A stylized purple eagle with its wings spread, positioned behind the text. The eagle is filled with a solid purple color and has a white outline. The text is centered over the eagle's body.

**Palmyra-Eagle Area  
School District  
2019 Referendum  
Information**

# Goals of the Presentation

- **Provide information to the PEASD community regarding the upcoming referendum question**
- **Inform the PEASD community about the general makeup of school district finance/ revenue, and spending**
- **Share what the district has done to control costs and spending**
- **Give an outlook of future**

# The Referendum Question



**Shall the School Board of the Palmyra-Eagle Area School District be authorized to exceed the revenue limit under Section 121.91 of the Wisconsin Statutes in the amounts set forth below on a non-recurring basis over a period of four years commencing with the 2019-20 school year as follows: \$1,750,000 in the 2019-20 school year, \$2,500,000 in the 2020-21 school year, \$3,250,000 in the 2021-22 school year, and \$4,000,000 in the 2022-23 school year for the purpose of paying District operation and maintenance expenses as provided in the foregoing resolution?**

# What does the question mean?

- **Operational expenses**
  - General maintenance and upkeep of buildings
  - Costs associated with education and safety of our students
  - No new buildings
- **Year 1 - \$1.75 million**
- **Year 2 - \$2.50 million**
- **Year 3 - \$3.25 million**
- **Year 4 - \$4 million**

**There is no ongoing amount beyond Year 4 on this question.**

# Why is the money needed?

- **Decreasing revenue (income)**
  - Based on District Resident Student Count
- **Decreasing state aid**
  
- **Increasing year over year expenses**
  - Educational costs
  - Insurance costs
  - Utility costs
  - Bus Fuel



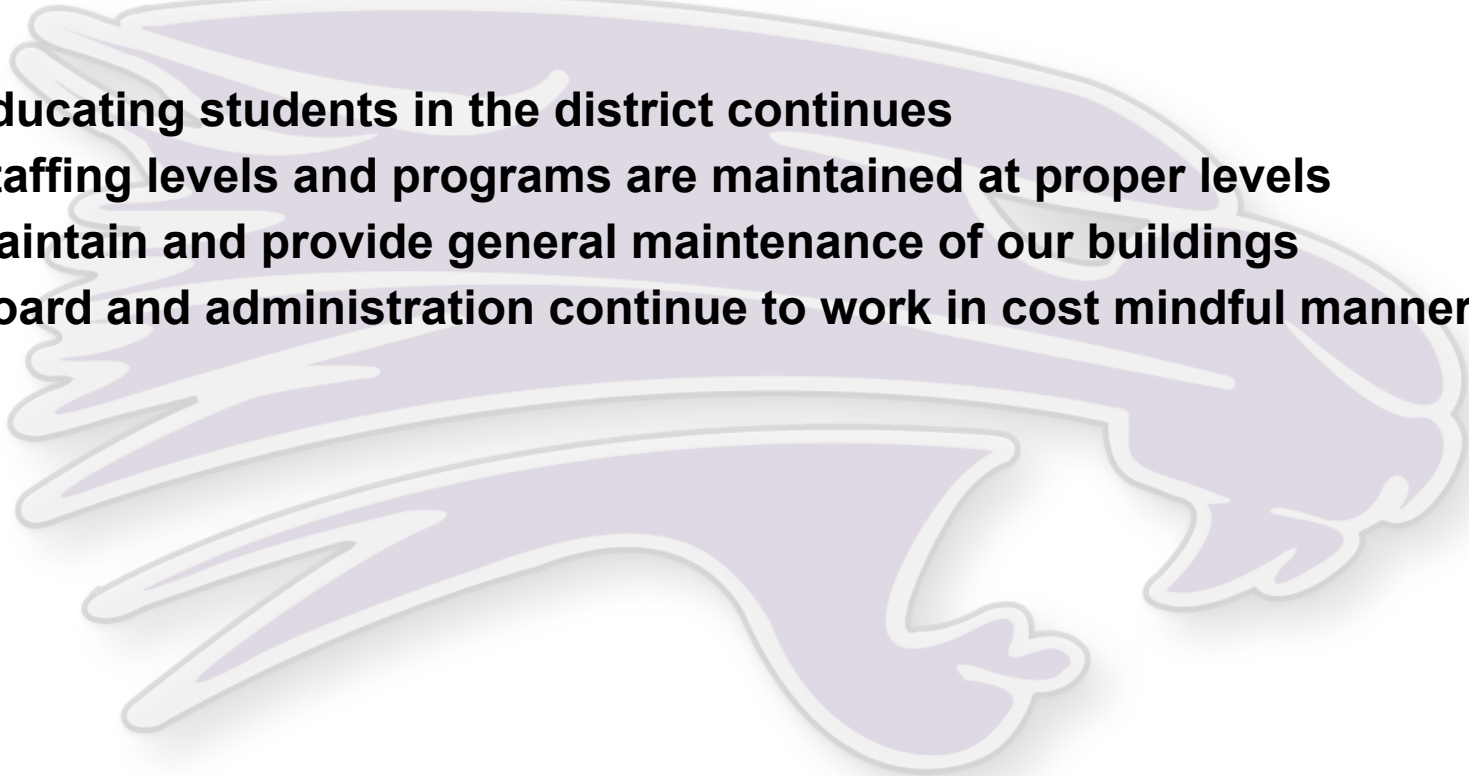
# Why this type of referendum?

