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DISTRICT OFFICE

563 A.J. Allen Circle, Wales, WI 53183

P: 262-968-6300 F: 262-968-6390 W: www.kmsd.edu

To: Tom Weber, JoAnn Wiederholt, Steven Pate, Katie Maloney, Cliff Gerbers, Amy Riddle-Swanson, David Carlson – School District Boundary Appeals Board Members

From: James Romanowski, Board of Education Member and Clerk

Date: November 21, 2019

Re: Written Testimony Regarding the Palmyra-Eagle Area School District Dissolution and Impact on the Kettle Moraine School District

Kettle Moraine is in a precarious financial position. The state aid to KM has been reduced by a cumulative \$66 million over the last decade. At the same time, the District is not funded equally with other districts in Waukesha County on a per pupil basis. As a result, KM has made multi-million dollar cuts each year, resulting in total annual reductions of \$17 million for the last decade, in order to balance its budgets.

The KM Board of Education Members have been engaged in legislative advocacy for over two decades in an attempt to change the funding formula in Wisconsin. Unfortunately, that work has not yet yielded any change in the funding of public schools (especially those districts with declining enrollment). Given this history, we do not believe that legislative change will occur in time to alleviate KM's imminent financial challenges.

Last year, the District asked voters to support an operational referendum to avoid making further budgetary cuts. That referendum would have had an impact on property taxes of \$16 per \$100,000 of assessed value. The referendum failed. The District then had to make additional budget cuts of \$1.9 million for the 2019-20 school year.

KM's financial needs are not going away and we need a long-term sustainable solution. Consequently, the Board is currently finalizing language for another operational referendum for April of 2020. Without an infusion of funding, Kettle Moraine is facing insolvency in the next three to five years.

The KM Board and staff have been watching the Palmyra-Eagle situation for the last two years. We have spent considerable time evaluating the possible impact of the Palmyra-Eagle dissolution. Given the KM financial state, KM's Board of Education passed a resolution on November 12, 2019, affirming the fact that KM cannot assume a portion of the dissolved Palmyra-Eagle District. If Kettle Moraine is assigned Palmyra-Eagle's students, assets, and debts, it will hasten the timetable for Kettle Moraine's insolvency and a larger student body will be displaced.



To: Tom Weber, JoAnn Wiederholt, Steven Pate, Katie Maloney, Cliff Gerbers, Amy Riddle-Swanson, David Carlson – School District Boundary Appeals Board Members

From: John Stellmacher, Chief Financial Officer

Date: November 21, 2019

Re: Written Testimony Regarding the Palmyra-Eagle Area School District Dissolution and Impact on the Kettle Moraine School District

District Five Year Financial Forecast

For over the past decade, the Kettle Moraine School District has experienced slow but sustained enrollment decline. As a result, the District has made nearly \$17 million dollars in cuts (nearly 28% of the total district budget) since 2006 and has reduced staffing, employee compensation, benefits, and programming to live within a very modest revenue limit authority that ranks near the bottom of Waukesha County and the State of Wisconsin.

As a result of declining enrollment, substantial increases in the cost of health insurance, complex geography that drives transportation costs, and a school funding formula that has failed to keep up with basic inflation, the district faces significant financial deficits for each of the next five years.

Without a local referendum to exceed revenue caps for operational purposes or a significant change in state statutes with regards to low spending school districts, the District will be forced to cut \$1.75 million in 2020-21, an additional \$1.5 million in 2021-22, an additional \$1.5 million in 2022-23, and an additional \$1.5 million in 2023-24. These annual cuts of roughly 3% (per year) do not reflect a significant expansion in expenses, but rather reflect a reduction in revenue that is available to the district.

Transportation Implications

As a result of making nearly \$2 million dollars in budget reductions for each of the past two years (\$4 million in annual cuts), the district has tightly aligned our transportation routes with ridership. There is zero capacity on our current bus routes to add any additional riders or stops. As a result, any additional students that would need to be transported, as a result of becoming KMSD residents, would increase the number of routes needed in order to serve these additional students. Kettle Moraine is already a large geographical district spanning 90 square miles. Working with our transportation carrier, Dousman Transport Company, we believe we would need to add eight (8) bus routes to our existing services to be able to serve approximately 100 additional students on our western border. This includes (3) elementary routes, (3) middle/high school routes, and (2) special education routes.

