

# Rutland City School Board

## Frequently Asked Budget Questions

### February 1, 2011

#### **1. What makes up the Rutland City Schools budget?**

The proposed budget for Rutland City Public Schools for fiscal year 2012 (July 1, 2011-June 30, 2012) is \$44,382,281. This amount comprises total spending for Northeast Primary School, Northwest Primary School, Pierpoint EEE 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. Is the FY 2012 budget higher or lower than last year?**

The FY 2012 budget is **\$627,423 lower (1.4% lower)** than the budget approved by Rutland City voters for fiscal year 2011.

#### **3. What was cut from the first draft of the FY 2012 budget?**

The first draft of the FY12 budget included increased costs for labor contracts, benefits, and other relevant changes in revenues and programs. A total of \$993,000 was cut from the first draft of the budget so that there would be no increase in the educational property tax rate for Rutland City taxpayers (from the \$1.3792 rate in FY 2011). As of this writing, the Department of Education is recommending school districts use a base State tax rate assumption of 87 cents for FY 2012, and that assumption has been used by the Board of School Commissioners in developing the FY 2012 budget to present to voters. A tax rate lower than 87 cents would reduce the educational property tax rate from the prior year and a higher rate would increase it. **Final tax rates are set by the Vermont Legislature, and not the Rutland City School Board.** The Legislature sets local State property tax rates based on budgets and forecasted revenues from Vermont's 261 school districts. **The proposed Rutland City Schools budget is down 1.4% from FY 2011, and many cuts were made.** These cuts are detailed in another exhibit on the school district's web site ([rutlandcitypublicschools.org](http://rutlandcitypublicschools.org)) and include a reduction of 15 staff positions and 4 temporary funded ARRA (American Reinvestment and Recovery Act) positions.

It is well known that the State of Vermont, like most states, is in a budget crisis and general funds that were formerly available to the Education Fund are no longer available at previous levels. This has forced increases in education property taxes which in turn have led school districts to make cuts in their budgets and services. The State has informed school districts that the crisis will continue into FY 2013 and that further cost cutting may be needed.

#### **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 FY12 are expected to be:

a. State Education Fund	\$26.1 million
b. RHS and Other Tuition Revenue	\$3.0 million
c. Stafford Technical Center Revenue	\$3.9 million
d. Federal & State Grants and Reimbursements	\$10.2 million
e. National School Lunch Program	<u>\$1.2 million</u>
Total:	\$44.4 million

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

The State requires town and municipal treasurers to collect statewide education property taxes along with municipal property taxes. 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 schoolchildren to go to school, not just those in Rutland City.

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

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 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 in the school process 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. In the school budget, 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 2011 (the current year we are in) Rutland City taxpayers will pay about \$12.8 million into the State Education Fund, after prebates and rebates are counted. And Rutland City Schools will get about \$26.7 million from the fund. **If Rutland City had no school children and no school budget, the State Education Fund would still collect about \$11 million from Rutland City because there is a minimum on these 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 Vermont education is funded by many other sources than just property taxes.

### **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 \$45 million. 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 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 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 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. 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, about 70% of residential property taxpayers will have some amount of adjustment off their education property tax. The tax caps entirely phase out at about \$90,000 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 educational property tax would be capped at 2.39% of that household income, or \$430, regardless of the value of her house.

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

That is a long list. We have always discouraged adding new positions and for FY 2012 we have dropped 15 staff 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 and live 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 the lowest of all 62 Vermont school districts in the cost of school administration, both at the central office and school building level.** 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 7% 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 the reduction or cancellation of programs the schools offer and lower school quality by some degree. In FY 2013, we may well be faced with many more cuts. 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. As stated earlier, please see another exhibit on the website for the substantial cuts that have been made this year. 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.

The Board recognizes that cutting expenses means cutting services to children and the best source of information and expertise for those kinds of decisions are from administrators, all of whom 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 2012 budget further, which the School Board has already cut, and that 7% 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 for Rutland City. The schools serve the goal of Rutland City's overall wellbeing. 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 1.

Thank you.

## FY 2012 Tax Effects

	Current Year FY11	FY12 Budget Revenue	Differences
1 Budget (Total Expenses)	\$45,009,704	\$44,382,281	-\$627,423
2 Less Revenue Projection	\$18,296,526	\$17,962,103	-\$334,423
3 = Tap on Education Fund	\$26,713,178	\$26,420,178	-\$293,000
4 Equalized Pupils	2,355.98	2,319.35	-36.63
5 Cost per Pupil	\$11,338.46	\$11,391.20	\$52.74
6 Base Education Amount	\$8,544	\$8,544	\$0
7 District Spending Adjustment	132.707%	133.324%	0.617%
8 State Base Tax Rate	\$0.86	\$0.87	\$0.01
9 Eq. Homestead Tax Rate	\$1.1413	\$1.1599	\$0.0186
10 Common Level of Appraisal	82.75%	84.10%	1.35%
11 Tax Rate on Tax Bills	\$1.3792	\$1.3792	\$0.0000