



**2015-16 Budget Development
Operations Work Group
January 12, 2015**

2015-16 Preview

Budget Development Team Goal

“To provide accurate information and timely analysis to MMSD leadership to create an equitable and effective budget that supports our vision and goals.”



2015-16 Preview State Budget Picture

State budget picture is the major unknown factor:

Expect no increase per pupil in the revenue limit formula

Expect no increase in statewide equalization aid pool

- State budget has a deficit forecast for 2015-17
- State budget leaders have a 'no tax increase' orientation
- There is single-party control of all three branches of state government

Key Steps in Budget Development Process

Step 1: Establish Revenue Strategy

- **Develop an Initial Revenue Scenario in Baird Model**
- **Refine as Information Becomes Available on Direction of State Budget**
- **Recommend to Board of Education at February Operations Meeting**

2015-16 BUDGET

General Fund Initial Revenue Scenario

General Fund Revenues will increase by a maximum of 2%

- Assumes a Moderate Enrollment Increase + 200 FTE (0.75%)
- Requires Use of All of \$3.7 million Unused Levy Authority
- Leaves \$1.0 million of Unused Levy Authority in Reserve for 2016-17*

** The source of the \$1 million of unused levy authority comes from the district's eligibility for an 'energy efficiency exception' related to the 2012-2014 West High School HVAC project. The district's annual debt service for that project, approximately \$1 million for nine future payments, can be levied for outside of the Revenue Limit.*

Revenue Increase Determines Initial Revenue / Expenditure Scenario

A Simple Rule but a Difficult Challenge:

Revenue growth of two percent (2%) requires that expenditures must also conform to a maximum increase of two percent (2%) to produce a balanced budget

However, the Baird Model tells us:

General Fund expenditures will increase by approximately 4.8%, based on existing wage and salary commitments and an estimated health insurance rate increase of 9%, unless budget actions are taken to intervene

A Budget Gap of 2.8% (2% Revenue vs. 4.8% Expenditures) or \$9-\$10 million will occur unless budget actions are taken to intervene

Key Steps in Budget Development Process

Step 2: Program and Departmental Reviews

- Scheduling Now
- Complete by February 6th
- Identify Funding Priorities & Opportunities for Savings & Efficiencies
- Summarize for SLT Review and Decision-Making

Challenge:

We must not allow difficult budget conditions to slow or stop the essential work of the school district. We remain fully accountable for attaining our goals and bringing the vision of the school district to life.

Key Steps in Budget Development Process

Step 3: Establish Compensation Strategy

- Identify & Cost Funding Commitments (Step, Lane) in CBA's (Done)
- Lock In Across-the-Board Cell Lift (0.25% or Other?)
- Identify Any Other Compensation Issues
- Recommend Wage/Salary Strategy to Board of Education in February



Key Steps in Budget Development Process

Step 4: Establish Employee Benefits Strategy (Health Insurance)

- Prepare Estimate of July 1, 2015 Health Insurance Premiums (8-9% Increase)
- Prepare Estimate of Affordable Care Act Impact (Possible Increase in Census)
- Advise/Recommend a Health Insurance Strategy to Board in February/March
- Communication & Consultation Effort w/ Employee Groups



Key Steps in Budget Development Process

Step 5: Establish High Level Staffing Targets

Given these budget conditions, how many FTE can the budget support? Decisions in steps 1-4 will influence Step 5.

The staffing plan becomes – to a greater degree than before - a dependent variable in the budget development process. Staffing targets are set to align to budget capacity.

Updates provided to Board of Education monthly throughout the budget process.

Key Steps in Budget Development Process

Step 5: Establish High Level Staffing Plan:

MMSD Staffing Level as of January 2, 2015:

Staff Type	General Fund	Special Revenue	Special Education	Capital Expansion	Food Service	Community Srv	Total
(A)- Administrator	129.8	-	5.0	1.2	4.0	9.5	149.5
(B)- Specialist	1.9	-	30.9	-	-	-	32.8
(C)- Custodian	204.4	-	-	-	4.9	12.0	221.3
(D)- Trades	6.6	-	-	26.4	-	-	33.0
(E)- EA	152.2	-	348.8	-	-	3.8	504.7
(F)- Food Service	-	-	-	-	94.4	-	94.4
(G)- BRS	76.0	-	2.9	-	-	-	78.9
(N)- NUP	61.5	0.5	1.0	-	1.5	31.0	95.5
(Q)- Play & Learn	-	-	-	-	-	8.8	8.8
(S)- Clerical/Technical	185.3	-	7.9	-	1.5	31.9	226.6
(T)- Teacher	2,106.6	4.2	568.9	-	-	6.3	2,685.9
(Y)- Security	28.5	-	-	-	-	2.0	30.5
	2,952.8	4.7	965.4	27.6	106.2	105.2	4,161.8

Key Steps in Budget Development Process

Step 5: Establish High Level Staffing Plan

Related Staffing Plan Work:

- **Self-Assessment of Equitable Distribution of Staffing – Worksheet Analysis**
January-February 2015
- **Self-Assessment of Efficient Use of Title Funded Staffing**
January-February 2015
- **Improving the tools and workflow of the internal School Staff Allocation Process**
February-March 2015

