Bruce Singer
Fiscal Monitor
East Ramapo Central School District
105 S Madison Ave
Spring Valley, NY 10977-5400

Dr. Betty A. Rosa
Commissioner of Education
New York State Education Department
89 Washington Avenue
Albany, NY 12234

April 4, 2022

Dear Dr. Rosa:

RE: Fiscal Monitor Findings and Recommendation Regarding the East Ramapo Central School District's 2022–2023 School Year Proposed Budget

In accordance with Chapter 173 of the Laws of 2021, I have reviewed the proposed East Ramapo Central School District's (ERCSD or "the district") 2022–2023 school year proposed budget to determine whether it is balanced within the context of revenue and expenditure estimates and mandated programs. I have also reviewed the proposed 2022–2023 school year budget to determine whether, to the greatest extent possible, it is consistent with the district's long-term strategic academic and fiscal improvement plan ("the plan"); expands educational programming for students, including but not limited to extracurricular activities, course offerings, non-mandated support services, non-mandated art and music classes, programs and services for English language learners and students with disabilities; and maintains class size. During the development of the proposed 2022–2023 school year budget, district staff continually compared the budget to the plan to ensure alignment. As I explain below, I find that the proposed budget is balanced and consistent with the plan.

2022–2023 School Year Revenue Highlights:

- The district is projecting total revenues of $262,544,765 in the 2022–2023 school year, which is a reduction of $9,904,868 from the 2021–2022 school year due to the expiration of Federal Coronavirus Aid, Relief, and Economic Security Act (CARES) funding.
- To meet the needs of students and maintain the level and quality of programs and services, the district is proposing a 3.96% tax levy increase, which is within the allowable tax levy cap, meaning only majority, rather than supermajority, voter approval will be needed. If approved, tax levy funding would increase from an estimated $154,490,227 in the 2021–22 school year to a projected $160,613,492 in the 2022–2023 school year.

- As a result of failing to make timely filings for reimbursement of transportation expenses, the district is projecting a potential reduction of $7.8 million in the district's transportation aid. The district lowered projected transportation aid revenue in the event that the New York State Legislature (the legislature) does not approve a proposal to allow the Commissioner of Education ("the commissioner") to issue a waiver from the reduction requirement. In the event that the legislature does approve the waiver authority, then actual transportation aid received could be increased by $7.8 million if such a waiver was issued to the district.
- The district is projected to receive $54,005,184 in Foundation Aid in the 2022–2023 school year, a change of $7,783,753 from the 2021–2022 school year. The district has had numerous conversations with the New York State legislators who represent the district regarding modifications to the current Foundation Aid formula. Currently, one of the ratios within the Foundation Aid formula makes East Ramapo appear to be wealthier than the community actually is, thus reducing Foundation Aid to the district. The current Transportation Aid formula has a mechanism to reflect more accurately the actual wealth of the community. Should changes be made in the Foundation Aid formula, the district's projected budget will be revised. The change in Foundation Aid, was not incorporated into the proposed 2022-2023 school year budget, as this revision has not yet been approved by the legislature and the governor. The district will increase its projection of future year Foundation Aid should the enacted budget warrant such changes . Other categories of revenue and expenditure projections are based on trend data of actual revenue and expenditures actuals

<u>2022–23 School Year Expenditure Highlights:</u>

- The 2022–2023 school year budget reflects reductions in expenditures from the 2021-2022 school year budget for the following reasons:
    - A reduction of $15.8 million as a result of the requirement that the district provides equitable services to nonpublic school students using CARES funding. This is the result of the elimination of federal revenue from this program.
    - A reduction of $5.4 million because the one-time payment that the district made to settle the NAACP lawsuit has fulfilled the district's obligation in regard to the settlement.
    - A reduction of approximately $1.2 million based on staff who have submitted paperwork indicating their intent to retire as of June 30, 2022, whose positions will not be backfilled. We have only calculated savings on staff who have submitted their intent to retire. Therefore, this is not an estimated savings.
- There are sufficient funds in the proposed 2022–2023 school year budget to fund negotiated contractual settlements, some of which have already been negotiated and some of which are expected to be settled in the 2022–2023 school year.
- The district is currently in the process of instituting new financial software that will ensure seamless integration between the Human Resource Department and the Business Office. Levels of staffing and associated payroll codes will be aligned. There will be no impact to expenditures. The change in financial software will improve internal checks and balances.
- The proposed budget provides for the hiring of additional accounting staff within the Business Office and Federal Fund Office. Currently, these positions are outsourced to independent accountants. District staff will focus solely on East Ramapo finances, so all New York State Education Department reports, year-end reports, and Federal Fund reports are

accurate and submitted timely. The intent is to be revenue/expenditure neutral. As the district builds capacity within various departments, the expenditures for third-party consultants will be reduced when district staff can successfully accomplish these tasks. This will be evaluated as an on-going process.

