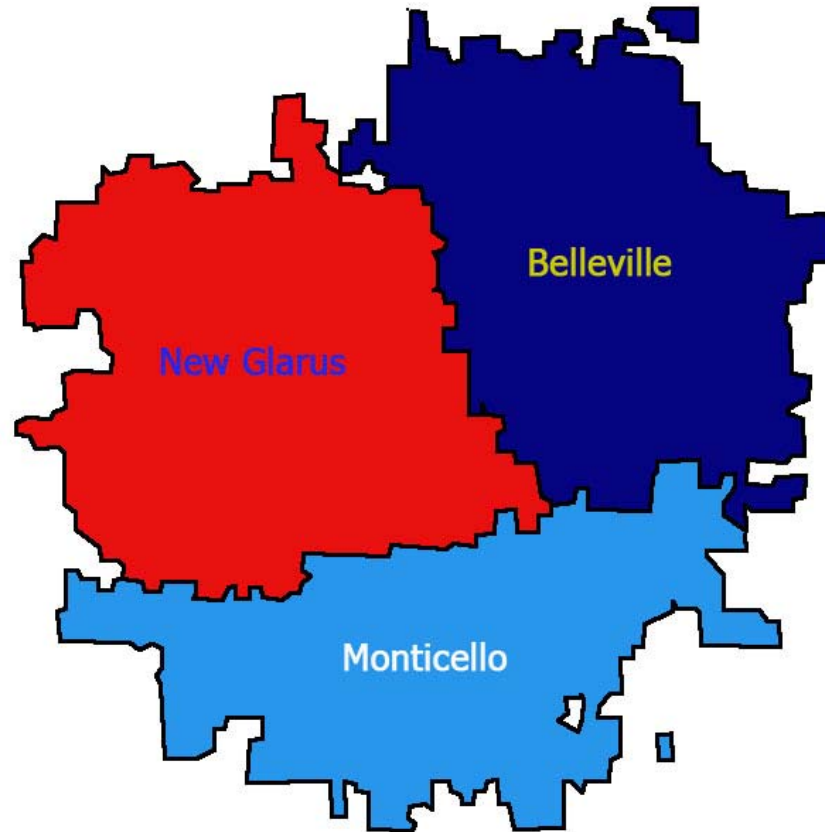


A New BMNG School District?

The Fiscal Impacts of Consolidating Belleville, Monticello, and New Glarus



Background

- 2007-09 state budget allocated \$250,000 to study consolidations
- Belleville, Monticello, New Glarus (BMNG) approached WISTAX
- Limited funds (\$10,000 per study) – study fiscal implications

