

DAC Budget Subcommittee
2003-2004 Closure/Consolidation Savings Analysis
Preliminary Report
March 03, 2004

As amended and unanimously approved by DAC March 02, 2004

DAC Budget Subcommittee

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Executive Summary

In fall 2003, at the request of the BVSD Board of Education, the DAC Budget Subcommittee accepted the charge of analyzing the costs and savings of the closure and consolidation of schools in the 2003-2004 school year. The committee has met six times beginning in October and most recently February 3rd. In our initial meetings, we determined that there were several areas affected by closure/consolidation for which we would need information from BVSD staff. These areas included open enrollment and student movement out of the district, transition expenditures, and the need for specifics on actual costs to accurately determine annual General Fund savings. There are other non-financial impacts of closure/consolidation that need analysis as well, specifically the impacts to students and their achievement, however the subcommittee focused on the financial aspects of closure/consolidation. This document contains our analysis of the reports we received from staff. The staff reports appear in the Appendices.

Our subcommittee determined early in the process that we would need detailed information from BVSD staff in order to provide a thorough analysis of the costs and savings of the consolidation. Unfortunately for this effort, the district Business office is undergoing a conversion to an enterprise software system. This conversion was noted to be in jeopardy in a report to the board by auditors if staff were not available to properly implement this new system. Because of this conversion, there was little staff availability to provide much of the information our committee felt was needed to accomplish our task.

The Business office has provided the committee with three summary reports for analysis: on student movement, transition costs, and General Fund labor and operational savings—this last was not provided until late December. While this summary information is not sufficient for the committee to finalize its analysis of the cost and savings related to the closure and consolidation at this time, the subcommittee has some significant preliminary findings that are described in the body of this report and summarized in this Executive Summary.

First, for several reasons detailed herein, we believe the district's student movement study is likely to seriously underestimate the number of students who left the district due to closures and consolidations. Thus, the current staff analysis of lost revenue due to student movement is likely to be a serious underestimate.

Second, while the staff has agreed to provide an analysis of the actual labor cost savings due to FTE reductions, they have indicated that the enterprise system conversion prevents them from accomplishing this until July 2004. To date, staff has presented savings due to FTE reductions in terms of standardized (average) costs, which may significantly over- or underestimate actual

costs. *In addition, since the staff has indicated that all of the individuals representing those FTE reductions who wanted to stay with the district still have jobs, we feel a detailed accounting of the changes in BVSD's payroll is needed to justify the significant labor savings claimed by staff.*

To begin to address this issue, at Board member Schroeder's suggestion, the subcommittee obtained minimum and maximum labor costs for each relevant FTE position and calculated the range of possible labor cost savings. Combining this uncertainty in labor cost savings with the uncertainty in lost revenue due to student movement, the subcommittee determined that the potential savings in 03-04 from the 2003 closure/consolidation decisions *could range from a loss of \$500,000 to a savings of \$500,000 across all funds. The range for the General Fund is from a loss of \$180,000 to a savings of \$820,000.*

Because these ranges represent wide extremes, the subcommittee constructed two additional scenarios that narrow the range while still likely encompassing the actual savings. These scenarios look at the impacts of the student movement costs and labor savings uncertainties separately, instead of together. *Based on these scenarios, the overall savings to the district across all funds are likely to be somewhere between a loss of \$248,000 and a savings of \$68,000, well below the staff estimate of a savings of \$323,748. The actual General Fund savings in 03-04 are likely to be between approximately \$75,000 and \$390,000; again, well below the staff estimate of \$646,481 in savings.*

In summary, we have provided a range of outcomes that we believe bound the majority of the potential financial impacts on BVSD from the 2003 decisions on closures and consolidations. Again, as will be described herein, significant data gaps exist, and these findings are in no way final. The committee will continue, with board approval and full district support, to research and analyze the costs and savings of closure and consolidation. Furthermore, the committee believes that staff analyses of student movement, transition costs, and FTE adjustments should continue over at least the next two years in order to ascertain the full impacts of closure and consolidation in all areas of district funds. For example, the recently announced goal to find a new home for Community Montessori by fall 2004 shows how last spring's closure decisions continue to have ramifications. A comprehensive analysis will answer many of the ongoing questions and concerns about the closure/consolidation, and will provide valuable data for future decisions.

