City of Fall River Massachusetts
Office of the City Clerk

ALISON M. BOUCHARD
CITY CLERK

INÊS LEITE
ASSISTANT CITY CLERK

February 6, 2012

Dear Councilor:

A special meeting of the Fall River City Council will take place on Wednesday, February 15, 2012, from 5:00 PM to 7:00 PM at Matthew Kuss Middle School, Community Room, 54 Globe Mills Avenue, Fall River.

The Council will be participating in a joint meeting with the Fall River School Committee to discuss the following items:

- Net School Spending
- The Indirect Cost Agreement
- School Department Budget

The President has requested that I call this meeting.

Your attendance at this meeting is respectfully requested.

Very truly yours,

Alison M Bouchard

Alison M. Bouchard
City Clerk

/a

One Government Center • Fall River, MA 02722
TEL 508-324-2220 • FAX 508-324-2211 • EMAIL city_clerks@fallriverma.org

RECEIVED
2012 FEB -3 A 11: 56
CITY CLERK
FALL RIVER, MA

FALL RIVER SCHOOL COMMITTEE

Honorable Mayor William A. Flanagan
Chairman

Mark Costa
Vice Chairman

Meg Mayo-Brown
Superintendent of Schools

Paul Hart
Joseph Martins
Robert Maynard
Tim McCoy
Richard Pavao

Deborah L. Medeiros
Administrative Assistant

February 1, 2012

To: City Council Members
c/o: Alison Bouchard, City Clerk
From: Deborah L. Medeiros
Re: Budget Development Materials

Good Day:

At the request of Fall River City Council President Pereira,

Fall River School Committee Vice-Chairman Costa has asked me to

forward the attached budget development packets to City Council

Members.

Fall River Public Schools – School Committee Office
417 Rock Street, Fall River, MA 02720 (t): 508 675-8420 X 435

January 30, 2012

2013

BUDGET DEVELOPMENT MATERIALS

FALL RIVER PUBLIC SCHOOLS

"The Scholarship City"
417 Rock Street, Fall River, MA 02720

Meg Mayo-Brown, Superintendent

To: School Committee Members

From: Meg Mayo-Brown, Superintendent of Schools

Subject: Materials Related to Budget Development

Date: January 30, 2012

As we prepare to develop the FY 13 FRPS Budget, I have compiled a packet of information that I hope you find useful in the planning process. The attached packet contains the following items:

1. *Fall River School Committee Policies* related to budget development. As I understand the goal of the Committee to be fidelity to its policies, I have included relevant financial polices (DA to DBG) related to the development of the budget.
2. *Goals for the FY13 Budget*, as approved by the School Committee. This document, as approved by the School Committee, establishes the priorities for the FY 13 Budget
3. *Indirect Cost Agreement.* The agreement was signed in November 2010 and establishes the indirect costs as factored into Net School Spending.
4. *Preliminary Information related to Chapter 70 and Net School Spending Requirements.* These are preliminary estimates subject to change as the House and Senate deliberate on the budget. The Commissioner will issue the final, official school spending requirements as soon as the Governor and Legislature approve either the FY13 state budget or an earlier local aid resolution. Those final numbers will then match the FY13 cherry sheets to be issued by the Department of Revenue.
5. *Budget Development Guide, published by MASBO.* This guide highlights best practices in development school district budgets.
6. *Recent Advisory from MASC regarding the School Committee's Authority to Make Internal Budget Adjustments*, authored by Glenn Koocher and Stephen Finnegan.

FALL RIVER PUBLIC SCHOOLS

417 Rock Street, Fall River, MA 02720

Meg Mayo-Brown, Superintendent

Summary of School Funding for Fall River Public Schools

The purpose of this document is to provide parents, community members, and FRPS employees with careful explanation of our public school funding. School finance is a complex process and additional information may be located at http://finance1.doe.mass.edu/chapter70/.

The Fall River Public School budget is funded through a variety of local, state, and federal resources. These sources include property taxes, state aid funds, and federal and state grant funds. The State determines through a complex formula the amount of local funds and state aid funds to be used to provide an "adequate education" for students. This process is often referred to as "Chapter 70."

Foundation Budget

The Education Reform Act of 1993 established "Foundation Budget" for districts. Each district's foundation budget represents the minimum level of spending needed to provide an adequate education for students. The foundation budget is made up of 19 separate categories, such as teaching salaries, books and equipment, extracurricular activities, utilities and maintenance, etc. Each district's foundation budget is updated each year to reflect inflation and changes in enrollment. Enrollment plays an important role not just because of the total number of pupils, but also because there are differences in the costs associated with various educational programs, grade levels, and student needs.

