EXECUTIVE SUMMARY

The Cranston Public Schools consists of a school population of approximately 11,000 students. They are educated in 24 schools: 18 elementary schools, 3 middle schools and 2 high schools and one regional center and technical school. Cranston also operates a public charter school in partnership with the Laborers’ International Union of North America and operates the Sanders School which serves students with special needs.

The Abrahams Group and Parmelee, Poirier and Associates were retained by the City of Cranston (City) to conduct a performance audit of the Cranston Public Schools (School Department) for the two year period ended June 30, 2004 with the overall objective of identifying cost saving measures while adhering to state and federal laws and regulations. This study was initiated under the Caruolo statute, § 16-2-21.4 of Rhode Island General Laws.

TIMETABLE

This study began in 2003 and was to be completed in April 2004. Data requests formally began on December 8, 2003. In the original data request document we identified requests to be fulfilled from the School Department and data that we had obtained. We subsequently met with the School Department periodically to review the status of the data requests and to review the data submitted.

On January 9th we met with School officials and at that time inquired as to the status of data especially staffing and some priority items. On January 12 the City issued a letter requesting that the School Department comply with our data requests. We conducted several meetings in January focusing on the data requests with specific interest in staffing data. We met with the School Department on January 21, and as part of the visit asked for data with no result. We were then asked to come back on January 23 to meet regarding the staffing data. We arrived on January 23 for 9:30 meeting that was cancelled by the School Department. However, we waited until the School Department could meet with us to review the data request. We asked at that meeting if we could receive perhaps 50% of the items. The School Department told us they could not make any commitments. A summary of the status was then submitted to the School Department and the City.

On January 29 we met with School officials at their request to discuss staffing information. On February 2 we met with the School Department to outline the elementary school data request format for the number of teachers and students by grade. We formally updated the data requests and submitted the update on February 15 documenting data that was received, data not received and data that possibly need more discussion. We also formally updated our status report as of February 29, 2004. This report identified the status of each data request.

During this period, the Department of Education (RIDE) was editing the FY 2003 comparative data that provide detailed information by program and grade. Once we
received this data we noted that these data for Cranston did not include the Health Insurance Trust Fund deficit. We requested that the School Department provide FY 2003 data inclusive of the Health Insurance Trust Fund deficit. The School Department initially refused to comply with our request believing this was a big effort on their part. The School Department subsequently agreed to make the changes. We received the updated information in early April 2004. We also received date extensions during this period.

We submitted various drafts of the chapters to the School Department between April and September 2004. The School Department requested additional time to review drafts of the report. Accordingly, the City on August 3, 2004 formally requested and received approval of a time extension from the City’s Board of Contract and Purchase through September 30, 2004 in order to provide the School Department sufficient time to review drafts of the Report. The School Committee was advised of the time extension at its August 3, 2004 meeting, when they were briefed as to the objectives and status of the study. The School Department provided comments to most of, but not all of the chapters as noted in each chapter. The School Department complied with most but not all of our data requests.

SCOPe

The scope of this project includes nine specific objectives or tasks as follows:

Task 1 - Staffing Baseline - develop a baseline of the Cranston School Department staffing for FY 2003 and FY 2004.

Task 2 –Comparative Analysis and Forecast – (1) provide comparative analysis of School Department costs in comparison to several Rhode Island school districts and (2) prepare a financial forecast of school spending based on current FY 2004 staffing and programs continuing in future years.

Task 3 – Budget Review - (1) establish a baseline of spending for the Cranston School Department and (2) determine the extent to which line-items have been over/under expended.

Task 4 – Management Reporting and Controls System Evaluation - determine the extent to which the Cranston School Department maintains sufficient internal controls over budget, financial administration, and position control and to make recommendations thereto.

Task 5 – Personnel Resources and Capital Asset Utilization - determine the extent to which (1) personnel and capital assets are over/under utilized, (2) controls are in place to minimize the misallocation of physical assets, and (3) buildings and vehicles are properly maintained.
Task 6 - Course Offerings, Class Sizes, and Scheduling - determine the extent to which course offerings, class sizes and schedules exceed state, federal or other mandates.

Task 7 – School Building Facilities - determine whether existing school facilities provide sufficient capacity for the school system through the next 10 years.

Task 8 – Bus Transportation System Cost Analysis - identify potential cost savings through alternative busing arrangements.

Task 9 - Recommendations for reassignments and/or consolidation of duties for improvement - identify implementable cost savings for the Cranston School Department to include potential reassignments and consolidations.

REPORT STRUCTURE

These nine objectives are presented herein in the following chapters.

Executive Summary – summarize the study’s objectives, findings and recommendations and identify implementable cost savings for the Cranston School Department to include potential reassignments and consolidations.

Chapter 1 - Staffing Baseline - develop a baseline of the Cranston School Department staffing for FY 2003 and FY 2004.

Chapter 2 – Comparative Analysis - provide comparative analysis of School Department costs in comparison to several Rhode Island school districts.

Chapter 3 - Financial Forecast - prepare a financial forecast of school spending based on FY 2005 services and programs continuing in future years.

