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TO	School Committee
FROM:	Linus J. Guillory Jr., Superintendent
DATE:	October 19, 2022
RE:	DRAFT 2: *FY24-28* Budget Guidelines

The Brookline School Committee is responsible for approving and overseeing the District's annual budget. In accordance with those responsibilities, the annual budget development process begins with guidelines I develop and you adopt that inform construction of the budget for the upcoming fiscal year. With our District theme in mind, *supporting and guiding students to future success: ensuring a high-quality education, strengthening a culture of care, and eliminating barriers*, these budget guidelines center the needs of our students and staff, as well as focus on fiscal stability and responsibility, and support the current District goals:

1. Every student achieving
2. Every student invested in learning
3. Every student prepared for change and challenge
4. Every educator growing professionally

Last year, you adopted multi-year budget guidelines that clearly reflect the District's current priorities, goals, vision and mission; these guidelines are a critical piece of the budget development process, especially as we continue building upon our foundation that will be informed by a multi-year educational strategic plan. While the formal strategic planning process has been deferred to Spring 2023 due to the unavailability of the contracted strategic planning consultant for the fall for personal reasons, the guidelines above are a strong indication of the broad directions in which I expect we will head. These guidelines will enable us to review all spending proposals through a shared lens and will guide us as we make difficult and important choices. Adhering to these guidelines will enable us to maintain a relentless focus on our priorities. The **guidelines** that will inform our work in creating the FY24-28 budgets are:

1. **EQUITY:** Ensure equitable access to curriculum and services for all students, with particular emphasis on equitable access to student populations with identified disproportionality.
2. **BUDGET:** Build a budget to meet the needs of the District that is optimized for efficiency and sustainability.
3. **ACADEMICS:** Continuous improvement of academic programming including curriculum implementation, program support, and program review.
4. **SOCIOEMOTIONAL:** Continue to provide enhanced support for the social emotional needs of students.
5. **WORKFORCE**: Improve the experience of a PSB employee, including employee growth through professional development and leadership opportunities.

Specific **examples** of this work as relates to FY24 budget development:	Aligns with guidelines
Modify staffing and/or programs to provide equitable access to curriculum for student populations with identified disproportionality. ● K-8: Equitable access to rigorous grade-level general education curriculum ● BHS: Equitable access to higher level courses	1, 3
Invest in culturally responsive teaching through continued professional development, and the recruitment and retention of educators of color.	3, 4, 5
Transition identified students out-of-district into appropriate in district programs.	2, 3, 4
Align budget to support high-quality curriculum initiatives, such as the continued roll out of K-5 Math curriculum, expenses related to student needs identified by initial implementation of dyslexia screener, and funding for scheduled curriculum program reviews	3, 4
Investment in early education through Steps to Success expansion to Grade 2.	1, 3, 4
Investment in early education through expansion to full-day BEEP.	1, 3, 4
Include funds for needs identified in the schools' through the school improvement plan process.	1-5
Review of recommendations and commendations from the ● Special Education Review ● Middle School Review ● English Language Learner Review and modify staffing and/or programs as part of next steps from those reviews.	1-4

Strengthen practices and improve efficiencies for building-based Child Study Team/Student Assistance Teams in order to address the learning needs of all students.	1, 3, 4
Invest in professional development for general and special education staff that includes research based approaches and strategies designed to meet evolving student needs and address skill gaps for identified students.	1, 3-5
Explore after school options for PK-8 students	1, 3, 4
Analyze enrollment to determine appropriate class size and staffing (see "enrollment" expense driver discussion, below).	2
Provide for a sufficient reserve for unsettled collective bargaining obligations (see "contractual obligations" expense driver discussion, below.)	2

In addition to the budget guidelines above, there are revenue and expense drivers and trends that must also be considered in the development of the budget. These are described next.

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 6928 (Oct 2021) to 7063 (pre-certification October 2022). The reduction was squarely in K-8; BHS has slightly increased from pre-pandemic enrollment. Survey data show a combination of factors that have contributed to the pandemic enrollment drop, primarily international students who left and were not replaced due to border restrictions, and families departing to independent schools. Given this enrollment reduction, staffing has already been significantly reduced:

- K-8 classroom sections have been reduced from 270 (pre-pandemic) to 250 this year (a plan to reduce to 237 sections for financial reasons was not able to be implemented due to actual enrollment; those cost reductions have been taken elsewhere.)
- Systemwide staffing, which was at 1378.4 FTEs pre-pandemic, was projected at 1270.77 for this budget year. This is 92% of pre-pandemic staffing, compared to 91% of pre-pandemic PK-12 students.

