



*Town of Littleton, Massachusetts
Department of Finance and Budget*

*Bonnie-mae Holston, Assistant Town Administrator for Finance & Budget
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To: Finance Committee
Board of Selectmen
School Committee
Keith Bergman, Town Administrator
From: Bonnie Holston, Assistant Town Administrator/Finance Director
Date: January 31, 2012
Re: FY2013 Budget Analysis

On January 10th, 2012 a joint meeting with the Board of Selectmen, Finance Committee and the School Committee was held to continue FY2012 and FY2013 budget discussions, with a follow up meeting scheduled for tonight - Tuesday, January 31st at 7:00pm.

FY2012

FY2011 Ending School Reserves –Circuit Breaker and School Choice Funds – totaled \$1.2 million. While the School appropriation shows a zero (0%) increase over FY2011, the actual School budget increased by 4.73% - \$722,879 - as a result of the use of \$803,674 in reserves and \$218,291 in Stimulus Grant funding to support the FY2012 budget increase. This drawdown as planned would have left approximately \$400,000 remaining from the FY2011 reserve ending balance as a funding source for unforeseen expenses.

FY2012 School Budget breakdown as Voted by School Committee:

Appropriation	\$ 14,977,076	Town Meeting Appropriation
Reserves	\$ 803,674	Circuit Breaker and School Choice
Stimulus Grant	\$ <u>218,291</u>	Grant Funding
Total	\$ 15,999,041	Total Original FY2012 School Budget

Developments within the FY2012 School Budget show the school budget has been additionally burdened by approximately \$481k in unanticipated FY2012 SPED costs. Unless budget reductions are approved within the school budget to absorb these costs, the FY2011 reserve ending balances would be entirely consumed as well as utilizing some of the FY2012 revenues – causing the Total School budget to rise to \$16,480,000.

FY2013

We have not received the formal budget request from the School Department as of yet, and therefore we are using the calculations generated from the Governor's budget (House 1) proposal recently released as a placeholder. This estimated budget appropriation is based on the House 1 proposal showing a \$69,078 reduction in FY2013 net school state aid. As in the past, the assumption is under the current funding

arrangement of the School receiving Net School State Aid (NSSA), which incorporates the net impact of all school revenue and assessments. Discussions regarding this funding formula are currently being scheduled between the Finance Department, School and Finance Committee.

School Reserves

Circuit Breaker funds and School Choice In funds have been historically been categorized as reserves. These reserves have been accumulated in one year and a portion of such has been programmed as funding sources for the School in the next year with the balance used as reserve against unanticipated SPED costs. This method ensures that the funds are only spent when actually in hand. The 6/30/2012 ending reserves balance are estimated to be at \$898,000.

FY2013 Budget assumptions include the use of \$500k from the FY2012 ending balances in the school reserves – which would leave just \$398k remaining as a funding source against unanticipated SPED increases within FY2013.

The School Reserves (School Choice and Circuit Breaker Funds) summary estimates appear as such:

6/30/2011 ending	\$1,203,000	
FY2012 budget allocation	- 803,000	original spending plan
FY2012 Spec Ed	- 481,000	ADDED - unanticipated FY2012
FY2012 Revenue CB	+ 589,000	Circuit Breaker funds in
FY2012 Revenue SC	+ <u>390,000</u>	school choice in
FY2012 PROJECTED ENDING	\$ 898,000	Estimated Ending Balance 6/30/2012

Unless adjusted/reduced elsewhere this fiscal year, the assumptions on a level service school budget for FY2013 would be approximately as follows:

FY2012 Budget	\$16,480,000	with the FY12 Sped costs
FY2013 SPED Increases	\$ 173,768	FY13 projected increases
PLUS steps and lanes	<u>\$ 250,000</u>	estimated
Estimated Level Service	\$16,903,768	estimated starting point for level staffing

FY2013 School Funding Estimates at this time:

Appropriation	\$14,907,998	assuming House 1 funding
Reserves	\$ 500,000	partial use of \$898k FY12 ending balance
Stimulus Grant	<u>\$ 0</u>	Unless other Grant Funding available
Total Funding Available	\$15,407,998	

Shortfall (\$1,495,770) Estimated Shortfall

Budget Increases are mainly attributable to SPED increases – both in tuition expense and transportation costs – along with contractually obligated salary increases.

Special Education Trends

As can be seen below, Littleton's SPED costs as a percentage of budget have trended higher than the state average in all but one year shown below:

Massachusetts Department of Elementary and Secondary Education Direct Special Education Expenditures as a Percentage of School Budget, FY01 to FY10

