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# Pittsford Schools

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## 2019 – 2020 BUDGET WORK SESSION #1

February 11, 2019





# A G E N D A

Budget Major Facts

Property Tax Cap

State Aid – NYS and Pittsford

Governor's Executive Budget Proposal Implications

Putting it together

2019-2020 Budget Challenges

Board of Education Work



# What a difference a year can make!

Description	2017-18	2018-19	Est 2019-20
Consumer Price Index	1.26%	2.13%	2.25%
Property Tax Cap	2.72%	2.90%	2.67%
Combined Wealth Ratio – Major State Aid factor 1.0 = NYS Ave, < 1 less wealth, > 1 more wealth	1.33	1.34	1.44
Foundation Aid Increase	\$162,000 2.74%	\$169,265 1.90%	\$22,254 0.2%
Collective Negotiations – Unit contracts unknown	0	1	2
Health Insurance Rate Increase	14%	9%	5%
Teacher's Retire System Rate – % of payroll	9.8%	10.62%	9.5%
Employee's Retirement System – % of payroll	15.8%	14.9%	14.9%
Retirements – attrition savings	16 people	19 people	19 people



# Current Budget to Projected Budget

## 2019-20 Considered Changes, Requests & Additions

Department	Description	Est Cost	Why
District Wide	Substitute Compensation	\$ TBD	Labor shortage
Athletics	Gymnastics	\$ TBD	Community Request
Pupil Personnel	Floating Nurse (LPN)	\$ TBD	Shortage/Mandates
Pupil Personnel	Mental Health Staffing & Supports	\$ TBD	Emerging Need
Special Education	Related Student Costs	\$ TBD	Complexity Need
Curriculum & Instruct	New Course Initiatives / Replacements	\$ 50,000	Mandates
BOCES	Capital Project – Component Portion	\$ 248,000	Law
Elem Ed	FDK Startup Costs - Expense	-\$ 1,955,000	Capital & Equip
Revenue	From Capital & Bus Reserves – Revenue	-\$ 1,185,000	Fund startup costs
Revenue	Conversion and Bullet Aid – Revenue	-\$ 427,000	Law - Phase Out
Debt Service	Reflects actual v estimated borrowing	-\$ 123,021	Better Credit Rating
Revenue	Building Aid formula change	-\$ 422,721	Law, will fluctuate



# 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% 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 % 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 %) 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

The "quantity change factor," determined by the Dept. of Taxation and Finance for each district by Feb. 1. It's the year-to-year increase in the full value of taxable real property in a school district due to physical or quantity change (e.g., new construction). Increases in full value due solely to assessment changes are not included. This factor will not be less than 1.000, even if a district sees a decrease in its full property value. *The commissioner of taxation and finance is authorized to make rules/regulations that may adjust the calculation based on development on tax exempt land.*

**PRIOR SCHOOL-YEAR  
TAX LEVY**

×

**TAX BASE  
GROWTH FACTOR**

+

**PILOTS RECEIVED IN  
PRIOR SCHOOL YEAR**

−

**TAX LEVY TO PAY FOR SOME  
COURT ORDERS / JUDGMENTS**

−

**TAX LEVY TO PAY FOR  
LOCAL CAPITAL COSTS**

×

**ALLOWABLE LEVY  
GROWTH FACTOR**

−

**PILOTS RECEIVABLE IN  
COMING SCHOOL YEAR**

+

**AVAILABLE CARRYOVER  
(IF ANY)**

=

**TAX LEVY LIMIT**

The total amount of property tax revenue levied by the district for the current school year, adjusted for any excess tax levy that was identified for a previous year, including any interest earned.

The amount of revenue receivable by the school district in the current school year from payments in lieu of taxes, known as PILOTS. Certain commercial property owners (usually large corporations) enter into PILOT agreements to make annual payments instead of paying property taxes for a negotiated period of time.

The amount of the school district's current-year tax levy necessary to pay for construction/renovation of capital facilities/equipment (including debt service and lease expenditures) and transportation capital debt service (e.g., bus lease/purchase). Refers only to the portion paid with local tax dollars and does not include state building or transportation aid received. *\*The commissioner is authorized to make rules/regulations that may provide for adjustments based on a district's share of additional budgeted capital expenditures made by a BOCES.*

The amount of revenue the school district expects to receive in the coming school year from payments in lieu of taxes, or PILOTS.

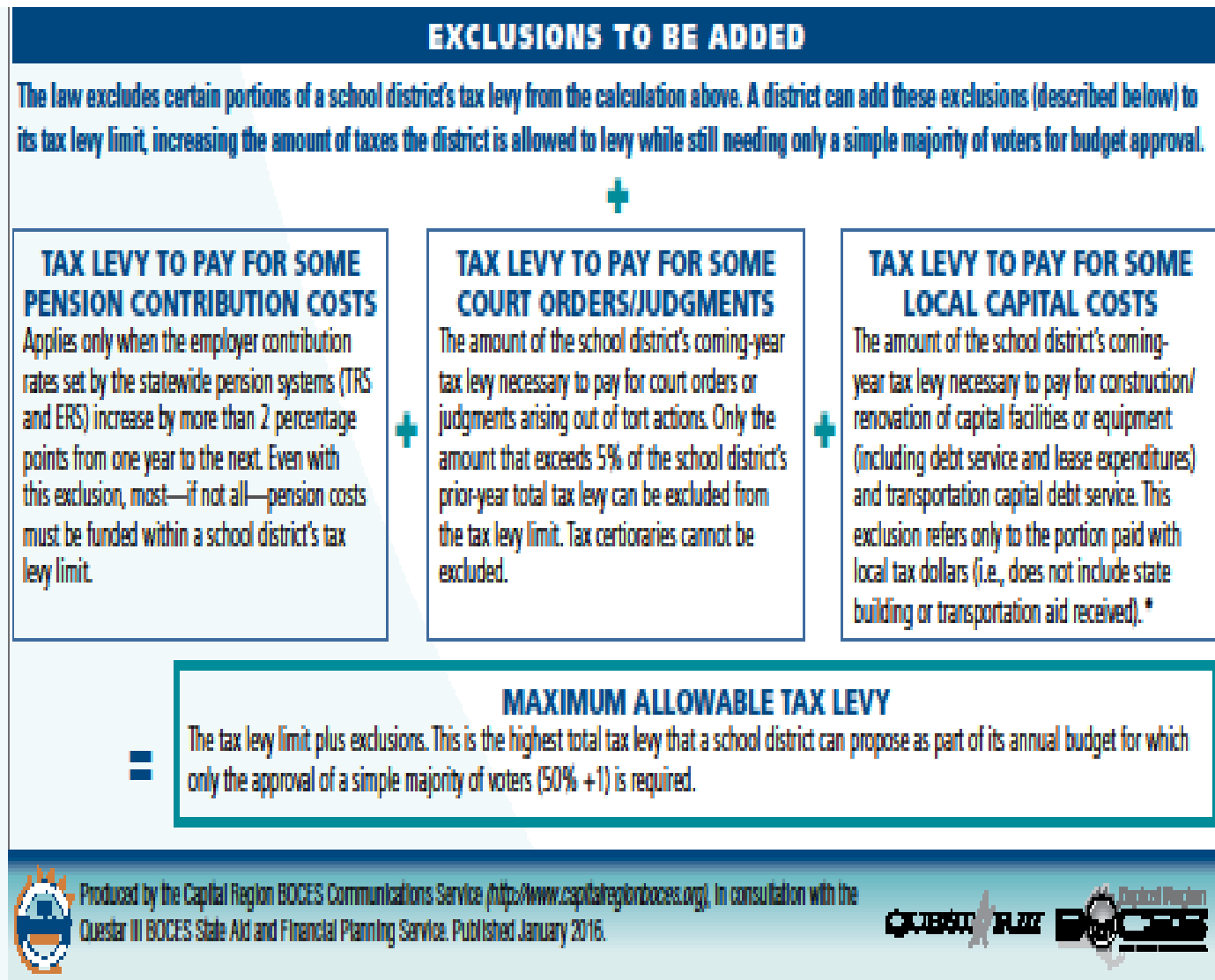
If a district's current year tax levy was less than its tax levy limit, it must increase the coming year's tax levy limit by that amount or 1.5% of the current year's tax levy limit, whichever is less.

