

SWEDESBORO BOARD OF EDUCATION

COMMUNITY UPDATE #3

May 19, 2017

The school budgeting process is a very complicated process. The District is committed to remaining fiscally prudent. It is important that we continue that practice and as such, Dr. O’Neil identified many areas where the SWSD budgeting process has been commended by the Department of Education in her testimony to the Senate Select Committee. Her testimony is located on the District’s [FFAC link](#).

Regarding several questions that the Board of Education has received, the BOE Finance Committee is happy to provide the following answers:

**Can you explain the proposed 2017 – 2018 surplus?**

The school district’s general fund has ended the last three years as follows:

Projected:	2016-2017	1.0 million
	2015-2016	1.2 million
	2014-2015	1.1 million
	2013-2014	1.6 million

The proposed 2017 – 2018 budget includes prior year surplus as a component of revenue, and therefore, must budget those dollars on the expenditure side as well. When you review the District’s [User Friendly Budget](#), you will notice the budgeted expenditures at the bottom of page 2 (Budgeted Fund Balance – Operating Budget “Account 10-303”).

The Swedesboro-Woolwich School District takes careful steps to monitor spending in the budget, and the BOE and administration have taken a prudent approach to maintaining surplus.

It is important to note that the BOE does not have a line of credit to draw upon, nor does it want to incur more debt for the community via a referendum. Reasonable reserves are important for the community’s stability, tax impacts, and of course, the safety of the staff and students.

**Who reviews the SWSD Budget and what recommendations have been provided?**

The NJ Department of Education annually reviews our budget for [efficiency standards and best practices](#). In addition to the many commendations that were shared regarding our budget, the NJDOE also provided several recommendations:

1. Increase the local tax levy by 2% and utilize all cap adjustments.

The BOE increased the tax levy by 2%, but declined all cap adjustments in order to minimize property tax increases-(see 2017-2018 [district budget presentation](#), slide 17). As discussed in our most recent community update letters, it was important that the BOE prioritize not raising the tax levy when our community is already significantly over taxed. Therefore, we did decline all cap adjustments as that would have resulted in increased taxation.

2. Do not reduce employee contributions for health insurance.

The Board of Education and the SWEA negotiated a contract recently. In February, the BOE approved the Memorandum of Agreement. Although during our negotiations, employee contributions were reduced, the BOE believes that both parties found common ground by making changes to the health insurance and reducing employee contributions, resulting in better long-term stability.

3. Budget sufficient resources for the Next Generation Science Standards (NGSS).

Last year, it was required that 6<sup>th</sup> grade be aligned to the NGSS; however, in accordance with the phase in process, all grades K – 6 are now required to be aligned to the NGSS by September 2017. As a result of new educational programming requirements that must be addressed, some increases in funding in the curriculum budget are noted.

The School District's budget is not only reviewed by the Department of Education, it is also audited annually, and reports can be found on the NJ Department of Education's [website](#).

**Why does SWSD have surplus monies and who decides how much is appropriate?**

Surplus and reserve decisions are made collaboratively between the auditor, BOE, and administration each year in response to current obligations and future expectations. The BOE and administration do not plan for any new increases to surplus, only to maintain a reasonable amount.

There are additional concerns regarding the strategy to maintain surplus. From time to time, a district may encounter other emergent scenarios that cannot be addressed with capital or maintenance reserves and must be paid by the general operating fund. Increases in essential services such as utilities, transportation, health insurance, liability insurance, and/or multiple out of district tuition placements can bring unplanned increases of several hundreds of thousands of dollars with almost no warning. A new outside placement of a single student could incur costs of 80,000+ and it would be mandatory for the district to pay the bill. (Out of district placements are due to the need for specialized programming to meet specific student needs.)

If the BOE were to ignore the current budget shortfall and spend from surplus, after just one year the District would be dangerously exposed to the budgetary challenges mentioned above.

The administration has also been in the process of reallocating other reserve dollars to better serve the long-term needs of the District. Over the last two years, the District has utilized excessive maintenance reserve funds to offset operational costs while also adding funds to capital reserve, a more appropriate designation for the safety and infrastructure of the district. Capital reserve allows the District to address issues such as roof replacements, parking lots, HVAC systems, etc. Much like any family in our community, the BOE does not want to be in an emergency situation but lack the means to respond. In conjunction with an analysis of needs by Garrison Architects, the funds are being slowly shifted over time to ensure the best possible flexibility to address capital projects while maintaining reasonable surplus.

Finally, the BOE and administration have worked together to find opportunities to lower costs across the entire budget. While the Fair Funding fight continues with the State of NJ and uncertainty looms overhead, the District will operate in the tension between outstanding education, compensation and benefits for employees, rising operational costs, and a community that expects great results for their heavy tax burden, as they should. The future of State Aid is an unknown. Therefore, the BOE will remain financially conservative. The BOE invites Swedesboro-Woolwich to be involved and supportive of the wonderful school district that we enjoy. We continue to welcome feedback and questions.

Sincerely,

The SWSD Board of Education Finance Committee