



Worcester Public Schools

Worcester, Massachusetts

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Office of the Superintendent

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To: Members of the Worcester School Committee

From: Melinda J. Boone, Superintendent

Date: January 25, 2012

Subject: FY13 Budget – Governor’s Budget Recommendation

Governor Patrick released his FY13 budget recommendations that reflect some of the following initiatives for education:

- Funding Chapter 70 state education aid at \$4.136 B, the highest level of state funding in history to ensure that all districts are fully funded at foundation levels and that all districts will receive equal or greater funding than FY 2012;
- Funding of \$3.9 M to support STEM initiatives, including \$2.4 M to support AP Math and Science achievement;
- Funding the Special Education Circuit Breaker at \$213 M, maintaining the \$80 M increase from FY 2011 to FY 2012; and
- A \$12.3 M increase in funding for current programs focused on reducing the achievement gap, including Targeted Intervention in Underperforming Schools, After-School Programs, Kindergarten Expansion Grants, and Adult Basic Education.

With specific regard to the impact on the state budget recommendations on the Worcester Public Schools, the Chapter 70 increase is \$9.2 million. In addition, the increase in the city’s required contribution is \$2.8 million based on the city’s municipal growth factor.

Overall, the foundation budget for the WPS increases by \$12.0 million based on enrollment shifts and the annual recalculation of the foundation budget per pupil rates as determined by the inflation factor used in accordance with MGL Chapter 70, section 3 (per pupil rates attached).

The change in the budget can be explained as follows:

| | |
|--|---------------------|
| Inflation Factor of Foundation Budget at 3.65% | \$10,472,145 |
| Enrollment Change and Shift | \$ 1,570,061 |
| Total Foundation Budget Change: | \$12,042,206 |

The charter school and school choice tuition assessments have increased \$1.8 million, from \$26.4 million to \$28.2 million, while the charter school reimbursement amount is also projected to increase by approximately \$940,000.

The following table reflects the funding resources available in FY13 compared to the FY12 amounts:

| Revenue: | FY12 Budget | FY13 Budget | \$ Change | % Change |
|--|------------------------|------------------------|---------------------|---------------------|
| Chapter 70 State Aid & Reimbursement: | | | | |
| Chapter 70 State Aid | \$201,135,279 | \$210,364,137 | \$9,228,858 | 4.9% |
| Charter School Reimbursement* | \$3,766,851 | \$4,706,547 | \$939,696 | 22.7% |
| Total State Funding | \$204,902,130 | \$215,070,684 | \$10,168,554 | 5.3% |
| City Contribution | | | | |
| City Contribution Base Funding Level | \$92,499,710 | \$93,966,633 | \$1,466,923 | 1.6% |
| City Contribution Required Growth Factor | \$1,466,923 | \$2,813,349 | \$1,346,426 | 54.0% |
| Add'l City Contribution - FY94 Medicaid | \$400,000 | \$400,000 | \$0 | 0.0% |
| Add'l City Contribution - FY09 Medicaid | \$130,000 | \$130,000 | \$0 | 0.0% |
| Add'l City Contribution - FY10 INET | \$130,000 | \$130,000 | \$0 | 0.0% |
| Total City Contribution | \$94,626,633 | \$97,439,982 | \$2,813,349 | 3.0% |
| Total General Fund Revenues | \$299,528,763 | \$312,510,666 | \$12,981,903 | 5.0% |
| Less Tuition Assessments: | | | | |
| Charter School Tuition Assessment | -\$24,510,104 | -\$26,043,621 | -\$1,533,517 | 6.6% |
| School Choice Tuition Assessment | -\$1,931,448 | -\$2,224,952 | -\$293,504 | 15.3% |
| Total Tuition Assessments | -\$26,441,552 | -\$28,268,573 | -\$1,827,021 | 7.3% |
| Total WPS Budget | \$273,087,211 | \$284,242,093 | \$11,154,882 | 4.1% |

* not included in Foundation Budget calculation

However, the FY12 budget represents that last year of use of federal stimulus funds (EdJobs) to balance the budget. Approximately \$57 million of stimulus funds have been used between FY09 and FY12 to maintain teaching positions in the district. The FY12 budget includes \$2.4 million of EdJobs funds that will not be available next year. We have been successfully been able to address the so-called “funding cliff” of the federal stimulus funds through the state’s commitment to fully fund the foundation budget, \$9.1 million of health insurance savings through reform, and other significant prudent management actions that resulted in cost savings and long term budget stability.

