Middleton-Cross Plains Area School District

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Teacher Compensation Advisory Committee Feb. 10 Meeting Summary

The following is a summary of what was discussed and considered at the fourth Teacher Compensation Advisory Committee meeting on Tuesday, Feb. 10.

Budget Analysis

Fiscal Services manager Lori Ames provided an overview of school finance and the District's budget and also provided initial projections for 2015-16 as part of an 80-minute presentation.

She discussed the various funds available and compared them to someone's accounts, such as checking, saving and college. She said the biggest difference is an individual has much more flexibility with their pots of money, while the District doesn't with its nine funds.

She explained how Funds 10, 38 and 41 are each associated with the tax levy and controlled by the revenue limit. Fund 10 handles most of the operational budget and is by far the largest fund. Fund 38 is for principal and interest payments but not debt from a referendum, while Fund 41 is for capital project-type work, but can only be used to extend the life of building.

She said Funds 39 and 80 are associated with the tax levy but are not controlled by the revenue limit. Fund 39 is used to pay long-term debt and interest that was authorized by a referendum. Fund 80 can be used for community recreation or education that are not part of instructional program. An example is the pool, which is also used by the community.

The other funds the District has are not impacted by revenue limit. Fund 21 is for gifts that can't be used for district operations. Fund 46 is for projects and finance through bonds and promissory notes and is how the District pays for construction costs. Fund 50 is for food service and is supposed to be self-contained fund. However, she also noted if a debt occurs, money must come from the general fund, which is why student participation matters so much.

Fund 60 is for student organizations such as DECA and student council, while Fund 70 is for local scholarships. That also includes Fund 73, which is for voluntary early retirement. Ames said the District is currently putting $1.9 million annually into this fund from general operations for VER. Finally, Fund 90 is for cooperative programs, such as girls hockey, or athletic tournaments the District hosts.

General Fund overview

Ames told the committee that Fund 10 is “our biggest fund ever.’’ Approximately 73 percent of the revenue comes from taxpayers with the state providing 18 percent. Those will be the top two sources in every district, although in districts that aren’t property rich they may be reversed.

Salaries make up 57 percent of all expenditures in the General Fund, while benefits make up 23 percent. Contracted services and fees, such as Teachers on Call, utilities, open enrollment, and fuel for buses, make up 11 percent.

“We’re certainly going to look at equipment and supplies to see if we can become more efficient and we do that every year,’’ she said. “But when 80 percent of your budget is personnel at some point we may have to look there.’’

Revenue Limit

She also explained that the revenue limits is the maximum amount a district may raise. Revenue limit does not include school fees, state categorical aid, federal and state grants, or gate receipts.

“Those are small potatoes,’’ she said.

Key factors in the revenue limit include a district’s student membership, which is based on a 3-year rolling average, per student member increase and recurring and non-recurring exemptions.

The revenue limit will go up by $2.6 million next year based on $75 per member increase, transfer of service, recurring referendum, and enrollment growth.

Ames pointed out if districts learn in October they are getting more state aid it only means they get to tax less and that their revenue limit won’t change. Districts that exceed the revenue limit get penalized the next year.

She also explained that the revenue limit didn’t change with the governor’s announcement that districts wouldn’t receive state categorical aid in 2015-16. The $960,000 the District received from the state in 2014-15, which was based on $150 for every student in membership, was on top of the revenue limit. If it was still in the budget, Ames estimated MCPASD would receive $988,000 next year.

Fund balance

Ames explained that a district’s fund balance isn’t cash but simply a snapshot in time of the difference between assets and liabilities.

She said every district agonizes over what is an appropriate fund balance. She believes it is the amount where you don’t have to short-term borrowing. She also said because MCPASD is dependent on taxes, the majority of revenue the District receives doesn’t arrive until January. The District had to short-term borrow $3.8 million this year.

Fund balance allows the District to demonstrate stability. When borrowing, creditors want to make sure you are good stewards and making good financial decisions, she said. Districts that don’t have a good fund balance have a bond rating, which means they pay a higher interest rate.

