

# Contingency Budgets and Other Budgetary Issues

***Welcome!***

**This session will begin at 10:00 am  
Tuesday, March 29, 2011**

Presenters:

Deborah Cunningham, Jay O'Connor and Stephen McNally

Moderator: Ruth Singer

NYS Education Department

Office of Educational Management Services

March 29, 2011

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# Agenda

- Budget Deadlines for 2011
- Reporting Requirement Changes Resulting From GASB 54
- Property Tax Report Card for 2010-11
- Contingency Budgets
- Other Budgetary Issues
  - Proposals on Budgeting & Mandate Relief
  - Voting Machines – Issues Related to Charging Parents – Corporate Sponsorships
  - Administrative Salary Disclosure Form
  - ARRA Funds
- Resources and Q&A Session

# Budget Deadlines 2011 - Education Law 1608

## School Budget

<b><i>Board's Budget Made Available</i></b>	<b><i>Budget Hearing</i></b>	<b><i>Mail Budget Notice</i></b>	<b><i>Statewide Budget Votes</i></b>
No later than 7 days before budget hearing April 26 – May 3, 2011 (can be held earlier)	7-14 days before budget vote  May 3 - 10, 2011	May 11, 2011	Budget Vote: May 17, 2011  Budget Re-Vote: June 21, 2011 (if necessary)

## Administrator Salary Disclosure

<b><i>Made Available</i></b>	<b><i>Submit to SED</i></b>	<b><i>When Commissioner Posts</i></b>	<b><i>When Updated*</i></b>
With budget (no later than 7 days before budget hearing) April 26 - May 3, 2011 (can be earlier)	Within 5 days after preparation  May 2 - 9, 2011 (can be earlier)	Compile and make available on request May 10, 2011 (can be earlier)	Post late submissions prior to statewide voting day  May 17, 2011

## Property Tax Report Card

<b><i>Made Available</i></b>	<b><i>Submit to SED</i></b>	<b><i>When Commissioner Posts</i></b>	<b><i>When Updated*</i></b>
Appended to budget, but must be submitted to SED no later than:  April 23, 2011 (can be earlier)	By next day COB following approved by trustees, but no later than 24 days before budget vote April 23, 2011 (can be earlier)	At least 10 days prior to statewide voting day  April 26 – May 6, 2011 (can be earlier)	Post late submissions prior to statewide voting day  May 17, 2011

\*Once submitted, postings will only be altered due to errors in data input and school districts must provide evidence that the change conforms to the district's budget notice. Late submissions will be posted as available and indicated as such.

# Reporting Requirement Changes Resulting from GASB 54

- GASB Statement 54 institutes changes in reporting requirements for fund balance and special revenue funds for school districts and other municipalities.
- “Reserved” and “Unreserved” classifications of fund balance will no longer be used; 5 new classifications will be used instead.
- Effective for financial statements for periods ending June 30, 2011.

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# New Classifications – GASB 54 Fund Balance Components

- Nonspendable – Inherently nonspendable in the current period due to form or must be maintained intact;
- Restricted – Subject to legal purpose restrictions;
- Committed – Constrained to a purpose by formal action of government’s highest level of decision making authority;
- Assigned – Constrained to a purpose of “intended use”; established by BOE or designated official;
- Unassigned – “Residual classification of Gen. Fund”; could be surplus or deficit in Gen. Fund

