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ABSTRACT

Results of a review of Wisconsin's general program for providing financial support to local school districts are presented in this paper, with a focus on developments of the 1980s. First, a brief history of the state aid program from 1949-80 is provided. The next section identifies seven disequalizing factors of the equalization aid program and concludes that the cancellation of negative aid had the greatest disequalizing effect on the distribution of state aid. Developments of the 1980s are described next, some of which include trends in guaranteed valuation and equalized value per student, property tax base modifications, school costs, the distribution of state school aid, and "skimming" from equalization aid. Various property tax relief programs are also highlighted. A conclusion is that the gap between property value per pupil in the wealthiest and poorest districts widened markedly in the 1980s. The following events undermined the concept of power equalization: the 1976 State Supreme Court decision that declared negative aid unconstitutional; the decision in the mid-1980s to restore minimum aid; tax base modifications that increased residential property tax; the elimination of supplemental aids in tax incremental financing (TIF) districts; and an increase in average school costs per pupil that exceeded the rate of inflation. A recommendation is made to address the crucial question of the state/school district relationship. Eleven [illegible] are included. (LMI)

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"AS NEARLY UNIFORM AS PRACTICABLE"?

Richard A. Rossmiller

The Wisconsin Constitution, adopted in 1848, provides in Article X, Section 3, that "The legislature shall provide by law for the establishment of district schools, which shall be as nearly uniform as practicable..." (emphasis added). Thus for over 140 years the legislature has wrestled with the question of how to achieve this mandate as social, economic and demographic changes have constantly altered our views of what is "as nearly uniform as practicable." The two major policy tools employed to achieve this goal have been school district reorganization/consolidation and the use of state financial aid to reduce disparities in the tax base per pupil in the hope that equity in ability to finance education will increase the willingness of local school districts to finance educational programs that are as nearly uniform as practicable.

This paper reports the results of a review of Wisconsin's general program for providing financial support to local school districts. The primary focus of the paper will be on developments during the 1980s. However, a brief review of the history of the program is necessary to provide the context for considering developments in the 1980s.

History of the Program, 1949-1980[1]

The present program under which the State of Wisconsin provides general aid to local school districts, i.e., aid which can be used to support the general education program of the district rather than being earmarked for specific programs and activities, can be traced to 1947. At that time a commission on the improvement of the educational system was created consisting of four members of the legislature (two from the senate and two from the assembly) and five laypersons appointed by the governor. The report of the commission produced a number of specific recommendations which were embodied in legislation passed in 1949, including a provision for using a tax base equalizing approach (sometimes termed power equalizing) to distribute general state aid. This was accomplished by adopting a state aid formula in

[1]This section draws heavily upon Kingston's (1983) definitive treatise, The History of Wisconsin's General State Aid Formula for Elementary and High School Districts, and upon a publication of the Wisconsin Department of Public Instruction (1983), Disequalizing Factors in Wisconsin's School Aid Formula.

which the state guaranteed that a specified amount of property tax base would be available to support the education of every student regardless of where he or she lived in the state.

Although the state's general equalization aid formula has been modified from time to time, the general nature and philosophy of the program has been consistent. That philosophy, initially adopted by the legislature in 1949, is as follows:

> It is declared to be the policy of this state that education is a state function and that some relief should be afforded from the local general property tax as a source of public school revenue where such tax is excessive, and that other sources of revenue should contribute a larger percentage of the total funds needed. It is further declared that in order to provide reasonable equality of educational opportunity for all the children of this state, the state must guarantee that a basic educational opportunity be available to each pupil, but that the state should be obligated to contribute to the educational program only if the school district provides a program which meets state standards. It is the purpose of the state aid formula...to cause the state to assume a greater proportion of the costs of public education and to relieve the general property of some of its tax burden. [Wisconsin Statutes, 121.01]

The 1949 legislation also created a biennial aids adjustment committee which was to advise the legislature about the need for adjusting the guaranteed valuation specified in the general aid formula either up or down in relation to changes in property valuations and/or school costs. The 1949 legislation provided for distribution of both equalization aid and flat aid, i.e., a flat sum of money per resident student. A district not eligible to receive equalization aid received flat aid. Two program levels were created, basic and integrated. Districts classified as basic offered minimal education programs; those classified as integrated offered educational programs of greater breadth and depth. Three types of school district organizational plans also were recognized--1-8 grades, 9-12 grades, and K or 1-12 grades.

In 1959, legislation was passed requiring that all areas within the state be included within a high school district by June 30, 1962. Although separate elementary and high school districts were not prohibited, this act resulted in a great deal of reorganization as evidenced by a reduction in the number of districts operating only grade 1-8 programs from 2,359 in 1959-60 to 366 in 1962-63. A feature of the state aid program which provided higher levels of state aid for K-12 or 1-12 districts with programs classified as integrated also encouraged school district reorganization and improved educational programs.

In 1966, the biennial aids adjustment committee was eliminated and responsibility for considering adjustments in the guaranteed equalized valuation per student was assigned to a committee of the legislative council.

A number of significant changes in the state aid program occurred in 1973 when, pursuant to the recommendations of a task force on educational financing and property tax reform appointed by Governor Lucey, a complete tax base equalization program was enacted. Chapter 90, Laws of 1973:

- provided a much higher appropriation of equalization aid to relieve local property taxes;
- imposed cost controls limiting the 1973-74 increase in school expenditures to insure the increased state aid would produce property tax relief;
- transferred the responsibility for teacher retirement and social security payments (which traditionally had been made by the state) to local school districts together with the funding for that purpose;
- added part of a district's debt service and annual capital outlay expenditures to the cost in which the state would share;
- discontinued general flat aids;
- replaced the classification of school districts as basic or integrated with a set of minimum standards;
- eliminated county elementary teachers' aid;
- instituted a power equalizing program providing for "negative aids";
- separated the shared cost into primary and secondary levels with a two-level system of state aid in which school costs which exceeded a stated percentage of the state average cost were supported at a lower level of state aid to serve as a disincentive to high levels of spending.

The most controversial aspect of the new state aid program was the negative aid provision under which districts with very high valuations per student were required to levy the same tax rate to fund a given level of expenditure per student as districts with low valuations per student. Thus, high valuation districts would be levying excess taxes, i.e., the tax levy would produce more revenue than needed, and they would be required to pay into the state treasury the excess funds obtained from their local school tax. The negative aid provision of the program was ruled

unconstitutional by the Wisconsin Supreme Court in November 1976 [Buse v. Smith, 74 Wis. 2d 550, 247 N.W.2d 141]. Consequently, Wisconsin's general school aid equalization program can no longer be considered a true power equalizing program because districts having the same cost per student are not required to levy the same tax rate.

