

## Equity Issues To Consider In Evaluating Alternative Funding Proposals

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### Statement of the Problem

Wisconsin's Constitution calls for the establishment of district schools which shall be as nearly uniform as practicable. Disqualifying factors in our school finance system continue to increase and it is difficult to understand how children can receive an equal educational opportunity for a sound basic education when districts are becoming less uniform.

**Goal:** Revise the school finance system to provide equal access to state and local revenues and takes into account children with special needs, those who are economically disadvantaged, and those with limited English language skills.

### 1. Reason for revising the system — Is there a recognition of the problem?

AEF Proposal	Ellis Equity in Education Act	Lehman-Wood Proposal	WI Alliance for Excellent Schools
<p>§ The disqualifying factors in the current school finance system continue to increase and need to be revised or eliminated in order to make schools more uniform and enable districts to provide an equal educational opportunity.</p> <p>§ Those factors are:</p> <ul style="list-style-type: none"> <li>§ Variations in local property wealth</li> <li>§ Disqualifying payments</li> <li>§ Special needs, poverty and Limited English Proficiency</li> </ul>	<p>§ Too heavy a reliance on local wealth for revenue.</p> <p>§ Geographical disparities in property wealth and dollars available.</p> <p>§ Poorer districts required to tax more to spend the same.</p> <p>§ Inadequate attention to special needs, economically disadvantaged and LEP students. Insufficient categorical aid funding and decline in bilingual/bicultural aid. SAGE program insufficient to reach all eligible schools and poor children.</p>	<p>§ Eliminate reliance on local property tax</p> <p>§ Insure sufficient funding sources.</p> <p>§ Create an equitable funding system that will benefit all districts</p> <p>§ Minimize political debate over school funding during state budget process</p> <p>§ Do not raise overall tax burden on WI citizens</p>	<p>§ Current finance system isn't working for most districts.</p> <p>§ State school funding system:</p> <ul style="list-style-type: none"> <li>§ unfair (per pupil spending ranges from \$7,500 - \$18,000)</li> <li>§ convoluted (uses a formula too unpredictable and complex to repair)</li> <li>§ inadequate (revenue growth is capped below real costs)</li> </ul>

### 2. Variations in Local Property Wealth

Two of the forms of equity standards used for evaluating school finance systems have been Horizontal Equity and Wealth Neutrality. **Horizontal equity** is the equal treatment of equals. That has been applied to the general student population as well as to taxpayers. In the case of students, horizontal equity has at times been interpreted as the provision of equal dollars per pupil. According to Arnold, horizontal equity assumes that all students have equal educational needs and that equity is served when financial resources are as equal as possible. Odden and Picus in *School Finance: A Policy Perspective* (p. 60) said that it requires that all students receive equal shares of an object, such as total state and local revenues, total current operating expenditures, instructional expenditures, instruction in the intended curriculum, focus on thinking and problem solving, and scores on standardized assessments. Others argue that horizontal equity pertains to taxpayers and students and that there should be equal funding for equal tax rates.

