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To: Robert J. O'Donnell
From: Randy L. Brown
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Subject: 2013-2014 Budget

VI-F

The Governor's proposed budget for 2013-2014 was released in February. Information continues to be reviewed as the proposal moves through the legislative bodies in state government. Although the budget proposal may change until approved, on or before June 30, we can discuss the initial proposal and its effect on the district and education. The Governor's proposed budget takes into account a recent report from the Independent Fiscal Office on the Economic Outlook for the state through 2017-2018. In summary, this report shows expenses, primarily from rising healthcare and mandated employer contributions for pensions, projected to outpace revenues at the state level through this period. I have included a summary of the Commonwealth budget proposal in addition to the Governor's policy guidelines used to create the budget.

Recent developments in the federal budget will have an impact on education; the term being used is sequestration. Sequestration is a series of automatic, across-the-board cuts to government agencies over the next ten years in an attempt to control the growth of the national debt. I have included information received to date, and will continue to update the Board related to the effect of sequestration on education, and more specifically, our district.

The information provided is only a summary and obviously subject to change until a budget is passed. Further updates will be shared with the board as they are received.

An updated timeline for completing our 2013-2014 budget process is included. Estimates and projections will be further reviewed and analyzed, and a refined budget proposal will be presented on April 8.

PA Government Program Policy Guidelines

- Mandated costs are consuming all revenue growth before any funds are available to address the Governor's priorities
- Department of Education should
 - Develop plan to fund basic education using weighted student funding approach and using new real-time average daily membership
 - Provides portability between all public school entities
 - Funding follows students
 - Review reimbursement and other formulas for special education and cyber charter schools for effectiveness and equity

2013-2014 Governor's Budget Proposal Highlights

- Basic Education
 - \$90 million or 1.7 percent increase
 - Our increase projected at \$114,000 (1.7%)
 - Majority of districts receiving 1.7%, with a few receiving more and less
 - Annual total \$5.5 billion, highest level of state funding to school districts
- Special Education
 - Flat funding for 6th consecutive year
 - Bills in House and Senate to recommend funding formula changes (distribution of funding to school districts)
- Accountability Block Grants
 - Flat funding
- School Construction Reimbursement
 - Flat funding
 - Districts waiting for funding
 - 160+ completed projects with debt service obligations and no state assistance
- Early Learning - \$11 million increase; total funding \$348 million
 - Pre-K Counts, Head Start Supplemental Assistance, Early Intervention
- Passport for Learning Block Grant – New competitive grant program
 - \$1.0 billion to districts over 4 years starting 2014-2015
- Tax and Revenue Modifications
- Proposed changes to rates and income subject to tax, some of which require legislation

Pension Reform Highlights

- Current Employees – accrued retirement benefits not affected
- Unfunded liability will be funded by pension reforms, not pushed into future
- New Employees hired after July 1, 2015 enrolled into 401(a) plan, similar to 401(k)
- Current Employees
 - No changes to accrued benefits through effective date of plan
 - Effective July 1, 2015, changes to formula including final salary calculation
- Impact on School District
 - 2013-2014 contribution increase approved by PSERS Board is 4.5%
 - Budget proposal limits contribution rate increase by 50% or 2.25%

Charter and Cyber Charter Funding Reform Highlights

- Special Education Funding
 - Legislation to create a commission to address inequities in special education funding formula
- Pension/Double dip
 - Legislation to allow deductions for school district pension payments prior to calculating payments to cyber charter schools (charters do not received reimbursement for social security expenses, so no double dip here)
- Non-special education students funding
 - School districts permitted to deduct 50 percent of costs of any cyber program offered to district students
 - School districts permitted to deduct 50 percent of extracurricular activities
 - School districts permitted to deduct 100 percent of costs associated with student health, food and library services
- “Other Financing Uses” deduction redefined to include only debt service and fund transfers
- Commonwealth will manage payments directly to charter schools
- Charter Terms lengthened from three (new) and five (renewal) to five and ten, respectively; allows charter to secure predictable financing
- PASBO estimates 13% lower costs; district estimate is 8% or \$320,000 for 2012-2013
- Reinstatement and expansion of Mandate Waiver Program
- USDA School Lunch Regulations
 - Concerns about new regulations
 - Megan Schaper and Donna Watson will review in future

