

# **PENTUCKET REGIONAL SCHOOL DISTRICT**

Presented to the Pentucket Regional School Committee on  
January 21, 2020

Pentucket Regional School  
District

22 Main Street

West Newbury, MA 01985

*FY 2021  
Operating  
Budget*



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**Presented January 21, 2020**

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**FY20 District Staff**

**District Administration**

**Dr. Justin Bartholomew, Superintendent**

**Brent Conway, Asst. Superintendent**

**Dr. Michael Jarvis, Director of Supplemental and Intensive Services**

**Greg Labrecque, Business Manager**

**Principals**

**Jonathan Seymour, Pentucket Regional High School**

**James Carlson, Pentucket Regional Middle School (Interim)**

**Dustin Gray, Page Elementary**

**Emily Puteri, Bagnall Elementary**

**Kenneth Kelley, Donaghue Elementary / Sweetsir Elementary**

**Administrative Staff**

**Dennis Buck, MIS Director**

**Greg Hadden, Director of Facility Operations**

**Assistant Principals**

**Dan Thornton, AD for Athletics, Asst. Principal High School**

**Frank Kowalski, Asst. Principal High School**

**Sabrina Simone, Asst. Principal Middle School (Interim)**

**James Day, Bagnall Elementary**

**Kathryn Provost, Page Elementary**

**Stephanie Dembro, Donaghue Elementary / Sweetir Elementary**

**PENTUCKET REGIONAL SCHOOL  
DISTRICT**

GROVELAND

MERRIMAC

OFFICE OF THE SUPERINTENDENT

WEST NEWBURY

Justin Bartholomew, Ed.D.

Brent Conway

Greg A. Labrecque

Michael A. Jarvis, Ed.D.

*Superintendent*

*Assistant Superintendent*

*Business Manager*

*Director of Supplemental and Intensive Services*

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**January 2020**

Dear Pentucket Regional School District Community,

Over the course of the past year, the Pentucket Regional School District (PRSD) has continued to focus on making financial decisions that have the greatest impact on the children in all three Pentucket towns. As you are well aware, the greatest of all of the impacts on our children that took place last year was the voters in all three Pentucket towns turning out in incredible support of the new building project. The Pentucket Middle-High School will have a tremendous positive impact on our community from an educational standpoint, and will also serve as a meeting, educational, and athletics space for many decades (and yes... we are hoping a century!). While this was a great success for our school district, PRSD and other public school districts (especially those public school districts that are regionalized), are nearing a very dangerous fiscal situation surrounding the cost of Special Education.

While the Student Opportunity Act (SOA) that was approved this year was largely publicized to infuse \$1.5 billion over the next seven years into the public schools across the Commonwealth, the reality is that the overwhelming majority of those funds are going to urban school districts. In fact, for FY21, we will only be receiving an additional \$30 per student from Chapter 70 funds which equates to just over \$72,000, or 0.2% of our budget. The reason why this is a problem is largely due to the fact that our SPED expenses have been increasing

exponentially. Critically, our Special Education (SPED) costs alone have increased for FY21 by more than \$700,000 which is taking the SPED from equaling approximately 30% of our budget up to nearly 34% of our budget. As a frame of reference, \$700,000 is equivalent to nearly ten (10) teaching positions. This increase largely comes from students who have moved into our district and were already attending an outside service, or students with an intense level of needs who now require residential placement (they are living at an educational facility). Amazingly, though costs continue to rise, PRSD has actually had a decrease in both the number of SPED students and the number of out of district placements. We anticipate that with the installation of the vertical and horizontally aligned curriculum that took place in FY19 that overall SPED student numbers should decrease, but the rising cost of SPED transportation, tuition, and personnel will be the largest financial threat to the sustainability of PRSD. If this trend continues, we would fully expect the necessity of laying off personnel to pay SPED expenses, and this will result in larger class sizes and the potential of decreased programming.

One potential source of support within the SOA may be one of the sections that allows for a) Circuit Breaker to be fully reimbursed at 75% (this has happened only one time in recent memory), and also for SPED, out of district transportation to be reimbursed at 25% during FY21, 50% in FY22, 75% in FY23, and 100% in FY24. If this does happen, it will alleviate a great amount of fiscal pressure. The caveat is that the reimbursement is written in the SOA as “subject to appropriation,” and, historically, we have not seen the appropriation allocated to these initiatives.

The reality is that we are trained professionals and we are going to provide the best learning opportunities as possible. We will always highly value and be careful stewards of taxpayer money. Our goal is to continue to inform our legislators about the challenges PRSD faces which are mirrored across the North Shore. There have been promises that this area is a primary concern, and until the Commonwealth is able to address this, PRSD will continue to join with other

regional and small school districts to show our fiscal reality and help them understand that because we are small, our challenges are that much greater, and our issues cannot be ignored simply because we are not a highly populated area. In the meantime, we will continue to adapt and find ways to adjust the work we do in an effort to maintain the highest level of education to the children of the Pentucket towns.

