Wisconsin Atlas of School Finance
Geographic, Demographic, and Fiscal Factors Affecting School Districts Across the State
Summary Version
What is an “atlas” of school finance?

This summary of the Wisconsin Atlas of School Finance presents an overview of data on urban, rural, and suburban school districts. It compares proficiency and poverty levels among students, as well as property values, tax rates, and state aid levels under the current school-finance system in each type of district. In addition, a section is included on the special factors affecting small rural districts, particularly those in the lake regions of the state.

Why produce an atlas?

Wisconsin policymakers are poised to redesign the state school-finance system. In recent years, however, efforts to improve K-12 education finance have been hampered by conflict among different types of school districts and various regions of the state.

Wisconsin is large and diverse. Too often, geographical misconceptions and stereotypes get in the way of recognizing common statewide interests. An effective school-finance system must work as well for the 200 students in Butternut as for the 100,000 students in Milwaukee. The new finance plan must meet students’ needs in suburban Oregon as well as in urban Wausau, in growing Waunakee as well as in shrinking Platteville.

Wisconsin spends about $9 billion annually on public schools, from four-year-old kindergarten through grade twelve. A new system is likely to determine schools’ funding levels for a decade or more.

Over the coming ten years, we will spend over $100 billion on public K-12 schools. The immensity of that investment requires a review of the data from various kinds of districts to understand the unique impact of various geographic factors. All stakeholders should be able to fully anticipate the effects of any proposed new system.
Student poverty reduces proficiency statewide

Under current state and federal law, the effectiveness of schools and school districts is judged primarily by test scores on state proficiency tests.

Substantial research shows that a major predictor of student proficiency scores is the economic status of the child’s family. Put simply: Children from affluent households tend to do better than students from low-income households. This is true in Wisconsin and across the nation.

This graph shows that districts with higher percentages of students at proficiency or better tend to have a smaller percentage of poor students enrolled. As the percentage of poverty increases, the percentage of students at proficiency drops. Each circle is a school district, and the straight line is the trend line showing the strong influence of poverty on performance.

Poverty is concentrated in urban and rural areas

<table>
<thead>
<tr>
<th></th>
<th>Median value owner-occupied home</th>
<th>Median household income</th>
<th>Median percentage of youth poverty</th>
<th>Median percentage of students proficient or better</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suburban</td>
<td>$135,400</td>
<td>$53,929</td>
<td>4%</td>
<td>87%</td>
</tr>
<tr>
<td>Urban</td>
<td>$96,600</td>
<td>$41,893</td>
<td>11%</td>
<td>77%</td>
</tr>
<tr>
<td>Rural</td>
<td>$86,700</td>
<td>$37,960</td>
<td>10%</td>
<td>83%</td>
</tr>
</tbody>
</table>

The median youth poverty rate in rural school districts is 10.2%, more than twice the 4.3% median in suburban districts. In Milwaukee, as well as in the other 17 urban areas, city school districts have significantly higher youth poverty rates than their respective suburbs. Milwaukee’s poverty rate is 32% — almost 10 times higher than the 3.5% median among its 41 surrounding suburban districts (though a few suburbs, such as Cudahy and West Allis, have rates around 10%). In the other urban areas, the median poverty rate is 11.1%, compared with their suburbs’ median of 4.6%.
**Property values, tax rates, and state aid differ by district type**

**Rural districts have the lowest median home values**

One major determinant of total property value in a school district is the value of its owner-occupied housing stock. There is a significant difference in home values among different types of districts. Suburban areas have the highest median home value at $135,400. In urban areas, the median value is $96,600. Rural areas have the lowest owner-occupied home value at $86,700.

**Property tax rates are highest in suburban districts**

The median local property tax rate for suburban schools is the highest (10.44 mills). The amount raised per student ($3,453) is also the highest. Each mill translates into $1 of tax for each $1,000 of property value. Median tax rates and property tax revenues per student are $2,891 per child at 9.40 mills in urban areas and $2,908 per child at 9.61 mills in rural areas.

**State aid to school districts is lowest in the suburbs**

State aid is designed to equalize the spending capacity between low and high property-wealth districts. As a result, districts with higher property wealth per student receive less state aid per pupil than low-wealth districts. This places a greater responsibility on local property taxpayers to generate funding for local education. The median state aid per pupil in suburban districts is $4,911, below the $5,461 median for urban districts and $5,644 for rural districts.

Data for this report are the latest available from the Wisconsin Department of Public Instruction and the U.S. Census Bureau. Youth poverty figures come from Census 2000 – percentage of youth ages 5-17 in a household with income below the poverty level.
Rural districts face significant challenges

Rural districts usually have low student density—measured in students per square mile—because they cover large areas but have small student populations. In these districts, smaller class sizes drive up per-pupil costs. Busing costs are also high in districts that cover much territory, as seen in the top left chart. But the least dense districts have high property wealth per student, because of recreational lakes, as seen in the top right chart.

The “Lake Effect”

Many rural districts have lakes which impact school finance. In these lake districts, incomes of year-round residents are low and schools face declining enrollments. But per-pupil property values are high because of soaring prices for lakefront property and low student counts. High property value means low state aid. The northern lake belt is a group of 48 districts, stretching across the state, where incomes are the lowest in Wisconsin but per-pupil property values the highest.
Declining enrollment across Wisconsin results in lower funding for schools

Since state aid to school districts is linked to student enrollment, declining enrollment has a major impact on the financial health of districts. In the five-year period between 1997 and 2002, 56% of Wisconsin’s school districts experienced falling enrollment. The decline was most prevalent in rural areas, where 68% of the districts lost students, and in urban districts, where 56% experienced a decline. Thirty-eight percent of the suburbs also declined in the five-year period. The suburbs of cities other than Milwaukee are the only group of districts to experience significant enrollment increases.

Summary and implications for school-finance reform

Each of the major school district types copes with a different cluster of factors that affect funding needs and state aid levels under the current system. Urban districts have lower proficiency levels, higher youth poverty rates, and lower household income. In rural districts, home values are the lowest in the state, transportation costs are higher, and sparse populations result in diseconomies of scale. Rural lake belt districts have high poverty rates but low state aid because vacation homes inflate property values. In addition, the northern lake belt districts have the lowest median household income and the highest poverty rates in the state. Suburban districts have the highest tax rates and receive the lowest level of state aid. Declining enrollment, which results in lower state aid, is widespread across the state.

A reformed school-finance system must address these diverse circumstances in each district:

- Urban districts require special assistance to improve proficiency levels, especially among low-income students.
- Suburban communities need an aid system that does not penalize residents for their high property tax base.
- Rural districts with diseconomies of scale and high transportation costs require special aid because basic operations are more expensive.
- State aid to lake districts must address the gap between high property wealth and the low income and low home values of year-round residents.
- Redistributing existing K-12 state aid funds will not solve the fiscal problems of urban, rural, and suburban districts. A new infusion of funds is necessary to meet the diverse needs of Wisconsin’s 426 school districts and ensure adequate resources to meet state and federal educational standards.