State of School Finance in Wisconsin

In the context of the 2025-27 state budget

2025 State Education Convention

January 22, 2025

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

School Administrators Alliance (SAA)

Key state budget priorities

Foundational needs

Special education

- Categorical aid reimbursement: Substantial increase to ***at least 60%*** over current 32.4%
- Convert the appropriation to be a guaranteed *sum sufficient amount*

Foundational needs

School Administrators Alliance (SAA)

Key state budget priorities

General, flexible, spendable dollars

- Combination of *inflationary* revenue limit adjustment and per pupil aid increase
  - RL: $415 (+$90) year 1; $430 (+105) year 2
  - PPA; $100 in each year
- Enough general aid to offset as much property tax impact as possible
- Increased low revenue ceiling to help close per pupipl revenue limit gaps between districts (ranges between $10,523 and $24,949)

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Education in Wisconsin

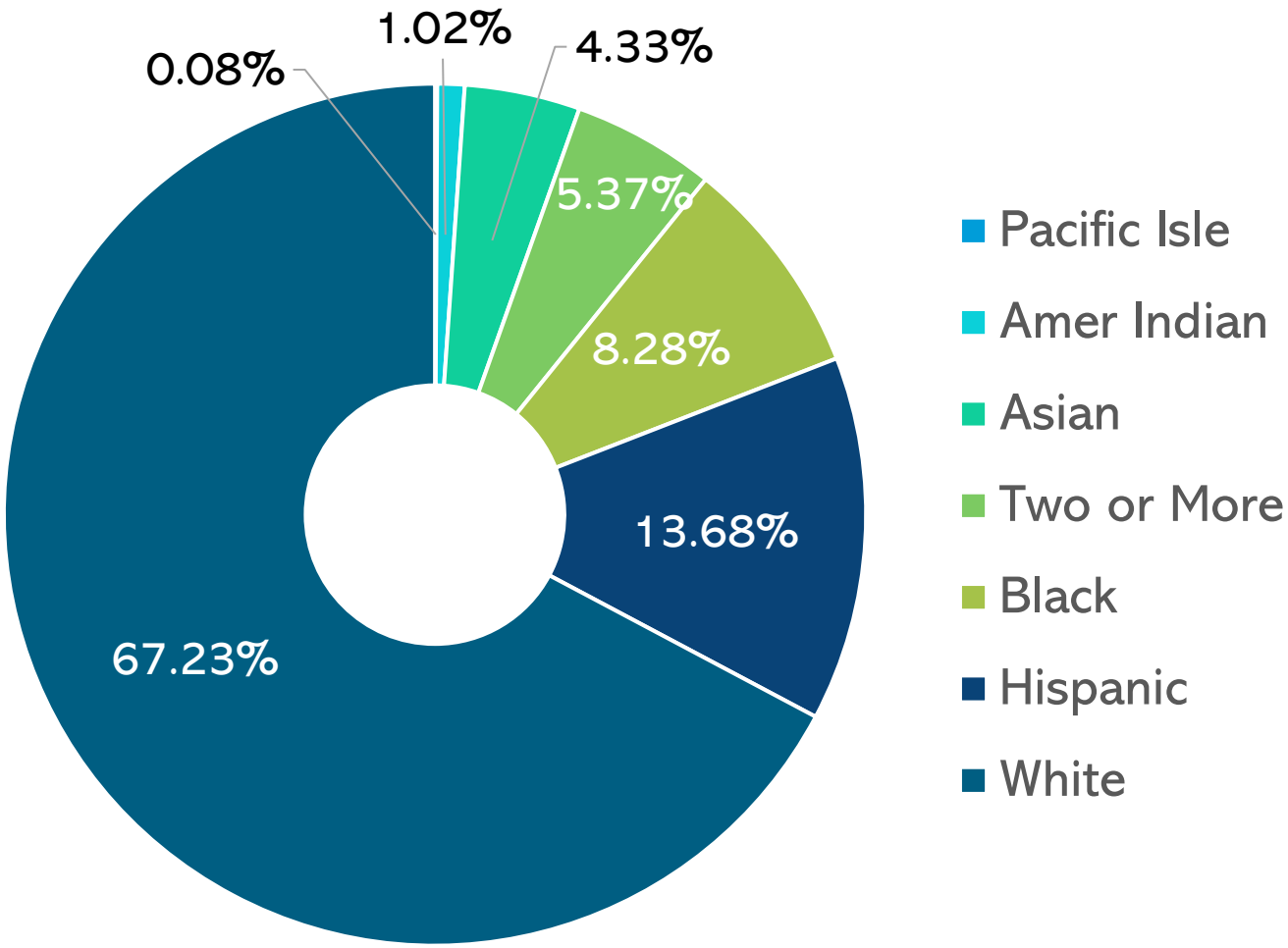
Size, scope, and outcomes

Public school student demographics (2023-24)

Experiencing Poverty
41.9%

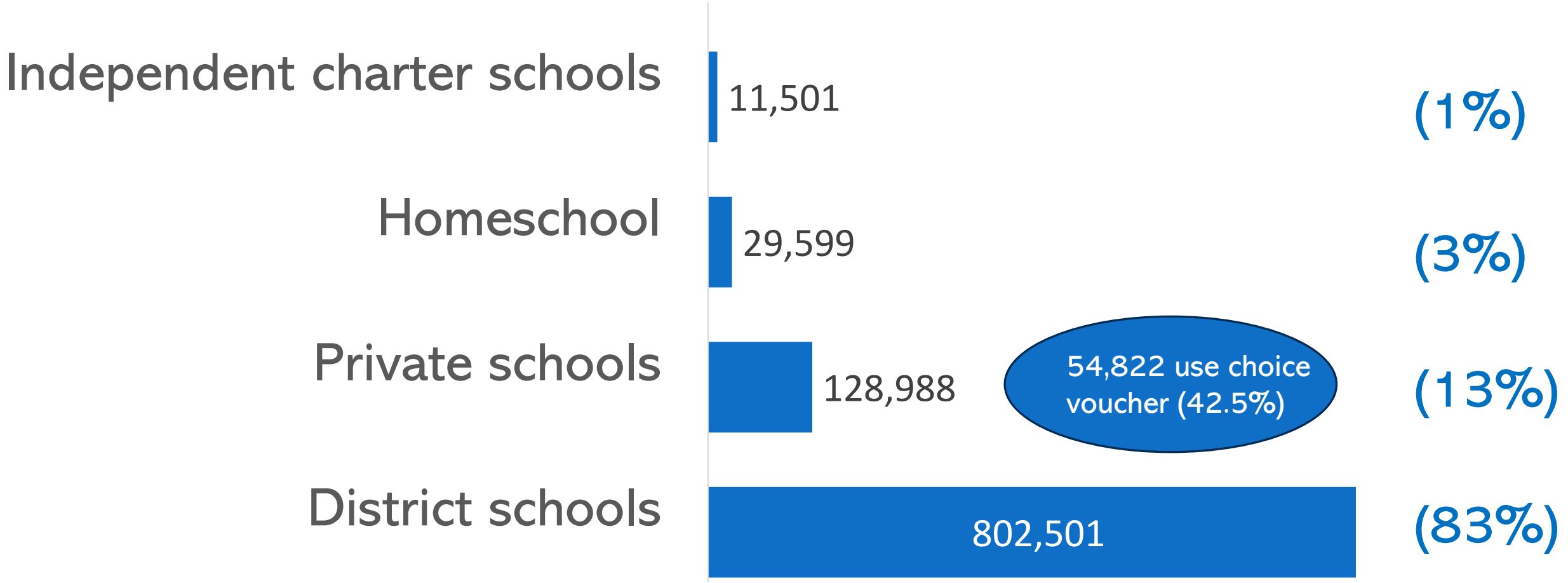
With Disabilities
15.4%

English Learners
6.5%



Source: DPI 2023-24 Enrollment Certified file

Enrollment by school type (2023-24)

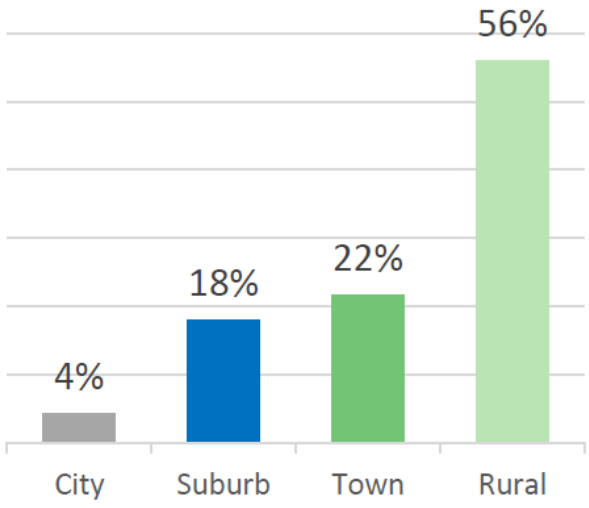


Sources: DPI 2023-24 Enrollment Certified file; 2023-24 Private school choice programs (MPCP, RPCP, WPCP) & SNSP Summary. DPI

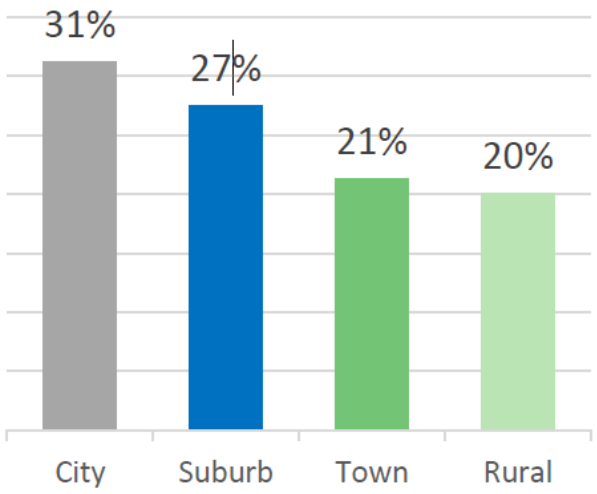
School districts by locale:

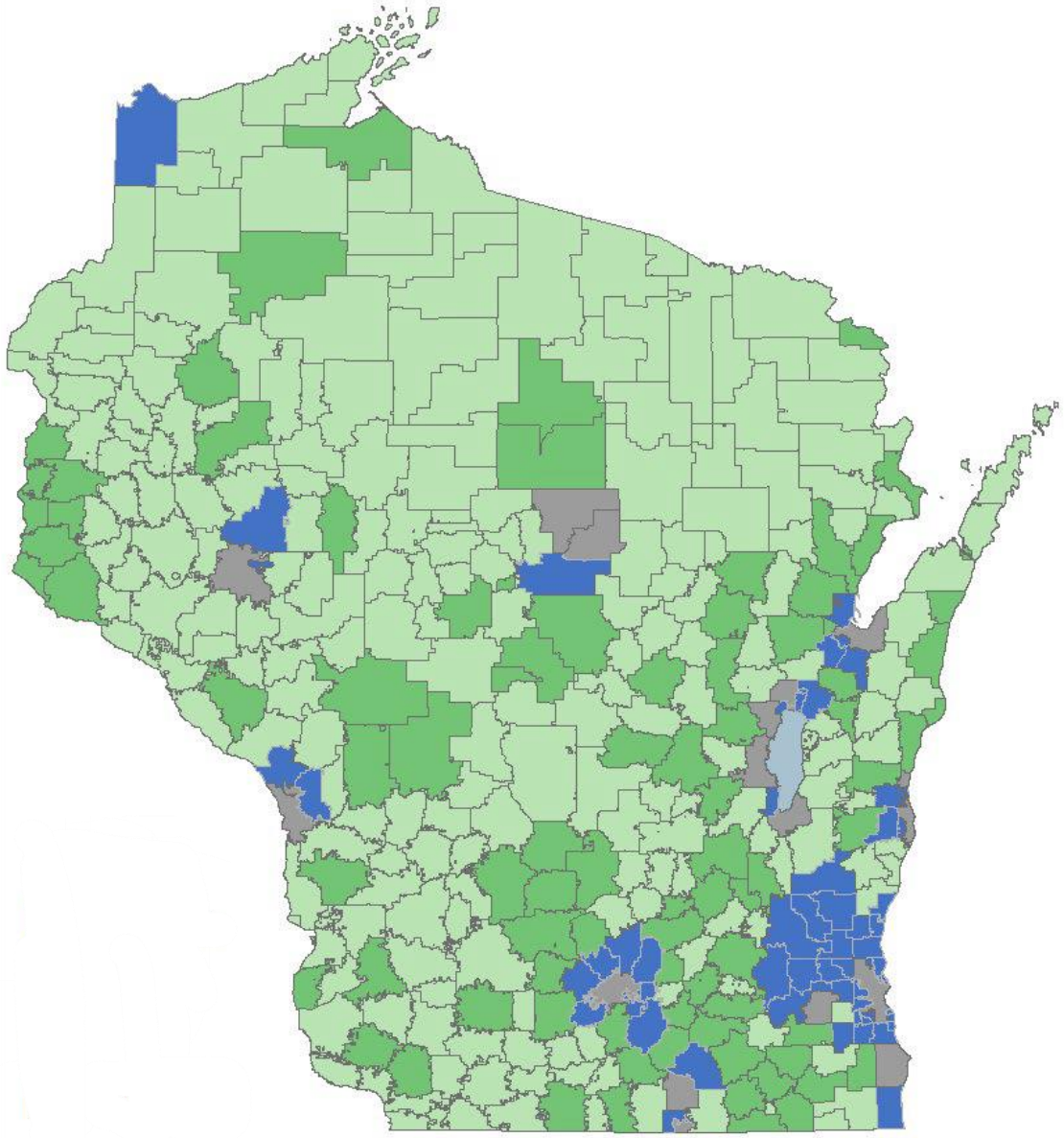
City Suburb Town Rural

School Districts (2022)



Enrollment (2022-23)





Source: University of Wisconsin-Madison Applied Population Laboratory

How are our kids doing?

