



# Budget Process & Annual Meeting

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# Workshop Outline

- I. Common Questions
- II. Notice of Hearing
- III. The Annual Meeting
- IV. Annual Meeting Powers
- V. Preparing for the Annual Meeting
- VI. Conducting the Annual Meeting
- VII. Adoption of the Final Budget
- VIII. Operating Expenditures
- IX. Temporary Borrowing
- X. Administration of the Budget
- XI. Appendix

# Common Questions



## FAQ's

### **How can the decrease in property values impact the tax levy? How does an increase affect it?**

- If the levy is increasing and property value is decreasing, this can cause the equalized rate (mill rate) to increase because the dollars are spread out over a smaller value. In contrast, if the property value is increasing and the tax levy is increasing at similar rate, this can help the tax levy mill rate remain constant or possibly decrease if there is a considerable increase in property value.

### **What is the revenue limit?**

- It is a statutory control or limit on the amount of tax levy and general aid revenue a school district is entitled to receive in any specific year established by the Wisconsin legislature. Districts are not required to levy the total amount allowable in their revenue limit each year, but the school board should understand there may be future negative implications if they make that choice.

## FAQ's

### **Why might a school district decide to go to referendum for regular operating expenses?**

- All districts are under the state-imposed revenue limit, which limits the amount of revenue a district gets through property taxes and state aid. Depending on the school district, the amount of additional revenue allowed under the revenue limit may have increased by less than the amount that personnel and other costs increased, leading to a shortfall. When such a shortfall occurs, a school board may decide to go to referendum.

### **Is there any way to exceed the revenue limit?**

- Yes. The district can exceed the revenue limit by receiving voter approval through a referendum. District voters may approve recurring or non-recurring referendums.

## FAQ's

### **Is there a penalty for exceeding the revenue limit?**

- Yes. The penalty for surpassing the revenue limit by a district is a reduction of equalization aid equal to the amount of over levied taxes. This is done in the same fiscal year as the over levy.

### **Why is the revenue limit important to the district?**

- The revenue limit is important because it puts a control on the amount of revenue a district is entitled to receive in a fiscal year. Generally, this will limit the amount of expenditures the district may make.

## FAQ's

### **What happens to a district's revenue limit if membership increases by 15 students over last year?**

- The revenue limit is a three-year average. An increase in 15 students will generally translate to a five (5) student increase in the current-year revenue limit. If the revenue limit per student is \$11,500 per student, the revenue limit increases \$57,500. On the other hand, if the enrollment decreases by 15 students, the district could get a declining enrollment exemption the first year, which results in no loss in enrollment, and the district may qualify for a hold-harmless exemption, which guarantees no decrease in revenue limit over the prior year.

## FAQ's

### **What is the difference between fund balance and surplus funds?**

- Opinions of the Wisconsin attorney general have stated that Wisconsin local government bodies cannot accumulate fund balances without having a specified purpose for such balances. Fund balances as stated on a school district's budget summary should not be equated with the term "surplus." Fund balances may reflect not only cash on hand, but also short-term and long-term receivables as well as the value of certain assets, some of which may not be convertible to cash during the following budgetary period. As a rule, local governmental bodies do not have the authority to tax for accumulating "unassigned surplus funds" in the treasury. Money appropriated for a purpose in each year, but not used, and unallocated surpluses become "funds on hand," which should be applied to the following year's budget to reduce the amount raised by taxation.



## FAQ's

### **What is the difference between fund balance and surplus funds? (Continued)**

- However, surpluses which are transferred by a definite appropriation for a specific purpose pursuant to s. [65.90\(5\)](#), Wis. Stats., cease to be “funds on hand.” The Wisconsin Supreme Court has recognized that an amount required as a reasonable working cash balance is not an unallocated surplus which must be used to defray the following year’s budget. Further, the attorney general has stated that “local units of government may maintain reasonable amounts necessary in the exercise of sound business practices to meet their immediate cash flow needs during the current budgetary period or to accumulate needed capital to non-lapsing funds to finance specifically identified future capital expenditures.” For an informative discussion regarding factors that might be considered when determining an appropriate amount to be maintained, see the related Wisconsin DPI School Finance web page.

## FAQ's

### **In what circumstances might a district use fund balance?**

- A district needs to be fiscally responsible. However, it may be appropriate for a district to use fund balance for one-time major purchases, construction projects or other onetime expenditures. The appropriateness depends on the Fund 10 fund balance a district possesses. Generally, a district should not use fund balance for on-going expenses.

## FAQ's

### **What are reasons why a district should not use its fund balance to pay operating expenses?**

- A common misconception is that fund balance is a cash account which corresponds to the district's bank balance. As noted in this chapter and in answers to questions above, fund balance is a financial account of the district that is continuously working to pay operating expenses before the district receives tax levy dollars, grants or state aids. The school year begins on July 1 of each year. All districts receive only a small percentage of their state aid in the first six months of the school year. Fund balance should be an amount sufficient that short-term borrowing for cash flow could be avoided and would allow the district to set aside sufficient assets to realize its long-range goals. For those reasons, a district cannot continually apply fund balance to maintain programs, services and technology without serious financial consequences to sustaining its existence.

# Notice of the Hearing



# Budget Hearing

- In common and union high school districts, the budget hearing must be held at the time and place of the annual meeting [s. [65.90\(4\)](#)].
  - This means that the budget hearing may not be held prior to the annual meeting, but rather must be held at the time and place of the annual meeting
- Electors at the budget hearing do not have the power to amend the budget as proposed, nor to approve or disapprove such budget.

## Budget Hearing : Boards Role

- The board may delegate the mechanics and work of compiling a proposed budget to a committee, although it is most frequently delegated to the school superintendent and business manager.
- The board does guide, advise, and approve the budget.

## Budget Hearing : Minutes of the Meeting

- The school district clerk is required by [s. 120.17\(2\)](#) to record the proceedings of school district meetings.
- In the absence of the clerk, the meeting must elect a person to act as clerk of the meeting [[s. 120.10\(1\)](#)].
- The minutes of the meeting as authenticated by the clerk of the meeting are accorded a presumption of regularity.
- No approval or amendment of the clerk's minutes is required from the school board or at a future annual meeting

## Budget Hearing : Notice of the Hearing

- School boards must formulate a budget each year and prepare a budget document that covers a three-year period.
- Preparation of the budget is the responsibility of the school board.
- The mechanics and work of compiling a proposed budget may be delegated to a committee, the school district administrator, or the business manager, the board should guide and advise the committee or individual(s) to whom preparation is delegated.
- The school board should evaluate and approve the proposed budget.



## Budget Hearing : Notice of the Hearing

- The deadlines for preparation of the budget are set forth in the statutes.
- [s. 65.90\(1\)](#) requires a school district to formulate its budget and to hold its public hearing prior to the determination of the sum to be financed by the general property tax, funds on hand, and revenue from other sources.
- In common and union high school districts, a school board must include a summary of the proposed budget required under s. [65.90\(3\)](#) in the board's written report presented at the annual meeting [[s. 120.11\(3\)](#)].

## Budget Hearing : Notice of the Hearing

- The budget formulation must cover a three-year period. [Section 65.90\(2\)](#) requires that the budget shall list:
  1. Actual revenues and expenditures for the preceding year.
  2. Actual revenues and expenditures for not less than the first six months of the current year and estimated revenues and expenditures for the balance of the current year.
  3. Existing indebtedness, anticipated revenues and proposed appropriations for the ensuing year. The budget must also show, for information purposes, all anticipated unexpended and unappropriated balances and surpluses by fund.

## Budget Hearing : Notice of the Hearing

- A summary of the budget, the place where the budget in detail is available for public inspection, and the time and place of the public hearing must be published in a qualified newspaper as a class 1 notice under chapter [985](#) of the statutes at least 15 days prior to the public hearing in a union high school district and at least 10 days prior to the hearing in a common school district [[s. 65.90\(3\)\(a\)](#)].
- This notice must be posted and, if applicable, placed electronically on an Internet site maintained by the district, no later than the time specified for the newspaper posting.

# Budget Hearing : Notice of the Hearing

The budget summary is required to include all of the following for the budget in effect and the proposed budget as well as the percentage change between the budget in effect and the proposed budget.

1. For the general fund, all expenditures in the following categories:
  - a) Instruction
  - b) Support sources
  - c) Non-program transactions

# Budget Hearing : Notice of the Hearing

The budget summary is required to include all of the following: (cont.)

2. For the general fund, all revenues from the following sources:

- a. Operating transfers (Transfers-In)
- b. Local sources
- c. Other school districts within Wisconsin
- d. Other school districts outside Wisconsin
- e. Intermediate sources
- f. State sources
- g. Federal sources
- h. Other financing sources
- i. Other revenues

## Budget Hearing : Notice of the Hearing

The budget summary is required to include all of the following: (cont.)

