

School Budgets

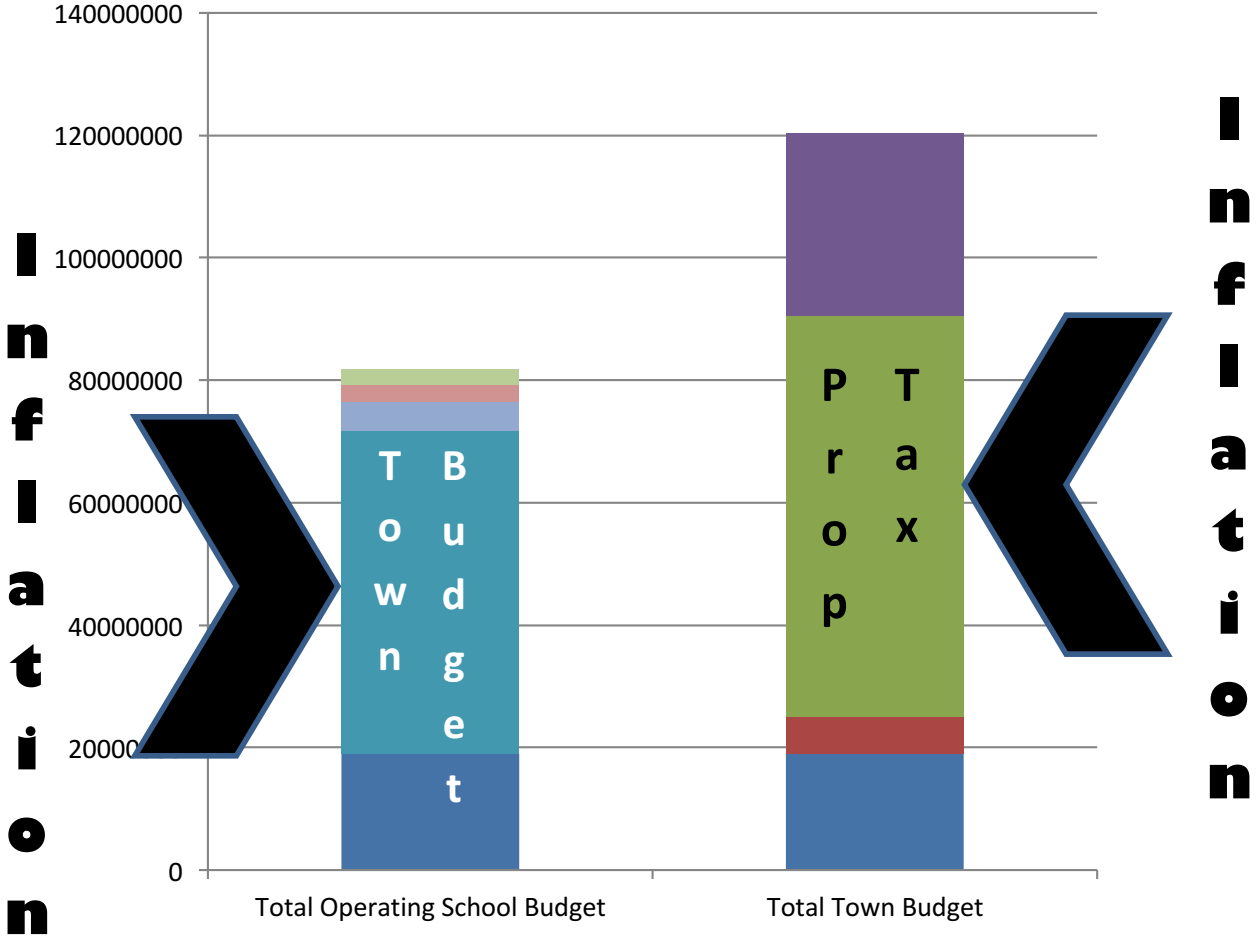
Complicated, confusing, predictable

Part 2 Costs

Dale Magee

Part 1: Revenues

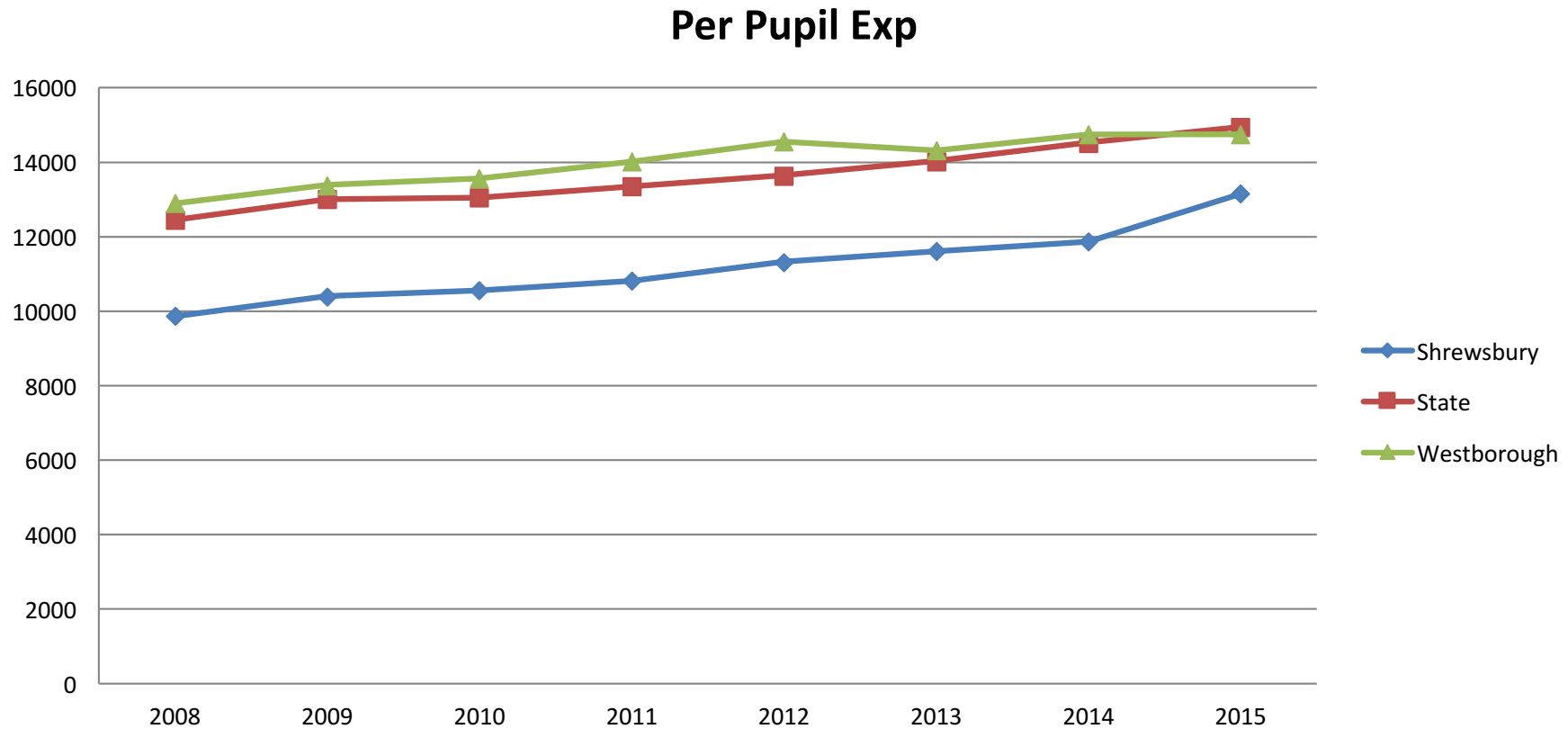
\$ available for cost increases are not just held to 2 ½% they are held to 2 ½% of a fraction of the total & this fraction must bear the full inflationary pressure



