

2017-2018 DISTRICT BUDGET Q&A

May 2, 2017

Q1: What is the **tentative** cost of the 2017-2018 school budget?

A: The Board of Education's **tentative** General Fund (Operating) Budget is \$56,376,439, which comprises local property taxes and unrestricted state and federal aid. General Fund Budget appropriations cover the district's main instructional and operating activities. The tentative Total District Budget is \$71,724,527 including the General Fund above and Grants and Entitlements of \$15,348,088.

Q2: What is the increase in the **tentative** Total General Fund (Operating) Budget over last year?

A: The **tentative** 2017-2018 Total General Fund Budget is **increasing** by \$209,619 (0.37%) over last year when we adjust for prior year encumbrances. If we do not adjust, the tentative General Fund Budget moved up from \$55,052,899 in 2016-2017 to \$56,376,439 this year for an increase of \$1,326,540 (2.41%).

Q3: What is the 2.0% CAP and how does it work?

A: The 2.0% Tax Levy CAP is a way in which the State of New Jersey restricts the growth of local property taxes. This CAP restriction uses a 2.0% growth rate along with adjustments for certain fixed costs that are harder to control. Adjustments include annual student enrollment growth and increased health care costs. Hoboken Public Schools ("HPS") utilized an adjustment for enrollment growth for the 2017-2018 school year.

Another Tax Levy CAP adjustment is for the use of banked CAP from prior fiscal years. Banked CAP is accumulated from prior years' eligible Local Tax Levy adjustments not utilized in the district budget. Hoboken Public Schools ("HPS") has \$61,970 of Banked CAP available to use for the 2017-2018 school year.

Q4: Does the Board of Education have to go out for a budget vote?

A: No. Due to the Board of Education's decision to move the school election to November, a vote on the school budget is not required by New Jersey State law. The Board of Education is required to go out for a budget vote for amounts exceeding the Local Tax Levy of 2.0% plus all adjustments (including use of Banked CAP). The 2017-2018 Local Tax Levy does not go beyond the 2.0% cap plus adjustments, therefore, the district budget does not go out for a vote. Over 525 New Jersey school districts moved their school elections to the November. Seventeen (17) districts still vote in April.

Q5: Will this year's **tentative** school budget cause my property taxes to increase?

A: It may. The Board of Education's local tax levy will increase from \$42,502,765 in 2016-2017 to \$43,857,211 in 2017-2018 in support of the school budget. This increase is \$1,354,446, over the prior year.

Q6: What is the estimated tax impact for an average home?

A: The 2017-2018 school district budget is estimated to potentially increase property taxes by an **estimated \$83.33 per year on a home assessed at \$522,000** – the current average assessment. Your overall property tax bill may increase or decrease due to the City of Hoboken and Hudson County budgets. Estimates for other assessed values are as follows:

- An estimated \$63.85 for a property assessed at \$400,000
- An estimated \$79.81 for a property assessed at \$500,000
- An estimated \$95.78 for a property assessed at \$600,000
- An estimated \$111.74 for a property assessed at \$700,000
- An estimated \$127.70 for a property assessed at \$800,000
- An estimated \$159.63 for a property assessed at \$1,000,000

Note: The above information is \$15.96 per \$100,000 of assessed value. Above estimates are based on current tax information (municipal calendar) and is subject to change.

Q7: What were the main cost factors when you created the general fund budget?

A: The **tentative** 2017-2018 General Fund (Operating) Budget increased, when adjusted for prior year encumbrances, as the district took necessary steps to keep expenditures in line with anticipated revenue for the same period. Some cost factors included the following:

1. Increase in Charter School payments
2. Contractual increases in district salaries
3. New administrative position at the Middle School
4. Educational Programs and Initiatives
5. Growing Special Education costs

Q8: What is the estimated impact of Charter Schools on the 2017-2018 Schools District Budget?

A: A large part of the overall operating budget is an allocation for Charter School payments. The estimated increase in next year's payments to Charter Schools is \$843,837 moving from a total payment amount of \$9,311,663 in 2016-2017 to \$10,155,500 in 2017-2018 (or an estimated increase of 9.06%). The main reason for this significant increase is the projected growth in student enrollment. NJDOE reported that the charter schools' total enrollment may increase by 71 students.

Q9: What impact does funding Charter Schools have on HPS's budget?