3. All beginning and year-end fund balances, by fund for each fund. The funds which must be included are:
  - a. General fund
  - b. Special projects fund
  - c. Debt service fund
  - d. Capital projects fund
  - e. Food service fund
  - f. Community service fund
  - g. Package and cooperative program fund

## Budget Hearing : Notice of the Hearing

The budget summary is required to include all of the following: (cont.)

4. The contribution of the property tax to the general fund, the referendum debt service fund, the non-referendum debt service fund, the capital expansion fund, if applicable, and the community service fund and the totals for all funds along with the percentage increase from the total levy of the prior year.
5. Revenue and expenditure totals, by fund, for each fund and the revenue and expenditure totals for all funds combined [s. [65.90\(3\)\(b\)6](#)].
6. An itemization of proposed increases and decreases to the current year budget due to new or discontinued activities and functions [s. [65.90\(3\)\(bm\)](#)].

\*There are also other budget summary requirements in certain circumstances.\*

## Budget Hearing : Notice of the Hearing

- The Wisconsin Department of Public Instruction has guidelines, sample notices and a budget summary format available for use at <https://dpi.wi.gov/sfs/finances/budgeting/process-overview>



## Budget Hearing : Notice of the Hearing

- A school district that increased its revenue limit in the prior year by an amount levied for energy efficiency measures or to purchase energy efficiency products is required to publish an evaluation of the energy performance indicators as an addendum to the succeeding school year's required published budget summary document and in the school's newsletter or in the published minutes to the school board meeting. [[s. PI 15.03\(3\)\(e\)](#)].
  - Note that effective January 1, 2018, districts can no longer pass resolutions to increase the levy limit by the amount spent to implement energy efficiency measures or purchase energy efficient products. However, districts that, prior to January 1, 2018, passed such resolutions to exceed the revenue limit on a recurring basis must continue to publish an evaluation of the energy performance indicators as an addendum to the succeeding year's required published budget summary document and in the school's newsletter or in the published minutes to the school board meeting for each year in which the districts increase the levy limit for such measures or products.

## Budget Hearing : Notice of the Hearing

- A school district can choose to publish additional budget summary information other than that specifically required, but such additional information shall be reported separately from the other required information [s. [65.90\(3\)\(d\)](#)].
- If any school district reproduces and provides general distribution within the school district of an annual report incorporating a budget summary at least 15 days prior to the annual meeting, that district is exempt from the statutory requirement to provide notice of the time and place of the budget hearing [s. [65.90\(3\)\(a\)2](#)]. However, some reasonable notice of the budget hearing may nevertheless be required under the common law or constitutional due process.

## Budget Hearing : Notice of the Hearing

- School districts exempted from giving the statutory notice should provide reasonable notice of the hearing by one of the following means:
  - (1) publishing a class 1 notice under [ch. 985](#) at least 10 days prior to the hearing;
  - (2) electing to post either in at least three public places likely to give notice to persons affected, or post in at least one public place likely to give notice to persons affected and placed electronically on an Internet site maintained by the district; or
  - (3) including such notice in the annual report and budget summary which is distributed throughout the school district.

## Budget Hearing : Notice of the Hearing

- Section [65.90\(6\)](#) of the statutes authorizes the school board to establish, and maintain, and levy a tax for, a liability reserve fund for the purpose of paying liability claims against the school district or the premiums on insurance to pay such claims.
- The annual taxes levied for this purpose are limited to not more than the amount recommended by an actuary as sufficient to pay the insurance premiums and the uninsured portion of claims that are anticipated to be made based on occurrences during the year in which the tax is collected.
- Specific requirements for payments and transfers from the reserve fund are also set forth in this statute.

# The Annual Meeting



## Background: The Annual Meeting

- Residents of common and union high school districts in Wisconsin have special governmental powers reserved to them as a body at the annual meeting.
- School district residents who are eligible to vote can participate in the governance of the school district.
- The annual meeting, including the financial report and budget hearing, is an opportunity for the school board and administration to engage with the community regarding the achievements, needs, and future of the district.

## Background: The Annual Meeting

- Wisconsin law requires that every common and union high school district hold an annual meeting.
  - 374 of Wisconsin's 421 school districts hold annual meetings.
  - In unified school districts, the school board holds the powers of both the common school district board and the annual meeting.
  - The Milwaukee School District is governed under a separate set of laws found in Chapter 119 of the Wisconsin Statutes.

## Time and Place of The Annual Meeting

- No annual meeting may be held before May 15 or after October 31.
- Unless changed as described on the next slide, union high school districts **must** meet at 8 p.m. on the third Monday in July, and common school districts **must** meet at 8 p.m. on the fourth Monday in July.
- Electors at an annual meeting may determine to hold subsequent annual meetings on a date and hour different from that specified in the statute.
- Electors may also authorize the school board to set the date and hour for future annual meetings.



## Time and Place of The Annual Meeting

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## Time and Place of The Annual Meeting

- The school board determines the location of the annual meeting, which must be in a schoolhouse in the school district or at the nearest available place as determined by the school board.

## The Annual Meeting: Notice

- The school district clerk shall publish a class 2 notice, under [ch. 985](#), of the time and place of the annual meeting.
  - The notice will state the date, time, and place of the annual meeting.
  - The notice does not need to include a list of the specific subject matter of the meeting except when the clerk has received a proper petition that:
    - Seeks a change in the school board's structure under [section 120.02](#) (e.g., a change in the number of board members, a plan of apportionment, or the use of numbered seats)
    - Expressly requests the annual meeting to consider a “special subject or item of business,” under [section 120.09](#).
- Coordinate the annual meeting notice with the public notice of the budget hearing under [section 65.90\(3\)](#).

## The Annual Meeting: Notice

- A class 2 notice under [ch. 985](#) must be published two times in the school district's official newspaper.
- The first "insertion" must be in the week prior to the second "insertion."
- The second "insertion" of the notice must be not more than 8 days nor less than 1 day before the annual meeting.
- Additional means of publicizing the meeting may be used to supplement the legal notice.
- "No annual meeting shall be deemed illegal for want of notice." [Section 120.08\(1\)\(c\)](#).

# The Annual Meeting: Notice

## “Special Subjects” under [§120.09](#)

- Electors may petition for inclusion of “special subjects” in the annual meeting notice.
  - The petition must be signed by at least 100 electors and be submitted to the school board clerk at least 60 days prior to the annual meeting.
  - If the petition includes a subject beyond the power of the annual meeting, the school district clerk shall reject that part of the petition and notify the proper person within 20 days of receipt of the petition.
  - The petition shall identify the proper person or organization to be notified in case of rejection.

## The Annual Meeting: Notice

### **What if school board members want to attend the annual meeting?**

If it is anticipated that more than one-half of the members of the school board will attend the annual meeting, the notice should specifically alert the public and press to the anticipated attendance by board members in order to comply with the open meetings law [ss. [19.81\(2\)](#) and [19.84\(1\)\(b\)](#)]. The notice should make clear that a school board meeting will not be convened, and no action shall be taken by the school board members in attendance.

# Annual Meeting - Powers



## Annual Meeting: Powers

- School district governmental power is divided between the annual meeting and school board in common and union high school districts.
  - Annual meeting powers are listed primarily in § [120.10](#).
  - Many school board powers and duties are listed in § [120.12](#) and § [120.13](#).
- School boards in unified school districts hold the powers of common school district boards and the powers of the annual meeting.



# Annual Meeting: Powers

## **Express Powers Related to Meeting Procedures**

- Annual meeting powers include the following:
- Elect a meeting chairperson.
- Adjourn the meeting from time to time.
- Set the time and date for future annual meetings or authorize the school board to set the time and date for future annual meetings.

## Annual Meeting Powers: Power To Adopt a Borrowing Resolution

- The electors at a regularly called school district meeting, by a majority vote, may adopt an initial resolution to raise an amount of money by a bond issue.
- This is a shared power—the school board may also adopt such a resolution.
- The statute specifies procedures to follow after such an initial resolution has been passed.
- See sections [67.05\(6a\)\(a\)2](#) and [67.05\(2\)\(a\)](#); see also section [24.66\(3\)](#) (regarding state trust fund loans)

# Annual Meeting: Powers

## **Power to Change School Board Organization**

- If a qualifying petition is received by the school district clerk at least 30 days prior to the annual meeting:
- The annual meeting may authorize a change in the number of school board members.
- The annual meeting may authorize a plan of apportionment or a change in the plan of apportionment.
- The annual meeting may authorize assignment of numbered seats to each position on the school board.
- These topics must be incorporated into the meeting notice.

See [section 120.02](#)

# Annual Meeting: Powers

## Power Related to School Board Elections

- Nomination Papers:
  - Candidates for school board in school districts containing territory within a 2nd class city must file nomination papers in addition to a declaration of candidacy and registration statement.
  - The school board or annual meeting may, by resolution adopted not later than the last Tuesday in November preceding an election for members of the school board, require that nomination papers be filed by all candidates seeking election to the school board.

See [section 120.06\(6\)\(a\)](#).

