



# **PITTSFORD CENTRAL SCHOOL DISTRICT**

## **2016 – 2017 BUDGET WORK SESSION #1**

### **February 8, 2016**





# A G E N D A

- ✓ Status Quo Budget Calculation
- ✓ Governor's Executive Budget Proposal Implications
- ✓ State Aid Detail
- ✓ Property Tax Cap
- ✓ Putting it together
- ✓ 2016-2017 Budget Challenges
- ✓ Board of Education Work



# Status Quo 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 in next year's dollars through a series of calculations based on various assumptions
  - The Status Quo or "rollover budget" assumes:
    - Enrollment
      - Decline of 42 students from current year and 190 students in last two years
    - Staffing
      - Reflects current to-date staffing – some savings, less staff than budgeted
      - Reflects known to-date retirement attrition savings & related benefits
      - Assumes replacement of all 15 retiring faculty
  - 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 rate decreases, health insurance rate increases
    - District and market trends

# Status Quo Budget – Quick Calculation

<i>Expense by Object Code</i>	<b>2015-2016 Adopted</b>	<b>2016-2017 Projected</b>		<b>\$ Change</b>	<b>\$ Change</b>
Salaries	58,702,157	60,045,415		1,343,258	2.29%
Equipment	567,821	567,821		-	0.00%
Contractual, Tuition & BOCES	13,083,968	13,409,495		325,527	2.49%
Utilities	2,460,000	2,400,000		(60,000)	-2.44%
Supplies	3,078,584	3,078,584		-	0.00%
Benefits	36,043,144	37,191,378		1,148,234	3.19%
Debt & Transfers	8,652,719	8,560,869		(91,850)	-1.01%
<b>Status Quo Budget #1</b>	<b>122,588,393</b>	<b>125,253,562</b>		<b>2,665,169</b>	<b>2.17%</b>

# Status Quo Budget to Projected Budget

2016-17 Changes, Requests & Additions				
Chief Information & Data Team Budget – includes software		20,340	Yr 2 implementation	
ELL Teacher 1.0 FTE		87,500	Mandate	
Elementary Schedule 3.2 Tchg		269,760	Schedule Change Initiative	
MCE Art Room		20,000	Schedule Change Initiative	
Athletic Increases		10,085	Budget Requests	
Net 2016-17 Changes		407,685		
<b>Projected Budget</b>	<b>122,588,393</b>	<b>125,753,097</b>	<b>3,072,854</b>	<b>2.51%</b>



# State Aid — Governor's Proposal

- Second largest revenue component (16%) that supports the District's budget
- Schools are held hostage during budget development, waiting for a State Budget
- 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?



# Governor's Budget Proposal

## LAST YEAR

- Claimed “NYS schools are underperforming, overfunded, communities over taxed and there is little accountability.”
  - His 2015-16 budget proposed \$1.06b or +4.8% increase in State Aid over the current 2014-2015 levels
    - There is no detail on how this aid will be distributed
  - **This increase is contingent upon the legislature adopting the Governor's entire education reform agenda**
    - New teacher evaluations
    - Amend teacher tenure laws
    - Permanent Property Tax Cap
    - Senior STAR property tax assistance changed to income tax credit
  - “At this time, the Division of Budget has informed districts there will NOT be a release of school aid runs until an agreement is reached, most likely around the start of the State fiscal year (April 1<sup>st</sup>).”
  - “If the legislature and the Governor do not come to an agreement on his proposed reforms by April 1<sup>st</sup>, the Governor has stated that total state aid for the 2015-16 and 2016-17 years may not be in excess of the current 2014-15 state aid amounts.”





