

# **Current State of School Finance in Wisconsin**

Where we are now | How we got here | What is ahead

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WASBO FALL  
CONFERENCE 2022

# Where we are now

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Frozen revenue caps and ESSER “pandemic aid”

Per pupil revenues lag behind inflationary change

Drop in Wisconsin K-12 spending rankings nationwide

Drop in share of GPR → Tax relief at expense of schools

# Frozen revenue caps and ESSER “pandemic aid”



\$2.6B in federal pandemic relief for Wisconsin school districts was **redirected for regular, ongoing operations**.

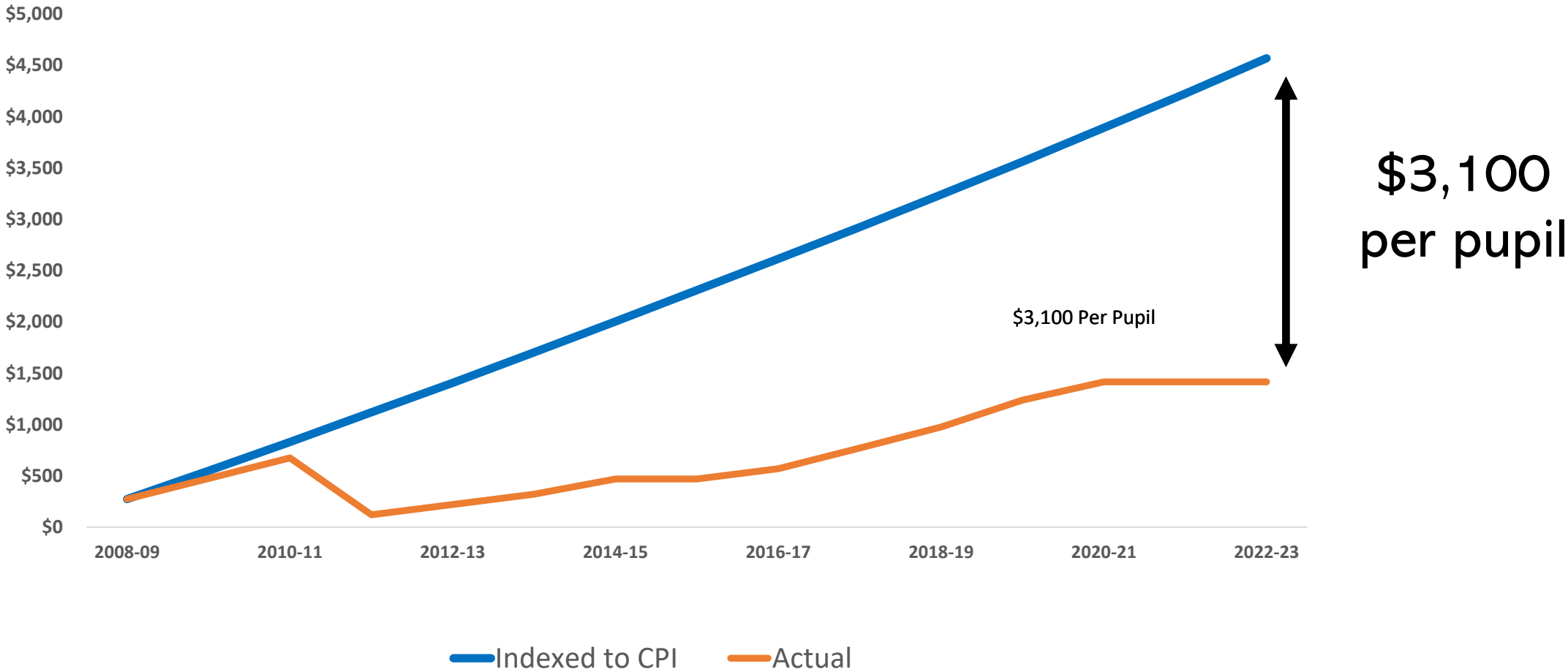
Republican-led legislature **plugged** it into 21-23 state budget **to keep revenue caps flat** for two years.

“...with the unprecedented surplus [Joint Finance Committee] had, they could have taken care of a lot of issues that they basically chose not to...**without that revenue limit, it really does handcuff a lot of our districts.**”

– Kim Kaukl, Wisconsin Rural Schools Alliance

Source: Files, Emily (June 29, 2021) [Federal COVID relief backfires on Wisconsin schools in state budget proposal](#). WUWM.

