Back to the Future:

Answering attacks from opponents of Wisconsin education reform - before they make them

Introduction

Doc: Marty! I need you to go back with me!
Marty McFly: Where?
Doc: Back to the Future!

Wisconsin Governor Scott Walker releases his 2017-2019 state budget on February 8. This starts a roughly four month debate about how the State should spend taxpayer money on K-12 education. Hopefully Governor Walker and members on the Joint Finance Committee will release bold education reforms such as lifting the caps on the statewide voucher program. Unfortunately as we see every year, the budget will bring out the same old talking points from those opposed to education reform and school choice. We know what they will be: accusations of school choice draining resources at public schools, outrage at Republicans for defunding public education, rants against unaccountable private schools, blasting private schools for discriminating against special needs children, etc.

So, in order to prepare for the upcoming debates, we step into our DeLorean time machine to answer the attacks that the opponents of education reform will make - before they actually make them.

1. “School choice drains money from public schools.”

➢ No reasonable person believes when parents move to a different school district - or state - the resident school district should still get public funds to educate the child that moved away.\(^1\) Why should it be any different when a parent decides to send their child to a private or public charter school?

➢ In fact, school districts that lose students to the Wisconsin Parental Choice Program (WPCP) still get to count the child for revenue purposes. This results in many districts receiving more revenue for their existing students than before.

➢ The elimination of the state’s voucher programs would decrease revenue to public schools.

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\(^1\) The district is still able to partially count the student for three years thanks to the three year rolling average of enrollment used in Wisconsin.

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Nonetheless, such focus on short-term fiscal changes is shortsighted. Through lower crime rates and higher graduation rates, a study shows that children in the Milwaukee Parental Choice Program (MPCP) can lead to a near $500 million economic impact to the city and state.\(^2\)

School choice in Wisconsin does mean that less money is allocated to public schools. This happens because the public schools are now educating fewer students. Just as a school district receives less money when it’s enrollment drops due to declining birthrates or the loss of population, schools that have to do less will see their state aid drop. When students leave for the Wisconsin Parental Choice Program, school districts are allowed to levy property taxes to make up for the loss of revenue for the students they are no longer educating. As detailed in previous WILL research, this means that school districts have more revenue per student when kids leave for private schools.\(^3\) While changes to state law mean that districts will no longer be able to “skim” from taxpayers, school districts are still able to maintain the same amount of revenue for students they no longer educate.\(^4\)

Furthermore it has historically been less expensive to educate children in the choice program than in public schools. Students in Wisconsin’s parental choice programs receive $7,353 on average. According to the most recent data from DPI, the average public school student in Wisconsin receives $10,312 per student—nearly $3,000 more than students in the voucher program. The effect of choice will either be to leave more money per student remaining in the public schools or will allow maintenance of the same level of spending at a lower level of taxation. The figure below charts the changes in spending on each public (MPS and Wisconsin on average), the MPCP, and independent “2R” charters. One can clearly observe that spending on choice and charter has consistently fallen short of the spending on public schools, and that the gap has not appreciably shrunk over time. Nor has the expansion of choice during this period led to a decrease in the per student spending in public schools.

**State/Local Spending Per Student by Sector, 2000-2016**

![State/Local Spending Per Student by Sector, 2000-2016](image)

A recent memo from the nonpartisan Legislative Fiscal Bureau shows that these funding disparities mean that a reduction—or elimination—of Wisconsin’s choice programs would actually lead to cuts to the public schools.\(^5\) How? A massive influx of students who were once funded at $7,500 per pupil under the voucher, now cost $10,300 per pupil, with no additional state revenue. For example, if 90% of choice students returned to public schools, state aid to all districts, excluding Milwaukee and Racine, would decline by more than $70 million dollars. Property tax payers would be forced to shoulder a significant portion of this loss, with property taxes increasing by more than $65 million. The table below, adopted from the LFB memo, details the effects on general aid and district levies under a variety of scenarios. We have highlighted the most likely scenario in the red box.

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Effect of Elimination of State Choice Programs, Milwaukee and Racine Excluded ($ in Millions)\(^6\)

<table>
<thead>
<tr>
<th>Percent Attending Public Schools</th>
<th>Revenue Limit</th>
<th>General Aid</th>
<th>Levy</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>-$15.8</td>
<td>$143.0</td>
<td>-$158.8</td>
</tr>
<tr>
<td>25</td>
<td>-$12.6</td>
<td>86.8</td>
<td>-$99.4</td>
</tr>
<tr>
<td>50</td>
<td>-$9.4</td>
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</tr>
<tr>
<td>90</td>
<td>$-4.2</td>
<td>$-70.0</td>
<td>65.8</td>
</tr>
<tr>
<td>100</td>
<td>$-2.9</td>
<td>$-93.7</td>
<td>90.8</td>
</tr>
</tbody>
</table>

These tremendous impacts occur under a scenario where all of the funding currently going to choice schools from the state (about $157 million) is provided to public schools. If a smaller percentage of that funding is returned, the effects on school district budgets would be even worse. Rather than draining money from public schools, school choice programs actually save public schools money.

