



Worcester Public Schools



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To: Members of the Worcester School Committee

From: Dr. Melinda J. Boone, Superintendent

Date: February 3, 2011

Subject: FY12 Budget Update – Governor’s Recommended Budget

Governor Patrick released his proposed FY12 state budget recommendations (referred to as House Bill 1) on January 26, 2011. As the WPS Administration anticipated in the December 16, 2010 preliminary budget presentation to the School Committee, the Governor’s budget reflects the full funding of the foundation budget for school districts. This is a significant commitment made by the Governor to maintain all districts at the foundation level in a time that the state budget is seeing significant spending reductions. It is reported that the overall state budget reflects a \$570 million cut in state spending next fiscal year, the largest single-year reduction in more than two decades.

In order to achieve full foundation funding, the Governor’s budget uses state budget resources to cover the shortfall created by the “funding cliff” for State Fiscal Stabilization Funds (SFSF) and Education Jobs funds that were used in FY11 to reach foundation.

The total foundation budget for the Worcester Public Schools will increase \$11.1 million under the state formula, representing a 4% increase. Of this increase, \$9.5 million will be funded through Chapter 70 state aid (a 5% increase) and \$1.46 will be funded through the local contribution increase (a 1.74% increase) based on the state’s municipal revenue growth factor formula (the actual projected change in municipal revenue).

In addition, the state Chapter 70 aid will increase by an additional \$3.8 million to offset the loss of federal stimulus funds that were used to achieve foundation level of spending in FY11. In total, the WPS will see an additional \$13.3 million in Chapter 70 next year, surpassing \$201 million in total Chapter 70 funding.

It should also be noted, however, that almost three-quarters of the Commonwealth’s 326 operating school districts will see a net decrease in Chapter 70 aid of between 5 and 7.5 percent based on the Governor’s proposed budget. Statewide enrollment fell by 0.11 percent but cities, like Worcester, saw substantial increases.

The explanation of the increase in the foundation budget for Worcester is important as it relates to budget planning and is based on the following reasons:

- Increase in total student enrollment. (+280 WPS students)
- Shift in the demographic of students identified as limited English proficient (+1,316)
- Increased state’s inflation factor (1.78%)

The increase in student enrollment, mostly attributed to increases in elementary enrollments, has caused the district to add elementary teachers to address class size issues. The district currently has a 20.8 average elementary class size. The increase in the total number of limited English proficient students is also leading to increases in resources to address both Department of Justice compliance requirements and appropriate staffing levels for high quality teaching and learning. These two enrollment factors are important because the Worcester Public Schools are not “static” from one year to another when it comes to the level of services that are needed for the students. As a result, the foundation budget factors the enrollment change into the funding level calculation.

Finally, the inflation factor of 1.78% is intended in the state formula to address annual increases in operating costs, but is far below notable increases in the budget for fixed costs, in particular projected health insurance premium costs. As the Administration plans spending for FY12, it is likely that resources will need to be dedicated for elementary class size and limited English proficiency students, as well as re-directing instructional resources to address the projected 10% increase in health insurance costs.

Once again, this budget update based on the Governor’s budget is consistent with the budget presentation the WPS Administration provided the School Committee on December 16, 2010. The initial estimates did not include growth in the enrollment, tuition assessment, or reimbursements from charter schools because that information was not accurately available at the time of the preliminary budget presentation. The Governor’s proposed budget and the numbers listed below now reflect actual 2010-2011 enrollments for the foundation budget calculations. (It should be noted for explanation purposes that charter school and school choice students residing in Worcester are counted in the foundation budget for the district and the tuition assessments are then deducted from the state Chapter 70 revenue, thus ultimately reducing the actual budget for the Worcester Public Schools)

The following is a summary of the annual **change** in the Governor’s proposed FY12 budget as compared to the preliminary estimates prepared by the WPS Administration last month in relation to the current year (FY11) levels:

Revenue Item:	Governor’s Budget	WPS Initial Estimate*	Change
Chapter 70	\$13,297,113	\$11,792,078	\$1,505,035
City Contribution	\$1,466,923	\$1,760,000	-\$293,077
Charter School Reimbursement	<u>\$129,260</u>	<u>-\$1,012,191</u>	<u>\$1,141,451</u>
Total Revenue Change	\$14,893,296	\$12,539,887	\$2,353,409
 Revenue Offsets:			
Charter School Tuition Assessment	\$1,085,864	\$393,802	\$692,062
School Choice Tuition Assessment	<u>\$21,287</u>	<u>\$77,731</u>	<u>-\$56,444</u>
Total Revenue Offsets:	\$1,107,151	\$471,533	\$635,618
 Total Change:	 \$13,786,145	 \$12,068,354	 \$1,717,791

