

School Cost Structure

Citizen Advisory Report
January 20, 2009

Mayor David Cohen, Board of Aldermen
President Lisle Baker, and School
Committee Chair Dori Zaleznik appointed
the Citizen Advisory Group in May 2008

They asked the committee to help:

- (1) define the choices facing Newton with respect to municipal and educational service levels and their long-term funding requirements and, to identify
- (2) identify within this context innovative ways of increasing short- and long-term operational efficiency and effectiveness
- (3) identify new or enhanced sources of funding for City services

Methodology

- Six months of interviews with school administrators, School Committee members, parents, citizens, and input from several open forums
- Analysis of reports by the Newton Public Schools and other sources of data, including information from a Citizen Advisory Group benchmarking report
- Given our limited resources and time period, we had to select a few, critical areas of the Newton Public Schools to study.
We chose:
 - Administrative Practices
 - Budgeting & Compensation
 - Special Education
 - METCO
 - Transportation
 - Food Services

FINDING

The School Committee and Newton Public School administrators working proactively to develop a long-term strategic plan and re-thinking Newton's educational model, while showing a deep interest in technology and online learning as possible vehicles to improve the educational model.

FINDING

School Leadership & A School Committee that consistently strive to:

- Provide an excellent education to all students, not just in the core academics but in all aspects of education
- Maintain small class sizes and small class loads at all levels
- Attract and retain skilled and dedicated teachers and administrators using excellent compensation as one tool
- Give priority to people over buildings, maintenance, technology, and equipment when tradeoffs are required

FINDING

School Leadership & A School Committee that consistently strive to:

- Implement mandates fully, incorporating the spirit of the laws, in pursuing an excellent education for all students, including those students with special education plans
- Enact policies that address the wide range of economic needs of families in Newton
- Foster respect for individuals of differing races, religions, ethnicities, economic classes, learning styles and abilities

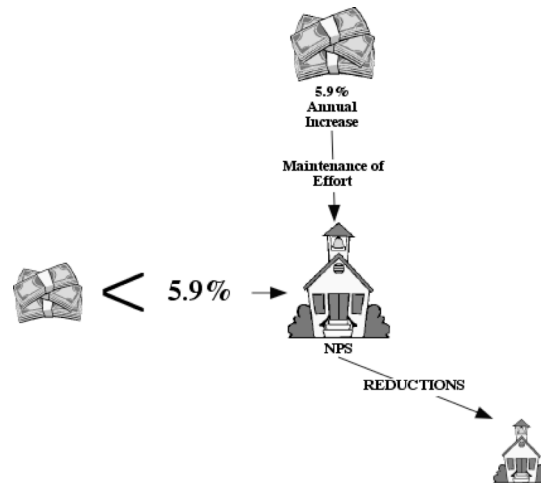
FINDING

In the course of our work, we became *deeply concerned* that, in the absence of new revenues, the Newton Public Schools will be unable to maintain its current level of services and programs or to continuously improve, one of the essential elements of excellence in the field of education

Finding

Related to this major concern, we found evidence of a long-standing gap between the funding of the Newton Public Schools and what it costs to run the system under the current educational model

Finding



A cumulative deficit (i.e., cuts that will have to be made) in the next six years of \$60 million if funding to the Newton Public Schools only increases by 4.3% annually in the future.

KEY COSTS ARE RISING FASTER THAN THE OVERALL BUDGET RATE OF GROWTH (4.3%)

- o **Benefits**
(growing 9.3% over the past 6 years)
- o **Special Education**
(mandated costs projected to grow at 8.7% per year)
- o **Utilities**
(compound annual growth 10.9% ('04-'09))

Teacher salaries (Unit A) are growing at approximately 4% per year (including the 3% Cost of Living Adjustment (COLA) for FY09)

Primary Disability	2003	2004	2005	2006	2007	2008	Increase 03-08
Autism	24	113	112	132	131	135	26.81%
Communication	132	201	230	275	252	232	55.03%
Dev. Delay	213	232	231	233	227	222	2.78%
Bimodal	173	173	191	172	170	161	-9.55%
Hearing	132	153	172	211	220	236	76.12%
Intellectual	51	52	52	52	50	25	-11.76%
Multiple Disabilities	32	31	30	30	32	32	0.00%
Neurological	53	52	67	71	83	113	91.83%
Physical	12	13	20	20	13	13	3.33%
Sensory/Deaf Blind	2	1	1	3	2	2	0.00%
Sensory/Hearing	16	13	13	13	16	15	-6.25%
Sensory/Vision	5	5	8	9	7	6	20.00%
Specific Learning	1151	1153	1121	1073	1003	995	-13.55%
None Specified						2	
Grand Total	2113	2221	2267	2313	2229	2232	3.07%

Current Growth Rate for Teacher Salaries

	Unit A (Teachers)	Unit C (Aides)
2009 Salaries (millions)	\$74.3	\$13.7
Overall salary growth due to SUBS and Rates	2.6%	5.4%
COFA Increase (2009)	3.0%	3.0%
Net Increase before turnover savings	5.6%	8.4%
Turnover savings	1.6%	-
Net annual salary growth (projected)	4.0%	8.4%

Newton's Teachers Salary and Growth is Consistent with Similar Communities

- Compared to demographically similar communities, Newton's average teacher salary of \$67,080 (MA DOE FY07) is 8.4% above the average of \$61,881.
- Among the 6 communities with a similar commitment to education, Newton's average salary ranked fifth, although 0.4% above the average.
- For Master's level teachers, Newton's highest step level was 1.8% above the average of that group, second to Wayland.

