

January 2008

## School Department Facing FY08 Budget Challenge

*Declining enrollment and program initiatives create \$12.8M problem*

On January 16, Superintendent Carol Johnson released her first budget update for FY08 which projected a potential budget shortfall of \$12.8M due to greater spending and less revenue than anticipated. Based on an all-funds budget of \$911.7M, the shortfall represents 1.4% of the total budget.

At this time each year, the BPS cites a budget shortfall but has ended the last 17 years with a small budget surplus. However, declining enrollment and increasing employee levels due to program initiatives have combined to reduce the financial flexibility normally available to the BPS.

The projected shortfall consists of an operating budget (General Fund) problem of \$8.1M and \$4.7M less in Federal Title 1 revenue than anticipated for a total of \$12.8M.

**Title 1** – Federal Title 1 funds are based largely on the number of free-and-reduced lunch eligible students in a school district. Eligible students have remained stable in the BPS at 71%-74% of total enrollment but total enrollment has declined by 5,918 students or 9.5% to 56,184 over the past five school years. At the same time, Massachusetts has received less Title 1 funds due to the growth of eligible students in other parts of the country. These two factors have combined to reduce Boston's Title 1 funds over the past two years from \$43.8M to \$36.0M, a cut of 18%.

**Operating Budget** – The estimated \$8.1M budget shortfall of the operating budget of \$782.5M consists of three parts. The first is spending of \$5.4M not budgeted but expected to be addressed in ways that did not fully materialize. The second part is \$9.7M due to external funds and salary savings through attrition intended to support operating spending being less than expected. These two parts create a budget shortfall of \$15.1M. The third part involves expected spending reductions of \$7.0M based on budget strategies initiated in October. Efforts will continue to identify and implement additional spending controls.

### BPS Spending Enrollment & Staffing

	FY04	FY08	Variance
General Fund Spending	\$656,538,811	\$782,535,360	19.2%
Enrollment	60,164	56,184	-6.6%
Staffing	7,793	8,462	8.6%

The underlying problem of declining enrollment will continue to influence future Title 1 funding as well as state Chapter 70 school aid for Boston. Budget tactics that were successful in recent years are less effective now. For that reason, current budget practices are being re-examined and revenue strategies will be more conservative in preparing the FY09 BPS budget.