

Naples Central School District

2017-2018 School Budget Update

February 15, 2017



District Mission Statement

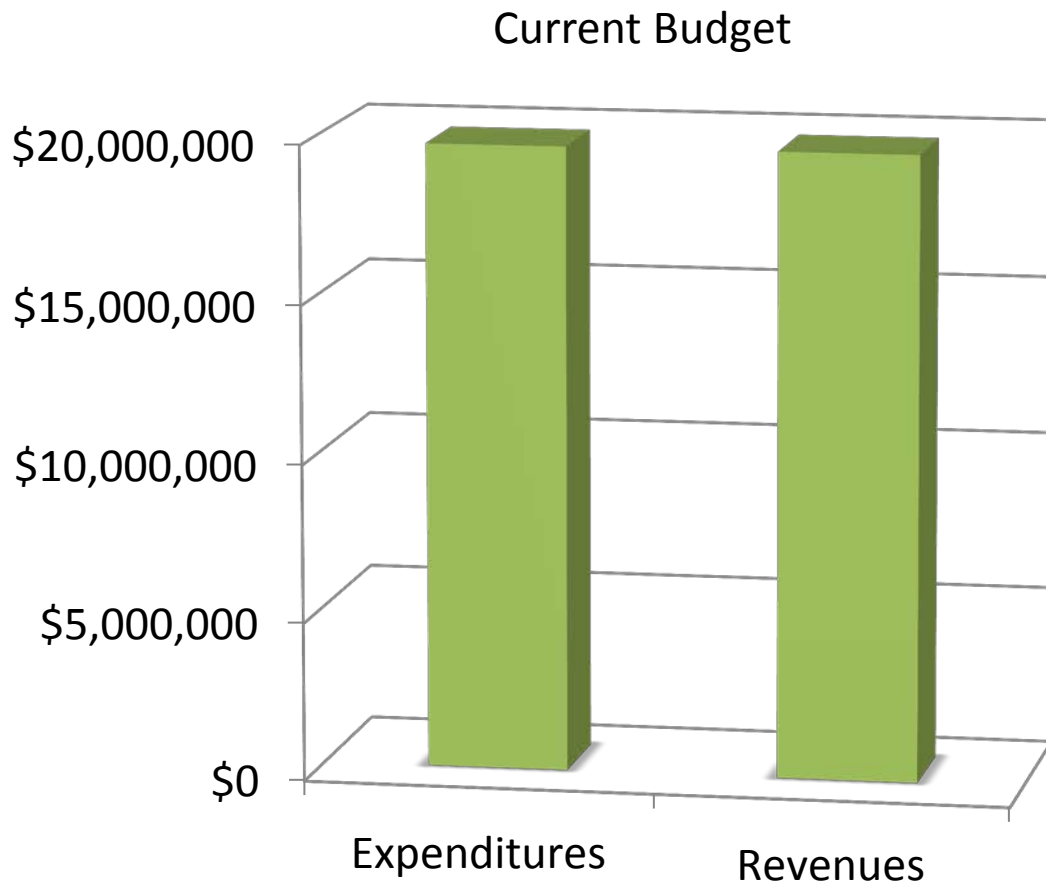
The Naples Central School District challenges and supports all students to develop their diverse talents and abilities in a safe environment with rigorous opportunities. Students will graduate with the skills and confidence needed to excel in their chosen pursuits.

2017-2018 Budget Update

- Budget Process
- Governor's Proposal & State Aid
- Tax Cap
- Pension Rate Updates
- Reserves & Debt Service Fund
- Anticipated Propositions
- BOE & Library Elections
- Next Steps



Current NCSD 2016-17 Budget



Budgeted
Expenditures
=
Budgeted
Revenues

In Naples, this
equates to
\$19,735,890

Budget Process

- Began in December
- Building and Department Level Budgets are nearly complete
- Anticipate having an tentative expenditure budget proposal by 3/27



State Aid – Current Status

- State Aid is second largest component that supports our budget at 37%
- Schools are generally unable to financially plan effectively as a result of waiting for the State Budget
 - Revenue at the state level is a process not a formula or method
- Unfortunately, State Aid at this point is more politics than formula and law this early in the process

Governor's Budget Proposal

- Public Education was barely mentioned in the Governor's "State of the State"
 - More focus on "Free College"
 - Proposes \$25.61 billion total budget on public education
 - Proposes \$961 million in "new" state aid which is \$30 million less than the NYS Regents recommended "to maintain the status quo for our neediest children and school districts"

Governor's Budget Proposal cont.

