

## 2018-2019 Budget FAQ's

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## 2018-2019 Budget FAQ's

*Why is there such a difference between the tax assessment increase in South Berwick (0.74%) and Eliot (3.94%)?*

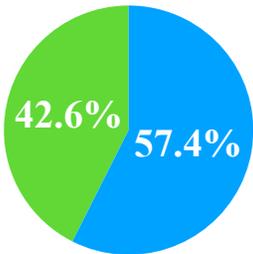
The State of Maine made many different changes to the State Subsidy Funding Formula for the 2018-2019 school year. The most significant change, as it relates to the breakdown of subsidy, was the increase in the State's expected mil rate from \$8.19 for the 2017-2018 school year to \$8.51 for next school year. This mil rate is multiplied by the average state valuation in each community to determine each Town's "Required Local Contribution".

In 2017-2018 South Berwick's "Required Local Contribution" was \$5,399,277 and for 2018-2019 the "Required Local Contribution" climbed to \$5,708,508 a 5.72% increase.

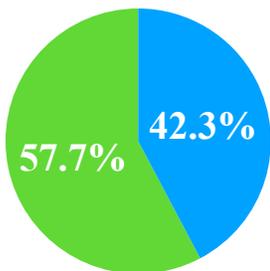
In 2017-2018 Eliot's "Required Local Contribution" was \$7,076,482 and for 2018-2019 the "Required Local Contribution" climbed to \$7,703,678 a 8.86% increase.

These increases in the "Required Local Contribution" are part of the EPS formula and are governed by State statute and cannot be altered, except by special legislation.

- Eliot Valuation
- South Berwick Valuation



The other parts of the tax assessment are the "Additional Local Contribution" and "Local Debt Service" both of which are the communities share of the amount that the District expends in excess of the District's municipal allocation. In most communities these amounts are split based on the same formula as the state subsidy calculation. On November 7, 2006 on a special referendum, the voters in Eliot and South Berwick agreed to split these amounts 50% based on student enrollment and 50% based on property valuation.



- Eliot Enrollment
- South Berwick Enrollment

Based on the enrollment figures, Eliot makes up 42.3% of the students in the District, but also accounts for 57.4% of the property valuation for the two communities. As stated above, the communities agreed to split the "Additional Local Contribution" and "Local Debt Service" 50% based on enrollment and 50% based on property valuation. This makes Eliot's share of the 49.9%  $((42.3\% + 57.4\%)/2)$  and South Berwick's share 50.1%  $((57.7\% + 42.6\%)/2)$ .

The "Additional Local Contribution" for 2018-2019 is \$3,908,063. Eliot's portion of the "Additional Local Contribution" is 49.9% or \$1,948,324 (a decrease of \$256,532) and South Berwick's portion of the "Additional Local Contribution" is 50.1% or \$1,959,739 (a decrease of \$252,101).

The "Local Debt Service" for 2018-2019 is \$237,252. Eliot's portion of the "Local Debt Service" is 49.9% or \$118,279 (an increase of \$159) and South Berwick's portion of the "Local Debt Service" is 50.1% or \$118,972 (a decrease of \$159).

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## 2018-2019 Budget FAQ's

*How much money per student is Rollinsford paying to our school system to educate their students?*

For the 2018-2019 budget, we are projecting a total of 150 students

To calculate a tuition amount for these students, the district takes the prior year operating budget (\$31,590,682), and removes the following items: Student Transportation (\$1,789,067), Special Education Costs (\$3,531,953), Vocational Education Costs (\$170,303), Out of District Tuition (\$698,105) and State Paid Debt Service (\$1,138,484). This remaining amount (\$24,262,770) is then divided by the April 1, 2017 MSAD #35 Subsidizable Enrollment (2,236) and the Rollinsford Enrollment for 2018 (150).

$$\$24,262,770 / (2,236 + 150) = \$10,168.81$$

This \$10,168.81 is multiplied by the projected enrollment for our 2018-2019 budget (150) and amounts to \$1,525,322.

Additional costs for special education are billed separately on a fee for service basis. A copy of the Rollinsford agreement is available on the District's website.

