



2018-2019 Tentative Budget



Questar III BOCES
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March 27, 2018

Dear Colleagues:

As you prepare a budget for the 2018-2019 school year, Questar III BOCES stands poised and ready to serve your needs and to provide exceptional value through our various shared programs and services.

Together, we continue to achieve economies and efficiencies, expand educational opportunity, close gaps in student achievement, improve educational equity and serve children of all ages, abilities and backgrounds.

On behalf of the Questar III Board of Education, it is our pleasure to invite component district school board members to our Annual Meeting on April 11 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 program and service budgets by reading this document. With BOCES as a catalyst, we will continue to work together to offer hands-on programs and services that serve students and districts regardless of enrollment, income or size of tax base.

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

A handwritten signature in blue ink that reads "John C. Hill".

John C. Hill
Board President
Questar III BOCES

A handwritten signature in blue ink that reads "Gladys Cruz".

Gladys Cruz
District Superintendent
Questar III BOCES

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Executive Summary

Questar III continues to manage its costs aggressively. We want to ensure that we provide valuable services to all participating school districts.

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

The Budget chart below provides a summary of the Administrative, Rent and Capital budgets as compared to the current year. Please note that the total increase to the budget is \$99,891 or 1.44%

| | <u>2018-2019</u> | <u>2017-2018</u> | <u>Dollar Increase</u> | <u>Percent Increase</u> |
|---|---------------------|---------------------|------------------------|-------------------------|
| Administrative OPEB Budget | \$ 3,345,603 | \$ 3,181,463 | \$164,140 | 5.16% |
| Administrative Budget without OPEB | 3,000,330 | 2,920,912 | 79,418 | 2.72% |
| Total Administrative Budget | 6,345,933 | 6,102,375 | 243,558 | 3.99% |
| Less: Other Revenues | 1,002,866 | 859,199 | 143,667 | 16.72% |
| Administrative Charge to Components | \$ 5,343,067 | \$ 5,243,176 | \$ 99,891 | 1.91% |
| Rent and Capital Budget | \$ 1,683,365 | \$ 1,683,365 | \$ - | 0.00% |
| Less: Special Aid Fund Revenues | 13,353 | 13,353 | - | 0.00% |
| Total Rent and Capital Charge to Components | 1,670,012 | 1,670,012 | - | 0.00% |
| Total Admin, Rent and Capital Charge to Components | \$ 7,013,079 | \$ 6,913,188 | \$ 99,891 | 1.44% |

New York State Law requires the Boards of Education of each of our 22 component school districts to convene on Tuesday, April 17, 2018 to vote on the proposed administrative budget. The administrative budget is the only portion of the BOCES budget voted on.

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 a collection of several independent budgets. Another difference is that BOCES budgets are strictly revenue-based. That is, they are determined by the revenue generated rather than by predetermined expenditures, as with school districts.

As a result, final program budgets for the 2018-2019 school year will depend upon service requests from districts. Each tentative program budget is adjusted as program enrollments or district participation fluctuates.

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 (CTE), special education programs and district support services.

The Total Budget chart below provides a summary at object of expenditure level and at the program expenditure level. The 2016-2017 Actual Expenditures reflects the final actual costs for that year. The 2017-2018 Adjusted Budget represents the Adopted Budget adjusted for any budget amendments that have occurred thus far. Over the course of the year, Questar III adjusts its budget in order to account for requests of additional purchased services from component and noncomponent school districts and other BOCES. The 2018-2019 Proposed Budget represents Questar III's estimate of purchased services based on historical trends.

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| Total Admin, Rent and Capital Charge to Components | \$ 7,013,079 | \$ 6,913,188 | \$ 99,891 | 1.44% |

Total Budget – Executive Summary

| EXPENDITURE CATEGORY | ACTUAL | ADJUSTED | PROPOSED |
|--|----------------------|----------------------|----------------------|
| | EXPENDITURES | BUDGET | BUDGET |
| | 2016/17 | 2017/18 | 2018/19 |
| INSTRUCTIONAL SALARIES | \$ 16,598,430 | \$ 16,751,553 | \$ 15,719,642 |
| NON-INSTRUCTIONAL SALARIES | 5,877,534 | 6,465,292 | 6,517,628 |
| EQUIPMENT | 3,615,631 | 5,014,036 | 3,769,874 |
| SUPPLIES & MATERIALS | 1,594,518 | 2,101,717 | 1,902,172 |
| CONTRACTUAL SERVICES | 2,713,954 | 4,485,532 | 3,903,470 |
| PROFESSIONAL SERVICE CONTRACTS | 1,128,525 | 2,123,614 | 1,513,635 |
| RENTAL OF FACILITIES | 1,179,013 | 1,218,768 | 1,218,768 |
| PAYMENTS TO SCHOOL DISTRICTS & OTHER BOCES | 12,362,225 | 12,910,186 | 12,903,151 |
| EMPLOYEE FRINGE BENEFITS | 10,584,880 | 11,750,652 | 11,550,018 |
| OTHER POST EMPLOYMENT BENEFITS | 2,987,624 | 3,181,463 | 3,345,603 |
| TRANSFER TO CAPITAL | 500,000 | 500,000 | 500,000 |
| TRANSFER CHARGES FROM OPERATIONS & MAINT | 1,652,599 | 2,824,263 | 2,076,349 |
| TRANSFER CHARGES FROM OTHER SERVICES | 6,375,819 | 8,413,443 | 8,146,240 |
| TRANSFER CREDITS | (1,867,430) | (1,809,400) | (1,811,321) |
| TOTAL | \$ 65,303,322 | \$ 75,931,119 | \$ 71,255,229 |

| EXPENDITURE CATEGORY | ACTUAL | ADJUSTED | PROPOSED |
|------------------------------|----------------------|----------------------|----------------------|
| | EXPENDITURES | BUDGET | BUDGET |
| | 2016/17 | 2017/18 | 2018/19 |
| CENTRAL ADMINISTRATION | \$ 5,629,137 | \$ 6,465,559 | \$ 6,345,933 |
| CAPITAL (RENTS AND LEASES) | 1,653,060 | 1,683,365 | 1,683,365 |
| CAREER & TECHNICAL EDUCATION | 7,889,385 | 10,029,496 | 9,118,969 |
| SPECIAL EDUCATION | 20,479,089 | 23,759,309 | 22,543,437 |
| ITINERANT SERVICES | 1,983,795 | 1,816,749 | 1,735,076 |
| GENERAL EDUCATION | 5,985,578 | 5,806,334 | 5,716,597 |
| INSTRUCTIONAL SUPPORT | 7,461,353 | 8,007,253 | 7,552,432 |
| DISTRICT SUPPORT | 9,769,350 | 12,691,635 | 11,860,438 |
| SPECIAL AID FUND | 4,452,575 | 5,671,419 | 4,698,982 |
| TOTAL | \$ 65,303,322 | \$ 75,931,119 | \$ 71,255,229 |

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 are unable to offer on their own or that are more economical to share with other districts.

