

CHPS Budget Matters

Highlights of Budget Planning for 2010-2011

February 2010

Governor Chris Christie's Executive Order 14, issued on February 11, changed the 2010-2011 budget picture for Cherry Hill and most New Jersey school districts. His action wiped out \$3.9 million of Cherry Hill taxpayer funds; the lion's share - \$3.5 million - is from surplus in excess of 2% that the Board of Education had prudently set aside for 2010-2011.

In effect, the Governor is taking our savings to balance the state's budget and maintain its own \$500 million "rainy day" fund.

"Excess surplus" refers to unspent and uncommitted revenues above 2% of a district's operating costs. Under the law, excess surplus must be appropriated for tax relief in the year following the year in which the audited excess surplus is reported.

During the 2008-2009 school year, the Cherry Hill School District tightened its belt and saved enough to stave off a tax levy increase for 2009-2010. It also put \$3.5 million in the "bank" in anticipation of the challenges for 2010-11. The rationale was that New Jersey's day of reckoning was coming and Cherry Hill wanted to be ready.

Less than 10% of our school district budget comes from state aid. This falls far short of the \$27.9 million in state aid that Cherry Hill should receive under the School Funding Reform Act, were we not subject to aid caps. The \$3.9 million cut as a result of Executive Order 14 will reduce our aid to \$12.6 million - just 7.3% of our budget.

Revenue Projections for 2010-2011

This action is just one of several revenue shortfalls that the Board of Education must grapple with as it continues the budget development process. To summarize the shortfalls in our 2010-2011 revenue projections:

Excess Surplus (By law, districts must use any surplus funds over 2% to provide tax relief in the second year after the funds have been accumulated.)

- o Amount in 2009-2010 Budget: \$3,965,151
- o Amount Projected for 2010-2011 Budget: \$0
- o Difference: \$3,965,151

Budgeted Fund Balance (We froze our budget in January 2009 and reserved \$5 million to support operations this year. To support next year, we implemented a freeze in December 2009.)

- o Amount in 2009-2010 Budget: \$5,000,000
- o Amount Projected for 2010-2011 Budget: \$2,500,000
- o Difference: \$2,500,000

Interest on Investments

- o Amount in 2009-2010 Budget: \$1,159,710
- o Amount Projected for 2010-2011: \$200,000
- o Difference: \$959,710

State Aid

- o Amount in 2009-2010 Budget: \$16,916,832
- o Amount Projected for 2010-2011: \$14,439,307 (15% reduction)
- o Difference: \$2,477,525

Our projected revenues for 2010-2011 total \$161,899,679 (based on a 0% increase in the local tax levy and a 15% reduction in state aid) - a difference of \$9,902,386.

Proposed Expenditures

In the first-look budget discussed in January, proposed expenditures totaled \$183,266,044. The first level of reductions from this budget included all "additional spending" requests - that is, new items and staffing that were not in the 2009-2010 budget. Since the January budget meeting, we have also reduced the transportation

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budget by about \$700,000, thanks to the efforts of our transportation director in negotiating roll-over contracts with no increase in cost. We have worked with our health benefits consultant to shave about \$1 million off our original projections. These “Tier I” reductions total \$4,386,700 and reduce the proposed expenditures to \$178,879,344.

With the gap between projected revenues and proposed expenditures at \$16,979,665, we will have to make significant reductions in programs and staff.

The potential reductions impact every grade level and every employee group. They impact class sizes at every level, middle school advisory, and high school elective offerings. Reductions in middle and high school athletic programs are projected – including moving from interscholastic to intramural athletics at the middle school and eliminating freshman teams at the high school. The list of reductions that are under consideration are shown in the presentation that was given on February 16, available at the following link:

<http://www.cherryhill.k12.nj.us/departments/publicinfo/files/Budget%20Presentation.pdf>

Additional considerations that would raise revenues or decrease spending are being investigated to confirm their

viability and cost savings. These include proposals such as instituting activities fees and reducing the number of teacher workdays from 187 to 185 and furloughing ALL staff for two days (this action requires agreement of all bargaining units.)

In Summary

Our financial team continues to look for savings opportunities within the current budget, which would enable us to carry over additional funds to support 2010-2011. Central and building administrators continue to investigate other cost-savings options. Still to be determined is whether the Board will opt to increase the local tax levy. But clearly, given the loss in revenues, primarily due to the loss of excess surplus and the 15% drop in state aid – reductions are inevitable.

Budget meetings continue (see the scheduled meeting dates below). In addition, the Board is seeking the help of community groups throughout the township. In these difficult financial times, the Board recognizes that it has a responsibility to meet and discuss the school budget and other issues with as many residents as possible. Meeting dates with PTAs are being finalized; check the district website for details.

Important Dates in the 2010-2011 Budget Development Process:

- Tuesday, February 23—Board Action Meeting (Including a Budget Update), Malberg, 7 PM
- Monday, March 1—Deadline for BOE Candidates to File Nominating Petitions
- Tuesday, March 9—Board of Education Work Session, Malberg, 7 PM
- Tuesday, March 16—Special Budget Meeting, Malberg, 7 PM
- Tuesday, March 23—Board of Education Action Meeting, Malberg, 7 PM
- Tuesday, March 30—Voter Registration Deadline for Participation in April Budget Election
- March 29-April 1—Window for School Districts to Hold Public Hearing and Final Budget Adoption—Date of Cherry Hill’s Public Hearing To Be Announced
- Tuesday, April 13—Last Day to Receive “Vote by Mail” Ballot Applications
- Monday, April 19—Last Day to Apply for Absentee Ballot in Person (by 3 pm)
- Tuesday, April 20—ANNUAL SCHOOL BOARD/BUDGET ELECTION, Polls Open, 2-9 pm

Additional Budget meetings may be scheduled. **Budget discussions may also take place at regularly scheduled Board of Education meetings in March.** The February 16 Budget Meeting will be rebroadcast on CHPS TV beginning Tuesday, February 23. For broadcast times, check the district website.