# Sample 2010-11 Property Tax Report Card

<b>Entity Name</b> YONKERS CITY SD	<b>SAMS</b> NEW YORK STATE EDUCATION DEPARTMENT STATE AID MANAGEMENT SYSTEM		
<b>BEDS Code</b> 662300			
<b>Claim Year</b> 2010-2011 <input type="button" value="SET VALUES"/>			
Welcome Stephen McNally (Facilities Planning) <span style="float: right;">03/21/2011 04:28 PM</span> <span style="float: right;">Home   Issue Reporting   Help   Logout</span>			
Entity Info   Claims Review   Forms   Claim Verifications   Activity Log   Reports			
You Have Selected the 'Official' Data Area. <span style="float: right;"><a href="#">Print Legacy</a>   <a href="#">Print RefKey</a>   <a href="#">Print Form</a>   <a href="#">Print Blank</a>   <a href="#">Print Text Only</a></span>			
District Name: YONKERS CITY SD	District Code: 662300	Ext: <input type="text"/>	
Contact Person: JOSEPH HVISC	Telephone: (914) 376-8032		
<b>Property Tax Report Card</b>			
<b>Important Note: Changes in GAAP reporting requirements for fund balances affect NYS school district financial statements for periods ending June 30, 2011. Data elements for the Property Tax Report Card have been renamed and redefined in accordance with these changes. Please see <a href="http://www.p12.nysed.gov/mgt/serv/districtbudgetdata.html">http://www.p12.nysed.gov/mgt/serv/districtbudgetdata.html</a> for additional guidance.</b>			
<b>Form Due - April 23, 2011</b>			
School District Contact Person:	<input type="text"/>		
School District Telephone Number:	<input type="text"/>		
	<b>Budgeted 2010-11 (A)</b>	<b>Budgeted 2011-12 (B)</b>	<b>Percent Change (C)</b>
Total Spending	<input type="text"/>	<input type="text"/>	<input type="text"/> %
Total School Tax Levy	<input type="text"/>	<input type="text"/>	<input type="text"/> %
Public School Enrollment	<input type="text"/>	<input type="text"/>	<input type="text"/> %
Consumer Price Index			1.6 %
	<b>Actual 2010-11 (D)</b>	<b>Estimated 2011-12 (E)</b>	
Adjusted Restricted Fund Balance	<input type="text"/>	<input type="text"/>	
Assigned Appropriated Fund Balance	<input type="text"/>	<input type="text"/>	
Adjusted Unrestricted Fund Balance	<input type="text"/>	<input type="text"/>	
Adjusted Unrestricted Fund Balance as a Percent of the Total Budget	<input type="text"/> %	<input type="text"/> %	
<input type="button" value="Save"/> <input type="button" value="Reset"/> <input type="button" value="Save &amp; Ready"/>			
State Aid Homepage   Contact Us			Ver 1.3.19



# Changes to Account Codes Assigned to Three Categories of Fund Balance on 2011-12 PTRC

- Reserved Fund Balance
  - 13 of the previous 800 codes remain the same
  - Reserve for Inventory changes code from A845 to A806
  - Reserve for Tax Reduction (Sale of District Property) changes from A891 to A916
  - Reserve for Encumbrances goes from A821 into A915
  - Reserve for Insurance Recovery goes from A887 into A915, but is still treated as restricted via deduction for the PTRC, so not subject to the 4% limit
- Appropriated Fund Balance
  - Only change - code from A910 to A914
  - Amount appropriated for subsequent year's taxes
- Adjusted Unrestricted Fund Balance
  - Remainder of A900 codes not included in the Adjusted Restricted Fund Balance or the Assigned Appropriated Fund Balance which make up the Adjusted Unrestricted Fund Balance
  - This is the Fund Balance amount that is restricted by law to 4%

# Assigning Fund Balances on the PTRC Before 2011-12

## Prior to GASB 54 Statement: 2010-11 PTRC (State Aid Claim Year 2009-10) and Earlier

Reserved Fund Balance		Appropriated Fund Balance	Undesignated Fund Balance
Workers' Compensation Reserve	A814	<b>Fund Balance</b>	<b>Fund Balance</b>
Unemployment Insurance Reserve	A815	<b>Unreserved,</b>	<b>Unreserved,</b>
<b>Reserve for Encumbrances *</b>	<b>A821</b>	<b>Appropriated</b>	<b>Unappropriated</b>
Retirement Contribution Reserve	A827	<b>A910 *</b>	<b>A911 *</b>
<b>Reserve for Inventory *</b>	<b>A845</b>		
Reserve for Property Loss	A861		
Reserve for Liability Claims	A862		
Insurance Reserve	A863		
Reserve for Tax Certiorari	A864		
Reserve for Employee Benefit Accrued Liability	A867		
Reserve for Taxes Raised Outside of Tax Limit	A874		
Capital Reserve	A878		
Reserve for Repairs	A882		
Reserve for Debt (Mandatory Reserve)	A884		
<b>Reserve for Insurance Recovery *</b>	<b>A887</b>		
Miscellaneous Reserve	A889		
<b>Reserve for Tax Reduction (Sale of District Property) *</b>	<b>A891</b>		

\* Account codes treated differently in future years for PTRC purposes.