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## 2018-2019 Budget FAQ's

*I see that the enrollment at Central School per your budget book has increased. Why are the teaching positions at Central Elementary School decreasing?*

Before we begin the District's budget process, we review annual enrollment trends and estimate the enrollment figures for following fiscal year. When putting together the budget for the 2017-2018 fiscal year, we did so with an enrollment projection of 373 students. Actual enrollment at Central Elementary School as of November 9, 2017 was 351 students, which was 22 students less than our enrollment projection.

Our enrollment projection for next year is 363 students, which while significantly more than our current enrollment of 351, is still less than what we projected and staffed for last year. That is why the Superintendent's recommended budget is to reduce staffing by 1 teacher at Central Elementary School.

	Actual Enrollments								Projected	Board Class Size Policy	Projected Class Sizes
	2011	2012	2013	2014	2015	2016	2017	2018	2019		
Pre K	91	69	73	72	53	74	72	60	66	<= 16	2 Sessions of 16 and 2 Sessions of 17
K	95	90	73	84	76	60	83	77	80	14 - 18	5 Classes of 16
1	87	96	95	94	89	76	68	76	77	14 - 18	3 Classes of 15 and 2 Classes of 16
2	105	87	104	80	91	95	77	64	76	18 - 22	4 Classes of 19
3	87	108	93	103	81	83	97	74	64	18 - 22	2 Classes of 21 and 1 Class of 22
<b>Total</b>	<b>465</b>	<b>450</b>	<b>438</b>	<b>433</b>	<b>390</b>	<b>388</b>	<b>397</b>	<b>351</b>	<b>363</b>		

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## 2018-2019 Budget FAQ's

*Why is the Superintendent recommending a reduction of one (1) Grade 3 teacher at Central School?*

The District reviews both individual grade level enrollment projection and the School Board's class size policy very carefully when making decisions regarding staffing. There are currently 4 Grade 3 teachers at Central Elementary School. Without a reduction of one teacher, each Grade 3 class would have 16 students in it, which would be below the minimum as set forth in the Board's class size policy for Grade 3. Therefore the Superintendent is recommending cutting a teacher position in Grade 3 at Central Elementary School.

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## 2018-2019 Budget FAQ's

*What does "per pupil cost" mean?*

The state calculates a "per pupil costs" for each district each school year. All expenditures except the following are included in calculating a per pupil costs:

- Major Capital Outlays
- Debt Service
- Transportation
- Food Service
- Adult Education
- State and Federal Grant Expenditures

The total amount of district expenditures, excluding those listed above, is divided by the average annual enrollment. Total per pupil cost is an efficient means of comparing schools with differing enrollments and overall total costs, and it is how the State determines subsidy.

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## 2018-2019 Budget FAQ's

*Where does MSAD 35 stand in terms of educational quality and its per pupil costs compared to other high-performing Districts?*

Here is how MSAD 35's per pupil costs compared to other high-performing schools as well as the corresponding testing results for both english and mathematics. The information below is for the 2015-2016 fiscal year, the most recent available.

<u>District</u>	<u>Per Pupil Costs</u>	<u>Percentage of Students at or above State Expectations (Math)</u>	<u>Percentage of Students at or above State Expectations (English)</u>
<b>RSU 35 / MSAD 35 (Marshwood)</b>	<b>\$ 10,952</b>	<b>48.86%</b>	<b>58.96%</b>
Scarborough	\$ 12,007	58.39%	72.19%
Yarmouth	\$ 12,370	74.26%	79.00%
Falmouth	\$ 12,712	72.55%	80.64%
Cape Elizabeth	\$ 13,153	62.28%	71.80%
RSU 51 / MSAD 51 (Greely)	\$ 14,757	62.29%	72.81%
Wells - Ogunquit	\$ 15,000	48.45%	63.61%
York	\$ 15,085	57.40%	73.75%
* State Average	\$ 11,349	38.31%	50.58%

As you can see, the District compares favorably to other high-performing schools in the State in terms of academic proficiency even while being out spent by as much as \$4,133 on a per pupil basis!

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## 2018-2019 Budget FAQ's

*Where does MSAD 35 stand in terms of education quality and its per pupil costs compared to other nearby Districts?*

Here is how MSAD 35's per pupil costs compared to nearby schools as well as the corresponding testing results for both english and mathematics. The information below is for the 2015-2016 fiscal year, the most recent available.