The program now probably is best described as a variable cost-sharing program for districts in which the actual value of property per student is less than the amount guaranteed by the state. In these districts, the amount of general state aid received will depend on the school tax rate that the district levies and the deficiency in the district's property valuation relative to the guaranteed valuation. In general, the lower the district's actual property value per student and/or the higher its property tax levy, the more state aid it will receive. Districts in which the actual valuation per student exceeds the state guaranteed valuation at both the primary and secondary levels do not receive equalization aid but are now eligible to receive minimum aid per student with the amount depending on the income level of district residents. They also have the advantage of being able to raise more revenue at a given tax rate than can districts with lower valuation per student or, conversely, they can raise the same amount of revenue as a less wealthy district by levying a lower tax rate.

Disequalizing Factors

The Wisconsin Department of Public Instruction (1983) has analyzed several factors which result in less than complete equalization of general state aids. In the analysis, cost per student was correlated with the property tax rate in the 373 Wisconsin school districts which operated grades K-12. In a true district power equalizing program, expenditure per student will move in lock step with the local tax rate required to fund the shared cost and will exhibit a perfect correlation (+1.000). In statistical terms, disequalizing factors reduce the correlation between expenditure per student and property tax rate.

Seven potentially disequalizing aspects of the equalization aid program were examined:

1. The establishment of a secondary guaranteed tax base which applies to costs above a certain level.

2. The cancellation of the negative aid provision as the result of the Wisconsin Supreme Court's decision in Buse v. Smith.

3. The portion of debt service payments in which the state does not share--at that time, expenditures of more than $90 per pupil.

4. Cost controls designed to prevent cost per pupil from increasing more than a specified percentage (at that time 10.5%) from one year to the next.

5. The use of prior-year property values in computing state aid entitlements.

6. The use of prior-year pupil counts in determining state aid payments.

7. The use of prior-year cost data in computing state aid payments.

The results of the study revealed that the cancellation of negative aid had by far the greatest disequalizing effect on the distribution of state equalization aid. The use of prior-year cost data also had a substantial disequalizing effect and the use prior-year enrollment data had a small disequalizing effect. The cancellation of negative aid reduced the correlation between expenditure per student and local school tax rate by .213 points and the use of prior-year cost data reduced the correlation by .071. Thus, these two factors accounted for most of the disequalization which occurred. The other four elements--the secondary guarantee, nonshared debt service, cost controls, and prior-year property value--had very little disequalizing effect on the distribution of state aids. The disequalizing factors, especially cancellation of negative aid, resulted in larger amounts of state aid flowing to property-rich districts and smaller amounts of state aid flowing to property-poor districts than would have been the case if negative aid were in effect and if current-year cost data were used.

The Wisconsin Supreme Court declared the negative aid portion of the state school aid program unconstitutional because it could result in the proceeds from a local school tax levy being used for other than local purposes, thereby violating the uniform taxation clause of the state constitution. Consequently, any district whose actual equalized valuation per student is greater than the valuation per student guaranteed by the state is excused from the negative aid requirement. Such districts can either levy a lower local tax rate for schools and still have as much money to spend as districts levying a higher tax rate, or they can levy a rate as high as other districts and have more money per student to spend.

For example, assume two school districts, A and B. Assume A has equalized valuation of $200,000 per student and that B has equalized valuation of $400,000 per student. Further, assume that each district has a required levy rate of 15 mills and that the state guarantees each district will have an equalized valuation of $300,000 per student. Under the Wisconsin formula, all other things being equal each district would be guaranteed

$4,500 of revenue per student ($300,000 x .015 = $4,500). In A, a 15 mill required tax levy will actually produce $3,000 per student ($200,000 x .015 = $3,000). The state will provide the additional $1,500 per student needed to reach the $4,500 guarantee by matching the local district's tax rate on the difference between the district's actual equalized valuation per student and the guaranteed equalized valuation per student--in this case $100,000 ($300,000 - $200,000). Thus state aid will equal $1,500 ($100,000 x .015 = $1,500).

In B, however, the actual equalized valuation per student exceeds the amount of valuation per student guaranteed by the state. Thus, if B has a 15 mill required tax rate, it will obtain $6,000 per student with the entire amount coming from the local property tax levy ($400,000 x .015 = $6,000). Consequently, B will have $1,500 more per student available to support its educational programs than will A despite the fact that each district levied a tax of 15 mills for school purposes. If the negative aid provision of the state aid program had not been declared unconstitutional, district B would have been required to send the additional $1,500 per student to the state treasury and thus would have had exactly the same amount left to spend per student as did district A--$4,500.

Because negative aid is unconstitutional in Wisconsin, there are only two ways to ensure that equal tax rates will produce equal revenue per student (without imposing stringent tax levy or expenditure controls). One way is to set the primary guaranteed valuation equal to the actual valuation per student in the highest district. To do so, however, could require substantially higher amounts of state aid and thus far the legislature has not seen fit to establish this high a guaranteed valuation per student. The other way is by levying a state property tax and using the proceeds to fund education, i.e., providing for full funding of education by the state with no local property tax for education. This approach has thus far not received serious consideration by the legislature.

Developments in the 1980s

The decade of the 1980s was one of turbulence in the financing of education in Wisconsin. Agricultural land values rose and then fell rapidly during the 1980s. School costs increased for several reasons--programs initiated in response to the A Nation At Risk report, efforts to raise beginning teachers' salaries to more competitive levels, attempts to keep up with inflation, etc. Property taxes continued to rise and opposition to the property tax as a source of support for education reached new highs. Frustration on the part of legislators mounted as their attempts to provide property tax relief through more state school aid and through tax credits were unsuccessful. The federal government

reduced its role in financing schools, choosing instead to admonish the states to do better and serving as a cheerleader for state efforts to reform education.

Trends in Guaranteed Valuation

Exhibit 1 shows the trends in guaranteed valuation per student in Wisconsin from 1949-50 through 1989-90. The valuations are shown at five-year intervals from 1949-1979 and at two-year intervals during the 1980s. Note that the state shifted from a guarantee per student in average daily attendance to a guarantee per student in membership between the 1959-60 and 1964-65 school years. Until the 1970s, the guaranteed valuations differed for so-called basic and integrated districts. As a result of the recommendations of the 1972-73 task force, the basic and integrated categories were eliminated and costs were shared at two levels of guaranteed valuation, primary and secondary. These values are shown for 1974-75 and subsequent years in Exhibit 1. Secondary guaranteed valuations were set lower than primary valuations in order to discourage ever higher levels of spending per student.

A steady increase in primary guaranteed valuations over the past 15 years is evident from the data shown in Exhibit 1. The number of K-12 school districts in which the actual valuation per student exceeded the state guaranteed valuation per student declined between 1980-81, when 21 out of the 373 K-12 districts in the state (5.6%) exceeded the guaranteed equalized valuation per student, and 1983-84, when 19 of 373 districts (5.1%) exceeded the guaranteed amount. However, by 1987-88, 23 districts (6.2%) exceeded the state guaranteed value and in 1989-90, 24 K-12 districts (6.5%) exceeded the guaranteed value. Fourteen districts exceeded the state guaranteed equalized valuation in each of the four sample years--1980-81, 1983-84, 1987-88, and 1989-90 as shown in Exhibit 2.

