

NEEDHAM PUBLIC SCHOOLS

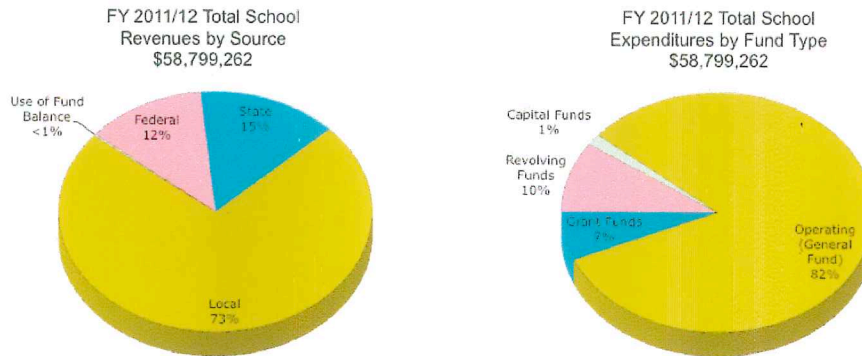
1330 HIGHLAND AVENUE • NEEDHAM, MASSACHUSETTS • 02492-2692

Telephone (781) 455-0400 X 207 • For TTY Service (781) 455-0424 • Fax (781) 455-0417

July 1, 2011

Dear Needham School Community:

Enclosed, please find the approved budget of the Needham Public Schools for FY 2011/12 (FY12).



The total school budget for the Fiscal Year ending June 30, 2012 totals \$58,799,262, a \$3,003,999 (4.9%) reduction from the FY11 budget of \$61,803,261. The school budget includes operating budget resources approved by the taxpayers (\$48,436,371), operational activities funded by grants and fees (\$9,474,089) and capital projects approved for FY11/12 (\$888,800.)

<u>Total School Expenditures</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Budget</u>	<u>FY12 Budget</u>	<u>\$ Inc/(Dec)</u>	<u>% Inc/(Dec)</u>	<u>% TL FY12</u>
Operating	40,799,834	41,965,105	45,180,592	46,424,078	48,436,371	2,012,293	4.3%	82.4%
Grant	3,815,255	4,347,761	4,425,847	4,413,130	3,861,749	(551,381)	-12.5%	6.6%
Revolving	4,214,453	4,900,909	4,998,649	5,580,202	5,612,340	32,138	0.6%	9.5%
Capital	15,862,815	20,592,340	6,016,671	5,385,850	888,800	(4,497,050)	-83.5%	1.5%
Grand Total	64,692,358	71,806,114	60,621,759	61,803,261	58,799,262	(3,003,999)	-4.9%	100.0%

This budget details the resources the schools need to continue to provide an educational program for our students, one that is consistent with our core values of **Scholarship, Citizenship, Community, and Personal Growth.**

Developing the budget this year has been a challenge, especially within the context of an extremely tight local and national economic climate. School administrators and staff took on this work knowing that the community has high expectations for student learning and achievement, but reduced resources to fund school and general government programs. This proposal is a prudent and responsible plan that balances the needs of the School Department with the fiscal reality the Town of Needham is facing. The FY12 budget plan also uses \$500,900 in federal Education Jobs grant funds to ensure that a minimum revenue source will be available for school needs and level service next year. Although these one-time resources are applied

thoughtfully, for the purpose of ‘bridging’ this second-in-a-row difficult budget year until state and Town revenues begin to recover, the loss of these funds at the conclusion of the FY12 budget year will put a considerable strain on the School Department, unless additional revenue becomes available.

Principals and administrators, who are sensitive to the difficult economic climate, requested modest increases in their programs. Unfortunately, many of these requests were not included in the final budget plan, which focuses limited resources on meeting contractual salary obligations for staff members, and addressing two key budget drivers: providing for special education needs and addressing growing enrollments at the secondary level. Overall, special education expenditures increase by \$1,443,252, which includes an anticipated increase in out-of-district tuition expenses of \$1,199,632. A large portion of the tuition increase is due to recent cut backs in state Circuit Breaker aid for special education, which, if funded at the anticipated 40% reimbursement rate, will result in a revenue loss of approximately \$833,031 for Needham in FY12. In addition, the budget provides funding for an additional 7.7 FTEs (\$409,990) to meet growing enrollment at the middle and high schools. Resources are re-positioned throughout the budget to meet these needs. For instance, a total of 4.9 FTE staff members are reduced to provide funding for secondary classrooms, including 2.6 FTE teachers and 2.3 FTE instructional support personnel. Other existing funds, including contractual obligations and maintenance, also are redirected to meet school and program needs.

The development of a budget plan for the FY 2012/2013 school year will continue to be a difficult exercise, which will likely involve further reductions to existing programs and staff. Increased staff contractual costs in FY13 and diminished state and local revenues will exacerbate future planning and budgeting and will require the school administration, in collaboration with the School Committee and all Town boards, to consider the steps that must be taken if the community is to strengthen the Needham Public Schools. Clearly, in the future it will not be possible to sustain school programs or develop new ones without additional resources.

However, Needham Public Schools will continue to pursue sustainable budget initiatives that seek to provide needed services as efficiently and effectively as possible. For example, this budget includes several changes to the pupil transportation program, which reduced transportation costs overall by an estimated \$143,044 in FY12 – savings, which were used to offset the anticipated rate increase for yellow bus service and meet the increase in special needs transportation requirements. These changes also are expected to yield long-term benefits for the system by controlling the rate of growth in transportation costs and maximizing the amount of funds, which can be allocated to the classroom.

Other ongoing ‘sustainability’ initiatives, expected to bear fruit in the future, include: a review of special education service delivery models for programmatic improvement and operational efficiencies and a strategy of investing in professional development, which builds capacity in areas such as consulting for students with autism.

2011/12 Budget Calendar

Sept– School Committee Developed School Budget Priorities & Guidelines

Oct/ Nov – Superintendent Developed Preliminary Budget Recommendation, Based on School Committee Guidelines

Dec 7 – Superintendent’s Budget Request Sent to School Committee, Town Manager and the Finance Committee (on or Before Second Wed in Dec.)

Dec/Jan – School Committee Held Public Hearing(s) and Reviewed Superintendent’s Request, Both Jointly and in Concert with the Finance Committee.

Jan 25, 2011– School Committee Sent Formal Budget Request to the Town Manager (Due on or Before Jan 31.)

Jan 31 – Town Manager Presented Balanced Town-Wide Budget Proposal, Including the Voted Request of the School Committee, to the Finance Committee for Formal Deliberation

Jan/Feb/Mar – Finance Committee Reviewed Budget Requests and Held Public Hearings

March 15 – Finance Committee Voted its Final Budget Recommendation to Town Meeting. The Finance Committee’s Recommendation is Considered the Main Motion to be Acted Upon by Town Meeting

May 2 – Annual Town Meeting

July 1 – New Fiscal Year Begins

Significant Components of the FY12 Total School Budget:

- The total school budget for the Fiscal Year ending June 30, 2012 totals \$58,799,262, a \$3,003,999 (4.9%) reduction from FY11. The \$3,003,999 reduction reflects the fact that several large, debt-financed capital projects at the Pollard Middle School were funded during FY11.
- The budget derives funding from local, state and federal sources. Local funds represent the largest funding source (72.9%), followed by state revenues (14.5%) and federal funds (12.3%). The \$2.6 million reduction in local revenues reflects the fact that two large, debt-financed capital projects received one-time funding of \$4.7 million in FY11, which will not repeat in FY12. This reduction was partially offset, by additional local funding for operations of \$1.9 million, resulting in a net local revenue loss of \$2.6 million. Federal funds also decrease by \$535,854, reflecting the net impact of losing \$1.3 million in federal stimulus grant funds, but receiving a \$0.5 million federal Education Jobs grant in their place.

<u>Total School Revenues</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Budget</u>	<u>FY12 Budget</u>	<u>\$ Inc/(Dec)</u>	<u>% Inc/(Dec)</u>	<u>% TL FY12</u>
Federal	5,966,291	6,978,646	7,598,606	7,775,922	7,240,068	(535,854)	-6.9%	12.3%
State	7,470,140	8,401,055	7,774,838	8,118,139	8,523,280	405,141	5.0%	14.5%
Local	39,085,663	38,564,900	40,647,479	45,501,849	42,892,928	(2,608,921)	-5.7%	72.9%
Use of Fund Balance	<u>12,170,264</u>	<u>17,861,513</u>	<u>4,600,835</u>	<u>407,350</u>	<u>142,984</u>	<u>(264,366)</u>	<u>-64.9%</u>	<u>0.2%</u>
Grand Total	64,692,358	71,806,114	60,621,759	61,803,261	58,799,262	(3,003,999)	-4.9%	100.0%

Significant Components of the FY12 Operating Budget:

- The school operating budget of \$48,436,371 represents a proposed 4.3% increase of \$2,012,293 over the FY11 budget of \$46,424,078¹. It depends, however, on the use of \$500,900 in federal Education Jobs grant funds to balance the budget. Had these funds not been available, the overall budget request would have been \$2,513,193 or 5.4%.
- Mandated and contractual costs account for most (\$2,177,573) of the overall expenditure increase, including \$734,321 in contractual salary expense and \$1,443,252 in special education expenditures. The special education amount includes \$1,199,632 in new out-of-district tuition costs for children and \$117,640 in additional transportation expense for FY12.
- Overall staffing is increased by 5.93 net Full Time Equivalents (FTE.) A total of 2.6 FTE teachers and 2.3 FTE instructional support staff members are reduced in order to provide for additional enrollment teachers at the secondary level.
- The budget plan also includes an extremely modest Cost of Living Allowance (COLA) for staff members. The recently-settled teachers contract provides for a 0.25 % COLA in FY12 to supplement contractual step and (educational) lane increases. A small cost of living increase also is assumed for the

¹ The FY11 school operating budget presented in this document is \$117,000 less than the \$46,541,078 budget approved by Special Town Meeting in November 2010. The \$117,000 amount was appropriated to pay design and construction costs associated with the Pollard School Renovation Project. Given the one-time nature of these capital expenditures, however, and to facilitate the comparison of operational expenses in FY11 and FY12, the FY11 budget total presented in this document excludes this amount. As a result, the FY12 budget request is shown as a \$2,012,293 (4.3%) increase over a revised FY11 budget of 46,424,078. Had the \$117,000 been included, the FY12 budget would have increased by \$1,895,293 (4.1%) over the current year.

other bargaining units (administrators, instructional aides and clerical support staff), whose contracts are being collectively bargained this year.

- The budget assumes that total enrollment will grow to 5,511 in FY12, an increase of 79 students (1.5%) over the current year October 1 enrollment of 5,432. All of this growth is projected to occur at the secondary level, however. Elementary enrollment is projected to decline by 0.85% from 2,575 to 2,553; middle school enrollment is expected to rise from 1,277 to 1,302 (2.0%) and High School enrollment is expected to increase by 5.2% from 1,449 to 1,525.
- Funding for substitutes, maintenance, postage and legal services is reduced.

Significant Components of the FY12 Special Revenue (Grant and Revolving Fund) Budgets:

- The FY12 special revenue fund budgets reflect the School Department's continued reliance on grants and fees to support operations. These revenue sources, which together comprise \$9,474,089 (or 16.1%) of the overall school budget, support a variety of different programs, ranging from special education service delivery under the federal IDEA (94-142) grant, to anti-bullying activities under the Metrowest Bullying Prevention Grant. Fee-based programs include school lunch and transportation services, as well as a variety of extra-curricular activities for students. In total, grant and fee revenues will provide funding for 113.56 staff positions in FY12, or 15.4% of total school staff members.
- The approved grant budget of \$3,861,749 decreases by \$551,381 (12.5%) from FY11, reflecting the loss of \$1,287,891 in American Reinvestment and Recovery Act (ARRA) federal stimulus funds. These funds were used during the current year to bolster the school operating budget and provide needed investment in assistive technology and transportation infrastructure for special needs students, as well as professional development for teachers and math curriculum materials for elementary students. The FY12 federal Education Jobs grant will continue to support operational activities in the amount of \$500,900. Although these one-time resources are applied thoughtfully, for the purpose of 'bridging' this second-in-a-row difficult budget year until state and Town revenues begin to recover, the loss of these funds at the conclusion of the FY12 budget year will put a considerable strain on the schools, unless additional grant or operating revenue becomes available.
- State Circuit Breaker funds are budgeted, based on a 40% reimbursement rate for FY12. This reimbursement rate, which had been cut from 75%, represents a revenue loss of approximately \$833,031 for Needham in FY12, that will be backfilled in part by the federal Education Jobs grant. The final adopted state budget for FY12 includes additional funding for Circuit Breaker beyond the 40% budget rate, however, the exact reimbursement percentage will not be known until the fall.