# Annual Meeting: Powers

## Board Member Compensation

- The annual meeting may:
  - Set board members' annual salaries or a payment based on each meeting attended.
  - Note that use of the term “or” in the statute indicates that the annual meeting may authorize an annual salary “or” per-meeting payments, but not both.
  - Authorize payment of actual and necessary expenses of board members who travel in the performance of their duties.
  - Authorize the reimbursement of a school board member for actual loss of earnings from regular employment.

# Annual Meeting – Powers:

## **Power to vote a tax:**

Annual meeting powers include the power to vote a:

- Tax for operation of the schools of the school district
- Tax to discharge any debts or liabilities of the school district
- Tax for sites, buildings and maintenance
- Tax for transportation vehicles
- Tax to create a school debt service fund
- Tax to create a school capital expansion fund
- Tax for a “recreation authority”

See sections [120.10](#) and [120.12\(3\)](#) & [\(4\)](#)

# Annual Meeting: Powers

## Building Sites

- The annual meeting's powers include the power to designate sites for school buildings, and to
- Provide for the erection of suitable buildings; or
- Provide for the lease of suitable buildings for a period not exceeding 20 years.

# Annual Meeting: Powers

## Purchase of Real Estate / Real Property

- Real Estate: The annual meeting *may* authorize the school board to acquire real estate and structures and facilities necessary for school district purposes.
- See also [section 120.13\(20\)](#): The school board may solicit and obtain one or more options to purchase real property and, upon approval of the annual or special meeting, exercise such option.



# Annual Meeting: Powers

## **Sale of Property is now a school board power**

- Sale of Property: School boards in common and union high school districts now have the power to sell unneeded school property without seeking approval of the annual meeting:
  - *(19m) SALE OF PROPERTY. Sell any property belonging to and not needed by the school district. If a school site or other lands are abandoned which were acquired or are held upon condition that they revert to the prior owner when no longer used for school purposes, the school board shall sell any school buildings thereon move them to another site within 8 months after the school buildings cease to be used for school purposes or the site ceases be maintained as a school district playground or park.*
  - [120.13\(19m\)](#)

# Annual Meeting: Powers

## **Lease/Rental of District Property**

- Lease of School Property: The school board may lease school sites, buildings, and equipment not needed for school purposes to any person for any lawful use at a reasonable rental if approved at an annual or special school district meeting.

See [section 120.13\(25\)](#)

# Annual Meeting: Powers

## Other Powers: Textbooks

- The annual meeting may authorize the school board to furnish textbooks under conditions prescribed by the annual meeting or by the school board.
- See also:
  - [120.12\(11\)](#) (School board duty to provide books and school supplies for indigent children)
  - [120.13](#) (School board power to purchase any schoolbooks which in its judgment are needed by pupils whose parents are not able to furnish such books)
  - [118.03](#) (School board duty to adopt all the textbooks necessary for use in the schools under its charge; also addresses sales of books to students)

# Annual Meeting: Powers

## Other Powers: School Lunches

- The annual meeting may direct the school board to furnish school lunches to the pupils of the school district **and appropriate funds for that purpose.**
- It is somewhat unclear under the statutes whether the school board has the power to act in this area if the annual meeting has provided no direction, or if the board may go beyond any express direction provided by the annual meeting.

## Annual Meeting: Powers

- The school board has the power to provide for accident insurance covering pupils in the school district. However, such insurance shall not be paid from school district funds unless the expenditure is authorized by an annual meeting.

See [section 120.13\(2\)\(a\)](#).

# Annual Meeting: Powers

## Other Powers: Legal Proceedings

- The annual meeting may direct and provide for the prosecution or defense of any legal action or proceedings in which the school district is interested.
- See also:
  - [120.13\(9m\)](#) (school board authority to retain legal counsel)
  - [120.15](#) (duties of school board president to prosecute and defend certain actions)

# Annual Meeting: Powers

## Other Powers: Directing an Audit

- The annual meeting may authorize and direct an audit of the school district accounts by a certified public accountant. See [§ 120.14\(3\)](#)
- The school board is separately required to ensure that an annual audit occurs.

## Annual Meeting: Powers

- The annual meeting may elect to provide transportation for pupils who are not required to be transported under the law. See [§ 121.54\(2\)\(c\)](#).
  - Example: The annual meeting could direct the school district to provide transportation to pupils who reside in the district and who live less than 2 miles from the nearest school they are entitled to attend.



# Annual Meeting: Powers

## Other Powers: Transportation

- The annual meeting of a K-8 school district may elect to provide transportation for certain public and private school students residing in the K-8 district (or repeal a past election to provide such transportation).
- See [§ 121.54\(2\)\(b\)2](#).
  - The union high school district is otherwise responsible for the transportation of the public and private school students and can charge the costs of that transportation back to the K-8 district.

# Annual Meeting

- Annual meetings do **NOT** have the power to:
  - Approve the school district budget.
  - Hire or terminate any school district employee.
  - Approve or change the school curriculum.
  - Close a school or require a school to remain open for instruction **except** in a union high school district that is operating multiple high schools.
  - Otherwise control the operation and management of the school district, except as affected by the lawful exercise of the meeting's express statutory powers.
  - It may be possible for an annual meeting to discuss issues outside of the meeting's assigned powers and/or to consider a **purely advisory** resolution.

# Preparing for the Annual Meeting



# Preparation for Annual Meeting

## Develop a Proposed Agenda

- Checklist:
  - Verify date, time, and location (or establish, if left to the board)
  - Ensure proper notice (including proper notice of the budget hearing)
  - **Develop proposed agenda**
  - **Draft proposed ground rules**
  - **Identify a possible chairperson**
  - **Arrange for a parliamentarian (if other than the chair)**
  - **Draft proposed motions/resolutions**
  - **Prepare the annual district financial report (See section [120.11\(3\)](#))**
  - **Structure the budget presentation and public budget hearing**
  - Make arrangements for ballot voting, if necessary
  - Arrange for media coverage

# Preparation for Annual Meeting

- Basic agenda might include the following:
  - Call to order
  - Election of chairperson
  - Adoption of agenda
  - Adoption of ground rules
  - **District financial report** ([section 120.11\(3\)](#) and [section 120.16\(4\)](#))
  - Public hearing on district budget
  - Adoption of tax levy
  - Other business
  - New business
  - Adjourn

# Preparation for Annual Meeting

## Develop a Proposed Agenda

- The annual meeting may exercise any of the powers reserved to it under § 120.10 and other Wisconsin statutes.
- As a general rule, the annual meeting may still act on a topic within its powers even when the subject was not specifically identified in the meeting notice or in any pre-planned agenda.
- No annual meeting shall be deemed illegal for want of notice. See [section 120.08\(1\)\(c\)](#).

## Preparation for Annual Meeting

- Identify a possible chairperson.
  - The electors at the annual meeting will select the chairperson.
  - The electors may select someone else.

## Preparation for Annual Meeting

- Arrange for a parliamentarian to be present, if desired.
- The school board should make recommendations for ground rules to be adopted at the meeting:
  - Procedures for addressing the chairperson
  - Procedures for making motions
  - Discussion procedure
  - Voting procedure
  - Should a parliamentary authority, such as Robert's Rules of Order, be used as a parliamentary guide?



## Preparation for Annual Meeting

- Make arrangements for ballot voting, if necessary.
  - If electors petition for inclusion of a special subject in the agenda and notice of the annual meeting, the school district clerk shall prepare ballots to permit voting on the subject or item.

## Preparation for Annual Meeting

- Publicity:
  - In addition to the legal notice of the meeting, the meeting can be further publicized:
  - Include in district newsletter and website
  - Post notices in public places
  - Give local news media an information packet:
  - Copy of proposed budget
  - Summary of major features of budget
  - Names and telephone numbers of people who can respond to questions

## Preparation for Annual Meeting

- Handouts:
  - Agenda and draft motions
  - School district financial picture/budget summary
  - Special programs and projects that the school board wishes to highlight
  - Other?
- Keep handouts simple. Recognize that most people will not understand school budgets or the Wisconsin school aid formula.

## Preparation for Annual Meeting

- Meeting area:
  - The meeting area should be large enough to handle the expected audience, with sufficient seating that is within sight and hearing distance of the chair.
  - Electors must be able to be heard when recognized.
  - Set up and test the sound system in advance.
  - Consider a greeting area with displays where staff will be available to interact with attendees.

# Conducting the Annual Meeting



## Conducting the Annual Meeting

- A temporary chairperson (usually the school board president) calls the meeting to order.
  - The president should briefly explain the purpose of the meeting, the powers of the electors and submit to the meeting the suggested agenda and ground rules to be followed.
  - If a parliamentarian has been designated, that person should be introduced. The parliamentarian's job is to advise the chairperson in the event of a question or challenge involving meeting procedure.

## Conducting the Annual Meeting

- The temporary chairperson then calls for the nomination of a chairperson for the meeting.
  - The chairperson is usually elected by a voice vote.
- The chairperson then takes over the conduct of the meeting.
  - According to Robert's Rules, the chairperson should not take part in discussions unless he or she gives up the chair to do so.