Chapter 4 – Budget Review and Management Reporting and Controls System Evaluation - (1) establish a baseline of spending for the Cranston School Department, (2) determine the extent to which line-items have been over/under expended and (3) determine the extent to which the Cranston School Department maintains sufficient internal controls over budget, financial administration, and position control and to make recommendations thereto.

Chapter 5 – Personnel Resources and Capital Asset Utilization - determine the extent to which (1) personnel and capital assets are over/under utilized, (2) controls are in place to minimize the misallocation of physical assets, and (3) buildings and vehicles are properly maintained.

Chapter 6 - Course Offerings, Class Sizes, and Scheduling - determine the extent to which course offerings, class sizes and schedules exceed state, federal or other mandates.
Chapter 7 – School Building Facilities - determine whether existing school facilities provide sufficient capacity for the school system through the next 10 years.

Chapter 8 – Bus Transportation System Cost Analysis - identify potential cost savings through alternative busing arrangements.

1. STAFFING BASELINE

The objective of this chapter is to develop a baseline of the Cranston School Department staffing for FY 2003 and FY 2004.

In FY 2003, the Cranston Public Schools expended $67.8 million for salaries and wages, which represented 68.4% of the general fund and health fund expenditures. The full cost of employees in the school system (including benefits) was $88.4 million or 89% of all general and health fund expenditures. In brief, the $88.4 million is inclusive of all benefits medical insurance, dental insurance, pension, FICA and Medicare, disability, survivors’ benefits and workers’ compensation. Cranston’s FY 2004 staffing in the same format as FY 2003. FY 2004 staffing data was provided by the Cranston Public Schools as of January 2004.

This chapter contains several exhibits that present the staffing baseline for both years. The chapter presents a summary comparison for each major grade level, educational support program and other management and support functions. It also presents an overall comparison of the staff for each year, in absolute numbers as well as a percentage of the total composition of school system staff. The staffing for each year is extremely consistent across elementary, middle, high and educational support areas.

This chapter also presents comparative teacher and salary data from the Rhode Island Association of School Committees. We have not audited these data and as such make no representations as to the accuracy of the data. We acknowledge the School Committee’s concern relative to these data. However, we believe these data, taken as a whole, present a favorable story or a pattern of spending consistent the Cranston Public Schools.

The teacher information consists of 2003/2004 data for:

- Teacher Basic Pay Scale
- Increment Classifications
- Entry Sub Pay
- Teacher Employment
- Paid Leave of Absences
- Health Insurance Co-pay
- Sabbatical Rate of Salary

Comparative 2003/2004 salary data for several classifications are also presented including:

- Superintendent
Assistant Superintendent
High School Principals
Assistant High School Principals
Middle School Principals
Assistant Middle School Principals
Elementary Principals
Business Managers
SPED Directors
Curriculum Coordinators.

A summary of the comparative data appears below.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Cranston Value</th>
<th>Cranston Rank (1 the Highest)</th>
<th># of Districts Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teacher Basic Scale 2003/2004</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td>$31,859</td>
<td>25</td>
<td>35</td>
</tr>
<tr>
<td>Step 2</td>
<td>$34,420</td>
<td>25</td>
<td>35</td>
</tr>
<tr>
<td>Step 3</td>
<td>$37,030</td>
<td>23</td>
<td>35</td>
</tr>
<tr>
<td>Step 4</td>
<td>$39,907</td>
<td>18</td>
<td>35</td>
</tr>
<tr>
<td>Step 5</td>
<td>$42,807</td>
<td>16</td>
<td>35</td>
</tr>
<tr>
<td>Step 6</td>
<td>$45,393</td>
<td>17</td>
<td>35</td>
</tr>
<tr>
<td>Step 7</td>
<td>$48,241</td>
<td>13</td>
<td>35</td>
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<tr>
<td>Step 8</td>
<td>$50,930</td>
<td>15</td>
<td>35</td>
</tr>
<tr>
<td>Step 9</td>
<td>$53,441</td>
<td>15</td>
<td>35</td>
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<tr>
<td>Step 10</td>
<td>$58,644</td>
<td>23</td>
<td>35</td>
</tr>
<tr>
<td>Increment Classification 2003/2004</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor +30</td>
<td>$1,510</td>
<td>15</td>
<td>31</td>
</tr>
<tr>
<td>Masters</td>
<td>$2,546</td>
<td>16</td>
<td>34</td>
</tr>
<tr>
<td>Masters +30</td>
<td>$3,246</td>
<td>17</td>
<td>31</td>
</tr>
<tr>
<td>CAGS</td>
<td>$3,855</td>
<td>9</td>
<td>31</td>
</tr>
<tr>
<td>Doctorate</td>
<td>$4,346</td>
<td>7</td>
<td>26</td>
</tr>
</tbody>
</table>

2003/2004 Entry Sub Pay
$70/Day Various 32

2003/2004 Teacher Employment Data
# of teachers 1,011 2 32
% of teachers at top step 69% 6 32
Top Step Increment 1.90% 33 33
Student Teacher Ratio 20-25:1 Various 33

2003/2004 Paid Leave of Absences
Family Death 7 3 36
Yearly Sick 12 28 36
Maximum Sick 75 35 36
What is evident from these data is that Cranston compares favorably in many (not all) of these categories. Cranston tends to be near the bottom of most of the expenditure categories.

