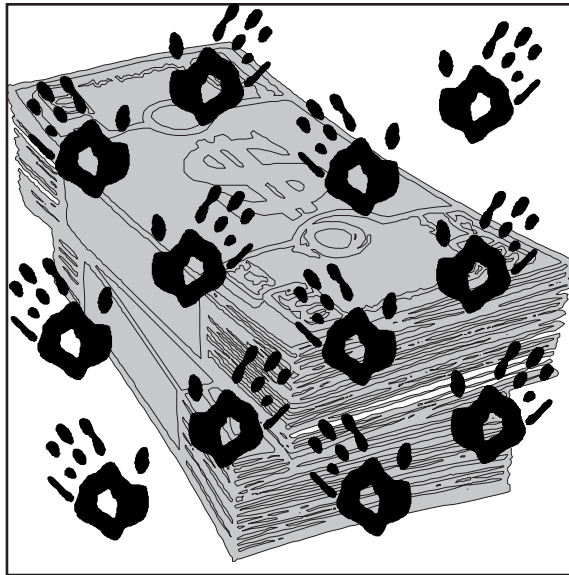


REQUIEM FOR ENTITLEMENTS

GEORGE LIGHTBOURN

Two rituals occur every year at the Department of Public Instruction (DPI) that fly below almost all radar. First, every year the accountants at the DPI take a deep breath and write the largest check issued by the state treasury. Every year the check says: Payable to the order of Milwaukee Public Schools (MPS). This year the check is written in the amount of \$744 million. Next year it will be even larger.



Wisconsin is overdue for a review of the fundamental underpinnings of school finance. Should we continue to treat the \$5.5 billion of school aids as an entitlement for each of the recipient districts? Entitlements mean that the taxpayers who are footing the bill are told in so many words, “Leave the cash on the counter, and don’t let the door hit you on the way out.”

Second, every year the results of state-administered tests are released, resulting in a public hand-wringing as we try to understand the disappointing test results from MPS students. We look for explanations for the huge number of children who don’t understand basic math, the high number of dropouts and rampaging truancy rates.

A visitor from another part of the world, upon seeing the size of the state aid to MPS and the disappointing test results would undoubtedly ask why the money doesn’t yield better results. Why isn’t there some linkage between the money and performance?

Good question!

But are school aids an entitlement? Don’t the taxpayers from across Wisconsin have a stake in the performance of the children attending MPS? (The discussion in this essay is focused on MPS, but the point is undoubtedly applicable in other settings.) Are not the taxpayers “entitled” to ask what they are getting for their \$5.5 billion investment?

Common sense has us pounding our fist on the table and answering, “Of course we do.” But the reality of life inside Wisconsin’s school finance system is that there is simply no place for such questions.

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No program is more entrenched in Wisconsin government. The school aid formula has become so complex as to defy logic and nearly defy explanation. Buried under the crushing weight of history and tradition, calcified by a series of court decisions and the politically-savvy printouts, Wisconsin's school aid formula has built up immunity to reform.

School Aids Wisconsin Style

A quick overview of school aids is in order. The school aid program we see today had its roots in two principles. One principle sprang from the Wisconsin Constitution, which assigns state government the responsibility of providing education through districts that are "as uniform as practicable." This provision is the basis for equalization: providing poor districts with an ability to spend money on a par with wealthier districts. The other principle that has driven the school aid discussion over the years is the frustration with property taxes. Taxpayers have looked to state government to help with the financial burden of local government, especially local schools. State school aids fits the bill. So, for the majority of the twentieth century the school aid formula has provided a two-for-one benefit: tax base equalization and property tax relief. School aids have remarkably united the normally divergent interests of people who advocate for tax relief and their counterparts who advocate for school spending.

The current school aid formula dates to 1973 when tax base equalization was passed by the legislature. The legislation that contained the formula grew out of a governor's commission that was headed by Ruth Doyle, the mother of current Governor Jim Doyle. Although the formula has since undergone a few modest modifications, the concept driving the formula—districts that tax at the same rate should receive the same money from a combination of property taxes and state aids—remains intact today.

Underpinning school aids is the notion that higher spending on schools will result in better education. Without higher spending our students are doomed to lower performance.

State aids, which allow poor districts to approve higher budgets, are responsible for better-educated students, or so the theory goes.

However, through the first two decades of the school aid formula there was no way to verify whether higher spending actually resulted in better-educated students. When the school aid formula was becoming part of the Wisconsin landscape in the 1970s and 1980s, the uniform testing of Wisconsin public school students was well beyond the horizon. By the 1990s, as taxpayers began to critically assess educational outputs, it was almost too late to change the school aid program. The focus of virtually every debate around school aids had to do with the relative "fairness" of the school aid distribution. Classroom performance simply had no place in the discussion. After all, school aids were seen as an entitlement.

