



# LINCOLN PUBLIC SCHOOLS

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September 18, 2010

To: Lincoln School Committee  
Mickey Brandmeyer, Superintendent  
From: Buck Creel, Administrator for Business and Finance  
Subject: FY12 Budget Guidelines

**Introduction.** The preparation of the annual school budget remains one of the most important tasks undertaken by the School Committee and Administration. It is through the budget process that the district seeks community support for its priorities, educational programs and operational needs. It remains our goal to deliver high quality educational programs with the intent of every student achieving their fullest potential in academic, physical, social and emotional development.

The budget process for the Lincoln Public Schools is similar to the budget development process of comparable communities. The process begins with a presentation of the Superintendent's Preliminary Budget to the School Committee, which, through a series of public discussions will finalize the School Committee's Proposed Budget for review by the Town's Finance Committee, and ultimately presentation to the Annual Town Meeting for approval. At the same time, the Lincoln process for the school budget is unique: a parallel process occurs on the same schedule for the development of a budget for the operation of the schools at Hanscom Air Force Base, within the cost parameters of the contract with the federal government. Because the most significant cost to operate the school district is the cost for personnel and since both faculties are employed under the same collective bargaining agreements it is critical that both budgets are developed in concert. Further, the organizational structure of the schools requires an alignment of both the Lincoln appropriation and the federal contract.

This memo will outline issues that the School Committee may wish to consider in forming its recommendation and guidelines for the Administration to follow in the development of the FY12 school budget.

**Process.** Several years ago, the Administration introduced a refined process to address two issues. First, the relatively short window in which the budget is presented, reviewed, adjusted and approved prior to submission in January for consideration by the Annual Town Meeting creates a challenge which requires a thoughtful but streamlined process. Second, the early timing of our Town Meeting presents a challenge by requiring us to prepare a budget proposal at the start of the school year, at a time when the attentions of teachers, principals and program directors are focused on beginning academics, and before the planned activities for the current year are underway, much less significantly completed.

To address these issues the Administration has undertaken a process to align the district's goals and the school improvement plans through strategic goal planning. This creates a structure in which improvement initiatives, program development and program improvement efforts are planned in advance so that budgeting can be somewhat more predictable and helps focus available resources on agreed-upon initiatives. The other adjustment to the District budget process (which allows principals and teachers to focus more on the classroom) is the adoption of a method in which site-based management funds are budgeted on a per-pupil basis and provided to each school as a lump-sum for further allocation in the Spring, at a time when teachers and principals can make more informed decisions about proper allocations.

These site-based management (SBM) funds are used to support, sustain and enhance the regular academic operations of the schools. Uses of SBM funds include consumables, art supplies, small durable items such as calculators and pencil sharpeners, replacement/upgrade books for classroom resource areas, program supplements like outside storytellers and performers, etc. SBM funds are not used for personnel salaries; facilities expenses such as custodian wages or electric bills; operational support expenses such as copier maintenance contracts. While this strategy affects a very small portion of the overall budget (1.5%), it allows for more informed use of resources and more efficient budgeting. It is the Superintendent's recommendation that we continue with these adjustments with appropriate operational modifications to ensure that the process remains transparent and effective.

Last June we presented the *District Goals*, based on the School Committee's goals workshop and approved by the School Committee at its June 11 meeting. In that document, we identified key components of each goal through SY 2010-2011. On September 16, we presented this year's workplans, which describe in detail the work and benchmarks for this year. It is our recommendation that we continue to rely on these strategic goals to guide decisions about resource allocation and budget requests.

Over the course of the last several budget cycles we have achieved greater efficiency and eliminated contingencies in the budget. Few, if any, opportunities for further large reductions without changing school programs remain. In the event further efficiencies are achieved, the School Committee will need to determine how to allocate any available resources. They may want to consider further improvements to the educational programs or reinvestments in facilities maintenance and energy conservation measures in hope of reducing future expenditures.

Since FY03 the Administration has managed the school budget carefully and ended each year "in the black." This careful management, along with the generous support of the community, the contract with the federal government, collaboration with the Finance Committee on funding strategies for reimbursements (Special Education Circuit Breaker, Medicaid and E-rate), and the Administration's consistent attention to grant opportunities has allowed the district to offer a high quality educational experience for all of our students. We have reduced fees to allow more children to participate in special programs (athletics), created new programs funded through the budget (instrumental music, engineering technology, expanded foreign language), advanced efforts in curriculum development, provided a meaningful mentor program for new teachers and administrators and offered a broader-based professional development program for teachers. Finally, participating in the Capital Planning process extends the operational budget by funding technology replacement and large facilities projects through direct warrants.