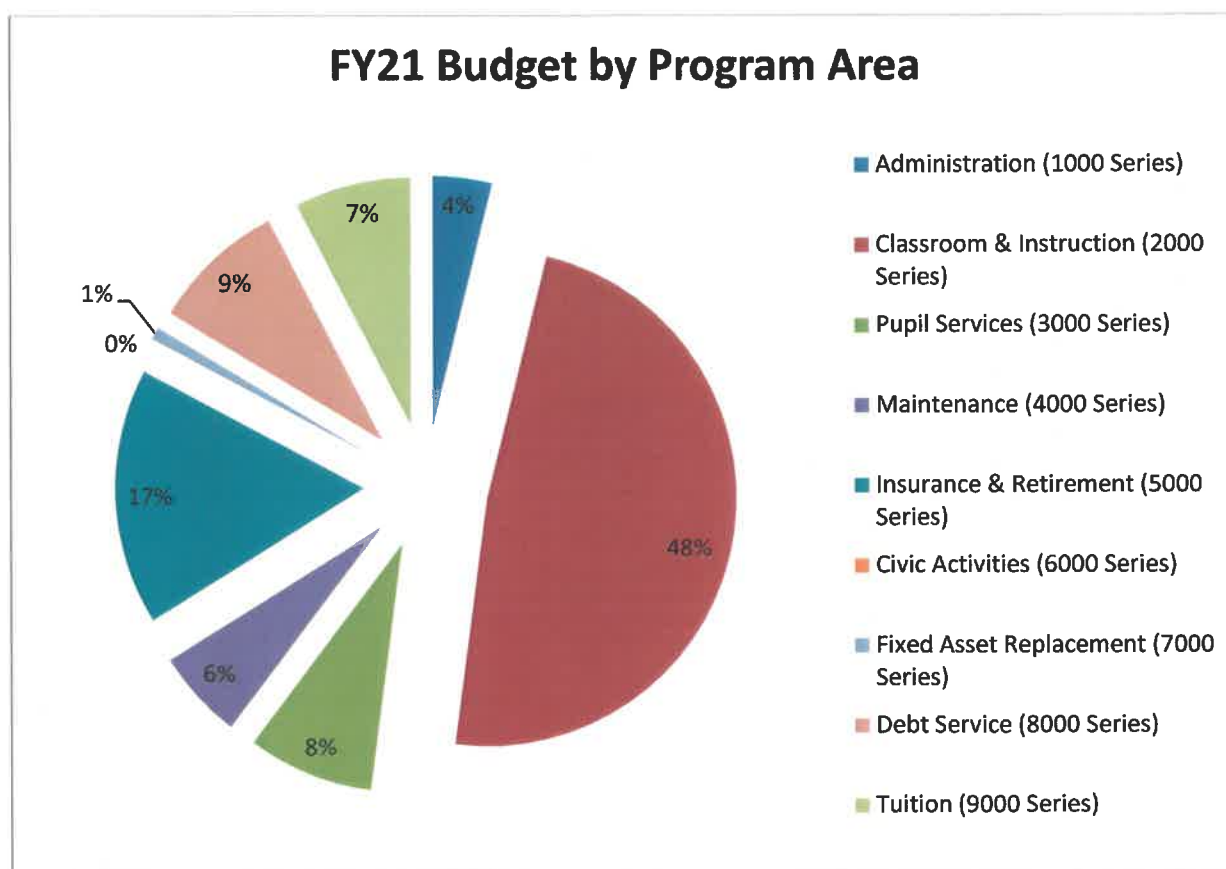
Sincerely,

Dr. Justin Bartholomew

Superintendent of Schools

## Executive Summary

The Fiscal Year 2021 budget is \$44,664,901.14; an increase of \$3,928,027.14 or 9.64% more than the FY 2020 budget of \$40,736,874.00. Included in this total increase is the new debt service of \$2,422,699.00 for the Middle / High School Building Project. Without this new expenditure the budget increase for ongoing operations would be \$1,505,328.14 or 3.70%. Revenue projections are estimated at \$44,055,833.61 in local, state, and excess and deficiency receipts. This leaves an operational deficit of \$609,067.53 to be closed before the district has a balanced budget. Please review the pie chart below that breaks out spending by function in the school budget:



As the chart shows, Pentucket's largest areas for spending are Instruction (48%) and Fixed Charges (17%) which includes insurance/retirement programs.

Revenue projections are based on the following criteria: \$30 per pupil increase in chapter 70 funding and level funding for transportation reimbursement. Medicaid



Reimbursement is expected to remain at FY 2020 levels and Interest Income is expected to increase \$10,000.00. The only projected decrease in revenue is \$19,174 from the Green Repair Projects Treasury Subsidy. This reflects the reduction of payments from the Federal Government to lessen interest payments on borrowed funds related to building upgrades to promote energy efficiency. Increased operational assessments for the three member towns total \$744,646.00 not including capital expenses. Because of the recently passed Middle / High School building project the capital assessments to the three Towns will increase \$2,432,336.61, almost entirely due to the new building project. Although this is a significant amount of dollars it is entirely debt excluded and the communities will be allowed to raise their tax levy's to cover the entire amount. Excess and Deficiency funds are used for Stabilization and Other Post Employment Benefit transfers. Because the state revenues are not keeping pace, the funding for educational programs is becoming the burden of the local taxpayer, and in Massachusetts, that means property taxation.

Below is a 3-year trend of expenses in the school budget:

<u>Comparison of Per Pupil Expenditures</u>	<u>FY 19 Actuals</u>	<u>Per Pupil</u>	<u>FY 21 Proposed</u>	<u>Per Pupil</u>	<u>3 Year trend Inc/Dec %</u>
Administration (1000 Series)	\$1,591,771.07	\$647.59	\$1,715,367.32	\$697.87	7.21%
Classroom & Instruction (2000 Series)	\$21,107,303.32	\$8,587.19	\$21,538,359.63	\$8,762.55	2.00%
Pupil Services (3000 Series)	\$3,173,582.85	\$1,291.12	\$3,671,600.12	\$1,493.73	13.56%
Maintenance (4000 Series)	\$2,304,200.91	\$937.43	\$2,605,673.58	\$1,060.08	11.57%
Insurance and Retirement (5000 Series)	\$6,700,818.80	\$2,726.13	\$7,457,311.49	\$3,033.89	10.14%
Fixed Asset (7000 Series)	\$347,082.00	\$141.21	\$367,951.00	\$149.70	5.67%
Debt Service (8000 Series)	\$1,430,601.93	\$582.02	\$3,923,716.00	\$1,596.30	63.54%
Tuition (9000 Series)	\$2,677,823.02	\$1,089.43	\$3,384,922.00	\$1,377.10	20.89%

As the detailed breakout shows, the administration increase reflects an average annual increase of 2.40%. However, this amount is increased for the three-year period because of the proposed \$95,000 expenditure in FY 2021 to purchase Chromebooks for all 7<sup>th</sup> and 8<sup>th</sup> grade students. Without this extra cost the average annual increase would be .66% over the three-year period shown. The area of Pupil Services shows an increase due to extremely large additional expenses from in-District special education services as well as contracted outside therapeutic needs also specific to special education. Special education transportation is also increasing dramatically and now is nearly equal to the

regular bus transportation expense. Insurance and retirement cost increases exceed the target goal for all areas of 2.50% simply because health costs related to Commonwealth of Massachusetts' Group Insurance Commission are targeted to increase at a rate of 5.00% per year. This is less than most insurance plans and continues to be a benefit to the District. The other major driver in this area is Retirement Assessments from the Essex Regional Retirement Board. This is targeted at an annual increase of approximately 9.00% based upon actuarial tables to strive for full funding in the next 16 years. The Fixed Asset increase is a presented category in its fifth budget cycle which places certified E and D funds in the budget for transfer into the District Stabilization and Other Post Employment Benefit Funds. These funds are also listed as a revenue source so as not to increase the member Town assessments. Debt service increases are due solely to the new building project. The Tuition increase is actually understated as shown because more funds are pulled from the rainy day circuit breaker account to help offset the increases for out placement special education costs. An additional \$200,000.00 has been allocated over the normal \$1,100,000 we are accustomed to using. In actual general fund dollars, the increase from FY 2019 is approximately \$433,554. This coupled with Commonwealth of Massachusetts reduction in reimbursements places further undue burdens on the District to cover these costs. In FY 2021 the State has proposed paying up to 25% of the costs related to Special Education transportation but the rules have not yet been promulgated and any funds received would be delayed until FY 2022.

