

Appleton Area School District Board Of Education Annual Budget Hearing

Mon, Oct 24, 2022 6:00PM • 30:49

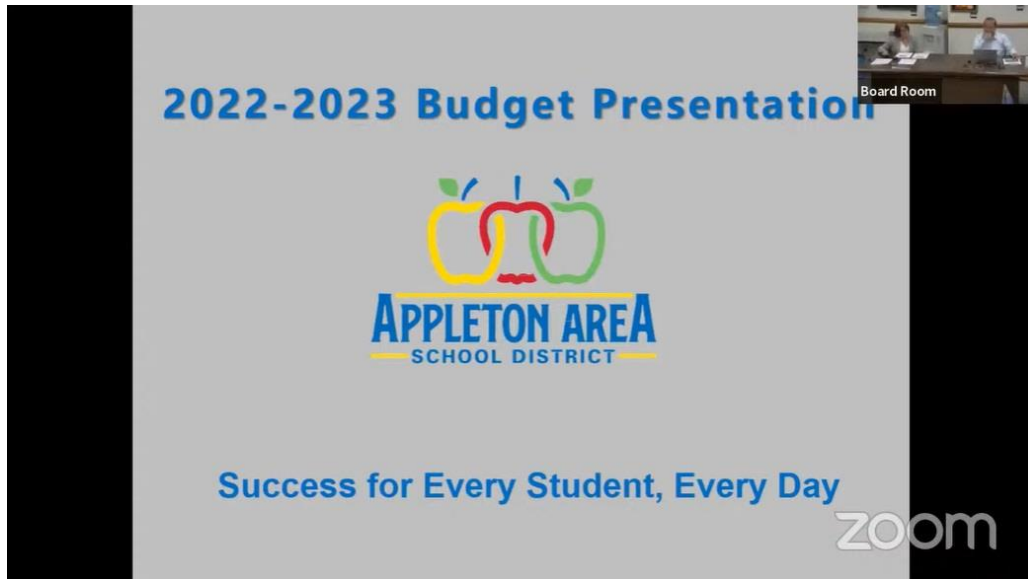
Kay Eggert (Board President) 00:25

Good evening, everyone, and welcome to—excuse me this is a public hearing for the 2022—23 budget presentation for the Appleton Area School District. I'm Kay Eggert. I'm board president. And first roll call of fellow board members.

[Rollcall is taken. All board members are present.]

Kay Eggert (Board President) 00:57

All right. So all board members are here tonight. And I'm going to just turn this right over to Holly Burr, who is our Executive Director of Finance.



Holly Burr (AASD Executive Director Of Finance) 01:09

Thank you, Kay. Good evening, everyone. Scott, am I good to go?

Holly Burr (AASD Executive Director Of Finance) 01:25

So as Kay mentioned, this is the annual public hearing, and budget presentation for our 2022—2023 school year. The agenda for tonight's presentation will be a summary of the 2021 fiscal year. So we're going to close out last year first, then we'll do a very brief review of current year enrollment levels. And then an overview of the '22—'23. Budget. I will take questions after each section. Just to keep things moving.



Kay Eggert (Board President) 02:03

Holly, excuse me, before you go on, I just want to—again, we will have an opportunity for the public to have comments and questions, but we'll do that at the end of your presentation.

Holly Burr (AASD Executive Director Of Finance) 02:14

Okay, so you would just want me to?

Kay Eggert (Board President) 02:15

I think board members...

Greg Hartjes (Superintendent) 02:17

Board members

Kay Eggert (Board President) 02:17

Board members can ask questions during the presentation, but then we'll allow an opportunity for anyone in the public to ask questions after the presentation.

Holly Burr (AASD Executive Director Of Finance) 02:27

Perfect. Thank you for that clarification. Okay, so then just a quick review of our year that we just closed the 2021—2022. Taking a look at the revenues. This was our first year in the biennial state budget, and we did not see a revenue limit change. And there was also—the state aid and the general tax levy were fairly level with the prior year. That doesn't always, isn't always the case, but it was in 21—22. There was a however, an increase in our levy for private vouchers about about \$750,000 for that year. We also again did receive ESSER funding, and the total for ESSER 2 and ESSER 3 for that year was about 6.8 million that we utilized.

