

Understanding the Rockport Public Schools 2020 Budget



Rockport students in the Community,
Rockport Community in the schools

A Note from the Rockport School Committee:

Welcome to *Understanding the 2020 Rockport School Budget*. With this updated guide we hope to provide a comprehensive but easy-to-access overview of how we fund our school district.

A summary of this comprehensive guide has been included in the Town Meeting booklet mailed to town residents, as an aid to understanding the School Budget and terminology. Additional information not included in that overview follows.

To request a hard copy version of this document, please email the Rockport School Committee at schoolcommittee@rpk12.org or call the office of Superintendent of Schools at 978-546-1200.

How the School Budget is Built

A school budget is complex, driven by line-item detail that forecasts the financial impact of state and federal mandates and reimbursement rates, town contributions, and the projected costs to support the educational and developmental needs of pre-K-12 students in a safe environment. Creation of the School budget is an annual exercise that follows a specific sequence of steps to enable its presentation at Town Meeting. Work on the budget begins in the summer, when the Superintendent of Schools, senior administrative staff, and department heads meet to assess progress against the current school strategic plan and identify opportunities to better serve the students of the district. The budget is drafted, presented, amended, and finalized in a series of public School Committee sessions in the late fall, and then shared with the elected Board of Selectman and appointed Finance Committee before inclusion into the following spring Town Meeting warrant.

What the School Budget Describes

The School budget is a line-by-line description of the anticipated costs of running the school system. Like all budgets, some items are exact amounts and some are good-faith estimates by seasoned administrators that describe inflows and outflows to the system that can be quite volatile (such as state reimbursements, fuel costs, student support needs and pending collective bargaining agreements) and are beyond the districts' ability to exactly define at the time of Town Meeting. Once the budget is approved, the School must live within it. Existing budgets are monitored by School administrative staff and reviewed by the School Committee in public session.

Who the School Budget Represents

By state law, the School Committee is the sole entity charged with approving and presenting a budget to the town voters for approval that represents the needs of the one constituency that cannot vote -- school children within the system. The School budget is deliberately separate from other town budgets, to enable it to focus on the funding that will allow students to meet all requirements of the Massachusetts Department of Elementary and Secondary Education for graduation. The School budget supports the development of children over the course of the decade or so that they are in our system.

Components of the School Budget

At its highest level, the financial needs of the school are divided into two financial documents: The Operating Budget and the Capital Improvement Budget. This division is identical to all other town departments.

The Operating Budget identifies the estimated amount of money that is needed to run the school system for the next fiscal year (in this case, FY 2020, which starts July 1, 2019) and includes staff salaries (about 80% of the total), curriculum materials, technology needs, special education tuitions and other day-to-day expenses. Oversight of the Operating Budget is the sole responsibility of the elected School Committee. The operating budget is presented for approval by the voters at Spring Town Meeting.

The Capital Improvement Budget includes large expense items that are needed infrequently, (e.g., the replacement of buses, walkway repairs, generators, walk-in freezers, etc.) that are part of the physical assets of the school/town but not a part of the educational mission. In October, all town departments (including the school) present their requests for capital improvement to the town Capital Improvement Planning Committee (CIPC). The CIPC then determines which Capital Improvement items are funded for the next year. If an item submitted by the school is rejected, the school will usually forgo it. The final list of town-wide Capital Improvement requests is also placed on the warrant to be voted on at Spring Town Meeting.

Understanding the School Operating Budget

The School Operating budget has four major categories of funding support. They are:

- 1.) The Town's contribution (about 75% of the actual anticipated cost).
- 2.) The School Reserve (which has to make up the other 25% of anticipated costs).
- 3.) User Fees (which are used only to subsidize the activities for which they are charged).
- 4.) Grants from State and Federal agencies (which are unpredictable but often fund professional development and new program development not supported by the town contribution).

