

Up Island Regional School District

*Tri-Town Study of the Past, Present and
Anticipated Future Costs of Operating
the District*

*The Abrahams Group
March 2006*

THE ABRAHAMS GROUP
YOUR PARTNER IN PERFORMANCE

March 28, 2006

Mr. Richard Mezger
Ms. Janet Weidner
Chairs, Financial Task Group
Town Hall
PO Box 278
West Tisbury, MA 02575

Dear Mr. Mezger and Ms. Weidner:

I am pleased to submit this report to the Financial Task Group of the towns of Aquinnah, Chilmark and West Tisbury to prepare a tri-town study of the past, present and anticipated future costs of operating the Up Island Regional School District and the formula for allocating these costs to the three member towns. This report describes the project's background, the study's objectives and the findings and conclusions for each of the study's six tasks.

The Up Island Regional School District (UIRSD or 'District') is a Massachusetts regional school district providing K-8 public education for students resident in Aquinnah, Chilmark and West Tisbury, MA. It presently consists of facilities in two of the towns, a K-5 school in Chilmark and a K-8 school in West Tisbury. At West Tisbury 2004 Annual Town Meeting, in response to many questions and concerns about the costs of the Up Island Regional School District and the Town of West Tisbury's share of these costs, a motion was passed that called for a tri-town study of the past, present and anticipated future costs of operating the District and the formula for allocating these costs to the three member towns.

The motion called for a Financial Task Group to be created with representatives from all three towns. The Financial Task Group consists of nine citizens, three from each District member town, formed with the mission of obtaining an outside consultant to analyze the finances of the District. This Financial Task Group retained my services, administered the study, served as a sounding board, guided the project to adhere to the Statement of Work, and ensured that the study's deliverables were met. The study's findings and conclusions are those of the Consultant, not the Financial Task Group. Members are:

Aquinnah - Camille Rose, Michael Hebert (secretary), Karl Burgess
West Tisbury - Michael West, Nancy Cole, Richard Mezger (co-chair)
Chilmark - Frank Yeomans, Katie Upson, Janet Weidner (co-chair)

Mr. Richard Mezger
Ms. Janet Weidner
March 28, 2006
Page 2

This study contains many workbooks of data and narratives that summarize the objectives of each of the six study tasks, and the findings and conclusions related to those tasks. This study:

- Provides data relative to the revenues and costs of operating the UIRSD
- Projects what revenues and costs might be for the member towns in the near future
- Analyzes the data within a variety of scenarios
- Produces several electronic and hard copy deliverables.

This study ultimately determines the apparent equity, or the inequities, in the Regional Agreement's cost allocation formula and calculates per pupil costs based on different scenarios.

I appreciate the efforts and guidance provided by the Financial Task Group and by the Assistant to the Superintendent for Business Affairs.

Sincerely yours,

THE ABRAHAMS GROUP



Mark D. Abrahams, CPA
President

EXECUTIVE SUMMARY

The Towns of Aquinnah, Chilmark, and West Tisbury have many decisions ahead of them with respect to continuing the District as is, continuing the District with changes, or dissolving the District. This study compiles reams of data in response to the Financial Task Force's Statement of Work. The accompanying report contains several workbooks of data consisting of pages of revenues, expenditures, enrollments, apportionments, formulas, per pupil costs, and other information, spread over several historical, current and projected fiscal years. The accompanying report is very detailed and complex, again responding to the specific objectives of the Statement of Work. This Executive Summary presents highlights of the important results of the report, presented in hopefully layman's terms, referencing the details for those who would like to venture into the spreadsheets and the complexity of the calculations.

Above all, this report tries to answer two important questions:

1. Are there inequities built into the Regional Agreement and if so, how can these inequities be addressed? The short answer is yes, there are inequities contained in the Regional Agreement. Four specific inequities exist that are discussed in Task 4, 5 and Task 6.
2. What are the per pupil costs? This study calculates per pupil costs for the Chilmark and West Tisbury schools because per pupil costs were not calculated previously. Why? Up Island is a regional school district. The Department of Education calculates per pupil costs for districts like Up Island, Oak Bluffs, Edgartown, and Chilmark. Per pupil costs are not calculated or published for Aquinnah, Chilmark and West Tisbury. Thus the Statement of Work required that per pupil costs be calculated and that different bases be used in these calculations. This report calculates per pupil costs based on three enrollment bases: in district, total and foundation enrollment. Why is this important? It is important because the per pupil costs would serve as the basis to charge Aquinnah students to attend the Chilmark and West Tisbury schools and for Chilmark students to attend the West Tisbury school. Per pupil costs are discussed in Tasks 2 and 6. Intra District charges based on per pupil costs are discussed in Task 6.

This report also documents the various District methodologies in Excel format. These Excel spreadsheets are available for individuals to use to develop their own scenarios.

As interested stakeholders reading this report, the inequities contained in the Regional Agreement, the per pupil costs calculations, and the questions answered throughout the Statement of Work, translate into different costs to the three member towns and thus taxes to be paid by member town residents. Should the District remain as it is currently constituted? Should the District continue to exist with changes? Should the District be dissolved? What would be the impact to the three member towns for these scenarios? This report provides meaningful, objective data to inform the public and the decision makers in Aquinnah, Chilmark and West Tisbury as they ponder the future of the Up Island Regional School District.

TASK 1 – HISTORICAL FINANCIAL RESULTS

Task 1 determines the historical actual (as opposed to budgeted) revenue and expenditures for the UIRSD and the financial benefits to the member towns for fiscal years 2000 to 2005. Task 1 also shows the expenditures and net financial impact of the Martha's Vineyard Public Charter School and the expenditures and revenues of School Choice on the actual cost allocations. This Task establishes a matrix, showing the expenditures and revenues in sufficient detail and in categories used in budgeting and by the Massachusetts Department of Education financial analysis and statistics, for easy comparison. This matrix is central to Task 2, which apportions regional costs and revenues to the member towns, and to Task 3, which projects revenues and expenditures forward for FY 2007-2010.

