

## SECTION V

### FY05 APPROPRIATION

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 School Committee adopted the *FY05 Appropriation* on March 22, 2004.

For FY04, the School Committee determined the amounts necessary to be raised to maintain and operate the District schools by approving the original *FY04 Budget Appropriation* on March 25, 2003, and apportioning the amounts so determined in accordance with the *Governor's Proposed House 1 Budget Bill*. The Treasurer certified the amounts and issued assessment letters on March 27, 2003. However, due to uncertainty about the State budget and the amount of State Aid and the State's determination of *Minimum Local Contribution* (MLC), it was mutually agreed among the School Committee and Member Town Selectboards and Finance/Advisory Committees to delay action on Member Town approval of the *FY04 Appropriation* until such time as a stable State revenue number was made available. On June 6, 2003, the Massachusetts Department of Education (DOE) granted the District an extension to reconsider, amend and reapportion a budget in order to accommodate a delay in the State determination.

The District notified the Commissioner of Education, as required by law, that the District would not have an approved budget for July 1, 2003, the beginning of FY04. Pursuant to Chapter 71, Section 16B of the Massachusetts General Laws, the Commissioner, on June 16, 2003, authorized an amount to continue operations each month starting July 1st equal to 1/12 of the FY03 budget, until an appropriation budget could be adopted by at least four Member Towns or until December 1, 2003, whichever came first. The Commissioner revised that amount on August 15, 2003 to include an increase attributable to FY04 debt service costs for the high school building project.

The State budget was approved in late June 2003 and included a 20% reduction in Chapter 70 Aid from \$17,602,075 to \$14,081,660, a 44.6% reduction in Chapter 71 Transportation Reimbursement from \$1,922,132 to \$1,064,665 and a 6.9% increase from \$28,120,629 to \$30,066,226 in *Minimum Local Contribution* (MLC). The

Governor and Legislature have thus transferred more of the financial burden for support of the *Education Reform Act of 1993* from the State to the local municipalities, which resulted in necessary increases above MLC by Member Towns to support the educational program in the schools.

Due to State aid reductions, the District's operating assessment (above MLC) from Member Towns was increased to compensate for lost State aid. Two Member Towns, Rutland and Sterling, adopted the School Committee's *FY04 Appropriation*; three Member Towns, Holden, Paxton, and Princeton, adopted the School Committee's *FY04 Appropriation* contingent upon a Proposition 2 ½ override vote. All three ballot votes were overwhelmingly defeated.

Following the defeat at the ballot box, the School Committee reduced the assessment to Member Towns. One Member Town, Paxton, approved the reduced assessment at Town Meeting; one Member Town, Princeton, defeated the reduced assessment at Town Meeting; a third Member Town, Holden, adopted the lower assessment at Town Meeting, once again contingent upon a Proposition 2 ½ override vote. Holden's ballot election was once again unsuccessful by an overwhelming margin.

The School Committee again reduced the assessments to Member Towns, resulting in approval of the School Committee's *FY04 Appropriation* in December 2003, just prior to the Commissioner assuming control of the District and the determination of the assessments from Member Towns. The Wachusett Regional School Committee was the last in the Commonwealth to have an approved *FY04 Appropriation*.

The School Committee reduced assessments to Member Towns by utilizing appropriation budget reductions, *Excess and Deficiency* (E & D) funds and *State Foundation Reserve* (Pothole) funds. The E&D fund is annually certified by the Massachusetts Department of Revenue (DOR) as the audited surplus revenue upon completion of operations at the end of the fiscal year. On January 21, 2004, DOR certified the District's E&D fund to be \$1,113,750. The School Committee designated \$1,088,657 of E&D funds to reduce Member Town assessments. Using more than \$1 million in E&D funds has left a remaining balance of only \$25,093 in the District's E&D fund for unanticipated District needs throughout the remainder of the fiscal year. In addition, the District was awarded \$200,000 from the *State Foundation Reserve Account*. *State Foundation Reserve* money was a one-time award due to the unanticipated severe reduction (20%) in Chapter 70 Aid and cannot be expected to reoccur.

The FY05 Appropriation is based upon preliminary figures from the Governor's proposed House 1 Budget Bill. The legislature has the final determination.

Due to budget reductions in FY03 and FY04, the District initiated fee schedules in transportation, student athletics, and lunches. District-funded transportation services for students residing less than one and one half miles from their respective schools was discontinued; a \$260 per child fee was instituted for ineligible students. The District continued the increased athletic fee at the high school, \$150 per student per sport. The athletic fee implemented at the middle schools in FY03 was increased from \$50 per student per year to \$50 per student per sport. The District instituted \$.25 per lunch increase in FY03, which was continued in FY04 to cover the cafeteria overhead costs. These financial policy decisions by the State denote a major shifting of the State's financial responsibility for regional education to Member Towns and to the families of the children served.

At the start of the FY05 budget process, the School Committee and Member Towns agreed to undertake steps to avoid another crisis-tainted budget environment. Due to the timeliness of the Commissioner's posting of the *FY05 Foundation Budget* on the Department of Education's website, the submission of the FY05 Appropriation, with accompanying documentation, was made at the end of February, rather than mid-March, as in prior years. The School Committee reduced the Superintendent's FY05 Appropriation by \$300,000 in Salaries, thereby adopting an FY05 Appropriation of \$55,169,705.

