

**Budget Advisory Council
Year-End Report 2020-2021
June 2021**

Dear Chair O'Grady and Members of the Arlington Public School Board:

We appreciate the opportunity to have served you and the Arlington Public School community as members of the Budget Advisory Council during the 2020-2021 school year. It was a year of unprecedented challenge and loss, but also one that highlighted the flexibility, determination, resilience, and spirit of our students, families, and staff. Even though our community did not agree with all of the decisions made throughout the year, and we still face a number of challenges ahead, especially with the size of forecasted budget deficits in upcoming budget years, we are hopeful that our common passion for our children and desire to ensure the best possible outcomes for all students will continue to bring us together.

In this end of year report for the 2020-2021 school year, we will review the Budget Advisory Council's activities for the past year and then offer our recommendations to the APS School Board in three sections. First, we will reinforce five recommendations from the reports we have shared during this school year. Second, we will reinforce three recommendations made in prior BAC year-end reports. Third, we will make several recommendations in anticipation of the Board's FY23 Budget Guidance for the Superintendent to ensure that the Board has time to consider our input ahead of drafting that document in the summer/fall.

Report of Activities

The BAC conducted five main activities during the school year, including writing this end of year report.

First, the BAC weighed in on the review and revision of policies, when such policies were likely to have significant financial implications for APS. This year, the most significant work the committee did on this front was to review and provide comments on CIP policies F-1, F-7 and related PIPs in July 2020. (Attachment 1)

Second, the BAC provided formal input into the School Board's FY22 Budget Direction to the Superintendent when asked by the Board to do so in October 2020. This year, we will be providing our input in this report to ensure that the Board has time to consider it in advance of drafting its guidance. (Attachment 2)

Third, the BAC, along with other Board and Superintendent Advisory Committees, was asked to gather and submit ideas to help reduce the potential FY21 and expected FY22 budget deficits, in October 2020. In November, we submitted a report with a range of ideas and offered to host a cross-committee discussion including Chair O'Grady and Assistant Superintendent Peterson to discuss suggestions from all of the committees. Although there seemed to be some hesitancy about the cross-committee meeting and BAC playing a role in convening such a

group, we would encourage the Board to repeat the idea gathering process next year and to formally end it with such a gathering, hosted by the BAC, for the benefit of all groups, so that all of the committees' ideas can be shared and discussed openly. (Attachment 3)

Fourth, the BAC prepared for the Board's review and consideration an extensive report on the proposed FY22 budget, including comments from our whole committee, representing a wide range of backgrounds and viewpoints from around our community. A summary of that report was presented at a budget work session with other committees in April. However, given that the budget is our committee's sole focus, and given the amount of preparation done for such interactions with the Board, we respectfully request that the BAC be given additional time in this work session in future years, especially if the Board would like to attract and retain talented and engaged citizens on the BAC. This year the BAC had about 10 minutes to discuss the work of our committee with the Board. (Attachments 4 & 5)

Lastly, the BAC prepares its end of year report, which you are reviewing now.

Recommendations Reinforced from 2020-2021

- *We recommend that APS shift to longer term planning, and tackle the structural challenges required to address future budget deficits.* While recent budgets have been very focused on closing the current year's budget gaps, future years' projected budget deficits have been growing, alarmingly so. With a projected deficit of over \$100M by FY25, we need to start planning more than one budget year at a time, and we need to identify structural rather than one-time cuts that reappear in the following year's budget. We should do serious studies on every one of the long-term budget savings ideas that show up in the Long-Term Savings Section of the FY22 Proposed Budget Executive Summary to determine whether there are real savings to be captured (energy, transportation, planning factors, collaboration with the County, efficiencies from the new IPP process). If there are savings to be found, then we should make a plan to capture them. If there are not, then we should create a new list. In the meantime, we suggest taking more immediate action in the following areas:
 - Transportation. We need to act more urgently on the range of ideas we have to reduce transportation costs (expanding walk zones, assigning students in those walk zones to their neighborhood schools, using more hub spots, using busses for more than one school, aligning bell schedules, getting more students on to ART/County busses, etc.)
 - Planning Factors. While no one wants larger class sizes, we will have to address our staff/student ratio either with larger class sizes or by addressing non-teaching staff numbers if we can't find other ways to close our budget deficits given that our budgets are > 80% staff costs. Ideally we would also find ways to help teachers become more efficient, to handle the larger class sizes, over time. While we are analyzing ratios, we should also review our planning factors more holistically, through an equity lens, to allow for some differentiation between schools, based on student demographics and our overall equity goals.

