

KINGSWAY REGIONAL SCHOOL DISTRICT



2017 – 2018 TENTATIVE DISTRICT BUDGET STATEMENT

2017-2018 District Budget

Executive Summary

Introduction

Currently, the 2017-18 operating budget totals \$33,836,282, which equates to an increase of \$13,929, or 0.04% from current year. The tentative budget was developed with a 2.0% increase in the general fund tax levy, and a decrease in budgeted fund balance of \$339,973, or 20.4%. State aid remains flat at \$8,966,900. Anticipated tuition from other school districts, mainly Logan Township, is up \$45,660, or 1.74% to \$2,664,536.

	2016-17	2017-18	% Inc/(Dec)
Total Operating Budget	\$33,822,353	\$33,836,282	0.04%
Total Special Revenue	\$643,809	\$514,159	-20.14%
Total Debt Service	\$3,535,341	\$3,420,822	-3.24%
Total Budget	\$38,001,503	\$37,771,263	-0.61%

Process

Budgeting for results and outcomes is a strategy the District has adopted in order to maximize our available resources. During budget development, administrators, in collaboration with other stakeholders are asked to identify strategies, programs and activities that will assist in the achievement of our District goals. The strategies, programs and activities are then prioritized to determine which initiatives are most important. Resources are then committed to the most significant initiatives and programs. As these strategies are implemented, the District is continually assessing their impact to determine the true value of each program. This process ensures our limited resources are properly dedicated in the future to limit wasteful and unnecessary spending.

Vision 2019

The 2017-2018 district budget is the first developed under the auspices of the District's strategic plan. The Kingsway Regional School District embarked on [Vision 2019](#), a strategic planning initiative that engaged employees, parents, students, community members, business owners, and government leaders in the future planning of our school system in the spring of 2016. This collaborative planning process resulted in a three-year plan, which will focus the district's efforts and financial resources on mutually determined goals that support the needs of our students and the district as a whole.

Enrollment

Kingsway Regional continues to contend with the effects of significant and rapid enrollment increases that occurred over the last decade. Although enrollment increases were largely the result of a booming housing market in our region, the elementary students who arrived in one of our sending districts continue to advance toward Kingsway. Thus, enrollment increases will continue despite fewer housing starts when compared to the peak in 2008.

By September 2017, the middle school can expect an enrollment increase of nearly 6% to 978 7th and 8th grade students. The high school anticipates an increase of 0.68% to 1,767 9th to 12th grade students for the 2017-2018 school year. In total, enrollment is expected to increase by 2.5%

2017-2018 District Budget

Enrollment Projections

	Actual FY '17	Projected FY '18	Percentage Inc/Dec
7 th	487	491	
8 th	436	487	
Sub Total (MS)	923	978	5.96%
9 th	462	437	
10 th	426	462	
11 th	442	426	
12 th	425	442	
Sub Total (HS)	1755	1767	0.68%
District Total	2678	2745	2.50%

9th Grade Enrollment Calculation

	Current 8th Grade Students	Regional Loss Rate 15%	Logan Twp. Capture Rate 72%	Projected 9th Grade Enrollment
	436	(65)	66	437

Significant Challenges

The Kingsway Regional School District remains committed to providing challenging educational programs as well as comparable extra-curricular and athletic program offerings that prepare students for college and career upon graduation. Despite budgetary constraints due to a rapidly growing student population, the district has managed to expand and maintain student opportunities while securing the safety of both its students and staff members. Kingsway has managed these significant enrollment increases, year after year, without the benefit of corresponding state aid increases that reflect our growth. As a result, the financial support of our schools continues to be disproportionately placed on the homeowners within our region. Kingsway will receive approximately 43% of the total state aid in which we are entitled via the States school funding formula (SFRA).

