

Current State of School Finance in Wisconsin

Putting your work into a statewide context

WASBO SCHOOL BUSINESS OFFICE PROFESSIONALS CONFERENCE

DECEMBER 8, 2022

Goals for Session

Introduce WASBO's new approach to core advocacy function

Be a leading voice on K-12 finance policy

Show how state policies shape local school finance today

Where we are | How got here | What is ahead

Discuss what this means for local districts

Budget building without a state budget in place



Introduce WASBO's new approach to core advocacy function

**Be a leading voice on K-12
education finance policy**

Advocacy is a core function of WASBO



Vision

To be the most influential Wisconsin organization for state and national school business management and leadership.

Mission

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

What do we mean by advocacy?

Among WASBO's goals:

[Be]...the leading voice for credible, fact-based K-12 financial advocacy in the state.

While many other professional associations and interest groups occasionally participate in the K-12 financial arena, none have K-12 financial advocacy as their primary focus.



Why the shift toward advocacy now?

ISSUE TO BE ADDRESSED



WASBO'S ROLE

State funding system for public schools has been deteriorating for two decades.



Conduct research to tell this story. Make evidence-based case and policy recommendations for a better funding system.

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WASBO and members are experts on impacts of current policy. We can lead K-12 advocacy with credible data, facts, messaging.

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Issue oriented advocacy fuels other core function – professional development.



Advocacy begins by educating our members - providing the information and analysis they need to communicate with policymakers.



Background: WASBO and SAA

What is the School Administrators Alliance (SAA)?

How are WASBO and SAA related?

How will WASBO's new advocacy role relate to SAA's traditional role?



Show how state policies shape local school finance today

- Where we are
- How we got here
- What is ahead

Where we are now

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**.

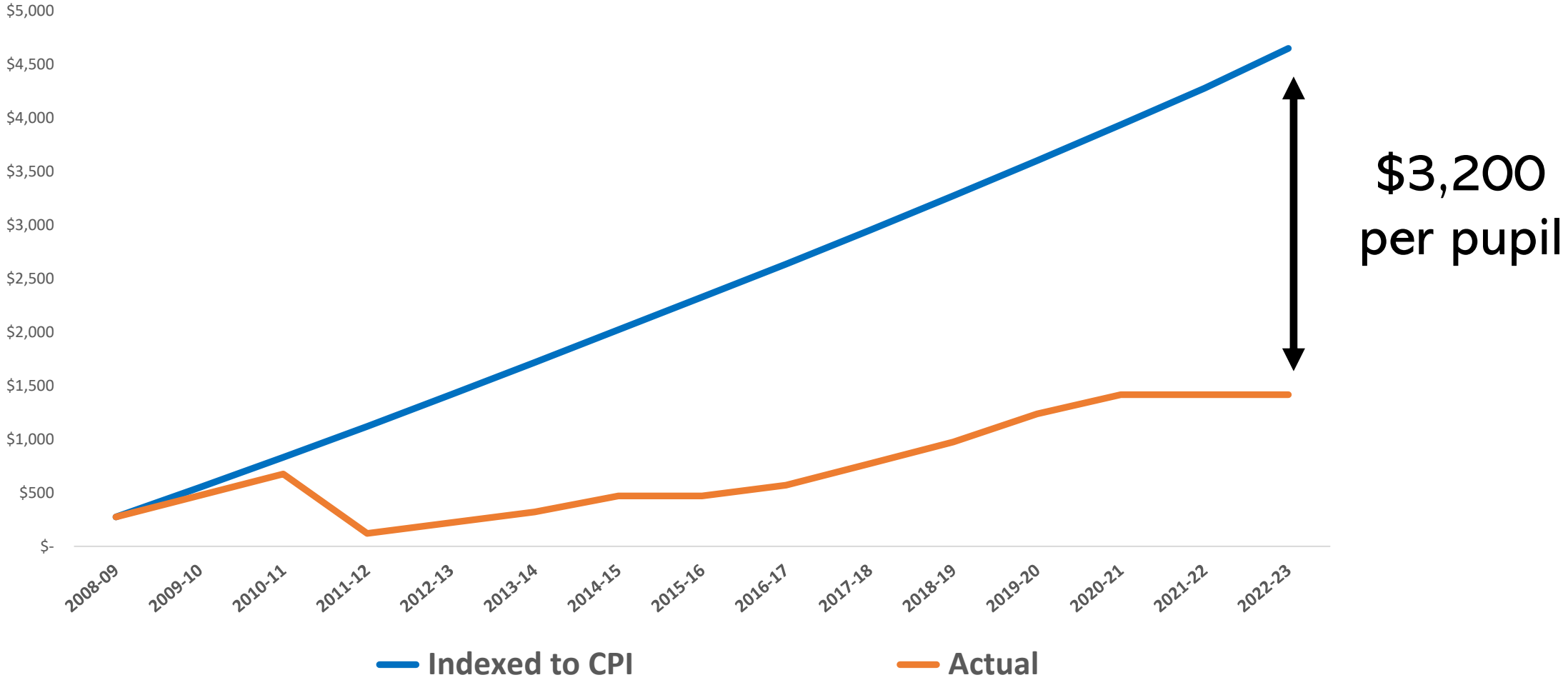
Republican-led legislature **plugged** it into 21-23 state budget **to keep revenue caps flat** for two years.

