

**PRELIMINARY REVENUE PROJECTIONS FOR THE FISCAL YEAR 2019 BUDGET**

**FINANCE COMMITTEE PRESENTATION**

**JANUARY 25, 2018**

By state law, the Governor (if not at the start of a new term) must submit his/her proposed budget bill for the upcoming fiscal year to the House of Representatives on the fourth Wednesday in January. As such, the Governor released his FY19 budget proposal yesterday, January 24. The figures in this budget are preliminary, as the budget must go through many stages. The House must review and submit its own bill. The Senate then reviews both the Governor’s and the House budgets, and then submits a Senate bill. A Conference Committee reviews and negotiates any differences between the House and Senate bills, and then submits its proposal to the House and Senate for approval or rejection. Once approved by both chambers of the legislature, the budget goes back to the Governor. The Governor can veto any line items, veto the entire budget, or approve the budget. Once approved, the figures are final unless the Governor amends his budget sometime before the end of the new fiscal year.

We receive several types of state aid that are considered General Fund revenues – Chapter 70, Regional School Transportation and Medicaid Reimbursements. A historical look at these three revenue streams follows.

|                                | FY13<br>Actual   | FY14<br>Actual   | FY15<br>Actual   | FY16<br>Actual   | FY17<br>Actual   | FY18<br>Anticipated | FY19 Initial<br>Projection |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|---------------------|----------------------------|
| Chapter 70                     | 1,830,896        | 1,850,096        | 1,869,289        | 1,888,246        | 1,927,571        | 1,940,811           | 1,960,311                  |
| Chapter 71 Transportation      | 409,877          | 475,033          | 428,500          | 568,200          | 633,365          | 586,476             | 484,889 *                  |
| Medicaid Reimbursement         | 64,500           | 75,870           | 93,605           | 201,783          | 140,163          | 100,000             | 100,000                    |
|                                | <b>2,305,273</b> | <b>2,400,999</b> | <b>2,391,394</b> | <b>2,658,229</b> | <b>2,701,099</b> | <b>2,627,287</b>    | <b>2,545,200</b>           |
| <i>Change from prior year:</i> |                  | 95,726           | (9,605)          | 266,834          | 42,870           | (73,812)            | (82,087)                   |

- Please note that the \$484,889 projection for Chapter 71 Regional Transportation reimbursement is based on FY17 expenditures. Actual reimbursement will be based on actual FY18 expenditures, which will be higher due to the prices in the new contract. Information has been requested from DESE concerning the anticipated reimbursement rate. When that is received, a new projection will be included in the FY19 revenue budget. Based on initial projections of FY18 costs, the FY19 reimbursement could be significantly higher. This figure will be adjusted as we gain more information from the state regarding projected reimbursement rates.

## CHAPTER 70

Chapter 70 funding is based on a complicated formula that includes many factors. The intent of the formula is to ensure that every district has sufficient resources to provide an *adequate* education to its students. The formula calculates the amount of state Chapter 70 aid that will be provided, as well as the *minimum* local contribution that each municipality must provide. Major factors in the formula include:

- “Foundation enrollment”, or the number of students the district is financially responsible for on October 1<sup>st</sup> of the previous school year
- The property wealth of each member town and the personal wealth of the residents of those towns
- The demographics of the students attending school, such as grade level, the number of English Language learners, the number of vocational students, the number of students who are considered “economically disadvantaged”, and a set (state-wide) percentage of total students who are assumed to need special services in district programs and in out-of-district placements.

The number of students for whom we have been financially responsible has decreased over recent years, which has had a direct impact on our Chapter 70 funding.

| SBRSD                          | OCTOBER 1st ENROLLMENTS |            |            |            |            |            |      |
|--------------------------------|-------------------------|------------|------------|------------|------------|------------|------|
|                                | in 2012                 | in 2013    | in 2014    | in 2015    | in 2016    | in 2017    |      |
|                                | for FY14                | for FY15   | for FY16   | for FY17   | for FY18   | for FY19   |      |
| Alford                         | 26                      | 26         | 26         | 23         | 19         | 25         |      |
| Egremont                       | 91                      | 89         | 101        | 90         | 81         | 75         |      |
| Monterey                       | 84                      | 81         | 90         | 86         | 81         | 75         |      |
| New Marlborough                | 157                     | 161        | 156        | 158        | 152        | 132        |      |
| Sheffield                      | 410                     | 415        | 381        | 358        | 329        | 337        |      |
| <b>TOTAL</b>                   | <b>768</b>              | <b>772</b> | <b>754</b> | <b>715</b> | <b>662</b> | <b>644</b> |      |
| <i>Change from prior year:</i> |                         | 4          | -18        | -39        | -53        | -18        | -124 |

