

FY2022 End of Year Report
Budget Advisory Council

Dear Dr. Kanninen 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 2021-2022 school year. We share the board's sentiment to have a fiscal environment that allows APS to invest and overcome the challenges from the pandemic. The compensation increase and investments in class size reduction and special education, among others, begin to address long-standing challenges noted in previous budget year cycles. Simply noted, this raises the cost per pupil from \$20,648 to \$23,386 – a 13.23% increase.

In our end-of-year report, we would like to highlight our continued concern about the fiscal sustainability of the APS budget and highlight some areas of risk that merit further study and consideration. The level of one-time fund usage and closeout funds to pay for recurring expenses in this budget may be advantageous in the short-term. The manner of spending may also create conditions in the future for deficit reduction measures that could unwind the investments being made now. To conclude our report, we note, for consideration, three topic areas: learning loss and achievement gaps, class sizes, and cross-committee engagement.

Fiscal Sustainability

The BAC remains concerned about the long-term sustainability of the APS budget. Future budget projections create deficits even with revenue assumptions to balance prior-year deficits. The decision to partially fund compensation increases using end-of-year closeout funds and reserves locks in certainty of future expenses while assuming economic conditions will generate revenue to balance the budget. We recommend that APS consider fiscal sustainability in the following ways:

- Expenses and revenue broadly in line with one another
- Budgets that stabilize staffing at levels that reflect how we wish to instruct and administer the school system without frequent expansion or contraction
- Minimal use of one-time funding to address recurring expenses

There are inherent risks to meeting the long-term budget projections that should be quantified (where possible) and addressed as part of the annual budgeting process. Specific current risks include:

- Impact of declining total student population – sources may include less children entering public school, increased charter, and private school enrollment.
- Impact of declining student-age population relative to total county population and associated pressure to reduce APS's share of county revenue.
- Economic uncertainty / headwinds.
- Political/fiscal policy changes at the state and local levels.
- Rising interest rates and the associated impact to debt service costs.

- Inflation of its impact on labor, material, and other associated costs.

The BAC acknowledges the uncertainty of future revenues and accepts that assumptions are required to facilitate planning. We recommend that the school board address fiscal sustainability in the FY2024 budget direction in two ways:

- Project an objective staffing level for APS, across all scales, and its impact on future expenses and revenue requirements
- Stress test Superintendent's Proposed FY2024 Budget for various headwinds and scenarios and use these results to inform mitigation measures and reserve policy

To promote fiscal sustainability, we further recommend that the school board consider the following ideas:

- Continue to promote study of the transportation system to reduce costs
- Provide a public report on the costs and benefits of option schools programs relative to the general education program
- Conclude the multi-year effort to study compensation and develop a sustainable cost of living increase model that builds upon the revision of salary scales while maintaining market competitiveness

Reserve Usage

The adopted budget relies on one-time funds and reserve usage to help balance revenues amid an increase in recurring expenditures. This creates an inherent risk in future years' budgets --- without corresponding increases in future years revenue APS will be forced to either (1) reduce on-going expenditures or (2) further draw down reserves to balance the budget. The latter option may only be sustainable for a short period of time. The BAC does not promote the idea of growth of reserves when prudent investments may be made. However, the board should look to define a set of principles to be implemented as part of its annual budget direction that clarifies on what reserves and one-time funds should be used:

- Fund one-time investments (which may span multiple years) that will, in a measurable way, reduce or avoid future costs.
- Provide funds to tackle one-time, unforeseen challenges that arise. A contemporary example is our pandemic 'learning loss'... This is a case where reserve / one-time funds could be used, in an equitable manner, to help those students who have fallen behind most.

Learning Loss

Achievement gaps and learning loss. For years APS has looked for ways to address achievement gaps. Significant investments have been made to close the gap with varying degrees of success. In some student populations, the pandemic and virtual learning erased this progress and widened these gaps. Recent reports by the State of Virginia, as well as educational leaders at various nonprofits and institutions of higher education, have further highlighted the data and its implications surrounding the impact of the pandemic and virtual learning on

students. APS has received significant one-time funds and has substantial reserves available and should be using those to invest in resources and technologies to help the students impact most to, at a minimum, return to their previous academic trajectory.

As we move into a 4th academic year that is impacted by the pandemic, we recommend that APS develop and price a comprehensive student recovery plan that builds on improvements this year to address not only learning loss experienced by students, but also their social and emotional needs, and possible trauma related to the pandemic. We recognize that for some students, particularly Black and Hispanic students, students with disabilities, and English language learners, these challenges predate the pandemic. We cannot undo the decades of historic marginalization for these students, but we can target efforts to ensure current middle school and high schools students graduate with grade-level math and literacy skills while APS undertakes other longer-term plans to improve future outcomes.

APS should look to further expand the following over a multi-year period to close achievement gaps:

- Additional math and reading tutors and specialists
- Supplemental educational technologies and subscription programs
- Expanded summer school “Learning Loss” programs – live and virtual
- Target additional resourcing using student progress metrics to supplement an evenly distributed level of resourcing to each school.