<u>District</u>	<u>Per Pupil Costs</u>	<u>Percentage of Students at or above State Expectations (Math)</u>	<u>Percentage of Students at or above State Expectations (English)</u>
Sanford	\$ 9,997	33.23%	42.00%
RSU 60 / MSAD 60 (Noble)	\$ 10,808	47.40%	53.59%
<b>RSU 35 / MSAD 35 (Marshwood)</b>	<b>\$ 10,952</b>	<b>48.86%</b>	<b>58.96%</b>
Kittery	\$ 12,549	24.68%	60.80%
York	\$ 15,085	57.40%	73.75%
Wells - Ogunquit	\$ 19,511	48.45%	63.61%
* State Average	\$ 11,349	38.31%	50.58%

As you can see, not only are MSAD 35's per pupil costs below the State's average, we are also one of the lowest per pupil costs of the nearby School Districts, while our academic proficiency is among the highest of the nearby School Districts.

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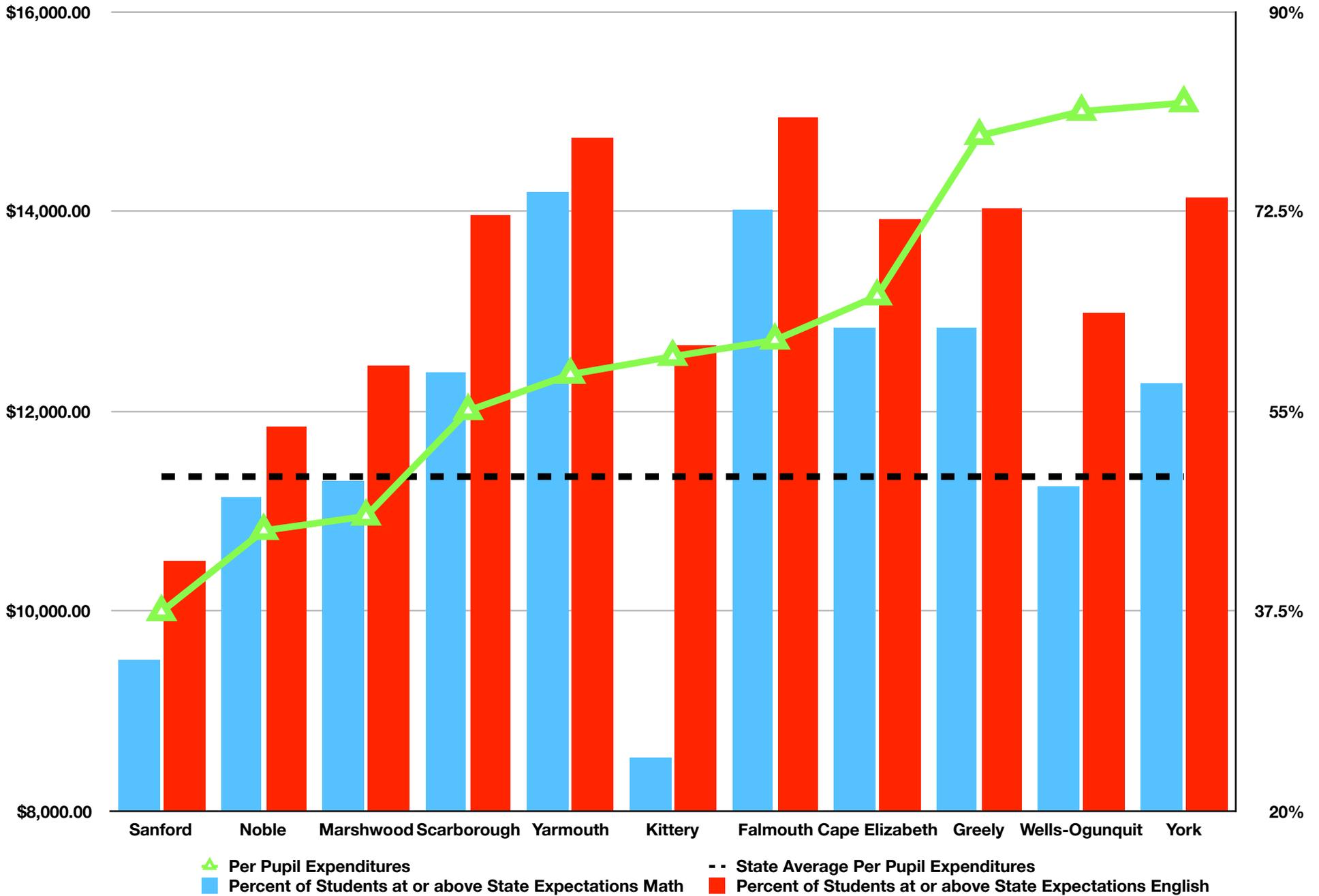
## 2018-2019 Budget FAQ's