The amount of the school district's current-year tax levy necessary to pay for court orders or judgments arising out of tort actions. Applies only to the portion that exceeds 5% of the school district's total prior-year tax levy. Tax certioraries do not qualify.

This factor, which accounts for inflationary change, is limited to the lesser of 2% or the change in the consumer price index.

The highest allowable tax levy (before exclusions; see below) that a school district can propose as part of its annual budget and need only a simple majority of voters (50% + 1) to pass the budget. Each school district will calculate and report its own tax levy limit.

# Is the Property Tax Cap Complex? (continued)







# How does the formula work for Pittsford?

<b>Prior Year Levy</b>	\$100,460,555	2018-19 Actual    Approved by Voters
	x	
<b>Times: Tax Base Growth Factor</b>	1.0041	From Comptroller expansion & development
	+	
<b>Add: Prior Year PILOTs</b>	\$    83,570	2018-19 Actual
	-	
<b>Less: Prior Year Capital Levy</b>	<u>\$ (3,078,600)</u>	Local Portion (Debt Service Less Bldg Aid)
	=	
<b>Equals: Prior Year Adj Levy</b>	\$ 97,877,413	Adjusted to Base for Growth
	x	
<b>Times: Allowable Growth Factor</b>	102%	lesser of CPI or 2%
	-	
<b>Less: Estimated New Year PILOTs</b>	\$    (91,930)	Est from Assessors - May
	+	
<b>Add: Prior Year Carryover</b>	\$    -	If not all cap used (not eligible)
	=	
<b>Equals: TAX LEVY LIMIT</b>	<b>\$ 99,743,031</b>	



