

Remarks on the School Department Fiscal Year 2012 Budget
John R. Samia, Chairperson, Shrewsbury School Committee

May 16, 2011

Good evening Town Meeting Members. My name is John Samia, and I am the chairperson of the Shrewsbury School Committee. On behalf of my colleagues, Sandy Fryc, Dr. Dale Magee, Steve Levine and Erin Canzano, I am pleased to be here tonight to present and discuss with you the school budget for fiscal year 2012 and other important information relating to the school department. I have a lot of information to share with you this evening, so thank you in advance for your attention and patience this evening.

As has been the case over the past several years, the school department and the municipal departments remain challenged by dire economic circumstances. My goal this evening is to provide you with our budget recommendation, as well as information concerning the budget process, the teachers' and superintendent's contracts, school choice, district accomplishments and progress, and finally, some new initiatives intended to help us tackle the continuing economic challenges that Shrewsbury faces. Our hope is that this presentation will provide clarity about the school department's daily mission of educating almost 6,000 students.

The school committee comes before you tonight to request an appropriated budget of \$47,139,676.00, which represents a level-funded appropriation, or a 0% increase from our fiscal 2011 budget approved at town meeting last year. The school committee and the administration recognize the fiscal constraints we are under as a community, and we believe this budget is in line with the economic times.

This budget request has been carefully developed over the past several months around the following priorities:

- 1) Maintaining current personnel and programming;
- 2) Responding to ongoing mandates;
- 3) Making strategic investments to mitigate long term cost drivers; and
- 4) Preventing further erosion of resources, especially textbooks, curriculum materials, and technology.

The level of resources represented by this budget will be sufficient to allow us to maintain our current personnel and program and respond to ongoing mandates, as well as allow us to a lesser extent be able to make some modest strategic investments and to prevent further erosion of resources. There are no layoffs in this budget plan.

Our budget has evolved rapidly over the past 3 months. In February, the school department identified a budget gap of \$1.8 million for fiscal year 2012. An initial recommendation from the Town Manager was \$743,325 less than our fiscal year 2011 budget, which meant a gap of \$2,581,772, or 5.48%.

From there, the central administration team worked diligently and effectively to lower costs by identifying alternative funding sources, shifting current year expenses and revising projected fiscal year 2012 expenses. In March, the administration presented an initial recommended budget of \$48,545,211, which was approximately \$1.4M (2.98%) above our fiscal year 2011 budget. However, based on discussions with Mr. Morgado and the finance committee, as well as fiscal realities, it became evident that the town's resources would not be able to support this initial recommendation.

From there, the central administration sharpened their pencils even further and analyzed all possible funding sources and expense line items. In late April, these additional cost mitigations, along with favorable developments in state funding for special education, resulted in the recommendation to bring our request to the level-funded budget that we are requesting today. I would like to share with you some highlights of the alternative funding sources, innovation and overall exceptional financial management that occurred to bring us from February to where we are today:

Alternative funding sources

- The district is utilizing stimulus funds of approximately \$1.3M. These funds could have been utilized in the current year, but the School Department prudently held them in reserve to mitigate costs in fiscal year 12.
- The state is expected to reimburse Circuit Breaker next year at 65% of eligible costs, which is about twice as high than what was budgeted for last year. This, combined with an increase in our eligible costs for reimbursement, will result in \$2,047,500 of FY12 Circuit Breaker reimbursement, essentially double the reimbursement compared to the current year.

Innovation

The district continues to think outside the box and find innovative cost-effective solutions such as:

- A new joint program with Assabet Valley Collaborative for a special education transition program will save approximately \$50,000 next year. The financial benefit over eight years is expected to be an approximately \$600,000 return on the district's investment of using federal stimulus funds to renovate unused space at SHS.
- Stimulus funds have been used this year to start an advanced math program at Sherwood Middle School. Not only is the program generating excellent educational results, but also there is evidence that families who otherwise would have sent their child to the Advanced Math and Science Academy charter school are keeping their child in our middle school program, which benefits the town financially. The FY12 budget request includes 1 FTE so

that we can continue this program at the Oak Middle School.

Exceptional Financial Management

- There are countless examples of exceptional financial management, such as
 - a conservative approach to the administration of the current year's budget, where dollars saved this year in various line items will be carried forward to next year's budget by using fewer funds from the Circuit Breaker special education funding account in the current year.
 - Additionally, favorable circumstances resulting in lower than expected special education and vocational tuition costs this year together are resulting in further savings that may be applied in this manner. In all, we will apply \$1,145,000 of Circuit Breaker reserves to fiscal year 12.
 - Further, the district is leveraging grants and tuition/fee accounts for eligible costs wherever possible for the current year, again allowing us to carry forward eligible funds to next year.
- Strong management of the special education out-of-district tuition program, combined with favorable developments in this category, will result in the district having about \$230,000 less in out-of-district special education tuition charges next year.
- Wherever possible, we are shifting eligible FY12 costs to grants and tuition/fee accounts. This includes full day kindergarten and preschool tuition, transportation fees, athletic fees, etc., as well as \$95,000 of school choice tuition generated this year to offset costs at the high school that would have been in the appropriated budget.

