

North Colonie Central School District



A Review of the Budget
Development Process to Date
March 8, 2010

Overview of Tonight's Presentation

- ❑ Strengths of North Colonie Schools
- ❑ Review of the Concerns from the State and Federal Governments
- ❑ Review of the Governor's Budget
- ❑ Review the Impact of the State's Budget on our 2010-11 Budget
- ❑ Other Factors that Affect North Colonie
- ❑ Our Approach to Developing the 2010-11 Budget

Strengths of North Colonie

- Our students are successful:
 - 96% or more of our graduating seniors earn Regents diplomas.
 - Last year, 70% of those receiving Regents diplomas earn an advanced Regent diploma.
 - Over 90% of our students achieved competency on the social studies and science tests in grades 4, 5 and 8 in 2008-09.
 - In 2008-09, over 90% of our students scored a level 3 or 4 on elementary math competency tests.
 - In 2008-09, 93% of our students achieved a level 3 or higher on all Advanced Placement exams combined.
 - Ninety-five percent of the Class of 2009 attend either a two or four-year college.

Strengths of North Colonie

- Our instructional and non-instructional staff are well qualified and highly motivated.
 - Instructional staff – we have a very thorough interview process and select only those individuals that have excellent credentials and proven successful educational experience.
 - Non-instructional staff – we have a detailed interview process and hire those that demonstrate a commitment to excellence in their position.

Strengths of North Colonie

- While the next few years will definitely be a challenge for North Colonie, we are in a better position than many districts for the following reasons:
 - We merged with Maplewood School District in 2008. Our State Aid is \$2.8 million higher next year because of this. This additional aid will diminish each year over the next decade. This merger also increased our Building Aid ratio which means that we will receive more State Aid on new capital projects.
 - We switched from a two-tier to one-tier tax rate last year. This shifted some of the tax burden from homeowners back to businesses.

Strengths of North Colonie

- We have been fiscally responsible in our decision making over the years and this has resulted in:
 - Having fund balance available to use to reduce the revenue shortfall next year.
 - A high credit rating that results in our borrowing rate being lower than many municipalities around the State, including the State.
 - Our commitment to the annual maintenance of our facilities has limited the amount of long-term debt we have outstanding and our physical plant is in good shape.
 - The purchase of recurring fixed assets, such as buses and technology, with current appropriations so as not to incur financing costs has saved us money.

Strengths of North Colonie

- Our strong proven academic program has been recognized and we are proud to be ranked #1 by the *Capital District Business Review*.

- This ranking is a result of:
 - Strong student achievement.
 - Lower than average spending per student.
 - Lower than average property tax rate.

- We continue to be committed to these strengths.

Review of the Concerns from the State and Federal Governments

In January 2010 the projected shortfalls in the State's budgets were:

- 2009-10 0.5 billion
- 2010-11 8.2 billion
- 2011-12 14.3 billion
- 2012-13 18.3 billion
- 2013-14 20.7 billion

Based on these projections, the Governor prepared his Executive Budget for 2010-11.

Review of the Concerns from the State and Federal Governments

- The growth of the NYS deficit is mainly due to:
 - Federal ARRA funds ending 2011.
 - State share of Medicaid contribution to return to 50% (federal currently paying 61.9%/state 39.1% - but this is scheduled to end 12/2010).
 - Temporary increase in NYS personal income taxes will expire shortly.
 - Debt service commitments by NYS are growing.
 - State is facing the same increasing costs as we are – health insurance, retirement costs, and contractual salary increases.

Review of the Concerns from the State and Federal Governments

- ❑ Unemployment rates is still high.
- ❑ The economy locally and nationwide is still struggling.
- ❑ The Governor & the Legislature are both experiencing political distractions and there is little chance that the State budget will be completed on time.
- ❑ The Federal government is also struggling and there has been no discussion of extending the ARRA funds.

Review of the Concerns from the State and Federal Governments

- State's handling of federal ARRA money
 - \$391 million of the stimulus money that was scheduled to be available for 2010-11 has been "spun-up" and will be paid to school districts in 2009-10.
 - This does not mean we got any additional funds. For every dollar of federal funds we received, the State cut an equal amount of State aid.
 - For us, this amounted to \$803,459 in additional ARRA funds this year and an equal decline in State Aid. In addition, our allocation for 2010-11 has been reduced by \$803,459.

Review of the Governor's Budget Proposal

- ❑ The Governor is proposing an overall increase in the State budget of 0.9%.
- ❑ As the State has certain fixed costs (e.g., debt service and ERS costs) that are increasing significantly, he is proposing cutting State Aid to school districts.
- ❑ His budget includes a \$2.1 billion dollar reduction in State Aid that is partially offset with the last of the ARRA Funds (\$726 million) from the Federal government.
- ❑ This is a net reduction of \$1.4 billion in reduced State Aid to school districts for 2010-11.