Significant Components of the FY12 Capital Budget:

- The FY12 capital budget reflects the Town's commitment to maintaining School Department facility and equipment assets. Funding is provided for the following projects: \$168,800 to support ongoing equipment replacement, \$400,000 for facilities maintenance/repair, and \$320,000 for roof replacement at Needham High School.

- Work is ongoing on several large capital projects, funded in previous fiscal years. A large repair project at the Newman School will require students to be re-located to modular classrooms on the Newman and Pollard School campuses in FY12. A total of \$148,169 from anticipated operating budget savings will be held aside to provide resources for staff, transportation, planning, materials, moving, and other one-time logistical needs associated with relocating these students. In addition, work is underway at the Pollard Middle School to make the parking and access improvements required to accommodate the incoming Newman students, and to replace the roof. The Newman School renovation project and Pollard School roof replacement project both are partially funded by the Massachusetts School Building Authority (MSBA.)

What Assumptions and Priorities Shaped the FY12 Budget?

The FY12 budget development process began earlier in the school year, when the School Committee identified budget priorities to guide the administration in the budget planning process. These included:

- The District's values of scholarship, community, citizenship and personal growth.
- The District's learning goals of advancing standards-based learning, developing the social and emotional skills of all students and promoting active citizenship; as well as the infrastructure goal of a sustainable plan for financial, building, technological and human resources, which supports the learning goal.
- The need for highly qualified staff, who teach within established student/ teacher ratio guidelines.
- The ongoing refinement of curriculum, instruction, and assessment practices.
- The need to develop and maintain educational resources and a technology infrastructure that supports student learning and meets district goals.

In addition, the School Committee invited our state legislators to review with it the District's Five-Year Budget Forecast, a model that projects enrollment, contractual, school, and staffing needs against anticipated revenue. This model had anticipated that school 'needs' could surpass available revenue by over \$2.5 million for FY12. It advocated several strategies for balancing the budget, which the School Department successfully implemented. These included: negotiating fair, yet affordable contracts for teachers and other staff members; seeking efficiencies in the area of special education service delivery and transportation; providing for only the most critical enrollment positions needed to reduce class size; paring back supply budgets; using fees and grant funds to support operations; and using the federal Ed Jobs grant to 'spread' budget reductions across a two-year period.

Newman School Renovation

The FY12 budget also calls for the use of \$148,169 from anticipated operating budget savings to ensure that the upcoming Newman School renovation project can succeed and meet the needs of students, staff, and families. Grades One through Five will be housed in modular classrooms on the Newman campus during the 2011/12 school year, while the Preschool, Kindergarten, and Kindergarten After School Enrichment (KASE) programs will be re-located to the modular classrooms at the Pollard Middle School. The proposed level of funding will provide resources for staff, transportation, planning, materials, moving, and other logistical items, that will address the needs of all of Newman's student population, both on the Newman campus and the Pollard campus.

How are the School District's Goals reflected in the FY12 Budget?

Although the difficult economic circumstances have limited our ability to undertake new initiatives in support of District goals and objectives, the FY 12 budget continues the progress we have made in many of these areas. Some of these efforts include:

- Continuing to support professional development for teachers in the area of advancing standards based learning (Goal #1). Overall, the budget contains \$819,538 for teacher professional development and curriculum initiatives; the \$15,000 budget reduction in this area will slow, but not halt, work currently in progress on these initiatives;
- Continuing to implement the new Think Math! Curriculum in Grades 3-5, for \$7,474. (Goal #1)
- Providing funds to hire a teacher evaluation system consultant (\$4,000) to train personnel on the new teacher evaluation system, currently being developed by a team of teachers and administrators. (Goal #4).

Conclusion:

A well-crafted budget expresses an organization's goals and priorities, as it describes in a very tangible and measurable way the financial resources to be expended toward achieving those goals. It does not, and is not, intended to describe the results achieved. For the Needham Public Schools, those results are reflected in the accomplishments of our students as they progress through their education and emerge from Needham schools prepared to take their places as citizens in the community. Evidence of their achievements can be found at the end of this document, and also in some detail in the School Department's annual Performance Report. You can learn more about Needham Public Schools, its programs and accomplishments, on our web site at: www.needham.k12.ma.us.

The School Committee thanks the Superintendent and staff, who have, as always, worked so hard to prepare this budget. The School Committee values our excellent ongoing collaboration with the Selectmen, Town Manager, and Finance Committee in our collective effort to craft a sustainable Town-wide budget that meets the needs of all citizens. We greatly appreciate the continued support of all the Town of Needham committees, boards and citizens, and we respectfully ask for your support, at Town Meeting.

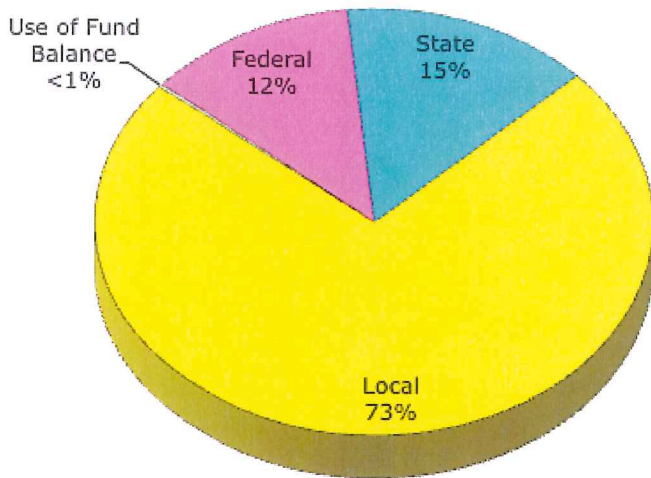
Sincerely,

Daniel Gutekanst

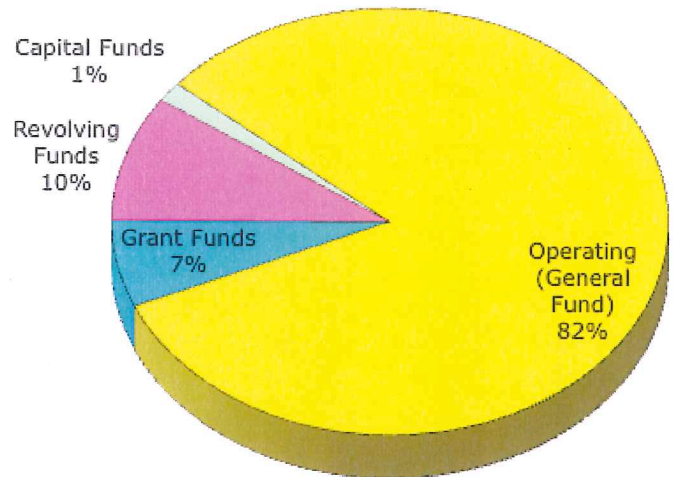
Daniel Gutekanst, Ed. D.
Superintendent
Needham Public Schools

Executive Summary

FY 2011/12 Total School Revenues by Source
\$58,799,262



FY 2011/12 Total School Revenues by Fund Type
\$58,799,262



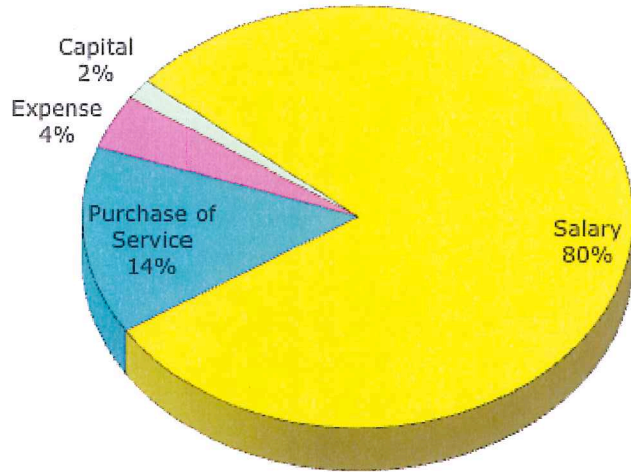
Total School Budget Revenue Summary:

<u>Total School Revenues</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Budget</u>	<u>FY12 Budget</u>	<u>\$ Inc/(Dec)</u>	<u>% Inc/(Dec)</u>	<u>% TL FY12</u>
Operating	40,799,834	41,965,105	45,180,592	46,424,078	48,436,371	2,012,293	4.3%	82.4%
Grant	3,815,255	4,347,761	4,425,847	4,413,130	3,861,749	(551,381)	-12.5%	6.6%
Revolving	4,214,453	4,900,909	4,998,649	5,580,202	5,612,340	32,138	0.6%	9.5%
Capital	15,862,815	20,592,340	6,016,671	5,385,850	888,800	(4,497,050)	-83.5%	1.5%
Total	64,692,358	71,806,114	60,621,759	61,803,261	58,799,262	(3,003,999)	-4.9%	100.0%

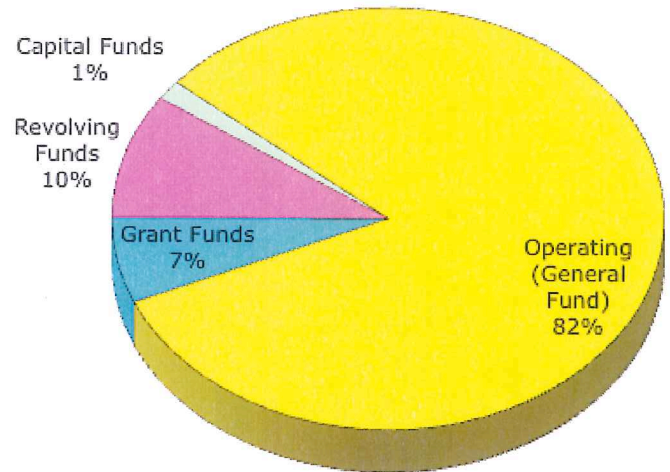
<u>Total School Revenues</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Budget</u>	<u>FY12 Budget</u>	<u>\$ Inc/(Dec)</u>	<u>% Inc/(Dec)</u>	<u>% TL FY12</u>
Federal	5,966,291	6,978,646	7,598,606	7,775,922	7,240,068	(535,854)	-6.9%	12.3%
State	7,470,140	8,401,055	7,774,838	8,118,139	8,523,280	405,141	5.0%	14.5%
Local	39,085,663	38,564,900	40,647,479	45,501,849	42,892,928	(2,608,921)	-5.7%	72.9%
Use of Fund Balance	12,170,264	17,861,513	4,600,835	407,350	142,984	(264,366)	-64.9%	0.2%
Grand Total	64,692,358	71,806,114	60,621,759	61,803,261	58,799,262	(3,003,999)	-4.9%	100.0%

Executive Summary

FY 2011/12 Total School Expenditures by Line Item
\$58,799,262



FY 2011/12 Total School Expenditures by Fund Type
\$58,799,262



Total School Budget Expenditure Summary:

<u>Total School Expenditures</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Budget</u>	<u>FY12 Budget</u>	<u>\$ Inc/(Dec)</u>	<u>% Inc/(Dec)</u>	<u>% TL FY12</u>
Salary	38,865,029	40,752,573	44,158,564	45,424,393	46,925,794	1,501,402	3.3%	79.8%
Purchase of Service	7,650,875	7,796,939	7,537,923	7,929,198	8,473,341	544,143	6.9%	14.4%
Expense	2,282,020	2,631,465	2,650,213	2,611,824	2,462,528	(149,295)	-5.7%	4.2%
Capital	15,894,435	20,625,139	6,275,060	5,837,850	937,600	(4,900,250)	-83.9%	1.6%
Total	64,692,358	71,806,114	60,621,759	61,803,261	58,799,262	(3,003,999)	-4.9%	100.0%

