



Fiscal Cliff Ahead!

District Level Budget Outlook

WI State Education Conference
January 2023

Our Fiscal Cliff is
Created by a
Combination of
Financial &
Demographic
Factors





#11 2002 WI Rank in Per Pupil Spending

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

#25 2020 WI Rank in Per Pupil Spending



+11%

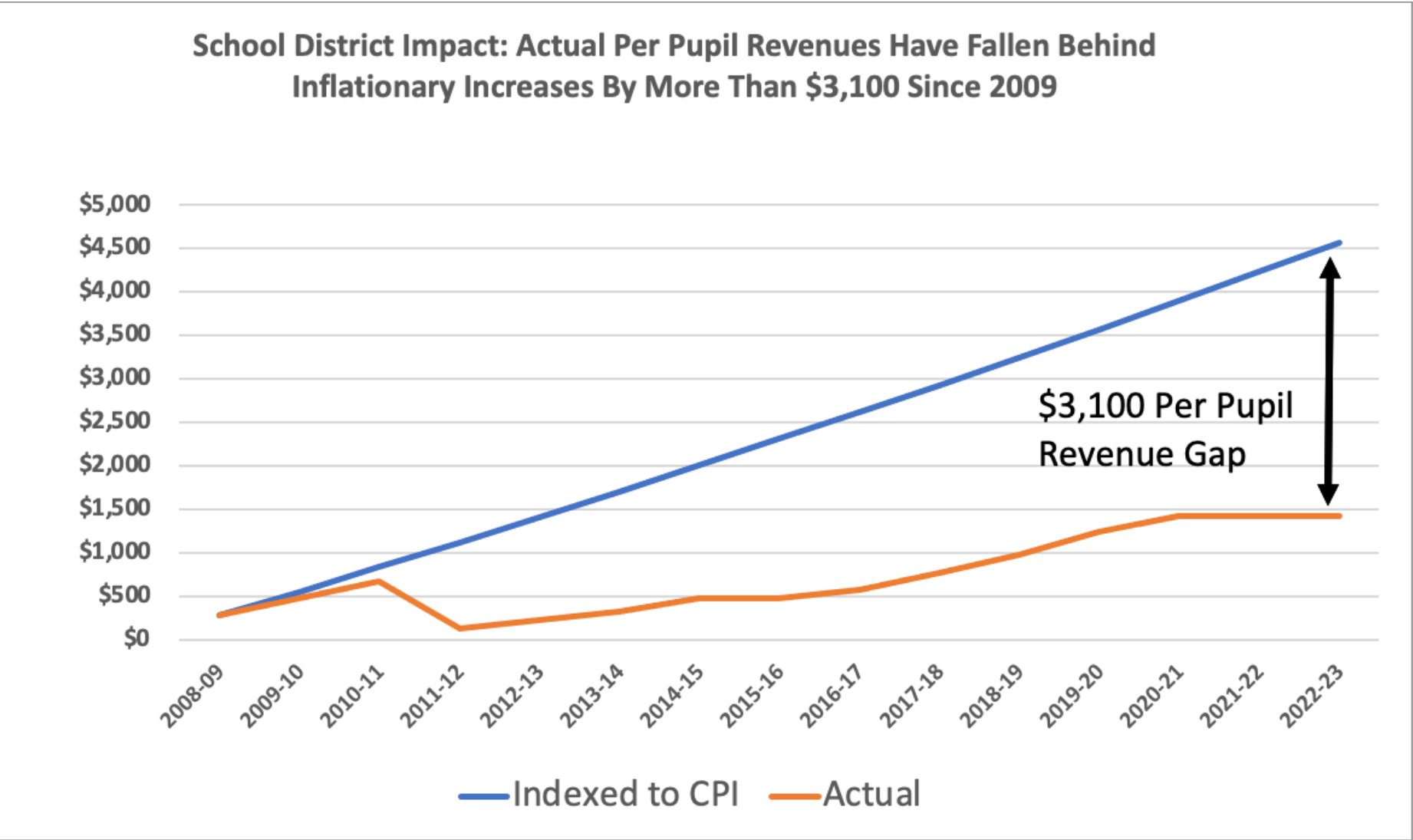


-5.6%

Above the National
Average in 2002

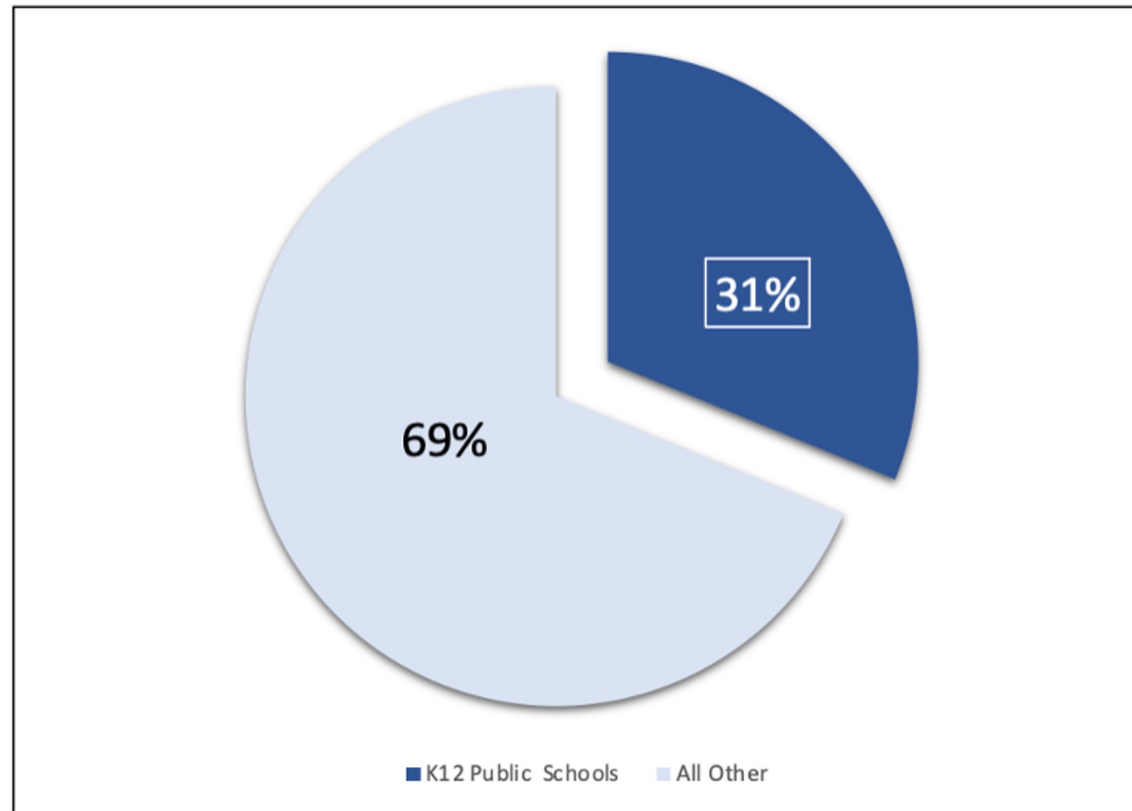
Below the National
Average in 2020

**School District Impact: Actual Per Pupil Revenues Have Fallen Behind
Inflationary Increases By More Than \$3,100 Since 2009**




Share of State GPR for K-12 Public Schools 2011 to 2021

2021 = 31% to Public Schools





“Wisconsin’s state and local tax burden fell in 2022 to its lowest level on record. Local taxes as a share of income have never been lower in more than a half century of data, and state and federal taxes on families and businesses are also near historic lows.”



