



Pittsford Schools

2018 – 2019 BUDGET WORK SESSION #1

February 12, 2018





Quick Calc Draft Budget

- A** Property Tax Cap
- G** State Aid Detail
- E** Governor's Executive Budget Proposal Implications
- N** Putting it together
- D** 2018-2019 Budget Challenges
- A** Board of Education Work



Quick Draft Budget

Intent:

- Work with the **What** and **Why** of the budget (appropriation side)
- To take a high level look at what it would take to provide today's services and programs in next year's dollars through a series of calculations based on various assumptions



Quick Draft Budget

Intent (Continued)

- The Quick Calc or “rollover budget” assumes:
 - Enrollment
 - 5,685 Actual October 2017
 - 5,694 Projected October 2018
 - Staffing
 - Reflects current to-date staffing levels
 - Reflects known to-date retirement attrition savings & related benefits
 - Assumes replacement of retiring faculty and staff
 - Programs & Services offered at current levels – no new programs or costs implemented
 - Cost centers converted to next year’s dollars
 - Collective Bargaining Agreements
 - BOCES unit cost estimates
 - Fuel & utilities
 - Benefits – Retirement Systems and Health Insurance factors
 - District and market trends



What a difference a year can make!

Description	2017-2018	Est 2018-19
Consumer Price Index	1.26%	2.13%
Property Tax Cap	2.72%	2.90%
Foundation Aid Increase – return to formula phase in	\$162,000 2.74%	\$22,342 0.25%
Debt Service Expense Increase – Capital Project	\$1,963,000	\$664,222
Building Aid Revenue Increase – Capital Projects	\$1,603,533	\$270,095
Collective Negotiations – Unit contracts unknown	0	1
Health Insurance Rate Increase	14%	9%
Teacher's Retirement System Rate – percent of payroll	9.8%	11%
Employee's Retirement System – percent of payroll	15.8%	14.9%
Retirements – attrition savings	16 people	19 people



Current Budget to Projected Budget

2018-19 Significant Changes, Requests & Additions

Department	Description	Est Cost	Why
BOCES	Spec Ed	\$ 314,000	Mandate
Tuitions	Spec Ed Out of District Placements	\$ 160,000	Mandate
Summer Spec Ed	NYS shift to General Fund	\$ 563,000	Gov Proposal
Special Education	Middle Staffing	\$ 120,000	17-18 placements
Curriculum & Instruct	Prof. Dev & Testing	\$ 72,000	Mandates
Transportation	Additional Spec Ed runs – BOCES	\$ 95,000	Mandates
Total Changes, Requests & Additions \$ 1,324,000			



Property Tax Levy

- The largest support (75%) of the District's budget
 - Inverse of most school districts
- Now capped based on a complicated formula that is tied to some volatile variables

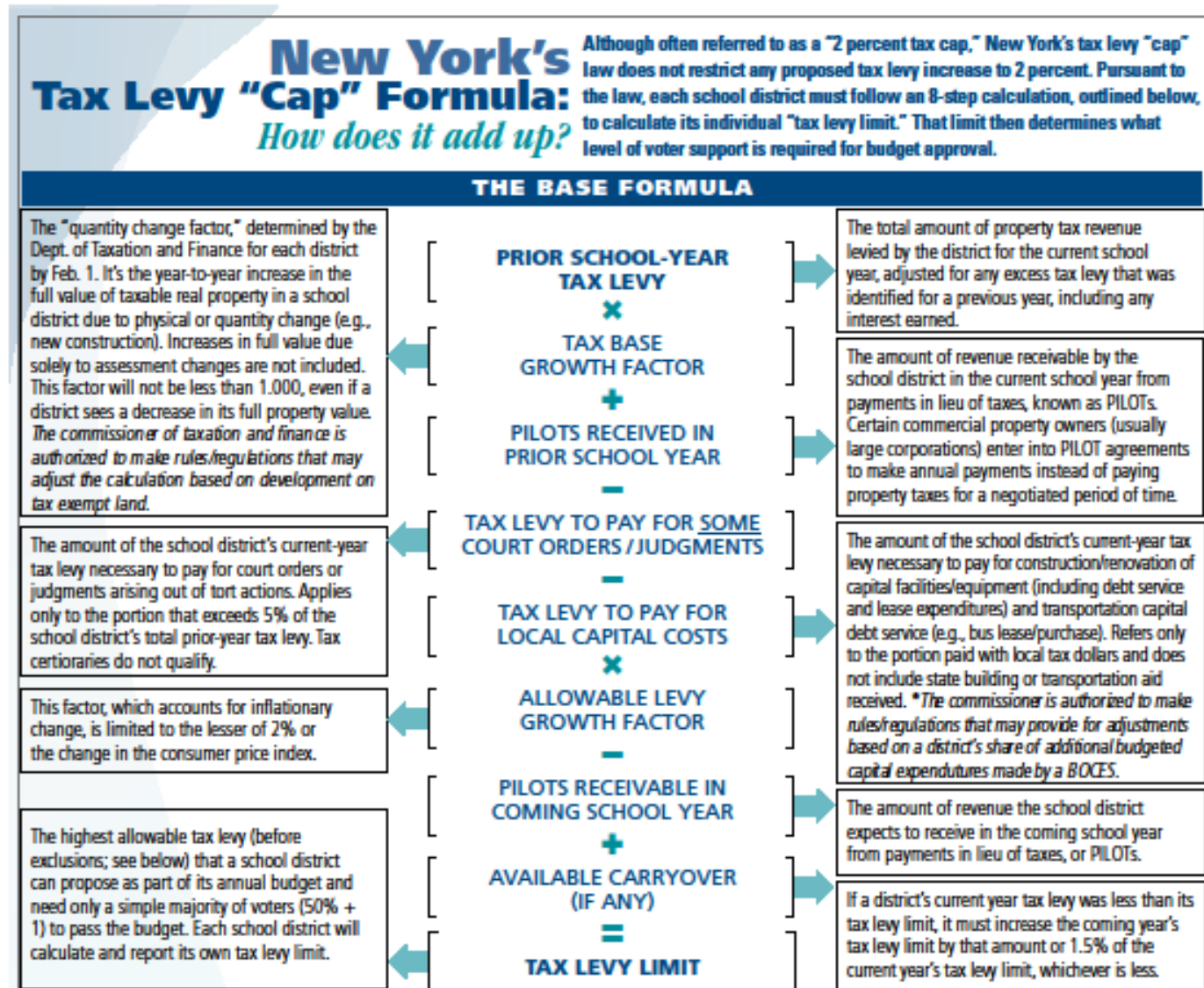


TAX LEVY – From One to Three

- With all the talk of New York’s “2% tax cap,” it may come as a surprise to learn that each school district in the state will present **three separate tax levy numbers** as part of their compliance with the legislation.
- Chances are none of the three tax levy numbers will be exactly 2%.
- Because the 2 percent is just one part of a complex formula that schools must use to calculate two of their tax levy numbers:
 - Tax Levy Limit
 - Maximum Allowable Tax Levy

1. **Tax Levy Limit** - a formula that essentially tells how much community support a District may obtain from its proposed budget
 - The highest allowable tax levy (before exclusions) that a district can propose and require a simple majority of voters (50 percent plus 1) to pass the budget
 - If a district proposes a tax levy beyond the Tax Levy Limit (before exclusions) it will need supermajority approval of voters (60 percent) to pass the budget
2. **Maximum Allowable Tax Levy** is the Tax Levy Limit PLUS certain exclusions. Taxes levied to fund the following expenses are excluded from the limit:
 - Voter approved Capital Expenditures
 - Increases beyond two percentage points in Employee and/or Teacher Retirement System costs (mandated by NYS)
 - Exclusions are added to the Tax Levy Limit and are not subject to or trigger the 60% supermajority
3. **Proposed Tax Levy** - the levy called for by the district to support the proposed budget
 - The total amount of money to be raised by the local community after factoring all other revenues

Is the Property Tax Cap Complex?



