

Rudolph F. Crew, Superintendent of Schools

**SUBJECT: FUTURE OUTLOOK FOR OPERATING BUDGET PROCESS:
FROM CONTINUATION BUDGET TO STRATEGIC CHOICES
APPROACH**

COMMITTEE: BUSINESS AND FINANCIAL SERVICES

Final adoption of the 2004-05 Annual Budget will be accomplished by the Board after the legislatively-required public hearing scheduled for September 8, 2004, at 5:01 P.M. The annual budget (All Funds) has reached a new total dollar watermark of \$4.79 billion. This budget is one which was developed prior to my arrival and represents the perception of the best mix of limited resources to meet the pressing needs of the Miami-Dade County Public Schools.

Staff has analyzed key revenue and appropriation estimates on which the operating budget (General Fund) is built to develop a collective bargaining reserve which will be recommended to the Board for final adoption after the budget hearing. This analysis does not in general involve changes in policy decisions, other than funding for the School Improvement Zone, but focuses on using year-to-date (YTD) experience, particularly actual summer school expenditures versus budget, the implications of actual first week enrollment, the status of pricing of 2005 medical insurance premiums, and actual YTD staff hiring levels and open positions, as a basis for such an amendment.

It is my recommendation to leave the Board's Contingency Reserve of \$40 million intact at this time to develop greater financial stability and improve the rating agencies' outlook from negative to stable. At a later date, I will be recommending to the Board policy language regarding the Contingency Reserve which should be maintained at even a higher level than currently appropriated, at least in the 3-5% level.

During 2005-06 and subsequent fiscal years, pressures on the Board's operating budget environment will not lessen but may likely increase due to a variety of factors. Full implementation of the Class Size Reduction Amendment will continue to absorb the majority of new state revenue. Further, by 2006-07, every school in the system must meet the lower class requirement and not just the district as a whole. Legislative attempts to further dilute or eliminate the District Cost Differential remain an on-going potentiality. Successful attempts by lower cost – environment districts to accomplish these ends will cost Miami –Dade many millions of dollars in lost revenue.

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Even with these external financial pressures on the district, it is my priority to strengthen the instructional and curriculum bases of the district with primary focuses on literary access across all grades, technology in the middle schools and preparation for the world of work at the secondary level. Additional monies must be found and focused directly on school improvement at our low-performing schools. In addition, a long-term vision for compensating and rewarding instructional personnel who succeed in improvement at all schools will be implemented. Funds necessary for these major initiatives are considerable and will entail the appropriation of many millions of dollars. All areas of the budget will be scrutinized to redirect funds for these purposes.

To that end, I have directed staff to determine an effective but reduced structure of non-school services and departments which will provide those services and controls required by state and federal law as well as one which incorporates necessary business and organizational practices. It is likely that reduction in force procedures will be invoked. A recommended reorganization will be presented to the Board at its October meeting. These immediate actions are necessary to redirect resources for needed school and programmatic improvements, to provide for additional dollars for the classroom and educational support and to improve the revenue and appropriations outlook for 2005-06 and beyond.

Revised

Closely related to this priority is the need for the Miami- Dade Public Schools to change public perception about its use of resources and the competent stewardship of its staff. Ultimately, changing public perception about the district and its competent use of resources is a required prerequisite for successful passage of a bond referendum in the future. It is also necessary for the restoration of that political capital which is required to regain the support of the District's numerous stakeholders, including the Miami-Dade legislative delegation, the state legislature and executive branch.

FUTURE OUTLOOK

Currently, the district prepares its operating budget (General Fund) utilizing what is technically termed a continuation budget approach with extensive review and scrutiny of incremental cost increases or decreases. Use of this approach has enabled the district to substantially control cost increases, except for those due to Board policy decisions, such as establishment of the Comprehensive Reading Plan (CRP), or those due to unavoidable workload, for example, hiring additional teachers to meet enrollment increases or establishing additional principal and custodial positions due to the opening of new schools.

This approach is used by many, if not most, public sector institutions and is attractive due to administrative convenience and the fact that most existing programs, on balance, do serve a useful and necessary continuing public purpose. However, the continuation budget approach can also provide shelter and continuing existence to programs and appropriations which serve outdated purposes, or those which are not the most cost-effective way to achieve a given public purpose, or those which support a bureaucracy.

External pressures on the Miami Dade County Public Schools and the very real need to divert a minimum of dollars appropriated for instructional purposes to support programs prompts Administration to recommend to the Board a new approach for the development of the operating budget for 2005-06 - an approach which I prefer to call the Strategic Choices Approach.

The Strategic Choices Approach requires that each direct report to the Superintendent analyze all non-school appropriations remaining after the streamlining and reorganization into three areas (decision packages): Offices and Departments that are:

- 1) Required for Minimal Compliance with State/Federal Law and Board Rule (Cited);
- 2) Enhances Compliance with State/Federal Law and Board Rule (Cited), and
- 3) Recommended as Sound Business/Organizational Practice. Each direct report would rank-order those offices and departments designated as Sound Business/Organizational Practice in terms of their relevancy to District priority goals.

I have directed staff to develop the necessary forms, manual, and schedule to implement the Strategic Choices Approach to operating budget preparation for 2005-06. Departmental planning and analyses will commence immediately after the first of the year and the schedule will culminate with a series of Board workshops during May.

These deliberations will provide the Superintendent and staff with a better basis for development of the Recommended Tentative Budget for 2005-06 which will be sent to the Board, pursuant to the legislatively-prescribed schedule, during early July.

RECOMMENDED: That The School Board of Miami-Dade County, Florida, receive the Report on the Future Outlook For Operating Budget Process: From Continuation Budget To Strategic Choices Approach.