The slide features a blue header with the title "2021 – 2022 Budget Summary" in white. Below the header, the word "Revenues" is written in bold black text. A bulleted list follows, detailing the first year of the biennial state budget, including no change in the revenue limit, level state aid and general tax levy, and an increase in levy for private vouchers. It also lists ESSER II and III funding totaling \$6,800,000. The slide includes a small inset image of a board room and a larger group photo of staff members. A "zoom" logo is visible in the bottom right corner of the slide area.

2021 – 2022 Budget Summary

Revenues

- First year of the biennial State budget.
 - No change in the Revenue Limit
 - State aid and general tax levy – level
 - Increase in levy for private vouchers
- ESSER II and ESSER III funding
 - Totaled \$6,800,000

Holly Burr (AASD Executive Director Of Finance) 03:25

Staying with 21—22, the expenditures for the year ended up at just over \$230 million. This includes all funding. And we'll break this down in different ways as we go through the night here. But this particular is just a summary for everything. So general operations, special education, special projects, capital projects, debt payments, food service, and community services, like our community schools, SRO SROs, things like that as well. So the 230 is our total.

2021 – 2022 Budget Summary

Total Expenditures all funds
(unaudited)
\$230,016,647



Board Room

Holly Burr (AASD Executive Director Of Finance) 04:19

Breaking that down just a little bit further. We just talked about the ESSER—related expenses of about \$6.8 million. We had compensation increases in that year that totaled about \$1 million. Now that factors in two things: one, increases in actual pay scales and then changes in staffing. So that's just the total change in our salary line item.

2021-2022 Expense Changes

- ESSER related expenses totaling **\$6.8 million**
- Compensation increases totaling **\$1.0 million**



Board Room

Holly Burr (AASD Executive Director Of Finance) 04:47

And then the other—the last one that I kind of wanted to point out is the health insurance. in 2021—22 we actually saw a decrease in that year. That was your two or year half two of the new health plan. And we did—we were anticipating some increases from the previous plan and that did come to pass. So that was a nice decrease there. Again, that's pretty rare to see decreases in health insurance.

2021-2022 Expense Changes

- ESSER related expenses totaling **\$6.8 million**
- Compensation increases totaling **\$1.0 million**
- Health insurance decrease totaling **\$458,000**




Holly Burr (AASD Executive Director Of Finance) 05:19

The just again, some highlights comparing the actual numbers to what we had budgeted originally originally. We will be carrying over a little over \$8 million at the end of '22 into the new year '22-'23. This is from savings.

Holly Burr (AASD Executive Director Of Finance) 05:42


Substitutes co—curricular activities, we still weren't up 100 and 100% because of the pandemic. Food service was—has seen some large increases as well as some unfilled positions.

Holly Burr (AASD Executive Director Of Finance) 05:59

We also saw some savings from the ESSER funds for functions such as summer school.

2021 – 2022 Budget Summary

- Carried over to this year's budget over \$8 million in unspent dollars.
- Savings on substitutes, co-curricular activities, food service and unfilled positions.
- Summer school expenses covered by ESSER funds.



Holly Burr (AASD Executive Director Of Finance) 06:08

And just a quick—the the unfilled positions, we always like to point that out. It's a positive for the fiscal bottom line, but definitely not a positive for the the schools or the students. So we would much rather see these positions being filled. So I know Julie and her crew worked very hard at that, but I just don't think we have the workforce anymore that we used to.



Holly Burr (AASD Executive Director Of Finance) 06:33

We continue our trend of being a low spending district. So the tax levy last year totaled \$72.68 million, which calculated out to a mill rate of 7.66. That's on \$1,000 of property value. This is the lowest rate in over 35 years and is still nearly \$1 lower than the state average. So that's pretty impressive.

We again last year included a levy to prepay on our referendum debt, which saved the district interest. This will leave us with a balance on the 2014 referendum of \$6,360,000 which will be paid off in the spring of 2023.

