



410 South Commercial Street • Neenah, WI 54956 • Tel: (920) 751-6800 • Fax: (920) 751-6809

Memo To: Board of Education  
 Dr. Mary Pfeiffer, District Administrator  
 From: Paul Hauffe, Director of Business Services *PEH vlh*  
 Vicky Holt, Asst. District Administrator – Human Resources/Central Services  
 Date: June 14, 2012  
 RE: Neenah Joint School District 2012-13 Budget – Draft #1

**Introduction**

Attached is the first draft of the 2012-13 Neenah Joint School District budget. This document has been developed using the budget framework that was reviewed by the Board of Education at their April 24, 2012 meeting and approved at their May 8, 2012 meeting. Prior to approving the budget framework, the Board reviewed and approved a technology plan, a capital improvement plan, and a staffing plan for 2012-13. Additional input into the budget process was received from District staff, department heads, and administrators. This initial budget draft is not the culmination of a process, but rather an early step in a process that will result in a comprehensive 2012-13 District budget that will meet the needs and expectations of our students and community.

**KEY STATISTICS AT A GLANCE – 2012-13 Budget Draft #1**

	2011-12 Budget	2012-13 Budget	Dollar (\$) Change	Percent (%) Change
General Fund Expenditures	62,418,234	63,551,089	1,132,855	1.81%
Total Expenditures	79,606,709	81,413,031	1,806,322	2.27%
Total School Tax Levy	31,723,955	32,393,868	669,913	2.11%
Tax Rate/thousand (equalized)	8.57	8.75	0.18	2.10%
State General Aid	29,275,011	29,275,011	0	0.0%
Equalized Property Value	3,702,397,189	3,702,397,189	0	0.0%
Staff FTE	653.35	632.15	-21.2	-3.2%
Student FTE – Rev Limit	6,380	6,355	-25	-0.4%

**State of Wisconsin Budget Affects Neenah**

This will be the second year of the 2011-13 State of Wisconsin biennial budget. Public school districts, including Neenah, are getting used to some of the new rules, requirements, and limitations that are contained within the state budget. The more significant items contained in the state budget that will affect the District budget for 2012-13 are as follows:

- The revenue limit formula will allow for an increase of \$50 per pupil (0.5% increase) in 2012-13. This comes on the heels of a \$540 decrease per pupil (-5.5%) in the 2011-12 budget year. Please see the attachment included at the end of this memo for a general but more visual perspective of the revenue limit.
- In 2012-13, school districts may be eligible for a new, one-time only, form of categorical aid of \$50 per pupil. Certain criteria will need to be met by school districts in order to receive this aid – in some cases the aid may be prorated. A more detailed discussion on this categorical aid is contained later in this memo.
- At this time, state equalization aid is estimated to remain at the same level as received in 2011-12. This may be a best case scenario. There are many variables that affect the specific amount of equalization aid available to an individual district. The Department of Public Instruction will provide an initial estimate of equalization aid by district on or about July 1.
- In 2012-13, the Neenah Joint School District will continue to use provisions contained in Wisconsin Act 10 to reduce total expenditures. Act 10 required equal sharing between employee and employer contributions to the Wisconsin Retirement System (WRS). In 2011-12, all employee groups in the Neenah Joint School District except one have been contributing equally to the WRS. With the expiration of their master agreement on June 30, 2012, the support staff (NESPA) will now also contribute equally to the WRS. This change in law has resulted in a reduction in annual District expenditures of over \$1,900,000.

#### **Major Changes in Employee Compensation Contained in 2012-13 Budget**

- Effective with the District's group health insurance renewal on January 1, 2013, all employees will be offered a High Deductible Health Plan (HDHP) / Health Savings Account (HSA) as a base insurance plan. Employees may elect to participate in an alternative plan providing they pay the difference. This change in the group health insurance plan offerings will reduce insurance expenditures by over \$900,000 during the six fiscal months of 2012-13 that this will be in effect. (An additional \$900,000 will be saved in 2013-14 as the program will be in effect for the full twelve month fiscal period.) Additional savings will be achieved in the area of health/dental insurance as all employees will pay 12.6% of the cost of the health and dental insurance premiums.
- Estimated wage increases have been budgeted for all District staff. The Board of Education is required to negotiate base wages with organized groups up to the CPI increase (3.16%). An amount of \$723,000 has been included in the budget to accommodate these negotiations.
- A similar amount (\$723,000) has been budgeted for a yet to be determined pay-for-performance plan for all employee groups. The ultimate model for this plan has yet to be established.

#### **More Funds Targeted for Technology**

The Board of Education has approved an updated Digital Conversion Plan that will provide students and staff with the opportunity to utilize state of the art technology in their classrooms. A significant investment in MacBooks at the elementary level and iPads for

grades 5, 6, 7, and 8 will offer an enhanced learning experience for students. To support these additional devices, new hardware supporting these devices will be acquired such as wireless access points, printers, servers, and projectors. Approximately \$1,250,000 in new or replacement technology equipment will be purchased in the 2012-13 budget; \$680,000 of these devices will be purchased using a three year lease and the remainder will be paid for using general operating budget funds.