2. COMPARATIVE ANALYSIS

The objective of this chapter is to provide comparative analysis of School Department costs in comparison to several other Rhode Island school districts. This chapter analyzed FY 2003 InSite comparative data to the “Ring” school systems. This section of the report identifies high and low pockets of spending on a comparative basis. It is important to note that data presented within this Chapter is on a per pupil basis based on RIDE’s functional classifications.

- Cranston’s SPED enrollment compares favorably to the Ring communities
- Cranston’s SPED spending on a per pupil basis is significantly higher than the Ring communities
- Cranston’s high elementary SPED spending is focused on certain schools that have small enrollments (a portion of several students’ time in a special education class, whereas they spend most of the school day in general education programs). Thus there is a high per pupil expenditure to the “Ring” average (and to Cranston’s average). These schools are Arlington, Barrows, Eden Park, Stone Hill, Waterman, and Norwood. (At the time of our fieldwork Norwood was operational).
- Cranston’s middle school SPED enrollment is 161 FTEs. Cranston is spending $6,916 per pupil more in instructional ($1,863) and instructional support ($5,053) than the average of the Ring communities. This translates into $1,113,476 (161 FTEs times $6,916) of additional middle school SPED spending.
- Cranston’s high school SPED enrollment is 128 FTEs. Cranston is spending $10,173 per pupil more in instructional ($6,947) and instructional support ($3,226) than the average of the Ring communities. This translates into $1,302,144 (128 FTEs times $10,173) of additional high school SPED spending. When we measure specific High Schools to the “Ring” average, it is principally the “Instructional Teachers” sub category that is responsible for the variance. Cranston spent $24,541 on a per pupil basis or $9,549 higher than the average of the Ring communities. In addition, Cranston spent $9,346 on therapist and psychologists on a per pupil basis, or $3,868 more than the Ring average.
- Per pupil spending for general education at the elementary schools showed no significant variances on average. There were however significant spending
variances amongst the elementary schools both in Instruction and in Instructional Support.

- Per pupil spending at the 18 elementary schools (Orchard Farms was not opened in 2003) varied significantly ranging from a negative variance to the average of $1,059 at Dutemple to the positive variance ($1,004) at Glen Hills for instructional costs.

- Elementary schools with high per pupil direct classroom instruction expenditures were Glen Hills, Eden Park Edgewood Highlands, Rhodes, Oaklawn, Waterman, Woodridge and Stonehill. The InSite data illustrate large spending differences among Cranston’s schools.

- Elementary schools with high per pupil instructional support costs were Edgewood Highlands, Arlington, Norwood Avenue, and Gladstone. Again, the InSite data illustrate large spending difference among Cranston’s schools.

- Middle school instructional spending at $4,132 per pupil is lower than the average of the Ring’s $4,714 spending per pupil.

- Middle school instructional support at $1,094 per pupil was higher than Ring average of $768, with Bain spending more per pupil than the Ring average and more than the two other middle schools.

- Middle school leadership per pupil spending at $456 was lower than the average of $637 per pupil.

- High school spending is lower than the Ring communities. Cranston’s high school instructional spending at $1,827 is lower than the average of the Ring’s $5,538 spending per pupil. Instructional support at $1,133 per pupil was lower than Ring average of $1,202 and leadership per pupil spending at $466 was lower than the average of $529 per pupil.

SPED enrollment on an absolute and on a percentage basis decline as students move from elementary grades through middle school and on to high school. This is a positive trend.

Cranston compares favorably with the Ring communities regarding SPED enrollment. SPED enrollment by grade level as a percent of total percent of SPED enrollment is very consistent to the Ring communities. Further, SPED enrollment by grade level as a percent of total enrollment is also very consistent with the Ring communities. Thus it appears that SPED enrollment compares favorably to the Ring communities.

Even though Cranston’s SPED enrollment is very consistent with the Ring communities, Cranston’s spending on a comparative basis is significantly higher to educate SPED students. Cranston Public Schools reports higher SPED costs than its peers at the elementary, middle and high school levels. In our discussions with the School Department, the School Department believes the higher SPED spending is a reporting issue. The School Department provides planning centers in the middle and high schools and in the Gladstone elementary school. The objective of the planning centers is for teachers and other educators to work cooperatively to improve student achievement especially of students in the highest need. These centers are typically staffed with speech and language therapists, psychologists, social workers and other staff. Staff is apparently recorded 100% to SPED even though staff does not work 100% on SPED. Thus SPED
costs as reported by the School Department are higher than actual. Correspondingly, general education costs are underreported. The reporting of these costs to InSite is a matter of public record and should be corrected. More importantly, correct program costs can provide Cranston with important management information.

