April 6, 2020

Wisconsin school district leaders should be alert for possible budgetary difficulties stemming from the COVID19 public health crisis and economic slowdown. Until just recently, what appeared to be a stable and predictable budget building environment for 2020-21 is suddenly neither stable nor predictable.

Rapid deceleration of the state economy is expected to create a sharp downturn in state revenues for the fourth quarter of 2019-20, a trend which almost certainly will continue for the first two quarters of 2020-21 and perhaps well beyond. At the same time, demands on state resources are increasing substantially for all aspects of the state’s COVID19 response. Already, all eyes are on the Legislative Fiscal Bureau’s next economic forecast due in mid-May.

Until a state financial picture begins to emerge, district budget planners should exercise awareness, patience and caution concerning development of their 2020-21 budgets. Here are some of the considerations to be aware of:

Most school districts anticipate a net decrease in current year expenditures, even while keeping most or all personnel on the payroll. Categories such as substitute teachers, staff travel, and many others may be underspent this year and could create a needed financial buffer for 2020-21. Building up the General Fund balance in 2019-20 for availability in 2020-21 seems a sound strategy.

For many districts, the 2020 summer school pupil count is a critical factor in determining the 2020-21 revenue limit and subsequent year equalization aid. If restrictions related to COVID19 impact summer school 2020, districts should be prepared to account for this in their 2020-21 budget planning.

The impact of COVID19 on the short-term cash flow borrowing market for summer and fall 2020 is unknown at this point. Demand may increase nationally if states delay payments to local governments. School districts which depend on an annual cash flow borrowing should monitor this market closely and be prepared to start the process earlier than usual.

For 2020-21:
Major K-12 financial elements in the second year of the state biennium include an increase of $179 per member in the revenue limit formula and an increase in special education categorical aid from a 26% reimbursement rate to 30%. However, these elements were predicated on an assumed level of state revenue which may not be achievable. It is at least a possibility that a ‘budget repair bill’ at the state level could reduce these major budget elements.
School district budget planners should be prepared to model several revenue limit scenarios, including these three:

**Best Case:** $179 added to your revenue limit per member and 30% reimbursement rate on qualifying special education expenditures (the current plan for 2020-21).

**No Revenue Limit Increase Case:** $0 added to your revenue limit per member and 30% reimbursement rate on qualifying special education expenditures. (You may also want to model this with a 26% reimbursement rate on qualifying special education expenditures (i.e. no special education categorical aid increase).

**Worst Case:** ($50) decrease in your revenue limit per member and 26% (no increase) reimbursement rate on qualifying special education expenditures.

As you can see, a wide range of outcomes is reasonable for contingency planning at this point.

Also for 2020-21, potential new ‘catch-up’ expenditures may be incurred to support student learning. For example, extended school year (ESY), additional staff contract days, and higher operational costs associated with a longer school year. Budget planners should at least be aware of these possibilities.

Patience will be required in budget development, and with it, caution regarding locking in firm commitments on salary increases, benefit plans and even staffing levels until more is known about the state’s capacity to fund public education. It is certainly possible that a climate of financial uncertainty might extend into the summer or fall.

Finally, we are incredibly proud of the responsiveness and public spirit demonstrated by school district staff across Wisconsin during this public health crisis. Please know that we will advocate to the fullest to protect our public school students and staff.

If you have any questions, please do not hesitate to contact us.

Sincerely,

SAA Executive Leadership