

BALTIMORE CITY --- PUBLIC SCHOOLS



Investing in Student Success

December 14th, 2016

Marnell A. Cooper
Chair, Baltimore City Board of School Commissioners

Dr. Sonja Brookins Santelises
CEO, Baltimore City Public Schools

Our annual budget process is most importantly a tool to align resources to our focus areas and the needs of our students

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1.

Student Wholeness

- Every student able to access programming and supports that meet the wholeness of their intellectual, social, emotional, and physical needs and interests

2.

Opportunity through Literacy

- Every student strengthening literacy to think deeply and communicate powerfully

3.

School & District Leadership

- Every staff member empowered to grow and lead from his/her space

We are also building on the strategic choices we've made in the past

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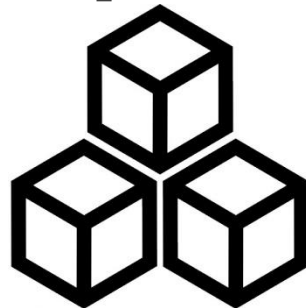
**Teacher Career
Pathways**



**21st Century Building
Plan**



**Pre-K Quality &
Expansion**



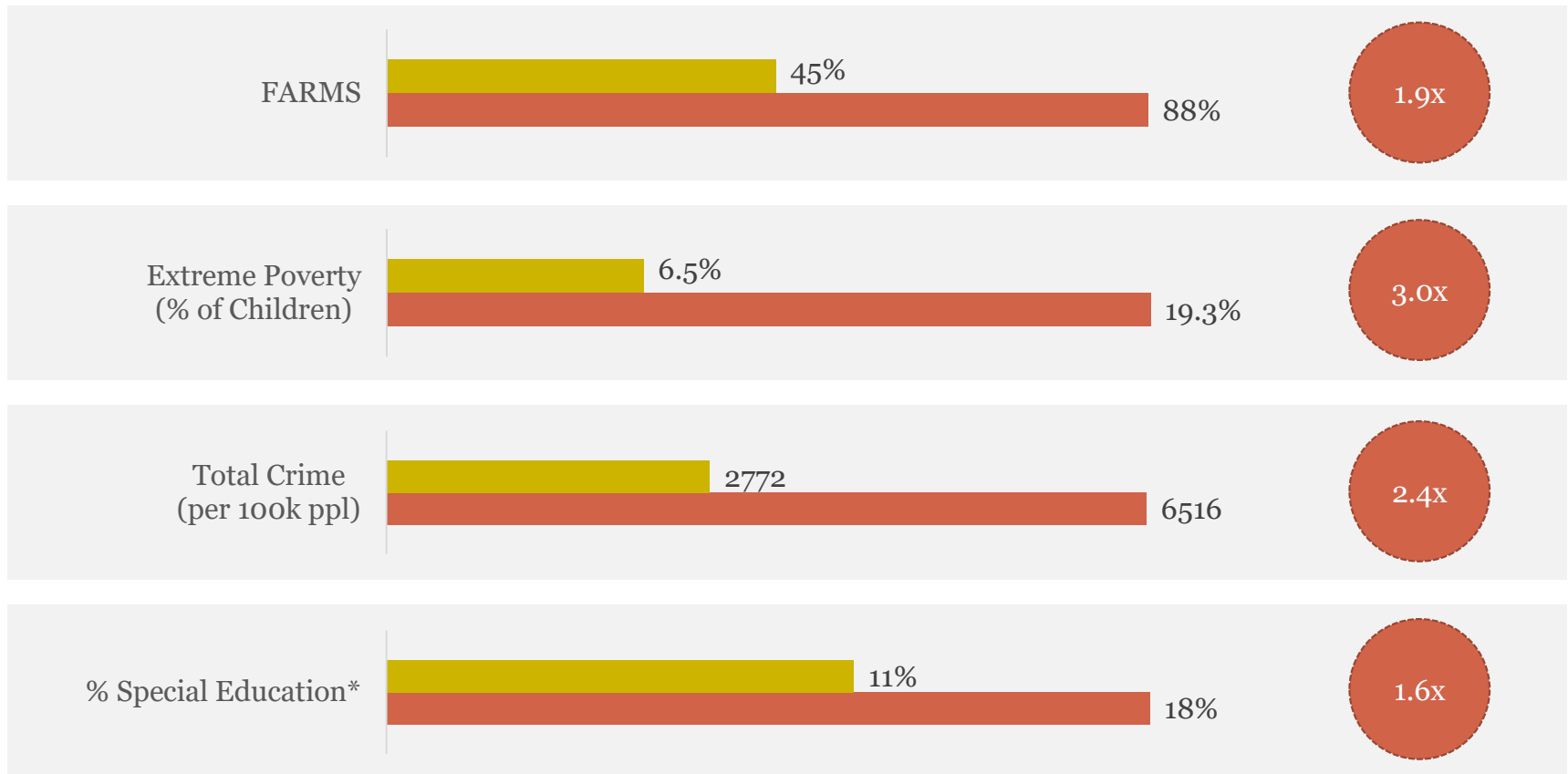
**Middle & High School
Choice**



The urgent needs of our students amplify the importance and challenge of our work

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 *Baltimore City*  *Maryland State*

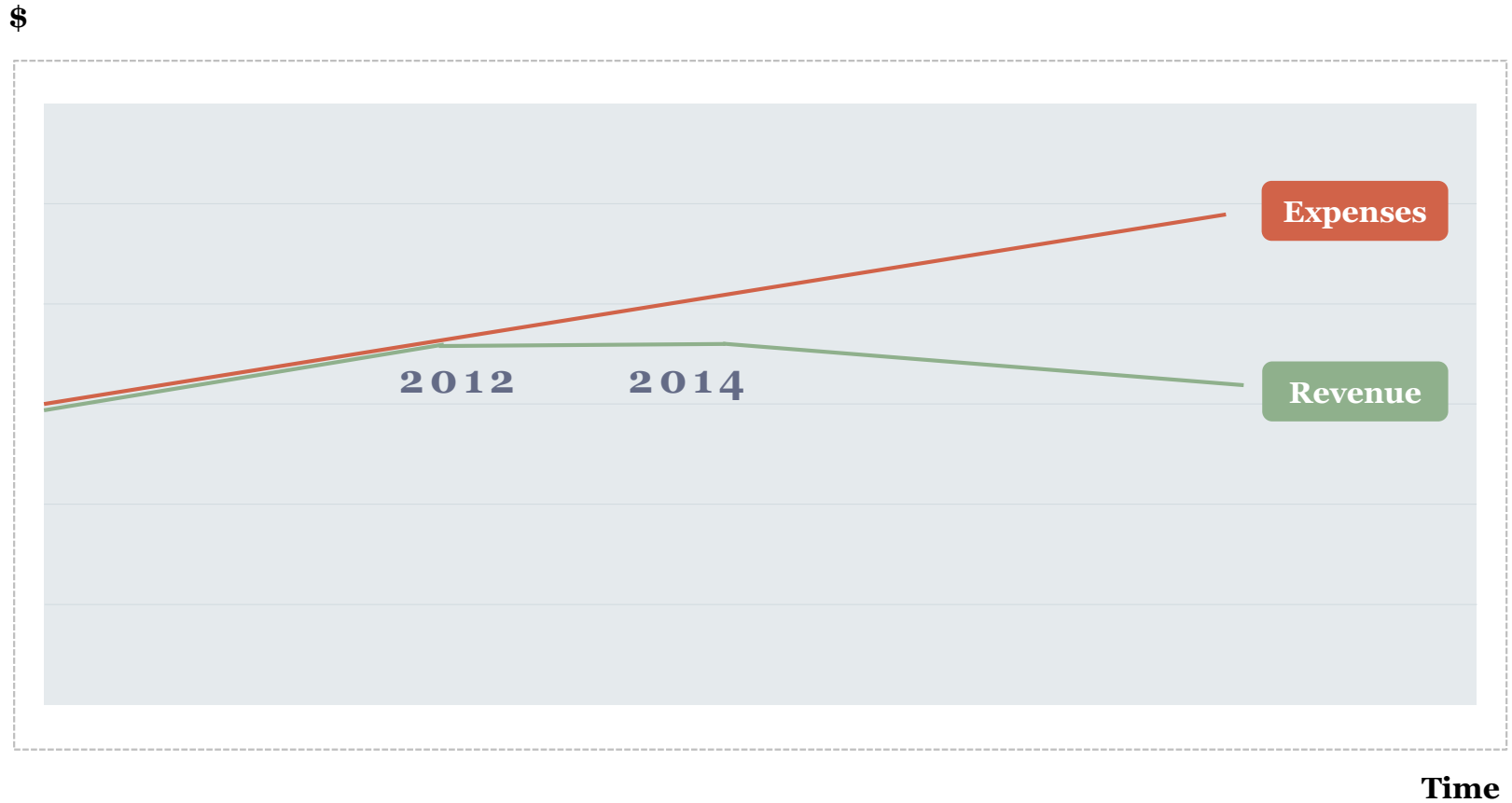


Source: The Baltimore, MD crime data is derived from the FBI's uniform crime reports for the year of 2015. Poverty data is from the United States Census Bureau; Demographics data is from the Maryland State Department of Education 2016.

*The State of Maryland calculates Special Education differently than ERS, resulting in 18% for the number comparable to the state compared to the 15% in the analyses from ERS.

