

State of School Finance in Wisconsin

School finance mechanics | Impacts on school district fiscal health

Resources for 2025-27 state budget JFC hearings

March 27, 2025

WASBO: Who we are and what we do



Vision

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

Opening question:

Why are so many school districts going to referendum?



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

More than 82% of school districts in the state have called for a referendum since revenue limits were established in 1994.

“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.”

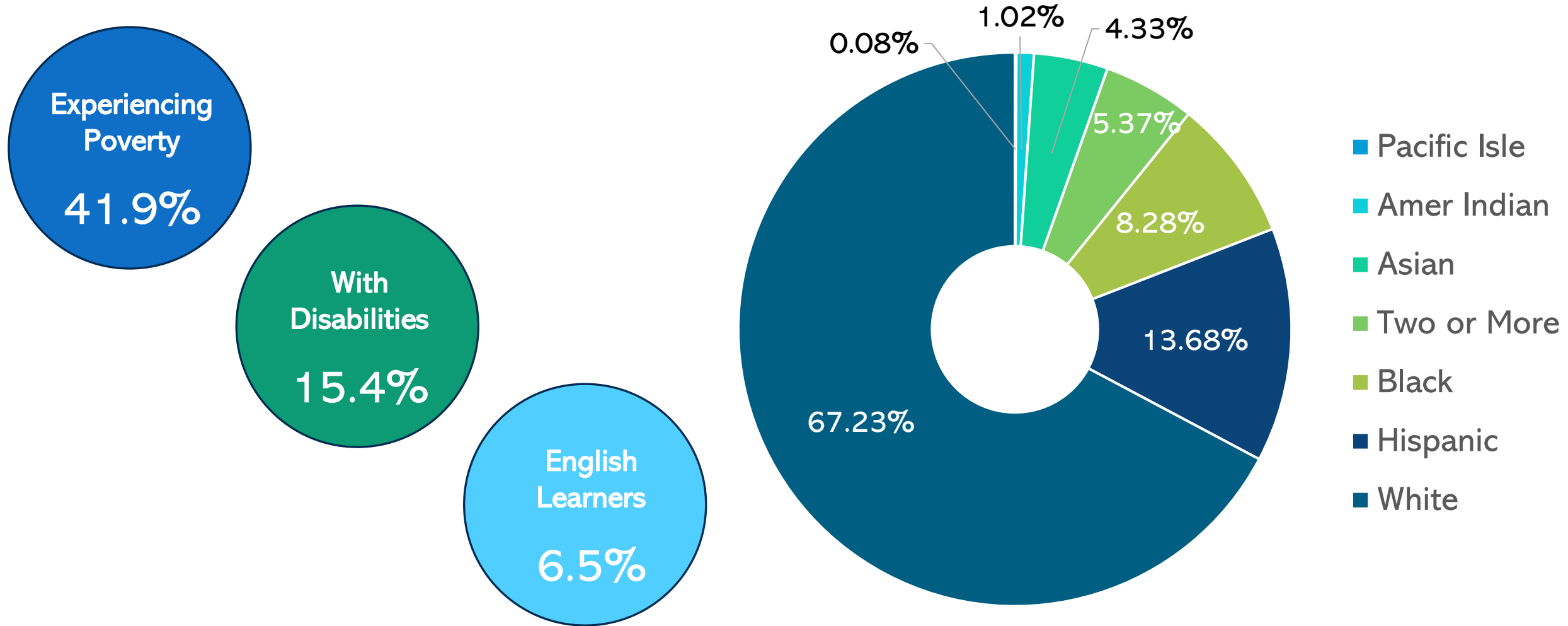
Forward Analytics



Education in Wisconsin

Size, scope, and outcomes

Public school student demographics (2023-24)



Economically disadvantaged students

2023-24

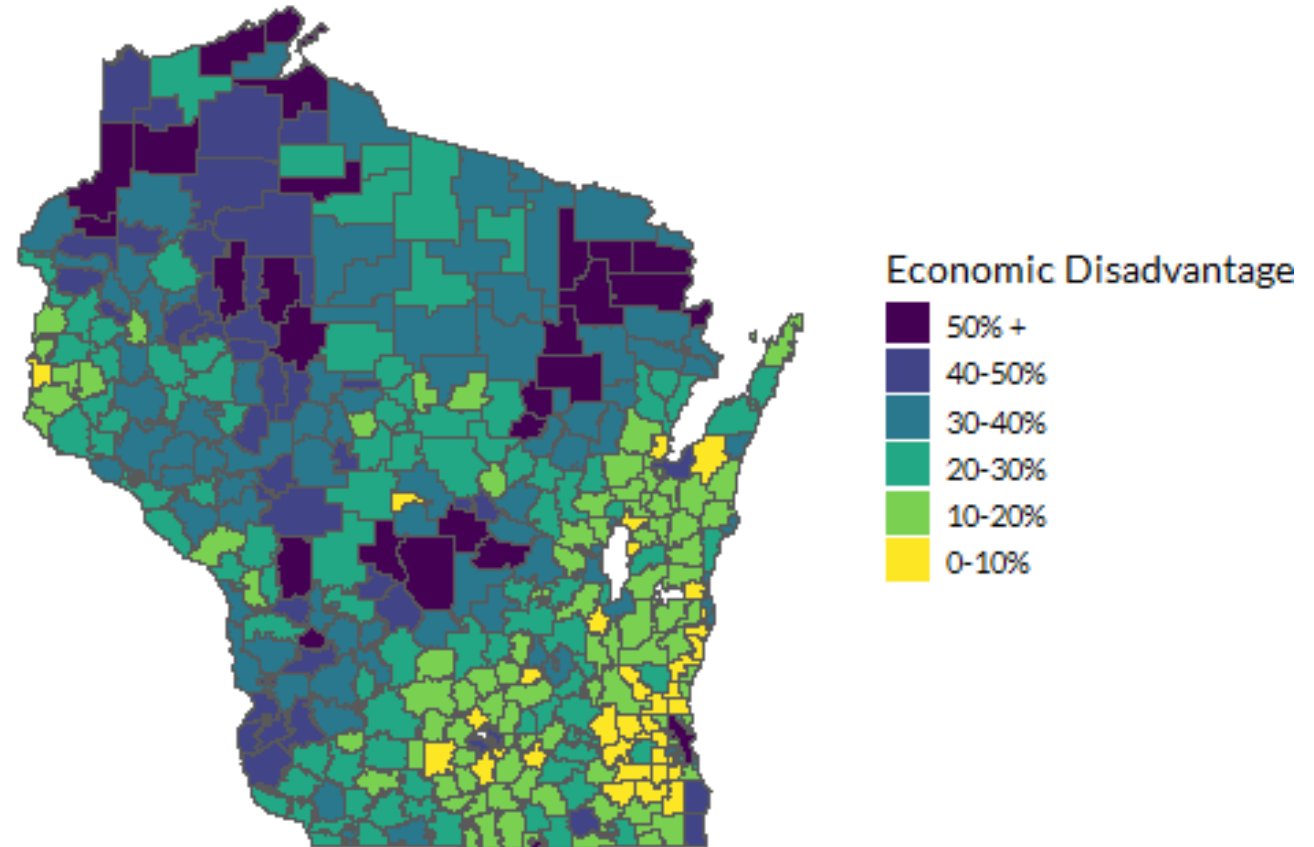
About 1 in 4 districts have a majority of students who are economically disadvantaged