Budget Process Check

- **Determine Revenue Strategy & Estimate the budget gap before winter break – have Baird and MUNIS systems ready**
- **‘Speed Rounds’ of district-level departments to identify key issues**
- **Define strategy for wage/salary, health insurance**
- **Define strategy for staffing plan – Set target levels for FTE well before allocation process begins**
- **Includes Assessment of Equitable Allocation of Staff & Assessment of Title Staffing**
- **Avoid using non-personnel accounts as budget balancers (e.g. technology, maintenance, CRLM, athletics, school formula accounts)**
- **Be ready to change process based on state budget – February 2015 & Beyond!**

Baird Model – Key Excerpts

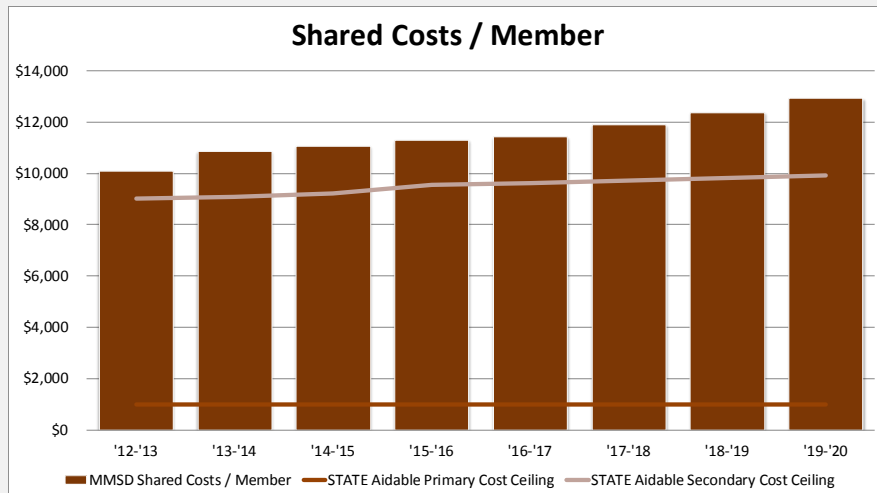
Global Factors

MMSD			
Forecast Model Scenario:	Current Scenario		
	'13-'14	'14-'15	'15-'16
Sept Membership (FTE) Growth:	0.71%	0.53%	0.89%
Per Pupil Increase:	\$75	\$75	\$0
Equalized Valuation Growth:	0.36%	3.47%	1.00%
Fund 10 Revenues	\$329,741,954	\$341,956,873	\$348,472,072
Fund 10 Expenditures	\$337,678,133	\$341,956,873	\$358,585,219
Surplus (Deficit)	(\$7,936,179)	\$0	(\$10,113,147)
Fund Balance	\$37,376,790	\$37,376,790	\$27,263,643
Fund Balance as % of Expenditures	11.07%	10.93%	7.60%
Total School-Based Tax Levy	\$257,727,292	\$268,500,293	\$281,576,656
% change		4.18%	4.87%
Total Tax Rate per \$1,000 Equalized Valuation	\$11.86	\$11.94	\$12.40
% change		0.67%	3.85%

The 2015-16 Scenario Shows an Initial Deficit Before Actions Are Taken to Intervene and Rebalance the Budget

State Equalization Aid

Equalization Aid Analysis							
	'12-'13	'13-'14	%chg	'14-'15	%chg	'15-'16	%chg
MMSD Valuation / Member	\$815,215	\$795,519	-2.42%	\$791,434	-0.51%	\$811,232	2.50%
MMSD Shared Costs / Member	\$10,111	\$10,879	7.60%	\$11,078	1.83%	\$11,316	2.15%
STATE Tertiary Aid Valuation Guarantee	\$555,356	\$536,519	-3.39%	\$531,883	-0.86%	\$545,712	2.60%
Primary Aid %	57.76%	58.78%		58.99%		57.97%	
Secondary Aid %	26.23%	27.06%		27.83%		24.90%	
Tertiary Aid %	-46.79%	-48.27%		-48.80%		-48.66%	
STATE Aidable Primary Cost Ceiling	\$1,000	\$1,000	0.00%	\$1,000	0.00%	\$1,000	0.00%
STATE Aidable Secondary Cost Ceiling	\$9,005	\$9,092	0.97%	\$9,225	1.46%	\$9,539	3.40%



- No significant change in Madison's position in the aid formula projected
- Strategies to maintain a balanced budget will have a favorable impact on projected aid, levy and mill rate projections

State Aid Impact

General Aid Analysis				
		<u>'13-'14</u>	<u>'14-'15</u>	<u>'15-'16</u>
Equalization Aid (State Aid)		\$52,201,363	\$54,343,039	\$51,082,491
High Poverty Aid		\$1,601,009	\$1,601,009	\$1,601,009
Total Aid to be Used in Computation		\$53,802,372	\$55,944,048	\$52,683,500
% Change			3.98%	-5.83%
Aid as a % of Shared Costs		17.49%	17.72%	16.17%