Questar III BOCES serves 22 component districts (and one non-component) in Rensselaer, Columbia and Greene counties and provides more than 280 shared services to approximately 690 school districts and BOCES statewide.

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 to local school districts. Questar III focuses on developing the capacity of local schools to enable students to meet the state learning standards and graduation requirements.

How Questar III Operates

Questar III BOCES provides shared educational programs to the school districts served. Partnerships with districts allow for the delivery of a broad range of programs and services that help meet the evolving educational needs of students. BOCES programs and services prepare diverse populations for roles in the global economy, provide cost-effective shared services to districts and initiate collaboration to close gaps in student achievement.

BOCES has been – and continues 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 school boards. Most of them also have experience as board presidents in their districts of residence.

Our Changing Landscape

Across our region and within the state there have been a number of leadership changes, new Board of Education members, new Superintendents and new Business Officials among others.

In the past five years, we have seen:

- 10 new superintendents, including five in the past year;
- 88 new board members, including 25 in the past year;
- 11 new business officials;
- 12 new chairs of special education;
- 56 new principals and assistant principals;

- 20 new school counselors; and
- 18 new school librarians.

Questar III has developed professional learning programs to address the constant changes and to support educators in our region.

The Leading Edge

During the summer of 2016, Questar III adopted a new framework for goal-setting, innovation and growth called [The Leading Edge](#). This framework – based on The Advantage by Patrick Lencioni – requires answers to six fundamental questions about the organization and its work:

- Why do we exist?
- How do we behave?
- What do we do?
- How will we succeed?
- What is most important right now?
- Who must do what?

Questar III gathered its executive leadership team to answer these questions and to commit to clarity through over-communication. Ultimately, Questar III exists because we “change lives, realize dreams and do together what can’t be done alone.” This is the core of our existence and service to school districts and students.

At least annually, Questar III reviews The Leading Edge organizational goals. For 2017-2018, three thematic goals were developed:

- Develop the Capacity of Employees;
- Improve/Reevaluate Existing Programs and Services; and,
- Develop New Programs and Services.

Expanding further on the goal of developing new programs and services, Questar III:

- monitors the regulatory environment, the New York State Education Department and United States Department of Education for changes;
- collaborates with local school boards, superintendent subcommittees and other district leaders to identify needs and challenges; and,
- conducts research to identify school district needs and challenges and develops solutions for districts.

The development of new programs and services will always be in direct response to district needs and challenges. Questar III works hard to involve all stakeholders in the development of new programs, from the superintendent subcommittees to various members of district leadership. For the 2018-2019 year, this work resulted in the establishment of two new Career and Technical Education programs: (1) Heavy Equipment Operations & Maintenance, and (2) Emergency Medical Technician & Health Careers. We also expanded existing services to meet the needs of districts such as risk management.

Questar III strives to be the program of choice through its commitment to excellence, commitment to leadership and service, and commitment to innovation.

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 (FSR) process approved by local superintendents. Therefore, districts only pay for their share of requested programs and services. All services offered by the BOCES have gone through the approval process 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 renew, increase, decrease or cancel any service. Questar III and the component districts enter into formal contracts through final service requests. 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 school districts forming the cooperative. As an incentive to cooperate and share resources, New York State provides aid to partially reimburse districts for participating in BOCES programs and services. Commonly known as “BOCES Aid,” these funds are distributed to districts based on a state-approved formula. BOCES aid for Questar III’s component districts range from 36 to 79 percent, depending on school district wealth ratio. Each district’s BOCES aid rate is calculated by SED.

Budget History

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

Through our shared decision-making process, we have achieved greater participation by our component school superintendents. Superintendent subcommittees continue their active involvement in program development and rate setting. Through this collaborative process, new services are developed or existing services are eliminated and/or refined to better meet district, school and student needs. This process has allowed Questar III to gain a better understanding of the shared services districts need and value.

Questar III's Budget Philosophy

Questar III's core values - commitment to excellence, leadership, service, and innovation - drive how we develop, refine and evaluate our services as part of our budget development process.

Through its budget development process, Questar III seeks to:

- Develop programs and services to meet the needs of our component districts and students in an efficient and cost-effective manner.
- Improve its capacity to deliver educational programs that support 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

Questar III's administrative budget supports the management, coordination and leadership provided by the BOCES. It includes the Office of the District Superintendent, central administrative expenses, Board of Education expenses, and a portion of the supervisors' and administrative personnel salaries and benefits necessary to carry out the administrative duties of the BOCES.

| | ACTUAL EXPENSES 2016/17 | ADJUSTED BUDGET 2017/18 | PROPOSED BUDGET 2018/19 |
|---|-------------------------------|-------------------------------|-------------------------------|
| CENTRAL ADMINISTRATION | | | |
| INSTRUCTIONAL SALARIES | \$ 201,156 | \$ 226,538 | \$ 203,603 |
| NON-INSTRUCTIONAL SALARIES | 813,103 | 806,339 | 804,136 |
| EQUIPMENT | 2,411 | 5,195 | 4,900 |
| SUPPLIES & MATERIALS | 106,596 | 89,708 | 87,549 |
| CONTRACTUAL SERVICES | 153,218 | 221,734 | 267,870 |
| PROFESSIONAL SERVICE CONTRACTS | 220,475 | 568,122 | 320,985 |
| EMPLOYEE FRINGE BENEFITS | 483,714 | 522,658 | 539,981 |
| OTHER POST EMPLOYMENT BENEFITS | 2,987,624 | 3,181,463 | 3,345,603 |
| TRANSFER CHARGES FROM OPERATIONS & MAINTENANCE | 41,471 | 61,341 | 53,436 |
| TRANSFER CHARGES FROM OTHER SERVICES | 619,369 | 782,461 | 717,870 |
| TOTAL | \$ 5,629,137 | \$ 6,465,559 | \$ 6,345,933 |

The administrative budget also contains funding to support activities associated with implementation of regional initiatives in advocacy, certification, communications support, district strategic planning, emergency management, grant research, superintendent searches, Superintendent Support Network (SSN), Annual Summer Institute for Superintendents, business and operational support and professional development for boards of education, superintendents and staff.

