



SMITHTOWN CENTRAL SCHOOL DISTRICT

GENERAL FUND BUDGET OVERVIEW

February 14, 2023

Overview

- Historical Perspective
- Current and Future Considerations
- 2023-24 Initial Budget Forecast

GENERAL FUND BUDGET

HISTORICAL
PERSPECTIVE

14 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 - 2022)

- 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

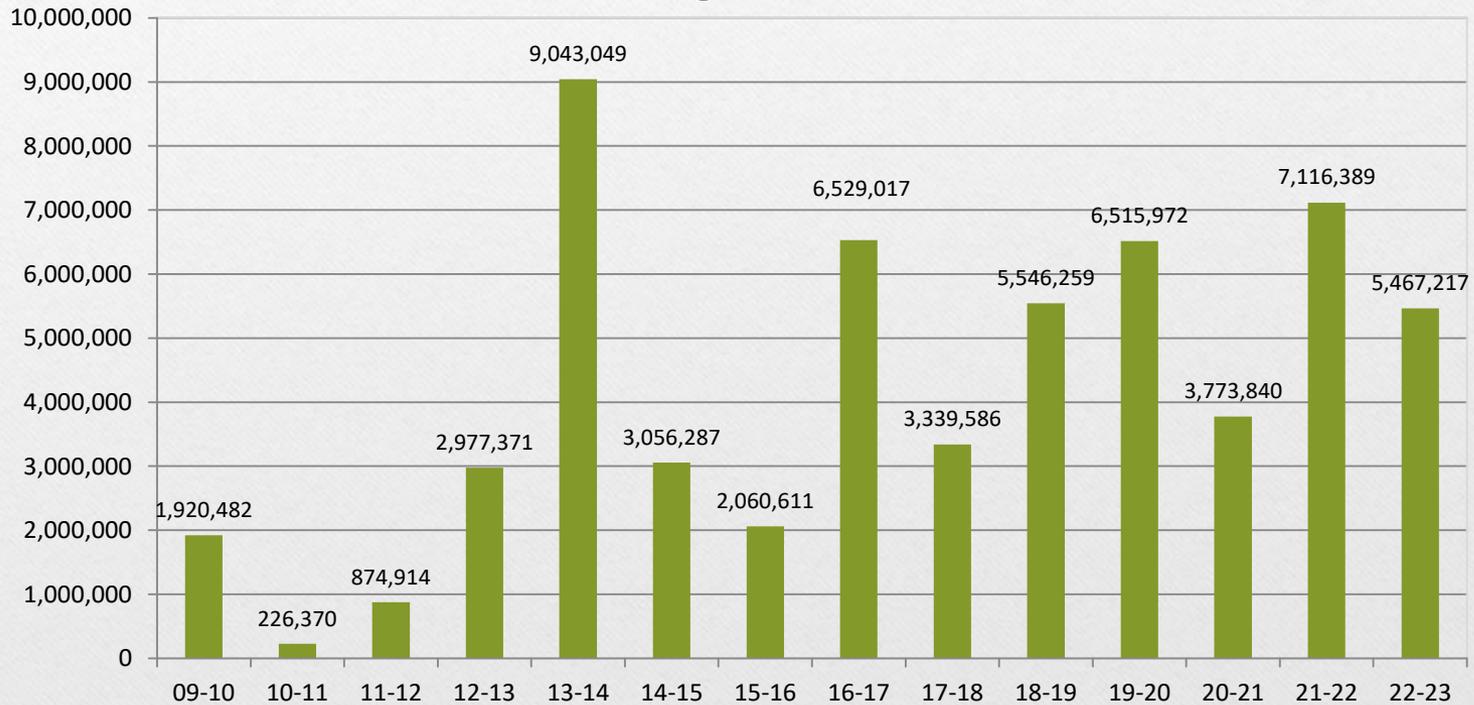
→Budget Additions (where sustainable)

