

South Milwaukee's Revenue Limit: Our Story

This story will spell out the many challenges that the School District of South Milwaukee has faced over the last decade related to public school financing, most specifically related to the Revenue Limit Formula. At the end of this document we provide ways that supporters of public education and the District can help.

History and Overview

In 1994, school districts in Wisconsin became subject to new laws related to how districts could raise or obtain funds from taxpayers and the State government. The Revenue Limit Formula was created, which limits over 90% of revenue available to schools, including the School District of South Milwaukee. All of the funds received from the State and from the taxpayers are included in the revenue limit. The remaining 10% of revenue is made up of open enrollment tuition revenue, federally directed grants, and small amounts of local revenue which includes interest revenue and student fees.

The initial revenue amount allowed under revenue limits was based on 1993 revenues, so if a district generated a lower amount of revenue in 1993, then that district would be held to a lower amount than districts that generated a large amount of revenue in 1993. South Milwaukee was one of the districts that was frugal and generated a lower amount of revenue in 1993.

As a result of having lower revenues from taxpayers in 1993, South Milwaukee now ranks 20th out of 21 Southeastern Wisconsin School Districts in terms of revenue limit ability per pupil. The 2014 per pupil revenue limit amount was \$9,733; compare that to the highest K-12 district (Brown Deer) which was \$11,819 per pupil. The revenue limit per pupil difference between the two districts is \$2,086; this disparity is just one issue that South Milwaukee has been working to overcome.

The primary challenge with the Revenue Limit Formula is that the **revenue ability does not match our expenditure needs**. There have been numerous changes over the last 15 years

District (K-12)	Rank	2014-15 Maximum Revenue Per Member
Brown Deer	1	11,819.44
Shorewood	2	11,626.19
Elmbrook	3	11,497.55
New Berlin	4	11,225.99
Whitefish Bay	5	11,158.44
Franklin Public	6	11,125.57
Menomonee Falls	7	11,067.62
Greendale	8	10,991.22
Mequon-Thiensville	9	10,658.18
Whitnall	10	10,600.36
Cudahy	11	10,365.40
Hamilton	12	10,349.62
Pewaukee	13	10,324.66
Wauwatosa	14	10,252.22
Germantown	15	10,139.08
Greenfield	16	10,119.20
Saint Francis	17	10,042.12
Milwaukee	18	10,020.24
West Allis	19	9,881.83
South Milwaukee	20	9,733.34
Oak Creek-Franklin Joint	21	9,464.81

including a reduction/reallocation of budgets nearing \$10 million as a result of the imbalance between revenues and expenses. As revenues continue to be severely restricted, we have no choice but to continue to reduce and shift costs; the days of “low hanging fruit” are gone. We have been cutting since 2003, and streamlining and creating efficiencies is something that we have done, and will continue to do as we can. To say that we need to “use our existing dollars better” is a disingenuous statement since that has always been a part of our philosophy.

In the last decade, as direct result of the financial limitations created by the state, the School District of South Milwaukee has 50 fewer teachers, reduced individual budgets, reduced employee benefits, and shifted costs as appropriate to recreation or food service budgets (which are not under the Revenue Limit). **It is time to tell our state representatives that these types of reductions are not sustainable, and adequate funding must be provided for our public schools.**

Revenue Limit Formula Factors

There are many factors that create the actual revenue limit for each school district every year. The following sections will review the most important factors. Please note that the numbers of the sections below directly relate to the sections on the attached spreadsheet at the end of this document.

1: Membership

In 2000, South Milwaukee had a three year average of 3,213 students included in the membership count. The membership peak between 2000 and 2014 was 3,297 students in 2004. Since 2004 we have had a steady decline in membership, resulting in a little over a 7% drop in membership. This is not a phenomenon unique to South Milwaukee, many districts throughout the state experienced significant declining enrollment.

The challenge with declining enrollment is that we are not able to easily reduce staff in one area due to a reduced number of students. For example, we didn't lose 7% of our 6th grade students; if we had, we could simply reduce staff in 6th grade. Instead, we lost a few students at every grade level, which typically does not allow for a staffing reduction based on a reduced number of students.

2: Declining Enrollment Exemption

The District has lost over 7% of our membership (students) since 2004. Reduced student membership directly reduces the amount of revenue for a district. Because the student membership count day is in September, the state allows for the revenue limits to soften the immediate impact of membership loss by allowing a declining enrollment exemption for that

same school year and allows districts to maintain revenue for one year. However, that amount must be reduced the following year.

In South Milwaukee, we have had \$2,058,873 in declining enrollment exemptions since 2004. This means that of our \$10 million reduced, about \$2 million was due to a reduced enrollment. The remaining \$8 million was due to our revenue limit abilities not being sufficient to cover our projected expenses.

