

State Finance of Public Education and the MMSD Budget

By Carol Carstensen

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OVERVIEW OF STATE FINANCING

According to the state constitution, education is a state responsibility. Currently state funds for K-12 education account for nearly 40% of the total state budget. The state has delegated much of its education responsibility to the local school districts. However, the state has created the parameters for K-12 education which governs what a local district must do.

State requirements include:

- The number of days and minutes of instruction
- The curriculum and course of instruction
- Specific services required as needed: e.g. special education; English as a Second Language (ESL)
- Collective bargaining with school district employees on:
 - Wages and benefits
 - Work hours
 - Working conditions

While the federal government has less responsibility for education; there are requirements in certain areas:

- Special Education
- Bilingual/English as a Second Language
- No Child Left Behind Act - this law incorporates a number of major programs including:
 - Title I which provides additional funds to schools with higher concentrations of low-income children;
 - Annual testing for children in grades 3 through 8.

In addition the federal government provides funds for vocational education and for the school lunch and breakfast programs as well as many competitive grants.

Before 1993, school districts in Wisconsin were independent taxing authorities. In Madison, the school board would decide the mix of services, negotiate salary and benefits with district employees and set the tax rate necessary to raise the funds to cover all of this. In 1993, the state legislature was concerned about rising property taxes and made two major changes in financing of K-12 education:

1. REVENUE CAPS - this law set a limit on what a district could spend from the combination of state aid and property taxes. It froze into place the existing spending of school districts. The law requires districts to spend only what they did in the previous year, plus an Allowable per member increase@ which is set by the legislature. That amount was \$194.37 in 1994 and increased slightly most years to \$248 in the present year (2005-06). Districts which increase in enrollment can add the amount equal to their per pupil average for each new student; likewise districts which lose enrollment must reduce their budget by their per pupil average for each student they lose. (Total student enrollment in Wisconsin has been declining for the last 5 years.)

2. Qualified Economic Offer (QEO) - this law eliminates the right of teacher unions to go to arbitration IF the district offers them a salary and benefit package of at least 3.8%. N.B.: The 3.8% is the total cost for **BOTH** salary and benefits. The option to “impose the QEO” also prohibits the district from changing health care insurance and requires continued negotiation on all non-salary items.

In 1996, the state legislature followed up on their promise for more property tax relief by passing a law guaranteeing that the state would provide funds to cover 2/3rds of local K-12 costs. The 2003-05 budget lowered this to 64% the first year and 62% the following year. The most recent state budget restored funds to reach 66% again. Since the Revenue Cap law already limited the total amount a school district could raise from the combination of state aid and property tax levies, the additional state funds served to reduce property tax levies and deliver property tax relief. In Madison the school district property tax levy fell from \$174 million in 1995-96 to \$156.3 million in 1996-97. The total levy did not exceed the 1995-96 level until 2002-03. The levy in 2005-06 is \$200 million – an increase of about 28% from 1995-96; inflation over the same period has been above 30%.

The state distributes general school aid through a complicated formula intended to provide more support for districts with lower property wealth per student (in general the poorer districts). Because of this, the actual level of state aid to a district ranges from a low of 17.7% (Linn J4 in Walworth County) to 86.9% (Menominee Indian in Menominee County). The formula assumes that every child costs the same to educate. **Madison actually gets about 27% of our costs from all sources of state aid and 63% from the property tax levy.** The remainder is from the federal government (about 5%), grants, and other, minor, sources of revenue.

In 1993 the state also froze the amount of money it was providing as reimbursement for special education services. The original state law in 1974 committed the state to reimbursing local districts for 63% of their costs of providing special education. The actual amount allocated never reached that level. When the freeze went into effect in 1993, the state was reimbursing 45% of local special education costs. Because of the freeze (increased only slightly in the 1999-2001 state budget) and because of growth in the number and severity of disability, the current reimbursement rate is estimated to be less than 28%.

Some district spending is exempt from the revenue caps. Categorical aid (funds for special education, for English as a Second Language, for SAGE¹) from the state is not under the cap. Federal funds, grants from public or private sources, fees and expenditures for community services (Madison School-Community Recreation) are also not under the caps. A district can go to referendum to get voters permission to exceed the revenue caps - for a single year, for several years, or permanently.

The Revenue Caps, QEO and 2/3rds Funding are often referred to as the legs of a 3-legged stool - the thought being that a change in any one law will destabilize the whole set.

¹SAGE is the state program which provides funds to reduce class size to 15 to 1 for schools that serve a concentration of low-income students.

