

# **FY11 Preliminary Budget Recommendation**

February 3, 2010

# Executive Summary

## FY12

- In FY12 and beyond, Boston Public Schools (BPS) faces a challenging revenue environment while incurring rising costs
- The loss of revenue is so large that incremental reductions cannot solve the problem
- A financial solution cannot come from external sources; it must come from within, by confronting complex structural problems
- BPS is developing a solution that transitions from the current structural challenges to transform the district to a position of financial stability and provide funds to reinvest in schools

## FY11

- BPS started with a \$57.7 million challenge for FY11
  - Four factors contribute to the gap: cost increases, external grant reductions, increased investment requirements, and an adjustment to the City appropriation
- After making significant central and school-based reductions, a \$32.5 million challenge remains
- BPS is proactively identifying additional cost saving options through collective bargaining, transportation, programmatic changes, and school closings to close the gap

# Supporting the Acceleration Agenda

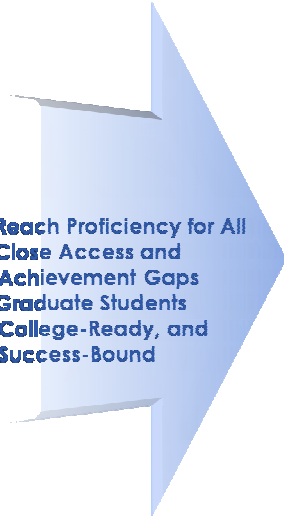
## The Acceleration Agenda

Strengthen **teaching** and school **leadership**

Replicate **success** and **turn around** low performing schools

Deepen partnerships with **parents, students, and the community**

Redesign district services for **effectiveness, efficiency, and equity**



- ◆ **Reach Proficiency for All**
- ◆ **Close Access and Achievement Gaps**
- ◆ **Graduate Students College-Ready, and Success-Bound**

- The five year strategic plan establishes key priorities for investment
- Strategies for the first year have been funded through the general fund and external funds
- In addition, key Acceleration Agenda priorities have guided the FY11 budget development process

# FY11 Acceleration Agenda Investments

- **General Fund investments**

- English Language Learners

- BPS is investing an additional \$10 million to increase the number and quality of ELL programs, providing more offerings to students

- **External fund investments**

Investment	Source	Value
Turnaround Schools	School Improvement, Race to the Top, and ARRA Title I	Approximately \$200K / school plus ARRA Title I
Special Education Reform	ARRA IDEA	\$12 million in FY11
AP expansion	Federal Grant	\$2.4 million over 3 years
Arts expansion	Private funds (Edvestors, etc.)	\$2.5 million target over 3 years
Parent University	ARRA Title I and private funds	~\$350K for FY11
Athletics	Red and Blue Foundation	\$7.5 million target over 3 years

# Agenda

- **FY12: Transformation Year**

- **FY11: Transition Year**

- The Challenge
- Schools
- Central
- Remaining Gap

- **Next Steps**

## FY12: The Problem

- The nation is slowly emerging from a recession, leading to minimal revenue increases in coming years
- \$31 million in ARRA funding is going away in Fiscal Year 2012
- Due to the increase in the charter cap, new charter schools will come online, reducing BPS funding and increasing excess capacity
- The loss of revenue is so large that incremental reductions cannot solve the problem
- The financial solution cannot come from external sources; it must come from within
- We must find savings tied up in complex structural problems
- If we avoid these difficult decisions, we put the Acceleration Agenda and the entire district at risk

# The FY12 Solution: Transformative Change

## Transition From

- Annual, incremental reductions
- Schools with empty seats and minimal programming
- Children spending 45 minutes riding on a bus
- Significant investments on compliance oriented functions



## Transition To

- Financial stability, where we have additional funds to reinvest in schools
- Schools filled to capacity with a rich variety of program and course offerings
- High quality options in every neighborhood
- Focus on quality instructional investments that support learning

We need to transition to being the first and best option that parents think of when deciding where to send their children to school

## FY12: Preparing for Transformation Starts Now

- The five year Acceleration Agenda presents a roadmap for achieving academic excellence in all schools and prioritizes key investments
- Education Resource Strategies is assisting BPS in analyzing all aspects of our budget, including positioning the district for competitive federal grants and examining how we compare with other urban districts
- A cross-functional team has been established to examine the cost of empty seats and develop options for rightsizing the district
- The Office of Institutional Advancement was established in 2009 to maximize our capacity to generate additional private, philanthropic, and corporate sector resources to invest in our Acceleration Agenda and innovation plans
- In 2009, we began the process of exploring student assignment options and through a federal grant will continue to review other models as well as how our special needs, English as a second language, and other program placements impact transportation costs
- We are reviewing all elements of our collective bargaining agreements as well as how we are organized centrally to identify potential efficiencies and savings

