



SMITHTOWN CENTRAL SCHOOL DISTRICT

GENERAL FUND BUDGET OVERVIEW

February 10, 2026

Overview

- Historical Perspective
- Current Situation, Trends & Future Considerations
- 2026-27 Initial Budget Forecast

GENERAL FUND BUDGET

HISTORICAL
PERSPECTIVE

15+ Year History (2010 - Present)

School Finances:

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

Period of Financial Instability (2010-2016)

- Financial/Housing Crisis – Recession continues - Financial Markets ↓
- 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)

- 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

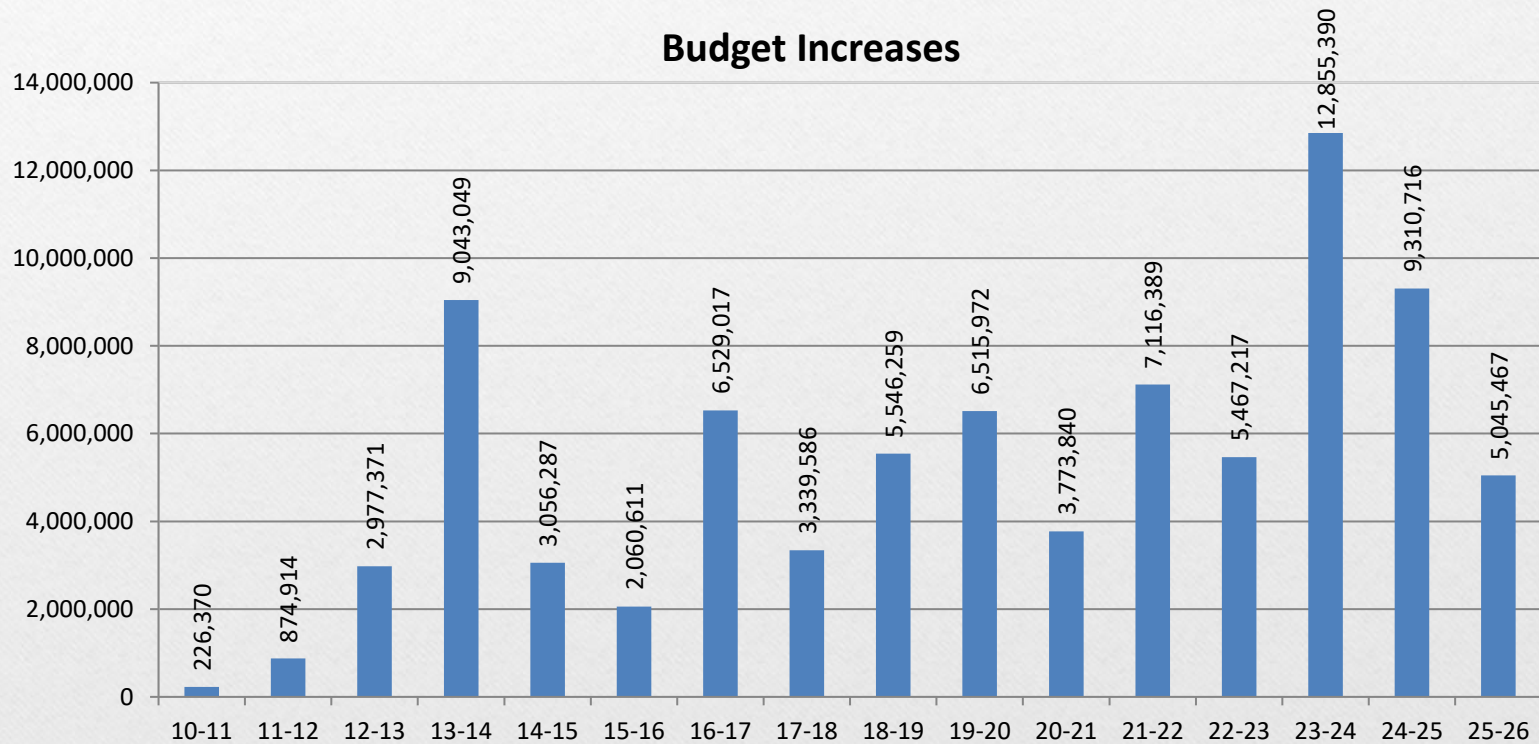
→Replenish/Add Reserves

→Healthy Balance Sheet

Most Recent - Inflation Persists (2022 - Today)

- Inflation ↑: expenditures significantly outpacing revenue growth
 - Costs rising > 2%
 - Other main cost drivers exceeding inflation: Health Insurance, Transportation, Special Services
- Tax Levy Revenue - 2% Cap (below actual inflation)
- State Aid Revenue
 - Our Foundation Aid - currently Hold Harmless (enrollment ↓, wealth factors ↑)
 - Our District Expense Based Aid ratios ↓ (District Property Values & Income ↑ compared to rest of state)
- 2025-2026 Adopted Budget included \$7.5 million of reserve appropriations to offset revenue shortfalls

