

THE BUDGET PROCESS

Q. What main forces drive the budget?

A. The same marketplace and demographic forces affect all districts in Westchester and the region. This year, for example, all school districts are again facing a significant rise in state-mandated retirement costs. In addition, districts must also fund mandated special education programs, whose costs are unpredictable. Rising costs in the areas of health care and energy impact our budget as they impact the individual consumer.

Q What exactly does the Tax Cap law that took effect last year do?

A. The state law puts a cap on the year-to-year increase in the tax levy – the total amount of taxes to be raised to cover the proposed budget. That amount then gets divided among the communities in the school district, which in Scarsdale comprises Scarsdale Village and the Mamaroneck Strip.

Although the cap is advertised as a 2 percent limit, actual property tax may be higher, based on equalization formulas set by the state, the rise or fall of taxable property inventory, and the result of tax certiorari settlements in a given community. The cap on the tax levy also has some exceptions. Therefore, the allowable percentage may turn out to be higher than 2 percent.

The law institutes a two-tier system of approval. If the budget proposal requires a tax levy at or below the “allowable tax levy prescribed by law,” it requires a simple majority vote, that is, 50% + 1, to pass. If the proposed budget requires a tax levy that is above the “allowable tax levy prescribed by law,” it requires a “super-majority” of 60% voter approval to pass.

The first budget proposal on May 21 did not pass. The second budget vote is set for Tuesday, June 18, 2013. If the proposed budget is not approved, the District must then adopt a budget with 0% tax levy increase, requiring an additional \$3.6 million in cuts.

Q. Why is there a discrepancy between tax rates of Scarsdale and the Mamaroneck Strip?

A. Each year, the state Office of Real Property Services and county tax assessors calculate “equalization rates” that estimates what property in each town would be worth if the whole county were a single community: a “full valuation” estimate. In districts made up of more than one municipality, assessors split taxes for the schools among those municipalities, based on the full value of property in each area. Because equalization rates in different towns rise and fall by different amounts each year, the proportion of total tax paid by each town shifts accordingly. In any given year, these formulas can cause taxes to rise in Scarsdale or in the Mamaroneck area by different percentages.

Q. What unfunded mandates are required of the District and at what cost?

A. The list of unfunded and underfunded mandates is potentially very long, not entirely quantifiable, and in some ways subjective, in that certain services would be offered even if they weren’t mandated by the state. A representative list includes:

- Student transportation
- Special Education
- Required courses: Middle School “home and careers” class, technology, art, health, physical education at all levels, foreign language

- State test administration, data warehousing, and academic intervention services
- Title IX
- Services for students attending private schools, including texts, health services and transportation
- Prevailing wage requirements for construction workers
- Fingerprinting and background checks for new employees
- Compliance with the Americans with Disabilities Act
- Benefits (Social Security, Medicare, Workers' Compensation, State pension fund contributions).

The cost of mandates varies, but their impact can be material. The State's data collection and testing program is estimated to cost over \$800,000 in the current year, for example, not including teacher time to administer the tests.

Q. How are employee pension costs determined, and how do they affect the District budget?

A. The state pension system is an independent entity with its own governing board. Local school districts have no control over its structure, requirements or operation. Defined benefit pension plans such as the one in New York State are common in the public sector. Most current employees joined under Tier IV, which originally required a 3 percent employee contribution. However, that requirement was discontinued some years ago by the state legislature and then Governor Pataki. The new tiers have reinstated the employee contribution,

The New York State retirement system is financially sound; unlike some other state governments, New York is not permitted to borrow against the retirement fund.

The fund is invested in the stock market, which means that in good economic times, the system can meet most of its obligations to retirees by relying on investment income. In more difficult times, investments cover less of the annual cost of obligations. The state system charges districts the difference between obligations and investment income.

