



2014-2015 Tentative Budget



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Dear Colleagues:

As you prepare a budget for the 2014-2015 school year Questar III BOCES stands poised and ready to serve your needs and to provide cost savings through shared programs and services.

The constraints of the property tax levy cap, years of inadequate state aid, the threat of a tax freeze and lack of political will in Albany to deal with the deep structural problems in our public education system has put unprecedented pressures on school boards to cut and contain costs.

The work of New York's BOCES demonstrate the power of inter-municipal cooperation to achieve economies and efficiencies, expand educational opportunity, close gaps in student achievement, improve educational equity and serve children.

On behalf of the Questar III Board of Education, it is our pleasure to invite component school board members to our Annual Meeting on April 9 at our conference center in Castleton. Questar III conducts an Annual Meeting to review its tentative operating plan, in accordance with state law.

We also invite you to learn more about next year's proposed budget by reading this document. With BOCES as a catalyst, we will continue to work together to offer services that serve children and districts regardless of enrollment, income or size of tax base.

Our challenges are numerous as we seek to help school districts contain state mandate-driven costs and still provide extraordinary learning opportunities for students throughout the region. The cooperative approach, time-tested through BOCES, continues to achieve positive results for school districts and their students and is more critical than ever.

Thank you for your interest and support for our continuing efforts to serve your students, school districts and communities.

A handwritten signature in black ink, appearing to read "Robert H. Gibson".

Robert H. Gibson
President
Questar III BOCES

A handwritten signature in black ink, appearing to read "James N. Baldwin".

James N. Baldwin
District Superintendent
Questar III BOCES

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Executive Summary

Over the long term Questar III has managed costs very aggressively.

The administrative budget, which is subject to approval of component boards, provides for a variety of operational and support activities of the BOCES as well as services to school districts.

Revenues for the administrative budget include non-component administrative fees, statewide service administrative fees, fees from administering various grants and contracts, and interest. These total \$833,147 for 2014-15. The difference between these revenues and the expenses funded in the administrative budget is raised through charges to 22 component school districts. This is our equivalent of a "tax levy."

The five-year median levy increase for Questar III is 0.67 percent and the average levy increase for Questar III is 1.15 percent. This places us squarely within the low range of our component school districts (2009-2010 to 2013-2014).

For 2014-15 the actual administrative charge to component districts is \$3,491,039 (an increase of 2.25 percent). However, Questar III's proposed administrative budget for 2014-2015 is \$5,570,122 due in majority to required changes in the accounting of Other Post-Employment Benefits (OPEB). Please see page 9 for a detailed explanation on this.

By law, the 22 Boards of Education within Questar III will vote on the BOCES administrative budget on the same day, April 22. This is the only portion of the BOCES budget that component districts vote on each year.

The budget for a BOCES differs in several significant ways from that of a school district. The most noticeable difference is that its total budget is actually a collection of several independent budgets. Another difference is that BOCES budgets are strictly revenue-based. That is, they are governed by the revenue generated rather than predetermined expenditures as with school districts.

As a result, final program budgets for the 2014-2015 school year will depend upon service requests from districts. Each tentative program budget is adjusted as enrollments or district participation varies.

Budgets for services, programs and grants make up approximately 89 percent of Questar III's total budget. A large percentage of services are instructional programs that include career and technical education and special education services for students.

Total Budget – Executive Summary

EXPENDITURE CATEGORY	ACTUAL	ADJUSTED	PROPOSED
	EXPENDITURES	BUDGET	BUDGET
	2012/13	2013/14	2014/15
INSTRUCTIONAL SALARIES	\$ 17,521,558	\$ 17,474,292	\$ 17,678,325
NON-INSTRUCTIONAL SALARIES	\$ 5,709,118	\$ 6,397,830	\$ 6,208,633
EQUIPMENT	\$ 2,071,791	\$ 2,427,420	\$ 2,025,540
SUPPLIES & MATERIALS	\$ 1,401,506	\$ 1,936,438	\$ 1,696,981
CONTRACTUAL SERVICES	\$ 2,984,994	\$ 4,287,667	\$ 2,831,006
PROFESSIONAL SERVICE CONTRACTS	\$ 874,808	\$ 1,352,247	\$ 1,375,005
RENTAL OF FACILITIES	\$ 1,085,539	\$ 1,143,061	\$ 1,128,282
PAYMENTS TO SCHOOLS DISTRICTS & OTHER BOCES	\$ 10,070,391	\$ 11,820,512	\$ 12,296,870
EMPLOYEE FRINGE BENEFITS	\$ 11,306,367	\$ 12,563,212	\$ 13,741,631
POST RETIREMENT BENEFITS	\$ 1,464,100	\$ 1,519,084	\$ 2,675,000
TRANSFER TO CAPITAL	\$ 752,473	\$ 598,000	\$ 550,000
TRANSFER CHARGES FROM OPERATIONS & MAINT	\$ 1,762,471	\$ 2,093,978	\$ 1,990,786
TRANSFER CHARGES FROM OTHER SERVICES	\$ 2,101,833	\$ 2,847,185	\$ 2,847,799
TRANSFER CREDITS	\$ (966,330)	\$ (1,534,693)	\$ (1,425,331)
TOTAL	\$ 58,140,619	\$ 64,926,233	\$ 65,620,527

EXPENDITURE CATEGORY	ACTUAL	ADJUSTED	PROPOSED
	EXPENDITURES	BUDGET	BUDGET
	2012/13	2013/14	2014/15
CENTRAL ADMINISTRATION	\$ 3,813,770	\$ 4,701,551	\$ 5,570,122
CAPITAL (RENTS AND LEASES)	\$ 1,770,107	\$ 1,646,750	\$ 1,618,650
CAREER & TECHNICAL EDUCATION	\$ 7,697,436	\$ 8,602,608	\$ 8,480,580
SPECIAL EDUCATION	\$ 18,661,225	\$ 20,414,234	\$ 21,412,520
ITINERANT SERVICES	\$ 1,739,012	\$ 2,094,454	\$ 1,885,107
GENERAL EDUCATION	\$ 4,457,128	\$ 4,437,195	\$ 4,169,327
INSTRUCTIONAL SUPPORT	\$ 5,609,467	\$ 5,947,784	\$ 5,642,941
DISTRICT SUPPORT	\$ 8,498,381	\$ 11,282,797	\$ 11,010,113
SPECIAL AID FUND	\$ 5,894,093	\$ 5,798,860	\$ 5,831,167
TOTAL	\$ 58,140,619	\$ 64,926,233	\$ 65,620,527

BOCES Overview

Boards of Cooperative Educational Services (BOCES) are public education cooperatives that serve as extensions of local school districts. A BOCES provides programs and services that districts may be unable to offer on their own or that are more economical to share with other districts.

The New York State Board of Regents and the Commissioner of Education charge the state's 37 District Superintendents and BOCES with providing leadership and support in developing the capacity of local schools to enable students to meet the state learning standards and graduation requirements.

Questar III BOCES serves 22 component districts (and one non-component) in Rensselaer, Columbia and Greene counties and provides more than 250 shared services statewide.

How Questar III Operates

Questar III BOCES helps school districts operate more efficiently and cost-effectively by pooling their resources and sharing costs. BOCES services are created when two or more school districts have similar needs that can be met by sharing staff members, classroom/office space, equipment, time or expertise.

BOCES have been – and continue to be – an agent for change and a vehicle for family and student choice in our public education system. Through BOCES school districts can provide a rich variety of learning experiences for students of all interests, ages and abilities.

Like public school districts, Questar III is governed by a policy-making board of education. The 11 members of the Questar III board serve three-year terms and are elected by component boards through a special vote held each April.

Questar III board members either serve or have served on local district boards and collectively have rendered more than 300 years of service to our region. Most of them also have experience as board presidents in their districts of residence.

