

Qualified Economic Offer (QEO) and Revenue Limits

What is the QEO?

The QEO (Qualified Economic Offer) is a means by which a school district can offer its teachers union a salary and benefit package that settles all economic issues and precludes binding arbitration. Arbitration would still be available to resolve non-economic issues or if a district chooses not to offer a QEO. The intended purpose of the QEO, in general, is to provide school boards assistance in dealing with state imposed revenue limits. It grants them the authority to control the rate of increase for the largest portion of their total staffing costs.

The law is often thought of as a maximum 3.8% total package increase with a 2.1% salary and a 1.7% benefit component. It is not quite that simple. It has always been the case that benefit increases of over 1.7% could have resulted in the salary increase being reduced until a 3.8% total package increase was attained. However, if the benefit increase was less than 1.7%, there was no requirement to increase the salary or reach a 3.8% total. That changed with Act 237 and, beginning July 1, 1999 and later, savings from fringe benefits have to be added back to the 2.1% salary increase minimum until a 3.8% total package increase is attained.

This means that any savings that might be gained by shifting to a lower cost health care plan does not go to the school district, but directly to the pockets of the teachers in the form of additional salary.

What are revenue limits?

In 1993 in an effort to control property taxes the state enacted revenue limits that cap the amount a school district can collect from property taxes. Every year the state establishes how much each district can increase its spending per student. For the 2007-08 year this was \$264.18 or a 2.8% increase from 2006-07. This amount is added to the allowed amount to be spent in the previous year and is then factored by the average number of students over the last three years. This calculation establishes the new amount that can be levied by the district for the next year.

The total Waukesha school district budget for 2006-07 was about \$165M. The operational portion is about \$130M. About 90% of the operational portion of the budget is covered under revenue caps.

What is the impact to Waukesha?

Since salaries and benefits make up over 80% of the budget for the district, the impact of 3.8% annual cost growth driven by the QEO as well as increased costs for energy and transportation has outstripped the state allowed revenue increases by over \$3M per year. This means that that the school district needs to cut spending every year. Over the last six years the district has cut over \$9.8M and is scheduled to cut an additional \$3.4M for the 2007-08 school year. An additional \$3-4M will need to be cut for 2008-09.

The results of these cuts mean teacher and central office layoffs, and the reduction of programs such as elementary music education.

Overall these laws have hamstrung the school boards ability to address the issues. The board cannot raise taxes anymore and cannot effectively manage teachers' salaries and benefits without going to arbitration.