*Fall River's Foundation Budget for FY 10 was **$113,237,307.***
*Fall River's Foundation Budget for FY11 is **$110,588,545.***
*Fall River's Foundation Budget for FY12 is **$113,992,340***
*Fall River's Foundation Budget for FY13 is projected to be **$117,801,267***

Chapter 70 Aid and Required Contribution Calculations

Chapter 70 is the Commonwealth's program for ensuring adequate and equitable K-12 education funding. It determines an adequate spending level for a district called the foundation budget. It then uses each community's property values and residents' incomes to determine how much of the foundation budget should be funded from local property taxes. Chapter 70 state aid pays for the remaining amount.

*Fall River's Chapter 70 Aid for FY 10 was **$91,768,280.***
*Fall River's Chapter 70 Aid for FY11 was **$89,259,672.***
*Fall River's Chapter 70 Aid for FY12 is **$93,795,275***
*Fall River's Chapter 70 Aid for FY13 is projected to be **$96,330,544***

January 30, 2012

Required Local Contribution

This is the amount set by the Department of Elementary and Secondary Education as the minimum amount a community must contribute for educational expenses. This amount plus a portion of state aid equals the minimum net spending requirement.

Fall River's FY10 Required Local Contribution was ***$19,000,896.***
Fall River's FY11 Required Local Contribution was ***$19,582,705.***
Fall River's FY12 Required Local Contribution is ***$20,197,065.***
Fall River's FY13 Required Local Contribution is projected to be ***$21,470,723.***

This amount is a preliminary estimate subject to change as the House and Senate deliberate on the FY13 budget.

Net School Spending

Net School Spending contains costs directly related to the education of students. The amount of our "required Net School Spending" is set each year by the Department of Elementary and Secondary Education. Net School Spending also includes municipal indirect spending for schools.

Net School Spending cannot include spending for long term debt service, school lunches, student transportation, costs of community usage of schools, capital outlay and other fixed charges.

Fall River's Net School Spending requirement for FY 10 was ***$110,769,176.***
Fall River's Net School Spending requirement for FY11 was ***$108,842,377.***
Fall River's Net School Spending requirement for FY12 is ***$113,992,340.***
Fall River's Net School Spending requirement for FY13 is projected to be ***$117,801,257.***

The State will reluctantly tolerate a district's under-spending of Required Net School Spending by 5% in any given year, and will add that deficit to REQUIRED Local Contribution for the next fiscal year.

In-Direct Costs (Other Municipal Departments)

The Department of Education (DOE) permits school departments to report certain school-related expenses incurred by other city departments on the annual End of Year Pupil and Financial Report (EOYR.) These '*indirect*' municipal expenses include administrative services, employee benefits (including retirement and insurance), school facility operation and maintenance, other fixed costs, debt and capital outlay, and assessments

and tuitions paid to other districts. Many of these expenditures are counted toward the annual net school spending requirement under M.G.L. Chapter 70.[1]

Under CMR 10.04, school districts may report municipal indirect expenditures on the End of Year Report, however, only when there is an agreement between municipal and school officials on the expenses to be allocated and method of allocation. In addition, schools and city must follow Department of Education guidelines for allocating, reporting and documenting these expenditures.

Additional Information

The Fall River Public Schools has created a Frequently Asked Questions (FAQ) section on our website to provide additional opportunities for the public and staff to ask questions related to the FRPS budget. Please visit http://my.fallriverschools.org/faq/index.php?action=show&cat=17 to post or view questions.

[1] *Other reportable expenditures include: lease/rental expenses, capital purchases over $50,000, and direct services provided in the following areas: health services, library services, school security, and transportation services. All of these expenses are included in the net school spending calculation, with the following exceptions: student transportation services (3300), insurance for retired school employees which have not been reported consistently since 1993 (5250), the fourth or subsequent year of a long-term lease contract (5300), short term debt service/interest (BANS, 5450), other fixed charges (5500), health services for non-public schools (6800), transportation services for non-public schools (6900), the acquisition/ improvement/ replacement of fixed assets (7000), long-term debt retirement and interest on school construction (8100 & 8200), long term debt service on educational expenditures (8600), and assessments to regional school districts (9500).*

#1

File: DA

FISCAL MANAGEMENT GOALS

The quantity and quality of learning programs are directly dependent on the effective, efficient management of allocated funds. It follows that achievement of the school system's purposes can best be achieved through excellent fiscal management.

As trustee of local, state, and federal funds allocated for use in public education, the Committee will fulfill its responsibility to see that these funds are used wisely for achievement of the purposes to which they are allocated.

Because of resource limitations, it is essential that the school system take specific action to make sure education remains central and those fiscal matters contribute to the educational program. This concept will be incorporated into Committee operations and into all aspects of school system management and operation.

In the school system's fiscal management, it is the Committee's intent:

1. To engage in thorough advance planning, with staff and community involvement, in order to develop budgets and to guide expenditures so as to achieve the greatest educational returns and the greatest contributions to the educational program in relation to dollars expended.