Some federal funds support the needs of these students

No dedicated state funding source for these students

Poverty is growing in Wisconsin

Percent of Economically Disadvantaged Students
School Year 2006-07



Students with disabilities

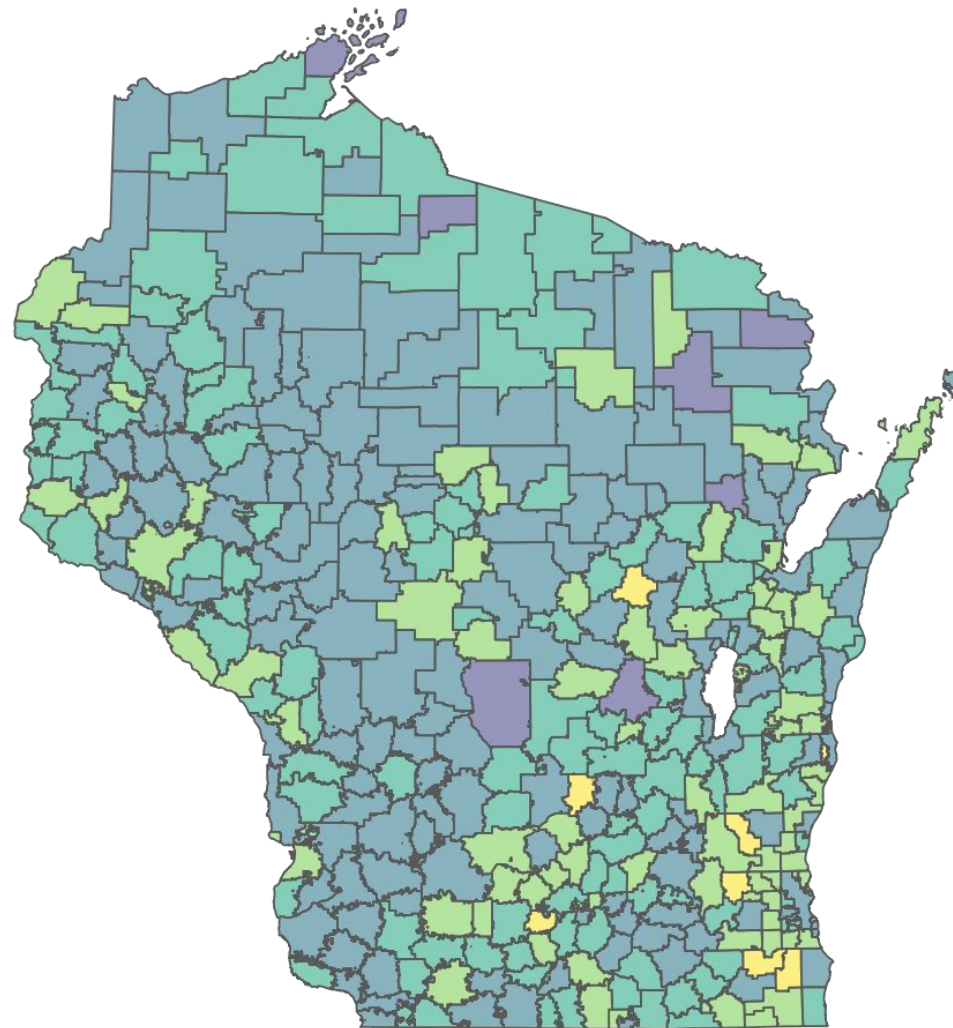
2023-24

Most districts have at least 13% SwDs

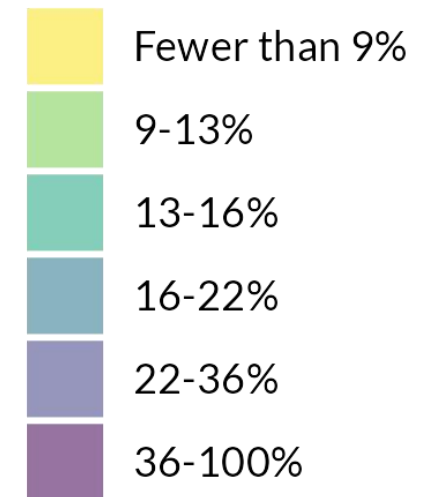
On average districts have 15.4% SwDs

2023-24
reimbursement rate for
mandated special
education: **32.4%**

Students with Disabilities 2023-24



Students with Disabilities



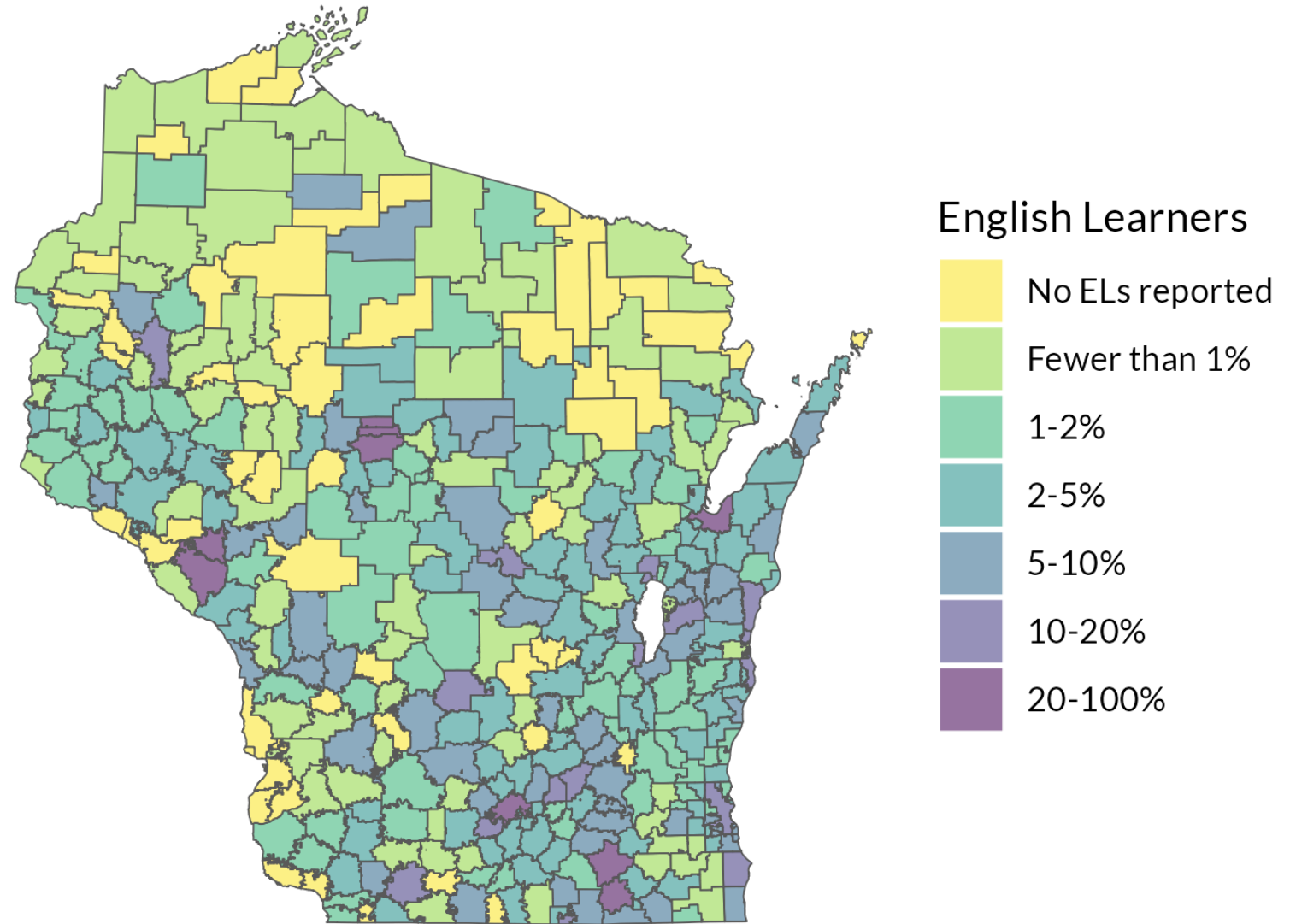
English learners 2023-24

357 districts (84.6%)
enroll ELs

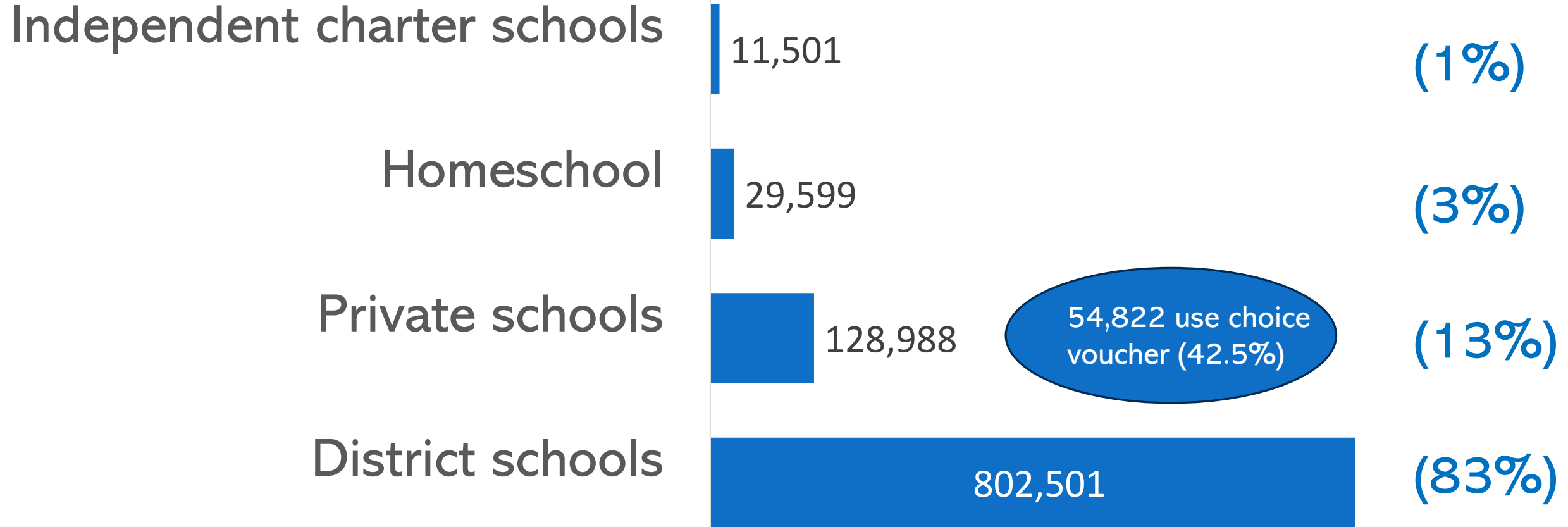
No dedicated
aid for all ELs

Only **57 districts** get
Bilingual Bicultural Aid
2023-24 reimbursement
rate: **8.55%**

English Learners 2023-24



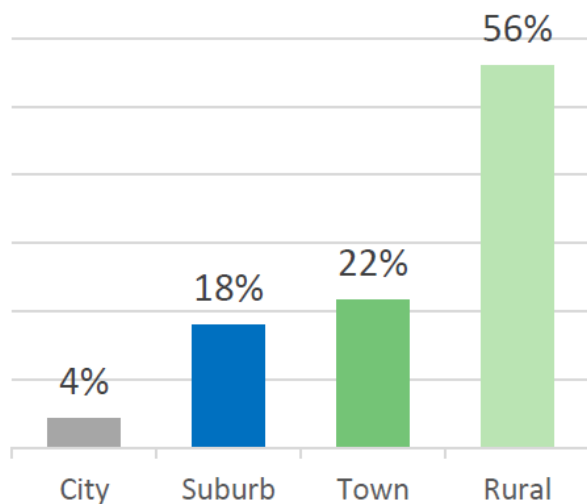
Enrollment by school type (2023-24)



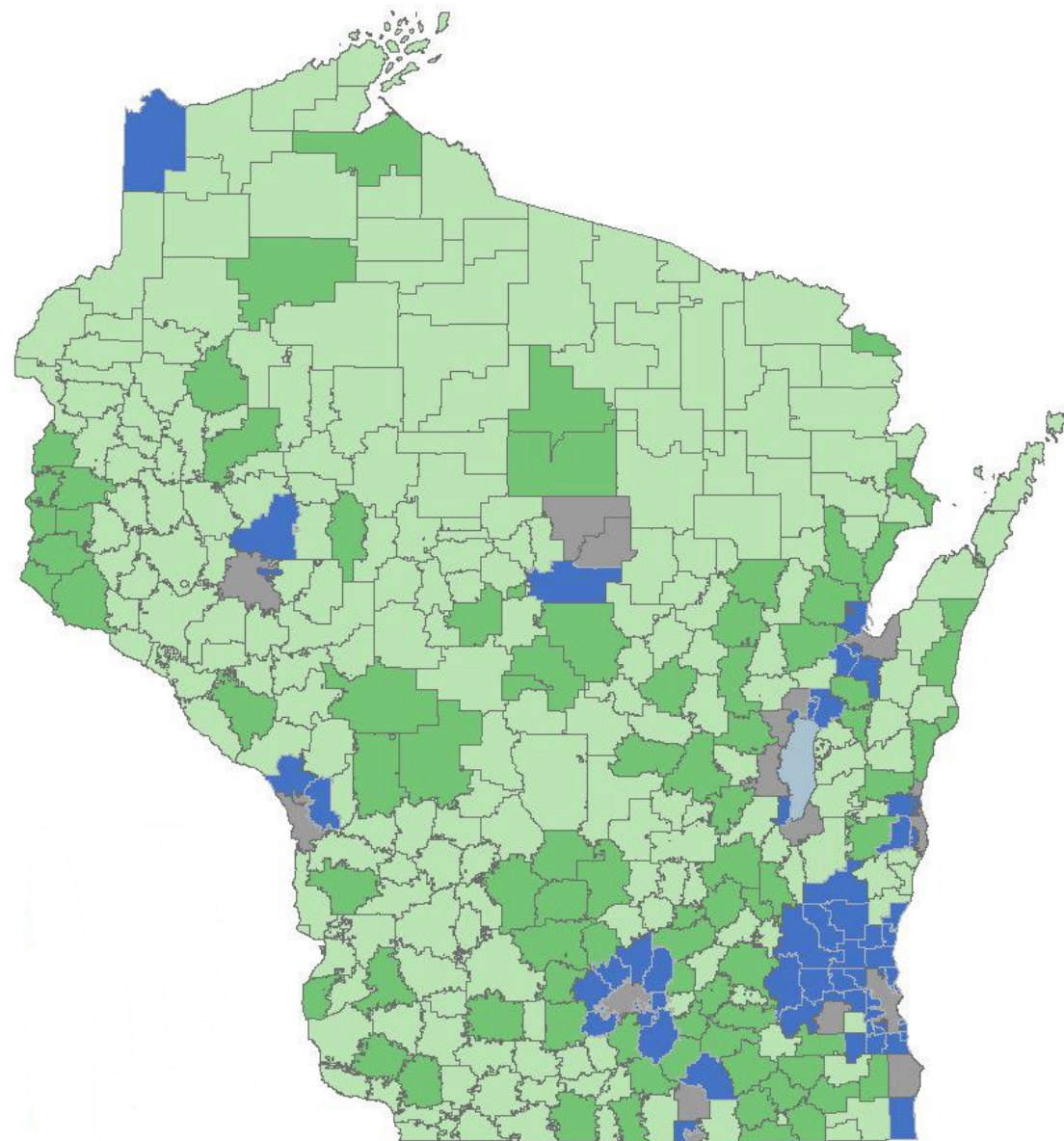
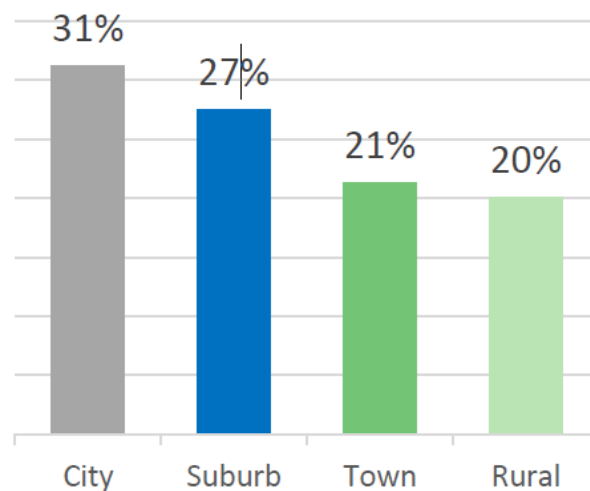
School districts by locale:

City Suburb Town Rural

School Districts (2022)



Enrollment (2022-23)



How are our kids doing?

