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March 10, 2023

As the community determines the direction of the East Troy Community School District on Tuesday, April 4, I wanted to provide some important information.

First, it is important to understand why ETCSD and many districts are seeing revenue cap gaps on an annual basis. Please see FAQ #2 on our Operational Referendum 2023 webpage. There, you will see the projected structural deficit for the next three years based on assumptions related to enrollment, insurance, salaries, ESSER funds no longer being available, other expenses, and the per-student revenue limit. It is important to note that the numbers are compounding, which is why the district is seeking $3 million per year for three years, equaling a total of $9 million. We recognize that if our early estimate projections come to fruition, that $9M over three years would still not cover the projected $11M revenue cap gap.

Our early estimate projections indicate a $2.3M dollar gap next year (allowing us to carry over $700,000 of the $3M to the 2024-25 school year). Then, in the 2024-25 school year, we estimate a gap of $3.5M. Thus, with the $3M and the carryover of the $700,000, we would still have $200,000 carrying over to the 2025-26 school year.

Then, during the 2025-26 school year, our estimates project a $5.2M deficit. With the $3M and the $200,000 carryover, we would still need to address $2M toward balancing the budget. (Please note it is important to recognize the fluidity with projections based on numerous variables.)

Second, in 1993, Governor Thompson ratified (through Act 16) revenue cap restrictions for K-12 funding. For the first 16 years, the Wisconsin legislature honored the intent of the cap and increased school funding in alignment with inflation, per the consumer price index. That practice ceased in 2009, forcing increasing numbers of districts to turn to operational referendums to fill their budget gaps. Please see “Revenue Limit Per Pupil Adjustment Under Prior Inflation Indexing Compared to Actual Resource Change” (*Source: Legislative Fiscal Bureau*).

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Revenue Limit Per Pupil Adjustment Under Prior Inflation Indexing Compared to Actual Resource Change

	Per Pupil Adjustment Under Prior Indexing	Actual Combined Resource Change	Difference
2008-09	$274.68	$274.68	$0.00
2009-10	274.68	200.00	-74.68
2010-11	281.00	200.00	-81.00
2011-12	288.59	-554.00*	-842.59
2012-13	296.38	100.00	-196.38
2013-14	300.83	100.00	-200.83
2014-15	305.34	150.00	-155.34
2015-16	305.34	0.00	-305.34
2016-17	308.09	100.00	-208.09
2017-18	315.48	200.00	-115.48
2018-19	323.05	204.00	-119.05
2019-20	329.19	263.00	-66.19
2020-21	334.13	179.00	-155.13
2021-22	342.82	0.00	-342.82
2022-23	371.96	0.00	-371.96

** While the 5.5% per pupil reduction amount varied among districts, the statewide average reduction was $554.*

This has resulted in Wisconsin's education spending, which was ranked 11th in 2002 among the 50 states, falling to 25th in 2020. The caps on school revenues in the 2021-2023 state budget will likely lead to a further slide in that ranking, with some estimates putting Wisconsin near 30th in the nation.

In addition, special education costs continue to rise. Yet, reimbursement aid is at approximately 30%, forcing school districts to cover unreimbursed special education costs on their own. Wisconsin school districts collectively transfer more than $1.25 billion annually from their general funds to cover the funding gap between required special education costs and the current state education reimbursement rate.

These components and others have resulted in Wisconsin school districts seeking capital referendums to issue debt 1,225 times, non-recurring operational referendums 853 times, and recurring operational referendums 441 times since 2000. Of these, 732 issuance of debt passed, 576 non-recurring passed, and 215 recurring passed. In the November election of 2022, 79 percent of questions passed, with 82.1 percent of issuance of debt being passed, 75 percent of non-recurring and 78.6 percent of recurring passing. Since 2018, 184 of 214 (86 percent) of non-recurring referendum questions have passed (source: Baird Public Finance).