“...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 \$3,200 since 2009

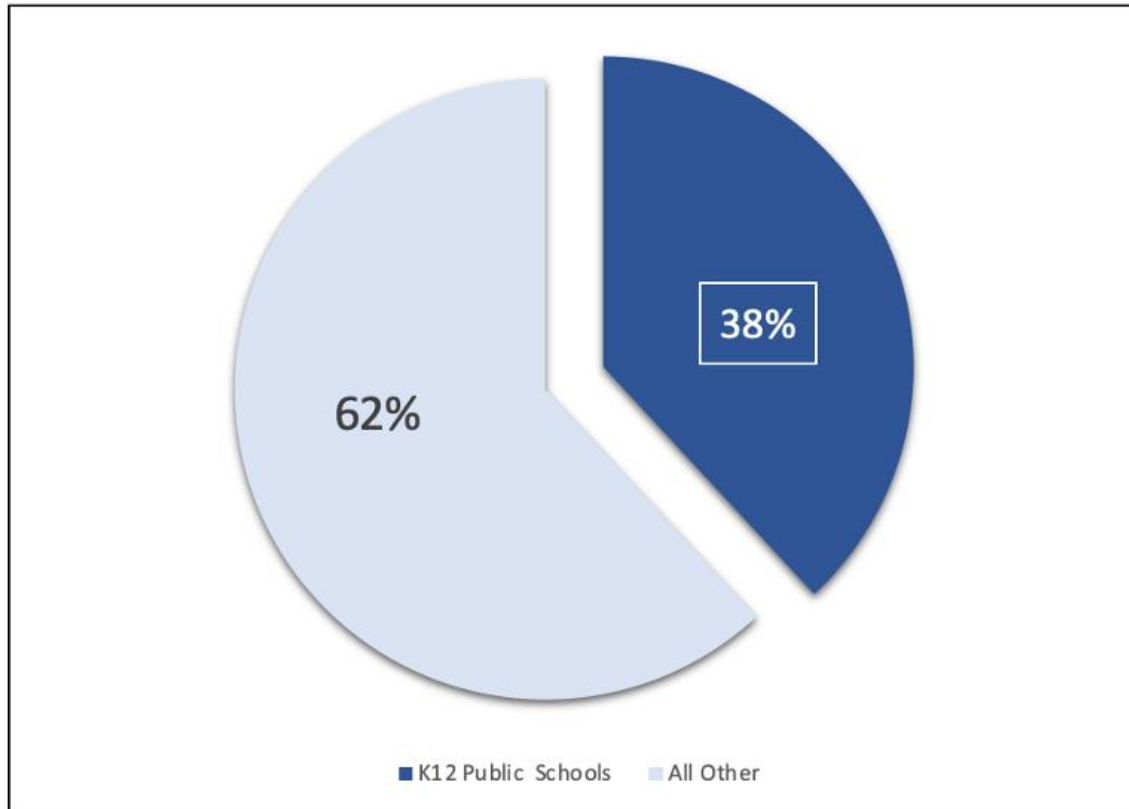


Source: April 18, 2022 Legislative Fiscal Bureau Memo re: Revenue Limit Per Pupil Adjustment Indexed to Inflation; WASBO Calculations

