

# PENTUCKET REGIONAL SCHOOL DISTRICT

Presented to the Pentucket Regional School Committee on  
January 15, 2019

Pentucket Regional School  
District

22 Main Street

West Newbury, MA 01985

*FY 2020  
Operating  
Budget*



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**Lisa O'Connor, Vice Chairperson**

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**Presented January 15, 2019**

## Table of Contents

<b>School Committee</b>	<b>Page 1</b>
<b>Table of Contents</b>	<b>Page 2</b>
<b>District Administration</b>	<b>Page 3</b>
<b>Superintendent’s Message</b>	<b>Page 4</b>
<b>Executive Summary Fiscal Year 2020</b>	<b>Page 6</b>
<b>Operating Budget Assumptions Pentucket Regional Schools</b>	<b>Page 9</b>
<b>District Contact Page</b>	<b>Page 24</b>
<b>District Strategic Priorities/Capacity Building Plan</b>	<b>Section 1</b>
<b>District Revenue / Summary FY 20 Budget / Tracking FY 20 Budget</b>	<b>Section 2</b>
<b>District Enrollment / Elementary Staffing / Year to Year Comparison</b>	<b>Section 3</b>
<b>District Revolving Accounts / Revolving Account Budgetary Spending</b>	<b>Section 4</b>
<b>District Facilities Spending</b>	<b>Section 5</b>
• <b>Building Capital Plans</b>	
• <b>Fixed Spending Costs</b>	

FY19 District Staff

District Administration

Dr. Justin Bartholomew, Superintendent

Brent Conway, Asst. Superintendent

Dr. Michael Jarvis, Director of Supplemental and Intensive Services

Greg Labrecque, Business Manager

Principals

Jonathan Seymour, Pentucket Regional High School

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

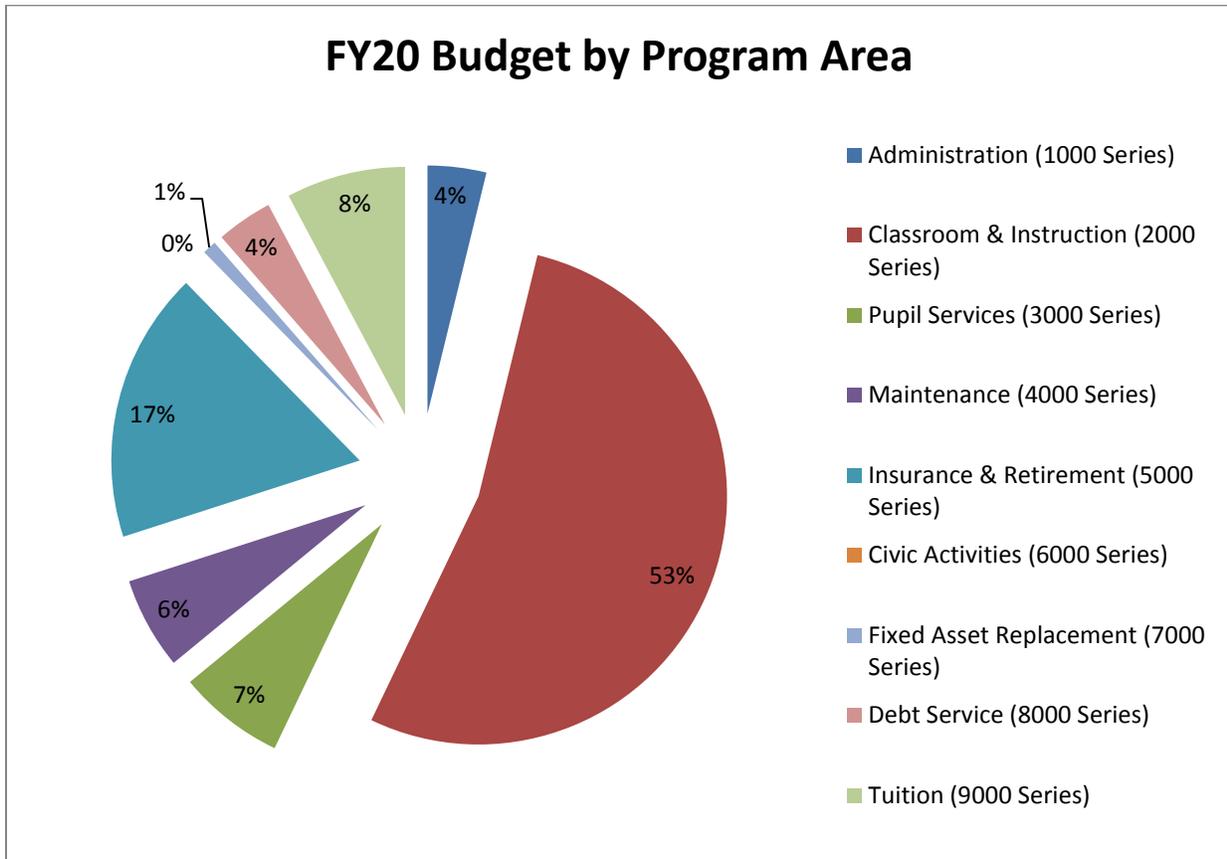
Dan Thornton, AD for Athletics, Asst. Principal High School

