

# Governor's 2023-25 Biennial Budget

## Wisconsin Association of School Boards

Brian Pahnke, State Budget Director

Department of Administration

March 22, 2023

# Overall State Budget Information

- The state's general fund is estimated to end with a \$7.1 billion balance at the end of fiscal year 2022-23 (June 30, 2023).
- The most recent Legislative Fiscal Bureau (LFB) figures estimate state general fund tax collections are expected to increase by roughly \$188 million (+0.9%) in fiscal year 2023-24 (over fiscal year 2022-23) and an additional \$850 million (+3.9%) (over fiscal year 2023-24).
- The LFB may provide an updated estimate of general fund revenue and expenditure projections to the Joint Committee on Finance (JCF) in May/June 2023 before the JCF/Legislature completes its work on the 2023-25 biennial budget bill.

# Ten Largest General Fund Programs in 2022-23

<u>Program Area</u>	<u>% of Total in 2022-23</u>
1. <i>K-12 General &amp; Categorical School Aids</i>	33.3%
2. Medical Assistance Benefits	17.7%
3. Correctional Operations	6.4%
4. University of Wisconsin System	6.1%
5. <i>School Levy/First Dollar State Property Tax Credits</i>	5.5%
6. Shared Revenue Payments (Municipal and County Aids)	4.5%
7. Technical College System Aids	2.9%
8. <i>Private School Choice Programs</i>	2.2%
9. Judicial and Legal Services	1.7%
10. Community and Juvenile Correctional Services	<u>1.6%</u>
Top Ten Program Area Total	81.9%
All Other Programs/Debt Service	18.1%

Source: Legislative Fiscal Bureau-2023 Informational Paper #78-January 2023

# **Governor's 2023-25 Biennial Budget**

## **Largest Biennial GPR Increases Over Base Funding**

<u>Agency</u>	<u>Biennial Increase</u>
Department of Public Instruction	\$2,809 million
Shared Revenue and Tax Relief	\$1,099 million
Department of Administration	\$1,019 million
Public Service Commission	\$ 755 million
Department of Health Services	\$ 716 million
Department of Children and Families	\$ 512 million
Department of Workforce Development	\$ 265 million
All Other Items	<u>\$1,656 million</u>
<b>Total</b>	<b>\$8,831 million</b>

\*All numbers rounded to the nearest million

Source: Department of Administration-Budget in Brief-February 2023

	Questions	Questions	Questions	Passed
	2	Operating Referenda History	2	100.00%
	4 (Department of Public Instruction Website)	23	27	14.81%
	24	47	71	33.80%
	23	41	64	35.94%
	43	39	82	52.44%
	36	46	82	43.90%
	13	31	44	29.55%
	13	36	49	26.53%
	26	22	48	54.17%
	26	27	53	49.06%
	42	31	73	57.53%
	29	31	60	48.33%
	40	40	80	50.00%
	21	27	48	43.75%
	21	26	47	44.68%
	26	11	37	70.27%
	23	12	35	65.71%
	22	11	33	66.67%
	47	20	67	70.15%
	35	9	44	79.55%
	58	13	71	81.69%
	29	14	43	67.44%
	65	7	72	90.28%
	29	5	34	85.29%
	52	10	62	83.87%

# Governor's 2023-25 Biennial Budget

## K-12 Biennial Budget Summary--All Fund Sources

<u>Program Area</u>	<u>2023-24</u>	<u>2024-25</u>	<u>Biennium</u>
Special Education Aid Increase	\$491.4 million	\$ 521.7 million	\$1,013 million
General Equalization Aids Increase <i>(Includes elimination of High Poverty Aid)</i>	\$212.9 million	\$ 793.0 million	\$1,006 million
Per Pupil Aid Increase	\$ 7.7 million	\$ 38.8 million	\$ 46.5 million
All Other School Aids Increase	<u>\$203.4 million</u>	<u>\$ 378.1 million</u>	<u>\$ 581.5 million</u>
<b>Totals</b>	<b>\$915.4 million</b>	<b>\$1,731.6 million</b>	<b>\$2,647 million</b>

### NOTES:

Details may not add due to rounding

2023-24 and 2024-25 increases are over 2022-23 base numbers

# Governor's 2023-25 Biennial Budget

## Special Education Categorical Aid

### Background

- Current 2022-23 base funding is \$517.9 million.
- Special education aid was not increased from 2008-09 until 2019-20. It was then increased by \$96.9 million in the 2019-21 biennium and by an additional \$85.4 million in the 2021-23 biennium.
- Eligible recipients include school districts, independent charter schools, County Children with Disabilities Education Boards (CCDEBs) and Cooperative Educational Service Agencies (CESAs).
- The Governor's 2023-25 biennial budget recommends increasing state reimbursement rates from an estimated 32% in 2022-23 to 60% in both 2023-24 and 2024-25 and changing the special education aid appropriation from sum certain to sum sufficient.
- Eligible aidable costs are estimated to increase by 3% annually.

