



**Harrisburg School District
Office of Business Services
Final Audit Review and Financial Update**

**Monday, May 17, 2021
Virtual Meeting**

AGENDA

- ❑ Opening Remarks and Executive Summary- Mr. Chris Celmer, Acting Superintendent
- ❑ Financial Update- Mr. George Longridge, Chief Financial Officer
- ❑ 2021-2022 Budget Review- Mr. George Longridge, Chief Financial Officer
- ❑ Review of Financial Strategies/Next Steps- Mr. Chris Celmer, Acting Superintendent



2020-2021 Financial Update: May 2021

| Category | Budget | Actual | % |
|----------|-------------|-------------|-----|
| Revenue | 158,239,294 | 111,292,203 | 70% |
| Expense | 158,239,294 | 105,583,067 | 66% |
| | | | |

Data through April 2021



2020-2021 Financial Update: May 2021

Revenues

- Fiscal year continues trending positively
- Local taxes- cautious optimism- EIT, property above projections, interest earning non-existent!
- State- on budget
- Federal- Administration finalizing ESSER plan
 - Title funding amounts for 2021-22 not yet released

Expenses

- Fiscal year trending positively
- Salaries and benefits- on trend, on budget
- Charter schools- enrollment up, over budget
- Federal programs- below budget due to COVID, open positions
 - Revising Fed budgets with carryover for next year
- Facilities and Capital- part of ESSER, in planning phase



2021-2022 Budget

- Proposed final budget tonight
 - WILL be changes before final adoption in June
- Several areas of uncertainty
 - Ongoing negotiations- HEA, AFSCME, Charter Schools/COVID impact
 - Assumptions built in to budget NOW for each of these
- Budget has NO property tax increase for 2021-2022
 - HOWEVER, this is NOT sustainable
 - Must have conversation regarding future to avoid FISCAL CLIFF



2021-2022 Budget Preparation

Local Property Taxes

- Challenging environment
- Faced with another “cliff”
 - 2008-09 “Great Recession”
 - Not ideal to fund ongoing expenses with ESSER
 - Also don’t want to “stand still” regarding local revenue if state “flat funds” HSD
- Want to ensure minimal disruption to educational process once ESSER funding expires September, 2024
- Want to respect and be sensitive to taxpayer needs



2021-2022 Budget Preparation

Assumptions

- Revenues based on current trends and projections
 - Local- more optimistic, positive than this time last year
 - State- Zero increase in BEF, SEF
 - Does NOT yet include increases in federal allocations for Title, etc.
- Expenses
 - Salaries, benefits still being determined- ongoing negotiations
 - 2% increases for many other categories & contracts
 - Charter schools- anticipated large increase (PA STEAM)
 - Overall 0.52% increase **before ESSER funding expenses**
 - Budgeting for full complement of staff



2021-2022 Budget Summary: May 2021

| Category | Amount |
|-----------------------------|------------------|
| Proposed Budget Revenue | \$ 153,456,617 |
| Use of ESSER Funding | 5,605,055 |
| Proposed Budget Expense | 159,061,672 |
| Proposed Budget Deficit | (\$0) |

Without ESSER funding, the revised budget deficit would be
\$5,605,055 given current projections.

Does not include a tax increase.



21-22 Expenditure Budget- No ESSER

| | 2019-2020 Actual | 2020-2021 Projected | 2021-2022 Proposed |
|---------------------------|---------------------|------------------------|-----------------------|
| 100 – Employee Salaries | \$45,406,691 | \$46,314,825 | \$47,857,569 |
| 200 – Employee Benefits | 31,230,036 | 32,323,087 | 34,539,242 |
| 300 – Contracted Services | 8,364,597 | 8,531,889 | 9,226,837 |
| 400 – Purchased Services | 4,136,133 | 4,218,856 | 4,671,987 |
| 500 – Other Purch Svcs | 31,953,625 | 33,551,306 | 36,906,437 |
| 600 – Supplies/Food | 2,818,728 | 2,875,103 | 3,626,682 |
| 700 - Equipment | 464,202 | 226,809 | 158,100 |
| 800 – Dues & Fees | 854,492 | 871,582 | 2,691,515 |
| 900 – Other Uses | 19,666,438 | 18,652,223 | 19,383,303 |
| Total | \$144,894,942 | \$147,565,679 | *\$159,061,671 |