<b>Equity Concern</b>	<b>AEF</b>	<b>Ellis</b>	<b>Lehman-Wood</b>	<b>WI Alliance</b>
<b>Horizontal Equity:</b> Equal spending	<b>Yes — Advocates for equal access to resources</b> to support educational programs sufficiently comprehensive to equip all students for their roles as personally and economically successful members of our society. Equal spending per pupil is not promoted, but rather, equal access to resources (equal tax effort for equal spending) to enable greater flexibility in local decision making	Foundation level \$8,100 per pupil Disparity above foundation level	After 20 yrs provides \$19,000 per pupil base spending/aid excluding capital. Disparity above base level	Foundation level \$8,500 per pupil Disparity above foundation level
<b>Horizontal Equity:</b> Equal treatment of taxpayers	<b>Yes - Equal funding for equal taxing for all spending</b> Equal taxing (tax rates) is not promoted, but rather, equal access to resources to enable greater flexibility in local decision making. Equal tax effort for equal spending <i>levels the playing field</i> educationally and treats taxpayers fairly.	<b>Yes - Equal funding for equal taxing</b> within foundation level. <b>No — Additional</b> local property tax/spending not aided - Unequal taxing/ spending above foundation — No state aid. <b>No —Debt Service</b> State approval for bldgs required for equalized state aid; if not approved, LEA may do.	<b>Sales tax</b> Designed to converge district spending over 20 years. <b>No — 3 Mill property tax levy/capital and other spending</b> - Equalized aid; but varying amounts of spending avail. for \$3 mills - Does not result in equal access to or ability to spend	<b>No —\$6 mill Minimum local property tax</b> — equalized but wealthiest districts not required to tax above level needed for \$8,500 spending <b>Yes — Add.</b> local property tax (2 mills)/spending equalized for \$100M pool. <b>No — Debt Service</b> State approval for bldgs required for equalized state aid; portion not approved/ not aided. Unequal taxing/ spending for 3 mills above foundation.
<b>Equity Concern</b>	<b>AEF</b>	<b>Ellis</b>	<b>Lehman-Wood</b>	<b>WI Alliance</b>
<b>Wealth Neutrality</b> Resources should not vary with local fiscal capacity as measured by property wealth per pupil or household income.	<b>Yes — AEF vision:</b> A public school finance system that provides an equal educational opportunity for all children by treating them equally regardless of where they live. A public school finance system that treats taxpayers fairly regardless of where they own property. Principles: Tax base equalization with pupil weighting for varying pupil needs. <b>Advocates for the elimination of:</b> Primary Aid Hold Harmless, Special Adjustment Aid, most Categorical Aids, and the School Levy Tax Credit. <b>Advocates for:</b> Negative Aid Recapture.	<b>Yes —statewide property tax/basic grant portion</b> is equalized <b>No — Additional</b> local property tax/spending not aided <b>No — Debt Service</b> State approval for bldgs required for equalized state aid; if not approved, LEA may do	<b>Sales tax</b> (not equalized) <b>No — 3 Mill property tax levy/capital and other spending</b> - Equalized aid; but varying amounts of spending avail. for \$3 mills	<b>No —\$6 mill Minimum local property tax</b> — equalized but wealthiest districts not required to tax above level needed for \$8,500 spending <b>No - Additional</b> local property tax (2 mills)/ spending equalized except for wealthiest districts (\$100M pool) <b>No — Debt Service</b> State approval for buildings required for equalized state aid; portion not approved/not aided, LEA may do

### 3. Desequalizing Payments - Are the current disequalizers resolved?

Disequalizer	AEF	Ellis	Lehman-Wood	WI Alliance
<b>Categorical Aids</b> (\$496.5M)	<b>Eliminates</b> <b>(folds into Equalization Aid)</b> Uses pupil Weighting based on level of service	<b>Eliminates</b> — Uses pupil Weighting based on pupil service category	<b>Appeal process</b> for additional aid for EEN	<b>Maintains</b> - Uses % of costs or flat per pupil grants
<b>School Levy Tax Credit</b> (\$469.3 M)	<b>Eliminates</b> <b>(folds into Equalization Aid)</b>	<b>Eliminates</b>	<b>Eliminates</b>	<i>Appears to Maintain</i> — does not address.
<b>Recapture (Negative Aids)</b> (\$145.4M)	<b>Yes — by equalizing the state dollars distributed to school districts for all levels and purposes of spending.</b> This is done by eliminating the school levy credit, most categorical aids and the special adjustment and hold harmless features in the current system and folding the dollars into the equalization formula.	<b>Yes — statewide property tax/basic grant portion</b> is equalized <b>No — Additional local property tax/spending</b> not aided <b>No — Debt Service</b> State approval for buildings required for equalized state aid; if not approved, LEA may do	<b>No — sales tax</b> (not equalized) <b>No — 3 Mill property tax levy/capital and other spending</b> - Equalized aid; but varying amounts of spending avail. for \$3 mills	<b>No — \$6 mill Minimum local property tax</b> — equalized but wealthiest districts not required to tax above level needed for \$8,500 spending <b>No - Additional local property tax</b> (2 mills)/ spending equalized except for wealthiest districts (\$100M pool) <b>No — Debt Service</b> State approval for bldgs required for equalized state aid; portion not approved/not aided, LEA may do
<b>Equity Concern</b>	<b>AEF</b>	<b>Ellis</b>	<b>Lehman-Wood</b>	<b>WI Alliance</b>
<b>Integration Aid</b> (\$85.1M)	<i>Maintains</i>	<i>Appears to Maintain</i>	<i>Appears to Eliminate</i>	<i>Appears to Eliminate</i>
<b>Primary Aid HH</b> (\$13.0M)	<i>Eliminates</i> <b>(folds into Equalization Aid)</b>	<i>Appears to Eliminate</i>	<i>Appears to Eliminate</i>	<b>\$6 mill Min. local property tax</b> —wealthiest districts not required to tax above level needed for \$8,500 spending
<b>Special Adj. Aid</b> (\$4.8M)	<i>Eliminates</i> <b>(folds into Equalization Aid)</b>	<i>Appears to Eliminate</i>	<i>Appears to Eliminate</i>	<b>Small District Aid</b> (max. \$300/P-\$4M pool)

### 4. Special Needs, Poverty and LEP

**Vertical Equity** refers to the unequal treatment of unequals. It means that disparities in funding are considered equitable when they are due to educational needs such as EEN, LES or LEP, and poverty.

