

# Wisconsin Alliance for Excellent Schools (WAES)

## Wisconsin Adequacy Plan

May 2004



Wisconsin Alliance  
for Excellent Schools

(Comments indicate recommendations of the Governor's Task Force on Educational Excellence that apply to the *Wisconsin Adequacy Plan*.)

### Goals of the WAES school-finance plan:

- All districts receive **adequate funding** to cover the costs of a thorough education which provides all students with an equal opportunity to meet state and national learning standards.
- All districts have the funding necessary to meet the **special needs** of students with disabilities, students in poverty, students with limited-English proficiency, and students from small rural districts where per-pupil costs are higher due to low enrollment.
- The vast majority of taxpayers receive substantial **property tax relief**.
- All **local districts retain control** over key educational and operational decisions.

### How the WAES funding plan works:

- **Foundation funding.** All districts receive a base level of funding. These levels are a starting point on the way to fully adequate funding. [Note: Foundation is for operations only and does not include debt for capital improvements. Capital costs are separated; see details below.]

#### The foundation amount is:

- \$7,800 for the 2002-03 school year (the most current data)
- \$8,500 for the 2005-06 school year (the first year of the next budget biennium)
- \$8,900 for the 2006-07 school year (the second year of the next biennium).

- **Categorical aid.** In addition, school districts would receive funding to provide the extra programming and staff required for students with special needs.

#### ➢ Special education

Increase funding from \$321 million scheduled for 2004-05 to \$413 million in 2005-06 and \$423 million in 2006-07. This increases reimbursement from 32% to about 40%.

#### ➢ English-language learners

Increase funding from \$8 million scheduled for 2004-05 to \$33 million in 2005-06 and \$35 million in 2006-07. This increases reimbursement from just over 10% to about 40%.

#### ➢ Students in poverty

Increase funding from \$90 million scheduled for SAGE in 2004-05 to \$170 million in 2005-06 and \$179 million in 2006-07. This funds SAGE and gives all districts additional aid for all students eligible for free or reduced-price lunch.

#### ➢ Transportation

Increase funding from \$17 million scheduled for 2004-05 to \$44 million in 2005-06 and \$46 million in 2006-07. This increases reimbursement from about 5% to more than 10%.

Every district benefits from increased categorical aid, adjusted to student needs.

**Comment:** A 'voluntary' foundation level is established within the equalization system. It replaces the "low revenue ceiling," and grants districts an automatic authority to raise revenue limits to this level.

**Comment:** The 2005-06 amount would be set by an Adequacy cost out.

**Comment:** Increase to \$391 million for general special ed in 05-'06 (including \$10 million for hi-cost, lo-incidence students).

**Comment:** Increase to \$34 million in 05-'06, including aid to districts with ELL students but not enough to meet threshold requirements.

**Comment:** Increase SAGE to at least \$114 million for existing schools; add additional SAGE schools at unknown cost; spend at least \$3 million in 05-'06 for "community approach" K4; spend at least \$3 million for K4 startups; spend an unknown amount on support for programs in low-income schools, including: before- and after-school programs, improvements in school climate, additional summer school, a pilot residential school for homeless children, minority teacher recruitment and minority teacher training, getting especially qualified teachers to work with low-income children; provide additional revenue limit capacity for full-time K4.

**Comment:** Increase to \$77 million in 05-'06.

## WAES Revenue Plan

### • Local property tax rate

- All districts will levy an initial rate of 7 mills
  - Districts raising enough funds at less than 7 mills would not be forced to go to 7.
  - K-8 district rate would be 4.2 mills; UHS districts 2.8 mills.

**Comment:** Local school property taxes would go down on average about 40% (though a small number of high property wealth districts would see no reduction).

### • Equalization aid

- After a district has levied 7 mills, the state provides additional revenue to ensure the district has funds to reach the foundation level. State aid is based on enrollment adjusted by the small district multiplier (to offset higher costs in small rural districts.)

