



SMITHTOWN CENTRAL SCHOOL DISTRICT

GENERAL FUND BUDGET OVERVIEW

February 14, 2024

Overview

- Historical Perspective
- Current and Future Considerations
- 2024-25 Initial Budget Forecast

GENERAL FUND BUDGET

HISTORICAL
PERSPECTIVE

15 Year History (2009 – Present)

School Finances:

- Correlated with overall economy
- Economy - cyclical
- School Finances - cyclical

Period of Financial Instability (2009-2016)

- Financial/Housing Crisis - Recession - Financial Markets ↓
- End of Federal Stimulus Funds
- Pension Expense Increases
- Loss of State Aid - Gap Elimination Adjustment (GEA)
- Property Tax Cap Legislation

→Budget Reductions

→Use of Fund Balance and Reserves

Recent History – Financial Stability (2016 - 2023)

- Economic Expansion - Financial Markets ↑
- Pension Expenses - Decreasing/Stable
- Gap Elimination Adjustment (GEA) restored
- Additional State Foundation Aid (beginning in 2021-22)
- Federal Stimulus Funds (pandemic relief)
- Retirements/Attrition

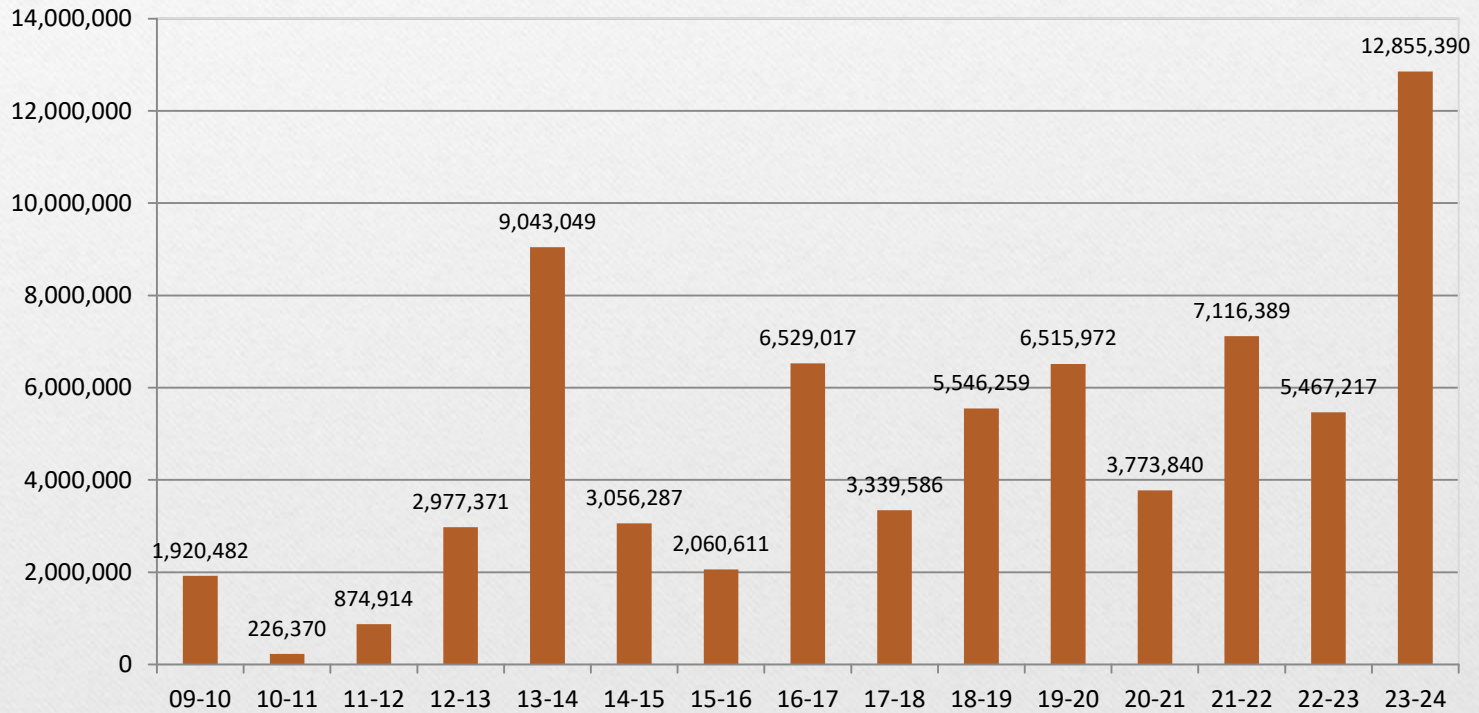
→Budget Additions (where sustainable)

