

FY07 Appropriation

Following several years of heated debates between the Wachusett Regional School District Committee and Member Town Selectboard and Finance/Advisory Board members, and the *FY06 Appropriation* being approved by Member Towns in October 2005, the Superintendent and School Committee committed themselves to a different process and, hopefully, a different result. The Superintendent and his administrative staff met with principals to determine the needs of the schools, including instructional support, technology, and building and grounds projects.

The Superintendent, his administrative staff, and the School Committee held a Budget Retreat in January 2006 to set the tone for the FY07 budget process. The Superintendent explained his approach to the budget process including the following three key components:

- Plan-based;
- Targeted; and
- Transparent.

When developing the initial FY07 budget, the Superintendent considered many factors, including, student enrollment, increased costs for staffing due to collective bargaining and the opening of a new elementary school in Rutland, as well as the increased cost of health insurance. Also taken into consideration was the assessment to Member Towns for debt service.

At the retreat the Committee examined the components of the FY07 Budget, including the assumptions that guided its development. The School Committee and administrative staff worked together to fit the spending plan within the confines of a series of revenue projections that the Administration prepared. The goal was to have the School Committee understand both the District budget and the District priorities as cuts would be made to meet the various revenue projections. It should be noted that this was a preliminary educational activity that did not seek to establish a firm level of funding for FY07, but rather to determine the school Committee's priorities should budget cuts be necessary.

The Superintendent, in collaboration with the Business/Finance Subcommittee of the School Committee, recommended the establishment of a Budget Advisory Task Force comprised of the Business/Finance Subcommittee and representatives from the Member Town Finance/Advisory Committees. The intent of establishing the Task Force was to start communication between and among Member Town representatives and the School Committee at the beginning of the budget process.

Following an initial meeting in late January, the Budget Advisory Task Force met for the second time at the beginning of March. The District had an opportunity to share the current appropriation estimate and to hear from the Member Towns regarding their revenue projections. The appropriation shared with the Member Towns at this Task Force meeting represented an appropriation less than that reviewed at the School Committee Retreat, due primarily by eliminating requests for technology from the high school budget. Many of those purchases will be made from the Building Project funds, which include 66.6% reimbursement from the State.

The Superintendent continued to communicate with representatives from Member Town Selectboards, and Finance/Advisory Committees, as well as Town administrators. In order to reach agreement with the five Member Towns, the Superintendent agreed to recommend a \$500,000 reduction to the proposed *FY07 Appropriation*. The reduction was made based upon a projected surplus in the FY06 budget which would allow for the purchase of *Instructional Support* materials for FY07 from the *FY06 Appropriation*. In addition, the Superintendent recommended to the School Committee that the projection for State Aid (*Chapter 70 Aid and Chapter 71 Regional Transportation Reimbursement*) be increased in order to lower the member Town assessments.

The Wachusett Regional School Committee, pursuant to Massachusetts General Laws, Chapter 71, Section 16B, by a two-thirds majority of all its members shall determine the amounts necessary to be raised to maintain and operate the District schools during each fiscal year and apportion the amounts so determined among the Member Towns. The Treasurer then certifies the amounts so determined via assessment letters to Member Towns within thirty days from the date the School Committee adopts the appropriation budget, which must be at least forty-five days prior to the first annual town meeting.

The Superintendent is pleased to report that the School Committee adopted the *FY07 Appropriation* at the March 27, 2006 School Committee meeting, with several representatives of Member Town Selectboards and Finance/Advisory Committees endorsing the appropriation publicly. The School Committee and Superintendent had achieved the goal of establishing a budget early and seeking and obtaining the support of the Member Towns. The Treasurer certified the amounts via assessment letters to the Member Town Treasurers. The last step in the process is approval at the Annual Town Meetings in each of the Member Towns.

State Budget Process

The Wachusett Regional School District is dependent on revenue from the Commonwealth of Massachusetts. The State budget determines the required minimum spending, *Net School Spending (NSS)*, for the Wachusett Regional School District, which is comprised of *Chapter 70 Aid* and the *Minimum Local Contribution (MLC)* from each Member Town. In addition, the State provides transportation and special education extraordinary cost reimbursements. State law mandates 100% reimbursement for regional transportation for those students residing one and one-half miles or greater from their respective schools and 75% reimbursement for special education extraordinary costs. Both reimbursements are subject to State appropriation, neither of which were fully funded in FY04, FY05, and FY06, nor are fully funded in the *Governor's Proposed House 1 Budget Bill* in FY07.

In late January 2006, Governor Mitt Romney released the *Governor's Proposed House 1 Budget Bill*, which was immediately followed by the Department of Education calculation of the *Foundation Enrollment, Foundation Budget, Net Minimum Contribution, Chapter 70 Aid, and Required Net School Spending* (Appendix 1).

