

To Levy or Not to Levy

Local impacts of the 2023-25 state budget on school districts

Presented by WASBO, WASDA, and SAA

October 11, 2023

Today's Themes

Focus on tax levy

Impact of revenue limit provisions in 2023-25 state budget & related factors

Results may vary

Disparate impacts by district on usable revenue limit and levy

Difficult choices

Cuts? Deficits? Referendums?

Communication is key

Challenges, strategies, messaging

Welcome to Octoberfest: Wisconsin School Finance Version

October 1

DOR posts
equalized tax
base by school
district

November 1

Deadline for
school boards
to adopt tax
levy

November 10

Deadline for school
board to provide
municipalities with
their levy amount

October 13

DPI publishes
general aid
certification;
updates revenue
limit worksheets

November 3

Deadline for
school districts to
submit tax levy
report to DPI

2023-25 State Budget

Factors influencing school district tax levies

Increase



Revenue limit: + \$325 per pupil



Low revenue ceiling Up to \$11,000



Significant increase in voucher payments



Elimination of High Poverty Aid

Decrease



More Equalization Aid



After Levy: School Levy Tax Credits

FOCUS

Impacts of
revenue limit
provisions on tax
levy

Zoom in on impacts of:

\$325 per pupil revenue limit adjustment

Low revenue ceiling increase to
\$11,000

What will this mean in practice?

How will school districts be positioned
to use new revenue limit authority?



Putting \$325 per pupil
in context:

History of school district
spending limits through the
eyes of the **Class of 2023**

Selected years	Class of 2023 Grade	Combined resource change per pupil (revenue limits + per pupil aid)	Amount behind inflation (Cumulative, per pupil)	National spending ranking (Census)	Context Notes
2009-10	4K	\$200	\$75	17th	1 st year revenue limits were decoupled from inflation
2010-11	5K	\$200	\$156	17th	State raised proficiency cut scores, Act 10
2011-12	1st	-\$554	\$998	21st	Revenue limits cut/state aid cut in 2011-13 budget
2013-14	3rd	\$100	\$1,395	21st	Statewide voucher program established
2015-16	5 th	\$0	\$1,856	23rd	Sharp rise in referendum questions and dollars
2019-20	9th	\$263	\$2,365	25th	COVID-19 global pandemic hits
2020-21	10th	\$179	\$2,520	25th	Inflation soars
2021-22	11th	\$0	\$2,863	NA	Revenue limits are frozen, no increases for two years
2022-23	12th	\$0	\$3,235	NA	Graduation! 2 nd year of frozen revenue limits, amid continued inflation

How have school districts coped?



Exhaust Act 10 tools/flexibility around compensation and benefits

In some cases: **deficit spending**/cutting into reserves

Most districts resorted to **using ESSER monies for recurring budget needs**

Increased use of operating referendums
– 2022 had highest number of operating referendums since at least 2000

**Results
may vary**

Will the revenue limit increases in the 2023-25 budget bring relief school districts need?

Disparate impacts by district

Districts are positioned differently

Impacts on property tax levies?

How much new revenue limit authority will districts actually have?

Impact of new revenue limit authority

Some districts will be able to make good use of new revenue limit authority

But many districts will face either of two scenarios:

Scenario 1

School district will have to increase the levy, but will not see much if any new spending on schools

Scenario 2

School district will determine it cannot make full use of new revenue limit authority (will choose to under-levy)

Scenario 1: Minimal new spending; Increase levy

**Impact of new
revenue limit
authority**

**Contributing
Factors**

**Elimination of High Poverty Aid
(affects 130 school districts)**

**Higher payments to private voucher
schools**

**Relative share of state's equalization aid
(depends on shifts in property wealth,
enrollment, prior year costs)**

Declining enrollment

Scenario 1: Minimal new spending; Increase levy

Effect of declining enrollment

**Impact of new
revenue limit
authority**

**Contributing
Factors**

In districts that are losing a lot of students year-to-year, a \$325 per pupil increase will not offset lost revenue from enrollment drops

Three quarters (314) of districts school districts were in declining enrollment in 2022-23

These districts stand to lose declining enrollment exemptions (counteracts any gains from the \$325 increase or \$11,000 low revenue ceiling)

Scenario 2: School board decides to under levy

**Impact of new
revenue limit
authority**

**Contributing
Factors**

School boards may determine taxpayers cannot absorb that large a spike in levy:

Decide to leave some revenue on table

Especially affected: Districts subject to the low revenue ceiling:

Will see up to \$1,000 in new levy authority

Many are small, rural, low income, relatively low property wealth

School district levy decisions must strike a balance

Raise the levy to meet mounting fiscal, educational, obligations **OR**

Under levy to reduce impact on taxpayers, preserve options for future spending needs



Drivers

Previous biennium kept revenue limits frozen

Compounded fiscal constraints over 14 years of below-inflation revenue limits

Primarily driven by local economic, political, historical, cultural factors – all combine to determine whether a community can absorb a given levy increase

