

Hempstead Public Schools

2021-22 Budget Report

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Introduction

Chapter 19 of the laws of 2020 created the position of Academic and Fiscal Monitor (“the Monitor”) for the Hempstead Union Free School District (HUFSD or “the District”). One of the responsibilities of the Monitor is to ensure that the District’s proposed budgets are balanced within the context of revenue and expenditure estimates and mandated programs and, to the greatest extent possible, are consistent with the District’s approved Academic Improvement Plan and Financial Plan. This summary report provides findings and recommendations pertaining to the proposed District budget for the 2021-22 school year and also briefly addresses the 2020-21 school year budget. The report concludes that the proposed budget is balanced and aligned with the District’s approved Academic and Fiscal Plans based on information available at the time of writing.

The process I employed was not to wait for the proposed 2021-22 school year budget to be submitted before beginning to review, analyze, and critique the budget but to work with the Interim Superintendent as well as the Assistant Superintendent for Business and his staff as the budget was developed. Where there were differences of opinion as the process unfolded, we were able to work out those differences and, therefore, avoid disagreements after the budget was developed. As a consequence of this process, I have no recommendations to the Commissioner that she direct the District to make amendment to the proposed budget, which was presented to, reviewed, discussed, and adopted by the Board of Education on April 22, 2021.

Methodology

The first task of this year’s work was to verify that current year revenues, expenditures, encumbrances, and remaining anticipated expenses are aligned and balanced through June 30, 2021, ensuring that expenditures will not exceed revenue. Monies also needed to be identified that would support the applied fund balance, which becomes revenue for the 2020-21 school year budget.

Once the analysis of this year’s budget was complete, an analysis of the proposed budget for the 2021-22 school year was undertaken. The revenue estimates for the proposed budget are based upon the enacted State budget and include the tax

levy; state aid; Payments In Lieu Of Taxes (PILOTs); applied fund balance; and other miscellaneous revenues, such as payments by other districts for health services provided to students attending nonpublic schools.

Two sources were used to provide an estimate of enrollment for the 2021-22 school year. The first was the current enrollment by grade within the District, and the second was a set of projections contained in a “Comprehensive Long Range Planning Study” done by Western Suffolk Board Of Cooperative Educational Services (BOCES) in the 2019-20 school year. The District also attempted to determine through meetings with elected representatives and the placement agency used by the Federal government how many unaccompanied minors might be sent to Hempstead from their current location on the border with Mexico. At this time, the best estimates are that as many as 700 children will be coming to Long Island, and the HUFSD should prepare to enroll about 300 children in the 2021-22 school year, mostly at the secondary level. Charter school enrollment may grow by as much as 317 children. Because the charter schools that students from the District attend are expanding by adding secondary grades, most of that growth is anticipated to be in high school enrollment. Based on these factors, it is anticipated that 2021-22 public school enrollment in the District will be very similar to enrollment in the 2020-21 school year.

Analysis of proposed expenditures involved a detailed review of the line-by-line budget arranged by function and then by the object codes for salaries and contract services. The analysis of the function codes and the two object codes involved a review of all expenditures from the 2020-21 school year budget that are included in the proposed 2021-22 budget and how such expenditures were adjusted based on factors such as projected increases in the Consumer Price Index (CPI) as applied to the transportation contract; collective bargaining agreements; formula rates provided by Federal and State agencies; and cost of living or cost of business adjustments based on historical data or information provided by vendors.

The proposed budget was then reviewed in the context of the expectations in the District’s Educational Plan for the 2021-22 school year to ensure that sufficient resources would be available to meet those expectations.

Findings

Current (2020-21 School Year) Budget

The HUFSD budget for the 2020-21 school year was \$225,364,654. Projections for revenue and expenditures through the end of this fiscal year clearly indicate that the budget will not be overspent. In fact, the expected fund balance should be approximately \$6 million. \$2.1 million will be used as applied fund balance, equal to the amount to be returned to taxpayers in last year's budget. The difference, approximately \$4 million dollars or 2% of general fund expenditures, will constitute the unassigned fund balance. Bills continue to be received, for example, from the attorneys and other districts for health services, which if paid in this fiscal year will not significantly alter the fund balance assumptions built into the proposed 2021-22 school year budget. Treasurer reports to the Board of Education have been timely, and cash management has not been a problem.

