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# Pittsford Schools

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**2022 – 2023 PROPOSED BUDGET**

**Budget Work Session #1**

**February 8, 2022**





## Property Tax Cap

A School/State Budget Process

G State Aid – Governor’s Proposed School Aid Overview

E Governor’s Executive Budget Proposal Implications

N Future Work & Meetings

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

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



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# Property Tax Levy

- The largest support (75.8%) of the District's budget
  - Inverse of most school districts
- Now capped
  - Based on a complicated formula that is tied to some volatile variables.

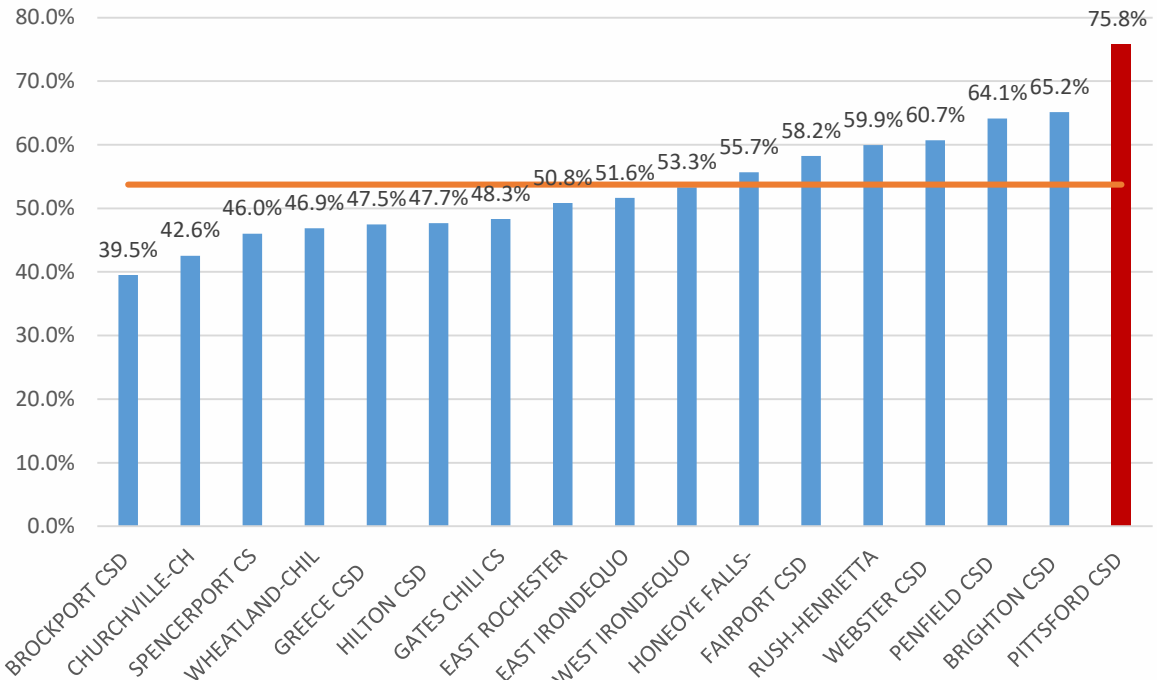


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# Tax Levy as Percent of Budget

## Monroe County

- Property Tax Levy comparison of total support
  - County Average 54% of budget support is the Tax Levy
  - Pittsford 76%
- Another way to think....
  - Every \$ added or saved \$0.76 added or decreases taxes
  - When the gap between the Tax Cap and Inflation widens, the Tax Cap is more punitive to Pittsford, than other districts
  - Changes in State Aid are more impactful to other districts than to Pittsford



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# TAX LEVY – From One to Three