*Estimated 0.52% increase over 2020-21 budget



CARES Act-ESSER Funding

- Coronavirus Aid, Relief and Economic Security (CARES) Act established the Elementary and Secondary School Emergency Relief (ESSER) Fund
- May 4, 2020 – HSD notified first allocation of \$4,767,579
 - HSD has received two other allocations- ESSER II and ESSER III
- **One-Time Funding**- last funding expires September 30, 2024
 - HSD has 42 months to **appropriately** (UG, academics) spend \$83 million
- **GENERATIONAL** opportunity to address critical needs in Harrisburg School District
- **HOWEVER**- need to review past circumstances-similar to today
 - Concern that Basic Education Funding (BEF) will be reduced due to ESSER funds.



FEDERAL STIMULUS FUNDING

2009 to 2011

Why is this important?

- ESSER Funds- potential for another Fiscal Cliff- a BIG one
 - Funding gaps like this lead to layoffs, program cuts, other hardships
- What can we do NOW to lessen or avoid Fiscal Cliff problems?
- How can we still look to rebuild academic and social programs for students?
- Let's take a look back.....



FEDERAL STIMULUS FUNDING 2009 to 2011

Why is this important?

- Let's take a look back.....
- 2007-2008- the Great Recession
 - Lehman Brothers
 - Housing Meltdown
 - Significant economic disruption, job loss
- Election of new president- Barack Obama



FEDERAL STIMULUS FUNDING 2009 to 2011

Why is this important?

- President Obama & Congress- economic & fiscal stimulus
 - ARRA- American Recovery and Reinvestment Act of 2009
 - Many components, but provided funding for education
- Funds went to states- DOEs were to use for:
 - Teacher salaries, educational programs
 - School facility modernization and construction
- PA distributed ARRA funds to schools in 2009-2010 budget year