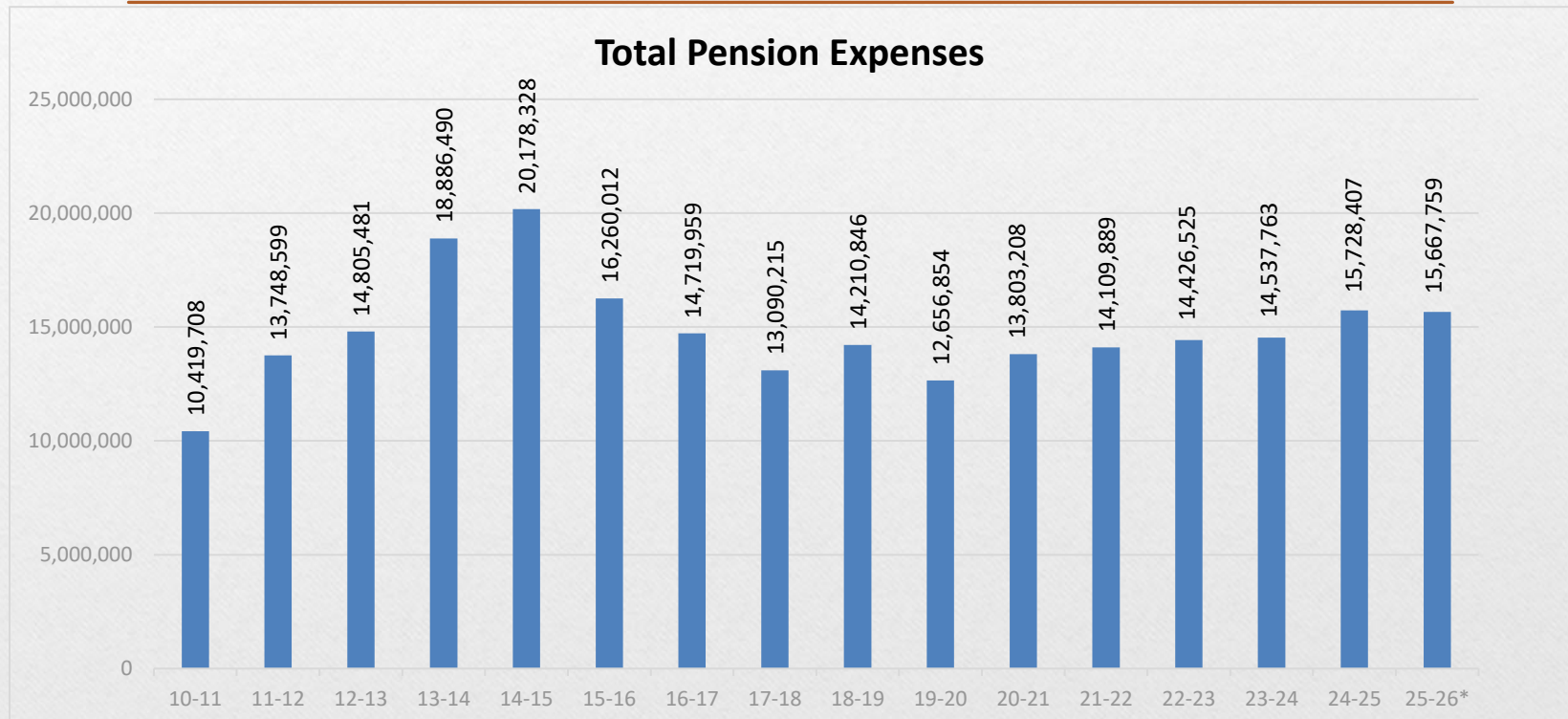
Budget History



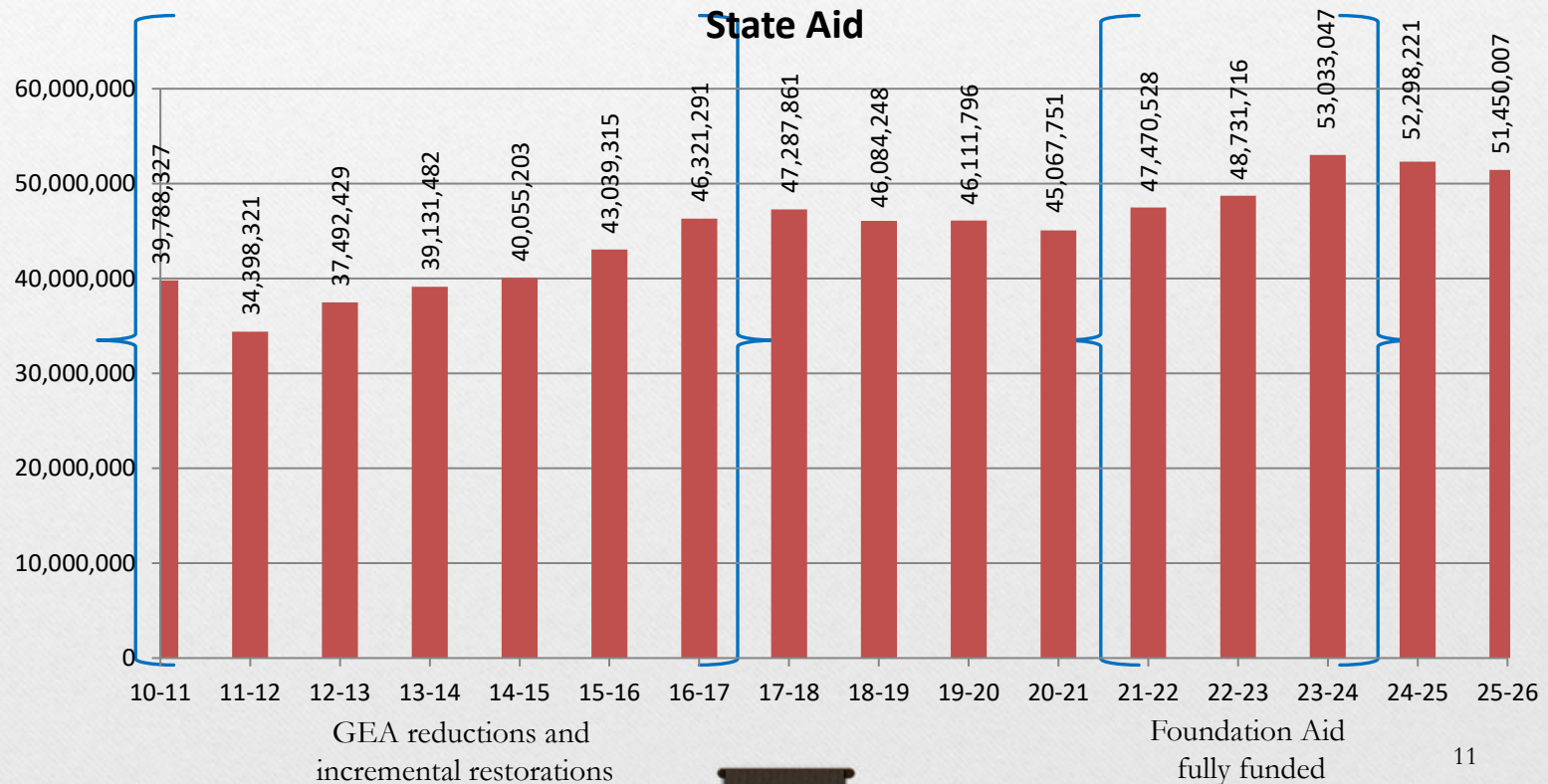
Pension Rate History (TRS & ERS)

