FAQs About the Amity Budget and Process

1. *I heard that Amity has a $3 million surplus each year for the last 4 years. Does that mean Amity cost taxpayers an extra 12 million dollars?*

A surplus is not an expense, the money remains in the system. So, it is the same 3 million dollars that gets carried over from year to year. Its cost to the taxpayer is at most the interest that we lose on it. But Amity even returns the interest it gets from the surplus back into the budget, so taxpayers don't lose the interest either.

When people estimate a $12 million cost of surplus, it 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.

2. *Ok, so tell me how much does the average $3 million surplus cost the taxpayer a year?*

Just for discussion, assume it cost us a generous 3% interest rate (though the interest is returned by Amity). The cost of a $3 million surplus is about $90,000 to the taxpayer. For an average taxpayer, paying $8500 in taxes, the cost would be roughly about $5-$6, depending on the town.

3. *And how much would it cost over 4 years?*
   It would be $5-$6 each for 4 years, i.e., $20-$24.

4. *I see. That is not a lot of cost to the taxpayer. But still, why should Amity carry a surplus every year?*

There are many reasons for why Amity carries a surplus. In many cases, this is done to help keep the overall taxes lower.

(i) *Self-insurance*: Rather than paying an insurance company for insurance, Amity saves the taxpayer money by self-insuring for medical and dental expenses. This means like an insurance company, Amity needs to keep a reserve to pay out expenses, and this reserve should be funded to cover larger than expected expenses in any given year. Experts suggest keeping an additional 18-25% in reserve. Until FY 2021, Amity kept about 25%; in FY 2022, it was 22% and for FY 2023, it is now 18%. If we paid an insurance company, they would also charge us for such surplus and have margins on this and our costs would be higher. This part of the surplus is good surplus that saves money for the taxpayer.

(ii) *Variability in state grants*: Every year the state gives various grants. But the exact amounts cannot be often predicted perfectly in advance. The budget needs to fully cover for those expenses at the beginning of the year. When Amity gets that money at the end of the year, it adds to the surplus. Again, this surplus is good for the taxpayer, and we should encourage the administration to get as much grant money as they can to increase these surpluses that reduce our taxes.

(iii) *Special Education*: Amity saves the taxpayer a lot by doing the special education inhouse rather than paying someone else. This is also great for our kids who do not have to be bused out of the system where they may not get the same quality of education. This is a significant expense, and the exact number of students are hard to predict in advance. Amity budgets conservatively to ensure all students who need Special Education can be offered the service. Predicting exact grants Amity gets from the state for Special Education is hard, but we should be happy to maximize such grants.

5. *Still, could Amity reduce some part of the surplus this year? We all have a challenging year given inflation and would like to pay less in taxes this year.*

Amity reduced the reserve over actual expenses for medical/dental insurance this year from 25% in FY21 to 18% in FY 23. The 18% is the bare minimum that insurance experts say should be in reserve. This reduced the budget by about $320K. Going so low is not ideal, but in the short-run, it allowed us to reduce the budget one time this year. It is important to note that reducing the medical reserve only gives a one-time benefit.

6. *I heard that Amity's projected surplus tends to be low during the early part of the year, but increases a lot at the very end after the budget increases are set. Why is that? Why can't we know the surplus before the budget is set?*

There are some expenses like salaries and operational costs like electricity that can be predicted on a monthly basis. When staff or teachers quit, those savings can be predicted. But many others can't be. For example, medical expenses occur when staff use medical care. Many one-time costs cannot be predicted as to when they will happen; facilities can need repair at any time. So, one can't close out these accounts or predict these expenses earlier in the year. This is a common feature of budgeting everywhere. If the Board monitors the expenses and makes sure the expenses are legitimate, the taxpayer has nothing to lose.

Overall Takeaway: Don't focus just on cost of surplus, also consider the benefits. The goal is to reduce total costs to the taxpayer.

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. That would be so much worse for the taxpayer--- penny wise and pound foolish. **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.**