- Administrative cost/ratios. The same goes for the Central Office, which appears to be growing disproportionately (see our budget report). While we don't want to decrease its size, if we can't close budget gaps, we will have to.
- IPP Process. We also recommend an unbiased study on the costs and benefits of options schools. In anything, with increased choice comes increased complexity which may lead to increased cost. However, we also recognize that there are also great benefits to some students and to our community from our options schools. At some point we need to understand these costs and benefits so that we can address them directly as a community.
- We also recommend looking at 5, rather than 3 year budgets so that we can see the impact of longer term structural changes over time.
- *We recommend more measured use of our reserves.* As per our comments in our recent report on the FY22 budget, we believe that if we learned anything from 2020 it was that we do not know what the future holds. Therefore, using all of our reserves in the next 1-2 years on operating costs leaves us in a very risky position for the future.
- *We urge the Board and Superintendent to address compensation for existing APS staff before adding additional staff.* Our teachers and staff are our greatest asset. We need to be clear on our compensation model and prioritize remaining competitive if we want to attract and retain the best talent. Our struggle to increase compensation this year is not an aberration, which is why we need to address it. We have struggled to consistently increase compensation in recent years and that struggle will continue unless budget projections are wildly incorrect.
 - For that reason, we need to act quickly to be clear about our compensation philosophy and model, based on what we learned in the compensation studies.
 - We should be judicious in any future hiring, knowing that we need to prioritize current staff above future staff.
 - If we feel like there are significant gaps that need to be filled we should do a full review of roles and responsibilities to determine how we can reallocate before we add.
- *We urge the Board to have more direct discussions with the County about the revenue sharing model so we know how many changes we need to make to the APS model before the deficits become impossible to close.* We can't ignore \$100M+ budget deficits, so we need to know how quickly and seriously we need to act on them. Only the County can tell us whether they can and will allocate more revenue to APS. But we can reinforce for them all of the reasons they want to invest in APS, for example:
 - APS's focus on equity, outcomes and closing the opportunity gap will pay dividends for the whole community.
 - APS's options school program attracts families from around the region to Arlington to attend our schools.
 - APS's excellent teachers create excellent schools which also attract families and make Arlington a more desirable place to live, raising home values, and bringing more businesses to our community.
- *We recommend longer term use of virtual schooling, in certain circumstances, for wider benefits.* Rather than focusing on getting all students back into physical schools as

quickly as possible, we encourage the board and APS leadership to explore maintaining a virtual high school program for those students who want to attend virtually and who have demonstrated their maturity to handle a virtual program. It has the potential to be positive for the budget and for those families who chose this option.

- We also recommend exploring some additional virtual classes for older students to reduce the number of undersubscribed classes at the high school level. Smaller classes could be aggregated across high schools. Or students could attend classes from a more central source, like Virtual Virginia. Additional virtual options should be explored where they could reduce cost and expand choice for our older students.

Recommendations Reinforced from Past BAC Reports

- *We recommend more transparency in the budget process, for the community and board.* In last year's report, we discussed the importance of making the community aware of the major areas of consideration in the budget earlier in the process. With the size of the budget deficits ahead of us, and the likely need for larger, structural changes, this recommendation will become even more important. While we appreciated and welcomed the Superintendent's regular communication about the budget and APS's financial situation necessitated by the pandemic this past year, our recommendation urges him to take this communication a step further. We encourage him and his team to be clear about the larger areas up for debate and consideration before he announces his budget. For example, if he is asking the Board to reconsider options programs or transportation choices, or other larger structural changes, the Board and the community would need to be aware of these areas for consideration. While we believe larger changes will be needed, we urge the Superintendent not to spring these changes on the community for the first time in late February, but rather to tell the community that certain things are being considered, so that the community has time to weigh in and participate in the conversation, before large decisions are proposed and made.
- *We encourage the Superintendent and the Board to build community partnerships aligned with APS priorities, especially closing the budget gap.* In past years, the BAC has encouraged APS to pursue partnerships in several areas, but the most important type of partnership in future years may be those that are revenue-generating or cost-mitigating. The key is to set goals, assign ownership, and track progress. A couple of ideas that we shared in our budget reports are included here, but there are many more.
 - With Amazon in our backyard and benefiting from tax breaks from the County, we should not be shy in approaching them about supporting STEM focused priorities for APS, such as a multi-year STEM grant for such things as the TJHSST pathway, the Outdoor Lab, the Planetarium, advanced science curriculum, technology initiatives, etc.
 - With budget deficits threatening bread and butter activities like middle school sports and academic competitions, field trips, and no cut sports, there is an opportunity to engage our business opportunity to sponsor activities of their choice - academic, athletic or otherwise. We have a diverse and supportive

community in Arlington. If we got out and made the requests, we are confident we could bring local businesses to the table.

