

# State level advocacy

- MA Association of School Superintendents (M.A.S.S.) are advocating for the legislature related to challenges in special education costs that every district is facing
  - Immediate “pothole” relief with respect to OSD’s projected 14% increase to private special education out-of-district tuitions (ARPA funds?)
  - Increase circuit breaker reimbursement rate to 85% (from 75%)
  - Increase circuit breaker reimburse rate to 90% for tuitions over \$250K
  - Adjust eligibility for circuit breaker to costs 3x over the foundation budget (currently 4x)
- M.A.S.S. also advocating around MSBA caps given rising construction costs
  - MSBA recently announced temporary suspension of its accelerated repair program
  - Reviewing program caps - will only apply to districts that have not yet received Project Scope and Budget approval (i.e. not Westwood)

# Public participation



**03:00**



# School Budget Development Timeline:

Oct	Initial discussion of priorities at October School Committee meeting
Nov	Cost center leaders submit requests Review and discussion of priorities and requests begins
Dec	District leadership team evaluates priorities and develops proposed budget
Jan	Superintendent's proposed budget presented to School Committee
Feb	School Committee holds public budget hearing School Committee votes its budget Proposed school budget presented at Finance and Warrant Commission (FinCom)
Mar	Fin Com public holds public budget hearings District leaders meet with Fin Com Education Subcommittee Fin Com Education Subcommittee presents its report
Apr	Town Election
May	Annual Town Meeting where residents vote to approve budget

Budget Steering Committee meets

# Some context for the current budget discussion:

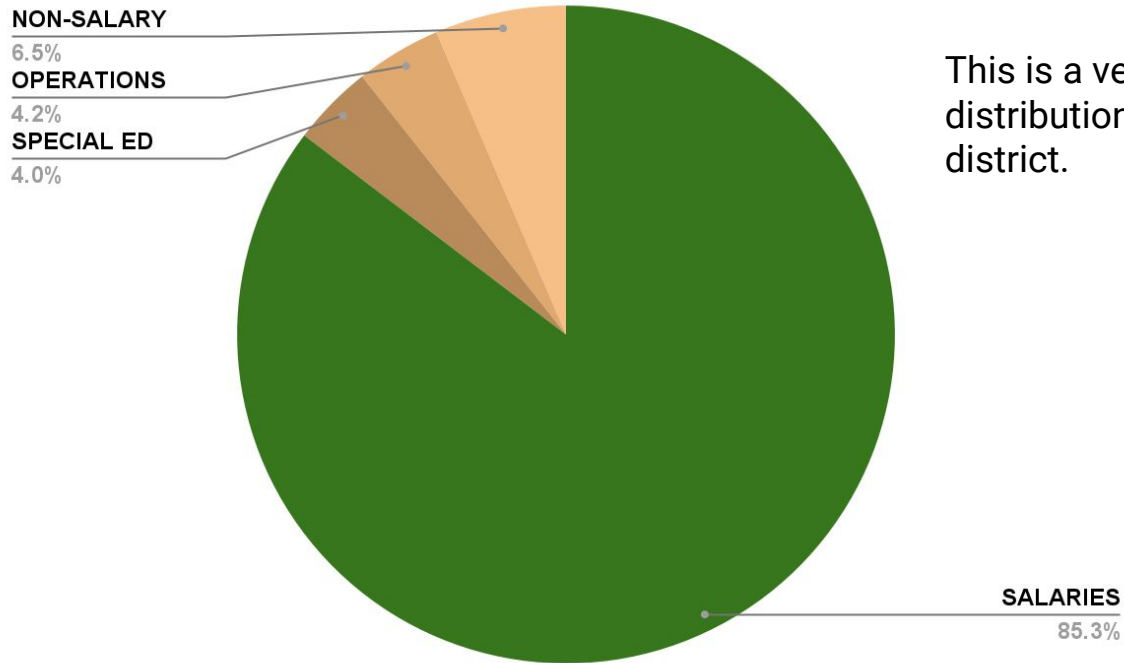
## Funding sources:

- **Tax revenue**
  - Proposition 2 ½ and its impact on towns and schools
  - How Westwood incorporates new growth into its budget process
  - How University Station impacts our budget today
- **Restricted, Variable, or One-Time funds**
  - Chapter 70 state aid
  - Grants, offsets, and revolving funds (e.g. bus fees, athletic fees)
  - ESSER funds
  - Operating vs. capital spending
  - Meal and hotels tax revenue

# FY'24 Budget Development: A very challenging year

- **Increased costs due to inflationary pressures. For example,**
  - heating fuel costs - 15% increase
  - bus contract - 7.43% increase in FY'23 (budgeted 3%), additional 7.01% increase in FY'24
  - SPED transportation contract - 10% increase
- **Significantly increased costs in special education due to:**
  - unexpected tuitions due to summer move-ins
  - OSD indicating 14% increase in private out-of-district tuitions in FY'24
- **Unknown salary increases**
  - 85% of the total budget goes to salaries.
  - With an unsettled contract, we have to make assumptions for both FY'23 and FY'24 in order meet budget deadlines.

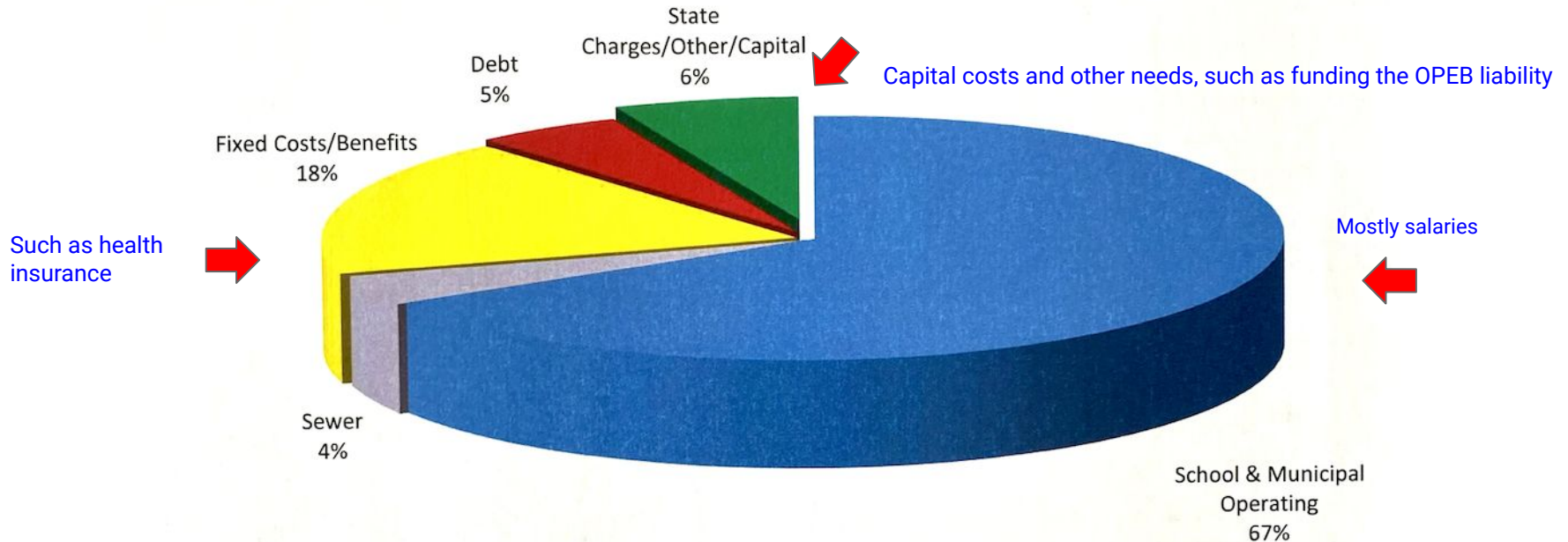
# FY'23 Budget by Category



This is a very typical distribution for a public school district.