**Non-recurring referendum questions provide funding for a defined amount of time - this proposed question is for 4 years**

- **Financial projections show continued decrease of revenue and increase of expenses**
- **Long term debt exists until 2029**
  - MS/HS remodel/addition from 2005
  - Act 32 Energy Service agreement
  - Accounts for over \$1 million in total payments each year
  - Retiring debt allows taxes to go down
- **The amount is a “not to exceed” amount - unneeded amounts do not have to be used.**

# What if the referendum passes?

- **Educating students in the district continues**
- **Staffing levels and programs are maintained at proper levels**
- **Maintain and provide general maintenance of our buildings**
- **Board and administration continue to work in cost mindful manner**





# What if the referendum does not pass?

- **Based on projected revenues and expenses, district fund balance will be used during the 2019-2020 school year**
  - Fund balance will not be enough to fund the 2020-21 school year
- **The PEASD Board of Education will file paperwork to begin the dissolution process in Spring 2019. If approved by the School District Boundary Appeals Board (SDBAB), the PEASD community will be divided between other districts through the dissolution process**



# What if the referendum does not pass?

## If it fails, why not just ask again?

- No general election in November 2019
- Next opportunity would be February 2020
  - SDBAB decision is required by law before January 15, 2020
  - District would need money to cover deficit AND replenish fund balance

**We do not have a second chance to ask this question**

# Overall Budget

**Just like your home budget:**

**Revenues (income) - Expenses = Surplus or Deficit**

**At home, a surplus means you can spend more or save, while a deficit means you have to borrow or use from savings.**

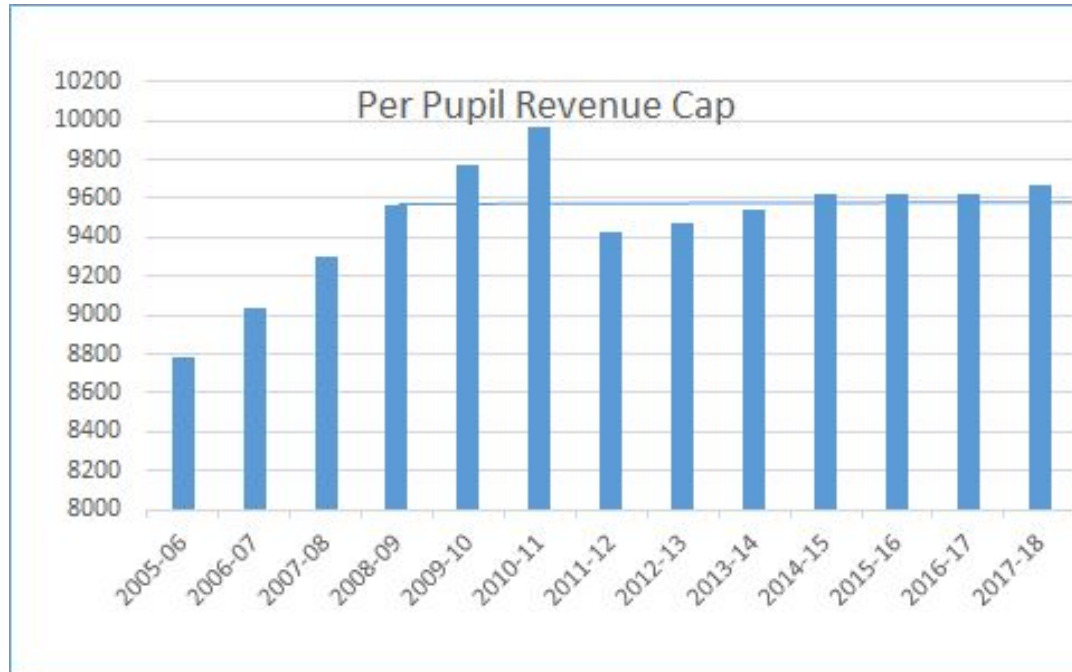
**For schools, a surplus goes into Fund Balance, while a deficit means we have to spend from Fund Balance.**

# Overview of School District Revenue

- **Revenue = Income**
- **Base of funding is on the number of students that live inside of the district**
- **The amount of per student funding is set by DPI (called the revenue limit)**
  - This can vary district by district
  - Current PEASD revenue limit is \$9672.01.
  - This is slightly greater than it was 10 years ago
- **Base funding = number of resident students x revenue limit**
  - Because the resident count is less, our revenue is less

# Overview of School District Revenue

- **Current PEASD revenue cap is slightly greater than from the 2008-2009 academic year**



