

PENTUCKET REGIONAL SCHOOL DISTRICT

Presented to the Pentucket Regional School Committee on
January 17, 2017

Pentucket Regional School
District

22 Main Street

West Newbury, MA 01985

*FY 2018
Operating
Budget*



School Committee Members

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Andrew Murphy, Vice Chairperson

Brian Page, Secretary

Wayne Adams

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Dr. Jeffrey Mulqueen, Superintendent of Schools

Presented January 17, 2017

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FY17 District Staff

District Administration

Dr. Jeffrey Mulqueen, Superintendent

Dr. Michael Jarvis, Director of Supplemental and Intensive Services

Greg Labrecque, Business Manager

Principals

Jonathan Seymour, Pentucket Regional High School

Kenneth Kelley, Pentucket Regional Middle School

Dustin Gray, Page Elementary

Dr. Brendan Keenan, Bagnall Elementary

Russell Marino, Donaghue Elementary / Sweetsir Elementary

Administrative Staff

Dennis Buck, MIS Director

Greg Hadden, Director of Operations

Assistant Principals

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

Dave Evans, Asst. Principal High School

Emily Puteri, Asst. Principal Middle School

January 2017

Dear Pentucket Regional School District Learning Community,

Pentucket continues to strengthen its position as a key community asset as it becomes the preferred educational opportunity for students/families, the career opportunity of choice for talented educators, and the investment opportunity of choice for Groveland, Merrimac, and West Newbury. Learning outcomes continue to improve, learning opportunities continue to expand, and the financial stability of our District continues to strengthen. Pentucket’s innovation schools have proven to be a key strategy for leveraging rapid, sustained improvement throughout the District.

To date, Pentucket is implementing ten innovation schools.

- Safety & Public Service
- Movement Science & Athletics
- Visual Arts
- Music Conservatory
- Business, Finance, & Entrepreneurship
- Science, Technology, Engineering, & Math
- International Baccalaureate (Sweetsir and Donaghue)
- (STEAM) Science, Technology, Engineering, Arts, & Math (Bagnall and Page)

Pentucket can celebrate many successes. Students have access to early-high school credit, dual credit, early-college credit, and early-career experiences. Students in grades 7 – 12 take courses to expand their education beyond traditional school year via summer semester courses. Partnerships have expanded to encompass local, regional, national, and international organizations. This year, Pentucket partnered with Istanbul Technical University for a special experience, *Engineering is Elementary Project*, for students in grades 3 – 8. Pentucket’s involvement in a *Chinese Cultural Internship Program* has expanded the District’s global interaction. Three Chinese interns are scheduled to support learning at Bagnall, Pentucket Middle School, and Pentucket High School.

Improved Learning Outcomes

Student learning in Pentucket can be described as “high performance” when viewed through the lens of state assessment (MCAS) results. The composite performance index (CPI) for students across English Language Arts (ELA), Mathematics, and Science at the high school trends near or above 90%. CPI is a measure of the extent to which all students are progressing toward proficiency.

2014 ELA CPI = 99.4				2014 Math=96.6				2014 Bio CPI=95.3			
A	P	NI	W	A	P	NI	W	A	P	NI	W
60	38	2	0	70	20	9	1	38	48	14	0

2015 ELA CPI = 99.3				2015 Math=96.5				2015 Bio CPI=96.8			
A	P	NI	W	A	P	NI	W	A	P	NI	W
73	24	1	2	71	19	6	4	49	40	10	1

2016 ELA CPI = 99.2				2016 Math=95.9				2016 Bio CPI=95.9			
A	P	NI	W	A	P	NI	W	A	P	NI	W
66	31	2	1	60	27	10	2	41	47	12	1

A=Advanced P= Proficient NI=Needs Improvement W=Warning

The Grade Point Average (GPA) of seniors is demonstrating a positive trend since 2012 and can be attributed to the increased levels of engagement students are experiencing in the classroom. Students demonstrate success in areas of high interest with potential impact on college and career choices.

Class	Average GPA
2016	3.32
2015	3.13
2014	3.12
2013	3.11
2012	2.84
2011	2.84

The infusion of accelerated learning opportunities in the District is beginning to take root. Evidence of success can be seen in the results of state assessments specific to the achievement of students in grade 8 who enroll in Algebra and Advanced English Language Arts (ELA) for early-high school credit.

2016 School vs. State Grade 8 Assessment Results							
	Accelerated ELA - Gr 8	School ELA – Gr 8	State ELA – Gr 8		2015 School Algebra Gr -8	2016 School Algebra Gr - 8	State Algebra Gr - 8
Level 5	31.3%	23%	16%		2%	12%	14%
Level 4	62.5%	53%	48%		74%	71%	66%
Level 3	0	19%	20%		20%	12%	15%
Level 2	0	5%	10%		2%	5%	4%
Level 1	0	0	5%		1%	0%	1%
*3 Accelerated students (6.3%) did not participate in the state assessment							

Level 5=Exceed Expectations
Level 4=Met Expectations

Level 3=Approached Expectations
Level 2=Partially Met Expectations

Level 1=Did Not Meet Expectations

Student Growth Percentiles (SGP) are indicators of strong teaching and learning, particularly in ELA. Student Growth Percentiles generally are expected to range between 40 and 60. Pentucket’s 2016 SGP for ELA in grade 10 is 51.0 and 54.5 in Math. Despite the high levels of success in grade 10 and indicators of breakthrough with accelerated English Language Arts and Algebra at the middle school, varying degrees of success can be seen at different grade levels and at different schools. State assessment results demonstrate modest gains, with long-term gaps in achievement between the general student population and students who have high levels of need. In light of variability in student performance at elementary schools and identified performance gaps for students with high needs, new state standards and performance expectations (PARCC and more recently MCAS 2.0) present opportunities for the district to strengthen its curriculum, align its assessments, and systematize instructional practices with the implementation of the Curriculum Renewal Policy.

