

MEMORANDUM

To: Burlington Board of School Commissioners
From: Tom Flanagan, Superintendent
CC: Nathan Lavery, Executive Director of Finance and Operations
Date: 12/10/2024
Subject: FY26 Budget Development Update

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

Tax Rates: At this time, based on current spending projections, we expect the tax rate change in Burlington to be less than 5%. This is a result of a slightly below-level service budget proposal with modest reductions and no additions, combined with the multiple variables (below) that impact 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 FY26 school budgets. Of note:

- The Tax Department predicts a 5.9% average property tax bill increase if the rates in the letter go into effect. (BSD's tax impact will almost certainly differ from the statewide average due both to our own budget decisions, and the underlying factors driving the average impact, such as changes in the statewide Grand List).
- The homestead yield is projected to decrease from \$9,893 to \$8,553. Generally, a decrease in the homestead yield increases tax rates across the state. In this case, the decreased yield is actually a function of a change in the calculation. Specifically, the yield has been adjusted by the statewide common level of appraisal (CLA). Consequently, the projected homestead yield actually reflects strong Education Fund performance, and is therefore decreasing projected tax rates.
 - Prior to adjustment by the statewide CLA, the yield would have been approximately \$11,879. This is a 20% increase, which helps keep tax rates down because it allows the Education Fund to support more spending without raising tax rates.
 - Among the primary reasons for this favorable yield is growth in the statewide Grand List. A higher grant list (the value of taxable property) allows for a tax rate of \$1.00 to raise more money, hence a higher dollar yield.
 - The memo's calculations assume a 6.1% increase in total Education Spending, plus a decline in Long Term Weighted Average Daily Membership (LTWADM) of 0.85%, resulting in a 7% increase in Education Spending per LTWADM. This spending increase drives the 5.9% average property tax

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. BSD has not yet received our official LTWADM figure

from the State. When this information is received, we will be able to provide estimated tax rate impacts. This important variable is typically distributed by the Agency of Education in mid-December.

Budget Development Work: Schools have received their preliminary staff and budget allocations for FY26, 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 13. I have also reviewed Cabinet's list of potential reductions and am making a limited number of recommendations for reductions to the Board, including

- End St. Mark's and Sara Holbrook leases because we expect to vacate these spaces once the current school year concludes (\$215K savings).
- Align staffing to enrollment by making limited reductions to school staffing pursuant to our equitable budgeting model's core staff allocations (\$250K savings).
- Increase Eagle Bay Academy enrollment incrementally, either by allowing students from other districts to tuition into the program (generating new revenue) or by bringing BSD students currently served in more restrictive placements back into BSD's schools (savings to be determined).
- Reduce central office operating budgets by 2% (\$100K).

As we move through this process, I will also continue to evaluate other potential reductions and may alter these recommendations in light of changes to any of the tax variables, board direction, or operating efficiency.

Next Steps:

- Schools will finalize and submit RISE proposals by December 13.
- Cabinet will meet on December 10 to further narrow the list of potential new investments and offsetting reductions.
- The School Board will receive budget updates via our regular weekly communications. The next regular board meeting is scheduled for January 7. If necessary, we will request a special school board meeting later in December.