

School finance and the 2023-25 state budget

Where we are now | What schools need | What the state can do

WASBO VIDEO EXPLAINER: MAY 2023

WASBO: Who we are and what we do



Mission

To provide professional development, foster a network of support, and advocate for funding that ensures **outstanding educational opportunities for all children in Wisconsin.**

Understanding the link between the K-12 education and the state budget



Where are we in the state budget process?

What is the state's role in funding local schools?

What are the main challenges schools need the state to address in the budget?

How could state investments leverage the most benefit for the most students?

Education in Wisconsin: A snapshot



820,000 students in 421 school districts
and over 2,300 schools across the state

K-12 school aids: $\frac{1}{3}$ rd of state's general fund
(much of which acts to lower property taxes)

Primarily a small school district state:
Median size – 887 students

How are our kids doing?

90% graduation rate, 3rd in nation 8th gr. math
Largest black-white achievement gaps in nation

State budget process timeline

September

Governor Evers
and State
Superintendent
Underly
announce
shared 2023-25
budget priorities

**February
2023**

Governor
delivers
Biennial
Budget
Message

May

JFC begins
executive
sessions –
Decision-making
phase

**December/
January**

Governor
holds public
listening
sessions and
delivers State
of State
address

**February
through April**

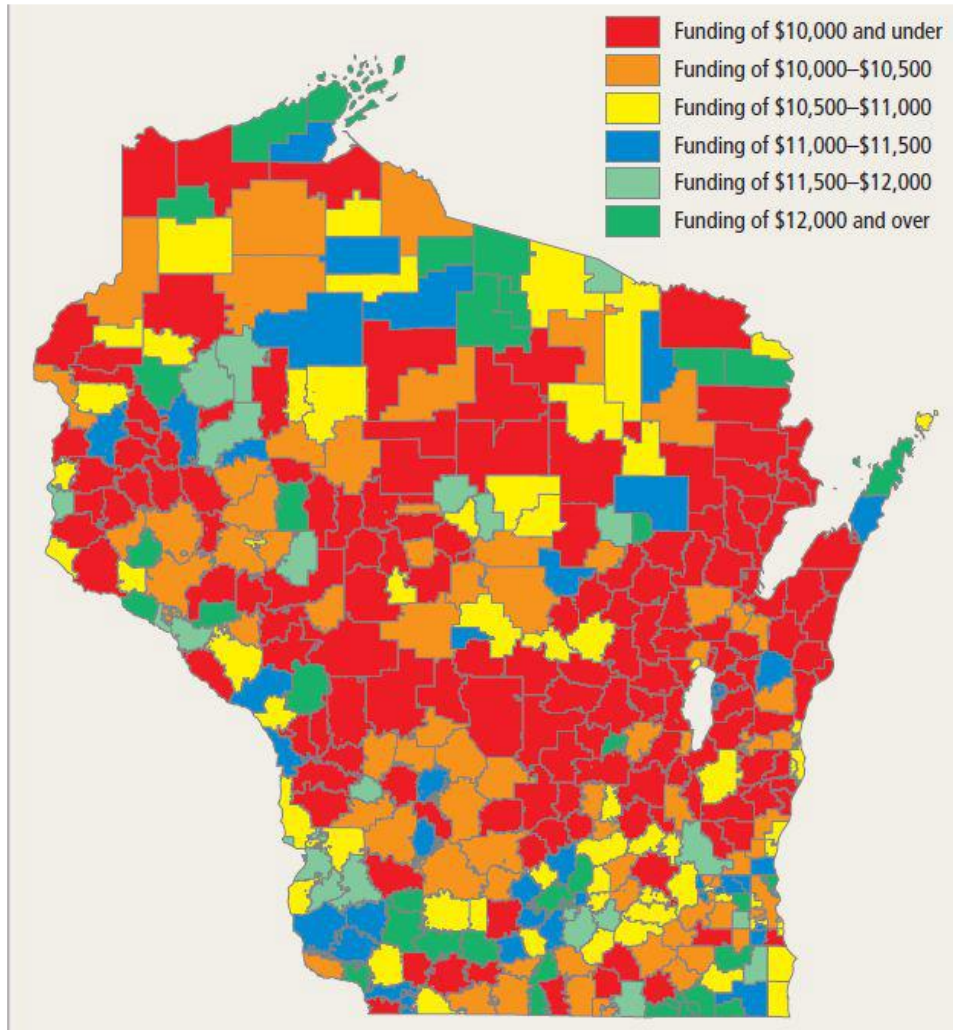
Joint Finance
Committee (JFC)
receives budget,
holds public
hearings