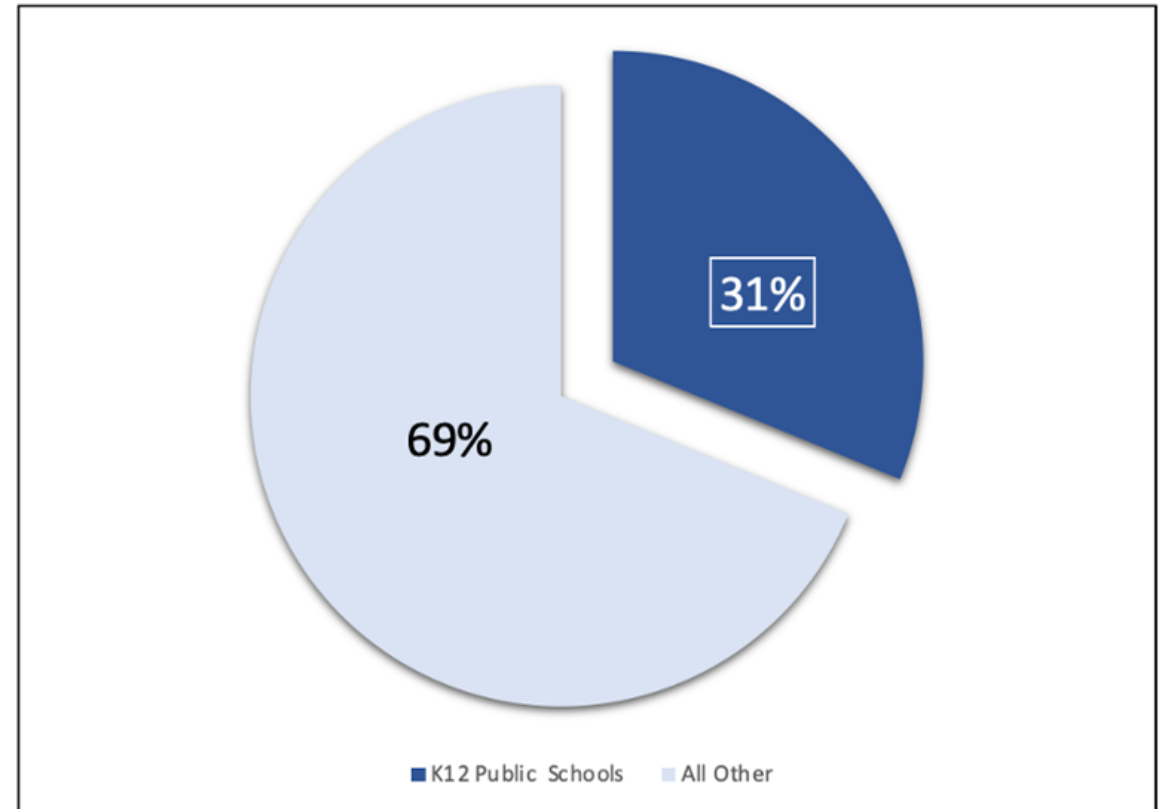
Share of state GPR for K-12 public schools

2011 to 2021

2011 = 38% to Public Schools

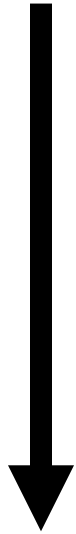


2021 = 31% to Public Schools



Result: 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



Result: Historic tax relief (at expense of schools)

A close-up photograph of a person's hand in a white shirt, placing a US dollar bill into the pocket of blue jeans. The bill is partially inserted, showing the top half and the number '1'.

"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](#)

How we got here

Declining enrollment

Rising costs: Inflationary/Pandemic
pressure on school budgets

Rising costs: Pandemic student need

Rise in school referenda

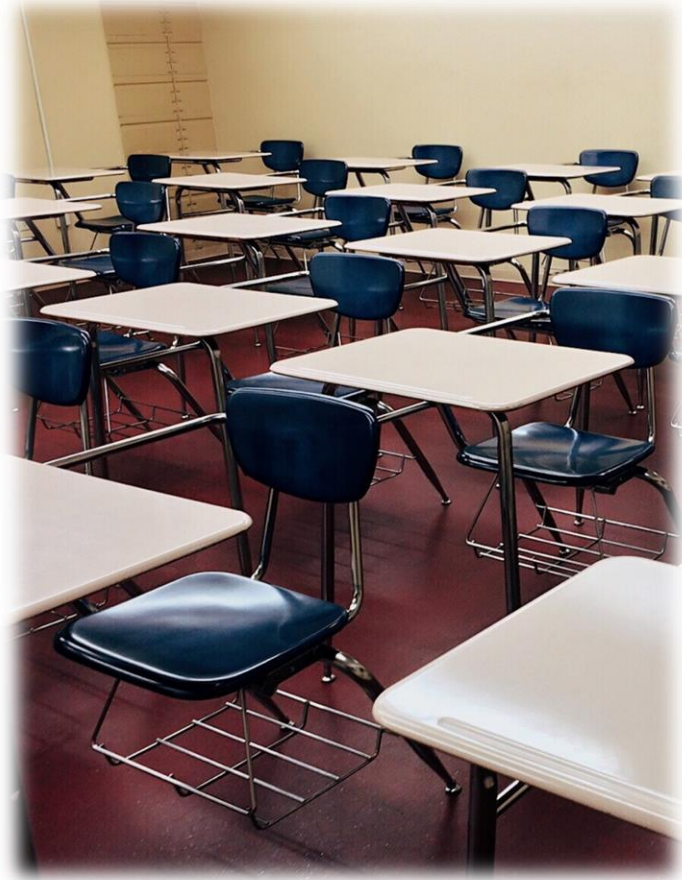
Declining Enrollment

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:

How many of your districts are in declining enrollment?