The Task 1 workbook consists of several pages of spreadsheets. The first sheet shows the UIRSD revenues for each year from FY 2000 through FY 2005. The revenues are separated into two categories: *one*, the General Fund includes State reimbursements such as Chapter 70 general education aid, Chapter 71 transportation aid, Charter School, School Choice and School Building Assistance funds, the local assessments for each of the three towns, and some other categories, (interest, miscellaneous etc.); and *two*, the Other Revenue category includes grants, activities, athletics, school lunch, etc. Each of the two categories is subtotaled, and there is a total for all revenues at the bottom of the page, along with footnotes. This sheet allows one to see the history of each line item and totals over the six years.

Page 2 of the workbook breaks out detail of Chapter 70 funding, Charter School Revenues and Assessments, with net Charter revenue, and School Choice Revenues and Assessments, with net Choice revenue. There is a bottom line that shows the net for these items.

Page 3 of the workbook is a summary table of the expenditures for FY 2000-2005. Six subsequent pages detail the expenditures and encumbrances for each year, which total to the expenditures listed in page 3.

The final page of the workbook summarizes revenues and expenditures for FY 2000-2005, including bottom lines from the revenues and expenditures, calculating net revenues, subtracting funds returned to the communities and calculating net surplus. Finally, it calculates in percentages the net surplus to the annual expenditures.

Task 1 serves to document historical revenue and expenditure information that sets the foundation for the Task 2 apportionments and per pupil expenditures, and the Task 3 revenue, expenditures and assessment projections.

TASK 2 – COST APPORTIONMENTS AND PER PUPIL EXPENDITURES

The purpose of this task is to determine for FY 2000-2005 the actual annual per pupil, site-based costs of operating each of the two schools in the UIRSD, and compare those costs with the per pupil costs of operating the schools in Edgartown, Oak Bluffs, and Tisbury. Because it was difficult to obtain validated school choice and charter school enrollment data prior to FY 2003, this task presents annual cost apportionments and per pupil costs for the schools in Chilmark and West Tisbury for FY 2003-2005 *only* and for the Edgartown, Oak Bluffs and Tisbury schools for FY 2004. Thus, this task:

- Documents and explains the District assessment methodology
- Documents the computation and explains the per pupil expenditure methodologies for the district and other Island towns
- Provides a methodology to compute site based per pupil costs for later tasks.

There are a number of ways to calculate per pupil costs. This task presents per pupil costs published by the Massachusetts Department of Education (DOE), the official per pupil expenditure computation. The DOE methodology specifically excludes civic costs, capital costs, debt service payments, tuition for non-district schools, grant spending and other costs, focusing on operating costs.

The per pupil spending calculations published here compare spending, which occurs throughout the school year, to the average number of pupils, which normally fluctuates throughout the school year. The enrollment statistic used is called "full-time equivalent average membership."

Not all of a city's or town's resident public school children are educated in local schools. They may attend other school districts through the school choice or other tuition programs. They may be enrolled in charter schools, in private special education day or residential schools, or in other settings. However, DOE's per pupil expenditures include all pupils enrolled in local schools, even non-residents who attend on a tuitioned-in basis. This measure does not count children being educated outside the district.

A summary of the UIRSD FY 2004 per pupil expenditures for Regular Education and Special Education follows here, along with the same information for Edgartown, Oak Bluffs and Tisbury:

District	Per-Pupil	Per-Pupil	Total	# of	Per-Pupil
	Exp	Exp			
	Regular	SPED	Exp	Pupils	Exp
Edgartown	\$ 12,487	\$ 21,850	\$ 5,202,696	355.2	\$ 14,647
Oak Bluffs	\$ 10,640	\$ 21,295	\$ 5,515,186	425.3	\$ 12,968
Tisbury	\$ 13,153	\$ 23,312	\$ 4,706,676	323.6	\$ 14,545
UpIsland	\$ 13,509	\$ 24,656	\$ 6,308,010	391.3	\$ 16,121

DOE computes per pupil costs for Up Island; DOE does not calculate per pupil expenditures for West Tisbury, Aquinnah, and Chilmark. Thus, one of the objectives of this study is to calculate per pupil expenditures for the Chilmark and West Tisbury Schools.

Using the DOE methodology – which does not include tuition out, debt service or capital expenditures – Chilmark and West Tisbury per pupil, site-based costs are:

School	FY 2005	FY 2004	FY 2003
Chilmark	\$18,746	\$22,615	\$18,882
West Tisbury	\$17,305	\$15,278	\$13,715
District PPE	\$17,508	\$16,122	\$14,661

Aquinnah does not have a school. Thus, there are no per pupil, site-based costs computed for Aquinnah.

As documented in the FY 2003-2005 Apportionment Worksheets, the fully-loaded, per pupil site-based costs for the Chilmark and West Tisbury Schools for FY 2003, 2004, and 2005 are:

School	FY 2005	FY 2004	FY 2003
Chilmark	\$25,052	\$30,387	\$24,991
West Tisbury	\$18,398	\$16,749	\$14,782
District PPE	\$19,336	\$18,318	\$16,173

These fully-loaded, per pupil costs include tuition out, debt service and capital expenditures.

Detailed information about enrollments, measuring enrollments, the specific costs included and not included in the DOE per pupil expenditures methodology, and the URISD inter-town cost assessment methodology are presented in the complete Task 2 narrative and accompanying workbooks. Details of the URISD historical financial data used in Task 2 are in the complete Task 1 narrative and accompanying workbooks.

TASK THREE – FUTURE DISTRICT COST ALLOCATIONS FOR FY 2006, FY 2008 AND FY 2010

This task develops a financial model of the District's revenues, expenditures and enrollment and projects member-town cost allocations for fiscal years 2006, 2008 and 2010. This financial model is a projection of the FY 2000-2005 revenues and expenditures analysis performed in Task One. It is also a projection of pupil-enrollment trends observed over the same timeframe. FY 2006 is now a budgeted year. FY 2007 and FY 2009 are included in the projections to develop the FY 2008 and FY 2010 projections.

