



Budget Development 2023-24: The Compensation Dilemma

Mike Barry

Executive Director - WASBO

John Stellmacher

Chief Financial Officer

Kettle Moraine School District

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Presentation Description

We are in the thick of budget season with arguably the most unpredictable state budget situation in twenty years. Toss in the highest inflation rate in a generation and business managers and district leaders are moving into uncharted waters. Come learn about strategies for how to create a budget vision that mitigates some of the unknowns in the state budget process while moving forward deliberately to retain/recruit staff in uncertain times.

This session will discuss strategies for determining what level of compensation increases you should be considering in 2023-24 and what resources you might have to make that determination. Learn about potential compensation structures, negotiation timelines, and factors you might consider as the state budget process unfolds and other local budget priorities may come into focus.



Session Overview

#1- How does the current fiscal environment influence how school districts determine their compensation strategy? What information do you utilize to help inform that strategy?

#2- What compensation structures might you consider? Should some of the 2023-24 compensation be a stipend rather than base building to retain flexibility due to uncertain funding?

#3- How might you navigate labor negotiations when funding is uncertain? What are the advantages and disadvantages of waiting until the 2023-25 State Budget is settled before negotiating versus moving forward with a compensation agreements this spring? What does it look like from the other side of the bargaining table?

#4- How might your approach evolve as we get more information? This could include changes to the state budget development process or changes in local/regional market factors.

#5- What are other important factors to consider?

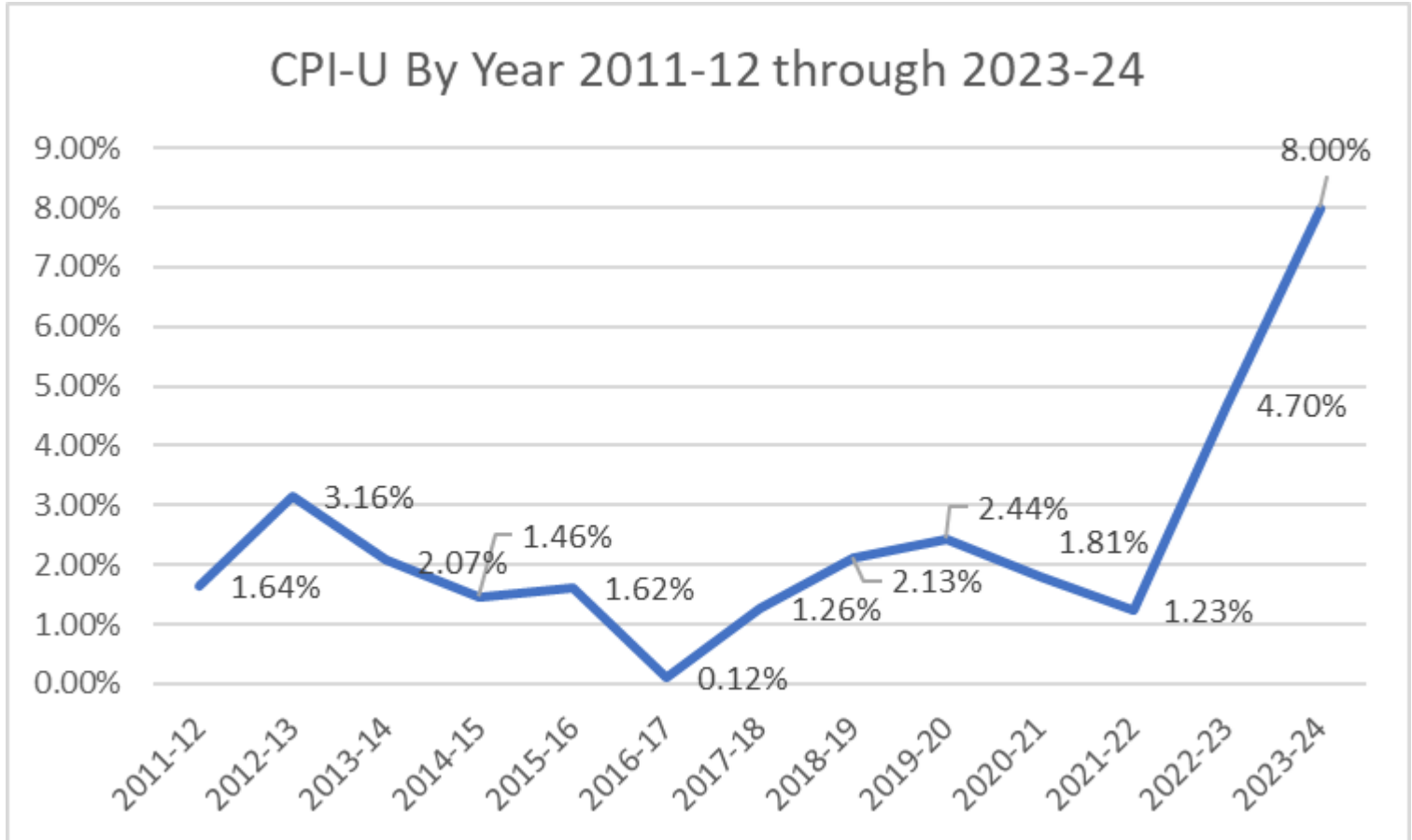


What Do We Currently Know?

