

**Subject:** Regional FY15 Budget/Assessment Memo

**Date:** Friday, March 7, 2014 4:33:57 PM Eastern Standard Time

**From:** Mac Reid

**To:** Board of Selectmen

**CC:** Peter Ashton

Members of the Acton Board of Selectmen,

As Co-Chairs of the A-B Regional Study Committee for two years, Peter Ashton and I have written a memo regarding the A-B FY15 budget/assessment. Our goal is to help the voters understand, among other things, the disparity between the Acton and Boxborough assessments and how that relates to the new expanded region.

Please contact us if you have any questions or comments.

Mac Reid (Peter Ashton)

**FY15 A-B Budget/Assessments**  
Peter Ashton & Mac Reid  
Co-chairs of A-B Regional Study Committee  
March 6, 2014

There are questions about the Acton-Boxborough Regional School District FY15 Budget and the subsequent assessments to the two towns. Some of the questions relate to the actual budget increase and some of them relate to the impact of the first PK – 12 assessments to the two towns.

It is clear that the A-B administration and Transitional Regional School Committee did make the cuts in staffing that were promised in the regionalization process. These totaled ~\$416,000. The \$555,000 in additional transportation state aid as promised was included in the budget and is in the Governor's budget. Also, the \$139,000 in regionalization bonus aid was also included in the budget. Clearly, all budget-related issues that were promised in the regionalization process were implemented in the FY15 budget.

The first budget voted by the Transitional Regional School Committee included replacing 6.0 FTEs of the 10.0 FTEs cut with other positions. Among these were 3.0 elementary assistant principals, a 1.0 middle school Special Education Coordinator, and 4.0 FTE part-time positions. This brought the budget up 3.64% and created a 6.08% increase in the assessment to Acton relative to estimates of what the assessment would look like for FY14. As we discuss in more detail below, comparing FY14 with FY15 is extremely difficult due to the changes brought about by regionalization. It also created a ~5.0% decrease in the Boxborough assessment. Special education increases and funding OPEB were stated as having the greatest impact on the increase. The Acton municipal government requested a 2.7% increase in its budget.

At a subsequent meeting of the Transitional Regional School Committee, a new vote was taken to reduce the budget by ~\$756,000. The middle school Special Education Coordinator was eliminated and a number of other things were done to reduce the budget. This brought the budget increase to 2.62% with an assessment increase of 4.78% to Acton and an assessment decrease to Boxborough of -6.25%.

The question remained, why the disparity of the assessments to the two towns? If the formulas in Appendix A of the new A-B regional agreement were followed, shouldn't these formulas balance the assessments? That was the stated goal of Appendix A. Appendix A was created to ameliorate the following effects:

- a continuing enrollment shift from Boxborough to Acton (i.e., a faster declining enrollment in Boxborough than in Acton);
- an enrollment shift from Boxborough to Acton based on adding the K – 6 numbers to the enrollment formula (again Boxborough's faster declining numbers); and
- Blanchard's current higher cost per pupil.

The Appendix A formula did its job and compensated for these factors. Over \$1,000,000 in budgetary costs was shifted from Acton to Boxborough in the assessment calculation based on Appendix A to the revised A-B regional agreement.

Why then is the Acton assessment going up so much more than the budget and why are the Acton and Boxborough assessments so disparate? It appears there are several reasons. One is that Chapter 70 aid as contained in the Governor's budget is lower by ~\$600,000 than was expected due to declining enrollment. This obviously has an impact on the assessment and not on the budget.

For example, assume that the school budget is \$100 with the taxpayers responsible for \$70 and the State responsible for \$30. Now, assume after the budget is set, the State decides that it will support the district by only 20%. The budget is still only \$100, but now the local taxpayers have to pay \$80 instead of the planned \$70. The local taxpayers' assessment went up, even though the budget did not change. Because Acton's assessment represents over 80% of the total, Acton is hit much harder than Boxborough by this reduction in state revenue. A word of caution for the future, with continuing declining enrollments for several more years, state aid is expected to be a less important offset to future budgets.

