

State of School Finance in Wisconsin: 2024 Edition

School finance mechanics | Impacts on school district fiscal health

WASBO New Administrators Conference

September 5, 2024

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**

We carry out the advocacy part of our mission through **nonpartisan, fact-based** research, analysis, and outreach

State of School finance in Wisconsin: 2024 Edition

School finance
mechanics |
Impacts on school
district fiscal health

Education in Wisconsin

Size, scope, and outcomes

How school funding works

Key mechanics of Wisconsin school finance policy

Vital signs and their impacts

Key state-level indicators of resources for schools

Emerging issues

Factors on the horizon shaping school finance

The road ahead

Considerations for school districts in next state budget



Education in Wisconsin

Size, scope, and outcomes

Education in Wisconsin

Size & Scope

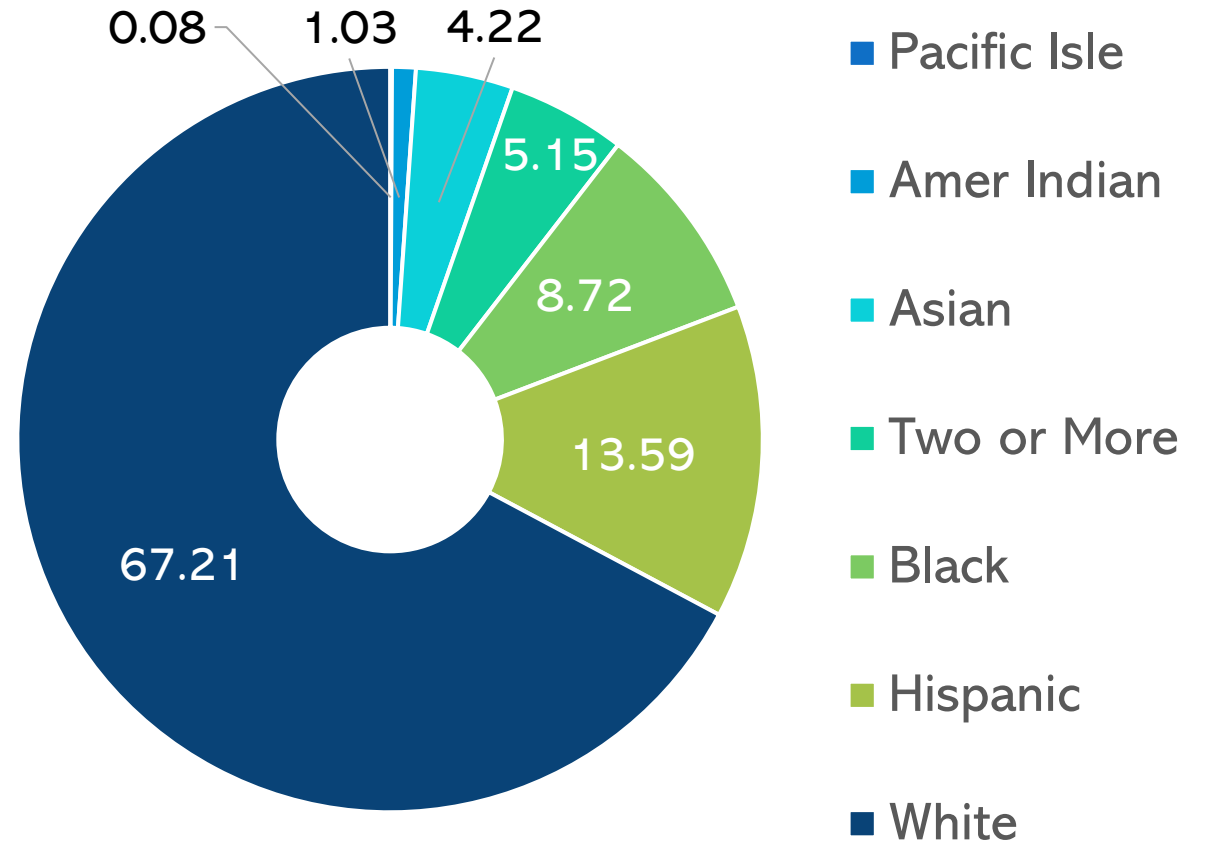
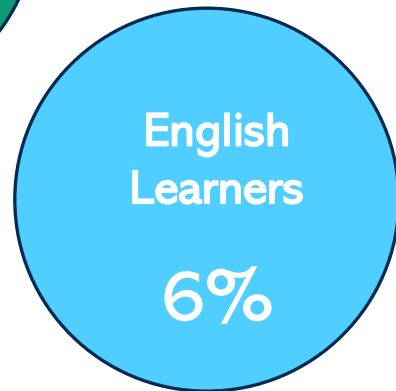
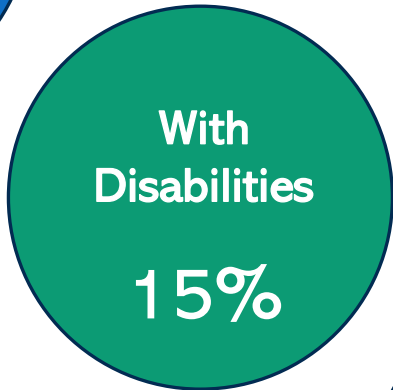
Over 800,000 students in 421 school districts and 2,300 schools across the state

K-12 school aids: 36.6% of state's general fund (much of which acts to lower property taxes)

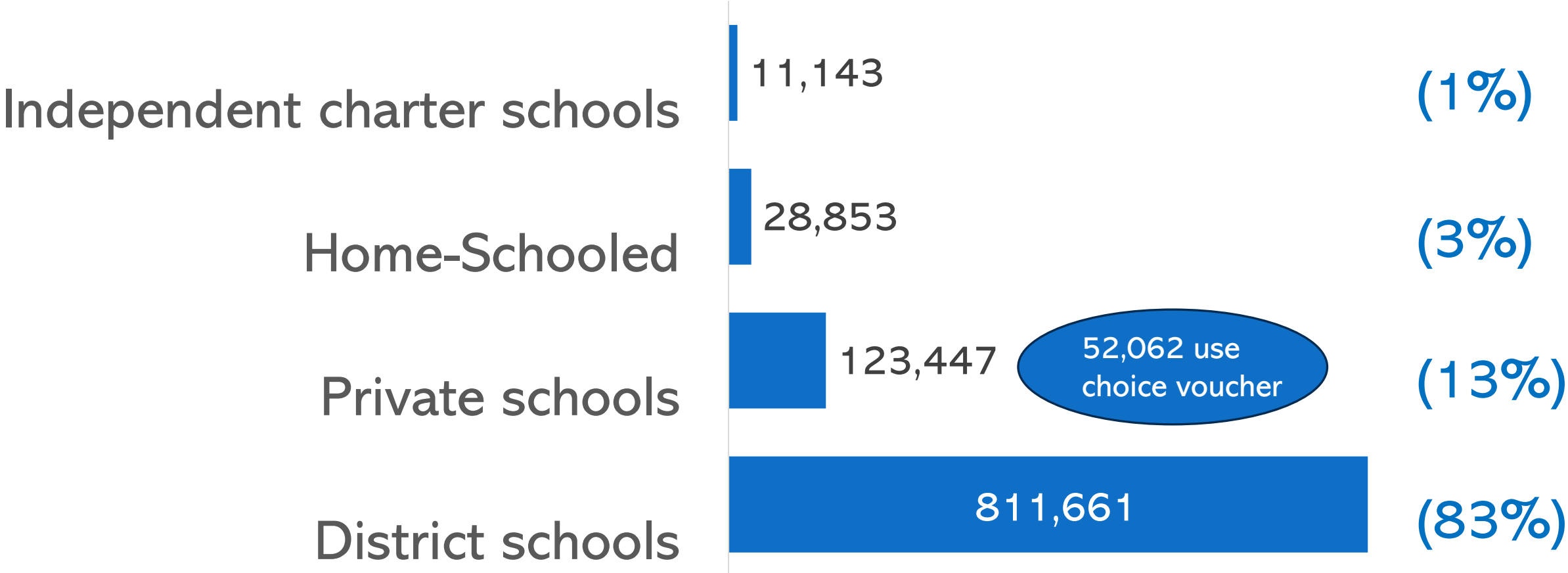
Primarily a small school district state: Median size – 920 students (average 1,928)

Over half (56% of all schools are in rural communities) but they enroll only 20% of students

Public school student demographics (2022-23)



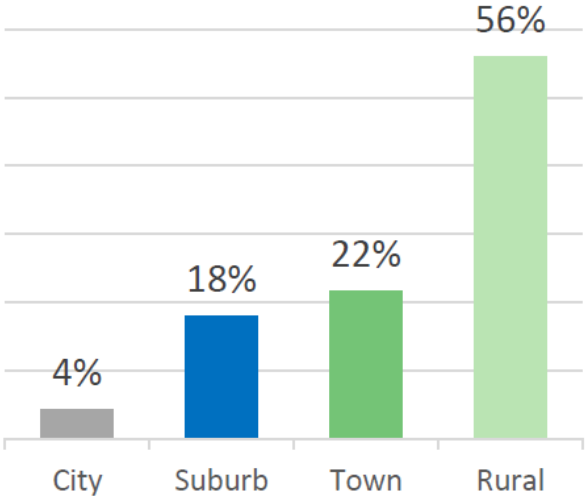
Enrollment by school type (2022-23)



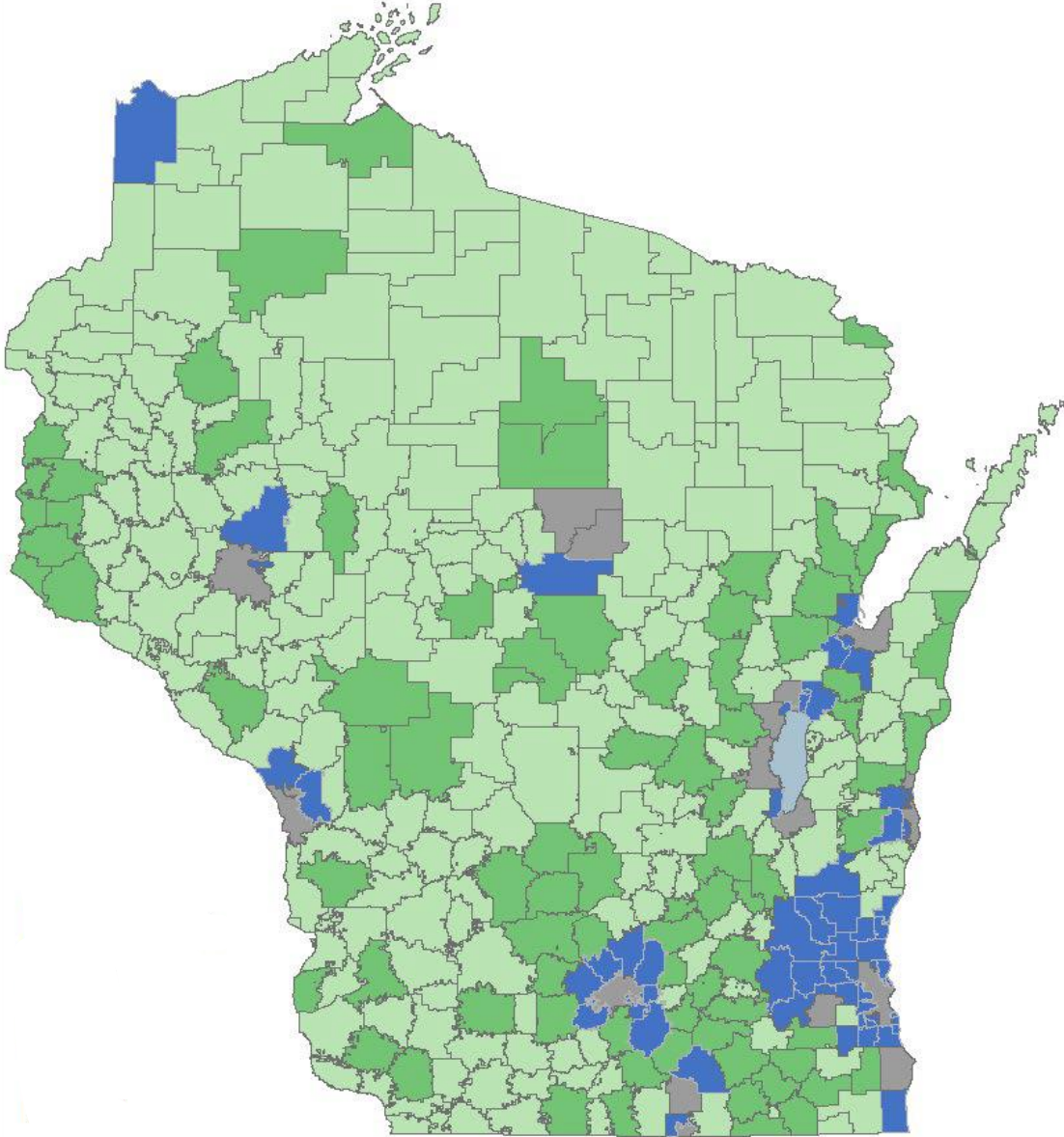
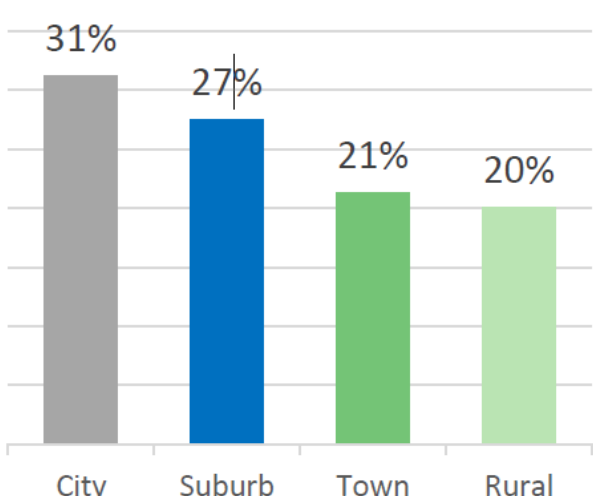
School districts by locale:

City **Suburb** Town Rural

School Districts (2022)



Enrollment (2022-23)



How are our kids doing?

90% graduation rate

Wisconsin students score among highest in nation on NAEP math and reading proficiency

Largest black-white achievement gaps in nation in math and reading

Attendance in Wisconsin schools has been dropping since pandemic: 22.7% of students missed more than 10% of school days in 2021-22





How school funding works

Key mechanics of Wisconsin school finance policy

Backbone of school
finance in Wisconsin:

Revenue limit

State policy limits how
much money school
districts get from
general state aid and
property taxes

Vast majority of school funding comes from the revenue limit



$$[\text{Revenue limit}] - [\text{General aid}] = \text{Property taxes}$$

Equalization aid

Main state portion of the revenue limit

Provided through formula based on property wealth per pupil (in district)

Purpose: Equalize fiscal capacity of school districts

Impact: Provide property tax relief – NOT revenues for schools



Equalization aid is different for every district – based on:

- Property wealth
- Aidable costs (spending)
- Membership (enrollment)



Equalization aid is not based on:

- Student need
- Cost of education in a given district
- Income-level of students' families

Revenue limit: A brief history

Enacted in 1993-94

Locks districts into relative spending levels from 30 years ago

Each district has a *different limit*



Arbitrary: Not tied to student need or costs to schools

How much has changed in your district in 30 years?