DAC Amendment: March 02, 2004

As stated previously, in our initial meetings regarding closure and consolidation, the subcommittee believed that there was a need to assess the non-monetized impacts, however, we maintained our focus on the fiscal aspects of this decision. In discussion with the full DAC on

March 02, 2004, the need to study the non-monetized costs and benefits of closure and consolidation was reiterated. The DAC membership felt non-monetized costs such as stress to students, families, and staff; increased transportation time; and fewer choices in school programs for parents; as well as non-monetized benefits including fuller and more vibrant schools should be assessed. These costs and benefits need to be recognized as they impact community goodwill, and affect community support for future bond issues. Through conclusive study of the actual costs and savings of the closure and consolidation, as well as an analysis of its non-monetized impacts, area taxpayers may find improved accountability for their tax dollars resulting in increased community goodwill toward BVSD.

Student Movement Report

The subcommittee has identified several major issues with this report (Appendix A), which indicates only 9 students left the district in 03-04 due to closures/consolidations out of a total of almost 200 who left the district from the affected schools. The most serious problem is staff's criteria for determining whether a student left due to closures/consolidations (c/c) or not. Staff has confirmed that they only counted a student as having left due to c/c if the parent indicated that c/c was 100 percent of the reason for leaving. In other words, if during the conversation with staff, the parent made any mention of any other issue, then they were not included as having left due to c/c (e.g., "we had open-enrolled into Baseline, so after it was closed we considered our neighborhood school, but decided it did not meet our needs and so we are now in a private school"—the staff did not count this student as having left due to c/c!). It is our understanding from speaking with parents, that this criterion was not made clear during the phone conversations and that, even if it had been, that the approach misses counting many students for whom c/c was at least a partial reason for leaving, much less those for whom it was 99 percent of the reason.

Table 1 shows the subcommittee's analysis of student movement. We show a "maximum potential" student loss due to c/c of 106 students. This is based on all the students from the affected schools who left the district, but did not leave the state. In other words, this total includes all students who either went to a different Colorado school district or who are private schooling, home schooling, on-line schooling, or are listed as unknown. *Clearly, all 97 additional students would not cite c/c as 100 percent of their reasons for leaving, but we are just as certain that the number is not zero, as the staff's report assumes.* As will be shown below, this uncertainty has a major impact on the potential savings/costs of c/c. For example, if c/c averages out to be 50 percent of the reason for leaving for these 97 students, then the General Fund has lost $50\% \times 97 \times \$5895 = \$285,908$ due to c/c in addition to the \$53,055 from the 9 confirmed, for a total of \$338,963. The last row of Table 1 shows the maximum potential cost (lost revenue) to the General Fund, \$624,870, if all 106 students left the district because of c/c.

Table 1 - 03-04 Student Movement Results		DAC Analysis	
Students who left BVSD due to Closures/Consolidations	Staff Analysis	Potential Additional	Potential Max Student Mvmt
Baseline	4	10	14
Columbine	0	12	12
Community Montessori	0	3	3
Flatirons	1	4	5
Foothills	0	12	12
Gold Hill	0	1	1
Jamestown	0	1	1
Manhattan	0	2	2
Mapleton	2	5	7
Uni-Hill	0	18	18
Washington	1	8	9
Whittier	1	21	22
Total Students	9	97	106
General Fund Cost (\$/yr)	53,055	571,815	624,870

The second critical problem with the student movement report is that the impacts on incoming kindergartners were not tracked. We were told by staff back in August that this information would be able to be included because school secretaries keep lists in the spring of kindergartners registering for the fall. We have not included an estimate of this impact yet in our analysis, but based on the total potential numbers of students who left the higher grades, we would estimate that at least 10-20 kindergartners may not have attended BVSD this year due to c/c.

The following list summarizes the committee's other comments and concerns regarding the Student Movement report:

- One important question that needs to be looked at is how many students normally leave the district in a given year in order to determine if the closure/consolidation increased the number of withdrawals from the district.
 - When this question was asked of staff, we found there are no numbers from previous years to provide for comparison.

- There is a need to track the percentage of neighborhood kids that open enrolled out of their neighborhood schools to see if closure/consolidation had open enrollment impacts.
 - The subcommittee plans to compile data on the Open Enrollment Matrices for the past three years to establish a baseline for schools impacted by closure/consolidation and to continue to review the matrices to determine if there are trends in open enrollment.
- There is concern about the validity of students shown as leaving due to physical or geographic moves. The question is not about students shown as leaving the country or state, rather the question comes in for students shown as moved out of district. Students categorized as “moved out of district” may or may not be related to closure/consolidation.
- There is a concern about consistency in the information gathering. According to staff, “In many cases school staff knew the circumstances by which the student withdrew. In other instances, parents were contacted to verify the data.”
 - The parents of all students shown as leaving should have been contacted, rather relying on assumptions.
 - Several subcommittee members reported that they have had interactions with parents that have stated that they were never contacted about why they left the district.
- Annual information on how many students leave the district, why they leave, and if they return is critical information during this period of flat to declining enrollment.
- This report will also serve as a useful tool to identify the schools that received large numbers of students from closed/consolidated schools so that transition costs can be carefully tracked.