Expanded Learning Opportunities

Each year, Pentucket takes steps to expand the range of learning opportunities for students while maintaining low student-teacher ratios. In the upcoming year, staffing changes will augment the curriculum for elementary and secondary students. Spanish and German will be introduced in elementary

schools. Upon entering grade seven (2018-2019), students will begin to have choices for taking Spanish I or German I for high school credit.

The FY18 Budget proposal strengthens Science, Technology, Engineering, Arts, and Mathematics (STEAM) programming at Page and Bagnall elementary schools, with the addition of a STEAM coordinator. This additional support will provide a full-time STEAM coordinator for each school, rather than the current half-time allocation.

Reconfiguration of staffing at the secondary level will provide added support for special education programming. Pentucket strives to provide in-district learning opportunities for students with exceptionalities. Elementary and secondary scheduling and staffing patterns will be improved for the 2017 – 2018 school year to ensure students with disabilities experience high quality service delivery.

A new central office position, Assistant Superintendent, is included in the FY18 Budget proposal as an added support for improved teaching and learning across the District.

Stronger Financial Stability

Each year, Pentucket’s sound business strategy has strengthened its financial stability. Decisions are focused on high quality teaching and accelerated learning, improved student access to learning opportunities aligned with college & career readiness, and steady growth that is sustainable. Student choice enrollments have steadily decreased from 177 (FY13) to 91 (FY17), at a cost of approximately \$430,000. Fewer students are leaving the District. From 2008 to 2012, an average of 44 students chose to access alternatives to Pentucket through school choice. Today, only 31 students choose alternatives. Student applications to private schools (grade 8 to grade 9) have diminished by 80% over the past several years, decreasing from an average of 50 per year to 10 (projected for spring 2017).

The Excess & Deficiency (E&D) Expenditure Policy (2014) ensures a more secure future for the District. Prior to the implementation of this policy, E&D funds were used to bridge gaps in budgets. Today, sound financial practices have resulted in a healthier stabilization account that supported the District’s capacity to support the Feasibility Study (\$700,000) for the proposed building project for the high school.

Pentucket Regional School District continues to enjoy the benefits of the productive, professional working relationships of the Pentucket Regional School Committee, the Pentucket Association of Teachers, parents, partners, and the greater Pentucket learning community. The District’s rapid improvement has been largely due to the positive relationships among stakeholders and their focus on creating the conditions for success. The FY18 operating budget is focused to support Pentucket’s continued progress toward a world class future. When Pentucket delivers on a promise of world class education, our students, educators, and the communities prosper.

