



WISCONSIN LEGISLATIVE COUNCIL

REVIEW OF STATE SCHOOL AID FORMULA

Legislative Fiscal Bureau Conference Room
Madison, Wisconsin

October 25, 2006
10:00 a.m. – 3:20 p.m.

[The following is a summary of the October 25, 2006 meeting of the Special Committee on Review of State School Aid Formula. The file copy of this summary has appended to it a copy of each document prepared for or submitted to the committee during the meeting. A digital recording of the meeting is available on our Web site at <http://www.legis.state.wi.us/lc>.]

Call to Order and Roll Call

Chair Olsen called the meeting to order. The roll was called and it was determined that a quorum was present.

COMMITTEE MEMBERS PRESENT: Sen. Luther Olsen, Chair; Sens. Alberta Darling, Julie Lassa, and Jon Erpenbach; Reps. Brett Davis, Jeffrey Mursau, Pat Strachota, Debi Towns, Amy Sue Vruwink, and Mary Williams; and Public Members Gary Andrews, Todd Berry, Robert Borch, John Burnett, John Gaier, Nancy Hendrickson, Dianne Lang, Michelle Nate, Andy Reschovsky, and Ron Welch.

COMMITTEE MEMBERS EXCUSED: Rep. Jason Fields.

COUNCIL STAFF PRESENT: Russ Whitesel and Mary Matthias, Senior Staff Attorneys.

APPEARANCES: Allan Odden, University of Wisconsin-Madison, Wisconsin Center for Education Research and Jack Norman, Research Director, Institute for Wisconsin's Future.

Approval of the Minutes of the October 5, 2006 Meeting of the Special Committee

Representative Williams moved, seconded by Robert Borch, to approve the minutes of the October 5, 2006 meeting of the Special Committee. The motion passed on a unanimous voice vote.

Chair Olsen's Remarks

Chair Olsen welcomed committee members and thanked all of the speakers for their willingness to testify before the committee. He indicated that this meeting would be devoted to testimony relating to new approaches to school financing. He also indicated that testimony would be taken at the end of the meeting from representatives from the Department of Public Instruction (DPI) on DPI's proposed budget initiatives.

Brief Description of Material Distributed

Russ Whitesel briefly described the material distributed to the committee for the meeting.

Invited Speakers on School Funding Proposals

Allan Odden, University of Wisconsin-Madison, Wisconsin Center for Education Research.

Professor Odden described the study currently being undertaken by the Consortium for Policy Research and Education (CPRE). He indicated that the task of the group assembled by CPRE was conducting a school finance adequacy study to determine how much money per pupil is needed to "educate Wisconsin's students to a rigorous, world class-proficiency standard and to develop a programmatic and fiscal approach for that model." Information relating to the consortium study can be found at: www.wcer.wisc.edu/cpre.

Professor Odden indicated that Wisconsin's school finance system meets most equity benchmarks and student performance in Wisconsin is above the national average. However, he stated that equity alone is not sufficient and exceeding the national average is not good enough. He suggested that in order to compete in the global economy Wisconsin needs to "double" student performance and fund programs and strategies that can produce those learning gains. He presented a series of tables showing average property tax rates and average total revenue per pupil for Wisconsin districts. He also presented information on Wisconsin equity, the status of student achievement in this state. He testified that there is a large discrepancy between student scores on Wisconsin tests and scores on the National Assessment of Educational Progress (NAEP) tests which have a more rigorous, international performance standard.

Professor Odden also indicated that according to the Education Trust, Wisconsin's success with minority students has not been good and the statewide achievement gap appears to worsen from elementary to middle to high school.

Professor Odden encouraged the committee to move from a "good" system to a "great education system." He talked about the future needs and the role that school aids could play in creating a more productive educational system. He suggested that the system could be redesigned to double student performance over the next decade and gave several examples of where performance in fact had been doubled in selected school districts in Wisconsin. This tended to occur in districts making investments in long-term professional development and improved scheduling of educational periods. Professor Odden said that the evidence is increasingly showing that extra help strategies such as one-on-one tutoring and coaching can create increased gains with all pupils.

The "evidence-based model," according to Professor Odden, identifies the resources schools need to implement the strategies to double student performance in mathematics, science, reading/writing, and history. He reviewed the costs of the model which he suggested would require

approximately 6.8% additional dollars over what is now spent on shared costs plus categorical programs. He laid out the various resources in tabular form for the committee and presented the costing models in the underlying assumptions of the model. Among the underlying aspects of the model, are the following: no revenue limits relating to the adequate level being set as a ceiling and no “tier 3” in the formula for adjusting distribution and no Qualified Economic Offer (QEO).

