

REVENUE CAP GAP SHORTFALLS OVER THE YEARS....

Revenue cap gap shortfalls have existed since the time of revenue caps being implemented in 1993.

That said, for a more recent snapshot we will look at the time since 2007-08 and \$9 million has been the revenue cap gap. That figure does not include ‘impact needs’, nor additional shortfalls occurring at various times of the year.

Should all of those totals be included, the East Troy School District has been balancing \$13.5 million of costs in the last sixteen years. Without additions to the budget to enhance education, called impact needs, (\$3.3 mil) the deficits we have had to balance were \$10.2 mil.

	Revenue Cap Gap	Impact Needs	Post Sept Count Addtl Shortfall	Fund Balance Deficit
2022-23	\$1,169,000	\$460,000		
2021-22	\$780,000	\$35,000		
2020-21	\$479,000	\$180,000		
2019-20	\$405,000	\$56,000	\$286,000	
2018-19	\$182,000	\$325,000		
2017-18	\$453,000	\$392,000		
2016-17	\$388,000	\$166,000		
2015-16	\$497,000	\$70,000		
2014-15	\$308,000	\$269,000		
2013-14	\$455,000	\$150,000	\$100,000	
2012-13	\$410,000	\$120,000		
2011-12	\$2,000,000	\$0		
2010-11	\$525,000	\$770,000		
2009-10	\$500,000	\$183,000		
2008-09	\$380,000	\$150,000		
2007-08	\$200,000			\$680,000
TOTALS	9,131,000	3,326,000	386,000	680,000

What exactly is the ‘revenue cap gap’? Each year schools begin their budget planning with a *reasonable estimate* of what salaries, benefits, and other expenditures will increase by. A school’s budget is predominantly salaries and benefits (75-80% over the years). For salaries, in the past QEO was projected; in more recent times it is CPI or 1.5-3%, with the exception of 22-23 being 4.7%. For benefits, health insurance estimates from the insurers are used; currently 12%. Then revenues from the state are calculated via the revenue limit formula. The difference between what costs are expected to increase by, and what revenues increase by, is the shortfall. Annually the process then begins on how to balance the budget. We make changes to staffing levels each year and have made significant changes to health insurance and other benefits to mitigate rising costs and fewer dollars.

What exactly are ‘impact needs’? As educational needs change, programs, services, and/or staff may need to be added. A great majority of these needs are unfunded mandates – the services must occur with no additional funding. Another example is that budgets may need to be increased – think additional maintenance on buildings. So impact needs are larger changes to the budget that need to be added.

What exactly is the ‘post Sept count addtl shortfall’? After the September Third Friday official count of students, if projections did not come to fruition, an additional budget shortfall may exist.

What exactly is a 'fund balance deficit'? At the close of the fiscal year, expenditures exceeded revenues. This either occurred due to unexpected expenditures throughout the year, or not predicting enough necessary reductions via the revenue cap gap.

FINALLY, a note on the school's revenue limit from the State, which is property taxes + state aid. Ten years later, about the same revenues:

	2010-11	2022-23
Revenue Limit	16,680,024	17,075,882

*Not including increases to transfer of service and private school vouchers – neither of which add to funding for existing resources of public schools.

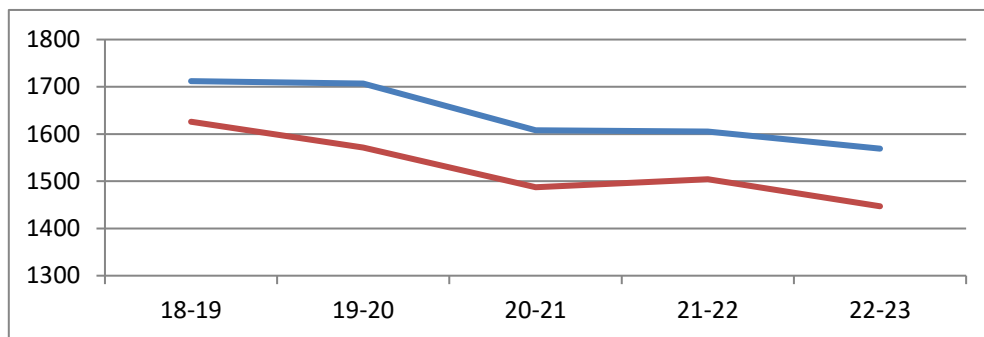
WHAT DOES THE FUTURE LOOK LIKE?....

The East Troy Schools are facing projected deficits in its next five-year outlook of \$1,700,000 on average *per year*.

