

Advisory Committee School Subcommittee  
Report on the PSB FY20 Budget  
Wednesday April 10, 2019

The School Subcommittee held a two-hour public hearing on the School budget on March 5, 2019 attended by the five subcommittee members, Superintendent Andrew Bott, Deputy Superintendent for Administration & Finance Mary Ellen Dunn; Interim Deputy Superintendent for Student Services Casey Ngo-Miller, Budget Analyst & Accounts Payable Manager Jeremy Stull, School Committee members Jennifer Monopoli, Chairperson David Pollak, and Barbara Scotto, and Bob Miller, TMM Precinct 8 and President, BEU.

The subcommittee held a further two-hour meeting on March 14 attended by the five subcommittee members and Dr. Bott, Ms. Dunn, and Ms. Ngo-Miller. The five subcommittee members met on April 10 to vote on a recommendation to the Advisory Committee.

## BACKGROUND

The School operating budget plus benefits costs and Building Department expenses for the Schools accounts for about 62% of Brookline's total operating budget.

In past years, we focused on explaining the budget in terms of how much money was being spent and where it was spent, and on how funds provided by operating overrides had been used. In the last three years, PSB's budget as explained by the budget book has become increasingly comprehensible. This year, it includes both program-by-program expenses and school-by-school expenses down to the level of the salaries paid to fill each teaching position. Furthermore, all staff have been classified in a way that links the line item in which their salaries are carried to what they actually do. Personnel costs account for 85% of the budget, so reading through the details of staff costs provides an excellent window into where money is spent, as well as an understanding of the size and complexity of PSB's operations.

Given the availability of this data and the detailed explanations of each program is explained, it no longer seems necessary to "translate" the budget book to those who read it. We do recognize that many Town Meeting members do not read the budget in depth, so we have provided a summary of the operating budget request to Town Meeting. Note that the summary of expenditures does not include two major PSB expenses that carried in the Town budget – the cost of PSB staff health care benefits and the cost of services provided by the Building Department. Benefits costs attributed to PSB are \$27,690,841 and Building Department costs are \$5,460,368.<sup>1</sup> Grants are expected to contribute \$5,036,009 to the FY20 budget.

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<sup>1</sup> See Town of Brookline FY-2020 Financial Plan, Pages IV-141 and IV-61

**Expenses, not including Benefits & Building Dept.**

Program	Item	FY18 Actual		FY19 Budget Nov. TM		FY20 Budget		FY20 to FY19 change	
		FTE	\$	FTE	\$	FTE	\$	FTE	\$
Gross school budget expenses	Personnel	1,240.49	\$94,622,356	1,276.72	\$98,478,447	1,313.60	\$104,014,289	36.88	\$5,535,841
	Services		9,741,022		10,542,721		11,699,864		1,157,142
	Supplies		1,922,502		2,051,297		1,833,497		(217,800)
	Other		593,018		1,288,570		1,102,213		(186,357)
	Capital		<u>1,140,010</u>		<u>1,364,723</u>		<u>1,191,685</u>		<u>(173,038)</u>
	Total		\$108,018,889		\$113,725,760		\$119,841,548		\$6,115,788

**Revenue Sources**

Source	FY18 Actual	FY19 Budget Nov. TM*	FY20 Budget	FY20 Prelim to FY19 variance	
				%	\$
General Fund Appropriation	\$104,758,343	\$110,583,255	\$117,354,211	6.12	\$6,770,956
BHS Bus Fees	<u>0</u>	<u>75,000</u>	Moved to revolving fund	<u>-100.00</u>	<u>(75,000)</u>
Total T-S Partnership \$	\$104,758,343	\$110,658,255	\$117,354,211	6.06	\$6,695,956
Tuition & fees	\$696,016	\$696,016	\$717,523	28.68	\$21,507
Facility Rental	225,000	Moved to revolving fund	Moved to revolving fund		
Circuit Breaker Funding	\$1,873,044	1,688,705	1,769,814	4.80	81,109
Rev. Fund expense reimb's	50,680	150,680	\$0	-100.00	(150,680)
Other Revenue	\$0	358,680	\$0	-100.00	6,289,212
Total Revenue	\$107,603,083	\$113,552,336	\$119,841,548	5.54	\$6,289,212
Surplus/(Deficit)	(\$415,806)	(\$173,424) *	\$0		

\* Includes adjustments made at Nov. 2018 TM to offset the FY18 deficit

## DISCUSSION

The following list of the PSB budget's main sections may be helpful:

<b>Budget Section</b>	<b>Contents</b>	<b>112,238,810</b>	<b>Pages</b>
Budget Overview	PSB Core Values; use of 2018 override funds; summary of expenses; summary of revenue including state aid, grants and reserve funds		Pages 1 – 34
Program Budget Detail	Listing of department codes; notes on the budget book		Page 36
Administration	Line item detail for School Committee and central office expenses		Pages 37 – 62
Instructional Services	Classrooms program explanations & expenses: The “3 R’s” and a wide range of complementary programs  <i>Instructional Services and Student Services (in the next row) provide most of the in-classroom services PSB offers. These two categories account for \$97,072,797 of PSB’s \$112,238,810 in salary costs, or 86.5% of the total.<sup>2</sup></i>		Pages 63 - 148
Student Services	Special Education & related health services The percentage of special education students in Brookline is comparable to the percentage in similar municipalities.  <i>Brookline’s proximity to the Longwood Medical Area does attract families whose students require a high level of medical care.</i>		Pages 149 - 173
General Instruction	Expense detail by school, including staffing and staff salaries  <i>This section provides a level of insight into school-by-school operations that was previously not available in the budget.</i>		Pages 174 - 253
Ancillary/Other School Services	Expense details for health services; athletics; student activities; transportation; and maintenance		Pages 254 – 281
Tuitions	Tuition payments by PSB for students who are enrolled in out-of-district schools such as		Pages 282 - 289

<sup>2</sup> Based on the salary costs of members of BEU’s Units A and B plus paraprofessionals, not including athletics stipends. See the table on Page 16 of the FY20 budget.

Budget Section	Contents	112,238,810	Pages
	county voc-tech schools and special education programs. Out-of-district tuition for special education is projected to account for \$5,417,857 in FY20. <i>Depending on the year, State "Circuit Breaker" about 1/3<sup>rd</sup> of these expenses. The formula provides 72 - 74.6% of the costs in excess of \$50,000 for student placed out of district. Receipts from Circuit Breaker funds are projected at \$1,769,814 for FY20.</i>		
Shared Services	Reference to sections of the Town budget covering shared services: IT; Building; Parks; Health		Page 290
Gifts, Grants & Donations (draft)	Grants including federal, state & local; gifts. The expected total receipts from grants is \$5,036,009. <i>This section is a draft because the final amounts of some FY20 grants have not been confirmed</i>		Pages 1 – 80 <sup>3</sup>
Revolving Funds	PSB administers 13 revolving funds related to school activities plus the Adult Education revolving fund. See Pages 2 – 4 of this section for a summary of these funds. <i>State law defines how revolving funds are managed. In some cases, surpluses are accumulated within the fund for exclusive use of the supported program. For other funds, surpluses are available for general operations. State law allows PSB to use operating funds to cover deficits in its revolving funds.</i>		Pages 1 - 34 <sup>4</sup>

After the intense discussion in 2018 regarding school enrollment projections, it is worth noting that K-8 enrollment increased by 21 students and High School enrollment increased by approximately 65 students, for an overall increase of approximately 86 students. The increase at the High School was driven largely by the difference in the size of the kindergarten classes of 2009 (the entering freshmen) and 2006 (the graduating seniors).

The subcommittee discussed three broad themes and one specific concern with PSB staff. As has been the case in the last three years, the level of detailed knowledge and willingness to explain those details was very helpful to the subcommittee.

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<sup>3</sup> Separate pagination

<sup>4</sup> Separate pagination

The first theme has to do with the nuts and bolts of managerial accounting. The second, more strategic theme has to do with the efficient delivery of programs, which translates into the efficient use of available funds. The third theme concerns special education, and particularly out-of-district tuition.

### Theme #1: Managerial Accounting Nuts & Bolts

PSB ended FY18 with a deficit caused by the fact that some expenses were not visible to the central office until late in the fiscal year even though they had been incurred earlier. While the individual items were small, they added up. In other cases, the budgeted amounts for some line items were exceeded. For example, stipends are budgeted for teachers who coach teams or advise student activities, but the increase in stipends due to increases in contractually agreed salary levels was not built into the budget. That deficit was offset by the November 2018 Town Meeting, which shifted funds from the FY19 PSB budget to cover the FY18 deficit.

That created a potential budget gap for FY 19. PSB has spent considerable time and effort to assert control over what had previously been viewed as fringe items, and we do not expect another end-of-the-fiscal-year surprise from the same causes. Among other steps, spending against the FY19 budget without central office approval was frozen last fall as a means reducing the FY19 gap.

Two other factors increased pressure on FY19's budget vs. actual expenses.

First, the food service and athletics revolving funds have been in deficit for several years. In prior years, the deficits were covered by unexpended reserves, and those reserves are no longer being built in to the budget. Note that it is an acceptable practice for the operating budget to subsidize revolving funds, but such funds should not close out the year in deficit.

The food service deficit has been exacerbated by changes in school menus that did not resonate with the customers – the students. That resulted in drop in demand and thus a drop in revenue. The School Committee has gone out to bid for a new food services contract, has tweaked the menu, and it is considering an increase in the cost of some types of meals in order to keep the food services deficit under control. One problem is that the cost of meals provided at no cost or at a subsidized cost exceeds the federal reimbursement for those meals. That difference has to be made up either by charging the rest of the students more or by subsidizing the food service revolving fund.