# Per pupil revenue caps lag inflation by \$3,100 since 2009



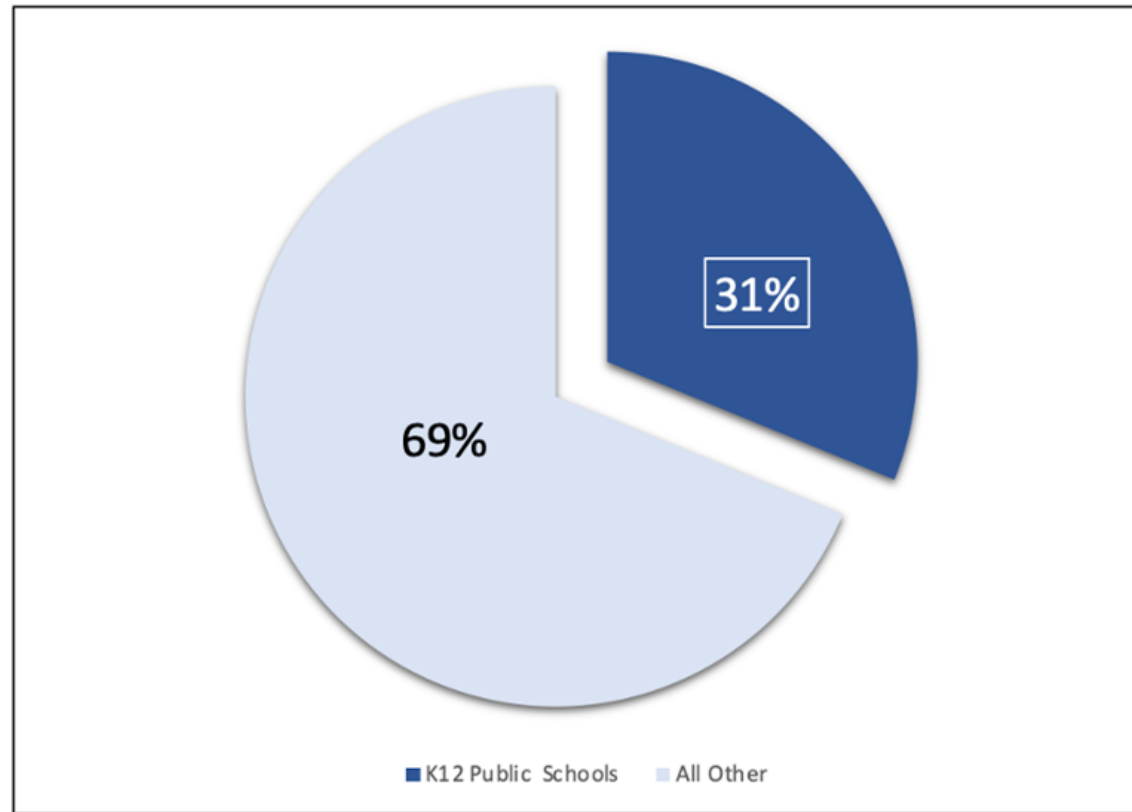
Source: April 18, 2022 Legislative Fiscal Bureau Memo re: Revenue Limit Per Pupil Adjustment Indexed to Inflation; WASB calculations

# Share of state GPR for K-12 public schools

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## 2011 to 2021

2021 = 31% to Public Schools



# Result: Historic tax relief (at expense of schools)

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A close-up photograph of a person's hand in a white shirt and blue jeans, placing a US dollar bill into the pocket. The bill is partially visible, showing the number '100' and the words 'ONE HUNDRED DOLLARS'.

"New federal data confirm the **remarkable decrease** in Wisconsin's state and local tax burden over the past two decades, which has **exceeded that of almost all other states.**"

*[Wisconsin Policy Forum Nov 2021](#)*

"...the total **tax burden** for state families and businesses is at its **lowest level in at least a half century.**"

*[Wisconsin Policy Forum Jan 2022](#)*

# Result: Drop in per pupil spending ranking

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**#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



# How we got here

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Declining Enrollment

Rising costs: Inflationary/Pandemic pressure on school budgets

Rising costs: Pandemic student need

Rise in school referenda



# Declining Enrollment

## Enrollment: Declining and Concentrated

Declining birth rate – leading to declining in share of school children

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

**More competition for fewer students:** Impact of expansion of vouchers/charters on all school districts



## **By a show of raised hands:**

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How many of your districts are in declining enrollment?

How many of your districts have 1,000 students or less?