## Conducting the Annual Meeting

- The chairperson should keep the discussion focused on the issues before the annual meeting.
  - A motion to “limit debate” may be in order for a discussion that is getting out of hand. Such a motion requires a 2/3 vote to pass.
  - Board members who are in attendance should be prepared to offer motions when necessary, including a motion to adjourn.



# Conducting the Annual Meeting

- Voting:
    - Every elector of the district, including every school board member, is eligible to vote.
- [Wis. Stat. 6.02](#) :
- Qualifications, general. (1) Every U.S. citizen age 18 or older who has resided in an election district or ward for 28 consecutive days before any election where the citizen offers to vote is an eligible elector.
  - An elector of the district is an elector (someone eligible to vote in state and national elections) who is a resident of the district.

## Conducting the Annual Meeting

- If a person's eligibility to vote at an annual meeting is challenged:
  - The chairperson shall state to the person challenged the qualifications necessary to vote at the annual meeting:
    - Must be an elector
    - Must reside within the school district

## Conducting the Annual Meeting

- Challenge to eligibility to vote (continued):
  - If the challenged person declares he or she is eligible, but the challenge is not withdrawn, the chairperson shall administer the following oath or affirmation to him or her:
    - You do solemnly swear (or affirm) that you are an actual resident of this school district and that you are qualified, according to law, to vote at this meeting.
  - A person taking the oath shall be permitted to vote, but if that person refuses to take the oath or affirmation, that person may not vote.

# Conducting the Annual Meeting

## The Public Hearing on the Budget

- A budget hearing shall be held at the time and place of the annual meeting. See [§ 65.90\(4\)](#).
- The budget summary and notice of the public hearing on the budget generally must be published as a Class 1 legal notice:
  - At least 15 days prior to the hearing in a union high school district; and
  - At least 10 days prior to the hearing in a common school district.
- Ensure that the budget hearing is conducted **before** the annual meeting adopts the tax levy.

# Conducting the Annual Meeting

## The Public Hearing on the Budget

- Copies of the complete proposed budget and of the formal “budget summary” should be available at the public hearing for people to review and reference.
- Board members and administrators should play a major role before and during the hearing to explain the budget to constituents.
- The electors should be given time to comment on and ask questions about the budget during the hearing period itself.
- Consider using audiovisual and other exhibits to present the budget.
- Consider making residents aware of outside influences on the district budget such as the state aid formula and revenue limits.

# Conducting the Annual Meeting

## The Public Hearing on the Budget

- Except as a consequence of exercising the express statutory powers of the annual meeting, the annual meeting has no authority to approve or amend the board's proposed budget.
- The annual meeting should not vote on a motion to “adopt” the proposed budget.
- Alterations that the school board makes to its proposed budget “pursuant to” the public hearing may be adopted by a majority vote of the board. Other budget amendments will require a 2/3 vote of the full membership. See [§ 65.90\(5\)](#).
- Like the annual meeting itself, the budget hearing may be “adjourned from time to time.”

# Conducting the Annual Meeting

## The Public Hearing on the Budget

- Make the electors who are present at the annual meeting and budget hearing aware of the school board's authority under [section 120.12\(3\)](#) to adjust the tax levy adopted at the annual meeting.
- The board must adopt the final tax levy by November 1 of each year.

## Conducting the Annual Meeting

- The school district clerk is required by [§ 120.17\(2\)](#) to record the proceedings of school district meetings.
  - In the absence of the district clerk, the annual meeting must elect a person to act as clerk of the meeting.
  - The minutes, as authenticated by the clerk, are given the presumption of regularity.
    - No approval of meeting minutes is required.
  - The clerk shall place a complete copy of the minutes and the financial report in the district records.
  - Publication of annual meeting minutes is **not** required.



## Conducting the Annual Meeting

- A special school district meeting may be called at any time:
  - Electors may request a special meeting by filing a petition with the school district clerk signed by 3% of the electors residing in the school district or 100 electors, whichever is fewer, or
    - If the petition includes a subject beyond the power of the special meeting to transact, the school district clerk shall reject such subject and so notify each elector signing the petition.
  - A school board may, by motion, call for a special meeting.
- See [section 120.08\(2\)](#)

## Conducting the Annual Meeting

- Notice of a special school district meeting:
  - Notice of a special meeting shall be published as a class 2 notice, under [ch. 985](#).
  - The last insertion shall be not more than 8 days nor less than 1 day before the day of the special meeting.
  - If no hour for the special meeting is fixed in the notice, it shall be held at 8 p.m.

## Conducting the Annual Meeting

- Special school district meeting powers:
  - A special meeting has the powers of the annual meeting.
  - No more than 2 special meetings may be held between annual meetings *to consider or act upon the same subject*, except that in counties having a population of 750,000 or more no more than 4 such meetings may be held.

## Conducting the Annual Meeting

- Special school district meeting powers (cont.):
  - No tax may be voted at a special meeting, **unless** notice thereof is included in the notice of the special meeting.
    - The amount of the tax proposed to be voted shall be set forth in the notice.
    - The special meeting may vote a tax of a lesser amount than stated in the notice, but **not** a greater amount.

# Resources for Annual Meetings

- Some key statutes: [65.90](#), [120.02](#), [120.08](#), [120.09](#), [120.12\(3\)](#), and, especially, [120.10](#)
- **WASB Resources:**
  - [The Annual School District Meeting](#) (May 2023).
  - [Annual Meeting Booklet Supplement](#) (June 2020).
  - Legal Comments and Legal Notes:
    - <https://wasb.org/wp-content/uploads/2021/09/C202109.pdf>
    - <https://wasb.org/wp-content/uploads/2017/04/C201006.pdf>
    - <https://wasb.org/wp-content/uploads/2017/04/C200508.pdf>
    - <https://wasb.org/wp-content/uploads/2017/04/N198806.pdf>

# Adoption of Final Budget



## Adoption of Final Budget

- After the budget hearing and annual meeting, and on or before November 1, the school board should make such alterations in the proposed budget as are appropriate (if any) and approve a final budget [s. [120.12\(3\)](#)].
- During the period between July 1 (the beginning of the school year) and the school board's adoption of a final budget, the school board may spend money from available funds as needed to meet the immediate expenses of operating and maintaining the public instruction of the school district [s. [120.13\(33\)](#)].
- Temporary borrowing by the school board for this purpose is specifically authorized by statute [s. [67.12\(8\)\(a\)2](#)].

## Adoption of Final Budget

- If the annual meeting does not vote a tax sufficient to operate and maintain the schools for the ensuing year, the school board has a statutory duty to determine the amount of tax necessary for such purposes on or before November 1 [s. [120.12\(3\)\(a\)](#)].
- The school board may lower the tax if it determines that the annual meeting has voted a tax greater than that needed to operate the schools [s. [120.12\(3\)\(c\)](#)].
- The school board must lower the tax to bring it into compliance with the revenue limits if it determines that the annual meeting has voted a tax which violates those limits [s. [120.12\(3\)\(d\)](#)].



## Adoption of Final Budget

- On or before November 10, the school district clerk shall certify the appropriate amount so determined to each appropriate municipal clerk who shall assess the amount certified and enter it on the appropriate tax rolls [s. [120.12\(3\)\(a\)](#)].
- Following the adoption of the final property tax levy, whether by the annual meeting or the school board, districts must provide their tax levy information to the Department of Public Instruction (DPI) by completing DPI form PI-401 through the DPI's School Financial Services Reporting Portal.
- This levy data is used by the DPI to determine if districts complied with the statutory revenue limits.

## Adoption of Final Budget

- Once the school board (following the public hearing) approves the budget, no changes may be made in the amount of the tax to be levied or certified (including changes under s. [120.12\(3\)](#)) or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a two-thirds vote of all the members-elect of the school board.
- Notice of any such change must be published as a class 1 notice within 15 days after the change is made, posted under s. [985.02\(2\)](#), in the manner discussed previously, or a notice must be posted on the district's website. Failure to give notice precludes the change [s. [65.90\(5\)\(ar\)](#)].
- The DPI recommends that this process be used if the amount of appropriation and the purposes (functions) as presented in the line items of the adopted budget are changed.

# Adoption of Final Budget

- Changes in subordinate line items from which the adopted budget evolved (but which are not detailed in the adopted budget) do not require the two-thirds vote and publication.
  - For further information on the DPI's interpretation of this statute consult your district legal counsel or see <https://dpi.wi.gov/sfs/finances/budgeting/process-overview#step7>
- Further, the school district treasurer may not make any payments from the school district treasury unless money has been appropriated in accordance with the law [ss. [120.16\(2\)](#) and [66.0607\(7\)](#)].