<u>Total School Expenditures</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Budget</u>	<u>FY12 Budget</u>	<u>\$ Inc/(Dec)</u>	<u>% Inc/(Dec)</u>	<u>% TL FY12</u>
Operating	40,799,834	41,965,105	45,180,592	46,424,078	48,436,371	2,012,293	4.3%	82.4%
Grant	3,815,255	4,347,761	4,425,847	4,413,130	3,861,749	(551,381)	-12.5%	6.6%
Revolving	4,214,453	4,900,909	4,998,649	5,580,202	5,612,340	32,138	0.6%	9.5%
Capital	15,862,815	20,592,340	6,016,671	5,385,850	888,800	(4,497,050)	-83.5%	1.5%
Grand Total	64,692,358	71,806,114	60,621,759	61,803,261	58,799,262	(3,003,999)	-4.9%	100.0%

Executive Summary

Total School Revenues & Expenditures by Fund:

Revenue & Expenditures by Fund	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Budget	FY12 Budget	\$ Inc/(Dec)	% Inc/(Dec)	% TL FY12
Operating								
Fund 1000 (General Fund)	40,799,834	41,965,105	45,180,592	46,424,078	48,436,371	2,012,293	4.3%	82.4%
Subtotal	40,799,834	41,965,105	45,180,592	46,424,078	48,436,371	2,012,293	4.3%	82.4%
Grant								
Fund 2003 (Federal Grant)	1,335,024	2,005,878	2,593,209	2,783,070	1,985,712	(797,358)	-28.7%	3.4%
Fund 2004 (State Grant)	2,392,953	2,310,496	1,815,473	1,581,538	1,851,889	270,351	17.1%	3.1%
Fund 2552 (Local Grant)	87,278	31,387	17,165	48,522	24,148	(24,374)	-50.2%	0.0%
Subtotal	3,815,255	4,347,761	4,425,847	4,413,130	3,861,749	(551,381)	-12.5%	6.6%
Revolving								
Fund 2303 (Transportation)	334,549	457,416	420,385	466,591	513,557	46,966	10.1%	0.9%
Fund 2350 (General Fee)	1,842,490	1,943,199	2,144,361	2,466,714	2,387,198	(79,515)	-3.2%	4.1%
Fund 2351 (Athletics)	323,968	416,564	377,616	461,574	483,601	22,027	4.8%	0.8%
Fund 2550 (Food Service)	1,524,998	1,858,884	1,822,494	1,925,184	1,979,130	53,946	2.8%	3.4%
Fund 2551 (Adult Education)	177,073	203,232	228,666	238,526	233,854	(4,672)	-2.0%	0.4%
Fund 2553 (Staff Development)	11,375	21,613	5,128	21,613	15,000	(6,613)	-30.6%	0.0%
Subtotal	4,214,453	4,900,909	4,998,649	5,580,202	5,612,340	32,138	0.6%	9.5%
Capital								
Capital Funds	15,862,815	20,592,340	6,016,671	5,385,850	888,800	(4,497,050)	-83.5%	1.5%
Subtotal	15,862,815	20,592,340	6,016,671	5,385,850	888,800	(4,497,050)	-83.5%	1.5%
Grand Total	64,692,358	71,806,114	60,621,759	61,803,261	58,799,262	(3,003,999)	-4.9%	100.0%

Total School Staff Positions (FTE) by Fund:

FTE By Fund	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Budget	FY12 Budget	Inc/(Dec)	% Inc/(Dec)	% TL FY12
Operating								
Fund 1000 (General Fund)	607.19	608.29	625.57	618.45	624.38	5.93	1.0%	84.6%
Subtotal	607.19	608.29	625.57	618.45	624.38	5.93	1.0%	84.6%
Grant								
Fund 2003 (Federal Grant)	23.90	27.30	37.02	32.10	37.72	5.62	17.5%	5.1%
Fund 2004 (State Grant)	11.46	14.00	12.87	10.96	10.86	-0.10	-0.9%	1.5%
Fund 2552 (Local Grant)	1.00	1.00	0.00	0.00	0.00	0.00	0.0%	0.0%
Subtotal	36.36	42.30	49.89	43.06	48.58	5.52	12.8%	6.6%
Revolving								
Fund 2303 (Transportation)	1.00	1.50	1.29	1.29	1.50	0.21	16.3%	0.2%
Fund 2350 (General Fee)	29.57	25.62	30.28	28.86	30.36	1.50	5.2%	4.1%
Fund 2351 (Athletics)	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
Fund 2550 (Food Service)	27.29	27.32	32.39	32.82	31.96	-0.86	-2.6%	4.3%
Fund 2551 (Adult Education)	0.95	1.25	1.16	1.16	1.16	0.00	0.0%	0.2%
Fund 2553 (Staff Development)	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
Subtotal	58.81	55.69	65.12	64.13	64.98	0.85	1.3%	8.8%
Capital								
Capital Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
Grand Total	702.36	706.28	740.58	725.64	737.94	12.30	1.7%	100.0%

Executive Summary

Significant Components of the FY12 Total School Budget:

- The total school budget for the Fiscal Year ending June 30, 2012 totals \$58,799,262, a \$3,003,999 (4.9%) reduction from FY11. The school budget includes operating budget resources approved by the taxpayers (\$48,436,371), operational activities funded by grants and fees (\$9,474,089) and capital projects approved for FY11/12 (\$888,800.) The \$3,003,999 reduction reflects the fact that several large, debt-financed capital projects at the Pollard Middle School were approved during the current fiscal year.

<u>Total School Expenditures</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Budget</u>	<u>FY12 Budget</u>	<u>\$ Inc/(Dec)</u>	<u>% Inc/(Dec)</u>	<u>% TL FY12</u>
Operating	40,799,834	41,965,105	45,180,592	46,424,078	48,436,371	2,012,293	4.3%	82.4%
Grant	3,815,255	4,347,761	4,425,847	4,413,130	3,861,749	(551,381)	-12.5%	6.6%
Revolving	4,214,453	4,900,909	4,998,649	5,580,202	5,612,340	32,138	0.6%	9.5%
Capital	15,862,815	20,592,340	6,016,671	5,385,850	888,800	(4,497,050)	-83.5%	1.5%
Grand Total	64,692,358	71,806,114	60,621,759	61,803,261	58,799,262	(3,003,999)	-4.9%	100.0%

- The budget derives funding from local, state and federal sources. Local funds represent the largest funding source (72.9%), followed by state revenues (14.5%) and federal funds (12.3%). The \$2.6 million reduction in local revenues reflects the fact that two large, debt-financed capital projects received one-time funding of \$4.7 million in FY11, which will not repeat in FY12. This reduction was partially offset, by additional local funding for operations of \$1.9 million, resulting in a net local revenue loss of \$2.6 million. Federal funds also decrease by \$535,854, reflecting the net impact of losing \$1.3 million in federal stimulus grant funds, but receiving a \$0.5 million federal Education Jobs grant in their place.

<u>Total School Revenues</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Budget</u>	<u>FY12 Budget</u>	<u>\$ Inc/(Dec)</u>	<u>% Inc/(Dec)</u>	<u>% TL FY12</u>
Federal	5,966,291	6,978,646	7,598,606	7,775,922	7,240,068	(535,854)	-6.9%	12.3%
State	7,470,140	8,401,055	7,774,838	8,118,139	8,523,280	405,141	5.0%	14.5%
Local	39,085,663	38,564,900	40,647,479	45,501,849	42,892,928	(2,608,921)	-5.7%	72.9%
Use of Fund Balance	12,170,264	17,861,513	4,600,835	407,350	142,984	(264,366)	-64.9%	0.2%
Grand Total	64,692,358	71,806,114	60,621,759	61,803,261	58,799,262	(3,003,999)	-4.9%	100.0%

- This budget details the resources the schools need to continue to provide an educational program for our students, one that is consistent with our core values of **Scholarship, Citizenship, Community, and Personal Growth.**
- The benefit expenses for school employees and cost of maintaining school facilities are not included in the overall school budget. The benefit expenses are considered a Town-wide expense and are paid from a General Government appropriation that also includes benefits for other Town employees. School facilities are overseen the Department of Public Facilities, which is a General Government department that is overseen by the Town Manager.
- The School Department is a fiscally dependent entity of the Town of Needham. As such, its operating budget is a component of the Town of Needham's overall General Fund operating budget and is supported by the same revenue streams, which support other General Fund operations. (Fees and grant

revenues are received outside of the General Fund.) In addition, as a fiscally dependent entity, the School Department does not have taxing or borrowing authority.

Significant Components of the FY12 Operating Budget (\$48,436,371):

- The FY12 school operating budget of \$48,436,371, which is appropriated to the School Committee by Town Meeting, represents a proposed 4.3% increase of \$2,012,293¹ over the current fiscal year. It depends, however, on the use of \$500,900 in federal Education Jobs grant funds to balance the budget. Had these funds not been available, the overall budget request would have been for \$2,513,193 or 5.4%.

<u>Operating Expenditures</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Budget</u>	<u>FY12 Budget</u>	<u>\$ Inc/(Dec)</u>	<u>% Inc/(Dec)</u>	<u>% TL FY12</u>
Salary	34,964,360	36,689,152	39,274,263	40,629,489	41,477,582	848,093	2.1%	85.6%
Purchase of Service	4,774,477	4,202,101	4,496,159	4,786,135	5,988,197	1,202,062	25.1%	12.4%
Expense	1,060,998	1,071,088	1,186,441	1,008,459	970,595	(37,864)	-3.8%	2.0%
Capital	-	2,766	223,734	-	-	-	0.0%	0.0%
Subtotal	<u>40,799,834</u>	<u>41,965,105</u>	<u>45,180,592</u>	<u>46,424,078</u>	<u>48,436,371</u>	<u>2,012,293</u>	<u>4.3%</u>	<u>100.0%</u>

- Mandated and contractual costs account for most (\$2,177,573) of the overall expenditure increase, including \$734,321 in contractual salary expense and \$1,443,252 in special education expenditures. The special education amount includes \$1,199,632 in new out of district tuition costs for children and \$117,640 in additional transportation expense for FY12.
- Overall, the number of full-time equivalent staff members increases by 5.93 FTE. A total of 2.6 FTE teachers and 2.3 FTE instructional support staff members are reduced in order to provide for increases in staffing at the secondary level.
- The budget plan includes an extremely modest Cost of Living Allowance (COLA) for staff members. The recently settled teachers contract provides for a 0.25 % COLA in FY12 to supplement contractual step and (educational) lane increases. A small cost of living increase also is assumed for the other bargaining units (administrators, instructional aides and clerical support staff), whose contracts are being collectively bargained this year.
- The budget assumes that total enrollment will grow to 5,511 in FY12, an increase of 79 students (1.5%) over the current year October 1 enrollment of 5,432. All of this growth is projected to occur at the secondary level, however. Elementary enrollment is projected to decline by 0.85% from 2,575 to 2,553; middle school enrollment is expected to rise from 1,277 to 1,302 (2.0%) and High School enrollment is expected to increase by 5.2% from 1,449 to 1,525.
- Funding for substitutes, maintenance, postage and legal services is reduced.

¹ The FY11 school operating budget presented in this document is \$117,000 less than the \$46,541,078 budget approved by Special Town Meeting in November 2010. The \$117,000 amount was appropriated to pay design and construction costs associated with the Pollard School Renovation Project. Given the one-time nature of these capital expenditures, however, and to facilitate the comparison of operational expenses in FY11 and FY12, the FY11 budget total presented in this document excludes this amount. As a result, the FY12 budget request is shown as a \$2,012,293 (4.3%) increase over a revised FY11 budget of 46,424,078. Had the \$117,000 been included, the FY12 budget would have increased by \$1,895,293 (4.1%) over the current year.