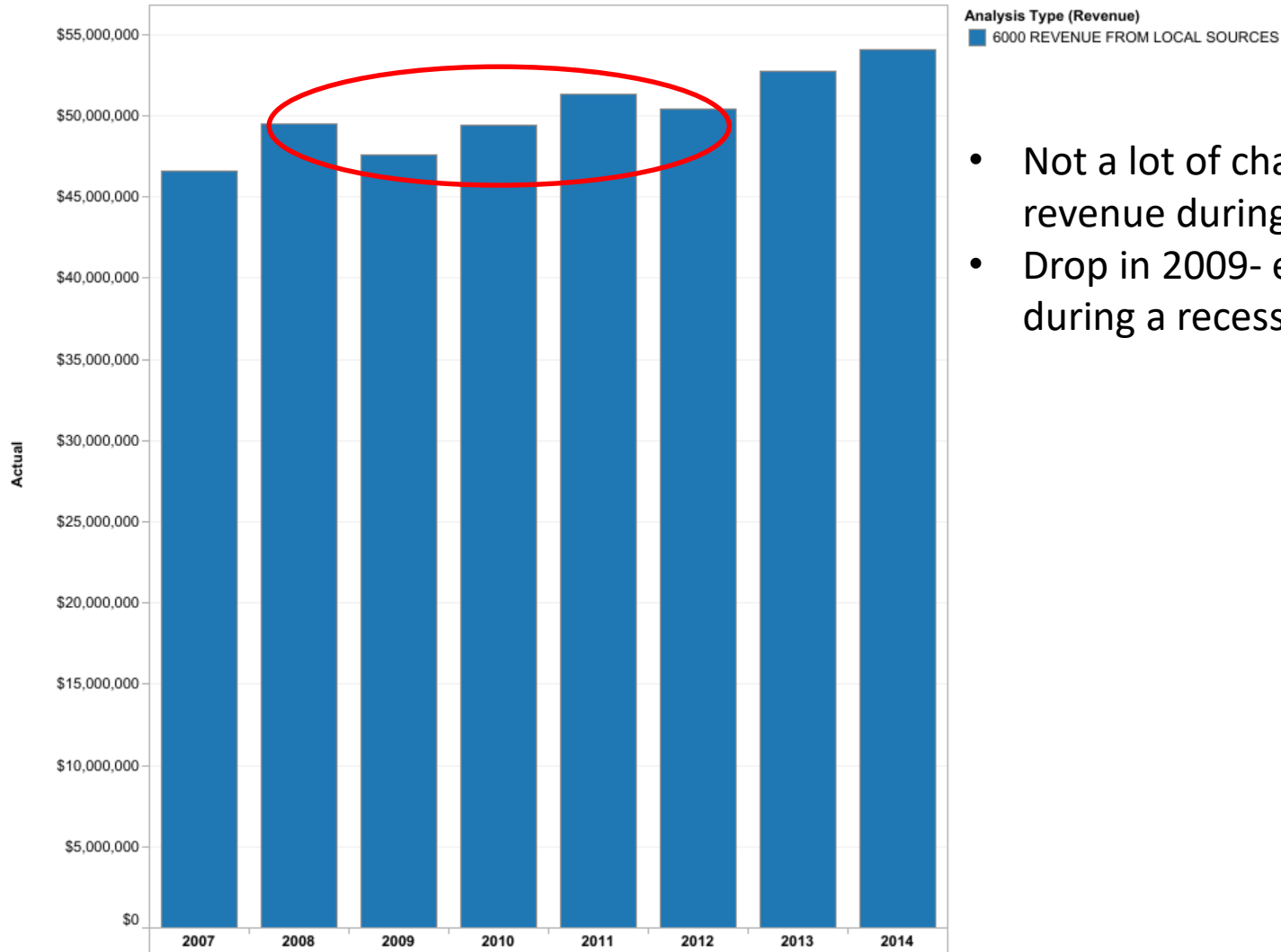
LOCAL FUNDING 2007 to 2014

Revenue Bar Chart

District: Harrisburg City SD

By: Function Level 1

Source: Pennsylvania Department of Education



- Not a lot of change in local revenue during this time
- Drop in 2009- expected during a recession

FEDERAL FUNDING 2007 to 2014

Revenue Bar Chart
District: Harrisburg City SD
By: Function Level 1
Source: Pennsylvania Department of Education



Analysis Type (Revenue)

8000 REVENUE FROM FEDERAL SOURCES

- Federal Funding (ARRA) increased during 2009-2010 and 2010-11, When the economy started to recover and the ARRA funds elapsed, federal funding reverted back to typical levels
- Funding reduced from \$18.7m in 2011 to \$10.9m in 2012

