



# SMITHTOWN CENTRAL SCHOOL DISTRICT

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## GENERAL FUND BUDGET OVERVIEW

February 11, 2025

# Overview

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- Historical Perspective
- Current Situation, Trends & Future Considerations
- 2025-26 Initial Budget Forecast

# GENERAL FUND BUDGET

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HISTORICAL  
PERSPECTIVE

# 15+ Year History (2009 – Present)

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## School Finances:

- Typically correlated with overall economy
- Economy - cyclical
- School Finances - cyclical

# Period of Financial Instability (2009-2016)

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- 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/Reduction of Fund Balance and Reserves

# More Recent History – Financial Stability (2016 - 2022)

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- Economic Expansion - Financial Markets ↑
- Pension Expenses - Decreasing/Stable
- Gap Elimination Adjustment (GEA) restored
- Additional State Foundation Aid (beginning in 2021-22)
  - Foundation Aid Fully Funded 2023-24
- Federal Stimulus Funds (pandemic relief) – now expired
  - Inflation begins trending ↑

→Budget Additions

→Replenish/Add Reserves

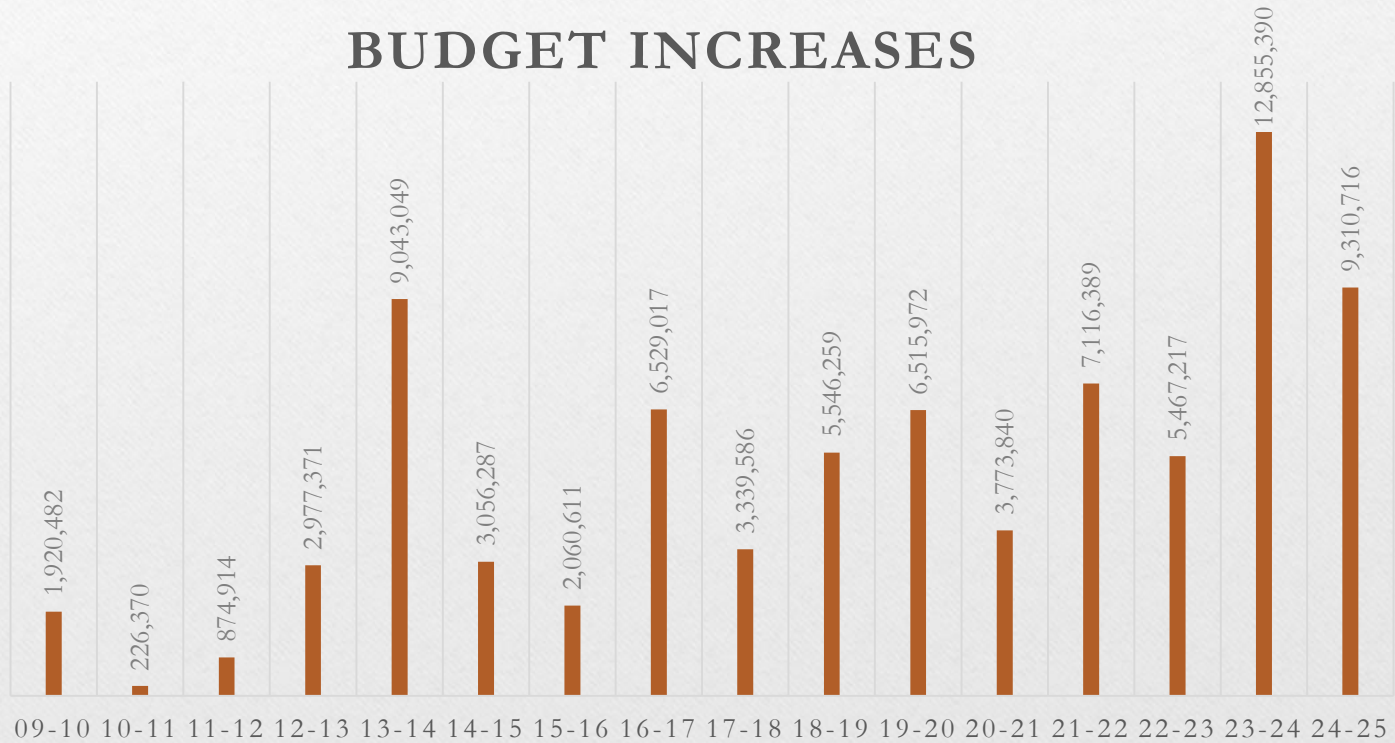
→Healthy Balance Sheet

# Most Recent - Inflation Persists (2022 - Today )

- Inflation ↑: expenditures significantly outpacing revenue growth
  - All costs rising > 2%
  - Other main cost drivers far exceeding inflation: Health Insurance, Transportation, Special Services
- Tax Levy Revenue - 2% Cap (significantly below actual inflation)
- State Aid Revenue - Overall ↓
  - Foundation Aid finally fully funded in 2023-24 - record increases in State Aid
  - Just one year later, Governor proposes Foundation Aid reductions including elimination of Save Harmless provision in 2024-25 in Executive Proposal (Save Harmless preserved in 2024-25 Final State Budget, including for Smithtown)
  - Our District Expense Based Aid ratios ↓ (District Property Values & Income ↑ compared to rest of state)
- 2024-2025 Adopted Budget included \$7.6 million of reserve appropriations to offset revenue shortfalls