Expense side issues:

- Once a budget is established, **volatility & inflation** are 2 things that destabilize future budgets
- **Outside expenses** can **crowd out** funds for schools
- We will look at:
 - Perspectives on **inflation**
 - Overview of **teacher costs**
 - Overview of **SPED costs**
 - **Health insurance costs**

Inflation: Education by ~3-4%/yr in well managed districts and in the state as a whole



Shrewsbury avg annual increase 2008-15= 4.8% for 2008-2014: 3.4%

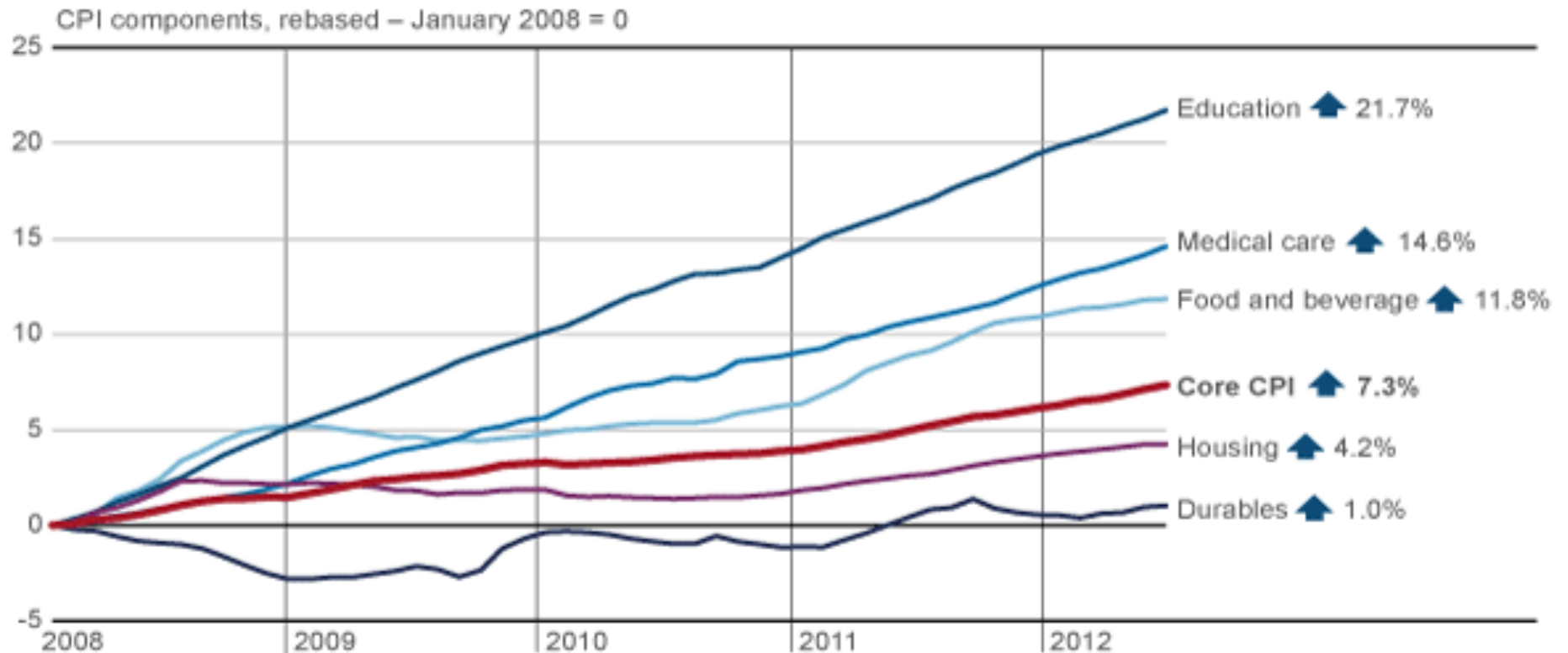
Massachusetts avg annual increase 2008-15= 2.8%

Source: DESE Per Pupil Expense reports

CPI is made up of 9 different areas, each with unique inflation pattern

U.S. inflation

Core CPI (which excludes food and energy) rose 0.2 percent in May. Since the onset of the recession, education, medical care and food/beverage costs have risen faster than core CPI. The price of housing and durable goods, however, have lagged core CPI.



Labor Intensive Fields have higher increases in the cost of labor (Baumol effect)