Significant Components of the FY12 Special Revenue (Grant and Revolving Fund) Budgets:

- The FY12 special revenue fund budget reflects the School Department's continued reliance on grants and fees to support operations. These revenue sources, which together comprise \$9,474,090 (or 16.1%) of the overall school budget, support a variety of different programs, ranging from special education service delivery under the federal IDEA (94-142) grant, to anti-bullying activities under the Metrowest Bullying Prevention Grant. Fee-based programs include school lunch and transportation services, as well as a variety of extra-curricular activities for students. In total, grant and fee revenues will provide funding for 113.56 staff positions in FY12, or 15.4% of total school staff members.

<u>Revolving Fund Budget Summary</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Budget</u>	<u>FY12 Budget</u>	<u>\$ Inc/(Dec)</u>	<u>% Inc/(Dec)</u>	<u>% Total FY12</u>
Revenue	4,822,595	5,178,995	5,224,479	5,172,852	5,469,356	296,504	5.7%	100.0%
<u>Expenditure</u>								
Salary	2,247,699	2,422,537	2,807,675	2,884,964	3,135,721	250,757	8.7%	55.9%
Purchase of Service	871,585	1,047,376	939,725	1,147,661	1,077,010	(70,651)	-6.2%	19.2%
Expense	1,080,243	1,400,963	1,216,594	1,339,576	1,350,808	11,233	0.8%	24.1%
Capital Outlay	14,926	30,033	34,655	208,000	48,800	(159,200)	-76.5%	0.9%
Total	4,214,453	4,900,909	4,998,649	5,580,202	5,612,340	32,139	0.6%	100.0%
Beginning Fund Balance	1,872,488	2,480,855	2,759,341	2,705,492	2,841,644	136,152	5.0%	
Ending Fund Balance	2,480,629	2,758,941	2,985,171	2,298,142	2,698,659	400,517	17.4%	

<u>Total Grant Funds Budget Summary</u>	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Budget</u>	<u>FY12 Budget</u>	<u>\$ Inc/(Dec)</u>	<u>% Inc/(Dec)</u>	<u>% Total FY12</u>
Salary	1,652,970	1,640,884	2,076,626	1,909,940	2,312,491	402,551	21.1%	59.9%
Purchase of Service	2,004,813	2,547,462	2,102,040	1,995,402	1,408,133	(587,268)	-29.4%	36.5%
Expense	140,779	159,414	247,181	263,789	141,125	(122,664)	-46.5%	3.7%
Capital Outlay	16,693	0	0	244,000	0	(244,000)	-100.0%	0.0%
Total	3,815,255	4,347,761	4,425,847	4,413,130	3,861,749	(551,381)	-12.5%	100.0%

- The approved grant budget of \$3,861,749 decreases by \$551,381 (12.5%) from FY11, reflecting the loss of \$1,287,891 in American Reinvestment and Recovery Act (ARRA) federal stimulus funds. These funds were used during the current year to bolster the school operating budget and provide needed investment in assistive technology and transportation infrastructure for special needs students, as well as professional development for teachers and math curriculum materials for elementary students. The FY12 federal Education Jobs grant will continue to support operational activities in the amount of \$500,900. Although these one-time resources are applied thoughtfully, for the purpose of 'bridging' this second-in-a-row difficult budget year until state and Town revenues begin to recover, the loss of these funds at the conclusion of the FY12 budget year will put a considerable strain on the schools, unless additional grant or operating revenue becomes available.
- State Circuit Breaker funds are budgeted, based on a 40% reimbursement rate for FY12. This reimbursement rate, which had been cut from 75%, represents a revenue loss of approximately \$833,031 for Needham in FY12 that will be backfilled in part by the federal Education Jobs grant. The final adopted state budget for FY12 includes additional funding for Circuit Breaker beyond the 40% budget rate, however, the exact reimbursement percentage will not be known until the fall.

Significant Components of the FY12 Capital Budget:

- The FY12 capital budget of \$880,00 reflects the Town's commitment to maintaining School Department facility and equipment assets. Funding is provided for the following projects: \$168,800 to support ongoing equipment replacement, \$400,000 for facilities maintenance/repair, and \$320,000 for roof replacement at Needham High School.

Capital Expenditures by Type	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Budget	FY12 Budget	\$ Inc/(Dec)	% Inc/(Dec)	% Total FY12
School Construction & Renovation	14,629,688	18,406,443	4,791,916	1,163,000	0	(1,163,000)	-100.0%	0.0%
School Facility Maintenance	580,945	651,422	802,346	3,930,000	720,000	(3,210,000)	-81.7%	81.0%
Athletic & Playfield Improvements	0	1,153,176	159,997	146,600	0	(146,600)	-100.0%	0.0%
Technology Infrastructure Upgrades	409,224	331	0	0	0	0	0.0%	0.0%
Technology Equipment	164,422	296,552	179,366	38,600	49,100	10,500	27.2%	5.5%
Other Equipment & Vehicles	78,536	72,396	82,711	107,650	119,700	12,050	11.2%	13.5%
Other Miscellaneous	0	12,019	335	0	0	0	0.0%	0.0%
TOTAL	15,862,815	20,592,340	6,016,671	5,385,850	888,800	(4,497,050)	-83.5%	100.0%

- Work is ongoing on several large capital projects, funded in previous fiscal years. A large repair project at the Newman School will require students to be re-located to modular classrooms on the Newman and Pollard School campuses in FY12. A total of \$148,169 from anticipated operating budget savings will be held aside to provide resources for staff, transportation, planning, materials, moving, and other one-time, logistical needs associated with relocating these students. In addition, work is underway at the Pollard Middle School to make the parking and access improvements required to accommodate the incoming Newman students, and to replace the roof. The Newman School renovation project and Pollard School roof replacement project both are partially funded by the Massachusetts School Building Authority (MSBA.)

Significant Personnel Resource Changes for FY12:

- The total number of budgeted staff members for FY12 is 737.94 FTE, a 12.3 FTE (1.7%) increase from the current year. This growth reflects a net increase of 5.93 FTE personnel in the school operating budget, a 5.52 FTE increase in grant personnel and a 0.85 FTE increase in revolving staff members. There are no staff positions budgeted in the capital funds.

FTEs by Position Type	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Budget	FY12 Budget	Inc/(Dec)	% Inc/(Dec)	% TL FY12
Total								
Administrators	41.22	41.26	43.63	43.32	43.53	0.21	0.5%	5.9%
Teachers	423.39	430.28	442.54	435.16	444.26	9.10	2.1%	60.2%
Aides	172.81	171.62	189.57	184.54	180.14	-4.40	-2.4%	24.4%
Clerical (and Bus)	64.94	63.12	64.84	62.62	70.01	7.39	11.8%	9.5%
Grand Total	702.36	706.28	740.58	725.64	737.94	12.30	1.7%	100.0%

FTEs by Budget Source	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Budget	FY12 Budget	Inc/(Dec)	% Inc/(Dec)	% TL FY12
Total								
Operating	607.19	608.29	625.57	618.45	624.38	5.93	1.0%	84.6%
Grant	36.36	42.30	49.89	43.06	48.58	5.52	12.8%	6.6%
Revolving	58.81	55.69	65.12	64.13	64.98	0.85	1.3%	8.8%
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	0.0%
Grand Total	702.36	706.28	740.58	725.64	737.94	12.30	1.7%	100.0%

- The 5.93 FTE net increase in operating personnel reflects the following: an increase of 9.59 staff members to provide student support services in the areas of special education and English Language Learner (ELL) services, 7.7 FTE teacher and office support positions at the secondary level to meet increased enrollment at the middle and high schools, and 3.22 FTE positions to meet other District needs. These additional positions are funded, in part, by the elimination of 4.9 FTE existing positions – including 2.5 classroom teachers at the elementary level (where enrollments are not increasing), as well as the shift of 9.68 FTE teacher assistant and computer technician positions to the federal Education Jobs grant. The net change in positions is 5.93 FTE.
- The 5.52 FTE net increase in grant personnel reflects the shift of the aforementioned personnel to the federal Education jobs grant, net of position reductions in other grants. (Although the budgeted reduction to the operating budget was 9.68 FTE, the actual number of personnel to be shifted is 10.4 FTE.) The position reductions in other grants include the elimination of 3.76 FTE positions formerly funded by ARRA stimulus grants, which ended in FY11.
- The 0.85 FTE increase in revolving fund personnel reflects the net impact of position adjustments in several programs, needed to meet student needs in FY12.

Budget Assumptions and Priorities:

The FY12 budget development process began earlier in the school year, when the School Committee identified budget priorities to guide the administration in the budget planning process. These included:

- The District's values of scholarship, community, citizenship and personal growth.
- The District's learning goals of: advancing standards-based learning (Goal #1), developing the social and emotional skills of all students (Goal #2); promoting active citizenship (Goal #3); as well as the infrastructure goal of a sustainable plan for financial, building, technological and human resources (Goal #4)
- The need to provide sufficient resources and funding to meet contractual obligations and mandated programs, including: Chapter 766 Special Education requirements; No Child Left Behind (NCCLB) Act requirements; Section 504 and Americans with Disabilities Act requirements; Education Reform Act requirements, and the contractual obligations of Needham's collective bargaining agreements.
- The need for highly qualified staff, which teach within established student/ teacher ratio guidelines. These guidelines specify class sizes of 18-22 in Grades K-3, 20-24 in Grades 4-5, and 'reasonable class size' in Grades 6-12. These guidelines are recommendations, however, rather than absolute limits requiring strict, literal adherence.
- The ongoing refinement of curriculum, instruction, and assessment practices.
- The need to develop and maintain educational resources and a technology infrastructure that supports student learning and meets district goals.

The budget also reflects the following assumptions:

- A modest Cost of Living Allowance (COLA) is provided for all staff members. The recently settled teachers contract provides for a 0.25 % COLA in FY12 to supplement contractual step and (educational) lane increases. A small cost of living increase also is assumed for the other bargaining units (administrators, instructional aides and clerical support staff), whose contracts are being collectively bargained this year.
- The budget assumes that total enrollment will grow to 5,511 in FY12, an increase of 79 students (1.5%) over the current year October 1 enrollment of 5,432. All of this growth is projected to occur at the secondary level, however. Elementary enrollment is projected to decline by 0.85% from 2,575 to 2,553; middle school enrollment is expected to rise from 1,277 to 1,302 (2.0%) and High School enrollment is expected to increase by 5.2% from 1,449 to 1,525.

2011/12 Budget Calendar

Sept– School Committee Developed School Budget Priorities & Guidelines

Oct/ Nov – Superintendent Developed Preliminary Budget Recommendation, Based on School Committee Guidelines

Dec 7 – Superintendent's Budget Request Sent to School Committee, Town Manager and the Finance Committee (on or Before Second Wed in Dec.)

Dec/Jan – School Committee Held Public Hearing(s) and Reviewed Superintendent's Request, Both Jointly and in Concert with the Finance Committee.

Jan 25, 2011– School Committee Sent Formal Budget Request to the Town Manager (Due on or Before Jan 31.)

Jan 31 – Town Manager Presented Balanced Town-Wide Budget Proposal, Including the Voted Request of the School Committee, to the Finance Committee for Formal Deliberation

Jan/Feb/Mar – Finance Committee Reviewed Budget Requests and Held Public Hearings

March 15 – Finance Committee Voted its Final Budget Recommendation to Town Meeting. The Finance Committee's Recommendation is Considered the Main Motion to be Acted Upon by Town Meeting

May 2 – Annual Town Meeting

July 1 – New Fiscal Year Begins

Budget Process:

State law and Town Charter govern the budget process in Needham.

Pro Forma Budgets:

The budget process for Fiscal Year 2011/12 began in the summer of 2010, with the development of pro forma budgets by the Town Manager and Superintendent's Office. The Town Manager's pro forma budget projects the revenues for the upcoming budget year, which form the basis for initial budget decision-making. (Revenue projections are updated in January.) The School pro forma projects enrollment, contractual, school, and staffing needs against anticipated revenue. Both pro forma budgets are used better inform the decision making process by helping Town Boards and administrators to understand the 'big picture' challenges faced by the Town of Needham.

