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# Pittsford Schools

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**2021 – 2022 PROPOSED BUDGET**

**WORK SESSION #1**

**February 8, 2021**





- A** Property Tax Cap
- G** School/State Budget Process
- E** State Aid – Governor’s Proposed School Aid Overview
- N** Governor’s Executive Budget Proposal Implications
- D** Future Work & Meetings

**A** I will not be covering some slides, or not in detail. The slides are here to assist someone viewing from the website.

It is important to realize many of the numbers are fluid and subject to change as information is received and analysis completed.



# Property Tax Levy

- The largest support (76.3%) of the District's budget
  - Inverse of most school districts
- Now capped
  - Based on a complicated formula that is tied to some volatile variables

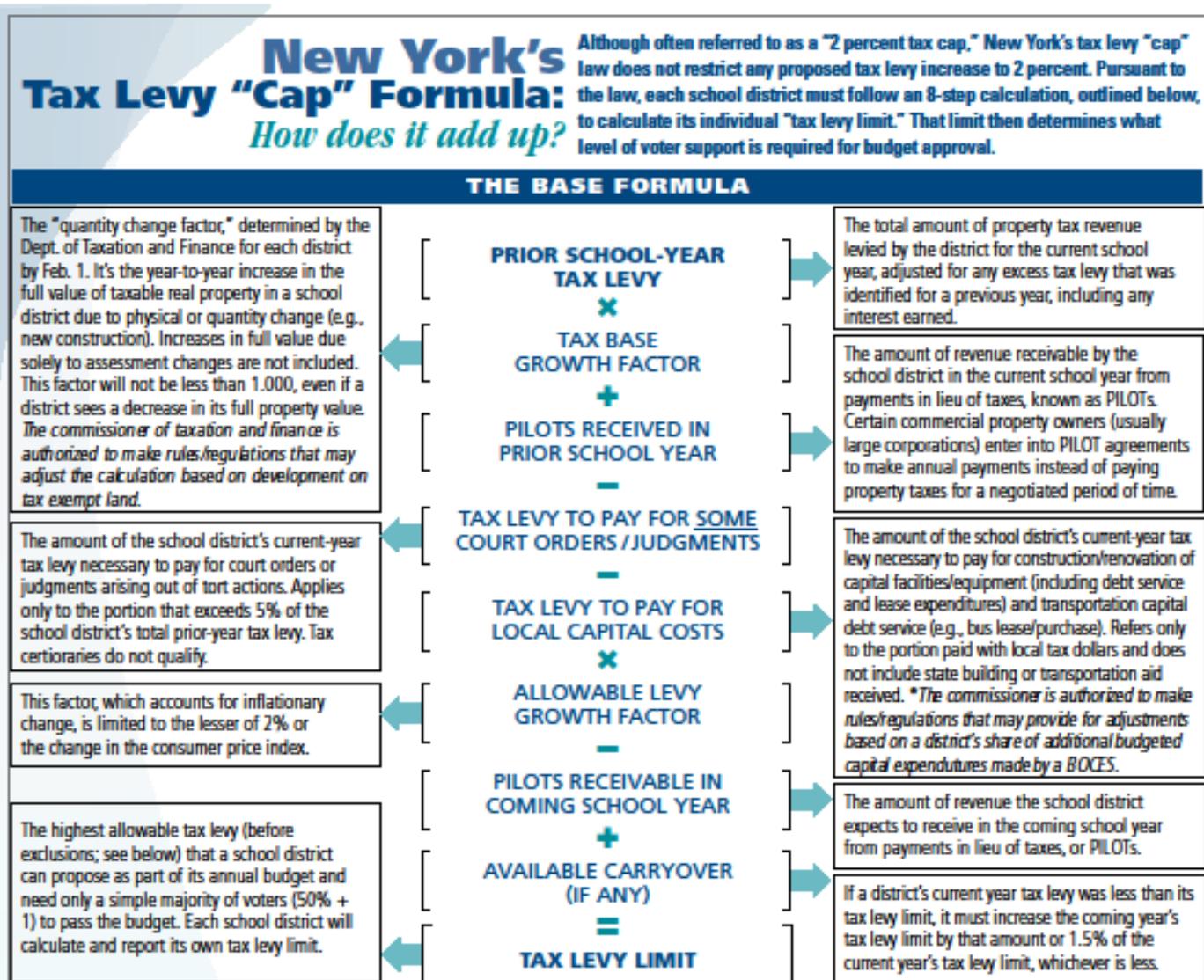


# TAX LEVY – From One to Three

- 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?

