

Item 9 A: Business Services Report: Addressing AASD Budget Deficit

AASD Board of Education

Mon, May 12, 2025 6:00PM

Kay Eggert (Board President) 33:44

Okay, we are going to move to reports, first, Business Services. Mr. Hartjes.

Greg Hartjes (Superintendent - AASD) 33:52

So, we wrote an item of information for this topic, even though it will not come to you for approval altogether as a budget prioritization and addressing budget challenges. But we do want to document this item. And so, at previous board meetings, we have gone through some of our financial challenges or budget challenges. So, February 26 and March 10 meeting, we talked about our current financial outlook. Where are we this year? What is our fund balance at? What is our projected structural deficit at the end of this year? At the end of '25-'26? And at the end of '26-'27? And then during the April 14 meeting, Holly Burr and I went over the—basically, how did we get here? So, we talked about the revenue limit formula. We talked about special education reimbursement and the low rate that we have there, and we talked about just inflationary increases to our operational expenses. And now what we want to do is transition to really addressing that budget challenge, or those budget challenges, and we're going to do that over the next several meetings.

Greg Hartjes (Superintendent - AASD) 35:00

And so tonight, Holly Burr is going to take you through a document that she put together based on just questions that we want to be able to have discussions around. And so, there's no timeline on this. We can spend—it might be three months. It might take six months. We certainly need to see where the state budget comes in, that two-year biennial budget. That is supposed to be approved by July 1. But Holly Burr is going to take you through some different questions that we think need to be answered over the next several months around our budget challenges. So, I'll turn it over to Holly.

Holly Burr (AASD Executive Director Of Finance) 35:38

Thanks, Greg. So, as Greg has mentioned, the purpose of this is to basically come up with guiding questions to get us through the next steps on where to set clear strategic priorities in response to the district's budget deficit. Questions designed to focus decision making and student outcomes and sustainability while meaning—maintaining transparency and community trust.

Holly Burr (AASD Executive Director Of Finance) 36:12

So, we broke this down into kind of a series, I guess, and I'm envisioning taking like one of these sections at each meeting, perhaps. And if we need even more time than that, we could even break them, you know, break them down even further if we need to, but the large categories then being Financial Strategy, starting with, What Are Our Revenue Options. State Aid, you know, continuing the advocacy with our state legislators to hopefully be able to get some movement and some additional support at the state level; looking into additional state and federal grants; local taxes. You know, if we need to consider going to a referendum, we need to start talking about it early, and what would that look like, and what should that communication be? And then, of course, other, albeit smaller amounts, but still every, every dime matters at this point, other local grants, partnerships with the community, student fees. It's all going to have to be under consideration.

Holly Burr (AASD Executive Director Of Finance) 37:29

The board's process here is going to be about the guiding principles. What should we adopt to make fair, consistent, and mission driven decisions when reducing expenses?

Holly Burr (AASD Executive Director Of Finance) 37:43

The second section then would prioritize student—that this stays student centered. Which programs services are most essential to student learning, well-being, achievement? And then taking a look at cuts or reallocations of programs groups that historically had lower success rates.

Holly Burr (AASD Executive Director Of Finance) 38:14

Section three is about instruction, staffing, and operations. This is where it gets really tough if we move down this road. What are the short- and long-term consequences of reducing staffing? Non instructional is one part. Instructional is another. Department, operational resources, what does that look like if technology—two of the guys are here, don't throw anything at me. Technology, transportation, maintenance, district administration—how can we make cuts without impacting student outcomes? And I know we're operations, we're all operations, but what we do does impact student outcomes. So just taking all of that into consideration. What are opportunity—opportunities to reorganize staffing, schedules, you know, all of it transportation—just where can we rethink opportunities to do something more efficiently, less expensive?

Holly Burr (AASD Executive Director Of Finance) 39:30

Section four, then, is community and stakeholder engagement. What should that look like? How do we involve teachers, staff, families, and what is our plan for transparent communication about what we do have to do to get our budget back and balanced?

Holly Burr (AASD Executive Director Of Finance) 39:56

Five then is program evaluation and tradeoffs. That kind of goes with number three. Which program services limited demonstrated impact? You know, should they be cut or, again, reorganized, rethought, combined with something else? Where are those opportunities?

