

## Long Run Economic Growth Suffers as Wisconsin Public Schools Suffer Budget Cuts

Sahar Bahmani

Department of Economics University of Wisconsin at Parkside

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**Abstract**-Wisconsin public schools have suffered an \$834 million budget cut in K-12 education spending over the next two years as well as a \$300 million cut to Wisconsin's public universities, which has led to a dramatic decrease in funding for the professional development of teachers. This historically large decline in funding will ultimately have a negative impact on long run economic growth due to the decline in the productivity of these workers. The objective of this paper is to look into why and how the Wisconsin economy is surely to suffer due to the decrease in labor productivity because of the lack of resources for professional development activities and the retraining of workers. This will surely have negative damage on aggregate supply, causing major macroeconomic variables to be volatile and unstable during a period of time when achieving economic stability is the main goal. Some of the macroeconomic variables that will be affected because of labor productivity being negatively impacted in the state of Wisconsin due to the recent budget cuts are prices, GDP, employment rates, unemployment rates, consumer confidence and interest rates. We will look at each, individually, in this paper through a study that looks into the impact of these microeconomic and macroeconomic variables.

**Keywords:** Economic, Wisconsin, suffered, public Schools,

### Introduction

In the state of Wisconsin, both state and local funding for public schools dropped by 5.5% during 2011-2012 and this figure doubled for the following year, 2012-2013. Not only is this a record-breaking budget cut for the state of Wisconsin, but Wisconsin is also a leader of cutting state funding throughout the U.S. by cutting the largest amount of funding compared to any other state. Wisconsin's public universities face the third largest budget cuts in the country in 2012 (Durhams, 2012). UW Spokesman David Giroux stated, "States are struggling to uphold their commitment to higher education, and Wisconsin's challenges are more significant than most." The Center for the Study of Higher Education at Illinois State University and the State Higher Education Executive Officers conduct the annual Grapevine study, which shows that as a nation, higher education budgets were trimmed 7.6%. It is evident that Wisconsin is about the nation's average when it comes to spending cuts on public education. In a study by the trade publication Inside Higher Ed, it is startling and disappointing to see that Wisconsin is one of 29 states to cut funding and allocating less money to public higher education in the 2011-12 budget year than they did in the 2006-07 budget year. The budget cuts will lead to higher tuition, a reduction in the number of course offerings, larger class sizes, fewer

student services, and more delays in maintenance on campuses throughout the state (Williamson, 2012). This is all met with major concern in Wisconsin, a state that is in dire need of more college-educated workers to participate in its labor, a vital resource for every state.

The state was not eased into the budget cuts, but instead, experienced the budget cuts rapidly, which can therefore be regarded as a supply shock to Wisconsin's economy, having numerous adverse effects. While these types of budget cuts help districts to acquire revenues and begin to repair their budget deficits, it also has negative repercussions well into the long run, which need to be taken into consideration. Some of the macroeconomic variables that will be impacted because of labor productivity being negatively affected in the state of Wisconsin due to the budget cuts are prices, Gross Domestic Production, employment rates, unemployment rates, consumer confidence and interest rates. This paper studies each of these components on an individual basis, realizing that they are all intertwined and connected in order to establish a clear connection on how these variables will all be impacted by these budget cuts, thereby impacting economic growth.

### Methodology

It is important for the state of Wisconsin to rely heavily on examining their monthly data in their economic reports. When labor productivity slows down and productivity growth declines, this causes the amount of teaching services to decrease, causing the price for the service to grow to be more costly. Since the quantity of teaching services falls, this causes GDP to fall, causing employment rates to fall, ultimately creating a rise in the unemployment rate. While it makes sense that, in order to protect jobs and decrease the amount of layoffs during a recessionary period, the state has had to decrease funding for public schools but at the same time it is important to consider the long-run implications and how this can actually contribute to a rise in the unemployment rate. The state's main priority is to maintain a balanced budget by making drastic cuts in public education, but this will also have a negative impact on the quality of labor in public education as well as diminishing the quality of the service being provided,

education. It is important to understand the implications of having more state funding provided to teachers to further advance their professional development and how this improves short- run and long-run outcomes.