**Subject to change prior to March 1st**

|  |                       |  |                    |
|--|-----------------------|--|--------------------|
| <b>Prior Year Levy</b>                 | \$107,023,924         | 2020-21 Actual                                 | Approved by Voters |
|  | x                     |  |                    |
| <b>Times: Tax Base Growth Factor</b>   | 1.0033                | From Comptroller expansion & development       |                    |
|  | +                     |  |                    |
| <b>Add: Prior Year PILOTs</b>          | \$ 105,836            | 2020-21 Actual                                 |                    |
|  | -                     |  |                    |
| <b>Less: Prior Year Capital Levy</b>   | <u>\$ (5,102,816)</u> | 2020-21 Local Portion (Debt Svc Less Bldg Aid) |                    |
|  | =                     |  |                    |
| <b>Equals: Prior Year Adj Levy</b>     | \$ 102,380,123        | Adjusted to Base for Growth                    |                    |
|  | x                     |  |                    |
| <b>Times: Allowable Growth Factor</b>  | 1.01230               | lesser of CPI (1.23) or 2%                     |                    |
|  | -                     |  |                    |
| <b>Less: Estimated New Year PILOTs</b> | \$ (62,137)           | Est from Assessors - May                       |                    |
|  | +                     |  |                    |
| <b>Add: Prior Year Carryover</b>       | \$ -                  | If not all cap used (not eligible)             |                    |
|  | =                     |  |                    |
| <b>Equals: TAX LEVY LIMIT</b>          | <b>\$103,577,261</b>  |  |                    |



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

**Equals: TAX LEVY LIMIT**

**\$103,577,261**

+ To be filed with Comptroller March 1

**Plus: EXCLUSIONS**

**Court Orders & Judgments**      \$      -

**New Year Capital Levy**      \$ 5,480,870

**Pension Growth > 2 pts**      \$    0

**Add: Total EXCLUSIONS**

**\$ 5,480,870**

=

**Estimated Maximum Allowable**

**Tax Levy**

**\$109,058,131**

**\$ 2,034,207**

**1.90%**

Maximum for simple majority vote

Greater would require 60% approval

**Notes:**

1. New last 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 start of BOCES Capital Project payments and Aid.
3. Calculation will be finalized by the required March 1<sup>st</sup> NYSED reporting date.



# Property Tax Cap 2020-21 Nuances

- This year the full impact of BOCES Capital project expense and aid will impact the Tax Cap calculation. Will increase the Debt Exclusion \$378,00
- Calculation will be finalized by the required March 1st NYSED reporting date



# State Aid – Governor’s Proposal

## The State Aid/Budget Process

### June 30

- District closes books and reports Year-end financials and ensuing year’s estimates for the October Database

### January 15

- Governor presents the Executive Budget to Legislature
- State Aid Runs available based on the October database submission

### April 1

- The Legislature works with the Exec Budget and negotiates changes based on an updated January database
- Once passes both houses, the Budget is enacted

### April thru May

- Districts received Enacted Budget Aid Runs
- Amend Proposed Budget Accordingly
- Board of Education Adopts the Superintendent’s Budget
- Board of Education presents their Proposed Budget to the voters



# Unusual Times – School Aid, Governor’s Perspective

- Historically, the Governor’s Proposal was generally the worst case scenario and the Legislative process would enhance the picture normally through a political process that would:
  - Make sure certain areas of the State get a percentage of total aid (*Shares Agreement*)
  - Advocate for money and programs in their constituency
  - Negotiate amongst themselves and with the Governor to make changes (usually more funding)
- Many believe this year, the Governor is basically leading off with the “best case” scenario, why:
  - The promise/potential of significant Federal Stimulus Funds, both current and future
  - Doing so places more pressure on the Federal Government and less on him. If the Federal Funds do not materialize, he will point to the Federal Government as “pulling the carpet out from under New Yorkers,” not him.



