

HUDSON CITY SCHOOL DISTRICT

Community Conversation

Budget Gap, Tax Cap Calculation, GAP Elimination
Adjustment and Other Topics

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2014-2015 Initial Draft – Roll Forward

<u>Expense Category</u>	<u>2013-2014 Adopted</u>	<u>2014-2015 Projected</u>	<u>Budget Variance</u>
Salaries	16,921,618	18,072,034	6.80%
Equipment	23,910	25,376	6.13%
Contractual	5,487,690	5,874,578	7.05%
BOCES	2,957,877	3,200,020	8.19%
Materials & Supplies	457,997	620,921	35.57%
Debt Service	4,822,017	4,928,604	2.21%
Employee Benefits	12,745,193	13,526,110	6.13%
Interfund Transfers	-	-	N/A
Total Expenditures	<u>43,416,302</u>	<u>46,247,643</u>	<u>6.52%</u>

2014-2015 Initial Draft - Revenues

	2013-2014 Adopted	2014-2015 Projected	Budget Variance
Projected Revenues	43,416,302	44,673,930	2.90%
State Aid	20,271,879	20,651,216	1.87%
Tax Levy	20,652,449	21,119,136	2.26%
Tax On Consumer Utility Bills	500,000	500,000	0.00%
Other	1,991,974	2,403,578	20.66%
Appropriated Fund Balance	-	-	N/A
Total	<u>43,416,302</u>	<u>44,673,930</u>	<u>2.90%</u>

2014-2015 Initial Budget

What does our OVERALL BUDGET look like?

	2013-2014 Adopted	2014-2015 Projected	Dollar Variance	Percent Variance
Projected Expenditures	43,416,302	46,247,643	2,831,341	6.52%
Projected Revenues	43,416,302	44,673,930	1,257,628	2.90%
Total Variance	-	1,573,713	1,573,713	3.62%

How will the gap be filled?

Projected Budget Gap	\$ 1,573,713
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Ultimately, we realize that cuts are inevitable, however we thought it would be important to show you some of the non-mandated items and how cutting these items would impact the budget gap. It should be noted that these cuts would be EXTREMELY unpopular, both in the community and within the school district itself.

What are the non-mandated programs and offerings?

- Kindergarten
- All Athletic Programs
- K-6 Library
- Elementary Art
- Elementary Music
- Extra-curricular Activities

How will the gap be filled with non-mandated options?

Projected Budget Gap	\$ 1,573,713
Kindergarten	575,297
	<hr/>
	<u>\$ 998,416</u>

How will the gap be filled with non-mandated options?

Projected Budget Gap	\$ 1,573,713
All Athletic Programs	396,212
	<hr/>
	<u>\$ 1,177,501</u>

How will the gap be filled with non-mandated options?

Projected Budget Gap	\$ 1,573,713
K-6 Library	88,478
	<hr/>
	<u>\$ 1,485,235</u>

How will the gap be filled with non-mandated options?

Projected Budget Gap	\$ 1,573,713
Elementary Art	72,523
	<hr/>
	<u>\$ 1,501,190</u>

How will the gap be filled with non-mandated options?

Projected Budget Gap	\$ 1,573,713
Elementary Music	74,960
	<hr/>
	<u>\$ 1,498,753</u>

How will the gap be filled with non-mandated options?

Projected Budget Gap	\$ 1,573,713
Extra-curricular Activities	65,172
	<hr/>
	<u>\$ 1,508,541</u>

How will the gap be filled with non-mandated options?

Projected Budget Gap	\$ 1,573,713
Kindergarten	575,297
K-6 Library	88,478
Elementary Art	72,523
Elementary Music	74,960
Extra-curricular Activities	65,172
All Athletic Programs	396,212
	<u>\$ 301,071</u>

What are some of our other options?

- Continue to cut staff, including:
 - Teachers
 - This will result in greater class sizes
 - Custodians
 - This will result in lower hours dedicated to the cleaning, upkeep, maintenance, and other tasks throughout the district
 - Aides
 - May result in more chaotic hallways, lunch periods, classrooms
 - Secretaries
 - Administrators would have to dedicate their time for clerical and administrative tasks instead of actual job duties
- Continue to cut program offerings:
 - All of these options will counteract the mission of the District to increase the graduation rate, and **WILL** affect the children's chances of being prepared for and accepted into college

What are some other obstacles facing HCSD?