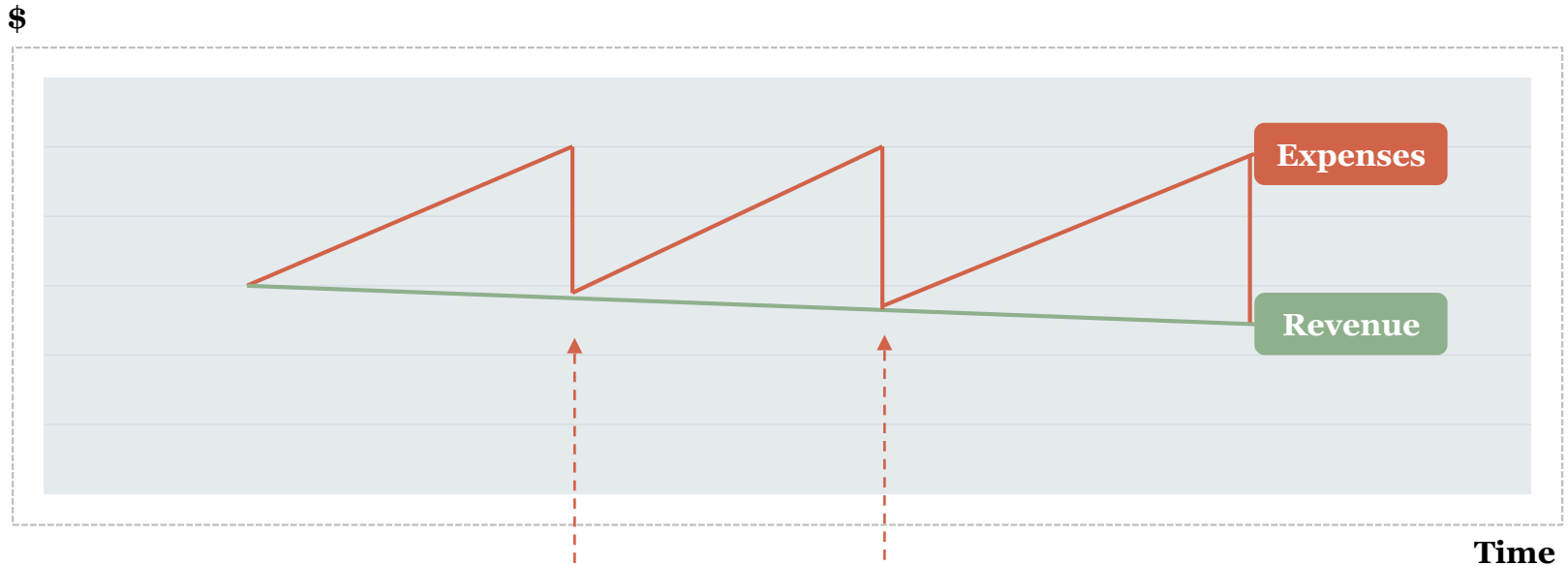
For several years, City Schools has faced a structural gap, with costs rising faster than revenue

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This results in the need for new reductions each year until the underlying cost or revenue structure can be changed

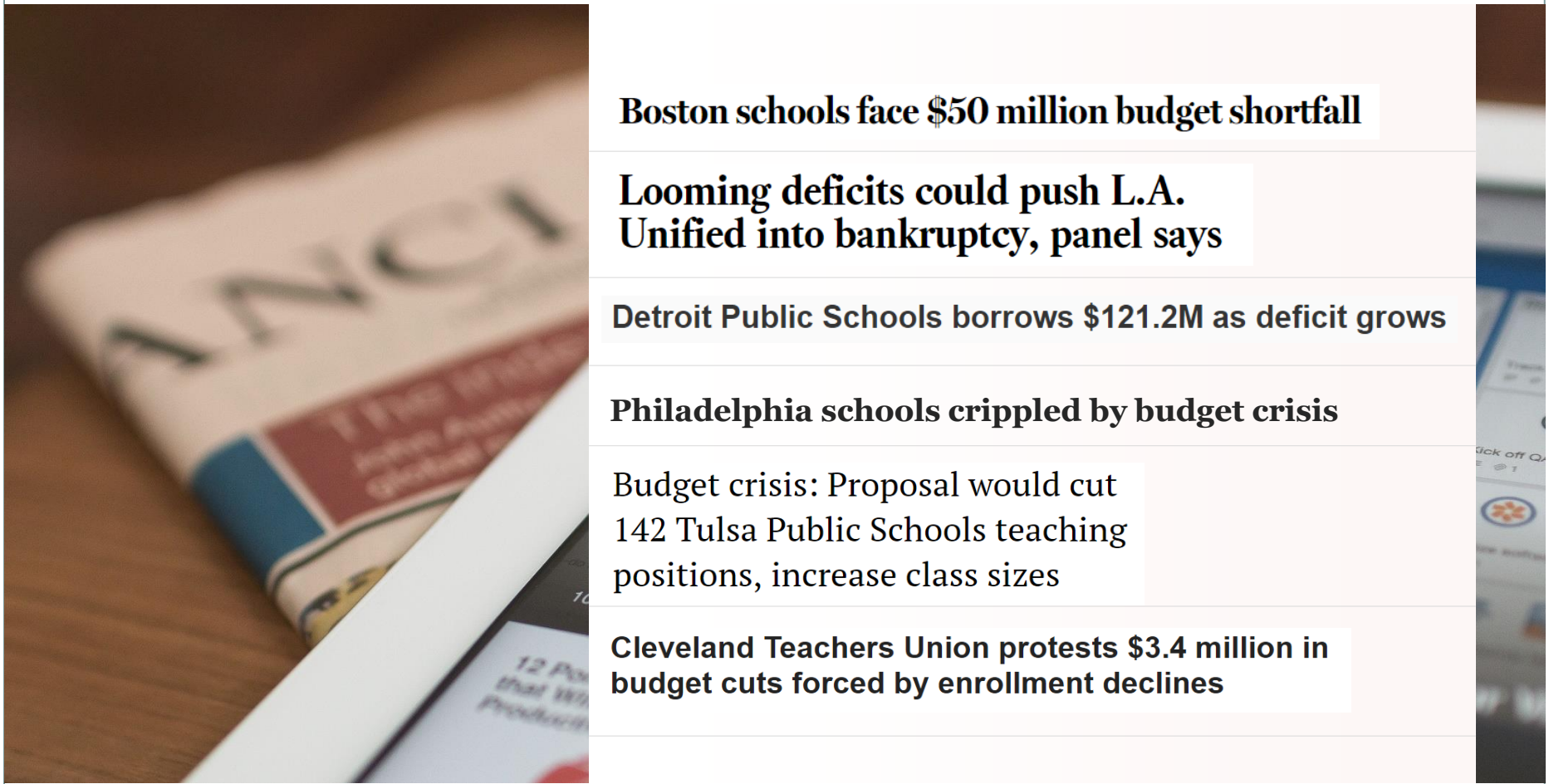
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One time reductions that do not address structural issues

Urban school districts across the country are hit with costs increasing higher than revenue

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Boston schools face \$50 million budget shortfall

Looming deficits could push L.A. Unified into bankruptcy, panel says

Detroit Public Schools borrows \$121.2M as deficit grows

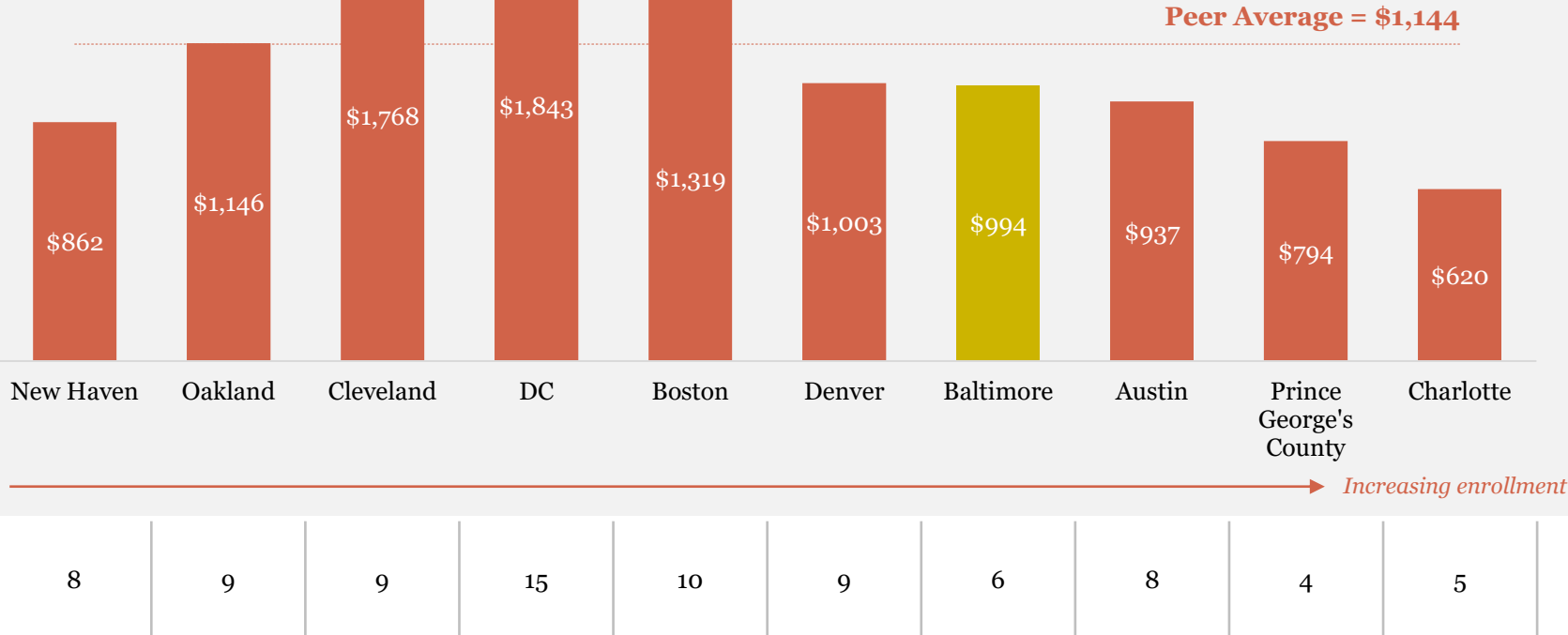
Philadelphia schools crippled by budget crisis

Budget crisis: Proposal would cut 142 Tulsa Public Schools teaching positions, increase class sizes

Cleveland Teachers Union protests \$3.4 million in budget cuts forced by enrollment declines

In past years, City Schools has taken action by working to reduce central office to a level below peer districts

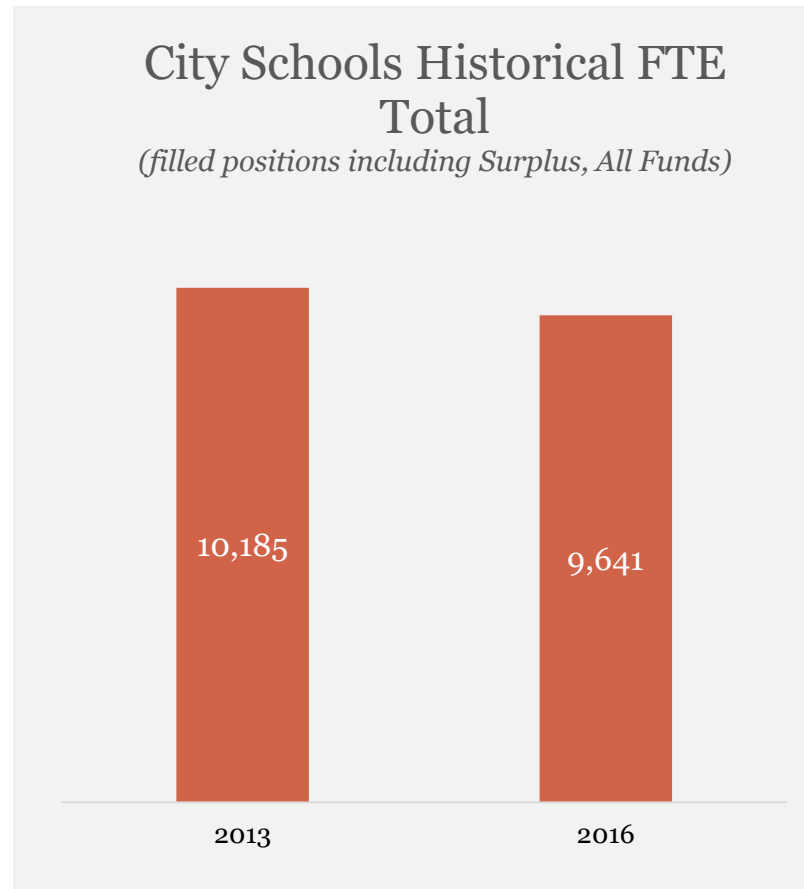
Spend on Leadership and Management (\$ per pupil)



Source: City Schools FY16 Merged GL and cumulative costing details reports – ALL FUNDS, ERS analysis.

