

School Finance Overview

Fox Chapel Area School District

Funding of Public Education

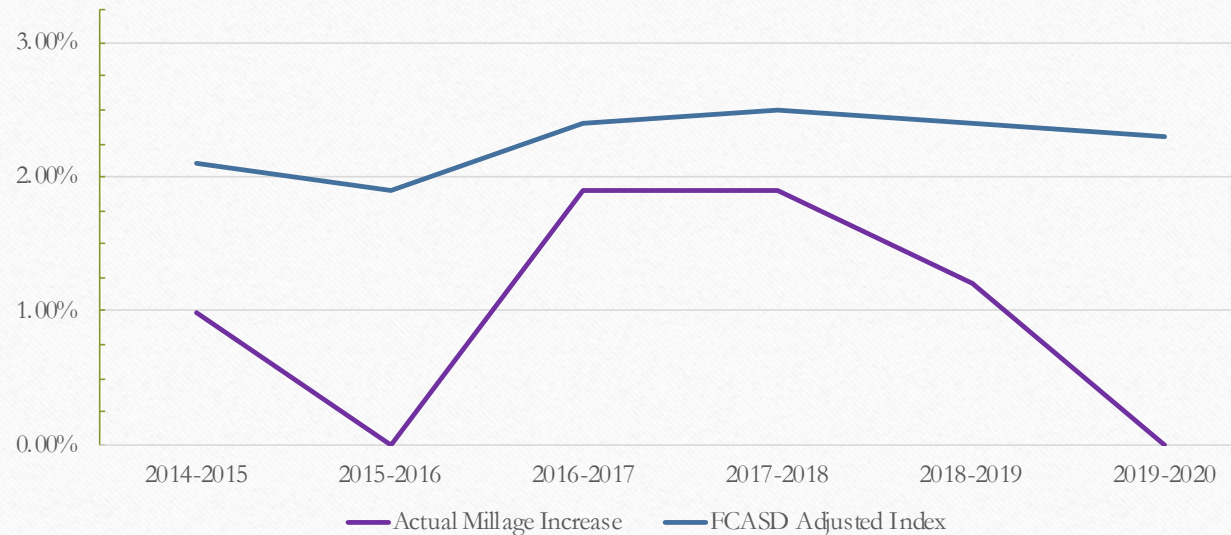
- School District funding is comprised of a combination of local, state and federal sources.
- Legislation provides the rules for funding calculations, sets mandates and imposes limitations on tax increase capabilities.
 - Act 1 of 2006
 - State Subsidies & Reimbursements
 - Federal Programs

Act 1 of 2006

- Was designed to provide state gaming revenue to local school districts, which is used to off-set property taxes for homeowners with approved homestead applications. (Property Tax Relief)
 - "Moves" the revenue from Local to State – the amount reduced from the homeowners is instead paid by the state.
- Established a "Base Index" which regulates the rate in which school districts can raise property taxes each year.
 - School Districts that meet an additional requirement based on an Aid Ratio may have an "Adjusted Index" allowing them to increase higher than the "Base Index"
- All School Districts have the ability to increase greater than the Index by filing "Referendum Exceptions" that must be submitted and approved by the PA Dept of Education. Exceptions exist for extraordinary expenses relating to:
 - School Construction
 - Special Education Expenses
 - Retirement Contribution Increases

FCASD Historical Act 1 Increases

Fiscal Year	FCASD Index	Millage Increase
2014-2015	2.10%	0.98%
2015-2016	1.90%	0.00%
2016-2017	2.40%	1.90%
2017-2018	2.50%	1.90%
2018-2019	2.40%	1.20%
2019-2020	2.30%	0.00%
2020-2021	2.60%	TBD

