



# **Draft – 2023-2024 Proposed Final General Fund Budget Update**

For February 13, 2023  
Joint Governance (Finance) Meeting



# Act 1 Budgeting Process

- Act 1 Resolution
  - January 9, 2023 Combined Planning / Voting Meeting Agenda
  - Certifying the school board will not raise taxes above the [base index of 4.1%](#) for the 2023-2024 fiscal year
- Draft Proposed Final Budget
  - Large amount of unknown factors
    - Personnel costs / staffing projections – April 2023
    - Revenue (local and state)
  - Developed using trend analysis at a high level
    - Estimated personnel costs (objects 100 through 299)
    - Line item detail has been included for most operational costs (objects 300 through 999)
    - Some departments are still obtaining additional detail & submitting revisions



# Current Budget Status

- Projected revenue\* \$102,206,985
- Projected expenditures (\$106,703,234)
- Current budgetary deficit (\$4,496,249)
  - Projected remaining funds from Fund 34 – Swap Capital Projects ~ \$1.7M
  - Remaining deficit – Utilization of Fund Balance for Assigned Capital Improvements
  - Total estimated Capital Funding Plan for 2023-2024 = \$8,158,094
- \*This draft does not include a tax increase.



# Fund Balance – as of June 30, 2022

• Nonspendable – prepaid expenditures	\$799,871.68
• Committed – PSERS employer retirement costs	\$192,471.00
• Assigned for capital improvements	\$17,166,377.58
• Assigned for 2021-2022 general fund budget	\$1,915,334.00
• Assigned for general fund – athletic cash account	\$32,583.15
• Assigned for debt service expenditures	\$635,638.00
• Assigned for employee benefit obligations	\$6,108,854.06
• Unassigned fund balance	<u>\$7,195,264.50</u>
• Total	\$34,046,393.97

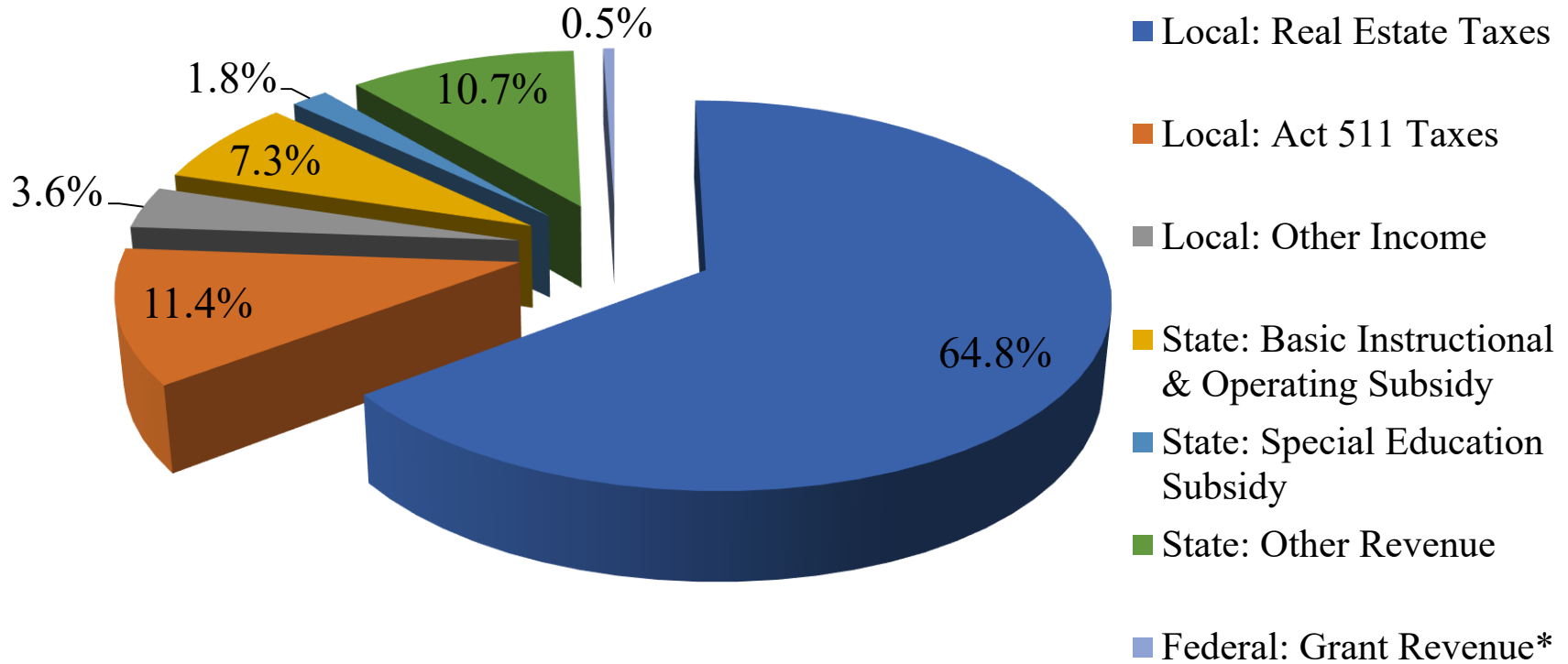
\*Source: audited financial statements as of June 30, 2022