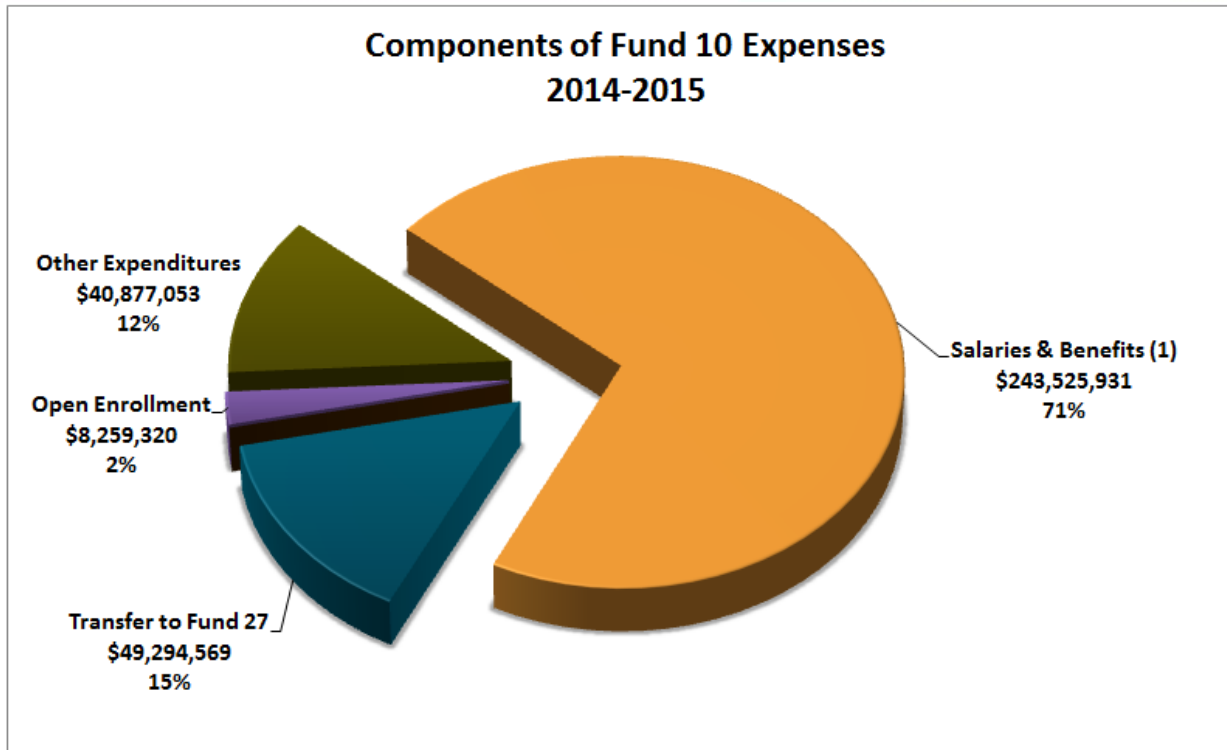
The initial budget assumes a 5.93% decrease in equalization aid. This is a cautious estimate due to many unknowns concerning the state budget.

Levy Detail

MMSD	HISTORICAL		Current Budget	Working Budget
	Actual '12-'13	Actual '13-'14		
TAX LEVY:				
TOTAL FUND 10 LEVY	\$229,675,185	\$235,763,436	\$245,224,567	\$254,799,488
Plus: FUND 39 LEVY	\$2,054,223	\$4,013,576	\$4,202,660	\$3,396,925
Less: FUND 39 LEVY OFFSET	\$0	\$0	\$0	\$0
Less: FUND 39 LEVY OFFSET	\$0	\$0	\$0	\$0
Plus: NEW FUND 39 LEVY	\$0	\$0	\$0	\$3,311,726
Plus: FUND 38 LEVY	\$0	\$2,041,701	\$2,918,370	\$3,939,081
Less: FUND 38 LEVY OFFSET	\$0	\$0	\$0	(\$145,261)
Plus: NEW FUND 38 LEVY	\$0	\$0	\$0	\$0
Plus: FUND 41 LEVY	\$5,681,809	\$6,000,000	\$4,500,000	\$4,500,000
Plus: FUND 80 LEVY	\$11,808,865	\$9,675,429	\$11,654,696	\$11,654,696
Chargeback Levy	\$70,000	\$233,150	\$0	\$120,000
TOTAL LEVY	\$249,290,082	\$257,727,292	\$268,500,293	\$281,576,656
% Increase (decrease) over previous FY		3.38%	4.18%	4.87%
TOTAL TAX RATE PER \$1,000 EQUALIZED VALUE	\$11.52	\$11.86	\$11.94	\$12.40

The levy estimate is intended to reflect the high end of the levy range. The levy includes the impact of enrollment growth, an April 2015 facilities referendum, and a decrease in equalization aid. The equalized tax rate is based on 1% tax base growth.

General Fund Expenditures



(1) Percent of Expenditures with the addition of Funds 27 Salaries & Benefits: 84.9%

With 85% of expenditures related to personnel costs, this area is the major focus on budget development.

Disclosures

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