




2020-2021 Budget Background/Process



Presentation at January 29, 2020 BOE
Budget Workshop Meeting



Approach

The approach to the 2019-2020 budget included the alignment of budget initiatives with the 2015-2020 Strategic Plan; the administrative team and the Board of Education making budget decisions that were driven by educational needs and student achievement growth; and the prudent management of financial resources available to the district.

2019-2020 is the last year of the current strategic plan. The 2020-2021 budget process will include a continued review of all of the district's operations to ensure effective and efficient use of resources, with emphasis on scheduling and other staffing utilization. Additionally, this year's budget process (and the resulting budget) will continue to move the district down the path of making changes and adjustments that are necessary to balance a budget with declining state aid revenue and limited ability to increase the tax levy.

Recap of 2019-2020

- The 2019-2020 budget included a general fund tax levy increase of 2.0% (equates to \$2,816,044).
- The district did not utilize \$1,059,281 of banked tax levy cap that was generated in 2019 since the tax levy increase for 2018-2019 was less than 2% (1.24%).
- State aid was reduced \$552,572 for the 2019-2020 budget.
- The district benefited from an approximately \$2.1 million (8%) reduction in health benefits costs for 2019-2020
- The 2019-2020 budget did not include any significant capital improvement projects

Key Financial Drivers of the 2020-2021 Budget

State Aid

- Based on projected seven year impact of S2, we estimate a further reduction in state aid for 2020-2021 of approximately \$850,000.
- Actual state aid allocation will not be known until 48 hours after Governor's budget address - or later.
- Last year's state aid figures were not released until March 7.

State Aid

Senate Bill S2 laid out a plan to reallocate state aid for school districts over a seven year period starting with the 2018-2019 budget year. Future reductions in Middletown's state aid funding are projected as follows based upon the published percentage reductions of each district's overfunding amount:

2018-2019	-5%	(\$314,578) actual Reduction from March 2018 state aid amount was \$1,177,977
2019-2020	-13%	(\$552,572) actual
2020-2021	-23%	(\$850,000) estimated
2021-2022	-37%	(\$880,818) estimated
2022-2023	-55%	(\$1,132,481) estimated
2023-2024	-76%	(\$1,321,228) estimated
2024-2025	-100%	\$(1,509,974) estimated
Total	-100%	\$(6,489,651) estimated

Resident Enrollment for Application for State School Aid

2011	10,057.0
2012	10,050.0
2013	9,742.0
2014	9,606.5
2015	9,591.0
2016	9,528.5
2017	9,448.0
2018	9,425.0
2019	9,376.5

Resident enrollment has dropped 680.5 students since October 2011, or 6.8%. Resident enrollment is a significant component of the state aid allocation formula.

Factors impacting State School Aid

In addition to the implementation of S2, the latest modification to the school funding law, there are other factors in the state's calculation of state school aid. These factors include:

- Enrollment (number, grade level and classification of students)
- Status of district budget - above or below adequacy
- Property values and income of municipality

The district's adequacy status (above or below) has fluctuated over the last six years from \$(4,686,197) below adequacy in 2014-2015 to \$3,624,066 above adequacy in 2019-2020.

Adequacy Budget

The district's Adequacy Budget is the state's calculation of what would be the necessary funding level to provide a "thorough and efficient education" to every pupil in that district.

The Adequacy Budget is calculated by assigning weights and values to every student in the district for their various needs. It also takes into account teachers' salaries, cost of supplies, and inflation. The student enrollment value is also multiplied by the Geographic Cost Adjustment (Middletown's is .99530).

Middletown's below or above adequacy status has fluctuated over the past several years.

