

# SCHOOL CAP WARS

JEFF MAYERS

In 1993, state politicians in Madison proclaimed that the property tax dragon was about to be slain. The answer, Republicans and Democrats alike said, was a combination of controls and increased spending. The politicians felt pretty good when this move against soaring school property tax increases had positive short-term results as tons of new state money moved through the school financing system.



Now, years after the measures became law, the delicate balance that supporters claim has kept property taxes from spiraling out of control has begun to tip in favor of those seeking more flexible school spending. The 2001-03 state budget passed by a split Legislature in July contained measures that would have poked holes in the QEO and school revenue caps. Those

who supported the measures downplayed them as minor improvements that will help schools and teachers who have been suffering under unfair restrictions. Fiscal conservatives said the measures were the beginning of the end to the state's strict controls on school spending. Governor Scott McCallum sided with the fiscal conservatives, vetoing both measures. "Exemptions to school district allowable revenues and modifications to the qualified economic offer for teacher compensation packages will further burden Wisconsin taxpayers with no clearly defined benefit to students," McCallum said in his veto message, unveiled in an August 30 budget-signing tour that included two schools.

Maybe this grand compromise had the right stuff to quiet those constant complaints about a hard-to-ignore tax the state didn't really control. The bargain went something like this: the state would assume two-thirds of the cost of public school operations and new buildings but also place controls on teacher salaries and school spending. The controls had two facets — the QEO (for Qualified Economic Offer) and school revenue caps. Both have been under attack by opponents almost since their inception. Opponents, including unionized teachers, said the QEO deprived them of their full bargaining rights. As to the revenue caps, they asked: "Why should local schools be the only government with spending limits?"

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*Jeff Mayers is president and editor of WisPolitics.com, an online news service in Madison.*

Wisconsin already spends generously on a per-student basis, sixth-highest in the country. Growth in school district costs has outpaced inflation since the allowable revenue formula was adopted in the 1993-95 budget. Compensation for Wisconsin teachers remains among the highest in the country and our class size among the smallest. And, most notably and most importantly, our students are the best and the brightest.

But few thought that would be the last word, given the pressure exerted by WEAC, the largest state teachers' union and a likely supporter of the Democratic gubernatorial nominee in 2002.

"The governor's vetoes of revenue cap flexibility and teacher collective bargaining rights items are a serious misjudgment," new WEAC President Stan Johnson said.

Revenue controls are devastating many school districts throughout Wisconsin. The vetoed items would have given districts minimal relief from this onerous law, which is preventing districts from placing children in classrooms that work by cutting vital programs and services.

The fact that the budget contains no extra funding for special education costs means school districts will be forced to pit special education against other programs, resulting in decisions that hurt all students.

Johnson said schools will have difficulty attracting and retaining teachers and staff because of the veto of collective bargaining items in the budget.

"Great schools depend on great teachers and staff," Johnson said. "The fact that restrictions on genuine collective bargaining remain on the books will intensify the existing teacher shortage and continue a law that unfairly singles out one profession for compensation restrictions."

In addition, serious questions about the state's two-thirds commitment — questions raised only by a handful of budget-watchers in the 1990s — have begun to get more political traction as a series of flush Wisconsin budgets comes to an end. Under GOP Governor

Tommy Thompson, state spending and state revenues soared; the robust economy diverted enough money into the system to quiet squeaky wheels everywhere. Under GOP Governor Scott McCallum, seeking election to a full term in 2002, Wisconsin revenues plummeted a nation-leading 8.5 percent in the fiscal year ended June 30, while the state's tax-ranking worsened to the third-highest burden in the country, according to one popular rating. "I am committed to making sure the tax picture in Wisconsin continues to improve. The new state budget I will sign soon includes a cap on government spending and the lowest spending increase in recent history," McCallum said on August 1 in a move to positively portray the numbers. McCallum was right. A first-ever state spending cap had been approved, but education costs were exempted.

With the sputtering economy and layoffs becoming more of a political issue, the two-thirds solution now is seen by many as the two-thirds monster, eating more than its share of a shrinking tax revenue pie (roughly \$5 billion a year out of a \$20 billion-plus general purpose revenue budget). But politicians who still want to slay the property tax dragon aren't ready just yet to attack this other monster, hoping for an economic recovery to balance the next budget. New tobacco revenues helped politicians slide by this time.

Meanwhile, property taxes again are on the rise — far exceeding inflation and recalling the kinds of increases that led legislative Democrats and Thompson to create the two-thirds school funding compromise.

