

Highland Falls-Fort Montgomery Central School District

**Superintendent's
Proposed Budget
2019– 2020**

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

Proposed Budget

**March 7, 2019
Board of Education Meeting**

Agenda

- 2019-2020 Budget Challenges
- Overview of 2019-2020 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 2018 – January 2019**
 - 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 2019**
 - 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 2019 Proposed Budget**
- **April 25, 2019 Board of Education Adopts Budget (On or About)**

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

2019-2020 Budget Challenges and Opportunities

■ Challenges

- Governor's Failure to Fully Restore Foundation Aid)
- Property Tax Cap and Freeze Compliance
- Assessment Changes
- Taxpayer's Diminished Ability to Pay an Increasing Tax Burden
- Status of Impact Aid

■ Opportunities

- Retirements

2019-2020 Budget Assumptions

- Retirements
 - 1 Special Education Teacher
 - 1 Elementary Teacher
 - 1 Secondary Teacher
 - 1 School Nurse
 - 1 Senior Payroll Clerk
- Additional Staffing Requested
 - Groundsman/Custodian
 - Clerical
 - Central Registrar
 - Data Reporting - Federal (CRDC), State (All Data Information)
 - Residency Issues
 - Back up for Free & Reduced Lunch Reporting
 - Secretary to Assistant Superintendent for CIT
 - Elementary Teacher - 2nd Grade
 - HS Special Education Teacher
 - New incoming West Point Special Needs Students
 - Meet existing Special Needs Students and be in compliance with SED

“2%” Tax Cap or Maximum Allowable Tax Levy

- **Begin with “prior year” (current year) levy**
- **Apply tax base growth factor**
 - 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 – 1.0129% for 2019-20**
- **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 (2018/19)	\$	10,867,114	
B. Excess Levy in Reserve	\$	-	
C. Tax Levy subtotal (A - B)	\$	10,867,114	
D. Tax Base Growth Factor (Minimum of 1.0)		1.0129	
E. Adjusted Tax Levy subtotal (C x D)	\$	11,007,300	
F. Base Year PILOTS	\$	-	
G. Base Year Levy plus PILOTS	\$	11,007,300	
H. Base year Torts and Judgements > 5%	\$	-	
I. Base year Capital Expenditures (Net of Aid)	\$	769,995	
J. Total base year Torts and Capital Expenditures	\$	769,995	
K. Levy less base year Torts and Capital Expenditures (G - J)	\$	10,237,305	
L. Allowable Levy Growth Factor based on CPI (2.00% for 2019/20)		1.02	
M. Levy including levy Growth Factor	\$	10,442,051	
N. Budget year PILOT receivables	\$	-	
O. Levy less budget year PILOTS (M - N)	\$	10,442,051	
P. Eligible Carryover from base year budget	\$	-	
Q. Tax Levy Limit - before Exclusions (O + P)	\$	10,442,051	-3.91%
<u>Budget Year Exclusions</u>			
R. Capital Expenditures (Net of Aid) - Debt Service	\$	742,233	
S. Pension Expenditures (Above 2%)	\$	-	
T. Court orders/Judgements in > 5% base year levy	\$	-	
U. Total Exclusions (R + S + T)	\$	742,233	
Total Tax Levy including Exclusions (Q + U)	\$	11,184,284	2.92% *
			\$317,170
*This would only require a simple majority vote.			

Proposed Expenditures for 2019 – 2020

- Proposed Budget **Draft** - \$31,967,156
- Budget to Budget Increase
 - 4.44%
 - \$1,360,384
- Proposed Tax Levy Increase 2.92%
 - \$350,000 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: \$1,180,364
 - Increase to Property Tax Levy: \$ 317,170
 - Inc/Dec in Use of Fund Balance: \$ (190,000)
 - Finances Budget-to-Budget Increase: \$1,307,534

Historic Budget to Budget Increases

Budget Year	Budget	% Increase
2019-2020	\$31,967,156	4.44%
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	1.26%
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 2.91%

Expenditures by Object Code

	<u>2019-2020</u>	<u>2018-2019</u>	<u>\$ CHG</u>	<u>% CHG</u>
Salary (1xx)	13,256,392	12,582,958	673,434	5.352%
Equipment/Furniture (200)	58,675	26,675	32,000	119.963%
Textbooks (480)	107,160	88,681	18,479	20.838%
Tuition (470)	826,030	669,335	156,695	23.411%
BOCES (490)	4,826,701	4,833,380	-6,679	-0.138%
Totals	19,074,958	18,201,029	873,929	4.802%