The presentation of the budget appropriation is in seven parts: Revenue, Budget Process, Staffing, Appropriation, Town Assessments, State Aid Revenue, and Other Revenue.

### **Revenue**

The Wachusett Regional School Committee's primary sources of revenue to operate the District are from State Chapter 70 Aid, Member Town State-determined *Minimum Local Contributions* (MLC) and additionally voted funds from the Member Towns. Mandatory student transportation revenues, received by the District, are primarily from Chapter 71 Aid and Member Town voted funds. The District also receives funds to service the debt, as voted by Member Towns, and State-formulated reimbursements. Additional State funds are provided to support a portion of extraordinary student special education costs and Charter School student costs. For the first time, the District will receive School Choice revenues, following the School Committee's decision in May 2003 to augment revenues by instituting a limited access School Choice program for students residing outside the District.

Member Town assessments provide revenue for operations, transportation and long-term debt service repayments.

Assessments are determined three ways:

1. Department of Education (DOE) preliminary calculations, based upon the *Governor's Proposed House 1 Budget Bill*, for Minimum Local Contributions (MLC) are assessed to each Member Town. MLC's are derived

from a *State Foundation Budget Formula* to meet *Net School Spending* (NSS) requirements and transportation reimbursements. NSS is the minimum amount established by DOE for a district to fund an adequate education program as required by State law.

2. The Regional Agreement, Section 4, *Method of Appropriating Costs of the Regional School District*, provides for assessments to towns based on the previous year's October 1 enrollment by town for all non-debt expenditures above NSS, including transportation.

3. The Regional Agreement, Section 15, *Incurring of Indebtedness*, subsection 15.4, provides that indebtedness for school projects shall be apportioned amongst Member Towns so served by the new school facility on the basis of their respective student enrollment in the new school facility.

On January 29, 2004, the Department of Education (DOE) released estimates for *Preliminary Chapter 70 Aid and Net School Spending Requirements for FY05* based upon the *Governor's Proposed House 1 Budget Bill* (Appendix 1). The DOE established the Wachusett Regional School District's required NSS at \$46,229,728, compared to the FY04 NSS requirement of \$44,147,886. The DOE has, therefore, determined that the District's required spending for FY05 will be \$2,081,842 more than FY04 (4.72%).

Based upon the *Governor's Proposed House 1 Budget Bill*, Chapter 70 Aid is projected to marginally increase by \$133,824 (0.95%) from \$14,081,660 to \$14,215,484. DOE commented in its release of Chapter 70 Aid that "each operating district is guaranteed at least the same amount of aid it received in FY04." Unfortunately, the District received a \$3.5 million (20%) cut in Chapter 70 Aid in FY04 from its previous amount in FY03. Being guaranteed "at least the same amount" decries the notion that the guarantee indeed guarantees adequate State aid support.

Conversely, the DOE-calculated *Minimum Local Contribution* is expected to increase by \$1,948,018 (6.48%) from \$30,066,226 to \$32,014,244. This increase follows FY04 wherein the DOE-calculated MLC increased by \$1,945,596 (6.92%) from \$28,120,629 to \$30,066,225.

Since FY03 the District's *Foundation Budget* (NSS) has increased by only \$501,354. However, while the State has calculated the Member Towns' minimum local contributions to increase by \$3,887,945 during this two-year time period, the State's Chapter 70 Aid has decreased by \$3,386,591. The State's percentage of the *Foundation Budget* has decreased from 38.49% to 30.75%, while the Member Towns' contributions expressed as a percentage of the *Foundation Budget* have increased from 61.51% to 69.25%. The State continues to transfer more of the responsibility of implementation of the Education Reform Act of 1993 to the District Member Towns.

The DOE is cautioning local districts and local municipalities that spending requirements contained within the *Preliminary Chapter 70 Aid and Net School Spending Requirements* for FY05 are subject to review and approval by the State Legislature and, as such, are provided to "assist towns in their own budget preparations."

As reported by the DOE, the *Governor's Proposed House 1 Budget Bill* continues the restructuring of the State Chapter 70 Aid program begun in FY04:

1. Ensures that no district's required spending level is allowed to drop below its *Foundation Budget*.

The DOE calculates a *Foundation Budget* as the estimate of the minimum funding level needed to provide an adequate educational program. For FY05, the *Foundation Budget* continues to be the same as the *Net School Spending* requirement. Historically, due to regionalization incentives, the District has always operated above the *Foundation Budget*.

The *Foundation Budget* is the minimum spending requirement of a school district. The State's *FY04 Foundation Budget* per pupil average was \$7,332; the District's per pupil cost was \$7,188. For the first time since K-12 regionalization, the District's per pupil cost was less than the *State Foundation Budget* per pupil average. The District spent \$144 per pupil less than the *State Foundation Budget* per pupil average.

In FY05, the *State Foundation Budget* per pupil average is \$7,580. The District's FY05 budget per pupil cost, although increased by \$118 to \$7,306, further widens the discrepancy between the District's per pupil cost and *State Foundation Budget* per pupil average to \$274, almost double last year.