Budget Year	TRS Rate	ERS Rate
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%
2025-26	9.59%	16.50%

Pension Expense History (TRS & ERS)



State Aid History

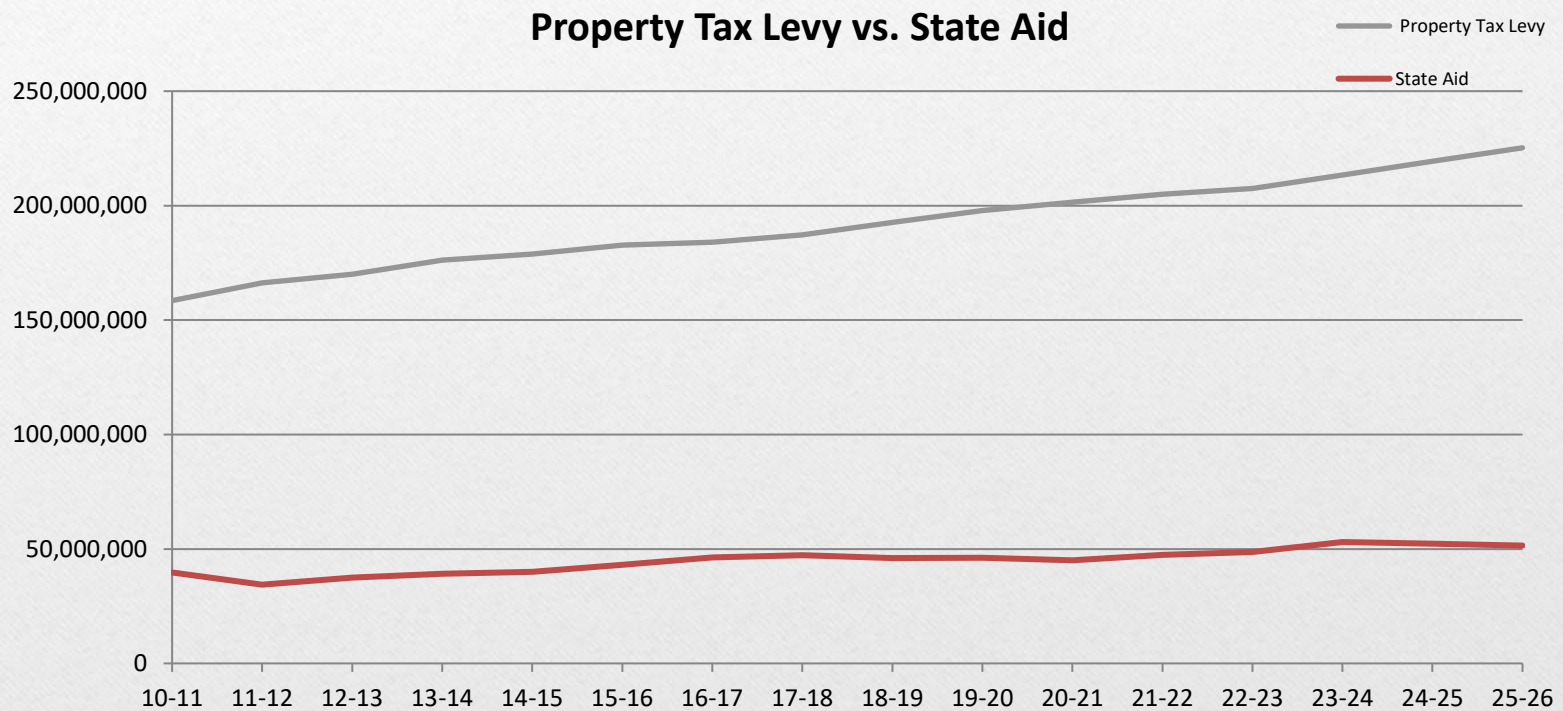


Property Tax Cap Legislation (2012)

