



# School District of New Berlin

Budget Balancing Task Force



# Wisconsin Association of School Boards



Facilitator: Roger Price

[rprice@wasb.org](mailto:rprice@wasb.org)

## WASB Scope of Services

Assist Board in evaluating applications for the committee with the goal of balanced membership, providing facilitation of the task force sessions, assisting in preparation and presentation of materials, and generally guide discussion and debate in a respectful manner to assure full participation opportunities for all members.

# Agenda

August 13, 2019

6:00 p.m.

New Berlin West Learning Commons



# Agenda

- *Review of Charge*
- School District of New Berlin Financial History (what do you know?)
- *Homework*
- History & Legal Framework
- *Investing in Wisconsin Public Schools*
  - Revenue Sources
  - Expenditures
- Overview of School Finance

# Review of Charge

The Task Force is charged with learning about school finance, receiving information about the SDNB's budget and current/future financial status and, ultimately, presenting budget recommendations to the School Board this fall.

School District of New Berlin  
Financial History  
(what do you know?)



---

# 2018-19 Highlights

- ❖ One of just 49 (out of 422) districts in Wisconsin to “significantly exceed expectations on the Department of Public Instruction accountability report card
- ❖ Eisenhower, West- 5th and 16th in state on 2019 Best High Schools list *U.S. News & World Report*
- ❖ 2018-19 graduating class earned more than \$4.2 million in scholarships



---

# 2018-19 Highlights

- ❖ National Project Lead the Way Teacher of the Year: Devin McKinnon, Eisenhower
- ❖ Many more district, school and student awards and recognition in academics, athletics, theatre and more





---

# Past Strategic Decisions

---

# Past Strategic Decisions

- ❖ 2011 - Refinanced Wisconsin Retirement System  
Prior Service Obligation
  - Has resulted in savings of \$40+ million
- ❖ Act 10 savings since 2011
  - Changes in health insurance plans, resulting in \$14+ million in savings
  - Employees pay 50% of retirement costs
  - Employees share in costs for medical benefits

# Past Strategic Decisions

- ❖ Upgrades done within operating budget:
  - safety/security enhancements and upgrades
  - Americans with Disabilities Act compliance
  - Eisenhower classroom improvements (engineering / science labs, etc.) and pool replacement

# Past Strategic Decisions

- ❖ Reduced administration, support services, central office and teaching staff to match enrollments
- ❖ Closed, sold Glen Park Elementary; sold other properties
- ❖ Energy-saving initiatives
- ❖ Restructured custodial, library services

# Actions Taken to Balance 2018 -19 Budget

- ❖ Froze funding: long-range facility maintenance and remodeling plan and longrange equipment replacement plan
- ❖ Through restructuring, attrition and general reductions, eliminated staff positions across district, cutting more than \$600,000 (salary and benefits)
- ❖ Reduced expenditures by providing 1 percent staff raise - half originally budgeted amount- and administrators zero raise

# Actions Taken to Balance 2018 -19 Budget

- ❖ Refinanced debt- average savings of \$201,250 annually for four years
- ❖ Changed health care benefit offerings for \$500,000 annual savings
- ❖ Further defunded buildings and grounds and curriculum and instruction budgets by \$150,000 each

# 2019 Operational Referendum

- ❖ Asked community for \$25 million over 5 years to:
  - Erase structural deficits by paying down debt;
  - remain proactive in funding of long-range plans
  - pay employees fair and competitive wages to attract and retain high-quality staff
  
- ❖ No: 6,196 (52.7%) | Yes: 5,572 (47.3%)

# Actions Taken Entering 2019 -20 Budget Cycle

- ❖ Further reduced staff by approximately 10 positions, reducing expenditures by \$860,000
  - Instructional coaches
  - Digital learning coordinator
  - Wellness coordinator
  - District office staff
  - Maintenance
- ❖ Reduced originally budgeted staff wage increase from 3% to 2%



# Actions Taken Entering 2019 -20 Budget Cycle

- ❖ Entered Solar Now pilot- estimated \$94,000 annual revenue
- ❖ Received \$53,700 mental health grant (for both (2019-20 and 2020-21)

