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July 12, 2012

[Much to Like in “Fair Funding for our Future”](#)

Filed under: [Budget,Education](#) — Mike Ford @ 4:12 pm

I am often among the cynical when it comes to reforming the school aid formula. I find the phrase “broken funding formula” often translates to “my district needs more state aid.” Why mess with the state equalization aid formula when it does what it is designed to do?

First, it determines the total revenue districts can receive based on their enrollment and prior year revenue. Second, it uses district property wealth to determine how much allowable revenue comes in the form of state aid, and how much comes in the form of local property tax. Poorer districts receive more state aid and have a correspondingly lower property tax levy. Richer districts receive less state aid and have a correspondingly higher property tax levy.

However, being conceptually sound does not mean the formula is the perfect way to distribute school aids in Wisconsin. During the last budget cycle the Department of Public Instruction (DPI) introduced the “[Fair Funding for our Future](#)” plan as a way to improve Wisconsin’s system of school funding. The plan did not go anywhere. However, comments from State Superintendent Tony Evers suggest DPI will again propose this plan, making it worthwhile to take a closer look.

On whole, “[Fair Funding for our Future](#)” is a solid path towards sustainable school funding. Though I believe one large component is missing, there is a heck of a lot to like about it. The plan:

Creates a base level of state funding of \$3,000 per-child

[As DPI points out in their original proposal](#), 54 Wisconsin school districts currently receive little or no state aid. This makes little sense considering that state education aid comes out of the state general fund, a huge part of which comes from personal income tax. Residents across the state pay into education aid, it is logical that all should get something in return.

Uses poverty as 20% of the formula for calculating property wealth

As I wrote, the state aid received and allowable tax levy in Wisconsin school districts are a function of property wealth. As DPI writes in their proposal, property wealth is not a perfect way to measure the socioeconomic demographics of a school district. In Wisconsin’s large cities, for example, there are often large pockets of poverty, but also large amounts of commercial property wealth. Specifically, DPI will count low-income pupils as 1.2 children when computing property wealth, driving more state aid (and lowering the tax levy) to districts with large percentages of low-income children. This is a logical way to better meet the goal of the state’s equalization aid formula.

Shifts the school levy and first dollar tax credits back into general school aids

This is the most controversial part of the plan. DPI proposes eliminating the school levy and first dollar tax credits and putting that money into school aids. The action would increase school aids by \$897.4 million dollars. It is controversial because it means eliminating a huge property tax credit. Right now, [this money is sent directly to municipalities to offset a portion of the school tax levy](#). While the optics are bad (it looks like the elimination of property tax relief), it is important to remember that putting this money into school aids accomplishes the same goal.

How? DPI’s plan maintains revenue limits, meaning the total amount of revenue a district can raise for education is still limited. More state aid simply means a corresponding levy decrease in a school district. Putting these credits into school aids can accomplish the goals of the school levy tax credit in a simplified manner.

Reforms categorical aids

Categorical aids are program specific state funds that districts receive outside of revenue limits. Categorical aids include SAGE, special education, and poverty aid. DPI’s plan consolidates categorical aids and attempts to direct them towards districts that most need to boost achievement. This reform too is logical; program specific funding should also be goal specific.

Provides MPCP property tax relief

Perhaps a small point, but the plan does call for increasing the state share of the cost of the Milwaukee Parental Choice Program (MPCP) to 70%. The percentage would mirror state support of the Milwaukee Public Schools, give some property tax relief to Milwaukee, and end the current shell game where the poverty aid categorical to MPS is actually state support of the MPCP.

Some things are missing. More equitable funding of choice and charter, particularly at the high school level, is important for the long-term health of Milwaukee’s diverse education system.

Perhaps the biggest thing missing is a connection between funding and performance. Districts with high achievement, and more importantly, high academic growth, deserve to be rewarded with additional state aid. Improvement in Wisconsin’s state assessment system and increases in the availability of value-added performance data makes this technically possible. Providing rewards for performing districts does not mean decreasing support for low-performing districts, it simply means heeding the lesson of Race to the Top and using resources as a carrot in Wisconsin’s new accountability framework.

If the “[Fair Funding for our Future](#)” goes nowhere again, it will be unfortunate. It is a serious proposal that, with a few tweaks, could improve the way Wisconsin pays for K-12 education.

[Comments \(2\)](#)

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2 Comments

1. Take a more careful look. This plan amounts to a wish list of what it would take to make everyone happy, but remember, a funding formula is primarily about money. Unfortunately, your analysis misses some important problems with the plan that become apparent once the actual funding issue is carefully considered.

The plan assumes big chunks of new money to make it work, and it can not be implemented without all that mystery cash. Once implemented, Wisconsin would be completely enslaved, because any future year dip in funding would create unacceptable inequities.

Take a more careful look.

Comment by Steve — July 14, 2012 @ [7:12 am](#)

2. Steve,

Thanks for the comment; you certainly make a good point. As you know any tweak to the equalization aid formula has a redistributive impact on all districts. The Fair Funding for our Future Plan creates a hold harmless to offset school aid reductions to districts negatively impacted by the plan. This costs money, and as you allude, and will cost money in every budget going forward. I do think that hold harmless payments are almost always bad ideas; they usually serve a political goal rather than a policy goal.

And yes, the 2011-13 DPI funding request was for a 2% increase in general equalization aids in year one and 4% increase in year two. As we found out, Wisconsin’s perilous fiscal situation made any increases to school aids impossible. But, if and when Wisconsin’s revenue situation improves, school aids seems a wise place to make an investment. Particularly given that school boards have increased power to make local education decisions in a post Act-10 world.

Though not perfect, I do think there are a lot of solid ideas in DPI’s plan. Fiscal realities will inevitably decide what is and is not realistic, but I do think the plan is worthy of serious discussion.

Comment by Mike Ford — July 14, 2012 @ [8:54 am](#)

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