# Agenda

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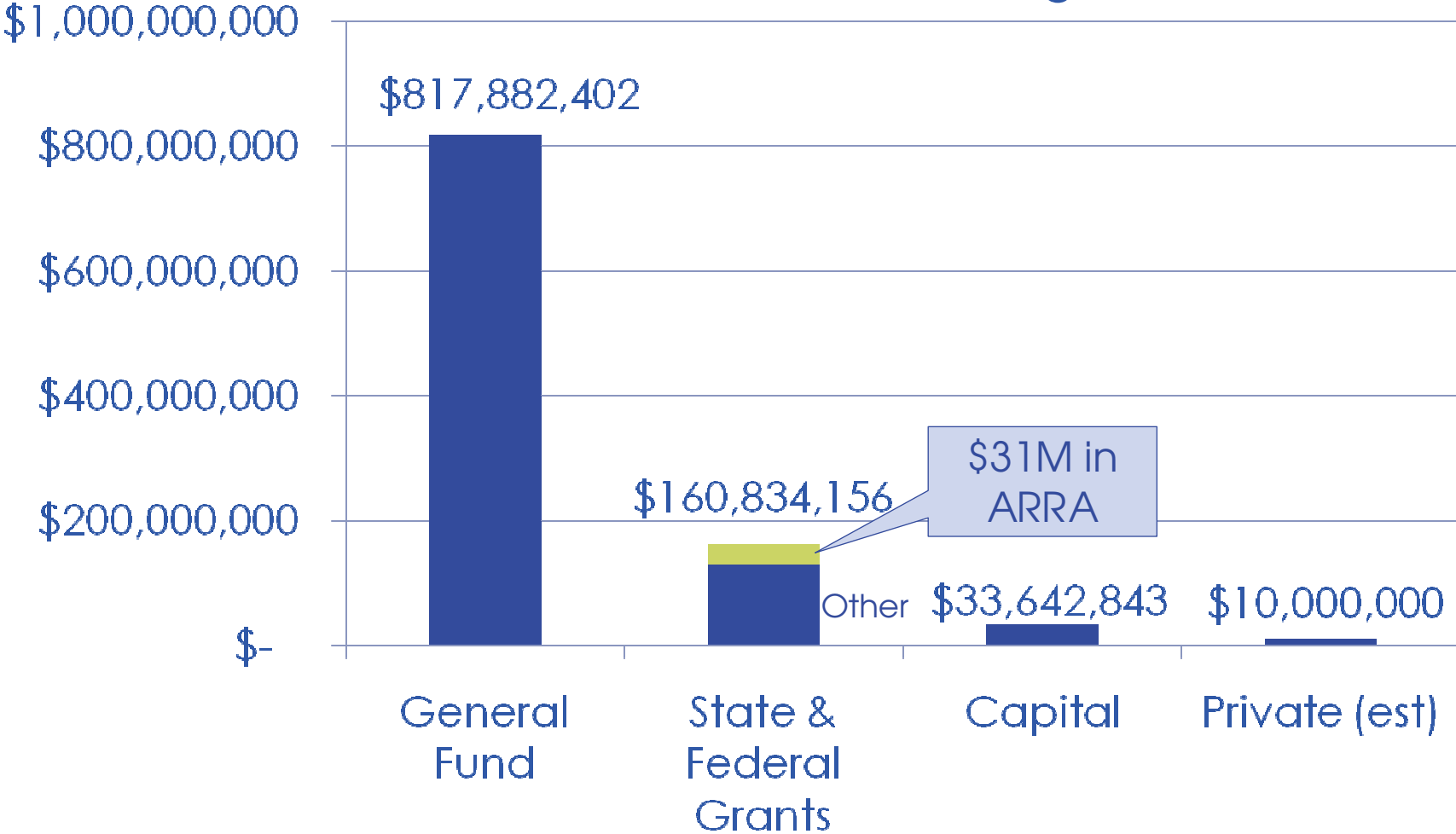
- **Next Steps**

# What Other Districts are Doing

Area	Examples
Additional Central Reductions	<ul style="list-style-type: none"> <li>• Reduce school support, including security and after-school programs (Washington, D.C.)</li> <li>• Outsource food services management (Washington, D.C., Kansas City exploring)</li> <li>• Reduce custodians (Portland, OR)</li> </ul>
Collective Bargaining	<ul style="list-style-type: none"> <li>• Furloughs (California, Georgia, Hawaii, Florida)</li> <li>• Pay freezes (Fairfax County, VA; Nashville)</li> <li>• Salary reductions (Miami Dade, Los Angeles, New Mexico)</li> </ul>
Transportation / Student Assignment	<ul style="list-style-type: none"> <li>• Reduce services (San Francisco, Lansing, MI)</li> </ul>
Program changes	<ul style="list-style-type: none"> <li>• Increase class sizes (San Francisco, Fairfax County, VA, Montgomery County, MD)</li> <li>• Reduce summer school (San Francisco)</li> <li>• Consider eliminating K-1 (Fairfax County, VA)</li> </ul>
School Closings	<ul style="list-style-type: none"> <li>• Washington, D.C. (23 in summer 2008, 3 in summer 2009)</li> <li>• New York City (19 schools announced in January 2010)</li> </ul>