As a means of saving money, the district currently runs “double loops” to serve our middle and high schools that start earlier and end earlier than our elementary schools. The buses (and drivers) serving our middle and high school students drop them off at school, and then turn around and serve our elementary schools that start later. This pattern repeats at the end of the student days. As a result of the geography of the district and the use of double runs, we would not be able to combine new residents onto existing bus routes and stay within the expectation of our KMSD Board of Education transportation policy. In addition, because of the distance involved between PEASD and the KM schools, the new routes would need to serve a small number of students in order to stay within the maximum bus route times (50 minutes) and travel significant distance between potential new district territory to Kettle Moraine Schools.

Palmyra-Eagle students who currently attend KMSD schools via open enrollment do not receive district provided transportation. Serving those students as residents (as compared to open enrollment students) not only generates additional transportation cost (currently estimated at approximately \$3,200 per pupil), it also substantially DECREASES our revenue (as a result of declining enrollment exemptions).

KMSD Revenue Implications

While conventional wisdom would indicate that increasing resident students would increase enrollment and funding, that is not the case for Kettle Moraine. The District's current 3-year rolling average is projected to decline from 3,416 to 3,384, a drop of 32 FTE. Without the PEASD dissolution, KMSD will receive a declining enrollment exemption of \$331,584. In addition, we currently have 59 students from PEASD (57.4 FTE) that attend KMSD schools. This generates approximately \$460,000 in open enrollment revenue.

If KMSD adds (for example) 100 students, with the 3 year rolling average, the District would see a 33 FTE increase for FY 2020-21 that would eliminate the declining enrollment exemption. If 59 of those 100 students (currently open enrolled in) become residents, KMSD would also lose that open enrollment revenue.

New Revenue from $\frac{1}{3}$ Revenue Limit FTE of LESS	\$345,400
Revenue lost from Declining Enrollment Exemption of LESS	(- \$331,584)
Revenue lost from Open Enrollment of EQUALS	(- \$464,309)

LESS revenue than if Kettle Moraine adds no new students of **(- \$450,493)**

Projections for Transfer of Territory

When examining a scenario where 10% of the current Palmyra-Eagle territory is assigned to KMSD and 100 students become KMSD residents (assumes 59 open enrollment students are included), the financial impact result is staggering.

The District would incur approximately \$320,000 in additional transportation costs, would incur a projected \$640,000 in additional staffing costs, and an additional \$320,000 in administrative and operational costs for total new costs of \$1,280,000. When estimating \$102,400 in new categorical aids (to be paid in 2021-22 on 2020-21 expenses), the District would incur net cost increases of \$1,177,600 and revenue losses of \$464,309, that **would require a "Transfer of Territory Exemption" in the amount of \$1,628,093 (per year) in order to provide the resources needed to educate an estimated 100 Palmyra-Eagle students.**

Based on 10% of the PEASD property valuation being assigned to KMSD, we anticipate that \$345,000 of the 2020-21 PEASD State Equalization Aid would offset the \$1,628,093 in revenue limit authority leaving a net property tax increase of \$1,283,093. Assuming a mill rate of \$9.63 per \$1,000, the new tax base (\$88 million) being assigned to Kettle Moraine would cover \$847,440 of that property tax increase. The remaining \$435,653 would result in an increased tax burden for Kettle Moraine taxpayers.



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To: Tom Weber, JoAnn Wiederholt, Steven Pate, Katie Maloney, Cliff Gerbers, Amy Riddle-Swanson, David Carlson – School District Boundary Appeals Board Members

From: Patricia Deklotz, PhD., Superintendent

Date: November 21, 2019

Re: Written Testimony Regarding the Palmyra-Eagle Area School District Dissolution and Impact on the Kettle Moraine School District

The Kettle Moraine School District Board of Education and administration have spent a great deal of time monitoring the events that have brought us all here tonight, evaluating the potential impact a dissolution of the Palmyra Eagle Area School District may have on the Kettle Moraine School District. We are deeply sympathetic to the factors that are challenging the solvency and sustainability of the Palmyra Eagle Area School District. We also recognize the extremely emotional, often bitter and contentious, arguments that have surfaced, dividing these two communities. Ultimately, it will be the Palmyra-Eagle students and staff who will be most affected by your decision, and we appreciate the gravity with which you embrace your responsibility as members of the state appointed School District Boundary Appeals Board. We will be using our time to provide you with a presentation summarizing the analysis we have done. In addition, we will provide you with a packet of information to reference as you continue your deliberations.