How Districts Purchase Services

All services and programs (except for administration and rent) must be requested, in writing each year through a final service request process approved by local superintendents of schools. Therefore, districts only pay for their share of requested programs and services. Prior to providing any service, the BOCES must receive the approval of the Commissioner of Education through the submission of a proposed programmatic and financial operating plan for each service, known formally as a Cooperative Service Request or "Co-Ser."

Every year, each local board has the option to increase, renew or cancel any service. Questar III and the component districts enter into formal contracts through final service requests (FSR). Specified in each contract are the number and types of services to be furnished by the BOCES, the number of students to be served, and the amount to be paid to the BOCES.

Paying for BOCES Services

Questar III has no taxing authority. It is funded by the member districts forming the cooperative. As an incentive to cooperate and share resources, New York provides aid to partially reimburse districts for participating in BOCES programs and services. Commonly called “BOCES Aid,” these funds are actually distributed to districts based on a state approved formula. BOCES aid for Questar III districts range from 36 to 76 percent, depending on school district wealth ratios.

Budget History

Questar III has been very aggressive in controlling and containing costs for component districts in spite of being faced with the same economic challenges as our region’s schools. Our budget and program development efforts continue to strive for fiscal responsibility, accountability and transparency.

We have encouraged and achieved greater participation by our component school superintendents in our decision-making process. Superintendent committees continue their active involvement in program development and rate setting. Through this collaborative process, new services are developed or existing services are refined to better meet district needs.

This process has allowed Questar III to gain a better understanding of the level of shared services districts value and need.

Questar III Budget Philosophy

Questar III’s work embodies three core values—*Service, Learning and Excellence*—and a commitment to *Putting Students First*.

Through its budget development process, Questar III seeks to:

- Improve its capacity to deliver an educational program that supports student achievement and high academic standards.
- Be faithful stewards and make effective use of the financial resources entrusted to us by our component school districts.
- Move resources, both human and financial, closer to our students and points of service.
- Provide the best possible service to our customers as quickly as possible.
- Increase productivity and provide districts with value for their money.

Proposed Administrative Budget

The administrative budget supports the management, coordination and leadership provided by the BOCES. It includes the office of the district superintendent and central administrative expenses, traveling expenses, and salaries and benefits of supervisors and administrative personnel necessary to carry out the administrative duties of the BOCES and the Rensselaer, Columbia, Greene Sole Supervisory District.

CENTRAL ADMINISTRATION	ACTUAL	ADJUSTED	PROPOSED
	EXPENSES	BUDGET	BUDGET
	2012/13	2013/14	2014/15
INSTRUCTIONAL SALARIES	\$ 275,398	\$ 330,241	\$ 345,388
NON-INSTRUCTIONAL SALARIES	\$ 678,805	\$ 704,493	\$ 701,207
EQUIPMENT	\$ 12,596	\$ 15,650	\$ 11,500
SUPPLIES & MATERIALS	\$ 85,659	\$ 123,250	\$ 105,700
CONTRACTUAL SERVICES	\$ 119,864	\$ 490,010	\$ 166,115
PROFESSIONAL SERVICE CONTRACTS	\$ 180,425	\$ 344,908	\$ 242,500
PAYMENTS TO SCHOOLS DISTRICTS & OTHER BOCES	\$ -		
EMPLOYEE FRINGE BENEFITS	\$ 448,401	\$ 522,996	\$ 578,193
POST RETIREMENT BENEFITS	\$ 1,464,100	\$ 1,519,084	\$ 2,675,000
TRANSFER CHARGES FROM OPERATIONS & MAINT	\$ 46,078	\$ 59,784	\$ 56,046
TRANSFER CHARGES FROM OTHER SERVICES	\$ 502,444	\$ 591,135	\$ 688,473
TOTAL	\$ 3,813,770	\$ 4,701,551	\$ 5,570,122

It also contains funding to support activities associated with implementation and support for the state learning standards and regional initiatives in advocacy, board workshops and trainings, certification, communications support, district strategic planning initiatives, emergency management, facilitation, grant research, planning, superintendent professional development and superintendent searches.

Questar III's proposed administrative budget for 2014-2015 is \$5,570,122, which is \$175,288 above a contingency budget. This figure is an increase of 31.4 percent from the current year budget, due in majority to required changes in the accounting of Other Post-Employment Benefits (OPEB).

However, the actual administrative charge to component districts is \$3,491,039 (an increase of 2.25 percent), as this budget also includes \$378,147 in revenue earned through administrative fees charged to non-components that buy our services, \$455,000 in interest and indirect cost revenues from the Special Aid Fund, and \$1.2 million in OPEB accrual credits to school districts.

Revenues from administrative fees to non-components and statewide service customers, along with fees from grants and contracts, helps Questar III contain administrative costs for its 22 component districts. As our statewide services grow, net of interest income, so does our administrative revenue, which in turn reduces

administrative charges to our components. The chart below shows how these revenues have increased more than 100 percent since 2009-2010.

<u>Year</u>	<u>Revenue</u>	<u>% Change</u>
2009-10	\$377,741	
2010-11	\$603,651	59.81%
2011-12	\$711,015	17.79%
2012-13	\$728,313	2.43%
2013-14	\$769,683	5.68%
2014-15	\$778,147	1.10%

Tax Levy/BOCES Administrative Charge

Ultimately, the difference between revenue and expense is charged to component school districts. This is our equivalent of a tax levy. The chart below illustrates how Questar III compares to the highest and lowest districts within the BOCES over the past five years. This places us squarely within the low range of our component school districts.

	5 Year Median	5 Year Average
High District	3.89%	4.93%
Questar III	0.67%	1.15%
Low District	0.00%	0.24%

OPEB Mitigation

Questar III has had a longstanding practice of setting aside funds to pay for the future expenses associated with the post retirement benefits of our retirees. This practice, which was reported annually to school districts, was a fiscally conservative approach to paying forward post-retirement benefits. Over time, our actuaries estimate it would have saved component school districts approximately 65 percent of our net OPEB obligation.

This year’s proposed administrative budget reflects a shift in how Questar III accounts for the OPEB liability. In October 2013, the Office of the State Comptroller (OSC) sent a letter to Questar III requiring it to discontinue its practice of accumulating funds from programs, contracts and grants, and holding them for the OPEB liability. It further provided that any funds accumulated in excess of current OPEB expenditures be returned to their sources.

Additionally, a task force comprised of component superintendents and business officials, as well as Questar III staff, recommended that because OPEB obligations are required to be treated as a current liability under modified accrual accounting, the full amount of the “pay-as-you-go” OPEB obligation should be reflected in the annual administrative budget.

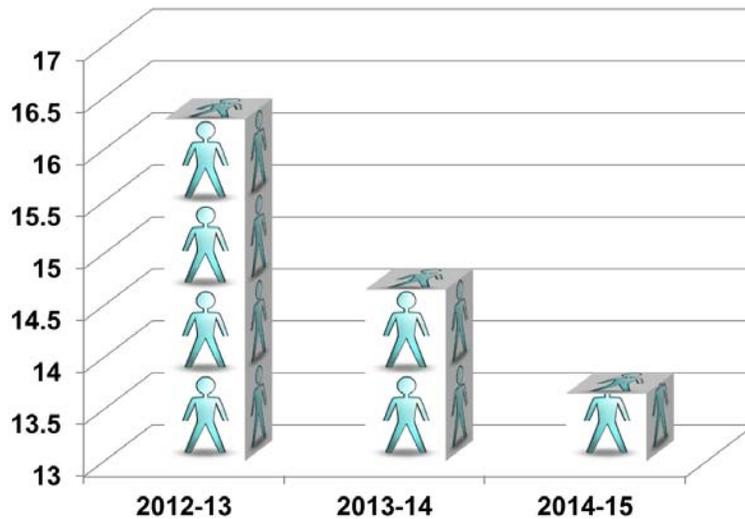
To return funds to districts, avoid aid-take-backs by the state that would hurt districts and minimize the impact of the growth in the administrative budget on component districts, the accrued funds will be used to offset the inclusion of the entire annual OPEB obligation in the administrative budget. As a result, Questar III is only billing each district for its share of the administrative budget net of the increase in the OPEB obligation.

