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Making Matters Worse: School Funding, Achievement Gaps and Poverty under Wisconsin Act 32

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The 2011-13 Wisconsin biennial budget (Act 32) reduced state aid to school districts by \$792 million. This budget reduction follows a reduction of \$284 million in the 2009-11 biennial budget, reducing overall state aid to public schools by more than a billion dollars.

In addition to the reduction in general aid, Act 32 reduced the revenue limit in Wisconsin school districts by 5.5%, which is equivalent to an overall reduction in taxing authority of \$1.6 billion in addition to the \$792 million reduction in state aid. The lowered revenue cap requires that 241 of the state's 424 school districts reduce school property taxes, exacerbating the impact of state budget cuts.ⁱ

Wisconsin boasts the highest high school graduation rates, the third highest ACT scores, the highest Advanced Placement success percentage of any Midwestern state, and high rates of highly qualified teachers.ⁱⁱ At the same time, the state has some of the largest achievement gaps for poor and minority students, and struggles to provide adequate funding for all school districts.

By analyzing school district budgeted expenditures in the 30 highest and 30 lowest poverty districts in the state for 2011-12,ⁱⁱⁱ this study examines the impact of Wisconsin Act 32 on education funding, teacher quality, student learning, and property taxpayers. Budget data collected by the Wisconsin Department of Public Instruction represent the best currently available estimates of the impact of Act 32 on district expenditures.

Financial Impact of Act 32

Wisconsin state school aids are designed to equalize revenues among school districts with high and low tax capacity. In 2010-11, the thirty highest poverty districts in Wisconsin received average state revenue per member of \$7,237.55 compared to \$3,361.39 for the thirty low poverty districts.

State budget cuts hit high poverty districts the hardest. Analysis of district budget data shows that compared with the 2010-11 budget year, high poverty districts lost \$702.97 in average state revenue per member while low poverty districts lost \$318.70 in average state revenue per member.

Because high poverty districts are larger, the resulting share of budget decrease from state aid cuts for the 30 highest poverty districts was \$88,452,606 (\$703 per student times 127,842 students) compared to a loss of only \$20,299,915 (\$319 per student times 63,696 students) for the 30 lowest poverty districts.

High poverty districts have less state revenue to support the needs of children, and taxpayers in high poverty districts pay taxes at increasingly higher rates. In 2009-10 the total equalized property value per member in high poverty districts was \$426,937.90. In low poverty districts the equalized property value per member was \$944,333.95. Low poverty districts have more than the twice the equalized property value or tax base per member than high poverty districts.

Prior to the reductions in State revenue contained in the Wisconsin 2011-13 biennial budget, the average mill rate (\$10.94) for the 2010-11 school year budget in high poverty districts was 29% higher than in low poverty districts (\$8.56).

After the passage of the Wisconsin State Budget and reductions in State revenue for school districts, the average 2011-12 mill rate (\$11.08) in high poverty districts is 32% higher than the average mill rate (\$8.39) in low poverty districts.

The average mill rate increased 14 cents per thousand dollars of property value or 1.4% (\$10.94 to \$11.08) in high poverty school districts; and decreased 16 cents per thousand or 1.8% (\$8.56 to \$8.39) in low poverty school districts.

Reductions in employee compensation hit high poverty districts the hardest. Act 10 limits collective bargaining rights for public employees and reduces total compensation by making employees responsible for paying a larger portion of health care and retirement benefits. Under Act 10 reductions in state aid for public education are offset by reductions in public school employee compensation and/or a reduction in the workforce. For cuts in employee compensation to absorb the total \$431 million reduction in state aid to school districts in 2011-12, total compensation for each school employee would have to be reduced by \$3941. Because state revenue reductions are more than twice as large in high poverty districts, compensation reductions must be more than twice as large, \$6436 per employee, compared to low poverty districts, \$2768, to offset reductions in revenues.