3: Equalized Value Change

The State measures a district's "ability to pay" taxes by the equalized value of the property in the community. South Milwaukee's experience has not been unique; we had the slowing of growth in 2008 followed by four years of consecutive decreases. In 2014, property values are leveling off and stabilizing. When you take the total equalized value and divide it by our membership and compare it to other districts, we find that our "ability to pay" is significantly less than most districts.

District (K-12)	Rank	Property Value Per Member
Mequon-Thiensville	1	1,258,571
Elmbrook	2	1,151,178
New Berlin	3	938,104
Pewaukee	4	927,905
Menomonee Falls	5	876,851
Wauwatosa	6	840,141
Shorewood	7	802,238
Whitnall	8	762,830
Germantown	9	760,853
Whitefish Bay	10	719,019
Hamilton	11	667,306
Saint Francis	12	660,062
Franklin Public	13	659,794
Greenfield	14	629,417
Brown Deer	15	595,689
Oak Creek-Franklin Joint	16	567,040
Greendale	17	540,425
West Allis	18	492,532
Cudahy	19	398,899
South Milwaukee	20	354,486
Milwaukee	21	308,017

Since our ability to pay is lower than most districts, we are allocated a larger percent of State Aid. The table to the right shows that South Milwaukee has a property value per member ranking of 20th out of the 21 districts in the area.

4: Revenue Limit Allowable Per Pupil Adjustment

The yearly revenue limit per pupil adjustment is one of the most important numbers in the revenue limit formula. The number is set by the State budget and will significantly impact the ability to generate additional revenue.

Before 2009, the per pupil adjustment had increased by CPI-U (Consumer Price Index for Urban Consumers) each year (however, the overall revenue limit rarely reached the CPI-U due to all of the factors in the formula). In 2009, the State Budget was passed with a lower increase than usual, set to \$200 per pupil. The following State Budget not only eliminated any increase, but decreased the per pupil amount by **(\$553)**. The next year the per pupil change was set to \$50. The 2013-15 State

Year	Revenue Limit Per Pupil Change
1993-94	\$190.00 or CPI, whichever was greater
1994-95	\$194.37 or CPI, whichever was greater
1995-96	\$200.00
1996-97	\$206.00
1997-98	\$206.00
1998-99	\$208.88
1999-00	\$212.43
2000-01	\$220.29
2001-02	\$226.68
2002-03	\$230.08
2003-04	\$236.98
2004-05	\$241.01
2005-06	\$248.48
2006-07	\$256.93
2007-08	\$264.12
2008-09	\$274.68
2009-10	\$200.00
2010-11	\$200.00
2011-12	-\$552.76
2012-13	\$50.00
2013-14	\$75.00
2014-15	\$75.00

Budget included two years of \$75 increases to the per pupil amount. Sections 7 & 8 below detail that the resulting dollar amounts and percent increases for the Revenue Limit. These increases, especially in recent years, were low and not close to sufficient to effectively run a School District.

5: Chapter 220 Aid and Open Enrollment Revenue

Suburban school districts have the option to allocate seats for minority students from the City of Milwaukee. As a result, based on the programs enrollment, the State will distribute an integration aid (Chapter 220) payment to the suburban school. The amount South Milwaukee received in 2000 for the program was \$1,954,305 and has decreased to \$391,090 in 2014. This source of revenue acts as a tax reducing revenue, and does not allow for overall revenue growth.

As budgets grew tighter, South Milwaukee moved away from allocating seats to MPS minority students, which had never generated new revenue, to allocating seats for Open Enrollment students. Enrolling students through Open Enrollment allowed for additional revenue to be generated that was outside the Revenue Limit Formula. In 2000 open enrollment revenue was \$109,113 and has increased to \$1,988,558 in 2014. This revenue has helped soften the blow of our insufficient revenue abilities that are capped by the Revenue Limit Formula, but is not sufficient to cover the needs of the District.

6: High Poverty Aid

In 2013, South Milwaukee crossed the threshold of 50% of our students being in poverty. When a district crosses this threshold, the State distributes a High Poverty Aid to the district. The aid does not generate new funds for the district, rather the aid is given under the Revenue Limit, which results in tax relief to the taxpayers.

What is interesting is that by creating the aid the State is acknowledging that there are challenges with educating students in poverty; however, they are not allowing the funds be put towards addressing the issue (by not providing new revenue outside the revenue limit, the district is not able to hire more staff, create more programs, supply more resources, etc.).

7 & 8: Operating Revenue Change

As mentioned in the opening of this story, the revenue limit is a formula that limits over 90% of revenue available to public schools. So, if we look at the result of the complex formula, we will be able to evaluate how South Milwaukee had to adjust the expenditure budget based on the revenue available.