For the 2014-2015 administrative budget, credits will be distributed to each district totaling \$1,245,936. Amounts to be credited to each district will be determined by the Resident Weighted Average Daily Attendance (RWADA) formula. In 2015-2016 and beyond, distribution will be based on forensic audit findings identifying the sources of the accrual and the recommendations of component superintendents of schools to the BOCES.

Administrative Budget Cost Containment Strategies

In recent years, Questar III has reduced a number of positions and implemented a vacancy control program whereby organizational needs are analyzed as vacancies occur within the agency. With one of the organization’s Assistant Superintendents retiring this year, Questar III has abolished that position. Additionally, we have reduced business staff/other (1.34 FTE) and grant researcher (0.30 FTE) positions over the past two years.

There has been a 16.21 percent reduction of administrative FTEs since 2012-2013. Business office staff now perform a number of outside services, including claims auditor and purchasing agent (cooperative bidding) as a way to increase revenue and decrease the share component school districts contribute to support these positions.



In October 2013, the Questar III Board of Education adopted a compensation/salary plan for employees not affiliated with a bargaining unit. This board-approved plan provides guidance in establishing salary ranges in light of the fiscal condition of the

agency and its component school districts. Further, it establishes a “job rate” or salary cap for each position.

Questar III also implemented a number of cost-cutting moves related to employee benefits, working with the Rensselaer-Columbia-Greene Health Insurance Trust to:

- Migrate all employees and retirees from the Indemnity Plan to the PPO Plan.
- Migrate from the PPO812 to the PPO816, increasing co-pays and deductibles. Seventeen of the 22 Health Insurance Trust districts still offer PPO812.
- Create a sliding scale for employee contributions based on salary from 5%-15%.
- Carve out pharmacy from our health insurance plan.
- Eliminate community rate or HMO products and migrated to Exclusive Provider Organization (EPO) to save on commissions and to benefit from our claims history.
- Limit coverage to employees over 0.5 FTE.

Questar III mitigated the long-term impact of post-employment benefits on our component school districts by:

- Increasing the vesting requirement for such benefits from 10 to 15 years for employees.
- Providing individual health insurance only in retirement for employees hired after July 1, 2008.
- Matching contribution rates in retirement with those in place at time of retirement.
- Reducing instructional LEA work (or contract work for the state) where we would be required to retain long-term instructional staff that would likely retire from Questar III with benefits.
- Accruing \$22.9 million for OPEB expenses over 14 years (the accrued liability fund) to fund the OPEB liability when the legislature would provide for the creation of OPEB trusts. This would save our districts over 65 percent of the net OPEB obligation.

District Superintendent Salary and Benefits

The BOCES Reform Legislation of 1993 requires the presentation of the administrative budget as separate from the rent and capital budget (rents and leases). The legislation limits the salary of the district superintendent and mandates the separate reporting of the district superintendent salary and benefits as follows:

State of New York portion of salary and fringe:

<i>District Superintendent Salary</i>	\$ 43,499
<i>Federal Insurance Contributions Act and Medicare</i>	\$ 9,415

BOCES portion of salary and fringe:

<i>District Superintendent Salary</i>	\$123,073
<i>New York State Teacher Retirement</i>	\$ 21,846
<i>Health & Disability Insurance</i>	\$ 22,967
<i>Workers' Compensation Insurance</i>	\$ 2,708
<i>Unemployment Insurance</i>	\$ 1,231
<i>Auto Allowance</i>	\$ 6,000

Rent and Capital Budget

There is a 1.71 percent decrease in the rent/capital budget for next year. This budget includes three components: rent to schools, rent to others and transfers to capital.

2013 – 2014 Budget	\$1,646,750
2014 – 2015 Budget	<u>\$1,618,650</u>
Dollar decrease	\$28,100
Percent decrease	1.71%

	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
Rents to Schools	\$538,750	\$552,750	\$561,150
Rent to Others	\$517,485	\$496,000	\$507,500
Transfer to Capital	\$803,465	\$598,000	\$550,000

Questar III continues to work to contain rent and capital expenses. This includes:

- Our proposed rent and capital budget for next year is at 2006-07 levels.
- We have reduced rent paid to private landlords by more than 60 percent since 2007 in favor of rentals from component school districts resulting in better quality instructional space for our special education students.
- We have consolidated spaces in academies and our career and technical education (CTE) centers.
- We are completing a space utilization study that will inform future allocation and acquisition of space.
- We have conducted a three-phase renovation of the Columbia-Greene Educational Center with a total investment of \$2.6 million over three years.
- We have deferred investment in the Rensselaer Educational Center (REC) due to the recession and its impact on our component school districts.

The classroom rental rate of \$7,000 per classroom (except special projects) is established by the Superintendents' Council. Rent to others includes the Central Office/Administrative Building in Schodack, Tech Valley High School and classrooms at colleges for New Visions programs.

In recent years, Questar III made a concerted effort to shift rent from private companies to school districts to increase revenue to our component school districts.

For example, Questar III's special education program is now based on an academy approach. Questar III leases special education academy space from Averill Park, Catskill and Rensselaer to provide regionally centralized locations for clusters of classrooms. Additionally, the agency leases special education classrooms from East Greenbush, Ichabod Crane and Schodack.

We are seeking to integrate our CTE and special education instructional practices. As a result, we are studying how we currently use space to come up with various cost-effective strategies.

While Questar III has dramatically improved its special education facilities thanks to partnerships with component districts, one of its longstanding challenges has been finding appropriate space for CTE students. While we have been working year-to-year to maintain and update our Hudson-based Columbia-Greene Educational Center with good results, we have deferred investment in the Rensselaer Educational Center (REC).

Options to expand or renovate the REC with its aged infrastructure and deteriorating conditions are limited. Right now Questar III would have to propose a region-wide vote to alter the footprint of REC – a non-starter in this fiscal climate. Moreover, these costs – estimates ranged from \$12.6 million to \$31.9 million – would also affect component districts' tax levies.

In response, Questar III explored options with Rensselaer City School District to relocate REC programs to the district's K-12 campus. Here the cost of a new facility would have been reduced by Rensselaer's high building aid ratio as with the Questar III Rensselaer Academy. This results in rent in an amount that is net of building aid to the host district.

Rensselaer intended to build that project as an extension of its original building project at the current site but recently informed us this would not be possible as a result of a decision by the State Education Department. We are exploring other options with districts that have favorable building aid ratios and are willing to work with us.

Starting this fall, Tech Valley High School will relocate to a new facility at the College of Nanoscale Science & Engineering in Albany. While there will be a modest increase in the lease amount here (the new lease does include expenses that were not included in the current lease), the move will provide our students and school districts with unprecedented access to a world-renowned, state-of-the-art facility.

Impact of the Administrative, Rent and Capital Budgets

Sections 1950 and 1951 of the NYS Education Law established BOCES and the requirement of member or component districts to pay a proportionate share of the administrative costs.

Thirteen of our 22 component districts will see a decrease in their share of administrative, rent and capital costs. The impact of the BOCES administrative, rent and capital charges (compared to 2013-2014) on local districts' budget will range from a decrease of 18.48 percent to an increase of 12.07 percent.

School districts pay an annual assessment toward the support of the administrative budget based upon their Resident Weighted Average Daily Attendance (RWADA). District charges vary based on increases or decreases in student enrollment.

Budget Vote

By law, the 22 Boards of Education within Questar III are required to vote on the BOCES administrative budget on the same day, April 22, 2014. This is the only portion of the BOCES budget that component districts vote on each year.

Program Budgets

The budget for a BOCES differs significantly from that of a school district. The most noticeable difference is that a BOCES budget is a collection of several independent budgets. Another difference is that most BOCES budgets are strictly revenue-based. That is, they are determined by the revenue generated by purchases of programs and services rather than predetermined expenditures rolled from year-to-year. As a result, final program budgets depend upon service requests from districts in May of each year.

