

FY11 Budget Development
August 26, 2009

The Major Elements of the FY11 Budget

Preliminary Analysis

A preliminary analysis of the FY11 budget is at best “preliminary”. There are many inherent variables in our current national and state economies that make prediction difficult with respect to revenue.

The five-year revenue/expense analysis for Arlington developed by the Town Manager indicates that Arlington will likely face approximately a \$4.3 million deficit for FY11. This deficit assumes a 4% increase in the school budget with the same amount of IDEA ARRA and half the Stimulus ARRA funds as FY10.

Below are some early projections for revenue and expenses, as well as, some options for mitigating the budget shortfalls. All numbers are rough approximations to give an order of magnitude to the problem.

Revenue

Area	Expectations	Approximate Dollar Impact
Operating Budget	The town projection assuming a 4% increase in revenue	\$1 - \$1.5 million
Grants	FY10 grants fell far below original projections. METCO is down \$71,000. Title 1 is down \$120,000 and full-day Kindergarten is down \$22,000. We expect this trend to continue through FY11 and FY12. A detailed grant analysis will be available in the Fall.	\$0
Fees	APS fees are near capacity, however, full-day Kindergarten tuition is still below the statewide average of \$2,800. However, we have noticed an upward trend in the number of families applying for financial assistance and/or free and reduced lunch.	\$0
One-time offset	The FY10 budget included one-time offsets for SPED savings, F-1 visa students, LABBB, and custodial changes. The offsets totaled \$825,000 and may not be available in their entirety for FY11.	(\$0 - \$825,000)
Total Revenue		\$175,000 - \$675,000

Salaries

Salaries make up the vast majority of our budget. In the FY10 budget, no money was allocated for salary increases, which is not a viable or recommended option for FY11. Teachers are entitled to cost of living adjustments. Teachers' salaries in Arlington tend to be lower than salaries in other regional districts. Without appropriate (and deserved) salary increases, our competitiveness for talented teachers will decrease.

Area	Expectations	Approximate Dollar Impact
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. Teachers receive longevity payments for service beyond 12 years.	\$615,000 - \$650,000 (salary) \$220,000 (longevity)
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 - \$40,000
Salary: Teachers (and others)	FY10 will be under a new contract, which is currently being negotiated. Historically, salary increases have been between 2-3%/year. No money was encumbered in the FY10 budget for salary increases. The raise for teachers has traditionally set the expectations for all other raises as well, both union and non-union.	Each 1% raise costs \$230,000
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. In-district enrollment grew 2% from 2007-08 to 2008-09.	\$0-\$150,000
	Total:	

Expenses

Area	Expectations	Approximate Dollar Impact
Supplies & General Services	Level fund expenses. Must keep expenses to the limits in the budget	\$0
Utilities	The town benefits from long term utility contracts. The FY10 budget reflects estimated expenditures and a detailed analysis will be compiled for the Fall. We may realize some savings due to the “sleep” mode software for our 1,000+ computers.	\$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 educ. consumer of gasoline.	\$0 - \$25,000
Custodial & Maintenance	As our new buildings 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. However, we need to have a contingency for unexpected repairs and vandalism.	\$20,000, with decreased responsiveness and appearances

Special Education

Special education is both a legal and moral obligation of the school system. Unfortunately, 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 education 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. Through collaborative efforts, innovative programming, and careful planning, the special education budget overall only grew by 4% from FY08 to FY09. Whether that percent increase can be replicated depends upon a number of variables.

Area	Expectations	Approximate Dollar Impact
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 educ. to the growth in staff salaries.	\$0- \$100,000
Preschool & Early Intervention	The population of very young children with significant learning needs is growing at an alarming rate.	\$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. As we build in-house programs for these students, our cost/student will decline, but the numbers of students served will likely rise. The number of out-of-district placements decreased by 20% from 08-09 to 09-10, but in-district costs rose as a result.	\$500,000 - \$800,000
Special Ed Transportation	A 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. We have realized, however, some significant savings due to collaboration within LABBB and our own in-house analysis and resulting actions to reduce costs. We also have an aging fleet of vehicles, which require frequent maintenance. A full report will be available in the Fall.	\$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.	\$75,000 - \$100,000

Options for Dealing with the Budget Shortfall

Increasing Revenue Options	Possible Savings
1.) Enter GIC health insurance (town-wide)	\$0 - \$3,500,000
2.) Expand after-school and summer enrichment programs under Community Ed.	\$0 - \$25,000
3.) Increase fees (only K)	???
4.) Increase number of international students who pay tuition	\$0 - \$50,000
5.) Re-examine our athletic program for savings. For example, if ice time for hockey practices were reduced 50%, the savings would be approximately \$28,000. If freshmen sports were eliminated, the savings would be \$32,000.	\$0 - \$60,000
<u>Lowering Special Ed Costs</u>	
5.) Accelerate opening in-house programs to reduce the out-of-district costs and special ed. transportation costs. This would require extra spending in FY10 and FY11 and some capital costs as well. A complete report on new programs will be presented at a SC meeting in the Fall.	\$0 - \$600,000 (approx. 15 students)
6.) Provide more special education transportation ourselves. This might require some capital costs. At least one bus needs to be replaced. We have significantly improved our savings in this area over the last two years due to a very detailed analysis of possible shared rides, collaboration with other districts, and fewer students in out-of-district placements.	\$0 - \$100,000
7.) Recruit more students from other districts as tuition-paying students into our special ed programs.	???
8.) Reduce special education teaching assistants. However, new programs may require increased spending in this area, which could offset any reductions.	???
<u>Lowering Custodial/Maintenance Costs</u>	
8.) Change overtime contract language or procedures	???
9.) Subcontract some custodial or maintenance	???

Last Resort

When all other ways to reduce or offset a budget to match revenue fails, school systems must increase class sizes (and reduce teachers) to balance the budget. A 10% increase in class sizes from 21 to 23, on average, would save \$1,500,000. In the middle school, a 10% increase would mean class sizes in the high 20's. Without redistricting at the elementary level, increases in class sizes will widen class inequities among the elementary schools. Average class size, however, blurs the reality that some clusters (MS) or classes will be much bigger, while others will be smaller.