*How have per pupil costs changed compared to the per pupil costs of the high performing School Districts and nearby Districts listed above?*

<u>District</u>	Per Pupil Costs <u>2014-2015</u>	Per Pupil Costs <u>2015-2016</u>	Dollar Increase (Decrease)	Percent Increase (Decrease)
Sanford	\$ 10,060	\$ 9,997	\$ (63)	-0.63%
RSU 60 / MSAD 60 (Noble)	\$ 10,680	\$ 10,808	\$ 128	1.20%
<b>RSU 35 / MSAD 35 (Marshwood)</b>	<b>\$ 10,677</b>	<b>\$ 10,952</b>	\$ 275	2.58%
Scarborough	\$ 11,291	\$ 12,007	\$ 716	6.34%
Yarmouth	\$ 12,613	\$ 12,370	\$ (243)	-1.93%
Kittery	\$ 12,463	\$ 12,549	\$ 86	0.69%
Falmouth	\$ 11,904	\$ 12,712	\$ 808	6.79%
Cape Elizabeth	\$ 12,717	\$ 13,153	\$ 436	3.43%
RSU 51 / MSAD 51 (Greely)	\$ 13,597	\$ 14,757	\$ 1,160	8.53%
Wells - Ogunquit	\$ 15,054	\$ 15,000	\$ (54)	-0.36%
York	\$ 14,041	\$ 15,085	\$ 1,044	7.44%
 * State Average	 \$ 11,105	 \$ 11,349	 \$ 244	 2.20%

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# Academic Performance vs. Per Pupil Costs



## 2018-2019 Budget FAQ's

*What was the actual State funding in the past 7 years (2012 through 2019) versus what was budgeted for those years?*

<u>Fiscal Year</u>	<u>State Funding (per ED279)</u>	<u>Total Budget</u>	<u>Percent State Funded</u>
2012-2013	\$11,915,605	\$26,785,591	44.49%
2013-2014	\$12,734,919	\$28,129,397	45.27%
2014-2015	\$12,384,588	\$29,782,485	41.58%
2015-2016	\$12,570,638	\$30,314,047	41.47%
2016-2017	\$11,969,766	\$31,444,172	38.07%
2017-2018	\$11,201,260	\$31,590,682	35.46%
2018-2019*	\$10,175,733	\$30,496,215	33.37%

\* Proposed

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## 2018-2019 Budget FAQ's

*What if the voters do not approve the School Budget at the Budget Validation Referendum on Tuesday, June 12, 2018?*

FY 18 Budget Timeline:

- May 2, 2018 - School Board approves the FY 19 Recommended Budget warrant articles that are presented for approval at the District Budget Meeting.
- May 16, 2018 - District Budget Meeting, public approves budget warrant articles that establish the FY 19 School District Budget which goes to a referendum vote.
- June 12, 2018 - Budget Validation Referendum, public votes to approve FY 19 School District Budget established at the District Budget Meeting.

According to state law, Title 20A section 1487, if the voters do not approve the budget submitted for validation on Tuesday June 12, 2018, the School Board must hold additional District Budget Meetings and Budget Validation Referendums until a budget is finally approved by the voters. If the voters do not approve a budget before the beginning of the fiscal year, July 1, 2018, the budget approved at the latest District Budget Meeting is automatically considered the budget for the ensuing year until the voters approve a budget at a Budget Validation Referendum.

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## 2018-2019 Budget FAQ's

*How is our state subsidy amount calculated?*

The State Department of Education uses the following seven step process to calculate our state subsidy amount:

Step #1. Using the EPS formula and the financial and staffing data from each district the State Department of Education calculates a minimum amount that each district should be spending on PK-12 education and adds these individual district amounts together to come up with a state-wide amount.