Approximately 80% of our budget request is attributable to personnel costs so I feel that it is important to summarize the terms of our current teachers' contract. This is within the context that our district's overall per pupil spending, based on fiscal year 2010 data, is \$2,500, or 19%, less per student than the state average. If our district's per pupil spending were at the state average, it would represent an additional \$14.7 million dollars in the town budget.

Teachers' and Superintendent's Contracts

Teachers' Contract

In May 2010, the school committee and the Shrewsbury Education Association entered into a new 3-year contract.

In the current fiscal year, this contract called for:

- for the second year in a row, a 0% cost of living increase for teachers who received contractual step increases (60% of staff);
- those same teachers due to receive contractual step increases based on experience received only half of the net value of the step increase, as the step increase was deferred until halfway through the year (again, for the second year in a row); and
- Maximum step was increased by \$500; teachers on maximum step also receive a one-time payment of \$386 that was not added to their base salary going forward.

In fiscal year 2012, the 2nd year of this contract, the budget includes a 1% cost of living increase for all teachers and full contractual experience step increases for those eligible. Because some of the current year's compensation for those already at the maximum step was "one time" money, the net average cost of living increase for the 40% of teachers at top step will be half of one percent (0.5%). The total budgetary value of the salary increase is approximately \$1.45M.

And in Year 3 calls for:

- a net 2.75% cost of living increase for all teachers;
- Full contractual step increases for those eligible;
- Based on the same staffing as the current year, the impact of this contract will be approximately \$1.50M.

On a comparative basis, based on average teachers' salary, our teachers are paid on the lower-end of the Assabet Collaborative districts, our main competitors, and below the state average (see page 36 of our handout). This contract is prudent, reasonable and cost competitive.

To put this into context, an average family of 4 can spend several hundred dollars to go to Fenway to watch a Red Sox game in which the average ballplayer's salary is well over \$2,000,000 per year and not think twice. If your favorite player strikes out, no problem, he gets up again. In education, there is no do over. Each child gets one chance at education, and in Shrewsbury, we have teachers delivering extraordinary results for our children again and again at a competitive, fair and reasonable cost.

Finally, it should also be noted that the previous one-year agreement that we had with the SEA in fiscal year 2010 included a 0% cost of living increase and only half the value of the salary step increases, which were deferred until midway through the year. That contract saved the district \$740,000, and restored 11 jobs that year. In addition, along with the other town employee unions, a few years ago the teachers agreed to join the rate saver health insurance plan, which saved the town substantial funds. As a result, when compared to other school districts in the Commonwealth as of fiscal year 2010, the costs for health insurance of active and retired School Department employees are among the lowest in Central Massachusetts on a per pupil basis, and are \$717 less than the state average on a per pupil basis, which translates into over \$4 million less that

Shrewsbury pays for the employer's share of health insurance compared to what it would pay if it were at the state average.

Superintendent's Contract

The school committee initially entered into a 3-year contract with Dr. Sawyer upon his appointment as Superintendent of Schools, which started on July 1, 2009. His initial salary was \$158,500. Dr. Sawyer did not receive any increase to his salary during this past year, but instead will receive a deferred 2% increase that will take effect on July 1 of 2011, making his salary for the coming year \$161,670. The net effect is that Dr. Sawyer's salary will have increased by 1% over two years.

On May 10, 2011, the school committee and Dr. Sawyer entered into a new 5-year contract which will run from July 1, 2011 until June 30, 2016. The reasons are twofold: First, Dr. Sawyer has delivered outstanding results during his first 2 years as superintendent and is someone who we want to retain to lead our schools for the long term. Second, by agreeing to a long-term extension at this time, the school committee is communicating that there will be stability in our district's top leadership position in the coming years, and it secures the services of Dr. Sawyer so that he does not feel compelled to consider other opportunities as he might have if he were faced with an expiring contract next year.

School Choice

Under the provisions of the 1993 Education Reform law, a school district automatically becomes part of the school choice program unless its school committee takes a formal vote not to participate by June 1 prior to that school year. Until the current school year, Shrewsbury had never participated in school choice. In April 2010, the Shrewsbury School Committee voted to open 20 seats in the ninth grade under the school choice program. Shrewsbury receives \$5,000 per school choice student. By late fall, all 20 seats were filled, and the \$95,000 of prorated tuition that Shrewsbury will receive for this year will be used for eligible costs at Shrewsbury High School next year.