# Budget History

## BUDGET INCREASES

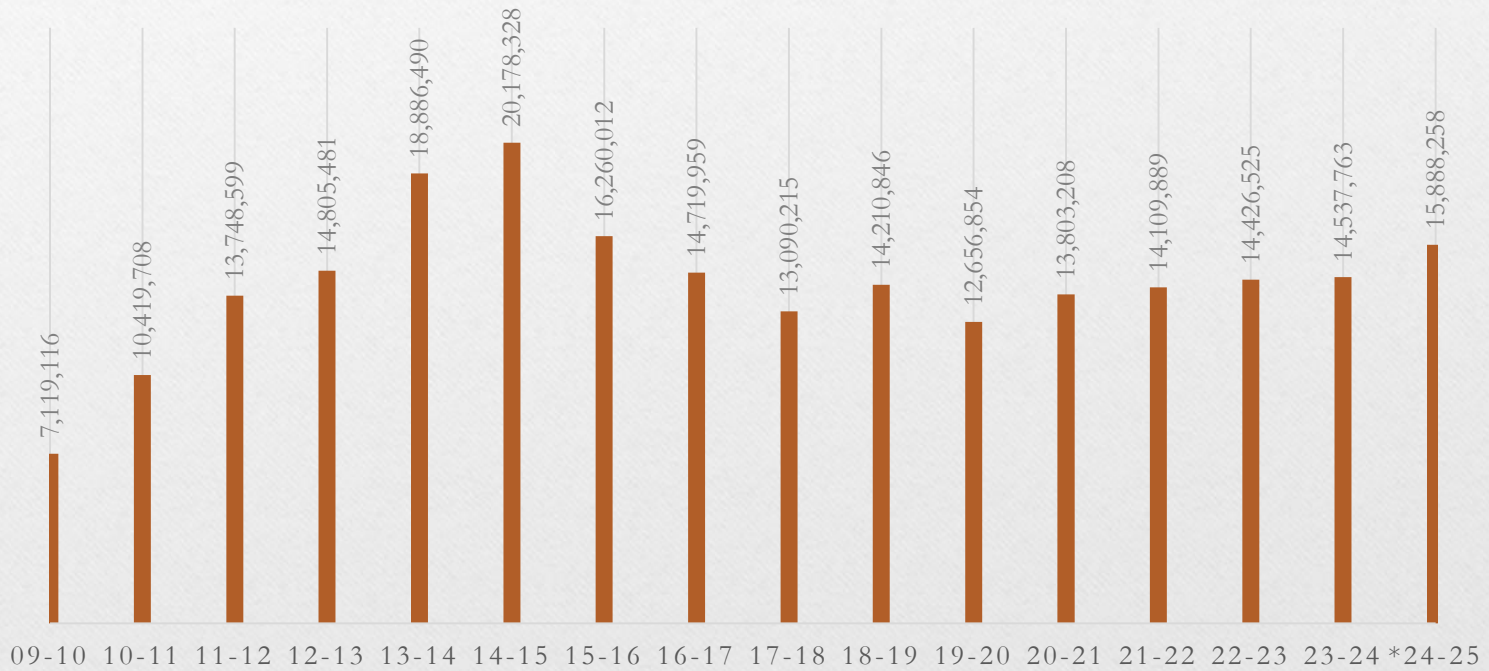




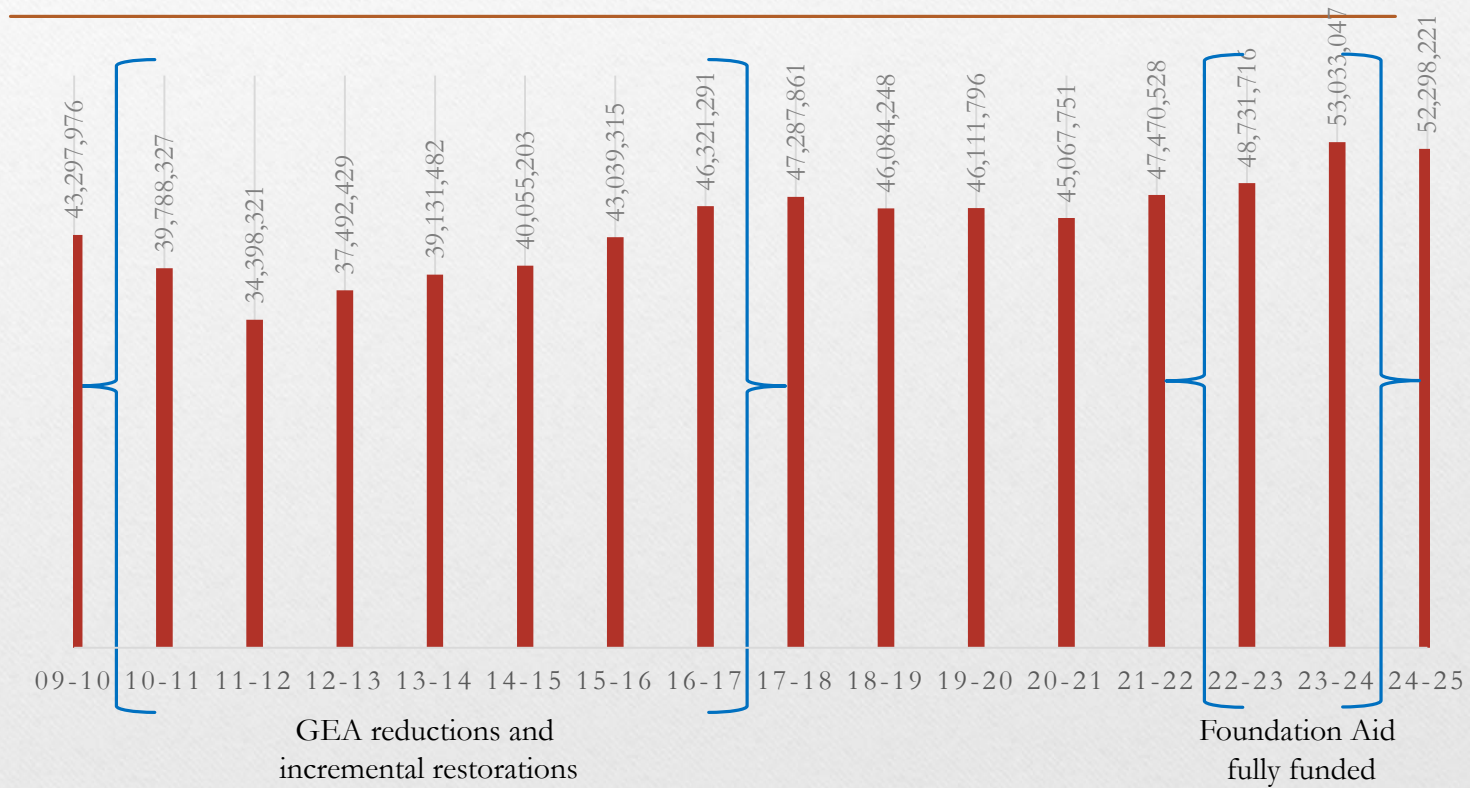
# Pension Rate History (TRS & ERS)