→Replenish/Add Reserves

→Healthy Balance Sheet

Budget History

Budget Increases



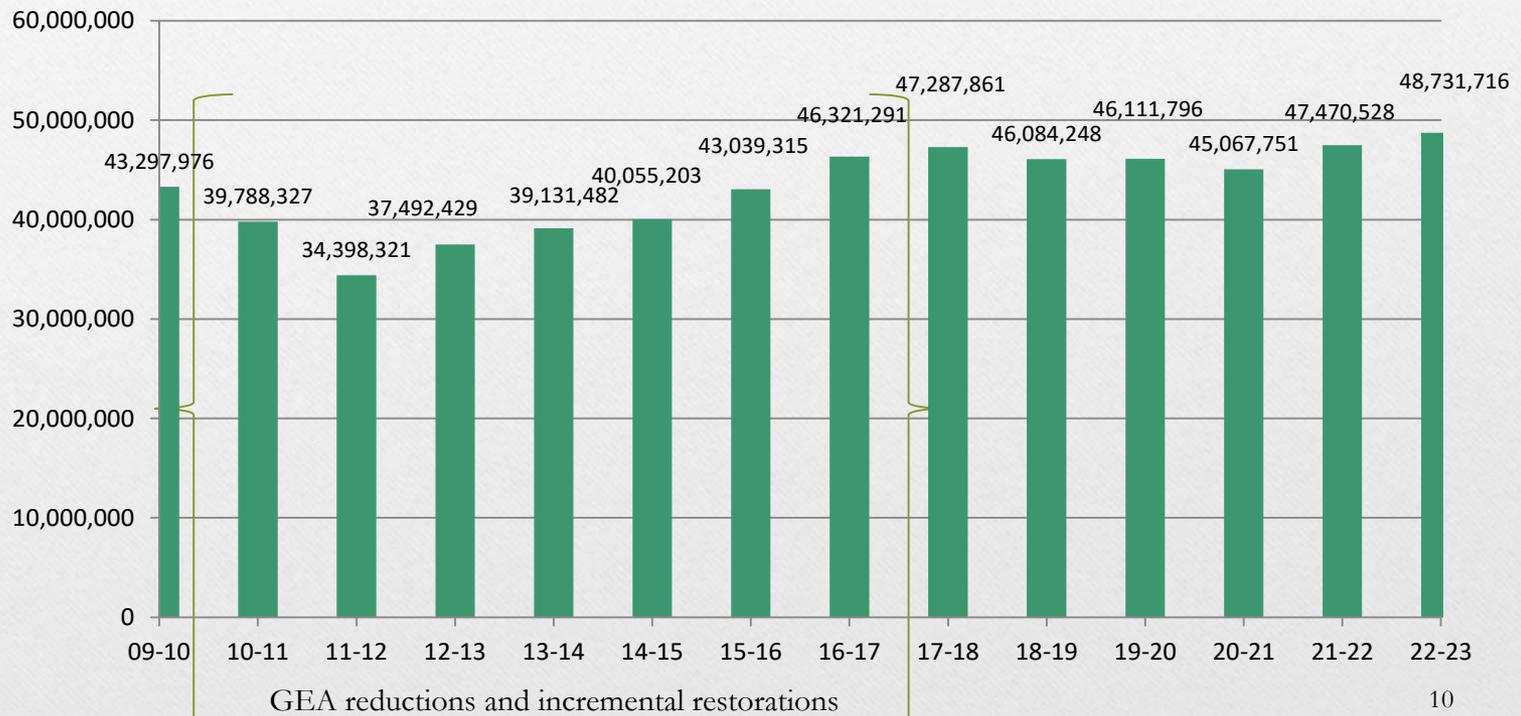
Pension Rate History (TRS & ERS)

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%

Pension Expense History (TRS & ERS)



