



MEDIA ALERT: Nov. 8, 2005 Contact: Jack Norman 414-384-9094

Why so many school districts are in money trouble

New survey exposes large gap between revenue limits and 'cost-to-continue'

No wonder so many school districts are in a financial squeeze.

The typical district in Wisconsin has to deal with a built-in annual deficit of 1.7%, a gap that forces cuts in staffing, programs, maintenance, and/or purchasing, according to a new survey of district superintendents by the Institute for Wisconsin's Future (IWF). Details are in a new, short IWF report, *Death by a Thousand Cuts: How Wisconsin's Revenue Limits Erode the Budgets of Public Schools*.

The built-in, structural deficit occurs because for most districts, the state's revenue-limit law prevents school districts from spending enough just to maintain one year's programming into the next year.

The typical increase allowed under revenue limits is about 2.5%, but the typical increase in a cost-to-continue budget (one which simply maintains existing programming) is 4.2%, according to the survey. This results in a 1.7% deficit.

For an average size district of about 2,000 students, that 1.7% annual deficit translates into nearly \$400,000 in cuts, enough to cover the cost of a number of teachers.

It's the same situation a household or business would face, if their income rose by 1.7% but their expenses grew by 4.2%. The only alternative for a household or a business is either to cut 2.5% from their spending, or go into debt. School districts can't go into debt for operating expenses, so they have to cut.

The only other alternative for districts is to seek referendum approval for a property tax hike to offset the deficit, or find money outside the revenue-limit system. Referenda are extremely difficult to pass, and unfortunately many districts are forced to find outside money by raising student fees.

These figures come from an IWF survey of Wisconsin school district superintendents. Superintendents were asked to give an average figure for revenue growth allowed by revenue limits, and the growth needed to maintain programming from one year to the next.

At the rate of 1.7% cut each year, a high-school senior would have almost 20% fewer dollars in resource support than when she or he started kindergarten. Revenue limits have now been in place for a dozen years.

The report is posted on IWF's web site: www.wisconsinsfuture.org. The Institute for Wisconsin's Future is a non-profit, non-partisan state policy research and education center, based in Milwaukee.

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