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To: Town-School Partnership

From: Charles Carey, Town Administrator

Date: April 25, 2025

Subject: School Budget Deficit Resolution Options

As of today, projected revenues lag projected expenditures in the current version of the Fiscal Year ("FY") 2026 budget for the Public Schools of Brookline ("PSB") by $1,716,983. This is down from the initial projected deficit of approximately $8.2M and reflects many weeks of work from the School Committee and PSB leadership making hard choices with an aim toward maintaining a high-quality education for all students in the district.

Following its most recent votes on April 10, 2025, the School Committee indicated that it had reviewed all recommended options from PSB staff for budget reductions and had accepted all those it deemed prudent to take under the circumstances. It asked the Select Board and Advisory Committee for options beyond the School Department budget for closing the projected FY 2026 gap in advance of Town Meeting.

In preliminary discussions following that request, members of the Town-School Partnership expressed concerns with the decision to reduce the assessment PSB pays to the Building Department for the services it provides, including regular repair and maintenance of PSB facilities, by $600,000. While acknowledging the difficult situation in which PSB finds itself, members nevertheless cautioned against a reduction that could create deferred maintenance or operational readiness issues that cost more money down the line.

This memo examines a potential resolution to the Building Department assessment issue and lays out three potential courses of action for resolving the PSB budget gap. The ultimate goal would be for the Town-School Partnership to reach consensus on a path forward and provide guidance to its constituent bodies (Select Board, School Committee, and Advisory Committee) on that path which all three could agree on in advance of the initial deadline for the Combined Reports that will be sent to Town Meeting Members for their review.

A further note: the deficit review currently being conducted by CliftonAllenLarson ("CLA") is nearing completion. Because of the practical deadlines discussed in this memo, an initial recommendation must be made prior to publication of CLA's final report in May. We do expect that report before Town Meeting begins, however, and any actionable items it recommends that can be brought before Town Meeting should be considered at a future Town-School Partnership meeting for further action.

BUILDING DEPARTMENT ASSESSMENT

The Public Buildings and Capital Projects Divisions of the Building Department handle maintenance, upkeep, and construction projects for PSB beyond the scope of regular custodial services. Because those are integrated Townwide functions, they reside on the "Town side" of the budget, and the Schools are assessed a portion of the costs to operate those divisions.

Initially, after some discussion, the School Committee voted a "true level funding" of the assessment from FY 2025 for FY 2026, down from both the 4.5% increase requested by the Director of Public Buildings and the 2.5% customary increase agreed upon as part of the 2008 override. This amounted to a $162,499 reduction in the proposed FY 2026 assessment.

Subsequently, believing money to be available in salary savings from vacant HVAC technician positions, the School Committee further decreased the assessment for a total reduction of $600,000. As the Building Department explained, however, those funds are used for critical contracted services when the positions go unfilled, and their loss would have a critical negative impact on PSB operations.

The confusion over how the assessment is used warrants a deeper conversation within both this Partnership and the Expenditures & Revenues Study Committee about the future of our shared services models. As a practical matter, and given the short timeline, it seems prudent for this fiscal year to make limited reductions that can be addressed as part of the FY 2027 budget process without creating an unsustainable backlog of deferred maintenance.

According to the Building Department, even a "level-funded" reduction of $162,499 from their request will result in the loss of the following services for FY 2026:

- Painting (new projects or touch-ups)
- Window cleaning
- Window repair
- Screen repair
- Repair/replacement of shades/window treatments

Additionally, it may well cost more in the future to address the deferred maintenance issues that arise from the inability to provide these services in FY 2026. However, this will leave all trades positions intact and hopefully allow for a full restoration in FY 2027. Accordingly, I respectfully recommend that the Town-School Partnership indicate a preference for reducing the FY 2026 Building Department assessment by $162,499, leaving it level-funded from its FY 2025 level at $3,611,085. This increases the budget gap to $2,154,484, but ensures vital services are not compromised in the short term.

OPTIONS FOR CLOSING THE BUDGET GAP

Per the Town's finance team, there are three generally feasible broad-stroke ways the Town-School Partnership could recommend resolving the current situation.

