

# State Budget Update and Tax Cap Review

February 8, 2021



# What is a rollover budget?

- Current year budget is projected into the following year with all of the same staffing and programming
- It is a starting point to look at both the upcoming year and to look at a multiyear view of finances
- Known information regarding contracts, benefits and other items are updated as the information becomes available
- Any information that is not specifically known is estimated

# Known Factors for 2021-22

- Settled contracts for MTA, MSSA and MSA
- Health Insurance Rates are finalized
- 9.80% contribution rate for Teachers Retirement System (TRS), up from 9.53% in 2020-21, *a 3% increase*
- 16.2% contribution rate for Employees Retirement System, up from 14.6% in 2020-21, *an 11% increase*
- Workers Compensation costs finalized

# Assumptions

- Return to pre-COVID schedule for transportation and class schedules
- 3% salary increases for non-instructional staff
- 5% increase in liability and auto insurance
- 5% increase in BOCES costs
- Consistency in Special Education placements

# Summary of Rollover Budget

Estimated total increase of \$750,000, or 1.3%, in expenses

- Increases of \$100,000 for both TRS and ERS based on the combination of salary increases and contribution rates
- Increase of \$50,000 for Social Security
- Health insurance increase of \$50,000, *an increase of only 0.6%*
- A reduction in Workers Compensation of \$20,000
- A reduction of \$400,000 from retirement incentives

# Projected Revenue

Estimated total increase of \$500,000, or 0.9%, in revenue

- Current Tax Cap Calculation of 1.38% is an increase of approximately \$400,000
- The Executive Budget from New York State provides no additional money to off-set escalating costs
  - Foundation Aid is projected to be flat for the 3rd straight year
  - Small increase in expense driven aids due to increase expenses in 2020-21

# 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%**

# Summary of Recent District Actions

- Reduced over 21 positions in the 2019-20 budget
- Increased class sizes at the elementary buildings
- Offered a retirement incentive to major bargaining units resulting in over 25 total retirements
- Allocated an additional \$400,000 in Appropriated Fund Balance (Reserves) to the 2020-21 budget to avoid more staffing reductions
- Sold storage facility on Remsen Street to create a one-time revenue



# Options for Increasing Revenue and/or Decreasing Expenses

## Increasing Revenues

- New York State 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 and program reductions

# 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

# 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%

# Projected Operating Deficits for Next Five Years

| 2020-21    |  | 2021-22      | 2022-23      | 2023-24      | 2024-25      | 2025-26      |
|------------|--|--------------|--------------|--------------|--------------|--------------|
| -\$950,000 | Current Projections with 1.38% Tax Levy      | -\$1,200,000 | -\$2,200,000 | -\$2,690,000 | -\$3,215,000 | -\$3,760,000 |
| -\$950,000 | Projections with 4.88% Tax Levy              | -\$207,000   | -\$1,210,000 | -\$1,700,000 | -\$2,230,000 | -\$2,775,000 |
| -\$950,000 | “Optimistic” Projections with 4.88% Tax Levy | -\$207,000   | -\$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/Board of Education Discussion

## Board of Education Petitions Now Available

|                   |   |
|-------------------|---|
| 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   |