Revenue limit and referendums

Originally intended to limit property taxes

Indexed to inflation until 2009-10

Since then, resources for schools have fallen behind basic operating costs

One of last resorts for schools:
Ask voters to **raise limit through referendum** – a growing practice statewide

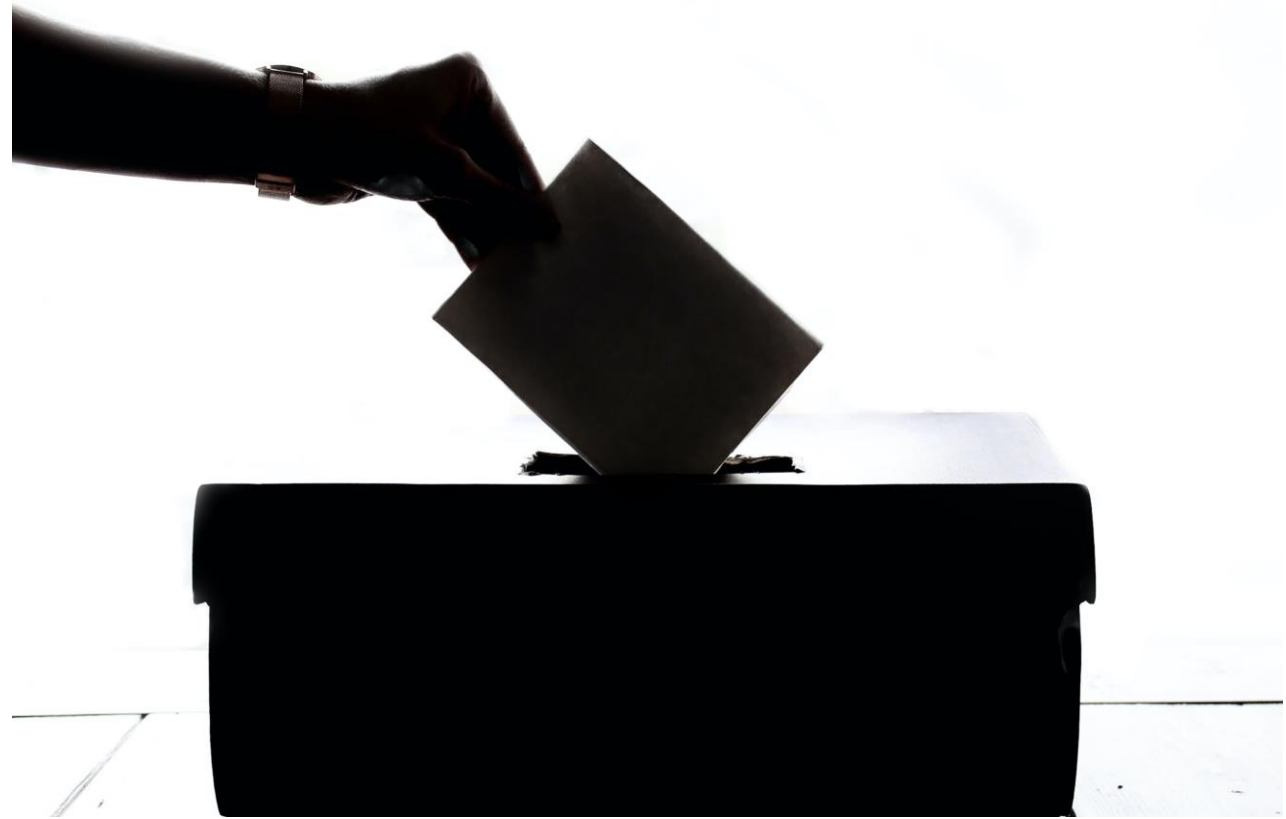


Three kinds of referendum ballot questions

Operating - Nonrecurring

Operating - Recurring

Issue debt (Capital)



Categorical aids

Not subject to the revenue limit (provides additional resources to districts)

Two largest categorical aids:

- Per pupil aid
- Special education aid



Per pupil aid (began 2012-13)

- Functions like revenue limit – provides flat per pupil general spending authority
- Helps higher property wealth districts (who fare relatively less favorably from revenue limit/equalization aid increases)



Special education aid

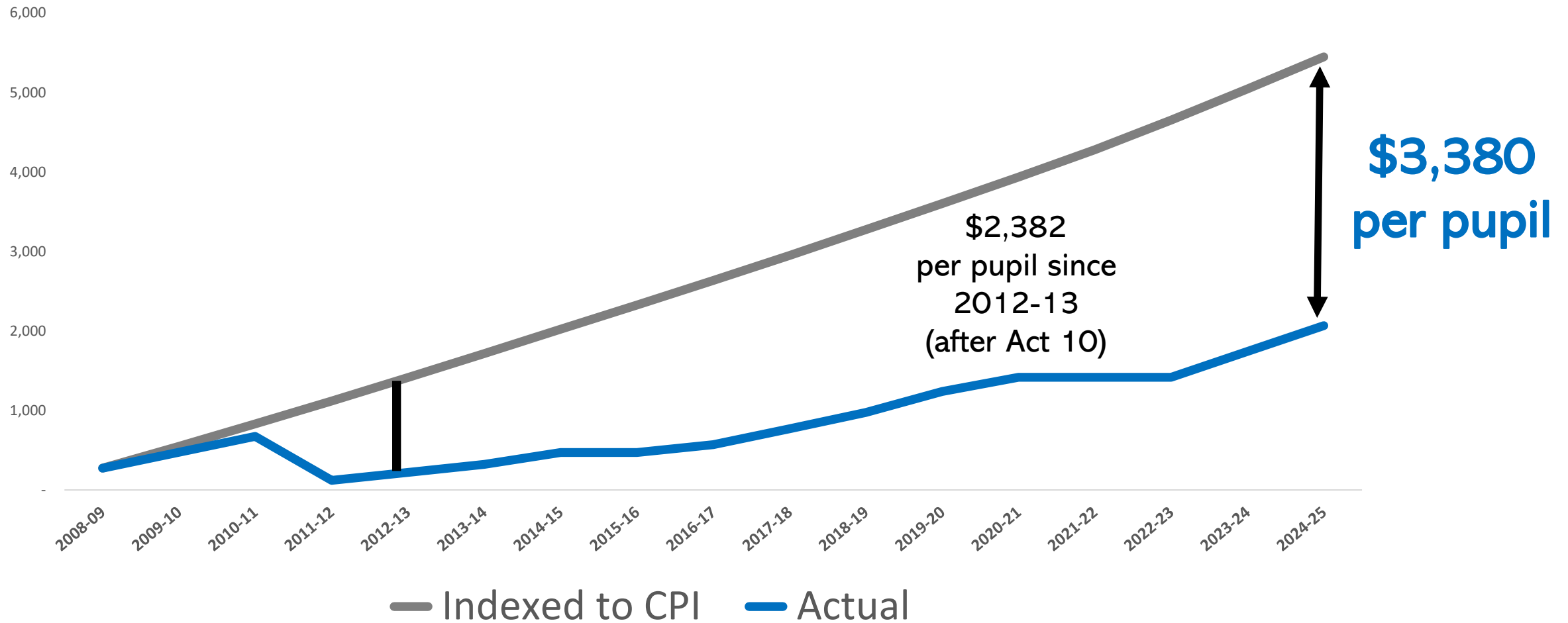
- Reimburses for a portion of mandated special education costs
- 2023-24: 32.4%
- Remainder comes out of district's general fund



Vital signs and their impacts

Key state-level indicators of resources for schools

General school district revenues per pupil lag inflation by more than \$3,300 since 2009





2023-25 state budget
increased revenue limit by
\$325 per pupil in each year

Putting that 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 per pupil (revenue limits + per pupil aid)	Amount behind inflation (Cumulative, per pupil)	National spending ranking (Census)	Context Notes
2009-10	4K	\$200	\$75	17th	1 st year revenue limits were decoupled from inflation
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; Act 10
2013-14	3rd	\$100	\$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	25th	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



Not a windfall compared to inflation:
(4.12% for 2024 collective bargaining)

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

Represents between 1.3% and 3.3% increase in 2023-24 school district base revenue limits

School districts already \$3,380 per pupil behind where inflationary adjustments would have put them



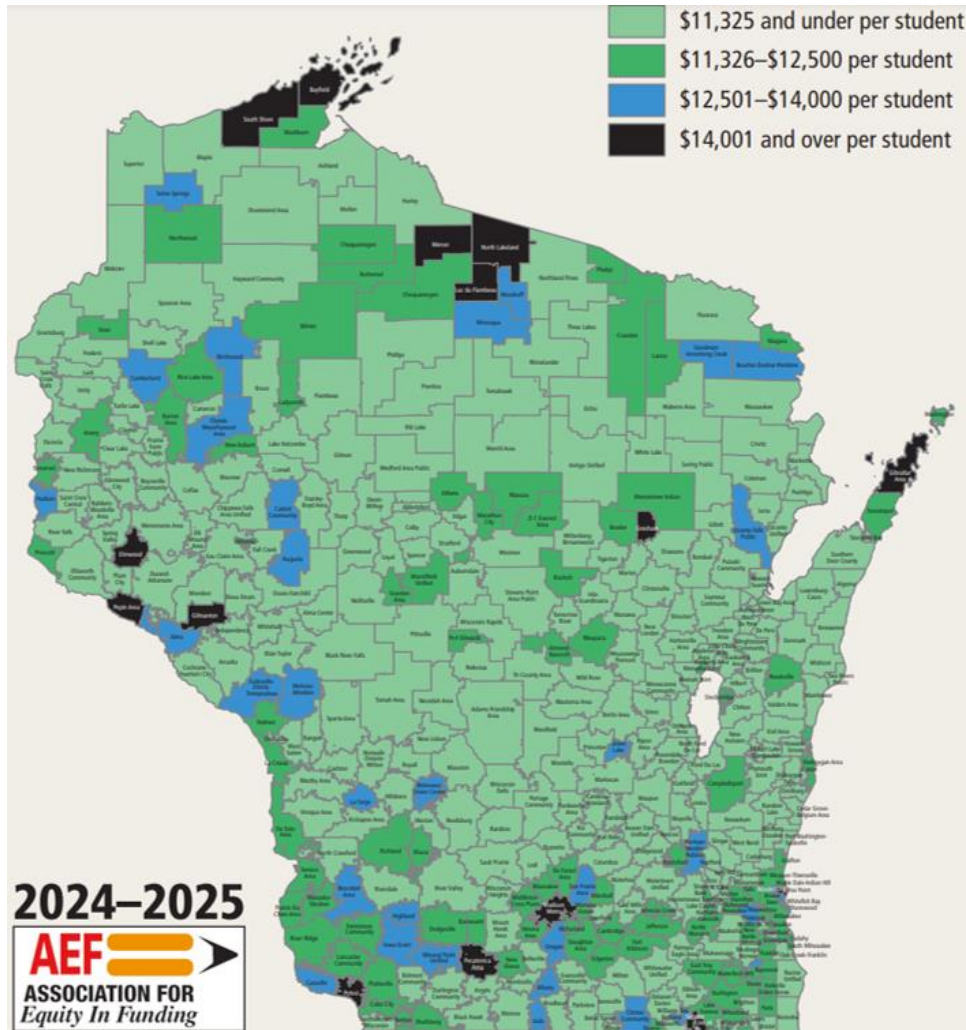
Impacts will vary by school district – affected by enrollment trends, share of eq. aid, impact on property tax, special ed...

\$325
is not a
game
changer

(beware of
mental math)



2023-25 State Budget: Low Revenue Ceiling rose by \$1,000 to \$11,000



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

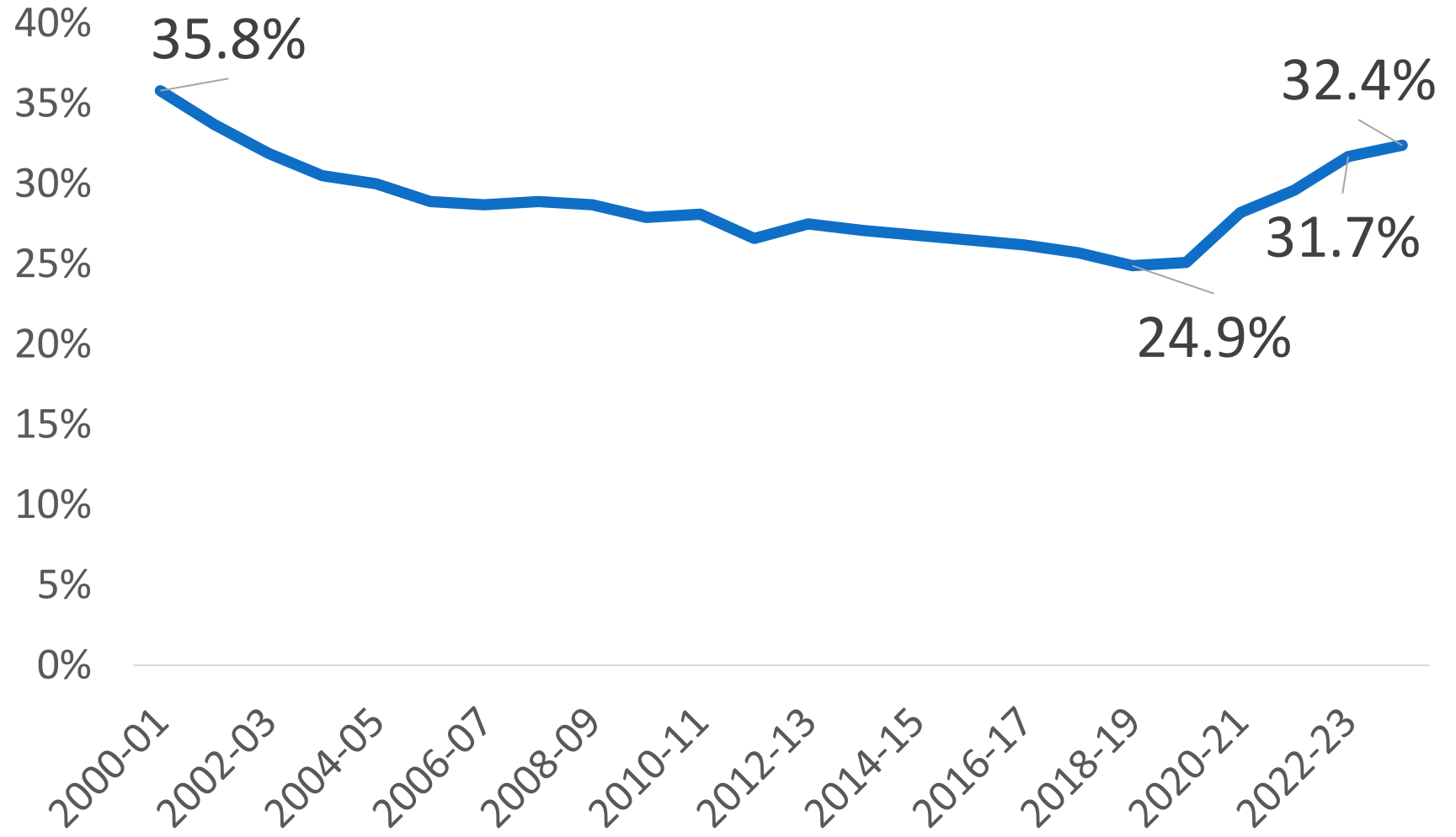
2023-25 state budget provided a \$1,000 per pupil increase in the **low revenue ceiling** – Helped reduce disparities between districts: **85% of districts will be within 10% of the new LRC of \$11,000**

Disparities persist – especially challenging for districts with neighbors with higher revenue limits per pupil – difficult to compete!