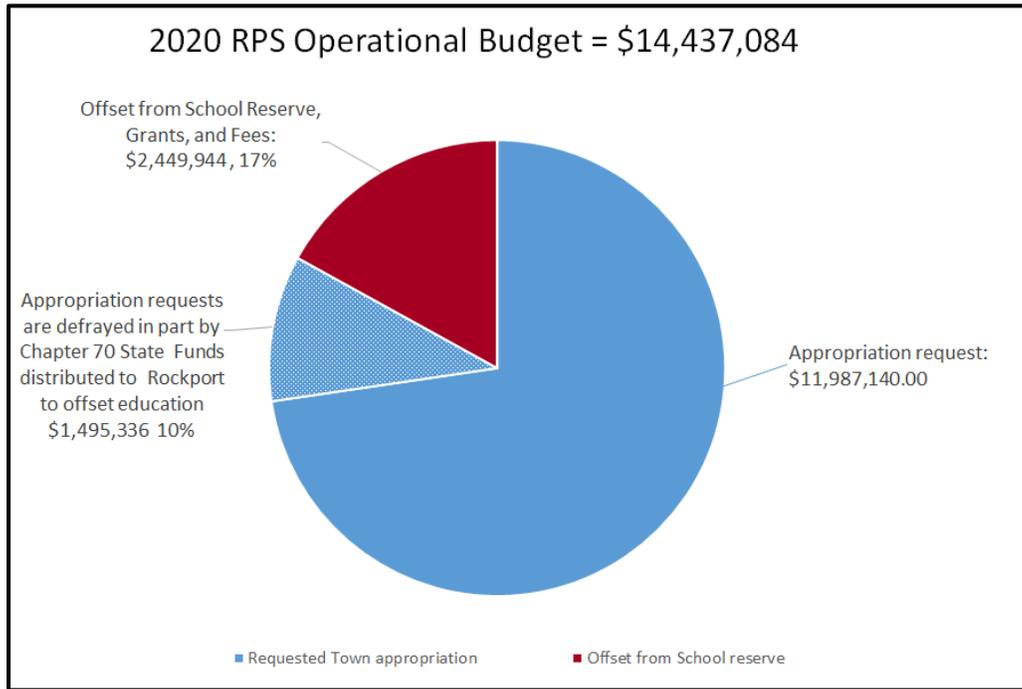
A school system sits at the intersection of federal, state, town and private contributions to achieve its mission, with each stream of financing following its own timetable and often using its own formula or jargon to produce its support. The summary chart on the next page is designed to simplify the understanding of these inputs:

School Budget Terminology

Funding Sources for the Rockport Public Schools (RPS)	
Operating Budget	
1.) Town Contribution	The town contributes about 75% of the cost of RPS, (with about 10% or \$1.5 million of that amount defrayed by Chapter 70 funds). The remaining 25% needed to operate are made up by the School Reserve, Fees and Grants.
2.) School Reserve	The size of the School Reserve fluctuates dramatically during the course of a year. Its size directly governs the potential for a prop 2.5 override. The school attempts to not drop below \$400k (about 3% of budget or the cost of two high-needs SPED placements)
<ul style="list-style-type: none"> ● Circuit breaker 	Student service plans that exceed four times the average per pupil spending of some special education costs are reimbursed at 75%, provided the state funds this account. Actual reimbursement has been 30% -75%, and arrives one year in arrears.
<ul style="list-style-type: none"> ● SPED Transportation 	The state reimburses transportation costs related to Special Education but has not funded this for many years. Transportation costs can be 50-100% of some placements.
<ul style="list-style-type: none"> ● School Choice 	Students in enrolled in Choice school districts can move to other Choice schools. A maximum of \$5,000 transfers with the student (\$5,500 if SPED). RPS policy allows students to "Choice in" only when their presence does not increase operational costs.
3.) User Fees	Primarily athletics participation, gate receipts and transportation fees. These offset expenses only in their respective programs.
4.) Grants	Recurring State and Federal grants defray a small portion of operational costs and often are a major source of professional development
Funds Related to the School System but not in the School Operating Budget	
Capital Improvements	Requests for large expense items needed infrequently (e.g. bus replacement, walkway repairs, freezers, etc.) are presented to the town's Capital Improvement Planning Committee, who determines which items are approved for all town departments.
SPED Reserve Fund	A buffer created in 2014 to smooth out the impact of large, unanticipated SPED costs, this fund is used exclusively for costs not reimbursed by Circuit Breaker. Can only be accessed as a motion at fall town meeting.
Donations and Volunteers	Additional contributions from supporters including the PTO, Friends of Rockport Athletics, Rockport Education Foundation, Rotary and other private donors.
Chapter 70 Aid	State funding earmarked to reduce the burden of schools on a town. Nearly \$1.5M is placed Rockport's town (not School) budget under the "State Aid" category.
Medicaid Reimbursement	Some SPED services paid by the school are reimbursed by Medicaid. The town retains these reimbursements for general purposes rather than returning them to the School.