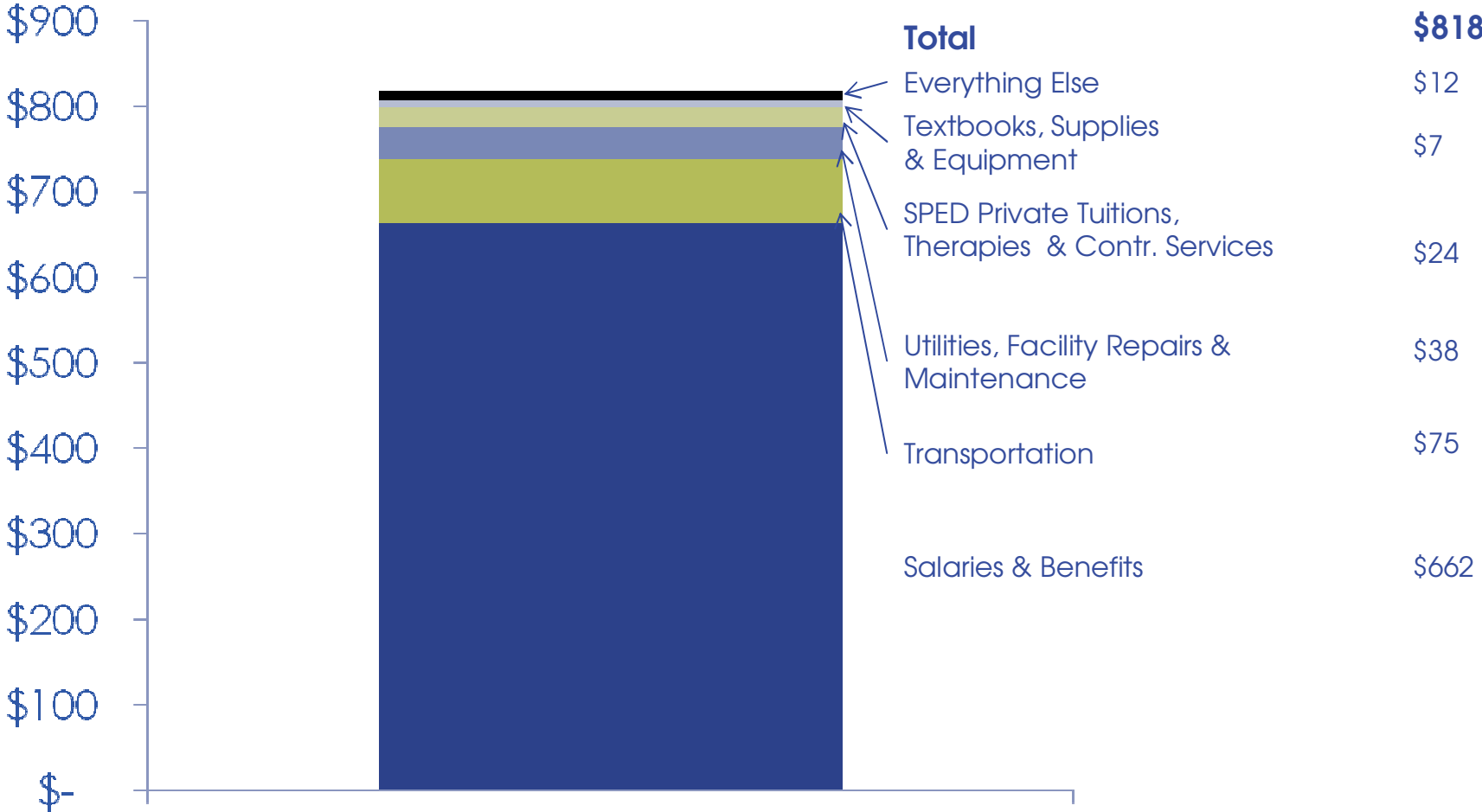
# Where does our money come from?

