

Return of K-12 borrowing little noticed, topped \$1.35 billion in 2016

Wisconsin is seeing a resurgence in school district borrowing. Last year, districts approved a record \$1.35 billion in new debt. That was 10 times more than five years ago and the most since at least 1993. Another \$707.9 million in borrowing is being requested this spring. Voter approval rates for both borrowing (77.1%) and revenue-limit (81.7%) referenda are near or exceeding 80%.

A record-setting development in state-local finance has received little attention.

New debt: \$2b in 16 months?

Last year, Wisconsin school districts secured voter approval for \$1.35 billion (b) in new borrowing, mainly for new construction or remodeling. Adjusted for inflation, that is the largest amount in at least 20 years; the previous high was \$1.04b in 1996 (see graph, right).

So far in 2017, there is no sign that the borrowing is abating. This spring—February and April combined—23 districts are asking voters to approve \$707.9 million (m) in new debt.

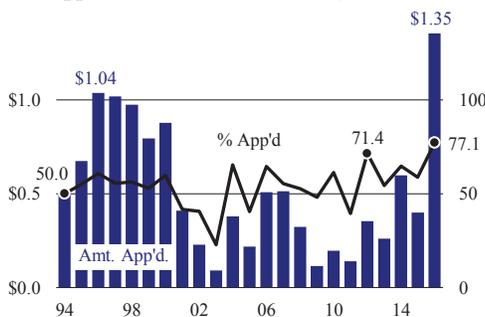
The largest pending ballot request this spring is in Verona, a Madison suburb. There, two referenda questions ask for \$181.3 million (m) to build a new high school and auditorium, and to renovate the current high school and a middle school. Other major “asks” are coming in Burlington (\$94.4m), west of Racine, and in Green Bay (\$68.3m).

Growing enrollment appears to be related to new borrowing. Over the past five years, 55% of districts where student numbers rose held debt referenda.

Debt growth recent

By virtually any measure, the growth in school borrowing is relatively new. Previously, it had not been seen since the mid-1990s (see graph above). As recently as 2011, new K-12 debt (\$128.3m)

K-12 Borrowing Jumps to Record High
% Approved and Total Borrowing, 1994-2016



was one-tenth of what it was last year. In per pupil terms, borrowing has jumped from \$2,313 in 2010 to \$9,733 in 2016.

The number of debt referenda proposed last year (83) was the most since 2001 (84); the number approved (64), the most since 2000 (67). The percentage passed (77.1%) was the highest since at least 1993.

The previous rise in borrowing occurred in the mid-90s. Since school districts often issue 20-year bonds, one explanation for the rise in new debt is that it is replacing maturing bonds. Politically, a district can claim that a building referendum has no tax consequence.

Revenue limit referenda help?

Another factor that may help explain the increase in borrowing is a trend in revenue limit referenda that has been building for some years.

Since 1994, school revenues have been largely controlled by the governor and state lawmakers. State-imposed revenue limits, along with student numbers, determine more than 80% of school

funding. Districts can exceed the caps only by referendum.

Revenue limits originated to slow increases in school property taxes that were rising about 8% annually during the early 90s. Since, under state limits, a school district’s revenues are the sum of its state general aid and its school levy, a vote to exceed the caps is a vote to raise taxes.

■ *Numbers, Approval Rates.* The number of referenda to override revenue limits increased from an average of 41 per year during 2009-13 to 71 in 2016 (see graph, p. 2).

At the same time, rates at which these ballot questions are approved has climbed. During 1996-2010, only 44% were passed. Last year, four of every five passed.

Could the increased approval rates for revenue limit referenda be playing a role in greater borrowing activity?

■ *Who’s Asking?* Studying the characteristics of districts with votes to exceed revenue limits provides insight into recent trends.

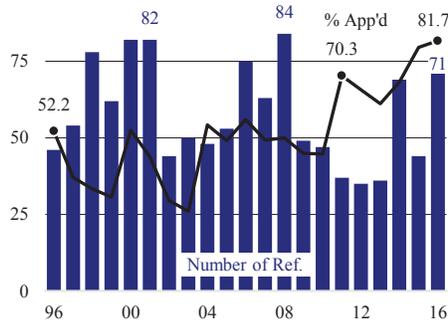
Districts with referenda during 2011-16 (171) had slightly smaller student counts than the median for all districts (870 vs. 918). They also were slightly more likely to be located in northern Wisconsin: 33.3% of districts with revenue limit referenda were in the north, while only 31.7% of all districts were similarly located.

What really appears to be driving the growth in revenue limit referenda, however, is enrollment: Of 171 districts with referenda in the past five years, 130 (76%) had falling student numbers—the reverse of districts seeking new debt.

Moreover, the larger the enrollment drop, the more likely a district asked for revenue cap relief. Among districts with six-year enrollment declines of 15% or more, almost two-thirds held a revenue cap referendum during 2011-16. By contrast, less than 30% of districts with enrollment gains of more than 5% held referenda.

Since student counts are a key factor in calculating state-imposed revenue

Revenue Cap Referenda OK's Top 80%
No. of Referenda and % Approved, 1996-2016



limits, districts with declining enrollment experience stagnant or falling revenues. The result is fiscal challenge, particularly for small districts where staffing is already minimal. In rural northern districts,

voters can face the choice of approving a referendum—and, therefore, a property tax increase—or closing a grade school.

Larger forces at work?

Regardless of referendum type, there has been a marked increase in the number and approval rates for both K-12 debt and revenue-limit referenda.

Two larger factors may also be at work. One is public concern over the effect of 2009-13 state budget problems on school finances. Another is a recovering economy and rising household incomes that would increase voter receptivity to increased school spending. □



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Capital Notes

■ *The companion to Wisconsin's biennial budget, the capital budget, is now out. The capital budget outlines the governor's recommendations for state building projects for the next two years.*

The total funding request, mostly from bonding, is \$803.5 million. That figure is slightly below the prior biennial total (\$848.7 million). Over all four of Gov. Scott Walker's (R) budgets, the high was \$1.45 billion in 2013-15.

The 2017-19 capital budget is available on-line at <http://doa.wi.gov/Divisions/Facilities-Development/Capital-Budget/Current-Capital-Budget>. The budget is not available in paper form.

■ *Gov. Walker (R) has named Daniel Zimmerman as Secretary of Veterans Affairs. Zimmerman is a retired lieutenant colonel in the U.S. Army. He succeeds John Scocos, who departed in January. The governor also named Laura Gutierrez as Secretary of Safety and Profes-*

sional Services. Zimmerman was most recently Vice President of Academic Affairs at St. Anthony School in Milwaukee. She succeeds Dave Ross, who was appointed Transportation Secretary.

■ *Several longtime Wisconsin political figures passed away in February: Former state Reps. Marcel Dandeneau (Feb. 9, 85) and Tom Larson (Feb. 18, 69), and former Democratic U.S. Senate and gubernatorial candidate Ed Garvey (Feb. 22, 76).*