→Replenish/Add Reserves

→Healthy Balance Sheet

Budget History

Budget Increases



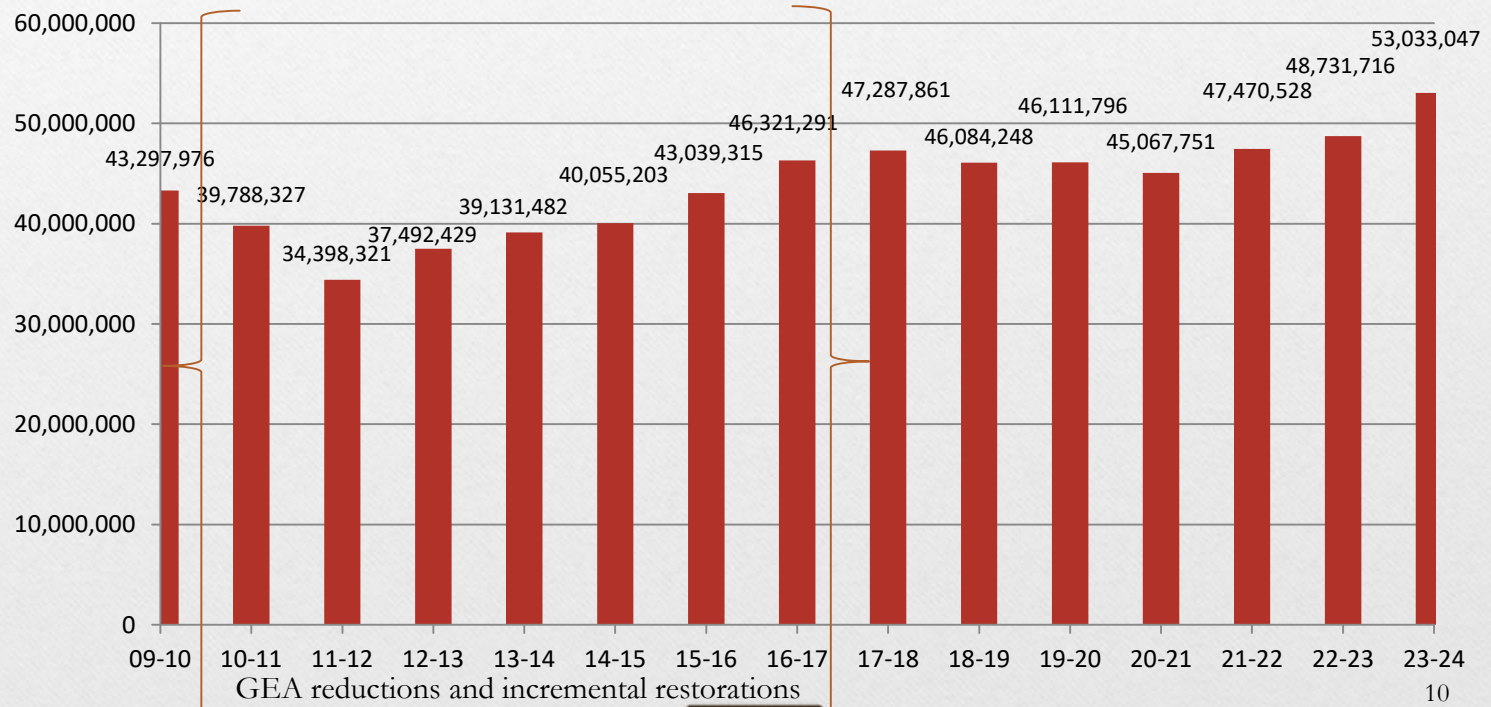
Pension Rate History (TRS & ERS)

Budget Year	TRS Rate	ERS Rate
2009-10	6.19%	7.40%
2010-11	8.62%	11.90%
2011-12	11.11%	16.30%
2012-13	11.84%	18.90%
2013-14	16.25%	20.90%
2014-15	17.53%	20.10%
2015-16	13.26%	18.20%
2016-17	11.72%	15.50%
2017-18	9.80%	15.30%
2018-19	10.62%	14.90%
2019-20	8.86%	14.60%
2020-21	9.53%	14.60%
2021-22	9.80%	16.20%
2022-23	10.29%	11.60%
2023-24	9.76%	13.10%

Pension Expense History (TRS & ERS)