2. Eliminates the "excess debt" provision.

Prior to FY04 Member Towns were given credits by DOE for school capital debt above the State per pupil average debt, which reduced Member Town minimum local contributions.

3. Funds Chapter 71 Transportation Reimbursement at the same level as FY04.

In actuality this is an estimated 14% reduction in transportation aid to the District from \$1,064,665 to \$911,947. In FY04 the State eliminated local school district transportation reimbursement and reduced regional school district transportation reimbursement, which resulted in a rate reduction from 77% reimbursement to an estimated 37.5% reimbursement.

Since FY00 the District has received in excess of \$1.45 million annually in transportation reimbursement from the State. In FY02 the District received a transportation reimbursement of \$1.6 million, representing 98.7% of

transportation expenditures incurred for transporting students residing more than one and one half miles from their respective schools. In FY03 the reimbursement rate was reduced to 77% but actual reimbursement exceeded \$1.9 million. For FY04 the Department of Revenue estimated that the reimbursement rate would be 37.5%. DOE has yet to disclose what the actual reimbursement rate will be for that fiscal year.

As a result of the dramatic decrease in State reimbursement, the District implemented a \$260 transportation fee for students residing less than one and one-half miles from their respective schools.

4. Funds special education aid (*Circuit Breaker*) at current FY04 levels.

The much heralded *Circuit Breaker* program was intended to bring relief to school districts experiencing ever-escalating costs of providing special education services to an ever-increasing student population requiring special education and related services specified in Individual Education Plans (IEP's). Through the former, so-called "50/50" program, the DOE paid 50% of the cost of residential placement tuition. Under the new *Circuit Breaker* law, the DOE is reimbursing the District an estimated 35% of each individual student's costs in excess of \$29,320. For the District, the *Circuit Breaker* has meant a revenue loss when compared with the former "50/50" program. During FY04, rather than receiving the benefit of \$843,227 in direct payments by DOE to vendors who provide residential placements, the District is expected to receive only a total benefit of \$722,314, a loss of \$120,913 in potential benefits.

Member Towns also have a *Net School Spending* requirement for students who attend vocational technical schools. The Towns of Holden, Princeton and Sterling have a *Net School Spending* requirement for Montachusett Regional Vocational School District. The Town of Rutland has a *Net School Spending* requirement for Southern Worcester Vocational School District. The Town of Paxton is not affiliated with a regional vocational technical school district; the town pays tuitions directly to the individual vocational technical schools.

### ***Budget Process***

The budget process includes input from executive staff, site administrators and school councils in the development of proposals that results in the collective ownership of the District's budget. The budget process is a vehicle through which principals, with their school councils and other budget managers, are provided opportunity to document needs and desires that would more fully enhance the educational process of schools in the District. The complexity and intensity of analysis normally necessary in past years has been complicated this year because of the marginal increase in discretionary budget allocations making the weight of

school site decisions as to assignment of funds much more difficult. Projected increases in expenditures in non-discretionary items such as *Salaries, Benefits & Insurance, Heat and Utilities, Tuitions for School Choice, Charter School and Out-of-District Special Education, and Transportation*, coupled with projected negligible increases in State Aid, have disabled executive staff, site administrators and school councils from making any major positive educational improvements in FY05. The goal of all District budget administrators has been to protect the quality education program for the students of this District with the resources made available.

School principals remain an integral part of the budget process. Principals, the educational leaders and managers of their respective buildings, are responsible for working with their respective school councils in the development of *School Improvement Plans* as well as for submitting preliminary budget requests in support of those plans that reflect the needs and desires of their schools. Every principal submitted, with input from their school council, a *School Improvement Plan* for review and approval by the Superintendent and School Committee as a preliminary step in the budget process. Principals submit budget plans which reflect the educational and facility needs of their schools within the constraints of a limited discretionary allocation.

The Cabinet, comprised of the Superintendent, principals and executive staff, in anticipation of the receipt of estimated revenues, reviews allocation distribution alternatives for general fund revenues to determine the required District expenditures. Members of the Cabinet determine the costs that would be best applied through cooperative decision-making with their colleagues and those decisions that would best remain at the individual school's discretion.

The School Committee held a Retreat in January 2004 to develop standards, based on School Committee goals, for the establishment of the FY05 Budget Appropriation. There

was consensus that the priorities of the standards should be within the following three groups:

Highest priority shall be to:

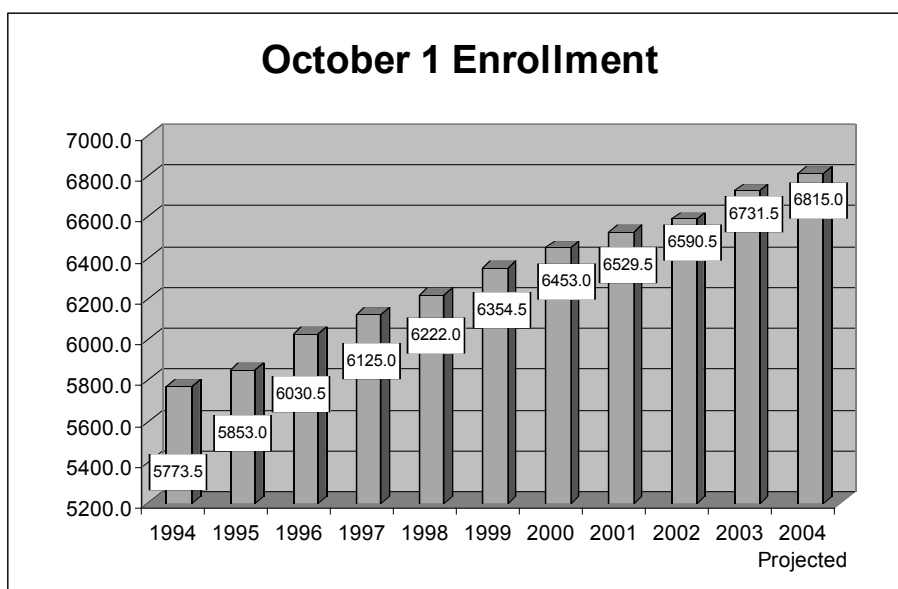
- Ensure the continued development, implementation, and maintenance of a high quality curriculum that is consistent throughout the District and exceeds the requirements of the State Curriculum Frameworks;
- Provide challenging educational programs that interest and motivate students to individual achievement;
- Provide instruction and assessments that promote active student learning; and
- Maintain high standards based on academic benchmarks that are measured by national standardized testing, state assessments including Massachusetts Comprehensive Assessment System (MCAS) standards and classroom assessment.

The second level of priority shall be to:

- Provide support as needed to ensure that all students can participate and succeed in an environment most conducive to learning;
- Utilize the most efficient distribution of resources;
- Promote stimulating optional programs and activities that will promote maximum individual achievement; and
- Promote and support the widespread use of technology in the classroom to ensure that all students possess the skills to compete in a technological society.

The third priority level shall be to:

- Provide a program of professional development in order to ensure that all staff members possess the skills necessary to engage students in learning;
- Encourage and support the efforts of students to reach beyond the traditional academic program into areas of interest;
- Provide options for learning through alternative educational opportunities; and



- Provide programs that support an appreciation for diversity.

Within the parameters of School Committee policy, limited resources, and with consideration that a status quo budget requires \$600,000 in additional funds for *Salaries* due to collectively negotiated increases, step and lane changes, an estimated \$350,000 in increased health benefit costs, a 5% increase in fuel costs, a 2.5% increase in purchased goods, an estimated net increase in *Charter, Choice, and Special Education Tuition* of \$100,000 and a \$250,000 increase in transportation (\$130,00 due to a fourth year contractual increase and \$120,000 less in State reimbursements) budget managers have determined their local decisions.

Although the aggregate student population has been projected to increase by 327 students (5%) in two years, instructional support to schools has not been able to keep pace. Included in principal discretionary budgets are costs for instructional supplies, materials, and equipment for the classrooms, building and grounds maintenance and equipment, trash removal, substitute staff, required special education contracted services, and general administration. The FY05 discretionary fund allocation is \$2,367,787. The schools' discretionary budget for FY04 was \$2,307,787, for FY03 was \$3,525,375, and for FY02 was \$3,811,271. School budgets have decreased by 38% over the past three years, while school enrollment has increased by 4.8%.

### Staffing Summary

The FY04 staffing plan, originally developed at level staffing, was ultimately reduced by 60.4 fulltime equivalent (FTE) positions in order to balance the final FY04 Appropriation. During the FY04 school year 9.69 FTE positions were added; .5 FTE kindergarten teacher and .5 FTE kindergarten aide due to unanticipated enrollment increases and the remainder of positions due to increased special education service requirements for students' Individual Education Plans (IEPs). The funding for these positions was made available due to unanticipated retirements with replacements employed at lower salaries.

Staff allocations to schools are determined by enrollment projections as performed by New England School Development Council (NESDEC) and requirements of special education (student Individual Education Plans [IEPs]). 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. In order to ensure that student/teacher ratios are equitable among schools of the same level, the following staffing ratios for regular education students shall be used; teacher FTE (full time equivalent) includes classroom teachers, specialist teachers (physical education, music, technology education and art), special education resource teachers, and guidance

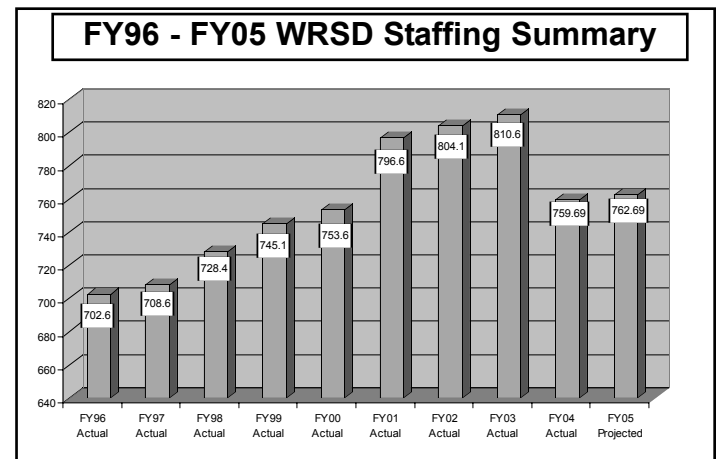
counselors.

