

To Levy or Not to Levy

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

2023 WASBO Fall Conference

October 5, 2023

Today's Themes

FOCUS ON REVENUE LIMIT

IMPACT OF REVENUE LIMIT PROVISIONS
IN 2023-25 STATE BUDGET AND
RELATED FACTORS

RESULTS MAY VARY

DISPARATE IMPACTS BY DISTRICT ON
USABLE REVENUE LIMIT AND LEVY

DIFFICULT CHOICES

CUTS? DEFICITS? REFERENDUMS?

COMMUNICATION IS KEY

ONGOING ADVOCACY/OUTREACH TO
EXPLAIN NEEDS & BUDGET IMPACTS

Key K-12 School Finance Provisions

2023-25 State Budget

Special education increase (from 31.4% in 2022-23 to est. 33.3%, likely lower – **much less than hoped for**)

Significant increase in voucher payments

Significant increase in School Levy Tax Credit, esp. in 2023-24

Increase in equalization aid but elimination of high poverty aid

Other: Mental health, sparsity, transportation, BLBC

\$325 per pupil revenue limit adjustment each year (**well below inflation**)

Low Revenue Ceiling increase to \$11,000

FOCUS

Impacts of revenue limit provisions

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 (revenue limits + per pupil aid)	Amount behind inflation (Cumulative)	National spending ranking (Census)	Context Notes
2009-10	4K	\$200	\$75	17th	1 st year of revenue limits
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	-\$201	\$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

Increased **use of operating referendums** – 2022 had highest number of operating referendums since at least 2000 (but passage dropped in 2023 – 83% to 52%)

In some cases: **deficit spending**/cutting into reserves (at least temporarily)

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

Results may vary:

Districts positioned differently

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

Disparate impacts by district

Impacts on property tax levies?

How much new revenue limit authority will districts actually have?

Impact of new revenue limit authority in Fall of 2023

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

But many districts may find themselves in one of two unfavorable positions

Position 1

They will have to increase the levy and still not see much, if any new spending on schools

Position 2

They determine they cannot make full use of new revenue limit authority (will have to under levy)

Position 1: Increase levy/Minimal new spending

**Impact of
new revenue
limit authority
in Fall of 2023:**

**Contributing
Factors**

Elimination of high poverty aid
(affects 130 school districts)

Higher payments to private voucher schools

Effect of relative share of state equalization
aid (depends on shifts in property wealth,
enrollment, prior year costs)

Position 2: School district decides to under levy

**Impact of
new revenue
limit authority
in Fall of 2023:**

**Contributing
Factors**

Determine community cannot absorb large spike in levy: Decide to leave some authority on table to protect taxpayers

Especially affected: Districts subject to the Low Revenue Ceiling (up to \$1,000 new authority)

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

Consider: 1st year using it will be mostly on levy, but second year, shared costs could drive up aid

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



Underlying drivers



Previous biennium kept revenue limits frozen

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

Driven by **LOCAL** factors (economic, political, historical, cultural) that determine whether a community can absorb a given levy increase

Factors driving district decision to max out revenue limit

Key Question:

How much will taxpayers be willing to shoulder to meet these needs?

Compensation costs

Continued tight labor market/staff shortages

Competition with private sector driving up wages

Increasing educational costs (esp. post-pandemic): academic recovery, newly adopted reading initiative in state budget, special education, social-emotional supports, mental health...

Inflationary increases in operating costs: Fuel, utilities, supplies...

Facilities costs: Deferred maintenance and mounting capital needs

What else?

Other factors influencing levy decisions

End of ESSER

ESSER Expires September 2024: Use in 2023-24 could mitigate increase in levy in that year

Fiscal cliff in 2024-25? Options for school districts:

- Increase levy in 2024-25
- Run an operating referendum
- Both?

Other factors influencing levy decisions

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

Safety nets in formula: Limited impact as stop gaps (long term, costs do not go down as fast as lost revenue)

- 3-year rolling average
- Declining enrollment and hold harmless adjustments

Three quarters (314) of districts school districts were in declining enrollment in 2022-23=> **Stand to lose adjustments** (counteracts gains from the \$325 increase or \$11,000 Low Revenue Ceiling)

**Declining
Enrollment**

\$325
is not a
game
changer

Represents between 1.3% and 3.3% increase in 2023-24 base revenue limit

Not a windfall compared to inflation, even recent relatively low CPI readings (3.7% as of August 2023)

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

Note: 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 pp or 2023-25 budget language corrects this *for now* for all but one district

