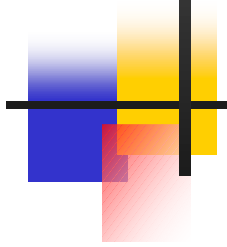




FY2010 Budget Update

Navigating Difficult Times



Boston School Committee

December 17, 2008



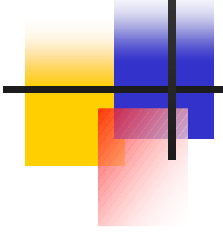
Economic Realities

- President of Massachusetts Taxpayers Foundation, Michael Widmer
 - “To make a dent in the problem [state revenue shortfalls] would be hard to do without going to local aid. I think the numbers are shocking, but the global economic calamity is taking everything in its wake.”
Boston Herald, December 16, 2008
- Speaker of the House, Salvatore F. DiMasi
 - “There’s going to have to be some cuts made across the board in fiscal 2010... It’s not a matter of whether they will take a cut or not ... I suggest it’s going to be at least 5 [percent], and as much as 10 percent.”
Boston Globe, December 8, 2008
- President of Boston Municipal Research Bureau, Sam Tyler
 - “It is going to be very difficult for the city to provide basic services.”
Boston Globe, November 26, 2008



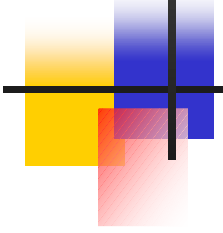
Unprecedented Uncertainty Today

- Significant national economic uncertainty
 - Recession
 - Major companies failing: Lehman Brothers, Bear Stearns, Big Three automakers
- Substantial state and local uncertainty
 - State revenue shortfall
 - FY2009 mid-year cuts
 - Unknown benefits from potential federal stimulus



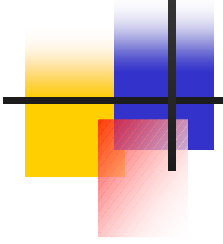
Budget Calendar Drives Uncertainty

- The BPS budget calendar: Superintendent's recommended budget submitted to School Committee on the first Wednesday in February
 - Statutory requirement
 - Supports school staffing goals and collective bargaining obligations
 - Requires development based on revenue assumptions that precede state budget proposals
- A viable budget depends on accurate revenue estimates
- In a declining and turbulent economic environment, revenue estimates become perilously important
 - Estimates that are too high result in a structural imbalance
 - Estimates that are too low result in budget choices that may be overly harmful to mission critical efforts

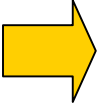


Revenues: what we know

- Federal
 - Most severe economic decline since 1930's
 - \$700 billion bailout package
 - Additional economic stimulus package on the way
 - Uncertainty on level of funding available for entitlement grants
 - Reauthorization of NCLB
- State
 - \$1.4 billion deficit
 - Mid-year reductions
 - Revised revenue estimates suggest \$2.1 billion shortfall and additional mid-year cuts
 - Local aid held harmless (so far)
 - Education has taken minimal "hit"
 - Local aid WILL be reduced next year
- Local
 - Local Aid: dependent on economic status of state
 - Property tax: limited by proposition 2½
 - State constraints on diversity of revenue portfolio
 - Growth in cost of non-discretionary spending



