

MEMORANDUM

To: Burlington Board of School Commissioners
From: Tom Flanagan, Superintendent
CC: Nathan Lavery, Executive Director of Finance and Operations
Date: 12/05/2023
Subject: FY25 Budget Development Update

Purpose: This memo is intended to provide updates on the budget development work being undertaken by the BSD staff, and summarize the information contained in the Vermont Tax Commissioner's annual education tax rate letter.

Tax Rates: The Vermont Department of Taxes released its [annual letter](#) forecasting education tax rates for the coming fiscal year. These preliminary figures are based on estimates of both revenues in, and expenditures from, the Education Fund. The letter informs, rather than dictates, legislative discussions that ultimately set tax rates. The legislative process, including approval by the Governor, typically does not conclude until the April-to-June time period. However, the letter does provide some insight into the fiscal climate that districts across the state will face while developing FY25 school budgets. Of note:

- Average education tax rates are projected to increase 18.5% across Vermont.
- The homestead yield is projected to decrease from \$15,443 to \$9,452. A decrease in the homestead yield increases tax rates across the state.
- The memo attributes the decrease in the Yield primarily to the following factors
 - The end of federal ESSER funding and the expectation that schools will retain services and positions using Education Fund money rather than federal money that will no longer be available.
 - The 16% increase in health insurance premiums.
 - General inflationary pressure.
 - Debt service increases associated with capital projects for schools.
- The memo estimates that Education Spending will increase by an average of 12% statewide. While not precisely equivalent, this can be thought of as the anticipated level of increase in school budgets statewide.
- The memo also presumes that the change from equalized pupils to long-term weighted average will contribute to school budget increases because schools advantaged by the change will spend more (as intended) and the schools disadvantaged will continue to spend, rather than curtail spending.

It is important to remember that the actual tax rate impact on the Burlington School District (or any school district) will vary from the averages projected in the letter. Estimating the impact on BSD is even more challenging this year because of the changes to the education financing formula. That said, it is clear that school boards will face significant challenges as they grapple with establishing budgets for Fiscal Year 2025.

Budget Development Work: Schools have received their preliminary staff and budget allocations for FY25, as well as their projected RISE funding, and are now engaging with their advisory groups to arrive at proposals for RISE spending. RISE proposals are due December 15. BSD's cabinet held a dedicated budget retreat to prioritize needs and explore the potential for offsetting the cost of new investments. Principals separately dedicated a Professional Learning Community (PLC) meeting to discuss budget priorities. BSD's Business Office is finalizing

new materials intended to better describe the overall budget model, including how staff is allocated to support Special Education and Multilingual Learner needs at schools (in consultation with the leadership of those departments).

Next Steps:

- Schools will finalize and submit RISE proposals by December 15.
- Cabinet will meet on December 12 to further narrow the list of potential new investments and offsetting reductions.
- The School Board will receive another budget update at the December 19 meeting. This update will include specific information about recommendations from schools and cabinet, as well as any additional information available for use in calculating estimated tax rates. This meeting will be preceded by a finance committee meeting.