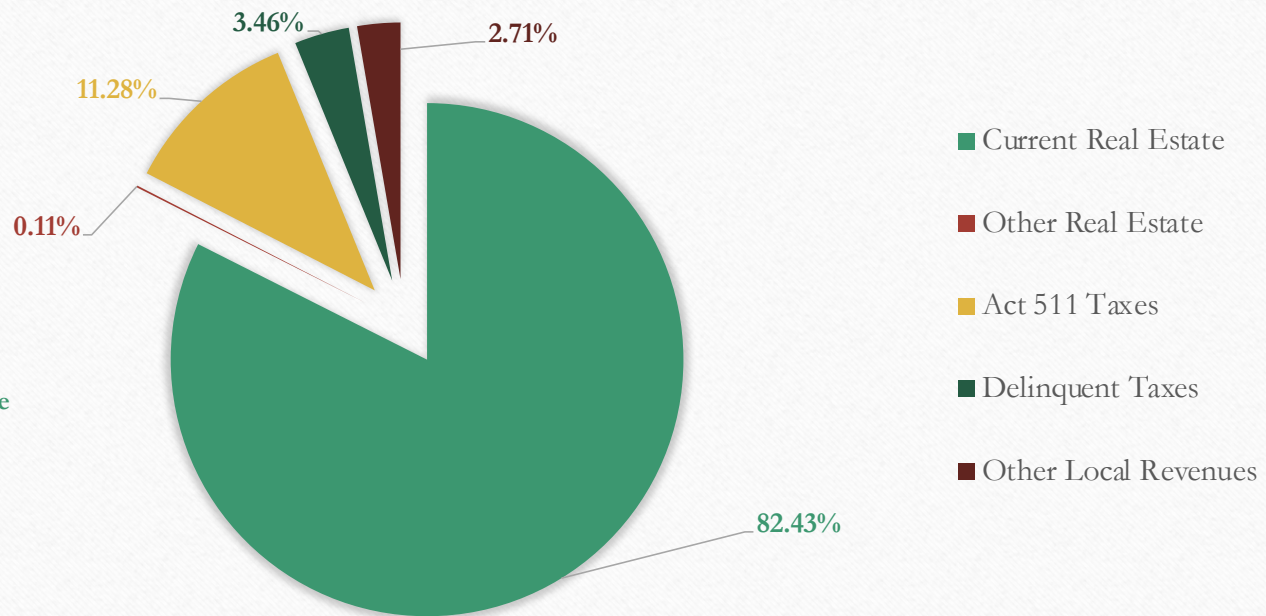


FCASD = State Base Index. FCASD does not meet the required Aid Ratio to qualify for an Adjusted Index rate.

FCASD Local Revenue Sources

% OF LOCAL REVENUE

77% of all revenue comes from local sources.
The majority of total revenue comes from the district's current real estate tax collection – 63%



Percentages based on FCASD 19.20 Original Budget

State Subsidies & Grants

- Pennsylvania provides funding to school districts through:
 - Basic Education Funding:
 - Special Education Funding:
 - Transportation Subsidy:
- Subsidy calculations based on a district's aid ratios and enrollment/membership.
- State may also provide grant opportunities:
 - Ready to Learn Grant
 - Safety & Security Grants

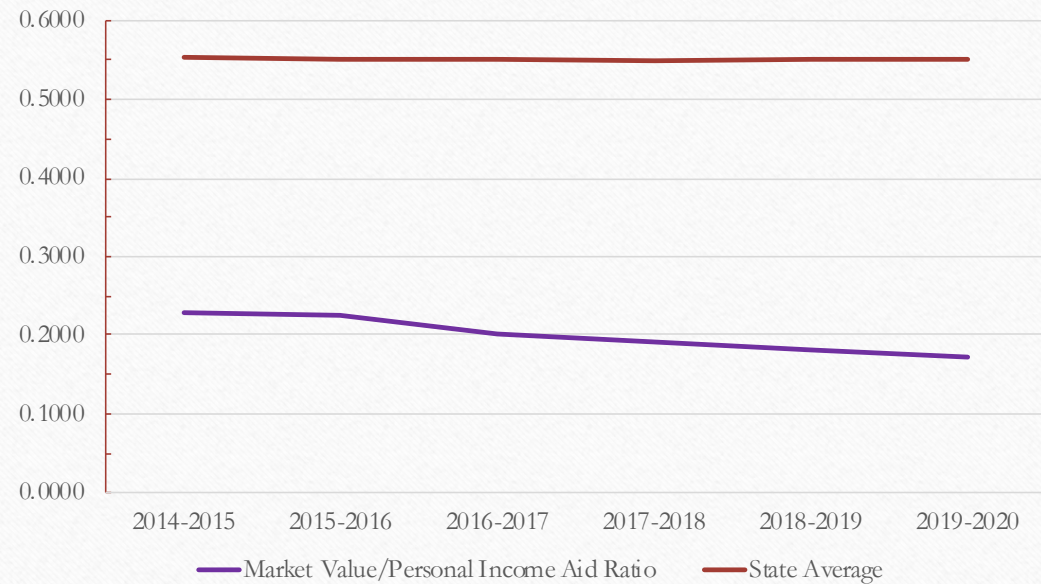
Market Value/Personal Income Aid Ratio

The MV/PI AR represents the relative wealth (market value and income), in relation to the state average, for each pupil in a school district. The lower the number, the higher the Market Value/Personal Income in the district.