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%
2024-25	10.11%	15.20%

# Pension Expense History (TRS & ERS)



# State Aid History

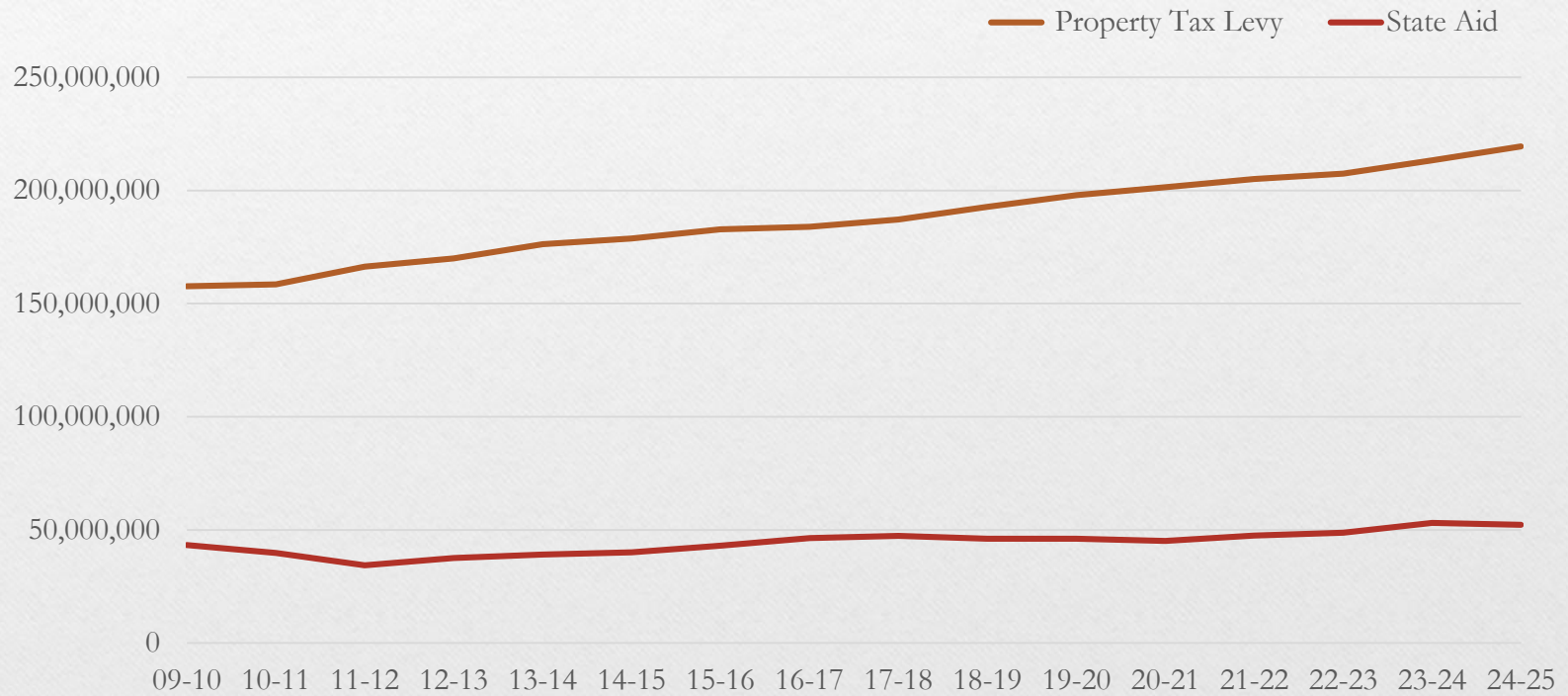