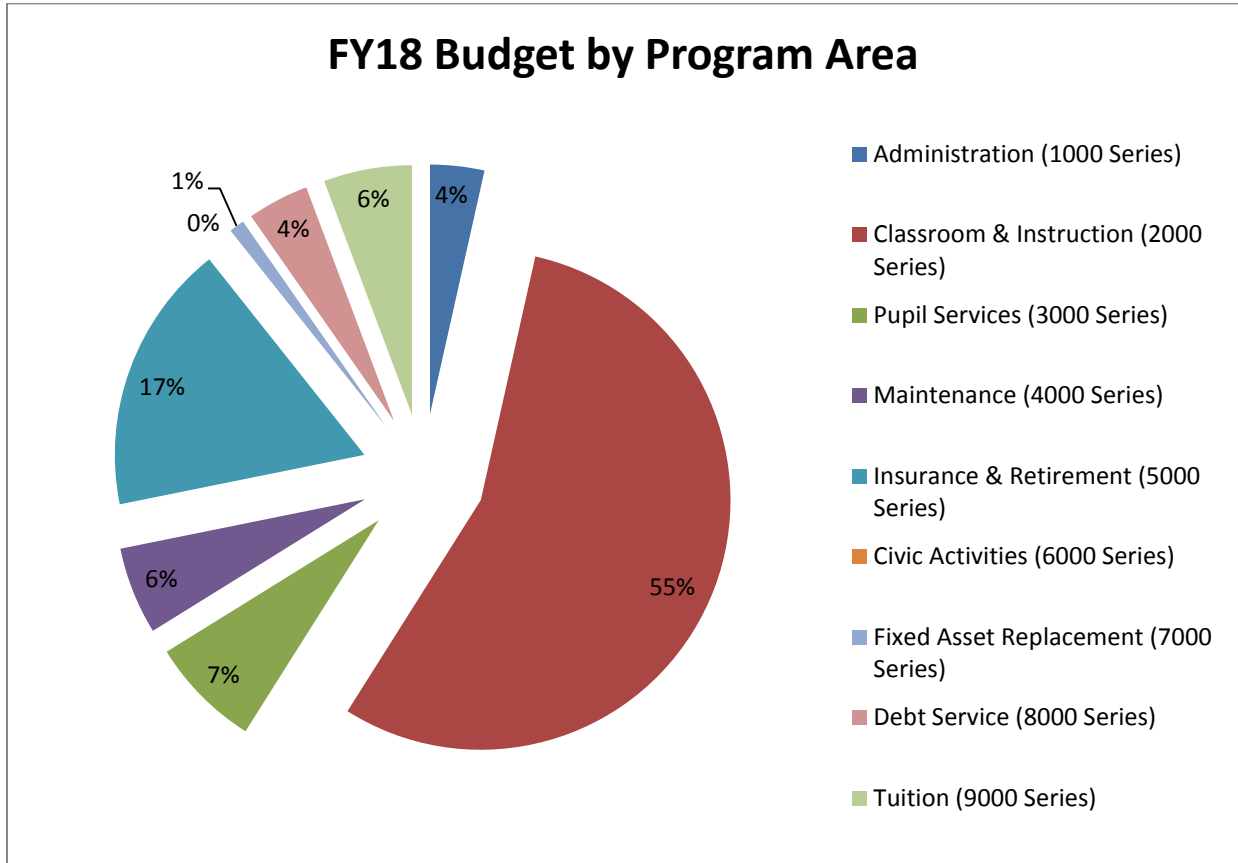
Respectfully,



Jeffrey J. Mulqueen, Ed. D.
Superintendent of School

Executive Summary

The Fiscal Year 2018 budget is \$38,813,362.41; an increase of \$757,703.29 or 1.99% more than the FY 2017 budget of \$38,055,659.12. Revenue projections are estimated at \$38,470,580.88 in local, state, and excess and deficiency receipts. This leaves an operational deficit of \$342,781.53 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 (55%) and Fixed Charges (17%) which includes insurance/retirement programs. Revenue projections are based on the following criteria: \$25 per pupil increase in chapter 70 funding and level funding for transportation reimbursement and funding from other sources such as Medicaid Reimbursement. The only projected decrease in revenue is from Miscellaneous Receipts. This reflects reduced payments from other school systems for services we provide due to decreased enrollment. Increased operational assessments for the three member towns total \$558,522.88 including capital expenses already known. Excess and Deficiency funds are used for Stabilization 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 16 Actuals</u>	<u>Per Pupil</u>	<u>FY 18 Proposed</u>	<u>Per Pupil</u>	<u>3 Year trend Inc/Dec %</u>
Administration (1000 Series)	\$1,198,584.61	\$440.49	\$1,360,858.15	\$542.17	13.54%
Classroom & Instruction (2000 Series)	\$20,209,304.87	\$7,427.16	\$21,525,724.69	\$8,575.99	6.75%
Pupil Services (3000 Series)	\$2,471,843.69	\$908.43	\$2,794,468.88	\$1,113.33	17.95%
Maintenance (4000 Series)	\$2,125,549.10	\$781.16	\$2,195,979.69	\$874.89	5.20%
Insurance and Retirement (5000 Series)	\$6,447,123.60	\$2,369.39	\$6,790,194.00	\$2,705.26	4.17%
Fixed Asset (7000 Series)	\$0.00	\$0.00	\$380,847.00	\$162.84	100.00%
Debt Service (8000 Series)	\$1,389,789.90	\$510.76	\$1,545,083.00	\$615.57	11.17%
Tuition (9000 Series)	\$2,490,591.93	\$915.32	\$2,220,207.00	\$884.54	-10.86%

As the detailed breakout shows, the administration increase reflects an average annual increase of 4.51%. However, this amount is increased for FY 2018 because of a proposed reestablishment of a \$145,000 Assistant Superintendent position which was eliminated in FY 2014. This amount is slightly offset by the elimination of the \$30,000 support position funded in FY 2017. Without this one time extra cost the average annual increase would be 2.0% over the three year period shown. The area of Pupil Services shows an increase due to the elimination of all extracurricular club fees in the FY 2017 budget. Maintenance increases are in the areas of preventative maintenance. Insurance and retirement cost increases were reduced for FY 2017 because of the savings realized from moving health insurance plans to the Commonwealth of Massachusetts' Group Insurance Commission. The Fixed Asset increase is a newly presented category in its second budget cycle which places certified E and D funds in the budget for transfer into the District Stabilization Fund. This year these funds were transferred to fund a Massachusetts School Building Authority Feasibility Study involving a High School application for repair or replacement. These funds are also listed as a revenue source so as not to increase the member Town assessments. The Debt Service increase derives from the final full bonding of the athletic field and middle school roof and boiler projects in FY 2017. The Tuition decrease is primarily due to a cost shift necessary to fund additional out of district student placements and moving out-of-district costs for public school and charter tuition to the general fund from revolving fund accounts.

The Superintendent presented a plan to the school committee to redistribute resources in the FY 2017 budget including but not limited to:

- ✓ Reduce the cost to parents by eliminating extracurricular fees
- ✓ Recalibrating staffing to reflect the effect of limiting school choice
- ✓ Strengthen the elementary innovation initiatives with the addition of a Design and Engineering Coordinator (.5 Page / .5 Bagnall)
- ✓ Strengthen the secondary schools innovation school initiatives with virtual courses and additional personnel
- ✓ Addition of one grounds position to help maintain the new athletic facilities
- ✓ Strengthen central office support with a part-time administrator

All of these initiatives have been realized. In FY 2018, this work continues as the administration and school committee work together to redefine the district goals, and set accountability measures to meet them. FY 2018 provides an opportunity to further implement and expand on our innovation programming as well as to further accelerated learning. Additionally, work to begin the introduction of foreign language to our elementary students along with additional supports to offset previously eliminated central office positions will be realized.

