

## **FY10 Budget Development**

### **June 24, 2008**

#### **Which budget are we talking about?**

Even though FY08 has not ended, we are discussing the budget for FY10, which starts July 1<sup>st</sup>, 2009, and covers the school year starting September 2009 – 15 months from now.

The FY10 budget may be an extremely difficult budget to balance. The Arlington Public Schools certainly has seen tight times and cutbacks in the past, but seldom after 3 years of steady prior reductions. Cumulatively, we have dealt with \$3 million of deficits in the last 3 years. There is very little room left to maneuver.

#### **Is the FY09 budget all set?**

Yes and no. We have an approved budget that preserved much of what we had, thanks to large fee increases and some reductions. With the help of the community, we closed a \$1.25 million shortfall without big cuts to staff or programs. Hiring is progressing well and on budget.

I am concerned that special ed commitments have increased over the spring, and may continue to rise over the summer. This could require us to revisit the FY09 budget in the fall. Our special ed transportation costs and out-of-district costs are growing faster than anticipated. Keep in mind, a small change of say 5 out-of-district placements can increase our costs by \$300,000-\$500,000. Some portion of this expense (less than 1/2) will qualify for state reimbursement, but reimbursement is delayed by 1 year.

Food and gas prices have also risen even higher than anticipated.

### **The Major Elements of the FY10 Budget**

#### **Preliminary Analysis**

I want to share with the School Committee and the community a preliminary overview of what FY10 might look like, compared to FY09, if we do nothing differently.

By looking at the situation early, we hope to narrow our focus, do the research, talk to the community, and develop alternatives. All numbers are rough approximations to give an order of magnitude of the problem or opportunity.

## Revenue

<b>Area</b>	<b>Expectations</b>	<b>Approximate Dollar Impact</b>
Operating Budget	Expect 3-4% increase based on 5-year plan.	\$1.1 - \$1.5 million
Grants	Expect grant-writing firm to offset decline in federal and state grants.	\$0
Fees	The School Committee has control over fees, within limits. A 5% increase in fees would cover our inflation costs.	\$75,000 at 5%
One-time offset	The FY09 budget relied on 3 one-time “offsets” – Sped reserve, facilities reserve, and a distribution from the LABBB Collaborative. These funds will not be available in FY10.	(\$720,000)
<b>Total Revenue</b>		<b>\$450,000 - \$750,000</b>

## Salaries

Salaries make up the vast majority of our budget. Teachers deserve what they earn, plus some. This analysis is not “blaming” teacher pay for our problems, but does indicate that total salaries are growing faster than available funding.

<b>Area</b>	<b>Expectations</b>	<b>Approximate Dollar Impact</b>
Salary: Steps	Under the current contract, each year as a teacher gains a year of experience, their salary automatically increases, up to 12 years of experience in public schools.	\$635,000
Salary: Levels	Under the current contract, as teachers earn graduate credits or degrees, their salary automatically increases. The district also pays for a portion of the tuition costs as well.	\$30,000 - \$50,000
Salary: Teachers (and others)	FY10 will be under a new contract, which will be negotiated during FY09. Historically, salary increases have been between 2-3%/year, and in very rare cases during financial difficulty, there have been no raises for a year. This had significant negative impact on morale.  The raise for teachers has traditionally set the expectations for all other raises as well, both union and non-union.	Each 1% raise costs \$315,000
Enrollment Growth	It is hard to estimate the number of students, at which schools, at each grade. The FY09 budget required 2 additional elementary teachers, and 1 at the middle school to address enrollment growth.	\$0-\$150,000