Positions have also been reduced over time

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Source: City Schools 9/1 PDR Reports – ALL FUNDS, ERS analysis.

City Schools has also deployed a combination of short-term solutions that cannot become a part of long-term strategy

Recent Examples of Annual Gap Closure Measures to Align Cost to Revenue

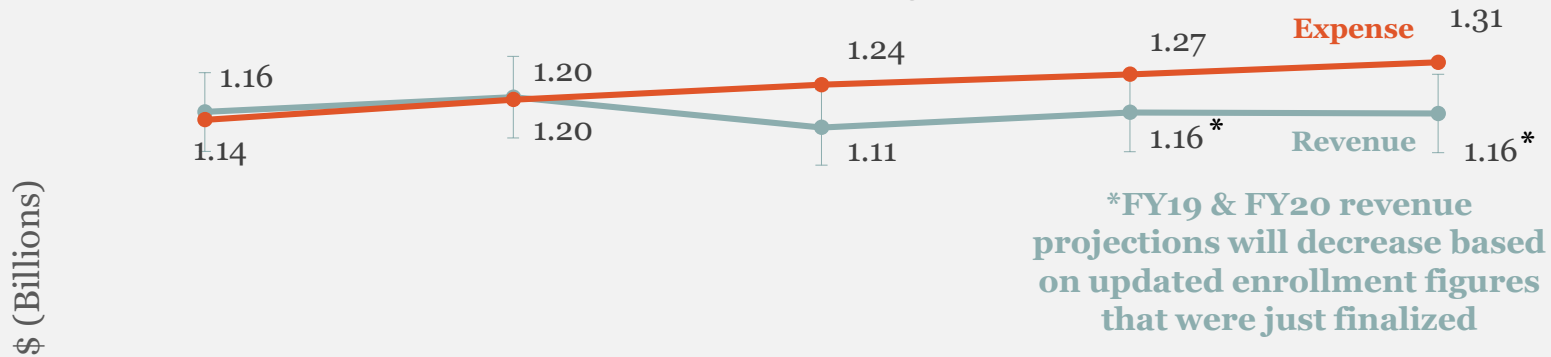
Decision	Savings (\$M)
FY17 – Contributions from Fund Balance <ul style="list-style-type: none">• Defer 21st Century spending (\$20M)• Freeze all discretionary spending after January (\$13M)• Draw down on fund balance (\$12M)• Leave unfilled positions as vacant (\$8M)	\$53
FY17 – One time state revenue	\$13
FY16 – Cost supplemental services to grants	\$4
FY16 – Reduce contractual spending	\$3

While these have been necessary, they are not sufficient, as they do not fundamentally shift the cost and revenue curve. They also in most cases have been exhausted or are misaligned from long-term strategy.

Source: City Schools Finance Department.

Without taking on long-term solutions that make transformational change, City Schools will continually face a budget gap that will threaten its strategic priorities

Revenue and Expense Projections by Year* (General Fund Only)



	FY16A	FY17B	FY18P	FY19P	FY20P
% Revenue Change		4%	-7%	4%	0%
% Expenditure Change		5%	3%	3%	3%
Net Surplus/ Gap		\$0M	(\$129M)	(\$115M*)	(\$151M*)

Source: ERS and City Schools Multi-Year Revenue Projections, General Fund Only, ERS Analysis

What causes City Schools' gap?

What is City Schools doing to fund FY18 and begin work on longer-term solutions?

There are five big drivers of the structural gap

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Revenue



**REVENUE IS
DECLINING**

District
Footprint



**SCHOOL SIZE
MATTERS**

Student
Need



**MORE
DOLLARS
SPENT ON
STUDENTS
WITH HIGHER
NEEDS**

Salary &
Benefits



**COMPENSATION
INCREASE AT
RATE
OUTPACING
REVENUE**

21st Century
Investments



**COMMITMENT
TO BUILDING
IMPROVEMENTS**

As we discuss each driver, we will show how it contributes to the FY18 gap

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**TOTAL FY18 GAP
(IN \$MILLIONS)**

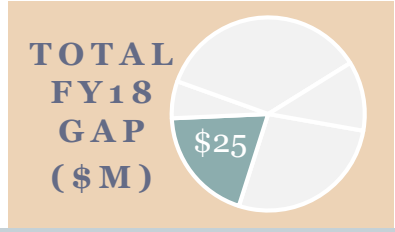
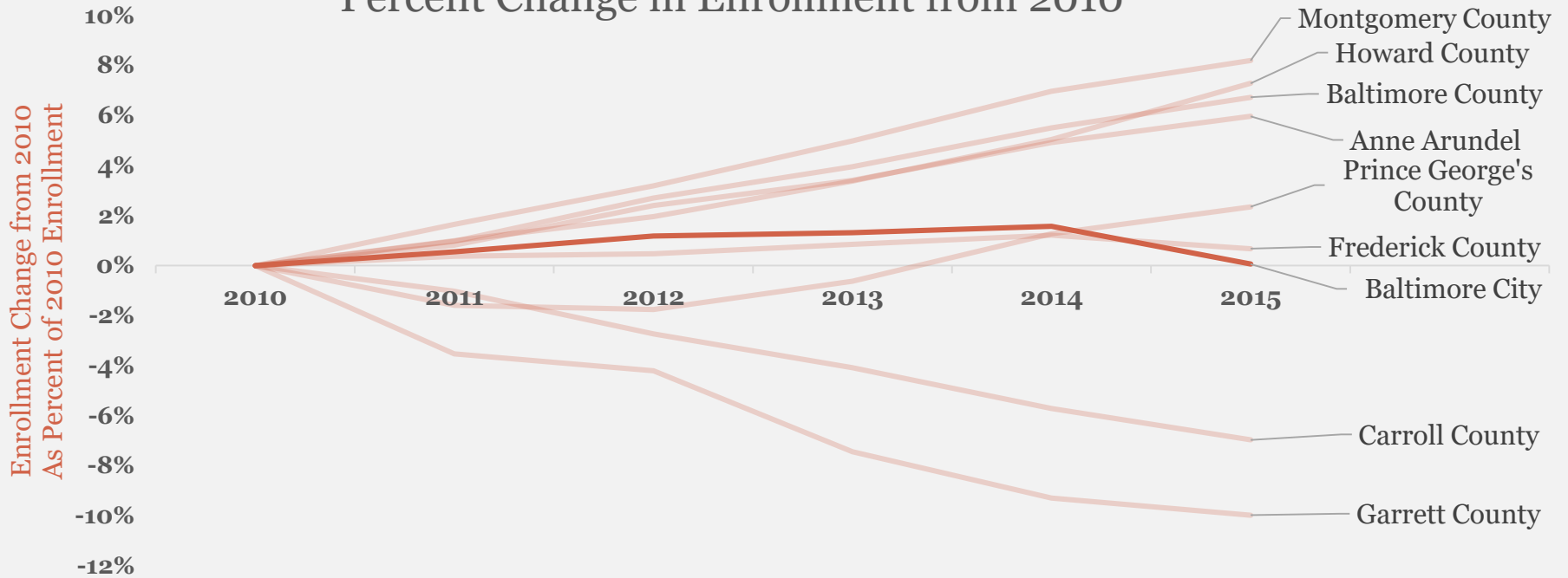


Enrollment decline is the largest contributor to revenue decrease



Revenue

Percent Change in Enrollment from 2010



Source: Maryland State Department of Education

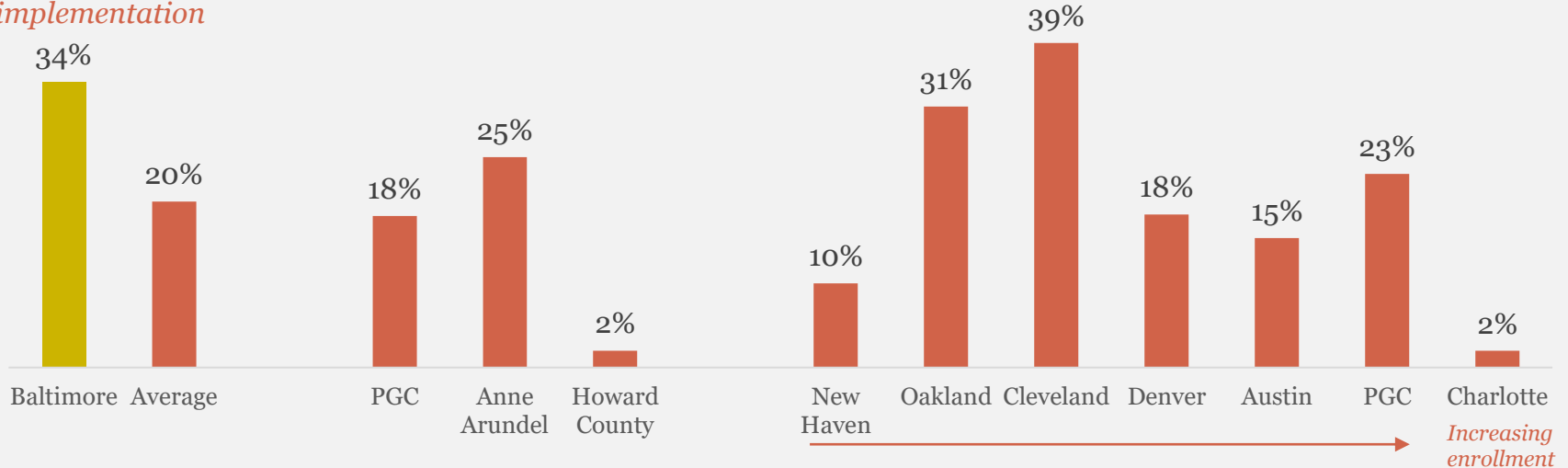
Relative to comparison districts, City Schools maintains a greater percentage of schools with low enrollment