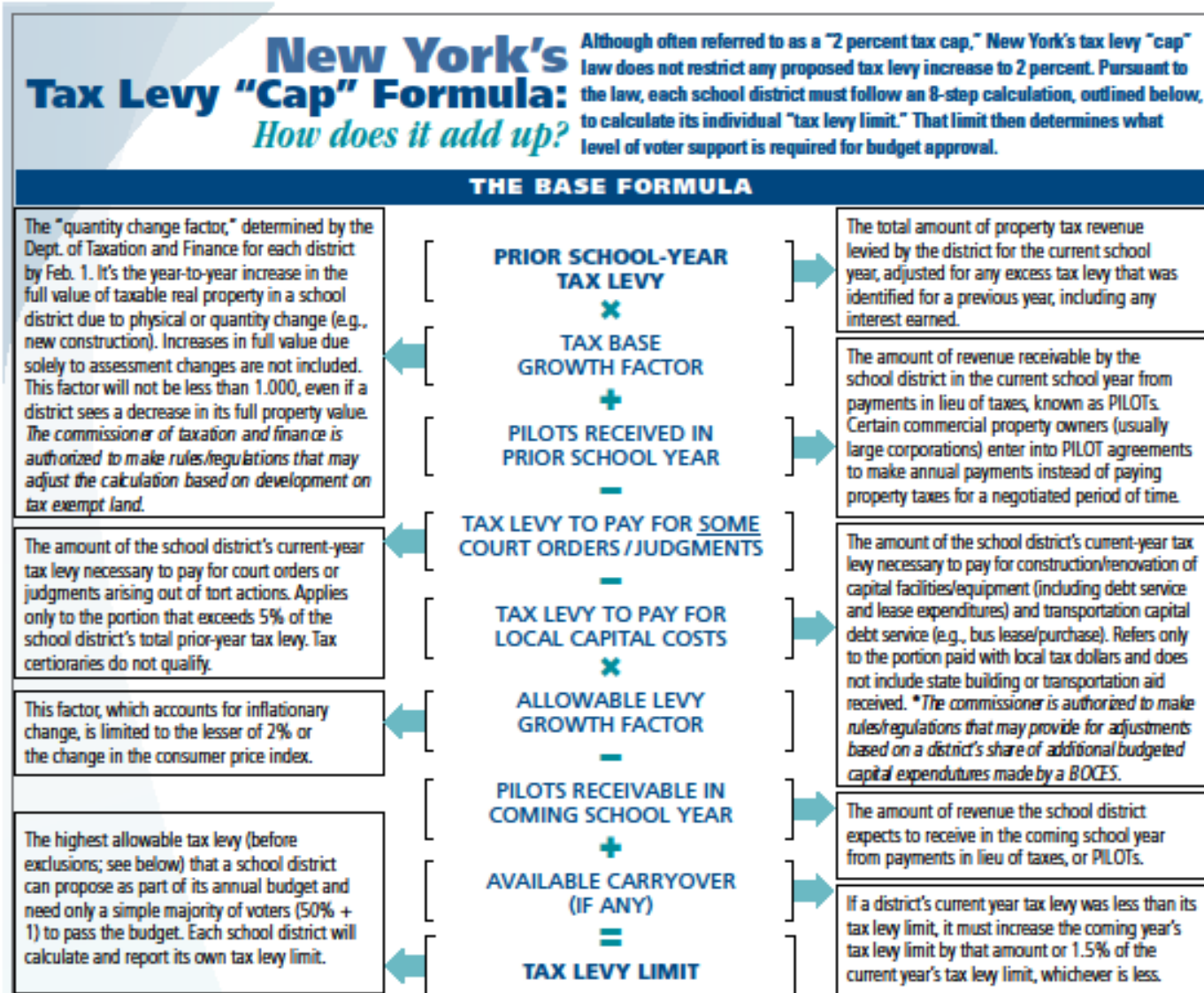
- With all the talk of New York’s “2% tax cap,” it may come as a surprise to learn that each school district in the state will present **three separate tax levy numbers** as part of their compliance with the legislation.
  - Chances are none of the three tax levy numbers will be exactly 2%.
  - Because 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



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# 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>	\$109,113,596	2021-22 Actual	Approved by Voters
	x		
<b>Times: Tax Base Growth Factor</b>	1.0060	From Comptroller expansion & development	
	+		
<b>Add: Prior Year PILOTs</b>	\$ 62,137	2021-22 Actual	
	-		
<b>Less: Prior Year Capital Levy</b>	<u>\$ (5,536,335)</u>	2021-22 Local Portion (Debt Svc Less Bldg Aid)	
	=		
<b>Equals: Prior Year Adj Levy</b>	\$ 104,294,080	Adjusted to Base for Growth	
	x		
<b>Times: Allowable Growth Factor</b>	1.0200	lesser of CPI (4.70%) or 2%	
	-		
<b>Less: Estimated New Year PILOTs</b>	\$ (78,570)	Est from Assessors - May	
	+		
<b>Add: Prior Year Carryover</b>	\$ -	If not all cap used (not eligible)	
	=		
<b>Equals: TAX LEVY LIMIT</b>	<b>\$106,301,392</b>		