Holly Burr (AASD Executive Director Of Finance) 40:19

And then finally, the systemic change and innovation. Are there opportunities for structural changes, school consolidation, shared services, digital learning models, things that would improve efficiency without compromising student success. Innovations are strategic investments that would help us emerge from this crisis more resilient and sustainable.

Holly Burr (AASD Executive Director Of Finance) 40:46

So, the next steps in this process is just this introduce kind of how we would like to take this on. Questions are intended to frame discussions as we move forward with budget planning. Board members are encouraged to reflect on them in preparing for upcoming discussions. Right now, we added two questions for you at the bottom there. Are there other questions or something else that we should be considering that is not enumerated here? And then as we move forward, what data or information do board members need to support discussions? And that's going to be kind of an ongoing one as we work through the individual sections. So, I will open it up then to questions, suggestions, comments, just on the process moving forward.

Kay Eggert (Board President) 41:41

I have a question. Under financial strategy B ("what guiding principles should we adopt?"), that almost seems to me to be one of the first things we are going to have to—how do we establish our guiding principles? I mean, we have the revenue on one side that we can be hopeful for, but might not be able to control. But then, so then,

then we have reductions in expenses, which I think that the guiding principles just seem to be really fundamental to all of this discussion. So how do you—what would be a process, or how would we start that discussion about determining the guiding principles? Thoughts on how we would do that?

Greg Hartjes (Superintendent - AASD) 42:36

You know, for us, we always start with our vision statement there, and you know, what does that mean? And I think there—we run so lean, and because we're constantly looking to better support students, it will be very challenging for us to think about, okay, where are we not—what positions in the district are not contributing to the success of students? It's virtually impossible for us to look at—right?—because we know every one of our positions contributes to the success of students. So, we're going to have to figure out a way. We'll certainly look at what other districts are doing. An example, Milwaukee just said they cut 180 positions, and they're bringing 140 back. And they said, but all 180 individuals were essentially TWA, we'd call them, and they have to apply back for their jobs. There's just one model to look at. But I think for us, we have to think about, you know, our—we put financial strategy, what are options for generating additional revenue? That's what we would want to happen first, right? We would try to look for that. In the absence of additional revenue—at least enough to cover our deficit—that we have to think about what do we cut?

Greg Hartjes (Superintendent - AASD) 43:55

And so, you know, a guiding principle from several years ago was when we had to cut the like 2010, 2011 we said we're going to cut those positions and those dollars that are furthest from students, right? And so, we didn't raise class sizes. We didn't cut teachers. We cut administrators and school counselors and social workers and LMC specialists and interventionists, and we worked our way towards coming up with something that we thought was reasonable. So those are the type of guiding principles that we'll have to come up.

Greg Hartjes (Superintendent - AASD) 44:34

We'll certainly look at how we did this previously. We did, you know, 15 years ago, bring in a consultant to help look at that. Maybe as a board, we will want to do that. But I think that we have to look at what are other districts doing. You know, certainly we can look at Beloit, Fond du Lac, Janesville, uh, Milwaukee, Waukesha, all struggling with the same thing that we're struggling with, and we'll see how are they doing it? You know, we had a very healthy fund balance that, as we know, has helped us through last year's deficit budget. This year's deficit budget will be gone some point next year. So, we're a year better off than some districts, but obviously we have to face this reality, and so developing our guiding principles, I think, starts with "Success for every student every day," and how do we figure out what are the most impactful and prioritize those areas.

Nick Ross (Board Member) 45:39

I just want to back up one second. So, I want to make sure I'm understanding this document with the guiding questions. You would like to have discussions focused on these groups of questions at subsequent board meetings.

Holly Burr (AASD Executive Director Of Finance) 46:00

That was our thought process, yes, because each one of these is going to take some time and some, you know, careful thought and going through some data in some cases. So, we kind of wanted to break this process down into, you know, reasonable chunks, so that it's not so overwhelming.

Nick Ross (Board Member) 46:23

So essentially, this is kind of like a plan for facilitating budget discussion.

Holly Burr (AASD Executive Director Of Finance) 46:31

Yes.