Frank Kowalski, Asst. Principal High School

James Carlson, Asst. Principal Middle School

## Executive Summary

The Fiscal Year 2020 budget is \$41,031,390.22; an increase of \$1,229,151.22 or 3.09% more than the FY 2019 budget of \$39,802,239.00. Revenue projections are estimated at \$40,736,874.00 in local, state, and excess and deficiency receipts. This leaves an operational deficit of \$294,516.22 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 (53%) 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 based on our FY 2019 allocation. Medicaid Reimbursement is expected to remain the same and Interest Income is expected to increase by \$5,000.00. There are no projected decreases in any revenue category for FY 2020. Increased operational assessments for the three member towns total \$709,856.00 including capital expenses already known. Excess and Deficiency funds are used for Stabilization and Other Post Employment Benefit transfers. Because the state revenues are not

keeping pace, the funding for educational programs is becoming the burden of the local taxpayer, and in Massachusetts, that means property taxation.

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

<u>Comparison of Per Pupil Expenditures</u>	<u>FY 18 Actuals</u>	<u>Per Pupil</u>	<u>FY 20 Proposed</u>	<u>Per Pupil</u>	<b>3 Year trend</b> <u>Inc/Dec %</u>
Administration (1000 Series)	\$1,414,025.26	\$563.36	\$1,566,120.86	638.191059	9.71%
Classroom & Instruction (2000 Series)	\$20,629,029.68	\$8,218.74	\$21,862,930.87	8909.09978	5.64%
Pupil Services (3000 Series)	\$2,891,641.18	\$1,152.05	\$2,847,895.00	1160.51141	-1.54%
Maintenance (4000 Series)	\$2,267,116.22	\$903.23	\$2,457,979.49	1001.62163	7.77%
Insurance and Retirement (5000 Series)	\$6,419,624.57	\$2,557.62	\$7,241,670.01	2950.96577	11.35%
Fixed Asset (7000 Series)	\$380,847.00	\$151.73	\$368,553.00	150.184597	-3.34%
Debt Service (8000 Series)	\$1,455,080.54	\$579.71	\$1,501,017.00	611.661369	3.06%
Tuition (9000 Series)	\$2,531,935.03	\$1,008.74	\$3,185,224.00	1297.97229	20.51%

As the detailed breakout shows, the administration increase reflects an average annual increase of 3.23%. 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 and the cost of the departing Superintendents' paid vacation leave after his retirement. Without this extra cost the average annual increase would be 2.50% over the three year period shown. The area of Pupil Services shows a decrease due to shifting our extremely large out of district transportation costs to our Special Education grant for easier reporting with the state. Without this shift this area would have seen an increase due to additional special education support staff hiring over the period for 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 this year, but the actual cost is unknown at this time. 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 budgeted at for an increase of 4.03% based upon the actual assessment derived from actuarial tables to strive for full funding in the next 17 years. The Fixed Asset category places certified E and D funds in the budget for transfer into the District Stabilization and Other Post Employment Benefit Funds. This year, for the second time, additional funds were transferred to fund a Massachusetts School Building