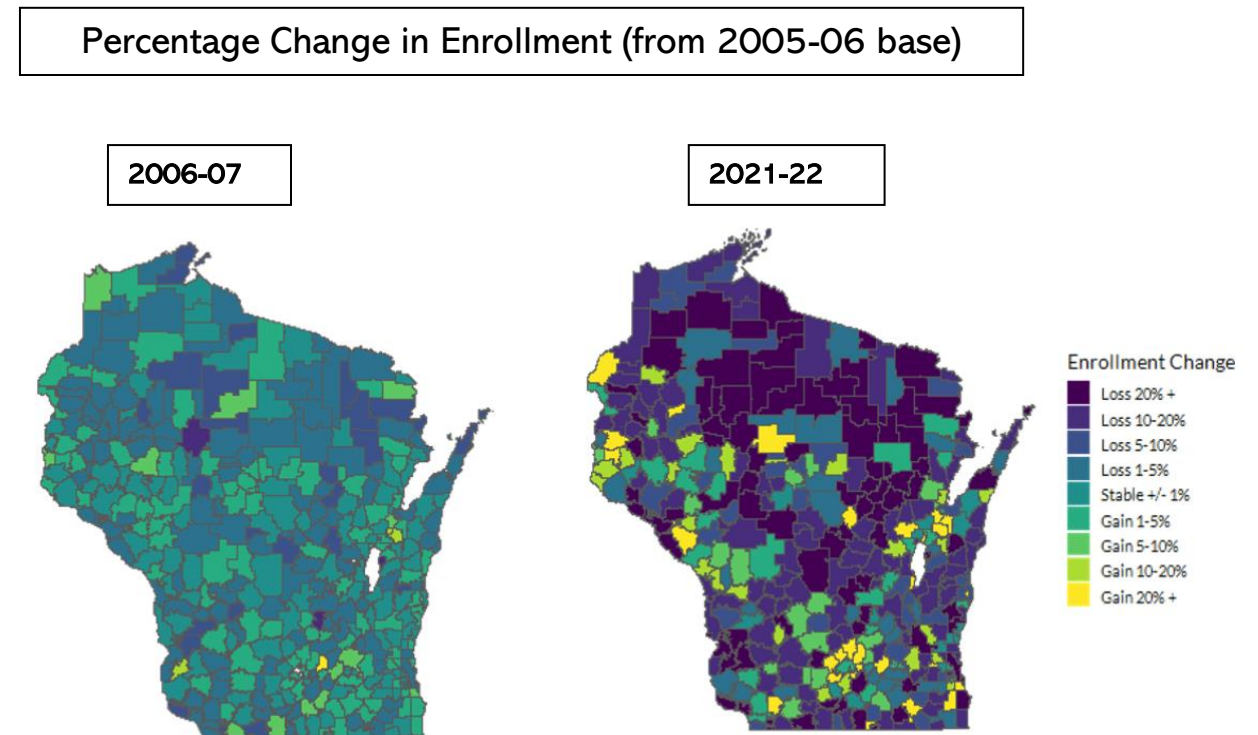
How many of your districts have 1,000 students or less?

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.



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

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

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)