Nick Ross (Board Member) 46:35

And then I think the only other thing—you know, I know I'm not responding to what we were talking about just before, but other questions, other things or that I would want to know part as part of these discussions are, you know, like federal changes, like, how much can we know about how any changes at the federal level are going to impact us? And then the other sort of one that I might add, is like—and I know I think this is kind of implied in some of the other questions about, like, revenue sources and stuff, but where can our community partners or relationships with community partners come in? So, I don't know, you know, is that services that we're doing in house that a community partner could do, or something? Just throwing it up there, but like more directly thinking through community partnerships.

Holly Burr (AASD Executive Director Of Finance) 47:46

Thank you, Nick. That will come into play as we work through this. And I think that's where we will do some brainstorming as a group. You know, the administration team will continue to talk about it as well, but as we have an actual discussion about each one of these items, you know, we can put forth ideas. You all can bring ideas about, you know, where are there opportunities that we are not already engaged in for community partnerships and things.

Holly Burr (AASD Executive Director Of Finance) 48:17

As for your first question, federal chan—changes. How do we know? We don't. You know you see the breaking news the same as we do. As soon as we are aware of how a change is going to impact us, we will share that with you. Unfortunately, right now, there's still a whole lot of unknowns.

Ed Ruffolo (Board Member) 48:42

Couple of questions, Holly, or maybe things as we think about this if we are going to achieve some of the savings through reductions in staff. So, we have an \$11 million hole, you know, what does that roughly equate to? To number of people? You know, everybody makes a somewhat different compensation, of course, but I'm just looking for a scope. Is that 50 positions? It's 100 positions? Where are we thinking of?

Holly Burr (AASD Executive Director Of Finance) 49:15

You got it, Greg? [...] talking about this the other day.

Greg Hartjes (Superintendent - AASD) 49:19

So, on the low end, it would be 110 positions. On the high end could be 150. You know, when I calculate on the low end would mean, you know, if it were administrators and other higher paid staff, but if it's going to include support staff then, you know, it's going to be more positions to get to that number.

Ed Ruffolo (Board Member) 49:45

What's our total employment again? Remind me.

Greg Hartjes (Superintendent - AASD) 49:48

1900 and—see, would you say?

Holly Burr (AASD Executive Director Of Finance) 49:53

1922 Julie is saying.

Greg Hartjes (Superintendent - AASD) 49:56
1922

Holly Burr (AASD Executive Director Of Finance) 49:56
—is our current count.

Ed Ruffolo (Board Member) 49:58
Holly, is there any thought of looking at school consolidation as potential savings?

Holly Burr (AASD Executive Director Of Finance) 50:05
Unfortunately, yes. Now that, I would say, would be one of our last resorts, and thus why we put it, I think, as the last item in the plan. Right now, I think the best plan is just to leave no stone unturned. However, that's where we're asking for some guiding principles. You know, we're making some assumption. I made some assumptions when I put this together, that that would be a last resort. So, I purposely listed it last on the list. I purposely listed the financial strategy, increasing revenue first; that is the least painful. That was not really painful at all, other than just people have to talk to their legislators or get out and continue to advocate. But, yes, I don't want to say—there's basically nothing off the table right now. Until we have the discussion, and if you say there are certain—this board decides there are certain things that are non-negotiables, then that's how we break those down. Those are non-negotiables, and we move forward with the plan as such.

Ed Ruffolo (Board Member) 51:27
Not to pull the shade down a little darker, but I also have this concern Nick touched on it with what's happening at the federal level, Department of Education, and the proposals for its elimination and then reverting to a block grant. Of course, we don't know what that block grant looks like, and when it gets to the state, there may not be the same guidances that there are today. Like today, it has to be Title One, or it has to be free and reduced. I think the whole point was to make—give them more flexibility. So, it's very hard for us to determine what format that's going to come to us and how much of that might be diverted or allocated to vouchers rather than to public spending. I don't think there's anything to prevent them from doing that. So, I have a concern out of that 13 million, do we need a contingency plan that says we have an \$11 million deficit, but we could have easily have a six to \$8 million loss of federal funding that we would also have to cover. I think you at least have to, at least have to understand what that would look like, because that's—while no one can predict what's going to happen from a public policy—certainly I can't—but that's a realistic probability.