Lower AR tends to contribute to lower state funding

Fiscal Year	Market Value/Personal Income Aid Ratio	Position in Allegheny County	Position in State
2014-2015	0.2287	2 / 43	29 / 500
2015-2016	0.2267	2 / 43	31 / 500
2016-2017	0.2026	2 / 43	26 / 500
2017-2018	0.1922	2 / 43	26 / 500
2018-2019	0.1805	2 / 43	23 / 500
2019-2020	0.1722	2 / 43	20 / 500

MV/PI AR for the current year is the basis of qualifying for an Adjusted Index Rate per Act 1 for the next budget year.



Source: PA Dept of Education website - Financial Data Elements

Average Daily Membership

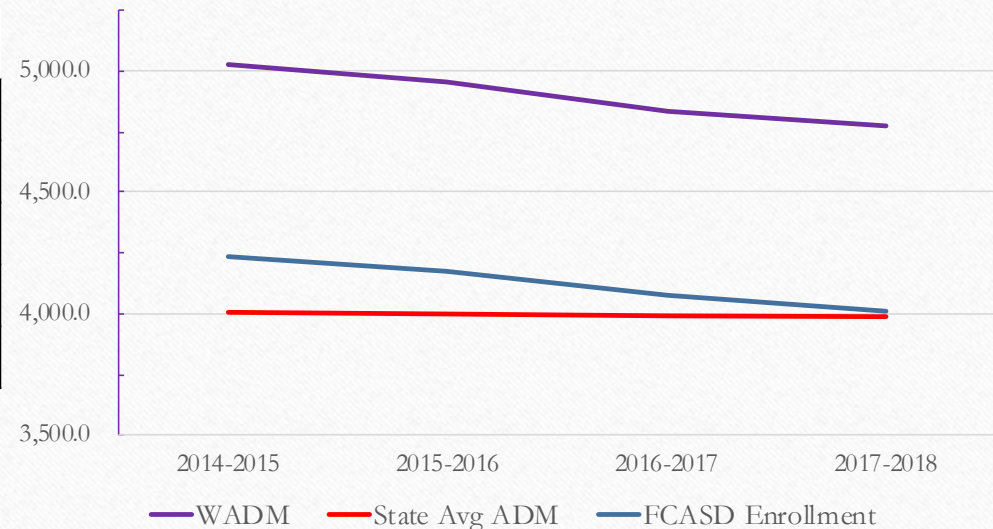
Average daily membership (ADM) is the term used for all resident pupils of the school district for whom the school district is financially responsible. It is calculated by dividing the aggregate days membership for all children on active rolls by the number of days the school district is in session.

Weighted average daily membership (WADM) is the term used for the assignment of weight by grade level to ADM. The current weighting is half-time kindergarten at 0.5, full-time kindergarten and elementary (grades 1-6) at 1.0, and secondary (grades 7-12) at 1.36.

Enrollment – Headcount of enrolled students at 1 particular date of the year.

Fiscal Year	Enrollment	ADM	WADM	State Average
2014-2015	4234	4263.506	5025.505	4004.510
2015-2016	4168	4207.313	4959.089	3998.703
2016-2017	4072	4112.141	4838.174	3989.896
2017-2018	4009	4057.295	4772.658	3990.865
2018-2019*	4017	4069.568	4768.797	TBD

*2018-2019 based on preliminary report – not finalized by PDE.



Source: PA Dept of Education website – Financial Data Elements
Enrollment Source – 19.20 Budget Enrollment Projections

