

Highland Falls-Fort Montgomery Central School District

Superintendent's Proposed Budget 2020– 2021

Budget Overview, Property Tax Cap, Sources and Projections of Revenue and Tax Levy

Proposed Budget

March 5, 2020

Board of Education Meeting

Agenda

- 2020-2021 Budget Challenges
- Overview of 2020-2021 Budget
- New Budget Initiatives and Changes
- Revenue
 - State Aid
 - Tuition
 - Impact Aid
- Estimated Tax Levy and Tax Rate
- Important Budget Dates

Review Budget Terminology

- **Budget:** A plan of financial operation outlining the estimate of proposed expenditures for a fiscal year and the proposed means of financing them.
- **Budget Calendar:** The schedule of key dates that the school district, Board of Education, and administrators follow in preparation, adoption, and administration of the budget.
- **Budget Year:** The fiscal year immediately following the current year.
- **Fiscal Year:** A fiscal year is the accounting period on which a budget is based. The New York State fiscal year runs from April 1 to March 31. The fiscal year for all New York counties and towns and for most cities is the calendar year. School districts in the State operate on July 1 through June 30 fiscal years.
- **Fund Balance:** A fund balance is created when the school district has money left over at the end of its fiscal year from either under spending the budget or taking in additional revenue. Part of the fund balance (appropriated now called assigned fund balance) may be applied as revenues to the district's following year budget. A portion may also be set aside (unappropriated or unassigned fund balance) to pay for emergencies or other unforeseen occurrences.
- **Fundamental Operating Budget (FOB):** The total amount of money required to pay for current-year programs, staffing and services at next year's prices — i.e., what the next year's budget would be if the current year's budget were simply "rolled over."
- **Maximum Allowable Tax Levy:** The Tax Levy Limit plus allowable exemptions results in the maximum allowable tax levy, which is the highest tax levy a district can propose and still only need a simple majority to pass.
- **Proposed Budget:** Also called Administrative Proposal. Spending plan developed by school administrators prior to Board adoption. School districts are required by New York State to show their proposed budgets in three categories: administrative, program, and capital.
- **Reserves -** Funds that have been set aside to satisfy legal obligations or plan for future expenditures.
- **Revenue:** Sources of income financing the operation of the school district.
- **Tax Levy:** Total sum to be raised by the school district after subtracting out all other revenues including state aid. The tax levy is used to determine the tax rate for property owners in each of the cities, towns or villages that makes up a school district.
- **Tax Rate:** The amount of tax paid for each \$1,000 of assessed value of property. In districts that cover just one municipality, the tax rate is figured simply by dividing the total assessed property value by 1,000 and then dividing that again into the tax levy (the amount of money to be raised locally). In districts that encompass more than one municipality, the formula for figuring the tax rate is more complicated. It involves assigning a share of the total tax levy to each municipality and applying equalization rates to take into account different assessment practices.

HFFM C.S.D. Budget Development Process

- November 2019 – January 2020
 - Review Programs and Develop Budget Priorities
 - Distribution of Budget Workbooks in Excel to Schools and Departments
 - Requests Submitted to Central Office for Review and Revision or Inclusion in Budget
 - Staffing changes
 - Travel and conference costs
 - Staff development needs
 - Materials and supplies
 - Textbooks
 - Technology items
 - Events - graduation and parent meetings
 - BOCES services
 - Furniture and equipment requests
 - Building & Grounds & Transportation Submitted
- February 2020
 - Salary, Fringe Benefits, Special Education, BOCES, Debt Service and “Everything Else” Analysis
 - Revenue Budget Analysis and Development Concurrent with Expenditure Analysis
 - Review State Aid “Runs”, Analyze and Project Tuition Revenue, Project Impact Aid
- March 2020 Proposed Budget
- April 16, 2020 Board of Education Adopts Budget

During the Budget Development Process

- We Strive to be Mindful of...
 - Responsibility - To provide a high quality education to all our students, ultimately preparing them for success in a global marketplace.
 - Sustainability – Maintain continuity and quality of programs and facilities.
 - Affordability – Remain cognizant of the tax burden and financial constraints weighing on the community when developing a budget.

CHALLENGE. ENGAGE. EMPOWER.

