

## **Fiscal Challenges Facing the Watertown Schools**

### **School Committee Statement, March 7, 2011**

The following statement and the accompanying slides will explain to the Community the reason for the delay in voting on the MOA between the WEA and the School Committee. I want to inform the public that this Committee has been in contact with the Union leadership, and we have explained to them the reason for the delay. There is one more point we would like to make sure the public understands. Any delay on this vote has not lead to teachers being financially harmed. The MOA contains a zero percent 'across-the-board' increase for FY 11, which is the current year. That means that for this current year, no raises would be scheduled either way. This MOA does not alter the long-standing, contractually obligated step pay increases for eligible members of the WEA, and those increases have been paid since the beginning of this fiscal year.

This School Committee and School Administration are committed to providing the best education possible for the students of Watertown, but today we face an unprecedented fiscal challenge. These are the most difficult financial times we have faced in this community and this nation for many years. We are a long way off from a recovery that will restore the jobs that we have lost. Importantly, in this year and the previous year, the federal government significantly helped the Watertown public schools with "stimulus" money that allowed this district to avoid reductions. However, in the next fiscal year, which begins on July 1, 2011, the stimulus money will be gone. This leaves a significant financial hole we must dig out of. To help address this, we prudently saved \$124K of the Education Jobs Bill money that was given at the end of last year.

The magnitude of the budget shortfall we are facing has led the Watertown School Committee to defer a vote on the Memorandum of Agreement with the Watertown Educators Association. This financial crisis that we are facing could inflict significant and long-term damage to this school district. We will try to show you what the picture looks like for FY12. Before we vote on this MOA, we on the School Committee want to understand the entire financial picture for the schools and the town, which requires a discussion with our colleagues on the Town Council, and with the Town Manager.

The School Committee's negotiating team has been negotiating with the Watertown Educators Association for the last twelve months. Recently, we entered into mediation with the WEA, and through that process came to a Memorandum of Agreement. The MOA with the WEA includes a three year settlement for teachers (Unit A) that totals 4% in 'across-the-board' increases for the three years, with a zero percent increase in year one, a 1.5% increase in year two, and the remaining 2.5% in year three. These increases are in addition to step increases, which are already in the contract and average 2.5% per year. The MOA adds additional monies for tuition reimbursements, and some adjustments to the step structure in FY13.

Although our fiscal challenges are very real, the negotiating team felt that the MOA was important in moving the district forward, and that there was a premium to settling the collective bargaining contract. The administration indicated that contract negotiations were becoming disruptive to the district, and that the district was potentially headed to a standstill. We explained to the WEA that any increase in salaries given in FY12 would likely mean additional staff reductions. Understanding that there were some risks to the budget, we felt that resolving this contract was important to move the district forward.

Here are details that explain our fiscal challenge. In the current year (FY11), the School Department operates with a \$38,423,000 budget from all sources of revenue. The Town of Watertown, with some state support, provides approximately 85% of those revenues, with the balance coming from user fees and grants from the state and federal governments. For the next fiscal year (FY12) we face a number of significant cost increases, including:

- \$504,000 for contractual salary adjustments (step increases) required by current collective bargaining agreements;
- \$287,000 in proposed contractual changes in the Memorandum of Agreement with Watertown teachers;
- \$100,000 in additional costs if the general salary increase for teachers (1.5%) is applied to other employees in the district;
- \$425,000 to provide mandated services for special education students.

It is likely there will be other cost increases for utilities, projected enrollment increases based on kindergarten pre-registration so far, and student services.

In addition, with the loss of federal stimulus money and other federal grants, we anticipate revenue shortfalls in the following areas:

- \$440,000 from the loss of the largest federal stimulus grant;
- \$20,000 from funding under the Education-Jobs grant;
- \$50,000 from an anticipated decline in other federal grants.

In total, these anticipated new costs to the district – from contractual and service needs as well as loss of grant funding – equal \$1,826,000. This increase is significantly larger than in past years.

Both the state and town have reduced funding to the schools from previous levels. Two years ago the state reduced funding for a grant known as the “circuit breaker” by almost \$500,000. Federal stimulus money filled that gap temporarily, but as noted before, the federal money will end in a few months. There is discussion at the state level of returning the circuit breaker closer to its previous level, which could mean an additional \$400,000 for Watertown, but whether it will happen is uncertain at this time. The town has historically provided an annual increase in funding for the School Department of between 3% and 4%, but faced with its own fiscal constraints, this was reduced to 1.65% in the current budget year. The level of town funding for next year also is uncertain, but at this time it is projected to be reduced further.

The School Committee will work with school administrators, teachers, Town Councilors, the Town Manager, and state officials to address this challenge. In the coming months we will review many options to reduce costs and raise revenues. We have done this in the past, but the scale of the challenge this year is beyond what we have faced in previous years. There are many possible scenarios depending upon the revenues that we ultimately receive from the town and state, but at this time the possibility of significant program reductions and the loss of 15 to 35 staff positions are very real. School districts throughout the state are dealing with the same types of scenarios with few alternatives other than a significant reduction in staff. It's because of the potential educational impact of these budget scenarios, and current fiscal uncertainty, that the School Committee has deferred a vote on the Memorandum of Agreement with the teachers' union.

We ask for the support and help of all educators and the community as we face this challenge together. We have some very difficult decisions that need to be made, and we promise to continue to try to make this work. The School Committee is determined to continue providing the best education possible for the students of Watertown.

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## FY12 Cost Increases

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## FY12 Further Financial Challenges

- \$440,000 from the loss of the largest federal stimulus grant;
- \$20,000 from funding under the Education-Jobs grant;
- \$50,000 from an anticipated decline in other federal grants.

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## FY12 Impact

Shortfall: \$1,826,000

FTE Reductions: 15-35