Funding A New Era In Student Achievement



Establishing Long-Term Financial Stability

Presentation to the Board of Education • May 1, 2014

Dr. Bolgen Vargas, Superintendent of Schools

Overview

- **This year's effort to balance our budget and fund priorities has had positive outcomes**
  - Gap of $42.0 million closed
  - $15.1 million dedicated to additional investments in academic priorities to drive student achievement:

    Reading by 3rd Grade

    More and Better Learning Time

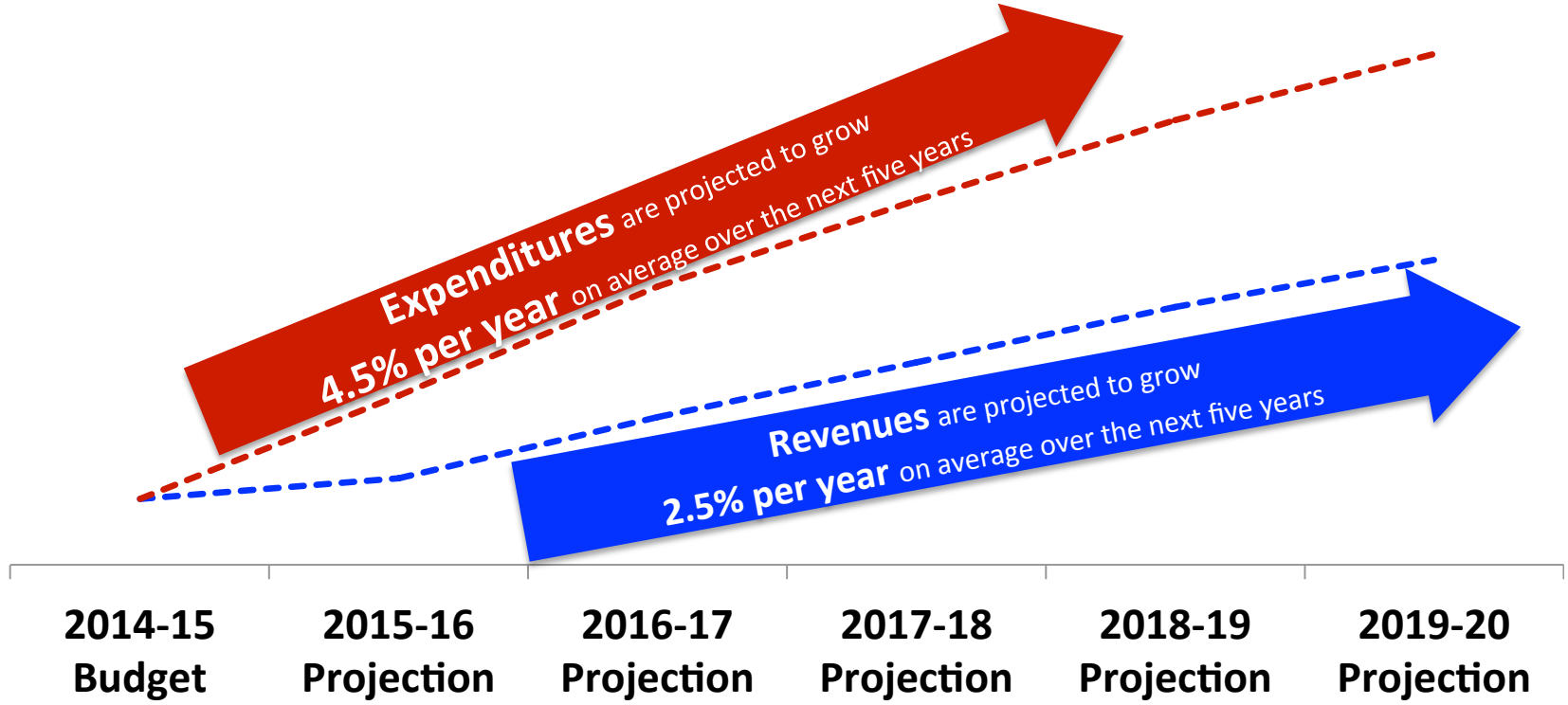
    Instructional Excellence
- However, **expenses are growing faster than revenues,** driven by things such as growth in charter school costs and contractual obligations to our bargaining units
- **We need to continue to proactively address these significant cost drivers.** This will help provide greater stability for students, families and staff. This will help us sustain long-term growth in student achievement.
- **If we do not address the structural gap, we risk greater instability in the future.** Significant annual budget cuts would create uncertainty and eventually eliminate essential services

