

Executive Summary of the Fiscal Year 2008 Budget

Total Budget vs. Operating Budget

Please note that the FY 08 budget is being presented in a slightly different manner this year in order to better understand the two major components that contribute to its total. In the past, the superintendent has presented the complete spending plan as a single number. Last year the figure was \$32,915,642. This number actually represented the sum of the annual operating budget and the long-term capital or debt service budget. There are two compelling reasons for considering these parts of the budget separately. First, the regional agreement requires different procedures for determining the operating budget and capital assessments for the two member towns. Second, except for new debt being added this year, the capital budget is driven by financing decisions made in previous years and cannot easily be revised or changed in the short term. Therefore we are going to present these two parts of the budget as separate figures and concentrate our analysis on the operating budget.

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Total Budget	\$31,949,088	\$32,915,642	\$35,878,155
Debt Service (P&I)	\$5,113,578	\$5,026,119	\$5,211,502
Operating Budget	\$26,835,510	\$27,889,523	\$30,666,653

For the purposes of making year-to-year comparisons, the FY 07 operating budget of \$27,889,523 is the base. Increases or decreases in both dollars and percents will be calculated using that number as the reference point.

Budget Overview

The preliminary operating budget submitted to the Groton-Dunstable Regional School Committee on January 31, 2007, totals \$30,666,653, an increase of \$2,777,130 or 9.96% from FY 07. Much of the increase can be attributed to the fact that we are in the third and final year of our collective bargaining agreement with teachers. Due to funding constraints in prior years, this agreement included its highest annual increase of 3.25% in the third year of the contract and this is scheduled to take effect at the beginning of FY 08. Additionally, four collective bargaining agreements expire in FY 07 and the District is required to make some provisions for possible salary adjustments in the FY 08 budget. The District is also facing double-digit increases in health insurance costs for active employees, and continuing increases in the cost of utilities and other non-discretionary spending {see page 16}.

The budget is based on a very conservative projected enrollment increase of 32 students, or a little over 1% more than this year's actual enrollment of 2,947. The District acknowledges that the enrollment projections for FY 07 were less than actually experienced when school began in late August, and this resulted in an additional \$20,000 applied to the per pupil expenditures. It did not have an impact on additional staffing or other portions of the budget. Nevertheless, we have refocused our efforts to develop a more accurate process in projecting enrollment. We expect the high school enrollment to increase by at least 40 students next year, based on the size of the incoming 9th grade and outgoing 12th grade graduating class. At the middle school, we see a potential decrease of 14 students because the incoming 5th grade is smaller than the departing 8th grade. It is

very difficult to project kindergarten and first grade enrollment accurately, so our forecast assumed that enrollment in these two grades would be the same as last year. Additionally, town census data has been reviewed. Overall, the elementary projections are down by seven students. However, we anticipate a modest enrollment increase of 13 pre-school students at the Boutwell Early Childhood Center. In general, our enrollment figures have been relatively flat for the last few years {see page 5 entitled *Enrollment History with 2008 Projection*}

Preliminary Budget vs. Draft Budget (Version 1)

While the district acknowledges that this budget represents a significant increase, this preliminary budget dated January 31, 2007 is considerably less than the first draft budget presented in November to the School Committee and town officials. The November draft operating budget totaled \$32,102,341 – an increase of 15.08% from FY 07. At this very early stage in the budget process, principals and administrators were asked to develop a budget that captured what they believed was necessary to continue their commitment to “resetting the bar” to a higher level of excellence. This budget resulted in 22 additional staffing positions and additional expenditures for equipment and supplies. This process helped to clarify the needs of the district and provide a future perspective.