2021 – 2022 Budget Summary

- Tax levy of **\$72,683,034**
- The tax levy rate (mill rate) of **\$7.66** was the lowest in over 35 years and \$.98 lower than the state average.
- Tax levy included **\$5.5 million** to prepay on debt incurred from 2014 referendum, which will save the District in interest and leave only \$6.36 million






Holly Burr (AASD Executive Director Of Finance) 07:36

Questions on last year?

Seeing none, we will move on to current year enrollment. So listed on this slide is the district student enrollment numbers for the past seven years. And you can see they they fluctuate up and down. We are happy to say that this year's third Friday in September count is up from last year, we had seen three years of declining and so now our numbers are up again this year. These numbers are actual students that we are educating in the district. And this total is impacted by open enrollments.

Enrollment - Total Number of Student

2015-16 = 16,381
2016-17 = 16,501
2017-18 = 16,406
2018-19 = 16,291
2019-20 = 16,119
2020-21 = 15,690
2021-22 = 15,186
15,238



Holly Burr (AASD Executive Director Of Finance) 08:26

We'll take a quick look at our open enrollment. Current number of students enrolled into—that's from other districts coming into AASD—is 1,839. Students out this year is 880, which leaves us a positive net balance of 959.

Open Enrollment

- Students enrolled into the AASD = 1,839
- Students enrolled out of the AASD = 880
- Net difference of enrollment = +959

Board Room

JAGUAR SECURITY

zoom

Holly Burr (AASD Executive Director Of Finance) 08:49

And maintaining this positive difference in open enrollment impacts the district's financials. This funding is outside of our equalization aid—and we're going to talk a little bit pretty in depth about each equalization aid here and a little bit. But this calculation is outside of that. Just for a reference, our 10 year average difference is about 1030. So we're still a little below that, but over 100 students more than last year so it's going back in the right direction. Questions on enrollment?

Ed Ruffolo (Board Member) 09:26

Holly, how many students from the district have opted for the private voucher this year versus last year?

Holly Burr (AASD Executive Director Of Finance) 09:38

I do not have that number at my fingertips. But we can look that up for you.

Holly Burr (AASD Executive Director Of Finance) 09:58

So our main discussion tonight will be around the 2022—2023 budget, and the tax levy. So this year's budget—overall total budget will we are proposing at \$243.9 million. This is in expenditures, which is slightly different than revenues this year and I'll explain that in a minute. This number does assume that the referendum passes, and I will get into the impact on that in just a minute as well.

Projected 2022-2023 Budget

\$243.9 million

Board Room

Federal

Non-Revenue Limit State Aid
Revenue Limit State Aid

Local Property Taxes

WISCONSIN 1848

zoom

Holly Burr (AASD Executive Director Of Finance) 10:36

When starting a discussion about public school budgets, I usually start with the revenue limit. The revenue limit is the total amount of combined state aid and property taxes that we are allowed by the state to receive. Thus why you will see as the state aid goes up, the tax levy goes down. But that does not mean there's no additional funding for the school district as we are—we are limited.

Holly Burr (AASD Executive Director Of Finance) 11:06

22—23 is the second year of the biannual state budget. And we again will receive no increase to our portion of the revenue limit or to categorical aid. Private school vouchers, however, did increase by over \$1 million. We will now pass through those funds, a total of about \$5.6 million from the taxpayers to the private schools. These change changes will leave our overall revenue limit with a decrease of about \$2.2 million.

Revenue Limit

- 2022-2023 is the second year of the biennial State budget
- No increase to our portion of the revenue limit or to our categorical aid
- Private school vouchers increased \$1,091,563 to a total of \$5,612,335
- Overall revenue limit will decrease \$2.2 million

Board Room

zoom

Greg Hartjes (Superintendent) 11:41

I just want to jump in quickly here. Remember, Ruffolo asked about the number of students that increase in private school voucher. So we don't get that number, but we can work backwards. So there's about you see that increase of just over a million dollars. So a voucher is worth about \$9,000 for private school. So if you divide out you get a little over 100 students that have been added.

Holly Burr (AASD Executive Director Of Finance) 12:14

Thanks for that.

Jim Bowman (Board Member) 12:18

And mostly the new students are just entering the system.

