

School District of Kettle Moraine

2019-20 BUDGET CHALLENGES Administrative Recommendations

March 5, 2019



Purpose

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

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Vision

*Learning
without Boundaries*

Charge

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

Core Beliefs

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

- Children are the future. Our society depends upon strong public support for educating our children, preparing them for success in their roles and responsibilities.
- All children will learn with support and opportunities. They will be able to demonstrate growth as a result of their experience in Kettle Moraine School District.
- Children have different strengths and needs and they learn in different ways. They are engaged and thrive when their learning is personalized.
- The district embraces the responsibility to provide learning opportunities for students and staff in ways that better and more efficiently meet individual needs.
- Proficiency in literacy and math provides a foundation for all other content areas and is essential for future success.
- Habits of Mind and success skills as outlined in the Graduate Profile are necessary for college, career and life success.
- Of the factors schools control, teachers have the most significant influence on building relationships and student achievement. They must be supported and respected.
- Education decisions must be guided by what is best for the development and support of student learning.
- Parents are critically important partners in helping students meet their full potential.
- Communities are strong when they are supported with strong public schools. Schools are strong when they are supported by community

* The core beliefs are derived from strategic visioning processes and reflect the shared understanding of the district leadership team. They are used to inform the budget process of aligning resources with district needs and priorities.

Leadership Priorities & Goals

Our leadership priorities focus on improving opportunities for student achievement. The District's 2018-19 Score Card identifies four primary goals:

- o 100% of students will collect artifacts to demonstrate evidence of application of Habits of Mind or Graduate Profile.
- o Elementary and middle school students will demonstrate a 3% increase in number of learners growing a year or more in math and literacy. The high schools will exceed expectations for career readiness as indicated on one of the pillars of the Waukesha Business Alliance scorecard.
- o Kettle Moraine staff will provide high quality service to both internal and external customers
 - Parent satisfaction will improve by 5 points regarding their perception of school climate
- o Kettle Moraine will provide a high quality work environment so that every employee can perform at highest levels.
 - Staff responses to professional learning and school climate will improve by 5% from 2018, as measured on the Panorama staff survey.
- o Kettle Moraine will provide the highest return on investment and create operational efficiencies
 - Investigate no less than 15 process improvement projects, and implement at least 10 (finance/operational) improvements by June 30, 2019, to more efficiently and effectively support the District.

Data Used in Budget Process

- Five-year budget forecast
- The 2017-19 State Budget and current State Law
- 2019 Retirement and Resignation Reports
- Enrollment Reports:
 - Monthly enrollment history
 - Four-Year-Old and Five-Year Old Kindergarten registrations
 - Preliminary Open Enrollment – In and Out applications
- Budget analysis and justification supporting maintenance of facilities and continuous improvement of space and technology capacity
- Actuarial Valuations of Kettle Moraine Pension and Other Post-Employment Benefits
- Teacher Compensation – Educator Career Pathway
- Operational Budget Reports
- 2018-19 Staffing (FTE) Reports and Staff Certifications
- Co-curricular Program Report
- School and District Action Plans
- Historical record of student achievement
- Enrollment trends
- Kettle Moraine 2019 Strategic Visioning Scenario Planning recommendations

Budget Process

1. In June 2018, administration began creating a five-year budget forecast. The assumptions that informed the budget forecast include:
 - i. Utility costs increase of 6.4%, each year.
 - ii. Transportation increase of 2.0% in each year.
 - iii. Casualty insurance increase of 1.0% in each year.
 - iv. Health insurance increase of 25% in each of the next three years, followed by 10% increases in years four and five of the forecast, based on previous three-year loss ratios.
 - v. State revenue limit per-member increase of \$0 per member in each year.
 - vi. Decline in State equalization aid of 15% each year.
 - vii. Categorical aid will be reduced \$24/member and will hold constant at \$630 per member in each remaining year (current law).
 - viii. Equalized value projected to increase by 3.0% in each of the next three years, followed by 2.5% increases in years four and five of the forecast.
 - ix. No change in staffing level, at this time. Reductions will align with class size guidelines in each year.
 - x. Decline in (resident) student enrollment by an average of 39 in each year of the five-year budget forecast.
 - xi. Open-Enrollment-In will hold constant in each year.
 - xii. Open-Enrollment-Out will hold constant in each year.
2. The Governor's 2019-21 Proposed Budget has Just been announced. It is not known how long it may take for the legislature and Governor to establish a 2019-21 biennium budget for the state, which will eventually impact the district's budget for the coming school year. The district's interim budget will be developed using current law and adjustments that come as a result of changes in the current law will be made prior to adoption of the final budget.
3. The district administrative planning has included meetings with the Board, Cabinet and the Leadership Council explaining forecast, budget process and timeline, and pending legislative impact (June 2018 and ongoing).
4. 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.
5. Budget Planning Process.
 - i. Review employee benefits, insurances, and contracted services to determine efficiencies as well as increases.

