

School District of Monroe

School Referendum

Frequently Asked Questions

Q: Why is the district holding a referendum? Why does the deficit continue to grow?

A: As a starting point, it is important to answer the question of how we have gotten to this point. Since 1993, Wisconsin schools have been working under the state revenue cap limits. The caps have worked to reduce or limit spending in our schools. The issue for our school system, as with many Wisconsin schools, is that revenue caps, combined with declining enrollment, are creating a structural deficit in the District's budget. The allowed increases in the revenue limit have not matched the cost of inflation and increases in cost. Our District's Fund 10 revenues are currently equal to where they were twelve (12) years ago. **That is with the 2016 operating questions included.** With costs continuing to rise and limited revenue growth from the state, the only solution for districts is a local referendum. Over 370 districts (88%) in our state have run an operating referendum since 2000. In the case of Monroe, we were able to maintain the level of funding request for the current referendum at the same level as the 2016 referendum. We have actually reduced our deficit and the amount being requested in this referendum compared to other prior referendums by making continual changes to staffing, compensation, benefits, vendor contracts, projects and services over time to save costs and limit the annual deficit.

Q: What will the referendum allow us to do?

A: A passed referendum will allow the District to maintain the current educational services and program offerings available to students and would help maintain District staffing at close to the current level for the next five years. The Board will continue to evaluate the budget on an annual basis and make reductions in staff or programs where appropriate.

Q: What happens if the referendum fails?

A: Should the November referendum fail, it would result in a significant reduction in services and staffing. The necessary reductions would be implemented at the beginning of the 2019-2020 school year. While these decisions have not yet been made, it is projected that a failed referendum would result in the following:

- Significant reduction in staffing—numerous positions eliminated
- Increase in class sizes
- Potential elimination of instructional programs, classes, and course offerings
- Potential elimination of extra and co-curricular activities
- Reduction in programming for at-risk students and students with disabilities
- Inability to address necessary maintenance needs

Q: If the referendum passes will there still be reductions?

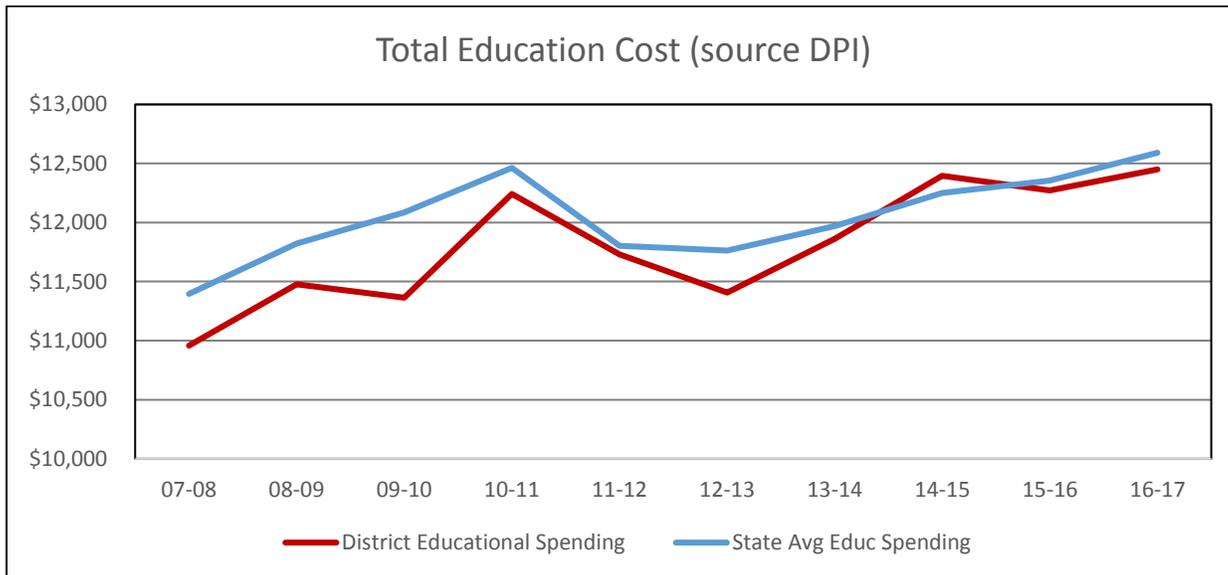
A: Yes, the Board of Education will continue to closely monitor and scrutinize the District's budget to ensure we continue to provide quality learning experiences for our young people while maintaining a fiscally responsible approach. Enrollment numbers are also looked at annually when determining potential current or future reductions. There still remains the unknown of the state budget. There is always the very real possibility that the state will reduce funding of schools. Should that happen, it would likely cause the District to implement further cuts and reductions, even if the referendum is passed.