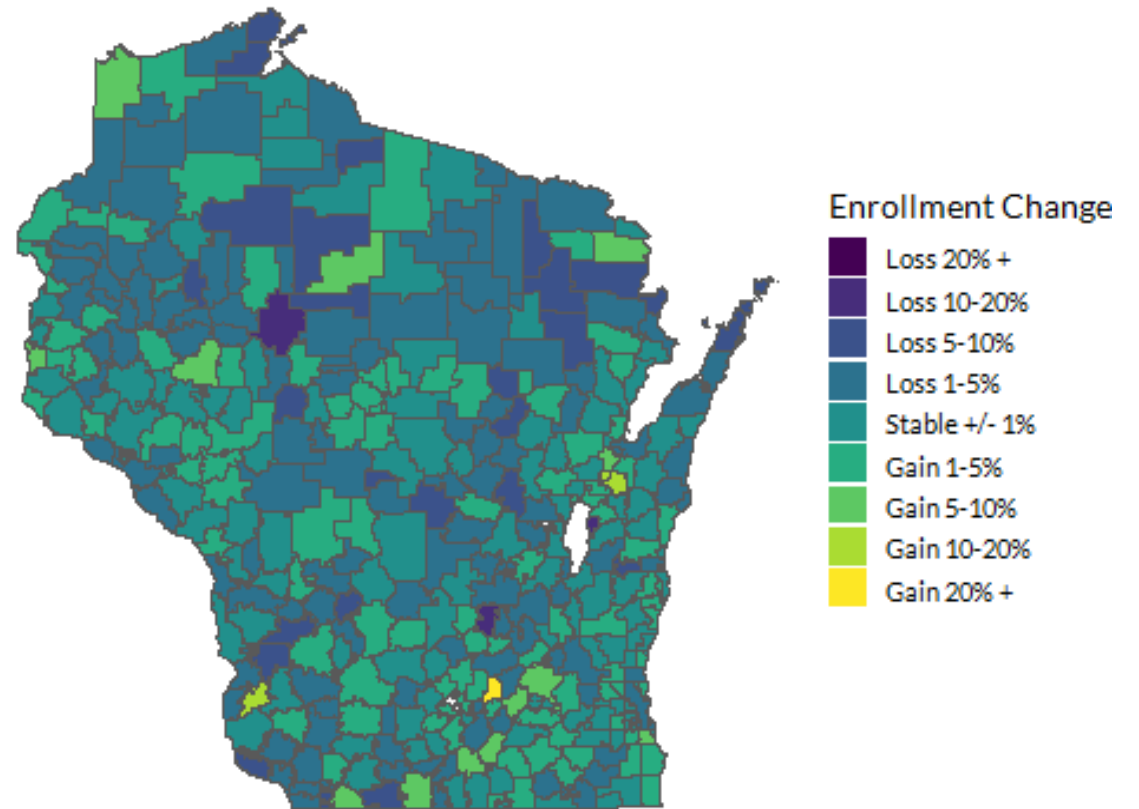
# Enrollment: Declining and concentrated

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.

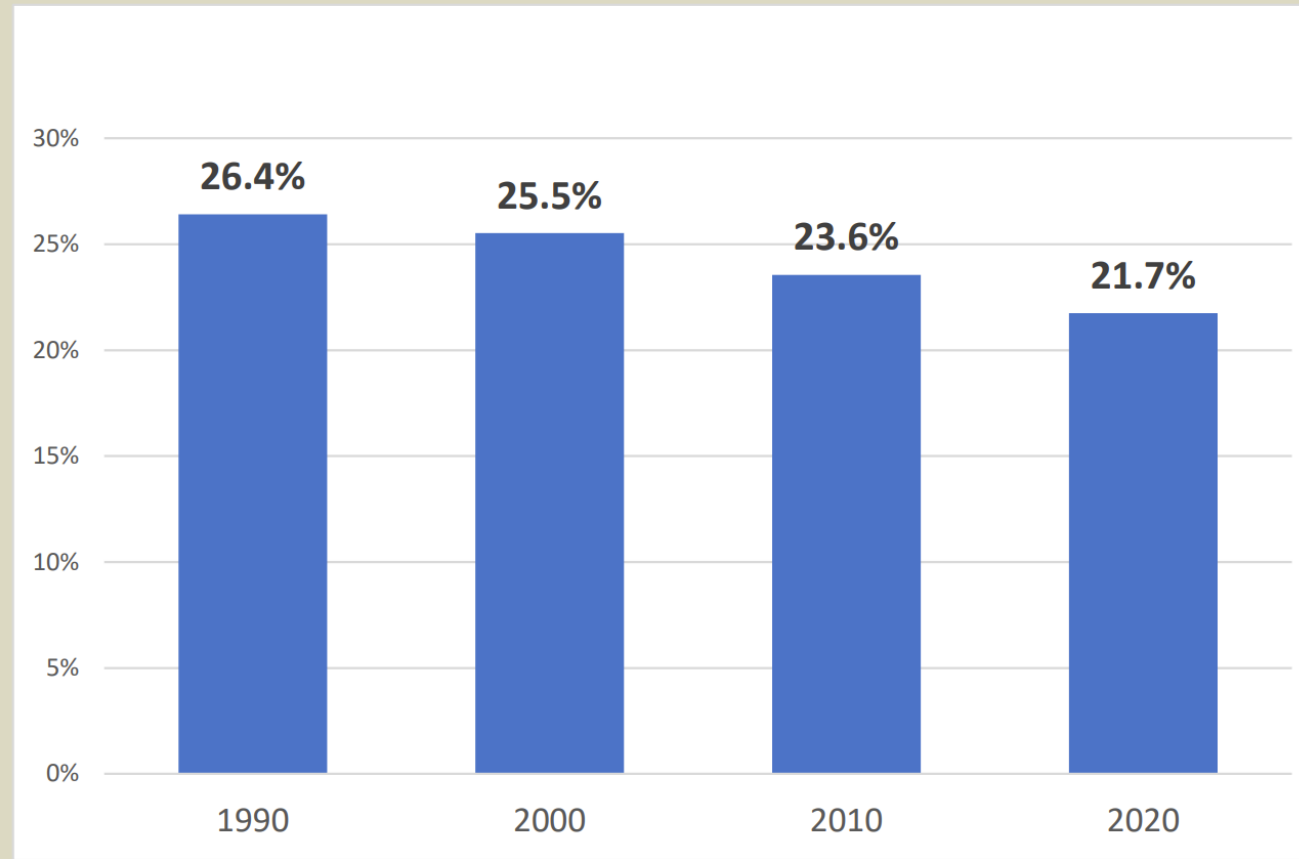
Percentage Change in Enrollment from 2005-06 Base  
School Year 2006-07



