



CHRIS KAPENGA

WISCONSIN STATE SENATOR

Testimony on Senate Bill 81

Senate Committee on Education

Tuesday, May 6th 2025

Thank you, Chairman Jagler, and members of the committee for hearing testimony on Senate Bill 81 today. I also would like to thank Representative Cindi Duchow for her work on this legislation.

Under current law, in order to bring in more taxpayer funds to schools to help pay for operating costs, school districts can authorize referendums, where voters in a school district can vote to approve of an increase above the levy limit. These referendums are either recurring or non-recurring. If a referendum is non-recurring, the increase above the levy limit is set for only a certain amount of years. However, if the referendum is for a recurring purpose, then a school district can raise taxpayer revenue above the limit in perpetuity.

School districts all across our state have been approving more and more operating referendums, both recurring and non-recurring. We have all seen examples of this in the news. Most recently and notably are Madison's referendum package passed in the fall, which included a \$100 million recurring operating referendum, and Milwaukee's \$250 million recurring operating referendum passed in the spring last year.

To protect taxpayers, this bill eliminates operating recurring referendums, and requires nonrecurring referendums to be limited to last no more than 4 years. School districts and voters will still be able to authorize and approve of operating referendums, but this bill places a sensible and commonsense timeline on every referendum that is approved.

Even with record funding from the state, school districts are adamant in receiving more money from taxpayers and homeowners. According to the Wisconsin Policy Forum, school districts in 2024 held a record 241 referendums. But with record referendums come higher property tax increases – property tax increases for families who have just bought their first home, for seniors on fixed income, and for any homeowner in a school district that passes a referendum. Taxpayers deserve certainty and transparency from school boards, and SB 81 does both.

Thank you again, Chairman Jagler, for allowing testimony for this important bill. I'm happy to answer any questions at this time.



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**Senate Committee on Education
Testimony on Senate Bill 81
School District Operating Referenda
May 6, 2025**

Thank you, Chairman Jagler, and members of the Senate Committee on Education for holding a hearing on Senate Bill 81, relating to school district operating referenda.

Under current state law, school districts have a number of options when they decide to go to referendum to ask the taxpayers for more funding. One such option is the ability to request a recurring referendum instead of one-time funding.

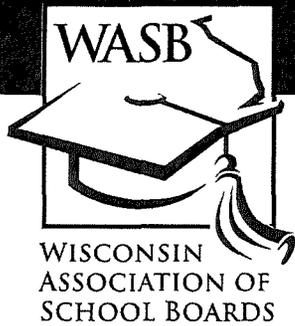
We most recently saw this in Milwaukee, when voters approved a \$252 million dollar recurring operating referendum last year. For further clarity on the situation, taxpayers aren't just seeing that \$252 million tacked onto their property tax bill just once. The increase they will see this year will be their new normal indefinitely. This referendum also passed at a time when MPS enrollment is down 50,000 students from its peak in the late '90s of over 100,000.

With declining enrollment levels across the entire state, and record high state funding, I question the necessity of these recurring referenda.

By limiting referendums to four years, I hope to protect local taxpayers and to foster fiscal responsibility in Wisconsin school districts. The taxpayers of Milwaukee in the spring of 2024 voted for increased property taxes for the future taxpayers of Milwaukee for the indefinite future. Those who are priced out of their home and can afford to move - will leave the school district to escape the high taxes. This leaves their neighbors to foot the bill for this increase, many of whom are already struggling to make ends meet. Additionally, those who move into the school district will pay for a referendum they did not approve.

I also believe that school districts should demonstrate how they are utilizing the extra funding. If the taxpayers don't believe the school district is improving student outcomes, they voice their concerns by not voting for future referendums. Recurring referendums takes away that voice of the taxpayers.

Thank you for your time and attention. I am happy to answer any question you have.



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DANIEL M. ROSSMILLER, EXECUTIVE DIRECTOR

TO: Members, Senate Committee on Education
FROM: Christopher Kulow, WASB Government Relations Director
DATE: May 6, 2025
RE: Senate Bills 58 & 81, relating to school referendum questions and recurring operating referenda.

The Wisconsin Association of School Boards (WASB) is a voluntary membership association representing Wisconsin public school boards.

WASB Resolution 1.26 was approved by member school boards in 2018 and states (in part): “The WASB opposes any limitation on the duration, scope or effect of school referenda.”