State Aid History

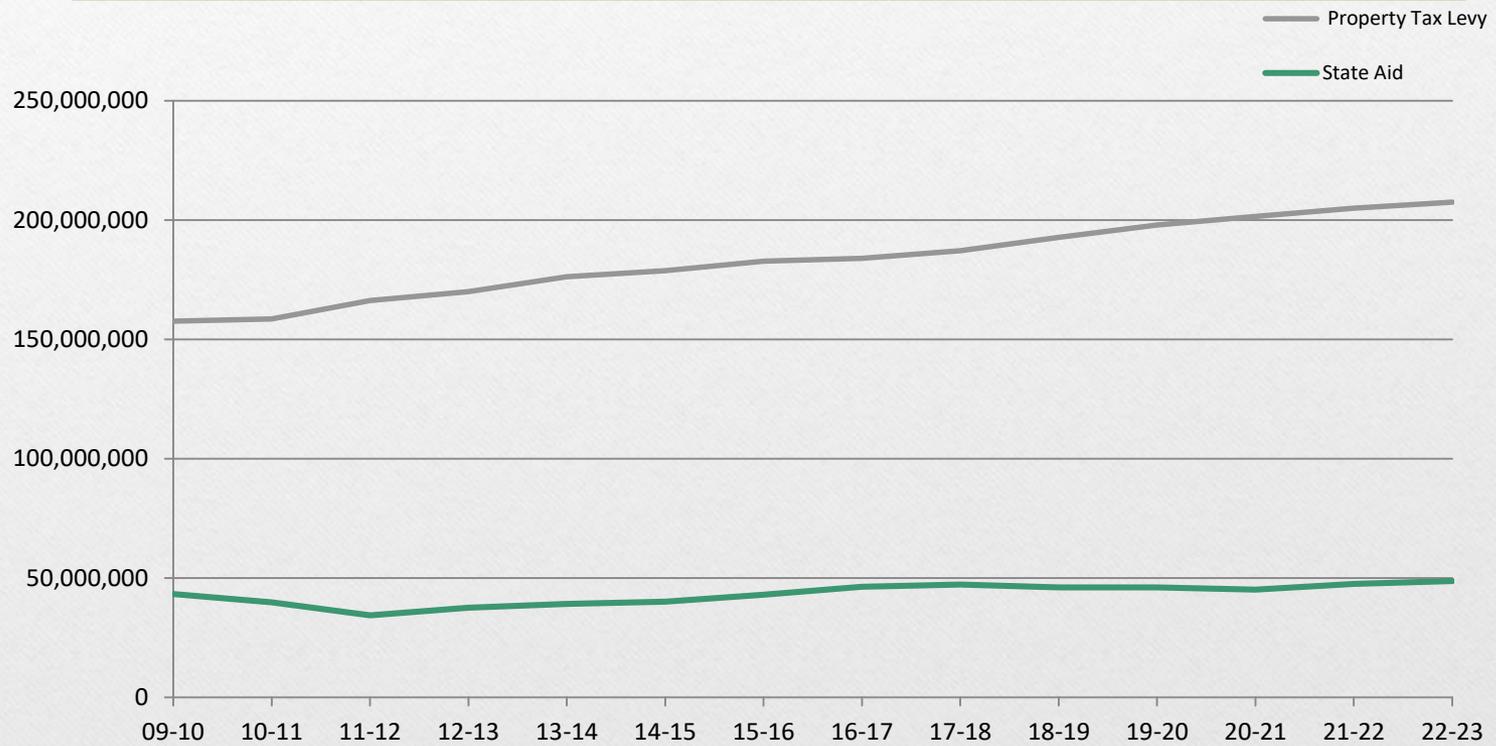


Property Tax Cap Legislation (2012)

