

**MIDDLETOWN TOWNSHIP PUBLIC SCHOOLS  
OFFICE OF THE BUSINESS ADMINISTRATOR/BOARD SECRETARY**

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**Middletown Board of Education  
2007-8 Final Proposed Budget  
March 27, 2007**

Bottom line:

1. The budget as proposed would generate a \$7.4 cent total increase, or a 3.3% increase in school taxes.
2. This would be a \$148 annual school tax increase, or \$12.33 per month increase, for a house assessed at \$200,000.
3. The \$7.4 cent estimated increase is comprised of a \$7.3 cent general fund increase – the district's main operating fund budget, and a \$ .1 cent debt service fund increase.

What expenses are in the budget:

1. Our debt service budget is substantially the same as the prior year, with only a slight increase of 1/10<sup>th</sup> of a cent. This is to pay for debt approved through previous referendums.
2. For the general fund, at this time, funding is provided for all existing programs and staff positions, although we are continuing to evaluate programs, positions, and educational initiatives.
3. Please note that HELP Aid initiatives are shown as separate budget lines in the 2006-7 revised budget. These funds were generally used for one-time costs in 2006-7 since we had no assurance that these funds would continue to be provided to the district (we were notified on February 28, 2007 that we would be again receiving \$755,677 in HELP Aid for 2007-8).
4. Proposed additions to the 2007-8 budget:
  - a. Funded through district budget – \$687,113:

3 middle school teachers (\$240,000 including benefits), 1 high school teacher (\$80,000 including benefits), 1 elementary guidance counselor (\$80,000 including benefits), technology in accordance with the 5 year technology plan (\$153,113), 6<sup>th</sup> period stipend costs for additional high school class sections that need to be covered (\$44,000), 1 new student club for each middle school and high school (\$11,000), assistant cross country coaches for each middle school (\$6,000), an increase in the district funding of the hockey program by \$5,000 (to a total of \$35,000) and 1 full-time and 2 part-time clerical positions for the 6 elementary schools currently sharing 2<sup>nd</sup> secretaries (\$68,000, including benefits for the full-time position). Note: the 3 middle school teachers are necessary to replace 3 positions that were moved last year to the high schools to cover the 3 high school positions cut through the budget defeat process. Also note that the clerical support is being provided to only *partially* replace the 3 elementary secretaries cut last year through the budget defeat process.

- b. Funded through grants – \$430,000:  
 Due to the required 15% for intervention through IDEIA, we propose funding 4 reading specialists (\$320,000, 3 new positions, 1 existing position) and continuing the behavioral counselors initiative (\$50,000). Under Title II for class size reduction, one elementary teaching position will be covered (\$60,000).
5. The salary increase of \$4,016,702, or 4.9%, is due to a number of relevant factors including contractual salary increases, increase in paraprofessional rates and utilization, the first full year of the Austin Academy, increased academic assistance costs due to the funding reduction and now required reserves for NCLB grant funds as well as the new positions and stipends proposed for 2007-8 described above.
  6. We've budgeted for an increase in health benefits of \$805,345, or 3.9%. The lower increase compared to previous years is due to lower actual claims and our changing prescription benefit managers. Contributing to this increase is the State's required increase for PERS pension costs. As required by the State, for 2007-8 we have budgeted for an increase of \$186,124, or 35%, for PERS pension costs.
  7. Transportation has a budgeted increase of \$495,727, or 5.5%. This is primarily due to renewal costs for existing routes and budgeted costs for replacement routes. Although we are restructuring a couple of existing routes, we are proposing adding a net of 2 new routes, including one necessary special education route.
  8. The out-of-district tuition budgeted has increased by \$114,966 or 2.9%. This is due to a significant increase in tuition rates for Monmouth County Vocational School. Countering tuition rate increases for private schools for the handicapped, the district continues to be able to keep more special needs students in district. In the overall, this results in a net decrease in cost to the district for special needs students, but also results in higher costs in some other areas (such as paraprofessionals, etc). Also of note, based on a change in grant utilization methodology, a certain amount of private schools for the handicapped tuition is now charged to the IDEIA grant (and conversely some salary costs previously charged to IDEIA are now charged to the district budget).
  9. Utilities (gas, electric, water/sewer, communications) costs have a budgeted increase of \$145,850, or 4%, based primarily on projected rate increases.
  10. The curriculum budget would essentially remain the same as last year, showing a slight increase of \$38,249 (with reallocation between staff development, supplies, textbooks, etc). The increase is indicative of minor budget reallocations in 2006-7 and supplies and textbooks in the 2007-8 budget for Austin Academy. Proposed new adoptions for 2007-8 include:

Elementary:

- Literature to supplement reading program

Middle School:

- Phase III of the Middle School Mathematics Initiative: 8<sup>th</sup> grade mathematics
- Literature for Integrated Language Arts

High School:

- Behavioral Science
- Functional Design I and II
- Fundamentals of Calculus
- Math Review

