

# PENTUCKET REGIONAL SCHOOL DISTRICT

Presented to the Pentucket Regional School Committee on  
January 23, 2018

Pentucket Regional School  
District

22 Main Street

West Newbury, MA 01985

*FY 2019  
Operating  
Budget*



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**Presented January 23, 2018**

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FY18 District Staff

District Administration

Dr. Jeffrey Mulqueen, Superintendent

Christine M. Kelley, Asst. 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

Emily Puteri, 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

Frank Kowalski, Asst. Principal High School

James Carlson, Asst. Principal Middle School

January 2018

Dear Pentucket Regional School District Learning Community,

Pentucket's *World Class* education is defined in terms of innovation, significant outcomes, and student choice. Pentucket is transforming into the educational opportunity of choice for students and families, the career opportunity of choice for talented educators, and the investment opportunity of choice for member communities. Pentucket's approach to continuous improvement focuses on strengthening the instructional core: a knowledgeable teacher, powerful curriculum, and engagement of students (PELP Coherence Framework, Harvard University).

Pentucket offers a university-style course of studies with customized, high-powered learning experiences for students. Pentucket's written curriculum is powered by the integration of academic knowledge, adaptive leadership, and high levels of personal meaning. Integrating academic and social-emotional components into the curriculum supports a positive impact on the whole child. Scheduling flexibility supports the acceleration of learning with early high school, early college, and early career experiences. **When challenging content standards, adaptive leadership skills, and high levels of personal meaning are integrated into learning experiences, the capacity of the learner to solve real-world problems is increased.**

Education in Pentucket begins with the student in mind. Students in Pentucket experience access to accelerated academic opportunities. Students enact leadership as creative agents that results in significant impact on students' local and global world. It is usual for a school district to focus primarily on state assessments, such as MCAS. The Pentucket expectations for students are more than a score. Ambitious goals are established in Pentucket's curriculum. Students can experience the role of content experts, exhibit their work, and interact with peers across the globe via Skype and international education programs. **When each learner engages with appropriately challenging learning experiences, his/her learning is accelerated.**

Pentucket's innovative curriculum honors student voice and choice. Students' interests prompted the establishment of Pentucket's course of studies that provides students with options for learning that extend beyond that obtainable in a typical school district. Pentucket offers an advanced PK – 6 curriculum, specializing in Design & Engineering and the International Baccalaureate Primary Years Program. Early high school credit is available to middle school students. High school students have access to on-site dual credit, early college credit, internships, and apprenticeships as supported by an extended day/year schedule. The district seeks to expand high education partnerships, such as that with Merrimack College, to offer on-site dual credit for high school students. **When each learner's voice is reflected in his/her learning experiences, ownership for outcomes is strengthened.**

Local support for the school district is strengthening and the momentum of collaboration increasing. There is a strong relationship between healthy communities and their schools. The member communities and their economies are realizing tangible benefits as the school district strengthens its position as a community asset. Matthew Malone, former MA Secretary of Education, recognized Pentucket Regional School District for its efforts to strengthen itself as an asset to the regional communities when he said, "I applaud the Pentucket Regional School District for making the decision to think outside the box and provide access to new and exciting programs for its three communities." Non-traditional indicators of the district's success can be seen in the high demand for School Choice seats, 70% reduction in applications by students in

grade 8 to private schools, and the high relative value of living in the regional district communities.

The impact of state and federal requirements can have a heavy influence on a school district. The system is further complicated by the shift from compliance-based education to best practices. The District continues to dig deeper into the question of how best to strengthen the instructional core. Educator evaluation, District-determined Measures, and new state assessments (MCAS 2.0 / Next-generation MCAS) serve as examples of large scale changes influencing the work of every school and school district. Student attendance further complicates the district’s ability to deliver on high expectations for learning. Data analysis reveals problematic patterns in student attendance that are commensurate with chronic absenteeism. More than 750 students were absent 10 or more days from school during the 2016 – 17 school year. Pentucket embraces these opportunities for improvement. For example, the District’s data team is tracking early warning indicators and implementing timely interventions to support improved attendance patterns. Pentucket is becoming a contemporary, high-powered learning organization that invigorates educators with leadership opportunities, collaboration, and continuous learning. When everyone expects to do more, give more, and become more, great things happen. Pentucket’s Educator Evaluation System strengthens the link between professional practice and student outcomes. **When educators engage in systematic educator evaluation, the capacities of the individual and system (professional practice) are strengthened to deliver on world class outcomes.**

Student learning in Pentucket can be described as “high performance” when viewed through the lens of state assessment (Legacy MCAS) results. The composite performance index (CPI) for students across English Language Arts (ELA), Mathematics, and Science in Grade 10 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

2017 ELA CPI = 98.8				2017 Math=95				2017 Bio CPI=97.3			
A	P	NI	W	A	P	NI	W	A	P	NI	W
67	31	1	1	58	30	9	2	49	43	7	1

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

Class	Average GPA
2017	3.41
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 taking Algebra and Advanced English Language Arts for early-high school credit in grade 8. It should be noted that all Pentucket middle school students are able to elect advanced courses. Advanced courses are available for any student, not only those who have already demonstrated proclivity for high achievement in a subject.

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							

Student Growth Percentiles (SGP) indicate historically strong teaching and learning, particularly in ELA. Student Growth Percentiles generally are expected to range between 40 and 60. Pentucket’s 2017 SGP for ELA in grade 10 is 49.0 and 47.0 in Math. Despite the high levels of success in grade 10, varying degrees of success can be seen at different grade levels and at different schools.