District expenditures are projected to be \$8.808 million in FY 2007, increasing to \$9.315 million in 2010. This is the result over four years of the total expenditure projections increasing at about 3% per year compounded (4.6% for FY 2007, subsequent years ranging from 3.6% to 2.5% increases). Non-assessment revenues are projected to be level with the exception that contract revenue, budgeted at \$155,000 for FY 2006, will not be realized in FY 2006 and going forward. One wild card is Chapter 70 State Aid, as there are no final FY 2007 numbers to be analyzed at this writing. Assessments are thus projected to increase from \$7.0 million in FY 2006 to \$7.5 million in FY 2007 to \$7.9 million in FY2010.

Expenditures

This task presents expenditures for FY 2000-2005 actual, FY 2006 budgeted and FY 2007-2010 projected. The spreadsheet shows the dollar amount and percentage increase over the prior year.

The initial revenue and expenditure projections were presented to the Financial Task Group on August 7, 2005, seeking guidance from it and the UIRSD School Committee as required by the Statement of Work. Based upon its insight into specific revenue and expenditure trends, the School Committee provided guidance regarding specific revenue, expenditure and enrollment projections. See the Task 3 narrative document for the specific guidance provided.

Revenues

Based on the Commonwealth's education reform financing, each district is required to provide an adequate education for every child. An adequate education is defined as a *foundation budget*, a targeted level of spending based upon a formula consisting of eighteen line items for FY 2006. The foundation budget is funded by local contributions from the three towns and from State Chapter 70 aid. The State computes Chapter 70 aid and the local contributions. The sum of the local contributions and the Chapter 70 aid is *required net school spending*. Chilmark, Aquinnah, and West Tisbury, as members of the UIRSD, do not have their own foundation budget nor do the towns receive Chapter 70 state aid – the UIRSD does.

FY 2006 non-assessment revenues, while increasing in recent years, are about \$426,000 or 25% below FY 2000 funding levels. How to project revenues for FY 2007-2010? One might utilize the Department of Education's Aggregate Wealth Model (AWM) - a

suggested methodology to change the basis of computing local contributions. Please see the Task 3 narrative deliverable for an extended discussion of the AWM. This study simulates local contributions and required net school spending based on the AWM.

As enrollment decreases in the Up Island District, Chapter 70 aid should eventually decrease. No one can predict when Chapter 70 aid will follow the students. Based on these factors, this study projects Chapter 70 aid as level funded through 2010; there is no other evidence to project otherwise.

The state reimburses a portion of the cost of regional school district transportation expenditures. Reimbursement during any fiscal year is for costs incurred in the prior school year. The 2004 Chapter 71 transportation reimbursement rate was 69.03%. Any increase in the reimbursement rate is assumed to be offset by the reduction in enrollment. Other revenues, including School Choice and Charter School reimbursements are level funded based on the assumption that choice and charter enrollments have leveled.

Enrollment Trends

Enrollment trends and projections were presented to the Financial Task Force and discussed with the UIRSD School Committee. Consensus was that this study should proceed with the 'half linear' method to estimate future enrollments for FY 2008 and FY 2010. Enrollment projection results are shown below:

W Tisbury School	2006	Factor	2007	2008	2009	2010
<i># of Students</i>						
From Aquinnah	24	0	24	24	24	24
From Chilmark	26	-2	24	22	20	18
From West Tisbury	222	-7	215	208	201	194
Sub Total	272		263	254	245	236
School Choice	28	0	28	28	28	28
Total Enrollment	300		291	282	273	264
Enrollment Projection -						
Chilmark School	2006	Factor	2007	2008	2009	2010
<i># of Students</i>						
From Aquinnah	6	0	6	6	6	6
From Chilmark	34	1	35	36	37	38
From West Tisbury	7	0	7	7	7	7
Sub Total	47		48	49	50	51
School Choice	5	0	5	5	5	5
Total Enrollment	52		53	54	55	56
Enrollment Projection -						
Both Schools	2006	Factor	2007	2008	2009	2010
<i># of Students</i>						
From Aquinnah	30	0	30	30	30	30
From Chilmark	60	-1	59	58	57	56
From West Tisbury	229	-7	222	215	208	201
Sub Total	319	-8	311	303	295	287
School Choice	33	0	33	33	33	33
Total Enrollment	352		344	336	328	320
Enrollment Projection -						
Both Schools	2006	Factor	2007	2008	2009	2010
<i>% of Students</i>						
From Aquinnah	9.4%		9.6%	9.9%	10.2%	10.5%
From Chilmark	18.8%		19.0%	19.1%	19.3%	19.5%
From West Tisbury	71.8%		71.4%	71.0%	70.5%	70.0%
Sub Total	100%		100%	100%	100%	100%

Assessments

Town assessments constitute the majority of the District's revenues, representing about 85% of total District revenue. The current assessment methodology is discussed and illustrated in Task 2. Town assessments are projected in this Task based on the current apportionment methodology and are described in more detail in the Task 3 narrative.

A summary of the Task 3 expenditures, revenue and estimated assessments follow. Estimated assessments are calculated based on the District's current methodology.

Description	Budgeted 2006	Projected 2007	Projected 2008	Projected 2009	Projected 2010
Expenditures	\$ 8,493,955	\$ 8,800,699	\$ 8,865,972	\$ 9,082,248	\$ 9,307,276
Expenditure \$ Increase Over Prior Year	\$ 377,009	\$ 306,744	\$ 65,273	\$ 216,276	\$ 225,028
Expenditure % Increase Over Prior Year	5%	4%	1%	2%	3%
Non Assessment Revenues					
Interest Revenue	11,000	11,000	11,000	11,000	11,000
Chapter 70 Reimbursement	787,575	787,575	787,575	787,575	787,575
Miscellaneous	3,500	3,500	3,500	3,500	3,500
Contract Revenue	-	-	-	-	-
Charter School Reimbursement	50,952	50,952	50,952	50,952	50,952
School Choice Revenue	176,220	176,220	176,220	176,220	176,220
Excess & Deficiency Offset	250,000	-	-	-	-
Chapter 71 Transportation	315,391	298,626	326,366	359,003	394,903
Sub Total	\$ 1,594,638	\$ 1,327,873	\$ 1,355,613	\$ 1,388,250	\$ 1,424,150
Amount to be Recovered through Assessments		\$ 7,472,826	\$ 7,510,359	\$ 7,693,998	\$ 7,883,126
Assessment Revenues					
Chilmark Assessments	1,513,899	1,419,837	1,434,478	1,484,942	1,537,210
Aquinnah Assessments	697,593	717,391	743,525	784,788	827,728
West Tisbury Assessments	4,825,234	5,335,598	5,332,355	5,424,269	5,518,188
Sub Total	\$ 7,036,727	\$ 7,472,826	\$ 7,510,358	\$ 7,693,998	\$ 7,883,126
Total Revenues	\$ 8,631,365	\$ 8,800,699	\$ 8,865,971	\$ 9,082,248	\$ 9,307,276
Numbers may be off due to rounding.					