We oppose these bills because referenda are the only option available to schools if the state continues to tightly control revenue limits below inflationary increases. School districts do not want to ask their voters to raise their taxes. It’s a matter of last resort. If state policy makers are concerned about the impact on property taxes, a better way to address this is through the state budget by returning to inflationary increases in spendable resources for schools.

SB 58: Currently, whenever a school district must hold a referendum seeking voter approval to issue bonds, the referendum ballot question must include a statement of the purpose for which bonds are to be issued and the maximum amount of the bonds to be issued. This bill would add to that statement a requirement that the ballot question also include:

1. The estimated interest rate and amount of the interest accruing on the bonds.
2. Any fees that will be incurred if the bonds are defeased.
3. A good faith estimate of the dollar amount difference in property taxes on a median-valued, single-family residence located in the local governmental unit that would result from passage of the referendum.

We oppose this bill because we have concerns that it could create a new avenue for legal challenges to bond referenda and bond issuance. The increased risk posed by such potential legal challenges will likely raise the interest that must be paid to market those bonds to bond buyers and could even prevent the sale of such bonds.

In addition, the requirements this bill imposes, while well-intentioned and simple in principle, could be highly problematic in practice for the following reasons:

1) Difficulty Providing This Information on a Ballot Question in a Way That Is Not Confusing

We recognize that the information required under this bill is only an estimate, but we question whether the best way to convey this information is through the context of a ballot question, especially when the

borrowing is for a complex, multi-stage project and the borrowing is split into segments over time. We believe the information required by the bill is often already shared by districts and could better be explained or discussed in the context of an informational meeting or flyer. School districts typically try to inform the public about the tax rate implications of referenda through such methods. The information the bill seeks to require could be presented in similar fashion.

Not every school construction or remodeling project for which borrowing is required is as simple and straightforward as building a new building on vacant land. Sometimes, extensive remodeling or even demolition of all or a portion of a building is involved. Sometimes, that demolition must occur before the new construction can take place. All this work must be built around the school calendar so that children will not be exposed to dangerous or potentially harmful situations. School districts try to complete projects during the summer months to minimize disruption and try to plan their borrowing around those schedules. Each of these factors can add complexity to their borrowing plans.

Faced with this complexity, school districts may find it advantageous to borrow in phases rather than all at once. Sometimes districts issue notes in anticipation of borrowing to provide “bridge” financing. Each of these scenarios may make it difficult to produce an accurate estimate, particularly when interest rates are volatile.

School boards and school administrators also try to get the best bargain possible on the project that best meets the needs of the district, which may involve completing a project in several phases. In such cases, rather than going back to voters multiple times and holding multiple referendums for each phase, school districts may consolidate borrowing for a number of phases into a single referendum ask, even though more than one borrowing will occur.

It becomes even more complicated to place this information on the ballot when the borrowing involves a series of financings, such as, for example, when a school district contemplates using one or more interim short-term financings that are to be refunded with one or more general obligation refunding bonds to provide the permanent financing. Keep in mind that it may be a year or more between referendum approval and marketing of the bonds.

Another complication in trying to implement the bill as drafted is that there may be a variety of interest rates in effect at any given time, based on several variables, including the issuing school district’s bond rating, the district’s plan for financing (use of short-term versus long-term obligations, the number of financings contemplated, etc.) It may not always be possible to sort this out more than 70 days before the date of the referendum election when the ballot question language is voted on and approved by the school board.

Note: We are not aware of any other state that requires the publication of estimated interest amounts on the ballot. We attribute this to the uncertainty of interest rates and the variability in the way borrowings may be structured to best suit the borrowing district’s financial and project completion needs. There are good reasons why states do not impose such requirements.

2) Financing Plans May Change

Financing plans often are not finalized at the time the school district is finalizing the ballot language at least 70 days before the referendum is held. A school district will typically share its estimate of the maximum tax impact of a borrowing referendum as part of the referendum planning process. Most often this is done through the school district’s informational materials; however, school districts do not necessarily share a final financing plan as part of those informational materials as the financing plan may be subject to modifications based on market conditions at the time the financing or financings happen. This is especially true if there is a way to lower the tax impact of the borrowing. Again, keep in mind that it may be a year or more between referendum approval and marketing of the bonds.

If the requirements of this bill make it harder to sell a school district's bonds because of the element of added risk they impose (e.g., the risk that the referendum result or the bond issuance may be challenged legally on the basis that the estimate was somehow not accurate) a district will likely have to offer a higher interest rate in order to sell the bonds. That could mean the bill will either make borrowing more expensive for taxpayers than it would otherwise have to be, or it could prevent a project from taking place at all if the bonds cannot be sold at the estimated interest rate.

