



## School Referenda on the Rise

Ballot questions for K-12 funding at highest levels since 1990s

*Despite recent increases in state funding, more school districts are turning to referenda to increase spending. In numbers and total dollars, successful school referenda in 2018 may exceed those in 2016, which marked the highest year since 2001. This issue looks at recent trends in school referenda and also provides a primer on rural broadband expansion, exploring coverage gaps and public and private efforts to increase statewide access.*

In the November general election, voters will decide on scores of ballot questions requesting more than \$1 billion in funds for schools, a total that if approved could make 2018 the highest year on record for referenda dollars.

Wisconsin's 421 public school districts are primarily financed through a mix of state aid and local property taxes, or school levies. In general, increases in school district revenue from the combination of those two sources is capped on a per pupil basis by the legislature.

Revenue limits and the option for school districts to seek additional funds through referenda first began in the 1993-94 school year. School officials seek referenda because they want to pay for

expenses such as a new building or an increase in their operating budget. Funding is only provided if a majority of voters cast ballots to allow a school district to either issue debt or increase its revenue limit by a specified amount on a recurring or non-recurring basis. In either case, voters who approve a referendum are saying yes to an increase in property taxes.

Districts generally may issue up to \$1 million in debt without a referendum. Debt issued without a referendum must be paid off using funds within the revenue limit. All other debt must be approved through a referendum. Levies raised to pay for approved referendum debt are not considered part of the revenue limit.

Non-recurring referenda generally last up to five years, though there is no law limiting the number of years a referendum question can request. Funds from approved non-recurring referenda are added on top of a district's cap each year that the referenda are in effect. On the other hand, recurring referenda are added on top of a district's cap the first year, and then considered part of its base funding in future years.

The elections held in February, April, and August of 2018 included 74 referenda requesting

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## Glossary

*School referendum:* Ballot question put to voters on whether a district can increase property taxes to pay for an increase in its operating budget or a capital project such as a building renovation.

*Debt issue:* A type of referendum in which a school district seeks permission to borrow money for a capital expense such as a new building.

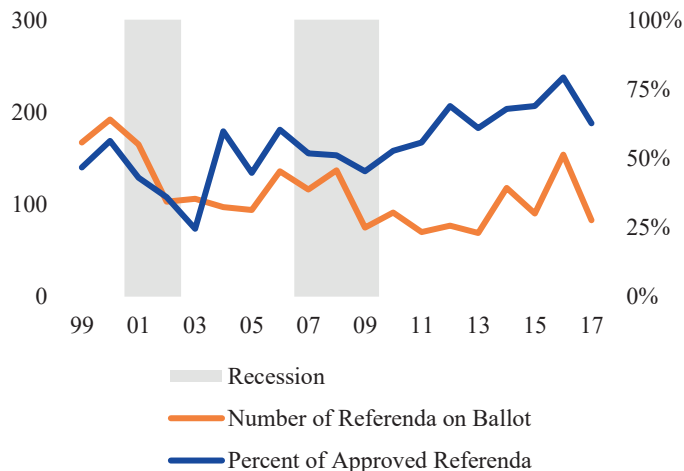
*Non-recurring:* A referendum in which a district seeks to exceed its state-imposed revenue cap for a limited time, generally no more than five years.

*Recurring:* A referendum in which a district seeks to exceed its revenue cap permanently.

\$752 million in debt and revenue limit increases across 55 districts. Voters approved 63, or 85%, of the ballot questions worth \$648.1 million. The total included: \$515.8 million in debt; \$129.5 million in non-recurring revenue limit exemptions over the time periods requested; and \$2.8 million in annual recurring revenue limit exemptions.

This year's fall ballot will include 82 referenda from 61 school districts that request \$1.4 billion in debt and revenue limit increases. Of these, 44 requests are to issue debt totaling \$1.25 billion; 24 are for non-recurring revenue limit exemptions adding up to \$157 million over the time periods requested; and 14 are for recurring revenue limit exemptions totaling \$26.1 million a year.