# Revenue



# Revenue



\*Note: Local and state revenue is *generally unrestricted* and is mostly used for the operations of the school district. Federal grant revenues are restricted for specific allowable grant-related costs.



# Factors Impacting Local Revenue Projections

- Property values in our community are higher as a result of student achievement in our school system.
- Real estate assessed values ~ estimated as of February 2023
  - Updated values will be received from Allegheny County in May 2023 - New residential and commercial properties
  - Assumed growth rates have been factored into the draft budget for both Townships
  - Property tax appeals continually being processed at the County level
    - Some commercial properties could have a significant effect – estimates are currently embedded in these calculations
    - Dispute over the Common Level Ratio (CLR) used by Allegheny County and the new lowered CLR value for 2023
- Continuous monitoring of other local sources of revenue such as earned income tax, real estate transfer tax on property sales, investment income, etc.



# Factors Impacting State Revenue Projections

- Pennsylvania K-12 Education Funding:
  - Basic Education Funding (BEF) represents the largest portion of funding
  - State share of Retirement and Social Security Expenditures
  - Special Education Subsidy
  - Pupil Transportation Subsidy
  - Other (Ready to Learn Block Grant, Pupil Health, Debt Service Reimbursements ~ discontinued years ago for any new construction / renovation)
- State budget uncertainty
  - State budget under Gov. Shapiro – to be approved by the end of June 2023
  - Unknown subsidy levels specifically for Pine-Richland
  - Dispute within the state over Basic Education Fair Funding Formula
    - In 2015, in accordance with Act 51 of 2014, the Basic Education Funding Commission (BEFC) unanimously recommended a new formula.
    - The fair funding formula does not allocate a specific dollar amount to each school district. Instead, it determines each district's fair share of the amount of funding available to distribute from the state with a factor for student population.
    - Currently, a small % of overall BEF is factored through the formula.





# Federal Grant Revenue

- Title I
  - Reading Specialist (personnel) & non-public share
- Title IIA
  - Class Size Reduction for newly added section (personnel) & non-public share
- Title IV
  - Portion of Naviance Software & non-public share
- IDEA – passes through the Allegheny Intermediate Unit (reported under “local”)
  - Special education personnel and specialized services
- ARP ESSER
  - HVAC project (three primary schools) 80%
  - Extended School Year Transportation and Learning Loss Programs 20%
- ARP ESSER Set Asides
  - Learning Loss, After School Programming and Summer School Programming



# Federal Grant Revenue

- IDEA B – Section 619
  - Early Intervention services rendered through the Intermediate Unit
- Title III
  - Language Instruction for English Learners
- School-Based ACCESS Program
  - Special Education Transportation
- Food Service – Fund 51 (separate from the General Fund)
  - National School Lunch & Breakfast Programs

Federal grants may only be spent on specific allowable costs within each program. At Pine-Richland, federal grant dollars are a very small portion of the overall revenue in the General Fund. These grants are audited annually by the Independent Auditors through the Single Audit Process. These are periodically monitored by the state and federal governments for compliance. It is important to understand the complexity and opportunity cost in terms of reporting and monitoring.