In the time I take, I will share with you an overview of the geography challenges, the demographic comparison of PEASD and KMSD, the educational needs of the children in both districts, and the adverse effects we anticipate as a result of a dissolution. The district's Chief Finance Officer, Mr. John Stellmacher, will address the estimated fiscal impact on KMSD of a potential dissolution. Finally, our KMSD Board Member and Clerk, Mr. Jim Romanowski will summarize the deliberation the KMSD board has engaged in bringing us to this point.

Geographical Challenges

While KMSD and PEASD share part of a contiguous border, this border is the least populated area for both of the districts. Comprised in large part by the southern unit of the Kettle Moraine State Forest, the area is one of dense forest and marshland. The Ottawa Town Park, Pinewoods Campground, Ottawa Lake Fen State Natural Area, Ottawa Lake Campground and Ottawa Lake Amphitheater are natural resources enjoyed for their recreational purposes by many, but they are areas that are not available for residential or commercial development. An analysis of the location of PEASD students' homes reveals similar findings. The northern border of PEASD is the least populated area of the district, with the majority of their students clustered in the municipalities of Palmyra and of Eagle.

Adding to the challenge of geography is the location of the education centers in KMSD. Our district is already comprised of ten different municipalities and covers 90 square miles. Population density is sparse overall, without a single concentrated "city" or central point of concentrated residency. Our schools are located in the northern half of the district, with the one exception of our smallest school, Magee Elementary, which is located on our eastern most border. If KMSD was divided into east and west halves, only one campus is in the western half, the half that has the contiguous border with PEASD, and that campus is in the northern quadrant of that half.

Due to the capacity in our buildings, KMSD would have no use for the current PEASD school buildings. Any students assigned to KMSD through dissolution would be serviced out of our existing school sites. Critically, Palmyra-Eagle High School is seventeen miles away from Kettle Moraine High School. Palmyra-Eagle Middle School is fourteen miles from Kettle Moraine Middle School. Eagle Elementary is eleven miles from Magee Elementary, the KMSD elementary school that would be closest to Eagle area students, and Palmyra Elementary is fourteen miles from Dousman Elementary school, which would be the closest KMSD elementary school to Palmyra area students. The roads that would be used to transport PEASD students to and from KMSD sites are not roads that can be traveled at 55 or 60 miles per hour. They are winding back roads through state forest and marsh land. Between the physical distance and the topography of the State Forest, transportation to and from KMSD would be a significant challenge for PEASD students and families as well as for the Kettle Moraine School District.

These logistics will also have a negative impact on PEASD student participation in before and after-school activities and PEASD parent participation in their students' educational experience. Kettle Moraine Middle School and Kettle Moraine High School both start the student day at 7:20 am. Through our analysis with our transportation company, it is likely that PEASD students would need to

be on the bus before 6:00 am in order to arrive to school on time. They would need to leave home even earlier to attend before-school meetings or practices. Given the distances involved and length of projected bus rides, it is not in PEASD students' best interests to be assigned to KMSD.

Demographic Comparison of PEASD and KMSD

When one first looks at a comparison of the student demographics between the two districts, there are similarities in many areas. However, when looking at the bottom three subgroups, there are significant differences. It is well understood among educators and legislators that students with disabilities, those that are English Language Learners and those living in poverty require more resources to support their learning. KMSD's current staff serving students with disabilities have caseloads that exceed the state's recommended guidelines. Additional staffing would be required to take on any PEASD students with disabilities. The percentage of students who are English Language Learners is more than three times the percentage of ELL students that are served in KMSD. The percentage of economically disadvantaged is almost three times greater than the amount served in KMSD. Not only would there be a need to hire additional staff to serve PEASD students, the staff needed would be in areas of expertise that are in high demand, requiring higher compensation, and are often difficult to secure and retain.

Educational Needs of the Children in Both Districts

Kettle Moraine resources are already stretched thin. Just as a comparison, according to the 2017 Wisconsin Taxpayers Alliance School Facts, Whitewater Unified School District, one of the districts that shares a contiguous border with PEASD, had a student/teacher ratio of 13.7 students per certified FTE. Kettle Moraine in that same year had 17.3 students per certified FTE. While we did not have access to data more current than the 2017 data, since that time Kettle Moraine has reduced an additional 38 FTE.

