



AEF e-Newsletter: October 07, 2010

Letter From AEF To Tony Evers, State Superintendent

As you have no doubt noticed, there has been some fairly vocal criticism of the manner in which the Federal Education Jobs money has been distributed. Consequently, AEF sent a letter to State Superintendent, Tony Evers showing support for the decision to use the Equalization Aid formula for this purpose. Here is the text of the letter that was sent:

The members of the Association for Equity in Funding would like to thank you for the decision to distribute the \$180M in Federal Education Jobs Fund money using the Equalization Aid formula. This distribution method provided dollars to Wisconsin school districts on the basis of ability to pay with the greatest amount of aid going to those communities least able to raise dollars through property taxes due to their moderate to low property values. This approach clearly benefitted the vast majority of school districts, taxpayers and children in the state.

Yet, because the wealthiest districts in the state did not get as much money as they would have liked there are those who say that this is an indication that the Wisconsin school finance system is *broken*. Much attention had been drawn to the Elcho School District, as an example of a very wealthy Wisconsin school district that received few dollars as a result of the equalized distribution of the Jobs Funds. Yet Elcho received \$1,986 per pupil in Levy Credits after it taxed a gross mill rate of \$5.12 to spend \$10,911 (Source: School Facts 09). Compare this with a district that receives a high level of state general equalization aid and receives Education Jobs money like Mishicot that received \$627 per pupil in Levy Credits after it taxed a gross mill rate of \$8.27 to spend \$8,879 (Source: School Facts 09). Mishicot taxpayers had to pay a gross tax rate that was \$3.15 higher than taxpayers in Elcho to spend \$2,000 less per pupil. On top of that the Elcho taxpayers (many of whom are nonresidents) received three times as much additional tax relief per pupil through levy credits. For the lower-income residents of Elcho who are truly over-burdened by property taxes, the Homestead Tax Credit Program is available. Yes, Mishicot did receive a higher level of Education Jobs money, a total of \$203,417, while Elcho received \$806,260 in additional property tax relief through the levy credits (source: LFB February 2, 2010 analysis).

As the levy credits have proliferated over the past 15 years and as these appropriations received nearly all of the new money in the past two state biennial budgets, 70% of the school districts and a much higher percentage of taxpayers and children have been

disadvantaged each and every year through higher local property taxes. Now some of the same 30% of Wisconsin school districts that are advantaged through increased levy credits that now total nearly \$1B are highly critical of the equalized distribution of the Federal Education Jobs Act money totaling \$180M. Because the wealthiest districts in the state did not get more of this money does not mean that the "system is broken."

Constitutionally, K-12 education is clearly a state responsibility and for more than half a century Wisconsin has sought to relieve the burden of excessive property taxes through an equalized approach to funding education. The components of the system that are broken are those that work in direct opposition to the concept of equalizing tax efforts, the most egregious of which are the levy credits. The disparity in tax efforts has grown with some districts having to tax 3-4 times what others do to spend the same amount or even less.

We thank you for your efforts to bring attention to this issue through your proposal to equalize the levy credit funds. As the core of the Wisconsin school finance system, it is the Equalization Aid formula that protects the interests of the vast majority of school districts, taxpayers, and students in Wisconsin! We do, however, share your concern for lower income residents of all school districts, including wealthier ones, and want you to know that you would have our support for reallocating a portion of the levy credit dollars to the Homestead Tax Credit Program. Not only would that enable the program to raise the income threshold and serve more people, but it would steer the relief to Wisconsin residents.

Members of the AEF Steering Committee appreciated the opportunity to visit with you in August and look forward to future opportunities to discuss school funding equity issues with you further.

School Levy Tax Credit Resolution *Locally adopted resolutions are starting to come in!*

Be sure to present the resolution to your school board when it sets the tax levy, or by early November!!