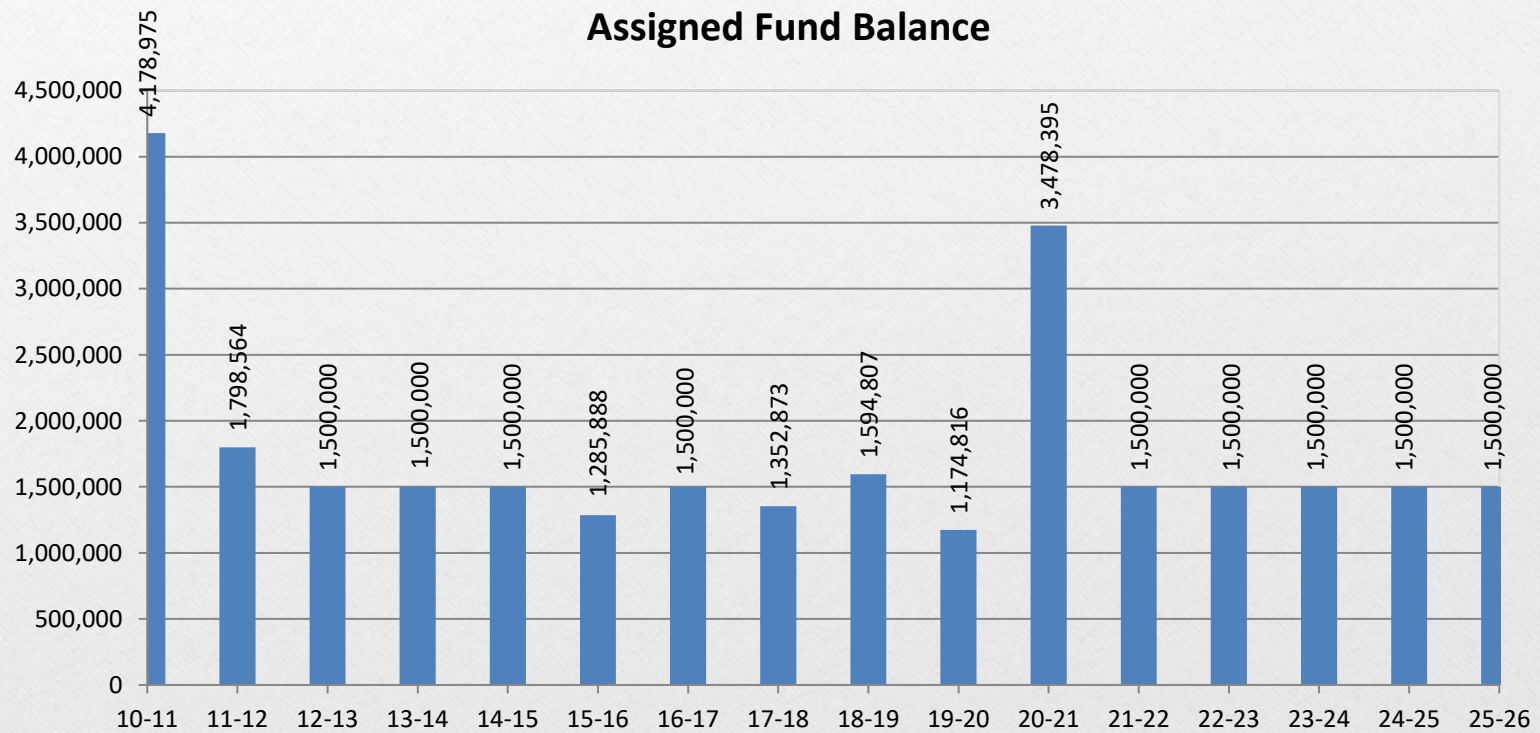
Consumer Price Index (CPI) is limited to the lesser of the actual CPI or 2%:

Budget Year	Actual CPI	Tax Levy CPI	Allowable Tax Levy	Actual Tax Levy
2012-13	3.16%	2.00%	2.23%	2.23%
2013-14	2.07%	2.00%	3.63%	3.63%
2014-15	1.46%	1.46%	1.49%	1.49%
2015-16	1.62%	1.62%	2.21%	2.21%
2016-17	0.12%	0.12%	0.66%	0.66%
2017-18	1.26%	1.26%	1.73%	1.73%
2018-19	2.13%	2.00%	2.95%	2.95%
2019-20	2.44%	2.00%	2.69%	2.69%
2020-21	1.81%	1.81%	1.82%	1.82%
2021-22	1.23%	1.23%	2.25%	1.75%
2022-23	4.70%	2.00%	1.63%	1.20%
2023-24	8.00%	2.00%	2.83%	2.83%
2024-25	4.12%	2.00%	2.86%	2.86%
2025-26	2.95%	2.00%	2.66%	2.66%

