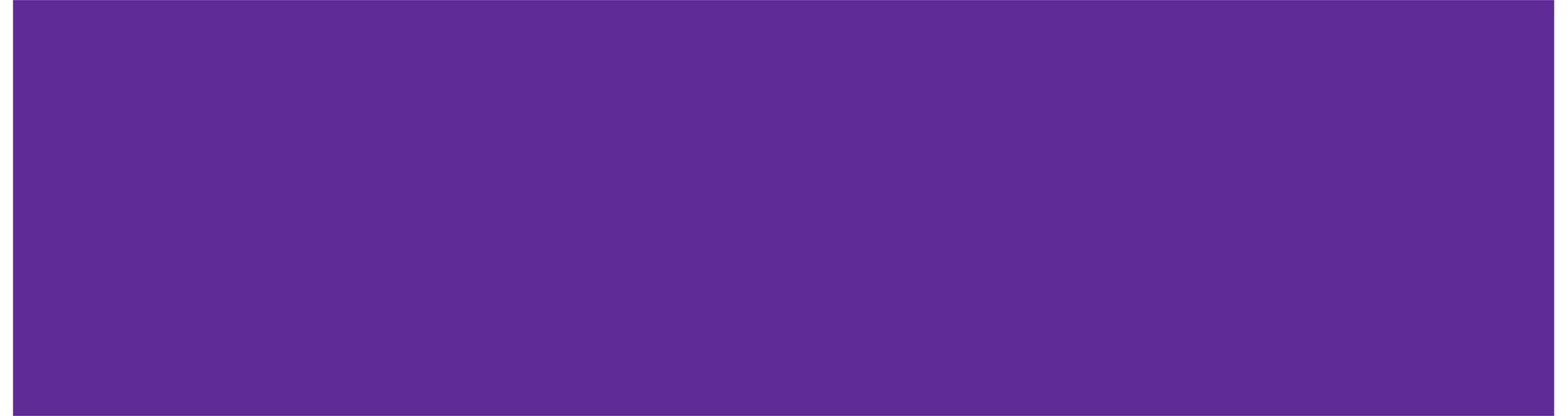


State Budget Update and Tax Cap Review

January 25, 2021



How State Budget Was Built

- Built two versions of the budget based on how much additional support the state receives
- Scenario one is based on \$6 billion in additional stimulus money. **This is the scenario that is the basis for the current proposal.** It is important to note that this money would go directly to the state and **does not** does not show up specifically in the school aid runs.
- Scenario two is based on \$15 billion in additional stimulus money. Under this scenario there would be no cuts, but instead result in additional aid to districts.

This Year's School Aid Runs

- Services Aid - this consists of 11 different aid categories lumped into one (largest components are transportation and BOCES Aid)
- Inclusion of STAR amounts
- COVID 19 Supplemental Stimulus money included (increase of \$2,667,922 for Mohonasen)
- Local District Funding Adjustment included (decrease of \$2,667,922 for Mohonasen)
 - There are 254 Districts where the stimulus money is greater than the adjustment and 419 Districts where these two amounts are the same.
- Foundation Aid remained flat, the same amount for the third straight year

Service Aid - A Deeper Look

- Proposal to combine expense driven aids into a single block has been a part of the Executive Budget proposal for several years
- Proposes to consolidate 11 of the expense driven aid categories into a single block (BOCES, Textbook, Software, Library, Hardware, Supplemental Excess Cost, Transportation, Special Services, Academic Enhancement, High Tax and Charter School Transition)
- There are expense driven aids which are not included in the Service Aid block, specifically Building Aid and Special Education Placements (Public and Private Excess Cost)

Service Aid - A Deeper Look (continued)

- Overall amount of aid included in the Services Aid block for 2021-22 is approximately \$693 million, a 17% reduction
 - Cuts are not distributed equally, but instead based on a formula that relates to a district's Combined Wealth Ratio (CWR)
 - 237 Districts have a proposed reduction and 436 Districts have no proposed reduction (there is NO proposed reduction for Mohonasen)
 - 89% of the overall reduction is for New York City
- In 2021-22 the reductions would be off-set through funds from the Coronavirus Response and Relief Supplemental Appropriations Act to school districts

Current and Long Term Concerns

Current Concerns

- No increase in Foundation Aid or Community Schools Aid (originally part of the Governor's Executive Budget for Mohonasen in January 2020)

Long Term Concerns

- The reductions from the Services Aid proposal and the Local District Funding Adjustment would continue into the future
- Increases to the Service Aid block will be capped moving forward, instead of being directly related to costs incurred
- Once the federal money “backfilling” these reductions goes away, the reductions will still be there in some form
- Will these reductions essentially be Gap Elimination Adjustment (GEA) 2.0

