



**TO:** Board of Education

**FROM:** Jane Belmore, Superintendent

**RE:** Use of Projected Additional State Aid

**APPENDIX OOO-3-9**  
**September 24, 2012**

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As elected officials, the Board of Education will focus on the needs and well-being of the entire district in determining how to use projected additional state aid.

### **Background**

On June 18, the Board passed the preliminary 2012-13 budget. Included in that budget were projections for how much the district would receive in state aid.

As you know, those projections were conservative based on the unprecedented changes to state funding for education as well as our past experience. In some years, we've been hit with unexpected cuts to our state aid, even as enrollment increased. In this environment, we had to be conservative so we would not have to again deal with unexpected loss in revenue.

However, the state released new estimates on July one, which now project our state aid to increase \$11.8 million from our original projection. The increase is thanks in large part to our successful 4K program. This is an important program aimed at closing gaps early in student learning. Because it increased our enrollment, our state aid also increased.

Now we have the good problem of figuring out how that state aid will fit into our budget.

### **Property Tax Relief**

First, we must understand state revenue limits. You passed a preliminary budget on June 18 made up of state aid and property taxes. That budget did not use the district's full spending authority - \$8.1 million in authority remains.

In fact, in the past three years, the district has not used its full authority in an effort to be mindful of the impact of property taxes on our constituents. And last year (for the 2011-12 school year), our levy decreased by .3%.

We are now projected to receive an additional \$11.8 million in state aid, but because of the state revenue limit, we only have the authority to increase our spending by \$8.1 million. That means that \$3.7 million of our projected \$11.8 million increase in state aid must be used to shift spending off of the property tax levy. This shift results in a property tax increase of 3.47%, which is down from the original increase of 4.95% that you approved in the preliminary budget.

In other words, we will immediately deliver \$3.7 million or nearly 1.5% in property tax relief for our constituents.

## **Decision Making Criteria**

Going forward, the Board needs to decide how to allocate the remaining \$8.1 million of state aid. Before we consider specific options, we'd like to start by together defining the criteria for the decisions. We are hoping for feedback from the Board on these proposed criteria.

1. **Requirements:** In addition to state revenue limits, we are also receiving information from the state about the increase in our contribution to WRS, which will be implemented January 1 (see attachment A).
2. **Innovation in closing gaps:** Our work is focused on improving achievement for all and seeing results this year. Any additional spending should reflect this top priority.
3. **Short term action for the long term good:** We need to consider what we can accomplish in one year, while also leaving flexibility for the new superintendent and the next budget that person will build.

Once we have feedback and consensus from the Board around these criteria, we will use this as our guide to develop and bring recommendations to the Board.

## **Proposed Timeline**

September 4: BOE gives feedback on decision making criteria, timeline

September 17: Superintendent brings recommendations to Operational Support Committee

BOE approves final budget between October 22 and November 5.

## Requirements

The following two items are required adjustments to the 2012-13 budget that will be brought forward for approval in late October.

### ***State Aid Estimate***

The updated estimate in funding from the State of Wisconsin will directly offset property taxes a minimum of \$3.7 million for 2012-13.

### ***Wisconsin Retirement System (WRS)***

The district received estimates from the Employee Trust Fund (ETF) that projected the increase in required contributions for employers and employees starting on January 1, 2013. The rates were given as a minimum of 12.8% and a maximum of 13.7% beginning on that date. Administration is recommending taking the conservative approach and assuming the rate increase will come in at the maximum of 13.7%. To account for this increase, MMSD will have to increase the budget for WRS by \$1.2 million starting in 2012-13.

The final rates for WRS will come to the district in late September and we will use these actual rates to put a final amount in place for our final budget recommendation in October.