# Overview of School District Revenue

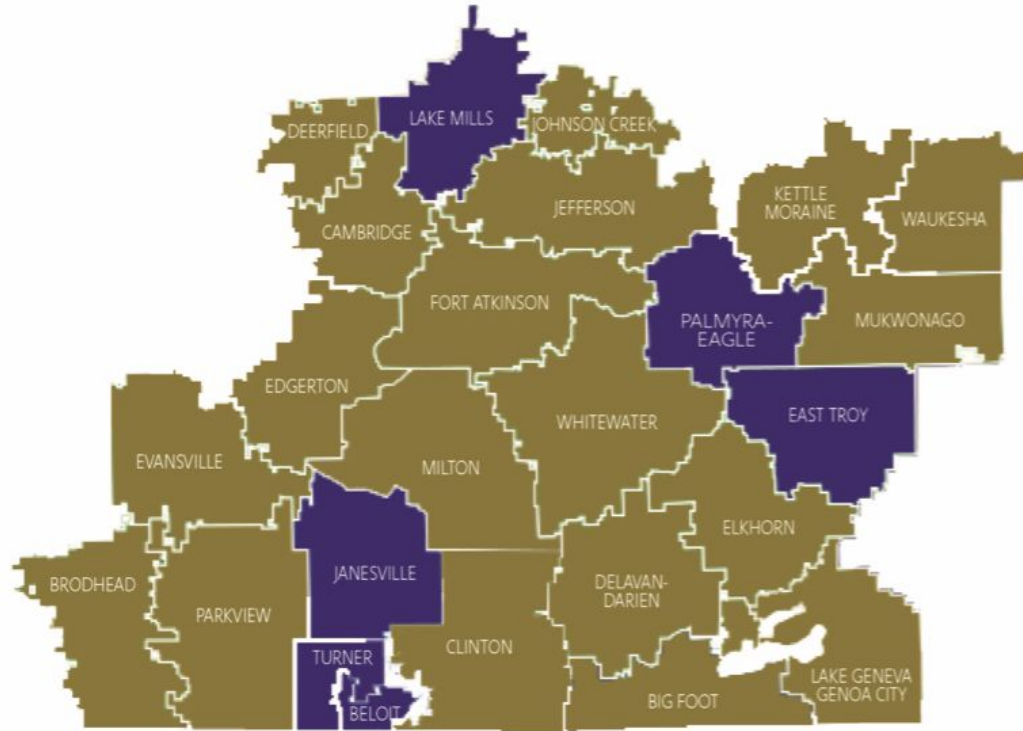
- **2008-2009 Revenue for 1262 (3 yr average) resident students = \$9,567.10**
- **2018-2019 Revenue for 1067 (3 yr average) resident students = \$9,672.01**
- **Revenue based on student count is our primary way to “generate” income**
  - **The district has no control on how many students live here**
  - **Graduating classes are over 70 students, incoming are under 50 students**
- **More than half of districts statewide are experiencing decreasing enrollment**
- **Operational Referenda allow districts to increase revenue**

# Overview of School District Revenue

## Operational Referendum

- **Operational referenda give the district the ability to collect tax above the revenue limit for operating and maintaining the district**
- **Must be done by election**
- **Operational referenda are more common than ever**

# Overview of School District Revenue



*OPERATIONAL REFERENDUM IN PLACE  
AND/OR RECENTLY PASSED*



*NO OPERATIONAL REFERENDUM*





# Overview of School District Expenses

How does the district budget for expenses?

- Plan for our fixed costs
- Maintain or reduce year over year expenses
- Understand that some expenses will go up and budget conservatively
- Repay non-referendum debt to reduce interest payments
- If possible, plan for unforeseen expenses

# Overview of School District Expenses

How does the district decide where to save money?

- **Determine class sizes and needs - adjust staffing accordingly**
- **Look for places to save without reducing student learning or safety**
- **Work with our partners**
  - Consolidated busing route
  - Refinanced debt
- **Change/ restructure benefits**
- **Limit cuts that will influence negative open enrollment**

# Overview of School District Expenses

What has the district done to reduce spending?

