In Council packets 1/30/98

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Bobbie D'Alessandro
Superintendent of Schools
159 Thorndike Street
Cambridge, MA 02141

Dear Ms. D'Alessandro:

In an effort to assist the School Administration, the Mayor and the School Committee in the early preparation of the FY1999 school operating budget, I am sending this memo to establish budget guidelines. As the School Department is aware, budget guidelines in recent years have been "revenue driven." This has generally been equivalent to an increase of 2 ½ percent of the school share of the tax levy plus state aid increases tied to the Ed Reform Act as well as 50% of any increase received by the City in unrestricted state aid.

Historically, the final increase in tax revenue for the support of school operations has exceeded 2 ½% and usually the increase in tax support for schools exceeds the overall increase in the annual tax levy (5.7% increase for schools in current fiscal year, 4.2% overall City increase.) Despite the annual increases in both the school budget and tax support for schools, there are occasionally those members of the school community who talk in terms of a reduction in school spending. As we enter the FY1999 budget process, it is important for all to understand that there has never been a proposal to cut school spending nor has school spending ever been reduced from one year to the next. In fact, school spending increases have usually exceeded overall City spending increases.

For FY1999 the School Administration has requested that budget guidelines be "appropriation driven," similar to budget guidelines for the rest of the City departments, rather than "revenue driven." This request would result in an increase of 2½% in school salary and wages accounts and increases for pension (3%) and health insurance costs (8%). In addition, the School Administration has requested that the schools not be forced to absorb an estimated $378,224 in lost revenue due to reductions in state reimbursements for Charter Schools. However, this amount is offset by approximately $200,000 in increased Chapter 70 aid due to the increase minimum per pupil aid ($25 per pupil). The net Chapter 70 revenue loss to the City is $178,224 which would need to be offset by an increase in property tax funding to the school budget. Also, one-time funding of $300,000 provided in FY97-98 has been requested to continue for FY98-99 from free cash. The School Administration has also requested that increases in State School Building Assistance reimbursements related to the Morse School project be added to the school budget to offset a corresponding net increase in debt service costs. This is consistent with the plan that resulted in the creation of the School Debt Service Stabilization Fund several years ago, which continues to operate.

Based on the above request, I have established an FY98-99 school budget guideline using the "appropriation driven" approach which will result in a $2.6 million increase, or 2.9%. Also, the one time funding of $300,000 from free cash will be continued in FY98-99 and the net revenue loss ($178,224) associated with Charter School reimbursements will be absorbed by the City. Additional, School Building Assistance reimbursements will be allotted to the school budget to cover debt service cost increases. This brings the total to $3.1 million in increased support of the school budget from all sources.

It should be noted that if the "revenue driven" approach where used to establish the FY98-99 guideline, the school budget would have only increased by $1.6 million.

In addition to annual discussions over financial allocations to the school budget, several operating issues with financial impact have been identified in recent years as needing further scrutiny. The first of these issues continues to be declining enrollment. Based on School Department information, overall system enrollment is down 425 students or 5% over the last three years. When the decline in enrollment is taken into consideration, budget increases (per pupil expenditures) have been even greater than listed above. A second operating issue needing review is the set of policies regarding teacher to student ratios in both the elementary schools and the high school. At the elementary level, teacher/student ratio policy calls for a 22/1 ratio yet a review of classrooms by school finds the vast majority of classes below (many well below) the ratio. At the high school level, the professional staff/student ratio overall is 10/1. A third (again related) issue is the elementary school facilities master plan implementation, which would help address the elementary teacher/student ratio. A fourth issue that remains unresolved is the transition in the high school house/administrator structure. FY1999 could well be the third year of "transition." A fifth and final operating concern remains to be the matter of involuntary transfer of teachers not assigned to budgeted positions, and other unfunded teacher positions, including enrollment driven staffing increases. Currently, it is my understanding that 16.6 teachers are in this category. All of these issues have been discussed in recent years, and it appears clear that movement to resolve these outstanding operating issues would greatly alleviate fiscal stress upon the school budget. This is particularly true when one considers that these issues have considerable impact on the so called "present level funding" number associated with the school budget.

As stated above, I have established school budget guidelines that adhere to the request of the School Administration that FY1999 guidelines be related to appropriation increases rather than revenue increases. As stated earlier, this change results in approximately $1 million more in school funding in FY1999 than under the old formula. Overall School property tax support would increase 3.5% and school spending 2.9%. In return, I would request the school administration begin the very serious and necessary actions needed to resolve the operating issues outlined above. The solution(s) to the annual drama surrounding the school budget have been identified and are achievable. I would propose that the change in the budget guideline formula in future years be tied to success in resolving the issues discussed above.

Very truly yours,

Robert W. Healy
City Manager

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Letter from Bobbie D'Allesandro transmitting budget guidelines for the School Committee.

In City Council February 2, 1998