- Foundation (General Operating) Aid
 - With the GEA fully eliminated last year (NOT restored), the Governor proposed a “phase-in” to return to the legal formula. However the “Phase-in” is reduced by factors and caps. In essence, the phase in dollar amount is limited or capped by a Phase-in factor (percentage) as follows:
 - NY City School 7.8% and other Big 5 City Schools at 7 -9.55%, Small City 9%
 - Rural High Need 13.6%
 - **All other Districts 0.47%**

Naples
CSD



• **All other Districts 0.47%**



Governor's Budget Proposal cont.

- Foundation (General Operating) Aid

- **For Naples:**

- True GEA restoration would have meant: **+\$3,112,187** (withheld from 2010 through 2016)
 - Full foundation aid restoration would have meant: **+\$8,620,669**
 - Complex formula capped at 0.47% means total possible aid restoration of: **\$21,592**

- **Bottom Line:**

- Since 2008-09, Naples CSD taxpayers have funded New York's portion of our support totaling **\$11,732,856**. That is 26% less aid than is legally owed. Is anyone paying 26% less income taxes than they did in 2008-09?

State Aid Dollars – Governor's Proposal

	2016-17 Approved Budget	2017-2018 Gov. Budget	Difference	Percentage (Increase/ Decrease)
Foundation Aid	\$4,594,067	\$4,647,895	\$53,828	1.17%
Excess Cost Aid	\$205,087	\$141,940	(\$63,147)	-30.79%
BOCES Aid	\$402,299	\$370,730	(\$31,569)	-7.85%
Textbook/Computer/Software/Library	\$61,607	\$61,064	(\$543)	-0.88%
High Tax Aid	\$258,763	\$258,763	\$0	0.00%
Transportation	\$575,025	\$602,356	\$27,331	4.75%
Building Aid	\$1,287,962	\$ 1,287,724.00	(\$238)	-0.02%
**TOTAL	\$7,384,810	\$7,370,472	(\$14,338)	-0.19%

- *Notes: -Anticipated increase in BOCES Aid
-Anticipated slight decrease in Building Aid

Property Tax Levy

- Represents the largest support (55%) of the District's budget
 - Our wealth ratio impacts this reliance on property taxes
- Capped based on a complex formula that is tied to volatile variables



Property Tax Levy cont.

- It's is not a “2% tax cap”
- Each school district must present three separate tax levy numbers to be in compliance
- Chances are: none will be 2%
- The three parts include:
 - Tax Levy Limit
 - Maximum Allowable Tax Levy
 - Proposed Tax Levy



Property Tax Levy cont.

- **Tax Levy Limit** – a formula that essentially tells how much community support a District may obtain from its proposed budget
 - The highest allowable tax levy (before exclusions) that a district can propose and require a simple majority of voters (50% plus 1) to pass the budget
 - If a district proposed a tax levy beyond the Tax Levy Limit (before exclusions) it will need a supermajority approval of voters (60% to pass the budget)
- **Maximum Allowable Tax Levy** – is the Tax Levy Limit PLUS certain exclusions. Taxes levied to fund the following expenses are excluded from the limit:
 - Voter approved Capital Expenditures
 - Increases beyond two percentage points in Employee and/or Teacher Retirement System costs (mandated by NYS)
 - Changes in Payments in Lieu of Taxes
 - Exclusions are not tied to the Supermajority rule
- **Proposed Tax Levy** – the levy called for by the district to support the budget
 - The total amount of money to be raised by the local community after factoring all other revenues

Just how complex is the PTC?

New York's Tax Levy "Cap" Formula: How does it add up?

Although often referred to as a "2 percent tax cap," New York's tax levy "cap" law does not restrict any proposed tax levy increase to 2 percent. Pursuant to the law, each school district must follow an 8-step calculation, outlined below, to calculate its individual "tax levy limit." That limit then determines what level of voter support is required for budget approval.

THE BASE FORMULA

The "quantity change factor," determined by the Dept. of Taxation and Finance for each district by Feb. 1. It's the year-to-year increase in the full value of taxable real property in a school district due to physical or quantity change (e.g., new construction). Increases in full value due solely to assessment changes are not included. This factor will not be less than 1.000, even if a district sees a decrease in its full property value. *The commissioner of taxation and finance is authorized to make rules/regulations that may adjust the calculation based on development on tax exempt land.*

The amount of the school district's current-year tax levy necessary to pay for court orders or judgments arising out of tort actions. Applies only to the portion that exceeds 5% of the school district's total prior-year tax levy. Tax certioraries do not qualify.

This factor, which accounts for inflationary change, is limited to the lesser of 2% or the change in the consumer price index.

