



Pittsford Schools

2020 – 2021 BUDGET WORK SESSION #1

February 10, 2020





Property Tax Cap

**A
G
E
N
D
A**

State Aid – Foundation Aid Overview

State Aid – Pittsford

Governor’s Executive Budget Proposal Implications

Other Aid Categories – Changes in Governor’s Proposal

Putting it together

Future Work & Meetings



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

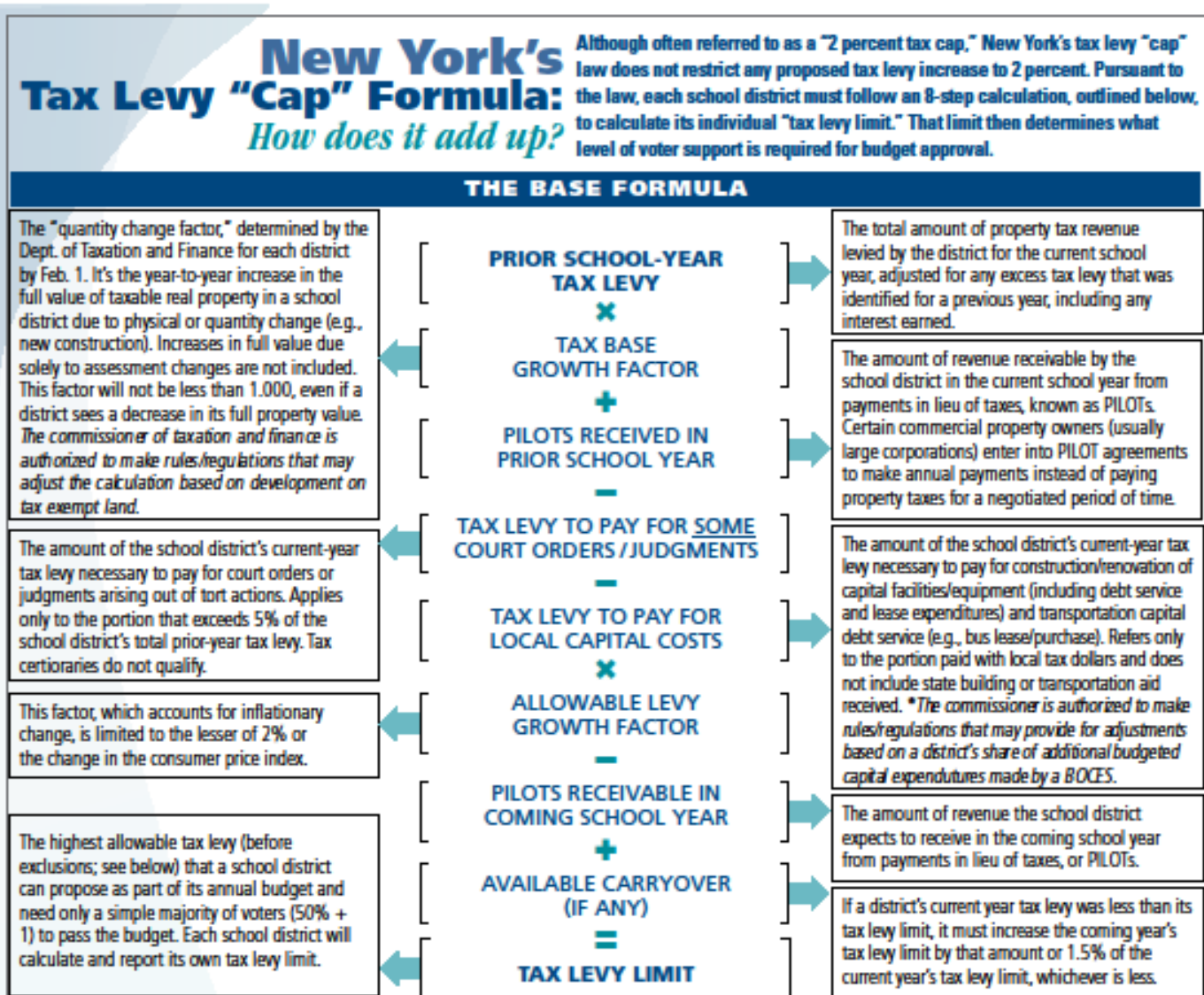


TAX LEVY – From One to Three

- 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?



