

FY08 Appropriation

In order to continue the process established in FY07, the Superintendent was committed to resolving any funding disagreements between the Wachusett Regional School District Committee and Member Town Selectboard and Finance/Advisory Board members, prior to the first of five town meetings. 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.

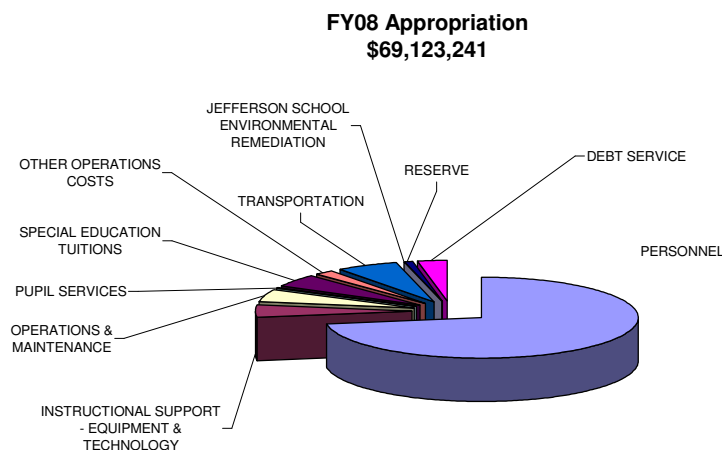
The Superintendent, his administrative staff, and the School Committee held a Budget Retreat in February 2007 to set the tone for the FY08 budget process. When developing the initial FY08 budget, the Superintendent considered many factors, including student enrollment, increased costs for staffing due to collective bargaining, the increased cost of health insurance and the important new literacy initiative begun during the 2006/2007 school year. Also taken into consideration were the funding constraints on the Member Towns.

The Superintendent continued to work with the Business/Finance Subcommittee of the School Committee as well as the Budget Advisory Task Force, which is comprised of the Business/Finance Subcommittee and representatives from the Member Town Finance/Advisory Committees. The intent of establishing the Task Force in the spring of 2006 was to start communication between and among Member Town representatives and the School Committee at the beginning of the budget process. This process continued during the FY08 budget process, with the final result of a compromise assessment for the Member Towns.

The Wachusett Regional School District 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 a FY08 Appropriation at the March 26, 2007 School Committee meeting in the total amount of \$70,168,312. It was clear at the time of the School Committee annual Budget Hearing that convened just before the March 26th regular meeting that the FY08 Appropriation was tentative, subject to change. State Aid figures were in flux; Member Town assessments were subject to decreases; but due to the

provisions of State law the School Committee must adopt a budget and, therefore, the School Committee voted affirmatively on an Appropriation, knowing that it would change in the future, once State aid figures were firmly established. The Superintendent was very clear to representatives from Member Town Selectboards and Finance/Advisory Committees that another Appropriation recommendation would be forthcoming following further discussions with the representatives and further budget information from the State.



One month later on April 23, 2007, the Superintendent recommended and the School Committee approved a reduction of \$1,604,002 to the FY08 Appropriation. The revised FY08 Appropriation totaled \$68,564,310. The reduction was made by decreasing by half the staff for the Literacy Initiative and also decreasing the needs-based budget requests made by principals. The School Committee adopted the Superintendent's recommendation with the realization that all Member Town Selectboards and Finance/Advisory Committees were not yet fully supportive, and the full extent of State aid was still uncertain.

For the next few weeks the Superintendent met with various Member Town Selectboards individually and also with the Regional Selectboard, working on a compromise for the FY08 Appropriation. On May 3, 2007 the Superintendent once again went before the School Committee with a proposed FY08 Appropriation. The proposal did not reduce the Appropriation but rather modified the Member Town assessments that were part of the adoption of the Appropriation. Although State aid was not confirmed the Superintendent projected the likely State aid revenues, and recommended that Member Town assessments be reduced. The Superintendent had assured Member Towns that if

State aid increased above District projections then the first \$200,000 of that aid would go towards further Member Town assessment reductions. The School Committee approved the FY08 Appropriation, as recommended. Subsequently the FY08 Appropriation was overwhelmingly approved at all five Member Town Annual Town Meetings in May.

However, the State had not yet finalized a State budget. During June the State Legislature passed the State budget with an increase in funds available for State Chapter 71 Transportation Reimbursements. This resulted in a significant increase in the projected State aid for the District. Also the Superintendent projected increased enrollment in School Choice students that would increase tuition payments.

On June 11, 2007 the Superintendent presented a final FY08 Appropriation of \$69,123,241 to the School Committee for approval taking into account the increased State revenues. The approved Appropriation provided a reduction in Member Town assessments of \$200,000, an increase in the Salaries category to enable hiring of an additional teacher for School Choice students, and funding for the establishment of a Reserve for Extraordinary and Unanticipated Expenditures, the first of its kind for the District.

