

HUDSON CITY SCHOOL DISTRICT

Community Conversation

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

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2013-2014 Initial Draft – Roll Forward

<u>Expense Category</u>	<u>2012-2013 Adopted</u>	<u>2013-2014 Projected</u>	<u>Budget Variance</u>
Salaries	16,416,966	17,043,246	3.81%
Equipment	24,791	23,910	-3.55%
Contractual	5,209,461	5,284,535	1.44%
BOCES	2,968,906	2,957,877	-0.37%
Materials & Supplies	663,989	658,257	-0.86%
Debt Service	4,873,745	4,822,017	-1.06%
Employee Benefits	11,392,857	12,523,565	9.92%
Interfund Transfers	-	-	N/A
Total Expenditures	<u>41,550,715</u>	<u>43,313,407</u>	4.24%

2013-2014 Initial Draft - Revenues

	2012-2013 Adopted	2013-2014 Projected	Budget Variance
Projected Revenues	41,550,715	41,136,003	-1.00%
State Aid	19,790,325	19,575,613	-1.08%
Tax Levy	19,708,416	19,708,416	0.00%
Tax On Consumer Utility Bills	700,000	500,000	-28.57%
Other	1,351,974	1,351,974	0.00%
Appropriated Fund Balance	-	-	N/A
Total	<u>41,550,715</u>	<u>41,136,003</u>	<u>-1.00%</u>

2013-2014 Initial Budget

What does our OVERALL BUDGET look like?

	2012-2013 Adopted	2013-2014 Projected	Dollar Variance	Percent Variance
Projected Expenditures	41,550,715	43,313,407	1,762,692	4.24%
Projected Revenues	41,550,715	41,136,003	(414,712)	-1.00%
Total Variance	-	2,177,404	2,177,404	5.24%

How will the gap be filled?

Projected Budget Gap	\$ 2,177,404
0% Tax Levy Increase	-
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	<u>\$ 2,177,404</u>

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	\$ 2,177,404
Kindergarten	651,457
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	<u>\$ 1,525,947</u>

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

Projected Budget Gap	\$ 2,177,404
All Athletic Programs	385,735
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	<u>\$ 1,791,669</u>

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

Projected Budget Gap	\$ 2,177,404
K-6 Library	91,339
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	<u>\$ 2,086,065</u>

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

Projected Budget Gap	\$ 2,177,404
Elementary Art	70,260
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	<u>\$ 2,107,144</u>

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

Projected Budget Gap	\$ 2,177,404
Elementary Music	64,223
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	<u>\$ 2,113,181</u>

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

Projected Budget Gap	\$ 2,177,404
Extra-curricular Activities	64,633
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	<u>\$ 2,112,771</u>

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

Projected Budget Gap	\$ 2,177,404
Kindergarten	651,467
K-6 Library	91,339
Elementary Art	70,260
Elementary Music	64,223
Extra-curricular Activities	64,633
All Athletic Programs	385,735
	<u>\$ 849,747</u>

What are some of our other options?

- Continue to cut staff, including:
 - Teachers
 - This may result in greater class sizes
 - Custodians
 - This would 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
 - 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?

- State Aid stagnation
- Gap Elimination Adjustment (GEA)
- Increasing burden of employee benefits
- Retiree benefits

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*	19,575,215	14,398,108	-	73.55%	109,495	(109,495)	0.76%

*Part of the Governor's Executive Budget Proposal

According to the New York State Department of Education's 2012-2013 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 74% 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%

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.

What are the budgetary trends for employee costs?

Budget	37,243,363.00	41,141,824.00	40,932,878.00	41,249,180.00	41,550,715.00	43,313,407.00
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	<i>Projected</i> 2013-2014
Non Instructional Salaries	3,603,479.00 9.68%	4,160,530.00 10.11%	3,717,179.00 9.08%	3,834,528.00 9.32%	3,505,805.00 8.44%	3,594,128.00 8.30%
Instructional Salaries	14,280,865.00 38.34%	14,099,352.00 34.27%	13,243,798.00 32.35%	13,033,808.00 31.67%	12,835,231.00 30.89%	13,365,074.00 30.86%
ERS	375,000.00 1.01%	375,000.00 0.91%	425,657.00 1.04%	611,582.00 1.49%	629,930.00 1.52%	923,242.00 2.13%
TRS	1,296,936.00 3.48%	1,296,936.00 3.15%	1,519,515.00 3.71%	1,701,878.00 4.14%	1,700,000.00 4.09%	2,089,568.00 4.82%
Social Security	1,326,608.00 3.56%	1,304,608.00 3.17%	1,307,712.00 3.19%	1,345,378.00 3.27%	1,357,755.00 3.27%	1,357,755.00 3.13%
Workers' Compensation	164,881.00 0.44%	190,000.00 0.46%	220,000.00 0.54%	209,121.00 0.51%	203,799.00 0.49%	300,000.00 0.69%
Unemployment Insurance	15,000.00 0.04%	15,000.00 0.04%	275,000.00 0.67%	275,000.00 0.67%	175,000.00 0.42%	175,000.00 0.40%
Health Insurance	6,383,298.00 17.14%	6,566,874.00 15.96%	6,862,439.00 16.77%	6,906,572.00 16.78%	7,326,373.00 17.63%	7,678,000.00 17.73%
Total Employee Costs	27,446,067.00 73.69%	28,008,300.00 68.08%	27,571,300.00 67.36%	27,917,867.00 67.85%	27,733,893.00 66.75%	29,482,767.00 68.07%