- There is $6,062,134 budgeted for capital projects, which is subject to voter approval and includes support for special education services; handicapped accessibility, and the renovation of secondary instructional areas for physical education. Among renovations proposed to be made are ones pertaining to Americans with Disabilities Act (ADA) accessibility; bleacher replacement; and gym floor replacement.
- The budget expands educational programming for students, including but not limited to, extracurricular activities, course offerings, non-mandated support services, non-mandated art and music classes, programs, and services for English language learners and students with disabilities. The budget does so by allocating sufficient funds for professional staff; support staff; professional development; contract services; and projected increase in cost of transportation, based on increased student enrollment plus higher cost of contract services for transportation. Replication of expanded school year programming is carried over to the 2022–23 school year and during the summer. For example, the credit recovery class and attainment summer school has been extended into the current 2021-2022 school year. The Secondary After School Academy, the established Extended School Year After School Academic Academy, Empire After School Program, and Extended Learning Time will be the district's opportunity to carry over the themes of the summer in each K-8 school while holding firm to the focus on math and English language arts/literacy learning time across all sites, in consideration of future funding sources. This program will carry forward into the 2022-2023 school year, and enhancements to programs will be considered based on funding and staffing.
- In the event that voters reject the proposed 2022–2023 school year budget, the elimination of the capital projects will meet the contingency requirements of a zero percent tax levy increase. The cost of capital improvements increases each year due to inflation, higher labor costs, higher materials costs. Capital projects are subject to voter approval. In the event that the voters defeat the proposed budget, then the capital projects will need to be removed.

A budget defeat will also not provide an easy allowance for the outside use of district property – district fields and building usage, as there will be limited funds for overtime. Expenditures that do not constitute ordinary contingent expenses include: new equipment, public use of school buildings and grounds.

In developing my findings, I reviewed extensive documentation prepared by the district that included but were not limited to: State Aid assumptions; 2022–2023 school year tax levy calculations; revenue and expenditure trends; transportation budget analysis; potential retirees; and debt service. The link to these documents can be found on the East Ramapo Central School District website, under the Monitors section (https://www.ercsd.org/Domain/3101).

Use of Federal COVID-Response Funds

The ERCSD has been awarded more than $210 million in Federal Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA); and the American Rescue Plan (ARP)

Act Grant funding. Consultant contracts not otherwise budgeted for in the 2021–2022 Budget would have been unaffordable if not for these COVID-response funds. However, since these funds must be expended within prescribed time periods, the district has begun to prepare for when the funds will no longer be available to support district programs and services. The district finances need to be closely managed to ensure the budget remains balanced. Reductions in the General Fund Budget must occur to achieve long-term fiscal stability, and the practice of reducing staffing by not backfilling the positions of persons who retire has been implemented. Further reductions in all areas – including both instructional and non-instructional services – must continue to ensure long term stability. Every area of future budgets will be impacted. All programs must be analyzed for effectiveness and sustainability. Considering the large expenditures being paid for by the COVID-response grants, the elimination of these funds will have a considerable impact on all district operations in future years. The review of all programs is currently being studied.

Fund Balances

- There is a daily review of every budgetary line item to ensure that the 2021–2022 school year budget is well managed in order to generate fund balances or reserves that can mitigate future fiscal uncertainties.
- As the ERCSD Fiscal Year June 30, 2021, Financial Audit reflected a deficit of $22,352,946, the district has taken steps to institute long-term sound financial practices, such as, using prior year expenditures as a basis for the development of the proposed 2022-2023 budget.
- The district projects that the June 30, 2022- Unassigned Fund Balance to be approximately $10 million. Current year revenues are projected to exceed current year expenditures.
- The district has taken a very conservative approach in the analysis of the 2021–2022 school year budget. The ERCSD historically has not maintained sufficient reserves. The intent of the line-by-line budget review is to ensure that year-end reserves are established. The district's goal is to establish the maximum allowable 4% unassigned fund balance by June 30, 2022. The district projects that the June 30, 2022 - Unassigned Fund Balance will be approximately $10 million. Current year revenues are projected to exceed current year expenditures.
- Unassigned fund balance – New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds a district can retain to no more than 4% of the district's budget for the general fund for the ensuing fiscal year. Non-spendable and the restricted fund balance of the general fund is excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation.

Five-Year Budget Analysis

The district has prepared three fiscal projections or models for the 2022–2023 through 2025–2026 school years, a "conservative," a "moderate," and an "aggressive" projection. The conservative and moderate projections assume that revenues and expenditures will be balanced in the 2022–2023 school year and the aggressive projection assumes a surplus of $9.5 million in the 2022–2023 school year. The table below shows the expected annual change in revenues and expenditures between the 2022–2023 and 2025–2026 school years as well as the projected annual surplus or deficit and unrestricted fund balance in the 2025–2026 school year: In projecting year-end fund balances, the district used conservative estimates that would typically project expenditures to be higher than they will actually be. The district did not incorporate the use of reserves to balance the budget. Any excess fund balance would be recommended to be placed in reserves to be available for future use if needed.

