

## MEMORANDUM

To: Dr. Suho Bae  
From: David Bonn, Nikole Pagan & Colleen Salinas  
Date: September 16, 2008  
Re: Budget Reform in the Boston School Department, C16-91-1090.0

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### OVERVIEW

Boston's School District budget is in fiscal crisis. Budget preparation is complicated by typical problems such as fragmentation of administration and services as well as a complex political climate. (Lee, et al, 2008) Office of Business Management (OBM) Director David Bernstein seeks to restructure the budgeting process while implementing accountability measures across the board. Many of Bernstein's efforts have produced positive results, such as producing better estimates of enrollment and personnel needs in order to control staffing costs. However, many of these improvements are the result of his first, somewhat rough and arbitrary attempts at solving these problems. A long-term solution to maintaining these controls will be necessary to solve the Boston School budget crisis. The following discussion will divide the case into three primary areas: (1) political issues, (2) issues related to the budgeting process and (3) financial controls issues. These issues will be examined and recommendations for long term reform will be addressed.

### POLITICAL ISSUES

There are two major political issues underpinning pressures to reform. The first is a mixed message coming from The Mayor and City Council, and the community. On the one hand, Boston's Mayor and City Council has been reluctant to continue funding the schools' budget deficits. On the other, there has been no public or political pressure on the school committee to reign in spending.

The second political issue centers on Boston Schools' history of discrimination against Special Needs students and minority students. Separate law suits alleging these discriminations have resulted in court rulings mandating changes to public policy that would directly and severely impact budgeting. The judge in the Special Needs case has essentially written a blank check to such programs. In the minority discrimination case Judge Garrity has ordered immediate desegregation of the schools, to the extent that each school was supposed to demographically represent the Boston community. Given that both of these decisions are also mandated by federal law, they are likely unalterable.

The political climate in this case is not likely to change. It is clear accountability as a value will have to come from the school system itself – the District itself will have to take the lead. Both judges are intractable in their commitment to enforcing their rulings, threatening sanctions for non-compliance. Accordingly, our recommendations in the forthcoming sections will address ways the School District can honor these rulings and institute reform.

### BUDGETING PROCESS ISSUES

Boston's school system has a volatile budget for a number of reasons stemming from uncertain enrollment numbers, the fluctuating costs of administering the judicially mandated Special Needs programs, and the inability to predict teacher retirement pay-outs in a given year. Additionally, the school system is on a different budget cycle from its funding source, the city of Boston, therefore the District has historically been unable accurately predict what would allocated to education until after the school's budget was prepared.

Desegregation is expensive, requiring extensive bussing to make each school match the racial composition of Boston, costing over \$30 million in the first year alone. Expenses are exacerbated by the inability to predict enrollment, as each year has seen an attrition of white students whose parents have chosen to remove them from the public school system rather than allow them to participate in integrated education.

#### Recommendations

- An annual survey asking parents of pre-K, K, 5th, and 8th students which school they intend to send their child to the following year should be conducted. These years are the school years in which attendance is most likely to fluctuate. This survey would allow administrators to more accurately forecast enrollment, upon which so many of the financial controls recommendations in the next section rest.

- For special needs students, schools should create an annual survey to learn which services contract specialists provide most often to determine where it might be feasible for the district to hire their own specialists. Services such as speech therapy, occupational therapy, etc. tend to be far more affordable when provided by school district employees rather than private sector contract workers. This will also make expenses more controllable and predictable than the current blank check for additional services as needed.
- Schools should explore sharing paraprofessionals in split shifts. Paraprofessionals could be at one school in a.m. with the majority of that school's special ed. students receiving services then and then go to a second school in the p.m. with a parallel setup. This step logically follows from Bernstein's research indicating that the number of children in special ed. classrooms fluctuates throughout the day.

#### FINANCIAL CONTROLS ISSUES

Boston's school system suffers from severe financial controls issues that make budgeting difficult. This lack of control creates inefficiencies and waste that deepen the budget deficit. 80% of the Schools' budgets are personnel, and personnel is not constrained by budget. There are per-student staff/teacher guidelines dictates teachers be hired when requested and leaving the School District susceptible to schools' inflation of enrollment. The unpredictability of enrollment due to desegregation leads to over-estimation of enrollment vs. actual attendance which causes a budget shortfall. There is no centralized system of purchasing and expenditures are not tracked. A costly computer system that does not work continues to be a sinkhole. The entire system suffers from a lack of structure and accountability, causing high teacher salaries and low productivity, misuse or misappropriation of resources, and a teacher imbalance from school to school.

#### Recommendations

- Bernstein's formula for more accurately predicting enrollment seems to help here. The previously mentioned parent survey about where parents plan to send their children the next year will help to more accurately budget for enrollment. Increased accountability for hiring paraprofessionals should be addressed. Guidelines for hiring paraprofessionals similar to the current formulas for hiring custodians must be created.
- Providing in service trainings and tools to cost center managers in the district to help them with the budgeting process will address many of the current inefficiencies. The budget manual that Bernstein produced to help each administrator is a great start, but to assist administrators at each school in becoming financial managers, more intensive training and assistance should be provided, perhaps facilitated by the business manager or the OBM.
- A long-term solution to maintaining these controls relies on having a highly systematized way of tracking and monitoring all things relevant to the operating costs of the district, and being able to analyze this data for trends and patterns that might suggest future areas of policy improvement. It is recommended that the District invest in the mini-computer system and ensure that the budgeting and accounting modules are seamlessly integrated. Rather than rely on consultants, as Bernstein should develop the expertise within the district to properly run and maintain the system. This ensures that no matter the political environment, in lean budget years the district will always be able to objectively and fairly identify areas where spending may be appropriately cut, while still maintaining the required level of service, meeting its legal obligations, and upholding its mission.

#### CONCLUSION

The foregoing discussion addressed many problems with the current state of Boston's School District budget. Recommendations for improvement have acknowledged the intractability of the political situation and therefore stressed the need for the District to focus on the areas within its control. Particular attention must be paid to the need to engage the cost center managers- principals- as partners rather than adversaries in order to encourage ownership and full participation in cost control measures and avoid creating new political tensions within the system.

#### WORKS CITED

Lee, R.D. Jr., Johnson, R.W., & Joyce, P.G. (2008) *Public Budgeting Systems*. Sudbury, MA. Jones & Bartlett Publishers.