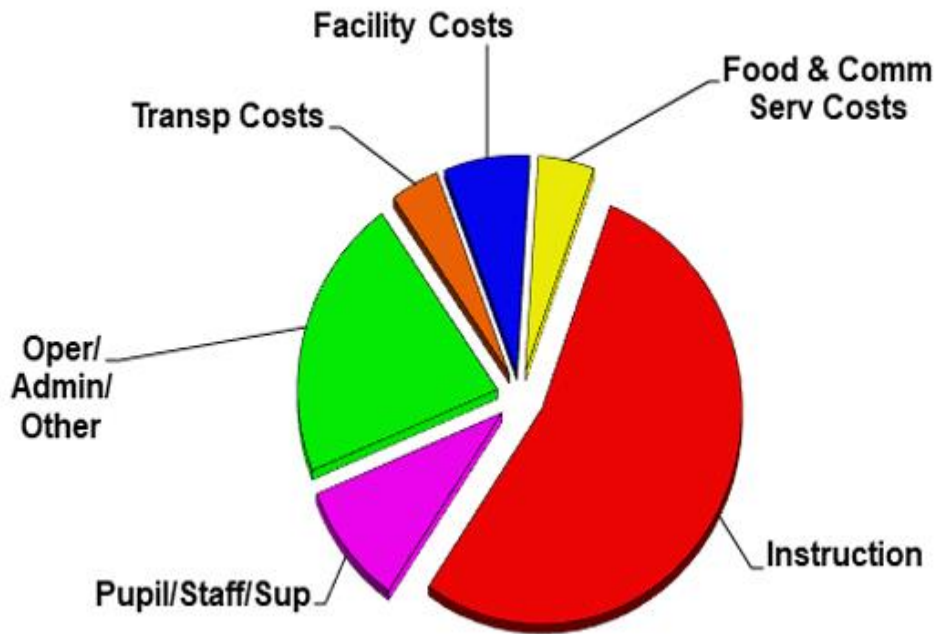
## Adoption of Final Budget

- The statutory provisions governing transfers from the school debt service fund and the school capital expansion fund created by the annual meeting under s. [120.10\(10\)](#) and (10m) respectively, are more restrictive.
- Money appropriated to such funds may not be used for any other purpose or transferred to any other fund unless authorized by statute.

# Operating Expenditures



# Operating Expenditures



- The school budget detail begins by looking at the school total budget.
- The District needs to keep operations running smoothly so expenditures are likely to follow the same spending pattern as prior years.
- Salaries and accompanying fringe benefits comprise approximately 80 percent of a typical district's total budget, leaving approximately 20 percent to support all the other remaining needs of the district such as pupil transportation, utilities, educational materials and equipment.

## Operating Expenditures - Employees

- Staff is the single most important and expensive resource required by schools. Therefore, planning for staff is a major element in determining the annual budget.
- High-quality staff and appropriate staffing levels are essential to every district's success.
- Consequently, the estimates of personnel required to operate the school district should be as accurate as possible.
- In addition to securing and retaining the best people available and utilizing them in the best manner possible, districts must design positions and plan for appropriate staffing levels that meet students' needs in a cost-effective manner.

## Operating Expenditures - Employees

- In addition to securing and retaining the best people available and utilizing them in the best manner possible, districts must design positions and plan for appropriate staffing levels that meet students' needs in a cost-effective manner.
- There are numerous types of salaries that need to be imputed into the budget cycle.
- Different methods, procedures and contract provisions require various employee groups' salary and wages to be calculated separately.
- The key is to identify all staff and account for their annual personnel costs.



# Operating Expenditures - Employees

Operating expenditures to keep in mind:

- Employees Direct Fringe Benefits
- Purchased Services
- Supplies & Materials
- Furniture and Equipment
- Expenditures for Debt Retirement
- Expenditures for Other Objects
- Long-Term Capital Expenditures
- Food service
- Student Activities
- Trust and Scholarship
- Instructional staff
- Administrative and Supervisory Staff
- Instructional Support Staff
- Substitute Staff and Summer School
- Remember to track changes in Staffing

# Temporary Borrowing



# Temporary Borrowing

- 1. The minutes of the board include authorization for any temporary borrowing. S. [67.12\(8\)](#), “The school board may borrow money...only upon a recorded resolution adopted by a two thirds vote of its members.”
- 2. The temporary borrowing is payable on or before Nov. 1 of the current year. S. [67.12\(8\)](#), “...the loans shall be repaid on or before Nov. 1...”

# Temporary Borrowing

- Cash Flow Borrowing/Line of Credit Districts may need to short-term borrow if:
  - Expenditures are consistent, but revenues are sporadic;
  - Insufficient fund balance; or
  - A shortfall occurs at times during the year because of a combination of these two factors.

## Temporary Borrowing

To combat this cash flow problem, districts will borrow funds on a short-term basis. There are two basic ways to achieve this leveling of cash flow:

- 1) Districts approach their local bankers or banks with whom they have a relationship to set up a line of credit. A bank will look at the status of the district's financial position and allow it to borrow on an as-needed basis up to a maximum amount as determined by the bank's protocol for business loans. During the times of cash flow deficit, a line of credit allows the district to write itself a check to cover expenses. When the next large influx of cash comes in, the district can repay the loan. This is convenient; however, banks usually charge a higher interest rate for this convenience.
- The school board must adopt a resolution authorizing the district to establish the line of credit. Typically, this resolution serves as a blanket authorization for the line of credit, so the school board does not need to act each time the credit line is accessed.

## Temporary Borrowing

To combat this cash flow problem, districts will borrow funds on a short-term basis. There are two basic ways to achieve this leveling of cash flow: (cont.):

- 2) The most common approach to address a cash flow deficit is for the district to issue Tax and Revenue Anticipation Promissory Notes (TRANS). This involves a legal process that is often referred to as arbitrage (cash flow) borrowing. In this process, the district computes the lowest point in its cash flow for the entire year and borrows the total amount it will need for the year after its annual meeting (common school districts) or after the school board adopts the anticipated tax levy (unified school districts). If there is not an immediate need for the cash at the time of borrowing, the funds are available to be invested until needed.
- When interest rates are favorable, districts can borrow at a low rate and invest the available funds at a higher rate, thus generating income from the borrowed funds.

## Temporary Borrowing

- For temporary borrowing by a school district to occur, a cash flow analysis is needed to help determine the amount to be borrowed and the borrowing timeline under s. [67.12\(8\)](#), Wis. Stats.
- No such loan may extend beyond Nov. 1 of the following school year.
- The temporary borrowing must occur after the tax levy is voted for the current year (at the annual meeting in common school districts; by the board in unified school districts).

## Temporary Borrowing – Related To Budget Adoption

- State statutes require the budget be adopted by the school board after the public hearing and no later than the meeting in which the school district sets the amount of the tax levy.
- The annual meeting, required in common and union high school districts, and the budget hearing required in all districts, must be held between May 15 and Oct. 31 each year.
- A district may choose to wait to adopt its budget until near the close of this “May 15-Oct. 31 window” to be able to utilize the most current data for state aid, grant and tax levy projections.



## Temporary Borrowing – Related To Budget Adoption

- Even though a budget has not been formally adopted, districts have statutory spending authority (see s. [120.13\(33\)](#), Wis. Stats.) between July 1 and final budget adoption, as needed, to meet the immediate expenses of operating and maintaining instruction.
- State statutes also authorize temporary borrowing for this purpose (see s. [67.12\(8\)\(a\)2](#)).

# Administration of the Budget



# Budget Management and Adjustment Process

- Once the budget is approved, it becomes the primary fiscal management tool for the year. The budget is managed by administrators throughout the year in accordance with approved district budget guidelines.
- Districts should design the budget as a cost recording system that will enable staff to establish a history of costs by account code and department, assist the district in evaluating its aims and objectives, evaluate established programs, plan new objectives, and plan and justify new programs or modifications to existing programs.

# Budget Management and Adjustment Process

- Further, the district must maintain an accurate accounting of revenues and expenditures to ensure a properly recorded balance and use budget codes that indicate responsibility by function and object of the expenditure, educational area and responsibility area.
- Internal accounting policies and procedures for budget information must be established to ensure the funds are received and expended in alignment with the approved budget.
- A district should use a budget format that shows amounts appropriated for expenditures according to function.
- The reason for using function is that function means purpose, and s. [65.90](#), Wis. Stats., requirements apply when appropriations and/or purposes change.

# Budget Management and Adjustment Process

- School districts must have balanced budgets. In maintaining a balanced budget, administrators must deal with budget decreases, budget increases and budget transfers. Budget adjustments may occur at any time during the budget cycle but are easiest to make in the budget development stage because they can be implemented before operations begin. The district must maintain a balanced budget throughout the year.
- If actual revenues are much less than projected or expenditures are much higher than estimated, budget reductions or designating fund balance must be made during the year to bring the budget back in balance. Examples of conditions where revenues and expenditures could be substantially different than projected are a decrease in federal revenues, unplanned salary negotiations, increasing or decreasing enrollments, and emergency needs such as a new boiler or roof.

# Budget Management and Adjustment Process

- There are many types of budget changes.
  - The most common type of budget adjustment is a budget decrease.
  - Budget decreases are necessary when projected expenditures are greater than projected revenue.
- There are two types of budget decreases:
  - cost savings through improved efficiencies and
  - cost reductions due to program reductions.
    - An example of a reduction due to improved efficiency is shutting down district computers each evening and on weekends or installing high-efficiency lighting. An example of a cost reduction is to reduce curricular or co-curricular offerings or to increase class sizes.