Special education categorical aid

Increase over prior year:
2023-24: \$40.1 million
2024-25: \$16.7 million

Special education aid reimbursement rate over time

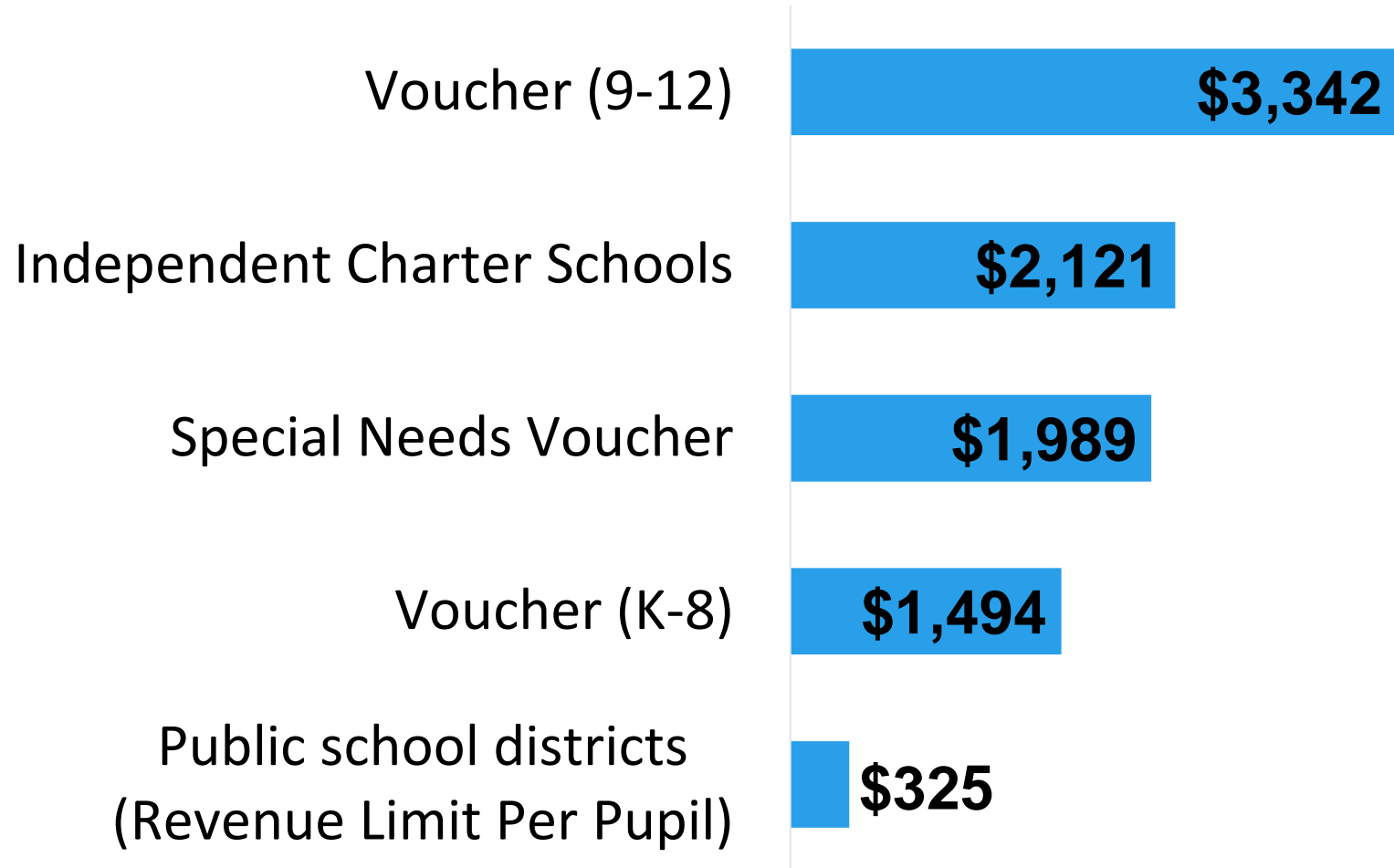




Significant increase in voucher/charter payments

Impacts by school type

2023-24 change to per pupil payments over prior year (\$)



Voucher/ICS costs

2023-24 estimates (\$ millions)

For perspective:

2023-24 special
education appropriation
was **\$558 million**

	Reduction in SD State Aids	State GPR Funded	Total Program Cost
MPCP	\$ 9.43	\$ 285.38	\$ 294.81
RPCP	\$ 37.10	\$ 4.40	\$ 41.50
WPCP	\$ 193.24	\$ 2.16	\$ 195.40
SNSP	\$ 38.69	\$ -	\$ 38.69
TOTAL (Choice)	\$ 278.47	\$ 291.94	\$ 569.73
ICS			\$ -
Legacy		\$ 109.16	\$ 109.16
New Authorizer and OEO	\$ 28.10		\$ 28.10
TOTAL (ICS)	\$ 28.10	\$ 109.16	\$ 137.26
GRAND TOTAL	\$ 306.57	\$ 401.09	\$ 706.99

Voucher program expansion:

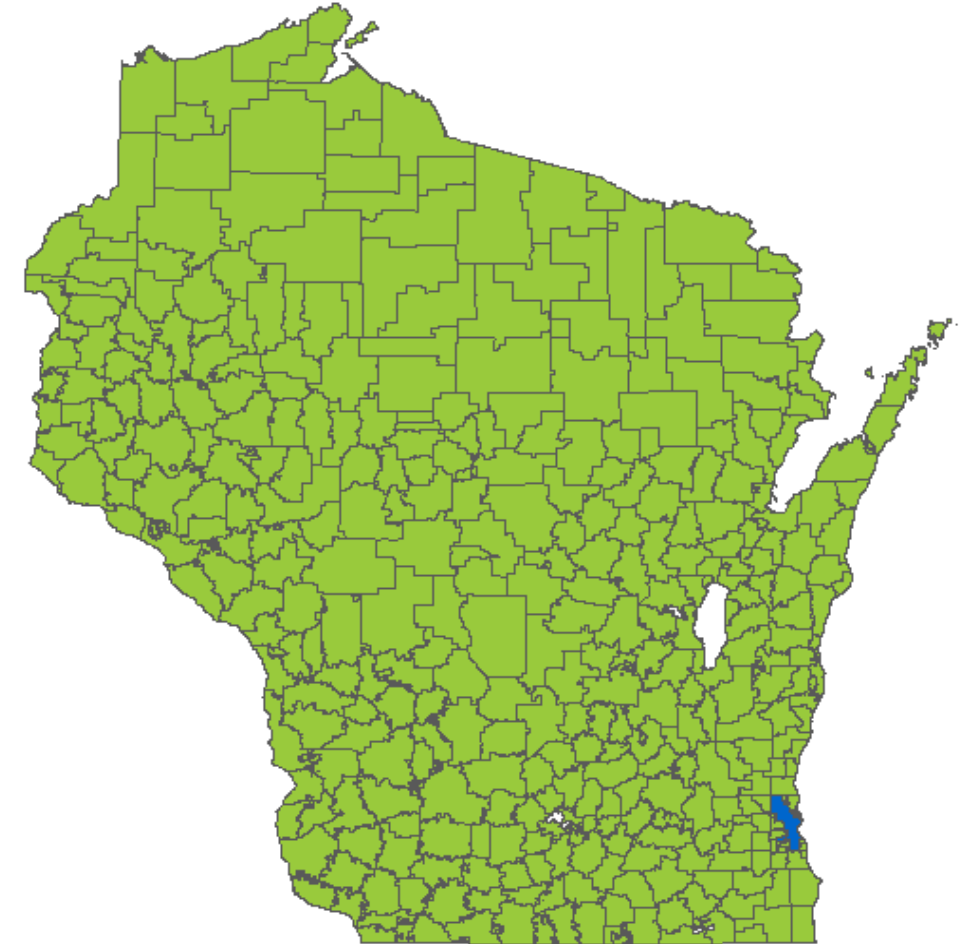
2009-10 to 2022-23

Voucher funding comes out of
school district state aid;
replaced with local property tax

Income limits (new students only)

- Milwaukee/Racine: 300% of federal poverty level
\$83,250 for family of 4
- Wisconsin (statewide): 220% federal poverty level
\$61,050 for family of 4

Choice Students by District
School Year 2009-10



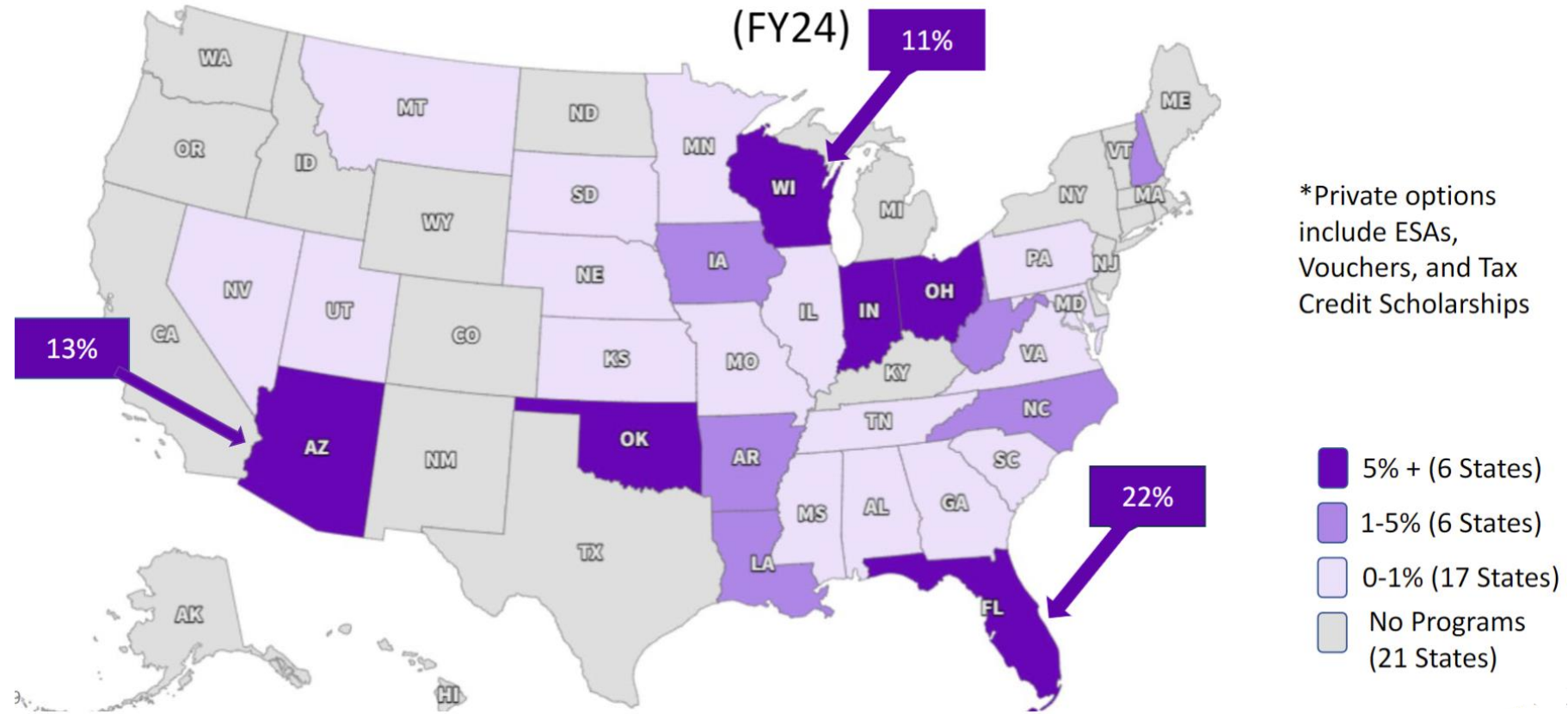
■ No Choice Students ■ Choice Students





Portion of state education dollars in private options

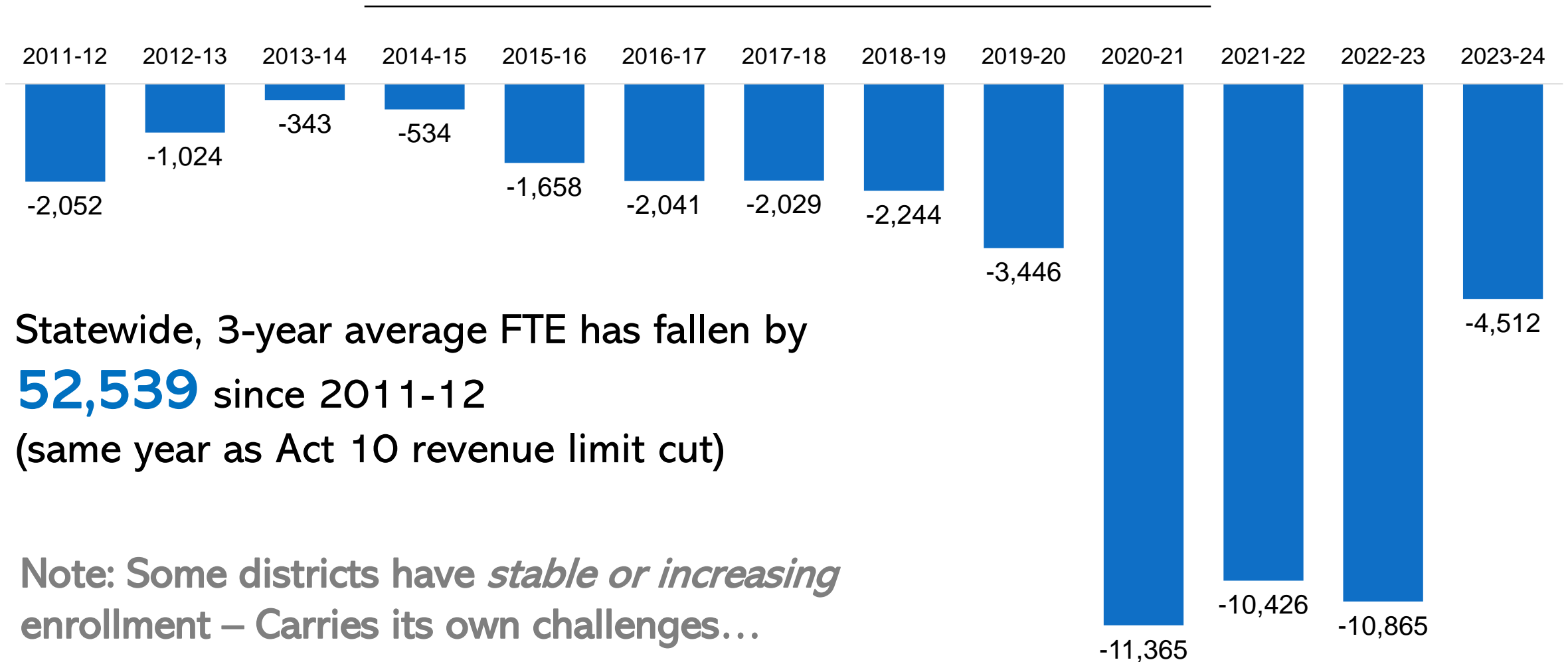
Wisconsin ranks **THIRD** in the nation on share of state education dollars on private K-12 options



Declining enrollment (2012-12 to 2023-24)



Statewide revenue limit 3-year average FTE decline



Statewide, 3-year average FTE has fallen by **52,539** since 2011-12 (same year as Act 10 revenue limit cut)

Note: Some districts have *stable or increasing* enrollment – Carries its own challenges...

ESSER funds expire this September (2024)



Because of **ZERO increase to revenue limit in 2021-2023**, ESSER covered some ongoing costs:

- school districts missed two years of base building revenue
- creates future budget holes
- academic recovery investments bearing fruit – districts will want to continue some pandemic-era spending!