Q: How are our schools performing?

A: In the 2016-2017 district report card calculated by the Wisconsin Department of Public Instruction, Monroe had the highest district report card of the six school districts in Green County. Additionally, Monroe ranked 2nd of 15 Badger Conference Districts with only Waunakee having a higher district report card.

Q: How does our current level of spending compare to other school districts?

A: The School District of Monroe educational spending has typically been under the state average every year. The lone exception being in 2014-15 when the District had to record the total value of leased equipment received that inflated the cost per pupil. Without that, the District would have again been below the state average. The Total Education Cost (TEC) per member does not include Fund 50 Food Service program spending nor Fund 80 which for Monroe includes the expenditure for the Monroe Public Library. The attached graph shows the comparison between per member total education cost for the District and the state average for the most recent years of data available.



*Information from Wisconsin Department of Public Instruction.

Q: Didn't the District already have referendums for operating purposes? Why are they asking again?

A: Yes. In 2016 the District ran two operating questions. The first question was for \$1,500,000 for operating purposes for the 2016-17, 2017-18 and 2018-19 school years. That referendum and funding is expiring. The current question for operating purposes is again for \$1,500,000 and would cover the school years of 2019-20 through 2023-24. It simply would extend the same amount for another five years. There was also a second operating question in 2016 for safety and maintenance items. That question is expiring and it is being replaced by the debt issuance question for maintenance.

Q: Is this referendum in addition to the last? Will it raise my taxes again?

A: No. The current operating question simply replaces the previous question from 2016 that is expiring and extends it for another five years. **There is no additional tax increase.** The second question to issue general obligation bonds to do maintenance projects at Parkside Elementary and the Middle School replaces the expiring safety and maintenance question from 2016 and the retiring debt service payments from twenty years ago. **That question also will have no tax increase.**

Q: How much has staffing changed as compared to enrollment? Have staff been reduced as enrollment has dropped?

| A: School Year | Enrollment | Change | Staff FTE's | Change |
|----------------|------------|--------|-------------|--------|
| 2002-03* | 2,645 | | 431.9 | |
| 2016-17* | 2,405 | -240 | 310.6 | -121.3 |

Overall enrollment since 2002-2003 has decreased by 9% and we have reduced our staff size by 28%. (Note: The way DPI calculates support staff FTE has changed since 2002-2003. Counting our full-time school-term

staff as a 1 FTE we would have a total staff FTE of 345 which would still represent a 20% reduction from 2002-2003.

* FTE's & Enrollment based on Wisconsin's Information Network for Successful Schools (WINSS) and WISEdash DPI website

Q: Are the District's budget problems due to a decline in student enrollment?

A: Our District's decline in enrollment has certainly magnified the problem with the revenue limit. Monroe, as well as many other Wisconsin districts, would have budget shortfalls with the "cap gap" caused by revenue limits not keeping up with the cost of inflation even if we were maintaining our enrollment. The fact that the revenue limit formula is driven by student enrollment means that as enrollment declines, the amount of revenue limit authority the District has also declines. While the loss of ten to twenty students in a year, spread across many grade levels, may not be enough to warrant any immediate reduction in staff, there can be a significant impact on the amount of revenue the District has.

Q: Declining enrollment isn't going away. How will we manage this issue going forward? Do we see school closings on the horizon? Or will we incrementally reduce staff counts as student counts require?

A: To date there has not been enough decline in enrollment that would warrant the closing of a school. Nor is there enough space in the other buildings as they are to be able to consider it. With that said, the District has conducted a facility study to do an assessment of the District facilities and has a District Facilities Committee that is looking into the conditions and spaces of our schools. A survey went out to the community last spring and the feedback from the community was that the District needs to at least study whether consolidation or reconfiguration of our elementary schools and/or other schools would make sense. The Facilities Committee will continue to review the status of our District facilities and a separate committee will be looking at the future possibilities related to potential consolidation or reconfiguration of District schools.

Even if a referendum is successful, the Board of Education is committed to making incremental reductions as is proportionate with the decline in student enrollment.

Q: If the referendum passes, what is being planned to stop this same scenario from happening all over again?