A higher percentage of the K-8 and union high school districts are zero aid (or minimum aid) districts. In 1980-81, 2 of 10 union high school districts (20%) and 13 of 50 K-8 districts (26%) received no equalization aid. By 1987-88, 4 of 10 union high school districts (40%) and 15 of 47 K-8 districts (31.9%) did not qualify for equalization aid. In 1989-90, 4 of 10 union high school districts (40%) and 14 of 47 K-18 districts (29.8%) did not receive equalization aid.

In summary, the number of K-12 districts which receive no state equalization aid has remained relatively small, about 6% of all K-12 districts, and the membership of this group of districts with high property value per student was quite stable over the decade. Although the state guaranteed valuation may not have risen rapidly enough to keep pace with cost increases, it has increased rapidly enough to maintain the number of districts in

Exhibit 1

Trends in Guaranteed Valuation Per Student
in K-12 Districts, 1949-50 to 1989-90

	Integrated K or 1-12 Districts	Guarantee Per Member	
		Primary	Secondary
1949-50	$17,000/ada		
1954-55	21,000/ada		
1959-60	33,000/ada		
1964-65	34,000/adm		
1969-70	42,000/adm		
1973-74		$ 71,200	$ 42,400
1974-75		75,500	48,200
1979-80		166,000	100,900
1981-82		231,000	135,200
1983-84		259,500	145,600
1985-86		270,100	176,600
1987-88		288,147	174,147
1989-90		287,009	178,758
1990-91 (Estimated)		293,900	185,900

Data for 1949-50 through 1981-82 are from Kingston, A. (undated), A History of Wisconsin's General School Aid Formula. Madison, WI: Department of Public Instruction.

Data for subsequent years are from Basic Facts About Wisconsin's Elementary and Secondary Schools. Published annually by the Wisconsin Department of Public Instruction, Madison, WI.

Exhibit 2

Wisconsin School Districts Which Did Not Qualify to Receive Equalization Aid for Selected School Years

District	School Year 1980-81	1983-84	1987-88	1989-90
K-12 Districts				
Belmont	x	x		
Birchwood	x	x	x	
Bloomington	x			
Brown Deer			x	x
Drummond	x	x	x	x
Elcho	x	x	x	x
Elmbrook		x	x	x
Gibraltar	x	x	x	x
Green Lake	x	x	x	x
Greenfield			x	x
Juda	x	x		
Kohler	x	x	x	x
Menominee Falls			x	x
Mequon-Thiensville	x		x	x
Mercer	x	x	x	x
New Berlin			x	x
Northland Pines	x	x	x	x
Northwood				x
Phelps	x	x	x	x
Sevastopol	x		x	x
Shorewood	x			x
Three Lakes	x	x	x	x
Washington	x	x	x	x
Wauwatosa	x	x	x	x
Webster	x	x	x	x
West Allis	x	x		
Whitefish Bay			x	x
Whitnall			x	x
Williams Bay	x	x	x	x
Union High School Districts				
Big Foot		x	x	x
Lake Geneva-Genoa		x	x	x
Lakeland	x	x	x	x
Nicolet	x	x	x	x
K-8 School Districts				
Boulder Junction, J1	x	x	x	x
Brighton #1		x		
Dover #1		x		
Fontana, J8	x	x	x	x
Fox Point, J2	x	x	x	x
Fox Point, J8	x	x	x	
Geneva, J4	x	x	x	x
Glendale, J1	x	x	x	x
Lac du Flambeau #1	x	x		
Lake Country				x
Lake Geneva, J1	x	x	x	
Linn, J4	x	x	x	x
Linn, J6	x	x	x	x
Maple Dale-Indian Hill				x
Merton, J4	x	x	x	x
Merton, J8			x	x
Minocqua, J1	x	x	x	x
Nashota-Delafield			x	
Paris #1		x	x	x
Twin Lakes #4		x	x	
Walworth, J1		x		
Woodruff, J1	x			x

Data from Basic Facts About Wisconsin's Elementary and Secondary Schools, published annually by the Wisconsin Department of Public Instruction, Madison, WI.

this category at 21 in 1980-81, 23 in 1987-88, and 24 in 1989-90. There is some cause for concern, however, in that the percentage of districts that did not qualify for equalization aid increased steadily during the last half of the decade.

Trends in Equalized Value Per Student

The relationship between a district's actual equalized valuation per student and the valuation per student guaranteed by the state affects the extent of the state's participation in local school district funding. Exhibit 3 shows the state average valuation per student and the primary valuation per student guaranteed by the state at two-year intervals beginning in 1979-80. Column 4 shows the ratio of the state average valuation per member to the primary guaranteed valuation per member for K-12 districts. The ratio remained quite constant during the 1980s ranging from a high of .617 (1985-86) to a low of .577 (1987-88). Thus, it has fluctuated around 60% in the 1980s and has not varied greatly from that figure.

Similarly, the ratio of the guaranteed valuation to the actual valuation per student in the lowest property value school district has been between .28 and .29 with the exception of 1987-88 when it dropped to .24. The decline in 1987-88 reflects the increase in the state guaranteed valuation per pupil that year coupled with a small decline in the state average valuation per student and a relatively large decrease in the valuation per student in the district with the lowest property value per student. As this ratio decreases, the proportion of a district's revenue provided by state aid will increase.

At the high end of the valuation range, however, the ratio of the actual value per member to the state primary guaranteed value per member increased from 2.25 in 1979-80 to 3.66 in 1987-88, an increase of over 60%. This increase reflects the rapid increase in the value of property per student in the district with the highest valuation per student, making it increasingly easier for the highest value district to achieve a large amount of revenue per student with a very modest local school tax levy rate.

In summary, the state has maintained a relatively constant ratio of primary guaranteed valuation per student to state average valuation per student during the 1980s. The ratio has not increased and state aid as a percentage of total school revenue has remained relatively constant over this period. The gap between the district with the highest value per student and the guaranteed valuation has widened, thus reducing the equalizing effect of the formula.

Exhibit 3

Actual Equalized Valuation Per Member Compared With State Guaranteed Valuation Per Member, 1979-80 through 1987-88

School Year (1)	Primary Guaranteed Valuation/ Member (K-12) (2)	State Average Valuation/ Member (K-12) (3)	Ratio Col. 3 to Col. 2 (4)	Valuation/Member		Ratio	
				Lowest District (5)	Highest District (6)	Col. 5 to Col. 2 (7)	Col. 6 to Col. 2 (8)
1979-80	$166,000	$100,784	.607	$48,614	$374,388	.293	2.255
1981-82	231,000	135,177	.585	66,090	549,711	.286	2.380
1983-84	259,500	156,618	.604	75,165	737,752	.290	2.843
1985-86	270,100	166,574	.617	77,927	988,561	.289	3.660
1987-88	288,147	166,327	.577	67,846	1,045,081	.235	3.627
1989-90	287,009						

Data from Basic Facts About Wisconsin's Elementary and Secondary Schools, published annually by the Wisconsin Department of Public Instruction, Madison, WI.

