

Needham Public Schools Leadership Team

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William Pollard Middle School

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Broadmeadow School

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John Eliot School

Andrea Wong
Hillside School

Michael Schwinden, Ed.D.
William Mitchell School

Robert Abbey
Derwood Newman School

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Fine & Performing Arts

Mike Langlois
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Marcia J. Berkowitz
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April 3, 2006

Dear Town Meeting Members:

The Needham School Committee invites you to consider its operating budget request for the fiscal year ending June 30, 2007 (FY07). This budget, which totals \$37,824,911, represents a \$1,451,773 (4.0%) increase over the FY06 budget of \$36,373,138.

This budget, which is balanced to revenue, provides funding to meet contractual salary increases and other mandates (\$2,520,218), to partially restore funding cut last budget year (\$111,000), and to fund enrollment increases and other costs needed to maintain services (\$396,113.) With only \$1,451,773 in new revenue available, however, \$1,575,558 was cut from other parts of the budget to fund these required increases.

The need to cut \$1.58 million from the school operating budget has made this year the most difficult budget year in recent memory. These cuts were deep and painful, and covered the breadth of School Department activities. They included: the 46-year old Needham Science Center, the entire elementary Spanish program, 7.8 Teachers, a Nurse, a Guidance Counselor, one of the two Elementary Curriculum Leaders, a part-time Preschool program specialist, and a Central Office Secretary. Funding also was reduced for High School Athletics (thereby increasing the user fee from \$175 to \$285 per athlete), staff development, special education tuitions and other funds.

Why is the Town's Budget so Tight in FY07?

Although the Town's revenue is expected to increase by 5.5% (\$4.9 million), the cost of health insurance for Town employees and energy has risen much more rapidly. Town-wide fixed costs are expected to grow 8.4% (\$2.1 million), propelled by a 14.2% (\$1.3 million) increase in health insurance. The cost of energy is expected to increase 58% over FY06, or \$0.9 million. As a result, only 39% of the new funds for FY07 are available to Town departments to fund contractual salary increases, enrollment growth, and operational needs.

How would the Override Change the School Department Budget?

As this letter is being written, a \$1,476,017 School Department operational override has been placed on the ballot, but the vote has not yet occurred. The question will be decided by voters on April 11. If passed, the override would reverse \$886,490 in budget cuts, fund \$469,527 in new enrollment positions and other level service increases, and cover \$120,000 in benefit costs associated with new positions in FY07.

The FY07 School Department budget is presented in greater detail on the following pages, along with a description of how the budget would change if the override is approved.

What were the Assumptions Used to Develop this Budget?

The School Committee's recommended (balanced) budget was developed using the following assumptions:

- Additional revenues of \$1,451,773 (4.0%) for School Department operations in FY07.
- A projected enrollment increase of 134 students, from 4,879 (FY06 October 1st enrollment) to 5,013 (2.7%).
- Contractual salary obligations totaling \$1,746,148 are met in this budget, including the cost of steps, lane changes and contractual cost of living adjustments (COLAs). The contractual COLAs are as follows: teachers 3.75%, administrators 2.75%, instructional aides 1.5% (plus three paid holidays), and clerical staff 2.5% (plus an additional half-step at 1.5%).
- Other Mandated/contractual increases totaling \$774,070 are funded. These mandated/contractual expenses include: \$315,484 in transportation, SPED and other contractual expenses; and \$458,586 in SPED staffing to meet student needs. Of the SPED staff, 1.63 FTE represent teachers and aides added in mid-FY06 (after the budget was built and for which ongoing funds now are needed), and 10.67 FTE represent new staff required in FY07.
- Funds were provided to partially restore cuts to the FY06 budget, including \$50,000 for paper, \$25,000 for High School textbooks, and \$36,000 for TEC Collaborative dues.
- The School Committee's top priority in reducing its budget was to preserve, to the extent possible, core instructional areas, including class size.

What about Capital Projects?

