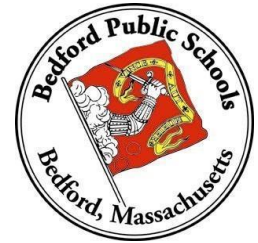


BEDFORD PUBLIC SCHOOLS



To: School Committee
From: Cliff Chuang, Superintendent
Julie Kirrane, Director of Finance
Date: April 23, 2024
Subject: FY24 Quarter Three Budget Update

This is an update on the status of the FY24 operating budget as of the end quarter three / beginning of quarter four.

As of April 11, with 82% of the operating budget expended or encumbered, the operating budget has a significant projected deficit at this time. All special revenue accounts managed by the schools will need to be applied to reduce the impact of this deficit. Discussions with the town's management have begun and conversations with the Finance Committee and other town leaders are being initiated, as the cost overages will not be able to be absorbed by savings in other school operating budget accounts. **The bottom line deficit is attributed to, listed in the order of magnitude: 1) special education transportation, 2) Out of district tuition expense, and 3) special education contracted services, and 4) substitute expenditures.**

Recall that the first three expense categories are those that are known to be volatile and unpredictable and were the basis for the request to establish a Special Education Stabilization Fund. The magnitude of the volatility this year is due to a number of unfortunate converging external trends impacting districts statewide as well as internal trends related to the special education staffing, changes in student needs and transportation fiscal pressures that we have previously described and are further detailed below. *In addition, this update explains the active steps the district has been taking to manage these known and identified risks during the course of the past several years.* **There are savings in both salary and in operating expense accounts**, but these will not be sufficient to address deficits in other lines.

FY24 budget-to-actual expenses are outlined at a high level in the sections below, detailed by major expense category. Note that some figures are presented as estimates (pending guidance from the town finance director and town manager). **More specific follow-up information will be shared as soon as possible – this is an initial high level update to be followed by more information.**

Immediately following the transition of the teacher payroll to Munis in April, a full salary projection was performed. Tools within the new system automated this process significantly. Salary accounts provided significant savings in the prior fiscal year (over \$300,000), so the completion of this forecast was critical for understanding the fiscal picture. **The forecast for all salary accounts is for a surplus of approximately \$200,000.** However, there is a significant deficit in substitute accounts that consumes the savings. There are still estimates within the salary forecast, but these are limited and include: long- and short-term substitutes, custodial/maintenance overtime, and stipends remaining to be paid (which are mostly complete at this time).

All major expense categories were reviewed and re-forecast including operating expenses, regular transportation, and special education accounts. **The forecast for operating expenses projects a**

surplus of approximately \$130,000. Regular transportation is close to budget, but slightly negative due to fuel escalation and vocational education transportation.

A great deal of additional analysis was required in the review of the special education accounts, because of issues with encumbrances and invoice tracking within the accounting system during the first half of the year. Overages in special education transportation, tuition, and contracted services account for the bottom-line deficit as shown below. *While there have been barriers to conducting the review earlier in the year, there is a reasonable degree of confidence in the current estimate, to be refined in the coming weeks.*

The status of the FY24 school operating budget, as forecast at the end of quarter three, to year-end closing, is summarized below:

FY24 Operating Budget (GAAP)	Amount
Original Appropriation	\$ 46,737,588
Revised Budget	\$ 47,156,181
Year-to-date Expended or Encumbered	\$ 38,568,031
Expenditures Forecast to Year-End	\$ 13,716,770
Budgeted Offsets	\$ 3,024,996
Additional Offsets	\$ 783,184
Transfer to Grant Accounts	\$ 103,929
Surplus (Deficit)	\$ (1,216,511)

Here are some additional findings from the analysis conducted to-date, reported by major expense area:

Salaries

- Savings of approximately \$200,000 are attributed to vacancies, attrition/unpaid days associated with leaves, and turnover savings (in order of magnitude).
- Turnover savings, which was reviewed in the fall, was minimal due to the competitive hiring environment and savings seem to be trending lower than in the past.
- Long- and short-term coverage expenses for leaves is higher this year, due to an increased number of parental and medical leaves (32 LOAs versus 26 in FY23). The previous high mark for substitute expenses was \$622K in FY20. This year expenses are on track to meet that amount, whereas in FY23 substitute expenses were \$437K.

Operating Expense

- There are savings in operating expense accounts of approximately \$136,000.
- Special education contracted services to back fill vacancies in specialized programs (partial-inclusion, and sub-separate programs) is approximately \$450,000 in deficit
- The deployment of temporary staff is limited to the partial-inclusion and sub-separate programs with the highest need students who require highly specialized services in order to be educated in Bedford schools, and to avoid out-of-district placements

- The district has sought out services from four companies, to ensure the most competitive pricing. Also, the district piloted a temporary-to-permanent solution that was more cost effective, and has resulted in several new permanent employees.
- **We are already exploring other strategies for FY25 to drive this cost dramatically down.**

Regular Transportation

- All costs for regular school bus routes are encumbered. There is a shortfall of -\$37,000 expected in this account due to fuel escalation costs higher than expected and required vocational transportation.