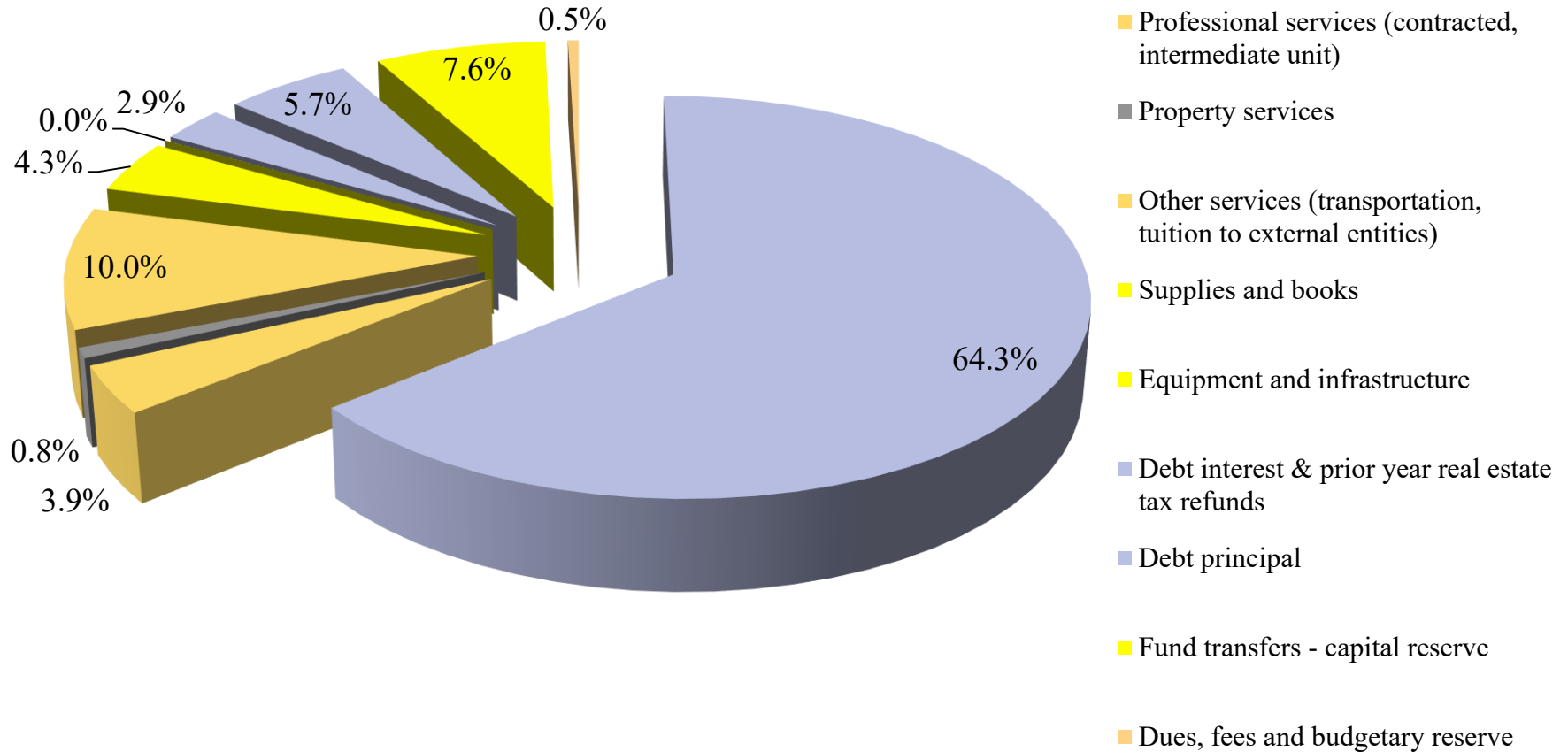
Each grant listed on these slides are allocated annually except for ARP ESSER dollars. These grants were a result of the COVID-19 pandemic and will not be funded in future years.