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

**Equals: TAX LEVY LIMIT**

**\$ 99,743,031**

+

To be filed with Comptroller March 1

**Plus: EXCLUSIONS**

**Court Orders & Judgments**

\$ -

**New Year Capital Levy**

\$ 3,398,004

Local Portion (Debt Less Bldg Aid) already voter approved

**Pension Growth > 2 pts**

\$ 0

Employee & Teacher Retire System mandated payments

**Add: Total EXCLUSIONS**

**\$ 3,398,004**

=

**Maximum Allowable Tax Levy**

**\$103,141,035**

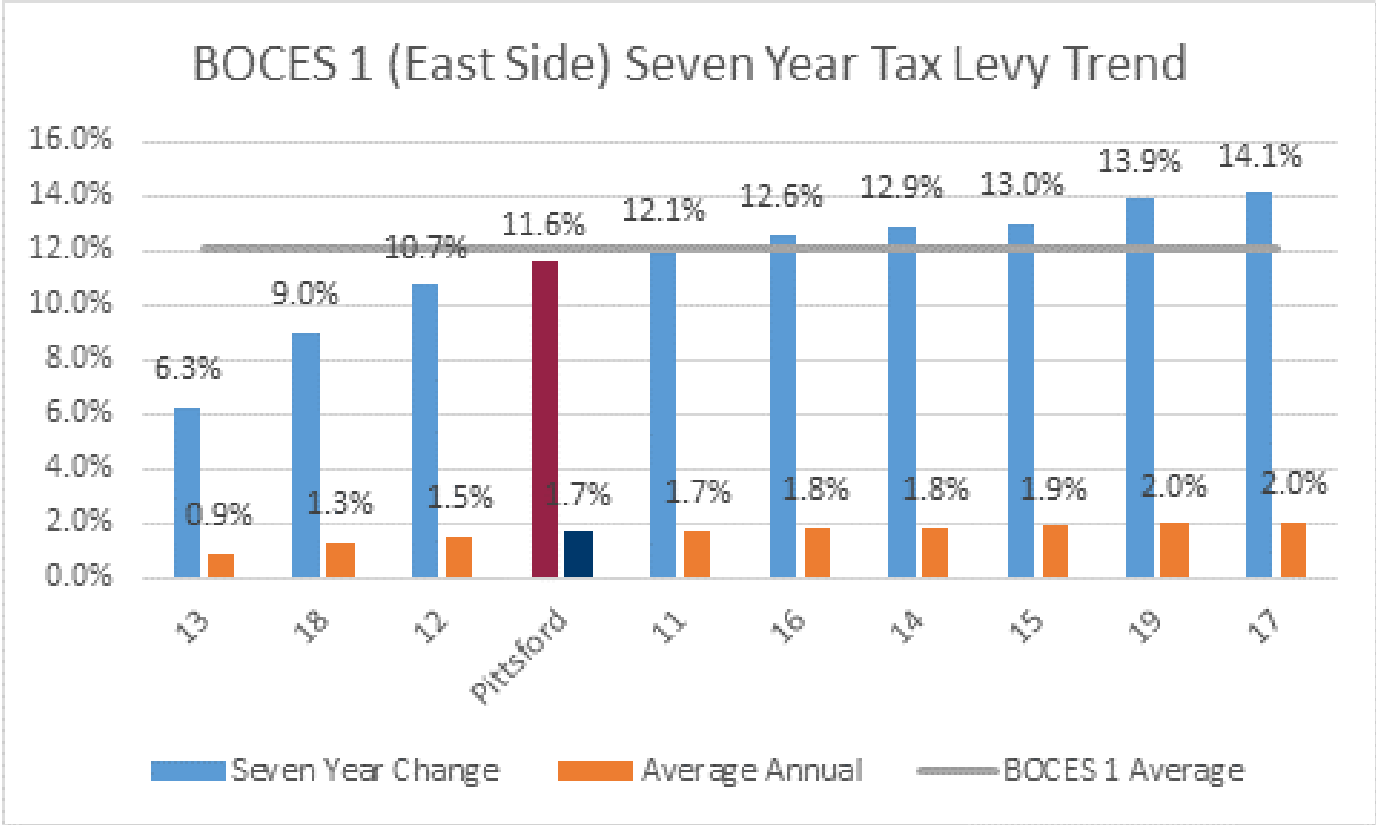
**\$ 2,680,480**

**2.67%**

Maximum for simple majority vote

Greater would require 60% approval

# How have we measured up since the Tax Cap?





# State Aid – Governor's Proposal

- Second largest revenue component (17%) that supports the District's budget
  - State support is steadily decreasing slice of the pie
  - Resident income taxes are not smaller slice of their expense pie
- Challenge for schools to financial plan effectively because they are waiting for a State Budget
- Unfortunately, State Aid is more politics than formula and law, especially this early in the process
  - Haves and have nots



# State Aid – Governor's Proposal (continued)

## ■ Foundation Aid History

- Used to be called General Operating Aid
- NYS Lost the Campaign for Fiscal Equity (CFE) lawsuit when court ruled the education funding formulas were unfair and unconstitutional
- FY 2006 Governor Spitzer introduced Foundation Aid with the following caveats to address the requirements of the court order:
  - Increased funding per pupil statewide
  - Formula would be equitable accounting for wealth and student need
  - Districts should know four years in advance what their aid would be so they could plan and provide better level of consistent services
- Twelve years later
  - For most schools, the formula has never been followed
  - Several years it was reduced by the Gap Elimination Adjustment (GEA) providing the lowest aid in more than a decade
  - Annual political process not formula based or tied to enrollment or other factors
  - The result, some districts are receiving more Foundation Aid than they should and others are receiving less and have millions of dollars owed to them. This inequity compounds further each year.

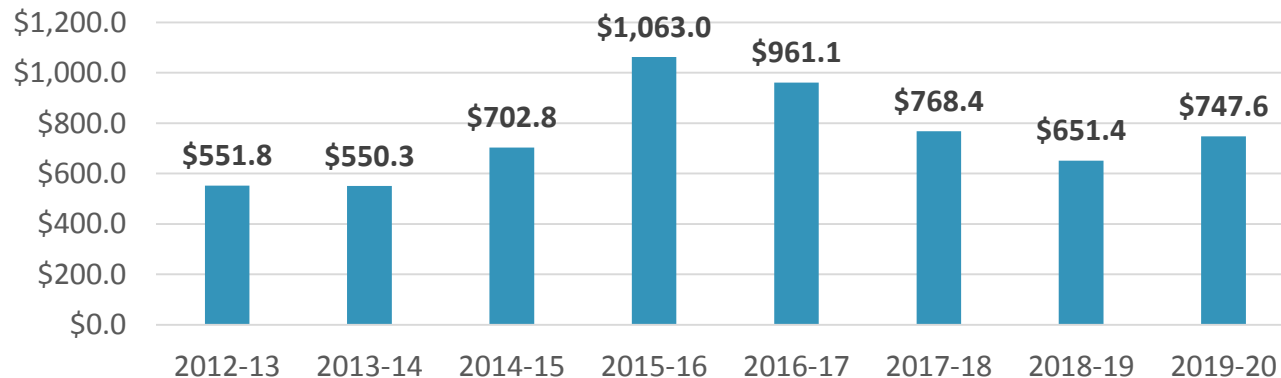




# The Governor's Budget Proposal

- Proposed \$27.7 billion in total State support for Public Education
  - An increase of \$956 million or 3.58%
    - +\$749 million for formula aids
    - +\$157 million for Fiscal Stabilization Fund (aid take back)
    - +\$ 15 million for Expanded Pre Kindergarten
    - +\$ 10 million for Expanded Advanced After School (high needs)
    - +\$ 25 million for Early various small initiatives

Governor's School Aid Formula Increases – millions \$

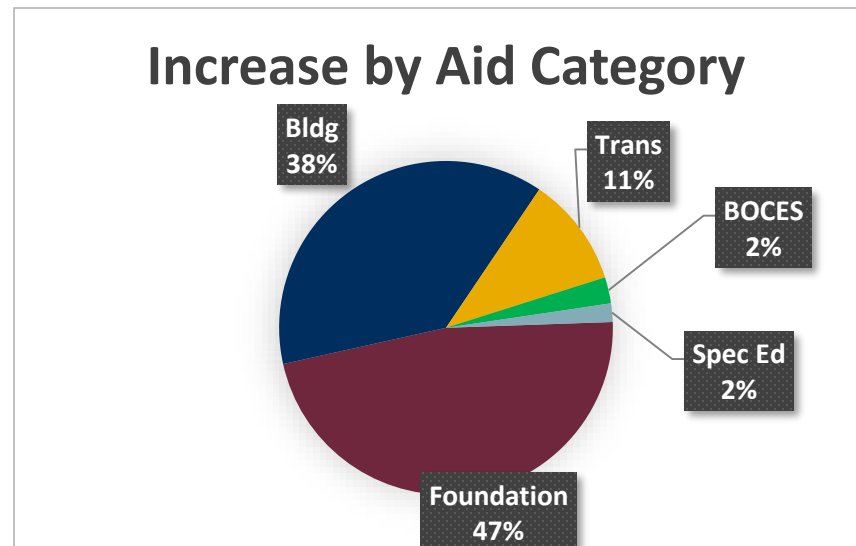




# Five Main School Aid Categories

## Governor Proposal 2019-20

Category	2018-19	2019-20	\$ Increase	% Increase
Foundation Aid	\$17,790,792,253	\$18,128,732,184	\$337,939,931	1.9%
Building Aid	\$ 2,956,542,059	\$ 3,228,869,223	\$272,327,164	9.2%
Transportation	\$ 1,913,931,757	\$ 1,990,494,057	\$ 76,562,300	4.0%
BOCES	\$ 1,206,602,904	\$ 1,224,895,330	\$ 18,292,426	1.5%
Special Ed	\$ 1,011,215,200	\$ 1,024,043,386	\$ 12,828,186	1.3%
Total for NYS	\$24,879,084,173	\$25,597,034,180	\$717,950,007	2.9%

