

July 26, 2023

Blog – School Finance

As we prepare for another year and think about the road ahead, I thought it would be beneficial to provide some information on school finance. How are schools financed? Where does the money needed to run our schools come from in the State of Wisconsin? Schools get their revenue funding from three basic sources:

- 1) Public property tax dollars,
- 2) State aid
- 3) Federal aid

The Parkview School District gets about 26% of their revenue from property taxes, 72% of their revenue from the State of Wisconsin from both general and categorical aids and 2% from the federal government. The State figures its revenue portion to schools based on an equalization aid formula. Simply put this means that they weight the Parkview School District against all of the other school districts in the State in determining its needs. This calculation is based on a school district's ability to pay the normal costs of operating a school. School districts that have a very high amount of property wealth are given less money in the equalization formula from those districts that have less property wealth.

Though these are the three basic sources of revenue, what a school district gets to spend each year is based on a district's revenue cap. Revenue caps were put in place for school districts in 1993. These caps determine the maximum amount of money that a district can spend on education. The caps are highly influenced by student enrollment. As a school district gains more students, the amount of money that it is allowed to spend goes up. However, if school enrollment goes down then this has a negative impact on the amount of money that a district can spend. In the current State budget that was recently passed by the legislature and signed by Governor Evers, school districts were given an increase in the per pupil funding amount and also given the authority to increase their revenue limit. However, school districts that had failed a referendum in the past two years were not allowed to take advantage of this provision. This provision had a negative impact on the Parkview School District because it prevented the district from being allowed to get additional funds that would have helped ease our current budget dilemma.

Referendums are the vehicle that allows school districts to increase their amount of spending to meet rising infrastructure and operational costs. If a school district needs additional revenue to maintain or increase its operational needs, such as staffing, supplies and/or equipment then it can ask the tax payers of the district to approve the spending of additional dollars to support the school by agreeing to raise the property taxes of the district. If the referendum passes then the district can increase its spending by the amount of money approved by the taxpayers, if it fails then the district cannot access these additional funds.

Once school districts have determined the amount of revenue they have to spend in a given school year, the funds are placed in Fund 10. Fund 10 would be very similar to your family's checkbook. As in your family checkbook, you have deposits that increase the amount of money in your account and expenses that subtract from the amount of money you have available. Fund equity is similar to your family's savings account. This is the money that you have put aside for emergency purposes or special projects. School districts usually use fund equity when some incident occurs during the school year that was unplanned or unexpected, such as a boiler going down and needing to be replaced. It is also used for one-time expenses that would not normally be a part of a normal budget, such as a piece of technology equipment like a laser cutter for the technology education department. When a school district has money

left over in their Fund 10 account at the end of the year, this unspent money goes into the district's Fund Equity account.

This year because the operational referendum failed in both November and April, the district has had to go into its Fund Equity account in order to have enough funds to run the school district for the 2023-2024 school year. Though I am still working with the Board and administration to create a final budget that will be brought to the public at our Annual Meeting in October, we are currently in the process of both reducing our school budget by around \$1,100,000 and also going into Fund Equity for about \$200,000,

In my upcoming blogs, I will detail the items that needed to be cut in order to create this year's budget. If you have any questions regarding budgeting, our upcoming budget or any school related questions, please feel free to contact me. I want to keep everyone informed and updated about what is going on in our school district and what our plans and options are for the future.