## Boston Public Schools FY2010 All Funds Budget



# What do we buy with our money?

## Boston Public Schools FY2010 Budget by Account



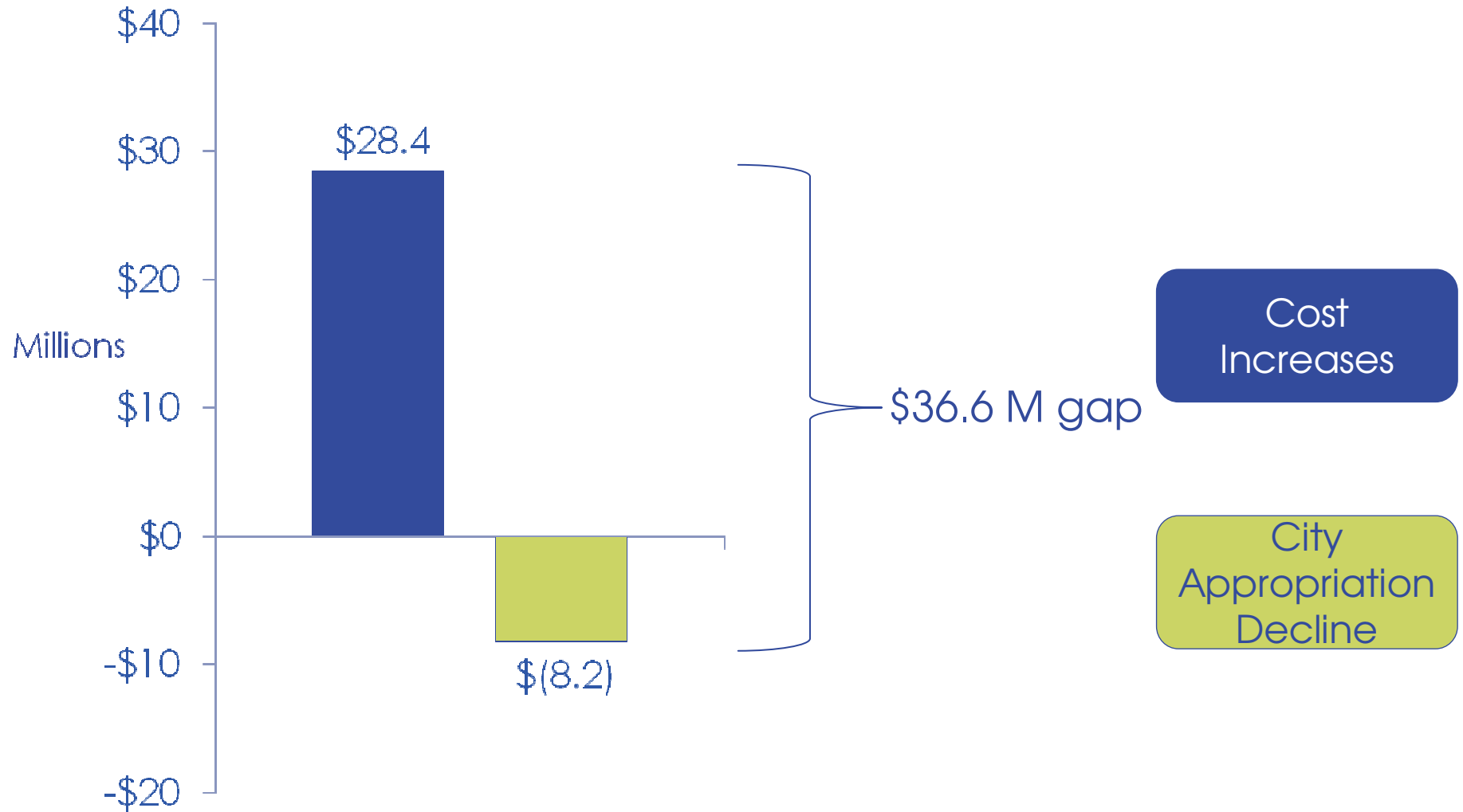
# FY11 Appropriation

	FY10	FY11	Variance
BPS appropriation	\$817,882,402	\$809,703,578	\$8,178,824

- While other City departments have received target appropriations with 5% reductions, the Mayor continues to make education a top priority
- BPS has received a 1% target reduction for FY11

# BPS Gap for FY11

## FY11 Projected General Fund Gap



# Grant Challenges

Grant	Source	FY10 Adopted	FY11 Projected	Variance
Circuit Breaker	State	\$11.8 M	\$4.9M	(\$6.9 M)
Earned Indirect	Federal / State	\$2.7 M	\$0.5 M	(\$2.2 M)
Total		\$14.5 M	\$5.4 M	(\$9.1 M)
Title IIA*	Federal	--	--	(\$2.0M)