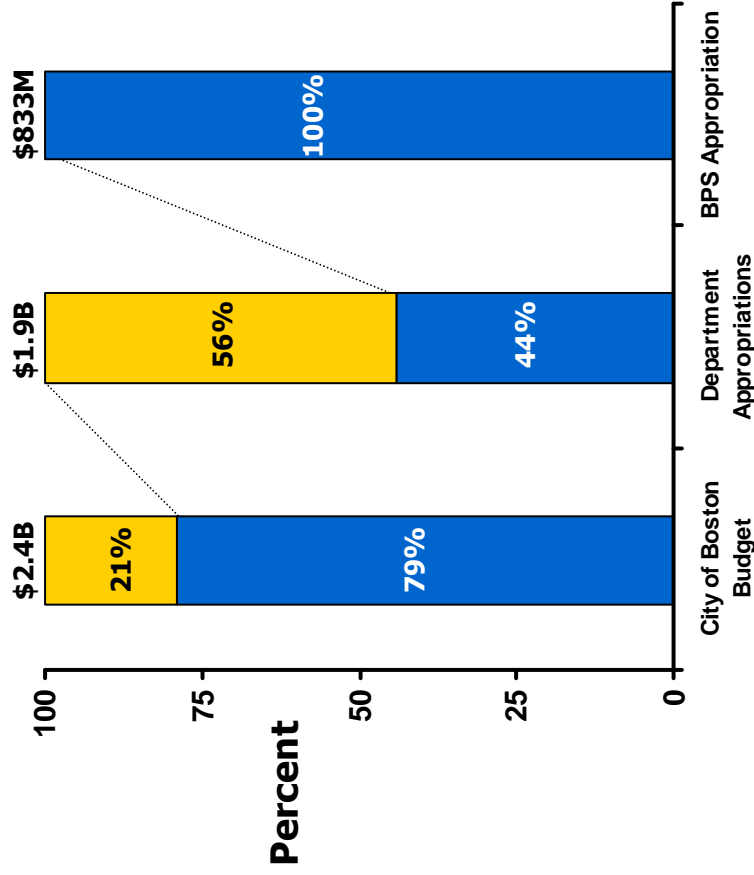
FY2010 – Impact on City of Boston

- Property Tax: Continued Growth
 - Other Sources of Revenue: Decline
 - Excise Tax
 - Interest
 - Licenses and permits
 - Local Aid
- 

City revenues sensitive to changes in the economy will decrease

BPS in Context of the City of Boston

City of Boston FY2009 Budget Appropriations



- While BPS represents 34% of the City's total budget, it represents 44% of departmental appropriations
- In order to meet anticipated declines in major sources of revenue, department sources will face a reduction in current year appropriation levels



Expenditure challenges: what we know

- Collective Bargaining Increases/Employee Benefits
- Reduction in Grant offsets
- Food Services Operation
- One-Time Reserve used in FY09
- One-Time Revenue losses: First Student and Microsoft Settlements
- Inflationary Increases for Non-personnel Expenditures
- (Optional): The estimated cost of increased general fund expenditures required to support current level of services

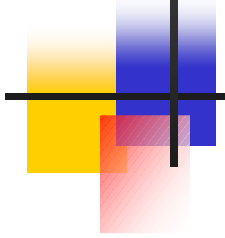


Effective Impact

- The FY2010 budget to support the Boston Public Schools will need to respond to both a decrease in appropriation and an increase in the cost of doing business.



Effective impact of declines in appropriations and increased cost of doing business result in substantial changes to our FY2010 spending plan



FY2010 Strategy and Approach

- The interests of students, not adults, will be primary.
- All options are on the table.
- Decisions will be guided by our core mission: academic achievement.
- Key elements of the Acceleration Agenda will have priority.
- The resources that we have available will be aligned to that mission.
- Every departmental budget and every school budget is under review.
- We recognize that any solution will result in a significant reduction in positions.
- We recognize that the scope of this challenge will require an overall reduction in resources for both schools and central support services.
- We are challenged to think creatively about service delivery models.
- We recognize that all members of our school community must partner with us in order to succeed ... our schools, our families, our external partners, and our unions.



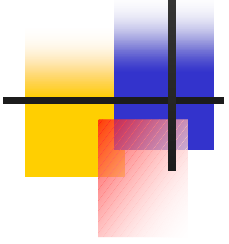
School Budgets

- We have delayed release of school budgets.
- Principals and Headmasters have been briefed on the context of budget development for this year.
- They have been asked to begin discussions with their school communities and to develop budget scenarios that envision reductions at 5%, 10%, and 15% levels.
- Based on the planning assumptions that we have now established, we are prepared to release school budgets on Friday, December 19th.
- Individual school budget reductions will be differentiated based on school size, level, and program.



What we are certain about

- FY2010 will represent the most difficult budget challenge that the Boston Public Schools has faced in many years.
- It will not deter us from our commitment to improving teaching and learning and accelerating student achievement.



Q&A