If funded at 100% of SFRA, Kingsway would receive an additional \$11.6 million of state aid in fiscal year 2018 alone. Accordingly, the district's proposed budget for FY18 falls nearly \$8 million below district adequacy as calculated by the Department of Education. Simply put, Kingsway will spend nearly \$8 million below the level the State of New Jersey has determined as providing a thorough and efficient education for our students. This fact, along with the constant demands placed on our programs as a result of continued enrollment growth, has made it nearly impossible to raise standards or maintain and expand opportunities for our students.

2017-2018 District Budget

Deficit Explained

As described within the FY17 budget summary, the district faced a substantial deficit heading into the preparation of the budget for FY18. In FY17, the district prepared a multi-year budget projection model that made a few assumptions. The assumptions included flat funding from the state, a 2% increase in the local tax levy, a substantial reduction in the use of fund balance, and expenditures would continue to rise at a rate of 2% each year. Public school revenue is fairly easy to predict as most sources are stable year-to-year from a historic perspective. State aid has been relatively flat since FY13 and the 2% tax levy cap restricts districts from balancing their budgets with large tax increases. However, the combination of flat state aid and the local tax levy cap is the basis for our budgetary struggles.

Further Clarification. To further clarify the deficit that existed going into budget preparation for FY18, let's assume that Kingsway planned to maintain their current staff levels and run the same programs in FY18 that they did in FY17. Essentially, no change in the operation. The only difference will be the cost of doing business in FY18 versus the cost of providing those same services in FY17. To calculate the additional cost, we will break our operating expenditures down into three categories. Compensation for our employees (I), employee benefits (II), and the rest will be classified as operational expenses (III). The operational expenses (III) include all other expenditures outside of employee compensation and benefits (i.e. utility costs, building maintenance, student transportation, insurance, athletics, extra-curricular activities, instructional supplies and materials, information technology, etc.).

Projected Expenditures. Based on existing collectively bargained agreements, compensation (I) will increase by approximately \$650,000. The projected increase on our employee medical plans and associated payroll taxes (II) adds another \$350,000. A 2% increase on operating expenditures (III) represents approximately \$165,000 more. Therefore, the cost of doing business in FY18 will cost nearly \$1.2 million more than in FY17.

Anticipated Revenues. We will assume flat state aid, meaning no increase from FY17, and a 2% increase on our local tax levy, which generates an increase of \$404,521. Additionally, the district has utilized fund balance from prior years to balance their budgets. Fund balance is generated through the receipt of unanticipated revenue, or expenditures that come in under budget. A district is allowed to maintain a fund balance of 2% of prior year expenditures. Any excess above that has to be dedicated as revenue in subsequent budgets. Typically, this type of non-recurring revenue should only be dedicated to one-time expenditures and not recurring fixed costs such as salaries and benefits. The other aid categories will remain relatively flat and make up a small portion of our total revenue.

Use of Fund Balance. For comparative purposes, utilizing fund balance to pay for salaries and benefits would be equivalent to paying your mortgage or utility bills from your federal income tax refund each year, an amount that cannot be predicted or guaranteed on an annual basis.

Kingsway has utilized fund balance for these types of costs due to our staffing shortages as a result of our extreme state funding deficiency. As a result, our budgeted fund balance has been declining and is projected to be \$340,000 less than in FY17. In FY18, the district has decided to eliminate the use of fund balance on recurring expenditures. Therefore, nearly \$1.2 million more has to be trimmed from our projected budgetary line items.

Calculating the Deficit. Now that we have calculated our projected revenue and expenditures for FY18, we can determine the amount of the deficit. Projected revenue of \$33.8 million and anticipated expenditures of \$35 million nets a \$1.2 million deficit. Add in the additional \$1.2 million we have to cut

2017-2018 District Budget

to reduce our reliance on non-recurring fund balance, and our structural deficit heading into FY18 sits at \$2.4 million.