Whereas school district budgets are fixed, the demand for BOCES services leads to staff (and thus budget) increases or decreases during the year. Services are added or eliminated based on client demand, often in a counter-cyclical business environment (i.e., as districts face difficult times they rely more on the BOCES).

In recent years, Questar III has worked hard to contain costs and to maintain program and service rates for school districts. The following chart shows that the majority of programs have kept rates below two percent over the past five years.

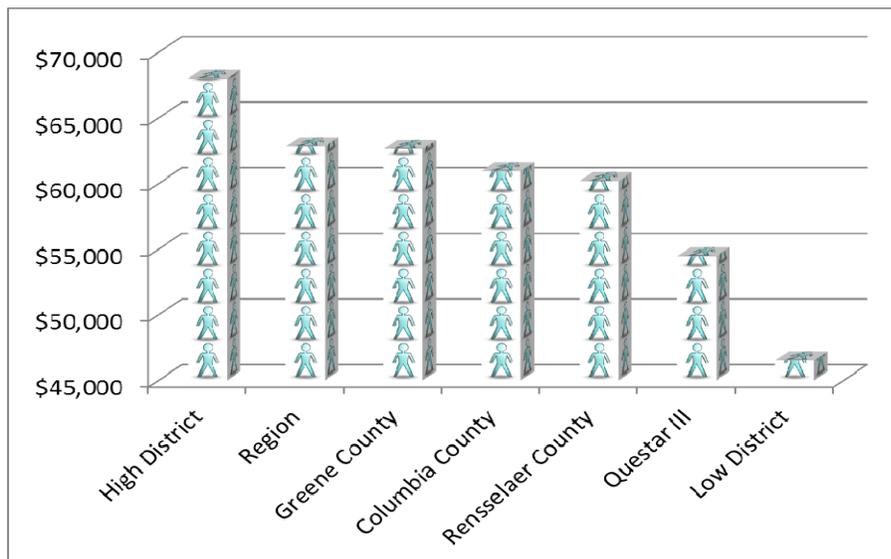
Year	% of Programs with a Rate Increase \leq 0%	% of Programs with a Rate Increase \leq 2%
2010-11	44.93%	45.41%
2011-12	49.77%	69.12%
2012-13	56.03%	90.95%
2013-14	66.67%	88.19%
2014-15	55.78%	69.72%

Teacher Salaries

Whether you compare Questar III to its component districts or to other BOCES, the data shows that the organization is fiscally conservative. Below is how Questar III's median teacher salary compares with other local BOCES (2012-2013 school year). A lower percentile rank means lower costs.

BOCES	BEDS Median	BOCES Region Percentile Rank
Capital Region BOCES	\$64,735	74th
WSWHE BOCES	\$62,097	83rd
Questar III BOCES	\$54,467	25th

The following graph illustrates how Questar III's median teacher salary compares with the region, highest and lowest school district and three counties during the 2012-2013 school year. Through our management of collective bargaining we have maintained cost discipline and management prerogatives over an extended period of time.



Source: Teacher Salary Study Report, http://www.questar.org/about_us/pdf/2012-13_Teacher%20Salary_Report.pdf

Program budget highlights

Career and Technical Education

Questar III's Career and Technical Education (CTE) programs offer high school students the opportunity to learn career skills while earning a Regents diploma, often with a technical endorsement. These half-day programs integrate classroom learning with professional training in a wide range of exciting fields such as aviation, construction, culinary arts, information technology and mechanical technology. A

number of programs result in certifications (Certified Nursing Assistant) or professional certificates (Private Pilot Certificate), or licensing (Cosmetology). Other programs offer industry credentialing (Construction Technology HEAT certification).

CAREER & TECHNICAL EDUCATION	ACTUAL	ADJUSTED	PROPOSED
	EXPENSES	BUDGET	BUDGET
	2012/13	2013/14	2014/15
INSTRUCTIONAL SALARIES	\$ 3,313,815	\$ 3,342,942	\$ 3,380,022
NON-INSTRUCTIONAL SALARIES	\$ 547,668	\$ 545,341	\$ 460,983
EQUIPMENT	\$ 117,952	\$ 128,220	\$ 86,450
SUPPLIES & MATERIALS	\$ 230,807	\$ 358,816	\$ 302,495
CONTRACTUAL SERVICES	\$ 558,946	\$ 961,038	\$ 537,669
PROFESSIONAL SERVICE CONTRACTS	\$ 28,423	\$ 176,200	\$ 173,775
PAYMENTS TO SCHOOLS DISTRICTS & OTHER BOCES	\$ 106,027	\$ 92,000	\$ 88,200
EMPLOYEE FRINGE BENEFITS	\$ 1,919,383	\$ 1,966,228	\$ 2,218,040
TRANSFER CHARGES FROM OPERATIONS & MAINT	\$ 769,780	\$ 978,710	\$ 972,720
TRANSFER CHARGES FROM OTHER SERVICES	\$ 327,955	\$ 486,309	\$ 522,741
TRANSFER CREDITS	\$ (223,320)	\$ (433,196)	\$ (262,515)
TOTAL	\$ 7,697,436	\$ 8,602,608	\$ 8,480,580

Questar III CTE programs continue to thrive with high demand by students and districts thanks to the success and reputation of our programs and the ongoing input from our Superintendent Subcommittee on Academic Programs. The percentage of CTE students receiving Regents diplomas from their local high schools exceeds the average of all districts in our BOCES. It is important to note that approximately 30 percent of these students are special education students.

Other recent programmatic accomplishments include:

- Increased technical endorsements (from 56 to 78 percent).
- Decreased discipline referrals (2012-1013 academic year was 32, compared to 328 in 2009).
- Increased business interactions through student internships (every student is involved in a work-based learning experience).
- Alignment of program to business needs (through ongoing input from professionals in the field using our consultant committee model).

Thanks to the support of business and higher education, we have expanded our work-based learning initiative for students. This includes job shadowing, internships and service learning projects onsite at local companies.

This year's budget continues to combine CTE and Tech Valley High School rates into a five-year average. This was done at the request of our component school superintendents several years ago and it enables us to make full use of existing capacity by allowing school districts to send students to CTE or Tech Valley High School without incurring additional costs in the current year.

Last year, Questar III and Capital Region BOCES established an agreement to offer wider CTE options for students. While the two BOCES have made their New Visions programs available to all high school seniors in either BOCES for several years, the new effort takes advantage of existing capacity and expands the number of courses offered jointly to provide students in all seven counties with more pathways to college and career readiness. Cross contract costs with Capital Region BOCES for specific CTE programs and New Visions programs have been eliminated when enrollment is not at capacity.

As we look to the future, there are a number of cost drivers for CTE. Like our school districts, Questar III continues to implement the Regents Reform Agenda. The CTE budget provides support for implementation of the Common Core Learning Standards and Annual Professional Performance Review (APPR) in our CTE programs. Additionally, we have added a number of new programs since 2009-2010 – to realign resources to better support career pathways in areas demanded by employers.

At the same time, we have eliminated two administrative positions and five programs since 2009-2010. Green Technologies and Careers in Health Care are also scheduled to be eliminated starting this fall. In the case of our Green Technologies program, we are working to integrate modules from the program into our current HVAC programs, located at both CTE centers. Students who may have been considering the Careers in Health Care program will be offered opportunities in other Health Occupations programs (i.e., Certified Nursing Assistant) that have a strong track record of certifying students to enter this health career area.

Special Education

A decades-long leader in providing special education and related services to students with disabilities, Questar III provides an array of services for students, based on their individual academic capabilities and social/behavioral needs.

