

**Methuen Public Schools  
Office of the Business Administrator**



**FY12 BUDGET MEMORANDUM**

**Memo to:** Judith A. Scannell, Superintendent of Schools  
School Committee Members

**From:** Glenn Fratto, Business Administrator

**Date:** May 6, 2011

**Re:** FY12 Budget Proposal

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**Introduction: Conserving Federal Funds and Waiting for State Aid Decision**

The national economic situation continues to constrain the capacity of state and local governments to provide necessary support to school districts. For the last two years, the Federal government helped fill the financial gap with Stimulus and Jobs Recovery funding. Unfortunately, that funding is no longer available.

Most school districts used that Federal funding in the years it became available. However, the Methuen School Committee made a strategic decision to spread out that Federal funding as long as possible. In effect, we “banked” almost \$2 million to use next year. **Since Methuen conserved a portion of that Federal funding for use in FY12, we will not face the drastic budget reductions that many other school districts are dealing with.** The remaining grant allocation will be used to maintain positions and salaries of many current staff members in FY12. Of course, FY12 will be the last year that federal funds are accessible to fund these positions. While most other districts are dealing with the elimination of federal funds in FY12, Methuen will face that reality in FY13.

The two major sources of funding for Methuen's schools are determined by the State when it calculates the City's required local contribution and the State's Chapter 70 Aid to Education. Currently the State provides 56% of the Methuen School District's operating funds and the City provides 44%. **Unlike previous years, the State Legislature has provided Chapter 70 Aid and Net School Spending figures in a timely manner; thereby allowing us to prepare this budget proposal.** On April 29<sup>th</sup>, the House of Representatives approved its FY12 Chapter 70 figures and, along with the State Senate's resolution to match the House of Representative's numbers, we are fairly confident in the numbers provided by both entities, as follows:

### FY12 Net School Spending Calculation and Chapter 70 Aid Figures

	Actual	Proposed	Difference	Amount
	FY11	FY12		per Pupil
Foundation Enrollment	7,287	7,169	-118	
Net Minimum Contribution	\$30,293,532	\$30,557,302	\$263,770	\$4,262
Chapter 70 Aid	\$38,616,511	\$38,823,822	\$207,311	\$5,416
<i>Net School Spending</i>	<i>\$68,910,043</i>	<i>\$69,381,124</i>	<i>\$471,081</i>	<i>\$9,678</i>

With these numbers in hand, we are able to provide a FY12 Budget Proposal that matches proposed expenditures with anticipated revenues.

### Methuen School Spending Compared to State Averages

Historically, Methuen's School Budget is based on target figures provided by the State's Department of Elementary and Secondary Education. This target is called Net School Spending and represents the minimum amount of funding necessary to provide an "adequate education". As referenced above, **the State has determined that Methuen's Net School Spending target for FY12 will be \$69,381,124. Of that amount, \$38,823,822 will be funded with Chapter 70 Aid from the State and \$30,557,302 will be provided as the City's Net Minimum Contribution.** On a per pupil basis, the State will provide \$5,416 in funding and the City will provide \$4,262. While the Net School Spending per pupil totals \$9,678, actual expenditures exceed that amount based on the availability of grant funds

In FY10, total per pupil spending in Methuen was \$10,908. This amount includes all sources of funding including federal stimulus and jobs grants, as well as other miscellaneous grants. Methuen's spending of \$10,908 per pupil represents 83% of the state average of \$13,064. As presented to the State in our End of Year Report for FY10, here is how Methuen targets its educational funding by function:

### **FY10 Total Expenditures Per Pupil, All Funds, By Function**

	<i>FY10 Actual Methuen Spending</i>	<i>FY10 Actual State Average</i>	<i>Methuen Spending as % of State Average</i>
Administration	\$357	\$445	80%
Instructional Leadership	\$709	\$818	87%
Classroom and Specialist Teachers	\$4,660	\$4,966	94%
Other Teaching Services	\$793	\$962	82%
Professional Development	\$45	\$226	20%
Instructional Materials, Equip. and Technology	\$228	\$392	58%
Guidance, Counseling and Testing	\$345	\$360	96%
Pupil Services	\$1,004	\$1,172	86%
Operations and Maintenance	\$831	\$1,047	79%
Insurance, Retirement Programs and Other	\$1,357	\$2,199	62%
Tuition and Transp. to Out-of-District Schools	\$579	\$477	121%
<b><i>Total Expenditures Per Pupil*</i></b>	<b><i>\$10,908</i></b>	<b><i>\$13,064</i></b>	<b><i>83%</i></b>

*(See Appendix I for further breakdown of information)*

This chart highlights those function codes in which Methuen targets its educational dollars compared to the State Average. In Methuen, funding for Administration (80%) and Operations and Maintenance (79%) are not only less than the State Average, they are also less than the District's average spending percentage (83%). On the other hand, Classroom and Specialist Teachers (94%) and Guidance, Counseling and Testing (96%) are funded close to the State Average.