90% high school graduation rate

NAEP: Wisconsin students are 4th in the nation in 8th grade math; above national average in 4th grade math and 8th grade reading; even with national average in 4th grade reading

About 50% of students score at grade-level expectations 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)





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 and referendums

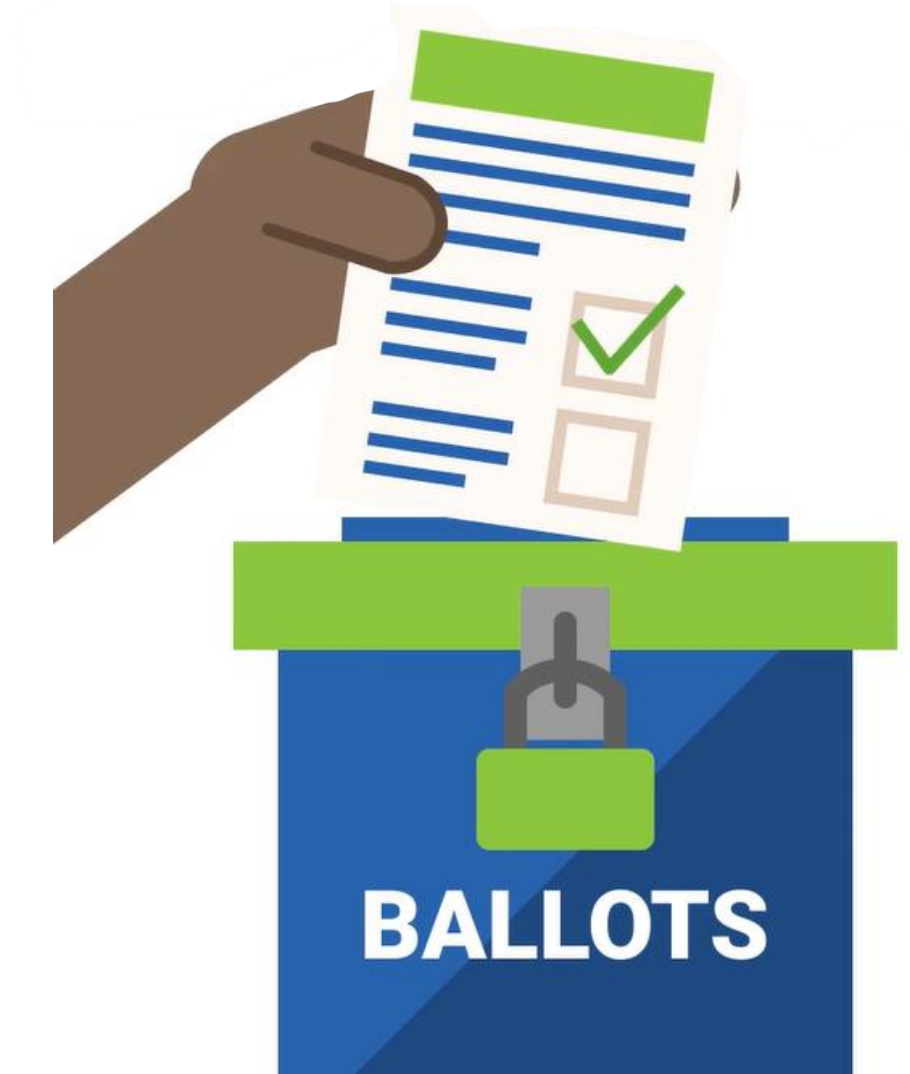
Revenue limits - Originally intended to limit property taxes

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



Three kinds of referendum ballot questions

Operating - Nonrecurring

Operating - Recurring

Issue debt (Capital)



Revenue limit: A brief history

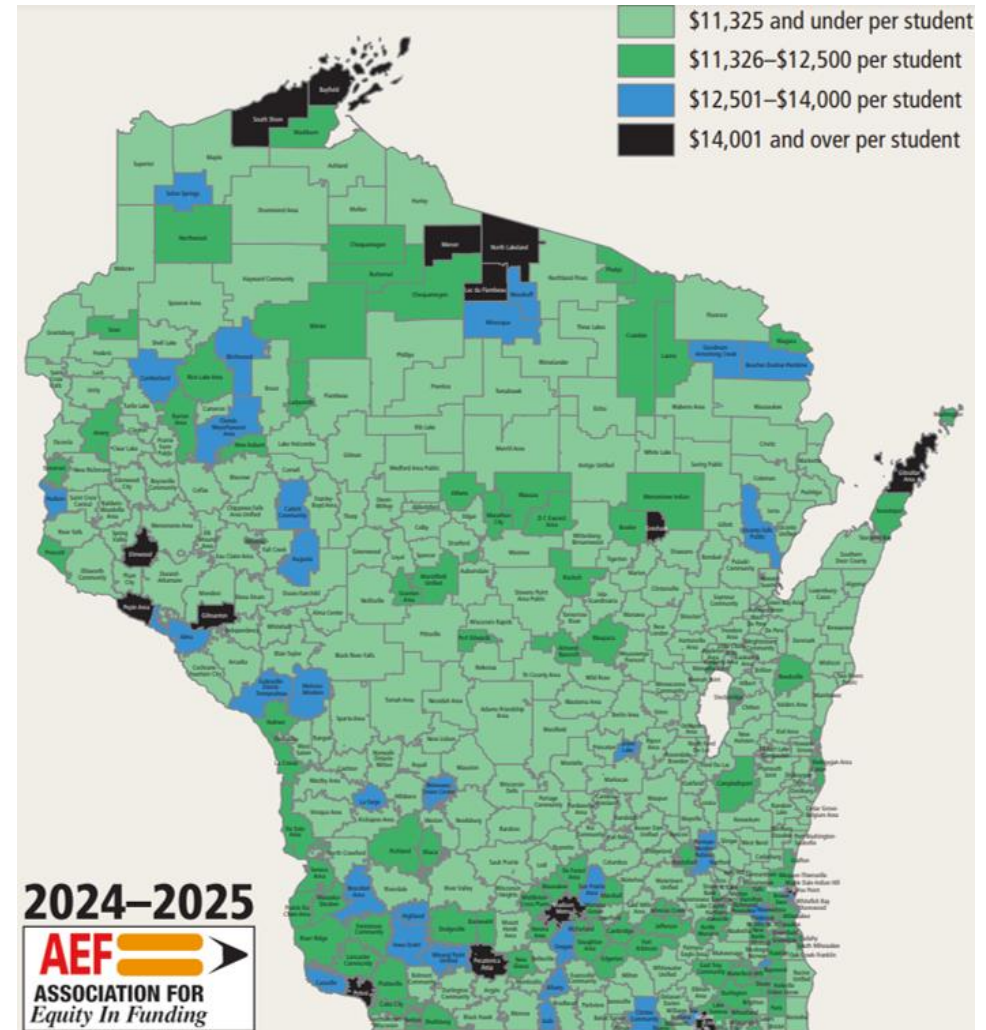
Enacted in 1993-94

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 school districts in 30 years?



Revenue limits have been around for 30 years....

Why is it such a major area of concern now?

Two reasons:

- They have not been allowed to keep pace with inflation
- Demographic forces have been (and will continue) shrinking enrollment



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. 30.5%)
- Remainder comes out of district's general fund (capped by revenue limit)

Two ways state budget funds categorical aids



Sum certain

- A specific amount that cannot be exceeded (except by legislative action)
- Example: Current special education categorical aids – a reimbursement level cannot be guaranteed because costs are unknown, but the dollars available are set



Sum sufficient

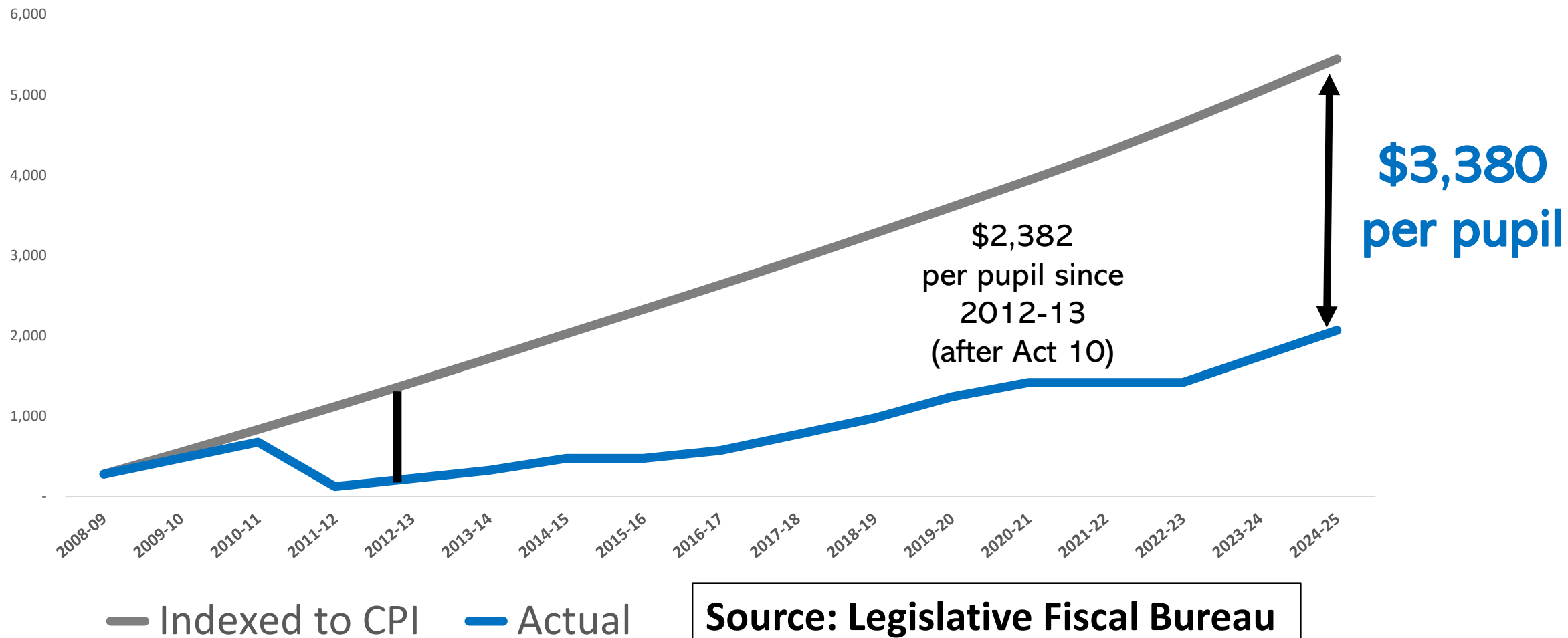
- Unlimited – allows spending at whatever amounts are needed to fund a program
- Examples: Per pupil categorical aids, voucher programs



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





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

What has this meant for school districts? (what we're hearing from superintendents)



\$325 has not been a game changer for school districts

- Inflationary increase would have been **\$390** (2023-24) and **\$404** (2024-25)
- Represents **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 behind where inflationary adjustments would have put them since 2009-10



