

To: Board of Education

From: Daniel A. Nerad, Superintendent

Date: August 18, 2008

Subject: Budget Gap Background & Recommendations

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### Background:

In 1993, three pieces of legislation were enacted by the State of Wisconsin directly affecting school districts throughout the state. These pieces of legislation created revenue limits, created the state's commitment to two-thirds funding, and created the qualified economic offer (QEO) in Wisconsin. Since 1993 revenue limits in Wisconsin have allowed the Madison Metropolitan School District to increase revenues annually by 2.2% on average. Conversely the QEO requires school boards to offer a comprehensive salary and benefit package to certified teaching staff of not less than 3.8% annually to avoid binding arbitration. Recognizing that the Madison Metropolitan School District's budget is comprised of 84% salary and benefits, it must be recognized that while our revenues increase annually by 2.2%, the largest portion of our budget is mandated to minimally increase by 3.8%. Due to these competing pieces of legislation, the Board of Education since 1993 has reduced program and services by over \$60 million to comply with state mandated revenue limits, of which \$35 million has occurred within the past five years.

Since the 1992-93 School Year the Madison Metropolitan School District has increased the total tax levy by \$74,944,431 through the projected 2008-09 property tax levy. This amounts to an average annual increase of 2.56% since the 1992-93 School Year (see Attachment A). During that same time frame from 1992-93 through the projections for the 2008-09 property tax rate, the Madison Metropolitan School District has decreased the total tax rate from \$20.69 to a projected rate of \$9.92 for the 2008-09 School Year (see Attachment B).

Utilizing a budget projection model in conjunction with PMA Financial Services, Administration projects budget shortfalls the next 3 fiscal years to be approximately:

- 2009-10           \$8,111,826
- 2010-11           \$4,368,907
- 2011-12           \$4,262,001

Since the end of July, the Board of Education and Community have received information on options to address the budget gaps over the coming years. The options presented were:

- The District's continuation of creating efficiencies and cost savings through proactive financial management.
- Continue to make budget reductions sufficient to address the budget gap
- Continue to generate additional revenue through grants and/or referendum
- Continue to work with major state education groups to reform the state funding formula

## Public Forums:

The Public Forum's held on August 12, 2008 and August 14, 2008 allowed the Board and Administration to capture feedback from the community around possible solutions to the budget gaps and aid in the recommendation coming before the Board of Education. This feedback will continue to be utilized going forward as Administration begins to answer the questions posed at the Public Forums.

All public input provided during these public forums is provided in **Attachment C and Attachment D.**

## Options to address the gap:

What are we looking at?

- Explore additional transportation savings

We believe there is a possibility to create further efficiencies through changing current practices and re-negotiation of contracts with the current providers for the School District. Possible savings of \$250,000

- Explore possible financial savings through lease options

We are currently identifying future projects to utilize leasing options. Specifically those projects revolve around technology and vehicle usage at this time. We will continue to identify areas that would aid in the impact of annual budgets over the coming months.

- Explore possible re-financing options for district debt

Administration in conjunction with its Financial Advisor is analyzing all district debt to identify a cost savings through re-financing long term debt. It is unclear whether there would be any increased revenue to the district, but there could definitely be a decrease in funds necessary through the local property tax levy.

- Explore further reductions with the least impact to children

## Types of Referendum

### Non-Recurring Referendum

The use of a non-recurring referendum is considered as a possible strategy to address the budget gaps over the next three fiscal years. The compounding amounts necessary under this solution to eliminate budget reductions over the next three years would be:

- 2009-10        \$8,111,826
- 2010-11        \$12,480,733
- 2011-12        \$16,742,734

The possible negative piece in this solution is that after the 2011-12 fiscal year, the Board of Education must either reduce programs and services by \$16,742,734 plus the preliminary projected budget gap of \$4.0 million in 2012-13 or again ask the public for the authority to exceed revenue limits by that amount.

### Recurring Referendum

The use of a recurring referendum is considered to be a possible strategy to address the budget gaps over the next three fiscal years. The necessary amounts under this possible solution to eliminate budget reductions over the next three years would be:

- 2009-10           \$8,111,826
- 2010-11           \$4,368,907
- 2011-12           \$4,262,001

With a recurring referendum, the authority afforded by the community continues into future years. There is no need for a compounding authority due to the fact that by definition a recurring referendum builds upon itself annually. Under this specific solution, there would still be a need to reduce programs and services by a preliminary projected budget gap of \$4.0 million in 2012-13 or to ask the public for further authority at that point in time.

### Recommendations:

#### Addressing the Gap

It is recommended that the Board of Education for the Madison Metropolitan School District approve a plan for a three year recurring referendum of the following amounts:

- 2009-10 to exceed the revenue limits by \$5 million
- 2010-11 to exceed the revenue limits by \$4 million
- 2011-12 to exceed the revenue limits by \$4 million

This recommendation is predicated on the fact that the School District will continue to identify areas to create efficiencies and/or reduce programs and services with little or no impact to children. Under this solution the district would maintain a commitment to address the remaining \$3.0 million for the 2009-10 School Year. This will be accomplished by:

- Utilization of half the un-audited amount projected to be added to the district fund balance following the 2007-08 School Year. This will amount to approximately \$2.0 million.
- Reduction of \$600,000 by reducing the number of unallocated staff positions for the elementary grades for 2009-10 by 10.
- The remaining \$400,000 would be gained through a commitment to reduce various budgets throughout the district

### Tax Impact of Referendum

Administration has identified two changes to implement over the next school year that will help to mitigate the tax impact of the referendum. These changes revolve around the Community Services Fund (Fund 80) and the creation of the Capital Expansion Fund (Fund 41). Changes are as follows:

Effective with the completion of the 2007-08 School Year, un-audited balances for Fund 80 show an equity fund balance of approximately \$2.2 million. It is the belief of Administration that an equity fund balance is

an important piece of prudent fiscal management of a School District, but we don't believe the amount in Fund 80 is completely necessary. We would propose to return \$2.0 million of this equity to the taxpayers in the form of a reduced levy in Fund 80 for the 2009-10 School Year. This proposal would in essence reduce the projected tax levy from \$12.9 million to \$10.9 million for the 2009-10 school year.

Effective with the 2008-09 School Year, Administration plans to present to the Board of Education a plan to utilize the Capital Expansion Fund (Fund 41). This transition will present two main advantages to the Madison Metropolitan School District. First it will move all expenditures to maintain existing facilities to a segregated fund in order to track and create transparency for all capital expansion expenditures going forward. Second, it helps the School District to amortize these annual expenditures over the life of the levy in Fund 41, instead of the full amount annually. This second point will allow the district to re-distribute less aid to other school districts in the State of Wisconsin in the form of negative aid on the tertiary level.

### **What is the Capital Expansion Fund?**

The Capital Expansion Fund is a statutorily authorized fund that is set up by the Board of Education to levy a property tax under revenue limits for the specific purpose of financing all current and future capital expenditures related to buildings and sites. Capital expenditures are defined by the Department of Public Instruction as being expenditures for acquiring and remodeling buildings and sites, and maintenance or repair expenditures that extend or enhance the service life of buildings. Effective with the 2007-08 school year, there were 50 total or 12% of districts utilizing Fund 41 throughout the State of Wisconsin

The Madison Metropolitan School District currently spends approximately \$7.6 million per year on maintenance of facilities that extend or enhance the service life of our buildings. Of that \$7.6 million, \$2.9 million comes from the general fund operating budget and the remaining \$4.7 million comes from the 5 year referendum authority that runs through the 2009-10 school year.

