

# 2010-11 Budget Public Hearing

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Lou Carlucci, Finance Chairman  
March 31, 2010



## The Facts

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- Loss of \$1.6M general aid this year
- Loss of \$3.9 million in general aid next year
- \$1.5M increase in special ed aid
- 4% tax cap
- Cap adjustment for loss of aid
- Effect of 2010-11 on 2011-12
- How to strike the balance



## History of State Aid

Year	Students	Aid	Per Student
2000-01	4,265	\$2,856,037	\$670
2001-02	4,491	\$2,873,196	\$640
2002-03	4,752	\$3,234,404	\$681
2003-04	5,002	\$3,871,738	\$774
2004-05	5,172	\$4,004,603	\$774
2005-06	5,367	\$4,197,581	\$782
2006-07	5,454	\$4,066,854	\$746
2007-08	5,515	\$4,448,920	\$807
2008-09	5,638	\$6,787,526	\$1,204
2009-10	5,745	\$6,430,331	\$1,119
2010-11	5,775	\$2,564,651	\$444



## Surplus

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“Beginning balance” which was less than 2%	\$1.1M
Extraordinary Aid	\$1.5M
ARAMARK refund	<u>\$2.7M</u>
	\$5.3M
Allowable 2%	(\$1.5M)
State “grab” of 09-10 aid	<u>(\$1.6M)</u>
Balance towards tax relief in 2010-11 budget	<b>\$2.2M</b>



# Budget Assumptions To Date

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- Applied \$2.2M surplus as revenue
- Instituting new energy program - reduced electric 10%, reduced gas 25%
- Salaries 3%
- Maintained current staffing levels
- 11 administrative positions reduced from 12 to 10 months \$134K
- Supplies/texts reduced \$185K
- Assumed \$1M revenue over 4% cap (either from taxes or surplus)
- Lowered the healthcare budget by \$468K because of employee 1½% surcharge imposed by legislation



# Healthcare Surcharge

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- 1 1/2% of base salary
- All employees
- Begins at contract expiration
- Teacher salary range \$44,232 - \$101,157
- Healthcare surcharge range \$663 - \$1,517



## Revenue Status

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- \$3.9M lost state aid for general ed
- \$1.5M additional state aid for extraordinary special ed costs
- Net state aid shortfall of \$2.4M



## How do we make up the \$2.4M?

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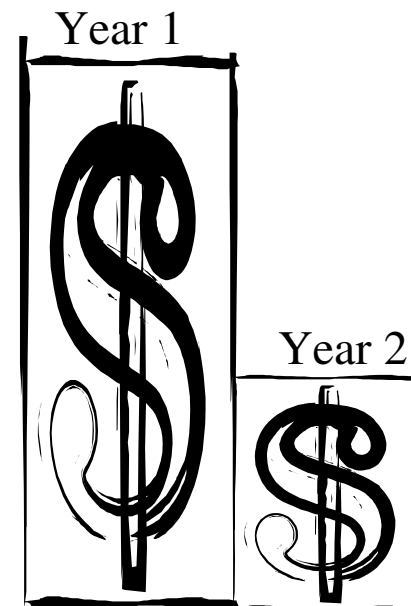
- Use all or some available surplus
- Raise taxes additional \$2.4M
- Cut \$2.4M in programs
- Some combination of above



# What is a Funding Cliff?

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- A funding cliff occurs when you have an amount of revenue budgeted into one year's budget which is not available in the next year's budget.





## Examples of What Can Cause a Funding Cliff

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- Tax cap is lowered from one year to the next (e.g. 4% 2010-11, 2½% 2011-12)
- State aid is significantly lowered
- A large amount of surplus is used in one year and can't be replaced in the next
- Tax cap waivers available one year but not the next



## Funding Cliff – Scenario A

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2010-11		2011-12	
Taxes	\$72,710,723 4%	Taxes	\$74,528,491 2.5%
Aid	2,564,651	Aid	2,647,891
Misc.	1,128,224	Misc.	1,133,224
Surplus	<u>3,238,113</u>	Surplus	<u>0</u>
Revenue	\$79,641,711	Revenue	\$78,309,606
Expend.	\$81,024,151	Expend.	\$81,632,754
	(\$1.4M shortfall)		(\$3.3M shortfall)



## Effect of 2010-11 on 2011-12

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- No realistic expectation of accruing excess surplus from 2010-11 budget
- Using all available and anticipated funds in 2010-11 leaves no money to help in 2011-12
- Prudent to set aside \$1M to budget in 2011-12 - - plus residual effect of 2 ½% hard cap with no tax adjustments



