

**Inflation, end of federal pandemic aid, frozen revenue could mean big cuts for Wisconsin schools.
What it means to parents, taxpayers.**

GREEN BAY — Fiscal cliffs, budget deficits, financial distress: These are the words that describe the fiscal future feared by many Wisconsin school districts.

[Record inflation](#), frozen revenue caps, lagging state funding, declining enrollment and increased student needs due to COVID-19 are creating a perfect storm, as one district financial director described it.

In the long run, if inflation continues to rise and state funding and school revenue caps don't increase, schools will have to seek additional money through voter-approved referenda or slash budgets, maybe even both.

The Green Bay School District is estimating those factors will create a \$36 million budget deficit in two years; Milwaukee Public Schools might face a [\\$73 million deficit in 2024](#).

And Wisconsin isn't alone. These factors are squeezing district finances nationwide, according to the [Edunomics Lab](#), a research center at Georgetown University that studies school finance.

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Most districts are making ends meet this year by using federal pandemic relief money to supplement their budgets.

But that won't last.

Funding from the Elementary and Secondary School Emergency Relief Fund, known as ESSER, is one-time money from the federal government intended to help school districts cope with the disruptions of the pandemic, and it must be used by September 2024.

As districts use ESSER funds to address pandemic-related issues like learning loss and the increased mental health needs of students, they are also turning to the federal funds to cover everyday operational costs, which district leaders argue was not the intent of the ESSER program.

Meanwhile, public school enrollment is declining across the state, further eroding district revenue under a funding formula that is largely dictated by the number of students enrolled in district schools.

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Add in inflation and districts are in a pickle, according to Sara Shaw, a senior researcher with the Wisconsin Policy Forum, a nonpartisan policy research group.

"What districts find now is that not only do they have those greater needs that they want to be able to put more resources towards, they also have their normal operating costs — from salaries to transportation to supplies — all of the usual costs of doing business are skyrocketing," Shaw said.

COVID-19 increased student academic and mental health needs

The pandemic disrupted learning and left many students socially isolated from their peers. [Test scores across the nation](#) fell for elementary and middle school students, and children are feeling more anxious and depressed than prior to the pandemic, [according to a study by the Yale Institute for Global Health](#).

Catching kids up and providing them with social emotional support is costly. The Green Bay School District lost an average of 18 weeks of math learning and 15 weeks of reading as a result of COVID-19, according to the [Edunomics Lab](#).

It estimates that making up those lost weeks would cost over \$43 million in tutoring. For the Appleton Area School District, the cost of addressing learning loss is estimated to be over \$26 million.

Schools are investing more in getting students caught up. For example, Green Bay schools spent more than double what the district typically spends on summer school in 2021.

Its programming went from part-day to full-day with additional course offerings and academic interventions, bumping the sticker price from about \$2.5 million to around \$6.5 million.

The district could not have afforded that level of support without ESSER funding, and when the money runs out, it will not be sustainable without state help, according to the district's Chief Financial Officer Angela Roble.

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Some districts responded by hiring additional staff to provide individualized tutoring, adding to the cost of salaries.

Green Bay schools hired about 100 new employees in response to the pandemic, and the Ashwaubenon School District hired about seven additional teachers and added other part-time educators for tutoring and mental health support.

While those interventions were needed, they won't be financially sustainable when ESSER funding runs out.

"There's often a reliance in schools of tackling a new problem with more staff, and I think we are discovering the limit of where that particular type of solution can get us," Shaw said.

State freezes revenue limits and schools face deficits

School funding is largely controlled by revenue limits which cap how much money districts can raise through property taxes. A combination of state aid and property taxes make up the limit.

If one goes up, the other must go down. While state school funding increased under the current budget, the state legislature fixed revenue limits at 2019 levels.

That translated to a property tax cut for residents, but no additional revenue for districts. Categorical state aid also increased, but as the name suggests, it can only be used for very specific expenditures such as special education.

The state froze revenue limits until 2023, when the next budget cycle begins, because districts could use ESSER funding to supplement their operational costs if needed. Since ESSER money is federal aid, it isn't included in the revenue limits.

Damian LaCroix, the superintendent of the Howard-Suamico School District, said the state's decision raises questions about whether public education is still a priority. The original intent of ESSER was to target the extra costs of the pandemic, like mental health and lost learning, instead of basic operational expenditures as they are partly being used for now, he said.

"I think that raises the concern around what is the level of commitment on the part of the state legislature moving forward as we finish using the federal funds for operational expenses," he said.

RELATED: [Appleton school district projects \\$5.5 million surplus, but it came at the cost of staffing challenges](#)

ESSER was allocated based on student population and economic status, so not all districts received the same amount. For some schools, ESSER money will secure a balanced budget for the next two years while others are looking at deficits beginning this year.