# Expenditures



# Expenditures





# Factors Impacting Expenditures

- 1.26% decrease in PSERS employer contribution rate from 35.26% to 34% of payroll cost (approximately \$53,675 in the year-over-year net increase)
  - Cost increase is shared by State through subsidy reimbursement
  - Pension reform has been enacted at the State level for employees hired on or after 7/1/2019
- Unknown cost factors
  - Personnel budget – staff scheduling to occur in April 2023 - currently personnel costs are estimated based on trends and employment groups as a whole
  - Premium rate increase from the Allegheny County Schools Health Insurance Consortium (ACSHIC) reflected as an estimate – official rate will be set next month
  - Detailed operational line items continue to be reviewed
  - Workers' Compensation & Liability Coverage rates to be available May 2023
- Fluctuating costs for outplacement tuition for students with specialized needs



# Pine-Richland School District

Retirement Planning

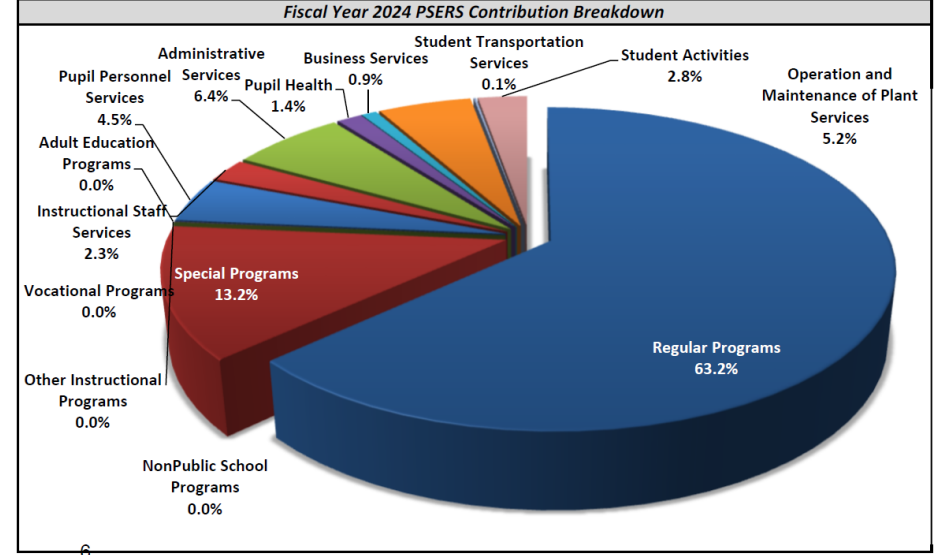
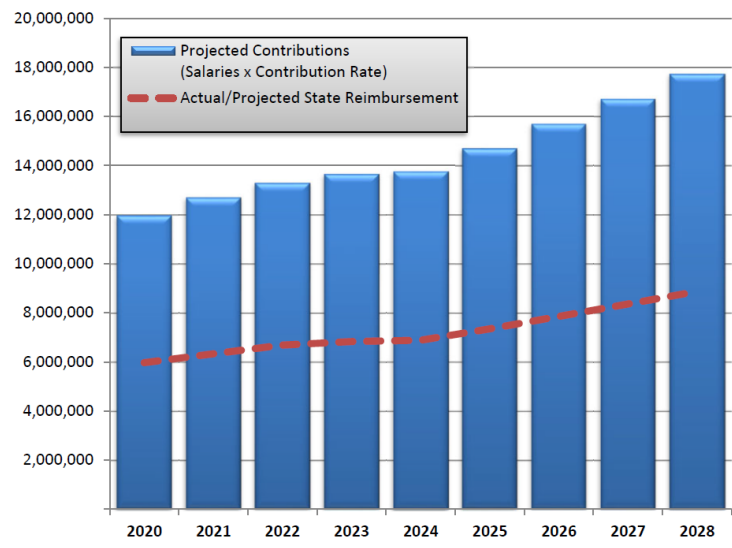


	(Actual) 2020	(Actual) 2021	(Actual) 2022	(Budget) 2023	(Projected) 2024	(Projected) 2025	(Projected) 2026	(Projected) 2027	(Projected) 2028
Total Revenue	101,227,632	137,112,341	103,397,926	99,437,577	102,206,985	104,840,322	107,548,629	110,119,953	112,942,007
Total Expenditures	99,337,835	133,592,444	100,941,246	101,352,911	106,703,234	109,134,952	117,083,215	119,393,479	122,504,998
Operating Balance	1,889,797	3,519,897	2,456,680	(1,915,334)	(4,496,249)	(4,294,630)	(9,534,586)	(9,273,526)	(9,562,991)