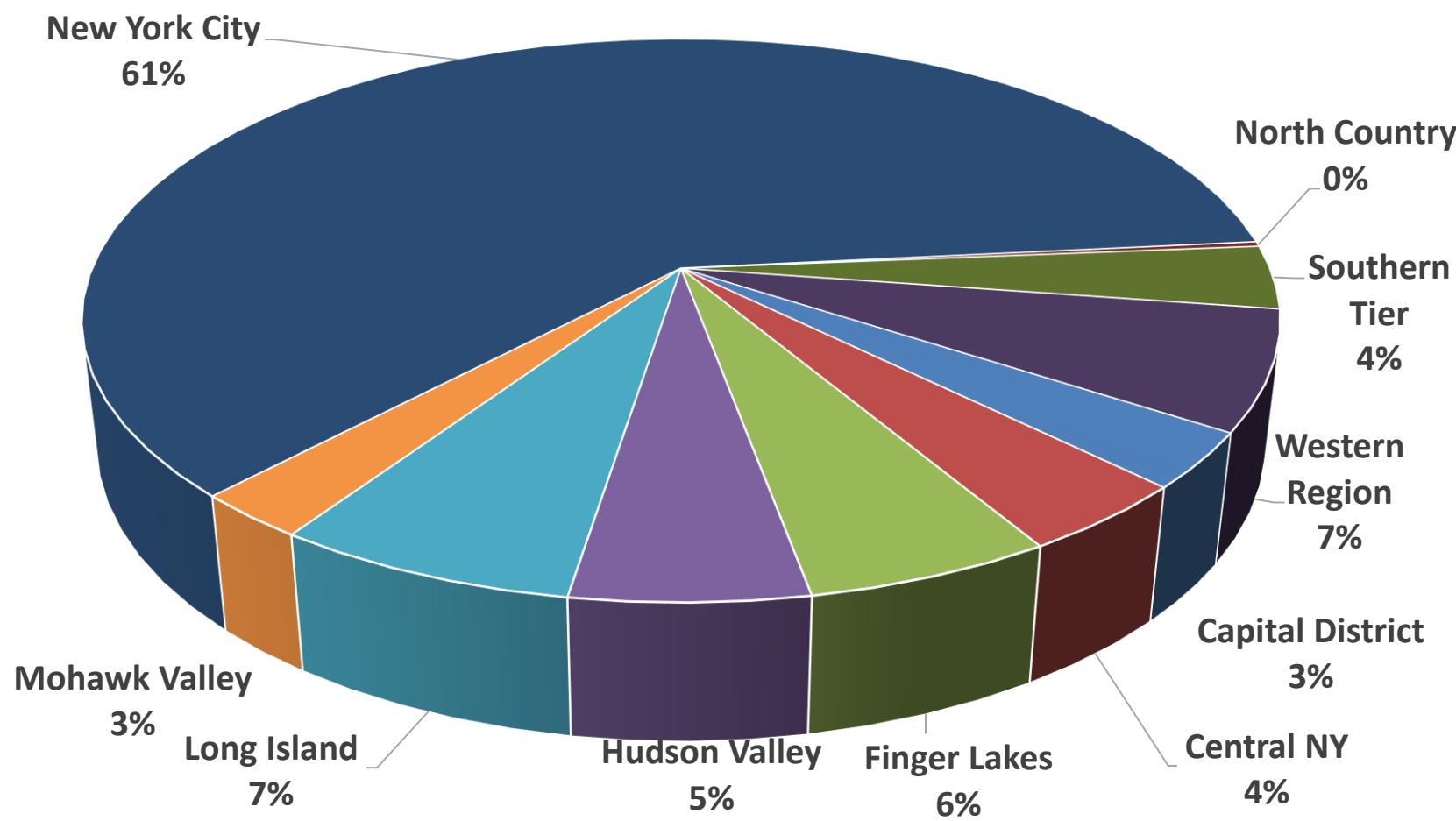




# Foundation Aid

- 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 2018-19 Foundation Aid amount (base)
- \$50 million would be set-aside for Community Schools
  - Dual language and ELL and other Extraordinary Needs eligible expenses

# Regional Composition of Foundation 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 2018-19	Fully Funded 2019-20
NYC	2.5%	55.1%	84.5%	86.4%
Big 4	1.6%	6.6%	83.1%	84.1%
Urban/Suburban High Need	2.4%	13.1%	68.2%	68.3%
Rural High Need	1.5%	6.5%	89.1%	89.5%
Average Need	1.4%	17.4%	86.3%	86.9%
Low Need	0.5%	1.3%	78.0%	78.5%
Pittsford CSD	0.2%	.003%	68.2%	64.4%

Pittsford lost ground by almost 4% while other Low Need Schools increased by 0.5%. Why? Funnel \$ down state and not aiding our FDK students