90% **graduation rate**

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

About 50% of students score proficient in math and reading on Wisconsin Forward Exam

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

Chronic absenteeism remains higher than before pandemic: 19.5% of students missed more than 10% of school days in 2022-23 (12.9% in 2019-20)

Sources: DPI; NAEP

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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

[Revenue limit] – [General aid] = 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 <u>not based on:</u>

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

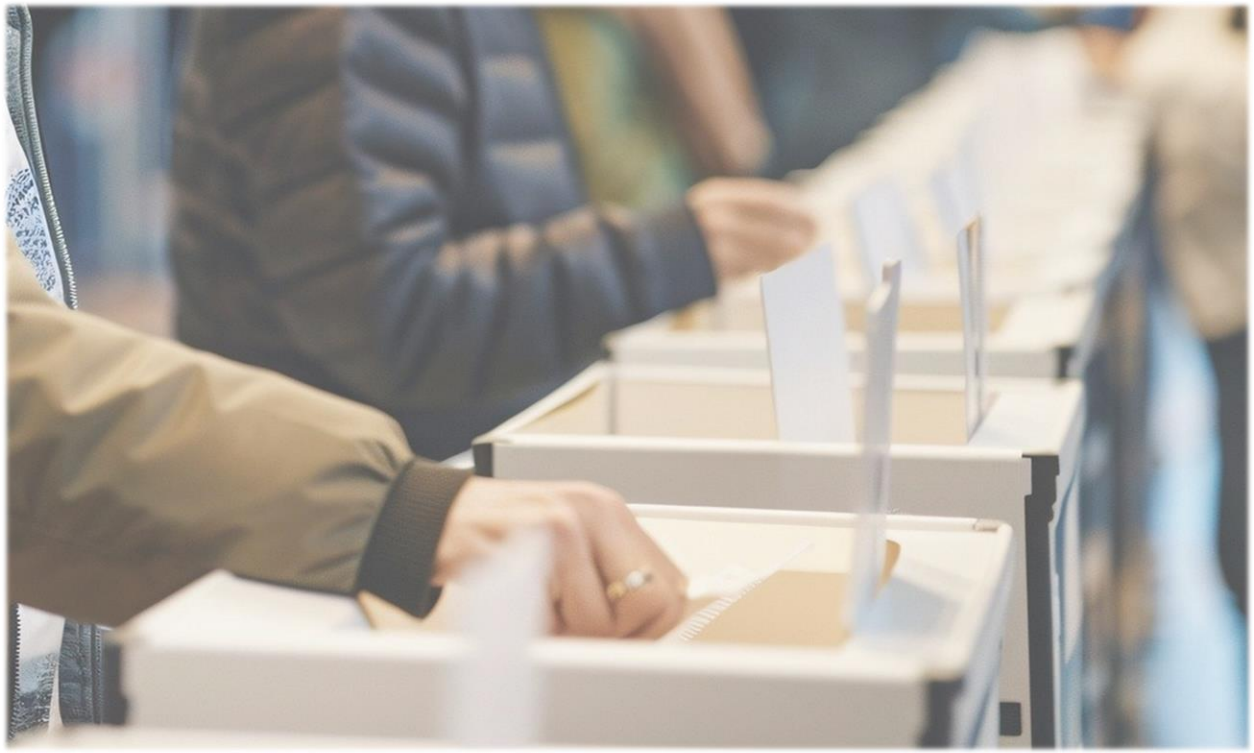
Source: Legislative Fiscal Bureau (January 2023) Informational paper #28: State aid to school districts

Three kinds of referendum ballot questions

Operating - Nonrecurring

Operating - Recurring

Issue debt (Capital)



Revenue limit and referendums

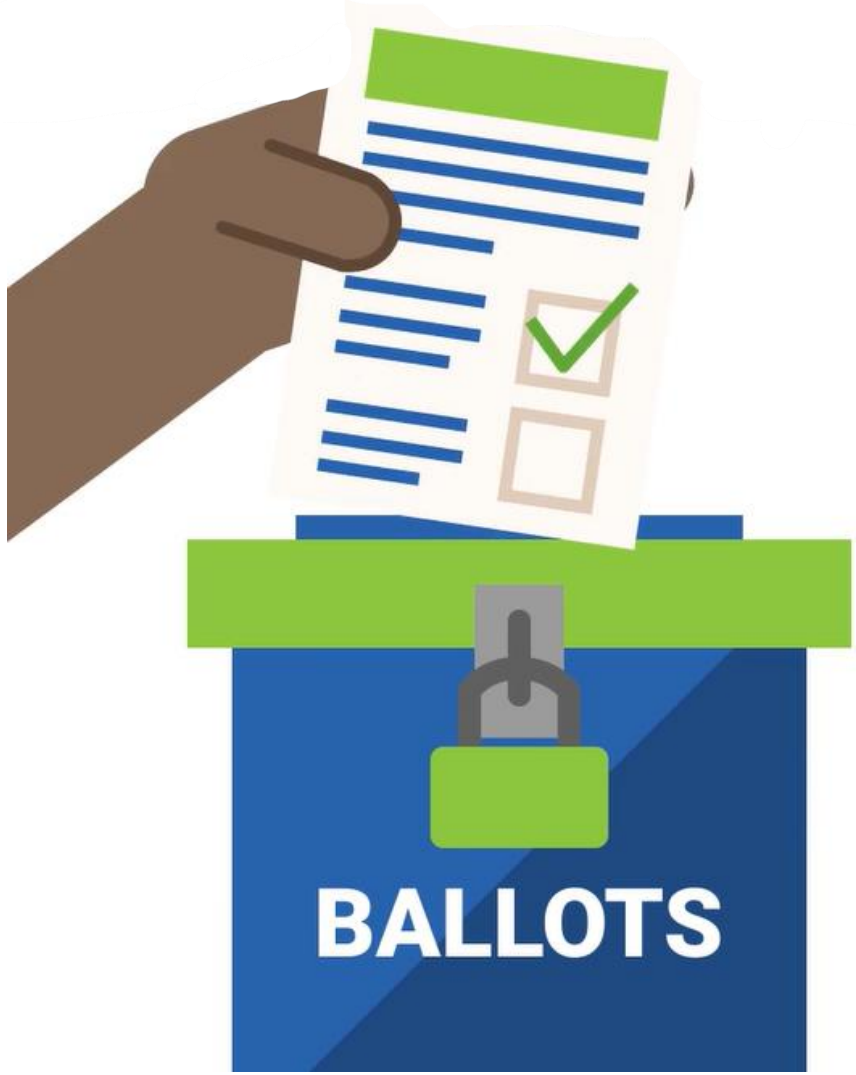
Revenue limits - Originally intended to limit property taxes

Referendums allowed as last vestige of local control on school funding - relief valve

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**



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 – with highest limit more than double lowest*

Arbitrary: Not tied to student need or costs to schools

How much has changed in your district in 30 years?

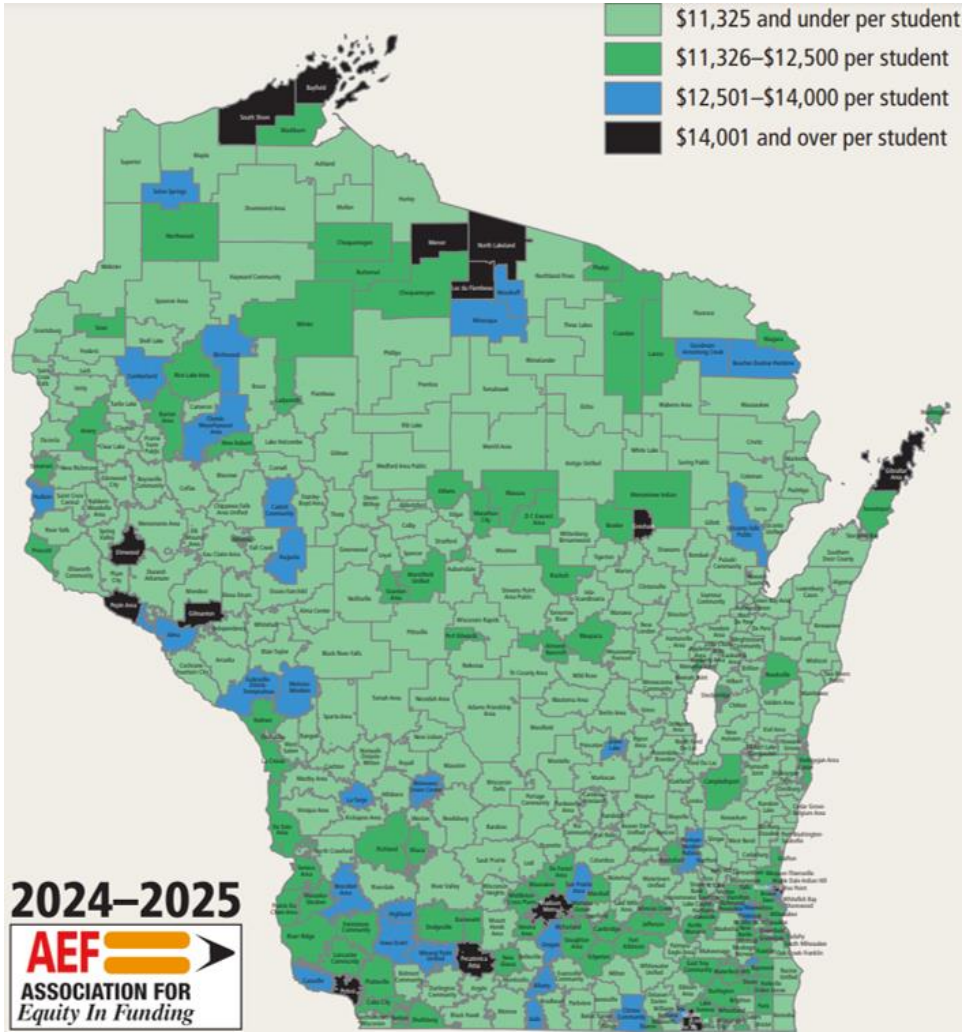


Image source: Association for Equity in Funding

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 but provides flat per pupil general spending authority
- Helps higher property wealth districts (which benefit less from revenue limit/equalization aid increases)

Special education aid

- Reimburses for a portion of mandated special education costs
- 2023-24: 32.4% (current 2024-25 est. 29.2%)
- Remainder comes out of district's general fund

Source: Legislative Fiscal Bureau (January 2023) Informational paper #28: State aid to school districts

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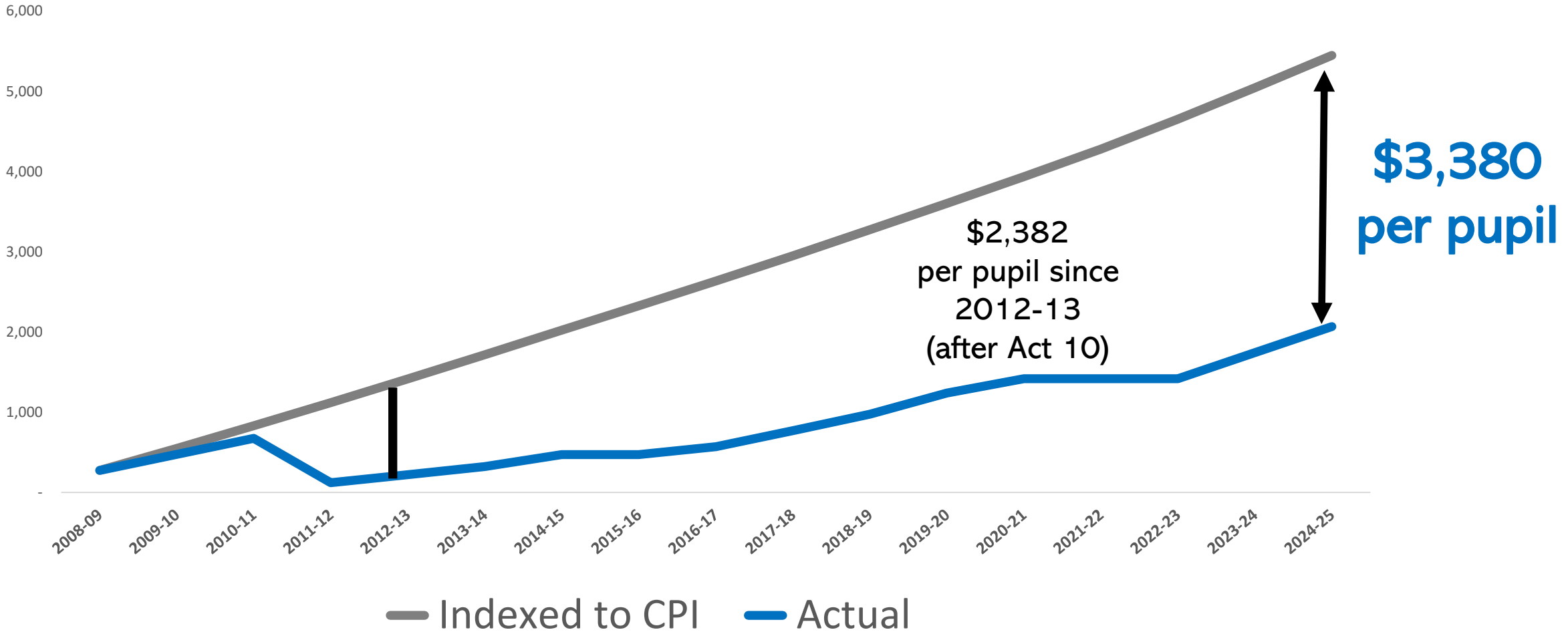
School finance vital signs and their impacts