The increases in Chapter 70 aid from FY14 through FY19 have been comprised of only a “Minimum Aid” figure established each year, times our foundation enrollment. The established minimum aid figure has varied from a high of \$55 per student in FY16 and a low of \$20 per student in the Governor’s proposed FY19 budget. This leaves the majority of any increase in expenditures to be covered by member town assessments.

|                                      | FY14     | FY15     | FY16     | FY17     | FY18 Budget | FY19 Budget |
|--------------------------------------|----------|----------|----------|----------|-------------|-------------|
| Foundation Enrollment                | 768      | 772      | 754      | 715      | 662         | 644         |
| Per Pupil Minimum Aid                | \$25     | 25       | 25       | 55       | 30          | 20          |
| Total Increase in Chapter 70 Funding | \$19,200 | \$19,300 | \$18,850 | \$39,325 | \$19,860    | \$12,880    |
| <i>Change from prior year:</i>       |          | 100      | (450)    | 20,475   | (19,465)    | (6,980)     |

## CHAPTER 71 FUNDING (TRANSPORTATION REIMBURSEMENT)

Chapter 71 transportation reimbursements are provided only for what the state calls “Regular Transportation” for transportation to and from school for student who live 1.5 or more miles from the school. We are not reimbursed for transporting students who live less than 1.5 miles from their school, for Special Education transportation, or for transportation provided to choice-in students. The law requires that we identify on our annual End of Year Report how many students we provided transportation for in each of those categories, along with the associated cost. FY18 data is not yet available, but our FY15 through FY17 figures were as follows. The highlighted cost figures represent expenditures eligible for reimbursement.

| <i>Per EOY Report - Expenditures Claimed as Reimbursable</i> | <u>FY15 Exp</u> | <u>FY16 Exp</u> | <u>FY17 Exp</u> |
|--|-----------------|-----------------|-----------------|
| <i>Within District - 1.5 miles or more from school</i>       | <b>777,695</b>  | <b>862,464</b>  | 713,072         |
| <i>Within District - less than 1.5 miles from school</i>     | <b>120,836</b>  | <b>35,936</b>   | 34,403          |
| <i>Special Education</i>                                     | <b>224,522</b>  | <b>265,204</b>  | 285,299         |
| <i>School Choice Transportation/Outside District</i>         | 62,156          | 40,086          | 178,268         |
|  | -               | 1,185,209       | 1,211,042       |

The reimbursement rate varies from year to year, but has been in the 60.5% to 73.4% range over the last five years.

|                                   | <u>FY13</u> | <u>FY14</u> | <u>FY15</u> | <u>FY16</u>       | <u>FY17</u>    |
|-----------------------------------|-------------|-------------|-------------|-------------------|----------------|
| Costs eligible for Reimbursement  | \$ 676,532  | \$ 714,771  | \$820,484   | <b>\$ 777,695</b> | <b>862,464</b> |
| Reimbursement received            | \$ 409,008  | \$ 474,855  | \$586,203   | \$ 568,200        | 633,365        |
| Percentage reimbursement received | 60.5%       | 66.4%       | 71.4%       | 73.1%             | 73.4%          |

## MEDICAID CLAIMS REIMBURSEMENT

Schools are eligible for Federal Medicaid reimbursements for school-based health and related medical services. These services support our compliance with the Individuals with Disabilities Education Act (IDEA) regarding services

needed for students with special needs. The Student Services Department and the Business Office work together to document services and related costs. We contract with the Lower Pioneer Valley Education Consortium, who analyzes and compiles our information, and submits it to the Federal government for reimbursement. The costs that are eligible for reimbursement relate direct and indirect costs associated with special needs areas such as:

- occupational, physical and speech/language therapy, including materials/supplies
- out-of-district student placements
- special needs transportation
- physician and nursing services
- psychologists, social workers and guidance counselors
- special education teachers

Although the vast majority of expenditures that are eligible for reimbursement are related to special needs services, the revenue is considered as General Fund revenue, and is not earmarked to cover special needs expenditures. These funds support the entire budget.

The preliminary budget for Medicaid reimbursement for FY19 is \$100,000. Discussions at the Federal government level regarding reforms to the Affordable Care Act could jeopardize this funding source.