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

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



Rising costs: Pandemic student need



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

Rising costs: Pandemic student need



“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

Rising costs: Pandemic student need

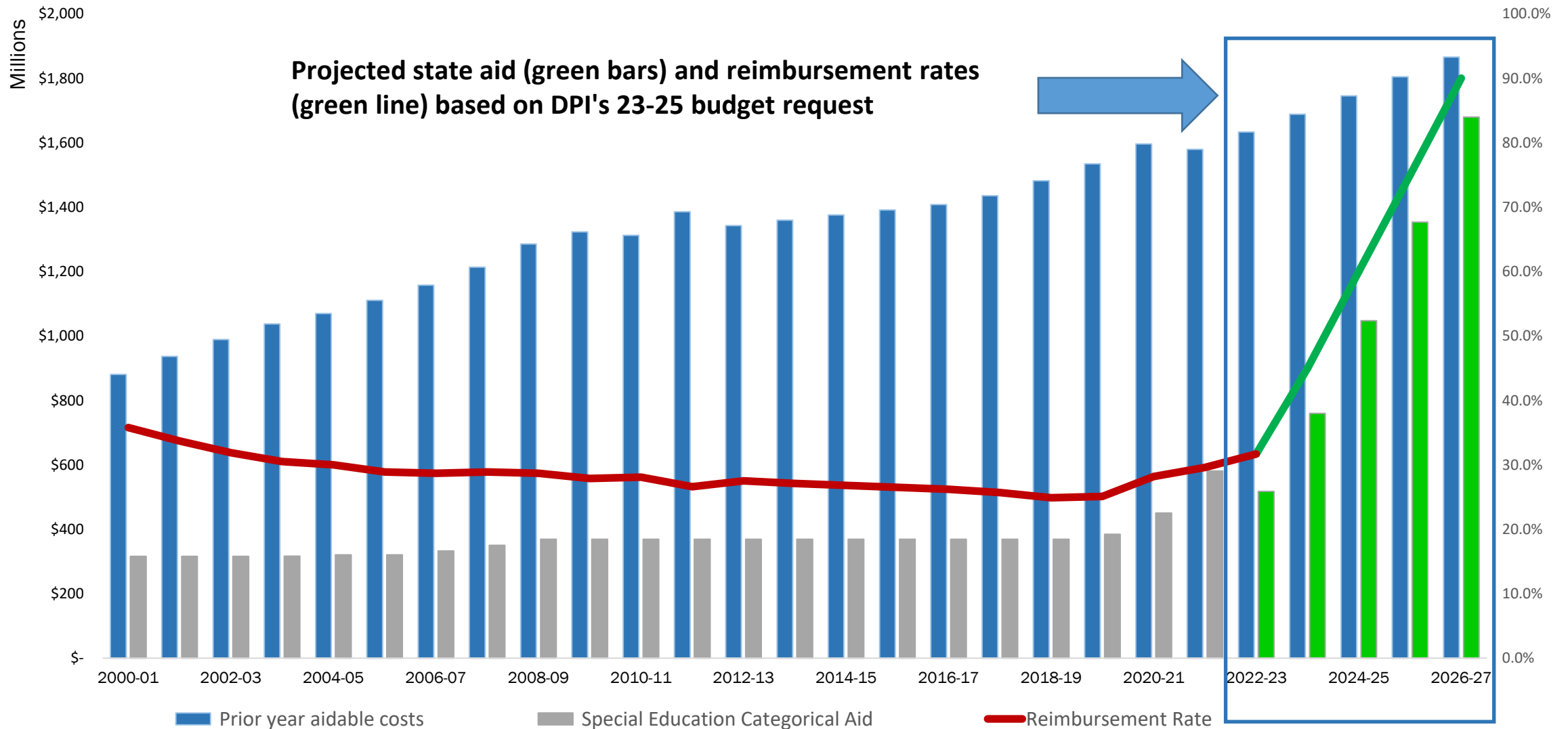
Special education



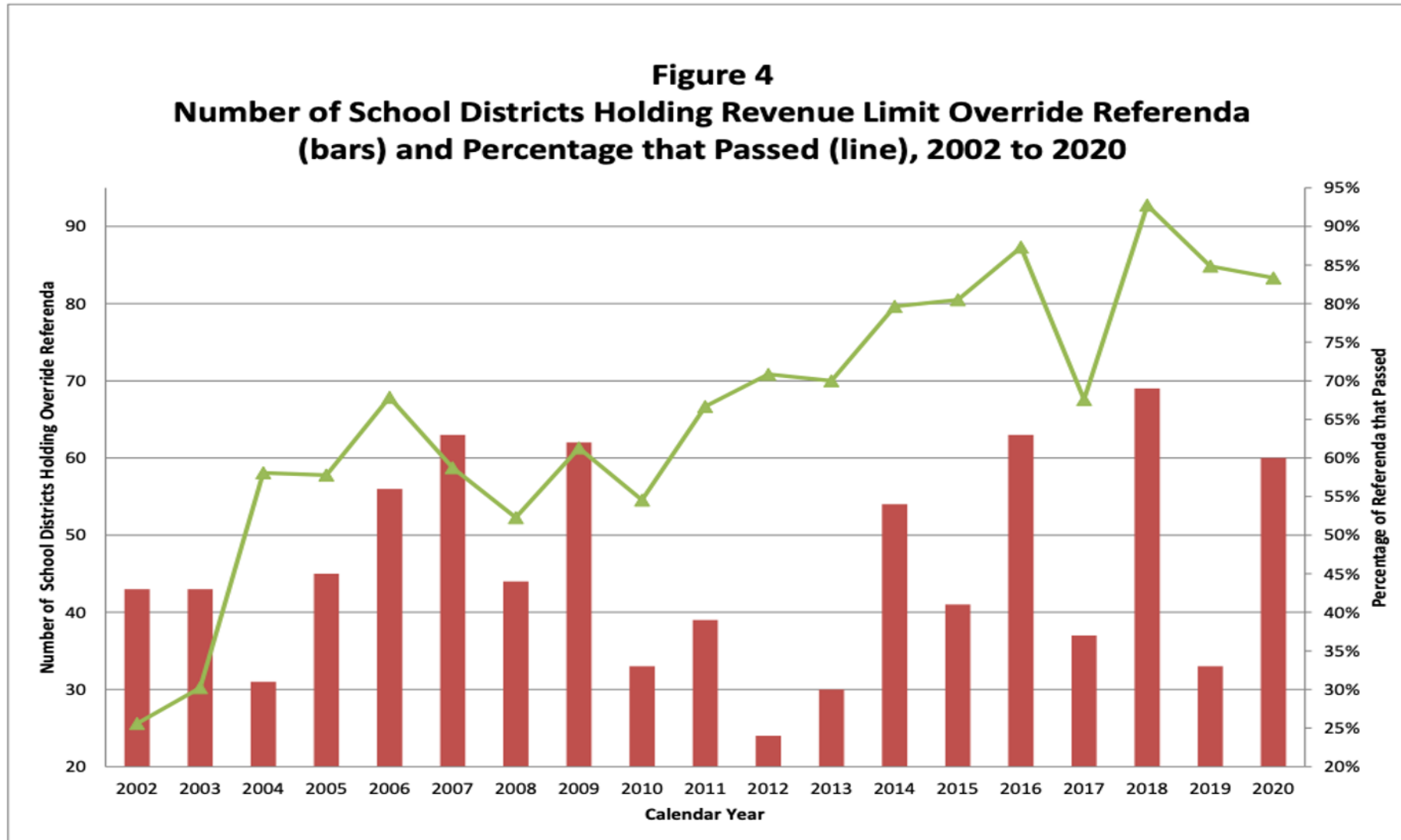