Key state-level indicators of resources for schools

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



Source: Kava, Russ (May 22, 2024) Legislative Fiscal Bureau Memo re: Revenue Limit Per Pupil Adjustment Indexed to Inflation; WASBO Calculations

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

Putting that in context…

$325 is <u>not</u> a game changer

<u>Not a windfall</u> compared to inflation:

- Inflationary increase would have been **$390 and $404** (2023-24 and 2024-25)
- Represents about **1% to 3%** increase in school district base revenue limits…
- Much lower than ceiling for base wage increases:
  - 2023-24: **8.0%**
  - 2024-25 : **4.12%**

School districts already $3,380 per pupil <u>behind</u> where inflationary adjustments would have put them

Impacts vary by school district – affected by enrollment trends, share of state equalization aid, impact on property tax, special ed…

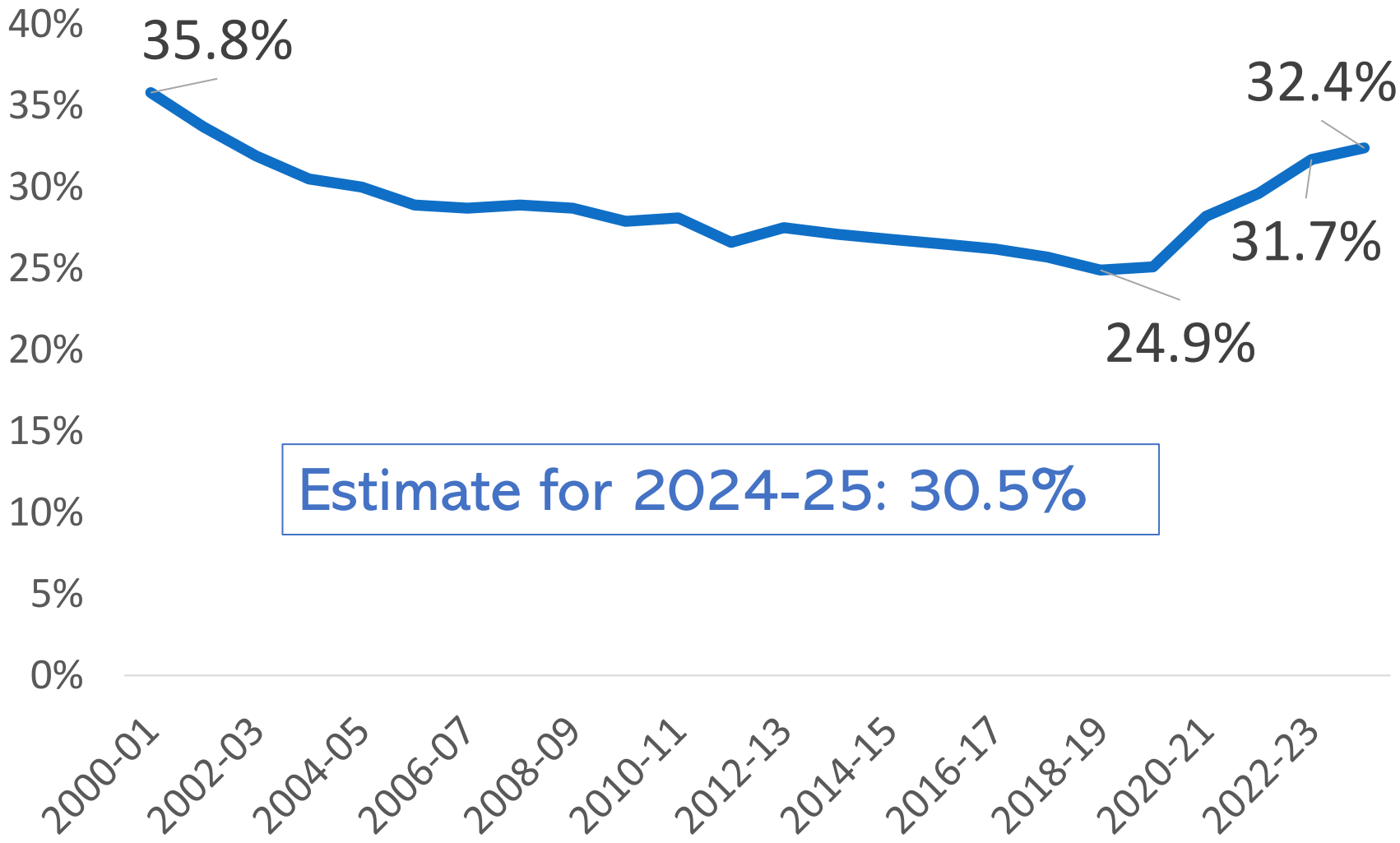
Sources: Kava, Russ (May 22, 2024) Legislative Fiscal Bureau Memo re: Revenue Limit Per Pupil Adjustment Indexed to Inflation; DPI;

Special education categorical aid

Districts have to cover unfunded special ed costs first…

Low state reimbursement acts like a cut to general resources for all students

Special education aid reimbursement rate over time

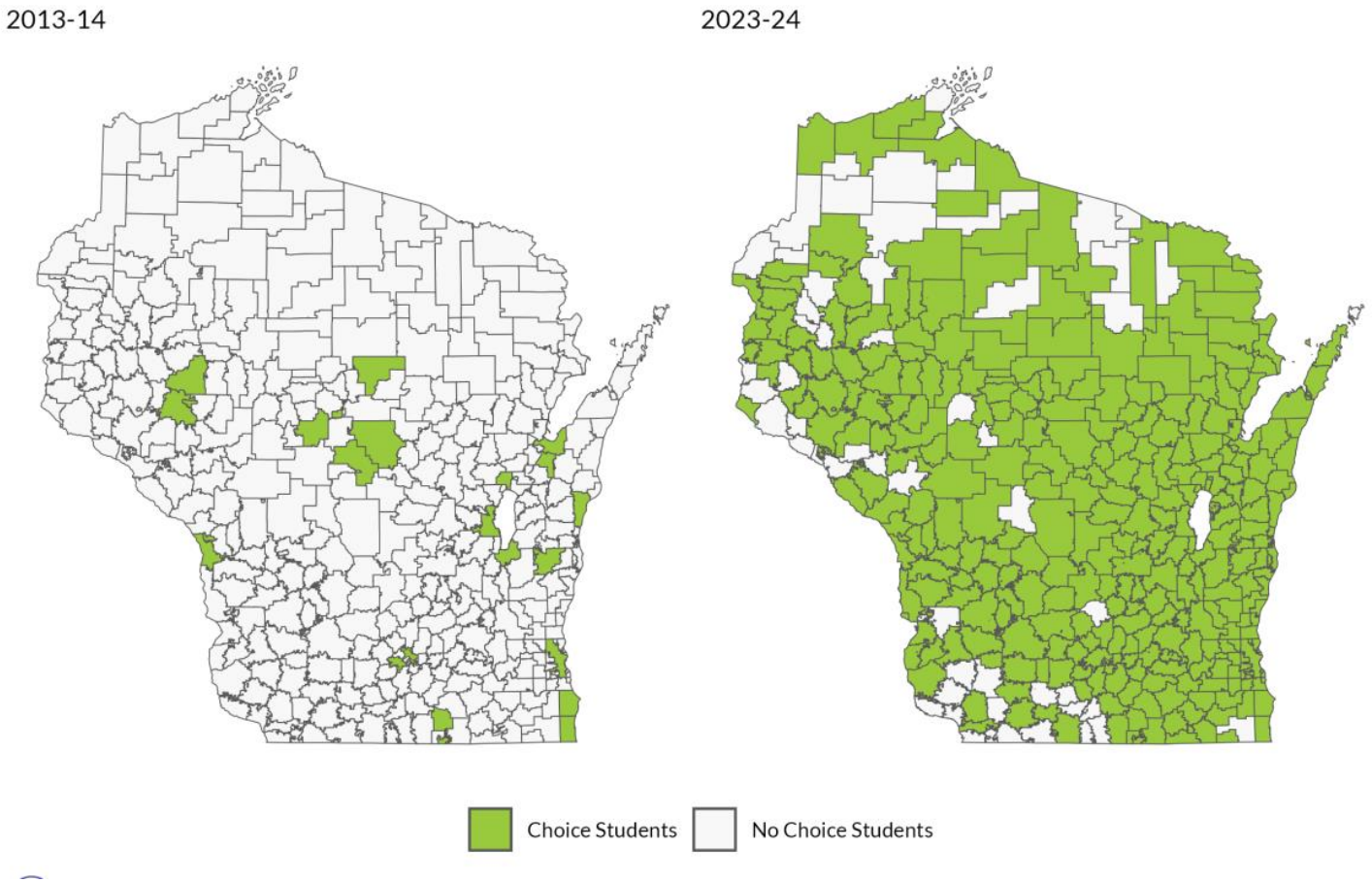


Sources: Previously collected documents from DPI and Blue Ribbon Commission on School Funding; DPI Summary of Wisconsin Act 19; WASBO Calculations

Voucher program expansion:

2009-10 to 2023-24

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



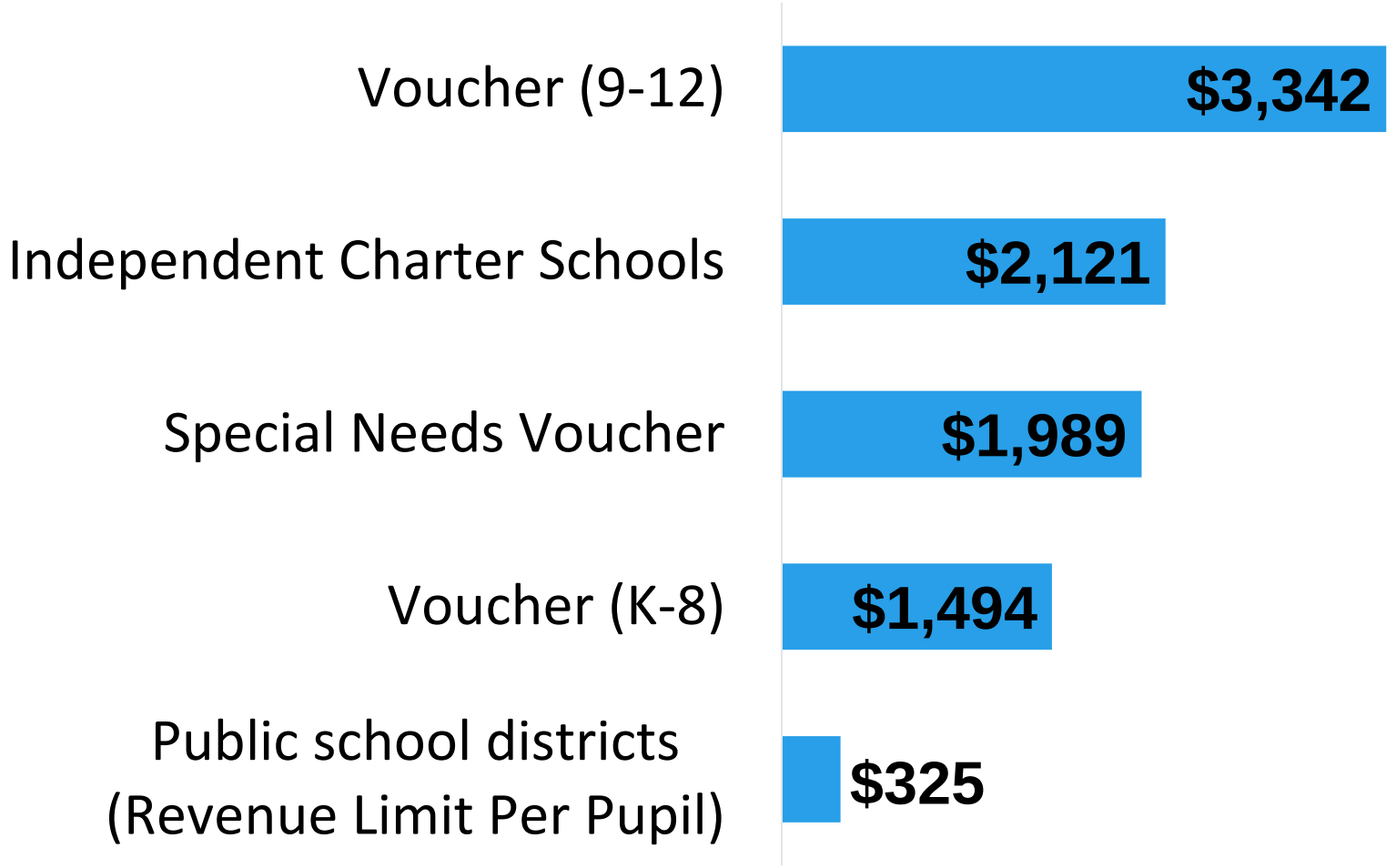
Source: DPI

Significant increase in voucher/charter payments

Impacts by school type

Part of these increases are because voucher/charter payments are indexed to public school funding increases

