

RESEARCH BULLETS

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School Funding in Perspective

No state achieves more with its educational dollar than does Wisconsin. On almost all significant measures including graduation rates, test scores, teacher quality, and students going on to post-secondary education, the state ranks tops in the nation.

Some conservatives argue, however, that other states also provide above average education but at a lower cost. Based on simplistic comparisons between expenditures and test scores, such logic is ill founded for two important reasons:

- First, other states do not achieve Wisconsin's level of high performance—it's difficult to assess how much increased spending they would require in order to meet our success.
- Second, valid cost comparisons between states must account for differences in educational opportunity (breadth of coursework), the diversity of student populations, and cost of living variations between states. These factors are rarely considered.

Inflation Does Not Measure School Costs

Conservatives also falsely assume that inflation is the proper measure of school costs. It is not. Education differs from other industries in that it is a "labor intensive service." Its raw materials are not gasoline and iron—costs of which are measured by inflation—but human capital.

It is widely accepted in academic research that school inflation proceeds at a different rate than consumer inflation (Source: Rothstein & Miles, *Where's the Money Gone, Changes in the Level and Composition of Education Spending*, Economic Policy Institute, 1995).

Consider the following:

- Including administration, support staff, aides, and teachers, personnel costs comprise between 70 and 80 percent of school district budgets (Data source: Wisconsin Legislative Fiscal Bureau, "Study of School District Costs," 1999).
- Health costs—a national crisis—increased an average of 16 percent annually between the 2000-01 and 2001-02 school years, while inflation only increased 5 percent (Data source: WEA Trust).
- This discrepancy between inflation and the cost of health occurred because inflation does not include the cost of premiums; it only includes out-of-pocket health expenditures such as co-payments. Of the 211 items in the "market basket of goods" used to calculate inflation (CPI-U), medical care only constitutes 5.5% of the index. Inflation is therefore not an appropriate measure of school costs (Data source: Bureau of Labor Statistics, *Handbook of Methods*, 1997).

Every kid deserves a great school!

Changing Demographics Drive School Costs in Wisconsin

Nor does inflation measure new services that, by law, schools must provide to students.

In decrying costs, many conservatives make the erroneous assumption that school responsibilities have not changed during the last 10 or 15 years. Yet, today's student population contains a greater percent of high-cost students than a decade ago.

Consider, for example, the following changes in Wisconsin's student population:

- The number of students in Wisconsin schools increased from 765,000 in 1985-86 to 880,000 in 2000-01, forcing the construction of new buildings and hiring of new staff (Source: Wisconsin DPI).
- The number of special education students receiving public funds in the state increased 83 percent between the 1979-80 and 1999-00 school years. In the nineties, special needs students increased from 78,046 to 120,598—up from 8.5 percent to 11.8 percent of the student body (Source: DPI).
- Because schools must provide transportation, aides, and services to special education students, estimates suggest that special education students require 2.3 times as much funding as "regular" education students (Source: Parrish, Chambers, and Matsumoto, 1994).
- Wisconsin schools served an increasing number of English limited proficiency students, up from 10,007 in 1988 to 25,382 in 1999; and students eligible for free and reduced lunch also increased in the 1990s to 28.4 percent of the population (Source: DPI).

Increased Social and Legislative Demands Also Drive School Costs

Conservatives also fail to account for costs associated with the standards and testing movement, and other efforts to improve school quality. They falsely assume that the charge of schooling is static, unchanged today from what it was twenty years ago.

- With widespread legislative agreement, significant investments were made to improve Internet capacity and other educational technology in the 1990s.
- By law, districts adopted academic standards on August 1, 1998, in reading, writing, geography, history, mathematics, and science, which required new curricula and texts; and K-3 class size reduction started in the nineties, a proven strategy to help student achievement but which also has associated costs.
- Changes in federal law, the Elementary and Secondary Education Act, are imposing a whole new range of tests in grades 3-8, and mandate remedial services for students in low-scoring districts. These actions all have associated costs.

Conclusion

Passing laws that mandate new services to more children, higher standards, revamped curriculum, and more testing, and then criticizing increased costs in these areas is tantamount to mandating an increase in the speed limit and then punishing individuals for driving too fast. Schools cannot control these new responsibilities foisted upon them, but nevertheless continue to be blamed for the costs.