# Property Tax Cap Legislation (2012)

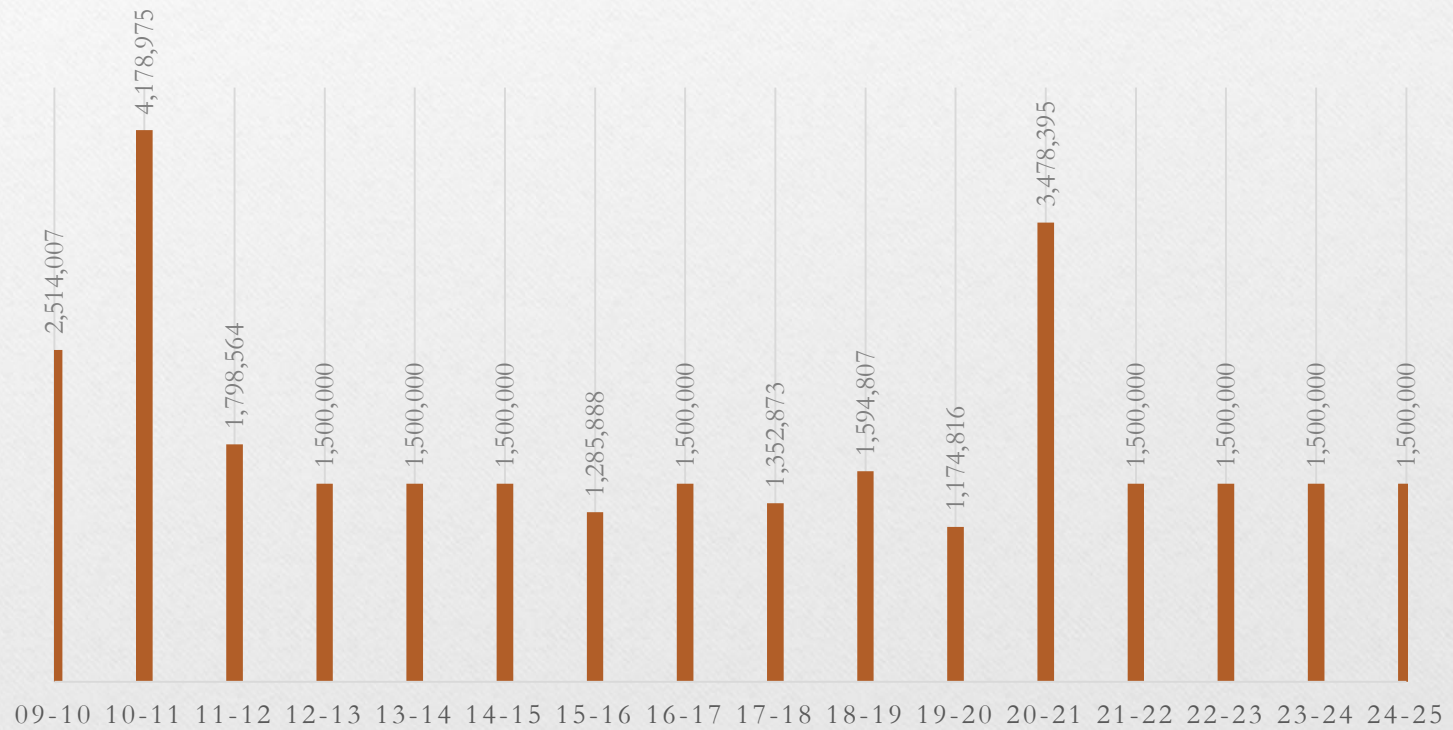
Consumer Price Index (CPI) is an integral component of the allowable tax cap calculation. It is limited to the lesser of the actual CPI or 2%:

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%
2024-25	2.00%	2.86%	2.86%

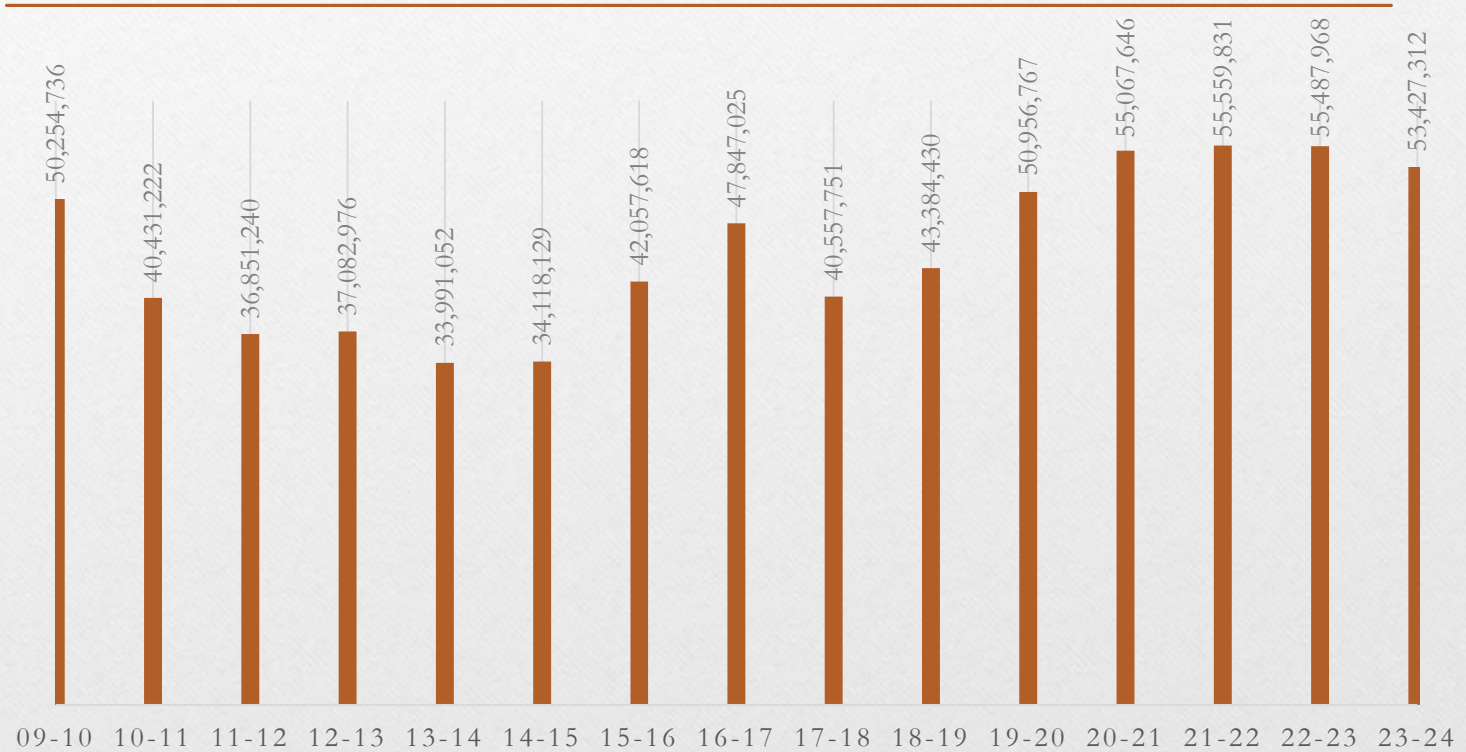
# Tax Levy and State Aid



# Use of Assigned Fund Balance



# Total Fund Balance (end of year)



# Reserves and Fund Balance

(as of June 30, 2024)

End of Year Reserve & Fund Balance Levels	2023-24
Workers' Compensation Reserve	2,093,167
Unemployment Insurance Reserve	47,035
Dental Insurance Reserve	1,723,748
Liability (L/T Disability) Reserve	652,157
Retirement Contributions Reserve (ERS)	10,212,023
Retirement Contributions Reserve (TRS)	7,504,029
Employee Benefit Accrued Liability Reserve (EBALR)	12,385,801
Capital 2022 Reserve	1,489,671
Assigned Fund Balance (appropriated for next year's budget)	1,500,000
Assigned Fund Balance – Other (encumbrances)	4,222,316
Non-spendable Fund Balance (prepaid expense)	112,811
Unassigned Fund Balance (4% limit)	11,484,553
<b>Total Fund Balance</b>	<b>53,427,312</b>

Total Fund Balance - approximately 18% of the 2024-25 budget



# Reserve Balances

## (Previous 3 Years)

Restricted Reserves	2021-22	2022-23	2023-24
Workers' Compensation Reserve	3,048,965	2,328,126	2,093,167
Unemployment Insurance Reserve	40,466	44,700	47,035
Dental Insurance Reserve	1,546,252	1,819,169	1,723,748
Liability (L/T Disability) Reserve	597,807	619,785	652,157
Retirement Contributions Reserve (ERS)	13,871,368	11,819,658	10,212,023
Retirement Contributions Reserve (TRS)	7,266,004	8,058,136	7,504,029
Employee Benefit Accrued Liability Reserve (EBALR)	13,114,708	12,860,488	12,385,801
Capital 2022 Reserve	1,300,000	3,097,794	1,489,671
<b>Reserve Balances</b>	<b>40,785,570</b>	<b>40,647,855</b>	<b>36,107,631</b>
<b>Reserves Annual \$ Increase/Decrease</b>	<b>235,446</b>	<b>-137,715</b>	<b>-4,540,223</b>

# GENERAL FUND BUDGET

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CURRENT SITUATION, TRENDS  
& FUTURE CONSIDERATIONS

# Current Situation

## Expenditures & Inflationary Pressures vs. Revenues

### Expenditure Growth:

All costs increasing > 2%

Inflation remains ↑ (no capping mechanism)

Cost Drivers far exceeding inflation:

- Health Insurance 15%
- Transportation 11%
- Special services 5-7%

Unfunded mandates and required provision of services continue to increase both in volume & costs