Lastly, Act 10 gives school district superintendents greater flexibility to deal with declining enrollment. Economist Benjamin Scafidi estimated that in Wisconsin, about 65% of school district costs are variable, meaning that districts can fiscally adapt to changing enrollment.\(^7\)

2. “Governor Walker has decreased spending on K-12 public schools.”

- The Obama stimulus plan temporarily inflated the amount of money Wisconsin spent on public schools. Once federal funding declined, Wisconsin faced cuts to K-12 spending.
- Since 2012, Wisconsin has increased spending on K-12 public schools every year.
- Cost savings resulting from Act 10 give school districts the ability to save money.
- There is little evidence that increased spending on K-12 public schools actually leads to improved student outcomes.

In the aftermath of the Great Recession, federal funds poured into the state--funding that substantially increased per student spending. But this funding was temporary--the vast majority of it was exhausted by 2011. As federal funding declined, Wisconsin necessarily faced some cuts to K-12 spending. These occurred in 2012. When detractors make the claim that Walker has cut education spending, they focus on this one year. In every year since, spending on K-12 education has been increased. By 2016, average per student spending in the state was only $4 short of spending at the height of the stimulus.

It is true that some districts have experienced declines in school aid over the past few years. But changes in enrollment almost universally explain this decline. When students leave, school districts receive less money


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from the state. The figure below is reproduced from a policy brief put out by WILL\(^8\) in 2016. It shows the correlation between changes in school aid and changes in general aid across all Wisconsin school districts.

![Correlation between General Aid and Enrollment, 2011-2016](image)

The correlation between the two is extremely high—more than 80%. It is only natural that shrinking districts face shrinking budgets.

Even to the extent that spending growth has slowed, the enactment of Act 10 has provided school districts many tools to do more with less. For example, the MacIver Institute\(^9\) has found that Act 10 resulted in more than $405 million in savings to school districts over its first five years.

Districts across the state have creatively applied Act 10, many of which are found in our report on the topic.\(^10\)

The state’s K-12 education priorities should be to support proven strategies and practices that lead to better student outcomes. Indiscriminately throwing money at the public school system is no guarantee of success. As our previous study, Diminishing Returns, has shown, there is not a significant relationship between increased spending on K-12 public schools and improved student outcomes on tests and graduation rates.\(^11\)

Governor Walker’s proposed increase to K-12 spending in the 2017-2019 budget would amount to more than $200 per student in the 2017-18 school year and an additional $204 increase in the 2018-2019 school year.\(^12\) If included in the final budget, this increase in spending would be the most Wisconsin has ever spent on traditional public schools, more than $400 above the previous per student height of the stimulus by 2019.

### 3. “Parents use tax dollars to send their children to unaccountable voucher schools.”

- Everyone agrees it’s important to ensure that taxpayer money is spent wisely and appropriately. And the choice program abides by this principle. Milwaukee Parental Choice Program is the most regulated voucher program in the country.\(^13\)
- By state law, private schools participating in the parental choice program must have accreditation, which means degreed teachers, appropriate curriculum, accountable board governance, maintenance of

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students’ records, and a school environment conducive to learning. Private schools have strict financial standards to ensure there is no fraud.

- Besides government regulations, each and every school must be accountable to the parents. Whether it is a public school, a charter school, or a private school, parents can best determine which education setting provides their son or daughter with the best opportunity to succeed. If parents believe their child’s school is not meeting their unique needs, they have options to go to a different school.

Labeling private schools participating in the choice program as “unaccountable” is just wrong. These schools need accreditation, which broadly requires degreed teachers, appropriate curriculum, accountable board governance, maintenance of students’ records, and a school environment conducive to learning. The private schools must also meet the same health and safety requirements as public schools along with the federal requirements to prevent discrimination of students. State law gives the State Superintendent of Public Instruction authority over the participating private schools to remove them from any of the voucher programs for violations such as failing to report on the required data or misrepresenting information to the State.

Schools in the parental choice program also face tough financial barriers to entry. Current law states that DPI can prevent a new school from opening if it fails to meet a variety of financial regulations including: annual audits performed by licensed and independent CPAs, GAAP audits, enrollment audits, and fiscal practices audit. Furthermore, participating schools must prove valid occupancy permits and proof that the private school’s administrator participated in mandatory financial management courses. According to School Choice Wisconsin, DPI prevented more than 100 schools from opening between 2004 and 2009 due to these requirements.