The School Pro forma projected that, based on the several assumptions, school operating 'needs' could exceed available revenue by approximately \$2.5 million in FY12, and by approximately \$1.1 million/year thereafter, based on the Town-wide revenue projection.

FY12-16 PROJECTION	2011	2012	2013	2014	2015	2016	AVG ANN INC
PROJECTED SCHOOL EXPENDITURES	46,424,078	50,100,644	52,560,978	55,413,410	57,993,578	60,246,278	
PROJECTED SCHOOL REV @ TOWN EST.	46,424,078	47,573,980	49,180,405	50,844,499	52,641,493	54,549,006	-
SURPLUS/(DEFICIT)	(0)	(2,526,664)	(3,380,573)	(4,568,911)	(5,352,084)	(5,697,271)	
INCREMENTAL GAP		(2,526,664)	(853,910)	(1,188,338)	(783,173)	(345,187)	(1,139,454)

Several strategies were identified to close this budget gap by reducing cost and developing sustainable infrastructure in the long term. These included:

- Negotiating fair, yet affordable contracts for teachers and other staff members.
- Creating sustainable programs 'in-house,' for expensive special education services.
- Providing pupil transportation services in the most cost effective manner possible.

Other long-term strategies called for:

- Growth in the revenue base, including Chapter 70 education aid and Circuit Breaker reimbursements for special education.
- Relief from legislative mandates that drive costs.

The report noted, however, that difficult decisions still would be required to both balance the school budget and meet the School Department's contractual and programmatic needs. Since salaries represent the largest share of the budget, the most important strategies for reducing the deficit must focus on meeting minimum contractual obligations and minimizing growth in new staff members. Specific strategies included:

- Providing for only the most critical of the enrollment positions, at the expense of increased class size.
- Examining the extent to which existing resources can be redeployed to provide for identified student support services positions.
- "Managing" school expenditures by paring supply budgets back to minimal levels (where possible), conserving energy and consumable resources and using one-time revenues, as available in FY12 from the federal Ed Jobs grant and special education tuition pre-purchase to 'spread' budget reductions across a two-year period.

- Using fees and grant funds, where possible, to support operations.

Budget Development:

Next, the Town Manager and Superintendent prepared guidelines for departments to use in developing their budget requests. The School Committee voted the budget guidelines in September. School administrators developed budget requests and submitted them for consideration and discussion in November. The Central Office Administration then met with principals and program directors to review and discuss budget requests in light of the School Committee's identified priorities and district goals. Early on, it was clear that the local, state, and national economic picture would play a dominant role in our budget planning.

The Superintendent's budget recommendation was sent to the School Committee during the first week in December. The School Committee, after deliberating during the months of December and January and after holding a public hearing on the budget in January, voted its recommended budget on January 25th. The Town Manager presented her balanced budget proposal to the Finance Committee on January 31, which included the voted School Committee budget. The Finance Committee evaluated the balanced budget proposal and made its recommendation to Town Meeting on March 15. (The Finance Committee's recommendation is considered the main motion to be acted upon by Town Meeting.) Town Meeting met to consider the budget and vote a final adopted budget for the Town in May. The 2011/12 Fiscal Year began on July 1, 2011.

The School Committee develops the budgets and approves fees for the special revenue revolving funds in the spring of each year. Grant budgets are developed on a preliminary basis in conjunction with the regular school operating budget, and are finalized when the final grant allocations are known in the summer or fall.

Significant Financial and Demographic Trends:

Trend: Predominately Local Funding for Education Operations:

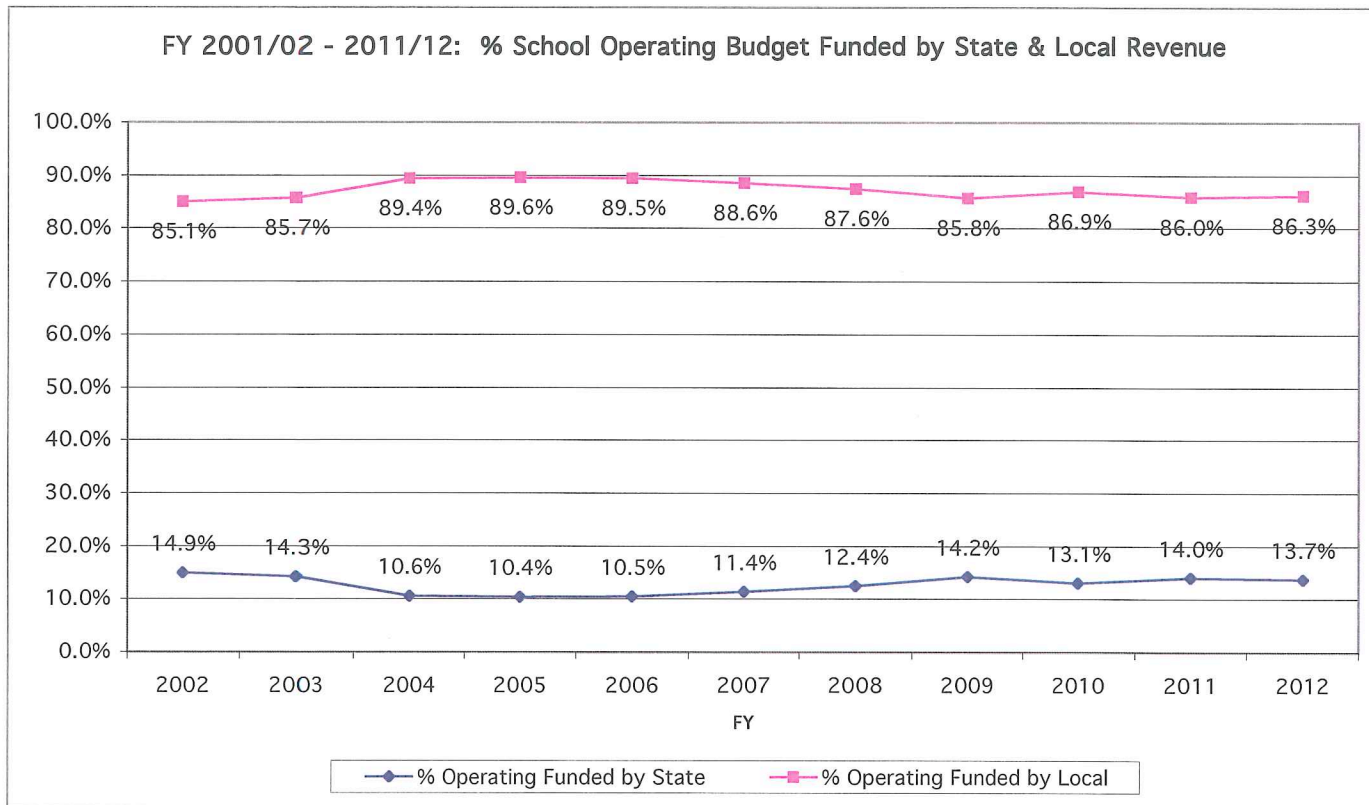
Local taxpayers provide the majority of funding for school operations. The FY12 budget assumes that local taxpayers will fund 86.3% of the school operating budget, while 13.7% will be funded by the state. The state/local funding shares have remained relatively steady for the past several years, even as the state has contributed more money to education over the past several years.

In FY07, the state revised its Chapter 70 formula to provide more funding to communities like Needham, where enrollments are growing, or where local funds comprise more than 82.5% of the foundation budget. The foundation budget is the level of funding the state says is needed to 'adequately' fund public education; \$46,025,846 in FY12. It consists of a required local contribution of \$39,034,126 and a state aid allocation of \$6,991,720. The revised funding formula capped the local share at 82.5% of the foundation budget amount, and promised a 'phase in' of additional revenue over a multi-year period to reach this target amount. (The State's target funding percentage is 17.5%.) In FY06, Needham funded 97.4% of its foundation budget requirement, while the State funded 2.6%. For FY12, the local contribution rate is 84.8% and the state aid allocation is 15.2%.

The FY12 approved state budget recommends a state aid allocation of \$6,991,720, which increases \$400,763 (6.08%) over the current year allocation (of \$6,590,957.) The additional federal stimulus and Education Jobs grant funds that were awarded last year as a part of the formula (totaling \$536,283) do not

continue in FY12. This budget will be reviewed and considered by the state legislature throughout the spring. However, the Town of Needham has adopted a more conservative projection of state revenue, which reflects only a \$134,043 (2.03%) increase over the current year payment of \$6,590,957.

The chart below depicts changes in state and local funding for school operations. Based on the Town’s revenue projections for FY12, the portion of the school’s operating budget funded by state revenue is projected to remain steady at approximately 14%, while the portion funded by local revenue is projected to remain at approximately 86%.



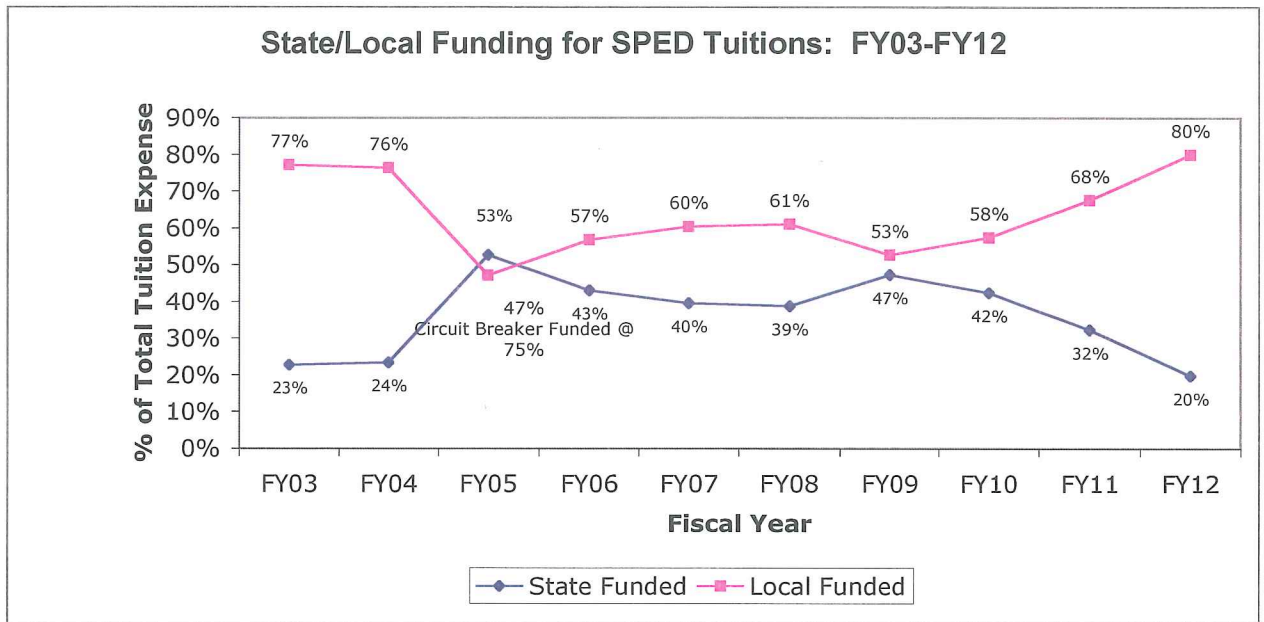
Trend: Varying State Support for Special Education Tuition Expenses:

Local taxpayers also fund the majority of special education costs, although the State has worked diligently to improve its contribution in this area. The State’s “Circuit Breaker” program reimburses districts for up to 75% of their special education costs exceeding an amount equal to four times the state foundation budget per pupil. (In FY12, this amount is budgeted to be \$38,029.) However, because Circuit Breaker reimbursements are subject to appropriation, the actual reimbursement percentage has varied. Due to State budget constraints, the percentage reimbursement dropped from 75% in FY08 to 42.34% in FY10, creating a \$652,473 funding shortfall that was ‘backfilled’ by federal stimulus grant funds. This funding shortfall persisted into FY11, when the reimbursement rate was 43.66%. The FY12 budget assumes a reimbursement rate of 40% and uses federal Education Jobs funds to make up the funding shortfall and balance the school operating budget. Recent updates from the State indicate that the actual reimbursement rate will be higher, although the actual amount is not known at this time.