New state expectations for student performance and the introduction of the on-line Next-generation MCAS resulted in depressed elementary and middle school results in 2017. Comparisons of Pentucket data with that of other districts raise questions about how best to make meaningful next steps toward the District’s intended outcomes. K-2 teachers who were interviewed (spring 2017) indicated that professional development in *Foundations* and support with early literacy program implementation are needed due to recent staffing changes and the

time lapse since the last training. Next-generation MCAS results, in tandem with a growing need for specialized early literacy, supported the feedback provided by teachers. Input from staff members contributed to the District's development of a comprehensive professional development plan. Reading development needed to be strengthened in every content area and grade level. The District needs a systematic approach to assessment that allows for the gathering and use of data incrementally throughout the year as aligned with specific benchmarks and outcomes. Implementation of the Lexile Framework for Reading and the Quantiles Framework for Mathematics (grades 1 – 9) will support improved monitoring and adjustment of instructional strategies as matched with identified needs of students. Next-generation MCAS results substantiated this need.

Creating a *World Class* future for Pentucket will require innovative practices that link adult actions to student outcomes and resource investments strategically aligned to strengthening the instructional core. To that end, the district, in partnership with the Massachusetts School Building Authority (MSBA), is in the Feasibility Study phase for a potential school building project for Pentucket Regional High School. Successful implementation of a building project would result in a facility that is commensurate with the innovative curriculum and ambitious outcomes expected by the community for all students. **When systems of support strengthen the instructional core, every student has access to highly personalized, rigorous, and relevant learning in the academics, arts, and athletics.**

With the exception of the high school, other Pentucket schools are classified as Level-2 on the basis of progress toward meeting a performance target on state assessments for all students and for students in the high needs subgroups. The lowest performing schools in the state are classified into Levels 3, 4 or 5. As a Level-2 district, Pentucket must comply with state requirements for improvement, including the incorporation of the 11 Essential Conditions for School Effectiveness into the district improvement plan. The 11 Essential Conditions for School Effectiveness are necessary conditions for schools to educate their students well.

According to Vivien Stewart (A World-class Education: Learning from international models of excellence and innovation, 2012), high performing educational systems have eight elements at the crux of their strategy to raise student achievement to the top of the world, as illustrated in Singapore, the Canadian provinces of Alberta & Ontario, Shanghai, Australia, and Finland. These eight elements are: 1. Vision; 2. Ambitious standards; 3. Commitment to equity; 4. High-quality teachers and leaders; 5. Alignment and coherence; 6. Management and accountability; 7. Student engagement and motivation; and 8. Global and future orientation. The Pentucket Regional School District Capacity-building Plan requires the contributions of the entire school community focused strategically to accelerate student learning and support a *World Class* future. The academic, artistic, and athletic achievement of every student is accelerated when Pentucket's staff members lock arms with parents and the community to exert their collective leadership.

As superintendent, I am committed to providing strong leadership as I enact my role to: 1. cultivate the learning and growth of every student by promoting a shared vision for Pentucket as *World Class* with powerful teaching and learning as the central focus; 2. ensure every student's educational experience is supported by a safe, efficient, and effective learning environment that is resourced with appropriate curriculum, staffing, and scheduling to ensure his / her growth and success; 3. develop and strengthen strategic partnerships among families, community organizations, and other stakeholders to support Pentucket's *World Class* future resulting in the growth and success of every student; and, 4. nurture and sustain a school culture of reflective practice, high expectations, and continuous learning for staff, students, and the broader



Pentucket learning community. **When central office supports strengthen the capacity of schools with systems aligned to deliver *World Class* education, the academic, artistic, and athletic achievement of every student is accelerated.**

While high quality teaching and learning drive organizational decisions, the District is committed to and has a history of managing its operational costs below an annual 2.5% increase. Evidence of this decision-making approach can be seen in the reduction of overdependence on School Choice and the stabilization of low class sizes over the past five years. The clear majority of class sizes across the system are at or below 21 students. Additionally, contract negotiations support a sustainable financial future, such as the 2015-16 negotiated change to health benefits in Pentucket. Zero-based budgeting continues to be useful in strengthening the District's financial stability and sustainability, despite diminished financial support from the state. Expenses related to special services and transportation, coupled with increased financial responsibility for economic circumstances that may compromise the stability of families, erode the District's stability as the state continually shifts costs to local communities. School districts and local communities are essentially bridging the gaps in state and federal funding.

Much of Pentucket's success in the recent past has been fostered by the benefits of a productive, professional working relationship among the Pentucket Regional School Committee, the Pentucket Association of Teachers, parents, partners, and the regional district's member communities. The FY19 operating budget is focused to support Pentucket's continued, sustainable progress toward a world class future. When Pentucket delivers on a promise of world class education, our students, educators, and the community prosper.