# School-age population share has fallen in recent decades

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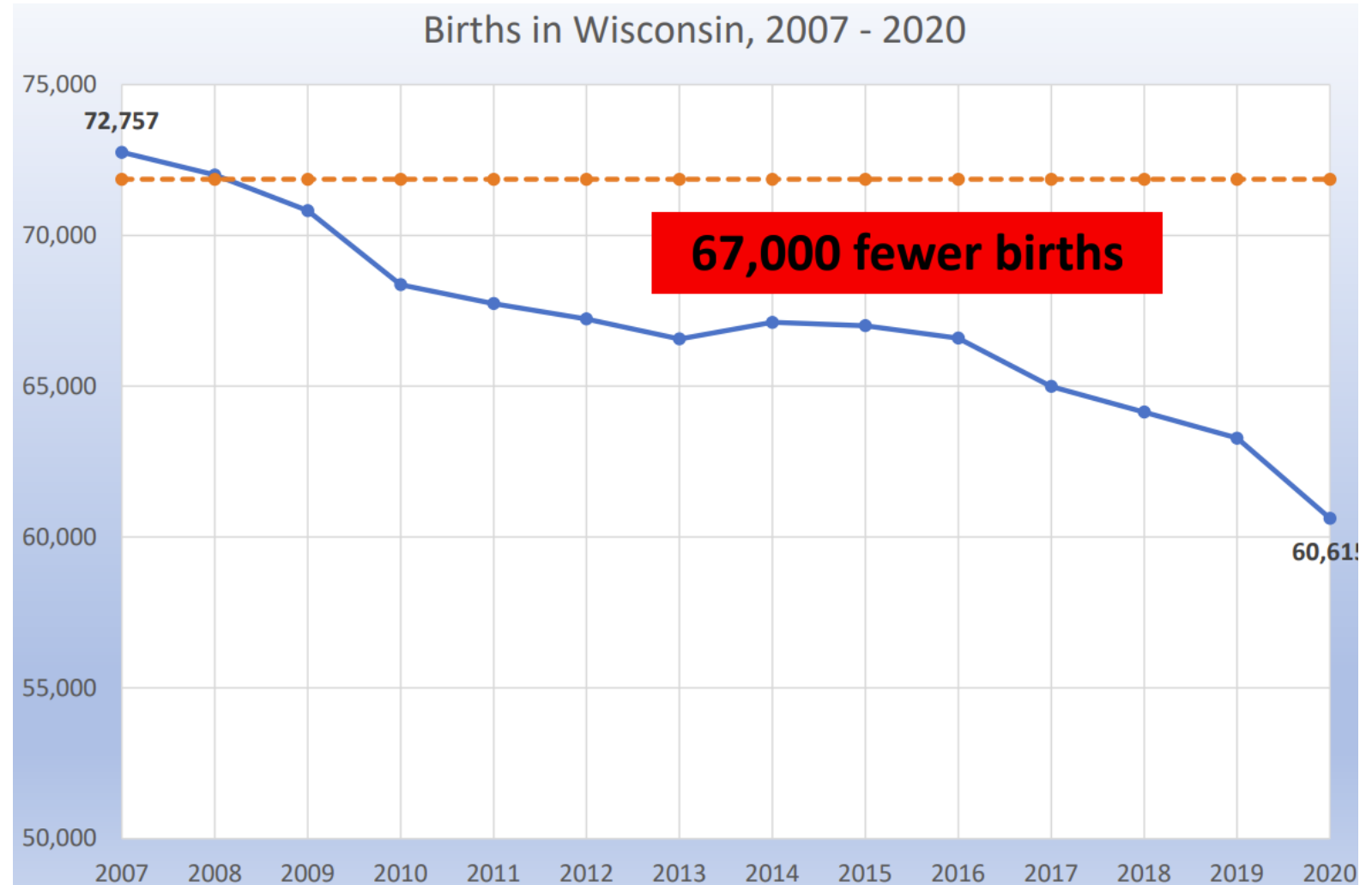
## Age 0-17 Share of Population, 1990-2020



Source: U.S. Census

# One reason for fall in school age population: **Fewer births**

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



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

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Impact of declining enrollment:

ACUTE for smaller districts

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**

Fixed costs do not go down: Facilities, utilities, curriculum...

