

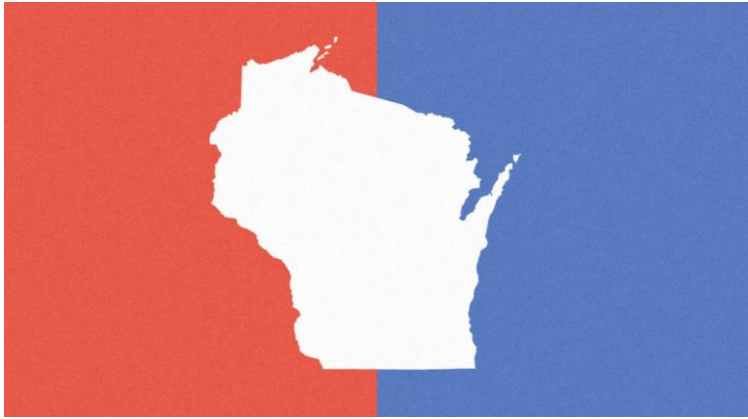
Fiscal cliffs and perfect storms

Budgeting in the first year of the 2023-25 state budget

WASBO WINTER AT A GLANCE

DECEMBER 13, 2022

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 (74). Majority of districts (340) did not run a referendum.

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

- Education is not only area facing a fiscal cliff
- “Transformational” tax law changes
- Voucher/charter expansion

ESSER Fiscal Cliff:

Frozen revenue caps & “pandemic aid”

A close-up photograph of a person's hand, wearing a blue sleeve, carefully placing a light-colored wooden block onto a tall, slightly wobbly tower of similar blocks. The background is blurred, suggesting an indoor setting.

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

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

Distributed based on student poverty – uneven impact on districts

ESSER III expires Sept 2024 - midway through next state budget

"We attempted to resist the pressure to use one-time funding for ongoing expenses because of the great cliff that it would build...We shouldn't have had to choose between reducing opportunities for children and making a fiscal cliff."

Blaise Paul

Chief Business and Finance Officer, Oak Creek-Franklin Joint School District

Meanwhile...

A perfect storm?

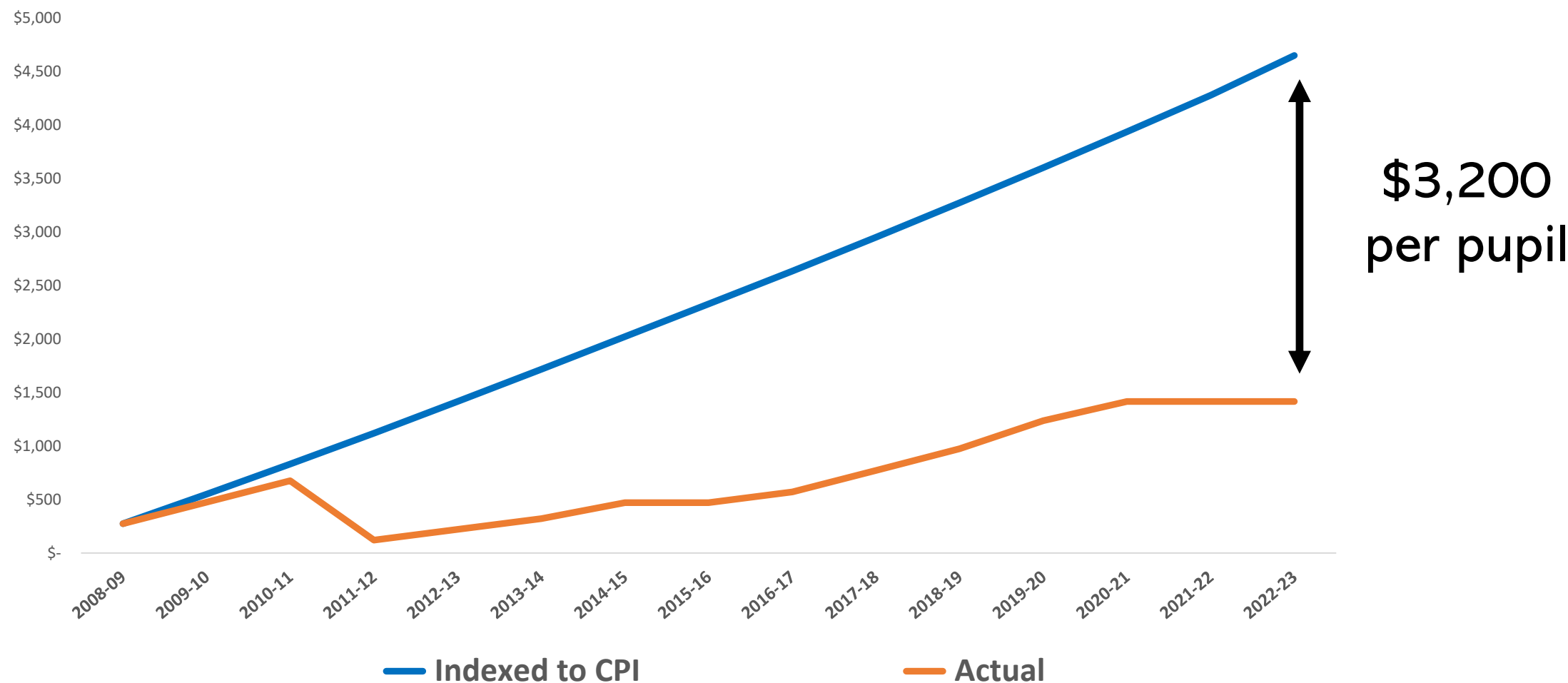
Per pupil revenues lag way behind inflation