Sequestration

- Reduction in Title I, IDEA begins 2013-2014;
- State dollars will not replace lost federal dollars
- *Update: Expect to reduce 5% of federal dollars.*
 - *District budget \$1million, potential loss \$50,000*

SCASD 2013-2014 Budget Approval Timeline – Updated 3/2013

April 8, 2013 – Present refined 2013-2014 Budget Proposal

April 22, 2013 – Board discussion of refined 2013-2014 Budget Proposal

May 6, 2013 – Approve Proposed Final Budget – 2013-2014

June 3, 2013 – Budget Hearing – *High School South Auditorium*

June 10, 2013 – Approve Final Budget – 2013-2014

One Page Guide to the Next Cliff: The March 27 Continuing Resolution Deadline

If Congress doesn't pass a continuing resolution (CR) by March 27, the government will run out of money and will likely shut down. Here's a list of four things you might want to know about how a continuing resolution works and how it might soften the blow of the sequester.

1. Exactly what is a "continuing resolution"?

The continuing resolution (CR) is legislation that basically allows Congress to just carry over the previous fiscal year's budget into the next one. In other words, it permits Congress to maintain roughly the same budget priorities and budget levels over the subsequent year. A CR can last for any length of time, whatever Congress wants — a few weeks, six months, a year, anything.

2. Why would Congress want to pass a CR in the first place?

Every year, Congress has to set funding levels for agencies and departments. According to the Constitution, Congress is supposed to do this through appropriations bills. But when Congress can't agree on what those appropriations should look like, they punt, by passing a continuing resolution. Or, they can pass individual appropriations bills for some departments and use a CR for the rest of the departments if they can't hammer out those particular budgets. Often Congress just passes a CR to buy itself more time. And if lawmakers can't even pass a CR before government funding runs out, the government could simply shut down.

3. Is there a real threat of a government shutdown in this case?

The last time the government shutdown was in 1995 and 1996, during the Clinton presidency. Actually, lawmakers in Washington are used to passing continuing resolutions. Over the past 40 years, the CR has been the standard way of doing business on Capitol Hill. Going through the full, traditional appropriations process is a now very rare event in Washington.

4. So how does the continuing resolution interact with the sequester?

Because a sequester is in effect, figuring out what a budget will look like under a continuing resolution is going to be messier. As budget expert Stan Collender of Qorvis Communications put it, "What's going to happen in March is a new definition of the phrase 'March Madness.' It will have less to do with college basketball and a lot to do with craziness in Washington on budget-related issues."

Collender says because the continuing resolution is legislation that's coming after the sequester, it could theoretically cancel or modify the sequester — if Congress and the White House can agree on something. Because a CR is "must-pass" legislation, it offers Congress and the White House another opportunity to take a look at funding for fiscal year 2013, which ends Sept. 30, and possibly figure out a way to replace the sequester. The House has just taken the first stab at a CR. The chairman of the House Appropriations Committee has introduced a bill that keeps the sequester in place but reallocates funding within the departments of Defense and Veterans Affairs, to help cushion the impact of the cuts. It's a way for Chairman Hal Rogers, R-Ky., to determine budget priorities rather than letting the White House do it.

But actually reversing the sequester will take a lot more than letting some departments reallocate money. It will likely include a mix of tax overhaul and cuts to entitlements, such as Medicare and Social Security. That fight could take a long time.

Source: NPR Twitter

Four Things To Know About The Next Big Budget Battle n.pr/VyAGRB

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