The administration will work closely with the School Committee, Staff, and the Community to determine priorities, and develop the FY 2018 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 2018 School Operating Budget

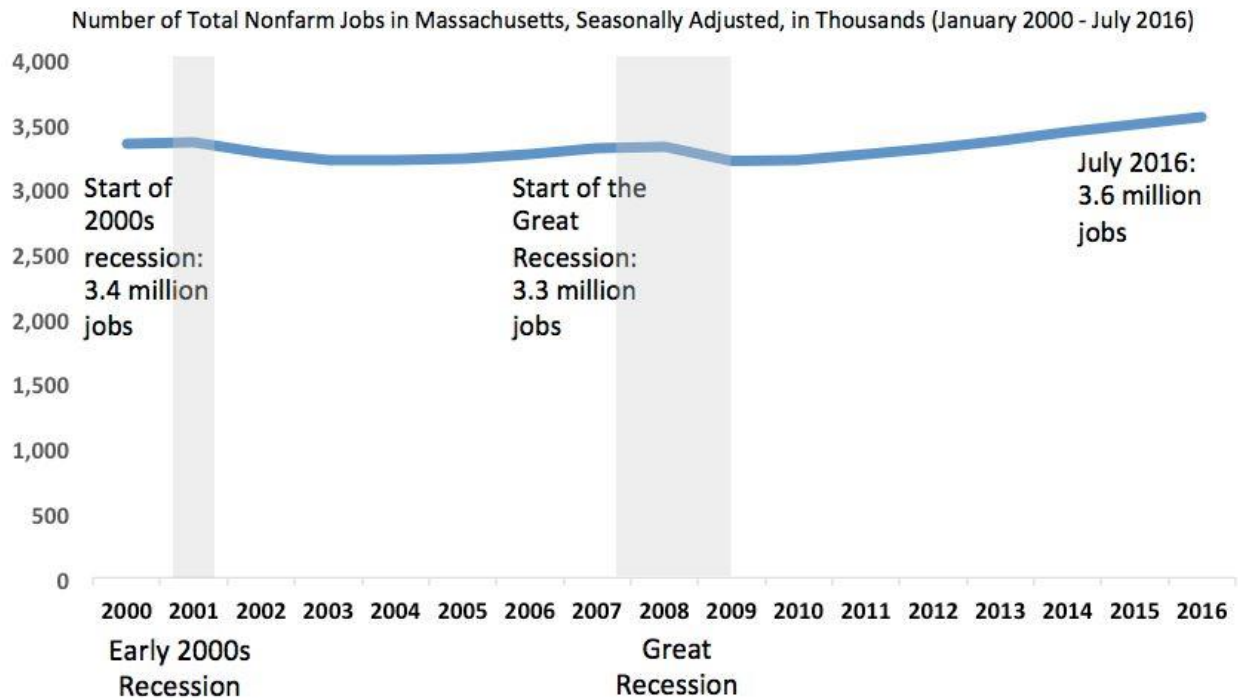
After a successful budget process last year, Fiscal Year 2018 presents challenges and opportunities for improvement to the educational program. In FY 2015 the district had to determine the direction of several key programs: school choice, the use of excess and deficiency, and the administrative structure 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, and the state legislature and Governor were able to maintain circuit breaker eligible cost aid at 75% of actual cost and give \$25.00 per pupil in Chapter 70 funds for FY 2017. Transportation aid was level funded but increased participation due to newly created regional districts saw our actual funds decrease in FY 2017 by \$16,485.

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 stabilized, 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.

Recent strong job growth has begun to reverse the decades of weak wage growth across the country and here in Massachusetts. There is much more that can be done to create an economy that delivers broadly shared prosperity. One of the effects of weak wage and income growth is that many working families cannot make meaningful headway toward raising their standard of living. This means that some low income families cannot work their way out of poverty.

Today, more than 1 out of every 9 people in Massachusetts lives below the federal poverty threshold (which is roughly \$24,000/year for a family of four). A related and still more troubling outgrowth of stagnant wages and income is revealed by the U.S. Census data on *childhood* poverty in the Commonwealth. In Massachusetts, close to 200,000 children—or 1 out of every 7—was living in poverty in 2015.