3) The Bond Market and Interest Rates are Subject to Change

The bond market and interest rates are subject to change over time. Interest rates are determined by markets that operate nationally and internationally. As a result, rates fluctuate, sometimes going up and sometimes going down. In a rising interest rate environment, it is likely that districts will opt to err on the high side (i.e., overstate) when making these estimates in order not to underestimate these figures, which could potentially subject them to legal challenges. This will generally have the effect of inflating the interest rate and total interest costs.

On the other hand, districts sometimes refinance projects to take advantage of lower interest rates than the rates in effect at the time of the original borrowing. This could mean that taxpayers will pay less than the estimated amount of interest over time. However, because it would be difficult to predict this at the time the ballot question is approved (i.e., at the time the resolution authorizing the borrowing is approved—at least 70 days prior to the referendum ballot) voters might never be informed of such reductions.

For larger financing plans a district may stretch a series of financings out over multiple years so that the district is only borrowing what it needs when it needs it as way to lower interest costs (particularly in a declining interest rate market). When multiple financings occur over multiple years it can become even more complicated and difficult to provide the information the bill would require at the time the ballot question is finalized given the length of time before the final financing will be completed. In a declining interest rate environment, this may reduce borrowing costs. In a rising interest rate environment, the opposite could be true. This bill could eliminate this financing strategy as an option or make it riskier. In the bond market, risk translates into higher interest rates.

School board members are taxpayers within the school districts they represent. It is in the interest of the district—and the board members as taxpayers—to get the best interest rate possible on any borrowing or bonding. This bill could make that task more difficult.

SB 81: This bill eliminates recurring operating referenda and limits a nonrecurring operating referendum to no more than four years.

Recurring referenda are one tool that schools have to provide themselves with some level of predictability for financial planning purposes. Since automatic inflationary increases in revenue limits ended in 2009, there has been a lack of predictability in each state budget cycle creating increased budgetary challenges for schools.

Supporters of this bill argue one set of voters should not be able to raise school spending and taxes on a future set of voters. Future voters still have the opportunity to vote on future referenda or elect school board members who share their view on whether the school district should go to the voters for a referendum.

Supporters have also argued that many voters are unaware the recurring referenda are permanent base building for a school district. Voters and school districts do seem to grasp what it means as we have seen recurring referendum questions are less frequently asked and approved at lower rates as compared to nonrecurring and bonding. In April, of 89 questions on the ballot, five were recurring and only one of those

was approved.

This bill will exacerbate the constant cycle of referenda that schools are already experiencing and will further pull time and resources away from education purposes.

For the reasons identified above, the WASB **opposes** Senate Bills 58 & 81. Thank you for your consideration of this testimony.



Southeastern Wisconsin Schools Alliance

May 6, 2025

To: Members, Senate Committee on Education

From: Cathy Olig, Southeastern Wisconsin Schools Alliance (SWSA) Executive Director

Re: Opposition to Senate Bill 58 and 81

Thank you for the opportunity to provide testimony on Senate Bill 58 and Senate Bill 81.

I am Cathy Olig, the executive director of the Southeastern Wisconsin Schools Alliance (SWSA), representing twenty-six public school districts serving approximately 180,000 students in southeastern Wisconsin. Our members include superintendents, business managers, and school board members. I'm glad to be here with a leadership team from Kenosha Unified School District, who will speak on these two bills.

Our members strongly support transparency in school financing. When forced to go to a referendum, school districts work very hard to provide their communities with detailed information on the purpose of a referendum. The overall cost is one of the main questions that school districts receive. Districts, in partnership with outside financial experts, already provide a good faith estimate of the dollar amount difference in property taxes on a median-valued, single-family residence in their community so residents can see the estimated tax impact. This information is shared with residents through in-person meetings and information sessions, emails, webpages, flyers, local newspaper articles, videos, TV, radio, and more.

School districts need the flexibility to secure the most favorable financing terms and interest rates. Senate Bill 58 could restrict a school district's ability to obtain the best deal possible, resulting in higher costs.

Specific to Senate Bill 81, an operating referendum is the only tool available for districts to use to raise revenue for students. School district leaders take going to a referendum very seriously. Inflation impacts schools too, and public schools don't have the flexibility to raise prices.