Review of the Governor's Budget Proposal

- ❑ Our share of the State Aid cut is **\$3,589,072**.
- ❑ The Governor used all of the remaining ARRA federal funds to mitigate this reduction. Our *Net Gap Elimination Reduction Adjustment* is **\$2,370,507**.
- ❑ The Governor did continue to include funding for expenditure driven aid and this resulted in an increase to us of **\$581,566** for those types of aids.
- ❑ The net reduction in total State Aid is **\$1,788,941**.

State Aid for North Colonie as Proposed by the Governor for 2010-11

MOD ED: 0022C DB ED: 0022C STATE OF NEW YORK
 COUNTY - ALBANY 2010-11 EXECUTIVE BUDGET
 2009-10 AND 2010-11 AIDS PAYABLE UNDER SEC

2009-10 State Aid

2010-11 State Aid

010623
 NORTH COLONIE

| | |
|--------------------------------|------------|
| DISTRICT CODE | |
| DISTRICT NAME | |
| SEE NOTE BELOW | |
| 2009-10 BASE YEAR AIDS: | |
| FOUNDATION AID | 10,838,976 |
| FULL DAY K CONVERSION | 0 |
| UNIVERSAL PRE-KINDERGARTEN | 0 |
| BOCES + SPECIAL SERVICES | 315,862 |
| PUBLIC HIGH COST SPECIAL EDN | 0 |
| PRIVATE SPECIAL EDUCATION | 88,603 |
| HARDWARE & TECHNOLOGY | 67,794 |
| SOFTWARE, LIBRARY, TEXTBOOK | 501,835 |
| TRANSPORTATION INCL SUMMER | 2,085,732 |
| OPERATING REORG INCENTIVE | 2,856,587 |
| CHARTER SCHOOL TRANSITIONAL | 0 |
| ACADEMIC ENHANCEMENT | 0 |
| HIGH TAX AID | 0 |
| SUPPLEMENTAL PUB SPECIAL EDN | 531 |
| TOTAL | 16,755,920 |
| BUILDING + BLDG REORG INCENT | 2,620,069 |
| TOTAL W/ BLDG, REORG BL | 19,375,989 |
| 2010-11 ESTIMATED AIDS: | |
| FOUNDATION AID | 10,838,976 |
| FULL DAY K CONVERSION | 0 |
| UNIVERSAL PRE-KINDERGARTEN | 0 |
| BOCES + SPECIAL SERVICES | 345,368 |
| PUBLIC HIGH COST SPECIAL EDN | 0 |
| PRIVATE SPECIAL EDUCATION | 93,596 |
| HARDWARE & TECHNOLOGY | 70,133 |
| SOFTWARE, LIBRARY, TEXTBOOK | 502,004 |
| TRANSPORTATION INCL SUMMER | 2,383,627 |
| OPERATING REORG INCENTIVE | 2,856,587 |
| CHARTER SCHOOL TRANSITIONAL | 0 |
| ACADEMIC ENHANCEMENT | 0 |
| HIGH TAX AID | 0 |
| SUPPLEMENTAL PUB SPECIAL EDN | 531 |
| GAP ELIMIN ADJMT + FED RESTR | -2,370,507 |
| TOTAL | 14,720,315 |
| BUILDING + BLDG REORG INCENT | 2,866,733 |
| TOTAL W/ BLDG, REORG BL | 17,587,048 |
| \$ CHG 10-11 MINUS 09-10 | -2,035,605 |
| % CHG TOTAL AID | -12.15 |
| \$ CHG W/ BLDG, REORG BL | -1,788,941 |
| % CHG W/ BLDG, REORG BL | -9.23 |
| 2009-10 TGFE (EST) | 90,096,000 |
| CHG W/BLDG, REORG BL AS % TGFE | -1.98 |

Reorganization Aid

Gap Elimination Adj. & Fed. Aid Restoration
 \$2,370,507

Net Reduction in State Aid is \$1,788,941
 (9.23)%

Note:
 2009-10 Aid = \$19,375,989
 2010-11 Aid without Gap Adj. would have been:
 \$17,587,048 + \$2,370,507 =
 \$19,957,555
 (an increase of \$581,566)

Federal ARRA Funds

Originally, we were promised:

- ❑ **\$2,492,941** for 2009-2010 and **\$2,492,941** for 2010-2011.
- ❑ Currently, we will only receive **\$1,218,565** for 2010-11 and all of this will be used to reduce the State Aid cut proposed by the Governor.
- ❑ The original “funding cliff” was scheduled for 2011-2012 when the \$2.4 million went away.
- ❑ The “funding cliff” has moved up to 2010-11 and the height of the cliff has been raised due to the addition of the large cut in State Aid proposed.
- ❑ No new ARRA funds have been offered by the Federal government.