---

# 2019-20 Annual Budget

---

---

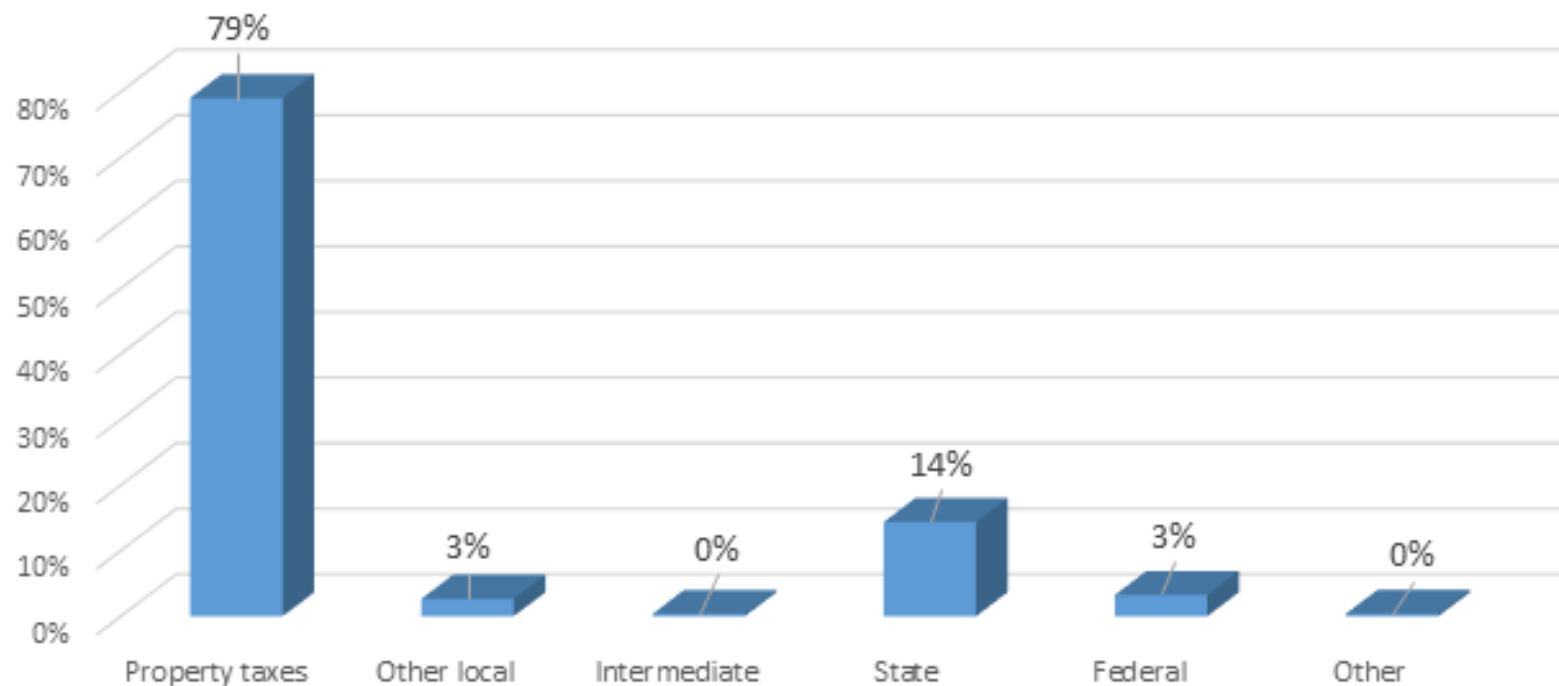
# Budget Assumptions - Revenue

- ❖ State will allow for an increase in per pupil revenue limit authority of \$150
- ❖ Board of Education approved a series of increases in student fees parking, athletics participation and raise per family maximum for a total estimated net income of \$140,000

Note: Above reflects preliminary budget approved by Board of Education- May 28, 2019

---

General Fund Revenues by Source



---

# Budget Assumptions - Enrollment / Staffing

- ❖ Revenue limit membership projected to increase 6 students
- ❖ Licensed educator staff to support classroom teachers reduced by 4 FTE (instructional coaches)
- ❖ Classroom teachers will be reduced by 2 FTE to align staffing with enrollment and available resources
- ❖ General support staff in business office will be reduced by 3 FTE

Note: Above reflects preliminary budget approved by Board of Education- May 28, 2019

---

---

## Additional Staffing Info

- ❖ Over summer, reduced elementary associate principal position following resignation (going from 4-3 for 2019-20)
  - Backfilling with lead teacher on assignment
  - Estimated savings of \$37,000
- ❖ Reduced one secondary counselor position following resignation (going from 7 to 6 for 2019-2020).
  - Estimated savings of \$75,000

Note: Above NOT reflected in preliminary budget approved May 28, 2019

---

---

# Budget Assumptions - Expenditures

- ❖ Zero funding for long-range facility maintenance and remodeling plan (third straight year)
- ❖ Zero funding for long-range equipment replacement plan (third straight year)
- ❖ Funding for digital learning equipment to continue as planned
- ❖ Employees will receive a 2% general wage increase plus additional compensation for merit and market

Note: Above reflects preliminary budget approved by  
Board of Education- May 28, 2019

---

---

# Budget Assumptions - Expenditures

- ❖ Costs for medical coverage will remain unchanged
- ❖ District will provide a donation to the New Berlin Education Foundation (does not affect structural deficit)
- ❖ Curriculum and instructional support will be reduced further deferring opportunities for updates

Note: Above reflects preliminary budget approved by Board of Education- May 28, 2019

---



---

# Budget Assumptions - Expenditures

- ❖ Buildings and grounds cleaning services will be contracted
- ❖ District facilities and operations to invest in software upgrade to allow for future staffing efficiencies
  - Funds for this upgrade are provided from a segregated source and are not part of structural deficit

