



# **New Perspectives on School Finance and Budgeting**

Heather Hamilton

MEMORANDUM OF UNDERSTANDING  
TOWN/SCHOOL BUDGET PARTNERSHIP  
MAY 16, 1995

The Town Administrator and Superintendent of Schools jointly recommend to the Board of Selectmen and School Committee the adoption of revised guidelines for allocating budgetary surpluses/deficits for FY97 and beyond. The revisions are the result of many meetings during the past several weeks overseen by a Selectmen's Committee of:

Thomas Hennessey, Chair of Board of Selectmen  
Isabella Hinds, Chair of the School Committee  
John Hodgman, School Committee Member  
Betsy DeWitt, Chair of the Advisory Committee  
Sergio Modigliani, Advisory Committee Member  
John Deeley, Advisory Committee Member  
Harvey Beth, Director of Finance  
James Walsh, Superintendent of Schools  
Peter Rowe, Asst. Supt. of Administration & Finance  
Richard Kelliher, Town Administrator  
Brian F. Sullivan, Deputy Town Administrator

The objectives of the Committee were to devise guidelines that are equitable, understandable and based upon cost allocation to the fullest extent possible. As a result, guidelines for "splitting" future surplus/deficits have been developed which accomplish the following:

- Allocates surpluses or deficits 50%/50% between Town and Schools, after deducting fixed costs from available revenues. Any future override funding is separate and distinct from this agreement and shall not affect the amount of funding to be allocated under this agreement.
- Simplifies the definition of fixed costs by reducing the number of fixed cost variables to only seven categories: (i) enterprise type operations e.g. water/sewer, refuse; (ii) SPED Tuition, plus one half all other SPED costs; (iii) student enrollments (based on formula); (iv) reserve funds (v) programs generating new revenue; (vi) debt and interest; and (vii) tax funded capital. Items such as step adjustments, election costs, retirement administration will no longer be characterized as "fixed costs". The above fixed cost items (i through vii) shall be as customarily defined in the Financial Plan and as described on pages I-9 through I-15 of the FY96 Financial Plan.

- Allocates other shared costs in proportion to actual experience each year. Such allocated costs shall include building, general services, information services, general insurance and personnel benefits.
- Requires the Schools and Town to be totally responsible for absorbing all respective personnel costs. Collective bargaining agreements, steps, fringe benefits, etc., will be allocated and will no longer be considered "fixed costs".

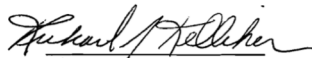
A few formulaic factors need to be defined in the upcoming weeks. For example, the method of calculating cost due to student enrollment growth from year to year needs to be finalized. However, these factors are expected to be resolved without much difficulty.


The cumulative effects of the changes on the FY97 budget are minimal. Despite moving from a 2/3 - 1/3 formula to a 50%-50% formula, there will be only a minor shift of resources from school to town budgets.

We believe that a formula based method of carrying out the Town/School Budget Partnership is in the best interests of the entire community. While it is recognized that this formula will need to be revisited at intervals in the case of unanticipated state mandates or extraordinary circumstances, we believe that this agreement provides year to year stability and facilitates long range planning.

We also believe that the Town/School Budget Partnership provides a collaborative planning framework in which the Town Administrator, Superintendent of Schools, and representatives of the Board of Selectmen and School Committee can jointly identify and develop planning agendas. By meeting periodically throughout each year, the above mentioned participants will both review progress toward mutually agreed upon goals and try to anticipate and plan for changes that arise externally, such as Federal and State legislation or demographics changes, technological advances, and economic downturns.

We have many challenges ahead. By working together we believe we can best meet these challenges.

  
Richard J. Kelliher  
Town Administrator

  
James F. Walsh  
Superintendent of Schools



# This document

- Uncertainty about revenue and budget
- Gives predictability
- Forces a financial dialogue between the town and the schools (at least 2x a year, prior to Town Meetings)
- It's really about getting the right people in the room to hammer out the details
- 2 Select Board, 2 School Committee, 2 Finance Committee, Superintendent, Deputy Superintendent, Town Administrator, Deputy Town Administrator