June

JFC finishes its
budget proposal,
sends to both
houses of
legislature.

If approved, goes
to Governor to
sign or veto

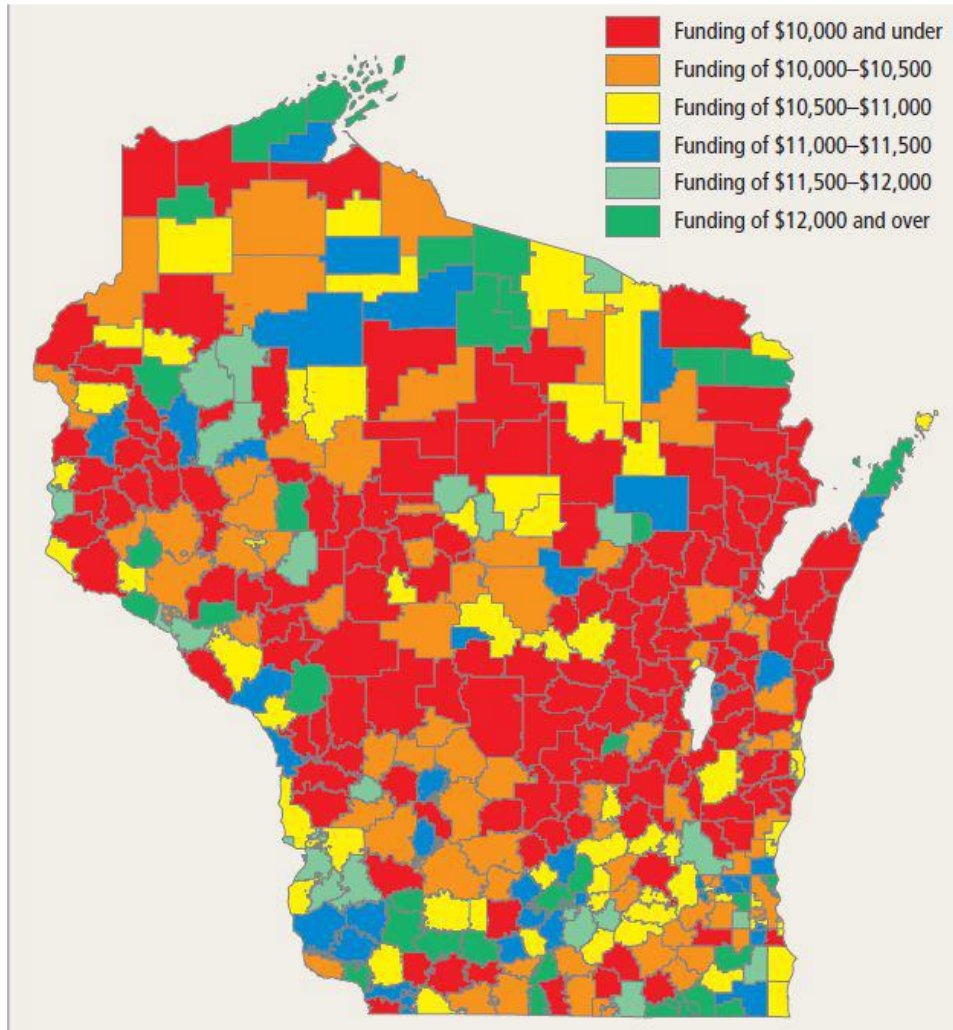
Revenue Limits: A short history



Low spending districts in 1993-94 have been locked in” to low per pupil spending ever since

2022-23: Highest revenue limit (\$26,356) was more than double lowest (\$10,006)

How have districts coped with low revenue limits?