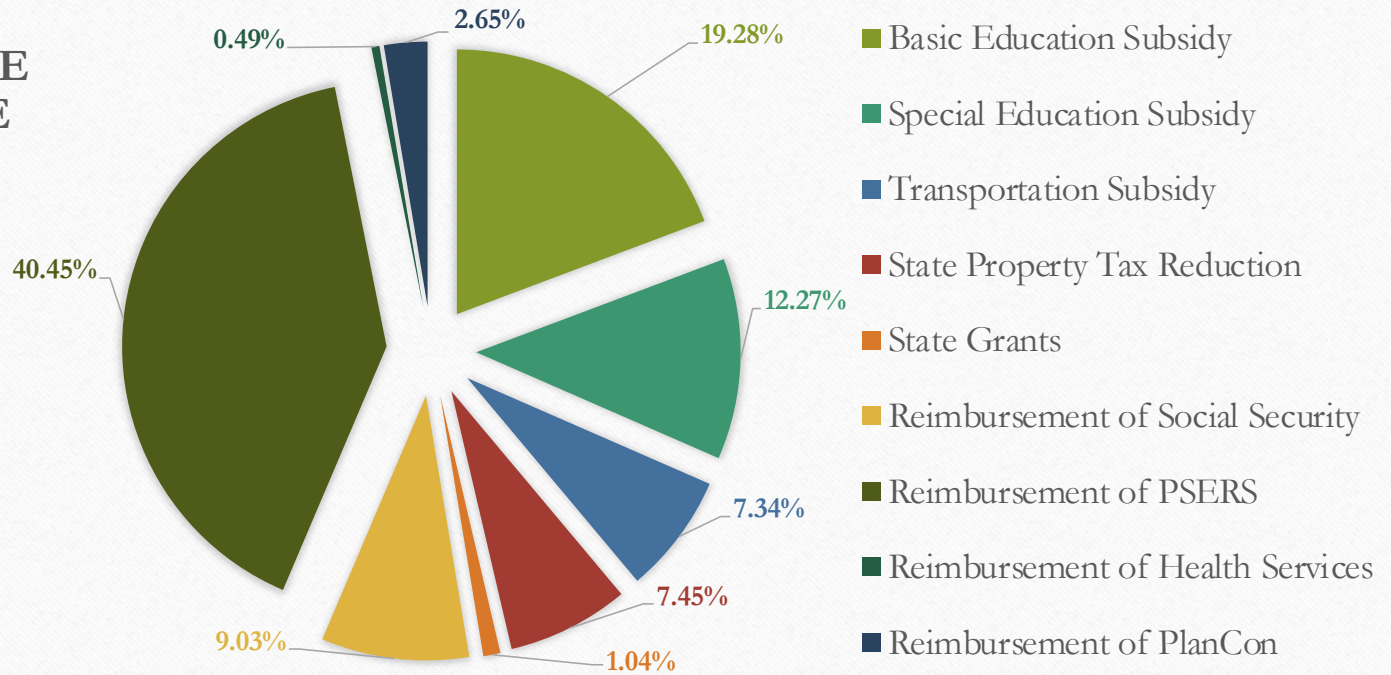
State Reimbursements & Other State Funding

- Reimbursement for Social Security Fringe Taxes
 - 50% reimbursement of employer fringe taxes for social security & Medicare taxes
- Reimbursement for PSERS Employer Retirement Contributions
 - 50% reimbursement of employer contributions
- Reimbursement for Health Services
- PlanCon Reimbursement
 - Reimbursement for payments towards GO Bonds taken out for planned construction projects, that have been approved through a PDE process for reimbursement.
 - Not all GO Bonds go through PlanCon approval.
 - State has issued moratoriums on PlanCon projects due to low funding.
- Property Tax Reduction
 - Property Tax Relief provided to homeowners to lower property tax is instead paid by the state as a state revenue.

FCASD State Revenue Sources

% OF STATE REVENUE

19% of the total revenue is from state sources.



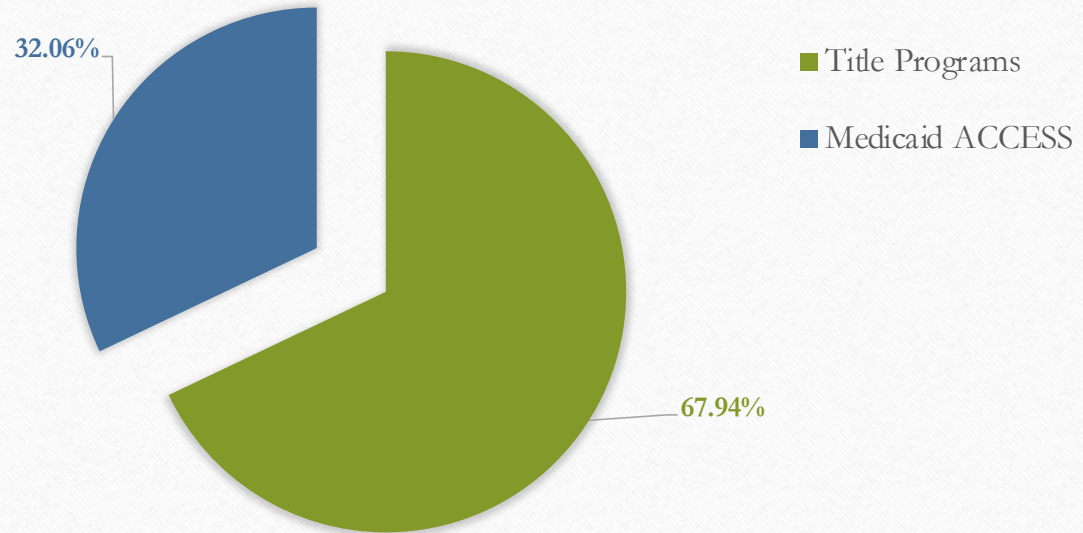
Percentages based on FCASD 19.20 Original Budget