FY2020 TOWN/SCHOOL ALLOCATIONS - CHANGES			12-Nov-19		
	TOTAL	TOWN	SCHOOL		
PROPERTY TAXES	\$14,468,272	\$7,234,136	\$7,234,136		
LOCAL RECEIPTS	\$164,783	\$82,391	\$82,391		
STATE AID	\$195,067	\$97,533	\$97,533		
FREE CASH	\$564,971	\$282,486	\$282,486		
OTHER AVAILABLE FUNDS	(\$1,683,948)	(\$733,948)	(\$950,000)		
Parking Meter Receipts	(\$1,900,000)	(\$950,000)	(\$950,000)		
Walnut Hill Cemetery Fund	\$0	\$0	\$0		
Chapter 90	\$0	\$0	\$0		
Overlay Reserve Surplus	\$0	\$0	\$0		
Capital Project Surplus	\$0	\$0	\$0		
Sale of Town-owned Land Fund	\$0	\$0	\$0		
State Aid for Libraries	\$0	\$0	\$0		
Golf Enterprise Fund Overhead Reimbursement	\$92,670	\$92,670	\$0		
Recreation Revolving Fund Overhead Reimbursement	\$119,478	\$119,478	\$0		
Water and Sewer Enterprise Fund Overhead Reimbursement	\$3,904	\$3,904	\$0		
<b>TOTAL REVENUE</b>	<b>\$13,709,144</b>	<b>\$6,962,598</b>	<b>\$6,746,546</b>		
<b>FIXED COSTS</b>					
GOLF ENTERPRISE FUND OVERHEAD	\$92,670	\$92,670	\$0		
REC REVOLVING FUND OVERHEAD	\$119,478	\$119,478	\$0		
WATER & SEWER OVERHEAD	\$3,904	\$3,904	\$0		
REFUSE	\$285,960	\$142,980	\$142,980		
RESERVE FUND (0.75% of Prior Yr Net Rev)	\$106,468	\$53,234	\$53,234		
DEBT (non Enterprise Fund)	\$3,303,467	\$1,651,734	\$1,651,734		
CIP / SPECIAL APPROPRIATIONS / FREE CASH-SUPPORTED	(\$1,362,456)	(\$681,228)	(\$681,228)		
Tax-Financed CIP	(\$27,428)	(\$13,714)	(\$13,714)		
Sale of Town-owned Land Fund CIP	\$0	\$0	\$0		
Parking Meter \$ for CIP	(\$1,900,000)	(\$950,000)	(\$950,000)		
Overlay Surplus CIP	\$0	\$0	\$0		
Capital Project Surplus CIP	\$0	\$0	\$0		
Free Cash-Financed CIP	\$741,990	\$370,995	\$370,995		
Misc. (From "Special Use" category of Free Cash)	\$0	\$0	\$0		
Budget Reserve (0.25% of Prior Yr Net Rev) (Free Cash)	\$35,156	\$17,578	\$17,578		
Stabilization Fund (Free Cash)	\$0	\$0	\$0		
Worker's Compensation TF (Free Cash)	\$200,000	\$100,000	\$100,000		
Public Safety IOD Medical Expenses TF (Free Cash)	\$0	\$0	\$0		
OPEB's (Free Cash)	\$0	\$0	\$0		
Pensions (Free Cash)	\$0	\$0	\$0		
Unemployment (Free Cash)	\$0	\$0	\$0		
Liability / Catastrophe Fund (Free Cash)	(\$67,062)	(\$33,531)	(\$33,531)		
Affordable Housing TF (Free Cash)	(\$345,112)	(\$172,556)	(\$172,556)		
Vocational Technical School	\$0	\$0	\$0		
SPEC ED TUITION	\$360,000	\$180,000	\$180,000		
OTHER SPEC ED	\$440,000	\$110,000	\$330,000		
ENROLLMENT GROWTH	\$1,081,680	\$540,840	\$540,840		
NON-APPROP	(\$152,334)	(\$76,167)	(\$76,167)		
<b>TOTAL FIXED COSTS</b>	<b>\$4,278,837</b>	<b>\$2,137,444</b>	<b>\$2,141,393</b>		
<b>ALLOCATED FIXED COSTS</b>					
PERSONNEL BENEFITS	\$3,060,677	\$1,881,245	\$1,150,112		
UTILITIES & MISC BLDG EXP'S	\$319,562	\$58,856	\$260,706		
INFO TECHNOLOGY / FINANCE APPLICATIONS	\$11,905	\$5,953	\$5,953		
PAYROLL DIVISION	\$1,683	\$842	\$842		
UNCLASSIFIED (AUDIT & GENERAL INSURANCE)	\$92,122	\$46,061	\$46,061		
GENERAL SERVICES (POSTAGE & TELEPHONES)	(\$1,000)	(\$500)	(\$500)		
<b>TOTAL ALLOCATED FIXED COSTS</b>	<b>\$3,484,949</b>	<b>\$1,992,456</b>	<b>\$1,463,173</b>		
<b>TOTAL COST INCREASE</b>	<b>\$7,763,786</b>	<b>\$4,129,900</b>	<b>\$3,604,566</b>		
<b>NET SURPLUS BEFORE COLL BARG &amp; STEPS</b>	<b>\$5,945,359</b>	<b>\$2,832,698</b>	<b>\$3,141,980</b>		
<b>SCHOOL ALLOCATION</b>					
School's Share of Net Surplus			\$3,141,980		
SPED Costs			\$800,000		
Enrollment Growth			\$693,600		
Override funds			\$1,669,753		
School Bus Program			(\$37,500)		
FY19 base allocation - after STM funds used for deficit goes back to base			\$428,123		
<b>TOTAL SCHOOL INCREASE</b>			<b>\$6,695,956</b>	<b>6.1%</b>	