Charges are based on multi-year market performance. As a result, the recent condition of the stock market doesn't determine the current or coming year's charge. In practical terms: despite the fact that equity performance has grown stronger in the years since the first part of the economic downturn, the system is basing its projected charges for 2013-14 on several years'-worth of more mixed experience.

This explains why the mandated increases in pension costs continue to rise as they do.

Q. Why doesn't the District use the Consumer Price Index as a budget target?

A. The school budget is a financial plan to provide the quality of programs and services the community expects. The Board considers current economic conditions as it makes that plan, but the investment required to achieve its objectives may not coincide with CPI growth.

The CPI "market basket" is different from the education market basket. Forces that drive the cost of consumer goods and services (food, e.g.) drive only some school costs. The reverse is also true: costs that drive the education market basket (textbooks, e.g.) don't necessarily affect consumers. Also, the school environment is highly regulated and some major costs (special education, retirement, e.g.) are mandated. Such costs create budget growth that local officials can't control.

Under these conditions, the community may not wish to curtail programs simply to meet an arbitrary target.

Q. What reserves are included in the budget and how are they determined?

A. It is generally accepted in school budget development that reserves are a prudent means of preparing for the unexpected. There are three major reserve funds.

Tax certiorari reserve: Property owners may file tax *certiorari* lawsuits to contest the assessed value of their properties. Because these are legal proceedings, it is difficult to predict the timing and amount of a settlement. One year may require a scattering of small settlements, and in the next, several major claims are settled all at once. A common approach is to maintain a sizeable reserve fund to cover these payments.

Health insurance reserve: The District covers employees and qualified retirees through a self-insured plan, which has proven to be cost-effective. The plan is, however, subject to fluctuations from year to year, as a single large claim may have a disproportionate effect on the bottom line. Since the inception of the plan, the District has maintained a Health Insurance reserve, funds that are available in the event of over-budget situations. The District's auditors have recently noted that they believe this reserve no longer conforms to current law, although its existence has been reported to the state annually for over twenty years without issue. The District is pursuing legislative clarification, but, in accordance with several conversations with the Comptroller's Office, may eliminate the reserve over the next 3-5 years.

Undesignated fund balance: New York State has long permitted school districts to retain an undesignated reserve fund. The statutory cap is 4 per cent; the District has deemed it prudent in the face of continued economic uncertainty to set its undesignated reserve near the maximum.

The Board carefully reviews other surplus funds that may accrue through economies and fortune, and it may apply those surpluses to defray property taxes in the subsequent year.

Q. Has charging fees for participation in extra-curricular activities been considered?

A. Decisions by the State Comptroller have made clear that it is not legal to charge fees for athletic participation in New York State, although that is a practice in some other states. The same decision applies also to other extra-curricular activities that are related to districts' educational programs.

A hallmark of public education is free, universal student access to the core academic and extra-curricular program. Extra-curricular activities, including athletics, provide inherently valuable educational experiences. For example, they establish important student-adult mentoring connections that work against student alienation and improve academic performance. They also develop important capacities like teamwork and leadership that are goals of a Scarsdale Education for Tomorrow.

Especially in difficult economic times, the idea of "pay for play" would put a disproportionate financial burden on families who can ill afford it and, to the extent families can't pay, limits student access.

Q. How are facilities expenditures determined?

A. The Board of Education makes a priority of ensuring that all buildings are clean and safe, and that they meet the enrollment and educational program needs of students. The budget supports regular maintenance and upkeep (such as roof repair), and funds additional amounts for major repairs and upgrades, such as bathroom renovations or a new boiler. After health, safety, and enrollment needs

have been addressed, projects that would enable educational program improvements are considered, and approved based on demonstrated need and appropriate cost.