The highest allowable tax levy (before exclusions; see below) that a school district can propose as part of its annual budget and need only a simple majority of voters (50% + 1) to pass the budget. Each school district will calculate and report its own tax levy limit.

PRIOR SCHOOL-YEAR
TAX LEVY

×

TAX BASE
GROWTH FACTOR

+

PILOTS RECEIVED IN
PRIOR SCHOOL YEAR

-

TAX LEVY TO PAY FOR SOME
COURT ORDERS / JUDGMENTS

-

TAX LEVY TO PAY FOR
LOCAL CAPITAL COSTS

×

ALLOWABLE LEVY
GROWTH FACTOR

-

PILOTS RECEIVABLE IN
COMING SCHOOL YEAR

+

AVAILABLE CARRYOVER
(IF ANY)

=

TAX LEVY LIMIT

The total amount of property tax revenue levied by the district for the current school year, adjusted for any excess tax levy that was identified for a previous year, including any interest earned.

The amount of revenue receivable by the school district in the current school year from payments in lieu of taxes, known as PILOTS. Certain commercial property owners (usually large corporations) enter into PILOT agreements to make annual payments instead of paying property taxes for a negotiated period of time.

The amount of the school district's current-year tax levy necessary to pay for construction/renovation of capital facilities/equipment (including debt service and lease expenditures) and transportation capital debt service (e.g., bus lease/purchase). Refers only to the portion paid with local tax dollars and does not include state building or transportation aid received. **The commissioner is authorized to make rules/regulations that may provide for adjustments based on a district's share of additional budgeted capital expenditures made by a BOCES.*

The amount of revenue the school district expects to receive in the coming school year from payments in lieu of taxes, or PILOTS.

If a district's current year tax levy was less than its tax levy limit, it must increase the coming year's tax levy limit by that amount or 1.5% of the current year's tax levy limit, whichever is less.

PTC Complexity Continued

EXCLUSIONS TO BE ADDED

The law excludes certain portions of a school district's tax levy from the calculation above. A district can add these exclusions (described below) to its tax levy limit, increasing the amount of taxes the district is allowed to levy while still needing only a simple majority of voters for budget approval.



TAX LEVY TO PAY FOR SOME PENSION CONTRIBUTION COSTS

Applies only when the employer contribution rates set by the statewide pension systems (TRS and ERS) increase by more than 2 percentage points from one year to the next. Even with this exclusion, most—if not all—pension costs must be funded within a school district's tax levy limit.



TAX LEVY TO PAY FOR SOME COURT ORDERS/JUDGMENTS

The amount of the school district's coming-year tax levy necessary to pay for court orders or judgments arising out of tort actions. Only the amount that exceeds 5% of the school district's prior-year total tax levy can be excluded from the tax levy limit. Tax certioraries cannot be excluded.



TAX LEVY TO PAY FOR SOME LOCAL CAPITAL COSTS

The amount of the school district's coming-year tax levy necessary to pay for construction/renovation of capital facilities or equipment (including debt service and lease expenditures) and transportation capital debt service. This exclusion refers only to the portion paid with local tax dollars (i.e., does not include state building or transportation aid received).*



MAXIMUM ALLOWABLE TAX LEVY

The tax levy limit plus exclusions. This is the highest total tax levy that a school district can propose as part of its annual budget for which only the approval of a simple majority of voters (50% +1) is required.



Produced by the Capital Region BOCES Communications Service (<http://www.capitalregionboces.org>), in consultation with the Questar III BOCES State Aid and Financial Planning Service. Published January 2016.