Today school aids are by far the largest part of the state budget. Last year equalization aids totaled \$5.5 billion, consuming 43% of the state budget. (The next largest expenditure from the state budget is \$1.4 billion for Medical Assistance.) A slice of the school aid pie is sent to each of the state's 426 school districts. The largest allocation, \$747 million, is sent to MPS and the smallest, \$476,000, to Phelps.

Every school district receives something from the formula based on their property wealth (poorer districts receive higher state aids), enrollment, and spending.

Under the formula, some districts have nearly all of their school costs covered by state aids, while in other districts state aids account for a small slice of the budget—the tony Lake Geneva school district has only 14% of its costs covered by state aids. Overall state aids cover 65% of school costs. For MPS, state aids cover 83% of costs, the sixth highest percentage in the state.

The Quarantine of Test Scores

The unsung heroes behind the school aid formula are the technicians in the Bureau of School Financial Services at the Department of Public Instruction. In a scene reminiscent of the scrutiny given to the hanging chads in

Florida, these people collect the thousands of pieces of data and gently fold them into the various slots in the formula's many chambers. It is an regular miracle that this annual ritual is performed with so few mistakes.

Of course the people in the Bureau of Finance are unconcerned about where the money goes or what is done with it. Their singular focus is getting the numbers right.

Just down the hall at the Department of Public Instruction is another bureau—the Bureau of Educational Accountability. Its job is to track how well Wisconsin students are performing in the classroom. Staff in this bureau collects data on the third grade reading test, as well as standardized reading, math, science and social science tests given to public school fourth, eighth, and tenth grade students. The data they collect is widely used by schools, parents and researchers. The federal government uses data from the Bureau of Educational Accountability to monitor the state's progress in meeting the goals of the No Child Left Behind program.

It is the data from the Bureau of Educational Accountability that details the performance of MPS students:

- Seventy-three percent of MPS tenth graders are less than proficient in science and 67% can't do math;
- Seventy-four percent of MPS high school students are habitually truant (compared to the statewide average of 15%);
- Thirty-six percent—more than one out of three—of MPS students who enter high school drop out.

The two bureaus within DPI are each critical players in Wisconsin education. Yet, the

two never interact. Their separation is emblematic of the Wisconsin school finance system. The allocation of state money is divorced from the performance of schools. It's as though the test data simply does not exist. But the decision to keep the allocation of money separate from student performance is not made within the walls of DPI. No, in Wisconsin it is the law of the land. State statute s. 118.30(2)(d) reads:

The results of examinations under this section (standardized test) may not be used in determining general or categorical aids to school districts.

You can almost smell the aroma that must have drifted from the Macanudo-choked room when this language was being crafted. Undoubtedly the education community closed ranks and took the position: "If you want statewide tests, fine. But the test results cannot be used to affect the flow of dollars." After all, state aids are an entitlement.

There is nothing new about the education community's resistance to the use of measurement, i.e. test results. Although the tide seems to be turning, federal attempts to link performance measures and money under the No Child Left Behind program continue to be resisted. Of course, to the average taxpayer, continuing to write blank checks is an extravagance they can no longer afford. And it sends the wrong message to schools. Former Milwaukee Mayor John Norquist succinctly summed up the illogic of separating funding from performance measures:

Our children have little prospect for improvement because our schools face no penalty for failure. In fact, bureaucracy rewards failure. Every sign of declining school performance becomes just one more

The allocation of state money is divorced from the performance of schools.

reason to increase school funding even though . . . there is little systematic relationship between school resources and school performance.”¹

In spite of the wealth of data available, none of it can be used in allocating \$5.5 billion of state school aids.

You see, state aids are an entitlement.

What the Court Said

The most recent court challenge to the school aid formula (2000) proved germane to this discussion in a manner that was probably never envisioned. The case, *Vincent v. Voight*, challenged the adequacy of financial aid to certain districts. In this dust-up before the Wisconsin Supreme Court the education community, including the teachers’ union, argued that not enough money was available to schools, especially for teaching special-needs children.

While the court rejected the challenge, finding that the school aid formula met the constitutional criteria, the most significant element of the ruling was that the court defined a new standard for equity. The court said:

We further hold that Wisconsin students have a fundamental right to an equal opportunity for a sound basic education. An equal opportunity for a sound basic education is one that will equip students for their roles as citizens and enable them to succeed economically and personally.²

Whether intentional or unintentional, the court pointed out the weakness in Wisconsin school finance. At the end of the day, state money is intended to make students better, more prosperous people. Reviewing the data it is difficult to argue that MPS students are “equipped for roles as citizens and are enabled to succeed economically and personally.” The court was absolutely correct in defining the expectation of our schools.