Fiscal Year	A	B	C	D	E	F	G	H
	-- In-District Instruction-- Teaching	Other Instructional	- Out-of-District Tuition - Mass. Public Schools and Collaboratives	Mass Private and Out-of-State Schools	Combined Special Ed Expenditures (A+B+C+D)	Total School Operating Budget	Special Education Percentage of Budget (E as % of F)	state average percentage
2001	733,178	361,772	615,214	326,394	2,036,558	10,635,987	19.1	17.2
2002	731,149	361,583	695,877	498,598	2,287,207	12,010,076	19.0	17.4
2003	844,461	423,390	371,836	815,369	2,455,056	12,920,456	19.0	17.7
2004	1,128,367	441,287	212,549	1,167,807	2,950,010	14,156,557	20.8	18.6
2005	1,167,607	485,220	272,058	1,240,113	3,164,998	14,234,541	22.2	18.9
2006	1,282,500	453,492	333,799	1,509,473	3,579,264	15,211,873	23.5	19.1
2007	1,462,249	553,998	24,414	0	2,040,661	15,776,488	12.9	19.4
2008	1,111,571	867,617	509,991	1,348,384	3,837,563	16,960,551	22.6	19.8
2009	1,168,420	1,149,884	1,939,904	93,600	4,351,808	17,146,345	25.4	20.1
2010	1,812,579	573,530	519,573	1,374,833	4,280,515	17,628,643	24.3	20.0

It is anticipated that the FY2013 SPED costs will exceed 5 million.

Contractual Increases

The Teacher's contract includes a plan of progressive increases in salary adjustments based on time in service and education level, commonly referred to Steps and Lanes. These Step and Lane changes average out to a 4% increase annually until the employee is at their respective top step. Depending on education level, the employee can transition through 11 to 17 steps.

These step increases are separate – and in addition to - any Cost of Living adjustment (COLA) that may be approved through the collective bargaining process. The last COLA for the Teachers bargaining unit was in the amount of 1% effective on 8/31/2011 (FY2012) – the last day of the now expired contract.

While the budget does not currently include COLA adjustments for FY2013, the Step and Lane increases total an estimated \$250,000 annually.

Required Net School Spending

The School Operating budget is required to be funded (at a minimum) at the State Required Net School Spending (NSS) amount. The Town of Littleton has historically

supported the school budget well above this minimal requirement – seen in Column J below. The figures below under Actual Net School Spending (column F) include the cost of health insurance and other fringe benefits for School Employees and retirees that are funded within the Town’s annual budget.

A	B	C	D	E	F	G	H	I	J	K
	Foundation Enrollment	Pct Chg	Required Local Contribution	Chapter 70 Aid	Required Net School Spending (NSS)	Pct Chg	Actual Net School Spending	Pct Chg	Dollars Over/Under Requirement	Percent Over/Under
FY01	1,387	5.0	8,103,163	1,341,977	9,445,140	6.9	10,635,987	18.2	1,190,847	12.6
FY02	1,472	6.1	8,103,311	1,635,309	9,738,620	3.1	12,010,076	12.9	2,271,456	23.3
FY03	1,492	1.4	8,394,423	1,734,384	10,128,807	4.0	12,920,456	7.6	2,791,649	27.6
FY04	1,597	7.0	9,361,446	1,387,507	10,748,953	6.1	13,975,831	8.2	3,226,878	30.0
FY05	1,527	-4.4	10,079,364	1,387,507	11,466,871	6.7	13,899,383	-0.5	2,432,511	21.2
FY06	1,532	0.3	10,499,232	1,464,107	11,963,339	4.3	14,818,360	6.6	2,855,021	23.9
FY07	1,573	2.7	10,452,829	1,818,491	12,271,320	2.6	15,052,144	1.6	2,780,824	22.7
FY08	1,558	-1.0	10,490,580	2,325,579	12,816,159	4.4	16,549,633	9.9	3,733,474	29.1
FY09	1,600	2.7	10,423,513	2,700,077	13,123,590	2.4	16,990,452	2.7	3,866,862	29.5
FY10	1,645	2.8	10,530,521	2,957,052	13,487,573	2.8	17,429,763	2.6	3,942,190	29.2
FY11	1,617	-1.7	10,374,233	3,484,917	13,859,150	2.8	18,208,238	4.5	4,349,088	31.4
FY12	1,582	-2.2	10,469,428	3,503,626	13,973,054	0.8	18,335,460	0.7	4,362,406	31.2

Possible Action Plans/Solutions

- Chapter 70 Aid increases could help offset this – if any. Some discussions have indicated maybe an additional 100-200k, but no increase was forecast in the House 1 version.
- Could use projected FY2013 reserves revenues of \$992k to offset the FY2013 budget
 1. That would combine the use of two years of reserves on one fiscal year budget - leaving nothing to use for FY2014. Essentially, this kicks the problem out just one year.
 2. If FY2013 projected revenues are overestimated or cut through the State budget process it could create a larger deficit.
 3. Leaves no reserves if another Spec Ed influx hits the school mid-year.
- Budget/Program cuts
- Operational Override – every \$100k adds approximately \$24.00 per year on a \$400k home
- Combination of some/all

Revenues

Highlights of the assumptions utilized for FY2013 revenue projections are as follows:

- 3.81% increase in local receipts – attributed to Building Permit activity increase

- No reduction in General Municipal Aid
- No reduction in actual Chapter 70 Aid from FY2012 – we will need to continue monitoring this for information on adjustments
- State Assessments as reflected in House 1 budget
- \$100,000 in new growth for FY2013

I am hopeful that future years will reflect some growth in the following from the Great Road commercial development:

- New Growth – possibly \$1-2.5 million over the multi-year build out period, dependent on investment in infrastructure
- Local Room Occupancy Tax - \$100-200K should reasonably sized/occupied hotel locate within the property

I will keep the Board apprised of any additional developments as they are received. Please do not hesitate to contact me directly with any questions throughout this process.