The KMSD has insufficient staffing in the areas of mental health, including a need for a district social worker and increased hours for guidance counselors in every building. There is a need to increase library media specialists that are now shared across buildings. There is also need to increase ELL staff as there is one person serving the needs of the entire district. If KMSD were to be given additional PEASD students, it is most certain that the need for these specialized services, which have been reduced in the recent past, would not be sufficient to meet student needs.

Adverse Effects KMSD Anticipates

There are significant adverse effects that we anticipate if PEASD students were to be assigned to Kettle Moraine. Some important and often overlooked areas of impact are in extracurricular opportunities. Due to Kettle Moraine's current financial challenges student athletic and activities fees have just been doubled. A Kettle Moraine high school student now pays \$300 to participate in a high school sport. This is the highest fee in Waukesha County and is in sharp contrast to the \$65 that is paid by a PEASD student.

PEASD students have provided emotional testimony about their desire to participate in extracurricular opportunities. The KMSD currently serves 1,400 students, making competition for spots or seats on athletic teams much more rigorous and challenging. While a PEASD student may have the talent to make a team roster, secure a role in a play or musical, or serve in a leadership role of a club, they would not have the same opportunity to participate they currently enjoy. They would have to meet a higher expectation of expertise or performance. In addition, some of the programs and clubs of high interest in PEASD, such as agriculture and Future Farmers of America, are not offered in KMSD. While they serve as a point of pride to the PEASD community, these are programs and clubs that have been eliminated from KMSD for over two decades.

As mentioned earlier when discussing the geography challenges, the distance between school and home will have a negative impact on the opportunity for students to participate in after school activities or even to socialize with peers from communities far north of their homes.

Palmyra-Eagle School District Dissolution Process and Its Impact on the Kettle Moraine School District

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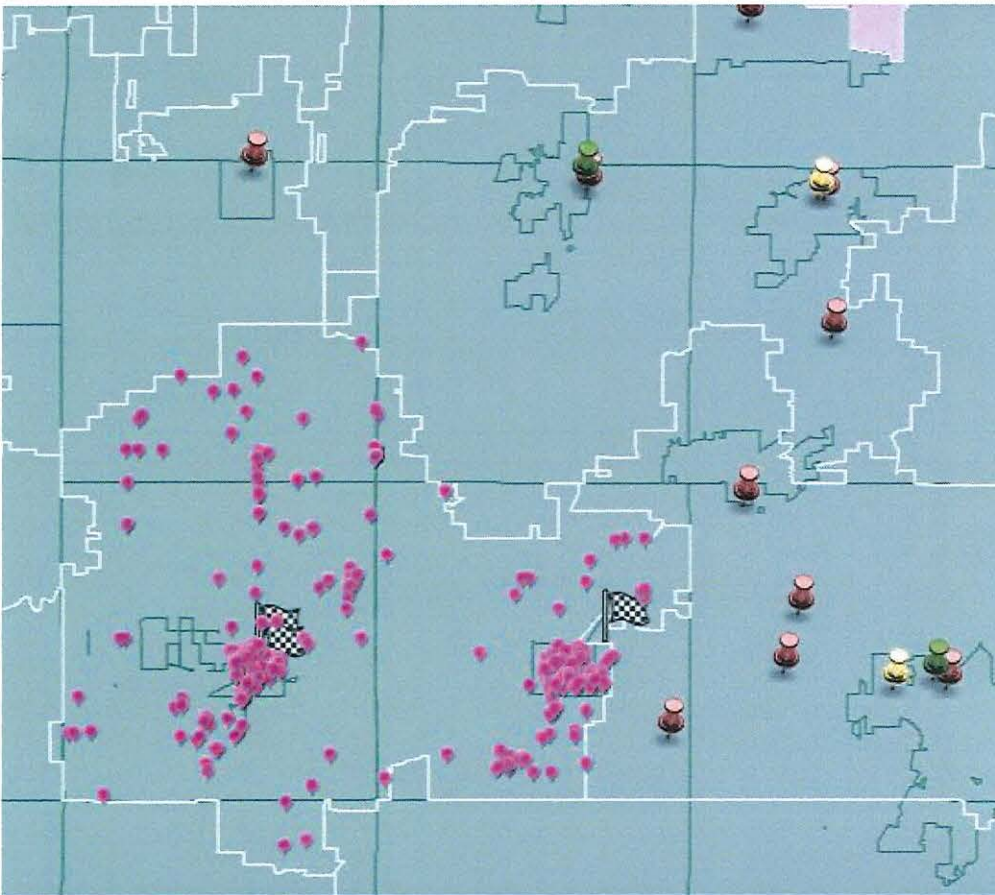


