

Tuition Students

We would like to clarify misinformation about tuition students that has been disseminated by non-District sources.

Tuition students are students from other districts without high schools (or in some cases middle schools), who choose to come to South Burlington. If there is no high school (or middle school) in a student's home district, the student may choose any high school (or middle school) in the state. The student's home district pays tuition to the district the student chooses.

Tuition students do not impose additional costs on South Burlington taxpayers. Rather, they provide a host of benefits including the following:

1. **Broader Program Offering:** Tuition students create a larger student body that allows for a broader program offering, which benefits all students attending the middle and high schools.
2. **Funding:** Each tuition student brings funding to the District. In FY 2018 the tuition rate is set at \$15,748 per middle or high school student plus \$14,111 if a student participates in the District's special education program.
3. **Coverage of Fixed Costs:** Many of the District's costs are fixed such as building maintenance, and utilities or somewhat fixed. The cost of a teacher for a class already being offered, for example, is "somewhat" fixed because the District is already paying the teacher but another section may need to be added if class size limits are reached. Every additional tuition student helps to cover those fixed costs, essentially bringing more funding than it costs the District to educate that additional student.
4. **Diversity:** Tuition students bring additional diversity to the student body. In this year's case, they add 191 more perspectives, life experiences, personalities, and talents from which all of our students learn and benefit.

More detail on the financial aspects of tuition students, including how the tuition is calculated and details of the positive impacts on the School Budget and South Burlington tax rate will be posted on the District website on Monday. Please see the Budget page at sbschools.net.

Financial Aspects of Tuition Students

Tuition rates are set by each school district based on a formula provided by the Vermont Agency of Education (AOE): estimated allowable expenditures divided by estimated average daily membership. The tuition rate must be set by January 15 of each year to allow sending districts to complete their budgets. The District set its tuition rates for the FY 2018 school year at the January 11, 2017 board meeting. The rates are as follows:

Secondary Grades 7-12: \$15,748 per student

Elementary Grades K-6: \$14,904 per student

Special Education (Progressive Program): \$14,111 per student

The Special Education tuition rate is the additional amount that a sending district pays South Burlington if a student participates in our special education program.

At the end of the fiscal year, the actual allowable expenses the District incurred during the year are calculated. Allowable expenditures are calculated by taking the District's total expenditures and subtracting spending on special education, to-and-from school transportation for resident pupils, and debt service, equipment expense, and a few other small items, then dividing the resulting number by Full Time Equivalent Students ("FTE"). FTE is the number of students who actually attended the District's schools, no matter where they resided. This calculation results in the actual "allowable tuition."

Special education spending is subtracted from the calculation because sending districts are charged an additional amount for each special education student (\$14,111 per student for those attending South Burlington). Leaving special education expenses in the allowable tuition calculation essentially would be double charging sending districts for special education services and charging them for special education services provided to South Burlington resident students.

If, at the end of the year, the tuition rate a receiving school charged is more than 3% more than the actual computed "allowable tuition" the receiving school may be required to refund the difference to the sending school. If the tuition rate actually computed is greater than the rate paid by the sending school paid by more than 3%, the sending school may be obligated to pay the receiving school additional tuition up to the computed actual cost.

As mentioned above, the actual tuition rate that the District will charge sending districts this year will be \$15,748 for middle and high school students. The proposed budget assumed estimated revenue per tuition student of \$15,131, which was the FY 2017 tuition rate, in part because the original budget (for the March vote) was developed before the Board approved this year's tuition rates. The original budget also lowered the total tuition revenue estimate by 5% to be conservative, which is why it looks like the District is only charging \$14,482 per tuition student (\$2,766,000 divided by 191 tuition students).

Actual tuition to be charged (\$15,748) multiplied by the expected number of students (191) generates a total projected tuition income of \$3,007,868. Special education fees of \$325,000 added to projected tuition income generate a total estimate of \$3,332,868 of funding that tuition students are expected to bring to the District in FY 2018. Dividing \$3,332,868 by 191 students results in an estimate that each tuition student will bring an average of \$17,450 to the District in FY 2018.

In the proposed budget, property taxes (the draw from the State Education Fund of \$37,222,807) would cover 2,239 local students (unequalized – see Friday's post on Cost per Student). Dividing \$37,222,807 by 2,239 results in \$16,625 per local student. This is \$825 less than the average tuition student is expected to bring to the District (\$17,450 minus \$16,625).

Using equalized pupils of 2,417 results in a Cost per Equalized Pupil of \$15,401 as voters will see on the ballot. No equalized tuition student number is available, but it would be sensible to use a 1.13 weighting factor, which is what the State assigns to secondary students in the equalized pupil calculation. (There are other weighting factors that could be used such as poverty and English Language Learners, which apply to certain students. But for simplicity, the 1.13 factor applies to all students and is used in this estimate). This would result in 215.8 weighted tuition students. Dividing the total funding tuition

students are expected to bring to the District next year (\$3,332,868) by weighted tuition students (215.8) would result in \$15,442 per student, meaning tuition students would bring \$41 per student more than South Burlington taxpayers are funding per equalized South Burlington pupil.

It is important to understand that holding programming constant, most of the District's expenses are fixed or somewhat fixed. Even if there are no tuition students to help fund them, they still exist. If we do not have tuition students, South Burlington taxpayers will be faced with a choice of offering South Burlington students fewer opportunities or paying higher taxes to offer the same diversity of programming. Even if a tuition student paid significantly less than the amounts discussed above, they would still lower costs for South Burlington taxpayers as long as the expenses they generated directly (their marginal cost) was lower than the tuition they were paying (their marginal revenue).

If all costs were completely fixed and all tuition students went away, the draw from the State Ed Fund (i.e. the amount funded by property taxes) this year would increase to \$40,313,807 (calculated as \$37,222,807 current projected draw from the State Ed Fund plus \$2,766,000 tuition revenue plus \$325,000 special ed tuition income). Assuming the same number of equalized South Burlington students (2,417) the cost per equalized South Burlington pupil would be \$16,680 this year instead of the proposed \$15,401, a difference of \$1,279. We know that not all costs are fixed, but as long as the marginal costs to educate the tuition students is less than the \$3,332,868 calculated above, tuition students are a financial benefit to the District and the taxpayers of South Burlington.