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Wisconsin Alliance
for Excellent Schools

Solving Wisconsin's school-funding crisis

It's a "going out of business" business model

When Wisconsin's school-funding system was designed back in the early 1990s, it was meant to control property taxes through a complicated mixture of enrollment counts, equalization formulas, categorical aid, and revenue limits.

It did what it was designed to do—hold down property taxes. It isn't doing what it should be doing—providing Wisconsin's children with a world-class, 21st-century education.

The state's school finance system is too old and feeble to adapt to the realities of today and tomorrow. It is a mathematical formula that can't react to changes.

Districts receive revenue for every child enrolled. If you gain children, you gain revenue. If you lose children, you lose revenue. The problem is that 60 percent of the districts in the state are losing enrollment ... and resources. At the same time they are losing children, districts must still keep the buildings open, heated, and lit; offer challenging academic curriculum; and run the same bus routes. In other words, districts can't make cuts proportional declining enrollment without smothering quality education.

The system is also flawed because it's based on a clumsy method for evaluating a school district's property wealth. The more property value a district has the less it gets in state aid; the less value it has, the more state aid it receives. This has the unintended consequence of taking aid away from some of the districts needing it most. While property values are rising, for example in the lakes districts of the north, income isn't. As these districts gain property wealth they lose state aid. Year-around residents, whose incomes are below the state average in many cases, must pay a disproportionate share of the cost of education from their local property tax. When those residents, through a referendum, say enough is enough, the quality of education begins to slide.

Another part of the state funding system is called categorical aid. State government agreed to pay a sizeable share of the cost of educating specific groups of students, for example, those with special education needs, those for whom English isn't their first language, and those from poverty. Plain and simple, the state isn't paying what it promised and local districts must make deep cuts in other parts of the school budget to make up the difference.

The final piece in this dysfunctional system is a rigid clamp school revenue growth. At the same time, school costs are growing faster than revenue is allowed to grow. Sooner or later, this gap will devour every district in the state.

What we are left with is an outdated, inequitable, and underinvested business model for our public schools that guarantees they will all go out of business eventually.