From December 2023 WASBO survey of school districts:
62% of respondents said end of ESSER will cause structural deficit for 2024-25

Equity issue: “High poverty (high need schools) communities will see sharper impacts to their school budgets in part because of how ESSER funding was structured.” *Brookings*

ESSER: Fiscal Cliff

Wisconsin
ESSER spending
– 6.3% above
pre-pandemic
spending



**Wisconsin's
ranking has
fallen relative to
the nation on
per pupil
spending on
K-12 education**

11th in 2002
11% above national average



25th in 2022 **7.2% below**
national average

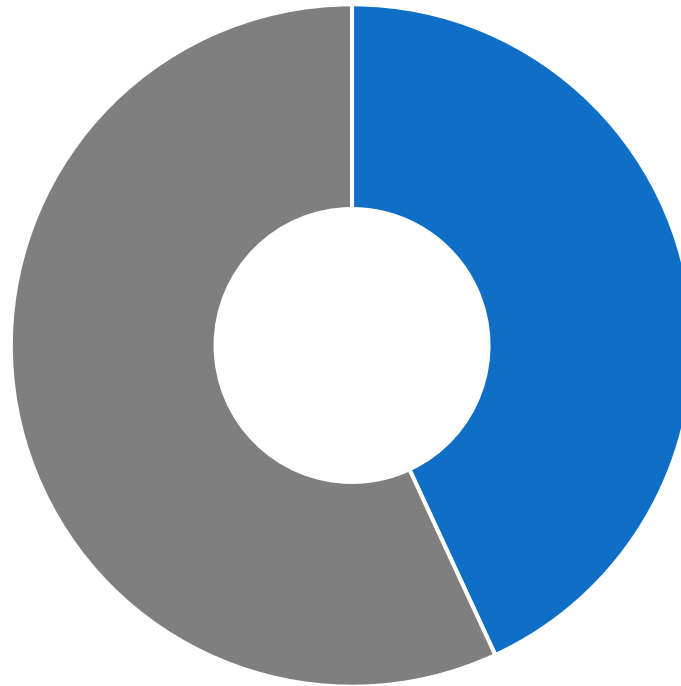
Wisconsin provides **disproportionately less funding to rural districts: 11th lowest** in the nation on state revenue to schools per local dollar (\$.82 versus \$1.18 nationally)



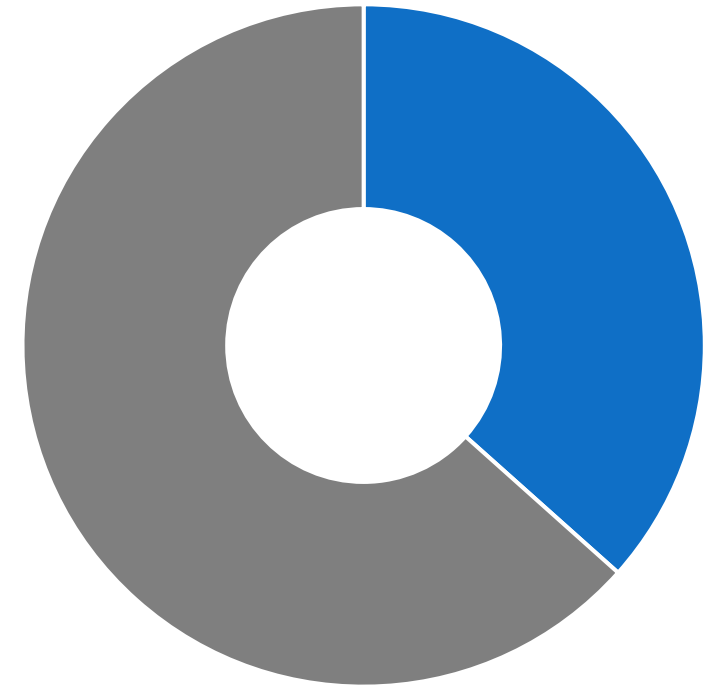
K-12 school aids as a share of state GPR

Education has fallen as a state budget priority

2003
43.1%

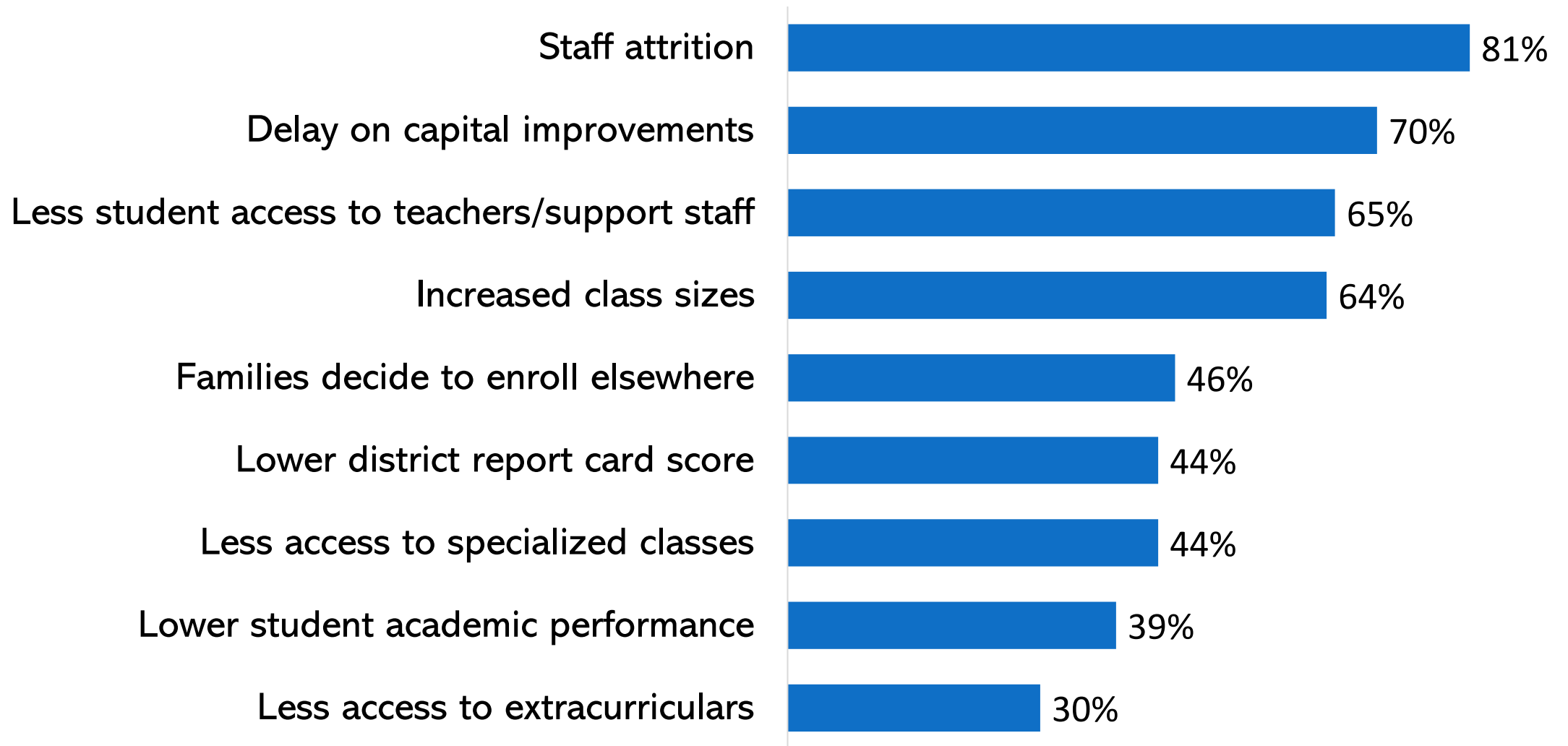


2023
36.6%



Insights from the field: WASBO Survey

Percent citing likely **impacts on students** between 2023 and 2025





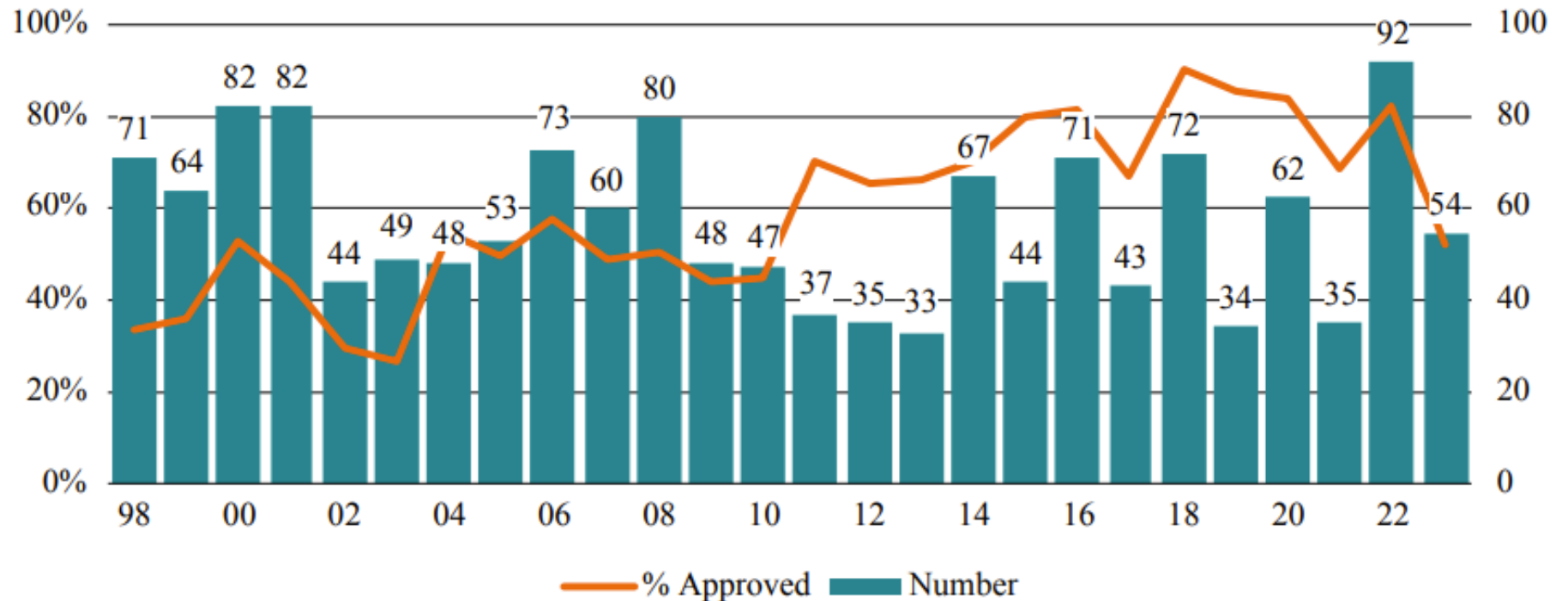
How are districts coping?

After exhausting Act 10 tools, cutting costs, deficit spending, tapping reserves, using ESSER...

Increased use of operating referendums

2024 will have the highest number of operating referendums in history

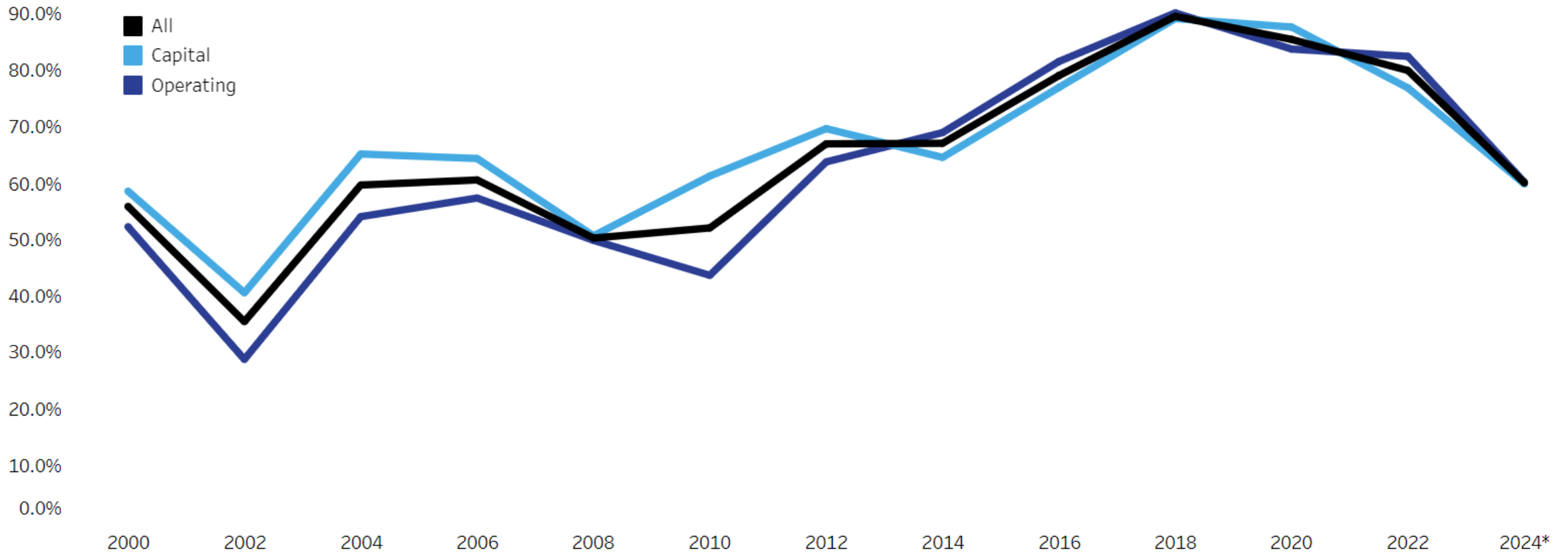
Operating referendums: Number and approval rates (1998-2023)





Recent referendum passage rates declining

District passage rate by type of question (2000-2024, midterm or presidential election years)

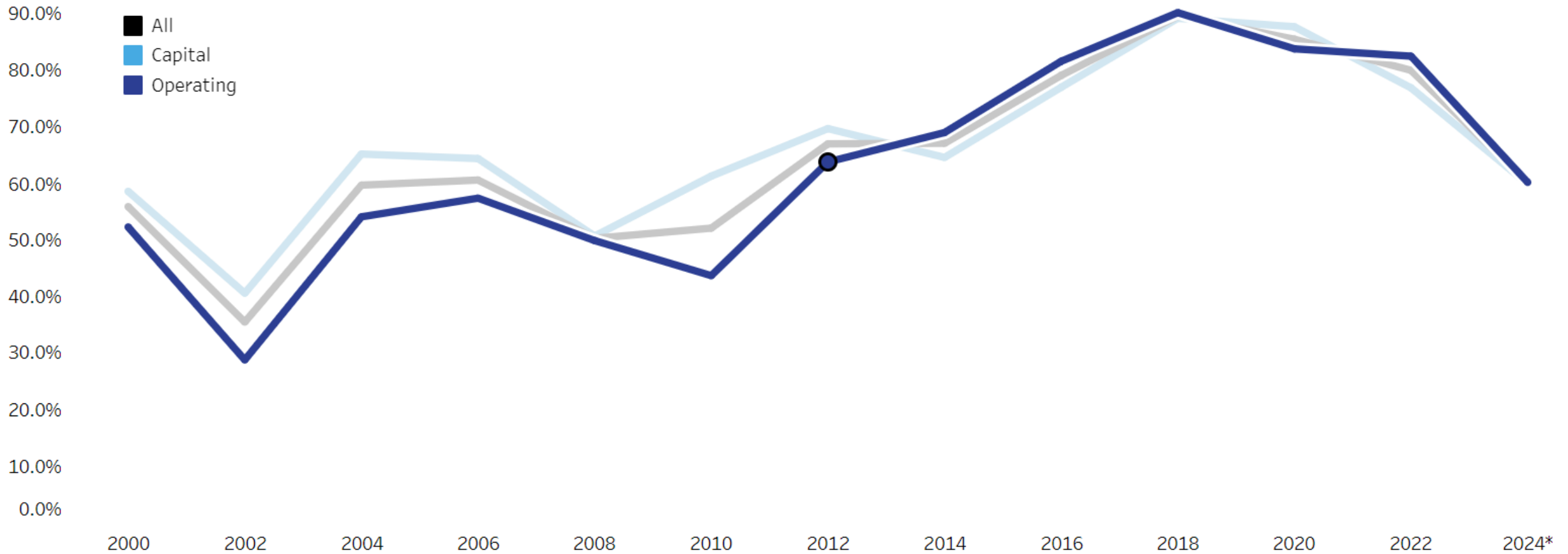


Source: Wisconsin Policy Forum analysis of statewide county clerk data. *Pending results from November 2024 elections.