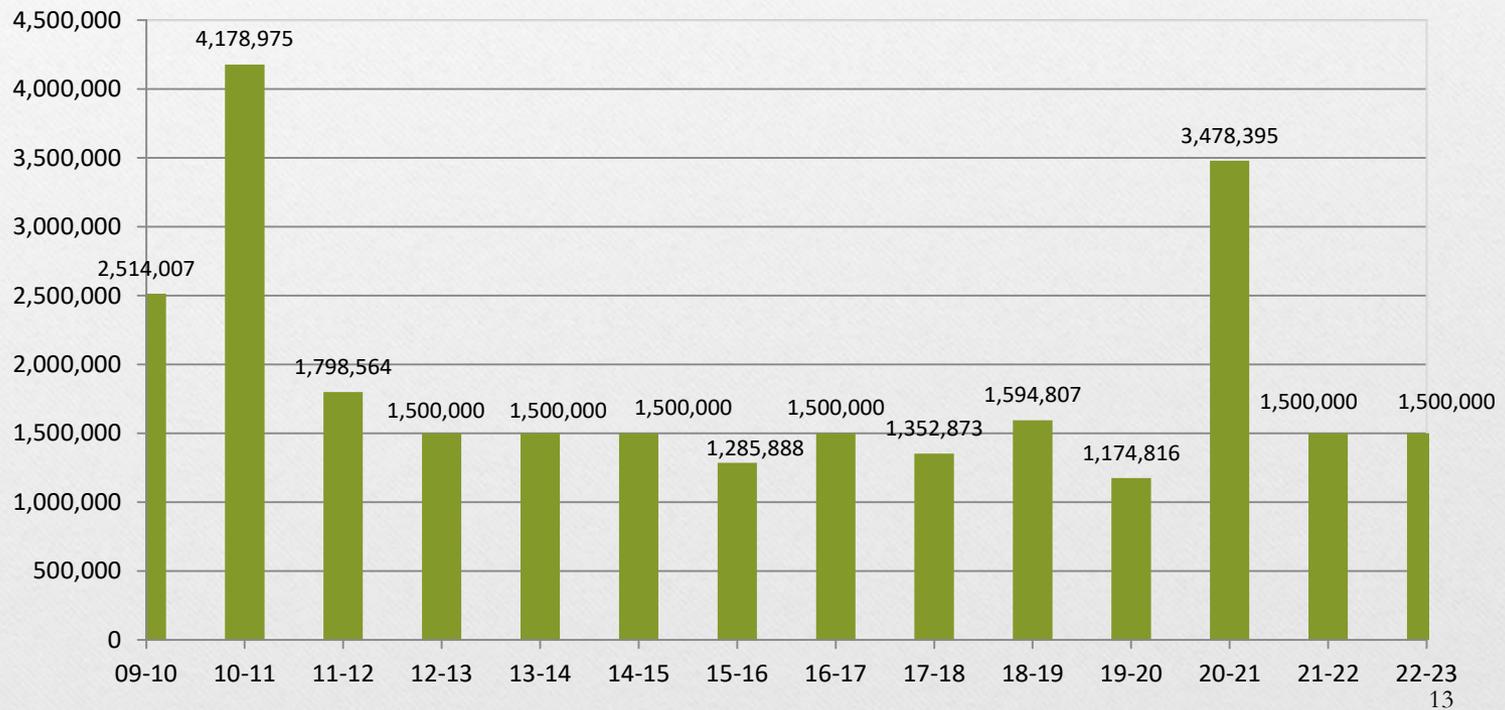
Consumer Price Index (CPI) is an integral component of the allowable tax cap calculation. It is limited to the lesser of the actual CPI or 2%:

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%

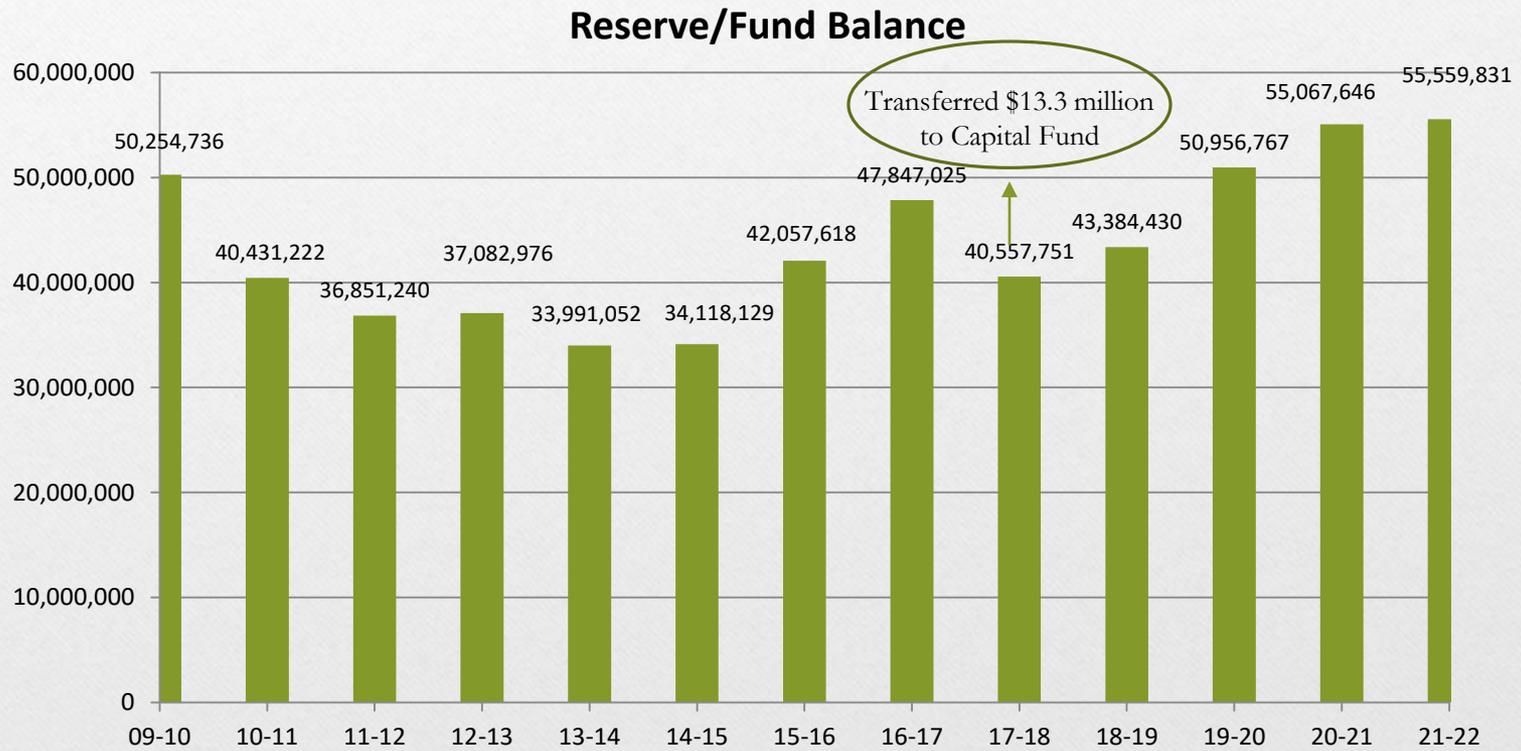
Tax Levy and State Aid



Use of Assigned Fund Balance



Total Fund Balance (end of year)



Reserves and Fund Balance

(as of June 30, 2022)

End of Year Reserve & Fund Balance Levels	2021-22
Workers' Compensation Reserve	3,048,965
Unemployment Insurance Reserve	40,466
Dental Insurance Reserve	1,546,252
Liability (L/T Disability) Reserve	597,807
Retirement Contributions Reserve (ERS)	13,871,368
Retirement Contributions Reserve (TRS)	7,266,004
Employee Benefit Accrued Liability Reserve (EBALR)	13,114,708
Capital 2022 Reserve	1,300,000
Assigned Fund Balance (appropriated for next year's budget)	1,500,000
Assigned Fund Balance – Other (encumbrances)	2,470,375
Non-spendable Fund Balance (prepaid expense)	100,000
Unassigned Fund Balance (4% limit)	10,703,886
Total Fund Balance	55,559,831