State-funding helps to provide teachers with the funds to further advance their professional development and increase not only their productivity rates but even more importantly, the productivity rates of their students. These funds help educators to improve their teaching skills and increase their efficiency, which in turn increases the overall achievements of their students, both in the short- run, in terms of improved and higher test scores, and in the long-run, in terms of helping students to be far more prepared for college and advancing in their careers once they are done with college. Improving student learning inside the classroom increases the economic growth rate of our country. With these major budget cuts, it has been forecasted that many incoming students will be ill prepared for college (Olshefski, 2011). After all, our economy's economic growth is fully dependent on its level of human capital, which includes the level of skills that the people of a country possess. It is also important to maintain funding for these types of professional development opportunities for educators because it helps retrain them while teaching them new things that have arose in their field, which helps reduce structural unemployment.

The massive cuts in public education for the state of Wisconsin led to a decrease in the amount of funds available for educators to take advantage of professional development opportunities. This is anticipated to jeopardize Wisconsin's great accomplishment of having the highest graduation rates in the nation, ranking top for college preparation as well as Advanced Placement courses. As a result, this has led to larger classroom sizes and many layoffs of educators. It is known that a strong economy depends on strong productivity rates of teachers, which contributes to better schools. The Center on Budget and Policy Priorities has insisted that due to these drastic cuts in education spending, this puts the nation's economy at high risk. The authors of the report stated, "The negative economic consequences of the cuts is that they counteract and undermine education reform and hinder the ability of school districts to deliver high-quality education, with long-term negative consequences for the nation's economic competitiveness."

## Results and Discussion

Figure 1 below demonstrates that since the budget cuts in the state of Wisconsin, the unemployment rates in Wisconsin have decreased over the past six months because it has prevented layoffs and helped to attempt balancing the budget. It is important to consider a cost-benefit analysis and analyze the opportunity cost of the decreasing unemployment rates in the current time period and the sacrifice of what is to be foregone in the future. In the long-run, it is anticipated that this will, in turn, ultimately increase unemployment rates down the road because of the loss in the quality of education. While the unemployment rates have been falling over the past

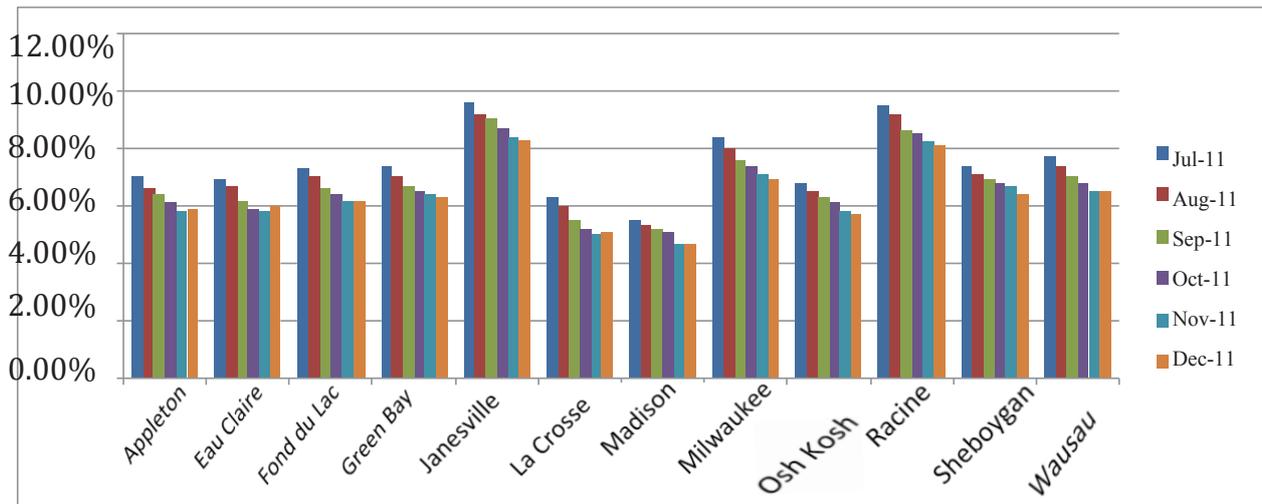
months in Wisconsin, it is really important to understand that this is partly due to the fact that many people have become discouraged workers. This occurs because when these people were actively seeking employment, they were included amongst the unemployed, but once they stop their job hunting, unemployment rates begin to fall. Many people incorrectly interpret this to mean that more people are working and employed. This is why it is always vital to look into how many new jobs have been created. It is also critical to look into how many fewer people are collecting unemployment benefits. With these two additional pieces of information, we can interpret things far more accurately.