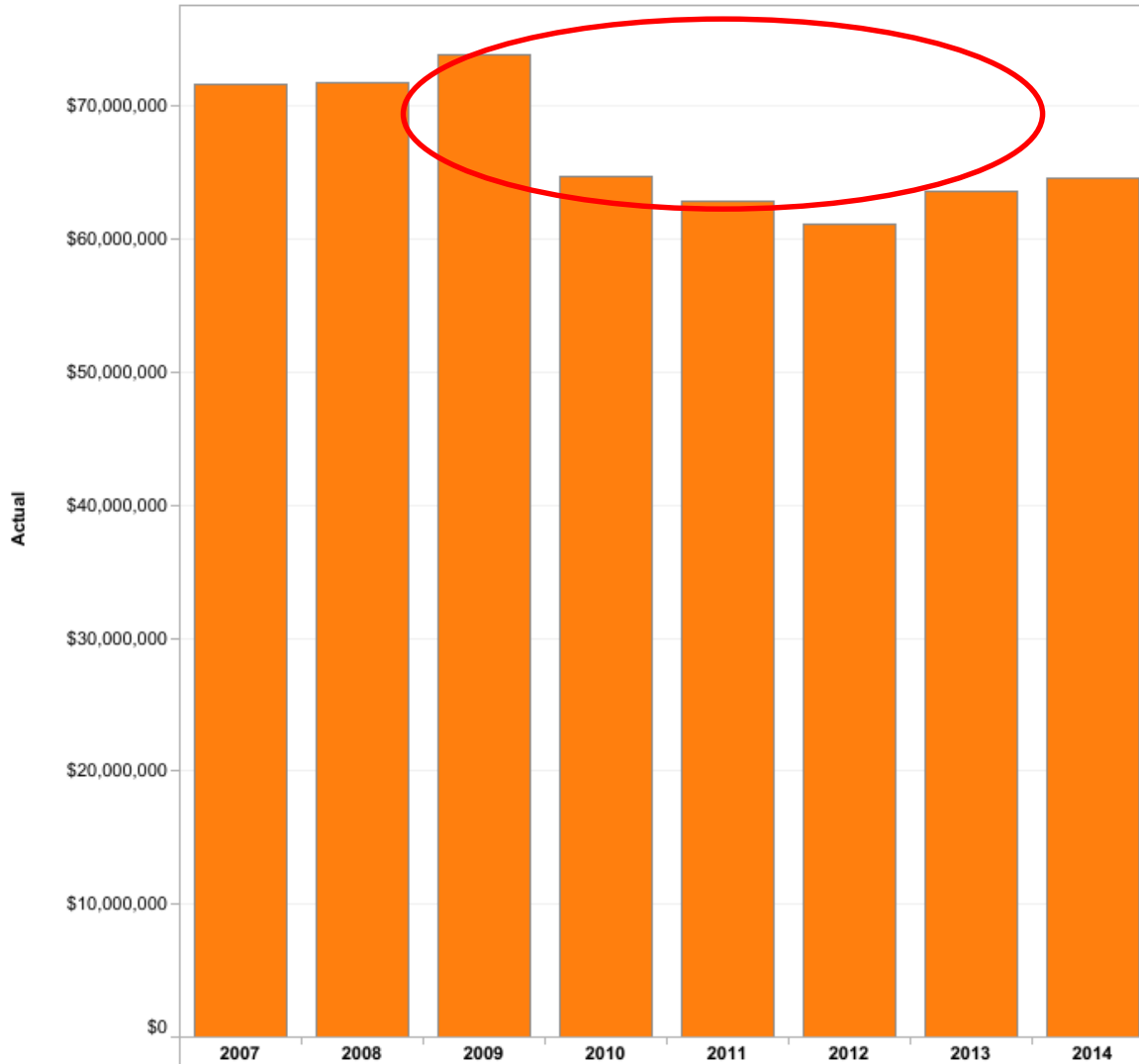
STATE FUNDING 2007 to 2014

Revenue Bar Chart

District: Harrisburg City SD

By: Function Level 1

Source: Pennsylvania Department of Education



Analysis Type (Revenue)

