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# PIERCING THE FOG

## SHEDDING LIGHT ON SCHOOL DISTRICT REFERENDA IN WISCONSIN

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## Executive Summary

This spring, more than 90 school districts around Wisconsin went to referendum. The use of referenda to fund school districts has long been a subject of controversy and confusion in Wisconsin. While arguments can be made that referenda represent the best of local democracy by allowing local taxpayers to make their own decisions, this is only the case if districts are honest with voters about exactly what referenda will cost. In this paper, we provide an overview of how referenda have been used historically around the state, and then highlight three ways that school districts around Wisconsin are “gaming the system” on district referenda. We then make suggestions for what policy makers can do about it.

The key findings of this report include:

**Referenda passage rates have generally varied between 40 and 60%.** There has been a recent upward trend in passage rates over time. In Spring of 2024, the passage rate was 58.8%.

**Since 1990, voters have approved more than \$22 billion in referendum spending.** The majority of approved spending has been on referenda allowing districts to take out loans (\$11 billion).

**The three ways districts mislead on referenda:**

- 1. Confusion about the interaction between mill rates and valuation.** Districts often use mill rates and confusion about what those mean to lead voters to believe that the tax impact of a referendum will be much lower than it actually will be.
- 2. Choosing balloon loans.** Districts choose loans where the amount they are on the hook for increases over time, potentially costing taxpayers more in the long term and masking the full scale of tax increases.
- 3. Hiding declining taxes if the referendum is not approved.** While tax rates may stay the same if a referendum is approved at the same time another referendum or tax increment financing (TIF) is expiring, districts often don’t make voters aware of how much their taxes would decline if the referendum were rejected.

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## Introduction

The role of referenda in funding Wisconsin schools has been the subject of debate for many years. Some argue that referenda are necessary for school districts to keep their doors open, while others make the case that they are examples of wasteful spending that take advantage of voter sentiments in favor of funding education.

In recent years, school-district referenda to increase funding have been passed by voters in an overwhelming majority of cases, even as more and more referenda are initiated by districts across the state.<sup>1</sup> There is concern that the referendum system in Wisconsin is being abused as an easy way to allow school districts to write “blank checks” for any use a board wishes, for which they cannot be easily held accountable. We begin with an overview of exactly what school referenda are, and data on how often and why they are being used.

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## How Referenda Work in Wisconsin

### *The Process*

School districts are held to revenue limits by the state, but the law provides districts with the authority to ask voters to approve funding exceeding that revenue limit.<sup>2</sup> The referendum process begins when a school district’s board adopts a resolution which triggers a referendum question being added to the ballot of an upcoming election.

#### **Process for Referendum:**

- 1) School board adopts resolution to issue new debt and go to referendum.
- 2) District clerk submits the referendum to the voters with at least 70 days’ notice before next election.
- 3) The referendum is scheduled for either spring or fall election dates.

Districts may not go to referendum more than twice per year.<sup>3</sup> There is no limit, however, to how much revenue a district can seek to increase their budget by via a particular referendum. With few exceptions, if a referendum is successfully added to the ballot, it must be voted on a regularly scheduled spring or fall election day. In an even numbered year, there are four: in February, April, August, and November.<sup>4</sup>

Increased school district funds secured by a referendum may be used for any purpose promulgated in the initial resolution. However, school boards often state very broad and vague purposes in such resolutions, and there is little oversight or ways to hold school boards accountable for putting funds to proper use. Referendum accountability will vary from school district to school district, but Milwaukee's recent \$252 million referendum<sup>5</sup> provides a good example of an extremely large amount of money that has been put to broad purposes for which no school board could be held to adequate account for their fund use:

*"... for the recurring purposes of sustaining educational programming, including offering career and technical education programs, attracting and retaining certified educators, and further improving art, music, physical education and language programs."*

In this example, no specific metrics are provided for how education programming will be sustained or improved, or how many new teachers will be hired. Furthermore, there is no additional reporting required for the district about how these dollars are being applied after the referendum was approved.

### *Types of Referenda*

It is important to begin by distinguishing the key types of referenda that are put before Wisconsin voters. There are three main types: Referenda to issue debt (ID), referenda to exceed the district revenue limit on a recurring basis (RR), and referenda to exceed the district revenue limit on a non-recurring basis (NR).