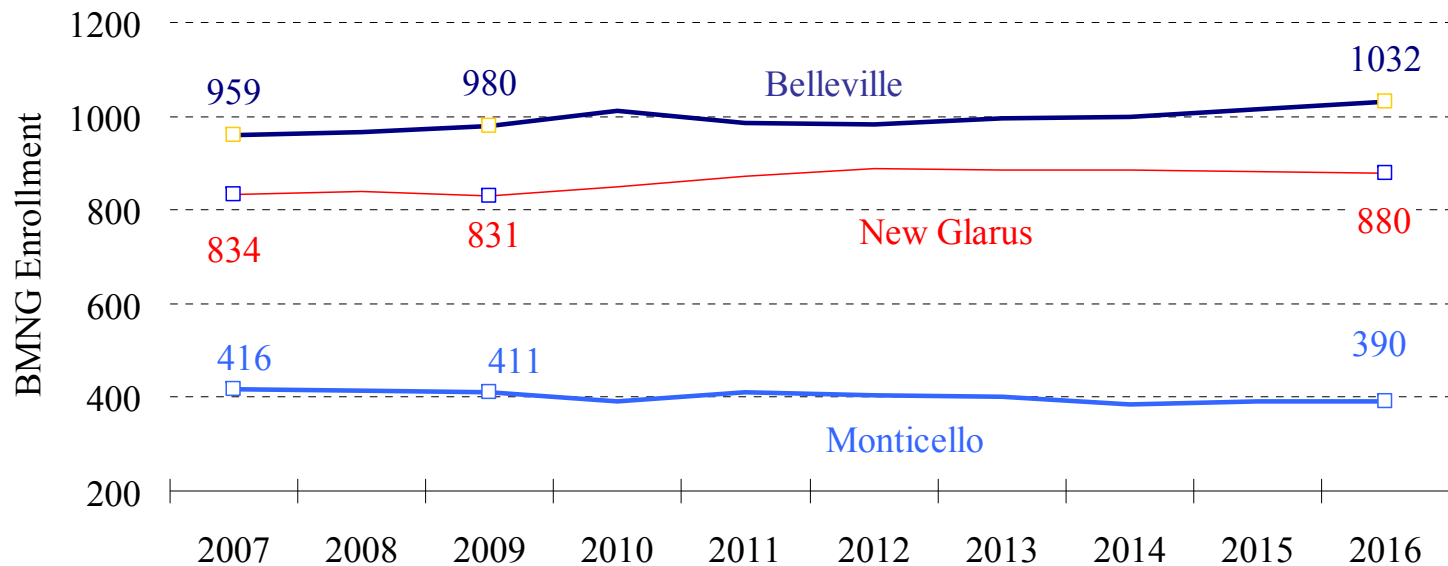


Unique situation

- Consolidation talk typically occurs in small, declining enrollment districts
- While Monticello's enrollments are declining, Belleville and New Glarus have stable to growing student counts
- Question: Would districts benefit financially from consolidation?
- What if they built a regional high school?

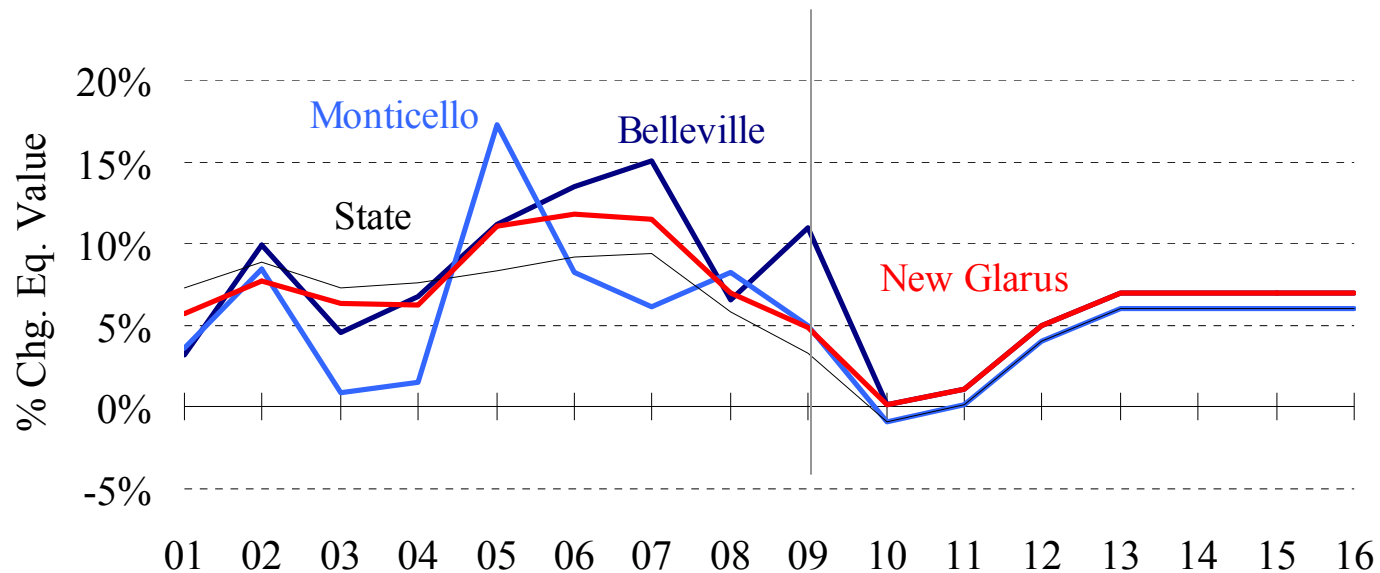
Assumptions - Enrollments

- State: up 1.4% over 7 years (through 2015-16)
- Belleville: rise from 980 to 1,032 (5.3%)
- Monticello: decline from 411 to 390 (-5.1%)
- New Glarus: rise from 831 to 856 (3.0%)