Federal Programs

- Every Student Succeeds Act (ESSA)
 - Replaced No Child Left Behind Act (NCLB)
 - Tied to Future Ready PA Index
 - Various grants aimed at providing financial assistance towards (Title Programs):
 - Economically disadvantaged students
 - Improving skills of educators & quality of instruction
 - Language instruction for Limited English Proficient learners
 - Effective with 2018-2019 AFR, reports will be created to show approximate local, state and federal cost per building
- Medicaid Reimbursement
 - School Based ACCESS program
 - Reimbursement for special education costs
 - Reimbursement is based on a calculated percentage NOT 100% reimbursement

FCASD Federal Revenue Sources

**% OF FEDERAL
REVENUE**



Less than 1% of the total revenue is from federal sources.

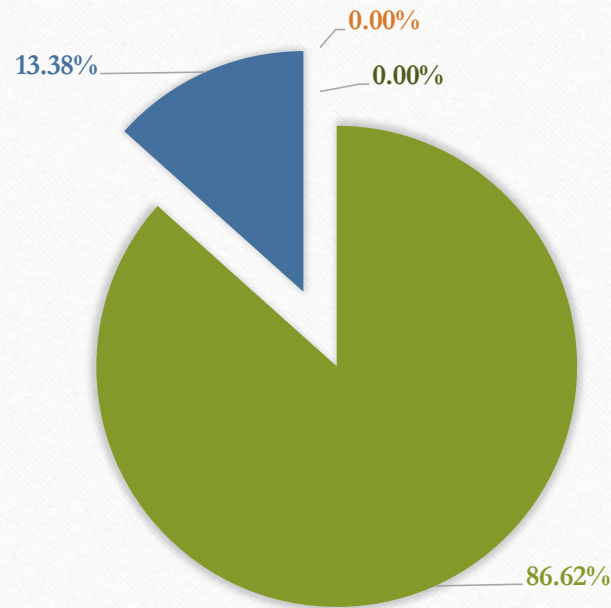
Percentages based on FCASD 19.20 Original Budget

Other Funding / Revenue Sources

- Other options for funding include:
 - Proceeds from long-term financing
 - Capital leases, etc.
 - Sale of fixed assets
 - Insurance recoveries
 - Transfers from other funds
- A district's fund balance may also have a portion set aside to apply to each year's budget.

FCASD Other Revenue Sources

% OF OTHER REVENUE



- Proceeds from Long-term Financing
- Sale of Fixed Assets
- Transfer from Other Funds
- Insurance Recoveries

Less than 1% of the total revenue is from other sources.