Staffing Summary

Staff allocations to schools are calculated using enrollment projections prepared by *New England School Development Council (NESDEC)*, requirements of special education (student *Individual Education Plans [IEPs]*), and unique individual school building needs. Consideration is given to available revenue, the service requirements of the District, contractual obligations, Department of Education *Time on Learning* requirements, and School Committee graduation requirements. The Superintendent developed ratios to ensure that student/teacher ratios are equitable among schools of the same level for elementary, middle, high school, and K-8 schools

A *Comparative Staffing Summary FY95 – FY07*, which includes a general accounting of staffing changes from FY95 through FY05, provides historical detail of those changes by category and budgeted changes for FY07 (Appendix 2).

Appropriation

The *FY07 Appropriation*, \$63,905,101, is based upon the needs of the District and the priorities of the School Committee. In addition, the School Committee considered the Member Towns' ability to pay. The final *FY07 Appropriation* and assessment to Member Towns includes the use of District revenues from Circuit Breaker (Special Education reimbursement), Medicaid payments, and reimbursement from the Massachusetts School Building Authority for the Modular

Classrooms and Cafeteria (Appendix 3). The *FY07 Appropriation* represents an 7.91% increase from the *FY06 Appropriation* and includes the following changes:

- Increase of \$2,212,184 (6%) in *Salaries*, which represents contractual obligations, increased staffing for the new Glenwood Elementary School in Rutland, and increased staffing due to increased enrollment.
- Increase of \$969,304 (15.6%) in *Benefits & Insurance*, which represents a projected an increase in health insurance rates for existing staff, together with a formula based upon the average health cost per employee for additional staff.
- Decrease of \$126,010 (-4.3%) in *Instructional Support – Regular Education*, which includes the needs of the schools as included in the School Improvement Plans. This appropriation category was originally proposed as a 12.9% increase to fund identified school-based needs. However, purchases were shifted to FY06 when surpluses were identified in order to reduce the *FY07 Appropriation*.
- Increase of \$33,263 (3.9%) in *Tuitions – Other Schools – Regular Education*, representing the anticipated increase in the cost for Charter School Tuition.
- Increase of \$385,779 (25%) in *Heat & Utilities*, which represents a projected increase in energy costs.
- Decrease of \$5,100 (-.7%) in *Building & Grounds*, which represents the reclassification of an expenditure account to a different appropriation category.
- Increase of \$60,932 (13.2%) in *Instructional Support – Special Education*, which includes increases in special education instructional support comparable to the originally budgeted instructional support for regular education.
- Increase of \$86,776 (3%) in *Special Education Tuitions – Other Schools*, which represents the State’s projected increase in tuition rates.
- Increase of \$5,100 (4.7%) in *Fixed Charges* which represents the reclassification of an expenditure account to a fixed costs appropriation category.

- The *FY07 Appropriation* includes \$3,542,400 for transportation, a \$557,280 (18.7%) increase from FY06 due to the increased costs of a new transportation contract and the inclusion of full bussing and late busses for the middle schools and the high school.
- Included in the *FY07 Appropriation* is \$3,345,284, an increase of \$505,143 (17.8%), for debt service for *WRHS Approved Projects*.

The *Expense Allocation Summary* is the allocation of the School Committee appropriation allocated to cost centers by the Superintendent and is prepared based upon the budget process described above (Appendix 4).

The shaded areas are known as non-discretionary funds, those school expenses which executive staff and school principals have agreed will be managed centrally in order to create a shared common burden. The non-shaded areas in the *Expense Allocation Summary* are the discretionary fund accounts, budgeted at the discretion of the school principal with input from the school council.

Enrollments are based on full-time equivalent student enrollment (FTE) per school as projected in December 2004 by the *New England School Development Council* (NESDEC). Allocations for non-teaching staff are determined by need in a negotiated process between the Superintendent and each cost center manager with the final determination being made by the Superintendent, consistent with *Massachusetts General Laws*.

The *FY04 - FY07 Actual and Appropriated Expense Comparisons* (Appendix 5) is a comparative presentation of the appropriation budget changes, which reflects an overall increase of \$4,684,651 (7.91%). The FY07 operating budget of \$57,017,417 is a 6.8% increase to provide educational support services necessary to ensure that all students can participate and succeed in an environment most conducive to learning.

Town Assessments

Non-capital cost Town Assessments are calculated based upon the *School Committee Appropriation* subject to reductions of *Chapter 70 Aid* and anticipated State regional transportation reimbursement using the formula in the Regional Agreement, Section 4. Debt service repayment Town Assessments are calculated in accordance with the Regional Agreement, Section 15, as itemized above. The *Financial History & Preliminary Estimate of Revenues* reports from FY04 through FY06 (Appendices 6, 7, and 8) provide a breakdown of local revenue, State revenue, and a total summary by town of net school and Regional Agreement spending.