A New Approach to Budgeting. With every budget we've developed over the past seven years there has been reasonable hope that the State wouldn't continue the practice of 'starving growing districts like Kingsway' and, sooner or later, we'd get what we were entitled. As a result, we've stretched our dollar as far as possible; have cut much needed supplies/equipment to programs so that we could hold onto the programs in question and preserve teachers; sacrificed repair, maintenance and capital improvement requests, ignoring these costs for another year; and, have deliberately plugged in fund balance to cover recurring expenditures (not a healthy practice) with the thought that state aid would be increased to meet our funding shortfall eventually (How long can this problem go on?). Our thinking was this, if we can hold onto what we have for one more year, state aid will have to come next year. Sadly, next year never came! We approached the 2017-18 school budget process more realistically and with little hope that the state will recognize our plight. The 2017-18 school budget is more realistic and sustainable due to our funding crisis.

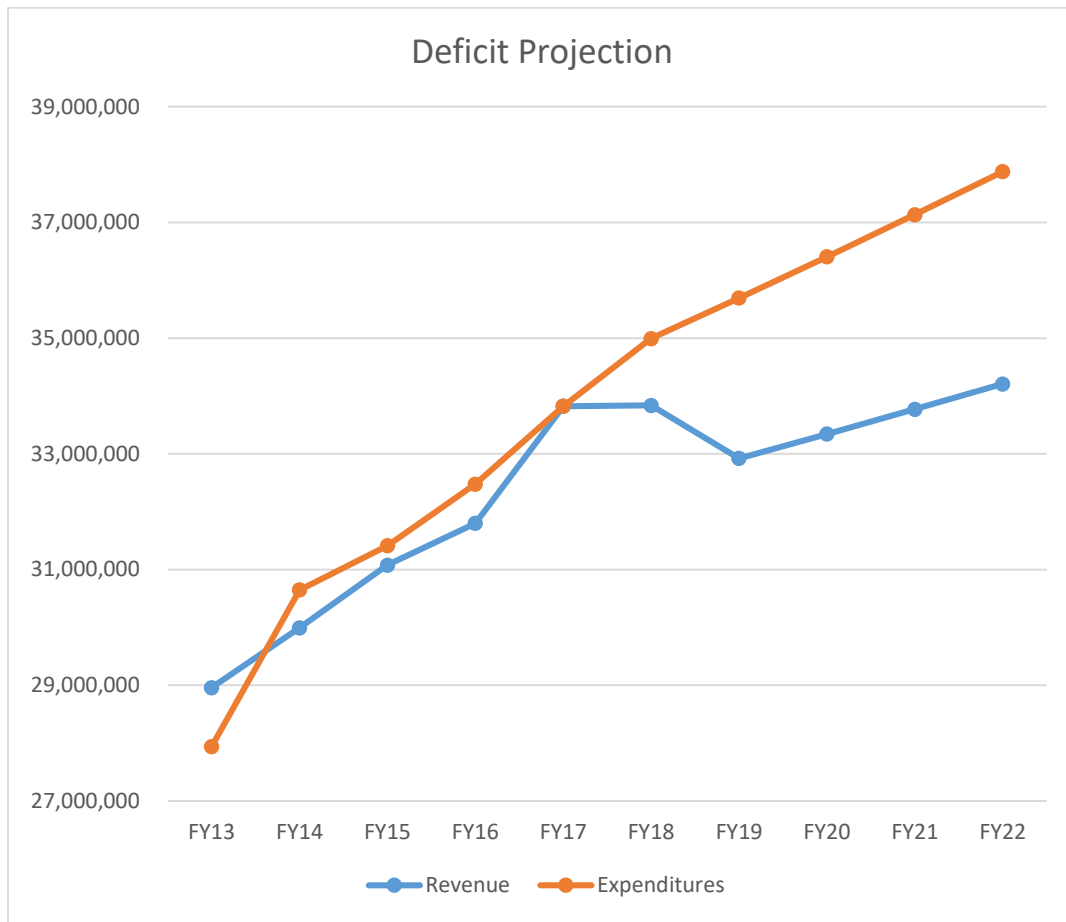
Deficit projection through FY22:

	Current 2016-17	Proposed 2017-18	Projected			
			2018-19	2019-20	2020-21	2021-22
REVENUE						
Surplus	1,668,323	1,328,350	-	-	-	-
Tax Levy	20,226,031	20,630,552	21,043,163	21,464,026	21,893,307	22,331,173
Tuition	2,618,876	2,664,536	2,664,536	2,664,536	2,664,536	2,664,536
Miscellaneous	304,894	203,195	203,195	203,195	203,195	203,195
State Aid	8,866,900	8,866,900	8,866,900	8,866,900	8,866,900	8,866,900
Extraordinary Aid	100,000	100,000	100,000	100,000	100,000	100,000
Federal Aid	37,329	42,749	42,749	42,749	42,749	42,749
Total	33,822,353	33,836,282	32,920,543	33,341,406	33,770,687	34,208,553
APPROPRIATIONS						
General Fund	33,822,353	34,992,104	35,691,946	36,405,785	37,133,901	37,876,579
Projected Surplus/(Deficit)	-	(1,155,822)	(2,771,403)	(3,064,379)	(3,363,214)	(3,668,026)
Reduction of surplus to fund recurring costs		(1,252,375)				
Anticipated Deficit		(2,408,197)				

Assumptions:

1. The tax levy will increase by 2% each year;
2. State aid will remain flat at 2016-17 levels;
3. General fund expenditures will grow by 2% on an annual basis;
4. Salaries will increase per the collectively negotiated agreements;
5. We will no longer utilize surplus to balance our budgets

2017-2018 District Budget



2017-2018 District Budget

Revenue Summary

General Fund

The Kingsway Regional School District's operating budget (general fund) totals \$33,836,282 for fiscal year 2018. The general fund is made up five main sources of revenue: (1) Fund Balance, or surplus; (2) State Aid; (3) Local Tax Levy; (4) Tuition; and (5) Other Miscellaneous sources (Facility rental, interest, athletic admission, etc.).

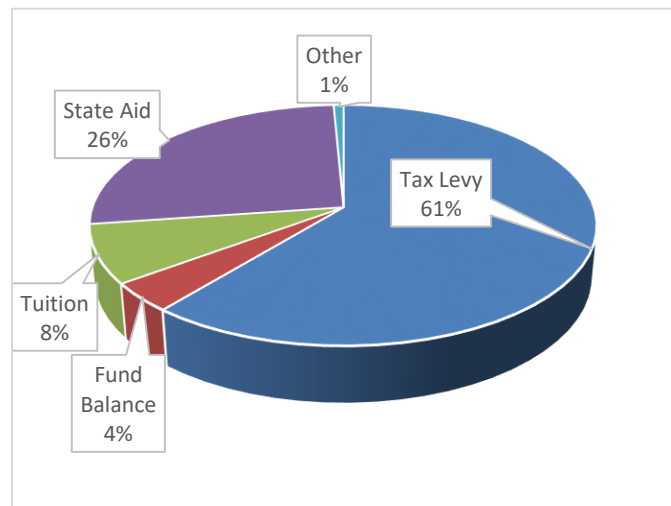
Fund Balance. The FY18 operating budget utilizes \$1,328,350 of surplus, a decrease of 20.38% from FY17, to fund expenditures in fiscal year 2018. Although helpful in 2016-2017, it remains a priority to wean the district off of the reliance on surplus to fund future year recurring expenditures. As such, the district has dedicated \$441,285 to our capital reserve account, and \$811,090 will be used for one-time non-recurring expenditures in FY18. These include the replacement of the domestic hot water system within our high school, wireless access point upgrades, four 54-passenger school buses, an upgraded sound system in the high school's south gymnasium, and a new box truck to transport marching band equipment. The remaining fund balance will be used as direct local tax relief.

State Aid. On February 28, 2017 Governor Christie delivered his annual budget address to a joint session of the Legislature. Two days later, school districts throughout the State received their preliminary state aid figures for FY18. Kingsway, along with many other Districts throughout the State, will receive no additional aid in FY18. Total state aid for FY18 is projected at \$8,966,900. This amount falls approximately \$11.6 million short of full SFRA funding, or 43% of the state's obligation.