Step #2. In accordance with the law, the state legislature should fund 55% of the number arrived at in Step #1, however the governor and the legislature agree on an amount they feel the state can afford to contribute towards education, which has never reached the required 55% mark.

Step #3. The State Department of Education calculates the total amount that all local districts must contribute by subtracting the state contribution arrived at in Step #2 from the statewide recommended expenditure amount from Step #1.

Step #4. The Maine Revenue Service provides the Maine Department of Education the certified full-equalized value of all real and personal property subject to taxation in the state.

Step #5. The Maine Department of Education uses the property value amount in Step #4 to calculate a minimum required mil rate that each local district should use to raise taxes in support of education in its district by dividing the statewide local district contribution from Step #3 by the statewide property valuation.

Step #6. The Maine Department of Education calculates the minimum required contribution by multiplying the minimum required mil rate established in Step #5 by the state certified property value in each town.

Step #7. Each district's subsidy is the difference between the amount the EPS formula recommend is spent from Step #1 and the minimum required contribution calculated in Step #6.

See calculations for MSAD 35 below:

	<u>FY 2017-2018*</u>	<u>FY 2018-2019</u>	<u>Change</u>
<b>EPS Minimum Recommended Amount</b>	\$22,929,249	\$23,587,919	\$658,670
<b>District Certified Property Value</b>	\$1,504,916,667	\$1,576,050,000	\$71,133,333
<b>Minimum Required Mil Rate</b>	\$8.19	\$8.51	\$0.32
<b>Minimum Required Local Contribution</b>	\$12,325,268	\$13,412,186	\$1,086,918
<b>State Subsidy</b>	\$10,603,981	\$10,175,733	-\$428,248

\*Amounts for State paid Debt Service have been removed for comparison purposes

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## 2018-2019 Budget FAQ's

*Why does the School District need a Central Office if the State is continuing to reduce the State Subsidy to fund Central Office?*

- The School District is the largest employer in both South Berwick and Eliot with over 380 full or part-time employees (exclusive of the District's 100+ substitutes). The Central Office manages payroll and human resource for all of these employees.
- In addition to the payroll and human resources functions, the Central Office is responsible for creating and managing the budget for and the daily operation of the following support functions:
  - The District manages five campuses, three properties in South Berwick and two properties in Eliot. These campuses encompass approximately one hundred twenty-four acres, all maintained by the District. On these five campuses, the District operates six buildings totaling 447,337 square feet. The overall appraised value of these facilities is approximately \$80,000,000. Maintenance and operation of these facilities is costly. Each year the District purchases approximately 18,000 gallons of heating oil, 115,000 gallons of propane, 12,000 Dth of natural gas and 2.6 million kWh of electricity.
  - The District also leases a bus maintenance facility, where it stores, operates and repairs 29 buses, and 8 vans. These vehicles travel approximately 450,000 miles per year using 55,000 gallons of diesel fuel and 8,000 gallons of gasoline. These vehicles allow the District to transport over 2,300 students to and from school, to athletic contests, and field trips.
  - The District also operates 5 cafeterias at its schools, which serve approximately 160,000 meals per year to its students.