State aid on special education **had been flat for a decade** until modest increases began in 2019-20

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

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

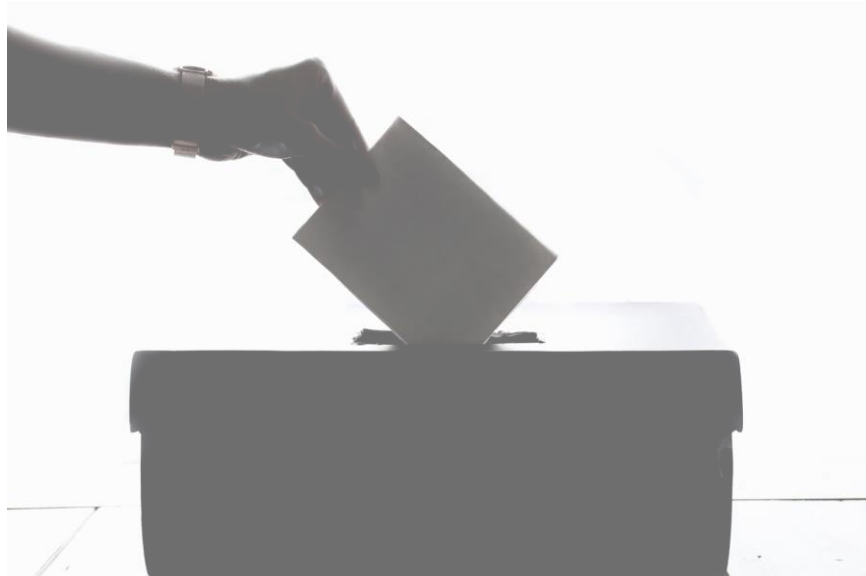


Rise in school referenda



Referendum Use: Uneven statewide

Could deepen inequities between districts



Between 2002 and 2022:

112 school districts had not held a single override referendum in the years 2002-2022