Recent referendum passage rates declining



District passage rate by type of question (2000-2024, midterm or presidential election years)

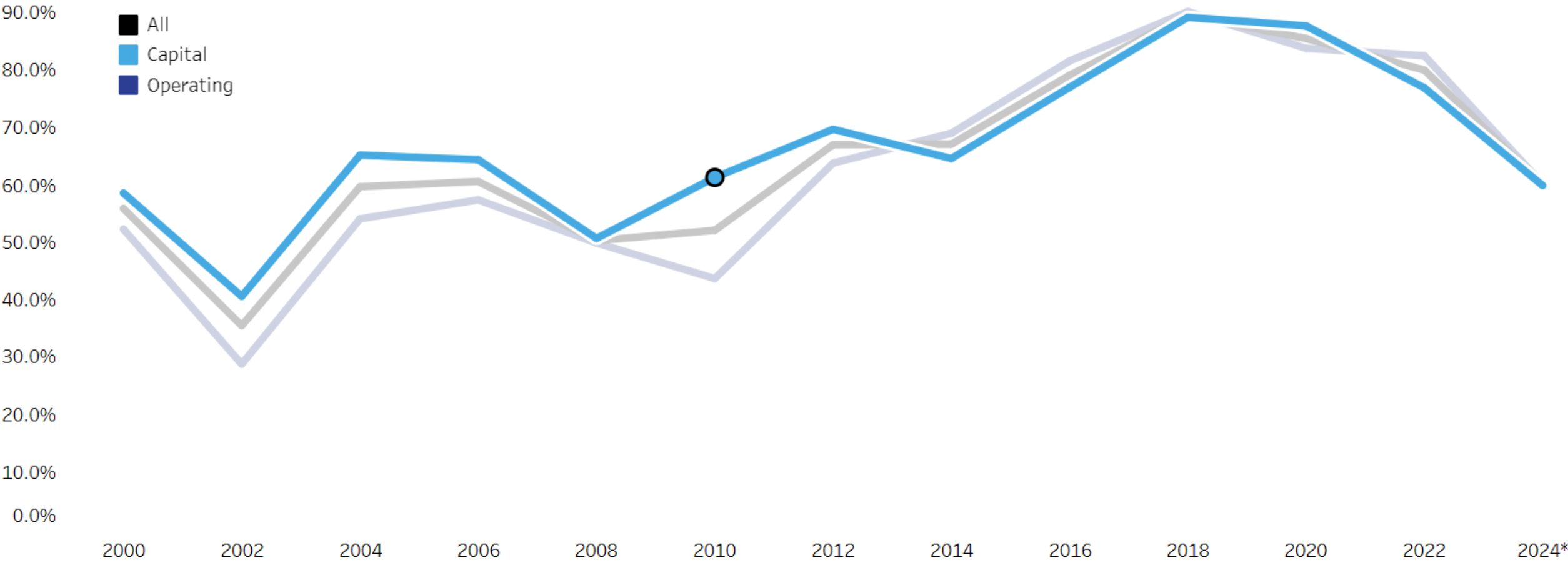


Source: Wisconsin Policy Forum analysis of statewide county clerk data. *Pending results from November 2024 elections.

Recent referendum passage rates declining



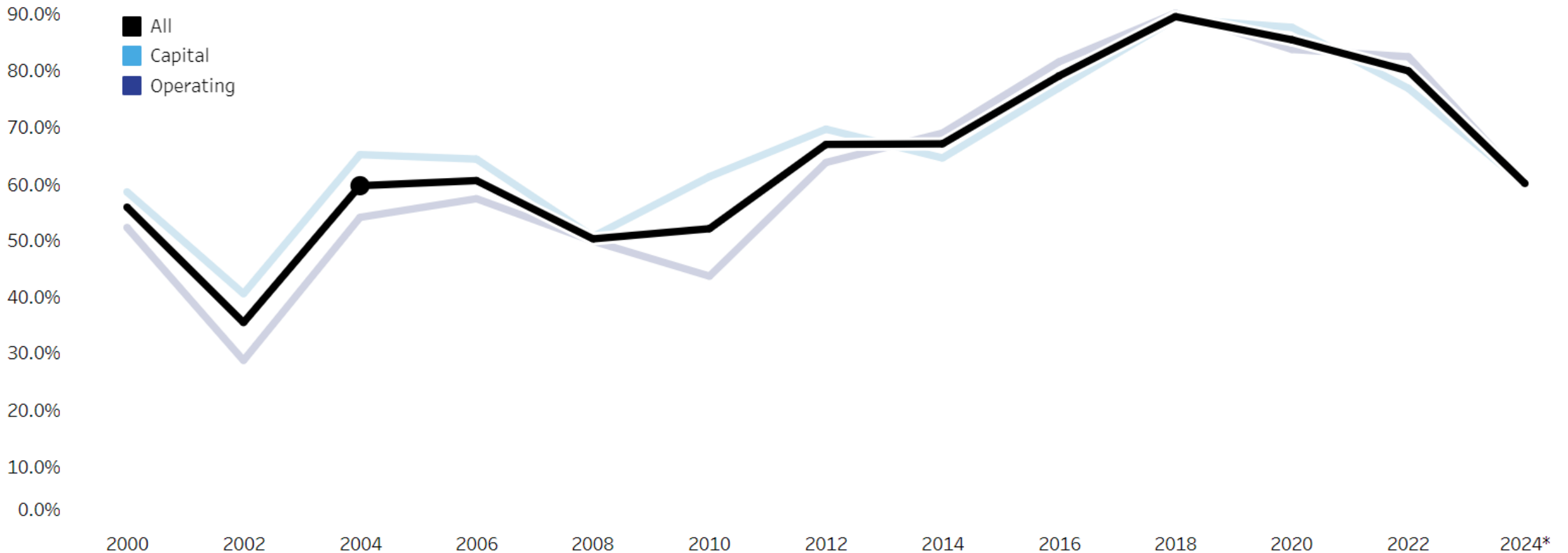
District passage rate by type of question (2000-2024, midterm or presidential election years)



Recent referendum passage rates declining



District passage rate by type of question (2000-2024, midterm or presidential election years)

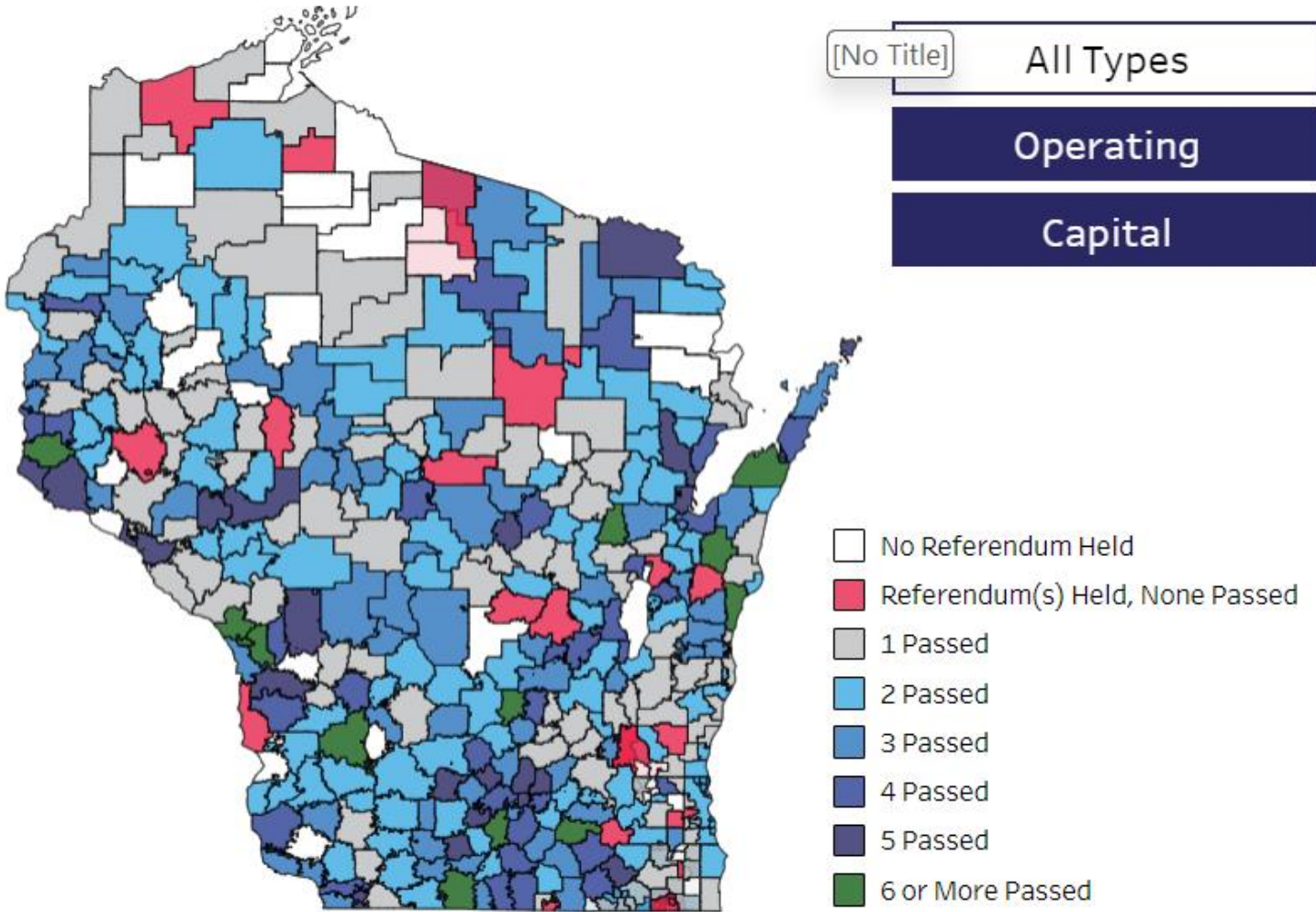


Source: Wisconsin Policy Forum analysis of statewide county clerk data. *Pending results from November 2024 elections.