TASK 4 – EQUITABLE ASSESSMENTS

The objective of Task 4 is to determine if the Regional Agreement and the formula used by the UIRSD result in equitable assessments to all of the member towns.

This task examined the individual cost-allocation components on a per-town basis to see if any aspect of any cost allocation appeared out of proportion to the value received. Five cost-allocation components were reviewed: School Choice, Charter School Assessment, Administrative Costs and the DOE Recommended Regional Allocation of Costs, and Foundation Enrollment. Task 4 findings are summarized below.

School Choice: The School Choice program commenced after the Up Island Regional School District was formulated. Thus, the Agreement does not address School Choice. Up Island has historically presented School Choice on a net basis – School Choice tuition payments less School Choice tuition receipts. The resulting expenditure or revenue is then allocated among the towns based on each town's share of the total enrollment. See Task 4 Narrative and Worksheets for an analysis of FY 2004 School Choice data.

The Up Island Regional School District should consider changing the School Choice apportionments so that each town's share is based on the number of students from that town *participating* in School Choice.

As an example, using FY 2004 School Choice data, there were 32 School Choice tuition IN students, 30 at the West Tisbury School and 2 at the Chilmark School. At a rate of \$5,000 (an amount set by the state) paid to the receiving district by the sending district, this resulted in \$160,000 of School Choice tuition IN payments. Special Education adjustments were an additional \$39,325 of tuition payments into the UIRSD for a total of \$199,325.

There were 17 School Choice tuitioned OUT students in FY 2004: four students from Aquinnah, one from Chilmark and 12 from West Tisbury. At \$5,000 each, the 17 students resulted in a tuition payment by the District of \$85,000. However, some of the students were Special Education, resulting in a total tuitioned OUT payment of \$103,581.

Thus the net (IN) FY 2004 School Choice tuition payments were \$95,794. The current methodology allocates this net (IN) \$95,794 by each town's percentage of the total District enrollment as follows:

Aquinnah	\$8,803	9.2%
Chilmark	\$18,948	19.8%
W Tisbury	\$68,042	71.0%
Total	\$95,794	100.0%

This recommended methodology apports each town's share of the School Choice FY 2004 tuition payments based on the number of School Choice students enrolled by town. The results of this follow:

Town	Choice Enrollment	Choice Enrollment %	Dollar Apportionment
Aquinnah	4	23.5%	\$22,540
Chilmark	1	5.9%	\$5,635
W Tisbury	12	70.6%	\$67,619
Total	17	100.0%	\$95,794

The difference in the two methodologies follows. Aquinnah would have received \$13,736 more and Chilmark and West Tisbury \$13,313 and \$423 less, respectively.

Town	Existing \$	Alternative \$	Difference
Aquinnah	\$8,803	\$22,540	\$13,736
Chilmark	\$18,948	\$5,635	(\$13,313)
W Tisbury	\$68,042	\$67,619	(\$423)
Total	\$95,794	\$95,794	\$0

This recommended methodology would apportion the net School Choice tuition payments according to School Choice tuition OUT enrollment, and, based on FY 2004 data would not result in a disproportionately large effect on the District's member-town cost allocations.

Charter School Assessment: Like School Choice, the Charter School program commenced after the Up Island Regional School District was formulated. Thus, the Agreement does not address Charter Schools. Charter schools are funded by tuition charges assessed against the school district where the student resides. The state provides partial reimbursement to the sending districts for the tuition costs incurred. The Up Island Regional School District makes up the difference.

According to the current apportionment methodology, each town pays a share of the Charter School tuition expenditures based on total enrollment. Refer to the Task 4 narrative and worksheets for an analysis of FY 2004 Charter School data.

The District should consider changing the charter school apportionments based on Charter School enrollment rather than on total District enrollment.

To illustrate, using FY 2004 Charter School data, 43 students who reside in Aquinnah, Chilmark or West Tisbury enrolled in the Charter School, 3 from Aquinnah, 8 from Chilmark, and 32 from West Tisbury. The net FY 2004 Charter School tuition payments assessed to Up Island (after applying the Charter School cap) was \$671,100. Up Island apportioned this payment for FY 2004 to the three towns based on total District enrollment percentages as follows.

Town	Apportionment	
	Percentage	Amounts
Aquinnah	9.2%	\$ 61,674
Chilmark	19.8%	132,744
West Tisbury	71.0%	\$476,682
Total	100.0%	\$671,100

This recommended methodology would be based on each town's share of Charter School enrollment. Using FY 2004 data, the result of this alternative methodology follows:

Town	Charter		
	Students	Percentage	Amounts
Aquinnah	3	7.0%	\$ 46,821
Chilmark	8	18.6%	\$ 124,856
West Tisbury	32	74.4%	\$ 499,423
Total	43	100.0%	\$ 671,100

The difference between the two methodologies is summarized below. In FY 2004 West Tisbury would have paid an additional \$22,741 while Aquinnah and Chilmark would have paid \$14,853 and \$7,888 less respectively.