GEA Revisited

- 2009-10 - Deficit Reduction Assessment (DRA) cut aid to districts, but this was mitigated by federal funds from the American Recovery and Reinvestment Act (ARRA) in 2009 and the Educational Jobs Fund in 2010
- In 2010-11 the term GEA replaced DRA and there continued to be federal funding
- From 2011-16 GEA continued to schools, but there were no more federal funds and resulted in significant impact on districts
- 2016-17 GEA was fully restored

Executive Budget - Mohonasen

- Foundation Aid - no increase
- Building Aid - reduced by approximately \$300,000; coincides with a reduction of approximately \$330,000 in capital expenses
- Special Education Placement Aid (Public and Private Excess Cost Aid) - shows an estimated increase of approximately \$350,000, but we expect based on “actual” expenses there will be no increase
- Services Aid (11 expense driven aids) - shows an estimated increase of \$560,000, but we expect the amount will be much less based on “actual” expenses

Services Aid - Year to Year Comparison

	BOCES	Transportation	Instructional Materials Aid	Total
2020-21 Actuals	\$1,448,675	\$2,117,018	\$277,137	\$3,842,830
2021-22 Executive Budget	\$1,497,189	\$2,631,043	\$276,595	\$4,404,827
Change	\$48,514	\$514,025	-\$542	*\$561,997

*we expect a much lower actual increase in Services Aid, will be based on final expenses in 2020-21

Summary of Executive Budget for Mohonasen

- No increase in Foundation Aid
- Small increase in expense driven aid based on additional costs incurred during the 2020-21 school year
- ***No new money to offset escalating costs of salaries and benefits or other budgetary increases***
- Potential for aid reductions in upcoming years

Tax Cap Review

Tax Cap Calculation

- Consumer Price Index (CPI): 1.23 %
- Local Growth Factor: 0.3%
- Estimated calculation for 2021-22 of 1.38%, an increase of approximately \$400,000

What does 1% on the Tax Levy mean?

- Revenue for District: 1% equals approximately \$290,000
- For a full value home of \$150,000: 1% equals an increased school tax of \$30

Multi-Year Financial Plan Calculations

- Projections were based on reasonable assumptions for expenses and revenues for the next 5 years
- The information regarding the 2021-22 state budget and Tax Cap calculation are similar to what was projected
- Projections show an operating deficit for 2021-22 of approximately \$1,250,000
- **Deficit grows larger each year based on expenses increasing an average of 2.8% while revenues increase an average of 1.8%**

Options for Increasing Revenue and/or Decreasing Expenses

Increasing Revenues

- Move toward fully funding Foundation Aid
- Change in formula to more adequately fund districts; Mohonasen's Combined Wealth Ratio continues to decrease each year, essentially indicating a higher need in relation to other districts
- Tax Levy: Exceed the Tax Cap Calculation

Decreasing Expenses

- Staffing reductions

What Does it Mean to Exceed the Tax Cap?

- Exceeding the Tax Cap means going out to the voters with a tax levy increase that is higher than the levy calculated under the Tax Cap Formula provided by the state
- In order for the budget to pass, it must have an **approval rate of at least 60%, instead of the usual 50% + 1**
- If the budget is passed the new levy becomes the base for the following year's budget and Tax Cap Calculation
- If the budget is defeated the District can propose a new budget, with a new levy, or go to a Contingent Budget, with no increase in the levy

Review of Multi-Year Budget Assumptions

Basic Assumptions

Revenue - average of 2.5% tax levy and 2% increase in Foundation Aid

Expenses - health insurance increases of 5% and pension contributions increased by 5%

Optimistic Assumptions

Revenue - average of 3% tax levy and 3% increase both Foundation Aid

Expenses - health insurance increases of 2.5% and pension contributions increased by 3%

Projections for Next Five Years - Various Scenarios

	2021-22	2022-23	2022-23	2023-24	2024-25
Current Projections with 1.38% Tax Levy	-\$1,250,000	-\$2,200,000	-\$2,690,000	-\$3,215,000	-\$3,760,000
Projections with 4.88% Tax Levy	-\$257,000	-\$1,210,000	-\$1,700,000	-\$2,230,000	-\$2,775,000
“Optimistic” Projections with 4.88% Tax Levy	-\$257,000	-\$680,000	-\$600,000	-\$530,000	-\$435,000

Impact of Exceeding the Tax Cap

- Will significantly impact the short-term financial health of the District in a positive way
- Will mitigate some of the impact of either flat or reduced aid from the state
- **Will NOT fix the long-term structural deficit; this will only happen with full funding of Foundation Aid or other aid increases from the state**

Next Steps

February 8, 2021	Rollover Budget, Tax Cap - Continued Discussion
February 22, 2021	Tax Levy, Debt Service and Bus Proposition Presentation
March 1, 2021	Tax Levy Calculation due to State Comptroller
March 8, 2021	BOCES, Employee Benefits and General Support Presentation
March 22, 2021	Instruction, Revenue and Budget Recap Presentation
April 1, 2021	State Budget Due
April 12, 2021	Budget Adoption
May 10, 2021	Budget Hearing and Meet the Candidates
May 18, 2021	Budget Vote