PUBLIC SCHOOLS of BROOKLINE

FY23 Budget Overview

Provided to Town Meeting May 2022

Additional Budget details are available at

www.brookline.k12.ma.us/budget

PSB Budget Overview

The PSB budget request for this year is $128,618,282. Of this, $128,098,883 is for the schools, and $519,399 is for Town needs, principally funds for the Building department to maintain school facilities. $125,118,282 is Town revenues, and the balance, $3,500,000, is from one-time ARP funds.

The preliminary PSB budget request was $130,619,874, entirely for the schools. During the February-April 2022 period, PSB refined its budget request, ultimately identifying $2,520,991 in expense reductions. The largest share by far of the reductions ($1.8M) was 24.0 FTE in personnel. A full breakdown of the costs is provided in the table at right.

PSB (March 2022) - Use of Funds

FY2023 Preliminary Request	$130,619,874
Partial deferral of Identified PSB needs	($420,991)
K-8 Classroom Section Adjustments (n=12+2)	($1,050,000)
Services Adjustments (Financial, Legal)	($200,000)
Materials Adjustments (Science)	($100,000)
K-8 Further Adjustments (n=9+1)	($750,000)
FY2023 Request as of March 24, 2022	**$128,098,883**
Building Department Allocation	$519,399
FY2023 Request as of April 27, 2022	**$128,618,282**

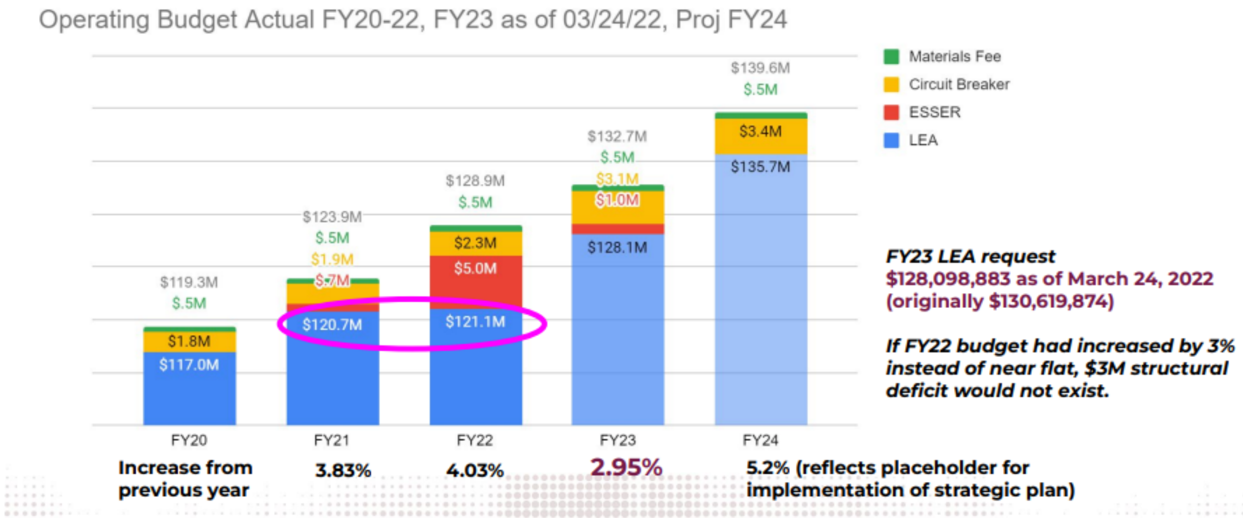
What does this budget enable?

- Carrying forward established PSB programming - no programs removed - at **less than 3% growth from previous year** (see chart next page.)
- Increasing investments in curricular materials/resources
- Investing in early education (1st grade classroom para support), and one additional staff in each of Educational Equity, and English Language Learners offices
- Continuing to support the pandemic social emotional and academic needs of students: maintain student adjustment counselors (social workers)
- Student-teacher ratios on par with pre-pandemic (based on projected enrollment)
    - Pre-K, high school enrollment higher than pre-pandemic
    - K-8 enrollment trending up, but classroom reductions expected from 270 (pre-pandemic) to 237 (projected).
    - **PSB has budgeted for 92% of prepandemic educators, for a projected 93% of prepandemic enrollment.**
- Maintaining healthy classrooms and buildings
- Continued summer programming
- Ensuring innovative instructional practices, alignment with updated state standards and current research-based best practices
- Maximizing operational and financial efficiencies
- Developing a Strategic Plan for launch in FY24

What does this budget not solve?