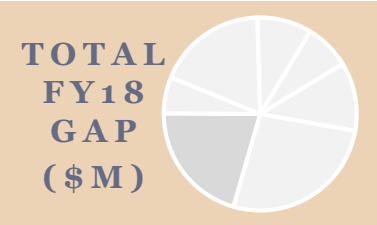
District Footprint

% of ES/K8 Schools with <350 Students

City Schools #s will shift with 21st century implementation



Avg. Grade Size	Baltimore	Average	PGC	Anne Arundel	Howard County	New Haven	Oakland	Cleveland	Denver	Austin	PGC	Charlotte
	54	83	70	76	96	-	-	43	84	87	-	117



Source: Baltimore SY1516 Schools List, ERS CAPS database

Smaller schools and schools with smaller grade sizes create the following challenges



District Footprint

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Design implications of small schools:

- › It is harder to organize a **broad range of programming**
- › With less flexibility in staffing, it's harder to **organize resources effectively to support small grouping** and interventions
- › Teacher teams that **share content are smaller** or don't exist, limiting teacher leadership
- › Teachers must have a **wider range of expertise**, impacting the sustainability of teaching job

WHOLENESS

LITERACY

WHOLENESS

LEADERSHIP

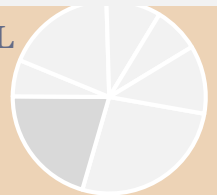
LEADERSHIP

Cost implications of small schools:

- › **School Admin and Operations** costs are spread over fewer students
- › **Lower grade sizes** create wide variation on class size with very small or very large class sizes

In City Schools, ES/K8 schools with less than 350 students cost **\$649 more per pupil on average** than larger schools. This difference totals to approximately **~\$9M investment** for the district.

TOTAL
FY18
GAP
(\$ M)



Source: Baltimore SY1516 Schools List, City Schools Official 9/30 Student Count; City Schools FY16 Merged GL and cumulative costing details reports

Higher rates of student need also drive spending in City Schools



Student Need

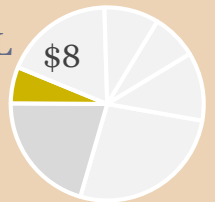
18

- City Schools spends **24%** of its operating budget on **services for students with disabilities**, among the highest of comparison districts
- City Schools also invests **41%** more in **physical health services** and **60%** more in **social emotional services** for students
- City Schools' **transportation costs** are also rising, partly explained by increases in service costs for students with disabilities and increases in homeless ridership

City Schools serves more students with higher needs and spends more on each of those students

Source: Baltimore SY1516 Schools List, City Schools Official 9/30 Student Count; City Schools FY16 Merged GL and cumulative costing details reports

TOTAL
FY18
GAP
(\$ M)

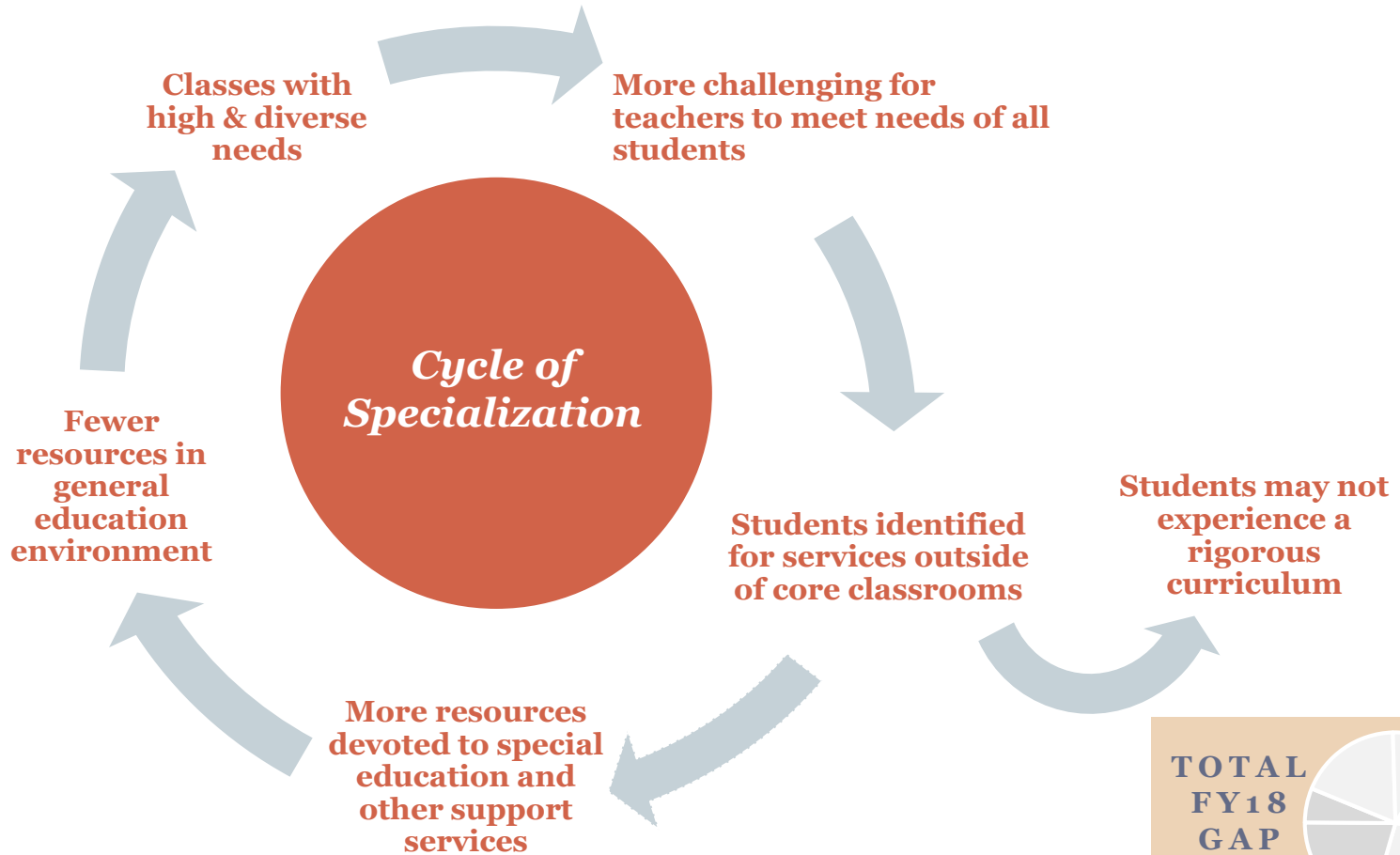


These resource patterns often indicate a cycle of specialization

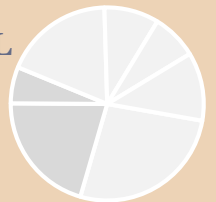


Student Need

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TOTAL
FY18
GAP
(\$M)



City Schools' teacher salary schedule is more generous than most local and national comparisons...



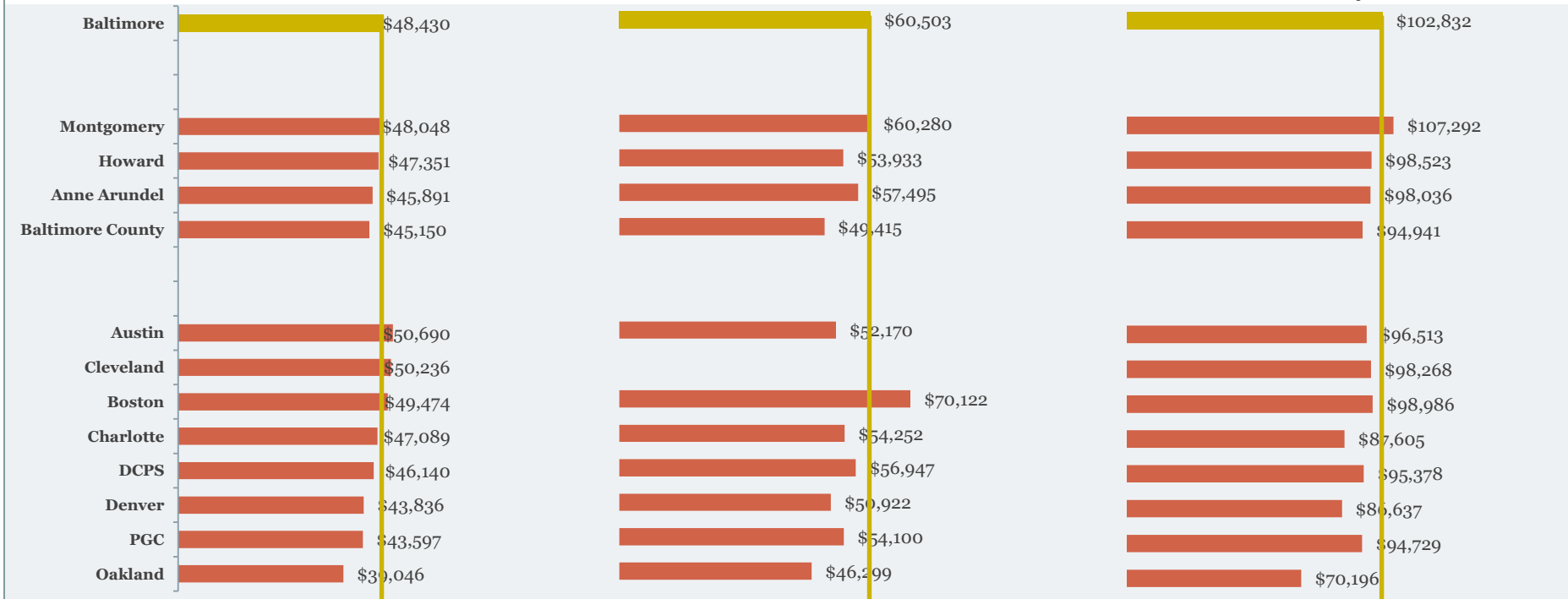
Salary & Benefits

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Starting Salary

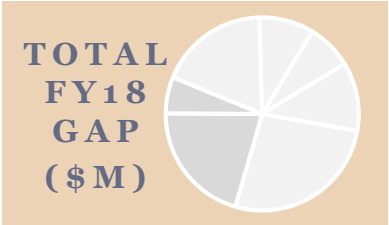
Master's with 5 years experience*

Maximum salary



Note: Data is from School Year 2015-2016

* For City Schools, Professional 1 is used as the equivalent of a Master's with five years of experience. Source: National Council on Teacher Quality Teacher Contract Database



For many non-teacher positions, salary & benefits is also higher in City Schools than comparison districts

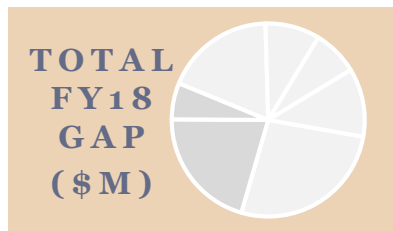


Position	Salary			Benefits		
	City Schools Avg \$000's	Comparison District Avg \$000's	% Difference	City Schools Avg \$000's	Comparison District Avg \$000's	% Difference
Paraprofessionals*	\$36	\$26	28%	\$15	\$9	41%
Sec/Clerk/Other Admin	\$42	\$41	3%	\$17	\$10	42%
Principal	\$121	\$116	4%	\$27	\$15	42%
Assistant Principals	\$107	\$93	13%	\$26	\$13	49%
Instructional Coach	\$85	\$76	11%	\$24	\$13	45%
Librarian	\$76	\$70	8%	\$22	\$14	37%
Social Worker	\$84	\$75	10%	\$23	\$14	40%
Coordinator/Manager	\$83	\$70	16%	\$21	\$12	42%

*ROTC Instructors are excluded from Paraprofessional Compensation due to their higher average compensation than paraprofessionals and assistants.