The Superintendent presented a plan to the school committee to redistribute resources in the FY 2020 budget including but not limited to:

- ✓ Recalibrating staffing to reflect the effect of limiting school choice
- ✓ Eliminating the innovation staffing and transitioning them into Kindergarten through grade 2 flex staffing to provide additional support where necessary
- ✓ Increased student academic monitoring through Lexile and quantile assessments
- ✓ Updating math and reading curriculum
- ✓ Enhancing elementary school administration and oversight by adding Assistant Principals over Support Coordinators

All of these initiatives have been realized. In FY 2021, this work continues as the administration and school committee work together to redefine the district goals, and set accountability measures to meet them. Because of greatly increased

special education expenses, the FY 2021 budget will allow only minimal opportunities for improvement, although they will be major changes to the students and families of students. Firstly, the Full Day Kindergarten fee will be eliminated in total for the school year beginning in September 2020. This is possible because the District has long sought to make this a reality and has been saving funds in a reserve account to cover the first year's expense. After the first year the District's Chapter 70 funds will be increased to offset the costs. Secondly, the District proposes giving Chromebooks to all seventh grade students for use during their remaining years with Pentucket. In FY 2021 the proposal includes giving them to both the seventh and eighth grade students. The initial cost of this proposed change is \$95,000 in year one and \$45,000 in subsequent years.

The administration will work closely with the School Committee, Staff, and the Community to determine priorities, and develop the FY 2021 Budget to reflect important education outcomes. Strong schools support strong communities, and our budget document reflects our commitment to our students, parents, and our member community residents.

The increased detail and transparency affords a clear view into the financial planning of the district. We look forward to your feedback and are open to answering your questions.

## **Pentucket Regional School District Fiscal Year 2021 School Operating Budget**

After a successful budget process last year, Fiscal Year 2021 presents mainly challenges for improvement to the educational program, however some important improvements such as the elimination of Full Day Kindergarten Tuition and issuing Chromebooks to middle school students are proposed. Beginning in FY 2015 the district had to determine the direction of several key programs: school choice, the use of excess and deficiency, and the administrative structure of the district. With votes limiting additional school choice seats along with the elimination of E and D funds as a general fund revenue source, the district's operating budget will consist of known cost drivers and local revenue sources. Local and state revenues are seeing increases year over year; however, the state legislature and Governor were not able to increase circuit breaker eligible cost aid. As Special Education costs continue to rise from a cost per pupil model, funds will need to be found from other sources. Those sources ultimately become other general fund line items and the circuit breaker account. The State was able to give \$30.00 per pupil in Chapter 70 funds for FY 2020 and with the passage of the Student Opportunity Act we are guaranteed a minimum of that same number for the foreseeable future. Transportation aid was increased in FY 2020 by \$101,836 over the amount we received in FY 2019 due to action by our local legislators to push this agenda for full Regional Transportation Aid over the Governors recommended funding. We owe them our thanks for fighting to require the State to at least begin to keep the promise of full funding that was proposed when the State pushed regionalization of smaller school Districts. The State continues to push for regionalization of resources at all levels of local government but is less interested in creating funds for growth than cost shifting its own mandated obligations off the Commonwealth's spending plans.

Massachusetts depends on several sources of tax revenue, and supports local districts through a variety of programs and services. Income taxes are a major portion of the taxes Massachusetts collects. Although tax collections have increased, the State has used its additional revenue to primarily support the needs of various State agencies while limiting increases to Regional Transportation and Chapter 70 aid to many Districts, including ours.

As stated previously, FY 2020 has been a challenging year for special education services and those costs and concerns will be present in FY 2021. More and more students within our District are requiring both additional in house services as well as out of District placements. All of these costs are significant and have a huge

bearing on how our FY 2021 spending plan is developed. Normally, these costs would be somewhat mitigated by State Circuit Breaker reimbursements.

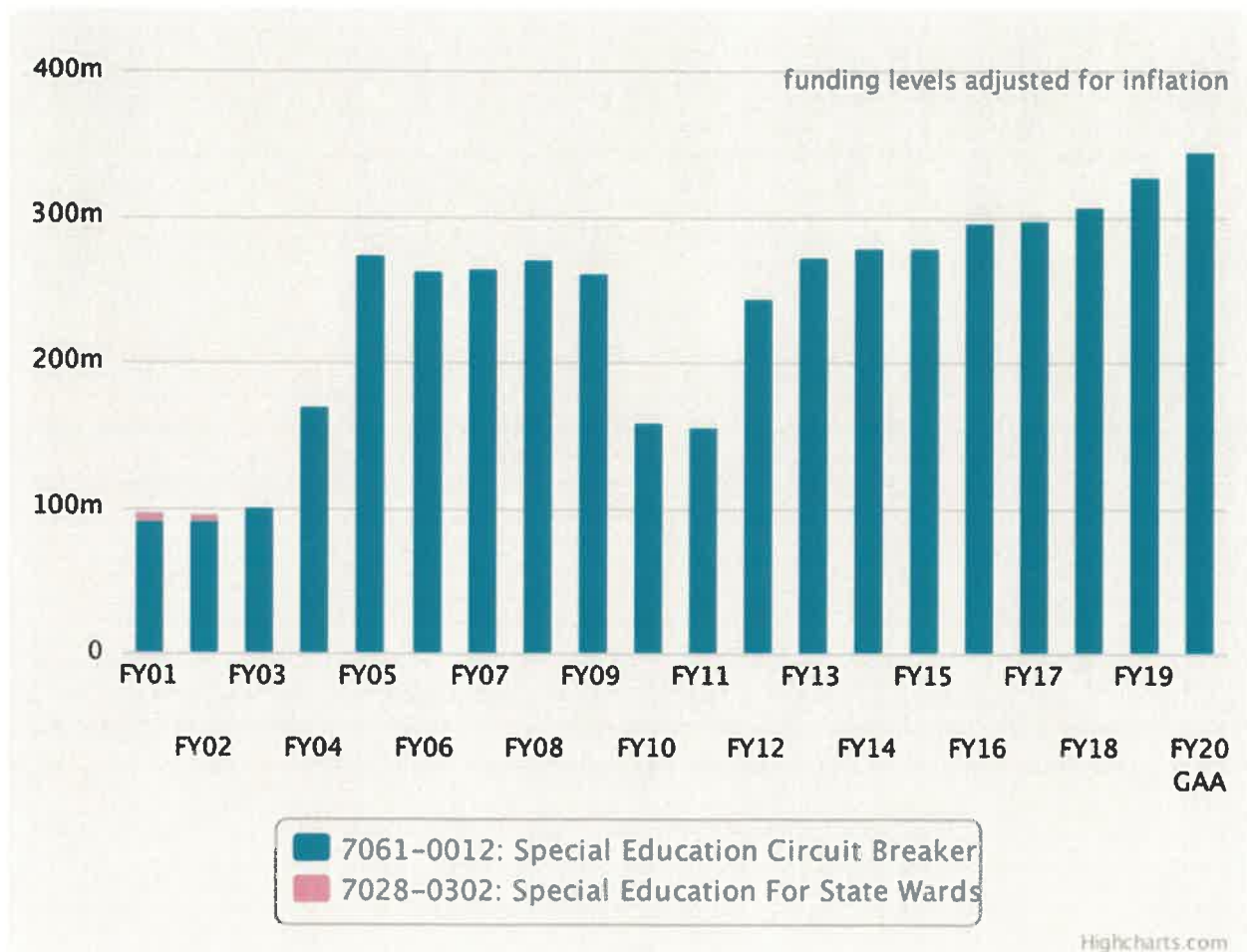
The Special Education Circuit Breaker program reimburses local school districts for a portion of their costs for educating severely high-needs special education students. The state reimburses a portion of district costs above a certain threshold and the precise reimbursement formula changes year-to-year depending on the total amount allocated in a given year and on the level of claims statewide.

