

Windham Southeast School District

FY 2021 Budget Report

prepared by the
Brattleboro Representative Town Meeting Finance Committee
March 4, 2020

Summary	1
Introduction	2
WSESD FY 2021 Expenditures	3
Overview by Town and Category	4
Online Resources at WSESU.org	4
Areas of Increased Spending in the FY21 Budget	5
Capital Spending	5
The SU and You (including Special Education Funding)	6
The proposed tax rate	8
All Sources of Funding, with FY20 Comparisons	8
The Funding Formula and Projected Tax Rate	8
Income Sensitivity and its Effects in Our Area	10
Use of Fund Balance	10
Anticipated Effects of Act 46	10
Conclusion	11

1. Summary

- The Finance Committee supports the passage of the FY21 budget in its current form, as approved by the WSESD board.
- The Finance Committee supports the use of fund balance in the proposed budget and recommends an ongoing level of fund balance at the higher end of the 5 to 10 % range currently targeted.
- The Finance Committee supports efforts to move forward on the two major capital improvements currently under consideration, the athletic fields at BUHS and the classroom addition at Academy School, using borrowing or bonding as needed to complete these two projects.
- The Finance Committee, created and appointed by the Brattleboro Representative Town Meeting, believes that a report on the WSESD budget would be better written by a

similar committee created by the voters of the entire district and comprised of residents of all member towns, rather than being the product of a Brattleboro committee.

2. Introduction

In past years, the Brattleboro Representative Town Meeting Finance Committee has focused on the school budgets of the Brattleboro Town School District and the Brattleboro Union High School District, which included the Brattleboro Area Middle School and Windham Regional Career Center. With the district merger, the Windham Southeast School District (WSESD) now encompasses those schools plus the Dummerston, Guilford, and Putney elementary schools. Despite the district having expanded beyond the boundaries of Brattleboro and the purview of its Representative Town Meeting, we found it important to continue to report on the WSESD budget, given its significant impact upon Brattleboro residents. The total budget figure proposed for FY21 is \$51,171,300, which will be acted upon by the voters at the Annual Meeting of the WSESD on March 17, 2020.

Now is a tumultuous time for school districts throughout the state after the forced mergers under Act 46. Newly formed boards and school administrators are still learning to work together. While intended cost savings were a major driver of Act 46, at present any compelling savings have yet to be realized. Statewide, districts are experiencing higher costs and large budget increases, with tax rate increases of over 10% reported in some districts. This observation is not meant to be a conclusive judgement on Act 46, but to help set the context for our own district's current budgetary process.

Amidst these complexities, the Finance Committee finds the WSESD proposed budget to be responsible and supports its passage. This report looks at the expenditures for the district and then the tax rates for each town. The state tax formula is complicated and its implications vary for each resident, particularly under the income sensitivity guidelines, which apply to a majority of taxpayers in our region. The section titled *The Funding Formula and Projected Tax Rate* does its best to explain how the rate is calculated and what the final rate will be for Brattleboro residents.

While there are a number of ways to consider the level of spending by a school district, the school funding formula gives special significance to the level of spending per equalized pupil, which is a critical figure in the calculation of the tax rate. Equalized pupils are the actual pupils with adjustment factors applied for grade level and indices of poverty in the community. If the amount of spending per equalized pupil exceeds a cap set by the state, taxpayers in the district may have to pay an additional amount based on the excess spending.

3. WSESD FY 2021 Expenditures

With a total proposed budget for FY21 of \$51,171,300, the WSESD proposes to spend \$894,982 more than the combined FY20 budgets of its component parts, the districts that have merged under Act 46. The budgets for FY20 totaled \$50,276,318, so the figures show an FY21 increase of 1.8%. (Note: This direct comparison is not as simple as it looks, though, because of accounting changes resulting from the merger. Both revenues and expenditures have changed because with the old system of separate districts, payments were made between districts for services that now fall within the unified district and thus are removed as both revenues and expenditures.)

Overview by Town

Similar to the BUHS budget process in past years, the voters in Brattleboro, Dummerston, Guilford, and Putney are asked to approve expenditures for all the towns. The big change is that now the elementary schools are included along with the high school. The proposed total expenditure for FY21 is considerably larger than residents of the four towns are accustomed to seeing. Here are the amounts for each of the school locations.

