



# WISCONSIN POLICY FORUM

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## **Declining State Aid, Uncertain Times Create Daunting Budget Tasks for Madison Schools**

Declines in expected state and federal aid mean that the Madison Metropolitan School District would have to increase property taxes next year simply to maintain spending on its operations at current levels, a new analysis shows.

These figures in the district's proposed budget – including the loss of nearly 50 positions – come before any further potential cuts to state aid or state revenue limits on schools due to state budget challenges emanating from COVID-19. The economic downturn and two potential property tax referenda this fall could heighten a longstanding trend toward greater reliance by the Madison schools on local revenues and taxpayers, according to the non-partisan Wisconsin Policy Forum's first annual review of the district's budget.

“In the current crisis, the district's reliance on property taxes may insulate it somewhat from further state aid cuts, but the long-term challenge is clear,” the brief reads, describing the ongoing erosion of state aid as “one of the foremost financial challenges facing the Madison school district.”

The 2021 budget (covering the 2020-21 school year) finds the district at a turning point following the departure of its former superintendent, the onset of the coronavirus crisis, and the potential for the two referenda on November 3. Yet district leaders must make pivotal decisions amid a virtually unprecedented array of unknowns, including the length and severity of the current crisis, how the potential state and federal response to it could affect school funding, and the full extent of new requirements and costs it may impose on the district.

Meanwhile, the COVID-19 crisis threatens to exacerbate some of the district's greatest long-term challenges: its declining state support and need to improve outcomes for students of color, the report finds.

The release of the report follows the publication of the Forum's annual brief on the [Milwaukee Public Schools budget](#). It reflects the Forum's intent to expand its nonpartisan, independent analysis of local government finances in the Madison area, Wisconsin's fastest-growing region.

The Madison school board will adopt a tentative budget in June and the fiscal year will begin in July, but the process of crafting this year's budget will hardly end there. The budget will be revisited in the fall after the district receives final aid amounts from the state – which could be affected by a budget repair bill – and voters weigh in on one or more potential referenda to exceed state revenue limits and increase property taxes.

The budget proposes to lower operating spending slightly during the coming year – a marked shift from the previous three budgets, all of which increased spending on operations by between 3.6%

and 7%. Overall spending would decline as well by 0.7% to \$476.1 million. As a result of this as well as declining enrollment, the district would reduce its workforce by 47.5 positions, or 1.2%. Property taxes, however, would increase 2.9% to \$339.5 million to backfill declining state and federal aid.

The proposed budget would provide a 3% overall wage increase for district staff and some additional spending on efforts to reduce student disparities based on race, disability, or socioeconomic status. However, a freeze or cut to state aid or to state limits on school district revenues could impact those proposals as well.

Prior to the crisis, the district had been considering a \$317 million capital referendum – largely for its four aging high schools – as well as a potential referendum to increase its operating budget by \$6 million in 2021, \$8 million in 2022, \$9 million in 2023, and \$10 million in 2024. A referendum to increase operating spending in 2021 is now unlikely but the district might still seek a ballot question to raise spending in future years and maintain proposed 2021 spending in the event of changes at the state level. The Forum takes no position on the district's proposed budget or potential referenda.

Though the district has seen improvements in outcomes for disadvantaged students in recent years, concerning disparities remain among students along lines of race, ethnicity, and income. The current pandemic could heighten those challenges and might prompt calls from some advocates for more resources for countering them.

However, the challenges for even maintaining existing funding are clear. State general school aids, in particular, have been decreasing because of the way the state's main school funding formula treats districts such as Madison with comparatively high levels of spending and property values. The district does, however, have some bright spots in its finances including its relatively solid reserve levels and its manageable long-term liabilities at present.

While school finance is not a simple topic even during the best of times, the uncertainty and volatility of the present moment demand a high level of communication and transparency from district leaders, the report concludes.

"Communication with stakeholders and the community will be paramount in the weeks and months ahead," the report says.

[Click here to view the report.](#)

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