The intertwined questions/issues that have guided discussion around enrollment are:

- **If/when enrollment will return entirely or nearly to pre-pandemic levels**: In fall 2021, PSB was unclear whether COVID shifting from a pandemic to an endemic phase would mean a return to more typical international student levels. At this time it appears there was a slight tick upward in enrollment (from 6928 to 7067, or 139 students), which is 50 more students than the PSB standard enrollment projection would have predicted, but about 180 students less than the projection which included measures of pre-pandemic international student enrollment. Based on this, PSB is not expecting any near-term return to pre-pandemic enrollment.

- **Recovering from pandemic impact on academics and social-emotional learning:** Data on both academics and socio-emotional needs shows that both the entire student population has not returned to its pre-pandemic achievement levels, and that certain groups were disproportionately negatively impacted. Staff reductions mean reduced ability to mitigate ongoing pandemic impacts.

To address these challenges, PSB set a goal of an average of 19 students per K-8 section for FY22, ultimately landing at 18 (Oct 2021). For FY23, PSB set a goal of an average of 20 students per section and landed at 19 (Sep 2022.) Managing class sizes and sections is clearly an ongoing challenge; for example, a school with 3 kindergarten sections and 48 kids has only 16 kids in each; however, if there were just 2 sections, there would be 24 students in each section, which exceeds the PSB guidelines. Standard PSB class size guidelines are less than 22 students in K-2 and 25 students in 3-8; in spite of the need for ongoing pandemic recovery, a return to more typical class sizes will be considered for FY24.

Contractual Obligations

The salary increases in the collective bargaining agreements represent the largest routine expense driver, and therefore greatly affect the budget and must be managed carefully: staff salaries are 89 percent of the budget, and 95 percent of staff are unionized. The negotiation of collective bargaining agreements with the Brookline Educators Union (BEU) is therefore critical. BEU contains Unit A (teachers, 66 percent of staff, the paraprofessional unit (20 percent of staff), and Unit B (mid-level administrators unit, 3 percent of staff.) The remaining 6% of unionized staff are secretarial, food service and custodial.

Educator salaries increase based on a so-called cost of living adjustment that is bargained, in addition to "steps and lanes", which are built-in pay increases most educators receive. Contractual obligations bargained under this pay structure routinely grow by a larger percentage than revenue, creating a structural deficit.

In spring 2022, PSB successfully negotiated a collective bargaining agreement for Units A and Unit B covering the periods of 2020-2023 and 2023-2026. The terms of the most recent contracts acknowledge the needs of students and educators, as well as the financial reality of the town; these terms are in keeping with other contracts between other unions and the Town. Financial commitments include a 6% increase in all wages and stipends for 2020-2023, followed by 8% for 2023-2026 with an additional 1% on the last day of the contract. Additional budget implications of the contract include an increase in longevity pay (additional compensation for long-term Brookline teachers who have reached the highest salary step) and additional commitments to daily teacher prep time (which has some staffing impacts.)

This year, PSB is preparing to bargain the paraprofessional contract for 2023-2026; all other contracts are settled through 2024. The cost of the contract settlement is as yet unknown and an estimate must be included in the budget.

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 budgeted for a 5% increase on those items in FY23 and may need to increase those further in FY24.

Out-of-District Expenses (Tuition, Transportation)

This year, the Commonwealth Operational Services Division has provided an estimated inflation rate for Out-of-District (OOD) placements of 14% (memo dated October 1, 2022.) The 14% does not include "extraordinary relief", in which OOD programs apply to the state for approval of higher charges. Due to the high price of fuel, OOD transportation costs will also certainly be higher than recent years. Based on prior year OOD expenses, these increases will increase expenses by ~$1.2M+. OOD expenses are offset by the state's Circuit Breaker program; see more discussion of Circuit Breaker under revenue drivers.

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, more than doubling from $1.3M in FY17 to $3.3M in FY23. PSB is grateful for the work of the building department staff and supportive of the need, but recognizes the budgetary challenges that this growth imposes. In addition to the Building Department operating budget, there are millions of dollars of deferred schools maintenance projects that have not been funded in the CIP for several years. 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.