Property Tax Base Modifications

The first property tax exemptions in Wisconsin date to 1849 when real property owned by the federal, state and local governments, libraries, religious associations, and benevolent associations was given exemption from the property tax. The practice of exempting certain types of property from taxation has continued to the present time, resulting in large amounts of property now being exempt from taxation.

Legislation adopted in 1973 provided for exempting manufacturing machinery and equipment from the property tax in the hope that this would improve the business climate in the state. The machinery and equipment exemption was phased in over a ten-year period by reducing the value subject to taxation by 10% annually. The revenue loss to local school districts as a result of this exemption was cushioned by the provision of a state reimbursement program to make up the difference between the tax revenue received and what would have been received had the exempt machinery and equipment been taxed in 1975. This base payment was to be reduced 10% annually until it was entirely phased out. For the state as a whole, the manufacturing machinery and equipment tax base loss reimbursement program amounted to $35.2 million in 1975. It was eliminated as a categorical aid in 1982 after reaching a peak of $53.8 million in 1981. Since machinery and equipment no longer are subject to property taxation, it is not possible to determine precisely the value of such property, or the amount of local property tax revenue it would currently be generating if it were still subject to taxation. However, the amount involved undoubtedly is substantial.

As a result of this and other property tax exemptions, including the exemption of personal property, the share of the property tax paid by residential property has increased substantially. In 1972, 51% of real estate tax levies in Wisconsin were borne by residential property compared to nearly 64% in 1988, as shown in Exhibit 4. The share of the property tax borne by agricultural property was 12% in 1972. It increased to 14% in 1981 (reflecting the rapid rise in agricultural land values during the late 1970s and early 1980s) and declined to less than 10% in 1988. Manufacturing property, on the other hand, declined from 16% of the real estate tax base in 1972 to 6% in 1981, and subsequently dropped to about 4% in 1988. The share of the property tax paid by mercantile and commercial property has remained relatively constant, ranging from a low of 19% in 1986 to a high of 21% in 1972 and 1988.

Tax incremental financing (TIF) districts created after 1982 also have affected local school property taxes. Tax incremental financing districts are created by a municipality to attract private development and thus increase property values in the long run. All taxes collected on the property value growth within the

Exhibit 4

Percent of Real Property Tax Levies by Class of Property, 1972-1988

Category	1972	1977	1981	1986	1988
Residential	51%	58%	59%	63%	64%
Agricultural	12	13	14	12	10
Manufacturing	16	8	6	5	4
Mercantile & Commercial	21	20	20	19	21
Other (forest, swamp, etc.)	--	1	1	1	1

Data from reports published by the Wisconsin Department of Revenue, Madison, WI.

TIF district are retained by the municipality and used to pay for the TIF district improvements. When the improvements have been paid for, the property again returns to the tax roll at its increased value. Until 1983 a school district containing a TIF district received supplemental state aid to replace the general school aid it lost as the result of being unable to collect taxes on the increased value of the TIF district. No supplemental aid is paid on TIF districts created after 1982. However, in April 1990, legislation was passed removing the 1983 cut-off date for supplemental aid eligibility and providing an appropriation sufficient to fully fund the supplemental aid program for all TIF districts. Assuming the appropriation is sufficient to fund the supplemental aid program, the adverse effects of TIF districts on local school funding will be eliminated, at least for 1990-91 school year.

The rapid rise and fall in the value of farmland in Wisconsin during the period 1977-1987 contributed to concerns about the property tax as a major source of revenue for schools. As shown in Exhibit 5, the value of farmland increased at a moderate pace between 1950 and 1970, increasing from an average of $89 per acre in 1950 to $232 per acre in 1970, an increase of about 160% over that 20-year period. From 1970 to 1975 the average increased by 87%, and between 1975 and 1980 it increased again by more than 130%. Thus, between 1970 and 1980 farmland increased from an average value of $232 an acre to an average value of $1,004 per acre; in short, it more than quadrupled in only 10 years! After remaining relatively stable from 1980 through 1984, farmland values decreased precipitously, falling to an average value of $626 per acre in 1987. Farmland values have stabilized since 1987 and have increased slightly to an average value of $661 per acre in 1989.

The roller-coaster ride taken by farmland values was particularly distressing in rural school districts. During the period when farmland values were increasing enrollments in most school districts were decreasing and as a result, the equalized valuation per student in these districts increased rapidly. In fact, within just a few years some rural districts went from receiving a substantial percentage of their revenue from state aid to receiving little or no state aid. As the result, the proportion of the school cost which had to be provided from local property taxes increased rapidly at a time when farm income was declining because the country's agricultural economy was in a recession.

The rise and decline of farmland values also affected districts containing both urban and rural territory because the rise in the value of farmland resulted in shifting a greater share of the school tax burden to agricultural land in comparison with urban land. When agricultural land values declined, the burden again shifted but this time from agricultural land to urban property.

Exhibit 5

Value of Farms in Wisconsin

1950-1989

Year	Average Value of Land and Buildings per Acre
1950	$ 89
1955	101
1960	133
1965	155
1970	232
1975	434
1976	496
1977	598
1978	718
1979	856
1980	1,004
1981	1,152
1982	1,144
1983	1,113
1984	1,046
1985	847
1986	711
1987	626
1988	630
1989	661

Source: Wisconsin Agricultural Statistics Service, Wisconsin Agricultural Statistics.

As a result, both urban and rural taxpayers were up in arms because of increased local taxes for schools.

The growth in school tax levies is evident in Exhibit 6, which shows the average school tax levy rate in K-12 Wisconsin school districts for alternate years from 1971-72 through 1989-90. Average school tax rates declined during the 1970s, with the largest decline occurring between 1971-72 and 1973-74. The decline from 20.82 mills to 14.79 mills reflects the adoption of the new equalization aid formula with increased state funding in 1973. School tax rates continued to decline until 1979-80 and then began a slow, steady advance throughout the 1980s. From 1971-72 to 1979-80 the average Wisconsin school tax rate declined by 46% from 20.82 mills to 11.28 mills. However, from 1979-80 through 1989-90 the average school tax rate has increased by nearly 47% from 11.28 mills to 16.58 mills.

The range in tax rates among the state's school districts also has changed, particularly at the high end. The lowest tax rate levied by a K-12 district has been about 5 mills throughout the 1980s. However, the highest required tax levy rate for a Wisconsin K-12 district increased from 21.66 mills in 1981-82 to 30.10 mills in 1989-90.

The amount of revenue received from the property tax by various governmental units in Wisconsin during the period 1982-1989 is shown in Exhibit 7. Total revenue from the property tax increased from $2.56 billion in 1982 to $4.07 billion in 1989, an increase of 59% over this period. The percentage of property tax revenue going to public schools remained around 53-54%. The high was 54.7% of the total in 1986; the low was 52.6% of the total in 1987. The increase in the amount of property tax collected for schools paralleled the increase in the total property tax collected, increasing from $1.37 billion in 1982 to $2.16 billion in 1989 for an increase of 57%.