The School Committee has requested the following capital project funds in FY07, which Town Meeting will consider:

- \$44,550 for school furniture replacement. This project requests funding to replace furniture in five classrooms at Pollard (\$18,750), add whiteboards to five classrooms at Pollard (\$2,700), replace three elementary classrooms (\$15,600), and replace folding chairs in the Pollard band room (\$5,000) and Hillside music room (\$2,500.) This is the third year of this ongoing furniture replacement request at school facilities that have not undergone/are not scheduled to undergo renovation.
- \$15,000 for school musical equipment replacement. This project requests funding to replace musical instruments at Pollard middle school, including two tubas, an euphonium, two cellos, two bass violins, a tenor saxophone, and two bass clarinets. This is the third year of this ongoing replacement request.
- \$45,599 for school photocopier replacement. This project requests funding to replace four of the School Department's 44 copiers and six RISO machines. This is the fourth year of this ongoing effort to replace aging copier equipment.
- \$855,000 to upgrade the Pollard technology network, from borrowed funding. This multi-year project would upgrade the technology network to provide expanded access and improve performance (including associated electrical infrastructure upgrade), and install ceiling-mounted data/video projectors in the classrooms.
- \$220,000 for school technology replacement, from borrowed funding. This request will replace approximately 11% of the computer (181) and printer (22) inventories used by students, teachers and administrators, and 7% (3) of network servers. The hardware upgrades are scheduled for Pollard, Hillside and Newman Schools.
- \$35,500 for a document imaging system. This project would purchase a document imaging system to index and archive school records, including personnel and special education files. These records take up considerable storage space each year, which is in short supply. The School Committee is expected to withdraw this request at Town Meeting, and will fund this project from current year budget surplus, if available.

The Municipal Building and Maintenance Bureau (MBMB) has requested funding for other school-related projects, including: \$50,000 to study options for expanding parking at the Pollard, Newman, Mitchell and Hillside Schools; \$30,000 in design funds to undertake roof replacement at Mitchell School; \$142,500 from borrowed funds to upgrade the Mitchell School electrical infrastructure; and ongoing funding for flooring replacement and interior painting at school buildings.

In conclusion, although our excellent schools offer numerous examples of great achievement, this letter is limited to budgetary matters. Evidence of our high performing school system is provided at the end of this document, and was presented in detail in the 2005 Performance Report, which was mailed to every home this past fall. If you wish to learn more about Needham Public Schools, its programs and accomplishments, please visit our web site at: www.needham.k12.ma.us.

We appreciate the continued support of the Town's committees, boards and citizens, as well as the efforts of the School Department staff in preparing the budget, and we ask for your support at Town Meeting.

Sincerely,

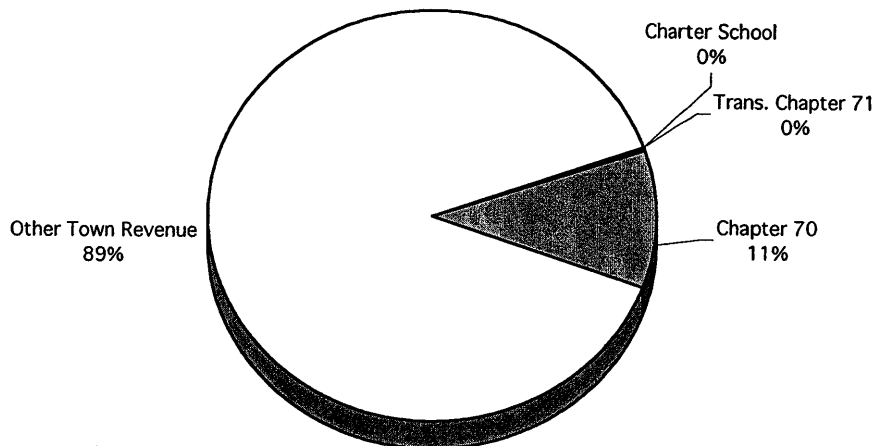


Paul Denver
Chairman '06
Needham School Committee

Budget Summary Information

Revenue Summary:

FY07 Proposed School Department Operating Budget Revenue \$37,824,911



| FY05 Adopted School Revenue | FY05 Actual | FY06 TM Budget | FY07 Balanced Budget | \$ Inc/(Dec) Over FY06 | % Inc/(Dec) | % Total | FY07 With Override | \$ Inc/(Dec) Over FY06 | % Inc/(Dec) | % Total |
|--------------------------------|-------------------|-------------------|-------------------------|---------------------------|----------------|-------------|-----------------------|---------------------------|----------------|-------------|
| Other Town Revenue | 30,041,794 | 32,537,986 | 33,704,562 | 1,166,576 | 3.6% | 89% | 35,060,579 | 2,522,593 | 7.8% | 89% |
| Trans. Chapter 71 | - | - | - | - | 0.0% | 0% | - | - | 0.0% | 0% |
| Charter School (1) | - | (3,796) | (19,430) | (15,634) | 411.9% | 0% | (19,430) | (15,634) | 411.9% | 0% |
| Educ. Chapter 70 (2) | 3,603,998 | 3,838,948 | 4,139,779 | 300,831 | 7.8% | 11% | 4,139,779 | 300,831 | 7.8% | 11% |
| Totals | 33,645,792 | 36,373,138 | 37,824,911 | 1,451,773 | 4.0% | 100% | 39,180,928 | 2,807,790 | 7.7% | 100% |

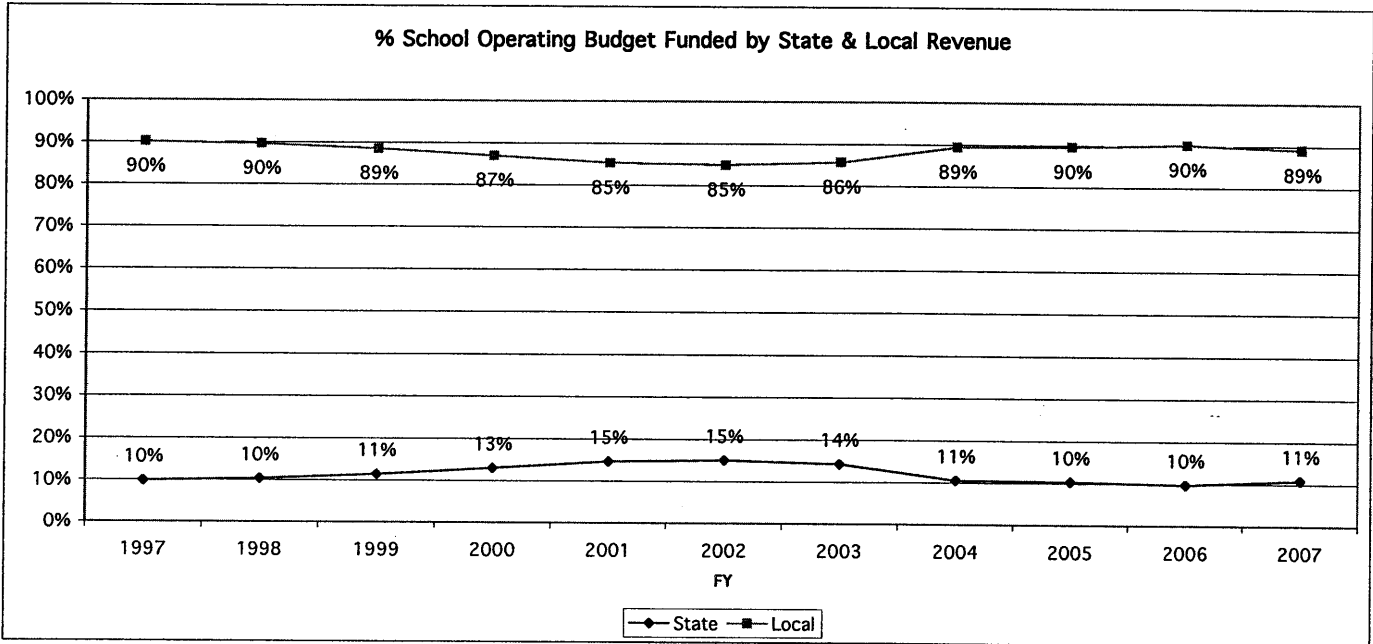
(1) Charter School Tuition Reimbursement Net Assessment. Source: Department of Revenue Cherry Sheets
 (2) Chapter 70 Excludes School Construction Chapter 645; Chapter 511; METCO & School Lunch Reimbursement. Excludes Circuit Breaker

