



NASHOBA

Regional School District

To: Michael Wood, Superintendent
From: George King, Assistant Superintendent
Date: March 19, 2015
Subject: Excess and Deficiency Analysis

Based on the discussion of the school committee and the consideration to appropriate \$1.5 million dollars of Excess and Deficiency balance to the FY 2016 budget, I am offering further documentation of the potential impacts. The concerns I am expressing are based on factors unique to this present time and not reflective of our recent experience.

In past years E and D has in fact been replenished in the \$1M range. The reason this has happened in a general summary is that we had no unexpected deficits, a small revenue surplus, good insurance experience, and reasonable payroll surplus. I will use FY 14 in terms of the actual numbers to demonstrate this.

Revenue

In FY 2014 we received \$245,786 more dollars than we anticipated in the budget for revenue, or about .5%. The revenue line items with variations are as follows:

<u>Revenue Category</u>	<u>Budgeted Amount</u>	<u>Actual Amount</u>	<u>Difference</u>
Medicaid Reimbursement	\$75,000	\$139,541	\$64,541
Regional Transportation	\$750,000	\$897,000	\$147,000
Chapter 70	\$6,410,530	\$6,411,680	\$1,150
Bank Interest	\$20,000	\$19,912	(\$88)
Misc Revenue	\$135,000	\$179,190	\$44,190
Charters School Reimbursement	\$100,000	\$88,993	(\$11,007)
		TOTAL	\$245,786

The reasons for these vary as predicting these revenues is an inexact science. The regional transportation exact figure is never known until the last week of the fiscal year, a full eighteen months after it is estimated. Medicaid reimbursement is often one of timing as there is no predictability as to when it arrives. The others are relatively minor variations.

Expenses

At the end of FY 2014 we had budget balances that totaled \$851,056. This total came from throughout the budget, but the main contributors to the surplus were as follows:

<u>Expense Category</u>	<u>Budgeted Amount</u>	<u>Actual Amount</u>	<u>Difference</u>
Insurance and Benefits	\$5,901,074	\$5,511,028	\$390,046
Transportation (Yellow Bus)	\$1,628,198	\$1,580,745	\$47,453
Charter School Tuition	\$544,704	\$489,735	\$54,969
District Wide Salaries	\$29,148,442	\$28,829,971	\$318,471
		TOTAL	\$810,939

Insurance and Benefits are hard to predict and have run a surplus the last couple of fiscal years due to good experience, better than expected rates and less than projected open enrollment selection. Charter school tuitions are an estimate and the difference of a couple of students who transfer during the year can make a big difference. We utilized the state’s projected cost and it did not fully materialize. This was the first year of our transportation contract and the budget was set during the process. In addition we were considering the potential need for an extra bus. Salaries are often in the .5% to 1% surplus range. That was the case in FY 14. The balance of the \$41,000 of surplus was in small lines throughout the budget.

Excess and Deficiency Impact

At the beginning of this fiscal year our certified E and D was \$2,200,778. At the end of the fiscal year it was certified at \$2,215,549. This was an increase of about \$15,000. The FY 14 budget as adopted used \$1,000,000 and we “replenished” that amount plus \$15,000. The combination of the revenue surplus and the budget surplus does not equal the exact difference as there are many other considerations in the free cash certification. But absent extraordinary circumstances it is a good back of the envelope calculation. As you can see in this fiscal year we had a revenue/ budget s surplus of \$1,096,841. Our E and D replenished by nearly \$1,015,000, so pretty close.

Analysis

I cannot stress enough the amount of replenishment does not just happen. The “replenishment” depends on two very concrete issues being positive, revenue and budget surplus. For the first time in several years that is not the case this year. The primary reason for this is we have two major deficits in this fiscal year consisting of nearly \$400,000 in SPED OOD tuitions and \$200,000 in snow removal. We have had no similar significant deficits during any fiscal year in my tenure, never mind two in one year.

These highly unusual deficits are already incurred, the money is spent. We have a surplus again this year in the insurance line item of about \$400,000. I am recommending that be used to cover the SPED OOD deficit. We have a small salary surplus district wide that is about \$150,000, which is unfortunately a bit less than usual. All of that amount and other miscellaneous surplus will have to be used to offset the snow and ice budget. There is virtually no other budget surplus in the big categories such as heating fuel, electricity, transportation and sped transportation as all are running very close to budget. Energy budgets in fact may need to be supplemented due to the cold winter, it will be close.

Revenue surpluses may be in the \$150,000 vicinity, but very unlikely to go significantly beyond that level.

Given the experience to date is negative and some outstanding factors are trending negative the very best case I can make at this time for “replenishment” in FY 2015 is \$500K. If that occurs it would be added to the base (keeping in mind that miscellaneous factors alter the number somewhat) of what remains after the budget E and D is adopted.

Therefore when considering how much to use in the FY 2016 budget one should consider the impact of what will be available for the following fiscal year. Here are projected scenarios for the proposed \$1,000,000 and the alternatives of \$1,200,000 and \$1,500,000.

Start of FY 2015 E and D	Maximum Projected Replenishment	FY 2016 Budget Revenue	Projected E and D Certification as of 7/1/16
\$2,215,549	\$500,000	\$1,000,000	\$1,715,549
\$2,215,549	\$500,000	\$1,200,000	\$1,515,549
\$2,215,549	\$500,000	\$1,500,000	\$1,215,549

I understand the desire to spend more E and D, but in many ways we are spending it this year already. If there was not a \$600,000 deficit to be covered, we could use that \$600,000 along with my best case scenario of \$500,000 as described above and once again our replenishment would be over \$1,000,000. The difference is the deficit, so in many ways you have spent \$1,600,000 in E and D in FY 2015. The \$1,000,000 that you included in the budget and the \$600,000 you will not be getting back in “replenishment” due to the deficits. Spending E and D at this level is not sustainable.