Scenario	Revenue Expenditure	Projected Annual Change				Surplus/ Deficit (in millions)	Unrestricted Fund Balance (in millions)
Year		22–23	23–24	24–25	25–26	25–26	25–26
Conservative	Revenue	-5%	0%	0%	0%	-$24.5	-$55.2
	Expenditure	-2%	2%	4%	4%		
Moderate	Revenue	-2%	6%	5%	5%	$0	-$8.0
	Expenditure	2%	5%	5%	5%		
Aggressive	Revenue	1%	6%	6%	6%	$2.0	$11.1
	Expenditure	1%	7%	7%	7%		

<u>Challenges facing East Ramapo Central School District:</u>

The district faces a number of challenges in its efforts to make sustained improvements in student outcomes and achieve long-term fiscal stability:

- Transportation expenses have increased by over $20 million during the 2021–2022 school year. This is not a sustainable rate of increase. The district is in dire need of State assistance in dealing with the district's ever-increasing transportation costs. The district has taken many steps to control costs. One imitative has been to compare the transportation student data base to the district student base. This will ensure the two databases are aligned. During the 2021–22 school year, the district on five occasions solicited bids for transportation services in the hope of attracting additional bus contractors to ease the bus driver shortage. The combination of the bus driver shortage and increasing student enrollment has led to explosive growth in transportation expenditures. Over time, transportation will represent an increasing percentage of the district's total expenditures. If this trend is not addressed, there will be reductions in instructional programs that will undermine the ability of the district to effectively implement its long-term strategic academic improvement plan. There are not sufficient funds within the operational programs to match the growth of transportation expenses.
- The district is aware of the fiscal challenges ahead and understands the importance of maintaining the implementation of sound business practices to ensure long-term fiscal

sustainability. The district will ensure prudent fiscal management so as to manage the return of expenditures to the General Fund when the COVID-response funds are no longer available. The district anticipates approximately $35 million annually in expenditures to return to the General Fund that are the recurring costs. This does not include onetime costs, such as the $90 Million capital construction projects. The district recognizes the General Fund expenditures must be reduced, or General Fund Revenue must be increased in order to balance future budgets. This process must be a concerted district-wide effort. The aim is for district leadership to provide recommendations to reduce the district-wide expense budget by increasing personnel and program efficiencies following a budget efficiency strategy process similar to what was detailed in the Increasing Personnel Efficiencies 2020–2021 Report. The budget efficiency strategy will begin with a review of all non-instructional programs (e.g., athletics, extra-curricular, co-curricular), prior to reviewing non-mandated instructional programs (the Arts) and reductions to personnel. In subsequent years, the specificity of program and personnel reductions will be addressed and communicated based on the revenues and expenditures in future year budgets. Currently, such information is unknown.

- As the Federal coded expenditures return to the General Fund, other areas in the General Fund will need to be reduced or equal the amount of additional revenue. Personnel efficiencies must occur in all departments districtwide. Opportunities for expenditure reductions at every level are being explored to ensure long-term fiscal sustainability. In particular, contracts with external partners are being analyzed and terminated as capacity is built within the district. For the external partners that support academic, social-emotional, and attendance goals, the district will review inputs, outputs, and s applicable short-term, intermediate, and long-term outcomes, with attention to performance measures of effort and impact/effect. Additionally, the master schedule for teachers at all grade levels is being closely scrutinized so as to ensure that teachers are utilized fully, in accordance with their contract and student needs.
- The maximization of all revenue sources is a top priority for fiscal management. The current fiscal leaders of the district must ensure Business Office staff are properly trained to maximize all revenue sources for the district.
- Voter approval of the 2022–2023 school year budget is needed. A zero tax levy increase for the past few years does not allow the district to keep up with inflation and cost of living increases. The voters have defeated numerous previous budgets that have proposed more than a zero tax levy increase. This is not sustainable. The defeat of prior school year budgets has equated to a cumulative loss of nearly $18 million of uncollected tax revenue since 2016. Garnering community support through community outreach, meeting with all community groups, and providing financial updates at every board meeting is necessary to impress upon the community that the proposed 2022–2023 school year budget is of vital importance to the long-term stability of both the academic and fiscal programs.
- Newly enrolled students are requiring more English language learner (ELL) services, as over 54% do not speak English as their native language. As the district hires new staff, bilingual candidates are being encouraged to apply. For monolingual teachers, funds will be directed towards teachers' development of expertise in providing instruction to multilingual students. In addition, the district will complete a review of ELL programming, develop recommendations for improvement, and create a timeline for implementing recommendations.

Conclusion

The 2022–2023 school year proposed district budget is in alignment with the Long-Term Strategic Academic and Fiscal Plan. There is no reliance on reserves to balance the budget due to the use of COVID-response funding. No reserves are being used because COVID funds make the use of reserves unnecessary. Consequently, I find that the proposed budget is balanced within the context of revenue and expenditure estimates and mandated programs and expands educational programming for students. Therefore, I make no recommendation for the commissioner to direct the district to modify the proposed 2022–2023 district budget, while recognizing the need for continued diligent oversight to ensure the district proactively addresses the long-term challenges that have been identified in this report.

Sincerely

Bruce Singer
Fiscal Monitor

cc: Members of the East Ramapo Board of Education
James Baldwin
Jason Harmon
Angelique Johnson-Dingle
Ray Giamartino