Revenue Projections for the 2021-22 School Year

- The Board of Education has again decided to keep the tax levy unchanged from the 2020-21 school year. The tax levy will be \$75,934,370 for the third year in a row.
- PILOTs will also remain unchanged from the 2020-21 school year at \$4,800,000.
- State aid will increase from \$139,377,311 in the 2020-21 school year to \$160,735,683 in the 2021-22 school year. The major source of this increase is the commitment by the legislature to fully fund Foundation Aid over the next three years. Monies from the State for Universal PreK tripled, going from \$1.4 million to \$6.0 million. However, this is not money that can be used to offset expenses in the general fund and will be expended through a special aid fund.
- In the 2020-21 school year, the applied fund balance rose from \$1.6 million to \$2.1 million. The decision was made to keep the applied fund balance the same for the 2021-22 school year.
- Monies will be taken from Teacher Retirement System (TRS) and Employee Retirement System (ERS) reserves to pay for a portion of these expenses.
- Other revenues will be increased from \$1 million to \$1.5 million.

- Total revenue to support the general fund included in the proposed 2021-22 school year budget will be \$247,223,026.
- The District is also scheduled to receive from Federal sources in response to the pandemic approximately \$35.5 million. At this time, the District is awaiting guidance from the New York State Education Department as to how these funds can be used and when they will be received. Some of these funds will be available for the District's use through September 30, 2023 while others will be available through September 30, 2024. Although not included in this report, the District has already commenced planning for the use of these funds to support an expanded summer school program.

Proposed 2021-22 School Year Budget

- SALARIES (Object code 1): All personnel in the budget for the 2020-21 school year were moved forward and had their salaries adjusted according to the employment group to which they belonged. The contract for teachers has expired. There is a matrix in place from the expired contract. This is used to determine "step and lane" raises. (In each contract there is a matrix that determines the increase in salary each employee receives for each year of service up to a maximum number of years. These are called steps. Staff who pass Civil Service examinations, complete additional educational credit, or earn a new degree may also be eligible for salary increases. These salary adjustments are called lane changes.) Historical data was used to determine the impact of lane changes on the budget. Money was also put in place to pay for salary adjustments should the District successfully negotiate a contract with the teachers' union. For those who are not covered by collective bargaining agreements, historical data and a projected cost of living increase were used to calculate changes in salary. There is no provision in any contract that requires a person choosing to retire to give advanced notification to the District. Consequently, the salary of current staff were used to determine costs for next year. The salaries to replace any retiring staff will be at or below current amounts. The one exception is the salary for the Superintendent — a number was chosen that would cover the cost of an experienced Superintendent who would start on July 1, 2021. Dollar amounts for this category were intentionally left out of the narrative so as

not to impinge on the District's collective bargaining strategy.

- **CONTRACT SERVICES (Object Code 4)** The District relies heavily on contract services, whereas in other districts either professional or Civil Service staff do such work. In addition, there are services provided that appear to be at a higher cost than needed. The District has not been able to fill all its nursing positions for the past few years and, therefore, needed to contract with nursing agencies to fill the gaps. This is an expensive alternative (\$700,000), and because of the hopefully unique year of health issues, will remain unchanged for the 2021-22 school year. However, the District will look for ways to attract and retain school nurses.

The District paid more than \$28 million to the Nassau BOCES for out-of-district special education placements. Despite six students projected to return to the District in the 2021-22 school year, the anticipated change in tuition and the large number of new referrals necessitated an increase to \$29.5 million for the 2021-22 school year.

There are 164 special education students attending local charter schools. These students are currently served by agencies that provide occupational, physical, and speech therapy as well as resource room instruction. The District will look at ways to have these services provided by District staff.

The District's current transportation contract with its sole provider will increase next year by the June to June change in the CPI, which the District believes will not exceed 2%. Even though there is a new school building opening in September 2021, all regular class students enrolled there will be walkers.

The District's current liability policy is provided through a local broker. A few years ago, the District was dropped by New York State Insurance Reciprocal (NYSIR), which insures 56 school districts in Nassau County. The District will explore the possibility of returning to NYSIR, if the costs of NYSIR coverage are estimated to be lower.

Expenditures for legal services in recent years have consistently exceeded \$1 million and in one recent year exceeded \$2 million. The projected amount in the 2021-22 school year proposed budget is only minimally reduced. However, the District will issue an RFP and intends to have new contracts for both general and labor counsel in time for the reorganization meeting in July 2021. New contracts may not result immediately in lower costs. Patterns of litigation will be examined to determine if there are ways to avoid and/or reduce the cost of litigation.

Accounting and consulting services continue to be utilized in the Business Office and for Buildings and Grounds. Consultants will continue at the same rates of payment, but accounting services are gradually declining as staff are added to the Business Office.

Public relations and lobbying services are budgeted for the 2021-22 school year at the same amount as for the 2020-21 school year (\$120,000). Alternatives for providing both will be explored. It is still uncertain if the cost of an alternative will be less than the current expenditure.

Copying and copy machines are connected to leasing arrangements or contracts and have known rates that are based on usage. Since usage can be managed, no changes to the budgeted amounts from the 2020-21 school year were made.

- GENERAL SUPPORT (Function Code 1) Expenses for the Board of Education increased, primarily due to a second election/referendum. The District intends to have the community vote on a Capital Bond referendum sometime in the fall or winter of the 2021-22 school year.