**Fig. 1: Referenda Numbers Rise, Fall with Economy**  
Statewide School Referenda, 1999-2017



Source: WI Department of Public Instruction

## THE WISCONSIN TAXPAYER

### 2018 Vol. 86 Number 8

Publication Number USPS 688-800  
Periodical postage paid at Madison, Wisconsin

### Subscription Price:

\$48.00 per year  
Published 11 times annually by the Wisconsin Policy Forum, 401 North Lawn Avenue, Madison, Wisconsin 53704-5033

### Postmaster:

Send address changes to *The Wisconsin Taxpayer*,  
401 North Lawn Avenue, Madison, Wisconsin 53704-5033  
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A referendum may request funding for one or multiple activities. The questions on the November ballot include: building new schools (11 requests), remodeling buildings and site improvements (40 requests), safety and security improvements (24 requests), maintaining facilities (28 requests), and maintaining educational programming at current levels (12 requests). These totals do not include referendum questions that did not detail the use of the requested funds.

## NUMBERS AND APPROVAL RATES RISING

Over the past two decades, the number of referenda on the ballot has tended to reflect the health of the economy. The share of referenda approved by voters has dipped during economic downturns and their aftermath but overall has increased since 1999.

As Figure 1 shows, more than 160 questions were posed in each year between 1999 and 2001, a period in which the economy and consumer confidence were robust. Following the burst of the dot-com bubble and the subsequent recession, the number of referenda declined sharply (to less than 110 in 2002) and did not rise until 2006.

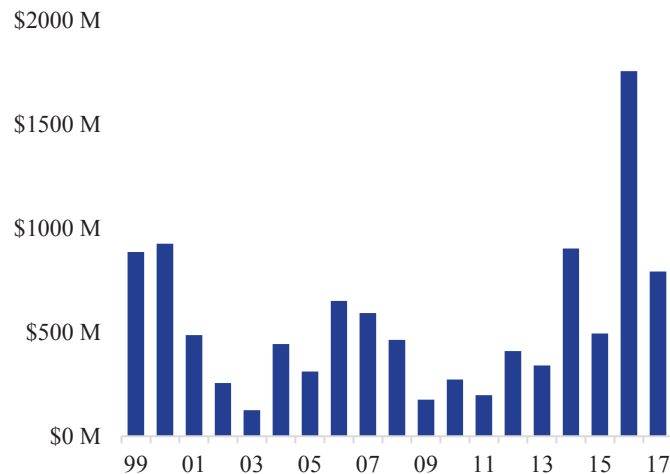
The Great Recession saw another drop in referenda, beginning in 2009 and lasting through 2013. This occurred even though state revenue limits for districts dropped \$443 million, or 5.5%, in the 2011-12 school year. One factor that helped schools balance their budgets in a time of decreasing revenues was the passage of 2011 Wisconsin Act 10, which lowered salary and benefit costs for districts outside of collective bargaining.

Starting in 2014, referenda questions again rose, reaching 154 in 2016 amid a recovering economy, favorable interest rates, and relatively tight funding levels set by state elected officials. In 2018, referenda are expected to hit 156—the highest number since 2001—provided that no questions are withdrawn from the November ballot and no additional referenda are held in response to a natural disaster.

Our analysis indicates that school districts seeking referenda have been more likely to be rural districts. The Department of Public Instruction (DPI) has reported 80% of referenda between July 2011 and 2016 were from rural school districts with at most 745 students and less than 10 students per square mile. Using the National Center for Education Statistics' definition of rural, the University of Wisconsin Applied Population Laboratory (UW) found that between the 2012-13 and 2016-17 school years, 67% of Wisconsin's rural school districts experienced an average 3.3% student population decrease. Declining enrollment means a lower revenue limit and therefore less funding to pay for fixed operational costs.