- New York State Tax Cap Law
- Gap Elimination Adjustment (GEA)
- State Aid stagnation
- Increasing burden of employee benefits

What is the Property Tax Cap Law?

- Law that limits the total levy set by local governments and school districts, **NOT** the assessed value or tax rate
- Law applies to all counties, cities (except NYC), towns, and villages
- Fire districts have their own limit
- Most school districts do as well
 - Not NYC
 - The “Big 4” of Buffalo, Rochester, Syracuse, and Yonkers are covered under their cities’ tax caps
- Basic principle is: Local governments and school districts may not adopt a budget that requires a tax levy that exceeds the prior year’s tax levy by more than 2 percent or the rate of inflation, whichever is less, unless they officially override the tax levy limitation

What are the nuances of the Tax Cap Law?

- Given exclusions, adjustments, and other nuances the cap may not be 2%
 - Adjustments and exclusions can raise it
 - Low inflation could lower it
- Even under a 2% increase, not all taxpayers will see the same impact on their bills
 - For example:
 - If a big business moves out of a district, everyone else's rate (and bill) could rise
 - Equalization rates between towns within the same district can fluctuate from year to year
 - If a district has numerous tax certiorari claims against it ruled in favor of the taxpayer, the other taxpayer's in that municipality can potentially be on the hook for more
- The only place 2% is seen in the calculation is in step 6 of the levy calculation

Tax Levy Limit

$$\begin{aligned} & \text{Prior Year Tax Levy} \\ & \quad \times \\ & \text{Tax Base Growth Factor, if any (determined by Tax and Finance)} \\ & \quad + \\ & \text{Payments In Lieu of Taxes Receivable During Prior Year (13-14)} \\ & \quad - \\ & \quad \text{Taxes Levied For Exemptions During Prior Year} \\ & \quad = \\ & \quad \text{Adjusted Prior Year Tax Levy} \\ & \quad \times \\ & \quad \text{Allowable Levy Growth Factor (Lesser of 2% or CPI)} \\ & \quad - \\ & \quad \text{Payments In Lieu of Taxes Receivable In The Coming Year} \\ & \quad + \\ & \quad \text{Available Carryover, If Any} \\ & \quad = \\ & \quad \text{“TAX LEVY LIMIT”} \end{aligned}$$

Total Levy to support proposed budget

Tax Levy Limit

+

Coming school year exemptions

=

Maximum Allowable Tax Levy
(requiring simple majority)

Step One

- Determine prior year tax levy

20,652,449 Step 1

Step Two

- Multiply prior year tax levy by tax levy base growth factor (determined by Tax & Finance)

20,652,449	Step 1
<u>1.0000</u>	Step 2
20,652,449	

Step Three

- Add prior year Payment in Lieu of Taxes (PILOTS)

20,652,449	Step 1
<u>1,000</u>	Step 2
20,652,449	
<u>177,012</u>	Step 3
20,829,461	

Step Four

- Subtract prior year exclusions (capital levy, court orders)

20,652,449	Step 1
<u>1,000</u>	Step 2
20,652,449	
<u>177,012</u>	Step 3
20,829,461	
<u>362,612</u>	Step 4
20,466,849	ADJUSTED PRIOR YEAR LEVY

Step Five

- Multiply adjusted prior year levy by allowable growth factor (lesser of CPI or 2%)

20,652,449	Step 1
<u>1.0000</u>	Step 2
20,652,449	
<u>177,012</u>	Step 3
20,829,461	
<u>362,612</u>	Step 4
20,466,849	ADJUSTED PRIOR YEAR LEVY
<u>1.0146</u>	Step 5
20,765,665	



- Only place in calculation where 2% appears and 1st time ever where allowable growth factor is LESS than 2%.