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

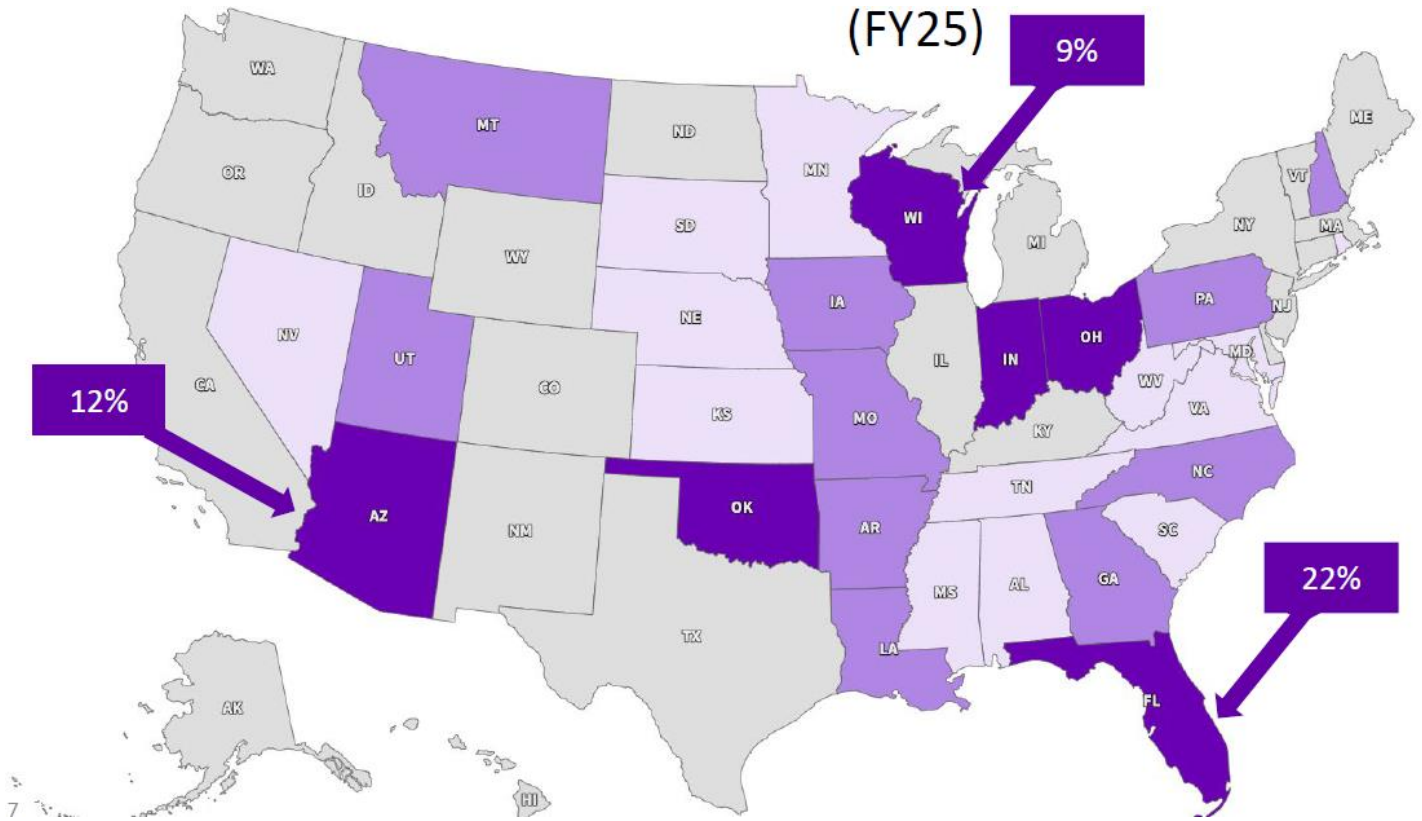


Source: Department of Public Instruction: Summary of 2023 Act 19 (2023-25 Biennial Budget) for K-12 School Aids

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

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



*Private options include ESAs, Vouchers, and Tax Credit Scholarships

- 5% + (6 States)
- 1-5% (10 States)
- 0-1% (13 States + D.C.)
- No Programs (21 States)

Revised September 13, 202

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Source: Cicco, Connolly-Sporing, Roza (September 13, 2024) A financial analysis of public funds invested via ESAs, vouchers and tax scholarships: FY24-25. Edunomics Lab: Georgetown University

Voucher/ICS costs

2024-25 estimates

($ millions)

For perspective:

2024-25 **special education** appropriation was **$574.8 million**

	Reduction in SD State Aids	State GPR Funded	Total Program Cost
MPCP		$ 313.33	$ 313.33
RPCP	$ 40.78	$ 3.54	$ 44.33
WPCP	$ 225.54	$ 1.67	$ 227.21
SNSP	$ 44.52	$ -	$ 44.52
TOTAL (Choice)	**$ 310.84**	**$ 318.54**	**$ 629.39**
ICS			
Legacy	$ -	$ 107.44	$ 107.44
New Authorizer and OEO	$ 32.02	$ -	$ 32.02
TOTAL (ICS)	$ 32.02	$ 107.44	$ 139.46
GRAND TOTAL	**$ 342.86**	**$ 425.98**	**$ 768.85**

Sources: DPI; WASBO calculations

Declining Enrollment:

Under WI revenue limit formula:

Reduces resources faster than costs

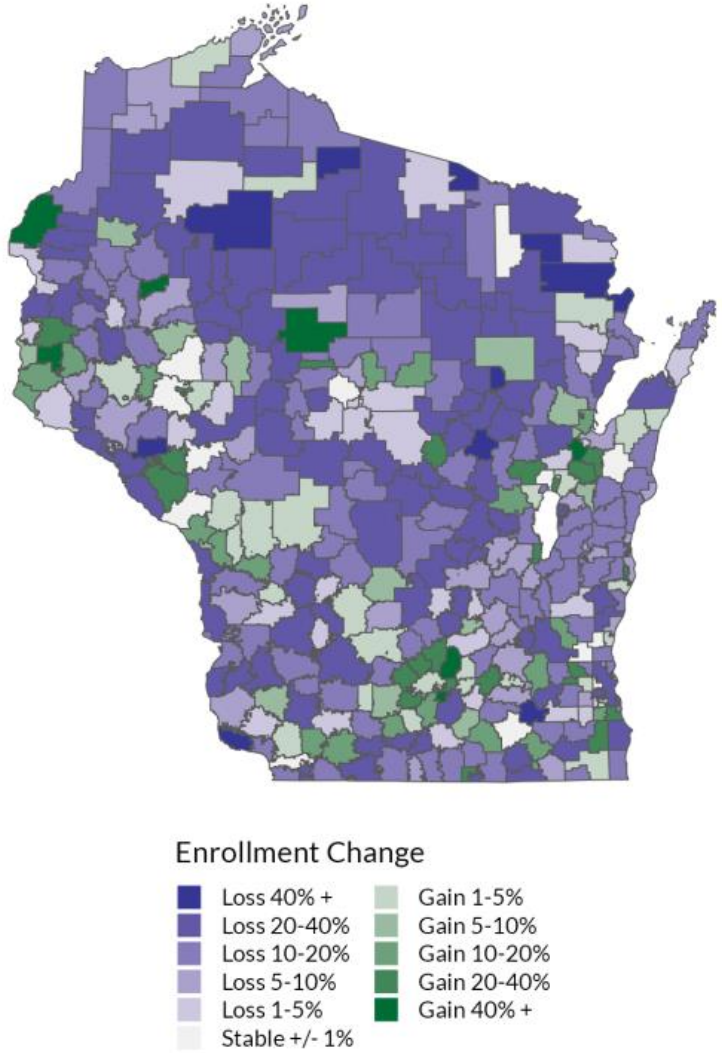
73% of districts are in declining enrollment in 2023-24 (55% in 2006-07)

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

Challenge: Explaining districts resource needs amid enrollment declines

Percentage change in enrollment

2005-06 to 2023-24



Sources: Kemp, Sarah (2023) Projecting public school enrollment in Wisconsin. Applied Population Laboratory. University of Wisconsin-Madison; DPI

Public school enrollment projections

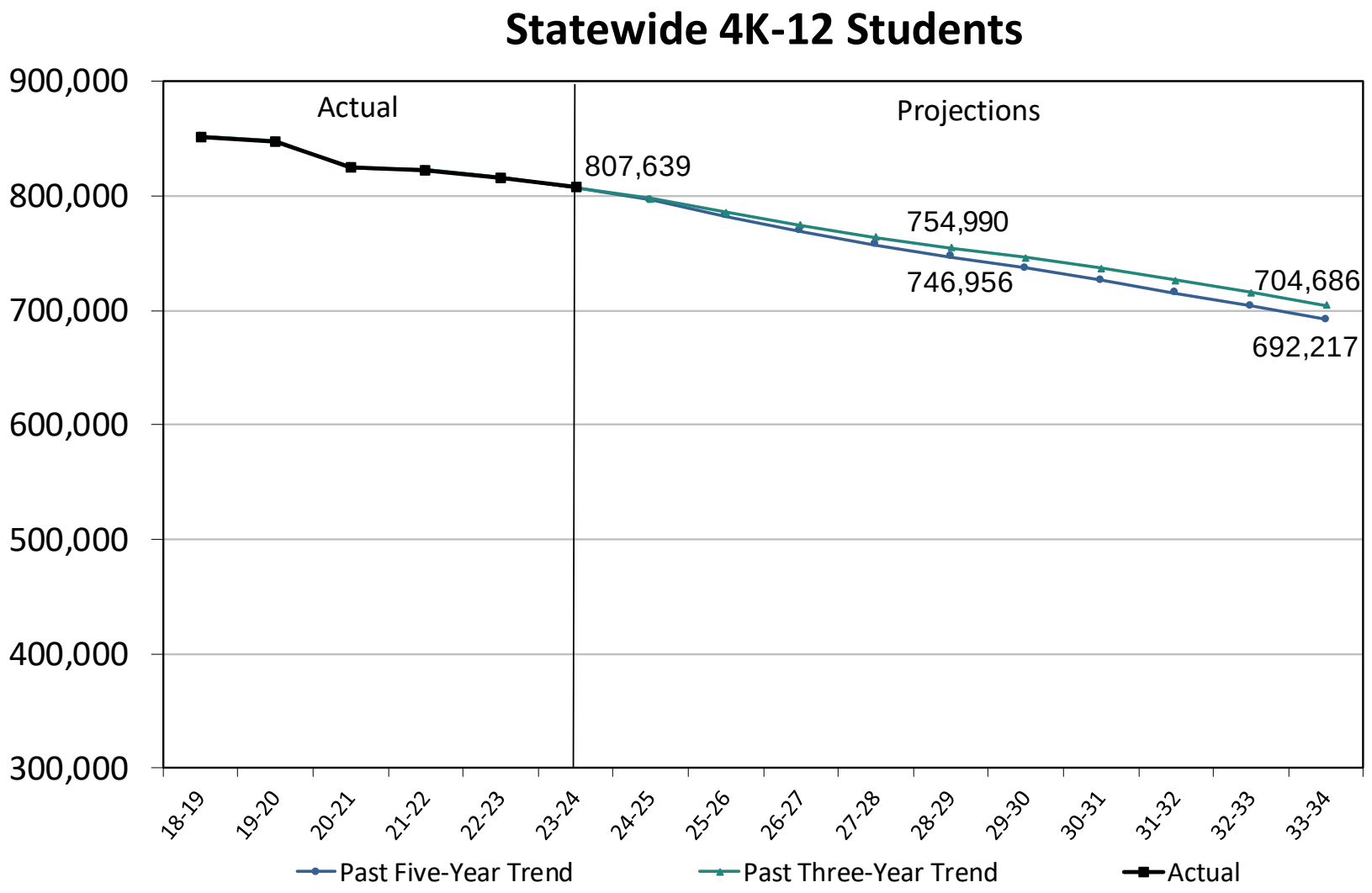
Average projected enrollment decrease: 7% by 2028-29

All grade groupings to decline:

K-5 by **8%**

6-8 by **4%**

9-12 by **7.6%**



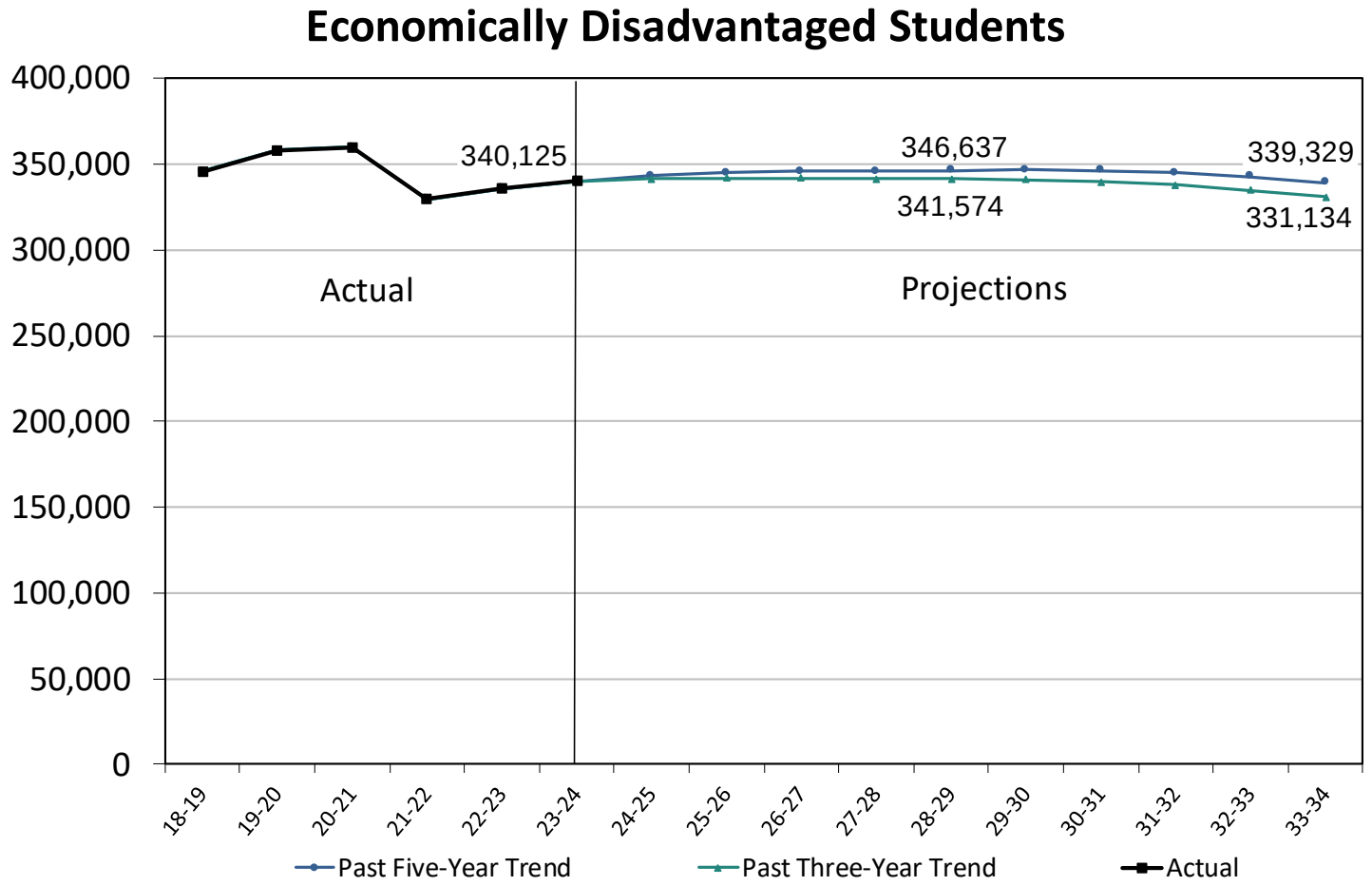
Source: Kemp, Sara (2024) UW-Madison Applied Population Lab

Public school enrollment projections:
Economically disadvantaged students

Average projected enrollment increase:

1.2% by 2028-29

+3.3% (42.1% to 45.4%)



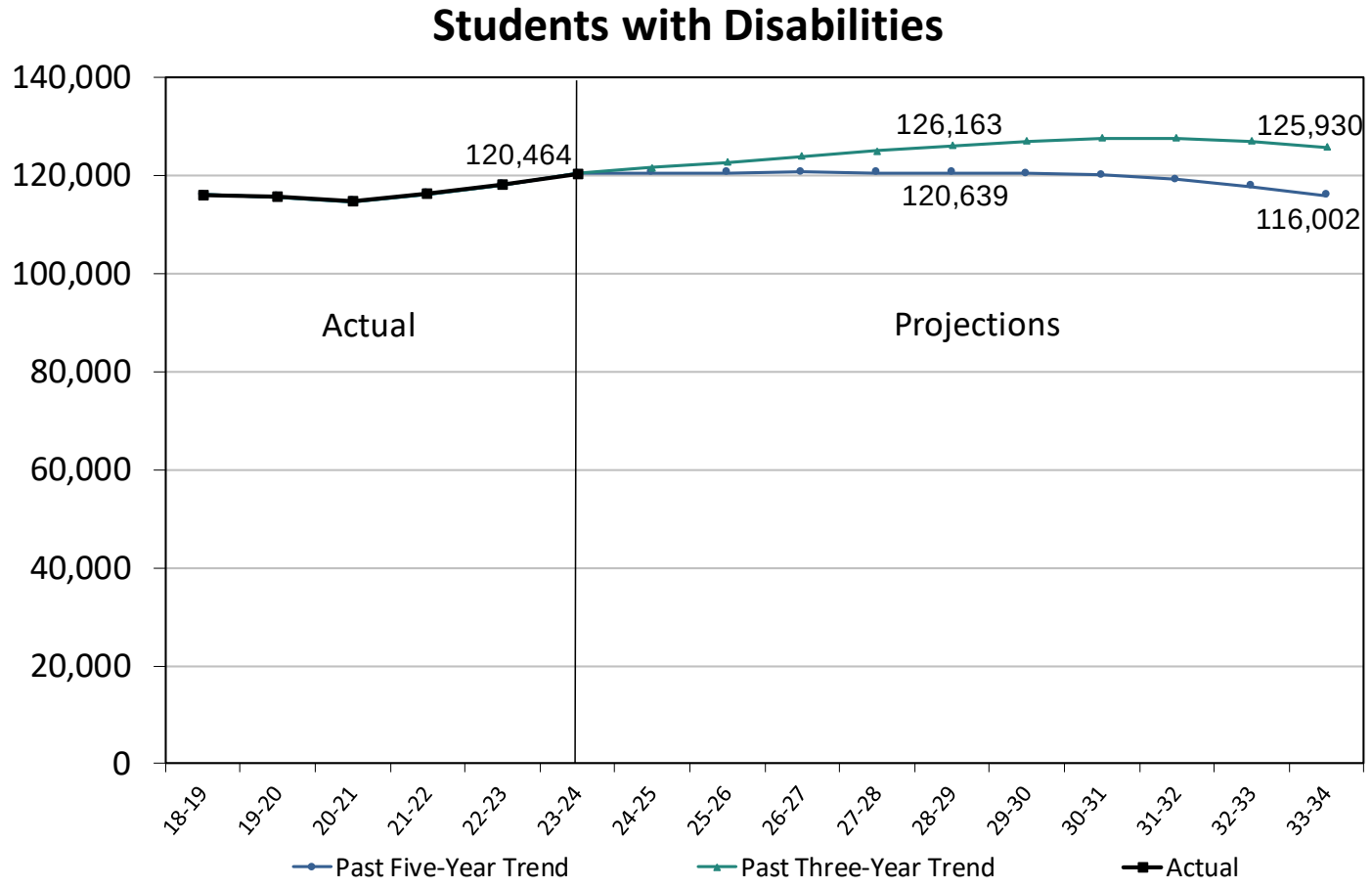
Source: Kemp, Sara (2024) UW-Madison Applied Population Lab

Public school enrollment projections:
Students with disabilities

Average projected enrollment increase:

2.4% by 2028-29

+1.3% (14.9 to 16.2%)



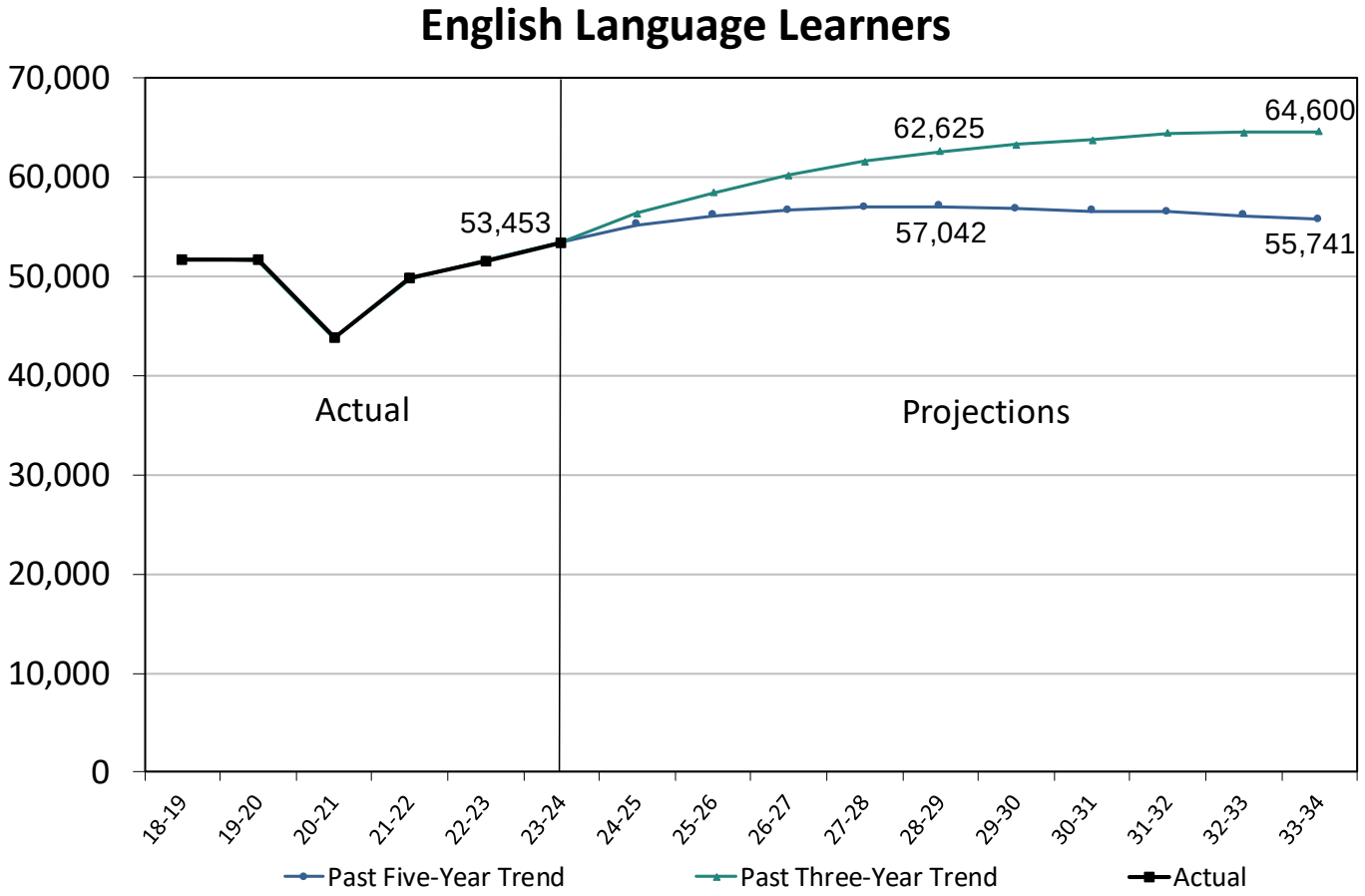
Source: Kemp, Sara (2024) UW-Madison Applied Population Lab

Public school enrollment projections:
English Learners

Average projected enrollment increase

12% by 2028-29

+1.3% (6.6% to 7.9%)

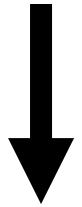


Source: Kemp, Sara (2024) UW-Madison Applied Population Lab

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)

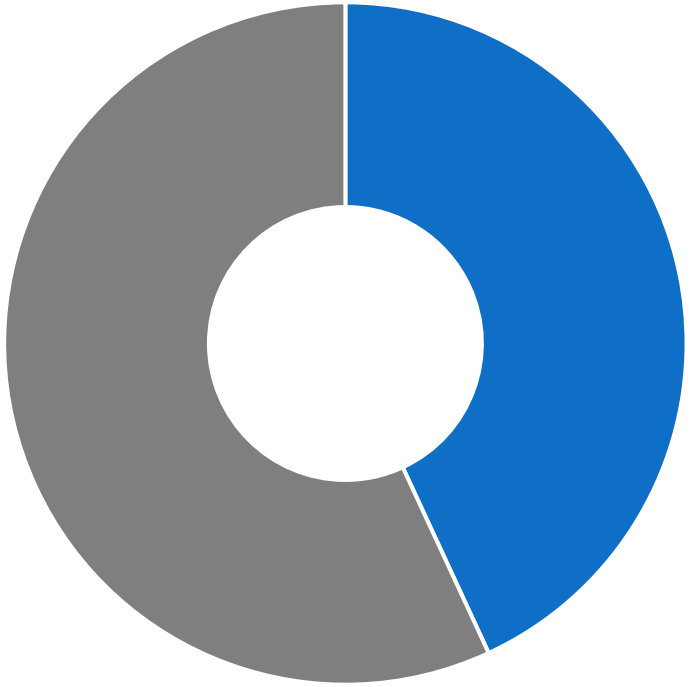
Sources: 2022 Public Elementary-Secondary Education Finance Data. Summary Table 11. U.S. Census; Why Rural Matters 2023