#### *Issue Debt (ID) Referenda*

As mentioned above, ID referenda ask voters for the authority to seek general bonds for a certain amount of funding. This type of referendum is generally utilized to finance the construction of new facilities or make changes or renovations to existing facilities. Since 1990, about 60% of referenda on Wisconsin ballots have been of the ID type.

#### *Recurring (RR) & Non-Recurring (NR) Revenue Limit Exemption Referenda*

Under Wisconsin law, each school district has a revenue limit that sets the maximum amount of money they can spend per year. This limit is set on a per-pupil basis and is adjusted based on enrollment. For example, with some exceptions for declining enrollment, a school district that has a per-pupil revenue limit of \$10,000 and an enrollment of 50 can annually collect \$500,000

in taxes for those students. Statewide per-pupil revenue limits range between \$10,007 and 24,116 depending on the district.

These limits were initially set in the fall of 1993. Since then, the legislature has raised the base revenue limits 24 times. Though districts have received these increases over time, they have effectively been locked in to a similar level of revenue relative to neighboring districts since that time. Revenue limits are the upper bound on the combination of state and local funding that a district has available to fund its school. NR and RR referenda allow districts to exceed these established limits. RR exemptions continue theoretically forever, while NR exemptions are for a set time period.

## Spring 2024 Elections

Overall in Wisconsin, 60 out of 102 referenda considered this year have passed—totaling more than \$1.02 billion in new taxes. This involved 60% of the referenda to issue debt passing, as well as 60% of non-recurring referenda passing. A lower percentage of permanent—or recurring—referenda passed, only 54%. These numbers are depicted in Table 1 along with the total number of each type of referendum that were considered.

**Table 1 Spring 2024 Referenda Passage by Type**

Type	Percent Passed (count)
Issue Debt	60.0% (35)
Non-Recurring	60.0% (45)
Recurring	54.5% (22)
Total	58.8% (102)

Referenda failed in many parts of the state. Some of those that might be less surprising to readers are in the more conservative suburban areas like Waterford High School.<sup>6</sup> In that district, more than \$90 million dollars across two referenda, designated for the construction of both athletic and regular buildings, were rejected.

A more surprising rejection might be the Beloit School District, where voters voted down a \$27 million dollar referendum, with 2,031 voting “yes” and 2,989 voting “no.”<sup>7</sup> Beloit is arguably the worst performing school district in the state, with reading proficiency of 12.1%<sup>8</sup> and doesn’t “Meet Expectations” on a report card that designed so that almost every district—including Milwaukee—can. Perhaps voters in this district have had enough, as they also rejected referendum measures in 2023.<sup>9</sup>

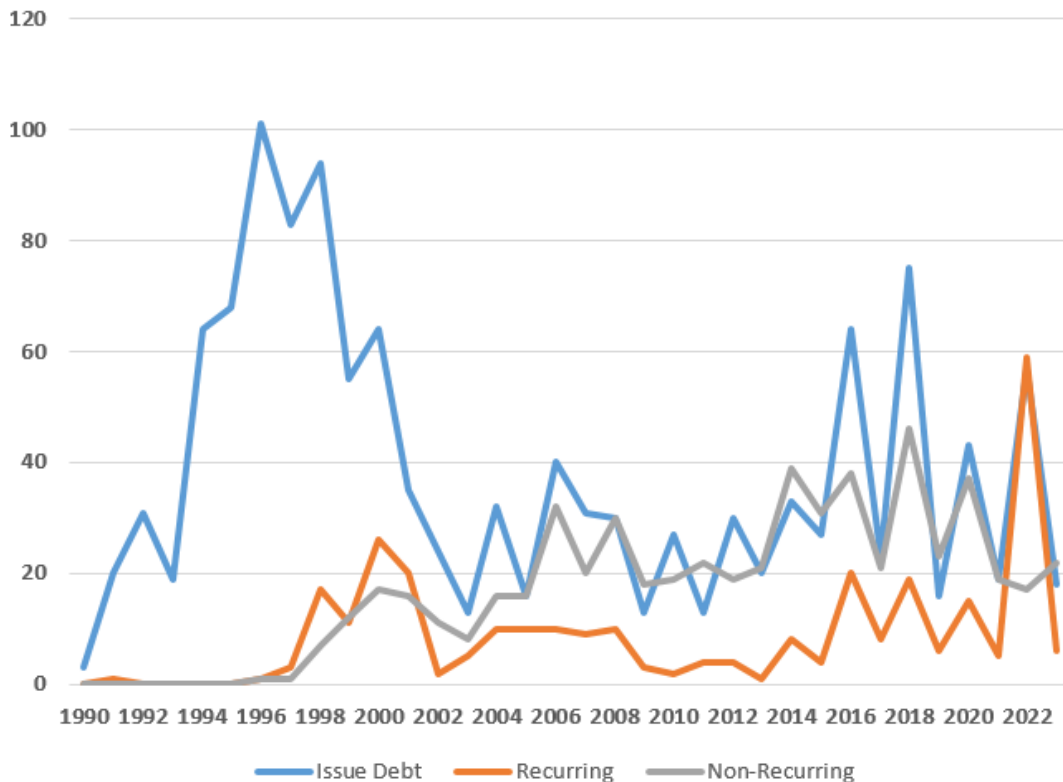
The most news coverage might have gone to Milwaukee’s \$252 million referendum, which ultimately passed with 51.0% of the vote.<sup>10</sup> One fascinating analysis of those results by John D. Johnson of Marquette University identified a phenomenon where the referendum garnered larger

