

Would you disrupt a school system for \$3?

Multiple articles in the Orange Town News over the last few months have complained about Amity's large budget surplus over the years. The cost of this surplus to the taxpayer has become a key talking point for voting NO on this year's Amity Budget referendum.

A March 10, 2022 article states that the Amity \$3 million surplus over the last 4 years has cost the taxpayer a total of \$12 million. For the average Orange taxpayer, the cost was estimated at \$171.24 per year and \$685 over 4 years.

These estimates are flawed, and a huge disservice to taxpayers. It is important to set the record straight with correct analysis.

We attach the table included in the March 10 article. The last two cells in the right column provide the correct cost estimates. With the correct analysis, the cost per taxpayer of the surplus is very small---**about \$5 per year or \$20 over four years.**

IMPACT Analysis Amity Surpluses FY 18-21:		
	The Cost to Each Orange Taxpayer Article Estimate	The Cost to Each Orange Taxpayer Correct Estimate
Orange Yearly share of Amity Surplus	\$1,500,000	
Total Orange Budget (4 year ave.)	\$71,170,899	
Amity Surplus as % of Orange Budget	2.11%	
Average Taxes	\$8,125	
Yearly Overtax due to Amity Surplus--4 years	\$171.24	\$5.1 (\$171.24x0.03)
4-Year Overtax	\$684.97 (\$171.24x4)	\$20.4 (\$5.1x4)

The article makes two basic mistakes in its calculations.

1. **First, it assumes the cost in property taxes of the surplus to the taxpayer is the entire amount of the surplus.** But there is a clear difference between an expense that is spent and a surplus that is unspent. The cost to taxpayers is at most the annual "interest" on that surplus, which of course is also returned to taxpayer. For simplicity, let us generously assume a 3% interest rate as the cost to taxpayers. So, the 3% cost of \$1.5 million surplus is only \$45,000 and the 3% of 171.24 cost to the taxpayer per year is about \$5 a year.
2. **Second, it assumes that if every year the surplus is \$3 million, then over four years it costs the taxpayer 12 million.** So, it multiplies the wrong cost of \$171.24 per year by 4 and arrives at a \$685 cost over 4 years. But the real cost is only the interest over 4 years, which is \$20 (i.e., 5x4).

The \$12 million total estimate of the cost of surplus is like a bank saying: “We lent you \$3 million. You kept it for 4 years, that means you owe us 12 million dollars.” No, we only owe the bank \$3 million and interest.

Further, the Orange Board of Finance (OBOF) wagers almost half of the possible \$1.5 million surplus from Amity **by leaving a \$700,000 unfunded hole in the Orange town budget. As taxes are not collected on that anticipated surplus, the real cost to the taxpayer is less than \$3.** But don't worry about any risk, as the OBOF carries an available fund balance of \$16.8 million (22% in FY 2020) of "rainy day" taxpayer dollars to cover any bets they lose. **The OBOF celebrates its own surplus but simultaneously counts on and criticizes Amity's.**

Finally, and importantly, an exclusive focus on surplus is misguided as it is easy to reduce surplus at increased taxpayer cost. If reducing surplus is the goal, Amity could reduce it by outsourcing medical insurance to an insurance company at higher total cost instead of being self-insured. Outsourcing special education can reduce variability in expenses and lower annual surplus, but that would hurt students and increase costs. If the administration did not aggressively pursue grants after budgets are allocated, the final surplus would be lower, but costs would be higher. **The board's goal is ALWAYS to minimize total taxpayer cost, WITHOUT compromising on the educational mission. It should NOT be to minimize the surplus.**

It is wrong to accuse a board or administration of wasting \$12 million without any basis in fact. It creates needless anger and distrust among taxpayers about our well-functioning school system. **This is not a responsible approach to governance and financing of our schools.**

It is reasonable to ask: Should we disrupt our school system for less than \$3 a year, say a cup of coffee? The two failed referendums this year have already cost us \$30K, about \$3 per taxpayer. We already lost the cup of coffee....

The undersigned members of the Amity Board of Education

Dr. K. Sudhir

Mr. John Belfonti (Chair)

Mr. Christopher Browe

Ms. Shannan Carlson

Mr. Paul Davis

Ms. Carla Eichler

Ms. Andrea Hubbard

Dr. Carol Oladele

Mr. Patrick Reed

Ms. Donna Schuster

Dr. Jennifer Turner

The March 10, 2022 article:

<https://orangetownnews.com/cost-of-surplus-amity-budget-update-voting-awareness/>