Total Fund Balance - approximately 21% of the 2022-23 budget

Reserves and Estimated Liabilities

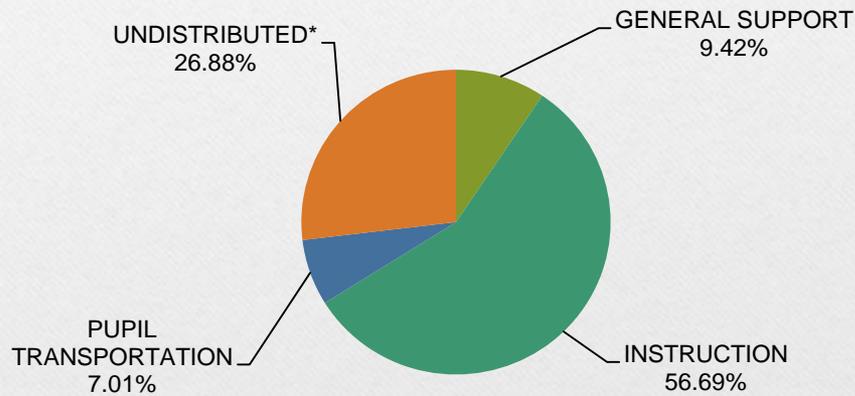
(as of June 30, 2022)

Restricted Reserves	Estimated Liability/Max Balance	Balance	Percent Funded
Workers' Compensation Reserve	2,984,941	3,048,965	102%
Unemployment Insurance Reserve	59,536	40,466	68%
Dental Insurance Reserve	3,421,153	1,546,252	45%
Liability (L/T Disability) Reserve	862,312	597,807	69%
Retirement Contributions Reserve (ERS)	15,368,698	13,871,368	90%
Retirement Contributions Reserve (TRS)	10,331,999	7,266,004	70%
Employee Benefit Accrued Liability Reserve (EBALR)	22,516,838	13,114,708	58%
Capital 2022 Reserve	25,000,000	1,300,000	5%

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

2022-23 Expense Budget

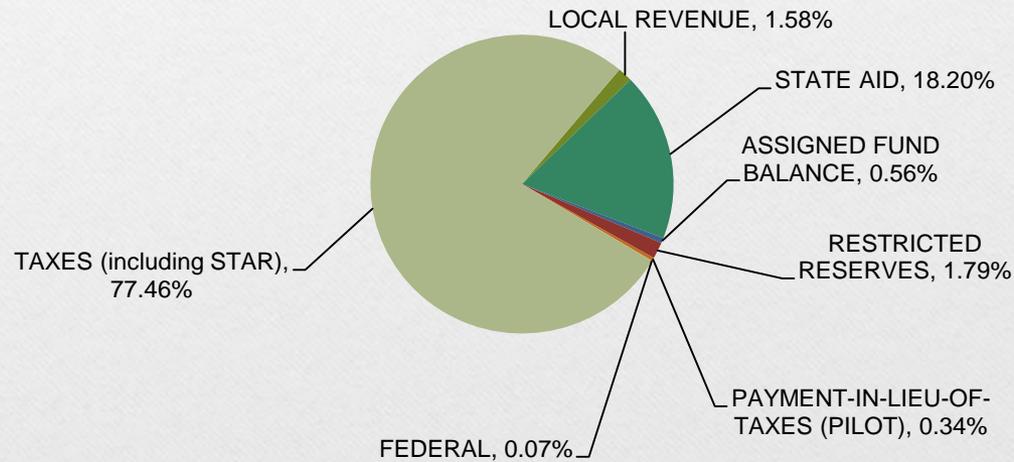
HOW OUR BUDGET DOLLARS ARE SPENT



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

2022-23 Revenue Budget

WHERE OUR REVENUE DOLLARS COME FROM FOR THE 2022 - 2023 BUDGET



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 proposed changes adopted
- Tax Levy Cap
 - 2% or actual CPI, whichever is LESS
 - Not aligned with inflation