EXPENDITURES										
100	Personnel Services - Salaries	35,026,501	36,996,454	38,243,244	38,902,742	40,654,422	42,487,769	44,406,676	46,415,223	48,517,689
	Less: Non-PSERS Eligible Salaries	(107,507)	(190,137)	(184,700)	(155,000)	(155,000)	(155,000)	(155,000)	(155,000)	(155,000)
	Net PSERS Eligible Salaries	34,918,994	36,806,318	38,058,544	38,747,742	40,499,422	42,332,769	44,251,676	46,260,223	48,362,689
	<b>PSERS Contribution Rates *</b>	<b>34.29%</b>	<b>34.51%</b>	<b>34.94%</b>	<b>35.26%</b>	<b>34.00%</b>	<b>34.73%</b>	<b>35.49%</b>	<b>36.15%</b>	<b>36.67%</b>
	<b>Projected Contributions</b> <i>(Salaries x Contribution Rate)</i>	<b>11,973,723</b>	<b>12,701,860</b>	<b>13,297,655</b>	<b>13,662,454</b>	<b>13,769,803</b>	<b>14,702,171</b>	<b>15,704,920</b>	<b>16,723,071</b>	<b>17,734,598</b>
230	Actual Contributions (from AFR)	11,973,723	12,701,860	13,386,659						

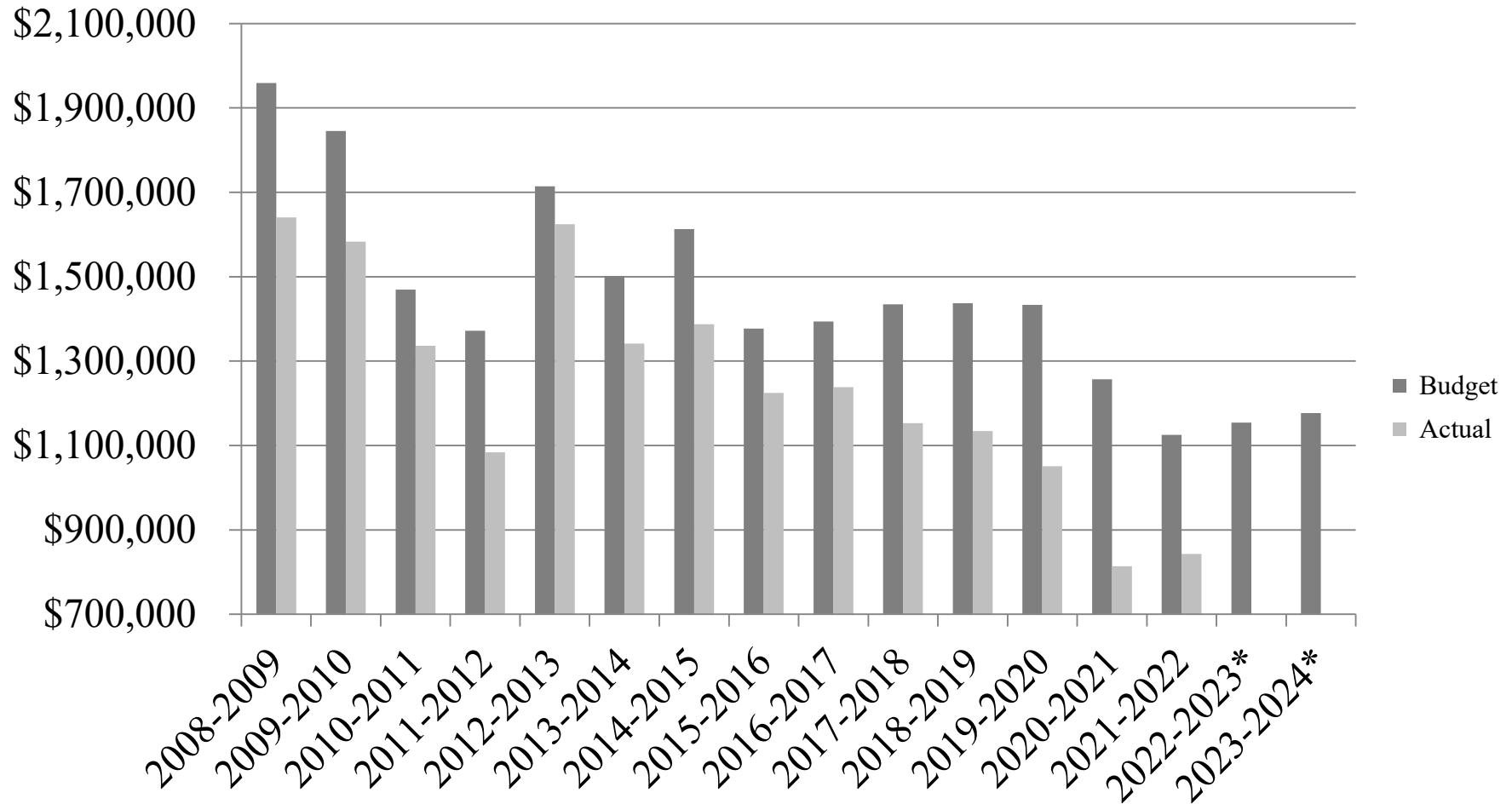
\* Source: PSERS as of December 2022. Contribution rates in blue can be modified to reflect different budgeted contribution rates