\$325
is not a
game
changer

Not a windfall compared to inflation: Even recent relatively lower CPI readings (3.7% as of August 2023)

Still below LFB estimated inflationary per pupil adjustment (\$393 in 2023-24; \$403 in 2024-25)

Represents between 1.3% and 3.3% increase in 2023-24 school district base revenue limits

School districts already \$3,235 per pupil behind where inflationary adjustments would have put them

**Limitations on
increase to
\$11,000 in
low revenue
ceiling**

2017 law (Act 141) prohibits school districts that failed an operating referendum in past three years from using the new \$11,000 low revenue ceiling

28 school districts affected: \$325 per pupil adjustment or 2023-25 budget language corrects this for now for all but one district

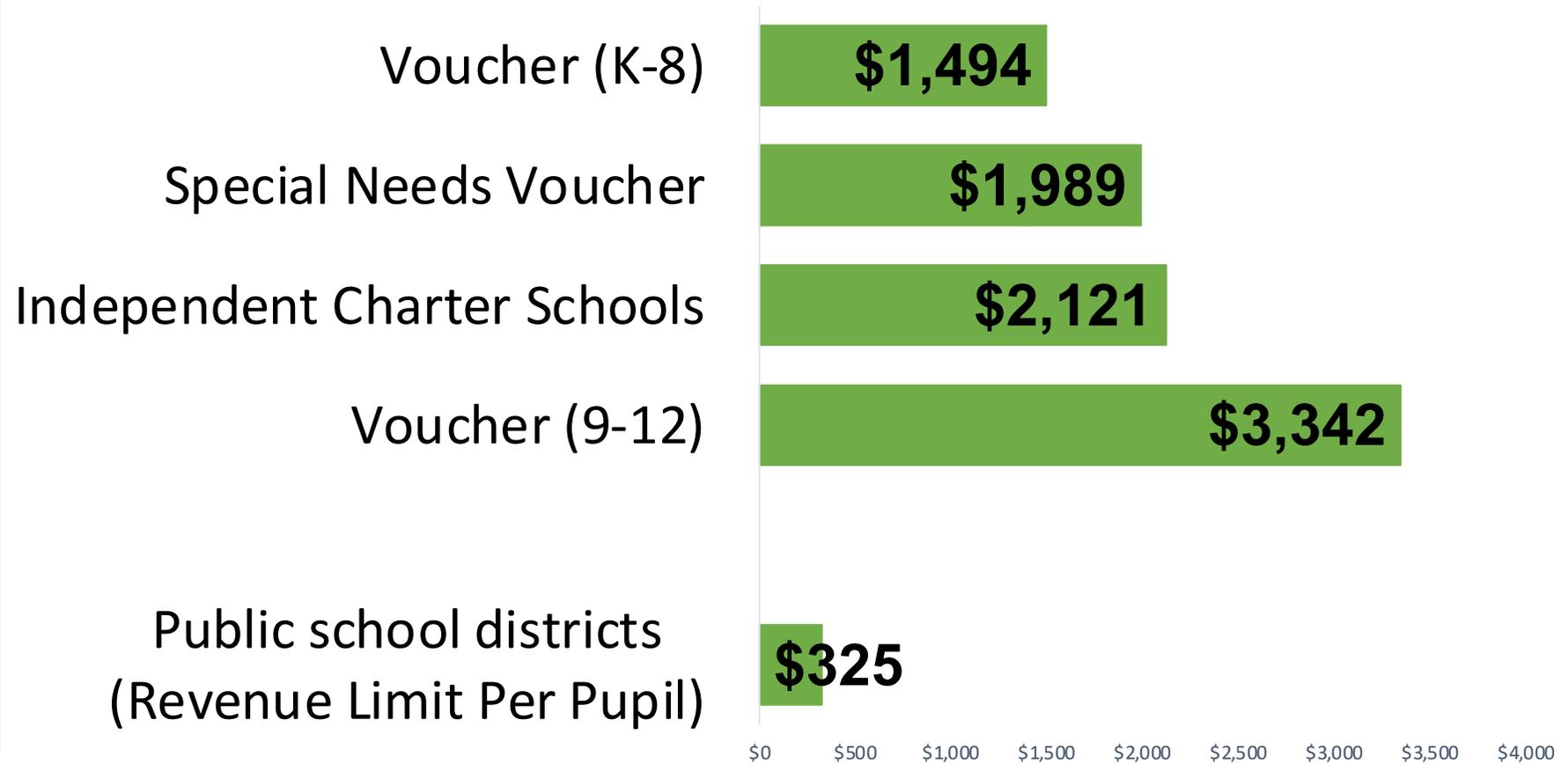
In process: Proposed legislation to remove this trap for the future – Stay tuned

Highlights the **UNCERTAINTY** that plagues public school finance

2023-25 State Budget:
Change to Per Pupil Payments
by School Type

FY 24 Change to payments over prior year (\$)

**Impact on
levy of
voucher
payment
increases**



Difficult choices on horizon

Revenue limit increases included in 2023-25 state budget are welcome, but...