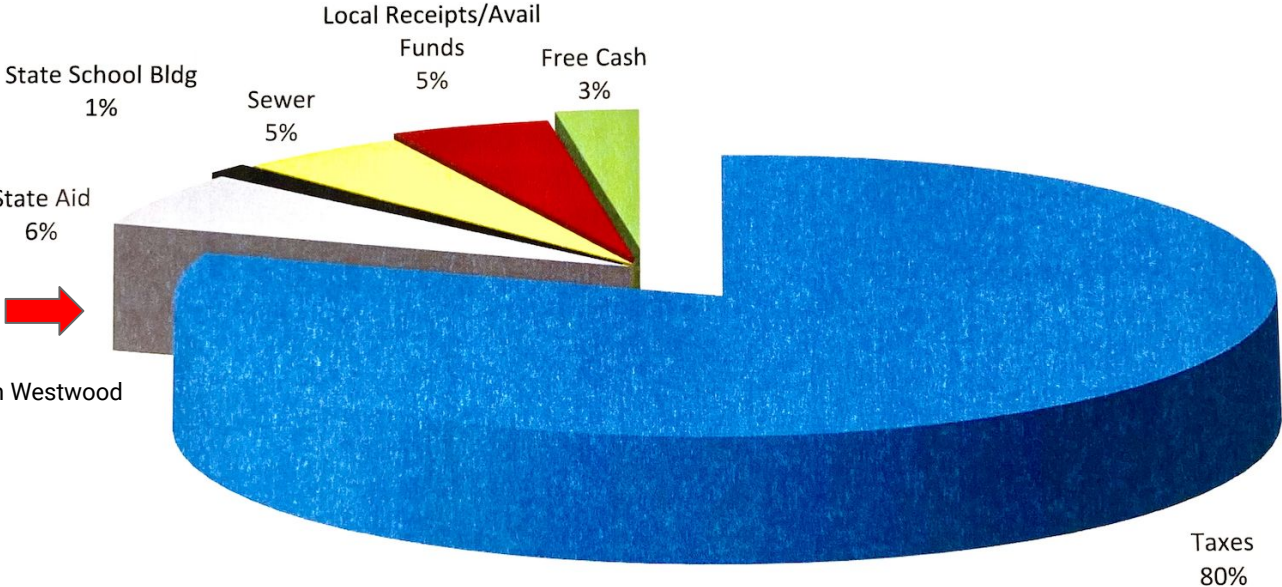
Most expenditures in Westwood are for operating budgets and other fixed costs/benefits:

### FY2023 Expenditure Summary



# Most revenue in Westwood comes from local taxes:

FY2023 Projected Budget Revenue



Most of the state aid in Westwood is Chapter 70



# State Aid

# What is Chapter 70? How does it impact the WPS budget?

- Chapter 70 is the primary way that the state distributes funding to K-12 public schools in MA.
- The Chapter 70 formula is designed to ensure that each school district has sufficient resources to provide an adequate education to students.
  - Takes into account ability of each local government to contribute
  - Formula is designed to have an equalizing effect - less wealthy districts get more state aid
- Town can estimate potential Chapter 70 increases during budgeting process, but that information is limited until the Governor's proposed budget comes out in late January. Increases are highly variable from year to year.

# Local Property Tax Revenue

# What is Proposition 2 ½ and how does it impact municipal (and school) budgets?

In MA, there are limits on how much a municipality can raise taxes each year:

**Proposition 2 ½ is a calculation of the maximum tax a community can levy (“the levy limit”).**

- **Increase limit:** The annual increase of property tax cannot exceed 2.5% (with an exception for new growth)
- **Ceiling:** The total annual property tax revenue raised by a municipality shall not exceed 2.5% of the assessed value of all taxable property contained in it.

# What is a Proposition 2 ½ override?

An override is a vote by the community to exceed the limits of prop 2 ½. The ballot questions has to state a dollar amount and a purpose for the override. Overrides only happen because there is a need, not a desire.

- **Operational override:** A vote to permanently increase the tax levy. (Ex. significant enrollment increases, program changes)
- **Debt exclusion:** A tax increase for the purpose of raising funds to pay for debt service. The tax increase is temporary and lasts only until the debt is paid off. ***This is how major capital investments such as school building projects are funded.***
- **Capital outlay expenditure exclusion:** A tax increase for the purpose of raising funds for specific capital costs. It is a temporary increase.