Fiscal Cliff:

It's More Than the ESSER Spend Down

| | | | | | | | | | |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|
| Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
| 125,058 | 125,487 | 124,000 | 124,450 | 154,568 | 56,845 | 110,000 | 150,000 | 35,000 | 95,054 |
| 97,511 | 99,011 | 99,216 | 101,090 | 101,684 | 101,962 | 124,500 | 125,000 | 154,000 | 95,000 |
| 154,200 | 110,000 | 89,000 | 50,000 | 12,700 | | | | | |



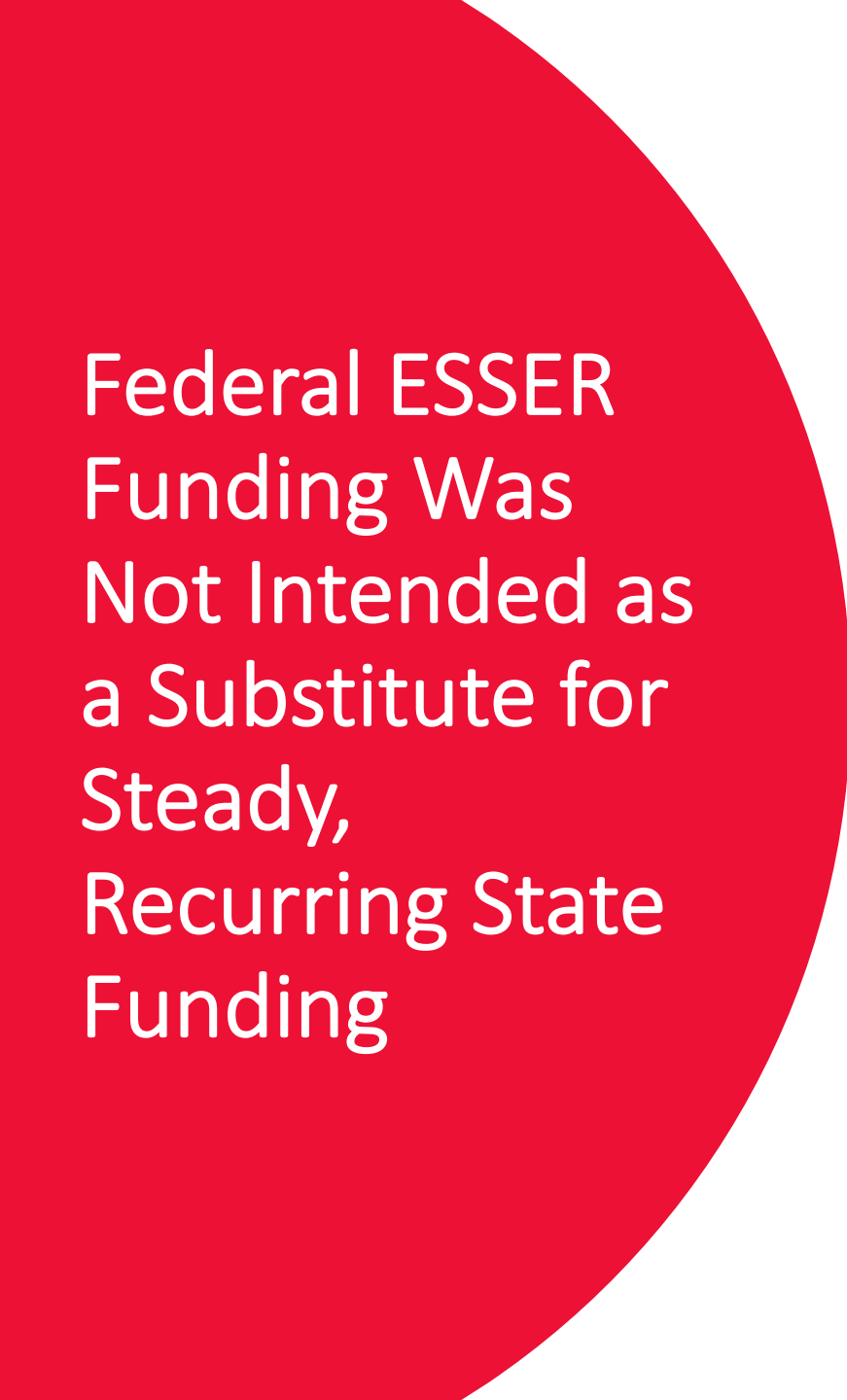
Cliff Factor #1:

ESSER Funds
expire Sept 2024,
midway through
the next state
budget

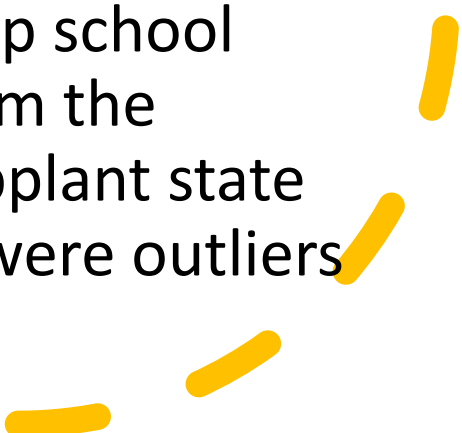
ESSER “pandemic aid” used to sustain regular school operations



Much of the \$2.6 billion in federal pandemic relief for Wisconsin school districts was **redirected towards regular, ongoing school operations**, primarily because the WI Legislature **kept school district general revenues flat** for two years (2021-23)

A large red circle on the left side of the slide, partially cut off by the edge.

Federal ESSER Funding Was Not Intended as a Substitute for Steady, Recurring State Funding

- Most of the Federal ESSER funding was distributed based on the Federal Title I eligibility formula, with wide variations per-pupil
 - ESSER is a one-time revenue, limiting its usefulness to fund recurring expenditures such as personnel
 - ESSER funds must be spent or forfeited by September 2024
 - ESSER funding was intended to help school districts cope with and recover from the pandemic; it was not meant to supplant state funding (WI, NY and a few others were outliers among the states)
- 
- Several short, thick yellow lines of varying lengths and orientations in the bottom right corner of the slide.



Cliff Factor #2 Declining Enrollment

Under Wisconsin's per-pupil funding model, our school districts do not shrink well, as costs do not decrease in tandem with enrollment decreases.

Under per-pupil funding model, districts do not shrink well

Impact of declining enrollment

At first glance – funding by student count makes sense – as districts grow, expenses grow, funding follows

Reality in declining enrollment world - costs do not fall in step with enrollment declines

