



MEQUON-THIENVILLE SCHOOL DISTRICT

**The Impact of the 2011-2013 State Budget and the Pending Budget
Repair Bill on the Mequon-Thiensville School District**

March 28, 2011

Executive Summary

On Friday, March 11, 2011, Governor Scott Walker signed a bill that will make sweeping changes to the bargaining rights of public sector employees in Wisconsin. This historic legislation will change the benefits and working conditions for both represented and non-represented employees in every sector of local government (including school districts). It will provide an immediate and sustained economic savings to the Mequon-Thiensville School District. However, we must ask the question: at what cost will the savings come in relation to the morale of our employee base and quality of education?

The purpose of this report is to outline the issues that the Mequon-Thiensville School District must consider when implementing the elements of the pending Budget Repair Bill. It should be noted that the temporary restraining order in a Dane County court, barring the new law from going into effect, has delayed the implementation process for the school district. The District is not anxious to implement the Budget Repair Bill, but at the same time fearful that the tools made available in it will become unavailable, making the two-year budget shortfall we are facing even more daunting.

Governor Walker has created a nexus between his proposed 2011-2013 Wisconsin state budget and the Budget Repair Bill. In the *proposed* 2011-2013 state budget, the governor has reduced \$900,000,000 from funding for public education. The proposed budget would increase our anticipated budget shortfall in the following way:

MTSD Budget Shortfall
Before the 2011-13 State Budget

2011-2012: \$1,100,000
2012-2013: \$1,000,000

Total: \$2,100,000

MTSD Budget Shortfall
After the 2011-2013 State Budget

2011-2012: \$2,900,000
2012-2013: \$1,400,000

Total: \$4,300,000

This increase leaves the school district with little choice but to use the “tools” made available in the Budget Repair Bill to offset our approximately \$4,300,000 budget shortfall over the next two years.

This report highlights the different considerations and options available to the school district in order to address our new budget situation. Please review the information enclosed carefully. We look forward to your input and insight.

Sincerely,



Demond A. Means, Ed.D.
Superintendent

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Background

The Mequon-Thiensville School District has been annually reducing its operational budget for the past ten years. Over the past six years, the District has been forced to make significant program and personnel reductions (See **Appendix A** for a full accounting of reductions). The school district has made every attempt to reduce costs, while maintaining academic programs that are appealing to our clientele (parents and students) as outlined in our District mission statement.

MTSD has been diligent in developing a three-year budget reduction plan, which the administrative team prepares for the Board of Education to review every November. This past year, the administrative team prepared a plan for the 2011-2012, 2012-2013 and 2013-2014 school years. This plan was developed with the assumption of a \$3,100,000 budget shortfall for the time period of 2011-2014.

The District was surprised to see that in the proposed 2011-2013 state budget, the impact to the Mequon-Thiensville School District would mean an increase in our shortfall. Over the next two years, the budget shortfall would climb to \$2,900,000 in the 2011-2012 school year and \$1,400,000 in the 2012-2013 school year.

Nexus between the 2011-2013 State Budget and the Budget Repair Bill

The connection between the proposed 2011-2013 state budget and the Budget Repair Bill is clear: in order to reduce the District's operational costs per the proposed 2011-2013 state budget, the Budget Repair Bill allows school districts to reduce compensation levels that normally would have required a negotiated agreement between the school district (employer) and the Mequon-Thiensville Education Association (employees). The M-TEA is the only unionized employee group in the district.

Other employee groups include:

- Administrators
- Educational Support Personnel (paraprofessionals, head custodians, office secretaries)
- Management/Confidential – (district office secretaries, technology department staff)
- Non-Represented –(school psychologists and school social workers)

The Possible Elimination of Collective Bargaining and the Impact on the Mequon-Thiensville School District

The Budget Repair Bill has the potential to eliminate most collective bargaining rights for teachers in the State of Wisconsin. The expiration of the collective bargaining agreement for teachers in the school district is June 30, 2011. Although it is premature to project the impact of the elimination of the agreement, it is safe to assume that the framework for the employee/employer relationship will be redefined.

Upon expiration of the contract the only issue that can be bargained is the base wage increase for teachers. The new law links the base wage increase to the increase in the Consumer Price Increase (CPI) for the preceding 12 month period and can only be exceeded by public referendum. With conservative estimate in the CPI, it is estimated wage increases mandated by the Budget Repair Bill will be approximately \$265,000 less than previously budgeted wage settlements.