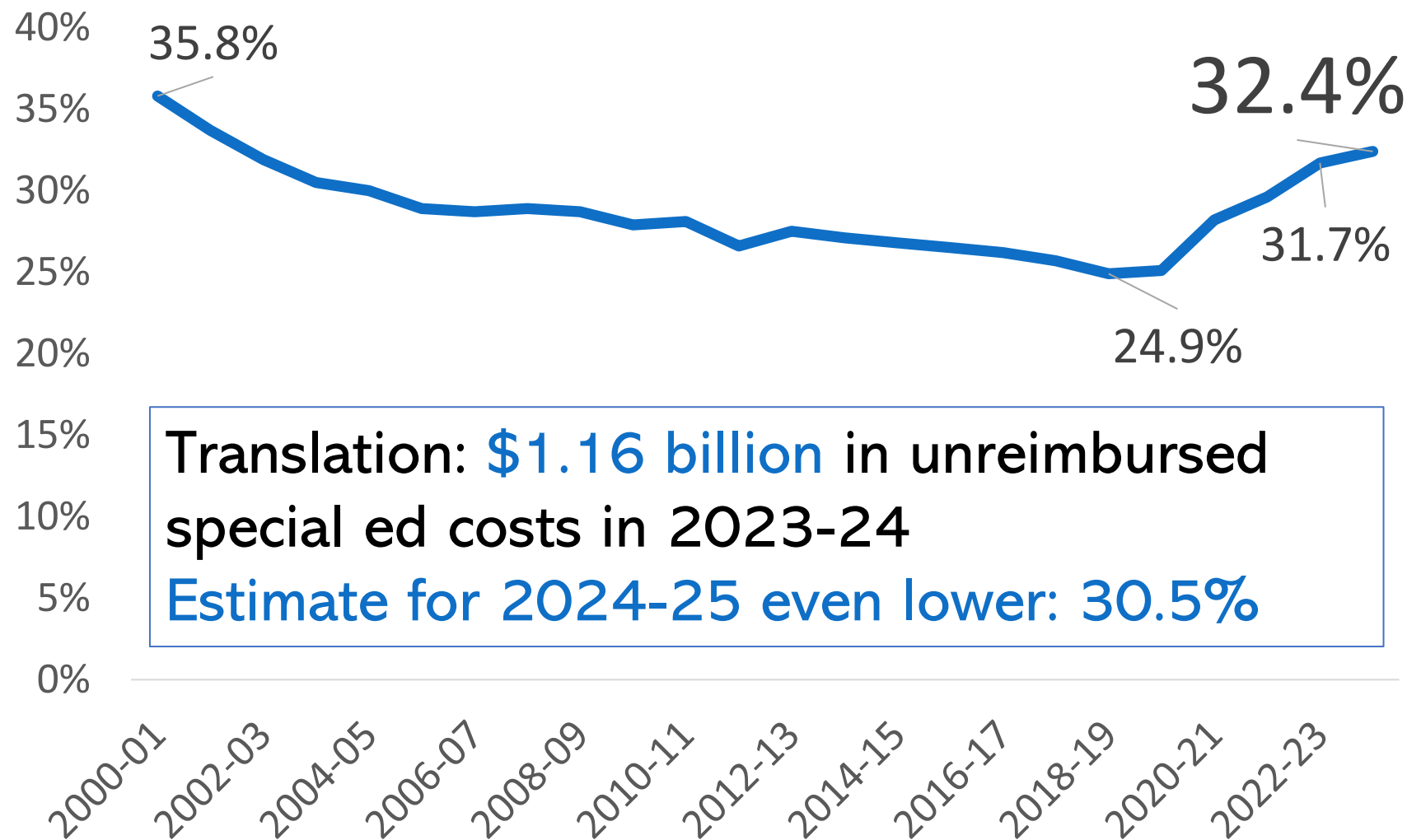
Impacts vary by school district – affected by enrollment trends, share of state equalization aid, impact on property tax, special ed...

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



Higher special education reimbursement would be win-win-win

- ✓ Ensures **more robust supports** for students with disabilities
- ✓ Preserves resources for core educational program (could mitigate need for special ed services)
- ✓ **Lowers** district dependence on operating **referendums**

Parental Choice program expansion:

2009-10 to 2023-24

Milwaukee: 1991

Racine: 2012

Statewide: 2014

Special needs scholarship: 2017

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

Choice Students by District
School Year 2009-10



Choice Students No Choice Students



Total cost of choice vouchers and independent charter schools:

Vouchers: \$629.39 million
ICS: \$139.46 million

TOTAL: \$768.85 million

Declining enrollment for the foreseeable future:

How many school funding systems can the state support?



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 (\$)

Voucher (9-12)	\$3,342
Independent Charter Schools	\$2,121
Special Needs Voucher	\$1,989
Voucher (K-8)	\$1,494
Public school districts (Revenue Limit Per Pupil)	\$325

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

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

Wisconsin's voucher program's enrollment caps will be lifted



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)

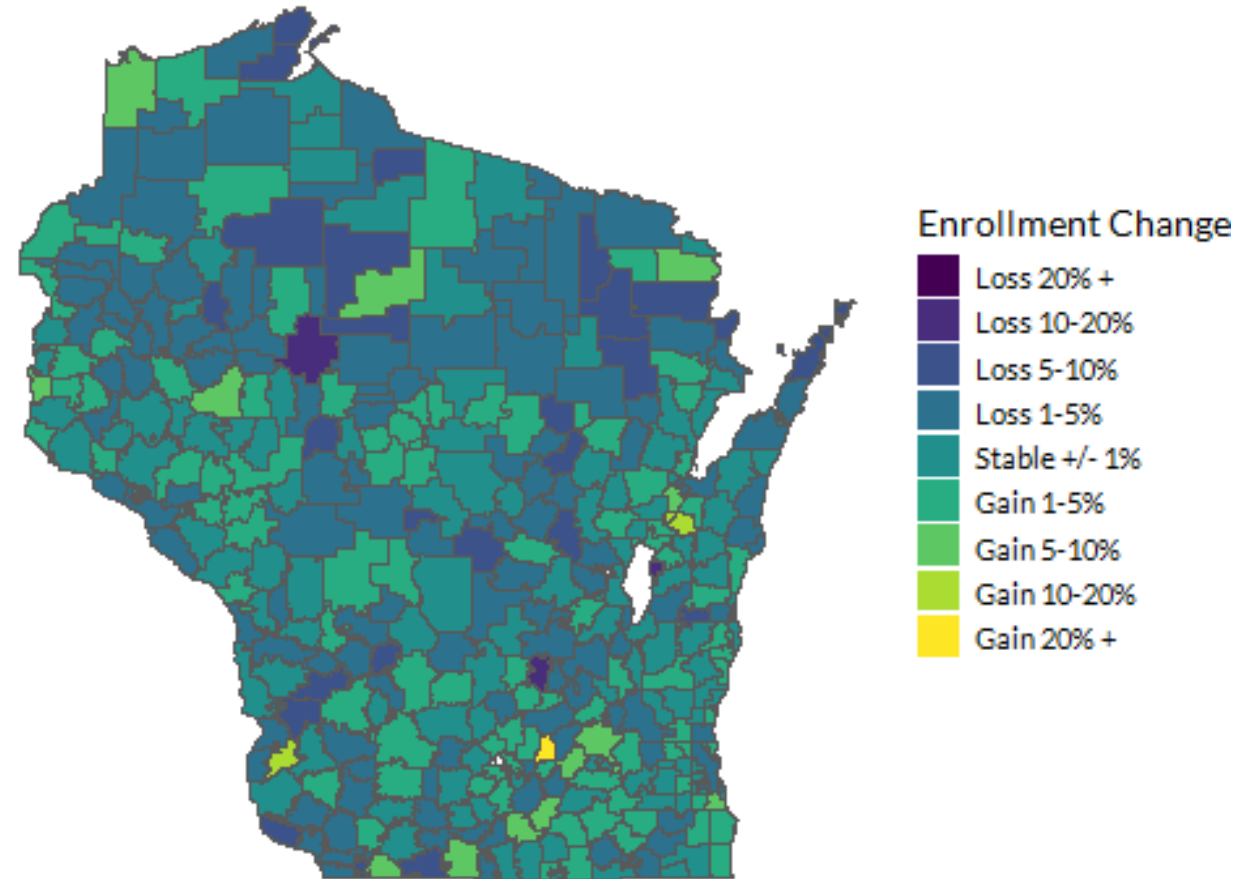
75% of students are located in just 30% of districts