2. To establish levels of funding that will provide high quality education for the students.

3. To use the best available techniques for budget development and management.

4. To provide timely and appropriate information to all staff with fiscal management responsibilities.

5. To establish maximum efficiency procedures for accounting, reporting, business, purchasing and delivery, payroll, payment of vendors and contractors, and all other areas of fiscal management.

ANNUAL BUDGET

The budget is more than just a financial instrument and requires on the part of the Committee, the staff, and the community orderly and cooperative effort to ensure sound fiscal practices for achieving the educational goals and objectives of the school system.

Public school budgeting is regulated and controlled by legislation, state regulations, and local School Committee requirements. The operating budget for the school system will be prepared and presented in line with state policy and will be developed and refined in accordance with these same requirements.

The Superintendent will serve as budget officer but he/she may delegate portions of this responsibility to members of his/her staff, as he/she deems appropriate. The three general areas of responsibility for the Superintendent as budget officer will be budget preparation, budget presentation, and budget administration.

LEGAL REFS.: M.G.L. 71:34; 71:37 and 71:38N

BUDGET DEADLINES AND SCHEDULES

Preparation of the annual budget will be scheduled in stages throughout the school year with attention to certain deadlines established by law and charter.

Budget Timeline

January first week	Outline budget guidelines to Senior Staff
Prior to February Vacation week	Budget requests to principals, directors, etc.
Mid March	CFO and Superintendent meet with school administrators to establish budget priorities
April 1st	New budget requests due from administrators
April (2nd week)	Review of budgets by Superintendent and CFO
Late April	School Committee subcommittee meets to set district priorities and to review submitted budgets
Regular SC meeting in May	Superintendent presents proposed budget
One week before Final Approval meeting date	Public hearing on budget
Last week of May	Final approval by School Committee
June 1st	Send budget to City Hall
June 1st	Presentation to City Council

In reaching its decision on the budget amount that it will submit to the City Council, the School Committee will also observe the statutory requirement of holding a public hearing on the proposed budget not less than seven days after the notice for this hearing has been published in a local newspaper.

Established by law and charter

LEGAL REFS.: M.G.L. 71:38N

BUDGET PLANNING

The major portion of income for the operation of the public schools is derived from local and state taxes, and the School Committee will attempt to protect the valid interest of the taxpayers. However, the first priority in the development of an annual budget will be the educational welfare of the children in our schools.

Budget decisions reflect the attitude and philosophy of those charged with the responsibility for educational decision-making. Therefore, a sound budget development process must be established to ensure that the annual operating budget accurately reflects this school system's goals and objectives.

In the budget planning process for the school system, the School Committee will strive to:

1. Engage in thorough advance planning, with staff and community involvement, in order to develop budgets and guide expenditures in a manner that will achieve the greatest educational returns and contributions to the educational program in relation to dollars expended.

2. Establish levels of funding that will provide high quality education for all our students.

3. Use the best available techniques for budget development and management.

The Superintendent will have overall responsibility for budget preparation, including the construction of, and adherence to, a budget calendar.

BUDGET ADOPTION PROCEDURES

The School Committee upon finishing its annual budget will hold a public hearing to explain the budget and solicit public recommendations for additions and deletions to said budget. The School Committee will take all public recommendations under advisement and then vote to approve a budget to be sent to the mayor for inclusion in the total city budget presented to the City Council.

The School Committee recognizes that the City Council has the authority to add to the total budget amount recommended by the School Committee.

Established by law and charter

LEGAL REFS.: M.G.L. 71:34

FY 2013 Budget Calendar
(Tentative)

January 5, 2012	Organizational Meeting
Feb -Apr, 2012	Finance Sub Committee workshops
May 14, 2012	School Committee meeting Budget presented
May , 2012	Public hearing Advertised (14 days before adoption)
May	Conduct Public Hearing (No earlier than 7 days after advertising)
May	Adopt Budget
June 1, 2012	City council Presentation

#2

FY 2013 Level Service Budget

The primary objective for the FY 13 budget is to continue the commitment to rigorous teaching and learning and continue to support staff as we collectively raise the bar for both students and teachers. This will require maintaining adequate staffing and services necessary to provide a comprehensive, high-quality instructional program that supports improved student achievement. The biggest challenge for the FY 13 budget is replacement of $3.8 million in Federal Ed Jobs monies with increase in state or local funding. For the past three years the school district has been spreading one time stimulus over time to provide consistent and sustainable effort to move the district forward. Fall River Public Schools has archived improvement in

The level service budget is best described as a continuation of effort to provide students with the same services from FY 12 to FY 13. In other words, no cuts to staffing, support services, or co-curricular activities. The following priorities guide our efforts in preparing a level-service budget:

- Ensure the safety and security of students and staff
- Protect teacher's time so that it can be focused on teaching and learning, including time for planning and preparation
- Continue efforts to attract and retain high-quality staff members
- Provide a clear, common, guaranteed and viable curriculum and assessment program, including resources to adequately support implementation and sustainability
- Ensure direct classroom-level instructional support staff (e.g., paraprofessionals)
- Ensure building-level administrative and instructional support staff(e.g., principals, assistant principals, counselors, instructional coaches)
- Maintain a comprehensive instructional program that provides opportunities for students to receive a rich and a varied educational experience(e.g., the arts and electives, career and technical education, programs of choice)
- Ensure non-instructional support staff at schools is kept at adequate levels (e.g., custodians, clerical/secretarial)
- Maintain adequate support for maintenance and operations of facilities to provide a positive learning and working environment and to protect the value of the community's capital investment
- Ensure Recovery Plan implementation through district-wide administrative and instructional support (e.g., central leadership, professional development, teaching and learning, and instruction/information departments)
- Maintain adequate support for extracurricular programs and facilities

The end of federal stimulus monies has created a funding cliff for Fall River Public Schools. Over the past three years Federal stimulus monies from ARRA and Education Jobs Grants have funded staff - classroom teaching position; student services - adjustment councilors, Coordinator, special education; expanded time - Doran Elementary School and Henry Lord Middle School; and co-curricular activities - Middle Schools. With the ending of Education Jobs Grants $3.5 million, combined with increases described in collective bargaining agreements, a level-service budget is anticipated to cost $5 million. Every attempt will be made to streamline and lower costs in areas that do not directly affect student learning. The following strategies are being reviewed for FY13: review staffing levels, belt tightening and efficiency initiatives, mutual agreements among all employees and program integrations.

#3

INDIRECT COST ALLOCATION AGREEMENT
CERTAIN MUNICIPAL EXPENSES

The Department of Education (DOE) permits school departments to report certain school-related expenses incurred by other city departments on the annual End of Year Pupil and Financial Report (EOYR.) These '*indirect*' municipal expenses include administrative services, employee benefits (including retirement and insurance), school facility operation and maintenance, other fixed costs, debt and capital outlay, and assessments and tuitions paid to other districts. Many of these expenditures are counted toward the annual net school spending requirement under M.G.L. Chapter 70.[1]

Under CMR 10.04, school districts may report municipal indirect expenditures on the End of Year Report, however, only when there is an agreement between municipal and school officials on the expenses to be allocated and method of allocation. In addition, schools and city must follow Department of Education guidelines for allocating, reporting and documenting these expenditures.

In accordance with CMR 10.04, the following document outlines the proposed methodology (consistent with DOE guidelines) to be used, to report City of Fall River municipal indirect expenditures in the following areas:

I. ADMINISTRATIVE SERVICES (EOYR OBJECT CODE SERIES 1000)

General Administration

Administrative services include: accounting, auditing, central data processing, central purchasing, collections, and other treasury and financial services for the school department. Expenses that may be allocated include salary and wages for professional, technical, clerical and support staff and all expenses including, but are not limited to, professional and technical services, supplies and materials, dues and subscriptions, travel expenses and other related costs.

The City Auditor shall calculate the cost for Administrative Services in the following manner:

1. Show the Allocation Calculation for the City Budget less:
   Debt Related Expenses consisting of:
   City Debt-Principal (740)
   School Debt-Principal (382)
   City Debt-Interest (750)
   School Debt-Interest (384)

   This results in the Adjusted City Budget for the fiscal year.

   The Adjusted City Budget divided by the Adjusted School Budget to create the Indirect Cost Percentage calculation.

---

[1] *Other reportable expenditures include: lease/rental expenses, capital purchases over $50,000, and direct services provided in the following areas: health services, library services, school security, and transportation services. All of these expenses are included in the net school spending calculation, with the following exceptions: student transportation services (3300), insurance for retired school employees which have not been reported consistently since 1993 (5250), the fourth or subsequent year of a long-term lease contract (5300), short term debt service/interest (BANS, 5450), other fixed charges (5500), health services for non-public schools (6800), transportation services for non-public schools (6900), the acquisition/ improvement/ replacement of fixed assets (7000), long-term debt retirement and interest on school construction (8100 & 8200), long term debt service on educational expenditures (8600), and assessments to regional school districts (9500).*

The Adjusted School Budget will be equal to the Original Budget less Transportation Expenses for the School Department.

