

## K-12 School Funding in Wisconsin and School District of Edgerton Budget Development:

A school district, like other organizations, strives to be competitive against regional school districts in the pursuit to support student learning and opportunities. We work to provide programs/offerings to the students in the Edgerton School District that align with best-practice in education and are also comparable to neighboring school districts. Additionally, our competitiveness is dependent in our pursuit to retain and attract staff through our alignment of compensation trends in the professional field of K-12 Education. In support of this objective, we must thoughtfully leverage our financial resources to achieve our goals.

Revenue to support general operation(s) in a public school district in Wisconsin are driven by the state Revenue Limit. In support of this notion, roughly 88% of our total general fund operational revenue is result of the Revenue Limit as applied within the context of the State of Wisconsin biennial state budget. This funding source is a critical component to the function of public school districts in Wisconsin.

*Beginning in the 1993-94 school year, Wisconsin Act 16 implemented revenue limits on all public school districts. A district's revenue limit is the maximum amount of revenue that may be raised through state general aid and local property tax for operations. Per-pupil (or per-student) revenue limits were established for school districts in Wisconsin in the fall of 1993, by the state legislature. This act was intended to be a means by which the state could regulate property taxes. A district's revenue limit is made up of state equalized aid (or general aid) and local property taxes. As state equalized aid to the district increases, property taxes decrease (and vice-versa). The only way a school district can exceed the state imposed revenue limit is through a successful "Operational Referendum."*

*Under the law's original design in 1993, the maximum revenue limit was based upon enrollment changes, the Consumer Price Index, and each district's prior year controlled revenue. To date, the factor of Consumer Price Index has not been included into revenue limit increases as initially designed by state government. Up until 2009, the state biennial budget granted an inflationary increase to the revenue limit each year so school districts could keep up with increasing costs for the same services. As a result, there has been an increase in operational referendums across the state asking communities to exceed the revenue limit to support operations (staff, materials, student transportation, maintenance items, etc).*

Since 2009, the revenue limit has decreased, seen small increases, or held frozen. Each of these scenarios has resulted in revenues falling below the Consumer Price Index. Our current 2019-21 state biennial budget establishes a \$175.00 increase per-student. This allocation continues to fall below the current Consumer Price Index.

To provide additional context and clarity, due to vulnerability of state funding for education, the trend of operational referendums across the state due to state funding gaps has been significant. A voter approved operational referendum allows a school district to exceed the levy limits set by state government through each biennial state budget. This outcome provides very different revenue results per-student from one school district to the next.

As of the 2017-18 fiscal year, all school districts that border Edgerton had voter approved operational referendums in place to support school district operations (with the exception of Edgerton). The below

chart is a Revenue Limit Per-Student of Edgerton and all bordering school districts as of the 2017-18 School Year that was shared during our referendum communications:

2017-18 Revenue Limit Comparison			
School District	Revenue Per-Pupil	Difference Per-Pupil (to ESD)	Net Budget Difference (ESD Enrollment of 1,850)
Edgerton	\$9,571.00		
Milton	\$10,024.00	\$453.00	\$838,050.00
Evansville	\$10,241.00	\$670.00	\$1,239,500.00
Fort Atkinson	\$11,145.00	\$1,574.00	\$2,911,900.00
Cambridge	\$11,394.00	\$1,823.00	\$3,372,550.00
Stoughton	\$11,400.00	\$1,829.00	\$3,383,650.00
<b>Average (including Edgerton)</b>	<b>\$10,629.17</b>	<b>\$1,058.17</b>	<b>\$1,957,608.33</b>

In looking at the chart above, if the Edgerton School District had Cambridge or Stoughton School District's revenue per-student it would result in an additional \$3,000,000 within our operational budget (staff, materials, student transportation, maintenance items, etc).