Local Tax Levy. The FY18 general fund is tentatively supported by \$20,630,552 in local property taxes. This represents an increase of \$404,521 or 2.0%. Due to continued enrollment growth the District is eligible for automatic property tax cap waivers. The district has chosen not to take advantage of an enrollment adjustment cap waiver in the amount of \$325,732 in FY18. Please see appendix for tax levy analysis.

Tuition. The Logan Township School District pays Kingsway Regional on a per pupil basis to educate their high school age students. It is anticipated that 268 Logan students will make their way on to our campus next year at a regular education per pupil rate of \$9,850. This equates to \$2,664,536 when adjusted for prior year tuition assessments and additional support for students with special needs. This represents an increase of \$45,660 over FY17 or 1.74%.

Shared Services. In an effort to identify alternative revenue sources, pursuant to the District's Strategic Plan, Kingsway Regional has become a leader in shared services. In FY18, shared service initiatives will generate nearly \$500,000 in revenue. These monies have been used to offset expenditures, redirecting money to support our operating budget. Kingsway provides the following services to the South Harrison Township Elementary School District: superintendent, business administration, curriculum, technology,



2017-2018 District Budget

food service, maintenance, and child study team supervision. Kingsway also provides technology support to the Townships of Woolwich, East Greenwich and Harrison. Kingsway will also continue to support technology management and school bus maintenance services for the Clearview Regional School District in FY18.

Miscellaneous. In an effort to identify alternative revenue sources, the Board of Education adopted Policy 2436 in 2011 requiring all students to pay a predetermined fee for athletic registration. The FY18 tentative budget includes anticipated revenue from registration fees in the amount of \$73,095. This represents a 30% decrease due to budgetary cuts in middle school and freshman sports programs. In addition, the operating budget includes estimated revenue of \$5,100 for interest on investments, \$50,000 for facility rental, \$15,000 in athletic gate receipts and an additional \$60,000 from miscellaneous sources consistent with prior years.

Supplemental Enrollment Growth Aid (SEGA). In August 2012 the Kingsway Regional School District was one of a few districts to receive a supplemental appropriation from the Property Tax Relief Fund as a result of significant enrollment growth. Kingsway received \$921,670 of the \$4.141 million appropriated. To qualify a school district's enrollment had to increase by at least 13% between October 2008 and October 2011. Our FY18 State Aid revenue continues to include \$921,670 in supplemental enrollment growth aid.

Special Revenue

The special revenue fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue fund totals \$514,159 for FY18. This reflects an anticipated reduction of \$129,650 or 20.14% from current year.

ESSA Title I. Title I funds are federal dollars dedicated specifically to our at-risk students. Anticipated revenue for FY18 is \$97,508.

ESSA Title IIA. Title IIA funds are federal dollars dedicated to the recruitment and training of teachers and principals. Anticipated revenue for FY18 is \$16,652.

IDEA. IDEA funds are federal dollars dedicated to our students with special needs. We anticipate \$400,000 for FY18, which have historically been used to offset our costly out of district tuition contracts.

Debt Service

The debt service fund accounts for the accumulation of resources for, and the payment of, long-term debt, principal and interest. The sources of revenue in this fund are state aid and local tax levy.

Debt Service Aid. The state share dedicated to the payment of our long-term debt stands at \$522,864 for FY18, an increase of \$92,516 or 21.5% from FY17.

Debt Service Tax Levy. New debt was issued in FY12 to fund major building additions and renovations at both the Middle and high schools. Payback of this debt began in FY13. The total debt service tax levy for FY18 will be \$2,897,958. This equates to a 3.21% decrease from FY17.

2017-2018 District Budget

Appropriation Highlights

Personnel

Due to the nature of our industry, more than 73% of our budget consists of employee compensation and benefits. Total compensation is projected at \$19,163,905 for FY18 with another \$5,541,293 for employee benefits. Compensation totals nearly 57% of our total operating budget while employee benefits total 16%. The tentative budget reflects a reduction of 20.0 FTE positions from FY17 in order to close the deficit.