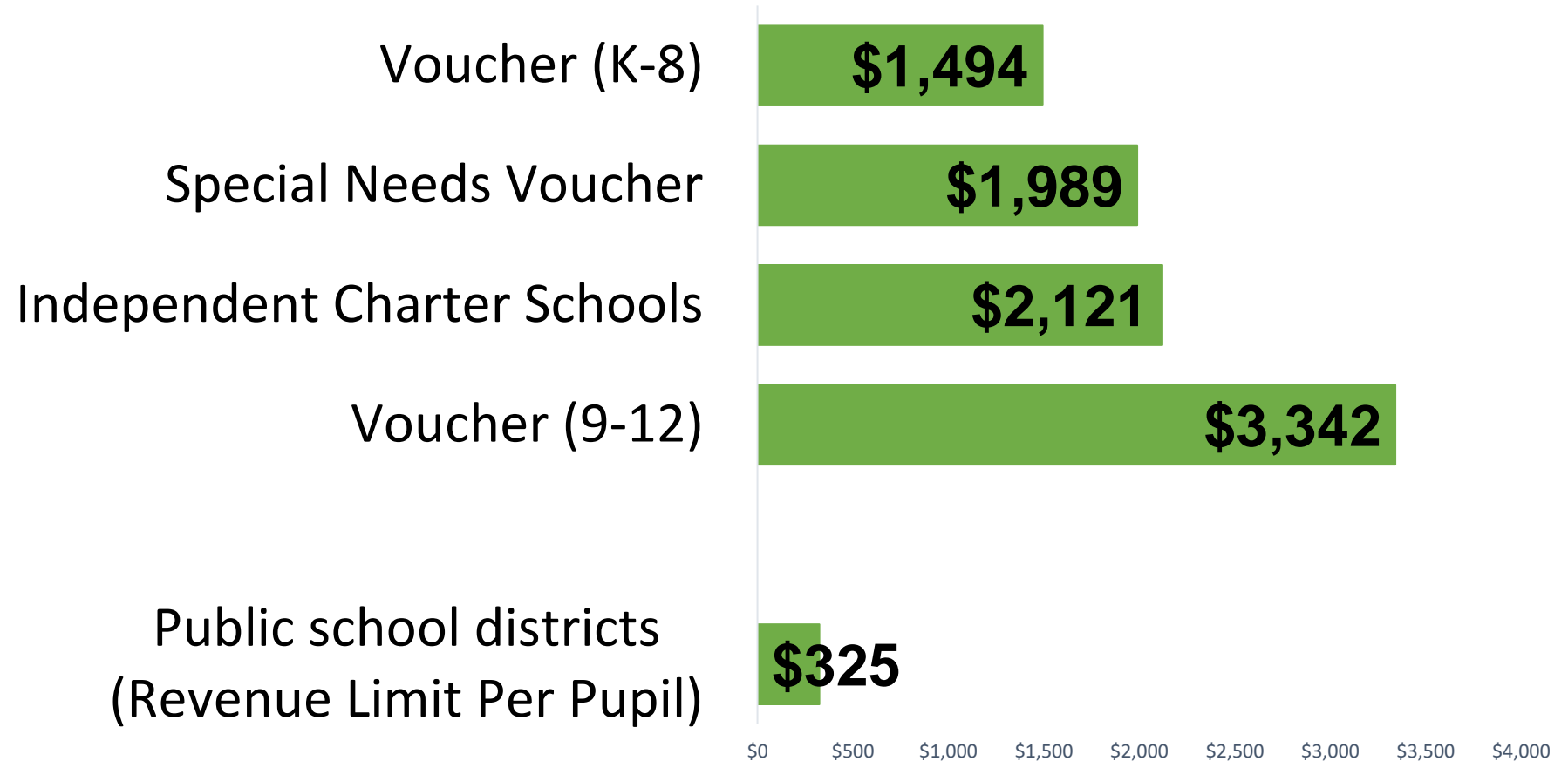
In process: Proposed legislation to remove this trap for future budgets. Stay tuned...

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

Impact of voucher payment increases?

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

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



Impact of voucher payment increases?

ACE
Classifieds

milwaukee journal sentinel

Sports Packers Business Suburbs Advertise Obituaries eNewspaper Legals

Is this 'an expansion' of the voucher programs?

Vos has said the bill would be the “largest expansion of school choice since the program was originally founded.” But the bill doesn’t expand the number of vouchers available in each school. It does increase the funding per voucher by more than ever before, according to a Journal Sentinel analysis of [state data](#).

That boost could lead to private schools opening up more seats for students who use vouchers. There’s no legal cap on how many students can participate in the Milwaukee program, and the [caps on the other programs are set to expire in 2026](#). Students will still be subject to other [requirements](#), including family income caps. [[Link](#)]

Factors that could **REDUCE** individual property taxes

Within
district
budget/
control

Increase in equalization aid approp.
Expiring nonrecurring referendum

Outside
district
budget/
control

Increase in SLTC
Increases in County and Municipal Aid



Factors that could **INCREASE** individual property taxes



High voucher school enrollment

Elimination of high poverty aid

Reduction of declining enrollment/hold
harmless exemptions

New referendum

Difficult choices on horizon

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

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

Make cuts?