Table 1. WSESD FY 2021 proposed expenditures by location

WSESD FY 2021 proposed expenditures by location	Amounts and percentage change for individual locations	Amounts and percentage change for aggregated locations
Brattleboro - Academy		
FY21	\$ 6,688,974	
FY20	6,448,537 +3.6%	
Brattleboro - Green Street		
FY21	\$ 3,836,351	
FY20	3,609,788 +6.3%	
Brattleboro - Oak Grove		
FY21	2,467,646	
FY20	2,469,427 - 0.1%	
Brattleboro Elementary - TOTAL		
FY21		\$ 12,992,971
FY20		12,527,752 +3.7%
BUHS - High School		
FY21	\$ 16,258,869	
FY20	16,110,965 +0.9%	

BUHS - Middle School (BAMS)		
FY21	\$ 3,377,001	
FY20	3,344,554 +1.0%	
BUHS - Career Center (WRCC)		
FY21	\$ 2,378,020	
FY20	2,608,115 - 8.8%	
BUHS - TOTAL		
FY 21		\$ 22,013,871
FY 20		22,063,634 -0.2%
Dummerston		
FY21	\$ 2,643,508	
FY20	2,420,655 +9.2%	
Guilford		
FY21	\$ 2,217,382	
FY 20	2,480,005 -10.8%	
Putney		
FY21	\$ 2,914,051	
FY 20	2,667,999 +9.2%	
WSESD Districtwide Programs		
FY21		\$ 8,389,499
FY20		8,116,274 +3.4%
WSESD - TOTAL		
FY21		\$ 51,171,300
FY20		\$ 50,276,318 +1.8%

Overview by Category

Another way of looking at expenditures is by category of expense, which is displayed in a table and as a pie chart in the WSESD annual report budget summary. (Citation and web link below.) A majority of the funding, close to two-thirds, goes to salaries and benefits for employees, reflected in the regular instruction and special education sections of the chart.

Online Resources at WSESU.org

The WSESD has published a 16-page budget summary document available at the WSESU.org website under Central Office, Finance Office. Here's a concise link: <https://tinyurl.com/budgetsummaryFY21>. This includes information on both revenues and expenditures, and the all-important tax rate worksheet showing the calculations that lead to the tax rate for each town. Also at WSESU.org is the complete 130-page proposed budget, available here, <https://tinyurl.com/FY21full-budget>, for those seeking more detail. (Helpful hint:

When looking at the seven-page Summary Expense Budget, one can use the page numbers given in the right hand column to locate those line items in the 130-page version.)

Areas of increased spending in the FY 2021 budget

While many line items in the budget may increase or decrease for a variety of reasons, the proposed increase in total spending is accounted for largely by increases in four categories:

Health insurance	\$ 715,000
Salary and wages, including 3.4 new positions (net)	512,000
WSESU assessment for special education	533,000
<u>Extension of free meal access to all students at BUHS</u>	<u>+ 198,000</u>
Total	\$1,958,000

This total is substantially larger than the increase of \$894,982 proposed for FY21 total budget. The difference comes mostly in the areas of transportation costs and tuition cost assessments within the WSESU and the Windham Regional Career Center budgets. Those savings total \$1,207,000. Additional detail is available at the WSESU website as page 2 of the FY21 budget summary referenced above.

Looking at the items from the above table:

- The health insurance and special education assessments are not under the direct control of the school board, but rather are amounts dictated by the state and the WSESU, respectively.
- The 3.4 net increase in new positions would result in a total of 413.7 employees of the district, an increase of less than one percent. New or increased positions proposed for FY21 include positions at Putney (2nd grade teacher), Dummerston (counseling, pre-K, and custodial), Academy (LPN school nurse assistant), Green Street (administrative/nurse), Guilford (paraprofessional for grades 1 and 2), and BUHS (foreign language, science). In most cases, these additions are fractional parts of a full time position.
- Special education, by state law, falls largely under the supervisory union budget, which is discussed in its own section below.
- The extension of the free meal program to all students is accompanied by a change in federal funding, resulting in the increased amount paid locally as shown.