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

Percentage change in enrollment over previous year: 2005-06 to 2023-24

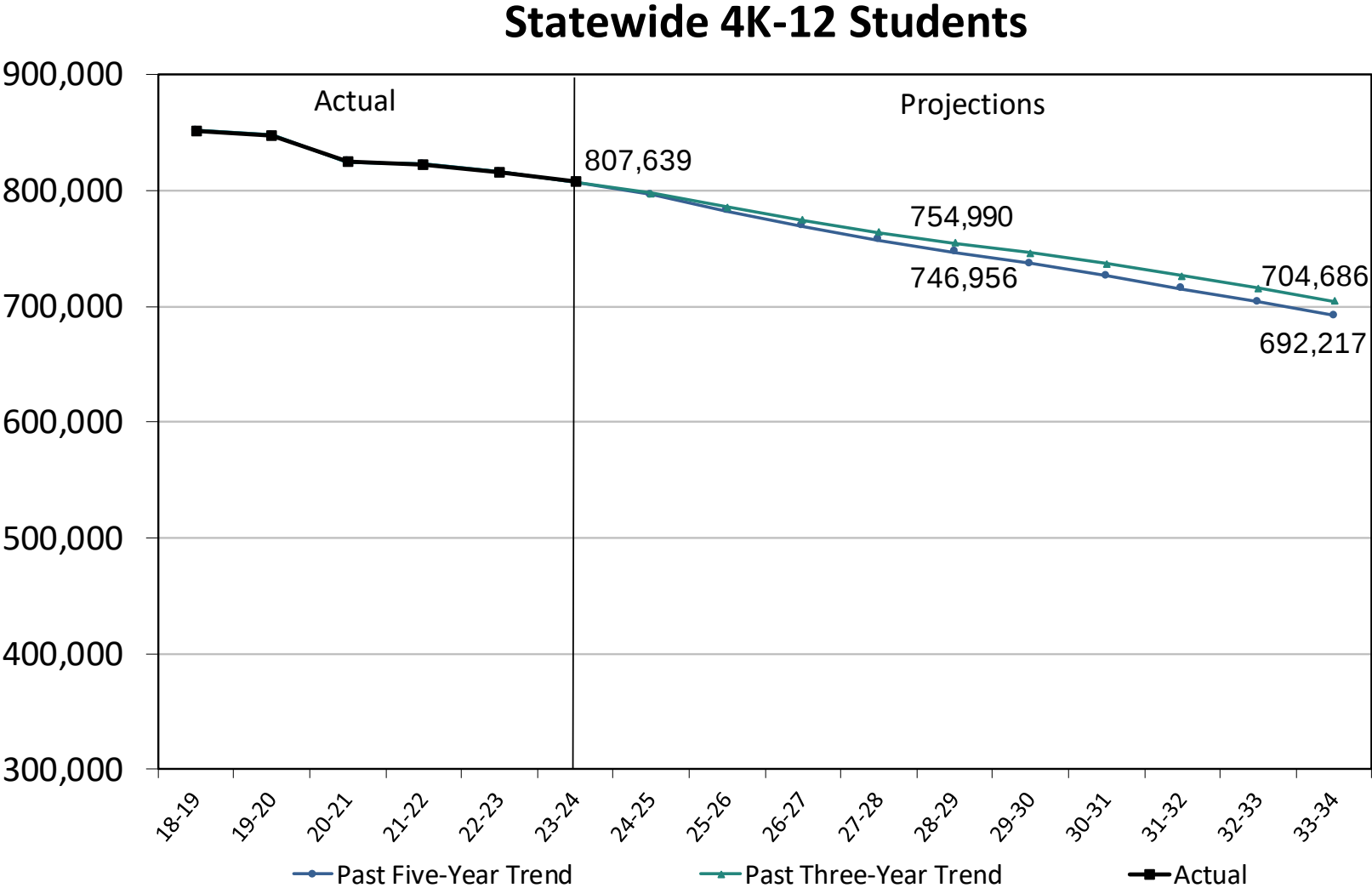
School Year 2006-07



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%**



Public school enrollment projections: Students with disabilities

Average projected enrollment **increase:**

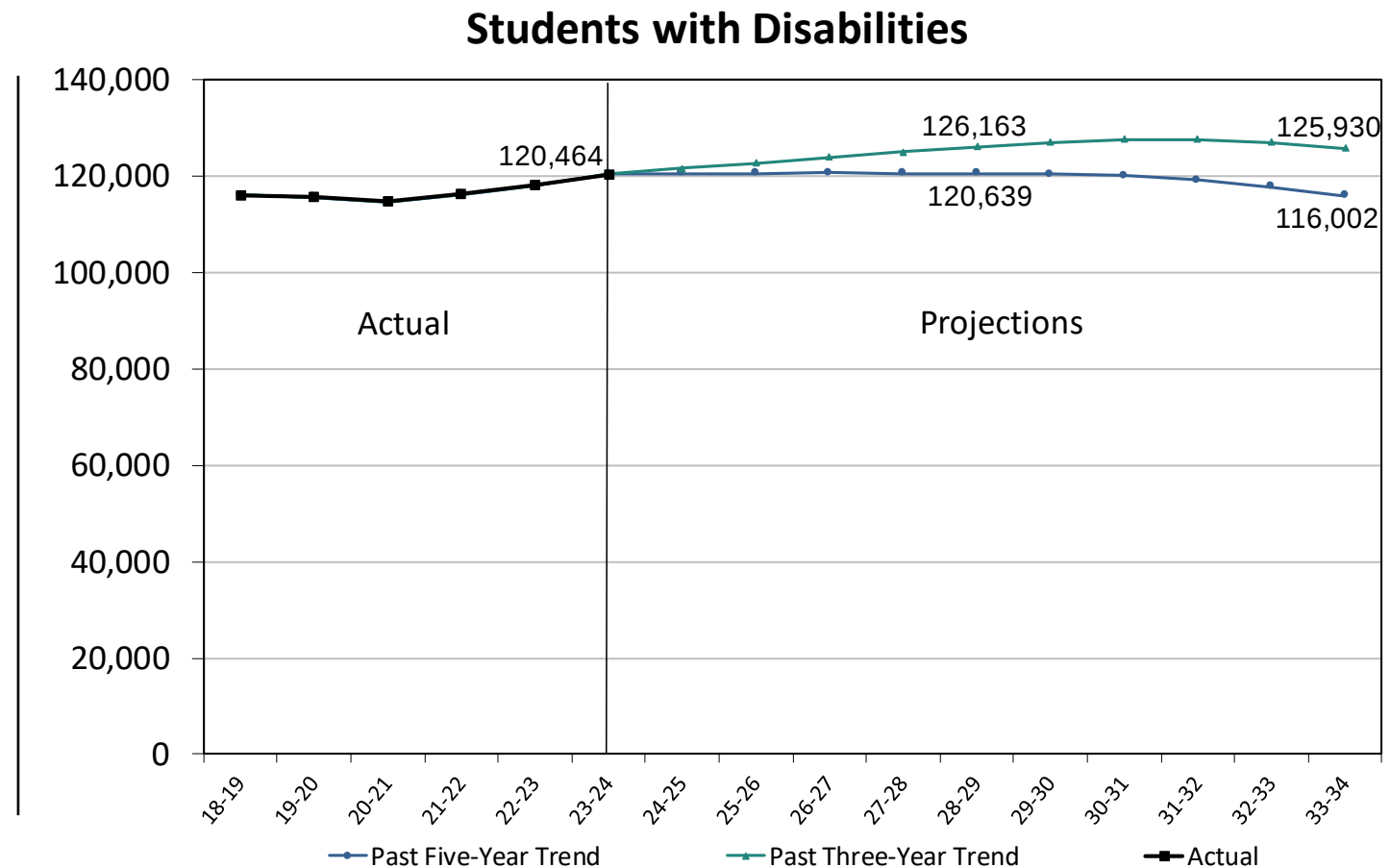
2.4% by 2028-29

+1.3 points (14.9 to 16.2%)

Note: Other high-need student groups also projected to increase:

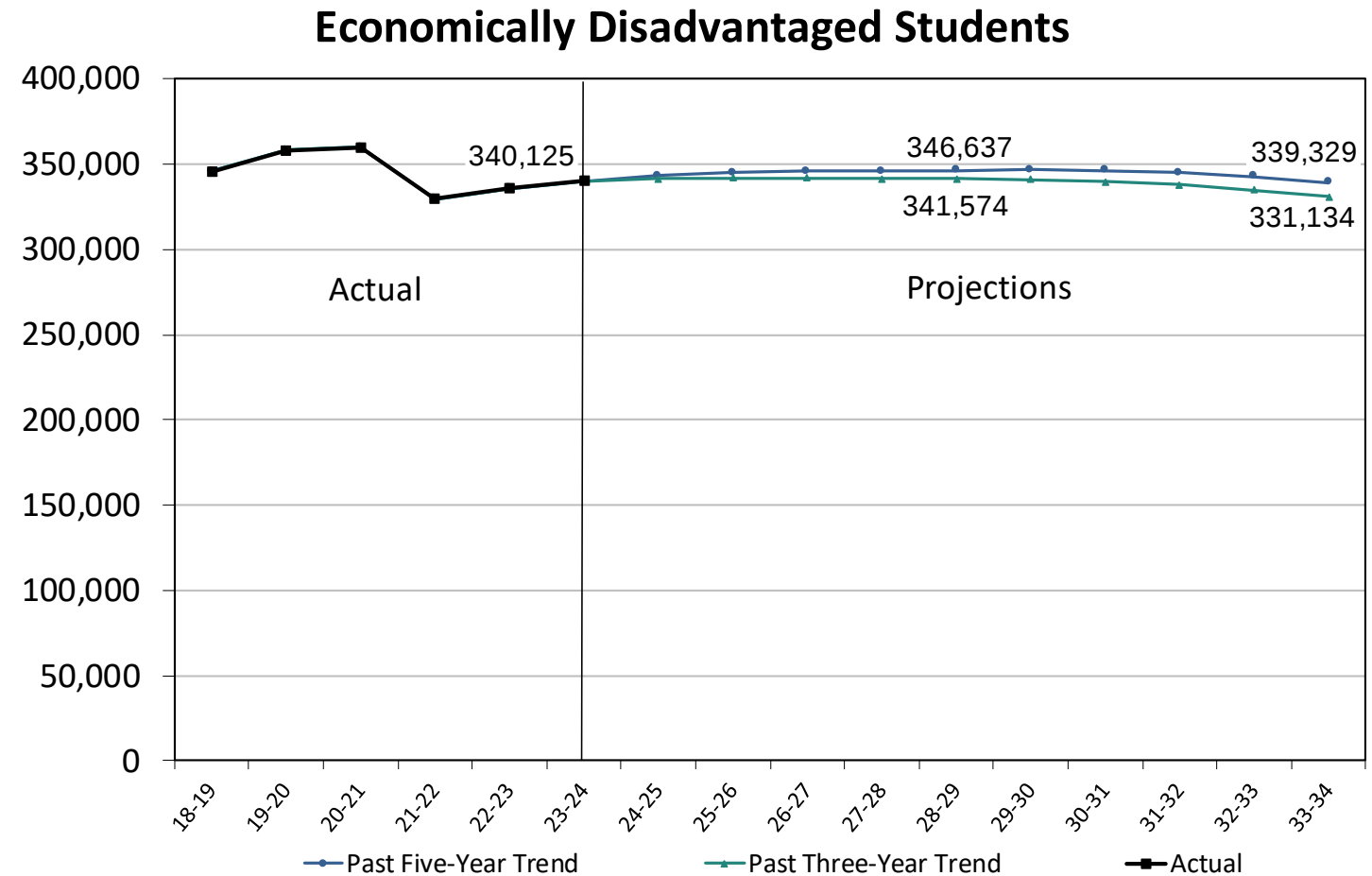
Economically disadvantaged: **1.2%**

English learners: **12.0%**



Public school enrollment projections: Economically disadvantaged students

Average projected
enrollment **increase:**
1.2% by 2028-29
+3.3 points (42.1% to 45.4%)

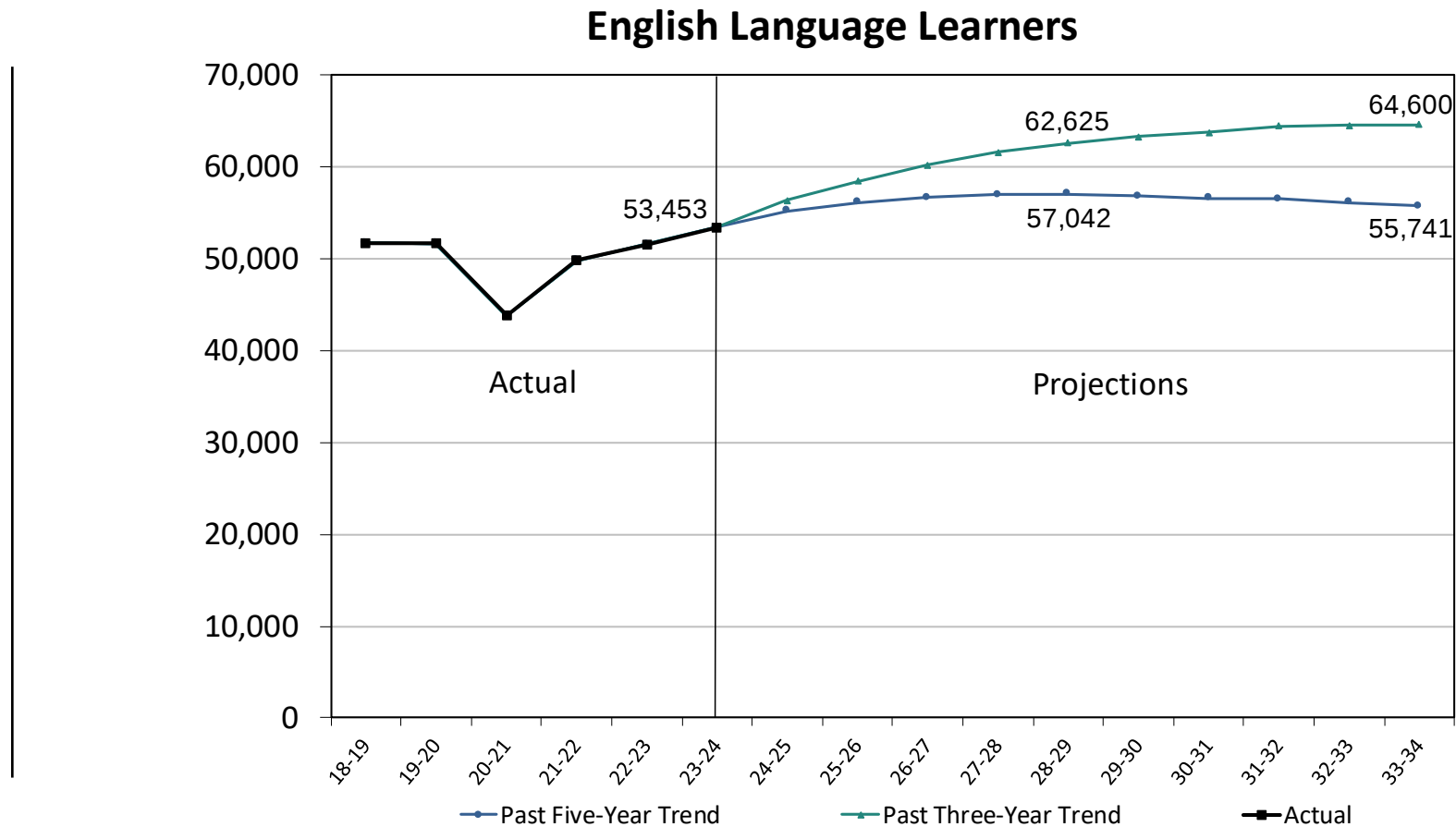


Public school enrollment projections: English Learners

Average projected
enrollment **increase**

12% by 2028-29

+1.3 points (6.6% to 7.9%)





