

# School District of South Milwaukee

## Budget Impact Statements

### March 6, 2019

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The state of Wisconsin distributes funds to public schools in multiple ways. The primary method of distribution is through the State Equalization Aid formula. The formula attempts to equalize the state aid so that school districts that have a greater need receive more state assistance. In 1993 the State designed revenue caps with the intent to control spending through restricting revenue generation. The revenue caps limit the amount of revenue school districts can generate (which goes against Article X in our state constitution). Each school district was “frozen” at the rate they were at the year before the revenue caps went into effect. This “freezing” created a completely inequitable situation between school districts; which to this day still exists. To make matters worse, the state has eliminated increases to the revenue caps and redirected resources to an unequalized per pupil categorical aid. The basic premise is that every district receives the same amount of aid per student regardless of their need for assistance, (which violates a July, 2000 WI Supreme Court Decision that said Wisconsin students have a fundamental right to an equal opportunity for a sound basic education.

The impact of “freezing” revenue limits is felt even more as we experience declining enrollment. We are projected to have a decrease in students for 2019-20 which will result in losing ground under the revenue limit, much of which will need to be made up through reductions in services or supplanting the loss with the additional unequalized per pupil categorical aid.

The good news is that our local taxpayers approved the November ballot referendum that will provide additional revenue limit resources to the District over the next 6 years. The fear is that our base funding will erode faster than the referendum funds are received; the extent of the base funding erosion will not be known until we have a 2019-2021 State Biennial Budget signed into law.

The revenue limits are extremely inequitable and we are hopeful that the legislature will realize that it is time for sustainable, predictable and equitable funding for our Public Schools. We encourage members of our South Milwaukee community to let the state decision-makers know of your support of public education and the need for proper funding.

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## **REVENUE**

### Revenue Cap Adjustment

-\$1,372,367 +485,497 + 485,497 NET: -401,373

The 2018-19 budget included a significant amount of one time revenue limit exemptions. These exemptions will expire in 2019-20, however due to continued student membership decline we will receive an additional \$485,497 for the hold harmless exemption and \$485,497 for the declining enrollment exemption. These figures are based on student enrollment projections that include Summer School & September 2019 pupil count items.

Per Pupil Categorical Aid (\$180 Per Pupil)

615,264 - 35,970 NET: \$579,294

The 2019-20 budget assumptions assume that the State Biennial budget will include an increase in the per pupil categorical aid of \$208, plus keep the current one time funding of \$24 per pupil. This aid is based solely on the number of students included in the revenue limit calculation. The big problem with this aid is that it is disequalizing. The fundamentals of school finance are to achieve equal tax effort for equal spending. By providing this aid as a direct state aid it ignores a districts “ability to pay” and treats poverty stricken districts the same as affluent districts.

Interest Earnings Revenue

+\$50,000

Interest rates are climbing, which means that we are able to achieve higher rates of return for the cash that is on hand. This has dual impacts on the District; we are earning more, however, when we go out to borrow we will be paying more. We have successfully avoided cash flow borrowing for several years now, and hope to avoid it in the future. It is important to have a effective cash management strategy that will allow us to keep the dollars in the classroom.

Open Enrollment Revenue

+\$316,444

Open Enrollment can be a very tricky to project, based on what we are experiencing there is a need to modify this budget, however, there will be a modification the the Open Enrollment Expense budget as well. We typically open up 100 seats per year to fill the seats lost from graduating 12th graders; we don't fill all of the seats we open.

**EXPENDITURES INCREASES**

Staff Salary & Benefits

+\$560,000

The amount above is being set aside to invest in our ability to attract new staff and retain our current staff.

Open Enrollment Expense

+\$239,745

Our open enrollment “out” students have increased over the last several years. This is not unique, as most of our neighboring schools have also seen an increase in open enrollment out students. This expense increase reflects actual costs increases from the current year. It is important to note that the District still receives more funding from students coming into the District over the amount of students choosing another option.

Hold in Reserve For Nonrecurring Revenue Limit Exemptions

+\$404,620

As mentioned above we are projected to receive over \$970,000 in nonrecurring revenue limit exemptions. It is important that we keep some of those exemptions in reserve so that we can more effectively manage our resources in 2020-21 fiscal year when the exemptions are eliminated.

**BUDGET ADJUSTMENTS / REALLOCATIONS**

Staff Turnover Savings

(\$125,000)

The District annually reviews staff turnover due to retirement and resignations and the impact on salary costs. Given what we know now and a conservative trend, it is anticipated that the District will realize savings of approximately \$125,000.

Eliminate 2018-19 Reserve for Nonrecurring Revenue Limit Exemptions

(500,000)

This is an example of why a reserve budget for nonrecurring exemptions is needed. If we had used this funding in 2018-19 for ongoing costs we would have had to cut ongoing costs to balance the budget. This funding was used/will be used in 2018-19 for one time capital projects, eg. FCS room upgrade project among others.

Eliminate 1.0 FTE Teacher Positions

(80,000)

This recommendation eliminates one classroom teacher position at Blakewood. This year at 1st grade there are three classrooms with a total of 45 students (classroom sizes of 14, 15, 16). This is currently the only grade level at Blakewood with three teachers, all other grade levels have two teachers. Next year this will result in first grade class sizes of 25 and 25, with second grade class sizes at 22 and 23. These class size numbers were previously provided to the Board in January when open enrollment projections were approved, as we were anticipating this reduction as a possibility if the class size numbers remained the same. This recommendation results in similar ranges of 1st and 2nd grade class sizes across the district. Due to resignations and retirements, there will not be a negative staffing impact.

**BUDGET ADDITIONS**

Increase of 1.0 FTE Elementary Early Learning Math Specialist

+\$85,000

The early years are especially important for math development and research has shown children's knowledge of math in early years predicts not only their math achievement for later years as well as reading achievement. We have partnered with UW-Milwaukee for the past few years to provide focused professional development to our teachers which has been very well-received by our staff. We are seeing the teacher-supported professional development transfer into high impact student achievement. We are

recommending adding this position to support primary teachers in addition to partnering with teachers to provide targeted support for underserved students

Increase of (4) 3.5hour Elementary Building Service Helper Positions

+\$40,000

After a lot of shuffling of staff to optimize their effectiveness it was determined that additional building service helper staff would be needed to enhance the cleaning at our four elementary buildings. It is important to step up our efforts to support the cleanliness of our elementary buildings to ensure the best environment for our youngest students.