

**EDUCATION**

# Wisconsin schools are facing fiscal cliffs, closing buildings and going to referendum. How did we get here?

**Rory Linnane and Rebecca Loroff** Milwaukee Journal Sentinel

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As school districts across Wisconsin face daunting financial deficits, some communities are grappling with the hardest cuts they've ever had to make.

The Green Bay School Board has voted to close three schools. The Wauwatosa School District is considering closing two elementary schools. Other districts have had to take this step in recent years, including Waukesha, West Allis and Cudahy.

Districts are also increasingly turning to their taxpayers, asking them to vote on ballot referendums to increase their property taxes for schools. Milwaukee residents will vote on a \$252 million referendum this spring. Taxpayers in Neenah and Appleton also voted to approve referenda of \$114.9 million in 2020 and \$129.8 million in 2022, respectively.

School boards have also looked at other budget cuts. Before voting to close six schools, Kenosha school board members made cuts to staff benefits and eliminated teacher positions. Even after the closures, the district will face further cuts in coming years.

Tarik Hamdan, the chief financial officer for Kenosha Unified School District, said the district is facing the worst financial position of his career, over 20 years long.

"Times are scary now," he said Tuesday, as he prepared to present a budget plan to the school board that would cut over 100 positions, as part of the consolidation of school buildings.

This financial position has been decades in the making: a combination of decisions by state lawmakers, the toll of inflation, the decline in the number of students in public schools, and the looming end of pandemic relief funds.

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

## State funding fell behind inflation

Since 1993, Wisconsin school districts have been confined by state-imposed revenue limits, which were locked in at different amounts for each district depending on what they spent the prior year. The limits initially rose each year with inflation, but that provision was deleted in 2009, and any increases since have been left to the discretion of lawmakers.

Over the last 15 years, state lawmakers have not increased revenue limits to keep pace with inflation. MPS officials have estimated that had state funding matched inflation, the district would be getting over \$210 million more every year.

This summer, school leaders called on Wisconsin lawmakers to use the state's \$7 billion surplus to help catch schools up to inflation. Republican lawmakers allotted the bulk of the surplus for income tax cuts and provided about \$534.3 million more in general school aid.

The state budget allowed schools to spend an additional \$325 per student this school year and another \$325 next year – amounts that fell below estimated inflation. In Kenosha, for example, Hamdan said it looks like the \$325 will cover the estimated increase in health care costs but won't make a dent in any other rising costs, such as utilities and salaries.

Additionally, Wisconsin's funding stream for special education services only covers a third of the costs, leaving school districts to pull from their general aid to cover the rest. Research shows this falls hardest on districts with higher rates of poverty, where there are more students with disabilities and schools must spend more on special education services.

Neenah Joint School District superintendent Mary Pfeiffer said the one of the district's challenges is finding the money for special education and mental health issues for students. Special education alone takes up 10% of the district's budget, she said, with the costs exceeding help received from the state. And, on top of that, she said, outsourced services such as busing, food service and insurance have cost the district more and more.

## There aren't as many students in Wisconsin public schools

This September, educators counted about 799,000 students in Wisconsin public school districts – about a 6% drop from five years ago, according to unaudited state data.

Mark Sommerhauser, policy researcher and communications director with the Wisconsin Policy Forum, said the 2020-2021 school year saw a drop in enrollment of over 25,000 PreK-12 students – the largest single-year decline in 35 years.

That's because birth rates are declining, and some students have moved into private schools and homeschooling. Wisconsin Association of School Boards executive director Dan Rossmiller said the number of young people and children has been declining in Wisconsin since the Great Recession. Generally, rural districts have seen the largest drop in enrolled students, partly because young families are moving either to larger cities or out of state.

Some of the recent drops are unaccounted for. A report by the Wisconsin Policy Forum found that about 1% of Wisconsin's estimated student population seems to be missing from all schools and homeschool programs. Some theories: fewer students attending pre-kindergarten, fewer migrant students in Wisconsin, chronic absenteeism, and lax enrollment reporting by homeschools and private schools.

Whatever the reason may be, the loss of a student in a public school district translates to a loss in funding. It can also lead to inefficiencies for school districts that are built for larger populations.

"Whether you have 20 students or 12 in a classroom," Rossmiller said, "you still need buses, teachers, lights, insurance. The costs are the same, but because you lost eight students, you have a lower revenue limit."

Kenosha Unified was built to serve over 23,000 students, while enrollment is now under 19,000, Hamdan said. Much of the savings from closing schools will come from cutting staff positions by more efficiently grouping classrooms, he said.

## **Pandemic relief funds are ending, while students haven't recovered**

What makes this moment uniquely troublesome for schools, according to Marguerite Roza who directs the Edunomics Lab at Georgetown University, is the federal funding cliff.

School districts will not be able to spend federal pandemic relief dollars after this September. Some districts may still receive some services funded by those dollars if the contracts are signed before the end of September, but they are not allowed to sign new contracts after that date or use the money to pay for employees.

Meanwhile, by many metrics, students have not recovered the impacts of the pandemic. Wisconsin students tested better last spring than they did the year before, but their scores

were still below pre-pandemic performance. The slides have been greatest for students of color and students from lower-income families.

Research has shown that Black families were more likely than white families to experience pandemic-related job loss, hunger and financial insecurity. Additionally, lower-income families were more likely to lose income. Those factors affected students, many of whom took on jobs, helped care for siblings, and reported worsening mental health challenges since the start of the pandemic.

Going into the next school year, with the pandemic relief funds gone, Roza estimated that on average, school districts will have to reduce their budgets by \$1,000 per student. The fall will be farther for high poverty districts, which received more federal funding.

"And if it's a district that's seen larger enrollment dips, it's a real double whammy. Plenty of districts are in financially dire situations, or at least financially disruptive," Roza said, adding that districts across the country are having to close schools and cut staff. "Decisions have to be made, and making those decisions is very hard for school districts."

While pandemic relief funds were intended to fund one-time extra services and supplies for students to keep up during the pandemic, many districts have used the funds to fill holes in their regular budgets.

The WASB had counseled districts to use the dollars for upgrading facilities and technology, Rossmiller said. However, he acknowledged that schools faced difficult choices due to inflation.

When Kwik Trip, Culver's and Amazon are paying \$18 to \$19 per hour, he said, "you have to pay (school employees) enough to keep them."

While the Neenah Joint School District had used relief for one-time expenses, Pfeiffer said, the relief expiring will also make it "difficult to recover from some positions that we added" using pandemic funds. With funding being depleted, she said, the district will have to reduce those positions.

Hamdan said Kenosha Unified used funds to save an associate principal position, for example, along with numerous substitute teachers and interventionists. Now, Hamdan is looking for ways to save them when the federal funds run out – which will mean cuts somewhere else.

## **'We will need additional support': Revenue limits pose unique challenge to Wisconsin schools**

While other states face similar problems in school funding, Wisconsin's revenue limits pose a unique challenge — and the pressures districts face are "longstanding and have been building for more than a decade," Sommerhauser said. "However, the pandemic also heightened some of these challenges."

Rossmiller said the quest to hold down property taxes, which he said has been an important priority for Wisconsin politicians, has outbalanced the quality of Wisconsin schools as a priority.

"The state has not been keeping its promises to schools," he said.

In the meantime, Pfeiffer said the district has enjoyed strong community support, especially through the last referendum and other changes. But, even though the district has been "very engaged" with legislators about ways to improve the financial state of school districts, she acknowledged change doesn't happen immediately.

"We get caught up in the political arena of the parties, when all we want to do is educate our children in the best way possible," she said. "We've weathered the storm, but we will need additional support."