Funding Sources for the School Operating Budget

1.) The Town Contribution



In recent years, the Town of Rockport has funded less than 75% of the overall school budget from direct annual taxation, with 10% of that amount (this year equaling \$1,495,336) coming from Massachusetts General Law 70 reimbursement funds.

Chapter 70 Aid uses a complex formula to define levels of state-funded aid for each public school district in the Commonwealth. The aid is dependent on the State’s funding ability and intended to reduce the tax burden of the schools. This aid is disbursed directly to the Town of Rockport (not directly to the School system) and is used to defray overall town expenses. It is a large portion of the “State Aid” line item in the town budget.

Chapter 70 is controversial, with nearly every city and town believing they are being denied proper funding due to the way the formula allocates funds. Heavy use is made of real estate valuation. In towns like Rockport -- where property values are high but personal incomes are disproportionately lower -- the formula appears to penalize the local population by assuming it can carry more of a burden and thus provides less aid. There has been talk in recent years of changing the formula, but the issue is so controversial little progress has been made in the legislature.

2.) The School Reserve Fund

To make up the difference between what the Town appropriates for the School and the actual expenses of running it, the School maintains a buffer -- known as the School Reserve Fund -- that it draws upon to manage both expected and unanticipated funding needs. It’s a rolling fund comprised of a number of annual revenue sources, some of which are highly volatile (due to the state legislature often underfunding or not funding reimbursement

accounts, unfunded State and Federal mandates and student support needs that are not present at the start of a given year). The School Reserve Fund offset makes up about 17% of the School's total Operating Budget.

Examples of actual unanticipated costs in recent years include:

- Lease payments to replace unsafe bus that was not approved for Rockport Capital funds
- Out-of-district placements of special education students
- Inspection and replacement of unsafe school (and town) playground equipment
- Training materials and supplies to increase safety recommended by the Police Department

The School Reserve is funded by:

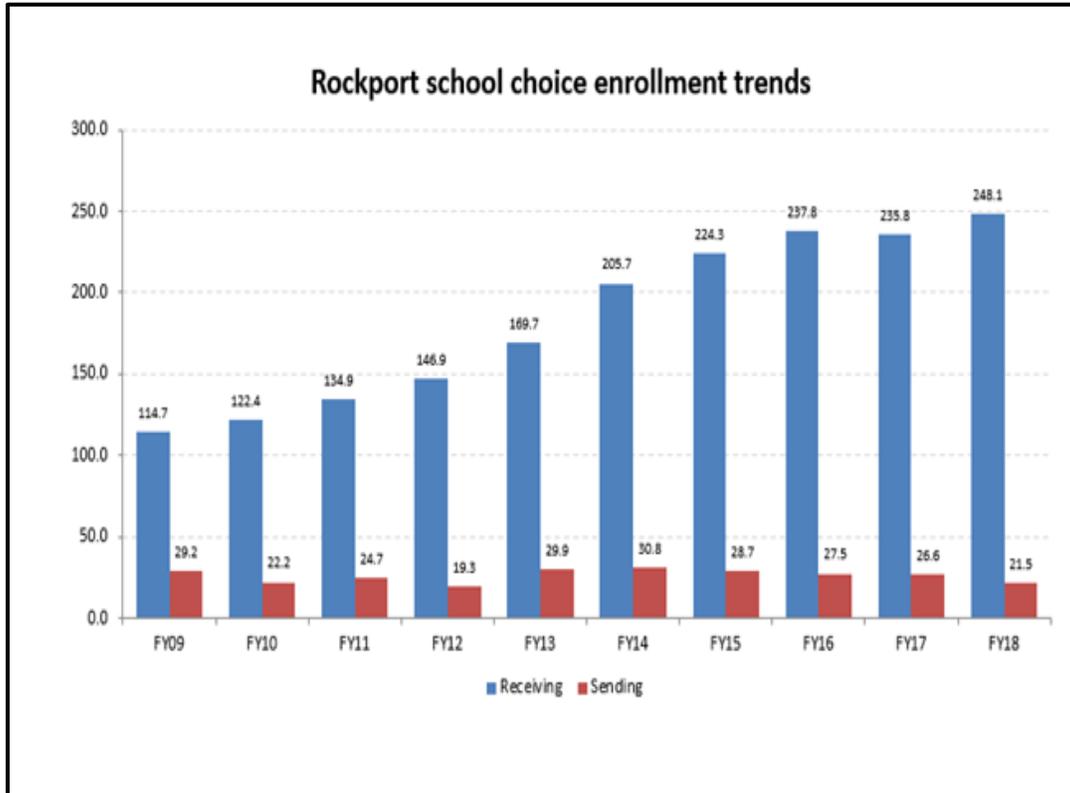
- **Circuit Breaker Reimbursement** By state law, every child with a disability that affects their school progress is entitled to receive a free and appropriate public education from their home district from age three to twenty-two. Costs can be high and cover a wide range of items (including assessments, technology, specialized instructional services, legal, medical and administrative costs). For student service plans that exceed four times the average per pupil spending, the state will theoretically reimburse at a rate of 75% -- "...subject to state appropriations." In practice, the actual reimbursement rate has ranged annually from 30% to 75%. Transportation costs -- which can be 50% of the cost of obtaining needed services out-of-district --theoretically would be reimbursed at 100%, but has been funded by the legislature at 0% for many years. To complicate budgeting further, circuit breaker reimbursement occurs a year after the cost is incurred, requiring good-faith estimating and cash-flow fluctuations. Our State legislators visit the School Committee annually to discuss.
- **School Choice** This program recognizes that not all students or school environments are alike; it allows students to transfer out of their home school district to match their educational goals and interests. A maximum state regulated payment of \$5,000 travels with the student, deducted from the state aid sent to the sending district and added to the receiving district.

Process: The number of seats available each year for School Choice is determined by the principal of each school, working with the superintendent and following class size policies established by the School Committee. New openings are advertised well before the start of the new school year. Students are automatically accepted unless there are more applicants than seats. If that occurs, students must be selected by lottery on a random basis with no intent or ability to discriminate between specific students. Once an applicant is selected, the selection is permanent unless the student voluntarily opts out.

Impact: In general, school choice students do not increase staffing needs. Choice students fill seats in classrooms that would otherwise be empty. They contribute to a rich and diverse academic environment. School choice families place a high value

on their child’s education in the Rockport Public Schools and their inclusion into our community. These families often express the desire to move to Rockport but are thwarted by the lack of availability of housing at price points that are within reach of most local families.

Trends: Prior to FY02, Rockport Public Schools saw more children choice out then choice in. From FY03 to today, that trend has reversed, reflecting the desirability of Rockport’s academic environment, strong arts programs and reputation for a positive and enriching school culture. The chart (below) shows both the number of children and School Choice funds that flowed into and out of the district.



3.) User Fees

Totalling about \$54,000 annually, user fees are generated by varsity athletics participation, gate receipts and transportation. These fees offset expenses only in their respective programs.

4.) Grants

Recurring grants from both the State and Federal government which are used to defray operational costs and provide needed professional development to meet changing state, federal and educational best-practice goals. These can be time-consuming to apply for and maintain.

What to keep in mind about the 2020 School Reserve Fund

The size of the School Reserve Fund can vary substantially during the year, based on the volatility and timetable of projected reimbursements that are dependent on legislative approval, the impact of unpredictable costs and timing of disbursements.