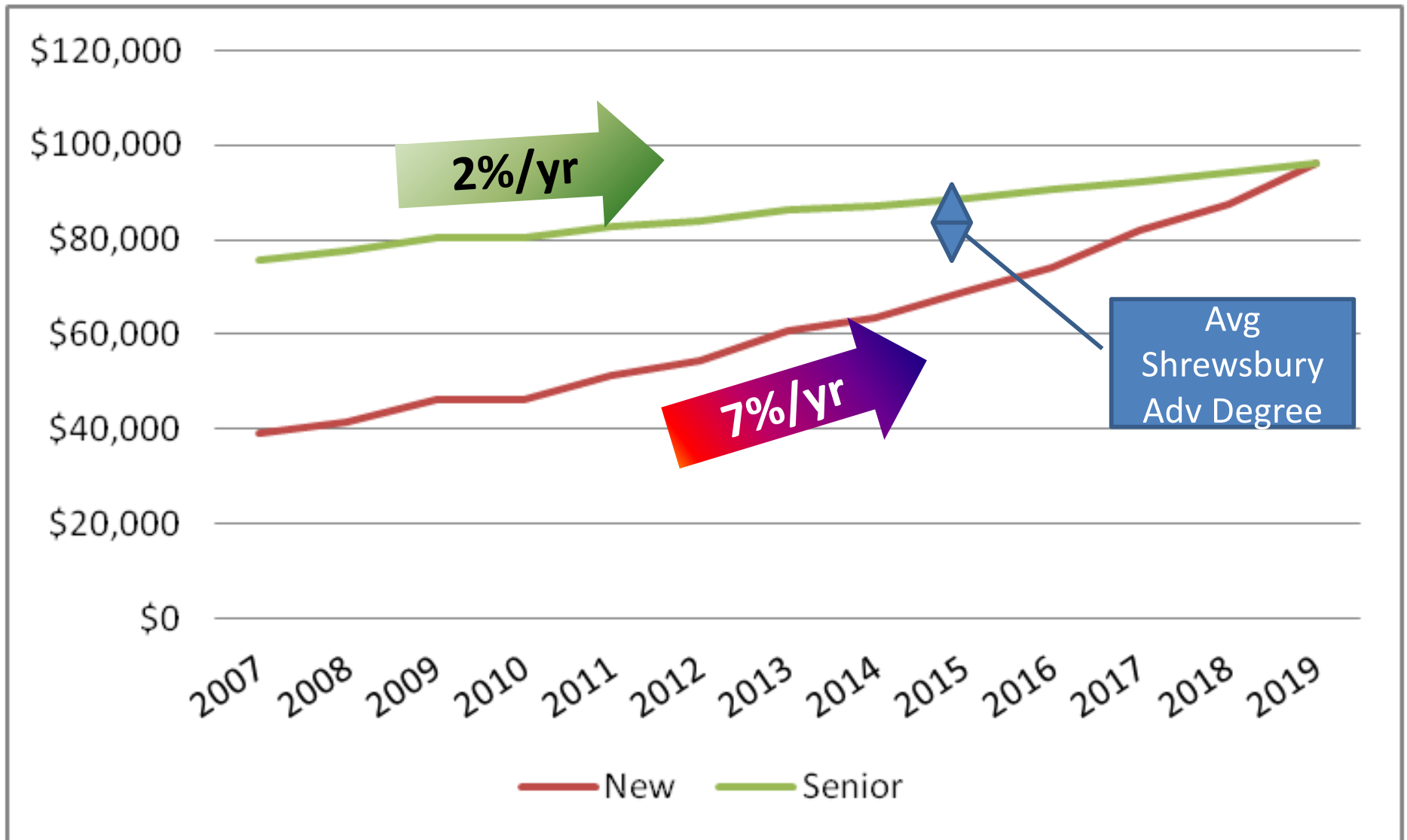
Even School Budgets contain several different inflation rates

- **Teaching:** 2 factors that push it up
- **Special Education:** especially out of district & high needs students
- **Health Insurance:** virtually always a few points above inflation

Teachers

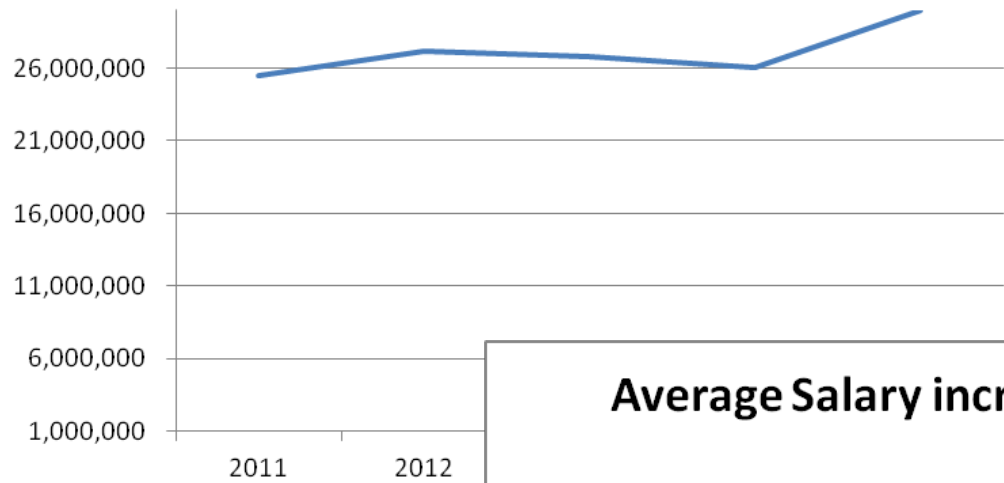
- Make up **45% of Operating Budget**
- **Total Cost** affected by
 - **Salary**
 - **Number of teachers**
- **Salary:**
 - **13 steps:** start at ~\$46K and peak at ~\$78K with bachelors degree (expected to get Masters)
 - **7 Tracks** based on **education:** ~\$5K for Master, ~13K for 60 credits beyond Masters
 - **Cost of Living:** generally ~2%/yr. Over the long run, tracks Social Security fairly closely

While senior teacher salaries go up by 2%/yr, junior teacher salaries start at 50% lower but go up by ~7%/yr

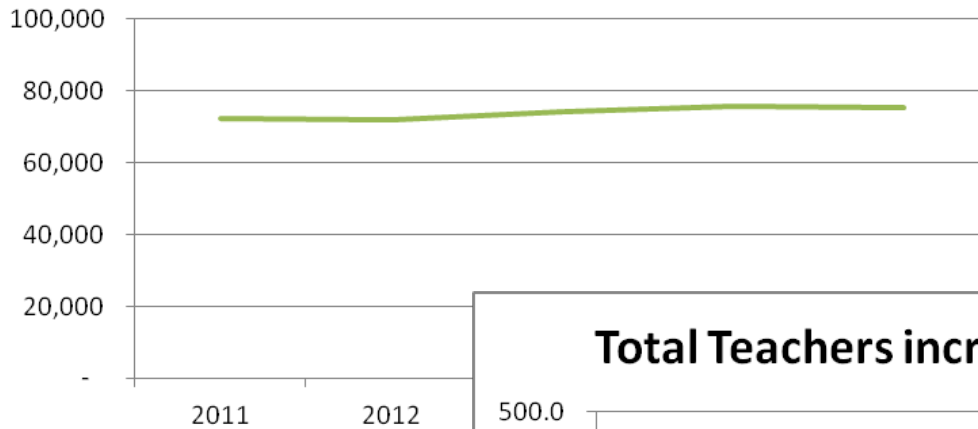


Because of changes in the mix of new & experienced teachers, most new money went to hiring more teachers in the past 5 years