2020-2021 Budget Challenges and Opportunities

■ Challenges

- Governor's Continuing Failure to Fully Restore Foundation Aid
- Governor moving Categorical Aids into Foundation Aid
 - What will the future hold for these aids???
- Property Tax Cap and Freeze Compliance
- Assessment Changes
- Taxpayer's Diminished Ability to Pay an Increasing Tax Burden
- Status of Impact Aid

■ Opportunities

- Retirements

2020-2021 Budget Assumptions

- Retirements
 - Special Education Teacher
 - Social Worker
- Additional Staffing Requested
 - Library Media Specialist (PreK - 8)
 - Social Worker (PreK - 8)
 - *Designated Resource Room Reading Teacher*

“2%” Tax Cap or Maximum Allowable Tax Levy

- **Begin with “prior year” (current year) levy**
- **Apply tax base growth factor – 1.00 for 2020/21**
 - Adjusts for “brick and mortar” development that increases a municipality’s taxable property
- **Remove prior year exclusions**
- **Adjusted prior year levy**
- **Apply Allowable Growth Factor – 1.81% for 2020/21**
- **Add available carryover**
 - If a local government levies less than the levy limit, up to 1.5 percent of that year’s tax levy limit may be added to the levy limit for the next fiscal year
- **Tax Levy Limit**
- **Add exclusions or exemptions for upcoming year**
 - Pension contributions
 - Court orders or judgments (excludes tax certiorari)
 - Capital expenditures for school districts only
 - Net of building aid
- **Maximum Allowable Tax Levy**

HFFM Maximum Allowable Levy

A. Total Real Property Tax Levy for Base Year (2019/20)	\$ 11,135,120		
B. Excess Levy in Reserve	\$ -		
C. Tax Levy subtotal (A - B)	\$ 11,135,120		
D. Tax Base Growth Factor (Minimum of 1.0)	1.0000		
E. Adjusted Tax Levy subtotal (C x D)	\$ 11,135,120		
F. Base Year PILOTS	\$ -		
G. Base Year Levy plus PILOTS	\$ 11,135,120		
H. Base year Torts and Judgements > 5%	\$ -		
I. Base year Capital Expenditures (Net of Aid)	\$ 754,083		
J. Total base year Torts and Capital Expenditures	\$ 754,083		
K. Levy less base year Torts and Capital Expenditures (G - J)	\$ 10,381,037		
L. Allowable Levy Growth Factor based on CPI (1.81% for 2020/21)	1.0181		
M. Levy including levy Growth Factor	\$ 10,568,934		
N. Budget year PILOT receivables	\$ -		
O. Levy less budget year PILOTS (M - N)	\$ 10,568,934		
P. Eligible Carryover from base year budget	\$ -		
Q. Tax Levy Limit - before Exclusions (O + P)	\$ 10,568,934	-5.08%	
<u>Budget Year Exclusions</u>			
R. Capital Expenditures (Net of Aid) - Debt Service	\$ 737,018		
S. Pension Expenditures (Above 2%)	\$ -		
T. Court orders/Judgements in > 5% base year levy	\$ -		
U. Total Exclusions (R + S + T)	\$ 737,018		
Total Tax Levy including Exclusions (Q + U)	\$ 11,305,952	1.53% *	
		\$170,832	
*This would only require a simple majority vote.			

Proposed Expenditures for 2020 – 2021

- Working Budget **Draft** - \$33,741,151
- Budget to Budget Increase
 - 5.15%
 - \$1,653,932
- Allowable Tax Levy Increase 1.53%
 - \$325,000 Assigned Fund Balance (appropriated)
 - Simple Majority to Pass Budget
- ESTIMATED Tax Rate Increase: unknown at this time
 - Assessment Changes Unknown
- How Revenue Changed

○ Increase to Non-Property Tax Revenue:	\$1,428,690
Increase to Property Tax Levy:	\$ 170,832
○ Inc/Dec in Use of Fund Balance:	\$ <u> 0</u>
Finances Budget-to-Budget Increase:	\$1,599,522