Greg Hartjes (Superintendent) 12:23

They have to be in kindergarten, first grade, or 4k—kindergarten, first grade, or ninth grade.

Holly Burr (AASD Executive Director Of Finance) 12:37

Next, we'll move on to state equalization aid then. State equalization is a very complex complicated formula. Starts with the total amount allocated by the state to public schools. So that that total bucket that the state gets, that's then divided out by in the districts by the district's prior year spending, total property values, and student membership. This year, our state aid will increase by about \$3.65 million for a total of about 98.5.

State Equalization Aid

- Equalization aid is based on last year's spending, District student membership, property values and total allocation by the state.
- Our State equalization aid will increase \$3,652,749 (3.85%) to \$98,432,124.

Board Room

zoom

Holly Burr (AASD Executive Director Of Finance) 13:24

Our property tax levy then. This year's budget was created under the assumption that our referendum questions that we have on the November 8 ballot pass. So if the referendum passes, the tax levy will be about \$74.5 million. This \$1.8 million increase is about 2.49%. Of this \$1.8 million increase, as we just saw, over 1 million of it can be attributed to the increase in private school vouchers. Again, we simply pass this through from the taxpayers to the private schools. The 74.5 million proposed levy also includes \$6.9 million for future debt payment.



Property Tax Levy

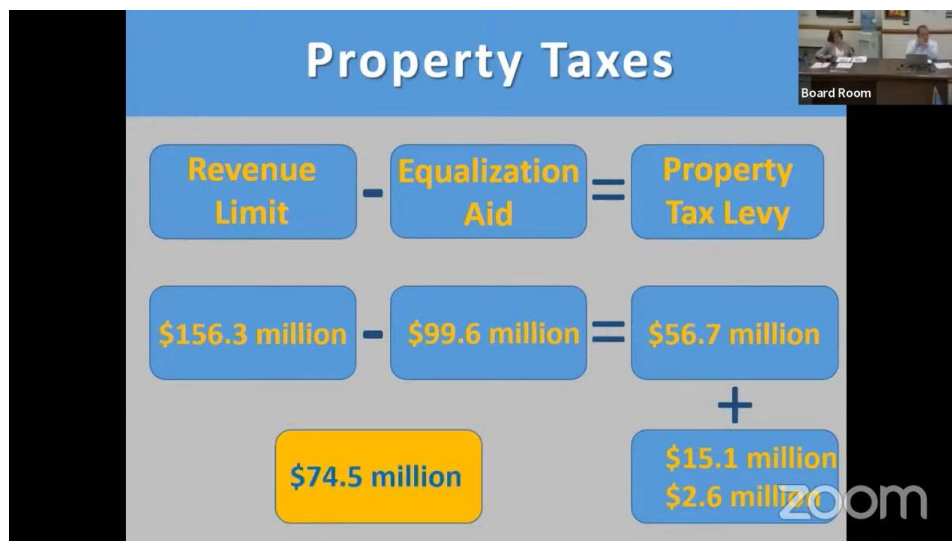
- Referendum passes the Tax Levy will increase **\$1,807,582 to \$74,490,616.**
- Private school vouchers increase, **\$1,091,563**
- Includes **\$6.92 million** future debt payment

Board Room

zoom

Holly Burr (AASD Executive Director Of Finance) 14:24

So just a quick little visual of what we what we've just been talking about. So we start with the revenue limit of about \$156.3 million. We subtract out what we get in state aid—so the equalization aid and then two other smaller aids total about \$99.6 million—and that will equal our general levy or the portion that is subject to that limit, which is this year going to be about 56.7. From there, we can then add on other allowed levies—so referendum debt and community service levies. This budget assumes an increase in community service fund of about 140,000 and a debt levy for future referendum of about 6.9 million. That gives us our 74 percent.