Next year's proposed spending plan includes increases in other post-employment benefits (OPEB), salaries, health insurance, required contributions to the Teachers' Retirement System and professional development costs. However, there were reductions in supplies, equipment, required contributions to the Employees' Retirement System, unemployment insurance and workers' compensation costs.

Questar III's proposed administrative budget for 2018-2019 is \$6,345,933, which is \$243,558 or 3.99 percent higher than the previous year's budget. Other Post-Employment Benefits (OPEB) costs account for 67 percent or \$164,140 of the total increase.

However, the actual administrative charge to districts is \$5,343,067, representing an increase of only \$99,891 or 1.44%. The administrative charge for individual

component districts is reduced by \$1,002,866 in revenues earned from administrative fees for statewide services, indirect costs from grants, interest income and other miscellaneous revenues.

The revenues from administrative fees, indirect costs, interest and other miscellaneous revenues help Questar III contain administrative costs for its 22 component districts. As our statewide services grow, so does our administrative revenue (net of interest income), which in turn reduces administrative charges to our components. The chart below shows how these revenues have increased approximately 161 percent since 2009-2010.

| <u>Year</u> | <u>Revenue</u> | <u>Year-to-Year % 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% |
| 2015-16 | \$813,252 | 4.51% |
| 2016-17 | \$828,731 | 1.90% |
| 2017-18 | \$844,199 | 1.87% |
| 2018-19 | \$987,866 | 17.02% |

Other Post-Employment Benefits (OPEB) Mitigation

Prior to the 2013-2014 school year, Questar III had a longstanding practice of setting aside funds to pay for the future expenses associated with the post-employment benefits of our retirees. This practice, which was reported annually to school districts, was a fiscally conservative approach to manage post-retirement benefits. Over time, our actuaries estimated it would have saved component school districts approximately 65 percent of our net OPEB obligation if we were allowed to fund this liability as we do with pensions.

A Task Force of superintendents and business officials was convened after this practice was questioned by several districts. During the course of its work the Task Force vetted a variety of options. It also requested that the BOCES meet with the State Education Department (SED) and the Office of the State Comptroller (OSC) to seek guidance on the issue. These meetings were held on February 12, 2013 and April 16, 2013 respectively, with the BOCES submitting materials concerning the matter to both agencies.

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 response from the OSC. The OSC's response, 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.

The Questar III Board accepted the final OPEB Report of the Task Force, dated February 2014, at its regular meeting on April 15, 2014. This report was also shared

with districts in a letter dated July 25, 2014. Please visit www.questar.org/opeb for OPEB materials.

In this report, the Task Force recommended that the BOCES conduct an independent full forensic audit of the accrual to determine the source of the funds and to determine allocations to component districts and other entities. The Task Force recommended that the independent audit should include three scenarios for returning the funds to all contributors over a five, seven or 10-year period.

Based on the recommendations of the Task Force, Questar III issued an RFP for forensic accounting of the OPEB liability and an RFP for independent legal review. The independent forensic audit work was awarded to D’Arcangelo & Co., LLP and the independent legal review was awarded to Hodgson Russ, LLP.

On July 24, 2014, the independent auditor and attorney presented their findings to superintendents and business officials at a meeting held at Rensselaer City School District. As requested, these individuals shared three scenarios, both overall and district-specific, for liquidating the accrual over a five, seven, or 10-year period, commencing in the 2015-2016 school year.

Following the meeting held on July 24, 2014, each district was asked to submit, in writing, any questions or comments on the methodology along with their district’s preference for the liquidation time period (five, seven or 10 years). Component districts submitted questions and comments and their preference on the liquidation by August 23, 2014.

The District Superintendent indicated that funds would be liquidated based on the majority responses of component districts. The majority of districts selected the five-year liquidation plan.

In September 2014, the District Superintendent recommended six actions, based upon the requirement from the OSC that the funds be liquidated and the recommendations of the BOCES-created OPEB Task Force, the report of the independent auditor, and the independent legal review. This information was shared with superintendents on September 5, 2014.

These recommendations were responsive to district concerns about “smoothing” the impact of the necessary increase in the Questar III Administrative Budget on school district budgets over time. The recommendations also sought to manage the required liquidation in a manner that would not result in future aid offsets to districts (a decision that lies with the state, not Questar III).

Questar III, which consulted with SED throughout this process, submitted its recommendations to SED for approval. A copy of the plan was also filed with the OSC. Please see page 34 for the letter from SED accepting Questar III’s OPEB proposal.

The SED letter specified that “some of the funds identified for return to school districts represented aidable expenses at the time the funds were collected by the BOCES, some reconciliation must be made to avoid an overpayment of state aid.” The Questar III Board of Education has taken the position that any reconciliation of the OPEB

liquidated funds, being returned to school districts, should be performed by SED. A substantial portion of the OPEB funds collected were related to special education services (high cost aid) and, therefore, are not BOCES aidable.

The liquidation plan, approved by SED, provides specific actions regarding the 22 component districts (and one non-component district) in the cooperative. It also provides specific actions for other districts. These actions are described below in further detail.

The \$14,285,939.01 due to components and Hoosick Falls Central School District will be liquidated over a five-year period based on data from the forensic audit findings, the majority recommendation of superintendents, and the approval of the BOCES Board. Should any credit provided to a district exceed its share of the Questar III administrative levy in any year, the excess credit will be carried forward to the following year until exhausted.

The \$1,406,343.09 due to districts that are not part of the Questar III region will be credited to program purchases over a five-year period. Districts due credits of less than \$10,000, will be credited in one year. These credits will be subject to the same carry-forward procedures in the event program purchases do not exceed the respective annual credit.

Prior to the disbursement of funds or credits, Questar III required releases from future liability concerning the OPEB matter from any Board of Education receiving a credit. To date, Questar III has received all of 22 component releases and one non-component release. The BOCES also received 623 out of 672 statewide school district and BOCES releases. The 2018-2019 school year represents the fourth year of the liquidation plan for OPEB.