By all accounts, Shrewsbury's first year of participation in school choice has been very successful. School choice enrollments did not have a significant impact on the 2010-11 master schedule or class size, nor an adverse impact on the school's environment. Many school choice students participate in clubs, activities and athletics, and have shown generally strong academic performance. However, while our initial experience with school choice has been successful, Shrewsbury will not be participating in school choice for fiscal 2012. To clarify, the 20 students who entered as freshmen this year will remain in Shrewsbury, but in fiscal year 2012, no additional seats will be opened to school choice due to the projected class size of the incoming freshman class as well as longer-term concerns that additional opened seats could require additional sections for advanced placement and other popular courses.

While the school committee has elected not to participate in school choice during fiscal

2012, it will consider participation in school choice on a year-to-year basis and may elect to participate again in the future if conditions are favorable.

Accomplishments and Progress

I would now like to highlight for you some of the accomplishments and progress of our district over the past year. Shrewsbury Public Schools has enjoyed another very successful year in academics, music and drama, the visual arts, and athletics. Highlights include:

- Shrewsbury had more Governor's Commendation Schools (four) for achievement and improvement on the state MCAS exams than any other district in Central Massachusetts, and as a district placed among the top 10% in the state on several of the exams (as high as the top 1% on a single exam and in the top 13% in the aggregate).
- A national study done by the Center for American Progress places the Shrewsbury Public Schools in the top 2.8% of over 9,000 K-12 districts in the United States for "return on investment" when comparing cost to performance.
- Shrewsbury was one of only 388 districts in the nation to be named to the College Board's Honor Roll for simultaneously increasing student access to and improving student achievement in Advanced Placement courses.
- Shrewsbury students continue to earn many awards and championships in academics, music and drama, the visual arts, and athletics.

We are reaping awards from your investment in children, and while the fiscal 2012 budget is one of maintenance, our schools and students continue to thrive and excel, and that is something for which you should be very proud.

I want to emphasize that when developing this budget, the school department has sought to balance cost and benefit while trying to preserve the value that strong schools provide to Shrewsbury. Fortunately, and especially given the dire economic circumstances, this year is a good news story because the budget will not significantly compromise the high quality education that we enjoy and a program that benefits our entire community in a variety of ways, such as by keeping Shrewsbury real property values high. In 2010, Shrewsbury had the fifth highest increase in home sale value in Massachusetts (17.6%), and no doubt that the quality of our schools is a significant factor in the real estate market.

Upcoming Challenges and Action Plan

We believe that fiscal 2013 will be even more challenging than fiscal 2012 and have already identified the following challenges and will start addressing these challenges immediately after town meeting:

- In fiscal 2013, federal stimulus and job preservation funding will no longer be available. This, combined with contractual wage pressure, creates an initial gap

of approximately \$2.8 million.

- Unfortunately, in order to meet the level funded target, the investment needed in textbooks, curriculum materials was reduced by \$75,000 from the original recommendation and the investment in technology was reduced by \$250,000 from that recommendation. While the district will have increases in those categories compared to the past two years, we will continue to be behind the curve in these crucial areas as well as technology, all of which will need to be addressed in order to provide adequate instructional tools.
- The district must continue to strengthen its middle school program in order to minimize the loss of students to charter schools.
- Special education costs continue to escalate in general and in many cases are unpredictable due to the increased complexity and intensity of student disabilities.
- Continued pressures from mandates for academic performance to meet benchmarks (such as the No Child Left Behind law's expectation that ALL students will be proficient academically by 2014), new curriculum adopted by the state, new regulations for teacher and administrator evaluation, anti-bullying law, concussion awareness law, and more.

Finally, I wanted to share some new initiatives that are planned to be undertaken by the school department and school committee over the coming year to address these challenges.

- One such initiative that administration will be undertaking is to begin a strategic planning process in the coming months in order to identify key areas of focus and determine how to best preserve the outstanding value the district provides to the community.
- Another such initiative will be for the school committee to reach out to and collaborate with adjacent communities' elected boards in an effort to collectively push the state house to develop a workable set of mandates that either are fully funded by the Commonwealth or adjusted so that they provide a workable regulatory framework for each community.

Our lobbying efforts will be sure to include the points noted in the Finance Committee's report that not only does our community need adequate state funding for education purposes, but also adequate local aid for municipal purposes as well. The school committee recognizes the large measures of support that other Town Departments provide to our program, and we look forward to our continued efforts with the Board of Selectmen and Finance Committee in order to work for the good of the town. We will keep you posted on these initiatives over the course of the coming year.

Conclusion

In closing, on behalf of the school committee and central office team, we would like to thank the Board of Selectman, the Finance Committee, the Town Manager, and Town Meeting members for your continued commitment to public education. The budget process is truly a collaborative effort and the hard work and thoughtful consideration to

the financial needs of our school district is a task that is shared by all of the boards, town administrators, and, ultimately, by all of us who make up the Town Meeting.

I am happy to answer any questions at this time, and ask that Dr. Sawyer and Mr. Hurley join me at the podium.