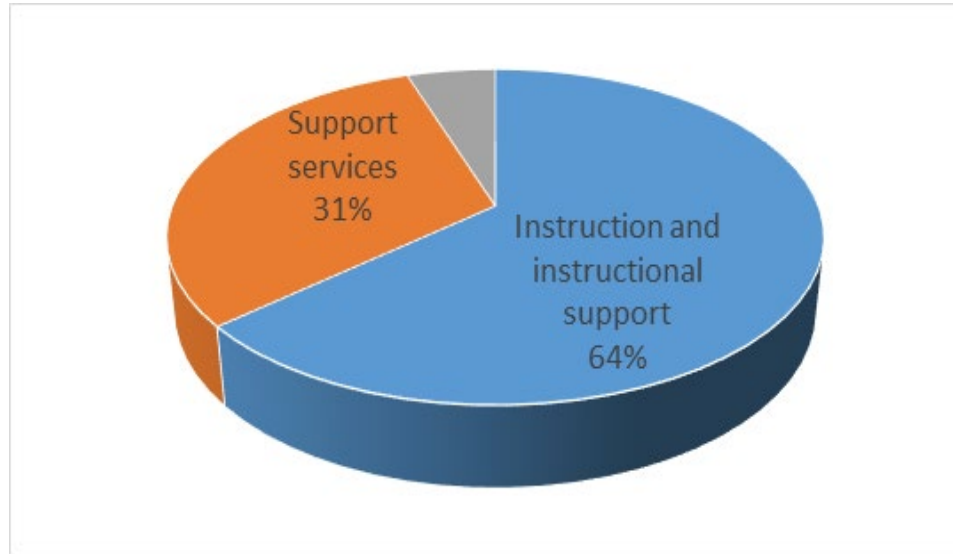
Note: Above reflects preliminary budget approved by Board of Education- May 28, 2019

---

---

# Budget Assumptions - Expenditures

Total Expenditures in General & Special Education Fund \$56,893,825



---

# Tax Levy / Impact

---

---

# Property Tax Levy

❖ 2018-19 Tax Levy	\$50,791,524
❖ 2019-20 Proposed Tax Levy	\$49,926,990
❖ Levy Change	-\$864,534
❖ Percentage Change	-1.7%
➤ Nearly 4% below rate of inflation	
➤ Decrease caused in part by reduction in long-term debt (Elmwood referendum)	

---

---

# Property Tax Rates

- ❖ 2018-19 Tax Rate \$10.21 / \$1,000
- ❖ 2019-20 Estimated Tax Rate\* \$9.74 / \$1,000
  - Estimated decrease of \$116 gross school tax levy on home valued at \$250,000 (\$2,551 current to \$2,435 estimated)

\* Assumes 3% percent increase in property values

---

---

# Estimated Tax Levy / Impact

## 10 YEAR TAX LEVY HISTORY

SCHOOL YEAR	EQUALIZED VALUE (Tid out)	CHANGE	TAX LEVY	CHANGE	TAX RATE per \$1000 EQUALIZED	CHANGE
2009-10	4,478,311,693		44,230,997		\$9.88	
2010-11	4,387,266,137	-2.03%	45,957,743	3.90%	\$10.48	6.06%
2011-12	4,360,177,398	-0.62%	45,278,754	-1.48%	\$10.38	(0.87%)
2012-13	4,212,589,405	-3.38%	46,356,030	2.38%	\$11.00	5.97%
2013-14	4,159,800,176	-1.25%	47,490,440	2.45%	\$11.42	3.75%
2014-15	4,328,411,397	4.05%	49,142,016	3.48%	\$11.35	(0.55%)
2015-16	4,428,088,120	2.30%	49,692,034	1.12%	\$11.22	(1.16%)
2016-17	4,566,665,526	3.13%	50,973,224	2.58%	\$11.16	(0.53%)
2017-18	4,779,770,578	4.67%	51,745,449	1.51%	\$10.83	(3.01%)
2018-19	4,977,053,088	4.13%	50,791,524	-1.84%	\$10.21	(5.73%)
2019-20	5,126,364,681	3.00%	49,926,990	-1.70%	\$9.74	(4.57%)

---

---

# Structural Deficit

---

# Structural Deficit

A condition when the projected increase in costs exceeds the projected increase in revenues

- ❖ State school funding formula caps revenues
- ❖ Decreasing enrollment
- ❖ Debt within operating budget
- ❖ Full employment results in higher labor costs
- ❖ Teacher free market results in higher labor costs



---

## Structural Deficit

# 2019-20: \$697,578

- As a result of staffing cuts, fee increases, and other budget adjustments, we've reduced this amount substantially over the last 12 months
- Does not include approximately \$3.5 million in unfunded longrange plan needs

Note: Above reflects preliminary budget approved by Board of Education

- May 28, 2019

---

---

# Structural Deficit

## Further Actions / Considerations (since prelim. budget approved in May)

- State funding increases
- Continual staffing adjustments
- Potential surplus from better-than-expected health insurance expenses
- Eisenhower wall project
- Healthcare at Work cost-savings potential