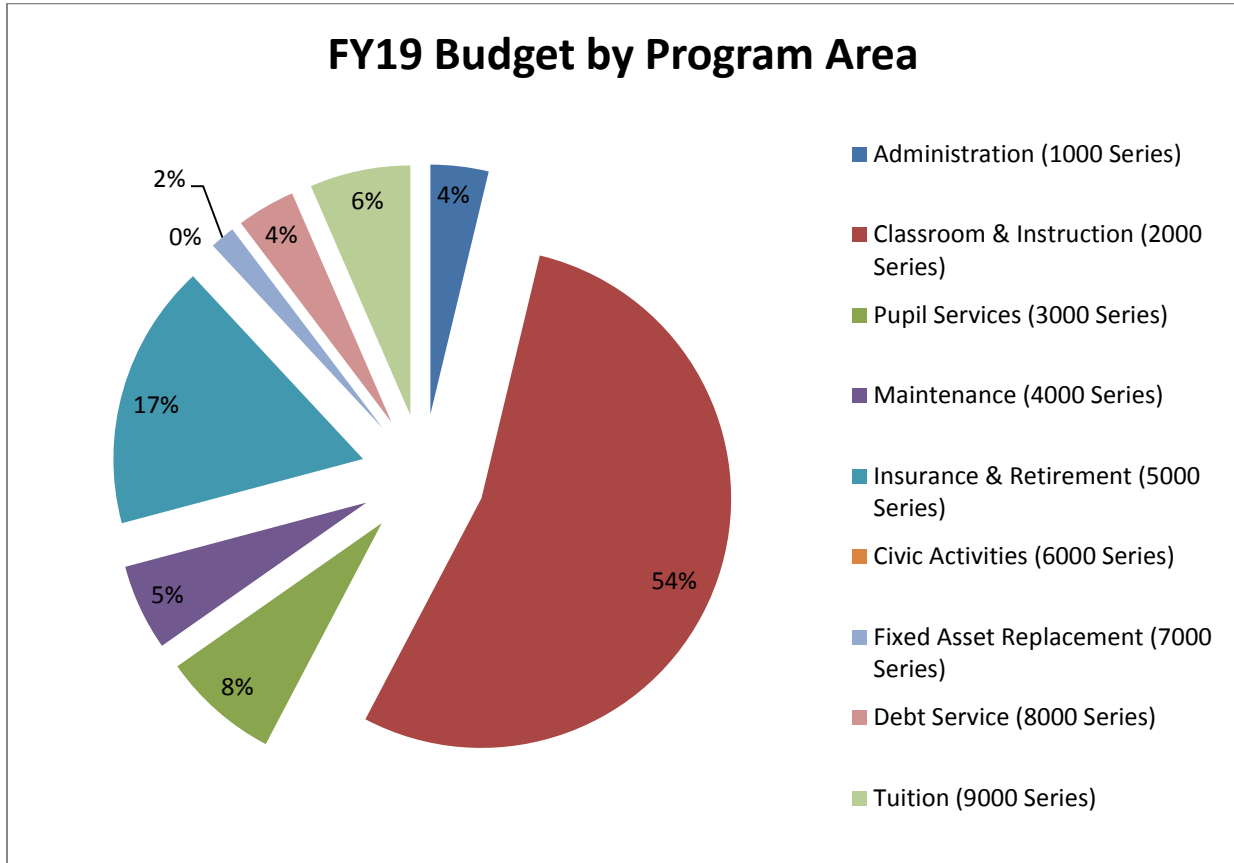
Respectfully,



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

## Executive Summary

The Fiscal Year 2019 budget is \$40,154,190.96; an increase of \$1,531,189.96 or 3.96% more than the FY 2018 budget of \$38,623,001.00. Revenue projections are estimated at \$39,507,820.62 in local, state, and excess and deficiency receipts. This leaves an operational deficit of \$646,370.34 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 (54%) 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. Medicaid Reimbursement is expected to increase \$25,000.00 and Interest Income is expected to increase \$2,000.00. The only projected decrease in revenue is \$35,000 from Miscellaneous Receipts. This reflects the elimination of payments from other school systems for services we provide due to no projected enrollment. Increased operational assessments for the three member towns total \$687,088.00 including capital expenses already known. Excess and Deficiency

funds are used for Stabilization and, for the first time, 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 17 Actuals</u>	<u>Per Pupil</u>	<u>FY 19 Proposed</u>	<u>Per Pupil</u>	<u>3 Year trend Inc/Dec %</u>
Administration (1000 Series)	\$1,384,444.71	\$532.68	\$1,508,138.16	\$600.85	8.20%
Classroom & Instruction (2000 Series)	\$20,665,567.40	\$7,951.35	\$21,659,522.76	\$8,629.29	4.59%
Pupil Services (3000 Series)	\$2,588,632.82	\$996.01	\$3,043,691.28	\$1,212.63	14.95%
Maintenance (4000 Series)	\$2,108,176.57	\$811.15	\$2,240,471.90	\$892.62	5.90%
Insurance and Retirement (5000 Series)	\$6,272,174.37	\$2,413.30	\$6,914,126.86	\$2,754.63	9.28%
Fixed Asset (7000 Series)	\$553,713.00	\$213.05	\$649,587.00	\$258.80	14.76%
Debt Service (8000 Series)	\$1,486,628.94	\$572.00	\$1,520,604.00	\$605.82	2.23%
Tuition (9000 Series)	\$2,520,754.66	\$969.89	\$2,618,049.00	\$1,043.05	3.72%

As the detailed breakout shows, the administration increase reflects an average annual increase of 2.74%. However, this amount is increased for the three year period because of the re-establishment of a \$145,000 Assistant Superintendent position in FY 2018. This amount was slightly offset by the elimination of the \$30,000 support position funded in FY 2017. Without this extra cost the average annual increase would be .21% over the three year period shown. The area of Pupil Services shows an increase due to extremely large additional expenses from in service special education services as well as contracted outside therapeutic needs also specific to special education. 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 3.80% 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 18 years. The Fixed Asset increase is a newly presented category in its third budget cycle which places certified E and D funds in the budget for transfer into the District Stabilization and Other Post Employment Benefit Funds. This year additional 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 Tuition decrease 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. In actual general fund dollars the increase from FY 2018 is approximately \$320,000. This coupled with Commonwealth of Massachusetts 8.16% reduction in reimbursements places further undue burdens on the District to cover these costs.