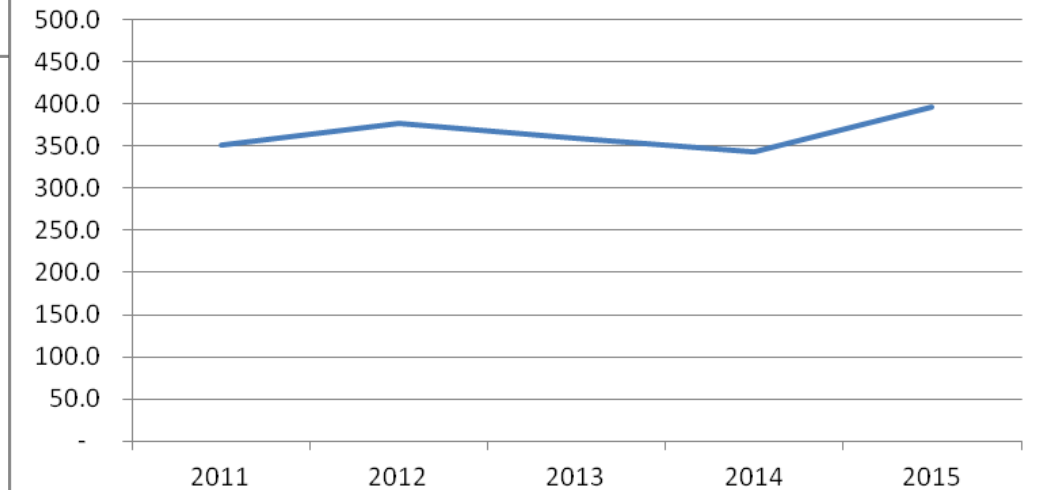
Total Salaries increased 17% in 5 yrs



Average Salary increased 4% in 5 yrs



Total Teachers increased 13% in 5 yrs

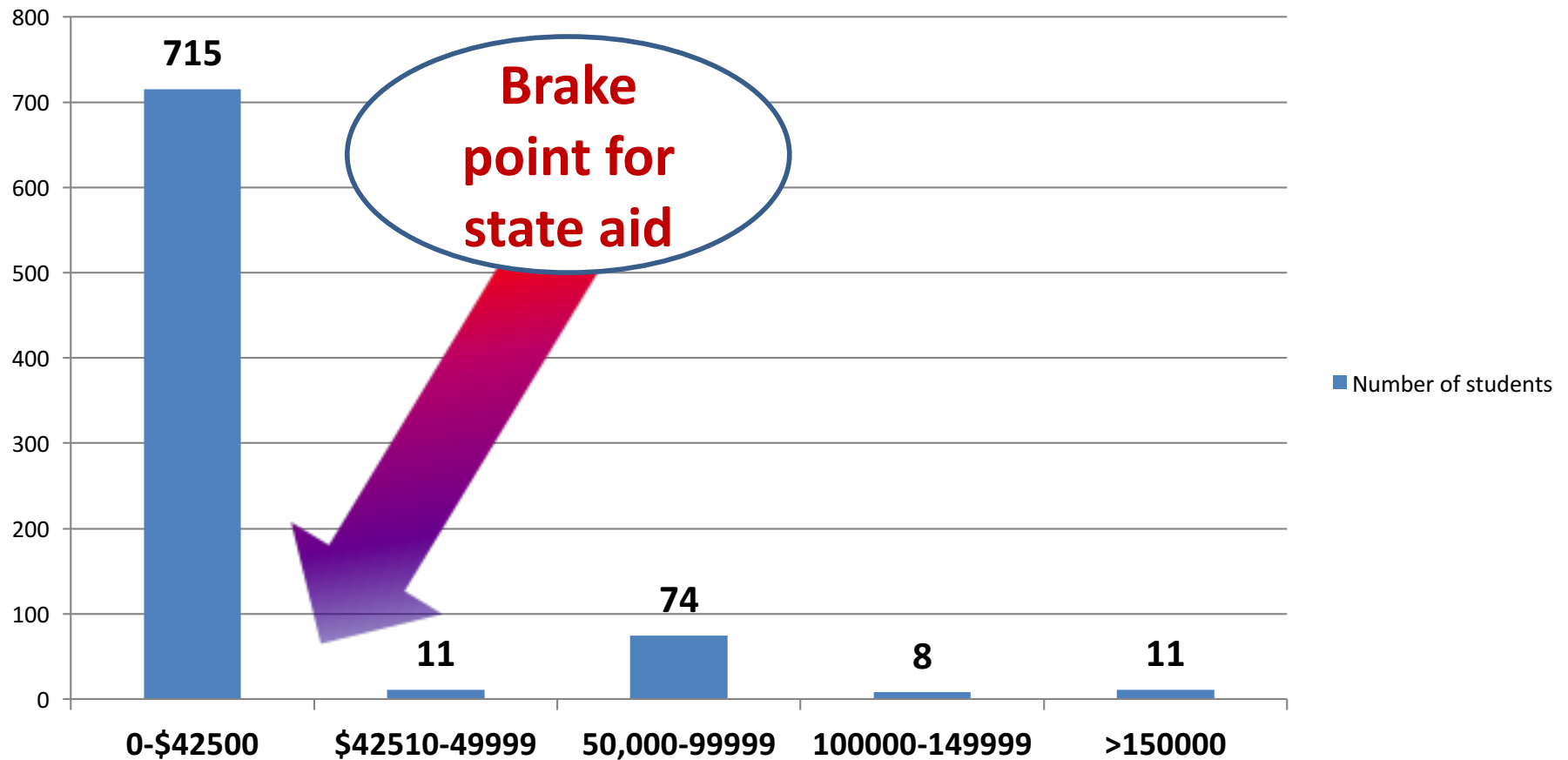


The Special Case of Special Education

- **Large scope:** from minor learning disability to out of district residential care
- **Long time span:** High need students enter system at age 3 and remain under district care until age 22, if required
- Both **Inflation** and **Volatility** are issues
- At ~**14%** we have a **lower percentage** than state average in SPED