- CPI ceiling for collective bargaining for contracts beginning July 1, 2023 has been certified at 8.00%. (The highest amount in many years).
- The State has a significant structural and one-time surplus that could be used to appropriately fund education.
- The labor market remains very tight for certified and non-certified staff, which tends to drive compensation upward.
- The State Legislature is building a 2023-25 budget proposal (via Joint Finance) from scratch, but must negotiate with a re-elected governor (divided government).



12 Years of CPI-U (Post Act 10)





Governor Evers Proposal

(Just the big stuff)

What is the local impact in your district?

- Increasing revenue limits (per pupil) by \$350 in FY 2023-24 and \$650 in FY 2024-25
- Increasing low revenue ceiling by \$450 in FY 2023-24 and \$750 in FY 2024-25
- Increasing SWD Categorical Reimbursement from 31.5% to 60% in FY 2023-24
- Increase in per-pupil aid by \$24 in FY 2023-24 and \$45 in FY 2024-25



Plan Carefully Before Meeting at the Bargaining Table

- Multi-scenario budgeting - What can you afford in each funding scenario for salary
- What's labor's perspective? What are their expectations?
- How are county-wide, regional, statewide compensation benchmarks trending?
- How does a settlement in FY 2023-24 impact future expectations & what is sustainable?
- What do you say to your staff/bargaining groups while we wait for a state budget?

Kettle Moraine School District Employee Compensation Strategy



- **Certified Salary Benchmarking**
 - Waukesha County Comparables
 - SWASBO Regional Comparables
 - Statewide Comparables

- **Where Might We Have Savings?**
 - Retirees & Resignations
 - Approximate Savings of \$7k/FTE

- **Where Are We The Most Vulnerable?**
 - Starting Wage \$45,000
 - 189 Day Contract Capped at \$85,000



Perspectives on When to Finalize Labor Agreements

- **Wait until the State Budget is finalized?**
 - Cost certainty for Budget/Board Action
 - Preserves employer flexibility
 - May frustrate employees, erode goodwill

- **Move ahead w/ spring/summer agreements?**
 - May be beneficial to attract/retain staff
 - Provides cost certainty to determine viability of other priorities (positions, benefits, non-personnel budgets)
 - May not align with funding realities



Waiting doesn't mean Do Nothing

- Keep building budget scenarios
- Regular updates for the Board
- Regular updates for all employees
 - No one likes surprises
- Lean hard on benefit providers
- Keep a multi-year perspective
- Your employees are your most important asset



Kettle Moraine Aspirational Timeline

- WERC calculation finalized in January
- County/Regional/State Analysis in February
- Board of Education negotiating parameters in March
- Preliminary Non-Renewal Deadline in late April
- Final Non-Renewal Deadline in mid-May
- New Contract begins July 1st (late August)



Key Factors to Consider in Bargaining

- Historical Practice/Staff Expectations
 - *Does your district usually provide CPI?*
 - *Have you exceeded CPI outside of bargaining via discretionary pay?*
 - *Provided alternative compensation such as merit pay or step/lane?*

- If you went to the full 4.7% CPI for 2022-23 or beyond that amount, what expectations have been established for 2023-24 when CPI might be 8% or higher?

- Entering a new state budget cycle, will you wait for the state budget to pass before settling, or will you try to get ahead of free agency?



Compensation Structures To Consider?

- Can you afford 8.00% ?
- How might you distribute the increase for FY 2023-24? Flat increase? Percent increase on base salary? Market adjustments?
- If you can't afford 8.00%, would you split an increase into a base-building increase as well as some one-time compensation?
- If you do one-time compensation, could this be used a retention bonus?