- Reducing K-8 sections (1) reduces the ability to manage enrollment uncertainty (PSB's greatest risk), (2) reduces capacity for pandemic recovery (class size average returns to pre-pandemic), and (3) means staffing reductions cannot be managed solely by attrition.
- This budget does not address the ongoing mismatch between revenues and expenses, which was exacerbated by the FY22 budget being level-funded. If the FY22 budget had increased by 3% instead of 0.3% (purple circle, chart next page), the $3M structural deficit that is being funded using ARP monies simply would not exist. This budget also relies on $1M of one-time federal ESSER funds (shown in red

on chart). In all, there is $4M of one-time federal funds supporting next year's budget which, barring some unforeseen change, will not be available to PSB in FY24.



PSB Budget Drivers

Budget History and Background

The 2018 Override Study Committee report said: "Brookline is experiencing a long-term mismatch between expenses and revenue. The School budget pressure that Brookline has experienced in recent memory is a symptom of a larger problem that Brookline, and similarly positioned Massachusetts cities and towns, needs to respond to holistically. In brief, the expenses necessary to operate local government are increasing faster than combined tax and non-tax revenue. Put bluntly, this structural deficit has been recognized in prior Override Study Committee reports and the Town has implemented a number of strategies. Despite the Town's best efforts including strategies to enhance the commercial tax base, the structural deficit remains." (P. 6) Indeed, the 2018 override was intended to provide funding for FY19-21, after which time "shortfalls are projected in the municipal and school budgets beyond FY21 that will require further action." (P. 39). Because no further action for FY22 was taken, and because funding received from the Town was near-level from FY21, PSB identified efficiencies and used one-time funds to fund its FY22 structural gap. For FY23, PSB identified efficiencies as described above, but these were insufficient to offset the structural deficit.

Expense Drivers and Trends

Enrollment

Enrollment continues to be the largest, most dynamic challenge for PSB to manage and forecast. PK-12 enrollment has gone from 7777 (pre-pandemic in Oct 2019) to 6891 (Oct 2020) to 6929 (Oct 2021). The reduction is entirely in K-8; both Pre-K and BHS have increased from pre-pandemic enrollment (see table). Enrollment remains volatile. A few reasons for this include:

	19-20 (Oct)	20-21 (Oct)	21-22 (Oct)
PK	252	153	255
K-8	5442	4703	4587
9-12 & SP	2083	2035	2087
Total	**7777**	**6891**	**6929**
K-8 sections	270	270	258
K-8 avg/sec (range)	**20.2** (14-26)	**17.4**	**17.8**

- International travel challenges
- Deferred program acceptance for medical and academic positions
- Financial constraints, including housing costs and rising mortgage rates
- The current political environment