### **How can the Capital Expansion Fund help MMSD?**

The main advantages this capital expansion fund brings to MMSD are:

- The minimization or control of the districts shared cost increases, as the School District would be allowed to amortize these capital expenditures over a longer period of time.
- Allows the School District to separate capital improvement funds from the general funds of the School District to more transparently show the board and the public the district's commitment in these areas

The possible disadvantages this fund could create for MMSD are:

- Annually restricts the usage of appropriated dollars to actual projects identified by the Board of Education. The Board can not move funds from this fund during the middle of the year to use in other areas of the budget.
- This fund is within the revenue limits, so in essence it will decrease approved authority within the general fund or fund 10

### **Example of projected savings:**

Below you will find an amortization schedule that projects the decrease to the districts future shared cost per pupil. Historically the school district would be charged the full \$7.4 million expense on the equalization aid calculation, but in this example year two allows the district to charge \$3.7 toward that calculation. Over

time the ebbs and flows of the total shared cost to equalization aid formula will flatten out and become more constant.

**\*\*Figures below are currently being reviewed by the Department of Public Instruction because some authority comes from the Non-Recurring Maintenance Referendum\*\***

**Example Amortization Schedule:**

PROJECTED SHARED COST IMPACT ON FUND 41										
Assumptions for Analysis are:										
The district has a Fund 41 tax levy of \$7,500,000 for 7 years. It has an expenditure of \$7,400,000 per year for 7 years. Below is the effect of the expenditure on shared cost for each year.										
Years	Fund 41 Tax Levy	Expenditure	Shared Cost Amortization							Total Shared Cost to Equal Aid Formula
1	\$7,500,000.00	\$7,400,000.00	\$7,400,000.00							\$7,400,000.00
2	\$7,500,000.00	\$7,400,000.00		\$3,700,000.00						\$3,700,000.00
3	\$7,500,000.00	\$7,400,000.00		\$3,700,000.00	\$2,466,666.67					\$6,166,666.67
4	\$7,500,000.00	\$7,400,000.00			\$2,466,666.67	\$1,850,000.00				\$4,316,666.67
5	\$7,500,000.00	\$7,400,000.00			\$2,466,666.67	\$1,850,000.00	\$1,480,000.00			\$5,796,666.67
6	\$7,500,000.00	\$7,400,000.00				\$1,850,000.00	\$1,480,000.00	\$1,233,333.33		\$4,563,333.33
7	\$7,500,000.00	\$7,400,000.00				\$1,850,000.00	\$1,480,000.00	\$1,233,333.33	\$1,057,142.86	\$5,620,476.19
8							\$1,480,000.00	\$1,233,333.33	\$1,057,142.86	\$3,770,476.19
9							\$1,480,000.00	\$1,233,333.33	\$1,057,142.86	\$3,770,476.19
10								\$1,233,333.33	\$1,057,142.86	\$2,290,476.19
11								\$1,233,333.33	\$1,057,142.86	\$2,290,476.19
12									\$1,057,142.86	\$1,057,142.86
13									\$1,057,142.86	\$1,057,142.86
<b>Total</b>	<b>\$52,500,000.00</b>	<b>\$51,800,000.00</b>	<b>\$7,400,000.00</b>	<b>\$7,400,000.00</b>	<b>\$7,400,000.00</b>	<b>\$7,400,000.00</b>	<b>\$7,400,000.00</b>	<b>\$7,400,000.00</b>	<b>\$7,400,000.00</b>	<b>\$51,800,000.00</b>

It is important to point out and realize that Fund 41 IS under the revenue limit authority for the district, so the Madison Metropolitan School District by establishing and utilizing this fund **WILL NOT** receive any more revenue. Recalling that the district's revenue limit is a combination of property tax levy and equalization aid (the state's commitment to funding public education), it is important to realize the major effect this could have on MMSD. Through the reduction of the district's shared cost over time, the district expects to maintain more funding from the state of Wisconsin, consequently requiring less from the local taxpayers under the current revenue limit formula.

### **Breakdown of Tax Impact**

When breaking down the tax impact of the referendum, there are three main scenarios we are comparing. They are the status quo of the district where we simply complete program and service reductions each year to deal with the gap, there is approval of the district recommendation with the assumed continuation of the approximately \$5.0 million per year maintenance referendum, and the approval of the district recommendation with the assumed elimination of the approximately \$5.0 per year maintenance referendum after the 2009-10 fiscal year.

Administration will talk through the difference between the different scenarios provided in the packet on August 18, 2008.



**PMA Financial Network Inc.**  
**Five Year Financial Projections**

**Madison Metropolitan School District**

**Fund 10 - Projection Summary - Scenario**

	BUDGET		Projections				
	FY - 2009	FY - 2010	% Change	FY - 2011	% Change	FY - 2012	% Change
<b>REVENUE</b>							
Local Sources	\$213,621,169	\$221,869,590	3.86%	\$223,766,248	0.85%	\$227,534,711	1.68%
State Sources	\$73,783,063	\$73,753,244	-0.04%	\$85,083,450	15.36%	\$96,408,228	13.31%
Federal Sources	\$8,876,808	\$8,876,808	0.00%	\$8,876,808	0.00%	\$8,876,808	0.00%
Other	\$2,352,695	\$2,582,663	9.77%	\$2,612,143	1.14%	\$2,642,518	1.16%
<b>TOTAL REVENUE</b>	<b>\$298,633,735</b>	<b>\$307,082,305</b>	<b>2.83%</b>	<b>\$320,338,648</b>	<b>4.32%</b>	<b>\$335,462,265</b>	<b>4.72%</b>
<b>EXPENDITURES</b>							
Salary and Benefits	\$211,442,297	\$219,644,899	3.88%	\$228,736,869	4.14%	\$239,691,039	4.79%
Other Objects	\$87,191,438	\$90,339,232	3.61%	\$94,637,352	4.76%	\$98,916,746	4.52%
<b>TOTAL EXPENDITURES</b>	<b>\$298,633,735</b>	<b>\$309,984,131</b>	<b>3.80%</b>	<b>\$323,374,221</b>	<b>4.32%</b>	<b>\$338,607,785</b>	<b>4.71%</b>
<b>EXCESS (DEFICIT) REVENUE OVER EXPENDITURES</b>	<b>\$0</b>	<b>(\$2,901,826)</b>		<b>(\$3,035,573)</b>		<b>(\$3,145,520)</b>	
<b>Excess (Deficit) Over Previous Fiscal Year</b>		<b>(\$2,901,826)</b>		<b>(\$133,747)</b>		<b>(\$109,947)</b>	
<b>BEGINNING FUND BALANCE</b>	<b>\$21,638,299</b>	<b>\$21,638,299</b>	<b>0.00%</b>	<b>\$18,736,474</b>	<b>-13.41%</b>	<b>\$15,700,901</b>	<b>-16.20%</b>
<b>PROJECTED YEAR-END FUND BALANCE</b>	<b>\$21,638,299</b>	<b>\$18,736,474</b>	<b>-13.41%</b>	<b>\$15,700,901</b>	<b>-16.2%</b>	<b>\$12,555,381</b>	<b>-20%</b>
<b>FUND BALANCE AS % OF EXPENDITURES</b>	<b>7.25%</b>	<b>6.04%</b>		<b>4.86%</b>		<b>3.71%</b>	
<b>FUND BALANCE AS A # OF MONTHS OF EXPENDITURES</b>	<b>0.87</b>	<b>0.73</b>		<b>0.58</b>		<b>0.44</b>	



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**Five Year Financial Projections**