Special education tuition expenditures can also increase or decrease dramatically when students move in or out of the district, or when their needs change. In FY12, the budgeted average cost of a day placement is

projected to be \$62,729 per student, independent of transportation expense. The average residential placement is projected to be \$173,913 per student.

The level of State support for special education tuition expense is illustrated in the chart below. The school operating budget is projected to fund about 80% of total out-of-district tuition expenses (up from 68% in FY11), while state funds are expected to fund the remaining 20% (down from 32% in FY11.)

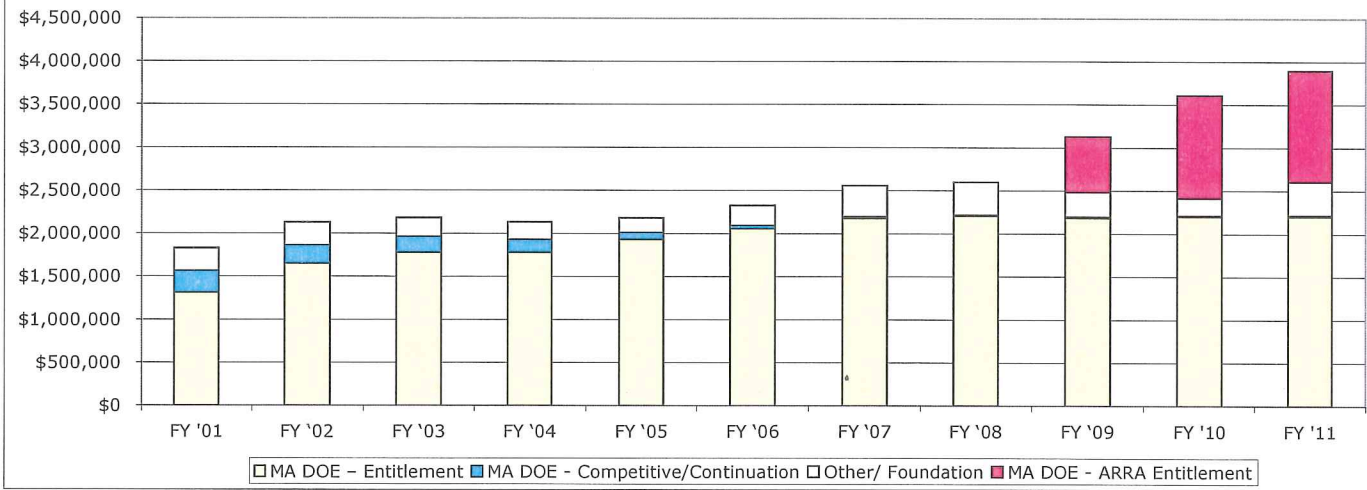


Trend: Additional Grant Funding and Increased Reliance on Fee-Based Programs to Support Operations:

Whenever possible, the School Department seeks to enhance its programs and services through outside funding. Grant and fee-based programs are received outside of the regular school operating budget, but support school operations in many cases.

The amount of external grant funding has risen substantially over time, although the makeup of those dollars has changed. In the current year (FY11), grant funding (excluding Circuit Breaker funds) totaled \$3,895,584, an increase of \$290,272 (8%) from the prior year. This increase reflects the American Recovery and Reinvestment Act (ARRA) federal stimulus funds received, totaling \$1,287,891. Over the past ten years, grant funding has increased by \$2.1 million, primarily due to increases in federal entitlement grants for special education and other student services, stimulus funds and private foundation grants. Competitive grants have dropped significantly, from a high of \$254,165 in FY01 to \$17,300 in FY11. By contrast, entitlement grants (excluding stimulus) increased \$890,618 over the same period and foundation grants grew by \$125,676. Two factors make it very difficult to maintain grant revenues: shrinking competitive funds at both the state and federal levels, and a focus on low-performing communities in response to the No Child Left Behind federal education act. In many grant categories, high-performing districts like Needham simply are not eligible for funds.

Total Special Revenue Grants FY 2000/01 - 2010/11

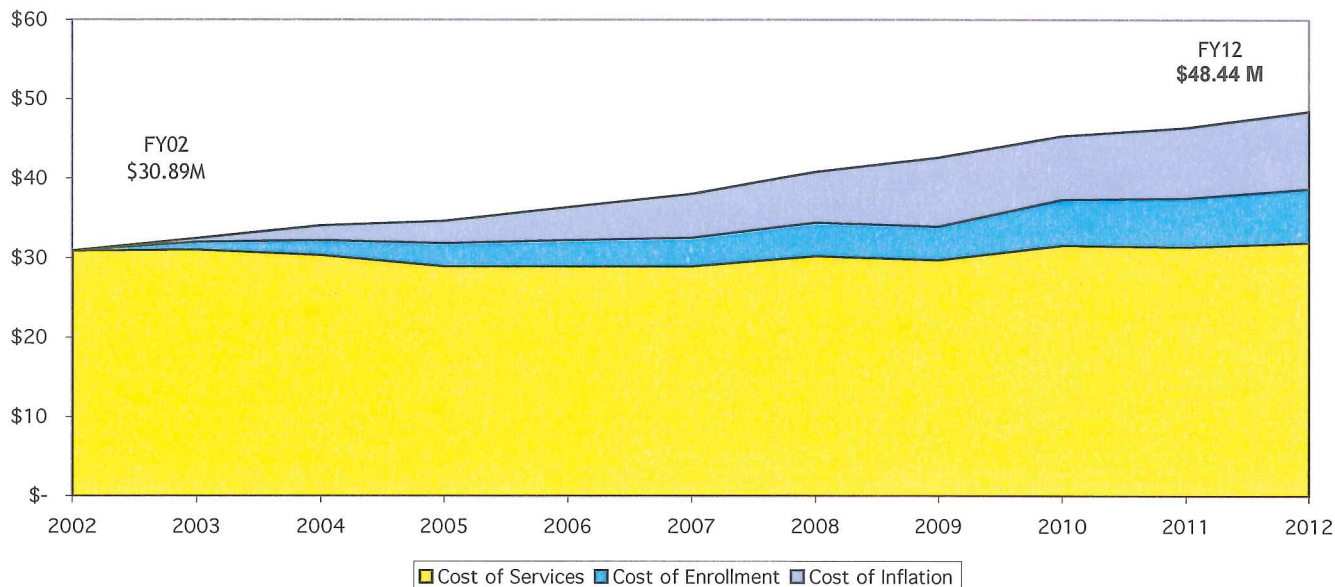


Fees continue to play a major role in funding critical school programs. As operating budgets have been squeezed, parents have been asked to provide more support for extra-curricular programs or non-mandated services, such as transportation, athletics, and after school programs. In FY 10, the School Department collected approximately \$5.3 million in fee revenues from 45 different programs. Some of the largest fee based programs are itemized below:

Program	FY 10 Revenues	FY 10 Fee
School Food Services	\$1,903,329	\$2.00/meal ES \$2.25/meal MS & HS
Kindergarten After School Program (KASE)	\$884,363	\$3,800/year (5-Days)
Transportation	\$439,593	\$370/rider; \$750 Family Cap
Athletics	\$422,754	\$285/athlete; \$250 Hockey Surcharge; \$1,140 Family Cap
Fee-Based Arts Instruction	\$191,714	\$85/student group lessons \$704/32 weeks private lessons (+ \$30 registration fee)
Adult Education	\$223,276	Fee based on program offerings
Preschool	\$296,564	\$3,900/year (4-Days)

Trend: Real Spending Steady Over Time – Budget Increases Due to Impact of Inflation and Enrollment Growth

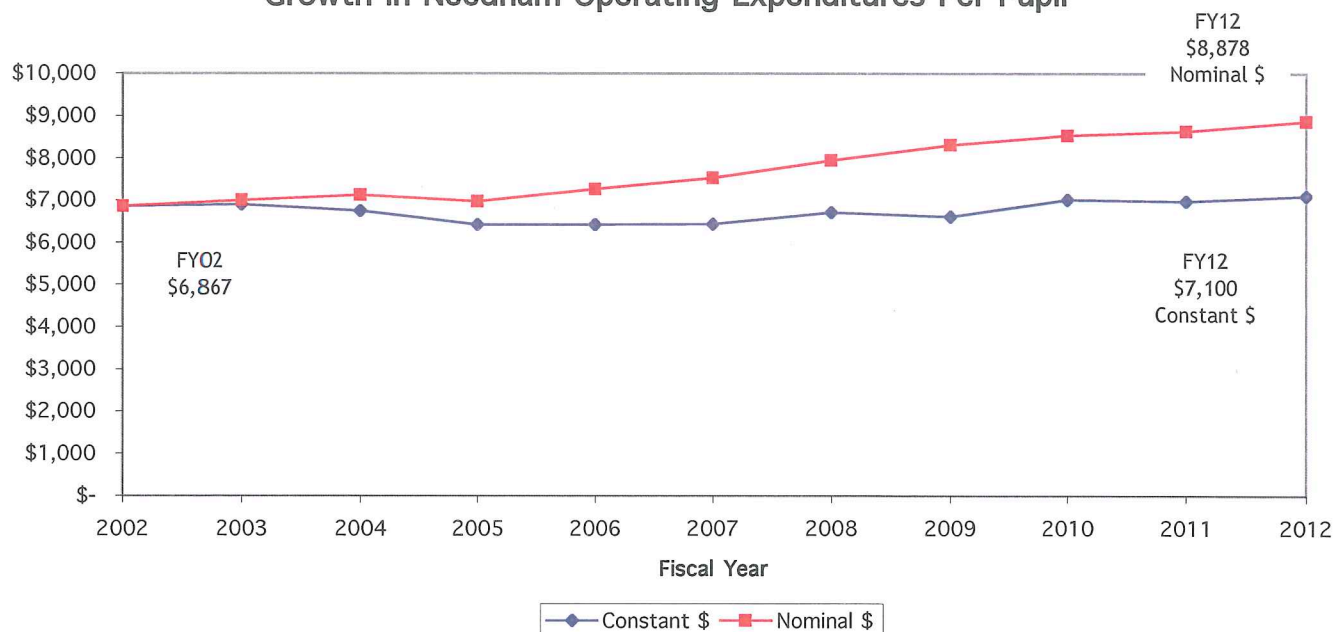
**FY 2001/02 - 2011/12
Components of Growth in Needham School Operating Budget**



Real spending on education has been relatively steady over time; operating budget increases have been due largely to the impact of inflation and enrollment growth. Since FY 02, the school operating budget has grown from \$30.89 million to \$48.44 million in FY 12, an increase of \$17.55 million (56.8%.) Nearly all of this increase is attributed to the combined impact of inflation and growth, rather than new programs and services. Since FY02, inflation has increased by 25%, and enrollments have increased by 21.3%. The chart above illustrates the portion of operating budget increases since FY02, which are due to inflation and growth.

Looking more closely at per pupil expenditures, the amount of real spending per pupil from the school operating budget has remained relatively flat over the past ten years. As evident from the chart on the next page, in FY02, budgeted operating expenditures per pupil (excluding grants, revolving and Town indirect costs) equaled \$6,867. By FY 12, the inflation adjusted per pupil expenditure amount had increased only slightly to \$7,100.

FY 2001/02 - 2011/12 Growth in Needham Operating Expenditures Per Pupil



Trend: Contracts and Mandates Competing with Enrollment Needs and Program Improvements:

Increasingly, contracts and mandates are competing with enrollment needs and program improvements, forcing the School Committee to make difficult choices to balance the budget. Over the past several years, these choices have included cutting other areas of the budget in order to fund contractual/mandated expenses or to hire new teachers, and to seek additional funding from taxpayers in the form of override budget requests.

