

ORANGE SOUTHWEST SUPERVISORY UNION
2011-2012 BUDGET AND FINANCIAL PLAN

The Orange Southwest Supervisory Union is a small, rural Vermont school system comprised of approximately 1200 students, three elementary schools, one high school, one regional technical school, and two regional alternative programs. During the past decade, all schools have experienced declining enrollment and schools have correspondingly reduced staff to keep expenditures reasonable. In fact, since 2002, the OSSU realized a 20% reduction in enrollment and correspondingly decreased its employment by 30%.

Some of the primary accomplishments of the district in recent years include: facilities management and improvements; stabilizing its financial condition and activities; implementing human resource systems; coordinating curriculum vertically and horizontally; collaborating across district schools in the areas of maintenance, finance, food services, and technology; and adopting and implementing Policy Governance.

Overall, the fiscal condition of the district is excellent. In the past seven years, the district has generated nearly \$5 million in audited surpluses and adopted budgets that are among the lowest in the State of Vermont. The implementation of stringent financial accountability systems, staff training for budgeting and fiscal management, and short and long-term strategic planning has significantly improved the overall financial condition of the district. In 2011/2012, the OSSU will spend less than it did in 2005.

The Budget Process

The primary budget work occurs in the fall. Early in this process School Boards and Administrators discuss broad parameters that are likely to affect budget development. For example, in the past few years, Act 68, Act 82, Excess Spending Thresholds, declining enrollments, freezing of the Base Education Amount, economic indicators, and political developments have guided the budget development process. This year, Act 146, also known as Challenges for Change, placed significant pressure on schools to reduce budgets by an average of 2 percent.

The formal budget process begins with the Superintendent and Business Manager reviewing, compiling, and preparing documents for School Boards and Administrators. Initial meetings are held with the Special Education Director and Principals/Directors for each school. During these meetings, budget parameters, Board Ends, and strategic plans are reviewed: these meetings conclude by the end of October.

In November, Boards hold first readings of school budgets while supporting documents are created based on incoming state revenue data. Budgets are finalized in December when all related data is received from the state. During January and February, Boards adopt their budgets and legal warnings and all supporting budget documents are finalized.

An Overview of Vermont Education Finance

The Brigham case, in 1997, significantly changed the financial landscape for education in the State of Vermont. Upon its completion, Act 60 was created to ensure greater equity in educational opportunity for all school-aged children. In summary, the revenue system was changed so that “Rich” towns paid additional taxes into the Education Fund. The additional revenues were redistributed to “Poorer” towns deemed to have a lesser ability to fund their local schools.

In 2003, Act 68 was derived from Act 60 and, in doing so, the state’s education system was formally centralized. From this point forward, all education taxes were remitted to the state and redistributed to schools based on funding formulae. As such, the direct link from local property taxes and the local school budget was weakened. Importantly, the local school budget no longer directly determined local property tax levels: increases in overall state budgets, the Statewide Property Tax, the Common Level of Appraisal, the General Fund Transfer, and the State’s student funding formulae have a significant impact on local tax rates.

The following chart demonstrates that while Municipal budget increases directly correlate to local property tax rates, local school budgets are weakly (or not) correlated to local property tax rates. For example, from 2005 to 2009, the Town of Braintree’s Municipal budget has increased 35.5 per cent or 8.9 per cent annually. The Braintree School budget, during the same time period, decreased by 1.52 per cent. However, these contrasting

BRAINTREE MUNICIPAL AND SCHOOL BUDGET COMPARISON

	2005	2006	2007	2008	2009	5 Yr Change	Total %
Municipal Budget	\$ 657,237	\$ 666,754	\$ 692,962	\$ 754,460	\$ 890,412	\$ 233,175	35.48
School Budget	\$ 2,866,171	\$ 2,853,624	\$ 2,837,327	\$ 2,896,876	\$ 2,822,543	\$ (43,628)	(1.52)

budget trends are not reflected in the local property tax trends in the same manner. Specifically, Municipal budget increases of 35.5 per cent during the past five years translated into a 58.37 per cent increase in municipal portion of local property taxes. By comparison, a decrease of 1.52 per cent in the local school budget translated into a 22.43 per cent increase in education portion of local property taxes. In summary, despite significant curbing of local school budget growth, local property taxes did not follow suit.