**Madison Metropolitan School District**

**Tax Levy Analysis - Scenario**

Tax Levy	Actual					Budget	Projections		
	FY-2004	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009	FY-2010	FY-2011	FY-2012
Fund 10 General Fund	\$182,693,000	\$187,680,455	\$185,317,558	\$193,818,516	\$201,209,415	\$197,447,372	\$211,130,802	\$212,931,561	\$216,605,801
Fund 10 Property Tax Charge Back Levy	\$138,228	\$70,818	\$122,301	\$120,707	\$195,010	\$208,468	\$214,514	\$214,514	\$214,514
Total General Fund Levy	\$182,831,228	\$187,751,273	\$185,439,859	\$193,939,223	\$201,404,425	\$197,655,840	\$211,345,316	\$213,146,075	\$216,820,315
Percent Change	2.69%		-1.23%	4.58%	3.85%	-1.86%	6.93%	0.85%	1.72%
Fund 38 Non-Referendum Debt Svc.	\$888,686	\$1,014,971	\$1,000,668	\$1,010,944	\$325,204	\$724,256	\$65,250	\$65,250	\$65,250
Percent Change		14.21%	-1.41%	1.03%	-67.83%	122.71%	-90.99%		
Fund 39 Referendum Approved Debt Svc.	\$5,122,180	\$5,451,345	\$5,334,887	\$4,325,581	\$7,040,075	\$7,261,532	\$7,175,794	\$7,108,081	\$4,780,775
Percent Change		6.43%	-2.14%	-18.92%	62.75%	3.15%	-1.18%	-0.94%	-32.74%
Fund 41 Capital Expansion Fund						\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000
Percent Change									
Fund 80 Community Service Fund	\$7,396,009	\$8,228,829	\$8,587,841	\$9,930,331	\$11,520,780	\$12,482,833	\$10,982,146	\$13,501,432	\$14,041,489
Percent Change		11.26%	4.36%	15.63%	16.02%	8.35%	-12.02%	22.94%	4.00%
Total Levy	\$196,238,103	\$202,446,418	\$200,363,255	\$209,206,079	\$220,290,484	\$225,624,461	\$237,068,506	\$241,320,838	\$243,207,829
Percent Change		3.16%	-1.03%	4.41%	5.30%	2.42%	5.07%	1.79%	0.78%

**Equalized Valuation**

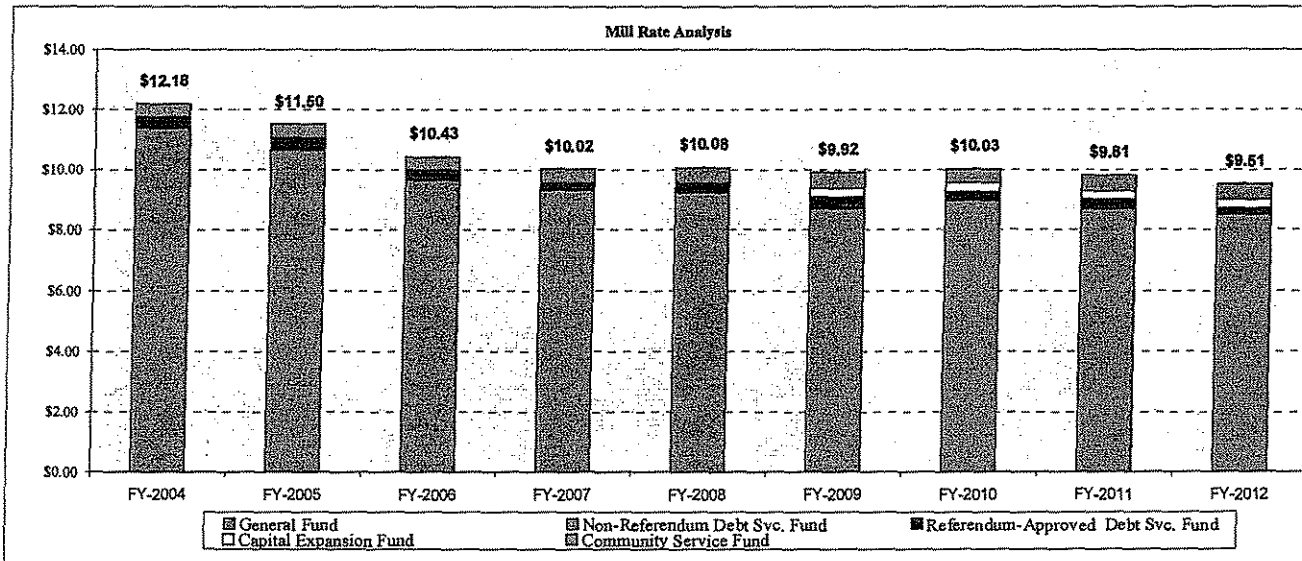
TIF-Out Tax Apportionment Equalized Valuation

Percent Change

\$16,111,328,273	\$17,600,737,346	\$19,212,707,885	\$20,882,231,258	\$21,858,743,192	\$22,733,092,920	\$23,642,416,636	\$24,588,113,302	\$25,571,637,834
	9.24%	9.16%	8.69%	4.68%	4.00%	4.00%	4.00%	4.00%

**Mill Rate**

Fund 10 General Fund	\$11.35	\$10.67	\$9.65	\$9.29	\$9.21	\$8.69	\$8.94	\$8.67	\$8.48
Fund 38 Non-Referendum Debt Svc.	\$0.06	\$0.06	\$0.05	\$0.05	\$0.01	\$0.03			
Fund 39 Referendum Approved Debt Svc.	\$0.32	\$0.31	\$0.28	\$0.21	\$0.32	\$0.32	\$0.30	\$0.29	\$0.19
Fund 41 Capital Expansion Fund						\$0.33	\$0.32	\$0.31	\$0.29
Fund 80 Community Service Fund	\$0.46	\$0.47	\$0.45	\$0.48	\$0.53	\$0.55	\$0.46	\$0.55	\$0.55
<b>Mill Rate Total</b>	<b>\$12.18</b>	<b>\$11.50</b>	<b>\$10.43</b>	<b>\$10.02</b>	<b>\$10.08</b>	<b>\$9.92</b>	<b>\$10.03</b>	<b>\$9.81</b>	<b>\$9.51</b>
Percent Change		-5.58%	-9.30%	-3.93%	0.60%	-1.59%	1.11%	-2.19%	-3.06%







**PMA Financial Network Inc.**  
**Five Year Financial Projections**

**Madison Metropolitan School District**

**Tax Levy Analysis - Scenario**

	Actual					Budget	Projections		
	FY-2004	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009	FY-2010	FY-2011	FY-2012
<b>Tax Levy</b>									
Fund 10 General Fund	\$182,693,000	\$187,680,455	\$185,317,558	\$193,818,516	\$201,209,415	\$197,447,372	\$211,130,802	\$212,278,895	\$215,663,651
Fund 10 Property Tax Charge Back Levy	\$138,228	\$70,818	\$122,301	\$120,707	\$195,010	\$208,468	\$214,514	\$214,514	\$214,514
Total General Fund Levy	\$182,831,228	\$187,751,273	\$185,439,859	\$193,939,223	\$201,404,425	\$197,655,840	\$211,345,316	\$212,493,409	\$215,878,165
Percent Change		2.69%	-1.23%	4.58%	3.85%	-1.86%	6.93%	0.54%	1.59%
Fund 38 Non-Referendum Debt Svc.	\$888,686	\$1,014,971	\$1,000,668	\$1,010,944	\$325,204	\$724,256	\$65,250	\$65,250	\$65,250
Percent Change		14.21%	-1.41%	1.03%	-67.83%	122.71%	-90.99%		
Fund 39 Referendum Approved Debt Svc.	\$5,122,180	\$5,451,345	\$5,334,887	\$4,325,581	\$7,040,075	\$7,261,532	\$7,175,794	\$7,108,081	\$4,780,775
Percent Change		6.43%	-2.14%	-18.92%	62.75%	3.15%	-1.18%	-0.94%	-32.74%
Fund 41 Capital Expansion Fund						\$7,500,000	\$7,500,000	\$2,700,000	\$2,700,000
Percent Change								-64.00%	
Fund 80 Community Service Fund	\$7,396,009	\$8,228,829	\$8,587,841	\$9,930,331	\$11,520,780	\$12,482,833	\$10,982,146	\$13,501,432	\$14,041,489
Percent Change		11.26%	4.36%	15.63%	16.02%	8.35%	-12.02%	22.94%	4.00%
Total Levy	\$196,238,103	\$202,446,418	\$200,363,255	\$209,206,079	\$220,290,484	\$225,624,461	\$237,068,506	\$235,868,172	\$237,465,679
Percent Change		3.16%	-1.03%	4.41%	5.30%	2.42%	5.07%	-0.51%	0.68%