# Budget Management and Adjustment Process

- Budget increases most often occur when new grant funding or gifts are received or when a new program is expanded or added. Budget increases may also occur by instituting charges or fees such as charging another district for services or charging fees for non-academic activities such as an athletic fee to play a sport.

## Budget Changes – Voting Requirements & Notice

- Once the school board (following the public hearing) adopts the resolution finally approving the budget, no changes may be made in the amount of the tax to be levied or certified (including changes under s. [120.12\(3\)](#), Wis. Stats.) or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a two-thirds vote of the entire membership of the school board.
- Notice of any such change must be published as a class 1 notice within 10 days after the change is made. (A class 1 notice requires that the notice be published once in the newspaper appropriate for publishing the district's legal notices.) Failure to give notice precludes the change [s. [65.90\(5\)](#), Wis. Stats.].



## Budget Disbursements & Payments

- Further, the school district treasurer may not make any payments from the school district treasury unless the money has been appropriated in accordance with the law [s. [120.16\(2\)](#)]. Because of this requirement, the more detailed format in which the budget is approved, the more likely a formal budget amendment may be needed to amend the budget.

## Budget Surpluses and Transfers

- Generally, local governmental bodies do not have the authority to tax for the purpose of accumulating “unappropriated surplus funds” in the treasury.
- Money appropriated for a particular purpose in a given year, but not used and unallocated surpluses become “funds on hand” which should be applied to the following year’s budget to reduce the amount raised by taxation.
- No specific action is required to be taken to transfer these funds in order to reduce taxation, so long as these funds are ultimately used to reduce taxation. However, surpluses which are transferred by a definite appropriation for a specific purpose pursuant to s. [65.90\(5\)\(ar\)](#) cease to be “funds on hand.”

## Budget Surpluses & Transfers

- Therefore, a school board might consider allocating such funds for a specific purpose and making a transfer consistent with s. [65.90\(5\)\(ar\)](#) prior to the subsequent year's budgeting process in order to use such funds for a purpose other than to reduce taxation.

## Budget Surpluses – Fund Balance

- The Wisconsin Supreme Court has recognized that an amount required as a reasonable working cash balance is not an unallocated surplus which must be applied to defray the following year's budget.
- Further, the Attorney General has stated that “local units of government may maintain reasonable amounts necessary in the exercise of sound business principles to meet their immediate cash flow needs during the current budgetary period or to accumulate needed capital in non-lapsing funds to finance specifically identified future capital expenditures.”
  - For an informative discussion regarding factors that might be considered when determining an appropriate surplus to be maintained, please see School District Fund Balance Policy, Wisconsin Department of Public Instruction, available online at <https://dpi.wi.gov/sfs/finances/school-district-fund-balance>

## Budget Surpluses – Fund Balance

- Finally, the fund balances as stated on a school district's budget summary should not be equated with the term “surplus.” Fund balances may reflect not only cash on hand, but also short-term and long-term receivables as well as the value of certain assets, some of which may not be convertible to cash during the following budgetary period.

## Other Budget Reporting Requirements

- The school district clerk must file an annual school district report with the DPI each year after the end of the school year but before September 1 on forms to be supplied by the DPI [s. [120.18\(1\)](#)].
- The accounting and financial information must comply with the uniform financial fund accounting system as prescribed by the DPI [s. [115.28\(13\)](#)].
- In addition to the information specifically required by statute, the report must contain such other information as the DPI requires [s. [120.18\(1\)](#)].
- Beginning in the 2023-2024 school year, the DPI will make this information available on an annual basis through the DPI's internet site in a format that allows the public to download, sort, search, and access the information at no cost [s. [115.28\(13m\)](#)].

# Financial Transparency

- Starting in fiscal year 2018-19, the federal Every Student Succeeds Act (ESSA) requires that each local education agency (LEA) report school-based expenditures to the DPI, which in turn, reports that information to the U.S. Department of Education. The reporting is not intended to be used for state accountability purposes but be used at the local level to inform decision-making while also meeting federal requirements.
- Under this reporting requirement, the per-pupil expenditure data districts are required to report includes actual personnel and non-personnel expenditures for each school plus allocations of districtwide expenditures.

# Financial Transparency

- The school-level budget report is due on or before December 1 of each year.
- The school-level annual report will be due in September.
- The district's total school-level budgeted or total annual costs in the budget or annual report must equal the total costs in the regular DPI budget and annual financial report. There are certain expenditures that will be excluded from the school level report.



# Financial Transparency

- Governments, such as school districts, usually organize their accounting systems on a “fund” basis.
- A fund is a separate set of accounting records, segregated for purpose of carrying on an activity. A fund is established for accountability purposes to demonstrate that financial resources are being used only for permitted purposes. The DPI specifies the various funds required to be used by Wisconsin school districts. All school districts have a General Fund and may have one or more other funds to account for specific activities.
  - For example, special education activities are accounted for in the Special Education Fund. Transactions relating to payment of general obligation debt are accounted for in a Debt Service Fund. A fund will have “balance sheet” accounts consisting of “assets,” “liabilities” and “fund balance,” and a series of “revenue” and “expenditure” accounts.

# Financial Transparency

- A “fund balance” is created or increased when fund revenues exceed fund expenditures for a fiscal period.
- Correspondingly, a fund’s balance is decreased when fund expenditures exceed fund revenues. The balance sheet accounts identify the assets that belong to a fund, such as cash or a grant payment receivable, and what liabilities it owes, such as an account payable to a supplier.
- The difference between the fund’s assets and liabilities equals the “fund balance.” A positive fund balance represents a financial resource available to finance expenditures of a following fiscal period. A deficit fund balance can only be recovered by having revenues exceed expenditures in a following fiscal period.
- A common misconception is that fund balance is a cash account and therefore, corresponds to the district’s bank balance.

## Presenter Information:

Bob Butler has been a WASB staff counsel since 1990. He is also, along with attorney Barry Forbes, the Association's co-associate executive director. Bob directly represents more than 40 school districts in Wisconsin on employment, human resources and school law matters. Bob also provides membership services, including general legal information, to all school districts that are members of WASB.

He graduated from the University of Wisconsin Law School and received his undergraduate degree in industrial and labor relations from Cornell University. Bob can be contacted at:

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# Appendix

While the contents of the appendix will not be covered during this presentation, it serves as a valuable resource offering supplementary information and in-depth references. Readers are encouraged to explore the appendix for a more comprehensive understanding of the topics.

# Budget Process - Background

## Background: Budgeting Process

- The budgeting process for Wisconsin's school districts is structured to support the state's tradition of open government.
- A school district is represented by its budget.
- Because school districts have the power to levy a general property tax, each school district is required to prepare an annual budget and hold a public hearing on it.
- The budget provides the basis for determining the taxes that will be levied upon the local property.

## Background: Planning

- The ultimate product of the budgetary process is a plan describing how, during the next fiscal year, the school district will use its limited resources to best meet the needs of its students and taxpayers.
- The detail is the information, however minute, that is essential to meet management and the DPI's reporting requirements.
- Budget planning refers to the activities of collecting, analyzing and using critical pieces of information that lead to the establishment of an effective budget document.

## Background: Planning

- Thorough planning includes the collection and review of relevant data, which may include enrollment projections, staffing, teacher/ student ratios, revenue limits and assumptions that may build projections for the upcoming budget year.
- During each step of budget planning, reviews, and updates are necessary to accurately reflect new data or emerging information, such as enrollment projections or law changes.



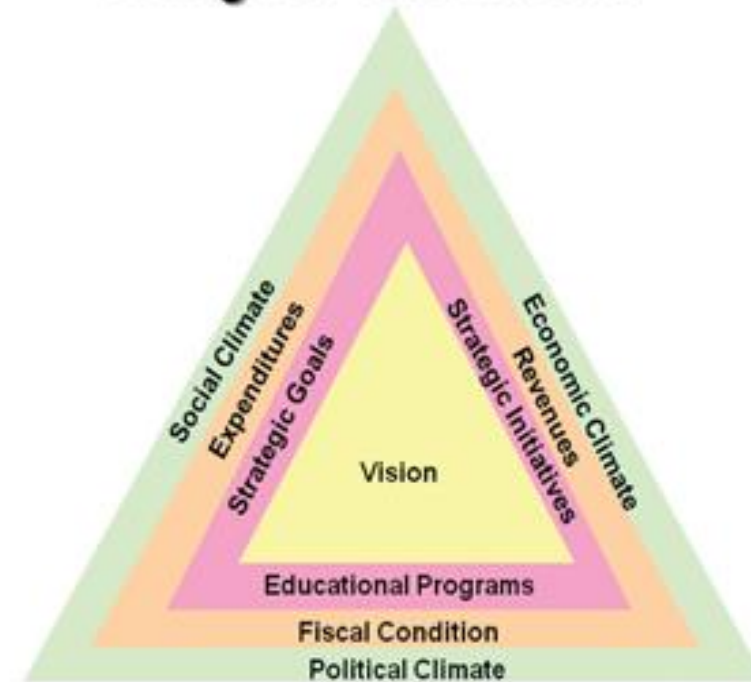
## Background: Planning

- Budget planning should adhere to state and local required deadlines.
- Importantly, budget planning should be transparent to staff and community, so people can be aware in advance of when important decisions will be made and when information critical to those decisions will be gathered and analyzed.

