

# SPECIAL

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# REPORT

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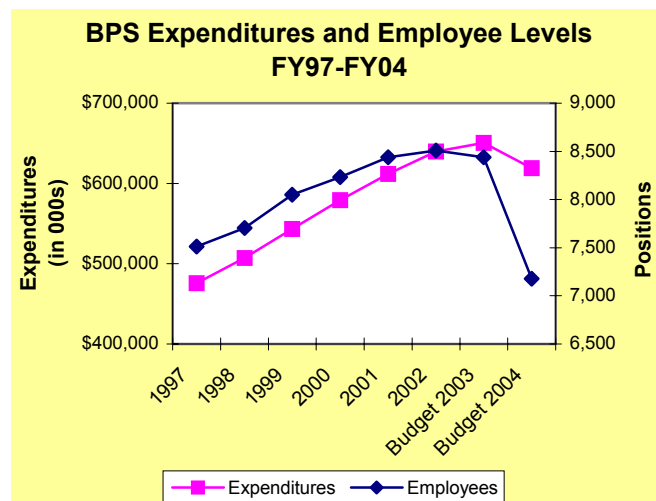
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## FISCAL 2004 SCHOOL BUDGET SCALED BACK

*Core Academics Will Be Maintained*

The Boston School Committee has submitted to the City Council its fiscal 2004 budget of \$619 million that represents a decrease of \$31.5 million or 4.8%. This reduction contrasts with the trend over the prior six years when the Boston Public Schools (BPS) budget grew by an average annual increase of 5.4%. As the largest city department, the BPS represents 35.3% of the Mayor's recommended fiscal 2004 city budget of \$1.75 billion. The allocation of \$18.5 million in city reserves protected the BPS budget from being cut further. The BPS all-funds budget includes \$116.7 million in grant funds, bringing the grand total to \$735.7 million. Planning for this budget was especially challenging this year as contractual and inflationary increases had to be absorbed in a decreasing budget. The reductions in the budget will curtail important supplementary services, such as art classes for students and professional development for teachers, but will preserve the main academic infrastructure. With spending for personnel representing 76.5% of the budget, a reduction of 1,383 employees is planned, including 619 teachers. The budget supports 7,177 positions, a reduction of 16.2% from fiscal 2003. The newly released House Ways and Means Committee budget recommended less than expected local aid reductions for Boston that may provide additional budget flexibility when the final state budget is approved.

**Past School Budget Growth** – The budgeted cut in fiscal 2004 was preceded by six years of steady spending growth since fiscal 1997 totaling \$174.9 million or 36.8%. Funding came from a strong economy that increased Boston's own revenues and from growth in state aid to the city during this time. The overwhelming majority of the increase (91.8%) was allocated to salaries, benefits, and transportation costs. Employee spending was driven by generous collective bargaining agreements that increased salaries and approved policy decisions that required more teachers and support staff. Policies to decrease class size, add a fifth planning and development period for teachers, build new early learning centers and three new schools, open or expand pilot schools and develop transition programs for MCAS support required additional personnel. From January 1997 to January 2003, the BPS workforce increased by 928 positions or 12.4%, of which 520 were teachers and 146 were classroom support positions. Related benefits costs increased by \$28.3 million or 66.5% and transportation costs increased by \$21 million or 60% during this time.



**Budget Development** – Cost increases to which the BPS is obligated for fiscal 2004 added pressure to the budget-balancing process. The budget reflects BPS' intention to maintain as much of the core academic subject instruction as possible. As a result, supplemental service, such as art and music programs, along with some elective courses for older students, may be eliminated in many schools. The current budget presumes that teachers will lose some of their professional development time, and that there will be less flexibility in setting class schedules. Teacher layoffs should not affect permanent teachers, except those in endangered programs. Layoffs will affect provisional teachers, consisting mostly of younger teachers, due to planned increases in class size and reductions in both transitional programs and

planning and development periods. Many teachers currently serving in support positions will shift back to the classroom. Support staff positions, including library, bilingual, and kindergarten aides, also will be reduced. Schools will be less able to provide after-school programs and other extracurricular activities that have been provided in recent years.

