

Windham Southeast School District FY 2020 Budget Report

prepared by the

Brattleboro Representative Town Meeting Finance Committee June 7, 2019

SUMMARY

1. The Finance Committee supports passage of the proposed Windham Southeast School District (WSESD) budget. The newly formed board has adopted a budget proposal which is simply the separate budgets of the five merged school districts added together, yielding a final budget amount of \$50,172,289, for consideration by the voters at the annual meeting to be held on June 25 in the BUHS gym.
2. It is expected there will be a motion to amend the budget at the June 25 meeting, affecting mostly administrative expenses. Other budget amendments may also be proposed.
3. This report draws largely from the Finance Committee's previous evaluations of the BUHS and Brattleboro Town School District budget proposals, which together comprise 80% of the WSESD budget. The other towns' budgets have also been reviewed, albeit in less detail.
4. Estimated tax rates per \$100 of assessed value for the four towns are:

Brattleboro	\$1.642
Dummerston	1.643
Guilford	1.689
Putney	1.709

Differences are due to differences in property value assessment levels (the Common Level of Appraisal) among the towns.
5. The tax rate for Brattleboro is higher in the merged district than it would have been without the merger. The Finance Committee does not fully understand the cause of this difference and will look into it further. The WSESD has scheduled two public information sessions, on Tuesday, June 11 at 6:30 p.m. at the Dummerston School, and on Tuesday, June 18 at 6:30 p.m. at the Windham Regional Career Center at BUHS in Brattleboro.
6. A future budget process for the WSESD remains to be created. Questions include:
 - A. Will the structure of the WSESD board be changed by the voters at a subsequent meeting? Will there be more members of the board to engage in the necessary work?
 - B. Will there be a WSESD finance committee, as there was for the BUHS board?
 - C. What will happen to the supervisory union? Will Vernon continue to be a member of the WSESU? What are the budgetary implications of this question, and how will it be decided?
 - D. Can voters be convinced to participate meaningfully in the budget process? Lack of participation permits decisions to be made by a small group of people with a specific agenda. Attendance at BUHS annual meetings was notoriously poor. Will this pattern continue for the WSESD?

INTRODUCTION

With the courts having thus far denied legal challenges to Act 46 and with the Vermont Legislature having adjourned, the resulting school district mergers are moving ahead. With little time before their deadlines, the transitional school board and the newly formed Windham Southeast School Board have simply added together the budgets of their five component school districts

to create a budget for the merged district. The total budget figure is \$50,172,289, which will be acted upon by the voters at the Annual Meeting of the WSESD on June 25.

As we do every year for the school budgets affecting Brattleboro taxpayers, the Representative Town Meeting Finance Committee has reviewed the WSESD budget process. Our report draws upon our previous reviews of the Brattleboro Union High School and Brattleboro Town School District budgets, and includes a less detailed review of the Dummerston, Guilford, and Putney school district budgets.

This report first looks at the expenditures for each component district and then the tax rates for each town. Our full reports on the two Brattleboro school district budgets can be found online at the brattleboro.org website, or by following this link: <https://tinyurl.com/fincomreports>.

SCHOOL BUDGETS

Brattleboro Union High School

With a proposed budget of \$25,221,000, BUHS makes up just about half of the total WSESD budget proposal. As in prior years the BUHS finance committee began considering the budget in the early fall and approved a budget proposal which was in turn approved by the full BUHS board. The goal was to maintain level services and as close to level funding as possible.

There are four sections of the BUHS budget: Districtwide, Brattleboro Area Middle School, Senior High School, and Windham Regional Career Center. In addition, there is a capital spending plan, which draws its funds from those four sections of the budget. Expenditures for the four sections are as follows.

	<u>FY 2019 (as passed)</u>	<u>FY2020 (proposed)</u>	<u>% increase</u>
Districtwide	\$ 11,013,194	\$ 11,019,670	0.1
Senior High	7,935,005	8,363,015	5.4
BAMS	3,212,021	3,392,343	5.6
WRCC	2,430,780	2,445,972	0.6
Total BUHS	\$ 24,591,000	\$ 25,221,000	2.6

Capital spending totals \$350,000 and includes needed upgrades to flooring, roofing, and hot water supply, and an initial payment on resurfacing Natowich field for football and other sports.