REVENUES										
	Projected Contributions (from above)	11,973,723	12,701,860	13,297,655	13,662,454	13,769,803	14,702,171	15,704,920	16,723,071	17,734,598
	<b>Projected State Reimbursement</b>	<b>50.00%</b>	<b>5,986,861</b>	<b>6,350,930</b>	<b>6,648,828</b>	<b>6,831,227</b>	<b>6,884,902</b>	<b>7,351,085</b>	<b>7,852,460</b>	<b>8,361,535</b>
7820	Actual Reimbursement (from AFR)	5,971,027	6,334,157	6,688,561						
	Actual State Reimbursement % <i>(Average)</i>	49.90%	49.87%	49.87%	49.96%					
	<b>Net PSERS Contribution</b>	<b>5,986,861</b>	<b>6,350,930</b>	<b>6,648,828</b>	<b>6,831,227</b>	<b>6,884,902</b>	<b>7,351,085</b>	<b>7,852,460</b>	<b>8,361,535</b>	<b>8,867,299</b>
	<b>Net Increase Over Prior Year</b>	<b>473,293</b>	<b>364,069</b>	<b>297,898</b>	<b>182,399</b>	<b>53,675</b>	<b>466,184</b>	<b>501,375</b>	<b>509,075</b>	<b>505,764</b>





# Building Level Spending



\*Budgeted figures are included in the chart above for 2022-2023 and 2023-2024.

“Focus on learning for every student every day.”