Holly Burr (AASD Executive Director Of Finance) 52:44
That is a fair statement. We don't know what that's going to look like, yet. We have to put together a realistic budget based on what we do know and then be prepared, you know, several scenarios, several plans, should some other things come to pass.

Ed Ruffolo (Board Member) 53:05
Yeah, to your point, exactly, we don't know what's going to happen. We just want to get flat—caught flat footed. We want to know that if—because it could happen very rapidly, and suddenly, oh, we think we have the \$11 million solved, and now we got another \$6 million problem. Thank you.

Kay Eggert (Board President) 53:21
Greg.

Greg Hartjes (Superintendent - AASD) 53:22

I just wanted to add we already are seeing grants that are going away for next year, and so we have some positions we won't be able to continue with. Unfortunately, many of those positions are in areas like mental health support and other services of that kind, which we know are so critical right now, but those are funded on grants, and we don't have the option of moving them over to our Fund 10 budget. And so already, for next year, we have a couple positions that are going away. And so, something that we're taking into consideration.

Ed Ruffolo (Board Member) 53:55

I asked this question once before, but I'll ask it again. If Special Education reimbursement had been kept up at 60 to 67%, my understanding is most of this problem would not exist today. Is that a fair statement?

Holly Burr (AASD Executive Director Of Finance) 53:55

That is a fair statement. If we were restored—so right now, every organization that I am aware of that is advocating for public education is advocating for 60% funding. That is still below the state—the state statute mandated amount of two thirds, but we're all advocating—that 60% is our number. That's what we need. That is not a want; that is a need. If we were able to get close to that, it wouldn't solve 100% of our issue, but it would solve a whole bunch. We would be we would be looking at about 10% of our adjustment that we're looking at right now.

Ed Ruffolo (Board Member) 55:08

I will also tell you the groups that I'm involved with, special education, rights for people with disabilities, are also treating very hard for that. We'll see how successful they are. Most of what I've heard is it's unlikely that we're going to see much movement beyond the 30%, but the budget's not set. All we can do is try.

Pheng Thao (Board Member) 55:28

I appreciate this, Holly, and being able to actually like parcel, break these parts out into different conversations, because I think it is warranted that each one of these sessions will probably be worth about hour or two hours conversation, or even more. On the Student Center prioritization part of it, my questions are around as services are sort of being taken away already and given [to me], how do we factor in student behavior into that, and how that might be navigated or challenged, or the tensions that may arise with that, with less staff and less services?

Pheng Thao (Board Member) 56:20

And then I think the other part of it that I think about is because we will focus on students who have the most [indecipherable] needs, what happens to the students who actually don't have a lot of needs? How will they be supported? And for students who only may show like they only have one or two needs only, how they also be supported in this as well, too?

Pheng Thao (Board Member) 56:43

And then I wonder about, for number three, instruction, staffing operations, like the thinking behind ramping all of those together, all those topics together. So, I was just curious about that, because it feels like it's a lot into one section.

Holly Burr (AASD Executive Director Of Finance) 57:00

It is a lot, and I am not married to this. So however we want to break this out, if you want to take it in a different order, again, this was basically just our first attempt to say, "We need to start talking about this. What's the plan for the plan?" So, yes, I agree that one does seem like a very, very large topic. And we may want to consider, you know, and we may want to consider that, okay, three and five kind of go together, you know, maybe we work those together and split those two into three or something.

Greg Hartjes (Superintendent - AASD) 57:44

And board member Thao, I want to respond to your first question as well. You know, that's why you asked about, you know, supporting behaviors and then into your second question about, what about students that don't really maybe rise to the level of coming to the attention of needing support. It's where universal is so important, right? So, our universal instruction and the teaching that teachers do in the classroom every day, is the most important thing that we do, and so we have to do is ensure that our universal instruction is the best it can possibly be, and we have to really protect that classroom environment from behaviors, to make sure that that does not—behaviors don't disrupt learning. So really, it's about that classroom.