Many school districts still will face difficult decisions over next two years:

Make cuts?

Run deficits?

Consider referendums?

Cuts?

Increase class sizes

Leave staff vacancies open

Delay compensation increases (risk attrition amid shortages)

Cut programs important for post-pandemic recovery: engagement opportunities like arts, athletics

Cut in-demand specialty programs like CTE, AP

Prolong deferred maintenance

Close school buildings

Other options:

Deficits?

Referendums?

Operate at a deficit: Short term delay tactic: draw on fund balance, risk compromising cash flow

Operating referendum: Expend time, energy, political capital, sometimes only to arrive at a **SMALLER deficit (not influx of extra cash)**

- Districts most in need of referendum often at risk of failing (with added risk for those at low revenue ceiling)
- Some districts face exercising **ALL** of these options

Summary:

Key impacts of 2023-25 state budget on school budgets/levies

- ✓ October 13-31: We have all the puzzle pieces for final budget: Crucial time for communications around levy setting
- ✓ \$325/pupil is welcome, limited in impact – still far behind inflation
- ✓ Districts eligible for new \$11,000 low revenue ceiling might not be able/willing to absorb the levy increase that would result
- ✓ Some districts: Key driver of need to raise levy is payments to voucher schools: provides no resources to the district
- ✓ First increase in SLTC in many years: Tilted toward property wealthy districts

Communication is key

Complexity and interconnectedness of all of these factors call for:

Clear (transparent)

Consistent (repetition, development of key messages)

Continuing (year-round, not just budget time)

Communication

...about reality of state budget and local impacts

Many stakeholders:

Board, Staff, Families, Businesses, etc.

How to respond to and frame conflicting, over-simplified media accounts on impact of state budget on schools?

EDUCATION

Oak Creek teachers petition for pay increase as many reported considering leaving over pay

■ FOR SUBSCRIBERS POLITICS

Report: Wisconsin taxpayers are expected to see over \$1 billion in savings from the latest state budget

Gov. Evers boosted school funding for 400 years. Why some school leaders aren't impressed

[Hope Karnopp](#) and [Rory Linnane](#) Milwaukee Journal Sentinel

Published 8:32 a.m. CT July 20, 2023



Evers signs state budget that cuts income taxes, boosts spending for K-12 education

Communication Challenges

Explain: What 400 years of \$325 per pupil in revenue limit increases actually means:

Governor used partial veto pen to extend \$325 for 400 years. BUT...just as in any state budget, the legislature can try to change that in 2025-2027 budget and beyond

Nonetheless...it resets current law to \$325 (not zero) for future legislatures

Communication Challenges

Explain: School Levy Tax Credit

(vs. Equalization Aid)

Legislature appropriated more in SLTC (\$590 M) than Equalization Aids (\$543 M)

Likely reason? To blunt the impact of voucher payments and LRC increase on local taxpayers

School district levy goes down with Equalization Aid.
District budget/levy not affected by SLTC

Applied by municipality after school district certifies its levy
– Most taxpayers will see it reduce their taxes

Equalized Mill Rate Can Be Misleading!

What's wrong with this statement from fictional Fairly Normal School District?

“Our school district tax levy increased by 13%, but our equalized property tax base also grew by 13%, so our equalized tax rate stayed the same, which is great news for local taxpayers!”

Answer:

It suggests the tax bills will be flat. However, taxpayers in Fairly Normal will see a tax bill increase closer to the 13% school district levy increase. Only new added construction, not inflationary increases in the value of existing properties, will help offset the levy increase.

$$\frac{\text{School District Tax Levy}}{\text{Equalized Tax Base}} \times \$1,000 = \text{Equalized Mill Rate}$$

<u>Fiscal Year</u>	<u>State Ave EQ Val Change</u>	<u>Ave Net New Construction*</u>
2018	4%	1.60%
2019	4%	1.62%
2020	6%	1.60%
2021	6%	1.60%
2022	7%	1.60%
2023	14%	1.71%
2024	13%	1.74%

* Calculated on TID-IN values

Preparing the ground:

Transparent messaging around October levy

- What is actual impact of 2023-25 state budget on district finances
- Why levy/tax bills might go up
- Why district might need to go to referendum
- Connect levy decision to impact on kids and classrooms

Prepare the board for the levy vote – No surprises!

Prepare in advance: Easy-to-understand press release:

- ✓ Explain levy decision: Impact on kids
- ✓ Write it like a news story reporters can use
- ✓ Use as opportunity to highlight successes of district
- ✓ Include quote from school board president/superintendent
- ✓ Have ready the night of the vote (for board, media, etc.)

Create one-page school levy explainer: Work with municipalities to include as tax-bill insert (December)

Lead with mission: Keep kids in classrooms central to messaging!

**Communicating
the levy vote:**

Be the explainer



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