- *We ask the Board to think about what it really wants from the BAC, and then work with the committee to productively deliver that goal.* The BAC's purpose is to provide "advice and insight to the School Board to help maintain fiscal integrity, public confidence, and wise stewardship of taxpayer resources..." But we are not sure that we are fulfilling that duty. For most of the year, we guide ourselves, trying to get smarter about APS and School Board priorities in advance of the budget being released so that we can review it as quickly as possible and then provide the best input possible when our few moments (literally, see earlier comments) with the Board arrive. We have a terrific partner in Assistant Superintendent Peterson, and we have greatly appreciated Chair O'Grady's input. But we encourage the Board to think about how to better engage (and guide) the BAC both during the budget process and to engage us with other questions on other topics that impact the budget throughout the year.

Input for FY23 Budget Guidance

- We recommend that the Board return to asking the Superintendent for a balanced budget, as was historically part of the budget guidance. The balanced budget can include a wish list, if additional funding is available, but it would start with balance, rather than with deficit.
- We recognize that this challenge will be more acute given that the FY23 budget will need to replace nearly \$40M in one-time funds received and used to close the FY22 budget gap. But we urge the Board and Superintendent to shift from short-term thinking to longer term planning and begin to tackle the larger structural questions that will be required to close current and future year budget gaps. Focus on the next 3-5 years, not just FY23. Include plans for the areas identified for long-term savings in the FY22 budget - transportation, planning factors (student/teacher ratios), energy savings, IPP savings, collaboration with the County - that begin in FY23 and increase in the out years.
 - For example, start with concrete plans to increase class size by 1-2 students per grade, or if equity concerns are too great, propose a more equitable implementation of this suggestion with a similar financial impact.
- We encourage greater transparency in the months leading up to the release of the Superintendent's proposed budget, starting with the Board, to ensure that the budget is not balanced with cuts that are not tenable to the Board (as a proxy for the community). Ideally the Board and the community should be more engaged in the larger, structural decisions well before the final decisions need to be made, so that the community is ready for them, when the time comes.
- We welcome the push for equitable outcomes and look forward to Board Member Reid Goldstein's project on an alternative funding model for schools based on the demographics of the students who attend those schools, but we also encourage the Superintendent and Board to find a way to fund this model with changes to the current planning factors given current and future budget deficits and lack of reserves, or to fund it through advance commitments from the County Board.

- We recommend that APS focus on delivering tighter enrollment forecasts. While it is prudent to be conservative, being overly conservative will result in other programs being cut and reserves being overspent, so more balance is warranted going forward than has been required in the past. We welcomed the adjustments made by the Board in the final budget approval on May 6, but we think they remain too conservative given the reality of our financial situation.
- We recommend that deadlines are set for families to determine their mode of instruction (virtual v. in person) in plenty of time in future years to ensure that these decisions can be accounted for in the final budget, if virtual instruction will be a significant factor in enrollment and therefore budgeting going forward.
- We strongly encourage the board and APS to study and publish the key lessons learned from the past year. This study should address cost savings and expenditures due to COVID requirements, what actions APS took to address these requirements, and how these lessons should inform future policy and budget requirements in the future.

Thank you again for your invitation to serve the Board and our community. We know this has been a challenging year and that we have additional challenging decisions ahead of us on the budget. We hope that our recommendations are helpful to the Board as you determine the best path forward for our students, our staff, and our community. We are here to serve and we look to doing so in the most impactful ways in the 2021-22 school year.

Sincerely,
The 2020-2021 Budget Advisory Council

Members of the 2020-2021 Budget Advisory Council

Melanie Bowen, Chair
 Chuck Rush, Vice Chair
 Bob Ramsey, Immediate Past Chair
 Lisa Blackwell
 Nellie Carr
 Katherine Christensen
 Dedra Curteman
 Julie Davis
 Juan Gordon, Sr.
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 Jenn Wagener

Liaisons

Josh Folb, Arlington Education Association
 Zach Levin, APS Student Representative

Staff

Leslie Peterson, Assistant Superintendent for Finance and Management Services

Board

Monique O'Grady

Attachment 1: July 2020 BAC Comments on CIP Policies and PIPs

Attachment 2: BAC Input on FY22 Budget Direction

Attachment 3: BAC FY21-22 Budget Reduction Ideas

Attachment 4: BAC Input on the FY22 Budget

Attachment 5: Budget Advisory Council Presentation to the School Board April 6, 2021