Capital Spending

As presented to the board by the administration, the capital spending plan for the WSESD looks back over the past three years and ahead to the next five. For FY21 through FY25, the proposed annual capital spending varies from \$896,000 to \$1.37 million, averaging \$1.1 million per year. For FY21, the proposal is for \$1,240,819, with \$745,342 coming from fund balance in

the capital fund (accumulated in prior years), and the rest coming from the FY21 general fund. For future years, the plan is necessarily hypothetical, but nonetheless is an important indicator of anticipated spending. The 17-page capital plan is on the same WSESU webpage as the previously cited documents, and can be found here: <https://tinyurl.com/FY21capital-plan>. A one-page overview is included in the budget summary document previously referenced.

Two capital spending questions in particular occupied much of the board's attention for the past several months, the athletic fields at BUHS and the proposed new classroom construction at Academy School. Both are projects that received substantial attention from the prior school boards, specifically the BUHS board and the Brattleboro town school board, as well as from the media and the public.

After almost twenty years of study, the plan in place for the BUHS athletic fields is to engage in more study. A proposal was created under the old BUHS board for a roughly \$1.25 million artificial turf replacement for the natural grass at Natowich field. This proposal was not adopted by the WSESD board because of financial and environmental concerns. Instead there will be a new professional study of the options available, with a parallel track of soliciting suggestions from the public. (How these two tracks will be integrated has not been fully addressed and could lead to confusion later on.) Despite the absence of a plan, funding for athletic field improvements is part of the capital plan going forward, including \$125,000 in the budget for FY21, but the timeline for implementation is not clear.

Similarly, the new classroom building at Academy School was studied and proposed by the old Brattleboro town school board, and has been looked at anew by the WSESD board. The currently used space at Academy is a modular building in compromised condition, which is too small and inadequately configured to properly serve its purpose.

A proposal for the Academy project has been developed by Stevens and Associates and presented to the board, with an estimated price tag of \$1.4 million. (Also included in this figure is a separate window upgrade project for the school.) An initial expenditure of \$100,000 is in the proposed FY21 budget, and the board has authorized the next step of scheduling a bond vote to finance the project. The proposed design, however, has not been approved, and an alternative design, potentially more energy efficient, will also be considered. The timeline for implementation is being developed.

The SU and You

Cautionary Note: In this section we refer to both the Windham Southeast Supervisory Union (WSESU) and the Windham Southeast School District (WSESD), which raises the possibility of some confusion if one is not careful.

Many voters may be unaware of the structure of the Windham Southeast Supervisory Union and its role in the school budget process. A supervisory union is required when multiple school

districts share funding and administrative functions, which in Vermont includes responsibility for special education, transportation, fiscal services, and food services. Until the recent merger, there were six separate school districts in the WSESU — Brattleboro, BUHS, Dummerston, Guilford, Putney, and Vernon. Now there are two — the WSESD and Vernon.

Had Vernon joined the WSESD, there would be no more WSESU because students from all member towns would be attending schools within a single district. The SU structure remains in place because Vernon opted out of the merger (and was permitted to do so) in order that a small number of high school students could attend schools in Massachusetts using public funding. About 93% of the WSESU's students in grades K-12 are in the WSESD and have correspondingly large budgetary needs. The remaining 7% are in Vernon. Thus the great majority of funds raised and spent by the SU are in the WSESD.

The SU budget for FY21 totals \$22,783,474. These expenditures were approved by the WSESU board, which is composed of one representative from each member town. There are five members, and only these individuals vote on the SU budget.

An important issue is how the SU is funded. While it is permitted to spend money, the SU does not have the power to tax. Sources of funding for the SU include grants (including from the federal government), support from the State of Vermont, and most importantly for this discussion, "local support," i.e. funding from local school boards. Because the SU cannot tax residents directly, it does so indirectly by sending a bill ("assessment") to the school districts it supervises.

For FY21 the assessment to the WSESD from the WSESU is just over \$8 million, an increase of about 3.4% from FY20. The assessment line items become part of the WSESD proposed budget, without being subject to individual approval or rejection by the school board or the voters. While this does not mean the SU budget is unfair or excessive, it does mean that a significant portion of the school budget is shielded from consideration by the school board and the voters as it makes its way through the budget process.

