



Years After Historic Cuts, Wisconsin Still Hasn't Fully Restored State Aid for Public Schools

By Tamarine Cornelius

Wisconsin's public K-12 school districts still receive less in state aid than they did before historic cuts to education, as state lawmakers have chosen to pass large tax cuts instead of investing the money in local schools.

Deep funding cuts threaten Wisconsin's tradition of high-quality public schools, which have long been an engine of Wisconsin's economic growth. Wisconsin depends on a well-educated workforce, shaped by excellent public schools, to lay the foundation for a shared prosperity. To ensure that Wisconsin is competitive in the future, Wisconsin schools must have the resources to offer students a high-quality education.

Legislators can boost resources for public education by scaling back the growth of tax cuts, particularly the ones that give outsized benefit to the highest earners, and redirecting the money to public schools. Doing so would shift money away from tax cuts for the wealthy and well-connected, and instead put it to use educating the next generation of Wisconsin workers.

Severe Cuts to Schools Have Not Been Fully Restored

Wisconsin residents understand the value that excellent public schools bring to students, families, and communities, and have a long history of supporting significant investments of public resources for schools. Nearly 6 out of 10 Wisconsin voters (59%) would rather increase spending on public schools than reduce property taxes, according to a June 2018 poll from Marquette University.

Some Wisconsin policymakers echo public support for making investments in Wisconsin schools, yet allocate less in resources for public schools than they received in the past. Wisconsin lawmakers made deep cuts in state aid to public schools starting in 2012, and seven years later, state aid for public schools still has not been fully restored.

Students across Wisconsin pay the price when state lawmakers cut support for public schools. Fewer resources for schools means that students may be more likely to scrape by with outdated technology, attend

classes taught by educators who are teaching outside their areas of expertise, or learn in dilapidated physical environments. In severe cases, the loss of state aid may force the closure of an entire school, forcing students to travel long distances and potentially dealing a severe blow to communities struggling to stay economically vibrant.

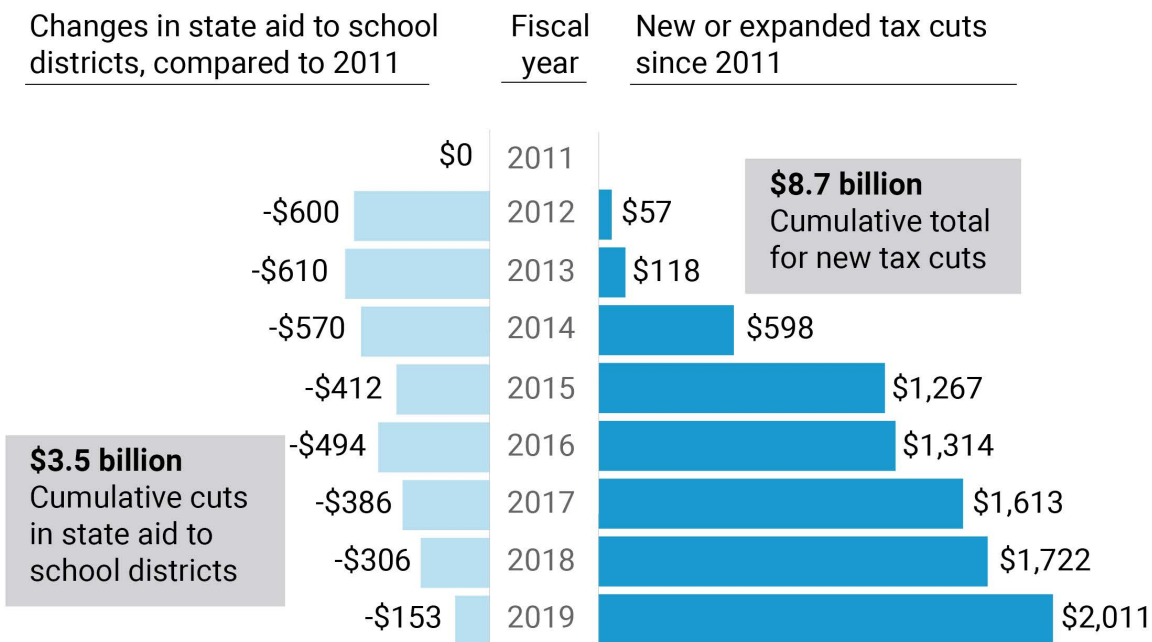
In 2019, the state will invest less in public school districts than it did in 2011, something that has been true of every year in between as well. In 2019, Wisconsin school districts will receive \$153 million less in state aid than in 2011 in inflation-adjusted dollars, or 2.6% less. The significant increase in resources that lawmakers provided for public schools in the 2017-19 budget closed the 2019 gap to the smallest one since the major cuts were made, but still did not lift public schools back to the 2011 funding level.

Over time, the budget cuts to public schools have accumulated. Between 2012 and 2019, the state provided \$3.5 billion less in state aid to public schools than it would have if state aid had been kept at 2011 levels.



Tax Cuts Increase, Even as State Aid to Wisconsin Public School Districts Remain Below Historical Levels

Dollar amounts are shown in millions, and in 2018 dollars.



State aid to public school districts excludes property tax credits, aid to non-district charter schools, and aid to private voucher schools.

