

K-12 TRENDS OFFER CAUTION AS TOUGH BUDGET CHOICES LOOM

Per-pupil spending on public education nationwide grew by 23% from 2008 to 2018, but only 15% in Wisconsin, an increase that places it 38th in the nation. National data show Wisconsin's slow growth is linked, in part, to a decline in fringe benefits spending for school staff in the wake of Act 10. Policymakers should consider both factors as they prepare for one of the most difficult state budgets in years.

As schools across Wisconsin begin a new school year amid a global pandemic that has upended their operations, the state is facing financial challenges that may limit school funding in the upcoming state budget. That makes it a good time to review recent school funding trends and how Wisconsin measures up to other states.

WISCONSIN SCHOOLS RELY HEAVILY ON STATE SUPPORT

According to [U.S. Census figures](#), Wisconsin relied on state revenues for over half of its K-12 per-pupil spending (54.3%) in 2018, compared to an average of 46.7% nationwide. In fact, [aid to schools is the largest spending category in the state budget](#), comprising \$6.0 billion (or 35%) of state general purpose revenue expenditures in 2019.

Moreover, although schools typically are funded by a mix of federal, state, and local revenue sources, the combined total of state and local revenues is particularly important in Wisconsin, which relies less on federal revenues than many other states. The vast majority of school district revenues (and therefore spending power) are controlled by state officials, who set both state aids to schools as well as state caps that effectively limit school property taxes.

This heavy reliance on state support and policies places Wisconsin's schools in a comparatively precarious position even in the best of times. But attention to school finance issues is especially high right now, as the need to adopt and maintain balanced budgets in light of COVID-19 and its negative impact on state tax revenues will force policymakers to make difficult tradeoffs.

Public school leaders are bracing [for the possibility of state aid cuts](#) as a consequence of these tough decisions.

WISCONSIN K-12 SPENDING HAS DROPPED RELATIVE TO NATION

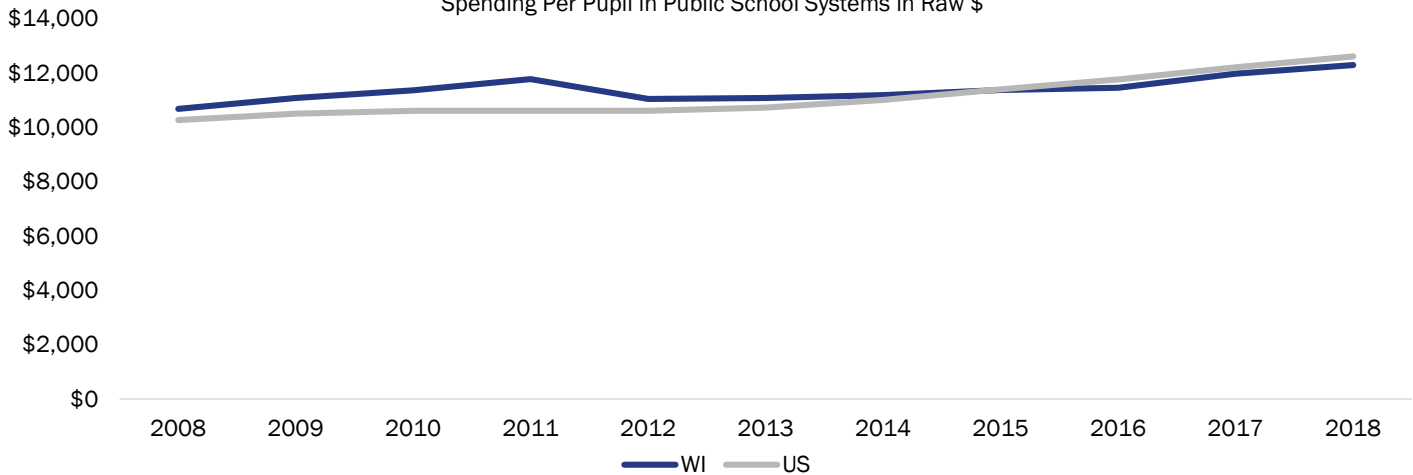
To provide context, we analyzed public K-12 per-pupil spending [data from the U.S. Census Bureau](#). The data include spending on operations such as instruction, general administration, transportation, building maintenance, curriculum development, staff training, and other functions. Debt payments and capital spending are excluded. Also, the data do not include public spending on private schools or charter schools authorized by nongovernmental entities.

We use per-pupil measures to compare state and national averages. As such, it is important to note that Wisconsin's enrollment dropped by 1.8% between 2008 and 2018, while enrollment across the U.S. as a whole increased by 0.4% in that time. Even if spending is constant from one year to the next, the per-pupil spending figure will rise if enrollment falls and fall if enrollment rises.