Drop in Wisconsin K-12 spending rankings nationwide

Declining enrollment

Rising costs: Inflationary/Pandemic pressure on school budgets

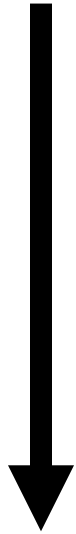
Per pupil revenue caps lag inflation by \$3,200 since 2009



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

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

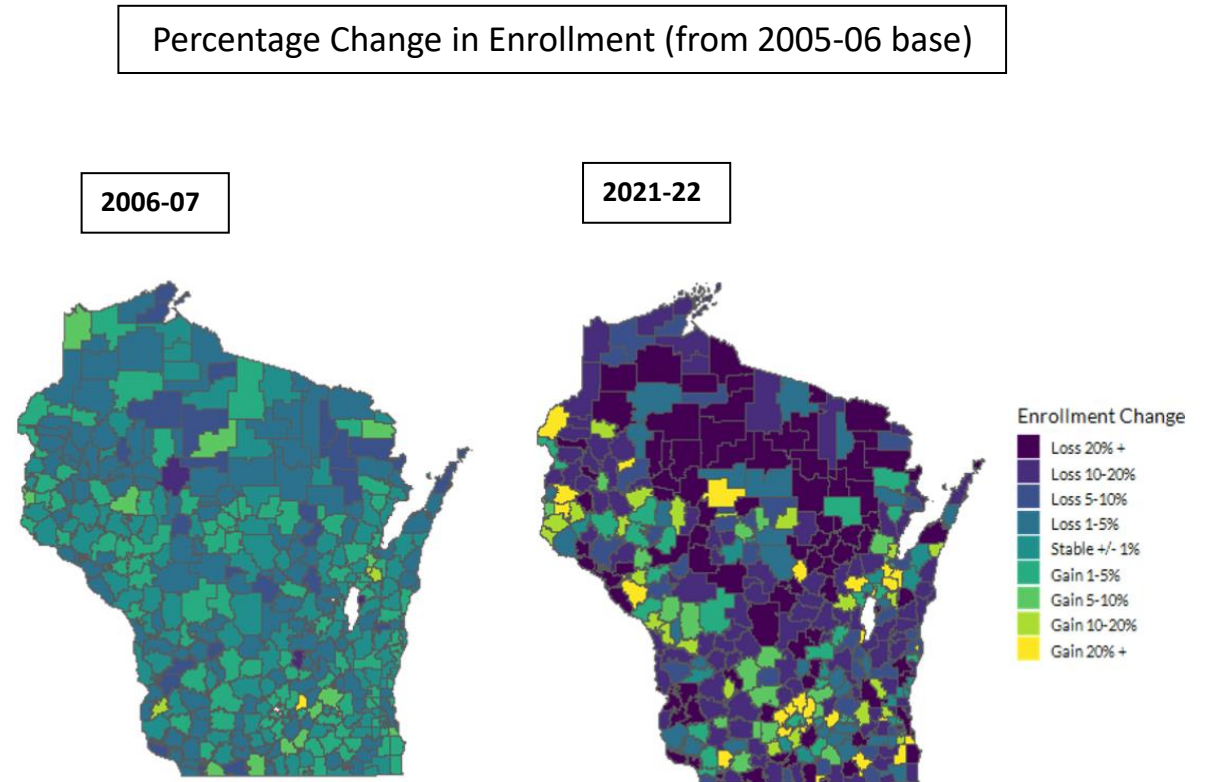


Enrollment: Declining and concentrated

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...