**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

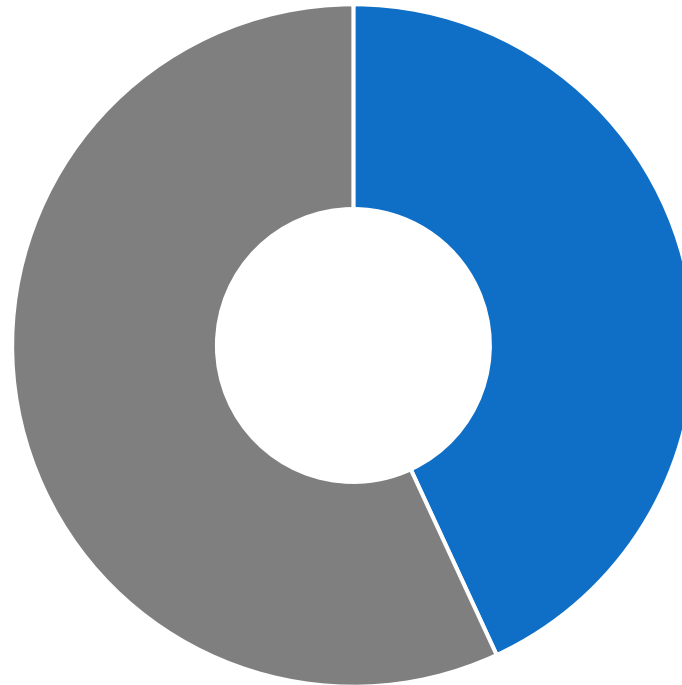
Wisconsin provides **disproportionately less funding to rural districts**: **11th lowest** in the nation on state revenue to schools per local dollar (\$.82 versus \$1.18 nationally)



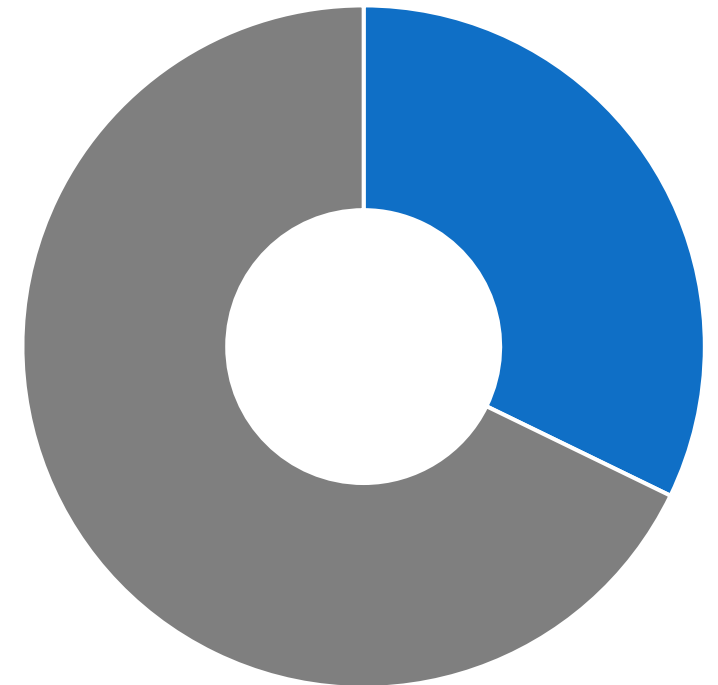
K-12 school aids as a share of state GPR

**Education has
fallen as a
state budget
priority**

2003
43.1%

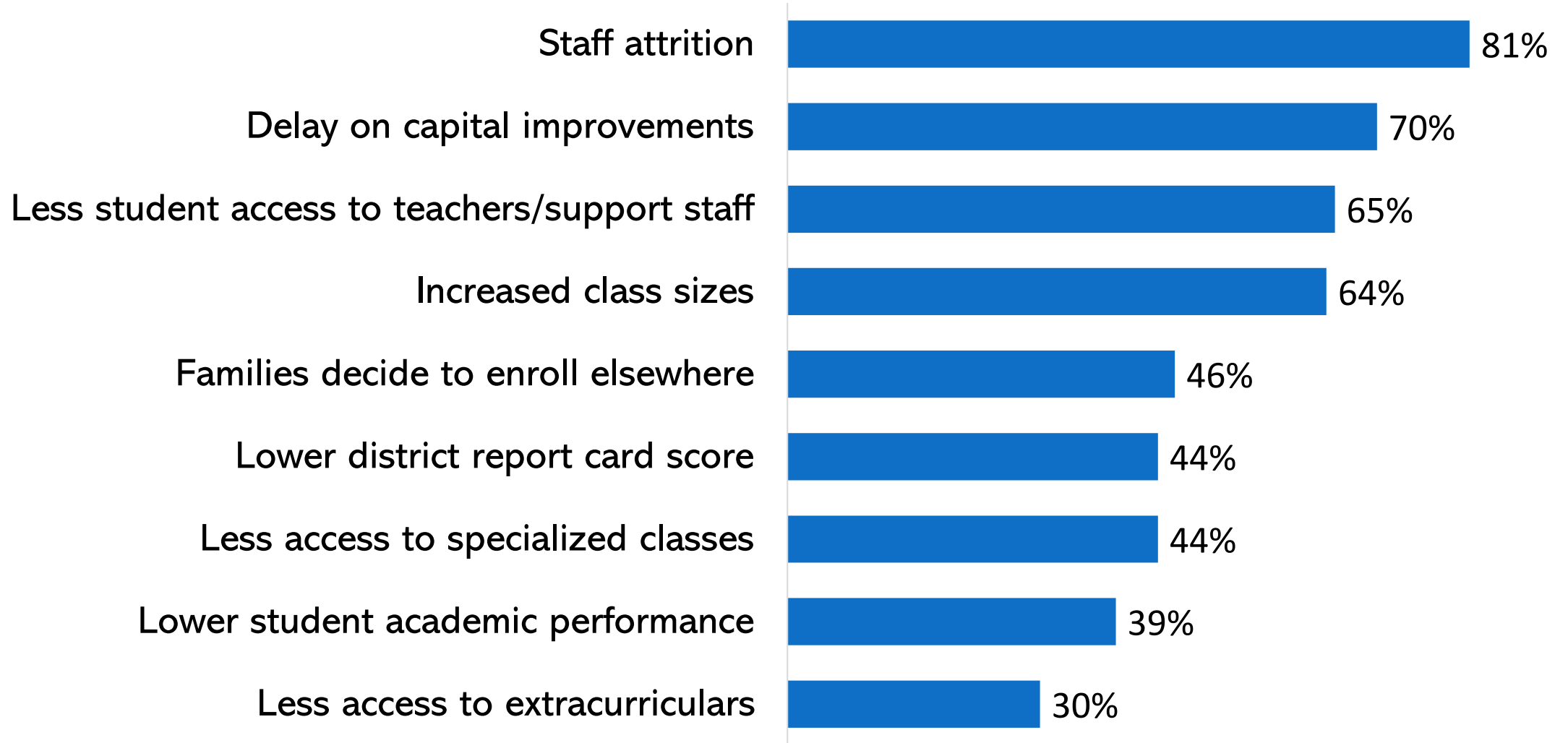


2024
32.2%



Insights from the field: WASBO survey of school districts

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

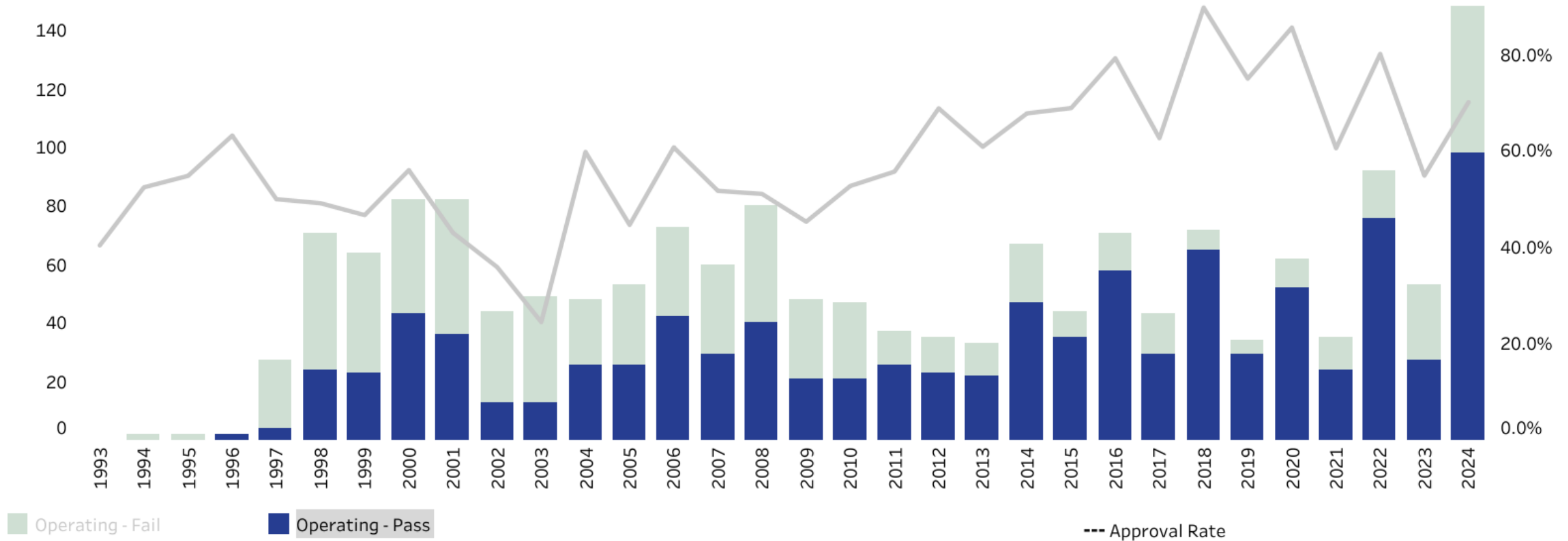


Operating referendums: 1993 to 2024



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.

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

This is true **all over the state**: Throughout every region, across partisan lines, across rural/urban lines...