**Comment:** The current equalization aid structure would be maintained.

### • Enrollment adjustments

- Declining enrollment: Aid is based on the highest membership of the previous five years (or, at the district's choice, any other membership during that period).
- Small district adjustment – to compensate for inefficiencies of low enrollment, K-12 districts would apply a multiplier to their enrollment, as follows:
  - Districts with less than 250 students, a multiplier of 1.5
  - Districts of 250-499 students, a multiplier of 1.4
  - Districts of 500-749 students, a multiplier of 1.3
  - Districts of 750-999 students, a multiplier of 1.2
  - Districts of 1000-1249 students, a multiplier of 1.1
  - Districts of 1250-1499 students, a multiplier of 1.05.

**Comment:** A technical change would give declining enrollment districts some added revenue limit capacity. Also, all districts would be required to develop long-term master financial master plans. Also, teams within CESAs would seek service efficiencies; districts would receive grants to encourage service consolidation; and districts would be encouraged where possible to consolidate services, purchases, and instruction.

### • Optional local levy

- Local school boards may choose to increase the tax levy up to an additional 2 mills for any purpose, with the approval of two-thirds of the school board.
- The state provides equalization aid to this optional levy to ensure equity for low property-wealth districts. This aid would be in the same proportion used to bring districts to the foundation level, except that at least 10% of revenue generated by the optional levy mechanism would come from state aid.

**Comment:** No change from current system, except that several changes would increase flexibility of revenue limits. One would allow districts to carry over all unused revenue limit authority; others (mentioned elsewhere) would expand revenue limits for summer school, K4, and adequacy foundation.

### • Construction finance

- Annual debt payments are separated from regular operating funds.
- For existing debt, districts would carry over debt and would continue to get state aid at the current ratio. Districts would raise their share through a local tax levy.
- For future debt, district boards could establish a local property tax, not to exceed 3 mills.
- Projects submitted to a new state school construction board and approved by the board as meeting educational-need requirements, will receive aid to equalize the local levy share.
- No referendum required if the project is approved by two-thirds of the school board.

**Comment:** No change from current system.

### • New revenue from state sales tax

- New funding would be through an increase in the state sales tax from 5% to 7%, or an alternate source generating an equivalent amount of revenue. Each percentage point of sales tax is estimated to yield \$819 million in fiscal year 2004-05.

**Comment:** The state sales tax would increase from 5% to 6%, and enough sales tax exemptions would be removed to generate the equivalent of nearly another penny sales tax increase.

• **State aid from the General Purpose Revenue**

- The state will provide General Purpose Revenue funds based on its contribution in 2004-05, increasing in subsequent years based on the increase in the Consumer Price Index.

**Comment:** Increases in the additional sales tax revenue would be dedicated to schools.

• **School Levy Tax Credit**

- The School Levy Tax Credit would continue without change.

**Comment:** No change, except for retitling this the School Property Tax Relief Credit

• **Homestead credit**

- A sales tax is regressive, taking a larger percent of income from lower income families. To offset this, the total value of the Homestead Tax Credit would increase by \$100 million, both to expand eligibility and credit amounts.

**Comment:** Whatever is needed (up to \$100 million) to offset the increased regressivity due to the switch to sales tax would be taken from sales tax revenue either for an increase in the Homestead Credit or the creation of an alternative sales tax credit.

• **Teacher compensation, quality, recruitment and retention**

**Adequacy cost-out**

To determine the long term appropriate level for the foundation funding and categorical reimbursements, a state-sponsored Adequacy Cost-Out should be performed. The results will be used to determine the level of state aid required for adequate foundation levels, the level of categorical funding and a timeline for implementation of the plan so that all districts secure the full adequacy amount.

**Comment:** Remarkably, the original WAES plan did not contain such a section! In details, however, the WAES plan called for elimination of QEO; at least a 5% across-the-board raise for all teachers; increased opportunities for teacher training; increased time and resources for joint planning and for parental involvement.

The Task Force recommends abolishing the QEO; using the resulting bargaining atmosphere to bargain changes that would help restrain the growth of health insurance and that would link higher pay to demonstrable teaching skills. Also, other recommendations would use about \$6 million to support new teacher training for PI-34 and improved training of child care teachers.

**Comment:** Recommend a cost out “to define what constitutes a sound, basic education and how much it costs to provide it,” including issues of special-need students and including input from academics, parents, teachers, administrators, and the business community “about what constitutes an adequate education in Wisconsin.”