These reductions adversely impact high poverty districts. Even without the added burden of absorbing larger cuts to employee compensation, recruiting and retaining highly qualified teachers is more challenging in high poverty districts. ^{iv}

Reductions in the size of the workforce hit high poverty districts hardest. The state biennial budget reduces state aid by \$431 million in the first year and \$361 million in the second. Using average teacher compensation as a proxy for average public school employee compensation and without considering the Act 10 mandated reductions in employee compensation, a reduction of 5.4% of the public school workforce or 5,448 school employees would be needed to offset the \$431 million reduction in state aid for the 2011-12 school year.

Because state revenue is reduced more in high poverty districts than in low poverty districts, to offset the budget cuts, the workforce must be reduced 8.2% in high poverty districts and only 3.5% in low poverty districts. These cuts would increase class size, particularly in high poverty districts. Large class sizes have been shown to have a particularly negative impact on student achievement for the low income and minority students served by high poverty districts.^v

In fact, recently released data from the Wisconsin Department of Public Instruction show that the number of full-time equivalent (FTE) public school total staff was reduced by 2357 or by 2.29% for the 2011-12 school year. FTE public school staff was reduced by 877 or 5.71% in high poverty districts, and by 81 FTE staff or 1.13% in low poverty districts.^{vi}

Act 32 increases funding gaps for poor and minority students. The reality of budget cuts hits low-income students harder, as reductions in state revenue are more than twice as large in high poverty school districts as in low poverty school districts. These reductions in state aid decrease the number of educators, and the compensation and incentives for recruiting and retaining high quality teachers, especially in high need districts. They reduce program support for the students most in need, while increasing

class sizes and property taxes in high poverty school districts.

ⁱ Reschovsky, A. (2011). The Impact of property taxes of the governor's 2011-12 school funding proposals. Robert M. La Follette School of Public Affairs, La Follette School Working Paper No. 2011-012.

ⁱⁱ Wisconsin Department of Public Instruction. (2011, February 9). Wisconsin Advanced Placement Results Continue to Climb. News Release DPI-NR 2011-15B. Retrieved April 25, 2012 from dpi.wi.gov/eis/pdf/dpinr2011_15.pdf. Department of Education. (2011).

Wisconsin Department of Public Instruction. (2011, August 17). ACT Results Up In Wisconsin. News Release DPI-NR 2011-89 C. Retrieved April 25, 2012 from dpi.wi.gov/eis/pdf/dpinr2011_89.pdf.

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ⁱⁱⁱ Poverty is measured by the percent of students in the district qualifying for the Federal Free and Reduced Price Lunch Program.

^{iv} Committee for Economic Development. (2009). *Teacher Compensation and Teacher Quality: A statement of the policy and impact committee of the Committee for Economic Development*. Washington D.C.: Committee for Economic Development.

⁶ Nye, B. A. (2000). Do the disadvantaged benefit more from small classes? Evidence from the Tennessee class size experiment. *American Journal of Education*, 109, 1-25.

⁷ Wisconsin Department of Public Instruction Annual 1202 School Staff Report, released April 18, 2012.

About the Authors

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They are coauthors of the book, *Learning First!: A School Leader's Guide to Closing Achievement Gaps* (2009).

Jim Shaw has been a Wisconsin educator for more than forty years. He is a former teacher, psychologist, school administrator, superintendent, and Professor of Educational Leadership and Policy Analysis at the University of Wisconsin-Madison. He is also a former Wisconsin Superintendent of the Year and has been recognized by numerous organizations including the Public Policy Forum, the University of Wisconsin, the Saturn Corporation, the National Education Association, and the Wisconsin Association of School District Administrators for his leadership and contributions to public education at both the state and national level. He served most recently as the Superintendent of the Racine Unified School District.

Carolyn Kelley is a Professor of Educational Leadership and Policy Analysis at the University of Wisconsin-Madison. She is an internationally recognized scholar in teacher compensation policy and strategic human resource management in schools. Professor Kelley is coauthor of the book *Paying Teachers for What They and Do: New and Smarter Strategies to Improve Schools* (with Allan Odden, 2001). She is a principal developer of the *Comprehensive Assessment of Leadership for Learning* (CALL) survey designed to promote school leadership and instructional practices that improve student learning.

For more information about the analysis presented in this ELPA Policy Brief, see the full paper and analysis, available on the ELPA website, elpa.education.wisc.edu.