

## ***2011–2013 State Budget Implications: An AFE Series***

### **PART 1** **Wisconsin Budget 2011–2013 Overview**

#### **State Funding of Education**

The state funds public education in several ways. The primary ways are:

- The **state-imposed revenue cap**, which annually places an upper limit on spending allowed by each local school district.
- Unrelated to the cap, the state sets an amount of **state funding or aid** provided for each school district. Any money not provided by state aid must be funded through the local property tax levy. Up to this point, the local school district has had the right to set the tax levy at whatever rate is needed to fund the budget up to the level of the state-imposed revenue cap.
- Previously, state law mandated that wages, benefits and other employment conditions be **collectively bargained** at the local level. This has prevented employers, e.g. the Whitefish Bay school district, from changing wage scales, retirement plans, health insurance carriers and plans, and other cost items without the agreement of the local union.

In the past, state budgets have been balanced through the use of taxation or windfalls such as the state tobacco settlement, the medical malpractice fund and the federal stimulus plan. However, these revenue options are not available at this time.

#### **Balancing State Budget – Proposed Budget Cuts**

The Wisconsin Constitution requires that the state pass a balanced budget and Governor Walker has vowed to not raise taxes. Based on the state revenue projections for 2011–2013, the state budget must cut \$3.6 billion as compared with the previous biennial budget. To achieve that, many state funded programs will be reduced, including the total amount of school aid. This will drastically reduce the amount of state funding provided to school districts by 8% for a total of \$900 million.

If the state budget passes as drafted, local school districts will have to figure out how to respond. For better or worse, the budget cuts will be a reality and how to deal with that reality will be decided locally. The future of our schools, students, teachers, administration, staff and our communities as a whole will lie in local hands.

## **The Budget Repair Bill**

Governor Walker signed the Budget Repair Bill after it was passed by Wisconsin lawmakers. However, the law has not yet gone into effect and a judge in Madison last week ruled that the law will not go into effect, at least temporarily, because of concerns over the process used to pass the law. The law currently includes these features:

- The law repeals most collective bargaining for public employee unions. The law restricts collective bargaining to wages and eliminates collective bargaining on issues such as benefits and working conditions. Further, the law limits wage increases to the rate of inflation, unless voters approve a larger increase by referendum.
- The law requires most state workers to contribute 5.8% of their salary to pensions and to pay 12.6% of the average cost of annual health insurance premiums.
- The law requires collective bargaining units to take annual votes to maintain certification as a union. The law prohibits employers from collecting union dues and under the law members of collective bargaining units are not required to pay dues.

Regardless of one's opinions about unions, budgets, and the role of government, the elimination of most public union collective bargaining issues is a "sea change" in Wisconsin, which understandably feels like an enormous threat to unions and individual union members.

## **What This Means for the Whitefish Bay School District**

The proposed state budget cuts mean:

- Whitefish Bay's revenue cap will be reduced by 5.5%, a cost reduction of \$638 per pupil as compared to last year. This translates into an approximate \$2million dollar reduction in the overall district budget.
- Local property taxes have been frozen. Even if Whitefish Bay residents were willing to make up the aid shortfall with a property tax increase, the budget prohibits such an increase without a local referendum.
- Approximately \$24 million or 80% of the Whitefish Bay School District's budget is spent on salaries and benefits.
- To significantly cut costs, a district may decrease the number of employees, decrease the cost per employee, or some combination of both. However, reducing the number of employees would mean job losses and the Governor, the Whitefish Bay District Administrator and the School Board President have all said they do not want to cut jobs.
- The Whitefish Bay School District, through the School Board and administration, will have the obligation and the power to cut the necessary \$2 million through any number of means.

- Preliminary projections show that almost \$800,000 savings will be realized through employee contributions to the pension plan. This money will be “saved” by employees contributing 5.8% of their wages towards their pension, a figure which will come out of the employees’ paychecks.
- In addition, the School District will now have the opportunity to shop for a health insurance plan that would offer a reduction in costs to the district. The District can realize significant savings by reducing the cost of the health plan and/or by increasing employees’ contributions to the premiums. At this time, the district is researching options and a number has not been made public regarding the potential health insurance savings.
- Other changes presented by the budget repair bill legislation include local, individualized decision making on issues of hiring, firing, seniority, class assignments, calendar, and other factors which were previously changeable only with union agreement. For some, this change represents local control and the opportunity to do what is best for the whole without the need to bargain each point. For others, this represents a threat to the security the traditional union rules provided.

However one feels about these issues, it is important for all people to be informed, thoughtful and respectful of a variety of opinions and to advocate articulately for those views they support.