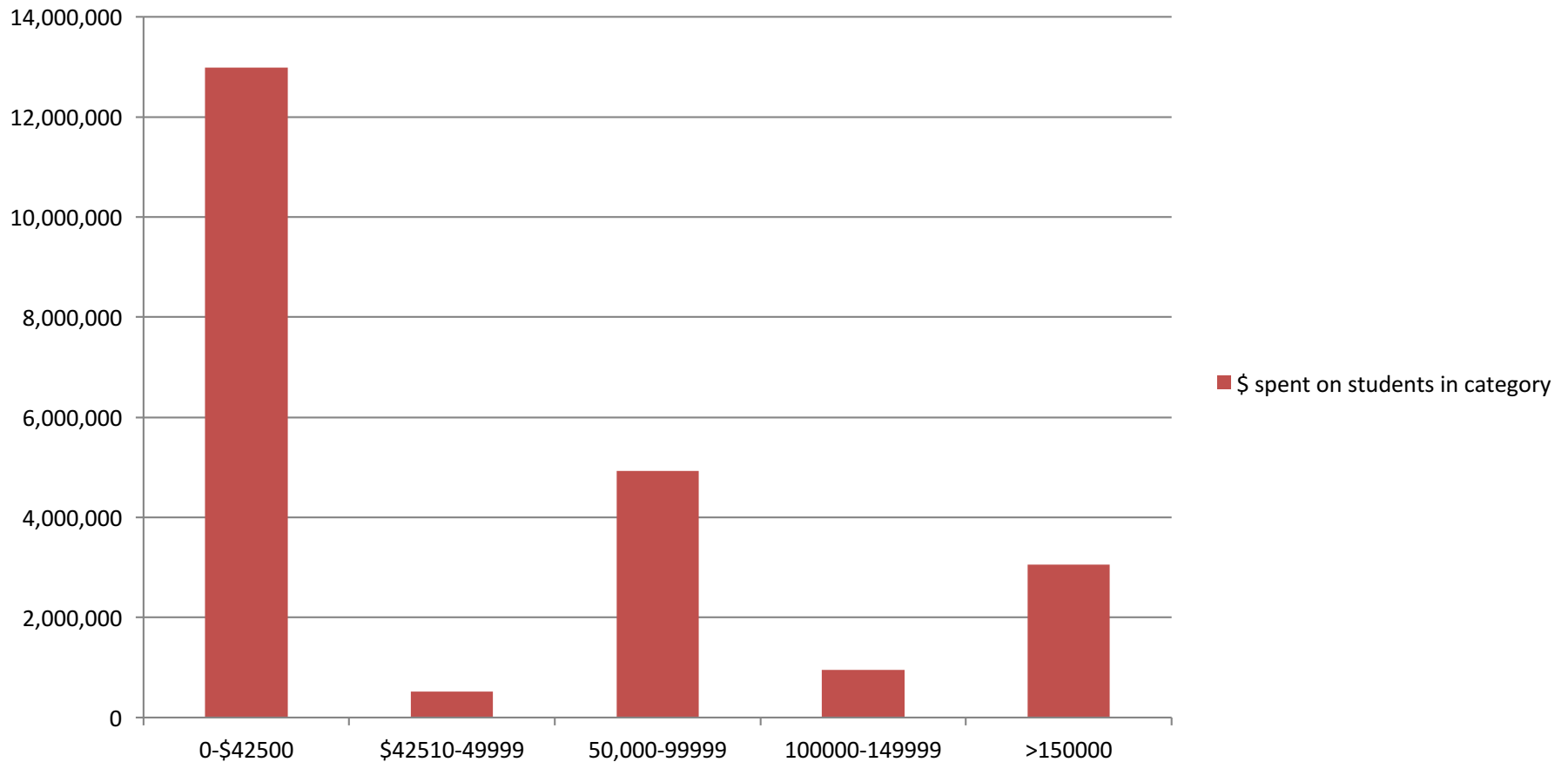
819 Special Ed students: most are lowest cost category

Number of students in SPED cost categories



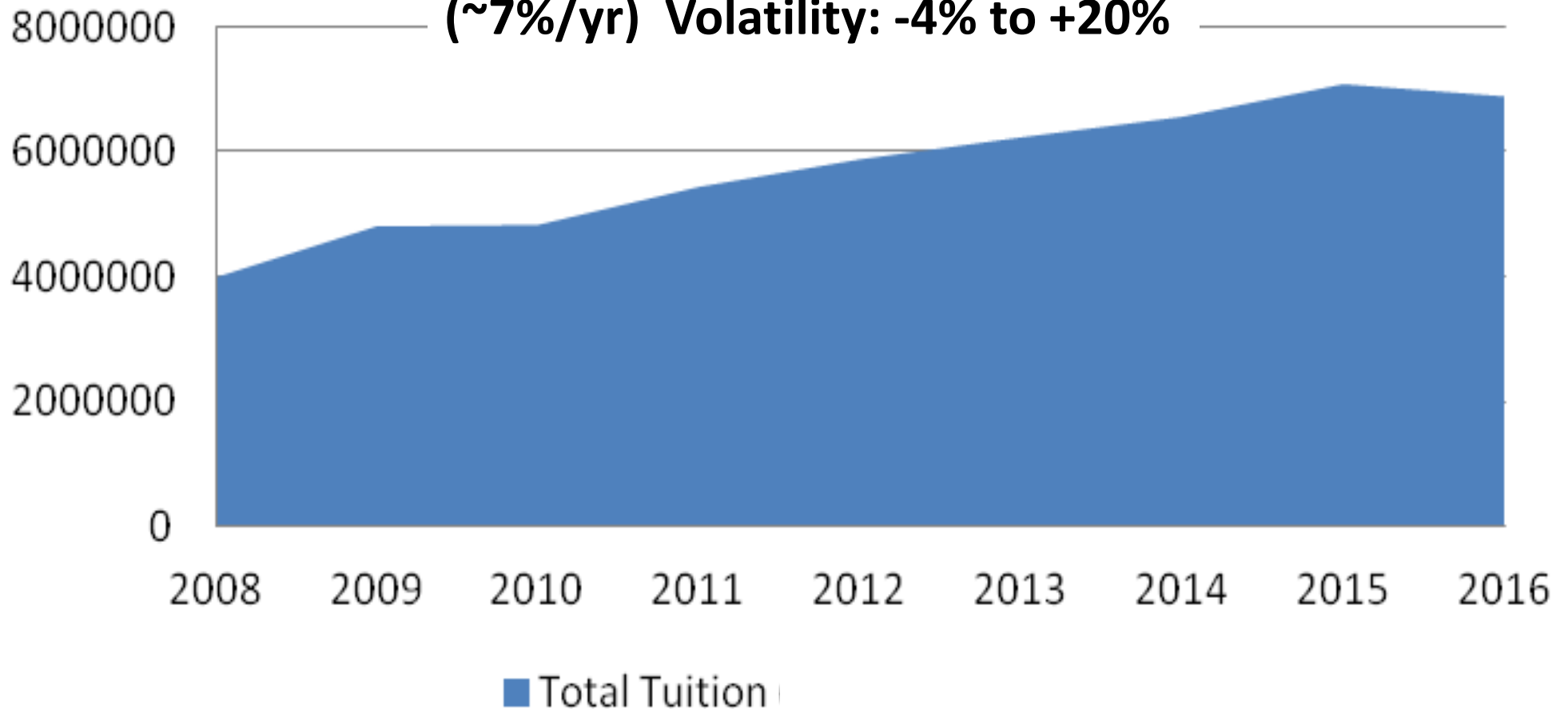
Because there are fewer high cost SPED students. Most \$ spent on the low cost students