Newton's Teachers Salary and Growth is Consistent with Similar Communities

- Newton's compounded annual Step growth (for Master's level teachers) is 4.6% per year, compared to an average of 4.8% per year for communities with a similar commitment to education.
- For Massachusetts, the average growth in personal wage income was 4.5% per year, based on income levels from 1997 - 2007

Growth Drivers for the NPS Budget

	Base Year (2009)	% growth	% of budget	Contribution to growth above 4.8%	
				\$	%
Instructional salary (less offsets (not including SPPD))	\$62,707,400	4.8%	39%	7,352	0%
Other salary (principals, custodians, admin, etc.)	21,620,428	3.8%	15%	(126,287)	-5%
Benefits (total, including SPPD)	26,120,982	3.9%	14%	1,061,412	40%
SPPD (less benefits)	33,526,823	3.4%	21%	1,334,437	55%
Utilities	6,334,403	6.0%	4%	103,535	4%
Charter maintenance	1,912,100	15.0%	1%	224,302	8%
All other	7,659,020	2.5%	5%	(137,691)	-5%
TOTAL	160,085,168	5.2%	100%	2,505,621	100%

In order to close the gap between ongoing costs growing faster than revenues, the Newton Public Schools has had to make decisions that have produced a *gradual and cumulative erosion* in most instances in arenas that can be best described as *educational infrastructure*.

A number of factors are contributing to the erosion in quality as financial resources have become more constrained:

- o Diminished administrative and leadership support
- o Reduced capacity to supervise of teachers
- o Shrinking professional development opportunities
- o Insufficient technology
- o Inadequate building maintenance
- o Increases in class size

FINDING

Near-term opportunities to save money, perhaps as much as \$1 to \$2 million, in two areas:

Transportation -by increasing user fees and reducing service

Food Services - through outsourcing

Transportation

- (1) Reducing the costs by reducing the number of buses by either/or
 - (a) Providing bus service to only those students mandated by law and/or
 - (b) Hiring more crossing guards to reduce the number of elementary school students who need bus service for safety reasons
- (2) Increasing fee revenues by either/or
 - (a) Increasing the fee level and/or
 - (b) Having more students pay the fee (K-5 students who live between 1 - 2 miles from school, presumably in non-safety areas)
 - (c) Asking private schools to contribute to the cost of transportation

Food Services

- Losing \$1.2 million on expenses of \$4.2 million.
- Losses have been rising on a rather consistent basis.
- Prices are the highest of any benchmark schools.
- Sales of paid lunches have been falling consistently.
- The nature of the elementary school facilities make changes in food choices more difficult and require unusual and thus higher labor costs.

Recommendation

A need to examine more rigorously and regularly educational areas, programs, and approaches for both educational effectiveness and financial sustainability

Special Education

1. Conduct an outside evaluation to determine how well and how efficiently special education services are delivered; this type of evaluation is needed on a periodic basis, perhaps every ten years.
2. Establish its own set of metrics to measure the effectiveness of its special education programs.
3. Capture and report systematically special education costs and revenues in a more reader friendly manner.
4. Partner with the Special Education PAC to continually evaluate and improve upon programs and practices.
5. Improve communication, transparency and public understanding of Newton's special education programs by continuing to work with the Special Education PAC.

METCO

Just like other school programs, we see the need to periodically assess and communicate how this program supports our core values and how effectively it is achieving our educational goals.

Recommendation

The need to bolster long-term planning, budgeting, and scenario planning under the direction of a Chief Financial Officer

As the ninth largest school system in Massachusetts and with responsibility for managing a \$160 million enterprise, comprising 55% of Newton's total expenditures, this is a good investment

RECOMMENDATION

The urgent need
to increase the quality of and
to consider new vehicles for
communication about the financial
condition of Newton Public Schools and
the programmatic choices it faces, as a
means of regaining trust and fostering
the necessary dialogue about the future
of the school system

In the eyes of the public it is not clear
how much the quality of education has
been negatively impacted by the
economics of the past few years

Last spring, the Override Budget and the
Allocation Budget in some ways defined a
difference in quality. But, we believe that
there is a sense in the community, that
regardless of what budget passed, Newton
is and will be an excellent school system.

RECOMMENDATION

We see the necessity for the Newton Public Schools to distinguish between the *essential* and the *desirable* qualities of an excellent school system.

