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To: Liam Skinner, Superintendent
From: Derek Pinto, Assistant Superintendent of Finance
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Subject: Finance Report: Analysis of Staffing Growth and Fiscal Transition (FY20-FY27); FY27 Budget Context Brief

Executive Summary

As Lowell Public Schools transitions away from federal Elementary and Secondary School Emergency Relief (ESSER) funding, the district must reconcile the strategic staffing expansions made during the pandemic with long-term fiscal sustainability. This memo outlines the growth in instructional and support personnel from FY20 through the FY27 projections and contrasts these shifts against stable student enrollment.

Strategic Staffing Expansion

During the ESSER funding cycle, the district intentionally increased headcount to mitigate learning loss and bolster social-emotional supports. While these additions provided vital intervention capacity, they represent a significant shift in the district's structural cost base.

Key Staffing Trends (FY20 – FY26)

The following table illustrates the longitudinal growth across primary instructional categories

Position	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Change FY20 through FY26
Total Reg. Ed Teachers	770.5	790	796.5	796.5	835.7	849.5	837.6	+67.1
Total SPED Teachers	221	221	222	222	243	241	248	+27
Total MLE Teachers	69	77	78	93	112.5	111	111	+42
Total Mainstream Paras	171	186	201	152	191	225	230	+59
Total SPED Paras	226	195	200	214	226	229	280	+54
Total MLE Paras	0	0	0	22	33	28	25	+25

Critical Observations

- **Instructional Support Surge:** The most significant growth occurred in Regular Education Teachers (+67.1 positions) and Mainstream Paraprofessionals (+59 positions).
- **Multilingual Learner (MLE) Growth:** Starting from a baseline of zero in FY20, the district established a cohort of MLE Paraprofessionals, peaking at 33 in FY24 before beginning a projected contraction.
- **Enrollment Variance:** This staffing surge occurred despite a nearly flat enrollment trend. District enrollment moved from 14,434 (FY20) to 14,387 (FY26)—a nominal decrease of 47 students. Consequently, the student-to-staff ratio has decreased significantly, creating a higher per-pupil cost than in the pre-pandemic era.

Fiscal Realignment and Sustainability

The expiration of ESSER funds necessitates a transition from "temporary expansion" to "structural alignment." As we move into FY27, the district is tasked with:

1. **Reconciling Personnel Levels:** Aligning staff counts with the actual requirements of the General Fund and Chapter 70 aid.
2. **Prioritizing Direct Service:** Ensuring that while reductions are made—primarily through central office review and attrition—classroom instruction and mandated services (SPED/MLE) remain protected.
3. **Efficiency in Allocation:** Analyzing the "peak" hiring years (FY24/FY25) to determine which supports yielded the highest impact on student outcomes to inform future rightsizing.

The administration remains committed to a transparent budgeting process that prioritizes the long-term fiscal health of the Lowell Public Schools while maintaining the high standard of support our students require.

FY27 Budget Context Brief

The FY27 budget will reflect a balanced financial plan aligned to available revenue, as required under Massachusetts law. The district must ensure expenses do not exceed revenue, which means educational services, staffing levels, and programs must ultimately align with the funding available from the Commonwealth and the City.

FY27 Budget Context – Key Points

1. Revenue Sets the Spending Limit

The district's operating revenue is driven primarily by Chapter 70 state aid and the City's cash contribution.

Revenue Source	FY26	FY27 (Anticipated)	Change
Chapter 70 State Aid	\$261,489,114	\$275,966,413	+\$14,477,299
City Cash Contribution	\$12,000,000	\$12,000,000	Level
Total Revenue	\$273,489,114	\$287,966,413	+\$14,477,299

While Chapter 70 has grown in recent years, **municipal cash contributions have remained largely level**, limiting discretionary funding available to the district.

In the table below, the required local contribution has grown by approximately \$4.1M under the state formula, but the **LPS will not receive any of these new dollars in terms of a cash contribution**.

Budget Year	FY26	FY27	Change
Required Local Contribution	\$68,956,678	\$73,085,908	+\$4,129,230
City Cash as % of Contribution	17.4%	16.4%	-1%

2. Cost Drivers Continue to Outpace Flexible Revenue

Most district expenses are statutory, contractual, or compliance-driven and must be funded first.

Major Cost Drivers

Category	Budget Impact
Salaries & Benefits	~75% of district spending, benefits – higher than projected increases
Special Education	Growing placement and service costs
Transportation	Rapidly increasing and unpredictable

Examples of FY26–FY27 (projected) increases:

Expense Area	FY26	FY27	Change
Schools	\$190,530,987	\$195,343,462	+\$4,812, 475
Transportation	\$15,319,012	\$17,744,774	+\$2,425,762
Employee Benefits	\$6,793,656	\$8,356,850	+\$1,563,194
Special Education	\$10,333,486	\$11,687,504	+\$1,354,018

In this upcoming budget year, it is projected that **cost growth will exceed new revenue**, meaning additional funding will serve to maintain existing services rather than expanding them.