It is imperative to predict and accurately forecast what is going to happen to Wisconsin's unemployment rate in the long run and how it is to be impacted because of these major budget cuts to schools in the state. Due to the decline in the productivity of educators, this will cause a decrease in the productivity of students when they are in school and also after school, when they go to college and pursue their careers. Increasing human capital levels by improving learning outcomes, the quality of education and the quality of teachers needs to be placed as the top priority at the state level. In turn, this will have a positive impact on the national level. Due to the decreased amount of funding for public schools in Wisconsin and the decreased amount of funding for educators, this will decrease the level of human capital, both at the state and national level. More importantly, this negatively impacts human capital levels, not only in the short run, but into the long run as well. Education and training are the most important investments in human capital (Becker, 1992). Becker's study establishes how high school and college education in the United States greatly raises a person's income on the micro level which in turn leads to macroeconomic growth, even after netting out the indirect and direct costs of going to school.

Our quality of state and national education is of the utmost importance because this is what helps to improve our productivity of technology, innovation and ingenuity. With improved quality of education, the future productivity rates of technology dramatically improves, which helps to increase aggregate supply, thereby increasing employment. When funding decreases, productivity rates of technology decreases, which reduces aggregate supply, thereby increasing unemployment rates. Our economy's rate of innovation and ingenuity is also dependent on levels of human capital.

Improving student outcomes, as a result of having enough state funding to put educators through these types of professional development opportunities, helps to improve the productivity of teachers as well as students, therefore it is essentially two-fold. In fact, the Wisconsin Department of Public Instruction is not satisfied with the current performance results of students. In fact, the Wisconsin Department of Public Instruction says, "Experience counts and Wisconsin's revised highly qualified teacher plan focuses on the recruitment, recognition and retention of experienced teachers in Wisconsin as well as supporting their professional development ." Teachers everywhere

Figure 1. Wisconsin Unemployment Rates during the Last 6 Months of 2011



work very hard to ensure not only that their students will graduate but that they will be prepared for success, be it in their job, their career, or pursuing further education. It is important that teachers be valued, so that they can exert their efforts on focusing on the education of students.

In order to have highly qualified teachers teaching the future workers of our U.S. labor force, it is important to keep them trained, retrained and informed. Our state, now more than ever, needs to work on ensuring quality teachers in all classrooms, which will help to improve student performance. Spending money on professional development should be regarded as an investment in our economy's future, helping to advance students in becoming more successful. Professional development creates quality teachers, creating a positive long run impact on classroom instruction (Janssen et. al 2012).

## Conclusion

Wisconsin is a state that has suffered an enormous cut in spending on education over the next two years, which has led to a dramatic decrease in funding for the professional development of teachers. The Wisconsin Education Association Council has stated that Wisconsin leads the nation in cutting school funding. While each state has been ordered to balance their budget, it is in the decision-making process of each state to decide where to cut spending and education spending should not be cut. This is a concern on the microeconomic and macroeconomic levels because it will ultimately have a negative impact on long run economic growth due to the decline in the productivity of these workers. The Wisconsin economy is surely to suffer due to the decrease in labor productivity because of the lack of resources for professional development activities and the retraining of workers. In turn, this has a negative impact on aggregate supply, causing major macroeconomic variables to be volatile and unstable during a period of time when achieving economic stability is the main goal. Numerous macroeconomic variables will be impacted because of labor productivity being negatively impacted in

the state of Wisconsin due to the recent budget cuts, which we have looked at each, individually, in this paper. In conclusion, the state of Wisconsin will see a decrease in the productivity of the education sector because of less resources being made available, which will in turn lead to lower quality of education, higher unemployment rates, volatility in prices, lower GDP levels, lower employment rates, and lower consumer confidence. It is critical to allow funding and money to be spent on the education sector, for it is the education sector that can help to contribute longer levels of long run economic growth. Education has always been known to contribute to human capital, technology, growth in GDP and economics potential. Therefore, cuts in education spending have numerous short run and long run effects on local, state and national economic variables that need to be taken into consideration, especially in current economic times of struggle and slow recovery.

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