Assumptions – Equalized Values

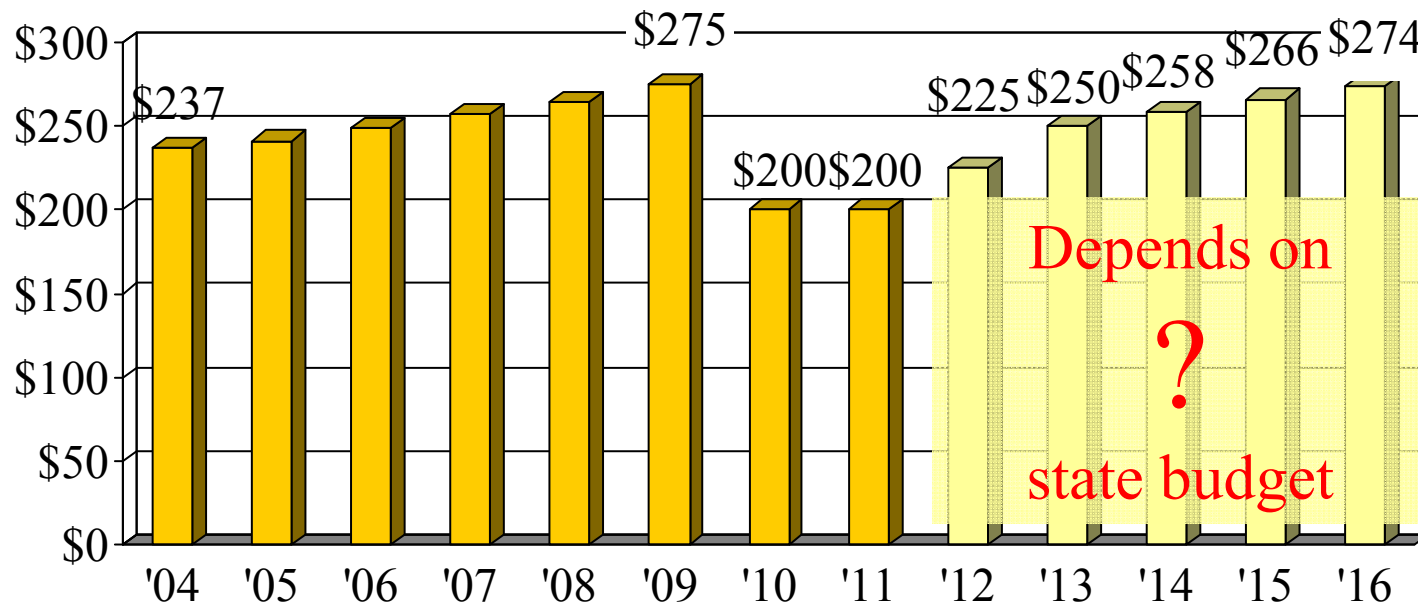
- Value changes fluctuate widely
- B, NG growth forecasted slightly above state avg.; M at state norm
- Real estate market is hard to predict