The Circuit Breaker program was started in FY 2004. The threshold for eligibility is reached when districts spend four times the state average foundation budget on a student as calculated under the Chapter 70 education funding formula. The circuit breaker program aims to pay 75% of the costs above that threshold, but for several years during the recent economic downturn, reimbursement rates were below the 75% level. Between FY 2011 and FY 2015 the reimbursement rate averaged 73%. For FY 2017 expenses, the reimbursement rate was dropped to 65%.

As the charts below show, state support for special education expenses is increasing. As the number of students requiring services increases, in part due to its own rulings through their appeals bureau which have, at least in our case, allowed unilateral parent placements and have approved out of state non-certified schools for service to our students. The District is experiencing a trend where the number of children requiring out of District placements remains fairly constant the needs of those students are much costlier. Students that were once placed out at a cost of \$50,000 at a collaborative are now becoming routinely costed out at over \$100,000 and some as much as \$370,000 per year. Additionally, special education transportation costs have risen with more out of district specialized placements and more single ride events than in the past. We have also had to increase ridership within the District to the various programs we have in house to avoid the more costly out of District placements. Internal services and therapeutic evaluations and corresponding in-service costs have risen in FY 2020 and will carry over into FY 2021. The proposed increases will be as follows for the major accounts; \$433,574.42 for Out-of-District placements; \$170,602.58 for additional transportation costs. The estimates for In-District special services such as speech and occupational therapy and for Contracted

Special Education Therapists are expected to remain at their current levels. These additional costs are approximately our projected budget deficit.

The dollars provided by the state for the circuit breaker reimbursement program rose 8%, not adjusted for inflation from FY 2019 to FY 2020. However, our costs increased 22.91% during that same period and is projected to increase another 16.97% in FY 2021. This only covers the out of District placement costs and services. Transportation increases further add to the costs of providing these services.



\*totals for all programs pictured above

	Inflation-Adjusted	NOT Adjusted
<b>FY20 GAA</b>	\$345,154,803	\$345,154,803
<b>FY19</b>	\$326,902,689	\$319,345,293
<b>FY18</b>	\$307,702,901	\$293,731,181
<b>FY17</b>	\$297,001,111	\$277,281,180
<b>FY16</b>	\$296,446,610	\$271,722,425
<b>FY15</b>	\$278,314,665	\$253,400,576
<b>FY14</b>	\$279,300,763	\$252,489,224
<b>FY13</b>	\$271,773,698	\$241,932,288
<b>FY12</b>	\$243,441,556	\$213,119,160
<b>FY11</b>	\$156,524,955	\$133,119,160
<b>FY10</b>	\$159,630,017	\$133,119,160
<b>FY09</b>	\$260,938,425	\$215,481,683
<b>FY08</b>	\$270,171,625	\$220,025,000
<b>FY07</b>	\$264,466,958	\$207,675,000
<b>FY06</b>	\$263,435,840	\$201,625,262
<b>FY05</b>	\$273,353,550	\$201,600,262
<b>FY04</b>	\$169,833,949	\$121,600,262
<b>FY03</b>	\$100,743,370	\$70,575,000
<b>FY02</b>	\$95,793,774	\$65,661,089
<b>FY01</b>	\$97,652,735	\$65,770,663

Funding for Special Education for State Wards was a distinct line item in FY01-FY02, and was then incorporated into funding for the Special Education Circuit Breaker in FY03.

- Use caution comparing funding for this line item FY09-FY10. In FY10, funding for information technology was taken out of this line item and shifted to a centralized information technology account. The exact amount of this accounting change is not available.

Source: <http://children.massbudget.org/special-education-circuit-breaker>

Increases in jobs and in the overall labor force are signs of a strong and growing economy. Unfortunately, job gains are still not translating into strong, broad-based wage growth. This continues a long-term trend in Massachusetts and in the United States: economic growth is not translating into wage and income growth for most workers and their families. Since 1979, median household income in Massachusetts has barely budged, growing only half a percentage point each year after adjusting for inflation. By contrast, among the highest-income one percent of households, income has risen by 4.3 percent annually.

Comparing data with previous data reported shows Massachusetts is continuing to create jobs; however what is not shown is that workers without a minimum of a bachelor's degree are much slower to recover jobs in the post-recession economy. Reviewing the data from November 2011 to October 2019, Massachusetts unemployment went from 7% to 2.5%. Essex County is now at 2.6% from its November 2011 rate of 7.3%, showing a decrease in unemployment and now nearly equal the State average showing the Essex County jobs recovery is mirroring the State recovery.

For reference for the reader, the three member town rates are as follows: Groveland's unemployment is 1.7% in Oct. 2019; West Newbury is 1.6% in Oct. 2019; and Merrimac is 1.9% in Oct. 2019 according to the Labor and workforce development department at [www.mass.gov/lwd](http://www.mass.gov/lwd). Although unemployment has decreased for all of our member communities since 2011 there have been variations in the data and from November of 2016 to October of 2019 all towns saw a slight decrease in unemployment over the most recent 2-year period. The district has seen a stable number of applications for free/reduced lunch as a result.