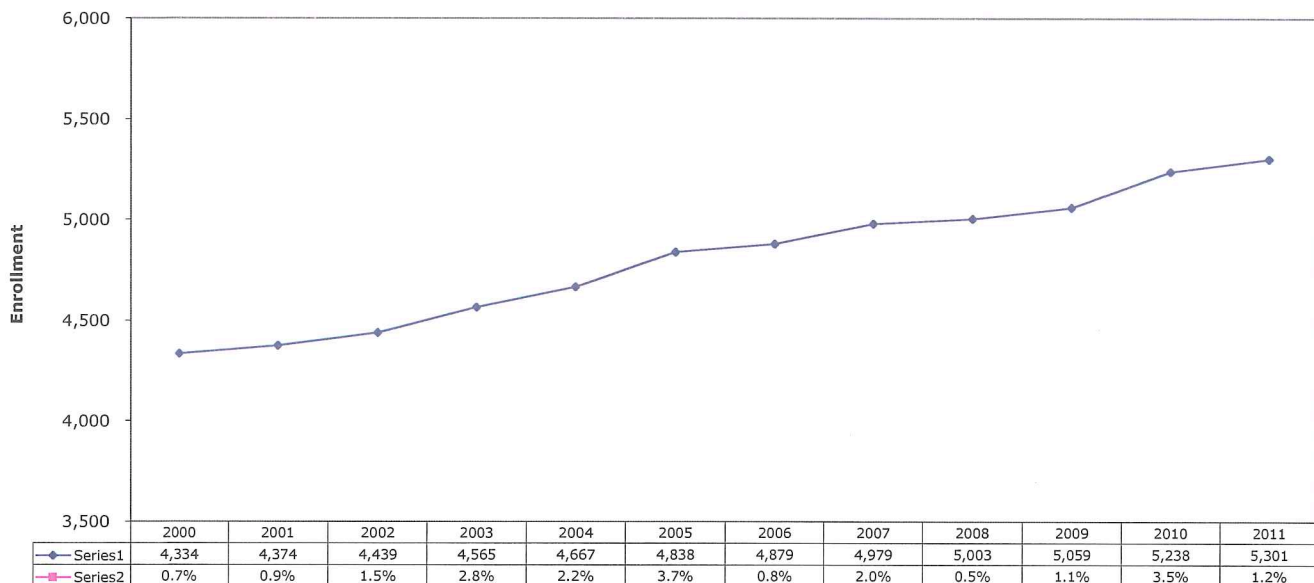
The chart below identifies how new school operating revenues have been allocated during the budget process, and quantifies the offsetting reductions, which were required to balance the budget. A major challenge for the School Committee is to sustain the educational programs of the School Department, given growing school-age populations and increasing mandates, in an environment of limited resources and competing demands.

BALANCED SCHOOL BUDGET NEW REVENUE	FY 2003	FY 2004 (1)	FY 2005	FY 2006	FY 2007 (2)	FY 2008	FY 2009 (3)	FY 2010	FY 2011 (4)	FY 2012
New School Revenues	1,579,253	-	562,365	1,749,868	1,451,773	1,744,377	1,851,858	2,747,401	731,193	2,012,293
Contracts and Mandates	1,395,254	1,655,566	892,724	1,509,206	2,458,728	2,085,959	2,268,864	2,124,086	1,887,313	2,177,573
Enrollment Increases/ Program Enhancements	184,000	202,863	298,282	489,640	555,932	656,010	276,265	243,999	340,567	605,520
New School Opening	-	-	-	-	-	-	-	1,057,272	-	-
Use of One-Time Revenue	-	-	-	-	-	-	-	-	(615,900)	(500,900)
Reductions to Existing Budget	-	(1,858,429)	(628,641)	(248,979)	(1,562,886)	(997,592)	(693,271)	(677,956)	(880,787)	(269,900)
Total	1,579,254	-	562,365	1,749,867	1,451,774	1,744,377	1,851,858	2,747,401	731,193	2,012,293
Override (School & Town expenses)	-	2,009,318	-	-	-	1,128,670	-	1,887,929	-	-
Override FTE's	-	33.06	-	-	-	18.80	-	27.10	-	-

- (1) FY03 budget excludes subsequent \$14,798 + \$83,362 Town Meeting adjustment
 (2) FY07 budget excludes subsequent \$232,900 appropriated at Town Meeting.
 (3) FY09 budget excludes \$16,232 Special Town Meeting adjustment.
 (4) FY11 excludes \$442,000 appropriated at 11/10 STM (\$325,000 for operational purposes and \$117,000 for capital construction.)

Trend: Future Enrollment Growth Anticipated at Secondary Level

Needham Public Schools Enrollment 1999/2000-2010/11
(Excluding Out of District & Preschool Enrollment)

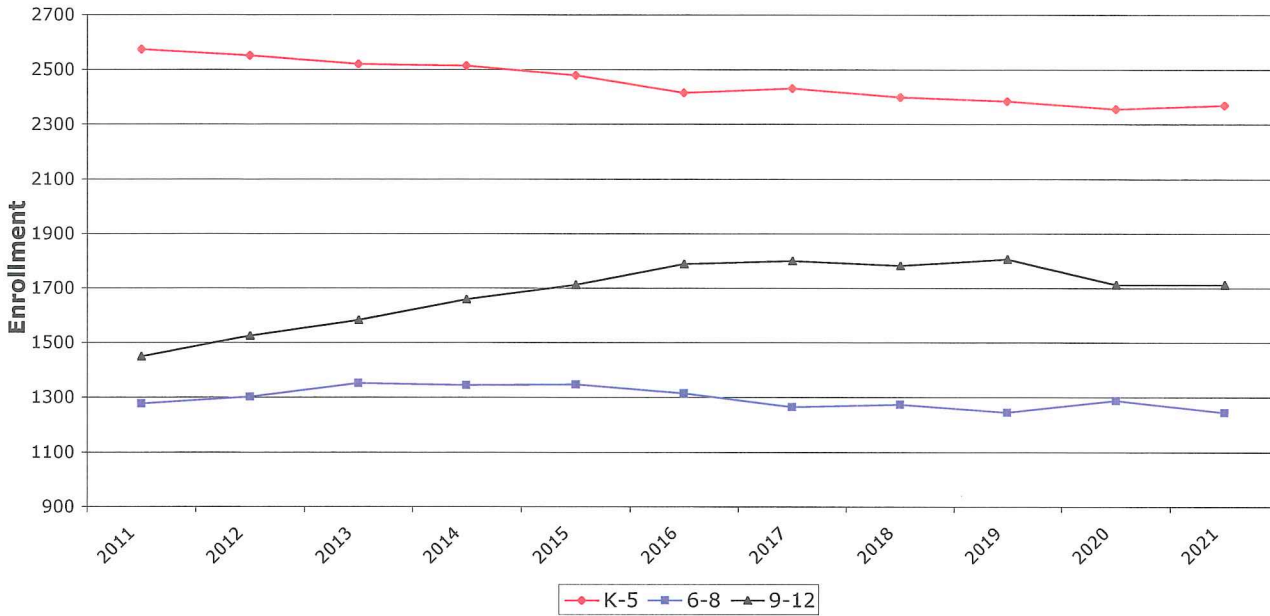


Enrollment in Needham has grown steadily over the past ten years, averaging approximately 1.9% per year, or a total of 927 pupils (21.2%) since FY00/01. Going forward, enrollment growth is expected to flatten out, driven primarily by slowing or declining enrollments at the elementary level. Most of the enrollment growth going forward is projected to occur at the secondary level. However, new development, which expands the affordable housing stock, may accelerate the rate of enrollment growth beyond this estimate.

Needham Public Schools Enrollment 2010/11 - 2020/21
(Excluding Out of District & Preschool Enrollment)



Needham Public Schools Enrollment
(Excluding Preschool & Out of District)
2010/11 - 2020/21



The budget assumes that total enrollment will grow to 5,511 in FY12, an increase of 79 students (1.5%) over the current year October 1 enrollment of 5,432 (including Preschool and students placed out of district.) All of this growth is projected to occur at the secondary level, however: elementary enrollment is projected to decline by 0.85% from 2,575 to 2,553; middle school enrollment is expected to rise from 1,277 to 1,302 (2.0%) and High School enrollment is expected to increase by 5.2% from 1,449 to 1,525.

Needham Public School Enrollments FY 2000/01 - 2011/12
Excludes Preschool & Out of District

FY	Elementary	Middle	High	Total	Inc/(Dec)	% Inc/(Dec)
2012 (est.)	2,553	1,302	1,525	5,380	142	2.7%
2011	2,575	1,277	1,449	5,301	242	4.8%
2010	2,617	1,183	1,438	5,238	179	3.5%
2009	2,551	1,104	1,404	5,059	56	1.1%
2008	2,530	1,084	1,389	5,003	24	0.5%
2007	2,487	1,066	1,426	4,979	100	2.0%
2006	2,390	1,090	1,399	4,879	41	0.8%
2005	2,345	1,070	1,423	4,838	171	3.7%
2004	2,203	1,090	1,374	4,667	102	2.2%
2003	2,150	1,069	1,346	4,565	126	2.8%
2002	2,082	1,074	1,283	4,439	65	1.5%
2001	2,109	1,051	1,214	4,374	40	0.9%

(1) Source: FY94-FY11, Needham Public Schools October 1 enrollments. Exclude preschool & out of district students. FY12, Superintendent's Office/ Future School Needs

Needham is a High Performance District:

Needham Public Schools offers high value per dollar expended for education, as measured by a number of performance and expenditure indicators.

Per Pupil Expenditures:

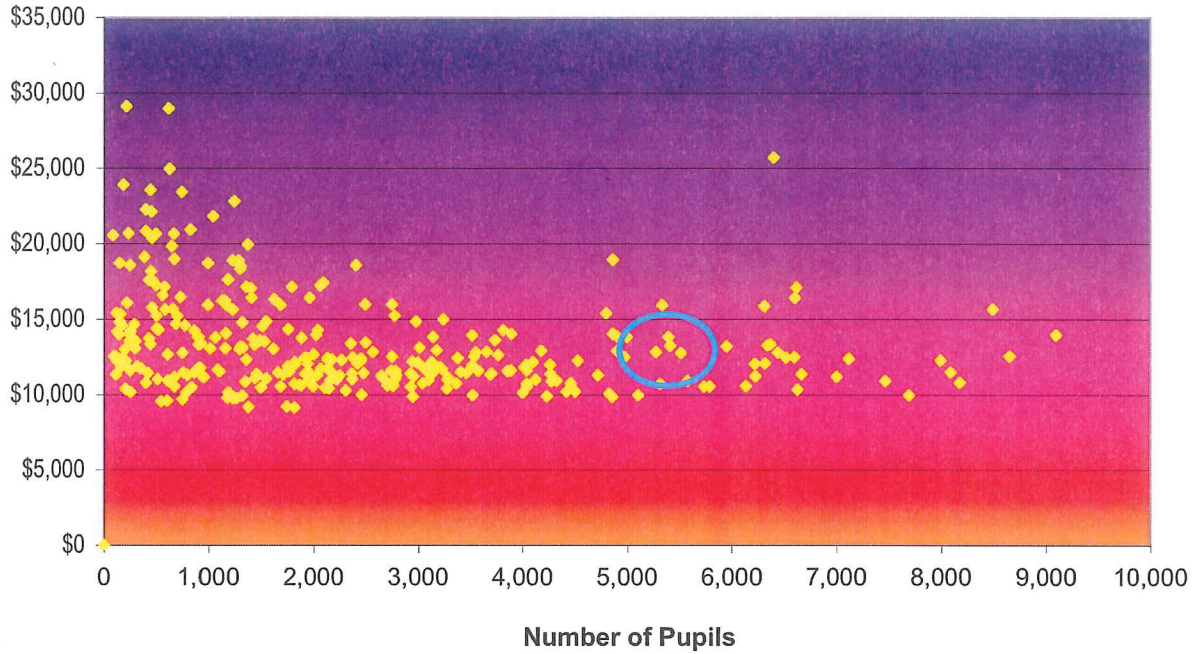
Using Massachusetts Department of Elementary and Secondary Education per pupil expenditure data (which includes expenditures from operating accounts, grants, revolving funds and education expenses included in other Town budgets), we see that per pupil expenditures in Needham have remained comparable to the state-wide average over time, and have been consistently less than the average per pupil expenditure of the twenty communities, with whom we typically compare ourselves. Needham's FY10 per pupil expenditure of \$13,245 was just slightly more than the state average of \$13,064, but less than the twenty-community average of \$14,404. Additionally, per pupil expenditures have been growing more slowly in Needham, than elsewhere in the state. Since FY02, per pupil expenditures have grown by 68% on average for the twenty comparison communities, and by 63% state wide, compared to 57% in Needham. As a result, Needham can be said to offer 'good value' for each educational dollar.

