



WESTWOOD REGIONAL SCHOOL DISTRICT

Board of Education

2016-17 Preliminary Budget FAQs

On March 10, 2016 the Board of Education voted (6-1) to approve the submission of the 2016-17 preliminary budget to the County Office. This budget is not finalized; rather, it represents an on-going discussion between the administration and the Board of Education about developing a fiscal plan to achieve our educational goals. The conversation is on-going and will be voted at the Budget Hearing scheduled for April 28, 2016. The following represents a series of questions and answers to help you better understand the budget development process.

Q. Does the 2016-17 eliminate the public's opportunity to vote on the next phase of the middle school expansion project?

- A. The current amount of funds in capital reserve does not cover the cost of the Middle School expansion; therefore, it must be put to referendum in order to raise the remaining funds if we choose to move forward with the project. The 2016-17 preliminary budget includes a direct deposit into capital to reduce size of referendum. In prior years the deposits into capital reserves occurred through via end-of-year fund balance.

If the Board decides to continue with the middle school expansion project that began several years ago with the move of the 7th grade out of the Jr/Sr High School, it will still have to go out to a public vote via a referendum.

Q. Bottom line tax impact, what does the 2016-17 preliminary budget include?

- A. Proposed general operating fund tax levy = 4.96% (excludes debt service which is outside of the 2% tax levy cap) and 5.04% total (inclusive of debt service) which equates to \$25.50/month (WW) - \$24.42/month (TWP) total increase on average assessed home

Q. Why did the state introduce the option for school districts to move elections to November?

- A. The goal was to eliminate costs associated with April elections AND reduce the tax levy cap from 4% to 2% cap consistent with municipal budgets which effectively guards against 'excessive tax levy increases'.

Once school boards approve a motion to move the election to November, budgeting is pretty straight forward: stay within 2% tax levy cap with the exception of using state determined waivers and banked cap when budgets come under 2% in order to achieve the district's educational goals. There are no loopholes or ways around it.

Q. What does the 2016-17 preliminary budget include?

- A. First of all, this year we experienced a variety of declines in appropriations via lower transportation costs, reduction in energy costs as a benefit from capital projects completed in prior years, and declining enrollment of students in Out of District placements in special education. Therefore, the district is able to reallocate those fiscal resources to include additional hires to support the

revitalization efforts at the high school, district security, and special education inclusion. In addition, the budget includes continued investments in technology and our facilities throughout the district within the 2% cap. Taking advantage of effective budgeting and efficient spending enable the district to reallocate resources for these new budget items. While some districts may have to face cuts to staff and programs, we are able to continue to fully fund the education of our next generation. This is a good thing and source of pride for our school district.

Q. Does the 2016-17 budget include funds that are not going to be used within 2016-17 school year?

- A. Yes. We must always keep an eye on the horizon. Due to limitations of a 2% tax levy cap, the district is reallocating fiscal savings in some areas to offset increases in others. Furthermore, at some point in the near future, there won't be reductions available that offset the increases in salaries and benefits to rise above 2%, thus forcing the district to consider cuts in programming and/or positions. The proposed budget includes an investment in capital for the future Middle School expansion project while also building the base budget to allow the district to continue to fund improvements while it still has the fiscal ability to do so all within the state-permitted tax levy cap.

Q. What is the 'fiscal cliff' in school district budgeting and how does it relate to our district?

- A. As it relates to school district budgeting, the term refers to a situation when the money needed to operate the district (appropriations) is not covered by the money the district receives from local, state, and federal sources (revenue).

With the tax levy limits in place, we are not able to increase our revenue beyond the prescribed limits; therefore, to adjust a school budget we must reduce discretionary appropriations. In other words, we have very little ability to modify our fixed costs (such as the cost of healthcare and utilities) or costs associated with implementing state and federally mandated programs (such as special education, Anti Bullying Bill of Rights, and PARCC) which means the only places we have left are staff and non-mandated programs.

We are not facing the fiscal cliff now unlike some other districts throughout the state; however, it is something that we must prepare for in the foreseeable future in order to minimize the impact on our educational programs and offerings.

Q. Why is the district putting money in capital reserves towards the \$22 million dollar Middle School expansion project? Why not put the entire cost of the project to public vote via a referendum?

- A. Feedback from prior referendum attempts was to save money through the general fund operating budgets to address capital improvements. The establishment of the capital reserves accounts began with the 2005 audit specifically to support our efforts to complete long range facilities projects.

Over the last several years the District intentionally planned to grow capital reserve to fund capital projects including phase 2 of the middle school expansion project and the eventual turf field replacement, thus lessening the burden to taxpayers of a large referendum. Currently, the capital reserve account includes about \$11.4 million dollars.

Q. Why is the Board considering a tax levy increase above 2%? When it agreed to live within the 2% cap after moving the election to November?

- A. The movement of the elections to November allows boards to accrue 'bank cap' when it does not budget to the maximum levels, thus allowing boards to utilize those funds in future years when they may be needed.

The process also allows boards to exceed cap with certain waivers (healthcare, enrollment, deferred pension contribution, or when responsibilities shifted to/from another government entity) that are considered outside the normal operations. However, their ability to do so is limited to 3 years after earning the 'banked cap'.

In the 2013/2014 budget, the tax levy only increased by .5%. The Board did not utilize the available 1.5% in banked cap for the last three years, thus not building it into the last three tax levy increases.

Q. Is the Board simply using the banked because it's there?

A. No. The Board is not considering an increase above 2% merely because it can. The Board is doing so because it is trying to achieve its educational goals now and looking ahead.

Q. Is going above 2% an abuse of power by the Board of Education?

A. Absolutely not. Un/underfunded state and federal mandates combined with increases in costs outside of the Board's control *far* exceed a 2% tax levy increase which leaves very limited opportunity for the discretionary decision making that allow us to move the district beyond a status quo state of education. It is the single greatest challenge facing school districts throughout New Jersey.

Supporting a budget to achieve its educational goals within the state mandated limitations is aligned with the Code of Ethics for school board members, is fiscally responsible and an example of Board of Education Governance at its best.

Additional Resources:

- School Board Member Code of Ethics: <http://www.state.nj.us/education/ethics/coe.htm>
- NJ School Boards Association Article regarding School Finance and the role of the Board of Education: <https://www.njsba.org/news/school-leader/03042013/field-perspectives.php>
 - Acknowledges the dual responsibility of the Board to ensure the budget supports educational goals while controlling spiraling costs.
 - Describes the budget process, tax levy, and tax caps which helps to define how costs are contained.
 - The final section and paragraph, External Forces that Impact Budgets, raises the issue that the majority of budgets are based upon what districts are mandated to do; therefore, not under the control of the Board or administration. Which means that the remaining discretionary dollars must be able to meet the facilities, technological, and educational needs associated with our district goals.
- NJ School Boards Association press release after the Governor signed legislation that gave school district's the permission to move the election to November: https://www.njsba.org/press_releases/governor-signs-november-election-option.html
 - Referenced the NJSBA support of the move to the November election and cites that the interests of the taxpayers are well represented in the budget development process through the existing checks and balances including the 2 percent tax levy cap.
 - Mentions that the move to November election puts the approval of the budget solely in the hands of the Board in the same way that the municipal and county budgets are not presented to the voters.