Special Education Transportation

- This has been a challenging year for special education transportation to private special education schools, and within the district.
- In-district transportation is provided by Bedford Charter and CASE transportation, and this year Bedford Charter is providing transportation at its contractual maximum while CASE is providing in-district transportation to very few students.
- The district was in a position of having to bring in additional vendors on short notice, and prices have been very high. The deficit that has resulted in-district transportation is more than \$200K.
- While out-of-district transportation costs have been driven to very high levels over the past three years due to the driver shortage, **this type of cost is unprecedented for local transportation within Bedford.**
- The district has taken multiple actions to address this issue including:
 - terminating a vendor in the fall due to pricing
 - working with parents to be reimbursed for mileage to transport their children if they forego van transportation
 - Requesting additional service multiple times throughout the year from CASE Collaborative as well as from Bedford Charter
 - Recently CASE agreed to take one additional student out of nine requested as they have been grappling with driver shortages for three years
- The district is currently working with our legal counsel to review the CASE transportation contract, and whether we have grounds to dispute the current assessment based on low ridership. The CASE agreement for transportation is essentially a fixed price contract based on ridership levels in the past. Thus, a sudden drop in ridership, as experienced in the current year, has yielded no change in the assessment amount.
- CASE is the district's provider of record for out-of-district transportation. The number of students transported out-of-district via CASE has been higher in the past than it is presently. Yet, the arrangement has been cost effective in the past even though recent placement changes from day program to residential mid-year have increased costs per rider out-of-district. However, given the driver shortage, and high prices paid to other vendors, CASE remains relatively competitive.
- The district has been using a request for quotation system for hiring other vendors for transportation for the past several years. Due to recent cost pressure, a bid for out-of-district transportation has been prepared this February/March and is ready to be released in hopes of procuring more competitive pricing going forward.

- Out-of-district transportation costs are reimbursable via the Circuit Breaker program, but the timing of the reimbursement of FY24 costs is in the following year.
 - This should bring relief to the FY25 budget.

Out-of-District Tuition

- The gross tuition budget has increased by \$1,000,000 above the FY24 tuition budget approved by the School Committee in January 2023.
- The FY24 budget planned for 34 day students and 8 residential students. There were students who graduated and aged out of the program at the end of June 2023, and 2 were residentially placed. Thus the budgeted figure of 8 residential students was due to that change (there were 10 residential students in FY22).
 - A budget placeholder of \$450K was included in the budget for 4 incoming students and one transition to residential placement. This was not sufficient.
- Actual enrollment in the 2023-2024 school year is 12 residential students and 31 day students.
 - Of the 4 additional students that require residential placements, three students are new enrollments to Bedford in the 2023-24 school year.
 - There is one new enrollment from Hanscom Air Force base in a day placement. *Note that Federal Impact Aid is expected to be received next year by the town as a result of this enrollment.*
- Both the mix of students in residential and day placements, as well as the historically higher state-approved tuition rates of 14% in FY24, are factors in this overage.
- The full Circuit Breaker reserve will need to be applied to partially address this issue.
- In addition to the \$150,000 Finance Committee reserve that was planned for as part of the approved FY24 budget, a deficit of approximately \$300,000 remains.
- Higher Circuit Breaker reimbursement is expected due to higher costs, but will not provide relief until next year. **As long as the state fully funds the Circuit Breaker program, there could be up to \$600,000 of additional relief in FY25.** This estimate will be refined, and a full new forecast of the FY25 tuition budget is currently underway and will be available shortly.

Finally, the forecast includes the transfer of expenses to grant accounts to ensure all grants are fully expended in the current year. This includes the Emergency Assistance grant for homeless students, which is expected to be fully expended to support the district's efforts on behalf of homeless migrant students. There also is reimbursement for transportation, which initially was thought to be provided (like Circuit Breaker) in arrears. However, the state is in the process of making earlier reimbursements to communities that underwent shelter consolidations, as Bedford did just this past week. **This is an evolving situation**, but currently Bedford expects these students to remain enrolled through the end of the school year, returning to Bedford (which is their legal right) via 100% reimbursable bus transportation starting today, Monday April 22rd.

Again, this is a high level update provided at this time to be followed by additional details as soon as possible. We are happy to answer questions and look forward to your guidance.

Cc: Matt Hanson, Town Manager, David Castellarin, Town Finance Director/Town Accountant, Ben Thomas, Finance Committee Chair, Bhopa Malone, Selectboard Chair