Q. *What is the status of the long-term facilities plan outlined by District architects in early 2013?*

A. In January 2013, the District architects outlined a preliminary long-term facilities plan that seeks to anticipate and address a range of facilities needs throughout the District. The goal would be to ensure that the District facilities support the educational needs of the future, including ten to twenty years from now. This work would likely require a multi-million dollar bond issue. The Board of Education indicated at the time that it would want a further assessment and discussion of short and long-term space needs, utilization data, project and ongoing costs, and design alternatives, as well as community input before proceeding. Given the state of the economy and the focus on developing a proposed 2013-2014 budget, the Board and Administration deferred further discussion, and expect to revisit this topic later in calendar year 2013.

STAFFING DECISIONS, COMPENSATION AND POLICIES

Q. *Why are teacher salaries in Scarsdale at the top end?*

A. For decades, Scarsdale has paid highly competitive salaries with three aims: to hire and retain a faculty whose quality is unusually high; to keep contracts thin (that is, with a minimum of detailed work rules); and to preserve and enhance management rights. The District has also invested significantly in mentoring and professional development and has provided incentives to keep faculty intellectually alive and engaged throughout long careers.

While Scarsdale has placed high priority on excellent teaching, it has chosen to invest less than other districts in some other areas, including administration. Teacher salaries are highest in the region but Scarsdale's overall investment *per pupil* this year is 9th, just within the top quartile.

The Administration, Board and faculty nonetheless are well aware of rising costs and the current climate. Salaries are contractually negotiated. Future negotiations will consider the best balance between salary cost and the benefits to the Scarsdale community of attractive teacher compensation.

Q. *How is teacher tenure determined?*

A. Tenure regulations are set by the state, not by school districts. Tenure is currently controversial, but it's important to understand how it came about. Tenure laws were passed in the early 1900's because of rampant abuses: political hiring and cronyism without regard to credentials; capable people fired for teaching controversial ideas, for offending local bigwigs, or to save money without regard to the needs of students. Efforts to modify tenure laws have to consider what the alternatives might mean.

Q. *How does the District justify the number and type of its teaching and administrative positions?*

A. The District deliberately supplements its full-time administrative staff with teachers who take on some administrative responsibilities in addition to their teaching duties. This dual role for selected positions enables the people in those roles to take on new challenges, and to contribute more broadly to improving the program and teaching. (For a detailed discussion, see the E-Paper on the website.)

Over the years, many different positions have been subject to question. Three components are considered in developing staffing proposals: class size policy and practice; program offerings; and teacher load. The Board reviews the guidelines for these components as necessary. The administration proposes staffing in accordance with those guidelines. (E-Paper reviews of administrative and teaching positions are available on the Website.)

Q. How do STI courses support professional development? Are they preferable to university courses?

A. The Scarsdale Teachers Institute, which serves as an on-site professional school for educators, has offered planned, continuous education to the professional staff of the Scarsdale and Edgemont Schools for almost half a century.

Courses are locally and organically developed in this school community, addressing its educational goals and initiatives in such areas as technology, content knowledge, teaching strategies, equity and access, reflective practice, and interdependence.

Each participant must complete a curriculum plan or project that integrates course content into teaching practice. In technology courses, for instance, teachers learn to integrate a new technology skill or application into their teaching as part of the course. In year-long courses, such as the Reggio Emilia approach to early childhood education, teachers examine student work produced through the course instruction.

STI courses begin with the ideas of Scarsdale and Edgemont teachers. Often, these courses lead to initiatives that become part of Scarsdale's broader program. Some examples are Advanced Topics in high school, fifth grade Capstone, application of Lesson Study and Reggio Emilia techniques in the elementary grades, and Science Olympiad and Human Rights Day in the Middle School.

The teachers' contract rewards and incents advanced study and professional development. Teachers can also take courses through colleges and universities, which is the norm in districts that do not have the advantage of an on-site institute. As a rule, college courses are more theoretical and general in nature.

In contrast, STI courses are locally designed, managed and validated by an accreditation committee. They focus faculty attention, energy and creativity on curriculum and teaching improvements that align with District goals. The rationale for this investment in human capital is that it ultimately benefits children.