\$ spent on students in category



Out of District SPED tuition increased by 73% in 8 yrs

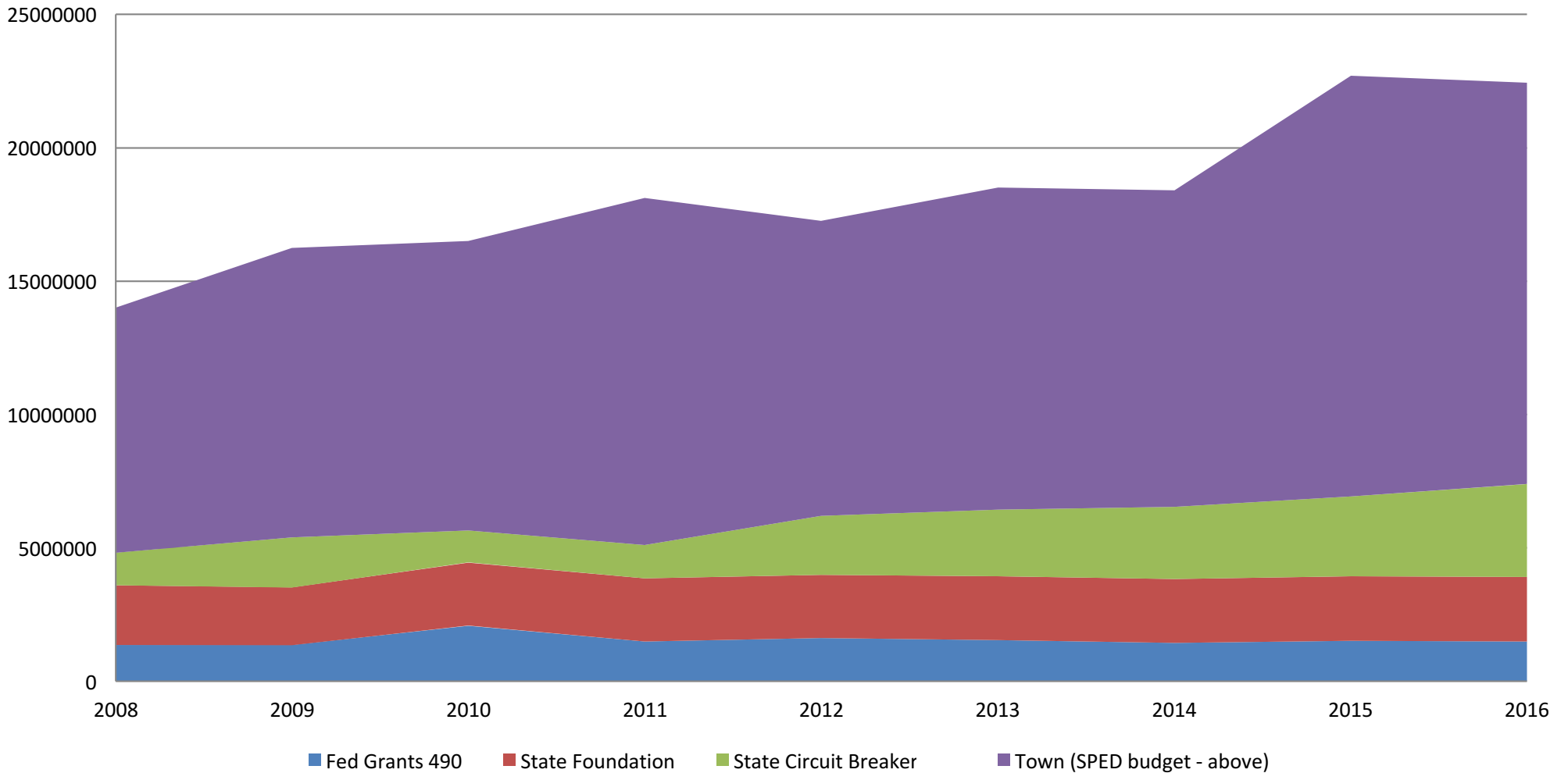
(~7%/yr) Volatility: -4% to +20%



Source: End of Year Reports, Total Tuition out of district

Special Ed has multiple sources of revenue- but town bears the volatility

SPED by \$ Source



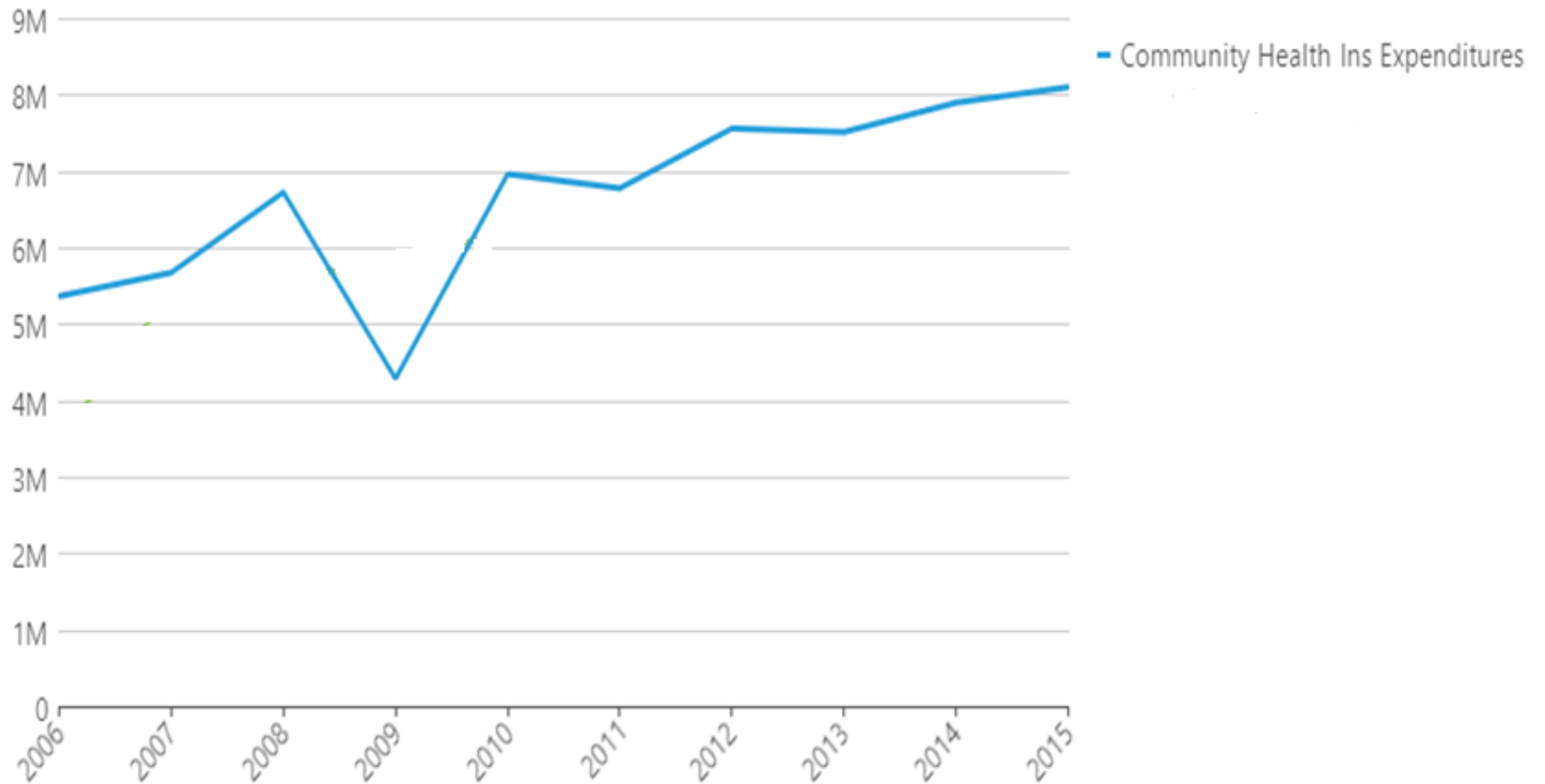
Special Education

- **Aid from Federal government is flat**
- State aid from “**Circuit Breaker**” buffers but **does not protect from inflation**
- Most of the **volatility & inflation is born by the town**

Why is Health Care cost important if it is not part of the Town Appropriated School Budget?