Transitions Costs Report

This report (Appendix B) provides actual to-date and projected total 03-04 transition expenditures for the General Fund, Capital Reserve Fund, and the Grants Fund. The report the committee reviewed was from the end of September. An updated report on transitions will be completed as of the end of February. The projected total cost estimates in the current report are very similar to the budgeted amounts provided last summer (approximately \$200,000 in General Fund costs and \$300,000 of Capital Reserve Fund cost). It is difficult for the subcommittee to comment on this analysis as none of it is broken down by school site. For example, we would like to know the total costs associated with installation and maintenance of the portables and required infrastructure at Columbine and Manhattan. In addition, while accounting detail is provided for General Fund expenses, it is not organized by site or by task. For example, we would like to know the total labor costs for packing and unpacking at each school, the labor and materials costs for moving Washington to Uni-Hill, etc. At the February 3 meeting, the staff indicated that none of the transition costs are available by school site.

We also have questions about transition expenditures that may have occurred but do not appear to be included in this report. For example, extensive staff time was spent last spring holding meetings at the affected schools, a special open enrollment process was held, and many miscellaneous expenses were incurred by the district such as mailings to parents, and so on. Staff has told us that there were no extra staff costs, although a former Board member has told a member of the committee that everyone going to evening meetings would have received “comp” time. We believe that staff should provide a more detailed explanation to address these issues.

Even though staff has indicated otherwise, the subcommittee believes these transition costs should continue to be tracked next year. For example, there may be continued costs for the leased portables at Manhattan of \$18,000 per year, and any costs associated with moving Community Montessori out of Columbine and the costs of setting up its new location should be considered. The committee believes that there may be other expenditures directly related to consolidation/closure that will be

incurred in future years at the buildings that received the majority of students from closures.

Finally, it is important to keep in mind that this report only includes amounts expended by the district. There were a large number of unpaid hours invested by the staff at the individual schools and volunteers to accomplish the move between schools. While there was not an amount expended, the number of unpaid hours should be reviewed and noted for future decisions.

2003-2004 Closure/Consolidation General Fund Savings (Cost) Report

Back in September our subcommittee agreed that we would analyze General Fund labor savings in terms of both standardized and actual costs so as to clarify the differences between the two approaches. We presented staff with at least two possible approaches they could use to estimate actual labor cost savings, but they have said that the enterprise system conversion will prevent them from addressing actual costs until July. The subcommittee feels the use of standardized costs to estimate savings is a concern because they can either underestimate or overestimate the actual savings. For example,

- Using standardized costs to estimate the savings of not replacing a retiring veteran principal would underestimate the actual savings.
- Using standardized costs to estimate the savings of not renewing the contract of an entry-level, limited term contract teacher would overestimate the actual savings.

The use of standardized costs for General Fund savings (Appendix C) is also an issue because it is inconsistent with the actual cost analysis presented by staff in all the other c/c reports. The staff's use of standardized costs creates an "apples and oranges" comparison problem. Moreover, we strongly believe that the entire c/c analysis should be provided in terms of actual costs as these reflect where taxpayer dollars go.

In order to provide some insight on this issue in the near-term, the subcommittee, based on a suggestion by Board Member Schroeder, is using the minimum and maximum salary plus benefits costs for each FTE position shown in the report in order to determine a potential range of actual savings and compare them to the standardized cost savings. Table 2 presents our analysis including actual salary data. (Please note that while staff FTE reductions are shown in parentheses, the dollar savings that result are shown as positive numbers (without parentheses) and the dollar costs resulting from staff increases are shown in parentheses to denote negative values.)