Version 1 of the draft budget included all 22 new positions with an estimated cost of \$1,086,795 (salary plus health insurance benefits). It was intended as the starting point for a serious discussion about long-term staffing goals and objectives for the District. Recognizing that the school budget represents an educational plan that is implemented over time, five areas of need were identified to help guide the process in selecting which positions or expenditures would best promote teaching and learning. These areas included: technology, MCAS results, special education, class size, and student emotional, social and academic support. Matching the areas of need with the collective staffing requests resulted in additional staffing to: support technology; address declining elementary and middle school math results; maintain class size; meet the needs of students on Individual Education plans, 504 plans, Individual Student Success Plans and so on; and meet the social, emotional and academic needs of students. Finally, there is a need to begin instituting a long-range plan to replace technology equipment.

Although principals and administrators presented a compelling argument articulating the need for all 22 positions during the televised joint Budget and Finance presentations with town officials, the areas identified as priorities reduced this request to 7.9 FTE’s positions for a projected cost of \$512,090. These staffing position requests are on page 4 of this document. It should be noted that the need for these positions has not diminished and all positions are directly linked to the district’s educational goals and priorities.

The November presentations provided the public with an opportunity to hear directly from principals and administrators regarding their individual budget requests and it provided the public and town officials an opportunity to ask questions on all line items. At the conclusion of this process, in an effort to create a budget affordable to both towns, it was necessary to reduce the number of new staffing requests.

Budget Revenue

It is noteworthy that upon presentation of the preliminary budget to the School Committee on January 31, 2007, we had only limited information from the state on the revenue side of the budget and it is this revenue information that is used to calculate assessments to both towns. The governor’s budget is normally released in January and it has been customary for the House and Senate Ways and Means Committees to release

projections of Chapter 70 and other state aid as early as late November or December. When there is a change in administration at the state level, as has taken place this year, the governor’s budget is usually delayed by at least one month. It may be late February or early March before the first revenue picture emerges from Beacon Hill.

Without critical revenue data, it is not possible to prepare accurate assessments for member towns. Nevertheless, and understandably so, town officials are interested in receiving an assessment figure as a placeholder in their budget process. Given the lack of revenue information available, assessments to the town are generated using the assumption that the total revenue will be constant from FY 07 to FY 08. We shared with town officials projected assessments based on a 10.5% budget increase and level-funded state revenue. The results were sobering, to say the least. Please note that the proposed preliminary budget presented to the school committee on January 31, 2007 represents a 9.96% increase.

Last fall the Department of Education notified all districts in the state that it was planning to use a new formula to calculate minimum educational contributions for all cities and towns. The major change in the formula was the inclusion of aggregate personal income in addition to the more traditional equalized property values and municipal growth factors. From preliminary projections provided by the DOE, it appeared that the new formula would increase minimum contributions for both Groton and Dunstable, leading to a possible gradual reduction in Chapter 70 aid over the next few years. It is not clear if the DOE is proceeding with this new formula or if those projected changes will be implemented in the FY 08 budget. This leads to more uncertainty in our planning. {See page 3 entitled Chapter 70 Trends, FY 93 to FY 06}

In a letter dated December 28, 2006, the Department of Revenue certified the District’s E&D account balance for FY 06 at the sum of \$1,254,594.

In anticipation of the FY 06 E&D certification, the School Committee previously voted to authorize the administration to spend the amounts listed below on the projects specified, to be paid from the FY 07 operating budget.

<u>Project</u>	<u>Amount</u>	<u>Date Voted</u>
PTYC Roof – Design Services	\$10,000	07-26-06
Union Bldg Roof Inspection	\$9,500	07-26-06
Roche Playground Arsenic Remediation	\$60,000	08-15-06
Prescott Ventilation – Phase I	\$10,000	08-15-06
Prescott Ventilation – Phase II	\$10,000	11-29-06
Prescott School – mechanical systems study	\$5,000	11-29-06
Subtotal	\$104,500	
Additional Roche Playground	\$32,521	
Reserved for FY08 debt	\$371,882	

These expenditures will reduce available E&D by \$508,903 leaving an available balance of \$745,691 for FY 08 unless additional obligations are required before closing out the FY 07 budget.