Authority (MSBA) Feasibility Study involving a High School application for repair or replacement. Any reimbursements received from the MSBA will be placed back into the Stabilization Fund. These funds are also listed as a revenue source so as not to increase the member Town assessments. The Tuition increase is accurate as shown because the funds pulled from the rainy day circuit breaker account to help offset the increases for out placement special education costs have stabilized at \$1,100,000.00 annually. We have depleted much of our reserves in the account to cover unbudgeted increases this fiscal year. This, coupled with Commonwealth of Massachusetts failure to fully fund their mandated special education costs with 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 2019 budget including but not limited to:

- ✓ Begin funding for new curriculum materials in K-6 Language and Math
- ✓ Recalibrating staffing to reflect the effect of limiting school choice

Both of these initiatives have been realized. In FY 2020, 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 2020 budget will require significant changes to how staff is allocated and a slowing of the curriculum development process. Reallocation of specialists to a schedule based day as opposed to a building based day at the elementary level will allow for personnel savings. Because of decreased enrollment at the upper grade levels, staff reductions will be made that will necessitate fewer elective offerings where student interest does not warrant the class. Additionally, the summer schedule offerings will be either pared back significantly or eliminated in total.

The administration will work closely with the School Committee, Staff, and the Community to determine priorities, and develop the FY 2020 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 2020 School Operating Budget**

After a successful budget process last year, Fiscal Year 2020 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 increase circuit breaker eligible cost aid to a level commensurate with the associated expenditure requirements. 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 which caused the District to use reserves to cover the loss of revenue. That loss of funds reduced our circuit breaker account, which we use for additional unbudgeted costs that develop, to drop to an unacceptable level for potential future costs. That revenue drop, along with a heavy out of district needs increase, caused a dramatic outflow of funds from our reserves. This account will need to be rebuilt and as a result, general fund out of district special education lines will need to be increased. To achieve this, staffing needs were reviewed and at least 5.4 position reductions will take place along with non-renewals and not replacing retiring staff.

The State was able to give \$30.00 per pupil in Chapter 70 funds for FY 2019. This is up from the most recent history of \$25.00 per pupil and we used this number in our revenue estimates. Transportation aid was increased in FY 2019 but our first payment from the State leaves a shortfall in promised revenue so although we are using the FY 2019 cherry sheet estimate for FY 2020 there is a high degree of certainty it will not be realized. This reimbursement at the Regional level was promised at 100% but has never been fully funded. 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.