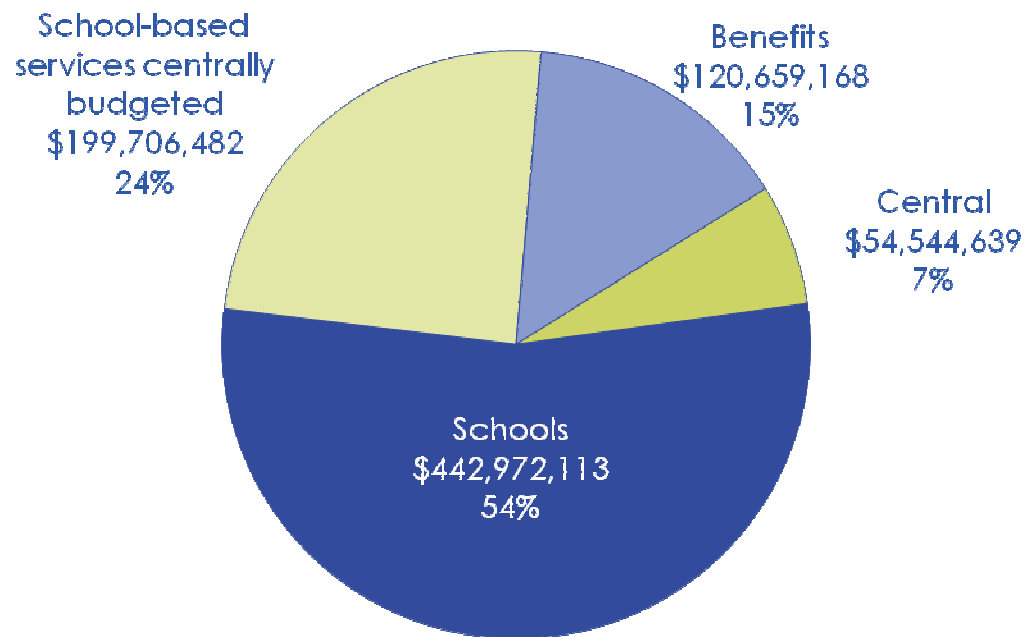
Note : \* Redirection of funds

# The Challenge

Category	Amount (\$ millions)
Cost increases	\$28.4M
City appropriation decline	\$8.2M
Grant challenges	\$11.1M
Underfunded ELL programs	\$10.0M
Total	\$57.7M

# Budget Context: Complexity of the Challenge

## FY10 General Fund Budget By Service Area



The FY11 total challenge is greater than current central department budgets, so cost savings need to be found at schools and school-based services centrally budgeted

# FY11 School Allocations

- **FY11 is a transition year for developing a new school allocation model for FY12**
  - The traditional school allocation methodology is not sustainable in the current economic climate with the current constraints
- **The FY11 school budget process was designed to avoid the disruption to school communities caused during the FY10 budget development process**
  - Per pupil adjustment, recognizing foundation and ceiling
  - Rigorous review process

# FY11 School Allocations: How School Budgets Were Built

## Step 1: Develop FY11 Baseline Budget

- All school FY10 budgets (pilot schools and traditional schools) were “rolled forward” to create their FY11 baseline budget

## Step 2: Make Staffing / Allocation Adjustments

- Enrollment changes
- Anticipated programmatic changes (Pathway Schools, K-8s)

## Step 3: Apply Per Pupil Reductions

- Shared sacrifice: all schools were assessed a minimum of \$2,500
- In addition, all schools were assessed \$400 per student for each student above 250 students and capped at total enrollment of 1,050
- Schools with enrollments greater than 1,050 have a maximum assessment of \$322,500

# Per Pupil Reduction Examples

## School A

FY11 Enrollment = 251

Per School Assessment: \$2,500

Per Pupil Assessment: (251 pupils – 250 = 1 pupil) X \$400 = + \$400

**Total Assessment: \$2,900**

## School B

FY11 Enrollment = 750

Per School Assessment: \$2,500

Per Pupil Assessment: (750 pupils – 250 = 500 pupils) X \$400 = + \$200,000

**Total Assessment: \$202,500**

## School C\*

FY11 Enrollment = 1200

Per School Assessment: \$2,500

Per Pupil Assessment: (1200 pupils – 250 = 950 pupils) > 800 (max)