SPECIAL EDUCATION	ACTUAL	ADJUSTED	PROPOSED
	EXPENSES	BUDGET	BUDGET
	2012/13	2013/14	2014/15
INSTRUCTIONAL SALARIES	\$ 8,117,393	\$ 7,961,776	\$ 8,409,834
NON-INSTRUCTIONAL SALARIES	\$ 1,644,187	\$ 1,888,663	\$ 1,717,806
EQUIPMENT	\$ 106,878	\$ 24,698	\$ 32,000
SUPPLIES & MATERIALS	\$ 139,132	\$ 201,406	\$ 181,534
CONTRACTUAL SERVICES	\$ 307,140	\$ 265,809	\$ 255,159
PROFESSIONAL SERVICE CONTRACTS	\$ 31,928	\$ 35,500	\$ 53,000
PAYMENTS TO SCHOOLS DISTRICTS & OTHER BOCES	\$ 1,754,592	\$ 2,635,080	\$ 2,714,334
EMPLOYEE FRINGE BENEFITS	\$ 5,175,932	\$ 5,679,817	\$ 6,413,522
TRANSFER CHARGES FROM OPERATIONS & MAINT	\$ 710,015	\$ 709,271	\$ 684,551
TRANSFER CHARGES FROM OTHER SERVICES	\$ 674,028	\$ 1,012,214	\$ 950,780
TOTAL	\$ 18,661,225	\$ 20,414,234	\$ 21,412,520

Last year, 16 of the 19 students from the special education class of 2013 achieved their projected credential (Regents, local or IEP diploma) – a testament to the partnership between our staff, school districts, families, students and others.

Next year's budget seeks to institutionalize Sackett Educational Center and Rensselaer Academy's grant-funded partnership with Brown University. Brown University's Collaboratory for Adolescent Literacy Leaders (CALL) grant, which ended in December 2013, allowed a team of four teachers and one literacy specialist to join six other teams across the country in a professional development program to improve classroom instruction and student achievement.

Questar III is also launching a new college partnership (Sarah's Sisters) at Russell Sage for students with intellectual disabilities ages 18-21 starting this fall. This program will provide these students with a learning experience in a college setting before they move to post-secondary life.

In recent years, the cost of delivering high-quality programs and services has increased and districts have asked us to seek newer, less costly ways of doing business. As a result, Questar III is implementing a number of changes starting this fall. We will be migrating students from 4:1:2 to 6:1:2 placements. This will help address what became a default placement of students. Additionally, we are reducing the number of 1:1 aides in collaboration with school district CSE's. This has a direct impact on cutting cost for school districts.

As with all Questar III instructional programs, the special education budget also supports implementation of the Common Core Learning Standards and APPR. We have also added behavioral intervention staff to address the increased needs of the special education students being sent to BOCES.

Itinerant Services

Through its itinerant services, Questar III staff members are shared between school districts. This includes both certified and specialty support personnel. Services may be provided at the local district, a BOCES site, or at another location depending on the nature of the request or service provided. Services may also be provided during specified times to address district needs.

Itinerant services include: consultant teacher, music therapy, occupational therapy, orientation and mobility, physical therapy, adaptive physical education, school psychologist, psychological worker, speech and language therapist, speech improvement, teacher of the blind/visually impaired, teacher of the deaf/hearing impaired, and transition coordination; as well as district services such as claims auditing, public information/communicator coordination and shared facilities director.

	ACTUAL EXPENSES 2012/13	ADJUSTED BUDGET 2013/14	PROPOSED BUDGET 2014/15
ITINERANT SERVICES			
INSTRUCTIONAL SALARIES	\$ 623,531	\$ 642,634	\$ 520,205
NON-INSTRUCTIONAL SALARIES	\$ 203,257	\$ 269,233	\$ 283,904
EQUIPMENT	\$ 799	\$ 2,000	\$ -
SUPPLIES & MATERIALS	\$ 1,268	\$ 37,402	\$ 1,719
CONTRACTUAL SERVICES	\$ 17,611	\$ 59,256	\$ 25,356
PAYMENTS TO SCHOOLS DISTRICTS & OTHER BOCES	\$ 534,916	\$ 601,216	\$ 615,530
EMPLOYEE FRINGE BENEFITS	\$ 334,966	\$ 443,411	\$ 391,449
TRANSFER CHARGES FROM OPERATIONS & MAINT	\$ 932	\$ 8,594	\$ 11,635
TRANSFER CHARGES FROM OTHER SERVICES	\$ 21,732	\$ 30,708	\$ 35,309
TOTAL	\$ 1,739,012	\$ 2,094,454	\$ 1,885,107

In recent years there has been an increase in non-instructional salaries of the itinerant services budget due to requests for our onsite communications service. Ten districts purchased this service during the 2013-2014 school year.

Next year, we will also offer a shared business manager Co-Ser in response to school district needs.

General Education

Questar III offers a wide array of general and alternative education offerings in distance learning, performing arts, pre-kindergarten, and regional competitions.

	ACTUAL EXPENSES 2012/13	ADJUSTED BUDGET 2013/14	PROPOSED BUDGET 2014/15
GENERAL EDUCATION			
INSTRUCTIONAL SALARIES	\$ 842,693	\$ 1,016,960	\$ 891,487
NON-INSTRUCTIONAL SALARIES	\$ 41,291	\$ 65,130	\$ 69,150
EQUIPMENT	\$ 83,185	\$ 54,976	
SUPPLIES & MATERIALS	\$ 126,429	\$ 160,082	\$ 104,400
CONTRACTUAL SERVICES	\$ 41,250	\$ 71,472	\$ 29,530
PROFESSIONAL SERVICE CONTRACTS	\$ 131,457	\$ 130,929	\$ 135,500
RENTAL OF FACILITIES			
PAYMENTS TO SCHOOLS DISTRICTS & OTHER BOCES	\$ 2,507,288	\$ 2,072,271	\$ 2,151,350
EMPLOYEE FRINGE BENEFITS	\$ 424,824	\$ 515,063	\$ 555,140
TRANSFER CHARGES FROM OPERATIONS & MAINT	\$ 89,876	\$ 124,510	\$ 99,212
TRANSFER CHARGES FROM OTHER SERVICES	\$ 168,835	\$ 225,802	\$ 133,558
TRANSFER CREDITS			
TOTAL	\$ 4,457,128	\$ 4,437,195	\$ 4,169,327

Distance Learning

Questar III works closely with the Northeast Regional Information Center (NERIC) to offer access to a distance learning network that truly exemplifies the nature of the cooperative. This allows participating districts to share courses that cannot be offered in most districts and gives students the opportunity for Advanced Placement (AP) offerings and college courses that would not otherwise be possible. There are currently 10 school districts participating in the service. Participating schools both host and receive courses that provide for extensive offerings for students.

Expanded Distance Learning

Questar III in partnership with NERIC is offering a new service called Expanded Distance Learning. The service offering is designed for those districts interested in growing their existing Distance Learning program, or are looking to start Distance Learning on a smaller scale. Key components of the service include initial and ongoing training and technical support; bridging, scheduling and recording of daily classes; program support through regional committee for course planning. There are currently four school districts participating in the service.

Online Learning

Online Learning was developed to respond to changes to the State Education Department's regulations. School districts can now grant credit to students who have completed coursework using online learning courseware. Questar III currently works with seven courseware vendors to offer districts choices in service plans. Fifteen school districts are using the service for credit recovery, credit accrual, home schooling, tutoring and Regents test prep.

Odyssey of the Mind

This year, a record 91 teams participated in the regional Odyssey of the Mind tournament at Rensselaer City School District. Odyssey of the Mind is an international program with a mission to teach students how to solve problems creatively. It encourages them to use their imagination and learn the importance of working as a team. Please visit <http://goo.gl/xlaa5E> to see a photo album from the competition.

Instructional Support

This budget funds high quality professional development and other instructional support services that benefit students, teachers and administrators across the region. All school improvement initiatives are coordinated by the Office of School Improvement, which responds directly to identified school needs.