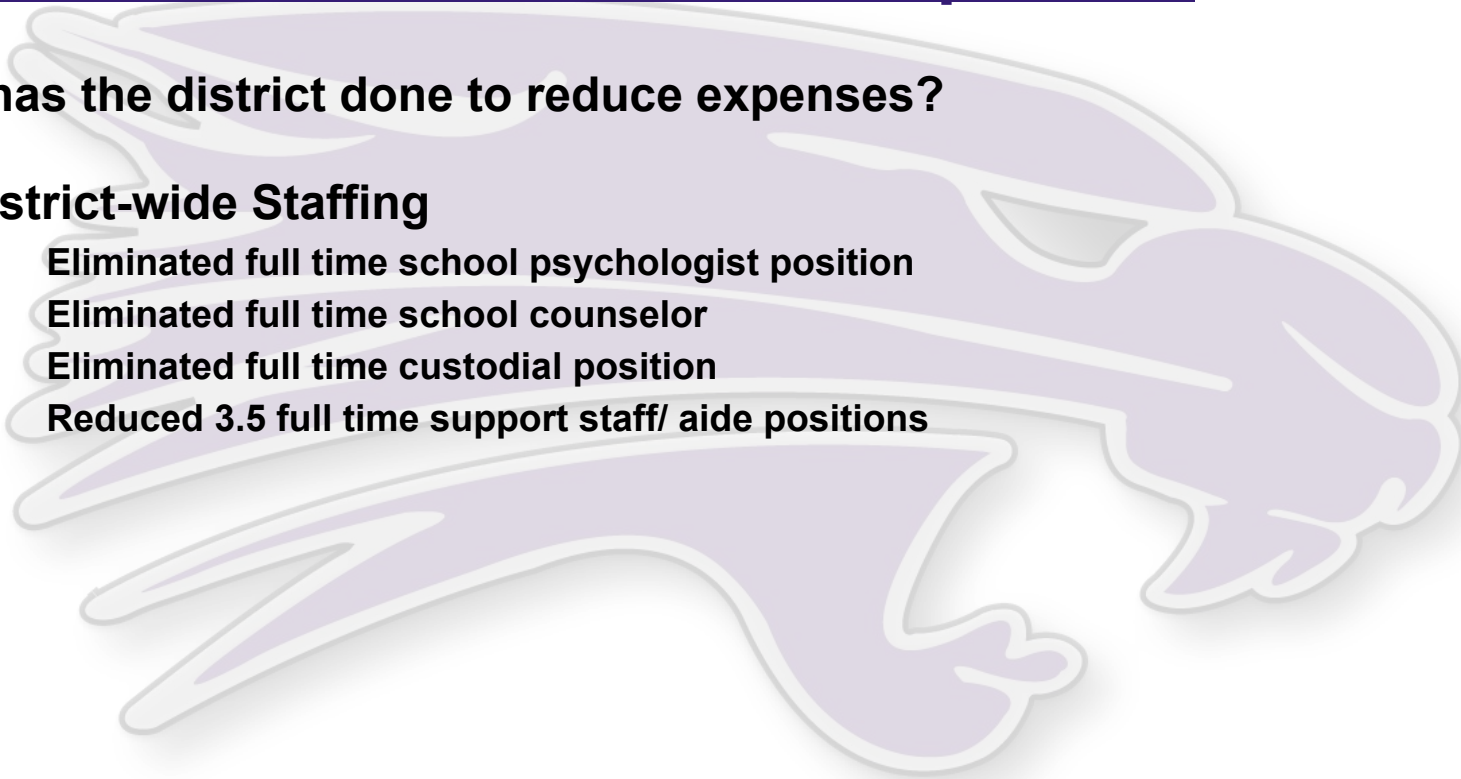
- **Elementary Level Educational Staffing**
  - Reduced teaching staff by 11.5 Full Time Positions
  - Only 1 section of each grade level at Eagle Elementary
  - Fewer than half of grade levels with more than one section at Palmyra Elementary
- **Middle School/ High School Level Educational Staffing and Programming**
  - Eliminated Family and Consumer Ed program - reduced full time position
  - Eliminated 7th grade Tech Ed - reduced part time position
  - Eliminated Middle School Math position
  - Eliminated Administrative Position - replaced with half teaching, half Activities Director

# Overview of School District Expenses

What has the district done to reduce expenses?

- **District-wide Staffing**

- **Eliminated full time school psychologist position**
- **Eliminated full time school counselor**
- **Eliminated full time custodial position**
- **Reduced 3.5 full time support staff/ aide positions**



# Overview of School District Expenses

What has the district done to control expenses?

- Consolidated 2 bus routes - savings of \$50,000 per year
- Cancelled Summer School - savings of \$37,500 per year
- Reduced utility spending by \$40,000 per year through energy efficiency projects
- Reduced our technology budget by \$70,000
  - Implemented Chromebooks instead of Computer labs
- Delayed spending on maintenance district-wide
- Refinanced long term debt to a lower interest rate

# Overview of School District Expenses

What has the district done to control expenses?

- **Salary and benefits**
  - Average annual salary increases have averaged 1.88% per year over the last 7 years
  - Employee insurance has changed several times to control costs.
    - The most recent change saved the district over \$115,000 by increasing deductibles
  - Employees pay more than the government standard for premium costs
  - District sponsored post-employment benefits have been eliminated for all employees hired after 2001

# Overview of School District Expenses

What expenses are increasing?

As we budget year over year, we must account for some costs going up:

- Insurance
- Supplies
- Utilities
- Repairs and maintenance
- Fuel





# Overview of School District Expenses

What else does the district spend money on?

- **Short term borrowing repayment**
  - Repaid \$1,000,000 over the last 4 years
- **Special education**
  - 1970s - State reimbursement for Special Education was 75%
  - Now - State reimbursement for Special Education is below 25%
    - Needs have increased, so costs have increased

# Overview of School District Expenses

## Open enrollment

- **Regular education students**
  - 2016-17 \$6,748
  - 2017-18 \$7,055
  - 2018-19 \$7,379
- **Students with disabilities**
  - 2016-17 \$6,748
  - 2017-18 \$12,207
  - 2018-19 \$12,431

**The increase allowed per student educated was offset by the additional cost of regular and special education students who open enroll out.**

# Overall Budget

- **School District Fiscal Year is July 1 through June 30.**
- **School Districts cannot have “Savings Accounts” for improvements.**
- **School District Auditors: 20-25% of budget should be in Fund Balance**
  - PEASD is currently at 20.9%
  - Funding from the State occurs 4 times a year
  - Fund Balance allows the district to pay bills, make payroll, etc.