Tax Levy Projection

Current general fund tax levy	\$143,618,246
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Revenue generated by an increase of 2%	\$2,872,365
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Banked tax levy cap available (expires if not used by 2021-2022)	\$1,059,281
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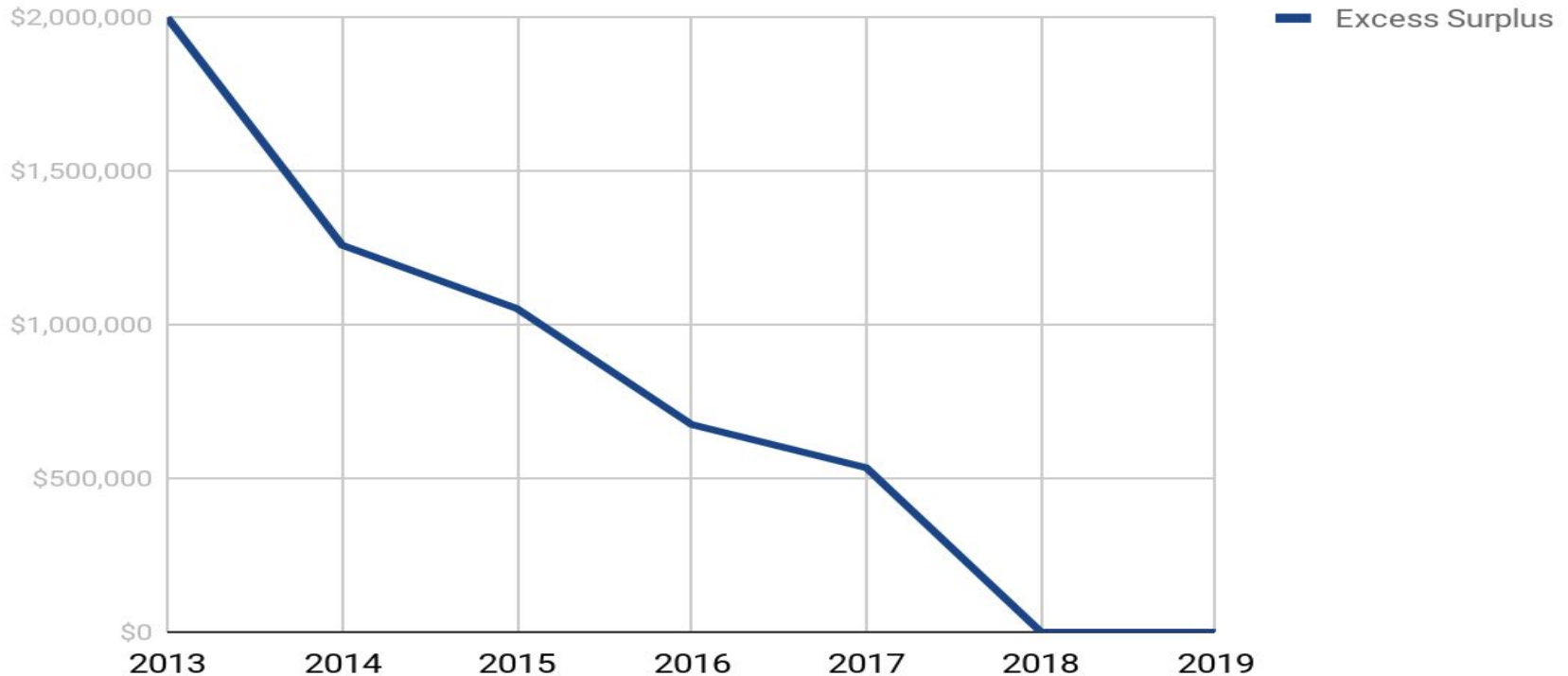
Per Middletown's 2019-2020 State School Aid notice, Middletown's local fair share tax levy calculation is **\$172,135,198**. This is based upon the municipality's property value and income factors.

Federal and State Grants

- 2019-2020 grant allocations: \$2,389,983 in IDEA; \$725,882 in ESEA funds
- Total for 2019-2020: \$3,115,865 (compared to \$3,230,191 for 2018-2019)

Excess Surplus

Excess Surplus Generated



Capital and Maintenance Reserves

	Balance June 30, 2019	Amount used during 2019-2020 year	Amount allocated to 2020-2021 budget	Remaining Balance
Capital	\$1,489,491	\$140,000	\$1,300,000	\$49,491
Maintenance	\$555,533	TBD	\$0	\$555,533
Total	\$2,045,024	\$140,000	\$1,300,000	\$605,024

Allowable balances in capital and maintenance reserves are \$104,631,989 and \$7,768,252, respectively.

Salaries

- Current salaries represent approximately \$102 million out of our nearly \$165 million general fund budget, or 62%
- The Board has continuing contracts with all of its bargaining units for 2020-2021
- Over the next few years, contracts will be expiring as follows:
 - MTEA - current contract expires June 30, 2021
 - Custodial/Maintenance - current contract expires June 30, 2022
 - Paraprofessionals - current contract expires June 30, 2022
 - MTAA - current contract expires June 30, 2023

Staffing Considerations Based on Student Enrollment and Programs

- Monitoring student enrollment, pre-registrations for 2020-21 and course requests at the secondary level to determine staffing needs.
- Using the current district practice for class size maximums (K-3 = 25, 4-6 = 27, 6-12 core subjects = 28) we anticipate the need for additional general education and special education teachers PreK-12.
- Approximately 85% of incoming kindergartners are pre-registered for the 2020-21 school year (based on previous three year average of kindergarten class size district-wide.)
- Moved-up the timelines for middle and high school student course request submissions, again this year, to provide more opportunity to adequately identify staffing needs.

2020-2021 Student Projections as of Jan. 28th Pre-registrations and Current Enrollments

Elementary School	Kdg	1st	2nd	3rd	4th	5th	Projected Enrollment	Current Enrollment	Projected Change
Bayview	55	49	52	54	52	50	312	316	-4
Fairview	38	49	53	48	49	46	283	287	-4
Harmony	49	61	73	50	70	70	373	382	-9
Leonardo	34	42	40	48	41	48	253	267	-14
Lincroft	72	75	82	66	84	81	460	458	2
Midd Village	56	67	62	73	48	58	364	367	-3
Navesink	26	34	38	38	36	43	215	238	-23
New Monmouth	46	40	49	49	43	43	270	265	5
Nut Swamp	80	73	103	92	85	107	540	557	-17
Ocean Ave	31	42	42	47	34	52	248	261	-13
Port Monmouth	31	34	31	22	25	45	188	194	-6
River Plaza	28	45	41	42	50	43	249	264	-15
Totals	546	611	666	629	617	686	3755	3856	-101

*Kdg pre-regs # represent approx. 85% of the historical average of total students enrolled by Sept.