- **Locally:** increases leave less for the town to pay for the school budget
- **Statewide:** more of the pie goes to health care and less of the pie goes to education
- **Taxpayers:** lower raises, higher payroll deductions, higher co pays & deductibles leave less for everything else
 - (employer contributions can exceed \$6/hr)

Locally: Shrewsbury Health Ins Exp ~5%/yr (and are about to go up by >10%)

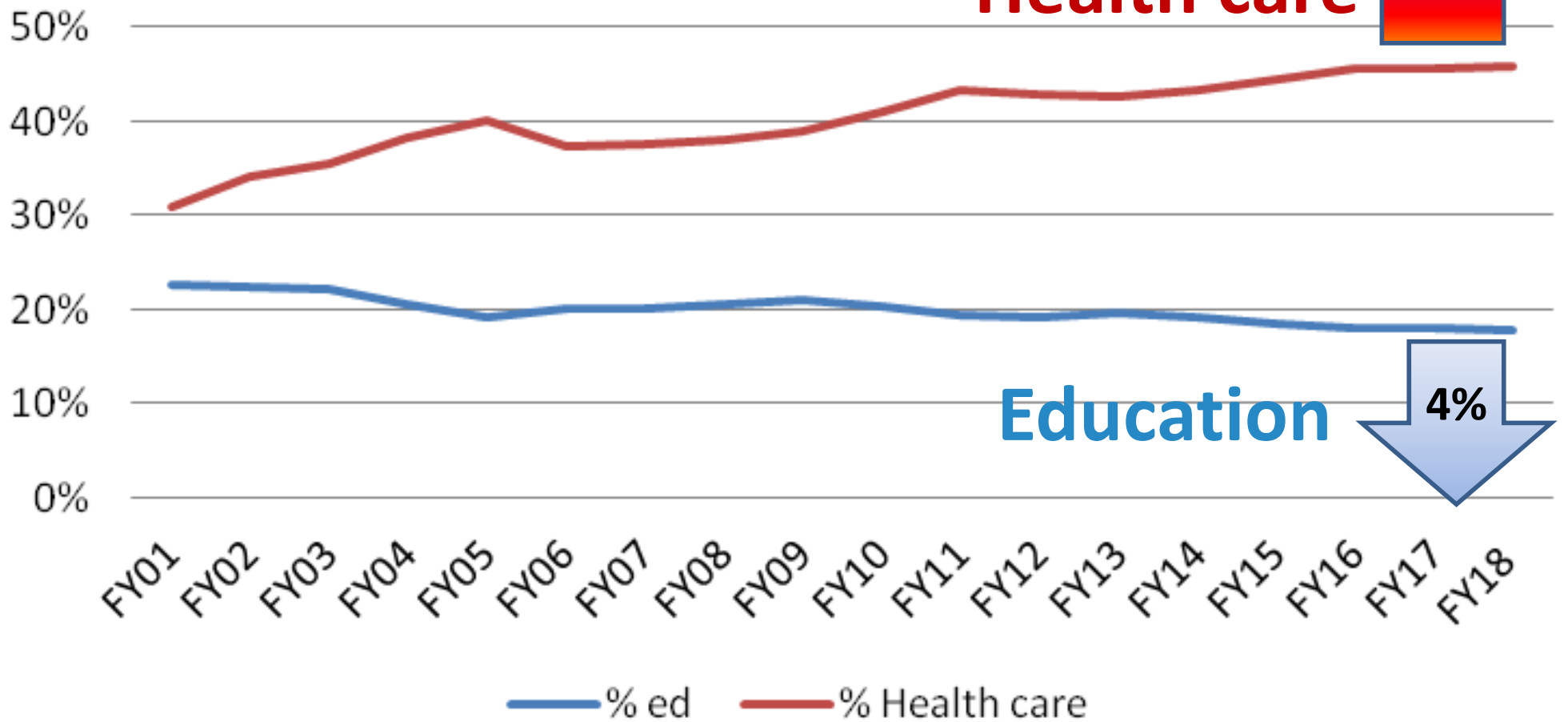


Source: Mass DOR Municipal Databank

<https://dls.gateway.dor.state.ma.us/reports/rdPage.aspx?rdReport=ScheduleA.HealthInsurance.HealthInsExpenditures&ctHealthExp-PageNr=7&rdDataCache=3302376082&rdShowModes=&rdSort=&rdNewPageNr=True1&rdRequestForwarding=Form>

