



AEF e-Newsletter: August 26, 2010

Meeting with Tony Evers, State Superintendent

Earlier this month several members of the Steering Committee (John Gaier, Neillsville; Monti Halberg, Barron; and Charles Poches, Portage) along with Doug Haselow and Bambi Statz took the opportunity to meet with State Superintendent, Tony Evers. The purpose of the meeting was to take the State Superintendent up on his invitation to provide feedback on his "Fair Funding for Our Future" Proposal. After thanking him for putting the issues out there and creating the much needed dialog around school funding, we spent about an hour discussing several key elements of his plan. Tony Evers began by outlining his "critical priorities" which included the following topics to which we provided the feedback, *reflected in the red type*:

- Reallocating school levy credit dollars to direct aid to school districts. *AEF strongly supports a reallocation that enhances equalization as it treats students and taxpayers more fairly. The fact that levy credits have increased by 91.1% since 2005-06 while General Aids have gone up only 1.2% was reiterated. According to Andrew Reschovsky's study of the levy credits, only 51% of the total school levy credit reduces property taxes of WI homeowners on their primary residences. He found further that 9% of the levy credits go to WI 2nd homeowners and 26% go to non-WI 2nd homeowners. Dr. Reschovsky also found that the largest credits flow to owners of expensive homes, many of whom face below-average property tax burdens relative to income and further, that WI residents bearing the largest burdens relative to income receive little benefit from the School Levy and First Dollar Credits.* (Source: <http://www.lafollette.wisc.edu/publications/workingpapers/#2010-003>)
- Providing aid to every district based on a concern that there are low income people in wealthy districts and an interest in getting away from property tax base as the sole measure of wealth. *We had considerable discussion about this issue emphasizing that this idea contradicts the whole concept of equalization or of a community's ability to pay. The fact that there are 21 districts that do not benefit from Equalization Aid is a bi-product of equalization. We pointed out that school districts have only the authority to tax property, not income or anything else, so their ability to raise money or the degree of effort (tax rate) needed to do so is DIRECTLY related to the value of the property of the district. The Winter School District was used as an example of a school district that gets little state support due to its property wealth and yet has resident low income taxpayers. This is true, but poorer Winter residents receive property tax relief every year by virtue of the wealth around them. For example, the 2008-09 school tax rate in Winter was \$8.72 and the district's total spending was \$12,900 (source: WTA SchoolFacts09). In the same year, the Abbotsford taxpayers also paid \$8.72 and, while they received more state support, their total spending was \$10,177. So, for the same local tax effort, children in Winter received an education costing more than \$2,000 per pupil more than did those in Abbotsford. Providing more direct school aid to Winter would result in additional tax relief to all property taxpayers in Winter, including wealthy non-resident property taxpayers. Instead, Wisconsin has a circuit breaker program, the Homestead Tax Credit Program that draws a correlation between an individual taxpayer's property tax burden and ability to pay, measured in terms of income. Through the income tax system,*

the state refunds a portion of property taxes paid by those less able. Perhaps this program should receive greater state support if there is a genuine interest in providing more relief to those most in need. It is also worth noting that WI residents may claim an income tax credit of up to \$300 on their primary residence (whether owned or rented) to offset the cost of property taxes. This represents a credit against property taxes that is steered only to WI residents that is a far better strategy than the School Levy Credits that, by and large, go to owners of second homes, many of whom are out of state residents. To provide more aid to all residents of wealthier school districts through direct school aid takes it away from those less wealthy districts and provides more tax relief to wealthy people in wealthy districts in the process.

- Increase state school aids and local revenue limits by a predictable percentage each year. Our discussion did not explore details in this area, but it was suggested that the State Superintendent's budget will include a minimum increase in state support each year with some new money for K-12 education to help make that happen. AEF representatives did express concern about the difficulty of sustaining a continuum of programs and services in local districts from one year to the next without sufficient increases in revenue authority from one year to the next.
- Consolidate and target categorical aids in ways that encourage innovation and focus on increasing student achievement, turning around struggling schools, and improving graduation outcomes. DPI was exploring options in this area and details were not available at the time of our discussion, although, generally speaking, categorical aids are disequalizing so reducing the number/types of such aids would be worth examining.
- Supports rural schools - expand sparsity aid and transportation funding. As a categorical aid, this tends to contradict the previous concern about too many categorical aids. Regardless, details were not available and were not discussed during this meeting.
- Special Adjustment Aid - Ensure that no school district faces a drastic reduction in state school aid in any given year. Such aids are disequalizing but, in the context of an overall plan that enhances equalization, this mechanism can be helpful to phase-in new ideas.