Over \$1.3 billion is required to fund Vermont’s schools annually. There are over 300 school districts (the current structure last changed in the late 1800s) which govern 96,000 students. School districts are organized into 62 Supervisory Unions (containing more than one district) and Supervisory Districts (containing one district).

BRAINTREE MUNICIPAL AND PROPERTY TAX COMPARISON

	<u>2005</u>		<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>%</u> <u>Increase</u>
\$100,000 Valuation	\$	%	\$	%	\$	%	\$	%	\$	%	
Municipal	584	29.8	\$582	30.1	\$619	30.4	\$668	29.7	\$925	35.4	58.37
School	\$1,378	70.2	\$1,349	69.9	\$1,420	69.6	\$1,580	70.3	\$1,687	64.6	22.43
Total	\$1,962		\$1,931		\$2,039		\$2,247		\$2,612		
\$150,000 Valuation											
Municipal	\$875	29.8	\$873	30.1	\$928	30.4	\$1,001	29.7	\$1,387	35.4	58.48
School	\$2,067	70.2	\$2,024	69.9	\$2,130	69.6	\$2,369	70.3	\$2,531	64.6	22.43
Total	\$2,942		\$2,897		\$3,059		\$3,371		\$3,918		
\$200,000 Valuation											
Municipal	\$1,167	29.8	\$1,164	30.1	\$1,238	30.4	\$1,335	29.7	\$1,850	35.4	58.48
School	\$2,756	70.2	\$2,698	69.9	\$2,840	69.6	\$3,159	70.3	\$3,374	64.6	22.43
Total	\$3,923		\$3,863		\$4,078		\$4,494		\$5,224		

The primary revenue sources for the state's Education Fund include residential property taxes, non-residential property taxes, Lottery proceedings, and transfer payments from the state's General Operating Fund. Currently, property taxes comprise nearly 70 per cent of Education Fund revenues and far out-strip the recommended reliance of 5 to 7 per cent (Sweeney, 2009). As a result, there is growing stress between property owners who want to control property tax increases and local school budgets that require voter approval; despite the fact the local school budget is no longer strongly correlated to local property tax rates.

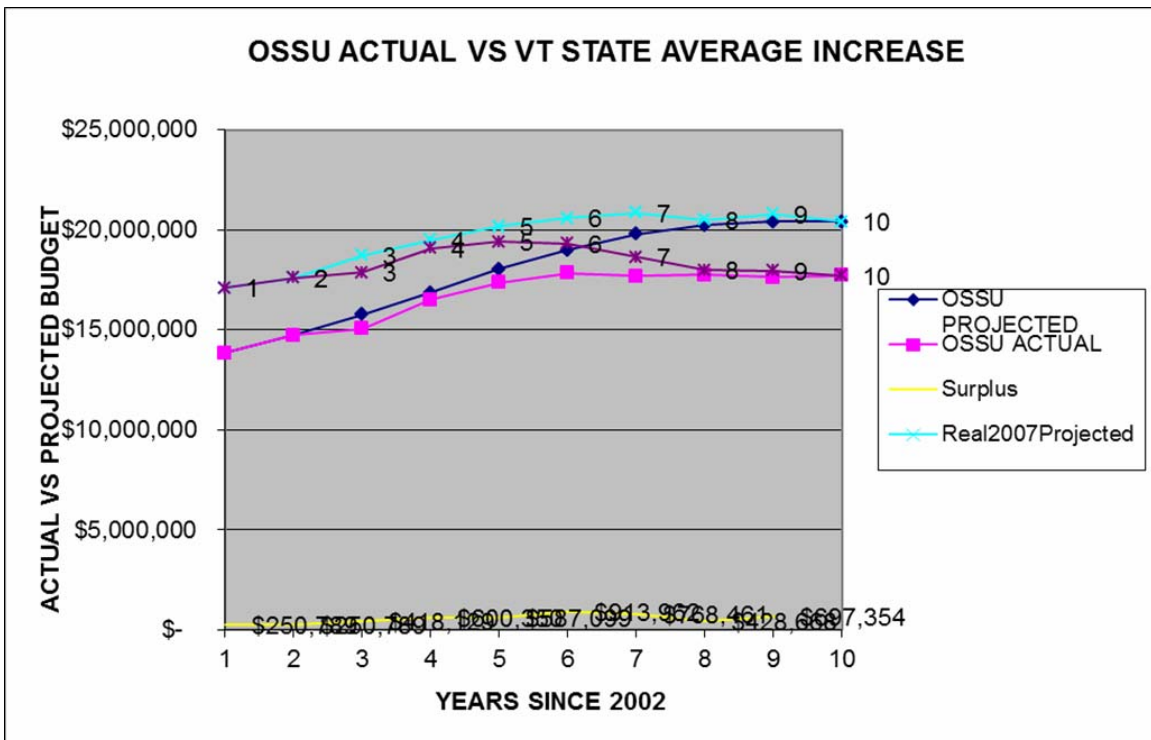
The Orange Southwest Supervisory Union (OSSU) is deemed a "Poor" district and, therefore, receives 25 per cent (approximately \$4.5 million in 2009) of its \$17 million in operating revenues via the Education Fund through Act 68.