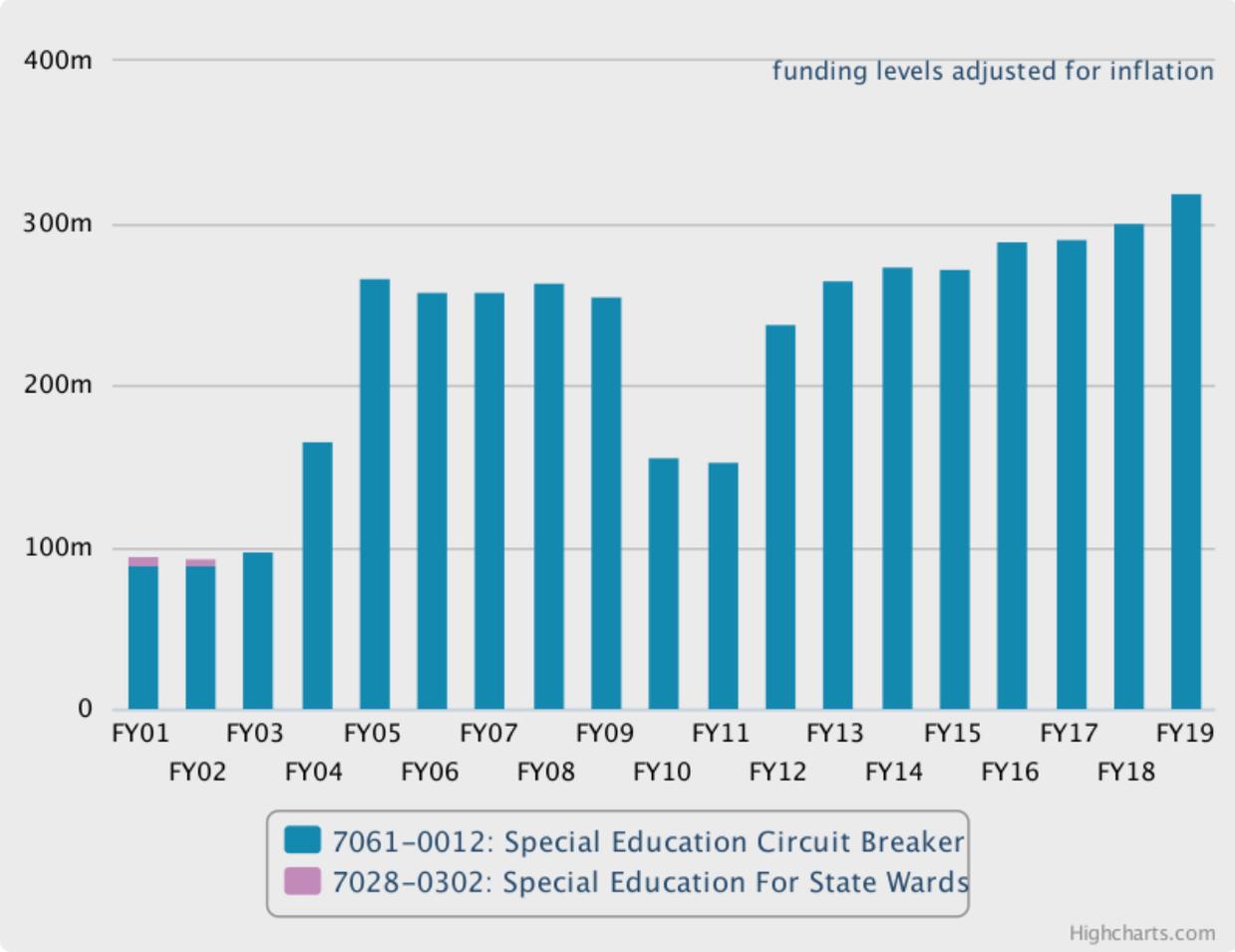
Massachusetts depends on several sources of tax revenue, and supports local districts through a variety of programs and services. Income taxes are a major portion of the taxes Massachusetts collects. Although tax collections have increased, the State has used its additional revenue to primarily support 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 2019 has been a challenging year for special education services and those costs and concerns will be present in FY 2020. 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 2020 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%. In FY 2018 the reimbursement rate was returned to 75% and, as of now, FY 2019 appears to be the same.



- 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.

	Inflation-Adjusted	NOT Adjusted
<b>FY19</b>	\$319,345,293	\$319,345,293
<b>FY18</b>	\$300,937,286	\$293,731,181
<b>FY17</b>	\$290,470,801	\$277,281,180
<b>FY16</b>	\$289,928,492	\$271,722,425
<b>FY15</b>	\$272,195,223	\$253,400,576
<b>FY14</b>	\$273,159,640	\$252,489,224
<b>FY13</b>	\$265,798,076	\$241,932,288
<b>FY12</b>	\$238,088,886	\$213,119,160
<b>FY11</b>	\$153,083,364	\$133,119,160
<b>FY10</b>	\$156,120,153	\$133,119,160
<b>FY09</b>	\$255,201,044	\$215,481,683
<b>FY08</b>	\$264,231,228	\$220,025,000
<b>FY07</b>	\$258,651,993	\$207,675,000
<b>FY06</b>	\$257,643,546	\$201,625,262
<b>FY05</b>	\$267,343,191	\$201,600,262
<b>FY04</b>	\$166,099,726	\$121,600,262
<b>FY03</b>	\$98,528,276	\$70,575,000
<b>FY02</b>	\$93,687,509	\$65,661,089
<b>FY01</b>	\$95,505,597	\$65,770,663

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

As the charts above show, state support for special education expenses is increasing slightly but is not keeping pace with 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 2020. The proposed increases will be as follows for the major accounts; \$641,062.40 for Out-of-District placements and

\$50,000.00 for additional transportation costs. The additional costs for In-District special services such as speech and occupational therapy and for Contracted Special Education Therapists applied to last year's budget remain with an increase of \$194,281.79 over last year. These additional costs are nearly 3 times our projected deficit.

