

SCHOOL DISTRICT OF BENTON



APRIL 3, 2018 REFERENDUM

QUESTIONS & ANSWERS

Q. Why is the District having a referendum at this time?

A. The District's 2015 referendum provided revenue to pay operating expenses for three budget years. This 2017-18 budget year was the final year. The District must ask voters permission for this revenue beginning with the 2018-19 budget year.

Q. Is the 2018 referendum the same as the District's other referendums?

A. The 2018 referendum is the same kind of referendum (operational referendum) like the 2006, 2009, 2012 and 2015 referendums which asked voters permission to exceed the "revenue limit" to pay operating expenses. The 2018 referendum is different because a portion is "recurring" (on-going) and a portion is "non-recurring" (expires after 4 budget years).

Q. Why is \$300,000 of the referendum "recurring"?

A. For the past nine years, the District's referendums have provided at least \$300,000 of revenue for the operating budget. Therefore, based on Benton's operating experience, and experience with the revenue limit law, the \$300,000 is needed on an on-going basis. A "recurring" referendum would allow \$300,000 to be included once in the base of the revenue limit calculation and remain on-going to meet the District's operating expenses.

Q. Why does the referendum question have an additional amount for four years?

A. Benton's enrollment is projected to decline over the next three years. The revenue limit calculation, which determines how much revenue the District is allowed, is based on enrollment. The additional amounts will be added as the revenue limit declines. Because the additional amounts are specified for four budget years, they are called "non-recurring" and will expire after the four years.

Q. Why are there different dollar amounts stated for the additional portion for the next four years?

A. As the revenue limit declines each year, due to decline in enrollment, the additional amounts increase. The net effect produces a stable amount of revenue for the District.

Q. What will the revenue from the referendum do for the District?

A. The revenue will allow the District to maintain the current level of operations and to address rising costs associated with salaries, insurance, transportation, building maintenance, curriculum improvements, technology and security needs.

Q. Why is the 2018 referendum for four years instead of three years like prior referendums?

A. This year, new legislation has been adopted limiting school district referendums to only regular election dates. Also, special elections are no longer allowed. In even numbered years, school districts can go to referendum twice. In odd numbered years, school districts can go to referendum once. A four-year referendum will expire in an even numbered year and provide the District with two opportunities, if needed. It also coincides with the State's biennial budget process which includes any legislative changes to the laws governing school districts' funding formulas.

Q. How can predictions be made for four years?

A. Predictions for the District's enrollment are based on the student count, by grade, currently in school and census data. Revenue limit projections are prepared using the worksheet provided by the Wisconsin Department of Public Instruction that uses the district's enrollment, and current law, to arrive at the amount of revenue a district is allowed for each budget year. Enrollment projections are always subject to change. Revenue limit projections are always subject to legislative changes.

Q. What if enrollment projections or the revenue limit projections change and the District does not need all of the revenue approved by the referendum?

A. The referendum gives the School Board "authority" to tax for the amounts stated in the question. As part of each year's budget process, the revenue limit worksheet is prepared, using the district's actual enrollment for that year, to determine how much revenue is allowed. At that time, the School Board considers the amount of revenue from the referendum authority needed to meet operating expenses for that budget year. The School Board can choose not to use the referendum authority if enrollment increases and the revenue limit calculation provides the revenue needed.

Q. Why can't the District use fund balance instead of going to referendum?

A. Fund balance is not like a "savings account" whereby money stays in an account and only used if a withdrawal is made to pay a bill. Fund balance is a working account that is used daily to pay the District's operating expenses when other revenues, like property taxes, state and federal aid, have not been received. It behaves like a school district's internal line of credit. If a school district does not have enough fund balance to cover its operating expenses, the district will need to do short-term borrowing to pay its expenses. Short-term borrowing is repaid, with interest, when the district does receive its revenue. One primary purpose of Benton School District's first operational referendum held in 2006 was to rebuild the fund balance, along with a commitment to the community to sustain the fund balance. In 2006, the Benton School District was required to do cash flow borrowing up to 12 times within a school year. For the last nine years, Benton School District has not cash flow borrowed, and has kept its' promise of sustaining a strong financial position. In addition, if the District did use fund balance instead of going to referendum, besides having the additional costs associated with cash flow borrowing, the entire fund balance would be depleted by the second year, jeopardizing the future of the District's existence.

Q. If the Benton School District would dissolve, does that mean I don't have to pay school taxes?

A. No. If the Benton School Board takes action to dissolve the District, decisions are made by a special State board regarding the school district students attend and what school district property owners will be a part of. Tax bills will always include taxes paid to a school district.

Q. What happens to my tax bill if Benton School District consolidates with another school district?

A. The process of consolidation is a very long process. It requires two school districts to pass referendums approving the consolidation. If that occurs, a new school board is established to make the decisions about the new consolidated district, including curriculum, staffing, facilities, debt, and the amount of revenue needed to pay the expenses of the new school district, which is the "tax levy." The tax levy includes both operating and debt service expenses and is spread on the tax base of all property in the school district. An extensive study of all the matters involved with consolidation would have to be done to determine what the financial impact could be to the taxpayers of both districts. Benton School District currently has a sound fund balance, continuously maintains its' school building facilities, and will be debt free after two more budget years.

Q. How will my tax bill be impacted by the 2018 referendum?

A. 1. The \$300,000 recurring portion will replace the expiring 2015 referendum amount and will not increase or decrease taxes. This is referred to as "levy neutral."