We Are Making Progress Toward Financial Stability

- $51.8 million in efficiency savings between 2011-12 and 2013-14, including:
  - The new health insurance plan saves over $7 million annually
  - Our shift to school-based tutoring allows us to serve over 5,000 additional students at $1.3 million lower cost
  - We have provided more than 29 hours of additional instructional time by ending early dismissal on Wednesdays - nearly a full week of school

- The 2014-15 Draft Budget achieves an additional $10.6 million in efficiency savings, including:
  - $3.2 million – Align employee compensation to revenue and limit vacation cash-out to one week
  - $3.0 million – Reductions in Central Office and administrative departments
  - $2.4 million – Reductions in school administration
  - $2.0 million – Vendor contract reductions

Structural Budget Gap



How We Can Close the Gap

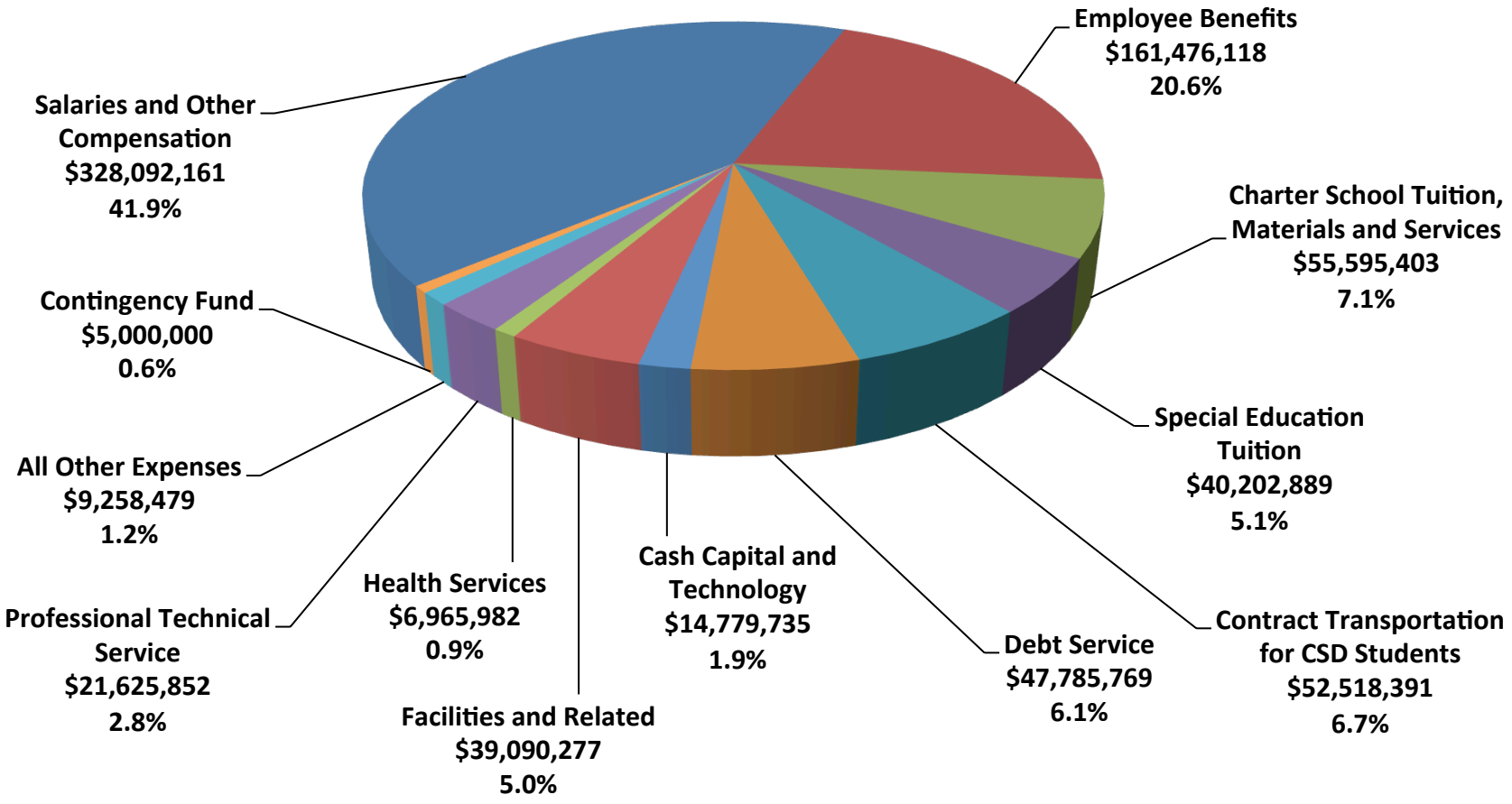
- Continue to find efficiencies
- Match staffing costs to revenue growth
- Match outside service contracts to revenue growth
- Carry out school closure plans to align with declining enrollment
- Fund our priorities to improve student achievement and reduce enrollment loss