State Aid History

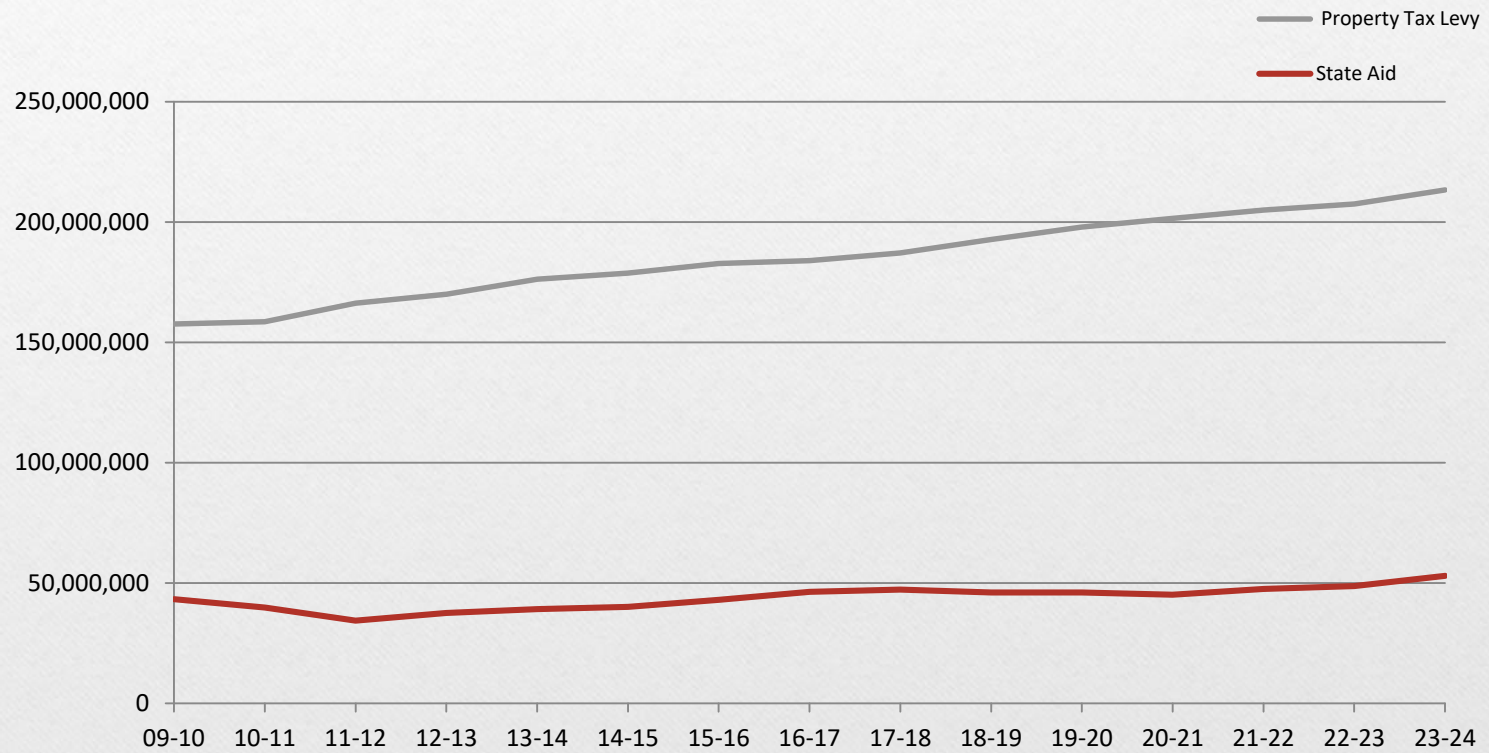


Property Tax Cap Legislation (2012)

