



For release:  
June 21, 2024

**Contact:** Mark Sommerhauser, Communications Director & Researcher  
(608) 982-0324 or [msommerhauser@wispolicyforum.org](mailto:msommerhauser@wispolicyforum.org)

## Upcoming Budget Finds Madison School District at Fiscal Crossroads

*Fate of likely referenda is key question in determining the district's next spending plan*

Its upcoming budget finds Madison Metropolitan School District (MMSD) at a fiscal crossroads, with district leaders facing a projected shortfall of \$39 million – and mulling whether to ask voters to approve two property tax referenda that are unprecedented in size and scope in district history.

Approaching the 2024-25 year (the 2025 fiscal year), MMSD finds it can no longer rely on two previous financial lifelines that provided revenue increases in previous budgets: federal pandemic aid and the 2020 referendum. This, combined with rapid inflation and state caps on district revenues, has MMSD leaders contemplating a historic request to voters on the November ballot, the Wisconsin Policy Forum's annual review of the budget finds.

MMSD leaders are expected to ask voters to consider a \$100 million referendum to increase district operating revenues over four years, and a second ballot question to authorize up to \$507 million to renovate or replace some of its middle and elementary schools. If both are approved, these referenda would help address the district's ongoing operating challenges and aging portfolio of buildings. The impact on taxpayers also would be significant: by 2028, the referenda would increase property tax bills by \$1,376 on the average value Madison home.

### Addressing budget shortfall

With the fate of both referenda still undecided, the district's 2025 starting budget proposal does not include additional revenue from either of them. The budget projects a \$22.3 million, or 4.4%, decline in operating revenue coupled with a modest operating spending increase of \$2.5 million, or 0.5%.

These and other factors leave the district with a potential 2025 shortfall of \$39 million, which the budget would address in part by tapping roughly half of the district's estimated reserves at the end of this year. This could draw down the district's total reserves below its target range of between 10% and 15% of annual operating spending.

In one bright spot for the district, its previously declining enrollment appears to have stabilized for now – a crucial development because student enrollment serves as a key input in the state formula limiting the core revenues that school districts may collect. Despite declining enrollment in recent years and a decline in inflation-adjusted revenues that would occur if the operating referendum does not pass, the proposed budget would add 107.3 full-time equivalent positions while retaining all 110.9 positions previously funded by temporary federal pandemic relief aid. That would bring the district's total positions to 4,192, the largest number of MMSD staff since at least 2013.

## Comparing revenues to other districts

Madison voters are no strangers to referenda to fund schools: Since 1999, they have approved seven of eight referenda to increase MMSD's operating budget and their own property taxes, rejecting only a single measure in 2005. If the new potential operating referendum were to pass in November, it would add roughly \$3,817 per pupil to the MMSD revenue limit by 2028. This would raise the total limit for Madison schools to more than \$19,000 per pupil, which – absent referenda by other districts – would vault its per-pupil revenue limits above all other large Wisconsin districts, as well as neighboring districts in Dane County. It is worth noting, however, that MMSD serves more vulnerable students than surrounding suburban districts and as a result has higher costs.

In considering a potential operating referendum in November, Madison voters also may want to consider how the amount of per-pupil revenue allowed under the district's revenue limit has changed over time. Over the past two decades, Madison's total revenue limit and related state aid grew at roughly the rate of inflation, in part because of referenda. However, the district has faced challenges since 2021. Despite its 2020 operating referendum, declining enrollment and recent rapid increases in consumer prices have caused core district revenues to fall on an inflation-adjusted basis.

## Aging buildings pose key question

With many MMSD school buildings more than a half century old, additional spending on capital projects is inevitable but district leaders still must decide how much. The likely capital referendum is based on a \$507 million plan that would include \$443 million to fund either renovation or replacement of five middle school buildings (which also house an attached high school and two elementary schools) and an additional \$64 million to renovate two more elementary schools.

Voters and MMSD officials may wish to explore whether district enrollment trends support upgrading each of these district schools, given that some are being used well below their capacity and enrollment is currently projected to fall in the coming years. For its school buildings, the district typically targets a 90% utilization rate – a figure calculated by dividing the actual enrollment in a building by the number of students that can be educated in the facility. Four of the middle schools that would be replaced or renovated under the plan have utilization rates of less than 60%.

## Impact could reach far beyond Madison

Should MMSD place the two potential referenda before voters this November, the impacts are likely to extend beyond the district. Since 2011, the state has imposed tight limits on school district revenues, which – combined with declining enrollment – have put considerable pressure on K-12 budgets. Starting in 2016, districts have increasingly relied on referenda to help manage these pressures, but were generally cautious about their requests to voters.

Now, the anticipated record referenda in Madison, together with large measures approved narrowly in both Milwaukee and Racine, suggest that state revenue limits may not be exercising the same firm control over school funding and local property taxes that they once did.

"It remains to be seen," the budget brief concludes, "how voters and lawmakers will react to this emerging change." [Click here](#) to read the full report.

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