If state funding does not fill the gap, schools must reduce investment in students or resort to a referendum. More than 82% of school districts in the state have called for a referendum since revenue limits were established in 1994. In 2024, there were 148 ballot questions for operating referenda for 131 districts. 65% of those questions passed.





Southeastern Wisconsin Schools Alliance

As you will hear from Kenosha school leaders, it takes a lot of time and effort to go to a referendum. Staff members and local taxpayers are suffering from referendum fatigue. The system creates inequities between districts, based on a community's ability to pass a referendum. Senate Bill 81 will create a constant cycle of referenda for local school districts. We would welcome alternatives to referenda, which could be addressed through the budget, but to add further requirements and costs takes focus away from finding solutions to the larger problems plaguing the school finance formula.

If the state had increased funding on par with inflation, there would be less need for districts to pursue referenda from their communities, freeing them to concentrate on student growth and achievement instead of fundraising for basic operational needs and resources.

Great public schools add to the attractiveness of the community. With adequate and equitable funding from a combination of state and local property tax funding, public schools can continue to thrive as schools of choice for families.

Please let me know if you have any questions or require additional information.





May 6, 2025

**Senate Committee on Education
Department of Public Instruction Testimony
2025 Senate Bill 81**

The Department of Public Instruction (DPI) thanks Chair Jagler and members of the committee for the opportunity to share testimony on Senate Bill 81 (SB 81).

The DPI is in opposition to SB 81.

Elected by local residents, the DPI believes that school boards are best positioned to ensure that funds are expended in accord with the needs of the community. When districts experience enrollment growth or unexpected increased costs, seeking to raise revenues beyond statutorily imposed limits via referenda is one of the only means through which school boards can address fiscal challenges without negatively impacting the educational needs of students.

Under current law, a school district can exceed its revenue limit for general school operations (beyond statutory per pupil adjustments) by receiving voter approval via referendum. With the aim of safeguarding taxpayers, SB 81 would eliminate the ability of school districts to seek a recurring, or permanent, operating referendum. It would also limit the ability of a district to utilize a temporary, nonrecurring referendum by limiting the term of a referendum to no more than four years.

School districts and elected school boards are best equipped, in collaboration with taxpayers, to determine whether a temporary, nonrecurring referendum or a permanent, recurring referendum is needed. For some communities, obtaining a base-building increase in revenue raising authority via recurring referendum is appropriate. It ensures that district revenues increase to match a growing need.

By eliminating a district's ability to increase its base revenue over the long-term, SB 81 presumes that districts are currently inappropriately utilizing recurring referenda. The table below shows the number of referendum questions, by type, on the ballots for the February 18 and April 1, 2025, elections.

Table 1. Number of Questions on Ballots, By Type*

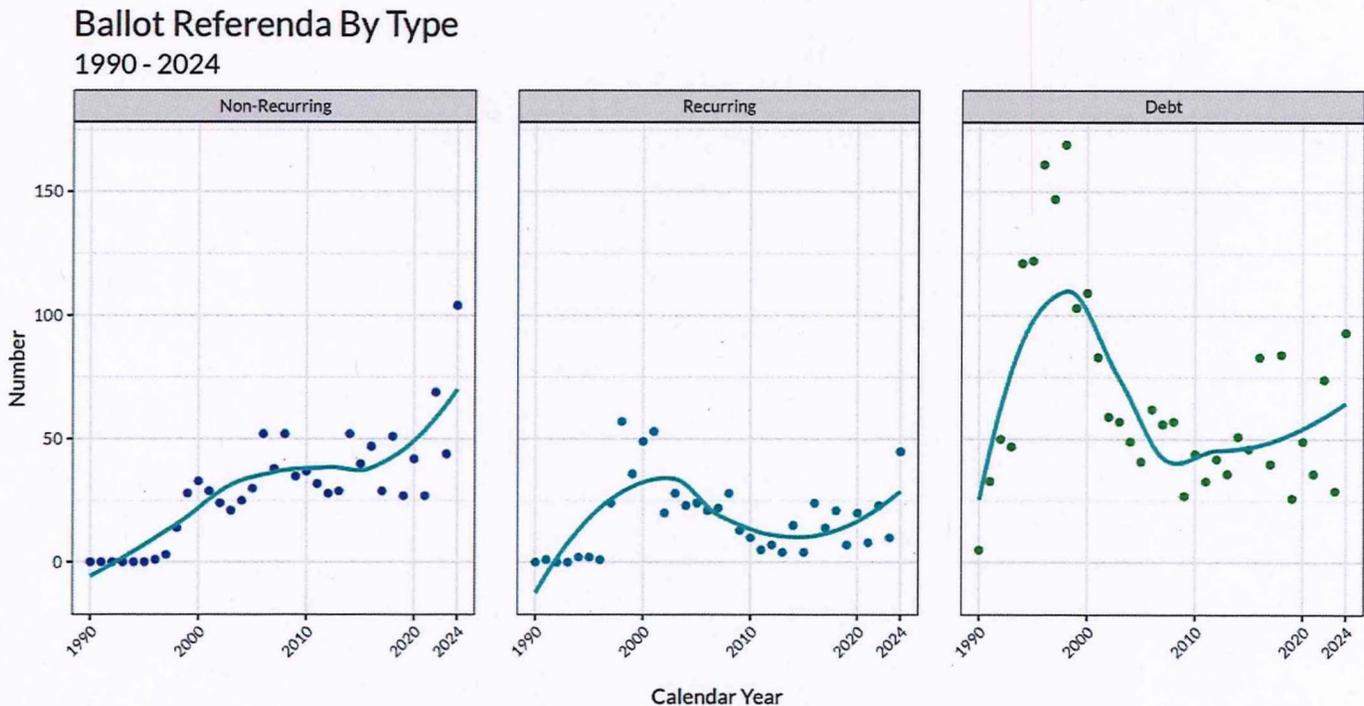
* Full details on the Spring 2025 referenda are available at <https://dpi.wi.gov/sfs/reporting/safr/referenda-info>.