Property Taxes

Board Room

zoom

Revenue Limit	-	Equalization Aid	=	Property Tax Levy
\$156.3 million	-	\$99.6 million	=	\$56.7 million
			+	\$15.1 million \$2.6 million
				\$74.5 million

Holly Burr (AASD Executive Director Of Finance) 15:31

So next steps. Normally this is a pretty easy process. This year we have a very unique situation in this budget and levy adoption process. So per state statute, the board must adopt a budget and a levy by November 1, with certification to the municipalities by November 10. This year, we have two referendum questions on the November 8 ballot. So we will be asking the Board to approve the budget and the tax levy in what is called "in the alternative", which means to approve one budget for a levy if and a levy if the referendum passes, and another budget and levy if the referendum

fails. I just also want to point out that the only difference in these two budgets and levy amounts is for the future debt payment. All the rest of the budget is exactly the same.

Next Steps

- Budget Adoption
- Tax Levy Certification



Board Room






Holly Burr (AASD Executive Director Of Finance) 16:47

I like to include this slide just for historical reasons. Just to look back. This is the last 10 years of levy amounts and rates. I looked it up on DPI's website and they track these back to 1984 is when they first started publishing these rates. This year's rate will be the lowest since they've been tracking it. And that is regardless if the referendum with the referendum debt or without it, this will be the lowest rate in 38 years. 37 years. I put 35. I didn't do the math.

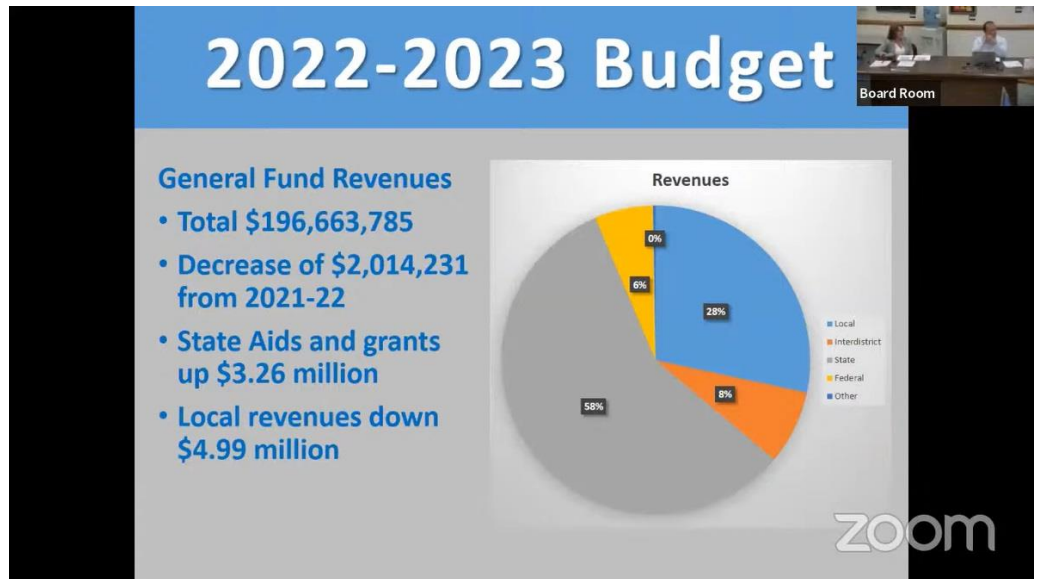
Property Tax Rate History

Levy Year	Levy Amount	AASD Tax Rate (mill)	Tax Rate State Average
2012-13	\$ 63,284,286	\$ 9.32	\$ 10.21
2013-14	\$ 64,051,867	\$ 9.40	\$ 10.37
2014-15	\$ 66,200,286	\$ 9.54	\$ 10.26
2015-16	\$ 67,986,043	\$ 9.60	\$ 10.25
2016-17	\$ 65,736,356	\$ 9.06	\$ 9.97
2017-18	\$ 67,043,373	\$ 8.79	\$ 9.79
2018-19	\$ 68,347,217	\$ 8.68	\$ 9.46
2019-20	\$ 68,809,775	\$ 8.32	\$ 9.37
2020-21	\$ 71,741,179	\$ 7.96	\$ 9.18
2021-22	\$ 72,683,034	\$ 7.66	\$ 8.64
2022-23	\$ 74,490,616	\$ 7.10	TBD

\$7.10 is the lowest tax rate in over 35 years

Holly Burr (AASD Executive Director Of Finance) 17:44

Okay, just a few specifics on the budget then. The revenues for the general—this is general fund only now not the total budget. Our general fund is our main operating fund and makes up over 80% of our total budget. So we like to a lot of times see this one separate. We are projecting a decrease in revenues in this fund of about \$2 million. As we just discussed state aids are increasing. When adding the state grants, we expect that increase to be about \$3.26 million.



