

# 2015-2016

## District Budget Q&A

(05/05/15)

Q1: What is the 2.0% CAP and how does it work?

A: The 2.0% Tax Levy CAP is the way 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 for the 2015-2016 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) used the total \$695,568 in banked CAP for the 2015-2016 school year.

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Q2: 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 beyond the Local Tax Levy of 2.0% plus all adjustments (including use of banked CAP). The 2015-2016 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. Only sixteen (16) districts still vote in April.

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Q3: What is the estimated impact of Charter Schools on the 2015-2016 School 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 \$524,956 increasing the total payment amount from \$8,494,661 in 2014-2015 to \$9,019,617 in 2015-2016 (or an estimated increase of 6.17%). The main reason for this significant growth is a new Kindergarten class entering HoLa Charter School as they expand school operations to include a new 7th grade.

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Q4: 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 \$9,019,617 in 2014-2015, an increase of \$4,031,628 (or 80.83%). The annual payment increases are as follows:

	<b>Actual 2010 2011</b>	<b>Actual 2011 2012</b>	<b>Actual 2012 2013</b>	<b>Actual 2013 2014</b>	<b>Budget 2014 2015</b>	<b>Budget 2015 2016</b>
Annual Payment	\$4,987,989	\$5,973,346	\$6,947,052	\$7,493,187	\$8,494,661	\$9,019,617
Increase %	19.30%	19.75%	21.45%	7.86%	13.36%	6.17%
Increase \$	\$807,109	\$985,357	\$1,281,300	\$546,135	\$1,001,474	\$524,956

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Q5: How can the total increase in the district's Charter School payments be broken out?

A: It looks like this:

	<u>2014-2015</u>	<u>2015-2016</u>	<u>Increase</u>
HoLa	\$2,857,162	\$3,265,100	\$ 407,938
Elysian CS	3,101,492	3,080,830	-20,662
Hoboken CS	2,486,177	2,616,254	130,077
Others	49,830	57,433	7,603
<b>TOTAL</b>	<b>\$8,494,661</b>	<b>\$9,019,617</b>	<b>\$524,956</b>

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

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Q6: How does the NJDOE calculate the amount a school district pays to Charter Schools?

A: The NJDOE has a formula that takes the school district's student demographics 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 \$11,821 (rounded to \$12,000) as a blended cost per pupil for 2015-2016 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.

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Q7: What happens if a Charter School's student enrollment projections are off?

A: The amounts HPS pay to Charter Schools are subject to adjustment during the school year. If the New Jersey Department of Education (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.

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Q8: How does HPS project Charter School enrollment for budgetary purposes?

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 2015-2016 budget for final approval.

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Q9: How does HPS project enrollment?

A: HPS secured a demographic study to support enrollment projections for 2015-2016. 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 2015-2016.

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Q10: Will this year's school budget cause my property taxes to increase?

A: Yes it may. The Board of Education's local tax levy will increase from \$39,426,390 in 2014-2015 to \$41,004,666 in 2015-2016 in support of the school budget. This increase is \$1,578,276, over the prior year.

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Q11: What is the estimated tax impact for an average home?

A: The 2015-2016 school district budget is estimated to increase property taxes by **\$67.53 per year on a home assessed at \$518,000** --- the current average assessment. Overall property tax bills may also increase or decrease due to the City of Hoboken and Hudson County budgets. Estimates for other assessed values are as follows:

An estimated \$52.15 for a property assessed at \$400,000  
An estimated \$65.18 for a property assessed at \$500,000  
An estimated \$78.22 for a property assessed at \$600,000  
An estimated \$91.25 for a property assessed at \$700,000  
An estimated \$104.29 for a property assessed at \$800,000  
An estimated \$130.36 for a property assessed at \$1,000,000

**Note:** The above information is \$13.04 per \$100,000 of assessed value and are based on current tax information and is subject to change.

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Q12: What is the cost of the 2015-2016 school budget?

A: The Board of Education's General Fund (Operating) Budget is \$53,466,416, 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 Total District Budget is \$67,991,728 including the General Fund (as stated above) and Grants and Entitlements of \$14,525,312.

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Q13: What is the increase in the Total General Fund (Operating) Budget over last year?

A: The 2015-2016 Total General Fund Budget is **increasing** by \$1,232,499 (2.36%) over last year when adjusted for prior year encumbrances. If we do not adjust, the General Fund Budget is down slightly from \$53,721,075 in 2014-2015 to \$53,466,416 this year (a decrease of \$254,659 or 0.47%).

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Q14: What were the main cost factors when you created the general fund budget?

A: The 2015-2016 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. Growing Special Education costs.
3. Change in Employee Benefits breakout.
4. Contractual increases in district salaries.

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Q15: What other factors went into making the district budget?

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

1. Decrease in available surplus.
2. Relatively flat State Aid further underfunding education.
3. Accumulated food service deficit.

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Q16: Does this budget allow for the hiring of new teachers? Does this budget contain new non-teaching positions?

A: No, the 2015-2016 budget maintains the existing number of teachers and non-teaching positions. Any new teaching position(s) needed in 2015-2016 will come from existing district positions. 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 5<sup>th</sup> grade levels.

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

A: Yes. HPS received a small increase in state aid. The breakdown is as follows:

\$10,576,865	2014-2015 State Aid
<u>\$10,656,560</u>	<u>2015-2016 State Aid</u>
\$ 79,695	Increase in State Aid (0.75%)

**Note:** The school district experienced a significant decrease of \$669,438 in School Choice Aid after the 2014-2015 district budget was finalized. The 2014-2015 loss in School Choice Aid was restored in 2015-2016.

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Q18: I have been hearing that Hoboken Public Schools spend a lot on administrators. Is that true?

A: HPS projects to spend \$2,083 per pupil in administrative costs for the 2015-2016 school year. This is \$3 less than the \$2,086 regional limit as calculated by the New Jersey Department of Education.

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Q19: Does this budget contain debt service obligations or lease purchase(s)?

A: 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. The district does have a Lease Purchase Agreement, which funded a district-wide lighting upgrade. Principal and Interest is \$207,141 for the 2015-2016 budget year.

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Q20: Claims that district legal costs are increasing are often discussed in the community, what is the amount budgeted for legal costs in the 2015-2016 budget?

A: HPS has taken steps to control legal cost overs the years and appropriated \$210,000 for the 2015-2016 district budget. Actual legal expenditures reported in the district's annual financial report for the year ending June 30, 2014 are \$180,614. If you look back a few years to June 30, 2011, with \$359,683 in expenditures, legal costs are down by \$179,069 or a drop of 49.8%. If you factor judgments into the equation, and use \$574,143 in 2010-2011, the decrease is \$393,529 or 68.54%.

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Q21: 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 2015-2016 district budget - \$23,250. 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).

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Q22: 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 2015-2016 is: \$15,939 X 166 students = \$2,645,874.

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Q23: Why does the district have a surplus and what can it be used for?

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 Charter School payment, in the amount of \$216,871, due to more enrolled students than charter schools originally projected.

Note: The district can maintain a surplus position of 2.0% of budgeted expenditures as per NJDOE guidelines. The NJDOE will request explanations for surplus positions below 2.0% during the budget approval process, as it is an indication of the financial health of the district.

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