The increase in recent referenda has happened despite additional state funding. After a relatively modest rise in education funding over the previous two state budgets, the 2017-19 budget increased total aids to public schools by \$185.9 million (3.4%) in 2017-18 and \$263.1 million (4.7%) in 2018-19. That included increases in a flat per pupil form of aid that falls outside the revenue cap, from \$250 per pupil in

**Fig. 3: Referenda Amounts Rise as Economy Improves**  
Successful Referenda Values in Millions (2017\$), 1999-2017



Source: WI Department of Public Instruction

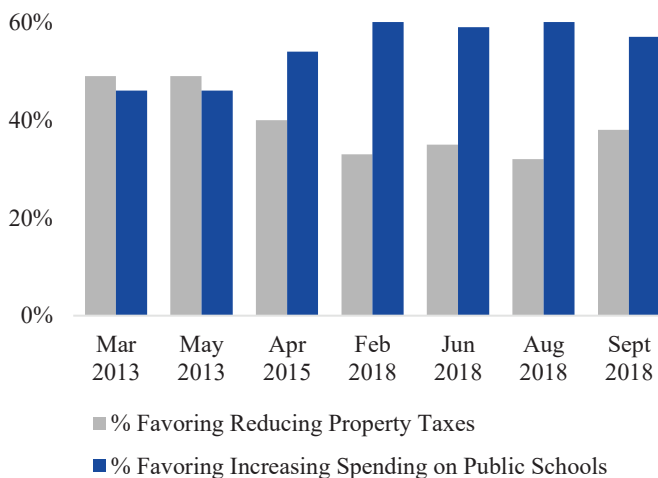
2016-17 to \$450 in 2017-18 and \$654 in 2018-19. Lawmakers also separately provided more state aid to sparsely populated districts and an increase in revenue caps for the lowest-spending districts. Without these actions, it is possible the number of referenda would have been higher.

The share of referenda approved has generally trended upward since 2003, reaching 79% in 2016. Polling by the Marquette Law School Poll suggests a shift in public opinion between 2013 and 2018. (See Figure 2.) Two surveys in 2013 found a plurality of registered Wisconsin voters felt reducing property taxes was more important than increasing spending on public schools. In five surveys since 2015, including four this year, a majority of registered voters said increasing school spending was more important. The improvement in the economy and this potential change in public sentiment may help to explain the higher rate of approval for school referenda.

**FUNDING AMOUNTS ALSO HIGHER**

Between 1999 and 2013, the nominal total dollar value of passed referenda did not exceed \$651 million in a given year and the inflation-adjusted amount did not exceed \$1 billion in any year. (See Figure 3.) The figures exclude energy efficiency exemptions approved by referenda between 2009 and 2017. These numbers started to rise in 2014, hitting \$873 million in that year (\$904 million after adjusting for inflation) and a record more than \$1.7 billion in 2016. The increase in funds requested and approved likely reflects multiple causes that may vary somewhat by referendum type.

**Fig. 2: Survey Shows Shift in WI Attitudes on Schools**  
Marquette University Polling of Registered Voters, 2013-2018  
What's more important: reduce prop. taxes or increase spending?



Source: Marquette University Law School Poll

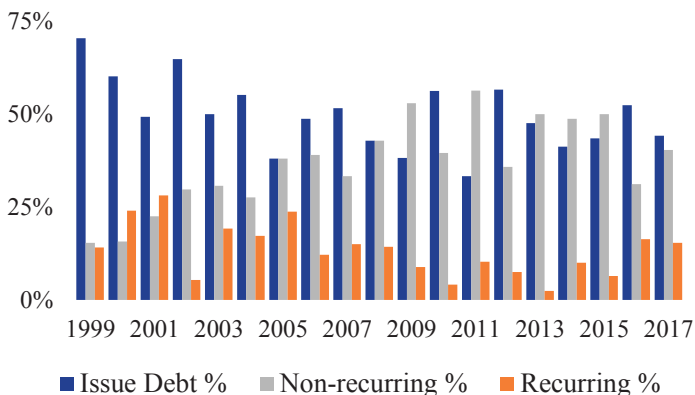
Besides the economy, potential factors include aging facilities or the need to upgrade classroom technology. Also, in some cases (particularly growing suburban areas), districts may need new buildings to accommodate increased student populations; in others, declining enrollment may be contributing to diminished revenue limit authority. In addition, these years marked the end of a number of non-recurring referenda that some school districts may have sought to renew. Sixteen questions on the November ballot are for renewals of this type.