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 2013-2014 school year, the GEA is \$1.835 billion; adjusted to provide for growth in school aid over 2012-2013 by \$321.555 million (\$2,156.3 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 2013-2014 year, the GEA is the amount computed for the 2012-2013 Enacted Budget, less the GEA Restoration

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
<u>2013-2014</u>	<u>\$ 2,189,927</u>	<u>(\$ 247,336)</u>	<u>-10.15</u>
TOTAL	\$ 11,027,358	\$ 513,653	33.60

According to Dr. Rick Timbs of the Statewide School Finance Consortium, the GEA is not slated to expire for another 11 years, which would be the 2024-2025 school year.

How do we compare to similar district's?

2012-2013

	Hudson	East Hampton	Franklin Square	Hampton Bays	Schalmont
CWR - 1.0 is the State Average	0.8220	9.6430	1.1420	1.8530	1.0490
County	Columbia	Suffolk	Nassau	Suffolk	Schenectady
Enrollment	1,896	1,860	1,883	2,010	1,890
TAFPU	2,418	2,106	2,100	2,347	2,239
Aid Paid Per Pupil	5,952.48	900.83	2,521.61	1,394.88	3,138.79
Tax Paid Per Pupil	8,150.71	21,137.06	12,144.46	17,659.36	13,021.33
Budget	41,550,715.00	62,848,388.00	34,433,029.00	45,851,937.00	41,925,000.00
Tax Levy	19,708,416.00	44,514,654.00	25,503,358.00	41,446,528.00	29,154,765.00
State Aid	19,004,518.00	2,513,800.00	6,339,129.00	4,109,116.00	11,253,800.00
Foundation Aid	14,393,108.00	1,897,157.00	5,295,381.00	3,273,776.00	7,027,762.00
Gap Elimination Adjustment (GEA)	(2,437,263.00)	(536,532.00)	(963,181.00)	(860,441.00)	(1,796,762.00)
GEA per Student	(1,285.48)	(288.46)	(511.51)	(428.08)	(950.67)
GEA STATE AVERAGE	(794.00)	(794.00)	(794.00)	(794.00)	(794.00)
ABOVE OR (BELOW) STATE AVERAGE	491.48	(505.54)	(282.49)	(365.92)	156.67
CWR Percent ABOVE or (BELOW) State Average	(21.65)	89.63	12.43	46.03	4.67
GEA Percent ABOVE or (BELOW) State Average	38.23	(175.26)	(55.23)	(85.48)	16.48
Tax Levy % of Budget	47.43%	70.83%	74.07%	90.39%	69.54%
State Aid % of Budget	45.74%	4.00%	18.41%	8.96%	26.84%

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

$$\begin{aligned} & \text{Prior Year Tax Levy} \\ & \quad \times \\ & \text{Tax Base Growth Factor, if any (determined by Tax and Finance)} \\ & \quad + \\ & \text{Payments In Lieu of Taxes Receivable During Prior Year (12-13)} \\ & \quad - \\ & \quad \text{Taxes Levied For Exemptions During Prior Year} \\ & \quad = \\ & \quad \text{Adjusted Prior Year Tax Levy} \\ & \quad \times \\ & \quad \text{Allowable Levy Growth Factor (Lesser of 2% or CPI)} \\ & \quad - \\ & \quad \text{Payments In Lieu of Taxes Receivable In The Coming Year} \\ & \quad + \\ & \quad \text{Available Carryover, If Any} \\ & \quad = \\ & \quad \text{“TAX LEVY LIMIT”} \end{aligned}$$

Total Levy to support proposed budget

Tax Levy Limit

+


Coming school year exemptions

=

Maximum Allowable Tax Levy
(requiring simple majority)

Maximum Allowable Levy

$$\begin{aligned} & \text{Prior Year Tax Levy} \\ & \quad \times \\ & \text{Tax Base Growth Factor, if any (determined by Tax and Finance)} \\ & \quad + \\ & \text{Payments In Lieu of Taxes Receivable During Prior Year (12-13)} \\ & \quad - \\ & \quad \text{Taxes Levied For Exemptions During Prior Year} \\ & \quad = \\ & \quad \text{Adjusted Prior Year Tax Levy} \\ & \quad \times \\ & \quad \text{Allowable Levy Growth Factor (Lesser of 2% or CPI)} \\ & \quad - \\ & \quad \text{Payments In Lieu of Taxes Receivable In The Coming Year} \\ & \quad + \\ & \quad \text{Available Carryover, If Any} \\ & \quad = \\ & \quad \text{"TAX LEVY LIMIT"} \\ & \quad + \\ & \quad \text{Coming School Year Exemptions} \\ & \quad = \\ & \quad \text{"MAXIMUM ALLOWABLE TAX LEVY"} \end{aligned}$$



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 is a 0% exclusion. But the TRS rate rose to 16.25% from 11.84% in the prior year, so there is a 4.41% exclusion on the TRS salaries for the 2013-2014 year.

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

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

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

QUESTIONS?