Number of referendums since beginning of 2014, by school district and type

Vast majority of districts have passed at least one referendum in past decade

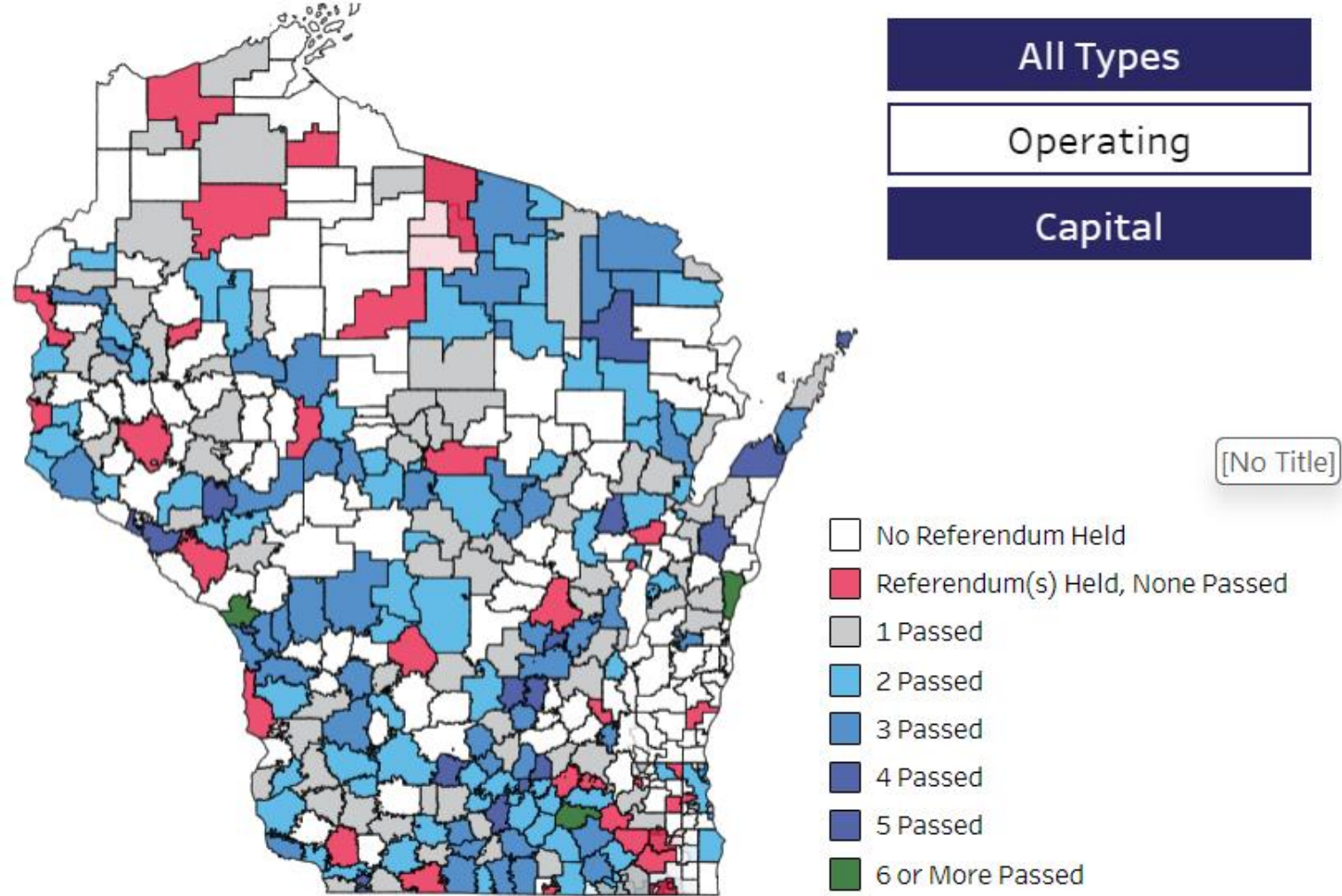


Source: Wisconsin Department of Public Instruction



Number of referendums since beginning of 2014, by school district and type

Vast majority of districts have passed at least one referendum in past decade

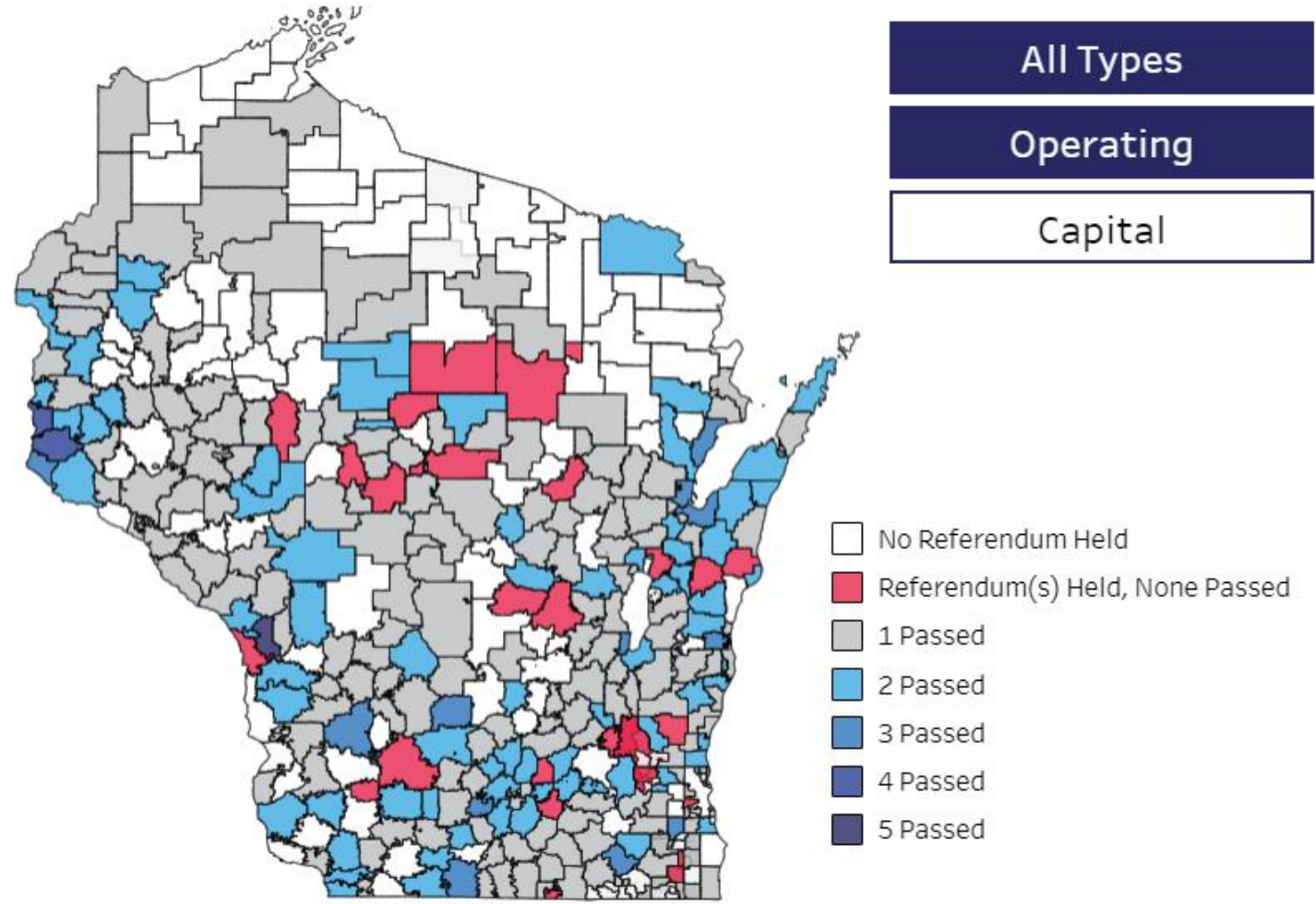


Source: Wisconsin Department of Public Instruction



Number of referendums since beginning of 2014, by school district and type

Vast majority of districts have passed at least one referendum in past decade

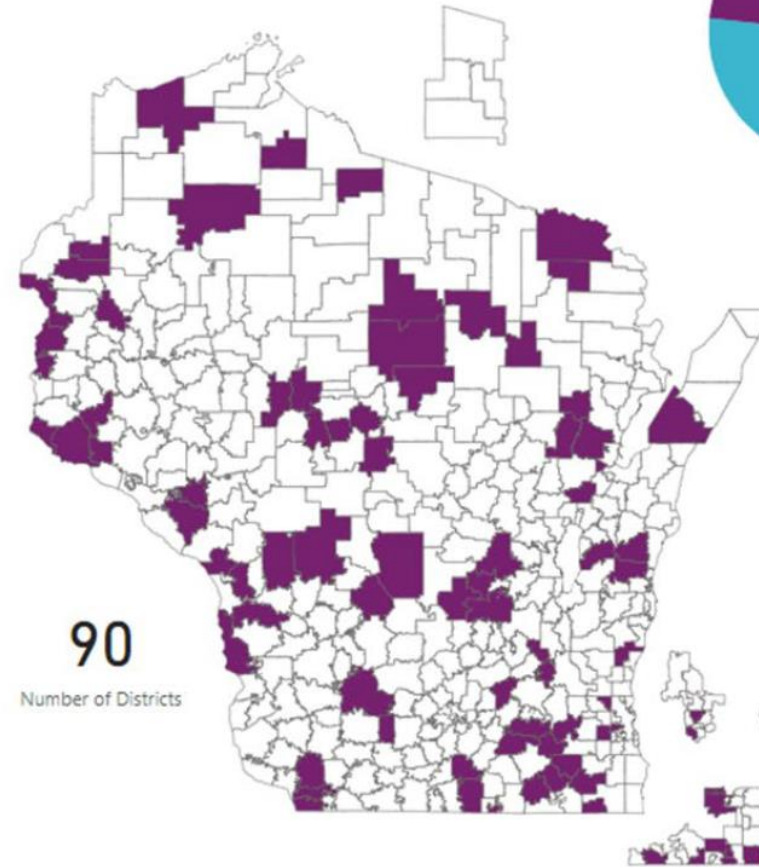
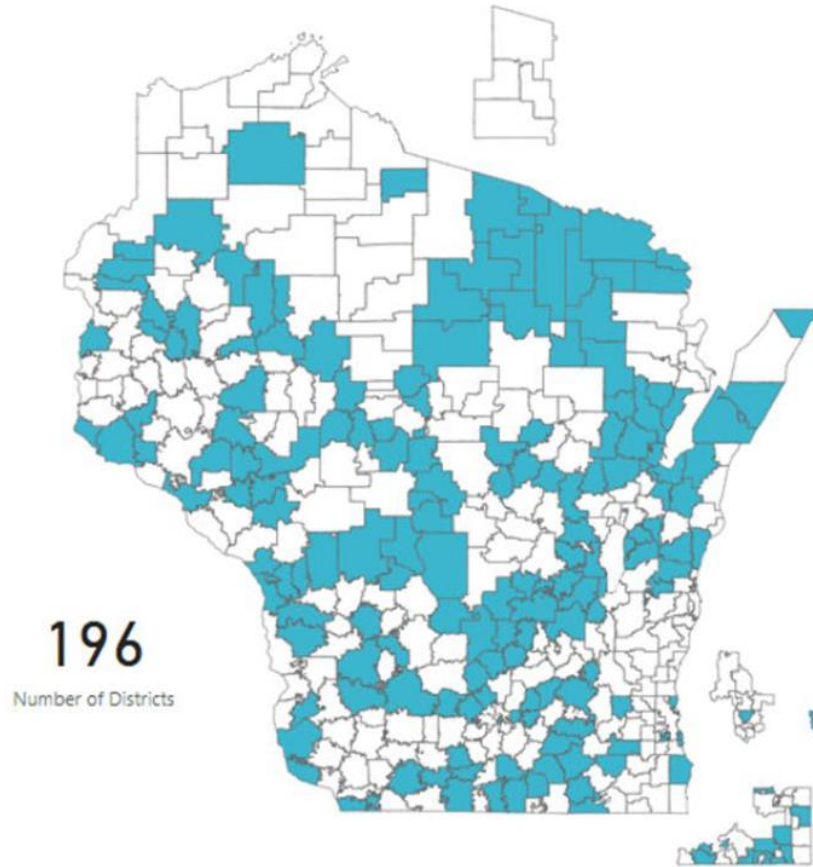
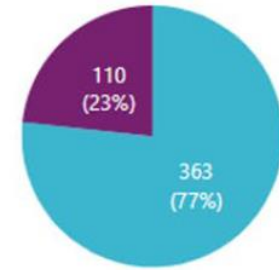


Source: Wisconsin Department of Public Instruction

Non-recurring operating referendums: Past ten years



Questions Asked

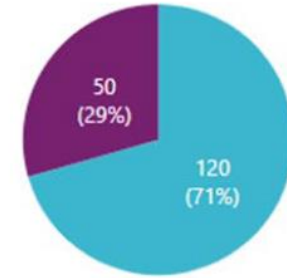
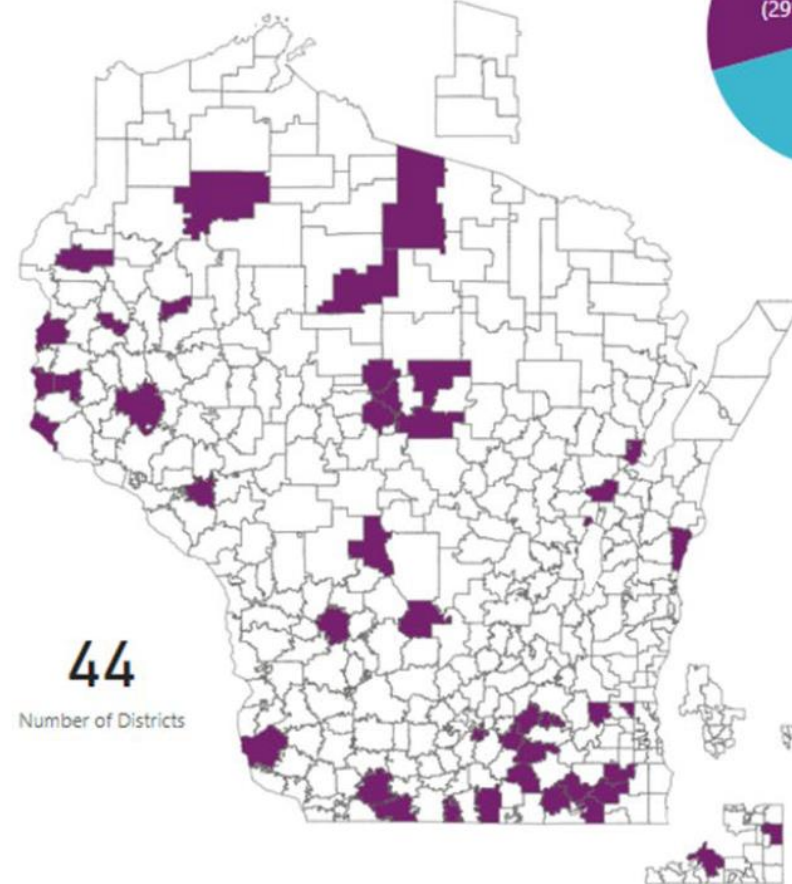
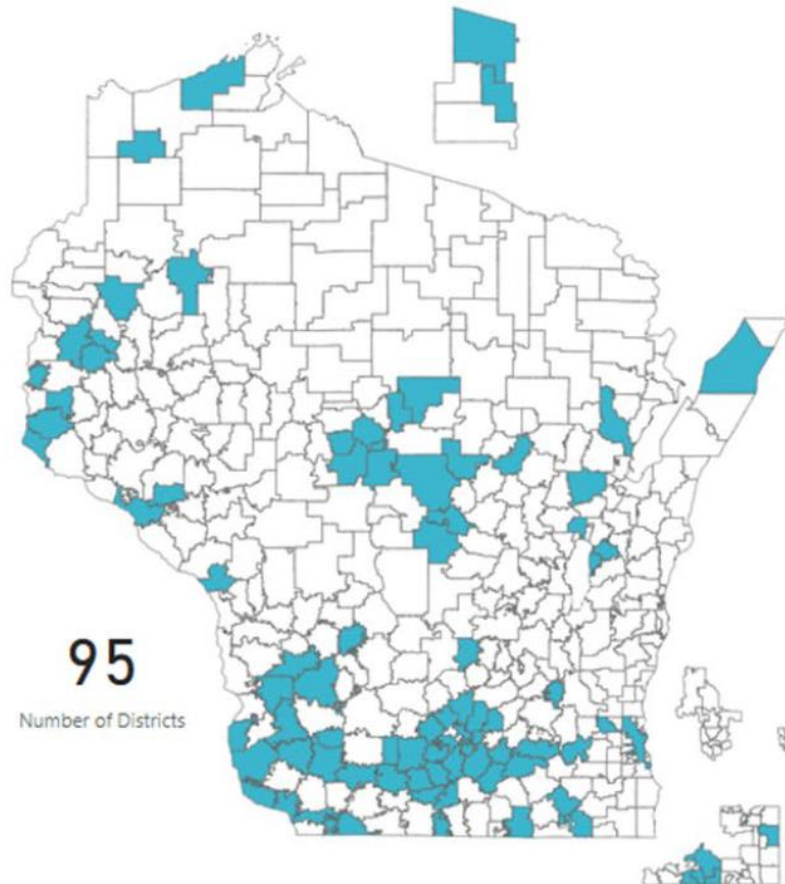


● Passed ● Failed

Recurring operating referendums: Past ten years



Questions Asked



● Passed ● Failed

Spring 2024 referendums



February 20

April 2

103 ballot questions

Operating – 68

Nonrecurring – 45

Recurring – 23

Capital/Debt – 35

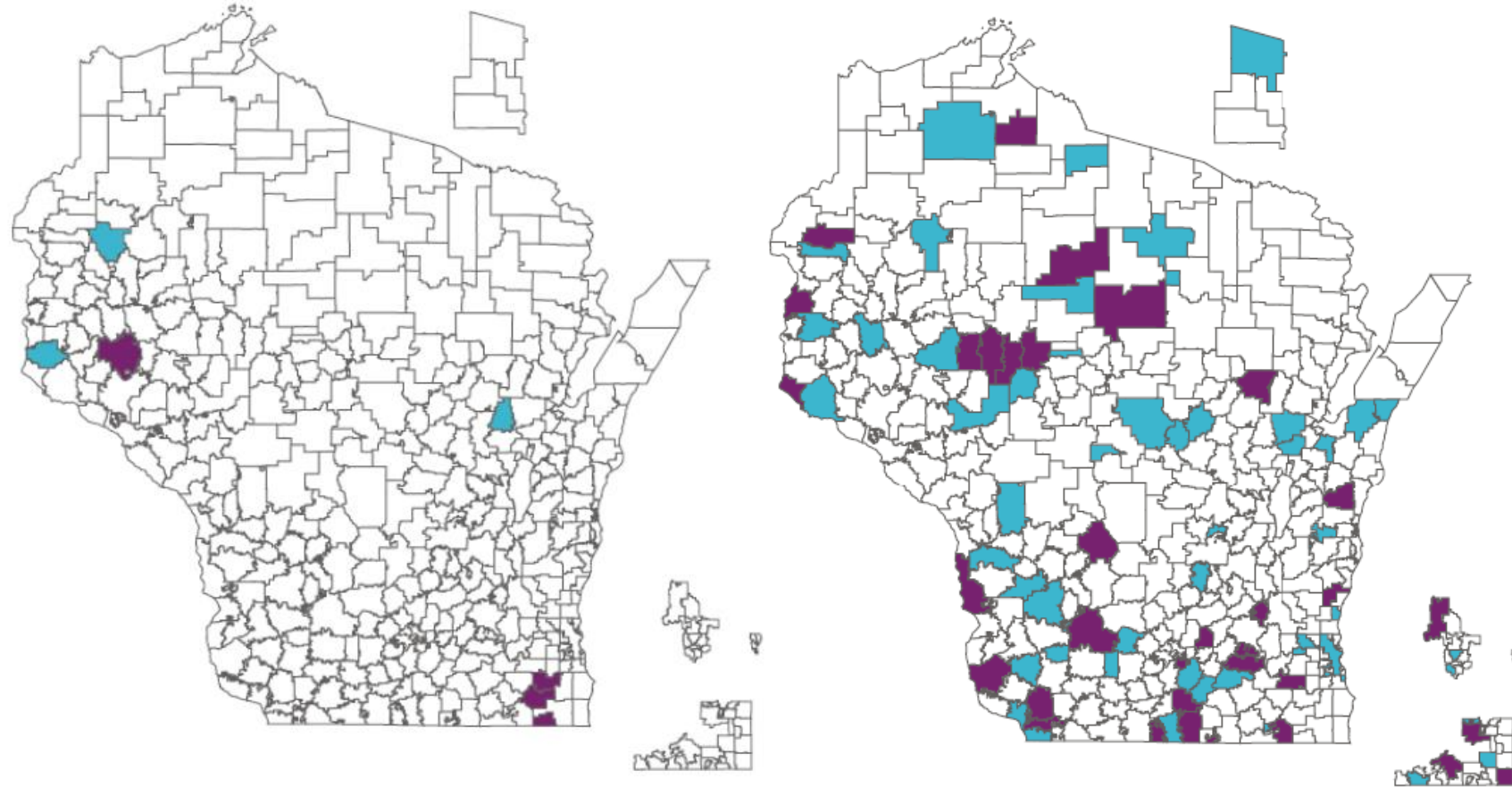
Passage rates

Operating – 58.8%

Nonrecurring – 62.2%

Recurring – 52.2%

Capital/Debt – 60.0%



● Passed ● Failed

Operating referendums – so far in 2024...



