

Kettle Moraine School District

2018-19 BUDGET CHALLENGES Administrative Recommendations

February 20, 2018



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Purpose

The purpose of the Kettle Moraine School District is to cultivate academic excellence, citizenship, and personal development.

Vision

*Learning
without Boundaries*

Charge from the Board

Transform the educational delivery system to better and more efficiently meet the needs of all students.

Core Values*

Our core values direct our actions and decisions. They reflect the values of the community and provide a foundation for the work that we do as we align resources with needs and priorities. These values include:

- Each child is unique and deserves a personalized learning experience to meet his/her needs.
- Developing the whole child socially, emotionally and cognitively is essential to their success in life.
- Valuing and respecting all opinions enhances the quality of the decision making process.
- It takes a unified, engaged, and committed community to develop a successful student.
- Caring, compassion, and understanding among students, educators, and parents fosters strong relationships in our schools and global communities.
- Innovation is fueled by responsiveness and responsibility to our students.
- High quality educators are the foundation for a school's impact on a child's education.

* Strategic Visioning Report 2015

Leadership Priorities & Goals

Our leadership priorities focus on improving opportunities for student achievement. The District's 2017-18 Score Card identifies four primary goals:

All students will develop as engaged citizens who act at a local, national and global level, with the attitudes, knowledge, skills, and character that is required to achieve to his/her highest potential.

- During the 2017-18 school year in 100% of schools, staff and students will increase understanding of the habits, mindsets, and dispositions and engage in citizenship and personal development activities to influence their school, town, state or world.

Each student will develop the knowledge, skills, and attitudes required to successfully prepare for life, work, and further learning.

- Each K-8 grade level cohort will increase by 5% meeting Forward Proficiency or above, as measured by MAP in reading and mathematics by Spring 2018.
- By the end of the 2017-18 school year, 90% of students in grades 9-12 will complete 90% of their grade level ACP components, including academic growth on ACT suite assessments.

Kettle Moraine will provide a high quality work environment so that every employee can perform at highest levels.

- By end of 2017-18 school year the District will develop an annual climate and culture survey for staff members (based on Panorama survey questions) and 60% of staff members will respond favorably in each category.

Kettle Moraine staff will provide high quality service to both internal and external customers

- The District will embed the newly developed service excellence standards into our culture and develop a baseline measurement for high quality service.

Kettle Moraine will provide the highest return on investment and create operational efficiencies.

- Develop and implement a custodial cleaning scorecard process/tool
- Develop and implement a department/building budget monitoring process
- Reduce workers' compensation insurance claims cost by 75%
- Develop and implement electronic purchasing and payment processing

Data Used in Budget Process

- Five-year budget forecast
- The Governor’s Proposed State Budget for 2017-19
- District and School Goals and Action Plans
- Enrollment Reports:
 - Monthly enrollment history
 - Four-Year-Old and Five-Year Old Kindergarten registrations
 - Preliminary Open Enrollment – In and Out applications
 - Historical enrollment records
- Historical records of budget, staffing, and programs:
 - 2017-18 Staffing (FTE) Reports and Staff Certifications
 - Teacher Compensation – Educator Career Pathway
 - 2018 Retirement and Resignation Reports
 - Actuarial Valuations of Kettle Moraine Pension and Other Post-Employment Benefits
 - Budget analysis and justification supporting maintenance of facilities and continuous improvement of space and technology capacity
 - Professional Development Budget
 - Co-curricular Program
 - Dual credit courses
- Historical record of student achievement, including:
 - Measures of Academic Progress (MAP)
 - Local and state assessments
 - Advanced Placement course enrollment and pass rates
 - ACT Aspire scores
- Literature and research informing our work:
 - *Transformation Task Force Report*
 - *Kettle Moraine 2015 Strategic Visioning Community Forum report*

- *The Broadband Imperative: Recommendations to Address K-12 Education Infrastructure Needs. - SETDA, May 2012*
- *Decisive: How to make Better choices in Life and Work*
- *District Leadership that Works*
- *DPI Bulletins, federal and state mandates*
- *Future Ready*
- *Global Achievement Gap*
- *How to Lead Teachers to Become Great: It's All About Student Learning*
- *Learning Personalized*
- *Maximize Performance: Creating a Culture of Educational Excellence*
- *Response to Intervention: Principles and Strategies for Effective Practice*
- *Results that Last: Hardwiring Behaviors that will take your Company to the Top*
- *The RtI Guide: Developing and Implementing a Model in Your Schools*
- *The RtI Toolkit*
- *Visible Learning*