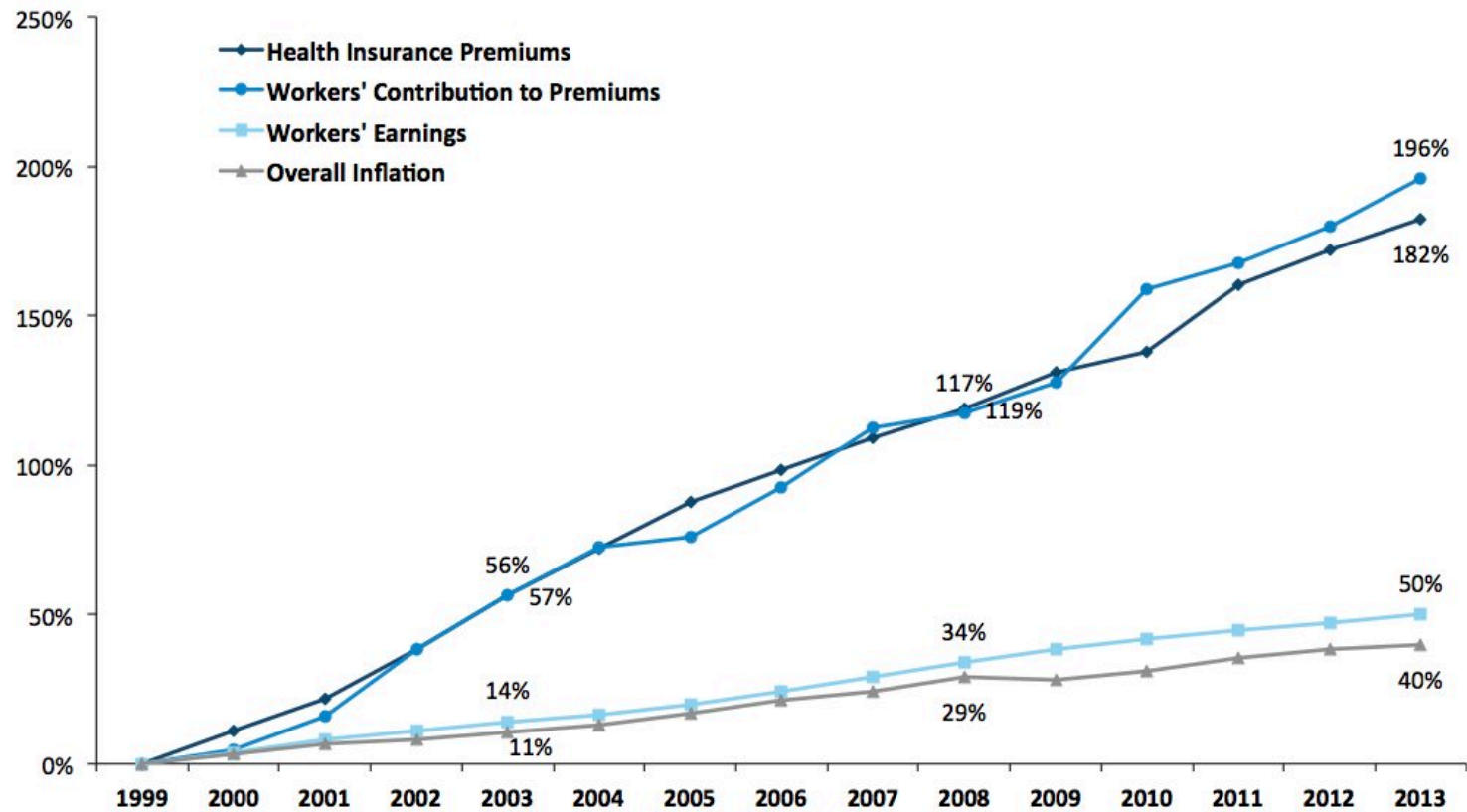
Percent of State Budget going to Health Care & Education

For FY18 State increases for Health Care were 10X more than Education



As paychecks increased by 50%, workers contributions to premiums increased by ~200%

Cumulative Increases in Health Insurance Premiums, Workers' Contributions to Premiums, Inflation, and Workers' Earnings, 1999-2013

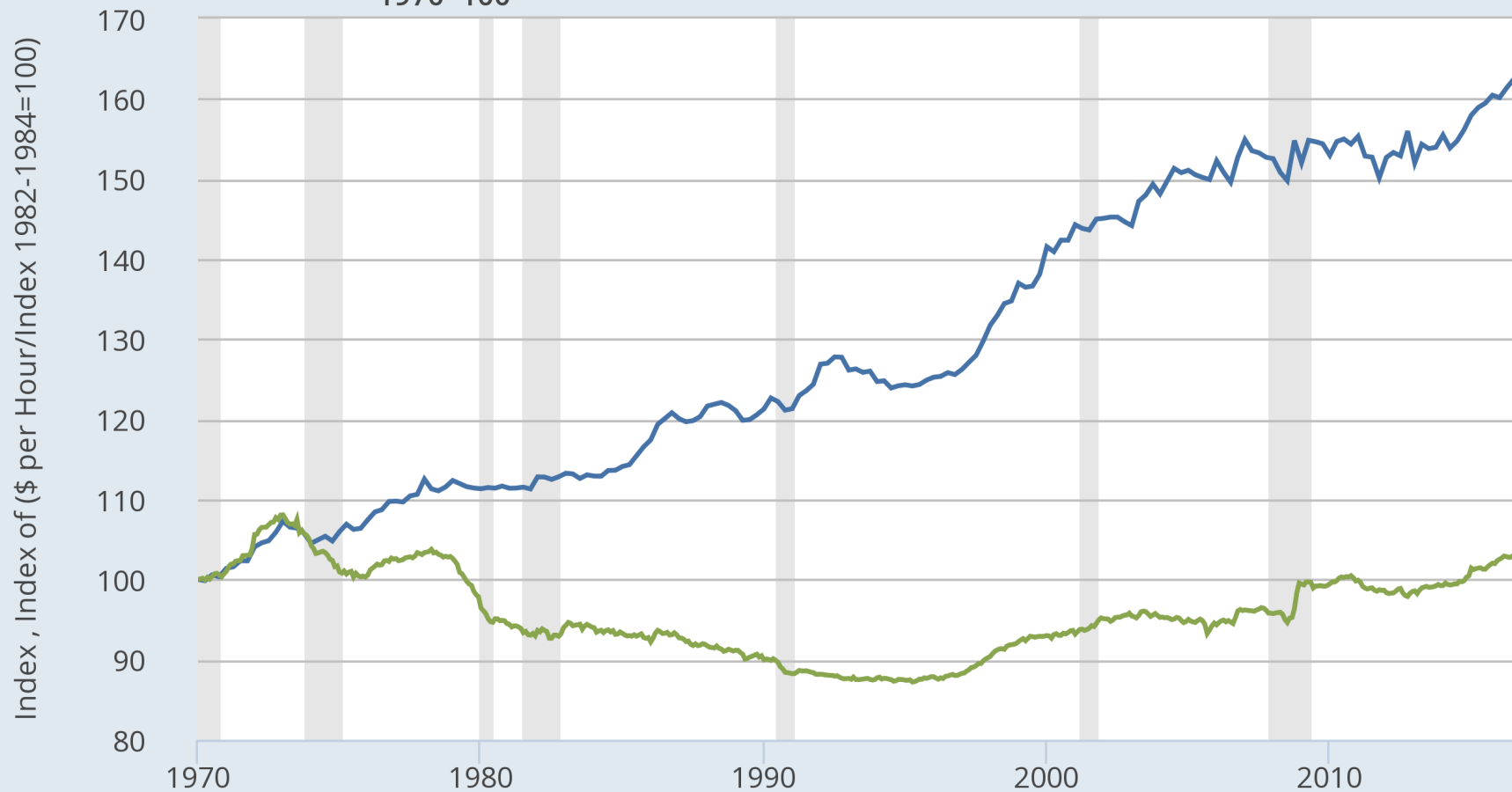


SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2013. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2013; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2013 (April to April).

One driver of income stagnation has been benefit growth, primarily Health Ins.

FRED 

- Business Sector: Real Compensation Per Hour, Q1 1970=100
- (Average Hourly Earnings of Production and Nonsupervisory Employees: Total Private/Consumer Price Index for All Urban Consumers: All Items), Jan 1970=100



What are the pressures in the future?

- **Maintaining Class Size** puts us in a **higher inflation** category than the CPI.
- **SPED is a high inflation service.**
 - Regulations and state control of out of district tuitions leave little wiggle room.
- Although **health insurance** is not part of the Town Appropriated School Budget, it **crowds out funds** available for other school costs
- Each of these items, by their nature will go up more than 2 ½%, more than the CPI and more than education as a whole