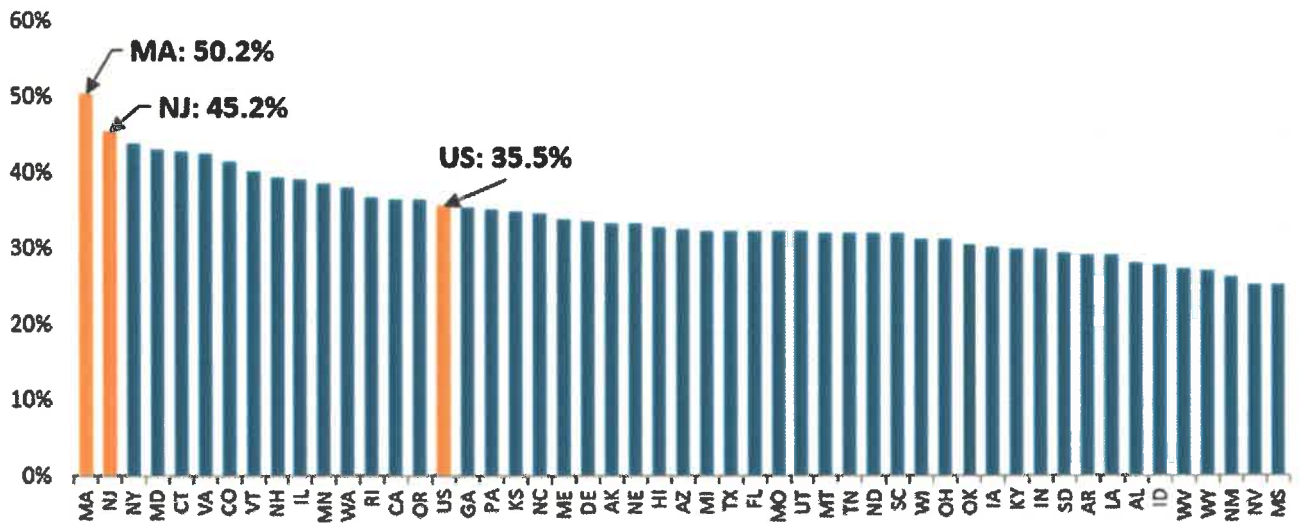
Even though local unemployment is lower than state or national levels, these numbers do not account for persistent unemployment, or those who have permanently left the job market.

In 2016 Massachusetts became the first state ever with 50 percent of its workforce holding a four-year college degree. Across the nation, states with the best-educated workforces consistently have stronger economies than those with less well-educated workforces. Massachusetts and New Jersey have the two best-educated workforces and the two highest median wages in the United States.



## MA and NJ Have the Most Highly Educated Workforces in the Nation

Share of Labor Force with a Bachelor's Degree or Higher, by State, 2016



Source: Economic Policy Institute analysis of Current Population Survey data

## MA and NJ Have the Highest Median Wages in the Nation

Value of Median Hourly Wage by State, 2016 (2016\$)



Source: Economic Policy Institute analysis of Current Population Survey data

<http://www.massbudget.org/index.php>

Also, in 2017, Massachusetts enacted one of the highest statewide minimum wages in the nation and has enacted a statewide earned paid sick time policy. These policies improve the pay and quality-of-life for hundreds of thousands of working people.

With the state continuing to face increased expenditures for Medicaid programs and children’s services through the Department of Children and Families the district will not budget for any significant increases in state aid for the following fiscal year. Due to this, we are proposing our budget with a \$30.00 per pupil increase to state aid, which what the state allowed in FY 2020 and guaranteed under the newly passed Student Opportunity Act.

The process of developing the Fiscal Year 2021 budget starts by determining the revenues available for the school department. In Massachusetts, cities and towns are limited to 2.5% taxation year over year (not counting excess levy limit appropriations) unless an override is passed. To begin the process of creating a sustainable budget process, the district cannot count on operational overrides, and must work within the revenue available. In this budget proposal, the district is requesting towns to increase their operational assessment by 3.00% to help fund the schools operating budget, and to continue to fund their portions of agreed upon capital projects with a combined increase of \$2,432,336. This increase is tied to the recently passed debt exclusions in all three towns to pay for the new Middle / High School Building project. The combined total percentage increase over the approved amounts in Fiscal Year 2020 would be 7.96% due to the increased capital assessment. Below is a chart that shows the major revenue components of the operating budget.

<u>Revenue Source</u>	<u>FY18 Actual</u>	<u>FY19 Actual</u>	<u>FY20 Projected</u>	<u>FY21 Projected</u>
<b>Chapter 70</b>	\$13,040,102.00	\$13,111,292.00	\$13,182,092.00	\$13,252,802.00
<b>Transportation</b>	\$503,805.00	\$508,346.00	\$610,182.00	\$610,182.00
<b>Medicaid Reimbursement</b>	\$152,882.43	\$174,402.46	\$100,000.00	\$100,000.00
<b>Interest Income</b>	\$22,255.20	\$32,738.98	\$10,000.00	\$20,000.00
<b>Misc. Receipts</b>	\$10,602.48	\$24,790.80	\$5,000.00	\$5,000.00
<b>E&amp;D</b>	\$380,847.00	\$647,082.00	\$659,266.00	\$667,951.00
<b>Treasury Subsidy</b>	\$97,981.53	\$89,484.49	\$95,598.00	\$76,424.00
<b>West Newbury Operating Assessment</b>	\$6,794,510.00	\$7,176,348.00	\$7,372,813.00	\$7,593,997.00
<b>West Newbury Capital</b>	\$583,920.00	\$576,150.00	\$567,765.00	\$1,212,005.11
<b>Groveland Operating Assessment</b>	\$8,707,959.00	\$8,991,561.96	\$9,313,740.00	\$9,593,152.00
<b>Groveland Capital</b>	\$559,928.00	\$548,109.96	\$550,761.00	\$1,472,757.85
<b>Merrimac Operating Assessment</b>	\$7,637,936.00	\$7,850,799.00	\$8,134,985.00	\$8,379,035.00
<b>Merrimac Capital</b>	\$213,824.00	\$210,742.00	\$206,428.00	\$1,072,527.65
<b>Subtotal Operating Revenues</b>	<b>\$38,706,552.64</b>	<b>\$39,941,847.65</b>	<b>\$40,808,630.00</b>	<b>\$44,055,833.61</b>

Another funding issue schools have is the fact that the increases provided by the State do not keep up with the educational and fiscal mandates set forth by the Commonwealth. Massachusetts spends and budgets educational dollars below the national average based on its ability to pay. It ranks near the bottom third of its percentage in regards to the State economy when compared to the other 50 States. Ironically, they hold our member Towns ability to pay against us when increasing Chapter 70 aid or in determining the net minimum spending requirements of each Town when we perform our legally mandated assessments under Massachusetts General Law. The legislature is currently reviewing how it funds education along with a change in how it allocates its Chapter 70 funding but at this time the results of these potential changes are unknown.