The Superintendent presented a plan to the school committee to redistribute resources in the FY 2018 budget including but not limited to:

- ✓ Begin elementary foreign language instruction
- ✓ Recalibrating staffing to reflect the effect of limiting school choice
- ✓ Strengthen the elementary innovation initiatives with the addition of a Design and Engineering Coordinator at both the Page and Bagnall Schools
- ✓ Increased student academic monitoring through lexile and quantile assessments
- ✓ Strengthen central office support with an Assistant Superintendent

All of these initiatives have been realized. In FY 2019, 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 2019 budget will allow only minimal opportunities for improvement. Only the addition of material expenses for curriculum development, one floating custodian, a Guidance Psychologist, and an additional elementary foreign language position are proposed.

The administration will work closely with the School Committee, Staff, and the Community to determine priorities, and develop the FY 2019 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 2019 School Operating Budget**

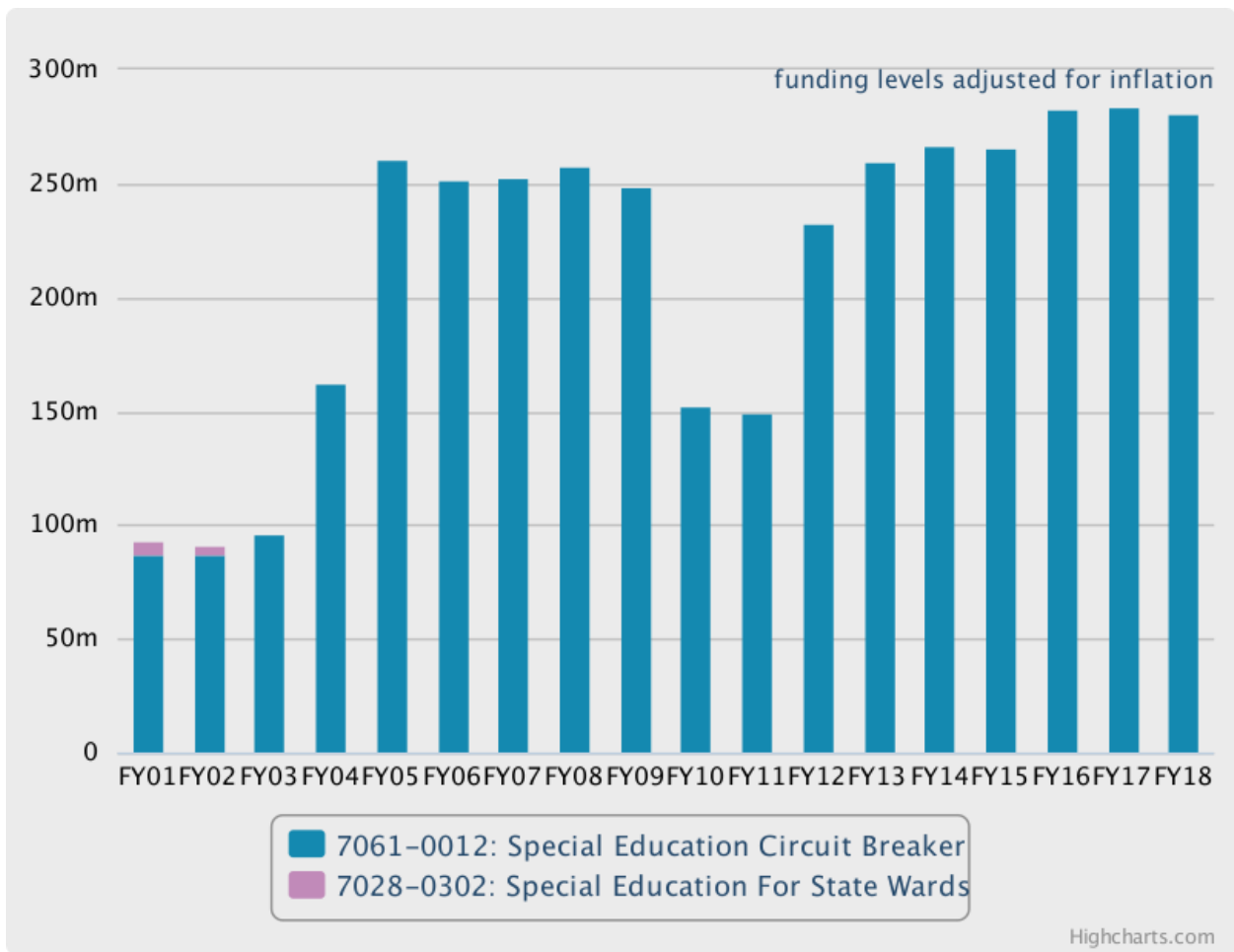
After a successful budget process last year, Fiscal Year 2019 presents mainly challenges for improvement to the educational program. In FY 2015 the district had to determine the direction of several key programs: school choice, the use of excess and deficiency, and the administrative structure of the 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; however the state legislature and Governor were not able to maintain circuit breaker eligible cost aid. Recently 75% of eligible cost was reimbursed but in FY 2018 that percentage was dropped to 65%. That 10% drop translated into \$140,000 less than was anticipated when the FY 2018 budget was created. That loss of funds will need to be culled from other general fund line items to cover costs that were to be paid from the circuit breaker account. The State was able to give \$30.00 per pupil in Chapter 70 funds for FY 2018. This is up from the most recent history of \$25.00 per pupil. Transportation aid was level funded but increased participation due to newly created regional districts saw our actual funds decrease in FY 2018 by \$40,280. 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 2018 has been a challenging year for special education services and those costs and concerns will be present in FY 2019. 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 2019 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%.