In 2002, Wisconsin's total spending per pupil was \$8,574, placing its statewide public K-12 spending level about 11% higher than the national average and 12th highest in the nation. Since that time, the state's ranking has fallen. By 2018, Wisconsin's expenditure of \$12,285 per pupil somewhat lagged the average nationwide (\$12,612), and its ranking dropped to 24th. Among Wisconsin's four neighboring states, only Iowa (27th) spent less per pupil in 2018.

Figure 1: Wisconsin School Spending Overtaken by Nation

Spending Per Pupil in Public School Systems in Raw \$



Source: U.S. Census Bureau Annual Survey of School System Finances

As shown in Figure 1, per-pupil spending on public education nationwide grew by about 23% from 2008 to 2018, but only 15% in Wisconsin, an increase that places it 38th in the nation. Between 2009 and 2011, Wisconsin’s spending rose faster than the nation as a whole. But in 2012, Wisconsin saw a one-year drop in public K-12 spending of 6.2%, bringing it much closer to the national average, after which time its year-over-year increases remained modest. By 2015, Wisconsin dropped below the national average on this measure and remained there through 2018 (the last year for which data are available).

Nationwide, spending rose each year by 1% or less between 2010 and 2013 before beginning to increase by at least 3% annually over the next several years. Wisconsin’s falling standing in per-pupil spending relative to the nation is even more consequential given that its school enrollment was declining while that of the country as a whole was rising during this period.

Inflation-adjusted per-pupil spending across the U.S. increased by 5.4% between 2008 and 2018. Meanwhile, Wisconsin’s adjusted spending levels *decreased* by 1.4%.

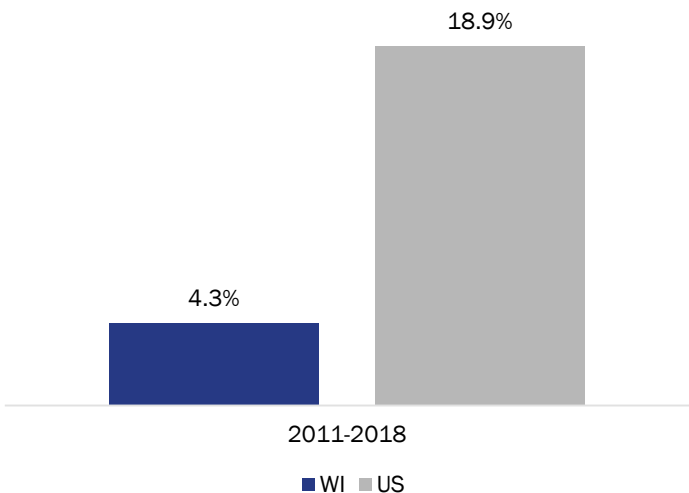
These trends align with some of the key policy decisions undertaken in response to an overall budget shortfall the state faced going into the 2011-13 state budget. As part of that response, in 2012, Governor Scott Walker and lawmakers [cut state school aids by about \\$400 million and state limits on school revenues by 5.5%](#). As we will discuss below, a related measure – Wisconsin

Act 10 – gave school districts the ability to reduce health care benefits without being subject to collective bargaining and required or led to greater contributions from employees toward both their health care and pension benefits.

Figure 2 shows how Wisconsin’s overall per-pupil K-12 spending levels have lagged well behind the national average in recent years. Between 2011 and 2018, Wisconsin’s per-pupil spending increased by 4.3% (from \$11,774 to \$12,285). This increase ranked Wisconsin 49th in the nation in terms of percentage change during that period and compares to 18.9% nationwide.

Figure 2: Wisconsin Spending Has Lagged Nation

Spending Per Pupil in Public School Systems:
Percent Change 2011-2018



Source: U.S. Census Bureau Annual Survey of School System Finances



Even after the significant reduction in school spending in the 2011-2013 state budget, total per-pupil spending has continued to lag the rest of the country. Between 2013 and 2018, Wisconsin's spending increased by 11%, while nationwide the increase was close to 18%.

It is worth considering another component of Wisconsin's school funding context not fully captured in the Census data: voter referenda. Between 2008 and 2018, voters in somewhat under half of Wisconsin's school districts (189) passed a total of 387 ballot measures to exceed revenue limits for purposes other than issuing debt. Without the impact of these referenda, K-12 spending in Wisconsin would have been even lower over those years.

SPENDING ON STAFF BENEFITS A MAJOR FACTOR

The Census figures show changes in staff benefits drove much of the difference between Wisconsin's spending levels and national averages. In 2002, Wisconsin led the nation in spending just over \$2,000 per pupil on school employee benefits and remained well above the national average through 2012. A sharp 15% drop that year brought Wisconsin's rank on this metric to 18th in the country and it has since dropped below the national average to 28th in 2018 (see Figure 3).