# How does the formula work for Pittsford?

## (continued)

**Equals: TAX LEVY LIMIT** **\$106,301,392**

+ To be filed with Comptroller March 1

**Plus: EXCLUSIONS**

**Court Orders & Judgments**      \$      -

**New Year Capital Levy**      \$ 5,568,221

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

2022-23 Local Portion (Debt Less Bldg Aid) already voter approved

Employee & Teacher Retire System mandated payments

**Add: Total EXCLUSIONS** **\$ 5,568,221**

=

**Estimated Maximum Allowable**

**Tax Levy** **\$111,869,613**    **\$ 2,756,017**    **2.53%**    **Current CPI - 7%**

Maximum for simple majority vote

Greater would require 60% approval

**Notes:**

1. BOCES Capital impacts 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.



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# Property Tax Cap 2022-23 Nuances

- Exclusion amount (Net of Debt and Capital Expenses less related State Aid), fluctuates due to the debt schedule and NYS assumed amortization schedule
- 2022-23 will be the final payment for a portion of the 2002 \$106 million Capital Project. \$35.5 million bond will be paid off and debt schedule will decrease by \$5.1 million.
- Aid on School buses reduces the exclusion because we do not issue debt to buy buses, PCSD uses the Bus Purchase Capital Reserve
- Calculation will be finalized by the required March 1st NYSED reporting date



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# 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



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# 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)
- This year, the Governor is basically leading off with the “best case” scenario, why:
  - Keeping the promise to fund Foundation Aid fully by 2024-25
  - Increased NYS spending or budget supported with significant Federal Stimulus Funds, both current and future
  - Doing so potentially places NYS and local governments on the path to a fiscal cliff



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# Overarching Theme of Governor's Budget

- Proposed a \$216.3 billion budget, an increase in NYS spending of 2%
- Balanced plan through 2027
- Due to stronger than estimated mid-year tax receipts \$22.2 billion spending growth is estimated to be 3.1%
- Increase of State's reserves to 15% of State's Operating Funds to create a "Rainy Day Fund"
- Non-Recurring initiatives:
  - \$2 Billion property tax relief
  - \$2 Billion Pandemic Recovery Initiatives
  - \$1 Billion to enlarge NYSDOT Capital Plan
  - \$1 Billion Health Care Transformation
  - \$1.2 Billion bonuses for frontline Health Care Workers
  - \$530 Million Business and Theater/Musical Arts Pandemic Relief
- Total School Aid is \$31 billion – an increase of \$2.1 billion (7.1%) over school year 2021-2022



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# 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 2022-23 Foundation Aid proposal includes year 2 of 3 year commitment to fully fund foundation aid with an increase of \$1.6 billion. (8.1%)
    - All Districts receive a minimum of 3% over the prior year if currently fully funded status, or a phase in program to become fully funded (PCSD).
    - Districts with significant program or enrollment changes are not reflected as they would be 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 for some and narrow for others