### **District Facilities Receive Some Attention**

The District will make a significant investment in repairing, replacing, and remodeling sites and facilities in 2012-13. Over \$1,400,000 in capital improvements will be completed during the 2012-13 fiscal year. The larger projects that will be completed include:

- Boiler/hot water heater – Neenah High School (Conant)      \$400,000
- Reconstruct main parking lot -- Neenah High School      \$280,000
- Convert science lab to physical science – Shattuck      \$150,000
- Roof replacement – Shattuck (OJ Gym)      \$100,000

(A complete list of all of the major maintenance projects scheduled for completion this year is included in the budget document)

This will be the single largest year (dollars) for major maintenance type projects, funded through the capital expansion fund, that the District has seen in over ten years. No additional debt will be incurred to complete these projects; however, the District will use a portion of its fund balance (\$731,011) to complete the jobs. Most of these projects are not just cosmetic. They will generate additional savings through energy efficiencies and/or improve safety for students, staff, and community members.

### **Other Expenditure Adjustments Contained in the 2012-13 Budget**

Certainly, the bulk of additions/subtractions to the 2012-13 budget are the result of changes in technology spending, employee compensation, or major maintenance spending. Following are some additional adjustments or assumptions that are included in the first draft of the 2012-13 budget:

- Net reduction of 21.2 staff FTE (+4.8 faculty, -24.0 support staff, -1.0 administrator, -1.0 exempt)
- Allowance made for faculty, support staff, admin, and exempt salary adjustment
- Allowance made for faculty, support staff, admin, and exempt pay-for-performance salary adjustment
- Estimated increase in medical/prescription drug insurance premiums equal 5%
- Open enrollment estimates remain at 2011-12 level (in and out)
- Net utility cost reduction (natural gas cost reduction offsets increase in electric and water)
- Reduction in State Handicapped Aid (-\$185,000)
- Food Service Fund will be self-supporting; no transfer required from the General Fund
- State Equalization Aid estimated to remain at 2011-12 levels

- Increase in District property, liability insurance (+\$28,000)
- Reduction in traditional learning materials-textbooks, etc. (-\$225,000)
- Reduction in legal fees (-\$60,000)
- Additional State categorical aid – one time (\$317,750)
- Levy property tax to the maximum permitted by law (including carryover)
- Increase in unemployment costs
- Estimated additional District contribution to WRS - .1% (\$45,000)

### **Pupil Enrollment**

A common variable that impacts virtually all financial matters of the District is that of pupil enrollment. School district revenues are based on a three-year rolling average of resident enrollment. Equalization aid is determined based on the number of students enrolled in a district during the preceding year. Classroom staffing levels are determined, in large part, based on the number of students that must be educated.

During the past decade or so, the Neenah Joint School District has had a relatively stable (flat) K-12 enrollment trend. (Please see the student enrollment chart located in the budget document.) In any given year, the enrollment may change by +/- 45. Certainly, the District has not experienced a long-term surge in enrollment nor has it experienced a precipitous decline.

The summer school program included in this draft of the budget provides a significant addition to the District's pupil enrollment count. This enrollment provides additional revenue authority and increases the District's equalization aid.

While the District anticipates a similar number of students to open enroll at another school district next year, the total budgeted costs will decrease as the cost per pupil transfer amount is decreased from \$6,867 to \$6,445. Similarly, revenue received due to students enrolling into our District from another district will decrease as well.

### **Per Pupil Adjustment Aid for 2012-13**

For the 2012-13 fiscal year, the State of Wisconsin enacted a new categorical aid program for one year only. The intent of this aid is to provide additional revenue to school districts outside of their revenue limits. The amount of aid will equal \$50 per pupil and be pro-rated in the event a district levies less than the maximum allowable and/or the allocation is insufficient to make full payment to all the districts. This categorical aid is in addition to the per pupil revenue limit adjustment (also \$50 per pupil). It is essentially a matching aid for districts that use the revenue limit authority available that year. Carry-over revenue authority from 2011-12 will impact the pro-rating calculation for districts with carry-over.

The first draft of the 2012-13 budget assumes that the Board of Education will levy the maximum allowable property tax – this includes any carryover from 2011-12. By certifying the maximum allowable levy, the District would receive \$317,750 in this new, one-time categorical aid. This amount has been factored into the budget.

In summary, the District could under-levy by up to \$324,000 in 2012-13 and still receive the full amount of one time categorical aid (\$317,750). If the District under-levied by \$500,000, for example, the categorical aid would be pro-rated with the District only receiving \$140,000.