As mentioned earlier, an adjusted salary was included in the budget for a permanent Superintendent commencing July 1, 2021. The number placed in the budget was \$305,000 which be sufficient to cover the cost of a veteran superintendent.

Increases in cost for the Business and Personnel Offices were due primarily to staff pay adjustments. The Buildings and Grounds budget also includes the

costs of hiring additional custodial staff necessary for opening a new elementary school building.

The budgeted amount for security includes a significant increase of approximately \$800,000. Major reductions were made last year in security due in part to the reduced numbers of students coming to school each day. In anticipation of a return to full in-person instruction in the 2021-22 school year, many of the staff who were excessed (14 FTE's) last year will be asked to return in fall 2021.

Despite the number of unsettled cases currently being adjudicated, the decision was made to hold the judgements and claims budget flat from the 2020-21 school year to the 2021-22 school year at \$425,000.

- INSTRUCTION AND SUPPORT (Function Code 2) As mentioned earlier, salary adjustments account for a good part of the increase assignable to instruction, with some notable exceptions, namely increases to the staff and monies set aside for a negotiated settlement with the teachers association. In the past two school years, reductions in both administrative and instructional staff have been made. With the increase in revenue for the 2021-22 school year, staff will be added to partially restore positions eliminated in the last two school years. Four administrators will be added to the budget. Two will be assistant principals and two will be Directors: one for guidance, and one for health, physical education, and interscholastic athletics. Two career and technical education (CTE) teachers will be added, one at the middle school and one at the high school. Two Foreign Language in the Elementary School (FLES) teachers will be returning to the elementary schools, and five new elementary teachers will also be added. They will be assigned to enrichment programs and to providing Academic Intervention Services (AIS) in reading and math.

Approximately half of the increase in instructional costs is due to an increase in charter school tuition. Based on information provided by the charter schools, their enrollment is projected to increase from 2,473 students, approximately 23% of the District's public school enrollment, to 2,790,

approximately 30% of the District's public school enrollment. These numbers mean that the budget for charter school tuition needed to be increased from \$48.8 million to \$55.8 million dollars, a year over year increase of \$7 million dollars.

Library, technology, health, psychology, and social work services remain unchanged, except for adjustments to salaries and in technology for the placement of the five elementary teachers mentioned above. The increase was from \$8.4 million to \$9.0 million, 80% of which was accounted for by the five teachers.

UNDISTRIBUTED (Function Code 9) Employee's Retirement System (ERS), Teachers' Retirement System (TRS) and Federal Insurance Contributions Act (FICA) (i.e., Social Security and Medicare) amounts are based on information provided by ERS, TRS, and the Federal government regarding the percentage of salaries employers must contribute for the 2021-22 school year. For medical insurance, half the school year is calculated on the known dollar amount for individual and family plans. For the second half of the school year, health insurance costs were increased by 10%. Staff members who are covered by another health insurance policy may choose to be paid a contractually negotiated amount for not subscribing to the District sponsored health insurance plan. Cost increases for these declinations were calculated using the same numbers as those applied to health insurance. Workers Compensation and unemployment contributions were estimates based on known and anticipated expenses for next school year. Workers compensation costs need to be studied carefully to determine the root causes for the increase of \$400,000 (approximately 25%) and ways to reduce or eliminate such increases.

Dental insurance was increased on the basis of known contractual obligations.

Terminal leave payments are difficult to estimate because there are no provisions for staff to notify the District in advance of budget development of their intention to retire. \$725,000, a drop of \$100,000, was placed in the budget on the basis of historical data.

Debt service related to bonds or current borrowing are based on known calculated costs or advice of counsel. They are also related to and reflect the cash flow needs for the upcoming school year. The budget was increased by \$400,000 to approximately \$6.5 million.

Since it appears that the Federal stimulus money will come in the form of grants or reimbursements, the District will need to pay for expenses up front. Adjustments may need to be made to the Tax Anticipation Notes (TANs) and Revenue Anticipation Notes (BANs) in order to ensure sufficient funds to cover the new upfront costs.

Conclusions and Recommendations

2020-21 School Year Budget

Expenditure plans for the balance of this school year should result in a surplus. In fact, projections for both revenue and expenses through the end of the 2020-21 school year suggest a fund balance of about \$6 million. None of the reductions in revenue that were anticipated for the 2020-21 school year (e.g., state aid withheld) ultimately occurred. Consequently, no midyear reductions needed to be made. Management of expenditures and cash was done effectively.

Efforts still need to be made to ensure legal and health service vendors submit bills timely. This will hopefully be remedied in large part when the District enters into new contracts for legal services that will include a provision for the timely submission of legal expenses.