The impact is **ACUTE** for small, rural districts in Wisconsin

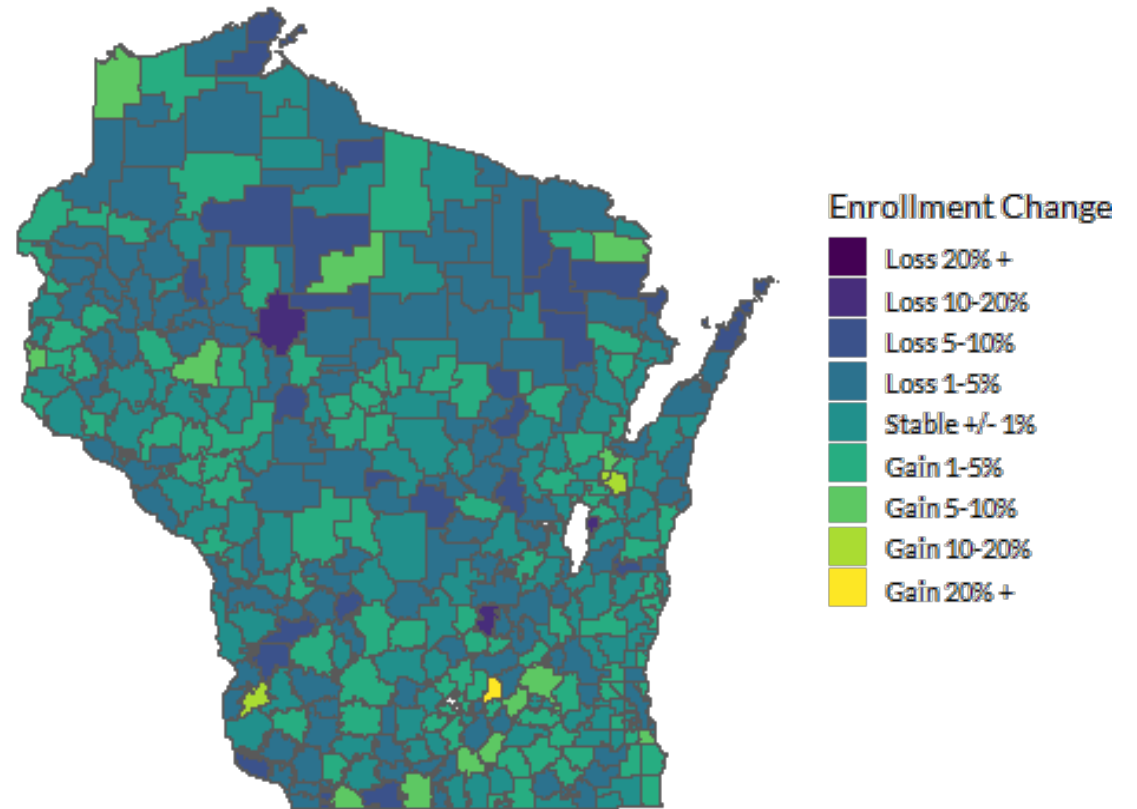
Enrollment: Declining and concentrated