MA Jobs Have Grown Steadily Since the Great Recession



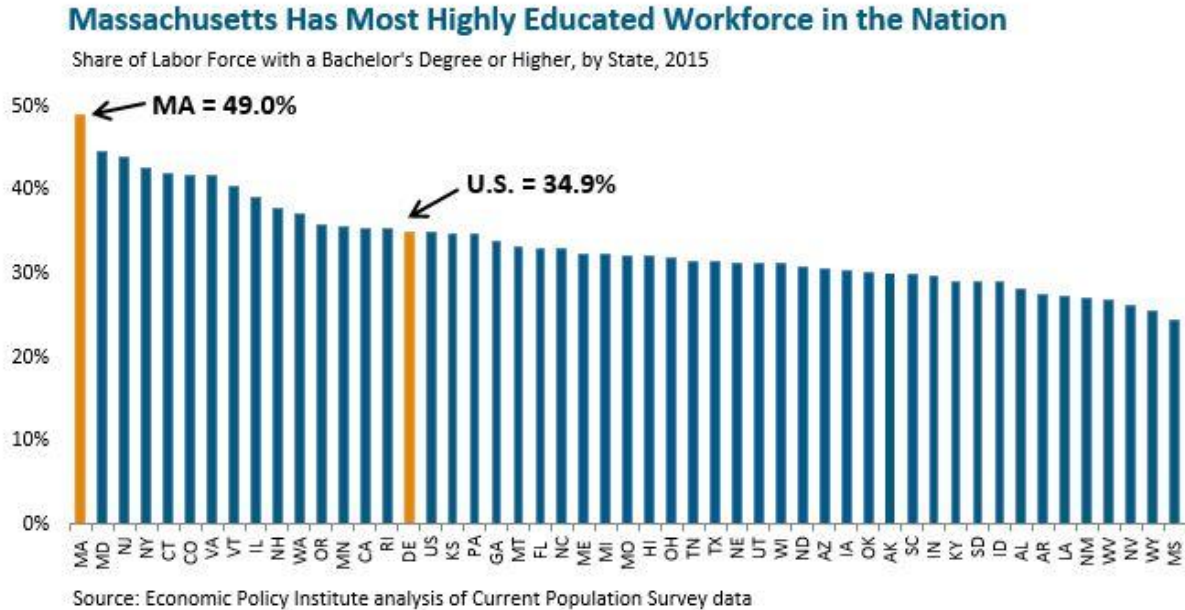
Source: Economic Policy Institute Analysis of *State and Regional Number of Jobs* Employment, Hours, and Earnings from the Current Employment Statistics survey (State and Metro Area) and NBER recession data

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

Comparing data with previous data reported shows Massachusetts is continuing to recover 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 November 2016, Massachusetts unemployment went from 7% to 2.7%. Essex County is now at 2.6% from its November 2011 rate of 7.3%, showing a decrease in unemployment and now below the State average showing the Essex County jobs recovery exceeding the State recovery.

For reference for the reader, the three member town rates are as follows: Groveland's unemployment is 1.7% in Nov. 2016; West Newbury is 2.1% in Nov. 2016; and Merrimac is 2.1% in Nov. 2016 according to the Labor and workforce development department at www.mass.gov/lwd. Unemployment has decreased by over half for Groveland and approximately 30% for Merrimac and West Newbury. In Oct. 2015, West Newbury was 3.6%, Merrimac was 3.7%, and Groveland was 3.6%. The district has seen a slightly reduced 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.



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

Despite the concerning national and state level trends in wages, incomes and poverty rates, Massachusetts families have some positive trends working in their favor. Massachusetts has the best educated workforce in the nation and the highest median wage (see chart above).

Beginning in 2017, Massachusetts also will have 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, 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 \$25.00 per pupil increase to state aid, which is what the state allowed in FY 2017.

The process of developing the Fiscal Year 2018 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 2.5% to help fund the schools operating budget, and to continue to fund their portions of agreed upon capital projects with a combined increase of \$370. The combined total percentage increase over the approved amounts in Fiscal Year 2017 would be 2.50% due to the stable capital assessment. Below is a chart that shows the major revenue components of the operating budget.

<u>Revenue Source</u>	<u>FY15 Actual</u>	<u>FY16 Actual</u>	<u>FY17 Projected</u>	<u>FY18 Projected</u>
<i>Chapter 70</i>	\$12,770,527.00	\$12,834,852.00	\$12,968,282.00	\$13,025,782.00
<i>Transportation</i>	\$513,694.00	\$584,047.00	\$567,562.00	\$567,562.00
<i>Medicaid Reimbursement</i>	\$110,000.00	\$138,351.93	\$75,000.00	\$75,000.00
<i>Interest Income</i>	\$3,073.69	\$2,794.97	\$3,000.00	\$3,000.00
<i>Misc. Receipts</i>	\$117,846.19	\$38,372.59	\$70,000.00	\$40,000.00
<i>E&D</i>	\$200,000.00	\$0.00	\$676,089.00	\$380,847.00
<i>SBA Reimbursement</i>	\$0.00	\$0.00	\$0.00	\$0.00
<i>Treasury Subsidy</i>	\$131,622.79	\$115,353.53	\$106,111.00	\$106,111.00
<i>West Newbury Operating Assessment</i>	\$6,176,309.00	\$6,536,802.96	\$6,607,435.00	\$6,772,621.00
<i>West Newbury Capital</i>	\$597,880.00	\$560,425.04	\$587,314.00	\$583,920.42
<i>Groveland Operating Assessment</i>	\$7,413,729.99	\$7,999,158.00	\$8,357,742.00	\$8,566,686.00
<i>Groveland Capital</i>	\$545,461.01	\$500,921.00	\$559,388.00	\$559,927.72
<i>Merrimac Operating Assessment</i>	\$6,810,780.00	\$7,047,248.00	\$7,390,538.00	\$7,575,301.00
<i>Merrimac Capital</i>	\$196,744.00	\$150,718.00	\$211,339.00	\$213,822.74
<i>Subtotal Operating Revenues</i>	\$35,587,667.67	\$36,509,045.02	\$38,179,800.00	\$38,470,580.88

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.

Additionally, the result of the Commonwealth's lack of educational spending compared to the State's nationally 9th ranked per pupil spending shows an obvious disparity between funding and spending. To make up the shortfall in State spending the local government entities' must make up the difference that result in our community's ranking 7th nationally in educational spending. 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. Alternately, all personnel contracts have held to a 2.5% increase over the last three years.

State grants relating to innovation schools have not been renewed for this Fiscal Year. Going forward, to fulfill and continue the promise already being seen, the District we will need to provide for those ongoing costs in our regular budget practices.