The drop in benefits expenditures reflects the Act 10 provisions that lowered district spending through additional contributions by teachers and other school employees toward their pension and health insurance benefits. As noted above, the new law also gave school

districts greater leeway to reduce their health care benefit offerings in other ways.

At the same time that school district employees were seeing a reduction in benefits, their salaries increased at rates that lagged the nation. The Census data show that spending on salaries for school district employees in Wisconsin has remained below national averages since before 2008 and ranked 27th in 2018. Between 2011 and 2018, Wisconsin average salaries per pupil increased by 7.2%, whereas the average nationwide climbed by almost twice that rate, 13.1%.

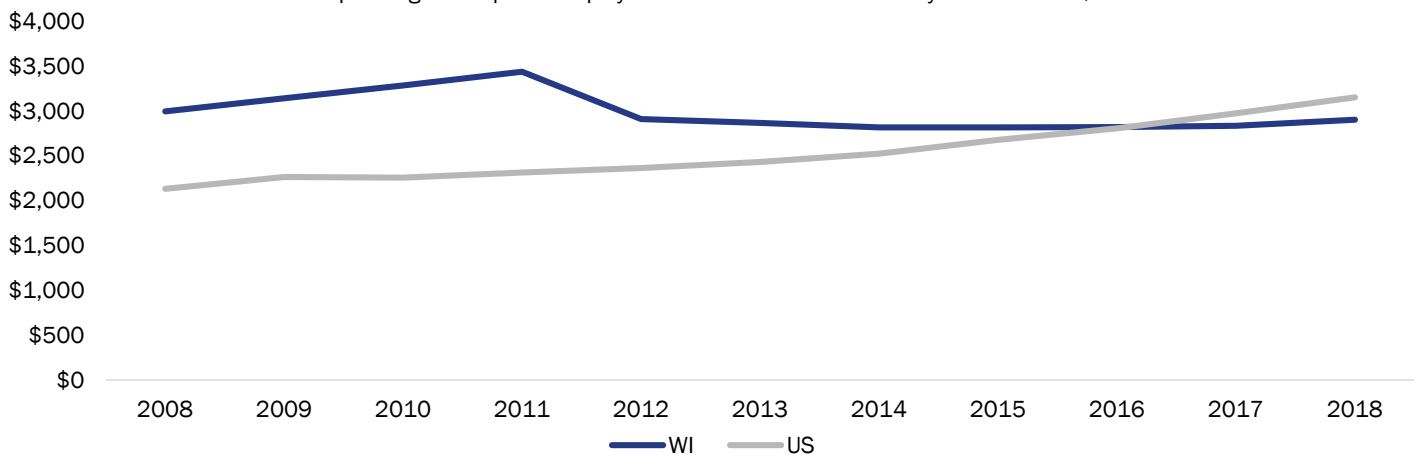
Nationwide, salaries and benefits combined increased by 24% between 2008 and 2018, more than double the increase in Wisconsin (10.4%). Wisconsin lagged the nation in growth of total compensation between 2013 and 2018 as well, with a 6.9% increase compared to 18.1% across the U.S.

K-12 SPENDING ABOUT TO TAKE CENTER STAGE

Both state policymakers and K-12 leaders are approaching a new budget season in the midst of a global pandemic. The crisis places unprecedented demands on local schools even as it hammers the state's economy and budget.

Because K-12 education is the single largest category of general purpose revenue spending in the state budget, it may be difficult for state leaders to avoid contemplating cuts or a freeze in this area. However, as they do so, they should consider Wisconsin's spending trends relative to the nation over the last decade.

Figure 3: Spending on Staff Benefits Drove Difference in Spending Between Wisconsin and National Averages
 Spending Per Pupil on Employee Benefits in Public School Systems in Raw \$



Source: U.S. Census Bureau Annual Survey of School System Finances



Policymakers also need to recognize that the changes adopted in Act 10 account for some (but not all) of the downward trend in Wisconsin's K-12 per-pupil spending when compared to other states. Those changes also undoubtedly helped many districts absorb the state cuts, but they affected teachers' benefits and compensation as well, which might in turn affect teacher recruitment and retention. Finally, policymakers also need to consider the potential impacts to local property taxes, which have [seen smaller growth](#) in recent years in part due to these trends.

In the end, the question is how these trends may have affected the quality of public K-12 education in Wisconsin, and whether additional spending reductions would place the state too far behind for lawmakers' comfort relative to neighboring states and the country as a whole.