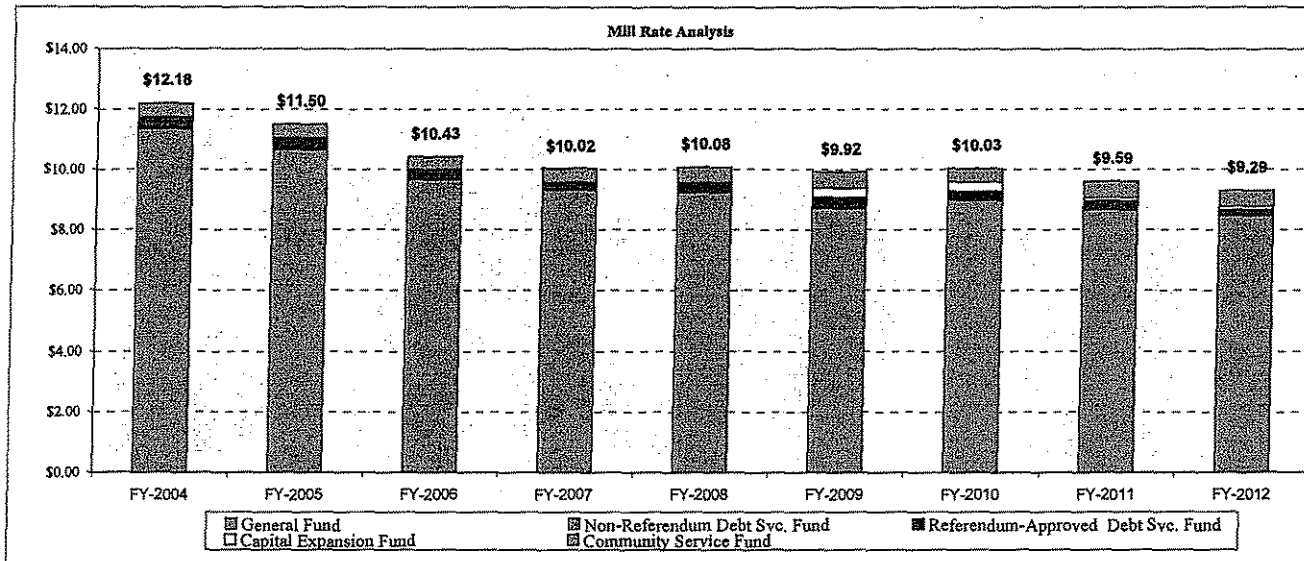
**Equalized Valuation**

TIF-Out Tax Apportionment Equalized Valuation

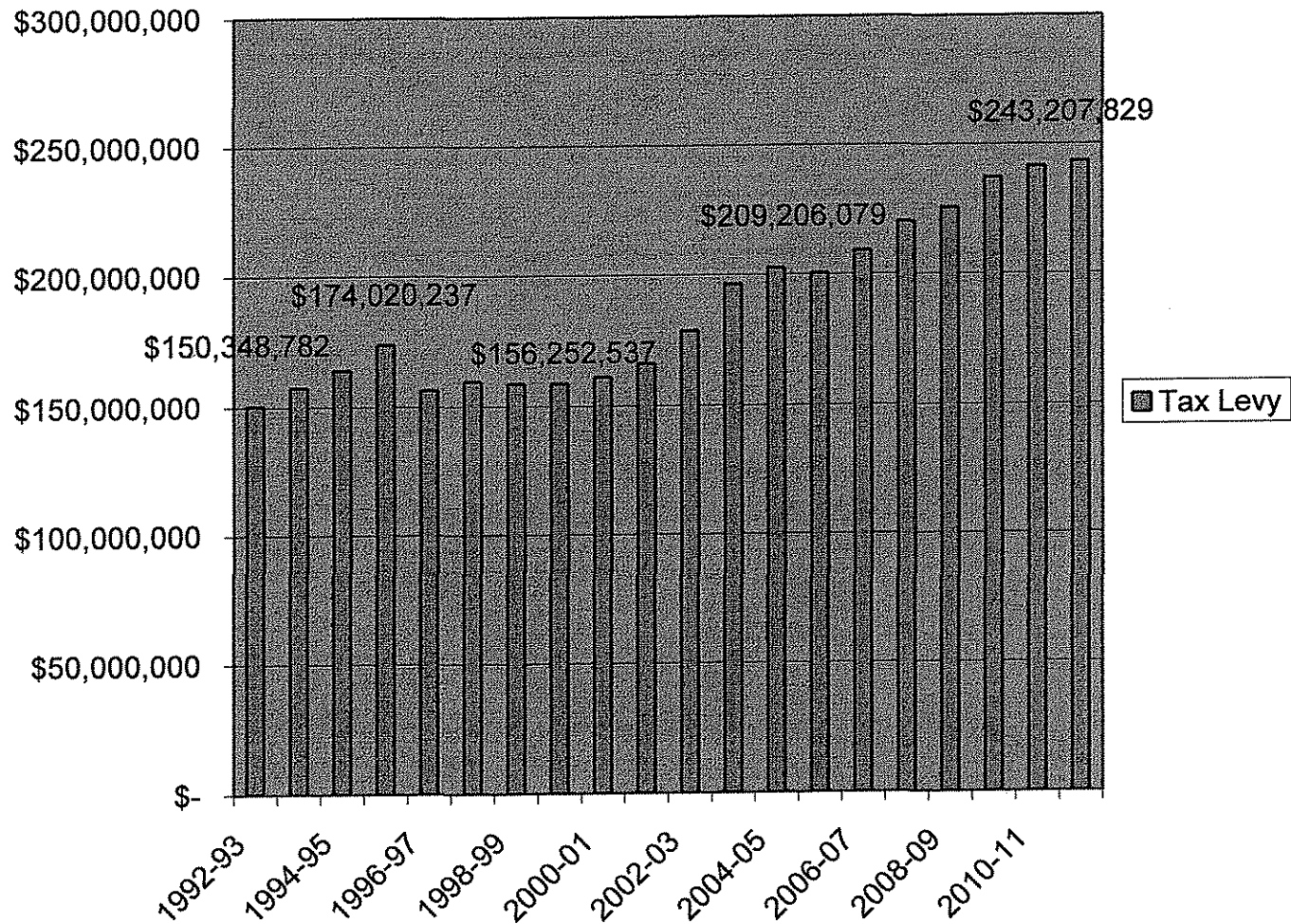
	FY-2004	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009	FY-2010	FY-2011	FY-2012
Valuation	\$16,111,328,273	\$17,600,737,346	\$19,212,707,885	\$20,882,231,258	\$21,858,743,192	\$22,733,092,920	\$23,642,416,636	\$24,588,113,302	\$25,571,637,834
Percent Change		9.24%	9.16%	8.69%	4.68%	4.00%	4.00%	4.00%	4.00%