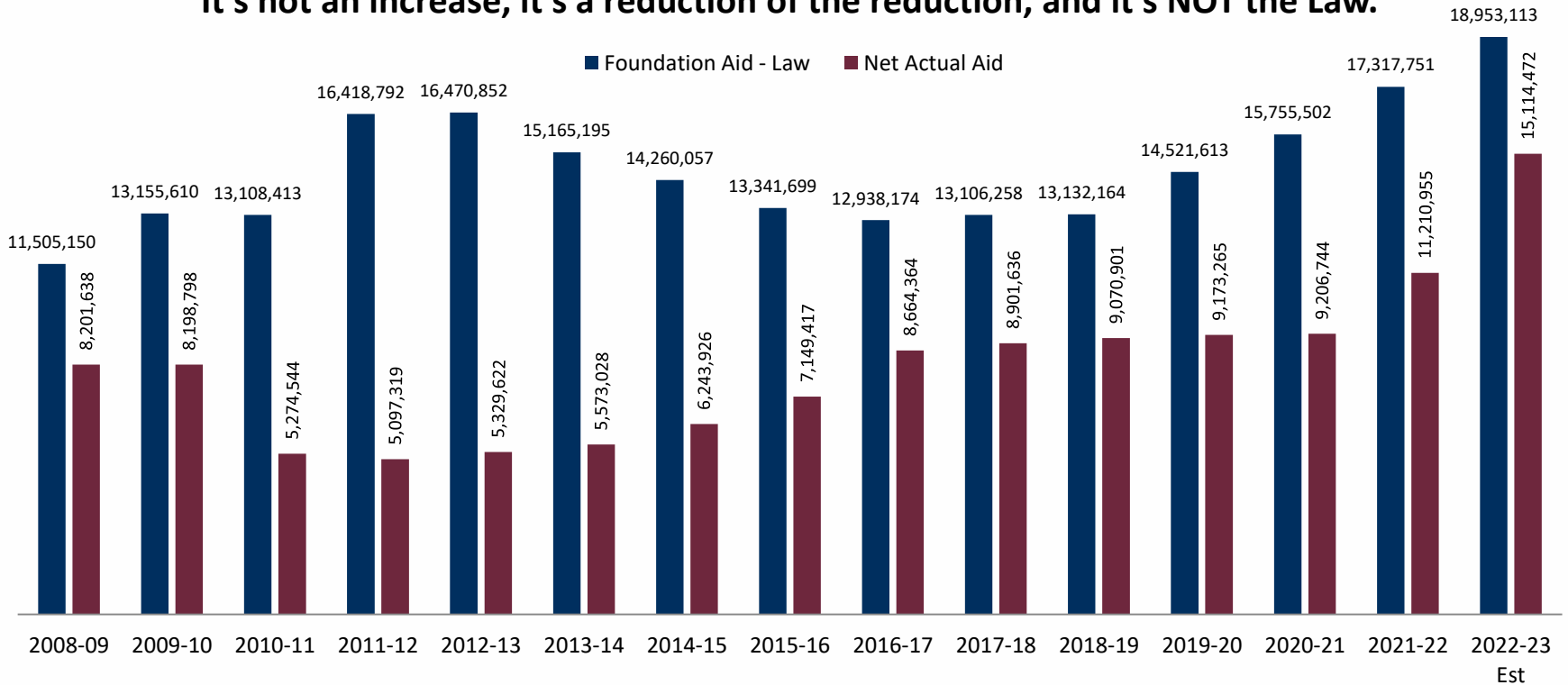
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# Foundation Aid History & Facts (Law vs Actual)

*Most of the life of Foundation Aid has been frozen. The last two years demonstrates the phase-in to get to full payment. The Gov. proposes \$15.1m compared to formula of \$18.9m. The district is 80% funded compared to the 2012 low of 31%*