We recommend that APS develop this plan through the fall of 2022, with a presentation to the board in November, similar to the 2021 [Summer School Program Review](#) conducted in Fall 2021. The rationale is to allow APS and School Board members to consider if any closeout funds should be put towards these recovery efforts rather than waiting for the next budget cycle and a 5th budget year.

- APS should identify the improvements it has undertaken this school year that will meaningfully contribute to student recovery. For example, adoption of literacy and math resources, reduction in planning factors, retention of otherwise "excess" school counselors and social workers, relaunch of the academic dashboard, addition of funds for tutoring for grades 6-12, etc.
- APS should take into consideration areas of need. For example, serving more students in summer school, rather than limiting only to students who are behind in both math and reading; better identification and addition of compensatory services for students with disabilities consistent with recent [federal guidance](#); identifying and providing interventions for those students who are in middle school and high school who are below grade level in reading and math. We also note that a [budget question](#) was submitted regarding these students this year and APS's preliminary analysis suggests the cost of providing intervention to these students is in excess of \$4 million. This estimate suggests that the recent addition of \$600,000 for virtual tutoring will be insufficient to meet the needs of these students.

- APS should, over the course of the fall, engage with stakeholder groups similar to the focus groups it conducted as part of the Summer School Program Review in the fall of 2021 and presented to the School Board last November. This engagement will help to identify the needs, concerns, and possible remedies to build on the efforts undertaken this year.
- APS should identify currently available funding sources to develop a fiscally conscious comprehensive plan, as well as consider how 2021-2022 closeout funds can be applied to this effort. For example, how will funds from the recent \$2 million Onward and Upward grant be deployed; has APS been awarded other grant funds related to the tutoring effort; are there funds remaining from the American Rescue Plan ESSER III grants? We also echo our budget work session recommendation that additional resources be allocated more equitably, perhaps utilizing the academic dashboard to better target resources to schools with greater needs or to consider recent recommendations from the Arlington Special Education Advisory Committee (ASEAC) that aim to more equitably allocate resources towards students with disabilities. Finally, we recommend that a plan be developed to take advantage of possible closeout funds in December of 2022, rather than waiting for the next budget cycle and the 2023-2024 school year.

Class-size changes

Planned class-size reductions have a significant budget impact. To ensure that the changes have a meaningful impact, APS should consider implementing the changes in phases where the changes with the highest likely impact are implemented first. Additionally, the BAC encourages the board to require a data-driven approach to evaluate if the investments are ultimately successful. Metrics should be defined that will allow APS to understand if the class-size changes have a meaningful / real impact on ‘learning loss’, the ‘achievement gap’ or help increase the performance of all students. If so, then we have a blueprint to use to apply to other student populations. If not, then we can quickly reverse the changes and look to apply those dollars to other opportunities.

Advisory Committee engagement

Currently, the individual APS advisory committees operate independently with formal cross-committee interactions primarily limited to committee liaisons who attend each other’s meetings to broadly keep abreast of work-in-progress. Significant planned or proposed changes (e.g., changes planning factors) have potential impacts that cross the scope of numerous committees. Today, committees respond to those topics individually which implies that there isn’t a consolidated and thoroughly defined perspective provided on these topics.

Instead, the APS should identify specific significant topics each year and ask the committees to formalize cross-committee teams focused on providing a holistic assessment and responses on those topics. We recommend that the board consider this approach for the following topics:

- Comprehensive review of APS planning factors to develop an ideal-state staffing model – regardless of fiscal environment. This would include the growth in the administrative staff and being in line with like jurisdictions and best practices.
- Learning loss recovery plan
- Reviewing school-level staffing and resources based on learning loss, class size, and achievement gaps
- Independent review of proposed efficiencies, especially those proposed in the Long-Term Savings Section, and their impact on fiscal sustainability

Thank you again for your invitation to serve the Board and our community. As we continue to recover from the effect of the pandemic, we thank the APS staff and teachers for their dedication to our students and the community. 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 2022-23 school year.

Sincerely,
The 2021-2022 Budget Advisory Council

Members of the 2021-2022 Budget Advisory Council

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Leslie Peterson, Assistant Superintendent for Finance and Management Services

Board

Christina Diaz-Torres

Appendix 1 – BAC-proposed FY2024 Budget Direction Items

Appendix 1

Proposed FY2024 Budget Direction Items

- Project an objective staffing level for APS, across all scales, and its impact on future expenses and revenue requirements
- Stress test Superintendent's Proposed FY2024 Budget for various headwinds and scenarios and use these results to inform mitigation measures and reserve policy
- Define a set of principles to be implemented as part of its annual budget direction that clarifies on what reserves and one-time funds should be used
- Highlight those budget investments that address learning loss, the impact of investments made to date, and how much investment over a specified timeframe is required
- Establish a working group – comprised of APS staff, members of the public, and advisory committee representatives to review APS planning factors and class sizes – with a report date in time to inform the FY2024 budget