Due to staffing and enrollment changes, student/teacher ratios are as follows:

	FY03	FY04*	FY05
Grades K-4	15.57	16.91	16.75
Grades 5-8	14.55	15.48	15.28
Grades 9-12	12.65	13.75	13.53

\*During school year 2003-2004 3.6 FTE teachers were added, .5 FTE teacher was increased due to kindergarten enrollments above projections and 3.1 FTE teachers were added due to increased requirements in special education.

District-wide special education teachers and psychology and speech therapy services are based upon student IEP program needs and requirements and are allocated through a District-wide cost center.



A *Comparative Staffing Summary FY95 - FY04*, which includes a general accounting of all actual staffing changes from FY95 through FY04, provides historical detail of those changes by category over the last ten (10) fiscal years (Appendix 2).

### Appropriation

The *FY05 Appropriation*, \$55,169,705, is based upon the Expense Allocation Summary budget document (Appendix 3). The allocations are based upon the budgetary procedure as described above. Due to public input, the School Committee has requested that the District's *Expense Allocation Summary*, which was aligned with the State reporting system, be modified to align with the School Committee's appropriation categories (Appendix 4).

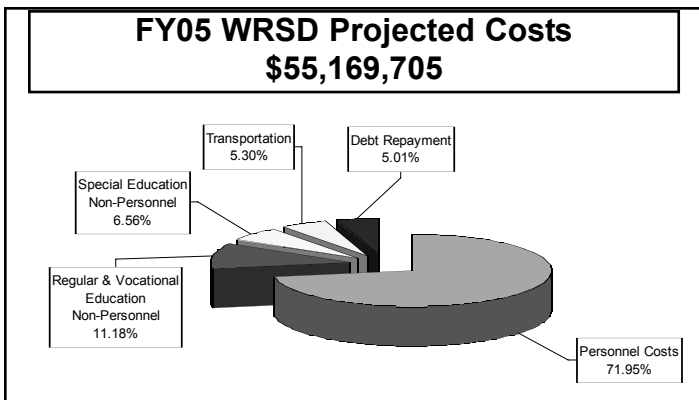
The shaded areas are known as non-discretionary funds, those school expenses which executive staff and school principals have agreed will be managed centrally in order to create a shared common burden. The non-shaded areas in the Expense Allocation Summary are the discretionary fund

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 November 2003 by the New England School Development Council (NES-DEC). 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.

For nine years, the District operated within Net School Spending, with the sole exception of Excess Debt recovery, to offset the credits to Member Towns calculated by the DOE which were spending above Foundation Budget and above statewide per pupil average on capital costs. Excess Debt credits to the Member Towns have been eliminated in the Governor's Proposed House 1 Budget Bill.

The FY05 operating budget, exclusive of Transportation and Debt Service, is \$49,487,117, \$1,430,000 above FY04, due to increased costs of *Salaries* (\$750,000), *Benefits and Insurance* (\$350,000), and *Charter, Choice and Special Education - Tuition Other Schools* (\$200,000), *Instructional Support* (\$60,000), and *Heat and Utilities* (\$70,000).



Additionally, the FY05 Appropriation includes the amounts necessary to make principle and interest payments on bond financing associated with building projects at the regional high school facility, a total of \$2,760,091, which includes:

- (1) principal and interest payments on the \$20,000,000 bond and BAN required for the purchase of land, architectural, project management and construction expenses for the second year of the long-term high school addition/renovation project fully authorized by all Member Towns in FY03, \$1,593,046;
- (2) principal and interest payments on the \$4,732,000 bond required for the high school FY02 modular project, \$1,044,225; and
- (3) principal and interest payments on the \$600,000 bond that was used in the FY00 major renovation of Wachusett Regional High School, \$122,820 (the last of such payments).

Lastly, the FY05 Appropriation includes an amount for transportation, \$2,922,497. The FY05 Appropriation is a \$130,000 increase from FY04 due to the built-in increase in the District's three-year contract with Robert L. McCarthy & Sons, Inc. for an extension of one year.

The *FY96 - FY05 Actual and Appropriated Expense Comparisons* (Appendix 5) is a comparative presentation of the appropriation budget changes, which reflects an overall increase of \$3,191,618 (6.11%). For the first time in the District's K-12 history, the appropriation budget experienced negative growth from FY03 to FY04 as a result of the severe State Aid cuts, assessment reductions and the institution of fee-based transportation service. The FY05 operating budget of \$49,487,117 is an increase of only 2.97% from FY04 (\$48,057,117), and of 2.96% from FY03 (\$48,064,151), the smallest increases since FY97.

### PERSONNEL

The *FY05 Appropriation* personnel cost is increased by \$1,100,000 (2.8%), which includes increases in salaries and significant projected increases in health insurance benefit programs.

- *Salaries*, \$34,630,095, is an increase of \$750,000 (approx 2.2%) and is attributed to a 3% collectively negotiated increase in salary, step and lane changes, as well as the addition of two (2 FTE) teachers.
- *Benefits and Insurance*, \$5,066,476, is an increase of \$350,000 (7.4%) due to an anticipated increase in health insurance premiums.