- ii. Review financial implications of future funding of public schools and the sustainability of the district.
 - iii. Review identified areas of reductions based on enrollment and grade configurations.
 - iv. Utilize feedback received from staff and parents through individual communication and scheduled meetings.
 - v. Identify strategies based on two possible outcomes of April 2, 2019 referendum results.
6. Finalize Budget Decisions.
- i. Retirements and resignations received – March 2019. Resignation requests received by the board after March will continue to be considered.
 - ii. 4K and 5K enrollments determined – March 2019.
 - iii. Board receives administrative rationale and recommendations – March and April 2019.
 - iv. All district staffing review to align resources to enrollment – April 2019.
 - v. Based on April 2 referendum results, Cabinet finalizes budget recommendations - April 2019
 - vi. Principal Council verifies 2019 budget recommendations and four-year impact of budget decisions – April 2019.
 - vii. Board approves interim 2019-20 budget - May 2019.
 - viii. Open enrollment recommendations determined – May 2019. Recent legislation expanded the Open Enrollment window, delaying parent decisions on Open Enrollment until June of each year.
 - ix. District residents vote on 2019-20 tax levy in support of interim budget at annual meeting - June 2019.
 - x. Board approves 2019-20 original budget – October 2019.

District Assumptions, Actions and Impact

The district is no longer able to manage the continuing decline in revenue through the strategies that have been utilized over the past decades. Efficiencies have been found through the following:

- increasing class sizes,
- utilizing multi-age classrooms,
- attracting open enrollment-in to mid-point of class guideline ranges,
- reducing support services to students,
- finding efficiencies in transportation,
- eliminating employee post-employment benefits,
- reducing operating budgets,
- centralizing support services and eliminating support positions in buildings,
- insurance redesign and competitive bidding processes,
- shifting costs for benefits to employees,
- eliminating step and lane compensation increases,
- compensating for micro-credentials that align to school/district goals,
- restructuring delivery of learning opportunities,
- contracting for custodial services,
- reduction in legal fees through staff attorney,
- contracting for substitute staff.

1. The Governor's 2019-21 Proposed Budget has just been announced. It is not known how long it may take for the legislature and Governor to establish a 2019-21 biennium budget for the state, which will eventually impact the district's budget for the coming school year. It should be noted that the Governor is proposing an increase in revenue limit per student. The increase that is proposed is not sufficient to address the operating needs of the district. In addition, the Governor's budget proposal does not address the inequity in revenue limit within Waukesha County and across the state and the proposed $\frac{2}{3}$ funding of schools would impact property taxpayers but not address the financial needs of the district. Because of the speculative nature of budget dialogue at this point in time, the district's interim budget will be developed using current law and adjustments that come as a result of changes in the current law will be made prior to adoption of the final budget.
2. On average, the district is anticipating a (15) percent reduction in general state aid, in each year, over the next 5 years.
3. 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.
4. All areas of staffing are under review to determine efficiencies. Reductions are made annually, aligned with enrollments. In order to affect the greatest number of staffing reductions the district

needs to look at consolidating grades within specific buildings, redistricting attendance areas, and closing buildings where feasible. Administration recommends maintaining current class size guidelines.

5. The district utilizes a competitive bid process for benefits and has found the most cost effective health insurance benefit among all schools in Waukesha County. The past loss ratio experience is causing the cost of insurance to increase at an estimated 25% per year for the short term.
6. The Board has eliminated the Kettle Moraine Early Retirement benefit with final payments being made to retirees in 2021. These payments are designated reserves of the fund balance.
7. 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.
8. Summer Academy offerings are aligned to student need and interest. The remedial and extension opportunities offer the children of the community rich experiences for six weeks of summer.
9. The district reviews the allocation of all staffing classifications and schedules to ensure maximum use of resources. Alignment of staffing to enrollment provides for efficient use of resources. Elementary schools have implemented multi-age instruction to maximize class size numbers. Staff has been reallocated to district positions that support building efficiencies realized through centralized registration, technology services, and purchasing. There is opportunity to address reduction of expenses by increasing the class size guidelines. Class size efficiencies at the high school, middle school, and elementary buildings have reached their maximum potential, within the current configuration of schools. There is potential for staffing reductions if grades across the district were consolidated to a central location, rather than being served through community schools.
10. 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.
11. The district has defined an Educator Career Pathway that allow for the differentiation of responsibilities to ensure meaningful evaluation, professional development, and program integrity, elements of high reliability organizations, through Lead Educators and Directors of Learning positions. These positions are effective in supporting the accomplishment of district goals and improving student achievement. They are evaluated on an annual basis.
12. 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.