3. FINANCIAL FORECAST

The objective of this chapter of our Report is to provide an independent forecast of the annual costs of operating the Cranston Public Schools through FY 2008. The financial forecast is based on current FY 2005 services and programs continuing in future years. Clearly both City and school officials are concerned regarding the long term financial position of the City and the capacity to fund the needs of the schools based on a continuation of today’s programs, staffing, services, curriculum.

The purpose of this forecast is to project the School Department’s annual budget:

- For FY 2006 through FY 2008 assuming that the same level of services and staffing funded in FY 2005 continue through FY 2008.
- Summarize the annual adequacy or inadequacy of the City’s planned commitment each year to fund the continuation of FY 2005 funded services and programs.
- Demonstrate the impact of other cost saving options on the annual projected budgetary surplus or deficiency.

The intent of the forecast is to provide information to allow City and school officials to be proactive with respect to the next few years. More specifically, to understand the full cost of continuing today’s services; the ability or inability to fund the same and recommend options and financial savings/impacts of these options for the period of FY 2006 to 2008.

The City’s annual planned commitment to the Public Schools is presented below as well as the results of the school-spending forecast to maintain current services. The City’s financial plan identifies average annual increases to the School Department of over 4% or about $5 million per year through 2008. Each year the projected school costs based on the continuation of FY 2005’s current services and labor cost structure exceed City’s financial commitment to the School Department based on the City’s financial plan.

Cranston Public Schools - General Fund Expenditure Forecast

<table>
<thead>
<tr>
<th></th>
<th>Forecasted FY 2006</th>
<th>Forecasted FY 2007</th>
<th>Forecasted FY 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Wages</td>
<td>$73,311,491</td>
<td>$75,482,038</td>
<td>$77,674,089</td>
</tr>
<tr>
<td>Benefits</td>
<td>29,149,904</td>
<td>32,940,626</td>
<td>37,180,538</td>
</tr>
<tr>
<td>Purchase Of Service</td>
<td>8,957,073</td>
<td>9,337,947</td>
<td>9,736,739</td>
</tr>
<tr>
<td>Supplies</td>
<td>3,512,137</td>
<td>3,685,417</td>
<td>3,869,696</td>
</tr>
<tr>
<td>Fees and Dues and Other</td>
<td>580,265</td>
<td>586,406</td>
<td>592,645</td>
</tr>
</tbody>
</table>
Cranston Public Schools

Executive Summary

The financial forecast is based on continuation of current staffing and service levels in future periods and does not include expanded services. There are several unfunded mandates that need to be discussed in relationship to the financial forecast. These mandates have the potential to add significant dollars requirements in future years. We were not asked to discuss services beyond the current service levels. Nonetheless, we believe the forecast discussion would be better informed with an understanding of what the School Department may be facing in additional programs. However it is essential to note for the city’s policymakers and residents that “unfunded mandates” will not necessarily add costs to future years in and of themselves. It is important to clarify that they will either (1) require additional financial resources or alternatively (2) require further reductions in current programs, services, staffing, increases in class size or greater reductions in benefit packages for personnel. In brief they will require increased funding or greater reductions/cost savings in other areas.

4. BUDGET REVIEW AND MANAGEMENT REPORTING AND CONTROLS SYSTEM EVALUATION

The objectives of this chapter are to understand the FY 2003 spending of the Cranston Public Schools and to analyze spending patterns, budget administration practices, areas and line items in excess of authorized budgets and a review with respect to healthcare fund management and administration with the overall goals to (1) establish a baseline of spending for the Cranston School Department, (2) determine the extent to which line-items have been over/under expended and (3) determine the extent to which the Cranston School Department maintains sufficient internal controls over budget, financial administration, and position control and to make recommendations thereto.

We have reviewed the FY 2003 general fund budget for spending patterns, overruns, and causes of the overruns. Specifically we have reviewed the FY 2003 School budget and actual expenditures by line item, by major category of expenditure and by location and cost center to understand the budget management and budget administration policies and practices that contributed to the School Department’s FY 2003 deficit. We have also

<table>
<thead>
<tr>
<th>Capital</th>
<th>900,000</th>
<th>900,000</th>
<th>900,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenditures (Base Forecast)</td>
<td>$116,410,870</td>
<td>$122,932,433</td>
<td>$129,953,707</td>
</tr>
<tr>
<td>Base Forecast (1% Wage Increase)</td>
<td>$116,410,870</td>
<td>$122,932,433</td>
<td>$129,953,707</td>
</tr>
<tr>
<td>Scenario A. Forecast (2% Wage Increase)</td>
<td>$117,211,952</td>
<td>$124,586,238</td>
<td>$132,513,785</td>
</tr>
<tr>
<td>Scenario B. Forecast (3% Wage Increase)</td>
<td>$118,013,034</td>
<td>$126,256,181</td>
<td>$135,123,919</td>
</tr>
<tr>
<td>Funding for Education per City’s Financial Plan</td>
<td>$115,667,961</td>
<td>$120,641,684</td>
<td>$125,587,993</td>
</tr>
<tr>
<td>Projected Annual Excess/(Deficiency):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Forecast</td>
<td>($742,909)</td>
<td>($2,290,749)</td>
<td>($4,365,714)</td>
</tr>
<tr>
<td>Scenario A. Forecast</td>
<td>($1,543,991)</td>
<td>($3,944,554)</td>
<td>($6,925,792)</td>
</tr>
<tr>
<td>Scenario B. Forecast</td>
<td>($2,345,073)</td>
<td>($5,614,497)</td>
<td>($9,535,926)</td>
</tr>
</tbody>
</table>
reviewed the year-end position of the Health Insurance Trust Fund, which should have been adequately funded by transfers from the FY03 general fund health insurance appropriation. We also reviewed the internal controls over budget, financial administration, and position control.

