

2021-22 East Ramapo School District

Summary

Drsuant to the requirements of Chapter 8 of the L.S.V of 2016 as amended by Chapter 5 of the L.S.V of 2017 and Chapter 6 of the L.S.V of 2020, the East Ramapo Central School District (ERCSD or the District) in consultation with the Auditor s that the Commissioner of Education appointed to the District, submitted to the Commissioner in March 2021 the District's proposed budget for the 2021- 22 school year. The following report summarizes the Fiscal Auditor s (the Auditor) findings in regard to the 2020 -21 current school year budget and the 2021-22 school year proposed budget. The report concludes with the Auditor s recommendation that the Commissioner approve the proposed budget because despite the many fiscal challenges the District has faced in the 2020- 21 school year, the Auditor is confident that the proposed 2021-22 school year budget is balanced, expands educational programming for students, and appropriately accounts for the substantial increases in State and Federal aid that the District will receive in the 2021-22 school year.

2020-21 School Year Budget

The Monitor's review of the ERCSD 2021-22 school year proposed budget started during fall 2020. The Monitor began by seeking to address the question of what the projected year-end (June 30, 2021) fund balance for the District's 2021-22 school year budget would be. During October 2020, the Monitor posed this question to the Chief Fiscal Officer (CFO) whose response led to the Interim Superintendent, Dr. Ray Giamartino, uncovering a series of improper and non-standard budgeting practices, a significant revenue shortfall for the 2020-21 school year, and a lack of checks and balances in the District's fiscal controls. At the time of the submission of this report in April 2021, the auditing of the 2020-2021 school year budget remains in process. While the auditing is being conducted, the Interim Superintendent and the District's new Interim Business Official are working diligently to rectify the long-standing irregular fiscal practices that have been utilized in the District. To further the efforts of Interim Superintendent Giamartino to implement best fiscal and industry standard review (and auditing) practices, the Office of State Comptroller (OSC) and the ERCSD Internal Auditor, Tobin Associates, Certified Public Accountants (CPA), have been performing augmentative financial audits.

Interim Superintendent Giamartino has maintained a tenacious focus on both fiscal and instructional standards and has been relentless in seeking to rectify the many poor past practices of the ERSCD Business Office. Equally of note, between December 2020 and February 2021, three executive cabinet administrators have exited the District: The Assistant Superintendent for Human Resources retired December 31, 2020; t

The CPA firm, Nawrocki Smith, has validated and confirmed the required cash flow for the three debt service instruments, which was prepared by the Interim Business Official. All cash flow requirements have been met to the legal satisfaction of Hawkins, Delafield, Bond Council, and Capital Markets, Fiscal Advisors. The cash flow validation has led to Bond Counsel and Fiscal Advisors recommending to the ERSCD Board of Education that it approve resolutions to issue the three debt service instruments. These resolutions were approved at the April 13, 2021 Board of Education meeting.

The Budget note was finalized at \$8.8 million, the Deficiency Note at \$12.2 million, and the Revenue Anticipation Note at \$15 million. These notes collectively equal five percent of the District budget and were issued at these levels in order to ensure the fiscal stability of the District for the remainder of the 2020

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Despite the challenges that the District has faced during 2020-21 school year that has led to the issuance of bond instruments mid-year, the Monitor has determined, as described in the next section of the report, that the 2021-22 school year budget will be balanced. Given that Nawrocki Smith has validated the June 30, 2021 Year End Fund Balance estimate, the Monitor is confident that there are sufficient funding sources through the issuance of the three debt service instruments and the additional State Aid to be received so that the instructional programs and level of personnel support planned for in the 2021-22 school year budget will not be affected by whatever is the ultimate determination regarding the 2020-21 end of year fund balance.

2021-2022 School Year Budget

The 2021-22 proposed budget is \$272,449,633 and includes a Tax Levy of \$154,490,227. The proposed budget is built to support the ERSCD mission of “e

“Transportation – Enrollment Increase.” In total, the transportation budget has increased \$11.3 million (\$9.3 million + \$2 million). Transportation bids have been let, and rejected, due to the large increase in bussing costs as proposed in the bids. The District is currently reviewing all options.

Salaries and Benefits

The projected 2021-22 school budget includes \$168,531,692 for salaries and benefits, an increase of \$6,937,446 (4.3%) from the 2020-21 school year budget of \$161,594,246.

All existing instructional and non-instructional salary budget lines have been increased by 5% to account for level and step increases.¹ All benefit budget lines have been increased by 3%. The proposed 2021-22 school year budget includes money for unsettled contracts, salary increases, and unknown COVID cleaning overtime. There are sufficient monies in the proposed 2021-22 school year budget to account for these expenditures. The District is currently attempting to reconcile the Human Resources Department records with the Business Office records. Tobin Associates, CPA has made note of this issue in their Internal Audit dated June 30, 2020. The previous administration did not address this audit comment. This is in the process of being rectified.