Administrative Budget Cost Containment Strategies

In previous 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. In addition, the business office staff have been coordinating and perform a number of outside services, including claims auditor, grant management 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 established salary ranges and a “job rate” or salary range maximum for each position. The compensation/salary plan is reviewed and adopted by the Board at least annually.

Questar III also implemented a number of cost-cutting measures 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.

- Migrated from the PPO812 to the PPO816, increasing co-pays and deductibles.
- Created a sliding scale for employee contributions based on salary, ranging from 5 to 15 percent.
- Carved out pharmacy benefits from the health insurance plan.
- Eliminated the community rate or HMO products and migrated to Exclusive Provider Organization (EPO) to save on commissions and to benefit from our claims history.
- Limited coverage to employees that work at least half time.
- Issued requests for proposals for a pharmacy benefits manager (PBM) that resulted in a new PBM that offered lower pharmacy prices.
- Automated processes when possible.
- Redesigned systems using lean six sigma.

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.
- Eliminating family health insurance coverage, leaving only single coverage available in retirement for employees hired after July 1, 2008.
- Matching contribution rates in retirement with those in place at time of retirement.
- Reducing instructional Local Education Agency (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 other post-retirement benefits.

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:
District Superintendent Salary \$ 43,499
plus all Medicare and Social Security taxes

BOCES portion of salary and fringe:
District Superintendent Salary \$123,263
New York State Teacher Retirement \$ 13,560
Health, Dental & Disability Insurance \$ 26,173
Workers' Compensation Insurance \$ 2,158
Unemployment Insurance \$ 246

Rent and Capital Budget

The proposed 2018-2019 rent and capital budget will be at the same level as the 2017-2018 budget. This budget includes three components: rent to schools, rent to others and transfers to capital. Rent to others includes the central office building located in Schodack, Tech Valley High School® and classrooms at colleges and other private entities for New Visions and special education programs. The following is a rent and capital budget comparison:

| | |
|------------------|-------------|
| 2017-2018 Budget | \$1,683,365 |
| 2018-2019 Budget | \$1,683,365 |
| Dollar change | \$0 |
| Percent change | 0.00% |

Questar III occupies a number of instructional and office spaces in the tri-county region, including space owned and leased by the BOCES. Owned spaces include the two educational centers in Hudson and Troy, the Sackett Center in Schodack and the office/warehouse facility at 1070 Route 9 in Castleton. All other spaces are leased.

Questar III recognizes the need to modernize the Rensselaer Educational Center in Troy. During the 2016-2017 fiscal year, after positive feedback was received from Superintendents, Business Officials and Questar III's Board of Education, an RFP was issued for the lease of a new Center. There was an extensive RFP review process that included a committee of Questar III board members, staff and component district superintendents, resulting in the selection of a developer. Questar III's Board of Education issued a preliminary award, subject to a successful negotiation of a 20-year lease. Unfortunately, we could not reach an agreement on the lease with the Developer. Questar III's Board of Education and Executive Leadership Team remain committed to a new state-of-the-art facility and continue to explore options for the Center's replacement.

Questar III also continues to renew leases with school districts for instructional space, for special education programs (Averill Park, Catskill, East Greenbush, Ichabod Crane, Rensselaer, Schodack). The classroom rental rate of \$7,000 per classroom (except new construction) is established by the Superintendents' Council.

Over the past decade Questar III has worked with districts to better locate and cluster appropriate space for special education students. District costs have been reduced by this effort as there is less travel for related service personnel and resources can be deployed in a more efficient manner. It has also resulted in better quality instructional space for our special education students.

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.

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 upon increases or decreases in student enrollment.

Budget Vote

By law, the 22 component districts' Boards of Education within Questar III are required to vote on the BOCES administrative budget on April 17, 2018. This is the only portion of the BOCES budget that component districts vote on each year.

Program Budgets and Highlights

The budget for a BOCES differs significantly from that of a school district. The most noticeable difference is that a BOCES has no taxing authority. Also, the 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 annually, rather than predetermined expenditures. As a result, final program budgets depend upon district requests 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 district needs and demand.

Questar III continues to work hard to contain costs and to minimize rate increases for school districts. The following chart demonstrates that the majority of program rate increases are reflective of the districts' tax cap limitations.

| <u>Year</u> | <u>% of Programs with a Rate Increase ≤ 0%</u> | <u>% of Programs with a Rate Increase ≤ 2%</u> |
|----------------|--|--|
| 2014-15 | 55.78% | 69.72% |
| 2015-16 | 53.59% | 87.05% |
| 2016-17 | 79.80% | 91.30% |
| 2017-18 | 63.49% | 86.31% |
| 2018-19 | 62.23% | 86.30% |

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 hands-on training in a wide range of exciting fields. These programs provide work-based learning experiences for students, include articulation agreements with colleges, and provide opportunities for students to earn a variety of certifications or industry credentials. Many of these programs also meet the requirements for the CTE or Career Development Occupational Studies (CDOS) graduation pathways.

| CAREER & TECHNICAL EDUCATION | ACTUAL EXPENSES 2016/17 | ADJUSTED BUDGET 2017/18 | PROPOSED BUDGET 2018/19 |
|--|-------------------------------|-------------------------------|-------------------------------|
| INSTRUCTIONAL SALARIES | \$ 3,885,061 | \$ 3,932,377 | \$ 3,924,611 |
| NON-INSTRUCTIONAL SALARIES | 602,225 | 648,283 | 660,774 |
| EQUIPMENT | 25,292 | 683,621 | 99,000 |
| SUPPLIES & MATERIALS | 220,656 | 305,290 | 332,950 |
| CONTRACTUAL SERVICES | 330,889 | 469,810 | 560,601 |
| PROFESSIONAL SERVICE CONTRACTS | 84,671 | 139,975 | 105,500 |
| PAYMENTS TO SCHOOL DISTRICTS & OTHER BOCES | 47,270 | 71,201 | 23,393 |
| EMPLOYEE FRINGE BENEFITS | 1,973,958 | 2,148,348 | 2,278,672 |
| TRANSFER CHARGES FROM OPERATIONS & MAINT | 762,950 | 1,387,618 | 970,794 |
| TRANSFER CHARGES FROM OTHER SERVICES | 569,271 | 747,241 | 666,942 |
| TRANSFER CREDITS | (612,858) | (504,268) | (504,268) |
| TOTAL | \$ 7,889,385 | \$ 10,029,496 | \$ 9,118,969 |

Our CTE program students continue to demonstrate a high level of success with 90 percent pass rate for 2017 on the CTE technical assessments. We continue to seek ongoing improvement efforts that are focused on implementing recommendations from the 2016 comprehensive program review and to ensure that programs continue to be accessible to a wide range of students while maintaining rigorous content aligned to the industry standards. This year, some of the improvement efforts included developing career and financial management resources through working with the educational outreach department of SEFCU, incorporating process writing in all classes to build students' thinking and writing skills, and moving to electronic gradebooks to increase communication about student progress amongst CTE teachers, parents, and their home school districts.