Kettle Moraine School District Employee Compensation Strategy



- **Non Certified Staff Compensation**
 - [Waukesha County Comparables](#)
 - SWASBO Regional Comparables
 - Statewide Comparables

- **Who Are We Competing With?**
 - The “KWIK TRIP” Effect
 - Candidate consideration of hourly salary versus benefits

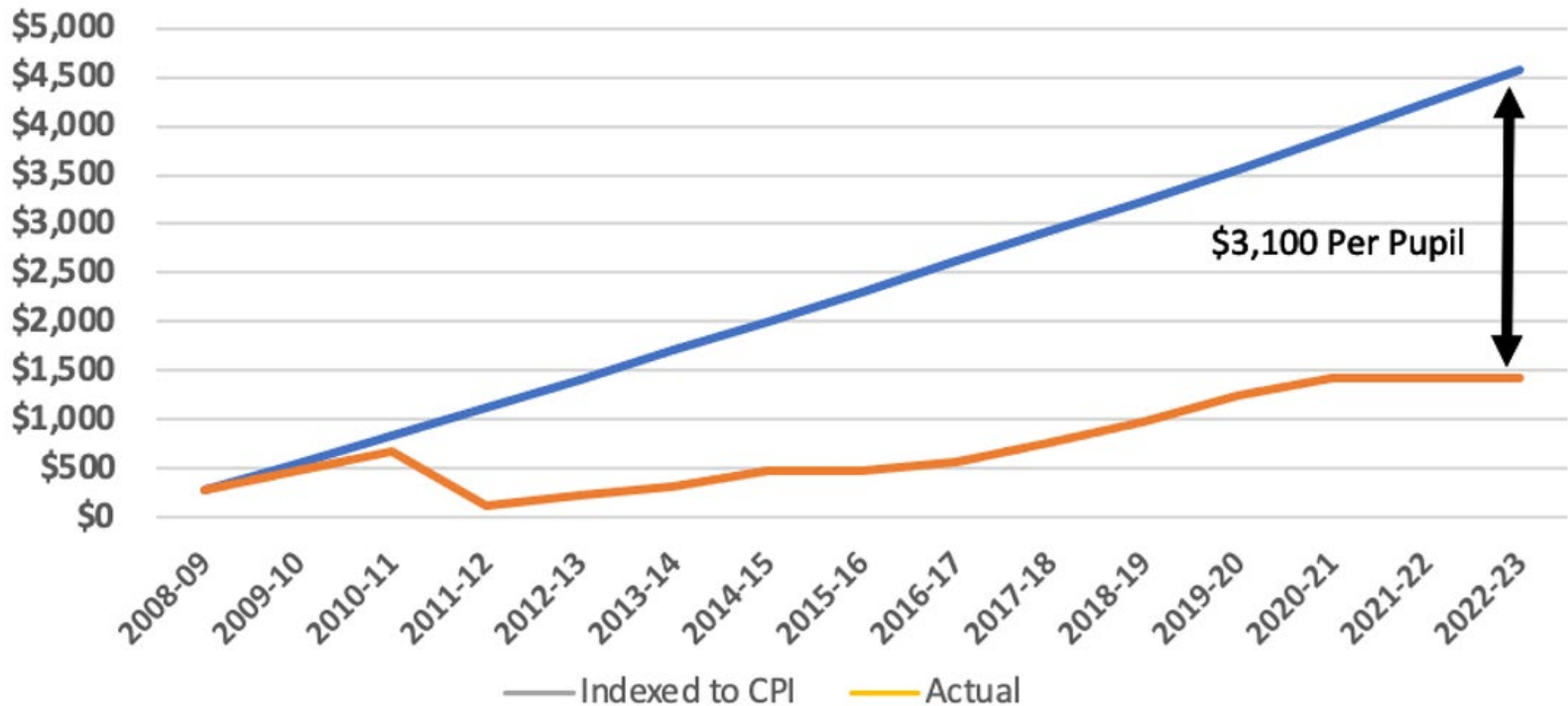
- **What can we offer our competitors can't?**
 - Flexibility (daytime hours, no weekends, no summers)
 - Purpose (helping the next generation)
 - Wisconsin Retirement System (WRS)



What Can You Afford?

- Per Pupil Funding has failed to keep up with inflation

School District Impact: Actual Per Pupil Revenues Have Fallen Behind Inflationary Increases By More Than \$3,100 Since 2009





How Might Your Strategy Change?

- Do you start to make commitments to individual staff members to avoid turnover?
- Your neighboring school district just offering more than you think you can afford?
- Joint Finance Committee members express support for something larger or something smaller than what your budget scenarios are?
- If you're not garnering applications for open positions in your district?



What Other Factors to Consider?

- What flexibility do you have with benefits?
 - Redesign Health/Dental/OPEB
- What non-personnel expenses do you have accounted for in the FY 2023-24 budget
- What conversations has your community had about a potential operating referendum?
- Are you/your board willing to use one-time fund balance to allow for time to react?
- Would you considering a different staffing structure?



Closing Thoughts

- Make sure to have clear communication and understanding with your Superintendent and Board of Education.
- Avoid, above all else, telling your leadership team, board, community, and staff “what they want to hear”
- Maintain multiple budget scenarios based on local expectations and potential state budget action.



Questions?