# Act 1 of 2006





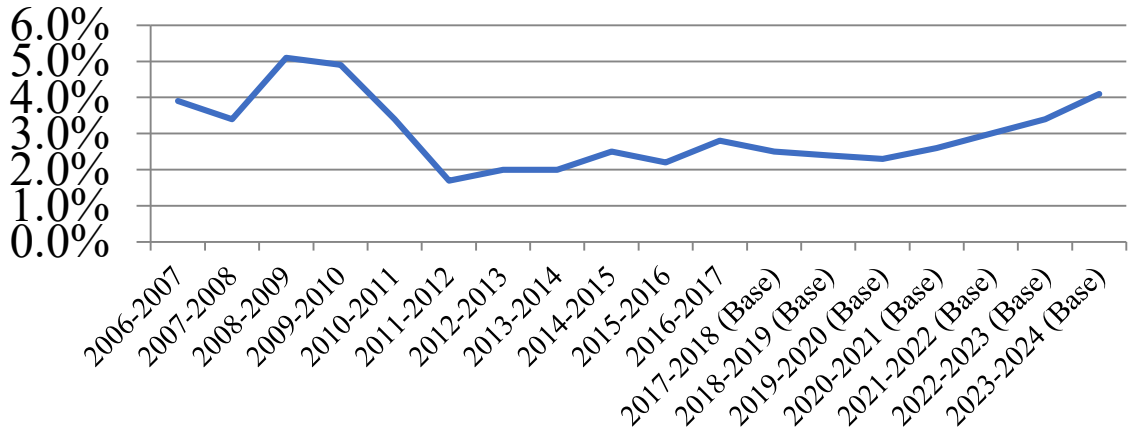
# Act 1 of 2006

- The law was originally designed to provide state gaming revenue to local school districts, which is then used to lower property taxes to homeowners with approved homestead applications on file.
  - The tax reduction (both assessed value and dollar amount of tax bill) is the same ~ regardless of the property valuation.
  - Generally, a homestead application is approved by Allegheny County if the property owner is able to define the property as the main dwelling and primarily used as the owner's domicile.
  - Application and approval process is only required once & carries forward each year.
  - The application and the process to apply for a new homestead is listed on the Allegheny County website here: <https://www.alleghenycounty.us/real-estate/abatemments-exemptions/act-50/act-50-application-process.aspx>. Applications are due by March 1<sup>st</sup>.
  - **In Pine-Richland School District, each property owner with an approved homestead received a tax reduction in the amount of \$221.82 on their July 2022 real estate tax bill.**

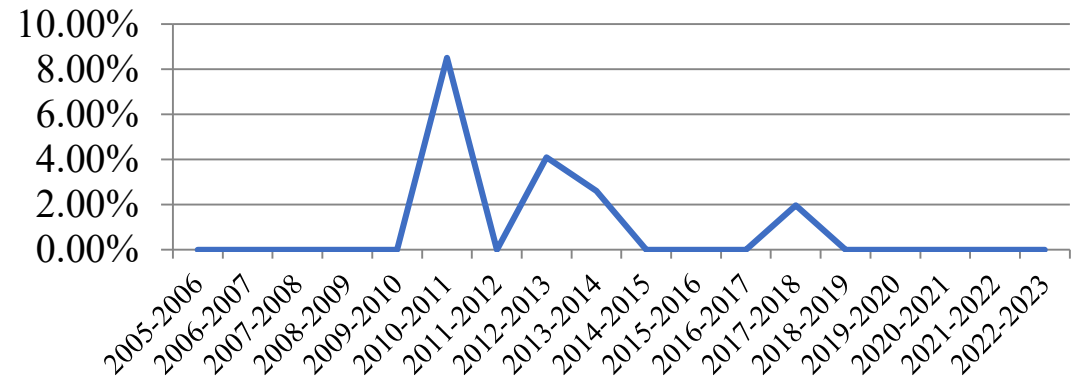


# Act 1 of 2006

**Index: Pine-Richland**



**History of % change in millage rate**



The annual Act 1 index is calculated on the statewide average weekly wage & federal employment cost index. This index regulates the annual rate at which each school district can raise property taxes in Pennsylvania ~ similar to COLA (cost of living adjustment).

Exceptions to the limitation: special education cost increases, retirement rate cost increases, certain construction costs



# Tax Levy Options Under Act 1

	Millage Rate	Tax Levy (Options)	Median Assessed Value as of April 2022	Annual Impact on Homeowner  (assuming median assessed value)	Percent Change
Current	19.5867 mills	\$5,298.20	\$270,500	\$ -	0%
Base Index	20.3897 mills	\$5,515.41	\$270,500	\$217.21	4.1%

\*This draft does not include a tax increase.



# Next Steps



# Timeline

- May 1, 2023 – PA Department of Education notifies school districts of their state allocation of property tax reduction funding and Allegheny County assessor’s office will provide a listing of approved homesteads
- May 6, 2023 – joint governance (finance) meeting
- May 6, 2023 – adoption of proposed final budget
  - Budget documents must be advertised and on display for at least 20 days prior to adoption of final budget
- June 12, 2023 – adoption of tax rates & final budget



# Budget & Finance Communications

- Budgetary and Financial Information is located on our website at:  
<https://www.pinerichland.org/Domain/26>
- Home Page ~ At Your Service ~ Budget/Finances
- Topics:
  - Current & historical budget information
  - Benchmarking data – December 2022
  - Resources (bottom of the webpage):
    - Athletic Facilities Master Plan – 2016
    - School Finance Presentation Archive – 2016
    - PDE Annual Financial Report – Fiscal Year 2021-2022
    - Audited Financial Statements – Fiscal Year 2021-2022