### REGULAR EDUCATION

All Regular Education appropriation lines are level funded, with the exception of *Instructional Support*, *Tuitions-Other Schools* and *Heat and Utilities*.

- *District Administration*, \$222,500, is level funded. District Administration includes School Committee and Central Office expenses.
- *Instructional Support*, \$2,428,848, is increased by \$60,000, to provide for the rise in cost of goods purchased. The Expense Allocation Summary (Appendix 4) includes school administration; instructional supplies (materials and supplies inclusive of professional development); textbooks; library supplies; audiovisual equipment and supplies; guidance materials and supplies; and health services supplies and contract services.
- *Fixed Charges*, \$273,621, is level funded and includes the general operating fund estimated short-term interest charges, general liability insurance and rental fees. Annually the District executes a one-year Revenue Anticipation Note to insure availability of funds to meet payroll and expenses until such time as Member Town assessment payments are made in

November. The interest earned from these funds is placed in the District's reserve, *Excess & Deficiency Fund* (E&D), to be appropriated and used at the discretion of the School Committee. Interest costs and earnings have substantially decreased over the past three years, which reflects the decrease in interest costs.

- *Tuition-Other Schools*, \$769,997, is increased by \$100,000. This appropriation category is exclusively for Charter and Choice school tuitions. Each year the District is informed by the Department of Revenue (DOR) via the Cherry Sheet what tuition charges to expect, then throughout the fiscal year the Department of Education (DOE) posts on its website actual pupil enrollment counts and tuition charges after the second, third and fourth quarters. During the last several years DOR projections have been seriously underestimated when compared with DOE actual charges. As a result, the District has been required to appropriate funds from its E&D account or transfer funds from other appropriation categories to cover the cost. The District is projecting a \$200,000 increase in tuitions to be partially offset by \$100,000 in School Choice tuition payments earned for becoming a School Choice receiving district in FY04.

- *Heat and Utilities*, \$1,469,631, is increased by \$70,000, due to a 5% anticipated increase in the cost of fuel. As a result of the institution of a \$.25 increase in the cost of school lunches in FY03, the District is realizing \$100,000 per year that is used to offset heating and utilities costs.

- *Buildings and Grounds*, \$616,862, is level funded. The Buildings and Grounds category contains grounds, building and equipment maintenance.

- *Custodial Services*, \$184,841, is level funded. Custodial Services expenditure accounts include supplies, equipment, training, and contract services.

- *Athletics/Student Activities*, \$98,561, is level funded and includes student activities supplies and expenses, field trip transportation, student insurance and student athletic supplies and expenses, memberships, rentals, referees/umpires and equipment. The appropriation has been able to be level funded for two years because the District has raised athletic fees, which have been used to offset athletic costs.

## SPECIAL EDUCATION

- *Instructional Support*, \$378,137, is level funded. Instructional Support for special education includes school administration; instructional supplies (materials and supplies); textbooks; audiovisual equipment and supplies; and health services supplies and contract services.

- *Tuitions Other Schools*, \$3,142,548, is increased by \$100,000 (3%). Although during the last three years the District has been successful in creating additional District-wide special education programs that serve more students who otherwise would have been in out-of-district tuition-based programs, the cost to the District of tuition-based students requiring special education services continues to escalate due to service provider tuition increases. The District is a member of FLLAC, a special education collaborative, with other area school districts to coordinate out-of-district services in lieu of contracting with private agencies.

## VOCATIONAL EDUCATION

- Vocational Education is included in the budget under a separate category rather than being contained within regular education instructional support in order to make the District eligible for additional grant funding.

## OTHER

- *Transportation* is increased by \$130,000 from the FY04 level due to the provisions contained in the contract between the District and transportation provider, which, after the third year, contains a two-year extension clause with a slight increase.

Due to a significant reduction in State transportation reimbursement first proposed by the Governor and then further modified by the State Legislature in FY04, which included an estimated 50% reduction in Chapter 71 regional school transportation reimbursement and the elimination of all Chapter 71B special education transportation reimbursement, the School Committee approved a transportation budget that maximized State transportation reimbursement. The former no-fee service for the transportation of students residing less than one and one half miles from their respective schools was discontinued, and all late bus service was eliminated. A fee-based transportation service was instituted to offset the loss of reimbursement.

The School Committee has subsidized transportation expenditures, including late bus costs, in previous years by setting aside and using funds from the District Excess & Deficiency (E&D) account as follows:

### Use of E&D Funds for Transportation

FY99	\$102,796
FY00	\$119,258
FY01	\$40,000
FY02	\$99,926
FY03	\$265,000
TOTAL	\$626,980

Due to the unavailability of District reserve funds, the School Committee no longer has funds to subsidize transportation. The Member Towns of Princeton and Sterling chose in FY04 to subsidize the transportation of students

residing less than one and one-half miles for their respective schools.

- WRHS Approved Projects, \$2,760,091, for principal and interest payments for three previously Town Meeting authorized borrowing for the following high school projects:
- FY00 conversion of the woodwork shop and other classrooms;
- FY02 construction of modular additions; and
- FY03 purchase of adjacent land and design and construction costs of the long-term high school addition/renovation project. A community-wide and inclusive process was followed during FY04 to decide upon the optimum strategy to borrow funds for this project, which included

(1) taking advantage of historically low interest rates; and

(2) minimizing, to the extent possible, the impact to local tax rates over the long term of the borrowing(s).