Note that compensation for City Schools and peer districts includes salary and benefits but excludes stipends, overtime and retirement for comparison purposes.

Source: City Schools FY16 Merged GL and cumulative costing details reports – ALL FUNDS, ERS benchmark database

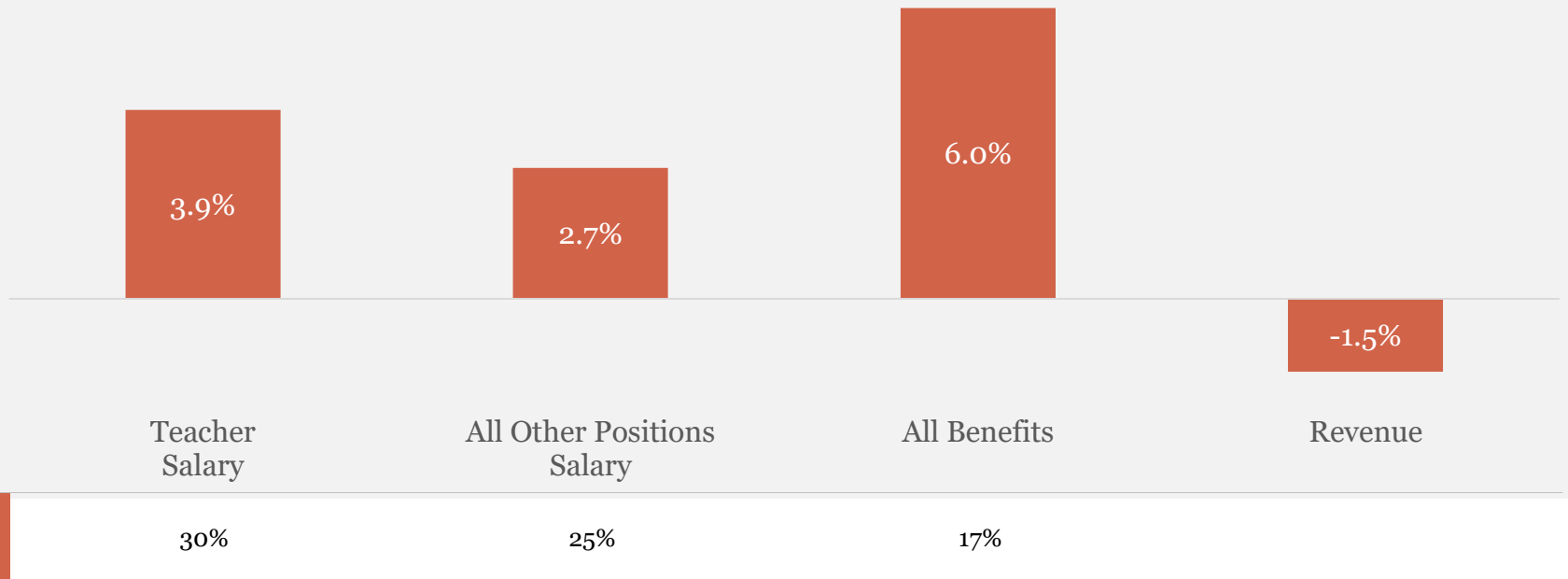


And compensation is increasing at a rate that outpaces revenue



Salary & Benefits

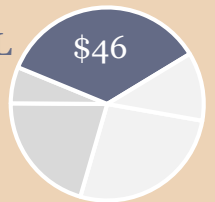
Annual Rates of Change for Compensation and Revenue



In past years, high levels of vacancy and attrition have offset the rising levels of compensation

Source: Analysis of Employee Salary Change from FY13 through FY15
 Note: Revenue rate of change is the two year average from FY16 to FY18

**TOTAL
 FY18
 GAP
 (\$ M)**



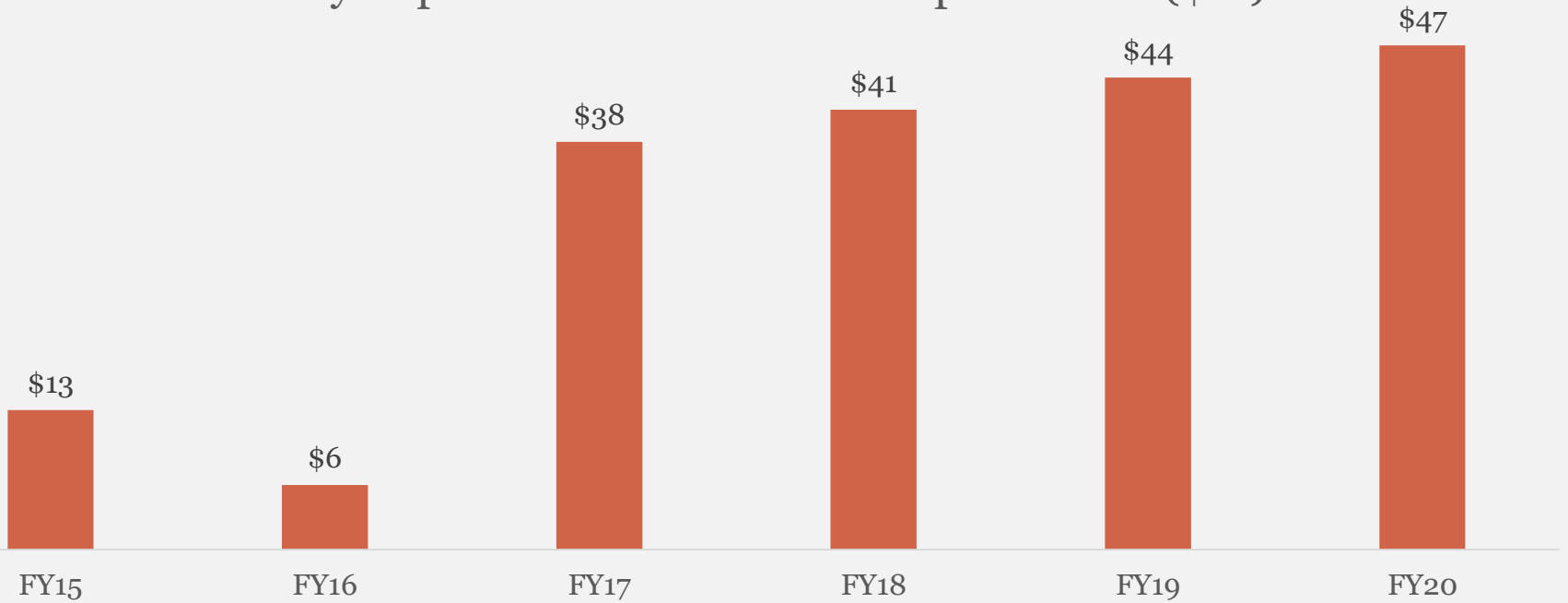
21st Century commitment brought a large increase in obligations that the district must meet



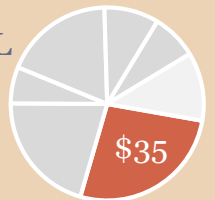
21st Century Investments

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21st Century Capital and Maintenance Expenditures (\$M)



**TOTAL
FY18
GAP
(\$M)**

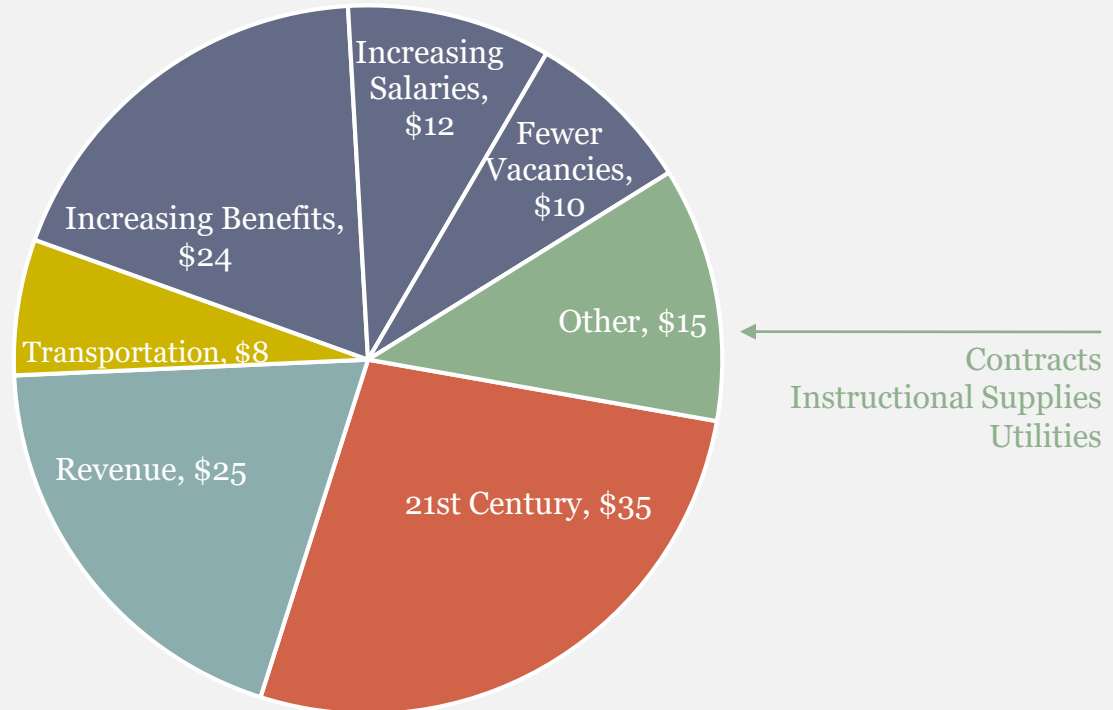


Source: City Schools Finance Department

Summary of FY18 Gap

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TOTAL FY18 GAP (\$M)



Note: In FY16-18, fluctuations in other categories of spending net to \$3M decrease in overall spending.