4. “Students at public schools outperform students who attend private schools with a voucher or a charter school.”

- The recent ACT and Forward Exam results show that students in the WPCP and MPCP as well as in non-MPS charter schools in Milwaukee outperformed their peers in public schools when socio-economic status of the students is taken into account.
- More comprehensive academic studies, with more rigorous methodology, show that students in the MPCP outperform similar public school students at graduation, test scores, and crime. Nationwide, 14 out of the 18 gold standard studies show that choice outperforms public schools.
- And private schools in the choice program do this while receiving significantly less money (roughly $3,000 less per student) than public schools.
- Independent charter schools, i.e. those authorized by entities other than school districts, scored significantly higher on all student growth and achievement gap measures than traditional public schools throughout Wisconsin. Public charter schools authorized by school districts (both instrumentality and non-instrumentality schools) scored significantly higher than traditional public schools on all state report card student growth measures.

14 Wis. Stat. § 119.23(2)(a)7.
15 Wis. Stat. § 119.23(2)(a)4. and Wis. Stat. § 119.23(2)(a)5.
16 Wis. Stat. § 119.23(10)
17 Wis. Stat. § 119.23(7); see also Department of Public Instruction Rule 35.09
18 Wis. Stat. § 119.23(7)(d)
The School Choice Demonstration Project was an extensive examination of the voucher program in Milwaukee commissioned by the state. Over several years, researchers at the University of Arkansas produced many rigorous, economic studies on student test scores and other outcomes. Among the key findings from the Project were:

- **Higher graduation rates:** Students who participate in the MPCP were found to be 4-7 percentage points\(^{21}\) more likely to graduate from high school.

- **Higher achievement:** Students in the MPCP were found to have higher scores on state accountability tests in reading, though similar results were found in math.

Two years ago WILL conducted an examination of results on the state’s WKCE exam.\(^{22}\) The research attempted to make ‘apples to apples’ comparisons of students in Milwaukee’s choice schools with similar students in Milwaukee’s public schools. Relative to students in MPS, students in religious choice schools outperformed their peers in traditional public schools by approximately 3 percentage points in reading and 6.8 percentage points in math.

More recently, using data from the state’s Forward Exam and the first ever publicly-available data on the demographics of students in the MPCP, we conducted an extensive analysis of proficiency between sectors.\(^{23}\) We find that students in the MPCP significantly outperform similar students in MPS. Students in charter schools also performed significantly better, as detailed in the bar chart below. The chart depicts the English/Language Arts results, but similar effects were found in mathematics. Because these schools receive lower funding per student, these higher test scores represent a significantly higher return on investment for Wisconsin taxpayers according to a 2016 WILL study.\(^{24}\)

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24 Flanders, Will, and CJ Szafir 2016. “Bang for the Buck: Which public schools in Milwaukee produce the best outcomes per dollar spent?” WILL.

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To put it simply, school choice works for Milwaukee’s students. The statewide and Racine programs are still quite young, though there is emerging evidence that students in these programs perform better as well. Recent data gathered by School Choice Wisconsin showed that students in the MPCP, RPCP, and WPCP outperformed students from similar economic background on the ACT Exam and Forward Exams. On the Forward Exam, higher results were observed across all subject areas relative to similar students in both the statewide program and Milwaukee (results for economically disadvantaged students in Racine are not yet available).

5. “Okay, if choice schools perform better than public schools, that’s only because private schools can “cream” the best students.

➢ State law prohibits private schools from taking the best students. It is a blind admission process. This is unlike some of the best MPS schools that have an admissions process.
➢ No study has ever proven the “creaming” claim. In contrast, a number of studies - utilizing the latest statistical tools - show that it is false.

Some make the case that the reason for the higher performance of students in the school choice program is that they take the best students from the public schools, or systematically remove students who don’t perform well. This “creaming” process would also have a negative effect on public school performance, leaving these schools with the ‘worst’ kids. The issue of creaming has been a concern since the earliest days of the MPCP. But the evidence shows that it does not happen. In fact, schools participating in any of the parental choice programs must rely on a completely blind admission process. State law requires that schools accept students on a “random basis.”

One of the earliest studies of creaming in the MPCP was conducted by John Witte of the University of Wisconsin. Evaluating the performance of students during the first three years of the MPCP, Witte found that the students entering the program were significantly lower in both reading and math on standardized tests. More recently, Cowen (2012) examined data on the possibility that voucher schools “counsel out” or expel students who are not performing well by comparing students who continued in a choice school from middle school to high school with students who entered the MPCP at high school. He finds no evidence that these sets of students are systematically different.

6. “But voucher schools do not have to educate children with disabilities.”