Furthermore, when revenue limits were implemented in 1993, school districts were locked into funding that reflected their spending at the time. Districts spending more in 1993 had higher revenue limits than their lower-spending counterparts.

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The bottom line is that if East Troy's revenue limit per student was at the state average for the 2021-22 school year, we would have had $500,000 more in state funding. That would have a significant impact on the programs and services we could provide, while also helping to close our budget gap. It's also worth considering the culmination of dollars that would have been available in our district since 1993 to support programming, services, and staffing. It would have easily prevented the $10.2 million in budget-balancing efforts we have needed to make over the past 16 years.

That said, please see FAQ #5 pertaining to what has been done to address the lack of appropriate funding and balancing of the budget. In the last five years (2018-2023), our enrollment has decreased by 179 students. With the lack of per-student state funding not being at CPI and the fact that enrollment is one of the primary factors in the revenue limit, we have needed to make reductions of $3.3M to balance the budget.

We also recognize that the comparison of school districts' expenditures is sometimes brought up. It is difficult to compare per-student amounts between districts due to systematic economies of scale and coding. Two different communities may have very different needs when it comes to student experiences, growth in the community, services needed for students, retaining staff and/or attracting staff, and various other factors. There also may be differences in the numbers of students receiving free and reduced lunch, English language learning services, special education, alternative placement, and more.

Because revenue is tied so closely to enrollment, smaller districts may need more support to offer programs and opportunities that align with their larger counterparts. This means that the per-student revenue they receive does not go as far because they do not have as many total students.

Imagine a school district like ours (with an enrollment of 1,500 students) and a larger district with 5,000 students are both seeing a decline of enrollment of 5%. For our district, that would mean losing 75 students. For the larger district, it would be 250 students. Both situations will have an impact on the districts' overall revenue limits. However, for the larger district, it would represent a loss of 17 students per grade level, which may justify reducing one staff member per grade. For us, having just five fewer students per grade level would not allow us to reduce staff, and therefore our costs would remain the same. Still, we would see a reduction in our revenue.

Another example would be a district that outsources its transportation so that it does not have a Director of Transportation or a district-wide scheduler. We do have these positions, as we have our own fleet of buses and vehicles. Districts that outsource their transportation will likely see lower staffing costs, depending on the coding of the district, but the outsourcing is still within their budget.

It's true that some districts have lower per-student expenditures, while others may have higher per-pupil expenditures. The same can be said for revenue. However, if you only view the situation on a per-student basis, student costs most likely will be higher in smaller districts, as larger districts can spread the costs over more students. A smaller district may have a teacher serving 100 students, for example, while the larger district may have a similar teacher serving 150 students.

EAST TROY
COMMUNITY SCHOOL DISTRICT
Committed to the Growth & Success of Each Student, Each Year

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Wisconsin school districts must find ways to maintain financial sustainability and predictability toward providing quality services, programming, and experiences to students. They must do so while retaining and attracting quality staff, addressing large-scale facility needs that support maintaining assets, and providing quality educational learning environments for today and tomorrow. These are not new issues, but the continued lack of state funding, inflationary impacts, increasingly competitive markets, and one-time federal funds (ESSER) no longer being available all are contributing factors to the East Troy Board of Education unanimously approving the action to seek a non-recurring operational referendum.

Without these additional operational funds under the current estimated projections, the student and staff impact will be significant due to the substantial projected shortfalls. This is knowing what has already been done in the past years toward balancing our budgets and recognizing the amount of staff turnover that occurred last summer because of the continued lack of stability and predictability with funding and the competitive labor market.

Lastly, schools are a portion of each property tax bill, but over the course of the last nine years, ETCSD has increased the tax levy by an average of 1.03% per year.

We have much to be proud of within our district, but we must recognize the challenges toward continuing to make our district a great place to learn and a great place to work. We must determine the best direction as we proceed forward for the betterment of students, families, staff, district, businesses, and community. Thank you for taking the time to read.

Sincerely,

Dr. Christopher Hibner
District Administrator