

**M E M O R A N D U M**

**TO: Tommy Chang, Superintendent**

**FROM: Eleanor Laurans, Executive Director of School Finance**

**DATE: January 11, 2016**

**SUBJECT: FY17 Budget Planning Update**

This memo offers an overview of our efforts to balance the FY17 budget and potential options as we move into the coming months. As we have discussed, despite cuts to school budgets and planned central reductions, a significant gap remains.

As a reminder, we shared with the School Committee last month that we are facing nearly \$30M in rising costs, including \$21M in salary and benefit increases. When coupled with investments in core operations, past commitments and strategic priorities, we projected that the budget gap would rise to \$40-\$50M.

***On December 14, 2015, we released school budgets with cuts that were less extreme than some scenarios that were considered. Our team, along with the City, shared a desire to protect schools as much as possible and we were willing to tolerate the risk represented by doing so.*** With what we knew at the time, we estimated that we had an approximately \$5M hole to fill based on what was released in WSF, even after assuming substantial central cuts. As we support schools navigating the current level of cuts, it's clear that deeper cuts would have been extremely difficult to sustain. However, with school budgets released, nearly two thirds of our budget is now "off the table" as we look to reach balance.

***The impact of the reductions in school budgets will be felt widely across schools next year.*** Over 50 of our schools are receiving allocations that are likely to force a reduction in staff. Preliminary estimates suggest that schools may reduce 100-150 staff; we will know more in the coming weeks. This excludes schools that will be making staff changes to adjust for changes in enrollment. In addition, 45 schools submitted requests for sustainability allocations because they felt unable to support basic needs and contractual obligations in their school with their initial allocation.

***By the beginning of January, 2016, we made progress in our planning and identified even further central reductions, however, last week, a number of new costs came to light. We now find ourselves with a more challenging situation, and a gap that we estimate could be as high as \$9M.*** The new items that came up last week and which will increase our maintenance budget include: tentative resolution of bus drivers' contract, SIFE compliance requirements, and the potential for the MBTA fare increase. Coupled with the possibility of other investments, this pushes our gap up to as high as \$9M. As a reminder, this gap exists *after* we have scrubbed the budget to identify areas of past under-spending and also identified \$30M of cuts.

***There are three basic avenues to resolving the situation at this stage: additional appropriations, more drastic cuts from services budgeted centrally, or the revision of cost or revenue projections as more information becomes available.*** We are still only mid-way through FY16, and in the coming months, we will get more information to inform our projections for next year. Specifically, items that we will be watching include signals on our federal grants, our ability to balance school budgets, and details on FY16 performance that will inform our maintenance budget.

At this point, unfortunately we must also begin considering more drastic cuts in services to schools and students that are budgeted by central departments. We are in the process of working across department to put together a list of possible cuts for your consideration.

We are still early in this process. We will resume public discussion of these issues at the School Committee meeting on February 3, 2016. A series of public hearings will continue during February and March, culminating with a vote for the approval of a balanced budget by the School Committee on March 23, 2016. We continue to appreciate the partnership with the City, and they remain committed to working with us as we prepare to balance our budget.

We will continue to keep you updated as the work unfolds.

Thank you.