Assumptions – Revenue Limits I

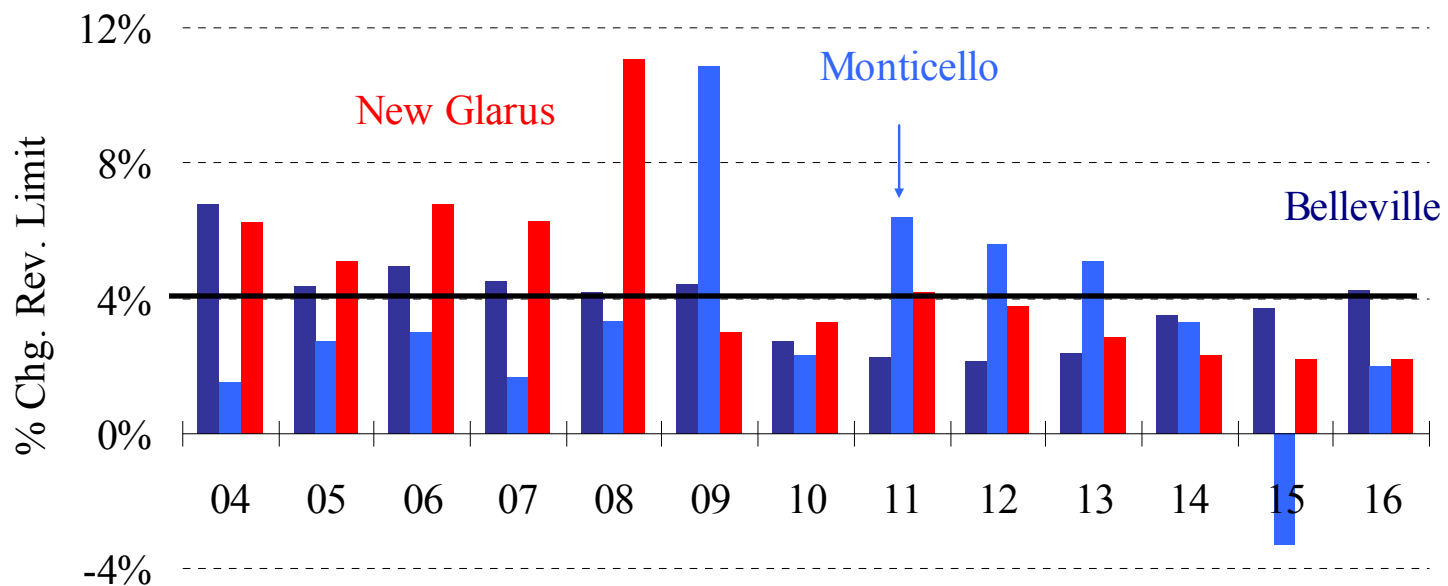
- 2008-09 per student increase = \$275
- State rev's down → limit school increases to \$200 for next two years
- Subsequent increases depend on 2011 “state of the state”