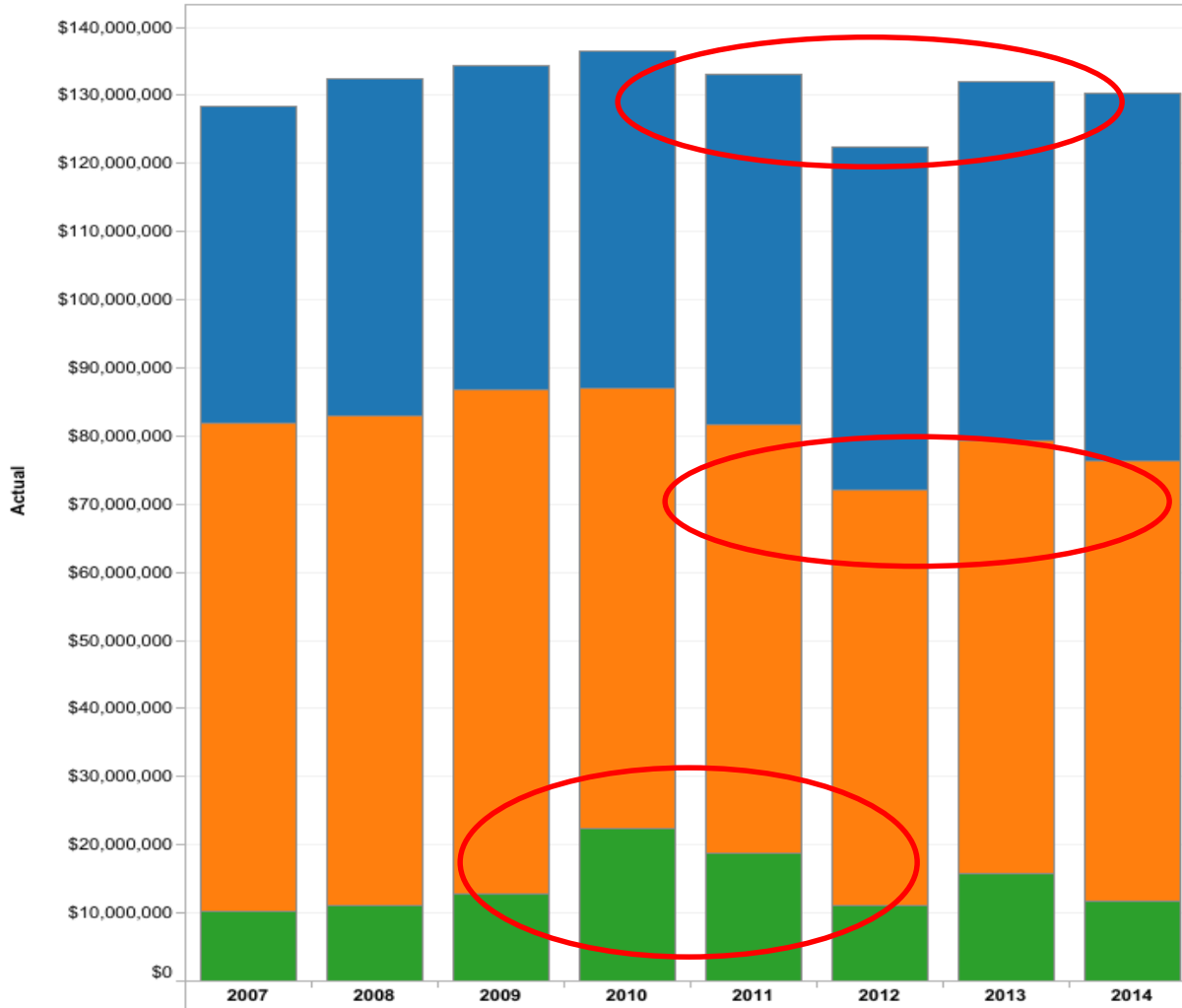
7000 REVENUE FROM STATE SOURCES

- State funding was **reduced** by **\$12.8 M** from 2009 to 2012 (supplanting with ARRA funds)
- When the economy started to recover and the ARRA funds elapsed, state funding was **NOT restored**
- This is called the **Fiscal CLIFF**

FEDERAL STIMULUS FUNDING

2009 to 2011

Revenue Bar Chart
 District: Harrisburg City SD
 By: Function Level 1
 Source: Pennsylvania Department of Education



Analysis Type (Revenue)

- 6000 REVENUE FROM LOCAL SOURCES
- 7000 REVENUE FROM STATE SOURCES
- 8000 REVENUE FROM FEDERAL SOURCES

- Fiscal CLIFF was real and negative for HSD
- Overall revenue declined from 2009 to 2014
- Federal Funding (ARRA) increased during the 2009-10 recession, but state funding decreased
- When the economy started to recover and the ARRA funds elapsed, state funding was NOT restored
- State funding was reduced by \$12.8 M from 2009 to 2012

* SLIDES FROM PASBO ESSER WEBINAR

- PASBO - State organization for School Business Officials
- Presented originally as part of the annual PASBO Conference



Uses of ESSER Funds

(A) Any activity authorized by the Elementary and Secondary Education Act of 1965.