Review of the Governor's Budget Proposal

- ❑ Even with the huge cuts proposed by the Governor, the Comptroller's office says that the budget deficit is even larger than originally thought.
- ❑ Early tax returns do not support increased projected revenues for the State.
- ❑ Normally, the Governor's budget is conservative and the Legislators add back funding. To date, we have heard nothing about this happening for 2010-11's budget.
- ❑ The State is having cash flow issues. Dec./Jan. payments were temporarily delayed and there is a strong threat that the March aid payments will be delayed as well.

Review of the Governor's Budget Proposal

The Governor's budget also is recommending:

- ❑ A cut in the reimbursement rate for Special Education summer school.
 - We currently are reimbursed at the 80% level.
 - Governor's proposal is recommending reducing this reimbursement rate to 35% for us. (Estimated reduction in Aid to us of approximately \$125,000/yr.)
- ❑ Extending the freeze on increasing Foundation Aid for another year (our main type of State Aid).
- ❑ Imposing a cap on State Aid starting with the 2010-11 year that limits the amount a school district could receive to the original Executive Budget Aid run.
- ❑ A cap on the amount County's pay for pre-school students to 2% growth over 2009-10 costs and shift balance to schools.
- ❑ A reduction in the STAR benefits – eliminate for those with homes valued at > \$1.5 million and reduce save harmless limit from 89% of prior year amount down to 82% of prior year amount.

Other Factors Affecting North Colonie

Retirement Systems

- Plans are still recovering from the decline in the stock market.
- ERS rate is 62% higher in 2010-11 than 2009-10.
- TRS rate is 45% higher in 2010-11 than 2009-10.

- Note: New Tier 5 started 1/1/10 for each plan and cost of each will be lower in the future compared to current tiers.

What is the Forecast for 2011-2012?

| | <u>2010-11</u> | <u>2011-12</u> | <u>Assumptions</u> |
|---|---------------------|---------------------|--|
| <u>Expenses</u> | <u>\$91,050,000</u> | \$96,550,000 | \$5.5 million increase - \$2.42 million increase in salaries - \$1.45 million increase in TRS - \$1.13 million increase other benefits - \$500 thousand all other expenses |
| | | | \$5.5 million total Expenditure Increase |
| <u>Revenues</u> | \$21,250,000 | \$20,050,000 | \$1.2 million decrease - loss of ARRA |
| <u>Fund Balance</u> | \$4,500,000 | \$4,500,000 | |
| <u>Tax Levy</u> | <u>\$65,300,000</u> | <u>\$67,300,000</u> | <u>\$2.0 million increase - 3% tax increase</u> |
| <u>All Revenues</u> | <u>\$91,050,000</u> | \$91,850,000 | \$800,000 total Revenue Increase |
| Difference between Revenues and Expenses | | \$4,700,000 | |

In addition, we will lose another \$768,090 in 2011-12 in ARRA funds under the Title I, Section 611 and Section 619 federal grants.

Note: This is after raising taxes and applying fund balance

Additional Considerations

- ❑ The Town of Colonie tax assessor is projecting flat assessments for the 2010-11 tax rolls (previously, growth in assessments helped keep the tax rate lower than the tax levy increase).
- ❑ The District is experiencing declining enrollment – State aids that are enrollment driven are declining.
- ❑ The number of parents that are choosing charter schools is increasing. The cost, which we have to pay, in 09-10 and 10-11 is \$10,541/per student and we have gone from 2 students attending them 2 years ago, to 5 attending last year, to 18 children attending this year.
- ❑ The District is subject to a large number of tax certiorari claims which, when settled, often result in lower assessments in the future, and the need for large refunds to be paid.

Our Approach to Preparing the 2010-11 Proposed Budget

- We established the following guiding principle at the beginning of this process:

Recognizing the need to reduce expenditures, we are hopeful to accomplish this goal using the following guiding principles:

- *Limit effect of cuts on the students of the district as much as possible*
 - *Minimize reductions of programs*
 - *Where possible, look for gains via attrition*
 - *Keep constituent groups informed*
- We met with administrators on multiple occasions to evaluate all options recommended and calculated the cost of each option. All proposed cuts were discussed in detail with the appropriate administrator(s).