K-12 school aids as a share of state GPR

Education has fallen as a state budget priority

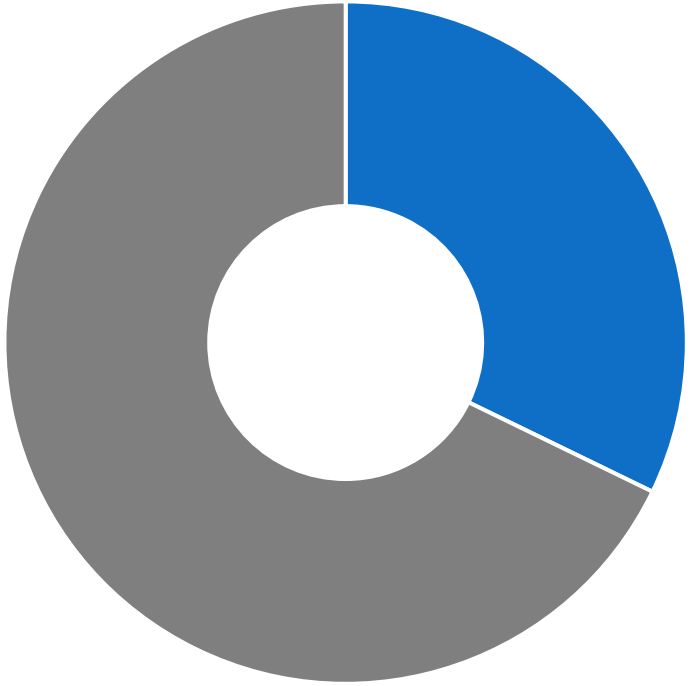
2003

43.1%



2024

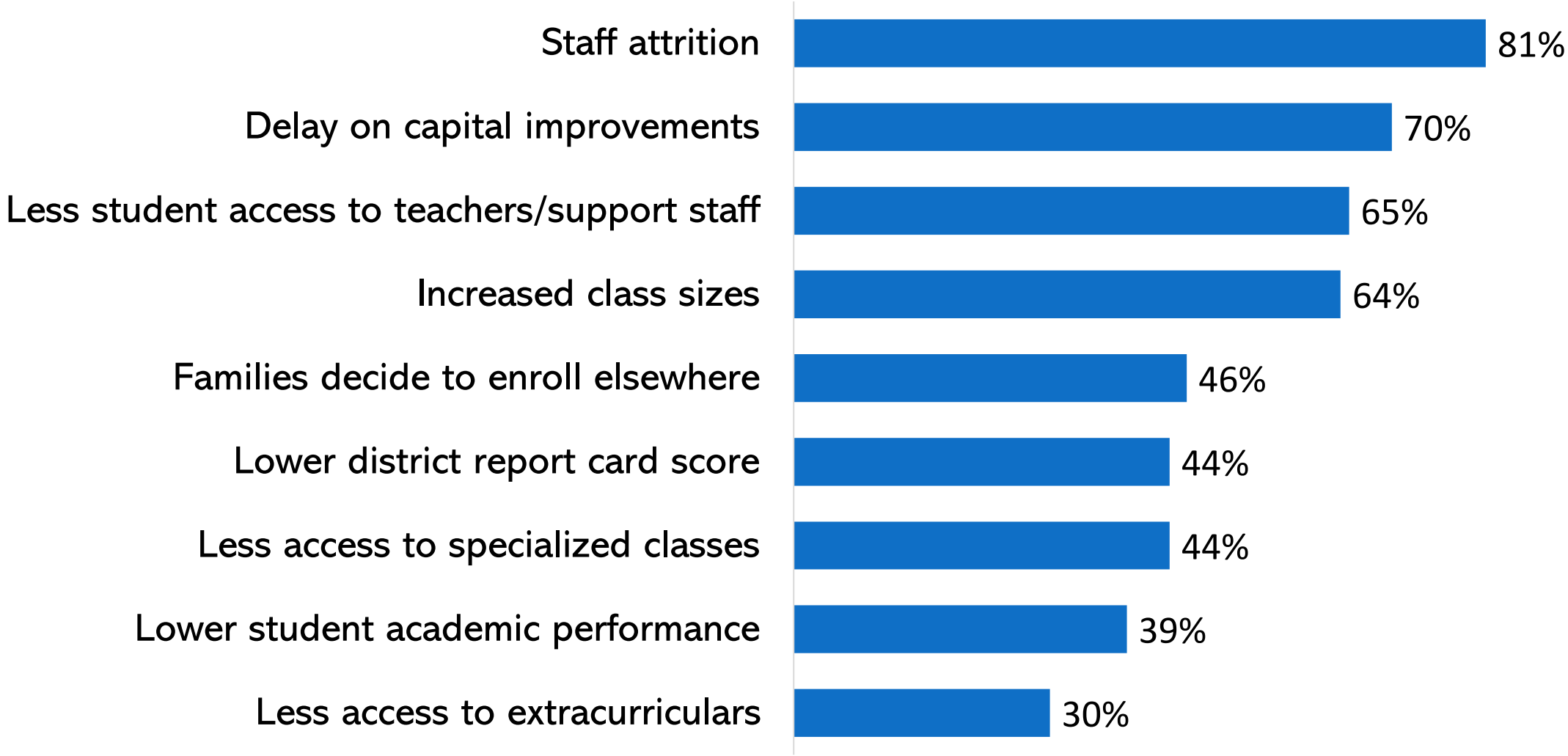
32.2%



Source: Annual Fiscal Reports: Fiscal years ended June 30, 2024 and June 30, 2003

Insights from the field: WASBO survey of school districts

Percent citing likely impacts on students between 2023 and 2025

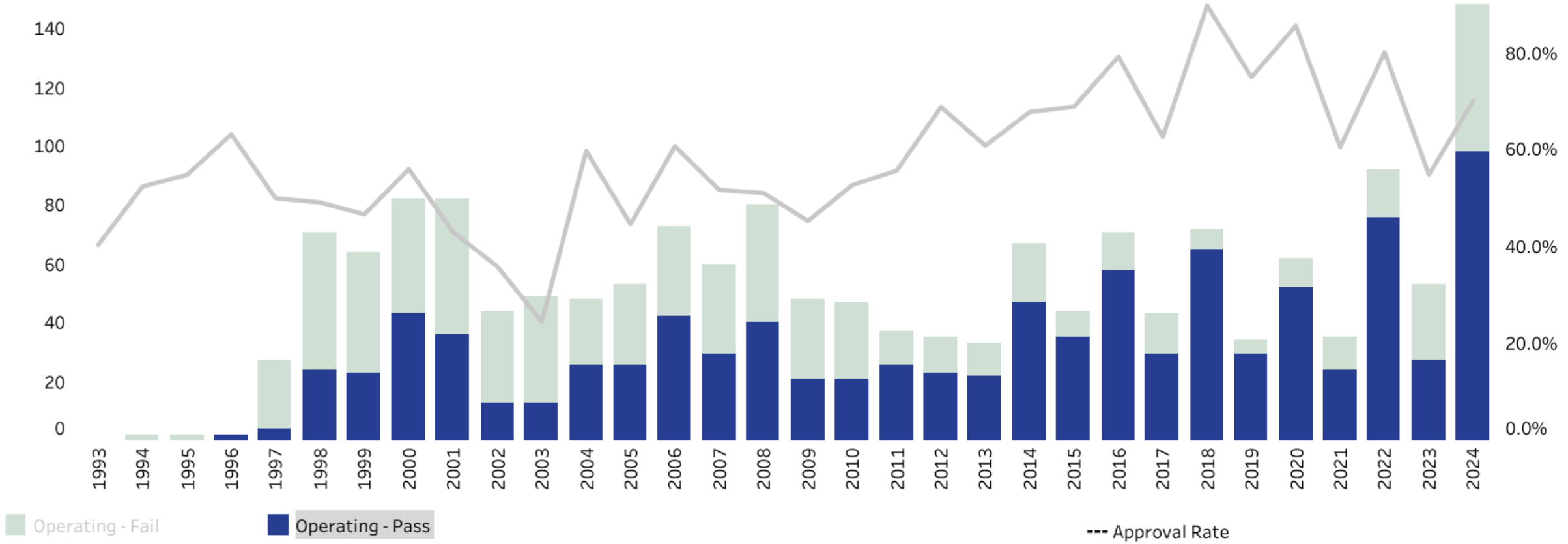


Source: WASBO December 2023 survey of superintendents and school business officials

Operating referendums: 1993 to 2024

Approval rates lower than 2018 peak, but number of approved referendums at all time high

Total number of operating referendums held (left y-axis) versus approval rate (gray line) of ALL referendums, including capital (right y-axis)



Sources: Wisconsin Department of Public Instruction, Wisconsin county elections websites. Note: approval rates tend to be higher in midterm and presidential election years.

Source: Wisconsin sets more referenda records to fund schools (November 2024) Wisconsin Policy Forum

Operating referendums in 2024

Spring 2024 operating referendums:

68 questions | 59% passed

Fall 2024 operating referendums:

80 questions | 70% passed

Total operating questions for 2024: 148

131 school districts | 65% passed

far exceeds previous record of 92 in 2022

$1.43 billion requested | $1.09 billion approved

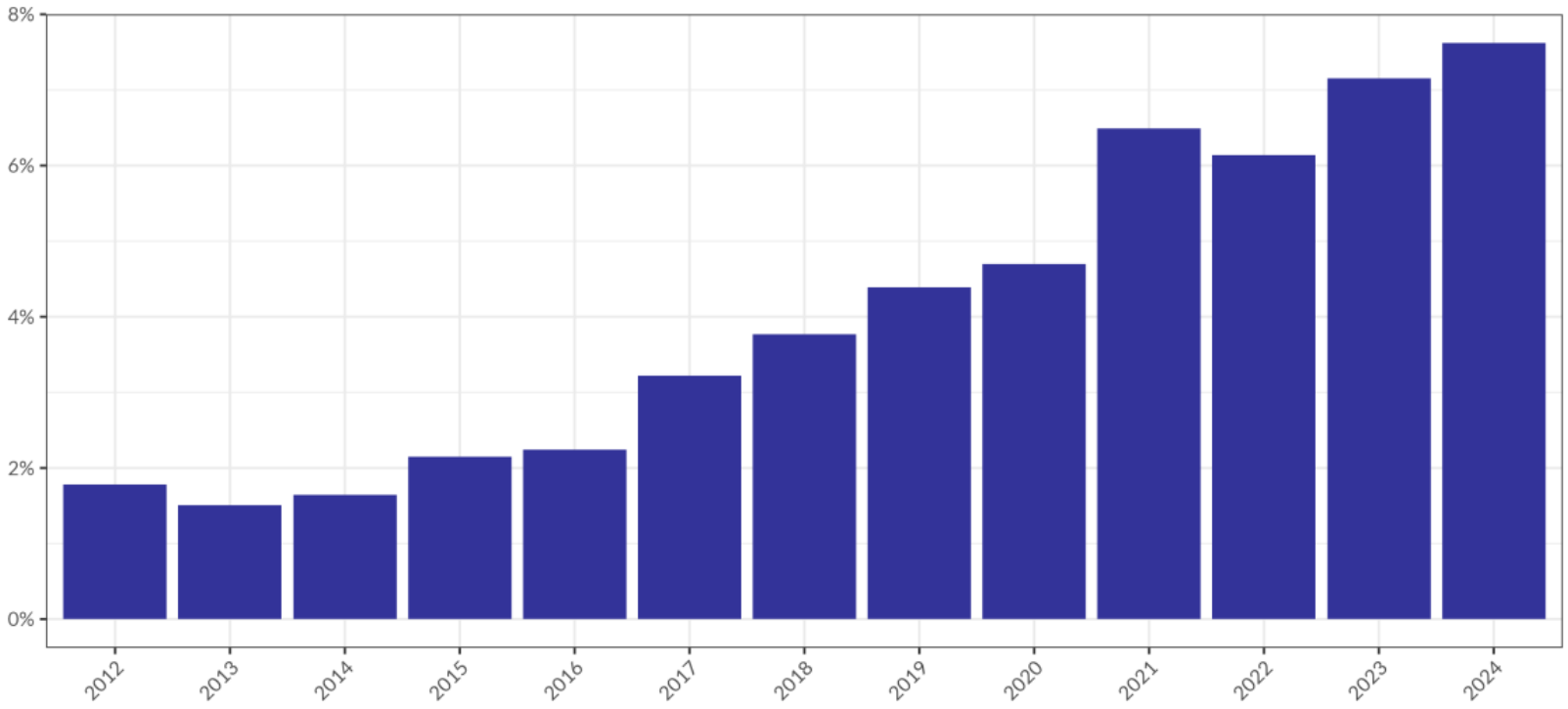
Sources: DPI: Spring Referenda 2024; Fall Referend 2024

Operating referendums in 2025

61 ballot questions already scheduled for Spring 2025

Trend to watch: Growth of referendum dollars driving school district budgets, tax levies

Percent of school tax levies attributable to operating referendums (2012 to 2024)