Special Education Spending

A detailed consideration of the SU budget is beyond the scope of this report, but the increase in special education funding deserves consideration. In accordance with state law, the SU manages special education spending and then passes that cost along to the WSESD. The FY21 WSESU budget includes a sharp increase in special education spending. It is stated that the main cause of this increase is more students requiring outside placements, with dramatically increased tuition costs paid by the SU. (In some instances the cost for a single student can reportedly reach \$150,000.) Students are placed in settings outside of the district when their needs are too complex or too great to be properly met by the district. Last year (FY19), 29 students had outside placements. For the current year (FY20), outside placements are projected to increase to 54 students.

There is no stated single reason why outside placements are increasing. Some reasons given have been 1) a nationwide trend of more complex student needs, 2) potentially an increase in families moving into the district with higher need students, and 3) more complex behavioral plans at BAMS and BUHS as compared to the elementary schools, resulting in outside placements when students reach that age group.

4. The Proposed Tax Rate

The proposed WSESD tax rate for the town of Brattleboro is \$1.717 per \$100 assessed value, a 4.3% increase from last year. This rate is affected by not only the school budget, but also by the Common Level of Appraisal. What an individual homeowner ends up paying is further affected by the state's income sensitivity program. Both of these external factors are explained in further detail below.

All Sources of Funding, with FY20 Comparisons

The WSESD has two categories of funding, taxes raised by the district, and offsetting revenues (money that comes from sources other than the property tax). Offsetting revenues include grants, donations, out-of-district tuitions, and surplus from prior years (fund balance).

For FY21, the district is projected to take in \$8,517,224 in offsetting revenues, a \$1,131,762 (-11.7%) decrease from FY2020. For the most part, this change reflects an accounting change rather than a true decrease in available funds. Before the merger, various districts made payments to each other that no longer need to be made because we are a single district. The apparent decrease in offsetting revenue is thus matched elsewhere by a decrease in expenditures. The remainder of the budget is raised through district taxes, outlined in the next section.

The Funding Formula and Projected Tax Rate

There are several key numbers that determine the tax rate for a town. (Cautionary note: As is the case every year, some of the data used in the calculations are estimates that will change when the precise figures become available, but usually by only a small amount.) Also, it is important to remember that for an individual household the income sensitivity component of the property tax (applicable in 2018 to households with income of less than \$136,500) can provide a significant benefit.

In calculating a tax rate for the WSESD, the total spending of \$51,171,300 is first reduced by offsetting revenues. The resulting figure of \$42,654,076 is called **education spending** for the district. Next, that figure is divided by the number of **equalized pupils** in the district, which is the number of actual pupils adjusted for grade level and for socioeconomic indicators. This gives the **education spending per equalized pupil**, which for the WSESD comes out to \$18,932.

This number in turn is divided by a figure called the **property dollar equivalent yield**, which reflects the amount of state aid available to school districts throughout Vermont. (These calculations can be found in more detail on page 3 of the WSESD FY21 budget summary.)

For the WSESD in FY21, the resulting number is a tax rate of \$1.740 per \$100 assessed value. There is one more adjustment, though, which corrects for different levels of property value appraisal in relation to actual market values of real estate in different towns. Thus, if a town's appraisals are higher than actual market values, the tax rate will be adjusted downward in that town, compared to a town where appraisals are closer to reality. This adjustment is called the **Common Level of Appraisal**, or CLA.

For the towns in the WSESD, the estimated CLA-adjusted tax rates are in the following table. They are compared with the FY2020 rates.

Table 2. Estimated School Property Tax rates- Homestead, Adjusted by CLA

	FY20	FY21	\$ Difference	% Difference
Brattleboro	1.646	1.717	\$0.071	4.3%
Dummerston	1.647	1.671	\$0.024	1.5%
Guilford	1.694	1.763	\$0.069	4.1%
Putney	1.713	1.775	\$0.062	3.6%

The **Common Level of Appraisal (CLA)** adjustment was adopted by the state when the statewide property tax for education was put in place. The purpose of the CLA is to ensure equity between all towns in regard to taxation, so that property taxes would not be artificially affected by different appraisals in different towns.

