



A Summary of the Governor's Proposed Budget for K-12 Education

February 13, 2017

Governor Walker has proposed an education budget that significantly increases resources for Wisconsin K-12 schools, with most of the increase delivered in a way that would move the state away from its commitment to providing more assistance to districts with less capacity to boost local property tax support for schools.

His proposal would also increase the amount of public money going to private schools, and cut property taxes compared to what they would otherwise be.

The proposed budget now moves to the budget committee of the legislature, where lawmakers can make changes to the state's spending priorities.

LARGE, MOSTLY UNTARGETED INCREASE FOR SCHOOLS

The Governor's budget proposes increasing state support for public K-12 schools by \$649 million over the two year budget period, which runs from July 2017 to June 2019. In Wisconsin, public schools are funded mostly through a combination of state aid and local property taxes.

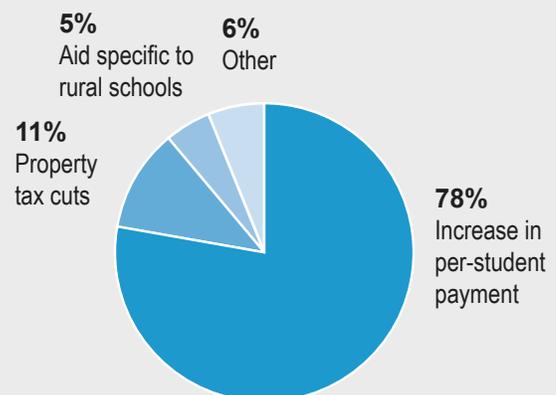
Wisconsin calculates the bulk of state aid to school districts by using a formula that accounts for differences in property values among districts, giving more state aid to districts with less capacity to increase local property tax support for schools. But the Governor is proposing delivering \$509 million of the increase for public schools outside of that formula, on a flat per-student basis. Each school district would receive an increase of \$200 per student in the first year of the budget, and an increase of \$404 over the current level in the second year.

The result would be that districts with the smallest share of students from low-income families would get the largest increase in funding under the Governor's proposal, when the increase is measured in percentage terms. School districts in which less than one third of the students are low income would receive an average increase of 6.3% in funding over the course of the budget from the proposed increase in flat per-student funding, relative to the total amount of state aid that the district received in 2015-16 calculated on a per-student basis. In contrast, school districts in which more than two-thirds of the students are low income would receive a bump of just 3.6% on average.

School districts would be required to distribute the increase in per-pupil aid equally to all schools in the district based on student enrollment. The money

Breakdown of Proposed Increase for Public Schools

Governor Walker's proposed budget increase for public schools in the state's 2017-19 budget, by purpose.



Source: Department of Administration

WISCONSIN BUDGET PROJECT

could not be used to support centrally-funded services like student transportation or special education.

Funding for some of the increase in per pupil aid — \$12 in the first year of the budget and \$24 in the second — would be contingent on the state achieving savings by restructuring the program that provides health insurance for state employees. If that change is not implemented, the increase in per pupil aid would be reduced by those amounts.

As a condition of receiving the increase in per-student aid, school districts must require employees to pay at least 12% of “health care coverage costs.” It’s not clear at this point how those costs are defined, but news articles indicate that a number of districts may not be meeting this specification, including districts in Wauwatosa, Madison, and West Allis-West Milwaukee.

Other proposed increases in funding for public schools include:

- \$31 million aimed at addressing the challenges of rural schools, which often have declining enrollment and higher-than-average student transportation costs;
- \$8 million to reward Milwaukee schools with high achievement levels or that improve achievement levels, and to expand summer school offerings in Milwaukee. Private and charter schools would be eligible for a portion of this funding; and
- \$6 million to improve mental health services in schools.

The Governor proposes increasing the per-student payments to private schools participating in the state’s voucher program and charter schools not under control of a school board by \$217 in the first year of the budget and \$434 in the second year, slightly more than the proposed per-student increase he recommended for public schools. This increase would add up to \$39 million over two years.

EXPANDING PROPERTY TAX CUTS

The Governor proposes two tax cuts related to education:

- **A \$73 million property tax cut delivered by requiring most schools districts to cut taxes.** The Governor proposes increasing general state aid distributed through the formula in the second year of the budget, but not raising the state-imposed cap on the amount of revenue that school districts are allowed to raise through a combination of state aid and local property taxes. The result is that most districts would be forced to cut taxes by the same amount of the increase they received in general state aid. In effect, the Governor is proposing replacing a portion of local property tax revenues with state aid. The \$649 million total in new funding for schools includes this \$73 million property tax cut, even though it does not result in additional resources for schools.
- **An \$87 million property tax cut delivered through the School Levy Tax Credit.** The Governor proposes increasing the School Levy Tax Credit, which is applied directly to the property tax bills of property owners. This credit lowers the property tax bills of all owners of Wisconsin property, including industrial and commercial property. Property owners do not have to live in Wisconsin to receive the credit, and there is not an income ceiling for receiving the credit.

OTHER CHANGES TO EDUCATION

The Governor’s budget includes other proposals that would affect education, including:

- Restricting the ability of school districts to exceed their state-imposed budget caps in order to fund energy efficiency improvements;
- Eliminating the requirement that school districts offer a minimum number of hours of instruction; and
- Eliminating the requirement that school boards hold monthly meetings.