2. The Indirect Cost Percentage shall be applied to the expenses of the following city departments:
   - City Auditor
   - City Treasurer
   - Purchasing
   - Information Service
   - Law Department
   - Insurance—Property and Liability
   - Personnel and Training

II. EMPLOYEE RETIREMENT PROGRAMS (EOYR OBJECT CODE SERIES 5100)

Retirement costs include, but are not limited to, the cost of administering employee retirement programs; the cost of non-contributory pensions; assessments paid to the Fall River Contributory Retirement System, the State retirement system, or any other regional or municipal retirement system; contributions to Social Security and Medicare and other retirement plans.

a. Direct Retirement Costs (EOYR OBJECT CODE SERIES 5100)

Direct retirement costs include:

Pension Payments for Non-contributory Retirees
The pensions paid by the City to school department retirees.

Retirement Assessments
Assessments paid by the City to the Fall River Contributory Retirement System (WCRS); assessments paid by the City to State, regional, and other municipal systems, and payments by the City on behalf of school department employees for Social Security and, other retirement plans, i.e., 403B, 457, OBRA.

For reporting purposes, assessment cost allocations will be calculated as follows:

FRCRS Assessment
The FRCRS assessment is the (1) FRCRS assessment paid by the City multiplied by (2) the number of school employees covered under the FRCRS divided by the total number of employees covered under the FRCRS, plus any special assessments for early retirement incentive programs for school department employees.

State, Regional and Other Municipal Retirement System Assessments
Additionally, assessments by State, Regional and other municipal retirement systems paid by the City to the system for school department employees and retirees, as determined by the entity, plus any special assessments for early retirement incentive programs for school department employees.

Social Security, Medicare, and Retirement Savings Plans
Payments made by the City on behalf of school department employees for Social Security, Medicare, or other retirement plans, i.e., 403B, 457, OBRA, after deducting all employee contributions.

III. INSURANCE PROGRAMS (EOYR OBJECT CODE SERIES 5200, 5250, 5260)

Insurance for Active; Insurance for Retired; Other

Insurance include the cost of administering insurance programs, as well as the cost of: unemployment, health, life, and dental insurance, workers compensation and other employee benefits paid by the city; the premiums paid for property, casualty and liability insurance; premiums for fidelity bonds, and funding of self-insurance programs.

a. Direct Insurance Expenses (EOYR OBJECT CODE SERIES 5200, 5250, 5260)

Direct insurance expenses include: 1) the cost of direct insurance premiums for school employees, after deducting all employee contributions and contributions to self-insurance trust funds from the municipality's general fund (EOYR object code 5200); 2) the cost of health insurance premiums for retired school department employees, after deducting any retiree contributions and assessments for retired school department employees under G.L. c. 32A (EOYR object code 5250); and 3) the direct insurance premiums for school buildings, grounds, equipment and liability coverage, and contributions to non-employee self-insurance trust funds from the municipality's general fund.

For reporting purposes, insurance cost allocations will be calculated as follows:

Unemployment Costs
The cost for unemployment shall be the unemployment claims paid by the City for current and past school department employees during the year. This information will be verified by the City's Benefit Department prior to reporting.

Insurance Programs (Health, Life, Dental, Post-Retirement Health Funding)
The cost of health, life or dental insurance and post retirement health funding shall be the premiums and or assessments paid by the City for school department employees and retirees after deducting all employee contributions and transfers made from an insurance trust reserve. The allocation shall be broken out so that the cost for retirees is separate from employees. (The post-retirement health allocation shall be equal to the post-retirement health contribution, multiplied by the number of school employees eligible for insurance, divided by the total number of employees eligible for insurance.) This information will be verified by the City's Benefit Department prior to reporting.

It is recognized and agreed that the City will pay any addition costs for health, life or dental insurance above and beyond the original School Dept appropriation.

Worker's Compensation
The cost for workers compensation shall be the claims and assessments paid by the City for current and past school department employees during the year. This information will be verified by the City's Benefit Department prior to reporting.

Non-Employee Insurance
The cost for premiums paid for property, casualty, and liability insurances shall be equal to the cost of the premium for school coverage, or if the premium is inclusive of municipal and school coverage, the allocation shall equal (1) the total premium multiplied by (2) the total school property coverage as shown in the policy, divided by the total property coverage as shown in the policy. City contributions to self-insurance trust funds from the municipality's general fund shall be reported for cost allocation purposes on the same percent basis as non-employee insurance premium costs are allocated.

IV. SCHOOL FACILITY OPERATIONS AND MAINTENANCE AND EXTRAORDINARY MAINTENANCE (EOYR OBJECT CODE SERIES 4000)

The cost of operating and maintaining school facilities, including administrative and support facilities, include custodial services, heating of buildings, utility services, maintenance of grounds, maintenance of buildings and maintenance of equipment and other facility support services (snow plowing or removal, rubbish collection or disposal). The costs shall include salary, wages and benefit costs for professional, technical, maintenance, clerical and support staff, and all expenses including, but are not limited to, professional and technical services, supplies and materials, dues and subscriptions, travel expenses, and other related costs for the ordinary and extraordinary maintenance of school facilities. Costs for employees and resources that are shared between the school department and other departments will be the (1) total cost of the identified service multiplied by (2) the percentage of use by the school department. This information is to be verified by the head of building maintenance prior to reporting.