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	\$103,141,036	2019-20 Actual	Approved by Voters
	x		
Times: Tax Base Growth Factor	1.0055	From Comptroller expansion & development	
	+		
Add: Prior Year PILOTs	\$ 91,930	2018-19 Actual	
	-		
Less: Prior Year Capital Levy	<u>\$ (3,398,004)</u>	Local Portion (Debt Service Less Bldg Aid)	
	=		
Equals: Prior Year Adj Levy	\$ 100,402,238	Adjusted to Base for Growth	
	x		
Times: Allowable Growth Factor	101.81%	lesser of CPI (1.81%) or 2%	
	-		
Less: Estimated New Year PILOTs	\$ (105,836)	Est from Assessors - May	
	+		
Add: Prior Year Carryover	\$ -	If not all cap used (not eligible)	
	=		
Equals: TAX LEVY LIMIT	\$102,113,682		



How does the formula work for Pittsford? (continued)

Equals: TAX LEVY LIMIT

\$102,113,682

+

To be filed with Comptroller March 1

Plus: EXCLUSIONS

Court Orders & Judgments

\$ -

New Year Capital Levy

\$ 5,027,441

Pension Growth > 2 pts

\$ 0

Local Portion (Debt Less Bldg Aid) already voter approved

Employee & Teacher Retire System mandated payments

Add: Total EXCLUSIONS

\$ 5,027,441

=

Maximum Allowable Tax Levy

\$107,141,123

\$ 4,000,087

3.88%

Maximum for simple majority vote

Greater would require 60% approval

Notes:

1. New this year BOCES Capital will impact the Tax Cap calculation. Information from NYS & BOCES is needed.
2. New Year Capital Levy (local portion of debt payments increased due to anticipated reduction of Building Aid on old cash projects.
3. Calculation will be finalized by the required March 1st NYSED reporting date.



Property Tax Cap 2020-21 Nuances

- New this year BOCES Capital will impact the Tax Cap calculation. Information from NYS & BOCES is needed. TBD
- New Year Capital Levy (local portion of debt payments increased due to anticipated reduction of Building Aid on old cash projects)
 - The net impact of the Building Aid reduction is a 1.58% increase to the Tax Levy Cap
 - Without this nuance, the Tax Levy Cap would be 2.3% which is aligned with our average
- Calculation will be finalized by the required March 1st NYSED reporting date



State Aid – Governor’s Proposal

- Second largest revenue component (17%) that supports the District’s budget
 - State support is a steadily decreasing slice of the pie
 - Resident income taxes are not smaller slice of their expense pie, why is less coming back to the Pittsford community?
- 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
 - Various forms of aid are tied to political formulas rather than based on current district specific variables



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 Supreme 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
 - Thirteen 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 formula; others are receiving less and have millions of dollars owed to them. This inequity compounds further each year.



What a difference a year can make!

- A quick look at the State budget process in reference to education



Which cup is the Aid under?

- “Cutting the slices differently in the same size pizza and calling it more”

Dr. Rick Timbs Exec Director Statewide School Finance Consortium





The Governor's Budget Proposal

All NYS Schools

Aid Category	Increase (millions \$)	Notes
Foundation Aid	\$504	Basic Aid
Community Schools Set Aside -\$50m		Earmarking of Foundation Aid for specific purpose
Foundation Aid – Targeted	\$200	High need only no guidance
Reimb. For Expense Based Aids/Other	\$ 72	Transportation, Special Education
Expanded Pre-K for 3 & 4 year olds	\$ 15	High needs
Empire State After School Program	\$ 10	High needs
Early College High Schools	\$ 6	Syracuse City low Graduation Rate
Master Teachers Program	\$ 2	
Curriculum on Diversity & Tolerance	\$ 1	
Social Emotional Initiatives	\$ 1	
Other Education Initiatives	\$ 16	Little clarity at this time
Total Increase	\$826	