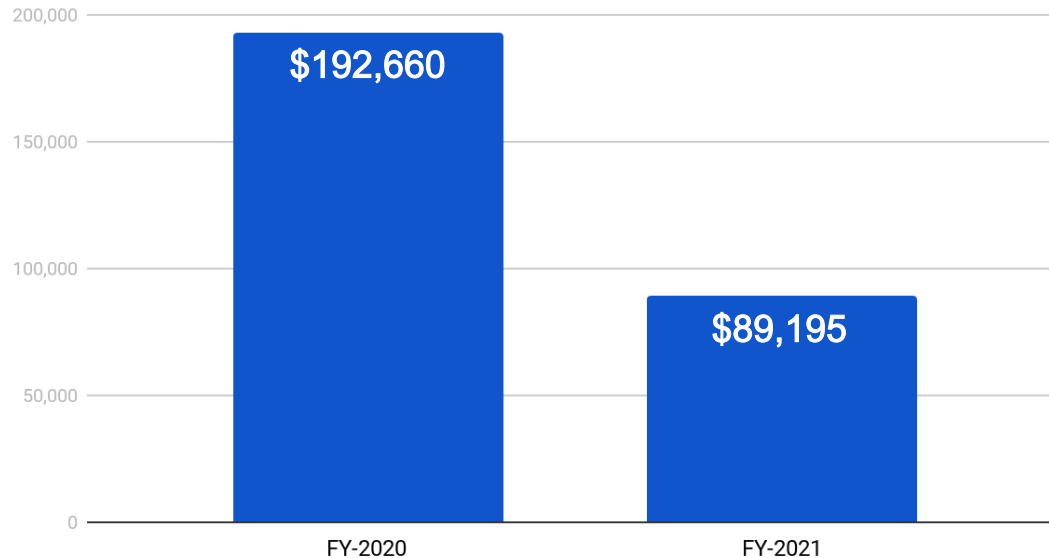
Note: 2019-20 budget to be finalized in October

---

---

# Updated Two -Year Projections

Projected Surplus



Does not include full funding for:

- Long-range facility needs, including roofs and pavement
  - Technology infrastructure upgrades / needs
  - Curriculum and instruction upgrades / needs
  - Equipment and furniture replacement needs
  - Additional safety needs
-

# Homework

Budget Cycle Handbook

Hopes and Dreams





**“I warned him not to try and explain an entire school budget in one meeting!”**



# History & Legal Framework

# Federal Role

The responsibility for K-12 education rests with the states under the United States Constitution.

There is a compelling national interest in the quality of the nation's public schools.

The federal government, through the legislative process, provides assistance to the states and schools in an effort to supplement, not supplant, state support.



# Early Wisconsin Schools

Community based and locally controlled, and often needed private funding to supplement meager public support. Communities took it upon themselves to organize for the education of their children.

Often school instruction took place in the local church or some other public building, although many communities constructed facilities for use as schools.

Some communities hired teachers, but often the teacher would collect at least some of her own wages directly from the families of the students.





# Article X of the Wisconsin Constitution (adopted in 1848)

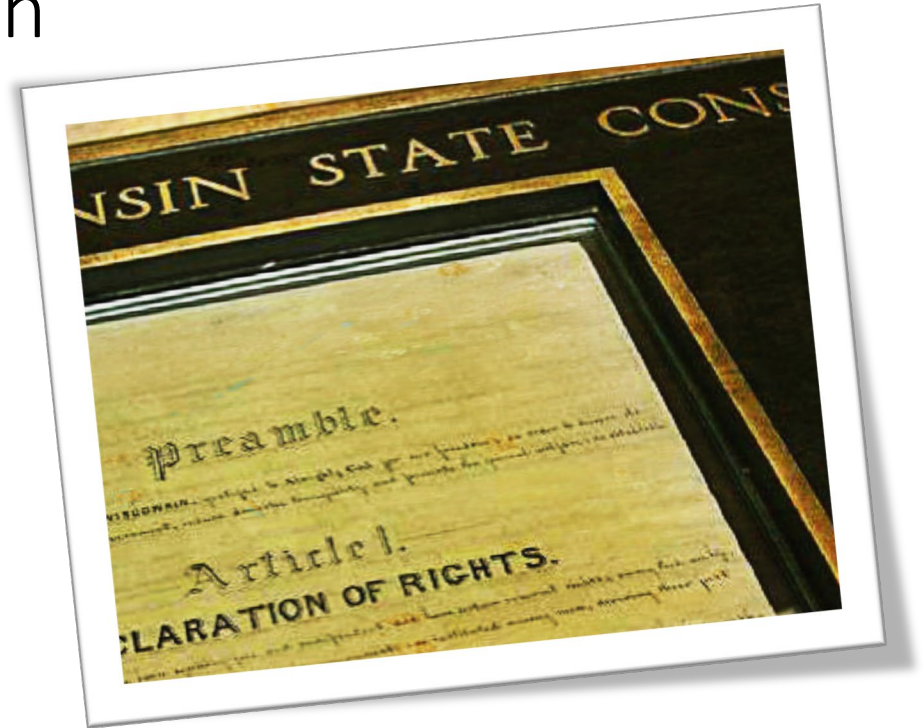
provided for free public district schools  
for all children between the ages of  
four and twenty,

the legislature shall provide by law for  
the establishment of district schools,  
which shall be as nearly uniform as  
practicable...."

required local taxes for school support,

provided for a common school fund  
and distribution of the fund on the  
basis of school population, and

provided for a state superintendent.



