

# REFERENDUM—MMSD—2008

## WATCH LIST REPORT CARD

[Revised 9/27/08; 10/5/08]



Active Citizens for Education presents this “Watch List Report Card” as a means of reporting relevant information, facts and analyses on topics appropriate for consideration by taxpayers in voting on the Madison Metropolitan School District referendum question November 4, 2008.

This document is dynamic in nature, thus it is updated on a regular basis with new information and data. Questions, analyses, clarifications and perspectives will be added to the entries as appropriate. Review Ratings will be applied to report the progress (or lack thereof) of the Board of Education and Administration in its plans, data, information, reports and communications related to the referendum.

The question which shall appear on the ballot is as follows:

“Shall the following Resolution be approved?”

### **RESOLUTION AUTHORIZING THE SCHOOL DISTRICT BUDGET TO EXCEED REVENUE LIMIT FOR RECURRING PURPOSES**

BE IT RESOLVED by the School Board of the Madison Metropolitan School District, Dane County, Wisconsin that the revenues included in the School District budget be authorized to exceed the revenue limit specified in Section 121.91, Wisconsin Statutes, for recurring purposes by: \$5,000,000 beginning in the 2009-2010 school year; an additional \$4,000,000 beginning in the 2010-2011 school year (for a total of \$9,000,000); and an additional \$4,000,000 beginning in the 2011-2012 school year (for a total of \$13,000,000 in 2011-2012 and each year thereafter).”

(Source: MMSD Administration 09/15/08)

TYPES OF REFERENDUM:

Revised 10/05/08 Printed:10/6/08

1/12

ACE: MMSD Referendum Watch List

- I. Recurring
  - a. Advantages
    - i. District can maintain programs and services for an extended period of time
    - ii. District doesn't have to manage a compounded large deficit after a non-recurring referendum ends
    - iii. The District can accomplish more long range planning initiatives
    - iv. Commitment to creating efficiencies over time above the approved authority
  - b. Disadvantages
    - i. Tax increases are permanent
    - ii. Negative perceptions regarding permanent authority
    - iii. Implications if and when the funding formula changes
  
- II. Non-recurring
  - a. Advantages
    - i. Ability to maintain programs and services for a defined period of time
    - ii. Authority doesn't go forever
    - iii. Mitigate the long term tax impact
    - iv. More flexibility if there is a change in the funding formula
  - b. Disadvantages
    - i. Short term plan for plugging the gap
    - ii. Large gap created after authority runs out
    - iii. Authority must increase each year to maintain program and services

(Source: MMSD Administration 08/12/08)

## RECURRING vs. NON-RECURRING REFERENDUM IMPACTS

A 'non-recurring' approach to a referendum can get to the same level of additional financial support as the 'recurring' approach WITHOUT raising the revenue caps forever.

Illustration: a 3-year 'non-recurring' referendum for  
'09-'10 of \$5m;  
'10-'11 of \$9m; and,  
'11-'12 of \$13m

for a total of \$27m without raising the base at all and will net the same total dollars at the end of 3 years as

a 'recurring' referendum for  
'09-'10 of \$5m;  
'10-'11 of \$9m; and,  
'11-'12 of \$13m

for a total of \$27m, and establishing a new base of \$13m for every year thereafter.

If there is a need for additional revenue cap authority at the end of three years, the amount can be determined on data current at that time and on a much clearer understanding of costs and effectiveness. The 'cliff' of \$13m would be the same with either option, but without the obligation of an established new base of \$13m every year thereafter from a 'recurring' referendum.

See charts and scenarios for “negative aids” impact on property taxes.

(Source: Active Citizens for Education 09/27/08)

ACE Analysis: **Mortgage on future property with permanent increase:**

Asking taxpayers to refinance/mortgage their futures and that of the school district with a permanent increase of \$13 million yearly for the operations budget. It has been stated the district needs the money to help keep current programs in place. It is expected that even after 3 years of this referendum totaling \$27 million, the Board is projecting a continued revenue gap and will be back asking for even more.

Questions posed by ACE to MMSD Board of Education and Administration following their presentations of 08/04/08 and 08/12/08. (Source: ACE 08/18/08)

1. What is the base criteria and growth rate for property valuations for the next three years; and, how do these projections compare with actual totals of the past three years?

**ACE Analysis:** **Inflated criteria for property value growth:** The dollar impact on property to be taxed is projected by the district on an inflated criteria of 4% growth in property valuation assessment; therefore, reducing the cost projection for the property tax levy. The growth for property valuation in 2007 was 3.2% and for 2008 it was 1.0%. Given the state of the economy and the housing market, the growth rate is expected to further decline in 2009.