→ Answer = VERY Complex

Property Tax Levy Limit



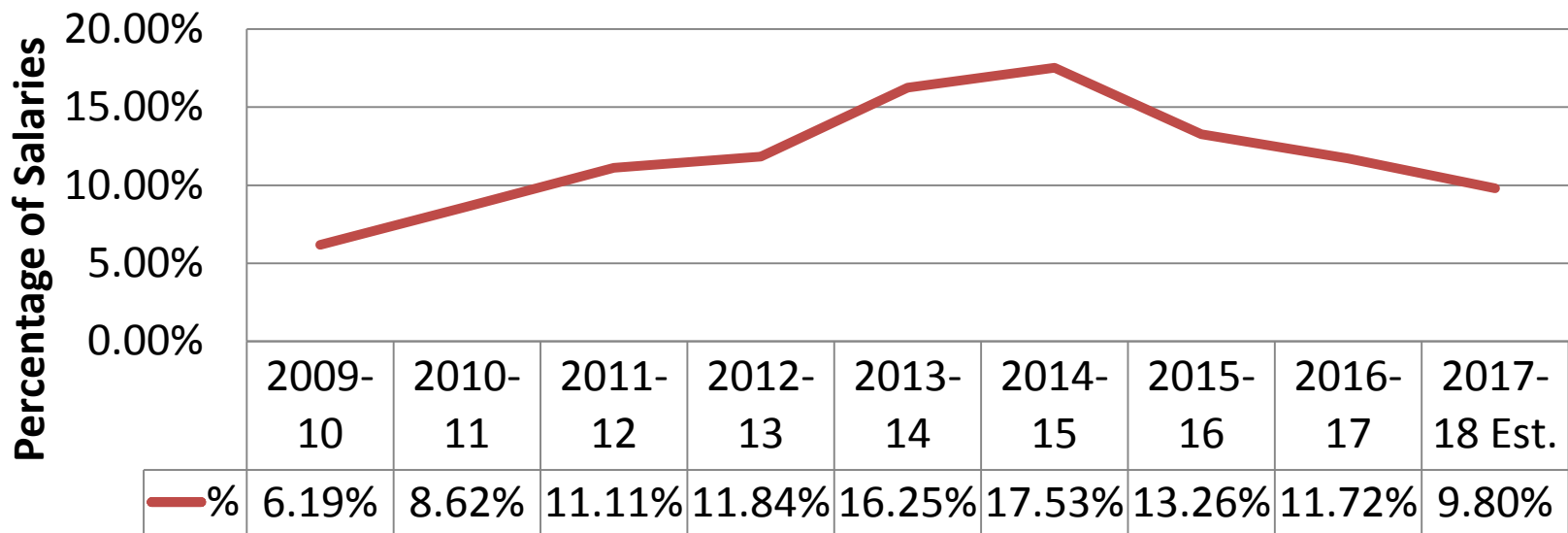
Tax Levy Limit Before Adjustments and Exclusions	
Tax Levy FYE 2017	\$10,786,474
Tax Cap Reserve Plus Interest from FYE 2016 Used to Reduce 2017	\$0
Total Tax Cap Reserve Amount (including interest earned) from FYE 2017	\$0
Tax Base Growth Factor	1.0090
PILOTs Receivable FYE 06/30/2017	\$80,697
Tort Exclusion Amount Claimed in FYE 06/30/2017	\$0
Capital Levy for FYE 06/30/2017	\$812,360
Allowable Levy Growth Factor	1.0126
PILOTs Receivable FYE 06/30/2018	\$104,502
Available Carryover from FYE 06/30/2017	\$0
Total Levy Limit Before Adjustments/Exclusions	\$10,175,301
Exclusions	
Tax Levy Necessary for Expenditures Resulting from Tort Orders/Judgements Over 5%	\$0
Capital Levy for FYE 06/30/2018	\$819,438
Tax levy necessary for pension contribution expenditures caused by growth in the system average actuarial contribution rate (ERS, PFRS) or normal contribution rate (TRS) in excess of 2 percentage points	
Teachers Retirement System	\$0
Employees Retirement System	\$0
Total Exclusions	\$819,438
Tax Levy Limit, Adjusted for Transfers, Plus Exclusions	\$10,994,739
Total Tax Cap Reserve Amount Used to Reduce 2018 Levy	\$0
2018 Proposed Levy, Net of Reserve	\$10,994,739
Difference between Tax Levy Limit Plus Exclusions and Proposed Levy	\$0
Do you plan to override the cap in 2018?	<input type="radio"/> Yes <input type="radio"/> No

- Is not a 2% tax cap
- The District's limit for 17/18 is estimated to be 1.93% increase over the prior year
- Total increase allowed by the tax levy limit = \$208,265
- A 1% increase in the tax levy raises approximately \$107,865
- **ESTIMATED:**
\$10,994,739