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 2018, Massachusetts unemployment went from 7% to 2.9%. Essex County is now at 2.9% 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 2.3% in Oct. 2018; West Newbury is 1.9% in Oct. 2018; and Merrimac is 2.5% in Oct. 2018 according to the Labor and workforce development department at [www.mass.gov/lwd](http://www.mass.gov/lwd). Although unemployment has decreased for all of our member communities since 2011 there have been variations in the data and from November of 2016 to October of 2018 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.

<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 what the state allowed in FY 2019.

The process of developing the Fiscal Year 2020 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) plus any new growth 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 \$10,048. The combined total percentage increase over the approved amounts in Fiscal Year 2019 would be 2.79% 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>FY17 Actual</u>	<u>FY18 Actual</u>	<u>FY19 Projected</u>	<u>FY20 Projected</u>
<b>Chapter 70</b>	\$12,968,282.00	\$13,040,102.00	\$13,087,502.00	\$13,161,292.00
<b>Transportation</b>	\$544,085.00	\$503,805.00	\$508,346.00	\$582,207.00
<b>Medicaid Reimbursement</b>	\$150,728.40	\$152,882.43	\$100,000.00	\$100,000.00
<b>Interest Income</b>	\$6,305.82	\$22,255.20	\$5,000.00	\$10,000.00
<b>Misc. Receipts</b>	\$35,915.33	\$10,602.48	\$5,000.00	\$5,000.00
<b>E&amp;D</b>	\$676,089.00	\$380,847.00	\$647,082.00	\$718,553.00
<b>Treasury Subsidy</b>	\$106,628.26	\$97,981.53	\$95,598.00	\$95,598.00
<b>West Newbury Operating Assessment</b>	\$6,607,435.00	\$6,794,510.00	\$7,176,348.00	\$7,391,638.00
<b>West Newbury Capital</b>	\$587,314.00	\$583,920.00	\$576,150.00	\$567,765.00
<b>Groveland Operating Assessment</b>	\$8,357,742.00	\$8,707,959.00	\$8,991,562.00	\$9,261,309.00
<b>Groveland Capital</b>	\$559,388.00	\$559,928.00	\$548,110.00	\$550,763.00
<b>Merrimac Operating Assessment</b>	\$7,390,538.00	\$7,637,936.00	\$7,850,797.00	\$8,086,321.00
<b>Merrimac Capital</b>	\$211,339.00	\$213,824.00	\$210,744.00	\$206,428.00
<b>Subtotal Operating Revenues</b>	\$38,201,789.81	\$38,706,552.64	\$39,802,239.00	\$40,736,874.00

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.

For Fiscal Year 2019 the School Committee has voted to replace the innovation school model with a career pathways model. While this had little effect on curriculum offerings it allowed the District to separate itself from onerous DESE paperwork and reporting. For Fiscal Year 2020 this model will also be replaced with a more traditional scheduling model that focuses more on standardized curriculum and the elimination of some sparsely attended offerings along with the elimination of in school summer classes.

The combined year over year expected revenue change of \$934,635.00 represents a revenue increase of 2.35% overall, leaving an operation deficit. This percentage and amount are artificially increased due to more funding being allocated from E and D over FY 2019. If this difference is removed from the projection then the revenue increase would be \$863,164.00 representing a 2.2% increase for the general fund. We are anticipating a small increase in state aid in FY 2020 inclusive of both Chapter 70 and Regional Transportation Aid. This budget projection overall is accurate for what we now know. Excess and Deficiency (E&D) funds are budgeted for FY 2020 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 \$10,048.00 over FY 2019 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 for this budget, 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 has been renewed and will expire or be renewed for FY 2022.

GIC health insurance plan rates are not projected to be finalized until late-February so we are budgeting using an inflation factor of 5% for Fiscal Year 2020 at this time. The budget includes some estimated costs for the three smaller unions who represent bargaining units along with actual salaries for Mass Teacher Association represented employees. The District has three union contracts due to be negotiated and a food service provider contract due for bid during Fiscal Year 2020.

Next year, Pentucket expects the operating budget to rise by \$1,229,151.22, a 3.09% increase. This increase is calculated after the District has included E and D funds as a revenue and cost. Without these funds the general fund increase would be \$1,157,680.22 or 2.96%.