Maintaining the School Reserve Fund delays the need for a Prop 2.5 override, but does not wholly eliminate it, as the funds coming in do not offset the funding deficit indefinitely. The lower the reserve, the closer the town is to an override request. The school attempts to keep at least \$400,000 (about 3% of the budget, or the equivalent of two high-needs SPED placements) in the reserve at all times. Current projections for 2020 are below:

School Reserve		FY 2017	FY 2018	FY 2019	FY 2020 *
Balance In		\$1,336,030	1,183,015	\$1,081,912	\$916,249
Annual Funding	School Choice & Circuit Breaker	\$1,545,691	\$1,478,750	\$1,834,881	\$1,674,223
	Fees	\$54,000	\$54,000	\$54,000	\$54,000
	Grants	\$275,000	\$275,000	\$275,000	\$275,000
Total drawn from Reserve to balance Operating Budget		(\$1,698,706)	(\$1,908,933)	(\$2,455,699)	(\$2,449,944)
Projected balance in School reserve at end of fiscal year		\$1,183,015	\$752,832	\$800,094	\$466,721

* proposed FY 2020 which includes \$150k bridge/gap beyond 2.99% Town/School model

Additional Funds Related to the School Budget

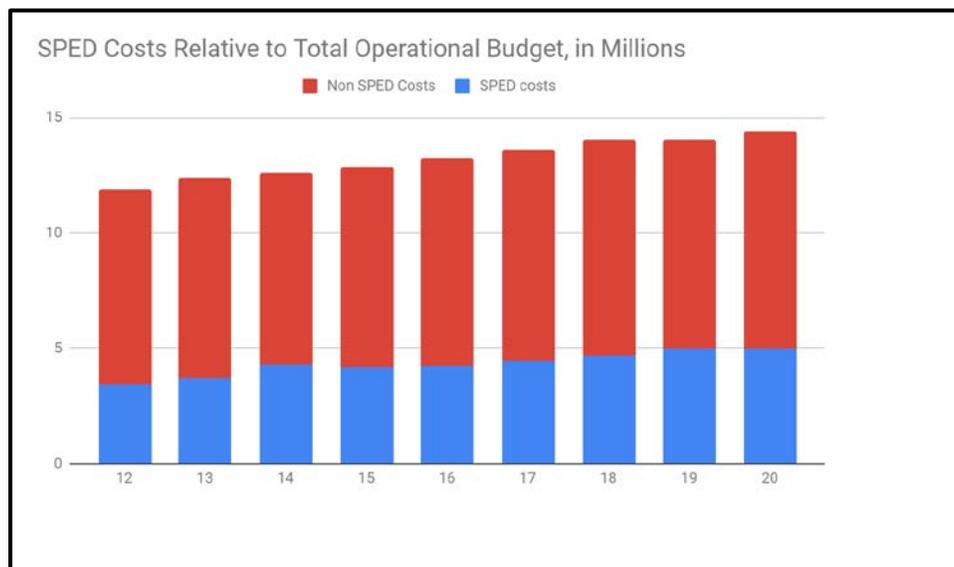
- **Medicaid Reimbursement** The school system will often pay for SPED services that are reimbursed by Medicaid. Filing for reimbursement is cumbersome; in 2018, the School District spent over \$7,000 in administrative costs for this purpose. Reimbursements recovered generally run from \$60,000 to \$100,000 and are paid directly to the town (rather than the school). Although not required to do so, many municipalities have opted to return these reimbursements back to their school district to help defray special education costs.
- **The SPED Reserve Fund** Special education costs can rise suddenly with a student's change in residency or in-services needed. In 2014, based in part on best practices followed in other communities, \$200,000 was transferred from Free Cash and small school accounts that were no longer relevant into a new Special Education Reserve Fund. These funds are used exclusively for unanticipated budget costs not reimbursed by Circuit Breaker funds. While this helped protect the general School

Reserve Fund, no refueling mechanism exist to replenish the fund. In 2018, the School and Town agreed to transfer tuitions from the Integrated Preschool (which serves a Special Education mission), into the SPED Reserve fund to maintain this important buffer.