* Did not include new charter school enrollments

The total estimated revenue for the Worcester Public Schools has improved by \$1.7 million since the preliminary estimates. This is mostly attributable to 150 additional charter school

students counted in the foundation budget at approximately \$10,000 per student (see change in Chapter 70 aid).

Charter school reimbursements have been level funded in the Governor's budget, and reflect a slight increase for Worcester based on the Chapter 46 reimbursement formula. (This is the last year that the current reimbursement formula will be used; it will change next year based on the new formula contained in the *Act Relative to the Achievement Gap* from a 3-year declining reimbursement (100-60-40%) to a 6-year reimbursement level (100-25-25-25-25-25%). The WPS Administration, worked with the Massachusetts Association of School Superintendents to provide technical assistance to the state legislature in developing the revised reimbursement schedule.)

However, it must be noted that the actual charter school enrollment for next year is not reflected in the Governor's budget, although it will be included in later versions of the state budget. Therefore, the Administration believes that it is necessary to adjust the estimated Governor's budget based on the projected growth in charter enrollment (tuition assessment and reimbursement). The planned enrollment growth for Spirit of Knowledge Academy is 45 students next year and will result in an increase in the above stated tuition assessment by approximately \$485,000. In addition, it is necessary to reflect a reduction in the charter school reimbursement based on prior year experience resulting from the treatment of the transportation assessment in the state formula. At this time, approximately \$400,000 should be planned as a reduction in reimbursement based on this factor. In total, it is prudent to reduce the estimated revenue above by \$885,000. This does mean, however, that the total revenue for the WPS has improved by \$832,791 since the preliminary budget presentation.

In addition to the revenue and tuition assessment listed above, based on an initial review of total state funding for grant programs, it appears that the major state grants will be level funded for next year, including the Quality Kindergarten Grant that is used to provide instructional assistants in many of our kindergarten classrooms.

Also in the Governor's budget, state special education reimbursements (also known as "Circuit Breaker funding") is proposed to increase \$80 million statewide, representing the level of funding provided in 2009, the spending level prior to federal stimulus funding provided through IDEA. This increase in the state budget appears to provide Worcester with an additional \$1.1 million in reimbursements based on the current level of claims. The actual level of reimbursement will not be known until later this summer (after the budget process is completed).

In total, the projected revenues of the Worcester Public Schools have improved by \$1.9 million, leaving a projected budget deficit as follows:

Total Projected Revenue Increase*:	\$ 4,376,193
Less Total Projected Cost Increases:	-\$11,066,790
Current Projected Deficit	-\$ 6,690,597

* Reduced by \$10,732,103 loss of federal stimulus funds and \$885,000 for projected charter school tuition and reimbursement changes not reflected in Governor's budget. Add \$1,100,000 for increase to state reimbursement for certain special education costs (so-called "circuit breaker funding").

This level of budget deficit is equivalent to a reduction of 134 positions, or about 3.6% of the WPS workforce.

The Administration has begun working on the FY12 budget using a zero-based approach with the intention of preserving elementary class size, secondary course offering and graduation

credits, including Advanced Placement; maintaining athletics, fine arts, and other enrichment programs; and meeting the requirements for all special education and ESL students.

The Administration is not currently exploring the closing of any schools, particularly at the elementary level, because of increasing enrollment and capacity issues.

However, the Administration continue to look towards the use of any available revenue sources (whether one-time or recurring), consolidation of functions where possible, and program re-alignments where cost efficiencies and improvements to student learning can be achieved. Nearly \$1 million of reform and efficiencies developed last year are included in the FY11 budget. The challenge, of course, will be making further reductions or finding efficiency savings on top of what has already been implemented just last year (in addition to the previous years of budget reductions).

The Administration will present a budget update during the Report of the Superintendent at the February 3, 2011 School Committee meeting based on this information. In the meantime, should you have any questions, please free to contact me or Brian Allen.