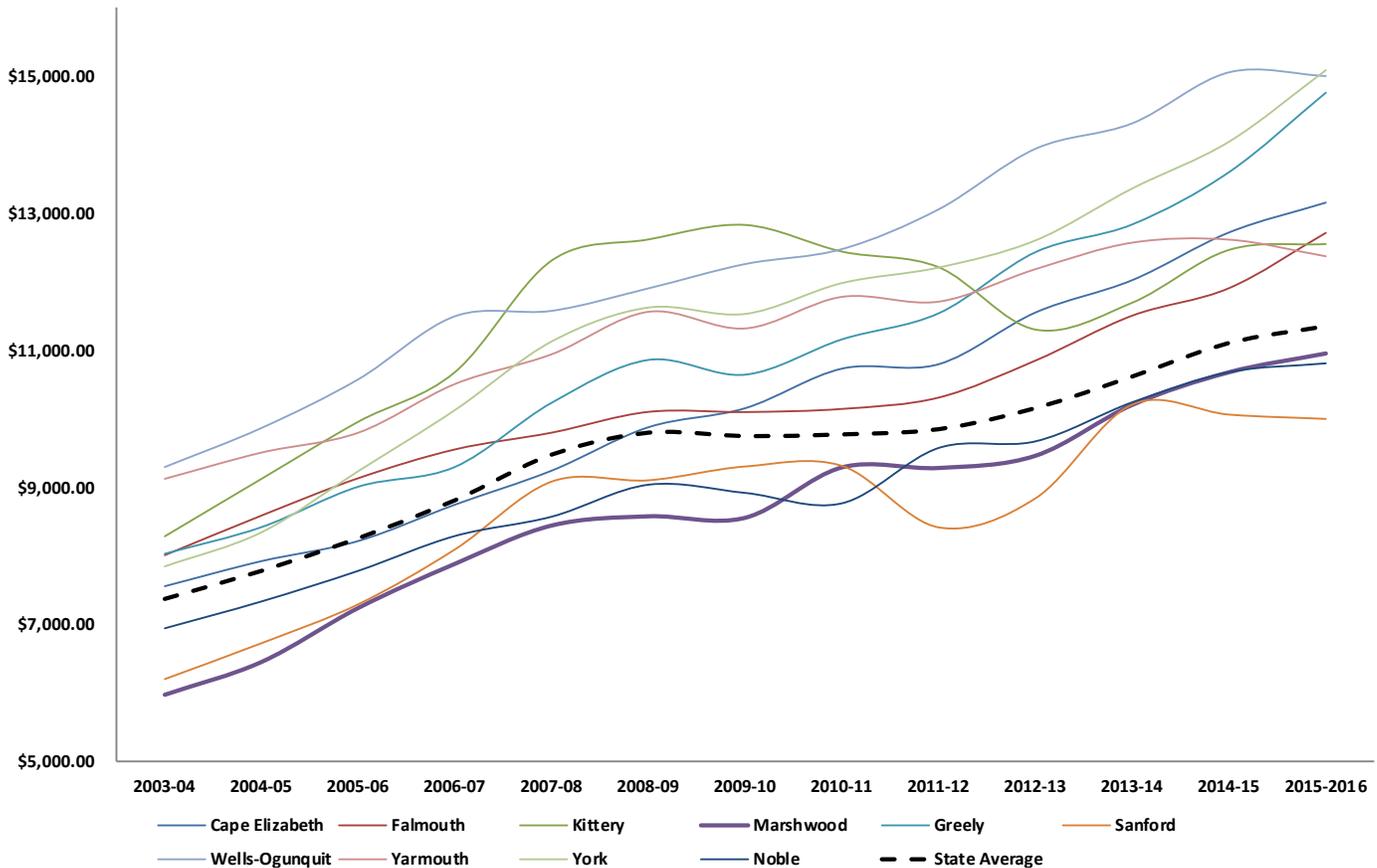
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## 2018-2019 Budget FAQ's

*If student enrollment has decreased in the District over the past several years, why do tax rates continue to increase?*

Every cost in the District is tied to student enrollment. If there were zero students to educate, the District budget would be \$0. Over the past 13 years the District's per pupil spending has increased but not disproportionately in comparison with the State average. [See below]. As this spending is on a per pupil basis, declining enrollment has been taken into account.

### Per Pupil Costs 13 Year Comparison



In the past two years alone the District's State Subsidy has decreased by more than \$657,000.

The only mechanism to raise the additional funds passed onto MSAD 35 by the State is to raise the money through local taxation. As seen above, the District remains high performing even though per pupil spending remains below the State average. The District is efficient and mindful of every dollar spent to educate its students, but is dangerously close to a tipping point where additional cuts to reduce the tax burden would irreparably harm the educational core of our District.

