

BOSTON PUBLIC SCHOOLS



OFFICE OF THE SUPERINTENDENT

MEMORANDUM

TO: Chairperson and Members
Boston School Committee

FROM: John P. McDonough
Interim Superintendent

DATE: November 28, 2014

SUBJECT: FY15 Budget Update

Attached is the FY15 monthly Budget Update for the period ending October 31, 2014. The Boston Public Schools 2014-2015 school year began on September 4, 2014, and the projected spending included in the attached reports are based on expenditures for the period ending on October 31, 2014, and are still preliminary in nature. This report consists of the following:

- Summary Report: This report provides Approved Budget, Current Budget, Year-to-Date Expenditures, Percent Expended, Projected Expenditures, and variance for Approved Budget vs. Projected Expenditures and Current Budget vs. Projected Expenditures. It aggregates data at high-level account categories. There is a separate table for general fund and for grants. It is typically assumed grants will be fully spent.
- Detail Reports: These reports provide the same data as the Summary Report at a detailed account level.

Projected expenditures are based on an assessment of actual expenditures, historical trend data and known obligations. During the course of the year these reports typically identify projected surpluses or shortfalls in budget vs. projected expenditures. This guides our practice in implementing controls on backfilling positions, timing of requisition deadlines, full assessment of expenditures eligible to be supported by external funds and developing supplemental strategies to ensure that the district ends the year on budget.

As of October 31, 2014, the report indicates a potential shortfall in the range of \$16M. As this represents the first monthly report of this school year and is still preliminary in nature, it establishes the

range and scope of management challenges that will be required to ensure that we end the year on budget.

This amount is higher than we typically see at this time of year given the factors below. We believe it can be mitigated. The projected deficit signals for us the need to tighten controls, identify opportunities to reduce spending, and ensure that any proposals that require funding be supported by an achievable financial strategy.

The major factors that contribute to our current status include:

- Changes in transportation policy and unrealized savings initiatives; most significantly, making a decision to keep 7th grade students on yellow buses instead of transitioning to the MBTA (~\$8.8M in total transportation-related deficits)
- A projected deficit in the externally-funded Food and Nutrition Services program, driven in large part by a high cost food offering relative to federal reimbursement rates through the newly approved Whitson's contract (~\$4.9M)
- Projected costs for the early hiring initiative, given a conservative approach for estimating full year costs (~\$3M)
- Interventions at Madison Park to address staffing needs, purchase of textbooks and equipment, support, and extended time (~\$2.9M)
- Opening of classrooms after July 1 that were for higher needs special education students than projected, resulting in ~\$1.3M in costs over what was reserved (~\$1.3M)
- Review of central office positions; as part of FY15 budget, 140 positions from central office were reduced. Upon review, we recognized that we over-reached, and as a result, re-instated 5 positions in the Office of English Language Learners, 5 positions in Human Capital, and 4 positions in Academics (~\$1.2M)
- Agreements made with the State shortly before the beginning of the school year for supplemental funding for the Dever and the Holland Level 5 schools to support rapid turn-around (~\$600K)
- Anticipated shortfalls for out-of-district vocational education tuitions due to continuation of state legislation that was expected to change (~\$425K)

BPS has taken an aggressive approach to increase both the quality and responsiveness of services and support for students, families and schools. This has created additional pressure on our finances.

In response to these pressures:

- We have placed a freeze on hiring and implemented a special review process for the release of any vacant or to be vacated non-classroom positions in the district. Any request for exception will be reviewed and considered by the Superintendent
- We are continuing to work with the city's financial team to broaden the strategies available
- We are reviewing any and all expenditures for eligibility to be covered by external funds and for potential trade-off decisions

We are confident that, with disciplined implementation of these measures and consistent review of opportunities for reduced spending, we will be successful in ending the year on budget. We look forward to providing monthly budget updates in order to continue the conversation about the status of our budget for FY15 and future years. Thank you.