The combined year over year change of \$290,781.00 represents a revenue increase of .76% overall, leaving an operation deficit. This percentage and amount are artificially lowered due to less funding being allocated from E and D over FY 2017. If this difference is removed from the projection then the revenue increase would be \$589,023.00 representing a 1.5% increase for the general fund. We are anticipating a small increase in state aid in FY 2018 but reduced amounts from miscellaneous funds because of fewer out of district placements in Pentucket that generate tuition to us for special education services. This budget projection overall is accurate for what we now know. Excess and Deficiency (E&D) funds are budgeted for FY 2018 to fund stabilization 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. The capital projects are completed and the Bond Anticipation Notes were

retired in February 2015 and replaced with actual Bonds of varying length by project. This will give us consistent budget numbers for all our debt going forward until their retirement. This is evident in the capital assessment overall increase of \$370 over FY 2107 numbers.

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 2020.

GIC health insurance plan rates are not projected to be finalized until mid-February so we are budgeting using an inflation factor of 5% for Fiscal Year 2018 at this time. The budget includes actual salaries for all union represented employees other than teachers. The current teacher / nurse contract expires at the end of Fiscal Year 2017 and is currently in negotiation status. The presented budget assumes a 2.5% increase in the total value of any negotiated contract. In addition to the expiring employment contract, our transportation services for regular and special education are also in bid status. We have enjoyed favorable contract terms over the prior agreements and are budgeting for inflation based increases. However, until the bid process is complete, this area has the potential for larger than expected increases.

Although these areas can be difficult to predict, the administration uses conservative estimates to make sure that we are presenting the communities with our best known information and that we do not create operational deficits in the next fiscal year.

Next year, Pentucket expects the operating budget to rise by \$757,703.29, a 1.99% increase. This increase is calculated after the District has included E and D

funds as a revenue and cost. Without this fund the general fund increase would be \$930,569.29 or 2.48%.

This means our FY 2018 operational budget which is inclusive of labor, service and supplies, special education, and stabilization offsets is \$38,813,362.41.

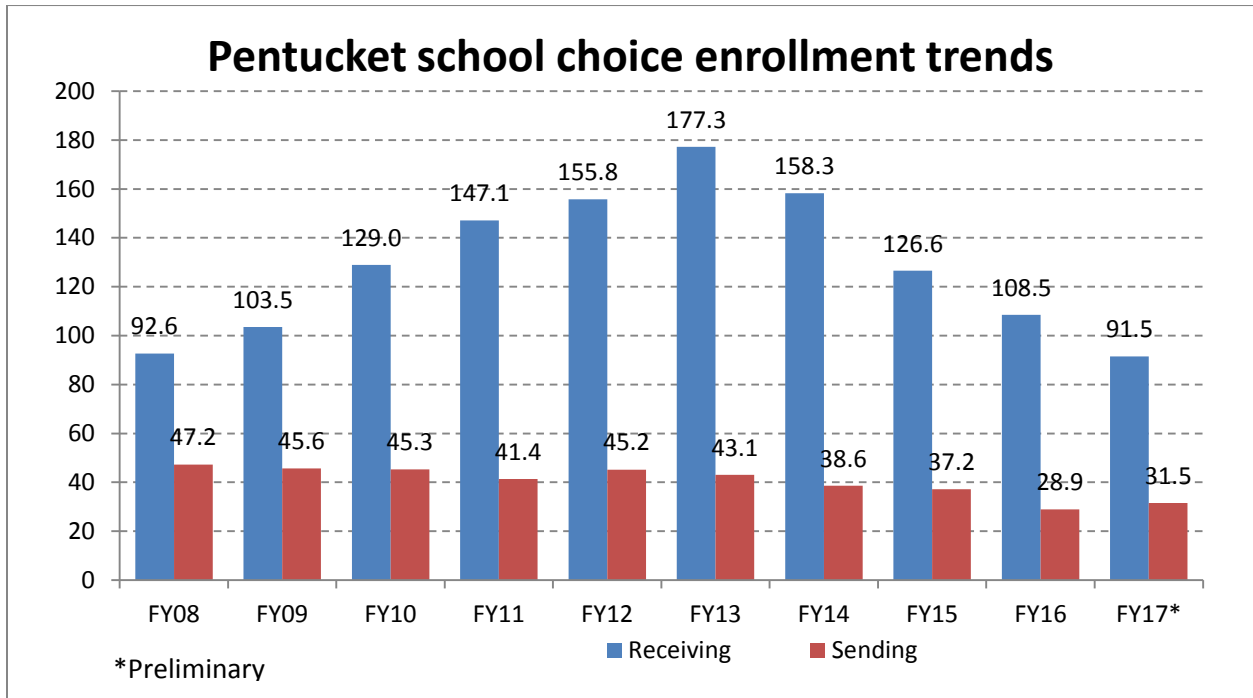
In addition, if local growth continues to expand, it can help by providing relief to the school district to fund their operational costs if the towns can afford to increase the operational assessments. Additional growth in each member town can assist the district in increasing the operational costs above 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. This budget does not reflect any new growth, as towns generally do not have this figure early in the budget cycle.

The chart below represents a history of state aid that Pentucket has received through the period of FY 2013 to present.