# 1949 - State policy

determines that "...the state must guarantee that a basic educational opportunity be available to each pupil...

" and "

...the state should be obligated to contribute to the educational program only if the school district provides a program which meets state standards."

The 1949 legislature provides for distribution of both equalization and "flat" aid. A district not eligible to receive equalization aid receives flat aid; i.e., a fixed amount per student.



# 1973 Legislation

A complete tax base equalization program is enacted that

- provides a much higher appropriation of equalization aid to relieve local property taxes;
- discontinues general flat aids;
- institutes a power equalizing program providing for "negative aids"; and
- separates the shared cost into primary and secondary levels with a two-level system of state aid in which school costs which exceed the statutory ceiling of aidable costs are supported at a lower level of state aid to serve as a disincentive to high levels of spending.

(1976 - The Wisconsin Supreme Court declares recapture of local excess property taxes unconstitutional. Consequently, Wisconsin's general school aid equalization program is no longer considered a true power equalizing program because districts having the same cost per student are not required to levy the same tax rate.)



# 1993 Legislature

- expands the special adjustment aid and broadens the eligibility requirements,
- imposed revenue limits on school districts for the five-year period 1993-94 through 1997-98. (revenue limits were modified and made permanent in the 1995-97 budget (1995 Act 27))
- provided a substantial increase in equalized aids, and
- implemented measures to control staffing costs.



# 2011 Wisconsin ACT 10

- The budget repair law reduced state aid to school districts by about \$900 million over the next two years
- The legislation provided tools to offset the loss of aid largely focused on changes in collective bargaining, compensation, retirement, health insurance, and sick leave of public sector employees.
- The results have been mixed for school districts that had long-term labor contracts in place, how much they already were charging employees for health insurance, their enrollment trends, their fiscal situation, and local political factors.



# Educational Funding

- Public education is a function of the state,
- States and localities are the primary sources of K-12 education funding.



# Educational Funding

- School boards are authorized by the legislature to administer public education within their geographical boundaries (chapters 115-121 Wisconsin Statutes)



# Legal Framework

- School boards are authorized by the legislature to administer public education within their geographical boundaries (chapters 115-121 Wisconsin Statutes)





# Legal Framework

Statute chapters that guide school board actions

- Chapter 67 – Municipal Borrowing
- Chapters 70 – Taxation – General Property Taxes
- Chapter 111 – Employment Relations
- Chapter 65.90 – Governs the publication requirements of school district budgets
- Chapter 66.0301 – Intergovernmental agreements requirements



# Legal Framework

Chapter 115 – State Superintendent, general classifications and definitions; children with disabilities

Chapter 116 – Cooperative Educational Service Agencies

Chapter 117 – School District Reorganization

Chapter 118 – General School Operations

Chapter 119 – First Class City School System(Milwaukee)



# Legal Framework

## Chapter 120 – School District Government

- Sections 120.001 – 120.25 Common and Union High School Districts
- Sections 120.40 – 120.45 Unified School Districts

## Chapter 120.10 Powers of the Annual Meeting



# Financial Roles & Responsibilities Of Boards

- “Legislative” Making policy, determining the budget and the tax levy
- “Judicial” Serving as an impartial decision-maker in a “due process” hearing (finding facts, applying law/policy, reaching conclusions, issuing orders)
- “Executive” Serving as an employer (hiring, evaluating, compensating)

# *Investing in Wisconsin Public Schools*



Driving Revenue in the School Zone

Expenses- Where does the Money Go

# Revenues (Resources Available)

- Revenue Based Budgeting
- Revenue Percentages From Revenue Sources Your District?
  - Local Property Taxes
  - Interdistrict Payments (Learning Options)
  - State Aid (Equalization Aid)
  - Federal Aid
  - Other Sources

# Revenues (Resources Available)

- Revenue Limit controls 85% of district's access to resources (taxes and general state equalization aid)
  - Affected by changes in membership
  - Actions of state legislature
  - General aid/local tax authority
  - Operating referendum to exceed
    - Recurring vs. Non-recurring exemption
  - Fund 80 (not subject to equalization aid/revenue limit)

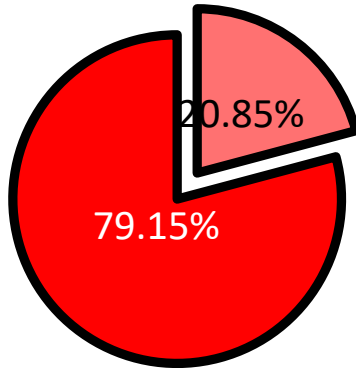
# Revenue Limits

- Controlled Revenues do not include other revenues such as:
  - School Fees
  - Categorical Aids (Library aid, Transportation aid, Special Education Categorical Aid)
  - State and Federal Grants
  - Per Pupil Adjustment Aid
  - Open Enrollment Tuition Revenue
- These revenues are in addition to the controlled revenues under the revenue limit.