Full Time Equivalent Positions	Actual				Current	Proposed	Variance
	FY13	FY14	FY15	FY16	FY17	FY18	FY17
Teachers (Grades 6-8)	60.0	63.0	64.0	65.0	65.0	65.0	0.0
Teachers (Grades 9-12)	106.0	111.0	119.0	119.0	117.0	115.5	-1.5
Other Instruction	26.0	30.0	30.0	31.0	32.0	29.0	-3.0
Support Services	139.5	159.5	165.5	167.5	167.5	155.0	-12.5
Administration	11.0	13.0	13.0	14.0	14.0	11.0	-3.0
	342.5	376.5	391.5	396.5	395.5	375.5	-20.0

Curriculum & Instruction

The proposed 2017-2018 school year budget reflects continued improvements and rewrites to district curriculum in grades 7-12. Curricular revisions and writing will take place during the summer months with continued adjustments during the school year. Additionally, this budget will continue to support curricular and co-curricular experiences for academy programs in the district as well as special education programs. However, it is important to note that due to the District's current funding situation, strategic decisions needed to be made regarding instructional programming as noted below. Approximately \$159,000 was reduced from current year across the district's curriculum and program budget.

- Revisions to District Curriculum.** This budget will support revisions to core English, math, science, and history courses across grades 7 through 12 as the district prepares to undergo New Jersey's Quality Single Accountability Continuum (NJQSAC) in the upcoming year. Special emphasis will include the integration of the following four elements within all core course curricula: differentiated instructional methods for at-risk groups, integration of technology to enhance and transform learning, infusion of career readiness standards, and application of interdisciplinary standards. Although the visual and performing arts curricula is up for rewrite this summer according to the District's 5-year curriculum revision cycle, it will not be rewritten at this time due to budgetary constraints. Departments will continue to update curriculum documents throughout the school year to ensure alignment to state standards. Specific career-centered elective courses aimed at extending the Six (6) Programs of Study will not be added this budget year as the District's current staffing constraints do not allow for sections to run. (*Vision 2019; Goal 1: SP 1.1, 1.2; Goal 4: SP 4.1, 4.2, 4.3; Goal 5: SP 5.3; Goal 6: SP 6.1*)

2017-2018 District Budget

- **Special Education Programs.** In an effort to concentrate funding on expanding its current self-contained programs for students with multiple disabilities, the District will reduce its Special Education Programs offerings by dissolving the current S.O.A.R. Program (formally Emotionally/Behavioral Disabled Program) as well as resource center physics and inclusion World History. Therefore, the 2017-2018 school year budget will support increased transportation for Community-Based Instruction (CBI) and Structured Learning Experiences (SLE) at job sites in our middle school and high school S.T.E.P (Structured Transitional Education Program; formerly multiple disabilities (MD) Program). CBI and SLE will be expanded through increased opportunities for sustained, repeated instruction and hands-on learning in the community, aligned to New Jersey’s 21st Century Life and Careers Standards and New Jersey Student Learning Standards (NJSLs). (*Vision 2019: Goal 1: SP 1.2, 1.3; Goal 5: SP 5.3*)
 - **Middle School STEP:** Increase from two (2) experiences annually to monthly CBI opportunities for application of functional mathematics skills and social skills development.
 - **FIRST STEP:** (formerly “Functional MD”): Increase from monthly CBI to one to two (1-2) times weekly for application of functional mathematics skills, daily living skills, pre-vocational skills, and social skills development.
 - **HS STEP:** Increase from monthly CBI to two to three (2-3) times weekly for application of independent living skills, vocational skills, and career exploration; Increase SLE from once weekly to two to three (2-3) times weekly for hands-on, supervised experiential activities designed to prepare students for employment.
- **Academy Programs.** The proposed 2017-2018 school year budget will support curricular and co-curricular experiences for both Academy Programs. Two semester courses, *Principles of Economics and Financial Accounting*, will be written this summer as part of the second year course sequence of the [Business Leadership Academy \(BLA\)](#). Additionally, this budget will support the expansion of DECA as the BLA welcomes its second cohort. *Advanced Calculus BC* will also be written this summer to support the needs of the students within the [S.T.E.M. Academy](#). Additional co-curricular experiences for S.T.E.M. students will also be sustained through this budget. (*Vision 2019; Goal 1: SP 1.2, 1.3; Goal 4: SP 4.1*)
- **Professional Development.** Due to a need to support a variety of curricular needs across the District, professional development for faculty members will remain in-house during the 2017-2018 school year, reducing overall professional development spending. District and building-level administrators will, however, continue to provide professional learning opportunities relevant to differentiated instruction, assessment literacy, data-driven decision making, and content-specific topics. Additionally, the middle school will focus their professional learning on enhancing students’ reasoning skills while the high school will support written expression across all content areas. (*Vision 2019; Goal 1: SP 1.1; Goal 2: SP 2.2; Goal 4: SP 4.1, 4.2, 4.3; Goal 5: SP 5.3; Goal 6: SP 6.1*)