## Totals for all programs pictured above

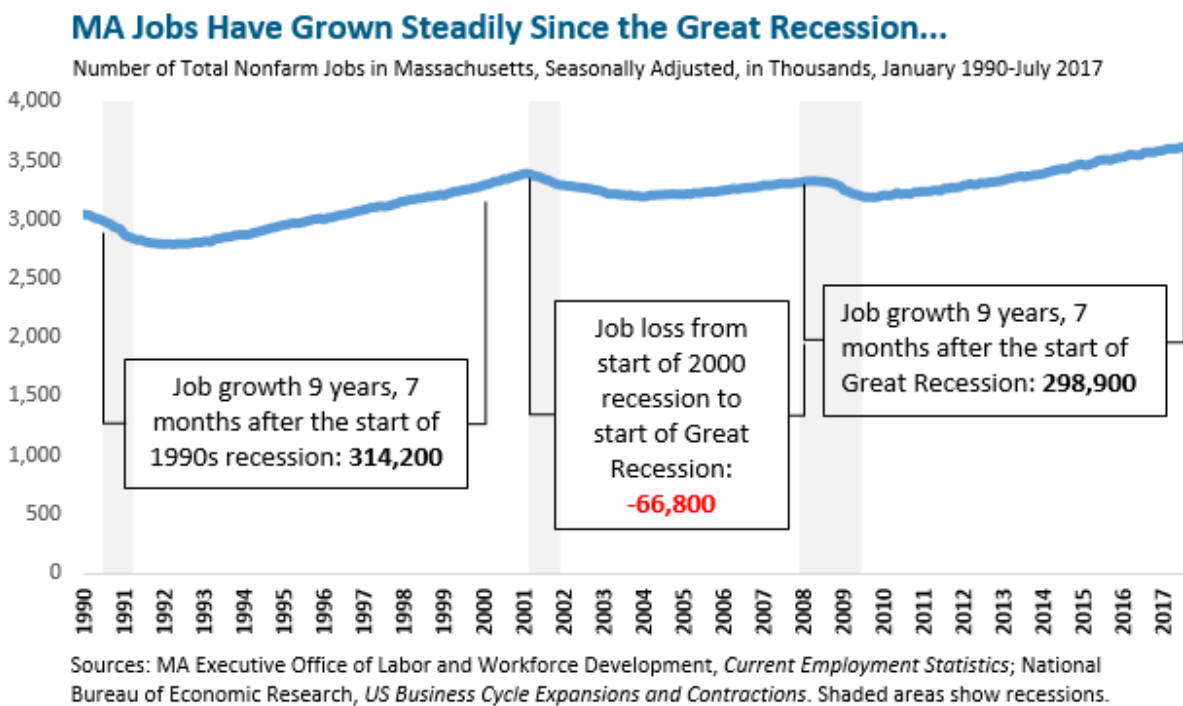
	Inflation-Adjusted	NOT Adjusted
<b>FY18</b>	\$281,231,181	\$281,231,181
<b>FY17</b>	\$283,489,484	\$277,281,180
<b>FY16</b>	\$282,967,605	\$271,722,425
<b>FY15</b>	\$265,659,173	\$253,400,576
<b>FY14</b>	\$266,600,854	\$252,489,224
<b>FY13</b>	\$259,424,844	\$241,932,288
<b>FY12</b>	\$232,375,639	\$213,119,160
<b>FY11</b>	\$149,409,932	\$133,119,160
<b>FY10</b>	\$152,373,850	\$133,119,160
<b>FY09</b>	\$249,077,168	\$215,481,683
<b>FY08</b>	\$257,890,662	\$220,025,000
<b>FY07</b>	\$252,445,307	\$207,675,000
<b>FY06</b>	\$251,461,060	\$201,625,262
<b>FY05</b>	\$260,927,948	\$201,600,262
<b>FY04</b>	\$162,113,950	\$121,600,262
<b>FY03</b>	\$96,163,964	\$70,575,000
<b>FY02</b>	\$91,439,357	\$65,661,089
<b>FY01</b>	\$93,213,818	\$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>

As the chart above shows, state support for special education expenses is decreasing even 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. Additionally, special education transportation costs have risen with more out of district placements and more single ride events than in the past. Internal services and therapeutic evaluations and corresponding in-service costs have risen in FY 2018 and will carry over into FY 2019. The proposed increases will be as follows for the major accounts; \$319,523.50 for Out-of-District placements; \$81,040.00 for additional transportation costs; \$123,672.49 for In-District special services such as speech and occupational therapy; and \$160,000 for Contracted Special Education Therapists. These additional costs are more than our projected deficit.



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

Eight years into the recovery from the Great Recession, Massachusetts is seeing more and more people joining the labor force, which has grown 3.2 percent so far in 2017 — **faster than any other state in the nation**. Massachusetts has added close to 300,000 jobs since the start of the Great Recession in 2007, representing



9.0 percent job growth — among the highest rates of job growth in the country over that time.

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 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 2017, Massachusetts unemployment went from 7% to 3.6%. Essex County is now at 3.4% 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.