**Mill Rate**

Fund 10 General Fund	\$11.35	\$10.67	\$9.65	\$9.29	\$9.21	\$8.69	\$8.94	\$8.64	\$8.44
Fund 38 Non-Referendum Debt Svc.	\$0.06	\$0.06	\$0.05	\$0.05	\$0.01	\$0.03			
Fund 39 Referendum Approved Debt Svc.	\$0.32	\$0.31	\$0.28	\$0.21	\$0.32	\$0.32	\$0.30	\$0.29	\$0.19
Fund 41 Capital Expansion Fund						\$0.33	\$0.32	\$0.11	\$0.11
Fund 80 Community Service Fund	\$0.46	\$0.47	\$0.45	\$0.48	\$0.53	\$0.55	\$0.46	\$0.55	\$0.55
<b>Mill Rate Total</b>	<b>\$12.18</b>	<b>\$11.50</b>	<b>\$10.43</b>	<b>\$10.02</b>	<b>\$10.08</b>	<b>\$9.92</b>	<b>\$10.03</b>	<b>\$9.59</b>	<b>\$9.29</b>
Percent Change		-5.58%	-9.30%	-3.93%	0.60%	-1.59%	1.11%	-4.39%	-3.13%



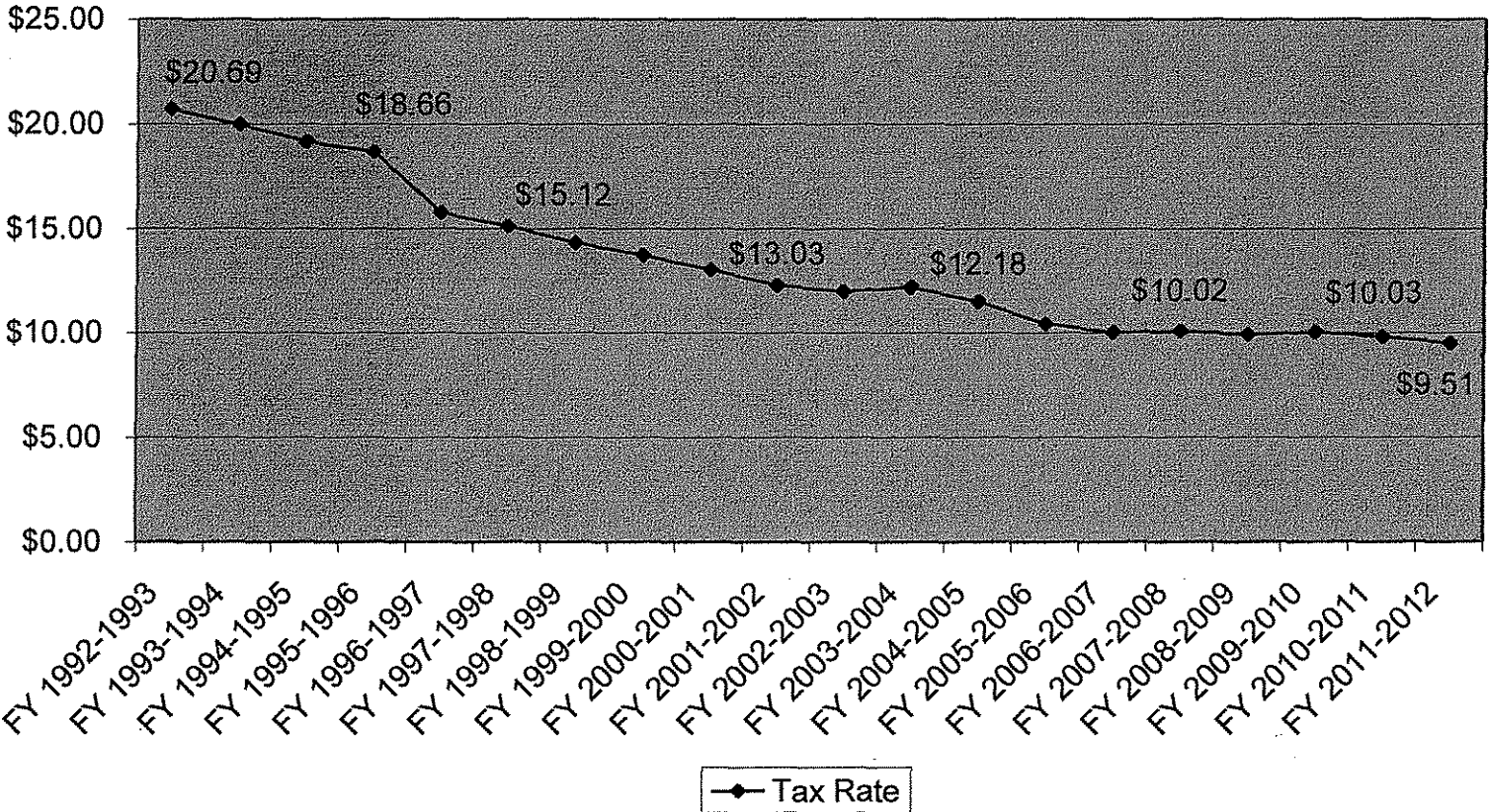
### Tax Levy History



Year	Levy Amount
1992-93	\$ 150,348,782
1993-94	\$ 157,409,199
1994-95	\$ 164,088,143
1995-96	\$ 174,020,237
1996-97	\$ 156,252,537
1997-98	\$ 159,575,585
1998-99	\$ 158,646,124
1999-00	\$ 158,641,375
2000-01	\$ 161,047,497
2001-02	\$ 166,233,073
2002-03	\$ 178,741,994
2003-04	\$ 196,238,103
2004-05	\$ 202,446,418
2005-06	\$ 200,363,255
2006-07	\$ 209,206,079
2007-08	\$ 220,290,484
2008-09	\$ 225,624,461
* 2009-10	\$ 237,068,506
* 2010-11	\$ 241,320,838
* 2011-12	\$ 243,207,829

\*Assumes the recommendation from administration is approved

**Tax Rate History**



Year	Mill Rate
FY 1992-1993	\$20.69
FY 1993-1994	\$19.97
FY 1994-1995	\$19.15
FY 1995-1996	\$18.66
FY 1996-1997	\$15.76
FY 1997-1998	\$15.12
FY 1998-1999	\$14.32
FY 1999-2000	\$13.71
FY 2000-2001	\$13.03
FY 2001-2002	\$12.27
FY 2002-2003	\$11.98
FY 2003-2004	\$12.18
FY 2004-2005	\$11.50
FY 2005-2006	\$10.43
FY 2006-2007	\$10.02
FY 2007-2008	\$10.08
FY 2008-2009	\$9.92
* FY 2009-2010	\$10.03
* FY 2010-2011	\$9.81
* FY 2011-2012	\$9.51

\*Assumes the recommendation from administration is approved

**Madison Metropolitan School District  
Madison, Wisconsin**

**Daniel A. Nerad, Superintendent**

**BOARD OF EDUCATION  
Minutes for SPECIAL MEETING-Public Forum  
August 12, 2008**

**Warner Park Community Recreation Center  
1625 Northport Drive, Community Rooms 2 & 3  
Madison, Wisconsin**

The Special Meeting of the Board of Education was called to order by President Arlene Silveira at 6:02 p.m.

