

## The School Budget and the Structural Deficit

(published on February 20, 2007)

“Built-in structural deficit” is how one person described both the school and the town budgets. It’s an apt turn of phrase. It means that the revenue side of the town budget, which consists of a 2.5% annual increase in tax revenue plus new growth and increased state aid, will never be enough when compared to the expense side, which is comprised of annual inflation and cost of living increases.

Regarding revenues, the Appropriation Committee, in an article published in the *Hopkinton Independent* last year (February 23, 2006), stated that “Under the most optimistic scenario, we can hope for perhaps 3.5 - 4 percent “natural” growth in revenues each year.” As for expenses, while inflation in the overall economy remains low, increases in the components that impact town government the most (salaries, benefits – particularly health insurance premiums – and energy) are high. The net shortfall in revenues versus expenses is running in the \$1.5 – 2 million range each year. This equates to 3-4% annually. Last year’s series of articles written by the Appropriation Committee provide considerable background and detail pertaining to this situation.

The bottom line is that the structure of the municipal financial system in Massachusetts creates a situation where, as a town and a school system, we can never afford to keep what we had last year unless extraordinary events occur.

Over the past several years, several extraordinary events did occur that yielded much larger revenue increases than would normally take place. These include major expansion of EMC Corporation on South Street resulting in a windfall of building permit fees and higher property taxes, passage of a state law allowing municipalities to collect real estate taxes on new construction up to 18 months earlier than before, financing for the new high school construction project that produced significant investment income on borrowing, and favorable changes in state aid formulas. Even with these one-time events, we have had Proposition 2 ½ tax overrides of \$900,000 in 2003, \$600,000 in 2005, and \$1,933,119 in 2006 in order to provide the levels of services that the community desires.

At a recent public hearing on the School Committee budget, one resident asked why the override that passed last year wasn’t enough. It was. It was enough to pay for the current fiscal year. But, for next year, the structural deficit will come into play again.

What can be done about this? The perspective of the School Committee is that the Town will need to establish a long-term strategy for dealing with the gap between growth in revenues and growth in expenses – the structural deficit. There are several approaches that can be taken. Among them are to:

- Increase revenues from commercial and industrial sources. The proposals for downtown revitalization and industrial expansion on South Street and in Elmwood Park are examples of how this can be done.
- Institute or increase fees for services. For the schools, there already are fees for buses, parking, athletics, and use of facilities. Increases are planned for next year.
- Accept a continual diminution in the services that town government provides. In the case of the schools, this would be most visible in increased class sizes.
- Pass Proposition 2 ½ tax overrides each year.
- Make radical changes in the way that town government delivers services. A possibility for the schools could be much greater use of technology so that students could access course material from home and have flexibility in how their school day is structured.

This could allow more students to be serviced within the constraints of existing buildings and with reduced staffing levels. The School Committee has not yet begun to consider transformative changes such as this.

Developing a long-term strategy to deal with the structural deficit will require collaboration among the School Committee, Board of Selectmen, Town Manager, Appropriation Committee, and other town officials. All or some of the ideas listed above, as well as other creative ideas, will need to be considered. We hope that headway can be made on this prior to next year's budget cycle.

For the current budget cycle, the School Committee has determined that an increase of 6.4% over the current year's school department budget would be required to maintain level services. However, in an attempt to comply with guidelines set by the Board of Selectmen, the Committee put forward a 2.1% increase (\$648,294), which includes fee increases amounting to \$264,000 and a reduction in existing staffing levels of 18.5 full-time equivalent positions (administrative, teaching, and support). The Committee will consider cutting further or adding more fees if necessary after revenue estimates become clearer with the release of the Governor's budget scheduled for February 28, 2007.

The School Committee remains committed to working together with other town officials to create a townwide budget that meets the affordability parameters of the community. Copies of the School Committee budget are available in the Hopkinton Public Library, Town Hall, and the office of the Superintendent of Schools at 89 Hayden Rowe Street.

Hopkinton School Committee:

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