

Understanding City Schools Budget Gap

HOW WE GOT HERE

City Schools again faces a budget gap, caused primarily by rising costs at a time when funding from the state has been flat or decreasing.

In past years, City Schools focused on closing budget gaps with short-term solutions, like

- drawing from the fund balance
- reducing use of contracts
- spending and hiring freezes
- laying off employees

To minimize the impact on students and schools, layoffs and other reductions in past years have been focused in the district office. But as a result of these significant cuts, there is now little room to make additional reductions there.

And while these short-term solutions were necessary, they did not address the fundamental issue: Until the underlying structures are changed, City Schools will be faced with similar budget gaps in future years.

Without funding that reflects the real needs of our students, City

Schools can't break the cycle of cuts that limit capacity to provide the very things that contribute to our students' success.

Decision	Savings (\$M)
FY17 – Contributions from Fund Balance	
• Defer 21 st Century spending (\$20M)	
• Freeze all discretionary spending after January (\$13M)	
• Draw down on fund balance (\$12M)	
• Leave unfilled positions as vacant (\$8M)	\$53
FY17 – One time state revenue	\$13
FY16 – Cost supplemental services to grants	\$4
FY16 – Reduce contractual spending	\$3



Source: City Schools FY16 Merged GL and cumulative costing details reports – ALL FUNDS, ERS analysis.

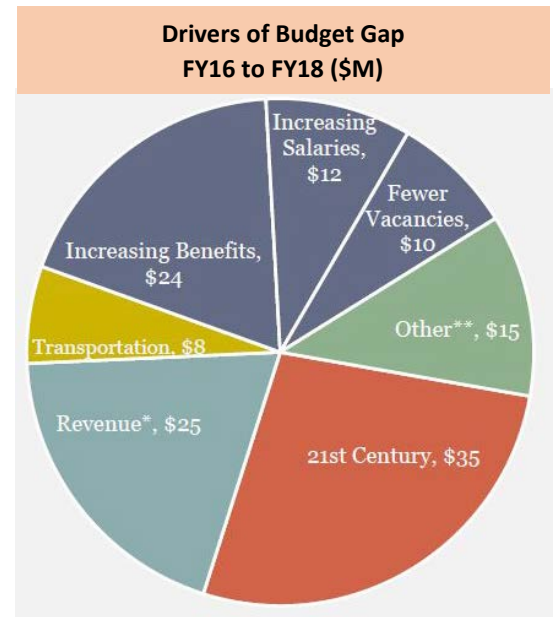
The Kirwan commission is currently considering funding adequacy for Maryland's schools.

City Schools' stakeholders must make their voices heard to inform that work, so that Baltimore's public schools receive adequate funding in the future—and Baltimore's students receive what they need and deserve.

WHERE WE ARE

There are five main drivers that contribute to the district's annual budget gaps.

REVENUE	Revenue has declined (or been flat) for several years.
DISTRICT FOOTPRINT	City Schools offers students a wide range of schools, but smaller schools cost more to operate.
STUDENT NEED	City Schools students, as compared to students statewide, have a much higher rate of poverty and special education needs.
SALARY & BENEFITS	To attract and retain highly-qualified and talented staff, City Schools offers benefits and salaries that exceed many other districts'.
21ST CENTURY INVESTMENTS	City Schools is moving forward with a construction plan to bring new and renovated school buildings to neighborhoods across Baltimore.



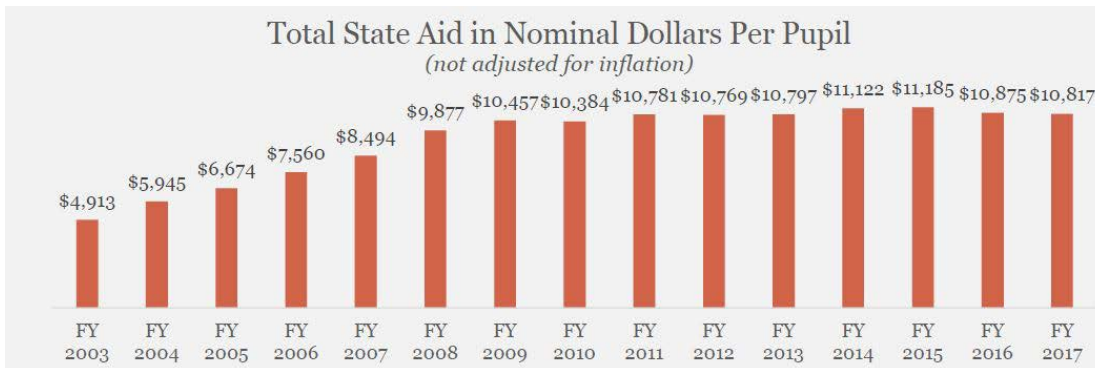
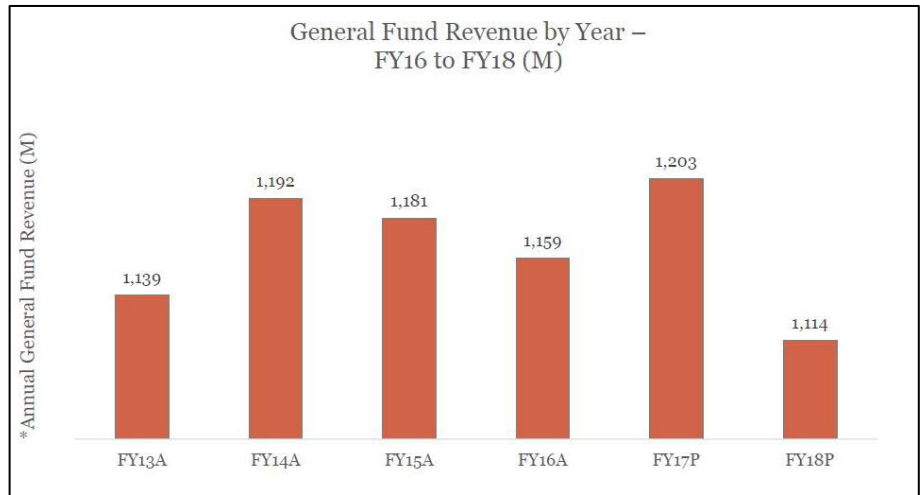
Other includes contracts, instructional supplies, and utilities.

For 2017-18, the gap is approximately \$130 million.

REVENUE

Revenue projections for the 2017-18 school year are significantly lower than the historical trend, which is contributing to the particularly large budget gap the district is facing.

Most of the district's revenue comes from the state and is based on a per-pupil amount for each student enrolled. The main reason for the projected decrease in revenue is a decrease in enrollment. But the way state aid is calculated also means that revenue hasn't kept up with inflation, and it's been affected by increased wealth in the city.



If state aid had kept pace with inflation between FY12 and FY16, City Schools would have received an **additional \$180 million** in revenue.