

# FY21 Board Approved Budget

February 21, 2020





The mission of the Burlington School District is to graduate students who:

- Value different cultures
- Engage with the community
- Communicate effectively
- Think creatively
- Skillfully solve problems
- Achieve at their highest academic, intellectual and personal potential

# Budget Landscape

- Structural budget challenge
- Rising wage and benefits costs
- Labor negotiations
- Special Ed legislative environment
- Inflation rate increase
- Capital investments
- New investments identified but not supported in last cycle



# The Budget Process

- Public and staff input
- Analysis and prioritization
- Project revenues and expenditures
- Board review and feedback
- Tax impact analysis
- Board decision
- Community education
- Town Meeting Day vote



# Budget Process Highlights

- Input process resulted in a list of possible new investments.
  - \$4.6 million worth of ideas considered (over 46 FTEs).
- Scenarios were developed and reviewed for various investment levels, and the tax impact of each scenario was estimated.
- High tax impact due to multiple factors resulted in smaller list of new investments, numerous reductions, and application of surplus funds to mitigate tax impact.

# Budget Trends

## *Recent Budget and Tax Changes*

| <b>Year</b> | <b>Total Budget Change</b> | <b>Ed Spending Change</b> | <b>Tax Rate Change</b> |
|-------------|----------------------------|---------------------------|------------------------|
| FY17        | \$2,597,468 (3.3%)         | \$304,335 (0.5%)          | 4.2%                   |
| FY18        | \$3,547,523 (4.3%)         | \$3,194,008 (5.5%)        | 3.9%                   |
| FY19        | \$-547,237 (-0.6%)         | \$469,236 (0.5%)          | 3.3%                   |
| FY20        | \$3,708,783 (4.4%)         | \$3,424,591 (5.5%)        | 4.7%                   |

# New Investments

*Cost of programs and positions added in recent budgets*

| <b>Year</b> | <b>New Investment Amount</b> |
|-------------|------------------------------|
| FY18        | \$1,760,000                  |
| FY19        | \$ 852,000                   |
| FY20        | \$2,300,000                  |

# Budgetary Assumptions

*Baseline budget growth of \$3.5 million driven by 4 factors*

**Wages**: Increased at the rate identified by the Board during executive session

**Health insurance**: 13% increase in premium rates based on VEHI projection

**Special Education**: Increase in tuition and inclusion service costs

**Debt Service**: Based on known and projected borrowing for capital plan and BHS

- Collectively, these items accounted for \$3.4 million of the projected \$3.5 million baseline budget increase.



# Tax Rates

*Tax rates are the result of multiple variables*

- Education spending: amount of Education Fund support a district's budget requires - something a district controls!
- Equalize pupils: a weighted number of pupils that considers factors such as poverty and English Learners
- Dollar yield: a state variable reflecting the amount of money in the education fund
- Common Level of Appraisal: a measure of property values in each community

# Tax Impact of Baseline Budget

|                                       |               |
|---------------------------------------|---------------|
| Total New Spending Increase:          | \$3.5 million |
| Total Budget Increase:                | 3.96%         |
| Homestead Property Tax Rate Increase: | 10.5%         |
| Income Cap Increase:                  | 6.19%         |

Represents the estimated impact of \$3.5 million of baseline budget growth, combined with changes to the various variables that impact tax rates.

# Surplus Reduces Tax Impact

## *Baseline Scenario Tax Impact of Using Surplus*

|                           | <b>Before Use of Surplus</b> | <b>After User of Surplus</b> |
|---------------------------|------------------------------|------------------------------|
| Total Budget              | \$92.2 million               | \$92.2 million               |
| Surplus Used as Revenue   | \$ 0                         | \$ 1.3 million               |
| Education Spending Change | \$ 4.8 million               | \$ 3.5 million               |
| Tax Impact                | 10.50%                       | 8.52%                        |