Percentages based on FCASD 19.20 Original Budget

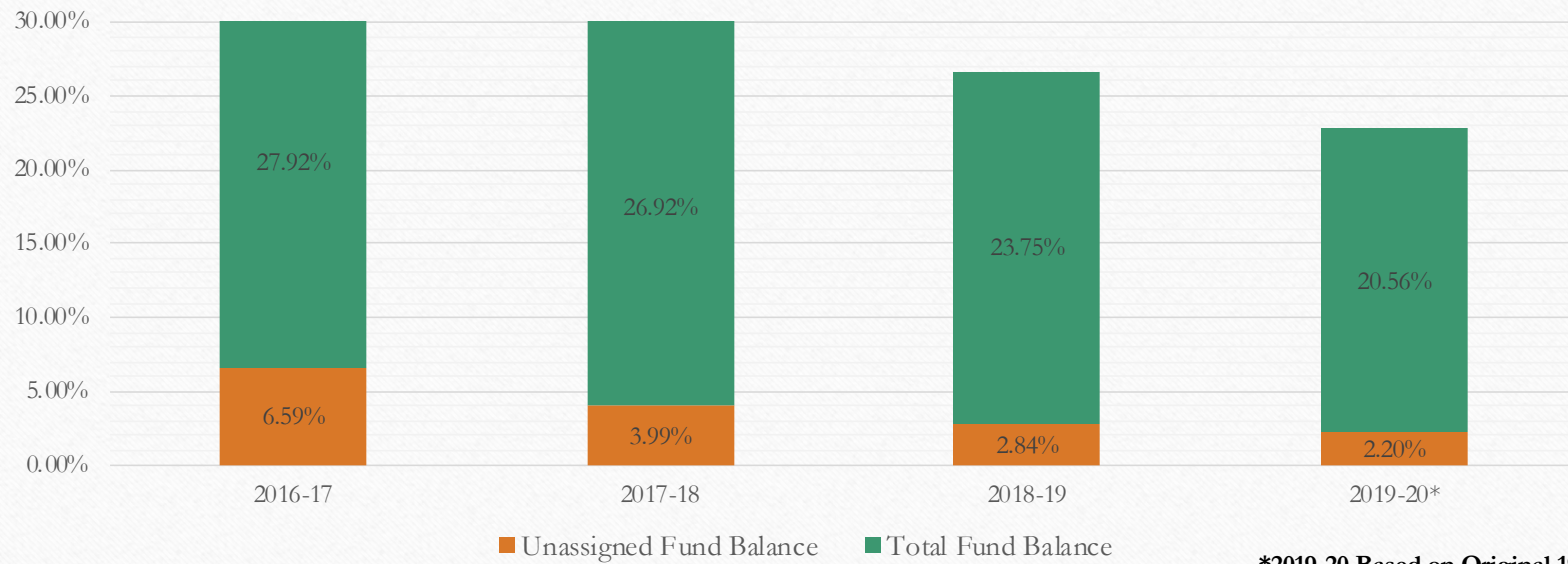
Fund Balance

- Districts maintain a fund balance comprised of the positive differences over the years left by total revenues less total expenditures – much like a savings account.
- Fund balance is broken out into varying categories:
 - Assigned – Funds assigned specifically to a specific project (example – Capital projects)
 - Committed – Funds committed to specific expenses (example – PSERS)
 - Non-Spendable – Funds held for expenses that may have been paid, but are to be allocated to a future fiscal year (pre-paid items)
 - Unassigned/Available – Funds that are available for any use, including to balance any negative budgets.
- PDE has rules dictating the amount of funds allowed to be “Unassigned/Available”
 - Based on total budget of greater than \$19 million, unassigned fund balance cannot be greater than 8% of the total budgeted expenditures

FCASD Fund Balance

This graph shows the historical trend of FCASD fund balance compared as a percentage of total expenditures.

For 2019-20, 2% of the total revenues are derived from the Unassigned/Available fund balance.



*2019-20 Based on Original 19.20 Budget

School District Expenditures

- Coding is provided by PA Department of Education
 - Chart of Accounts – updated to reflect changes in funding rules, mandates, etc.
- GASB – Governmental Accounting Standards Board
 - Dictates what is required to be reported and where
 - PDE often implements the GASB additions to the AFR
 - Example: GASB added Net Pension Liability effective 6/30/2015. and then it was added to PDE Annual Reports effective 6/30/2016

Expenditure Coding

Fund + Function + Funding Source + Organizational Level + Operational Unit + Subject Matter + Object Code

Example: 1011100003912140 610 = General Fund, Regular Education, no specific funding source, Secondary, High School, Phys Ed, General Supplies

- Fund describes which fund is being used (General Fund = Fund 10)
- Function describes the activities for which a service or material is acquired.
 - PDE designates 5 broad categories: Instruction, Support Services, Non-Instructional, Facilities, and Other Financing Uses
 - Subfunctions then exist within each function to further break out the program or department
- Funding Source is a way to further break out if specific revenues are tied to specific expenses.
- Organizational Level segregates expenses by elementary, secondary, etc..
- Operational Unit segregates by school building.
- Subject Matter breaks out costs by subject.
- Object Codes are the service or commodity purchased.