Seven (7) new social worker positions have been budgeted to focus on student social-emotional and attendance-specific supports. These social workers will provide targeted student supports in the areas of social-emotional learning, Adverse Childhood Experiences (ACEs), student-parent-school partnerships, increasing average daily attendance, and reducing rates of incident-based behavioral recidivism.

The District has determined that in many schools, the District is overstaffed with either grade-level or science lab-based personnel. Consequently, the District is working to ensure parity across schools, grade-levels, and departments while simultaneously ensuring appropriate student supports remain in place. This “leveling” process will increase (master) scheduling efficiencies and allow the District to balance personnel needs through attrition.

Supplies, Materials, and Contractual Services

The projected 2021-22 school year budget includes \$28,434,103 for these categories, an increase of \$565,685 (2%) from the 2020-21 school year budget of \$27,868,418. The 2021-22 budget increase is related to purchase of mandated assistive technology devices and other special education related equipment.

All other supplies, materials, and contractual budget lines in the 2021-22 school year proposed budget are the same as in the 2020-21 school year budget. It must be noted that Interim Superintendent Giamartino made many drastic reductions in numerous (outside) contractual agreements during the 2020-21 school year with the targeted intent and result of building internal capacity among building- and district-based personnel. By reducing such expenditures by several

¹ 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 e,8.04 7t

million dollars, allowing more resources to be focused specifically on building internal capacity through professional learning. Among the key topics being addressed are:

- x Academic, Behavioral and Credit Attainment Goal and target setting
- x Increasing student's average daily attendance and reducing rates of behavioral recidivism
- x Modeling Action Plan Development
- x Guiding the District Comprehensive Improvement Plan (DCIP) and School Comprehensive Education Plan (SCEP) processes
- x Having Executive Cabinet team members develop their budgets using a zero-based budgeting framework as opposed to having external consultants drive the system.

These savings will be on-going during the 2021-22 school year. Contracts in the Transportation Office, Office of Federal Funds, and Instructional Office have all been reduced during the 2020-21 school year as well, and these savings will be carried forward to the 2021-22 school year.

Debt Financing

The proposed 2021-22 school year budget includes payments (principal and interest) of \$15 million for the Revenue Anticipation Note (RAN), \$12.2 million for the Deficit Note, and \$8.8 million for the Budget Note. These three debt instruments were necessitated in large part because ERSCD did not budget for the offset of CARES Act funding in State Aid during the 2020-21 school year. All three debt service instruments will be paid in full during the 2021-22 school year. Last summer, after Governor Cuomo announced the reduction in 2020-21 State Aid, this Monitor repeatedly cautioned the Board of Education and the prior District administration that the 2020-21 school year budget was not balanced; yet no remedial action was taken.

Revenue Analysis

State Aid

The New York State Budget was adopted on April 6, 2021 (as previously noted in this memo). State Aid for the District increased by \$40,045,872 from \$53,647,468 in the 2020-21 school year to \$93,693,430 for the 2021-22 school year. In addition, the District estimates it will receive \$66,418,114 of federal CRRSA funds and \$150,445,511 of American Rescue Plan funds, which the District must use by September 30, 2023 and September 30, 2024 respectively. The combination of the additional State and Federal aid bodes well for the fiscal stability of ERSCD over the next several years. This Monitor has cautioned the Board of Education that the Federal Stimulus monies are non-recurring revenues. The use of these additional monies must be judicious so as to maximize their impact over the next several years. The Monitor has cautioned the Board of Education that there is the potential for a future "fiscal cliff" if Federal stimulus aid is used to pay for recurring expenditures.

Tax Levy

The proposed Tax Levy reflects a zero percent increase. The Board of Education approved the staff recommendation that the current Tax Levy remain flat for the proposed 2021-22 school year
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in a year in which the District has received millions more in State and federal revenue, especially given that the community has defeated three out of the five most recent budget proposals. The East Ramapo community is extremely hesitant to approve a tax levy increase. The contingent 2021-22 school year budget is equal to the proposed 2021-22 school year budget. No changes or reductions will be required in the event that the proposed 2021-22 school year budget does not receive voter support. As a result of no proposed increase in the tax levy, the amount of the anticipated revenue in the 2021-22 school year is \$154,490,227, unchanged from the 2020-21 school year.

Expanding Learning Opportunities for Students

As noted previously, the proposed budget provides for the hiring of seven new social workers who will address a priority recommendation of the State Monitors in their 2019-20 school year annual report.

The District will in the 2021-22 school year work to reestablish and reinstitute the District's

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Overall Summary and Recommendations

Pursuant to Chapter 89 of the Laws of 2016, as amended by Chapter 57 of the Laws of 2017 and Chapter 56 of the Laws of 2020, this Monitor recommends that the Commissioner of Education approve the ERCSD 2021-22 school year proposed budget without amendment as the Monitor finds that the proposed budget is balanced within the context of revenue and expenditure estimates and mandated programs, expands educational programming for students, and appropriately utilizes the increased aids the District will receive. Such has been explicitly supported and confirmed by outside audits and CPA partners and a comprehensive review completed and affirming such vis-à-vis the Office of the New York State Comptroller.