# Overarching Words from the Governor

- “The State built two versions of his budget proposal based on how much support the State receives.”
  - Scenario #1: Expectation of receiving \$6 billion from the Federal Government in additional stimulus funds. This figure is an integral basis for the School Aid runs and budget bills. These funds would be provided directly to NYS to be distributed through State created criteria to supplement the school aid runs.
  - Scenario #2: He is hoping for \$15 billion in additional stimulus. Under this scenario there would be no cuts in school aid, but not a pro-rated increase.
- At this time, the District is working with three scenarios:
  - Scenario #1: Virtually no additional State Aid
  - Scenario #2: Using the Governor’s Proposal (currently our area of focus)
  - Scenario #3: If Federal funding does not materialize, a significant reduction in Aid



# Governor's Aid Proposal – Key Highlights

- Foundation Aid (General Operating)
  - Started in 2006-07 in response to a lawsuit NYS lost, with the intent to equitably and predictably fund schools, addressing the “unconstitutional inequitable politically based formulas.” Foundation Aid has never run as written into law in its fifteen year existence.
  - The Governor’s 2021-22 Foundation Aid proposal is again frozen, the third consecutive year.
    - For districts with significant program or enrollment changes are not reflected as they would if driven by formula.
      - Some districts are receiving more Aid Per Pupil than the original formula would provide
    - The gap between what schools are receiving and what the law says is the minimum for a “Sound Basic Education” continues to widen.
    - NYS Foundation Aid was frozen before, from 2009-10 through 2011-12, most years were also reduced by programs like Deficit Reduction and Gap Elimination Adjustment.



# Governor's Aid Proposal – Key Highlights

- Services Aid – Once again proposing to consolidate the eleven forms of aid normally called Reimbursement or Expense Based Aids, the most impactful are:
  - BOCES Aid
  - Transportation Aid
  - Technology & Software
  - Instructional Materials (Library & Textbooks)
  - Governor wants to combine all of them like a “flat grant”
  - No longer be tied to actual services or mandates
  - Would be adjusted annually by an arbitrary factor
  - The 2020-21 Exec. Proposal is combining AND implementing a **Services Aid Reduction** of almost \$700 million (-17%)
    - Reduction is distributed to schools based on various factors including wealth, stimulus allocation compared to other reductions (see below)
    - 436 schools no reduction, 237 schools including PCSD there is a reduction
    - 89% of the reduction is for New York City
    - Reduction to be offset in 2021-22 by the Federal Stimulus. What about after that?



# Governor's Aid Proposal – Key Highlights

- **NEW** - Inclusion of STAR (State Tax Assessment Reduction) in Aid Runs
  - A NYS Program started in 1997 to reduce a resident's taxable assessment
    - School Districts have no input or control over the program or resident credits/checks
  - Has NEVER been included in Aid before and is not part of State Aid. “Doing so distorts the State Aid picture and calculations”
- **NEW** - Local District Funding Adjustment (LDFA)
  - A \$1.35 billion reduction off the top reduction in aid
  - On a per district basis is equal to the lesser of STAR payment or Federal Stimulus allocation



# Governor's Aid Proposal – Key Highlights

- Coronavirus Response and Relief Supplemental Appropriations (CRRSA) aka “Federal Stimulus 2.0”
  - Of the \$6 billion Governor is expecting, \$3.85 billion to go to supporting School Aid and STAR
  - The Risk
    - The Governor has until September 2023 to expend the funds
    - The Governor is electing to use in one year as a “one shot.”  
Concern, where will \$3.85 billion come from in future years?