Member Towns were notified by the Treasurer of the new FY08 Appropriation. Pursuant to State law each Member Town had the option to call a Special Town Meeting to vote on the FY08 Appropriation, or, because Member Town Assessments did not change, neither increasing nor decreasing, to take no action. Member Towns took no action and the FY08 Appropriation was officially approved by all parties during July 2007.

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 was fully funded in FY04, FY05, FY06, FY07 nor in the final State FY08 budget appropriation.

Whenever a new governor is elected, there is a month delay in the release of the governor's budget, known as the Governor's Proposed House 1 Budget Bill. House 1 was released in late February 2007, 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). In FY07 the Commonwealth of Massachusetts implemented a new formula for Chapter 70 Aid and partially implemented the formula. FY08 continues that implementation, which resulted in a substantial increase in the District's Chapter 70 Aid. However, in order to make up for some of the inequities of the old formula, the District's Net Minimum Contribution was increased only slightly.

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 - FY08, which includes a general accounting of staffing changes from FY95 through FY07, provides historical detail of those changes by category and budgeted changes for FY08 (Appendix 2). A change was made in FY08 to change some staff formerly funded through federal grants to the general operating fund and to fund some general fund staff from the federal grants. For any employee funded through a federal grant who is a participant in the Massachusetts Teachers Retirement System (MTRS), the District is required to allocate an amount equal to the amount the employee is contributing to MTRS for immediate distribution to MTRS. In addition, the District forwards the same amount to MTRS on the employee's behalf. Therefore, the District has removed MTRS staff members from federal grants and inserted non-MTRS members into the grants, thus providing more grants funds to be used by the District. The estimated increased grant funds available are \$93,000.

Appropriation

The FY08 Appropriation, \$69,123,241, 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 FY08 Appropriation and

assessment to Member Towns includes the use of District revenues, as well as State aid (Appendix 3). The FY08 Appropriation represents a 6.38% increase from the FY07 Appropriation and includes the following changes:

-- Increase of \$2,630,853 (6.69%) in Salaries, which represents contractual obligations, increased staffing for the Literacy Initiative in the elementary schools, and increased staffing due to increased enrollment.

-- Increase of \$947,179 (13.19%) in Benefits & Insurance, which represents a projected increase in health insurance rates for existing staff, together with a formula based upon the average health cost per employee for additional staff.

-- Increase of \$48,015 (1.36%) in Instructional Support, which includes the needs of the schools as included in the School Improvement Plans.

-- Increase of \$198,595 (6.3%) in Operations & Maintenance, which represents a projected increase in energy costs, as well as regular maintenance for buildings and grounds.

-- Increase of \$621,633 (22.2%) in Special Education Tuitions - Other Schools, which represents the State's projected increase in tuition rates, along with estimates for students already identified for out-of-District placements.

-- Increase of \$393,657 (34.8%) in Other Operations Costs which represents the Fixed Charges and Tuitions - Other Schools.

-- The FY08 Appropriation includes \$4,385,534 for transportation, a \$105,534 (2.5%) increase from FY07 due to the increased costs of special education transportation.

-- The FY08 Appropriation also includes \$30,000 for remediation of the oil spill at the Central Office and a reserve of \$523,931 for extraordinary and unanticipated expenditures.

-- Included in the FY08 Appropriation is \$2,068,934, a decrease of \$1,276,350 (-38.15%), for debt service for WRHS Approved Projects.

The School Committee also approved a separate assessment to the Member Towns in the amount of \$75,000, which represents a request from the Town of Paxton for the Member Towns to contribute to the first \$75,000 for the replacement of windows at Paxton Center School. This provision is included in the Regional Agreement.

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 2006 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 FY05 - FY08 Actual and Appropriated Expense Comparisons (Appendix 5) is a comparative presentation of the appropriation budget changes, which reflects an overall increase of \$4,147,713 (6.38%). The FY08 operating budget of \$62,114,842 is an 8.5% 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 FY05 through FY08 (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 FY08, in order to meet the standards established in February 2007, 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 \$5,395,981 assessment, an increase from the FY07 assessment of \$954,572 (21.49%), 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 FY08 transportation budget of \$4,385,534, an increase of \$105,491 from FY07, is due to the increased costs of special education transportation. The transportation calculation, included in the Member Town assessments, is \$1,276,926.

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 FY05 (Appendix 7). For FY08 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:

-- \$19,346,201 in Chapter 70 Aid, an increase of \$3,478,178 (21.92%) from FY07;

- \$3,692,539 in Chapter 71 Regional Transportation Reimbursement, a projected increase of \$1,400,904 (61.13%) from FY07
- \$216,140 in Charter School Reimbursement
- \$522,605 in School Choice Reimbursement

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 FY08 Appropriation more affordable, the School Committee has committed other District revenues.

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 FY07 was \$1,9801,267.24.

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 FY08.

FY08 Projected Revenues
\$69,123,241