The School Department incurred a FY 2003 $3.7 million deficit. A summary of this deficit is shown below.

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Transfers/Adjustments</th>
<th>Revised Budget</th>
<th>Expended/Encumbered</th>
<th>General Fund Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund</strong></td>
<td>$95,124,893</td>
<td>395,278</td>
<td>$95,520,171</td>
<td>96,491,970</td>
<td>($ 971,799)</td>
</tr>
<tr>
<td><strong>Health Insurance Trust Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>($ 2,819,929)</td>
</tr>
<tr>
<td>FY 2003 Deficit</td>
<td>($ 2,819,929)</td>
<td></td>
<td></td>
<td></td>
<td>($ 3,791,728)</td>
</tr>
</tbody>
</table>

This raises the questions of why the School Department appropriations would be over expended, why would funds be certified as available when the appropriation was exceeded and which office is accountable for the School Department budget.

The chapter contains 14 recommendations for improved budget and internal control which are summarized below.

- Budget responsibility is centralized as a function of the administration department. There appears to be relatively little input from school principals and department heads in the formulation of the budget. Additionally and as a result, department heads are not responsible to manage their various tasks under the guidelines of a budget that they helped to create. The Department heads and principals should be a more significant part of the budgeting process and ultimately held accountable for managing - their budgets or requesting and justifying transfers to be approved by the School Committee. Furthermore, the budget control should be a part of the administrators’ personnel evaluations. Accordingly, the School Department should institute a new practice where principals and department heads prepare and then manage and are held accountable for the administration of their approved budget in conformance with the line items approved by the School Committee. The School Department should also implement a formal process where funds can only be transferred out of a department or school budget if and when the principal or department head has signed and authorized the release of the funds.

- The School Department loses control over the expenditure budget because of numerous revisions made to the budget throughout the year. At present, there are extensive revisions to line items and the explanations for the revisions are
The only budget revisions that should be allowed are those that are identified as a transfer from one account to another for a documented purpose (i.e. Transfer of teacher salaries from one school to another).

- The current structure of Budget Cost Centers centralizes some site (school) based budget components in central elementary or secondary cost centers. Various instructional materials and supplies that are needed for a specific purpose at a specific school should be requested by the individual school as part of the budget development and review process. If the material, supplies or service is approved, it should be managed as part of the site based budget.

- The annual budget document of the Cranston Public Schools is for the most part a listing of line item needs for the ensuing fiscal year. The budget as a presentation and communication document does not meet the recommended budget practices of the Government Finance Officers Association (GFOA). To enhance the value of the annual proposed school budget as a decision making tool, the school administration should evaluate the current document against recommended budget practices promulgated by GFOA. These budget standards focus on improving the budget document as a financial planning tool, a policy document and as a communications document. The GFOA recommends that the budget document contain four guiding principles.

- The methodology for new hiring has the potential for creating cost overruns in any fiscal year. This is caused primarily by new positions being approved for hire by the School Committee that do not identify the funding source for the new positions. The School Committee should require that once the initial budget has been accepted, all new positions should be required to document the source of funds. Furthermore, the line item that is being reduced should also be shown and that budget line adjusted. No new hires should be approved unless a funding source is clearly identified and the benefit impacts are also identified.

- The MUNIS payroll/personnel system can produce reports sorted by a variety of ways and has a position control feature that the School Department does not use. The School Department should institute position control procedures to better monitor the salaried expenditures. Using the MUNIS system to limit the number of positions, the budget re-allocations that are based on the position changes could be more effectively controlled during the year.

- There is a lack of line item control of the budget via the MUNIS system and lack of use of approved transfers before obligations are made. The School Department should utilize line item controls in the MUNIS system. No funds in excess of the available balance should be obligated without an approved transfer that meets the requirements for transfers

- The School Department over expended its budget for FY 2003 by $3.7 million, $0.9 million in the General Fund and $2.8 million in the Health Insurance Trust Fund. The City has no method of controlling the School Department expenditures to assure that expenditures do not exceed the legal appropriation of the City Council. The City should implement controls over School Department spending to ensure that School Department expenditures do not exceed the appropriated amount. The City Finance Director or
Controller should have expanded powers or implement bottom line control over school spending to ensure the School Department expenditures fall within the School Department appropriation.

- The School Business Office has authority to establish new vendors, has authority to authorize payment and is fully responsible for the distribution and mailing of all checks to school vendors. The office that has authority to approve payment to a vendor should not also have authority to establish new vendors or to control the release of the checks to these vendors. The responsibility for the authorization and set up of new vendors should be transferred to the City’s procurement office or controller. The responsibility for distribution of all school vendor checks should be the responsibility of the Treasurer and only authorized staff in the Treasurer’s office should distribute vendor checks.