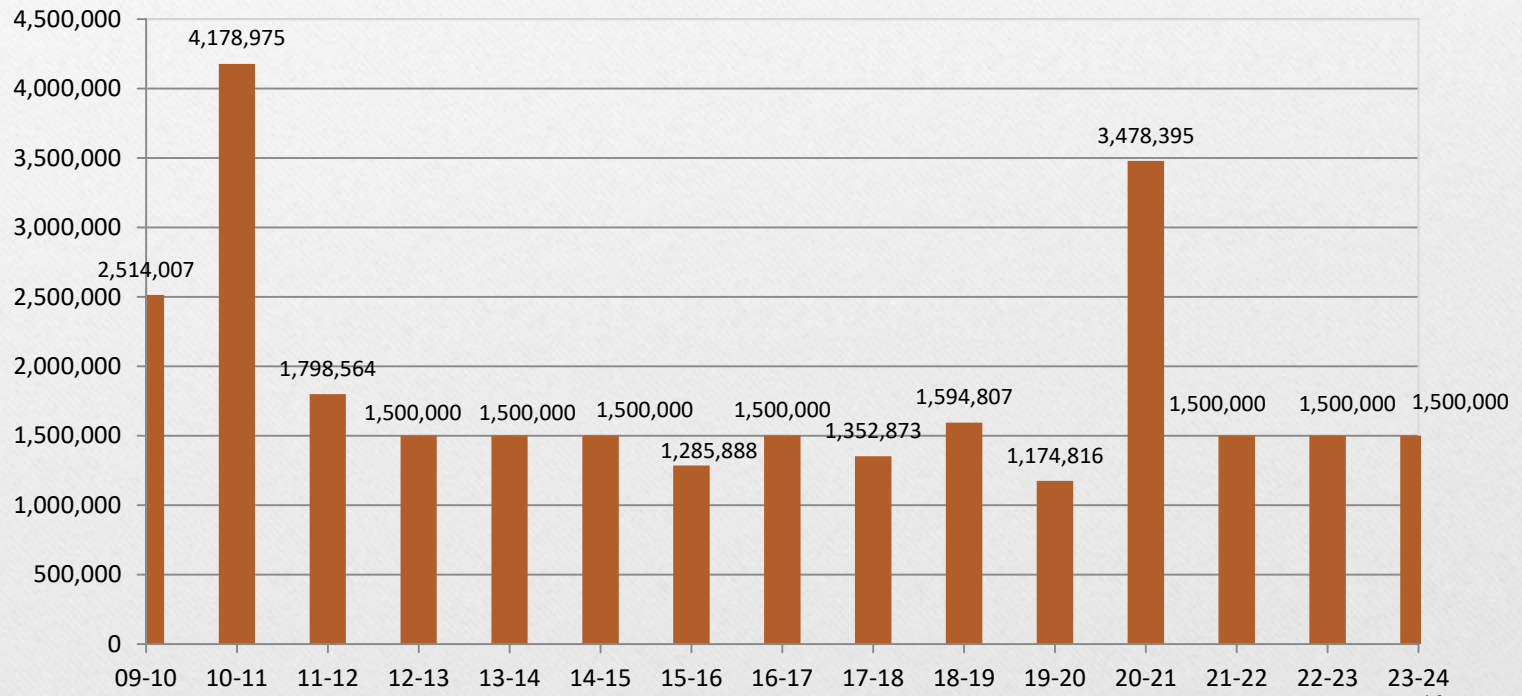
Consumer Price Index (CPI) is an integral component of the allowable tax cap calculation. It is limited to the lesser of the actual CPI or 2%:

Budget Year	Tax Levy CPI	Allowable Tax Levy	Actual Tax Levy
2012-13	2.00%	2.23%	2.23%
2013-14	2.00%	3.63%	3.63%
2014-15	1.46%	1.49%	1.49%
2015-16	1.62%	2.21%	2.21%
2016-17	0.12%	0.66%	0.66%
2017-18	1.26%	1.73%	1.73%
2018-19	2.00%	2.95%	2.95%
2019-20	2.00%	2.69%	2.69%
2020-21	1.81%	1.82%	1.82%
2021-22	1.23%	2.25%	1.75%
2022-23	2.00%	1.63%	1.20%
2023-24	2.00%	2.83%	2.83%