Allowable Per Student Increases



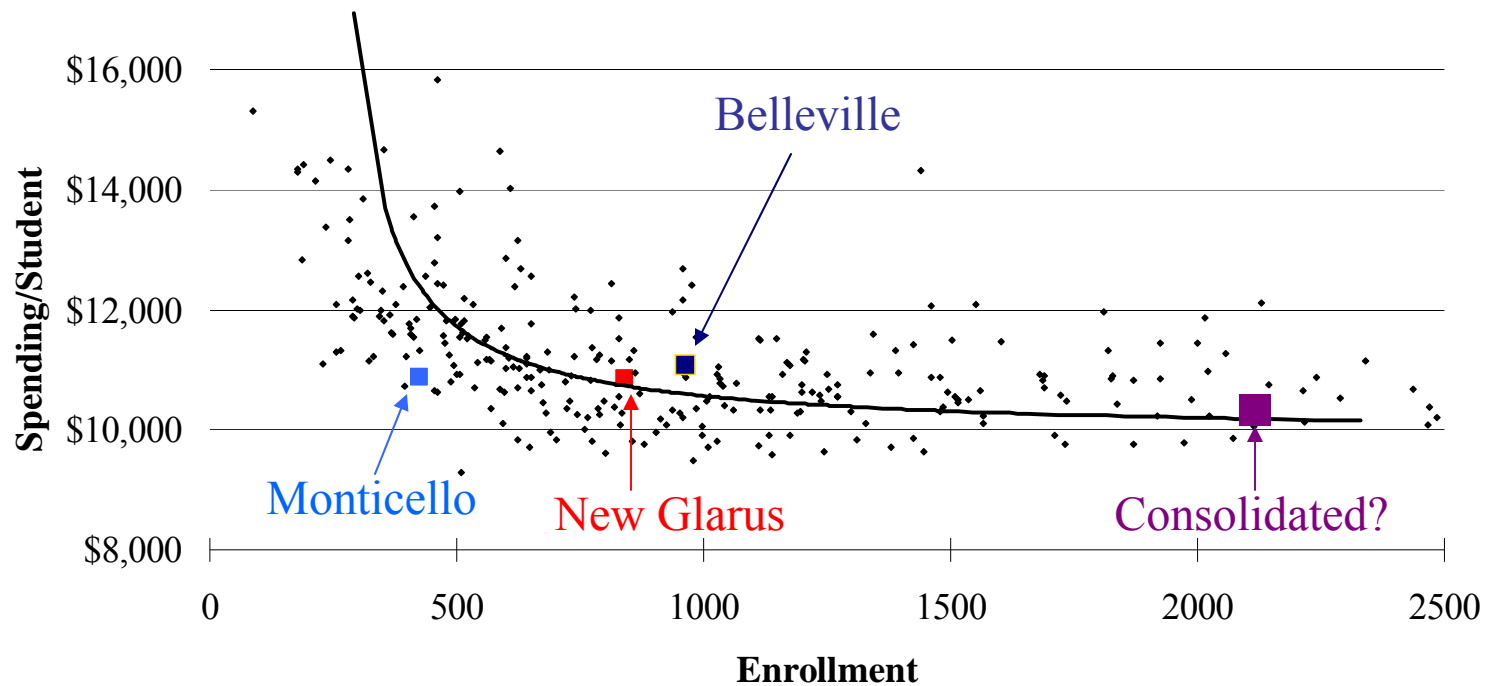
Assumptions – Revenue Limits II

- Assume cost to continue is 4%
- Monticello referendum keeps growth above 4% temporarily
- Next two years, \$200 per student increases; down from \$275



Issues: Scale Economies I

- Examining district spending shows likely savings of 5%-7%



Issues: Scale Economies II

- Average staffing of similar-sized districts is less than current BMNG staffing

	<u>Admin.</u>	<u>Lib.</u>	<u>Teach.</u>	<u>Special-</u>	<u>Other</u>	<u>Supp.</u>	<u>Total</u>
BMNG	11.2	2.8	156.4	18.8	3.1	76.3	268.5
Avg. of Sim. Dist's	9.7	2.2	149.5	14.5	0.6	74.8	255.3
Difference	-1.5	-0.6	-6.9	-4.3	-2.5	-1.5	-13.2

What Do 5% Economies Mean?

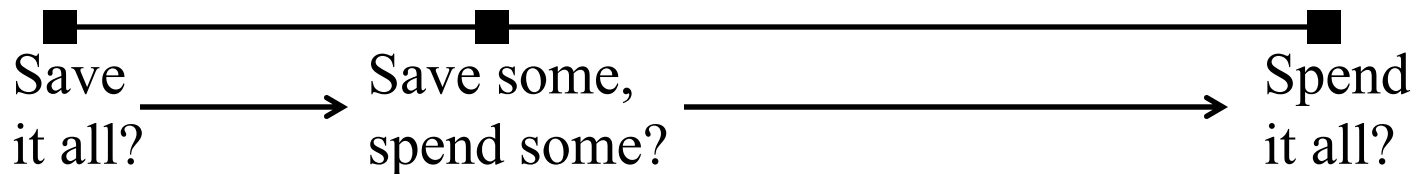
- BMNG has a combined revenue limit of \$22.8 million in 2010 (Monticello's non-recurring ref. amt. is voided)
- With scale economies, BMNG can:
 - spend \$775,000 below revenue limit in first year
 - fully fund 4% cost to continue for next 7 yrs.; and
 - put aside \$2.4 million.