Following the discussion of the DPI budget proposal, Tony Evers asked about the number of districts that did not "tax to the max" last fall and indicated that it would appear that districts did not need those additional funds. That gave us the opportunity to explain that while districts did actually need the funds, given the economic climate, many school boards chose not to pass on the additional property tax burden to local taxpayers. In some cases this was done in anticipation of upcoming local referendums but in many others, the reduction in state aid last fall created a climate of shared pain in which districts felt they could not pass on the entire loss to taxpayers. If your district *under-levied* last year or is considering doing so this year, you might take the opportunity to help state policy-makers understand the position they put local decision-makers in when they falter in their direct support for schools. Be sure to help them understand that reducing or curtailing local property tax levies comes at the expense of programs and services to children across the state! *The continuum of programs our children expect when they enter our schools at four or five years of age is, indeed, in jeopardy!*

Finally, we encouraged the State Superintendent to lead DPI in an even stronger advocacy role by informing school district officials and state policy-makers, alike, about the impact of proposed changes prior to decisions being made. The analyses provided by DPI in former times were invaluable in helping people understand the impact of funding changes BEFORE they were passed by the legislature.

Superintendent Evers indicated that he is genuinely listening to folks of all persuasions, including the Fair Aid Coalition, as he shapes his budget proposal. We hope he will stop and consider what is in the best interest of the vast majority of school districts, students and Wisconsin taxpayers as he finalizes that document, but we also know that we have a long road ahead. Again, we thanked Superintendent Evers for his courage in getting the issues out there. We appreciated the opportunity to share AEF's views of the kinds of proposals he is considering and reminded him that the Association's positions represent the interest of the majority of school districts in the state. Whether or not our input influences his budget proposal, there is a long road ahead. The outcome of the governor's race will greatly influence the details of the next biennial state budget.

What is BROKEN in Wisconsin?

As DPI's budget is announced and as broader budget discussions unfold in the coming months, it may be important to consider seriously what people mean when they say that "Wisconsin's school finance system" or "The formula" "is broken." It might be helpful throughout this period to challenge those making such claims to identify just **WHAT** they feel is broken about Wisconsin's school finance system. Ask them, **just what aspects are broken or need fixing?** Rather than throwing out the entire system and risk getting something worse, shouldn't we identify the strongest aspects of what we have first? From the equity standpoint, and in comparison to many other states, we are very fortunate to have an equalization aid formula as the basis of our system. Protecting and enhancing equalization is at the core of achieving greater equity for taxpayers and students, alike. Most recently, public policy decisions that have added money to property tax credits and have not sustained state support in an equalized manner have exacerbated the disparities in taxing and spending that existed already across districts.

The major school finance decisions made in the last two state budgets added money to levy credits and not to direct equalization aid, disadvantaging 70% of the districts and a far higher percentage of taxpayers and students in the process. For the majority of districts that benefit from enhancing equalization, a "broken" aspect of the system would be the proliferation of the tax credits. People from districts that do not enjoy as much state support through direct equalization aid might have a different perspective on just what is broken in our system and, in fact, favor retaining or even enhancing credits further. Let's get that out in the open early in the discussions - let's talk about the majority of districts who have been "losing" due to the proliferation of tax credits for the past fifteen years before we talk about who or how many districts might "lose" in the future if some or all of those dollars were to be equalized instead.

Continue to share your knowledge and insights with others

Stanton Bigelow, a school board member from the Argyle School District, recently met with some insurance agents in his area to talk about school funding. When he explained to them what has happened with the school levy tax credits, he said, "They were very interested and could not understand why this problem had not been corrected in the past." This is just one example of the opportunities that many of you take to help others understand specific aspects of the current system that are hurting local taxpayers and are exacerbating inequities in our state. We need to get the word out to school board members and

to the general public in order to put pressure on legislators to do the right thing! ***Keep up the good work, Stan and everyone!***

Welcome to New Members

Over the summer many new districts have shown an interest in joining AEF. Here are some that have joined already:

| | |
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| Antigo | Spencer |
| Argyle | Stanley-Boyd |
| Chippewa Falls | West Bend |

Our next newsletter will list even more new members since dues for this year are still being remitted. It is critical in these times that we work together to help state policy-makers understand the RIGHT and FAIR things to do for the benefit of the vast majority of school districts, students and taxpayers in Wisconsin.



***Thank you to all member districts for your continued support of AEF.
Our collective voices are louder!***

Thanks to Doug Haselow

Doug Haselow has served as the Executive Director of AEF for the past fifteen years. His experience working in governmental relations with the Milwaukee Public Schools as well as the City of Milwaukee, particularly given his many relationships with legislators and their staff as well as state agency officials, has been invaluable in giving AEF a voice. He has represented AEF's interests well in working with many of these individuals as well as through participation on several school funding task forces over the years. While he formally left his position with AEF in July, Doug continues to assist the association in lobbying efforts providing a bridge into the next biennial budget session. As he retires from his role in AEF, we all wish to extend our gratitude for his unwavering support for school finance equity in WI. We wish Doug and his wife, Joan, many years of healthy and enjoyable retirement together.

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CESAs #1/2 - Vacancy *(The Steering committee is soliciting interest among member districts - please contact Bambi Statz if you or a board member are interested)*