

School districts exceeding state revenue limits by referendum, or . . .

For more than 20 years, state law has imposed revenue limits on school districts that local voters could increase by referendum. Until 2010, passage was a 50-50 proposition, but approval rates have since increased, topping 80% this year. In a new development, a small but growing number of districts are using a state exception to exceed the “caps” without having to ask for voter consent.

“For every action, there is an equal and opposite reaction”: Newton’s third law explains much of recent Wisconsin school finance history.

State-local ping-pong

In the 1970s, local teacher strikes led to a state mediation-arbitration law governing compensation decisions, which, it is argued, eventually led to rising local school budgets and taxes. In response, the state imposed revenue limits on local districts, tied in part to enrollments. When student numbers began to fall, state revenue caps tightened, and local districts retrenched.

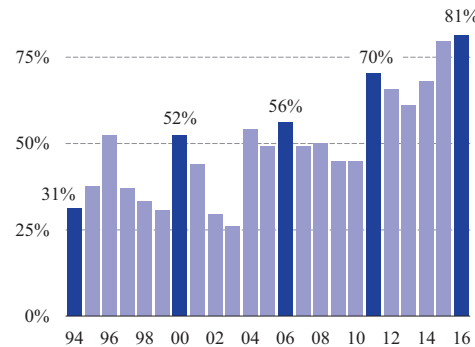
Fast forward to the 2000s. As its budget problems became more frequent, the state began to slow, freeze, and even cut allowable increases in its school revenue limits. Especially in small districts where fixed costs were more significant and reductions harder to find, school boards turned to referenda asking voters for some relief from the state caps.

Advent of local referenda

For years, passing a “revenue-cap” referendum was, at best, a 50-50 proposition. But, in recent years, approval rates have climbed: They first surpassed 70% in 2011 and 80% this year (see graph, above right). From 2011 on, the rates never fell below 61%.

Why the change? Answers vary by party, philosophy, and geography. But changing circumstances played a role. First, with enrollment declining in two-

Approval of School Rev. Cap Referenda
Pct. Yes on Recurring and Nonrecurring Referenda



thirds of school districts since 2000 and state revenue limits being tightened accordingly, a number of school districts are facing more budget pressure now than 10 years ago.

Second, recurring state budget problems, especially since 2006, have generally meant slowing growth in state-funded school aids and revenue limits. News coverage has raised public awareness of these fiscal challenges at both state and local levels.

The combined effect of these two factors increases the likelihood that school boards, particularly outstate, have had to consider school district consolida-

Rev. Limit Energy Exemptions, 2009-16
No. Dist's Using: Total and Average Amounts

Sch. Yr.	No. of Dist's	Total (\$ mill.)	Average (\$ thous.)
2009-10	35	\$5.05	\$144.2
2010-11	25	7.09	283.7
2011-12	32	8.88	277.4
2012-13	33	8.75	265.3
2013-14	53	21.71	409.5
2014-15	81	37.14	458.5
2015-16	105	48.93	466.0

tion, closure of school buildings, or at least scaling back of visible programs. In small-town Wisconsin, retaining the local school and team becomes a matter of community pride and economic viability. And it appears that these emotions can override the usual property-tax concerns and lead to referendum passage.

Another development may also have affected voter attitudes. In years past, in communities of modest means, salary and benefit packages for typical residents often did not compare favorably to those of school staff. With passage of Act 10 in 2011, most public employees began contributing to retirement plans, while school boards acquired more flexibility to generate savings by redesigning compensation packages. With these kinds of changes, what one UW-Madison researcher terms “rural resentment” may have subsided.

New local twist

The public understanding and trust that school districts have built in recent years as evidenced by passage of referenda is not a sure thing, however. Just as voters respond positively to facts demonstrating need for revenue-cap relief, they become skeptical when they sense they are being misled.

At issue is an obscure 2009 state law that provides schools a one-year, revenue-limit exemption for energy efficiency projects, such as new roofs or windows. The law saw limited use in its early years (see table, left). In 2010-11,

for example, only 25 of the 424 school districts claimed the exemption. The total amount of revenue-cap relief was small, \$7.09 million (m), or an average of \$283,716 per district.

However, in the three most recent school years, the number of districts using the exemption has increased from 53 to 81 to 105, or one-fourth of all districts. The dollars involved have also grown, approaching \$49m this year. The average per district has jumped from \$144,235 in the initial year to \$466,025 so far this year.

This development has begun to be noticed by the public. Among questions raised by the energy exemption are these:

■ If a school district needs revenue-limit relief, why not ask voters for approval via referendum, rather than take unilateral action without public consent? Such a move would maintain trust and promote transparency.

■ Critics also ask: Since state law requires districts to quantify savings from energy efficiency projects, why is a revenue-limit exemption needed? Won't the payback in energy saving cover initial investment?

■ A related question touches on borrowing. If a district cannot fund the efficiency project "up front," it likely borrows for up to 20 years to cover the

cost. Critics might concede the need to exempt from revenue limits debt payments in the first year or two to pay for building updates, but, again, if projects generate energy savings, why must debt service be exempted every year for the life of the borrowing?

Back to ping-pong?

In recent years, there has been a balance of sorts between the state imposing revenue limits and local voters providing added revenue by referendum. With some local districts now bypassing voters to secure revenue-cap relief via the energy exemption, the legislature has begun considering a law to end the exemption. □



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Capital Notes

■ Wisconsin had 57,698 students graduate from high school with a regular diploma in 2015, a graduation rate of 88.4% vs. a national rate of 82.3 percent (class of 2014). The state's graduation rate was two-tenths of a percent below last year's rate. (Source: DPI)

■ State Supreme Court Justice David Prosser will retire in July. His replacement, to be appointed by the governor, will serve on the court until the spring of 2020, the next spring election without

a scheduled Supreme Court race on the ballot. Prosser, 73, was appointed to the court by Gov. Tommy Thompson (R) in 1998 to fill the seat vacated by former Justice Janine Geske. He was reelected to 10-year terms in 2001 and 2011.

■ For the third straight year, UW-Stout is the top recycler among state colleges and universities competing in the national Recyclemania contest. UW-Stout placed 28th nationally, up three places from 2015. UW-Platteville

(58th) was the next highest ranking Wisconsin campus.

■ Wisconsin produced a record 3.07 billion (b) pounds of cheese in 2015, a 5.4% increase over the previous record of 2.91b set in 2014. Total U.S. cheese production was 11.8 billion pounds, about 2.8% above 2014 levels. The Badger State accounted for 25.9% of national cheese production. (Source: National Agricultural Statistics Service)