A: The growth of charter schools over the past few years has moved from \$4,987,989 in 2010-2011 to \$9,273,484 in 2016-2017 or 85.91% (an increase of \$4,285,495). The annual payment increases are as follows:

	Actual 2010/2011	Actual 2011/2012	Actual 2012/2013	Actual 2013/2014	Actual 2014/2015	Actual 2015/2016	Revised 2016/2017	Projected 2017/2018
Annual Payment	\$4,987,989	\$5,973,346	\$6,947,052	\$7,493,187	\$8,382,943	\$8,527,831	\$9,311,663	\$10,155,500
Increase (%)	19.30%	19.75%	21.45%	7.86%	20.67%	1.73%	9.19%	9.06%
Increase (\$)	\$807,109	\$985,357	\$1,281,300	\$546,135	\$889,756	\$144,888	\$783,832	\$843,837

Q10: How can the total increase in the district's Charter School payments be broken out?

A: It looks like this:

	2014-2015	2015-2016	2016-2017	2017-2018	SY 17/18 Increase
HoLa	\$ 2,857,162	\$ 2,947,476	\$ 3,420,413	\$ 3,896,816	\$ 476,403
Elysian	3,101,492	3,030,925	3,196,769	3,243,906	47,137
Hoboken CS	2,486,177	2,535,201	2,563,204	2,834,929	271,725
Others	49,830	130,277	131,277	179,849	48,572
TOTAL	\$ 8,494,661	\$ 8,643,879	\$ 9,311,663	\$ 10,155,500	\$ 843,837

Note: The "Others" category represents students going to The Ethical Community and METS Charter Schools located in Jersey City.

Q11: How does the New Jersey Department of Education ("NJDOE") calculate the amount a school district pays to Charter Schools?

A: The NJDOE has a formula that takes the school district's student demographic and produces per pupil amounts for various categories. These categories consider regular, special, and at-risk students when establishing an overall payment amount. Based on the per-pupil amounts calculated by the NJDOE, HPS used \$12,119 (rounded to \$12,000) as a blended cost per pupil for 2017-2018 budget planning purposes. For further information on the subject calculation, please contact the New Jersey Department of Education, Office of Charter Schools, at 609-292-5850.

Q12: What happens if a Charter School's student enrollment projections are off?

A: The amounts HPS pays to Charter Schools are subject to adjustment during the school year. If the NJDOE recalculates the amount to be paid to a Charter School, HPS will make a corresponding payment adjustment. If the NJDOE recalculates for more students than projected, HPS would have to increase the payment amount by transferring money from other areas of the district budget. If the NJDOE recalculates for less students than projected, HPS would reduce the payment amount and let the money fall into surplus or transfer funds to other areas of the district budget.

Q13: How does HPS project Charter School enrollment for budgetary purposes?

A: HPS takes current enrollment data housed in district records, as of October, and utilizes a cohort survival methodology for projecting Charter School students for budget planning purposes. As per NJDOE regulations, HPS is responsible for registering and confirming student enrollment at Charter Schools during the year.

Note: The NJDOE provides final projected enrollment and charter school transfer payment information with the release of State Aid. HPS is required to use the NJDOE information when submitting the 2017-2018 budget for final approval.

Q14: What is the Charter School student enrollment increase this year?

The Total Charter School student enrollment and related increase is as follows:

	2016-2017	2017-2018	Increase
HoLa	301	338	+37
Elysian	251	262	+11
Hoboken CS	205	227	+22
Others	10	11	+ 1
TOTAL	767	838	+71

Notes:

- 1) The "Others" category represents students going to The Ethical Community and METS Charter Schools located in Jersey City.
 - 2) Enrollment data for 2016-2017 based on 12/19/16 NJDOE notice.
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Q15: How does HPS project enrollment?

A: HPS secured a demographic study to support enrollment projections for 2017-2018. The study utilized a cohort survival method and considered live births and city residential development to project future student enrollment. This study is for a five- (5-) year period starting with 2017-2018.

Q16: What other factors went into making the district budget?

A: Considerations were made for an anticipated decline in some revenue sources, historical conditions and current trends. They included the following:

1. Relatively flat State Aid, further underfunding education
2. Food service operation improvement
3. Maintaining ageing facilities

Q17: Did the district receive additional state aid this year?

A: No. HPS did not receive an increase in State Aid. The breakdown is as follows:

\$ 10,682,520	2016-2017 State Aid
\$ 10,682,520	2017-2018 State Aid
\$ 0	Increase in State Aid (0.0%)

Q18: Does this budget contain debt service obligations?

A: No, the district budget no longer has a debt obligation. The last one was retired by the end of 2013-2014. The 2013-2014 school budget provided \$273,706 in debt service, principal and interest, which was offset by the respective tax levy.