School Costs

The average school cost per student in Wisconsin has trended steadily upward for the past 20 years. Exhibit 8 shows the state average school cost per student for the two school years in each biennium from 1971-73 to 1987-89. Costs are shown in nominal and in constant dollars and the percentage of change from one biennium to the next also is shown. The average cost per member increased from $1,187 to $4,941 over this period, an increase in nominal dollars of 316%. A substantial portion of the increased cost reflected the high rates of inflation which existed during much of this period. From 1973-75 through 1981-83 nominal costs increased by 20% or more each biennium, dropping off to around 15% since that time.

Exhibit 6

Required School Tax Levy Rates in Wisconsin
K-12 School Districts, 1971-72 through 1989-90

School Year	Average Required School Tax Levy Rate	Range in Tax Rates	Number of School Districts
1971-72	20.84	9.05-28.70	366
1973-74	14.79	4.42-22.50	370
1975-76	14.28	3.87-22.02	371
1977-78	13.05	7.03-20.96	372
1979-80	11.28	6.18-16.85	373
1981-82	11.72	5.11-21.66	373
1983-84	12.26	4.89-20.78	373
1985-86	14.37	5.50-24.89	373
1987-88	15.40	5.07-27.80	373
1989-90	16.58	5.08-30.10	372

Data from Basic Facts About Wisconsin's Elementary and Secondary Schools and Distribution of Wisconsin Public School State Aid Dollars, published by the Wisconsin Department of Public Instruction, Madison, WI.

Exhibit 7

Wisconsin Property Tax Revenue by Type of Governmental Unit, 1982-1989

	1982		1983		1984		1985		1986		1987		1988		1989 (Est.)	
Government	Amount*	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Public Schools	$1,373.5	53.6%	$1,482.1	53.7%	$1,566.0	53.3%	$1,738.3	54.2%	$1,908.0	54.7%	$1,840.5	52.6%	$1,989.9	53.0%	$2,157.5	53.0%
Vocational Schools	154.2	6.0	164.1	5.9	177.8	6.0	185.5	5.8	189.5	5.4	195.1	5.6	199.7	5.3	214.6	5.3
Subtotal--Education	$1,527.7	59.6%	$1,646.2	59.6%	$1,743.8	59.3%	$1,923.9	60.0%	$2,097.5	60.1%	$2,035.6	58.2%	$2,189.6	58.3%	$2,372.1	58.3%
Municipal (Town, Village & City)	$ 538.2	21.0%	$ 562.3	20.4%	$ 600.8	20.5%	$ 646.5	20.2	$ 709.4	20.3%	$ 755.0	21.6%	$ 797.3	21.2%	$ 842.0	20.7%
County	441.9	17.3	437.2	15.8	458.5	15.6	489.8	15.3	527.0	15.1	551.3	15.7	595.4	15.9	672.6	16.5
Special District	29.3	1.2	92.4	3.3	112.5	3.8	118.7	3.7	131.4	3.8	133.0	3.8	147.8	3.9	160.0	3.9
State	23.7	0.9	23.9	0.9	24.4	0.8	24.6	0.8	24.1	0.7	24.3	0.7	25.3	0.7	26.6	.6
TOTAL	$2,560.8	100.0%	$2,762.0	100.0%	$2,940.0	100.0%	$3,203.5	100.0%	$3,489.4	100.0%	$3,499.2	100.0%	$3,755.4	100.0%	$4,073.3	100.0%

*Amounts are in millions of dollars.

Data from "Total Tax Collection in Wisconsin," The Wisconsin Taxpayer, published by the Wisconsin Taxpayers Alliance, Madison, WI.

Exhibit 8

State Average Complete School Cost
Per Member for Each Biennium,
1971-73 to 1987-89 (All Districts)

	Cost Per Member		Percent of Change	
Biennium	Nominal $*	Constant $**	Nominal $	Constant $
1971-73	$1,187	$2,579	--	--
1973-75	1,430	2,577	+20.0	0.0
1975-77	1,745	2,724	+22.0	+5.7
1977-79	2,143	2,880	+22.8	+5.7
1979-81	2,694	2,996	+25.7	+4.0
1981-83	3,261	3,185	+21.0	+6.3
1983-85	3,770	3,353	+15.6	+5.3
1985-87	4,357	3,612	+15.6	+7.7
1987-89	4,941		+13.4	
1971-89			+316.3	

* Data from publications and records of the Wisconsin Department of Public Instruction.

** 1981-82 = 1.000. The implicit price deflator (IPD) is from Data Resources U.S. Long-Term Review, Winter, 1983-84, "Prices, Wages, and Productivity" tables for state and local governments.

When viewed in constant dollars, i.e., costs adjusted to remove the effects of inflation, the increases since 1973-75 have been around 6% for each biennium, ranging from as low as 4% to as high 7.7%. At least part of the increase in constant dollar cost reflects increased expenditures for salaries. During the 1970s and early 1980s there was relatively little turnover of teachers because declining student enrollment reduced the need for beginning teachers and, in some school districts, required layoffs with the least experienced teachers being the first ones laid off. Since most school district salary schedules provide automatic increases for each year of experience, the salary schedules tended to ratchet average salaries upward even without increases in the base schedule. During the middle and late 1980s, salary schedules have generally been adjusted upward in order to attract young men and women to teaching as a career. An increase in starting salaries generally also results in raising the salaries of experienced teachers who are at higher levels on the salary schedule. In addition, more personnel have been employed, particularly in the support service areas (counselors, social workers, psychologists, etc.) to meet the demand for additional programs and services to help deal with the needs of children who are at risk for a myriad of reasons.

Exhibit 9 shows the annual school costs per member for two-year intervals from 1979-80 through 1987-88. The total for the state is shown, along with totals for K-12 districts, K-8 districts, and union high school districts. The school costs per member increased by 87%--from $2,554 to $4,812 during this ten-year period. The percentage increase in union high school districts was 108% and the increase in K-8 districts was 95%, compared to an increase of 86% in the K-12 districts.

Exhibit 9 also shows the relative share of the annual school costs provided by federal, state and local revenues. Wisconsin has never received a high percentage of revenue from federal sources and did not during this ten-year period. Revenue from federal sources ranged from 4.00% of annual school costs in 1983-84 to 5.04% in 1981-82 and averaged about 4.6%. Revenue from local sources, primarily the local property tax, ranged from 59.2% in 1985-86 to 54.6% in 1987-88 and averaged 57.5% during the period. Revenue from state sources ranged from 36.1% in 1985-86 to 41.1% in 1987-88 and averaged about 38%.

The pattern of revenue from federal, state and local sources is one of relative stability during the 1980s. Although there were minor variations in the percentage of annual school costs provided from federal, state and local sources of revenue, no clear trend is evident, although by 1987-88 the state share had increased modestly and the local share had decreased modestly. Whether this represents a trend or an aberration is not yet clear.

