



Boston Municipal Research Bureau

SPECIAL REPORT

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THE SPIRALING SCHOOL BUDGET

The Boston School Department's operating budget is expected to increase substantially over the next few years, absorbing an increasing share of total city resources. Incremental costs are projected to be greater than \$25 million in both fiscal 1988 and fiscal 1989. By 1989 the total school budget, including Federal and State grants, could reach \$400 million. This trend indicates a need to insure that the allocation of the City's resources is based on coordinated public policy decisions made jointly by city and school officials. It also indicates that the Superintendent and School Committee must be both educationally and fiscally responsible. The School Department's operating budget for fiscal 1987 is \$293.0 million or \$5,200 per pupil. Despite a budget increase of \$23.1 million or 8.6% over the prior year, actual spending may exceed the \$293.0 million budget by as much as \$10.0 million this year. Including an expected \$41.5 million in Federal and State categorical grants, which fund over 1,000 employees who work in specific programs, the total school budget is now \$334.5 million.

PROJECTED BUDGET DEFICIT

The Boston School Department is projected to spend between \$5.0 and \$10.0 million in excess of its \$293.0 million operating budget this year. Collective bargaining costs over a 3.0% budgeted reserve, failed savings in transportation and the recent decision to install seat belts and hire additional bus monitors, if implemented, will push total School Department discretionary spending over \$300.0 million for fiscal 1987. The \$293.0 million dollar budget provides only \$5.7 million for collective bargaining which is less than this year's full costs. The new Boston Teachers Union (BTU) contract, approved by the School Committee on September 12, 1986, provides for a 7.5% increase in wages and benefits for the next three years and will cost the City \$9.6 million in fiscal 1987. The City will spend from its own funds \$7.5 million this year, the balance of \$2.1 million coming from State funding for teacher development under Chapter 188, the school reform law. Contracts with the other school employee unions are currently being negotiated and if settled at 5.0% would cost an additional \$2.5 million, bringing the net City costs to \$10.0 million.

The School Department transportation account is currently running a \$2.7 million projected deficit. The Superintendent had originally budgeted \$3.0 million in anticipated savings through the expanded use of public transportation. In a June, 1986 report the Bureau expressed concern that the Superintendent had not taken steps to insure this reduction. No transportation savings have yet been achieved. Revised plans to transport 2,654 students in seven high schools using MBTA special buses beginning in January will achieve savings of approximately \$500,000 for the remainder of the year. The School Committee's decision to install seat belts and place monitors on all school buses will cost \$2.5 million if implemented in January, 1987. The one time cost of installing seat belts is estimated at approximately \$700,000 while the half year salaries of about 1,000 additional bus monitors is projected at \$1.8 million. Adding to the mounting transportation deficit is the cost of busing private school elementary children which is not included in the \$293.0 million school budget. Estimates for this required service range from \$250,000 to \$500,000 for a half year depending on the contracted price per student and the number transported.

SCHOOL COMMITTEE BUDGET ROLE

Over the last eight months the School Committee has failed to exercise sufficient fiscal restraint. The Committee has not supported sensible recommendations for spending cuts, and after the budget was set, has approved policies requiring additional spending without demanding expenditure reductions in other areas. On May 6, 1986, the Committee voted not to

close schools, a measure recommended by the Superintendent for educational reasons and to save \$3.9 million. On June 13, 1986, the Committee voted a \$293.0 million "no layoff" budget, although it had been pointed out that 15 teachers would not have class assignments for the coming year. The costs of these "permanent subs" was estimated at \$500,000. On September 12, 1986, the School Committee approved the Superintendent's recommendation for a new three year BTU contract which would cost the City \$7.5 million in the first year. Assuming a 5.0% increase for other school employees, the total net city cost would be \$10.0 million. That amount is greater than the amount provided for collective bargaining in this year's budget. On November 18, 1986, the School Committee voted to install seat belts and place bus monitors on all school buses. This action was taken in the face of a mounting deficit with no recommendations for cuts in other areas. It was also taken amidst conflicting safety studies and without giving the Superintendent time to make a recommendation.

FUTURE YEAR BUDGET INCREASES

The School Department operating budget is on an upward spiral and could exceed \$350.0 million in fiscal 1989. Including Federal and State grants, the total school budget will reach approximately \$400.0 million in two years. The school department's city funded budget is beginning to absorb an increasing share of total city resources. From fiscal 1987 through 1989, the budget is expected to rise at an average rate of 9.0% compared to a 3.5% rate over the previous three years. Negotiated wage increases, normal step and lane changes, the rising costs of health and liability insurance, special education private tuitions and general inflation will push total incremental costs in excess of \$25.0 million in both fiscal 1988 and fiscal 1989. Additionally, the various committees working on the Superintendent's Boston Education Plan are due to report their findings to the Superintendent this winter. It is likely that this effort will result in the proposed funding of new initiatives which will put further pressure on future year budgets.

RECOMMENDATIONS

1. The Superintendent should submit to the School Committee a detailed projection of operating expenditures for fiscal 1987 along with a plan to balance the budget. This accounting should identify both anticipated expenditures and revenues. On the expenditure side, the Superintendent should explain the total cost of collective bargaining, transportation, the installation of bus seat belts, the hiring of bus monitors and the "At-Risk" dropout prevention program.
2. The School Committee should be held accountable for its fiscal actions. New policy initiatives requiring added resources should not be implemented unless savings in other areas are first identified. The School Committee must be willing to support reasonable recommendations from the Superintendent to reduce unnecessary costs. This may involve difficult votes on staff reductions or even school closings. The unwillingness of the School Committee to approve such recommendations, as occurred when the budget was passed, may indicate that this body is incapable of properly meeting its fiscal responsibilities.
3. The Superintendent should not delay in starting the fiscal 1988 school budget process. The formulation of a budget is arguably a continuous effort involving the assessment of needs and evaluation of programs to identify more effective and cost efficient ways to provide services. Clearly advance planning is required for budget recommendations concerning transportation, personnel reductions and school closings. The Superintendent should determine whether outside budget or technical advisory committees are advisable this year. It may already be too late for such committees to play a pro-active rather than reactive role in the budget process.
4. The School Department should develop a three year budget plan as part of its annual appropriations request to the Mayor and the City Council. The plan should consider the effect of collective bargaining increases, general inflation and planned initiatives. This will help insure that the City's allocation of resources is based on a coordinated public policy and not the independent actions of a particular department.

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