# Tax Scenarios

*Putting potential new investment amounts in context*

| Homestead Tax Increase | Ed. Spending Growth | Difference from Baseline |
|------------------------|---------------------|--------------------------|
| Baseline 8.5%          | \$3.5 million       | \$ 0                     |
| 7%                     | \$2.6 million       | \$950,000                |
| 6%                     | \$1.9 million       | \$1.6 million            |
| 5%                     | \$1.3 million       | \$2.3 million            |

**Every 1% reduction to the tax growth rate requires \$650,000 in spending reductions.**

# Budget Reductions Adopted

|  |                    |
|--|--------------------|
| City Retirement estimate reduced                 | \$150,000          |
| In-house counsel position eliminated             | \$125,000          |
| Business office financial system savings         | \$25,000           |
| Special Education cost estimates reduced         | \$200,000          |
| Various non-instructional operational reductions | \$120,000          |
| Funding reallocations                            | \$70,000           |
| HRA & health insurance cost estimates reduced    | \$240,000          |
| District Lead Principal position eliminated      | \$125,000          |
| <b>TOTAL</b>                                     | <b>\$1,055,000</b> |

# Budget Additions Adopted

|   |                  |
|---|------------------|
| Safe & inclusive schools investments    | \$40,000         |
| BHS computer science teacher 1.0 FTE    | \$90,000         |
| Early literacy professional development | \$25,000         |
| Hunt Middle School field trip funding   | \$5,000          |
| Contingency Increase*                   | \$200,000        |
| <b>TOTAL</b>                            | <b>\$360,000</b> |

\*Note: Contingency increase designed to mitigate the risk that the budget reductions adopted will be too optimistic. By increasing the contingency, BSD reduces the likelihood of budget deficit.

# Summary of Board Changes

*Putting potential new investment amounts in context*

|                       |                    |
|-----------------------|--------------------|
| <b>Reductions</b>     | <b>\$1,055,000</b> |
| <b>Additions</b>      | <b>\$360,000</b>   |
| <b>NET REDUCTIONS</b> | <b>\$695,000</b>   |

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# Tax Estimates

## Key Variables

## Status

|                           |                               |
|---------------------------|-------------------------------|
| Education spending        | \$68,213,778 (4.34% increase) |
| Equalized pupil count     | 4,031.42 (1.25% decrease)*    |
| Homestead dollar yield    | \$10,883 (2.21% increase)**   |
| Common level of appraisal | 74.77% (3.71% decrease)*      |

\*A decrease in these variables increases the tax rate

\*\*An increase in the dollar yield decreases the tax rate

# Estimated Tax Implications

| Property Payers                  | Property Tax Impact |
|----------------------------------|---------------------|
| Property rate increase           | 7.36%               |
| Tax on \$250,000 homestead       | \$5,199             |
| Tax Difference from current rate | \$357               |

| Income Payers                    | Income Tax Impact |
|----------------------------------|-------------------|
| Income Cap increase              | 3.18%             |
| Tax on \$50,000 household income | \$1,263           |
| Tax Difference from current rate | \$38              |

Figures reflect rounding. For education taxpayers who pay based on income, the impact will be reflected on the fiscal year 2022 property tax bill. Existing law provides additional property tax relief for households with incomes below \$47,000. This is known as a “circuit breaker.” Once a taxpayer qualifies for the circuit breaker, additional school district spending does not increase the taxpayer’s tax liability.

# How the Property Tax Impact Changed

|   |       |
|---|-------|
| Property tax based on baseline budget:    | 10.5% |
| Property tax after use of \$1.3m surplus: | 8.52% |
| Property Tax after Board changes:         | 7.36% |

Estimated tax impact decreased by 5.86 percentage points (almost 30% less than baseline estimate)

# Ballot Language

*Shall the voters of the school district approve the school board to expend \$91,525,288 which is the amount the school board has determined to be necessary for the ensuing fiscal year? It is estimated that this proposed budget, if approved, will result in education spending of \$16,920.53 per equalized pupil. This projected spending per equalized pupil is 5.66% higher than spending for the current year.*

# Budget Development Timeline

3/5 Town Meeting Day budget vote



Full budget timeline available at: <http://www.bsdtv.org/district/budget/>

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