Greg Hartjes (Superintendent - AASD) 58:31

And you know, like I mentioned, 15 years ago, they prioritized the classroom and said, we're going to continue to make sure that we fund classroom teachers and paras that are working with students every day, and everybody else is incredibly important as well, but if we can really focus on the universal in attendance, behaviors, and academics, we think that that will meet the needs of those kids in the middle that we're worried about. And then other students that go to either end whether they're talented and gifted, or, you know, a student who maybe is a level one newcomer, who's learning English as their second language, we have to have additional support for them. But really, you know, where we run into problems is if we don't have 80% of our students successful in the universal, we're not going to be able to afford the support that more than 20% need when you get to tier two and then to tier three. And so, I think that really, and that's—it's really easy for me to say that; it's very hard to do—right? We've been trying to do that. All districts are. But it really is trying to focus, continue on that.

Greg Hartjes (Superintendent - AASD) 59:41

We're very optimistic about the changes we've made at elementary ELA. That's going to take a long time for those changes to meet kids, you know, to bring kids to the middle and the high school level. They're working on SIOP, which is really trying to address those basic literacy skills. And we know that we're going to focus on math next. And so again, kind of a long answer to the question, but it's really about universal and making sure that we're really solid there.

Ed Ruffolo (Board Member) 1:00:10

I have one more question along the lines of leaving no stone unturned. We have a lot of construction bonds out there right now, and we dated those and set repayment schedules based on what we thought was going to be our budget. Of course, it's not that. Is there an opportunity to, much like we did with the \$25 million last bond issue, to refinance those and longer date those bonds, which would reduce the amount of dollars that we have to repay in any year. I recognize that those savings can't be used in Fund 10, but they could create a bigger gap for our mill rate, which might make a referendum, operational referendum, more palatable to the voters, because we already have 50 cents coming from the 25 million. If we were to refinance a portion of the other bonds, we might be able to create another 50 cents, maybe another dollar out of that, and then the operational referendum would have a negligible impact on people's total property tax bill in any given year. I just don't know what's legal or maybe, maybe none of us know if that's something we could talk to Baird about. So, kind of creating that fiscal ledge.

Holly Burr (AASD Executive Director Of Finance) 1:01:34

So, if you recall, when we talked about this last bond issue just a few months ago, the \$25 million, that is one of the main reasons why we went the route we did to allow that flexibility. So, we can kind of choose in the next several years if we want to go with pulling off a higher amount very quickly and having a higher mill rate, or backing some of that off and paying it paying it off later. We structured that for that reason, so we would have

that flexibility. We won't have the opportunity to actually refinance any of the bonds from the most recent referendum, I believe, for three years.

Ed Ruffolo (Board Member) 1:02:27

[...] incorporate that in our plan.

Holly Burr (AASD Executive Director Of Finance) 1:02:28

We did incorporate that in our current plan.

Ed Ruffolo (Board Member) 1:02:31

So, but the—the rest of the bonds that are not part of that, that could be something we could incorporate into our plans for a referendum. Can't do it next year. We might be able to go to two years, and again, being able to show the taxpayer—because, again, we don't want to hit the taxpayers overly hard either. So that might be an opportunity for, yes, we need 12 million or maybe more, depending on what happens with the federal government, but your overall property tax bill won't go up that much. Okay.

Holly Burr (AASD Executive Director Of Finance) 1:03:00

So, the trade off with that, of course, is, over the life of those you end up paying more interest, so that you—just like you know, any other loan that you would take out as individuals, if you take it out over six years versus four years, you're going to end up paying more interest, but you have a lower payment over those six years. It's exact same concept. So yes, we can incorporate that as an option into the plan to reduce that mill rate, which would reduce the impact should we have to go to referendum.

Ed Ruffolo (Board Member) 1:03:32

But we also would have the advantage then of the longer dated bonds that the property values in our district, with all the new construction that's being put are likely to rise. So, we may be able to keep the mill rate still fairly flat and then catch up on some of those bonds. It might just be a short-term period [...]. Again, we need somebody a lot better at this than me to kind of run those numbers and kind of look at what that would look like, but I'm just thinking of ways that we can create that space to make the operation—

Holly Burr (AASD Executive Director Of Finance) 1:04:03

And that will be definitely something we consider.

Ed Ruffolo (Board Member) 1:04:06

Okay, good. Thank you.