Q19: Does this **tentative** budget allow for the hiring of new teachers? Does this budget contain new non-teaching positions?

A: No, the 2017-2018 budget maintains the existing number of teachers. Other additional teaching positions needed in upcoming school year will come through reconfiguring existing staff members. Existing positions would be reclassified if necessary. We predict that if the district does experience an unanticipated need it would be in the Kindergarten through 5th grade levels. The subject tentative budget does contain a school administration position.

Q20: What is the best cost per pupil to use when talking with my neighbors?

A: The best cost per pupil to use during the budget discussion would be the one generated with the 2017-2018 district budget - \$24,290. This is the Total Budgetary Comparative Per Pupil Cost calculation which takes the district's General Fund and the Early Childhood program expenses and divided it by the number of students covered by respective appropriations. The NJDOE's budget calculation is consistent with the way they present information in the Taxpayers Guide to Education Spending (formerly the Comparative Spending Guide).

Q21: I have been hearing that Hoboken Public Schools spends a lot on administrators. Is that true?

A: HPS projects to spend \$2,179 per pupil in administrative costs for the 2017-2018 school year. This is \$12 less than the \$2,191 regional limit as calculated by the New Jersey Department of Education.

Q22: Do the Hoboken Public Schools receive aid for their early childhood (Pre-K) programs?

A: Yes, HPS will receive \$12,187,272 in Preschool Education Aid from the State of New Jersey to support our early childhood program. Our program educates 3 and 4 year olds as required by current NJDOE regulations and as a former Abbott school district.

Q23: How is the district's School Choice program funded?

A: The State of New Jersey provides Hoboken with School Choice Aid. School Choice Aid is calculated by taking a cost per pupil and multiplying it by the number of School Choice students. That calculation for 2017-2018 is:

$$\$15,939 \times 166 \text{ students} = \$2,645,874.$$

Q.24: What are the major components of the total **tentative** school budget?

A: The school budget of \$72,069,347 has a few components with the major ones being operations, state programs, and federal initiatives. The largest component of the total district budget is the delivery of education services to enrolled students and is projected at \$45,978,471. This segment of the budget covers operating expenses including, but not limited to, teachers' salaries and benefits, securing instructional supplies and materials, and providing for energy to light and heat our buildings. Facilities repair and maintenance costs are found in the Capital Outlay budget for a projected amount of \$587,288.

The operating budget includes an allocation that provides funding to each individual charter school calculated using the number of projected students. The district was informed by the New Jersey Department of Education that 838 students will be educated in charter schools at an estimated cost of \$10,155,500. A majority of funds are distributed to the three independent charter schools located in the City of Hoboken: Hoboken Charter School, Elysian Charter School, and the Hoboken Dual Language Charter School (HoLa).

Also, the Hoboken Public Schools offer additional educational programs funded by both the State of New Jersey and the Federal Government. An early childhood education program that serves well over 790 young children is almost entirely funded by the State of New Jersey for a total projected cost of \$13,559,452. Other initiatives including after-school tutoring, non-public textbooks, and summer academic programs are supported with a mixture of state and federal aid in the amount of \$1,788,636.

Q25: Claims that district legal costs are increasing are often discussed in the community, what is the amount budgeted for legal costs in the **tentative** 2017-2018 budget?

A: HPS has taken steps to control legal cost over the years and appropriated \$210,000 for the 2016-2017 district budget. Cost control measures made progress over the years and the district will appropriate \$150,000 in the **tentative** 2017-2018 budget. Actual legal expenditures reported in the district's annual financial report, for the year ending June 30, 2015, are \$125,787. If you look back a few years to June 30, 2011, with \$359,683 in expenditures, legal costs are down by \$233,896 or a drop of 65%. If you factor judgements into the equation, and use \$574,143 in 2010-2011, the decrease is \$448,356 or 78.1%.

Q26: Why does the district have a surplus and for what can it be used?

A: Hoboken Public Schools maintains a surplus as a responsible business practice and a way to minimize the impact of unforeseen events on district finances. District surplus could be used for the following:

- 1) If an unanticipated special education student moves to Hoboken, surplus can be appropriated to cover the additional associated costs. Cost of a special education student could be \$100,000 including the out of district placement, related support services, and student transportation.
 - 2) A leaky roof or other facility emergency.
 - 3) An increase in Charter School payments. In 2014-2015, Hoboken Public Schools was required to increase its Charter School payment by \$216,871 due to more students enrolling than the charter schools originally projected.
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