(B) Any activity authorized by the Individuals with Disabilities Education Act.

(C) Any activity authorized by the Adult Education and Family Literacy Act.

(D) Any activity authorized by the Carl D. Perkins Career and Technical Education Act of 2006.

(E) Coordination of preparedness and response efforts of local educational agencies with State, local, Tribal, and territorial public health departments, and other relevant agencies, to improve coordinated responses among such entities to prevent, prepare for, and respond to coronavirus.

(F) Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth, including how outreach and service delivery will meet the needs of each population.



Uses of ESSER Funds

(G) Developing and implementing procedures and systems to improve the preparedness and response efforts of local educational agencies.

(H) Training and professional development for staff of the local educational agency on sanitation and minimizing the spread of infectious diseases.

(I) Purchasing supplies to sanitize and clean the facilities of a local educational agency, including buildings operated by such agency.

(J) Planning for, coordinating, and implementing activities during long-term closures, including providing meals to eligible students, providing technology for online learning to all students, providing guidance for carrying out requirements under the Individuals with Disabilities Education Act and ensuring other educational services can continue to be provided consistent with all Federal, State, and local requirements.



Uses of ESSER Funds

(K) Purchasing educational technology (including hardware, software, and connectivity) for students who are served by the local educational agency that aids in regular and substantive educational interaction between students and their classroom instructors, including low-income students and children with disabilities, which may include assistive technology or adaptive equipment.

(L) Providing mental health services and supports, including through the implementation of evidence-based full-service community schools.

(M) Planning and implementing activities related to summer learning and supplemental afterschool programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, children with disabilities, English learners, migrant students, students experiencing homelessness, and children in foster care.



Uses of ESSER Funds

(N) Addressing learning loss among students, including low-income students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and children and youth in foster care, of the local educational agency, including by—

- (i) administering and using high-quality assessments that are valid and reliable, to accurately assess students' academic progress and assist educators in meeting students' academic needs, including through differentiating instruction;
- (ii) implementing evidence-based activities to meet the comprehensive needs of students;
- (iii) providing information and assistance to parents and families on how they can effectively support students, including in a distance learning environment; and
- (iv) tracking student attendance and improving student engagement in distance education.



Uses of ESSER Funds

(O) School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.

(P) Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and non-mechanical heating, ventilation, and air conditioning systems, filtering, purification and other air cleaning, fans, control systems, and window and door repair and replacement.

(Q) Developing strategies and implementing public health protocols including, to the greatest extent practicable, policies in line with guidance from the Centers for Disease Control and Prevention for the reopening and operation of school facilities to effectively maintain the health and safety of students, educators, and other staff.

(R) Other activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff of the local educational agency.



Uses of ESSER III Funds

- Generally the SAME uses available under ESSER II
- BUT—SDs and CSs MUST use a minimum of 20% of their ESSER III funds to address learning loss

...implementation of evidence-based interventions, such as summer learning or summer enrichment, extended day, comprehensive afterschool programs, or extended school year programs, and ensure that such interventions respond to students' academic, social, and emotional needs and address the disproportionate impact of the coronavirus on the student subgroups, students experiencing homelessness, and children and youth in foster care...



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Learning Loss Set-Aside - \$10,597,789



PASBO Recommendations

THE BEST STRATEGIES

- Offset general fund expenses so that you have a buffer for the future when ESSR funds expire.
- Don't forego property tax increases if you need them without consideration of federal funding.
- Use 1 and 2 to build fund balance for cliff year. You only have the capacity the Act 1 Index gives you raise additional local revenues.
- Advance purchase recurring costs e.g. textbooks, other instructional materials, PPE
- Return on investment projects to lower future expenses e.g. energy conservation



