

**2018-2019 BUDGET DISCUSSION
BOARD OF EDUCATION MEETING
February 6, 2018**

ANTICIPATED BUDGET EXPENDITURES: CUURENT YEAR VERSUS NEXT YEAR

EXPENDITURES		CURRENT BUDGET 2017-2018	BUDGETED 2018-2019	Increase
ADMINISTRATIVE COMPONENT				
Board of Education	1000	\$ 82,004.00	\$ 79,470.00	\$ (2,534.00)
Chief School Administrator	1200	\$ 218,170.00	\$ 219,567.00	\$ 1,397.00
Finance	1300	\$ 331,766.00	\$ 340,652.00	\$ 8,886.00
Legal/Personnel/PR	1400	\$ 152,813.00	\$ 153,728.00	\$ 915.00
Special Misc. Items	1900	\$ 319,133.00	\$ 333,439.00	\$ 14,306.00
Curriculum Admin/Supervision	2010	\$ 6,880.00	\$ 6,880.00	\$ -
Total Administrative Component		\$ 1,110,766.00	\$ 1,133,736.00	\$ 22,970.00
PROGRAM COMPONENT				
Instruction- Day School	2020	\$ 13,255,948.00	\$ 13,627,872.00	\$ 371,924.00
Special Education	2250	\$ 4,775,898.00	\$ 5,254,120.00	\$ 478,222.00
Summer School	2330	\$ 43,835.00	\$ 56,335.00	\$ 12,500.00
Transportation	5000	\$ 2,518,099.00	\$ 3,024,255.00	\$ 506,156.00
Interfund Transfers	9900	\$ 145,000.00	\$ 145,000.00	\$ -
Employee Benefits- Total	9000	\$ 8,067,453.00	\$ 8,515,231.00	\$ 447,778.00
Total Program Component		\$ 28,806,233.00	\$ 30,622,813.00	\$ 1,816,580.00
CAPITAL COMPONENT				
Plant Operation and Maintenance	1600	\$ 2,671,021.00	\$ 2,750,566.00	\$ 79,545.00
Debt Service Principal/Interest	9700	\$ 1,646,825.00	\$ 1,914,496.00	\$ 267,671.00
Total Capital Component		\$ 4,317,846.00	\$ 4,665,062.00	\$ 347,216.00
Adjustments/Carry-over				
BASIC BUDGET EXPENDITURES		\$ 34,234,845.00	\$ 36,421,611.00	\$ 2,186,766.00

BUDGET TO BUDGET INCREASE: 6.39%

Why 6.39% increase?

2018-2019 SIGNIFICANT BUDGET LINE INCREASES:

- **NTA/CSEA Contractual salary** **\$500,000**
- **Employee Benefits (health care, SS, retirement, etc)** **\$450,000**
- **Special Education program costs** **\$475,000**
- **Transportation** **\$585,000**

The increases due to the contractual settlements with both the CSEA and the NTA were not un-anticipated. The District has known and planned for the past two years that we would need to access monies in our reserves to help balance the budget without over-reliance on increasing taxes. That is the reason why our reserve fund balances are as high as they are and subject to criticism by the state comptroller. When we settled the teacher's contract we knew we would need to use reserve funds to "afford" the increased costs associated with the new contract (salary and benefits). Accruing reserves in excess of the comptroller's plan allows us to meet our contractual obligations without over-taxing the public.

The increases in transportation and special education expenditures were not anticipated. We have seen a high number of new students registering in the District with significant special education needs, many of whom are in out-of-district placements which are very expensive. Also, our transportation contractor, Student Transportation of America, will not extend their current contract with the District. Under SED regulations, transportation contracts can be renewed without an RFP process only if the cost increase is limited to CPI or less. By refusing to extend the current contract and forcing us to go out to bid, STA, who have a virtual monopoly on student bussing in our region, is able to increase their rates well above CPI, which has run below 2% for the past several years. Based on similar actions in neighboring districts, we are anticipating an increase in the 25-30% range for transportation services; hence the significant increase in the budget line.

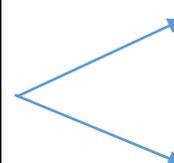
Both special ed and transportation are areas where we receive "expense driven" state aid; that is, we are reimbursed by New York State for expenditures in these areas up to a certain percent. However, these reimbursements are based on last year's expenses; so we are always a year behind in reimbursement. Next year's aid is based on last year's expenses, which were significantly lower than this years; so we need to budget for the increases until aid catches up.

REVENUE SOURCES DISCUSSION

- **TAX LEVY**
- **STATE AID**
- **RESERVES**

USE OF RESERVES: The District’s “savings” are held in a variety of reserve accounts. Most of the reserves are “designated” reserves- monies accrued for a specific purpose and therefore restricted to being spent for that purpose. The spending plan we are putting forth relies on more than \$5 million dollars in reserves to balance the budget. The chart below outlines the different reserve accounts we plan to access for the 2018-2019 budget.