- **Donations and Volunteers** Additional contributions come from supporters and charitable organizations including: the Rockport PTO, Friends of Rockport Athletics, the Rockport Education Foundation, the Rotary and private donors. These groups, help to fund enrichment programs, sports uniforms, activities and equipment (which recently included a handicap accessible minibus with a wheelchair lift and refurbishing of a mini-bus that allowed small student teams to be driven to away events by coaches/teacher drivers).

Special Education

The chart below shows SPED costs as a portion of the total operational costs from FY 2012 through 2020 (proposed). This proportion is conservative, as some SPED services are absorbed in other general education services and can't be teased out of the Operational Budget.

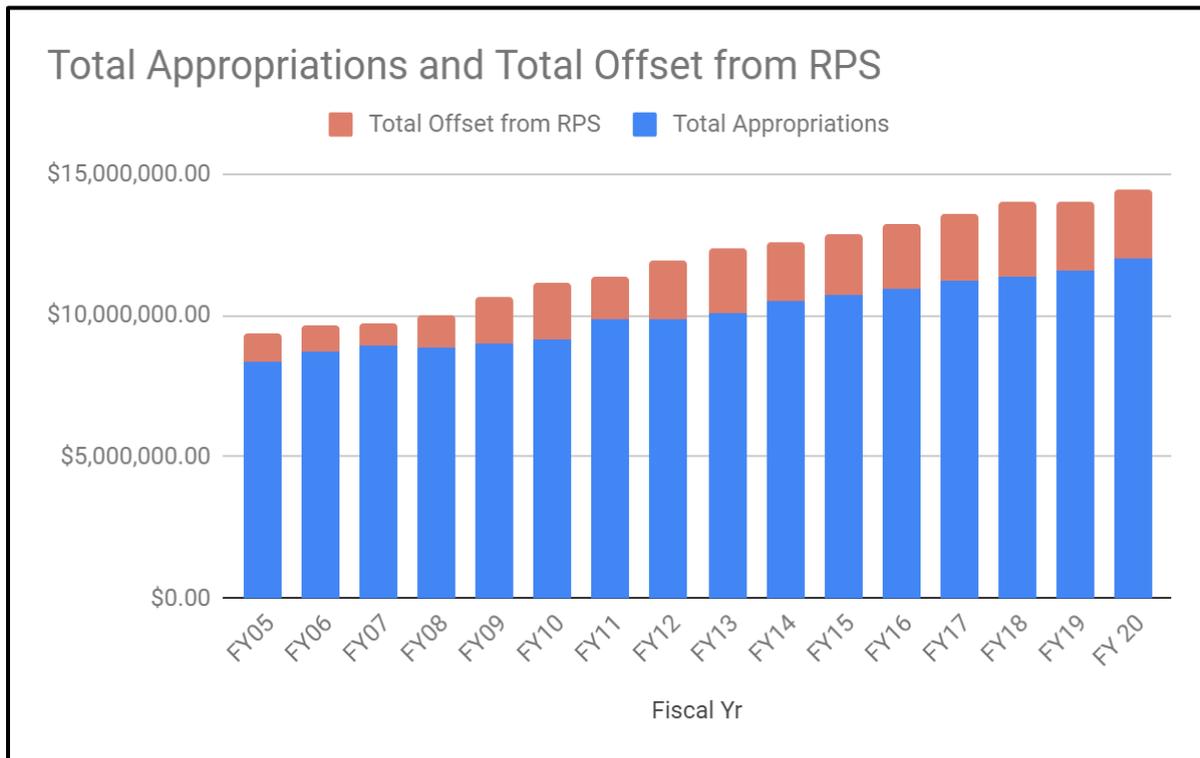


Special education costs are the responsibility of the student's home district or, for a student in a residential program, his or her parents' home district. For a Choice student the costs of special education services and transportation (but not administrative costs) are billed back to the sending district. Every child with a disability that affects their school progress is legally entitled to receive a free and appropriate public education in the least restrictive environment possible, from age three to age twenty-two.