Holly Burr (AASD Executive Director Of Finance) 18:28

Local revenues (made up mostly of the tax levy but also includes student fees and donations to the district) are expected to drop nearly five, \$5 million.

Jim Bowman (Board Member) 18:41

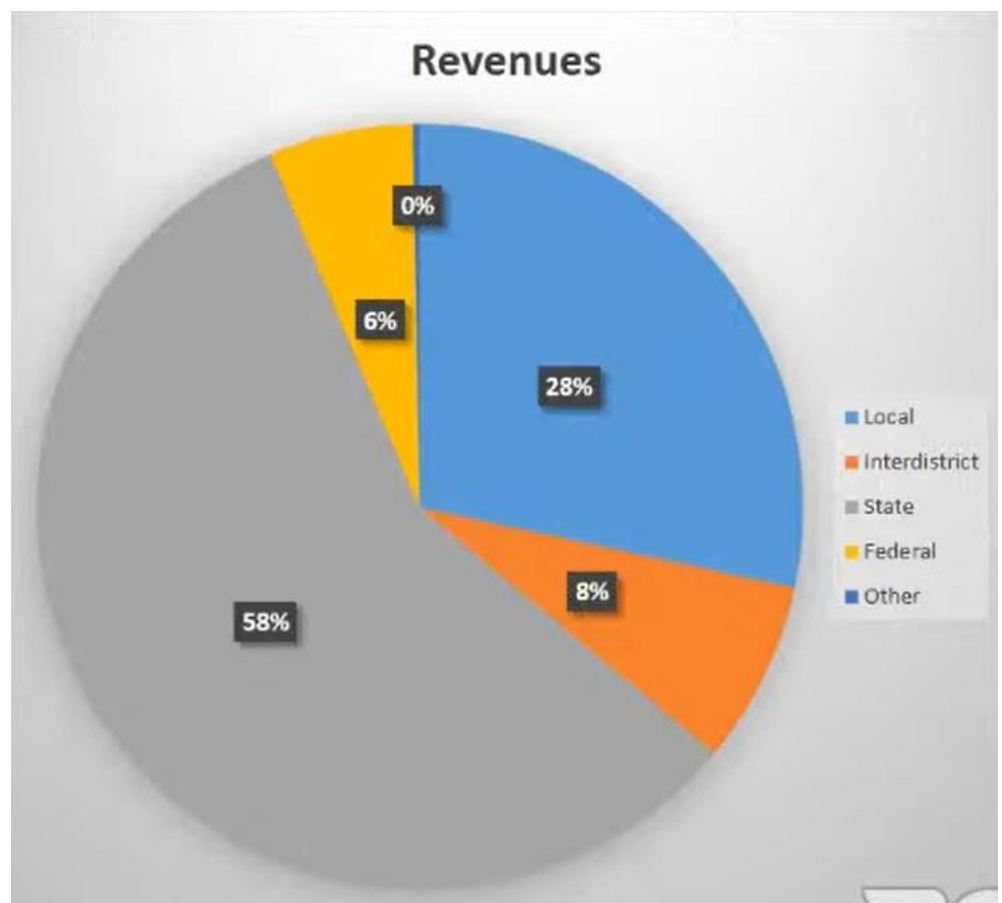
Why the drop?

Holly Burr (AASD Executive Director Of Finance) 18:43

It's mostly the taxes. So as we had talked about state aid is going up, your tax revenues are going to go down.

Holly Burr (AASD Executive Director Of Finance) 18:56

The chart to the right shows the breakdown of our revenue. So the largest portion of our funding comes from state aid and state grants. That's about 58%. Next is local revenues at about 28%. And then interdistrict funds, which is mostly open enrollment. And then finally federal grants at 6%. And then there's a very small amount there that registered as less than zero for other.