	ACTUAL EXPENSES 2012/13	ADJUSTED BUDGET 2013/14	PROPOSED BUDGET 2014/15
INSTRUCTIONAL SUPPORT			
INSTRUCTIONAL SALARIES	\$ 1,372,928	\$ 1,286,597	\$ 1,278,506
NON-INSTRUCTIONAL SALARIES	\$ 428,754	\$ 480,111	\$ 560,183
EQUIPMENT	\$ 1,663,726	\$ 2,081,660	\$ 1,777,800
SUPPLIES & MATERIALS	\$ 400,218	\$ 381,216	\$ 392,260
CONTRACTUAL SERVICES	\$ 574,486	\$ 386,948	\$ 322,400
PROFESSIONAL SERVICE CONTRACTS	\$ 111,836	\$ 175,345	\$ 140,800
PAYMENTS TO SCHOOLS DISTRICTS & OTHER BOCES	\$ 485,798	\$ 627,753	\$ 658,421
EMPLOYEE FRINGE BENEFITS	\$ 707,636	\$ 874,099	\$ 983,949
TRANSFER CHARGES FROM OPERATIONS & MAINT	\$ 79,656	\$ 114,354	\$ 73,576
TRANSFER CHARGES FROM OTHER SERVICES	\$ 71,641	\$ 81,784	\$ 91,326
TRANSFER CREDITS	\$ (287,212)	\$ (542,083)	\$ (636,280)
TOTAL	\$ 5,609,467	\$ 5,947,784	\$ 5,642,941

Questar III continues to be the only BOCES in the region that offers ongoing embedded professional development in mathematics, ELA, and integration of technology for educators who serve all student populations. Our goal is to provide support where teachers need it the most – in the classroom.

Through its School Improvement Office, Questar III BOCES developed a regional approach to implementing the Regents Reform Agenda several years ago, before many details became final on new teacher and principal evaluation systems and Common Core standards. A Race to the Top Steering Committee – comprised of superintendents, principal coaches, and advisors – was created to provide leadership and guidance on how Questar III could best assist districts.

This budget addresses the end of \$1.3 million Race to the Top funding for 19 school districts. In the past, these districts pooled together their money through Questar III to create a network of training staff for every level of the system – superintendents, principals and teachers.

Questar III is currently piloting an online Common Core math course in partnership with Excelsior College, one of the world’s leading online colleges. We are hopeful that this product can be sold to school districts implementing the Common Core statewide and across the country – providing our BOCES with additional revenue that can be used to support our component school districts.

Data Coordination and Analysis

This budget also supports the increased responsibilities of School Improvement Data Analysts. This service provides districts with an onsite Data Coordinator/Analyst to help ensure that accurate reporting of data is accomplished. The data analysts are experts at providing this level of support, as well as providing analysis of the data and how it can be used for instructional decision making. This

team ensures that changes in data reporting requirements are met by the districts they serve and that the analysis of test result data can be used effectively.

Online Professional Development

Through a variety of online software products, several of our services are offering training opportunities that allow staff to stay where they are (thus avoiding mileage costs) and participate via live, interactive sessions that incorporate all of the benefits of a face-to-face meeting without actually being there.

Other School Improvement Efforts

School Improvement also coordinates the regional scoring of the 3-8 state assessments in ELA, Mathematics, Science and the New York State English as a Second Language Achievement Test. Additionally the office supports new principals through the Principal's Coaching Program. It also works collaboratively with districts to provide Supplemental Educational Services, home instruction and required bus driver/bus monitor trainings.

District Services

Districts face many challenges that require innovative solutions or a high level of technical expertise. Whether it is providing health and safety programs or financial analysis, Questar III's district services extend, enhance and enrich the educational capacity of participating districts. Next year, there will be minimal rate increases driven by employee costs. The cost for many of these services will decrease due to increased participation or process improvements.

DISTRICT SERVICES	ACTUAL	ADJUSTED	PROPOSED
	EXPENSES	BUDGET	BUDGET
	2012/13	2013/14	2014/15
INSTRUCTIONAL SALARIES	\$ 639,916	\$ 690,460	\$ 610,845
NON-INSTRUCTIONAL SALARIES	\$ 1,439,812	\$ 1,686,312	\$ 1,740,497
EQUIPMENT	\$ 37,515	\$ 109,216	\$ 76,200
SUPPLIES & MATERIALS	\$ 248,776	\$ 477,448	\$ 363,778
CONTRACTUAL SERVICES	\$ 481,498	\$ 1,261,265	\$ 715,405
PROFESSIONAL SERVICE CONTRACTS	\$ 223,568	\$ 301,594	\$ 325,525
PAYMENTS TO SCHOOLS DISTRICTS & OTHER BOCES	\$ 4,583,803	\$ 5,692,192	\$ 5,969,035
EMPLOYEE FRINGE BENEFITS	\$ 897,959	\$ 1,105,736	\$ 1,216,706
TRANSFER CHARGES FROM OPERATIONS & MAINT	\$ 66,134	\$ 98,755	\$ 93,046
TRANSFER CHARGES FROM OTHER SERVICES	\$ 335,198	\$ 419,233	\$ 425,612
TRANSFER CREDITS	\$ (455,798)	\$ (559,414)	\$ (526,536)
TOTAL	\$ 8,498,381	\$ 11,282,797	\$ 11,010,113

Business Office Support

Questar III has developed a variety of services to support the increasingly complex school district business operations. In response to district feedback, we developed a

central business office (CBO) service. This service has been expanded to include grant financial management, budget analysis and long-term financial planning.

Thanks to the Rensselaer-Columbia-Greene Health Insurance Trust, local districts have successfully negotiated contract renewals with Blue Shield of Northeastern New York below the national trend for the past five years. The Trust provides health benefits to over 10,000 employees, retirees and dependents. By pooling resources, the Trust leverages great purchasing power to obtain lower premiums and to spread risks over a larger number of policyholders.

Over the past several years, the Trust has worked aggressively to contain health care costs by 1) negotiating better pricing terms and implementing performance guarantees for vendors putting their fees at risk if they do not meet established performance standards; 2) designing plans that are data-driven, giving healthcare providers incentive for high performance; and 3) managing and improving the health of our employees and retirees.

The Questar III Purchasing Department routinely generates regional Requests for Proposals (RFP's) or bids for various goods and services. It has been our experience that regional RFP's and bids generate better vendor pricing and save business officials time. Questar III implemented changes in the billing methodology for equipment purchases to increase district savings.

School compliance and accounting requirements are increasingly complex. Questar III shares our staff's expertise to ensure that all of our components comply with the new Governmental Accounting Standards.

An aidable GASB 45/Other Post Employment Benefits (OPEB) valuation service helps districts across the state calculate and manage their OPEB liability. This year we redesigned our service to expedite the preparation of actuarial reports and to reduce costs. Moreover, Questar III expanded the training and consulting services offered by Financial Services. Next year, we will offer a Coordination of Insurance Management to assist school districts with Affordable Care Act compliance and reporting requirements.

The organization is also exploring a partnership with insurance companies to support the fixed asset inventory needs of school districts. Questar III is also redesigning the textbook program to expand automation and level of service, including eBook/iBooks for the Apple iPad platform. Our Textbook Program will experience a significant increase this year due to an investment in technology. We believe this investment will pay dividends in the future.

The State Aid & Financial Planning Service continues to be purchased by nearly every district in New York. Questar III is now expanding its services to include the other 36 BOCES across the state – an additional revenue stream for the organization with little additional costs. We are leveraging our existing knowledge to grow our revenues.

The department also continues to grow its staff development and technical offerings related to the state's System to Track and Account for Children (STAC) and process for claiming aid for students with disabilities. This sector is currently dominated by private companies that charge 10 to 15 percent of the revenues generated. Our service will perform the work for a fixed fee, reducing the costs of this service to districts by more than 95 percent.

Other Services

Questar III's Health and Safety team serves the vast majority of our districts. Services range from on-site support to an array of services that can be purchased separately. The department is expanding its fire systems maintenance, AED/CPR training and building photographic inventory services.