All other items currently included in the collective bargaining agreement are prohibited subjects of bargaining. In other words, a union cannot propose and the District cannot agree to bargain over these issues any longer. In application, this means that when the current collective bargaining agreement has expired, the District has the discretion to determine how to address all of the terms and conditions previously included in contract language.

The new law mandates that a collective bargaining agreement may only be valid for a period of one year and may not be extended beyond that period.

The elimination of collective bargaining will allow the District to unilaterally make health insurance modifications which could include changing health care providers, plan design changes, and/or increases in employee premium contributions. Elimination of collective bargaining will be an opportunity for the District to evaluate other employment practices such as leave language, contract days, professional development and compensation methods for staff.

For general employees, interest arbitration no longer exists. Thus, if the District reaches an impasse with the association on base wage increases, it now has the ability to implement its last wage offer, provided the collective bargaining agreement has expired.

The school district also has the opportunity to establish a teacher handbook, which will recognize professional performance. The District is interested in establishing the handbook in a very collaborative manner.

The school district is working on a process that will include teachers and administrators in developing a teacher handbook to govern the employee/employer relationship once the collective bargaining agreement expires on June 30, 2011. The draft charter for the development of a teacher handbook committee is enclosed in this report (**Appendix B**).

The Wisconsin Retirement System and Possible Employee Contributions

Currently, the school district pays the employee (6.5%) and employer (5.1%) share of pension contributions for all employees (except for teachers) to an organization called the Wisconsin Retirement System (WRS). Per the current collective bargaining agreement, teachers began paying .10% of the employee share on January 1, 2011. Public sector employees also have the opportunity to voluntarily participate in 403(b) savings plans through payroll deduction.

The new law changes the employee and employer contribution rates to 5.8% each which is equivalent to *one half of the total WRS rate* and requires all employees to pay the employee share. All employees in the Mequon-Thiensville School District should expect to contribute at a rate of 5.8% of their gross pay for 2011. WRS contribution rates are adjusted each calendar year.

For non-represented employees (Educational Support Staff Personnel and Management/Confidential employees), deductions will become effective the first day of the first pay period after March 26, 2011 (assuming passage of bill) which is estimated to be April 1st or April 15th payrolls.

For all other employees under contract (teachers, administrators, school social workers/psychologists) contributions will begin upon expiration of their contract or all wages received after July 1, 2011.

The Board of Education has several options to consider when dealing with the WRS deduction for non-represented employees and administrators for the remainder of the 2010-2011 school year. The options will be shared during the March 28, 2011 board meeting.

For 2011-12, it is estimated the changes mandated by the Budget Repair Bill mandating employee required WRS contributions will save the District \$1,400,000.

The 2011-2013 State Budget, The Budget Repair Bill and the Pending Impact on the Mequon-Thiensville School District

The Budget Repair Bill will allow the school district to change healthcare carriers, increase insurance premiums and/or make healthcare plan design changes. The likelihood that we will have to institute all three of these tools is very high. The ability to make changes proposed in the Budget Repair Bill will allow the school district to balance the budget without significantly impacting programs. However, as stated earlier, we cannot continue to reduce compensation as a long-term solution to our budget situation.

The school district is concerned with the morale of our teaching staff. It is important for the community to continue to know that we are a great school district because of the partnership between teachers, parents and students, so please continue to support our teachers. This is a difficult time for the teaching profession, and I am confident that, over time, teachers will see the opportunity that is provided to them in the Budget Repair Bill.

The school district has witnessed a total of 28 teacher retirements since January 15, 2011. Twenty-one of the 28 retirements came after the Budget Repair Bill battle in February 2011. A full list of the teacher retirees can be found in **Appendix C** of this report.

The school district will make every attempt to *minimize* the financial impact on staff. **We are not seeking to reduce compensation more than we have to do so.** We will recommend reductions in employee compensation that are reasonable and will allow the school district to retain academic programming as much as possible. Furthermore, the school district wishes to minimize the reduction of employee compensation in order to remain competitive with other local suburban school districts. We do not want our salary and benefit package to become lower than other school districts that we compete against annually to get the very best instructors for our students.

The school district is also concerned that the 2013-2015 state budget could mean additional reductions in school funding. Although the Budget Repair Bill allows the school district to reduce employee compensation at an unprecedented level, we cannot continue to balance the District's budget through this method.

The 2011-2013 state budget and the Budget Repair Bill underscore the need for the community to engage in a meaningful and sustained discussion concerning economic development and the long-range vision for the Mequon-Thiensville Community. If the 2013-2015 state budget is similar to the current state budget, and we continue to decline in enrollment locally, the vitality of our school district will be in serious question.

