



FOR IMMEDIATE RELEASE

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FREQUENTLY ASKED QUESTIONS REGARDING ARLINGTON PUBLIC SCHOOLS FY 2010 SHORTFALL

ARLINGTON (August 26, 2010)

1. Why did this shortfall occur?

FY 2010 ended with a shortfall due to the combination of a decrease in revenues and an increase in special education out-of-district costs.

The revenue decrease was the result of a substantial decline in grant revenue and Circuit Breaker reimbursement, slower than expected collection of receipts of tuition for Special Education programs, the elimination of an expected credit distribution from LABBB, and lower fee collections from Full-Day Kindergarten, Elementary Instrumental Music, Building Rental, Pre-School Tuition and Ticket Sales. In addition, expected savings from lunch program offsets and Special Education initiatives were less than budgeted. The combined revenue loss from these items was \$1.8 million.

Special Education out-of-district expenses came in \$800,000 over budget because of a combination of new student placements that occurred throughout the year, and tuition increases at out-of-district schools.

2. What did the District do to reduce these negative developments?

Beginning in October of 2009 the District implemented a budget freeze and took steps to reduce spending, short of mid-year teacher layoffs. These steps resulted in \$1.1 million in savings that have reduced the total shortfall to \$1.5 million.

3. When did we know about the shortfall?

Different aspects of the shortfall became known at different times during the year. During

the fall, grants started coming in below the budgeted levels, and by February the 9% average reduction from budget estimates was discussed publically. The reduction in Circuit Breaker funding was known in September. Other elements of the revenue shortfall became known later in the year. For example, during the winter the District learned that LABBB would not make a distribution, while the delay in Special Education tuition-in receivables was becoming apparent during the winter, with the final result known later in the year. Efforts to collect fees were ongoing during the year with the final amount collected known only at the end of year. Out-of-district tuition expenses became known over the course of the year with new student placements compounding the effect of tuition increases.

4. Why is this deficit just being talked about now?

It is only after the close of the fiscal year that the final accounting can take place and the final impact of these developments be realized. However, in February the public was made aware of a \$1.1 million revenue shortfall, and in March \$400,000 of the Special Education out-of-district tuition overage was announced. Further updates on out-of-district tuition were provided throughout the spring.

5. What will be the impact in District classrooms in the coming school year?

Classroom teachers that were budgeted for FY 2011 will remain the same. Class sizes have been impacted by the cuts that were made in the FY 2011 budget but will not be further impacted by the FY 2010 deficit.

6. How will we ensure we are not caught like this again?

We can move toward reducing our reliance on funding sources beyond the Town appropriation. Reliance on funds beyond the Town of Arlington appropriation has trended up for several years, from under 10% in FY 2005 to the peak of 19% in FY 2010. One risk of increased reliance on outside funds is their less predictable nature, as the district experienced in FY 2010. It will also be important to develop a reserve to protect the District from the impact of increased out-of-district tuition expenses.

7. Why will there be a Special Town Meeting?

Town Meeting must approve a reduction to the FY 2011 school appropriation by \$1.5 million to offset the amount of free cash used to close the FY 2010 school budget deficit.

8. Will the Education Jobs Bill allow us to hire more teachers?

Unfortunately not. However, the Education Jobs Bill will allow the District to retain all teachers that were included in the FY 2011 budget. In addition to the Jobs Bill, the deficit can be covered without impacting classroom teachers through cost containment efforts already undertaken, completed collections of Special Education tuition-in, savings realized for FY 2011 in Special Education out-of-district transportation, an upward movement in Circuit Breaker reimbursement expected from the State and a further reduction in supplies.

9. Will the Bridge the Gap funds be used to offset the deficit?

No, the Bridge the Gap money will be used for its intended purposes.

10. Did legal bills contribute to the deficit?

No, the District's legal bills were within the amount budgeted for FY 2010.

11. Did the accounting practices identified as less than optimal in the FY 2009 audit contribute to this problem?

No, the accounting practices have no impact on these revenues or expenses. Please note that in FY 2010 the District has moved away from the prior accounting practices.