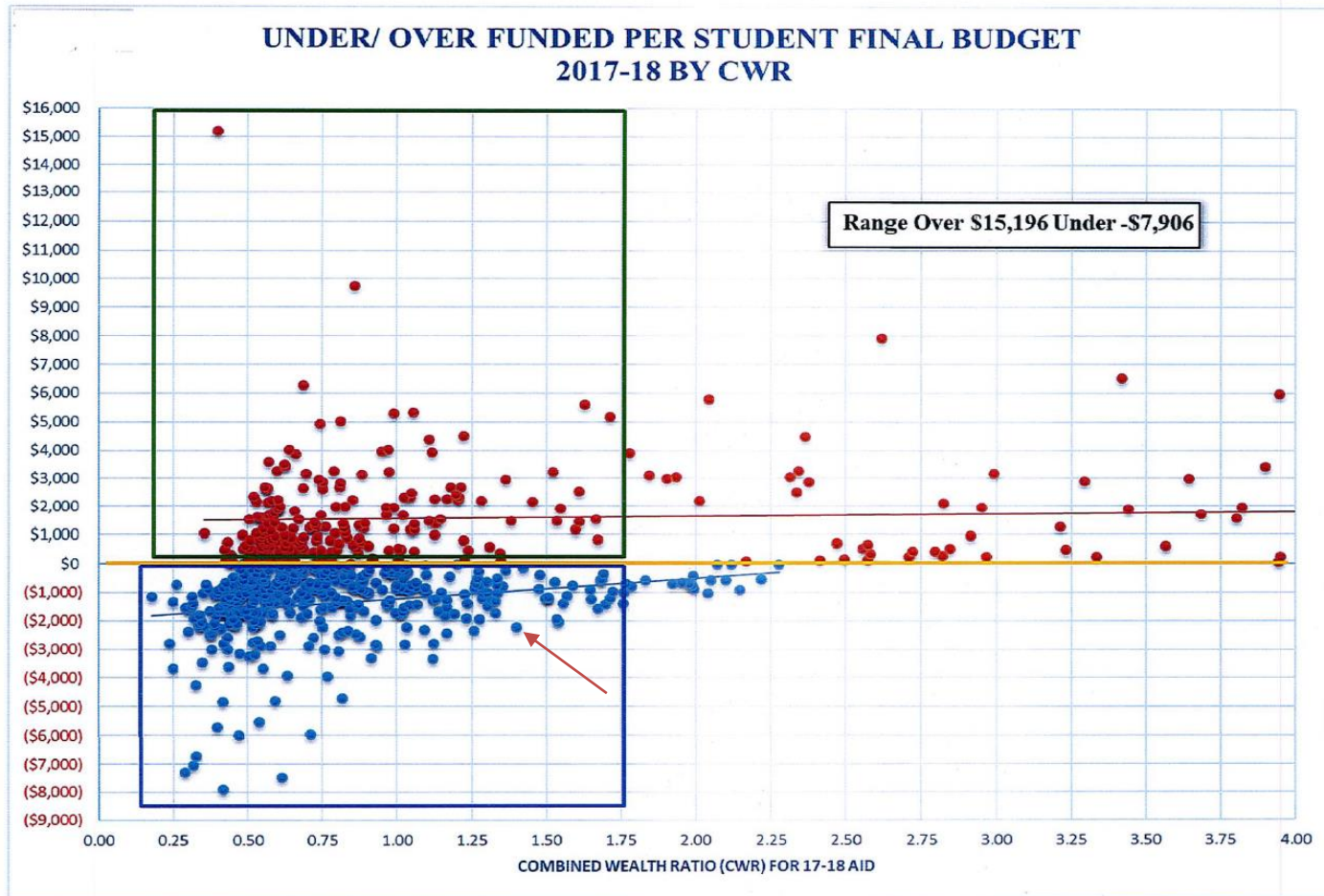


# Foundation Aid – Full Phase In?

% Fully Funded by Combined Wealth Ratio (CWR)

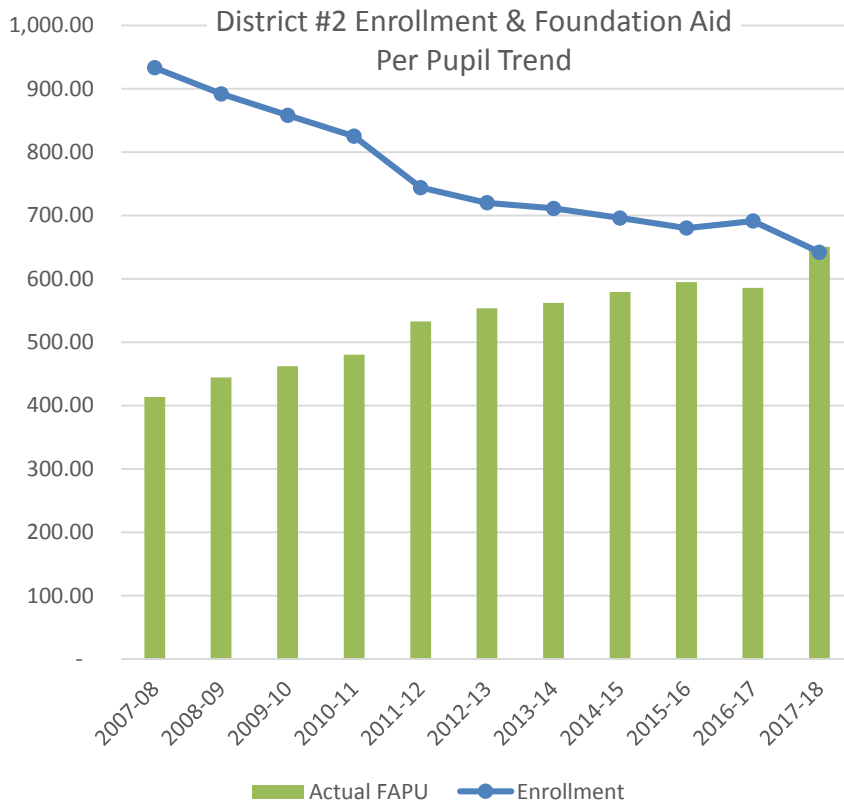
Blue = Under Funded (Pittsford CSD)