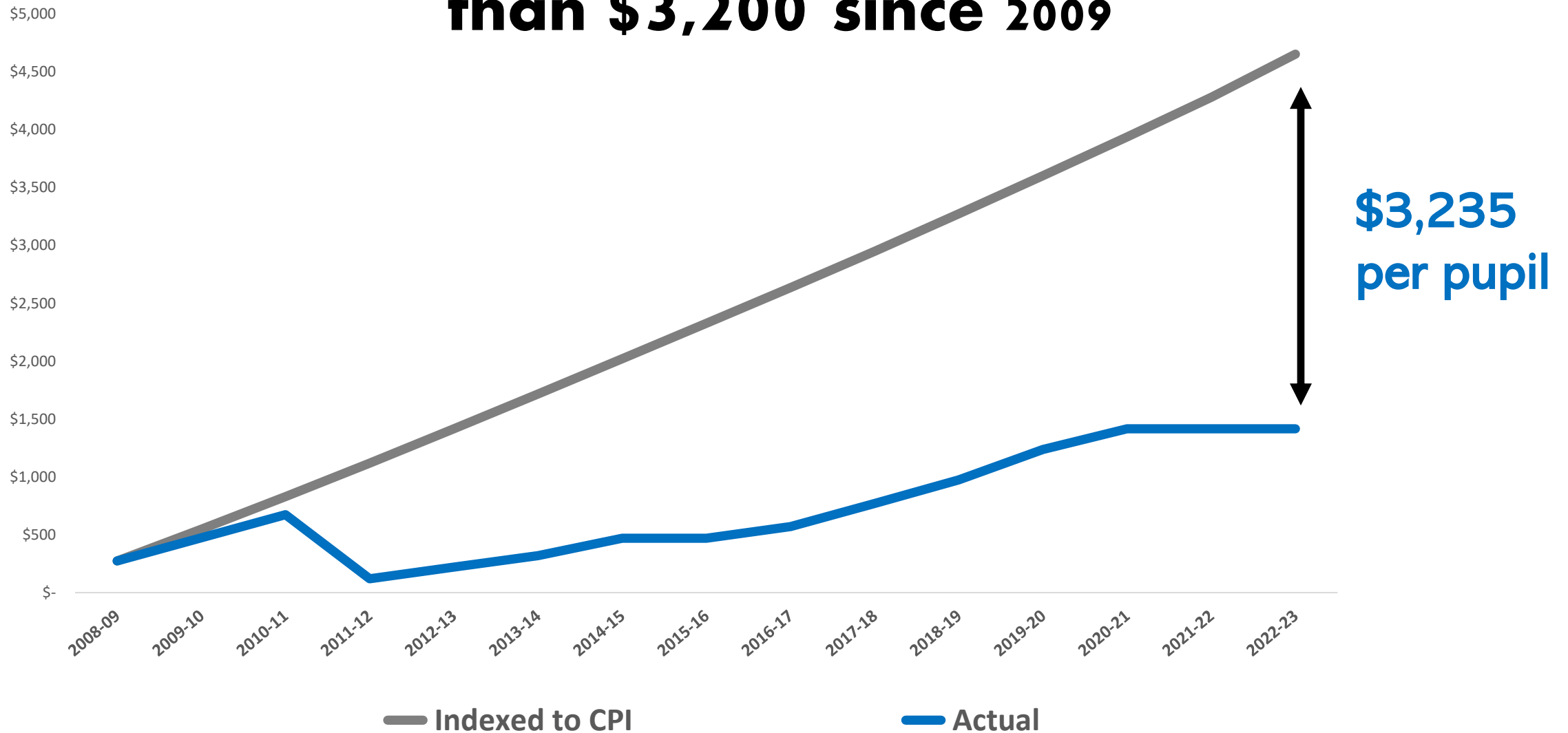
Some have been able to resort to operating referendums:

Past decade (Since Act 10): 259 districts (~62%) went to referendum to raise revenue limit

Past 5 years: More than half HAVE NOT passed a levy override to increase revenue limit

BOTTOM LINE: Many districts have not had referendum as option for relief => **widens gaps**

Per pupil revenues lag inflation by more than \$3,200 since 2009



Frozen revenue caps and ESSER pandemic aid



Lawmakers **plugged \$2.4 billion in federal COVID relief (ESSER) for public schools** into 21-23 state budget **to keep revenue caps flat** for two years.

ESSER aid runs out in 2024. Many districts have already expended it on pandemic disruption and academic recovery.

With historic inflation and frozen revenue limits, many districts have been forced to use pandemic aid to cope with ongoing operating costs.

Result: Budget holes and fiscal cliffs

Result of inflationary lag: Wisconsin's drop in per pupil spending ranking

#11 in 2002 – **11% above** national average

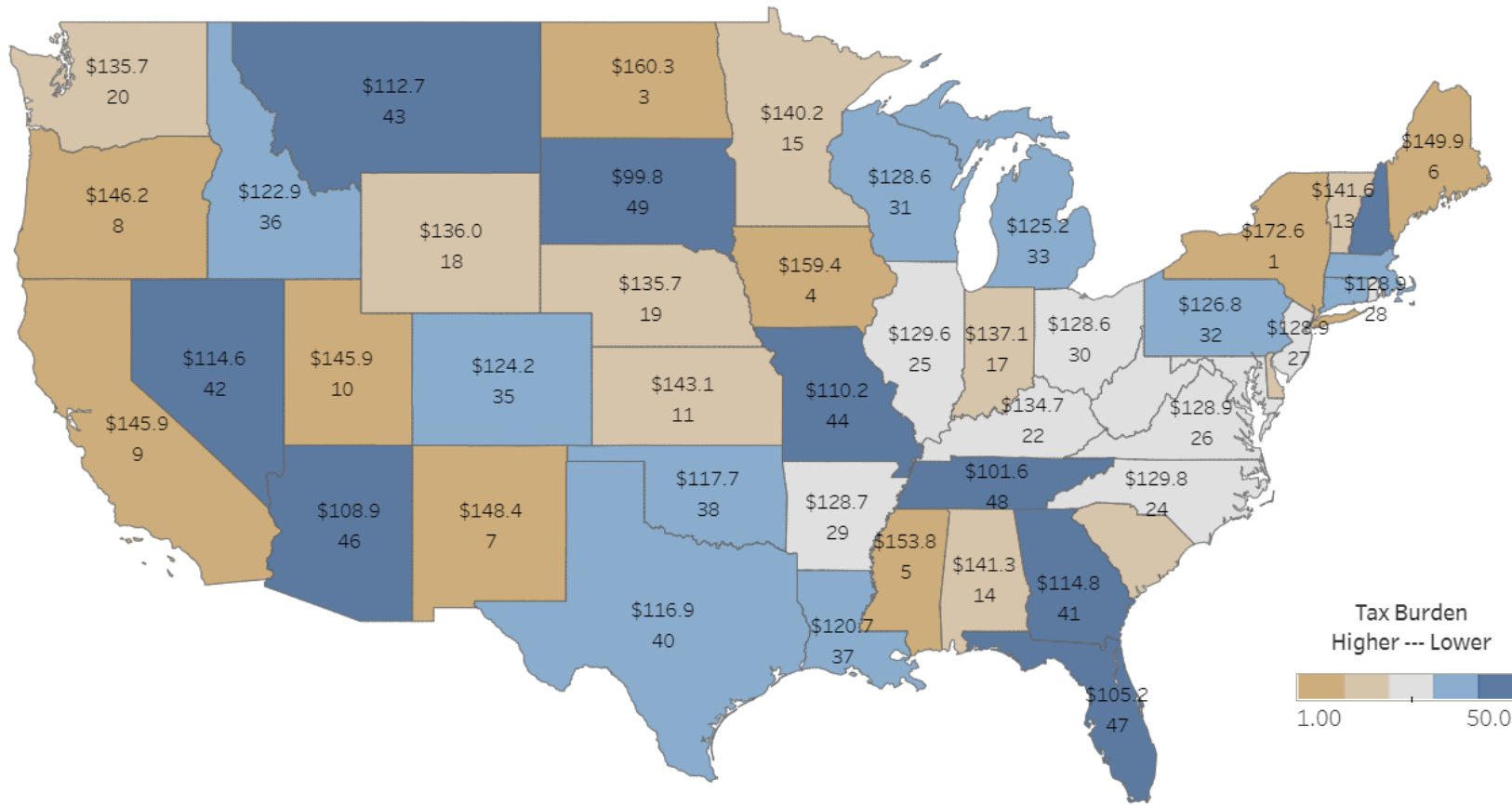
Largest drop in rankings of any state –
and that was *before* 2021-23 funding freeze