In spite of these efforts, the budget is affected by the current state of the economy in general, and by the health of the Commonwealth and Town finances in particular. The School Committee and the Administration need to review the impact of these factors on available funds, be sensitive to changing conditions and look to the Finance Committee for guidance as appropriate.

**Budget Considerations.** The Administration is in the process of preparing its FY12 Preliminary Budget for School Committee review. We request that the School Committee discuss the budget process and consider the ideas listed in this memo in order to develop and approve guidelines for the development of the school budget.

1. Include core-program costs in the base budget.

2. Review programs which include positions initiated or partially funded by expiring gifts, grants, fees and tuitions, or recently adjusted programs, and examine the financial implications for future costs.
3. Maintain small class sizes which are desired by parents and teachers and adhere to the School Committee's Policy on Class Size and the requirements of the contract to operate the schools at Hanscom AFB. A review of projected enrollments using the district's cohort survival model will be presented with the Preliminary Budget, along with recommendations for changes in numbers of classrooms as required.
4. Ensure that improvement initiatives are aligned with the District's strategic goals. Potential improvement initiatives will be presented, along with a discussion of funding required.
5. Determine the relative importance of improvement initiatives in the overall program, and decide to include them in the base budget, or leave as candidate items for the preferred budget. Considerations for the FY12 budget include:
  - a. consider the professional development support of the Responsive Classroom and Developmental Design initiatives of the past two years
  - b. initiatives to close achievement gaps
6. Maintain sufficient resources to sustain curriculum development initiatives. Ongoing efforts in mathematics at both the K-5 and 6-8 levels, the development efforts in engineering technology and review of the foreign language initiative should receive consideration.
7. Maintain the School Committee's commitment to provide high quality professional development and mentoring for new teachers and administrators. Teacher turnover has been 10-15% in each of the recent school years, and is expected to continue at that rate. The orientation and integration of new faculty into effective teaching teams remains an important consideration, and has been aided by the School Committee's support of the mentor teacher program.
8. Develop analysis of FTE allocations for special subject areas and staffing needs for existing programs and deploy resources as necessary, in line with projected enrollments.
9. Maintain level services, i.e., this year's program projected at FY12 costs. While the actual Preliminary Budget amounts will reflect
  - a. changes suggested by the School Committee as part of this budget guidelines process,
  - b. changes suggested by analysis of the anticipated enrollment, and
  - c. changes anticipated by developments to occur during FY11,
 a significant portion of the budget will be difficult to project, as contracts for teacher salaries, bus transportation (both local and from Boston), natural gas and electricity will be developed in FY11.
10. Include projections for the future to reflect:
  - a. the contract for teachers under negotiation this year
  - b. cost of living adjustments for non-bargaining group employees
  - c. impact of projected increases in the cost of health benefits directly on the Hanscom budget and indirectly on Town finances
  - d. continuing erosion of grant revenues
11. Comply with the criteria set forth in the contract to operate Hanscom schools and maintain comparability to the Lincoln program. Careful consideration of this guideline may be required in light of the changing enrollment trend at the Hanscom schools; the project is

scheduled to be completed in August 2011, with an unknown impact on the enrollment for FY12.

12. Apply special revenue funds as agreed to with the Finance Committee. Changes in DOR regulations and Town accounting procedures for Special Education Circuit Breaker and Medicaid reimbursements have eliminated the opportunities to use these funds to smooth short-term fluctuations. The District will be able to use only those funds which were received in the past fiscal year, for expenses to occur in the next budget year, and the exact percentage of reimbursement may change. For FY12 budget planning, the anticipated Circuit Breaker reimbursement will be approximately \$30,571 (down from \$84,438 in FY11), of which \$13,337 will be applied to the Lincoln budget and \$17,234 will go to the Hanscom budget (based on a per-student reimbursement accounting). Medicaid reimbursements of \$46,000 (up from \$36,000 in FY10) will be applied to the FY12 budget. The District will continue to aggressively pursue Circuit Breaker and Medicaid reimbursements, and will apply these funds as they are available.
13. Project level funding from grants, state aid and revolving accounts, e.g., tuition and fees. Recent experience continues to validate this guideline for the federal grants and some of the state grants, as these fund amounts have remained relatively static. The METCO grant has experienced a significant reduction over the past two years, and the current grant amount is insufficient to fund the desired METCO program in FY11. Currently, the Lincoln operating portion of the budget bears approximately \$45,000 for professional staff and administrative support previously funded from the METCO grant.
14. Carefully consider our role as stewards of Town and federal facilities, and plan for sensible restorative and preventative maintenance, and consider historical spending patterns and current facilities assessments to develop maintenance budgets. Investments in repairs to and replacement of some critical systems have allowed a significant shift to preventive maintenance strategies. Continuing this positive development should be the emphasis for facilities budgets.
15. Carefully monitor usage of fuel and energy, review historical data and build projections in collaborations with the district's energy vendors and collaborative partners. The district's risk management strategy uses three years of consumption data with known utility prices.

