

February 8, 2024

Dear BKW community,

It is the time of year when we focus on building our budget for next year. Over the past couple of weeks there has been a great deal of activity going on in Albany in response to the Governor's NYS budget proposal for next year. I want to take a moment to bring everyone up to speed, so you all know where our district stands.

There are two issues I want to address with you. First, the Governor has proposed a NYS budget that reduces the BKW foundation aid allocation by \$624,000 for next year and the following year. Foundation Aid is generated by a formula using enrollment as a basis. For the past sixteen years the formula has been used to determine each district share of foundation aid. Districts with declining enrollment have been assured they would receive at least as much foundation aid in the coming year as they had received in the prior year. This is called "save harmless" status. Without forewarning, the Governor's budget proposal this year changed that practice and let the formula run without "save harmless". The result for BKW, based on current enrollment, is a reduction of more than 1.2 million dollars. This is alarming for many reasons. Apparently, if this proposal becomes law, the reduction would take place over two years, reducing foundation aid by \$624,000 each year. The vast majority of districts experiencing this shock are rural districts across the state. The action is unreasonable and punishing for small districts.

At this time, this action is only a proposal. The legislators have begun their work to develop a legislative budget proposal of their own. I have attended several meetings over the past three weeks and have been asked to speak on the subject regarding the potential impact these cuts would have on students and programs. We had a visit from Assembly member Chris Tague and Melinda Person, the president of NYSUT, to see the programs, talk with students, and meet with staff. Until we know for sure what the final state budget will be, we must create two separate budgets for consideration, one based on the reduced foundation aid and one based on status quo funding. I want to be optimistic about the legislative process, but I must be realistic as well. The honest truth is that the Governor's proposal, if it becomes law, would mean significant reductions in staffing and programs that have contributed to the many successes our students are having in school. I assure you, I will continue to be a voice for fair and equitable funding for rural schools like ours. Stay tuned on this issue.

The second issue you may have seen in the news is regarding the district's annual "Fiscal Stress Score." Each year the Office of the State Comptroller reviews the prior year financial records of all districts in the state and assigns a designation of financial status. Having "No Designation" is the best outcome. For the past several years, BKW has had a "No Designation" status. This year the review by the Comptroller has resulted in a "Moderate Fiscal Stress" designation. As you recall, last year we experienced significant health insurance and prescription insurance related cost increases. We used fund balance and reserves to address

that issue, so that it does not happen again. The use of those funds caused us to have a narrow fund balance at the end of the year, resulting in the “Moderate Fiscal Stress” designation. We have been monitoring the situation monthly and we are optimistic that the budget lines are adequate for the trends of expenses we are seeing.

These two issues have some connection. The Governor holds the belief that districts like BKW are flush with cash because they have been overfunded in foundation aid and then received the recent Federal COVID funds. This is not the case. School districts may only hold small fund balances compared to the amount the State government can hold. Maintaining a balance between general expenses, which go up each year, and planning for the future by keeping reserve accounts available for specific needs requires continual assessment of revenues and costs. For small districts, any deviation from the plan- i.e. high costs or reduced revenue- can make for a tight budget. Again, we are staying on top of these things. I take stewardship of the community resources very seriously and I appreciate your trust over the years. Please know that we are working hard to provide the best things for students with the resources we have, while also respecting the tax burden to the local community.

Should you have any questions or concerns, you may contact me by phone or email.

Be well,

Dr. Timothy Mundell
Superintendent of Schools