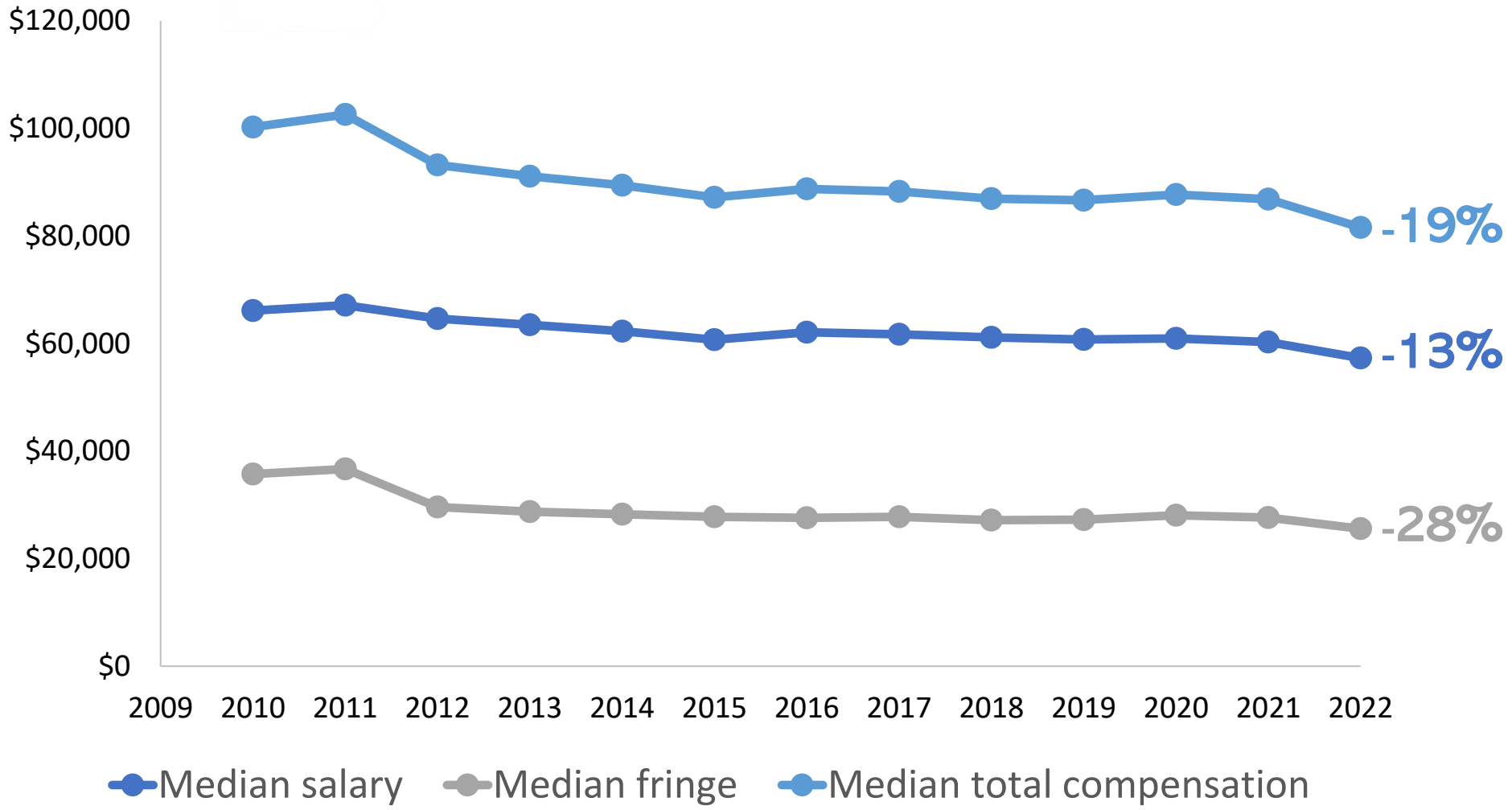


Sources: DPI Spring Referenda 2025 Google Sheet (as of 1.21.25); DPI Data and Maps

Educator Workforce

Median teacher compensation has fallen by 19% since 2010

Wisconsin teacher compensation trends (2022 dollars)



Source: 2022 Educator Preparation program and workforce analysis report (April 2024) Department of Public Instructions

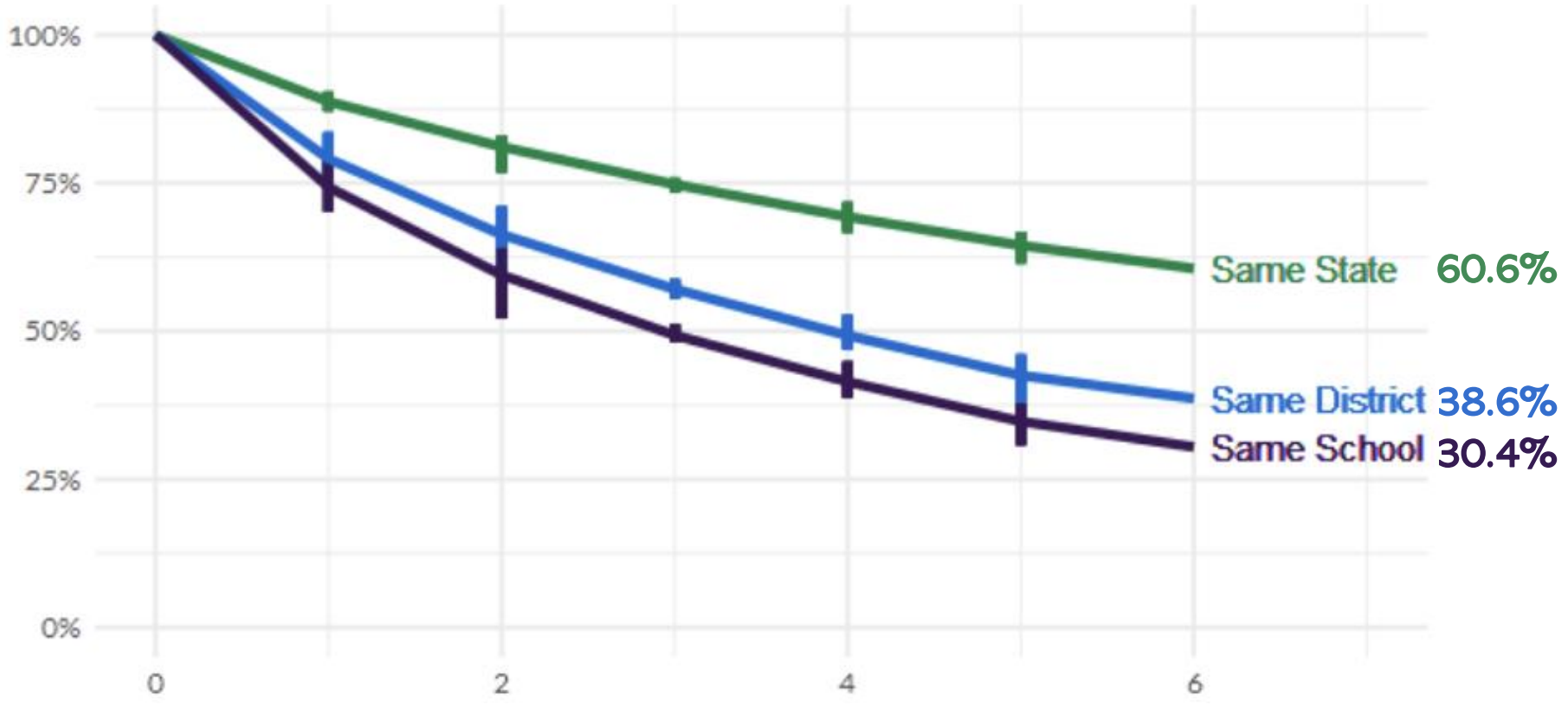
Educator Workforce

Wisconsin loses teachers at two main points:

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

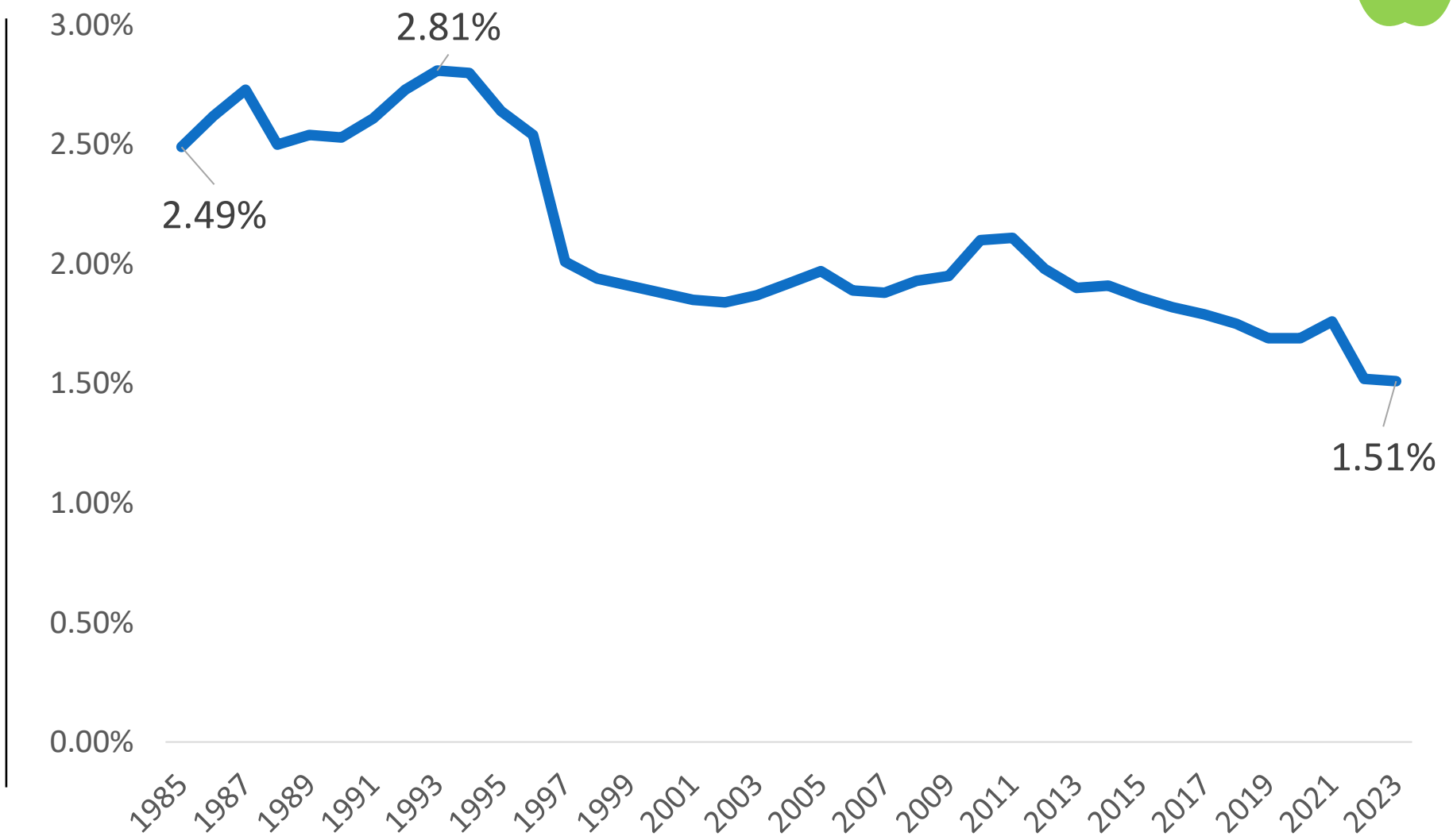
Teacher turnover is most pronounced in smallest districts

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



Source: 2022 Educator Preparation program and workforce analysis report (April 2024) Department of Public Instructions

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



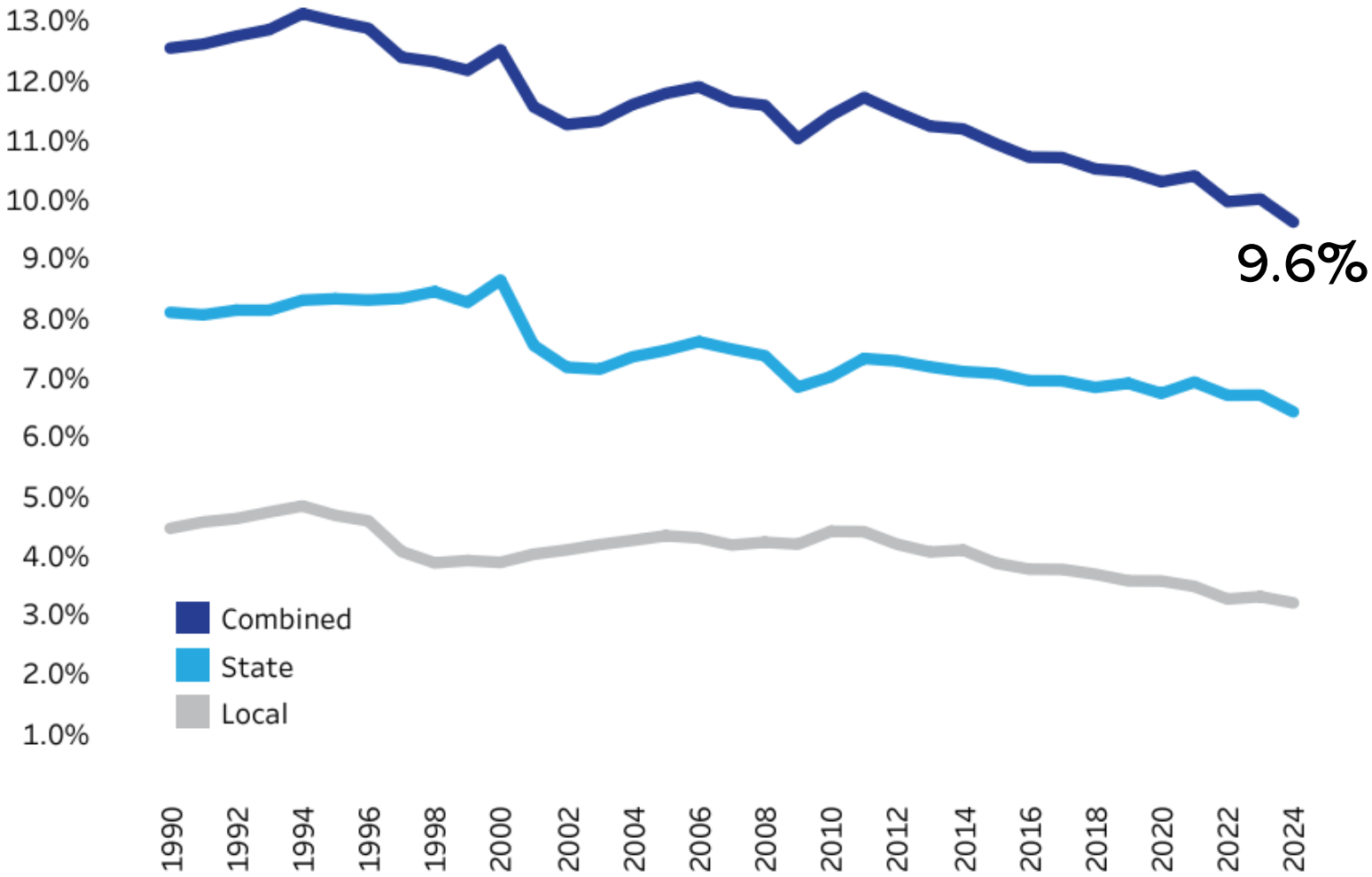
Source: Property Tax Levies. WI Department of Revenue. Public Tableau Workbook