2. What is the relationship of the monies from the 2005 Maintenance Referendum to the Capital Expansion Fund (41)?

**ACE Analysis:** The 2005 Maintenance Referendum monies for the 2008-09 and 2009-10 years can be moved into Fund 41. ACE has recommended these monies be segregated from the maintenance monies moved from the general operations budget for transparency and accountability purposes. No action has been taken by the district on this recommendation.

3. What are the long-term implications and consequences of the use of the Capital Expansion Fund regarding state aids (especially negative, tertiary aids); and, regarding the revenue cap and property tax rate?

**ACE Analysis:** **Lack of verification of reduction in negative aid impact on taxes:** District scenarios illustrating a drastic reduction in the negative impact on state aids from our property-rich district is unsubstantiated and unverified in writing from the WI State Department of Public Instruction. Questions have been raised about unknown possible future unintended consequences. The illustrated reduction is from approximately 60% to 1% results by switching maintenance funds from the operations budget and 2005 referendum proceeds to a newly created “Capital Expansion Fund—Fund 41” account. Verification has also been requested as to whether the reduction in the negative aids

impacts the entire Madison district property tax levy or to just the amount requested for approval exceeding the revenue cap by the referendum.

4. How is the negative aid impact figured into the “Tax Levy Analysis” scenarios for percentage of change and mil rates? What is the percentage rate of negative aids for MMSD?

ACE Analysis: We continue to discuss these rates and scenarios. We are seeking more specificity and verification with regard to the calculations and rates.

5. What are the gross breakout dollars in the budgets for each of the last three years and projected for each of the next three years for a) property tax revenues under the cap? b) state aids [i. General? ii. Categorical?] c) all other?

ACE Analysis: A chart of the “Revenue Summary 2005-2006 through 2008-2009” has been provided by the district. Projections have not been provided for future years at this time.

6. What specific educational and business programs, services, practices and policies are slated for immediate steps in cost analyses and evaluations for effectiveness and results?

ACE Analysis: **No evaluation nor analysis of programs and services:** The Board will make budget cuts affecting programs and services, whether or not this referendum passes. The cuts will be made with no specific assessment/evaluation process or strategy for objective analyses of educational or business programs and services to determine the most effective and efficient use of money they already have, as well as for the additional money they are asking with this referendum.

7. What percent of the projected property tax revenue are the proposed referendum amounts for the each of the next three years?

ACE Analysis: No figures have been provided.

8. What percentage projections were made for each of the next three years related to QEO negotiated settlements with a) teacher's union? b) other unions combined? c) administrators?

ACE Analysis: Projections were made by the administration on the basis of the average of the settlements (two years each) since 1993. For the teachers' union the average settlement for salaries and benefits was 4.0%, which is .2% above the 3.8% QEO. An itemization for each teachers' settlement and for other unions has not been provided.

9. How is the projected \$2.2 million equity fund balance in Fund 80 to be achieved? Will MSCR programs be cost neutral?

ACE Analysis: Information regarding these questions has not been discussed nor provided.

10. How does the taxpayer portion of the property tax bill become lower than the current level if a referendum passes?

ACE Analysis: There is a mixed answer for this question. The amount of taxes to be paid by taxpayers will be most affected by the final determination of the negative aids impact, the property valuation assessment rate of growth (or lack thereof), and whether or not the projected approval of the continuation of a maintenance referendum beyond 2009-10 is included in the scenarios. Further discussion and analysis is on-going.

Questions posed by ACE to Superintendent Nerad and Assistant Superintendent Kass:  
(Source: ACE document 08/28/08)

1. Going forward, how will we work together regarding the referendum for Nov. 4, 2008?

ACE Analysis: Both Nerad and Kass have been very open, candid, helpful and accommodating in their communications, discussions and in providing information. We have agreed and committed to working together in these ways for the benefit of the district and the community. It is the most constructive and helpful relationship we can

undertake. They are committed to making the actions and information transparent and accountable and ACE will do the same.

2. Recurring vs. non-recurring options and impact regarding year 4 (2012-13) after 3-year referendum factored with another projected budget gap

ACE Analysis: There is a difference of opinion as to the “cliff” in the amount of additional monies needed after three years. ACE maintains the “cliff” is the same with the only difference resulting from how the totals are derived. With a recurring referendum a permanent new base of revenue is established guaranteeing the generation of \$13 million dollars yearly. With a non-recurring referendum, attaining the additional \$13 million would require a proposed referendum for further authority to exceed the revenue cap by that amount. It has already been stated by the Board and Administration there is the expectation of a continuing “revenue cap” therefore necessitating a need for even more money to operate the district with continuing “same services and programs”.