MEMBERS PRESENT: Maya Cole, Ed Hughes, Lucy Mathiak, Marj Passman, Arlene Silveira, Johnny Winston, Jr.

STUDENT REPRESENTATIVE PRESENT: None

MEMBERS ABSENT: Beth Moss

LEGAL COUNSEL PRESENT: Attorney Dan Mallin

STAFF PRESENT: Susan Abplanalp, Lisa Black, Steve Hartley, Erik Kass, Daniel Nerad, Joe Quick, Ann Yehie

**1. Presentation and discussing regarding:**

- a. Projected future budget gaps and steps that the Madison Metropolitan School District (MMSD) has taken and may take to address prior and future budget gaps, including cost/program reductions, and the creation of efficiencies, changes to revenue streams, and referenda**
- b. Specific options for addressing the MMSD's projected annual budget gaps beginning the 2009-10 fiscal year, including a potential November 2008 referendum**

(Packets included a report entitled, "Current Fiscal Situation" dated 7/28/08. Additional written materials provided at the meeting included a memorandum on the effects of reduction dated 8/1/08. Copies are attached to the original of these minutes.)

Superintendent Nerad and Assistant Superintendent Kass provided information about projected future budget gaps and steps that the district has taken and may take to address prior and future budget gaps, including cost/program reductions and the creation of efficiencies, changes to revenue streams and referenda. They also presented specific options for addressing the school district's projected annual budget gaps beginning with the 2009-10 fiscal year, including a potential November 2008 referendum.

**2. Public input regarding MMSD budget gap issues via reporting-out of information for small group discussions among those attending the public forum. Small groups will be asked to have their discussion include at least the following issues:**

- a. Additional information the public needs about the district's financial Situation**
- b. Reaction to options the board is considering**
- c. Other ideas for addressing the district's financial situation**

Persons in attendance divided into small groups to discuss any additional information the public needs about the district's financial situation, reaction to options the Board is considering, and other ideas for addressing the district's financial situation. Each of the groups reported on their discussion:

**Regarding additional information the public needs about the district's financial situation:**

- √ Cost of educating students with disabilities and English Language Learners (ELLs). How has this changed over time?
- √ How much money comes from federal vs. state sources for ELLs?
- √ Historical information regarding the mill rate, including projections.
- √ Information from other states regarding the mill rate.

- √ Should state funding change? How would we reassess? Refer status.
- √ Are there state bills being proposed to change funding to deal with the revenue cap?
- √ Revenue limits – state elimination efforts?
- √ What is the gap's total percent of the school district budget?
- √ What revenue is not subject to the revenue cap?
- √ Negative aid issue – honesty.
- √ What's on the table re: cuts (e.g., 100 teachers, school closures? programs?)
- √ What will be cut?
- √ What should be added? (Four-year-old Kindergarten (4K))
- √ What are the major benefits of more dollars, i.e., if we had more money, what are some proactive, big idea benefits?
- √ What about additional initiatives, beyond cost-to-continue?
- √ What are some goals beyond cost-to-continue to improve the district in the future?
- √ Is there a way to replace lost programs (art, music, SPEC)?
- √ Will we revisit student enrollment and building closings?
- √ As a result of reductions, could schools close and/or be combined?
- √ How have demographics changed since 1993?
- √ How have services changed in cost based on the change in demographics?
- √ Central Office administration – current status. How many? Can any be cut vs. classrooms?
- √ Only way to save dollars is to cut personnel.
- √ Would like more information about staff demographics related to retirement and new staff.
- √ What are some buyout options for staff to generate savings/efficiencies?
- √ Administration budgets are higher than most districts – why? Need to be transparent and justify or transfer money to support programs.
- √ Is it true that administration is indeed high?
- √ Why can't we sell Doyle to save dollars?
- √ What are long-term implications if the referendum does not pass?
- √ If a referendum does not pass, what cuts will be considered in 3-5 years? Is there a priority order for this list?
- √ What is the long-term impact and hidden consequences of continued reductions?
- √ FTE – define...don't lump...certificated teaching staff...break down.
- √ What does/can the public learn re: finance?
- √ Provide disaggregated data plus dollar values with percentages.
- √ Budget by Object chart needs explanation.
- √ Private funding – what/who is it? What are "strings"? (homegrown lunch)
- √ What is growing at a rate faster than we can fund (e.g., fuel)?
- √ What are level cost implications?
- √ What happens if we don't invest in our schools? What has happened in other states (tax dollars well spent?)?
- √ Educate community re: small class size...(SAGE)
  - Research behind small class
  - Changing demographics and why small class is important
- √ Quantify "volunteer hours" for the district – communicate to community re: all of the things MMSD is doing.
- √ Truancy practices for the district.
- √ Can you vote for a recommendation, then change, depending on state finance changes?
- √ What is the MMSD doing in relation to state finance, and how can citizens get involved?
- √ How is federal funding impacting programs and mandates?
- √ What resources are put into programs (from the operating budget) to make up for the federal deficits?
- √ How is efficacy being monitored to ensure proper spending for needs?
- √ How does the high school grant impact budget cuts?
- √ Can we do both recurring and non-recurring?
- √ Recurring referendum is the most sensible.
- √ Charts about recurring and non-recurring need to be explained in public language.
- √ What do we do when neither passes?
- √ Can we let arbitration occur and see where it goes?
- √ Is there an independent oversight committee to check on the district's spending?
- √ If we had national or state health insurance, would it make a difference?
- √ More scrutiny of Fund 80 (put more into programs, e.g., Security).
- √ More information about what Fund 80 is/does.

**Regarding reaction to options the board is considering:**

- √ Look at the school calendar (four days, year around).
- √ Look at use of our space (e.g., rent out) to pick up dollars.
- √ Corporate/business sponsorships.
- √ Invest in partnerships to work to change funding formula.
- √ Community shadow students/staff in the schools – help community SEE what we do.
- √ Use the voice of students to educate the public.
- √ An option that enables the district to be technologically updated.
- √ Continuous improvement and program evaluation.
- √ How would federal dollars impact our budget?
- √ What specifically, in the political arena, would the BOE and administration like the public to do to address funding gaps?
- √ What are they doing to address the issue with their counterparts (other districts)?
- √ What are the obstacles that circumvent funding adequacy – politically?
- √ Board should consider three-year (multi-year) referendum.
- √ Reasonable to go to referendum.
- √ Within the context of Madison, to what extent can we achieve our goals and initiatives by going to referendum?
- √ How would we use the money beyond what we already do?
- √ \*What's the impact of No Child Left Behind on the budget?
- √ \*Inform the public about what is being done with other districts to address funding gaps.
- √ \*Long-term solution
- √ \*Want to know consequences of referendum not passing.
- √ Are there ways the district can partner with the city and other government entities to provide services in an efficient manner?
- √ Teacher health insurance cuts need to be clearly stated.
- √ Teachers pay the difference between WPS and Group Health – record the votes among teachers and communicate – get health insurance out to the public so it is understood.
- √ What can be cut at Doyle to show "good faith effort"?
- √ Show and communicate transparency of spending.
- √ Lobby for efficiencies in health care – do a comparative analysis of MMSD to like districts.
- √ How can we recruit the best teachers? This will recruit families to the district.