margins in wealthier areas<sup>i</sup> of the city where people had fewer kids.<sup>11</sup> In some ways, this is counterintuitive. One would imagine that those with kids would have more to gain from a higher-funded school district, would be more desperate to see education in Milwaukee improved, and would consider funding a mechanism to do so. On the other hand, this may make sense when one considers that those with more kids in the city also tend to be lower-income and likely less able to afford the substantial tax increases that the referendum would cause.

## Referenda Over Time

Figure 1 shows the count of referenda by type and year dating back to 1990. A few patterns emerge from this chart. First, there appears to be a substantial spike in the number of referenda around 2014 after approximately a 20-year gap from the previous spike in the early 1990s. While it is speculation at this point, this supports the notion that districts may attempt to replace an expiring referendum with a new one since they can make the argument that “it will not raise taxes.” For example, in promoting a 2020 referendum in Racine,<sup>12</sup> the district used the description, “RUSD Referendum: Every Student. Every School. Flat Tax Rate.” No mention is made of the fact that taxes would be reduced in the absence of the referendum.

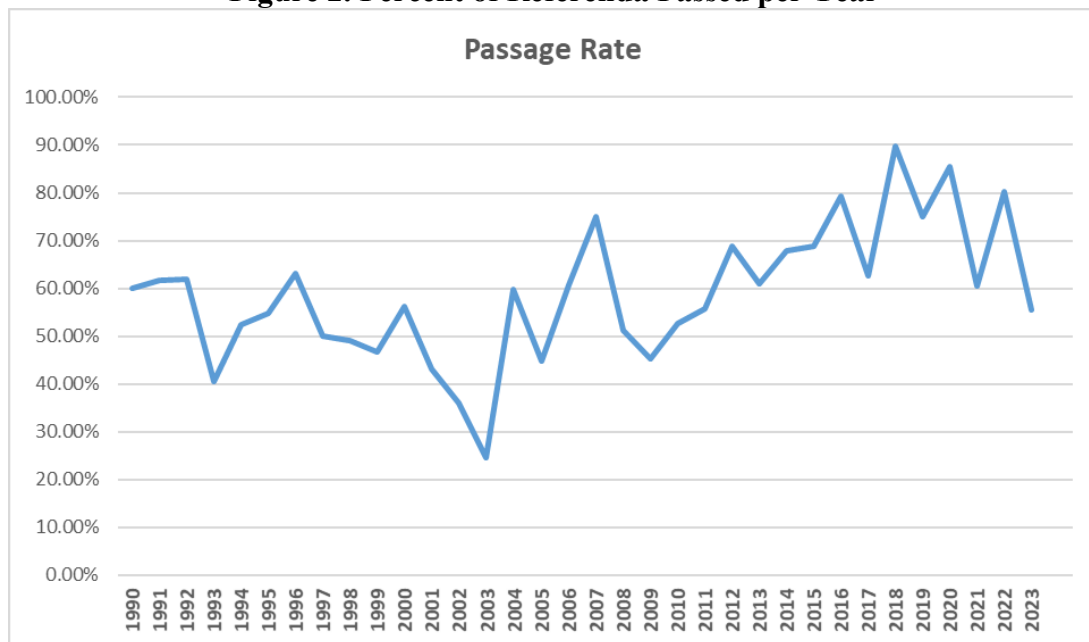
**Figure 1. Referenda by Type, 1990-2023**



<sup>i</sup> Specifically, the analysis was ward-level.