# Background: Framework

- The budget process includes public involvement, local, state and federal legal requirements, control over spending of public funds, and an evaluation of fiscal performance.

## *Budget Framework*



# Budget Calendar

# Budget Calendar

- Budget preparation is a continuous process.
- A school district budget calendar is a listing of all activities required during the budgeting process, arranged chronologically by month.
- The budget calendar identifies timelines for completion of critical activities and identifies the responsible party.
- Developing the local budget calendar is an interactive process which must be re-evaluated on a yearly basis and during the current budget process.
- The school district's budget development calendar should provide the guidance on the statutory, contractual and district timelines necessary to make sure the required discussion, decision-making and actions can be completed within these requirements.

# Budget Calendar

- The calendar should include the specific dates by which the school board will discuss and confirm the priorities for allocating resources, including:
  - Establishing a strategic educational plan;
  - Establishing an educational action plan and goal;
  - Reviewing and confirming the budget assumptions (projections for enrollments, revenues and expenses);
  - Providing opportunities for public input;

# Budget Calendar

- The calendar should include the specific dates by which the school board will discuss and confirm the priorities for allocating resources, including: (cont.):
  - Reviewing any legislative and assumption updates;
  - Meeting the contractually and statutorily required date(s) by which the school board must approve the staffing plan for various employment groups or issue lay-off notices; and Meeting the statutory deadlines provided in [Chapter 120](#), Wis. Stats., for a district's budget adoption, public hearing and publication requirements.

# Budget Calendar

- A local budget calendar outlining the beginning of the budget process through the end could encompass a period of 20-24 months.
- The budget cycle may begin nine to 12 months prior to the beginning of the actual budget year. The budget cycle for a given budget year ends when the final audit report is completed and reported to the DPI three to six months after the budget year ends.
- Consequently, a school business office could be working on three budget cycles at any given time. [Chapter 65](#), Wis. Stats., and specifically [ss. 65.90 \(1\)-\(6\)](#), govern the basic requirements of a school district budget related to taxation, publication, access, timelines, public hearings and adoption.

# Budget Calendar

- Dates for both reviewing and updating assumptions and projections should be built into the calendar, because assumptions will change as information becomes available.
- A calendar not only ensures that required decisions are made by specified times, but it also serves as a tool to communicate the process and timeline that will be used in the budget reduction process to constituents, staff and board members.



# Budget Calendar

- The initial assumptions and related projections will help determine:
  - Preliminary revenue and expenditures budget projections for the next year; and if projected revenues will meet the costs to maintain the district's programs. These assumptions should be reviewed and updated throughout the budget development process as the information and data used to determine them becomes available.

# Budget Calendar

- A particularly important factor is the 3rd Friday in September pupil count as this directly impacts the revenue limit.
- This count determines much of the revenues a district will receive and, yet this key assumption is not finalized until well after a district's staffing plan and preliminary budget is adopted. Projections of pupil count are important data for planning, yet obviously, an actual count is not known until the school year begins. Actual enrollment information could cause a budget change.
- Under current law, the most important assumption to be made is the projected revenue limit. The revenue limit controls over 90 percent of revenues in a district's operating budget.

# Budget Calendar Example

Data Due	Activity	Responsibility
September	<p>Review estimated revenues and expenditures for next budget year.</p> <p>Project revenue limit considering state political, economic and social conditions.</p> <p>Project staffing, salary and benefit costs.</p>	Business Official*
November	Review strategic initiatives and educational objectives.	District Administrator School Board
January	Board reviews preliminary budget planning projections and assumptions.	Business Official* District Administrator School Board
January/February	<p>Distribute budget information to cost centers i.e., principals, directors, managers.</p> <p>Develop budget calendar.</p> <p>Collect and analyze enrollment data.</p> <p>Develop, revise or update budget manual.</p> <p>Develop, revise or update budget packets and instructions.</p>	Business Official*
March	<p>Submit cost center requisitions/request to business office for consolidation (or electronic submission).</p> <ul style="list-style-type: none"> <li>• Include all funds and grants.</li> <li>• Include major operational and maintenance needs</li> </ul>	Administrators and Managers

Data Due	Activity	Responsibility
April	Review cost center budgets.	Business Official*
May/June	Prepare preliminary budget documents.	Business Official*
May/June	Board reviews preliminary budget.	Business Official* School Board
June	Board approves preliminary all-funds budget.	Business Official* District Administrator School Board
May-October	Hold annual electors meeting, present proposed detailed all-funds budget to the public for a common school district (annual hearing for a unified school district).	District Administrator Business Official* School Board (Board Treasurer in particular) Public
October	<p>Prepare final budget documents.</p> <p>Receive general aid certification from the DPI on or before Oct. 15.</p> <p>Calculate final revenue limit.</p>	Business Official*
October	Board adopts final all-funds budget.	Business Official* School Board
October/November	<p>Board approves tax levy.</p> <p>Certify tax levy to municipalities/DPI.</p>	Business Official* School Board
November	Report adopted budget to DPI.	Business Official*
June (following year)	Board adopts revised final all-funds budget or as per board changes throughout the year	Business Official* School Board

# Revenue

# Accounting System

- The Wisconsin Uniform Financial Accounting Requirements (WUFAR) published by the DPI, provides school officials with a list and explanation of the accounts, summary accounts and funds required for school district budgeting and for reporting the financial activities and status of school districts to the state superintendent of public instruction as required by Wisconsin statutes.
- The WUFAR is intended to provide a uniform financial and accounting structure for public elementary and secondary schools in the state of Wisconsin.
  - Examples: Fund 10, Fund 20, Fund 30, Fund 40, Fund 50

## District Data

Data utilized during the budget process:

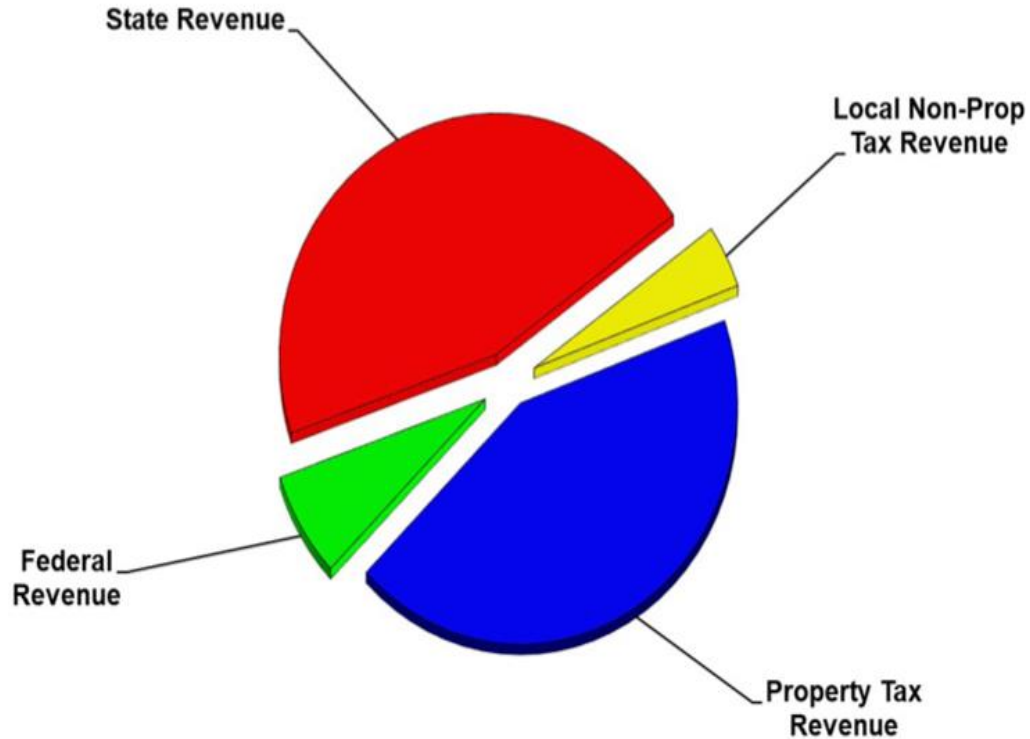
- Projected enrollment data by grade level and course are also required to determine the necessary staffing levels and costs for programs that will be offered.
- FTE amount for all employee groups (includes total compensation – salary and fringe benefits).
- Current staffing assignments, including leaves and retirements.
- Cost of substitutes for all groups.
- Revenue considerations.
- Anticipated changes in federal Elementary and Secondary Education Act (ESEA), Individual with Disabilities Education Act (IDEA) funding, and state categorical aid allocations.