## Expenses

<b>Area</b>	<b>Expectations</b>	<b>Approximate Dollar Impact</b>
Supplies & General Services	The rising cost of energy is raising prices on everything in the US economy. School inflation has typically run 5% and will likely exceed this in FY10.	\$100,000
Utilities	This is one relatively bright spot on the budget front. Many school districts have been devastated by the recent 50-100% increase in utility and energy costs. Working with the town, we have long-term contracts through FY11 for fixed prices for our energy, saving us over \$500,000	\$50,000 - \$100,000
Transportation (Non-special ed)	It is hard to predict where gas prices will be in 15 months, as some analysts expect oil prices to drop. Our gas consumption is relatively low, given that most students walk to school. Athletic transportation is the biggest non-special ed consumer of gasoline.	\$0 - \$25,000
Custodial & Maintenance	As our new buildings start to age and as we have reduced the number of custodians slightly, there will be pressure for more maintenance and overtime. We will stay within budget, but responsiveness and appearance will suffer some.	\$0, but decreased responsiveness and appearances

## Special Education

Special education is both a legal and moral obligation of the school system. It is, however, unfortunate that these very important services are also very expensive. The desire is to provide great support to students in cost-effective ways. Unlike most parts of our budget, the district must provide all special ed services required by students. We do not set a budget and live with it. As needs grow, so must spending – regardless of budget or available funding.

<b>Area</b>	<b>Expectations</b>	<b>Approximate Dollar Impact</b>
Inclusion & moderate “in-house”	Our efforts to address the needs of struggling students through the reading program, Teacher Assistance Teams (TAT), English Language Learning, a more consistent approach to services, aides, counseling, and eligibility have held the growth in inclusion and moderate in-house special ed to the growth in staff raises.	\$0- \$100,000
Preschool & Early Intervention	The population of very young children with significant learning needs is growing at an alarming rate. It appears to be growing fast everywhere, but even faster in Arlington.	\$100,000 - \$250,000
Out-of-District & “significant needs in-house programs”	Each year, we serve more students with significant needs. This is a national trend. The cost of serving each student is also rising, due in part to advocates, the large hospitals, and a general shifting of the balance of power. Early indications are that FY09 out-of-district may exceed budget, and this would also impact FY10. As we build in-house programs for these students, our cost/student will decline, but the numbers of students served will likely rise.	\$500,000 - \$800,000
Special Ed Transportation	The market for special ed transportation is no longer a typical competitive environment. An extreme shortage of vendor capacity has led to a 3 or 4 fold increase in costs on some runs. Despite successful efforts to regionalize our special ed transportation and group students, our savings have been dwarfed by the price increases.	\$200,000 - \$300,000
Homeless Transportation	The number of “homeless students” (children placed by the state into group homes in Arlington) is increasing. Arlington, for its size, has (we believe) more “homeless” beds than any other town in Massachusetts. We pay 50% of the cost to transport these students back to the school in the town their parents live. Special ed transportation vendors must also be used for these children.	\$175,000 - \$150,000

## Options for Dealing with the Budget Shortfall

<b>Increasing Revenue Options</b>	<b>Possible Savings</b>
1.) Enter GIC health insurance.	\$0 - \$1,000,000
2.) Expand after-school programs and bring some under Community Ed.	\$0 - \$100,000
3.) Increase fees.	???
4.) No 6 <sup>th</sup> -year reserve for current 5-year plan.	\$0 - \$1,200,000
<b><u>Lowering Special Ed Costs</u></b>	
5.) Accelerate opening in-house programs to reduce the out-of-district costs and special ed transportation costs. This would require extra spending in FY09 and some capital costs as well.	\$0 - \$300,000 plus
6.) Consider providing more special ed transportation ourselves. This might require some capital costs.	\$0 - \$100,000
7.) Recruit more students from other districts as tuition-paying students into our special ed programs.	\$0 - \$150,000
8.) Reduce reliance on special ed teaching assistants.	\$0 - \$100,000
9.) Tighter cost-containment efforts at LABBB Collaborative.	\$0 - \$100,000
<b><u>Lowering Custodial/Maintenance Costs</u></b>	
10.) Change overtime contract language or procedures.	\$100,000
11.) Subcontract some custodial or maintenance	???

### **Last Resort**

When all else fails, school systems must increase class sizes (and reduce teachers) to balance the budget. We hope very much to avoid this option. A 10% increase in class sizes from 21 to 23, on average, would save \$1,500,000. Average class size, however, blurs the reality that some clusters will be much bigger, while others will be smaller.