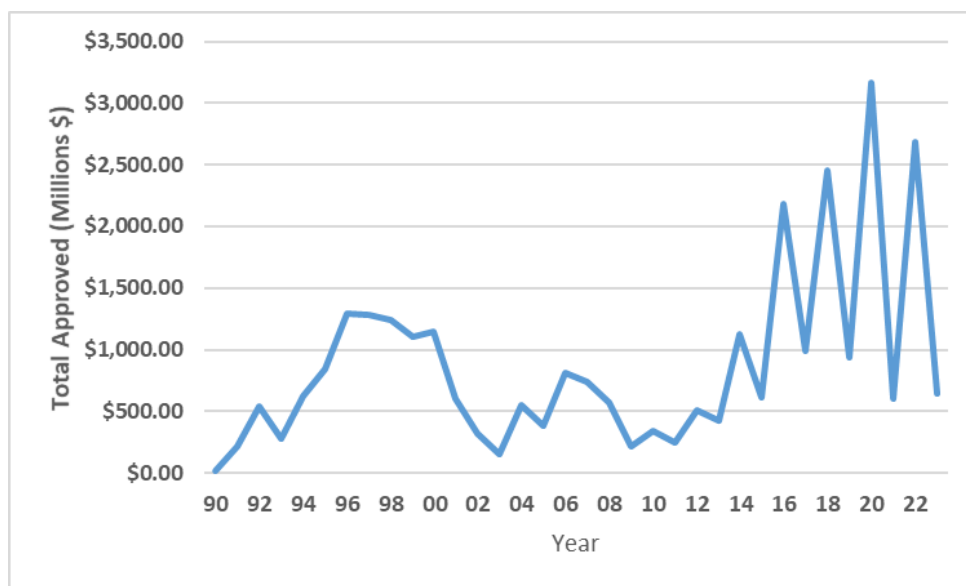
What about the passage rates of referenda? Figure 2 shows the percentage of referenda that have passed annually since 1990. In general, school districts do pretty well when they put a referendum on the ballot. While rates vary from a low of 25% in 2003 to a high of nearly 90% in 2018, the average across all the years of data is about 58.5%. There appears to be an upward tick in passage rates beginning in 2018, but more years of data would be needed to make an assessment. Passage rates did decline on the April 2023 ballot.

**Figure 2. Percent of Referenda Passed per Year**



One final way to look at the data is the amount of spending approved by taxpayers each year. Figure 3 looks at the sum total of referenda approved each year after adjusting for inflation. A general trend upward in approved costs is still observable, with similar spikes in major election years as observed in the previous two tables. In the past ten years, approved referenda have averaged more than \$1.5 billion dollars per year while in the previous decade they averaged \$480 million per year.



**Figure 3. Total Cost of Approved Referenda (Inflation-Adjusted)**

## Referenda and State Taxpayers

While most claims about referenda focus on the impact on local taxpayers, in many school districts they may not be the only ones affected. In reality, the vast majority of referenda contribute to the “shared costs” of school districts.<sup>13</sup> Shared costs are exactly what they sound like: they represent the amount of funding that state and local taxpayers will be obligated to spend funding a district’s schools for a particular school year. We will not go into a great deal of detail on the workings of school finance here. (See WILL’s Fund Every Kid report for a more detailed explanation.<sup>14</sup>) Suffice it to say that shared costs are a key component in the determination of how much aid for which a district is eligible.

For districts without a great deal of property wealth, this means that passing a referendum can make them eligible for more funding from the state. However, it is worth noting that this does not occur in wealthier districts, which will more fully bear the cost of passed referenda. Due to all the moving parts that affect the equalization aid formula, estimating the cost to state taxpayers is beyond the scope of this report. But it is important to remember that the passage of a referendum has implications for state taxpayers as well.