Of course education advocates have intoned that the basic issue is the amount of funding. Like the first letter home from a college freshman, their predictable mantra is,

“send more money.” Just as John Norquist articulated, in education, poor performance leads to demands for more money.

The Big Assumption

Do we think that more money is needed? Do we believe that higher spending will lead to better performance? We might not believe it in specific cases, but the linkage between spending and performance is stubbornly engrained in the psyche of the public. Most likely the product of an earlier time when the spending disparity between schools was more pronounced, it is worth exploring why people continue to intuit that spending levels and performance are linked.

Social psychologists call this phenomenon the big assumption. A big assumption is one that has been held so long that it takes on the patina of reality. We all hold big assumptions; many are held by large numbers of people. But big assumptions can change, otherwise women would still be restricted to careers as nurses and teachers and few of us would be purchasing either electronics or automobiles manufactured in Japan.

However, as Robert Kegan and Lisa Laskow Lahey pointed out in *The Real Reason People Won’t Change*,³ we can overcome big assumptions, but it takes some effort. Specifically, we have to understand whether the facts continue to support our big assumptions. Over time we came to understand that the capabilities of females were at least that of males and that autos made in Japan were of exemplary quality.

With respect to educational finance, study upon study has discounted the linkage between spending and performance. University of Rochester’s Eric Hanushuk’s 1994 study showed that “there is little relationship between school resources and school performance.”⁴ Closer to home, the Wisconsin Taxpayer’s Alliance, in a 2004 study, found that, in reviewing fourth-grade reading scores, “student-teacher ratios and school spending levels had little or no significant impact on fourth-grade scores.”⁵ Last winter the

Wisconsin Policy Research Institute published a study by Phillip McDade that compared the performance of the highest and lowest performing school districts.⁶ Like dozens of studies before, McDade found there to be no relationship between performance and spending.

Overdue Reform

A fundamental concept behind school aids must change. There can be no more entitlements. With the acceptance of state money must come the promise of performance.

The disappointing test scores and attendance figures for MPS schools should be a wake-up call for every state official who has anything to do with the state budget. Yet, year after year the state continues to send the budget-busting check to MPS, whistling past the graveyard of Milwaukee student test scores. For the administrators at MPS the message must be that everything's OK.

But things are not OK. Former Mayor Norquist was on to something when he noted that, without a fiscal pinch, the disappointing results are OK—maybe even a justification for even more money.

There might be a few people within the education family to whom it makes sense to continue to send billions of dollars to school districts without asking what it buys. However, there is a growing reform movement insisting that no one should get a free ride any more. There must be some linkage between a government check and performance. This does not mean that school aids should be cut, but it does mean that maintaining the status quo should take a back seat to responding to what the data tell us about the state of education.

The very word “entitlement” suggests a don't-ask-don't-tell culture. That is a concept

whose time has long since passed. Reformers are insisting that, whoever spends public money must understand that state aids come from state taxpayers and those taxpayers are insisting on performance. Taxpayers from throughout Wisconsin expect that the \$744 million check they write to MPS will result in improved performance and attendance.

The first step in reforming Wisconsin's educational finance system should be to delete the statutory provision that prohibits considering the data from standardized tests in allocating aids. That provision is indefensible.

The second step should be to affect the aids themselves. This is not to suggest that aids should be reduced. However, the aids can no longer be sent out with no strings attached. Therefore, it is recommended that, as long as the test and other qualitative results for MPS or any other district remain unacceptably low, a percentage of state aids—say five percent—would be put into an escrow account to be released only for specific purposes. Among eligible purposes would be:

- initiatives proven to increase attendance;
- efforts to attract or retain the best, most experienced teachers;
- encouraging the best teachers and principles to work in the toughest schools;
- training teachers in how to teach phonics.

The specific uses for this escrowed funding is certainly important, but more important is the signal it would send. Throughout Wisconsin, taxpayers and educators would understand that the days of entitlements are past and the days of performance are here.

Whoever spends public money must understand that state aids come from state taxpayers and those taxpayers are insisting on performance.

Notes

1. John O. Norquist, *The Wealth of Cities*, Perseus Publishing, 1998.
2. From the majority opinion, *Vincent v. Voight*, Wisconsin Supreme Court, 2000
3. Robert Kegan and Lisa Laskow Lahey, "The Real Reason People Won't Change," *Harvard Business Review*, November, 2001.
4. Eric Hanushuk, "Making America's Schools Work," *The Brookings Review*, Fall 1994.
5. *What Affects Fourth-Grade Performance?*, Wisconsin Taxpayers Alliance, September, 2004.
6. Phillip McDade, *The Status of High School Education in Wisconsin*, Wisconsin Policy Research Institute, January, 2006.