

Rutland City School Board

Frequently Asked Budget Questions

February 2, 2009

1. What makes up the Rutland City Schools budget?

Next year's proposed Fiscal Year FY 2010 \$44,518,000 Rutland City Schools budget comprises total spending for Northeast Primary School, Northwest Primary School, Pierpoint Primary Learning Center, Rutland Intermediate School, Rutland Middle School, Rutland High School, SUCCESS School, Stafford Technical Center and various programs such as the National School Lunch program, Tapestry After-School program and others. Resident voters vote on this total spending budget.

2. Who pays for the school budgets?

The State of Vermont pays for all school budgets out of the State Education Fund. As you know, the State has a State-wide property tax that it collects through town and city treasurers and then credits these collections to the State Education Fund. The Education Fund also receives money from a number of additional sources such as the lottery, the General Fund and automobile registrations. The State also gets some money from the Federal government to send to districts for special education costs and to help with the added costs of educating children who live in poverty.

Major fund sources for this current fiscal year (FY09) are:

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| a. State Education Fund | \$26.5 million |
| b. RHS and Other Tuition Revenue | \$3.0 million |
| c. Stafford Technical Center Revenue | \$3.8 million |
| d. Federal & State Grants and Reimbursements | \$8.0 million |
| e. National School Lunch Program | <u>\$1.2 million</u> |
| Total: | \$42.5 million |

Please see Question #5 for how Rutland City taxpayers pay for education.

3. Where does the money that I pay as education property tax go?

The State requires town and city treasurers to collect its statewide education property taxes from you along with their own municipal property taxes. It allows the tax collectors (towns) to keep about one quarter of one percent of these monies as a collection fee. In Rutland City's case, the Treasurer is then required to hold onto all these funds for their eventual turnover to the school district because these are State Education Fund monies, and the State Education Fund owes Rutland City Schools payment of its entire school budget.

The clearest and most accurate way of thinking about how Rutland City Schools, or any school district in Vermont, is funded is to think of your taxes as paying for all Vermont schoolchildren to go to school, but not specifically for Rutland City schoolchildren.

4. How does the Rutland City Schools Budget relate to the City of Rutland Municipal budget and the local property tax base?

The city budget and the school budget do not relate to one another. By State law, school and municipal budgets cannot cross. To allow that would enable municipalities to manipulate the State's tax rates either by schools paying for municipal services or municipalities paying for school services. These kinds of legal loopholes used to exist but have been closed.

A big difference is that the City municipal budget is paid by local property taxpayers who will be receiving the City services. That means \$1.00 of additional municipal services will cost property taxpayers another \$1.00 of municipal taxes; or, a \$1.00 cut in the city budget (cut in services) will yield a \$1.00 cut in City taxes. There is a one-to-one relationship in municipal property taxes.

The picture on the school side is very different because the school's budget is not being paid by the local property tax, but rather through the State's formula for education property taxes. On the school side, a \$1.00 cut in the budget (reduction of services) will save Rutland City taxpayers as a group about 23 cents or 23% of that dollar. Similarly, if the budget needs to be increased by \$1.00, the State will tax Rutland City taxpayers an additional 23 cents. It is not a one-to-one relationship.

Growth in the local property tax base can enable the City (or any VT town) to collect more municipal property taxes and offer either more City services or lower their current municipal tax rates. Growth in a local property tax base enables the State to collect more educational property taxes from a community. Those collections would be credited to the Education Fund, but have no effect on tax revenues to a school district.

5. How much do Rutland City taxpayers pay for Rutland City Schools?

As discussed above, Rutland City taxpayers do not pay for Rutland City schools directly. They pay for all Vermont schoolchildren when they pay into the State Education Fund. Other questions are: how much do Rutland City taxpayers as a group pay into the State Education Fund, and how much does Rutland City Schools get from the Fund? For FY09 (current year we are in) Rutland City taxpayers pay about \$11.8 million into the Fund, after prebates and rebates are counted. And Rutland City Schools get about \$26.4 million from the fund. If Rutland City had no school children and no school budget, the State Education Fund would still collect about \$10.3 million from Rutland City, because there is a floor on these taxes. This means no matter what the school budget is, the maximum savings on local taxes would be about \$1.4million.

The reason Rutland City taxpayers as a group pay far less into the Fund than RPS receives is mostly because of the size of the property tax base in Rutland City but also because Vermont education is funded by many other sources than just property taxes.

6. Why is the Rutland City Schools budget such a big number? And, are we a “high,” “low,” or “average” spending district?

Rutland City is a large school district by Vermont standards because of our own Rutland City population and we also accept tuition students from other towns and we operate a regional technical center. Organizationally, it is therefore one of the largest single school districts in the State and has a total annual budget of about \$42.5 million in the current year FY09. Larger school districts in Vermont have larger budgets, upwards of \$50 million, and smaller school districts have smaller budgets. The total spending of a school district does not explain whether a district is “high spending” or “low spending.”

The spending statistic that determines whether a district is high spending or low spending is “equalized cost per pupil,” which we often shorten to call “cost per pupil.” It also determines education tax rates. Our cost per pupil is 7% below the State average which means our residential property taxpayers are paying 7% less in State education property tax than average, for the same \$1.00 value of property. Non-residential property taxes are the same State-wide, and do not vary based on a school district’s cost per pupil.