FY 2001/02 - 2011/12 Comparative Per Pupil Expenditures

Community	FY 02 (2)	FY 03 (2)	FY 04 (2)	FY 05 (3)	FY 06 (3)	FY 06 (3)	FY 07 (3)	FY 08 (3)	FY09 (3)	FY10 (3)
Weston	\$10,909	\$11,404	\$12,077	\$14,414	\$16,073	\$16,073	\$16,467	\$17,017	\$18,023	\$18,591
Brookline	\$10,268	\$10,578	\$11,107	\$13,836	\$14,929	\$14,929	\$15,098	\$15,431	\$16,847	\$17,090
Newton	\$10,140	\$11,140	\$11,431	\$13,533	\$13,822	\$13,822	\$14,524	\$15,498	\$16,243	\$16,597
Concord	\$9,640	\$10,157	\$10,567	\$13,037	\$14,411	\$14,411	\$15,514	\$17,486	\$16,342	\$16,438
Lexington	\$9,482	\$9,686	\$8,797	\$11,929	\$12,600	\$12,600	\$12,768	N/A	\$15,368	\$15,862
Sherborn	\$8,195	\$9,211	\$8,992	\$10,061	\$15,559	\$15,559	\$12,250	\$12,700	\$14,121	\$15,784
Frammingham	\$8,945	\$9,699	\$10,518	\$13,681	\$13,621	\$13,621	\$14,169	\$14,621	\$15,373	\$15,675
Dover	\$8,603	\$9,856	\$10,253	\$12,786	\$15,559	\$15,559	\$14,615	\$15,084	\$16,591	\$15,646
Wellesley	\$9,244	\$9,589	\$9,802	\$11,243	\$11,494	\$11,494	\$12,776	\$13,916	\$14,330	\$15,392
Wayland	\$8,711	\$10,042	\$9,944	\$11,599	\$12,317	\$12,317	\$13,214	N/A	\$14,342	\$15,219
Dedham	\$8,524	\$8,761	\$9,488	\$11,637	\$12,594	\$12,594	\$13,393	\$13,893	\$14,837	\$14,852
Westwood	\$8,976	\$9,564	\$9,747	\$11,592	\$11,885	\$11,885	\$12,436	\$13,305	\$13,679	\$13,814
Needham	\$8,434	\$8,721	\$9,004	\$10,788	\$11,291	\$11,291	\$12,070	\$12,552	\$12,955	\$13,245
State	\$8,005	\$8,273	\$8,591	\$10,626	\$11,211	\$11,211	\$11,865	\$12,497	\$13,055	\$13,064
Natick	\$8,088	\$9,319	\$8,637	\$10,290	\$11,092	\$11,092	\$11,829	N/A	\$12,926	\$12,910
Norwood	\$7,246	\$7,894	\$8,004	\$10,648	\$11,028	\$11,028	\$12,052	N/A	\$12,993	\$12,790
Holliston	\$7,437	\$8,055	\$7,938	\$9,524	\$10,193	\$10,193	\$10,856	\$11,217	\$11,604	\$12,186
Walpole	\$7,641	\$7,230	\$7,603	\$9,437	\$10,277	\$10,277	\$10,470	\$11,232	\$11,812	\$11,971
Hopkinton	\$7,031	\$8,254	\$8,176	\$9,497	\$10,544	\$10,544	\$11,114	\$11,365	\$11,551	\$11,921
Winchester	\$7,937	\$8,278	\$8,646	\$9,884	\$10,139	\$10,139	\$10,886	\$10,865	\$11,290	\$11,363
Medfield	\$6,114	\$6,517	\$6,761	\$8,082	\$8,597	\$8,597	\$9,472	\$9,967	\$10,542	\$10,741
	FY02	FY03	FY04	FY05	FY06	FY06	FY07	FY08	FY09	FY10
Average of 20	\$8,578	\$9,198	\$9,375	\$11,375	\$12,401	\$12,401	\$12,799	\$13,509	\$14,089	\$14,404
Needham	\$8,434	\$8,721	\$9,004	\$10,788	\$11,291	\$11,291	\$12,070	\$12,552	\$12,955	\$13,245
State Average	\$8,005	\$8,273	\$8,591	\$10,626	\$11,211	\$11,211	\$11,865	\$12,497	\$13,055	\$13,064

Per pupil expenditures for FY10 also are depicted in the scatter gram below. The blue circle highlights Needham's per pupil expenditure amount of \$13,245 in FY10 (based on 5,410 FTE pupils.) As evident from the chart, Needham's per pupil expenditure level is comparable to the majority of districts, even though Needham's enrollment is relatively larger than most districts.

**FY10 Expenditures Per Pupil, Massachusetts School Districts
total spending**



Needham's spending on special education, which is one of the largest expenditure categories for most districts, also is comparable to other communities. Although special education expenditures, as a percentage of the total budget, have increased since FY01 (rising from 17.3% to 19.0%), spending in Needham remains less than the statewide average.

Direct Special Education Expenditures as a Percentage of School Budget, FY01 to FY10

Fiscal Year	-- In-District Instruction--		- Out-of-District Tuition -		Combined Special Ed Expenditures (A+B+C+D)	Total School Operating Budget	Special Education Percentage of Budget (E as % of F)	state average percentage
	Teaching	Other Instructional	Mass. Public Schools and Collaboratives	Mass Private and Out-of-State Schools				
2001	3,718,724	793,384	383,982	1,347,483	6,243,573	36,102,958	17.3	17.2
2002	3,806,448	861,540	334,195	1,408,873	6,411,056	38,165,697	16.8	17.4
2003	3,989,136	916,947	340,329	1,525,856	6,772,268	41,394,432	16.4	17.7
2004	4,139,303	927,458	332,179	1,840,183	7,239,123	43,487,709	16.6	18.6
2005	4,646,848	980,473	388,339	2,237,302	8,252,962	47,320,732	17.4	18.9
2006	5,278,561	1,030,190	447,987	2,611,029	9,367,767	49,220,249	19.0	19.1
2007	5,814,037	1,016,984	521,816	2,742,049	10,094,886	52,914,410	19.1	19.4
2008	6,184,020	1,142,814	404,657	3,139,508	10,870,999	55,570,443	19.6	19.8
2009	6,884,784	1,120,434	538,331	2,935,498	11,479,047	58,547,371	19.6	20.1
2010	7,479,291	1,366,151	417,659	2,710,749	11,973,850	62,858,891	19.0	20.0

Comparative Achievement and Expenditure Data:

The high value of the educational dollar in Needham also is demonstrated by the comparison of expenditure data to test results in the chart below. Needham's per pupil expenditure amount of \$13,245 in FY10 was ranked 13th among the 20 comparison communities, with whom Needham regularly compares itself. However, Needham ranked higher – 13/9th in MCAS and 7th in SAT results

Community	FY11 Average Single Family Tax Bill (1)		FY10 Per-Pupil Expenditure (2)		FY10 Student Teacher Ratio (2)		FY10 MCAS ELA CPI (3)		FY10 MCAS Math CPI (3)		FY09 Combined SAT (3)		FY11 Teacher Starting Salary with Masters (4)		FY11 Teacher Top Salary with Masters + 30 (4)	
	Amount	Rank	Amount	Rank	Rank	Rank	Score	Rank	Score	Rank	Rank	Rank	Rank	Rank	Rank	
Belmont	\$9,676	8	\$11,609	19	15.7 to 1	21	96.1	8	92.5	8	1839	5	\$48,421	4	\$89,255	7
Brookline	N/A		\$17,090	2	12.6 to 1	3	93.9	17	91.4	9	1744	15	\$48,045	6	\$87,970	8
Concord *MCAS	\$11,074	6	\$16,438	4	12.7 to 1	13	99.0	1	97.0	1	1880	3	\$46,864	10	\$94,123	1
Dedham	\$5,483	18	\$14,852	11	13.3 to 1	8	90.1	19	84.0	19	1538	20	\$48,573	3	\$78,934	17
Dover **MCAS	\$12,074	3	\$15,646	8	13.7 to 1	11	97.5	2	93.4	4	1815	8	\$49,993	1	\$89,374	5
Framingham	\$5,197	19	\$15,675	7	12.6 to 1	3	84.4	21	77.8	21	1567	19	\$47,402	7	\$78,452	19
Holliston	\$6,754	15	\$12,186	16	13.3 to 1	8	94.4	16	90.7	15	1672	16	\$44,743	17	\$85,067	10
Hopkinton	\$7,904	13	\$11,921	18	14.7 to 1	16	95.3	9	91.0	13	1746	14	\$45,460	14	\$80,935	15
Lexington	\$10,032	7	\$15,862	5	11.8 to 1	1	96.2	7	94.3	2	1893	2	\$45,696	13	\$83,762	11
Medfield	\$8,477	12	\$10,741	21	15.3 to 1	20	95.1	12	89.8	17	1759	12	\$45,211	15	\$83,153	13
Natick	\$5,561	16	\$12,910	14	14.1 to 1	15	94.8	14	90.8	14	1614	17	\$45,916	12	\$78,763	18
Needham	\$7,719	14	\$13,245	13	15.2 to 1	19	94.9	13	91.4	9	1822	7	\$45,989	11	\$83,499	12
Newton	\$8,592	11	\$16,597	3	13.2 to 1	6	94.5	15	91.4	9	1812	10	\$47,070	9	\$85,424	9
Norwood	\$3,662	20	\$12,790	15	12.8 to 1	5	89.5	20	80.9	20	1493	21	\$43,374	20	\$77,364	21
Sherborn **MCAS	\$13,119	2	\$15,784	6	13.2 to 1	6	97.5	2	93.4	4	1815	8	\$49,993	1	\$89,374	5
Walpole	\$5,538	17	\$11,971	17	14.9 to 1	18	93.7	18	86.8	18	1589	18	\$42,343	21	\$79,494	16
Wayland	\$11,471	4	\$15,219	10	14.0 to 1	14	95.2	11	91.3	12	1850	4	\$45,015	16	\$92,061	3
Wellesley	\$11,281	5	\$15,392	9	13.3 to 1	8	95.3	9	90.1	16	1831	6	\$48,411	5	\$92,349	2
Weston	\$15,835	1	\$18,591	1	12.2 to 1	2	96.7	4	93.2	6	1897	1	\$47,199	8	\$90,039	4
Westwood	\$8,594	10	\$13,814	12	13.8 to 1	12	96.3	6	92.6	7	1756	13	\$44,000	19	\$82,425	14
Winchester	\$9,167	9	\$11,363	20	14.8 to 1	17	96.7	4	93.8	3	1800	11	\$44,327	18	\$77,819	20

* - Concord-Carlisle

** - Dover-Sherborn

(1) Source: Commonwealth of Massachusetts Department of Revenue Website. Brookline has adopted a residential tax exemption and does not submit sufficient data to determine average tax bill

(2) Source: Commonwealth of Massachusetts Department of Education Website

(3) Source: Commonwealth of Massachusetts Department of Education Website. Test data for Concord is Concord-Carlisle. Test & salary data for Dover & Sherborn is Dover-Sherborn.

(4) Source: Commonwealth of Massachusetts Department of Education Website; school district websites and informal telephone survey of school districts; Newton is FY10 data

Staffing Ratios

Additionally, the high value per dollar expended of a Needham education is demonstrated by the following staffing ratio chart, which shows that, in FY10, there were more students assigned to each teacher in Needham, on average, than in most surrounding communities and in the state, overall. Needham's average student to teacher ratio (15.2:1, which includes special education classrooms) also is higher than the average ratio from comparable communities (13.7:1.)