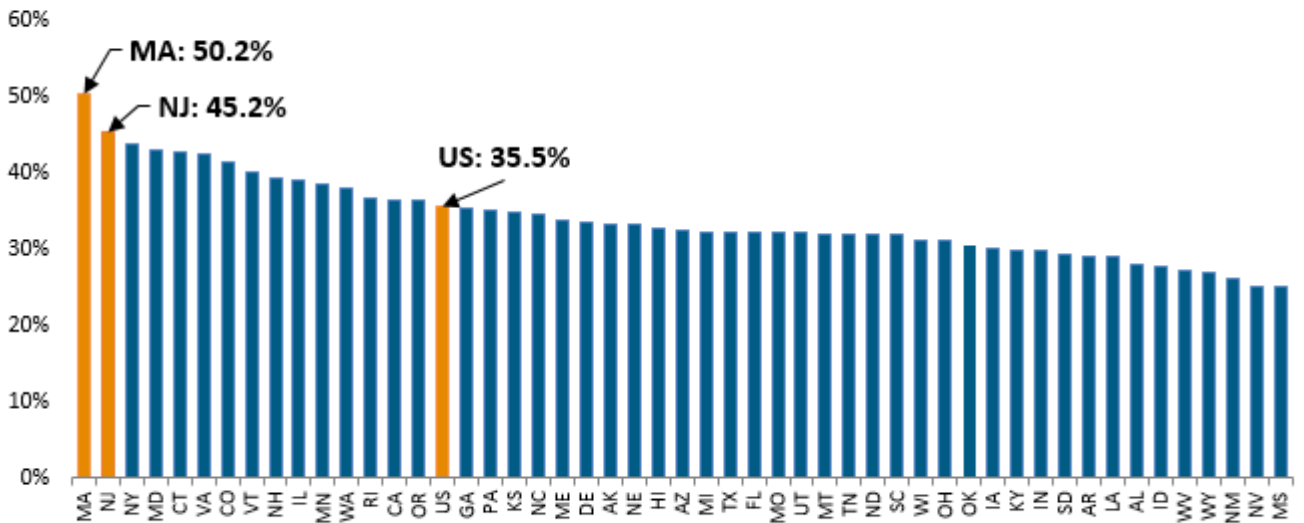
For reference for the reader, the three member town rates are as follows: Groveland's unemployment is 2.1% in Nov. 2017; West Newbury is 2.5% in Nov. 2017; and Merrimac is 2.7% in Nov. 2017 according to the Labor and workforce development department at [www.mass.gov/lwd](http://www.mass.gov/lwd). Although unemployment has decreased for all of our member communities since 2011 there have been variations in the data and from November of 2016 to November of 2017 all towns saw a slight increase in unemployment. 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

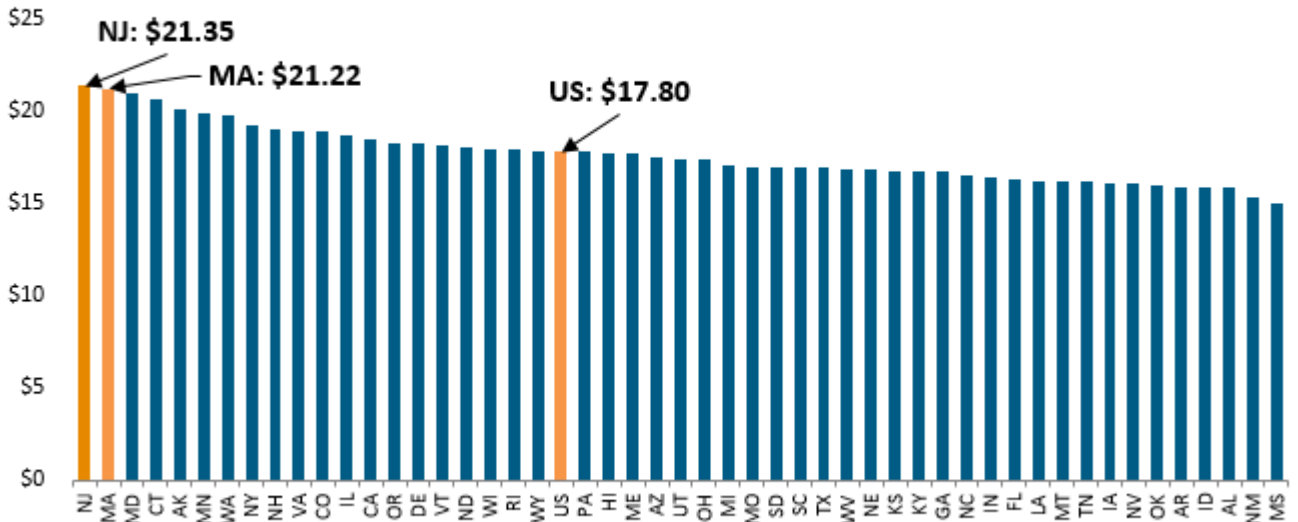
Share of Labor Force with a Bachelor's Degree or Higher, by State, 2016



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\$\$s)



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 \$25.00 per pupil increase to state aid, which is \$5.00 less than what the state allowed in FY 2018.

The process of developing the Fiscal Year 2019 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 decrease of \$24,480. The combined total percentage increase over the approved amounts in Fiscal Year 2018 would be 2.74% due to the reduced capital assessment. Below is a chart that shows the major revenue components of the operating budget.

