



Date: February 23, 2015
To: Board of Education
From: Garth Harries, Superintendent of Schools, Victor De La Paz, Chief Financial Officer
Re: Recommendation on Budget Request from City for FY16

The below memorandum serves as our formal recommendation to the Board for the requested increase in our operating budget for fiscal year 2016. The request totals \$10.6M for increases in the NHPS budget, accounting for cost escalations, new investments, and net of cost saving efforts. If granted, this 3.2% all-funds increase would be the first increase from the City of New Haven in two years (since the 13-14 school year).

FY15 Baseline Year

We have historically presented our budget inclusive of large in-kind contributions such as debt service and city-paid benefits.⁽¹⁾⁽²⁾ Under this approach, our current baseline budget on an all-funds basis is approximately \$415M (rounding up). This \$415M is developed as presented below:

Fig. 1: NHPS All-Funds Budget

State of Connecticut Pass-Thru Grants	\$ 152,641,859
City of New Haven Direct Contribution	\$ 24,577,438
General Fund Total:	<u>\$ 177,219,297</u>
State of Connecticut Direct Grants	\$ 74,931,399
Federal Grants	53,824,491
Food Service Enterprise Fund	11,609,500
Private Sources and Reimbursements	7,391,670
Special and Enterprise Fund Total:	<u>\$ 147,757,060</u>
All-Funds Total Excluding In-Kind:	<u>\$ 324,976,357</u>
City of New Haven In-Kind Benefits:	\$ 51,849,487
City of New Haven In-Kind Debt Service:	37,863,742
In-Kind Total:	<u>\$ 89,713,229</u>
All-Funds Total Including In-Kind:	<u>\$ 414,689,586</u>

(1) City-paid benefits and debt service are not included in the Minimum Budget Requirement (MBR).

(2) Reportable In-Kind services in 2014 totaled \$54.6M, which include benefits and staff time, but exclude debt service.

Daily Management Budget of \$265M

From a day-to-day operations point of view, the all-funds budget excluding in-kind is the \$325M we use to operate our 47 schools, pay salaries, honor contracts we have entered into, and provide services to the 21,700 students at NHPS. As you know from the resource allocation work we have started this year, within this \$325M we do have expenditures that are transfers to other agencies such as City of New Haven benefits costs for grant-funded employees, Head Start and School Readiness Partners, special education outplacement, alternative education programs, etc. as well as non-classroom expenditures such as rent. These costs are approximately \$60M, and when removed from the \$325M, leaves us \$265M to pay for direct school costs, central office expenses, and school supports such as food service, transportation, and utilities. Therefore, we should be clear that from an all-funds basis, we have \$325M to manage our schools and programs, but when pass-through payments are removed, schools and departments experience something closer to \$265M for daily operations.

Planning Budget of \$236M Recurring and \$89M Special Funds

Finally, from a budget-planning point of view, we assume a baseline of \$236M recurring funding, which is the general fund total of \$177M plus the Interdistrict Magnet grant of \$36M, the Food Service Fund of \$12M, and other revenues of \$11M. The remainder of the \$325M budget, or \$89M is state and federal grants that are not guaranteed until awarded, and indeed are accepted by the board through established Abstract process throughout the year. It is worth noting that this \$325M of funding does not include any increases to operating costs, nor incremental investments we wish to make in our School Change efforts. Those increases are discussed below.

Track Record of Fiscal Stewardship

Before any discussion of investments and cost reductions, it should be noted that NHPS has proven that it can close internal budget gaps, be a responsible partner to the City of New Haven, and can identify creative funding arrangements for needed investments. As noted by the Mayor on a number of occasions, we closed a budget gap in FY14 that significantly contributed to a positive rating change (from negative to stable) by Moody's. In addition, NHPS has been and will continue to make investments in financial analysis, data systems, technology that give us increasing confidence in our forecasts and direction. As we have done before, we intend to leverage our grant dollars – much of them competitive – to supplement the general fund and to make investments that benefit students over the long term. As an example, the Strategic Resource Allocation work referenced several times in this memo is a \$420K investment paid for through the competitive Teacher Incentive Fund (TIF) grant that NHPS is a proud and significant recipient of. Any increases to the general fund we request should be understood with this context, as we do not take such requests lightly.

New Haven School Change

As a reminder, the five core elements of New Haven School Change are:

Students – Engage **all** students in purposeful, supportive, and meaningful learning experiences that coherently support and challenge students, by supporting outstanding academic learning systems and social emotional and physical learning systems

Talent – Attract, develop, recognize and retain talented educators of all kinds, including high quality teachers, school leaders, district leaders, and supporting school staff, by cultivating a culture and systems of professional excellence that support growth and collaboration.