2020-2021 Student Projections as of Jan. 24th Pre-registrations and Current Enrollments

Middle School	6th	7th	8th	Projected Enrollment	Current Enrollment	Projected Change	
Bayshore	211	212	213	636	629	7	
Thompson	281	323	328	932	978	-46	
Thorne	188	204	240	632	686	-54	
Totals	680	739	781	2200	2293	-93	
High School	9th	10th	11th	12th	Projected Enrollment	Current Enrollment	Projected Change
HS North	364	339	382	371	1456	1433	23
HS South	409	383	454	345	1591	1606	-15
Totals	773	722	836	716	3047	3039	8

Benefits

- The District's health benefit premiums decreased approximately 8% for 2019-2020.
- Current budgeted health insurance costs for 2020-2021, net of employee contributions of approximately \$6.0 million, are \$20.2 million.
- Preliminary estimated increase of health benefits for 2020-2021 is 7.9%; this equates to approximately \$1.4 million net of employee contributions.
- Actual renewal rates will not be known until the marketing of our coverage and evaluation of funding options is completed in the spring.
- We will receive updates on this estimate over the next several weeks.

Curriculum & Instruction

- New Curricular adoptions anticipated for 2020-21 school year, such as:
 - K-5 Mathematics (current e-subscription expires June, 2020) and High School Geometry
 - High School US History I, Human Geography
 - World Languages
 - High School English III and IV
- Expansion of Responsive Classroom PreK-8 to support social-emotional learning initiatives
- K-5 Recess and K-6 Health/PE instructional minute legislation
- G&T legislation
- Preparing for future revisions/adoptions to NJ Student Learning Standards and Curriculum Frameworks: Social Studies, Science, Health & PE, Visual & Performing Arts, Technology and 21st Century Life and Careers

Facilities

Some of the identified needs in facilities currently included in the 2020-2021 budget:

- Removal of asbestos flooring at Nut Swamp (kitchen and storage areas)
- HVAC duct cleaning
- Replacement gym dividers at High School North and High School South
- Elementary HVAC units repairs
- Painting
- Sidewalk work and repairs at High School North, Thorne, Middletown Village
- Replacement of flooring (non-asbestos) at River Plaza
- Replacement of a section of the roof at Fairview

Facilities

The district is currently in the process of updating its Long Range Facilities Plan (LRFP). This plan will include maintenance and capital improvements that are needed for each building over the next five years.

School Building Information - Elementary

	Year Built
New Monmouth	1968
Nut Swamp	1964
Harmony	1960
Bayview	1956
Lincroft	1956
Navesink	1941
Middletown Village	1940
Fairview	1931
Leonardo	1931
Ocean Avenue	1931
Port Monmouth	1928
River Plaza	1928

School Building Information - Secondary

	Year Built
Bayshore Middle School	1931
Thompson Middle School	1960
Thorne Middle School	1960
High School North	1952
High School South	1974

There have been renovations/additions to the buildings since the original construction date.

Transported Students by School

School	Enrollment	# of Transported Students	% of Transported Students
Bayview	369	139	38%
Fairview	289	159	55%
Harmony (incl. Pre-K)	531	71	13%
Leonardo	285	160	56%
Lincroft	456	456	100%
Middletown Village	393	278	70%
Navesink	236	134	57%
New Monmouth	359	89	25%
Nut Swamp	557	184	33%

Transported Students by School (cont.)

School	Enrollment	# of Transported Students	% of Transported Students
Ocean Avenue (incl. Pre-K)	282	30	11%
Port Monmouth	195	127	65%
River Plaza	272	117	43%
Bayshore	624	461	73%
Thompson	978	697	71%
Thorne	679	351	52%
High School North	1,434	837	58%
High School South	1,604	934	58%
District Totals	9,543	5,224	55%

Timeline

- Central administrative team met with school and department level administrators in December to review needs that have been submitted.
- Administration is currently focusing on staffing and student scheduling as well as other district-wide budget initiatives.
- **The next Public Budget meeting is scheduled for Wednesday, February 5th. Administrators will lead discussions about their respective department's proposed budget details.**
- 2020-2021 tentative budget must be approved by the BOE and submitted to the NJ Department of Education's county office by Friday, March 20, 2020. The tentative budget is scheduled to be approved by the Board at its March 18, 2020 voting meeting.
- Public hearing and adoption of the final budget must be done between Friday, April 24 and Thursday, May 7, 2020.