



February 27, 2023

As the community determines the direction of the East Troy Community School District, I wanted to provide some additional information. Thank you in advance for taking the time to read.

To start, it is important to understand why East Troy 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, 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 \$9M. We recognize that if our early estimate projections come to fruition, that \$9M over 3 years would still not cover the projected \$11 million 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. Thus, with the \$3M and the \$200,000 carryover, we would still need to be addressing \$2M toward balancing the budget.

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. In 2009, that practice ceased. This has forced increasing numbers of districts to turn to operational referendums more often to fill their budget revenue cap gaps. Please see "Total State Funding For K-12: Annual Adjustments Since 1993" (source: WI Department of Public Instruction and LFB Report).

Using more recent numbers, if comparing inflation with the revenue limit per student from the state (source: Wisconsin Public Forum):

- In 2018-19, the per-student revenue from the state was \$204 and the amount to stay neutral with inflation would have been \$225.
- In 2019-20, the revenue from the state was \$263 per student and the amount to stay neutral with inflation would have been \$267.
- In 2020-21, the revenue from the state was \$179 per student and the amount to stay neutral with inflation would have been \$203.
- In 2021-2022, the revenue from the state was \$0 per student and the amount to stay neutral with inflation would have been \$140.
- In 2022-23 school year, the revenue from the state was once again \$0 per student and the amount to stay neutral with inflation would have been \$542.

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.

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.

In 2002, Wisconsin's education spending ranked 11th among the 50 states; in 2020 we were ranked 25th. 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 school funding. In addition, special education costs continue to rise and yet, reimbursement aid is at approximately 30%, thus districts are having to cover unreimbursed special education costs. Wisconsin school districts collectively transfer more than \$1.25 billion annually from district general funds to cover the funding gap between required special education costs and current state special education reimbursement rate.

Furthermore, we recognize that comparison of school districts expenditures are sometimes brought forth. It is difficult to compare per-student amounts between school districts due to systematic economies of scale. 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 various other factors. In addition, there 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. This is where the budget gap comes into play.

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 its teacher serving 150 students.

The issue Wisconsin school districts are navigating is maintaining financial sustainability and predictability while providing quality services, programming, and experiences to students and retaining and attracting quality staff. In addition, addressing large scale facility maintenance projects that support the importance of maintaining assets and providing quality educational learning environments. These are not new issues, but the continued lack of state funding per revenue limit, inflationary impacts, increasingly competitive markets, and one-time federal funds (ESSER) no longer being available all are contributing factors to the Board of Education unanimously approving to seek a non-recurring operational referendum. Lastly, we recognize that schools are a portion of each property tax bill, but over the course of the last nine years, ETCS D has increased the tax levy by an average of 1.03% per year.

Finally, we are proud that:

- over 90% of our responding families agree that ETCS D is right to focus on the 6C's.
- over 90% believe the ETCS D should always provide resources and proper staffing toward attaining our district goals.
- over 90% of our responding families are satisfied with our communications

Please visit our [District Achievements](#) webpage to view our "points of pride" pertaining to our student and staff achievements.

Again, thank you for taking the time to read toward determining the future direction of the East Troy Community School District.

Sincerely,

Dr. Christopher Hibner
District Administrator