Is the Property Tax Cap Complex? (continued)

EXCLUSIONS TO BE ADDED

The law excludes certain portions of a school district's tax levy from the calculation above. A district can add these exclusions (described below) to its tax levy limit, increasing the amount of taxes the district is allowed to levy while still needing only a simple majority of voters for budget approval.



TAX LEVY TO PAY FOR SOME PENSION CONTRIBUTION COSTS

Applies only when the employer contribution rates set by the statewide pension systems (TRS and ERS) increase by more than 2 percentage points from one year to the next. Even with this exclusion, most—if not all—pension costs must be funded within a school district's tax levy limit.



TAX LEVY TO PAY FOR SOME COURT ORDERS/JUDGMENTS

The amount of the school district's coming-year tax levy necessary to pay for court orders or judgments arising out of tort actions. Only the amount that exceeds 5% of the school district's prior-year total tax levy can be excluded from the tax levy limit. Tax certioraries cannot be excluded.



TAX LEVY TO PAY FOR SOME LOCAL CAPITAL COSTS

The amount of the school district's coming-year tax levy necessary to pay for construction/renovation of capital facilities or equipment (including debt service and lease expenditures) and transportation capital debt service. This exclusion refers only to the portion paid with local tax dollars (i.e., does not include state building or transportation aid received).*

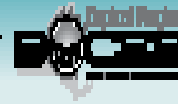


MAXIMUM ALLOWABLE TAX LEVY

The tax levy limit plus exclusions. This is the highest total tax levy that a school district can propose as part of its annual budget for which only the approval of a simple majority of voters (50% +1) is required.



Produced by the Capital Region BOCES Communications Service (<http://www.capitalregionboces.org>). In consultation with the Questar III BOCES State Aid and Financial Planning Service. Published January 2016.





How does the formula work for Pittsford?

Prior Year Levy	\$ 97,875,108	2017-18 Actual - current year
	x	
Times: Tax Base Growth Factor	1.0069	From Comptroller expansion & development
	+	
Add: Prior Year PILOTs	\$ 66,681	2017-18 Actual
	-	
Less: Prior Year Capital Levy	<u>\$ (3,062,691)</u>	Local Portion (Debt Service Less Bldg Aid)
	=	
Equals: Prior Year Adj Levy	\$ 95,554,436	Adjusted to Base for Growth
	x	
Times: Allowable Growth Factor	102%	lesser of CPI or 2%
	-	
Less: Estimated New Year PILOTs	\$ (71,431)	Est from Assessors - May
	+	
Add: Prior Year Carryover	\$ -	If not all cap used (not eligible)
	=	
Equals: TAX LEVY LIMIT	\$ 97,394,094	



How does the formula work for Pittsford? (continued)

Equals: TAX LEVY LIMIT

\$ 97,394,094

+

To be filed with Comptroller March 1

Plus: EXCLUSIONS

Court Orders & Judgments

\$ -

New Year Capital Levy

\$ 3,315,932,

Local Portion (Debt Less Bldg Aid) already voter approved

Pension Growth > 2 pts

\$ 0

Employee & Teacher Retire System mandated payments

Add: Total EXCLUSIONS

\$ 3,315,932

=

Maximum Allowable Tax Levy

\$100,710,026

\$ 2,834,918

2.90%

Maximum for simple majority vote

Greater would require 60% approval



State Aid – Governor's Proposal

- Second largest revenue component (18%) that supports the District's budget
- Challenge for schools to financial plan effectively because they are waiting for a State Budget
 - Revenue is a political process not a formula or method
- Unfortunately, State Aid is more politics than formula and law, especially this early in the process



What a difference a year can make!

- A quick look at the State budget process in reference to education
 - Contrast one year ago to today
- While the rules may have changed, has the game and/or the outcome changed?

The Governor's Budget Proposal

Two Year Contrast

Last Year

- Public schools barely mentioned, focus on “Free College”
- New money proposed an increase of \$961 million, down \$30 million from 2016-17
- Proposed a “Phase-In” formula to move districts toward the “Full Phase-In Foundation Aid”. Pittsford at minimum of 2.74% or \$168,000

This Year

- Gov. Cuomo, “Schools have received 35% more in three years”. Focus on other priorities; Numerous changes to control the agenda.
- Proposed \$769 million increase, \$50 million of it is targeted to NYC *(20% less funding for mandates)*
- Phase-in virtually replaced by a % increase over the base (prior year). Pittsford at the minimum 0.25% or \$23,000
- Numerous “Quiet” proposals with financial impact proposed