Questar III is committed to being proactive in providing districts with opportunities for students to become college and career ready. This requires collaboration with many districts. An example of this collaboration is the development of two new programs for

the 2018-2019 school year. The program development was in direct response to student and district interest, labor market needs, business partnerships and superintendent support. Questar III worked closely with the Superintendent Subcommittee on Academic Programs on the development of the two new programs: (1) Heavy Equipment Operations & Maintenance, and (2) Emergency Medical Technician & Health Careers that will be located in Columbia and Greene Counties.

Overall, Questar III is offering 10, two-year CTE programs, two senior-only programs, and four New Visions programs for the 2018-2019 school year, along with partnering with Capital Region BOCES to offer students of our region access to the New Visions Law and Government program.

Career Studies

Our Career Studies programs provide students who need a smaller learning environment with the opportunity for entry-level training in a technical area. Career Studies programs have a small student to teacher ratio (12 students to one teacher and one teaching assistant) and are taught by certified teachers who have substantial industry experiences in their given trades.

Career Studies was part of the internal program review last year and its recommendations, in conjunction with input from our districts' guidance counselors, were utilized in the application and subsequent award for a one year Removing Barriers for Students with Disabilities grant. This grant is focused on building the rigor of the integrated ELA and math curriculum, as well as increasing opportunities for Students with Disabilities and underrepresented populations in existing CTE and Career Studies programs. The grant is also funding a needs assessment to provide recommendations for future program changes to ensure Students with Disabilities have access to careers in high-need areas.

Special Education

Questar III provides an array of services for students with disabilities, based on their individual academic capabilities and social/behavioral needs in response to each student's individualized educational plan (IEP).

| SPECIAL EDUCATION | ACTUAL EXPENSES 2016/17 | ADJUSTED BUDGET 2017/18 | PROPOSED BUDGET 2018/19 |
|--|-------------------------------|-------------------------------|-------------------------------|
| INSTRUCTIONAL SALARIES | \$ 7,214,823 | \$ 7,326,938 | \$ 6,913,185 |
| NON-INSTRUCTIONAL SALARIES | 1,127,456 | 1,128,238 | 1,215,274 |
| EQUIPMENT | 80,678 | 120,700 | 95,000 |
| SUPPLIES & MATERIALS | 195,057 | 293,479 | 261,050 |
| CONTRACTUAL SERVICES | 337,152 | 625,573 | 328,764 |
| PROFESSIONAL SERVICE CONTRACTS | 48,990 | 96,605 | 128,500 |
| PAYMENTS TO SCHOOL DISTRICTS & OTHER BOCES | 1,819,905 | 2,359,866 | 2,206,816 |
| EMPLOYEE FRINGE BENEFITS | 4,616,354 | 4,765,328 | 4,588,407 |
| TRANSFER CHARGES FROM OPERATIONS & MAINT | 595,990 | 972,645 | 770,911 |
| TRANSFER CHARGES FROM OTHER SERVICES | 4,442,684 | 6,069,937 | 6,035,530 |
| TOTAL | \$ 20,479,089 | \$ 23,759,309 | \$ 22,543,437 |

Similar to CTE, the Special Education Department underwent a comprehensive program review. The results of the review focused on the programs providing consistent high-quality instruction and behavioral interventions and supports. This process has increased the capacity of staff that deliver specialized programs and the various services provided to students.

The cost of delivering specialized programs and services varies and has increased over time. As a result, ongoing input from the Chairs of Special Education and Superintendents' Academic Subcommittee is utilized to explore more effective and cost-efficient ways to meet the ever-changing needs of our students.

In keeping with state regulations, Questar III continues to move students along the continuum of services from a more restrictive to a less restrictive environment as appropriate to meet their needs. Over a four-year period, beginning with the 2014-2015 school year, Questar III reduced the number of the most restrictive classes from 21 to 4. For the 2018-2019 school year, we are projecting two 4:1:2 elementary classes. This allows Questar III to better meet the needs of the students at a younger age and move them along the continuum of services to less restrictive environments. Additionally, we have successfully integrated four 6:1:2 high school classes at the Academy at the Rensselaer Educational Center.

The projected increases for the 2018-2019 year are primarily due to employee salary increases and changes in health insurance. Our goal is always to provide high-quality programs to our students.

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.

| ITINERANT SERVICES | ACTUAL | ADJUSTED | PROPOSED |
|--|---------------------|---------------------|---------------------|
| | EXPENSES | BUDGET | BUDGET |
| | 2016/17 | 2017/18 | 2018/19 |
| INSTRUCTIONAL SALARIES | \$ 771,466 | \$ 483,224 | \$ 469,230 |
| NON-INSTRUCTIONAL SALARIES | 355,773 | 408,819 | 422,019 |
| EQUIPMENT | 2,054 | 5,203 | 1,500 |
| SUPPLIES & MATERIALS | 4,208 | 68,234 | 4,175 |
| CONTRACTUAL SERVICES | 16,912 | 60,142 | 22,478 |
| PAYMENTS TO SCHOOL DISTRICTS & OTHER BOCES | 308,920 | 295,092 | 300,997 |
| EMPLOYEE FRINGE BENEFITS | 444,341 | 425,405 | 461,193 |
| TRANSFER CHARGES FROM OPERATIONS & MAINT | 57,494 | 44,648 | 28,300 |
| TRANSFER CHARGES FROM OTHER SERVICES | 22,627 | 25,982 | 25,184 |
| TOTAL | \$ 1,983,795 | \$ 1,816,749 | \$ 1,735,076 |

Itinerant services include: consultant teaching, music therapy, occupational therapy, orientation and mobility, physical therapy, adaptive physical education, school psychologist, psychological counseling, speech and language therapy, speech improvement, teacher of the blind/visually impaired, and English as a second language. District services such as claims auditing, communications/public information coordinator and shared facility director are also provided as itinerant services.