A large packet of materials was given to SPBAB members by the district. Those materials have not been scanned

Educational Impact

Geography Challenges

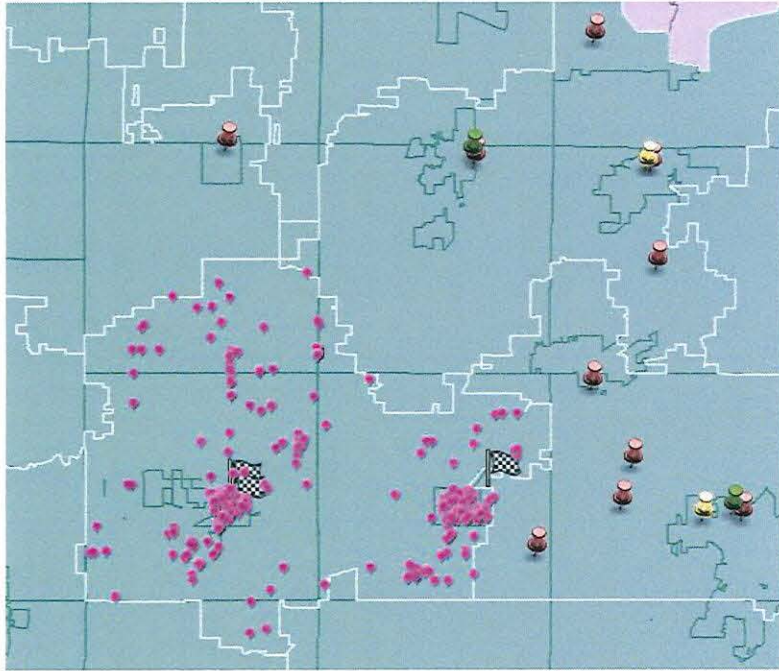
- Long, expensive bus routes
- Least populated area
- Southern Unit of the Kettle Moraine State Forest, marked with marshland



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Contiguous Border Area Challenges



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Student Demographics

Palmyra Eagle Area SD

American Indian or Alaskan Native	0.1%
Asian	0.0%
Black or African American	1.0%
Hispanic/Latino	12.2%
White	85.0%
Two or more races	1.6%
Students with Disabilities	15.6%
English Learners	2.9%
Economically Disadvantaged	31.5%

Kettle Moraine SD

American Indian or Alaskan Native	0.2%
Asian	1.3%
Black or African American	0.7%
Hispanic/Latino	5.7%
White	89.1%
Two or more races	3.0%
Students with Disabilities	11.8%
English Learners	0.7%
Economically Disadvantaged	13.0%

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Educational Needs/Programs

- KM resources are already stretched thin - 2017 WI Taxpayer Alliance
 - Whitewater = 13.7 Students per Teacher
 - KM = 17.3 Students per Teacher
 - 38 additional staff cuts since these numbers released
- KM currently has need for increased FTE in social work, guidance counselors, library media and ELL staff
- PEASD demographics would likely only increase that need

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Adverse Effects, including extracurriculars

- KMSD just doubled fees for athletics and activities - highest in Waukesha Co. (\$300 to participate in high school sports vs. \$65 at PEASD)
- Competitive challenge to “make the team”
- Distance between school and home has negative impact on opportunity to participate in after school activities
- KM eliminated the agriculture/FFA offerings more than two decades ago
- Without successful referendum, all athletics and activities are in jeopardy

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Financial Impact

<u>District</u>	<u>2019-20</u>
Elmbrook	\$11,844
New Berlin	\$11,480
Menomonee Falls	\$11,251
Hamilton	\$10,871
Pewaukee	\$10,623
Waukesha County Avg.	\$10,569
Oconomowoc	\$10,324
Muskego	\$10,261
Arrowhead/K-8s	\$10,230
Kettle Moraine	\$10,158
Waukesha	\$10,004
Mukwonago	\$ 9,775

Is per-student
funding equal?