**If the referendum fails, PEASD Fund Balance will be enough to pay for only ONE more complete school year.**

- **As a public entity with a budget, we will not begin a year that we know we will not be able to meet our obligations for the whole year**

# Overall Budget

For the 2018-19 school year, the Board and Administrators managed a beginning deficit of nearly \$1 million.

- Increased employee insurance deductible
- Deferred all maintenance projects
- Eliminated 3.5 full time positions
- Reduced budgeted employee raise
- Filled remaining deficit from Fund Balance

# Overall Budget

For 2019-20 school year, projections show that:

- Revenues will decrease by \$657,000
- Expenses will continue to go up
- Repairs and maintenance need to be made (approximately \$600,000)

Overall, we are expecting a need of \$1.75 million dollars.

**\*Projections made by Baird Financial Program**

# Overall Budget

To illustrate the projections, if the referendum fails:

2019-20 starting fund balance: \$2,659,479

2019-20 projected deficit: -\$1,710,910

2019-20 ending fund balance: \$ 948,569

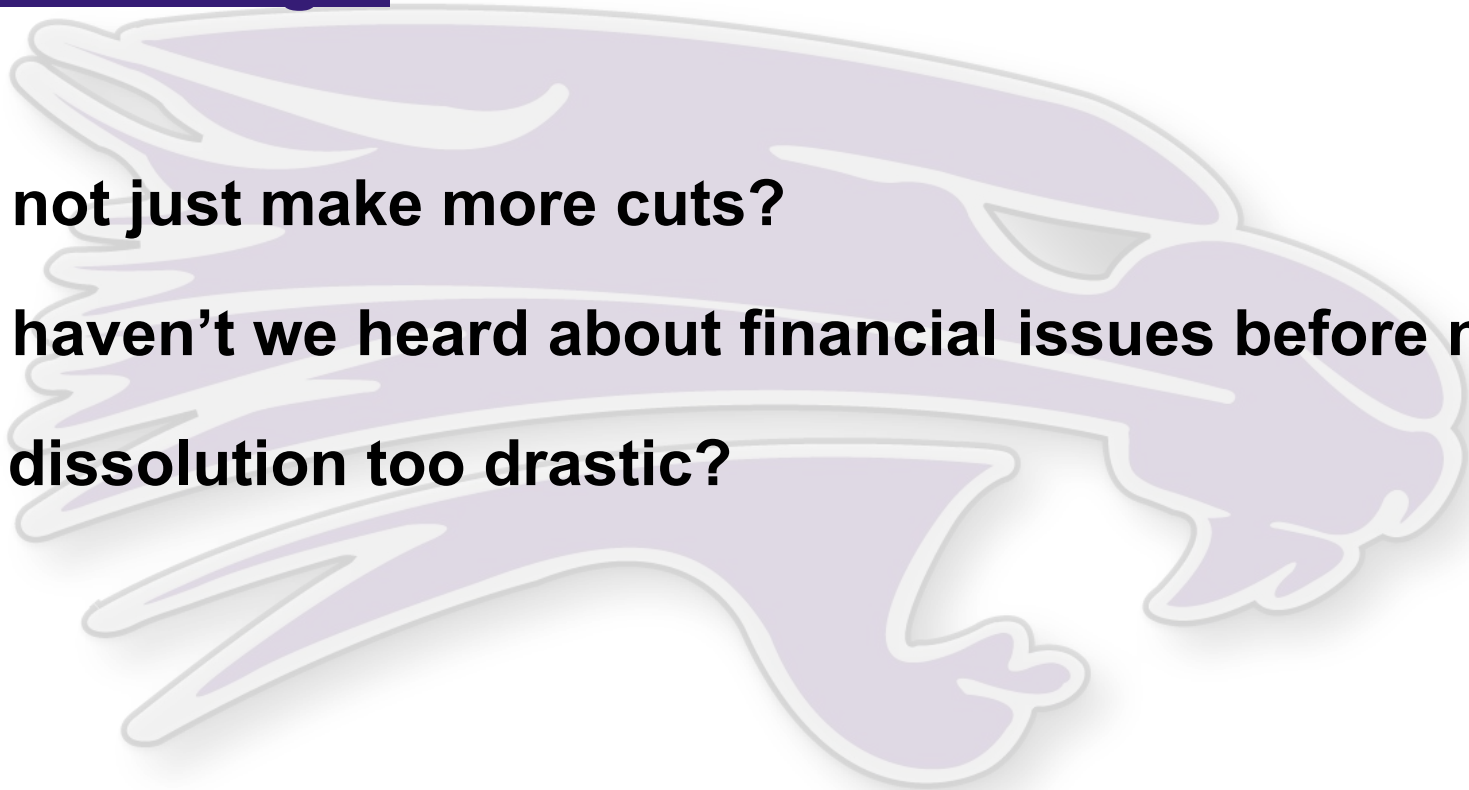
**2020-21 projected deficit: -\$2,190,271**