## The Real Foundation/GEA Picture

**It's not an increase, it's a reduction of the reduction, and it's NOT the Law.**

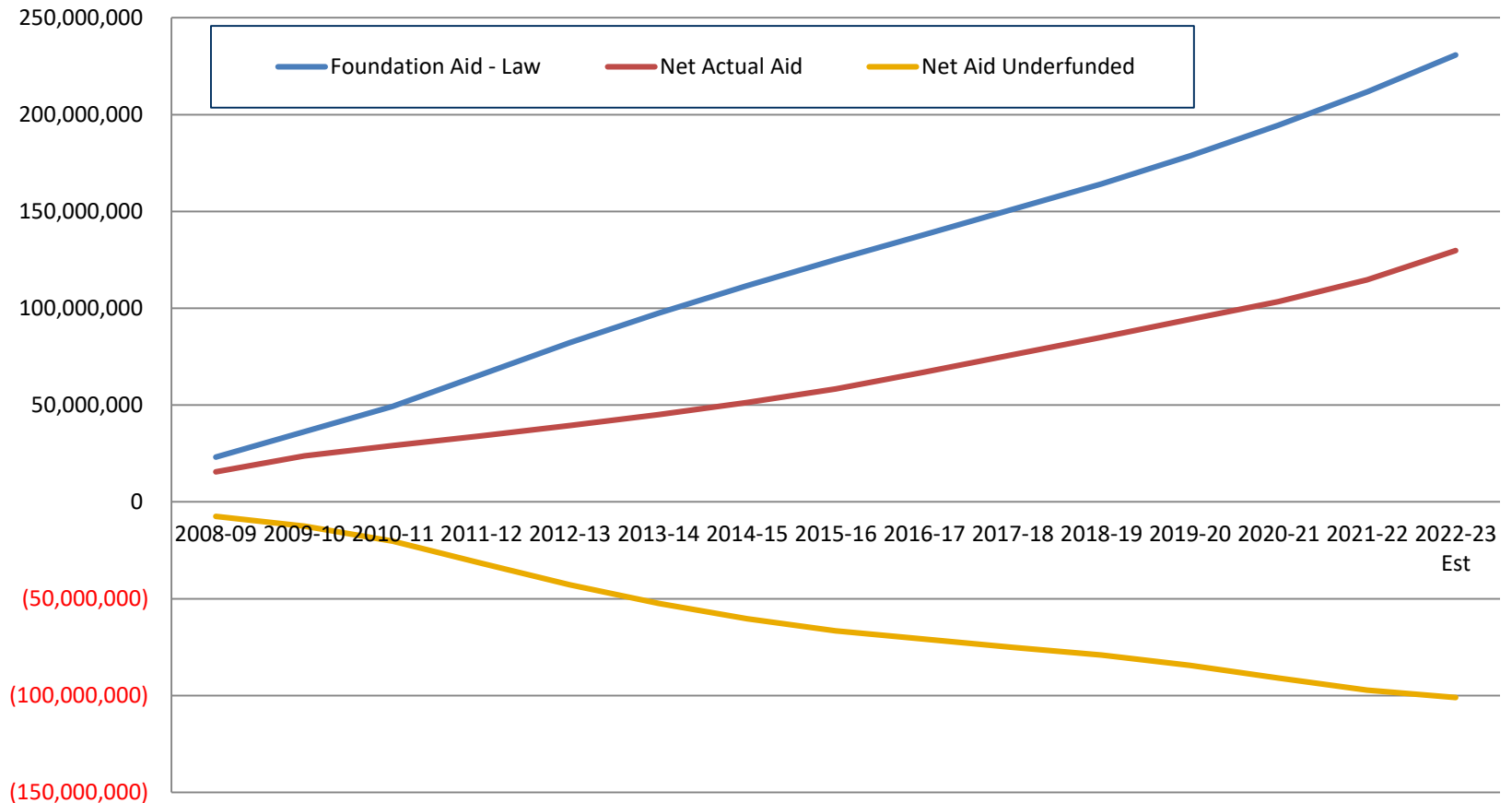


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# Foundation Aid History & Facts (Law vs Actual)

*A cumulative impact of not following the law. "Fully Funded" would mean pay what is in arrears. Since 2007-08 should have received \$230m, actual received was \$129m, or **\$101m in arrears**. Overall, NYS has paid 56% of its debt to Pittsford District Taxpayers.*

**Foundation Aid Formula Per Law v. Actual Aid Received - Long-term Cumulative Impact**



# Adjusted Governor's State Aid Proposal

	Approved	Gov Proposed	Adjustments	Adj Gov	Budget to Adj Gov	
	2021-22	2022-23		2022-23	Dollar	Percent
Foundation	\$ 11,210,955	\$ 15,114,472	\$ -	\$ 15,114,472	\$ 3,903,517	34.8%
FDK	\$ -	\$ -	\$ -	\$ -	\$ -	0.0% N/A
UPK	\$ -	\$ 626,400	\$ (626,400)	\$ -	\$ -	0.0% N/A
BOCES	\$ 4,334,389	\$ 3,934,989	\$ (300,000)	\$ 3,634,989	\$ (699,400)	-16.1%
Spec Svcs	\$ -	\$ -	\$ -	\$ -	\$ -	0.0% N/A
High Excess Cost	\$ 196,338	\$ 641,867	\$ (298,461)	\$ 343,406	\$ 147,068	74.9%
Private Excess Cost	\$ 300,354	\$ 301,539	\$ -	\$ 301,539	\$ 1,185	0.4%
Hdwre & Tech	\$ 92,960	\$ 97,038	\$ -	\$ 97,038	\$ 4,078	4.4%
Soft, Libr & Text	\$ 480,192	\$ 483,497	\$ -	\$ 483,497	\$ 3,305	0.7%
Transportation	\$ 3,162,734	\$ 3,943,995	\$ (649,205)	\$ 3,294,790	\$ 132,056	4.2%
Building	\$ 4,511,761	\$ 4,137,476	\$ -	\$ 4,137,476	\$ (374,285)	-8.3%
<b>Total</b>	<b>\$ 24,289,683</b>	<b>\$ 29,281,273</b>	<b>\$ (1,874,066)</b>	<b>\$ 27,407,207</b>	<b>\$ 3,117,524</b>	<b>12.8%</b>