Portfolio – Support each school on its own unique path to success by encouraging the development of high quality school teams, providing appropriate and equitable supports to schools, and enabling effective decision-making at the school level.

Wraparound Partnerships – Engage in purposeful collaboration with families and community stakeholders to strengthen supports for all children in each school, including in each of the areas above.

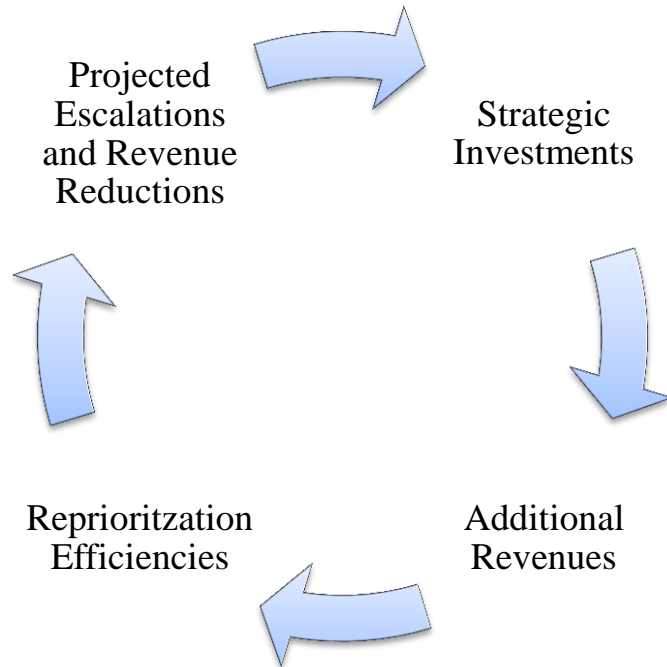
Strategic Infrastructure Systems – Deliver efficient, equitable and transparent financial, operational, and other supports to schools and the system as a whole, that enable educators and students to maximize learning.

Some of the School Change gains we have made with prior investments include:

- Graduation Rate (up 17% in the last five years, to 75%)
- College Going Rate (up 4% in the last two years, to 36%)
- School satisfaction up from all stakeholders (after 5 years, 85% up 4% for parents, 74% up 16% for students, 65% up 10% for teachers)
- Student population growing roughly 1,700 students in the last 5 years; Continued enrollment of just under three thousand suburban students and two thousand PreK students; Balanced budget and significant success securing Special Fund resources;
- A\$1.7B School Construction Program, which has rebuilt 80% of schools
- Creation of School Portfolio through turnaround, school creation, and school improvement
- Talent development of Leadership and Teachers (TEVAL, Professional Educators Program)
- Promise Scholarship to strengthen College Going Culture
- Wraparound expansion such as BOOST for students and their families

FY16 Request Includes Cuts, Costs, Investments, and Needed Revenues

Our FY16 budget request is multi-dimensional and seeks commitments from internal and external stakeholders. Internal stakeholders – our school leaders, managers, and administrators – are tasked with identifying as many efficiencies as possible as well as identifying the investments needed for School Change. External stakeholders are urged to understand the context for the FY16 request, and ultimately invest in New Haven Public Schools.



Projected Cost Escalations and Revenue Reductions (+\$6.8M Identified)

Aside from the \$6.5M strategic investments cited above, we have costs increases in contracts we have already entered into, and essential services that support our schools. Salaries are estimated to increase by \$4.5M, and contracts and services are expected to increase by \$2.3M for a total of \$6.8M. When this \$6.8M is combined with the \$6.5M of strategic investments, our budget would expand by just over \$13M. These increased costs do not assume additional staff or program investments that may ultimately be proposed prior to FY16.

On February 18, the Governor’s budget communicated a few changes to our current funding state that, if ultimately become law, could have an adverse impact to our budget. Specific grants cited for reductions include the Priority Schools Extended School Day Grant, the Priority Schools Summer School Accountability grant, the Healthy Foods Initiative Grant, Parent Academy, and decreases to Commissioner’s Network funding. These changes would ultimately reduce NHPS resources by approximately \$1M, and will require an adjustment to programming in order to maintain current service levels.