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.

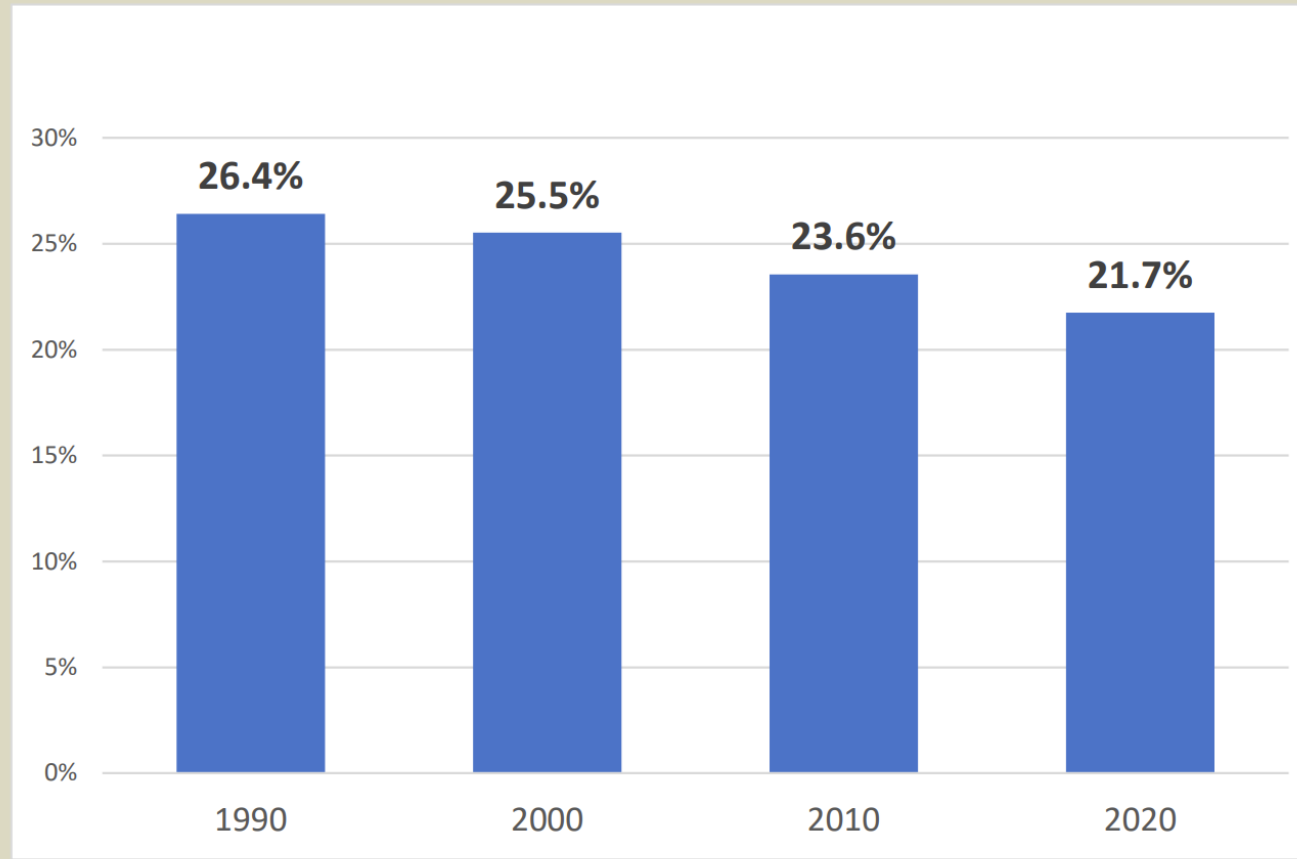
More than half of our students attend districts with fewer than 1,000 students.