MCPASD has an Aaa rating, which is the best a district can do. She said this is important because if the District has to short-term borrow it comes out of general fund, which means less money to spend on salaries and programs.

She said her goal when she joined the District was to do less short-term borrowing.

“We are trying to manage that so we aren’t giving away money,’’ she said. “It isn’t that we are just stockpiling money. We are using that money.’’

State budget proposal

Ames explained the District received $75 for every student from the state last year, which was about $480,000. Governor Walker has proposed no state aid in 2015-16, which means the District won’t get the about $988,000.

In addition, for every student who leaves the District for a voucher school, means less state aid for the District. It’s difficult to say how much that will be but what we do know is in order to meet the revenue limit, which doesn’t change, the District will have to tax more, she said.

The proposal allows for $165 per pupil in state aid in 2016-17 and after that it sounds like it will be an annual appropriation, she said.

“We’re hoping some of the funding will be restored,’’ said Ames, who believes if anything gets restored it will be per pupil aid because that won’t raise taxes.

Could see 20 percent increase in health insurance costs, but believes we can cut it to 10 percent. That assumes status quo in what we do with health insurance. That works out to $784,000. Almost entire enrollment growth of $1.1 million ate up by that.

Final observations

Ames also pointed out the District will likely lose SAGE funding, which pays for three positions at Sauk Trail, but is expecting the revenue limit to go up $982,000.

This means the District has a budget deficit of $1.5 million, she said. That assumes a zero percent increase in salaries. If all employees received a 2 percent increase, that is another $950,000 expense so the deficit grows to nearly $2.5 million, she said.

“We will have to have discussions about how we allocate our resources and become more efficient, whether we nothing or something we are still at a deficit,’’ she said.

Superintendent Don Johnson pointed out smaller districts have been dealing with deficits for years. Those districts are making wholesale cuts to programs and staff and raising class sizes, he said. Board member Anne Bauer pointed out that while the current news is depressing she is hoping things can only improve from here.

Forecast 5 Review and Discussion

WASB attorney Bob Butler and Director of Employee Services Tabatha Gundrum led a discussion comparing MCPASD salaries and benefits with other Dane County districts.

Gundrum said the District ranked third in Dane County for average salaries and benefits for 2013-14, while Butler noted when looking at salaries the District ranked second. MCPASD was slightly behind Verona in average experience and salaries. It was also noted this isn't looking at the average on the salary schedule or possible lifetime earnings.

Butler and Gundrum then went through particular positions and compared them between districts. Gundrum said she ran comparisons for elementary teachers, guidance counselors and math instructors. She said MCPASD had 133 elementary teachers last year and the average salary was $53,041 with 14.9 average years of experience. For comparison, Madison's average salary for elementary teachers was $51,000. She also said that didn't include any additives.

There was a lengthy discussion about how districts are now using the DPI salary information, along with other testing results, to determine where good, inexpensive teachers are working and then trying to recruit them. Teachers are also using those job offers to try and get their current district to match the offer. Butler asked the committee to consider how much a free-agency labor market will factor into a compensation model.

Someone asked if administration can just offer salaries to prospective staff without oversight and it was pointed out the Board of Education still has to approve all contracts. Johnson discussed a scenario where the District had two candidates for a hard-to-fill tech education position and only one was really qualified. The candidate wanted more than the $53,000 they were making.

"Do we hire someone off the street with no experience? Do we eliminate the program? How do we respond to the market?'' Johnson asked.

Voluntary Early Retirement

Gundrum explained her Dane County counterparts look at people within five years of retirement to see what kind of stipend they are offering, if any, and how much they provide for continuing health insurance or a Health Savings Account. She said the survey hasn't been done in two years.

Final thoughts

Butler suggested that the committee begin putting together building blocks for the next meeting. They should decide how advanced degrees, labor market or professional development fit into a model. He also suggested looking at data points for staff who have advanced degrees and years of local experience to determine how those might influence an alternative model.

The next meeting is scheduled for Tuesday, Feb. 24 from 8 a.m. to 3 p.m.