Brattleboro Town School District

The BTSD proposed budget of \$15,368,219 comprises close to 30% of the WSESD total, and contains five sections: Districtwide, Green Street School, Oak Grove School, Academy School, and Early Education Services.

Expenditures are as follows.

	<u>FY 2019 (as passed)</u>	<u>FY2020 (proposed)</u>	<u>% increase</u>
Districtwide	\$ 4,095,637	\$ 4,279,935	4.5
Green Street	3,148,882	3,300,212	4.7
Oak Grove	1,963,932	2,098,867	5.6
Academy	4,570,763	4,771,514	4.4
EES	880,387	917,691	4.2
Total BTSD	\$ 14,659,600	\$ 15,368,219	4.8

About 60% of the increases is attributable to salaries and benefits. There also are increases in the WSESU assessment, operations and maintenance, and foreign language instruction. Capital spending for FY 2020 totals \$395,450 and includes an initial payment on new construction at Academy School, and upgrades and repairs to roofing, ceilings, floorings, windows, and playgrounds.

Dummerston Town School District

The Dummerston school board voted to recommend a budget to the transitional board in the amount of \$3,067,500, up from \$2,945,600 in FY19, an increase of \$121,900 or 4.1%, despite the intention to provide an unchanged service level. The increased expenditures are related to salary and benefits (health insurance showed a projected 11% increase, similar to the rest of the WSESU), and also the addition of a preschool teacher at a cost of about \$100,000, half which is offset by a decrease in paraprofessional staff. The initial budget draft would have resulted in expenditures high enough to trigger a tax penalty from the state, but a last minute small-schools grant avoided that outcome.

Guilford Town School District

The projected FY20 expenditures passed by the Guilford school board total \$3,112,500, up from \$2,922,000 for FY19, an increase of \$190,500 or 6.5%. Contributing factors shown in the published budget figures include salaries and benefits, contracted preschool services (\$40,000), teacher leadership and program improvement (\$10,000), special education (\$14,000), and food services (\$7,000). (Figures in parentheses are approximate.) There is a \$30,000 increase in fund balance in the capital fund, but a \$75,000 decrease in fund balance in the general fund, to offset increased spending and the resulting tax rate.

Putney Town School District

The proposed Putney school district FY20 expenditures total \$3,403,070, up from \$3,261,078 in FY19, an increase of \$141,992 or 4.4%. Initially the budget also included funding for pre-K programs, but this item was removed as the total budget exceeded the spending threshold for a tax penalty. Other increases included salaries and benefits, WSESU assessment (\$39,000), and special education (\$35,000). There is no projected change in fund balance.

DERIVING THE TAX RATE

There are several key numbers that determine the tax rate for a town, and we will now look at these numbers, but please note that the calculations are estimates and may change. It is worth remembering that for an individual household the income sensitivity component of the property tax (applicable to households with income of less than \$136,500 in 2018) can provide a significant benefit.

In calculating a tax rate for the WSESD, the total spending of \$50,172,289 is first reduced by offsetting revenues, i.e. money that comes from other, non-tax sources. The resulting figure of \$40,523,313 is called **education spending** for the district. Next, one divides that figure by the number of **equalized pupils** in the district, which is the number of actual pupils adjusted for grade level and indicators of family income. This division gives the **education spending per equalized pupil**, which for the WSESD comes out to \$18,139. This number in turn is divided by a figure called the **property dollar equivalent yield**, which is related to the amount of state aid available to school districts throughout Vermont. (These calculations can be found in more detail on page 2 of the **WSESD FY20 Proposed Budgets** document.)

For the WSESD in FY 2020, the resulting number is a tax rate of \$1.704 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 lower 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 FY 2019 rates and with what would have been the estimated tax rates for the four towns if the merger had not taken place.

	<u>FY 2019</u>	FY 2020 <u>(merged)</u>	FY 20 % change <u>from FY19</u>	FY 2020 <u>(unmerged)</u>	FY20 % change <u>from unmerged</u>
Brattleboro	\$ 1.604	\$ 1.642	+ 2.4	\$ 1.605	+ 2.3
Dummerston	1.664	1.643	- 1.3	1.68	- 2.2
Guilford	1.702	1.689	- 0.8	1.698	- 0.5
Putney	1.667	1.709	+ 2.5	1.686	+ 1.4

A key question, particularly for Brattleboro taxpayers, is why the tax rate shows a significant increase for the merged district compared to the estimate if the districts had not merged. The reasons, lying buried in the calculations, are somewhat opaque, but the Finance Committee will try to have an answer by the time of the vote on June 25, or sooner if possible.