Budget Process

- In January 2018, administration presented a five-year budget forecast. The assumptions that informed the budget forecast include:
 - Utility costs increase of 1.0%, each year
 - Transportation increase of 2.0% in each year
 - Casualty insurance increase of 0.0% in each year
 - Health insurance increase of 7.5% in 2018-19 and in each successive year
 - State revenue limit per-member increase of \$0 per member in each year
 - Categorical aid of \$654 per-member in 2018-19 and \$630 in each successive year
 - Equalized value projected to increase by 2.5% in each year
 - No change in staffing levels is initially assumed in the budget forecast. The right-sizing of staff is done at a later date (March) based on student and program needs.
 - Decline in resident student enrollment by an average of 47 in each year
 - Increase in Open-Enrollment-In by an average of 9 in each year
 - No change in Open-Enrollment-Out in each year
- When the Governor's 2017-19 Proposed Budget was presented, it contained significant changes to the assumptions that informed the most recent five-year budget forecast. The most significant change was a \$200 per member increase in categorical aid in the first year of the budget and a \$204 per member increase in the second year of the budget.
- The district administrative planning included meetings with Cabinet and the Leadership Council explaining forecast, budget process and timeline, and pending legislative impact (January 2018 and ongoing).
- At the school level, additional conversations and planning will occur to set leadership priorities. These budget conversations will be held with building staff, key leadership team members, and other stakeholders.

- Budget Planning Process:
 - Review employee benefits, insurances, and contracted services to determine efficiencies
 - Review financial implications of future funding of public schools and the sustainability of the district
 - Review list of possible areas of reductions being developed by administrative leadership team
 - Utilize feedback received from staff and parents through individual communication and scheduled meetings

- Finalize Budget Decisions:
 - All district staffing reviewed to align resources to enrollment – March 2018
 - Retirements and resignations received – March 2018; Resignation requests received by the board after March will continue to be considered
 - 4K and 5K enrollments determined – March 2018
 - Board receives administrative rationale and recommendations – February and March 2018
 - Open enrollment recommendations determined – May 2018
Recent legislation expanded the Open Enrollment window, delaying decisions on Open Enrollment until May of each year.
 - Principal Council verifies 2018-19 budget recommendations and four-year impact of budget decisions – April 2018
 - Board approves interim 2018-19 budget - May 2018
 - District residents vote on 2018-19 tax levy in support of interim budget at annual meeting - June 2018
 - Board approves 2018-19 original budget – October 2018

Budget Impact

1. The Wisconsin State 2017-19 biennium budget included a \$0 per member revenue limit adjustment in both years.
2. State Per-pupil Categorical Aid will increase to \$654 per member for 2018-2019, then decrease to \$630 per member (per current State law) in each of the remaining four years of the forecast. Because the proposed revenue limit adjustment is being held at \$0, this funding increase will not increase student spending, but instead may reduce local property taxes. On average, the district is anticipating a (15) percent reduction in general state aid, in each year, over the next 5 years. Any reduction in state aid shifts the burden of education to the local taxpayer.
3. All areas of staffing continue to be reviewed to determine efficiencies. Past staffing reductions implemented to address the fiscal challenges of the district result in student teacher ratios that are among the highest in the state.
4. Following the trend of school districts across the state, the district is in the position that reductions in operating expenditures are cutting into the services essential to ensure the quality and breadth of educational programs expected by district residents.
5. Improvements made possible by the successful April 1, 2014 \$49.6M referendum have been used to address approximately half of previously identified deferred major capital improvement projects. This investment by the Kettle Moraine taxpayers has provided for significant improvements to the district's technology infrastructure, improved security and controlled access to all buildings, and has addressed major capital maintenance needs. There has been limited work to provide renovated spaces. In addition, there remain several areas of capital improvement that need to occur. These needs were identified prior to the 2014 referendum but the level of financial support from the community did not support all needs. The board and community need to determine how remaining needs will be met.

2018-19 Budget Strategies

1. The district will continue to monitor options to increase student achievement and enrollment through:
 - a. Personalized learning, which is being scaled and supported through technology
 - b. Four charter schools, which will serve Kettle Moraine students in 2018-19 and into the future
 - c. Additional educational pathways
 - i. Advanced Placement, Transcribed Credit, Advanced Standing and Dual Enrollment courses
 - ii. Career pathways such as those already implemented in the areas of Computer Science, Digital Media, Visual Arts, and soon Technical Education
 - d. System-wide expectations of best practice
2. There will be a district-wide freeze or reduction in operating budgets. Operating budgets have already been reduced approximately 9% since 1998 without consideration for inflation. Twenty years of either zero increase or an operating budget reduction impacts flexibility and narrows options:
 - a. Reduces purchasing impact due to increased cost of materials/services
 - b. Potentially impacts the ability to respond to unforeseen needs
 - c. Limits the ability to develop innovative approaches or implement new technologies
3. The district utilizes a competitive bid process for various benefits with the goal of holding health insurance increases to 0% through plan redesign and change in providers, if necessary. This past year there was major plan redesign to contain cost increases to 8%, shared by the district and the employees. Plan design required two high deductible HSA products with high deductibles of \$5,000 and \$10,000 respectively.
4. The Board eliminated the Kettle Moraine Early Retirement benefit. In addition, savings from health insurance redesign results in a reduction in the cost of the post-employment benefit. The savings that will result from this action are being realized in 2018. The elimination of that expense from the operating budget does not occur until 2021. Over this period of time, from 2014 through 2021, funds that have been designated to pay this prior

unfunded obligation are being used to fund the current year's expenses. These funds are designated reserves of the fund balance.