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

Programming: Pandemic-related student needs (academic, mental health, special ed...)



Historic state surplus: A harbor in the storm?

“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 beyond summer 2023

Where are we in the state budget timeline?

September 6 –
Governor Evers and
Superintendent
Underly announce
shared 2023-25
budget priorities

**December
2022:**
Governor
holds
public
listening
sessions

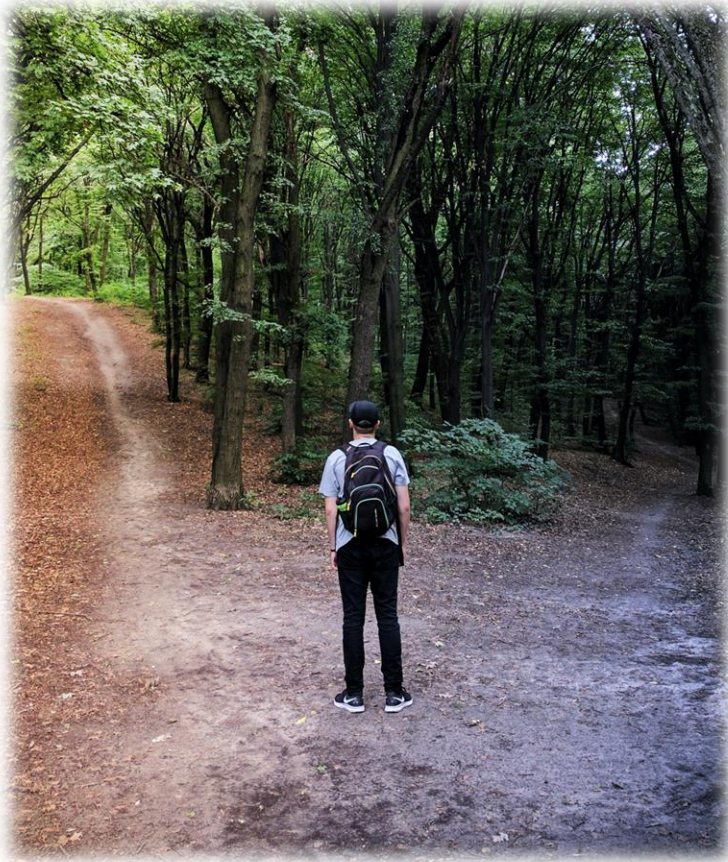
February 15
– Governor
delivers
Biennial
Budget
Message
**ADVOCACY
ACTIVITY
ACCELERATES**

September 15 –
DPI requests \$2.5
billion in 2023-
25 budget
request (reflects
SAA priorities)

January 24 –
Governor
delivers State of
the State
address (likely
to include
budget
priorities)

Feb/March -
Joint Finance
Committee
receives budget,
holds public
hearing, votes
on budget,
sends to
legislature

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 few big priorities

**Focus is on
what kids
need:**
**A recovery
budget**

Few major priorities that garner broad support and substantial overdue resources:

- ☐ **Special education:** Categorical aid reimbursement: Substantial increase over current 31.7%
- ☐ **General, flexible spending authority:** Combination of revenue limit adjustment and per pupil aid PLUS increases to low revenue ceiling
- ☐ **Mental health:** Broad-based flexible categorical aid (not grants)

“Many public schools are advocating for substantial increases because the state provided “no increases” in operational funding during the current budget... Given the **avalanche of federal funds**, it would have been irresponsible to spend state resources or raise **property taxes** to significantly supplement that colossal \$2.6 billion figure.”

Senator Duey Stroebel, R-Saukville

Unifying around a common message

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

After two years of frozen funding, what does your local district need? What would “recovery” look like for your district?

Stay focused/united on these few major funding categories (a win on these would help **everyone**)

Avoid being trapped into “negotiating with ourselves.”



Questions? Suggestions?

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

Please reach out!

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