In 2000 the Wisconsin Supreme Court decided *Vincent v. Voight*. This was a lawsuit brought by the Milwaukee Public Schools and over 100 other districts (mostly small rural districts from the northwestern part of the state). In the lawsuit the districts claimed that the current system of distributing state funds for public education was not equitable because some districts were spending \$14,000 per student and others spent only about \$5000. A second issue was that the state funding formula did not take account of the additional costs of educating some children. The Court decided that the funding system was constitutional; however it also held that the state had not met its obligation to provide a sound basic education for all children. Specifically, the Court said:

*An equal opportunity for a sound basic education ... takes into account **districts with disproportionate numbers of disabled students, economically disadvantaged students, and students with limited English language skills**. So long as the legislature is providing sufficient resources so that school districts offer students the equal opportunity for a sound basic education as required by the constitution, the state school finance system will pass constitutional muster.²*

The state has not, as yet, changed its funding process to respond to the Court's directive for adequate funding in the three areas listed in bold in the quote above (disabled students, economically disadvantaged students, and students with limited English language skills).

MADISON SCHOOL DISTRICT: DEMOGRAPHICS

The student body is very different from what it was 10 or 15 years ago. In 2005-06, the student body is:

- 44% children of color;
- 38% children from low-income homes;
- 17% children in need of special education services;
- 13% children who do not speak English as their first language.

While the school district enrollment has increased in racial, ethnic and socio-economic diversity, the performance of students, historically high, has also increased:

- The number and percent of students scoring proficient or higher on the state's third grade reading test has increased from 59% in 1997-98 to 88% in 2004-05 while the number tested has grown from 82% to 92% of all third graders.
- The overall graduation rate has increased from 82% to 94% from 1997-98 to 2004-05. While still lagging, the rate for African-American students has shown significant improvement from 51% to 78%.
- Madison had 60 National Merit semifinalists this fall (69% of the semifinalists in Dane County – with about 40% of the students).
- Madison students continue to score well on the ACT with an average of 24.3, 2.3 points above the state average (and the state average is in one of the two highest nationally); 74% of

²WI Supreme Court, *Vincent v Voight*, 2000

Madison's high school seniors took the test.

MADISON SCHOOL DISTRICT BUDGET

Since 1993 the school district has eliminated nearly 526 positions and made significant changes to every line of the budget in order to comply with the Revenue Caps. Over the past 12 years, this has required cuts of about \$45.8 million from a “cost to continue” budget (a budget funding the same set of services and programs). In the last 5 years alone, the district has reduced 15 administrator positions from downtown – a reduction of 25%. Four more administrator positions will be eliminated next year and at least one more the year after. The school board made \$10 million in cuts to the 2004-05 budget and another \$8.6 million for 2005-06 to keep the budgets under the Revenue Cap. The 2006-07 budget will require another \$7.96 million in cuts. These cuts were felt in the classroom and in reduction of services to children.

The need for these budget cuts is a direct result of:

1. The inconsistency between the Revenue Caps and the QEO law.
2. The increase in special education costs.
3. The dramatic increase in the number of students needing ESL services.

A. The inconsistency between the Revenue Caps and the QEO law.

The Revenue Caps have permitted a yearly increase ranging from 2.91% initially to 2.5% this year. Meanwhile the practical effect of the QEO law is that teacher salary and benefits must be AT LEAST 3.8%. In fact the district’s contracts with MTI have cost 4.2% on average; other employees are treated similarly.

B. The increase in special education costs.

Between 1993 and 2005, the Madison school district’s costs for special education grew from \$27 million to \$66 million. State reimbursement only grew from \$13 million to \$17 million. Since all special education costs that are not reimbursed by the state or federal government must be paid from funds under the Revenue cap, an increasing amount and percentage of these costs were paid out of money originally intended for all other educational services.

C. The dramatic increase in the number of students needing ESL services.

In 1992-93 (before Revenue Caps) there were 809 students needing ESL services, in 2005-06 there are 3223 – an increase of nearly 400%. There has been virtually no increase in state funding for this program.

SUMMARY

After more than 12 years of state Revenue Caps, school districts throughout the state are facing dire choices. There are several districts that are essentially bankrupt. Even more districts have made substantial cuts in educational services - increasing class size, reducing and/or eliminating programs (especially in the areas of art and music), eliminating athletics and other extra-curricular activities. Madison, so far, has avoided these drastic changes - but the Madison school board will, once again, have to choose among these types of cuts each school year until there are changes at the state level.