5. An ongoing strategy has been to increase student enrollment through resident enrollment and open enrollment-in to moderate the fiscal impact of declining enrollment and decrease the expense of open enrollment-out. The district realizes more than 3:1 open enrollment-in to open enrollment-out. The high quality of instructional programming at all district schools, including the four charter schools, KM Explore, KM Global, KM Perform, and the High School of Health Science (HS²), continue to attract significant interest from resident and non-resident students. It is anticipated that open enrollment-in will continue to benefit the District. However, the 2012 legislative change to the open enrollment process delays the availability of accurate open enrollment data until June of each year.
6. The district continues to receive strong interest and support for Summer Academy programming. The program will once again be offered at the High School campus in summer 2018, housed entirely within the high school building. A focused effort has improved for-credit course offerings at the high school level. Improved and innovative courses for enrichment and remediation at the elementary and middle school levels have provided targeted instruction for all students. Summer Academy continues to play an important role in continuing the district's reputation of excellence while providing an additional source of revenue.
7. The district reviews the utilization of all staffing classifications and schedules to ensure maximum utilization of resources. Alignment of staffing to enrollment provides for efficient use of resources. Class size efficiencies at the high school, middle school, and elementary buildings have reached their maximum potential. Staff has been reallocated to district positions that support building efficiencies realized through online registration, technology services, and purchasing. There is limited opportunity to address reduction of expenses through increased class size ratios. Future considerations include redesign of physical space to include large group instructional settings, redesign of instructional delivery models, and elimination of programming.
8. The district is engaged in work of Educator Effectiveness through supervision and evaluation that considers educator practice and student achievement. This work serves to ensure fidelity in the implementation of program

improvements, content standards and curriculum alignment, and best practice in pedagogical and instructional strategies.

9. The district has defined roles within an Educator Career Pathway that include Lead Educator and Directors of Learning, in addition to more traditional roles of Director, Associate Principal, and Principal. These positions allow for the differentiation of responsibilities to ensure meaningful evaluation, professional development, program integrity, and other elements of high reliability organizations. Evaluated on an annual basis, they support succession planning and the accomplishment of district goals.
10. The district has redefined teacher compensation for initial educators through a tiered level of increased compensation and a system of micro-credentialing that recognizes pre-approved personalized professional development aligned with building and district goals for all educators. Micro-credentials have been embraced by educators and serve to align resources and professional development with the goals and initiatives of the district. Micro-credentials allow educators to personalize their learning in support of their responsibilities and the work of their school and the district.
11. The district utilizes federal grant funding whenever possible, but the opportunities are limited due to the demographics of the district. Areas of expenditures funded through grant programs at the national level include Individuals with Disabilities Education Act (IDEA) and Every Student Succeeds Act (ESSA) legislation. Any reductions in federal funding will have a negative effect on operational budgets and professional development.
12. With the addition of staff legal counsel, it is anticipated the district will continue to realize cost savings from a reduced need for outside legal services. However, there is a limit to the capacity of the Director of Employee Services and Staff Attorney. It is anticipated there will be a continuing need for outside legal services.

Strategies for Ongoing District Sustainability

1. Legislative change to the State's school funding formula must be a priority at the board and administrative levels. The 0% increase in revenue authority provided in the State's biennial budget and the continuing decline in the district's general equalization aid have had a significant negative effect on the district's resources while placing an ever increasing burden upon local taxpayers. The district's operating revenue has decreased by \$3.8 million or 9% in the last ten years while the amount of state aid the district received in 2017-18 is over \$9.5 million less than was received in 2007-08, a reduction of 62.1%. State aid will continue to decline without legislative action. There is an opportunity with the Blue Ribbon Commission on School Funding to identify flaws in the current model that disadvantage Kettle Moraine. Strong legislative advocacy for children and education must continue as primary focus.
2. The board and administration must engage municipal leaders in conversations regarding the impact of high property values, very little business or industry, and limited affordable housing on the sustainability of the district. If possible, partnering with Waukesha County Planning in these conversations would be beneficial.
3. The statewide expansion of vouchers and private charter schools will bring additional students onto the roll of taxpayer supported education. Without strong economic growth to support the increased student base, vouchers will contribute to the reduction in state support for the district as well as for other districts across the state. Line item reporting on tax bills, rather than the current pass through to the local school district, would provide taxpayers an accurate understanding what their tax dollars are supporting. The opportunity to advocate for transparency in communicating the impact of vouchers on local taxpayers is now.
4. The Kettle Moraine School Board and ultimately the Kettle Moraine community must engage in a thorough discussion and evaluation of the financial needs of the district. There are immediate operating and capital needs that must be addressed to ensure long term viability. The development of the 2018-19 budget will include opportunities for the

Board to understand both the near and long term fiscal impact of the State's funding of schools. That funding structure threatens the viability of Kettle Moraine as a district of excellence and a district of choice. The district's viability will not be sustained without intervention either at the local and/or state level.