Technology Maintenance

The 2015 override provided additional funds targeted for equitable technology investment and was very successful for acquisition of laptops and classroom audiovisual (AV) equipment. The ubiquity of laptops in PSB that technology investment provided was also critical to the pivot to pandemic remote and hybrid learning in 2020. Several large laptop leases ended this year and were renewed within budget. However, inflationary pressures, as well as interest pressures on the lease terms may erode our ability to renew laptops going forward. The high school BYOD program (Bring Your Own Device) will mitigate this slightly by reducing the number of laptops needed for high school students. A second area of technology maintenance that is critical is the inability to replace classroom AV (e.g. projectors) at the rate needed (50/year - currently there is budget for just a fraction of that (each projector is ~$4K installed). Without this investment, the district's educational technology needs will not be fully met.

Revenue Drivers and Trends

PSB revenue 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. For example, for FY23, PSB has been slated to receive as little as $117.9M to as much as $125.5M - and none of these forecast allocations have met the forecast expenses. **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.** Additionally, it is clear from this chart that the forecast allocation is insufficient going forward.

Table 1. PSB forecast expenses (white rows) and allocations (shaded rows) for future fiscal years as shown in the Town's five most recent long range financial plans (FY19-23). Percentages represent change in value between years.

	FY19		FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27
FY19 LRF - forecast exp	$111.0M	5.4%	$117.0M	5.6%	$123.5M	5.7%	$130.5M	4.5%	$136.3M								
FY19 LRF - forecast alloc	$107.0M	3.2%	$110.4M	3.3%	$114.0M	2.4%	$116.7M	1.1%	$117.9M								
FY20 LRF - forecast exp			$118.1M	5.9%	$125.1M	5.7%	$132.2M	4.7%	$138.4M	4.7%	$144.8M						
FY20 LRF - forecast alloc			$116.7M	3.0%	$120.2M	2.3%	$123.0M	1.1%	$124.4M	0.0%	$124.4M						
FY21 LRF - forecast exp					$124.9M	4.9%	$131.0M	4.9%	$137.4M	4.9%	$144.1M	4.9%	$151.1M				
FY21 LRF - forecast alloc					$122.7M	1.0%	$123.9M	1.3%	$125.5M	0.0%	$125.5M	0.0%	$125.5M				
FY22 LRF - forecast exp							$126.8M	5.0%	$133.2M	5.0%	$139.9M	5.0%	$146.9M	5.2%	$154.6M		
FY22 LRF - forecast alloc							$117.3M	1.6%	$119.2M	1.2%	$120.6M	2.0%	$123.1M	1.3%	$124.7M		
FY23 LRF - forecast exp									$130.6M	5.9%	$138.3M	5.8%	$146.4M	5.8%	$154.8M	5.7%	$163.7M
FY23 LRF - forecast alloc									$124.0M	1.4%	$125.8M	4.7%	$131.7M	2.7%	$135.2M	2.8%	$139.0M

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. In recent years the formula has led to **higher than expected circuit breaker funding** (a **positive budget trend**) - these additional funds are used to offset special education services, reducing the operating budget request accordingly. However, at this time it is unknown whether increased Circuit Breaker funding will be sufficient to offset the significant increase in Out-of-District expenses discussed above.

Revolving Funds

Revolving funds are intended to provide revenue to sustain activities outside of the core PK-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. In FY22, all three programs returned to positive cash-flow: federal pandemic funding to provide free school lunch has enabled Food Services to have positive cash flow for the first time in recent memory. Other smaller reserve funds have also been impacted negatively, 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.**

<u>One-time Pandemic Relief Funds</u>

Pandemic relief funds (e.g. ESSER) are one-time allocations that can be used over multiple years; they have been critical to closing 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.** During FY22 PSB anticipated that only $1M of ESSER funds will be available to carry over into FY23; fortunately the revised carryforward amount has been increased to ~$2.6M. These funds do not expire until 2024 and may continue to provide some relief.

Conclusion

The proposed guidelines will enable us to review all spending proposals through a shared lens and will guide us as we make difficult and important choices as we manage the impacts of the expense drivers and handle revenue challenges. The opportunity to work with a consultant to identify efficiencies is important for us also, but pursuing reasonable efficiencies almost certainly cannot keep PSB within its forecast allocation forever, given the structural deficit, and there needs to be a significant partnership with the Town to explore an operating override for FY24 and beyond.