## Overall Budget

**Why not just make more cuts?**

**Why haven't we heard about financial issues before now?**

**Isn't dissolution too drastic?**





# Overall Budget

- **PEASD has made cuts and reductions for several years.**
- **Our district operates on a minimal scale.**
  - One section of most elementary levels
  - Departments of one at the MS/HS level
- **No single cut is big enough to fill the gap**
  - If the average teacher makes \$50,000 (with benefits), more than 30 would be eliminated
    - $\$1,700,000 / \$50,000 = 35$  teachers
  - 35 teachers would be  $\frac{1}{3}$  of our entire workforce, and more than  $\frac{1}{2}$  of our teaching staff
- **Further cuts and reductions will have an impact on our student population & negatively impact our expenses through open enrollment.**

# Overall Budget

## Potential Cuts

- Close an elementary building
- Cut Athletic Department
- Further reduction of staff
- Shared administration
- Program elimination - Music, Art, Ag, Tech Ed

Each of these cuts would provide base relief that would be offset by an increase of expenses.

Let's take a deeper look...



# Overall Budget

**Base Deficit for 2019-2020 of \$1.75 million dollars**

**Potential Cut: Close an elementary building**

- **Expense reduction of approximately \$630,000 annually**
  - Staffing
  - Utilities
- **Expense increase of ?**
  - Busing - 2 routes for students in village = \$100,000 annually (\$50,000 each)
  - Open enrollment
    - District pays out almost \$7,500 per student that open enrolls.
    - If  $\frac{1}{4}$ - $\frac{1}{3}$  of students leave (50 students), spending increases by \$375,000 annually

# Overall Budget

From Janesville Gazette May 15, 2018

**“Fifty-one Delavan-Darien School District students have applied to enroll out of the district in the past month, business administrator Anthony Klein told the school board during its meeting Monday.**

**Those applications bring the district’s total open-enrollment submissions to 154 this year, amounting to about \$900,000 in anticipated financial losses for next school year, Klein said.**

**Many of the 51 newest open-enrollment applications are likely a response to the decisions to close Darien Elementary School and lay off 39 teachers after the district’s \$3.5 million operational referendum failed last month, Klein said.”**

# Overall Budget

So what does that mean...

Assuming the open enrollment of 50 students:

<b>Starting Deficit</b>	<b>-\$1,750,000</b>
<b>+ Savings</b>	<b>+\$ 630,000</b>
<b>+ <u>Spending</u></b>	<b>- <u>\$ 475,000</u></b>
<b>Total Deficit</b>	<b>-\$1,595,000</b>

Additionally, the district still owns and must maintain the buildings and property until they could be sold.



# Overall Budget

So what does that mean...

Assuming no additional open enrollment

<b>Starting Deficit</b>	<b>-\$1,750,000</b>
<b>+ Savings</b>	<b>+\$ 630,000</b>
<b>+ <u>Spending</u></b>	<b>- <u>\$ 100,000</u></b>
<b>Total Deficit</b>	<b>-\$1,220,000</b>

Additionally, the district still owns and must maintain the buildings and property until they could be sold.





# Overall Budget Scenario - alternate OE projections

If referendum fails and a building is closed effective July 1 2019:

<b>Additional Open Enrollment Out:</b>	<b>0 students</b>	<b>50 students</b>
<b>2019-20 starting fund balance:</b>	<b>\$2,659,479</b>	<b>\$2,659,479</b>
<b><u>2019-20 projected deficit:</u></b>	<b><u>-\$1,222,000</u></b>	<b><u>-\$1,595,000</u></b>
<b>2019-20 ending fund balance:</b>	<b>\$1,437,479</b>	<b>\$1,064,479</b>
<b>2020-21 projected deficit:</b>	<b>-\$1,660,270</b>	<b>-\$1,660,270</b>

**Even in a scenario where a failed referendum creates no additional open enrollment, the District is underfunded for 2020-21**



# Overall Budget

## Potential Cuts: Cut entire Athletic Program

- Savings of \$250,000 per year
- If  $\frac{1}{4}$  of our student athletes open enroll out, results in \$250,000 more in open enrollment expense
- If more than  $\frac{1}{4}$  leave, new open enrollment spending is greater than savings

Similar with Art, Music, Ag, Tech Ed, Admin, etc., but on a smaller scale

# Overall Budget

Why have we not heard about this before?