Aquinnah	(\$14,853)
Chilmark	(\$7,888)
W Tisbury	\$22,741
Total	\$0

As with School Choice, this alternative Charter School apportionment methodology would be more equitable because it is based on charter school enrollment rather than total enrollment. Based on FY 2004 data, however, a change in the Charter School apportionment methodology would not result in a disproportionately large effect on the member town cost allocations.

Administrative Costs: The UIRSD might want to examine the formula that apportions administrative costs from the Superintendent's office among the Up Island District, the Martha's Vineyard Regional High School District and the three elementary districts. An analysis of this area was not included in the Statement of Work and thus is beyond the scope of this study.

DOE Recommended Regional Allocation of Costs: Subsequent to the signing of the UIRSD agreement, DOE issued its Recommended Method to Determine Member Town Assessments to a Regional School District. In that document, DOE recommends that a regional school assessment "uses as its base the member town's state-mandated minimum contributions." If the regional school committee adopts a *net school spending* budget that exceeds the total of its member towns' minimum contributions plus Chapter 70 state aid, the budgeted net school spending amount above the state minimum spending requirement is apportioned according to the terms of the regional agreement. Items excluded from net school spending (transportation, debt service, fixed assets, etc.) are also apportioned according to the terms of the regional school agreement.

The conceptual difference is that the local contribution is based on a community's ability to pay, whereas the regional agreement's cost apportionment methodology is substantially based on enrollment.

Again using FY 2004 data, the three towns' assessments were determined using the DOE recommended methodology. Had the District utilized the DOE recommended methodology for FY 2004, Aquinnah and Chilmark would have paid \$157,741 and \$111,847 less respectively and West Tisbury would have paid an additional \$269,589. This analysis is documented in the Task 4 Workbook entitled DOE Alternative Assessment Methodology.

Summary Table

A table summarizing the Task 4 analysis of the equity of assessments, using FY 2004 data including the recommended School Choice and Charter School allocations and the DOE recommended allocation of costs follow:

Description	Aquinnah	Chilmark	W Tisbury
School Choice	\$ 13,736	\$ (13,313)	\$ (423)
Charter School	\$ (14,853)	\$ (7,888)	\$ 22,741
DOE Cost Allocations	\$ (157,741)	\$ (111,847)	\$ 269,589
Totals	\$ (158,858)	\$ (133,048)	\$ 291,907

Foundation Enrollment

Foundation enrollment census consists of students residing in Aquinnah, Chilmark and West Tisbury attending public schools (Chilmark, West Tisbury, Charter and Choice OUT). The foundation enrollment/census recognizes charter and choice students in the enrollment base. Foundation enrollment was first introduced to the District for FY 1995 net school spending numbers, well after the date of the Regional Agreement. The Regional Agreement states that "Operating costs shall be apportioned based upon the respective member town pupil enrollments in each school facility." This methodology does not recognize charter and choice students in the enrollment base while the operating costs contain charter and choice expenditures.

It would be more equitable if the District changes the enrollment base to apportion operating costs based on foundation enrollment. The financial impact of using foundation enrollment may be seen in Task 6, Scenarios 2, 3, and 4.

Sensitivity Analysis

As the second major area of this task, a 'sensitivity analysis' was performed. to seek to identify any and all aspects of the enrollment, cost and revenue values used in the Task 1 and 3 calculations such that, if the value varies moderately, there would be a disproportionately large effect on the member town cost allocations.

Three areas were reviewed: Transportation Costs, Intra District Choice and Part D Capital and Debt Allocations.

Transportation Costs: The bus runs were analyzed in the context of changing enrollments, by trying to identify what other runs might be needed. The conclusion was that the only impact would be on the Charter School, i.e. they would need to add a run for Aquinnah and Chilmark students if those two towns were not in a district with West Tisbury.

Intra District Choice: Two scenarios were reviewed in which a number of the Chilmark and West Tisbury resident students chose to enroll in a different school to determine the change in member town assessments.

Both scenarios used FY 2004 enrollment. The first scenario looks at 25 Chilmark students originally attending Chilmark, now attend West Tisbury. This shift would

represent approximately 7% of district enrollment. The result is an increase of assessments to Aquinnah of \$58,664 and Chilmark of \$128,625 and a decrease in assessments for West Tisbury of \$187,290. The second scenario looks at 25 West Tisbury students originally attending West Tisbury, now attending Chilmark. This shift would represent approximately 7% of district enrollment. The result is an increase of assessments to Aquinnah of \$3,828 and West Tisbury of \$293,642 and a decrease in assessments for Chilmark of \$297,471. These scenarios are documented in the Task 4 Workbook entitled Task 4 Intra Choice.

Part D: Capital and Debt

Part D, Capital and Debt costs are based on enrollment as in section C with at least 10% share for non-owning towns. If any non-owning town's share is less than 10%, that town's share increases to 10% with the difference deducted from the owning town's share. An analysis was conducted to determine the impact on member town shares, if the capital and debt apportionment methodology was changed to a site enrollment base. The following table presents the current assessment and the alternative based on the total enrollment per town divided by the total district enrollment.

Description	Total	Aquinnah	Chilmark	W Tisbury
Alternative Assessments	\$ 6,960,139	\$ 571,932	\$ 1,538,359	\$ 4,849,849
Original Assessments	\$ 6,960,139	\$ 577,584	\$ 1,538,949	\$ 4,843,606
Difference	\$ -	\$ (5,652)	\$ (590)	\$ 6,243
Percentage Increase	0.0%	-1.0%	0.0%	1.0%

Apportioning the capital and debt costs based on a different capital percentage base was then reviewed. The range in actual percentages paid by each town over a six year period was analyzed including the impact of holding the percentages constant, such that Chilmark and West Tisbury would each pay 80% of their debt service and the other town's 10% each. The results were found to be immaterial. Chilmark would pay \$2,482 more and Aquinnah and West Tisbury each would pay \$1,241 less.

Thus both capital and debt sensitivity analyses proved to be immaterial. FY 2006 is however a reflection of the enrollment which is fairly consistent with the 10-10-80 split. The materiality of the assessments based on a capital split apportionment may change with a different enrollment base. Thus the district should monitor future enrollments and recalculate accordingly. If material, the District may want to change this piece of the Regional Agreement.