Tax Levy Calculation	FY2019	FY2020	FY2021	FY2022	Budget FY2023	
Prior Year Levy Limit	\$73,558,364	\$76,623,854	\$79,703,916	\$83,076,625	\$86,718,329	
Plus 2.5% Increase	\$1,838,959	\$1,915,596	\$1,992,598	\$2,076,916	\$2,167,958	Plus 2.5%
Plus New Growth	\$1,226,531	\$1,164,466	\$1,380,111	\$1,564,788	\$550,000	<i>estimated new growth</i>
General Overrides	\$0	\$0	\$0	\$0	\$0	General Override
<b>Tax Levy Limit</b>	<b>\$76,623,854</b>	<b>\$79,703,916</b>	<b>\$83,076,625</b>	<b>\$86,718,329</b>	<b>\$89,436,287</b>	
<b>Exempt Debt</b>	<b>\$1,429,505</b>	<b>\$1,320,986</b>	<b>\$1,217,416</b>	<b>\$1,048,819</b>	<b>\$1,059,561</b>	<b>Exempt Debt</b>
<b>Levy Capacity</b>	<b>\$78,053,359</b>	<b>\$81,024,902</b>	<b>\$84,294,041</b>	<b>\$87,767,148</b>	<b>\$90,495,848</b>	What we could tax
Actual Levy Assessed	\$76,955,697	\$80,224,068	\$83,468,800	\$86,593,963	\$90,335,810	What we do tax
Excess Levy (Taxes not raised)	\$1,097,662	\$800,834	\$825,241	\$1,173,185	\$160,038	Unused Tax Levy

These are not actual dollars. This is potential revenue that could be raised.



**Proposition 2 1/2 controls the total taxes a Town can raise.  
It does not apply to an individual tax bill.**

- New growth is an estimate throughout the budget cycle.

Tax Levy Calculation	FY2019	FY2020	FY2021	FY2022	FY2023	Budget FY2024	
Prior Year Levy Limit	\$73,558,364	\$76,623,854	\$79,703,916	\$83,076,625	\$86,718,329	<b>\$90,010,426</b>	
Plus 2.5% Increase	\$1,838,959	\$1,915,596	\$1,992,598	\$2,076,916	\$2,167,958	\$2,250,261	Plus 2.5%
Plus New Growth	\$1,226,531	\$1,164,466	\$1,380,111	\$1,564,788	<b>\$1,124,139</b>	\$550,000	<i>estimated new growth</i>
General Overrides	\$0	\$0	\$0	\$0	\$0	\$0	General Override
<b>Tax Levy Limit</b>	<b>\$76,623,854</b>	<b>\$79,703,916</b>	<b>\$83,076,625</b>	<b>\$86,718,329</b>	<b>\$90,010,426</b>	<b>\$92,810,687</b>	
<b>Exempt Debt</b>	<b>\$1,429,505</b>	<b>\$1,320,986</b>	<b>\$1,217,416</b>	<b>\$1,048,819</b>	<b>\$1,059,561</b>	<b>\$4,369,541</b>	<b>Exempt Debt</b>
<b>Levy Capacity</b>	<b>\$78,053,359</b>	<b>\$81,024,902</b>	<b>\$84,294,041</b>	<b>\$87,767,148</b>	<b>\$90,495,848</b>	<b>\$97,180,228</b>	What we could tax
Actual Levy Assessed	\$76,955,697	\$80,224,068	\$83,468,800	\$86,593,963	\$90,335,810	TBD	What we do tax
Excess Levy (Taxes not raised)	\$1,097,662	\$800,834	\$825,241	\$1,173,185	<b>\$795,576</b>	TBD	Unused Tax Levy



**Proposition 2 1/2 controls the total taxes a Town can raise.  
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- New growth is an estimate throughout the budget cycle.

