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MEMORANDUM

To: Burlington Board of School Commissioners
From: Tom Flanagan, Superintendent
CC: Nathan Lavery, Executive Director of Finance and Operations
Date: 12/07/2021
Subject: FY23 Baseline Budget Estimates

This memo provides baseline FY23 budget and tax estimates. These estimates are intended to be a starting point to inform the direction of budget development. The actual FY23 budget and the associated tax implications are a function of numerous variables, including those controlled by the District (the spending level) and those beyond the District's direct control (the dollar yield, the number of equalized pupils, and the common level of appraisal).

This year, the Vermont Tax Department provided two scenarios in their annual Education Tax Rate letter. According to the letter, this unusual step was taken because the Governor would like to see half of the $90 million surplus in the Education Fund utilized for tax relief rather than in support of education spending. Consequently, two initial estimates are provided based on the scenarios described in the letter.

SCENARIO A

$90m in Ed Fund	FY23 Estimated	Change from FY22
Total Budget	$97,632,381	$2,527,381
Education Spending	$74,297,698	$5,402,381
Actual Homestead Rate	$1.3294	-36.05%
Income Rate	2.20%	-12.38%

SCENARIO B

$45m in Ed Fund	FY23 Estimated	Change from FY22
Total Budget	$97,632,381	$2,527,381
Education Spending	$74,297,698	$5,402,381
Actual Homestead Rate	$1.4229	-31.56%
Income Rate	2.38%	-5.48%

Key Assumptions

- The Common Level of Appraisal (CLA) is assumed to be 100%. This assumption is based on the fact that Burlington recently completed a city-wide re-appraisal. In theory, assessed values in Burlington should now be identical to market values. However, in practice, this may not be the

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case. A CLA value that differs from 100% could significantly impact these estimates. Actual CLA information is typically available in late December.

- Positions and services funded by the General Fund budget will remain largely unchanged in FY23. Positions and services funded by special revenues (such as federal Title funds) are contingent on the availability of those funds.
- Federal Elementary and Secondary School Emergency Relief funds will drive the Total Budget figure higher, but these federal funds do not impact Education Spending or the resulting tax rates.
- Cost increases for wages are subject to direction from the school board since these costs are largely the result of labor negotiations.
- Cost increases associated with benefits and non-personnel expenditures are based on the FY23 Budget Assumptions.
- Offsetting revenue is assumed to include a FY21 surplus of $1.3 million. The actual amount is pending confirmation from distinct auditors and will likely be higher. However, this amount was used because it is more consistent with typical surplus amounts than was the $4 million figure applied to the FY22 budget, and furthermore, additional funds may be better held in support of the BHS/BTC project.
- Equalized Pupils are held constant.

Impact of New Equitable Budgeting Model

The new equitable budgeting model is intended to reallocate existing funds based on student enrollment and need. It is not intended to add or reduce the total budget, although over time changes in enrollment would cause the model to recommend commensurate increases or decreases. A key component of the equitable budget model is the Reducing Inequities, Seeking Equity (RISE) Allocation. This allocation allows schools to make new investments in equity-oriented initiatives. However, it is funded by existing general funds and federal funds, and does not increase overall spending.