Exhibit 9

Complete Actual Annual School Cost Per Member, 1979-80 through 1987-88

	1979-80 ACTUAL	1981-82 ACTUAL	1983-84 ACTUAL	1985-86 ACTUAL	1987-88 ACTUAL
K-12 Totals					
Cost/Member	$2,552.34	$3,137.28	$3,618.36	$4,224.04	$4,766.68
Less Transportation	2,412.70	2,970.17	3,430.13	4,004.91	4,524.70
Federal Share	4.95%	5.10%	4.04%	4.72%	4.37%
State Share	37.66%	36.97%	39.13%	36.52%	41.68%
Local Share	57.39%	57.93%	56.83%	58.76%	53.95%
UHS Total					
Cost/Member	$2,691.21	$3,275.85	$3,802.30	$4,563.99	$5,589.07
Less Transportation	2,521.20	$3,078.26	3,575.52	4,289.91	5,246.82
Federal Share	2.45%	3.25%	1.93%	2.67%	2.35%
State Share	27.94%	26.33%	26.83%	25.40%	27.90%
Local Share	69.61%	70.42%	71.24%	70.93%	69.75%
K-8 Total					
Cost/Member	$2,556.49	$3,163.64	$3,683.08	$4,410.59	$4,992.33
Less Transportation	$2,404.65	$2,978.80	$3,475.05	$4,172.73	$4,732.63
Federal Share	3.97%	3.84%	3.28%	23.24%	26.02%
State Share	24.02%	22.71%	23.56%	4.38%	3.72%
Local Share	72.01%	73.45%	73.16%	72.38%	70.26%
State Totals					
Cost/Member	$2,554.37	$3,139.76	$3,622.29	$4,232.57	$4,781.62
Less Transportation	$2,414.04	$2,971.83	$3,433.10	$4,012.31	$4,538.04
Federal Share	4.89%	5.04%	4.00%	4.69%	4.32%
State Share	37.21%	36.50%	38.60%	36.08%	41.12%
Local Share	57.90%	58.46%	57.40%	59.23%	54.56%

Data from Wisconsin Department of Public Instruction, Basic Facts About Wisconsin's Elementary and Secondary Schools, published annually by the Wisconsin Department of Public Instruction, Madison, WI.

Distribution of State School Aid

Wisconsin provides state school aids for a variety of purposes other than equalization aid. The purposes or functions for which the state has provided state aids during the period 1979-80 through 1987-88 are shown in Exhibit 10. It is immediately evident that many more types of state aid were distributed in 1987-88 than were distributed in 1979-80. Two categories--equalization aid and handicapped children's aid--accounted for over 92% of all state aid distributed during the 1987-88 school year. Four other categories--integration aid, supplemental aid, transportation aid, and the common school fund distribution--accounted for an additional 6% of the aids paid in 1987-88.

Equalization aid is designed to compensate, at least in part, for the variations in market value of property per student that exist among Wisconsin school districts. Equalization aid increased by 81% between 1979-80 and 1987-88, from $651 million to $1.177 billion. If equalization aid were working perfectly, any two school districts choosing to spend the same amount per student would have the same required local levy rate. That is, the equalization formula would equalize the ability of school districts to raise revenue at any given required levy rate and thus achieve equity among taxpayers.

The fact is that equalization aid is not working perfectly in Wisconsin. For example, during the 1987-88 school year the total cost per member in the Elmbrook school district was $5,074 and the required school tax levy rate was 13.17 mills; in the Elk Mound school district the cost per member was $3,356 and the school tax levy rate was 13.14 mills; and in the South Shore school district the cost per member was $4,922 and the school tax levy rate was 20.11 mills! Exhibit 11 shows the cost per member and school tax rates of several Wisconsin K-12 school districts which had required school tax levy rates between 12.5 and 13.5 mills in 1987-88 as well as the school districts with the highest and lowest required school tax levy rate. These same data also are shown for 1988-89. It is evident that equal required school tax levy rates do not produce equal revenues for these districts. To put it another way, districts which spend the same amount per student would be making an equal tax effort if equalization were fully achieved.

One reason why the same tax rates do not result in equal revenue per pupil after state aids are distributed is because negative aids are not allowed. Another reason is the payment of a variety of categorical aids to local school districts. Aid for the education of handicapped children, for example, is a categorical aid because it is intended to help defray the cost of educating handicapped children in local school districts. This aid is computed based on a percentage of the cost incurred by the

Exhibit 10

Distribution of Wisconsin State School Aid, 1979-80 through 1987-88 (000)

	1979-80	1981-82	1983-84	1985-86	1987-88	% Change 1979-80 to 1987-88
Equalization Aid	650,814.9	725,562.7	852,508.1	902,699.0	1,177,049.1	+ 80.9
Co. Hand. Child. Ed. Board Aid					1,176.8	
Integration Aid	21,949.3	22,432.9	20,996.9	28,910.4	40,293.9	+ 80.6
Supplemental Aid	1,025.2	3,534.7	8,822.6	14,062.8	21,088.5	+1,957.0
Special Adjustment Aid	1,587.8			142.0	511.6	- 67.8
Minimum Aid				2,682.8	3,793.2	
Transportation	14,709.0	18,764.1	17,847.8	17,487.0	17,464.2	+ 18.7
State Tuition	1,566.9	1,739.8	2,100.8	3,608.4	3,730.5	+ 138.1
Common School Fund	3,595.7	4,988.7	6,945.0	9,749.5	10,836.0	+ 201.4
Driver Education Aid	3,078.9	2,818.2	2,481.0	2,287.8	2,762.6	- 10.3
Hand. Children's Education Aid	96,057 1	117,482.4	132,578.4	152,199.5	187,853.2	+ 95.6
Bilingual/Bicultural Aid	1,220.8	1,395.4	2,803.7	3,819.3	4,842.4	+ 296.7
Alcohol and Drug Abuse Aid		207.8	298.9	399.4	449.4	
State Matching School Lunch Aid	3,912.0	3,670.4	3,624.4	3,707.2	3,628.8	- 7.2
Elderly Food Service Aid	74.0	124.7	139.7	132.2	118.4	+ 60.0
Pre-School Grade 5	59.2				2,548.6	
Children-at-Risk	304.1				972.0	
Teacher Incentive				487.9	282.4	
Youth Initiatives					500.9	
Year of the Family					13.9	
Education for Employment					184.7	
Vocational Education Instruction				32.3	65.0	
Services for Drivers				4.7	30.2	
Choices Project					8.0	
Maternal and Child Health					19.8	
CESA Aid					457.2	
Suicide Prevention				1.0	36.0	
Excise Tax Base Loss Reimbursement	1,974.0	2,671.1	890.3			
Abortion Prevention			52.0	52.0		
TOTAL	801,928.9	905,392.9	1,052,037.6	1,142,465.2	1,480,717.3	+ 84.6

Data from Wisconsin Department of Public Instruction, Basic Facts for relevant years.