What this means for school districts is that local revenues are forced to make up for these gaps in state and federal funding. (A majority comes directly from property taxes assessed at the local level). However, understanding how our revenues work creates a clear disconnect between the two forces. Our expenses rarely increase less than 2.5%, but our revenue is tied by law to a 2.5% increase. If tax revenues can increase by 2.5%, and if any of our expenses increase by more than 2.5% we automatically have an operational deficit in that account. The Commonwealth has chosen to not make up the difference in that gap so choices on where to spend our education dollars, after mandated special education and transportation costs, become the task of the Pentucket School Committee. As personnel is our largest expense all current personnel contracts have been limited to a 2.5% annual increase over the last three years.

The combined year over year expected revenue change of \$3,247,203.61 represents a revenue increase of 7.96% overall, leaving an operation deficit. This percentage and amount are artificially increased due to slightly more funding being allocated from E and D over FY 2020 and the inclusion of the new debt allocated funds for the building project. If this difference is removed from the projection, then the revenue increase would be \$814,867.00 representing a 1.82% increase for the general fund. We are anticipating a small increase in state aid in FY 2021 totaling \$70,710. This budget projection overall is accurate for what we now know. Excess and Deficiency (E&D) funds are budgeted for FY 2021 to fund stabilization and other post-employment benefit deposits. In agreement with our auditors, and with a new School Committee Policy on the use of E&D, these funds will no longer be budgeted as an ongoing cost general fund revenue source.

After reviewing these revenue estimates, the schools then proceed to estimate costs for the next fiscal year based on known expenses. These are employment contracts, spending on educational supplies, and the cost of ongoing service contracts with providers. In determining the redesign and restructuring in FY 2014 and FY 2015, the superintendent, school committee, and leadership team prioritized the greatest needs of the district while keeping in mind the current fiscal reality. As of the time of this presentation major cost drivers, such as special education placements, are based on projected current students and not including any potential student move-ins or pre-school additions. The district staff came together and worked to create a more sustainable plan for insurance in FY 2017 that led to savings over the normal expected increases for employee and retiree health insurance. That agreement is for three years and will expire or be renewed for FY 2022.

GIC health insurance plan rates are not projected to be finalized until late-February so we are budgeting using an inflation factor of 5% for Fiscal Year 2021 at this time. The budget includes actual salaries for all union represented employees with the exception of the Pentucket Association of Teachers represented employees. The budget assumes a 2.50% increase in the overall costs associated with these employees and the District is currently in negotiations with this group. The District has no major vendor contracts due for bid during Fiscal Year 2021.

Next year, Pentucket expects the operating budget to rise by \$3,928,027.14, a 9.64% increase. The majority of this increase is due to debt service payments related to the new school building project. This increase is calculated after the District has included E and D funds and new debt service as a revenue and cost as both are self-funded either through State approved certifications or debt exclusions. Without these adjustments to operating funds the general fund increase would be \$1,505,328.14 or 3.70%.

This means our FY 2021 operational budget which is inclusive of labor, service and supplies, special education, debt service, and stabilization offsets would be \$42,235,517.14 without the new adjustments.

If local growth continues to expand, it can help by providing relief to the school district to fund their operational costs if the towns can afford to increase the operational assessments. Additional growth in each member town can assist the district in increasing the operational costs above 2.5%, but each town has

different growth depending on the community’s ability to maintain new residential, commercial or industrial construction, and this revenue cannot be counted on yearly. Although this budget does not reflect any new growth, as towns generally do not have this figure early in the budget cycle, it is asking for an overall assessment increase of 3.00%.

The chart below represents a history of state aid that Pentucket has received through the period of Fiscal Year 2016 to present.

Category	2020	2019	2018	2017	2016
<b>Estimated Receipts:</b>					
General School Aid	\$13,182,092	\$13,111,292	\$13,040,102	\$12,968,282	\$12,834,852
Transportation of Pupils	\$610,182	\$582,207	\$503,805	\$567,562	\$534,215
Charter Tuition Reimb.	\$52,100	\$21,432	\$21,432	\$53,854	\$18,753
School Choice Receiving Tuition	\$394,360	\$462,987	\$518,198	\$599,768	\$672,571
Other	\$0	\$0	\$0	\$0	\$0
<b>Total Estimated Receipts:</b>	<b>\$14,238,734</b>	<b>\$14,177,918</b>	<b>\$14,083,537</b>	<b>\$14,189,466</b>	<b>\$14,060,391</b>
<b>Estimated Charges:</b>					
Special Education	\$0	\$5,047	\$2,138	\$0	\$0
Charter School Sending Tuition	\$371,942	\$334,416	\$326,832	\$349,584	\$231,315
School Choice Sending Tuition	\$254,893	\$183,536	\$198,042	\$199,748	\$252,819
<b>Total Estimated Charges:</b>	<b>\$626,835</b>	<b>\$522,999</b>	<b>\$527,012</b>	<b>\$549,332</b>	<b>\$484,134</b>
<b>Receipts Net of Charges</b>	<b>\$13,611,899</b>	<b>\$13,654,919</b>	<b>\$13,556,525</b>	<b>\$13,640,134</b>	<b>\$13,576,257</b>

As the chart above shows, state Chapter 70 General School aid to Pentucket has increased 2.63%, an average of .66% per year, since FY 2016. This is clearly not enough to support their percentage growth of a normal 2.5% growth budget. What this has done has pushed more of the burden onto local taxpayers through property taxes.