TASK 5 – RECOMMENDED ADJUSTMENTS TO THE REGIONAL AGREEMENT FORMULA

The objective of this task was to recommend adjustments to the Regional Agreement and the formula so as to achieve equitable assessments.

School Choice and Charter School Apportionments

First, two adjustments to the Regional Agreement and the formula should be made so as to achieve equitable assessments. These are the School Choice and Charter School apportionments. School Choice and Charter School costs did not exist at the time the Up Island Regional School District was established. Thus, the Agreement does not specifically address the apportionment of these costs. Currently, School Choice and Charter School assessments (tuition out) are apportioned to the member Towns based on total enrollment. Task 4 illustrates the difference between the current total enrollment apportionment methodology and an alternative that apportions School Choice tuition out payments based on School Choice enrollments and apportions Charter School tuition out payments based on Charter School enrollments. As illustrated in Task 4, the difference between the two methodologies is not major. Nonetheless, School Choice and Charter School cost apportionments would be made on a more equitable basis.

DOE Regional Apportionment Methodology

As far as the DOE recommended method to determine member town assessments to a regional school district costs among member towns, Task 4 illustrates the financial difference between Up Island's current assessment methodology and the DOE recommended method for use by regional districts to calculate their annual assessments to member towns based on FY 2004 numbers. Based on FY 2004 numbers, Aquinnah and Chilmark would reduce their assessments by \$157,741 and \$111,847 respectively and West Tisbury would increase its assessment by \$269,589. These are not small amounts.

The major difference between the two methodologies is that the DOE recommended methodology first allocates costs based on wealth and then by the regional agreement. The Up Island Agreement does not consider wealth in cost apportionments.

However, not all districts follow the DOE recommended methodology. About half of the State's regional school districts, according to a survey developed by the Town of Sturbridge, follow the DOE recommended methodology and about half follow their district's agreement. It is not clear when or if DOE will require regional districts to implement this methodology. Up Island may want to obtain this survey and discuss the legal implications further.

Foundation Enrollment

Foundation enrollment census consists of students residing in Aquinnah, Chilmark and West Tisbury attending public schools (Chilmark, West Tisbury, Charter and Choice OUT). The foundation enrollment/census recognizes charter and choice students in the enrollment base. Foundation enrollment was first introduced to the District for FY 1995 net school spending numbers, well after the date of the Regional Agreement. The Regional Agreement states that "Operating costs shall be apportioned based upon the respective member town pupil enrollments in each school facility." This methodology

does not recognize charter and choice students in the enrollment base while the operating costs contain charter and choice expenditures.

It would be more equitable if the District changes the enrollment base to apportion operating costs based on foundation enrollment. The financial impact of using foundation enrollment may be seen in Task 6, scenarios 2, 3, and 4.

TASK 6 – COST ALLOCATION SCENARIOS

The objective of Task Six is to determine the projected/estimated costs to each of the three member towns based on 4 scenarios.

Enrollments

Three enrollment bases are used in Task 6. The first is the in-District enrollment that has been used as the basis to calculate Town assessments under the Regional Agreement. In-District enrollment consists off the head counts of students in the Chilmark and West Tisbury Schools. The total October 1, 2005 in-District enrollment was 319 students.

The second is total enrollment. Total enrollment consists of enrollment plus Choice IN students. The total enrollment using the October 1, 2005 census was 350 students: 319 in-District and 31 Choice IN students.

The third is the foundation enrollment census that consists of students residing in Aquinnah, Chilmark and West Tisbury attending public schools (Chilmark, West Tisbury, Charter and Choice OUT). The foundation enrollment/census recognizes charter and choice students in the base of the per pupil expenditure calculations corresponding to the choice and charter tuition expenditures that are included in-District costs. The total October 1, 2005 foundation enrollment was 376 students: 319 in-District, 44 charter and 13 choice OUT students. The October 1, 2005 foundation enrollment is 57 students higher than the October 1, 2005 in-District enrollment.

First Scenario

This scenario has the UIRSD continuing in its present form (all three Up-Island towns are members); this is similar to the FY 2006 apportionment scenario developed in Task 1 but with different student enrollment.

Scenario 1, using the October 1, 2005 census, results in an increase in Aquinnah and West Tisbury's assessments of \$61,099 and \$98,639 respectively and a decrease in Chilmark's assessment of \$159,738. Per pupil costs, based on in-District enrollment and total enrollment (including Choice IN students), follow:

School	In-District	Total
Chilmark School	\$30,338	\$28,554
West Tisbury School	\$23,021	\$20,865

Second Scenario

The second scenario dissolves the UIRSD and Aquinnah students attend the Chilmark School. (In other words, in some manner, West Tisbury is not participating in School Choice and does not accept Aquinnah students.) In this scenario, students in grade 6, 7 and 8 from Aquinnah and Chilmark continue to attend the West Tisbury School.

Scenario 2, using the October 1, 2005 in-District revised census, results in a decrease in Chilmark's costs of \$178,588 and an increase in Aquinnah and West Tisbury's costs of \$80,159 and \$568,621 respectively, compared with their FY 2006 assessments. Remember, there is no district so there are no assessments in this scenario. Each Town is its own district.

As independent districts, Aquinnah and West Tisbury's costs are increased and Chilmark's costs decrease. Aquinnah would pay \$679,659 in intradistrict per pupil charges to Chilmark and West Tisbury. Chilmark would receive per pupil charges from Aquinnah, pay West Tisbury for per pupil charges of \$373,257, and fund the difference from its own revenues. West Tisbury would receive per pupil charges from Aquinnah and Chilmark and would fund the difference from its own revenues.

Scenario 2, using the October 1, 2005 foundation census, results in an \$80,635 increase in Aquinnah's assessment, a \$137,591 decrease in Chilmark's assessment and a \$527,148 increase in West Tisbury's assessment compared with their FY 2006 assessments.