V. OTHER FIXED COSTS (EOYR OBJECT CODE SERIES 5500)
5550 Crossing Guards/3600 School Security (SRO's)

Other recurring expenses incurred by the City for school purposes include, but are not limited to the actual cost of: public safety services provided to the School Department, such as school crossing guards; public health and safety inspections (building inspections, health inspections, fire inspections, and other regulatory services). The actual costs shall include salary and wages for professional, technical, clerical and support staff, and all expenses including, but are not limited to, professional and technical services, supplies and materials, dues and subscriptions, travel expenses and other related costs.

VI. DEBT (EOYR OBJECT CODE SERIES 5400, 5450, 8100, 8200, 8400, 8600)

Short Term Interest

For reporting purposes, cost of debt and capital shall include the actual interest paid on revenue anticipation notes (RANS) for school purposes (EOYR 5400), interest charges on short term borrowing for bond anticipation notes (BANS) for school purposes (EOYR 5450) the annual principal and interest paid on loans used to finance the purchase or construction of schools (EOYR 8100 & 8200), the annual interest on bonds and loans used to finance the purchase of books, instructional equipment, and extraordinary maintenance (EOYR 8400), and the annual interest on bonds and loans used to finance the purchase of non-instructional equipment, and to pay for capital maintenance projects in excess of $50,000 (EOYR 8600).

The debt expense will be broken-out so that principal and interest by line item can be identified.

VII. PAYMENTS TO OTHER DISTRICTS (EOYR OBJECT CODE SERIES 9000, 9500)

The cost of programs with other districts include tuition or assessments paid or charged to a non-School Committee department appropriation for instructional programs provided by other public or private schools, including as well as tuitions paid to educational collaboratives, charter schools or under school choice (EOYR 9000.). Assessments paid to regional school districts, according to G.L. c 70, shall be reported in total.

VIII. OTHER EXPENSES

Although this agreement is intended to identify services and expenses that are provided to the Fall River Public Schools and how such costs shall be allocated between the City and the School for reporting purposes, it is recognized and further agreed that other costs which may be incurred by the City that are not directly appropriated to the Fall River Public Schools, and have been identified to be in part or entirety expended on behalf of the schools shall be allocated and reported. Such allocation will be determined and agreed to in writing by the School Business Administrator for the Fall River Public Schools and the City Accountant for the City of Fall River. Should disagreement exist between the officials, such proposed allocation shall be presented to the Superintendent of Schools and City Administrator to determine the appropriate allocation methodology. Should the School Superintendent and City Administrator not reach agreement, they shall so notify and seek the assistance of the Department of Education and Department of Revenue in accordance with Commonwealth of Massachusetts Regulations.

For the City of Fall River:

Shawn E. Cadin
City Administrator

November 15, 2010
(date)

For the Fall River Public Schools:

Superintendent of Schools

11/16/10
(date)

1/25/12

Massachusetts Department of Elementary and Secondary Education
FY13 Preliminary Chapter 70 Summary

95 FALL RIVER

Aid Calculation FY13

Prior Year Aid

1	Chapter 70 FY12	[redacted]

Foundation Aid

2	Foundation budget FY13	117,801,267
3	Required district contribution FY	21,470,723
4	Foundation aid (2 -3)	96,330,544
5	Increase over FY12 (4 - 1)	[redacted]

Non-Operating District Reduction to Foundation

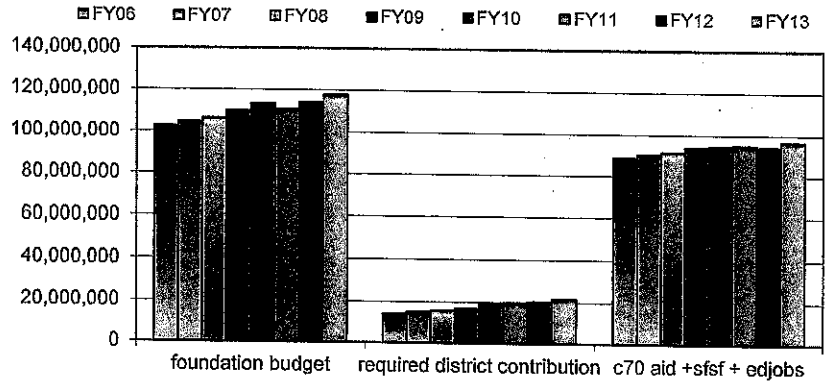
6	Reduction to foundation	[redacted]