### Revenue Growth:

Total revenues increasing < 2%

Tax Levy 2% cap

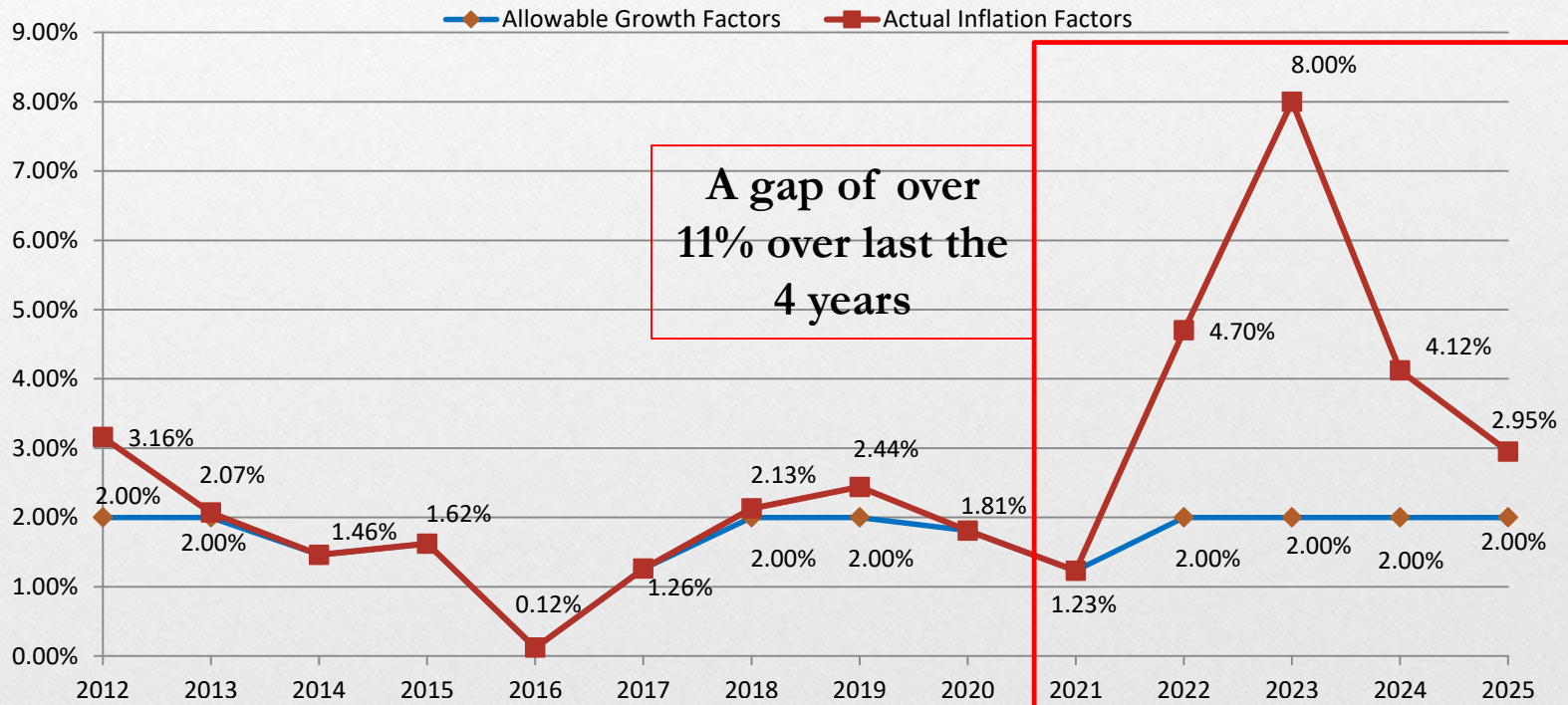
State Aid ↓ Overall

- Foundation Aid
  - Enrollment ↓, Wealth factors ↑: Formula ↓
  - On Save Harmless (same as previous year)
- Expense Based Aids ↓
  - Enrollment ↓, Wealth factors ↑, Aid ratios ↓

Appropriating Reserves to Balance Budget

# Inflation vs. Tax Caps

## Inflation vs. Allowable Levy Growth Limit



# State Aid – Foundation Aid

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- Foundation Aid was full phased-in 2023-24 - large increase in Foundation Aid
- 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: State average = 1.0  
2025-26: 1.478 (current estimate)  
2024-25: 1.447
  - Enrollment declining
  - CWR↑, Enrollment↓: Formula Foundation Aid decreases, therefore we remain on Save Harmless provision
- Executive Proposal maintains Save Harmless provision and provides a minimum 2% increase in Foundation Aid for all districts, including Smithtown