Source: PA Dept of Education Chart of Accounts

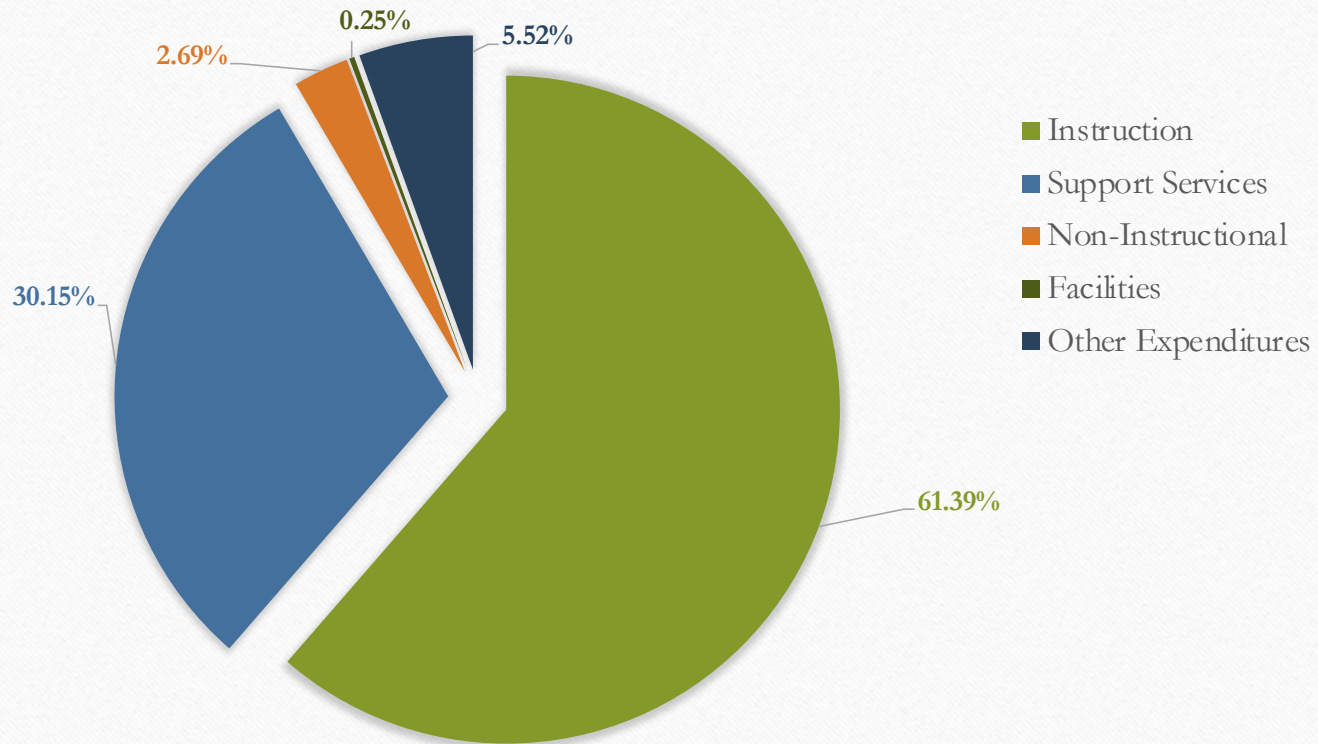
Functions

- Instructional – activities relating directly to interactions between teachers and students, directly attributed to instruction.
 - Regular Education, Special Education, Alternative Education, Summer Instruction, Pre-K and Non-Public Programs
- Support Services – services that provide administrative, technical and logistical support to facilitate and enhance instruction.
 - Pupil Health, Guidance Services, Library Services, Legal Services, Business Office, Staff Development, Technology Services, Principal Services, Transportation, Operations & Maintenance, etc.
- Non-Instructional – activities concerned with providing non-instructional services to students, staff or the community.
 - Student Activities, Athletics, Community Services
- Facilities – capital expenditures incurred to purchase land, buildings, service systems and built-in equipment.
 - Construction Services, Site Improvements
- Other Expenditures – includes current debt service and other expenses.
 - Debt Service, Fund Transfers, Prior Year Expenditures