<u>Referenda Type</u>	<u>2/18/2025</u>	<u>4/1/2025</u>	<u>TOTAL</u>
Issue Debt	1	31	32
Nonrecurring	4	53	57
Recurring	0	5	5
Total	5	89	94

Of those referenda questions, issuing debt accounted for a total of 34 percent, nonrecurring accounted for the majority at a total of 61 percent, and recurring was the least used, at 5 percent. This demonstrates that school boards utilize recurring referenda in limited fashion.

The types of referenda forwarded in 2025 match trends over time. In the initial years of revenue limits, school districts attempted recurring referenda in greater numbers than nonrecurring. However, this trend reversed over time and the number of nonrecurring referenda has exceeded the number of recurring referenda in all years since 2004.

Figure 1. Number of Referenda (by Type) on Ballots, 1990-2024



The Department of Public Instruction has made a reasonable effort to ensure that the accompanying information is up-to-date, accurate, complete, and comprehensive at the time of disclosure. These records are a true and accurate representation of the data on file at the DPI. Authenticated information is accurate only as of the time of validation and verification. The DPI is not responsible for data that is misinterpreted or altered in any way. Derived conclusions and analyses generated from this data are not to be considered attributable to the DPI.

Additionally, passage rates tend to be higher for nonrecurring referenda than for recurring and have been far more volatile for recurring referenda than for nonrecurring – though the gap between the two, and the volatility for recurring referenda, in passage rates has lessened over the last several years.

Senate Bill 81 also implies that districts frequently seek approval of lengthy nonrecurring referenda that remain in effect for years upon years. However, while all 2025 nonrecurring referenda questions were multi-year, 70 percent were for four or fewer years.

Table 2. Multi-Year Nonrecurring Referenda, Number of Years

<u>Statistic</u>	<u># of Years</u>	<u>Number</u>	<u>Percent</u>	<u>Cumulative Percent</u>
Minimum	2	3	5%	5%
Mode	3	20	35%	40%
Median	4	17	30%	70%
n/a	5	16	28%	98%
Max	6	1	2%	100%

Under SB 81, districts would be limited to the use of nonrecurring referenda that could only be in effect for no more than four years and be forced to persevere through continual referenda, just to meet ordinary operating costs. The constant cycle of nonrecurring referendum after referendum would foster financial instability and an inability to accurately predict district revenues. A repeated need for nonrecurring referenda also places additional administrative and financial burdens on districts, which must continually dedicate resources to the referenda resolution and election process to sustain operating revenues.

By imposing rigid standards on districts, taxpayers, and communities that fetter the collective will, SB 81 limits local control and the democratic process through which communities determine how to best meet the needs of students. Senate Bill 81 runs counter to Wisconsin's education philosophy of local control for school districts, and for this and the reasons listed above, we urge your opposition to SB 81.

Thank you for allowing DPI to share this testimony. Please direct any questions to Kim Vercauteren, Policy Initiatives Advisor, at kimberly.vercauteren@dpi.wi.gov.