Table 2 - 03-04 General Fund Labor Savings Analysis

		DAC Analysis of Total Savings Using:		
Staff Reductions		Standardized Costs (\$/yr)	Actual Costs	
Position	FTE Change		Minimum (\$/yr)	Maximum (\$/yr)
Elementary Teachers	(1.500)	91,319	54,818	128,807
Elementary Specialists	(0.328)	20,843	11,987	28,166
Elementary Instr. Music	(0.340)	21,782	12,425	29,196
Elementary Lit. Teachers	(0.700)	45,100	25,582	60,110
Elementary Principal Clerical	(2.000)	78,502	62,148	85,860
Elementary Support Clerical	(0.250)	8,384	6,810	9,380
Elementary Principal	(1.500)	151,013	130,617	172,400
Elementary Asst. Principal	1.000	(82,048)	(77,307)	(101,966)
Elementary Media Specialist	(0.500)	33,676	18,273	42,936
Elementary Spec. Ed Teacher	(0.200)	13,161	7,376	17,241
Middle Level Teachers	(0.790)	47,367	28,871	67,838
Middle Level Lit. Teachers	(0.090)	5,396	3,289	7,728
Middle Level Principal Clerical	(1.000)	44,637	33,731	46,669
Middle Level Support Clerical	(1.250)	44,208	34,048	46,896
Middle Level Principal	(1.000)	97,223	90,834	119,911
Middle Level Counselor	(0.330)	23,807	14,588	30,898
Middle Level Media Spec.	(0.500)	36,709	18,273	42,936
Custodial Support	(3.750)	137,910	107,884	145,729
Elementary Library Parapro	(1.313)	29,950	23,206	33,493
Elementary Health Rm Para	(1.000)	23,328	19,976	27,376
Elementary ESL Parapro	(1.000)	22,075	17,674	25,509
Elementary Sp. Ed Parapro	(0.250)	6,279	4,419	7,589
Middle Level Library Parapro	(0.875)	19,959	15,465	22,320
Totals	(19.466)	920,575	664,983	1,097,020
Actuals vs. Standardized (\$)			(255,592)	176,445
Percent Change from				
Standardized Costs			-28%	19%

As shown in Table 2, the use of standardized costs potentially overestimates actual cost savings by \$255,592, or 28 percent, and potentially underestimates actual costs by \$176,445, or 19 percent. Since it is more likely that, on balance, entry-level as opposed to more senior staff would not have had their contracts renewed, we believe the actual labor savings lie closer to \$664,983 than to the standardized cost result of \$920,575. However, until the staff has the time to determine the actual labor savings in the district due to closures, these results remain estimates.

This brings up another critical issue: the staff has told us that every individual represented as an FTE reduction in this report that wanted one still has a job in the district. *If the FTE reductions shown in Table 2 and Appendix C accurately represent the actual FTE reductions across the district due to c/c, then they can only have occurred if people retired and did not have to be replaced or if the individuals affected by c/c who retained their jobs displaced other staff who did not have their contracts renewed.* BVSD staff should be able to provide a (confidential) report of the individuals who are no longer with the district (either due to retirement or an un-renewed contract) along with their salary plus benefits totals. (This list could be provided to DAC without names to preserve confidentiality.) This report would indicate the actual labor cost savings.

Another concern relates to that a number of FTE savings are partial FTEs: for example, 0.328 elementary specialists or 0.09 middle level literacy. We are concerned that these FTE savings from the General Fund may be offset by other funds; e.g. Title I, or Grants at the individual building level. If this is the case, then while there may be savings in the General Fund, these will be offset by increased expenditures in other funds. The possibility also exists that these partial FTE's may eventually revert to the General Fund. A related issue is the need to track any addition of FTEs in 04-05 at the affected schools. Moreover, as we have commented on the other reports, this report does not provide a detailed comparison of all FTEs by the sites affected by closure/consolidation, much less a district-wide accounting of how these net FTEs were achieved.

The subcommittee has prepared Table 3 as a way to show the potential range of actual savings from closures/consolidations. Please note that costs (negative savings) are shown in parentheses in the table.

Table 3 - Preliminary Summary of Savings (Costs) in 2003-2004

	Staff Analysis	DAC Analysis Scenarios			
		(1) Minimum Salaries, Max Student Mvmt	(2) Maximum Student Mvmt Only	(3) Minimum Salaries Only	(4) Max Salaries, Min Student Mvmt
General Fund - Labor	920,575	664,983	920,575	664,983	1,097,020
General Fund - Operational	(21,212)	(21,212)	(21,212)	(21,212)	(21,212)
General Fund - Student Mvmt	(53,055)	(624,870)	(624,870)	(53,055)	(53,055)
General Fund - Transition Costs	(199,827)	(199,827)	(199,827)	(199,827)	(199,827)
Total General Fund	646,481	(180,926)	74,666	390,889	822,926
Capital Reserve	(308,484)	(308,484)	(308,484)	(308,484)	(308,484)
Grants	(14,249)	(14,249)	(14,249)	(14,249)	(14,249)
Total All Funds	323,748	(503,659)	(248,067)	68,156	500,193