Even “variable costs” do not follow enrollment – difficult to cut teachers, staff, number of classrooms...

# Potential impact of statewide voucher expansion

2026-27: End of cap on number of participating students in WPCP (not income limits)

## Local districts

Aid is reduced by cost of vouchers: Fiscal impact depends on mix of districts' state aid (equalization vs. categorical)

Districts can levy local taxpayers to offset **some** aid cuts

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## Statewide

Aid cuts at local level shrink the size of the pie: Amount of equalization aid available to all districts goes down

Changes the relative differences in membership numbers between all districts (which changes relative aid allocations)

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## Bottom Line

More competition for fewer students

Impact can hit even districts where there are no voucher schools

# Rising Costs:

## Inflationary/Pandemic pressure on school budgets

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**CPI 2022: 4.7%**

**CPI 2023: 8.0%**

*(est. based on WERC calc)*

**Labor:** Competition for instructional and support staff – teachers, bus contracts, driver wages...

**Operations:** Ordinary expenses – fuel, food, supplies...

**Capital:** Rapid increase in construction, capital maintenance, cost to borrow funds





# Raise your hand if...

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...your district settled recent labor contracts 4.7%?

...your board plans to settle next year at the projected 8%?

...your district has been asked by bus company to renegotiate a contract?

# Rising costs: Pandemic student need

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Youth mental health on decline pre-pandemic  
Pandemic exacerbated, added stress to families

Untreated mental illness interferes with  
development and learning

State support for mental health –  
grant funded, uneven, below need

2023-25 DPI Budget creates new categorical  
aid, which adds \$118 million both years

# Rising costs: Pandemic student need

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“Budgets are tight. What are we trying to emphasize? If you don’t address the issue of their physical health, and their mental health, your ability to teach them is compromised.”

– Paul Thome, President, Hortonville Area Board of Education



# How many here...

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...have seen a rise in mental health challenges amongst your students or staff?

...have struggled with how to staff or support those students and families?

# Rising costs: Pandemic student need

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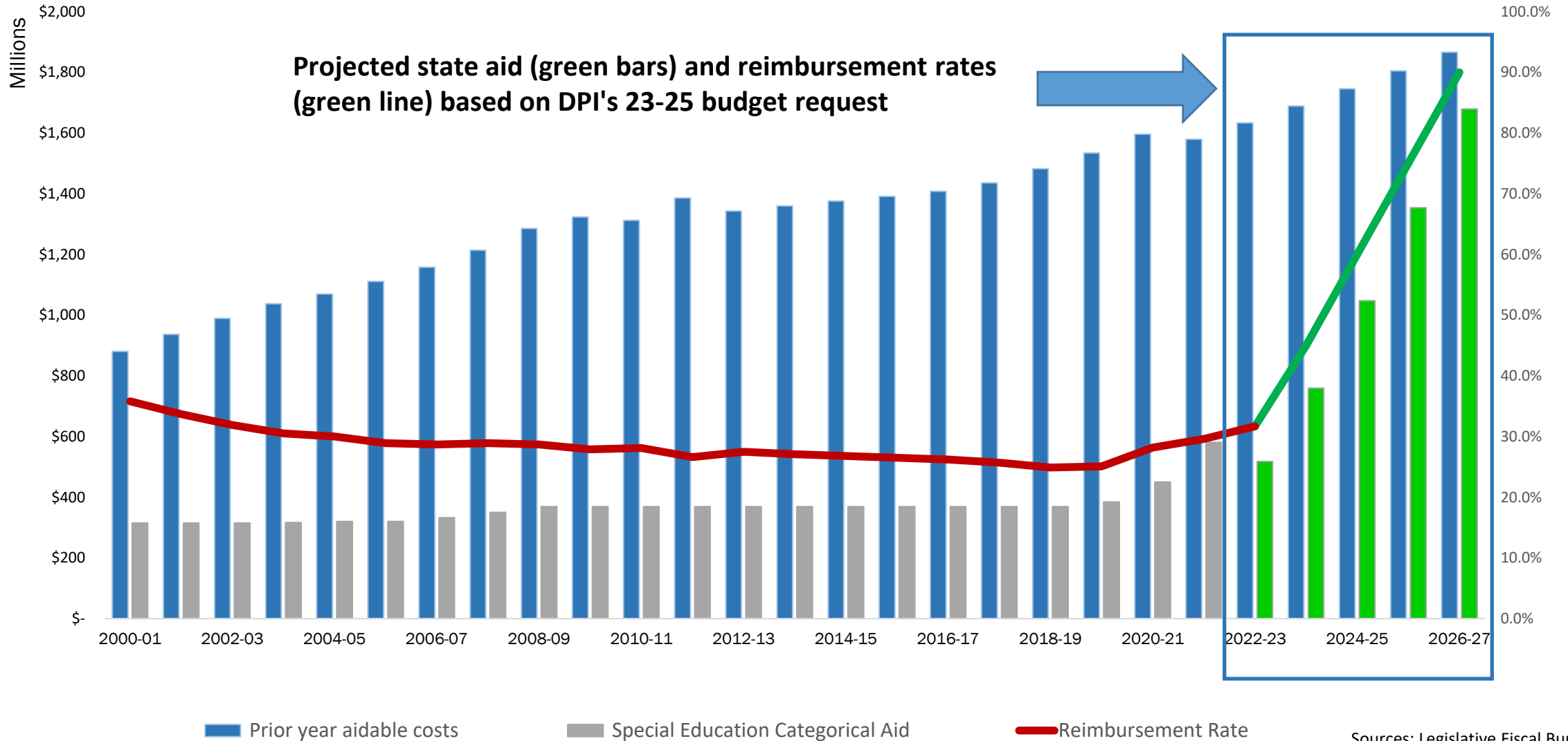
## Special education