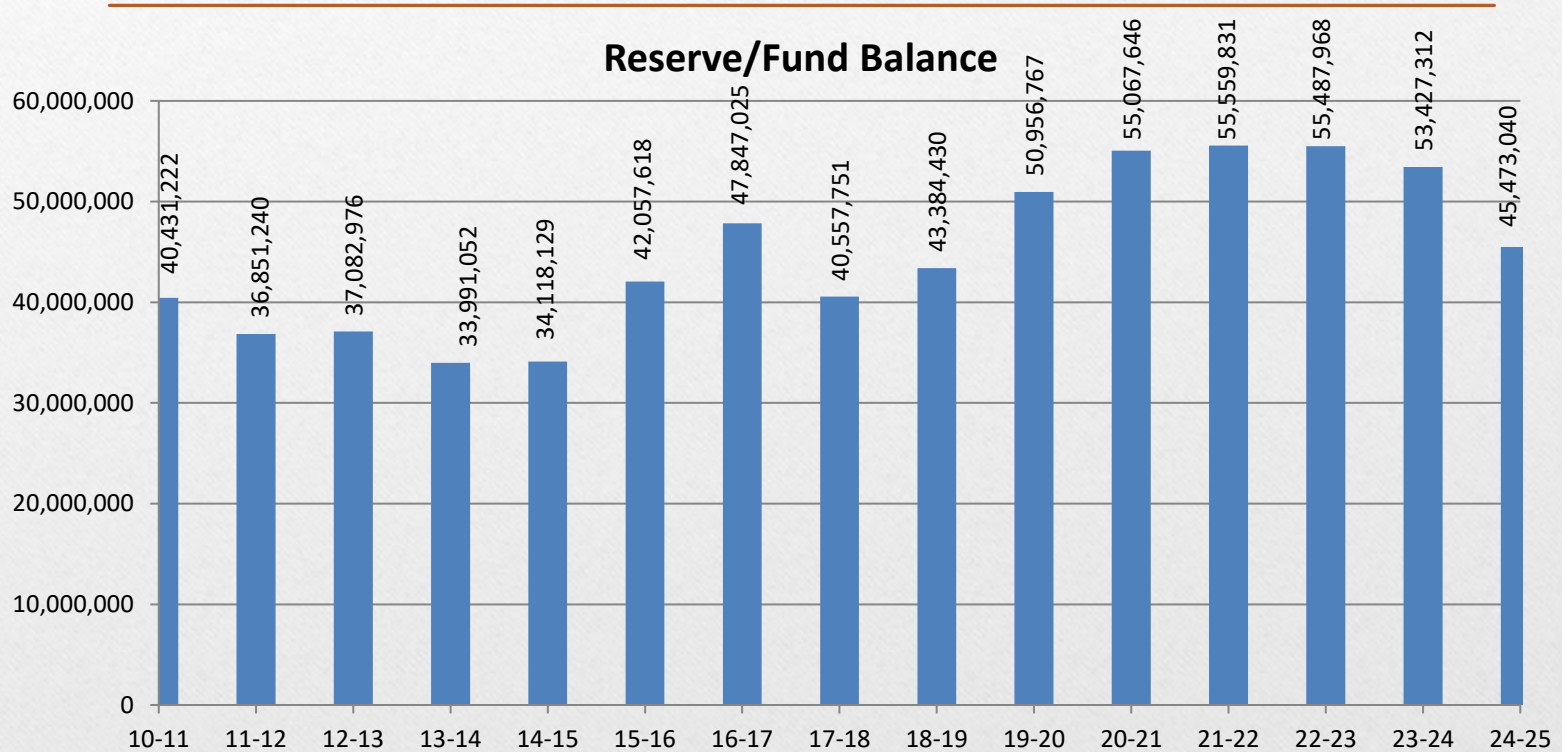
Tax Levy and State Aid



Use of Assigned Fund Balance



Total Fund Balance (end of year)



Reserves and Fund Balance

(as of June 30, 2025)

End of Year Reserve & Fund Balance Levels	2024-25
Workers' Compensation Reserve	1,722,290
Unemployment Insurance Reserve	36,970
Dental Insurance Reserve	1,331,599
Liability (L/T Disability) Reserve	682,270
Retirement Contributions Reserve (ERS)	7,497,115
Retirement Contributions Reserve (TRS)	6,645,512
Employee Benefit Accrued Liability Reserve (EBALR)	11,546,632
Capital 2022 Reserve	1,558,453
Assigned Fund Balance (appropriated for next year's budget)	1,500,000
Assigned Fund Balance – Other (encumbrances)	1,042,860
Non-spendable Fund Balance (prepaid expense)	110,329
Unassigned Fund Balance (4% limit)	11,799,009
Total Fund Balance	45,473,040

Total Fund Balance - approximately 15% of the 2025-26 budget

Reserve Balances

(Previous 3 Years)

Restricted Reserves	2022-23	2023-24	2024-25
Workers' Compensation Reserve	2,328,126	2,093,167	1,722,290
Unemployment Insurance Reserve	44,700	47,035	36,970
Dental Insurance Reserve	1,819,169	1,723,748	1,331,599
Liability (L/T Disability) Reserve	619,785	652,157	682,270
Retirement Contributions Reserve (ERS)	11,819,658	10,212,023	7,497,115
Retirement Contributions Reserve (TRS)	8,058,136	7,504,029	6,645,512
Employee Benefit Accrued Liability Reserve (EBALR)	12,860,488	12,385,801	11,546,632
Capital 2022 Reserve	3,097,794	1,489,671	1,558,453
Reserve Balances	40,647,855	36,107,631	31,020,841
Reserves Annual \$ Increase/Decrease	-137,715	-4,540,223	-5,086,790

GENERAL FUND BUDGET

CURRENT SITUATION, TRENDS
& FUTURE CONSIDERATIONS

Current Situation

Expenditures & Inflationary Pressures vs. Revenues

Expenditure Growth:

Costs increasing > 2%

Inflation remains ↑ (no capping mechanism)

Cost Drivers exceeding inflation:

- Health Insurance
- Transportation
- Special services

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

Revenue Growth:

Total revenues increasing \approx 2% or less

Tax Levy 2% cap

State Aid

- Foundation Aid

Enrollment ↓, Wealth factors ↑: Formula ↓

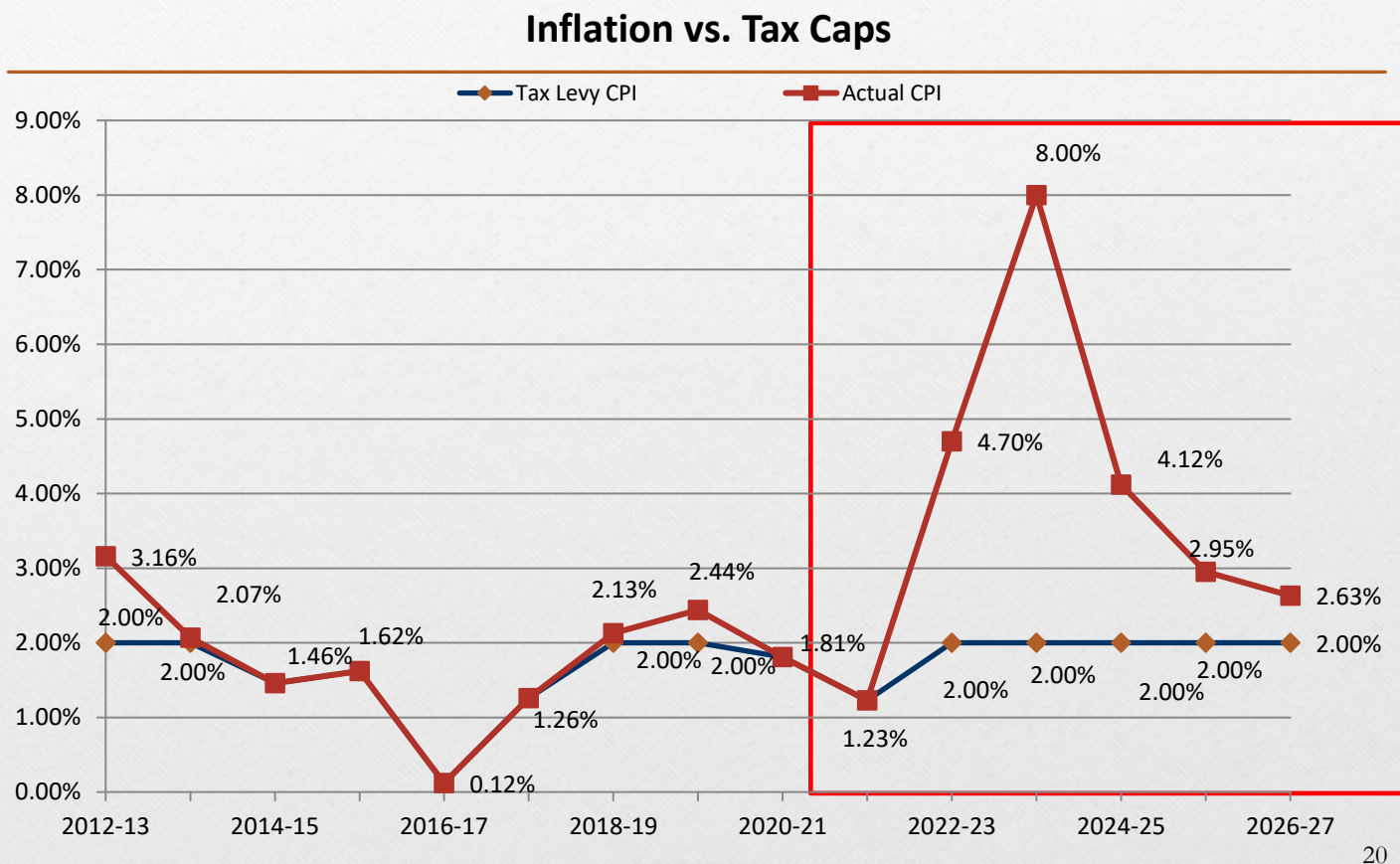
On Save Harmless (same as previous year)

- Expense Based Aids ↓

Enrollment ↓, Wealth factors ↑, Aid ratios ↓

Appropriating Reserves to Balance Budget

Inflation vs. Tax Caps



State Aid – Foundation Aid

- 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
2026-27: 1.489
2025-26: 1.483
 - Enrollment declining
 - CWR↑, Enrollment↓: Formula Foundation Aid decreases, therefore we remain on Save Harmless provision
- Executive Proposal maintains Save Harmless provision, but only provides a 1% minimum increase in Foundation Aid for all districts, including Smithtown