Strategies for Long-Term Stability

	Beginning now	Over next five years	Ongoing
Fund Academic Priorities	Fund core initiatives around: • Reading by third grade (RB3G) • More and better learning time • Instructional excellence	• Expand impact of new academic priority initiatives • Identify and test additional promising research-based opportunities	• Monitor, evaluate, refine, and expand the implementation of our academic priority efforts throughout the District
Improve Service Delivery	• Design and launch an improved Special Education model	• Implement improved Special Education model • Identify additional service improvements	• Monitor results and align Special Education resources with needs
Continue to Achieve Efficiencies	• Align class fill rates to expectations • Pursue targeted administrative reductions • Pursue transportation savings • Identify excess space	• Identify, explore, and pursue most promising savings that emerge, e.g., – Reduce administrative costs – Redesign classroom support model to meet needs – Extend reach of most effective teachers – Pursue “win/win” opportunities in employee benefits – Right-size our facilities	

Where Our Money Goes

Total 2014-15 Expenditures: $782,391,056

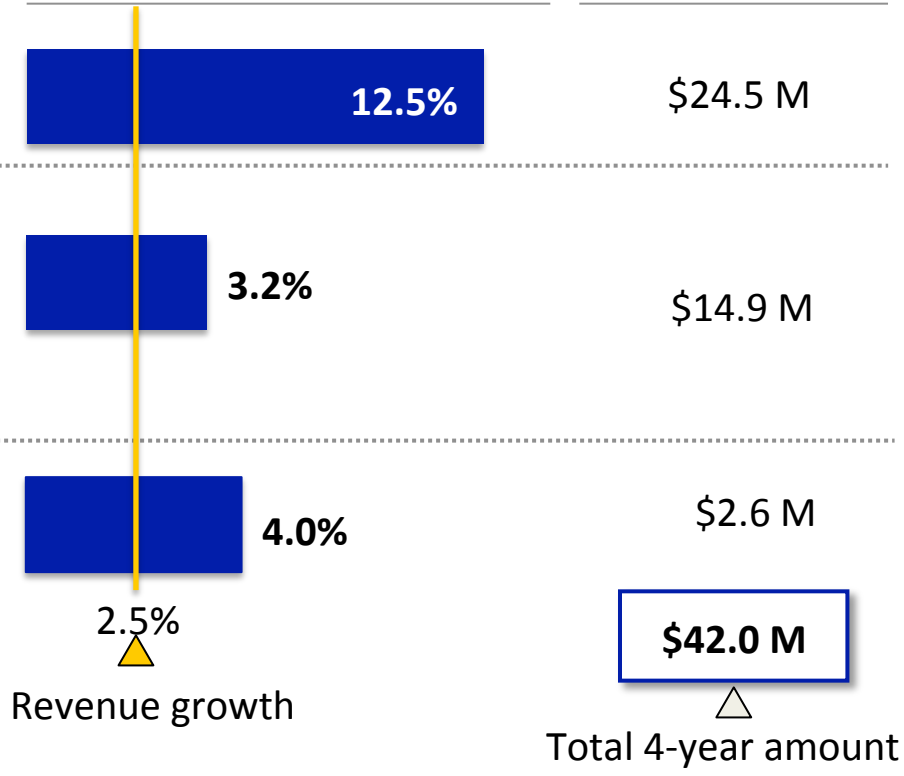


Charter School Tuition, Materials and Services include a portion of the cost of transportation, hardware, software, and textbooks, which would otherwise be counted in other expenditure categories. These costs represent mandated services to charter schools.