A: This referendum would cover the projected budget shortfalls for the next five years. This will give the District a longer window of time to operate without continually being in an operating referendum cycle. While the District will annually monitor and evaluate the District budget and make necessary budget reductions when they make sense, please know that the District will need to come back for another referendum in five years unless the current funding formula changes. Since 1993, Wisconsin schools have been working under state-imposed revenue limits, often referred to as "revenue caps". These caps have worked to reduce or limit spending in our schools. The issue for our school system, as with many Wisconsin schools, is that revenue caps, combined with declining enrollment, create a structural deficit in the District's budget. This creates a budget shortfall, or "cap gap." The only way districts can address this cap gap is by continually making reductions each budget year or by passing an operating referendum which allows the district to exceed the revenue limit.

The District has implemented a number of control systems to become more efficient and maximize budget resources. The District will continue to need to run future referendums if revenue limits remain and the District wishes to maintain its current programming and level of education.

Q: Why do we need a referendum?

A: The state-allowed increases in the revenue limit have not kept pace with the increase in expenditures. The District's revenue budget is essentially the same now as it was twelve years ago. The current state funding system has not allowed revenue limit growth to keep up with the cost of inflation. It has created a system of "haves" and "have nots" where suburban districts with growing enrollments are doing well and more rural districts are not. The system leaves it to the local taxpayers to determine the funding level and quality of education for their local

students. The fact that over 370 of 426 (**88%**) school districts in Wisconsin have had one or more operating referendums since 2000 clearly shows that this is now the norm for Wisconsin.

Q: Why are the surrounding districts (Juda, Argyle, etc) not experiencing similar problems?

A: Unfortunately most of our area districts have had similar problems and have run operating referendums. Currently **every school district in Green County** is authorized by their voters to exceed the revenue limit for operating purposes. Monroe and Brodhead have non-recurring referendums (set period of time) that are expiring so they are asking questions this fall to reauthorize and extend their authority for additional years or they will come to an end. Juda and New Glarus have recurring referendums (set amount approved forever), but have questions in November to add additional funds on top of the amount that they are already approved for.

Albany, Baraboo, Benton, Black Hawk, Brodhead, Cuba City, Darlington, DeForest, Dodgeville, Evansville, Fort Atkinson, Juda, McFarland, Middleton, Madison, Milton, Mineral Point, Monona Grove, Monticello, Mount Horeb, New Glarus, Oregon, Parkview, Pecosburg, Portage, Reedsburg, Shullsburg, Stoughton, Sun Prairie, Verona, and Waunakee have all had referendum questions to exceed the revenue limit for operating purposes. That leaves only Argyle and Belleville as nearby districts that have not had a referendum question to exceed the revenue limit. Belleville has had an energy exemption authority to exceed the revenue limit.

Q: How many other districts in Wisconsin have gone to operating referendums?

A: According to information from the DPI website, since 1/1/2000:

- 1031 referenda questions have been posed
- 370 districts have gone to referendum (over 88% of Wisconsin school districts)

Of the 939 questions:

- 580 passed
- 451 failed
- There are 37 districts asking 38 operating questions this November.

Q: What will the referendum cost?

A: There would be no tax increase with either question. The first operating question for \$1,500,000 to maintain educational programming simply extends the current operating referendum of the same amount that is expiring for an additional five years. The second question to issue general obligation bonds (debt) of \$3,360,000 for maintenance projects at Parkside Elementary and Monroe Middle School also has no tax increase. It is offset by the expiration of the debt service from the projects of twenty years ago and from the expiration of the safety and maintenance operational question of 2016.