Exhibit 11

Total School Cost Per Member
and Required School Tax Levy Rates in
Selected Wisconsin K-12 School Districts
in 1987-88 and 1988-89

District Name	School Cost/ Member		School Tax Levy Rate (mills)	
	1987-88	1988-89	1987-88	1988-89
Beaver Dam	$3,868	4,087	13.44	13.96
Colfax	3,313	3,713	12.95	14.15
Darlington	3,703	4,122	12.94	14.15
Elk Mound	3,356	3,510	13.14	13.54
Elmbrook*	5,074	5,440	13.17	12.41
Gilbraltar*	5,048	5,316	4.83	4.80
Juda	4,690	5,877	18.47	23.92
Mequon-Thiensville*	4,274	4,493	13.11	13.04
Mosinee	3,775	4,046	13.23	13.98
Owen-Withee	3,531	3,669	13.22	13.69
Phelps*	4,700	5,472	13.63	14.34
Poynette	3,811	4,051	13.24	13.84
Riverdale	3,884	4,068	13.28	13.65
South Shore	4,922	5,062	20.11	20.44
Sturgeon Bay	3,812	3,895	13.48	13.49
Stoughton	3,629	4,140	12.93	14.17
Waukesha	3,636	3,913	12.69	13.40
Wausau	3,703	3,806	12.85	13.10
Wauwatosa*	4,102	4,510	12.50	12.35
West Bend	3,712	3,986	12.78	13.49

*Minimum aid district

Data from 1988-89 Basic Facts About Wisconsin's Elementary and Secondary Schools. Wisconsin Department of Public Instruction, Madison, WI.

district during the previous school year in educating handicapped children and it is paid without regard to the tax base of the district. That is, both wealthy districts and poor districts receive aid at the same rate. (It should be noted, however, that the cost of educating handicapped children that is not covered by categorical aid is eligible for cost sharing under the equalization formula.) Handicapped children's aid increased by nearly 96% between 1979-80 and 1987-88, from $96.1 million to $187.9 million.

Integration aid also is a categorical aid and is paid to local school districts for inter- or intra-district pupil transfers which reduce racial imbalance. Integration aid increased by over 80% from 1979-80 to 1987-88, from $21.9 million to $40.3 million.

Supplemental aid is paid to districts which contain a tax incremental financing district within their boundaries and is equal to the difference between the amount of tax revenue a district would have received had it been able to tax the full value of all property in the district and the amount it actually received because it could not collect a tax on the increase in value of the tax incremental area. Supplemental aid increased nearly 20-fold during this period, from just over $1 million in 1979-80 to over $21 million in 1987-88. (Only TIF districts created before 1983 qualified to receive supplemental aid. However, legislation enacted in the spring of 1990 restored supplemental aids for all TIF districts.)

Transportation aid is another categorical aid which is paid to help defray the cost of transportation in local school districts. It is based on the number of students transported and the number of miles they are transported. Transportation aid increased by only about 19% during this period, from $14.7 million to $17.5 million. Costs not covered by transportation aid are eligible for cost sharing under the equalization formula.

Money distributed from the common school fund is derived from the earnings of the fund, which was established in the state constitution. This also is a categorical aid, sometimes called school library aid, and is distributed on the basis of the total number of children ages 4-20 residing in the school district. The amount distributed increased by over 200%, from $3.6 million in 1979-80 to $10.8 million in 1987-88.

"Skimming" From Equalization Aid

During the latter half of the 1980s several new state aid distributions for specific purposes were funded from the appropriation for equalization aid. In 1985-86, for example, money from the appropriation for equalization aid was used to fund the new provision for minimum aid and for special adjustment aid. The use of equalization aid to fund the minimum aid

provision was particularly ironic since minimum aid, by definition, is provided to school districts which do not qualify for equalization aid because their equalized valuation per pupil is higher than the amount guaranteed by the state. Special adjustment aid is used to insure that every school district will receive at least 90% of the state aid it received during the previous year. If a district's state aid falls below 90% of the previous year's amount, special adjustment aid is used to bring the state aid up to 90%.

In 1987-88, two additional programs were funded by skimming from the equalization aid appropriation--children-at-risk and county handicapped children's education boards (CHCEBs). The children-at-risk program provides an additional amount of state aid (10% of the district's average per pupil aid) to districts which meet specified criteria. The second program provides state aid for counties which operate programs for handicapped children.

Although the amount of money required for these programs is not large compared to the total equalization aid appropriation, it did reduce the amount available for distribution as equalization aid and thus reduced the state guaranteed equalized valuation per member because the appropriation is sum-certain, i.e., a specified amount. Thus the amount available for distribution determines the guaranteed valuation, not vice-versa. The amount of money involved in these programs was as follows:

	1985-86	1987-88	1990-91 (est.)
Minimum Aid	2,682,795	3,793,211	14,915,000
Special Adjustment Aid	142,043	511,630	1,43[illegible]000
Children-at-Risk Aid	---	971,960	3,500,000
CHCEB Aid	---	1,176,800	1,040,000
	2,825,018	6,453,601	20,890,000

Fortunately, during the 1990 legislative session separate appropriations were provided for these four programs so that they will no longer be funded from the appropriation for equalization aid.

Property Tax Relief Programs

Property tax relief has long been a concern in Wisconsin and the state has used a variety of approaches during the present century. The earliest approach dates to 1911, when a share of the revenue from the new state income tax revenue was earmarked for local governments to compensate for the exemption of intangible property and household furnishings from the property tax. Although local school districts have never been directly involved in shared revenue programs, when municipalities receive

a percentage of state-collected taxes it reduces their reliance on the local property tax thus, at least theoretically, providing property tax relief.

Other state property tax relief programs have directly affected local school districts. A comprehensive discussion of these programs is beyond the scope of this paper, but four general types of programs merit brief discussion.

Local Fiscal Controls. One method used to restrain local property tax increases is the imposition of fiscal controls such as cost controls and levy limits. Such controls were first imposed in 1973 in conjunction with the major changes in the state aid program which occurred at that time. They were intended to be a temporary measure for only one year to ensure that local property taxes would, in fact, be reduced as the result of increased state aids to schools. The cost controls and levy limits were reimposed in 1975 following a significant increase in the 1974 property tax levy and continued until 1983. (The increase in 1974 property taxes was a result of a large increase in the rate of inflation that year, and of a large amount of deferred costs in 1973 because the state budget was not adopted until after school budgets and tax levies had been set.)

State Aids. The provision of various state aids to school districts and other local governmental units is intended, in part, to reduce or relieve the property tax burden as well as to reduce tax base disparities among districts.

Tax Credits. Tax credits are used to relieve property tax burdens by providing money to municipalities which is applied as a credit on individual property tax bills, thereby reducing the obligation of the local property taxpayer by the amount of the credit. For property taxes levied in 1989 (paid in 1990), a total of $319.3 million was provided through two components--the general government tax credit ($146.7 million) and the school levy tax credit ($171.2 million).