This means our FY 2020 operational budget which is inclusive of labor, service and supplies, special education, and stabilization offsets is \$41,031,390.22.

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.

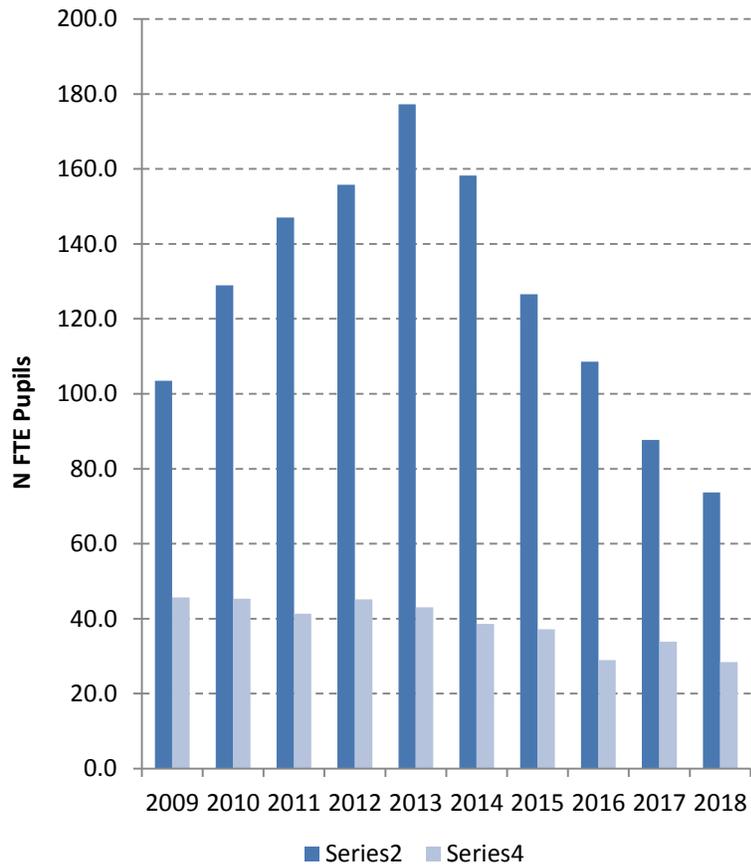
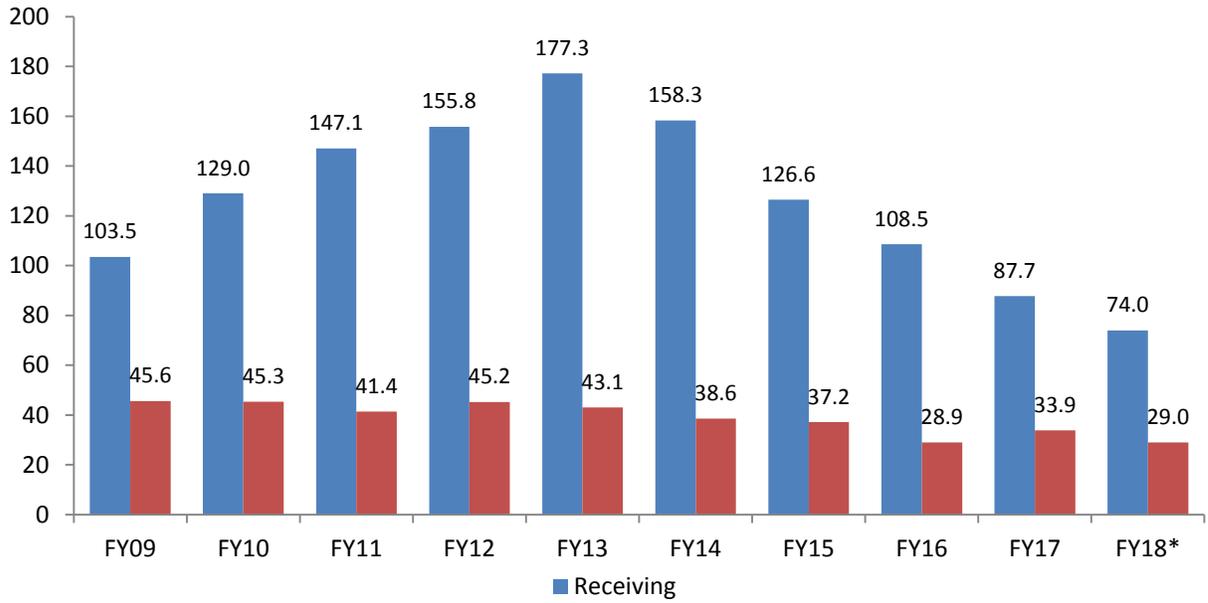
The chart below represents a history of state aid that Pentucket has received through the period of FY 2015 to present.