Reduction, Efficiency, and Reprioritization Efforts (-\$2.6M Identified)

Although schools have been guaranteed that their budgets will not decrease next year, and will actually experience a \$3.5M increase, central office departments have not been offered this guarantee. Only the existing level of staffing will be assumed in central office budgets. All other costs have been set to zero and it is expected that they will request only what they need to manage their offices and support schools. This Modified Zero-Based Budgeting process, coupled with comprehensive program reviews of the \$84M central services budget, is expected to yield at least half a million in savings to NHPS. A third category of expected savings lies within our existing staffing levels. As you are aware, the Strategic

Resource Allocation project has revealed that we have significant staffing inequity from school to school, and more relevant, that we appear to be over-staffed in certain parts on our operation. Beginning in February and through the summer, all of our staffing decisions will be informed by this data. By allowing natural attrition of staff and intentionally not re-hiring specific roles, we should be able to capture an additional \$1.5M in savings. Finally, a fourth specific area where we should see significant savings is in fuel costs for transportation. At recently posted rates of diesel and biodiesel, we should be able to capture \$.90 per gallon in fuel savings. At an average consumption of 750K gallons per year, and assuming no growth in transportation, we should yield another \$675K in savings.

Needed School Change Investments (+\$6.5M Proposed)

Since NHPS School Change began five years ago, we have produced substantial accomplishments and positive momentum for many of our students and schools. Moving forward our commitment remains to success for *all* of our students, from their first days in our schools, through their learning experiences with us, and even during those moments when some may go off track. Our vision and plans seek to deepen and extend School Change through significant, collaborative, and constructive actions so that we serve all New Haven’s student well, and so that every school and every student rises to greater success. This work must be achieved through efficient, equitable and transparent infrastructure supports to students, schools, and the system that enable educators and students to maximize learning.

We are committed to expanding success to all of our students, ensuring that students not only pass through NHPS schools, but that that they are prepared for success in the next stages in their lives. As such, we have established goals around the following targeted areas:

Fig 2: NHPS Target Investment Areas for FY16

		Targeted Investment Area				
Alignment and Cost Considerations		Starting and Keeping Students on the Right Track: Academic Learning Systems	Building Engagement Through Social, Emotional & Physical Learning Systems	Continue to Strengthen School Portfolio	Maintain Talent Emphasis	Provide Strategic Infrastructure Support to Students and Schools
	NPHS Actions	<ul style="list-style-type: none"> - Expand Early Grade Reading - Deepen On-going Literacy Interventions - Strengthen ELL Learning 	<ul style="list-style-type: none"> - Expand YouthStat - Deepen behavior and student engagement supports, including implementation of Restorative Practices and expansion of staffing in targeted need schools - Redesign and invest in Homebound and 	<ul style="list-style-type: none"> - Continue School Transformation Efforts - Expand Innovative Practices and Models - Focus on equity of support in staffing and non-staffing - Respond to 	<ul style="list-style-type: none"> - Expand Peer to peer networks - Improve recruitment and retention - Extend career lattice for expanded professional impact - Continue leadership 	<ul style="list-style-type: none"> - Provide technology supports to schools (hardware and staffing) - Complete redistricting and enrollment redesign - Deploy tools that deliver

		Alternative Education - Redesign orientation for walk-in students	school requests for staff & materials	development - Strengthen trajectory for non-certified staff	timely, relevant, and actionable data
Est. Cost Range	~\$1M	~2.5M	\$1M	\$0M*	\$1M

* Not in our FY16 request since grant funds are expected to fund this work.

As NHPS establishes thoughtful plans for the FY16 school year we request that \$5.5M is set aside to fund this work. In addition, as we place higher focus on student-specific challenges such as transience, mobility, and the variable school equity they experience, we intend to set aside an additional \$1M for mid-year student supports. This funding will follow students as they enter the district after October 1, and between schools through natural mobility.

The FY16 Need is \$10.6M

Bringing it all together, we require \$10.6M in additional revenue in order to execute on the plan articulated above. This figure represents \$13.3M of budget growth, plus currently identified savings of \$2.6M. While we will continue to be aggressive with identifying efficiencies and cost reductions, we must be prudent and only rely of those savings we can reasonably expect, quantify, and for which we have specific plans. The below set of tables and charts summarize the areas of growth, reductions, and net increase of \$10.6M:

Fig. 3: Summary of FY16 Increase Request, Net of Identified Savings

Strategic Investments	
School Support Initiatives Set-Aside	\$ 5,500,000
Enrollment Equity Reserve	307,430
Transient Student Reserve	614,860
	<u>\$ 6,422,290</u>
Cost Pressures (Savings):	
Teacher Salary Increases	\$ 3,847,849
Non-Teacher Salary Increases	684,831
Non-Personnel Cost Increases	2,319,040
	<u>\$ 6,851,720</u>
Reductions and Cost Savings	
Strategic Non-Rehires	\$ (1,500,000)
Programmatic Review Savings	(500,000)
Fuel Savings	(675,000)
	<u>\$ (2,675,000)</u>
Total Required Increase for FY16:	<u>\$ 10,599,010</u>

Fig 4: Year over Year All-Funds Budget Change

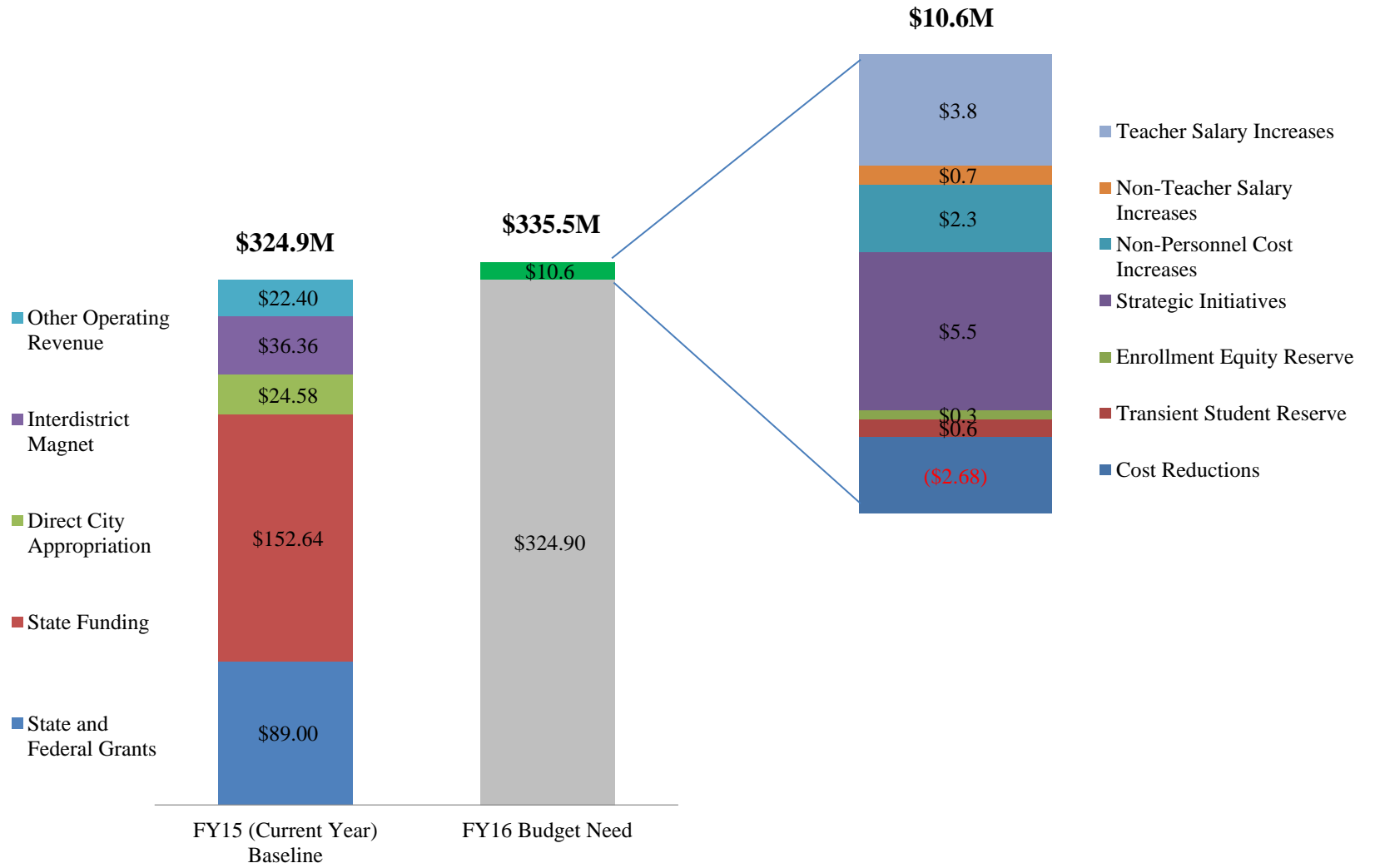


Fig. 5: FY14 Expenditures that actually reached the classroom

Our starting point: How much money does NHPS spend on educating its students