State aid on special education **had been flat for a decade** until modest increases began in 2019-20

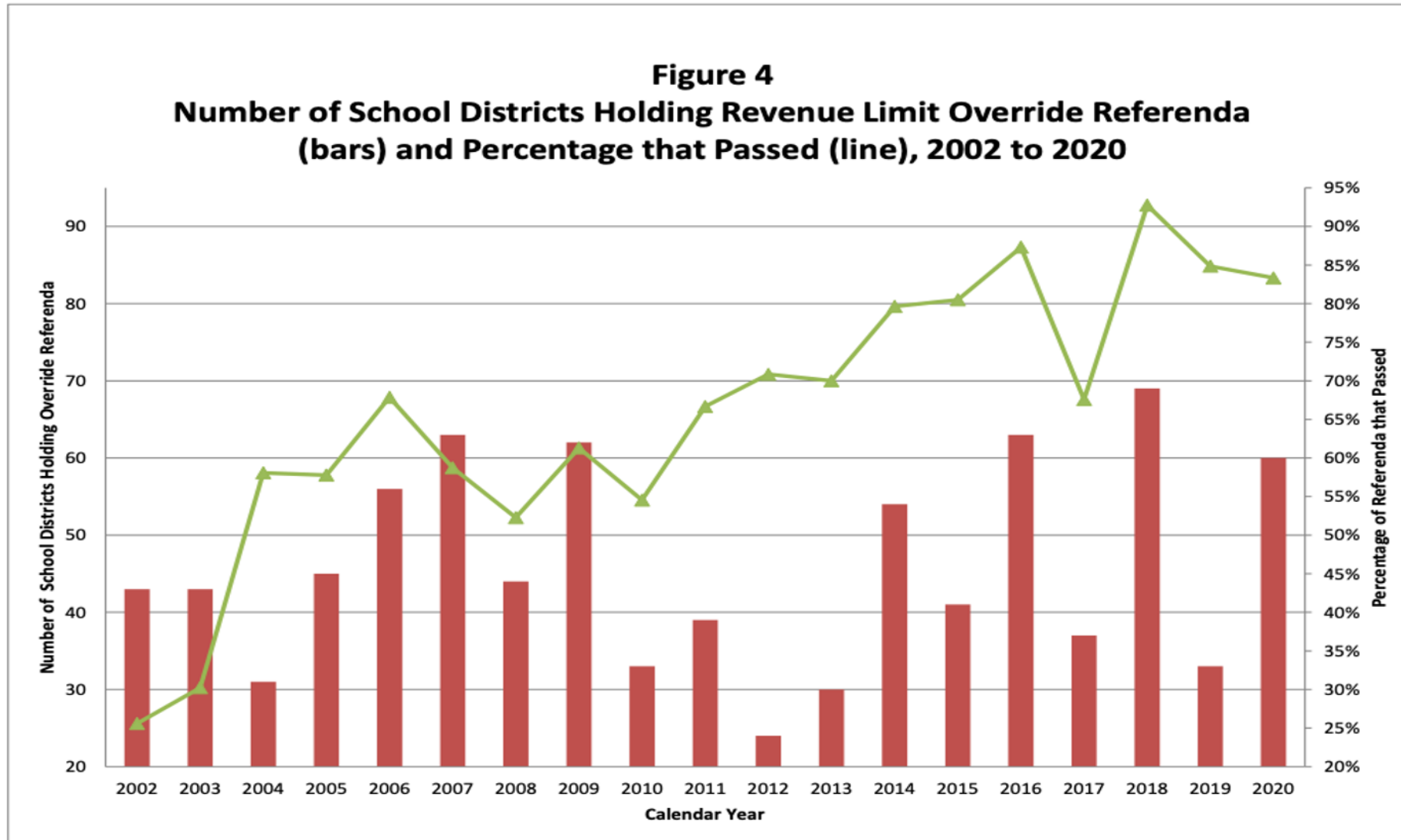
Current reimbursement levels for special education **covers less than one-third** of costs