Red = Over Funded

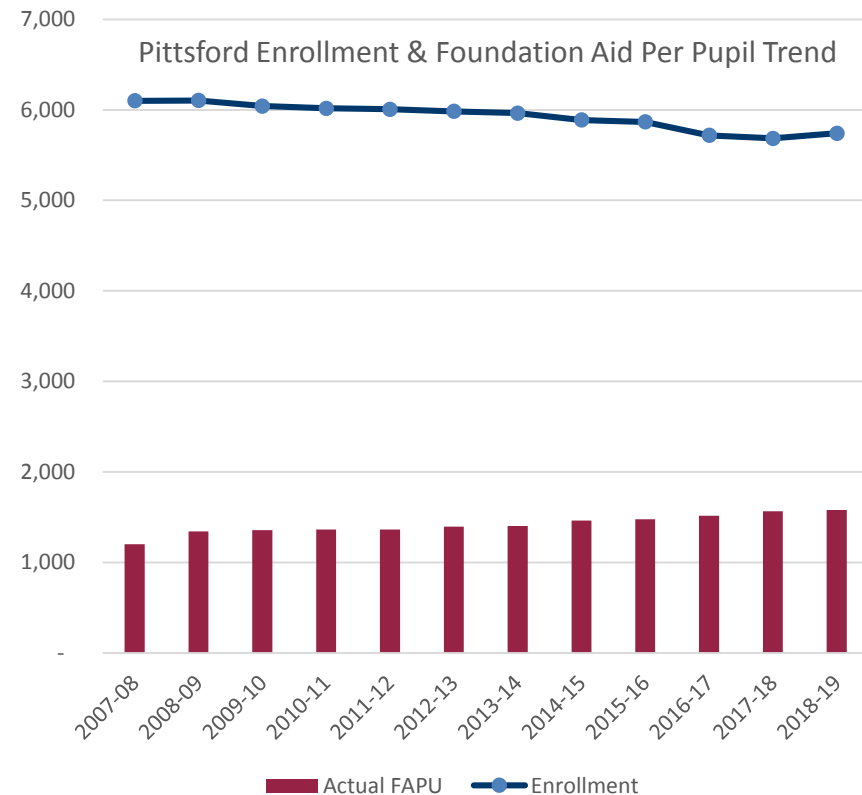


# Foundation Aid Per Pupil Actual Enrollment Impact

## Over Funded District



## Pittsford CSD



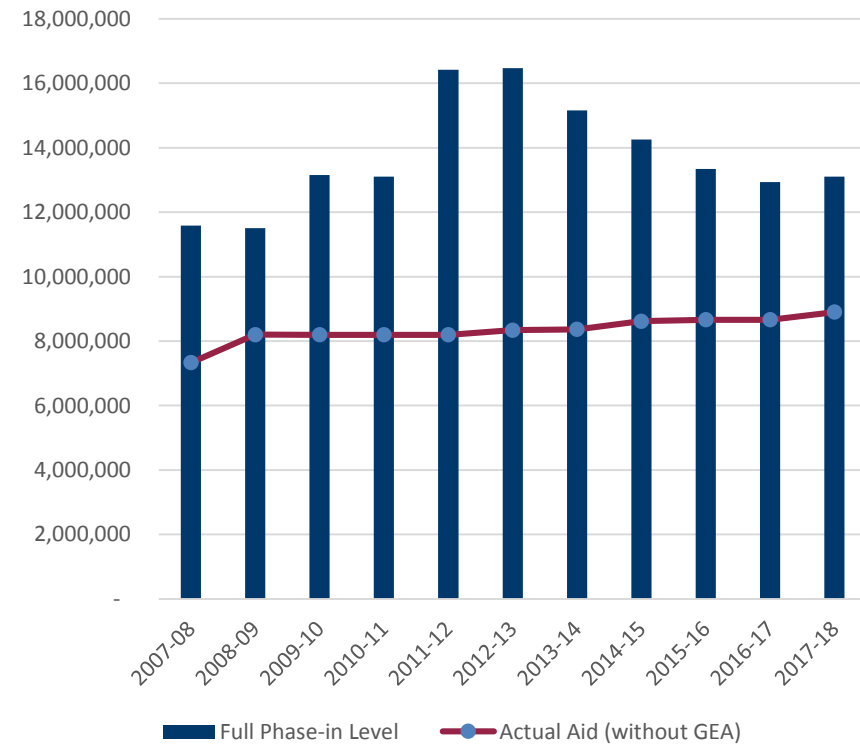
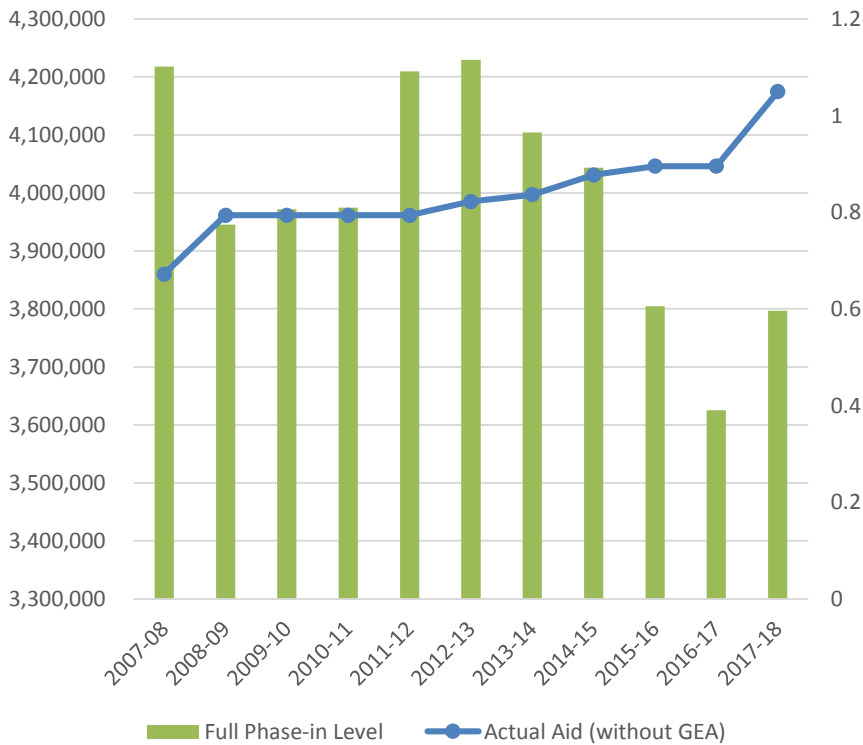
# Foundation Aid Per Pupil Actual Enrollment Impact

## Over Funded District

## Pittsford CSD

District #2 Formula v. Actual Aid

Pittsford Formula v. Actual Aid



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

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 2018-19	Exec Prop 2019-20	Adjustments	Adj Exec 2019-20	District Budget to Adjusted Exec	
Foundation	9,070,901	9,098,591	-	9,098,591	27,690	0.3%
Full Day K Conversion	649,150	478,396	-	478,396	(170,754)	
Net Foundation	9,720,051	9,576,987	-	9,576,987	(143,064)	-1.5%
BOCES	2,298,431	3,099,068	(500,000)	2,599,068	300,637	13.1%
High Cost - Spec Ed	587,107	836,227	(295,556)	540,671	(46,436)	-7.9%
Private - Spec Ed	311,978	317,947	-	317,947	5,969	1.9%
Hdw & Tech	88,572	91,552	-	91,552	2,980	3.4%
Soft/Lib/Text	497,508	501,530	-	501,530	4,022	0.8%
Transportation	3,184,358	3,743,164	(505,212)	3,237,952	53,594	1.7%
Building	7,007,757	6,657,227	(72,191)	6,585,036	(422,721)	-6.0%
Total Aid Run	23,695,762	24,823,702	(1,372,959)	23,450,743	(245,019)	-1.0%
Urban/Suburban	1,071,629	1,071,629	-	1,071,629	-	0.0%
<b>Total State Aid</b>	<b>24,767,391</b>	<b>25,895,331</b>	<b>(1,372,959)</b>	<b>24,522,372</b>	<b>(245,019)</b>	<b>-1.0%</b>
<b>w/o Bldg &amp; U/S Aid</b>	<b>16,688,005</b>	<b>18,166,475</b>	<b>(1,300,768)</b>	<b>16,865,707</b>	<b>177,702</b>	<b>1.1%</b>