NO

Look at the
differences within
Waukesha County

#KMKind

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**Over 27 years, Kettle Moraine
School District has received**

\$162 million less

than others in Waukesha County

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Slowly Chipping Away To Balance Budget

- Reductions every year since 2006-07
- **\$17.1 million** in cuts
- **\$1,221,000** per year, on average
- Annual average cut of **2.32%**
- **28% of our budget**

**\$17.1 Million in
Reductions**

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No Cuts Left To Sustain Excellence

2006-07 - Increased Class Sizes

2007-08 - Made Health Insurance Changes

2008-09 - Increased Class Sizes, Eliminated Programs

2009-10 - Increased Class Sizes, Eliminated Programs

2010-11 - Increased Enrollment through addition of 4K

2011-12 - Employee Contributions to Benefits

2012-13 - Insurance Change, Retirement Benefits Eliminated

2013-14 - Health Insurance Redesign

2014-15 - Capital ref., Insurance Redesign, Fee increase

2015-16 - Technology Parent Partnership

2016-17 - Health Insurance Change

2017-18 - Health Insurance Change

2018-19 - Health Insurance Change, Reduced 22 FTE

2019-20 - Reduction of 16 FTE, Eliminated Programming

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Failed April 2019 Referendum Led to \$1.9M In Difficult Cuts

The Kettle Moraine School District is considering \$1.9 million in reductions to balance its budget

Allen Johnson, Milwaukee Journal Sentinel | Published 7:29 a.m. CT April 23, 2019 | Updated 10:14 a.m. CT April 23, 2019

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The Kettle Moraine School Board will consider \$1.9 million in reductions to balance its 2019-20 budget at its April 23 meeting. (Photo: Allen Johnson / Journal Sentinel News Service Group)

Consolidated and reconfigured schools, fewer teachers, fewer foreign language classes and less music instruction all could become realities for students and their families in the Kettle Moraine School District next year.

After a nearly \$6 million referendum failed this spring, the district is facing the necessity of trimming \$1.9 million to balance its budget for the 2019-20 school year.

Members of the KM School Board talked about the potential reductions April 23, a meeting also attended by many community members, some of whom voiced their opinions on the possible cuts.

"They were all very professional, very respectful," said School Board Vice President Gary Vose in an April 24 telephone interview. "The comments were very heartfelt. I appreciated that we had the turnout that we did, and that the people of our district conducted themselves the way that they did."

Balancing School Budgets Via Referendum Has Become Routine. What Happens When Voters Say No?

By EMILY FILES • JUN 17, 2019


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Following an election in which voters rejected an increase in school property taxes, the Kettle Moraine School District is cutting middle school foreign language options like Erika Clow's seventh grade German class.

Kettle Moraine referendum voted down

Allen Johnson, Milwaukee Journal Sentinel | Published 9:10 p.m. CT April 23, 2019 | Updated 12:16 a.m. CT April 23, 2019



12 Photos

Photos: Brian Hagedorn and Lisa Neubauer
Candidates for Wisconsin State Representative

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Kettle Moraine School District voters turned down a proposed \$5.975 million referendum April 23.

Results show that the referendum failed 4,310 (52.1%) to 3,955 (47.9%).

The referendum would have given the district \$5.975 million each year for five years starting in the 2019-20 school year to maintain current staff and programming. It would not have funded facility projects.

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April 2020 Operational Referendum Is A Must-Pass Situation.

Adding non-voter
approved debt

as a result of the PEASD dissolution
would be impossible to overcome

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Financial Impact of Assigning Students to KMSD

Revenue Impacts

- ** Declining Enrollment Exemption
- ** Hold Harmless Exemption
- ** Open Enrollment Revenue

Expense Impacts

- ** Increased Transportation Costs
- ** Increased staffing costs
- ** Increased Debt

Net impact of ADDING students REDUCES revenue for KMSD and INCREASES expenses accelerating KMSD financial challenges. **KMSD currently has a projected \$1.7 million deficit for FY 20-21. Adding 100 Palmyra-Eagle resident students could increase that deficit to \$3.3 million.**

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**Kettle Moraine is
not in a position to
consider
participating in a
dissolution**

- \$17 Million in reductions since 2006
- Failed operating referendum in April 2018
- Least populated border
- Board resolution - KMSD cannot absorb PEASD territory

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Thank you