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## Analysis: Cost of Referenda

Since 1990, 397 school districts around the state—about 94%—have conducted at least one referendum. And for many, going to referendum isn’t a one-time occurrence: the average number of referenda conducted in these districts over the past 32 years is 4.99. Table 2 shows the amount of money approved in each type of referenda going back to 1990.

**Table 2 Total Value, Approved Referenda, 1990-2021**

Issue Debt	\$17,305,401,160
Non-Recurring	\$4,510,473,508
Recurring	\$745,331,110
<b>Total</b>	<b>\$22,561,205,778</b>

By far the largest amount of spending has been approved on referenda to issue debt. More than \$17 billion has been approved by taxpayers in this manner over the time frame of study. Non-recurring, at over \$4.5 billion, is the next largest chunk, while recurring makes up a much smaller amount at about \$745 million. In total, Wisconsin voters have approved more than \$22 billion in referenda over this time frame.

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## Three Misleading Aspects of Referenda

It is clear that referenda remain a popular choice for raising revenue for school districts around Wisconsin. But, in recent years, it has become more widely understood that school district tactics in passing referenda are not entirely honest. In order for voters to make wise decisions about whether to support a referendum, it is vital that they have all the information about what a project will do and what the impact will be on their property taxes. In this section, we highlight three ways that school districts “game the system” when it comes to explaining referenda to voters.

During the past few years, property values have increased, and so have the valuations that tax assessors place on existing homes. Obviously, this has important implications for taxpayers, as the amount they pay in aggregate property tax is based on both the mill rate and how much the home is assessed to be worth.

A key point to understand is the relationship between district revenue limits, property valuation, and the mill rate. A couple definitions are provided here for clarity.

**Mill rate:** The mill rate is the amount of property tax that a homeowner will pay based on a certain rate per \$1,000 of property value. The amount that a homeowner owes in taxes can increase even if the mill rate stays the same if their home value increases.

**The district revenue limit:** The revenue limit determines how much money a district is able to raise as a combination of state and local financing for the year. The revenue limit is a fixed amount, tied back to what districts were spending when revenue limits were first instituted in the 1990s. The formula is complex, but for our purposes it is sufficient to understand that as property values in a district increase, mill rates decrease to keep the district under that revenue limit. The approximate tax bill for property owners, though, remains the same.

To see how this works, consider a district with a total allowable tax levy of \$2,000,000 and a total property value in year one of \$250,000,000. The mill rate for this district would be simply the total levy divided by the property value times 1,000 (to put the number into amount per \$1,000):

$$\frac{2,000,000}{250,000,000} \times 1,000 = 8.00$$

With no other changes, an increase in the total property value of the district by 20% to \$300,000,000 would lower the mill rate:

$$\frac{2,000,000}{300,000,000} \times 1,000 = 6.67$$

Since other variables are held constant, with the district still receiving the same revenue (i.e. the amount at the limit) from the same number of taxpayers, the amount of money that each individual is paying in property taxes will remain exactly the same.

### **Problem 1: Misleading Use of the Mill Rate**

There is a key exception to this formulation if the amount of allowable tax levy goes up via referendum. If a majority of voters in a district vote in favor of a referendum, the district is able to exceed the revenue limit and raise more funds. In a time of increasing property values, districts often focus on the mill rate in their advocacy materials to make the referendum appear like it will have less of a tax impact than it will have. Districts often suggest, and sometimes even directly communicate to voters (as in the Monroe example below), how mill rates translate to the net tax impact, even though that does not tell the whole story and is often misleading—one must consider both the mill rate and the property value in order to determine what will happen with taxes.

To illustrate the confusion for voters, consider a hypothetical home valued at \$300,000 in the year prior to the referendum. If the mill rate is \$9.10 per \$1,000 of property value, this home would pay \$2,730 under the old tax rate:

$$\frac{300,000}{1000} \times 9.1 = 2,730$$

If the proposed referendum increased the tax rate to \$9.20 per \$1000 of property value and the valuation of the home didn't change, taxes would increase by approximately \$30 on the home to \$2,760:

$$\frac{300,000}{1,000} \times 9.2 = 2,760$$

$$\text{Net Tax Change: } \$2,760 - \$2,730 = \$30$$

This is the information that has often been presented to taxpayers—an increase in their tax bill of about \$30 from approving the referendum. But the situation changes significantly with only moderate increases in home value. In our hypothetical, imagine now that the value of the home goes from \$300,000 to \$350,000. Without an approved referendum, the mill rate for a community would drop. However, a referendum will allow the district to maintain or increase mill rates on higher valued property. Using the same calculation as above, the homeowner would now be subjected to a total tax of \$3,220, and a true increase in their tax bill \$460 higher than if the valuation hadn't changed:

$$\frac{350,000}{1,000} \times 9.2 = 3,220$$

$$3,220 - 2,730 = 490$$

**Difference caused by valuation:**  $490 - 30 = \$460$

Because home values are almost always increasing, many taxpayers around the state have faced surprise tax bills. In one recent example from the Monroe School District, the district projected that a new referendum would raise taxes by about \$13 for a \$100,000 home:<sup>15</sup>

**What will the referendum cost?**

*This answer has been updated to reflect the 2022-23 revenue limit and state aid allocations released by the DPI on October 15. The new projected levy rate with a passed referendum would be \$9.33, a 13 cent increase from the 2021-22 levy rate of \$9.20. A levy rate increase of \$.13 would equate to \$13 for a \$100,000 home and \$26 for a \$200,000 home.*

However, because of valuation changes, the true increase in taxes was 10 to 15 times that. In many instances, this leads to homeowners paying significantly more than they expected to pay.<sup>16</sup> One homeowner, expecting an increased tax bill of about \$39, was shocked to find an increase of \$677.<sup>17</sup>

## **Problem 2: Balloon Payments**

As most people could tell you from their personal finances, taking out loans with payments that balloon in several years is almost never a good idea. Consequently, most personal loans are set up such that the average monthly payments stay the same even as the amount you're paying in principal and interest changes over time. However, many school district referenda are not set up in this way. Instead, they create “ballooning” payments that may mislead taxpayers into not considering the full cost that they are agreeing to. One recent example of this is found in a referendum from the Augusta School District displayed in Figure 4.

**Figure 4. Hypothetical Referendum Plan**

			November 2022 Referendum		
			<b>\$10,500,000</b>		
			G.O. REFUNDING BONDS <sup>(a)</sup>		
			Dated March 1, 2023		
			(First interest 9/1/23)		
LEVY YEAR	YEAR DUE		PRINCIPAL (3/1)	INTEREST (3/1 & 9/1) EST AVG= 4.75%	TOTAL
2022	2023				
2023	2024		----- \$135,000	\$246,169	\$381,169
2024	2025		\$90,000	\$490,200	\$580,200
2025	2026		\$195,000	\$483,431	\$678,431
2026	2027		\$220,000	\$473,575	\$693,575
2027	2028		\$230,000	\$462,888	\$692,888
2028	2029		\$240,000	\$451,725	\$691,725
2029	2030		\$250,000	\$440,088	\$690,088
2030	2031		\$260,000	\$427,975	\$687,975
2031	2032		\$275,000	\$415,269	\$690,269
2032	2033		\$290,000	\$401,850	\$691,850
2033	2034		\$300,000	\$387,838	\$687,838
2034	2035		\$320,000	\$373,113	\$693,113
2035	2036		\$330,000	\$357,675	\$687,675
2036	2037		\$775,000	\$331,431	\$1,106,431
2037	2038		\$815,000	\$293,669	\$1,108,669
2038	2039		\$850,000	\$254,125	\$1,104,125
2039	2040		\$895,000	\$212,681	\$1,107,681
2040	2041		\$935,000	\$169,219	\$1,104,219
2041	2042		\$985,000	\$123,619	\$1,108,619
2042	2043		\$1,030,000	\$75,763	\$1,105,763
2043	2044		\$1,080,000	\$25,650	\$1,105,650
			\$10,500,000	\$6,897,950	\$17,397,950

\*May be preceded by Bond Anticipation Note.

Note: Planning estimates only. Significant changes in market conditions will require adjustments to current financing illustration. If interest rates move higher, the interest cost will be higher.

In year one, the district is paying a total of \$381,169. But, by 2036, the district will be paying \$1,106,431—a 190% increase in the payment. Moreover, this payment setup means the total cost to taxpayers is nearly \$7 million more than the \$10.5 million principal. There are a number of reasons that a district could want to finance in this way. It is possible, for example, that the district has another referendum whose payments are coming to an end and will have more money available to make payments at that point. But it is also possible that this represents an effort to hide the true cost of the proposal from taxpayers, who may pay less attention to the far away years than closer future years.