Category	2017	2016	2015	2014	2013
Estimated Receipts:					
General School Aid	\$12,968,282	\$12,834,852	\$12,770,527	\$12,703,677	\$12,635,127
Transportation of Pupils	\$567,562	\$534,215	\$659,420	\$507,362	\$442,314
Charter Tuition Reimb.	\$53,854	\$18,753	\$26,978	\$30,784	\$23,636
School Choice Receiving Tuition	\$599,768	\$672,571	\$901,958	\$955,807	\$847,853
Other	\$0	\$0	\$13,014	\$13,928	\$14,812
Total Estimated Receipts:	<u>\$14,189,466</u>	<u>\$14,060,391</u>	<u>\$14,371,897</u>	<u>\$14,211,558</u>	<u>\$13,963,742</u>
Estimated Charges:					
Special Education	\$0	\$0	\$11,316	\$134	\$4,617
Charter School Sending Tuition	\$349,584	\$231,315	\$286,000	\$297,231	\$263,200
School Choice Sending Tuition	\$199,748	\$252,819	\$255,587	\$276,819	\$285,812
Total Estimated Charges:	<u>\$549,332</u>	<u>\$484,134</u>	<u>\$552,903</u>	<u>\$574,184</u>	<u>\$553,629</u>
Receipts Net of Charges	<u><u>\$13,640,134</u></u>	<u><u>\$13,576,257</u></u>	<u><u>\$13,818,994</u></u>	<u><u>\$13,637,374</u></u>	<u><u>\$13,410,113</u></u>

As the chart above shows, state Chapter 70 aid to Pentucket has increased 2.64%, an average of .66% per year, since FY 2013. 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. What this chart 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.



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 \$85,000 in costs due to the choice account not generating enough revenue to cover these previously budgeted expenses.

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 04	\$12,065,168	3309	51.5%
FY 05	\$12,199,790	3306	49.7%
FY 06	\$12,362,390	3252	48.0%
FY 07	\$13,099,037	3331	48.2%
FY 08	\$13,258,787	3195	45.9%
FY 09	\$12,077,530	3119	41.7%
FY 10	\$13,226,986	3092	44.0%
FY 11	\$12,454,267	3055	42.1%
FY 12	\$12,521,127	2947	41.3%
FY 13	\$12,635,127	2942	39.9%
FY 14	\$12,703,677	2841	39.7%
FY 15	\$12,770,527	2721	38.4%
FY 16	\$12,834,852	2599	38.4%
FY 17	\$12,968,282	2510	37.8%

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

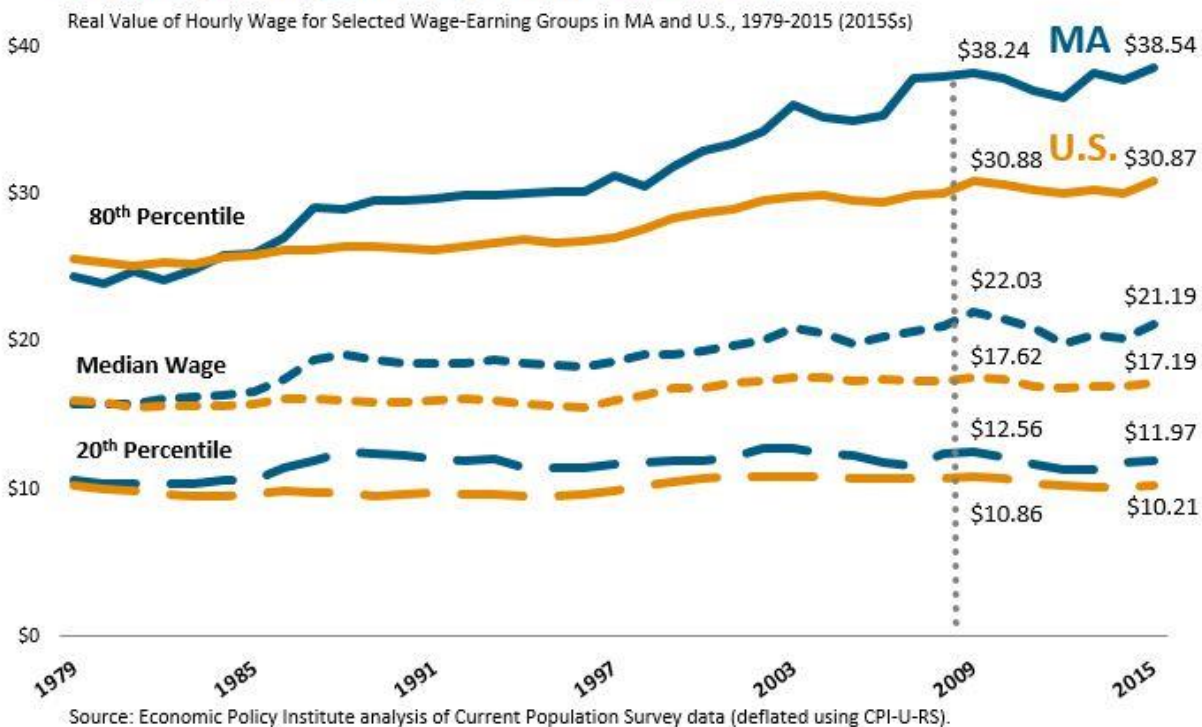
In FY 2004, Chapter 70 paid for 51.5% of Pentucket’s net school spending. In FY 2017, it only paid for 37.8%. As we described above, this is clearly increasing the towns funding percentage of the operational budget for the school district.