- Marine Science
- Integrated Algebra I and II
- Spanish III
- Italian III
- Chemistry
- US History

**Possible elective adoptions for High School (depending on elective enrollments):**

- Intro to Biotechnology
- Medical Laboratory Techniques
- Principles of Engineering Design
- Topics in Science Research
- Recent American History
- Sociology
- Sports and Entertainment Marketing
- Career and College Planning
- AP Studio Art

11. For elementary science kits (a large budgetary impact of \$80,000), the district will be applying for a grant from the Middletown Township Education Foundation. These costs will not be borne by the individual school budgets for 2007-8, and therefore the dollar totals for the school budgets would remain the same as the prior year (again with some requested reallocations between budget accounts).
12. Capital Lease Principal and Interest has a budgeted increase of \$555,131, which is primarily due to us budgeting for a 10 year capital lease to facilitate the two phases of the elementary HVAC project. This work is being undertaken since our elementary unitvents are past their useful lives and need to be replaced. Since replacement is necessary anyway, it makes financial, practical and environmental sense to absorb the incremental increase in cost to secure replacement units with modern temperature and humidity control. These HVAC units will allow us to remove the many (over 90) inefficient existing window air conditioning units in instructional areas, which are required based on medical needs.
13. The technology budget is showing an increase of \$153,113 from the prior year, and facilitates the implementation of the district's 5-year technology plan. This will provide for much needed computer equipment replacements and peripheral components
14. The total athletic budget, excluding costs for coaches' stipends that are covered by a negotiated agreement and are included in salary costs of the district (including the proposal to add 3 assistant cross country coaches at the middle schools), is being preserved at the same dollar total as last year. Included in the athletic budget is \$35,000 for the hockey program (**a \$5,000 increase from last year**).
15. Under Health- Purchased Services and Supplies, we have budgeted for an increase of \$2,000 for additional random drug testing test kits and \$33,000 to cover required nursing services.
16. The budget provides \$340,000 for capital outlay between legal, professional services and construction services. This total is the same as last year although the breakdown within would change. The 2007-8 budget provides \$100,000 for capital related professional services (last year was \$120,000). Capital-legal remains at \$20,000 (same as last year). Construction services has increased to \$220,000 (last year was \$200,000). A capital lease for HS North stadium turf would cost approximately \$179,000 per year for 5 years. Therefore, we would have \$41,000 remaining for other capital needs (\$220,000 minus \$179,000) as well as \$133,438 in capital reserve (see #4 of the 'Revenue' section below).

17. Additionally, although not a component of the district's general fund budget, we have approximately \$150,000 remaining in Coca-Cola funds that we are proposing to be used to continue to address athletic fields at High School South (the Coca-Cola funds are restricted for athletic facility and field renovations). It should be noted that if we use the remaining approximately \$150,000 in Coca-Cola funds at High School South, we will have spent \$1.2 - \$1.3 million in total at each high school for the first 2 phases of field work (excluding construction manager costs for phase II for both schools where applicable).
18. Regarding the State's new administrative cost limitations, our regional threshold is \$1,616 per pupil. Our final proposed 2007-8 budget contains administrative costs per pupil of \$1,182, which is \$434 LESS per pupil than we are allowed and represents a 1.5% increase from the prior year. To provide the magnitude of this difference, assuming approximately 10,000 students, the district's administrative costs are *\$4.3 million less* than would be allowed based on the regional threshold.

What revenues are in the budget:

1. State Aid is up 3%, or \$580,246.
2. We did again receive HELP Aid for 2007-8 for \$755,677 (same as last year).
3. Surplus appropriated to fund the budget has been increased from \$1,564,004 last year to \$2,091,125 for 2007-8, up \$527,121. The utilization of surplus over 2% is required by the State per the June 30, 2006 audited excess surplus calculation. Our concern here is that we will not be able to generate \$2,091,125 in surplus in the 2006-7 budget (the surplus generated in 2006-7 is generally used to fund the 2008-9 budget), which will leave us with a revenue hole for 2008-9. The provisions of S-1701 continue to take away our ability to utilize surplus in a prudent manner to avoid sharp tax increases or decreases from year to year.
4. The DOE budget program forced an additional \$133,438 in surplus to be utilized since it calculates the 2% surplus floor based on budgeted expenditures versus actual expenditures, and eliminates adjustments allowed by the audit calculation. Since the district is not using any SGLA's (cap stretchers) for the 2007-8 budget, we are proposing depositing \$133,438 to the capital reserve, as allowed by State Statute, for the purpose of addressing capital needs and emergencies.
5. Miscellaneous revenue is being increased by \$295,000 from the prior year. This is primarily due to interest rates continuing to rebound.
6. Between State Aid, surplus and miscellaneous revenue, we are up approximately \$1.4 million in revenues to fund the 2007-8 budget.
7. The ratable base in Middletown for 2007 has increased approximately .6% from the prior year, or \$29.6 million, which contributes to the lower tax increase of 3.3%.

Thank you and please call if you have questions.

**Karen Bilbao & William Doering**