# Assigning Fund Balances on the PTRC Beginning 2011-12

<b>Post-GASB 54 Statement: 2011-12 PTRC (State Aid Claim Year 2010-11) and After</b>		
<b>Adjusted Restricted Fund Balance</b>	<b>Assigned Appropriated Fund Balance</b>	<b>Adjusted Unrestricted Fund Balance</b>
Workers' Compensation Reserve	A814	<p><b>A914</b> Assigned, Appropriated Fund Balance  (Was A910) *</p> <p><b>A917</b> Unassigned Fund Balance</p> <p><b>- Plus -</b></p> <p><b>A915</b>  Assigned, Unappropriated Fund Balance (Excl. Reserve for Insurance Recovery)</p> <p><b>LIMITED TO 4%</b></p>
Unemployment Insurance Reserve	A815	
Retirement Contribution Reserve	A827	
Reserve for Property Loss	A861	
Reserve for Liability Claims	A862	
Insurance Reserve	A863	
Reserve for Tax Certiorari	A864	
Reserve for Employee Benefit Accrued Liability	A867	
Reserve for Taxes Raised Outside of Tax Limit	A874	
Capital Reserve	A878	
Reserve for Repairs	A882	
Reserve for Debt (Mandatory Reserve)	A884	
Miscellaneous Reserve	A889	
<b>Reserve for Inventory*</b>	<b>A806</b>	
<b>Reserve for Encumbrances*</b>	<b>A915</b>	
<b>Reserve for Insurance Recovery*</b>	<b>A915</b>	
<b>Reserve for Tax Reduction (Sale of District Property)*</b>	<b>A916</b>	

\* Account codes treated differently in future years for PTRC purposes.

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# Contingency Budget

- Has its basis in law (as opposed to “austerity budget”).
- Certain requirements for calculating a contingency budget.
- Must consider public response to contingency budget information.

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# Contingency Budgets - Laws

- Education Law § 1716 – All expenses necessary included in proposed budget (No separate proposition for “budget” item).
- Education Law § 2023 - Board of Education to adopt contingent budget when voters have refused to approve budget.
- Education Law § 2007 - Budget re-vote (3<sup>rd</sup> Tuesday in June).
- District may choose to adopt a contingency budget after proposed budget is defeated once rather than re-vote.
- If budget is defeated twice, then BOE must adopt contingency budget.

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# Contingency Budget - Constraints

- When a district adopts a contingency budget, they are constrained in two ways:
  - 1) Statutory caps
  - 2) Determination of ordinary contingent expenses
- Statutory caps include contingency budget cap and administrative cap.

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# Ordinary Contingent Expenses

- Those items necessary to maintain schools or defined in statute (required or BOE discretion)
- Opinion of NYSED Counsel 213 is the best place to start for definition of ordinary contingent expense. It may be found at:

<http://www.p12.nysed.gov/mgtserv/budgeting/handbook/appendixg.html>

# Contingency Budget Cap

- Overall increase in the budget, with certain exclusions, is capped at the **lesser** of:

120% X Average of National CPI or 4%

Change in the average from 2009 to 2010:  
**1.6%**

**2011-12 Contingency Budget Cap = 1.92%**

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# Contingency Budget vs. Proposed Budget

- Use the worksheet at:  
[www.P12.nysed.gov/mgtserv/budgeting](http://www.P12.nysed.gov/mgtserv/budgeting) to calculate the contingency budget cap;
- Compare the calculated contingency budget cap with the proposed budget;
- Depending on whether the proposed budget is greater or less than the calculated cap will determine next steps.

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# Calculating the Contingency Budget

- If the proposed budget is greater than the calculated cap, then:
  1. Remove all non-contingent items from the proposed budget.
  2. If the budget amount is still greater than the contingency budget cap, then other cuts must be made to “get down” to the cap amount.

# Calculating the Contingency Budget

- If the proposed budget is less than the calculated cap, then the contingency budget is calculated by subtracting non-contingent items from the **proposed** budget.
- At the time of budget preparation, the contingency budget is never to be greater than the proposed budget (and most likely will always be less).
- Not restrained by cap in this case; rather, by the definition of ordinary, contingent expenses.
- Unanticipated, ordinary contingent expenses or grants-in-aid, for example, may be added to the contingent budget adopted by the Board of Education.

# What about exclusions?

- Certain expenditures, i.e. capital expenditures previously approved by the voters, are not subject to the cap.
- Non-recurring items are expenses that were in the base year budget but not part of subsequent year's contingency budget. Could be something like an Interfund Transfer to Capital.
- District does not have authority to buy buses or make Interfund Transfer to Capital under a contingency budget if these were items in the proposed budget that was defeated.