<u>Categorical Aid Program</u>	<u>2023-24</u>	<u>2024-25</u>	<u>Biennium</u>
Special Education Aid Increase	\$491.4 million	\$521.7 million	\$1,013 million

NOTE: Details may not add due to rounding and 2023-24 and 2024-25 increases are both over 2022-23 base numbers.

# **Governor's 2023-25 Biennial Budget**

## **State General Equalization Aids and Computer Aid Buyback**

- The Governor's 2023-25 biennial budget provides \$1,005,822,000 GPR in additional state general equalization aids over the biennium. This would be the largest overall increase in state general aids since the 1995-97 biennium when the state significantly increased funding to K-12 education related to two-thirds funding.
- Under the Governor's 2023-25 biennial budget, it is estimated overall gross statewide school property taxes will stay nearly flat over the biennium.
- Buyback of Computer Aid Payment Delay:
  - Since 2005-06, the state has paid computer aid to school districts (roughly \$34 million in fiscal year 2022-23) after their fiscal year is over and required districts to account for its receipt in the prior fiscal year.
  - This recommendation would ensure that all school districts receive their computer aid payment in the appropriate school year.



# **Governor's 2023-25 Biennial Budget Revenue Limits and Per Pupil Aid**

## Revenue Limits:

- Provide per pupil adjustments of \$350 in 2023-24 and an additional \$650 in 2024-25. If enacted, these figures would be the largest annual increases ever.
- Index future revenue limit adjustments to CPI thereafter for predictable and sustainable funding, which was done in most years prior to 2009-10.
- Increase the low revenue ceiling from \$10,000 per pupil in 2022-23 to \$10,450 in 2023-24 per pupil and \$11,200 per pupil in 2024-25 to allow over 150 districts to increase their revenues to these figures if they choose to do so. If enacted, these would be the largest annual increases and largest overall figures ever.
- Increase the four-year-old kindergarten (4K) membership calculation to 1.0 FTE beginning in 2024-25 for districts, private choice schools and independent charter schools that provide full-day 4K programs.

## Per Pupil Aids:

- Currently funded at \$601 million GPR in 2022-23.
- Increase the Per Pupil Aid appropriation by \$24 per pupil from \$742 per pupil to \$766 per pupil in 2023-24 and by an additional \$45 per pupil to \$811 per pupil in 2024-25.

# Governor's 2023-25 Biennial Budget

## Additional Selected Categorical Aid Increases

<u>Categorical Aid Program</u>	<u>2023-24</u>	<u>2024-25</u>	<u>Biennium</u>
Mental Health Categorical Aid	\$117.9 million	\$117.9 million	\$235.8 million
Supplemental Nutrition Aids	\$ 0.0 million	\$120.2 million	\$120.2 million
English Learner Aids (all districts)	\$ 26.0 million	\$ 26.0 million	\$ 52.0 million
Mental Health Professionals Aid	\$ 18.0 million	\$ 18.0 million	\$ 36.0 million
Bilingual-Bicultural Aids	\$ 8.2 million	\$ 14.1 million	\$ 22.3 million
Out of School Time Grants	\$ 0.0 million	\$ 20.0 million	\$ 20.0 million
Early Literacy/Reading Grants	\$ 10.0 million	\$ 10.0 million	\$ 20.0 million
High-Cost Transportation	\$ 7.5 million	\$ 7.5 million	\$ 15.0 million
School Library Aids (SEG)	\$ 7.0 million	\$ 7.0 million	\$ 14.0 million
Computer Science Grants	\$ 5.0 million	\$ 5.0 million	\$ 10.0 million
High-Cost Special Education Aid	\$ 1.6 million	\$ 5.9 million	\$ 7.5 million
Driver Education Aid	\$ 0.0 million	\$ 6.5 million	\$ 6.5 million
Personal Financial Literacy	\$ 2.5 million	\$ 2.5 million	\$ 5.0 million
Sparsity Aid	\$ 0.6 million	\$ 0.6 million	\$ 1.2 million

### NOTES:

Highlighted programs would be new per the Governor's 2023-25 biennial budget recommendations.