# Past Budget Increases:

<b>WPS Operating Budget Increases</b>									
FY'14	FY'15	FY'16	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23
3.2%	4.2%	5.4%	6.0%	3.3%	3.4%	3.5%	3.6%	3.4%	3.5%



# Impact of Significant New Growth - University Station

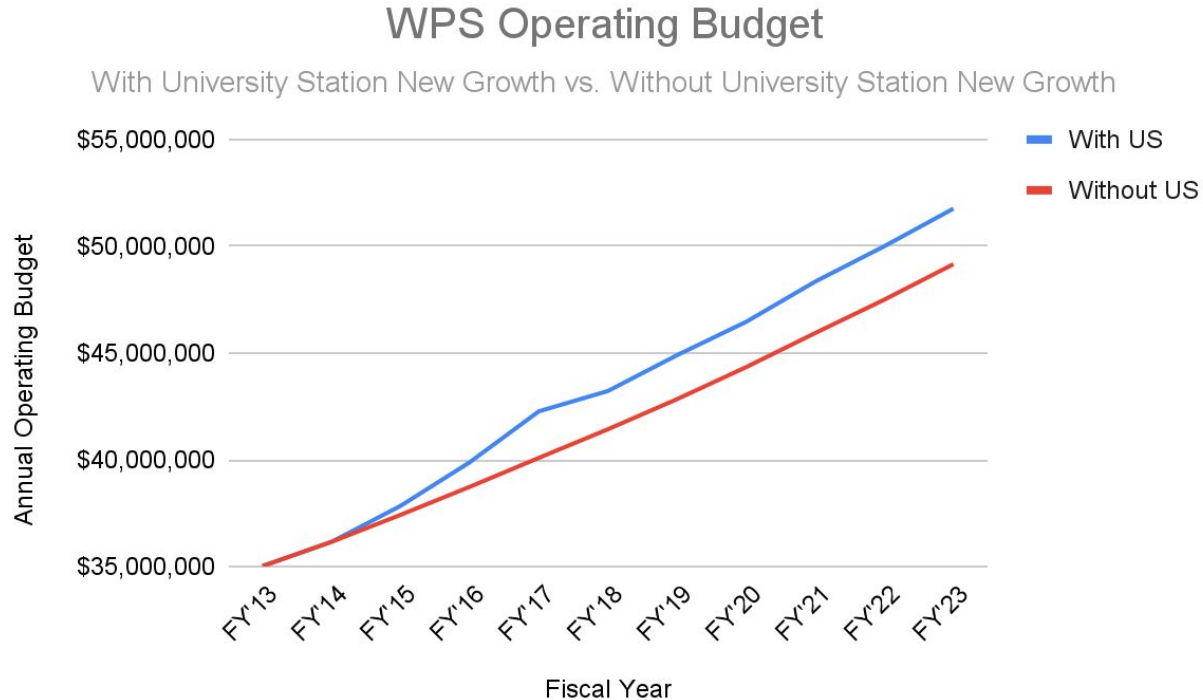


# What about University Station? Doesn't it provide significant revenue?

- The commercial tax revenue generated from businesses at University Station does provide a lot of revenue to the Town and, by extension, the schools.
- The additional annual tax revenue from University Station to the Town is \$6.6M.
- As the businesses at University Station came online (about 8 years ago), that **new growth** was added to the calculation of the Town's levy limit.
- Additional revenue raised from University Station is **already included in our budget**. University Station **no longer provides significant additional new growth** – but without it, we'd be in big trouble.

FY'14	FY'15	FY'16	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23
3.2%	4.2%	5.4%	6.0%	3.3%	3.4%	3.5%	3.6%	3.4%	3.5%

# How did University Station Affect the WPS Budget?



# Restricted, Variable, or One-Time Revenue



# What about grants, offsets, revolving funds, and reserve accounts?

Our operating budget is built on multiple funding sources. The external funds are **restricted for specific purposes** and sometimes **variable**.

