

Statement to the Gill-Montague Regional District (GMRSD) School Committee

I was surprised to hear Superintendent Prince say at your November 27 meeting that the work of the Technical Panel is complete. I and the other Technical Panel members definitely believe that it is not complete, and tonight I would like to explain why. Incidentally, as the Superintendent is now declining to meet with the panel, for the purposes of this statement the Panel is made up of Jeff Singleton, Tupper Brown and myself. But we hope Mr. Prince will reconsider joining us; the invitation remains open, and we'll let him know each time we are getting together.

Let me begin by explaining the context and relevant documents. In October and November 2010, the Towns, the School District, the School Administration, the Department of Elementary and Secondary Education (DESE) and our three state legislators all approved a document called the Compact. After an introductory section the Compact begins with the following:

“The parties pledge and agree as follows:

“1. Table B is accepted as the long term plan for fiscal stability of the District, and the parties accept its requirements and projections as goals for achieving its purposes.”

In the summer and fall of 2010, Table B had been developed by the Technical Panel as a tool for testing different strategies for establishing a sustainable financial future for GMRSD. In October, when it appeared that the Table described a plan that looked as if it could work, that plan was offered to the Compact parties, and it was adopted by them in the Compact as quoted above. The adoption of the Compact and the Table B plan broke the impasse for the FY11 assessment, thereby relieving DESE of their fiscal control of the district, and it paved the way for assessment agreements between the district and the towns for FY12 and FY13.

In essence, Table B is a very simple tool: it is an interactive Excel spreadsheet designed to show the consequences of district revenue and expenditure assumptions projected over at least five years. For each year, you plug in how much money you expect to get, you subtract out how much money you expect to spend, and you look at the difference. If the difference is zero, you're all set; if it's less than zero, you've got a problem.

I have distributed copies of the Compact and of the original Table B and one updated last spring. I would be glad to run through Table B to explain specifically how it works, but my 10 minutes do not allow time for that. I'll be happy to come back, if you like, with other members of the Technical Panel for a more in-depth discussion of any of these documents.

The basic premise of Table B is that sustainability means that growth in the district's budget must be matched by growth in its revenue sources, including growth in the towns' contributions and in state aid. As the details of how much the district expects to spend are up to the district, the Technical Panel has focused on the overall rate of district budget growth and on revenues. The district has three basic sources of revenue: town assessments, state aid (principally Chapter 70

aid, but also some other important state contributions), and other sources under its own control (e.g. investments and E&D). What the original Table B said (and it's important to understand this, because there appear to be some misconceptions) is that if growth in those three revenue sources met certain targets, the district could expect to have sustainable budget increases at certain levels – in other words, its budget could grow sustainably at certain rates if there were growth in its revenues to support it.

That “if” -- that is, the uncertainties of future events -- is why Table B has always been a dynamic document, requiring regular reviews to see how well it was holding up. Each year, the realities of the budget process have provided both opportunities to analyze how we are doing and a platform on which to base the assumptions for the following years. This regular reexamination and updating with current information has been done by the Technical Panel, and the need for it to continue at least for the next few years is why we say the work of the Technical Panel is not complete.

The recent funding history provides an example. Table B originally showed a 2% increase in Chapter 70 aid to the district in FY12, followed by 3% increases in the years after that. Those targets were a result of two factors: one was a consensus that 3% growth in Chapter 70 aid over the years was necessary if the district was to be viable; and the other was that 2% growth in FY12 and 3% after that were reasonable targets if enrollment were stabilized (or increased) and the state came out of the recession and resumed Chapter 70 supplements of the kind this district had received in the past.

The reality of the extended recession, coupled with enrollment decline, has been a little different: roughly 0.5% increase in FY12 and level funding initially in FY13, with a small addition provided after town and district budgets were fixed. Everyone knew, however, that variations from the goals of Table B were likely to occur, and the Compact provided for exactly that situation. Paragraph 3 on page 2 states:

“Recognizing that a multi-year program is always subject to future events, it is agreed that any party may propose changes in the Table B plan if it feels assumptions are no longer viable or core projections are no longer realistic. Proposals will be evaluated by all parties with the goal of reaching consensus on a revision of the long term plan, if necessary.”

When the Technical Panel revised Table B to show the consequences of shortfalls in Chapter 70 funding for FY12 and then FY13, the resulting gaps were bridged by increases in town revenues, which were higher than anticipated; by increases in the towns' and district's contributions from reserves; and by reduced growth in the district budget, which increased by approximately 1% in FY13. Thus, because the extended term results of the Chapter 70 shortfall could be reviewed and discussed in advance, agreements could be reached that town contributions would rise above what had been projected, that district contributions would also be increased, and that district

budget growth would be held below the planned 2.5% for FY13. As a result, available funding sources have been able to cover the district's budgets, and budget impasses have so far been avoided.

State legislators have made it clear that in the near future they do not expect state education funding to increase at a rate that will bring meaningful increases to Chapter 70 aid for GMRSD. That could change -- for instance by strong increases in district enrollment or by slightly more generous growth in overall Chapter 70 funding. For FY14 and the immediately following years, however, we feel planning should assume something near level funding of state aid.

What does this mean for the future? With one of the major assumptions or goals now changed, all the other numbers on the original Table B, including the percentage increases in district budgets and town contributions, are now up for discussion. As things stand now, simply following the other assumptions on the original Table B after the Chapter 70 target has changed will result in an ever-widening gap between district revenues and its budget, as is demonstrated by the latest Table B. This is clearly not a plan for district financial sustainability: changes need to be made, and new assumptions developed, if the future is going to work.

This, again, is why we feel the work of the Technical Panel is not complete. We believe that the Table B updating and analysis supplied by the Technical Panel can help the towns, the district, and state officials in their work toward a revised plan for sustainability. We believe the active use of Table B as a tool in recent years has made it possible for the towns and the district to find mutually agreeable solutions and to reach agreement on district funding. We are hopeful that process can continue.

By the Technical Panel:

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