2. State Aid

- Positives:
 - Full Phase-in Foundation Aid
 - State – currently healthy finances
- Concerns:
 - Full Phase-in Foundation Aid: Now what?
 - Recession looming? Reductions in past (GEA)
 - Declining expense & pupil based aids (declining aid ratios)
 - Increasing allocations to “high need” districts

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

State Aid Factors (expense-based aids)

SMITHTOWN CSD

MULTIYEAR STATE AID FACTORS

WEALTH MEASURES AND SELECTED AID RATIOS

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Combined Wealth Ratio (CWR)	1.412	1.370	1.334	1.342	1.350
<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	0.280	0.302	0.320	0.316	0.312
High Cost Threshold (Public)	\$50,307	\$52,164	\$55,647	\$56,253	\$59,940
Private Excess Cost Ratio	0.789	0.795	0.800	0.799	0.798
Basic Contribution (Private)	\$20,827	\$22,118	\$23,391	\$24,619	\$25,645
Transportation Aid Ratio	0.437	0.464	0.478	0.477	0.468
BOCES Aid Ratio (Admin & Serv)	0.612	0.628	0.634	0.621	0.600

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

High Cost Special Needs Student Total (annual)	\$150,000
District Threshold (local responsibility prior to aid)	\$59,940
Public Excess Cost Aid Ratio	0.312
Eligible Costs for aid (150,000 – 59,940)	\$90,060
Aid received the following year (90,060 x 0.312)	\$28,099

Future Considerations

Inflationary Pressures

Recession?

Federal Funds expiring

Increasing student needs/services: costs ↑

Future of State Aid

- Foundation Aid: New formula? Due minimum increase? Tied to inflation?
- Expense Aids: remain fully funded?

GENERAL FUND BUDGET

2023-24 INITIAL BUDGET FORECAST

2023-24 Expenditure Outlook

Projected Budget Increase \approx \$12.84 million (4.80%)

- Salaries \approx \$3.75 million increase (contractual obligations & High-Impact Tutoring)
- Pensions \approx \$0.44 million increase (TRS & ERS)
- Health \approx \$1.61 million increase (5.2% average premium increase)
- Transportation \approx \$0.81 million increase
- BOCES \approx \$2.52 million increase
- Other Contractual (Sp. Ed services, utilities, etc.) \approx 0.93 million increase
- Proposal for Armed Security \approx 0.85 million (projected addition)

2023-24 Expenditures - Pensions

23-24 Pension Rates:

- TRS - decreasing to 9.76% (from 10.29%)
- ERS - increasing to 13.10% (from 11.60%)

2023-24 Expenditures - Pensions

23-24 Pension Dollars:

- TRS estimate \approx \$10.99 million (decrease of \$0.19 million)

- ERS estimate \approx \$3.77 million (increase of \$0.63 million)

2023-24 Revenue Outlook

- Local Revenue \approx \$1.72 million increase (interest revenue \uparrow)
- State Aid \approx \$4.05 million increase (Fully Phased-in Foundation Aid)
- Assigned Fund Balance & Reserves \approx \$1.03 million increase
- Payment-in-Lieu-of-Taxes (PILOTs) \approx \$0.06 million increase
- Federal (Medicaid) \approx 0.02 million increase
- Tax Levy (at cap) \approx \$5.96 million increase (2.87%)

2023-24 Revenue Outlook – State Aid

Executive Proposal Summary

Estimated Aids	Executive Proposal 2023-24	Final State Budget 2022-23	\$ Change
Foundation Aid	32,910,405	29,278,016	3,632,389
BOCES	3,893,593	3,053,130	840,463
High Cost Excess Cost	949,801	812,032	137,769
Private Excess Cost	875,639	842,152	33,487
Hardware & Technology	92,019	87,491	4,528
Software, Library, Textbook	678,877	693,781	-14,904
Transportation	6,661,172	6,297,980	363,192
High Tax Aid	1,934,010	1,934,010	0
Building Aid	4,781,826	5,733,124	-951,298
Subtotal	52,777,342	48,731,716	4,045,626