Kay Eggert (Board President) 1:04:09

Oliver, has his hand up. Oliver, are you...?

Oliver Zornow (Board Member) 1:04:20

[He appeared remotely and the audio was glitchy and clear as he first started speaking] [...] is important to mention that this is artificially created scarcity as results from [audio became glitchy] because of enrollment. This isn't because of success in spending. I'd like to make sure that as we look at cuts, that we first give our community the opportunity to increase the tax rate for the first time in 40 years, to make sure that we're meeting the needs of our kids and our students, and only after we've given the community that chance, would I want to see us looking at cuts. [The audio became glitchy and unclear.]

Greg Hartjes (Superintendent - AASD) 1:05:02

So, I'll try my best to repeat what I believe board member Zornow just said is that he would like to initially look at going to our taxpayers for more revenue in a way of an operational referendum. And if that were to fail, then we would come back to looking at what cuts would we need to make. Is that what others heard?

Ed Ruffolo (Board Member) 1:05:31

I would add on to that, though, that I think it would be very important for the taxpayers to know Plan A, Plan B. Plan A being the referendum, potentially, and Plan B well if the referendum fails, what what's the alternative? Because I know as a voter, just thinking for myself, I'd like to know what I'm choosing between.

Jason Kolpack (Board Member) 1:05:58

And I think this kind of goes without saying, or maybe we've said it, but rhetorically, without a significant increase in revenue, there's going to be a reduction in services. There's really no way around it without a significant increase in revenue.

Kay Eggert (Board President) 1:06:15

And looking at this document, which I really appreciate how you've created the categories, I think that much—excuse me—number five can relate pretty closely with number two. I mean, not that you have to redo the document, but—and to Oliver's point, and to follow what Ed said, I think we have to have some of these discussions so that we really know what the scope of Plan B would be, and also that we do want to make sure that we have that we are really looking always for how we're can look for any cost savings that may be there. So, we may—I think it's important to address some of these questions and do this. Do this work at the start, along with really a solution, plan A or Plan B.

Jason Kolpack (Board Member) 1:07:29

I think it's really worthwhile looking for efficiencies regardless, right? I'm sure we're doing that all the time anyways, but the more explicit we can be about it so that if we do have to go ask for more operational revenue, we can say, you know, we've turned over all these rocks. These are the places where we've made gains in efficiency. That'll just help us, right?

Nick Ross (Board Member) 1:07:51

My final thought on this discussion is that I really appreciate that we are—we've started this discussion months ago, even before that. And I like the structure around this. I think it's good for the community to see that we are doing due diligence on exploring all the options, and that the work is transparent. And even as like, individuals sit here and say, I—you know, and I agree, like, I would prefer to go to referendum before we stop—start talking about major staff reductions. But like, that's not a decision we're making right now. And like, part of what we're doing is working through all the possibilities. And you know, this is where we as representatives of the community, can be fully engaged with our community as we continue these discussions, so that we're bringing all of that here. And so, to anyone who's listening, like, please contact us. Tell us what you think, all of that good stuff, so that we're all a part of this work together.

Kay Eggert (Board President) 1:08:44

Any other comments at this time? Otherwise, as far as next steps, we'll—go ahead.

Greg Hartjes (Superintendent - AASD) 1:09:21

So, at the next meeting, we will start with financial strategy and bring that as a topic and discuss that. Bring whatever information you as board members need, and that—you know that may take us a little while. I think we have a good understanding of probably state aid, right? You understand categorical versus equalization.

We'll review that. We'll talk about the 325 that is built into the next two-year budget, and knowing that that amount as percentage goes down each year, obviously of our revenue. So, we'll start there and just spend as much time as we need to on that first topic, and obviously that one includes the referendum piece. So, we will certainly be talking about that over the next several meetings I would assume.

Nick Ross (Board Member) 1:10:10

One more thing. Yes, I would say I have a fair understanding of these different revenue sources after a couple of years and continuing education at conventions and stuff like that, however, you know, even if we're not talking about it, even including resources and information about it in our packets so that it's available to us and the community would be helpful.

Kay Eggert (Board President) 1:10:43

Okay. Well, thank you, Holly. And we will obviously have much more to come on this topic.