Option One: Seek Further PSB Operating Reductions. PSB leadership put approximately $10,000,000 in reductions forward to close the FY 2026 budget gap, following the School Committee's guidance that such cuts avoid student-facing services to the maximum extent possible. One potential option would be for the Select Board and Advisory Committee to ask the School Committee to take a fresh look at that list, and add additional items that may have a broader student impact. Those items could include, but not be limited to:

- Increasing the materials fee by less than the initially proposed amount
- Eliminating or modifying "buffer zones" and redistributing K-8 school attendance
- Increasing tolerance for larger class sizes at K-8 schools where feasible
- Switching the High School teaching model from "4+1" to a flat 5-class system

This would be in addition to any others the School Committee might wish to consider, even fundamental questions such as whether to transition away from the K-8 model altogether.

In practice, however, because of PSB's collective bargaining obligations, there would need to be reduction-in-force notices ("RIFs") sent out to at-risk employees by May 1, 2025—not enough time to implement larger policy shifts in any meaningful way. PSB would need to issue the RIFs to any employees who would *potentially* be impacted by those changes (or a decision not to implement any further changes), and then, if possible, cancel them for those employees whose jobs would not be impacted by the final outcome. The School Committee and PSB leadership have both stated a strong preference to avoid this scenario, given the harm and uncertainty it causes to employees and PSB's institutional reputation.

The appeal of this option is that it solves operating cost overruns in the PSB budget with operating cost reductions from that budget and does not further postpone hard decisions. Given that PSB will be entering into negotiations for contract extensions with all of its bargaining units this coming fiscal year, and the uncertain federal/state funding environment, it is not unreasonable to think that such decisions may need to be made even if the budget were currently balanced.

If the community wishes to work through those decisions in the broader context of the Expenditures & Revenues Study Committee's efforts to identify longer-term solutions to our structural gap, however, postponing them through the use of other sources of funding is an option. In all cases, however, we must be careful not to set negative future precedents and be mindful that any such "bridging" attempts effectively form the floor for an operating override ask if further cost-control measures are not implemented.

Option Two: Use FY 2026 Circuit Breaker Revenues This Year Rather than Next. The "Circuit Breaker" is Massachusetts' special education cost reimbursement program. It is designed to cover some, but not all, of the costs of special education needs for students that exceed a certain threshold.

Each summer, PSB submits claim forms to the state from the prior fiscal year, detailing the district's special education costs (excluding administrative and overhead costs, which are not reimbursable). The state then pays out a set amount according to a formula on a quarterly basis over the course of that fiscal year for the prior fiscal year's expenses.

Once received, Circuit Breaker money can only be used for the current or next fiscal year's expenses. It's our understanding that, as a matter of best practice, PSB takes the actual reimbursement amounts it will receive in the current fiscal year (here FY 2025) for expenses incurred in the prior fiscal year (here FY 2024) and uses them to inform the next year's operating budget (here FY 2026). Put another way, PSB will spend the Circuit Breaker reimbursements received in FY 2025, for costs it incurred in FY 2024, on FY 2026 expenses.

Theoretically, PSB could also project its FY 2026 Circuit Breaker reimbursement amounts, and budget eligible special education costs in FY 2026 to be paid out of those funds. This would lower the amount available for FY 2027 and run afoul of the best practice described above. PSB does not view the Circuit Breaker as a source of one-time funding—because the revenue is reliable and knowable to a reasonable degree of certainty, PSB treats it as recurring, and thus part of the standard operating budget. But using the money differently would, assuming our understanding is correct, solve the current problem.

In FY 2025, PSB received $4,258,609 in Circuit Breaker payments, and will use all of that to cover projected FY 2026 costs. It is also projecting to receive the same amount in Circuit Breaker payments in FY 2026, which it would ordinarily spend on FY 2027 costs. Provisionally earmarking $2,154,484 of that money for *potential* use in FY 2026 instead would eliminate PSB's projected shortfall for this year.

Critically, because Circuit Breaker payments are made into a special education reimbursement account, they can be spent for any eligible expense without further appropriation. This means that, should PSB's actual shortfall not total $2,154,484, there would be no need to go back to Town Meeting or any other body to seek reappropriation. PSB could simply spend less.

