2023-2024 Budget Background

Presentation at January 24, 2023
BOE Meeting

Recap of 2022-2023

- The 2022-2023 budget included a general fund tax levy increase of 2.0% (equates to $2,995,730)
- State aid was reduced $993,183 for the 2022-2023 budget.
- Capital reserve funds of $2,216,064 were utilized to fund capital projects
- $3,285,993 in surplus fund balance was utilized to fund the operating budget
- The 2022-2023 total operating budget increase was 3.1%

Key Financial Drivers of the 2023-2024 Budget

Tax Levy Available

2022-2023 general fund tax levy	$152,782,231
Revenue generated for 2023-2024 by an increase of 2%	$3,055,645
Banked cap generated in 2021-2022 budget	$714,389

Per Middletown's 2022-2023 State School Aid notice, Middletown's local fair share tax levy calculation is **$176,479,620**. This is based upon the municipality's property value and income factors.

State Aid

- Based on projected seven year impact of S2, we estimate a further reduction in state aid for 2023-2024 of $617,579.
- We do not know the impact of our decrease in enrollment reflected in our October 2022 Application for State School Aid (ASSA).
- State aid funding is also impacted by the amount allocated for it in the state budget.
- Actual state aid allocation will not be known until 48 hours after Governor’s budget address at the end of February - or later.