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# Exclusions (continued)

- Caution must be exercised when adding any expenses associated with projected increases in enrollment.
- Projected increase in enrollment means increase in costs related to the total district enrollment, not just an increase to a grade or building.
- Specific costs are to be used, not a per-pupil amount or generic percent increase applied to all costs.
- Districts must be mindful of public awareness when it comes to this topic.

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# Public Notice

- “Contingency Budget” column of budget notice must reflect reductions.
- “Contingency Budget” column should not be greater than “Proposed Budget” column at the time of budget preparation.
- “Statement of Assumptions” on the budget notice should list the items for those reductions necessary if the Board of Education adopts a contingency budget.

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# Administrative Cap Calculation

- Districts on a contingent budget are also subject to a cap on the administrative component of the budget.
- Administrative cap is the lesser of the percent of administrative component from previous year (not including capital component) or the percent of administrative component of most recently defeated budget for the subsequent year.

# Proposals on Budgeting

- The Governor has proposed a tax cap for the 2012-13 school year.  
[http://www.governor.ny.gov/assets/documents/PROPERTYTAXCAP\\_MEMO.pdf](http://www.governor.ny.gov/assets/documents/PROPERTYTAXCAP_MEMO.pdf)
- Tax relief high priority for the Senate with mandate relief
- The proposal:
  - Commissioner establishes 2 percent levy limits annually
  - If the district's proposed levy is less than the limit, a majority vote is required to pass it
  - If the district's proposed levy exceeds the limit, the levy must be approved by 60 percent or more of the voters
  - If the vote on the levy fails, districts can present a second time or adopt a levy that is equal to or less than the levy of the prior year

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# Mandate Relief

- Executive Mandate Relief Redesign Team report March 1, 2011—pledge to continued work
- Regents review and action in February, March and April
  - Considered a wide range of options
  - Reviewed additional detail on recommendations concerning school operations and special education
  - Approved recommendations in school operations
  - Will review additional school operations recommendations and those related to special education

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# Voting Machines-Issues related to Charging Parents-Corporate Sponsorships

- Districts may use lever voting machines until Dec. 2012. SED's Office of Counsel has issued guidance at: <http://www.counsel.nysed.gov/SchoolDistrictsElections.html>
- Guidance on a Free & Appropriate Education may be found at: [http://www.p12.nysed.gov/mgtserv/free\\_appropriate/](http://www.p12.nysed.gov/mgtserv/free_appropriate/)
- Districts may want to seek a legal opinion regarding requests to “recognize” or “advertise” donors

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# Administrator Salary Disclosure

- Chapter 474 of Laws of 1996 and Education Law §1608 require SED to prepare a statewide compilation of salaries and other personnel costs for school administrators and make available:  
<http://www.p12.nysed.gov/mgtserv/admincomp/>
  
- Salaries and benefits (and other forms of remuneration) budgeted at or above a certain level: **\$120,000 for 2011-12**
  - All Superintendents (Type 1)
  - All Deputy, assistant or associate superintendents (Type 2)
  - Other certified school administrators or supervisors (Type 3) above the threshold.
  
- Data provided by school districts
- Applies to a specific position, not a particular individual
- Budgeted in May 2011 to be paid in 2011-12

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# ARRA Funds

- Good cash management practices are required for these and all grant funds.
- Districts should carefully review records to ensure that expenditures are consistent with the approved spending plan.
- Contact the appropriate program office with any questions or concerns.
- Grant award periods for specific ARRA grants:  
<http://www.oms.nysed.gov/cafe/guidance/arrapayments.html>

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# Resources

- Office of Educational Management Services
  - <http://www.p12.nysed.gov/mgtserv/budgeting/>
  - <http://www.p12.nysed.gov/mgtserv/districtbudgetdata.html>
  - [www.p12.nysed.gov/mgtserv](http://www.p12.nysed.gov/mgtserv)
  - [emscmgts@mail.nysed.gov](mailto:emscmgts@mail.nysed.gov) 518-474-6541
- NYSED - ARRA
  - <http://usny.nysed.gov/arra/>
- NYSED – Business Portal (SAMS)
  - <http://portal.nysed.gov/>
- Office of the State Comptroller
  - [www.osc.state.ny.us/localgov/](http://www.osc.state.ny.us/localgov/)

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# QUESTIONS?