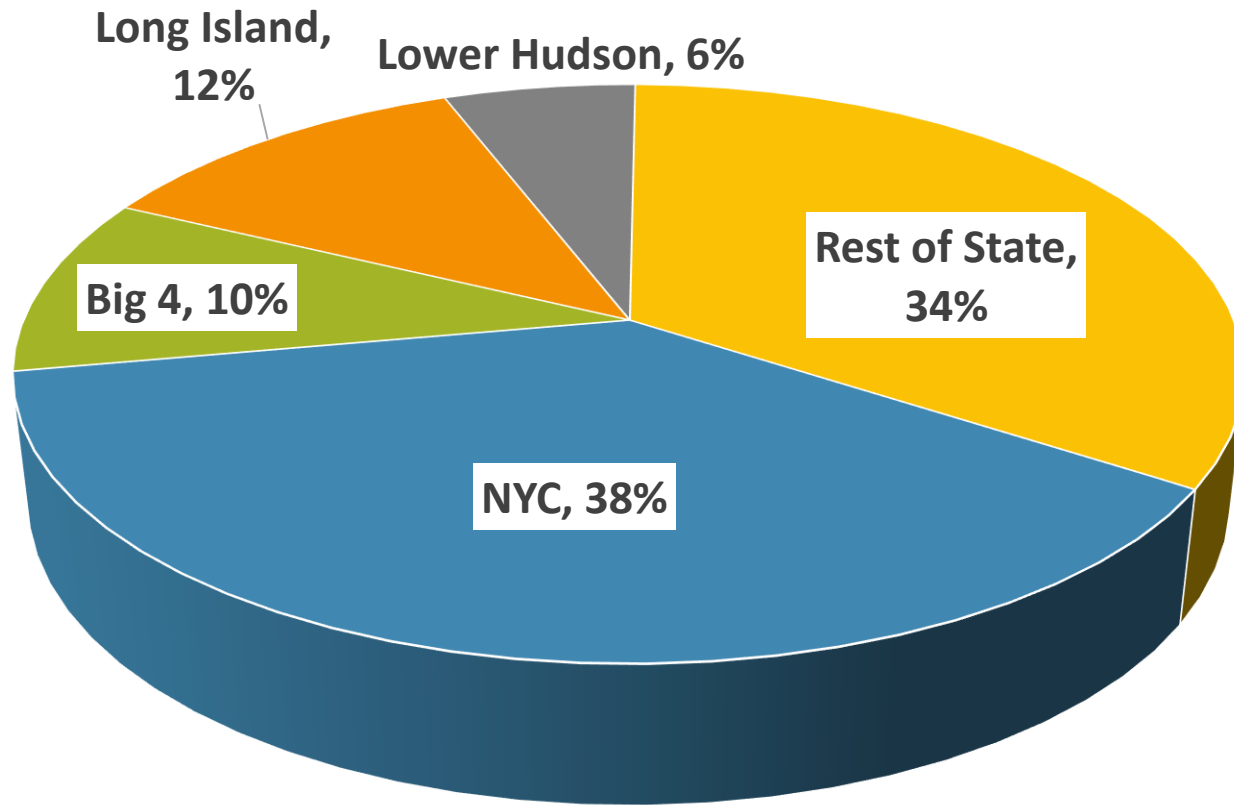
Foundation Aid

- Does not repeal the phase-in or any part of the formula, other than to further constrain it
- \$338 million increase
- Minimum guaranteed increase of 0.25% (Pittsford) over the 2017-18 Foundation Aid amount (base)
- \$50 million would be set-aside for Community Schools
 - Dual language and ELL and other Extraordinary Needs eligible expenses

Statewide Aid Increase – 2018-19 Executive Proposal

Aid Category	Increase in Millions
Foundation Aid (includes Community Schools Set-aside)	\$337.6
Community Schools	\$50.0
Building Aid	\$174.8
Transportation Aid	\$97.2
BOCES Aid	\$17.4
Public High Cost Aid – Spec Ed	(\$12.4)
Private Excess Cost Aid – Spec Ed	\$22.4
Instructional Materials (hardware, software, library & textbooks)	\$4.9
Full Day Kindergarten Conversion Aid	(\$1.0)
Universal Pre-Kindergarten Aid	\$2.4
Charter School Transition	\$9.7
Total Increase in Computerized Aids	\$651.0
Fiscal Stabilization Fund	\$64.0
Expanded Pre-K for 3 & 4 yrs	\$15.0
Empire State After School	\$10.0
Early College High Schools	\$9.0
Smart Start	\$6.0
Breakfast After the Bell	\$5.0
Expanded Advanced Placement Access	\$2.5
Misc. Other Initiatives	\$2.5
Total GSPS Increases	\$114.0
Total Governor's Proposed Education State Aid Increase	\$769.0

Regional Composition of Aid Increase



The Governor's Proposal Maintains the Status Quo Distribution

Foundation Aid Increase by Need (Wealth)

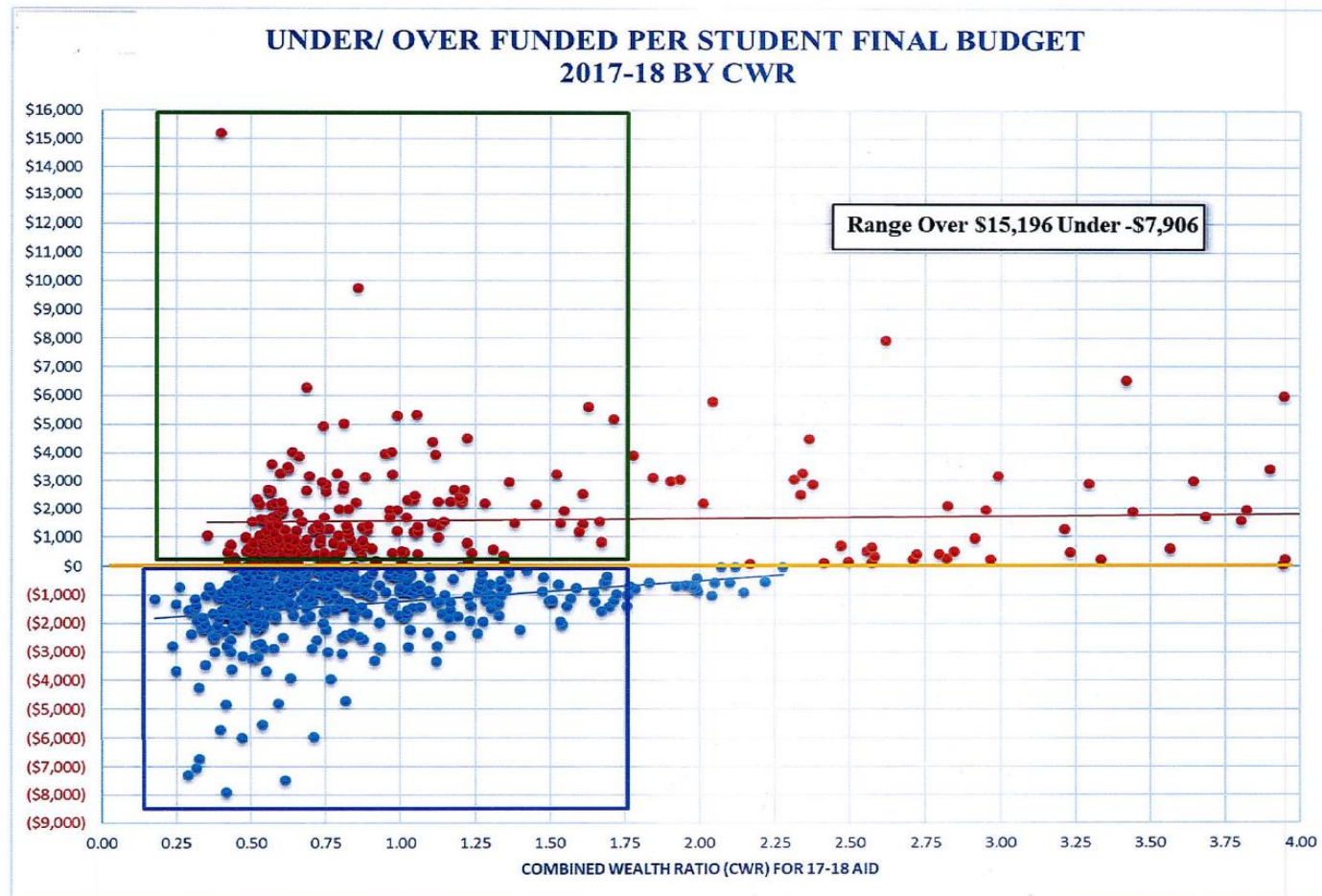
Region	Foundation Aid Increase	Share of Foundation Increase	Fully Funded 2017-18	Fully Funded 2018-19	Change
NYC	2.5%	55.1%	82.5%	84.5%	2.1%
Big 4	1.6%	6.6%	81.8%	83.1%	1.3%
Urban/Suburban High Need	2.4%	13.1%	66.6%	68.2%	1.6%
Rural High Need	1.5%	6.5%	90.2%	91.5%	1.3%
Average Need	1.4%	17.4%	85.1%	86.3%	1.2%
Low Need	0.5%	1.3%	77.6%	78.0%	0.4%
Pittsford CSD	0.2%	.003%	67.9%	67.7%	(0.2%)

Foundation Aid – Full Phase In?