Step Six

- Subtract Payments in Lieu of Taxes (PILOTS) for coming year

20,652,449	Step 1
<u>1,000</u>	Step 2
20,652,449	
<u>177,012</u>	Step 3
20,829,461	
<u>362,612</u>	Step 4
20,466,849	ADJUSTED PRIOR YEAR LEVY
<u>1,0146</u>	Step 5
20,765,665	
<u>172,000</u>	Step 6
20,593,665	

Step Seven

- Add any available carryover from prior year

20,652,449	Step 1	
1.0000	Step 2	
<hr/>		
20,652,449		
177,012	Step 3	
<hr/>		
20,829,461		
362,612	Step 4	
<hr/>		
20,466,849	ADJUSTED PRIOR YEAR LEVY	
1.0146	Step 5	
<hr/>		
20,765,665		
172,000	Step 6	
<hr/>		
20,593,665		
-	Step 7	
<hr/>		
20,593,665	TAX LEVY LIMIT	-0.28%

Step Eight

- Add coming year exclusions (capital levy, court orders, pension exclusion)

20,652,449	Step 1	
1.0000	Step 2	
<hr/>		
20,652,449		
177,012	Step 3	
<hr/>		
20,829,461		
362,612	Step 4	
<hr/>		
20,466,849	ADJUSTED PRIOR YEAR LEVY	
1.0146	Step 5	
<hr/>		
20,765,665		
172,000	Step 6	
<hr/>		
20,593,665		
-	Step 7	
<hr/>		
20,593,665	TAX LEVY LIMIT	-0.28%
525,471	Step 8	
<hr/>		
21,119,136	MAXIMUM ALLOWABLE LEVY	2.26%

Maximum Allowable Levy

Tax Cap Calculation

Prior Year Tax Levy	
x	
Tax Base Growth Factor, if any (determined by Tax and Finance)	
+	
Payments In Lieu of Taxes Receivable During Prior Year (13-14)	
-	
Taxes Levied For Exemptions During Prior Year	
=	
Adjusted Prior Year Tax Levy	
x	
Allowable Levy Growth Factor (<u>Lesser of 2% or CPI</u>)	
-	
Payments In Lieu of Taxes Receivable In The Coming Year	
+	
Available Carryover, If Any	
=	
"TAX LEVY LIMIT"	
+	
Coming School Year Exemptions	
=	
"MAXIMUM ALLOWABLE TAX LEVY"	

Tax Cap Calculation (District Numbers)

\$20,642,449
x
1.0000 (determined by Tax and Finance)
+
\$172,000 (13-14)
-
\$362,612
=
\$20,593,665
x
1.0146 (<u>Lesser of 2% or CPI</u>)
-
\$172,000
+
\$0
=
\$20,593,665
+
\$525,471
=
\$21,119,136

This is the **ONLY** place where 2% is seen in the entire calculation.

Coming School Year Exemptions

- **Capital Tax Levy** – Tax levy necessary to support capital local expenditures
- **Capital Local Expenditures** – The tax levy associated with budgeted expenditures resulting from the construction, acquisition, reconstruction, rehabilitation or improvement of school district capital facilities or capital equipment, including debt service and lease expenditures, and transportation capital debt service
- **Court Orders/Judgments** – Tax levy necessary for expenditures resulting from court orders or judgments arising out of tort actions for any amount that exceeds 5% of total tax levied in prior school year (EXCLUDES TAX CERTIORARIS)

Coming School Year Exemptions - continued

- The pension cost exemption applies only when ERS and/or TRS employer contribution rates increase by more than 2 percentage points over the prior year.
- ERS Costs – Tax levy necessary for expenditures for coming school year for employer contributions caused by growth in the system average actuarial contribution rate, minus two percentage points
- TRS Costs – Tax levy necessary for expenditures for coming school year for employer contributions caused by growth in the normal contribution rate, minus two percentage points
- For example, for the 2013-2014 school year, the ERS rate rose to 20.9% from 18.9% in the prior year, so there was a 0% exclusion. The TRS rate rose to 16.25% from 11.84% in the prior year, so there was a 4.41% exclusion on the TRS salaries for the 2013-2014 year. There is no pension exclusion for the 2014-2015 school year.

What happens if the budget is **NOT APPROVED** by the public?

- If the proposed budget is not approved by the required margin:
 - The District may resubmit the original budget or submit a revised budget to the voters on the third Tuesday in June OR
 - Adopt a contingency budget that **levies a tax no greater than that of the prior year (0% increase in tax levy)**.
- If the resubmitted/revised budget proposal is not approved by the required margin:
 - The Board of Education must adopt a budget that levies a **tax no greater than that of the prior year (0% increase in tax levy)**.
- Districts will not be allowed to increase the tax levy to the extent necessary to fund items of expenditure excluded from the tax cap
 - No growth factor
 - No capital, court order/judgments or pension exemptions

What options does the BOE have?