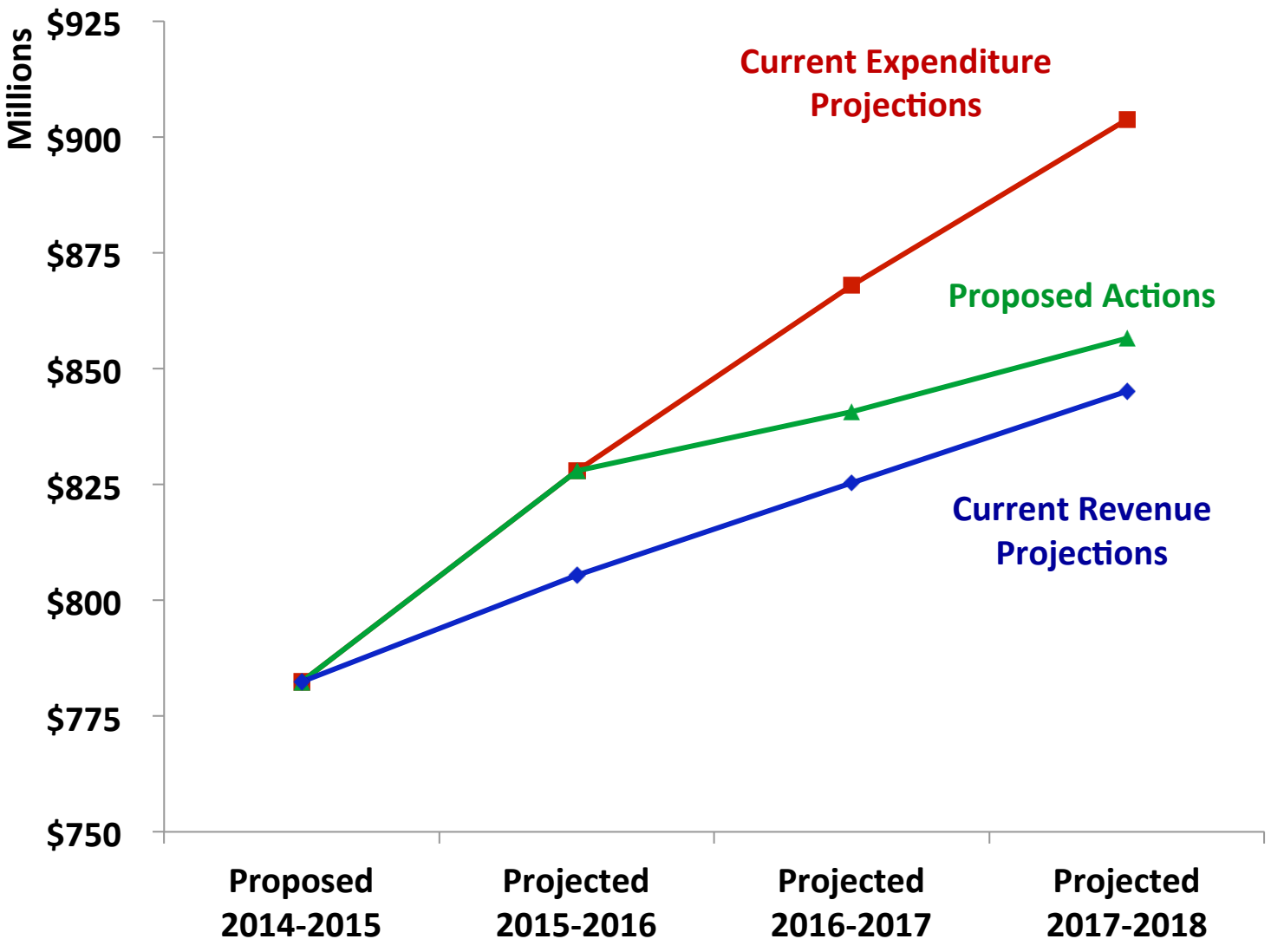
Top Three Cost Drivers

Cost drivers growing faster than revenues

Cost growth driver	2014-15 Draft Budget ($ million)	Annual percentage growth	4 year cost of growth>revenue ($ million)
1 Charter school costs	$41 M	12.5%	$24.5 M
2 Employee compensation and benefits	$490 M	3.2%	$14.9 M
3 External special education tuition costs	$40 M	4.0%	$2.6 M