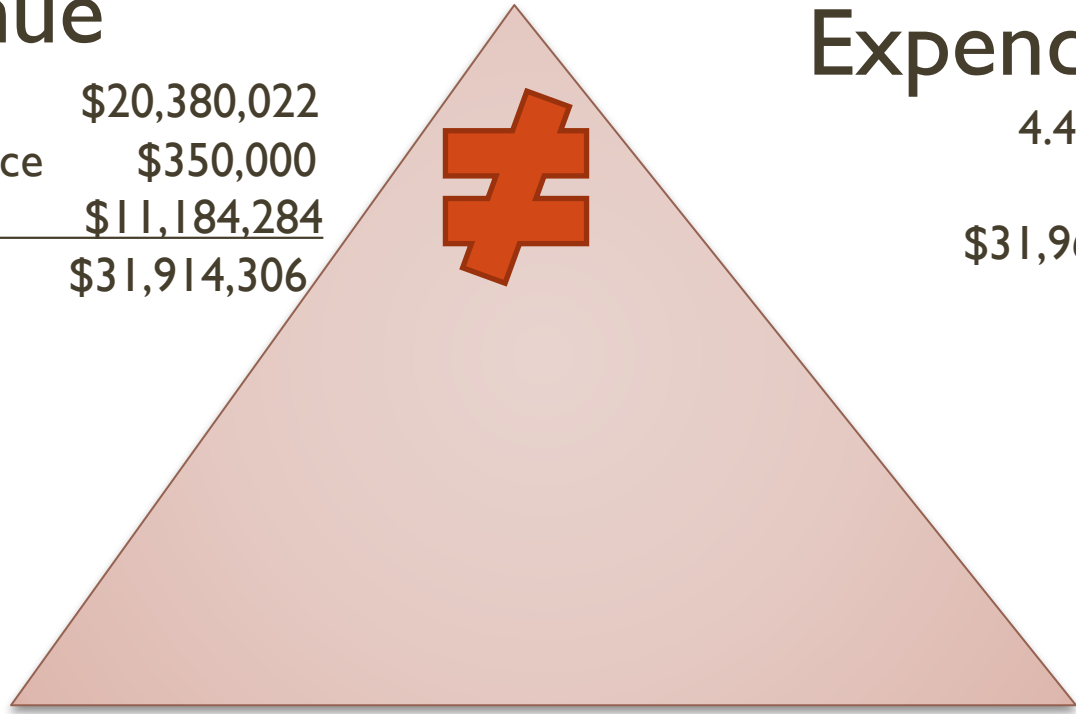
2019-2020 Budget in Balance

Revenue

Non-Tax	\$20,380,022
Fund Balance	\$350,000
<u>Tax Levy</u>	<u>\$11,184,284</u>
	\$31,914,306

Expenditures

4.44%
\$31,967,156



Instructional Program

As of today, we have a gap between revenues and expenditures of \$52,850

Revenue Budget – Sources of Revenue

- **Local Non Property Tax (3.2%)**
 - Tuition
 - Interest Earnings
 - Misc. Revenue – Lost books, vendor refunds, reimbursements, sale of equipment
 - BOCES Refund of Prior Years Expenses
 - JROTC
- **State Aid (31.2%)**
 - 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 (29.3%)**
 - Impact Aid, West Point Tuition, Medicaid
- **Real Property Taxes – Tax of Last Resort (35.2%)**
- **Assigned Fund Balance (1.1%)**

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) - 0.618
- 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**
 - Provides approximately 63% of State 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
- **Categorical Aids**
 - 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)

State Aid Budget Process (Typically)