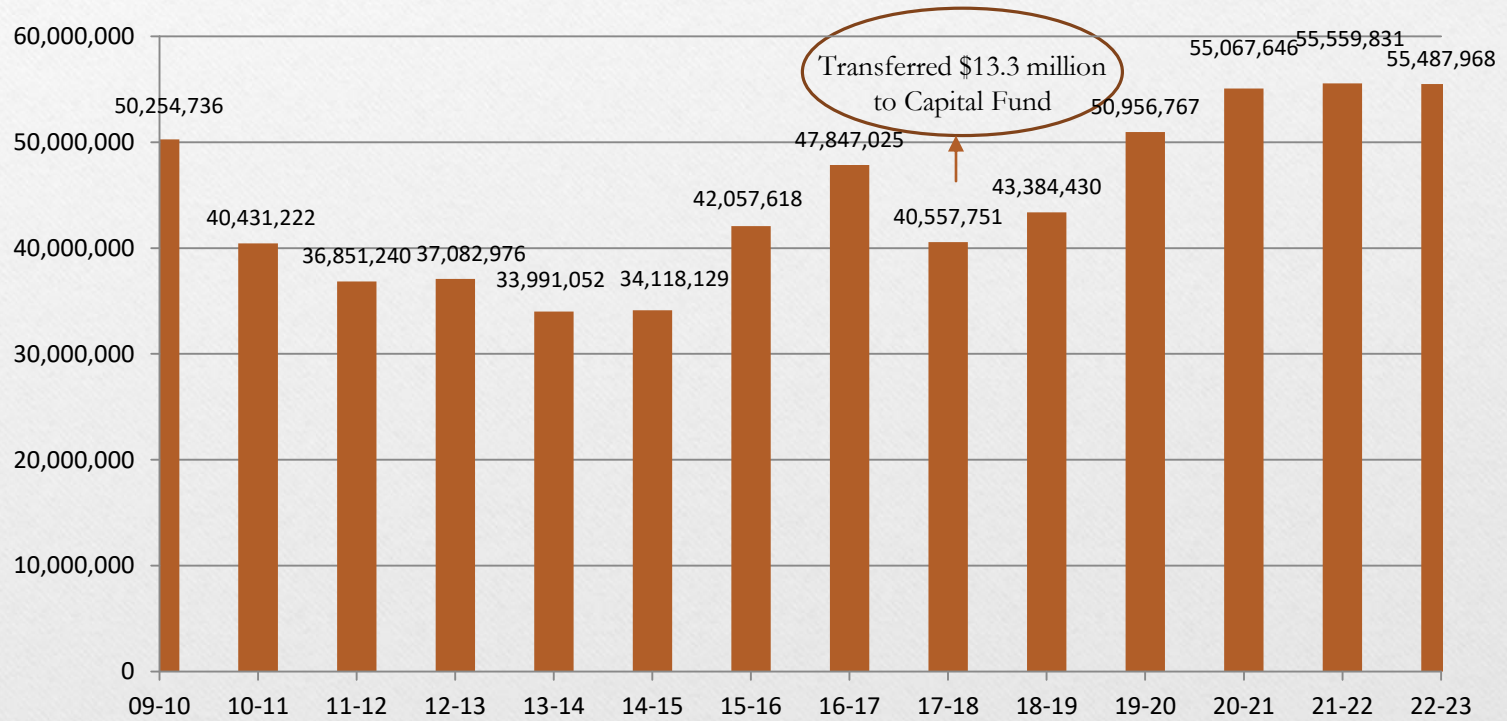
Tax Levy and State Aid



Use of Assigned Fund Balance



Total Fund Balance (end of year)



Reserves and Fund Balance

(as of June 30, 2023)

End of Year Reserve & Fund Balance Levels	2022-23
Workers' Compensation Reserve	2,328,126
Unemployment Insurance Reserve	44,700
Dental Insurance Reserve	1,819,169
Liability (L/T Disability) Reserve	619,785
Retirement Contributions Reserve (ERS)	11,819,658
Retirement Contributions Reserve (TRS)	8,058,136
Employee Benefit Accrued Liability Reserve (EBALR)	12,860,488
Capital 2022 Reserve	3,097,794
Assigned Fund Balance (appropriated for next year's budget)	1,500,000
Assigned Fund Balance – Other (encumbrances)	2,009,218
Non-spendable Fund Balance (prepaid expense)	110,329
Unassigned Fund Balance (4% limit)	11,220,567
Total Fund Balance	55,487,968

Total Fund Balance - approximately 20% of the 2023-24 budget

Reserves and Estimated Liabilities

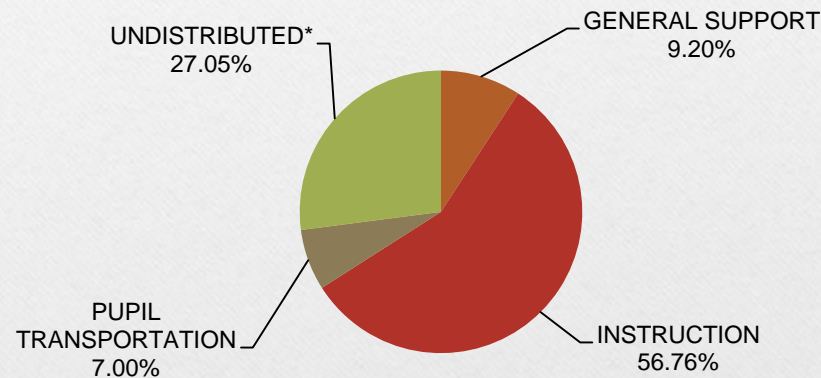
(as of June 30, 2023)

Restricted Reserves	Estimated Liability/Max Balance	Reserve Balance	Percent Funded
Workers' Compensation Reserve	2,804,073	2,328,126	83%
Unemployment Insurance Reserve	75,135	44,700	59%
Dental Insurance Reserve	3,416,987	1,819,169	53%
Liability (L/T Disability) Reserve	698,420	619,785	89%
Retirement Contributions Reserve (ERS)	14,853,337	11,819,658	80%
Retirement Contributions Reserve (TRS)	10,815,484	8,058,136	75%
Employee Benefit Accrued Liability Reserve (EBALR)	23,602,847	12,860,488	54%
Capital 2022 Reserve	25,000,000	3,097,794	12%

