

Long-Term Budget Model for the Town (published on April 19, 2007)

The structural deficit is the biggest challenge facing our town. Going forward, it will affect the level of town services and the quality of our schools. If the problem is not addressed, the situation could spiral out of control and lead to continual service cuts or large overrides every year.

At a recent meeting, the School Committee realized that it has an obligation to facilitate a town-wide process to address the structural deficit since its budget represents the largest portion of the town's budget. The quality of our children's education has the most to gain – or to lose – from changes in the town's financial condition. The FY08 school budget cuts and fee increases demonstrate how much we can lose.

With this in mind, the School Committee discussed the goals and objectives of developing a long-term budget model for the town as a tool to address the structural deficit. The structural deficit exists because, in municipal finance, increases in expenses (due to inflation and cost of living increases) are larger than increases in revenue (arising primarily from a 2.5% annual increase in property tax revenue plus new growth and increased state aid).

The School Committee, Board of Selectmen, Appropriation Committee, and other key town officials with financial responsibilities have stated their desire to develop a long-term plan for dealing with the structural deficit. The School Committee believes that the start of the process cannot wait until after the Annual Town Meeting, the town election, the Special Town Meeting, or the vote on the Weston Nurseries property. We need to move quickly so that we can have a plan in place prior to the start of the next annual budget cycle that begins in October.

Accordingly, the School Committee has drafted a high-level ten-year budget model for the town as a starting point for discussion. Our goal is to work with other boards and officials to improve the model, ensure that it matches the vision of our town leaders, and continue with an iterative process that results in a detailed action plan.

Our preliminary findings from running various scenarios are as follows:

- The initial FY08 shortfall of approximately \$2 million will grow to \$20 million in ten years if we do nothing.
- Because of the effect of compounding rates of growth, the sooner that actions are taken, the easier it will be to get a lasting solution in place.
- There are a number of things that we could do to make a difference of \$100,000 to \$200,000 per year. These relatively small changes can provide short-term breathing room, but will not be enough to fix the long-term problem.
- We will need to identify multiple initiatives that will each make a difference of \$1million or more per year to close the gap over the long term. We've dubbed them Million Dollar Babies.
- We have a great opportunity to use the development of East Hopkinton to help address the structural deficit. Since the Weston Nurseries project is the biggest part of

undeveloped East Hopkinton, we should look to it as a potential Million Dollar Baby. A revenue neutral project is good, but it will not be good enough.

Overcoming the structural deficit facing the town will require innovative thinking and close cooperation among all town departments. We are committed to working together with our partners in town government to achieve an outcome that will enable the kind of public education and overall town services that the community desires at a cost that homeowners can afford.

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