Chapter 70 Aid FY13

sum of line 1 and 5 minus line [redacted]

Comparison to FY12

	FY12	FY13	Change	Pct Chg
Enrollment	10,599	10,591	-8	-0.08%
Foundation budget	113,992,340	117,801,267	3,808,927	3.34%
Required district contribution	20,197,065	21,470,723	1,273,658	6.31%
Chapter 70 aid	[redacted]	[redacted]	2,535,269	2.70%
Required net school spending (NS:	113,992,340	117,801,267	3,808,927	3.34%
Target aid share	69.40%	69.49%		
C70 % of foundation	82.28%	81.77%		
Required NSS % of fnd	100.00%	100.00%		



#4

#5

BUDGET DEVELOPMENT GUIDE

The Budget as a Policy Document (PD)

PD1. The document should include a coherent statement of entity-wide long-term financial policies.

PD2. The document should include a coherent statement of entity-wide, non-financial goals and objectives that address long-term concerns and issues.

PD4. The document shall include a budget message that articulates priorities and issues for the budget for the new year. The message should describe significant changes in priorities from the current year and explain the factors that led to those changes. The message may take one of several forms *(e.g., transmittal letter, budget summary section).*

PD5. The document should include clearly stated goals and objectives of organizational units *(e.g., departments, divisions, offices or programs).*

The Budget as a Financial Plan (FP)

FP1. The document should include and describe all funds that are subject to appropriation.

FP2. The document shall present a summary of major revenues and expenditures, as well as other financing sources and uses, to provide an overview of the total resources budgeted by the organization.

FP3. The document shall include summaries of revenues and other financing sources, and of expenditures and other financing uses for the prior year actual, the current year budget and/or estimated current year actual, and proposed budget year.

FP4. The document shall describe major revenue sources, explain the underlying assumptions for the revenue estimates, and discuss significant revenue trends.

FP5. The document shall include projected changes in fund balances, as defined by the entity in the document, for appropriated governmental funds included in the budget presentation (fund equity if no governmental funds are included in the document.

FP6. The document should include budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget.

FP7. The document should describe if and to what extent significant non-routine capital expenditures will affect the entity's current and future operating budget and the services that the entity provides.

FP8. The document shall include financial data on current debt obligations, describe the relationship between current debt levels and legal debt limits, and explain the effects of existing debt levels on current and future operations.

FP9. The document shall explain the basis of budgeting for all funds, whether cash, modified accrual, or some other statutory basis.

The Budget as an Operations Guide (OG)

OG1. The document shall describe activities, services or functions carried out by organizational units.

OG2. The document should provide objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific units and programs.

OG3. **:** The document shall include an organization chart(s) for the entire organization.

OG4. A schedule or summary table of personnel or position counts for prior, current and budgeted years shall be provided.

The Budget as a Communications Device (CD)

CD1. The document should provide summary information, including an overview of significant budgetary issues, trends, and resource choices. Summary information should be presented within the budget document either in a separate section *(e.g., executive summary)* or integrated within the transmittal letter or other overview sections, or as a separate budget-in-brief.

CD2. The document should explain the effect, if any, of other planning processes (*e.g., strategic plans, long-range financial plans, and capital improvement plans*) upon the budget and budget process.

CD3. The document shall describe the process for preparing, reviewing and adopting the budget for the coming fiscal year. It also should describe the procedures for amending the budget after adoption.

CD4. Charts and graphs should be used, where appropriate, to highlight financial and statistical information. Narrative interpretation should be provided when the messages conveyed by the graphs are not self-evident.

CD5. The document should provide narrative, tables, schedules, or matrices to show the relationship between functional units, major funds, and non major funds in the aggregate.

CD6. The document shall include a table of contents to make it easy to locate information in the document

CD7. A glossary should be included for any terminology (including abbreviations and acronyms) that is not readily understandable to a reasonably informed lay reader.

CD8. The document should include statistical and supplemental data that describe the organization, its community, and population. It should also furnish other pertinent background information related to the services provided.

CD9. The document should be produced and formatted in such a way as to enhance its understanding by the average reader. It should be attractive, consistent, and oriented to the reader's needs.

CD10. The document should provide account histories which include three complete years of actual expenditures, the current year and the proposed/requested budget.

individual programs and line items recommended by the superintendent of schools. Someone usually goes home disappointed with virtually every decision.

It is no surprise that when municipal budgets are tight special interests lobby with added vigor for their priorities. It is not unusual for school advocates to take their case to the municipal officials, often hoping to reverse a controversial decision of the school committee. More frequently, town meetings, boards of selectmen, or city councils will promulgate the municipal budget, including the final level of school spending, with a strong recommendation to the school committee.