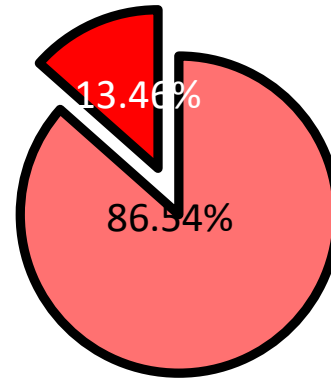
# Revenue Limits

## Property Wealthy District (District B)



■ State Aid   ■ Local Taxes

## Property Poor District (District C)



■ State Aid   ■ Local Taxes

# Revenue Limits

- Community Service Levies
  - School districts can establish a separate fund for community service activities.
  - The fund is used to account for activities that are not K-12 educational programs but have the primary function of serving the community, such as adult education, community recreation programs (such as evening swimming pool operation and softball leagues), elderly food service programs, nonspecial education preschool or day care services.
  - School districts are allowed to adopt a separate tax levy for this fund.
- Debt Service Levies
  - Whether or not debt service is subject to the limit depends on when and how a school district's borrowing decisions were made.
  - Borrowing authorized by school board resolution only (without a referendum) after August 12, 1993, is subject to the revenue limit.
  - Revenues needed for the payment of any general obligation debt service, including refinanced debt, approved by referendum at any time is not subject to the limit.

# Revenue Limits

- A school district can exceed its revenue limit by receiving voter approval at a referendum.
  - The school board must approve a resolution supporting inclusion in the school district budget of an amount which exceeds the revenue limit.
  - The resolution must specify whether the proposed amount will be
    - recurring (permanent) or
    - nonrecurring (temporary).



# Revenue Limit Calculation

Resident Student Membership



X Per Pupil Multiplier



= Revenue Limit Authority

# Revenue Limit Takeaways

- The Revenue Limit controls income from general state aid and local property tax revenues
- Revenue Limits are calculated by multiplying the Membership X a Per Member dollar amount – and adding on any exemptions.
- Most districts are not restrained by their initial calculation but are eligible for various exemptions to increase their Revenue Limit. Exemptions result in additional taxation.
- It is very important to know the difference between recurring and non-recurring exemptions. This is especially true when planning a referendum.
- Calculating the property tax levy is a direct result of completing the Revenue Limit calculation.

# Revenues (Resources Available)

- Equalization Aid
  - Largest state aid appropriation
  - Goal is taxpayer equity: those that spend at the same level will tax at the same rate
  - Know your district's overall aid % and % aided at the third tier of the formula
  - Know the equalization aid trend for your district over time

# Revenues (Resources Available)

- Categorical Aids

- Purpose is to provide additional revenue for required programs such as transportation, special education and library
- Recognizes that all districts are not the same and attempts to provide some financial equity as in the sparsity and high poverty aid programs
- Examples: Special education aid, library aid, transportation aid, bilingual/bicultural aid

# Revenues (Resources Available)

- Per-Pupil Aid was established in 2013 Wisconsin Act 20 to provide school districts with an additional amount of state aid outside the revenue limit.



# Revenues (Resources Available)

- Interdistrict payments/aid transfers
  - Growing source of revenue for some districts (growing expense for others)
  - Reflects the growth in learning options for students i.e., open enrollment, youth challenge academy, charter schools
  - Adds to the complexity of district budgeting

# Revenues (Resources Available)

## ■ Property Taxes

### ■ Tax Levy

- Equalized Value – Used by School District
- Assessed Value – Used by Municipality
- Tax Incremental District (TID)

### ■ Tax Levy Certification and Calculation

- Dates
  - School Board Vote by November 1/Certification to Municipal Clerks by November 10
- Option – levy allowable
- Option – under levy
- Consequence of over levying