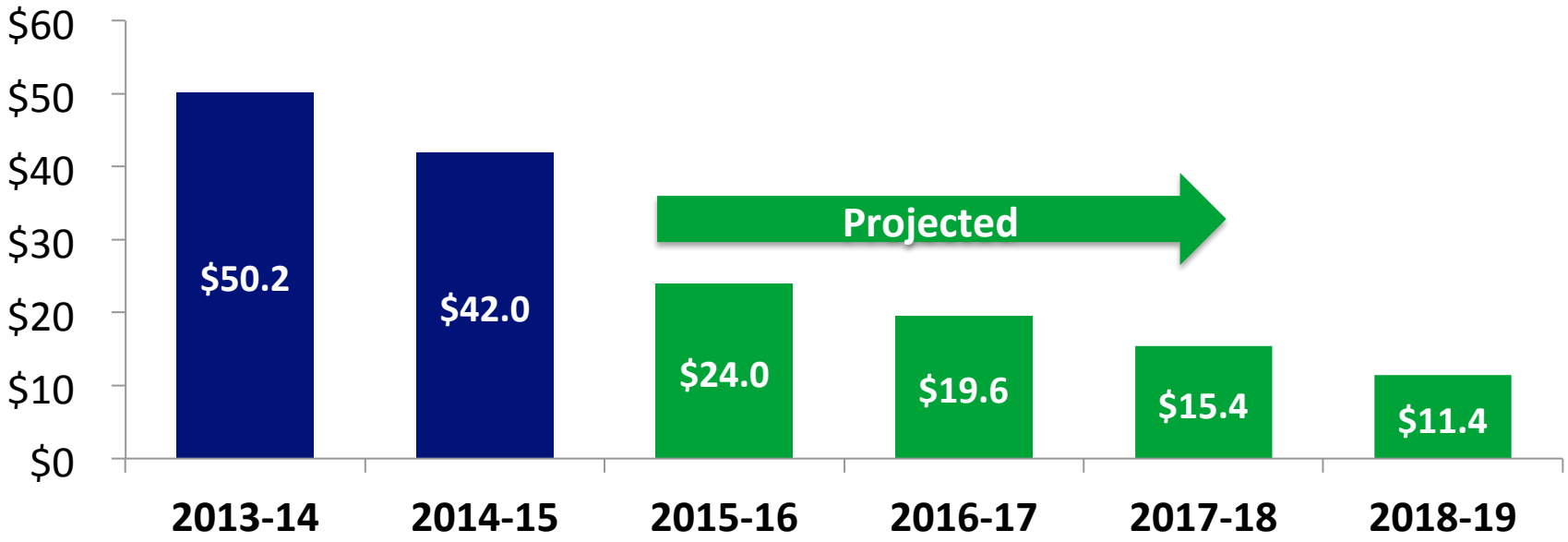


Multi-Year Projection



We Need to Start Bending the Curve Now

Annual Incremental Budget Gaps, 2015-16 through 2018-19
(Dollars in Millions)



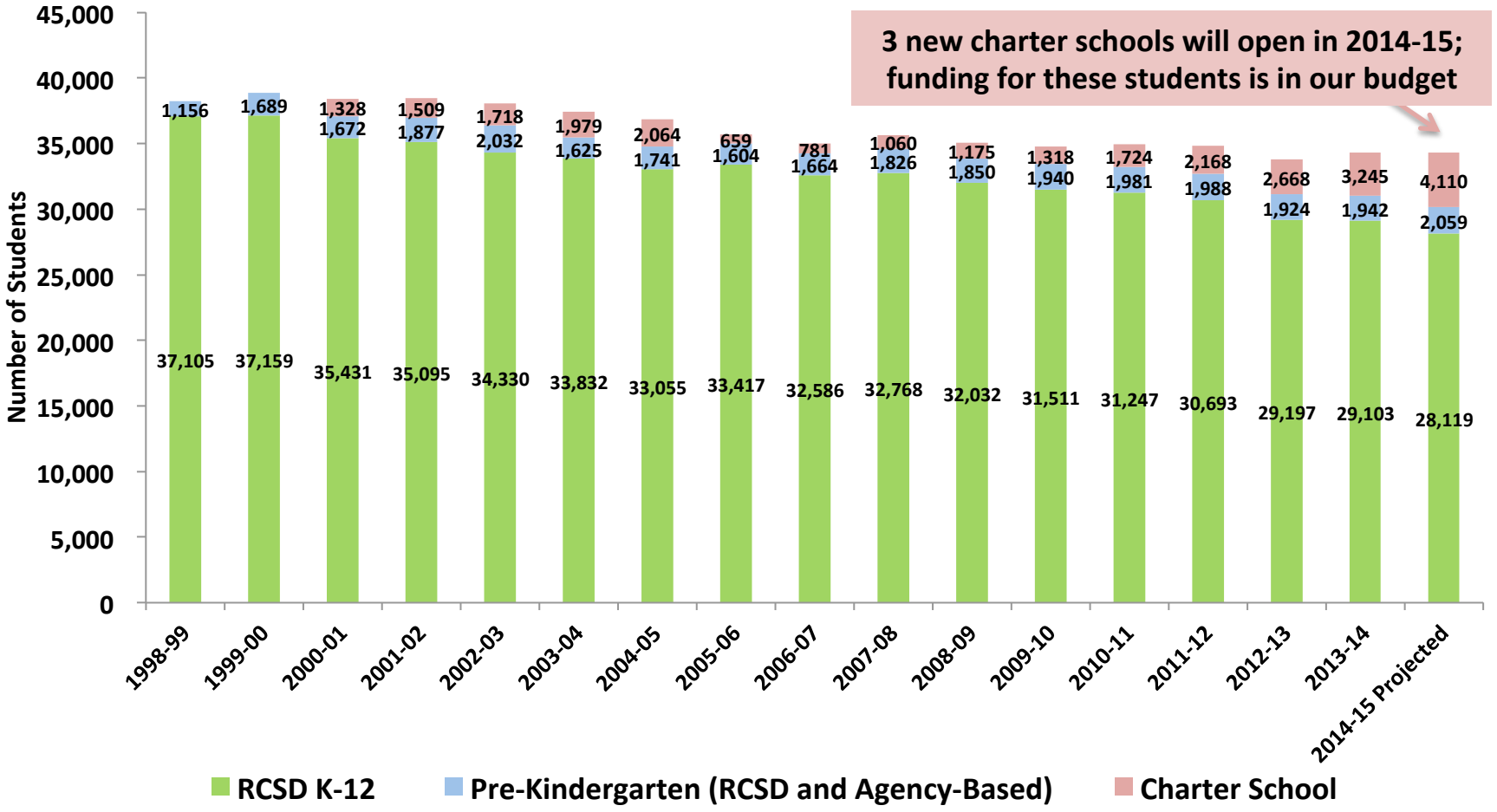
Taking a long term view will ease the burden of this gap, which will:

- Preserve stability
- Minimize layoffs and displacements

Additions to the 2014-15 Draft Budget will increase the projected out-year gaps.

Student Enrollment Trend (BEDS Data)

Over the past 15 years, RCSD K-12 enrollment has decreased by 8,002 students (-22%)



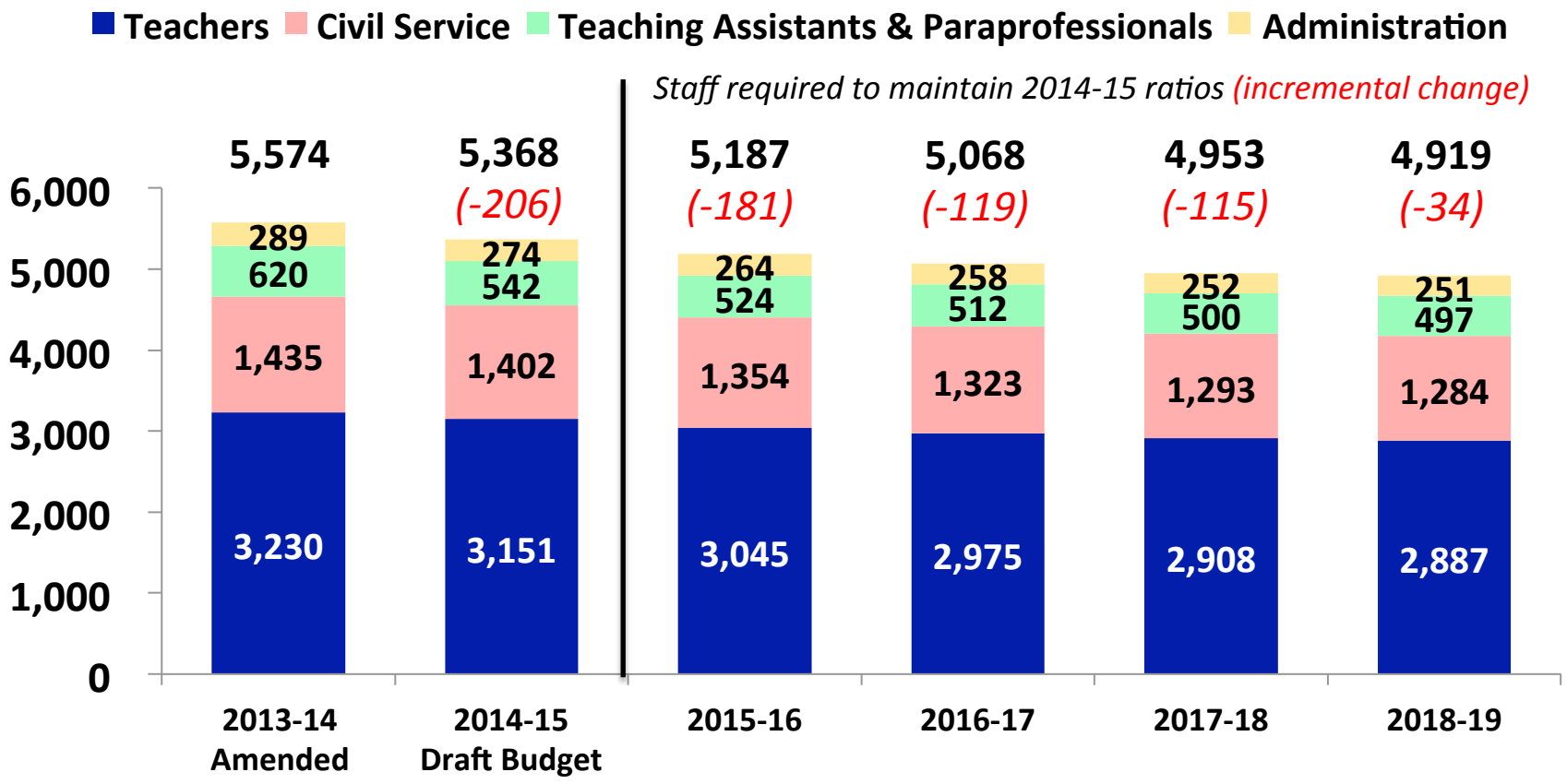
- Student counts do not include private and parochial schools
- 2013-14 enrollment is based on preliminary NYSED BEDS data
- Full day Pre-Kindergarten will be expanded in 2014-15, and the number of half-day seats will be reduced