Wisconsin's state and local tax burden at lowest level since 1970s

Wisconsin's tax burden has dropped below U.S. average and from highest to second lowest among neighboring states (behind MI)

This is made possible by spending less than other states on K-12 education

State, local, and combined taxes as % of Wisconsin income



Sources: State of Wisconsin agencies, U.S. Bureau of Economic Analysis, and Wisconsin Policy Forum analysis

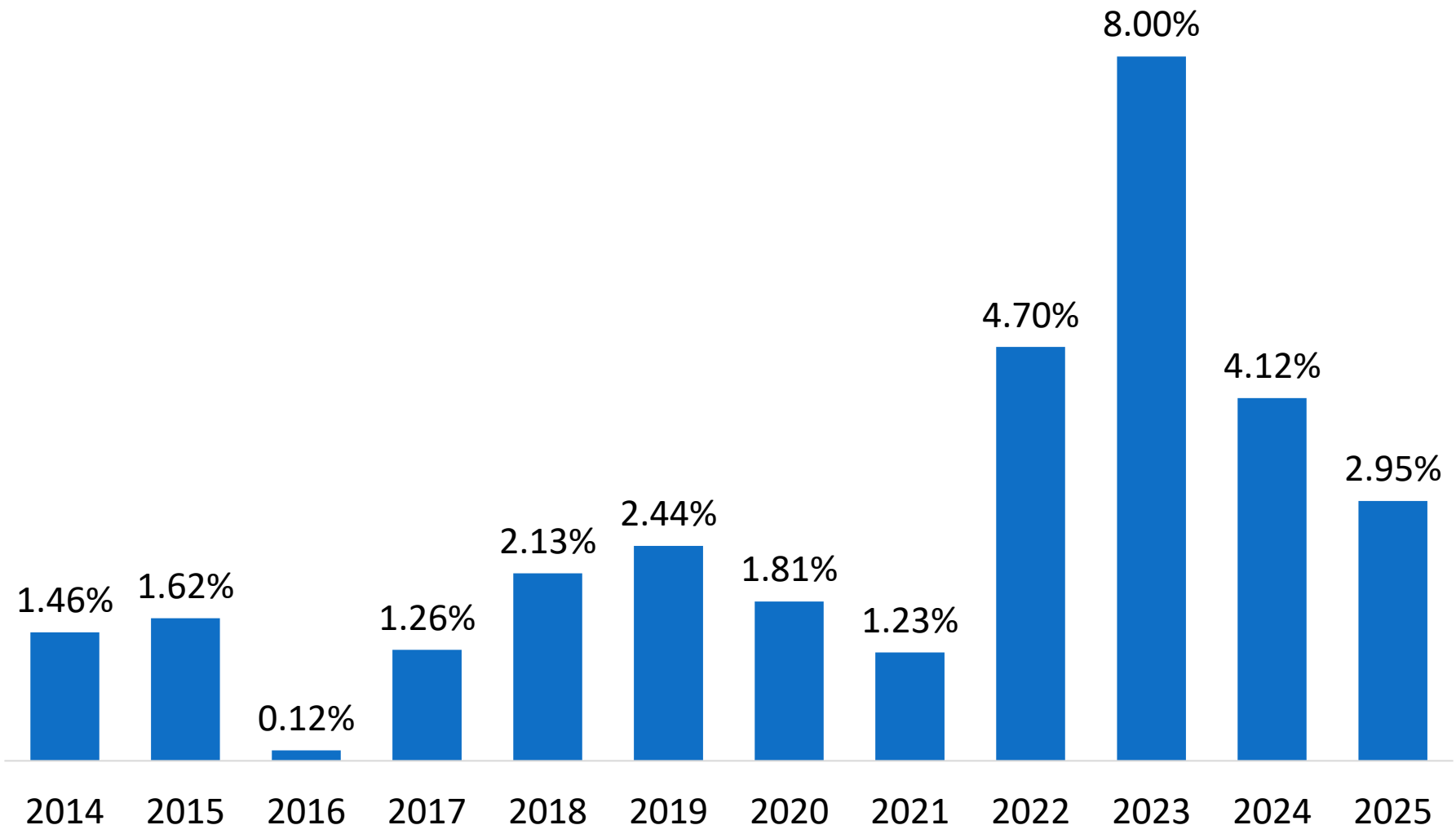
Sources: Wisconsin's state and local tax burden fell again in 2024 (January 2025); State tax ranking hits all-time low (November 2024) Wisconsin Policy Forum

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)



Sources: DOR/WERC CPI-U rates; Compromise and conflict (July 2023) Wisconsin Policy Forum

Starting point for 2025-27 state budget

State surplus:

$4.0 billion

(in addition to $1.9 billion rainy day fund)

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?

Source: Agency budget requests and revenue estimates FY2026 FY 2027 (November 20, 2024) Department of Administration

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 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.

The road ahead: 2025-27 state budget and beyond

What are we watching for? What are we advocating for and why?

Revenue limit?

400-year veto: Pending Supreme Court decision

Gov. Evers used line-item veto to extend $325/pupil revenue limit increase for 402 years

Last October, Wisconsin Supreme Court heard oral arguments in lawsuit challenge

Justices across ideological spectrum raised questions/skepticism

Pre-veto language does not carry into next state budget

GOVERNOR, NEWS, POLITICS, SUPREME COURT

Wisconsin Supreme Court hears lawsuit challenging Evers' '400 years' veto

Liberal and conservative justices questioned Gov. Tony Evers' use of a partial veto to extend a school funding increase for centuries

BY RICH KREMER • OCTOBER 9, 2024

Source: Kremer, Rich (October 9, 2024) Wisconsin Supreme Court hears lawsuit challenging Evers' '400 years' veto

Special education?

Expected 2023-24 aid rate based on 2023-25 state budget: 33.3% (up from 31.7%)

Actual 2023-24 aid rate: 32.2%

- Translation: $1.16 billion in unfunded costs – effectively, a cut to district general funds

Likely aid rate for 2024-25: no more than ~$30.5%

Low special ed reimbursement – **major driver of growing use of operating referendums**

- For 81 districts, amount needed to fund special education could have been covered by 2024-25 referendum dollars

Sources: DPI; WASBO analysis

General aid?

Of the $1.2 billion increase in state support for education, public schools received **$438 million**

(Funding for public schools was not "historic")

Key measures in 2023-25 state budget…

Small increase in general aids: $501 M over biennium

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: $590 M over biennium

2023-24: Increase of **23.4%** over prior year ($255 M)
2024-25: Increase of 5.9% over prior year ($80 M)

Growth in voucher aid: $188 M over biennium

2023-24: Increase of **37.1%** over prior year ($73 M)
2024-25: Increase of 15.5% over prior year ($42 M)

Source: DPI

Voucher/ charter funding?

Proposals to fund voucher/charters with sum sufficient state GPR (vs. aid/levy), aka "decoupling"

Current estimated total cost of all programs (2024-25): ~$769 million

Program costs likely to grow

- Enrollment caps come off in 2026-27
- Voucher supporters favor also removing income caps – would move program toward universal access

Relieves school districts from levying for private schools

Not a simple funding "fix" and does not protect taxpayers…

Would **divert** significant state GPR to parallel K-12 systems –

Patterns in other states: Decreases share of state and local resources for public schools …especially when voucher programs grow…could exacerbate referendum trends

Source: Wisconsin Legislature

Key points

Voucher and charter funding *indexed* to public school funding

Under current law, voucher/charter funding **is** indexed to public school funding *increases* *in…*

- Current year revenue limit per pupil
- Prior year categorical aids per statewide revenue limit membership
- Year-over-year dollar change in Low Revenue Ceiling (90% for K-8 vouchers)

This means: ANY increases for public schools translate directly into increases for voucher/charter schools *in addition* to any base payment increase approved in state budget

The opposite is not also true – public school funding is not indexed to increases for vouchers/charters

Arizona school voucher program growth explodes to $900 million for the upcoming school year

The projected costs are nearly 1,400% more than initial estimates

BY: **GLORIA REBECCA GOMEZ** - JUNE 1, 2023 2:36 PM

Trend: Voucher programs start small and targeted and then explode – creating fiscal crises for states

As in Wisconsin, voucher programs nationwide often begin with caps and targeted for students with disabilities or low-income students attending public schools

This is followed by a shift toward universal programs – open to any family – regardless of income, disability, or attendance at a public school and often with no enrollment caps

Actual growth and costs often exceed estimates – by a lot

Hits small, rural districts especially hard

Sources: The fiscal consequences of private school vouchers (March 2023); The new wayve of public funding of private schools explained

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**

Declining enrollment for the foreseeable future: **How many school funding systems can the state support?**

Can we learn from other states about how to protect public schools and state budget from voucher/charter growth?

2011 Act 10: Legal limbo creates fiscal uncertainty

Status of lawsuit

- Dane County Circuit Court deemed part of law unconstitutional under equal protection clause (made exceptions for some public safety employees)
- Judge put ruling on hold pending Legislature's appeal – likely to Supreme Court
- Current law on bargaining still stands…but a lot of "what if" conversations until case resolves

Resolution could take months

- April 1st election: Could flip ideological bias of the Wisconsin Supreme court
- New justice does not take seat until August
- State budget proceeds amid this uncertainty

Photo credit: Andy Manis/AP Photo

Local fiscal impact of possible federal changes

Elimination of Department of Ed?

- Not new and not likely to pass Senate
- Title I and IDEA funding have bipartisan support – would fold into other federal agencies
- But funding structure could change – block grants, "voucher-ization"

Best case funding scenario: flat or minor cuts (largely to pay for extending expiring tax credits)

E-rate – future uncertain: Supreme Court will rule on whether funding source (Universal Service Fund) is constitutional

Expansion of school vouchers

- Possible expansion of 529 education savings accounts for private school expenses
- Creation of $5B tax credit voucher program

Photo credit: Andy Feliciotti

Other indicators to watch

DPI requested an increase of $4B in its budget: Generally, aligns with SAA priorities, but differs on specifics. SAA priorities more targeted

Recent elections **under new redistricting have narrowed Republican majorities** in both Assembly and Senate

- Republicans lost supermajorities that could override Governor vetoes
- Could create openings for compromise
- Could prolong budget process
- But balance in JFC remains the same (12 R /4 D)

Key elections in April 2025

- **Wisconsin Supreme Court:** Race in April 2025. Court could shift back to a conservative majority
- **State superintendent** of public instruction election: 2025

Where are we in the state budget timeline?

October: SAA publishes budget priorities

Mid-November: DPI releases budget request/ priorities

December: Governor holds public listening sessions

January: Governor delivers State of the State address (likely to include budget priorities)

February: Governor introduces 2025-27 budget proposal delivers Biennial Budget Message

ADVOCACY ACTIVITY ACCELERATES

Spring 2025: Joint Finance Committee receives budget, holds public hearing, votes on budget, sends to legislature

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

Source: Expiration of federal K-12 emergency funds could pose challenges for states (February 28,2024) Center on Budget and Policy Priorities

School Administrators Alliance (SAA)

Key state budget priorities

Foundational needs

Special education

- Categorical aid reimbursement: Substantial increase to ***at least 60%*** over current 32.4% (special needs voucher covers 100% for most students)

- Convert the appropriation to be a guaranteed *sum sufficient amount*

Foundational needs

School Administrators Alliance (SAA)

Key state budget priorities

General, flexible, spendable dollars

- Combination of *inflationary* revenue limit adjustment and per pupil aid increase
  - RL: $415 (+$90) year 1; $430 (+105) year 2
  - PPA; $100 in each year
- Enough general aid to offset as much property tax impact as possible
- Increased low revenue ceiling to help close per pupil revenue limit gaps between districts (ranges between $10,523 and $24,949)

Why these priorities?

- Provide the most resources, the most flexibly, for the most students, in every district
- Long-standing and data-driven (these ideas were integral to proposals in 2019 Blue Ribbon Commission on School Funding)
- A focus on these priorities: Helps every district meet their particular needs, no matter their financial situation
- Key messaging: What would having these resources mean for your students?

Wisconsin Association of School Business Officials

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