Carry 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 using up fund balance, risk compromising cash flow

Difficult but necessary? Expend time, energy, political capital needed to run **operating referendum** – 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 LRC)

Some districts face exercising ALL of these options

Budget balancing choices carry real tradeoffs

Stabilize budget
using cuts, deficits,
referendums



Impose real but intangible
consequences in the forms of:

- Educational quality
- Academic outcomes
- Organizational culture, burnout, attrition
- Operational efficiencies
- Community trust in school district and its leaders



**Rule of 4 Cs:
Communicating
all of this to your
community**

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 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

**Challenges
communicating
impacts of the
2023-25
state budget**

What is the school district going to do with all of that new funding?

Will my taxes go down?

Why is the district cutting programs? Running a deficit?

The state budget just gave schools 400 years of stable funding! What do we need a referendum for?

Why are teachers asking for more money? Can't the district afford to pay them more to stay? Come?

What else are you hearing?

Preparing the ground:

Transparent communications around October levy setting

Why are you projecting a deficit, despite the “windfall” in the state budget?

What budget challenges require the district to consider going to operating referendum?

How will the expiration of your nonrecurring referendum create your very own “fiscal cliff”

Why are referendums (recurring on nonrecurring) the new reality for your school district?

Why aren't you able to use your full levy authority?

Why isn't your school district seeing an influx of cash (e.g., impact of lost hold harmless exemptions)

Communications challenges that could be helpful

Explain: School Levy Tax Credit

(vs. Equalization Aid)

Legislature appropriated more in SLTC (\$590 M) than equalization aids (\$543 M) to blunt the impact of voucher payments and LRC increase => 1st increase in many years

- could soften school levy increases

Explain SLTC in context of EQ Aid: Both are forms of tax relief. EQ aid is to provide tax relief to poorer communities.

SLTC effectively does opposite

School district levy goes down with EQ Aid. District budget/levy not affected by SLTC, but taxpayers will see it reduce their taxes

**Bright
spots**

Communications challenges that could be helpful

Explain: What 400 years of \$325 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 change that in 2025-2027 budget and beyond

Nonetheless...provides **much-needed stability**, paves the way for longer-range budgeting, planning, decisions – potential for better programs, lower costs,

Gives district leaders more room to act as creative problem solvers, wise stewards, fierce advocates for kids, and schools

**Bright
spots**

Takeaways

October 15-31: We have all the puzzle pieces for final budget: Crucial time for communications around levy setting

\$325/pupil is welcome, but might not be enough to avoid increasing the levy

Communities eligible for new \$11,000 LRC 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:
Will lower individual tax bills in affected areas

Advocacy is a year-round sport

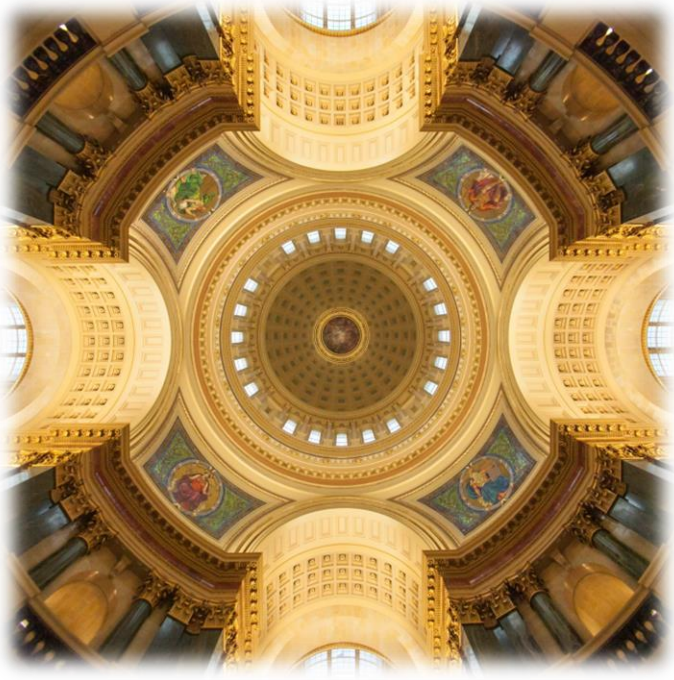
Key: Build community understanding/good will about interplay of all of these factors year-round

Advocacy and communication is ongoing project to cultivate/strengthen relationships with your stakeholders:

- Families
- Taxpayers
- Businesses
- Legislators

...before, during, after state budget adoption

**Political context for
2023-25 session and
ongoing K-12 finance
advocacy**



Successes from the 2023-25 state budget

Outlook for remainder of 2023-25 legislative session

Planning for next state budget starts again in January of 2024!

What will be our priorities?

What strategies will we employ?

How will we build coalitions with common message and voice?

Questions & Discussion



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