A July report from the Wisconsin Taxpayers Alliance, an independent budget study group in Madison, barely made a ripple despite coming in the midst of final legislative compromise budget talks. The numbers were bad news. Overall net property taxes to be collected this year will total \$6.1 billion, up 7.2 percent, the highest percentage increase since 1992-93, when they rose 9.9 percent. Wisconsin's technical colleges increased local taxes 8.4 percent in 2000, the highest percentage increase among all taxing jurisdictions.

Next came the counties, where levies rose 8.1 percent. The counties were quickly followed by municipalities (8 percent), the state (7.4 percent) and schools (4.7 percent). Interestingly, another Taxpayers Alliance study found a curious trend: school spending rose faster after revenue caps were in place.

To put those percentages in context, it's important to note that schools levy \$2.9 billion, or about 44 percent of the total. Cities, villages and towns levy \$1.6 billion, or about 24 percent of total property taxes, followed by counties (19.9 percent); technical colleges (7.1 percent); the state (0.9 percent); and special districts (3.5 percent), according to the WTA.

While controlled by the QEO and revenue caps, school spending still has risen above the inflation rate in part because local voters have agreed to raise their own property taxes in the name of educational excellence. They did this by approving increases via local referenda. But in some districts, taxpayers have dug in their heels and kept saying no. In these districts, or in property-poor districts with declining enrollment, the revenue caps have stung a lot more than they did in growing districts.

One consistent critic of the state's school funding system is former state senator and one-time congressional candidate Joe Wineke, a Democrat from Dane County's Verona. He says the current system guarantees an annual school property tax hike while freezing inequities. "The state should get out of the property tax relief business and get back into the school aid business," says Wineke, who advocates a foundation plan based on a per-pupil funding level. The state would establish a common floor; if districts wanted to go beyond that, they could raise money locally.

He warns the next two-year budget, in 2003-05, will be so out of whack that the system will have to change. "(Policy-makers and politicians) are setting themselves up for Armageddon. I don't see how two-thirds can survive," he says.

Other veteran lawmakers predict that instead of an entire new system, one likely scenario is that two-thirds funding and its related controls will be scaled back in two years from now to meet the requirement for a balanced budget.

Meanwhile, a steady stream of complaints has begun to cut into the coalition that has backed the original bargain and blocked

changes to the QEO and revenue caps. During the spring school superintendent election, even the conservative candidate, Linda Cross, supported some revenue cap "flexibility." By the time Cross had been vanquished by Elizabeth Burmaster, the union-backed candidate, the increasingly bipartisan forces pushing for flexibility had gained the upper hand. Helping provide momentum was the political mood surround-

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ing the education issue. President Bush had gotten to the White House in part by projecting himself as pro-education. Likewise in Wisconsin, McCallum early in the budget debate re-committed to full two-thirds funding and announced that sufficient support for education would be one of his "four core" principles. Near the end of the legislative budget talks, McCallum even joined with Burmaster in announcing that he would support full funding of SAGE, the small-class-size program. In his budget, McCallum had proposed an increase for SAGE but had endorsed an amount less than full funding. But legislative Democrats and unionized teachers' quickly won the rhetorical war on that one.

Republicans essentially acknowledged defeat before the budget end-game had even started.

It was amid this political rush to be pro-education that legislative budget-makers at the Capitol agreed to change the QEO and the revenue caps. Here's a taste of the debate that occurred between legislative passage and McCallum's vetoes.

Under the budget approved by the Legislature in late July, the QEO would have been changed, helping teachers at the bargaining table. Under current law, school boards can avoid binding arbitration by presenting teachers with a salary and benefits package of 3.8 percent. The budget bill from the Legislature added provisions that would require the QEO to "maintain all conditions of employment" and be "timely." Critics said these would have the effect of increasing the chances of binding arbitration, which had been virtually eliminated under current law. So if a school board changed "conditions of employment" other than pay and benefits contained in the previous contract, teachers could demand binding arbitration regardless of whether the board proposed a QEO increase. And the board would have to impose a QEO in a "timely" manner.

Union officials, who want the QEO law killed, said the changes were small steps toward bargaining balance. "This is basically a fairness issue," Mike McNett, director of collective bargaining and organizing for WEAC, told one newspaper. He called the QEO changes "fairly minor."

But the state school boards group said the changes would erode the QEO and encourage arbitration. "A school board might find itself in arbitration if it tried to reduce the number of staff parking stalls," said Ken Cole, the executive director of the Wisconsin Association of School Boards. "What's more, unions could hold out for more money by blocking curriculum changes, class schedules, work assignments, charter schools and other educational opportunities for children."