	1/30/2018	Amount to be applied to the 2018-2019 budget
	Current balance	
Reserves		\$ 5,255,067
Appropriated Fund Balance- money from our reserves that is currently being applied to this year's budget.	\$ 2,962,425.00	\$ 1,500,000
Employee Benefit Reserve- to pay for retiree health care.	\$ 12,577,416.97	\$ 1,200,000
Debt Service Reserve- money that has to be used to pay down debt owed on capital projects.	\$ 966,090.00	\$ 322,030
Fund Balance, Unreserved- current level of savings that we have not identified for any specific use (should not exceed 4%).	\$ 7,180,307.75	\$ 2,233,037



Contingency Funding- for unforeseen emergencies	\$ 1,146,344
Additional Appropriated Reserves- use of savings to meet fiscal needs	\$ 1,086,693

- TAX LEVY**

TAX CAP CALCULATION-

The Tax Cap refers to the percentage of the previous year’s tax levy that you can use to increase taxes for the next year that only needs a simple majority of the votes (50.1%) for approval. While it is popularly referred to as a 2% tax cap, that is rarely the case. The formula for calculating the actual tax cap percentage takes many variables into account that are specific to each district. In Newfane’s case, PILOT programs and outstanding debt on previous capital projects provide us with “exemptions” in the calculation that results in a tax cap that exceeds the 2% touted by the governor’s office. This year, the tax cap for Newfane is 4.79%. That means we could, with a “simple majority” of votes (50.1%), increase taxes 4.79% and still be considered under the tax cap.

The chart below outlines how much the District would raise in additional tax levy by percentage point.

While the District’s cap is 4.79%, we are only recommending that the Board consider a 2% increase to the tax levy for 2018-2019.

2017-2018 Tax Levy	1%	2%	3%	4%	4.79%
\$13,024,626.00	\$130,246.26	\$260,492.52	\$390,738.78	\$520,985.04	\$623,879.59

Assuming a minimal increase in the total assessed value for property in the Town of Newfane (0.25% growth), a 2% tax levy increase will equal approximate \$0.50 per thousand dollars of assessed value. On a \$75,000 home with a \$27,600 STAR credit the total increase in the tax bill will be approximately \$23.70. (Because the % increase will stay below the District’s tax cap, most residents will also qualify for the NYS Property Tax Relief Credit which effectively refunds any increase in property taxes.)

- **STATE AID**

We're faced with an over-all reduction in state aid for 2018-2019. While Foundation aid (operating aid) is up slightly, decreases in building aid (result of the pay-off of the pool project aid) and in expense-driven aid (transportation and special education especially), which is based on previous year expenditures, have significantly impacted the aid picture. Decreased enrollment has also resulted in decreases in per-pupil aid categories. While this year's significant increases in special education costs should result in an aid correction in the 2019-2020 budget cycle, we won't see increased aid for transportation until the 2020-2021 budget year.

Current state aid numbers are from the governor's budget proposal. The legislature has not yet weighed in with their proposal. The governor's budget proposal also includes "capping" state aid increases in certain categories (including transportation aid) to no more than 2% annually. This would be devastating to Districts like us who are facing dramatic increases in transportation costs in the next couple of years.

REVENUE SOURCE BREAKDOWN:

DESCRIPTION	Budget 2017-2018	Budgeted 2018-2019	AMOUNT CHANGE	percent change
Real Property Tax Levy	\$13,024,626	\$13,285,119	\$260,493	2.00%
Miscellaneous Revenue	\$473,888	\$495,788	\$21,900	4.42%
State Aid	\$17,773,906	\$17,385,637	(\$388,269)	-2.18%
Unallocated Reserves	\$2,962,425	\$5,255,067	\$2,292,642	43.63%
BASIC BUDGET	\$34,234,845	\$ 36,421,611.00	\$2,186,766	6.39%

RECOMMENDATION:

- **We proceed using \$36,421,611 as our expenditure number;**
- **We restrict spending for the remainder of 2017-2018 to maximize any “roll-over” funding from current budget year;**
- **We continue to monitor the enrollment numbers- class sizes, grade level enrollment, etc.- with an eye towards right-sizing WHEN APPROPRIATE and without impacting program offerings;**
- **We allocate 1/3 of the Debt Service Reserve to the 2018-2019 budget and calculate the Tax Cap accordingly (4.79%);**
- **We increase the tax levy by 2% (well below the calculated tax cap);**
- **If the transportation bid comes in lower than anticipated, we adjust the expenditure line appropriately (keeping some level of contingency in there), reducing our overall expenditure amount;**
- **If we get any personnel changes (resignations, retirements, etc.) we adjust the expenditure line accordingly, reducing our overall expenditure amount;**
- **If we get any increase to state aid, we apply it to a reduction of our use of reserves in the 2018-2019 budget.**