Ratio of District Enrollment to Staff

	1999-2000	2004-2005	2009-2010	2014-15 Draft Budget
RCSD Pre-K – 12 Enrollment	37,159	33,055	32,379	29,183
District FTEs	6,121	5,916	6,392	5,368
Student to Staff Ratio	6.1	5.6	5.1	5.4

In 2014-15, there are 5.4 students (including Pre-K) for every District FTE.

Staff Reductions Required to Maintain Current Ratios



K-12 Enrollment:					
29,103	*28,119*	*27,172*	*26,546*	*25,949*	*25,767*

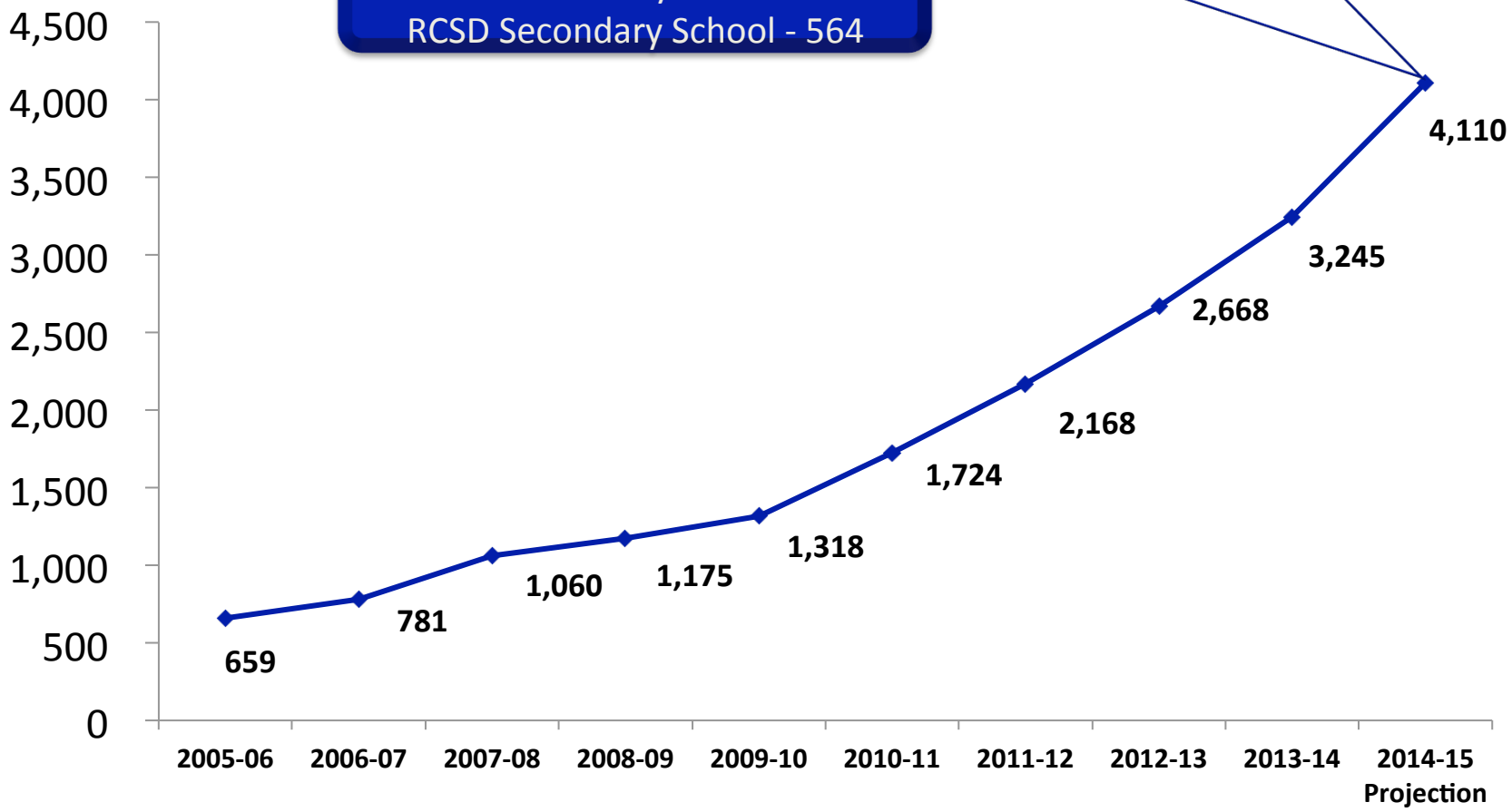
Changes Required to Reduce Out-year Gaps

