

In 1976 the Boston school system budget deficit was about \$16 million. The multiple and complicated factors that lead to this large deficit are highlighted below followed by a few recommendations for improving the school systems overall financial management over the long-term.

### **Major Problems**

- 1) Disconnected budget process-The school system budget was the sole responsibility of one man, Lea Burke. As the business manager for the school system, Mr. Burke was not under the supervision of the superintendent and few others had any knowledge of his budgeting system or how decision were made. In addition, the budget system was based on the “idea of a static school system”. What worked for on year would be duplicated with the assumption it would work for the next year.
- 2) Non-institution wide budgeting process- The Boston school system budgeting process required the school submit a budget to the mayor by no later than the first Monday in February. The city needed to respond with its appropriations to the school system by March. This system required the school system to make a budget before knowing how much revenue would be made available. Information regarding appropriations was not available until after the school budget was made and school spending had already commenced, often resulting in a year-end deficit.
- 3) Lacks of cost-control mechanism-Fiscal controls were not stringent and there was a lack of responsibility for per-pupil costs. One aspect of the problem was that Leo Burke, the business manager, estimated the costs with little to no input from school principles or program staff. School department, personnel had little to no knowledge of how much their programs, department, or schools costs. The primary cost estimates came from principals’ projected enrollment estimates, which were often outdated and inflated, allowing principals to purposely overspend their budget.
- 4) Multiple and simultaneous uncontrollable costs- Personnel costs accounted for more than 80 percent of the school system budget. The personnel system for the school was not constrained by the budget nor did the personnel department use a budgeting process when calculating staffing. The “disintegration” between the budget office and personnel resulted in uncontrollable costs for the school district. One problem resulted from the principals having control over creating personnel positions, often based on often-high enrollment estimates. Further exacerbating the personnel costs are substitute teachers, a cost with no control mechanism and no limits for principles as well as sick leave pay outs to retiree’s making it difficult to estimate when people would retire in any given year and how much money they would require. The Boston school system was also under mandates from state law to provide services to children with special needs resulting in “runaway” expenses often due to contracting out for special needs services the schools were unable to provide on their own. There was also a court contempt

decision requiring the school system to implement a plan for desegregation. This made it impossible to say “no” to requests for either special needs or desegregation monies.

- 5) Lack of accurate financial reporting-One key element to keeping a budget is the ability to monitor expenses so that adjustments can be made throughout the year. The school system had very limited computer system and programming staff along with a data processing staff that ran non-personnel expenses through a system at the end of the year. Cost controls depend on periodic expense and spending reports but due to problems with the data processing and accounting department cost controls were not pre-emptive. Once programs and services were started, it was incredibly difficult to stop them.

## **Recommendations**

- 1) Implementing cost-awareness-The school system would greatly benefit from an investment in technology that would allow them to produce periodic spending reports so there would be institutional cost awareness and accountability. This would allow for a mechanism of control and responsibility in the system as well as give greater flexibility to administrators and principals. Most importantly, it would help bring control to the uncontrollable personnel expenses allowing administrators to track the number of personnel on each campus and compare it the enrollment so the practice of “staff padding” would be eliminated. This would also allow for some formality to the previous informal system of personnel authorization and more efficient use of excess staff.
- 2) Create an efficient method for forecasting enrollment –The Boston school system budget relies heavily on the forecasting of enrollment for the majority of their cost estimates. It is imperative that a system is created for efficient and accurate forecasting if school expenditures and the budget process are to be controlled. The school board may want to research methods other school system around the country are using to forecasts enrollment and develop a best practices policy along with the input of school administrators and the business manager responsible for the budgeting process.
- 3) Create a new budget time-line-The current time-line for presenting the budget to the city puts the school system at a great disadvantage as they have already begun to spend based on their proposed budget before they know the amount of appropriations they will receive. A better option may be to change their budget time-line so their fiscal year does not begin until the city has made a decision regarding appropriations. This way the school would still have time to make changes to their budget based on the funds they will have to work with. The school would have a chance to cut spending before spending begins and could stop the cycle of deficit spending that has been common practice.