Questar III and 10 participating school districts use SubFinder, an automated system where employees report absences and substitutes are placed within jobs. The system uses a series of criteria to fill substitute placements with the most qualified substitute for the position. Employee and substitute access into SubFinder is available by phone and Internet 24/7, with a staffed help desk from 7 a.m. to 3:30 p.m. Monday through Friday.

Special Aid

The Special Aid Fund represents anticipated funding for 17 programs. The proposed budget of \$5.8 million represents anticipated funding for Special Education Summer School, LPN program, Adult Education, Library programs and Regional Bilingual Education Resource Network (RBERN), Regional Special Education Technical Assistance Support Center (RSE-TASC) and the Puerto Rican Hispanic Youth Leadership Institute (PRHYLI).

SPECIAL AID FUND	ACTUAL	ADJUSTED	PROPOSED
	EXPENSES	BUDGET	BUDGET
	2012/13	2013/14	2014/15
INSTRUCTIONAL SALARIES	\$ 2,335,884	\$ 2,202,682	\$ 2,242,038
NON-INSTRUCTIONAL SALARIES	\$ 725,344	\$ 758,547	\$ 674,903
EQUIPMENT	\$ 49,140	\$ 11,000	\$ 41,590
SUPPLIES & MATERIALS	\$ 169,217	\$ 196,818	\$ 245,095
CONTRACTUAL SERVICES	\$ 884,199	\$ 791,869	\$ 779,372
PROFESSIONAL SERVICE CONTRACTS	\$ 167,171	\$ 187,771	\$ 303,905
RENTAL OF FACILITIES	\$ 67,905	\$ 94,311	\$ 59,632
PAYMENTS TO SCHOOLS DISTRICTS & OTHER BOCES	\$ 97,967	\$ 100,000	\$ 100,000
FRINGE BENEFITS	\$ 1,397,266	\$ 1,455,862	\$ 1,384,632
TOTAL	\$ 5,894,093	\$ 5,798,860	\$ 5,831,167

Questar III received a five-year contract for the Puerto Rican and Hispanic Youth Leadership Institute (PR/HYLI), a statewide leadership program for students that culminates with a mock legislative program in the state Assembly chamber.

The Adult Education Licensed Practical Nursing (LPN) Program is being redefined this year with the goal to have more programs approved for adult students to be eligible for financial aid. Grants have also been received this year that will allow Questar III to implement programs for adult learners to further this goal. Programs such as Heating, Ventilation, Air Conditioning and Welding are being considered, as are additional adult programs with employment opportunities in Tech Valley such as Renewable/Alternative Energy and Advanced Manufacturing. These programs offerings are being developed as a result of ongoing conversations with businesses in the Capital Region and with the New York State Department of Labor.

Explanation of Budget Line Items

The following is a description of the budget categories presented in this document. These budget classifications are those that are prescribed by the New York State Department of Audit and Control for use by all BOCES:

- **Instructional Salaries:** includes salaries of BOCES personnel who are employed in positions requiring certification by the State Education Department. These individuals are generally members of the New York State Teachers' Retirement System. Salaries of teachers, teacher assistants and administrators would be reported in this category.
- **Non-Instructional Salaries:** includes the salaries of BOCES personnel who are employed in positions that do not require certification by the State Education Department. These positions generally are classified under the state and county Civil Service commissions, and these individuals are generally members of the New York State Employees' Retirement System. Salaries of secretaries, aides and custodians would be reported in this category. Also included in this category are certain positions which require licensing by SED, but which do not require certification (i.e., physical therapists).
- **Equipment:** includes costs for the purchase of equipment, furniture and fixtures.
- **Supplies and Materials:** includes items such as textbooks, periodicals, paper, tests, records, tapes, cleaning supplies, small tools, lumber, metal, paint, hardware, uniforms, gasoline, lubricants, tires, auto parts, etc.
- **Contractual Services:** contractual and purchased services such as utilities, equipment repair, insurance, legal fees, independent auditors and accountants, other professional and technical services, rental of equipment, advertising, postage and travel expenses are reported in this category.
- **Payments to School Districts and Other BOCES:** reports expenses for services purchased from districts and other BOCES, except for facility rentals.
- **Employee Benefits:** the amounts reported in each of the various categories presented represent the Board of Cooperative Educational Services' share of employee benefits. Included in this line are amounts budgeted for state retirement systems, social security, workers' compensation insurance, unemployment insurance and health insurance.
- **Transfer Charges from Operation and Maintenance of Plant:** the amount shown in this budget category for each service program represents the share of the total costs for the operation and maintenance of Board of Cooperative Educational Services facilities that has been prorated to the particular program.
- **Transfer Charges from Other Service Programs:** represent charges to a BOCES program for the use of other services provided by Questar III.
- **Transfer Credits from Other Service Programs:** the amounts reported in this category represent credits to a particular program, due to services provided by that program to other service programs in this BOCES.

Questions and Answers

What happens if the tentative administrative budget is not approved?

Questar III must prepare and adopt a contingency administrative budget if a majority of the component school districts do not approve the tentative administrative budget, or if there is a tie vote (half approve, half disapprove). The proposed administrative budget of \$5,570,122 for 2014-2015 is \$175,288 above contingency.

Are there any limitations on a BOCES contingency administrative budget?

Yes. In a contingency budget for BOCES the amount of the administrative budget may not exceed the amount in the prior year's budget, except for expenditures incurred in the supplemental retirement allowances, including health insurance benefits for retirees.

What is the process that is being followed to return OPEB funds to component districts?

In February 2013, the Questar III Board appointed a Task Force comprised of representatives of our component school districts to explore options related to the OPEB issue that was first raised by representatives of Averill Park, East Greenbush and Lansingburgh at a business officials meeting in December 2012.

This issue was previously addressed in annual audits of Questar III that were publicly disclosed and in letters sent to each component board of education member at their home address and each superintendent of schools at their business address. The practice of setting aside funding for these obligations by Questar III began in 2000 and continued through 2013. The practice was unchallenged by component school districts, the Office of the State Comptroller and the State Education Department during that entire period.

The Task Force requested that the BOCES meet with the State Education Department and the Office of the State Comptroller (OSC) to seek guidance concerning the issue. These meetings were held on February 12, 2013 and April 16, 2013 respectively; with the BOCES submitting materials concerning the matter. These materials have been provided to all component school districts.

The essence of the BOCES position is that BOCES are "enterprise funds" as defined by the Government Accounting Standards Board (GASB) and as such, should be using the "full accrual" method of accounting which provides that obligations such as OPEB be funded. The estimated OPEB obligation for Questar III (as of June 30, 2013) is \$68.3 million. The BOCES collected approximately \$22.9 million in OPEB funds with the intention of creating an OPEB Trust that would fund these expenses over the long-term.

The State Education Department did not object to the BOCES practice and deferred to the OSC. It took in excess of six months to receive a reply from OSC. The OSC reply, received on October 11, 2013 rejected the BOCES argument on the basis that the comptroller establishes the accounting method to be used by local governments

and it had chosen the modified accrual method. That letter was provided to every component school superintendent and task force member upon its receipt.

Subsequent to receipt of the OSC letter, the Task Force met and finalized its recommendations. The draft report that was circulated for comment was updated to include the recommendations. That report was reported by the Audit Committee Chair at the Questar III Board meeting of February 18, 2014.

The Questar III Board was expected to formally accept the report at its March 13, 2014 meeting. That meeting was cancelled due to inclement weather.

The Task Force has recommended as follows:

- The BOCES should conduct an independent full forensic audit of the accrual to determine as specifically as possible the source of the funds and to determine allocations to districts and others.
- The audit should include three scenarios for returning the funds to all contributors over a 5, 7 and 10 year period. The entire audit will be presented to the Questar III Superintendents Council for review. The district superintendent will report the results of that review and make a recommendation to the Questar III board.
- The BOCES should provide for an independent legal review of the substance of those recommendations and all implementation steps.
- The BOCES should review the plan with NYSED and OSC.
- The BOCES will retain a one-year accrual for OPEB as is customarily done by school districts.