Spring 2024 referendums

68 school districts: Mixed results: About 60% passage rate across all types

Fall 2024 referendums

78 school districts (have until 9/6 to report to DPI)

Total for 2024 will be at least 146 – far exceeds previous record of 92 in 2022



Trend to watch:

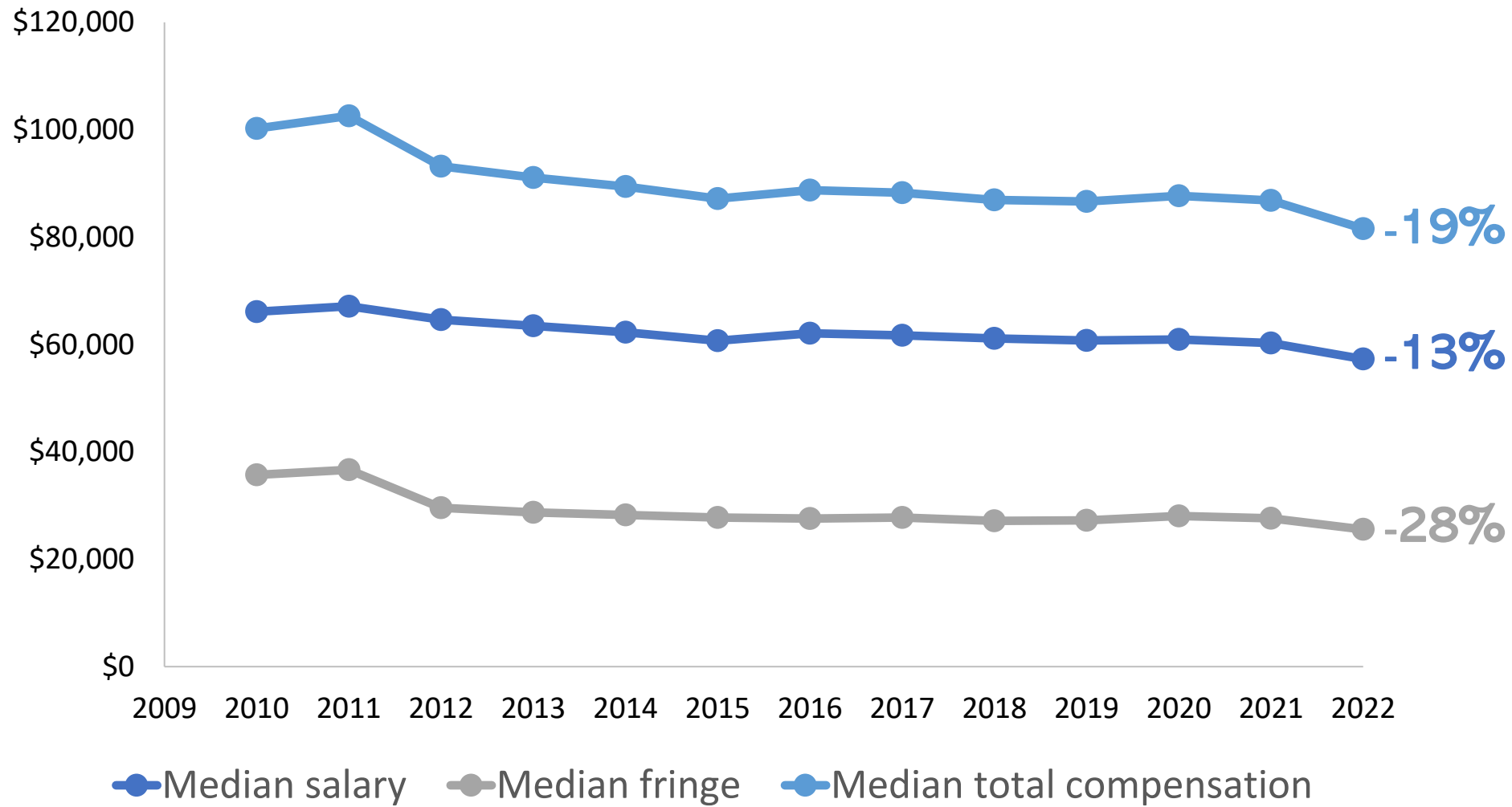
Passage margins have been narrowing



Educator Workforce

Median teacher compensation has fallen by 19% since 2010

Wisconsin teacher compensation trends (2022 dollars)



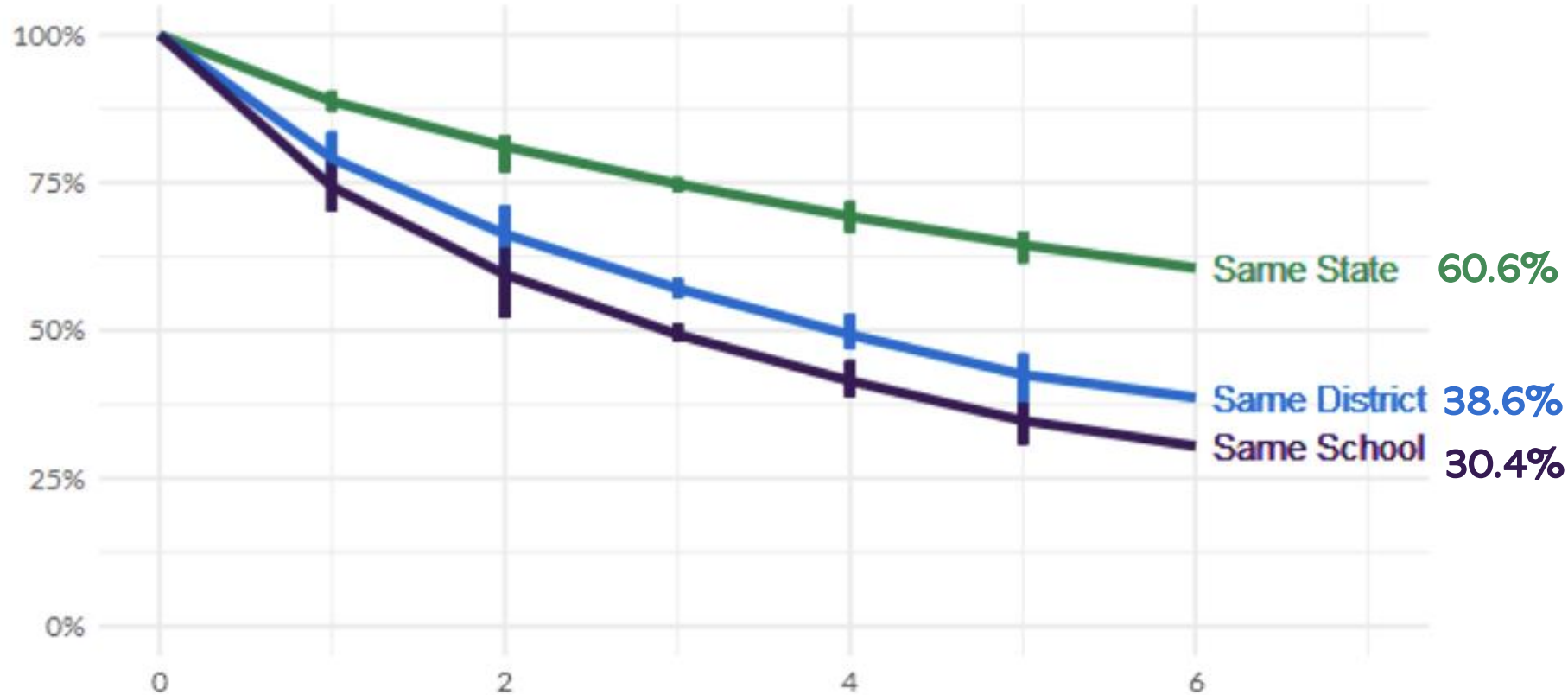


Educator Workforce

Wisconsin loses teachers at two main points:

- After ed prep program/licensure
- Within first few years in profession

First-year teacher retention over time (years of teaching experience)



Educator Workforce

Use of emergency teaching licenses has tripled in past decade

Forces districts into difficult tradeoffs:

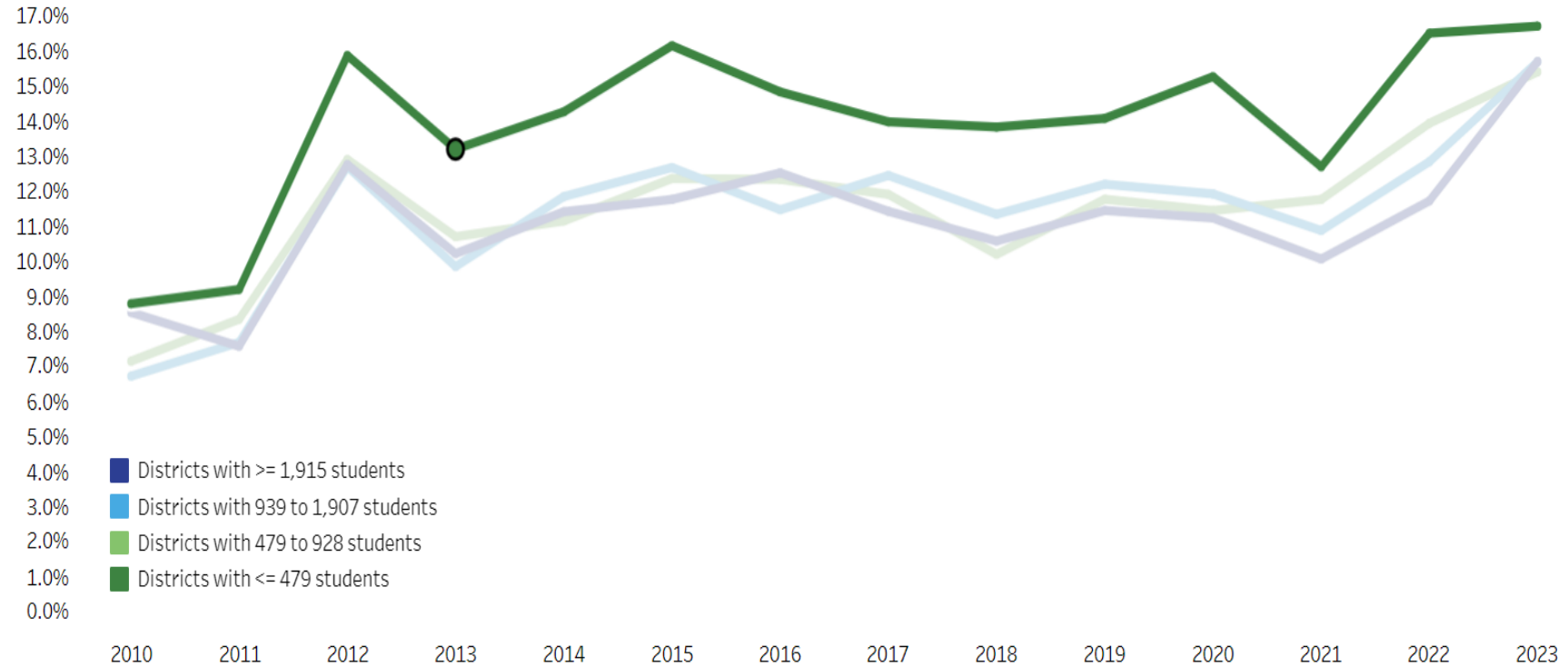
Balance budget, lose teachers, increase class size?

Fill vacancies, create deficit, cut elsewhere, raise taxes?

Teacher turnover has been a challenge since Act 10, esp. teachers of color, smaller districts, high poverty districts



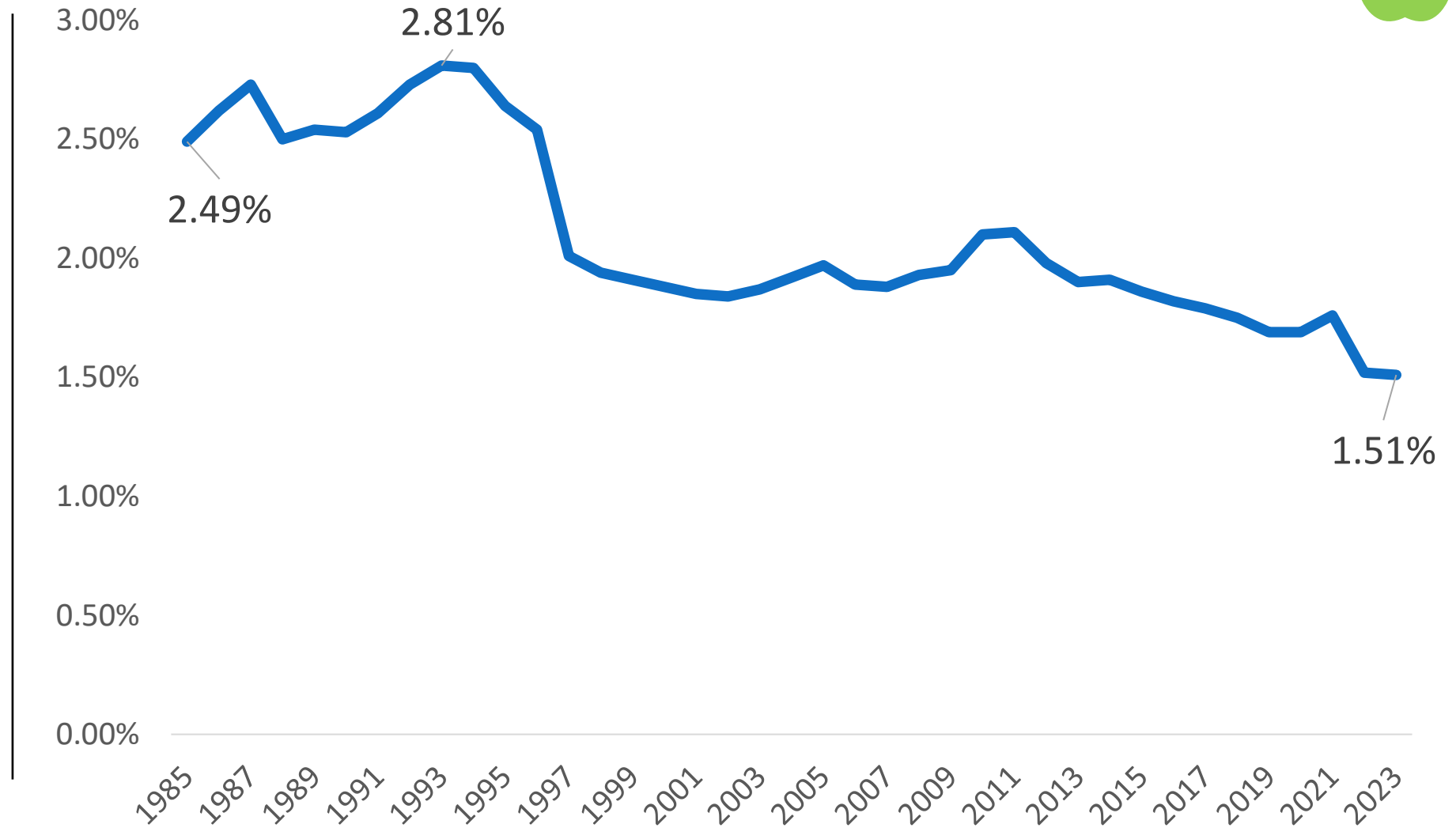
Figure 3: Districts with Fewest Students Experience Most Turnover
Statewide annual average teacher turnover rate by student enrollment



Sources: Wisconsin Department of Public Instruction, National Center for Education Statistics, and Wisconsin Policy Forum analysis. *District size bins correspond with 25th percentiles for district size, meaning the same amount of districts are in each bin.