The communications/public information coordinator is the largest itinerant service that provides onsite support to 14 school districts in Rensselaer, Columbia and Greene counties.

The cost of itinerant services depends primarily on the salaries and benefits of the individuals providing the service. Due to district purchases and staff changes, the cost of these services can have significant fluctuations from year-to-year.

General Education

Questar III offers a wide array of general and alternative educational offerings such as Tech Valley High School®, distance learning, arts-in-education, pre-kindergarten, and regional competitions.

| GENERAL EDUCATION | ACTUAL EXPENSES 2016/17 | ADJUSTED BUDGET 2017/18 | PROPOSED BUDGET 2018/19 |
|--|-------------------------------|-------------------------------|-------------------------------|
| INSTRUCTIONAL SALARIES | \$ 678,661 | \$ 709,595 | \$ 701,306 |
| NON-INSTRUCTIONAL SALARIES | 114,510 | 53,165 | 49,728 |
| EQUIPMENT | 29,891 | 101,845 | 1,500 |
| SUPPLIES & MATERIALS | 145,392 | 122,615 | 112,750 |
| CONTRACTUAL SERVICES | 31,355 | 31,093 | 57,866 |
| PROFESSIONAL SERVICE CONTRACTS | 163,746 | 176,792 | 170,712 |
| PAYMENTS TO SCHOOL DISTRICTS & OTHER BOCES | 4,077,423 | 3,951,915 | 4,018,131 |
| EMPLOYEE FRINGE BENEFITS | 416,375 | 408,038 | 410,552 |
| TRANSFER CHARGES FROM OPERATIONS & MAINT | 46,091 | 91,126 | 37,936 |
| TRANSFER CHARGES FROM OTHER SERVICES | 282,134 | 160,150 | 156,116 |
| TOTAL | \$ 5,985,578 | \$ 5,806,334 | \$ 5,716,597 |

Tech Valley High School®

Tech Valley High School® (TVHS) has continued to evolve under its current leadership team. Along with offering students real-world, project-based learning experiences in all their course work, TVHS has increased both the rigor of the academic program and the number of opportunities available by adding early college course work and access to online courses. TVHS has established partnerships with local colleges to offer students the opportunity to earn a 60 credit Associate of Science Degree through Excelsior College. To contain costs, TVHS is converting one of its multi-purpose spaces to offer on-site Physical Education classes to students next year. This will reduce transportation expenses while maintaining a solid Physical Educational program meeting NYSED's requirements.

Distance Learning

Questar III works closely with the Northeast Regional Information Center (NERIC) to offer access to a distance learning network that expands the offerings of our cooperative. This allows participating districts to share courses that cannot be offered in most districts and offers students the opportunity for Advanced Placement (AP) and college courses.

Currently there are 12 local districts participating in this service. Local schools host and receive approximately 120 courses reaching more than 960 students throughout the regular school year and during the summer.

Questar III, in partnership with NERIC, also increased participation to the Expanded Distance Learning program serving seven districts. This program allows districts to grow their existing distance learning program or start smaller scale distance learning programs. Key components of the service include training, technical support, scheduling and recording of daily classes. A regional committee advises the NERIC on course planning and development.

Online Learning

The Online Learning service was developed to respond to changes to the State Education Department's regulations. Districts can now grant credit to students who have completed coursework using online learning courseware. Questar III currently works with eight courseware vendors to offer districts choices in service plans. Eighteen districts use the service to provide credit recovery, credit accrual, home schooling, tutoring and Regents test preparation for more than 1,685 students.

Pre-Kindergarten

Questar III has provided pre-kindergarten educational services for nearly three decades, partnering with districts to create and deliver a model program. Questar III supports two types of pre-kindergarten programs: three experimental classrooms and two universal classrooms. The experimental program, formerly known as the targeted program, provides developmentally appropriate instruction to classes having a minimum of 16 four-year-old students from families that are considered economically disadvantaged. The universal pre-kindergarten program provides developmentally appropriate instruction to classes of 18 four-year-old students. Both programs employ certified teachers and teaching assistants and incorporate high quality curricula to prepare students for future school success through strong foundational skills in early literacy and numeracy, social interaction and kindergarten readiness skills using child-centered activities. In some classes, Questar III also works with community-based organizations to provide an inclusionary model for students with disabilities.

Questar III's pre-kindergarten programs continue to grow and expand as districts realize the critical importance of pre-kindergarten to the future academic and social/emotional success of students.

School Library System and Related Services

School districts may purchase shared services that assist in expanding access from the library's physical space to wherever students are learning. Services include:

- Building enhanced library collections designed specifically to meet the needs of individual schools without unnecessarily duplicating resources across the region.
- Receiving full library automation support, including software, hardware, maintenance, technical support, cataloging and training.
- Supporting all curricular areas through online resources including databases and instructional multimedia.
- Providing a shared librarian for smaller districts.

This year the School Library System migrated districts to Follett Destiny, a robust automation system that reaches beyond the library walls, into the classroom and beyond. Follett Destiny is a library catalog that includes access to vetted websites, databases in one location, and a collaboration tool for librarians, teachers, and students.

Arts in Education, Exploratory Enrichment, and Odyssey of the Mind

Questar III coordinates arts and enrichment programs for participating districts. Content area curriculum comes alive with the integration of programs that allow students to creatively engage in their learning experience. Through dance, media arts, music, theatre, visual arts, and writing, students learn from cultural and performing artists, authors and illustrators. Districts receive state aid on visits to aquariums, museums and theaters, as well as in school programs.

Odyssey of the Mind is a worldwide educational program that helps students develop creative problem-solving skills through teamwork. Questar III is the New York State Region 4 coordinator of this program. In recent years, this program has reaped numerous successes as the region's schools excelled at state and national competitions. In fact, at least one team from Rensselaer, Columbia and Greene counties has advanced to the Odyssey of the Mind World Finals each year since 2007.