- % Fully Funded by Combined Wealth Ratio (CWR)

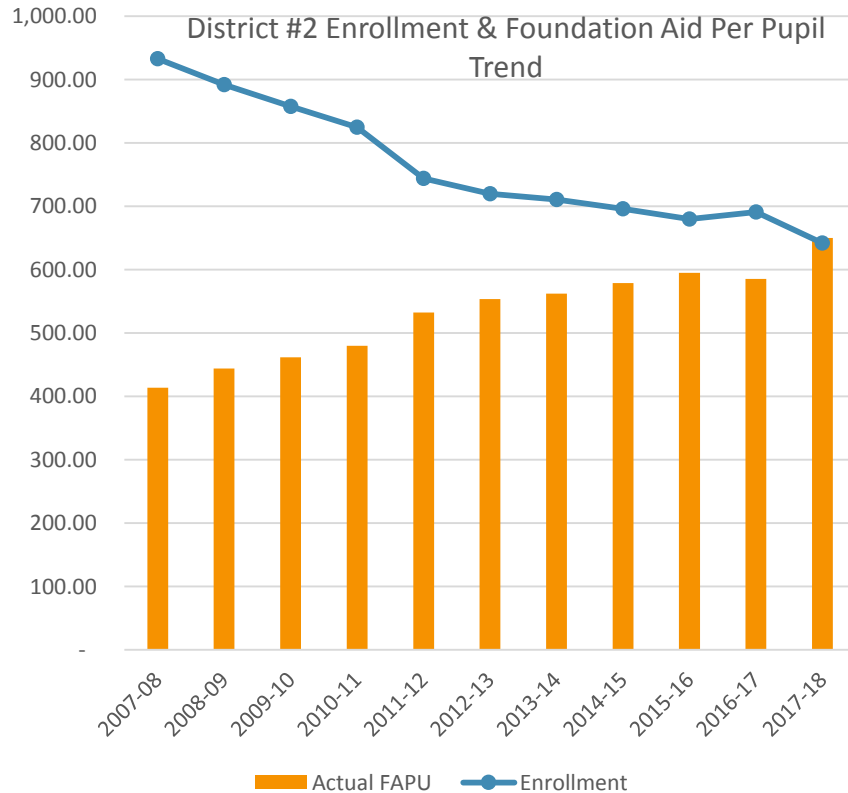
Blue = Under Funded (Pittsford CSD)