<u>Revenue Source</u>	<u>FY16 Actual</u>	<u>FY17 Actual</u>	<u>FY18 Projected</u>	<u>FY19 Projected</u>
<b>Chapter 70</b>	<b>\$12,834,852.00</b>	<b>\$12,968,282.00</b>	<b>\$13,016,162.00</b>	<b>\$13,090,102.00</b>
<i>Transportation</i>	\$584,047.00	\$544,085.00	\$503,805.00	\$503,805.00
<i>Medicaid Reimbursement</i>	\$138,351.93	\$150,728.40	\$75,000.00	\$100,000.00
<i>Interest Income</i>	\$2,794.97	\$6,305.82	\$3,000.00	\$5,000.00
<i>Misc. Receipts</i>	\$38,372.59	\$35,915.33	\$40,000.00	\$5,000.00
<i>E&amp;D</i>	\$0.00	\$676,089.00	\$380,847.00	\$649,586.62
<i>SBA Reimbursement</i>	\$0.00	\$0.00	\$0.00	\$0.00
<i>Treasury Subsidy</i>	\$115,353.53	\$106,628.26	\$106,111.00	\$102,220.00
<i>West Newbury Operating Assessment</i>	\$6,536,802.96	\$6,607,435.00	\$6,794,510.00	\$6,964,373.00
<i>West Newbury Capital</i>	\$560,425.04	\$587,314.00	\$583,920.00	\$575,466.00
<i>Groveland Operating Assessment</i>	\$7,999,158.00	\$8,357,742.00	\$8,707,958.00	\$8,925,657.00
<i>Groveland Capital</i>	\$500,921.00	\$559,388.00	\$559,928.00	\$548,975.00
<i>Merrimac Operating Assessment</i>	\$7,047,248.00	\$7,390,538.00	\$7,637,936.00	\$7,828,885.00
<i>Merrimac Capital</i>	\$150,718.00	\$211,339.00	\$213,824.00	\$208,751.00
<b>Subtotal Operating Revenues</b>	<b>\$36,509,045.02</b>	<b>\$38,201,789.81</b>	<b>\$38,623,001.00</b>	<b>\$39,507,820.62</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.

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.

Once again, State grants relating to innovation schools have not been renewed for this Fiscal Year. In response, the School Committee has voted to replace the innovation school model with a career pathways model. While this will have little effect on curriculum offerings it allows the District to separate itself from onerous DESE paperwork and reporting.

The combined year over year expected revenue change of \$884,819.62 represents a revenue increase of 2.29% overall, leaving an operation deficit. This percentage and amount are artificially increased due to more funding being allocated from E and D over FY 2018. If this difference is removed from the projection then the revenue increase would be \$616,080.00 representing a 1.6% 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 2019 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. There is a capital assessment overall decrease of \$24,480 over FY 2108 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 late-February so we are budgeting using an inflation factor of 5% for Fiscal Year 2019 at this time. The budget includes actual salaries for all union represented employees. The District has no union contracts due to be negotiated or major vendor contracts due for bid during Fiscal Year 2019.

Next year, Pentucket expects the operating budget to rise by \$1,531,189.96, a 3.96% 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 \$1,262,449.96 or 3.30%.

This means our FY 2019 operational budget which is inclusive of labor, service and supplies, special education, and stabilization offsets is \$40,154,190.96.

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

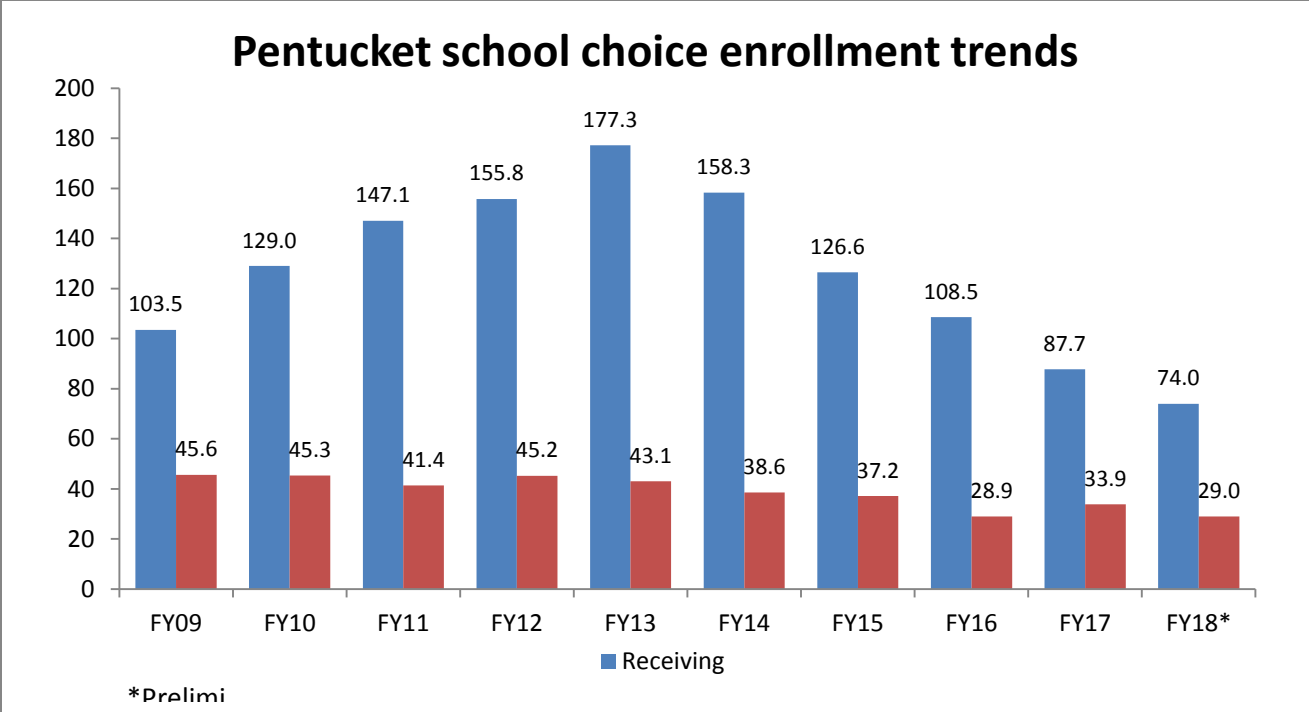
counted on yearly. This budget does not reflect any new growth, as towns generally do not have this figure early in the budget cycle.