# Pulling it together – Pittsford CSD point of view

| NYS School Aids                  | 2020-21             | 2021-22             | \$ Change          | % Change     |
|----------------------------------|---------------------|---------------------|--------------------|--------------|
| Current Formula Aids             | \$21,415,260        | \$23,367,192        | \$1,951,932        | 9.11%        |
| Services Aid Combine & Reduction |                     | (\$259,742)         | (\$259,742)        | NA           |
| <b>NYS Aid Subtotal</b>          | <b>\$21,415,260</b> | <b>\$23,107,450</b> | <b>\$1,692,190</b> | <b>7.90%</b> |

| STAR Inclusion                           | 2020-21            | 2021-22       | \$ Change            | % Change        |
|--|--------------------|---------------|----------------------|-----------------|
| STAR*                                    | \$5,349,342        | \$5,084,944   | (\$264,398)          | -4.94%          |
| Local District Funding Adjustment (LDFA) |                    | (\$5,084,944) | (\$5,084,944)        | NA              |
| <b>NYS Aid Subtotal</b>                  | <b>\$5,349,342</b> | <b>\$0</b>    | <b>(\$5,349,342)</b> | <b>-100.00%</b> |

\* School Tax Assessment Relief of 1997 - now Governor wants to call it aid?

| Federal Supplement Funds    | 2020-21          | 2021-22            | \$ Change          | % Change        |
|-----------------------------|------------------|--------------------|--------------------|-----------------|
| CARES**                     | \$195,583        |                    | (\$195,583)        | -100.00%        |
| CRRSA***                    |                  | \$5,344,416        | \$5,344,416        | NA              |
| <b>Federal Aid Subtotal</b> | <b>\$195,583</b> | <b>\$5,344,416</b> | <b>\$5,148,833</b> | <b>2632.56%</b> |

\*\* Coronavirus Aid, Relief and Economic Security Act

\*\*\* Coronavirus Response and Relief Supplemental Appropriations

|                             |                     |                     |                    |              |
|-----------------------------|---------------------|---------------------|--------------------|--------------|
| <b>Total of All Sources</b> | <b>\$26,960,185</b> | <b>\$28,451,866</b> | <b>\$1,491,681</b> | <b>5.53%</b> |
|-----------------------------|---------------------|---------------------|--------------------|--------------|

Data is straight from Gov. State Aid Runs.  
Subject to change with new information and data analysis



# Pulling it together – Pittsford CSD point of view (continued)

|                                   |               |               |               |         |
|-----------------------------------|---------------|---------------|---------------|---------|
| <b>Total of All Sources</b>       | \$26,960,185  | \$28,451,866  | \$1,491,681   | 5.53%   |
| <b>Let's Adjust to Reality</b>    |               |               |               |         |
| STAR is not Aid                   | (\$5,349,342) | (\$5,084,944) |               |         |
| If Federal doesn't happen         |               | (\$5,344,416) |               |         |
| <b>Actual NYS \$ to Pittsford</b> | \$21,610,843  | \$18,022,506  | (\$3,588,337) | -16.60% |

District Scenario #2

|   |             |   |
|---|-------------|---|
| <b>Difference equals what's at Risk</b> | \$5,080,018 | <b>Loss of Aid if no Federal Stimulus Funds</b> |
|---|-------------|---|

District Scenario #3

Data is straight from Gov. State Aid Runs.  
Subject to change with new information and data analysis



# Red Flags and Future Worries

- Large State budget deficits are projected for FY 2022-23 and 2023-24
- One-shot funding (stimulus) creates long-term problems:
  - The Governor is reducing Aid and backfilling with Stimulus
  - Federal money is temporary, the reductions through Services Aid, and LDFA are long-term
  - Future NYS attempts to maintain level funding would result in large State budget increases. Where does the revenue come from?
  - How to make up the difference while maintaining compliant with the school aid growth cap, based on the NYS Personal Income Growth Index?
- Is the Governor looking to President Biden's American Rescue Plan?
  - Federal Stimulus 3.0
  - \$1.9 trillion total
    - \$130 billion for PK-12 Education
    - \$350 billion for State/Local Govts.
  - Probability of proposal passing in both houses of Congress with no changes?