- **Distrust - we did not want to “cry wolf”**
- **Cuts could be made, and were made to make previous budgets work**
- **An earlier referendum would have been for wants**

**This referendum question is about needs.**

# Overall Budget

**Isn't dissolution too drastic? Isn't there another way?**

- **Consolidation would be difficult**
  - **Size/ geography of the district**
    - **Property spread over 3 counties**
  - **Long term debt will be a concern to any district**
- **Territory transfers will create winners and losers**
- **No ability to borrow without voter support**
- **Not enough cuts left to fill the deficit**

# How much will it cost?

**Tax impact of the proposed referendum for a given year:**

**For every \$100,000 your home is worth:**

**2019-20: Add \$125 total to your tax bill (\$10.42 per month total)**

**2020-21: Add \$84 more, or \$209 total (\$17.42 per month total)**

**2021-22: Add \$46 more, or \$255 total (\$21.25 per month total)**

**2022-23: Add \$50 more, or \$305 total (\$25.42 per month total)**

**The referendum ends after the 2022-23 school year.**

# How much will it cost?

**Why did the cost change when the type of referendum changed?**

- **State aid is slightly different for recurring versus non-recurring.**
- **Calculation is done at the state level.**
- **Cost increased by \$3 per \$100,000 of home value over the entire 4 year period.**

# How much will it cost?

How much did the cost change?

On a \$200,000 house, the cost of the referendum will be:

	Recurring	Non-Recurring
Year 1	\$250	\$250
Year 2	\$432	\$418
Year 3	\$510	\$510
<u>Year 4</u>	<u>\$590</u>	<u>\$610</u>
Total	\$1,782	\$1,788

# How much will it cost?

Things to keep in mind regarding cost:



- Our district has a large amount of State Forest - unbuildable
- Our district has a large amount of farmland - unbuildable
- Overall property value within the district did not increase at state average this year
- Consider your drive around our school district area
  - What has changed?
  - When did it change?





# How much will it cost?



## Tax impact if the referendum fails:

- **Overall tax amount: UNKNOWN**
  - Depends entirely on the district your property would be placed in
- **Taxpayers will be responsible for taxes of their assigned district**
  - This will include any referendum that have been passed in the assigned district
  - This will include any PEASD long term debt remaining after the Asset/ Debt Determination and Distribution of the dissolution process, if any remains
    - Debt remaining at the end of 2018-19 will be \$14.2 million
- **There will be no continuing tax line item to PEASD**



# Overall Impact

## If referendum passes:

- **Our District remains OPEN**
- **Buildings are repaired and maintained**
- **Our communities have their own school district**

## If referendum fails:

- **Unknown where children may be educated**
  - Over 750 students will be displaced
- **One of the largest employers in the area goes out of business**
  - Over 100 employees left without jobs
- **Communities may have building(s) that are vacant and unused**



# When is the referendum?

New state law says that all school referendums must be held during regular elections.

**Election Date is April 2, 2019**

# Frequently Asked Questions

**Is this a scare tactic?**

**No. We have shown you all of the numbers we have available to us. Even with the largest cut we have potential for (closing a building) and in the best case scenario (no additional open enrollment), our fund balance will not be enough to cover a second year if the referendum does not pass.**

# Frequently Asked Questions

**Why not just increase the student to teacher ratio?**

- **Single teacher at most elementary levels**
  - **We have room for more kids without adding**
  - **We cannot subtract one teacher when we only have one in a given area**
- **Many departments of 1 at the MS/HS level**
- **Split classes may increase open enrollment**
  - **OE expenses offset savings of the cut**

# Frequently Asked Questions

**How does the dissolution timing work? I saw different numbers in online articles?**

**If the referendum fails:**

- **PEASD BOE submits resolution to SDBAB prior to June 30, 2019**
- **SDBAB conducts hearings, meetings, etc after July 1, 2019**
- **SDBAB rules before January 15, 2020**
- **Ruling becomes effective July 1, 2020**