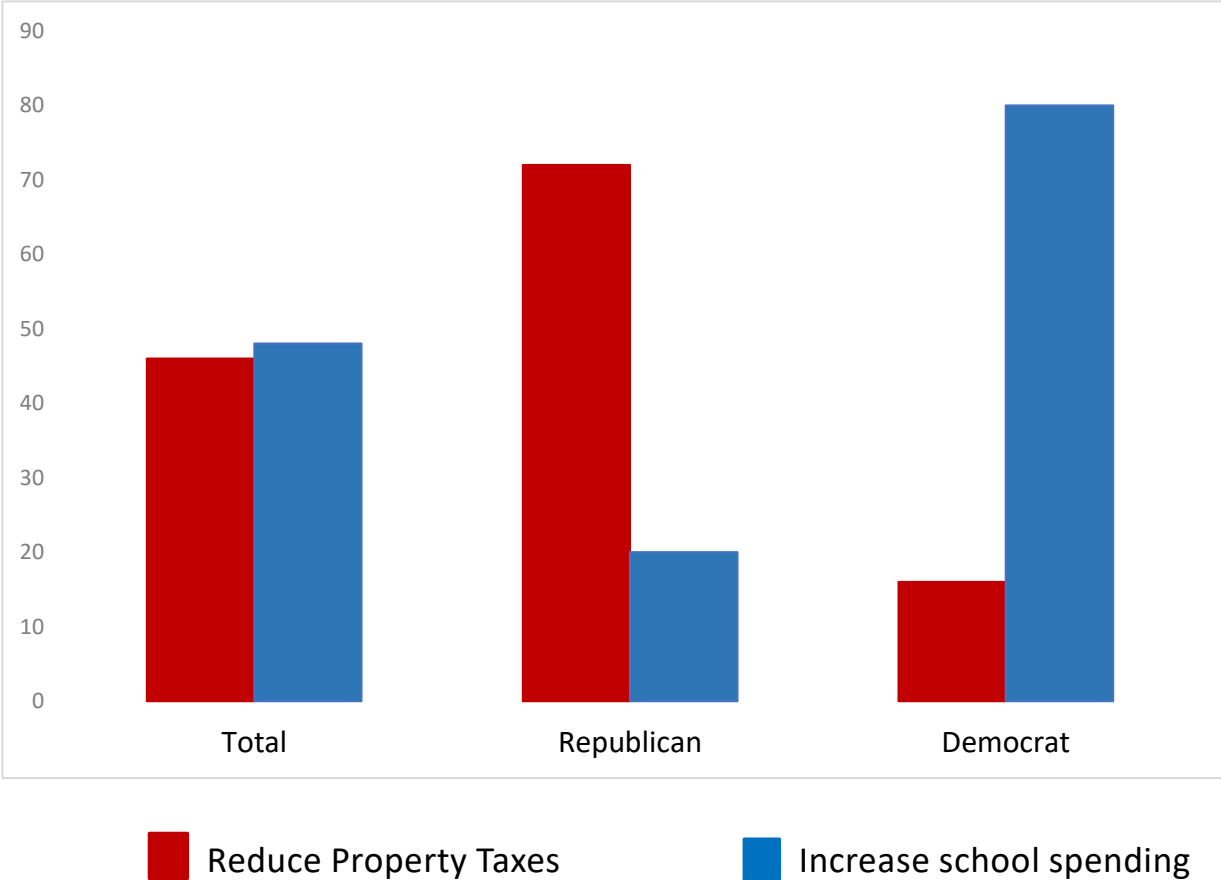
Another 87 held only one referendum during this period

Marquette University Law School Poll

October 24 – November 1, 2022

Which is more important to you?

Reduce property taxes
or
Increase spending on public schools



Source: [Marquette University Law School Poll – October 24 - November 1](#)



Show of hands...

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

After November 2022 Election:
Focus shifts to K-12 share state budget

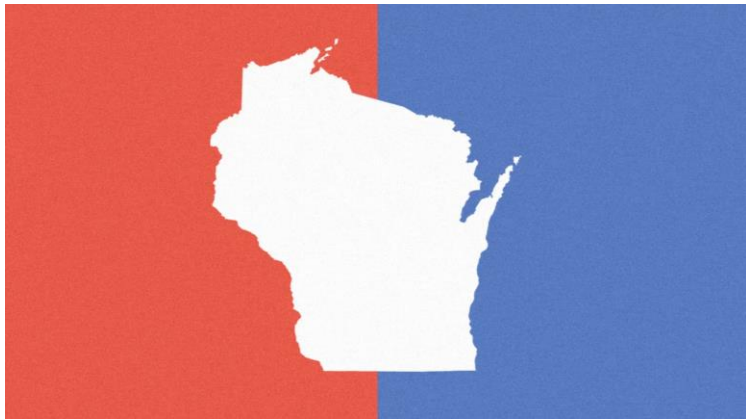
ESSER “Fiscal Cliff”

Fortified movement to expand
voucher/charter programs

Historic state surplus: How will it be spent?

Uncertainty about 23-25 state budget:
Options for school districts

After November 2022 Election: Advocacy shifts to K-12 share of state budget



Governor's race: Evers' win means divided government and no supermajority in Assembly that can override governor's veto.

School referenda – Almost 80% passed (64). 2022 - Record number of operating referenda passed. Majority of districts (340) did not run a referendum.

Potential threats to K-12 funding in 2023-25 state budget:

- “Transformational” tax law changes
- Voucher/charter expansion

ESSER “Fiscal Cliff”

Frozen state spending for public education is a national outlier.