In Augusta, most marketing material was focused on the changes to the mill rate in the first year of implementation, with little said about the total, long-term cost to taxpayers. An example of one such piece of marketing is reproduced below. Note that the district focuses solely on the baseline cost of the referendum, rather than the total cost that includes the interest the district will owe through this payment setup:

### Augusta Area School District Residents,

This November, the Augusta Area School District will ask you to vote on two questions:

1. **\$10.5 Million Capital Referendum** to address maintenance repairs and classroom additions.
2. **\$4.5 Million Capital Referendum** to build a new Elementary School gymnasium.

If both questions are approved, your support will help with:

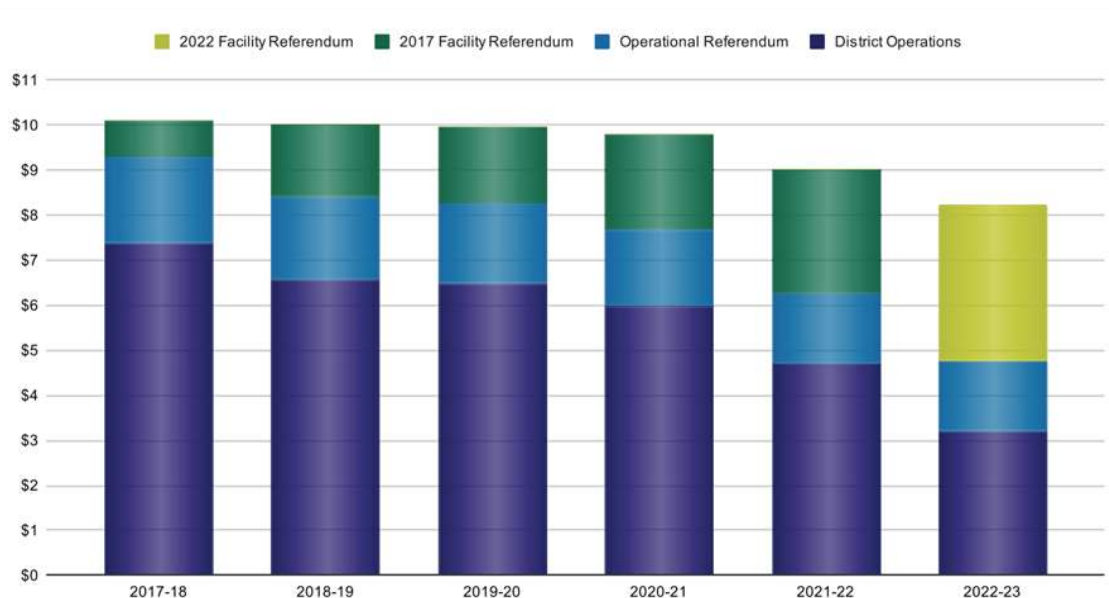


The 2021-22 mill rate for the Augusta Area School District was \$9.68. If the \$10.5 million question is approved the mill rate will stay at **\$9.68** for 2022-23. If both questions are approved, the mill rate will rise to **\$10.08**, an increase of \$0.40. This equates to an increase of \$40 per \$100,000 property value.

### Problem 3: Hiding Tax Reductions if Referenda is Not Approved

While this is not explicitly lying to voters, many are not clear about what will happen to their taxes if an expiring referendum is *not* replaced, or if a TIF District comes to an end. Voters should be made aware—probably in the text of the referendum—of the extent to which tax rates could be cut if the referendum was not passed. For example, the Green Bay Area School District includes this graphic in Figure 3 on a page advocating for a referendum in November 2022.<sup>18</sup>

Figure 5. Green Bay Area Public Schools Graphic



The district claims that taxes will be lower than before with the passage of the 2022 referenda, as a 2017 referendum is coming to an end. While this is true, what is not made clear to voters is that if the referendum is not passed, the mill rate would drop by about \$4 rather than \$1 if the referendum is passed. Referenda should be explicit that they result in a tax increase, even if one

referendum is replacing one that is expiring.

