

Rye City School District

Fiscal Constraints & Challenges Part II

Presented to the Board of Education on 12/22/09

Recent News About School Funding

The Journal News 12/22/09

Front Page Headline:

“Schools Face \$2B Shortfall

**Comptroller warns end of
stimulus could bring**

7.7% tax hike in 2 years”

“The state has been relying on stimulus money designated for schools to help close the current year’s budget gap.”

“Lawmakers... agreed to use \$700 million in federal stimulus \$ to avoid cuts in school aid...”

State Aid/ARRA Funds

- \$397,189 in ARRA funds **supplanted, not supplemented**, general state aid for 2009/10 that was in effect cut \$322,766 by the state through the Governor's proposed "Deficit Reduction Assessment"
- **Operating Aid for 2008/09= \$2,487,830**
Total Aid (including building aid) = \$3,122,250)
- **Operating Aid for 2009/10= \$2,517,178**
Total Aid (including building aid) = \$3,147,511)

State Aid/ARRA Funds

- **After the 2009/10 Budget was Adopted**, the State advised that the \$397,189 in ARRA funds must be used to add or maintain staff and programs, NOT reduce property taxes
- ***Though actual operating aid funding was NOT increased through the ARRA infusion***, the district could demonstrate that we did reduce the number of staff laid off from the number proposed

State Aid/ARRA Funds

- An additional amount of Federal funding was also provided through ARRA- **\$434,492 over two years** for IDEA grant programs to support the education of children with disabilities
- These funds are NOT to be used for general purposes like property tax reductions or to reduce non-special education expenses in GF

State Aid/ARRA Funds

One time revenue = one time expenses

- No permanent staff or programs were added- only training/consulting/student support services
- Additional quarterly reporting is required for both types of ARRA funds, in addition to regular federal aid reporting requirements
- *Note- At the same time, federal funding for CPSE administrative activities were eliminated*

What do the recent headlines mean to Rye City Schools?

- The 10% withholding of state aid = \$0.
Only a few districts in Westchester receive December payments that were reduced.
- The 19% withholding of STAR payments will = a \$750,000 cash shortfall in January

What do the recent headlines mean to Rye City Schools?



- For 2009/10 the STAR payment had already been shifted from 50% in fall to 100% in January
- If this cut is temporary, the District's fund balance and reserves will cover the cash shortfall

What if the \$750,000 in STAR is not provided at all?

- The District will have to either:
 - **Reduce current year commitments to staffing and programs.** Currently unused funds for equipment, conferences, books, etc. could yield \$150-\$200k in savings for 2009/10
 - The District could **use its fund balance** to offset the loss in 2009/10 aid, if made permanent
 - A combination of the above
- **STAR is a STATE, not District, provided program**

What the District Controls:

- What programs it offers students
- Staffing levels- which impacts class sizes
- Salary increases (largely through the collective bargaining process)
- The degree to which the facilities are maintained and technology is available/used
- Debt service that results from voter-approved capital projects
- The amount in reserves to protect taxpayers

What the District DOESN'T Control:

- Student enrollment
- The number of students requiring additional support or the types of support required
- Retirement system costs (TRS & ERS)
- Health premium costs for active/retirees
- State Aid and non-tax revenues (interest)
- Changes in Taxable Assessments
- Amount of tax refunds paid through tax certiorari's (reserve is in place)

Conclusion

- The District has remained fact-based in its revenue projections and has not built ongoing programs based on one-time ARRA revenue sources that the state comptroller is now warning the public about
- Since NYS education funding is so precarious, a 4% fund balance has been established
- A LIKELY scenario is a reduction in State Aid for 2010/11 of \$550,000-\$750,000 (17%-24%)



It's QUESTION TIME !!