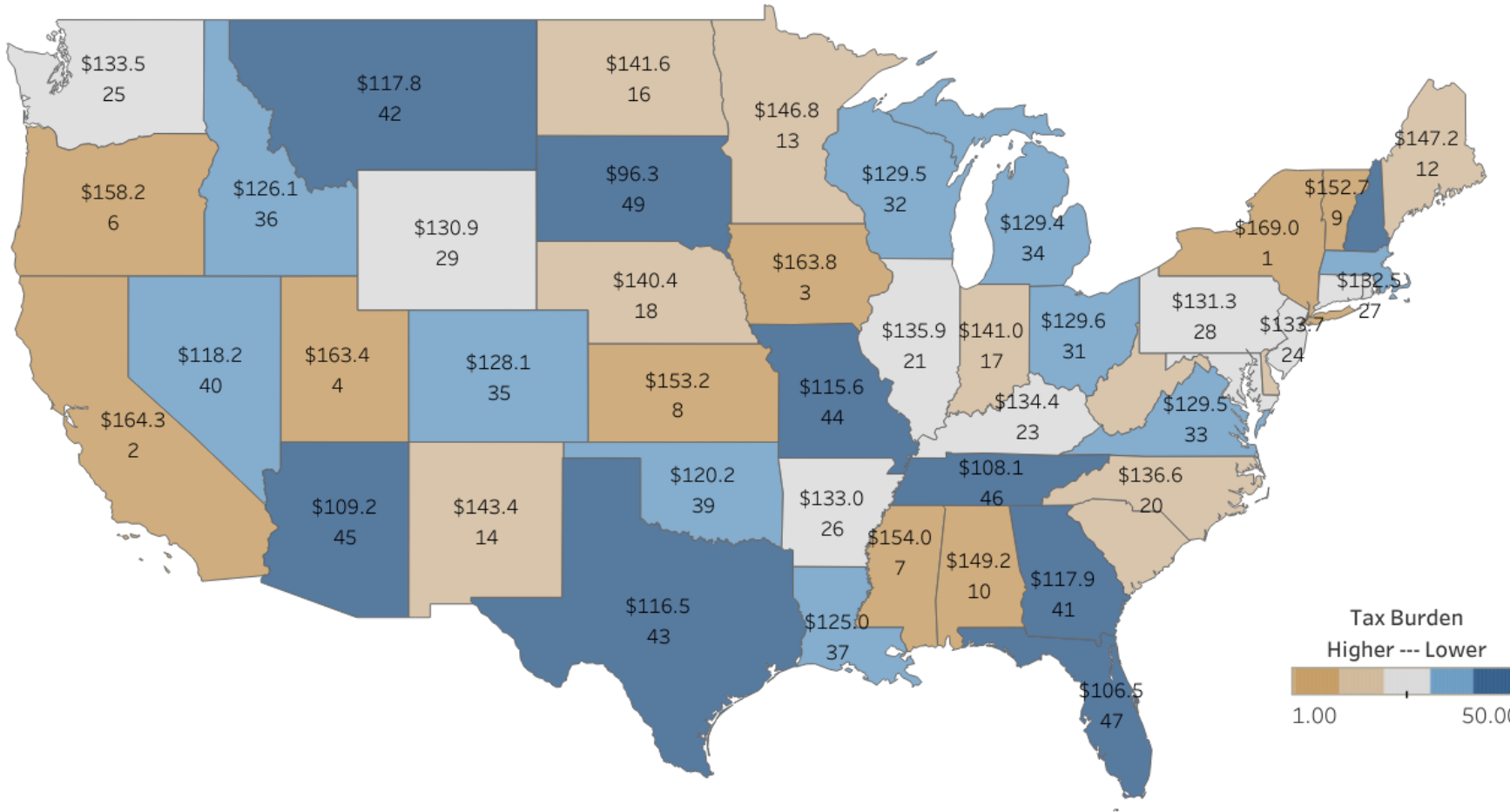
School property tax levy as % of personal income (tax burden)





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

State and local revenues per \$1,000 of personal income: **Taxes and fees** in 2020-21



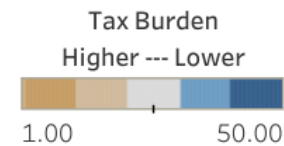
Michigan: 129.4

Wisconsin: \$129.5
(Rank: 32)

Illinois: \$135.9

Minnesota: \$146.8

Iowa: \$163.8



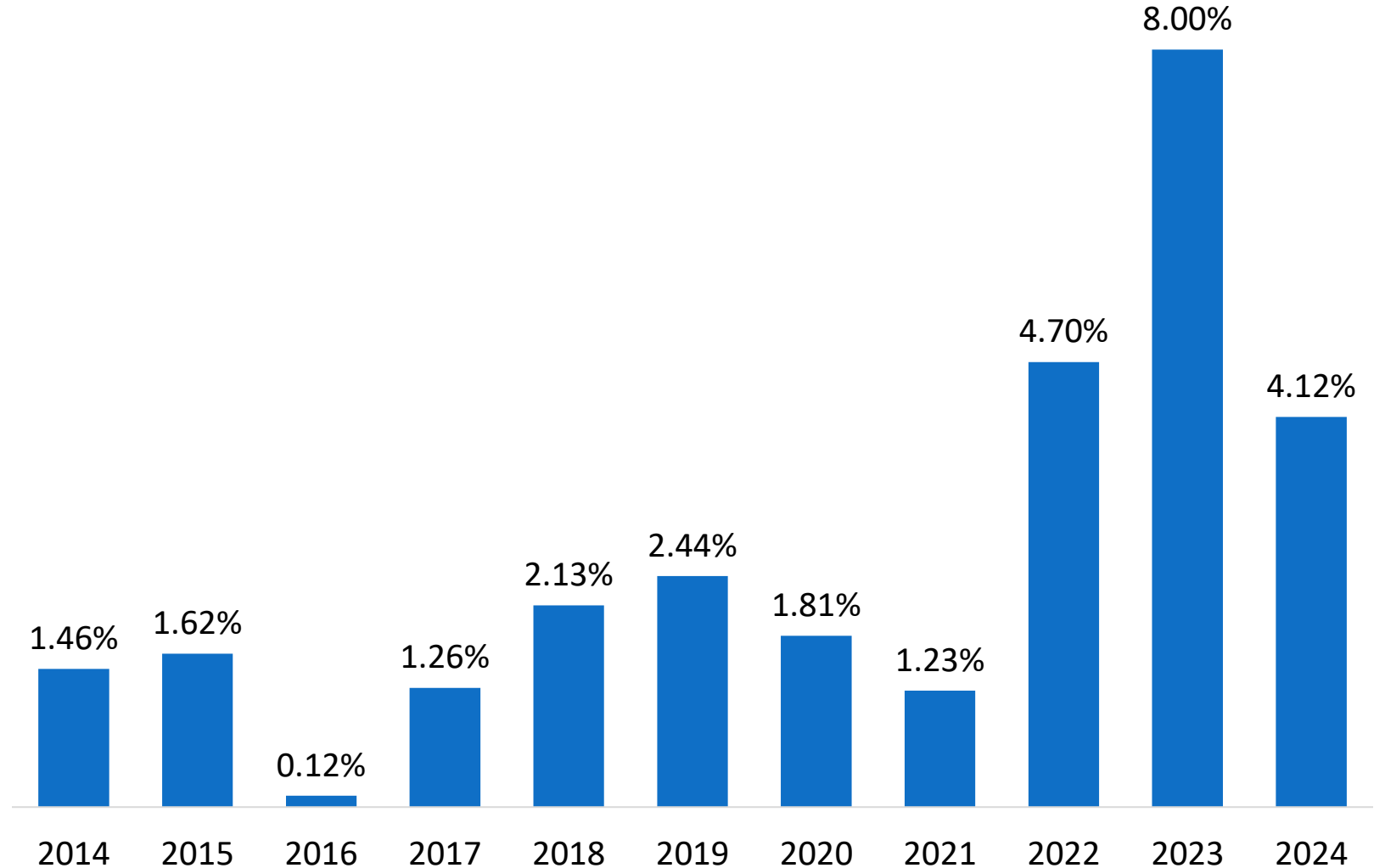


Inflation

CPI down from dramatic spike in 2023 but still high, historically

Revenue limit only increased by 2.7% in 2023-24 – forces hard choices

CPI-U for July 1 collective bargaining agreements (ceiling for base wage increases)





**Starting point
for 2025-27
state budget**

**State surplus:
\$3.1 billion**

State is in good position to address many priorities at the same time...

Opportunity to support needs of both taxpayers and students in public schools – if not now, when?

What does this all mean for public schools in the next state budget and beyond?

By and large...

Drivers of **investment in public K-12 education and ongoing post-pandemic student needs** are concerning



Indicators of the **state and local fiscal capacity** to improve investment in public schools are headed in the right direction



State policymakers have a **promising opportunity** to take care of multiple priorities - investment in public schools, limit property taxes, etc.





Emerging issues

Factors on the horizon shaping school finance

Declining Enrollment:

Under WI revenue limit formula:

**Reduces resources
faster than costs**

71% of districts are in declining enrollment
(55% in 2006-07)

75% of students are located in just 30% of
districts

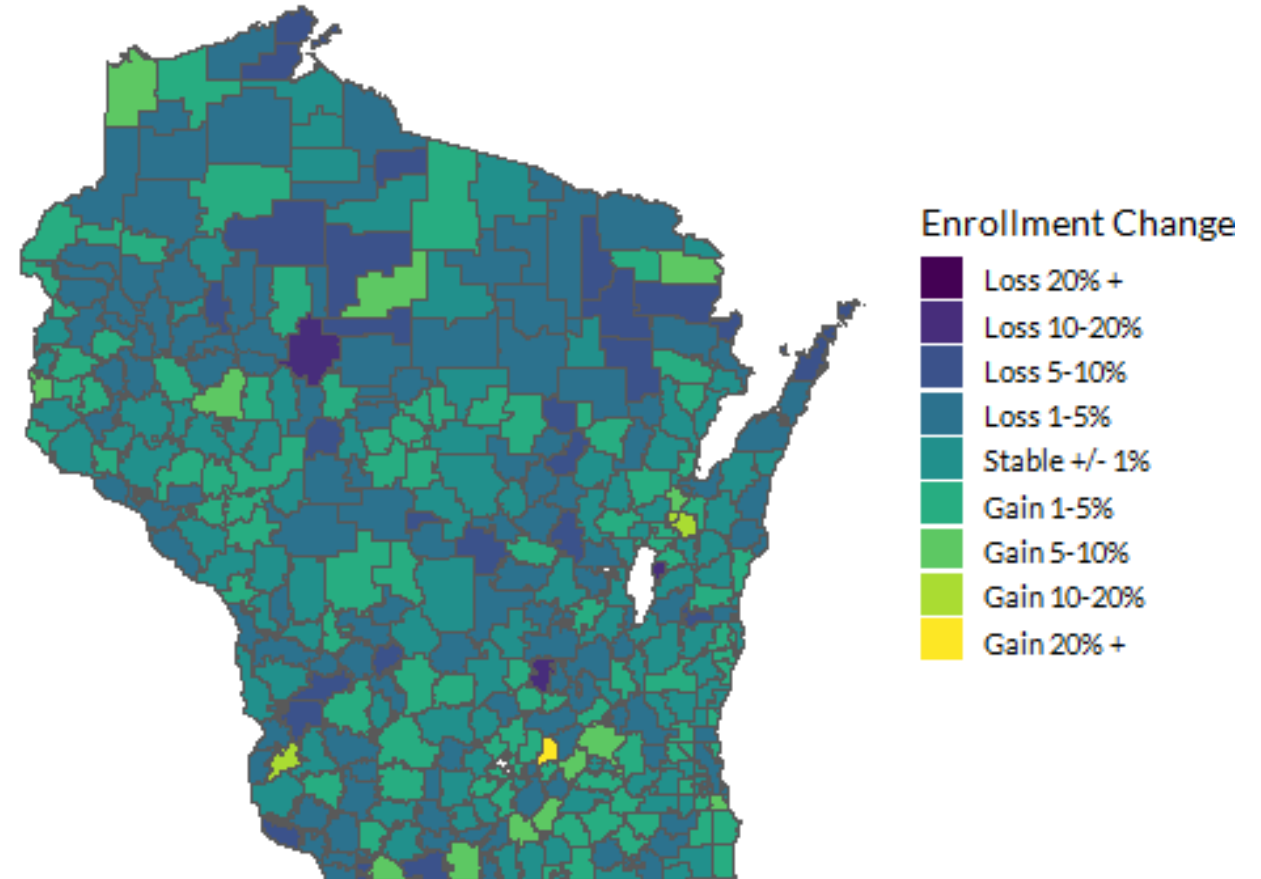
**Public school enrollment projected to decline
by over 10,000 students annually over the
next 5 years**



**Challenge: Explaining
districts resource needs
amid enrollment declines**

Percentage change in enrollment over previous year

School Year 2006-07



Resource-intensive challenges remain for schools

Cost of new reading initiative

“Real success will require a lot of training and coaching of teachers, and almost certainly will require more money than the \$50 million included in the new state budget.”

Operating referendums

If it seems Wisconsin school districts are asking voters for money more often, it's because they are

To name a few...

Deficits and school closures

Kenosha Unified to close 6 schools for 2023-24 as part of resolution to \$15M deficit

Mental health

“The pandemic clearly increased [mental health] needs and...that need — let’s call it a crisis — remains urgent. So many kids are just not doing well, and it shows up in school attendance and success, social interactions, general behavior and physical health.”

Growth in operating referendums?

82% of school districts in the state have called for a referendum since revenue limits were imposed (1994)

Trend on track to continue: Takes risk, time, resources, political capital – away from the work of educating students

% of educational costs that were funded by referendums (2022):

- Statewide: 5%
- For 100 districts: 10%
- For 14 districts: 25%

Small, rural, declining enrollment districts – especially vulnerable

“Is it good public policy to fund a significant portion of school revenues by referendum? It is unlikely that the creators of the revenue limit law anticipated such widespread use of the referendum option.”

[Forward Analytics](#)

400 years of \$325/pupil?

POLITICS

Tony Evers uses veto powers to extend annual increases for public schools for the next four centuries

Molly Beck and Jessie Opoien Milwaukee Journal Sentinel

Published 11:58 a.m. CT July 5, 2023 | Updated 9:18 a.m. CT July 6, 2023

NEWS, POLITICS, SUPREME COURT

Business group sues over Evers' partial veto that extended school funding bump for 400 years

Evers extended an end date by centuries when he crossed out a hyphen and some numbers

WISCONSIN NEWS

Wisconsin Supreme Court to hear challenge to Gov. Evers' 400-year school funding veto

WCCO NEWS

June 17, 2024 / 6:16 PM CDT / AP



What could affect this?

- Supreme court will hear WMC lawsuit over it
- Effect of new maps on future elections

Nonetheless...resets current law to \$325 for future legislatures – **it becomes the starting point (instead of ZERO)**

Potential for significant growth in voucher programs

Less spending on public education?

Boost to funding for voucher schools | 2023-25 budget has allowed them to open new schools or expand existing ones

2026-27: Wisconsin's voucher program's enrollment caps will be lifted

What happened in other states?

Of 7 states that increased spending on voucher programs between 2008 and 2019, six, including Wisconsin either increased per-pupil funding at a lower rate or cut funding for public schools during the same period (AZ, FL, GA, IN, LA, WI)

Impact on public schools of voucher/charter growth?

Key considerations



In public policy, we face **finite resources**...creates tradeoffs; winners and losers

Public schools have significant unmet need. They are the **schools of choice for the vast majority of Wisconsin students**. They are the only K-12 option that is **constitutionally mandated**.

And yet...Wisconsin provides sum sufficient dollars for vouchers/charters – not so for public schools

How many school funding systems can the state support?

Can we learn from other states about the adverse impacts on public schools and state budgets?

2023-25 State budget:

Equalization Aid

vs.

School Levy Tax Credit

EQ Aid: benefits taxpayers
in property poor/low
spending districts

SLTC: benefits taxpayers
in property wealthy/high
spending districts

Small increase in equalization aid

2023-24: Increase of 2.6% over prior year (\$138 M)

2024-25: Increase of 4.2% over prior year (\$225 M)

Significant boost to School Levy Tax Credit

2023-24: Increase of **23.4%** over prior year (\$255 M)

2024-25: Increase of 5.9% over prior year (\$80 M)

Potential shifts in 2025-2027 budget?

- Shift to **per pupil aid** over revenue limit increase? – Costs state more but benefits different districts
- Continued **growth in using SLTC** over EQ aid?

Other indicators to watch



We have had **divided government** (Democratic Governor, Republican legislature) for four years – **a lot in play now**

Redistricting: Based on adoption of new maps by Governor and lawmakers, impact on makeup and functioning of legislature likely will change with upcoming elections

Wisconsin Supreme Court: Race in April 2025. Court could shift back to a conservative majority

State superintendent of public instruction election: 2025

Challenge to Act 10? 2011 Act 10 Lawsuit expected to go to Supreme Court



The road ahead: 2025-27 state budget

Considerations for school districts in next state budget

**Research
is clear:**

**Money
matters in
education**

Broad literature shows **spending on K-12 education improves outcomes** in:

- Academic performance
- Graduation rates
- Future earnings (especially for students with low incomes or students of color)



Strongest benefits come from well-funded early childhood education



Best interventions cost money: Increasing teacher salaries, reducing class size



Funding improves outcomes most for low-income students

Where does state school finance policy leave school districts and their communities?



Wisconsin's school finance system is based on 30-year-old+ policies – no longer reflects needs and reality

Disparate impacts of state policies on different districts

System is not designed to address student need; cost to educate students where they are

Resource disparities between districts are made worse by declining enrollment

Result: A school finance system that is inadequate, inequitable, divides districts – fails to meet the needs of today's students – fails the state and its aspirations for educating our future workers, leaders, families, citizens...

Next state budget: Finding a tide that raises all boats



Where can we find common ground so students have the resources they need?

Two main priorities: Provide the most resources, the most flexibly, for the most students, in every district

- ❑ **General spending authority:** Inflationary increase in revenue limit (plus increase in LRC and per pupil aid)
 - ❑ **Special education:** Meaningful increase in categorical aid reimbursement – from less than 1/3rd to at least 60%
-

A focus on these priorities:

Helps every district meet their particular needs



Wisconsin Association of School Business Officials

Contact Us

Anne Chapman | WASBO Research Director

Anne.Chapman@wasbo.com