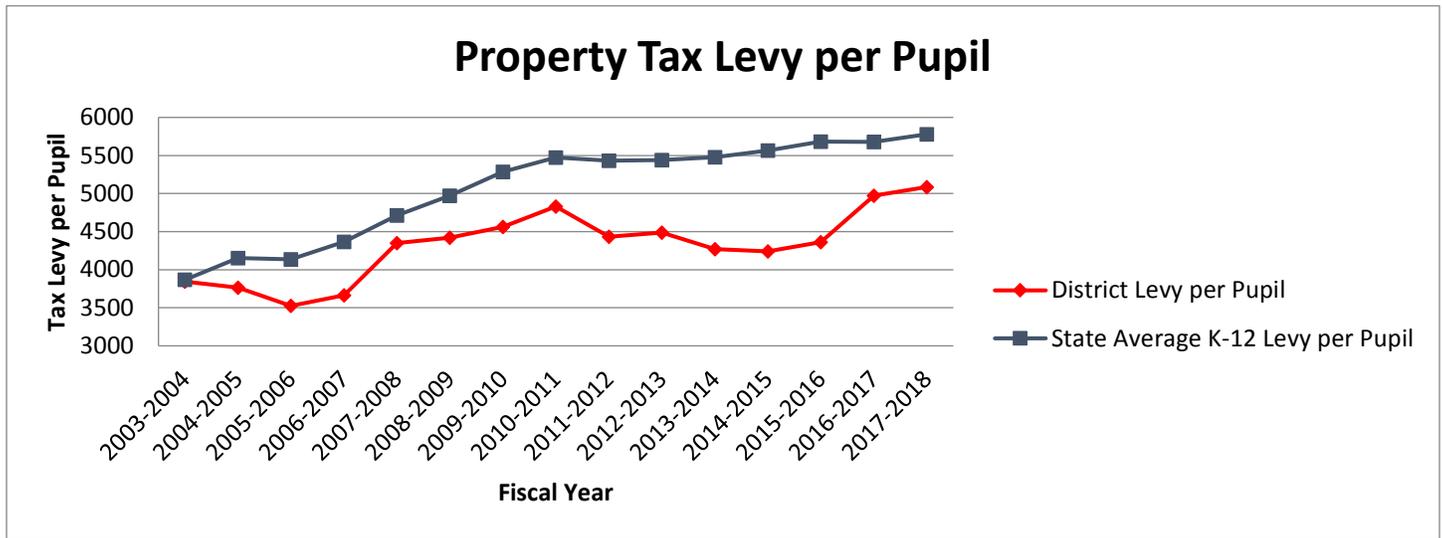
Q: Why is the mill rate for Monroe so high when compared to other districts?

A: Monroe's mill rate for 2017-2018 is second lowest in Green County behind only the Brodhead School District. One key factor that distinguishes Monroe from nearly all other school districts in Wisconsin is our public library. Monroe is one of the only school districts in the state which has as part of its mill rate the public library. Typically, the cost of the public library is part of the municipality and thus is included in calculating cities' mill rates, not the schools'. The inclusion of the public library in the District's mill rate will make the Monroe School District's levy and mill rate appear high when compared to all other public schools in Wisconsin who are not levying for a public library.

The other factor to consider is that the mill rate is simply a factor of the District's levy divided by the District's property valuation. The District's property valuation per pupil is considerably less than the state average which leads to the District receiving more state aid, but still having a higher mill rate than if we were a more "property-rich" district.

How does Monroe compare when we remove property valuation and simply look at the levy rather than the mill rate? When compared with the rest of the state, the School District of Monroe's property tax levy per pupil

(including the cost of the public library and the approved referenda questions from 2016) was 12% less than the state average in 2017-2018, the most current year for which there is published data. The chart below shows that the District's property tax levy per pupil has been under the state average for the last fifteen years even with the cost of the Monroe Public Library included.



*Source Wisconsin Department of Public Instruction

**School District of Monroe tax levy per pupil includes the levy for the Monroe Public Library. The School District of Monroe is one of the only school districts in the state that is the taxing authority for a public library.

Q: The District has a fund balance. Doesn't this mean they have extra cash they aren't using? Can't they simply use the fund balance instead of going to referendum?

A: For starters, we need to understand a bit about fund balance. Fund balance is not cash on hand. It is the net difference between revenues and expenditures. How is this different? The first thing to understand is the District's two primary sources of revenue are state aid and taxes. The District receives its taxes predominantly in January and again in August. The District receives 15% of its state aid in September, and the remaining 85% between December and June, with some even delayed to July. In addition, the District's fiscal year runs from July 1 through the following June 30, meaning there are expenditures that begin immediately on July 1st. Beyond the small aid payment in July, the District basically has expenses to operate for the first half of the year with very little revenue until the December aid payment and January tax payments arrive. Expenditures continue through the second half of the year with the final large aid payment not being received until the middle of June. About 40% of taxes are not received by the District until the following August, well after the fiscal year end, even though these dollars are considered a revenue in the current fiscal year. This significant lag between when expenditures are spent and received creates a significant cash flow deficit. When the District had little to no fund balance, cash flow borrowing was understandably significant, given the timing of revenues. Interest expense in some years was in excess of \$300,000 as a result. By having healthy fund balance, the District has currently been able to greatly reduce cash flow borrowing, meaning that funds that were once used to pay interest can now be used to fund staff and programs. In addition, a fund balance gives the District some security to cover costs should an unexpected maintenance expense arise such as a boiler or AC chiller unit going bad. Another benefit of having a fund balance is in the District's bond rating. The District's bond rating was increased by a reportedly unprecedented four bond grades. This helped allow the District to get a much better bond interest rate and saved taxpayers over \$110,000 per year on the debt service levy for the last 8 years of the District's debt service levy.