In the fall of 2018, the taxpayers of the Edgerton School District successfully passed an Operational Referendum to exceed the revenue limit by \$1,250,000. As result of our successful Operational Referendum, below is an updated breakdown of how Edgerton compares to our bordering school districts for the 2019-20 school year in relation to per-student revenue:

2019-20 Revenue Limit Comparison			
School District	Per-Pupil Total (with Revenue Limit Override)	Difference Per-Pupil (to ESD)	Net Budget Difference (ESD Enrollment of 1,917)
Edgerton	\$10,492.21		
Milton	\$10,412.00	-\$80.21	-\$153,762.57
Evansville	\$10,544.57	\$52.36	\$100,374.12
Fort Atkinson	\$11,353.32	\$861.01	\$1,650,556.17
Cambridge	\$11,568.83	\$1,076.62	\$2,063,880.54
Stoughton	\$11,575.33	\$1,083.12	\$2,076,341.04
<b>Average (including Edgerton)</b>	<b>\$10,990.99</b>	<b>\$498.78</b>	<b>\$956,151.68</b>

In looking at the chart above, following our successful Operational Referendum, if the Edgerton School District had Cambridge or Stoughton School District's revenue per-student it would result in an additional \$2,000,000 within our operational budget (staff, materials, student transportation, maintenance items, etc).

As illustrated above, while a revenue imbalance continues with our bordering school districts, the Edgerton School District is more competitive as result of our successful Operational Referendum. Our competitiveness in allowable revenue per-student, directly translates to the school district opportunities for students and increases our ability to retain and attract staff (through competitive compensation as it relates to the K-12 Education market).

#### Edgerton School District Budget Development:

As a school district, we are accountable to our students, parents, and taxpayers. In support of this accountability, our budget development process is done in a manner that is collaborative, visible, and transparent.

Our budget building process for next year officially kicks off at our Annual Board of Education Budget Workshop which will be held on Monday, February 24<sup>th</sup> at 5:30 pm in the high school library. The purpose of this Annual Budget Workshop is to support the Board of Education, staff, and community awareness around our budget process and associated projected outcomes.

Each year, our annual budget building objective is to align our financial resources to support student academic and social-emotional outcomes. In support of this objective, our school district budget development process is one of the more critical aspects to our work as we align our resources to support the students we serve.

To accomplish our important work with students, it requires qualified and skilled employees to support student academic and social-emotional outcomes. We are mindful that roughly 80% of our operational budget is allocated toward staff. This being the case, we must carefully evaluate our approach to allocate staff in support of student needs and organizational priorities.

As an organization, we begin the budget building process for the next school year nine months ahead of a new school year. The budget building process begins with making revenue projections by applying the Revenue Limit to student enrollment projections. As result of revenue projections, we begin to build our budget for prioritized expense considerations. Like any budget, all identified needs within the organization must fit within available revenues. This process demands that identified needs are carefully prioritized. At end, the budget development process drives an outcome where all identified needs may not be able to fall within the final budget in support of fiscal responsibility.

As we evaluate organizational considerations, this is done through a multi-layered process. Internally, we evaluate current spending practices and alignment to our strategic plan. In addition, we also look to evaluate how we compare to our neighboring school districts by evaluating student programing and opportunities as well as competitive compensation vulnerabilities in our pursuit to retain and attract staff. This process is important as it keeps our budget priorities centered on best practices in the field of public education.

Following the Board of Education Budget Workshop on February 24th, the school district has three specific approval stages to the 2020-21 budget:

- Stage 1 – Preliminary Budget - June

- Stage 2 – Revised Budget - August
- Stage 3 – Final Budget – October

The Preliminary Budget (June) include any known factors impacting expenditures and forecasts anticipated revenues. The Revised Budget (August) is adjusted as a result of preliminary review of 2019-20 expenditures (unaudited) to ensure accounts are reflective of yearly and anticipated expenditures. Revenues will be adjusted following DPI's July 1<sup>st</sup> equalization aid estimate. The Final Budget (October) expenditures will be revised with any final adjustments needed as a result of the financial audit of 2019-20 and/or employee compensation decisions. Revenues will be adjusted as a result of DPI's October 15<sup>th</sup> release of the state equalized-aid allocation.

As we move through the budget approval process (as outlined above), the projected budget will continue to evolve and become more accurate as result of state revenue allocations are not being finalized until mid-October.

We value and appreciate the trust and support the school district receives from the Edgerton community. It is our goal to continue our budgeting practices in a transparent and inclusive manner that allow us to remain competitive with regional school districts in the pursuit to support student learning, opportunities, and retain and attract qualified and skilled employees.

If you have any questions about school finance in Wisconsin and/or the budget development process in the Edgerton School District, we welcome your engagement and I would be happy to meet with community member's to support further awareness and understanding. My contact is as follows: Dr. Tad Wehner, Director of Finance and Personnel, (608) 561-6104 or by email, [tad.wehner@edgerton.k12.wi.us](mailto:tad.wehner@edgerton.k12.wi.us).