Special education costs can be high (including assessments, evaluations, technology costs, and specialized instructional services, as well as legal, medical and administrative costs) and unpredictable as they can vary greatly from year to year as students move in and out of our districts, or as assessments identify a change in services needed.

School Budget History

The chart below illustrates Rockport School Operating Costs since 2005. Funds appropriated annually are illustrated in blue, funds from the School Reserve Fund are shown in red. A steady increase in costs are apparent, as well as the relatively large portion of funds coming from Rockport Public Schools after the infusion of funds into the Reserve Fund through the 2011 Override. Maintenance of the Reserve Fund since the last Override has been due in large measure to the increase in School Choice students over this period.



Like most cities and towns in Massachusetts, the School department has the largest department in the Town of Rockport and is the largest employer in the town, with 198 employees (including over 100 Rockport residents). The School’s budget generally makes up nearly half of the total budget for the Town of Rockport.

How the School Budget Interacts with the Town Budget

For the past five years, the school has followed a “Town/School” funding model in which the School attempts to hold expense increases to no more than 3% and the town contributes at 2.3% (provided health care costs do not increase above 5%). Since 2015, high insurance rates have resulted in Town appropriations for the School budget only reaching 2.3% in one year (2015-16 2.21%; 2016-17 2.3%; 2017-18 increase 1.38%; 2018-19 1.76%), while the School has adhered to no more than 3%.

This Town/School approach was used to create the 2020 budget. The School Operating Budget shows an increase of 2.99%, with level funding for the majority of expense categories and negotiated new contractual labor costs of 1.45% for school faculty, staff and

administration. An additional 1.29% “Bridge Gap” amount has been requested for this year’s budget (described in this report).

The Town/School model is not a perfect solution, but it has allowed the budget process to proceed collaboratively and transparently and has helped avoid a Prop. 2.5 override request for nearly a decade. The need for periodic override requests is structurally unavoidable and occurs primarily as the result of unfunded state mandates, under-reimbursed state funded mandates, increases in SPED costs, contractual obligations and town funding at a level below actual operating costs.

Below, find a four-year summary of the School Operating Budget with some major categories::

School budget by area	FY 2017	FY 2018	FY 2019	FY 2020	% above FY 2019
District Central Office	\$783,785	\$815,422	\$814,636	\$850,667	4.42%
Elementary	\$2,637,960	\$2,716,280	\$2,749,033	\$2,862,220	4.12%
Middle School	\$1,815,838	\$1,820,261	\$1,889,943	\$1,982,928	4.92%
High School	\$2,342,157	\$2,342,775	\$2,381,967	\$2,505,109	5.17%
Special Education	\$4,468,633	\$4,691,453	\$4,970,621	\$4,983,033	0.25%
Operations, Athletic, Transportation	\$1,195,925	\$1,222,942	\$1,210,506	\$1,253,127	3.52%
Total School Operating Budget	\$13,244,298	\$13,609,133	\$14,016,706	\$14,437,084	2.99%
Increase in request from previous FY	2.30%	1.38%	1.76%	3.60%	Average of 2.26%
Total town contribution to RPS	\$11,216,592	\$11,371,201	\$11,571,007	\$11,987,140	
Total offset from RPS funds	\$2,027,706	\$2,237,932	\$2,445,699	\$2,449,944	

Bridge-Gap funding

In creating this year’s budget, it became clear that the School Reserve was coming very close to the \$400k minimum threshold necessary to buffer the School from unanticipated costs

that can interrupt services mid-year. Rather than recommend a Prop 2.5 override to meaningfully replenish the Reserve this year, the School Committee thought it more prudent to include in the 2020 budget a request of 1.29% (\$150,000) to bolster the Reserve fund and allow the School an additional year to complete work on a long-term strategic plan. To ensure that the plan benefits from a perspective informed by both Cape Ann and best practices within elementary and secondary education, the School Committee has opted to gather some initial data in partnership with the neighboring school district of Gloucester (several other Cape Ann schools districts were invited to participate but declined for varying reasons). The data gathering effort has been dubbed CASE (for the *Cape Ann Study for Education*).