<u>Category</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Estimated Receipts:					
General School Aid	\$13,111,292	\$13,040,102	\$12,968,282	\$12,834,852	\$12,770,527
Transportation of Pupils	\$582,207	\$503,805	\$567,562	\$534,215	\$659,420
Charter Tuition Reimb.	\$21,432	\$21,432	\$53,854	\$18,753	\$26,978
School Choice Receiving Tuition	\$462,987	\$518,198	\$599,768	\$672,571	\$901,958
Other	\$0	\$0	\$0	\$0	\$13,014
Total Estimated Receipts:	<u>\$14,177,918</u>	<u>\$14,083,537</u>	<u>\$14,189,466</u>	<u>\$14,060,391</u>	<u>\$14,371,897</u>
Estimated Charges:					
Special Education	\$5,047	\$2,138	\$0	\$0	\$11,316
Charter School Sending Tuition	\$334,416	\$326,832	\$349,584	\$231,315	\$286,000
School Choice Sending Tuition	\$183,536	\$198,042	\$199,748	\$252,819	\$255,587
Total Estimated Charges:	<u>\$522,999</u>	<u>\$527,012</u>	<u>\$549,332</u>	<u>\$484,134</u>	<u>\$552,903</u>
Receipts Net of Charges	<u>\$13,654,919</u>	<u>\$13,556,525</u>	<u>\$13,640,134</u>	<u>\$13,576,257</u>	<u>\$13,818,994</u>

As the chart above shows, state Chapter 70 aid to Pentucket has increased 2.66%, an average of .66% per year, since FY 2015. 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. One way of funding the revenue gap is through the School Choice program.

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

## Pentucket school choice enrollment trends



FY	Receiving		Sending	
	FTE Pupils	Tuition	FTE Pupils	Tuition
1996	181.3	629,254	49.6	193,077
1997	157.2	548,120	43.8	186,038
1998	127.7	470,455	44.0	214,407
1999	102.4	429,280	40.7	194,415
2000	77.4	327,734	53.9	245,527
2001	84.5	372,842	40.1	192,666
2002	74.4	336,689	55.1	257,207
2003	49.7	217,881	46.9	236,315
2004	68.9	360,861	39.3	215,955
2005	92.1	474,296	34.7	170,504
2006	92.1	467,093	31.9	205,372
2007	87.9	565,895	45.1	257,415
2008	92.6	560,630	47.2	264,941
2009	103.5	650,269	45.6	256,068
2010	129.0	763,345	45.3	246,379
2011	147.1	862,619	41.4	252,304
2012	155.8	847,853	45.2	285,812
2013	177.3	955,807	43.1	273,569
2014	158.3	901,137	38.6	242,235
2015	126.6	672,571	37.2	234,882
2016	108.5	599,768	28.9	184,532
2017	87.7	518,198	33.9	203,152
2018	73.7	462,987	28.5	162,369

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 \$55,000 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 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>
FY 19	<b>\$13,111,292</b>	2454	<b>35.2%</b>

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

In FY 2007, Chapter 70 paid for 48.2% of Pentucket’s net school spending. In FY 2019, it only paid for 35.2%. 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
2019	\$10,654,932	63.1%	\$9,189,854	61.2%	\$8,074,422	53.9%
2018	\$10,431,531	63.9%	\$8,869,179	61.8%	\$7,778,635	54.6%
2017	\$10,108,111	64.3%	\$8,539,797	61.8%	\$7,537,407	54.5%
2016	\$9,553,619	63.7%	\$8,075,704	61.1%	\$7,379,711	54.4%

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 2017.