#### AEF Proposal

- § Special Education — Pupil weighting system in equalization aid formula based on level of service needed: Three tier funding as follows: 0.2 for services less than 21% of the day, 0.5 for services of between 21 — 60% of the day, and 1.5 for services equaling more than 60% of the day).
- § High special education costs exceeding 250% of the state average per pupil cost in the state — state pays 100%
- § Poverty — Pupil weighting system in equalization aid formula of 0.2 for every child eligible for free/reduced lunch.
- § LEP — Pupil weighting system in equalization aid formula of 0.1 for every child unable to do ordinary class work in English.

#### Ellis Equity in Education Act

- § Special Education — Pupil weighting system based on category of services needed: Three tiers of special education funding as follows: 0.15, 0.5, 1.1 applied to the basic grant funding.
- § Poverty — Pupil weighting 0.2 for every child eligible for free/reduced lunch applied to the basic grant funding.
- § LEP — Pupil weighting system of 0.1 applied to the basic grant funding.

#### Lehman-Wood Proposal

- § Special Needs — Appeal process for district to obtain additional state aid. This process may be expanded in future versions to include other populations.

**WI Alliance for Excellent Schools**

- § Increased funds for special education (80% of actual costs); high cost (3xs) state pays 100%
- § Poverty/SAGE funding — grades K-3 = \$3,200/pupil; \$700/pupil in 4-12
- § LEP — 90% of actual costs
- § Sparsity/Transportation weighting (students per sq. mile) ranges from \$70/p to \$1,250/p

**5. Treatment of individual taxpayers/incorporation of income in the formula**

**Homestead Tax Credit** — AEF Proposal includes no specific proposal but advocates the reexamination of the Homestead Tax Credit.

**6. Fiscal Neutrality — Is the plan revenue neutrabr does it require new/more money?**

**AEF - Yes**, advocates the equitable distribution of whatever level of state funding is available now or in the future.

**Ellis Equity in Education Act - Yes**, takes total 2002-03 local share and places it on a statewide property tax levy.

**Lehman-Wood Proposal** — No requires new money; Freezes current levels of GPR funding for education with new SEG funding for education derived from sales tax increase from 5% to 7.5%. Stability of education funding tied to economy.

**WI Alliance for Excellent Schools** — No eight years to adequacy — districts guaranteed annual growth in per pupil spending over and above rate of inflation to reach adequacy goal in 8 years. Total state aid would grow from \$5.1B in 2003-03, to \$6.5B in 03-04 and \$6.6B in 04-05. Total K-12 revenue grows from (not including any discretionary levies) \$8.5B in 02-03 to \$9.1B in 03-04 and \$9.4B in 04-05.

**7. Example of difference in available spending due to allowable local levies of \$3 mills (regardless of degree of state sharing, available dollars differ greatly):**

**Dollars generated by \$3 Mills Allowable Levy - Comparing Poor and Wealthy Districts**

District	Pupils	2001-02 Spend/P	2001 Taxbase per Pupil	% of state average	2001-02 Tax Rate	\$3 Mills	\$3 Mills per Pupil
Elk Mound	806	8,678	211,411	62%	9.03	511,192	\$634
Three Lakes	750	10,327	1,034,088	303%	8.56	2,326,699	\$3,102
West Salem	1,581	8,789	244,541	72%	9.75	1,159,859	\$734
Northland Pines	1,600	10,616	1,210,853	355%	7.25	5,812,094	\$3,633
Ashland	2,301	9,444	193,167	57%	9.82	1,333,435	\$580
Pewaukee	2,100	9,734	689,793	202%	11.64	4,345,699	\$2,069
Hayward	1,955	9,508	796,565	233%	7.56	4,671,855	\$2,390
<b>State Average</b>		<b>9,227</b>	<b>341,502</b>		<b>10.04</b>		<b>\$984</b>

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