**\*This timeline has been confirmed by DPI**

## Frequently Asked Questions

### **If dissolution occurs, can I pick my resident district?**

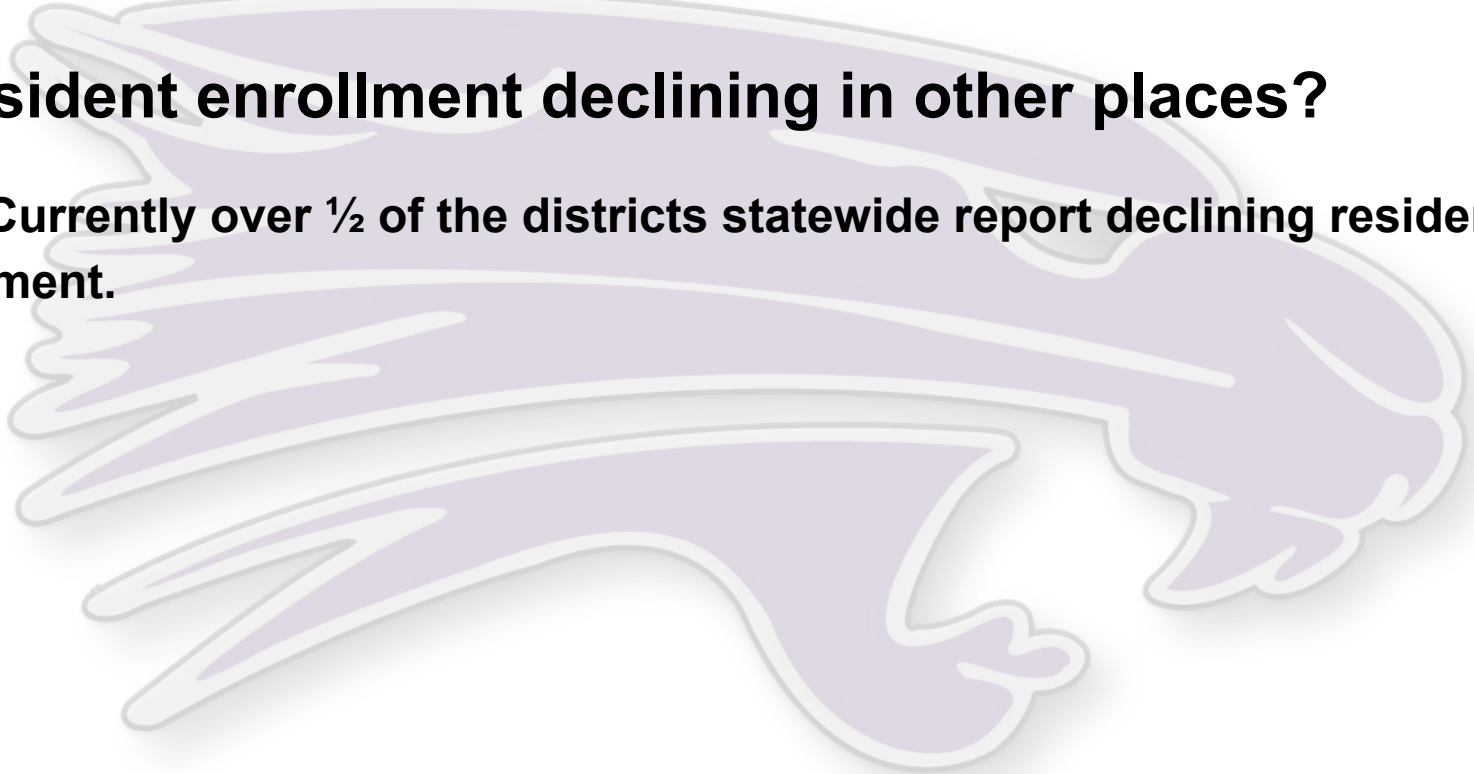
**No, the resident district of each property will be determined by the SDBAB through the dissolution process. Per DPI, it is not possible to predict how the district would be divided. The options include attaching all the territory to one neighboring district, or dividing it up between or among the neighboring districts. The SDBAB would hear from officials and citizens in all the districts prior to issuing an order.**

**Open enrollment rules would still apply for all residents regardless of the district they are assigned to.**

# Frequently Asked Questions

**Is resident enrollment declining in other places?**

**Yes. Currently over  $\frac{1}{2}$  of the districts statewide report declining resident enrollment.**

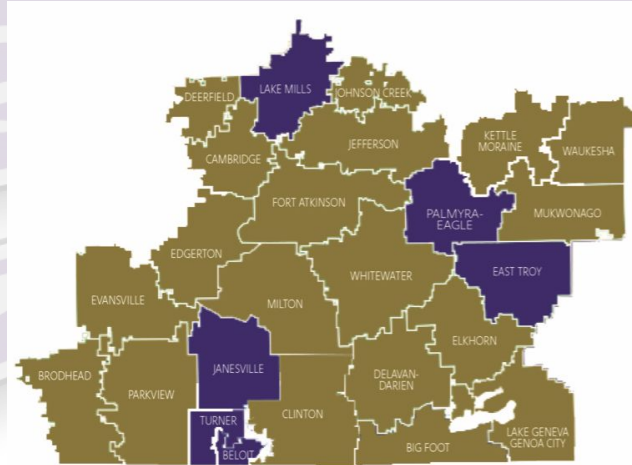




# Frequently Asked Questions

**Is PEASD the only district affected by an annual budget deficit that needs an operational referendum?**

**No.**



OPERATIONAL REFERENDUM IN PLACE  
AND/OR RECENTLY PASSED

NO OPERATIONAL REFERENDUM



## Frequently Asked Questions

**Is the district's current financial situation the result of poor fiscal management?**

**No. By law, PEASD is audited every year by an outside accounting firm. Our audits have been clean to date, including the newly received audit for the Fiscal Year ending June 30, 2018. Additionally, Baird Finance has praised the work of our administrative team on the finances of the district, stating that our fund balance “is the sign of a well-managed district”.**

# Frequently Asked Questions

**Will the referendum add debt to the district?**

**No. An operational referendum collects money for a given year to be used that same given year. No additional debt is taken on by an operational referendum, nor is any interest paid by the taxpayer.**

# What is next?



## Questions?

- Please submit questions to [SHOFF@PEASD.ORG](mailto:SHOFF@PEASD.ORG)
- Answers will be shared online in a Frequently Asked Questions document on [PEASD.org](http://PEASD.org)

# PLEASE VOTE APRIL 2