Consolidation Incentives I

- State bumps aid factors 15%
- Five years
- Incentives are outside revenue limits
- Estimated incentives average \$2.4 million/year (\$12.1 million over 5 years)
- Total of consolidation incentives and scale economies: \$14.5 million over seven years

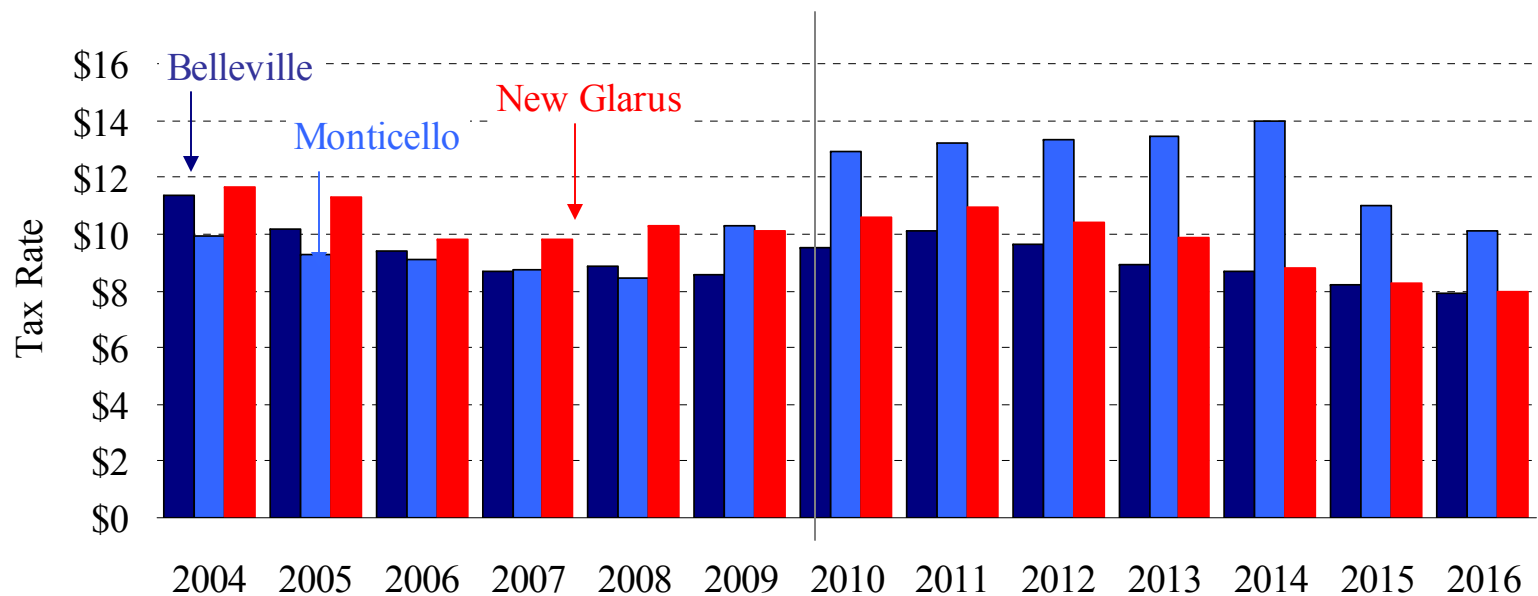
Consolidation Incentives II

- Total incentive (\$12.1 million) is about 53% of consolidated revenue limit (\$22.8 million)
- Save it all – create endowment?
- Spend a portion (earnings or earnings and some principal) – new programs, reduced property taxes, new buildings?
- Spend it all