Red = Over Funded

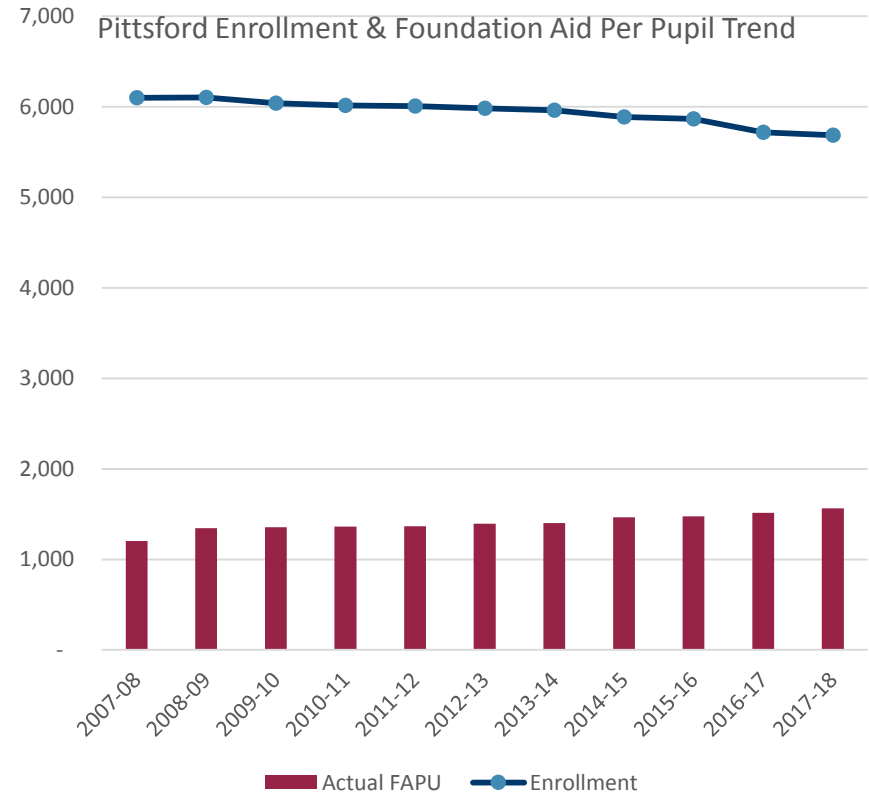


Foundation Aid Per Pupil Actual Enrollment Impact

Over Funded District



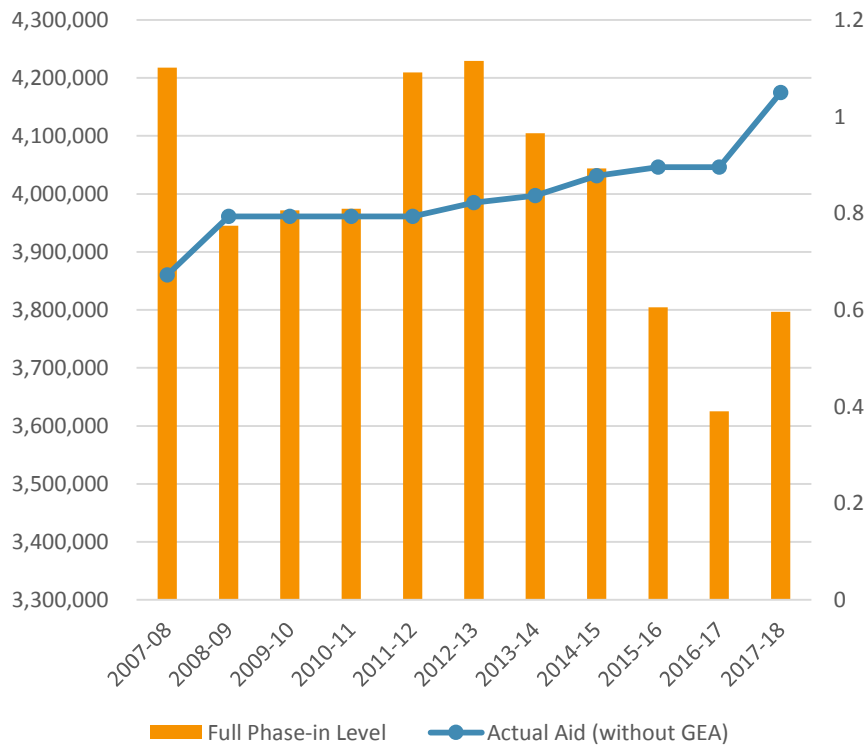
Pittsford CSD



Foundation Aid Per Pupil Actual Enrollment Impact

Over Funded District

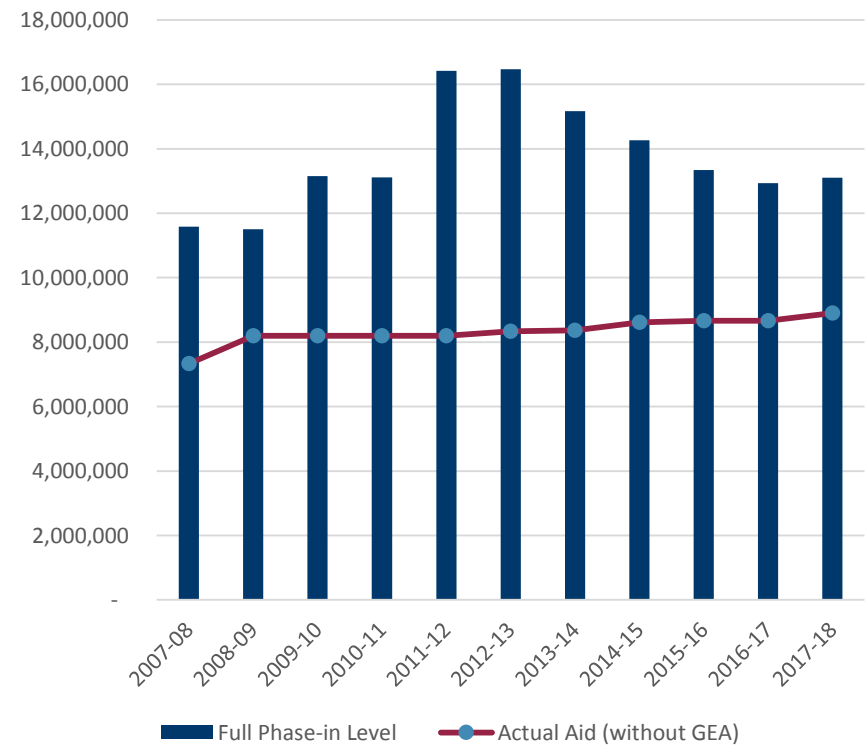
District #2 Formula v. Actual Aid



Enrollment -31%; Aid Per Pupil +\$2,814 +58% which is 112% of full phase in funding for 2017-18

Pittsford CSD

Pittsford Formula v. Actual Aid



Enrollment -7%; Aid Per Pupil +\$364 +29% which is 67% of full phase in funding for 2017-18

Compiling State Aid – Governor’s Run

	District Budget 2017-18	Exec Prop 2018-19	Adjustments	Adj Exec 2018-19	District Budget to Adjusted Exec	
Foundation	8,901,636	8,924,022	-	8,924,022	22,386	0.3%
Full Day K Conversion	-	648,526	(648,526)	-	-	
Net Foundation	8,901,636	9,572,548	(648,526)	8,924,022	22,386	0.3%
BOCES	2,632,896	2,206,541	-	2,206,541	(426,355)	-16.2%
High Cost - Spec Ed	680,520	573,649	-	573,649	(106,871)	-15.7%
Private - Spec Ed	258,048	313,347	-	313,347	55,299	21.4%
Hdw & Tech	85,809	89,079	-	89,079	3,270	3.8%
Soft/Lib/Text	502,952	500,140	-	500,140	(2,812)	-0.6%
Transportation	3,044,000	3,575,956	(391,449)	3,184,507	140,507	4.6%
Building	6,500,330	6,770,425	-	6,770,425	270,095	4.2%
Total Aid Run	22,606,191	23,601,685	(1,039,975)	22,561,710	(44,481)	-0.2%
Urban/Suburban	1,071,629	1,071,629	(148,342)	923,287	(148,342)	-13.8%
Total State Aid	23,677,820	24,673,314	(1,188,317)	23,484,997	(192,823)	-0.8%
w/o Bldg & U/S Aid	16,105,861	16,831,260	(1,039,975)	15,791,285	(314,576)	-2.0%

The Building Aid helps to offset the Debt Service implementation on page 5



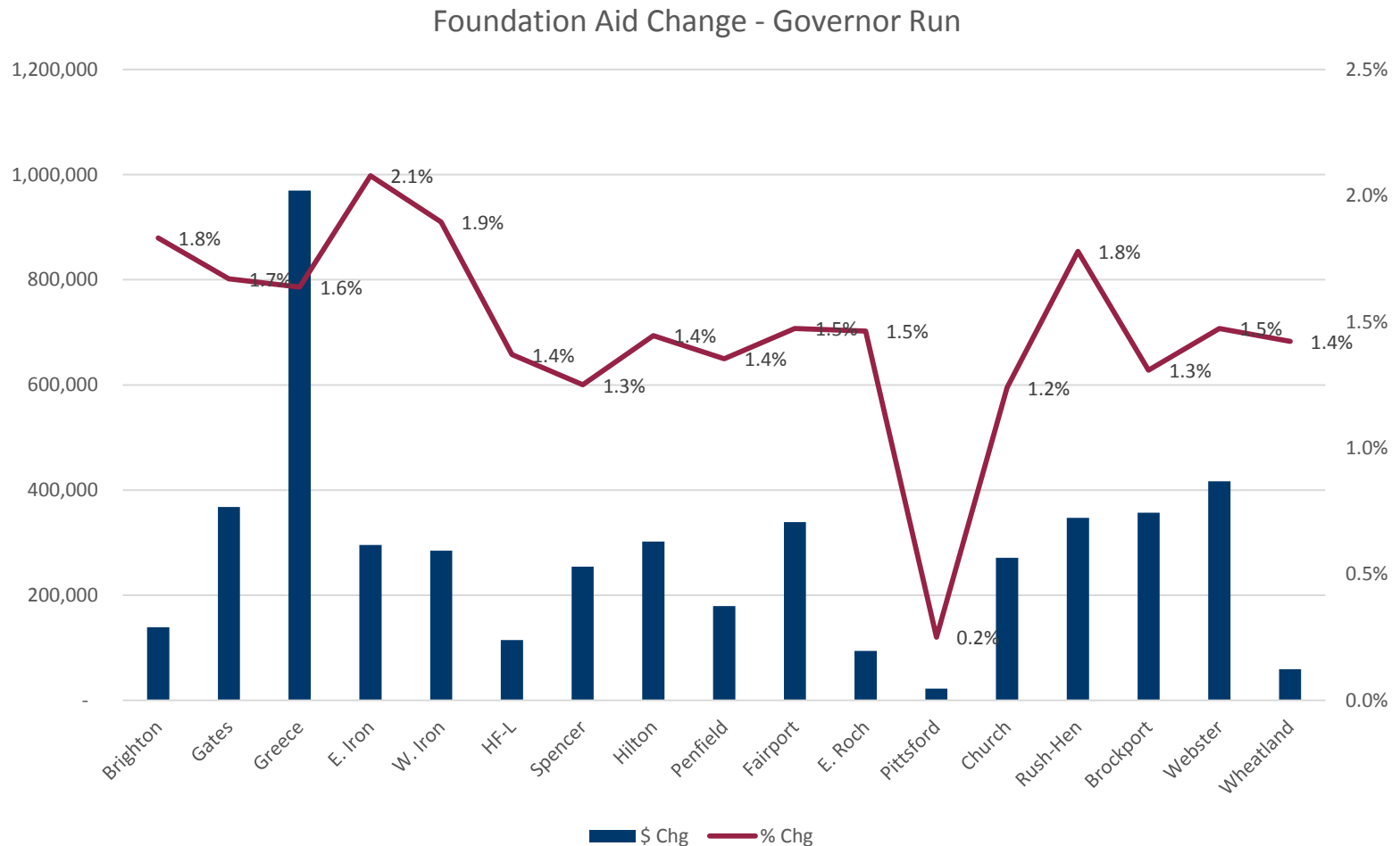
Why Adjustments to Governor's Aid Run?