If we isolate Chapter 70 funding (named for the section of Massachusetts General Law it originates from) to review the history, this fact becomes more apparent. Below is a chart that shows the historical funding for Chapter 70, as well as the % of Net School Spending. (NSS is all school spending subtracting *transportation, debt service, civic activities, crossing guards, and capital equipment*)

Year	State Aid	Enrollment	% of NSS
FY 08	<b>\$13,258,787</b>	3195	<b>45.9%</b>
FY 09	<b>\$12,077,530</b>	3119	<b>41.7%</b>
FY 10	<b>\$13,226,986</b>	3092	<b>44.0%</b>
FY 11	<b>\$12,454,267</b>	3055	<b>42.1%</b>
FY 12	<b>\$12,521,127</b>	2947	<b>41.3%</b>
FY 13	<b>\$12,635,127</b>	2942	<b>39.9%</b>
FY 14	<b>\$12,703,677</b>	2841	<b>39.7%</b>
FY 15	<b>\$12,770,527</b>	2721	<b>38.4%</b>
FY 16	<b>\$12,834,852</b>	2599	<b>38.4%</b>
FY 17	<b>\$12,968,282</b>	2510	<b>39.0%</b>
FY 18	<b>\$13,040,102</b>	2477	<b>37.2%</b>
FY 19	<b>\$13,111,292</b>	2454	<b>35.2%</b>
FY 20	<b>\$13,182,092</b>	2405	<b>36.2%</b>

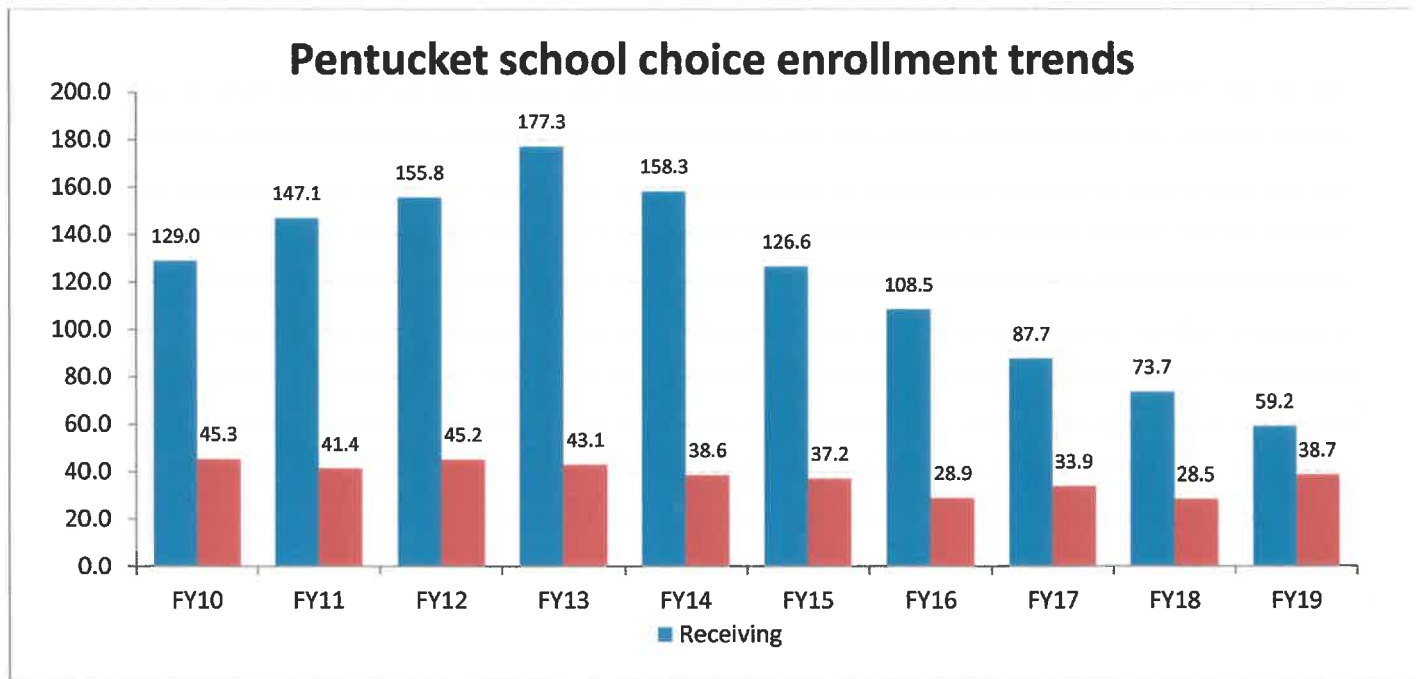
NSS is all spending subtracting transportation, debt service, civic activities, crossing guards and capital equipment

In FY 2008, Chapter 70 paid for 45.9% of Pentucket’s net school spending. In FY 2020, it only paid for 36.2%. As we described above, this is clearly increasing the towns funding percentage of the operational budget for the school district.

What the chart below also clearly shows is that Pentucket had attempted to limit the local increases by opening up more slots for school choice prior to FY14 when the School Committee voted to freeze school choice slots.

FY	Receiving		Sending	
	FTE Pupils	Tuition	FTE Pupils	Tuition
1996	181.3	629,254	49.6	193,077
1997	157.2	548,120	43.8	186,038
1998	127.7	470,455	44.0	214,407
1999	102.4	429,280	40.7	194,415
2000	77.4	327,734	53.9	245,527

2001	84.5	372,842	40.1	192,666
2002	74.4	336,689	55.1	257,207
2003	49.7	217,881	46.9	236,315
2004	68.9	360,861	39.3	215,955
2005	92.1	474,296	34.7	170,504
2006	92.1	467,093	31.9	205,372
2007	87.9	565,895	45.1	257,415
2008	92.6	560,630	47.2	264,941
2009	103.5	650,269	45.6	256,068
2010	129.0	763,345	45.3	246,379
2011	147.1	862,619	41.4	252,304
2012	155.8	847,853	45.2	285,812
2013	177.3	955,807	43.1	273,569
2014	158.3	901,137	38.6	242,235
2015	126.6	672,571	37.2	234,882
2016	108.5	599,768	28.9	184,532
2017	87.7	518,198	33.9	203,152
2018	73.7	462,987	28.5	162,369
2019	59.2	394,360	38.7	244,431



By adopting so many school choice students, the district had relied on the choice funding as a major part of our revenue stream for the future. This was both risky and unsustainable over time, and this year will show that School Choice receipts paying for expenses is a gamble each year that district can hardly afford to play. This year, the operating budget will need to assume over \$175,000 in costs due to the choice account not generating enough revenue to cover these previously budgeted expenses.

The chart below offers a glimpse as how this loss of state aid is pushing the burden of funding an appropriate and free education for all students onto local taxpayers. This spending also includes assessments to the towns for Whittier Technical and, beginning in FY 2015, North Shore Vocational Technical.