The Cape Ann Study for Education (CASE)

The goal of CASE is the responsible exploration of educational opportunities for Cape Ann students by the Rockport and Gloucester School Districts. There are many challenges faced by both communities -- and just as many opinions on how to address them. To bring some fresh perspective to understanding what our opportunities are, the Rockport and Gloucester School committees are sharing the costs to contract with the UMass Donahue Institute's *Applied Research and Program Evaluation* group to prepare a preliminary review and identify ways both school districts can continue to improve offerings for Cape Ann students.

The current study will include an exploration of potential opportunities to collaborate, share programming and resources, and where possible identify cost efficiencies that help us maintain and improve academic performance, student growth and environment. The investigation should help to understand enrollment trends, associated changes in demographics and the impact of those changes have on our school districts' budget and operations.

The effort will likely to be the first stage in a multi-year effort, reporting in the fall of 2019 will allow both school districts to improve their long term strategic planning and budgeting. The Rockport School Committee felt strongly that before a Prop 2.5 Override request, a common and objective understanding of our current state was important to have available for the voters. Public presentation and discussion of the study and School Committee recommendations will follow the report.

Understanding Prop 2.5

Rockport's annual town budget is derived nearly in its entirety by real estate taxes, which is thus constrained by Proposition 2 ½, which limits increases in town real estate tax revenue to no more than 2.5% of the full cash value of all taxable property in town. Certain exceptions are allowed for new growth and through overrides and debt exclusions as adopted by the voters. A "Prop 2 ½ override" occurs when town voters approve an increase in the town's tax levy limit. It increases the tax base in the year that it is approved, and become part of the base in calculating future years' limit levies.

After a rocky period of funding in the early 2000's, Rockport voters approved by a 20% margin, an override of \$536,836 in 2011 to replenish the school system reserve, which had been impacted by unfunded or underfunded government mandates, rising special

education costs and underfunding against operating costs. Before, and since that override, Rockport teachers, support and administrative staff have accepted moderate salary increases. Staffing changes geared toward improving support for both general and special education students to retain students in district have also been emphasized, but often in needfully incremental manner. Rockport Public Schools have also accepted a larger proportion of School Choice Students, allowing us to maintain a full suite of teachers and enrichment programs while re-fueling the School Reserve Funds. These are among the strategies that have allowed the Schools to operate without a new Override request for nearly 10 years.

The Bottom Line

There is insufficient room here to describe the myriad ways an education in Rockport enriches the lives of our children. From Elementary School field trips investigating the South Woods or hunting for the landmarks in *The Catnip Man*, to Middle School investigations of Millbrook and the Meadow, the Long Beach Marsh and Halibut Point, and High School electives studying the History of Cape Ann, and all of the service learning projects that involve everything from beach cleanups, Denmark visits, watershed investigations and eel counting, Rockport Public School students learn to love and steward the unique character and beauty that is Cape Ann.

Rockport students and the school system recognize the generosity of their community, which provided donations that built a greenhouse and supports music lessons, maintains their playing fields and cheers them on as they run through the streets on *Motif#1 Day* to raise funds for their wellness programs. They are thrilled to exhibit art every year at the Rockport Art Association, and to play music and perform at Rockport Music's beautiful Shalin Liu, instructed by musicians from around the world that participate in residencies supported by Rockport Music. Our graduates express their appreciation for the support of their community, and recognize how that support instills in them the confidence to succeed in colleges or employment and, in many cases, the desire to return home to raise their own families.

Why All of This Matters

Rockport Public Schools are an integral part of the life of the town of Rockport. The District supports a unique learning community and culture, driven by an educational philosophy "To promote academic excellence, to enable children to maximize their potential as individuals, and to appreciate and act responsibly in the society in which they live."

The Rockport School Committee would like to acknowledge the sustained effort it takes on a daily basis from its talented Administrators, Teaching, and Support staff at the Rockport Public Schools to make achieving our goals possible. We sincerely thank the voters of Rockport for continuing to recognize the importance of supporting our students and their schools within our community.

Sincerely,

The Rockport School Committee