- **Option 1** : Propose a budget requiring a tax levy **before** exemptions **at or below** the Tax Levy Limit prescribed by law
 - This requires a simple majority (50% + 1 voter approval)
- **Option 2** – Propose a budget requiring a tax levy **before** exemptions **above** the Tax Levy Limit
 - Requires a “super majority” (60% voter approval)
 - Requires a statement on ballot indicating the required tax levy before exemptions exceeds the Tax Levy Limit

The NYS Property Tax Levy Cap In Brief....

- New York State has a property tax levy cap, NOT A **“2% CAP!”**
 - The law does not restrict any proposed tax levy increase to 2%
- The law creates an 8 step formula to determine the “tax levy limit”
 - Adjusts tax levy to reflect local growth in tax base and rate of inflation (**max** 2%)
- The property tax levy cap limits the school district levy **NOT** the individual tax bill of resident taxpayers
 - Assessments and equalization rates impact tax rates
- The formula allows for certain expenses to be exempt from the cap, therefore allowing the total tax levy increase to be greater than “perceived” cap
- BOEs can present a budget that “overrides” the cap but will need 60% voter approval
- Voters are approving the budget (spending plan) not the tax levy

State Aid – how do we compare to last year?

Year	Enacted 2013-2014	Proposed 2014-2015	Dollar Change	Percent Change
Foundation Aid	13,013,881	13,292,366	278,485	2.14%
Public Excess Cost Aid	381,236	446,829	65,593	17.21%
Private Excess Cost Aid	533,180	409,540	(123,640)	-23.19%
Building Aid	4,422,054	4,403,133	(18,921)	-0.43%
Transportation Aid	894,965	998,575	103,610	11.58%
BOCES Aid	682,607	745,758	63,151	9.25%
Textbook Aid	118,666	129,437	10,771	9.08%
Computer Hardware Aid	22,266	25,376	3,110	13.97%
Computer Software Aid	28,864	27,428	(1,436)	-4.98%
Library Materials Aid	12,830	11,444	(1,386)	-10.80%
Other	161,330	161,330	-	0.00%
	20,271,879	20,651,216	379,337	1.87%

Foundation Aid – what is it?

Year	Total State Aid	Foundation Aid	Dollar Change	Percent of Aid	High Tax Aid	Dollar Change	Percent of Aid
2008-2009	18,607,350	14,307,265	-	76.89%	218,990	-	1.53%
2009-2010	21,930,162	14,307,265	-	65.24%	218,990	-	1.53%
2010-2011	20,571,496	14,307,265	-	69.55%	218,990	-	1.53%
2011-2012	19,194,758	14,307,265	-	74.54%	218,990	-	1.53%
2012-2013	19,790,325	14,398,108	90,843	72.75%	218,990	-	1.52%
2013-2014	20,271,879	14,436,287	38,179	71.21%	218,990	-	1.52%
2014-2015*	20,651,216	14,436,287	-	69.91%	218,990	-	1.52%

*Part of the Governor's Executive Budget Proposal

According to the New York State Department of Education's 2013-2014 State Aid Handbook, foundation aid: was "first enacted in 2007-08, it is the largest unrestricted aid category supporting public school district expenditures in New York State. This year it represents approximately 73% of the total State Aid received by districts statewide."

Although the definition may state that the Foundation Aid portion of the State Aid to public schools is "unrestricted" is has been flat since 2008-2009.

Historically, how does State Aid compare to the Tax Levy as a percent of the total budget?

