their frustration with the governor and the legislature will eventually boil over and they will once again take their case to the courts.

So the outlook is for business-as-usual. The Florence Bobcats will take the field again next fall; editorial boards will continue to rant that our system of financing education is broken beyond repair; and next January a new group of legislators will struggle to understand Wisconsin's fifty-eight-year-old school aid formula.