Instructional Support

This budget funds high-quality professional development, technology services and other instructional support services that benefit students, teachers and administrators across the region. The instructional support services include school improvement initiatives which are coordinated by the Office of School Improvement.

| INSTRUCTIONAL SUPPORT | ACTUAL EXPENSES 2016/17 | ADJUSTED BUDGET 2017/18 | PROPOSED BUDGET 2018/19 |
|--|-------------------------------|-------------------------------|-------------------------------|
| INSTRUCTIONAL SALARIES | \$ 1,532,074 | \$ 1,231,189 | \$ 952,926 |
| NON-INSTRUCTIONAL SALARIES | 698,658 | 801,653 | 855,176 |
| EQUIPMENT | 3,373,796 | 3,734,696 | 3,494,015 |
| SUPPLIES & MATERIALS | 578,222 | 668,967 | 647,774 |
| CONTRACTUAL SERVICES | 405,010 | 514,319 | 529,270 |
| PROFESSIONAL SERVICE CONTRACTS | 125,465 | 165,675 | 140,575 |
| PAYMENTS TO SCHOOL DISTRICTS & OTHER BOCES | 571,627 | 559,894 | 570,940 |
| EMPLOYEE FRINGE BENEFITS | 855,701 | 873,679 | 957,486 |
| TRANSFER CHARGES FROM OPERATIONS & MAINT | 61,525 | 106,355 | 88,355 |
| TRANSFER CHARGES FROM OTHER SERVICES | 101,471 | 174,210 | 145,648 |
| TRANSFER CREDITS | (842,196) | (823,384) | (829,733) |
| TOTAL | \$ 7,461,353 | \$ 8,007,253 | \$ 7,552,432 |

Over the past decade, Questar III changed its delivery model to offering ongoing embedded professional development in mathematics, ELA, science, social studies 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.

There continues to be strong demand for ongoing embedded professional development, which requires Questar III to recruit, hire and retain high-quality staff. To augment our success in the School Improvement services, we will be expanding on our current services to assist districts during the transition to the Next Generation ELA and Math standards, as well as the Arts standards, Next Generation Science standards and Social Studies Frameworks. Questar III will continue to expand the Behavioral Coaching and Consulting service, as well as develop our virtual coaching and micro-credentialing programs.

Data Coordination and Analysis

The budget continues to support 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. We are expanding our offerings this year by including two new features – Qualtrics, which is a powerful survey and data analysis tool, and ClearGov, a website containing a wealth of district data for comparison and analysis purposes. The team ensures that changes in data reporting requirements are implemented by the districts they serve, and that the analysis of test result data can be used effectively to enhance programmatic and instructional decisions. The ultimate goal of the service is to improve student achievement.

Regional Scoring of New York State Assessments

School Improvement coordinates the regional scoring of the 3-8 state assessments in ELA, Mathematics and Science and the New York State English as a Second Language Achievement Test. The service will also continue to pilot the 3-8 computer-based assessment scoring, dependent on the needs of participating districts. Demand for these services continues to be strong.

Technology Services

Questar III offers technology services that cover all aspects of technology. The regular service offerings include Network Systems Engineer and Information Technology (IT) Support Technician. The service is very cost effective. It matches the appropriate IT skill level to the district's specific needs.

Additionally, a new elevated level of IT service that focuses on management and overall IT planning is available. The new service is fully customizable, from scoping and managing to performing various technology projects. The management layer was added to assist districts without an IT Director to manage resources or direct strategic initiatives.

District Services

Questar III's district services extend, enhance and enrich the capacity of participating districts by providing innovative solutions or a high level of technical expertise. The cost for most services will remain unchanged due to increased participation, automation and process improvements, while some services will have minimal rate increases for the 2018-19 school year.

| DISTRICT SERVICES | ACTUAL EXPENSES 2016/17 | ADJUSTED BUDGET 2017/18 | PROPOSED BUDGET 2018/19 |
|--|-------------------------------|-------------------------------|-------------------------------|
| INSTRUCTIONAL SALARIES | \$ 466,551 | \$ 594,159 | \$ 671,406 |
| NON-INSTRUCTIONAL SALARIES | 1,567,483 | 1,984,426 | 1,909,865 |
| EQUIPMENT | 91,817 | 235,947 | 68,200 |
| SUPPLIES & MATERIALS | 261,197 | 398,436 | 361,125 |
| CONTRACTUAL SERVICES | 761,883 | 1,666,635 | 1,367,210 |
| PROFESSIONAL SERVICE CONTRACTS | 239,429 | 732,718 | 477,650 |
| PAYMENTS TO SCHOOL DISTRICTS & OTHER BOCES | 5,433,124 | 5,592,218 | 5,702,874 |
| EMPLOYEE FRINGE BENEFITS | 934,901 | 1,354,852 | 1,253,861 |
| TRANSFER CHARGES FROM OPERATIONS & MAINT | 87,078 | 160,530 | 126,617 |
| TRANSFER CHARGES FROM OTHER SERVICES | 338,263 | 453,462 | 398,950 |
| TRANSFER CREDITS | (412,376) | (481,748) | (477,320) |
| TOTAL | \$ 9,769,350 | \$ 12,691,635 | \$ 11,860,438 |

Business Office Support

Questar III provides a variety of services to support the increasingly complex school district business operations. This includes a Central Business Office (CBO) service that offers general ledger maintenance, accounts payable, payroll processing, revenue/budget analysis and long-term financial planning.

The Questar III Purchasing Department routinely generates regional Requests for Proposals (RFP's) or bids for various goods and services. The regional RFP's and bids save our districts both time and money.

Questar III shares its expertise to ensure that all our districts and BOCES clients comply with the new Governmental Accounting Standards, which are increasingly complex. Our Other Post-Employment Benefits (OPEB) Valuation and Fixed Asset Inventory services are such examples.

The Governmental Accounting Standards Board (GASB) 75/OPEB Valuation service assists approximately 176 school districts and BOCES across the state in the

valuation and management of their OPEB liability. The 2018-2019 budget reflects the changes associated with the revised OPEB standards under GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Communications are ongoing regarding the new statement, along with assessing the impact to the school district reports.

The GASB 34/Fixed Asset Inventory service continues to be valued by participating districts. Questar III helps approximately 60 school districts statewide comply with GASB 34 accounting standards and to accurately account and monitor their fixed assets. Moreover, Questar III expanded the training and consulting services offered by Financial Services. This includes a Coordination of Insurance Management service to assist districts with risk management.

The State Aid and Financial Planning Service currently serves approximately 650 school districts and 36 BOCES. The service continues to provide information and assistance to districts and BOCES in the areas of state aid and financial management issues. In 2017-2018, CTLE (Continuing Teacher and Leader Education) credits were introduced and offered for the service's workshops and presentations to provide school business office staff professional development to satisfy their certification requirements. The addition of an experienced business official to the staff in 2017-2018 is ensuring that high quality work continues to be provided to districts and BOCES.

