



Private School Voucher Funding

Budget Act changes have effectively shifted the cost of voucher expansion to school boards

Editor's note: As of this writing, neither the State Assembly nor the State Senate has adjourned and it would be premature to give a final wrap-up of the legislative session. We will devote our April 2016 Legislative Update to an end-of-session review.

As the two houses prepared to adjourn, funding of private school vouchers became a hot legislative topic again.

Last July, lawmakers approved allowing additional revenue limit authority to compensate for the loss of state aid school districts face when their resident students enter the statewide voucher program. In February, however, key lawmakers proposed a \$22 million reduction in that revenue limit authority, prompting an outcry from the 142 school districts directly impacted.

At the time of writing this article, the proposed cut to revenue limit authority has been reduced to \$5.3 million, but the issue is not yet fully resolved. Regardless, because expansion of the statewide voucher program and increases in voucher payments appear virtually inevitable and will impact many more districts

in coming years, voucher funding has important implications for public school funding moving forward.

The current brouhaha arose because, when the Legislature expanded the statewide voucher program (in the 2015-17 state budget — Act 55) it also changed the way the statewide and Racine voucher programs are funded — in effect, shifting the cost of these vouchers from the state to local property taxpayers. (The Milwaukee voucher program is funded separately.)

Prior to Act 55, the statewide and Racine voucher programs were fully funded from state tax dollars. Each additional voucher meant the state had to spend additional state funds.

However, facing both increasing costs to the state as the number of vouchers expanded and a shortage of state revenue, lawmakers opted to

fund voucher expansion by reducing state aid to the public school district in which each new voucher pupil resides by an amount equal to the voucher payment for that pupil.

(In 2015-16, the voucher payment is \$7,214 for a pupil in grades K-8 and \$7,860 for a pupil in grades 9-12. Next year, those amounts increase to \$7,323 and \$7,969, respectively.)

Absent revenue to replace this lost aid, those public school districts that have state aid redirected to voucher schools would have to reduce their budgets, likely by cutting programs and staff for the students who remain in their districts.

To protect those school districts, especially in the first year a pupil participates in the statewide or Racine voucher program, Act 55 allowed each new voucher pupil to be fully counted by their district of residence for both revenue limit and general aid purposes, beginning with pupils who enter these voucher programs in 2015-16. (Under the aid formula, however, districts do not receive aid for these pupils until the following year.)

This arrangement allowed (but did not require) the 142 dis-

-\$4 Change in the statewide average school revenue limit per pupil from 2010-11 to 2015-16.

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\$1,418

Change in the voucher payment amount
(for a pupil in grades 9–12)
from 2010-11 to 2015-16.

districts with resident pupils newly participating in the statewide or Racine voucher program to raise property taxes in an amount equal to their per-pupil revenue limit for each such pupil. This meant property taxes increased in districts where boards used this permissive authority even though lawmakers had “frozen” revenue limits (by not allowing a per-pupil adjustment in either year of the biennium for the first time since revenue limits were imposed in 1993-94).

This property tax increase vexed many lawmakers intent on holding down property taxes. Further, because the per-pupil revenue limit amount (roughly \$10,000 on average) was higher than the voucher payment (either \$7,214 or \$7,860), some lawmakers, especially those who advocated curtailing revenue limit authority, claimed school districts were “skimming” additional funds and attributing this to voucher expansion.

Apart from the political conflict the “voucher funding shift” has created, this funding shift raises some important concerns.

Because lawmakers are not obligated to raise state aid to public schools (and chose not to do so in 2015-16) they have shielded the state from having to pay the cost of voucher expansion. Instead, they have effectively shifted the cost of voucher expansion to school boards who now must decide whether to levy additional property taxes to replace the aid transferred to voucher schools.

School boards that choose to raise taxes will bear the burden of those decisions. This enables law-

makers to avoid responsibility or shift the blame onto school boards.

This also means that property taxes, not equalized aid, will likely supply a larger share of school funding as statewide vouchers expand. And adding more pupils to the aid formula will make districts in which voucher students reside look less property wealthy (less equalized value per pupil) and will redirect aid to these districts.

■ Where Are We Headed?

How can the stated intention of the governor and majority legislators to hold down property taxes co-exist with their shifting of voucher costs to local property taxes?

There are only three ways to fund voucher expansion: (1) have the state fully fund it; (2) fund it from property taxes; or (3) fund it by taking state aid away from public schools. Having rejected option one, lawmakers are using a combination of options two and three. The latest debate suggests lawmakers are willing to substantially limit school boards’ ability to recoup lost aid transferred to voucher schools.

Under the amendments initially proposed by Assembly leaders, it would take the typical district at least four years to recover — through its reduced revenue limit authority — all the state aid it lost to the voucher payment in the first year the resident pupil participates in the voucher program.

Taking this into account, one wonders how long will it be before lawmakers take away school boards’ ability to recoup the lost aid or the voucher payment amount catches up to the per-pupil revenue limit

authority of the typical school district.

From 2010-11 to 2016-17, school district revenue limits will have been cut by 5.5 percent (an average statewide reduction of \$554 per pupil), then allowed to increase by \$50 per pupil and then \$75 per pupil (twice), and now frozen (twice). As calculated by the DPI, the statewide average revenue limit has actually dropped from \$10,316 in 2010-11 to \$10,312 in 2015-16.

Comparatively, from 2010-11 to 2016-17, voucher payments will have increased from \$6,442 (at all grade levels) to \$7,323 (for grades K-8) and \$7,969 (for grades 9-12). Voucher schools receive their aid based on present year enrollments while public school aid is paid based on prior-year costs and enrollment so it always lags a year behind. Given the trajectories of these two amounts, the gap is narrowing.

It is clear that the end goal for pro-voucher activists is a statewide program with no enrollment caps, no income restrictions and voucher payment amounts at the same level as the public school per-pupil revenue limit.

Far less clear is the state’s ability to fund two separate school systems — one public, one private — given that the state has struggled to provide necessary resources to public schools.

But this fight will continue. School boards need to educate their communities about the direct impact of funding private school vouchers and the implications for their local school district budgets and local property taxes. ■