Debt issuance is the most common form of referendum, comprising 50% of ballot questions and 51% of all approved referenda between 1999 and 2017. (See Figure 4.) Non-recurring revenue limit exemptions represented 31% of questions to voters during that time period, and 35% of all approved referenda. Recurring referenda are the least common, totaling 18% of referenda requests and 14% of approved referenda.

Recurring revenue limit increases tend to be for ongoing operations. The same is generally true for non-recurring revenue limits; districts may opt for those because it is more palatable to ask voters to support a limited-term tax increase rather than a permanent one. Non-recurring revenue limits can also fund short-term activities, such as school renovations. As of April 2017, \$175.3 million in annual spending across 130 school districts was funded through recurring referenda, according to DPI.

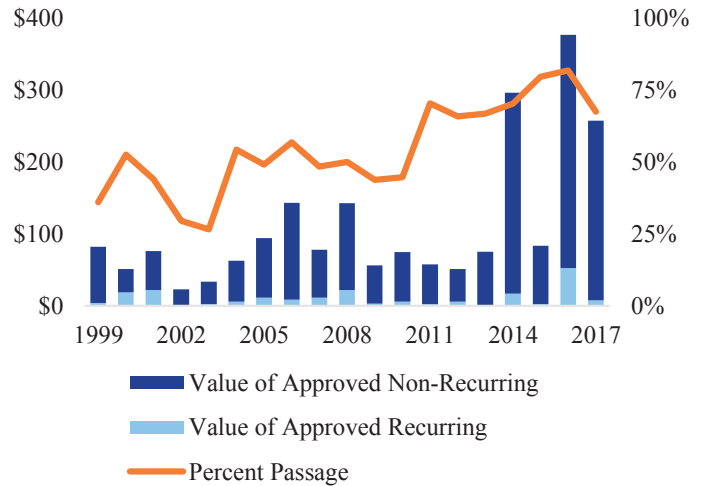
The approval rate and dollar value of recurring and non-recurring referenda is increasing. For example, between 1999 and 2013, voters approved 48.3% of these referenda, which averaged \$36.7 million each year after adjusting for inflation. Between 2014 and 2017, 75.1% of them passed, averaging \$126.6 million. (See Figure 5.)

**Fig. 4: Most Successful Referenda for Borrowing**  
Referendum Type by Share of Total, 1999-2017



Source: WI Department of Public Instruction

**Fig. 5: Approvals Rise for Non-Debt Referenda**  
Recurring & Non-Recurring in Millions (2017\$), 1999-2017



Source: WI Department of Public Instruction

### LOOKING FORWARD

As the number of school referenda has increased, legislators have debated whether to put restrictions on when and how these questions can be put to voters. A new law effective in 2018 limits school districts to two referenda questions per year, which typically may be presented only during a regularly scheduled spring or fall election.

It remains to be seen how the new law will impact referenda trends; for instance, schools could seek fewer referenda and in smaller amounts overall or they might ask less frequently but in larger amounts.

With the economy continuing to expand and referenda remaining at high levels, lawmakers next year may revive unsuccessful proposals from the previous session that would put additional limits on the practice. The potential for more ballot questions may also influence the next legislature and governor as they consider whether to increase aid to schools and state caps on district revenues.

