

Amherst-Pelham Regional School District

Fiscal Year 2010 Budget Development Timeline

Prepared for the School Committee Meeting on March 10, 2009

Level services budget

The budget building process begins with determining what it would cost to open the schools for next year with no changes from the current year. Known cost increases are factored in, such as contracted wage increases, increases in health insurance premiums and utilities, and increases for charter school and school choice tuition. This is known as a level services budget because it would support the same level of service as the current year. For the Amherst-Pelham Regional School District, the Level Service Budget would increase \$1.88 million for FY2010 to \$30.0 million, a 6.7% increase.

Amherst Finance Committee guidance

On November 19, 2008, the Amherst Finance Committee issued preliminary FY2010 budget guidelines. At that time they suggested a 3.5% increase to the assessment to the town of Amherst for the Regional budget. Two key assumptions leading to this recommendation were 1) that there would be no increase in state aid to schools or towns and 2) that reserve funds would not be used to support the FY2010 budget. The Finance Committee emphasized that these guidelines were preliminary and, given the international financial downturn, might reflect a best case scenario.

To prepare a budget that meets this “best case scenario” of a 3.5% increase to Amherst’s assessment, the Level Services Budget would have to be reduced by \$1.4 million, bringing it to \$28.6 million.

Worsening economy leads to state funding cuts to towns

On January 28, 2009, Governor Patrick filed his budget proposal for FY2010, and local aid estimates based on this budget proposal were posted to the Division of Local Services' web site. Anticipating a \$3 billion revenue shortfall for FY2010, the Governor’s budget recommends a reduction in lottery aid and in additional assistance to municipalities. The reduction for Amherst is projected to be \$2.77 million from the original FY2009 level.

To illustrate the worst case scenario, on February 10, 2009 the Amherst Finance Committee endorsed the recommendation of the Budget Coordinating Group that each budgeting entity of the town develop a list of spending cuts for FY2010 that reflect the reductions for state funding of local government recommended in the Governor’s budget. The Regional assessment comprises 23.0 % of the total Amherst operating budget for FY2009; therefore, the Regional share of the \$2.77 million reduction would call for an additional \$638,000 to be cut from Amherst’s assessment..

To prepare a budget that meets this “worst case scenario” the Level Services Budget would have to be reduced by \$2.2 million, bringing it to \$27.8 million.

Uncertainty of state funding for next year

The guidelines used in building the budget are based on the appropriation levels appearing in the Governor's FY2010 budget proposal (House 1) and may change as the legislative process unfolds and proposed appropriation levels change. The budget process moves to the House, then to the Senate, and finally to a conference committee. Given the uncertainty of the times, final numbers may not be available until late spring or early summer.

Possible restoration of some funding to support town budgets

Governor Patrick has filed legislation that would 1) increase the state meals and lodging taxes by 1% to offset some of the proposed reduction of municipal aid, 2) permit towns to levy an additional 1% local meals and lodging tax, and 3) allow certain telecommunications equipment to be subject to property tax. The legislature has yet to respond to these revenue recommendations, but it is anticipated that up to \$1.67 million could flow to the town of Amherst from these sources, if all are enacted.

The Federal stimulus plan is taking shape as the American Recovery and Reinvestment Act. One section would provide an increase in two grants that come directly to the schools: the Title I grant is aimed at helping disadvantaged students reach high academic standards, and the IDEA grant is to support mandatory special education costs so that other areas of education do not have to be cut.

Another section of the Act provides funding that will go directly to states to be used to support education and to help reduce the need for cutbacks, layoffs, and other purposes. The State has yet to announce how it will distribute any federal funds it receives.

As of March 3, 2009, we don't know how much of this federal relief will be flowing to the Amherst schools, but we are hoping to hear in the next two to three weeks.

Other possible sources of additional budget support include the town's use of reserves (free cash and stabilization funds), a Proposition 2 ½ override, and the renegotiation of salary contracts. None of these options are popular, but some or all may need to be considered if other sources of funding fail to materialize.

Effect of additional funding

The magnitude of this economic crisis is well appreciated at the federal, state, local and personal level. It is reasonable to anticipate that some amount of additional budget support will be made available. While we do not know how much financial support will be provided by any of these sources, we should assume that the final budget will be somewhere between the worst case scenario and the best case scenario. To aid in the process of prioritizing cuts to the Level Services budget required to meet any given level of fiscal support, a hypothetical restoration of \$1.5 million of additional funding to the town of Amherst was used to generate a middle case scenario.

To prepare a budget that meets this "middle case scenario", the Level Services budget would have to be reduced by \$1.77 million, bringing it to \$28.2 million.

Assessments to member towns

A level services budget would call for assessments to member towns to increase an overall total of 11.9% as follows:

FY09	FY10 Level Services	
12,395,375	13,914,238	12.3%
1,024,307	1,174,332	14.6%
1,130,932	1,261,146	11.5%
1,454,908	1,555,590	6.9%
<u>16,005,522</u>	<u>17,905,305</u>	<u>11.9%</u>

A “best case scenario” of a 3.5% increase to Amherst’s assessment would call for assessments to member towns to increase an overall total of 3.1% as follows:

FY09	FY10 Best Case Scenario	
12,395,375	12,829,201	3.5%
1,024,307	1,082,597	5.7%
1,130,932	1,163,128	2.8%
1,454,908	1,434,115	-1.4%
<u>16,005,522</u>	<u>16,509,041</u>	<u>3.1%</u>

A “worst case scenario” would call for assessments to member towns to be reduced an overall total of – 2.0% as follows:

FY09	FY10 Worst Case Scenario	
12,395,375	12,190,755	-1.7%
1,024,307	1,028,620	0.4%
1,130,932	1,105,454	-2.3%
1,454,908	1,362,638	-6.3%
<u>16,005,522</u>	<u>15,687,466</u>	<u>-2.0%</u>

A “middle case scenario” would call for assessments to member towns to increase an overall total of 0.8% as follows:

FY09	FY10 Middle Case Scenario	
12,395,375	12,536,322	1.1%
1,024,307	1,057,836	3.3%
1,130,932	1,136,671	0.5%
1,454,908	1,401,326	-3.7%
<u>16,005,522</u>	<u>16,132,154</u>	<u>0.8%</u>

While it is likely that we will not know for some time how much budget support will ultimately be available, school district leadership will continue to review and prioritize potential cuts to a level services budget that would be required to meet the available funding.