Although this may sound like a mandate to the average citizen, it is really only a strongly worded recommendation that is not binding. M.G.L. Chapter 71, Section 37 is clear that the school committee shall "... review and approve budgets for public education in the district."

Moreover, Section 34 adds that "the vote of the legislative body of a city or town shall establish the total appropriation for support of the public schools, but may not limit the authority of the school committee to determine expenditures within the total appropriation." Furthermore, Section 34 states that "the city or town appropriating body may make nonbinding monetary recommendations to increase or decrease certain line items allocating such appropriations."

For example, if a school committee approves a budget of $10 million for a district where required net school spending is $9.75 million, the town meeting or city council may approve the lower figure, but only the school committee is empowered legally to make the subsequent internal budget adjustments
to cut the $250,000 trimmed by the municipal legislative body. Anticipating the potential for a contentious debate and public scrutiny, and in the hope that municipalities will fund at the higher rather than minimally required levels, school districts often present more detailed budget requests with ample documentation and program explanations.

A second major area of budget contention arising since MERA adjusted the dynamics between superintendents and school committees, concerns the <u>authority to transfer among accounts</u>. Various school committees have adopted policies or rules that allow a superintendent to transfer up to a certain amount, usually five thousand dollars, from one line item to another without the approval of the board.

Both Massachusetts Association of School Committees (MASC) counsel and the Department of Revenue, Division of Local Services, have opined that, <u>based upon M.G.L. Ch. 71, Sections 34 and 37, the authority to transfer among accounts is vested solely in the school committee, and therefore may not be delegated to the superintendent or other officer.</u>

While a school committee may not delegate the statutory authority to transfer among accounts to the superintendent, **<u>they may grant authority to transfer within an account by following the guidance offered in 1994 by the Division of Local Services:</u>**

"The school committee could grant the superintendent more discretion by limiting the number of allocations to fewer, more general categories in its budget vote and by labeling subcategories as information only.

For example, despite education reform, the school committee could budget general teacher salaries as a cost center with information items for each school. The superintendent could then use amounts shown for one school in another school without the necessity of a formal transfer vote. Conversely, the committee could give principals more authority by voting to allocate actual budget items to each school, requiring a formal committee vote to transfer from one school to another."

School committees that want to scrutinize the annual operating budget more closely might have many "cost centers" identified in their promulgated budget; others that want to allow the superintendent more discretion could have fewer such accounts.

Editor's Note: This article represents the opinions and conclusions of the authors and not those of the Department of Revenue.

Glenn Koocher, M.P.A., is Executive Director of the Massachusetts Association of School Committees.
Stephen J. Finnegan, J.D., is General Counsel to MASC.

#6

A Review of the School Committee's Authority to Make Internal Budget Adjustments

by Glenn S. Koocher, M.P.A. and
Stephen J. Finnegan, J.D.

An area of increasing controversy and some contention among municipal officials is the authority of the school committee over the budget for the local or regional school district. Prior to the passage of Proposition 21/2, school committees enjoyed fiscal autonomy, whereby the legislative bodies of the cities and towns were required to appropriate the funds requested by the school committee for school purposes. Proposition 21/2 repealed school fiscal autonomy and vested bottom line budget approval with the municipal budget authority.

After the passage of Proposition 21/2, the Commissioners of Education and Revenue issued a joint memorandum underscoring the line item and transfer authority of school committees based in part on *Leonard v. School Committee of Springfield*, 241 Mass 325 (1922). Subsequently, two laws further reinforced the line item and transfer authority of school committees. (St. 1981, c.
471 and 782.)

The Massachusetts Education Reform Act of 1993 (MERA) made some significant changes to the law governing public education. However, setting the district budget and determining district policy remains firmly with the school committee, (M.G.L. Ch. 71, Sections 34 and 37) and the fiscal authority of the board changed little under MERA. Indeed, one of the changes to school budget authority added the minimum required local contributions and net school spending mandates to Chapter 70.

The final promulgated school budget, of course, is subject to the legal requirements of net school spending but is also subject to review by the mayor or city manager and city council in cities, and the review of a town finance committee and decision of the town meeting.

Regional school district budgets must receive the approval of two-thirds of the school committee and two-thirds of the member municipalities pursuant to M.G.L. Ch. 71, Section 16B, but are otherwise subject to "all the powers and duties conferred by law upon school committees." (M.G.L.
Ch. 71, Section 16.) These municipal reviews impact only the final school department budget, and "shall not allocate appropriations among accounts or place any restrictions on such appropriations." (M.G.L. Ch. 71, Section 34.)

School committees make dozens of difficult decisions during the budget process that includes at least one mandatory public hearing (M.G.L. Ch.
71, Section 38N) but in fact, usually involves more. The board must act, often with passionate special interests seated before them, to vote affirmatively or negatively on