## District Data

Data utilized during the budget process: (cont.):

- Ratios of non-certified staff.
- Buildings and boundaries.
- Curricular programs.
- Maximum class size.
- Costs allocated to respective grant programs.
- All tuition costs and programs, including open enrollment.
- Summer school program, membership and net cost.
- Net cost of extracurricular activities.
- Cost of supervision and any teaching overload costs.
- Potential enrollment growth based on expansion of 4K/5K programs.
- Board policy for maintaining/using fund balance.

# Revenue



- Revenues received by a school district come from many different sources, including state equalization aid and categorical aid, local revenues (primarily property taxes) and federal aid.
- Estimating what the school district will receive in the way of federal, state and local revenues is a complex but necessary part of preparing a budget.
- An equally important consideration for budget planning is the financial restriction placed on school districts by the state-imposed revenue limit.



# Revenue Limits

- In the fall of 1993, the Wisconsin Legislature instituted a limit or control on the revenue a school district is entitled to receive each year.
- The control applies to revenue received from general state aid (equalization, special adjustment and integration aids) and select local tax levies (General Operations-Fund 10, Capital Expansion-Fund 41 and Non-Referendum Debt Service Fund 38).
- Each district has its own unique revenue limit, which caps the resources available to it.
- When revenue limits went into place in 1993-94, they effectively locked in place each district's per-pupil expenditures and taxing practices relative to other districts.

# Revenue Limits

- Thus, each district's "starting point" under revenue limits was the result of local policies and practices in place at that time.
- Often these practices reflected the property values and tax capacity of the communities comprising the school district.
- Revenue limits also had the effect of locking in each district's position relative to other districts for state aid purposes as well.
- For a typical district to intentionally change its position relative to other districts, it must either pass a referendum to exceed the revenue limit or levy less than the amount allowed under the revenue limit, known as "under levying."
  - Note: A limited number of districts are eligible to utilize the "low-revenue ceiling" exception to raise their revenue limit by more than the annual per-pupil adjustment allows.

# Revenue Limits

- “Under levying” has consequences.
  - Unless the unused revenue limit authority is used the following year, it is lost, permanently reducing the amount the district may raise in future years.
  - If a district does not levy up to its limit, it may risk receiving less state aid in future years, depending on its property wealth per pupil and spending characteristics.
- The need for referendum approval to exceed the revenue limit gives the community a large role in determining what a district’s level of revenues (and hence spending) can be.
- This makes it important for boards to engage the community in budgeting discussions and to clearly communicate about the budget on an ongoing basis.

# State Revenues

- Under the Wisconsin statutes, the state provides financial assistance to school districts to achieve two basic policy goals:
  - reduce the reliance upon the local property tax as a source of revenue for educational programs;
  - and guarantee that a basic educational opportunity is available to all pupils regardless of the local fiscal capacity of the district in which they reside.

# Local Tax Revenues

- Local tax revenue can take many forms but refers exclusively to property tax revenue for most Wisconsin school districts.
- These funds are fundamentally important to districts in the resources they provide and in the budget control and flexibility they afford.
- **Tax Levy**
  - An important consideration for budget planning is the financial restriction placed on the district by the state-imposed revenue limit.
  - School district property taxes include levies for general operations, debt service, capital expansion and community services.
  - Property values are equalized to reflect market value rather than local assessed value.

## Local Tax Revenues – Tax Levy

- Early in October, districts receive their certification of property values from the DPI. The certification has several components:
  - The name of each municipality contained fully or partially within district boundaries;
  - The equalized (fair market) property value for each of the municipalities, including the Tax Incremental District (TID) amounts;
  - The equalized (fair market) property value and exempt computer value for each of the municipalities, not including the TID;
  - The exempt computer value for each of the municipalities, not including the TID; and
  - The equalized (fair market) property value, not including the TID.

## Local Tax Revenues – Tax Levy

- The school board must adopt the total levy on or before Nov. 1 and certify the proportionate share of the levy to each of the municipalities within their boundaries on or before Nov. 10 of each year.
- The DPI provides a pre-populated worksheet that allows district personnel to apportion the total levy among the municipalities within the district. This information is then sent to the municipal clerks.

## Local Tax Revenues – Tax Levy

- Municipalities send out tax bills in December based on the assessed value of the property within their borders.
  - Because the municipalities use assessed values rather than equalized values, the tax rate on the individual tax bills will usually vary from the rate reported by the school district.
- The clerks pay the district's proportionate share of collections in January and February. The balance of the taxes is then paid to the county by July 31 and remitted to the school district in August.



# Revenues

- Federal Revenues:
  - The federal government also provides aid to school districts. The largest amount of federal aid comes from the Individuals with Disabilities Education Act (IDEA).
- Other Revenues
  - Because state law limits the ability of a district to generate local tax revenues, the revenue limit formula has been very effective in limiting the spending in a school district. As districts' revenues become tighter and the pressure to lower or maintain local tax levies becomes greater, districts are investigating other sources of revenue to supplement their budgets to continue funding their instructional programming.

# Budget Deliberation

# Budget Deliberation

- A well-managed budgeting process is needed regardless of whether a district needs to make reductions.
- The budget is the district's fiscal plan for meeting its educational goals.
- These goals or guiding principles are critical, as they are used to determine the priorities and needed staff that must be maintained and funded in the district's budget.
- The school board should annually review and establish these goals and principles prior to the development of budget assumptions and projections.
- The administrative recommendations for budget reductions should focus on the allocation of resources that best meets these goals and principles.

# Budget Deliberation

- Two of the key budget planning priorities that need to be discussed and agreed to are the issue of maintaining fund balance and the need to develop a balanced budget.
- If there are areas or programs that shouldn't be considered for reduction, this should be discussed as part of the prioritization of allocating resources and principles.
- Budget deliberations is the point in the budget process where the district balances the estimated budget expenditures to the revenues.

# Budget Deliberation: Two Basic Scenarios

## Two Basic Scenarios:

- 1) If the district's projected revenue exceeds the proposed expenditures:
  - The district can adjust the revenues downward, increase expenditures for budget items previously cut or budget to add to the fund balance. Caution needs to be taken if the district is planning to lower the levy below the allowable revenue limit. The taxing district should review the long-term property tax implications because the district may lose some future taxing authority by not taxing to the allowable limit.

# Budget Deliberation: Two Basic Scenarios

Two Basic Scenarios: (cont.):

- 2) If the district's projected expenditures exceed the projected revenues:
  - The district can adjust the revenues upward, decrease expenditures for budget items or budget using some of the fund balance. Adjusting revenues upward (e.g., increasing district revenues) is difficult for districts to obtain as a practical matter. In building the budget, a district projects the revenue limit and arrives at the amount of revenue it can receive from general aid and property taxes.

## Increasing Revenues

- One area to find additional revenues is through other state and federal revenues.
- A district could start by reviewing revenue estimates for Title I, the Elementary and Secondary Education Act (ESEA), Common School fund, categorical aids and open enrollment tuition.
- Other potential areas are from local sources.
  - The District should review extracurricular program fees, textbook fees, interest income, facility rental fees and event admissions.

# Increasing Revenues

- School districts may also seek voter approval to increase revenues via operational referendums. There are two types of operations referendums:
  - 1) Recurring Referenda
    - A district's revenue limit is increased by the amount of a voter approved referendum to exceed the revenue limit on a recurring basis for which the current year is the first year of the exemption.
  - 2) Nonrecurring Referenda
    - A district's revenue limit is increased by the amount of a voter approved referendum to exceed the revenue limit on a non-recurring basis. The amount is added to the limit in the designated year, and any levied amounts are removed from the next year's base.



## Decreasing Expenditures

- Further reductions are required if the expenditures still exceed the revenues after reviewing the revenue sources.
- *Some* of the ways school districts reconcile expenditures and revenues are:
  - Postpone spending.
  - Suspend a major technology initiative or purchase by making current technology last one or two more years.
  - Defer major maintenance or construction projects.
  - Improve efficiencies and increase productivity.
  - Modify workloads and responsibilities.
  - Use equipment and technology to increase output.
  - Etc.

## Use of the Fund Balance

- As a short-term strategy, a district could use the fund balance for some of the proposed expenditures. Fund balance is money carried over from the end of one fiscal year to fund expenditures during the beginning of the next year before receiving state aid and property tax revenues.
- This use of fund balance can provide additional money for the budget, but it should be done carefully, and the funds need to be added back the next year to balance the following year's budget.
- Use of fund balance to balance the budget can result in additional short-term borrowing, increased interest expense, reduced fiscal flexibility for emergency needs, and reduced interest income.
- The fund balance is best used for one-time expenditures, such as a boiler replacement, a major building maintenance project or program start-up costs.

## Use of the Fund Balance

- A consistent pattern of planned and/or unplanned use of fund balance can have a significant effect on the district's bond rating.
- The impact of a reduced rating is an increased cost to finance short- and long-term needs.