Q. What's been done to control health insurance costs?

A. For over two decades, the District has operated a self-insured employee health plan that has been more cost-effective than comparable programs, according to external evaluations. Scarsdale health costs have risen an average of about 4 percent per year since the 2007-08 budget, well below the market. In the last ten years, the plan has saved taxpayers over \$7 million when compared with the Empire State plan used by a majority of districts in New York State.

The plan's effectiveness reflects low overhead, services funded only when used, and the parties' ability to adjust benefits in response to emerging conditions. Cost distribution has been consistent over time, so that employees share in the increasing cost of healthcare.

The plan realizes savings by adjusting benefits and co-payments and increasing deductibles over time. Employees pay 20 per cent of prescription drug costs, the fastest-growing portion of the healthcare budget. According to available information, this is the highest contribution rate for a prescription benefit in the area; it has resulted in a flattening of cost growth.

While the plan has been cost-effective over the longer term, it can be volatile in the short term. A few employees with major health problems may impact costs significantly in a given year. Short-term volatility notwithstanding, District costs have been contained in a challenging health care environment.

The staff absorbs a significant portion of health care costs through high co-pays, which have been rising consistently. A recent study reveals that Scarsdale employees pay a higher percentage of their routine medical care (between 17-20 %) than comparable health care contracts charging monthly premiums.

The health care plan is contractually negotiated and part of current collective bargaining discussions. The proposed budget includes a placeholder figure, based on input from our health care consultants about projected costs of health care under the current plan, and a desire to be conservative.

EDUCATIONAL PROGRAM

Q. What does a “Scarsdale Education for Tomorrow” mean?

A. Satisfying three core goals, The Scarsdale Education for Tomorrow (SET) is a plan to enable students to compete effectively in our new global village, today. Through a distinctive educational experience, Scarsdale fosters academically superior, globally conscious graduates who -

- **KNOW.** SET advances knowledge with globally competitive skills and experiences; fostering a love of learning.
- **THINK.** SET empowers students to think critically and creatively, learn independently, and persevere.
- **ACT.** SET Inspires students to collaborate, embrace diversity, and contribute locally and globally.

Our ultimate goal is students who are among the most prepared to take on the challenges of today's demanding world – and to make it better.

Q. What's Inquiry Research?

A. Inquiry Research is research on a topic or question identified by the student. This may reflect the student's personal interest or it may be about an issue the student identifies in the process of exploring academic content: “Why was the Battle of Iwo Jima important?,” for example. The point of inquiry research is to help students develop skills and knowledge that will enable them to find answers to the kinds of complex, open-ended problems they will face in college and in the world beyond.

University students do this kind of work as a matter of course, and in recent years forward-looking high schools have asked their students to do so, as well. To develop inquiry research skills more fully, Scarsdale has introduced projects even earlier in school, beginning with fifth grade Capstone projects, and now extending to the earliest grades.

In conducting inquiry research, students learn how to formulate good questions; find, evaluate and use information; let new information take them in new directions and develop perseverance. Because students formulate their own questions in cooperation with their teachers, they also are more engaged and motivated.

Q. What are Authentic Assessments?

A. Standardized tests, the type currently used by New York State, typically take the form of true/false and multiple choice questions, which check to see if students have memorized facts or which try to determine whether they understand what certain academic content means. These kinds of questions frequently are disconnected from those people face in the real world, and they aren't especially good at determining whether a student has mastered "higher order" thinking skills, like the ability to critique, argue, or create something new.

Authentic assessments attempt to determine whether students can apply higher order skills like critiquing or arguing, often to questions or problems that have meaning in the real world. A "real world" problem might be as concrete as finding a solution to the political, economic and scientific problem of water scarcity in the Southwest. It could be as abstract as reading *Moby-Dick* and trying to define the nature of evil.

Scarsdale is expanding the use of such assessments. Examples include the fifth grade Capstone project, Public Service Announcements in seventh grade and science research at the High School.