A second reason for the assessment disparity appears to be caused by changing numbers in the FY14 Schedule 19 figures which causes the FY14 to FY15 comparisons to be problematic. Schedule 19 is a form filled out by every town in the Commonwealth indicating what "in kind" services it provides to a local (not regional) school district. No money changes hands. It is simply an accounting mechanism required by the State. In Acton and Boxborough, these formerly paper funds become real numbers as they are absorbed by a new regional school district; in this case, that part of the A-B schools which was formally part of the Acton Public School District and Boxborough Public School District.

Because most Schedule 19 numbers stay on the municipal side from year-to-year, the actual numbers in Schedule 19 do not get much scrutiny. Now that these numbers are coming into the Region, they are being given more scrutiny. It appears that Boxborough had significantly overstated the value of the numbers related to the Middlesex Retirement System in the FY14 municipal budget. Now that these numbers are going into the FY15 Regional budget, the number can be reduced significantly for Boxborough. Conversely, the Acton Middlesex Retirement System numbers were significantly understated. This caused the Acton number to be significantly increased in the FY15 Regional budget to conform to the real level of budgetary responsibility.

These two factors created the perfect storm, causing the assessment to go up more than the budget and also causing a greater disparity between the Acton and Boxborough assessments. The fact that State aid went down caused a higher assessment for both towns. Then the Boxborough assessment is reduced by bringing the Middlesex Retirement number down to its proper value, and the

Acton assessment number is increased by bringing the Middlesex Retirement number up to its proper value.

However, it is not just these Middlesex retirement numbers' being adjusted to their appropriate values that has caused the disparity although this issue is one of the main drivers. It is now complicated by the fact that the Middlesex assessment for Acton has gone up more than previously thought. (New assessments just came out last week.) The Region does not have the capacity to fund it all, since it has already voted a budget. Under state law, the budget cannot now be increased. This will necessarily create the need for some kind of agreement among the boards. This makes the whole explanation of the disparity VERY complicated. Any attempt to compare FY14 with FY15 is fraught with difficulties, given the fact that there was not a full Region in FY14 and there are a number of budgetary items which have moved from the school budget to the municipal budget and vice versa, and that these items are handled differently in Acton and Boxborough. These Schedule 19 costs include Middlesex retirement numbers underestimated in Acton and overestimated in Boxborough for FY14. In addition, many of the other Schedule 19 costs were not well estimated in the past and thus this skews any comparison between FY14 and FY15.

It should be noted that these discrepancies are not the result of regionalization. With these issues stated correctly, comparing the PK-12 FY15 Regional Budget with the FY16 Regional Budget will be apples to apples.

The bottom line is that the revised Regional Agreement (specifically Appendix A) did its job to ease the transition, merging the three current school districts into one regional school district. The unfortunate timing of bringing the Middlesex Retirement System numbers into proper perspective (something that would have had to happen at some time) and a number of other non-regionalization issues have created an assessment disparity that has become evident at this time.

One comparison that can be made that is not affected by comparing FY14 and FY15 numbers is to compare the proposed FY15 assessments with what the Regional Study Committee projected last spring they would be for FY15. It should be clearly pointed out that the current proposed assessments to the two towns are *less* than what the Regional Study Committee documented the educational costs to the two towns would have been, had we not regionalized (after adjusting by taking out the local net debt – which is not in the proposed assessments).

Here are the numbers comparing the agreed upon projected assessments to Acton's and Boxborough's educational costs if regionalization had not occurred:

	<u>Projected Costs w/o Regionalization</u>	<u>Actual FY15 Assessments</u>
Acton	\$51,018,912	\$50,424,594
Boxborough	\$10,929,103	\$10,625,802

This demonstrates that we are better off financially with regionalization and some of the savings are now being passed back to the taxpayers. And, just as importantly, it continues to be clear that regionalization will be good for the students in the Acton-Boxborough Regional School District, a fact that should not be underestimated.