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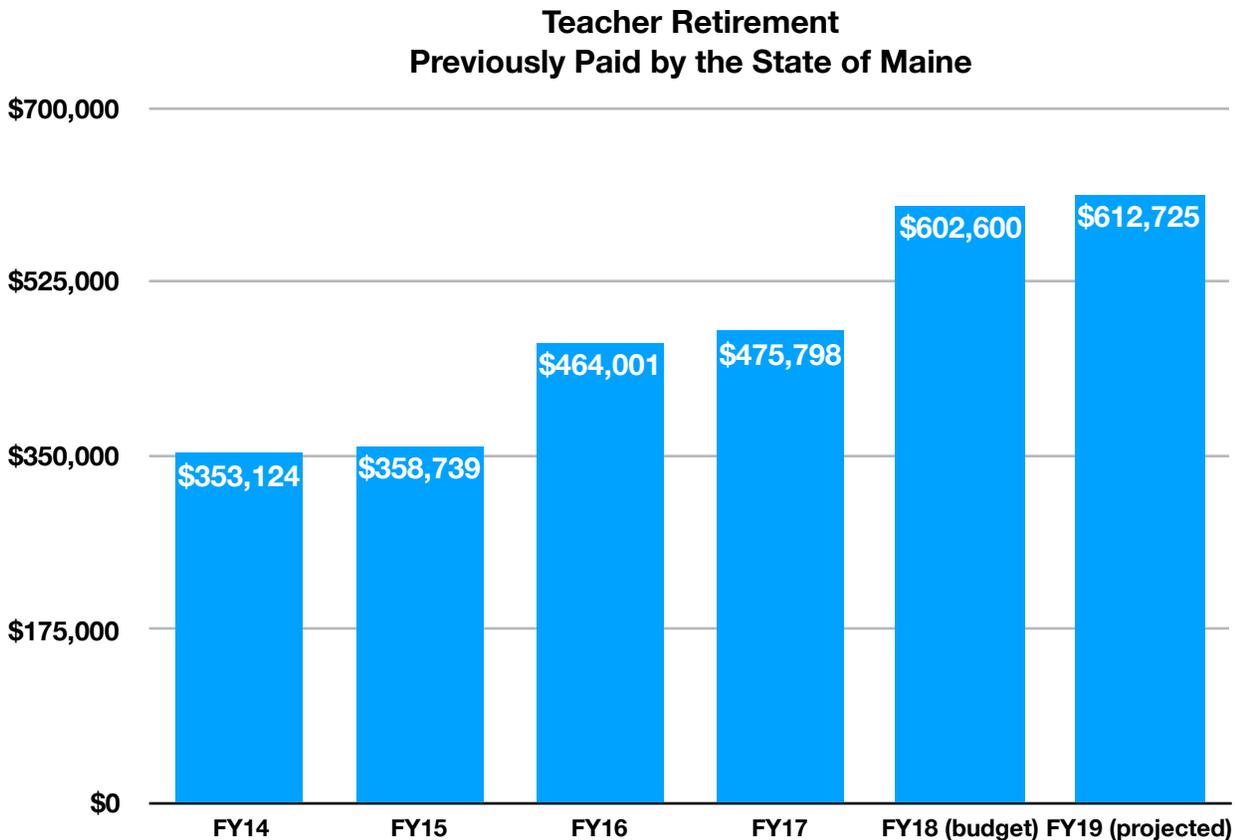
## 2018-2019 Budget FAQ's

*Why does the district fund any portion of the teacher retirement cost?*

There are three components of the employer portion of the teacher retirement contribution. The contribution percentages are set by the MePERS Board and have increased over time. These are the rates for FY 19:

Normal retirement contribution	3.97%
Unfunded Actuarial Liability (UAL) contribution	11.08%
Administrative contribution	0.6%
<b>Total Contribution</b>	<b>15.65%</b>

Prior to fiscal year 2014 the state paid all three contribution components to the retirement fund. Beginning in FY14 the state passed on the normal retirement contribution component to the local districts. From the chart below you can see that this has amounted to a shift of over \$2.8 million from the state to the local taxpayers.



In addition, the teachers contribute 7.65% of their salary to the retirement fund. They are exempt from the Social Security program. They do not contribute to social security and therefore do not qualify for social security benefits upon retirement.

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## 2018-2019 Budget FAQ's

*Why doesn't the District use more fund balance so my taxes don't go up?*

The District reviews its year-end fund balance at the end of each fiscal year. The District requires a minimum of 6% of the subsequent year's operating budget in the District's fund balance in order to have the necessary resources on hand to operate the District's schools. Please see the breakdown of the District's fund balance below:

Fund Balance at 06/30/17	\$2,657,572
Less: Budgeted Use of Fund Balance FY18	-\$870,000
Ending Fund Balance FY18	<u>\$1,787,572</u>

The District is committing an additional \$870,000 of fund balance in order to reduce the tax burden for next year. With the budget at \$30,496,215 for the FY19 fiscal year the District's fund balance should be at \$1,829,773 to be in compliance with the District's fund balance policy. The District will already be below that without factoring in the use of the \$870,000 in for the FY19 fiscal year.