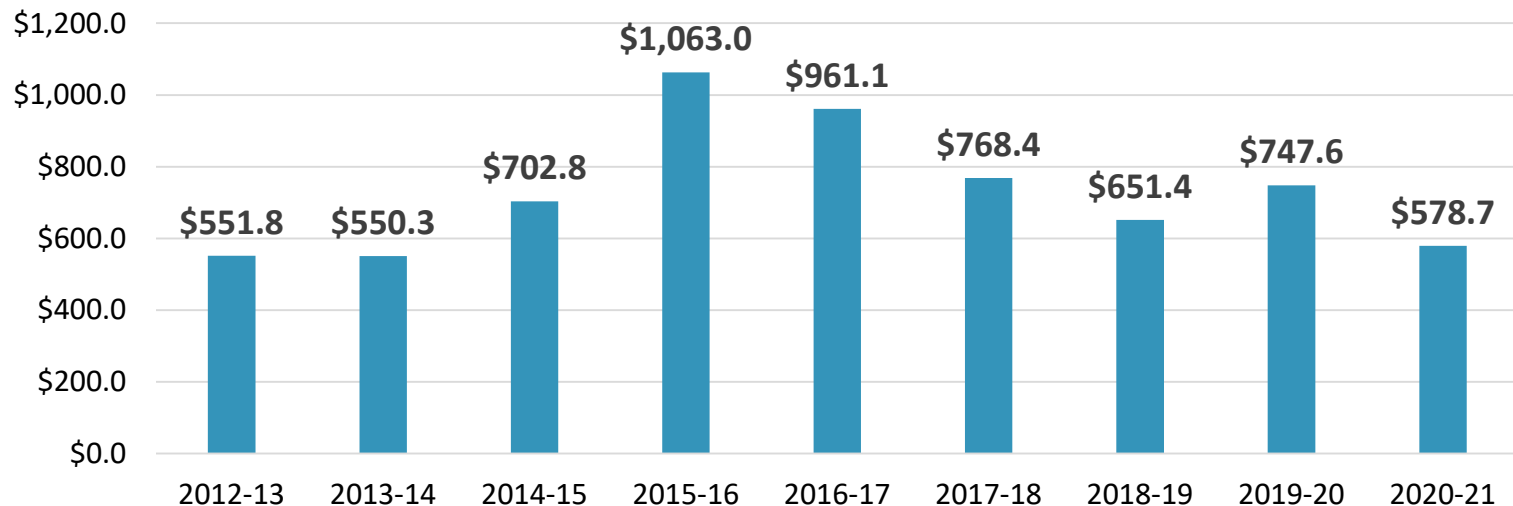
Foundation Aid is only aid Pittsford qualifies for due to “low need & above average wealth”



The Governor's Budget Proposal

- Proposed \$28.8 billion in **total** State support for Public Education
 - An increase of \$826 million or 3%
 - Formula Based Aids (not including grants) increase of \$579 million
 - The lowest increase since 2013-14 (7 years)