Teacher Retirement System

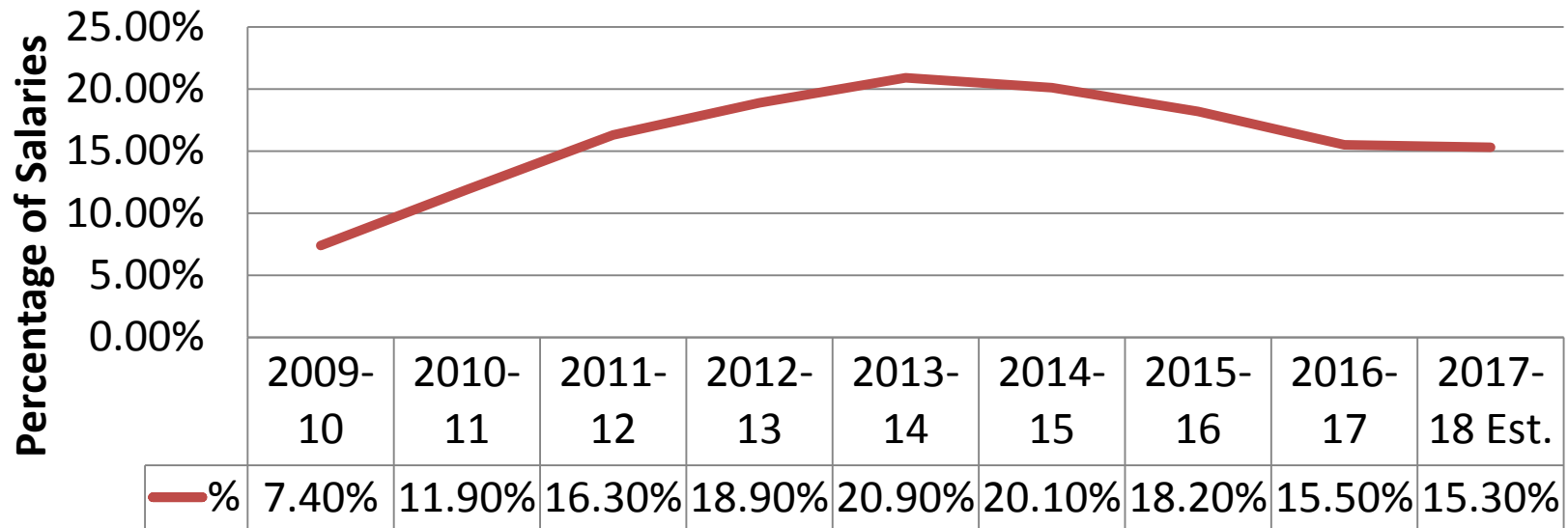
TRS Employer Contribution Rate (ECR) History



- NYS TRS pension system is showing a turn around as a result of rebounding economy and new tier additions.
- This will mean a reduction in the cost to the district creating an anticipated savings vs. prior year expense.

Employee Retirement System

ERS Employer Contribution Rate (ECR) History



- NYS ERS pension system is also starting to show a slow turn around as a result of rebounding economy and new tier additions.
- This will mean a SLIGHT reduction in cost to the district creating an anticipated savings vs. prior year expense.
- Rates represent a blended average of all tiers.

Reserve Use per BOE Adopted Plan

	Anticipated	Estimated
	2016/17	2017/18
Appropriated Fund Balance	650,000.00	550,000.00
Reserves - Retirement	150,000.00	150,000.00
Reserves - EBALR	250,000.00	250,000.00

***Note:** Plan is subject to change based on final expenditure proposal and final state budget allocations.

Transfer From Debt Service

Anticipate Consistent

Debt Service Fund Use at \$250,000

Details: Debt service funds can only be used to offset costs associated with long term borrowing. For Naples CSD, these funds will be used to offset costs for paying down debt on current and prior capital

construction projects. Funds are derived from interest earned on borrowings during previous capital projects.



Anticipated Propositions

- Expenditure Budget
- Capital Project Approval
- Capital Reserve – General
- Capital Reserve – Bus Garage
- Capital Reserve – Bus Purchase



School Board Member Election

Three seats are available to fill:

1. The expiring term of Jacob Hall (3 year term)
2. The expiring term of Robert Brautigam (3 year term)
3. The expiring term of Robert Hotchkiss (3 year term)



Library Board of Trustees Election

One seat is available to fill:

1. The expiring term of Judy Kaminski (5 year term)



Next Steps

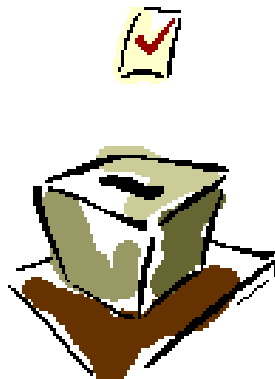
- Continued budgetary refinement
- Anticipated presentation of expenditure estimates on March 27th
- State Budget and Aid numbers, hopefully by April 1st
- Budget Committee recommendations to follow
- Final BOE budget review and anticipated approval on April 12th



Annual Meeting Info

Budget Vote/Board of Education Election

- Tuesday, May 16, 2017
- High School Library Media Center
- 7:00 AM to 8:00 PM



Questions/Comments?

