

Southeastern Wisconsin Schools Alliance

Taxpayer Bill of Rights Issue Analysis/Implications

The Southeastern Wisconsin Schools Alliance is a coalition of public school districts in southeastern Wisconsin formed to study educational issues and respond to policy decisions that affect public education.

Background/Statement of Issue

Wisconsin state legislators are considering a proposed constitutional amendment (AJR55) known as the Taxpayer Bill of Rights (TABOR). AJR55 was introduced in November, 2003 and was modeled after a similar constitutional amendment that has been in place in Colorado since 1992. The amendment would limit state and school spending to growth in population plus inflation. Counties and municipal governments also would be limited to inflation plus growth. Variations on the Colorado Taxpayer Bill of Rights constitutional amendment are under discussion. The Legislature would have to approve a Taxpayer Bill of Rights amendment by August 1, 2004 in order for it to appear on the ballot in November, 2006.

Criteria for Analysis of Policy Issue

The proposed Taxpayer Bill of Rights is a public policy issue that has the potential to impact schools in Wisconsin. The Southeastern Wisconsin Schools Alliance has studied the proposed constitutional amendment in concept and provides the following criteria and identifies potential implications for public education:

- Ability to manage change in population (increasing/declining enrollment).
 - What are the effects of the constitutional amendment for schools if student enrollment increases or decreases?
- Sustainability regardless of state economic conditions.
 - What would be the effect of the constitutional amendment for schools if the economy grows?
 - What would be the effect of the constitutional amendment for schools under sluggish or declining economic conditions?
- Flexibility for emergencies and unique local conditions.
 - What impact would the constitutional amendment have on the ability of the state Legislature or local government to address emergencies or unique local conditions?
- Mechanism to manage costs that are not controllable such as health insurance, special education, etc.
 - How would the constitutional amendment impact the ability of the state Legislature or local government to manage unforeseen or uncontrollable costs?
- Balance between district revenues and expenditures including negotiated settlements.
 - To what extent does the constitutional amendment preserve or enhance the ability of school districts to maintain a balance between revenues and expenditures including negotiated settlements?
- Relief from mandates unaccompanied by funding.
 - To what extent does the constitutional amendment address unfunded mandates or provide relief from mandates unaccompanied by funding?
- Local control.
 - To what extent is local control over decisions regarding schools preserved or enhanced?

Potential Implications for Wisconsin

A strong economy and strong public schools are vital to the future of the state of Wisconsin. Economic development is vital to Wisconsin's future. Economists have found that the taxation level influences economic growth, but is only one of many factors. Other factors include access to suppliers and customers, labor skills, and the quality of life. A University of Wisconsin study indicated economic growth is greatest when spending increases are for transportation, health, and human services (Deller-UW-Madison Extension). The welfare of communities and businesses throughout the state depend on the success of public schools to educate future citizens and prepare the workforce.

Wisconsin public schools have worked under revenue caps enacted by the state Legislature in 1993. Revenue caps are tied to a three-year rolling average of student enrollment and a cost-of-living adjustment. When revenue caps were enacted, legislators made a commitment to fund on average two-thirds of the cost of K-12 public education in Wisconsin which resulted in tax relief. This commitment ended in 2003. When revenue caps were implemented, legislators also created a qualified economic offer (QEO) formula which established a base for teacher negotiated salary and benefit packages. If the QEO is offered, arbitration is not mandatory. Annual increases in the cost-of-operation and the QEO formula have exceeded the revenue cap cost-of-living adjustment. Schools have struggled to address the challenges of managing budgets, student population shifts, health care costs that are outpacing inflation, increased mandates under NCLB, increasingly challenging student populations (special education and ELL) and the imbalance in the cost escalator and state imposed negotiated settlement "floor." In the past three years alone, SWSA districts have implemented in excess of \$100 million in program reductions to meet the current revenue caps.

The attached chart illustrates the differences among actual school spending and the effect AJR55 would have had on school spending had it been in place in Wisconsin from 1986-87 through 2003-04. Controls under AJR55 would have accelerated program reductions and staff cuts, and increased delays in facility maintenance. Had AJR55 been in effect since 1986-87, state schools would have to reduce programs in an amount estimated by the Department of Administration to be approximately \$2.3 billion (To illustrate the magnitude of the reduction, if divided equally among 426 districts, each district would have reduced by approximately \$6 million.)

Economic growth in Wisconsin will require the ability to provide an educated and skilled workforce. The interdependence of strong schools, economic growth, and potential long-term impact of a constitutional amendment regarding tax policy must be carefully evaluated.

Conclusion

A Taxpayer's Bill of Rights, in the form of a constitutional amendment, is not sound public policy. It is critical that Wisconsin legislators continue to make responsible fiscal decisions and maintain flexibility in order to react to future needs and improve the economic vitality of the state. Local units of government must also continue to exercise appropriate fiscal authority, responding to the needs of the public. We do not need a constitutional amendment; lawmakers currently have the constitutional ability to control spending.

ADDENDUM

Summary of Colorado's Experience Under Taxpayer Bill of Rights

Proponents of a Taxpayer Bill of Rights constitutional amendment indicate that Colorado experienced significant economic growth and reduced taxes as a result of a Taxpayer Bill of Rights constitutional amendment. A number of sources, including the Bell Policy Center Study of March, 2003, entitled, "Ten Years of Tabor" as well as the Colorado Legislative Council, National Center for Educational Statistics, and the Education Commission of the States highlighted a number of concerns regarding the state of Colorado's Taxpayer Bill of Rights constitutional amendment.

- Programs in the state of Colorado have not been impacted equally. Programs driven by forces outside of the budget process such as Medicaid and Corrections have expanded causing higher education programs and public health to bear a disproportionate share of the spending reductions (Bell Policy Center).
- Education funding in Colorado did not keep pace with the rate of inflation before Amendment 23 was added. Funding for K-12 education rose at an annual increase of .92% before citizens of the state passed Amendment 23 which guarantees funding at inflation plus 1% until 2010-2011 (Bell Policy Center).
- In 2003, the Colorado General Assembly eliminated at-risk funding, reduced preschool and 5-year-old kindergarten funding, eliminated funding for new textbooks, repealed a teacher pay incentive program, reduced funding for charter school capital construction, and repealed summer school grants among other cuts to education (Colorado Legislative Council).
- Colorado received a grade of "C" on the adequacy of its K-12 funding and was ranked 42nd among all states in Education Week's review of "Quality Counts 2002."
- Colorado had fallen to 48th in K-12 spending per \$1,000 of personal income in 2000-01 (Colorado Legislative Council).
- Colorado ranks 41 of 50 states in the students-per-teacher ratio (National Center for Education Statistics).
- For the 2003-04 school year, 28% of Colorado school districts were on a four-day week school calendar and were approved for a waiver to hold school less than 160 days which is a 46% increase since 1992 (Education Commission of the States).
- No evidence exists that the Taxpayer Bill of Rights constitutional amendment contributed to Colorado's economic growth during the 1990's (Bell Policy Center).
- Colorado ranks at the bottom for on-time immunization rates and for prenatal care, Colorado had the highest rate of uninsured low income children in the nation (Bell Policy Center).
- Colorado was near last in the nation in high school graduation rates and state investment in higher education and the arts (Bell Policy Center).