The \$18,932 level of **education spending per equalized pupil** is higher than the level of spending that might generate an additional tax penalty to the state. That level is \$18,756. However, a portion of the budget attributable to payments being made on previously approved bonds is exempt from this calculation, which means the district is not subject to a penalty.

Among the four towns, Brattleboro is experiencing the largest increase in tax rates this year because the CLA for Brattleboro is coming down. This means that the appraised values of homes are getting closer to their actual selling prices. As the CLA decreases and nears a value of 1.00, the adjustment Brattleboro receives also decreases. This decrease (which is beyond the control of the WSESD), coupled with the 1.8% increase in school spending, is how the 4.3% increase in school property taxes for the residents of Brattleboro is derived.

Income Sensitivity and its Effects in Our Area

The last factor in determining an individual's property tax payment is the Vermont Property Tax Credit, which adjusts one's property tax based on household income and the appraised value of the home. Those with a household income of \$136,500 or less may be eligible for relief. The maximum possible credit to the education property tax is \$5,600, with an additional \$2,400 of relief potentially available for municipal taxes.

Each individual's tax situation is unique and there is no simple chart or table to tell people what tax credit they are entitled to receive to offset education taxes. (There is a worksheet for this purpose at the Vermont Tax Department's website, here: <http://bit.ly/2ur0msR>.) Broadly speaking, in 2018, 1,708 homeowners in Brattleboro received a property tax credit. The average tax credit amount was \$1,275.

Use of Fund Balance

In order to control the education spending per equalized pupil and, in turn, the tax rate, \$800,000 will be used in FY21 from the fund balance, compared to \$1,017,040 in FY20. Fund balance in the general fund at the beginning of FY 20 was \$4,261,326. It is anticipated to be down to \$3,244,286 at the end of the current year (FY20), and further reduced to \$2,444,286 at the end of FY21.

In the capital fund, fund balance at the beginning of FY20 was \$2,117,258. It is anticipated to be down to \$1,415,347 at the end of the current year (FY20), and further reduced to \$670,005 at the end of FY21.

As mandated by Act 46, the current fund balances, carried over from the previous town school districts, must be spent by the end of FY 2024. If it is not spent by then, the state will take the remainder of the funds. At the same time it is spending inherited fund balance, the new district now must reestablish fund balance to replace what is being spent. Financial projections have this process beginning in FY23 and FY24.

The Finance Committee endorses this year's use of fund balance and agrees with the rebuilding plan. The Central Office staff believes a reasonable target is between 5 and 10 percent of the operating budget. We are more comfortable with the higher end of that range.

Anticipated Effects of Act 46

As mentioned in the introduction, Act 46 continues to be an uncertain factor for districts throughout the state. Despite this year's budget increases seen in schools statewide, a critically important goal of Act 46 was to manage rising costs. The district will be working together over the coming years as the separate schools identify ways to streamline services. Close coordination and a realization of the wider community's needs will be crucial in the successful implementation of the merger.

5. Conclusion

The lengthy and complicated process of creating and funding a budget for the schools may be daunting and difficult to follow for many citizens. Even a committee such as ours often finds itself searching for answers to questions we're not sure we fully understand. In this year especially, with the advent of a new district and the logistical and emotional tasks at hand, a complete understanding is a goal more than a destination. That said, we have watched as the process unfolded, and we believe the outcome is fair and as affordable as could be achieved, especially in comparison to much of the rest of the state. We recommend that the voters approve the budget as presented by the WSESD board.

Beyond that, we hope for an ongoing process in which the voters see themselves as part of a single district, with the old definitions of community superseded by a unified vision for the unified district. As part of that process, we recommend that a committee be formed, including residents of all the towns, to perform an annual budget review in future years. And we recommend that citizens throughout the district take the time to familiarize themselves with the proposed FY21 school budget, and then make the necessary effort to attend the annual meeting on March 17 where they can vote to make their wishes known.

The Brattleboro Representative Town Meeting Finance Committee

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