Historic Budget to Budget Increases

Budget Year	Adopted Budget	% Increase
2019-2020	\$32,087,219	4.84%
2018-2019	\$30,606,772	2.15%
2017-2018	\$29,759,008	4.23%
2016-2017	\$28,550,987	1.31%
2015-2016	\$28,181,395	2.43%
2014-2015	\$27,512,790	1.20%
2013-2014	\$27,171,625	4.69%
2012-2013	\$25,955,205	5.11%
2011-2012	\$24,693,581	2.74%
2010-2011	\$24,036,050	0.04%

10 Year Average 2.95%

Expenditures by Object Code

	<u>2020-2021</u>	<u>2019-2020</u>	<u>\$ CHG</u>	<u>% CHG</u>
Salary (1xx)	13,823,448	13,275,140	548,308	4.130%
Equipment/Furniture (200)	16,675	16,675	0	0.000%
Tuition (470)	1,190,695	936,030	254,665	27.207%
Textbooks (480)	113,544	107,160	6,384	5.957%
BOCES (490)	5,390,584	4,946,701	443,883	8.973%
Totals	20,534,946	19,281,706	1,253,240	6.500%

2020-2021 Budget is NOT Balance

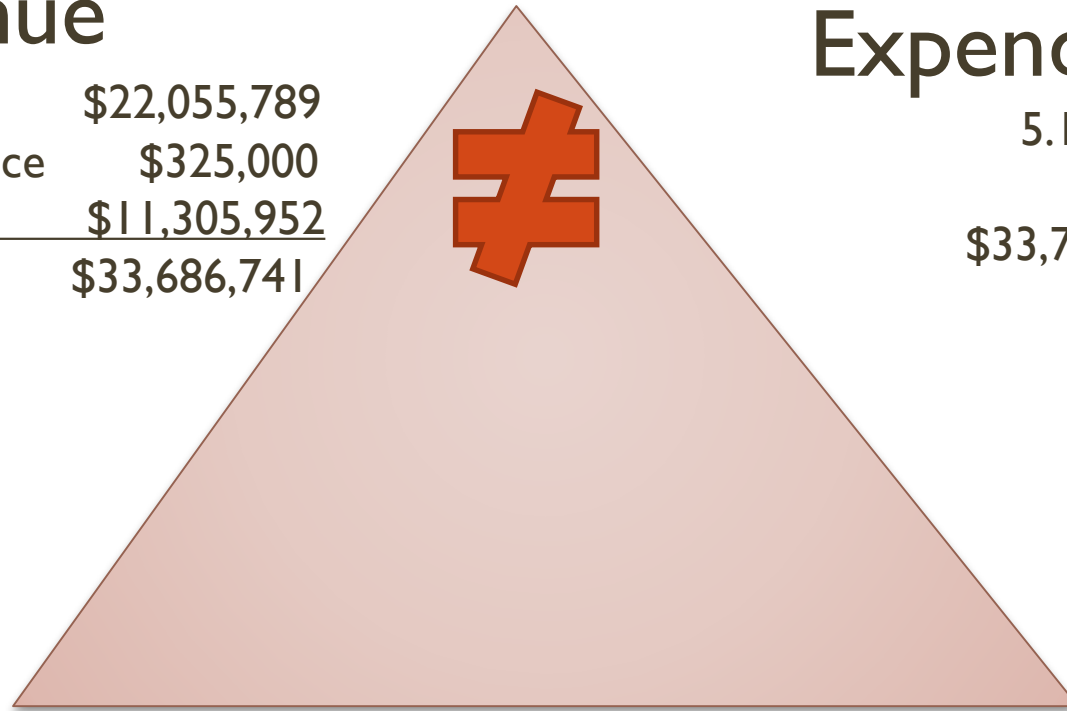
Revenue

Non-Tax	\$22,055,789
Fund Balance	\$325,000
<u>Tax Levy</u>	<u>\$11,305,952</u>
	\$33,686,741