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



School-age population share is falling

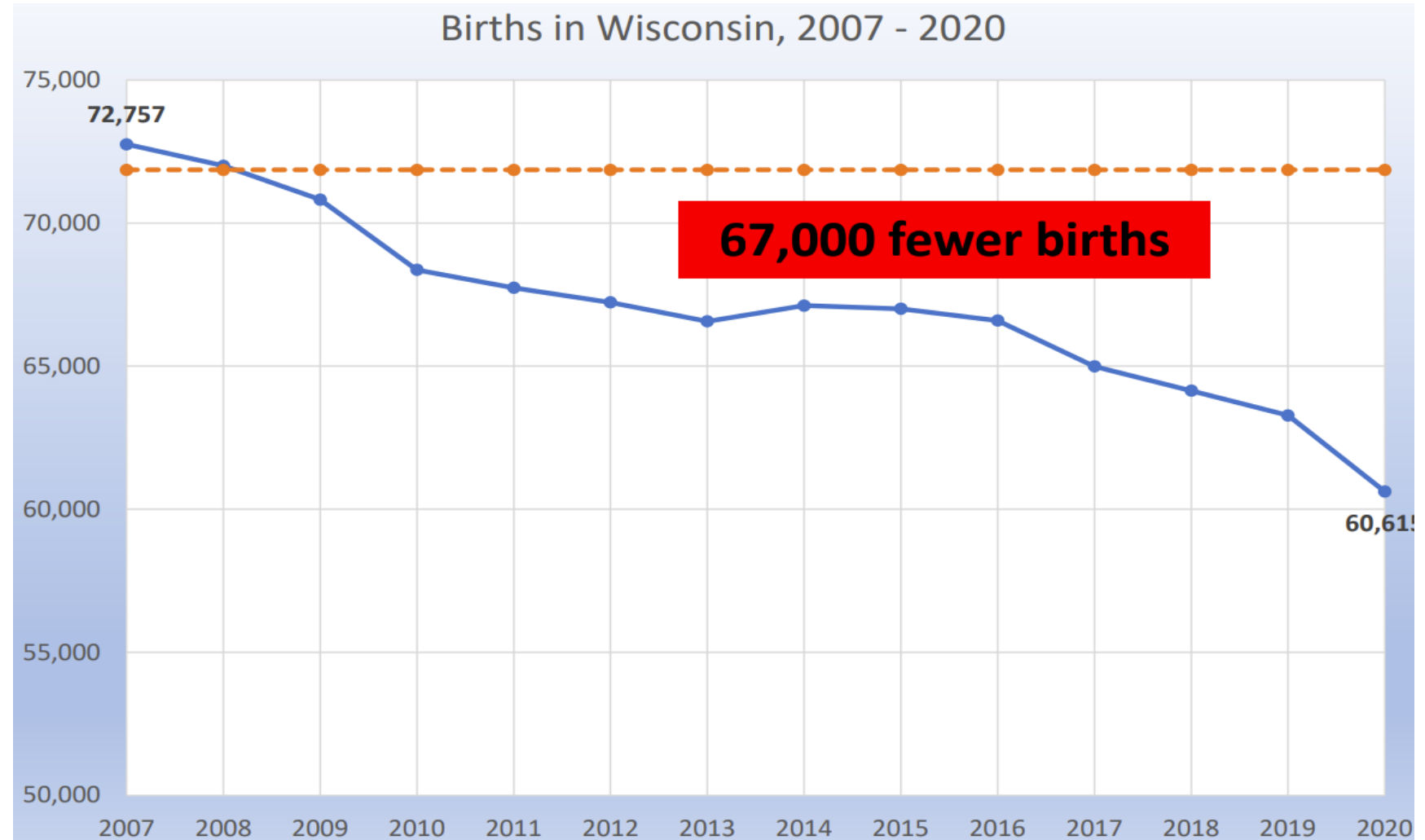
Age 0-17 Share of Population, 1990-2020



Source: U.S. Census

Decline in school age population: Fewer births

17% decline in annual births since last peak year of births (2007) – just before Great Recession





Cliff Factor 3:

Inflationary
Pressure on Local
School Budgets,
Impacts Labor
Agreements

Inflationary Factors:

CPI 2022: 4.70%

CPI 2023: 8.01%

(est. based on WERC's calc)

- ✓ Staff wage and salary expectations will be higher due to inflationary pressure
- ✓ Labor shortages are driving up costs for teachers and support staff
- ✓ Inflationary increases impact even ordinary expenses – fuel, food, supplies
- ✓ Construction/Capital Maintenance costs, and cost to borrow funds continue to increase rapidly



Cliff Factor # 4:
Lack of Stable
and Predictable
School Funding

Lack of Stable and Predictable School Funding

- ✓ WI school district revenue increases (if any) have been hard to predict, but **generally anemic** since the Great Recession in 2009
- ✓ Securing routine funding to operate the schools has become a **time-consuming drama** every two years
- ✓ School districts are maintaining larger General Fund Balances as a **defensive strategy**, to reduce risk
- ✓ Districts turning to **levy override** referenda as a local revenue strategy more than ever, but it doesn't work for everyone



WISCONSIN

POLICY FORUM

THE ASTOUNDING STATE SURPLUS

The state has run ever larger surpluses in recent years, setting up an unprecedented opportunity for new state spending, reduced taxes, or both in the next budget. However, elected officials still need to factor in the impact of inflation, the risk of recession, mounting needs at the local level, and the fact that recent projections have missed the mark and could do so again.

Projected Budget Surplus - June 30, 2023:

\$7.0 billion

Required Rainy Day Fund:

\$1.7 billion

Combined Total:

\$8.7 billion

Coping with Uncertain Funding for Schools

Compensating Strategies

- ✓ **Be aware** of dependency on a non-recurring revenue limit exception, or non-recurring ESSER funding (expires in September 2024). Both are major 'cliff' factors
- ✓ **Be patient** when developing your 2023-24 school district budget – local budget decisions are dependent on the 2023-25 state budget
- ✓ **Communicate** with staff, parents and community about realistic timelines and expectations for compensation, staffing, and program decisions

Coping with Uncertain Funding for Schools

Compensating Strategies

- ✓ **Stay Informed** through regional meetings, the associations (WASB, WASDA, WASBO, etc.) and other knowledgeable sources
- ✓ **Allocate** school board meeting time to a monthly update on the district's budget situation – an informal update is fine!
- ✓ **Advocate** for your school district – don't underestimate the power of direct communication with your legislators describing your local situation
- ✓ **Act Locally** via referendum to exceed revenue limits if necessary to sustain the viability of the school district and community