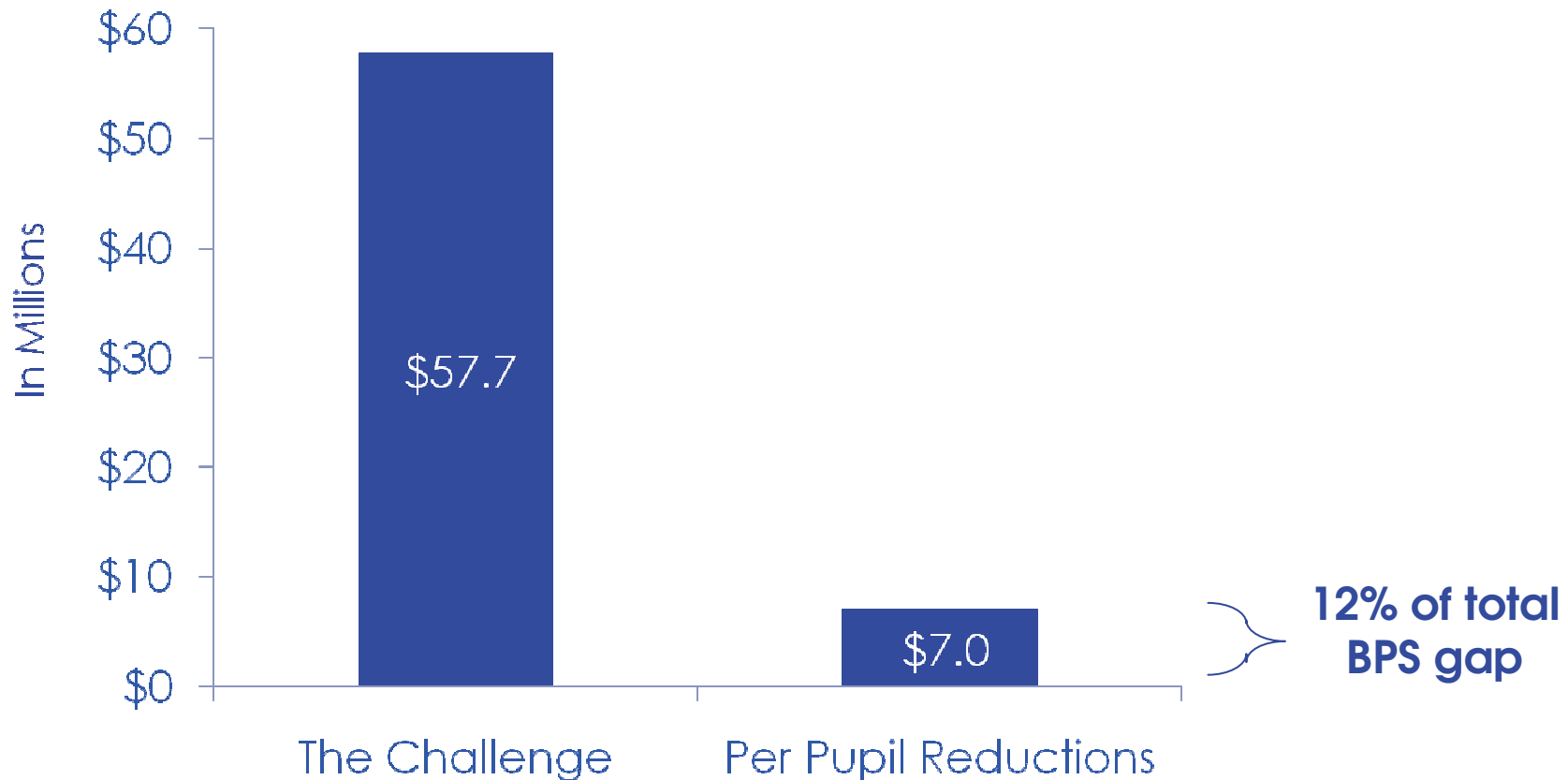
800 pupils X \$400 = + \$320,000

**Total Assessment: \$322,500**

Note : \* No school was assessed for more than 800 pupils

# Per Pupil Reductions

The school per pupil reductions\* comprise a small percentage of the total BPS FY11 challenge



Note : \* Total value of initial per pupil reductions target for schools was \$9.7 million. We yielded approximately \$7 million

# Central Reductions: Historical Context

The guiding principle for every year has been to reduce central office first to minimize impact on schools

## Central All Funds FTE Analysis, FY08 – FY10\*

Division	FY08	FY10	Variance
Chief Academic Officer	284.8	240.8	(44.0)
Chief Operating Officer	1,364.3	1,283.4	(80.9)
Chief Financial Officer	49.5	41.0	(8.5)
Special Education	558.7	578.5	19.8
English Language Learners	40.5	59.0	18.5
Other	70.0	81.0	11.0
<b>Total</b>	<b>2,367.8</b>	<b>2,283.7</b>	<b>(84.1)</b>

**Central department budgets are now at a point where reductions impact services provided to schools**

Note : \* Adjusted FTE analysis. Includes central and centrally budgeted, school-based.