Governor's School Aid Formula Increases – millions \$



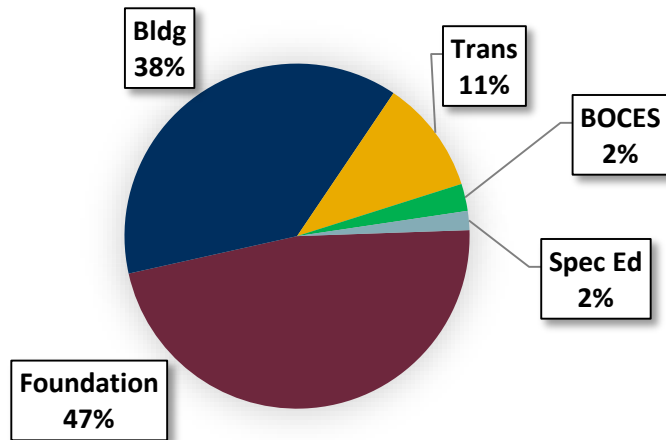


Five Main School Aid Categories

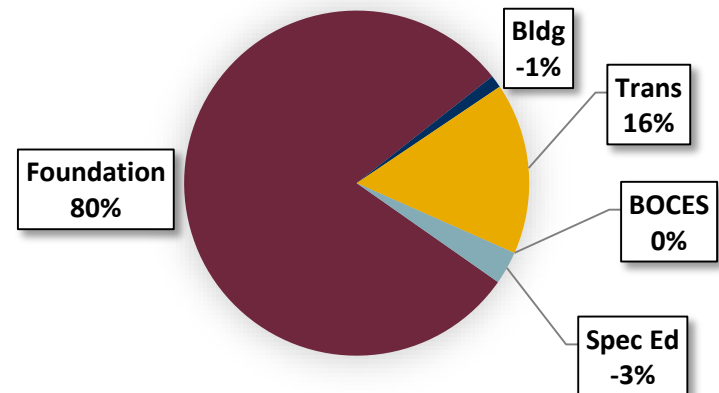
Governor Proposal 2020-21

Category	2019-20	2020-21	\$ Increase	% Increase
Foundation Aid	\$20,255,506,906	\$20,759,305,396	\$503,798,490	2.5%
Building Aid	\$ 3,056,072,749	\$ 3,048,649,360	(\$ 7,423,389)	-0.2%
Transportation	\$ 1,992,643,001	\$ 2,094,524,645	\$101,881,644	5.1%
BOCES	\$ 983,962,958	Moved to Foundation Aid		
Special Ed	\$ 1,054,603,422	\$ 1,035,071,657	(\$ 19,531,765)	-1.9%
Total for NYS	\$26,658,826,078	\$26,937,551,058	\$578,724,980	2.2%

2019-20 Increase by Aid Category



2020-21 Increase by Aid Category





Foundation Aid – Not Simple Anymore

- The Governor reports Foundation Aid to be a \$704 million increase, but how?
 - \$200 million is “Targeted High Need Foundation Aid” – there is little information what this is and how to get
 - Another \$50 million is “Set-aside for Community Schools” intended for high needs districts with large English Language Learner (ELL) populations. “Here is your aid, but you must use this portion of for these purposes.”
 - Both of the above limit Foundation Aid or redirect portions of it from local, to Governor discretion. That’s no longer “Foundation.” *Remember the pizza analogy?*
 - The real Foundation Aid increase is \$504 million. Or is it?



Foundation Aid – Not Simple Anymore

- Beginning with 2020-21, the Governor’s Budget proposes consolidating 10 “Expense-based Aids” within Foundation Aid
 - This added another \$10.1 to the appearance of a Foundation Aid increase
 - Analogy: You are paid \$10 per hour for a 40 hour work week = \$400. Last year you averaged 1 hour of overtime per week. Your employer makes you salaried at \$415 per week and calls it a 3.75% raise. The next week you work 45 hours, you expect \$475 pay, but get the \$415. The boss says, “What’s the problem, you got the biggest raise in seven years?!!!”

What are the “Expense-based Aids” that Pittsford receives now in Foundation Aid?

Aid Category	Description
BOCES Aid	NYS pays a percent of eligible expenditures paid to BOCES. Based on wealth and size of District
Software Aid	NYS derived per pupil allocation of funds. The District is required to share or loan to Non-public schools within the District
Library Materials Aid	Same as above
Textbook Aid	Same as above
Hardware & Technology Aid	Same as above



What is Foundation Aid For 2020-21?

- Foundation Aid Base = current year 2019-20 Foundation Aid + “Expense-based Aids”
 - Changing current year actual to new method
 - *From analogy: lumping your overtime into salary*

- 2020-21 Foundation Aid = 2019-20 Foundation Aid + 2020-21 “Expense-based Aids” + Tiered Increase + Community Schools Set-aside
 - New Five Tier formula system works on the side to channel \$ to high needs schools and downstate
 - Pittsford is in Tier E with a minimum increase of 0.25%



Foundation Aid, why all the changes?

- **Control the Battle**
 - The Governor is tired of defending not funding to the Foundation Aid Law (formula)
 - These changes force schools to lobby for restoration of the expense-based aids (BOCES)
 - It is a way for him to freeze or cap the expense-based aids into a base formula and they are fixed forevermore, even though school mandates and costs will increase
- **Control the Message**
 - It makes it look like
 - Record increase in Foundation Aid while nominal change in total aid
 - The Foundation Phase-In (money owed to schools) went from \$3.4 billion to \$2 billion without spending a dime
- **Control what schools do**
 - Paradigm shift
 - Limit District discretion on how it spends Foundation, BOCES and Instructional Materials Aids
 - Places caveats on Foundation Aid which is legally supposed to be the basis of NYS support of each child
 - Shifts Foundation Aid into Governor initiatives
 - Foundation Aid becomes Categorical Aid under Governor Control and current Categorical Aid becomes Foundation (shell game)