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## BROADBAND IN WISCONSIN

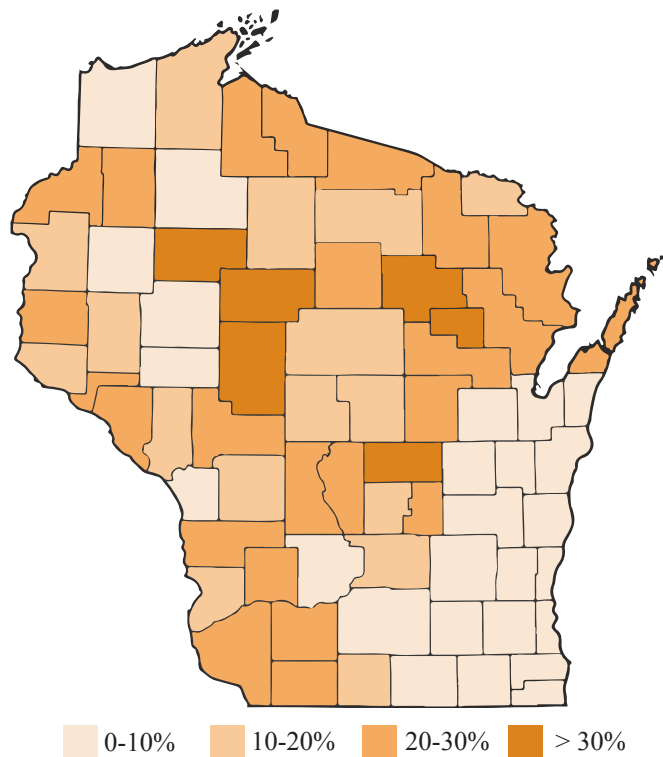
The importance of broadband internet—and concern over access to it—has grown over the past decade. Like other forms of infrastructure, broadband provides rural communities a pathway toward a better economy. The Wisconsin Policy Forum has previously pointed out that development occurs more frequently along major highways in the state and high-speed internet represents an “information highway” that can likewise spur growth. In addition, this tool can enable classroom instruction and certain medical consultations at a distance, potentially helping rural communities maintain adequate education and health care services even as they lose population.

Despite its key role, policymakers and rural residents often lack a clear understanding of what “broadband” is and how best to make it more available. In the pages that follow, we seek to define broadband, identify current coverage caps, and explore current and proposed expansion efforts. The study looks at investments being made by private providers and the federal government and also compares Wisconsin’s funding for broadband expansion to that of neighboring states. These expenses can be significant, with public costs for new connections in the state reaching into the thousands of dollars per home.

### WHAT IS BROADBAND?

Broadband performance is commonly measured in terms of speed, specifically in megabits per second (Mbps). The Federal Communications Commission (FCC) defines “broadband” as 25 Mbps download and 3 Mbps upload, a speed that allows for streaming a very high resolution form of video known as 4K. However, to best serve high-need areas, the FCC funds efforts to add connections with at least 10 Mbps download and 1 Mbps upload, which allow for streaming high definition video, videoconferencing, and browsing the web. (See Table 1.)

**Figure 6: Internet Speeds Slower in North, West**  
% of County Without Access to 10/1 Service



Source: Federal Communications Commission

Beyond speed, two other factors also matter. First, a broadband connection should avoid data usage caps below 150 GBs per month. Second, a connection needs to minimize the time required for data to go from a user to the provider and back, a variable known as latency. These two factors can keep broadband from being effectively delivered through cellular networks, which often have restrictive usage caps, and satellite technologies, which can come with high latencies and usage caps.

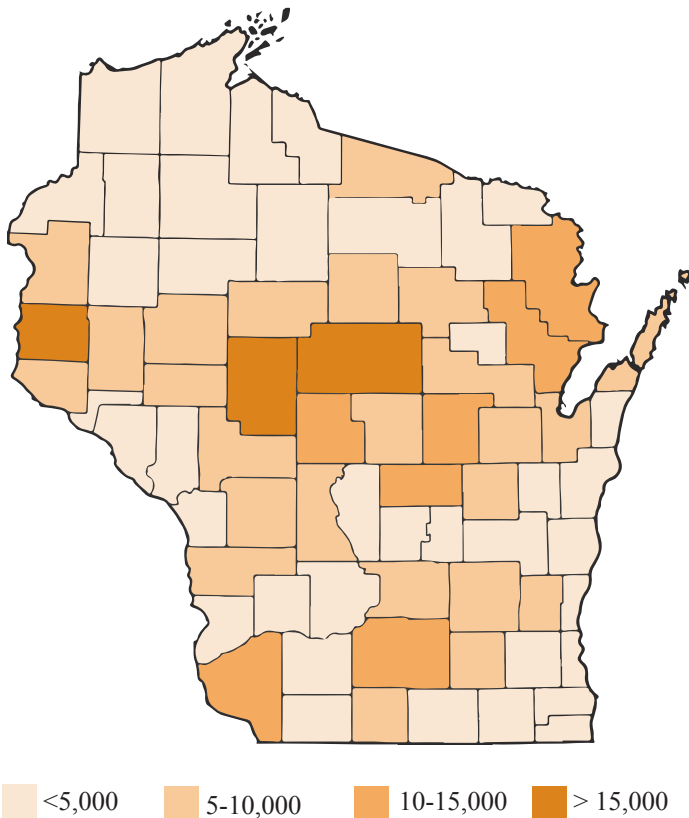
**Table 1: Faster Internet Speeds up Tasks**