# Revenues (Resources Available)

- School Fees

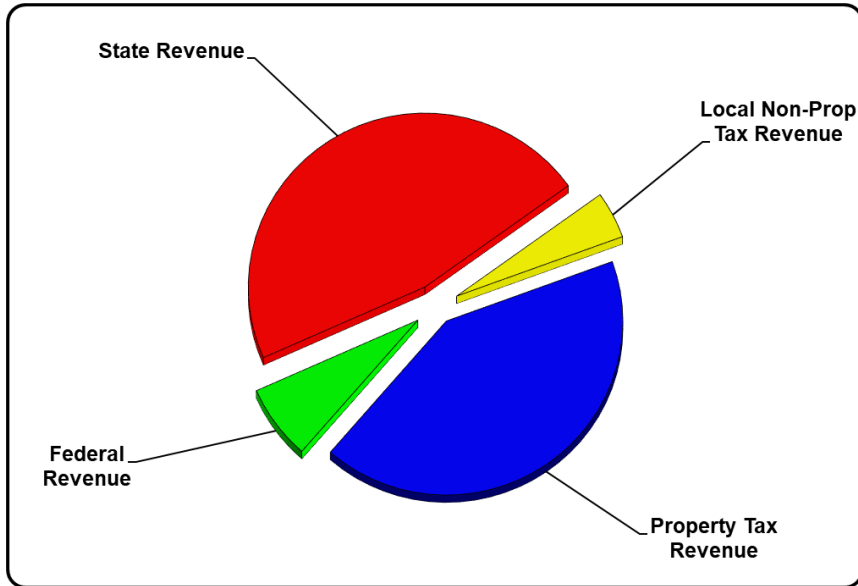
- Wisconsin's Constitution limits a school district's authority to assess user fees except under limited circumstances.
  - District must be able to demonstrate the intended actual expenditure covered by the fee and is the expenditure allowable under the state constitution and the court system
  - Guidance on DPI finance team's website.

# Revenues (Resources Available)

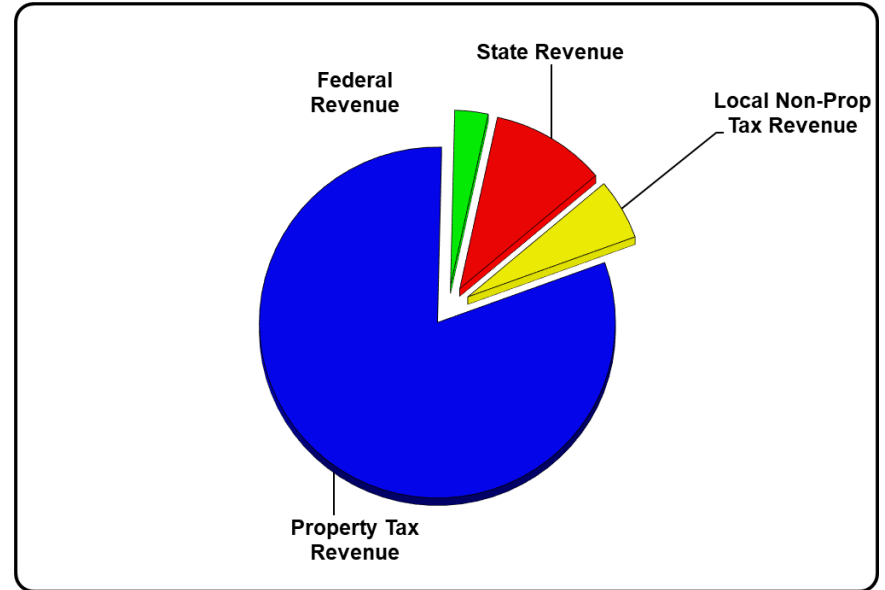
- Other Revenues
  - Federal Aid
  - Local Revenue
    - Naming Rights
    - Interest Revenue
    - Rental of Facilities
    - Services and workshops to other districts
    - Sharing of staff between districts
    - Admission fees
    - Sale of property or equipment
    - Production center
    - Open enrollment
    - Advertising

# Revenues (Resources Available)

2017-18 Comparative Revenue \*  
Using 17-18 Audited Annual Report Data  
STATE TOTALS



2017-18 Comparative Revenue \*  
Using 17-18 Audited Annual Report Data  
New Berlin



# Expenditures (Allocating Resources)

- Employees

- Staff is the single most important and expensive resource required by schools.
  - Instructional Staff
  - Administrative and Supervisory Staff
  - Instructional Support Staff
  - Custodial, Food Service, Maintenance and Transportation Staff
  - Substitute Staff

# Expenditures (Allocating Resources)

- Employees Direct Fringe Benefits

Employee benefit costs are a substantial portion of the total budget. Generally, employee benefit costs are about 25-35 percent of the district budget. The list of employee benefits includes (but are not limited to) the following:

- Social security
- Wisconsin Retirement System (WRS)
- Health insurance
- Dental insurance
- Long-term disability
- Life insurance
- Long-term care insurance
- Vision insurance
- College credit reimbursement

# Expenditures (Allocating Resources)

- Operating Expenditures for:
  - Purchased Services
  - Supplies & Materials
  - Furniture and Equipment
  - Debt Retirement
  - Other Objects