# State Aid – Expense-based Aids

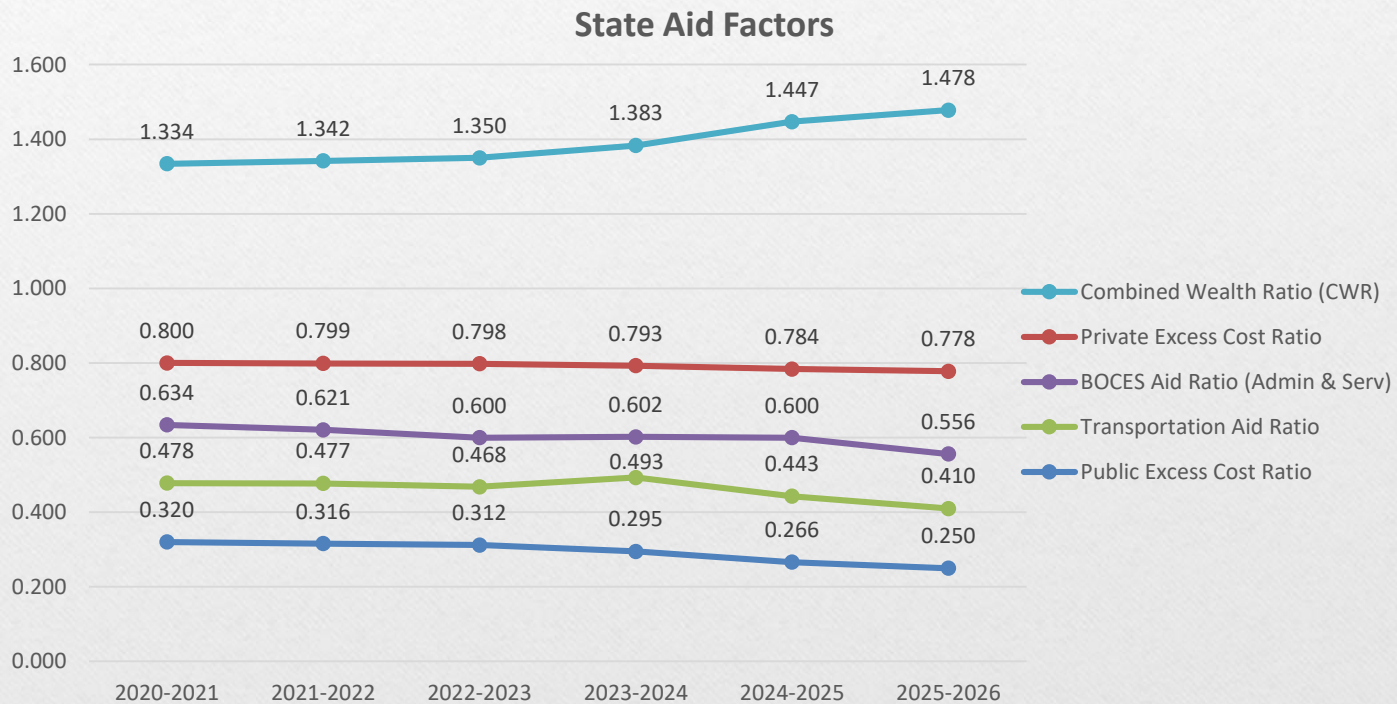
## SMITHTOWN CSD

### MULTIYEAR STATE AID FACTORS

#### WEALTH MEASURES AND SELECTED AID RATIOS

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Exec Proposal 2025-2026
Combined Wealth Ratio (CWR)	1.334	1.342	1.350	1.383	1.447	1.478
<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>	<i>1.000</i>
Public Excess Cost Ratio	0.320	0.316	0.312	0.295	0.266	0.250
High Cost Threshold (Public)	\$55,647	\$56,253	\$59,940	\$62,967	\$66,933	\$70,863
Private Excess Cost Ratio	0.800	0.799	0.798	0.793	0.784	0.778
Basic Contribution (Private)	\$23,391	\$24,619	\$25,645	\$26,278	\$27,799	\$29,180
Transportation Aid Ratio	0.478	0.477	0.468	0.493	0.443	0.410
BOCES Aid Ratio	0.634	0.621	0.600	0.602	0.600	0.556

# Wealth Factors Trending ↑ State Aid Ratios Trending ↓



# State Aid – Expense-based Aid

## Example

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 25-26 state aid factors)

High Cost Special Needs Student Total (annual)	\$150,000
District Threshold (local responsibility prior to aid)	\$70,863
Public Excess Cost Aid Ratio	0.250
Eligible Costs for aid (150,000 – 70,863)	\$79,137
<u>Aid received the following year (79,137 x 0.250)</u>	<u>\$19,784</u>
<b>District Cost Share</b>	<b>\$130,216</b>



# Reserves

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Overreliance on reserves is unsustainable – limited life & availability

- Eventually must be replaced by expenditure reductions or additional revenue (unlikely)
- Increasing reserve appropriations potentially creates a need for steeper reductions in the future

Use of Reserves to balance budgets requires exit strategy

- Original exit strategy was cost savings achieved by retirement bubble over next 5+ years
- Inflationary pressures have greatly expedited the need for reductions sooner

## Reserves Appropriated in Current 2024-25 Budget

Restricted Reserves	2024-2025 Appropriation
Dental Insurance Reserve	450,000
Retirement Contributions Reserve (ERS)	3,636,428
Retirement Contributions Reserve (TRS)	2,765,000
<u>Employee Benefit Accrued Liability Reserve (EBALR)</u>	<u>770,000</u>
<b>Total Reserve Appropriations</b>	<b>7,621,428</b>

- As of June 30, 2024, restricted reserves decreased in excess of \$4.5 million from prior year as a result of the 2023-24 operating budget
- Only minimal anticipated replenishment of utilized reserves currently projected for current year

# Current Objectives

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Need to align expenditures with revenues

- Given that school budgets consist largely of salary and benefit costs, any significant savings will only be achieved by reducing current overall staffing
- Given our declining enrollment, this should be attainable without a significant, adverse impact on class size or secondary offerings
- Reduce current FTE footprint to better align with enrollment
- Do not exceed current level of appropriated reserves

# Future Considerations

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## Projected Revenues:

- Future revenue growth likely limited to allowable tax levy increase
- State Foundation Aid reductions will only worsen outlook
- State Expense-based aids likely to decline if our wealth factors continue to increase compared to state averages and/or enrollment declines
- Possible abolishment or reductions in federal funding?

## Projected Expenditures:

- Must continue to align future expenditure growth with revenue growth

## Reserves:

- Continue to reduce reliance on reserves to balance budgets

# GENERAL FUND BUDGET

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2025-26 INITIAL BUDGET FORECAST

# 2025-26 Initial Budget Forecast

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The following proposed budget achieves the following objectives:

- Better aligns expenditure growth with revenue growth
- Reduces the current FTE footprint to better align with enrollment
  - Most economically efficient is foregoing the replacement of retirees
  - Less efficient is excessing of current positions

Reductions savings are included in the following slides. Additional details will be provided at next Budget workshop (March 11)

# 2025-26 Expenditure Outlook

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Estimated Proposed Budget Increase  $\approx$  \$5.04 million (1.74%)