# State Reimbursement Rate for Special Education **Well Below Costs**



Sources: Legislative Fiscal Bureau

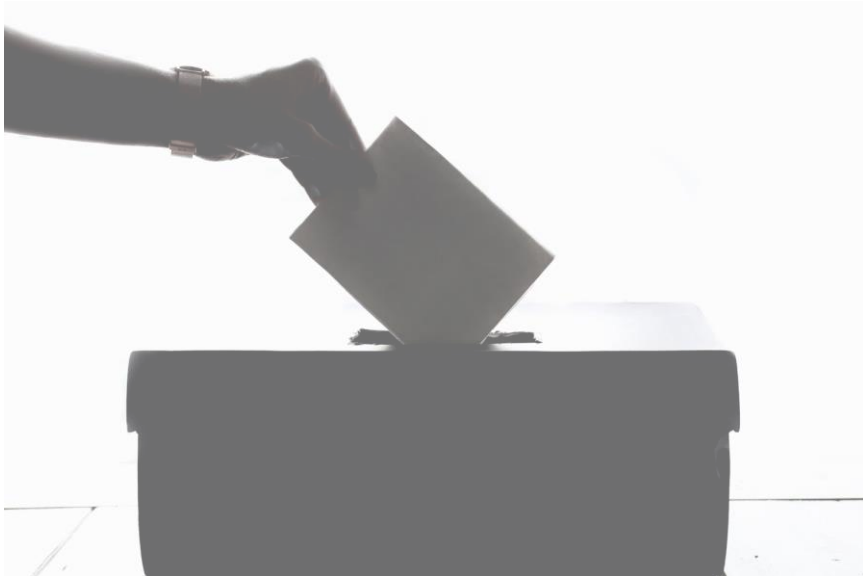
# Rise in school referenda



# Referendum Use: Uneven statewide

Could deepen inequities between districts

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“112 school districts have not held a single override referendum in the years 2002-2022.

Another 87 held only a single referendum during this period.”