Estimated Liability – provided by third party, specific calculation, or equal to last 4 years of actual expenses 16

2023-24 Expense Budget

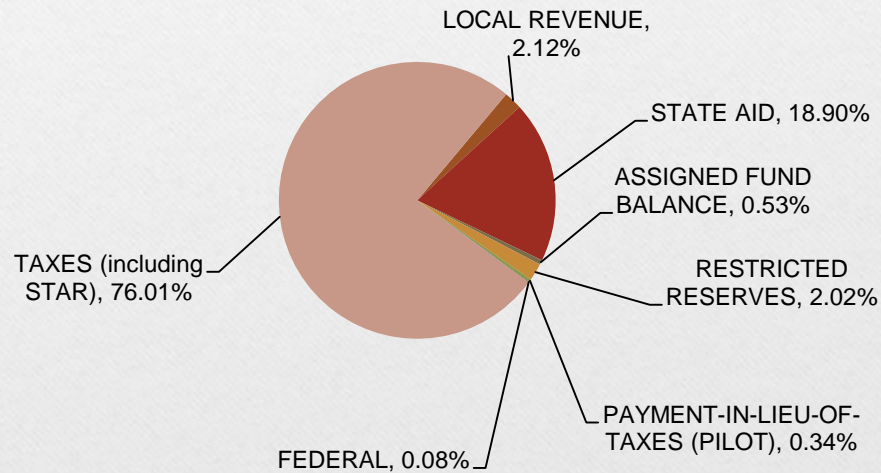
HOW OUR BUDGET DOLLARS ARE SPENT



* UNDISTRIBUTED refers to all benefit related and debt service appropriations, and transfers to other funds

2023-24 Revenue Budget

WHERE OUR REVENUE DOLLARS COME FROM FOR THE 2023 - 2024 BUDGET



* **UNDISTRIBUTED** refers to all benefit related and debt service appropriations, and transfers to other funds

GENERAL FUND BUDGET

CURRENT AND FUTURE
CONSIDERATIONS

School District Budgeting

Basic Old Methodology: Expense-based Budgeting

Expense budget less state aid determines necessary tax levy (more local control)

Basic New Methodology: Revenue-based Budgeting

Tax Levy within tax cap plus state aid determines expense budget (less local control)

**Utilize fund balance/reserves to offset revenue shortfalls or reduce tax levy*

Revenue Considerations

Two Main Sources of Sustainable Revenue

1. Tax Levy

- Permanent
 - To date, no meaningful proposed changes have been implemented
- Tax Levy Cap
 - 2% or actual CPI, whichever is LESS
 - Not aligned with inflation

2. State Aid

- Positives:
 - Full Phase-in Foundation Aid (2023-24)
- Concerns:
 - Smithtown CSD wealth factors increasing compared to rest of state:
 - Reduces Foundation formula aid
 - Reduces expense-based aids(declining aid ratios)
 - Increasing allocations to “high need” districts
 - DOB projects structural state deficit
 - State Aid reductions in past (GEA)

GEA – Prior Year Reductions in State Aid

Budget Year	GEA	Cumulative GEA
2010-11	-3,689,144	-3,689,144
2011-12	-7,278,505	-10,967,649
2012-13	-6,301,470	-17,269,119
2013-14	-5,909,442	-23,178,561
2014-15	-5,074,438	-28,252,999
2015-16	-3,233,828	-31,486,827
2016-17	0	-31,486,827

2016-17 - \$3.2 million GEA fully restored

Foundation Aid History

Year	Current Year Aid	Full Phase-in Level ("Total Foundation Aid")
2007-08	22,871,009	29,068,081
2008-09	24,253,118	29,138,746
2009-10	24,272,418	33,645,551
2010-11	24,272,418	33,498,085
2011-12	24,272,418	35,312,637
2012-13	24,463,387	35,505,933
2013-14	24,535,876	36,455,577
2014-15	24,925,905	33,585,283
2015-16	25,018,781	32,170,698
2016-17	25,018,781	31,373,438
2017-18	25,704,295	30,562,936
2018-19	26,192,677	29,900,806
2019-20	26,389,123	29,939,930
2020-21	26,389,123	30,385,452
2021-22	27,432,134	30,362,501
2022-23	29,278,016	31,087,816
2023-24	33,047,379	33,047,379