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# Governor's Aid Proposal – Key Highlights

- New Proposals and Initiatives
  - RECOVS Learning and Mental Health Grants - \$100 million over two years, establish a matching funds, Recover from COVID School Program for schools that use the Federal Pandemic Relief Funds to address high needs to create or expand summer learning, after school, extended-day or year programs; or to hire mental health professionals, expand school-based mental health services and evidence based mental health supports to help students and school staff. Program and criteria are under development by Commissioner of Education.
  - Clean Water State Revolving Loan Fund – Environmental Facilities Corporation (EFC) to offer public school districts financing for waste and storm water infrastructure projects.
  - Electronic School Buses – all buses purchased 2027 or later be zero emissions, and all school buses on the road by 2035. Some funding for charging stations, buses and extends leases to ten years.



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# Governor's Aid Proposal – Key Highlights

- New Proposals and Initiatives (continued)
  - Teacher Pipeline – creates temporary professional certification allowing teachers and other school professionals to be employed while the status of their certification is pending NYSED approval.
  - Master Teacher and School Counselor Awards Grant - \$2 million to support a \$15,000 annual stipend for four years to master teachers and school counselors. “Awards shall prioritize teachers of color, career and technical education teachers and guidance counselors”.
  - TEACH System Modernization - \$1.35 million to update/modernize.
  - Retiree Income Waiver – authorize public sector retirees to work for a public school without a waiver and without reduction in their retirement benefits, regardless of the amount earned, through June 30, 2024.
  - Ethics and Conflicts of Interest – expand existing restrictions for municipal officers and employees (including school districts and Boards of Education) involving contracts and financial matters to now include spouse of the employee/officer and anyone living in their home and/or shares a grandparent. Would also prohibit accepting gifts of more than nominal value.



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# Governor's Aid Proposal – Key Highlights

- New Proposals and Initiatives (continued)
  - Rochester City School District and BOCES – authorizes the RCSD to purchase health related services from their local BOCES (1 & 2) at the same price as the BOCES component districts.
  - Non-Public School Aid - \$295 million an increase of \$44 million (18%) to reimburse nonpublic schools for costs of State-mandated activities, STEM, Academic Intervention Services, Capital health and safety projects (including facility repairs & maintenance)
  - Non-Public Health & Safety Grants - \$45 million for health and safety equipment, security personnel and related assessments and training.
  - Several Teacher Award grants, \$74.1 million directed to low performing school districts. Some funding is for targeted programs, some as stipends to teachers.
  - National School Lunch Program would be moved from the NYS Education Department (NYSED) to the Department of Agriculture and Markets. PCSD does not participate in the National or NYS School Lunch program, however this change could have significant and tangential impacts.



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# Pulling it Together

## *Revenue Support for the 2022-23 Budget*

### Foundation Aid Phase-In

- Property Tax Cap \$2,756,017
- Adj Prop. State Aid \$3,117,524
- Total New Revenue \$5,873,541
  
- Percent of Budget 4.08%
  
- *This is our current picture*

### If Foundation Aid Fully Funded

- Property Tax Cap \$2,756,017
- Adj Prop. State Aid \$ (449,664)
- Total New Revenue \$2,306,353
  
- Percent of Budget 1.60%
  
- Foundation Increase would go from 34% to cap of 3% (\$336,000) a reduction of \$3.5 million in revenue
  - Equate to a deficit position of approx. \$2.5 million



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# 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**



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# Upcoming Meetings

February 17 – District Planning Team (DPT)

March 1 – Board Work Session #2

March 1 – Tax Cap Report to NYS Comptroller

March 15 – Board Work Session #3 (Final)

March 17 – District Planning Team (DPT)

April 5 – Board Adopts Superintendent’s Budget

April 14 – District Planning Team (DPT)

April 26 – Regular BOE Meeting

May 10 – Public Budget Hearing

May 17 – Budget Vote and Board Election



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# Pause for Board Discussion



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