Financial Analysis and Alternative Options and Recommendation

Administratively, we have developed a recommendation for the Board of Education to consider when deciding how to close the new budget shortfall of \$2,900,000 for the 2011-12 school year and \$1,400,000 for the 2012-13 school year (**Appendix D**). In addition to the provisions of the Budget Repair Bill that are mandated (WRS contributions), it is the recommendation of the administrative team to implement health care modifications for all employees in the amount of \$440,000 to help balance the budget for 2011-12. These modifications can take the form of change in health provider, plan modifications (increased co-pays, deductibles), and/or increases in premium contribution. Based on an increase in premium contribution alone, this would equate to a 12.5% employee contribution for all employees for family and single health plans except school year support personnel taking family plans whose contributions would remain at 30%.

Understanding that changes in healthcare will provide the most significant savings, employees should prepare for additional changes in their health care after the 2011-12 school year – pending the status of the Budget Repair Bill. The district will work with its consultant to examine most cost effective options to pursue.

Next Steps and Timeline for Decision-Making

The school district has a plan to address the new budget shortfall. Working with our healthcare consultant, we will evaluate options and be prepared to recommend specific recommendations as to what those modifications may be by June 1, 2011. The Board of Education will be asked to provide approval of those recommendations on June 20, 2011.

Evaluation of Recommendation for Alignment with District Vision and Purpose

In review of the district's mission statement, the administrative team feels that the recommendation provided honors the spirit of the mission of Mequon-Thiensville. The mission statement reads:

The mission of the Mequon-Thiensville School District, an active partnership of staff, school board, parents, and community, is to create an educational environment that will motivate our students to develop the skills and attitudes necessary to become life long learners and successfully meet future opportunities by:

- Providing a challenging curriculum that will meet the needs of all students,
- Offering a diverse selection of co-curricular opportunities that enhances the educational experience,
- Providing an environment where cultural and personal diversity is understood and accepted,
- Protecting our community's long-term investment through prudent financial and facilities management.

The school district is able to retain its challenging curriculum and offer a diverse selection of co-curricular opportunities with this recommendation. However, the administrative team would caution the community and the Board of Education that the short-term goal of reducing employee compensation and the mid-term goal of reducing on-going benefit costs have been achieved with the recommendation in this report. It is imperative that a meaningful and sustained discussion pertaining to the protection of the community's long-term investment in the school district take place immediately. We cannot continue to seek a reduction of employee compensation and a scaling back of benefits to support the school district.

APPENDIX A

MEQUON-THIENSVILLE SCHOOL DISTRICT

Budget Reductions

2001-2002

Maintenance Projects		
Technology Items		
Utilities – Phone		
School Site Budgets		
Summer School		
Pupil Services Budget		
Curriculum Development Budget		
TOTAL	=	\$480,000

2002-03

Administrative Staff Positions		
Educational Support Positions		
Elimination of Drivers Education		
Increased Parking Fee (\$150)		
Increased Athletic Fee (\$35/\$70 Max)		
Athletics/Activities		
Instructional Technology		
Administrative/School Board Conferences		
Standardized Testing		
Teacher Recognition Program		
High School Field Trip Transportation		
TOTAL	=	\$800,000

2003-04

Instructional Staff Positions		
Educational Support Staff Positions		
Athletics/Activities		
Librarian (1.0)		
Instructional Technology		
Curriculum		
Maintenance		
TOTAL	=	\$630,000

2004-05

Increased Athletic Fee (\$75 No Max)		
Increased Parking Fee (\$200)		
Instructional Staff Positions (K-8 5.0)		
Librarian (.6)		
Guidance Counselor (1.0)		
TOTAL	=	\$390,000

2005-06

Closed Range Line Elementary School
Administrative Staff Position (1.0)
Instructional/Support Staff Positions (13.8)
Curriculum Reductions
Educational Support Positions (3.0)
School Site Budgets Reduced (15%-20%)
Transportation
Maintenance

TOTAL = **\$1,100,000**

2006-07

All Non-Teaching Personnel Salary Freeze
Instructional Staff Reductions (11.7)
Educational Support Personnel Reductions (5.25)
Custodial Staff Reductions (2.0)
Special Education Case Manager Reduced (0.50)
Reading Aides Reduced (1.30)
ATOD Coordinator Eliminated (.50)
Curriculum Reductions
Transportation Route Reductions – High School/Noon Shuttles
Increased Rental Revenue (Range Line School Leased)
Instituted Facility Charge for Recreation Department Programs
Increased Student Resource Fee (K-8-\$55; 9-12-\$60)
Increased High School Athletic Fee (\$100)
Increased Student Parking Fee (\$250)
Increased/Added Extra-Curricular Fees