**Regarding other ideas for addressing the district's financial situation:**

- √ People do not understand the relationship among the district and MTI and the school board around funding issues and general issues.
- √ \*Revisit previous cuts (e.g., Ready Set Goal conferences)
- √ \*4K
- √ Separate referendum on 4K.
- √ Elementary foreign language.
- √ What will kids get from the budget? What is the value of education to the child?
- √ Frame referendum issue in terms of benefits for students – maybe for specific programs – benefits to community/state re: economic development.
- √ More information re: unfunded mandates – educate/mobilize the public.
- √ More information re: funding changes at the state level.
- √ Be sure to coordinate with other units of government – shared services (public safety, city pay for police officers at schools).
- √ Advertising in schools (should not do it, not in students' best interest).
- √ What is the district doing to generate money?
- √ Use "Share the Pain/Gain" – asking for some from administration and some from the public (60% tax, 40% public)
- √ Commitment to long-term financial plan.
- √ Strategies to tell the stories about great things kids do/contribute to community AND STAFF – go up and beyond job.
- √ Focus on link between education and jobs/economy, business/education partnerships.
- √ Education is important to growth/health of the city – global economy.

**Written Comments:**

- Why is it that if the feds/state legislature increases funding the recurring referendum would be a disadvantage?
- Couldn't that local support be rescinded or programs returned or investment in renewable energy created?
- Will the history of actual school property tax on the average home be shared?
- Will the fact be shared that percent increase in per pupil spending in Madison has been significantly less than the state average?
- Concerning the Effects of Reduction memo, why are library classes included as a "special?" They also carry the burden of a class-and-a-half. Librarians, at the elementary level, teach classes as part of the weekly school schedule just as Art, Music, etc.
- Continue good education, avoid cutting extracurricular programs, urge support of the referendum by all school groups.

**3. *Adjournment***

**It was moved by Johnny Winston, Jr. and seconded by Marj Passman to adjourn the meeting at 7:52 p.m. Motion unanimously carried by those present.**

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**Madison Metropolitan School District  
Madison, Wisconsin**

**Daniel A. Nerad, Superintendent**

**BOARD OF EDUCATION  
Minutes for SPECIAL MEETING-Public Forum  
August 14, 2008**

**Memorial High School  
201 South Gammon Road  
Auditorium and Commons  
Madison, Wisconsin**

The Special Meeting of the Board of Education was called to order by President Arlene Silveira at 6:04 p.m.

MEMBERS PRESENT: Ed Hughes, Lucy Mathiak, Beth Moss, Marj Passman, Arlene Silveira, Johnny Winston, Jr.

STUDENT REPRESENTATIVE PRESENT: None

MEMBERS ABSENT: Maya Cole

STAFF PRESENT: Erik Kass, Kurt Kiefer, Dan Mallin, Bob Nadler, Dan Nerad, Ken Syke, Ann Yehle

**1. Presentation and discussing regarding:**

- a. Projected future budget gaps and steps that the Madison Metropolitan School District (MMSD) has taken and may take to address prior and future budget gaps, including cost/program reductions, and the creation of efficiencies, changes to revenue streams, and referenda**
- b. Specific options for addressing the MMSD's projected annual budget gaps beginning the 2009-10 fiscal year, including a potential November 2008 referendum**

(Packets included a report entitled, "Current Fiscal Situation" dated 8/12/08. Additional written materials provided at the meeting included a memorandum on the effects of reduction dated 8/1/08. Copies are attached to the original of these minutes.)

Superintendent Nerad and Assistant Superintendent Kass provided information about projected future budget gaps and steps that the district has taken and may take to address prior and future budget gaps, including cost/program reductions and the creation of efficiencies, changes to revenue streams and referenda. They also presented specific options for addressing the school district's projected annual budget gaps beginning with the 2009-10 fiscal year, including a potential November 2008 referendum.

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Persons in attendance divided into small groups to discuss any additional information the public needs about the district's financial situation, reaction to options the Board is considering, and other ideas for addressing the district's financial situation. Each of the groups reported on their discussion:

**Regarding additional information the public needs about the district's financial situation:**

- ❖ Explanation building new schools have on funding
- ❖ What exactly will be out if we do cut
- ❖ Why can't we live within what we are allowed, start from scratch to meet minimums, class size, etc., benefits, how to measure, what are the results, definition of sound basic education
- ❖ What won't be cut



- ❖ Quantify costs and benefits by taxpayer segment, i.e., parents, non-parents, businesses, renters; how can each segment extract more benefit for each dollar spent?
- ❖ Percentage of properties exempt from property tax
- ❖ Other revenue source options are there, and how do we get them
- ❖ Two percent/year efficiencies since 1993, do they anticipate similar efficiencies in the future
- ❖ What is the role of this Madison Schools Foundation? Do they contribute to the MMSD budget? How much?
- ❖ Have there been reductions in administration? How much? What?
- ❖ What are the factors that determine what gets cut and what does not?
- ❖ What does special education and ESL "buy"?
- ❖ What effects were found from the 4K pilot? Long-term? Cost/benefits?
- ❖ What services and opportunities did a child graduating in 2008 not receive that a '98 graduate did receive? What about the 2016 graduate?
- ❖ What are the full costs/benefits of reduced services even beyond K-12 years? Community costs?
- ❖ Can a referendum include a metric of benefit, e.g., a test score, if not attained, budget reverts back?
- ❖ What programs and services are being devoted to students not going on to college? How would that compare to a program focused on preparing students for college?
- ❖ Discrepancy: Handout says \$305 million, web site citizens budget says \$340 million
- ❖ Where does the community want to be on expenditures? Top 10 percent? How does that compare with performance rank?
- ❖ What fuel price was used when calculating projection? What does, e.g., 25 cents reduction/gallon mean to the budget?
- ❖ Who does MMSD "teach to"? What students?
- ❖ Costs to city of failing to address issues
- ❖ Benefits to the city to maintain quality schools
- ❖ Context of budget cuts to overall budget
- ❖ More involvement in determining cut options at front end
- ❖ Will the Small Learning Community grant reduce need to cut
- ❖ What percentage of property tax goes to schools
- ❖ What research tell us about potential cuts (or adds)
- ❖ Why past or future cuts are made (example: special education)
- ❖ Detail increases in budget (where/why)
- ❖ Excellent presentation
- ❖ High property value/demonstrate change
- ❖ Overall per pupil spending in MMSD relative to other districts (include demographic info/impact of demographic change (special education, ESL, FRL))
- ❖ Portion of costs state covers for MMSD
- ❖ Breakdown of 84 percent staff salaries (e.g., Union v. non, QEO v. non)
- ❖ Perspective of 2.2 percent increase v. inflation, organize/salary
- ❖ Information on programs that offer long-term impact/savings (e.g., 4-year-old kindergarten) would decrease special education money
- ❖ Unfunded mandates on special education, ESL
- ❖ Picture/story of 4<sup>th</sup>/12<sup>th</sup> grader in 1993 v. 2008
- ❖ Capacity issues (East) e.g., to reduce dollars addressed prior, analyze demo of population shifts
- ❖ Possible school closing be analyzed
- ❖ Analysis of special education transfers (due to quality programs)
- ❖ 0-5 programs, full day high quality needed for impact to reduce special education
- ❖ Funded programs that are not mandated
- ❖ Enrollment data based on number of students...staff to student ratios
- ❖ Trends re: enrollment...where are our students living; how is this changing?
- ❖ Demographics...changes? ELL, students with disabilities, FRL
- ❖ Caution—pitting families re: school closings
- ❖ Utilize futuristic thinking re: potential changes, dollar issues
- ❖ Policy/guidance re: dealing with controversial issues, e.g., school closings
- ❖ Property rate comparisons between Madison and other Wisconsin cities and some national data
- ❖ "Like district" comparisons
- ❖ What will be cut? "real cuts," "credible list"...strings example
- ❖ Cut list needs to look at all areas (i.e., administrators)
- ❖ Don't put something on the list you aren't willing to cut
- ❖ Condition of overcrowding in the district
- ❖ "Quantify" services to students re: mental health issues, health issues, etc....tell the story ELL, FRL
- ❖ Don't ignore the fixed costs...what efficiencies can we pick up, etc.