**ASSESSMENTS TO MEMBER TOWNS**

Assessment to member towns make up the vast majority of revenues that we receive annually. A historical look at these revenues follows. These figures include operating, transportation and regular capital projects. They do not include the FY18 assessments for the roof/boiler project long-term bond repayments, which totaled \$430,000. The roof/boiler project will be included in future years’ comparisons.

|                                | <u>FY13 Actual</u> | <u>FY14 Actual</u> | <u>FY15 Actual</u> | <u>FY16 Actual</u> | <u>FY17 Actual</u> | <u>FY18 Budget</u> |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Operating Assessments          | 11,054,287         | 11,304,666         | 11,647,944         | 11,652,072         | 12,116,719         | 12,363,426         |
| Capital Assessments            | 419,800            | 418,800            | 402,500            | 385,406            | 484,735            | 390,000            |
|                                | 11,474,087         | 11,723,466         | 12,050,444         | 12,037,478         | 12,601,454         | 12,753,426         |
| <i>Change from prior year:</i> |                    | 249,379            | 326,978            | (12,966)           | 563,976            | 151,972            |
|                                |                    | 2.2%               | 2.8%               | -0.1%              | 4.7%               | 1.2%               |

The total increase in assessments does not represent the specific increases or decreases that each individual member town has been assessed. The existing Regional Agreement requires that all assessments - operating, transportation, and capital – be based entirely on each town’s proportionate share of the required minimum

contribution established by the MA Department of Early and Secondary Education (DESE) for the district as a whole. Significant enrollment changes in individual towns, combined with the effect of the state’s efforts to bring each town to a targeted maximum contribution level, can result in major shifts in individual town’s assessments.

| <b>CHANGE IN ASSESSMENTS FROM PRIOR YEAR</b> | <b>FY14</b>      | <b>FY15</b>      | <b>FY16</b>       | <b>FY17</b>      | <b>FY18</b>      |
|--|------------------|------------------|-------------------|------------------|------------------|
| ALFORD                                       | (\$93,286)       | \$6,851          | \$9,104           | \$1,193          | (\$32,242)       |
| EGREMONT                                     | \$55,232         | \$8,516          | \$62,281          | \$132,966        | (\$28,414)       |
| MONTEREY                                     | \$133,181        | (\$8,788)        | \$51,565          | \$149,933        | \$68,654         |
| NEW MARLBOROUGH                              | \$1,932          | \$103,521        | \$25,304          | \$230,325        | \$149,735        |
| SHEFFIELD                                    | \$152,320        | \$216,878        | (\$161,220)       | \$49,559         | (\$5,761)        |
|  | <b>\$249,379</b> | <b>\$326,978</b> | <b>(\$12,966)</b> | <b>\$563,976</b> | <b>\$151,972</b> |

The FY19 budget for total expenditures is being finalized. If we were to have no change in the total assessment figure for the towns (not including the long-term bond), the year-to-year change from FY18 to FY19 in individual town assessments, based on the Governor’s proposed budget would be:

| <b>BASED ON FY19 MINIMUM REQUIRED CONTRIBUTIONS INCLUDED IN GOVERNOR'S PROPOSED BUDGET</b> | <b>FY18</b>          | <b>FY19</b>          | <b>CHANGE PER TOWN, EVEN IF TOTAL ASSESSMENT DID NOT CHANGE</b> |
|--|----------------------|----------------------|---|
| ALFORD   | \$ 380,251           | \$ 408,836           | \$ 28,585   |
| EGREMONT   | \$ 1,559,052         | \$ 1,507,287         | \$ (51,765)   |
| MONTEREY   | \$ 1,538,627         | \$ 1,503,221         | \$ (35,406)   |
| NEW MARLBOROUGH  | \$ 2,911,359         | \$ 2,668,926         | \$ (242,433)  |
| SHEFFIELD  | \$ 6,364,137         | \$ 6,665,156         | \$ 301,019  |
| <b>TOTAL</b>   | <b>\$ 12,753,426</b> | <b>\$ 12,753,426</b> | <b>\$ -</b>   |

The actual assessments will be determined once all expenditure budget figures are determined.

**TRANSFERS FROM EXCESS AND DEFICIENCY FUND (E&D)**

Every regional school district in Massachusetts must maintain an Excess and Deficiency fund. At the end of every fiscal year, any surplus or deficit in the district’s General Fund is closed to this fund. Financial reports of the fiscal year’s revenues, expenditures, assets, liabilities and fund balances are submitted to the Department of Revenue’s Division of Local Services. The DLS then reviews and certifies the balance in the fund. The School Committee can use all or any part of the certified balance as a revenue source for its proposed budget. If the certified balance exceeds five percent of

the proposed budget, the excess amount must be used as a revenue source for that budget. A historical look at the use of these funds follows:

|                                 | FY14 Actual | FY15 Actual | FY16 Actual | FY17 Actual | FY18 Budget |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Certified E&D Available         | 745,913     | 440,132     | 569,582     | 540,120     | 793,184     |
| Transfers to support the budget | 510,000     | 336,500     | 540,120     | 511,803     | 500,000     |

Total unencumbered Excess and Deficiency funds as of 7-1-17 have been certified at \$768,713. The preliminary budget for FY19 use of E&D as a revenue source is \$400,000.