Proposed Aid to Pittsford

DISTRICT CODE	261401
DISTRICT NAME	PITTSFORD
SEE NOTE BELOW	
2019-20 BASE YEAR AIDS:	
FOUNDATION AID PRE-ADJUST.	9,172,942
BOCES	3,763,319
HIGH TAX AID	0
SPECIAL SERVICES	0
CHARTER SCHOOL TRANSITIONAL	0
HARDWARE & TECHNOLOGY	90,640
SOFTWARE, LIBRARY, TEXTBOOK	493,996
SUPP PUB EXCESS COST	0
ACADEMIC ENHANCEMENT	0
SUBTOTAL: FOUNDATION AID	13,520,897
FULL DAY K CONVERSION	479,301
UNIVERSAL PRE-KINDERGARTEN	0
HIGH COST EXCESS COST	501,287
PRIVATE EXCESS COST	294,814
TRANSPORTATION INCL SUMMER	3,373,309
BUILDING + BLDG REORG INCENT	6,617,792
OPERATING REORG. INCENTIVE	0
TOTAL	24,787,400
COMMUNITY SCHOOLS SETASIDE	0
2020-21 ESTIMATED AIDS:	
FOUNDATION AID	13,554,699
FULL DAY K CONVERSION	258,085
UNIVERSAL PRE-KINDERGARTEN	0
HIGH COST EXCESS COST	595,227
PRIVATE EXCESS COST	290,711
TRANSPORTATION INCL SUMMER	3,682,355
BUILDING + BLDG REORG INCENT	4,564,888
OPERATING REORG. INCENTIVE	0
TOTAL	22,945,965
COMMUNITY SCHOOLS SETASIDE	0
\$ CHG 20-21 MINUS 19-20	-1,841,435
% CHG TOTAL AID	-7.43
\$ CHG W/O BLDG, REORG BLDG AID	211,469
% CHG W/O BLDG, REORG BLDG AID	1.16

Compiling State Aid – Governor’s Run

	District Budget	Exec Prop	Adjustments	Adj Exec	District Budget to	
	2019-20	2020-21		2019-20	Adjusted Exec	
Foundation	9,172,942	13,554,699	-	13,554,699	4,381,757	47.8%
Full Day K Conversion	479,301	258,085	-	258,085	(221,216)	-46.2%
Net Foundation	9,652,243	13,812,784	-	13,812,784	4,160,541	43.1%
BOCES	3,763,319	-	-	-	(3,763,319)	-100.0%
High Cost - Spec Ed	501,287	595,227	-	595,227	93,940	18.7%
Private - Spec Ed	294,814	290,711	-	290,711	(4,103)	-1.4%
Hdw & Tech	90,640	-	-	-	(90,640)	-100.0%
Soft/Lib/Text	493,996	-	-	-	(493,996)	-100.0%
Transportation	3,373,309	3,682,355	(444,403)	3,237,952	(135,357)	-4.0%
Building	6,617,792	4,564,888	-	4,564,888	(2,052,904)	-31.0%
Total Aid Run	24,787,400	22,945,965	(444,403)	22,501,562	(2,285,838)	-9.2%
Urban/Suburban	1,071,244	1,071,244	-	1,071,244	-	0.0%
Total State Aid	25,858,644	24,017,209	(444,403)	23,572,806	(2,285,838)	-8.8%
w/o Bldg & U/S Aid	18,169,608	18,381,077	(444,403)	17,936,674	(232,934)	-1.3%

If Foundation Aid had been calculated and represented the traditional way, the true Foundation Aid increase is \$33,503 +0.36%