Our Approach to Preparing the 2010-11 Proposed Budget

- We considered all the categories of options available to us:
 - Use of fund balance – We are recommending the use of \$4,500,000 to balance the 2010-11 budget.
 - Expenditure cuts – We have proposed \$3,379,496 in expenditure cuts.
 - Increase in tax levy – We are proposing an increase in the tax levy of 3.44%.
 - Other revenues – We have reviewed our budget and have fine-tuned all estimates of Other Revenues.

Our Approach to Preparing the 2010-11 Proposed Budget

- ❑ For our decisions about the proposed budget, we have strived to balance the negative affect on the current operations of the district against the long-term fiscal health of the district.
- ❑ Our approach to the budget cuts was to limit, as much as possible, any negative affect on our students and our staff while still maintaining a fiscally sound school district for the long-term.
- ❑ To do this, we evaluated the size of the student population and how it has changed in recent years and also the size of the district's staff.
- ❑ The following slides summarize this information.

Review of Student Enrollment – Last Five Years and Next Nine Years

Student enrollment has declined 131 students district-wide over the last five years, even after including the students added with the annex of Maplewood.

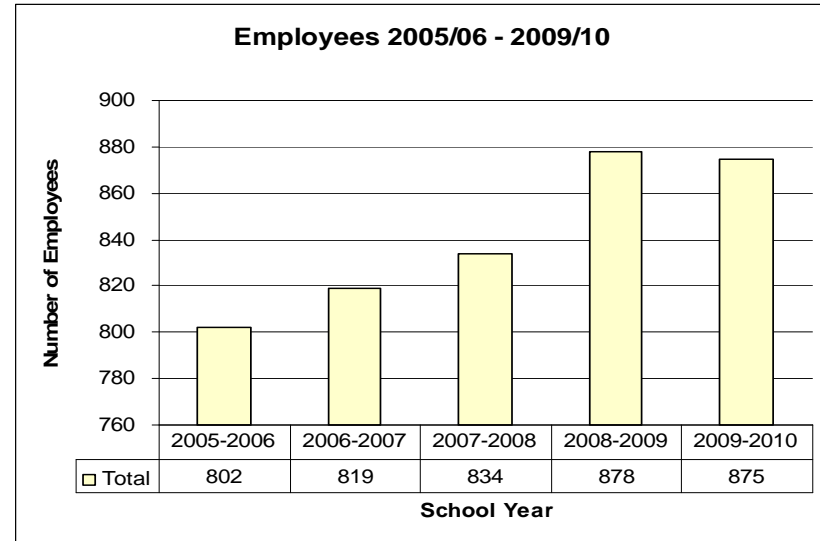
Enrollment projections for the next several years also show district-wide declining enrollment.

| | <u>Elementary</u> | <u>JHS</u> | <u>HS</u> | <u>Total</u> |
|------------|-------------------|------------|-----------|--------------|
| Actual: | | | | |
| 2005-2006 | 2,706 | 891 | 2,062 | 5,659 |
| 2006-2007 | 2,676 | 878 | 2,060 | 5,614 |
| 2007-2008 | 2,638 | 934 | 2,072 | 5,644 |
| 2008-2009 | 2,642 | 968 | 2,038 | 5,648 |
| 2009-2010 | 2,555 | 928 | 2,045 | 5,528 |
| Projected: | | | | |
| 2010-2011 | 2,549 | 914 | 2,075 | 5,538 |
| 2012-2013 | 2,563 | 869 | 2,104 | 5,536 |
| 2014-2015 | 2,543 | 877 | 2,025 | 5,445 |
| 2016-2017 | 2,562 | 861 | 1,984 | 5,407 |
| 2018-2019 | 2,525 | 898 | 1,974 | 5,397 |

Review of Staffing Over the Last Five Years

- ❑ Staffing levels over the last five years have increased
- ❑ Instructional staff have increased approx. 46 FTE
- ❑ Non-Instructional staff have increased approx. 27 FTE
- ❑ Total of 73 FTE

- ❑ There are very few announced retirements by our staff for the upcoming year.



| | <u>Instructional</u> | <u>Non-Instructional</u> | <u>Total</u> |
|-----------|----------------------|--------------------------|--------------|
| 2005-2006 | 567 | 235 | 802 |
| 2006-2007 | 579 | 240 | 819 |
| 2007-2008 | 585 | 249 | 834 |
| 2008-2009 | 615 | 263 | 878 |
| 2009-2010 | 613 | 262 | 875 |

In Conclusion

- The budget proposal included in your budget binders is our best effort recommendation for 2010-2011 based on the current information on proposed State Aid for 2010-11, our current programs and our current financial condition.
- We thank you for your attention and welcome feedback from the Board of Education and the community.