BUDGET FREQUENTLY ASKED QUESTIONS (FAQs)

The development of a school budget is a complex and challenging process, given limited funding and legislative mandates. The following questions and answers were developed to help community members gain a better understanding of the issues that affect public school finance.

Why does the school district face an annual budget shortfall?

A shortfall or budget deficit exists when expenses exceed revenue. To eliminate a deficit, the district must increase revenue or reduce expenditures.

The largest source of revenue for MTSD is the local property tax (80%). State law enacted in 1994 places a cap, or limit, on the amount a school district can collect from local property taxes. This limit is directly related to student enrollment. The Mequon-Thiensville School District has experienced a downward trend in enrollment in the last 10 years, consistent with demographic trends. As a result, the district has less tax levy authority and ultimately receives less revenue available to support budget needs.

Public school districts are a labor-intensive business. The largest expenditure is employee compensation. While employee compensation is quite competitive with comparable districts, increases in compensation have exceeded the growth in MTSD's available revenue, causing budget shortfalls or deficits. Prior to 2011, school boards were required to offer teachers a minimum 3.8% annual increase in total compensation (salary and benefits) over the previous year or face going to mediation/arbitration and risk higher settlements. Act 10 legislation has allowed more authority to control those costs.

Does the school district have the right to increase the tax levy beyond the state-imposed revenue limit?

No. Districts may only exceed the revenue limit if voters approve the increase in a referendum.

If enrollment declines, wouldn't costs decrease as well?

Yes—but not proportionately. For 2017-18, the district's taxing authority (revenue) will go down by $10,687 for each full-time resident student reduction over a three-year period, but certain costs are not reduced in proportion to student headcount. For example, a classroom for 22 students has the same fixed costs to function as a classroom for 25 students, but having three fewer students in that classroom would result in the district losing $32,061 in revenue over a three-year period. Similarly, there is no cost savings to operate a bus transporting 70 students versus 76 students, but since the revenue available to the district is calculated on a per-student basis, there would be less revenue available to meet the costs for bussing those 70 students.

Can the school district increase student fees to cover the annual deficit?

No. The Wisconsin Constitution limits a school district's authority to assess fees except under limited circumstances, providing that public schools "shall be free and without charge for tuition to all children between the ages of 4 and 20 years." Courts have ruled that schools may charge fees for books and items of a similar nature, except in cases of indigence, and for social and extracurricular activities because they are not "necessary elements of a high school career." Schools may not charge for instructional time, such as teacher salaries, apparatus, building costs or maintenance.

Any course that is credited for graduation, even if it is not required for graduation, must be provided without charge.

Could the school district use fund reserves to balance the budget?

It would be unwise to do so on a regular basis. District fund reserves are maintained for cash flow purposes (to minimize the expense of short-term borrowing) and to provide for unplanned expenditures. Using fund reserves to balance budgets is a "borrowing" technique that does not address the financial situation. Operating budgets include recurring costs that must be funded annually froma recurring source of revenue. Declining fund reserves would have a negative impact on the district's long-term financial position, resulting in lower credit ratings that increase the cost of borrowing.

Mequon Thiensville SCHOOL DISTRICT