#25 in 2020 – **5.6% below** national average

Wisconsin's state and local **tax burden** is among lowest in region

State and local **taxes and fees** revenues per \$1,000 of personal income (2019-20)



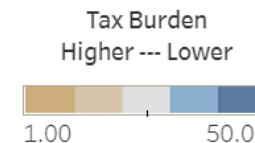
Michigan: \$125.2

Wisconsin: \$128.6 per \$1,000
(National Rank: 31)

Illinois: \$129.6

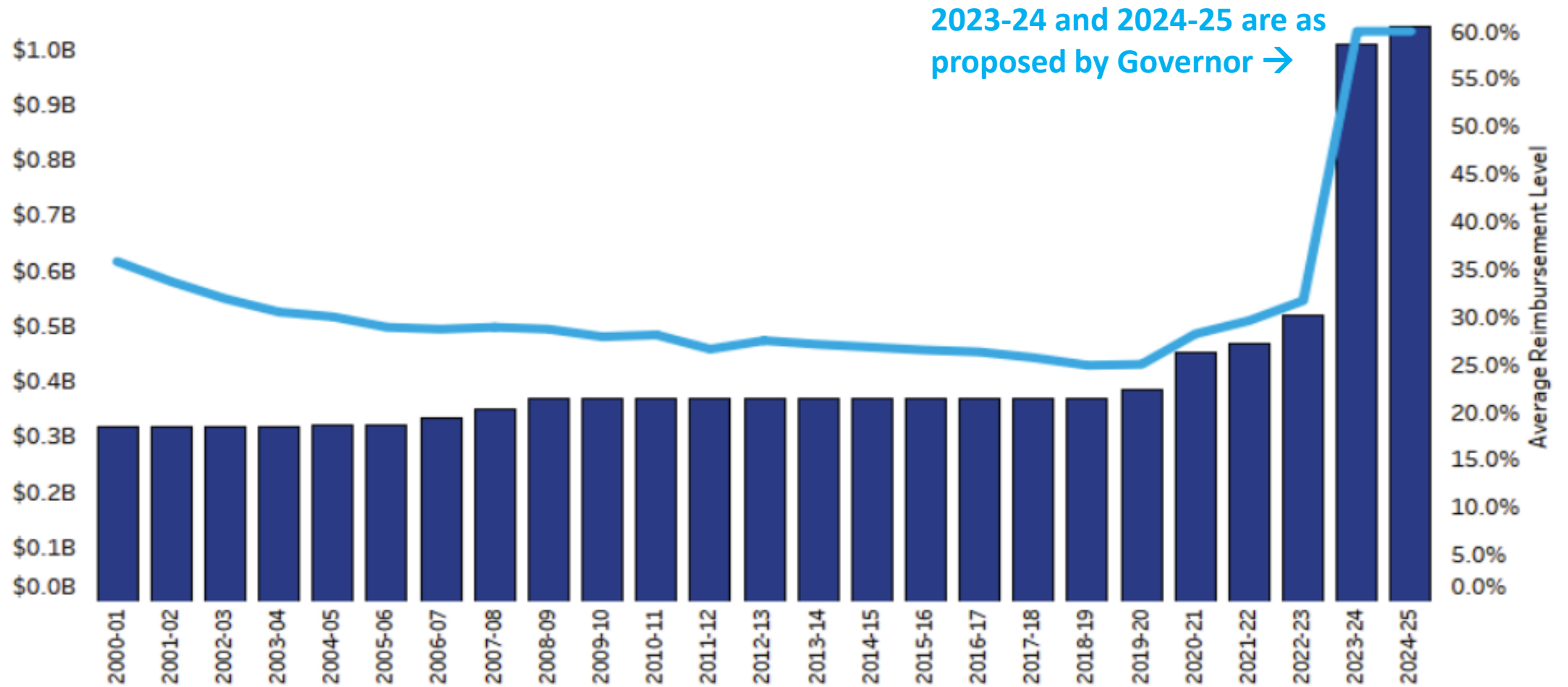
Minnesota: \$140.2

Iowa: \$159.4



State reimbursement for special education **well below costs**