Source: City Schools FY16 Merged GL and cumulative costing details reports – ALL FUNDS, City Schools 5 year financial model

What causes City Schools' budget gap?

What is City Schools doing to fund FY18 and begin work on longer-term solutions?

Addressing cost drivers requires long term solutions aligned with work on our focus areas

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COST DRIVERS

FOCUS AREAS



Work towards **right-sized designs** organizing a breadth of programming



Expand community partnerships to improve services for students

Student
Wholeness



Organize **earlier supports & interventions**, integrated within core instruction whenever possible

Opportunity
through
Literacy



Evolve **contract policy and implementation** to improve sustainability and impact

School &
District
Leadership

City Schools is investigating the following ideas for closing the FY18 budget gap

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Categories	Description of Opportunities
Salary & Benefits	Change the salary & benefits structure for key unions and positions
Vacancies	Maintain unfilled vacancies
Central Office	Continue spending reductions at central office
School Allocations	Reduce school allocations
Other One-Time Budgetary Solutions	Reduce the number of temporary positions, freeze non-essential spending of general funds, utilize fund balance

Process

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December:

Continue to learn about and prioritize possible ideas for closing the FY 18 budget gap



January:

Solicit stakeholder input on big ideas



February:

Develop final proposal
Release school allocations



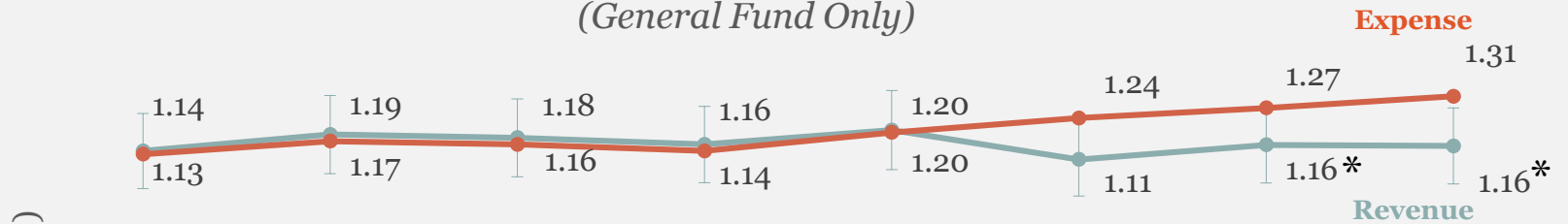
March and ongoing:

Continue the conversation about longer-term solutions

Appendix

Without taking on long-term solutions that make transformational change, City Schools will continually face a budget gap that will threaten its strategic priorities

Revenue and Expense Projections by Year*
(General Fund Only)



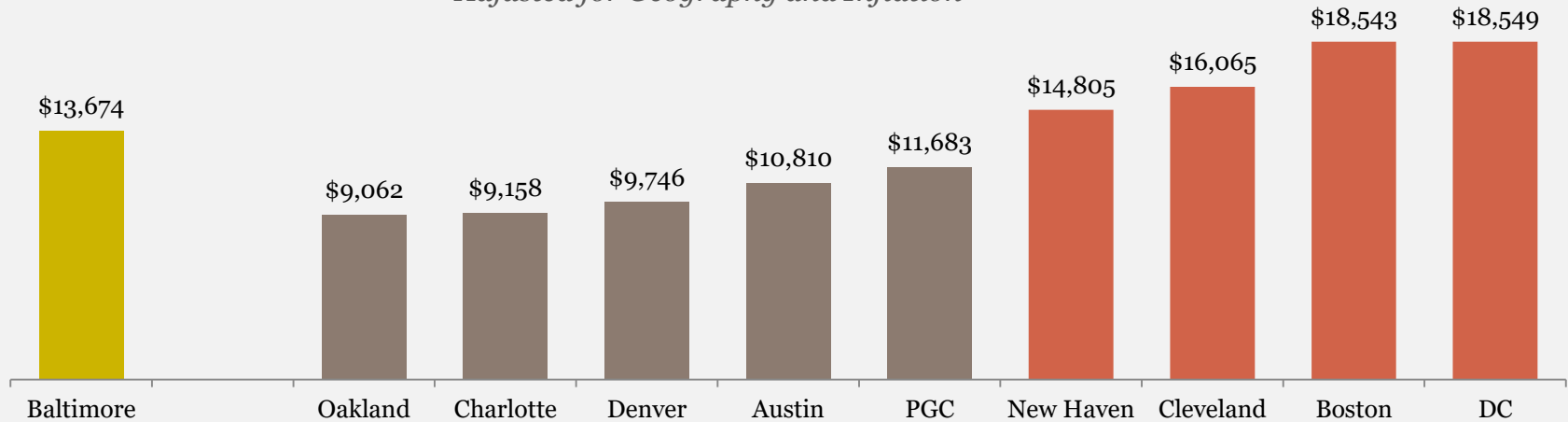
*FY19 & FY20 revenue projections will decrease based on updated enrollment figures that were just finalized

	FY13	FY14	FY15	FY16A	FY17B	FY18P	FY19P	FY20P
% Revenue Change		5%	-1%	-2%	4%	-7%	4%	0%
% Expenditure Change		3%	0%	-2%	5%	3%	3%	3%
Net Surplus/Gap	\$5M	\$22M	\$16M	\$3M	\$0M	(\$129M)	(\$115M*)	(\$151M*)

Source: ERS and City Schools Multi-Year Revenue Projections, General Fund Only, ERS Analysis

City Schools' spending level is in the middle of comparison districts, but at the bottom of districts with similar resource constraints

PreK-12 Operating Dollars Per Pupil – All Funds (\$pp)
Adjusted for Geography and Inflation*



Enrollment	83,666	39,216	146,494	68,662	86,512	123,476	21,168	40,072	56,241	44,107
Average School Size	450	456	916	549	676	611	432	304	446	362**
% SWD	15%	10%	9%	11%	10%	9%	10%	19%	20%	14%
Avg. Teacher Comp.	\$87K	\$65K	\$70K	\$80K	\$66K	\$78K	\$84K	\$111K	\$103K	\$90K
Year	SY1516E	SY1415 E	SY1314 B	SY0910 E	SY1213 B	SY1213 B	SY1314 E	SY1213 B	SY1516 B	SY1112 B

*Dollars represent PreK-12 operating budget/expenditure for year studied (see Appendix B for methodology). Dollars adjusted for geography using the National Center for Education Statistics 2015

**DC has made a number of changes to its school portfolio since the year of this analysis; current average school size is larger than stated

School\District Comparative Wage Index. Dollars adjusted to 2015-16 (inflation adjusted) using the Bureau of Labor Statistics CPI calculator .

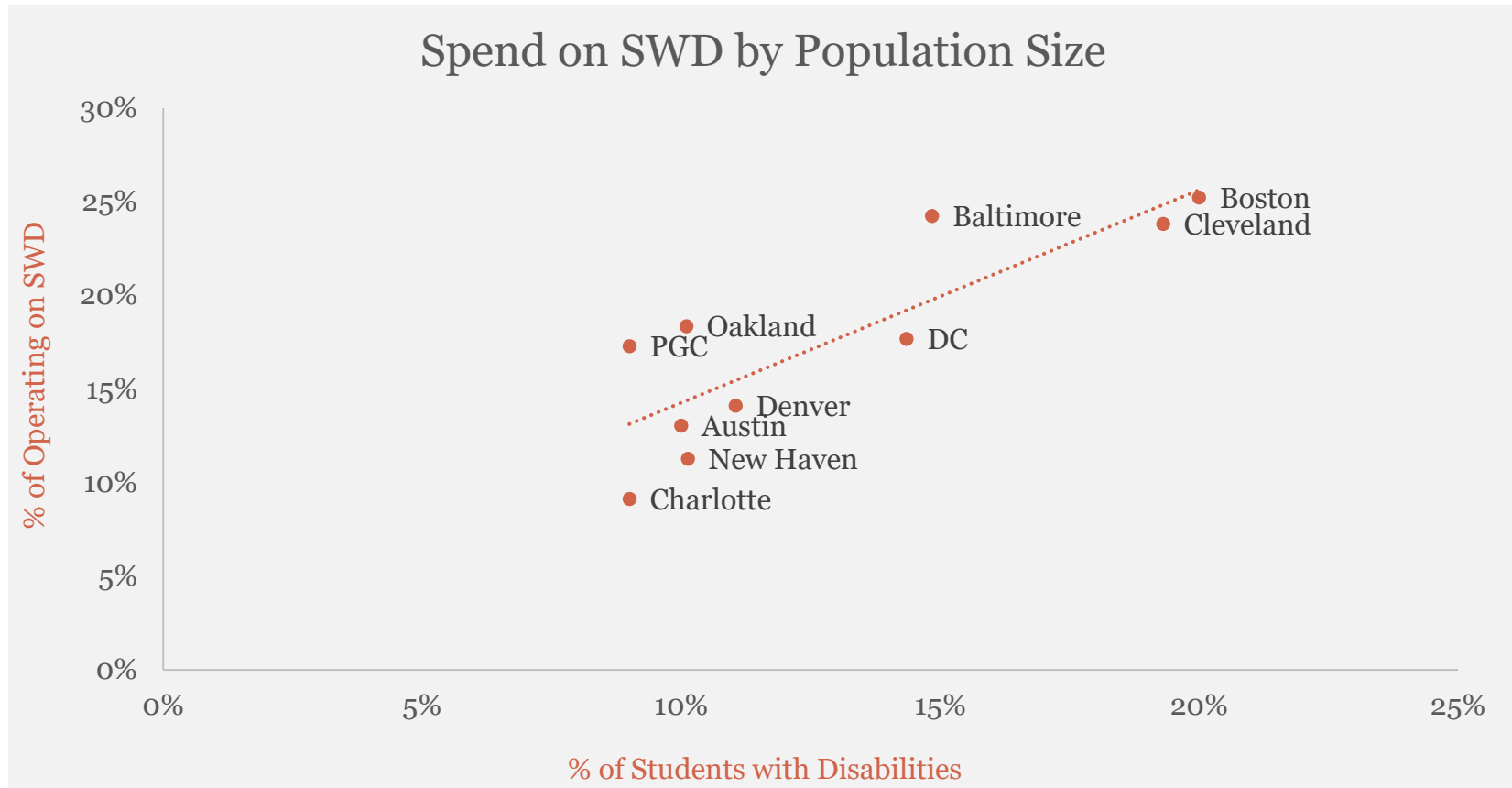
Source: City Schools FY16 Merged GL and cumulative costing details reports – ALL FUNDS, City Schools SY1516 Official Enrollment File, City Schools SY1516 Schools List, ERS comparison database