He also said the proposed changes would send districts to binding arbitration for nothing more than a minor mistake or calculation error on their collective bargaining forms. "This provision is just a way for the union to play 'gotcha' and force districts into binding arbitration," Cole said. "What really troubles me is the amount of money that will now be spent on lawyers rather than kids, classrooms, and teachers."

Cole explained that every collective bargaining form submitted to a union requires some update of calculations as new fringe benefit estimates become available. The QEO changes were not included in either the Assembly or Senate budget proposals, but were slipped into the conference committee budget deal that was negotiated by legislative leadership without public hearings, Cole complained.

One Wausau newspaper editorialist urged a McCallum veto. "A return to contracts arbitrated by outsiders who don't live here, don't send children to schools here and don't pay taxes here would be a giant step backward," wrote the editorialist.

The effect of the QEO changes would depend upon bargaining stances and the interpretation of state arbitrators. But the revenue cap change, on its face, would raise property taxes. Prior to the possible budget bill change, the revenue caps limited the total property tax and state school aid each district may spend in proportion to an inflation index and changes in pupil enrollment. A district had to win approval in a local referendum to spend more than its state-set revenue limit.

But under the newly proposed law, spending could increase 0.78 percent without voter approval if the local school board OK'd the tax increase on a two-thirds vote. That likely would mean hundreds of thousands of dollars, even millions of dollars, in extra money for school districts. Across the state, it likely would mean property tax boosts of \$22.5 million over the next two years with the state paying \$45 million.

And when the possible QEO change was taken into account, it was not hard to imagine a lot of that money going to teachers. Critics saw this scenario: teachers get a settlement through binding arbitration that exceeds the QEO, and the district pays for the higher salaries through the revenue cap upper without going to a local vote.

That prospect alarmed fiscal conservatives, some of whom still were uncertain of McCallum's backbone on core tax and spend issues. The state chamber of commerce put McCallum on the spot in early August with a series of radio ads that focused on three tax-raising budget provisions, including the revenue cap relief plan.

"The state budget lets school boards exceed spending limits without a referendum. We all want good schools, but we need to keep our right to vote on property tax hikes," said one radio ad from Wisconsin Manufacturers & Commerce that played in markets in eastern and southern Wisconsin, including Milwaukee. "Don't you want to keep your right to vote on property tax increases?"

The ads then urged listeners to call McCallum and tell him to "let the people decide school property tax hikes" by vetoing the revenue cap relief provision.

The ads ruffled feathers in the East Wing, which broadly endorsed the legislative budget deal and touted the budget's low spending totals. Fiscal conservatives wondered whether McCallum had made a non-veto deal with Democratic Senate Majority Leader Chuck Chvala and the teachers' union. GOP Assembly Speaker Scott Jensen, part of the deal-making team, also urged a veto of the revenue cap and QEO provisions.

Unionized teachers and their supporters, meanwhile, were emboldened by the budget. The state's largest teachers' union, the Wisconsin Education Association Council, held a celebratory post-budget rally in Whitewater. It was dubbed the Solidarity Ground Zero unity rally and kicked off the 2001 WEAC Summer Academy at UW-Whitewater. WEAC's website reported on the rally.

WEAC Executive Director Michael Butera said the revenue controls and QEO were signed into law nearly 3,000 days ago. "That's a long time ago," he said in the WEAC website story. "This (the rally) is about one more battle

in a long fight." Added Butera, referring to the union's long-running "Great Schools" ad campaign: "We must rededicate ourselves to making sure every kid in Wisconsin has a great school." New WEAC President Stan Johnson led members in chanting, "Hell no, we're not going to take it anymore!"

And Democratic state Senator Kevin Shibilski, a lieutenant governor candidate from Stevens

Point, pumped up the union leaders with a speech that cast Republicans as anti-teacher and anti-education.

"For the past 14 years, public education and public education employees have been villainized and persecuted, and it has got to stop, and it has got to stop now," said Shibilski, who wants to kill the QEO and the revenue caps.

That kind of rhetoric could find its way into the 2002 governor's race, which as of early September involved at least four Democrats in addition to McCallum. Education spending — and property taxes — could be part of the debate like they haven't been since the 1990 election when Democrats tried to make school funding reform part of their property tax relief

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plank. But Democratic politicians likely will follow the lead of the teachers' union and stick with the two-thirds funding commitment. "Until the teachers' union has the guts to take this on," said one veteran Democratic politician, "what Democrat is going to go against the teachers' union?"

Yet politicians are raising the possibility of a new financing system to replace the three-

legged one now under attack. And you might guess that whatever takes its place will be heralded as the weapon that will finally slay the property tax dragon. But as long as state politicians try to control a tax they don't levy, critics say property tax bills will continue to rise. The critics are betting on the dragon to win again.