Where the Money Goes

Common among school systems in North America, nearly 90 per cent of OSSU expenditures are attributed to salaries and benefits. The OSSU is one of the largest employers in the region with 170 FTE (equivalent) professional and support staff and approximately 100 related services staff (coaches, special services and contracts etc.). Since 2002, the OSSU has reduced its work force by 30 percent in direct response to a 20 percent enrollment decline.

The OSSU is comprised of six separate financial districts/centers: these cost centers encompass all staff and must be considered together in order to fully comprehend the full range of educational services and programs. The cost centers are Braintree School, Brookfield School, Randolph Elementary School, Randolph Union High School, Randolph Technical Career Center, and the OSSU Central Office.

Holistically, budgetary trends of the OSSU reflect level funding. The following chart demonstrates fiscal trends in the OSSU since 2002. Specifically, Projected OSSU budget increases are compared to Actual OSSU budget increases. To properly compare these variables, “Real Dollar” calculations were made to reflect inflationary impacts. Finally, Audited surpluses were recorded.

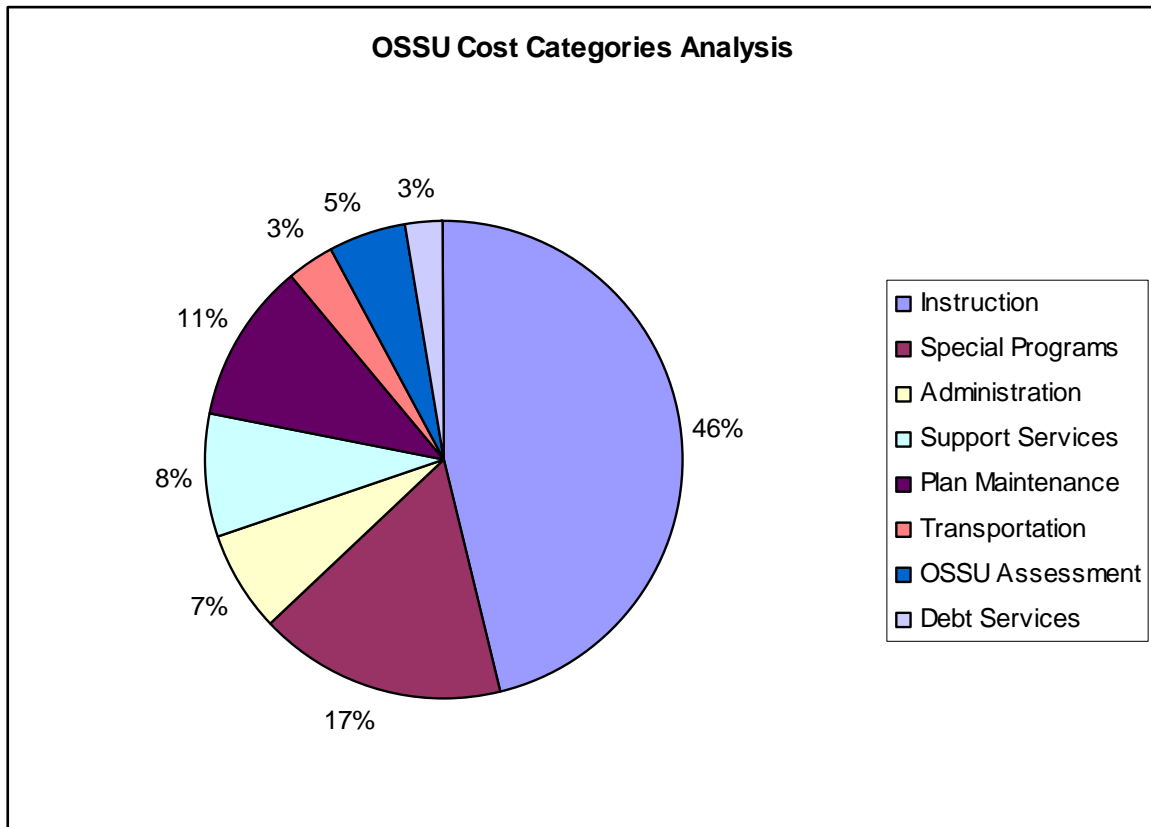


To generate Projected OSSU budget increases, historical budget data and state-wide actual increases were used. The area between Projected OSSU budget increases and Actual OSSU budget increases reflects approximately \$15 million in aggregate cost savings. In other words, if significant organizational reforms were not planned for and implemented, the OSSU would most likely have spent an additional \$16 million during the past nine years to operate its school system (or about one year’s total expenditures). Within Actual budgeted numbers, the OSSU realized nearly \$5 million in audited surpluses which reflects additional savings to our tax payers.

When Real Dollar calculations are applied, it becomes apparent the longitudinal OSSU budget trend is flat; that is, net increases in OSSU budgets have been zero for the past eight years. To achieve a budget trend line of this nature required large-scale organizational reform. The major categories of reform were and are: (1) Human Resource

