

2017-19 State Budget Update

Where things stand now and the impact on school districts



We've now reached the dog days of summer without passage of the 2017-19 state budget. Nevertheless, the fiscal outlook for public schools over the next two years remains positive.

As we wrote this column in mid-July, the Republican majorities in the state Senate and Assembly appear to be quite far apart on transportation funding and tax cuts although they had reached agreement on most K-12 education issues. Recent news suggests that lawmakers may be closer to resolving their differences and the Legislature's budget-writing Joint Finance Committee, which hasn't met publicly since June 15, may convene again soon.

Until public budget negotiations resume, we can't be entirely certain what will be in the final budget document although we can make some educated guesses.

Please note that by the time you read this column, the stalemate may have broken. So be sure to follow the WASB *Legislative Update Blog* for the more recent news. In the meantime, we'll summarize where we are today.

What follows is based on conversations with legislators, documents released by legislative leaders, and their public statements.

■ Our Starting Point

Governor Scott Walker set the tone when he proposed increasing the state's investment in K-12 education by \$648.9 million over the biennium, including a \$200 increase in per-pupil categorical aid for K-12 public schools in the 2017-18 school year and an additional \$204 in the 2018-19 school year. The governor also proposed additional funding for both Sparsity Aid and High-Cost Transportation Aid, categorical aid programs that primarily benefit the state's most rural school districts. He also proposed investing \$6.5 million to improve and expand school-based mental health services.

■ Where Things Stand Now

Per-Pupil Aid: Lawmakers from both houses seem to have agreed to adopt the Governor's proposal to increase per-pupil aid by \$200 in 2017-18 and \$204 in 2018-19. Additionally, they have agreed to drop the governor's proposed requirement for school districts to certify that district employees will pay at least 12 percent of costs and payments associated with its employee health coverage plans in order to receive this increased aid. Instead, districts will be required to report annually to the state Department of Administration

regarding the details of their employee health care plans.

Sparsity Aid: It appears unlikely any increase or expansion in Sparsity Aid will be enacted. The governor proposed increasing Sparsity Aid payments from \$300 per pupil to \$400 per pupil and creating a \$100 per-pupil payment for sparsely populated school districts with enrollments between 746 and 1,000 pupils. Lawmakers have dropped that plan but will keep payments at current levels to districts that qualify under existing criteria and will allow a district that qualified in one year but not the next to receive half the amount it received in the prior year.

Low-Revenue Adjustment: Although there will be no general per-pupil adjustment in revenue limits, lawmakers have agreed to let low-revenue school districts (those with revenue limits below \$9,300 per pupil) raise their local property tax levies to boost their overall revenues to the \$9,300 level in 2017-18 and to \$9,400 in 2018-19 without securing referendum approval. This "low-revenue ceiling" amount would rise by \$100 per pupil annually until it reaches \$9,800 in 2022-23, where it would remain in years thereafter. (It is estimated this change could allow the state's lowest spending

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districts to increase their levies by \$23.2 million over the next two years.)

High-Cost Transportation Aid:

Lawmakers have agreed to fund this aid at an all-time high of \$25.4 million over the biennium. Further, they will likely expand the program to apply to transportation costs above 145 percent of the statewide average, rather than 150 percent as under current law, and allow a district that qualified for this aid in one year but not the next to receive half the amount it received in the prior year.

Teacher Licensure: The governor's proposal would have eliminated renewal requirements for teacher and administrator licenses, effectively creating so-called "lifetime licenses." Lawmakers have instead agreed to create provisional three-year licenses for new employees, followed by a lifetime license upon the successful completion of six consecutive semesters. The Department of Public Instruction will retain responsibility for performing periodic criminal background checks on teachers and administrators.

■ **Other Noteworthy Items**

While the news on funding is positive, lawmakers appear to be poised to adopt restrictions on school referenda and other provisions that are more problematic.

Referendum Restrictions: The package of agreed upon K-12 provisions unveiled by Senate Republicans on July 18 would require that school district referenda only be held on regularly scheduled elections and would limit schools to putting questions before voters on, at most, two dates per year. As we interpret the restrictions, which would take effect on January 1, 2018, districts could place ballot questions on the spring primary and spring election ballots each year and the August primary and November general election ballots in even-numbered years.

Rescinding Operating Referendums:

Another provision in the package would authorize a current school board to permanently rescind any increase in the district's revenue limit resulting from operating referenda previously approved by district voters. Under this provision, a turn-over in the board majority could result in permanently reversing an operating referendum result or a series of operating referenda results going all the way back to 1996.

Exclude "Shared Costs" Due to Referenda:

An especially troubling provision in the package would exclude from "shared cost" any amount levied by a district in a prior year for either operating or debt service costs that were authorized by a referendum held after the budget bill becomes law if doing so would not increase the district's equalization aid entitlement. The effect of this provision would be to permanently prevent a positively aided school district (*i.e.*, a below-average property wealth per-pupil district) from seeing any increase in state equalization aid as the result of passing a referendum authorizing additional district spending. All of the district's additional spending would be funded by property taxes. Property wealthy districts (negative tertiary aid districts) that pass referenda would continue to have their aid reduced under this proposal as they do under current law. This proposal reflects a big step away from the principles underlying the equalization aid formula. One of those principles is that the rate at which school costs are aided through the formula is determined by comparing a school district's per-pupil tax base to the state's guaranteed tax base.

Proposals to Expand Vouchers and Independent Charters:

The July 18 package contained several significant provisions expanding vouchers and independent charters.

Income Eligibility Limits: One provision would increase family income

limits for students seeking taxpayer-funded vouchers to use at private schools in the statewide voucher program from the current 185 percent of the federal poverty level to 220 percent. (It is estimated 550 additional pupils could enter the statewide voucher program in 2018-19 as a result of this change.) Assembly Speaker Robin Vos has told reporters the Assembly is still seeking to increase the income eligibility limit to 300 percent of the poverty level.

Virtual Voucher Schools:

Another provision would allow private schools participating in the state's taxpayer-funded voucher programs to create virtual schools using state funds. (It is estimated 1,000 additional pupils could enter the statewide voucher program in 2018-19 at a cost of \$7.2 million as a result of this change.)

Special Needs Vouchers:

Other provisions would lift enrollment restrictions on who can enter the Special Needs Voucher program for students with disabilities. This includes eliminating the requirements that a child must have applied to attend a school district under the open enrollment program and have been denied, and the child must have been enrolled in a public school in Wisconsin for the entire school year before applying for the program. (These two changes would increase enrollment in the special needs voucher program by an estimated 250 students in 2018-19.)

More Independent Charters:

Another provision would authorize the state charter school office housed in the UW System to create charter schools statewide without the approval of local school boards. Currently that office is limited to creating the schools in Madison and Milwaukee. ■

Note: If you have concerns about these provisions, there is still time to contact your lawmakers. Let them know what you like and don't like in the proposed budget. Feel free to contact drossmiller@wasb.org or ckulow@wasb.org if you have questions or need more information.