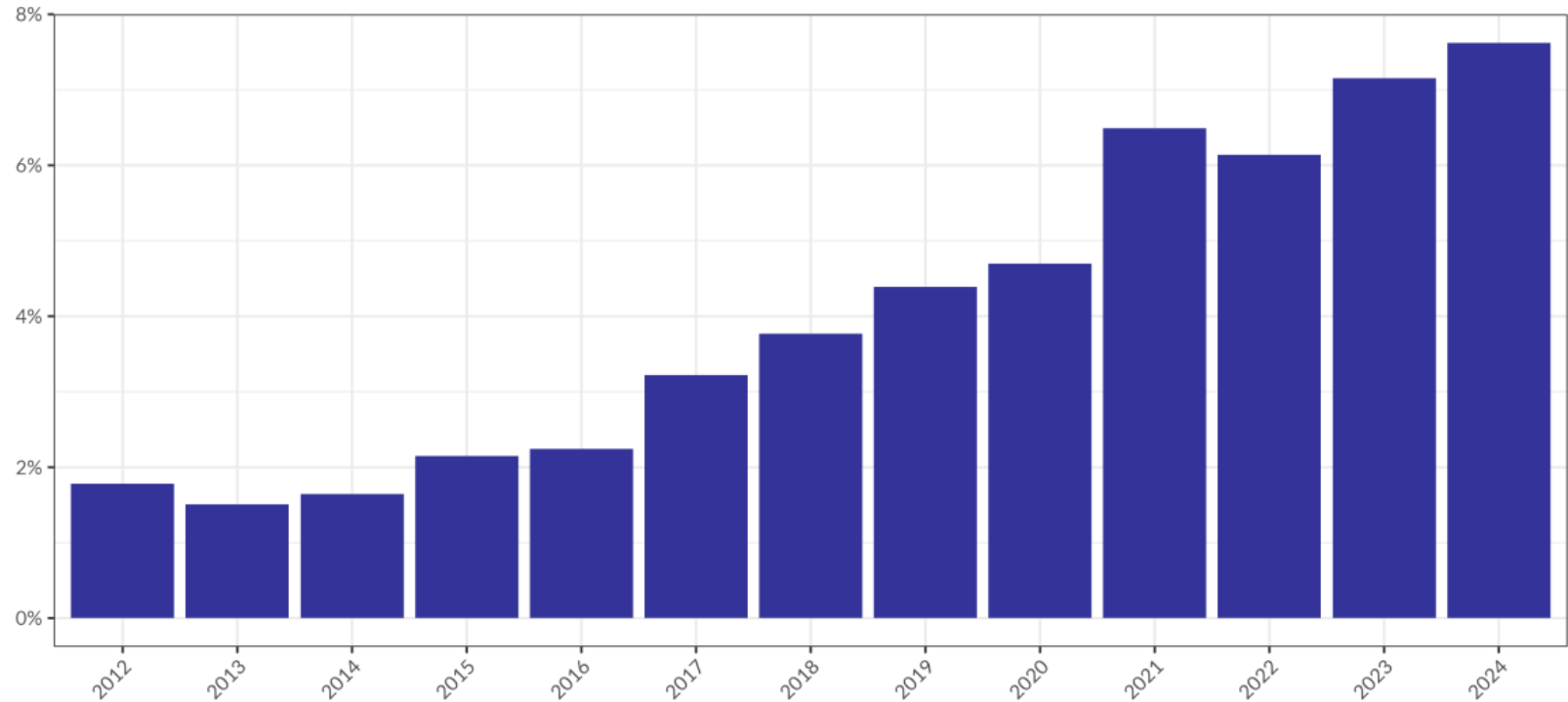
Operating referendums in 2025

62 ballot questions already scheduled for Spring 2025



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

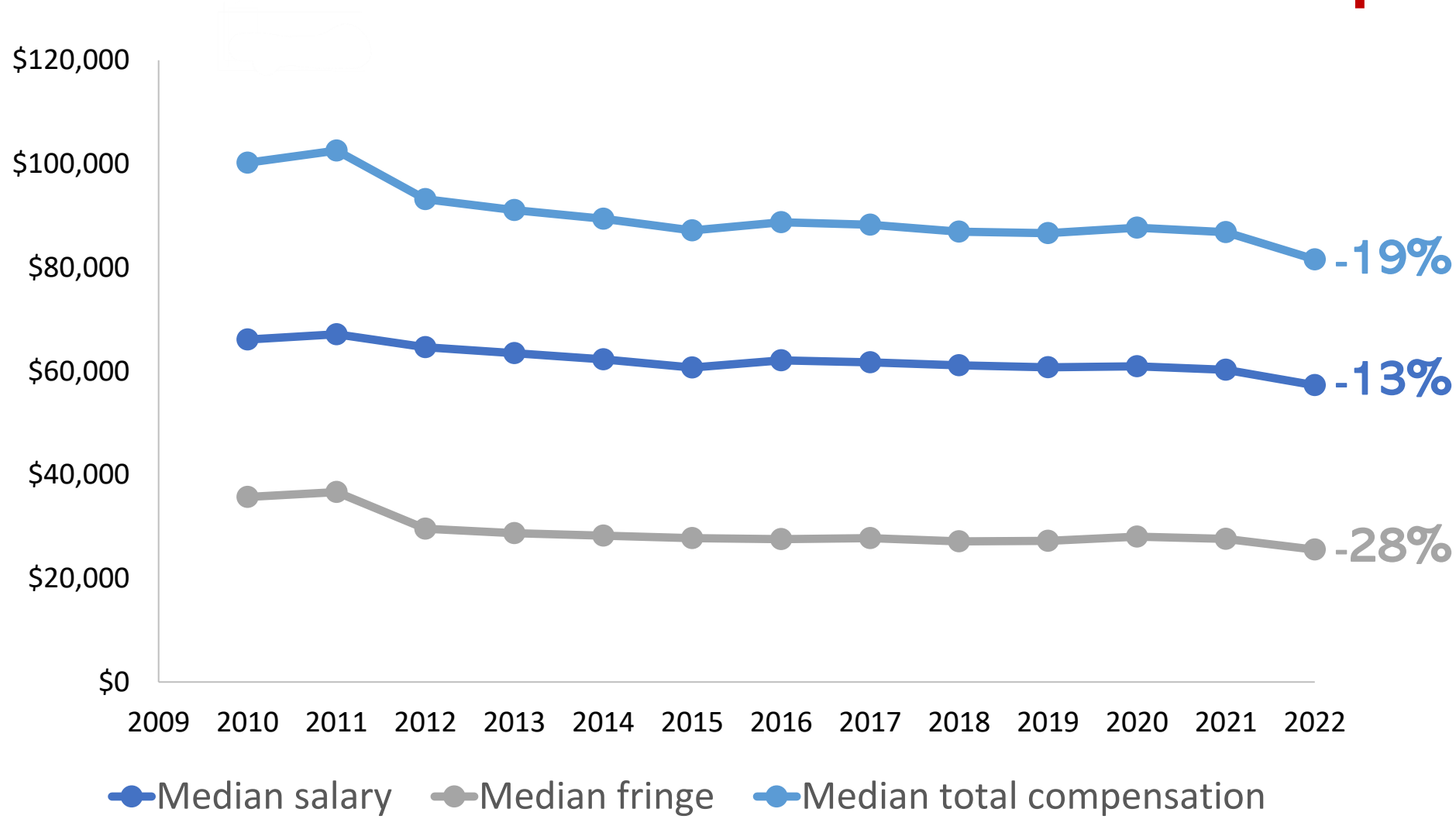
Percent of school tax levies attributable to operating referendums (2012 to 2024)



Educator Workforce

Median teacher compensation has fallen by 19% since 2010

Wisconsin teacher compensation trends (2022 dollars)



Educator Workforce

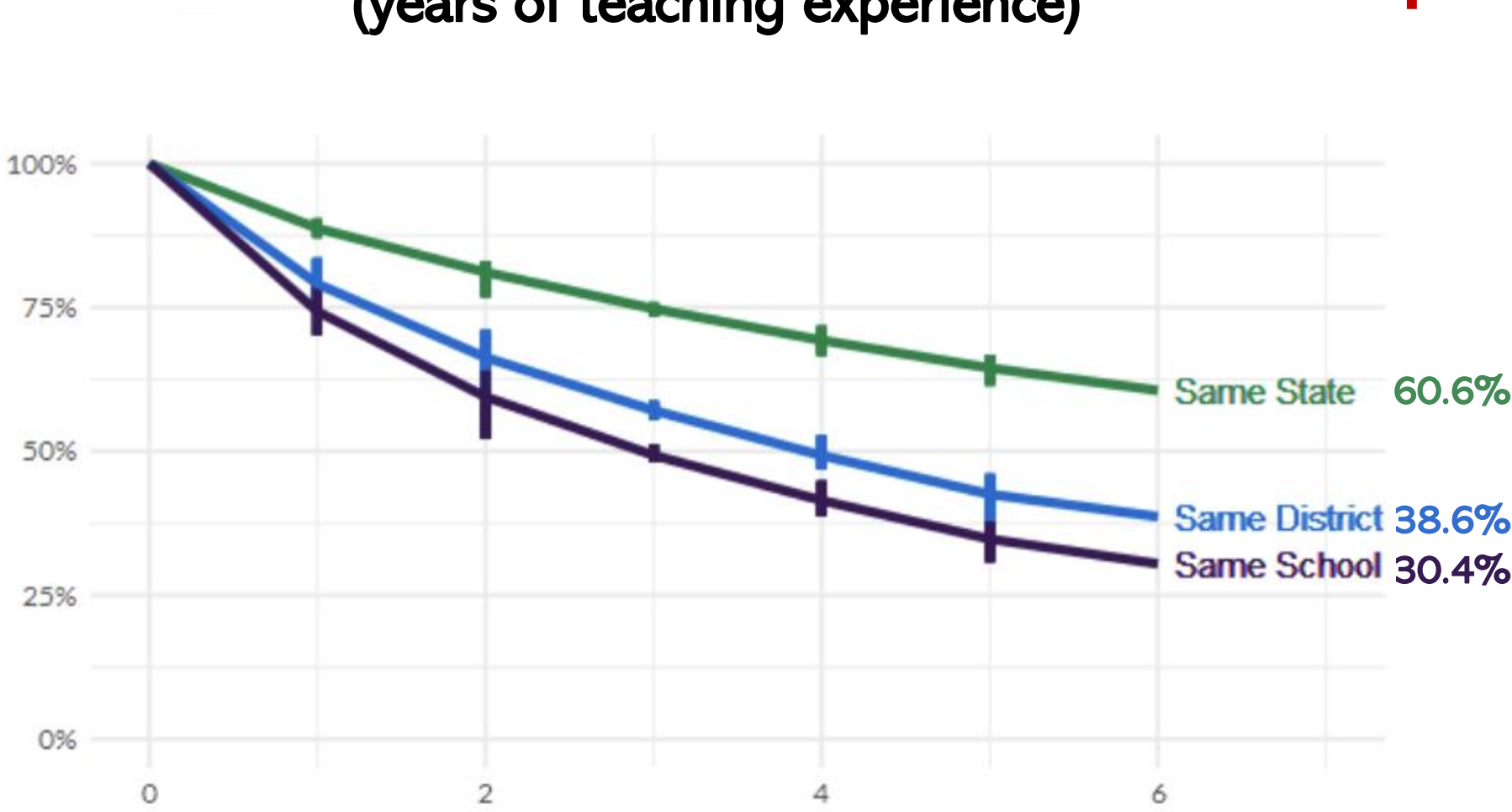


Wisconsin loses teachers at two main points:

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

Teacher turnover is most pronounced in smallest districts

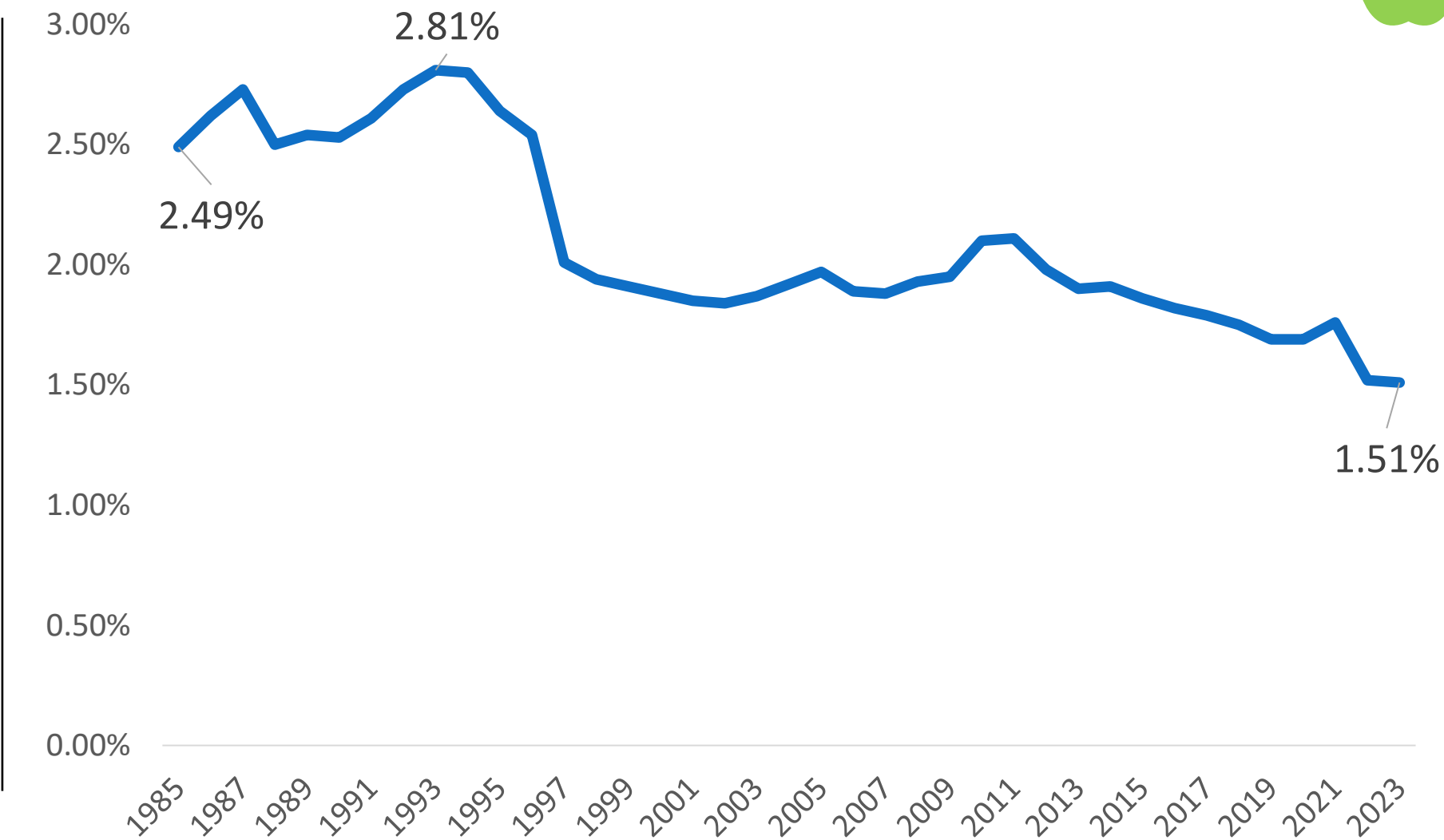
First-year teacher retention over time (years of teaching experience)