Management; (2) Policy Governance; (3) Financial Condition and Activities; (4) School Operations; (5) Systems and Technology; and (6) Special Education. Within these broad-based categories, nearly 80 reform initiatives, some small and others large, have been successfully addressed.

The following chart reflects broad-based expenditures or cost categories of OSSU traditional school environments (Brookfield Elementary, Braintree Elementary, Randolph Elementary, and RUHS). Total instruction costs (Instruction, Special Programs, and Support Services) represented 71 per cent of expenditures for traditional schools which is well above national averages. Administrative costs averaged 8 per cent and were equal to national averages. Overall, OSSU expenditures were clearly in-line with schools across the United States.



In 2008, the OSSU School Boards adopted Policy Governance and began its implementation. By 2009, all policies were adapted to Policy Governance standards. During this time period, the School Boards hosted 14 community forums and met with staff, students, local business leaders, and higher education representatives which cumulated in the adoption of Board Ends. The following Ends statement reflects the desired outcomes of all schools in the supervisory union.

1.0 The purpose of the schools of the Orange Southwest Supervisory Union is that students have the knowledge, skills and tools to be prepared for the next stage of their lives, which justify the resources invested by the community.

To that end we value student-centered education, collaboration, diversity, careful management of resources, and supportive, respectful and healthy environments.

Further, our core focus is on the following:

1.1 Critical thinking: Students creatively apply experiences and critical analysis to solve problems and make informed decisions.

1.2 Foundational Knowledge: Students possess comprehensive knowledge of a core curriculum in the following areas:

- 1.2.1 Reading, writing and communication
- 1.2.2 Mathematics
- 1.2.3 Science
- 1.2.4 Social studies
- 1.2.5 Life Skills
- 1.2.6 The Arts

1.3 Ability to Adapt: Students are adaptable, resilient, and can manage change.

1.4 Information Technology: Students use and apply information and technology appropriately, effectively and objectively.