Time by Download/Upload Speeds in Megabits per sec. (Mbps) or Kilobits per sec. (Kbps)

<i>Online Task by Type and File Size</i>	<b>Dial-Up</b>	<b>5 Mbps/768 Kbps</b>	<b>10/1 Mbps</b>	<b>25/3 Mbps</b>
<i>Web Page (2 MB)</i>	5 min.	3 sec.	1 sec.	<1 sec.
<i>Software Update (100 MB)</i>	4 days	2 min. 47 sec.	1 min. 23 sec.	33 sec.
<i>HD Movie (3 GB)</i>	249 days	1.5 hours	43 min.	17 min.
<i>VoIP/Internet Telephone</i>	Bad	OK	OK	Good
<i>Stream HD Video (720p/1080p/4K)</i>	Bad/Bad/Bad	Good/Bad/Bad	Good/OK/Bad	Good/Good/OK
<i>Telecommuting/Internet Learning</i>	Bad	Bad	OK	Good

Source: Columbia Telecommunications Corp.

**Fig. 7: Some in Urbanized Counties Lack Broadband**  
Number of People Lacking 10/1 Internet by County



Source: Federal Communications Commission

**WHO LACKS ACCESS?**

In December 2016, the FCC estimated at least 386,900 Wisconsinites and potentially more lack access to a 10/1 internet connection as defined above. By June 2017, that estimate dropped to at least 241,100. The estimate and the accompanying charts are based on responses by internet service providers and the data may overestimate broadband availability in the state.

Broadband access is often seen as a rural problem. Indeed, Figure 6 on page 5 shows that the share of residents without access to broadband in a particular county is higher in the northern and more rural part of the state. Perhaps surprisingly, the relatively urbanized counties of Dane and Marathon are also among those with the greatest number of residents without a 10/1 connection—from nearly 15,000 to more than 18,000 people. (See Figure 7.)

On the other hand, some rural counties are doing relatively well on access, even compared to more urban areas. Numerous counties in northern Wisconsin, including Florence, Iron, Douglas, and Bayfield, are similar to urban counties in the southeast in the raw number of people who lack a 10/1 connection. That is

due in part, of course, to the much smaller populations in those Northwoods counties.

When gaps emerge, they aren’t always in rural areas. For example, parts of rural Bayfield County have access to connections surpassing the FCC’s 25/3 definition of broadband. The areas surrounding Washburn, the county’s largest city, are the ones most likely to lack a 10/1 connection.

Why is this? First, counties such as Vernon, Iron, and Bayfield have rural telephone cooperatives that also provide internet service rivaling some urban networks. Meanwhile, some residents on the outskirts of larger cities miss out on service because they are caught between these urban and rural networks. The impact on residents is far reaching, affecting everything from how they watch movies to whether they can work or start a business from home.