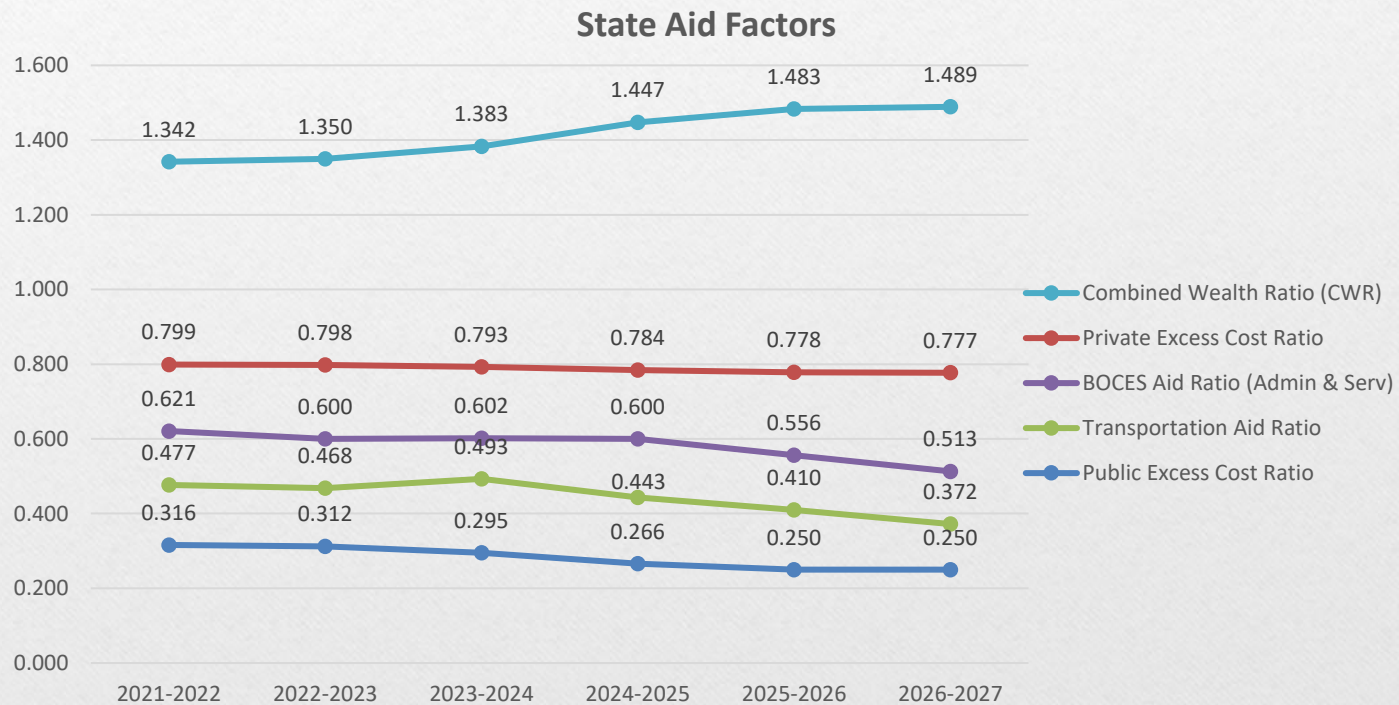
State Aid – Expense-based Aids

SMITHTOWN CSD

MULTIYEAR STATE AID FACTORS WEALTH MEASURES AND SELECTED AID RATIOS

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Exec Proposal 2026-27
Combined Wealth Ratio (CWR)	1.342	1.350	1.383	1.447	1.483	1.489
<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>1.00</i>
Public Excess Cost Ratio	0.316	0.312	0.295	0.266	0.250	0.250
High Cost Threshold (Public)	\$56,253	\$59,940	\$62,967	\$66,933	\$70,863	\$76,173
Private Excess Cost Ratio	0.799	0.798	0.793	0.784	0.778	0.777
Basic Contribution (Private)	\$24,619	\$25,645	\$26,278	\$27,799	\$29,239	\$30,798
Transportation Aid Ratio	0.477	0.468	0.493	0.443	0.410	0.372
BOCES Aid Ratio	0.621	0.600	0.602	0.600	0.556	0.513

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 26-27 state aid factors)

High Cost Special Needs Student Total (annual)	\$150,000
District Threshold (local responsibility prior to aid)	\$76,173
Public Excess Cost Aid Ratio	0.250
Eligible Costs for aid (150,000 – 76,173)	\$73,827
<u>Aid received the following year (73,827 x 0.250)</u>	<u>\$18,457</u>
District Cost Share	\$131,543

Reserves

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 continue to delay exit strategy

Reserves Appropriated in Current 2025-26 Budget

Restricted Reserves	2025-2026 Appropriation
Workers' Compensation Reserve	400,000
Retirement Contributions Reserve (ERS)	3,650,000
Retirement Contributions Reserve (TRS)	2,725,000
<u>Employee Benefit Accrued Liability Reserve (EBALR)</u>	<u>770,000</u>
Total Reserve Appropriations	7,545,000

As of June 30, 2025, restricted reserves decreased in excess of \$9.6 million over the previous 2 years

Current Objectives

1. Continue to align expenditures with revenues
2. Continue efforts to reduce the reliance on appropriated reserves to balance budgets

Future Considerations

Projected Revenues:

- Future revenue growth largely limited to allowable tax levy increase
- Likely remain on Hold Harmless for Foundation Aid (only guaranteed same Foundation Aid as previous year)
- State Expense-based aids likely to decline if our wealth factors continue to increase compared to state averages

Projected Expenditures:

- Must continue to align future expenditure growth with revenue growth
- Will inflationary pressures continue?