Depending on the form of aid, the Governor's projections are either based on old data, or projected data. Without anticipating and reconciling these differences we would assume an inaccurate revenue.

- **Transportation Aid** – NYS assumes we will spend every penny of the budget. We try hard not to, but plan for unpredictable costs (fuel price fluctuations). Lower expenditure this year = less aid next year
- **BOCES Aid** – Similar to Transportation Aid, we must project actual current year expenditures.
- **Building Aid** – NYS makes various assumptions based on original project planning. Actual aid is calculated after submission of Final Cost Reports for each phase. The Governor's budget is based on an early database that may not reflect the latest FCR submissions.

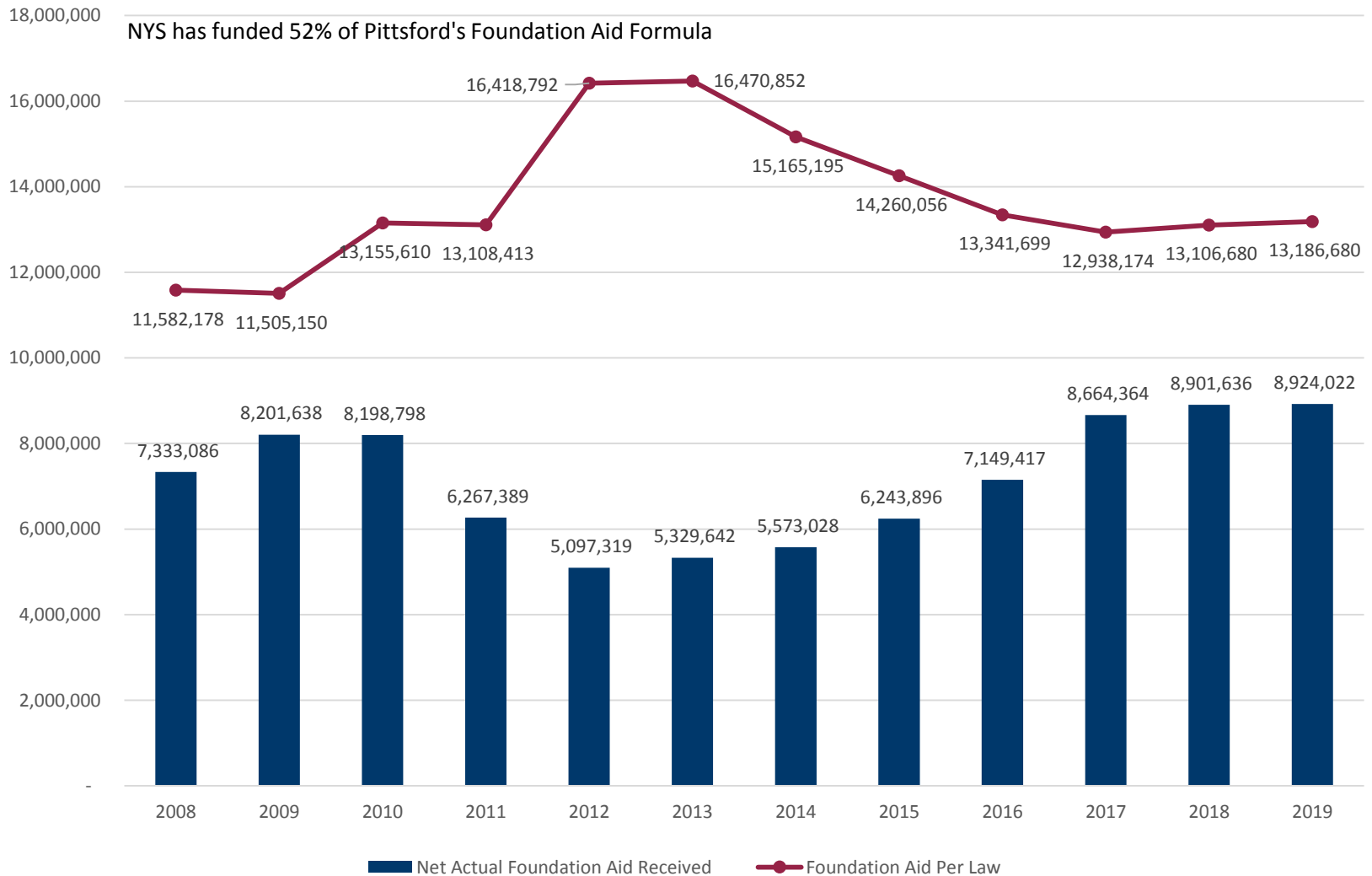
Is Foundation Aid Fair, Equitable and Predictable as ordered by the Court?

High Need Districts receive 81% of Foundation Aid increase and account for 58% of enrollment



We are getting more aid right?