Source: PA Dept of Education Chart of Accounts

FCASD Expenditures by Function

Instruction accounts for the highest percentage of all expenditures



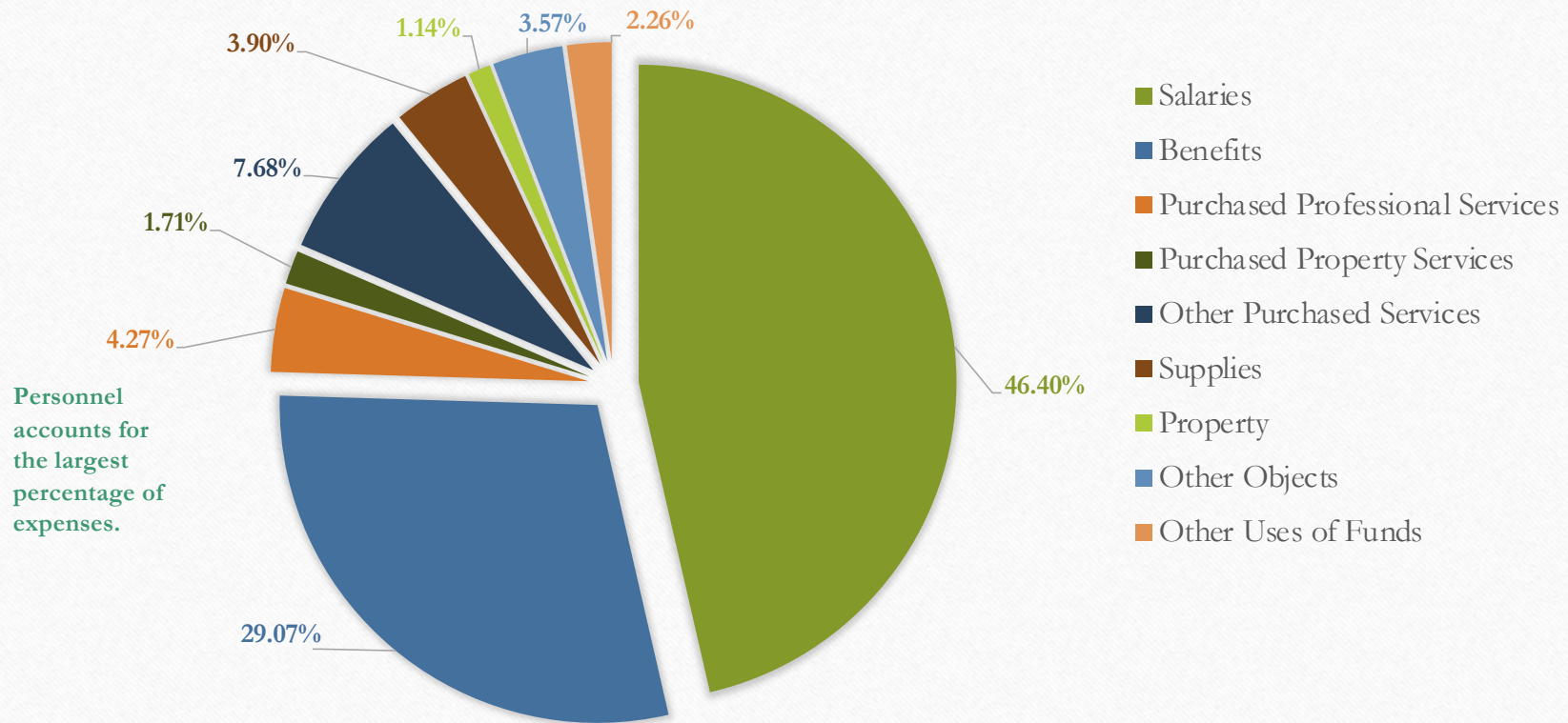
Percentages based on FCASD 19.20 Original Budget

Object Codes

- Personnel Salaries – gross salaries paid out to staff
 - Regular Wages, Overtime Wages, Supplemental Wages, Insurance Op—out payments, etc.
- Personnel Benefits – all employer paid benefits/taxes
 - Medical/Dental/Vision insurance, Social Security taxes, PSERS, Tuition Reimbursement, Unemployment Compensation, Worker’s Compensation, Other Post Employment Benefits, etc.
- Purchased Professional & Technical Services – services that require persons or firms with specialized skills and knowledge.
 - Payments to architects, doctors, dentists, tax collectors, lawyers, consultants etc..
- Purchased Property Services – services to operate, repair, maintain or rent property owned/used by the district.
 - Cleaning services, water/sewage utilities, repairs, rentals, construction services, etc..
- Other Purchased Services – amounts paid for services rendered by organizations or personnel other than district personnel.
 - Transportation services, travel reimbursement, tuition, etc..
- Supplies – material items, expendable in nature, that are consumed, worn out, etc..
 - General supplies, electric and gas utilities, food, books, etc.
- Property – acquisition of fixed/capital assets.
 - Equipment (new and replacement)
- Other Objects – expenditures not otherwise classified.
 - Dues & fees, interest charges, claims & judgements.
- Other Uses of Funds – transactions that record principle payments, transfers, etc..

Source: PA Dept of Education Chart of Accounts

FCASD Expenditures by Object



Personnel accounts for the largest percentage of expenses.

Percentages based on FCASD 19.20 Original Budget

Annual District Budget

- Budget is due to PDE by 6/30 of every year.
 - Information uploaded and entered online – PDE's CFRS (Consolidated Financial Reporting System).
- PDE releases their own timeline dictating when certain events need to be completed.
 - Budget Process begins in September when PDE releases the Act 1 index percentages
 - Act 1 Resolution to not increase above index due to PDE **January** OR Preliminary Budget due.
 - Proposed Final budget must be approved by school board by end of **May**
 - Final budget must be approved and posted to PDE by end of **June**
 - *There is a set # of days between proposed and final approvals by PDE to allow for proper advertising and posting available to the community to view.*

*FCASD Budget Process begins every November with the PowerSchool budget module opening up for buildings and departments to enter their requested budgets.

Annual Financial Report

- AFR due to PDE by 10/31 of every year.
 - Breaks out Revenues and Expenditures as well as Balance Sheet/Financials for all funds.
 - Auditors go over the prior year's financials and provide the district with any adjustments that may need made.
 - Information uploaded and entered online – PDE's CFRS (Consolidated Financial Reporting System).
- Final Financial Report provided by auditors by 12/31 of every year
 - Information includes more of the financial position of the district.
 - Presented every January to the public at the school board meeting.