## Funding Cliff – Scenario B

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	2010-11		2011-12
Taxes	\$73,710,723	5.43%	Taxes \$75,553,491 2.5%
Aid	2,564,651		Aid 2,647,891
Misc.	1,128,224		Misc. 1,133,224
Surplus	<u>2,238,113</u>		Surplus <u>1,000,000</u>
Revenue	\$79,641,711		Revenue \$80,334,606
Expend.	\$81,024,151		Expend. \$81,632,754
	(\$1.4M shortfall)		(\$1.3M shortfall)

# Tax Increase to Compensate for Balance of Lost State Aid (\$2,400,000)

Taxes for Operating Budget	Dollars Over 4% Cap	% Over 4% Cap	Increase in annual tax bill to support this budget	Cuts for 10-11 if: All potential cash (an extra \$1,000,000) is appropriated for the 10-11 budget	Cuts for 10-11 if: Save \$1,000,000 in cash for future (11-12 budget)
<b>\$72,710,723</b>	<b>\$0</b>	<b>.00%</b>	<b>\$293</b>	<b>1.4 million</b>	2.4 million
\$73,210,723	\$500,000	0.72%	\$316	.9 million	1.9 million
<b>\$73,710,723</b>	<b>\$1,000,000</b>	<b>1.43%</b>	<b>\$338</b>	.4 million	<b>1.4 million</b>
\$74,210,723	\$1,500,000	2.15%	\$361	No cuts needed	.9 million
\$74,710,723	\$2,000,000	2.86%	\$384	No cuts needed	.4 million
\$75,093,163	\$2,382,440	3.41%	\$401	No cuts needed	No cuts needed



# Possible Two Year Framework

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## **2010-11 - \$2.4M**

\$1M new taxes over cap

\$600K 1½% salaries

\$300K declining enrollment and retirements

\$500K program reductions

## **2011-12 - \$1.3M**

\$300K declining enrollment and retirements

\$1.0M program reductions



## \$500K Program Cuts 2010-11

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- Administration \$110K
- Support \$40K
- Kindergarten and special education aides \$290K
- Course elimination - American Studies, Japanese \$60K





## \$1.0M Program Cuts 2011-12

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Review Pre-K thru 12 programs

- High school 9 period model
- Middle school model
- Special education
- Administration



# The Unknowns

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- Retirement incentive
- Settlement concessions
- Governor's bargaining changes – “tools”?
- Unemployment costs resulting from layoffs (assume maximum?)

# Spending Comparison

	Current 09/10	Proposed 10/11	\$ Change	% Change
Instruction	\$38,131,336	\$37,837,442	-\$293,894	-0.77%
Extracurricular	\$1,284,519	\$1,334,095	\$49,576	3.86%
Support	\$8,901,226	\$8,886,196	-\$15,030	-0.17%
Administration	\$5,285,750	\$5,180,006	-\$105,744	-2.00%
O & M	\$8,155,473	\$8,589,380	\$433,907	5.32%
Transportation	\$4,104,536	\$5,026,988	\$922,452	22.47%
Benefits	\$11,776,376	\$12,608,379	\$832,003	7.07%
Capital Outlay	\$360,275	\$179,225	-\$181,050	-50.25%
Grants	\$1,000,000	\$1,050,000	\$50,000	5.00%
Debt Service	\$5,867,853	\$5,908,316	\$40,463	0.69%
Totals	\$84,867,344	\$86,600,027	\$1,732,683	2.04%

# Tax Comparison

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	2009-2010	2010-2011	\$ Change	% Change
Average Home	\$615,926	\$581,192	-\$34,734	-5.64%
Base Budget	\$6,183	\$6,504	\$321	5.19%
Debt Service	\$485	\$502	\$17	3.51%
Total	\$6,668	\$7,006	\$338	5.07%