Q: Do the property reassessments that are happening in some municipalities mean that the School District gets more tax money? Is this some sort of fall back plan should the referendum fail?

A: No. Property assessments in no way affect the amount of revenue or taxes that the School District receives or is allowed.

Property taxes for schools in Wisconsin are controlled by the revenue limit. The revenue limit is based upon a set amount per pupil per district multiplied by the 3-year average of the number of students the District has. Pupil enrollment is the deciding factor in the amount of the revenue limit. Property taxes are then simply the total revenue limit less general state aid. The only other way to generate tax income is via referendum either to exceed the revenue limit for operating purposes or to issue debt for a building or maintenance project.

It is not a fall back plan as assessments have nothing to do with the amount of District taxes or revenues. The District also has no control over when municipalities have a reassessment. Every municipality has reassessments on a periodic basis. It is unfortunate that it has caused some confusion and anxiety, but it is in no way related to the District referendum.

Q: Does a reassessment mean my school taxes are going up?

A: No. Not necessarily. It will depend upon your individual situation.

Property valuation does not impact school taxes or revenues. The revenue limit and levy is driven by pupil enrollment. Thus, the reassessment is not going to change the taxes. School district taxes are then apportioned out to municipalities based upon equalized valuation. This is the amount of value that the Department of Revenue has determined is fair for each municipality. Note this is not assessed valuation. Equalized valuation is used so that a municipality could not under-assess all of its properties and pay less than its fair share of the school district levy. Once the school district has apportioned its school levy out to all of the municipalities, they then apportion it out to their taxpayers based upon the assessed valuation.

As described above, the amount of school levy did not change by the reassessment, nor did how it gets divided out to the municipalities. Thus, the levy to the municipality did not change. (Note: Equalized valuations of municipalities do change by varying amounts on an annual basis.) As the municipality apportions the bill to taxpayers based upon their assessed values is when the taxpayer's bill might change. If every property within the reassessed municipality were to go up 15% in value, then the mill (tax) rate would simply go down 15% and everyone would still pay the same. However, people's individual assessment may go up (or down) more or less than the average. If the average increase is 15%, but your assessment went up 10%, you likely would pay less. However, if your assessment went up 20% and the average for the rest of the municipality was 15%, then you would likely pay more.

Q: Why doesn't the District look at operating fewer schools to save money?

A: The district is studying this and a committee is being formed to look at school consolidation. However, closing a school and consolidation takes a few years to organize and the budget shortfall the district is facing reflects our current conditions.

Q: Why are the projects for the maintenance question only at Parkside Elementary and the Middle School?

A: The District is studying all facilities and future needs and plans. There is still more time and community input that has to be gathered before a comprehensive plan can be established. In the interim, the District wanted to address a few of our many current facility needs that would be least likely to be affected by future decisions on district-wide facilities. The last thing the Board and administration wanted was to spend money on a project now that was later revamped or redid in just a few years.

Parkside Elementary is the newest school in the District. It also has a fairly small footprint of land so it doesn't lend itself well to having much reconfiguration or expansion done to it. Therefore any work we do to it now will likely remain intact and/or be able to be incorporated to any changes that might happen in the near future. The HVAC system currently in Parkside is a series of 28 individual furnaces and air conditioning units much like you would see in a home scattered throughout the building. They would be replaced by a centralized HVAC system similar to what you would see in most commercial buildings and schools. When making that change, we would

need to replace the ductwork which would mean the ceilings would need to be replaced. While replacing the ceilings, we would put in new energy-efficient LED lighting. We would also put in a new sprinkler system while we have the ceiling out and are putting in a new one. We currently do not have sprinklers in any building. The other primary areas to be addressed are bathroom renovations for new fixtures and handicap accessibility.

The Middle School although our oldest building had a pretty extensive addition and remodel twenty years ago. It is currently our school with the least amount of maintenance needs. The primary projects there would be to renovate the bathrooms with new fixtures and make them handicap accessible. At both buildings we would do whatever other small, urgent maintenance, safety or electrical upgrades that the referendum budget would allow.