### OTHER GENERAL FUND REVENUE SOURCES

The remaining budgeted revenue lines in the General Fund budget are relatively small, and include the following:

|                                | <u>FY14 Actual</u> | <u>FY15 Actual</u> | <u>FY16 Actual</u> | <u>FY17 Actual</u> | <u>FY18 Budget</u> | <u>FY19 Projection</u> |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------|
|                                |                    |                    |                    |                    |                    | -                      |
| Earnings on Investments        | 6,025              | 6,249              | 9,181              | 6,510              | 7,000              | 7,000                  |
| Tuition - Regular              | 155,359            | 150,156            | 112,696            | 69,946             | 48,000             | 18,000                 |
| Local Other                    | 3,265              | 3,135              | 5,915              | 446                | 300                | 300                    |
| P-Card Rebates                 | 370                | 481                | 726                | 486                | 700                | 700                    |
| Community Service              | -                  | -                  | 31                 | -                  | -                  | -                      |
| Pre-K Fees                     | 2,880              |                    | -                  | -                  | -                  | -                      |
| Transfers from Special Revenue | -                  | 14,763             | -                  |                    |                    | -                      |
| E-Rate Revenue                 | -                  | -                  | 8,694              | -                  | -                  | -                      |
|                                | 167,899            | 174,785            | 137,243            | 77,387             | 56,000             | 26,000                 |

The major change projected is a \$30,000 reduction in tuition-in revenue. This revenue comes from students who do not have an operating school district who attend our district. The major source of this funding has been from the Town of Mt. Washington.

### OTHER REVENUE AREAS THAT CAN HAVE A MAJOR IMPACT ON THE GENERAL FUND BUDGET

Other revenue sources that support our operations and that affect the General Fund include School Choice and Circuit Breaker.

## CIRCUIT BREAKER

The Circuit Breaker program is a state program, started in FY04 to provide additional state funding to districts for high-cost special education students. Circuit Breaker reimbursements are for the prior year's expenses. The threshold for eligibility is tied to four times the average state foundation budget per pupil, as calculated under the Chapter 70 program, with the stated goal of reimbursing districts 75% of the costs above that threshold. For children placed in a school district, outside their home town, by the Department of Transitional Assistance of the Department of Children and Families, and for children who have no parents or guardians in the commonwealth, the reimbursement is 100% above the threshold, rather than 75%. The School Committee must expend Circuit Breaker funds in the fiscal year received or in the following fiscal year. The Circuit Breaker fund is a special revenue fund, but the amounts received impact the bottom line in our General Fund budget.

| Circuit Breaker  |    |               |
|--|----|---------------|
| FY14   | \$ | 66,201        |
| FY15   | \$ | 65,982        |
| FY16   | \$ | 77,486        |
| FY17   | \$ | 136,118 *     |
| FY18   | \$ | 143,916       |
| FY19   |    | not yet known |
| * FY16 figure includes \$51,255 in extraordinary relief. |    |               |

## SCHOOL CHOICE

We use a portion of our annual School Choice revenue to help cover the cost of district teachers and teacher specialists. From FY12 through FY14, the expense for choice-out students exceeded the revenue for choice-in students. From FY12 through FY15, the number of students choicing-out exceeded the number of students choicing in. We experienced a big increase in both net dollars and net students in FY17. However, in FY18 both the net dollars and net FTE students dropped down to figures that are comparable to our FY16 figures. The state uses FY18 figures in their original FY19 budget. Historical information on School Choice follows.

|                  | ----- SCHOOL CHOICE STATISTICS ----- |            |                 |         |          |                 |
|------------------|--------------------------------------|------------|-----------------|---------|----------|-----------------|
|                  | Funds In                             | Funds Out  | Net (Loss)/Gain | FTEs In | FTEs Out | Net (Loss)/Gain |
| 2012             | \$ 761,181                           | \$ 765,532 | \$ (4,351)      | 124     | 140      | (16)            |
| 2013             | \$ 740,128                           | \$ 771,375 | \$ (31,247)     | 122     | 145      | (23)            |
| 2014             | \$ 729,136                           | \$ 822,122 | \$ (92,986)     | 123     | 152      | (29)            |
| 2015             | \$ 689,770                           | \$ 684,138 | \$ 5,632        | 124     | 133      | (10)            |
| 2016             | \$ 714,799                           | \$ 600,232 | \$ 114,567      | 122     | 114      | 8               |
| 2017             | \$ 798,986                           | \$ 548,689 | \$ 250,297      | 127     | 101      | 26              |
| 2018             | \$ 670,317                           | \$ 552,405 | \$ 117,912      | 111     | 102      | 9               |
| Assumed for FY19 | \$ 670,317                           | \$ 552,405 | \$ 117,912      | 111     | 102      | 9               |