**BROADBAND EXPANSION**

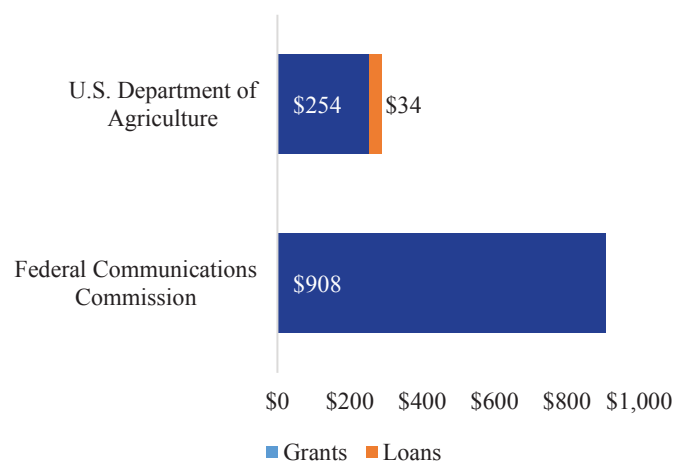
Efforts to expand access to broadband are being undertaken by private providers as well as the state and federal government.

**Private, Federal Investments**

Some companies are seeking to use new technologies to expand high-speed access into traditionally unprofitable areas without public assistance. These businesses, known as “fixed wireless” providers, use primarily unlicensed microwave frequencies, including TV whitespace spectrum, to avoid the expense of burying or upgrading cables. However, they may be constrained by obstructions that prevent a line of sight from towers to a user’s home. As a result, fixed wireless providers tend to provide service in areas with fewer trees and hills such as southeast Wisconsin.

In addition, two different federal agencies have funded recent expansion efforts. The U.S. Department of Agriculture’s Rural Utility Service (RUS) offers

**Figure 8: Federal Funds for Rural Broadband**  
Federal Funding in \$Millions, 2009-16

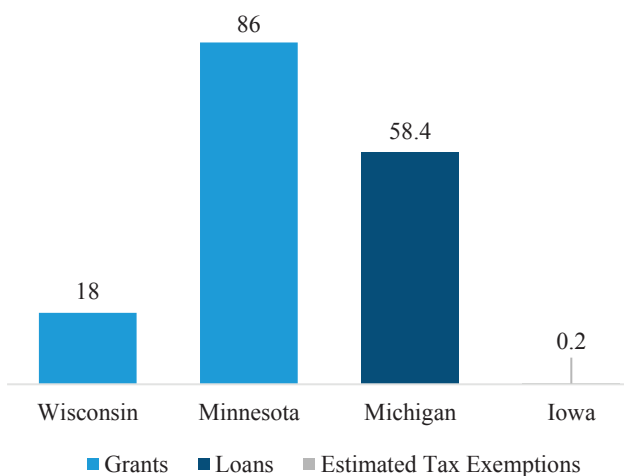


Source: Federal Agencies, WI Public Service Commission

low-interest loans, loan guarantees, and grants to public and private entities. The FCC, through its Connect America Fund (CAF), provides grants to existing telephone providers tied to expansion in high-cost areas.

According to federal figures, from 2009 to 2016 RUS programs disbursed over \$254 million in grants and \$34 million in low-cost loans, with the great majority coming from the 2009 American Recovery and Reinvestment Act. (See Figure 8 on Page 6.) Over the same period, FCC awards in WI totaled more than \$900 million. CAF grants seek to minimize public assistance to providers, with the public costs through the FCC program totaling between \$2,500 and \$5,574 per 10/1 connection added in Wisconsin. CAF funding is distributed over increments of six and 10 years, with the latest awards going until 2026. Where existing providers reject a grant, the FCC awards the funds to the provider requiring the least public money and promising the best connection.

**Fig. 9: WI Broadband Funding vs. Other States**  
State Funding or Tax Exemption in \$Millions, 2002-18



Source: State agencies

### Wisconsin's Efforts

At the state level, the Broadband Grant Expansion Program approved in 2013 seeks to supplement federal efforts. Under the program, municipalities work with broadband providers to complete an application that is reviewed by the Wisconsin Public Service Commission (PSC). Recipients detail public and private funding along with their proposed expenses. They also must list who will benefit from the expansion and provide adequate broadband speeds. From the program's inception through June of 2018, Wisconsin has contributed \$18 million to broadband projects, according to state figures.

Since 2015, members of the state legislature have debated the program's financing, annual grant caps, eligible grant recipients, and management by the PSC. The largest proposed change would have increased funding to \$200 million over two years and ended the requirements that municipalities work with a private entity to expand broadband service. The legislation, which was not adopted, would have increased state expansion funding beyond that of Minnesota, where a smaller share of the population lacks 10/1 broadband but the state has disbursed \$85.6 million in grants since 2011.

