



Vouchers Impact on Property Taxes

Narrowing the voucher “funding gap” could raise property taxes

Recently, some key lawmakers have said they want to make fixing an educational “funding gap” a priority.

Ordinarily, and certainly in prior years, such talk might be seen as an encouraging sign for public schools, especially coming at a time when revenue limits have been frozen, state aid increases are not keeping pace with inflation, and so many school districts are asking voters to approve operating referendums.

However, this time around, the “funding gap” being talked about is not a gap between higher-spending and lower-spending public school districts or between rising school costs and frozen revenue limits. Instead, the talk centers on a gap between what public schools may raise and spend and what private schools receive for accepting voucher students.

Under current law, what public schools may raise and spend is largely governed by state-imposed revenue limits. There are a limited number of exceptions or exemptions to those limits and they may be overridden by a referendum vote of district voters, but unless either of those conditions apply, a district is bound by what the revenue limit calculation provides. In 2015-16, the statewide average base revenue limit authority was \$9,950 per pupil.

Similarly, the amount the state pays for each pupil attending a private school participating in the Milwaukee, Racine and statewide voucher programs is statutorily determined. In 2015-16, the per-pupil payment was \$7,214 for voucher pupils in grades K-8 and \$7,860 for voucher pupils in grades 9-12.

According to a recent analysis by the non-partisan Legislative Fiscal Bureau (LFB), this works out to a weighted average per-pupil voucher payment of \$7,353 based on the percentage of full-time equivalent pupils in each of these three programs who are enrolled in grades K-8 and the percentage enrolled in grades 9-12. During the period from 2010-11 to 2015-16, the LFB notes per-pupil voucher funding increased from \$6,442 to \$7,353 per pupil.

For comparison purposes, the LFB determined per-pupil state support for public schools by dividing total general and categorical state school aid by pupil membership used to calculate state equalization aid and determined that the state provided \$6,011 per public school pupil in 2010-11 and \$5,915 in 2014-15.

(Although the LFB couldn't calculate a final figure for 2015-16 because complete categorical aid payment information for 2015-16 is not yet available,

one would imagine it will be similar to that for 2014-15. Between 2014-15 and 2015-16, combined state appropriations for general and categorical aid rose by only about \$3 million while statewide public school enrollment dropped by about 0.3 percent.)

Viewed this way, state per-pupil payments to private voucher schools are considerably higher than the average per-pupil aid payment amounts the state pays to public schools. Moreover, per-pupil payments to private voucher schools rose on average by about 14 percent between 2011 and 2016 while average state per-pupil payments to public schools have held steady or perhaps even dropped over that same time period.

In response, voucher proponents were quick to point out that the time period chosen for this comparison corresponds to the enactment of Act 10 changes, noting that the reduction in state aid was also given with flexibility and reduction in costs. Others argued that public schools receive local tax dollars in addition to state aid and no matter your opinion on school vouchers, the proper comparison between per-pupil support for private voucher schools and per-pupil support for public schools is the voucher amount

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and the per-pupil revenue limit amounts for public schools — in other words, the combination of state aid and local property taxes a district may take in.

In recent days — and in what might potentially be a serious blow to efforts to get to a sustainable public school funding model in the state of Wisconsin — some key lawmakers have begun talking openly about “eliminating the voucher funding gap” by which they mean raising per-pupil voucher payments to a level of parity with per-pupil revenue limits for public school students.

A factor that may be making such talk easier for lawmakers is that the 2015-17 state budget made significant changes to the funding mechanisms for vouchers and independent charter schools. One change is that the state no longer directly funds voucher payments for new enrollees in the Racine and statewide programs. Similarly, the state will no longer directly fund per-pupil payments to certain new independent charters likely to be authorized by the University of Wisconsin System. (To date, none of these schools, called “2X” charters after their statutory designation, are operating.)

Under prior law, the state paid the entire cost of voucher payments for pupils in these programs from a separate state appropriation. (The state still does this for voucher pupils who first enrolled in these programs prior to 2015-16 and will continue to do so until these students graduate or leave the voucher program. These students are not counted by their resident school district in its revenue limit or state aid calculation.)

Now, however, for students who first participate in the Racine or statewide voucher programs in the 2015-16 school year or later, the voucher payments are funded in a manner similar to the way open enrollment transfers are funded. The voucher payment is made by transferring state aid away from the resident district in an amount equal to



the per-pupil payment for each voucher pupil and sending it to the participating voucher school in which he or she is enrolled.

To compensate, the voucher pupil’s resident school district is allowed a nonrecurring revenue limit exemption for the amount of aid lost, which gives the school board the option to levy an amount up to the amount of aid lost.

Adding new voucher pupils doesn’t necessarily increase the *state’s* cost because the state school aid appropriation is a fixed amount that is not affected by how many pupils are served. So, rather than the state having to raise revenues to pay for each additional voucher pupil, the critical funding decision is shifted to local school boards, who now face the difficult decision of whether to increase local property taxes to fully or partially offset the lost aid or accept a cut in resources.

To be fair, voucher pupils who began participating in the Racine or statewide programs in the 2015-16 school year or later are fully counted in the revenue limit of their school district of residence. In addition, these pupils are also counted in their resident school district’s state aid calculation although there is a one-year delay before they generate any aid for the district. The initial

effect of that was seen in this year’s July 1 aid estimates, and it remains to be seen what the long-term consequences of this change will be.

One thing lawmakers advocating for closing the “funding gap” should consider is that under the new funding mechanisms, each additional voucher or independent charter pupil represents a potential property tax increase. As mentioned earlier, local school boards are put in the unenviable position of having to decide to levy local property taxes to make up for the aid deducted to pay for these pupils to attend school elsewhere. The board is not required to levy any portion of the exemption but if the board does not, under revenue limits, the lost aid could be seen as representing a cut to the district’s budget. If per-pupil payments to vouchers and independent charters increase, so will the potential property tax impact.

Given the heavy emphasis lawmakers have placed on holding the line on property tax increases, perhaps that fact will give them pause. Then again, they may simply decide to place the burden on local school boards to decide whether higher voucher payments and voucher expansion will come at the expense of property taxpayers or the local public schools. ■