The four largest factors that are influencing the projections:

1. Declining enrollment
2. Extremely limited monies going into the formulas on the State level / end of one-time federal funds that helped the budgets in 21-22 and 22-23.
3. Health insurance projections
4. CPI Salary increases / Inflation

Declining Enrollment: East Troy's 2019-20 resident membership was 1707, down from the 2016-17 resident membership of 1752. 2020-21 (COVID) saw a particularly low year with resident membership down to 1608, and now in 22-23 resident membership is 1569. This trend is expected to continue without new property growth in our community.



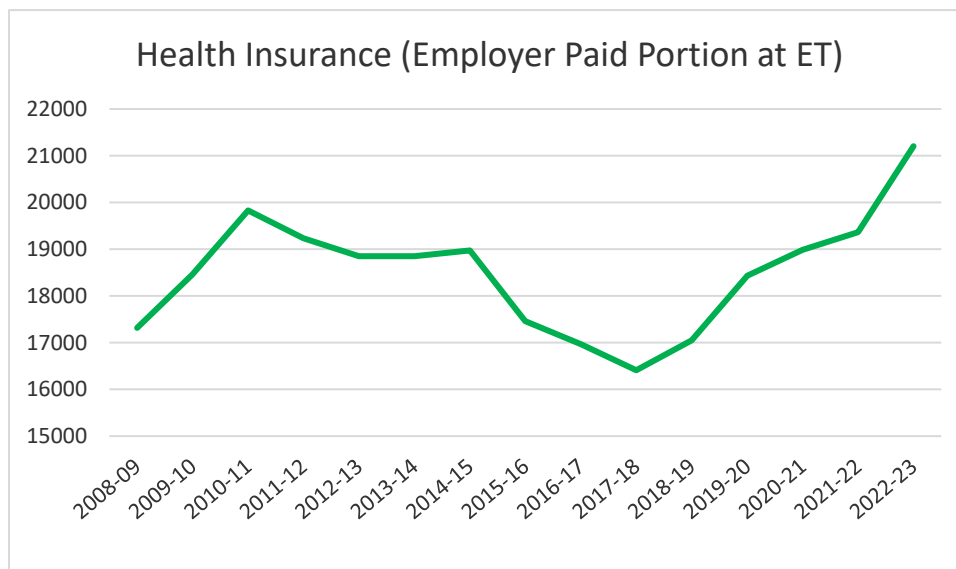
Funding at the State Level: The 2011-12 budget cycle saw the greatest decline of funding in any historical data we have. ETCSD saw a 7% loss of funding. Since then, each year revenues have been added back at a rate of 0.15% - 2.5% increases, an average of 1.35% increases per year. Finally, the 21-22 and 22-23 budgets are based on \$0 per pupil and \$0 more in per pupil aid. Which translates to a projected 1% and 2% **decrease** in revenues respectively due to declining enrollment.

WHAT HAS THE EAST TROY SCHOOL DISTRICT DONE TO BALANCE THE BUDGETS?

Because the ETCSD has not passed additional funding in the form of an operational referendum from its taxpayers, the only choice is to annually balance the budget. Here is what we have done to annually balance the budget:

- Analyzing every budget line item for what can be discontinued, bid out for better competitive pricing, or done differently – constantly looking for savings.

- Negotiating with health insurers.
- Benefitting from lower than average health insurance increases prior to 17-18, due to good claims utilization. Plan changes still occurred to balance the budget – carrier changes, network changes, deductible increases, employee contribution increases, etc. 18-19 and 19-20 we have not been in a favorable claims utilization situation. 19-20 saw a 16% in health insurance, \$175,000 the original 8% budgeted increase for health insurance. 20-21 we are back to a 3% health insurance increase and 21-22 is a 2% increase – good but still higher than inflation and 0.5%/-2% revenue in/decreases from the State, respectively.
- Significantly reducing retirement benefits.
- Self-funding dental insurance.
- Eliminating positions from all areas of the school budget, offering part-time positions instead of full-time, discontinuing offerings with low utilizations.
- Moderating wage rate increases in the mid-2010's. (0-2.5% average wage increases 2012 - 2019. 2020-21 salaries were frozen and 21-22 salaries were 2.5%.)
- Consolidating to 4 schools instead of 5, with energy-efficiency gains. Implementing energy efficiency in all buildings.
- Refinancing debt and prepaying debt to minimize interest costs.



The East Troy Schools will continue to balance tax levy impacts and remains committed to balancing the budget. But with the constraints listed, the balance of fiscal versus educational excellence is strained at best. We ask that the community evaluate if the East Troy Schools are:

- Ensuring a year to a year-plus of learning growth for each child, each year
- Ensuring programming opportunities through systems and practices that recognize the talents of each child
- Ensuring individualized learning by engaging students with a personalized learning environment
- Employing the highest-quality professional staff
- Adapting facilities for current and future educational needs
- Demonstrating fiscal responsibility through efficiency.

If so, please consider that an operational referendum may be necessary to continue and improve these practices.