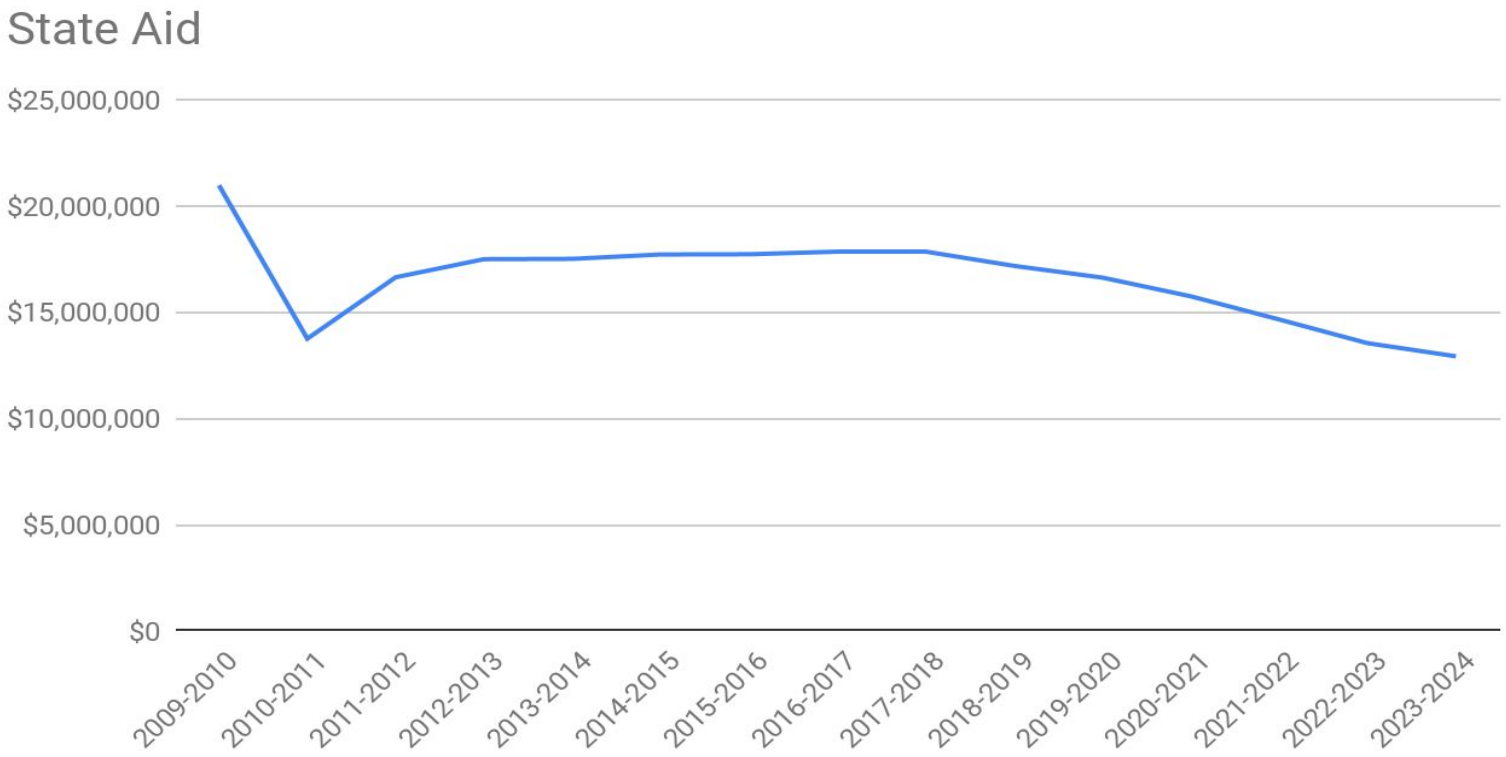
State Aid

Senate Bill S2 laid out a plan to reallocate state aid for school districts over a seven year period starting with the 2018-2019 budget year. Below are the actual and projected future reductions in Middletown's state aid funding based upon the published percentage reductions of each district's overfunded amount (but not reflecting aid adjustments related to enrollment):

2018-2019	-5%	($314,578) actual Reduction from March 2018 state aid amount was $1,177,977
2019-2020	-13%	($552,572) actual
2020-2021	-23%	($880,035) actual
2021-2022	-37%	($1,211,017) actual
2022-2023	-55%	($993,183) estimated
2023-2024	-76%	($617,579) estimated
2024-2025	-100%	($195,025) estimated
Total	-100%	$(4,763,989) estimated ($5,627,388 including addtl. 18-19 reduction of $863,399)

State Aid

State Aid - 2010-2011 to 2023-2024 (anticipated)



Resident Enrollment for Application for State School Aid (ASSA)

		Change
2011	10,057.0	
2012	10,050.0	(7.0)
2013	9,742.0	(308.0)
2014	9,606.5	(135.5)
2015	9,591.0	(15.5)
2016	9,528.5	(62.5)
2017	9,448.0	(80.5)
2018	9,425.0	(23)
2019	9,376.5	(48.5)
2020	9,053.0	(323.5)
2021	8,933.5	(119.5)
2022	8784.0	(149.5)

Resident enrollment has dropped by 1,273 students since October 2011, or 12.7%. Resident enrollment is a significant component of the state aid allocation formula

Adequacy Budget

The district's Adequacy Budget is the state's calculation of what would be the necessary funding level to provide a "thorough and efficient education" to every pupil in that district.

The Adequacy Budget is calculated by assigning weights and values to every student in the district for their various needs. It also takes into account teachers' salaries, cost of supplies, and inflation. The student enrollment value is also multiplied by the Geographic Cost Adjustment (Middletown's is .99530).

NJDOE has determined that Middletown is above their calculation of our district's adequacy budget by $11,207,385 based on our 2022-2023 budget.

Components of State Aid

Breakdown of 2022-2023 state aid (total $13,530,438)

Equalization aid	$966,925	Intended to bridge the gap for underadequacy districts that cannot raise their local cost share without exceeding their 2% property tax cap. (NOTE: Middletown is OVERadequacy…)
Transportation aid	$3,160,000	Calculated with two baselines; one for regular ed and one for special ed
Special Education aid (does not include Extraordinary Aid)	$7,019,398	Not based on actual # of students; calculated using assumed classification rate of 15.90%. Middletown's current rate is nearly 20%.
Security aid	$861,307	Calculated with baseline cost per pupil; additional amount for at-risk students
Adjustment aid	$1,522,808	"Hold harmless aid" - original intent was to ensure no district would lose funding when SFRA funding calculations were done in 2008. This is where the S2 reductions are coming from.

Extraordinary Aid

Extraordinary Aid is state aid designated for special education students that need a high level of services. The state currently defines “excessive” costs as anything over $40,000 for in-district students and $55,000 for students in private placements. The state can reimburse up to 90% of these costs for services provided in-district and 75% if they are provided out of district.

ACTUAL: Between 2015 and 2020, Middletown received Extraordinary Aid that ranged between 50-59% of the eligible costs. The district has received a higher percentage of submitted costs for 2020-2021(75%) and 2021-2022 (84%). The district’s 2021-2022 award was $2,079,695.

NOTE: The District does not receive its Extraordinary Aid award for each fiscal year until after the year has ended. Our budget includes an estimated amount.