At the heart of the foundation formula, Professor Odden said that the extra local dollars for spending greater than the model numbers would not be constrained except through referendum votes as there would be no state support for the local funds added-on. Professor Odden estimated the total costs of the plan to be approximately \$584 million with \$503 million state dollars and \$81 million in local dollars. He reiterated that it was approximately a 6.8% total increase which appeared to be a modest amount, given the goals. In *preliminary* calculations, he indicated that there were 389 state aid winners and an additional 49 districts that would be held harmless under the formula. He observed that 137 districts could be required to raise local tax rates to reach the 7 mill property tax rate goal for their expenditures. He suggested that the equity statistics under the system would still be fair and that the formula could provide adequate funding to support additional educational strategies for improving school performance. He indicated that there were a number of related issues that were still unresolved and are the subject of continuing discussion with the Task Force and will be eventually incorporated into a final report.

A number of questions were raised regarding the proposed model. One specific question related to the impact of limiting the electives offered by schools. Professor Odden suggested that these could still be add-ons at the local level or supported by outside money not directly through the state funding. He acknowledged that some curriculum changes would need to be made to accommodate the funding but that decision could still be made at the local level. In response to a question about the accountability built into the model, Professor Odden indicated that this may be made more specific in the next steps of the study. In response to a question regarding the additional cost of the model, Professor Odden indicated that there would be some associated with the proposed adequacy plan, but observed that costs the state must “buy input to get output.” He said that there is still a major benefit derived from improved performance. He compared his adequacy model to the current formula in the same way a Prius or hybrid car relates to a conventional car. That is, the hybrid cars serve the same function but get much greater performance.

In response to a question, Professor Odden indicated that some of the assumptions of the model may have to be adjusted as more information becomes available. He said that more attention may need to be paid to the issue of course electives, particularly in subjects of music, art, and electives.

Several members had questions relating to how costs would be contained in the model and Professor Odden said that that also was not fully developed but could be combined with other restrictions on collective bargaining or use of specified health benefits.

An issue was raised with regard to increasing demands on schools and students to produce improved performance without providing adequate support in terms of resources.

Several members indicated concerns about attempting to shift state funding based on some of the presumptions contained in the model.

Professor Odden indicated that there may well be the need to create a structure to provide leadership and leadership training to refocus schools on strategies that boost student learning and

suggested that DPI ceases educational organizations, political and business community, and the University could all share in this effort.

Chair Olsen thanked Professor Odden for his extensive work on this and said that he looked forward to reviewing further modifications in the model as they developed.

Jack Norman, Research Director, Institute for Wisconsin's Future. Jack Norman briefly outlined the plan for financing public education in Wisconsin that has been developed by the Institute for Wisconsin's Future (IWF). Details and additional information regarding this "adequacy" plan can be found at www.wisconsinsfuture.org. Mr. Norman described the agenda for the Wisconsin Alliance for Excellent Schools as including the following items:

- Adequate revenue so that all children receive the opportunity for a quality education.
- A fair funding system that covers all special needs, grows over time and does not burden property owners.
- Local control of revenue and educational strategies with local accountability for academic success.

Mr. Norman began his description by offering that the definition of "adequacy" is the balance between expectations and resources. He indicated that this balance must take into account each students' needs and each school districts' needs. He suggested in his remarks that adequacy cannot be defined as an amount that equals the level of support that is currently being given to education and that it is not appropriate to define educational goals based on the current level of resources.

Mr. Norman suggested in his remarks that the revenue limits currently in effect are not consistent with adequacy models. This is true because those limits freeze spending at arbitrary 1993 levels and that the limits have no meaningful link to today's students, today's expectations, or today's costs. Mr. Norman presented a series of charts and data to support his contentions.

Mr. Norman cited the language from the Wisconsin Supreme Court case indicating that "Wisconsin's students have a fundamental right to equal opportunity for a sound basic education...one that will equip students for their role as citizens and enable them to exceed economically and personally." To reach this goal, Mr. Norman outlined the elements of an adequacy system and provided details on an adequacy plan developed by his organization. In his remarks, Mr. Norman suggested that the cost of adequacy can best be demonstrated by utilization of a two penny hike in the sales tax: one additional penny for property tax reduction and a second one for increased school aids. He suggested that it is unrealistic to expect a world-class competitive 21st Century economy based on a 20th Century school finance system.

Mr. Norman also indicated that the contention that Wisconsin is a high tax state depends on which tax is the focus of attention. He suggested that total Wisconsin government spending is a rational basis for determining whether Wisconsin is a high tax state. Using this indicator, Wisconsin is within the national mainstream with regard to government spending as it is the 18th highest spending state.

Mr. Norman focused some of his remarks on suggestions that the committee provide both short-term help as well as long-term change. He argued strenuously that the state needs to focus on

educational needs rather than the specific tax consequences. With regard to short-term needs, he argued for increased funding for categorical funds, including special education, transportation, bilingual education, sparsity, teacher professional development, and SAGE. He concluded his remarks by asking the committee to display confidence that investing in education will pay off in the long run for the state.

In response to a question, Mr. Norman indicated that the details of the plan can be found on the Institute's website. In response to a question regarding categorical aids, Mr. Norman acknowledged that since those expenditures would not occur under the revenue caps there could be an increase in property tax to support the additional spending. Mr. Norman indicated that by addressing the short-term needs it may be possible to create a positive direction towards additional educational funding. He also indicated that he is confident that the Institute's model would increase performance but felt constrained with regard to promising a doubling of current performance without further review.