TOTAL = **\$1,200,000**

2007-08

Instructional Staff Reductions (-13.8)
Educational Support Personnel Reductions (4.5)
Transportation Route Reductions/Changes in
Parent Contracts (\$100,000)
Technology Hardware Budget Reduced
Increased Student Fees (K-8-\$65; 9-12-\$80)
Increased High School Athletic Fee (\$125)
Increased Student Parking Fee (\$300)
Reduced Building Budgets K-8

TOTAL = **\$1,400,000**

2008-09

HHS Staff Reductions – 6 Period Day Implemented
Guidance Counsel Reduction – HHS (-.80 FTE)
ESP Reductions (-4.5 FTE's)
Reduced District Utility Budget (Energy Savings)
Reduced HHS Buildings & Grounds Position (-1.0)
Telecommunication Budget Contingency
MTEF Undesignated Donation (\$100,000)

TOTAL = **\$1,000,000**

2009-10

Reduction of 2.0 Special Education Para's (\$70,000)
Energy Education – Completion of Program and consolidation
Of Position (0.50 FTE) (\$86,000)
Instructional Staff Reductions (-2.0) – Class Size of 15
Addition of 10 Open Enrollment Seats (\$70,000)
Reallocation of Special Education Flow-Through Funds
Capital Projects (Telecommunication) Budget Reduced (\$450,000)

TOTAL = **\$1,000,000**

2010-11

All Non-Teaching Personnel Salary Freeze
Instructional Staff Reduced (-4.61)
Reduction of 2.0 Special Education Para's
Outsourced Custodial Cleaning (-17.0 FTE's - \$650,000)
Reduced all School Year ESP .50/hr./day
Increased all School Year ESP Health/Dental contribution by 5%
Increase in Rental Fees (10%)
Social Worker Reduced (.15 FTE)
Teacher Contract Settlement

TOTAL = **\$1,813,000**

APPENDIX B



MEQUON-THIENSVILLE SCHOOL DISTRICT

Teacher Handbook Committee Charter

The purpose of the committee is:

- To develop recommendations for the Board of Education to consider when adopting a new teacher handbook to govern the employment of teachers in the Mequon-Thiensville School District.
- To ensure that the new teacher handbook supports the Mission and Vision of the Mequon-Thiensville School District.
- To advise and make recommendations to the Board about provisions of the new teacher handbook that will continue to make Mequon-Thiensville an attractive school district for teachers.
- To periodically review the teacher handbook to insure that the content is updated and support the mission of the school district and the needs of the community.
- To ensure that the teacher handbook is legally compliant with state and federal employment laws.
- To ensure that the Mequon-Thiensville School District maintains expectations for professional performance that aligns with our academic and community standards.
- To ensure fiscal controls through the compensation of teachers in the Mequon-Thiensville School District.

This committee will meet twice a year once the teacher handbook is established, or as needed, determined by the Superintendent of Schools, Committee Co-Chair or key staff.

The composition of the committee will include the Director of Business Services, two (2) building principals, a teacher from each building (6), the Superintendent of Schools and others as determined by the Committee. The Board of Education will approve the teacher handbook document annually.

APPENDIX C

Retirements 2011

Arthur Andris – Lake Shore
Brook Brown - Homestead
Margaret Bussone - Homestead
Debra Cavin – Lake Shore
Judith Cox - Homestead
Barbara Dedrick - Homestead
Robert Dunning - Donges Bay
Heidi Egelhoff – Oriole Lane
Diane Ewald – Donges Bay
Pat Gattoni - Wilson
Catherine Hurtado – Oriole Lane
Arthur Kashian – Donges Bay
David Keel - Homestead
Kim Kelly – Homestead
Debbie Kimmel - Steffen
Jean Lokker - Homestead

Clare McCain - Homestead
Jane McCormick – Donges Bay
Ellen McKay - Homestead
Helen Metscher – Oriole Lane
Greg Moline - Steffen
Phyllis Nasiopulos - Homestead
Kathy Nordberg - Steffen
Sandy Paler - Oriole Lane
Terri Peckerman-Stein - District
Susan Rennane – Lake Shore
Robin Schlei - District
Julia Sterzinger – Oriole Lane
Nita Stiggers – Oriole Lane
Kathy Tome - Homestead
Kristi Ziemann – Homestead

APPENDIX D

MEQUON-THIENSVILLE SCHOOL DISTRICT
BUDGET SHORTFALL PROJECTION 2011-12
2011-12 School Year - Projected Shortfall (\$1,100,000)
(Final amount to be determined after 3rd Friday Count Sept. 2011)
Assuming Passage of Budget Repair Bill