*UPK not included – accounted for in F Funds

2023-24 Foundation Aid

Executive Proposal

High-Impact Tutoring Set Aside: \$322,847

High-Impact Tutoring Set Aside is included within 2023-24 Foundation Aid (restricted portion of Foundation Aid). This funding requires districts to utilize amount provided to support new small group of individual tutoring sessions in reading in math to students in grades 3-8 at risk of falling below state standards. The programs can either be in-house or in partnerships with external providers and sessions may be provided within or outside of the school day. The sessions must occur at least twice per week for at least 30 minutes until the student is no longer designated as at risk. The funds shall only be use to supplement, not supplant existing funds.

Included in 2023-24 Proposed Budget (Tutor Salaries)

2023-24 Revenue Outlook – Reserves

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

- \$2,650,000 of Employees' Retirement System Reserve (ERS)
Reserve - 90% funded as of June 30, 2022
- \$2,150,000 of Teachers' Retirement System Reserve (TRS)
Reserve - 70% funded as of June 30, 2022
- \$ 770,000 of Employee Benefit Accrued Liability Reserve (EBALR)
Reserve - 58% funded as of June 30, 2022
- \$ 250,000 of Dental Insurance Reserve
Reserve - 45% funded as of June 30, 2022

2023-24 Revenue Outlook – Proposed Tax Levy

Tax Levy Factors:

Annual CPI (capped)	2.00%
Tax Base Growth Factor	.0035

Using Simplified Formula (in millions):

2022-23 Tax Levy	\$207.44
<u>2.87% Increase (est.)</u>	<u>\$ 5.96</u>
2023-24 Tax Levy (est.)	\$213.40

NOTE: Subject to change as information becomes available

2023-24 Current Projected Expenditure Budget

	2023-24 Proposed	2022-23 Adopted	Change
Total Salary	142,339,496	138,590,585	3,748,911
TRS	10,987,085	11,174,700	-187,615
ERS	3,773,818	3,145,035	628,783
Health	32,803,894	31,191,628	1,612,266
Other Benefits	13,702,230	13,348,313	353,917
Total Benefits	61,267,027	58,859,676	2,407,351
Transfer to Other Funds	600,000	590,000	10,000
Equipment	765,000	765,000	0
Contractual (incl. Armed Security)	21,247,403	19,464,517	1,782,886
Transportation	18,361,489	17,551,281	810,208
BOCES	17,904,585	15,383,018	2,521,567
Supplies	4,128,298	4,075,130	53,168
Debt & Interest	14,016,733	12,507,675	1,509,058
Total Expenditures	280,630,031	267,786,882	12,843,149

2023-24 Current Projected Revenue Budget

	2023-24 Proposed	2022-23 Adopted	Change
Local	5,949,347	4,226,744	1,722,603
State Aid	52,777,342	48,731,716	4,045,626
Assigned Fund Balance	1,500,000	1,500,000	0
EBAL Reserve	770,000	770,000	0
Workers' Compensation Reserve	0	740,000	-740,000
Dental Reserve	250,000	0	250,000
ERS Reserve	2,650,000	2,626,788	23,212
TRS Reserve	2,150,000	650,000	1,500,000
Payment-in-Lieu-of-Taxes (PILOT)	967,151	902,341	64,810
Federal (Medicaid)	220,000	200,000	20,000
Tax Levy	213,396,191	207,439,293	5,956,898
Total Revenue	280,630,031	267,786,882	12,843,149

2023-24

Current Projected Balanced 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 (not recommended) and/or
- Reallocation/reduction of existing budgetary funds

Questions?

Next Budget Workshop: March 7, 2023

Instructional Budget