# Governor's Budget Proposal

## THIS YEAR

### ■ Public Education was barely mentioned in the Governor's State of the State

- Growth in NYS operating funds limited to 1.7%
- Introduced new forms of Aid and Tax Credits that will help charter and private schools, not public schools
- Proposes \$991 million in "new" state aid which is \$1.4 billion less than the NYS Regents recommended "to maintain the status quo for our neediest children and school districts"
- Recommends a \$2.1 billion increase over the next two years

### ■ Foundation (General Operating) Aid

- For 2016-17 fiscal year, for the first time since 2008-09 a nominal increase of \$266 million
  - Represents more than \$4 billion under what NYS Law requires
- For Pittsford
  - We should receive \$347,000 Foundation Aid increase, however it is reduced back to zero (frozen) because our Combined Wealth Ratio (District Wealth) is above the threshold of 33% of the State Average. PCSD's CWR is 1.356 (1.0 would be state average) "No Aid For You!!"
  - Since 2008-09, NYS is behind in its legal commitment to Pittsford by more than \$55 million or 56% funded



# Governor's Budget Proposal

## THIS YEAR

- **GEA Gap Elimination Adjustment** – Continues the further reduction of Foundation Aid with nominal restoration from the prior year
  - The Governor proposes a “reduction of the reduction” of \$189 million
  - Currently the total GEA is \$434 million; Governor is proposing a 44% restoration
    - Approximately 200 high needs districts will receive a “total restoration this year”. Or will they?
  - For Pittsford
    - The GEA will be \$1,053,000 which is \$462,000 less than prior year (restoration)
    - Since the inception of the GEA in 2010-11 the Legislature has withheld an additional \$16.8m of Foundation Aid from what the law requires
- **Bottom-line?** Since 2008-09 Pittsford Taxpayers have funded New York State's portion of our support totaling \$71.8m or the District receives 55% less than it is legally owed. Is anyone paying 55% less in NYS Income Taxes today than they did in 2008-09?



# Governor's Budget Proposal

## THIS YEAR

### ■ Some interesting new Ideas?

#### ■ Parental Choice in Education \$150m

##### ■ Education Scholarship Program \$70m

- Credits for scholarships for low and middle income students to attend non-public and public schools outside their district and funding for improvements to public schools
- Corporate franchises and individuals who make donations will receive tax credit equal to 75% of their donation up to \$1m

##### ■ Family Choice Education Tax Credit \$70m

- Provide tax credits of \$500 per student to families with incomes below \$60,000 for eligible tuition expenses paid to NYS schools

##### ■ Instructional Materials and Supplies Credit \$10m

- \$200 Tax Credit to Teachers for the purchase of instructional materials and supplies
- Includes public, charter and private school educators

# Compiling State Aid – Governor's Run

	District Budget 2015-16	Exec Prop 2016-17	Adjustments	Adj Exec 2016-17	District Budget to Adjusted Exec	
Foundation	8,530,878	8,664,364	-	8,664,364	133,486	1.6%
GEA	(1,514,967)	(1,052,953)	-	(1,052,953)	462,014	-30.5%
Net Foundation	7,015,911	7,611,411	-	7,611,411	595,500	8.5%
BOCES	2,311,099	2,263,087	(75,000)	2,188,087	(123,012)	-5.3%
High Cost	691,522	750,367		750,367	58,845	8.5%
Private	251,461	245,744		245,744	(5,717)	-2.3%
Hdw & Tech	139,715	87,201		87,201	(52,514)	-37.6%
Soft/Lib/Text	370,446	506,649		506,649	136,203	36.8%
Transport	3,265,502	3,755,386	(600,000)	3,155,386	(110,116)	-3.4%
Building	4,891,029	7,028,539	(2,137,510)	4,891,029	-	0.0%
Total Aid Run	18,936,685	22,248,384	(2,812,510)	19,435,874	499,189	2.6%
Urban/Suburban	882,629	882,629	-	882,629	-	0.0%
Total State Aid	19,819,314	23,131,013	(2,812,510)	20,318,503	499,189	2.5%
w/o Bldg & U/S Aid	14,045,656	15,219,845	(675,000)	14,544,845	499,189	3.6%