This is a great opportunity to remind your boards and help educate the public about the fact that nearly \$1B will be distributed to offset school district tax levies this year and only about half of that goes to WI residents in their primary homes! Here are some of the other facts about the levy credits that might interest them:

1. **Direct Aids help you support programs for children and levy credits do not!** Even though the state counts the levy credits towards its support for K-12 education, these dollars do no such thing! They represent pure tax relief and do not help a single child! Direct aids come to you before you set the levy and are used to offset your costs to maintain programs.
2. School boards are **forced to set their levies at a superficially high level** that is higher than taxpayers will actually pay, since the state will pay a portion of everyone's tax bills for them through the school levy tax credit, the first dollar credit and the lottery credit.
3. **Residents of other, wealthier and higher spending school districts in the state, have more of their tax bills paid for them,** since these dollars go out, not in relation to ability to

pay like direct equalization aid, but instead, by how big the local levy is. Therefore, wealthier districts that get less direct state aid get much more of the school levy credit dollars. (See the 2/2/10 LFB Analysis showing that 70% of WI school districts lose in the distribution of the school levy credits compared with direct aids - if you do not have a copy, contact Bambi Statz and she will send you one).

4. **Nearly half of the credits (garnered from our personal income and sales taxes) go to owners of 2nd homes; nonresidents of the district and most often, non-WI residents.** 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 owners of 2nd homes in WI. The balance of 14% goes to tenants. Here are his findings, "*Property owners in the poorest school districts (in terms of property wealth) received an average credit equal to \$375 per student. The size of the average credit going to taxpayers in school districts with higher levels of property wealth per student increases with district wealth. Property owners in the state's 21 property-richest districts received average per student credits of \$2,596, nearly seven times the average credit going to taxpayers in the poorest school districts.*" Another of Reschovsky's findings was that homeowners with higher incomes tend to live in more expensive houses suggesting that higher levy credits are going to taxpayers with higher incomes. Reschovsky concluded that not only should the levy credit programs be discontinued and applied to direct school aids, but that the Homestead Tax Credit Program, which steers tax relief to those WI residents most in need, regardless of school district, should be enhanced. (Source: <http://www.lafollette.wisc.edu/publications/workingpapers/#2010-003>)
5. **Since 2005-06 direct general aids have gone up only 1.2% while levy credits have increased by 91.1%.** We need to let those decision-makers in Madison know that we are among the 70% of school districts (representing far more than 70% of the taxpayers and school children in the state) who have been disadvantaged from the proliferation of the levy credits for the past 15 years and they cannot continue taking actions that contradict the best interests of the majority. It is time to reverse this trend!
6. **Redirecting the levy credit dollars so that they are distributed in an equalized manner (as they originally were, prior to the 1990s) costs the state nothing!** It is time to do what is right for the vast majority of school children and citizens in this state!

After your school board adopts the resolution, be sure to name your school district and send it to us to combine with others to be distributed to state policy-makers:

Bambi Statz, Executive Director
Association for Equity in Funding
7050 Lavina Road
Dane, WI 53529

Or, e-mail it as a pdf document to her at:

statzb@uww.edu

If for any reason you do not have the resolution, be sure to contact Bambi and she will see that you get it.

Welcome to New Members

We are continuing to increase our numbers. Here are some more new districts that have joined up recently:

DC Everest
New London
Sparta

It is so 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!

Vacancy on Steering Committee

The Steering Committee is soliciting interest among member districts from CESA #1/2 for participation on the AEF Steering Committee. If you are interested or know of a school district administrator, business manager, or school board member who would be a good representative, please contact Bambi Statz or a current Steering Committee Member.

AEF Contacts:

Executive Director:

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Steering Committee Members (CESA Districts):

William Vincent, Chair
Elk Mound School District (Retired)
715-879-5066

Pete Ross, District Administrator
Seymour School District
920-833-2304

CESAs #1/2
Ron Nortier, Retired
Beloit School District
608-676-4655

CESAs #9/10
John Gaier, District Administrator
Neillsville School District
715-743-3323

CESAs #3/4
Steve Sedlmayr, District Administrator
Alma School District
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CESAs #11/12
Monti Halberg, District Administrator
Barron School District
715-537-5612

CESAs #5/6
Charles Poches, District Administrator
Portage Community Schools
608-742-4879

Greg Maass, District Administrator
Green Bay Area School District
920-448-2100

CESAs #7/8
Tony Klaubauf, District Administrator

CESAs #1/2 - Vacancy

Denmark Schools
920-863-4005

Respectfully submitted by

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Association for Equity in Funding