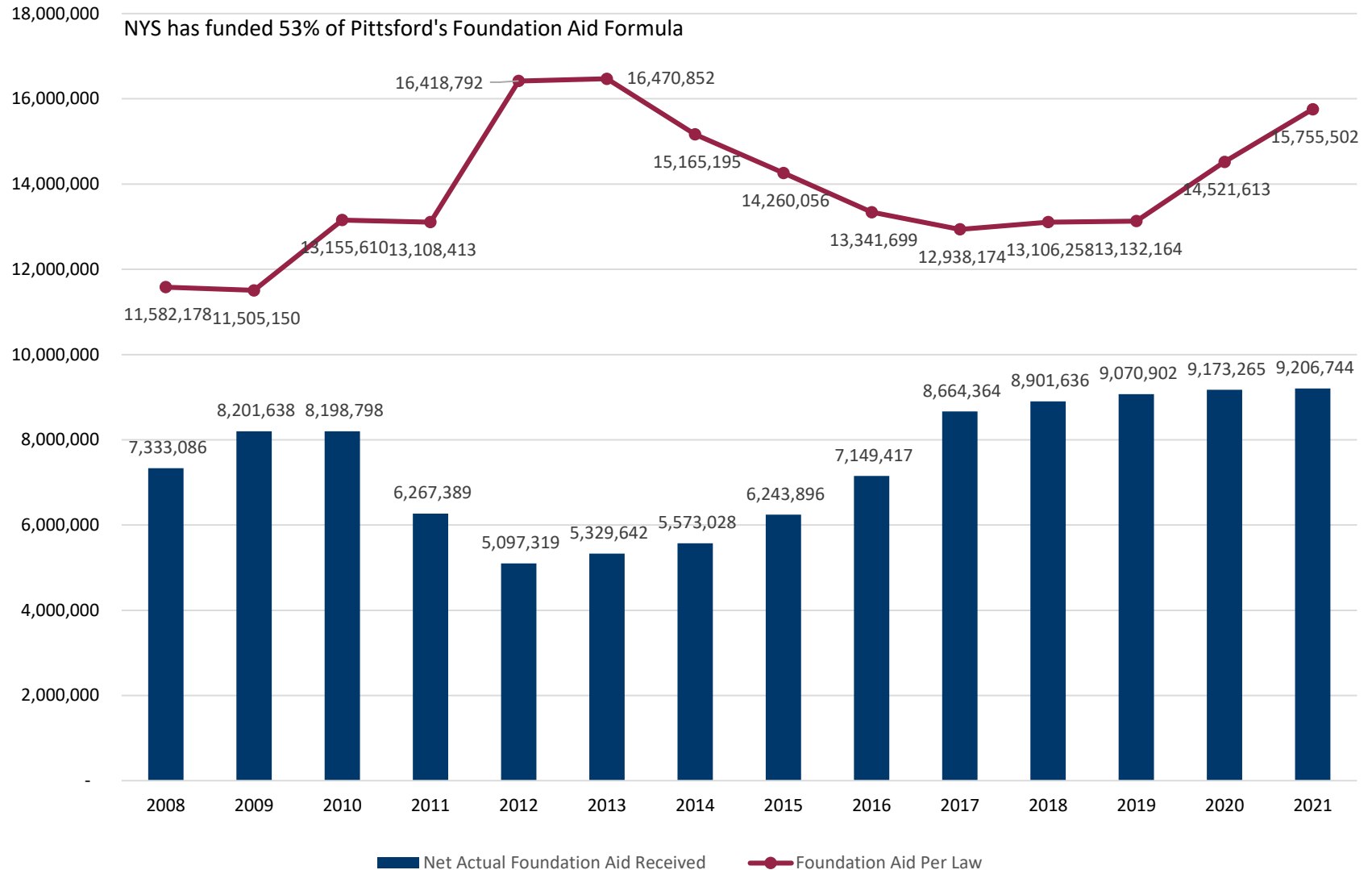
Why Adjustments to Governor's Aid Run?

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.

We are getting more aid right?

Actual Foundation Aid Received vs. NYS Legal Obligation - \$90 million owed to PCSD





Governor's Budget

Silent Changes/High Impact

- Consolidation of Categorical (expense based aids) into the Foundation Formula
 - BOCES – will it change with actual BOCES usage or become a “fixed base number” within the new Foundation Aid formula?
 - Instructional Materials – was based on allocation per student and the District was to share/loan to non-public schools within the District. Will they become a fixed base number, what will happen with the private school loan requirement?
 - Computer Hardware & Software
 - Library and Textbook Materials
 - Will these amounts change?



Governor's Budget

Silent Changes/High Impact

- **Transportation Aid** – the Governor targeted due to 5.1% statewide increase. As a result he almost consolidated Transportation Aid into the Foundation Formula. Instead he is making changes to curtail Aid growth regardless of actual expenditure trends:
 - Beginning in 2021-22 capped at the lesser of:
 - Approved expense in the base year
 - Approved expenses in the prior year X “inflation enrollment index”
 - Inflation Enrollment Index is the greater of:
 - Consumer Price Index CPI-U
 - CPI-U + Five-year public-nonpublic enrollment index (combined enrollment change two and seven years prior to the base year)
 - Impact
 - Aid will be inversely proportionate to actual operations and expenditures
 - Districts with declining enrollment but more costly special routes will not be taken into account



Governor's Budget

Silent Changes/High Impact

- **Public Excess Cost (Special Education)** – Reduction of aid for a District's placement of students with special needs in public or private residential placements
 - Currently the resident tuition is shared:
 - NYS 18.424%
 - County 55.848%
 - School 38.424%
 - Governor proposes to eliminate the NYS share, raising the School District to 56.848%. A 48% increase in cost to the school district without offsetting aid.