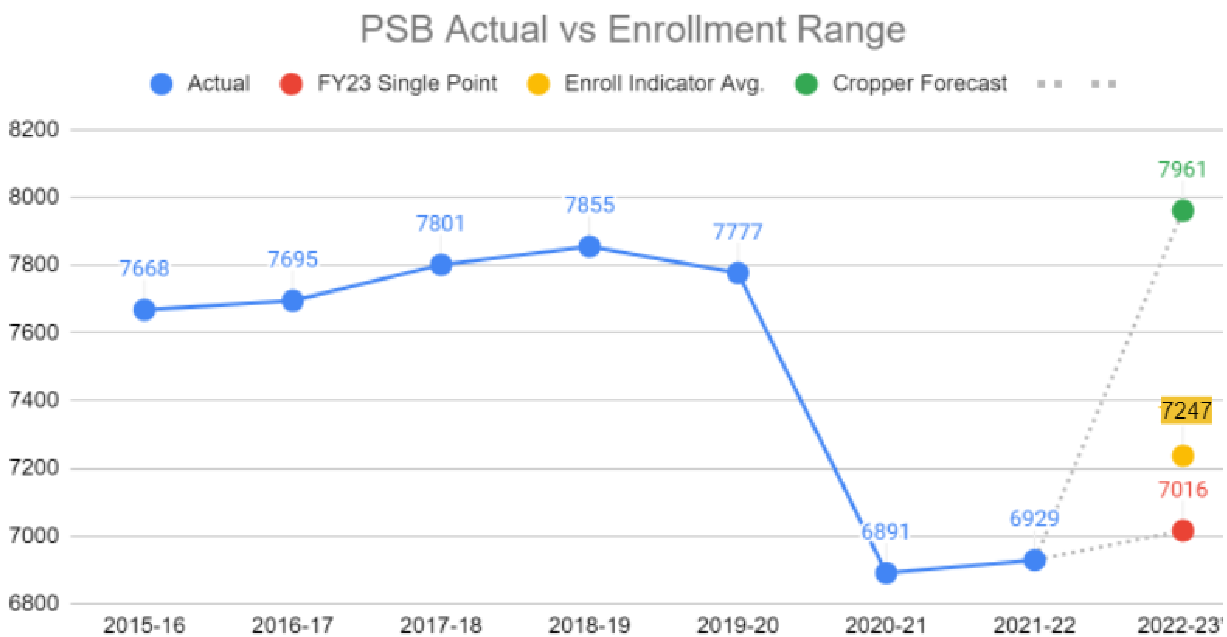
FY2023 Enrollment Range Forecast

Given these uncertainties, similar to the FY2022 budget season, the district has determined a range of enrollment will better serve us in budgeting and planning. The range is created by using prior-year forecasts and historical data. This "Cone of Uncertainty" allows for PSB to plan for best-guess forecasts while also remaining sufficiently staffed to respond to a larger number of students if they enroll.

The three points forming the range are:

- Low: FY2023 single point projection.
- Mid: FY2023 single point projection + average of three enrollment indicators
- High: Cropper/McKibben forecasts

Please see the enrollment report on p9 of the FY23 revised budget book[1] for details on the methodologies of each of these.



Contractual Obligations

Contractual obligations represent the largest routine expense driver: staff salaries are 87 percent of the budget, and 95 percent of staff are unionized. In particular, teacher salaries are a key cost driver: the teachers unit contains 66 percent of staff. Teacher salaries increase based on a cost of living adjustment that is bargained, in addition to "steps", which are built-in pay increases most teachers receive. Contractual obligations bargained under this pay structure routinely grow by a larger percentage than revenue, driving the structural deficit. The negotiation of collective bargaining agreements with the Brookline Educators Union (BEU) is therefore critical, particularly with the teachers unit (as noted above, 66 percent of staff) and the paraprofessional unit (20 percent of staff.) In spring 2021, PSB successfully negotiated a collective bargaining agreement with the paraprofessional unit for 2020-2023. In May 2022, the district and BEU tentatively agreed to contracts for teachers and mid-level administrators (another 3 percent of staff). The agreement for the period 09/01/20-08/31/23 includes a 6% increase in all wages and stipends. The backpay for 2020-2021 (1%) and 2021-2022 (2.5%) was allocated in the budgets for those fiscal years; the 2.5% increase for 2022-2023 was included within the salary projections. **Therefore**

[1] https://www.brookline.k12.ma.us/cms/lib/MA01907509/Centricity/Domain/51/PSBBudgetBook1.1FINAL-min.pdf

there is no additional projected budget demand beyond the current revenue allocations for FY23. Other unions working in PSB include AFSCME (custodial, food service) and BESA (secretarial); secretarial contract was fully executed year through FY24; food service has a tentative agreement to be ratified later in May, and custodial negotiations are ongoing.

Inflationary Environment
Current inflation rates are a significant cost driver and require a significant investment simply to maintain our purchasing power for school supplies, software, etc. PSB has budgeted for a 5% increase on those items.

Pandemic Response
PSB made a relatively small investment of about 1% of the total budget (~$1.3M) in specific pandemic-inspired student support programs starting in the current FY. These have been widely supported by the community and include adding nine new school adjustment counselors (social workers) and a universal summer program (USP) comprising four weeks of free project-based learning with social-emotional skill building. USP is not continuing in FY23, but the school adjustment counselors are. The School Committee recognizes that these positions exacerbate the existing deficit, but is committed to providing these needed student academic and mental health supports.

Immediate PSB needs in advance of PSB FY24-28 strategic plan
The Superintendent has identified specific needs in the district that he feels are urgent enough to request in advance of the full strategic plan. These new positions total approximately $490K in salary and include 11 first grade classroom aides, 1 English Language Learner staff, and 1 Educational Equity staff. Other identified needs have been deferred.