ESSER being used for ongoing operations, not one-time pandemic needs (supplanting)

Was distributed based on student poverty – uneven impact on districts

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



This past Fall, [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.”](#)

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?

Historic state surplus:

How will it be spent?

“State...is in its strongest position in state history.”

[Department of Administration](#)

Projected Budget Surplus:	\$6.6 billion
Required Rainy Day Fund:	<u>\$1.7 billion</u>
Combined Total:	\$8.3 billion

“Between the projected surplus and the expected revenue growth, the **state could fund every single agency request and still have \$4.4 billion left over in the general fund.**”

<https://www.wispolitics.com/2022/doa-projects-6-6-billion-surplus-at-end-of-2022-23>



Discuss what this means for local districts

Budget building without a state budget in place

Districts are budgeting blind while waiting for state budget

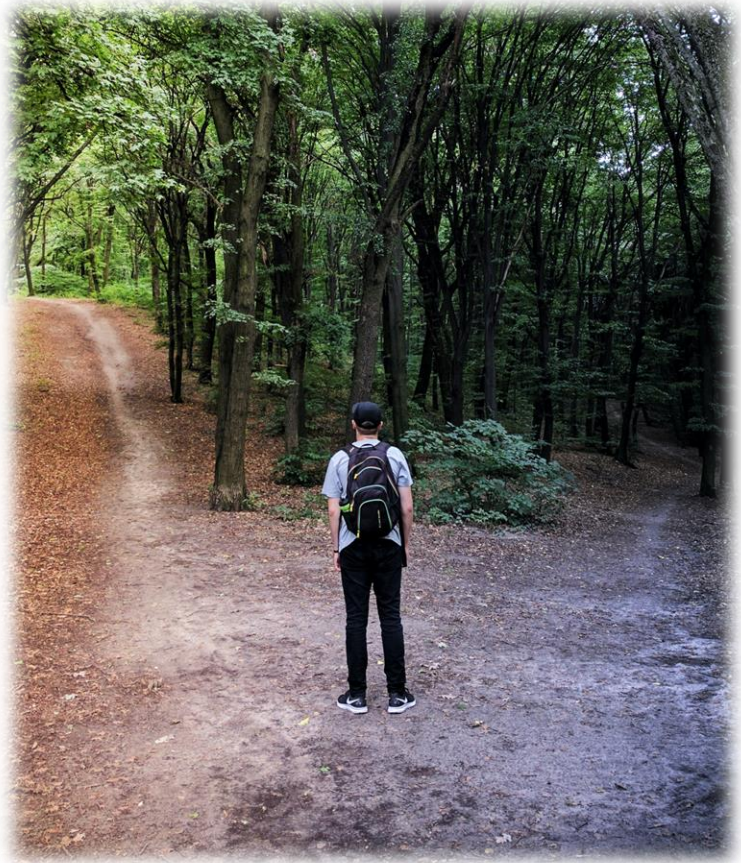
School districts are building 2023-24 budgets now

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

Divided government means state budget deliberations could stretch out to summer of 2023



Budgeting amid uncertainty



How to communicate with board and community? What assumptions to use?

Too conservative: Risk triggering painful cuts: layoffs, health care, etc.

Too optimistic: Risk budget items exceeding available resources - deficits

Labor costs: How will districts negotiate and budget for compensation amid record inflation and unknown revenues?

Budgeting amid uncertainty

Coping with possible lack of stable, predictable funding

Options for school districts

Preemptive stance: Expanded use of levy overrides – Record number of passed operating referenda in 2022

Defensive stance: Increased use of fund balance

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

What does this mean for WASBO members and their districts?

**Critical role
for WASBO
members:**

**Explainers
in Chief**

Very difficult to predict contents and impact of final 2023-25 budget: 2021-23 budget was a two-year freeze for K-12 public schools despite strong state revenues – **WASBO member advocacy will be essential.**

School boards and administrative teams will look to WASBO members 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.**

Unifying around a common message

**Aligning
WASBO with
SAA, DPI,
individual
districts,
others**

Focus is on a “recovery budget”: Few major priorities that garner broad support and substantial overdue resources:

- ❑ **Special education:** Categorical aid reimbursement: Substantial increase over current 30%
- ❑ **General spending authority:** Some combination of revenue limit adjustment and per pupil aid
- ❑ **Other priorities:** Mental health, low revenue ceiling



Questions? Suggestions?

We are always **happy to hear from you**

Please reach out!

Anne Chapman | Research Director

Anne.Chapman@wasbo.com

Mike Barry | Executive Director

Mike.Barry@wasbo.com