Actual Foundation Aid Received vs. NYS Legal Obligation - \$78m owed to PCSD





Governor's Budget

Silent Changes/High Impact

- Reimbursement for Summer Special Ed
 - Starting July 2018, the rate of reimbursement will be reduced from 80% to further reduction based on a State Sharing Ratio (wealth) to a minimum of .25 (PCSD would be minimum)
 - Reduces estimated reimbursement to Pittsford by more than \$500,000
 - Impact
 - This \$500,000 will be inherited (shifting of burden) by the General Fund Budget
 - This substantial new cost is not an exclusion from the Property Tax Cap, so \$500,000 of reductions in other programs could be necessary
 - Potential reduction to services to the program



Governor's Budget

Silent Changes/High Impact

- Cap on Categorical (expense based aids)
 - Starting the following year 2019-20
 - BOCES, Transportation & Building Aid
 - BOCES & Student Transportation capped at 2% growth per district
 - Could constrain BOCES and services offered
 - Ignores various school and economic impacts
 - Fuel price increases
 - Increased transportation services and/or enrollment
 - Constrain Special Trips – Field, extra-curricular, Athletic
 - **Shifting of burden from NYS to School/Local Community**
 - **No commensurate reduction in mandates or requirements**



Governor's Budget

Silent Changes/High Impact

- Statewide 2% Cap on Building Aid
 - Starting in 2019-20
 - Cap on total State and prorating each district's share of the reduction within the statewide cap
 - For all schools except NYC
 - Will increase the local impact on previously approved projects
 - Broken promise to schools and taxpayers – schools can't estimate
 - Shifting of tax burden
 - NYS no longer would fund code compliance and NYS mandated project



Governor's Budget

Silent Changes

■ School Bus Safety

- Authorizes schools to purchase and install safety cameras on buses
- Cameras are not eligible for Transportation Aid
- Authorizes boards of education to adopt a policy imposing monetary liability on motorists who illegally pass school buses and requires an annual report by June 1st
- Schools will “partner with law enforcement” and may receive a portion of the \$250 fine from violators
- Places school in a law enforcement roll, significant upfront investment with questionable return on investment



Governor's Budget

Silent Changes

■ Early Learning

- Begin implementation of the Comprehensive First 1000 Days Plan including developing a model of pediatric primary care to assess child development upon entry into kindergarten. Guess who pays?
- Establish the child care availability task force to examine access to affordable care. What will the district's role and costs be?
- Providing \$15 million to expand the NYS Pre-Kindergarten to three and four year old in high need school districts



Governor's Budget

Silent Changes

■ Child Victims Act

- Extend the statute of limitations for bringing a civil claim in sexually related cases from 3 years from the victim's 18th birthday to 50 years from date of offense
- Eliminates the need to file a notice of claim before filing a civil lawsuit against a public entity



Governor's Budget

Silent Changes

- Charter Schools

- For the NY City School District

- Expands aid for the lease and renovation of private property for Charter School Use. Remember the 2% Building Aid Cap? NYC will get it

- Increases Charter School Tuition statewide by 3%

- NYS School aid increase 0.25% - 2%

- “Respect for Diversity” Program – for 8th and 9th graders to promote awareness of and respect for diversity



Governor's Budget

Silent Changes

■ Per Building Reporting

- 2019-20 must submit a detail of total funding allocation for each school to the Commissioner of Education and the NYS Dept. of Budget
- Must explain methods for allocating funds to different school buildings including school level specific details
- Districts can submit revisions to disapproved submissions
- Districts are ineligible for aid increases over the previous year without approved report
- Reduces local control and decision making
- PCSD may be exempt at the present time because we do not currently meet the “needs” requirement



Governor's Budget

Other Proposals

■ STAR Program

- Freezes STAR amounts from the previous year beginning 2018-19 (no longer cap increase at 2%)
 - Shifting of Burden
 - Income Tax \$ pay for STAR, no “freeze” in income taxes
- Income verification program mandatory

■ Minority and Woman-owned Business Enterprise requirements from State to Local Level

- Diminished competition and increased pricing

■ New limitations on corrections to State Aid forms to receive retroactive State Aid



NYS's Proposals to Mitigate Impact of Federal Tax Changes

- Complementing or replacing a state income tax with a payroll tax
 - More recordkeeping, reporting and liability for public employer
- Establish State-operated charitable fund to receive taxpayers' "contributions" for healthcare, homelessness and public education
 - Legislation establishing these new funds would specify the allowable uses of donations to each fund

Source: Tax & Finance Preliminary Report on the Federal Tax Cuts & Job Act of 2017



Revenue Picture Summary

- 75% of our funding support is the Property Tax Levy and it is capped at 2.9%
- 18% of our funding support is State Aid and historically it has been frozen **and** reduced, plus or minus the political atmosphere which at this time has permitted less than 0.25% growth
- Result = 93% of our budget support is capped/frozen at approx. 2.1% combined growth
 - The current budget growth to meet obligations is approximately 2.97% compared to a revenue growth rate of about 2.1%



Putting it Together

Estimated Quick Calc

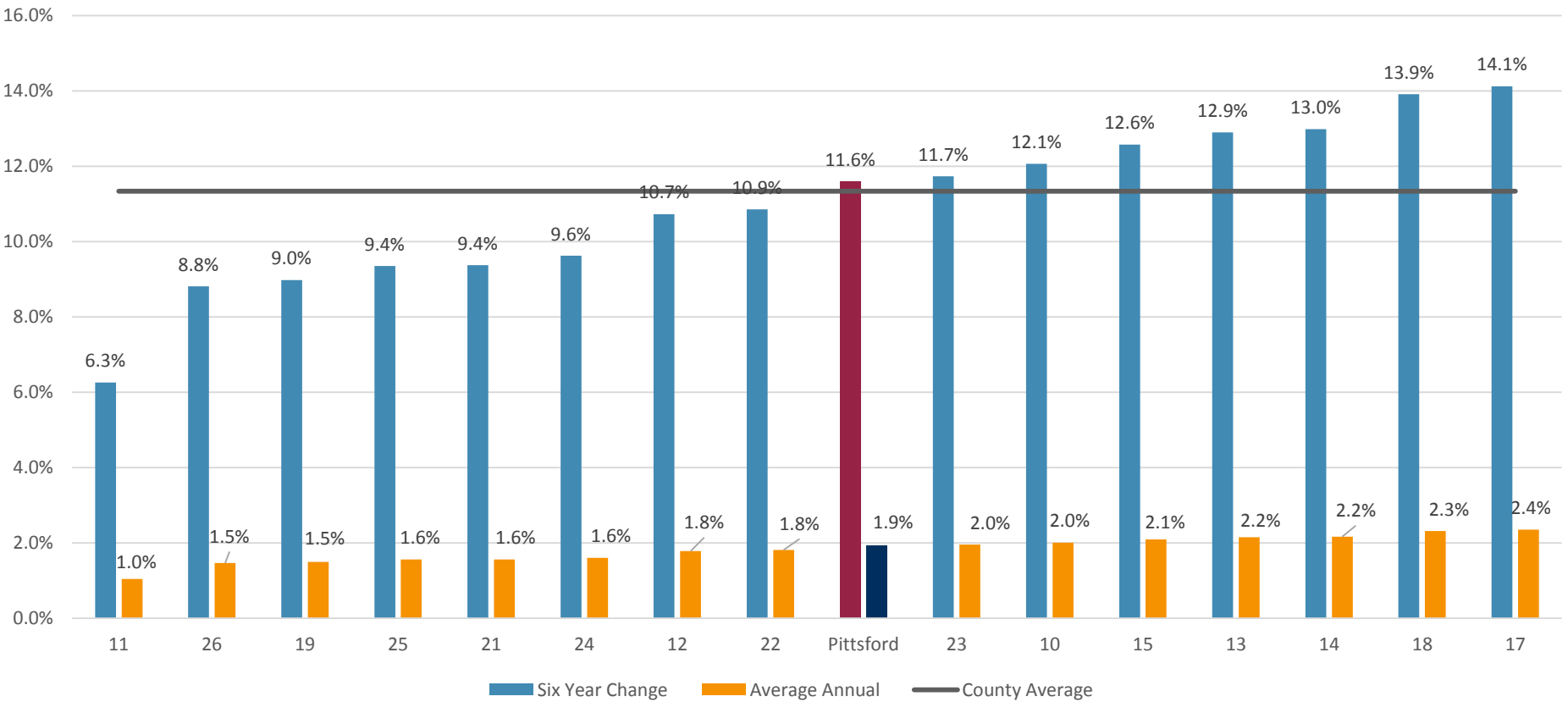
- Revenue support growth (What do we have to work with?) 2.1% **\$2,764,967**
 - State Aid (\$ 462,918)
 - Building Aid (new project) \$ 270,095
 - Misc Other \$ 122,875
 - Tax Levy (at cap) at 2.9% \$ 2,834,918
- Budget Appropriation Growth 2.97% **\$3,862,916**
 - Status Quo plus adjustments
- **Funding Shortage (deficit)** **(\$1,097,949)**