RECOMMENDATION

In particular, in the absence of new revenues, Newton Public Schools will very likely need to reevaluate some of its past practices and choices that significantly affect the economics and performance of the school system, including:

- Class size
- Teaching loads
- Compensation
- Teacher development

Compensation

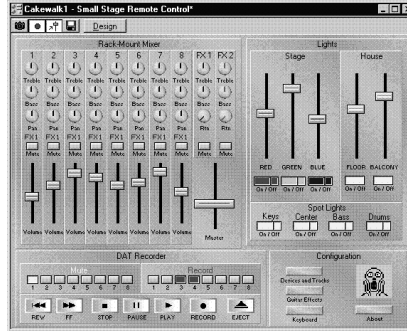
- Develop and Articulate a Philosophy of Teacher Compensation
- Review Compensation Structure of Special Education Aides
- Conduct Regular Teacher Surveys
- Consider Joining the Commonwealth's Group Insurance Commission

Recommendation

LONG TERM, COMPREHENSIVE BUDGET MODELING

The current budget and decision making process does not lend itself necessarily to tackling cost reduction issues comprehensively. The individual elements each need to be considered one by one, but, more importantly, they must be considered as a group. There are important relationships between individual cost items.

Recommendation: Scenario Planning



The individual items – number of employees, teacher compensation, class size, teacher load, teacher development, investments in technology, etc. – need to be linked to a comprehensive, strategic, and long-term plan for the Newton Public Schools.

We recommend scenario planning as one powerful tool for doing this.



The Newton Public Schools face difficult choices right now. Every choice will be painful because all the potential levers affect the quality of education. Making these choices will put a premium on the leadership, vision, and perspective of the School Committee and Newton Public School administrators.

In addition to sustaining excellence in education, Newton faces many challenges

- A forthcoming Citizen Advisory Group report on Newton's Capital Resources (to be released on January 22, 2009) will highlight the substantial underfunding of capital assets and call for significant increased investments in this area
- The recently released report on the Municipal Cost Structure pointed out that post-retirement health care obligations, underfunded by as much as \$22 million annually, will put pressure on the City budget
- In light of these factors, the Newton Public Schools may not receive in the future the percent increases in its budget that it has received in the past unless (or, possibly, even if) voters approve an increase in taxes through overrides.

Recommendation

The School Committee and Newton educational leaders must re-engage in a discussion about the future of the Newton Public Schools

- What are the choices we need to make?
- How can we most effectively and efficiently meet the needs of all our students, including the 20% of students requiring special education?
- How do we maintain the high quality of our teachers?
- How can we control expenses, including benefits and utilities?

Recommendation

The School Committee and Newton educational leaders must re-engage in a discussion about the future of the Newton Public Schools

- Most importantly, what are our priorities? What as a community are we willing to pay for? What are we willing to sacrifice?
- What is essential? What is desirable?

Questions?

Newton Public Schools – 6 Year Scenario Planning (figures in \$thousands)

BASE CASE – Growth rate	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
NPS budget requirement: 5.9%	169,530	179,532	190,125	201,342	213,221	225,801
NPS budget allocation: 4.3%	166,969	174,148	181,637	189,447	197,593	206,090
Surplus/deficit	2,561	5,384	8,488	11,895	15,628	19,711
Cumulative surplus/deficit	2,561	7,945	16,433	28,238	43,956	63,668

SCENARIO A-1

<u>Cost improvement</u>	<u>New Growth Rate</u>
Reduce COLA for teachers/aides to 2.0% per year:	5.4%
Reduce Aide step growth to 4.0% per year:	5.3%
Improve growth in benefits to 7.4% per year:	5.1%

Newton Public Schools – 6 Year Scenario Planning (figures in \$thousands)

SCENARIO A-1 – Growth rate	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
NPS budget requirement: 5.1%	168,249	176,830	185,848	195,327	205,288	215,758
NPS budget allocation: 4.3%	166,969	174,148	181,637	189,447	197,593	206,090
Surplus/deficit	1,281	2,682	4,212	5,880	7,695	9,668
Cumulative surplus/deficit	1,281	3,962	8,174	14,054	21,749	31,417

Additional efficiencies/investments

Outsourcing school lunch	1,188	1,247	1,310	1,375	1,444	1,516
Transportation savings	800	832	865	900	936	973
Benefits savings from GIC	-	500	537	577	619	665
Ins. Trust Fund distribution (GIC)	-	2,925	2,925	-	-	-
Technology investment	-	500	500	-	-	-
Subtotal efficiencies	1,988	5,004	5,137	2,852	2,999	3,155
Surplus/deficit	707	2,323	925	3,028	4,696	6,513
Cumulative surplus/deficit	707	3,030	3,955	928	3,768	10,281
Operational override (FY2013)	-	-	-	3,427	3,427	3,427
Cumulative surplus/deficit	707	3,030	3,955	4,355	3,086	-