
HUDSON



PUBLIC SCHOOLS

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Strategic Financial Plan

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School Committee / Finance Committee

Strategic Financial Plan

Budget Outlook

The Hudson Public Schools provides a diverse range of programs and services for our students and we are proud of our educators and support staff who care for our students and their families. That said, the District continues to face a hard reality: student enrollment continues to decline; the achievement gap among student subgroups persists; and the cost associated with high needs population continues to rise. The path ahead has grown more challenging with each passing year even while we continue with prudent allocation of resources. The District remains committed to an approach to spending that is both efficient and effective.

The District will continue to analyze all expenses generated by personnel, programs, and services and allocate resources aligned with the priorities of the District Improvement Plan. The District will also accurately track and analyze student enrollment, resource allocations, costs of Special Education services, and forecast cost increases for the next three to five years. This process will assist the District to better project future revenues and control expenditures while meeting the needs of our students.

Statement of the Problem

For several years, the District has faced funding challenges associated with the rising costs of programs and services. The increase in the annual expenditures necessary to provide level services to Hudson has consistently superseded the total revenue from Town Appropriation, Circuit Breaker, and School Choice receipts, creating annual budget gaps.

One main reason for the persistent gap in revenue is the District's reliance on the School Choice funds to balance the budget. The District has been relying on 5-6% of revenue (over \$2,000,000) coming from the School Choice account each year when new School Choice revenue is only in the range of 1-2% of total revenue (about \$1,000,000) each year. We are currently projecting the need to use \$3.7 million of School Choice funds to balance the FY25 budget. This extraordinary reliance on School Choice funds is due to a dramatic increase in personnel and transportation budgets.

Since the pandemic closed schools in March 2020, several new factors have combined to paint a new picture of our long-term budget stability. These factors are summarized below.

Pandemic-Related Town Funding Reduction

The pandemic has had an impact on state and local revenue for FY21 and FY22. Based on assumed local town revenue shortfalls due to the pandemic, all town department budgets were reduced by 2% in June 2020, a reduction of \$800,000 for the School Department. Besides FY21, Town appropriation's increases have been consistently in the 2.5-2.8% range. The School Department budget needs to recoup the \$800,000 cut from FY21 as well as have the annual town appropriation increase be consistently above 3%. As a result of the 2% cuts in FY21, an increased need for staffing due to the effects of the pandemic, and additional costs expected to impact the budget in FY25, the school department's budget is projected to have a significant budget gap in FY26. Although our School

Choice balance has increased, this is a one-time surplus that will only mask the budget revenue issue for a short period of time. The revenue/expense gap can be somewhat delayed by an increase in town appropriation.

Federal Pandemic-Related Funding

In FY23 and FY24, the School Department benefitted from approximately \$1.7 million from the Elementary and Secondary School Emergency Relief Fund (ESSER). ESSER funds will not be available beyond FY24. These funds have been used for pandemic-related expenses and salaried positions to help accelerate learning. In addition to funding additional expenses and salaries, ESSER was able to offset or supplant expenses that normally came from our local budget. This provided us some relief from our annual reliance on school choice. In FY25, when the ESSER is no longer available, we will need to start to fund any additional staffing and expenses from our local budget. ESSER currently funds 6 positions (\$508,000) and well as 2 buses (\$150,000). Also, in 2020, ESSER was used to buy student iPads and Chromebooks which will need to be replaced in FY25 (\$150,000). See the ESSER budget sheet for more details.

Pandemic-Related Budget Savings

In FY20 and FY21, due to significant pandemic-related budget savings in personnel and expense costs, the amount budgeted to be spent from the School Choice account was not needed. Personnel savings were realized post-pandemic as it was difficult to fill vacancies. Unfilled positions, including a lack of substitute teachers, created significant savings. On the expense side, fewer materials were purchased and hybrid schooling created savings in transportation costs as well as out-of-district tuition costs. Some of these savings were offset by the higher costs of private staffing that was needed to fill some vacant positions. Overall, the savings in FY20 and FY21 were significant and led to raising the School Choice account balance to over \$4 million. Beginning In FY24, pandemic-related savings ended. Also, in FY20, FY21, and FY22, due to savings, we were able to prepay approximately \$700,000 of out-of-district tuition costs which helped perpetuate budget savings each year. In FY23, the District did not prepay any FY24 tuition so we will no longer have those budget savings.

High Needs Student Enrollment Increases

Over the last few years, Hudson Public Schools has seen a large increase in the high needs student population. In FY22/FY23 we added English Learner Teachers, Special Education Teachers, Adjustment Counselors, and other support staff to address students' needs. We also have a new Family Liaison budgeted through ESSER III grant to help with all of the significant amount of work to enroll, support, and track the progress of English Learners.

Transportation Cost Increases

In early 2020, the District locked in a five year contract with First Student for in-district transportation. First Student has incurred significant cost increases in the last five years, but the fixed rates have meant budget stability for the District. The District will go out to bid in December 2023 for a new transportation contract and a significant price increase is expected that reflects the current cost of

delivering transportation services. We are estimating the need for a 30% budget increase for in-district transportation in FY25 which equates to \$500,000. For out-of-district transportation, Hudson contracts through Assabet Valley Collaborative which is also going out to bid in December 2023. Currently, we are estimating a \$100,000 increase for this account. Additionally, two buses are currently funded by ESSER at a total cost of approximately \$150,000. If those buses are still needed in FY25, that will add to the overall transportation budget increase. All together, the District could be facing a \$750,000 increase in its transportation budget. We are looking into ways to mitigate these increases.

Out-of-District Tuition Cost Increases

The District has been committed to add staffing and programming over the past several years in an effort to support students and keep them in-district. At the same time, we have seen an increase in students with needs that extend beyond the capacity of the district. These students require a tuition-based out-of-district placement at either a collaborative, private special education school, or even a residential special education school. Residential placements can range from \$100,000 to \$500,000 per year, per student. In FY25, we project a significant increase in residential placements and an overall tuition budget increase for out-of-district placements of \$700,000.

Chapter 70 State Aid

Chapter 70 is the Massachusetts General Law that governs state funding for schools. Hudson has historically received minimum Chapter 70 State Aid increases. The Student Opportunity Act passed in 2019 and pledged \$1.5 billion of increased funding to education spread out over seven years. FY24 was the third year of funding the Student Opportunity Act which increases the rates in the foundation budget formula. These increases, along with 4.5% inflation and other factors, resulted in Hudson receiving a large foundation aid increase of \$756,211 in FY24. State Aid has a “hold harmless” provision, which does not allow decreases so Hudson can depend on the increased amount of funding going forward. As the foundation budget rates increase in FY25, FY26, and FY27, we hope that will result in additional foundation aid increases. This is the best case scenario to help with the pending budget gaps.

Long-term Financial Projections

The District has developed a multi-year projection document to help the District and the Town to have an outlook on our future budget needs. The attached School Budget Projection document provides more detailed information.