These grants and revolving funds provide **offsets** to our operating budget that fund a **fraction** of operating costs in the following categories:

- Bus fees (partially funds existing Bus Contract)
- Athletic fees (partially funds existing Athletic costs)
- Preschool tuition (partially funds existing Preschool positions)
- IDEA grant (partially funds existing SPED costs)
- Circuit breaker (partially funds existing SPED costs)
- SPED reserve (one-time contributions from Town and Medicaid reimbursement, partially funds unanticipated SPED costs)
- Solar (partially funds utility expenses)

# How much ESSER funding did WPS receive?

ESSER funding (federal COVID relief) was related to the Title I formula (federal money to districts with high numbers of low income students). Westwood doesn't receive Title I.

	Dedham	Medfield	Needham	Norwood	Westwood
ESSER I	\$264,212	\$20,000	\$81,318	\$345,607	\$20,000
ESSER II	\$1,012,242	\$176,255	\$313,310	\$1,320,693	\$85,841
ESSER III	\$2,339,292	\$373,649	\$681,671	\$3,059,236	\$170,448*

\*WPS ESSER I and II funds spent in FY' 21 and FY'22, respectively. WPS ESSER III funds allocated to hiring elementary adjustment counselors for FY'23 and FY'24.

# How does Westwood approach operating vs. capital budgets?

Operating Budget	Capital Budget
Annual appropriation of funds for ongoing expenses, such as salaries, benefits, supplies, etc.	Expenditures for capital or fixed asset improvements (e.g. equipment, technology, furniture, HVAC projects, roof repair, etc.)
Funded from ongoing revenue sources, such as property tax revenue and Chapter 70 aid.	Annual capital budget (about \$1M) is funded through tax revenue.
<b>Not</b> funded through one-time funding sources; doing so would create a structural deficit in the budget.	In Westwood, Town Meeting often approves funding for capital projects through one-time or uncertain sources, such as free cash or hotel/meals tax.

# Five Years of Annual Capital Budgets

Description	FY'19	FY'20	FY'21	FY'22	FY'23
<b>Technology</b>	\$225,000	\$150,000	\$130,000	\$130,000	\$130,000
<b>FF&amp;E</b>	\$129,500	\$111,797	\$111,797	\$100,000	\$30,000
<b>HVAC</b>	\$96,000	\$192,400	\$192,400	\$217,000	\$200,000
<b>Roofing</b>	\$100,000	\$100,000	\$100,000	\$100,000	\$150,000
<b>Improvements</b>	\$256,500	\$402,803	\$402,803	\$400,000	\$487,000
<b>Copiers</b>	\$60,000	\$60,000	\$20,000	\$20,000	\$20,000
<b>Vehicles</b>	\$0	\$0	\$60,000	\$50,000	\$0
<b>TOTAL</b>	<b>\$867,000</b>	<b>\$1,017,000</b>	<b>\$1,017,000</b>	<b>\$1,017,000</b>	<b>\$1,017,000</b>

Allowed to save  
from year-to-year

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# What about capital needs that exceed the capacity of the annual capital budget?

- In Westwood, these items are voted as additional capital articles at Town Meeting.
  - Often funded through a combination of free cash and the meals/hotel tax
    - In 2014, Town Meeting adopted the meals/hotel tax.
    - Residents voted to put this revenue into a separate *special purpose* fund.
    - It is restricted funding, and is not used for operating budgets.
    - All use of this funding requires a 2/3 vote by Town Meeting.
- Examples of items that have been funded in this manner in recent years include: major HVAC projects at WHS and TMS, replacement of the HS turf field, network upgrade

# What about capital needs that exceed the capacity of the annual capital budget?

## This year's needs:

- WHS auditorium lighting and dimming system, constructed in 2004, is reaching the end of useful life and will require update in FY'24 at an estimated cost of \$400K
- Districtwide Network Upgrade, for which materials will be procured soon, is anticipated to cost \$1.13M. The project will be paid for through a combination of sources:
  - An appropriation through an additional capital article at last year's Town Meeting which provided funding for this purpose (meals/hotel tax)
  - Federal "e-rate" funding which provides discounts for telecommunications, internet access, and internal connections to eligible schools and libraries
  - Funds that the district has intentionally saved in the annual capital budget for this purpose over multiple years.
  - Given the cost escalation of the project, another "additional capital" request at this spring's Town Meeting.

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