7. Are Rutland City’s State educational property taxes so high that people are losing their homes because of them?

The State has made decisions about affordability through its control of the income sensitivity feature, or caps, on the tax. In Rutland City, 70% of resident property taxpayers will have some amount of rebate/prebate off their educational property tax. The tax caps entirely phase out at about \$97,000 of annual household income. Voting on the school budget is not a decision about affordability the way that voting on municipal budgets are. This is an important distinction. Acts 60 and 68 have relieved property poor communities from having to suffer poor schools because of a small property tax base. The laws have also protected lower income taxpayers from unaffordable State education taxes, and it has relieved its citizens of unaffordable school taxes.

The best example about affordability is a person living in Rutland City, owning her own home, and trying to live off Social Security payments of, say, \$18,000 per year. This retiree’s tax would be capped at 2.35% of that household income, or \$423, regardless of the value of her house. She may not be able to continue to live there based on today’s energy costs, upkeep, or municipal taxes, but it would not be the school budget or State property tax that made it unaffordable.

8. How come the educational tax rates in a community generally go up a lot more in percentage terms than a school budget increase?

As State-wide school costs have increased the State has had to raise more money to pay all school budgets and, as a result, it has over-weighted property taxes to raise these funds. And, within the property tax category, taxpayers with household incomes above \$97,000 are the hardest hit in these increases because households with lower income are not paying the full percentage increases because they are hitting the caps. In effect, higher income households are picking up a greater share of each new year’s education property tax increase. It is important for each taxpayer to look at his/her own tax bill to see what effect a budget increase will have.

9. Is money being “wasted” in the schools?

No. Waste means “to use thoughtlessly or to squander.” There are no idle resources in the schools. The children demand and use every moment of attention faculty and staff have available. And, they would demand more if resources were not already controlled and limited. But, different people have different opinions about what services should be offered to children. Sometimes people who disagree with certain services label that service or program waste, while others, often parents, are thankful for it. It is a complicated task to make decisions about services and tradeoffs that educators and the School Board must make. There are, of course, innumerable rules (mandates) from the State and federal government as to what services must be offered.

10. What do you do to try and control costs?

That is a long list. We discourage adding new positions. We buy quality items that will last a long time and keep them a long time. We delay capital improvements in the school buildings, keep pay increases competitive but not overly generous, encourage and accept volunteer community time, manage energy consumption, live with old furniture and equipment, live with a reasonable amount of dust and dirt. And, the old-fashioned cost control of going without works also. RPS ranks the lowest of all 62 Vermont school districts in the cost of school administration. We have done studies that reveal we are far below average in the number of administrators both in central office and the schools, fewer information technology employees, and fewer librarians. The greatest contribution to RPS’s 7% below average cost per pupil is the practice of running lean.

11. Are school employees paid too much?

The majority of school employees’ salaries or hourly pay rates are based on negotiated rates with labor unions. Rutland City’s pay scales are considered to be “average.” Given that Rutland City’s cost per pupil is 7% below the State average, it is reasonable to assume that pay rates are not out of line. Pay scales for the Superintendent position and other administrative jobs are based on competitive rates for similar educational positions within Vermont.

12. Rutland City is a poor community and the cost of living is lower than in other parts of the State, like Burlington; shouldn’t we pay school employees less than other districts?

We do pay employees less than higher cost areas of the State such as Burlington. But, if we paid employees markedly less than average, we would not attract the best employees and there would be high turnover. We also must keep in mind that children who live in poverty and children with special needs are more challenging for educators. There is a clear trend in US education to pay educators who work in urban environments with greater rates of poverty more money or incentives to compensate for that. We have not had to do that to retain our employees. Depending on what salary survey is used, Vermont teachers earn either average pay nationwide or very slightly below average.

13. Could the Schools' budget be cut without harming children?

No. A budget cut means a quality cut of some degree. School Board members are frequently asked what would be cut if the school budget gets voted down. When school districts have to cut budgets they typically look at services and programs such as co-curricular activities, art, music, sports, class size, advanced placement offerings, other breadth of course offerings, transportation, and delays in maintenance of facilities.

The Board recognizes that most voters hold individual opinions about programs they value or do not value. However, voting no on the budget will not inform the board of any specific opinions and may lead to cutting programs that you favor. The only way to communicate displeasure, or satisfaction, with certain programs or operations is to attend information meetings or contact Board members or school officials to let them know your specific opinion.

14. Why does the School Board recommend you vote "yes" on the school budget after we develop and approve it?

The yes or no vote on the school budget is really your high level decision of whether to keep the quality level of Rutland City Schools where it is versus a willingness to see it decline. We do not believe that cutting a budget that is already 7% below the State average is sensible for Rutland City as a community or fair to our children. And cutting \$1.00 of budget/school quality to save only 23 cents for Rutland City taxpayers is not a good business deal for Rutland City. The schools serve the goal of Rutland City's overall well being. Part of our community's emotional, economic and psychological well-being is founded on the quality of our schools. Please support the schools as we support Rutland City. Please take the time to vote YES on March 3. Thank you.