# Total Comparative Cost Per Pupil

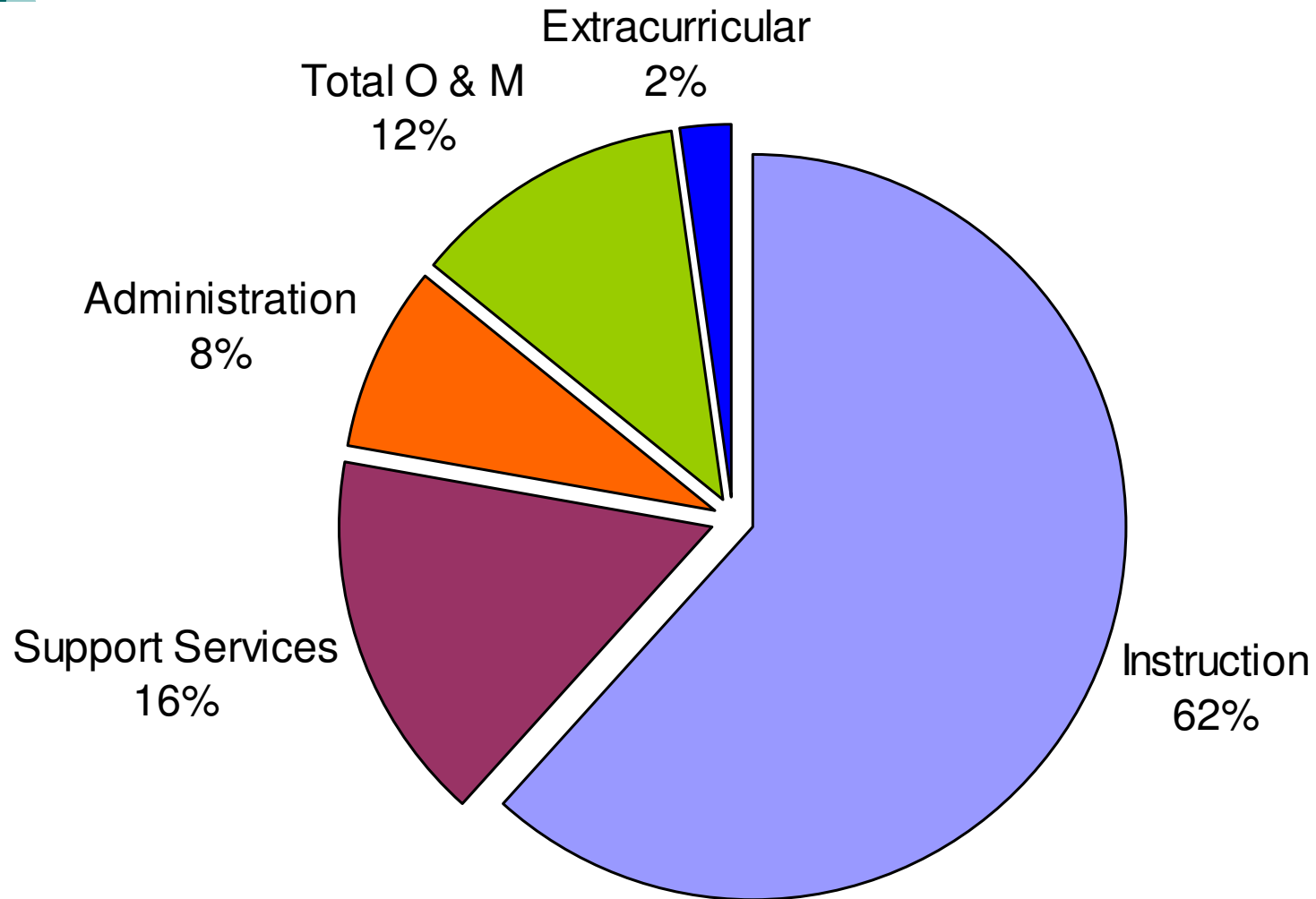
(New Jersey Department of Education Comparative Spending Guide, March 2010)

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Montgomery	\$11,628
Chatham	\$11,861
Hillsborough	\$12,249
<b>Bernards</b>	<b>\$12,487</b>
Livingston	\$13,712
Holmdel	\$13,838
Millburn	\$14,910
Princeton	\$17,421

# Bernards \$12,487 Per Pupil

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# Committee Recommendation

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## 2010-11

- ✓ Increase taxes \$1M over cap
- ✓ Reduce salary accounts to 1 ½%
- ✓ Realize \$300K savings in retirements & K-5 declining enrollment
- ✓ Program cuts
  - Administration \$110K
  - Support \$40K
  - Kindergarten & special education aides \$290K
  - Course elimination \$60K



# Committee Recommendation

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## 2011-12

- ✓ Only budget 1 ½% salary increase
- ✓ Realize \$300K savings in retirements & K-5 declining enrollment
- ✓ Review Pre-K thru 12 and district programs
  - High school 9 period model
  - Middle school model
  - Special Education
  - Administration





# 2010-11 Budget

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Election Day April 20, 2010

2:00 – 9:00 PM