<u>Position/Program</u>	<u>FTE</u>	<u>3/22/2011</u>
Use of Fund Balance from 2010-11 Reductions		\$557,030
Contracted Janitorial Services (0% Vendor Increase)		\$51,500
<i>Pension Contributions - All Employees</i>		\$1,400,000
<i>Health Insurance - Employee Premium Increase (12.5%), Carrier Change and/or Plan Design Changes - All Employees</i>		\$440,000 **
<i>Teacher Salary Increase (limited to CPI)</i>		\$265,000
Transportation Savings Due to Modification in School Times (Middle & Elementary)		\$140,000
Reduction of Summer Curriculum Writing, MTSD Workshops & IMC Extended Contracts		\$40,000
\$8000 - M-T Instructors		
\$15,000 - Extended Contracts for IMC Specialists and IMC Aides		
\$17,000 - Curriculum Writing		
Natural Reductions of Staff due to Declining Enrollment .50 at Elementary, .2 at Middle School, .33 at High School 1.0 in Special Education	2.00	\$150,000
Compensation Goals for Non-M-TEA Employee Groups		\$144,000
Reduction of an Interpreter		\$24,000
Reduction of Regular Education Paraprofessional (DB & OL)	2.00	\$47,000
Reduction of hours for Middle School Academic Intervention Aides (7 hours to 6.5 hours per day)		\$17,000
<u>Additional Personnel Request</u>		
New English Language Learner Teacher	1.00	-\$75,000
Total		\$3,200,530
Less: Estimated Deficit		\$2,900,000
(Budget Deficit)/Excess Reductions		\$300,530

**Health Modifications equivalent to 15% premium contribution would save total of \$590,000.

**Health Modifications equivalent to 20% premium contribution would save total of \$888,000.

MEQUON-THIENSVILLE SCHOOL DISTRICT
BUDGET SHORTFALL PROJECTION 2012-13
2012-13 School Year - Projected Shortfall (\$1,000,000)
(Final amount to be determined after 3rd Friday Count Sept. 2012)
Assuming Passage of Budget Repair Bill

<u>Position/Program</u>	<u>FTE</u>	<u>3/22/11</u>
(Budget Deficit)/Excess Reductions from 2011-12		\$300,530
Reduction in High School Pupil Services		\$80,000
Reduce Specialists Positions <i>(Services Transferred to Curricular Generalists)</i>	2.00	\$150,000
Reduce Building and District-wide Budgets by 5%		\$155,000
Reduction in Staff/Programs and/or Employee Compensation 1. <i>Natural Reduction (Attrition and Declining Enrollment), then</i> 2. <i>Forced Reduction of Faculty</i> * <i>Start the phase out of French and German (.2 FTE Savings)</i> <i>Phase out to be completed by 2015-16 SY</i>	TBD	\$714,470
Total		\$1,400,000
Less: Estimated Deficit		\$1,400,000
(Budget Deficit)/Excess Reductions		\$0

MEQUON-THIENSVILLE SCHOOL DISTRICT
BUDGET SHORTFALL PROJECTION 2013-14
2013-14 School Year - Projected Shortfall (\$1,000,000)
(Final amount to be determined after 3rd Friday Count Sept. 2013)
Assuming Passage of Budget Repair Bill

<u>Position/Program</u>	<u>FTE</u>	<u>3/22/11</u>
(Budget Deficit)/Excess Reductions from 2012-13		\$0
Reduction of Faculty	TBD	\$278,000
1. Natural Reductions (Attrition and Declining Enrollment), then		
2. Forced Reduction of Faculty		
Eliminate Elementary Guidance	2.00	\$150,000
Reduction of Four Days (\$125,000 per day) (from the school calendar)		\$500,000 *
Long Term Debt Refinanced		\$72,000
Total		\$1,000,000
Less: Estimated Deficit		\$1,000,000 **
(Budget Deficit)/Excess Reductions		\$0

Notes:

*Costs revised due to reduction in pension contributions from Budget Repair Bill and daily rates reduced for significant number of teacher retirees in 2010-11.

**It is difficult to project the status of school finance for the 2013-2015 biennial budget. There are too many unknowns at this point for administration to project what the actual shortfall figure will be.

WRS Contributions by Employee Group

Teacher	\$ 1,070,724.00
ESP	\$ 176,728.00
Administration	\$ 92,724.00
Management/Confidential	\$ 45,555.00
Non-Represented	\$ 28,440.00
Total	\$ 1,414,171.00