➢ There is no question that private schools in the choice program educate special needs children and some do it very well. There are roughly 7-14% of children with disabilities at private schools in the MPCP while there are 19% at Milwaukee Public Schools.
➢ Although the disparity is not huge, there is a reason for it. MPS receives full federal funding to educate children with disabilities. Private schools do not have access to those resources. Many parents will

26 With the exception of the siblings of current enrollees and this is monitored by the State Superintendent. Wis. Stat. § 119.23(3)(a).

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choose to keep their children in the system with greater resources. When private schools have sought access to these resources so this “disparity” can be further reduced, the public school community has opposed them.

➢ It is illegal for private schools in the choice program to discriminate against children with disabilities. A four year investigation from the Obama Justice Department found no evidence of discrimination in the Milwaukee Parental Choice Program.  

➢ However lawyers at WILL have a pending lawsuit against five public school districts and the State of Wisconsin for violating the Americans with Disabilities Act (ADA) by discriminating against children with special needs in their enrollment practices.

Private schools are not permitted to discriminate against students under both state and federal law. The federal law, Individuals with Disabilities Education Act (IDEA) requires public school districts to serve parentally-placed private school children with disabilities. Private schools who accept federal funds are subject to certain provisions of the Section 504 of the Rehabilitation Act and are required to make “minor adjustments” for students with disabilities.

According to the School Choice Demonstration Project, approximately 7-14% of children at MPCP are labeled as special needs. This is much higher than what is reported by DPI for a number of reasons. Students in the MPCP are about 12.4% less likely to be classified as disabled than similar students in MPS. Private schools do not have the same incentives to classify students as disabled as public schools do. In the past, such classifications did not lead to additional revenue as it did for public schools.

A new program called the Special Needs Scholarship Program created in 2016 gave special needs students a voucher of $12,000 to attend a participating private school. This year, although the program is significantly underfunded (non-disabled students at MPS receive more than $12,000 when federal funds are accounted for) with a number of restrictions and criteria that limits demand, there were 26 schools participating in the program and 206 students in its first year. Hopefully the legislature creates an even better environment for children and schools to participate.

Even though public school advocates are unlikely to admit it, Wisconsin’s public schools are discriminating against children with disabilities, according to a federal lawsuit filed by WILL on behalf of six special needs

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31 Wis. Stat. § 119.23(2)(a)5. (for schools participating in a parental choice program); Wis. Stat. § 115.7915(6) (for schools participating in the Special Needs Scholarship Program)


33 34 C.F.R. § 104.39(b)

34 Source: SCDP Report #35: “Special Education and the Milwaukee Parental Choice Program.”


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children. The lawsuit contends that Wisconsin’s open enrollment program allows school districts to deny enrollment to children with disabilities while accepting new students who do not have disabilities.

7. “Act 10 has destroyed teachers!”

- Act 10 has given teachers more freedom to negotiate their pay. School districts are able to utilize merit pay and individualized salary negotiations to reward the best teachers. Some districts have used Act 10’s freedom to create a more cooperative and collaborative environment between teachers and the administration.
- Act 10 reforms ensured that school districts could absorb budgets cuts without laying off their teaching staff. In states like Illinois, massive teacher layoffs have been common as the state struggles to solve its budgeting woes.
- It has certainly hurt labor unions; WEAC’s membership has declined nearly 60% since 2011.
- But Act 10 has not hurt teachers. Since Act 10, there has been little change in average teacher experience and compensation and the number of students per teacher. All across Wisconsin, effective teachers have been rewarded with higher salaries.

In 2011, Governor Walker signed into law Act 10 which significantly curtailed collective bargaining for public employees, among other things. Rather than destroying public education, there is growing evidence that the reforms of Act 10 have actually been rather beneficial. Earlier this year, WILL conducted an extensive analysis of the effects of Act 10 on teachers.

Contrary to the claims of critics, we found that Act 10 did not lead to a significant increase in the number of students per teacher, little effect on the amount of experience teachers had, and a limited impact on teacher compensation.

The findings of this research have been boosted by recent research by Barbara Biasi of Stanford University, who examined the impact of Act 10 on teacher quality. Using advanced econometric techniques, Biasi found that Act 10 effectively created a marketplace for teachers. Effective teachers were rewarded with higher salaries, and low quality teachers were pushed out. This pattern repeated across the state, resulting in slightly higher quality across Wisconsin.

If there has been a negative effect from Act 10, it’s been felt almost exclusively by unions. Since 2011 union membership has undergone a dramatic decline. Prior to the law, teachers and other public employees had no choice in whether they wanted to be represented by the union. Act 10 lifted that requirement, preventing unions from taking dues right out employees’ paychecks, and limited what unions could bargain for. The result has been a 58% decline in membership in WEAC, the state’s largest teachers union, and a 40% decline in overall union membership post Act 10.

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