Options

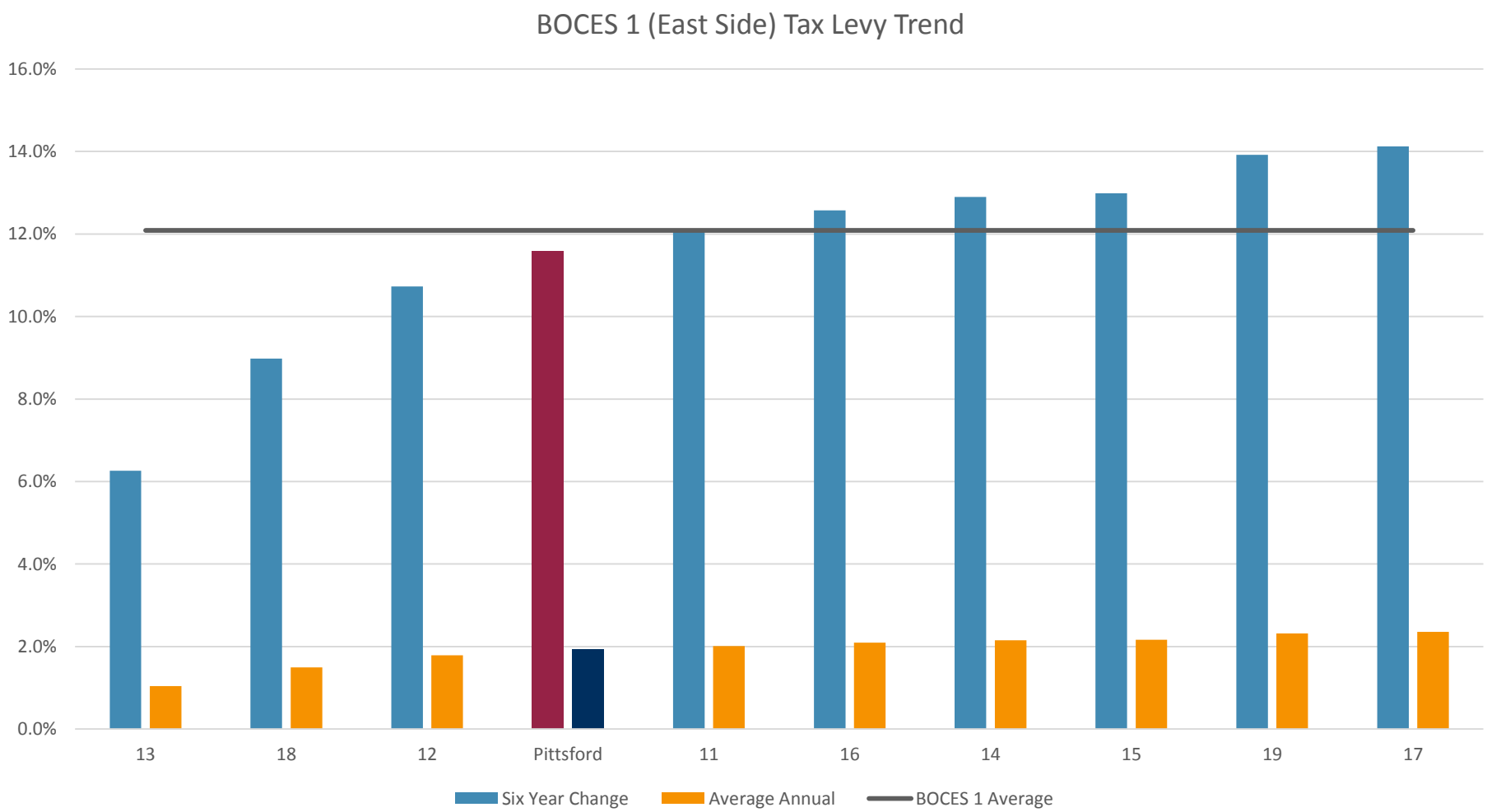
- Seek ways to increase revenues
- Continue to pressure Albany for appropriate funding of basic programs and FDK
- Seek Efficiencies and Cost Reductions
- ~~Revisit Property Tax Cap Override (supermajority, 60% voter support required)~~ – **not on the table**

How have we measured up since the Tax Cap?

Monroe County Tax Levy Trend - Fiscal Year 2013 through 2018
Since the Tax Cap through the 2017-2018 Approved Budget



How have we measured up since the Tax Cap?





To Do over next few weeks

- Work with Budget Department Stakeholders and Board Inquiry as Stakeholders present their budgets
- Assure labor agreement compliance
- Further enrollment, program and staffing review
- BOCES cost analysis
- State Aid review
- Solidify Tax Cap components
- Continue to work with the District Planning Team on budget & guidelines
- Work with State legislators
- See what an enacted State budget will provide



Work Session To Do's

- February 27 – Board Work Session
 - BOE to determine Proposed Tax Levy options & implications
 - Superintendent will present work of DPT to-date
 - Bus Purchase Reserve
- March 1 – Report required data to Comptroller
- March 12 – Board Work Session (Final)
 - Stay abreast of and implement changes
 - State/federal funding update
 - Additional propositions
- March 22 – District Planning Team (DPT)
- March 26 – Regular BOE Meeting
- April 16 – Board Adopts Superintendent's Budget
- April 26 – District Planning Team (DPT)
- May 7– Public Budget Hearing
- May 15 – Budget Vote and Board Election