**Education Spending as a Percentage of Budget**

Year	Groveland		Merrimac		West Newbury	
	\$ of total	% of total	\$ of total	% of total	\$ of total	% of total
2020	\$10,821,891	62.1%	\$9,480,724	60.2%	\$8,246,189	51.5%
2019	\$10,654,932	63.1%	\$9,189,854	61.2%	\$8,074,422	53.9%
2018	\$10,431,531	63.9%	\$8,869,179	61.8%	\$7,778,635	54.6%
2017	\$10,108,111	64.3%	\$8,539,797	61.8%	\$7,537,407	54.5%

As the District has been able to control recent costs mainly due to employment contracts, health insurance, and staffing numbers, the percentage of municipal spending has decreased slightly but is still well above of what nearby cities and towns spend as a percentage of their overall budgets for two of our three members. West Newbury is more in line with surrounding communities.

To review the current member town demographics, we can use census data as well as current surveys from the labor and workforce development agency. Below is a table showing median household income and age for the member towns, Essex County, and Massachusetts for the most recent data submitted through November of 2018.

<u>Location</u>	<u>Median Income</u>	<u>Median Average Age</u>
Massachusetts	\$79,835	39.5 years
Essex County	\$76,604	41.1 years
Groveland	\$95,451	43.5 years
Merrimac	\$83,508	46.9 years
West Newbury	\$138,947	46.2 years



In all three member towns, income is higher than the Essex County average as well as the Massachusetts average. Along with higher annual earnings you usually find a population with a higher average age and this is also the case as all our member communities have a much higher median average age than both Essex county and Massachusetts as a whole.

All three member towns also saw population increases in the most recent 10 years' census covering the period 2000-2010 with Groveland increasing its total population 7%, Merrimac 3.3%, and West Newbury 2.1%. During the same time period Essex County saw an increase of 2.7% while Massachusetts saw an increase of 3.1%.

The table below shows the increases in population since 2010 based on the most recent estimates from 2018.

<u>Year</u>	<u>Groveland</u>	<u>Merrimac</u>	<u>West Newbury</u>	<u>Essex County</u>	<u>Massachusetts</u>
2018 (Est.)	6,850	6,839	4,581	790,638	6,902,149
2010 (Census)	6,459	6,338	4,235	743,159	6,547,629
% Change	6.05%	7.90%	8.17%	6.38%	5.41%

As you can see, all member communities continue to grow at a faster rate than Massachusetts and, except for Groveland, Essex County. While a host of factors can be used to explain this, available land for new construction, along with a relatively safe environment as it pertains to criminal activity, and desirable school districts undoubtedly play prominent roles in this increase.

Per pupil spending is not an indicator of performance in schools, but is an indicator of how Pentucket chooses to expend its educational resources as a comparison to the state average for all districts. Below is a chart showing Pentucket's per pupil expenditures compared to the state averages.

Pentucket Regional School District Per Pupil Expenditures FY 18 End of Year Financial Reporting	Total Expenditures All Funds	Fuction As Percentage Of Total	Expend- Expenditure Per Pupil	State Average Per Pupil
Administration	\$1,414,514.19	3.67%	\$575.38	\$562.11
Instructional Leadership	\$2,059,893.36	5.35%	\$837.90	\$1,046.09
Classroom and Specialist Teachers	\$15,108,785.55	39.22%	\$6,145.78	\$6,180.45
Other Teaching Services	\$3,257,207.91	8.45%	\$1,324.93	\$1,324.26
Professional Development	\$109,128.38	0.28%	\$44.39	\$156.90
Instructional Materials, Equipment and Tech.	\$585,713.80	1.52%	\$238.25	\$488.00
Guidance, Counseling and Testing	\$988,030.96	2.56%	\$401.90	\$504.49
Pupil Services	\$3,642,758.78	9.45%	\$1,481.76	\$1,628.73
Operations and Maintenance	\$2,741,263.50	7.12%	\$1,115.06	\$1,197.93
Insurance, Retirement Programs and Other Payments To Out-Of-District Schools	\$6,433,165.70 \$2,187,336.82	16.70% 5.68%	\$2,616.81 \$889.74	\$2,824.40 \$551.37
<b>Total Expenditures</b>	<b>\$38,527,798.96</b>	<b>100%</b>	<b>\$15,671.90</b>	<b>\$16,464.73</b>

Pentucket spends \$792.83 less per pupil than the state average on education. Using this data as a comparison only, based on 2405 pupils at the time of this reporting Pentucket is spending \$1.9 million dollars less than the state average.

The average spending of the Essex County Districts listed below is \$16,378.80. Pentucket is 4.51% below that average.

<u>Town/City</u>	<u>FY18 Per Pupil Spending</u>	<u>Town/City</u>	<u>FY18 Per Pupil Spending</u>
Whittier	\$20,652.00	Amesbury	\$16,563.00
Masconomet	\$18,653.00	Saugus	\$16,349.00
Hamilton-Wenham	\$18,356.00	Danvers	\$16,284.00
Andover	\$17,986.00	<b>Pentucket</b>	<b>\$15,672.00</b>
Ipswich	\$17,707.00	Peabody	\$14,914.00
Swampscott	\$16,931.00	Lawrence	\$14,899.00
Gloucester	\$16,878.00	Georgetown	\$14,551.00
Triton	\$16,823.00	Methuen	\$14,205.00
Newburyport	\$16,852.00	Haverhill	\$13,419.00
Lynnfield	\$16,746.00	North Andover	\$13,136.00

Since FY 2010, there has been a decline in enrollment of 22.02%. More recently the enrollment decline has been 14.38% from FY 2015 to FY 2020. This coincides with the lower birth rates in the member communities, slowed building construction during the 2010 to 2014 period, the freezing of school choice slots, and an aggressive effort to ensure that residency for students is restricted to our member communities. Over the time period of FY 2017-FY 2020, Pentucket has reduced staff by 3.87% overall. Staff capacities during this time were used to lower class sizes and increase special education related teaching and support positions.

Now that we have reviewed the sources of information that assist in informing the community on how our revenue and expenditures affect the operating budget, we should review how decision making at the School Committee, Administrative, and Staff levels are helping us define how we spend public funds on our school district.

The district has set forth initiatives that will assist us in creating a world class education system. The initiatives in Section 1 are the basis for decision making with education funding for the district. Decisions around staffing, redistribution of education resources and reductions of current programs revolve around how to bring Pentucket to the next level of performance and sustainability for the future. The District Strategic Plan for 2019-2022 is included as an attachment to the end of this section.



***Next Pages: District Strategic Priorities and Capacity Building Plan; Revenue Sources / Line Item Budget; Student Enrollment; Revolving Acct. Support Schedules; Maintenance Costs and Capital Requests***