- The School Department periodically receives mid year revenues that are in excess of the originally budgeted revenues at the time of budget adoption. This results in an increase in the amount of revenues available to the School Department and correspondingly increases the School Department’s expenditure budget. At present the City Council does not have to appropriate these funds for expenditure for a specific purpose. Any receipt of revenue at midyear by the School Department should not be spent without an appropriation of the City Council. The appropriation should be for a specific purpose. The School Committee and the City Council should vote on the purpose.

- New positions are added during the year outside of the formal, annual budget process. Positions are added and funded by transfers from supplies, utilities, tuition and the like. New positions should not be funded from transfers from expense accounts or from locations/sites where the funds are still needed to support that program, school or department as occurred in FY 2003. Funding of personal service costs from expenses is problematic, as expense budgets do not have a benefits implication. Additions of new positions outside of the budget process have benefit (pension and health insurance impacts) that may not be provided for in the original benefits budget. The School Committee should consider a policy that does not allow the creation of new positions other than through the annual budget process.

- The amount budgeted for health insurance should represent the cost of providing health insurance to employees. This total cost will include the combination of paid claims and administrative expenses from July 1 to June 30th, plus an estimate of the IBNR (Incurred but not Reported) claims at year-end. After payment of the claims presented by Blue Cross through June 30, the School Department should estimate the IBNR at June 30 and encumber an amount equal to this amount against the current year budget prior to closing the books for June 30.

- Health Buybacks for employees who do not elect to have insurance coverage through the Cranston Public Schools are calculated based on forty percent of the working rates for health insurance for the ensuing fiscal year. In FY 2004 the working rates were in excess of the final rates. The health buybacks should
not be calculated on the basis of the “working rates”. In the future, if this continues to be a benefit for employees it should be a fixed amount, (or should be adjusted to 40% of the actual rate) to assure that it is not over calculated and employees do not receive an inflated buyback payment.

- Co-pay refers to the amount an employee contributes toward the cost of his or her health plan. The School Department negotiated employee health insurance co-pays in several of the employee contracts but eliminated co-pays in lieu of a pay increase in FY 2003. However, the percentage increments in the cost of health insurance have risen faster than the costs of some pay increases and faster than the rate of state funding increases. The School Department should consider implementing health insurance co-pays in the upcoming contract negotiations. As reported in Chapter 1, of the 23 districts reporting, Cranston is one of 12 districts with no co-pay requirement. Five districts require a 10% co-pay. Two districts require 15%, two require 20% and one requires 5%. Based on an estimated $19 million in FY 2005 health costs for the School Department, alternative co-pay (employee share) structures would generate the following that can be reallocated in the classroom.

- 20% $3,800,000
- 15% $2,850,000
- 10% $1,900,000
- 5% $ 950,000

5. PERSONNEL RESOURCES AND CAPITAL ASSETS UTILIZATION

The objectives of this chapter are to determine the extent to which (1) personnel and capital assets are over/under utilized, (2) controls are in place to minimize the misallocation of physical assets, and (3) buildings and vehicles are properly maintained.

The School Department’s capital assets consist of about 25 buildings, 100 school buses, and 29 plant vehicles. With respect to capital assets, we believe that the:

- Plant vehicles are not being over or under utilized and the usage is adequate.
- The appropriate employees have approval to take vehicles home due to the nature of their respective job requirements.
- The School Department does have adequate controls in place to minimize the misallocation of the assets.

With respect to personnel, Chapter 1 presents a baseline of FY 2003 and FY 2004 and comparative teacher and salary data. Chapter 2 presents comparative InSite data for Cranston and the Ring communities. Specific recommendations are the reduction of stockroom personnel and the consolidation of three elementary school principals for a total of $491,365 in potential savings.
6. COURSE OFFERINGS, CLASS SIZE AND SCHEDULING

The objective of this chapter is to determine the extent to which course offerings, class sizes and schedules exceed state, federal or other mandates.

The teachers and administrators are to be commended for their dedication and hard work that they perform in a manner consistent with the federal, state and local frameworks for educating students. The newly established Federal education requirement, No Child Left Behind, has placed another under funded mandate that Cranston Schools must grapple with. It is cumbersome and expensive to implement. However, the Cranston Schools are doing their utmost to integrate the Federal requirements in all grades and schools. Cranston Schools have been recognized for their exemplary teaching strategies that have led to high test results on state and federal testing benchmarks as Blue Ribbon Schools by the United States Department of Education.

Cranston East and West High Schools’ course offerings are based on a core curriculum that allows students to learn according to their abilities. Both Schools are comprehensive high schools and offer courses that enable and encourage students the choice to go on to higher education. The pupil population of the two schools is about 3,382 students. In addition, the region’s vocational and technical school is housed at Cranston West. Courses offered are in keeping with those offered by other high schools both state and nation wide. Both Cranston East and Cranston West demonstrate excellent scheduling practices and are to be complimented on the course offerings that are available to their students.