State Aid – Foundation Aid

- Foundation Aid was full phased-in 2023-24
- Current Foundation Aid formula - aid is largely determined by adjusted pupil counts (enrollment) and combined wealth ratios (income and property values)
 - Smithtown Combined Wealth Ratio (CWR) increasing
2024-25: 1.446 (current estimate)
2023-24: 1.383
 - Enrollment declining
 - CWR ↑, Enrollment ↓: Formula Foundation Aid decreases

2024-25 Current Foundation Aid (Executive Proposal)	\$32,232,093
Foundation Aid (2023-24)	\$33,047,477
“Save Harmless” (<u>Not</u> in Executive Proposal)	\$ 815,384

State Aid – Governor’s Executive State Aid Proposal

- Foundation Aid
 - Reduction in inflation factor: Current law would be a 3.8% increase to base amount used in formula. Governor is proposing to reduce to 2.4% through a change to a multi-year average of inflation (average change in CPI over the past 10 years, excluding the highest and lowest years)
 - Elimination of the Save Harmless: For decades, NYS has guaranteed that school districts continue to receive as much as previous year. Elimination of the Save Harmless provisions impacts 45% of districts (337 districts including Smithtown)
 - Out year changes: Governor appears to have reduced future aid increases to approximately 2.5% annually based on inflation estimates. Previously, aid growth was tied to state’s personal income which traditionally averaged 4% annually
- Expense-based Aids
 - No proposed consolidations or reductions

State Aid Factors (expense-based aids)

SMITHTOWN CSD

MULTIYEAR STATE AID FACTORS

WEALTH MEASURES AND SELECTED AID RATIOS

	2020-2021	2021-2022	2022-2023	2023-2024	Exec Proposal 2024-2025
Combined Wealth Ratio (CWR)	1.334	1.342	1.350	1.383	1.446
<i>NYS Average CWR</i>	<i>1.000</i>	<i>1.000</i>	<i>1.000</i>	<i>1.000</i>	<i>1.000</i>
Public Excess Cost Ratio	0.320	0.316	0.312	0.295	0.266
High Cost Threshold (Public)	\$55,647	\$56,253	\$59,940	\$62,967	\$66,933
Private Excess Cost Ratio	0.800	0.799	0.798	0.793	0.784
Basic Contribution (Private)	\$23,391	\$24,619	\$25,645	\$26,278	\$27,978
Transportation Aid Ratio	0.478	0.477	0.468	0.493	0.443
BOCES Aid Ratio (Admin & Serv)	0.634	0.621	0.600	0.602	0.602

State Aid – Expense Based Aids

Expense Based Aids: Categorical expenses that are reimbursed the following year (by District-specific factors & aid ratios)

Aid ratios and local thresholds are determined by wealth factors

Example: Public High Cost Excess Cost Aid (using 23-24 state aid factors)

High Cost Special Needs Student Total (annual)	\$150,000
District Threshold (local responsibility prior to aid)	\$62,967
Public Excess Cost Aid Ratio	0.295
Eligible Costs for aid (150,000 – 62,967)	\$87,033
Aid received the following year (87,033 x 0.295)	\$25,675

Note: Using 24-25 state aid factors: Aid for same student reduced to \$22,096

Future Considerations

Continued Inflationary Pressures?

Additional Mandates (Unfunded)?

American Rescue Plan Federal Funds expiring

Increasing student needs/services: costs ↑

Overreliance on reserves to balance budgets – Unsustainable

- Requires exit strategy
 - Retirement bubble approaching?
 - Future reductions

Future of State Aid

- Foundation Aid formula: Save Harmless? Due minimum increase? Tied to inflation?
- Wealth factors increasing compared to state average – lowers expense base state aids and Foundation Aid formula aid

GENERAL FUND BUDGET

2024-25 INITIAL BUDGET FORECAST

2024-25 Expenditure Outlook

Projected Budget Increase \approx \$9.74 million (3.47%)

- Salaries \approx \$2.97 million increase (includes retirement differential savings)
- Pensions \approx \$1.15 million increase (TRS & ERS)
- Health \approx \$2.28 million increase
 - Actives: 7.0% premium increase
 - Medi-prime: 4.0% premium increase
- Transportation \approx \$0.67 million increase
- BOCES \approx \$0.15 million increase
- Other Contractual (Sp. Ed services, etc.) \approx \$2.45 million increase

2024-25 Expenditures - Pensions

24-25 Pension Rates:

- TRS - increasing to 10.02% (from 9.76%)
- ERS - increasing to 15.20% (from 13.10%)

2024-25 Expenditures - Pensions

24-25 Pension Dollars:

- TRS estimate \approx \$11.47 million (increase of \$0.49 million)
- ERS estimate \approx \$4.44 million (increase of \$0.67 million)