Special education aid (**dark blue**) and reimbursement rate (**light blue**)



Sources: Legislative Fiscal Bureau, Department of Administration. *2023-24 and 2024-25 amounts are as proposed.

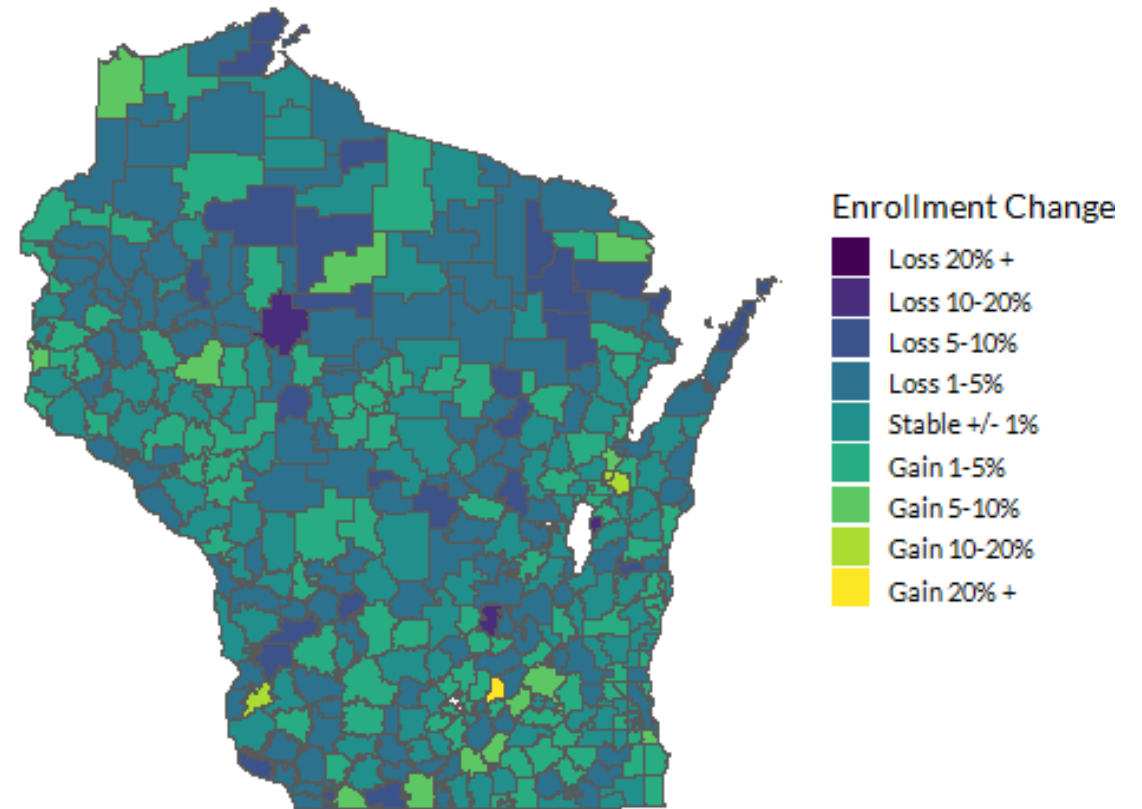
Enrollment: Declining and concentrated

Almost **three quarters** of districts are in declining enrollment (compared to 59% in 2007)

Students are concentrated: 75% of students are located in just 30% of districts.

