

BUDGET MEMORANDUM #3

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Introduction

Last month, Superintendent Whitten, various administrators, and I visited each school to meet with teachers, parents, and School Council members and discuss budgetary issues. Joining us were School Committee Members Robert Vogler and Barbara Grondine. The meetings were engaging and thought-provoking. The purpose of this second budget message is to provide greater detail as to the major items discussed at these meetings.

School Committee Budget Policy and State Aid to Education

As a policy-making board, the School Committee's most important policy directive is review the school budget. In effect, the School Committee's educational policy is represented by what is or is not included in the approved budget. The challenge this year, as last, is for the School Committee to approve a budget that provides the highest educational value. In times of economic downturn, the lack of adequate financial resources makes for difficult policy decisions.

The two major revenue sources for Methuen's schools are Chapter 70 Aid to Education provided by the State and Local Contribution provided by the City. The amount of revenue provided by each source is determined by the State and based on a complicated Net School Spending calculation. When the State Legislature finally decides what Methuen must spend on education for FY11, the School Committee will be in position to make the difficult decisions necessary to approve a viable budget. **It's important to understand that the State decides how much Methuen must spend on education.** At this point in time, the State Legislature has not made that decision.

When the State Legislature does determine how much Chapter 70 Aid it will provide to Methuen for FY11, it will also decide how much local revenue the City must provide for school purposes. Together, Chapter 70 Aid plus Local Contribution from municipal resources equals Net School Spending - the minimum amount of operating funds to be available for local education. **The State Legislature decides what the minimum Methuen School Operating Budget will be and the Methuen City Council is obligated to provide the local share of that Operating Budget.** When the Methuen School Committee has that final revenue figure, it can approve the following school year's operating budget.

History of Chapter 70 Aid – The Principal Revenue Source for Methuen Public Schools

In the early 1990's, the State of Massachusetts put into motion a grand effort to ensure that all students in the State be provided an adequate education. At the time, some communities were spending \$5,000 to \$7,500 per student while other communities

were spending \$2,500 to \$5,000. Clearly, students from wealthier communities were being provided a greater opportunity to succeed academically than others. The State Legislature committed to provide each student with a “level playing field”.

On June 18, 1993, the Massachusetts Education Reform Act was signed into law. **This historic legislation created the framework for unprecedented improvements in student learning, teacher professionalism, school management, and equity of funding.** Equity of funding translated into hundreds of millions of dollars in Chapter 70 Aid to municipalities so that each student could receive an adequate education. This Aid was used as an incentive for communities to spend more on local education. If communities spent more, they would receive their full allocation of State Aid. Inherent in the State’s commitment to dramatically increase educational Aid was the expectation that schools would provide evidence that the money was being well spent. That “evidence” is often referred to as “Outcomes Based Education” (see Wikipedia citation) in the form of MCAS testing.

In Methuen’s case, Chapter 70 Aid provided a relative windfall of revenue from FY95 through FY08. In Fy95, 40% of the Methuen School Budget was funded with Chapter 70 Aid and 60% was funded with City revenue. By Fy08, Chapter 70 Aid was providing 56% of the Methuen School Budget with 44% coming from local sources. Why the huge shift? Since Chapter 70 Aid is based heavily on a municipality’s relative ability to pay, the fact that Methuen’s two main “wealth factors” – average household income and equalized property valuation – did not keep pace with the rest of the state, Methuen has come to rely more and more on State Aid to fund the School Budget.

Between FY95 and FY08, Methuen’s School Budget increased an average of 11% per year. During that thirteen year period, the increase in Local Funds averaged 6% while the increase in Chapter 70 State Aid increased by 18% PER YEAR. The Methuen School Budget was increasing annually by double digits, with State Aid being the major driving force. Through FY08, we had a great run. Evidence of that financial windfall has been the increase in salaries of most employee groups, the dramatic increase in average teacher salaries (from \$47,173 in FY04 to \$64,848 in FY09; see attached document from the Massachusetts Department of Elementary and Secondary Education), as well as educational programming that has been added over the years.

Times Have Changed

Starting in FY09, State Aid to Education has been impacted by the economic downturn. Since FY09, the double digit annual increases in Chapter 70 Aid have vanished. Using the State Senate’s anticipated funding levels in FY11, the average annual increase in Chapter 70 Aid to Methuen will be 2% from FY09 to FY11. **Transitioning from an 11% annual increase in your major revenue source to a 2% annual increase is a daunting task.** While School Principals, Directors, the Superintendent, administrators and supervisors, and the Business Office staff have been doing all they can to control costs (examples include a budget and hiring freeze for most of this school year, focused efforts to reduce energy consumption, and negotiated reductions in big-

ticket cost items such as transportation), **the major cost driver in any educational budget is and always will be salary increases.**

As outlined in the FY11 Maintenance of Staff and Services Presentation (MOSS), salaries make up \$48,104,650 of the \$59,393,747 Operating Net School Spending Budget. Therefore, **approximately 81% of the School Budget consists of salaries.** As broken down in the FY11 MOSS presentation, existing bargaining unit contracts require increases totaling \$2,317,278. Of this total, approximately \$2.2 million is needed to fund the FY11 contract for Instructional Staff, and \$26,000 to fund the FY11 contract for Nurses. All other salary increases reflect Step Increases for employees in other bargaining units.

Sharing in the Sacrifice

The \$2.2 million in salary increases for Instructional Staff represent an average increase of approximately 6.3% for each teacher. Each 1% increase in salaries for Instructional Staff represents \$350,000. All employee groups have been encouraged to share in the sacrifices necessary to maintain staff and programs. Many employees are looking at two years without a salary increase - depending on results of on-going mediation and arbitration. Yet, **if Instructional Staff were to “give back” 2% of their average salary increase and accept an average increase of 4.3% rather than 6.3%, their action would make available \$700,000 to maintain critical services such as:**

- \$700,000 equals the cost of 6 Secretaries/Bookkeepers, 8 Service Aides, 6 Parent Liaisons, and 2 Network Operators; or
- \$700,000 equals the cost of 6 Custodians and 16 Program Assistants
- \$700,000 equals the cost of 13 teachers

(Note: these examples are for illustrative purposes only and include benefit costs)

Any consideration by Instructional Staff to accept less than \$2.2 million in salary increases for FY11, would be a welcome acknowledgment of the sacrifices made by other school employees who, due to the limits of available revenue and timing of their contracts, are being asked to bear most of the sacrifice needed to maintain staff and services. In the same light, any consideration by Nursing Staff to accept less than their contracted 5.9% increase would acknowledge the sacrifices being asked of other school employees.

*** Maintenance of Staffing and Services Budget can be viewed on the Methuen Public Schools website.**