In the early 2000's, there were increases that were comparable to CPI-U (can be found at the bottom of the spreadsheet). There is a large deviation in 2009, which is a result of the economic times that we were in. In 2011, a \$1,921,896 decrease is shown which was due to the (-\$553) per pupil change to the revenue limit.

The State justified this drastic reduction in the per pupil amount by stating that districts could use the "tools" provided by Act 10. South Milwaukee was required by law to enact some of the tools (cost shifting of part of the WRS benefit from the district to the employee) and due to the budgetary circumstances, shifted other costs to employees (such as an increased premium share amount). However, our district was still required to make additional reductions in order to balance the \$1,921,896 reduced revenue.

Cost shifting to employees that year resulted in over 11% take home pay decreases for some staff. Since 2011-12, we have seen minimal revenue increases. After the (-6.17%) decrease in 2011-12 we received revenue limit increases of 0.53% in 2012-13, 0.64% in 2013-14 and 0.93% in 2014-15. The CPI-U for those same three years was 3.16%, 2.07% and 1.47% respectively. (Side note: Education is a service industry; about 85% of expenses are people, so salaries and benefits drive the majority of expenditure budgets).

The costs to run a school district go up each year. Technology costs, utilities, salaries and benefits, school supplies, etc., typically are not stagnant year to year. Revenue increases of under 1% are not sufficient to effectively run a district.

What can you do?

K-12 Public Education needs to be a priority, and should be reflected as such in the State Budget. Our Legislators have other priorities that include, but are not limited to: Medicaid, Transportation/Roads, Voucher School Expansion, and Tax Cuts. (Voucher school expansion is a drain on the State Budget and spends taxpayer funds on private entitlements. The results of the recent expansion of voucher schools demonstrate that 80% of those receiving the newly expanded voucher funds were already enrolled in a voucher school, which diverts funds from making public education a priority.)

Our legislators are crafting the 2015-17 biennial budget now, which will have a profound impact on public education. They need to hear that Public Schools are a priority for the taxpayers. By becoming a top priority, public education should receive an increase in Revenue Limit that is close to the CPI-U. **Moving forward with a budget that recommends little to no increase for public education needs to stop.** It has been four consecutive years of severely insufficient revenue; it is time for an adequate increase.

Please contact the legislators on the following page. They are responsible for prioritizing Wisconsin's needs, and they need to hear that Public Schools are a top priority for you. **Let them know that you support a \$200 per pupil adjustment, similar to what was in place in 2009.**

Governor Walker was recently quoted as saying that an increase for K-12 education "depends on where we're at at the tail end of the budget process." Let him know that funding for public schools should be a #1 priority - not simply an afterthought of any leftover budget funds.

Feel free to share any information that stands out to you in this story. If you need any clarification, please contact Blaise Paul, Director of Business Services at bpaul@sds.k12.wi.us or (414) 766-5027.

South Milwaukee Representation



Senator Chris Larson
(D - Milwaukee)
Senate District 7
(608) 266-7505
(800) 361-5487
Sen.Larson@legis.wisconsin.gov



Representative Jessie Rodriguez
(R - Franklin)
Assembly District 21
(608) 266-0610
(888) 534-0021
Rep.Rodriguez@legis.wisconsin.gov

Joint Finance (So Far)

Joint Finance is made up of:
- 12 majority members (Republicans) 6 are from the Assembly, and 6 are from the Senate

-4 minority members (Democrats) 2 are from the Assembly, and 2 are from the Senate

Rep. John Nygren
(608) 266-2343
Rep.Nygren@legis.wisconsin.gov

Rep. Dale Kooyenga
(608) 266-9180
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Rep. Dean Knudson
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Rep. Amy Loudbeck
(608) 266-9967
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Rep. Michael Schraa
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Rep. Mary Czaja
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Sen. Alberta Darling
(608) 266-5830
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Sen. Luther Olsen
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Sen. Sheila Harsdorf
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Sen. Howard Marklein
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Sen. Tom Tiffany
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Sen. Leah Vukmir
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Sen. Lena Taylor
(608) 266-5810
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Sen. Jon Erpenbach
(608) 266-6670
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How to contact and what to talk about:

Phone calls are the most effective way to communicate with our legislators. More contact information can be found at: <http://legis.wisconsin.gov/>

Focus on the limited revenue increases as illustrated in section 7 & 8 of the story. **Let them know that you support a \$200 per pupil adjustment like what was in place in 2009.** A \$200 per pupil increase is projected to raise a little less than 2% in new Revenue Limit ability for South Milwaukee.