In total, the total revenue change for next year is an increase of \$8.7 million (\$11.1 increase in general fund budget less \$2.4 million of EdJobs).

Our current projected cost increase for a status quo operation is \$10.0 million, reflecting contractual obligations for salaries, transportation and already existing rates for next year, and historical trends in other accounts. These estimates will become more precise in the next few months as work with our providers on estimates for services for next year.

As presented last week at the School Committee meeting, our current budget deficit is approximately \$1.3 million for next year using these initial estimates. Although still a challenge, this is a much better starting place than we have been for the past ten years. This is attributable to our continued enrollment growth, increase in the inflation factor, and our long term planning for the federal stimulus funding cliff.

Budget Concerns: Federal Grants

Federal special education grants appear to reflect a 1.2% reduction in the state's budget and funding for Title 1 appears to be reduced by 3%. We do not know the specific level of impact on Worcester, but this could translate into a reduction of \$400,000. As we experienced ten years of budget challenges, in order to maintain some of our programs, we were forced to transfer positions to grant sources. We now have 780 positions funded through grant sources. Even at level funding of our grants will present some fiscal challenges to address salary and health insurance costs for these employees. This will be one area of concern that may negatively impact our budget in FY13.

City Funding in State Budget:

The Governor's FY 2013 proposal for Unrestricted General Government Aid (UGGA) mirrors the plan adopted in FY 2012. UGGA will be funded at the same baseline level of \$834.0 million. And, in a maneuver that is similar to last year, any surplus in the general fund at the end of the current year will serve as a supplement (up to \$65.0 million). In FY 2012, that supplement was sufficient to fund the full \$65.0 million amount, and it is quite possible that the same would be true in FY 2013, bringing total UGGA back up to \$899 million (equal to the final amount spent in both FY 2012 and FY 2011)

The city is level funded in UGGA in the Governor's budget at \$32,608,533.

State Budget Issues to Watch:

The Governor's Proposal includes modest revenue initiatives, including an increase in the cigarette tax and the end of the sales tax exemption for candy and soda. It also makes use of one-time resources, primarily from the state stabilization fund (the "rainy day fund"). It will be important to see how the state legislature addresses these items to balance the budget.

Foundation Budget Per Pupil Rates

| | <u>FY11</u> | <u>FY12</u> | <u>FY13</u> |
|--------------------------------|-------------|-------------|-------------|
| 1 Pre-School | \$3,318.45 | \$3,377.53 | \$3,500.81 |
| 2 Kindergarten-Half | \$3,318.45 | \$3,377.53 | \$3,500.81 |
| 3 Kindergarten-Full | \$6,636.99 | \$6,755.13 | \$7,001.70 |
| 4 Elementary | \$6,676.86 | \$6,795.71 | \$7,043.77 |
| 5 Junior/Middle | \$6,330.13 | \$6,442.80 | \$6,677.97 |
| 6 High School | \$7,893.20 | \$8,033.70 | \$8,326.94 |
| 7 Special Ed-In School | \$23,098.28 | \$23,509.42 | \$24,367.52 |
| 8 Special Ed-Tuitioned Out | \$24,127.78 | \$24,557.25 | \$25,453.59 |
| 9 Limited English PK | \$4,241.37 | \$4,316.86 | \$4,474.43 |
| 10 Limited English K Half Time | \$4,241.37 | \$4,316.86 | \$4,474.43 |
| 11 Limited English Full Time | \$8,482.72 | \$8,633.72 | \$8,948.84 |
| 12 Vocational | \$12,035.84 | \$12,250.07 | \$12,697.21 |
| 13 Low Income Elem | \$3,167.26 | \$3,223.63 | \$3,341.30 |
| 14 Low Income Secondary | \$2,561.22 | \$2,606.81 | \$2,701.97 |