13. There continues to be a district-wide freeze in operating budgets following nineteen years of either zero increase or operating budget reductions. Operating budgets have been reduced on two occasions during this period of time: 10% in 2008 and 5% in 2019. This impacts flexibility and narrows options by:
 - a. Reducing purchasing impact due to increased cost of materials/services.
 - b. Limiting the ability to respond to unforeseen needs.
 - c. Limiting the ability to develop innovative approaches or implement new technologies.
14. 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. Charter school grants are no longer available.
15. 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.
16. District enrollment is projected to decline on average by 39 students each year for the next five years. This has a negative impact on revenues. An enrollment analysis conducted by Applied Populations Lab - University of Wisconsin in spring 2011 confirmed District projections along with a recent analysis done by Springsted Incorporated. We anticipate ongoing reductions to projected district expenditures in order to bring them in line with the revenue limit.

Strategies for Possible Future Impact

1. The district will continue to pursue opportunities that will increase student enrollment and achievement through:
 - a. Unique learning environments at the elementary, middle, and high school level, which include but are not limited to the four charter schools, that recognize and engage students through voice, choice, path, pace, and place
 - b. Collaborative learning opportunities
 - i. Pathways that support individual progress based on mastery of knowledge and skills
 - ii. Place-based learning to develop understanding of career opportunities and provide a community connection
 - iii. Success skills as defined through Habits of Mind and the Graduate Profile
 - iv. Immersive K-7 computational thinking and coding skill development
 - v. Advanced Placement, Early College Credit Now, Start College Now and Dual Enrollment learning opportunities
 - c. High quality educators and system-wide expectations of best practice
 - d. Open Enrollment In applications
2. The Summer Academy programming will once again be offered at the High School campus in summer 2019, 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 providing an additional source of revenue for the district, increased state support of the district through the equalization formula, benefitting our taxpayers, while meeting the needs of the community and continuing Kettle Moraine School District's reputation of excellence.
3. Through Community Education the district allows outside organizations to rent both indoor and outdoor facilities, generating additional revenues.
4. Kettle Moraine School District's commitment to the Response to Intervention initiative supports the programming of individualized student learning. This commitment spans the areas of professional staff development in targeted instruction, talent development, individualized student plans, and the program evaluation process. Realignment of responsibilities and redefinition of positions will allow the district to meet the expectations of Response to Intervention, which is demonstrating an impact on student achievement of learners who are below grade level.
5. Legislative change to the school funding formula must continue to be a priority at the board and administrative levels. The 0% increase in revenue authority provided in the State's 2017-19 biennial budget and the continuing decline in the district's general equalization aid have had a significant negative effect on the district's resources, shifting the increases in fixed costs to reductions in staffing and placing an ever increasing burden upon local taxpayers. The district's operating revenue in 2018-19 is comparable with the revenue available in 2004-05. The amount of state aid the district received in 2018-19 equals the aid received in 1994-95. State aid will continue

to decline without legislative action. Strong legislative advocacy for children and education continues to be a primary focus.

6. The statewide expansion of vouchers and private charter schools will bring additional students into the system of taxpayer supported education. It can be anticipated that voucher expansion will contribute to the reduction in state support for the Kettle Moraine School District as well as other districts across the state. Continued legislative advocacy has had limited impact on this policy issue.
7. Continued advocacy to address the inequities of the state's funding formula is required. Despite strong testimony to the Blue Ribbon Commission, there does not appear to be agreement at the state policy level over how to improve the funding of education. There does not appear to be the political will to demonstrate a bipartisan commitment to addressing the need for state funding reform.
8. The Kettle Moraine School District is asking the citizens of the district to determine whether students in Kettle Moraine will receive funding that is comparable to the funding of other Waukesha County students. The April 2, 2019 operating referendum will be a test of the community's priorities.
9. Should the referendum fail the district will need to determine how to redistrict attendance areas, consolidate grade levels across the district (potentially closing one or more schools) in addition to eliminating programs and increasing class size guidelines. With 80% of the budget allocated to staffing, there will need to be significant reductions in staffing in order to produce a balanced budget.