	Financial Need	Required Action
Charter School Costs	• Maintain or increase the ratio of students to staff as enrollment declines	• Continue to right-size the district and align buildings to more readily adapt to changing enrollment • Plan for staff reductions and carefully assess the need for replacements and new hires
Employee pay and benefits	• Continue to adjust the expected cost increase of total employee pay and benefits to be at or below revenue growth	• Work with bargaining units to align total compensation with revenue growth
External Special Education Tuition	• Spend on external providers must not grow faster than revenues	• Work with providers to find opportunities to reduce cost increases

Charter School Enrollment Trend

We project a loss of 865 students to charter schools in 2014-15

Median 2013-14 Enrollment:
RCSD Elementary School - 502
RCSD Secondary School - 564



Impact of Enrollment Loss to Charter Schools

Costs that Should Decrease	Costs that Continue (Services provided to charter school students)	Costs that Increase
Staff	Textbooks	Charter school tuition (Rate set by NYS)
Square Footage of Educational Facilities	Special Education services	Transportation (More bus routes to more charter schools)
Student supplies	Computer Hardware & Software	
Printing and mailing	Nursing services	
Instructional materials		
Tutoring		

Strategies to Eliminate the Structural Deficit

	2015-16	2016-17	2017-18	2018-19
Estimated Annual Budget Gap	**$24.0 M**	**$19.6 M**	**$15.4 M**	**$11.4 M**
Estimated Annual Incremental Savings				
Align employee pay and benefits to revenue (2.5%)	$2 M - $3 M	$0.5 M - $1 M	$2 M - $3 M	$0.5 M - $1 M
Align vendor contracts to revenue	$0.5 M - $1 M	$0.5 M - $1 M	$0.5 M - $1 M	$0.5 M - $1 M
Align staff to enrollment:				
Improve class fill rates	$1 M	$1 M	$0.5 M	$0.5 M
School Closures	$2 M - $3 M	$4 M - $6 M	$2 M - $4 M	$3 M - $5 M
Modernization of Special Education	$4 M - $6 M	$4 M - $6 M	$3 M -$5 M	$2 M -$3 M
Increase grant and State Aid revenue	$2 M -$5 M	$2 M - $4 M	$2 M - $3 M	$4 M - $6 M
Efficiencies: - Central Office and Administration - Reduce absenteeism - Staffing Flexibility - Strategic partnerships - Transportation	$4 M - $7 M	$3 M - $5 M	$3 M - $5 M	$2 M - $4 M

Why We Must Close the Structural Budget Gap

By addressing cost issues now and maintaining budget discipline, we can:

- ***Meet the needs of our students, families and staff***
- ***Improve student achievement by funding our priorities***
- ***Create a district of successful schools that families want to choose***
- ***Stem the loss of enrollment to charter schools***
- ***Minimize layoffs and avoid future budgetary crisis***
- ***Ease the pain of the annual budget process***
- ***Reduce staff size in a planned way that maintains services***

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