The School Committee's Business/Finance Subcommittee, the Superintendent, the Treasurer, the District's financial advisor and administrative staff met with representatives of Member Town Selectboards and Finance/Advisory Committees. Sixteen different strategies and variations were analyzed, which factored in changing enrollment projections, property valuations and the timing of the commencement of State reimbursement in order to determine the best borrowing strategies for the taxpayers. All participants agreed to a staggered borrowing process, which included a borrowing of \$20 million in February 2004 and will require a borrowing of \$51 million in February 2011, or earlier if State reimbursement is initiated. The result is an FY05 debt service increase of \$1,331,618.

### Town Assessments

For FY05, the Town Assessments are calculated by adding *Minimum Local Contribution* (MLC) requirements as determined by DOE plus the additional cost above MLC to operate the District and the incremental cost of transportation above State reimbursement, as calculated using the formula established in the Regional Agreement, Section 4. Town Assessments also include assessments for long-term debt repayment in accordance with the Regional Agreement, Section 15. *The Financial History & Preliminary Estimate of Revenues* reports from FY96 through FY05 (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.

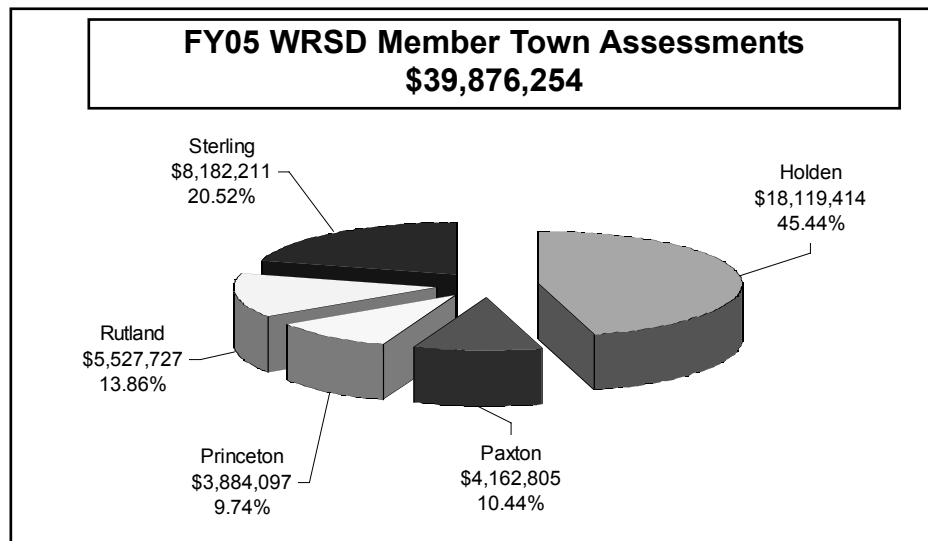
### Local Revenue

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. The 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. There are three major components to calculating MLC: (1) *Implicit Tax Rate*, (2) *Equalized Valuation* and (3) *Municipal Revenue Growth Factor*.

The *Implicit Tax Rate* is the level of tax effort required by each Member Town to reach its required minimum local spending (MLC) as determined by DOE. Implicit tax rates



are calculated by dividing the required local spending by the tax base (a/k/a the equalized valuation set by the Massachusetts Department of Revenue (DOR) of EQV).

*Equalized Valuation*, or EQV, is the total taxable property value in any city or town, calculated by the Division of Local Services at the DOR to allow comparison between municipalities at different phases in their three-year property assessment cycle.

*Municipal Revenue Growth Factor*, or MGRF, is the change in growth from year to year, expressed as an estimated dollar amount as well as a percentage, of four components that measure revenue growth in municipalities as determined by DOR. The four components are:

1. new growth in property valuations;
2. the calculation of permitted 2 1/2 % increase in tax levy capacity;
3. increases in General Revenue Sharing; and
4. increases in recurring local receipts such as license fees, fines and interest earnings.

The purpose of MGRF is to enable the State to calculate required minimum local school spending (MLC) to generally grow at the same rate as the communities' budgets do as a whole. The District's FY04 budget did not grow while the aggregate Member Town MGRF grew by an average 3.58%. The aggregate MGRF average in FY05 is 5.23% according to DOR.

The Member Towns' MGRF for FY05 as determined by

Member Town	Base Revenues FY04	MGRF %	MGRF
Holden	\$23,195,876	+5.77%	+\$1,338,606
Paxton	\$ 6,167,762	+5.04%	+ \$310,837
Princeton	\$ 6,330,175	+3.53%	+ \$224,834
Rutland	\$ 9,079,626	+5.38%	+ \$488,269
Sterling	\$13,034,000	+5.10%	+ \$665,355
Total	\$57,847,439	+5.23%	+\$3,027,901

DOR are:

As a result of these factors, the DOE has substantially increased the FY05 *Minimum Local Contribution* (MLC) for each of the Member Towns based upon the Governor's Proposed House 1 Budget Bill. This occurs one year after the State's action to reduce aid caused a significant

Member Town	Change FY03 to FY04	Change FY04 to FY05
Holden	\$1,021,362	\$ 947,351
Paxton	\$ 143,595	\$ 206,545
Princeton	\$ 4,962	\$ 175,500
Rutland	\$ 168,794	\$ 175,757
Sterling	\$ 606,883	\$ 442,866
TOTAL	\$1,945,596	\$1,948,019

increase in MLC in FY04.