More than half of our students attend districts with fewer than 1,000 students.

Percentage Change in Enrollment from 2005-06 Base
School Year 2006-07



Educator shortages

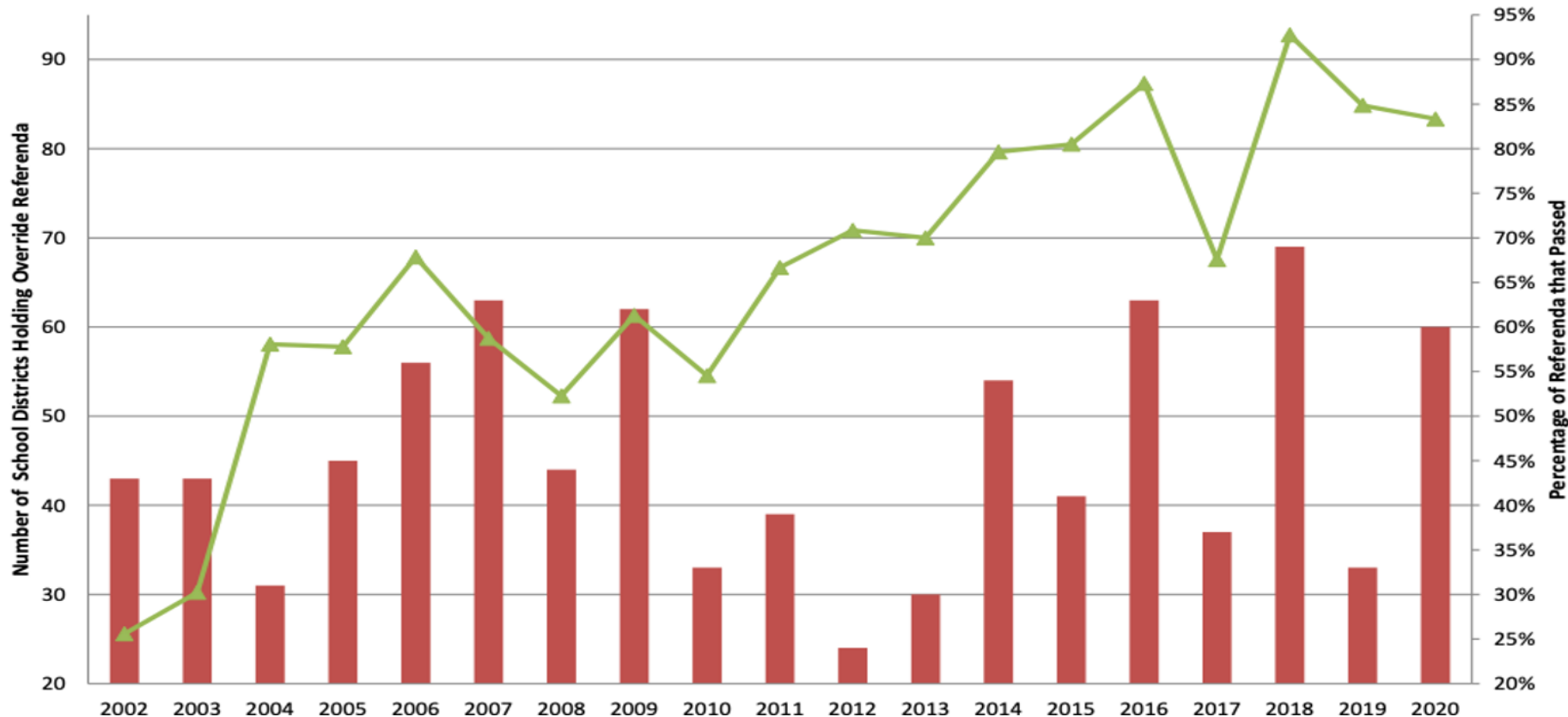


August 2022 DPI Survey: **91 percent of** school districts **faced challenges finding enough staff** to operate the district in 2022-23