# Why Adjustments to Governor's Aid Run?

- Depending on the form of aid, the Governor's projections are either based on old data, or projection 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, and fuel costs are at an unanticipated low. Lower expenditure this year = less aid next year
  - **BOCES Aid** – Similar to Transportation Aid, we must project actual current year expenditures
  - **Building Aid** – NYS erroneously assumed aid on the new capital project would start next year. However aid cannot start to be paid until the project is completed and all necessary documents are filed

# Property Tax Levy

- The largest support (78%) 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

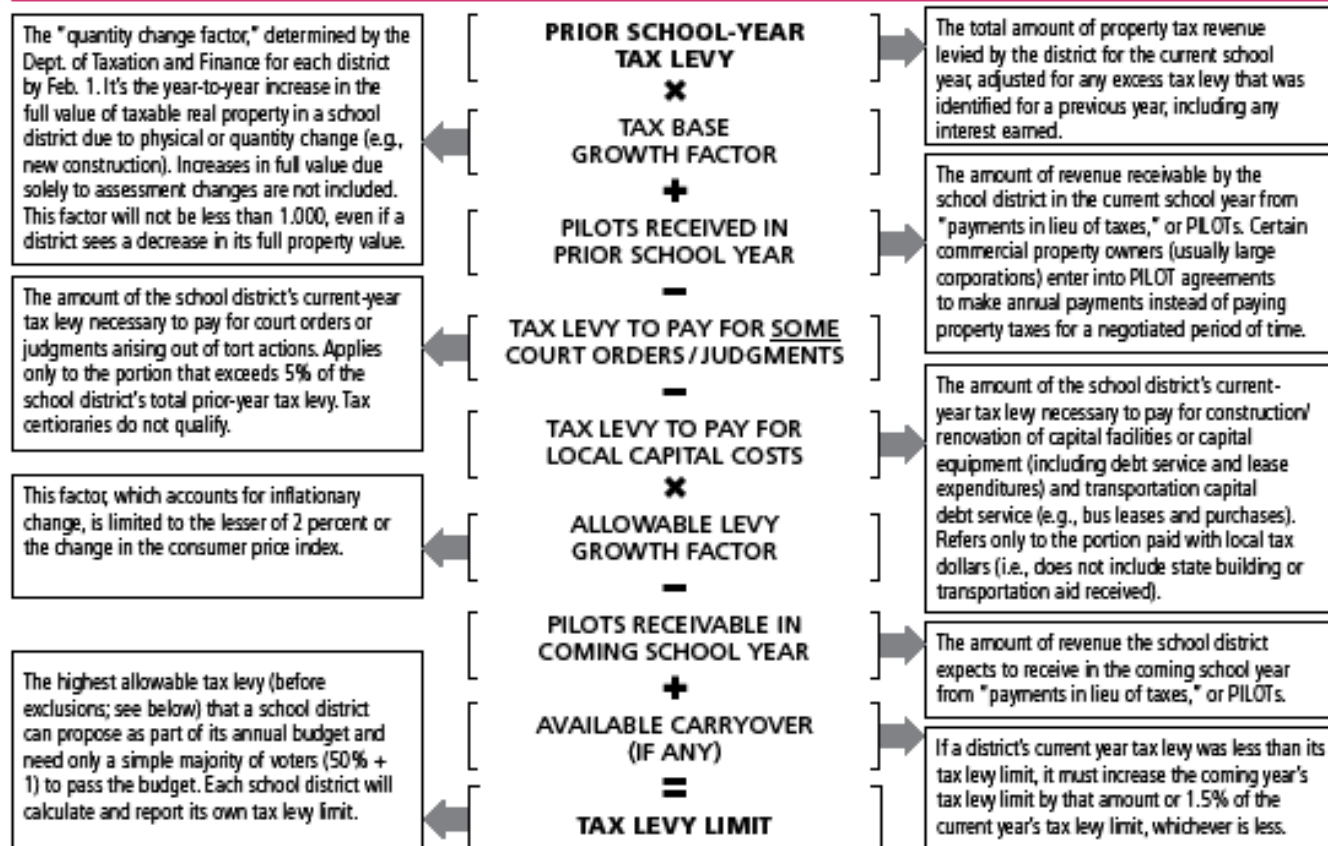


# Is the Property Tax Cap Complex?

## New York's Tax Levy "Cap" Formula: *How does it add up?*

*Although often referred to as a "2 percent tax cap," New York's tax levy "cap" law does not restrict any proposed tax levy increase to 2 percent. Pursuant to the law, each school district must follow an 8-step calculation, outlined below, to calculate its individual "tax levy limit." That limit then determines what level of voter support is required for budget approval.*

### THE BASE FORMULA







# 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.*

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### 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.