2024-25 Revenue Outlook

- Local Revenue \approx \$1.90 million increase (interest revenue \uparrow)
- State Aid \approx \$1.56 million decrease
- Appropriated Reserves \approx \$3.20 million increase
- Payment-in-Lieu-of-Taxes (PILOTs) \approx \$0.07 million increase
- Federal (Medicaid) \approx flat
- Tax Levy (at cap) \approx \$6.13 million increase (2.87%)

2024-25 Revenue Outlook – State Aid

Executive Proposal Summary

Estimated Aids	Executive Proposal 2024-25	Final State Budget 2023-24	\$ Change
Foundation Aid	32,232,093	33,047,379	-815,286
BOCES	4,408,375	3,893,593	514,782
High Cost Excess Cost	808,406	949,801	-141,395
Private Excess Cost	1,066,884	881,063	185,821
Hardware & Technology	78,317	92,938	-14,621
Software, Library, Textbook	664,529	685,486	-20,957
Transportation	6,715,516	6,661,142	54,374
High Tax Aid	1,934,010	1,934,010	0
Building Aid	3,566,519	4,887,635	-1,321,116
Subtotal	51,474,649	53,033,047	-1,558,398

*UPK not included – accounted for in F Funds

2024-25 Revenue Outlook – Reserves

District is proposing utilizing the following reserves to offset associated expenditures:

- \$4,250,000 of Employees' Retirement System Reserve (ERS)
Reserve - 80% funded as of June 30, 2023
- \$3,375,000 of Teachers' Retirement System Reserve (TRS)
Reserve - 75% funded as of June 30, 2023
- \$ 770,000 of Employee Benefit Accrued Liability Reserve (EBALR)
Reserve - 54% funded as of June 30, 2023
- \$ 475,000 of Dental Insurance Reserve
Reserve - 53% funded as of June 30, 2023

2024-25 Revenue Outlook – Proposed Tax Levy (at Tax Cap)

Tax Levy Factors:

Annual CPI (capped)	2.00%	(actual CPI 4.12%)
Tax Base Growth Factor	.0037	

Using Simplified Formula (in millions):

2023-24 Tax Levy	\$213.30
<u>2.87% Increase (est.)</u>	<u>\$ 6.13</u>
2024-25 Tax Levy (est.)	\$219.43

NOTE: Subject to change as information becomes available

2024-25 Current Projected Expenditure Budget

	2024-25 Proposed	2023-24 Adopted	Change
Total Salary	145,308,214	142,339,496	2,968,718
TRS	11,473,734	10,987,085	486,649
ERS	4,439,503	3,773,818	665,685
Health	35,085,122	32,803,894	2,281,228
Other Benefits	13,935,542	13,702,230	233,312
Total Benefits	64,933,901	61,267,027	3,666,874
Transfer to Other Funds	675,000	600,000	75,000
Equipment	765,000	765,000	0
Contractual	23,711,522	21,259,644	2,451,878
Transportation	19,028,832	18,361,489	667,343
BOCES	18,059,281	17,904,585	154,696
Supplies	4,293,487	4,128,298	165,189
Debt & Interest	13,602,751	14,016,733	-413,982
Total Expenditures	290,377,988	280,642,272	9,735,716

2024-25 Current Projected Revenue Budget

	2024-25 Proposed	2023-24 Adopted	Change
Local	7,850,217	5,949,347	1,900,870
State Aid	51,474,649	53,033,047	-1,558,398
Assigned Fund Balance	1,500,000	1,500,000	0
EBAL Reserve	770,000	770,000	0
Dental Reserve	475,000	250,000	225,000
ERS Reserve	4,250,000	2,650,000	1,600,000
TRS Reserve	3,375,000	2,000,000	1,375,000
Payment-in-Lieu-of-Taxes (PILOT)	1,036,270	967,151	69,119
Federal (Medicaid)	220,000	220,000	0
Tax Levy	219,426,852	213,302,727	6,124,125
Total Revenue	290,377,988	280,642,272	9,735,716

2024-25

Current Projected Budget

Current Projected Budget:

- Maintains all existing programs & services
- Comparable future budgetary increases likely not sustainable long term

Consideration for New Proposals:

- Increase use of Reserves and/or
- Reallocation/reduction of existing budgetary funds

2024-25

Current Projected Budget

Current Projected Budget Does NOT Include:

- ELA Pilot proposal
- Potential initial cost estimate \approx \$1,000,000
- Mainly start-up funding (non-recurring)
- Total expense may be spread over two years (2023-24 & 2024-25)
- If adopted, additional remaining start-up expenses would need to be offset by appropriating additional funds in 2024-25 budget from the TRS Reserve

Questions?

Next Budget Workshop: March 12, 2024

Instructional Budget