**Timeline.** Attached is a suggested budget timeline for the School Committee's consideration. Historically, the budget preparation process begins in early September, in advance of the Finance Committee's (FinCom) guidance, with preparation of the Superintendent's Preliminary Budget. The Administrative Council began its process in August, and will meet prior to the next scheduled School Committee meeting. The presentation of the Superintendent's Preliminary Budget, currently scheduled for November 12, kicks off the School Committee's active review of the proposed program.

The Administration hopes to receive the FinCom's guidance by October 15th. In past years, the cost to maintain level services, this year's program projected at FY12 costs, has exceeded the budget amount provided by the FinCom guidance. Traditionally, the level service budget requires an increase of 6-7% to carry this year's program forward at next year's projected cost. We were able to move the FY10 budget forward into FY11 in spite of a 1% increase from the FinCom because the requirements for services, particularly direct special education requirements decreased; because we reduced the number of classrooms based on enrollment changes; and because we received one-time funding in the form of ARRA stimulus money.

Projecting forward for FY12, we anticipate that the FinCom budget guidance will provide for very modest or no growth; at the same time, the budget adjustments used in previous years will not be available. In fact, the recent requirement to open an additional 3<sup>rd</sup> Grade classroom in the Lincoln School will impact next year's budget, as will the decreasing METCO and

expiring stimulus funding discussed earlier. These impacts will be exacerbated in a year of teacher contract negotiations. We have included a “gap-closing” or budget reduction phase in the process to create a base budget which meets the FinCom guidance.

This gap-closing phase also includes a process to prioritize budget requests for a potential Preferred Budget proposal through adjusted FinCom targets or a possible override. The Administration will request the School Committee to approve both Base and Preferred budgets so that the District would then be in position to propose a Preferred Budget for Town Meeting consideration if the opportunity arises.

**Next Steps.** The Administration asks the School Committee to review these proposed considerations and the suggested budget timeline, and provide us with your guidance for the FY12 budget preparation process.

# Lincoln Public Schools

## FY12 Budget Development Timeline

as of September 13, 2010

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### September

- 8 – Administrative Council review and discussion of FY12 level service budget and school-based management funds, as well as emerging FY12 budget priorities. Begin improvement initiative development process.
- 24 – Administrative Council deadline to submit improvement initiative proposals and contracted services amounts.
- 29 – Review projected enrollment and classroom staffing with administrators
- 30 – Present budget guidelines memo and proposed timeline to School Committee

### October

- 6 to 13 – Budget discussions: CO, Campus administrative teams, covering projections, improvement initiatives and special considerations
- 22 – Finalized budget recommendations to Superintendent

### November

- 6 – State of the Town Meeting
- 18 – Present preliminary budget overview to School Committee
- 19 forward – Post approved budget information on District website

### December

- 1 – 1<sup>st</sup> Budget discussion with Finance Committee
- 6 to 9 – Gap-closing discussions: CO, Campus administrative teams
- 16 – Budget discussions with School Committee
- 17 to 23 – Review preferred budget items

### January 2011

- 6 – Present suggested preferred budget items to School Committee
  - Final gap-closing discussions with School Committee
  - Finalize budget (School Committee vote)
- 11 – 2<sup>nd</sup> Budget discussion with Finance Committee
- 20 – Review recommended budget proposal (first reading)

### February

- 3 – Finalize preferred budget for Town meeting (School Committee vote)
- Lincoln Town-wide and Hanscom budget mailing, develop Town Meeting presentation

### March

- 3 – Review Town Meeting presentation draft
- 12 to 25 – Town Meeting presentation support
- 26 – Town Meeting
- 29 – Budget templates and site-based management funds amounts distributed for allocation

### May

- 12 – Budget presentation to Hanscom community