2017-2018 District Budget

Athletics and Extra-Curricular Activities

The tentative budget for FY18 continues to support a wide variety of athletic and extra-curricular programs. However, significant cuts, including all middle school and freshman sports programs, as well as the 4:00 pm late bus, had to be made. The middle school will continue to offer various intramural level activities throughout the year. The high school athletic budget includes funding for all existing varsity and junior varsity level athletic programs. Below is a five-year analysis of athletic and extra-curricular activity spending:

		Actual		Appropriated	Proposed	Variance
	FY14	FY15	FY16	FY17	FY18	FY17
Athletics	775,195	770,257	761,511	811,708	721,873	(89,835)
Extra-Curricular	145,213	161,259	167,509	193,228	159,284	(33,944)
Total	920,408	931,516	929,020	1,004,936	881,157	(123,779)

Other Budgetary Reductions of Note

In addition to the budgetary reductions highlighted above, there are several other significant cuts to the FY18. The equipment line item within the capital outlay portion of the budget was reduced by \$171,000. Additionally, the alternative education program, also known as Twilight, will not be run in FY18. This generated a savings of nearly \$150,000 with the associated transportation expense included.

2017-2018 District Budget

Appendix

Estimated Tax Impact by Assessed Value

	East Greenwich				South Harrison		
	16-17	17-18	Increase		16-17	17-18	Increase
\$100,000	766.70	768.04	1.34	\$100,000	868.70	869.29	0.59
\$200,000	1,533.40	1,536.07	2.67	\$200,000	1,737.40	1,738.57	1.17
\$270,944	2,077.33	2,080.95	3.62	\$300,000	2,606.10	2,607.86	1.76
\$300,000	2,300.10	2,304.11	4.01	\$321,471	2,792.62	2,794.50	1.88
\$400,000	3,066.80	3,072.15	5.35	\$400,000	3,474.80	3,477.14	2.34

	Swedesboro				Woolwich		
	16-17	17-18	Increase		16-17	17-18	Increase
\$100,000	919.00	892.30	-26.70	\$100,000	883.20	911.72	28.52
\$171,650	1,577.46	1,531.63	-45.83	\$200,000	1,766.40	1,823.44	57.04
\$200,000	1,838.00	1,784.60	-53.40	\$288,108	2,544.57	2,626.74	82.17
\$300,000	2,757.00	2,676.90	-80.10	\$300,000	2,649.60	2,735.16	85.56
\$400,000	3,676.00	3,569.20	-106.80	\$400,000	3,532.80	3,646.88	114.08

Average Assessment	East Greenwich	South Harrison	Swedesboro	Woolwich
2017	270,944	321,471	171,650	288,108
2016	269,454	322,058	171,527	287,361
2015	268,203	319,890	170,648	288,260