For FY07, in order to meet the standards established in January 2006, the School Committee is again seeking additional funds above the *Minimum Local Contribution* of the Member Towns.

Local Revenue

Financial History of Revenues - Local Revenue identifies the breakdown of local revenue (Appendix 6).

Local Revenue – Minimum Local Contribution

Minimum Local Contribution (MLC) is determined by the Department of Education (DOE) using the State's *Foundation Budget Formula* contained in the *Education Reform Act of 1993*. The *Foundation Budget* takes into consideration the Member Towns' ability to support education with the State making up the difference to equalize education for all students in the Commonwealth. MLC is the State's determination of each community's ability to share the cost for the education of the children the Member Towns send to the District.

Local Revenue – Regional Agreement

The Regional Agreement, Section 4, *Method of Appropriating Costs of the Regional School District*, as approved by the Commissioner of Education, establishes the method of assessment required of Member Towns for any appropriations above state spending requirements, based upon the previous year's October 1 enrollment. The proposed *Operations Assessment* includes a need for an additional \$4,441,409 assessment, an increase from the FY06 assessment of \$3,916,718, for the operation of the District and does not include *Transportation* or *WRHS Approved Projects* (debt service).

The transportation portion of the assessment to Member Towns is similarly based on Section 4 of the Regional Agreement, *Method of Appropriating Costs of the Regional School District*. The FY07 transportation budget of \$3,542,400, an increase of \$557,280 from FY06, is due to the increased costs of a new transportation contract and the inclusion of full bussing and late busses for the middle schools and the high school. The transportation calculation, included in the Member Town assessments, is \$1,250,765.

The Regional Agreement, Section 15, *Incurring of Indebtedness*, determines the appropriation for the repayment of debt for capital expenditures, as itemized above.

State Aid Revenue

The *Financial History of Revenues - State Aid Revenue* identifies the State Aid from FY04 (Appendix 7). For FY07 the numbers represent those calculated by the Department of Education (DOE) and the Department of Revenue (DOR) in accordance with the *Governor's Proposed House 1 Budget Bill*. The *Governor's Proposed House 1 Budget Bill* contains the following State funds for the District:

- \$15,868,023 in *Chapter 70 Aid*, an increase of \$1,287,907 from FY06;
- \$2,291,635 in *Chapter 71 Regional Transportation Reimbursement*, a projected increase of \$215,793 from FY06;

The *Financial History of Revenues - Total Revenue by Town* summarizes Appendices 6 and 7 (Appendix 8).

Other Revenue

In order to offset member Town Assessment to make the FY07 Appropriation more affordable, the School Committee has committed revenues from the following:

- *Circuit Breaker/Medicaid* revenues (\$893,660). Circuit Breaker revenues from the State are reimbursed to the District for extraordinary special education costs. In the past Circuit Breaker revenues were not included in the District's operating budget because the State has designed *Circuit Breaker* as funds to be used for the reclassification of extraordinary special education expenditures and are not subject to School Committee appropriation. Likewise, Medicaid reimbursements are also used for the reclassification of specific special education expenditures and are not subject to School Committee appropriation. However, there are balances in the *FY05 Circuit Breaker Revolving Fund* and the *FY05 Medicaid Revolving Fund*. The Department of Revenue has advised school districts that any balance in these funds would be certified as Excess & Deficiency.
- *Modular Reimbursement Assessments #4 and 5* (\$1,989,225). Due to the payment plan agreement executed between the Massachusetts School Building Authority and the Wachusett Regional School District, as well as the confirmation that the modular classrooms and cafeteria would be included as part of the reimbursement for the high school renovation/addition project, the School Committee has committed reimbursement revenues from the State to reduce Member Town assessments.
- *MSBA Reimbursements* (\$637,500). Again due to the payment plan agreement executed between the Massachusetts School Building Authority

and the Wachusett Regional School District, the School Committee has committed reimbursement revenues from the State to reduce Member Town assessments.

Food Services' revenues and expenses are not included in the District's operating budget, consistent with Massachusetts General Law. The Food Service program operates as an independent self-sufficient entity. The District provides funds at the beginning of each school year to cover startup costs, which are returned to the District by the close of the fiscal year. Expense for District Food Services in FY05 was \$1,984,580.

Also not included in the District's operating budget are funds received from grants, which are restricted to specific uses. These grants include *Teacher Quality, Early Childhood Education, Enhanced Education Through Technology, Title I, Safe and Drug Free Schools (Title IV), Innovative Program (Title V formerly Title VI), P. 94-142 (Federal Special Education Entitlement Grant), Special Education Corrective Action Assistance and Special Education Program Improvement*. In addition, the District, schools, and teachers solicit and receive individual grants from local funding agencies. The District is expected to receive approximately \$1,889,826 in grant funds for FY06.