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### 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.

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### 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).

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### 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.capitalregionbooces.org/>),  
In consultation with the Questar III BOCES State Aid and Financial Planning Service. Published February 2015.





# How does the formula work for Pittsford?

Prior Year Levy	\$ 94,750,493	2015-16 Actual - current year
	x	
Times: Tax Base Growth Factor	1.0048	From Comptroller expansion & development
	+	
Add: Prior Year PILOTs	\$ 350,376	2015-16 Actual
	-	
Less: Prior Year Capital Levy	<u>\$ (2,677,983)</u>	Local Portion (Debt Service Less Bldg Aid)
	=	
Equals: Prior Year Adj Levy	\$ 92,877,688	Adjusted to Base for Growth
	x	
Times: Allowable Growth Factor	0.12%	lesser of CPI or 2%
	-	
Less: Estimated New Year PILOTs	\$ (249,125)	Est from Assessors - May
	+	
Add: Prior Year Carryover	\$ -	If not all cap used (not eligible)
	=	
Equals: TAX LEVY LIMIT	\$ 92,740,017	



# How does the formula work for Pittsford? (continued)

**Equals: TAX LEVY LIMIT**

**\$ 92,740,017**

+

To be filed with Comptroller March 1

**Plus: EXCLUSIONS**

**Court Orders & Judgments**

\$ -

**New Year Capital Levy**

\$ 2,561,939

Local Portion (Debt Less Bldg Aid) already voter approved

**Pension Growth > 2 pts**

\$ 0

Employee & Teacher Retire System mandated payments

**Add: Total EXCLUSIONS**

**\$ 2,561,939**

=

**Maximum Allowable Tax Levy**

**\$ 95,301,955**

**\$ 551,462**

**0.58%**

Maximum for simple majority vote

Greater would require 60% approval



# Revenue Picture Summary

- 78% of our funding support is the Property Tax Levy and it is capped
- 16% of our funding support is State Aid and historically it has been frozen **and** reduced, plus or minus the political atmosphere at that moment
- Result = 94% of our budget support is capped/frozen at a 0.6% combined growth rate
  - At the current rate, our budget growth to meet obligations requires 2.5%-3.2% revenue growth

# Putting it Together

- Revenue support growth - What do we have to work with?  
\$1,050,681
  - State Aid \$ 499,189
  - Tax Levy (at cap) at 0.58% \$ 551,492
- Budget Appropriation Growth \$3,072,854
  - Status Quo plus adjustments
- Funding Shortage (deficit) **\$2,022,173**
- Options
  - Budgetary Expenditure Reductions
  - Use of Fund Balance & Reserves
    - Combination of the above
  - Will more state aid be forthcoming in the State Budget (GEA)?
  - Exceed the Tax Cap, Supermajority voter support, 60%+ required



# To Do over next few weeks

- Continue to update Long-Range Financial Status
- Negotiate with four collective bargaining units
- 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
- See what an enacted State budget will provide



# Work Session To Do's

- February 23 – 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 9 – Board Work Session (Final)
  - Stay abreast of and implement changes
  - State/federal funding update
  - Additional propositions
- March 17 – District Planning Team (DPT)
- March 21 – BOE Meeting
- April 19 – Board adopts Superintendent's Budget
- April 21 – District Planning Team (DPT)
- May 9– Public Budget Hearing
- May 17 – Budget Vote and Board Election





# **Pause for Board Discussion**