	TOWN %	SCHOOL %	TOTAL INC	TOWN	SCHOOL
PERSONNEL BENEFITS					
PENSIONS - non-Free Cash	74.00%	26.00%	\$1,740,668	\$990,722	\$749,946
GROUP HEALTH	43.45%	56.55%	\$772,642	\$572,605	\$182,542
HEALTH REIMBURSEMENT ACCOUNT (HRA)	43.49%	56.51%	\$0	\$0	\$0
OPEB's (RETIREE HEA INS) - non-Free Cash	43.49%	56.51%	\$211,515	\$125,214	\$86,301
EMPLOYEE ASSISTANCE	40.00%	60.00%	(\$28,000)	(\$11,200)	(\$16,800)
GROUP LIFE	100.00%	0.00%	\$0	\$0	\$0
DISABILITY INSURANCE	100.00%	0.00%	\$0	\$0	\$0
WORKERS COMP - non-Free Cash	95.00%	5.00%	\$400,000	\$380,000	\$20,000
PUBLIC SAFETY IOD MEDICAL EXPENSES - non-Free Cash	100.00%	0.00%	(\$200,000)	(\$200,000)	\$0
UNEMPLOYMENT - non-Free Cash	47.50%	52.50%	\$0	\$14,463	(\$14,463)
MEDICAL DISAB.	100.00%	0.00%	\$0	\$0	\$0
MEDICARE PAYROLL TAX	36.56%	63.44%	\$163,852	\$9,440	\$142,587
<b>TOTAL INCREASE</b>			<b>\$3,060,677</b>	<b>\$1,881,245</b>	<b>\$1,150,112</b>

	TOWN %	SCHOOL %	TOTAL	TOWN	SCHOOL
FY20 PERSONNEL BENEFITS					
PENSIONS - non-Free Cash	74.000%	26.00%	\$2,615,433	\$18,215,420	\$6,400,013
GROUP HEALTH	43.45%	56.55%	\$3,518,881	\$13,705,377	\$17,813,504
HEALTH REIMBURSEMENT ACCOUNT (HRA)	43.49%	56.51%	\$0	\$0	\$0
OPEB's (RETIREE HEA INS) - non-Free Cash	43.49%	56.51%	\$4,181,980	\$1,818,876	\$2,363,103
EMPLOYEE ASSISTANCE	40.00%	60.00%	\$0	\$0	\$0
GROUP LIFE	100.00%	0.00%	\$145,000	\$145,000	\$0
DISABILITY INSURANCE	100.00%	0.00%	\$46,000	\$46,000	\$0
WORKERS COMP - non-Free Cash	95.00%	5.00%	\$1,850,000	\$1,757,500	\$92,500
PUBLIC SAFETY IOD MEDICAL EXPENSES - non-Free Cash	100.00%	0.00%	\$0	\$0	\$0
UNEMPLOYMENT - non-Free Cash	47.50%	52.50%	\$200,000	\$95,000	\$105,000
MEDICAL DISAB.	100.00%	0.00%	\$40,000	\$40,000	\$0
MEDICARE PAYROLL TAX	36.56%	63.44%	\$2,609,403	\$953,998	\$1,655,405
<b>TOTAL</b>			<b>\$65,206,696</b>	<b>\$36,777,171</b>	<b>\$28,429,525</b>

	TOWN %	SCHOOL %	TOTAL	TOWN	SCHOOL
FY19 PERSONNEL BENEFITS					
PENSIONS - non-Free Cash	75.30%	24.70%	\$22,874,765	\$17,224,698	\$5,650,067
GROUP HEALTH	42.71%	57.34%	\$30,746,239	\$13,132,771	\$17,630,963
HEALTH REIMBURSEMENT ACCOUNT (HRA)	42.71%	57.34%	\$0	\$0	\$0
OPEB's (RETIREE HEA INS) - non-Free Cash	42.71%	57.34%	\$3,970,465	\$1,695,921	\$2,276,802
EMPLOYEE ASSISTANCE	40.00%	60.00%	\$28,000	\$11,200	\$16,800
GROUP LIFE	100.00%	0.00%	\$145,000	\$145,000	\$0
DISABILITY INSURANCE	100.00%	0.00%	\$46,000	\$46,000	\$0
WORKERS COMP - non-Free Cash	95.00%	5.00%	\$1,450,000	\$1,377,500	\$72,500
PUBLIC SAFETY IOD MEDICAL EXPENSES - non-Free Cash	100.00%	0.00%	\$200,000	\$200,000	\$0
UNEMPLOYMENT - non-Free Cash	40.27%	59.73%	\$200,000	\$80,537	\$119,463
MEDICAL DISAB.	100.00%	0.00%	\$40,000	\$40,000	\$0
MEDICARE PAYROLL TAX	38.62%	61.86%	\$2,445,551	\$944,558	\$1,512,818
<b>TOTAL</b>			<b>\$62,146,019</b>	<b>\$34,898,186</b>	<b>\$27,279,413</b>



# This is how it operates

- Apply formula to levy growth, subtract revolving funds and fixed costs
- Adjustments needed for growth of certain expenditures each year, such as Refuse/Recycling, SPED, Enrollment
- Schools provide fixed costs such as building personnel and reimburse the Town (currently 75%)
- Net Surplus before bargaining and steps is where we can re-allocate



# These are the challenges

- Enrollment growth and projections
- Unexpected or unanticipated costs
- Lack of public understanding of the TSP
- TSP promotes episodic conversations about finances