

2019-2020 DISTRICT BUDGET Q&A

March 19, 2019

Q1: What is the **tentative** cost of the 2019-2020 school budget?

A: The Board of Education's **tentative** General Fund (Operating) Budget is \$60,958,382, 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 \$78,658,756 including the General Fund above and Grants and Entitlements of \$17,700,374.

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

A: The **tentative** 2019-2020 Total General Fund Budget is **increasing** by \$2,512,769 (4.3%) over last year.

Q3: What is the 2% CAP and how does it work?

A: The 2% 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, which the Hoboken Public Schools ("HPS") utilized for the 2019-2020 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") does not have Banked CAP available to use for the 2019-2020 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 2019-2020 Local Tax Levy does not go beyond the 2.0% cap plus adjustments, therefore, the district budget does not go out for a vote.

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

A: Most likely, it will. The Board of Education's local tax levy will increase from \$45,829,191 in 2018-2019 to \$48,306,832 in 2019-2020 in support of the school budget. This increase is \$2,477,641 over the prior year.

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

A: The 2019-2020 school district budget is estimated to potentially increase property taxes by an **estimated \$125.09 per year on a home assessed at \$521,200** – an approximation of a typical tax payer in Hoboken. 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 \$96 for a property assessed at \$400,000
An estimated \$120 for a property assessed at \$500,000
An estimated \$144 for a property assessed at \$600,000
An estimated \$168 for a property assessed at \$700,000
An estimated \$192 for a property assessed at \$800,000
An estimated \$240 for a property assessed at \$1,000,000

Note: The above information is \$24 per \$100,000 of assessed value. Above estimates are based on current tax information (municipal calendar) and are subject to change.

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

A: Some cost factors included the following:

1. Increase in Charter School payments
2. Growing Special Education costs
3. Contractual increases in district salaries
4. Increasing employee benefit costs
5. Maintaining Educational Programs and Initiatives

Q8: What is the estimated impact of Charter Schools on the 2019-2020 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 \$637,338 more than budgeted in the current year. Moving from a budgeted amount of \$9,733,116 in 2018-2019 to \$10,385,484 in 2019-2020. The main reason for this increase is the increased tuition rate, as calculated by the State as well as some enrollment growth.

The District is taken steps to set up procedures to ensure all students that are billed to us by the State are residents of Hoboken.

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

A: The growth of charter schools over the prior years has moved from \$4,987,989 in 2010-2011 to \$10,385,484 in 2019-2020 or 108% (an increase of \$5,397,495). This is an annual compounded increase of 8.5% a year over the last nine years!

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

A: It looks like this:

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	SY 19/20 Increase
HoLa	\$ 2,947,476	\$ 3,420,413	\$ 3,446,419	\$ 3,820,971	\$ 4,381,532	\$ 560,561
Elysian	3,030,925	3,196,769	3,184,913	3,211,109	3,507,258	296,149
Hoboken CS	2,535,201	2,563,204	2,444,615	2,576,355	2,431,577	(144,778)
Others	130,277	131,277	102,734	124,681	65,117	(59,564)
TOTAL	\$ 8,643,879	\$ 9,311,663	\$ 9,178,681	\$ 9,733,116	\$10,385,484	\$ 652,368

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. There was a large increase in the per pupil amount for the 18-19 school year. For further information on the subject calculation, please contact the New Jersey Department of Education, Office of Charter Schools, at 609-292-5850 or 609-376-9083.

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 using** the NJDOE projected tuition information when submitting the 2019-2020 budget for final approval.

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

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

	2018-2019	2019-2020	Increase
HoLa	328	353	+25
Elysian	258.8	264	+5.2
Hoboken CS	197	197	0
Others	7	5	-2
TOTAL	790.8	819	+28.2

Notes:

- 1) The "Others" category represents students going to The Ethical Community and METS Charter Schools located in Jersey City.
 - 2) Enrollment data for 2019-2020 based on 3/7/2019 NJDOE notice.
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Q15: How does HPS project enrollment?

A: HPS periodically secures a demographic study to support enrollment projections used in the district budget. 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 2019-2020.

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

A: In light of **S2** legislation enacted last year, we have a clearer, though gloomier roadmap for our State Aid payments:

1. State Aid which is forecasted to be reduced by an additional 3.7 Million dollars over the next five years.
 2. Increased Pre K rental income
 3. Maintaining ageing facilities
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Q17: Did the district receive additional state aid this year?

A: No. The District lost a little more than \$450,000 in State Aid, there was a slight increase in School Choice Aid. However that aid, for non-residents of Hoboken who choose to go to school here (there are limited slots) is only funded at 90% by the State. (for more on this see Q22 below)

Q18: Does this budget contain debt service obligations?

A: No, the district budget no longer has any debt obligation.

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

A: No, this budget does not contain new positions, the District is striving to provide the same programs more efficiently.

Q20: I have been hearing that Hoboken Public Schools spend a lot on administrators. Is that true?

A: HPS projects to spend \$2,088 per pupil in administrative costs for the 2019-2020 school year. This is \$214 less than the \$2,302 regional limit as calculated by the New Jersey Department of Education.

Q21: Do the Hoboken Public Schools receive aid for its early childhood (Pre-K) program?

A: Yes, HPS will receive \$14,193,468 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. We will have 7 additional classrooms in the district in 2019-2020.

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 calculated amount for 2019-2020 is \$2,408,621. The amount should be 11% higher, if the State were fully funding School Choice.

Q.23: What are the major components of the total **tentative** school budget?

A: The school budget of \$78,658,756 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 \$49,818,845. 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.

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 of the charter school enrollment

and respective projected payment amount. HPS, instead of using the NJDOE projected amount for charter schools, will adjust the payment amounts to total \$10,385,484. 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 is projected to serve almost 1,000 young children in 19-20 is almost entirely (97.7%) funded by the State of New Jersey for a total projected cost of \$14,994,329. Other initiatives, including after-school tutoring, non-public textbooks, and summer academic programs, are supported with a mixture of other state and federal aid in the amount of \$2,699,145.

Q24: Claims that district legal costs are increasing are often discussed in the community, what is the amount budgeted for legal costs in the **tentative** 2019-2020 budget?

A: HPS has taken steps to control legal cost over the years and appropriated \$100,000 for the 2019-2020 district budget. Cost control measures made progress over the years and the district will allow the district to reduce its appropriation by 33% from \$150,000 in the **tentative** 2019-2020 budget. Actual legal expenditures reported in the district's annual financial report, for the year ending June 30, 2018, were \$99,411 (including reserves for pending cases). If you look back a few years to June 30, 2011, with \$359,683 in expenditures, legal costs are down dramatically!

Q25: Why does the district have a surplus (fund balance) 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 more than \$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 2018-2019, Hoboken Public Schools was required to increase its Charter School payment significantly, due to more students enrolling than the charter schools originally projected and the tuition rates being increased.