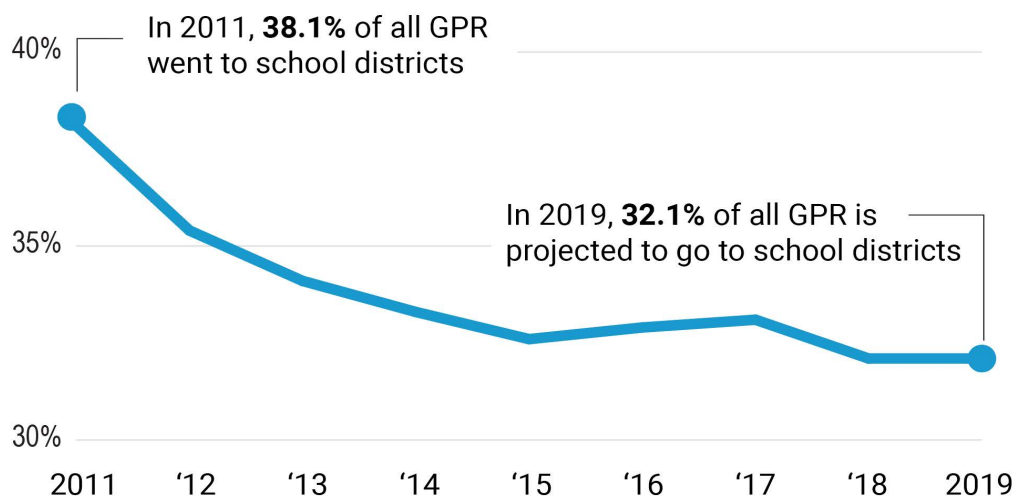
Source: Analysis of Legislative Fiscal Bureau documents

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In another measure of how lawmakers have shifted state aid away from school districts, the share of state tax revenue dedicated to school districts has declined since 2011. That year, the state devoted \$3.81 out of every \$10 in tax revenue to school districts. In contrast, the state is projected to spend just \$3.21 out of every \$10 in tax revenue on public school districts in 2019—a decline of 16% since 2011.

Public Schools Receiving a Smaller Share of State Tax Revenue

General Purpose Revenue spending for school districts as a share of total GPR.



State spending on public school districts excludes property tax credits, aid to non-district charter schools, and aid to private voucher schools.

Source: Analysis of Legislative Fiscal Bureau documents

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Cost of Tax Cuts Climbs, Draining Resources for Public Schools

Since 2011, lawmakers have passed billions in new tax cuts, reducing the amount of revenue available for public school districts. As the economy improved, state lawmakers focused on cutting taxes rather than restoring state support to educate students in Wisconsin’s school districts.

State lawmakers enacted more than 100 tax changes since January 2011, some of which are extremely slanted in favor of the wealthy and well-connected. One example is the Manufacturing and Agriculture Credit, which in 2017 gave 11 tax filers who each earned over \$30 million an average estimated tax cut of \$2 million each, according to figures from the Legislative Fiscal Bureau. The Manufacturing and Agriculture Credit will reduce state revenue by an estimated \$324 million in 2019.

The combined cost of the new tax cuts has climbed each year, starting from a low of \$57 million in 2012, and reaching \$2.0 billion in 2019 in inflation-adjustment dollars. The combined total cost of the tax cuts adds up to \$8.7 billion over eight years.

The tax cuts have drained money from public schools. If lawmakers had declined to pass new tax cuts and instead appropriated that money in the same proportion as other state tax money is spent, the result would have been an additional \$649 million available for public school districts in 2019. Even just eliminating a single tax cut—the Manufacturing and Agriculture Credit—and dedicating all the revenue to public schools would increase state support well past 2011 levels.

Opportunity for Change

Wisconsin policymakers have signaled their interest in making changes to the way schools are funded. Legislative leaders convened a blue ribbon commission on school funding that held public hearings around the state in the first half of 2018, and commission members plan to draft a report with recommendations to be considered for inclusion in the 2019-21 budget.

Much of the discussion that commission members have had about school funding has centered on how to equitably distribute resources among schools. There has been less discussion about how to make sure that school districts as a group have the resources they need to provide Wisconsin schoolchildren with an excellent public education.

Lawmakers proposing to revamp the state's school funding formula should remember that the state is still providing less in resources to school districts than in 2011. Rolling back a fraction of the tax cuts implemented since 2011, or even simply not passing additional tax cuts, could provide public school districts with significant additional resources to educate students.

Methodology

State aid is as the total amount of general and categorical state aid to public schools allocated from all funds, excluding property tax credits, aid to non-district charter schools, and aid to private voucher schools. Figures are presented in 2018 dollars.

State aid dollar amounts, aid to non-district charter schools, and aid to private voucher schools are from Wisconsin Legislative Fiscal Bureau documents including Informational Paper 24, "State Aid to School Districts," January 2017, and "Comparative Summary of Provisions – 2017 Act 59," November 2017.

Dollar amounts for tax changes are from the Wisconsin Legislative Fiscal Bureau memo titled "Tax Law Changes since 2011," November 30, 2017.

Tax cuts reduce taxes, don't add resources for schools

Wisconsin lawmakers have expanded or added several tax cuts that are related to education, but reduce property or income taxes rather than increasing the amount of money available for public schools.

School levy credit

Since 2011, lawmakers have twice increased this property tax credit, with the expansions making up \$193 million of the \$940 million credit value in 2019. All owners of property receive this credit, regardless of whether they live in the state. Among homeowners, the largest credits go to the owners of expensive homes.

Increase state aid, but don't let districts spend it

Three times since 2011, state lawmakers have increased state aid while prohibiting school districts from increasing their budgets, instead requiring them to cut property taxes. The result is a 2019 property tax cut of \$241 million.

Private school tuition deduction

Lawmakers added an income tax deduction for up to \$10,000 in private school tuition. There is no upper income limit for the deduction, meaning even taxpayers with very high incomes may receive the tax break. This tax cut reduced income taxes by \$30 million in 2019.