Further Cranston’s high school programs must meet the accreditation standards established by the national accrediting authority; In New England it is The New England Association of Schools and Colleges (NEASC). If a school does not meet the NEASC standards they may lose their accreditation. Cranston East must take immediate actions to improve the current library as it does not meet the NEASC standards. This issue is being addressed as the next accreditation is scheduled for 2005/2006. Accreditation greatly affects students applying to college. Colleges look to the NEASC to certify that schools are meeting national criteria as well as state and local requirements.

Cranston educates about 2,764 students at three middle schools. All three middle schools offer programs that are appropriate for students of this age. The schedules are designed to keep the pupil teacher ratios within acceptable levels, on average there is a ratio of 20-24 pupils to teachers. Administrators work diligently in developing schedules to meet the needs of the students while balancing the issue of class size. Course offerings at the middle school level prepare students for the various opportunities at the high school level up to and including advanced placement courses.

Cranston educates about 4,948 students at 19 elementary schools (Norwood was operational during our fieldwork) including kindergarten. State law requires that every child who has attained 5 years of age on or before September 1 shall be eligible to attend kindergarten. The class sizes at the elementary level vary due to the sizes and number of
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schools. System wide the elementary pupil teacher ratio is 23-1. The number of elementary schools and the strict adherence to the neighborhood concept determines class size.

Special education is a federal mandate (92-142) governing the Special Education of Students with Disabilities. Each state is required to adopt these regulations as a minimum standard. States may go beyond the requirements of 94-142, but not less. Cranston meets the requirement of both the federal and state statutes.

While it may be a cost savings to eliminate the non-mandated programs such as the automotive program, where will those students go to make up the credits they need to graduate? Students would opt for another elective. The last thing that the School Department wants to do is to create study halls for students who cannot get into the classes that meet their educational needs. This is a serious situation particularly with the students who are marginal and may consider dropping out. One area that is not mandated and is different than the automotive and similar programs is the elementary strings and instrumental music programs. There are a total of 4 FTE elementary string and instrumental teachers. The salaries of these teachers total $207,087. From a cost savings viewpoint, elimination of the Strings program can be a cost savings.

7. SCHOOL DEPARTMENT FACILITIES

The objectives of this chapter are to determine whether existing school facilities provide sufficient capacity for the school system through the next 10 years. The answer to that question is yes; there is sufficient capacity for the school system for the next ten years. School enrollment over the next several years will be declining. We believe that there is excess capacity.

The effect of the current practice of maintaining many elementary schools creates excess capacity and an increase in operating costs. In lieu of cost savings elsewhere as identified in this report, the School Department could consolidate the elementary schools into 15 facilities. There is sufficient excess capacity to house the elementary students in 15 facilities. We presented an analysis to the City that demonstrates that the existing enrollment can be consolidated into 15 schools.

Orchard Farms had an enrollment of 266 students, a capacity of 644, resulting in an excess capacity of 378 seats. Orchard Farms Elementary School opened in January of 2004. Prior to the building Orchard Farms the total elementary capacity was 5,395 students while the actual enrollment was 4,948 students. The system already had an excess of 447 seats before the opening of Orchard Farms. The school was built to house a capacity of 644 students. As of the date of our fieldwork, only 266 students attended that school. It should be noted that the 266 students did not include grade 5 students. The current enrollment reflected in this change would be 321 students, still under capacity. Building Orchard Farms compounded the excess capacity issue. We question the wisdom as to why the Orchard Farms School was built.
The School Department is implementing a capital improvement plan. In this plan, the School Department expects to spend about $42 million (cash requirements) over the next five fiscal years, FY 2005 – FY 2009 on 21 projects. Should the School Department consolidate elementary buildings, part of this capital plan would not need to be expended. We estimate a savings of $2 million of reduced capital spending.

The School Department can reduce the use of portable classrooms. We recommend the School Department conduct a thorough review of the use of portable classrooms at the elementary level. There are five portable classrooms located in schools that have excess capacity. This could be a potential source of savings to the School Department.

These projects noted above would be paid for using bond proceeds. Thus the debt service payments for FY 2005 – 2009 would be less than the cash requirements per above. However, the principal and interest on these projects would exceed the $2,000,000 over the life of the bonds. We have however not seen related debt service schedules to comment upon.

The elementary buildings with their associated operating and capital costs are a significant cost driver of the Cranston School Department. The School Department must implement alternate cost savings ideas if it is to maintain the neighborhood school model. We recognize that one school will be closed for academic purposes for the FY 2005 academic year (however the school will still be maintained and utilized for evening classes).

Any school system needs to re-examine its organizational structure from time-to-time. As greater demands are placed on schools, schools have to change and adapt to financial constraints. In the face of greater demands for special education, English as a second language, changing demographics, state and federal mandates, curriculum examination and revisions, professional development and unfunded and under funded mandates, other ways must be explored to meet the needs of the students. Cranston’s school enrollment must be closely examined. School consolidation can have a positive effect on the delivery of educational services. A more centralized school system can gain economies of scale by combining resources to improve education. School consolidations can also reduce travel time. Specialists and itinerant teachers would not travel from building to building and a greater economy of scales could be realized. Larger schools with full time specialists would meet the needs of students far better than small schools where specialists are there for a small portion of the day. In addition, there would be an automatic savings in the operational costs and one-time revenues by consolidating.