Since the District is dissolved in this scenario, the Towns would not receive regional transportation aid (\$254,000) and bus lease revenue (\$155,000) based on FY 2006 assessments, for a total of \$409,000. Thus, the Scenario 2 assessments are higher than the assessments in other scenarios in order to absorb the loss of transportation revenue.

Under this scenario, per pupil expenditures are about equal.

School	In-District	Foundation
Chilmark School	\$23,502	\$20,145
West Tisbury School	\$23,329	\$19,745

Third Scenario

The third scenario has the UIRSD consisting of Chilmark and Aquinnah only with West Tisbury having withdrawn from the District. (Again, in some manner, West Tisbury is not participating in School Choice and does not accept Aquinnah students.) In this scenario, students in grade 6, 7 and 8 from Aquinnah and Chilmark will continue to attend the West Tisbury School.

Scenario 3, using the October 1, 2005 in-District revised census, results in a \$37,260 increase in Aquinnah assessments, a \$493,442 increase in West Tisbury assessments and a \$206,644 reduction in Chilmark assessments from their FY 2006 assessments.

Scenario 3, using the October 1, 2005 foundation census, results in a \$246,365 increase in Aquinnah's assessment, a \$242,447 decrease in Chilmark's assessment and a \$320,142 increase in West Tisbury's assessment compared with their FY 2006 assessments.

Since West Tisbury is not in the District in this scenario, the "District" would lose regional transportation aid associated with the West Tisbury school about two-thirds of the current Chapter 71 level. Thus the "District" would receive about \$85,000 in regional transportation aid in this scenario. The lease bus revenue would remain at zero.

Per pupil expenditures for scenario 3 follow.

School	In-District	Foundation
Chilmark School	\$22,958	\$18,125
West Tisbury School	\$23,005	\$19,861

Fourth Scenario

The fourth scenario has the UIRSD is reconstituted to be West Tisbury and Aquinnah such that the predominance of Aquinnah students attends the West Tisbury School. Chilmark is not part of the District. In this scenario, students in grade 6, 7 and 8 from Aquinnah and Chilmark will continue to attend the West Tisbury School.

Scenario 4, using the October 1, 2005 revised in-District census, results in a \$14,390 decrease in Aquinnah assessments, a \$233,183 increase in Chilmark assessments and a \$20,937 increase in West Tisbury assessments over their FY 2006 assessments.

Scenario 4, using the October 1, 2005 foundation census, results in a \$9,180 decrease in Aquinnah's assessment, an \$186,298 increase in Chilmark's assessment and a \$62,612 increase in West Tisbury's assessment compared with their FY 2006 assessments.

Since Chilmark is not in the District in this scenario, the "District" would lose regional transportation aid associated with the Chilmark school about one-third of the current Chapter 71 level. Thus the "District" would receive about \$169,000 in regional transportation aid in this scenario. The lease bus revenue would remain at zero.

Per pupil expenditures for scenario 4 follow.

School	In-District	Foundation
Chilmark School	\$34,206	\$26,605
West Tisbury School	\$20,968	\$18,038

Summary

A summary of the impact of the four scenarios on town assessments *using the in-District enrollment* follows compared with the FY 2006 assessments. The additional assessments equal the lost transportation revenues for each scenario.

In District				
Scenarios	Aquinnah	Chilmark	West Tisbury	Total
Scenario 1	\$ 61,099.30	\$ (159,738.49)	\$ 98,639.19	\$ 0.00
Scenario 2	\$ 80,370.28	\$ (165,224.35)	\$ 493,442.28	\$ 408,588.21
Scenario 3	\$ 290,310.04	\$ (206,643.73)	\$ 240,392.57	\$ 324,058.88
Scenario 4	\$ (14,410.59)	\$ 233,171.24	\$ 20,768.90	\$ 239,529.54

A summary of the impact of the four scenarios on town assessments *using the foundation enrollment* follows compared with the FY 2006 assessments. The additional assessments equal the lost transportation revenues for each scenario.

Foundation				
Scenarios	Aquinnah	Chilmark	West Tisbury	Total
Scenario 1	N/A	N/A	N/A	N/A
Scenario 2	\$ 81,497.83	\$ (125,454.97)	\$ 452,545.36	\$ 408,588.21
Scenario 3	\$ 246,364.51	\$ (242,447.20)	\$ 320,141.57	\$ 324,058.88
Scenario 4	\$ (9,201.37)	\$ 186,288.20	\$ 62,442.70	\$ 239,529.54

Scenario 1, the shift in enrollment from October 1, 2004 to the October 1, 2005 census would increase Aquinnah and West Tisbury's assessments and would decrease Chilmark's assessment.

The scenario 2 assessments increase in total by \$408,588 over the FY 2006 assessments, equal to the loss of regional transportation aid; thus scenario 2 has the highest increase in assessments. In both cases Aquinnah and West Tisbury would pay more and Chilmark would pay less to recover this lost revenue. The difference in the amounts reflects the difference in the enrollment used.

The scenario 3 assessments increase in total by \$324,059 over the FY 2006 assessments, equal to the loss of transportation revenue. In both cases Aquinnah and West Tisbury would pay more and Chilmark would pay less to recover this lost revenue. The difference in the amounts reflects the difference in the enrollment used.

The scenario 4 assessments increase in total by \$239,530 over the FY 2006 assessments, equal to the loss of transportation revenue. In both cases Aquinnah would pay less and West Tisbury and Chilmark would pay more to recover this lost revenue. The difference in the amounts reflects the difference in the enrollment used.

Refer to the Task 6 Scenarios workbook for further details.

Summary

This report above all focuses on the equities or inequities of cost apportionments and calculates per pupil expenditures. A summary of the study's findings follows.