# We already read this book

## GEA 2.0 History of a Fiscal Cliff

- 2009-2010 Deficit Reduction Assessment (DRA) cut state aid to schools. Reductions offset by Federal American Recovery and Reinvestment Act (ARRA) of the 2009 and 2010 Educational Jobs Fund.
- 2010-2011 Gap Elimination Adjustment (GEA) replaces DRA and loss to schools mitigated through continued use of Federal Funds.
- 2011-2012  
thru 2015-16 GEA continued and loss to schools was drastic, due to Federal Funds no longer available.
- 2016-2017 The GEA was fully eliminated through a multi-year phase out. It was called “increases in aid,” the reality was it restored schools to 2010-11 levels.
- 2017-2018  
thru 2019-20 The economy supported strides toward catching up on the gap in funding.
- 2021-22 The same strategy starts all over, reducing aid to schools with a \$3.85 billion Federal one-shot.

# The New Aid Method In Traditional Format

Data is straight from Gov. State Aid Runs. Subject to change with new information and data analysis

| Aid Category                               | 2020-21           | 2021-22           | \$ Change          | % Change      |
|--|-------------------|-------------------|--------------------|---------------|
| Foundation Aid                             | 9,172,942         | 9,172,942         | -                  | 0.0%          |
| Services Aid (see below)                   | -                 | -                 |                    |               |
| Transportation Aid                         | 3,376,837         | 3,859,440         | 482,603            | 14.3%         |
| BOCES Aid                                  | 3,116,523         | 4,334,389         | 1,217,866          | 39.1%         |
| Textbook Aid                               | 352,180           | 353,985           | 1,805              | 0.5%          |
| Software Aid                               | 93,026            | 93,475            | 449                | 0.5%          |
| Library Materials Aid                      | 37,801            | 39,000            | 1,199              | 3.2%          |
| Hardware and Technology Aid                | 93,175            | 94,229            | 1,054              | 1.1%          |
| <b>Less: Services Aid Adjustment</b>       |                   | <b>(259,472)</b>  |                    |               |
| Building Aid                               | 4,514,718         | 4,511,761         | (2,957)            | -0.1%         |
| Reorganization Incentive Building Aid      | -                 | -                 | -                  | N/A           |
| Reorganization Incentive Operating Aid     | -                 | -                 | -                  | N/A           |
| High Cost Public Excess Cost Aid           | 321,867           | 606,928           | 285,061            | 88.6%         |
| Private Excess Cost Aid                    | 273,689           | 301,043           | 27,354             | 10.0%         |
| Full-Day Kindergarten Conversion Aid       | 258,085           | -                 | (258,085)          | -100.0%       |
| Universal Prekindergarten Aid              | -                 | -                 | -                  | N/A           |
| <b>Total Categorical State Aid</b>         | <b>21,610,843</b> | <b>23,107,720</b> | <b>1,496,877</b>   | <b>6.9%</b>   |
| Local District Funding Adj (Reduction)     | (195,583)         | (5,084,944)       |                    |               |
| <b>Adjusted (Reduced) State Aid</b>        | <b>21,415,260</b> | <b>18,022,776</b> | <b>(3,392,484)</b> | <b>-15.8%</b> |
| <b>Federal Impacts</b>                     |                   |                   |                    |               |
| CARES Act / Estimated Stimulus             | 195,583           | 5,344,416         |                    |               |
| <b>Total State Aid with Federal Funds</b>  | <b>21,610,843</b> | <b>23,367,192</b> | <b>1,756,349</b>   | <b>8.1%</b>   |
| STAR                                       | 5,349,342         | 5,084,944         |                    |               |
| <b>Total State, Federal Aid &amp; STAR</b> | <b>26,960,185</b> | <b>28,452,136</b> | <b>1,491,951</b>   | <b>5.5%</b>   |



# 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
- Advocacy & monitor Federal progress
- **See what an enacted State budget will provide**



# Upcoming Meetings

February 11 – District Planning Team (DPT)

February 23– Board Work Session #2

March 1 – Tax Cap Report to NYS Comptroller

March 9 – Board Work Session #3 (Final)

March 18 – District Planning Team (DPT)

March 22 – Regular BOE Meeting

April 7 – Regular BOE Meeting

April 15 – District Planning Team (DPT)

April 19 – Board Adopts Superintendent’s Budget

May 10 – Public Budget Hearing

May 18 – Budget Vote and Board Election