Revenues for the 2021-22 School Year

Based on the information provided by the State regarding aid and from the town of Hempstead regarding PILOTs, the estimates for revenue appear to be accurate.

Expenditures for the 2021-22 School Year

The proposed budget is a fiscally responsible plan that is aligned with estimated revenues. The District cut more than \$15 million from programs and staff over the past three school years. The new infusion of State aid has

enabled the District to bring back and hire additional staff with a focus on increasing student safety and academic performance.

In the future, the overall budgeting calendar needs to be adjusted so that much of the work that had been done in February and March for this proposed budget is completed by the end of January. The Board should be involved at an earlier date so as to provide staff an idea of their priorities well in advance of the date on which the budget is to be adopted.

The projected 2021-22 school budget was developed using spreadsheets. Since the District uses a finance program to manage its budget and revenues, this program should be used to support future budget development.

This proposed budget includes a number of items that will need to be carefully examined during the next school year to ensure that the District is receiving quality services at appropriate cost. These include such things as special education, technology, and nursing services.

The long-term academic and fiscal improvement plans will need to be adjusted to reflect the commitment of the legislature to fully funding Foundation Aid. With the way in which the formula is constructed for next year (26.25% of the difference between this year's Foundation Aid and the full foundation formula aid), the District could receive as much as \$15 million additional funding in the 2022-23 school year.

Alignment with Educational Plan

Alignment with the educational plan adopted by the Board of Education was a priority in the development of the proposed 2021-22 school year budget. The two primary areas of greatest concern were health and safety and improvement in student learning. Built into the budget development process was the assumption that in September all students will return to full-time in-person instruction five days a week. My findings below are organized in accordance with sections from the academic and fiscal plans approved by the Board of Education and the Commissioner.

Teaching and Learning

- The District has committed all its elementary schools and the middle school to continue on the path to International Baccalaureate (IB) certification. This has required coordination at both the District and building level. In addition, it will require a commitment to altering instruction and providing exposure to a second language, supporting all students instructionally where needed, and providing technology and media enrichment opportunities. In the proposed 2021-22 school year budget, new and returning staff will be hired to focus on these areas of learning. In addition, a full-time guidance counselor will be hired for the elementary schools. The District has also continued to provide for staff development in the proposed budget. At the elementary schools and the middle school, resources have been included in the proposed budget to meet the requirements of participation in IB while providing the needed support to help students who need it in reading and math.
- At the high school, instructional staff were deemed sufficient to provide every student a schedule of courses that will enable him/her to move to the next grade, graduate in four years, and have the opportunity to participate in college level courses. Coordination of guidance and physical education, health and interscholastic athletics was needed and provided for in this budget by funding Director positions in both areas. A CTE teacher will be hired for both the high school and the middle school to teach courses that were eliminated in the last round of staff reductions.

Special Education

- A priority this year has been to move more students to less restrictive environments. Those special education students currently being served within the District will not need additional staff, and so none was added to the 2021-22 school year proposed budget. However, the District is also attempting to return to District programs some of the students who are currently in out-of-district placements. Six students are scheduled to return from out-of-district placements, with the possibility that by September 2021 as many as 12 students may return. These are numbers that can be accommodated in District programs without adding additional

staff. Approximately \$1 million was added to the projected budget for tuition for out-of-district placements. However, these funds can be transferred to support additional District staffing should Committees on Special Education determine that more preschool students or school age students with disabilities can be placed in less restrictive environments within the District's schools.

- Many services are provided by contractors. These include special education services for 168 children who attend charter schools as well as occupational, physical, and some speech therapy for students attending District schools. The budget lines for these services remain essentially unchanged in the proposed 2021-22 school year budget. However, the costs, service models, and schedules will be studied this year to determine if there is a better way to provide the same services at a reduced cost.

Operations

Security

- The projected 2021-22 school year budget includes funding to increase the security staff by 14 FTEs. The need for this increase is due primarily to the anticipated return to a normal five day per week in-person schedule in the fall for all students. Most of the returnees will be assigned to the high school and middle school.

Food Service

- The budget provides that when students return in September, approximately 20 part-time food service monitors will be hired.

Summary and Conclusions

Based on the information available at the time of report submission, I conclude that the District's proposed budget is balanced within the context of revenue and expenditure estimates and mandated programs and, to the greatest extent

possible, is consistent with the District's approved Academic Improvement Plan and Financial Plan. Consequently, I do not recommend that the Commissioner direct the Board of Education to make any amendments to the plan that the Board of Education has adopted. The next step is to have the budget approved by the voters of the HUFSD.

I am confident that the budget provides the needed resources to improve the academic performance of all students in this District. Much of the remaining work to be done is not budget development related. Rather, it is taking the resources available and using them effectively to achieve the goals that the Board of Education, the Commissioner, and I have agreed need to be achieved in the upcoming and subsequent school years.