City Schools has a higher percentage of students with disabilities *and* spends more on Special Education than its SWD population suggests



Student Need

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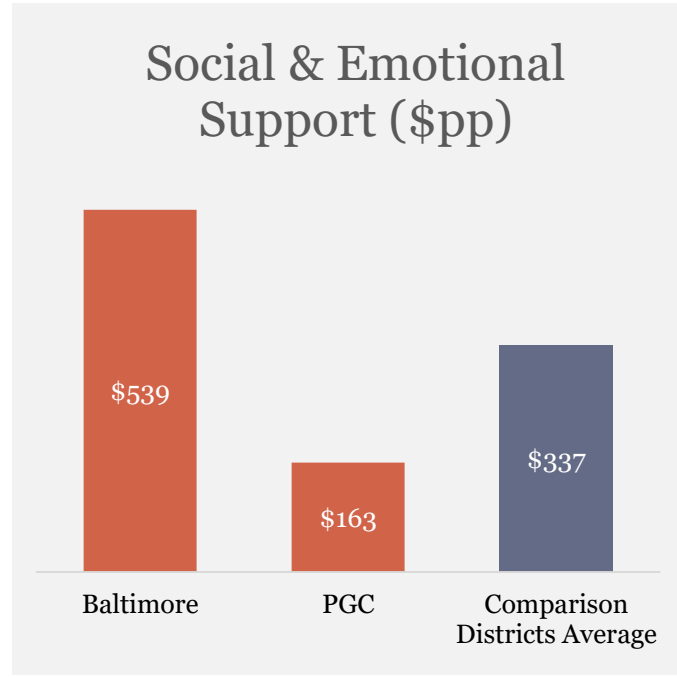
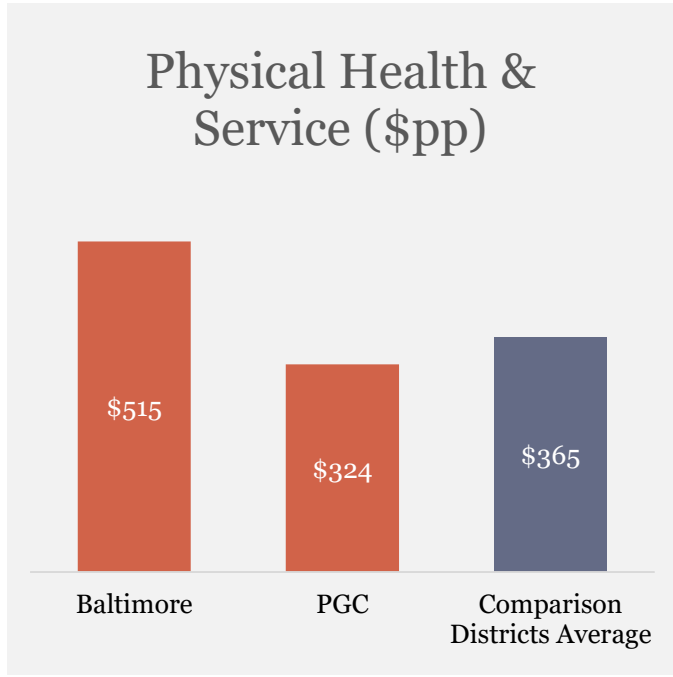
Note: For comparison purposes, non-public spending is not included for any district in the ERS analysis of spend on SWD.

Source: City Schools FY16 Merged GL and cumulative costing details reports – ALL FUNDS, City Schools Official 9/30/15 Student Enrollment Count, ERS analysis

City Schools also invests more in supporting students



Student Need



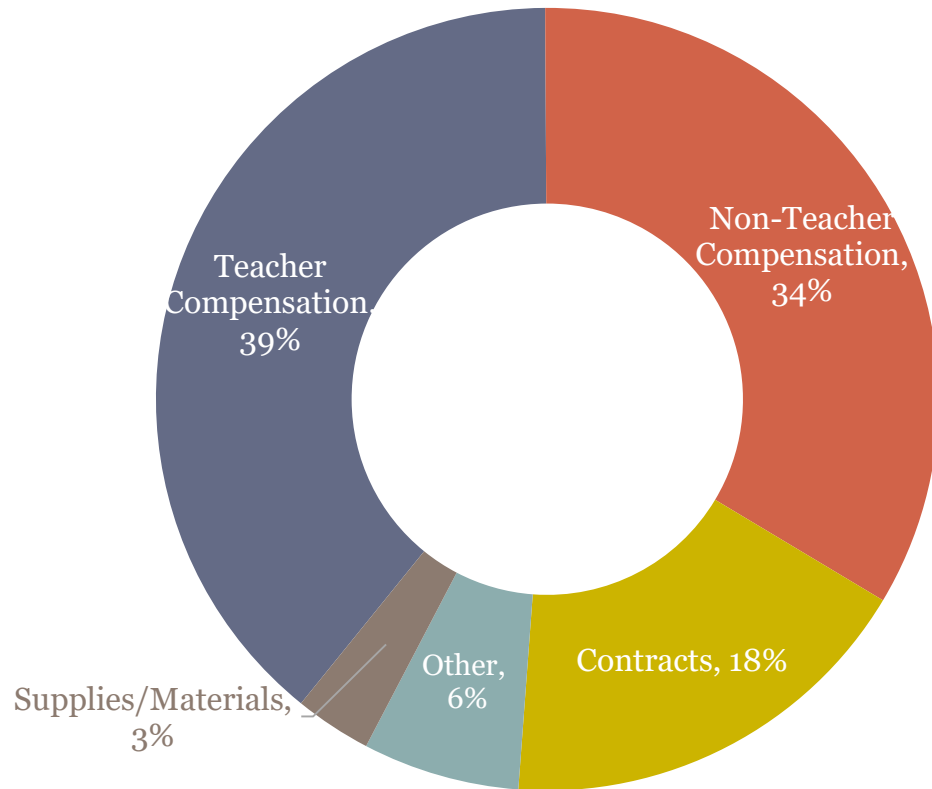
FTE per 1000	5.2	3.8	4.1	5.9	2.0	4.1
Avg Salary & Benefits	\$98k	\$86	\$80k	\$100k	\$82k	\$75k

Note: Comparison Districts here include: DC, Charlotte, Boston, Austin, Denver, New Haven, Oakland, Cleveland
 Source: City Schools FY16 Merged GL and cumulative costing details reports – ALL FUNDS; ERS comparison database

Like most districts, City Schools allocates the majority of its operating expenditures to Employee Compensation

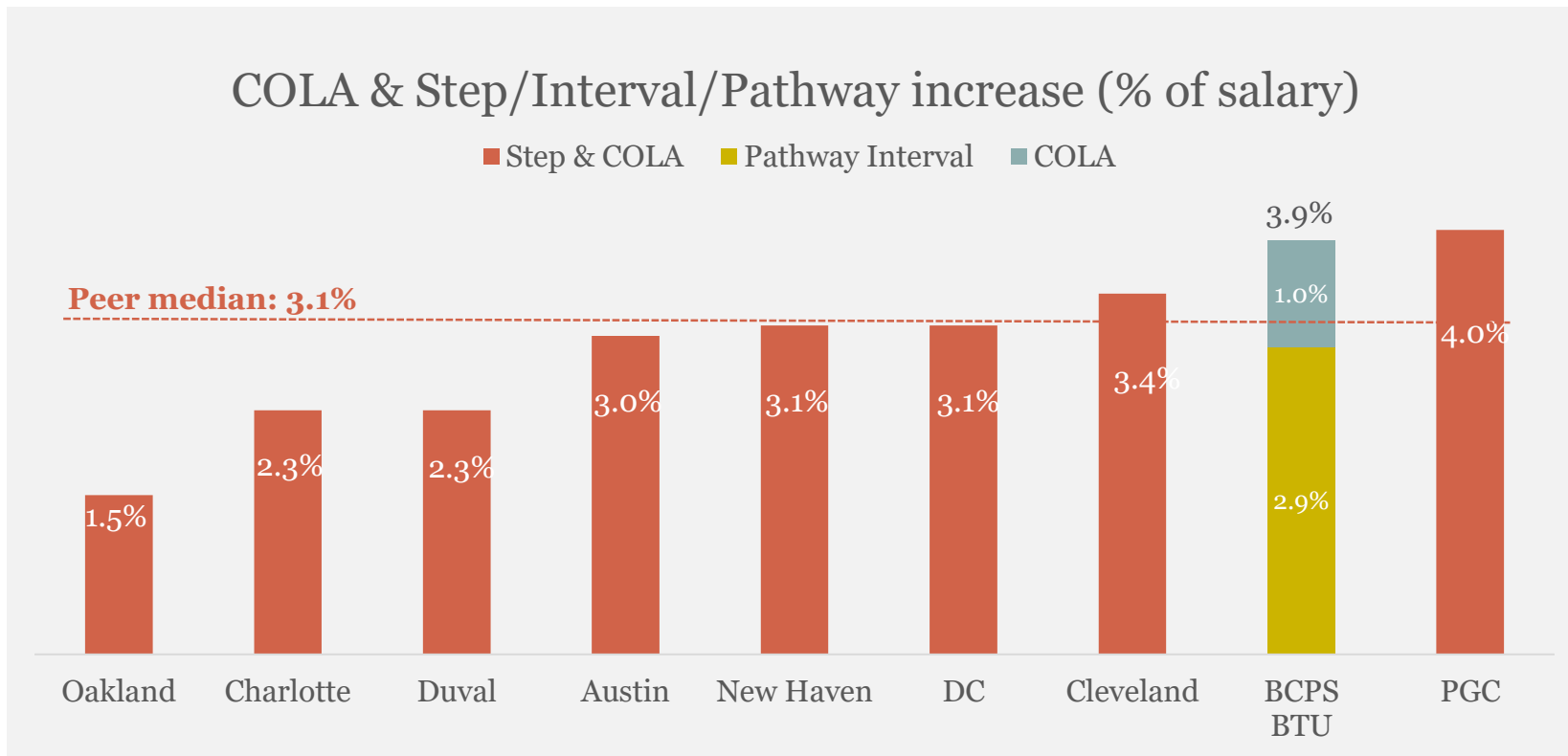


% of Operating Expenditure by Spending Type



Source: City Schools FY16 Merged GL and cumulative costing details reports – ALL FUNDS; ERS comparison database