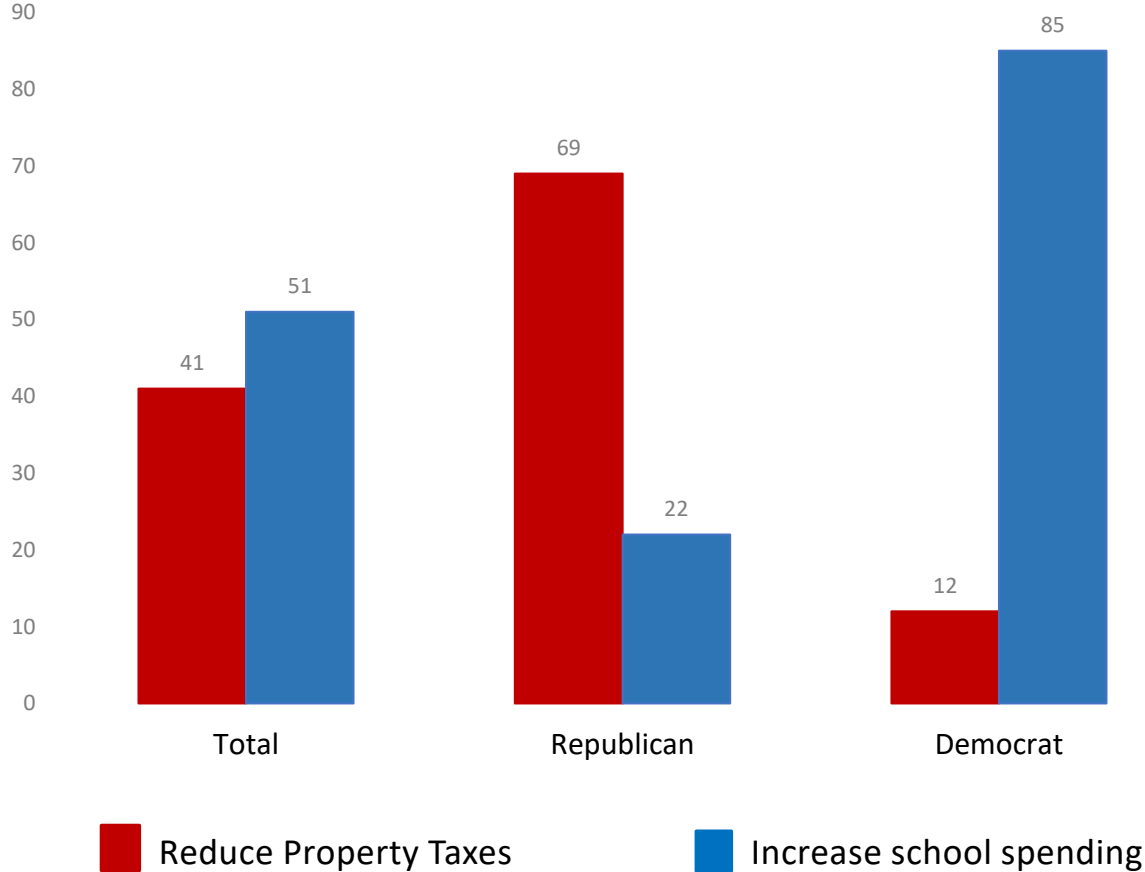


# Marquette University Law School Poll

September 14, 2022

Which is more important to you?

Reduce property taxes  
or  
Increase spending on public schools



Source: [Marquette University Law School Poll – September 6-11](#)



# Show of hands...

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How many here have held a levy override in last four years?

Raise your hand if your school board is considering levy override in next couple years?

How many think your community would never pass a levy override in your district?

# What is ahead

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Historic state surplus: How will it be spent?

Uncertainty ↔ November Elections & 2023-25 State Budget

ESSER “Fiscal Cliff”

Fortified movement to expand voucher/charter programs

Coping with lack of stable, predictable funding:

Options for school districts

# Historic state surplus:

How will it be spent?

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“Revenue  
secretary says  
state finances  
strongest in  
half century.”

[WPR.org](http://WPR.org)

Projected Budget Surplus:	\$5.4 billion
Required Rainy Day Fund:	<u>\$1.7 billion</u>
<b>Combined Total:</b>	<b>\$7.1 billion*</b>

\*2021-23 Wisconsin State Budget Projected June 30, 2023

# Uncertainty surrounding school funding

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November  
2022  
Election

“While state funding, curriculum and school choice will not be on the ballot, they are major concerns for many voters as they choose between Evers and Michels.”

Source: <https://www.jsonline.com/story/news/education/2022/10/05/education-top-issue-voters-wisconsin-november-midterm-elections/10425572002/>

# Uncertainty surrounding school funding

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November  
2022  
Election

**Governor's race:** Will we have divided government in 2023-25 budget?

(Schools fair well when lawmakers have to compromise)

**3 key potential impacts on school funding in 2023-25 state budget:**

- Cut school funding (spendable)
- Cut property taxes
- Expand voucher/charter programs

**School referenda** – Which districts will have that tool to cope with current financial storms?

# ESSER “Fiscal Cliff”

Frozen state spending for public education is a national outlier.

ESSER being used for ongoing operations (supplanting)

Was unevenly distributed based on student poverty

ESSER III expires Sept 2024 - midway through next state budget

Address ESSER spending critiques

Communication is essential! (board, staff, community)

# Fortified movement to expand vouchers/charters

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Last month, [new coalition of parental choice advocates PLUS largest business association in state \(WMC\) formed.](#)

Stated goal: [“develop a comprehensive education agenda that policymakers can enact in the upcoming legislative session.”](#)

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Toward end of last session, Assembly Republicans passed bills that would have [lifted income limits on the statewide voucher program](#) and expand charter schools.

To watch for: Will these be resurrected?



# Coping with lack of stable, predictable funding

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## Options for school districts

**Preemptive stance:** Expanded use of levy overrides – 42 operating referendum questions on November ballot

**Defensive stance:** Increased use of fund balance

**Last resorts:** Program cuts, larger class sizes, staff cuts



# How many here...

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...are considering increasing fund balance to protect against upcoming uncertainty?

...are already looking at program cuts, larger class sizes or other impacts on services in the next biennium?

# Where does this leave us?

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**Critical role  
for WASBO  
members:**

**Explainer  
in Chief**

New budget season brings uncertainty: 2021-23 budget was a two-year freeze for K-12 public schools despite strong state revenues – **your advocacy will be essential.**

**Your board and administrative team will be looking to you** to explain and translate the impacts of current and potential policy actions.

All school districts have unique mix of strengths and challenges. Our impact on policymaking will depend on speaking in a **unified voice about our common priorities and challenges.**



# **Please reach out!**

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