# Expenditures (Allocating Resources)

- Long-term Capital Expenditures

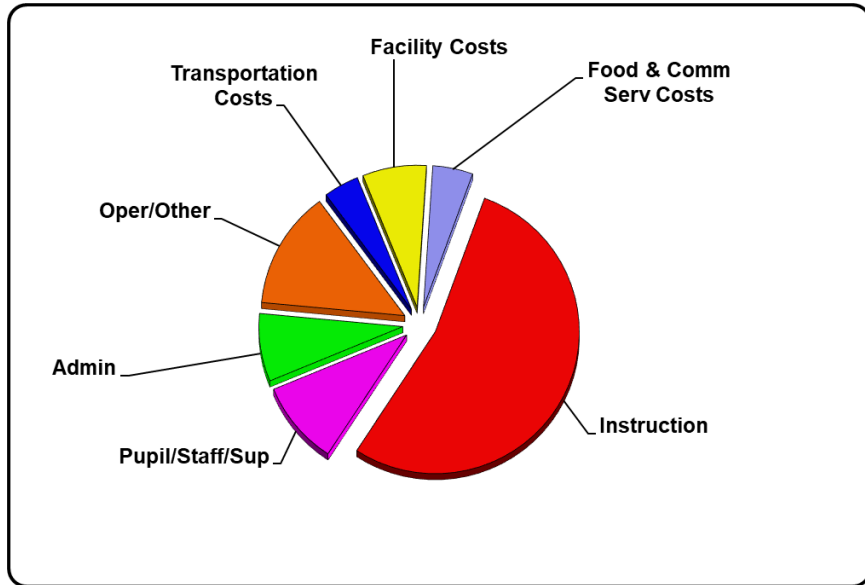
- When building its budget, the district needs to anticipate the purchase of land and buildings, construction, and/or major remodeling of existing buildings. These are usually very large expenditures and do not occur often.
- The purchase of land and buildings, construction, and/or remodeling usually requires some form of long-term financing.

# Expenditures (Allocating Resources)

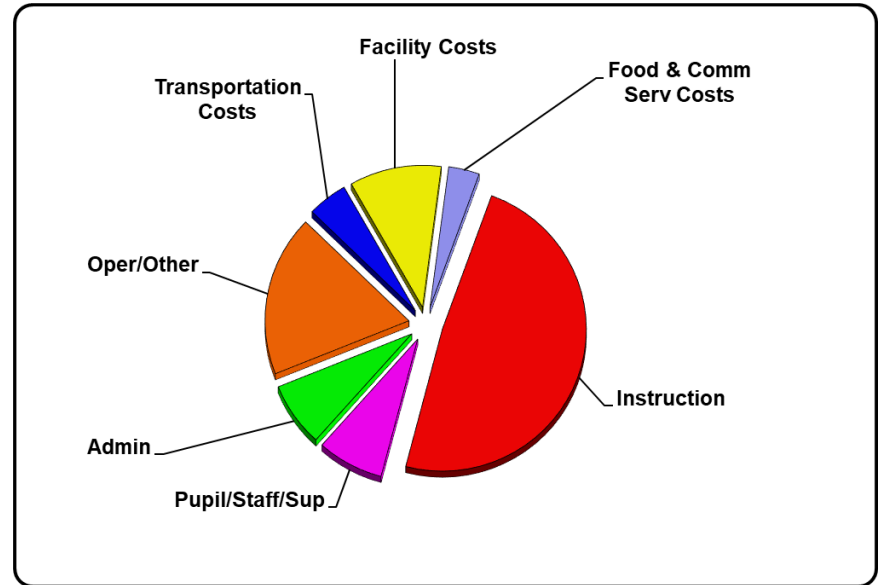
- Other Funds
  - Food Services
  - Student Activities
  - Trusts & Scholarships

# Expenditures (Allocating Resources)

2017-18 Comparative Cost \*  
Using 17-18 Audited Annual Report Data  
STATE TOTALS



2017-18 Comparative Cost \*  
Using 17-18 Audited Annual Report Data  
New Berlin





# School District Budget Cycle

Understanding circumstances and decisions are important to the future financial position of the school district.

- Long Term Solvency

- Service Level Solvency

- Cash Solvency

# Long-term Solvency

- Examines the future costs of current fiscal decisions. Retirement
  - Wisconsin Retirement System (WRS)
  - Post-Retirement Benefits (OPEB)
  - Supplemental Pension Benefit
- Capital Projects Funds
- Long-term Debt
- Capital Leases

# Service Level Solvency

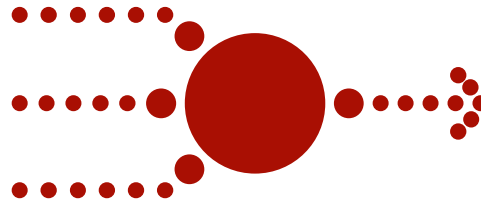
- Capital-related expenditures provide an indication of whether capital needs are being addressed.
  - Capital Assets
  - Capital Plan
  - Maintenance Plan
  - Technology Plan

# Cash Solvency

- Fund Balance
  - Purposes for Fund Balance
    - Cash flow
    - Minimize short term borrowing
    - Bond rating
  - Fund Balance Designations
    - Non-Spendable
    - Restricted
    - Committed
    - Assigned
    - Unassigned
  - Surplus or Deficit

# Forecasting

- Examine impact of State Legislation
  - elimination of energy projects
  - per student limit
- Examine impact of recurring and non-recurring referendum
- Examine use of Community Services Fund
- Refer questions of Debt structure to Financial Advisor







# Next Meeting

6 p.m. | Aug. 20, 2019

New Berlin West Learning Commons

Questions?

THANK YOU