Other neighboring states also have programs to expand rural broadband, though only Minnesota and Wisconsin have a state office actively dispersing grants. (See Figure 9.) Iowa has a slightly smaller share of homes without 10/1 broadband access than Wisconsin and has sought to incentivize expansion by exempting the value of rural broadband networks from property taxes. The 2015 exemption, which is still ramping up, lowered taxes for providers by an estimated \$211,000 in 2018, according to the Iowa Department of Revenue. For its part, Michigan has a somewhat larger share of its population without broadband access than Wisconsin. Michigan has disbursed \$58.4 million in low-interest loans for rural broadband. Illinois does not have an active program of broadband grants for rural consumers.

### NO SINGLE SOLUTION

Both public and private efforts have played a role expanding broadband in Wisconsin. For instance, many cooperatives and non-profit utilities have extended high-speed service to their customers using a mix of federal programs, state grants, and cost increases on the consumers. However, these providers do not have the same responsibility as for-profit companies to seek projects with the highest return for shareholders.

Most of the remaining locations without access are covered by investor-owned telecoms, so expanding service to these areas will have to be profitable or it is unlikely to happen. In some cases, new technology like fixed wireless may lower costs and make expansion profitable, but this approach is not practical everywhere. The question for policymakers is how to help underserved consumers, who are often found in the gaps lying between urban and rural areas. In those locations, additional state and federal grants and other efforts to loosen or tighten regulation may be needed to encourage expansions. Going forward, voters and lawmakers will have to determine how much the state can afford and balance requirements on providers with the flexibility needed to connect customers in hard-to-reach areas.

## Wisconsin Policy Forum

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### POLICY NOTES

■ **State Not Prepared for Next Recession.** Wisconsin has not built up sufficient budget reserves to weather the next recession, according to recent reports by credit ratings agencies Moody's Analytics and S&P Global Ratings. Both firms separately found in September that fewer than half of U.S. states have built up enough reserve funds to guard against a moderate recession.

"In their fight against recessions, budget reserves are what states send to the frontline," S&P wrote.

The S&P report listed Wisconsin as among the 15 states at "elevated risk" in a recession. In one bright spot, the study found that Wisconsin would see a lower percentage decrease in its revenues during a downturn than most states—a 7% drop in a moderately bad scenario and an 8% loss in a more serious one similar to the Great Recession. Fixed costs like pension, retiree health care and debt service also make up a smaller share of Wisconsin's general fund spending than all but eight other states.

State budget reserves, however, equal only 5% of overall spending. Only eight states had smaller reserves as a share of their expenditures, S&P found. Those reserves would cover 61% of a moderate fiscal shock and 57% of a severe one, S&P said.

Moody's found that 23 states are well-positioned to weather a moderate downturn, up from 16 states last year. An additional 10 states have most of the reserves needed. Wisconsin, however, was not among either group and ranked 12th among the least-prepared states, the report said. On the other hand, state officials have noted that in a separate action Moody's also recently upgraded Wisconsin's credit rating.

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■ **State Employment Rises.** Employment in Wisconsin has reached new highs in recent months, according to data from the U.S. Bureau of Labor Statistics. The numbers show total non-farm employment in the state at roughly 3 million, higher than previous peaks hit in 2007 and 2000 just ahead of the last two recessions.

After falling during the Great Recession, employment has rebounded, with average 2017 employment 2.4% above 2007, an increase that is close to the 3.3% increase in the state's overall population for that period. Average employment in 2017 was 4% higher than 2000, which is less than the 7.8% population growth over those years.

■ **Register to Vote.** The Nov. 6 general election will decide races for governor, U.S. Senate, and attorney general along with 99 Assembly and 17 Senate races. To check whether you are registered to vote, go to the Wisconsin Elections Commission website: [myvote.wi.gov](http://myvote.wi.gov).

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- A Building Recovery (#17-18)
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