School Department revenues for FY07 reflect Chapter 70 Education Reform Revenue, and the continued elimination of Chapter 71 School Transportation Reimbursement funds. Eighty-nine percent of the \$1,451,773 recommended budget increase is funded by local revenue, including property taxes and other Town receipts.

Trends in School Budget Revenue:

The FY07 also budget continues the general trend seen since FY02 toward a greater reliance on local revenues to finance education. As evident from the chart on the next page, between FY97 and FY01, state revenues for school operations increased steadily and paid for a large percentage of annual school budget increases. These additional state funds lessened the burden on local funding sources, such as property tax revenues. After FY03, however, state funding for education slowed dramatically, thereby requiring local revenue sources to fund a greater share of school budget increases. In FY02, state revenues for education totaled \$4.6 million, and funded 15% of the school operating budget. Since then, the amount of state revenue has declined to approximately \$4.1 million, or 11% of the FY07 budget, which reflects the Governor's House 2 Funding Proposal. It is important to note that the Governor's budget provides approximately \$300,831 in additional funds for Needham, over the FY06 allocation. These additional funds

reflect a proposed adjustment to the Chapter 70 funding formula that ‘caps’ the local contribution to the state-calculated Foundation Budget requirement at 88%. (Currently Needham funds 97% of our Foundation Budget requirement.) The Governor proposes to phase-in the reduction to the 88% target share over five years, which would result in \$300,831 in new Chapter 70 aid to Needham FY07. The amount of State aid may vary, based on the legislature’s review of the Governor’s budget proposal.



Although the overall trend has been toward greater reliance on local revenue to fund education, the State has made an effort to improve funding for special education costs, which can vary dramatically, particularly when students move in and out of the district, or their needs change. In the current year, for instance, the average cost of a day placement is \$45,000 per student; the average residential placement is \$125,000 per student.

In FY04 the “Circuit Breaker” program was voted by the State Legislature, replacing the former “50/50” program, which reimbursed districts for 50% of the cost of special education students in residential placements. The purpose of the Circuit Breaker program was to help districts pay for unexpected increases in special education costs, during the year in which the increase occurred, and provide more state funding for special education expenses. Under the new program, districts are reimbursed for a percentage of individual student costs exceeding a four-times-the-foundation-budget amount calculated by the State. In FY07, the statewide foundation budget amount is \$7,904, so the Circuit Breaker threshold is \$31,616. The formula voted by the State Legislature calls for districts to receive 75% of their costs exceeding the four-times-the-foundation-budget threshold. However, because Circuit Breaker reimbursements are subject to appropriation, the actual percentage of reimbursement has varied. In FY04, the State reimbursed districts at 35%; in FY05, the program was fully-funded at 75%; in FY06, committed funding is 72%, although the State may supplement these funds at the end of the year; in FY07, 70% state funding is assumed, based upon budgeting instructions from the State Department of Education. In addition, the program changed in FY05 from a current year ‘circuit breaker’ to a reimbursement program, based on prior year expenditures.

As evident from the chart on the next page, state funding for special education tuitions has increased from 26% in FY03 (under the 50/50 program) to 40% in FY07 (under the Circuit Breaker program.) The largest amount of state funding occurred in FY05, when the legislature fully-funded the Circuit Breaker program. In FY06 and FY07, reimbursement rates of 72% (FY06) and 70% (FY07) are anticipated, although the State may be able to supplement these funds if surplus appropriation remains at the end of the year, after all reimbursement claims have been paid.