Direct Credits to Individuals. The homestead program and the farmland preservation program provide individuals with a refundable credit against their income tax obligation based on the level of their household income and property tax obligation. The property tax/rent credit program allows individual income taxpayers to claim a credit of up to $200 against their income tax for property taxes paid or rent paid. The 1989-90 appropriation for the school property tax/rent credit was $160.6 million and the appropriation for a one-time school property tax/rent credit was $189.6 million.

Despite all of the efforts to provide relief from local property taxes, they continued to increase almost inexorably during the 1980s, as noted in an earlier section. State Superintendent

Herbert J. Grover conducted a simulation to determine what effect the $377 million distributed through the various tax credit programs would have if it had been distributed through the school aid formula. The results indicated that there would have been close to a 20% reduction in the statewide school levy and that the average percentage of state support would have increased by nearly 10%, from 45.7% to 55%. This conclusion, of course, assumes that the entire $377 million would have been used to replace local property tax revenue. Experience over the past 20 years suggests, however, that at least some of the additional state aid would have been used to support higher levels of spending rather than property tax relief.

Summary

The following summary comments are based on the information presented in this report. They will highlight major trends and issues.

1. The decision by the Wisconsin Supreme Court in 1976 declaring negative aid unconstitutional effectively gutted the cost sharing (power equalization) program adopted in 1973. Power equalization seeks to maintain substantial local control over educational spending decisions while, at the same time, ensuring that all local school districts, whether rich or poor, have equal ability to raise revenue at a given levy rate. With the nullification of negative aid, the Wisconsin system became a variable cost sharing program, not a power equalizing program. The cost sharing is variable because it depends not only on the primary and secondary valuation per member guaranteed by the state but also on the level of spending per student determined by each school district.

   The power equalization feature could be revived either by imposing a state property tax for education or by guaranteeing a tax base per member at a very high level--theoretically, the amount of actual tax base in the wealthiest district in the state. Such actions, however, would virtually assure that the legislature would impose severe constraints on local educational spending which, of course, violates the basic assumption of local control. In short, nullification of negative aid destroyed the basic philosophical underpinnings upon which the power equalization concept rested.

2. The decision to restore minimum aid during the mid-1980s further undermined the concept of power equalization. Not only are wealthy districts excused from paying negative aid, they now receive state aid. The recent increase in the number of districts qualifying for minimum aid, rather than

equalization aid, reflects the growing disparity in property values in the state's school districts during the 1980s, as well as the failure to advance the guaranteed property value per member rapidly enough to keep additional districts from falling into the minimum aid category. It is quite possible that the present state aid program now fails to meet the test provided in Article X, Section 3, of the state constitution, i.e., "the legislature shall provide by law for the establishment of district schools, which shall be as nearly uniform as practicable...."

3. The valuation per member guaranteed by the state has remained at around 160% of the statewide valuation per member throughout the 1980s. The valuation per member in the lowest value district in the state also has been relatively stable, remaining at around 28% or 29% of the guaranteed valuation. However, the ratio between the state guaranteed valuation and the valuation per pupil in the highest value district has increased substantially during the 1980s and is now over 3.6:1. The gap between the property value per member in the wealthiest and poorest district widened markedly during the 1980s.

4. Tax base modifications, particularly the exemption of manufacturing machinery and equipment from the property tax base, resulted in shifting the local school tax burden from manufacturing property to residential property. The burden on agricultural property increased during the early 1980s and then dropped as agricultural land values declined.

5. The elimination of supplemental aids for TIF districts created after 1982 tended to be disequalizing, especially if the TIF districts resulted in growth in the number of students to be served because the increased value of the TIF district could not be taxed for school purposes. However, action this past spring (1990) restored supplemental aid for all TIF districts and, if the appropriations are sufficient, should eliminate this problem in the future.

6. Despite a variety of attempts to provide property tax relief, local property tax rates continued to increase during the 1980s. The state average school tax levy rate increased by 47% during the 1980s, from 11.3 mills in 1979-80 to 16.6 mills for 1989-90. This reversed the trend which developed in the 1970s when state average school tax levy rates declined from 20.8 mills to 11.3 mills. The highest school tax levy rate in a K-12 district increased from 21.7 mills to 30.1 mills during the 1980s while the lowest school tax levy rate remained at around 5 mills during the entire period. Thus, in 1989-90 the highest district was levying a school tax rate 6 times greater than that levied in the

district with the lowest school tax levy rate compared to a ratio of about 4:1 in 1979-80.

7. Total revenue from the property tax statewide increased by nearly 60% during the 1980s and the percentage of property tax going to schools remained at around 53-54% during this period. The percentage of school costs provided by state aid also remained relatively constant during the 1980s, although the state's share edged upward near the end of the decade. Despite much rhetoric about increasing the percentage of school support provided by the state, little progress was made during the 1980s. Although the amount of state aid increased from $802 million in 1979-80 to $1.481 billion in 1987-88, the percentage of school costs borne by the state changed very little.

8. State average school costs per pupil grew rapidly during the 1980s, increasing by more than 20% each biennium during the early 1980s and by approximately 15% each biennium during the later 1980s. When converted to constant dollars (i.e., adjusted for inflation), the percent of increase was relatively constant averaging around 5% each biennium during the 1980s. Thus, the increase in average school costs per member exceeded the rate of inflation during this period.

9. The number and type of state aids proliferated during the 1980s and some of the special and categorical aids were funded by "skimming" money from the appropriation for equalization aid. Despite the proliferation of state aids, equalization aid and handicapped aid still accounted for over 90% of the state aid distributed to Wisconsin school district. Handicapped aid is paid irrespective of local wealth and it is not intended to equalize spending. Unfortunately, it is only partially related to the actual cost of educating handicapped students because it provides for reimbursing only a percentage of the cost of certain personnel. Unlike a number of states which have adopted weighting schemes based on the actual cost of educating handicapped children statewide, Wisconsin has continued to use a categorical aid.

In conclusion, the underlying question in financing schools is the same as it has been since 1848: namely, what should be the relationship between the state and its local school districts? Wisconsin traditionally has delegated to local school boards a great deal of responsibility for the operation of schools within a framework of minimum requirements established by the state, as well as authority to levy a property tax to provide part of the financial support for schools. Because property wealth is not evenly distributed among the state's school districts, the state has, since 1949, helped the least wealthy local districts to raise revenue by guaranteeing a specified amount of property

value will be available to support the education of each student. Thus, the state has chosen to rely on the wisdom and judgment of local citizens, and the school board members they elect, to make many important educational decisions. In short, Wisconsin has placed great reliance on local control of education.

The wisdom of this policy is attested by the high quality of education in the state. Wisconsin is consistently among the top states on virtually all educational quality rankings. While there is still room for improvement, Wisconsin's educational system is the envy of many states, including many who have placed their faith in far greater state control through mandates and bureaucratic regulations.

As we approach the 21st Century, it is important that every school district administrator, and indeed all citizens who are concerned about education in this state, again consider carefully the question of what should be the relationship between the state and its local school districts and to ensure that the arrangements for financing elementary and secondary education facilitate the desired relationship.