...and is increasing at a higher rate than we see in many other districts



Source: National Center for Teacher Quality, Analysis of Employee Salary Change from FY13 through FY15

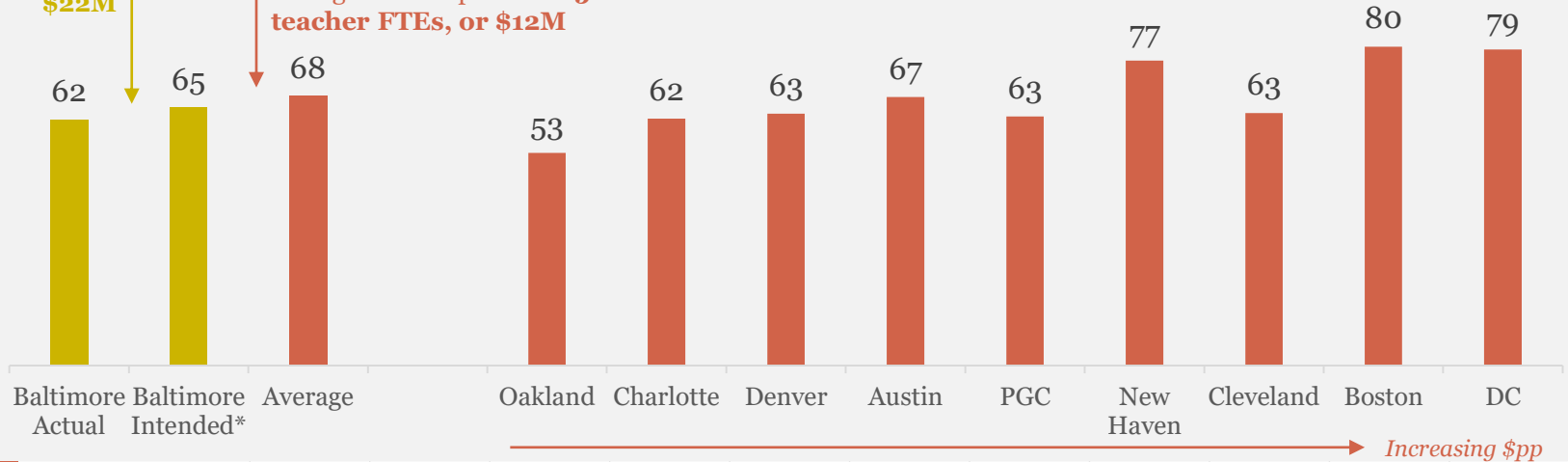
Lower teacher staffing levels than comparisons helps offset the cost of compensation



Teacher FTE per 1000 students

The difference between *actual* and *intended* ratios represents **262 teacher FTEs, or \$22M**

The difference between *intended* and *comparison* average ratios represents **150 teacher FTEs, or \$12M**



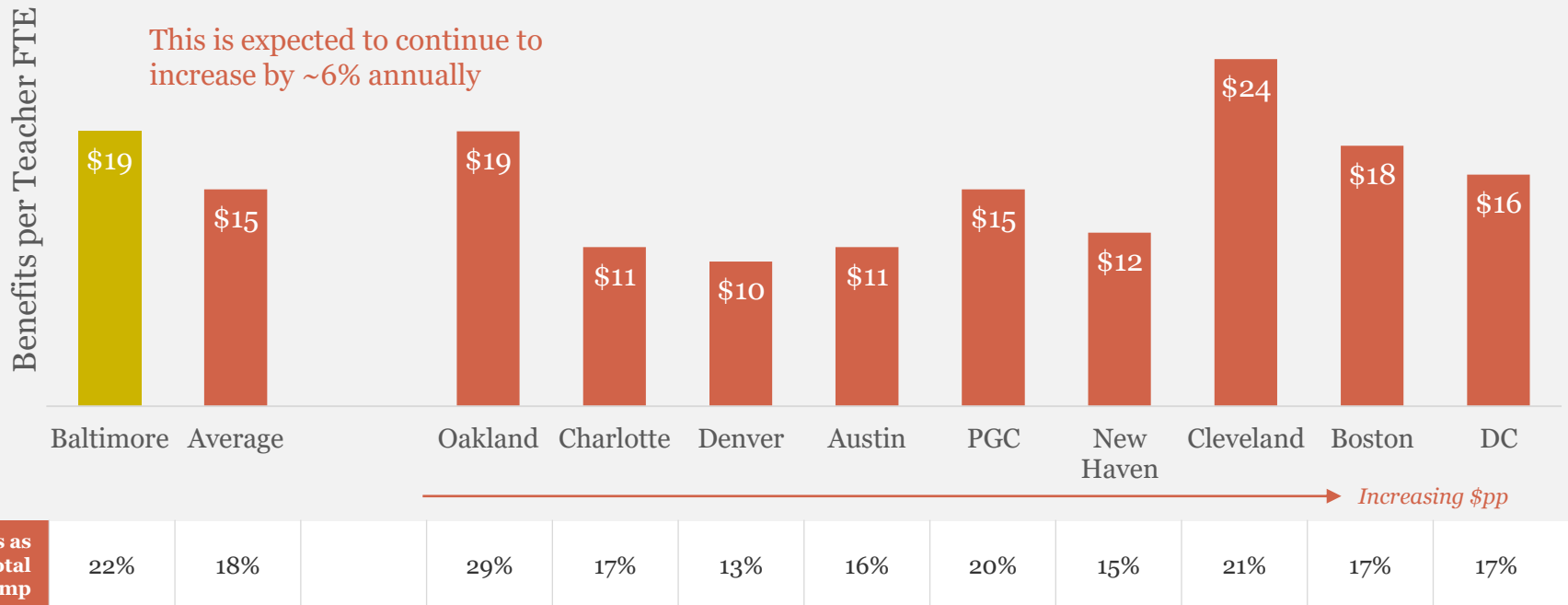
	Baltimore Actual	Baltimore Intended*	Average	Oakland	Charlotte	Denver	Austin	PGC	New Haven	Cleveland	Boston	DC
Spend on Teacher Comp as \$PP	\$5,394	\$5,521	\$5,521	\$3,393	\$4,009	\$4,231	\$4,615	\$4,730	\$6,427	\$7,030	\$8,206	\$7,051

*City Schools' intended student-to-teacher ratio calculation is based on Teacher FTE, including vacancies, from the 11/1/2015 PDR.
 \$34M = 411 FTEs X comparison district average (\$83K)
 Source: City Schools FY16 Merged GL and cumulative costing details reports (FTE), City Schools Student Demographics Official Enrollment Count 9/30/15, 11/1/2015 PDR; ERS benchmark database

City Schools also has higher average teacher benefits, which are expected to increase by ~6% annually



Benefits per Teacher FTE by District



Note that benefits include Medical Insurance, FICA, Prescription Drugs, Worker's Compensation, Sick Leave Conversion, Severance Pay, BTU-Dental, Unemployment, Life Insurance, and Vision, but **exclude State Retirement** to ensure comparability with other districts. See Appendix E for comparison of salary and benefits.

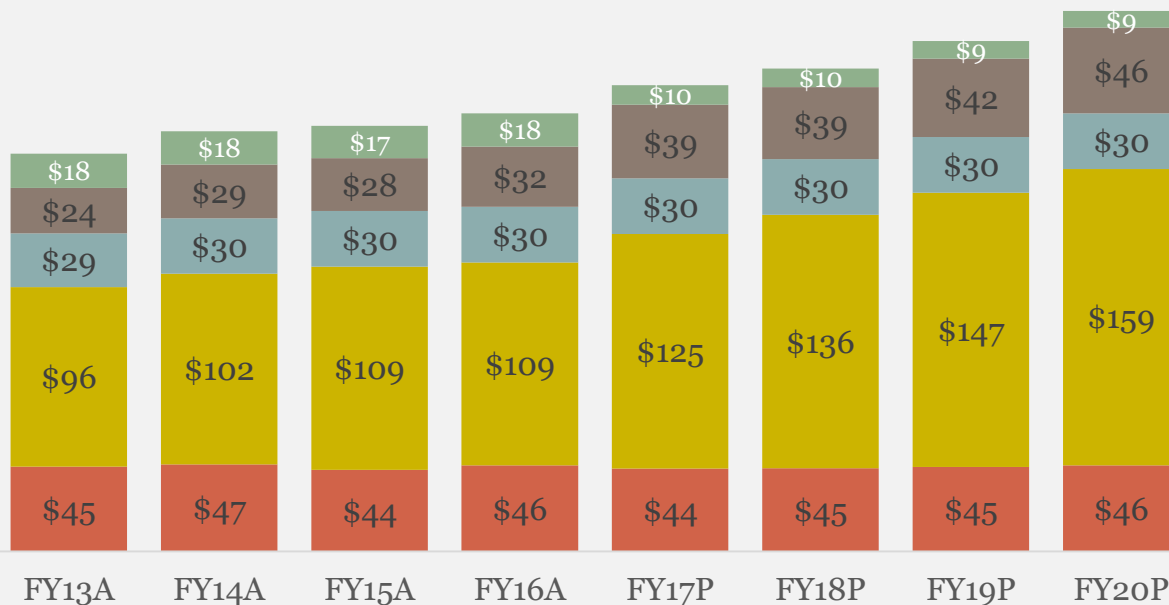
Source: City Schools FY16 Merged GL and cumulative costing details reports – ALL FUNDS, ERS comparison database

Across all employees, growth in Benefits costs is driven primarily by Health Insurance & Employee Retirement



Historic and Projected Benefits Costs by Type - FY16A through FY20P (General Fund Only)

Benefits Costs (in Millions)



Retirement increases at 22% between FY16 and FY17 due to expected increase in local share of state retirement

- All Other Benefits
- Retirement
- Retirement Health Benefits
- Health
- FICA

Health care increasing at 6-8% per year, with bigger jump in FY17 due to prescription drugs.

City Schools Historic General Fund Expenditures, City Schools Benefits Projections, ERS Salary & FICA projections
Staffing levels are estimated to remain flat between FY17 and FY20