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## Policy Recommendations

Referenda in Wisconsin remain an important part of the overall picture of student funding. But while public school advocates like to make the case that referenda are a clear expression of the desire of voters for more public education spending, this can only be true if the referendum process is open and transparent for voters. Below we propose a number of reforms to ensure that is the case.

### Transparency in Advocacy and Materials

Most (if not all) school districts conduct public awareness campaigns that may not paint the full picture. Districts should be required to include the following information when presenting a referendum to voters:

1. The estimated net tax impact per \$100,000 of value.
2. The estimated total cost of a capital referendum with principal and interest.
3. A disclosure of how much tax rates would decrease if the referendum is not passed.

These facts should be required to be displayed as prominently as any facts that are supportive of the proposed referendum. WILL has crafted model legislation that could be used to make this change, found in the appendix to this paper.

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## Conclusion

Referenda can be an important tool for direct democracy when used properly. The results here show the incredible amount of money that has been spent on referenda in the last several decades, and that such proposals are generally popular with voters. But in order for voters to make smart decisions on whether to vote for a particular proposal, it is important that they are armed with all of the necessary information. The policy changes proposed here can help ensure that the voters are fully informed.

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## Endnotes

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<sup>1</sup> <https://www.wpr.org/wisconsin-voters-approved-84-percent-school-referendums-election>

<sup>2</sup> Wis. Stat. § 121.91 (3).

<sup>3</sup> Wis. Stat. § 67.05 (6a) (a) 2. a.

<sup>4</sup> <https://dpi.wi.gov/sfs/referenda/overview>

<sup>5</sup> <https://wisconsinwatch.org/2024/03/milwaukee-public-schools-referendum-ballot-property-taxes-fact-brief/>

<sup>6</sup>

[https://docs.google.com/spreadsheets/d/1Hh8T\\_5sTqf4WX0aIrUVXzroTVKKl3iyJbFy9n2EbbpI/edit#gid=1997538076](https://docs.google.com/spreadsheets/d/1Hh8T_5sTqf4WX0aIrUVXzroTVKKl3iyJbFy9n2EbbpI/edit#gid=1997538076)

<sup>7</sup> [https://www.beloitdailynews.com/news/local-news/beloit-voters-reject-referendum-elect-new-members-to-city-council-school-board/article\\_a46b4c34-f12e-11ee-8c4e-fb644857a6fa.html](https://www.beloitdailynews.com/news/local-news/beloit-voters-reject-referendum-elect-new-members-to-city-council-school-board/article_a46b4c34-f12e-11ee-8c4e-fb644857a6fa.html)

<sup>8</sup> <https://wisedash.dpi.wi.gov/Dashboard/dashboard/19948>

<sup>9</sup> <https://www.wclo.com/2023/04/05/beloit-superintendent-reacts-to-failed-referendums/>

<sup>10</sup> <https://law.marquette.edu/facultyblog/2024/04/highlights-from-the-2024-spring-election-in-milwaukee-county/>

<sup>11</sup> <https://law.marquette.edu/facultyblog/2024/04/highlights-from-the-2024-spring-election-in-milwaukee-county/>

<sup>12</sup> <https://rusd.org/sites/default/files/uploads/2020Referendum/Sheets/2020%20Referendum%20General%20Fact%20Sheet%20English.pdf>

<sup>13</sup> [Estimate Your Own Equalization Aid | Wisconsin Department of Public Instruction](#)

<sup>14</sup> [FundEveryKidv101.pdf \(will-law.org\)](#)

<sup>15</sup> <https://www.monroeschools.com/district/referendum-q-and-a.cfm>

<sup>16</sup> <https://will-law.org/will-supports-monroe-voters-taxpayers-urges-school-district-to-redo-misleading-referendum/>

<sup>17</sup> [https://www.channel3000.com/news/education/i-feel-we-were-misled-the-aftermath-of-a-school-referendum-in-monroe/article\\_087175c4-9ab7-5d9b-8f8d-9ab0f1b40a21.html](https://www.channel3000.com/news/education/i-feel-we-were-misled-the-aftermath-of-a-school-referendum-in-monroe/article_087175c4-9ab7-5d9b-8f8d-9ab0f1b40a21.html)

<sup>18</sup> [Referendum 2022 - Green Bay Area Public School District \(gbaps.org\)](#)