Building Maintenance
In addition to the core educational program, school buildings must also be maintained. The PSB portion of the Building department expenses has increased significantly over the past five years, nearly doubling from $1.3M in FY17 to $2.5M in FY22, with an FY23 request of $3.3M (a one-year increase of more than 30 percent). PSB is grateful for the work of the building department staff and supportive of fully funding this request, which was met through a combination of $500K of ARP funds (described earlier) and $300K in funds identified for BHS renovation needs that were funded elsewhere and reallocated to the Building department. In addition to the Building Department request, there is over $12M in previously deferred schools maintenance projects that are not funded in the CIP. This is not a driver of PSB operating expenses except insofar as deferred maintenance leads to increasing emergency repairs, which are funded from the school portion of the Building Department funding, potentially causing even greater increases in future fiscal years.

Efficiencies
Led by a revitalized Administration & Finance team, PSB is actively identifying efficiencies, e.g. schedule refinements to minimize travel of staff between schools and thus maximize instructional time in the workday, restructuring of technology leases, etc.

Revenue Drivers and Trends
PSB funding typically comes from five principal sources. Revenue from the town is the largest source of funds by far, making up about 80% of the total. **While expenses tend to be highly predictable (principally driven, as mentioned earlier, by the teacher salary structure), revenue provided by the town is more variable and importantly, structurally lower.** Discussion of the noteworthy revenue drivers follows.

Town Revenue/Local Education Appropriation
Town revenue for each fiscal year has varied widely from previous forecasts, particularly recently under pandemic conditions. **Because, as noted above, the town-provided LEA revenues are the largest portion of the total revenue, this variability in amount that is always insufficient places significant year-to-year pressure on PSB.**

Circuit Breaker
Circuit breaker funding is provided by the state to offset extraordinary special education expenses. Each year the formula for calculating the circuit breaker funding is redetermined, and applied against the previous year's qualified expenses. The funding that is received is then applied against the current or next year's special education expenses (it cannot be held as a longer term reserve). Because the formula varies annually, the value of circuit breaker funding is not wholly predictable. The formula for FY22 and expenses from FY21 have led to **higher than expected FY22 revenue** of $3.1M compared to the projected $2.3M (a **positive budget trend**) - these additional funds are being used to offset special education services for FY23, and have reduced the operating budget request accordingly.

Revolving Funds
Revolving funds are intended to provide revenue to sustain activities outside of the core K-12 educational mission. Significant attention was paid recently (5-10 years) to developing strategies to maximize revolving fund sustainability. This was both for the stability of the programs supported through these funds, and because revolving funds cannot carry a negative balance from one fiscal year to the next (they can carry over excess funding.) Unfortunately, **the pandemic greatly disrupted the largest revolving funds, mostly negatively.** The three largest revolving funds (Food Services, Brookline Early Education Program (BEEP), Brookline Adult and Community Education (BACE)) have been impacted. Federal pandemic funding to provide free school lunch has enabled Food Services to have slightly positive cash flow for the first time in recent memory; however that positive news is offset as both BEEP and BACE were impacted over multiple years with significant losses. BEEP was negative in FY20, and BACE has been negative since FY20, as a result spending its funding reserve and thus requiring the PSB operating budget to pay for some staff costs in FY21, a situation which is forecast to continue for FY22. Other smaller reserve funds have also been impacted, e.g. Building Rentals, which previously absorbed significant custodial costs that now must be funded by the operating budget. **Revolving fund instability is an ongoing revenue challenge.**

One-time Pandemic Relief Funds
Pandemic relief funds (e.g. ESSER) are one-time allocations that can be used over multiple years; they have been critical to bridge funding gaps due to both pandemic-specific increased expenses and reduced LEA revenues. **PSB has been vocal about the challenges of relying on one-time funds for recurring operating expenses, but has had no other option** (see “Budget History and Background” section of this document). PSB anticipates that only $1M of ESSER funds will be available to carry over into FY23; this has already been used to offset the request to the town.

Conclusion
Contractual obligations, an inflationary environment, and maintained staffing in the face of enrollment uncertainty and learning recovery are three significant budget drivers. Pursuing reasonable efficiencies cannot sufficiently offset these expenses to keep PSB within its forecast allocation for this and coming years, given the structural deficit. ESSER funds supported the FY22 transition year; ARP revenue replacement funds would help bridge the FY23 transition year. There needs to be a significant partnership with the Town to explore a plan for FY24 and beyond.