Second, following several years of declines in the number of special needs students for whom PSB was paying out-of-district tuitions, a handful of special needs students who could not be educated within Brookline programs moved into the district, resulting in a 27% increase in out-of-district costs. As noted above, the budget includes a total of \$5,417,857 for out-of-district tuition in FY20 for an expected cohort of 52 special needs students.

## Theme #2: Efficient delivery of programs

Each year, we see forecasts for structural deficits in both the Town and School budgets. The following year, the budget for the then-current year has been balanced, but the structural deficit projection for future years remains in place. This annual recession of the deficit horizon is not a game, but rather the result of conservative current budgeting and conservative future projections by both Town and School.

In FY20, the projected deficit that had been predicted in the spring of 2018 for PSB in FY20 materialized. A decrease from FY19 projections in the amount of revenue the Town collects and the continuation of FY 19's higher level of out-of-district tuitions for special education students. And the reserves that were once sprinkled through the School budget are gone, first because of a laudable change in the budgeting philosophy of PSB and then because it was impossible to balance the budget and retain reserves that are, in fact, appropriate.

Quoting from the PSB Executive Summary of the FY 20 budget dated 2/22/2019, "In prior years, the School Department utilized a variety of reserve and contingency accounts.... [The] School Committee repeatedly expressed its concern that due to the overall tightness of the budget there is less ability to absorb unforeseen events.... The School Department is managing this tightness with greater accuracy in budgeting and reporting."

The School Subcommittee expressed its concern somewhat differently. Our question was how PSB would be able to manage *anticipated* cost increases, let alone unforeseen events. The short answer is that the Superintendent and his senior staff are focused on delivering programs more efficiently. To cite a simple example, it may be possible to schedule ELL specialists who work in more than one school in a way that reduces their travel time.

Cross-referencing the program-by-program detail in the FY20 budget with the school-by-school data will help in this analysis. The reclassification of staff to allocate their salaries to the programs they deliver is equally important, since that reclassification increases the accuracy of program costs.

Last, PSB is still using a chart of accounts that predates the 1993 Education Reform Act. Our chart of accounts is out of date. This may seem like a nuts-and-bolts accounting matter, but it has strategic implications.

At the very least, it affects the accuracy of the costs attributed to programs. For example, the China Exchange program is charged to High School general expenses and could be charged to its own program account. This specific case is a minor issue compared to the matter of analyzing how to improve the delivery of larger programs with far higher costs, but it exemplifies the overall chart of accounts problem.

PSB lacks the staff time to tackle this task, but there is growing awareness by the Treasurer and Comptroller that this is an issue.

### Theme #3: Out -of-district tuition for special education

As noted previously, out-of-district costs took an unexpected 27% jump in FY19. This was the result of a handful of students who require out-of-district services moving into the district. The transportation costs alone for one such student can hit \$20,000, so it doesn't take a significant increase in the overall number of students to throw the budget out of balance.

PSB has built a reserve into FY20's budget, and there has been discussion of setting up a \$1 million special education stabilization fund. Any drawdown of that fund would have to be made up the following year, but it would greatly reduce the likelihood that the current year's budget could be thrown out of balance by a small change in the number of students requiring out-of-district services.

### Specific concern: School supplies budget

The subcommittee also expressed concern about the reduction of the budget for school supplies. Brookline has had a pattern of asking parents to buy school supplies that are typically provided by the school district. Parents also have to pay for the participation of their children in athletics and numerous other student activities such as field trips. These costs can total \$1,000 in the course of an academic year.

Last year, the Deputy Superintendent for Administration and Finance made a strong case for increasing the supplies budget to cover costs that have been passed on to parents. However, the budget gap that opened in FY19 when funds were reallocated to close the FY18 gap resulted in a decision to reduce the funds available for supplies below the amount originally authorized for the remainder of FY19. The FY20 supplies budget for all purposes is \$661,658, a reduction of \$250,152 from FY19's budget. If there are surpluses in other accounts, we urge the School Committee to increase the supplies budget.

### Other Comments

We continue to ask the Schools to use the method the Town has adopted for taking an average per FTE for the cost of benefits to each program and including an estimate of benefits costs below the line for each program budget, or at least in a footnote to each program budget. The cost of benefits adds approximately 33% to the cost of salaries. Omitting that estimate from the summaries of program costs understates those costs in the eye of the public, and perhaps in the eye of PSB employees.

## RECOMMENDATION

By a vote of \_\_ to \_\_ with \_\_ abstentions, the School Subcommittee recommends \_\_\_\_\_ action on the FY20 PSB request for \$119,841,548 in operating funds.

### Subcommittee:

Dennis Doughty  
Bobbie Knable  
David Lescohier  
Mariah Nobrega  
Michael Sandman, chair