<u>Location</u>	<u>Median Income</u>	<u>Median Average Age</u>
Massachusetts	\$75,297	39.5 years
Essex County	\$70,886	40.7 years
Groveland	\$96,512	45.0 years
Merrimac	\$77,481	46.4 years
West Newbury	\$138,947	45.8 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 2017.

<u>Year</u>	<u>Groveland</u>	<u>Merrimac</u>	<u>West Newbury</u>	<u>Essex County</u>	<u>Massachusetts</u>
2016 (Est.)	6,789	6,913	4,637	785,205	6,859,819
2010	6,459	6,338	4,235	743,159	6,547,629
% Change	4.86%	8.32%	8.67%	5.35%	4.55%

As you can see, with the exception of Groveland, our member communities continue to grow at a faster rate than both Essex County and Massachusetts. Groveland exceeds the Massachusetts growth rate and is slightly behind the county as a whole. 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 17 End of Year Financial Reporting	Total Expenditures All Funds	Fuction As Percentage Of Total	Expend- Expenditure Per Pupil	State Average Per Pupil
Administration	\$1,397,437.58	3.68%	\$566.59	\$552.61
Instructional Leadership	\$2,051,378.87	5.40%	\$831.73	\$1,064.18
Classroom and Specialist Teachers	\$15,323,422.57	40.35%	\$6,212.87	\$5,989.17
Other Teaching Services	\$3,164,761.16	8.33%	\$1,283.15	\$1,256.52
Professional Development	\$70,317.06	0.19%	\$28.51	\$197.44
Instructional Materials, Equipment and Tech.	\$511,506.70	1.35%	\$207.39	\$461.12
Guidance, Counseling and Testing	\$950,895.86	2.50%	\$385.54	\$479.48
Pupil Services	\$3,606,789.37	9.50%	\$1,462.37	\$1,575.35
Operations and Maintenance	\$2,664,649.23	7.02%	\$1,080.38	\$1,149.25
Insurance, Retirement Programs and Other Payments To Out-Of-District Schools	\$6,286,286.33	16.55%	\$2,548.77	\$2,733.39
	\$1,949,911.18	5.13%	\$790.59	\$556.39
Total Expenditures	\$37,977,355.90	100%	\$15,397.89	\$16,014.90

Pentucket spends \$617.01 less per pupil than the state average on education. Using this data as a comparison only, based on 2454 pupils at the time of this reporting Pentucket is spending \$1.51 million dollars less than the state average.

The average spending of the Essex County Districts listed below, using the actual number of Districts’ as a denominator is \$15,828.85. Pentucket is 2.72% below that average which would translate as spending \$1.033 million dollars less than our neighboring school systems.

<u>Town/City</u>	<u>FY17 Per Pupil Spending</u>	<u>Town/City</u>	<u>FY17 Per Pupil Spending</u>
Whittier	\$19,084.00	Saugus	\$15,950.00
Masconomet	\$18,064.00	Danvers	\$15,831.00
Hamilton-Wenham	\$17,639.00	<b>Pentucket</b>	<b>\$15,398.00</b>
Swampscott	\$17,360.00	Lynnfield	\$15,273.00
Ipswich	\$17,109.00	Lawrence	\$14,887.00
Andover	\$17,043.00	Peabody	\$14,739.00
Gloucester	\$16,601.00	Methuen	\$13,798.00
Triton	\$16,365.00	Georgetown	\$13,525.00
Newburyport	\$16,045.00	Haverhill	\$13,071.00
Amesbury	\$15,983.00	North Andover	\$12,812.00

Since FY 2010, there has been a decline in enrollment of 26.21%. More recently the enrollment decline has been 8.97% from FY 2015 to FY 2019. 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 2015 to FY 2019, Pentucket has reduced staff by 1.52% overall. Staff capacities during this time were used to lower class sizes and introduce classes related first to innovation programming, then to career pathways class offerings. For FY 2020 we are proposing a further reduction in staff to coincide with fewer students and more core instructional practices.

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 an exceptional 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 Bridge Plan set forth by the Superintendent and approved by the School Committee along with the District Capacity Building Plan follow through as an appendix.



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