The State thus has determined that Member Towns' ability to pay has increased by more than \$3.8 million in two years while the State's share of the cost of running the school district could be reduced by more than \$3.5 million.

### **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 *FY05 Appropriation*, in addition to *Minimum Local Contribution* and Chapter 70 State Aid, includes a \$3,091,369 assessment, which is an increase to the FY04 assessment of \$1,838,057, to compensate for the FY04 use of \$1,088,657 E&D funds and \$200,000 DOE Foundation Reserve funds. This is caused by the *Governor's FY05 Proposed House 1 Budget Bill*, which maintains a 20% reduction from FY03 Chapter 70 State Aid, a \$3.4 million cut.

The assessment impact of transportation to Member Towns is \$2,010,550, an increase of \$15,613. This is due to an anticipated \$250,000 increase in transportation reimbursement for FY04, which continues in FY05.

The Regional Agreement, Section 15, *Incurring of Indebtedness*, as approved by the Commissioner of Education, identifies the method of calculation for proportioning Member Town approved debt service among the Member Towns. There have been three Member Town approved debts for capital expenditures for the high school:

May 2000 -- \$600,000 -- five-year bond -- conversion of the woodshop to classrooms and addition of classrooms for foreign language at the high school requiring a FY05 payment of \$122,820;

December 2001 -- \$4,732,000 -- five-year bond - addition of modular classrooms and cafeteria, requiring a FY05 payment of \$1,044,225;

December 2002 -- \$70,500,000 -- the high school addition/renovation project including land purchase requires a FY05 payment of \$1,593,046.

The FY05 Member Town assessment for debt service is \$2,760,091.

### **State Aid Revenue**

The Financial History of Revenues - State Aid Revenue identifies the State Aid from FY96 (Appendix 7). For FY05 the numbers represent those calculated by DOE and DOR in accordance with the Governor's Proposed House 1 Budget Bill.

The State revenues projected to support District operations and transportation in FY05 is \$15,127,431, which, when added to the reduction of State Aid (Chapter 70 and Chapter 71) from FY03 to FY04, amounts to a reduction of \$4,396,776 (-22.5%).

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

**Other Revenue**

Food services expenses are not included in the budget due to the laws of the Commonwealth, which provide for the food service program to be operated as an independent, self-sufficient entity. The District does provide cash advances at the beginning of each school year to cover startup costs. The funds are returned to the District's operating fund.

The District anticipates a reduction in funds for non-competitive FY05 grants. 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 also earns interest on funds invested by the Treasurer, which are deposited in the District's Excess & Deficiency Fund and are subject to School Committee

appropriation. The School Committee annually appropriates *Excess & Deficiency Funds* (E&D) to supplement the appropriation budget during a fiscal year

The District earns E&D from income from investments and interest, general fund surpluses and miscellaneous sources such as refunds or premiums, as well as from State reimbursements that exceed projections. The District's major uses of E&D have been for supplementing transportation budgets, purchasing and renovating the Central Office/ECC/Special Education facility, renovating the high school, Charter, Choice and Special Education tuitions and assessment reductions. In FY04 alone the School Committee authorized the use of \$1,088,657 in E&D funds leaving a marginal balance of \$25,093. Below is a chart of the use of the revenue and expense of E&D funds from FY96-FY04

Moody's Investors Services, the District's and most Member Towns' bond rating firm, notified the District that due to its effective management of the E&D funds, the District received an outstanding credit rating of A2, that resulted in favorable interest rates for its annual operating Revenue Anticipation Note (RAN) and for the \$20 million, twenty-year bond for the High School addition/renovation project. The result is a lower overall financing cost for the high school project and a substantially reduced tax impact to Member Town residents

The availability of E&D for on-going operations of the District has been seriously compromised by the continuance of reductions in State aid and the need to minimize financial impacts as would be otherwise experienced in Member Town assessments.

	WRHS	Jefferson Central Office ECC/SPED	Transportation	Tuitions	Assessment Reduction	Other	End of Year Totals
<b>Total Appropriations FY96</b>				375,000		587,000	962,000
<b>Total Appropriations FY97</b>	24,978						24,978
<b>Total Appropriations FY98</b>	373,492					128,694	502,186
<b>Total Appropriations FY99</b>	285,952	298,398	102,796			185,795	872,941
<b>Total Appropriations FY00</b>	223,600	360,000	119,258				702,858
<b>Total Appropriations FY01</b>	12,000	303,000	40,000				355,000
<b>Total Appropriations FY02</b>	224,000		99,926			100,000	423,926
<b>Total Appropriations FY03</b>	25,000		265,000	530,000		310,000	1,130,000
<b>Total Appropriations FY04</b>					962,657	126,000	1,088,657
<b>Category Totals</b>	1,169,022	961,398	626,980	905,000	962,657	1,437,489	