Capital and Maintenance Reserves

	Balance June 30, 2022	Amount used during 2022-2023 year	Amount allocated to 2023-2024 budget	Remaining Balance
Capital	$2,220,917	$2,216,064	$0	$4,853
Maintenance	$569,081	$0	TBD	$569,081
Total	$2,789,998	$2,216,064	TBD	$573,934

Allowable balances in capital and maintenance reserves are $178,764,594 and $7,768,252, respectively.

Salaries

- Currently salaries represent approximately $109 million out of our $178 million general fund (operating) budget, or 61%.
- The Board negotiated new agreements with three of its four bargaining units (MTEA, Teamsters - Facilities, Teamsters - Paraprofessionals) effective July 1, 2022. The MTAA (administrators) contract expires June 30, 2023.
- The administrative team is currently reviewing enrollments, schedules, and other identified needs that will impact 2023-2024 staffing.

Benefits

- Current budgeted health insurance costs for 2022-2023, net of employee contributions of approximately $5.1 million, are $19.4 million (approximately 11% of operating budget).
- The District transitioned to a self-insured platform on 9/1/2021 and is currently in its first full year of a self-insured program.
- As of January 2023, 495 employees out of 935 who purchase health insurance from the district are in the NJ Employee Health Plan (53%). Additionally, 10 employees have selected the Garden State Health Plan (1%). The district cannot make changes to the plan design or the contribution amounts of the NJEHP or the GSHP. Employee contribution levels for the NJEHP and the GSHP are lower than the required contributions under Chapter 78.
- **All new district employees must elect either the NJEHP or the GSHP.**

Transportation

Students transported 2022-2023

Regular education - in district	3881	78%
Special education - in district	317	6%
Special education - out of district	47	1%
Sub-total MTPS students	4,245	85%
Full day vocational academies	141	3%
Non-public and charter school	619	12%
Total	5,005	100%

In addition to the transported students, the district pays Aid-In-Lieu (AIL) of transportation for 383 non-public students in the amount of $1,022 per student; equates to $391k. The district is required by law to pay AIL if it cannot procure transportation for a non-public student for a cost of $1,022 or less per student.

School Building Information - Elementary

	Year Built
New Monmouth	1968
Nut Swamp	1964
Harmony	1960
Bayview	1956
Lincroft	1956
Navesink	1941
Middletown Village	1940
Fairview	1931
Leonardo	1931
Ocean Avenue	1931
River Plaza	1922

School Building Information - Secondary

	Year Built
Bayshore Middle School	1931
Thompson Middle School	1960
Thorne Middle School	1960
High School North	1952
High School South	1974

There have been renovations/additions to the buildings since the original construction date.

Debt Service for 2023-2024

Funded by tax levy and debt service state aid - for 2022-2023 debt service aid funded approximately 20% of this cost (almost $1.3M).

Bonds Payable:	Principal and Interest due 2023-2024	Maturity
Refunding bonds, Series 2020	$4,112,000	8/1/2027
Refunding Bonds, Series 2013	$779,793	8/1/2027
2014 Bond Issue (ROD grant projects)	$1,591,912	8/1/2029
Total	$6,483,705	

Debt Service Reduction 2011-2023

Bonds Payable:	Outstanding Principal balance, 6/30/2023	Outstanding principal balance, 6/30/2011	(Reduction)/ increase	Original issue amount	Year of issue
Refunding bonds, Series 2020	$18,085,000	$54,915,000	($36,830,000)	$78,400,000	1997
Refunding Bonds, Series 2013	$3,750,000	$9,120,000	($5,370,000)	$10,500,000	2002
2014 Bond Issue (ROD grant projects)	$10,230,000	$0	$10,230,000	$19,379,000	2014
Total	$32,065,000	$64,035,000	($31,970,000)		

Timeline

- Central administrative team has been meeting with school and department level administrators to review needs that have been submitted.
- Administration is currently focusing on staffing and student scheduling as well as other district-wide budget initiatives.
- 2023-2024 tentative budget must be approved by the BOE and submitted to the NJ Department of Education's county office by Monday, March 20, 2023. The tentative budget is anticipated to be approved by the Board at its March 14th special voting meeting.
- Public hearing and adoption of the final budget must be done between Monday, April 24 and Monday, May 8, 2023. The Board anticipates holding the public hearing and adopting the final budget at its April 25th voting meeting.