2023-24 and 2024-25 increases are over 2022-23 base numbers

# **Governor's 2023-25 Biennial Budget**

## **Overall “State Support” for K-12 Education**

- The Governor's 2023-25 biennial budget provides state general and categorical aids to more than maintain the former “two-thirds” funding definition of partial school revenues for both fiscal year 2023-24 and fiscal year 2024-25.
- Recent “state support” figures by school year:
  - 2019-20 65.3% (Actual)
  - 2020-21 65.2% (Actual)
  - 2021-22 66.2% (Actual)
  - 2022-23 67.7% (Estimate)
  - 2023-24 70.5% (Estimate-Governor's Recommendation)
  - 2024-25 72.6% (Estimate-Governor's Recommendation)

# **Governor's 2023-25 Biennial Budget**

## **Medicaid School-Based Services (SBS) Reimbursement Initiative**

- The Governor's 2023-25 biennial budget recommends allowing participating school districts to retain 100 percent of federal Medicaid funding received for providing School-Based Services (SBS) to Medicaid-eligible pupils while at school as opposed to the 60 percent share school districts, Cooperative Educational Service Agencies (CESAs) and independent charter schools currently receive under state law.
- In addition, the Governor recommends increasing the share of matching funds received related to eligible administrative expenses for SBS for Medicaid-eligible pupils for districts, CESAs and independent charter schools from 90 percent to 100 percent.
- Participating districts, CESAs and independent charter schools are estimated to receive roughly an additional \$112 million of federal funding over the biennium if this recommendation is enacted and full Medicaid expansion is adopted as well.
- According to the Department of Health Services, roughly 60% of the state's eligible entities participate in the Medicaid School-Based Services program.
- Wisconsin's SBS programs covers the following services: nursing, occupational therapy; physical therapy; psychological services, counseling and social work; speech language pathology, audiology, and hearing, transportation and developmental testing and assessments related to a new or revised Individualized Education Plan (IEP).

# **Governor's 2023-25 Biennial Budget**

## **Private School Choice Programs**

- Milwaukee/Racine/Wisconsin Private Choice Programs (MPCP/RPCP/WPCP) and Special Needs Scholarship Program (SNSP) Recommendations:
  - “Pause” private school choice programs to limit costs and property tax increases to reevaluate how programs affect public schools, taxpayers and students, and whether any reforms are needed.
  - Provide property tax transparency by requiring private choice program state school aid reductions to be shown on, or attached to, property tax bills.
  - Require all private schools in various choice programs to have DPI-licensed educators by July 1, 2026.
  - Increase per pupil payments by \$374 per pupil in 2023-24 and an additional \$695 per pupil in 2024-25, which would be consistent with revenue limit and per pupil aid adjustments for public school districts.
  - The overall estimated biennial funding increase for all four private school choice programs is roughly \$123 million. This figure includes both direct state GPR funding (mostly related to the MPCP) and state general aid reductions for school districts to cover estimated enrollment and per pupil payment increases.

# **Governor's 2023-25 Biennial Budget**

## **Private School Choice Programs**

- MPCP/RPCP/WPCP/SNSP Pause Recommendations:
  - Freeze the number of pupils in each program in 2024-25 at 2023-24 levels.
  - Current pupils and incoming pupils in 2023-24 school year are not affected.
  - New pupils enter when other pupils graduate or exit the programs.
  - Number of slots may shift between private schools within each program.
- Special Needs Scholarship Program (SNSP) Additional Recommendations:
  - Repeal “actual cost” calculation for per pupil figures transferred from the school district’s state general aids to the participating private school.
  - Repeal the current 90% state reimbursement provision for specific individual pupil’s costs above current threshold amounts of roughly \$19,614 in 2022-23.
  - Require private schools participating in SNSP to be accredited or participate in a parental choice program. Private schools currently participating that are not accredited must take steps to become accredited by December 31, 2027.
  - Require participating private schools to allow children to opt out of religious activity at the school upon written request by a student’s parents.

# **Governor's 2023-25 Biennial Budget Independent Charter Schools Programs (ICSP)**

## **Independent Charter Schools Program Recommendations:**

- Increase per pupil payments by \$374 per pupil in 2023-24 and an additional \$695 per pupil in 2024-25, which would be consistent with the revenue limit and per pupil aid adjustment for public school districts.
- Overall estimated funding increase over the biennium for all three ICSPs is roughly \$22 million. This includes both direct state GPR funding for “2r” legacy charter schools and state general aid reductions from school districts for other independent charter schools to cover estimated enrollment and per pupil payment increases.

# **Governor's 2023-25 Biennial Budget Additional Initiatives**

- Shared Revenue
- Workforce
- Economic Development
- Broadband
- Health Care
- Child Care
- Higher Education
- Tourism/Arts
- Affordable Housing
- Taxes
- Transportation
- Environment/PFAS
- One-Time Investments
- Medicaid expansion would reduce state GPR expenditures by over \$1.6 billion over the 2023-25 biennium.



## Estimated Upcoming Timeline

March 28 and 30	Select agency officials invited to speak on the Governor's budget recommendations before the Joint Committee on Finance (JCF)
April 5, 11, 12, 26	JCF public hearings around the state
Mid/Late April	JCF identifies policy items to be removed from biennial budget bill LFB issues other summary materials (e.g. property tax estimates) related to the Governor's budget
May/June	LFB may issue updated 2023-25 revenue estimates
May-Mid June	JCF Executive Sessions on biennial budget bill
Late June	Legislative action on budget recommendations and presentation of enrolled bill to the Governor