CONCLUSIONS

Given the unusual circumstances and the need for an operating school district on July 1, the Finance Committee believes that the budget as proposed should be passed by the voters on June 25 despite the valid questions that can be raised about the Act 46 merger, the structure of the WSESD board, the tax rates, and the budget itself.

What has not changed this year is that the school boards did their job in planning for the education of the students in their towns and schools. What we have are the best proposals they could provide, combined in a somewhat haphazard process, and the students are depending on us to move through the process in an orderly and responsible fashion.

ANTICIPATING FUTURE DEVELOPMENTS

Without delving too deeply into hypothetical matters, the Finance Committee notes that a number of questions will have important effects on the budget process and the actual budgets in future fiscal years, beginning this summer and fall as changes in the structure of the WSESD are considered and as a more usual budget process is put in place. There has been repeated discussion of changes to the number and proportion of representatives on the WSESD board, which may result in another meeting of the voters in the district before too long.

Whether the WSESD will have its own finance committee, similar to the BUHS board, is not known.

Also in question is the structure, or even the existence, of the Windham Southeast Supervisory Union. It's a complicated discussion, but when Vernon left the BUHS district and the yet-to-be-formed WSESD, it had the largely unanticipated consequence that the WSESU would have to continue to exist, with Vernon and the WSESD as its two member districts. This would seem to create inefficiencies within the administration of the school districts, as the SU is required to

perform certain functions that could otherwise be performed by the merged district. The budgetary impact of this question is unknown at present. Any action to address Vernon's status would have to be taken by the Vermont Board of Education and is highly speculative.

Perhaps most fundamental is the question of how much interest the voters will take in the functioning of the WSESD board and the budget it creates. The recent WSESD board elections had a voter turnout of less than 4%. In prior years the annual meetings of the BUHS district have been even less well attended than that, despite the large sums of money being authorized by those votes. Attendance by a few percent of the voters means that decisions reflect the will of the small number of people who bother to show up. This raises the possibility of a fundamentally undemocratic process governing the schools in our four towns, with consequences that may be difficult to foresee.

In closing, the Finance Committee would like to commend the various school boards and the Central Office of the WSESU for the long hours, hard work, and difficult discussions they have been through for the past three years. The merger process has been far from easy, and will still require the good will and determined efforts of many people in order to address the challenges and opportunities faced by our public schools, their students, and our communities as a whole.

Addendum - June 18, 2019

In the body of our report we noted an unresolved issue and said it would be addressed as events continued to unfold, namely the effect of the merger on Brattleboro's tax rate. This addendum addresses that remaining question.

In the report, there is a table of projected FY20 tax rates for the four towns in the district, followed by comparisons of FY20 to the FY19 tax rates and also to what the rates might have been for FY20 without the merger. We noted that we did not fully understand the source of the difference between the proposed tax rates and the hypothetical unmerged rates. With further discussion, we now understand that a definitive unmerged tax rate cannot be calculated. There are two underlying reasons, one mathematical and one procedural.

The mathematical reason one cannot calculate a tax rate for FY20 for the unmerged districts is that an essential figure in that calculation has not been provided by the Vermont Agency of Education. The missing figure is the number of Equalized Pupils for each town, which has been provided for the merged district but not for the individual districts. Any calculation of a hypothetical FY20 tax rate for an individual town is therefore based on an estimated number of Equalized Pupils and cannot be considered definitive.

The procedural reason that an unmerged tax rate for Brattleboro (or the other towns) cannot be known is that the budget process and the expenditures in each separate district would have been at least somewhat different without the merger being under way. While the draft budget proposals might have been the same, the final expenditures would have been adjusted for the expected tax rates in each separate district, a normal part of the budget process which did not take place this time around.

Therefore, it is important to understand that the tax rate comparisons between the FY20 town-by-town merged and unmerged budgets in our report are based on but one estimate of the unmerged rates, and are of little value in deciding whether to approve the proposed budget. It is important to take a larger view than comparing just two numbers, one of which is an approximation at best. The conclusion we reached is that the proposed budget is worthy of approval by the voters on June 25.