Holly Burr (AASD Executive Director Of Finance) 19:27

The general fund budget that's proposed includes the following increases, salary increases of about \$3 million. This was based on the approved salary that was approved back in May. Benefit increases which we've been talking about just very recently. This is going to be about \$3.2 million. We are budgeting a ten percent increase in employee health insurance starting January 1. And then lastly purchase services increased about \$4 million. I feel this is a little larger than normal increase due to inflation in our in our transportation, custodial, and other service contracts. So our total proposed budget is just shy of \$200 million. And it's an increase of about 3.26 overall.

2022-2023 Budget

General Fund Expenditures

- Salary increases \$3.0 million
- Benefit increases \$3.2 million
- Purchased Services increases \$4 million
- Total \$199,933,991
 - increase of \$3.27 million

Holly Burr (AASD Executive Director Of Finance) 20:42

So I want to talk a little bit about our fund balance. And a fund balance is increased when our revenues for a year exceed our expenditures for the year. We sometimes will refer to this as a carryover amount. Whatever's left over at the end of the year we get to keep for future use. A positive fund balance represents a financial resource available to finance expenditures in later, later fiscal periods should the knees need arise. This helps the district to not have to short term borrow when there's fluctuations in cash flow. It demonstrates financial stability, which helps bond ratings. This will be important if our capital referendum passes.

2022-2023 Budget

Fund Balance (General Fund 10)

- Ending Balance for 2021-2022 \$59,583,238
- 2022-23 Revenues – Expenses - 3,270,206
- Projected 2022-23 Ending Balance = \$56,313,032

Holly Burr (AASD Executive Director Of Finance) 21:34

And lastly, the funds available for unforeseen needs. We would like to keep this balance around 25% of expenditures. The current balance of \$59.6 million is closer to 30%. This year's revenues are less—are projected as to be less than our expenditures by about 3.3 million. We will be using this amount out of our fund balance to balance the budget for the year. This is a strategic, planned, and fiscal way to maintain a healthy fund balance while not not impacting programs at the school.

2022-2023 Budget

Other Funds

- Funds 21 & 29 Other Special Projects \$ 3,500,000
- Fund 27 Special Education \$38,594,500
- Fund 39 Referendum Debt \$6,440,252
- Fund 41 Capital Projects \$5,000,000
- Fund 50 Food Service \$9,900,000
- Fund 80 Community Services \$3,270,206

Holly Burr (AASD Executive Director Of Finance) 22:17

And then lastly, I'd like to just show the other funds that we also include in our budget every year. Other special projects, special education, the referendum debt. The referendum debt that's shown here is the amount that will be paid off in February. Fund 41 is capital projects. Foods service and then Community Services. Questions?



Jim Bowman (Board Member) 22:51

Yes. How does the special ed budget for this coming year compared with the last few years?

Holly Burr (AASD Executive Director Of Finance) 23:01

The Special Ed budget this year is a little bit higher. Every year it creeps up. Expenses are higher. But also the needs of the students are higher and enrollment in Special Ed does not seem to go down. So every year we see increases in that fund.

Ed Ruffolo (Board Member) 23:25

Holly, how much do we anticipate having to transfer from the General Fund into the Special Education Fund after receiving, I think it's, 29.5% from the state this year?

Holly Burr (AASD Executive Director Of Finance) 23:38

That's a great question, Ed. The anticipated amount this year that's budgeted, is about \$22 million that would be transferred from fund 10 to fund 27 to cover the additional costs.

Jim Bowman (Board Member) 24:05

Just to clarify that's a lot of money that we're taking out of funds that should be used for, for curriculum for for kids in general. And we're taking that out because we're underfunded by the state for special ed.

Holly Burr (AASD Executive Director Of Finance) 24:25

Yeah, as Ed just mentioned, our current level of funding is about 30—just shy of 30 cents on the dollar. So for every dollar we spend in special education, we get about 30 cents back from the state and then the rest needs to be made up through—some some is made up through grants as well. So it's not, you know, a full transfer, but there's still a significant need in that area.