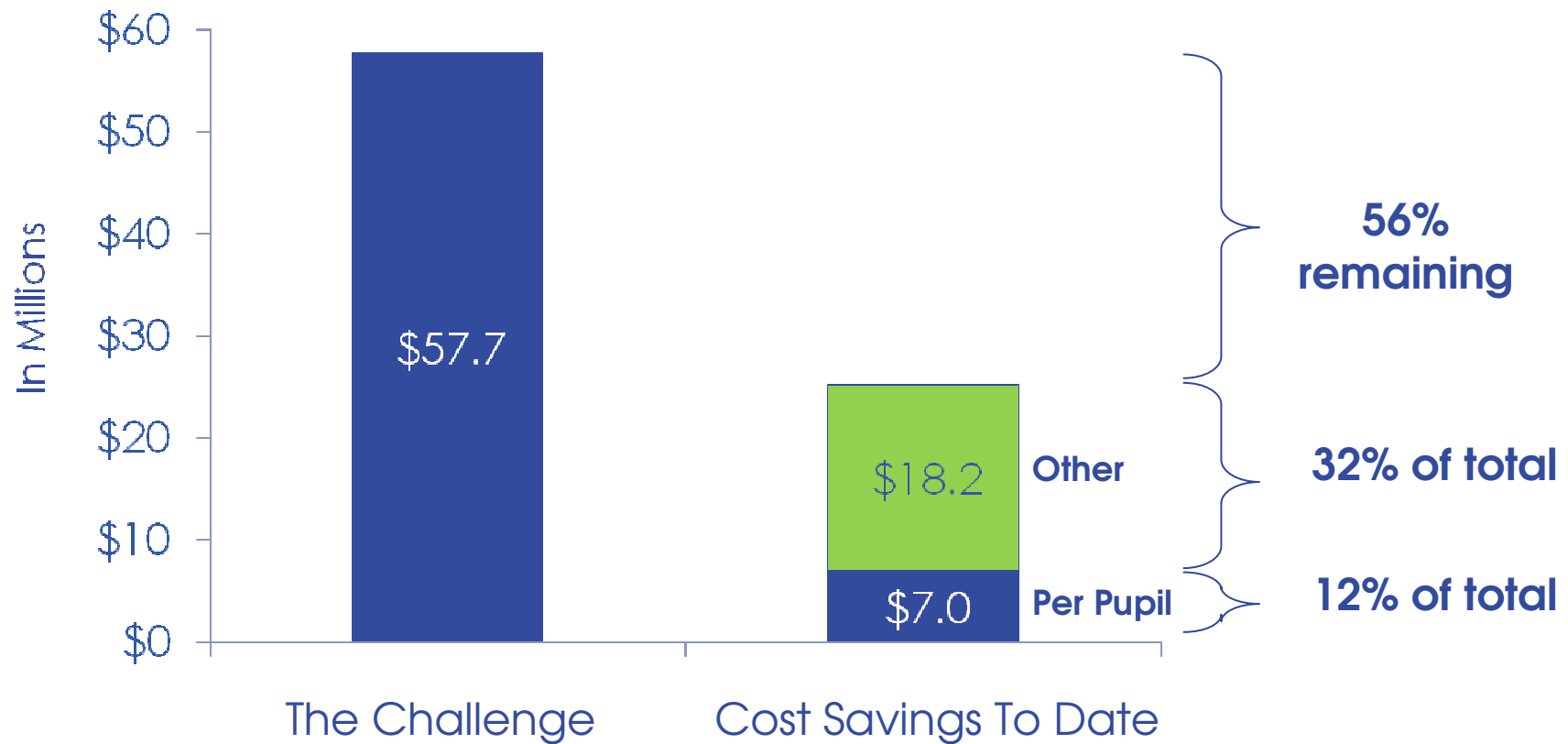
# FY11 Central Reductions

## FY11 Examples

- No step increase for FY11 for management and principals / headmasters
- Consolidate academic administrative infrastructure
- Transportation savings from automated routing
- Realign staffing requirements for transportation standby
- Restructure Family Resource Centers to more efficiently meet the needs of our families
- Streamline professional development
- Reconfigure deployment plan for school police
- Reduce custodial services in schools
- Turn the heat down in schools and central offices
- Consolidate mailroom and photocopying services

# The Revised Challenge

After significant central reductions, \$32.5 million of the challenge remains



## **Closing the FY11 Remaining Gap: Boston Public School Options**

- **Additional central reductions**
- **Collective bargaining**
- **Transportation / student assignment**
- **Program changes**
- **School closings**

# Agenda

- **FY12: Transformation Year**
- **FY11: Transition Year**
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- **Next Steps**

# Next Steps

- **We want you hear your thoughts**

- Please join us at one of the upcoming budget hearings

Date	Location	Address
Tues, Feb. 9 <sup>th</sup> , 6 – 8 pm	Harbor Middle School	11 Charles St., Dorchester
Thurs, Feb. 25 <sup>th</sup> , 6 – 8 pm	Madison Park High School	75 Malcolm X Blvd., Roxbury
Mon, Mar. 8 <sup>th</sup> , 6 – 8 pm	English High School	144 McBride St., Jamaica Plain
Wed, Mar. 10 <sup>th</sup> , 5 – 6 pm	Winter Chambers	26 Court St, Downtown