- Salaries  $\approx$  \$2.57 million net decrease
- Pensions  $\approx$  \$0.20 million net decrease (TRS  $\downarrow$  & ERS  $\uparrow$ )
- Health  $\approx$  \$4.26 million net increase (15% increase in premiums)
  - 5% increase effective January 1, 2025, 10% increase effective July 1, 2025
- Transfer to Other Funds  $\approx$  \$0.22 million increase (ESYP costs  $\uparrow$ )
- Transportation  $\approx$  \$1.97 net million increase
  - Original Transportation RFP contracts awarded prior to COVID: current costs significantly higher
  - Net increase includes reduction of 1 large bus (declining enrollment)
- BOCES  $\approx$  \$1.38 million increase

# 2025-26 Expenditures - Pensions

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25-26 Pension Rates:

- TRS - decreasing to 9.59% (from 10.11%)
- ERS - increasing to 16.50% (from 15.20%)



# 2025-26 Expenditures - Pensions

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25-26 Pension Dollars:

- TRS estimate  $\approx$  \$10.73 million (net decrease of \$0.72 million)
- ERS estimate  $\approx$  \$4.95 million (net increase of \$0.52 million)

# 2025-26 Revenue Outlook

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- Local Revenue  $\approx$  \$0.09 million decrease
- State Aid  $\approx$  \$1.03 million decrease
- Appropriated Reserves  $\approx$  \$0.08 million decrease
- Payment-in-Lieu-of-Taxes (PILOTs)  $\approx$  \$0.11 million decrease
- Federal (Medicaid)  $\approx$  \$0.12 million increase
- Tax Levy (at cap)  $\approx$  \$6.23 million increase (2.84%)

# 2025-26 Revenue Outlook – State Aid

## Executive Proposal Summary

Estimated Aids	Executive Proposal 2025-26	Final State Budget 2024-25	\$ Change
Foundation Aid	33,708,426	33,047,477	660,949
BOCES	4,065,808	4,408,375	-342,567
High Cost Excess Cost	1,029,736	806,476	223,260
Private Excess Cost	1,144,573	1,072,705	71,868
Hardware & Technology	70,255	79,125	-8,870
Software, Library, Textbook	656,155	668,012	-11,857
Transportation	6,128,999	6,715,522	-586,523
High Tax Aid	1,934,010	1,934,010	0
<u>Building Aid</u>	<u>2,532,026</u>	<u>3,566,519</u>	<u>-1,034,493</u>
<b>Subtotal</b>	<b>51,269,988</b>	<b>52,298,221</b>	<b>-1,028,233</b>

### Expense-based Aids

UPK not included – zero impact on General Fund, accounted for in F Funds

# 2025-26 Revenue Outlook – Reserves

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

- \$3,650,000 of Employees' Retirement System Reserve (ERS)  
*Reserve - 69% funded as of June 30, 2024*
- \$2,725,000 of Teachers' Retirement System Reserve (TRS)  
*Reserve - 68% funded as of June 30, 2024*
- \$ 770,000 of Employee Benefit Accrued Liability Reserve (EBALR)  
*Reserve - 52% funded as of June 30, 2024*
- \$ 400,000 of Workers' Compensation Insurance Reserve  
*Reserve - 73% funded as of June 30, 2024*

# 2025-26 Revenue Outlook – Proposed Tax Levy (at Tax Cap)

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## Tax Levy Factors:

Annual CPI (capped)	2.00%
Tax Base Growth Factor	.0033

## Using Simplified Formula (in millions):

2024-25 Tax Levy	\$219.40
<b><u>2.84% Increase (est.)</u></b>	<b><u>\$ 6.23</u></b>
2025-26 Tax Levy (est.)	\$225.63

*NOTE: Subject to change as information becomes available*

# 2025-26 Current Projected Expenditure Budget

	2025-26 Proposed	2024-25 Adopted	Change
Total Salary	142,365,787	144,935,737	-2,569,950
TRS	10,732,795	11,448,755	-715,960
ERS	4,954,872	4,439,503	515,369
Health	39,344,877	35,085,122	4,259,755
Other Benefits	14,000,660	13,907,998	92,662
Transfer to Other Funds	900,000	675,000	225,000
Equipment	765,000	765,000	0
Contractual	23,822,073	23,711,522	110,551
Transportation	21,001,014	19,028,832	1,972,182
BOCES	19,435,431	18,059,281	1,376,150
Supplies	4,144,044	4,293,487	-149,443
<u>Debt &amp; Interest</u>	<u>13,530,424</u>	<u>13,602,751</u>	<u>-72,327</u>
<b>Total Expenditures</b>	<b>294,996,977</b>	<b>289,952,988</b>	<b>5,043,989</b>

# 2025-26 Current Projected Revenue Budget

	2025-26 Proposed	2024-25 Adopted	Change
Local	7,757,158	7,850,217	-93,059
State Aid	51,269,988	52,298,221	-1,028,233
Assigned Fund Balance	1,500,000	1,500,000	0
EBAL Reserve	770,000	770,000	0
Dental Reserve	0	450,000	-450,000
Workers' Comp Reserve	400,000	0	400,000
ERS Reserve	3,650,000	3,636,428	13,572
TRS Reserve	2,725,000	2,765,000	-40,000
Payment-in-Lieu-of-Taxes (PILOT)	950,000	1,056,401	-106,401
Federal (Medicaid)	340,000	220,000	120,000
<u>Tax Levy</u>	<u>225,634,831</u>	<u>219,406,721</u>	<u>6,228,110</u>
<b>Total Revenue</b>	<b>294,996,977</b>	<b>289,952,988</b>	<b>5,043,989</b>

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# Questions?

Next Budget Workshop: March 11, 2025

Instructional Budget