# Why Adjustments to Governor's Aid Run?

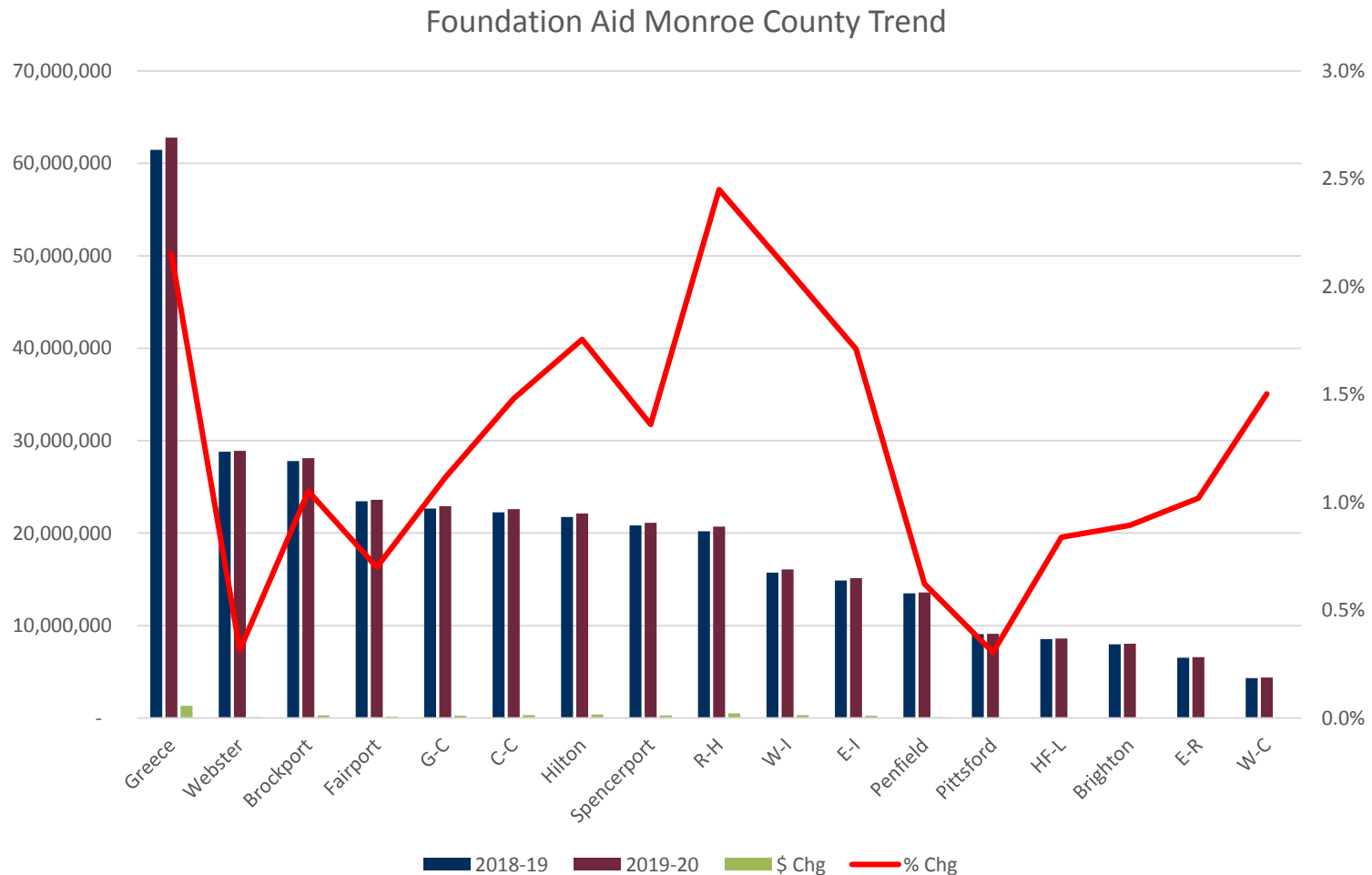
Depending on the form of aid, the Governor's projections are either based on old data, or projected data. Without anticipating and reconciling these differences we would assume an inaccurate revenue.

- **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's. This year's reduction is due to the District being successful in obtaining better than anticipated borrowing terms.