Retention challenges: By the 5th year of teaching, one third of teachers who started their careers in Wisconsin have left the state, and over half have left the district

Rise in school referendums...but...

Number of School Districts Holding Revenue Limit Override Referenda (bars) and Percentage that Passed (line), 2002 to 2020



2022

92 operating
referendums –
83% passed

2023

54 operating
referendums –
52% passed

Districts are budgeting blind while waiting for state budget



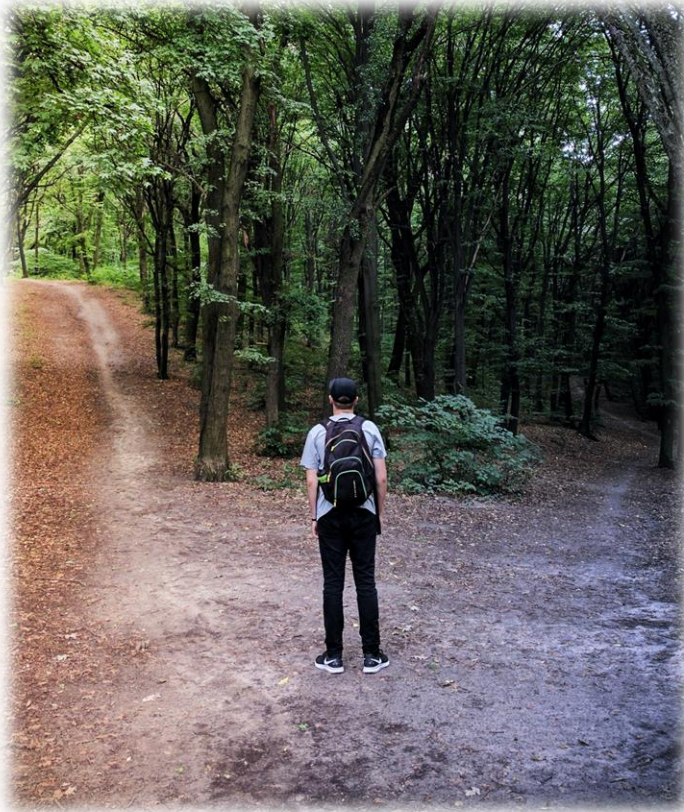
School districts are building 2023-24 budgets now

State revenues for schools will not be set until 2023-25 state budget is adopted – June at the earliest

Final revenue limit and state aid numbers will not be final until fall 2023

Meantime – contingency plans, regular communication with board, staff, community

Budgeting amid uncertainty



Temporary stop-gaps: Defer maintenance/tech, delay filling positions, other unsustainable gymnastics

Increased use of fund balance

Referendum to exceed levy limits – risky, not available until spring 2024

Last resorts: Staff and program cuts, larger class sizes, delay compensation

Historic surplus: Room for optimism?

Focus on key K-12 funding priorities



- ❑ **General, flexible, spendable dollars:** Combination of inflationary revenue limit adjustment and per pupil aid PLUS increases to low revenue ceiling
- ❑ **Special education:** Categorical aid reimbursement: Substantial increase over current 31.7%
- ❑ **Mental health:** Broad-based, sustainable flexible categorical aid (not grants)

Inform state budget decisions: Help tell your local schools' story



Beginning of May 2023: Last chance to reach out to policymakers – Contact your legislators, JFC, media

3 big priority focus: **Helps all districts meet their specific needs, keeps message consistent**

After pandemic and two years of frozen funding, what **would new spendable dollars mean for your students?**



Wisconsin Association of School Business Officials

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