### **Important Dates in the Life Cycle of the 2012-13 Budget**

There are a number of variables yet to be fully evaluated and calculated that may have a significant impact on the 2012-13 budget:

June 19 – Draft #1 of the 2012-13 budget presented to Board of Education

Late June – Employee negotiations – faculty, support staff

Summer, 2012 – Committee studies post-employment benefit program

July 1 – Initial estimate of state Equalization Aid

September 18 – Board discussion and adoption of preliminary 2012-13 budget for publication

September 21 – Third Friday enrollment count date (affects revenue limit)

Late September/Early October – Health insurance premium adjustment finalized (est. = 5%)

October 1 – District's equalized value is confirmed (affects property tax rate)

October 15 – Final determination of state Equalization Aid

October 16 – Public Hearing on proposed 2012-13 budget

November 6 -- Board adopts final draft of 2012-13 budget and certifies property tax levy

December, 2012 – Budgets for federal programs such as Title I-A and Flow-thru are finalized

### **Summary**

The District's 2012-13 budget development process has been under way for many months. The Board of Education and District staff have reviewed and analyzed all programs and staffing levels to ensure that the District's limited resources are being used in an efficient and effective manner. During the next few months, the Business Office will continue to monitor and/or adjust budget estimates as necessary. As the preceding timeline indicates, there are several dates in particular, one early and one later, which may provide more guidance or direction to the budget development process. Specifically, the July 1 estimate of state equalization aid will be important as will the recommendation coming later to the Board of Education regarding any post employment benefit program.

The first draft of the 2012-13 budget has identified and addressed the following District needs:

- appropriate class sizes at all grade levels
- care and maintenance of the District's physical assets
- allow students to benefit from a 21<sup>st</sup> century educational experience
- limited property tax increase for district homeowners
- virtual elimination of the District's long term debt

If you have any questions regarding the first draft of the District's 2012-13 budget, please contact Paul Hauffe (751-6800 X107).

# Longitudinal Explanation of the Sources of New-Year Revenue Limit Authority Neenah

"Line" indicators below refer to entries on the District's final Revenue Limit calculation for that year.

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (est)
<b>Part 1: Identify the Change in Resources to Explain</b>						
Line 1 Base Revenue	\$56,801,592	\$58,438,064	\$60,345,624	\$61,823,445	\$62,845,677	\$59,405,025
Line 7 Max Rev Limit No Exemptions	\$58,345,470	\$60,296,545	\$61,773,329	\$63,287,390	\$59,212,844	\$59,489,981
<b>Change to be Explained.</b>	<b>\$1,543,878</b>	<b>\$1,858,481</b>	<b>\$1,427,705</b>	<b>\$1,463,945</b>	<b>-\$3,632,833</b>	<b>\$84,956</b>
<b>Part 2: Collect the Data Elements Required for Analytics</b>						
Line 2 Base 3-Year Average	6,367	6,352	6,364	6380	6399	6380
Line 6 Current 3-Year Average	6,352	6,364	6,380	6399	6380	6355
Line 5 New Max Revenue Per-Pupil	\$9,185.37	\$9,474.63	\$9,682.34	\$9,890.20	\$9,281.01	\$9,361.13
Line 4B Low Revenue Increase	0.00	0.00	0.00	0		0
Membership Change (Line 6 - Line 2)	-15	12	16	19	-19	-25
Line 4A Per-Pupil Increase	\$264.12	\$274.68	\$200.00	\$200.00	-\$540.16	\$50.00
<b>Part 3: Compute Change by Category</b>						
Change Due to the Per-Pupil Increase (Line 4A x Line 2)	\$1,681,652.04	\$1,744,767.36	\$1,272,800.00	\$1,276,000.00	-\$3,456,483.84	\$319,000.00
Change Due to Low Revenue Increase (Line 4B * Line 2)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Change Due to Membership* ((Line 6 - Line 2) * Line 5)	-\$137,780.55	\$113,695.56	\$154,917.44	\$187,913.80	-\$176,339.19	-\$234,028.25
Change Due to Line 7 Hold Harmless (Line7 - (Line 5 X Line 6))	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Change Explained. **</b>	<b>\$1,543,871.49</b>	<b>\$1,858,462.92</b>	<b>\$1,427,717.44</b>	<b>\$1,463,913.80</b>	<b>-\$3,632,823.03</b>	<b>\$84,971.75</b>

The Revenue Limit computation contains a yearly inflationary increase which, for most districts, means an increase in district resources (Line 7) under the Limit; however, if a district is experiencing declining enrollment, gains from an inflationary increase can be offset by losses due to a membership decline.

Each district's revenue change from year to year is uniquely comprised of a mix of benefit/loss from: 1.) the inflationary index; 2.) membership changes; 3.) "low revenue" increases; and 4.) and various exemptions. This spreadsheet display the sources of your district's revenue limit change from Line1 to Line 7 within a specific year. This explanation does NOT incorporate increases due to recurring/non-recurring exemptions (Lines 8 and 10), as these are straight dollar amounts and are easier to see and understand.