- **Building Aid** – For capital projects approved by the Commissioner after July 2020, the Commissioner will determine “space critical to the instructional program, the protection of health and safety, or other appropriate use of facilities.” For example:
 - Synthetic turf fields or athletic recreational facilities shared with other municipalities will not receive building aid
 - Commissioner may look at all District buildings for equitable use before approving construction at one building when there is capacity in others



Governor's Budget

Silent Changes/High Impact

■ ***BOCES Capital Project Exclusion from the Property Tax Cap***

- Passed into law in 2015, but Dept. of Tax and Finance did not act until December 27, 2019
- Guidance on how to treat this in the Property Tax Cap calculation is still forthcoming
- Addresses a school district's share of BOCES capital expenditures, including debt, lease and transportation capital debt
 - In essence the expense for BOCES Capital Items less the associated aid equals the net local share that would be treated in the Tax Cap calculation much the same way a District Debt Service less Building Aid does.

■ ***Prior Year Adjustments to State Aid***

- Currently a district has three years to make a correction due to an error or new information that has come to bare
- Governor proposes:
 - 2019-20 adjustments would need to be submitted to NYSED by Nov 2020
 - 2020-21 adjustments for Foundation Aid or Aids rolled into Foundation Aid, the adjustment cannot exceed the total in the 2021 Governor's Budget
 - 2021-22 forward, eliminates Prior Year Adjustment Requests
- The State/Governor can make adjustments/corrections to **withhold aid for up to seven years**



Governor's Budget

Silent Changes

- **Basic STAR Exemption**
 - Governor continues the trend of pushing homeowners from the STAR Exemption (on school tax bill) to STAR Credit (NYS issues a check)
 - The income threshold to qualify for the STAR will be lowered from \$250,000 combined annual income to \$200,000
 - The Exemption program has been closed to new applicants. Eventually will go away so the Gov. may control the credit process, credit amount and eligibility
- **Rochester City School District Financial Challenges**
 - No additional funds or “bailout”
 - Appoint a monitor to oversee the finances – jointly appointed by Commissioner of Education and Rochester Mayor
- **Social Emotional Learning**
 - \$1 million dedicated to SEL programs
 - Doesn't make a dent in what is mandated or needed



Revenue Picture Summary

- 76% of our funding support is the Property Tax Levy and it is capped at 3.88%
 - Net local share increased due to debt/state aid schedule – we knew this was coming and planned for it with some offset in the budget as well

- 17% of our funding support is State Aid a 2% smaller share
 - Historically Foundation Aid has been frozen and reduced, plus or minus the political atmosphere which at this time has permitted less than 0.4% growth after combining various forms of categorical aids that were previously separate and supplemental

- Result = 93% of our budget support is capped/frozen at approx. 1.3% combined growth



Putting It Together

	2019-20 Budget/Actual	Share of Total Budget	2020-21 Gov Prop	Share of Total Budget	Dollar Change	Percent Change
Total State Aid	\$ 25,858,644	18.9%	\$ 23,572,806	16.8%	\$ (2,285,838)	-8.8%
Tax Levy Cap	\$ 103,141,036	75.5%	\$ 107,141,123	76.2%	\$ 4,000,087	3.9%
Combined Revenue	\$ 128,999,680	94.4%	\$ 130,713,929	92.9%	\$ 1,714,249	1.3%

- State Aid continues to decline in NYS share of support of the Pittsford budget (smaller slice of the pie)
- The Governor is attaining more control with less invested, while owing PCSD taxpayers \$90 million



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
- Work with State legislators
- **See what an enacted State budget will provide**



Upcoming Meetings

February 13 – District Planning Team (DPT)

March 1 – Tax Cap Report to NYS Comptroller

March 4 – Board Work Session #2

March 16 – Board Work Session #3 (Final)

March 19 – District Planning Team (DPT)

March 30 – Regular BOE Meeting

April 16 – District Planning Team (DPT)

April 20 – Board Adopts Superintendent's Budget

May 11 – Public Budget Hearing

May 19 – Budget Vote and Board Election