We understand that the Mayor and the School Committee do not want to deviate from the neighborhood school model. Nonetheless we would be remiss in our responsibility to discuss significant potential cost savings on an annual and one time basis. We are estimating that:

- $1.277 million dollars can be saved annually through the consolidation of elementary schools.
- $2.3 million can be saved in capital costs that would be spent over the next five years on facilities than can be consolidated.
- $4 million in one time revenues can accrue for the sale of school buildings.

The Mayor and his administration have clearly indicated their concern about deviating from the neighborhood school model. The School administration has also indicated their concern about deviating from the neighborhood school model. The reality may be that the School Department will need to find savings in other areas in order to afford to maintain the neighborhood school model at the current level.

8. BUS TRANSPORTATION SYSTEM COST ANALYSIS

The objective of this chapter is to identify potential cost savings through alternative busing arrangements. This report presents observations for potential action, which the School Department may use in an attempt to maximize savings.

The School Department provides (owns and operates) its own bus transportation service. Rhode Island law requires students to be transported to public or private non-profit schools within the city or town limits. School districts must determine if walking is impractical. Also, school districts must provide transportation to children attending a public or private school beyond city or town limits, provided the school is located within the region in which the children reside. All special needs children must be provided with transportation to and from special education programs; and clinical, diagnostic, and therapeutic facilities. School districts are required to have school bus monitors on all school-bound and home-bound busses carrying students in grades K-5.

After the inclusion of administration and overhead costs, the annual transportation cost for the City of Cranston approximates $5.5 million per year. The School Department operates a total of about one hundred busses as well as administration, a repairs department and an overall supervisory staff. The School Department operates:

- 74 secondary bus routes (39 large buses) for the 2 high schools, 1 vocational and 3 middle schools including the Charter School for a total of 3,535 eligible riders (2,564 actual riders).
- 51 elementary bus routes (41 large buses) for a total of 2,328 eligible riders (1,648 actual riders).
- 13 bus routes (12 large buses) for the 8 Parochial Schools for a total of 1,093 eligible riders (469 actual riders).
- 43 small buses for special education for a total of 793 eligible riders.

Our basic issues in the transportation section were:

- The cost of providing transportation to the students of Cranston is, on average, higher than other communities polled.
- Lack of comparative data being used to optimize areas such as route designations by use of computer modeling, labor costs compared to other communities and
other techniques to compare costs and provide the most cost efficient and effective service.

- The amount of focus which the School Department places on the oversight of the transportation function.

The School Department should consider competitive bidding for bus services as a method of controlling costs. When comparing Cranston transportation costs per bus per day to other communities, there is a potential for substantial savings. Several other communities using an outside bus company pay significantly less per bus per day than Cranston.

For regular education, Cranston’s cost is $258 in FY 2003 and $276 in FY 2004 per bus per day while other communities range from $220 to $264 per bus per day. For special education, Cranston is significantly higher at $388 for a 180-day bus in FY 2003 (and $400 in FY 2004) and $304 for a 230-day bus in FY 2003 (and $313 in FY 2004) compared to other communities that have rates of $233 to $308. Non-public transportation costs are similar to the regular education costs. These rate differences add up to an average potential savings in the range of $238,000 to as high as $1.3 million per year depending on contract negotiations.

In order to estimate the dollar savings, we used the rates that other communities are currently paying to outside bus companies and applied those rates to Cranston’s current bus fleet. Other communities’ rates multiplied by the forty-one regular education buses, twenty-eight 180 day special education buses, thirteen 230 day special education buses and 15 non public buses, yields an average savings of $816,137 for FY 2003 and $1,282,861 for FY 2004. Since there is no way to determine what Cranston’s costs would be if they went out to bid for bus services, we used an average of other communities’ costs and compared that average cost to Cranston’s current cost to determine the potential estimated savings.

We would also recommend that the School Department consider performing a similar analysis of its cafeteria program with the potential to outsource the school lunch program.
SUMMARY

The overall objective of this project was to identify cost saving measures while adhering to state and federal laws and regulations. The suggested savings should be viewed as an opportunity to free-up resources that could be used in the classroom or reallocating classroom expenditures.

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<tr>
<th>Chapter</th>
<th>Description</th>
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<th>One Time Savings/Revenue</th>
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This study reveals a department that performs quite well with respect to classroom programming and compares favorably in staffing. Yet the study also shows several areas where substantial cost savings can be found in order to enable the School Department and the community to meet its educational needs using a neighborhood school model.

Ultimately school funding decisions come down to choices for fiscal accountability: Taxes can be raised to meet School Department financial needs. Payroll costs can be managed better. Or schools can be closed. It is certain that raising taxes or closing schools will prove less palatable for the community, and therefore should be the last option. The reality may be that the School Department will need to find savings in other areas in order to afford to maintain the neighborhood school model at the current level.