SUMMARY OF FINDINGS

Description	Aquinnah	Chilmark	West Tisbury	Total
COST APPORTIONMENTS				
Task 4 Evaluation of the Equitable Allocation of Costs				
Change Choice Apportionments to School Choice Enrollment	\$ 13,736.00	\$ (13,313.00)	\$ (423.00)	
Change Charter Apportionments to Charter Enrollment	\$ (14,853.00)	\$ (7,888.00)	\$ 22,741.00	
Implement the DOE Regional Apportionment Methodology	\$ (157,740.81)	\$ (111,846.56)	\$ 269,589.37	
Change Debt Apportionments to Site Enrollment Base	\$ (5,652.27)	\$ (589.51)	\$ 6,243.12	
Change Debt Apportionments to Capital Base	\$ (1,241.18)	\$ 2,482.37	\$ (1,241.18)	
Task 6 Determine Costs and Cost Allocations for Several Different 'District Scenarios'				
Using In District Enrollment	Aquinnah	Chilmark	West Tisbury	Total
Scenario 1 Change in Enrollment from In District to Total	\$ 61,099.30	\$ (159,738.49)	\$ 98,639.19	\$ 0.00
Scenario 2 District is dissolved	\$ 80,370.28	\$ (165,224.35)	\$ 493,442.28	\$ 408,588.21
Scenario 3 District consists of Chilmark and Aquinnah	\$ 290,310.04	\$ (206,643.73)	\$ 240,392.57	\$ 324,058.88
Scenario 4 District consists of West Tisbury and Aquinnah	\$ (14,410.59)	\$ 233,171.24	\$ 20,768.90	\$ 239,529.54
Using In Foundation Enrollment	Aquinnah	Chilmark	West Tisbury	Total
Scenario 1 Change in Enrollment from In District to Total	N/A	N/A	N/A	N/A
Scenario 2 District is dissolved	\$ 81,497.83	\$ (125,454.97)	\$ 452,545.36	\$ 408,588.21
Scenario 3 District consists of Chilmark and Aquinnah	\$ 246,364.51	\$ (242,447.20)	\$ 320,141.57	\$ 324,058.88
Scenario 4 District consists of West Tisbury and Aquinnah	\$ (9,201.37)	\$ 186,288.20	\$ 62,442.70	\$ 239,529.54
PER PUPIL EXPENDITURES				
DOE Per Pupil Expenditures				
District	FY 2005	FY 2004	FY 2003	
Edgartown	\$ 15,782	\$ 14,647	\$ 13,690	
Oak Bluffs	\$ 13,208	\$ 12,968	\$ 12,027	
Tisbury	\$ 16,037	\$ 14,545	\$ 14,387	
Up Island	\$ 17,451	\$ 16,121	\$ 14,661	
Site Based Per Pupil Expenditures (Fully Loaded)				
School	FY 2005	FY 2004	FY 2003	
Chilmark	\$ 25,052	\$ 30,387	\$ 24,991	
West Tisbury	\$ 18,398	\$ 16,749	\$ 14,782	
District PPE	\$ 19,336	\$ 18,318	\$ 16,173	
Site Based Per Pupil Expenditures (DOE Methodology)				
School	FY 2005	FY 2004	FY 2003	
Chilmark	\$ 18,746	\$ 22,615	\$ 18,882	
West Tisbury	\$ 17,305	\$ 15,278	\$ 13,715	
District PPE	\$ 17,508	\$ 16,122	\$ 14,661	

**UP ISLAND REGIONAL SCHOOL DISTRICT
 TRI-TOWN STUDY OF THE PAST, PRESENT AND ANTICIPATED
 FUTURE COSTS OF OPERATING THE DISTRICT
 TABLE OF CONTENTS**

	Page
Task 1 Historical Financial Results	
Narrative	1-1
Workbooks/Tabs	
Revenues FY00 –FY05	
Ch 70, Charter and Choice FY00 – FY05, Gross and Net	
Expenditures FY00- FY05	
Expenditures FY05	
Expenditures FY04	
Expenditures FY03	
Expenditures FY02	
Expenditures FY01	
Expenditures FY00	
Revenue and Expenditure Summary	
 Task 2 Cost Apportionments and Per Pupil Expenditures	 2-1
Narrative	
Workbooks/Tabs	
Enrollment	
Enrollment Summary for FY 1999 through FY 2006	
Enrollment by town for October 1, 2002	
Enrollment by town for October 1, 2003	
Enrollment by town for October 1, 2004	
Enrollment by town for October 1, 2005	
Apportionments Files	
FY 2003 Apportionments and Per Pupil Expenditures	
FY 2004 Apportionments and Per Pupil Expenditures	
FY 2005 Apportionments and Per Pupil Expenditures (Amy to provide)	
 Task 3 Financial Model of the Cost Allocation Formula	 3-1
Narrative	
Workbooks/Tabs	
Projected Apportionments FY07 – FY10	
Projected Revenues FY07 – FY10	
Projected Expenditures FY07 – FY10	
Debt Service FY06 – FY10	
Revenue Methodology	
Expenditure Methodology	
Summary Table	

**UP ISLAND REGIONAL SCHOOL DISTRICT
 TRI-TOWN STUDY OF THE PAST, PRESENT AND ANTICIPATED
 FUTURE COSTS OF OPERATING THE DISTRICT
 TABLE OF CONTENTS**

	Page
Task 4 Equitable Allocation of Costs	4-1
Narrative	
Workbooks/Tabs	
Up Island Regional School District Alternative Regional Assessment Methodology with several tabs about that methodology	
Capital and Debt Apportionments with three tabs (Enrollment Base, Debt Service Assessments, and Capital Percentage Base)	
Up Island FY06 Final Net School Spending with several tabs (Summary, Up Island FY06F, Chilmark FY06F, Aquinnah FY06F, West Tisbury FY06F, Simulated Up Island, and Simulated Table)	
Up Island FY07 Preliminary Net School Spending with two tabs (Chapter 70 Summary and Enrollment and Contributions)	
 Task 5 Suggested Regional Agreement Formula Adjustments	 5-1
Narrative	
 Task 6 Determine Costs and Cost Allocations for Several "District Scenarios"	 6-1
Narrative	
Workbook/Tabs	
FY06 Final Assessments	
Scenario 1	
Allocation Census	
Scenario 2	
Scenario 3	
Scenario 4	
 Attachments	
1 – FY 2006 Certified District Budget Summary	
2 – FY 2007 Certified District Budget Summary	

Task 1

Historical Financial Results