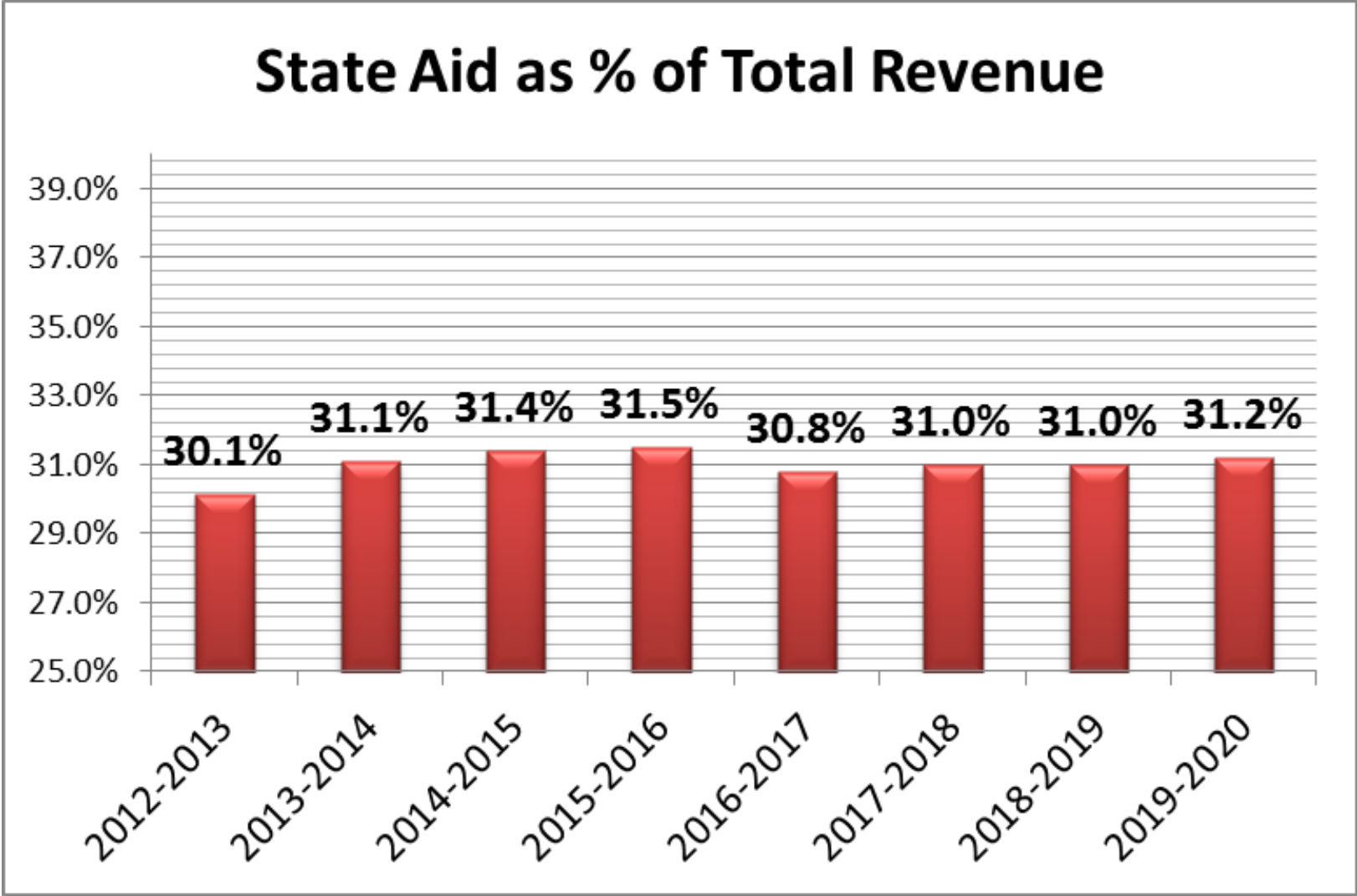
- **Regents' Proposal**
 - Released in November
 - Reflects Regents' program priorities & initiatives
 - Conceptual format
 - District by district aid projections not available
- **Executive Budget Proposal**
 - Released in January
 - Reflects Governor's priorities & fiscal condition of state
 - Based 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

2019-2020 Projected State Aid

	2019-20 *	2018-19 *	\$ CHG
Foundation Aid (Basic Formula Aid)	6,330,258	6,263,299	66,959
Transportation Aid	1,780,028	1,671,326	108,702
High Tax Aid	317,551	317,551	0
Building Aid	331,542	329,589	1,953
BOCES Aid	961,002	984,374	-23,372
Total Excess Cost Aid (High and Private)	584,983	545,429	39,554
Textbook, Software and Library Aid	101,268	99,345	1,923
Computer Hardware	21,621	20,824	797
Other State Aid	0	0	0
	10,428,253	10,231,737	196,516

* Based on Executive Budget Proposal

State Aid - Percentage of Revenue



Tuition Revenue

- **West Point Tuition Contract**
 - District enters year 4 of 5 year Contract
 - Regular Education \$4,716,263 to \$4,928,495 (Budget-to-Budget)
 - Budget-to-Budget Change \$212,232
 - Projected increase special education revenue
 - **Total West Point Tuition Revenue**
 - 2019-2020 - \$5,884,520
 - 2018-2019 - \$5,323,809
 - Increase of \$560,711 or 10.53%
- **Garrison**
 - Enrollment Projection – 46 Regular Education, 1 SPED In-District
 - Total Revenue: From: \$560,130 To: \$703,885 or \$143,755
 - Non-resident tuition (NRT) rate estimated at \$14,365

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	2019-2020	2018-2019
Total Estimated General Fund Appropriation	31,967,156	30,606,772
Less Total Estimated Revenue Other Than Taxes	20,407,935	19,056,672
Less Estimated Appropriated Fund Balance	350,000	540,000
Tax Levy	11,184,284	10,867,114
Percent Increase in Tax Levy	2.92%	2.39%
Town Assessed Value - ESTIMATED	514,142,549	514,142,549
Estimated Tax Rate	21.753274	21.136692
Estimated Fund Balance		
Unassigned Fund Balance 6/30/2018	4,921,913	
Reserve Contributions	0	
Use to Reduce Tax Levy	-350,000	
Fund Balance \$:	4,692,838	
Fund Balance %:	~14.00%	

Important Budget Dates

March 14

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

March 21

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

March 28

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

April 22

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

April 4 or 25

- ❑ Adoption of Budget by Board of Education

April 29

- ❑ Property Tax Report Card due to SED

May 6

- ❑ Budget Available to the Public at Each School

May 9

- ❑ Public Budget Hearing

May 13

- ❑ Budget Notice Mailed to Public

May 21

- ❑ Annual Budget Vote and School Board Election

Questions or Comments