Education Spending as a Percentage of Budget

Year	Groveland		Merrimac		West Newbury	
	\$ of total	% of total	\$ of total	% of total	\$ of total	% of total
2017	\$10,108,111	64.3%	\$8,539,797	61.8%	\$7,537,407	54.5%
2016	\$9,553,619	63.7%	\$8,075,704	61.1%	\$7,379,711	54.4%
2015	\$9,013,093	64.7%	\$7,752,362	60.5%	\$6,999,831	49.0%
2014	\$8,583,100	64.0%	\$7,365,199	59.6%	\$6,630,971	46.0%

The chart above 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.

Wages Have Increased in Past Year, But Most Have Seen Declining or Stagnant Wages From 2009-2015



While we have experienced decades of wage stagnation for far too many of our working people, there is some good news this year: from 2014 to 2015 wages rose across the income spectrum, both here in Massachusetts and nationally. During this past year, average wages for the broad middle class in Massachusetts rose almost 3 percent (\$21.63 an hour to \$22.25 an hour, adjusted for inflation). Though this is good growth, our lowest wage workers, who benefitted from the state minimum wage increase in 2014, saw even stronger progress, with an increase of over 7 percent over the past year (\$9.08 an hour to \$9.74 an hour, adjusted for inflation). This wage growth is aligned with other positive trends in our state, including steady job growth, and declines in unemployment and child poverty. And while this is a positive sign, this strong real growth was partly due to inflation being almost zero, so virtually all nominal wage growth shows up as real wage growth--and this uncharacteristically low inflation is a trend that is unlikely to continue.

We are beginning to see progress, but we still have a long way to go. Since the 1970s, wages have been close to stagnant for most workers (see chart, above).

During the current economic recovery (since 2009), wages for low and middle wage workers are still lower than they were at the end of the recession.

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 2015.

<u>Location</u>	<u>Median Income</u>	<u>Median Average Age</u>
Massachusetts	\$68,563	39.4 years
Essex County	\$69,068	40.6 years
Groveland	\$95,208	46.3 years
Merrimac	\$73,986	44.8 years
West Newbury	\$131,167	44.5 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 based on the most recent estimates from November 2015.

<u>Year</u>	<u>Groveland</u>	<u>Merrimac</u>	<u>West Newbury</u>	<u>Essex County</u>	<u>Massachusetts</u>
2015 (Est.)	6,750	6,800	4,541	776,043	6,794,422
2010	6,459	6,338	4,235	743,159	6,547,629
% Change	4.51%	7.29%	7.23%	4.42%	3.77%

As you can see, our member communities continue to grow at a faster rate than both Essex County and Massachusetts by a factor of nearly double, or in

Groveland’s case, slightly more than average. 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 15 End of Year Financial Reporting	Total Expenditures All Funds	Fuction As Percentage Of Total	Expend- iture Per Pupil	State Average Per Pupil
Administration	\$1,137,666	2.95%	\$424.39	\$531.09
Instructional Leadership	\$2,048,758	5.32%	\$764.26	\$976.28
Classroom and Specialist Teachers	\$15,551,135	40.35%	\$5,801.15	\$5,620.12
Other Teaching Services	\$2,864,270	7.43%	\$1,068.48	\$1,175.95
Professional Development	\$129,461	0.34%	\$48.29	\$197.45
Instructional Materials, Equipment and Tech.	\$744,436	1.93%	\$277.70	\$431.39
Guidance, Counseling and Testing	\$979,957	2.54%	\$365.56	\$441.78
Pupil Services	\$3,301,679	8.57%	\$1,231.65	\$1,432.41
Operations and Maintenance	\$2,873,575	7.46%	\$1,071.95	\$1,143.40
Insurance, Retirement Programs and Other	\$5,933,684	15.40%	\$2,213.48	\$2,488.89
Payments To Out-Of-District Schools	\$2,976,954	7.72%	\$602.44	\$504.47
Total Expenditures	\$38,541,575	100%	\$13,869.36	\$14,943.23

Pentucket spends \$1,074 less per pupil than the state average on education. Using this data as a comparison only, based on 2510 pupils at the time of this reporting Pentucket is spending \$2.7 million dollars less than the state average.

The average spending of the Essex County Districts listed below is \$14,436. Pentucket is 3.93% below that average.

<u>Town/City</u>	<u>FY15 Per Pupil Spending</u>	<u>Town/City</u>	<u>FY15 Per Pupil Spending</u>
Whittier	\$18,273.00	Saugus	\$14,166.00
Gloucester	\$16,066.00	Ipswich	\$14,069.00
Hamilton-Wenham	\$15,956.00	Lynnfield	\$13,900.00
Andover	\$15,602.00	Pentucket	\$13,869.00
Masconomet	\$15,422.00	Amesbury	\$13,772.00
Swampscott	\$15,015.00	Peabody	\$13,496.00
Triton	\$14,987.00	Methuen	\$12,808.00
Danvers	\$14,607.00	Georgetown	\$12,602.00
Lawrence	\$14,475.00	Haverhill	\$12,301.00
Newburyport	\$14,269.00	North Andover	\$12,055.00

Since FY 2010, there has been a decline in enrollment of 18.8%. More recently the enrollment decline has been 11.65% from FY 2014 to FY 2017. 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 2014-FY 2017, Pentucket has reduced staff by 3.77% overall. Staff capacities during this time were used to lower class sizes and introduce classes related to innovation programming.

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 Priorities along with the District Capacity Building Plan follow through as an attachment to the end of this section.

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Sweetsir Elementary School

Principal Russel Marino 978-346-8319

*****If you do not see the department you are looking for, please call the district office for information: 978-363-2280*****

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