The Ends statement guides the fiscal activities and planning for the Orange Southwest Supervisory Union; that is, material resources are allocated to support the achievement of these Ends for all students.

There are two primary sources of funds to support the achievement of these Ends: the regular budget and monies allocated to the Orange Southwest Supervisory Union through the Consolidated Federal Title Grants. The approved cumulated budget for FY2008 was \$17.5 million while allocated Title Grants equaled \$420,000. (Note: the OSSU received an additional \$254,000 in one-time ARRA Funds in 2009 which had to be expended by the end of this fiscal year). Below is a list of Title Grant allocations that specifically target Board Ends.

<u>Initiative</u>	<u>Cost</u>	<u>Ends</u>
a. Community Read Aloud	\$3000	1.2, 1.3
b. OSSU 200 Book Club	\$3000	1.2, 1.3
c. K-6 Literacy	\$110,000	1.1, 1.2, 1.3
d. RUHS Literacy	\$38,000	1.1, 1.2, 1.3
e. Supplemental Reading (K-6)	\$54,000	1.1, 1.2, 1.3
f. Supplemental Math (K-6)	\$50,700	1.1, 1.3
g. Technology (K-12)	\$204,000	1.1, 1.2, 1.3, 1.4

h. Grade 6 Challenge

\$4000

1.1, 1.2, 1.3, 1.4

Budget Specifics for 2010/2011

This year represents the most difficult school budget season of the past decade. Current economic difficulties have resulted in revenue shortfalls across state governments: Vermont, alone, is anticipating a \$150,000,000 revenue shortfall this year. As a result, considerable pressure has been placed on local school boards through Act 146 (Challenges for Change) to reduce educational expenditures by 2 percent. In addition, several recommendations were adopted by the state legislature resulting in significant cost shifting from the General Fund to the Education Fund. Finally, the Legislature reduced the Statewide Property Tax from 87 cents to 86 cents and, in doing so, increased revenue shortfalls by \$10 million. These events exacerbated residential property tax increases and placed significant strain on school boards.

To that end, the Orange Southwest Supervisory Union Boards recognized the following liabilities and conditions for consideration during the budget development process: Act 68, Act 82, Act 146, freezing of the Base Education Amount, declining enrollments, economic conditions, ARRA (Federal Stimulus Funds) allocations, excess spending thresholds, student needs, property tax impacts, and the OSSU Board Ends.

Collectively, the school budgets for the 2011/2012 school year represent a 0.77 percent decrease from the previous year. In fact, this year's budget proposals, if approved by the towns, would result in the OSSU spending less money next year than it did five years ago. The table below reflects consistently low budgets across the OSSU during the past six year time period.

OSSU 2006/2007 to 2011/2012 Budget Summary

School	Actual 2006/07	Actual 2007/08	Actual 2009/10	Actual 2009/10	Budget 2010/11	Budget 2011/12	2011/12 %	Total %
Braintree	1,513,083	1,507,981	1,479,572	1,480,623	1,506,751	1,427,606	(5.52)	(5.65)
Brookfield	1,371,525	1,294,472	1,350,989	1,296,048	1,359,833	1,338,801	(1.55)	(2.39)
Randolph	4,322,513	4,300,981	4,221,357	4,250,128	4,443,872	4,382,577	(1.38)	1.39
RUHS	7,905,989	7,925,164	8,019,764	7,903,605	7,812,930	7,812,930	0.00	(1.18)
RTCC	2,704,183	2,648,789	2,662,082	2,704,729	2,587,722	2,612,730	0.97	(3.38)
Total	17,817,293	17,677,387	17,733,764	17,635,133	17,711,108	17,574,644	(.77)	(1.36)

In closing, the proposed 2010/2011 OSSU school budgets continue a long-term approach of fiscal responsibility whilst ensuring quality educational services are maintained in its school programs.