2. The 4-year non-recurring portion will result in a tax increase the first two years, and when the amounts increase in the third and fourth years and the building debt is paid off, taxes will decline. In addition, during the four years, the revenue limit is projected to decline, which prevents the District from taxing for the revenue. A mill rate is prepared for each year of the 4-year non-recurring portion compared to the 2017-18 budget (Dec 2017 tax bill) and is shown below.

Tax Impact for the \$300,000 recurring portion is "levy neutral" – no increase or decrease

Tax impact for the non-recurring portion is shown below as a mill rate per \$1,000 of equalized value.

Tax Bill	Est. Mill Rate	
<u>Impacted</u>	<u>Non-Recurring</u>	<u>Per \$1,000</u>
	<u>Amount</u>	<u>Equalized Value</u>
Dec 2018	\$150,000	\$1.40
Dec 2019	\$225,000	\$0.75
Dec 2020	\$370,000	(\$2.85)*
Dec 2021	\$370,000	(\$2.18)*

*Includes tax decrease from building referendum being paid off

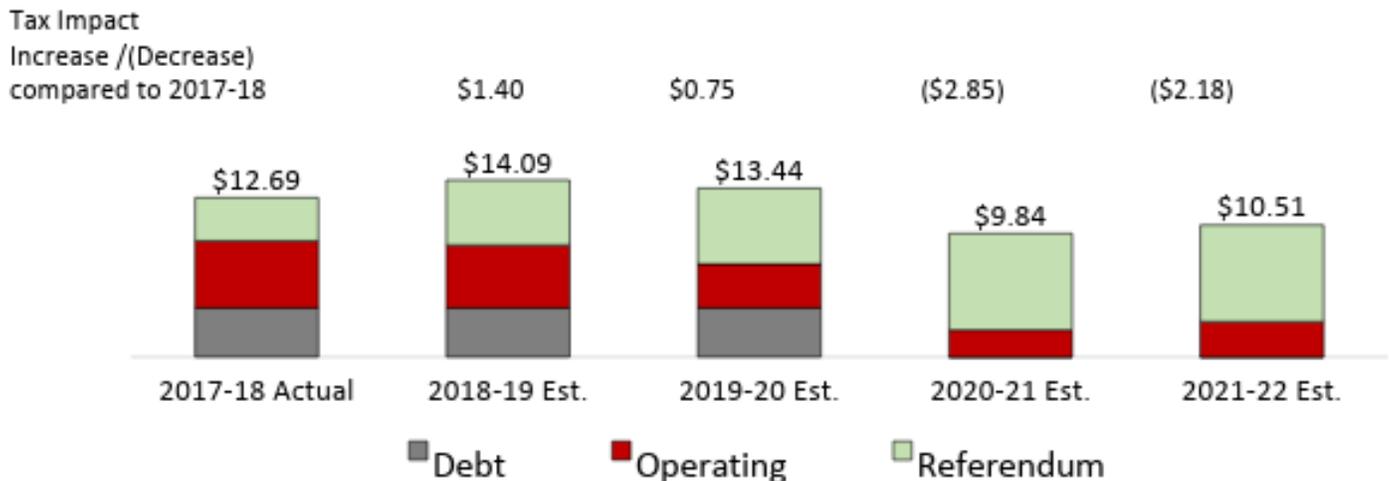
Example: Tax increase or decrease compared to the 2017-18 budget (Dec 2017 tax bill):

Property Value X Mill Rate (Per \$1,000) = tax increase or decrease

\$100,000	X \$1.40	= \$140 increase
\$100,000	X \$0.75	= \$ 75 increase
\$100,000	X \$(2.85)	= \$285 decrease
\$100,000	X \$(2.18)	= \$218 decrease

The mill rate shown for the 2018 referendum does not include the mill rate for the Benton School District's entire budget which appears on the tax bill. For budget year 2017-18, the mill rate for the entire budget was \$12.69 per \$1,000.

Using the 2017-18 budget information as the base for this demonstration, the graph below shows how the 2018 referendum is included in future operating budgets and the existing building debt is removed from future budgets.



Q. How can the referendum question dollar amounts increase and the tax impact decrease over those four years?

A. There are three reasons: 1. The projected revenue limit decreases due to declining enrollment and prevents the District from taxing for the revenue. The law requires the District to ask voter permission to restore the revenue that is lost in the calculation. 2. The building debt is paid off after two budget years, and the District can no longer include that amount in tax bills. 3. The District will receive state aid for any additional revenue authorized by the referendum, which is received in the following school year. The District will also lose state aid when the building debt is no longer included in the tax bill. The 2018 referendum amount will receive aid at that time and minimize the impact of that loss.

Q. If the Benton School District receives more state aid, does that mean the District has more revenue?

A. No. The revenue limit controls how much revenue a school district is allowed. State aid is determined each year under a State formula that includes the district's expenses (operating and debt), enrollment and property valuation. The State notifies the School District of how much of the revenue is coming from the State and the remainder comes from local property taxes. State aid is used for property tax relief and not as additional revenue for a school district. If a district receives less aid, taxes go up. If a district receives more aid, taxes go down. Neither scenario gives the district more revenue.

Q. What happens if the 2018 referendum does not pass?

A. Because the 2015 referendum has expired, the District will not have \$300,000 in revenue to pay next school year's expenses without voter approval. The School Board would have one more opportunity to go back to referendum in either August or November of 2018 with another operational referendum. The only other options available to the District would include reducing expenses through budget cuts, depleting fund balance, or both.