

Rutland City School Board

Frequently Asked Budget Questions

February 6, 2014

1. What makes up the Rutland City Schools budget?

The proposed budget for Rutland City Public Schools for fiscal year 2015 (July 1, 2014-June 30, 2015) is \$48,672,312. This amount comprises total spending for Northeast Primary School, Northwest Primary School, Rutland Intermediate School, Rutland Middle School, Rutland High School (RHS), RHS Howe Center Campus, RMS/RHS Allen Street Campus, Stafford Technical Center and various programs such as the National School Lunch program, Tapestry After-School program and others. Resident Rutland City voters vote on this total spending budget.

2. What's new about the FY15 budget?

There is the reduction of 5 teacher positions due to declining enrollment and the addition of 1 computer technician to deal with the increasing use of technology in the schools. This is a net job reduction of 4 positions overall. Over the past 4 budget years, a net total of 26 jobs have been cut. If school enrollment continues its slow decline more job cuts will be made.

If approved by voters, FY15 will also mark the beginning of a second major plan to save energy costs and to make repairs and renovations to reduce the district's deferred capital and maintenance backlog. First, the district is seeking approval from voters to finance the addition of wood pellet boilers in all schools. This would enable the district to burn either fuel oil or wood pellets as energy prices varied. Right now, the BTU cost of wood pellets is about half that of fuel oil. The annual savings from burning wood pellets would finance the debt payments for implementing the program such that the budget total is unaffected by this change.

Also, if approved by voters, we will implement a financing to catch up on deferred maintenance and repairs. The district has delayed making needed repairs to our buildings until the expiration of the RHS 20 year construction bond in FY14. For FY15, we wish to apply that same level of annual funds (about \$450,000) to finance a catch up of these deferred projects. The goal in delaying the work was to enable financing at existing budget levels without an increment affecting the State Education Fund and thus local education property tax rates.

3. How does a voter judge whether a budget is too high or too low?

Budgets need a factual context for comparison before one can fairly judge them as too high or too low. We believe the proper context is a comparison to other school districts of similar size in Vermont. In this regard for the current year we are about 4.7% below the statewide average and also compare favorably to other school districts our size. We are very aware of the staffing levels of other school systems and we target our system to be somewhere between directly competitive with them to somewhat leaner. This represents our estimation of what Rutland City voters are willing to support. If voters have concerns about our level of spending we urge you to talk to us to learn more about costs.

4. Who pays for school budgets around the state?

The State of Vermont pays for all school budgets out of the State Education Fund. The State has a statewide education property tax that it collects through town and municipal 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 receives 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 FY15 are expected to be:

a. State Education Fund	\$29.1 million
b. RHS and Other Tuition Revenue	\$3.0 million
c. Stafford Technical Center Revenue	\$4.6 million
d. Federal & State Grants and Reimbursements	\$10.8 million
e. National School Lunch Program	<u>\$1.2 million</u>
Total:	\$48.7 million

5. Where does the money that I pay in education property tax go?

To the State Education Fund. The State requires town and municipal treasurers to collect statewide education property taxes along with municipal property taxes. The State tax collectors (towns) keep about one quarter of one percent of these monies as a collection fee. In Rutland City’s case, the City Treasurer is required to hold onto all these funds for the eventual turnover to the school district because these are Vermont Education Fund monies. The Vermont Education Fund, by law, owes the Rutland City Public Schools the funds for its school budget as approved by voters.

Your educational property taxes are paying for all Vermont school children to go to school, not specifically just those in Rutland City.

6. How is the school district budget different from the municipal budget?

The Rutland City municipal 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 Rutland City municipal budget is paid by local property taxpayers who receive the City’s services. So \$1 in additional municipal spending will cost property taxpayers another \$1 in municipal taxes; conversely, a \$1 cut in the city budget will yield a \$1 reduction in municipal property taxes. There is a one-to-one relationship in municipal property taxes.

The picture for the schools is very different because the school’s budget is not being paid by the local property tax, but rather through the State’s funding formula for education property taxes. For the schools, a \$1 cut in the budget will save Rutland City taxpayers as a group about 25 cents. And if the budget is increased by \$1, the State will tax Rutland City taxpayers about an additional 25 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 the current municipal tax rate. Growth in a local property tax base enables the State to collect more education 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.