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)**



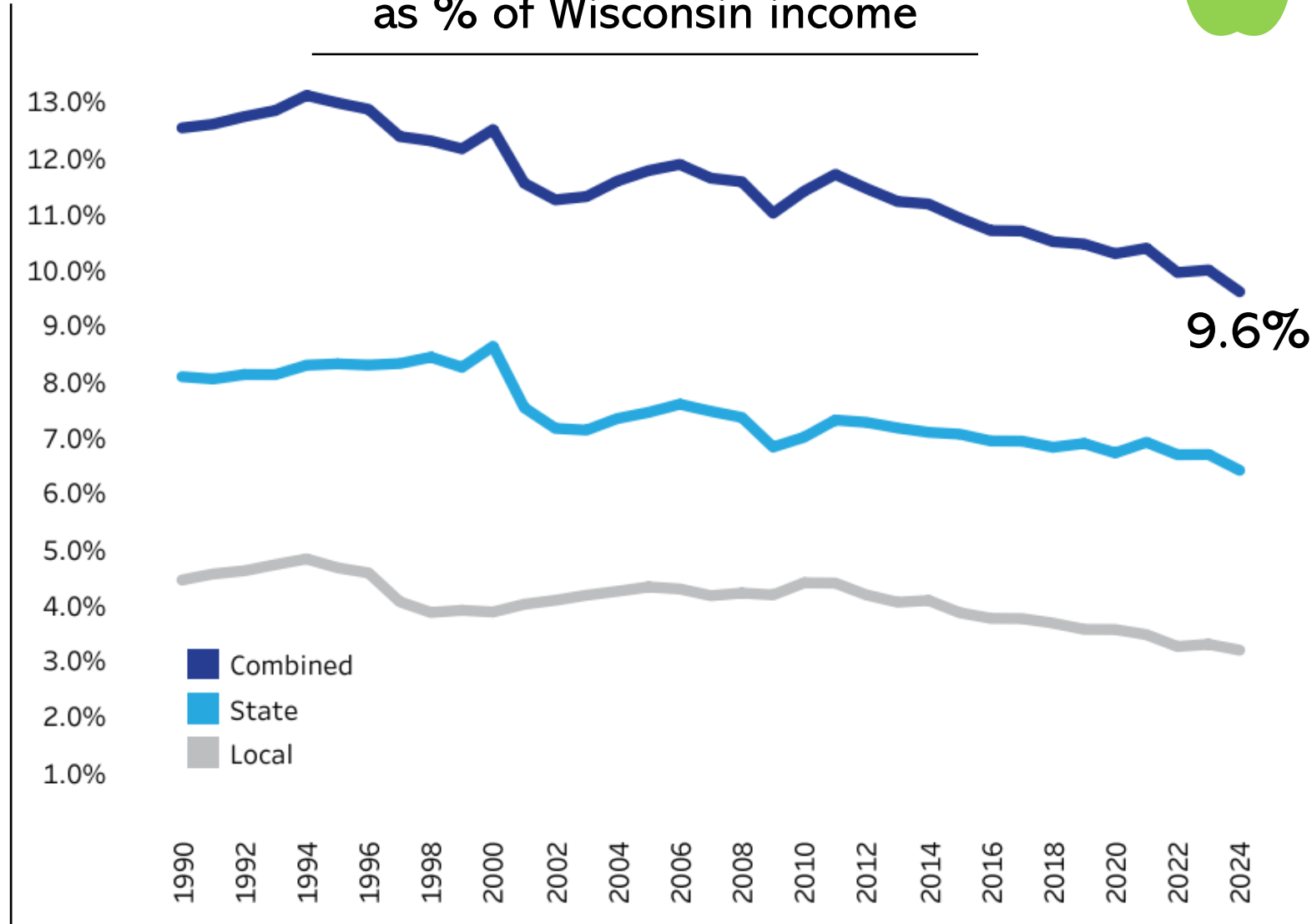


Wisconsin's state and local **tax burden** at lowest level since 1970s

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, largely, 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

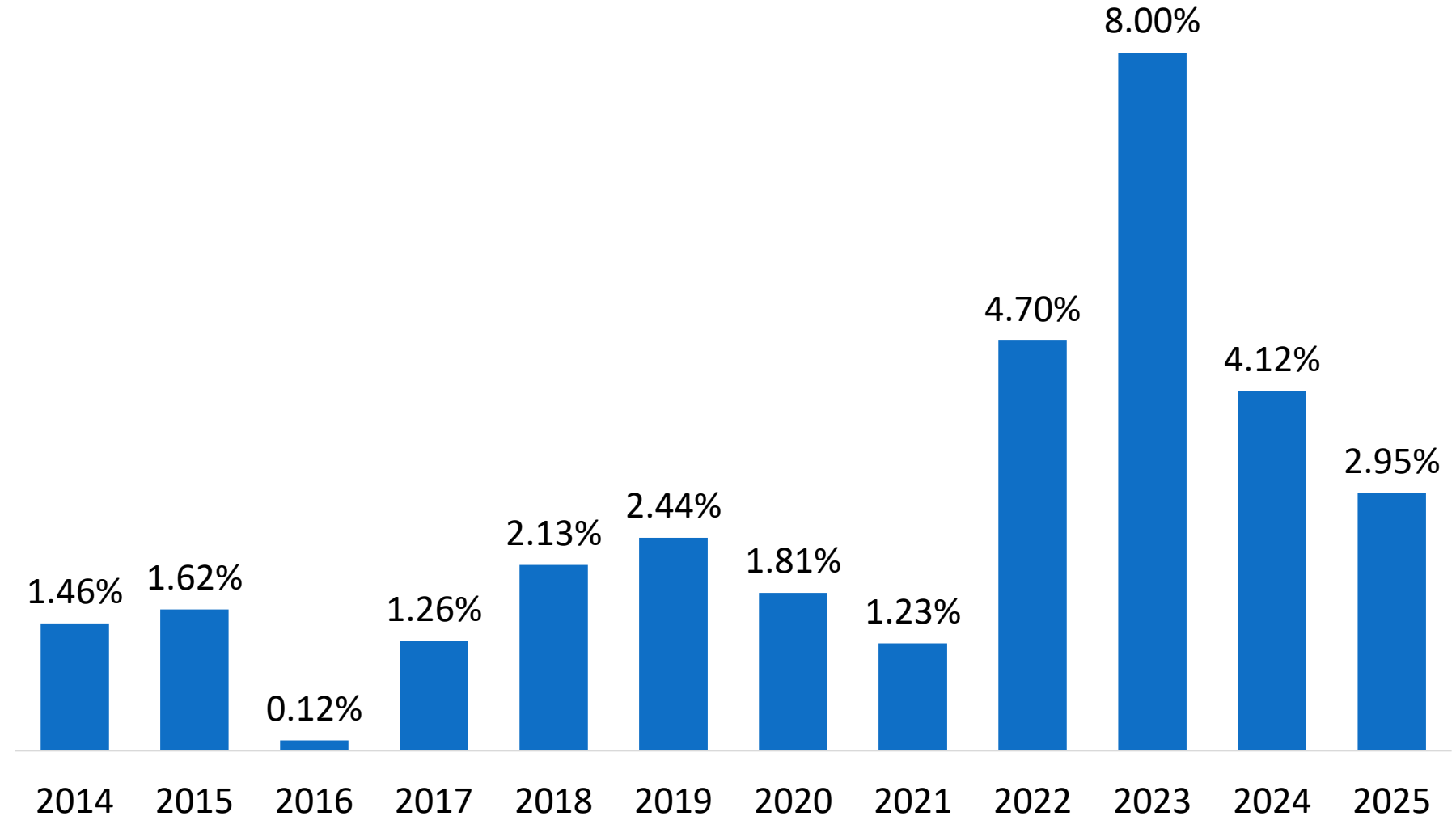


CPI-U for July 1 collective bargaining agreements (ceiling for base wage increases)

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





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

State surplus:
\$4.3 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?

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

What are we advocating for and why?

Where are we in the state budget timeline?

October: SAA publishes budget priorities

December: Governor holds public listening sessions

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

Mid-November: DPI releases budget request/priorities

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

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

School Administrators Alliance (SAA)

Key state
budget priorities
that benefit ALL
public schools

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*

School Administrators Alliance (SAA)

Key state budget priorities that benefit ALL public schools

For low spending districts
(would also significantly boost
voucher/charter funding)

Foundational needs

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 \$12,500 (currently \$11,325) to close 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?

Indicators to watch

Sources of uncertainty that
could affect school finance



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

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**

**Support for
public schools
vs.
voucher funding
vs.
lowering taxes?**

23-25: Of the \$1.2 billion increase in state support for education, public schools received **\$438 million**

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)

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

Voucher/ charter funding?

**Proposals to fund
voucher/charters with
sum sufficient state GPR?**

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
- Likely to lower share of state/local resources for public schools
- Could exacerbate referendum trends
- **Discussion of changing funding method for charter/voucher has to be in context of tradeoffs in terms of GPR dollars not spent on highest priorities for public schools**



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

Impact on public schools of voucher/charter growth?

Key considerations



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

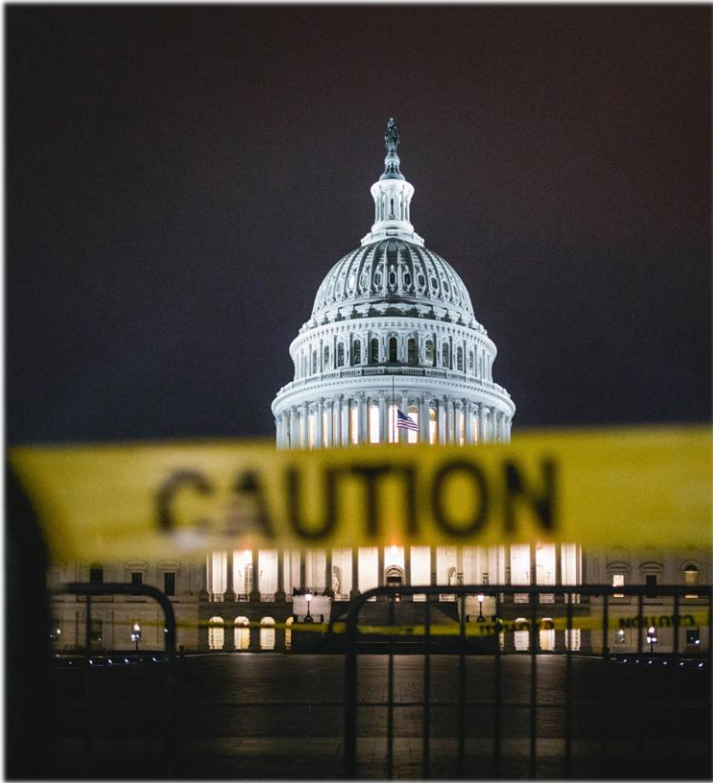
Public schools have significant unmet need. They are the **schools of choice for the vast majority of Wisconsin students**. They are the only K-12 option that is **constitutionally mandated**.

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?

Local fiscal impact of possible federal changes?



Closure/staff cuts at U.S. 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



Wisconsin Association of School Business Officials

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