Budget Goals & Process

There were three main goals established for the FY 08 budget process: 1) transparency, 2) accuracy and 3) articulating the educational needs of the district. The budget is divided into several broad categories: salaries, curriculum, school services (including special education), technology, system-wide expenses, building maintenance, utilities, and per-pupil expenditures (PPE).

The Director of Curriculum and Professional Development and the Director of Pupil Personnel Services manage their own budgets. Most of the other categories are managed district-wide by the Director of Business and Finance, with input from directors and principals as needed. The per-pupil expenditures are based on enrollment or headcount at each school and are managed by the principals. Each school administrator divides his or her PPE according to the needs of that particular building. Traditionally, the money is allocated to staff professional development, supplies and equipment, computer needs, and library services. The amount of PPE was significantly reduced in FY 05 and the District has been trying to restore it incrementally over the last few budget cycles, although this was not achieved in the FY 07 final budget. The FY08 budget proposes a 4% increase in per-pupil expenses.

Transparency: The budget is an “open book” for public review. In the budget notebooks provided to elected officials in November, we included detailed spreadsheets and analyses of key aspects of the budget including:

- Budget assumptions, projected rates, and desired staffing levels
- Enrollment history, projections, and detailed methodology
- Chapter 70 revenue history and projections
- Salary tables for clerks, paraprofessionals, and custodians
- Substitute spending for teachers, custodians, and nurses
- Three-year cumulative histories of utility consumption in units and dollars
- Full-time equivalent (FTE) staffing data by location and salary account number
- Driving factors – known increases in non-discretionary spending

For each spreadsheet or document in the notebook, detailed backup information is available at the district office. Anyone wishing to discuss various aspects of this budget is encouraged to contact the superintendent or Director of Business and Finance for an appointment: phone 978-448-5505 extension 200. We would welcome the opportunity to explain any number or projection from the budget that is not adequately documented and answer any other questions.

Accuracy: It is difficult to predict spending accurately in all budget categories. We know from our own personal experience that unexpected expenses materialize to meet the obligations of students and that prices sometimes change with little or no notice. As you are aware from personal financing, when changes occur, revisions are made to the budget plan, increasing spending in some areas while reducing expenses in others to balance the “family” budget. Generally speaking, the same holds true with a school budgets and the FY 06 budget is an excellent example:

The District ended the year with a very small surplus of just less than \$28,000. However, we had significant deficits in some areas with compensating surpluses in others. At years end the district recorded:

Overall Surplus	\$399,724	
Reserve for debt reduction	\$371,882	
Net surplus	\$27,842	(less than 1/10 th of 1 percent)

CATEGORY	SURPLUS/(DEFICIT)	PERCENT
Salary	189,078	1.12
Professional Development	22,621	17.09
Expenses	384,356	2.79 (includes \$371.9K debt reduction)
Computer	(32,567)	(25.32)
Library	12,375	14.89
Building (utilities)	<u>(177,210)</u>	<u>(20.23)</u>
Total	\$399,724	1.24

We had a serious deficit of (\$177,210) in the utilities budget and a small deficit in our computer technology account. Fortunately we had a corresponding surplus in the salary accounts and smaller surpluses in professional development and library accounts. The large surplus in the expense category reflected a delay in issuing bonds for the middle school renovation project. This money is reserved for debt reduction in the FY 08 budget.

For the FY 07 budget, we significantly increased our utility budgets, and decreased the amount of money to be added to the salary budget because of the surplus. Our objective is to reduce the budget where there has been a surplus, and to add money to those accounts with a deficit so that all accounts come within a very small percentage of the budgeted amounts. We made the appropriate adjustments in FY 07 and we are attempting to do the same in developing the FY 08. We are carefully monitoring the salary and utility accounts and expect both categories to be much closer to the actual expended budget in FY 08.