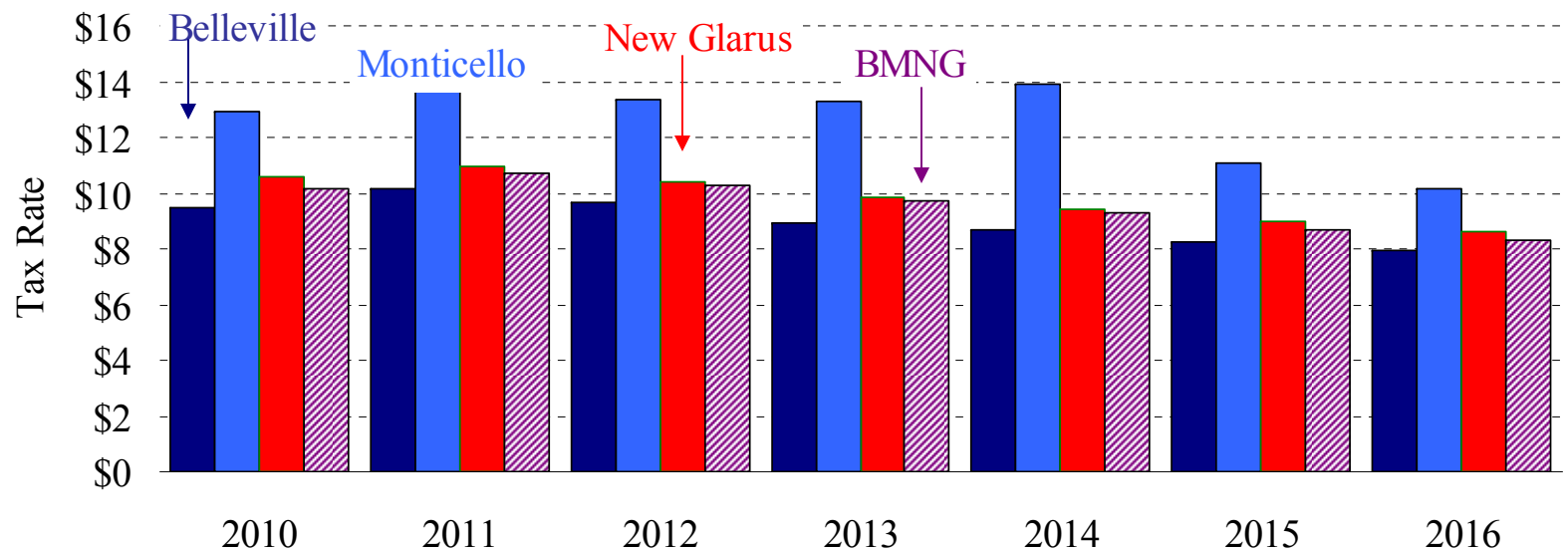
No Consolidation: Tax Rates

- Rates depend mostly on prop. values and state aid
- Monticello's rate higher due to referendum



Consolidation: Tax Rates

- Monticello's referendum rescinded upon merger
- BMNG tax rate is an average of the three districts



Facilities I

- Both Belleville and New Glarus indicate they may need facilities in the near future (depending on enrollment growth)
- In Belleville, each \$10 million of building costs adds \$1.00 to \$1.50 per \$1,000 to the tax bill
- In New Glarus, each \$10 million of building costs adds \$1.10 to \$1.75 per \$1,000 to the tax bill

Facilities II

- Could BMNG get by with current facilities?
- New centrally-located high school?
- Each \$10 million in facilities costs adds \$0.50 to \$0.75 to the property tax rate (broader tax base)
- \$50 million in building costs: \$4 million annual principal/interest payment and \$2 to \$3 to tax rate (unless incentive \$ used to buy down)

Other Concerns: OPEB Liabilities

- The districts have different post-employment benefit liabilities:
 - Belleville: \$5,900,000 (\$295,000 req. contribution)
 - Monticello: \$1,053,000 (\$100,831 req. contribution)
 - New Glarus: \$600,000
- These become liabilities of the joint district; required contribution paid out of general funds.

Summary

- Revenue cap tightening will squeeze budgets for at least next two years
- Consolidation allows for scale economy savings and nearly \$13 million in additional state aid
- For Belleville and New Glarus, consolidation reduces tax cost of building (per \$1 million of borrowing)



Wisconsin Taxpayers Alliance: 77 Years of
Nonpartisan Research and Citizen Education

www.wistax.org