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## 2018-2019 Budget FAQ's

*If expenditures are remaining flat year over year, why are my taxes increasing?*

Unfortunately for the District, the State of Maine funds approximately 33% of the District's budget. This figure has been in a state of free fall over the past several years, decreasing 5.8% from 2017-2018 and 12.3% from 2016-2017, as the State has been moving funding to special education and the economically disadvantaged.

For the 2018-2019 fiscal year, the main mechanism the State used to accomplish this was to increase the mil rate expectation from \$8.19 to \$8.51 or \$0.32. The greater a school district's property valuation, the larger the impact this change has on the district. The increase in the mil rate results in a \$481,573 increase in the District's expected municipal contribution using last year's 2017-2018 District Certified Property Value.

Again, unfortunately for the District, the state also modified the funding formula to utilize a two-year average for the District Certified Property Value, instead of the three-year average which was used in the past. Coupled with increases in property values, the District's Certified Property Value increased \$71,133,333 in one year! This change alone resulted in an increase in the District's expected municipal contribution of \$605,345.

As you can see, the District's expected municipal contribution increased \$1,086,918 (\$481,573 + \$605,345) from the 2017-2018 fiscal year to the 2018-2019 fiscal year.

The State of Maine's total municipal allocation for all District's increased significantly across the State. For our District the increase was \$658,670, even factoring in our decrease in enrollment. This increase is due to the state's recognition of the rising costs of public education. The state recognized the problem, but did not have a financial strategy to fund these increased costs across the State of Maine. Therefore the State increased the mil rate expectation as noted above. Due to the high property values in both of our communities, the increase in the mil rate cost the District \$1,086,918. We only receiving an additional \$658,670 in new funding allocated to our District, resulting in an overall loss of State funding of \$428,248. Even though the District's budget is essentially flat in 2018-2019, the District has to increase the tax assessment to keep our budget level.

	<u>2017-2018</u>	<u>2018-2019</u>	<u>Change</u>
Total Municipal Allocation	\$22,929,249	\$23,587,919	\$658,670
District Certified Property Value	\$1,504,916,667	\$1,576,050,000	\$71,133,333
Minimum Required Mil Rate	\$8.19	\$8.51	\$0.32
Minimum Required Local Contribution	\$12,325,268	\$13,412,186	\$1,086,918
State Subsidy	\$10,603,981	\$10,175,733	-\$428,248

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## 2018-2019 Budget FAQ's

*Why did the District's fields and grounds maintenance budget increase \$10,000?*

The District increased the fields and grounds maintenance budget to account for a rock wall needing to be replaced at Eliot Elementary School next year. There was also a severe washout of the hill at the Great Works School in the current fiscal year which needed to be repaired immediately. This ended up putting several other projects on hold, as the money allocated for those projects was used to fund the washout at the Great Works School. Therefore, the District placed an additional \$10,000 into the fields and grounds budget to account for these costs.

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## 2018-2019 Budget FAQ's

*The District reduced funding for electricity \$25,000 for the 2018-2019 budget. How is that possible?*

The District signed a 5 year agreement with Champion Energy Services for electricity beginning in December 2017. This contract was for significantly less than we were paying for the past two years and resulted in the District saving approximately \$50,000 per year. As the contract was signed beginning December 2017, \$25,000 in savings was allocated to the 2017-2018 budget and \$25,000 in savings was allocated to the 2018-2019 budget.

The main reason for the change in pricing was the District's management of its Forward Capacity Charge. This charge (generally for the summer months when the energy grid is at capacity) is being managed at all of our school buildings. Electricity is now generally conserved as much as possible in all of our buildings in July and August between 2pm and 5pm when the grid reaches peak capacity. By managing the usage during these periods for the last several years, we were able to negotiate an affordable all inclusive price (for both delivery and the commodity) for electricity. Our previous contract was not all inclusive (including separate charges for both delivery and the commodity). When using upwards of 2.6 million kWh of electricity per year a change in pricing of less than \$0.02 per kWh, as we negotiated, resulted in savings of \$50,000.

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