Articulating Educational Needs: Principals and administrators focused on meeting the educational needs of students in developing the FY 08 budget. As noted earlier, 22 new positions were identified to support the present essential positions. Historically, when funds are limited (as is usually the case), the first areas of the budget to be reduced are maintenance, technology, and supplies and equipment. This is done in an attempt to maintain reasonable class sizes, offer multiple course sections and electives at the high school, and to maintain essential services and programs to students. Over time the gap widens between meeting the educational needs of students and the dollars (state and local) to meet these needs. Maintenance and technology reductions lead to building and equipment breakdowns and higher long-term costs. Under-funded accounts for supplies and equipment often lead teachers to spend even more of their personal money on items needed for their classroom. Computer technology is being integrated into the curriculum to support teaching and learning in a meaningful way. This budget includes a plan to begin replacing equipment over time using a lease purchase approach. Staffing positions were identified to address specific student needs and distributed equitably among the elementary, middle school and high school. We will continue to monitor the priorities of these 7.9 new staffing requests in the weeks ahead.

Town Constraints

We are cognizant of the fact that the town governments in both Groton and Dunstable must deal with competing demands from many constituencies for scarce resources. This preliminary budget reflects a much higher annual increase than the last several school budgets. While the district has been fortunate over the years to minimize the number of staff reductions, it has also been difficult to add positions to better meet the needs of students or to expand our program offerings. At the same time it is equally important to continue our vigilance in reviewing programs and services for efficiency and effectiveness and institute measures that eliminate redundancy and/or result in cost savings. For example, the district has implemented energy conservation practices, is examining the feasibility of reallocating existing computers to various sites that will be sufficient to support teaching and learning at different grade levels; has reduced the size of ads by directing readers to the district website, researching a more cost effective ways to recruit new staff in addition to participating in a local job fair, and reviewing insurance premium payments for accuracy as well as unemployment claims. We have also provided Wilson Training, a language based program, to nine staff members to ensure that each building has a certified Wilson trained staff member rather than students being tuitioned out of the district for these services. We will continue our efforts to save taxpayers money by operating in the most efficient manner possible.

During the next few months, we will have the opportunity to engage in open and frank dialogue with elected officials, parents, and citizens concerning the preliminary budget. The School Committee will examine the budget in detail, question the administration about each increase, and receive a full explanation of proposed new spending. On February 28, 2007 beginning at 8 PM in the high school library there is a formal public hearing on the FY 08 budget. This will give parents and taxpayers the opportunity to provide comment and express concerns. The Committee will vote the budget on March 7, 2007, at which time more discussion will continue with Finance Committees and the Boards of Selectmen. We look forward to the opportunity to meet with elected officials and present the finalized FY 08 budget to the voters at Town Meetings on April 30th and May 14 in Groton and Dunstable, respectively.

Summary

From an educational perspective this budget is sound, responsible and reasonable. It includes positions that will help our students achieve the high expectations established for them and it enables district teachers and staff to maintain the high performance results that parents expect and our communities deserve.

The Budget and Finance subcommittee members (Mr. Frank O’Connell, Ms. Cindy Barrett and Dr. Paul Funch) have been intimately involved in the budget development process beginning in October and school committee members Mr. Chuck McKinney, chair, Ms. Berta Erickson, Ms. Karen Lofgren and Dr. Forrest Buzan have been carefully monitoring its progress. On February 7th the school committee will begin its collective analysis and provide comment and feedback. The Budget and Finance subcommittee will likely be making a recommendation prior to the final budget’s adoptions on March 7th. They have some additional questions that we continue to research and hope to answer in the coming weeks.

Mr. Timothy Sheehan, Interim Director of Business and Finance and his staff are to be commended for researching specific budget accounts and providing multiple revisions of various budget categories. Additionally, the principals and administrators are to be recognized for their work in preparing and presenting their respective budgets. It takes a village to educate children and we respect the opinions and comments of parents, staff, administration, town officials, and community members. The participation of everyone in this process yields a better product: *Together, a Promise to Excel.*

Dr. Alan D. Genovese
Superintendent of Schools