Kay Eggert (Board President) 24:56

And this is not a new challenge for—not just for our district, but this is for districts across the state. There, there had been a commitment that special education costs would be reimbursed 60% 66%? And we've we're not anywhere close to that. I mean, clearly, we are going to do what we need to do for every student that comes through our doors. So it's not a matter of, you know, we're not going to educate students and you know, meet those needs. But this is not a new challenge. And this need really needs to be taken up at a at another level, you know, because local districts are needed to make up the difference. So, anyways.

Holly Burr (AASD Executive Director Of Finance) 25:40

Agreed. That's all I had, Kay. So unless there's more questions?

Kay Eggert (Board President) 25:47

Okay. No. I just want to get back to the point. I mean, clearly, this year, we are using some of the fund balance, for all the reasons that you stated. This is not something that we are going to want to continue to do, nor would it be something that is feasible. I mean, we will—this is not typical for this district. And, but it is something that we do need to do this year. And that I mean, that is the recommendation that this is what we need to do this year to maintain services for our students, and we do have an excess of fund balance. So you know, we can conservatively and prudently spend that money. But this is not a precedent for going forward that we are just going to spend down fund balance. I just wanted to reiterate that point. So

Jim Bowman (Board Member) 26:44

Yeah, I'll second Kay's point. To avoid having to take more money out of fund balance in future years, we're gonna need an increase in the revenue limit. This this revenue limit freeze in the current budget is a major problem for us along with other districts. So we really need the legislature to act on that and to and to fund us—to raise the revenue limit and fund us appropriately given that increase.

Kay Eggert (Board President) 27:19

Any other questions or comments from board members? No. One, then we can open it up to anyone in the audience, or do you want it

Greg Hartjes (Superintendent) 27:27

I just wanted to make one comment about—so you saw the number on contracted services. And that's anything that we don't perform, that's work we don't do so that is transportation, that is cleaning, that's a maintenance. Those are the numbers that really scare us, because in a normal year, we see a four to \$5 million increase in contracted services when we put in health insurance. And that's when the inflation rate was 2 to 3 to 4%. Now we're seeing inflation rates that are twice that, which is why our contracted services are much higher this year. And that is where our challenge is. And so that's what we try to share as much as possible with our community, just understanding we want to be able to afford our inflationary operation increases every year. And contracted services are really going to be a challenge for us.

Kay Eggert (Board President) 27:30

So at this time, is there anyone at the meeting who would like to ask some questions or make a comment about the proposed budget for the '22—'23? school year?

Kay Eggert (Board President) 28:41

I just want to make sure that we have a mic. Do you mind? I'm sorry. And then before—I know you are a resident, Mary, of the district, but can you just state your your name and your address? So we have it for the record.

Mary H. 28:55

Mary H. I am curious how much more does it cost to educate that special educate—that student than a regular student? I know it's got to be way more, but you can use any number that you can put on that.

Holly Burr (AASD Executive Director Of Finance) 29:15

That's a very difficult number.

Mary H. 29:17

I would assume

Holly Burr (AASD Executive Director Of Finance) 29:18

Because every child is unique and their needs are unique.

Mary H. 29:21

Right.

Holly Burr (AASD Executive Director Of Finance) 29:21

However, the state did put a number on it.

Mary H. 29:25

Okay.

Holly Burr (AASD Executive Director Of Finance) 29:27

Just give me one second. I have it written down. So for—as a for instance, in open enrollment, if we—open enrollment students, we get a little over \$8,000 per open enrollment student. A Special Ed open enrollment student is just over \$13,000.

Mary H. 29:50

Okay.

Holly Burr (AASD Executive Director Of Finance) 29:51

So that can kind of show you the difference.

Mary H. 29:55

Okay, thank you.

Kay Eggert (Board President) 30:03

Any other questions or comments? Okay. All right, then if there are—if there's nothing else then I will adjourn this budget presentation, the public hearing. And the board meeting will start at 6:45 tonight. And the budget will—that will be a topic for action at the board meeting tonight. So, thank you for joining us for the public hearing and we'll see you back for the board meeting. Thank you.