

Community Update: Understanding School Finance & Why PEASD Is at a Crossroads

1. The Historical Context: The 1993 State Revenue Limit

To understand where PEASD stands today, it is helpful to look back at 1993, when the Wisconsin Legislature instituted a strict revenue limit on public school districts via [Wisconsin Act 16](#).

- **How the Limit Works:** Under the [Wisconsin Department of Public Instruction Revenue Limit Formula](#), a district's primary operational funding—combining local property taxes and state general equalization aid—is capped at a fixed dollar amount per student.
- **The "Locked-In" Gap:** When revenue limits were created in 1993, each district's limit was based on its existing spending at that time. Frugal and lower-spending school districts were locked into lower baseline revenue limits, creating long-term structural funding disparities across the state.

2. The Current Challenge: Inflation vs. Funding Caps

For decades, state adjustments to per-pupil revenue limits generally kept pace with economic growth. Over the last decade, however, state revenue limit adjustments have fallen significantly behind the rate of inflation.

- **Fixed Costs Are Rising:** Expenses outside district control—such as heating, diesel fuel, insurance premiums, software licenses, and educational materials—have increased sharply due to broader inflationary pressures.
- **Special Education Underfunding:** Federal and state mandates require school districts to provide comprehensive special education services, but state reimbursement rates cover only a portion of those costs. As a result, districts must transfer funds from general operations to meet these statutory special education requirements.
- **The Revenue Cap Remains Fixed:** Because the state limits total per-pupil revenue, PEASD cannot simply adjust its budget to match rising operational expenses without explicit voter authorization.

3. Why PEASD Is at a Financial Crossroads

Over recent budget cycles, PEASD has taken proactive measures to balance its budget internally, including:

- Streamlining administrative and operational staffing models.
- Restructuring health insurance and employee benefit plans.
- Deferring non-essential facility maintenance and equipment purchases.
- Redesigning programs to maximize cost efficiencies.

Because the district has already reduced costs to operate as leanly as possible, continuing to bridge the gap through cuts alone would directly impact core educational programs, course offerings, and class sizes.

4. The Path Forward: Operational Referendums in Wisconsin

Under state law, the only legal mechanism available for a community to allow its local school district to exceed the state revenue cap is an **operational referendum**.

When state funding caps fall short of the actual cost of operating schools, local school boards must ask their communities to decide whether to authorize local tax support to maintain district operations. This November, PEASD residents will have the opportunity to vote on whether to authorize an operational increase of **\$797,000** annually.