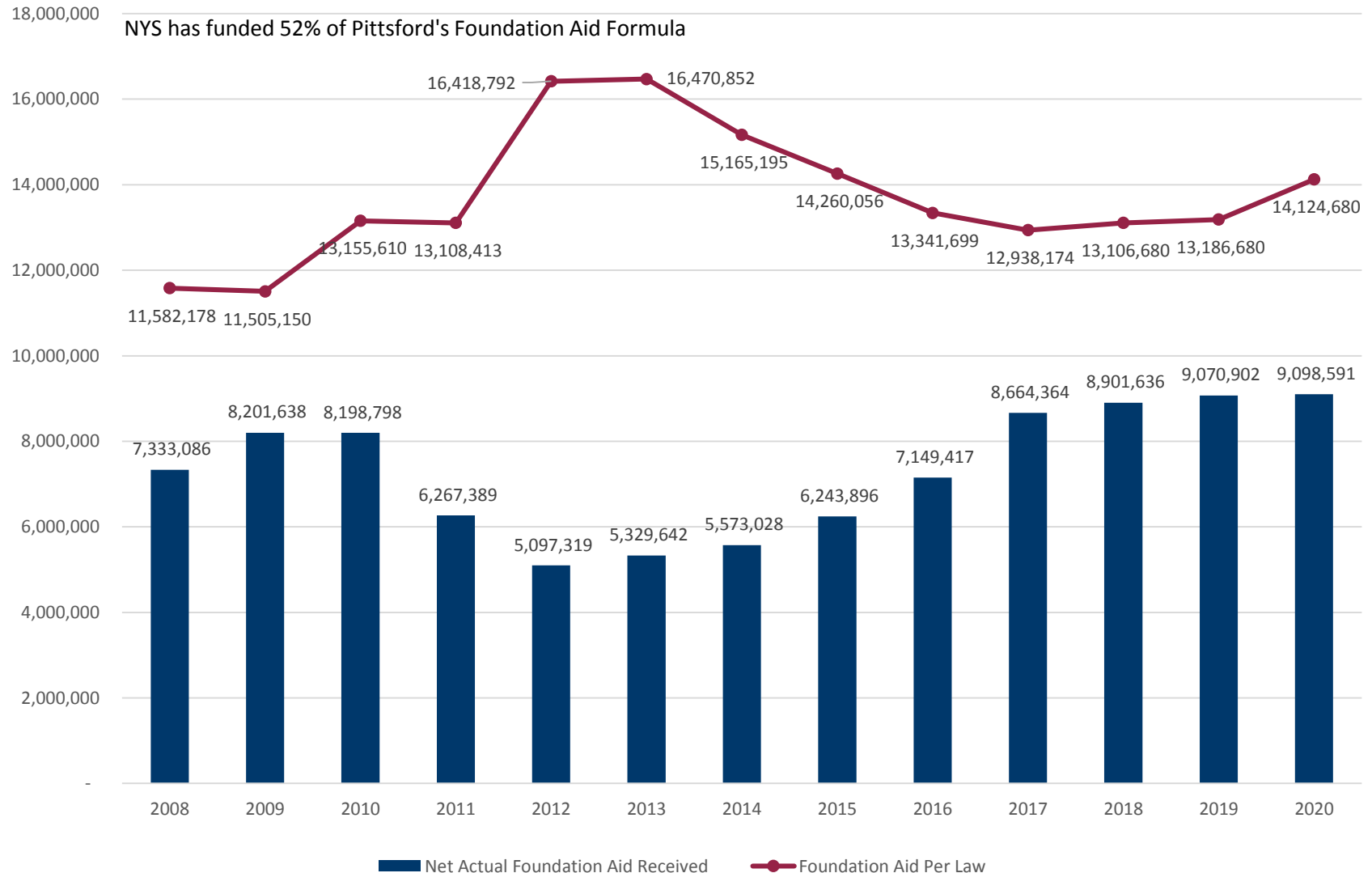
# Is Foundation Aid Fair, Equitable and Predictable as ordered by the Court?

High Need Districts receive 84% of Foundation Aid increase  
and account for 56% of enrollment



# We are getting more aid right?

Actual Foundation Aid Received vs. NYS Legal Obligation - \$83.2 million owed to PCSD





# Governor's Budget

## Silent Changes/High Impact

- Cap on Categorical (expense based aids)
  - **(New) “Services Aid”** - Starting the following year 2020-21
    - Merge 11 major “expense-based aid categories” into one new aid, Services Aid
      - BOCES, Transportation, Textbook, Library, Software, Hardware, public excess cost
      - Annual change would be based on the inflation rate adjusted for enrollment change, with no increase as a minimum
    - 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
      - Special Ed cost factors
    - 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

- **Modify calculation (formula) for Building Aid**
  - Starting in 2019-20 for projects approved by NYSED after July 1, 2019
    - Lowering the minimum aid ratio from 10 to 5 percent
    - Modify how the incidental cost allowance is calculated
    - The formula would be impacted by “wealth adjustment”
    - Eliminate the “Selected Building Aid Ratio”
  - Will increase the local impact on previously approved Long-Range Facilities Plans and Building Condition Surveys
    - Broken promise to schools and taxpayers – schools can’t estimate
    - Shifting of tax burden
    - NYS no longer would fund code compliance and NYS mandated projects



# Governor's Budget

## Silent Changes

### ■ School Bus Safety

#### — Allow District to install Stop Arm Cameras

- Associated costs would **Not** be eligible for State Aid
- Tickets would be issued by local law enforcement and traffic courts with fines being turned over to the District
- Fines for passing a bus with flashing red lights raised to \$250

### ■ Basic STAR Exemption

#### — Amend to eligibility requirements

### ■ Property Tax Cap made permanent

### ■ Early Voting and Pre-Registration

#### — Require school boards to develop policies to encourage student voter registration and pre-registration





# Governor's Budget

## Silent Changes

### ■ APPR

- Eliminate state test utilization to evaluate teacher performance
- Allow districts to use alternative assessments subject to collective bargaining

### ■ School Level Financial Transparency Reporting

- Ed Law 3614 applies to 306 districts with four or more schools
- Present budget and financial data in a prescribed format to include demographic data, per pupil funding levels, uniform decision rules on distribution of centralized spending for all schools from all funding sources



# 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

## *The Crystal Ball is Cloudy*

### Comptroller Thomas DiNapoli on the state's \$2.8 billion budget shortfall

“The flashy and progressive \$175.2 billion executive budget Gov. Andrew Cuomo presented last month just ran into a roadblock earlier this week when the governor and New York state Comptroller Thomas DiNapoli announced a \$2.3 billion shortfall in income tax revenue – on top of the \$500 million dip in revenue at the end of last year. Cuomo and DiNapoli both have pointed to the 2017 federal tax law capping how much of their state and local taxes (known as SALT) that income tax filers can deduct from their federal tax liability as a force that caused some of the state's high earners – who contribute a significant amount to the state's income tax revenue – to flee to states with lower taxes.”



[www.cityandstateny.com](http://www.cityandstateny.com)



# Revenue Picture Summary

- 75% of our funding support is the Property Tax Levy and it is capped at 2.67%
- 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. 0.7% combined growth
  - Our average budget to budget growth has been approximately 2.2%



# Putting it Together

## *High Level View*

- Estimated Revenue support growth (What do we have to work with?) 0.36% \$ 489,015
  - State Aid (\$ 245,019)
  - Interest on investments \$ 75,000
  - Miscellaneous Items \$ 271,061
  - Use of Fund Bal & Reserves (\$2,292,508)
  - Tax Levy (at cap) at 2.67% \$ 2,680,481
- Estimated Budget Appropriation Growth – Target Budget 1.88% \$2,567,015
  - FDK Startup Costs (\$1,955,000)
  - Debt Service (\$ 123,000)

### Options

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



# To Do over next few weeks

- Work with budget department stakeholders and Board Inquiry as stakeholders present their budgets
- Complete staffing/sectioning and 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
- Work with State legislators
- See what an enacted State budget will provide



# Work Session To Do's

February 14 – District Planning Team (DPT)

March 1 – Report required data to Comptroller

March 6 – Board Work Session

March 18 – Board Work Session (Final)

March 21 – District Planning Team (DPT)

April 1 – Regular BOE Meeting

April 23 – Board Adopts Superintendent's Budget

April 25 – District Planning Team (DPT)

May 13 – Public Budget Hearing

May 21 – Budget Vote and Board Election