Current status:

- Questar III issued a Request for Proposals (RFP) widely circulated to accounting firms.
- The proposals were reviewed by members of the task force and Questar III staff.
- The engagement was awarded to D'Arcangelo & Co. LLP at our January 9, 2014 board meeting. Work on the audit is proceeding.
- The RFP for the legal review will be issued this Spring.
- The estimated timeline for completion is Summer 2014.
- Districts wish to avoid state aid take-backs as state aid was paid on most of the funds in the accrual.
- Questar III Board will consider other reserves typically held by school districts in lieu of the OPEB accrual such as: Unemployment Insurance, Employee Benefit Accrued Liability, and Retirement Contribution.
- The final recommendations will be circulated to all component boards of education and superintendents prior to Questar III Board action.

Additional questions and answers will be available at the annual meeting and on our website at www.questar.org.

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Ms. Anne Wager-Rounds, Board Member
Ms. Martha Walsh, Board Member
Ms. Mary Beth Bruno, Board Clerk

WYNANTSKILL UNION FREE SCHOOL DISTRICT

Mr. Lee Bordick, Interim Superintendent

Board of Education

Ms. Andrea Paone, Board President
Ms. Katrina Dinan, Board Member
Mr. Matthew Hug, Board Member
Mr. Andrew Lanese, Board Member
Ms. Ann Marsh, Board Vice-President
Ms. Sharon Hillis, Board Clerk

COLUMBIA COUNTY

BERKSHIRE UNION FREE SCHOOL DISTRICT

Mr. Bruce Potter, Superintendent

Board of Education

Mr. Timothy Giacchetta, Board President
Mr. Michael Brutsch, Board Member
Mr. Donelle Hauser, Board Member
Mr. Joseph Lawrence, Board Member
Ms. Bonnie Vandenburg, Board Clerk

CHATHAM CENTRAL SCHOOL DISTRICT

Ms. Cheryl Nuciforo, Superintendent

Board of Education

Ms. Melony Spock, Board President
Mr. Michael Clark, Board Member
Ms. Gail Day, Board Member
Ms. Muriel Faxon, Board Member
Mr. Edward Knight, Board Member
Ms. Jennifer Lindberg, Board Member
Mr. James Marks, Board Member
Mr. Craig Simmons, Board Member
Mr. James Toteno, Board Vice President
Ms. Debbie Pottenburgh, Board Clerk

GERMANTOWN CENTRAL SCHOOL DISTRICT

Ms. Susan Brown, Superintendent

Board of Education

Mr. Eric Mortenson, Board President
Mr. Ralph DePozzo, Board Member
Ms. Brittany DuFresne, Board Member
Ms. Faydra Geraghty, Board Member
Ms. Tammi Kellenbenz, Board Member
Mr. Ronald Moore, Board Vice President
Ms. Teresa Repko, Board Member
Ms. Linda Anderson, Board Clerk

HUDSON CITY SCHOOL DISTRICT

Ms. Maria Suttmeier, Superintendent

Board of Education

Ms. Kelly Frank, Board President
Mr. Joseph Carr, Board Member
Ms. Jeri Chapman, Board Member
Ms. Tiffany Martin Hamilton, Board Vice President
Mr. David Kisselburgh, Board Member
Mrs. Carrie Otty, Board Member
Mr. Peter Rice, Board Member
Ms. Frieda VanDeusen, Board Clerk

ICHABOD CRANE CENTRAL SCHOOL DISTRICT

Mr. George Zini, Superintendent

Board of Education

Mr. Anthony Welcome, Board President
Ms. Kyle Aschenbrenner, Board Member
Mr. John Chandler, Board Vice President
Ms. Tricia Gerkman, Board Member
Ms. Barbara-anne Johnson-Heimroth, Board Member
Mr. Bruce Naramore, Board Member
Mr. Jeffrey Ouellette, Board Member
Ms. Susan Ramos, Board Member
Ms. Cheryl Trefzger, Board Member
Ms. Mindy Potts, Board Clerk

NEW LEBANON CENTRAL SCHOOL DISTRICT

Ms. Karen McGraw, Superintendent

Board of Education

Mr. Timothy Lambert, Board President
Mr. Michael Bienes, Board Vice President
Ms. Tracy Bingham, Board Member
Ms. Martha Esposito, Board Member
Ms. Sharon Putnam, Board Member
Ms. Christine Sotek, Board Member
Ms. Monique Wood, Board Member
Ms. Kelly McGivern, Board Clerk

TACONIC HILLS CENTRAL SCHOOL DISTRICT

Dr. Neil Howard, Superintendent

Board of Education

Mr. Kevin Maisenbacher, Board President
Mr. Clifford Campbell, Board Vice President
Mr. Joseph Costa, Board Member
Mr. Donald McComb, Board Member
Ms. Christine Perry, Board Member
Mr. Robert Piper, Board Member
Ms. Anna Skoda, Board Member
Mr. Harvey Weber, Board Member
Ms. Melissa Layman, Board Clerk

GREENE COUNTY

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

Ms. Mary Fassett, Superintendent

Board of Education

Ms. Susan Kusminsky, Board President
Mr. William Alfeld, Board Member
Mr. Dennis Burke, Board Member
Dr. Peter Byrne, Board Member
Mr. Robert Criswell, Board Member
Ms. Elizabeth Daly, Board Member
Mr. Carl Kohrs, Board Vice President
Ms. Elizabeth Phillips, Board Member
Mr. Gary Warner, Board Member
Ms. Elisabeth Doolan, Board Clerk

CATSKILL CENTRAL SCHOOL DISTRICT

Dr. Kathleen Farrell, Superintendent

Board of Education

Mr. Michael Maloney, Board President
Ms. Tracy Darling, Board Member
Mr. William Fiske, Board Member
Mr. Andrew Jones, Board Vice President
Ms. Christine Kirch, Board Member
Ms. Sasha Kubicek, Board Member
Ms. Frances McCusker, Board Member
Ms. Courtney Parish, Board Member
Ms. Lisa Warner, Board Member
Ms. Poscha McDougall, Board Clerk

COXSACKIE-ATHENS CENTRAL SCHOOL DISTRICT

Mr. Randall Squier, Superintendent

Board of Education

Mr. Joseph Garland, Board President
Mr. Michael Donahue, Board Member
Ms. Bonnie Ecker, Board Member
Ms. Maureen Hanse, Board Member
Mr. Richard Jewett, Board Member
Ms. Carol Ann Luccio, Board Member
Mr. Michael Petramale, Board Member
Ms. Beth Tailleir, Board Vice President
Mr. Barton Wallace, Board Member
Ms. Judith Zoller, Board Clerk

GREENVILLE CENTRAL SCHOOL DISTRICT

Ms. Cheryl Dudley, Superintendent

Board of Education

Mr. Gregory Lampman, Board President
Ms. Gloria Bear, Board Member
Ms. Ann Holstein, Board Vice President
Ms. Jennifer Howard, Board Member
Ms. Patricia Macko, Board Member
Mr. Duncan Macpherson, Board Member
Ms. Rosanne Stapleton, Board Member
Ms. Jacqueline O'Halloran, Board Clerk

QUESTAR III

Dr. James Baldwin, District Superintendent

Board of Education

Mr. Robert Gibson, Board President

Mr. Edmund Brooks, Board Member

Ms. Lynn Clum, Board Member

Mr. Christopher Foster, Board Member

Mr. Joseph Garland, Board Member

Mr. John Hill, Board Member

Mr. James Keegan, Board Member

Ms. Marilyn Noonan, Board Vice President

Ms. Carol Orvis, Board Member

Mr. Paul Puccio, Board Member

Mr. Christopher Southard, Board Member

Ms. Robin Emanatian, Board Clerk