In Stevens Point, the school district is facing an estimated \$5-6 million deficit this year because it doesn't have enough ESSER money to fully cover costs as enrollment declines and inflation continues.

Districts like Ashwaubenon and Kaukauna are using the rest of their ESSER funds to supplement their budgets this year, leaving them with projected 2023-24 shortfalls of \$1.5 million and \$681,000, respectively.

Even with ESSER funding supplementing the budget, Ashwaubenon is cutting out all technology equipment purchases and all building maintenance projects for the 2022-2023 budget, according to Keith Lucius, the district's assistant superintendent of schools.

The district is also dipping into its equivalent of a savings account to cover costs of additional academic interventions.

Maintaining small class sizes has been a priority because it [contributes to student achievement](#). But with the uncertainty of funding, that may change, Lucius said.

"Twenty three years I've been here, and we've had to do budget cuts to balance our budget every year and kept our priorities on class size and course options for students," he said. "...But we're to the point that we've done that for 23 years, and there's just nothing else that we can cut without affecting class size."

Eyes are on state legislature because the districts' financial futures depend on whether revenue limits are raised and state funding increases when the next two-year state budget is decided next year.

In Wisconsin Rapids, Superintendent Craig Broeren is concerned about what the state's plans are for education funding come next year's budget. This next budget will be "pivotal," he said.

"If the state provides no increase to schools as they did in this biennial budget, we are going to have significant issues regardless of ESSER funding," he said.

Because preparing for future budgets is part of districts' annual budgeting process, setting an annual school budget without knowing what to expect from the state can be a shot in the dark.

"It's kind of like being blindfolded, turned around and throwing darts at a board," said Tom Owens, the business services director of Stevens Point schools.

Record inflation stretches school finances thinner

Staff benefits and salaries make up about 80% of school budgets, and as the districts increase pay to reflect the rising cost of living, district finances are stretched thinner.

The Sheboygan Area School District is raising its teacher salaries by 3% next year, instead of the full 4.7% increase that would be needed to keep pace with the consumer price index, because it can't afford the long term cost.

The district decided not to use its remaining ESSER money to increase the raises because it would cause larger deficits when the funds are no longer available.

"It's really hard to use that money for ongoing costs, because that money is going to go away and then you're really going to have a problem with salaries and benefits moving forward," assistant superintendent of business and operational services Mark Boehlke [told the Sheboygan Press in July](#).

Inflation's slow erosion of school finances

School district revenue has been falling behind costs for years. In fact, the state's revenue limits haven't been raised to keep up with inflation since 2009.

Had revenue limits kept up with inflation over the last decade, districts could have raised up to \$3,200 more per student, according to a memo from the Legislative Fiscal Bureau obtained by the Press-Gazette.

This per pupil funding is a significant part of state aid for districts. State aid makes up over 60% of the Green Bay School District's budget.

The state has also fallen behind nationally on how much funding it provides per student. It spends \$12,740 per student, about \$750 less than the national average. It had one of the lowest per pupil spending increases in the country from 2002 to 2020, according to the [Wisconsin Policy Forum](#).

Mary Pfeiffer, the superintendent of the Neenah Joint School District, asked residents to contact their legislators to ask for increased school funding at a July school board meeting.

"I think we've got to get into our legislative ears and basically say, 'Stop freezing us and depending upon grants (ESSER money) that when that money runs out they're not going to be able to support us,'" she said.

Gov. Tony Evers said that his next budget will address school funding shortfalls if he is reelected in November.

"Schools are my priority, they have to be, so it's just a matter of finding out what that (shortfall) number was," he told the Press-Gazette in an interview after a Green Bay event in July.

But districts aren't banking on the state increasing funding levels to meet their needs.

"Financially, we can't rely on the state," said Green Bay's Roble. "So we'll be happy with whatever we get right to go towards that \$36 million deficit."

Some districts are already considering going to referendum, the only way districts can exceed revenue limits. Eleven school districts have referenda going on the November ballot seeking voters' permission to exceed their state-imposed revenue limit.

MORE: [Green Bay School Board OKs \\$92.6 million school building referendum for voter approval in November. Here's what it would pay for.](#)

Referenda are either operational — to cover the costs of running a school district — or capital — to cover building and maintenance expenses.

Between 2016 and 2020, [two thirds of districts](#) in Wisconsin passed at least one referendum, showing that is the only way schools can pay for what they need to do, Shaw said. This included both capital and operational referenda.

Many district leaders are concerned about the future, but LaCroix is optimistic that the state will step-up and meet schools' funding needs.

"They've got a moral and ethical responsibility to support our kids and support our economy and invest in workforce development, and it would be penny wise and pound foolish not to invest in public education," he said.

AnnMarie Hilton and Alan Hovorka contributed to this report.

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