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

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. For fiscal year 2014 (the current year we are in) Rutland City homestead taxpayers will pay about \$5.0 million into the State Education Fund, after prebates/rebates are counted. Commercial and other non-homestead taxpayers will pay about \$8.0 million. These two sources together will send \$13.0 million to the education fund. Rutland City Schools will receive about \$29 million out of the fund. If Rutland City had no school children and no school budget, the State Education Fund would still collect about \$11.5 million from Rutland City, which is 89% of currently collected taxes, because there is a floor on education property taxes.

The reason Rutland City taxpayers as a group pay far less into the Education Fund than the school district receives is because of the relatively small size of the property tax base in relation to pupil counts in Rutland City. The Act 60 education funding system is highly advantageous to Rutland City Schools and Rutland City taxpayers.

8. Is Rutland City Public Schools a high, low, or average spending district?

Rutland City is a large school district by Vermont standards. We also accept tuition students from other towns and we operate a regional technical center (Stafford). Organizationally, it is therefore one of the largest single school districts in the State and has a total annual budget of about \$47 million. Larger school districts in Vermont have larger budgets, upwards of \$75 million, and smaller school districts have smaller budgets. The total spending of a school district does not explain whether a district is “high spender” or “low spender.”

The spending statistic that determines whether a district is high spending or low spending is “equalized cost per pupil,” which is shortened to “Cost Per Pupil.” Cost Per Pupil determines education tax rates. Our cost per pupil is 4.7% below the State average for the current year, which means our residential property taxpayers are paying 4.7% less in State education property tax than average, for the same dollar 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.

9. How are Rutland City homeowners protected from unaffordable education property taxes?

The State controls affordability through the income sensitivity feature, or caps, on the tax. In Rutland City, over 70% of residential property taxpayers will have some amount of adjustment off their education property tax. The tax caps entirely phase out at about \$95,000 of annual household income. The income sensitivity reduces the average Rutland City education homestead property tax by about 25%. 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 for FY14. This retiree’s educational property tax would be capped at 2.54% of that household income, or \$457, regardless of the value of her house.

10. What does Rutland City Public Schools do to control costs?

That is a long list. For the FY15 budget a net of 5 teaching positions are being eliminated. Over the past 4 budget years a net 26 jobs have been eliminated. We buy quality items that will last a long time

and keep them a long time. We have selectively delayed capital improvements in the school buildings waiting for the RHS bond to be paid off such that new capital improvements would not raise the annual budget. Pay increases are competitive but not overly generous. The district encourages and accepts volunteer community time, manages energy consumption and lives with old furniture and equipment. And, the old-fashioned cost control of going without works also. Before making purchases, we obtain multiple cost quotations to maximize our buying power. Rutland City Public Schools ranks first lowest in central office costs of all 62 Vermont supervisory units and 3rd lowest in total administration costs which would also include building administrators. We have conducted 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 our 6% below average Cost Per Pupil is the practice of running lean.

11. Could the school budget be cut any further?

Yes, but that would require more job cuts and the reduction or cancellation of programs the schools offer which would lower school quality by some degree. Our hope is to remain quality competitive with other schools in the State. 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. 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 (teachers), advanced placement offerings, other breadth of course offerings, transportation, and delays in maintenance of facilities. Our capital and maintenance budgets have already been cut to levels that were not sustainable in the long term and now require a catch up plan.

The Board recognizes that cutting expenses means cutting services to children and the best source of information and expertise for those kinds of decisions is from administrators, who have been classroom teachers. The Board knows 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.

13. Why does the School Board recommend you support the budget?

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 the FY 2015 budget, which is below the State average, is sensible for Rutland City as a community or fair to our children. And cutting \$1 of budget/school quality to save only 25 cents for Rutland City taxpayers is not a good business choice for Rutland City or its future. 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 4.

Thank you.

Rutland City Board of School Commissioners

For more information: Telephone: 786-1998. Web site: www.rutlandcitypublicschools.org