- ❖ Nothing should be "off limits," everything needs to be considered
- ❖ Really explain 3.8 percent
- ❖ Eighty-five percent of the budget -- how are our teachers paid in comparison to other states, cities, positions in other fields

**Regarding reaction to options the board is considering:**

- What does additional transportation savings mean?
- What is MMSD doing to learn from other districts to be efficient and effective? What is the role of counties in funding schools?
- What specific leasing options are there?
- More community partnerships, e.g., corporations for technology, what grant opportunities are there?
- How long term, far reaching, forward thinking are the human efficiencies being explored?
- More collaboration with community agencies and private providers who are qualified
- Translate all of this in general terms, avoid "educationese"
- Define what is meant by "impact" in "least impact on children"
- Clarify impacts by categories, e.g., fine arts, academics, athletics, K-5/6-8/9-12, extra-curriculars, etc.
- Is class size reduction on the table? Is this being considered?
- Are non-financial impacts assessed when cuts are made, e.g., transportation changes resulting in late arrivals?
- How do we address persistent academic issues, e.g., African-American students' GPA being low and across all socioeconomic groups, when cuts are being made?
- Have any districts consolidated on leases or purchases?
- How do we grade the effectiveness of efforts to address long-term academic issues, e.g., GPA stagnation
- Can district's vehicle use be from the state's fleet?
- Referendum: should clarify for the public the specific cuts made to date and the impact on children
- Cost shifting from taxes to fees -- parent can't continue to absorb
- Debt restructuring lease options food program -- waste -- contracts (Pizza Hut)
- Easier explanation for referendum options
- Specifics of timeline of legislative reform
- Face reality of law changes and plan referendum accordingly
- Analysis of management for effectiveness (education and business)
- Re-allocation of dollars based on above
- Clarity at tax impact if referendum
- Effort toward funding formula revision at state level. Would MMSD benefit?
- Unsure financial climate for referendum
- Support for referendum
- Is November 2008 the right time? (Short time frame to get out info.)
- What options? There isn't an option. We need more options (e.g., closing schools, increasing use fees, cut other subjects v. core, direct/indirect services to students, disposable services)
- Want to know recreation cuts/transparency re: cuts
- Look at transportation costs
- Tell the story...why do strong schools matter?
- Would the referendum have to be in November
- Need a strong education component for this to pass
- Demonstrate fiscal responsibilities/restraint...how much can you cut before referendum

**Regarding other ideas for addressing the district's financial situation:**

- Explain Fund 80 and its effect on operations budget
- Leveraging collaboration opportunities in the community
- School Board needs to collaborate with other districts in advocating for a political change in funding system
- Can student/staff ratio be adjusted by course?
- In-depth study cost/benefit on efficiencies of delivering the product, e.g., block schedule
- Profile a day in the life of a teacher/student
- Information on schools vs. school community
- Accountability on dollars per students vs. achievement
- More partnerships/gifts
- Examples of cuts here or other districts

- Same service budget won't work-must analyze to work differently. Involve MMSD in above (e.g., employees, teachers, have good ideas.
- Advertising, sports support and athletic boosters
- Is MMSD funding MSCR? What is financial impact? Possible shift? Increase fees?
- Attract/increase/retain enrollment (student dollar)
- Collaborative health care/HMO other districts, state-wide
- Cash payment for not opting health insurance
- Sub teacher benefit reduction – impact on quality?
- Athletic director as example of issue with CBA and decisions/timeline
- Collaboration with other districts/ PD, administration, services, grants
- Competitive grants with consortiums
- Class size relative to student need
- Work with powers that be to increase the sales tax
- Educate folks in the community re: state funding and what public can do
- TAG?
- Prove to citizenry that a good cost-benefit analysis re: all services
- Cost per student private v. public Madison with comparable districts
- What is the district doing to work with state re: funding
- More options
- Credibility – politically sensitive, on the list be prepared to cut
- Transparency re: cuts – tell the story
- More time to educate the public – November v. February
- Want to see what the BOE can cut before referendum

#### Written Comments:

- Share our wealth with another district. To get juice you must give juice. Develop and foster idea that less is more. Highlight programs/schools/teachers/students who do more with less, e.g., one year summer school ran out of paper due to a paper shortage. Achievement was at an all-time high. Pass on non-scholastic programs to other agency.
- Has the Board thought about asking the community for ideas to save money? As a MMSD employee, I encounter frequent examples of waste. I resent the fact that music (my subject area) and other programs have been cut while the district is spending money so foolishly in other ways. Contact me (and all community members) for examples.
- More information when comparing districts, also compare property taxes – amount spent on schools across the different districts: what programs or services can we not even consider if we have no money? Are there any new trends in education that may benefit MMSD students (all, some, ELL, etc.) that we could implement if we had money. This is above and beyond day-to-day expenditures.
- Write information for public so that we can better understand. Changing demographics require a change in the way education of children is done – it is important that the district look more closely at Madison's (district's) changing demographics and uses the plethora of research there to improve education of children and the programs in the schools.
- I hope that the board and administration should establish trust by providing full disclosure and accountability. Transparency of all information. Do a cost and benefit analysis in all areas of the budget! Not just programming – fixed costs can and should be cut! Benefits and salaries for administration, etc., not controlled by union contracts can also be cut!
- Strongly feel need to have second language Spanish/English starting with kindergarten to 12th grade. We are a global society. Madison needs to continue to move forward with this process by having a second language. Testing does not equate to achievement. We need to review how/what we feed our kids at school and how that affects their learning and their behavior and why doesn't Pizza Hut pay us to serve their "food" to our kids? How could using locally grown/prepared food affect our economy and our children's health – mental and physical.
- I would like further information (Excel format preferred so that sorting and searching can be done in a user-friendly manner) on: (1) past budgets (1993-2007) in order to see detail of expense categories as they have increased or been cut year by year; and (2) citizen's budget format for 2008-09 and other future years, if any, included in referendum.
- Active Citizens for Education (ACE) systemic-oriented topics for consideration in laying out data and information in communications with the public on financial issues:
  - Transparency, full disclosure and accountability in accounting, data, measurements, decision-making, reporting and communications
  - Cost and benefit analyses for education and business programs, services, policies and practices as a basis for "re-allocation" of spending and for increased

effectiveness in use of existing funding levels. Include costs and comparative analyses of salary and benefits provisions.

- Budgeting processes: "Same service" and "cost to continue" budgeting does not get different results in student achievement and business operations—does not recognize functions of 're-prioritizing' and 're-allocation' of spending
- Bona fide recognition and inclusion of the financial environment and values of ALL patrons and taxpayers (including the 76% of households without children in schools)
- Changes to affect effectiveness of curriculum/instruction in improvements in the achievement and development of all students at all levels
- Collaboration and cost-sharing with other government entities and public/private organizations
- Parental participation in their children's education and development
- Safety and security of students and staff
- Standards for curricula and instructional improvements
- Building level leadership and administration
- Roles and relationships among BOE, administration and unions
- Extra-curricular and athletic programming and funding
- Maintenance and development of facilities and infrastructure
- Technology for instruction and business services

**3. *Adjournment***

**It was moved by Lucy Mathiak and seconded by Johnny Winston, Jr. to adjourn the meeting at 7:50 p.m. Motion unanimously carried by those present.**

ks/bt