The Administrative, Management and Planning (AMP) service provides training and special reviews of district operations to eight school districts and BOCES upon request.

The STAC (System to Track and Account for Children) service currently serves over 50 school districts across the state by providing training, data collection and data reporting services related to claiming aid for students with disabilities. The service also added a comprehensive training program which was provided at seven locations across the state. These training sessions will be offered again in 2018-2019. The service continues to expand, with a number of districts looking to join next year.

Rensselaer-Columbia-Greene Health Insurance Trust

The Rensselaer-Columbia-Greene Health Insurance Trust (RCG HIT) has assisted local districts by successfully negotiating contract renewals with BlueShield of Northeastern New York below the national trend. The Trust provides health benefits to approximately 7,000 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. In fact, the Trust has been able to save its members millions of dollars over the years, serving as a model for other municipalities across the region and state.

Although the medical portion of our health insurance increases have been below the national trend for over a decade, the pharmacy costs have been escalating at a double-digit rate for a few years. The RCG HIT changed Pharmacy Benefit Managers

in 2016-2017. Since then Trust member districts have been experiencing significant decreases in their pharmacy rates.

Health and Safety

Questar III's Health and Safety service continues to offer services statewide, ranging from on-site support to an array of safety services and trainings that can be purchased individually. The department continues to add new cost-effective services that support facility management and address compliance needs. In 2017-2018, Health and Safety added a visitor management system to assist districts with accountability of visitors. The system checks on registered offender status in national databases across the country. Additionally, the Fire System Maintenance Service has increased service opportunities by expanding services into the Otsego Northern Catskill BOCES and Putnam-Northern Westchester BOCES, as well as providing installation services for video surveillance systems in our component districts. In 2018-19 we will enhance the Health and Safety Officer service by offering worker's compensation accident management services.

The department continues to partner and collaborate with law enforcement agencies to provide a comprehensive and standardized approach to school safety within the counties served.

Communications

Questar III's Communications Service supports 20 local school districts throughout the year, from budget and bond referendum communications to website redesigns and video productions.

Several new services have been added for the next school year in response to district requests and needs. This includes communications training and coaching as well as a new professional learning community (PLC) for districts that do not purchase the onsite service. This would provide yearlong training and support to district-employed communications staff.

The site hosting service has been revamped to account for the additional time and technical assistance needed to maintain more database-driven websites. Questar III's service frees district IT staff from having to update software, plug-ins and other items needed to keep these sites up-and-running.

Additionally, Questar III is launching a new accessibility service to help districts comply with federal law, but more importantly reach a larger audience online.

The service is also available to support school districts during crises. Team members work with the organization's School Emergency Resource Team (SERT) on crisis management, communications and coordination with other agencies.

Special Aid

The Special Aid Fund accounts for state and federal grants and other contracts that should not be accounted in the General Fund. The availability of funding creates challenges for these programs, which creates budgetary variations from year-to-year.

The Special Aid Fund represents anticipated funding for 13 programs, including Special Education Summer School, Library programs, Regional Bilingual Education Resource Network (RBERN), Regional Special Education Technical Assistance Support Center (RSE-TASC), the Puerto Rican Hispanic Youth Leadership Institute (PRHYLI), Carl D. Perkins Career and Technical Education (Perkins IV) and Adult Education.

| SPECIAL AID FUND | ACTUAL EXPENSES 2016/17 | ADJUSTED BUDGET 2017/18 | PROPOSED BUDGET 2018/19 |
|---|-------------------------------|-------------------------------|-------------------------------|
| INSTRUCTIONAL SALARIES | \$ 1,848,638 | \$ 2,247,533 | \$ 1,883,375 |
| NON-INSTRUCTIONAL SALARIES | 598,326 | 634,369 | 600,656 |
| EQUIPMENT | 9,692 | 126,829 | 5,759 |
| SUPPLIES & MATERIALS | 83,190 | 154,988 | 94,799 |
| CONTRACTUAL SERVICES | 677,535 | 896,226 | 769,411 |
| PROFESSIONAL SERVICE CONTRACTS | 245,749 | 243,727 | 169,713 |
| RENTAL OF FACILITIES | 25,953 | 35,403 | 35,403 |
| PAYMENTS TO SCHOOL DISTRICTS & OTHER BOCES | 103,956 | 80,000 | 80,000 |
| FRINGE BENEFITS | 859,536 | 1,252,344 | 1,059,866 |
| TOTAL | <u>\$ 4,452,575</u> | <u>\$ 5,671,419</u> | <u>\$ 4,698,982</u> |

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, teaching 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 administrative assistants, 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 amounts 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 have 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 \$6,345,933 for 2018-2019 is \$79,418 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 previous year's budget, except for expenditures incurred in the supplemental retirement allowances, and other post-retirement benefits for retirees.

OPEB Letter from the State Education Department



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

Office of P-12 Education

Charles A. Szuberla, Jr., Assistant Commissioner
Office of School Operations
Room 874 EBA

(518) 474-2238



October 6, 2014

Dr. Gladys Cruz
Interim District Superintendent
Questar III BOCES
10 Empire State Blvd., 2nd Floor
Castleton, NY 12033

Dear Dr. Cruz:

The New York State Education Department appreciates the work of your OPEB Task Force in working to bring resolution through the Other Post-Employment Benefits Liquidation Plan.

Our comments are as follows:

- The Department agrees with the recommendations for proper accounting set forth by the Office of the State Comptroller in its October 11, 2013 report. We agree with the Office of the State Comptroller that, under GASB 45, the prescribed modified accrual basis of accounting should be utilized.
- The Department is in agreement with recommendations one through six and supports the actions developed by the task force and accepted by your component districts.
- Since some of the funds identified for return to school districts represented aidable expenses at the time the funds were collected by the BOCES, some reconciliation must be made to avoid an overpayment of state aid. Questar III should develop a methodology to estimate the portion of each district's repayment that was aided in the first instance. Like other expenses refunded by the BOCES, these funds should be reported under account code A2701, Refund of Prior Year Expense, so that the appropriate state aid adjustments may be made.

Considering the concerns and strategies laid out with respect to the recommendations, the Department accepts your Other Post-Employment Benefits Liquidation proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles A. Szuberla, Jr.".

Charles A. Szuberla, Jr.

Please visit www.questar.org/opeb for the full materials related to OPEB.

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