Expenditures

5.15%

\$33,741,151



Instructional Program

As of **today**, we have a gap between revenues and expenditures of \$54,410

Revenue Budget – Sources of Revenue

- Local Non Property Tax (3.1%)
 - Tuition
 - Interest Earnings
 - Misc. Revenue – Lost books, vendor refunds, reimbursements, sale of equipment
 - BOCES Refund of Prior Years Expenses
 - JROTC
- State Aid (32.8%)
 - Foundation Aid (general aid)
 - Expense Driven Aid – Based on prior year expenditures, estimated for next year.
 - Transportation aid
 - BOCES Aid
 - Building aid, public and private excess cost aids (special education)
- Federal Funding (29.5%)
 - Impact Aid, West Point Tuition, Medicaid
- Real Property Taxes (33.6%)
- Assigned Fund Balance (1.0%)

State Aid to Education - Objectives

- Assist school districts in the funding of educational programs which offer an effective education to all pupils in grades pre-kindergarten through grade 12.
- Maintain a State and local partnership in public education. (To this end, a flat grant, or minimum foundation aid, is provided to even the wealthiest school districts.)
- Equalize school revenues by providing State Aid in inverse proportion to each school district's ability to raise local revenues for education.
 - Determination of Fiscal Capacity – Income and Property Wealth
 - Combined Wealth Ratio HFFM C.S.D. (CWR) - 0.626
- Encourage the development of model programs to address the needs of school districts such as community schools and the use of technology in the classroom.
- Provide support to districts to help educate all students to higher standards, including students with disabilities and those that require extra time and help.

Types of State Aid

- General or Foundation Aid
 - Based on complex formula taking into account district wealth and pupil need, formula is not fully phased in
 - Created in 2007-2008 in response to the campaign for Fiscal Equity challenge to the state aid formula
 - Governor's Executive Budget had added Categorical Aid and BOCES Aid to Foundation Aid.
- Categorical Aids – *New for 2020/21 to become part of Foundation Aid??*
 - Designed to drive \$ to certain types of programs & legislative priorities
 - Examples: High Tax, Textbook, Library Materials Aid, Public High Cost & Private Excess Cost Aids, Computer Hardware Aid
- Expense Driven Aids – “Spend to Get”
 - Aid ratio is applied to approved expenditures to generate aid
 - Building Aid – based on approved project costs of purchase, renovations, reconstruction & new construction (no Building Aid on maintenance & repairs)
 - Transportation Aid – based on cost of day to day operation of transporting pupils to & from school including:
 - Bus purchase and lease
 - Contract transportation
 - Salaries & allowable benefits of transportation personnel
 - BOCES Aid – based on approved BOCES services, administrative & facilities costs (not special education or transportation) *New for 2020/21 to become part on Foundation Aid ??*

State Aid Budget Process (Typically)