The first column, “Staff Analysis,” compiles the results from the various staff reports. It shows a General Fund net savings of \$646,481 in 03-04 and an overall savings across all funds of \$323,748. The remaining columns represent scenarios constructed by the subcommittee to reflect the high degree of uncertainty in these results, specifically, the potential range of savings given the uncertainty in actual labor cost savings and the issues raised in the student movement report. Each scenario is described below in terms of the line items that were changed from the Staff Analysis column.

Scenario (1) uses the actual minimum salary plus benefits data for the General Fund labor savings (i.e., implies that all the FTE reductions were at the bottom of the pay scale) and assumes all 106 students who left the district but stayed in the state left due to c/c. We constructed this scenario to represent a lower bound on the savings from c/c. The results are that closures *cost* the district a total of more than \$500,000 overall (including a cost of \$180,000 in the General Fund). This is clearly an extreme case, but until better data are available it is a reasonable lower bound.

Scenario (2) uses standardized costs for labor savings as in the Staff Analysis, but uses the maximum student movement results (106 students vs. 9). The overall savings are again a *cost* of \$248,067, while the General Fund savings are a small positive, \$74,666.

Scenario (3) uses the actual minimum salary plus benefits data for labor savings as in Scenario (1), but it uses the staff's data that only 9 students left due to c/c. This results in an overall savings of \$68,156, and a General Fund savings of \$390,889.

Lastly, Scenario (4) was constructed as an upper bound on potential savings. It uses the actual maximum salary plus benefits data (i.e., implies that all the FTE reductions were at the top of the pay scale) and the staff's student movement report of 9. The overall savings increase to about \$500,000 and the General Fund Savings increase to more than \$800,000.

In conclusion, the scenarios show a wide range of uncertainty for the savings from closures/consolidations: from an approximate *cost* of \$500,000 to a *savings* of \$500,000 across all funds, and in the General Fund ranging from a *cost* of approximately \$180,000 to a *savings* of \$820,000. This wide range is due to the impact of the student movement cost uncertainty, which ranges from \$53,055 to \$624,870, and to the difference between the minimum and maximum actual labor cost savings estimates, which range from about \$660,000 to over \$1 million.

Until staff can address the significant data gaps identified in this report, the subcommittee believes that Scenarios 2 and 3 probably bound the actual impacts of closures and consolidations. In other words, the actual General Fund savings in 03-04 are likely to be between approximately \$75,000 and \$390,000, well below the staff estimate of \$646,481 in savings. The overall savings to the district across all funds are likely to be somewhere between a *cost* of \$248,000 and a savings of \$68,000; again, well below the staff estimate of a savings of \$323,748.

Overall DAC Budget Subcommittee Recommendations

- Further research on details of expenditures by site is needed to confirm the transition costs of the consolidation for 2003-2004.
- Tracking transition, Capital Reserve and General Fund expenditures for schools that received large numbers of students due to the consolidation should be continued for at least three years.
- Actual General Fund labor costs savings are necessary to provide a consistent analysis with the other reports that are based on actual costs. Since these are the largest component of savings by far, they should receive the most attention by staff.
- Detailed Reports on FTE by sites affected is needed on the Consolidation/Closure General Fund Savings Analysis, and these reports should be continued for at least three years.
- Members of the committee recommend that the ‘reason for leaving’ field of the open enrollment form become mandatory on open enrollment applications, and that this information be compiled to determine enrollment trends and why they occur.
- The committee agreed that it is imperative to continue to track student movement for three years to clearly evaluate the impacts of closure consolidation on enrollment, open enrollment, and potential “re-enrollment”.
- Furthermore, the committee recommends that staff revisit the 03-04 student movement report. The committee recommends being direct when asking why parents left the district. In order to determine if a student left because of closure/consolidation, the question asked could be, “Would you have kept your child in the district if these closures had not taken place?”
- For those families answering “no” to the above question, staff could ask parents if closures were (a) not a factor (i.e., 0%), (b) a small part of the reason for leaving (e.g., 25%), (c) a moderate factor (e.g., 50%), or (d) a major factor (75%). The staff should take great pains to ensure that the telephone interviews are carefully scripted and that the script is followed.