- **Also, feel free to email us any cost saving or revenue generating ideas you have at [feedback@bostonpublicschools.org](mailto:feedback@bostonpublicschools.org) and include “FY11 Budget” in the subject line**

# Agenda

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- **Appendix**

# BPS has a separate budget for large-scale capital investments

BPS has two separate budgets: one for capital investments and one for operating expenses

## Capital Budget

Funds large, long-term investments in major assets (e.g., buildings, technology infrastructure)

*Examples:*

- Burke renovations
- New roof installation
- Window replacement

## Operating Budget

Supports smaller-scale or recurring projects

*Examples:*

- Painting
- Elevator maintenance
- Fire alarm & sprinkler testing and maintenance
- Re-keying a building

# There are two main sources of capital funds

## City of Boston

Primary source of BPS capital funds

FY2010 Allocation: \$33M

## Commonwealth

(MSBA: MA School Building Authority)

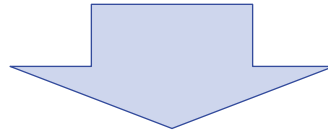
Funds 1-2 major projects per district at a time, based on competitive process

Subsidizes 75-80% of project cost

Last project was Burke HS renovation

# Total BPS capital needs exceed half a billion dollars

- BPS owns 133 buildings across the city
- 84.5% of our school buildings are more than 50 years old (*higher than any other urban district in the country\**)
- Maintenance and upgrades required to meet needs of 21<sup>st</sup> century students within 20<sup>th</sup> century schools are sizeable



Significant investment needed to bring school buildings up to optimum working condition

Sources: \* Council of the Great City Schools, "Managing for Results in America's Great City Schools" April 2007. Median percent of school buildings >50 years : 34.6%.

\*\*BPS AssetWorks asset management database, as of March 1, 2009

# Given limited resources, BPS must prioritize a subset of projects each year

## How does BPS identify overall capital needs?

- Database of facility condition needs, based on comprehensive needs assessment
- New requests from school staff
- New assessments by facility staff
- New academic program changes

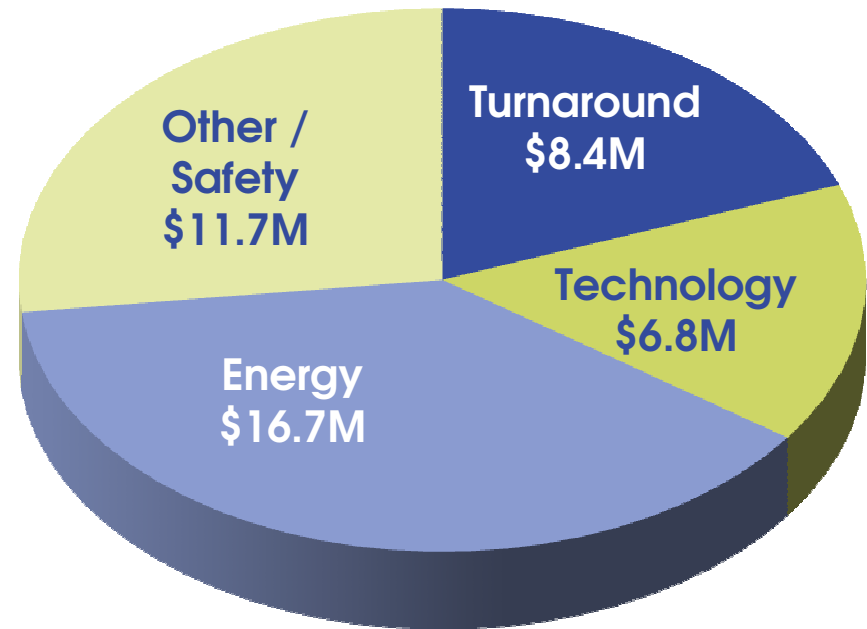
## How does BPS prioritize capital projects?

1. Does the problem endanger student or staff health or safety?
2. Does the project support a strategic academic priority?
3. Will it reduce long-term operating costs (e.g., energy efficiency)?
4. Is the asset past its useful life, and likely to fail imminently?

# FY11 BPS Capital Budget Request: \$43.6M

## FY11 Capital Priorities:

- Turnaround school support
- Technology infrastructure
- Energy efficiency
- Other building upgrades & safety-related projects



## Additional state funding:

- BPS has also received approval from the MSBA to start feasibility studies for major renovations to the Quincy Upper School and the Dearborn Middle School.
- Ultimate MSBA contribution: 75%-80% of renovation costs