## Potential Budget Busters

As I interact with my counterparts in other school districts, there are five major issues of concern that have adversely impacted school budgets in recent years. Those issues are:

1. Increasing Special Education Expenses
2. Increasing Expenses for Utilities
3. Increasing Expenses for Transportation
4. Increasing Cost of Employee Benefits – especially medical insurance
5. Increased Expenses due to Contractual Obligations to Employees

Fortunately, due to fiscally conservative decisions made by the School Committee in the past few years, Methuen does not face these issues with the same level of anxiety as most other districts. In fact, instead of reacting to these potential budget-busting issues by reducing staff and programs, Superintendent Scannell and her Administrative Team have taken proactive measures to lessen the potential impact.

1. The **Special Education** Department, under the leadership of Director Gina Bozek, is doing a very good job at making sure that placements in out-of-district schools are appropriate to each student's needs. With the continued availability of circuit-breaker funding, we are able to manage tuition expenses in a way that doesn't drain resources from other programs.
2. Due to a concerted effort by Facilities Director Bruce Stella, the maintenance of our heating and cooling equipment has been a top priority. In addition, we have worked with City Officials and Utility Providers to improve lighting in all Elementary Schools with energy-efficient technology. Bruce continues to work with City officials to utilize available grant funding to implement additional **energy saving initiatives**. And we continue to participate in collaborative bidding with the Greater Lawrence Educational Collaborative for natural gas and electric utilities to control these costs.
3. Last year we worked with Michael Trombly of Trombly **Transportation** Inc. to extend their contract for the optional fourth and fifth years of their bid proposal. After renegotiating the costs for these final two years, we will witness a nominal increase (less than 1%) in the cost of regular bus transportation in FY12. As for other transportation, we will witness an increase of approximately 2%. Combined, all transportation expenses will increase by 1.7%.
4. Unlike recent years, we anticipate a single digit increase in the employer share of **Medical Insurance Expenses**. Given the large increase from FY10 to FY11, we have level-funded Municipal Chargebacks at \$11,083,835.

5. The last three multi-year **union contracts** negotiated and settled by the School Committee focused on job security in exchange for no increase in wage scales. These contracts were with the Secretary/Bookkeepers, Custodians, and Cafeteria Workers. Except for these three groups, all other union contracts expire as of June 30, 2011.

### **Educational Programming: Preserving the Classroom Experience**

At the beginning of the budget process, School Superintendent Scannell asked School Principals to prioritize educational programming so that the focus remains on improving academic achievement. Superintendent Scannell requested that they present proposals for new or improved programming along with possible ways to reduce expenses elsewhere. Their **ultimate goal is to preserve the classroom experience** for our students by making cost reductions in every possible area before considering a reduction in classroom teachers.

### **Summary of Changes between FY11 Actual and FY12 Proposed Budgets**

As you review the attached **Methuen School Department – FY11/12 Proposed Budget** by functional code, and the supporting documentation of expenses by line item and salaries by individual position, you will notice the following changes between the current year and what is proposed for next year. Here are the substantive changes by school:

Tenney Grammar School:	Add Supervising Principal Increase .6 FTE Lower School Physical Education Teacher to 1.0 FTE
Timony Grammar School:	Add Upper School Resource Room Teacher Turn Grade 1 Vacancy to Lower School Instructional Math Specialist
Marsh Grammar School:	Add Lower School LC Teacher Add Lower School PDD Teacher Turn Engineering Teacher to Upper School Grade 5 Teacher
Comprehensive Grammar School:	Add Lower School Grade 2 Teacher Add Upper School Resource Room Teacher
Central 9 <sup>th</sup> Grade School:	Add Inclusion Program Assistant Increase .5 FTE Nurse to 1.0 FTE Nurse

Methuen High School:

Add Chemistry Teacher  
Add English Teacher and .4 FTE English Teacher  
Add Inclusion Program Assistant  
Change Social Studies Coordinator to Social Studies Department Chair  
Reduce 5 GCP Program Assistants  
Reduce 1 LIP Program Assistant

In addition to the above changes in personnel, the proposed budget includes \$129,600 for Reading/Math tutors for the four grammar schools and \$50,000 for the Extended School Year program.

### **Summary**

As explained in Superintendent Judith A. Scannell's budget message, we believe this proposed budget represents the values and objectives of the School Committee's District Goals as well as provides the best educational opportunities for Methuen's students given available financial resources.