3. School Allocations Follow a Structured Framework

School budgets are developed using a **student-based allocation framework** (the Fair Student Funding model) that has been in effect for the last six years. It designed to distribute resources equitably while maintaining operational stability across the district. This model includes:

- **Guardrails:** ensures every school maintains minimum administrative & instructional staffing levels necessary for safe and effective operations.
 - **Student-based weights:** meaning resources follow students based on their instructional needs and service requirements.
 - **Transition policies:** with loss and gain limits on per pupil spending to prevent destabilizing budget swings
- Funding levels are adjusted based on factors such as **student enrollment, special education intensity, multilingual learner needs, and grade span structure.**

Together, these mechanisms ensure that schools receive resources aligned with student needs while protecting stability and ensuring the district can meet all **mandated educational services.**

4. Budget Growth Does Not Reflect Discretionary Spending

Public discussion often focuses on the overall growth of the district's budget. However, most year-over-year increases reflect **changes in revenue sources and rising structural costs**, rather than discretionary program expansion. Growth in **Chapter 70 state aid and required local contributions** contributes to the overall budget increase, but these revenues are largely absorbed by rising expenditures.

The district continues to experience **significant cost escalation in salaries, employee benefits, special education services, and transportation.** As a result, much of the additional funding in the budget is used simply to **maintain existing services and staffing levels**, rather than to expand programs or add new initiatives. In this context, the budget reflects the reality that **structural cost growth continues to outpace flexible revenue.**

5. Looking Ahead

Looking ahead, the district must remain mindful of potential **structural imbalance risks** if revenue growth does not keep pace with escalating costs. Several factors contribute to this uncertainty, including **municipal funding levels, the long-term stability of federal grants, volatility in health insurance costs, and continued growth in special education services and placements.**

These pressures require ongoing monitoring and careful fiscal planning to ensure the district can continue meeting its obligations to students while maintaining financial stability.

Summary

The FY27 budget will reflect the district's continued commitment to **equity, compliance with mandated services, operational stability, transparency in financial planning, and long-term fiscal sustainability.** The budget is being developed within the constraints of available revenue and the legal requirement to maintain a balanced budget.

Ultimately, the financial plan presented reflects **fiscal realities rather than philosophical preference.** Continued collaboration with municipal leadership, the School Committee, and the broader community will be essential to ensure Lowell Public Schools can sustain strong educational services for students in the years ahead.

Central Office Considerations

As we finalize our fiscal planning, it is critical to contextualize the role and cost of Central Office operations. These departments—including the **Superintendent's Office, Finance, Human Resources, and District Leadership**—provide the essential infrastructure required to manage a district of over 14,400+ students and nearly 2,500+ employees.

The following table summarizes the lean nature of our administrative overhead:

Budget Year	FY26	FY27 Projection
Percentage of Total District Budget	4.03%	3.99%

The Role of Central Administration

Central Office personnel perform high-stakes functions that are often invisible but legally mandated. These include:

- **Academics and Instruction, School Leadership, Student Support**
- **Fiscal Compliance:** Managing multi-million dollar grant portfolios (including ESSER closeout and Chapter 70 funds) and ensuring clean state audits.
- **Human Capital:** Processing licensure, benefits, and payroll for a massive workforce.
- **Legal & Leadership:** Navigating complex labor relations, DESE reporting, and student support coordination.

Without these "back-bone" services, school buildings cannot function safely or remain in compliance with Massachusetts General Laws.

The Myth of Central Office as a Funding Solution

There is often a suggestion that the district can solve systemic budget gaps by further reducing Central Office staff. However, this is an **unsustainable strategy** for the following reasons:

- **Diminishing Returns:** Central Office currently accounts for **only 3.99%** of the total budget. Even a total dissolution of these offices would not cover the structural deficit created by the funding shortfall.
- **Historic Cuts:** The district has already been aggressive in lean management. Last year, we cut **\$2 million** from central operations. This year, we have targeted an additional **\$800,000+** in reductions. We are reaching the point of "functional minimums."
- **Operational Risk:** Further reductions threaten our ability to complete budgeting, payroll and audit responsibilities; provide IT services essential to teaching and learning; process teacher contracts; ensure building safety, and remain compliant with Special Education and MLE mandates. Cutting the "brain and nervous system" of the district eventually paralyzes the "limbs" (the classrooms).

Conclusion

We have plans to further reduce the Central Office footprint to provide additional funding to schools. While we remain committed to efficiency, we must recognize that the primary cost drivers of the district are school-based personnel and services. As we continue to navigate a challenging fiscal environment, the goal remains to **protect classroom instruction and student services to the greatest extent possible**, while ensuring the district maintains the administrative capacity required to operate responsibly and in compliance with state and federal expectations. Our administrative overhead is already among the leanest for a district of this size in the Commonwealth.