Spending for benefits will continue to soar during fiscal 2004, rising by \$18.2 million or 25.7%. Pensions and unemployment costs will rise by \$9.7 million and \$6.4 million, respectively. These increases are due to the number of employees retiring from the BPS last year and the large amount of layoffs scheduled for this year. Health insurance costs will rise by only 3.3% due to an anticipated reduction in employees.

The budget for salaries has been reduced by \$47.6 million or 11% from fiscal 2003, mainly as a result of planned employee layoffs. Approximately 1,383 employees are expected to be cut in fiscal 2004. Of the total layoffs, 619 or 44.8% will be teachers. This will mark the first time that the BPS has laid off a significant number of teachers since 1996 when 130 were laid off. Of the total reduction in the salary budget, 48.6% comes from teachers' salaries and 51.4% from non-teachers' salaries.

The transportation budget decreased marginally for fiscal 2004 as a result of a small savings from a contract with a new vendor, First Student, Inc. If the BPS had renewed its contract with the former vendor, Laidlaw Transit, the budget would have increased by as much as \$10 million. BPS officials are studying alternatives to the current student assignment plan that could limit spending for transportation in future years.

Currently, risk exists in many of the reductions included in the budget that affect collective bargaining. Specifically, the reductions involving the salary freeze and increasing class size must be negotiated with the BTU. Lack of agreement could place additional financial pressure on the BPS depending on final state aid numbers. The City also has budgeted no funds for collective bargaining contracts, including the BTU contract that will expire on August 31, 2003.

**New Initiatives** – Despite the reductions, the BPS budget does provide for a few new initiatives. Three new schools will open in September – middle schools at Mildred Avenue in Mattapan and at Columbia Road in Dorchester and a K-8 school at Orchard Gardens in Roxbury. Both Columbia Road and Orchard Gardens will be pilot schools. The net total for the start-up costs of the schools and the assumption of Tech Boston Academy, which is being privately financed this year, is \$8.6 million. Smaller learning communities are being established in the restructured Dorchester and South Boston High Schools. Also, the implementation of the voter-approved English immersion will cost over \$2 million, primarily for new instruction materials.

## BPS Cost Drivers

### Budget Increases

Collective Bargaining Agreements	\$12.7 million
New Schools	\$8.6 million
Employee Benefits	\$18.2 million
English Immersion Implementation	\$2 million

### Budget Reductions

School Allocations	\$38 million
Central Offices	\$13 million
Class Size Increases	\$8.4 million
Salary Freeze	\$8.1 million
Closure of Five Schools	\$5.8 million

## Fiscal Year 2004 Budget Summary

(in thousands)

Category	FY04 Budget	% of Total	Change FY03-FY04	Change FY97-FY03	% of Total Change
Salaries	\$384,672	62.1%	-\$47,566	\$111,223	63.6%
Benefits	\$89,109	14.4%	\$18,210	\$28,329	16.2%
Transportation	\$55,089	8.9%	-\$832	\$20,978	12.0%
Purchased Services	\$34,438	5.6%	-\$3,518	-\$3,160	-1.8%
Property Services	\$34,250	5.5%	\$1,383	\$6,350	3.6%
Supplies	\$7,070	1.1%	-\$8,289	\$8,186	4.7%
Other	\$14,373	2.3%	\$9,077	\$3,017	1.7%
Sub-total Non-Salary	\$234,328	37.9%	\$16,031	\$63,700	36.4%
Sub-total Salary	\$384,672	62.1%	-\$47,566	\$111,223	63.6%
Grand Total	\$619,000	100.0%	-\$31,535	\$174,924	100.0%

**Grant and Capital Funds** – The BPS anticipates \$116.7 million in grant funds during fiscal 2004, 15.9% of its all-funds budget. State grant funds decreased by \$23.1 million or 83.3% from fiscal 2003, while federal grant funds increased only slightly by \$2.5 million or 2.3%. The BPS will have a capital budget of \$41.8 million during fiscal 2004, representing 38.2% of the total city capital budget. This funding will be used to complete construction of the three new schools. Roof and masonry repairs and replacements of windows and HVAC systems at various schools also will be supported by the capital budget.