Year	Budget	State Aid	Percent of Budget	Tax Levy	Percent of Budget	Total Revenue	Total Percent of Budget
2002-2003	27,341,362	13,081,706	47.85%	10,863,775	39.73%	23,945,481	87.58%
2003-2004	28,463,970	13,284,283	46.67%	11,249,433	39.52%	24,533,716	86.19%
2004-2005	29,730,945	13,184,283	44.35%	12,702,876	42.73%	25,887,159	87.07%
2005-2006	32,285,945	14,542,463	45.04%	14,691,098	45.50%	29,233,561	90.55%
2006-2007	32,866,858	15,771,496	47.99%	15,411,362	46.89%	31,182,858	94.88%
2007-2008	35,050,162	17,027,728	48.58%	16,067,434	45.84%	33,095,162	94.42%
2008-2009	37,243,363	18,607,350	49.96%	16,257,352	43.65%	34,864,702	93.61%
2009-2010	41,141,824	21,930,162	53.30%	16,889,156	41.05%	38,819,318	94.35%
2010-2011	40,932,878	20,571,496	50.26%	17,538,876	42.85%	38,110,372	93.10%
2011-2012	41,249,180	19,194,758	46.53%	19,271,916	46.72%	38,466,674	93.25%
2012-2013	41,550,715	19,790,325	47.63%	19,708,416	47.43%	39,498,741	95.06%
2013-2014	43,416,302	20,271,879	46.69%	20,652,449	47.57%	40,924,328	94.26%

Over the years, HCSD has been increasingly dependent on State Aid and School Taxes to fund it's budget. Increasing costs to pensions and healthcare, coupled with a Tax Levy Law and stagnation in the foundation aid portion of State Aid, in addition to the GEA have created a climate of disaster for NYS Public Schools.



You may have heard about the \$2 billion surplus New York State has.....in **2016-17!** It is disingenuous for the Governor to proclaim this while still enacting a Gap Elimination Adjustment that has already taken billions of dollars back from New York State public schools.

What is the GAP Elimination Adjustment (GEA)?

- The gap to which the title “GEA” refers is that between budgeted State expenditures and the revenue available to support those expenditures
- For the 2014-2015 school year, the GEA is \$1.315 billion; adjusted to provide for growth in school aid over 2013-2014 by \$323.304 million
- For the 2012-2013 school year and thereafter, the GEA will be continued and adjusted to limit growth in school aid consistent with growth in New York State personal income
- For the 2014-2015 year, the GEA is the amount computed for the 2013-2014 Enacted Budget, less the GEA Restoration

GAP Elimination Adjustment Restoration Formulas

The GEA Restoration is calculated as the greater of (A), (B) or (C), plus (D) shown below, and is capped at 45% x 2013-2014 GEA:

A) $[\$272.00 \times \text{Extraordinary Needs (EN) \%}] \times \text{State Sharing Ratio (SSR)} \times \text{Regional Cost Index (RCI)}$
x 2013-14 public enrollment

\$185,100

OR

B) $\$363.50 \times [1.00 \times (1.37 \times \text{Combined Wealth Ratio})]$ x 2013-2014 public enrollment (*Max .9, Min 0)

\$0

OR

C) $(\text{Tax Effort Ratio/State Average of } .03176) \times (1.0 - \text{Alternate Pupil Wealth Ratio}) \times \253.50 x 2013 -
2014 public enrollment

\$240,752

PLUS

D) If 2013-14 public enrollment is greater than the 2008-09 enrollment: $(\$1,815 \times .495) - (13/14$
public enrollment - 08/09 public enrollment)

\$ 37,733

So the result is C + D:

\$240,752

\$ 37,733

\$278,485

MAX: \$ 1,641,396

x .45

\$738,628

HCSD GEA History

<u>Year</u>	<u>Amount</u>	<u>Dollar Change</u>	<u>Percent Change</u>
2009-2010	\$ 1,676,274*	-	-
2010-2011	\$ 2,057,091	\$ 380,817	22.72
2011-2012	\$ 2,666,803	\$ 609,712	29.64
2012-2013	\$ 2,437,263	(\$ 229,540)	-8.61
2013-2014	\$ 1,641,396	(\$ 795,867)	-32.65
<u>2014-2015</u>	<u>\$ 1,362,911**</u>	(\$ 278,485)	-16.97
TOTAL	\$ 11,841,738		

Preliminary Budget Gap \$ 1,573,713

*Deficit Reduction Assessment (DRA) 14-15 GEA (\$ 1,362,911)

**Proposed Budget Gap Without GEA \$ 210,802

According to Dr. Rick Timbs of the Statewide School Finance Consortium, the GEA is not slated to expire for another 10 years, which would be the 2024-2025 school year.

QUESTIONS?