In response to the definition of "adequate," Mr. Norman indicated that the scope would depend on the decision makers, but could certainly include expected improvement of test scores. However, he also indicated that lower unemployment and increased voting turnout could also be valid indicators of an improved educational system. With regard to the tax implications, he stated that the total costs would be substantial at the beginning but could in fact be phased in so that it would be feasible to make changes while moving incrementally towards an adequacy model.

Responding to a question concerning local control, Mr. Norman indicated that the model utilizes a 7 mill property tax level which will assure local participation in both governance and financing. Committee members discussed the possibility of utilizing additional sales tax and discussed the benefits and deterrents to relying on this source of funding. A suggestion was made that additional revenue could be obtained by closing the sales tax "loopholes" and taxing items and services that are currently not subject to the sales tax.

In response to a question regarding the ability to raise additional taxes, Mr. Norman responded that if additional resources are not identified, then the expectations for the schools should be lowered accordingly.

Chair Olsen observed that the public will likely insist on looking for efficiencies as well as performance. He thanked Mr. Norman for his work and testimony on this issue.

Invited Testimony on Department of Public Instruction Proposed Biennial Budget Initiatives

Tony Evers, Deputy State Superintendent, and Brian Pahnke, Assistant State Superintendent presented a summary of DPI's Biennial Budget School Finance Initiatives.

Mr. Evers provided an overview of the 2007-09 Biennial Budget. He indicated that current K-12 education funding in 2006-07 is \$5.9 billion. Further, he noted that the DPI budget maintains "2/3rds" funding in 2007 and 2007-09 by increasing overall school aids (general, categorical, and residential school aids) by \$588.5 million over two years.

In percentage terms, he testified that the DPI budget increases K-12 funding by 3.3% in 2007-08 and 3.2% in 2008-09, figures that are estimated to be close to inflation estimates during the next two

years. Further, the DPI budget increases general equalization aids by \$422 million and categorical aids by \$165 million over the next two years.

Mr. Pahnke reviewed new programs in the DPI budget relating to categorical aids. These new programs include a sparsity aid with targeted funding between \$150 and \$300 per pupil for small rural districts that meet certain criteria relating to size, poverty, and “sparsity.” (Pupils per square mile.) Mr. Pahnke explained that the DPI proposed budget expands bilingual aid, providing funding of \$350 per pupil for all districts in the state educating English language learners that do not meet the current statutory thresholds to be eligible for bilingual/bicultural aid. In addition, DPI is recommending:

- Creation of world language grants as part of a world language initiatives for elementary schools to provide support for school districts implementing world language instruction in grades 1 to 6.
- A grant program for science, technology, and math programs.
- A before-and-after school program.
- Increased school health services.

In addition, several initiatives are being suggested for Milwaukee Public Schools, including an extended calendar pilot and increased funding for driver education. Additional funding is also provided for existing programs under the DPI budget for special education, bilingual/bicultural aid, SAGE funding, transportation, talented and gifted grants, open enrollment transportation, and the P-5 program. Mr. Pahnke also outlined increases for nutritional programs, school library, and school library aids. Details relating to the testimony of DPI can be found on the school finance segment of the Legislative Council website.

With regard to revenue limits, Mr. Pahnke indicated that the DPI budget proposal recommends a per pupil adjustment of 3%, moving the per pupil aid from \$257 to \$265 per pupil in 2007-08 and to \$273 in 2008-09. DPI is also recommending an increase in the low revenue ceiling for selected districts.

In addition, DPI has included two proposals regarding declining enrollment: (1) increasing the current 75% hold harmless to full hold harmless to benefit all school districts experiencing declining enrollment; and (2) providing that all districts receive at least their prior year’s base revenue limit even if they are in declining enrollment. DPI is also recommending a change in the funding for the Milwaukee Parental Choice program and also improvements for the Early Childhood opportunities.

In response to a question, Mr. Pahnke indicated that the funding proposal reflects a slight percentage change or shift towards special education when compared to current spending limits. Several questions were raised regarding the criteria used for determining sparsity, with a concern that the criteria included a higher number of districts than might otherwise be covered. Mr. Evers indicated that the criteria could be altered so that fewer districts would receive sparsity aid.

Chair Olsen thanked DPI personnel for their testimony and their willingness to assist the committee.

Discussion of Committee Assignment and Plans for Future Meetings

Chair Olsen indicated that the next meeting would be devoted to looking at a series of selected items designed to provide some short-term relief to school districts experiencing problems. He asked that members provide a brief listing of those issues they think should be taken up at the next meeting to Russ Whitesel, by email, by Tuesday, October 31st. Chair Olsen indicated that staff would then prepare papers on selected issues that the committee could discuss at their next meeting currently scheduled for November 17, 2006. A *tentative* meeting date of *Monday, December 18, 2006*, was also agreed upon at the conclusion of the meeting.

Adjournment

The meeting was adjourned at 3:20 p.m.

RW:tlu