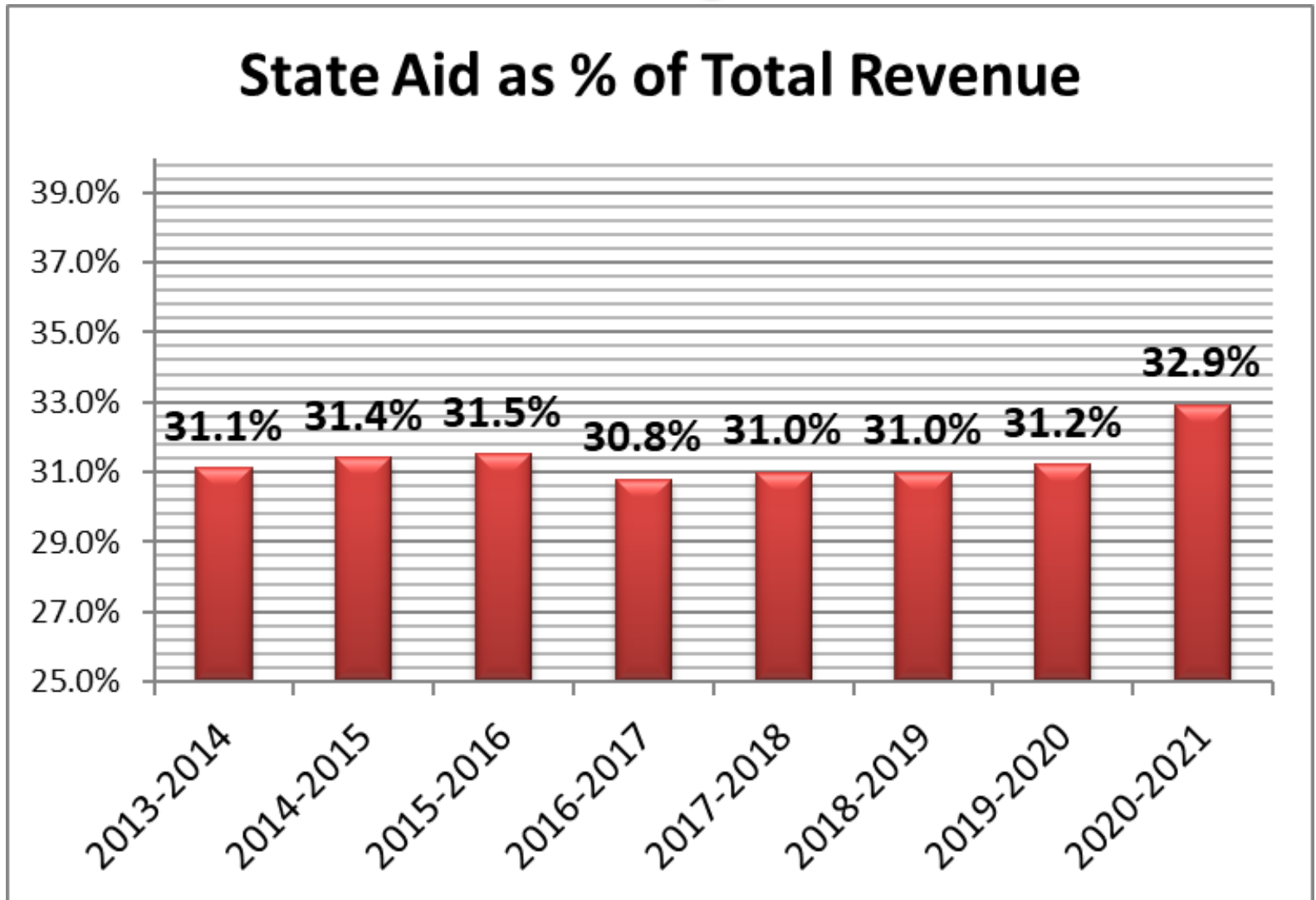
- **Regents' Proposal**
 - Released in November
 - Reflects Regents' program priorities & initiatives
 - Conceptual format
 - District by district aid projections not available
- **Executive Budget Proposal**
 - Released in January
 - Reflects Governor's priorities & fiscal condition of state
 - Based on projected district data for upcoming school yr. submitted with Fall state aid claim
- **Final Budget Projections**
 - Released when Governor & Legislative leaders come to an agreement on state aid to education
 - Formula changes drive \$ to regions & priorities
 - Based on priorities & \$ available
 - Timing of state budget does not coincide with district budget timelines
 - Projections are based on estimated data (Forms A, F & ST-3) provided by district the previous Fall

2020-2021 | Projected State Aid

	<u>2020-21 *</u>	<u>2019-20 *</u>	<u>\$ CHG</u>
Foundation Aid (Basic Formula Aid)	8,060,186	6,330,258	1,729,928
Transportation Aid	1,600,000	1,780,028	-180,028
High Tax Aid	0	317,551	-317,551
Building Aid	779,187	331,542	447,645
BOCES Aid	0	961,002	-961,002
Total Excess Cost Aid (High and Private)	617,254	584,983	32,271
Textbook, Software and Library Aid	0	101,268	-101,268
Computer Hardware	0	21,621	-21,621
Other State Aid	0	0	0
	11,056,627	10,428,253	628,374

* Based on Executive Budget Proposal

State Aid - Percentage of Revenue



Tuition Revenue

- West Point Tuition Contract
 - District enters year 5 of 5 year Contract
 - Regular Education \$4,928,495 to \$5,150,278 (Budget-to-Budget)
 - Budget-to-Budget Change \$221,783
 - Projected increase special education revenue
 - Total West Point Tuition Revenue
 - 2020-2021 - \$6,466,025
 - 2019-2020 - \$6,034,520
 - Increase of \$431,505 or 7.15%
- Garrison
 - Enrollment Projection – 39 Regular Education, 1 SPED Out of District
 - Total Revenue: From: \$731,798 To: \$673,177 or \$(58,621)
 - Non-resident tuition (NRT) rate estimated at \$15,575