Reserves:

- Continue efforts to reduce reliance on reserves to balance budgets

GENERAL FUND BUDGET

2026-27 INITIAL BUDGET FORECAST

2026-27 Initial Budget Forecast

The following proposed budget achieves the following objectives:

- Continues efforts to align expenditure growth with revenue growth
- Slightly reduces the current FTE footprint to better align with enrollment through retirements/attrition
- Additional savings achieved through retirement salary differentials

Reductions savings are included in the following slides

2026-27 Expenditure Outlook

Estimated Proposed Budget Increase \approx \$5.45 million (1.85%)

- Salaries \approx \$1.50 million net increase
- Pensions \approx -\$0.88 million net decrease (TRS ↓ & ERS ↑)
- Health \approx \$4.38 million net increase (12% increase in premiums)
- Contractual (special services, utilities, etc.) \approx \$0.53 million increase
- Transportation \approx \$0.64 million increase
- BOCES \approx -\$0.51 million decrease

2026-27 Expenditures - Pensions

26-27 Pension Rates:

- TRS - decreasing to 8.24% (from 9.59%)
- ERS - increasing to 17.60% (from 16.50%)

2026-27 Expenditures - Pensions

26-27 Pension Dollars:

- TRS estimate \approx \$9.29 million (net decrease of \$1.42 million)
- ERS estimate \approx \$5.50 million (net increase of \$0.54 million)

2026-27 Revenue Outlook

- Local Revenue \approx \$0.01 million increase
- State Aid \approx \$1.18 million increase (w/ expected additional Building Aid)
- Appropriated Reserves \approx -\$0.35 million decrease
- Payment-in-Lieu-of-Taxes (PILOTs) \approx \$0.45 million increase
- Federal (Medicaid) \approx flat
- Tax Levy (at cap) \approx \$4.17 million increase (1.85%)

2026-27 Revenue Outlook – State Aid

Executive Proposal Summary

Estimated Aids	Executive Proposal 2026-27	Final State Budget 2025-26	\$ Change
Foundation Aid	34,045,510	33,708,426	337,084
BOCES	4,397,926	4,065,808	332,118
High Cost Excess Cost	1,387,289	1,029,736	357,553
Private Excess Cost	1,057,988	1,143,058	-85,070
Hardware & Technology	59,859	70,004	-10,145
Software, Library, Textbook	637,302	653,573	-16,271
Transportation	6,108,513	6,128,998	-20,485
High Tax Aid	1,934,010	1,934,010	0
<u>Building Aid</u>	<u>2,997,975</u>	<u>2,716,394</u>	<u>281,581</u>
Subtotal	52,626,372	51,450,007	1,176,365

Expense-based Aids

Building Aid – adjusted for expected additional Chapter 97 projects

UPK not included – accounted for in F Funds

2026-27 Revenue Outlook – State Aid

- 2025-26 Final State Budget included a 2% minimum increase in Foundation Aid
- 2026-27 Executive Proposal includes only a 1% minimum increase in Foundation Aid

If 2026-27 Final State Budget includes additional Foundation Aid:

➤ Recommendation: Reduce Level of Appropriated Reserves

2026-27 Revenue Outlook – Reserves

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

- \$3,475,000 of Employees' Retirement System Reserve (ERS)
Reserve - 50% funded as of June 30, 2025
- \$2,550,000 of Teachers' Retirement System Reserve (TRS)
Reserve - 59% funded as of June 30, 2025
- \$ 770,000 of Employee Benefit Accrued Liability Reserve (EBALR)
Reserve - 48% funded as of June 30, 2025
- \$ 400,000 of Dental Insurance Reserve
Reserve - 36% funded as of June 30, 2025

2026-27 Revenue Outlook – Proposed Tax Levy (at Tax Cap)

Tax Levy Factors:

Annual CPI (capped)	2.00%
Tax Base Growth Factor	.0027

Using Simplified Formula (in millions):

2025-26 Tax Levy	\$225.25
<u>1.85% Increase (est.)</u>	<u>\$ 4.17</u>
2026-27 Tax Levy (est.)	\$229.42

NOTE: Subject to change as information becomes available

2026-27 Current Projected Expenditure Budget

	2026-27 Proposed	2025-26 Adopted	Change
Total Salary	143,882,845	142,385,695	1,497,150
TRS	9,291,729	10,712,887	-1,421,158
ERS	5,496,925	4,954,872	542,053
Health	43,725,996	39,344,877	4,381,119
Other Benefits	13,893,301	14,002,138	-108,837
Transfer to Other Funds	900,000	900,000	0
Equipment	765,000	765,000	0
Contractual	24,347,831	23,822,073	525,758
Transportation	21,637,842	21,001,014	636,828
BOCES	18,926,956	19,435,431	-508,475
Supplies	4,007,816	4,144,044	-136,228
<u>Debt & Interest</u>	<u>13,574,233</u>	<u>13,530,424</u>	<u>43,809</u>
Total Expenditures	300,450,474	294,998,455	5,452,019

2026-27 Current Projected Revenue Budget

	2026-27 Proposed	2025-26 Adopted	Change
Local	7,772,844	7,762,985	9,859
State Aid	52,626,372	51,450,007	1,176,365
Assigned Fund Balance	1,500,000	1,500,000	0
EBAL Reserve	770,000	770,000	0
Dental Reserve	400,000	0	400,000
Workers' Comp Reserve	0	400,000	-400,000
ERS Reserve	3,475,000	3,650,000	-175,000
TRS Reserve	2,550,000	2,725,000	-175,000
Payment-in-Lieu-of-Taxes (PILOT)	1,595,306	1,147,107	448,199
Federal (Medicaid)	340,000	340,000	0
<u>Tax Levy</u>	<u>229,420,952</u>	<u>225,253,356</u>	<u>4,167,596</u>
Total Revenue	300,450,474	294,998,455	5,452,019

Questions?

Next Budget Workshop: March 10, 2026

Instructional Budget