It is important not to minimize the practical impact of a decision like this—like the potential use of one-time funds from other sources, it creates an operating cliff in the FY 2027 budget that will need to be resolved by either cuts or an increase in revenue such as an override. The number then forms the potential floor of any override ask, simply to maintain services currently being provided.

The inherent appeal of using a School-based source of revenue related to special education to plug a School-based operating deficit caused in part by rising special education costs is clear. The negative optics of mortgaging the future to pay for present costs, however, are also present, though this option has the benefit of not causing broader negative precedents of the kind that might result from using general one-time revenue.

Option Three: Take Town Recurring Revenue and Leave it Unappropriated. Much time has been spent in the community on discussing whether to use one-time sources of revenue, such as Free Cash (the money unspent from two fiscal years before the current one, so FY 2024 for FY 2026), to "plug the gap" and cover the PSB operating costs for a year. After prolonged discussion with the finance team, we cannot recommend such an action.

For one thing, as the "level-funded" budget shared by PSB demonstrates, the Schools would already be over $1M beyond their allotted revenue just by implementing required wage/salary increases and nothing else. The use of one-time funds to fulfill an unfunded collective bargaining obligation that the Town had no control over sets a terrible precedent for the other collective bargaining units, particularly those on the Town side who have mandatory arbitration available to them should an impasse be reached.

For another, as has been discussed repeatedly, the use of one-time funds for operating expenses sends up a red flag to ratings agencies, whose AAA/Aaa ratings we need to keep the many capital projects we have in progress on-budget and avoid spending more revenue on debt servicing. As with deferred maintenance, the temporary fix of ignoring the problem for a year might lead to serious costs in future years—but unlike deferred maintenance, those costs could be permanent. Once a community loses its AAA rating, it is very hard to get it back. The long-term damage to PSB and the Town that could result here is simply not worth the risk.

All of the above is in addition to the fact that this still is only a temporary solution, one that, once utilized, would be called upon again and again to delay the hard decisions described above. Once you start down this path, you will not stop, unless or until the kind of catastrophic issues that led to the Town-School Partnership's creation in the first place occur.

Thus, if the Town-School Partnership wants to recommend money from a non-PSB source be spent on closing the Schools' operating budget gap, we suggest taking that funding from a recurring source of operating revenue. Sources could include the Injury On Duty trust, which is slated to receive $350,000 but could potentially survive under its current funding if claims stay low this year, or the revenue-financed portion of the Capital Improvements Program ("CIP"), though here too the Partnership should be mindful that the Town has already postponed a planned increase in revenue-financed CIP in FY 2026 to help the Schools. A further reduction in the CIP would likely result in the cancellation or postponement of PSB-related projects, such as the New Lincoln School Playground design ($900,000).

Importantly, however, our recommendation would be to avoid transferring any amounts directly to the PSB operating budget. Even if you call it a one-time transfer, revoking it next year will look like a cut, and while the School Committee would doubtlessly operate in good faith and not characterize it that way, members of the public might not understand the nuance, particularly if it is described as a cut as a collective bargaining tactic.

Instead, we recommend leaving any proposed amount unappropriated. Similar to the Circuit Breaker solution, this money would then be available only if PSB needed it. Unlike the Circuit

Breaker solution, it would require further action of Town Meeting to move the money.[1] This provides another layer of public accountability and ensures the money is spent only if the shortfall projections become a reality.

CONCLUSION

We appreciate the hard work that PSB and the School Committee have done to bring the projected FY 2026 deficit down. Having been asked for options to close the remaining gap while minimizing operational harm, staff on the Town side have identified the three potential routes above while proposing a possible solution to the Building Department assessment issue.

We look forward to speaking with you on Monday, April 28 to discuss further and hopefully reach consensus on a path forward for the Select Board, Advisory Committee, and School Committee together.

END OF DOCUMENT

cc: Select Board
School Committee
Advisory Committee (via Lisa Portscher, Secretary)
Linus J. Guillory Jr., Ph.D., Superintendent of Schools
Susan K. Givens, Ed.D., Deputy Superintendent
Melissa Goff, Deputy Town Administrator
Dan Bennett, Building Commissioner
Charlie Simmons, Director of Public Buildings

[1] The money could also be appropriated to the Reserve Fund, in which case the Advisory Committee would take on the oversight role.