The chart below represents a history of state aid that Pentucket has received through the period of FY 2014 to present.

Category	2018	2017	2016	2015	2014
<b>Estimated Receipts:</b>					
General School Aid	\$13,040,102	\$12,968,282	\$12,834,852	\$12,770,527	\$12,703,677
Transportation of Pupils	\$503,805	\$567,562	\$534,215	\$659,420	\$507,362
Charter Tuition Reimb.	\$21,432	\$53,854	\$18,753	\$26,978	\$30,784
School Choice Receiving Tuition	\$518,198	\$599,768	\$672,571	\$901,958	\$955,807
Other	\$0	\$0	\$0	\$13,014	\$13,928
<b>Total Estimated Receipts:</b>	<b>\$14,083,537</b>	<b>\$14,189,466</b>	<b>\$14,060,391</b>	<b>\$14,371,897</b>	<b>\$14,211,558</b>
<b>Estimated Charges:</b>					
Special Education	\$2,138	\$0	\$0	\$11,316	\$134
Charter School Sending Tuition	\$326,832	\$349,584	\$231,315	\$286,000	\$297,231
School Choice Sending Tuition	\$198,042	\$199,748	\$252,819	\$255,587	\$276,819
<b>Total Estimated Charges:</b>	<b>\$527,012</b>	<b>\$549,332</b>	<b>\$484,134</b>	<b>\$552,903</b>	<b>\$574,184</b>
<b>Receipts Net of Charges</b>	<b>\$13,556,525</b>	<b>\$13,640,134</b>	<b>\$13,576,257</b>	<b>\$13,818,994</b>	<b>\$13,637,374</b>

As the chart above shows, state Chapter 70 aid to Pentucket has increased 2.64%, an average of .66% per year, since FY 2014. 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 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.



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 \$65,000 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 06	<b>\$12,362,390</b>	3252	<b>48.0%</b>
FY 07	<b>\$13,099,037</b>	3331	<b>48.2%</b>
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>

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

In FY 2006, Chapter 70 paid for 48.0% of Pentucket’s net school spending. In FY 2018, it only paid for 37.2%. 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
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%
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%

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.

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 2016.

<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 since 2010 based on the most recent estimates from November 2016.

<u>Year</u>	<u>Groveland</u>	<u>Merrimac</u>	<u>West Newbury</u>	<u>Essex County</u>	<u>Massachusetts</u>
2016 (Est.)	6,781	6,858	4,605	779,018	6,811,779
2010	6,459	6,338	4,235	743,159	6,547,629
% Change	4.99%	8.20%	8.74%	4.83%	4.03%

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 16 End of Year Financial Reporting	Total Expenditures All Funds	Fuction As Percentage Of Total	Expend- Expenditure Per Pupil	State Average Per Pupil
Administration	\$1,291,184.97	3.34%	\$494.12	\$550.06
Instructional Leadership	\$2,025,126.37	5.23%	\$774.99	\$1,016.62
Classroom and Specialist Teachers	\$15,924,126.88	41.16%	\$6,093.96	\$5,832.46
Other Teaching Services	\$2,936,732.44	7.59%	\$1,123.85	\$1,240.89
Professional Development	\$71,442.15	0.18%	\$27.34	\$207.23
Instructional Materials, Equipment and Tech.	\$555,100.83	1.43%	\$212.43	\$467.91
Guidance, Counseling and Testing	\$1,000,947.96	2.59%	\$383.05	\$460.43
Pupil Services	\$3,630,040.13	9.38%	\$1,389.17	\$1,500.63
Operations and Maintenance	\$2,562,902.35	6.62%	\$980.79	\$1,128.85
Insurance, Retirement Programs and Other	\$6,698,368.28	17.31%	\$2,563.38	\$2,618.80
Payments To Out-Of-District Schools	\$1,989,718.86	5.14%	\$761.44	\$521.04
Total Expenditures	\$38,685,691.21	100%	\$14,804.52	\$15,544.92

Pentucket spends \$740.40 less per pupil than the state average on education. Using this data as a comparison only, based on 2477 pupils at the time of this reporting Pentucket is spending \$1.84 million dollars less than the state average.

The average spending of the Essex County Districts listed below is \$15,108.05. Pentucket is 2.05% below that average.

<u>Town/City</u>	<u>FY16 Per Pupil Spending</u>	<u>Town/City</u>	<u>FY16 Per Pupil Spending</u>
Whittier	\$18,220.78	Danvers	\$15,105.00
Hamilton-Wenham	\$16,785.28	<b>Pentucket</b>	<b>\$14,804.52</b>
Masconomet	\$16,694.21	Saugus	\$14,628.90
Gloucester	\$16,398.36	Amesbury	\$14,580.21
Andover	\$16,388.72	Lynnfield	\$14,501.95
Swampscott	\$16,170.74	Peabody	\$14,299.41
Triton	\$15,802.26	Methuen	\$13,392.62
Ipswich	\$15,575.46	Georgetown	\$13,097.31
Newburyport	\$15,306.62	Haverhill	\$12,642.69
Lawrence	\$15,127.44	North Andover	\$12,638.61

Since FY 2010, there has been a decline in enrollment of 26.48%. More recently the enrollment decline has been 6.38% from FY 2015 to FY 2018. 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.



***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***