3. Real estate property valuation growth: 2007-08: 3.2%; reported for 08-09: 1% vs. 4.0% used in tax impact scenarios for referendum information. Verify figures and impact

ACE Analysis: **Inflated criteria for property value growth:** The dollar impact on property to be taxed is projected on an inflated criteria of 4% growth in property valuation assessment; therefore, reducing the cost projection for the property tax levy. The growth for property valuation in 2007 was 3.2% and for 2008 it was 1.0%. Given the state of the economy and the housing market, the growth rate is expected to further decline in 2009. Scenarios are being developed to show the rate and dollar amounts of the tax impact with assessed valuation rates of 3, 2, 1, and 0%.

4. Negative aids tax rate impact figures: computations and verifications and impact of Fund 41

ACE Analysis: **Lack of verification of reduction in negative aid impact on taxes:** District scenarios illustrating a drastic reduction in the negative impact on state aids from our property-rich district is unsubstantiated and unverified in writing from the WI State Department of Public Instruction. Questions have been raised about unknown possible future unintended consequences. The illustrated reduction is from approximately 60% to 1% results by switching maintenance funds from the operations budget and 2005 referendum proceeds to a newly created “Capital Expansion Fund—Fund 41” account. Verification has also been requested as to whether the reduction in the negative aids impacts the entire Madison district property tax levy or to just the amount requested for approval exceeding the revenue cap by the referendum.

5. Presentation of tax rate decreases and tax dollar increases: computations and affects of negative aids, maintenance referendum and Fund 41

ACE Analysis: Further discussion and computations are on-going.

6. ACE proposed conditions of referendum support

ACE Analysis: See ACE News Release—excerpt provided below.



7. Plans and communications re criteria, processes, standards and reporting of evaluations, assessments and analyses of costs and benefits of educational and business programs, services and operations

ACE Analysis: **Full disclosure, accountability and transparency:** Data and information has not been presented to show and verify criteria, assumptions, base lines, calculations and analyses for stated efficiencies, effectiveness, savings, past and current projects, cuts and reductions.

Excerpt of ACE News Release: “In order for the public to support any change in spending habits or spending authority the district must meet the following conditions:  
(Source: ACE News Release 08/23/08)

- a) full disclosure and accountability in the reporting of methodologies, data measurements, analyses and results in spending and the effective use of existing funding levels;

ACE Analysis: Only the initial information regarding Fund 80 and the establishment of Fund 41 has be forthcoming.

- b) assure that the shifting of funds is done on the basis of evaluations and assessments;

ACE Analysis: No information made available.

- c) changes are put in place to affect improvements in curriculum and instruction which directly increase student achievement and development at all levels;

ACE Analysis: Board and Administration discussions are underway.

- d) make the schools and the educational climate safe and secure for all students and staff; and

ACE Analysis: **Making schools safe for students and staff:** There are no specific plans or strategies for changes in the response system for safety, use of appropriate technology and curriculum helping students and staff develop shared responsibilities and conflict resolution.

- e) engage in collaborative and cost-sharing initiatives with other government entities, as well as private and non-profit organizations.”

ACE Analysis: **No cost-sharing and collaborative initiatives with other governments:** Discussions and negotiations have not taken place with city and county governments for cost-sharing and collaborative initiatives to reduce costs, minimize duplication of services, and create better defined roles and responsibilities.

**The MMSD administration has identified two changes to implement over the next school year that will help mitigate the tax impact of the referendum.**

### CAPITAL EXPANSION FUND (FUND 41)

Effective with the 2008-09 school year, the 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 MMSD. 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 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 district in the State of Wisconsin in the form of negative aid on the tertiary level.

Capital expenditures are defined by the Department of Public Instruction as being expenditures for acquiring and remodeling building 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 MMSD currently spends approximately \$7.6 million per year on maintenance of facilities that extend or enhance the service life of the buildings. Of the \$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.

### COMMUNITY SERVICES FUND (FUND 80)

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 the 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 tax 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.

(Source: MMSD Administration 08/18/08)

WHY IS THERE A PROBLEM?

(see MMSD website)

REVENUE LIMITS & QUALIFIED ECONOMIC OFFER (QEO)

(see MMSD website)

BUDGET BREAKDOWN

(see MMSD website)

REVENUE CAP GAP HISTORY

(see MMSD website)

WHAT HAS BEEN DONE?

(see MMSD website)

THE MMSD PICTURE FOR 2009-2010

(see MMSD website)

REFERENDUM QUESTIONS & ANSWERS

(see MMSD website)

Links to further information:

1. MMSD website:

<http://www.madison.k12.wi.us/> under **HOT TOPICS** (in red in middle of the page) click on "**November 4 Referendum**"

2. Active Citizens for Education website

[www.activecitizensforeducation.org](http://www.activecitizensforeducation.org)

3. Contact Active Citizens for Education

a. See website address above

b. Contact Don Severson, President 577-0851

4. School Information System blog site

[www.schoolinfosystem.org](http://www.schoolinfosystem.org)

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