Uses of ESSER Funds

Priority Investments

| | | 2021-22 | 2022-23 | 2023-24 |
|--|---|-------------------|-------------------|-------------------|
| ACADEMIC AND STUDENT FOCUSED | | | | |
| Social Emotional Supports 21/22 | Contracted | 1,500,000 | | |
| Summer Instruction | Staff extra payments/materials | 850,000 | 1,850,000 | 1,000,000 |
| Academic Acceleration 2021/22 | \$100-\$125*180- Staff afterhours | 2,250,000 | 5,250,000 | 5,250,000 |
| Academic Student Resources 2021/22 | Material, Engagement, etc. | 1,250,000 | | |
| Virtual Learning/Charter Recap 2021/22 | 20 staff at 80 K. Licenses | 2,000,000 | 2,500,000 | 2,500,000 |
| Special Education Supports | 300 students- \$3333 per student | 1,000,000 | 1,500,000 | 1,500,000 |
| EL supports | | 1,000,000 | 1,000,000 | 1,000,000 |
| OPERATIONS | | | | |
| Continuity of Operations | Flat funded BEF/SEF and no tax increase | 4,800,000 | 4,000,000 | 4,000,000 |
| Covid 19 Healthcare Increase 21/22 | Self Insured | 1,000,000 | 1,000,000 | 1,000,000 |
| General Tech/Internet 2021/22 | One time purchases/internet support | 750,000 | | |
| Contracted Services to Support HSD | General Items | 500,000 | | |
| General PPE 2021/22 | General Supplies | 750,000 | 700,000 | 700,000 |
| Weekly COVID-19 Testing 2021/22 | 1320 test per day 6500 per week- \$7 | 1,250,000 | | |
| Food Service/Cafeteria Support | Extra support for food service needs | 500,000 | | |
| Debt Service Options | | | 4,000,000 | 4,000,000 |
| FACILITIES | | | | |
| HVAC I Upgrades 2021/22 | 500 K at 11 locations | 2,000,000 | 2,000,000 | 1,500,000 |
| Facilities Needs | | | 7,500,000 | 7,500,000 |
| Construction Planning | Construction team/feasibility study/scope development | 500,000 | | |
| | TOTALS | 21,900,000 | 31,300,000 | 29,950,000 |



ESSER SPENDING TIMELINE

| GRANT | SPENDING PERIOD | | | | | |
|-----------|-----------------|------------|------------|------------|------------|------------|
| ESSER I | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | | |
| ESSER II | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | |
| ESSER III | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 |

| GRANT | ALLOCATION | | | | |
|-----------|------------------------|--|--|--|--|
| ESSER I | \$ 4,767,579 | | | | |
| ESSER II | \$ 25,900,925 | | | | |
| ESSER III | <u>\$ 52,988,944</u> * | | | | |
| Total | \$ 83,657,448 | | | | |

*-20% of ESSER III (\$10,597,789) is required to be set aside for Learning Loss

Budget Summary**

| | 2020-21 | 2021-22 |
|--|-------------|-------------------|
| | Budget | Budget |
| Revenue | 158,239,294 | 153,456,617 |
| Expenditure | 158,239,294 | 159,061,672 |
| Funding Gap | 0 | (5,605,055) |
| ESSER Fund Usage- To Be Added to Budget | | |
| Continuity of Education | | 4,800,000 |
| COVID Health Care | | 1,000,000 |
| Technology | | 750,000 |
| Contracted Services | | 500,000 |
| COVID PPE Supplies, Testing | | 2,000,000 |
| Academics | | 9,850,000 |
| Food Service Support | | 500,000 |
| Facilities | | |
| HVAC Upgrades | | 2,000,000 |
| Construction Planning | | 500,000 |
| | | |
| 2021-2022 Total ESSER Contribution | | 21,900,000 |

****ESSER spending plan tentative**



Next Steps in the Budgetary Process

- **May 17, 2021-** The Receiver will be asked to adopt the 2021-2022 preliminary budget.
- **June 14, 2021-** A virtual budget workshop will be held to update the public on the budget.
- **June 21, 2021-** The Receiver adopts the final 2021-2022 budget.
- **May and June 2021-** Continued dialogue with the Building Principals, HEA, AFSCME, and other stakeholders
- **Summer of 2021-** The District will continue provide instruction, prepare for Fall 2021 opening, monitor Covid-19.



THANK YOU!



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