Revenue - Impact Aid

- Compensates School Districts for:
 - Lost Tax Revenue and Development Potential Due to Federal Land Acquisition After 1938 (Section 7002)
 - HFFM C.S.D. – 11,217 acres Highlands; 2,640 acres Woodbury; 13,857 acres
 - Increased School Enrollment from Military Dependents (Section 7003)
- Computation of Impact Aid (7002)
 - Four step process that was simplified in 2013, with the new formula applied retroactively to prior application years 2010, 2011 and 2012
 - HFFM CSD benefited greatly with the formula change by successfully lobbying Congress to retain our “i” payment in the new formula
 - Net Impact to HFFM CSD
 - +\$1.2 million additional Impact Aid annually

Revenue - Impact Aid “i” Payment

(i) SPECIAL PAYMENTS.-

(1) IN GENERAL.- For any fiscal year beginning with fiscal year 2000 for which the amount appropriated to carry out this section exceeds the amount so appropriated for fiscal year 1996 and for which subsection (b)(1)(B) applies, the Secretary shall use for the fiscal year involved (not to exceed the amount equal to the difference between (A) the amount appropriated to carry out this section for fiscal year 1997 and (B) the amount appropriated to carry out this section for fiscal year 1996) to increase the payment that would otherwise be made under this section to not more than 50 percent of the maximum amount determined under subsection (b) for any local educational agency described in paragraph (2).

(2) LOCAL EDUCATIONAL AGENCY DESCRIBED.-A local educational agency described in this paragraph is a local education agency that-

(A) received a payment under this section for fiscal year 1996;

(B) serves a school district that contains all or a portion of a United States military academy;

(C) serves a school district in which the local tax assessor has certified that at least 60 percent of the real property is federally owned; and

(D) demonstrates to the satisfaction of the Secretary that such agency’s per-pupil revenue derived from local sources for current expenditures is not less than that revenue for the preceding fiscal year.

Revenue - Impact Aid Formula

Computation of Impact Aid Payment Under Technical Amendment

Steps in Payment Formula

1) 90% of the greater, average of 2006-2009 payment or 2009 year payment

2009 Application Year Payment: \$2,505,215

2) HFFM CSD Special rule or "i" payment applied

3) Newly eligible districts

4) Pro rate remaining funds using new formula

Estimated 2019 Payment for HFFM CSD Under New Methodology (wo sequestration)

HFFM CSD Foundation Payment at 90% 2,254,694

HFFM CSD "i" Payment 1,207,000

Total Payment 3,461,694

ESTIMATED Tax Levy and Rate

Estimated Tax Rate	2020-2021	2019-2020
Total Estimated General Fund Appropriation	33,686,741	32,087,219
Less Total Estimated Revenue Other Than Taxes	22,055,789	20,627,099
Less Estimated Appropriated Fund Balance	325,000	325,000
Tax Levy	11,305,952	11,135,120
Percent Increase in Tax Levy	1.53%	2.47%
Town Assessed Value - ESTIMATED	513,919,278	514,265,838
Estimated Tax Rate	21.999471	21.659020
Estimated Fund Balance		
Unassigned Fund Balance 6/30/2019	7,526,170	
Reserve Contributions	-2,711,196	
Use to Reduce Tax Levy	-325,000	
Fund Balance \$:	4,489,974	
Fund Balance %:	~13.32%	

Important Budget Dates

March 12

- ❑ Board Workshop/Presentation to Review Superintendent's Recommended Budget

March 19

- ❑ Board Workshop/Presentation to Review Superintendent's Recommended Budget

April 16

- ❑ Adoption of Budget by Board of Education

April 17

- ❑ Property Tax Report Card due to SED

April 22

- ❑ Submission of Petitions for Board of Education Candidates by 5 p.m.

May 5

- ❑ Budget Available to the Public at Each School

May 7

- ❑ Public Budget Hearing

May 11

- ❑ Budget Notice Mailed to Public

May 19

- ❑ Annual Budget Vote and School Board Election

Questions or Comments

