

Budget Kickoff and Outlook

2023-2024

Overview

- ▶ How Did We End The 2021-22 Fiscal Year Financially?
- ▶ Use of 2021-22 Positive Budget Variance
- ▶ Capital Projects
- ▶ Role of the school board and the budget
- ▶ School Finance 101
- ▶ Assumptions for Future Budget Growth

2021-2022 General Fund Year End

| Revenues | | | | | |
|---|-----------------------------------|----|-------------|--------------|-------------|
| 2021-22 | Budget | | Actual | Variance | % of Budget |
| | \$ 144,790,562 | \$ | 150,610,702 | \$ 5,820,140 | 4.02% |
| Expenses | | | | | |
| 2021-22 | Budget | | Actual | Variance | % of Budget |
| | \$ 144,790,562 | \$ | 143,115,889 | \$ 1,674,673 | 1.16% |
| 2021-22 | Excess Revenues over Expenditures | | | \$ 7,494,813 | |
| Total excess as a % of expenditure budget | | | | 5.18% | |

Fund Balance

| General Fund | 2020-21 | 2021-22 | Variance |
|--|----------------------|----------------------|---------------------|
| Nonspendable | \$ 534,371 | \$ 528,539 | \$ (5,832) |
| Committed | \$ 6,041,781 | \$ 4,016,120 | \$ (2,025,661) |
| Unassigned | \$ 9,934,339 | \$ 11,965,832 | \$ 2,031,493 |
| Total General Fund | \$ 16,510,491 | \$ 16,510,491 | \$ - |
| Capital Projects Fund Commitment | \$ 18,369,577 | \$ 20,375,513 | \$ 2,005,936 |
| Unassigned 2021-2022 General fund Balance as a Percent of the \$149,500,094 2022-2023 Budget | | | 8.0% |
| PDE Genral Fund Balance Limit = | | | 8.0% |

Capital Projects Fund

- ▶ The district has a goal of not borrowing money to maintain school facilities and grounds. This is an effort to reduce overhead costs as much as possible so that increased payments into the state mandated retirement system and other contractual increases in cost can be made without major tax increases. The district is committed to properly maintaining facilities and therefore established a Capital Projects Fund to accumulate money for capital projects over a five to ten year horizon as needed. The Capital Projects fund is used for major building renovation and repair projects. Money is typically transferred from the General Fund to the Capital Projects Fund in the amount of \$4M to \$5M each year on average.

Capital Projects

| | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Actual | Actual | Actual | Actual | Actual | Actual |
| Fund Balance Beginning | \$ 16,559,446 | \$ 17,954,257 | \$ 19,724,725 | \$ 21,500,817 | \$ 16,024,765 | \$ 18,369,577 |
| Expenditures | \$ 3,512,021 | \$ 2,177,067 | \$ 3,457,486 | \$ 5,478,142 | \$ 3,290,103 | \$ 5,351,623 |
| Earnings | \$ 2,527 | \$ 27,895 | \$ 58,344 | \$ 2,090 | \$ 666 | \$ 90,076 |
| Transfer In | \$ 4,904,305 | \$ 3,919,640 | \$ 5,175,234 | \$ - | \$ 5,634,249 | \$ 7,267,483 |
| Fund Balance at Year End | \$ 17,954,257 | \$ 19,724,725 | \$ 21,500,817 | \$ 16,024,765 | \$ 18,369,577 | \$ 20,375,513 |

Capital Projects Forecast With Estimated Revenue

| | 2022-2023 Forecast | 2023-2024 Forecast | 2024-2025 Forecast | 2025-2026 Forecast | 2026-2027 Forecast | 2027-2028 Forecast |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Fund Balance Beginning | \$20,375,513 | \$13,500,513 | \$3,940,190 | \$1,940,190 | \$940,190 | \$1,940,190 |
| Expenditures | \$6,875,000 | \$11,560,323 | \$11,000,000 | \$10,000,000 | \$8,000,000 | \$5,000,000 |
| Earnings | | | | | | |
| Transfer from GF | | \$2,000,000 | \$9,000,000 | \$9,000,000 | \$9,000,000 | \$10,000,000 |
| Fund Balance at Year End | \$13,500,513 | \$3,940,190 | \$1,940,190 | \$940,190 | \$1,940,190 | \$6,940,190 |

Role of the School Board and the Budget

Role of the School Board and the Budget

- ▶ As part of its responsibilities, **the local school board adopts a budget**, collects revenues, makes expenditures, executes related responsibilities, and makes numerous other decisions in the interest of providing a sound program of education for the district's children. **All school districts finances start with a budget.**
- ▶ In making **budgetary decisions**, the **board must balance a variety of competing interests and choose between what it finds necessary for a good education program and what it and its taxpayers can afford.**

Budgeting

Adopting a budget is one of the most important functions of a school board

- A description of programs and services with a price tag attached to achieve stated goals and objectives. A school system budget, no matter how large or small, is a delicate balance of policy choices. Budgets provide school boards with the opportunity to directly influence the educational environment of the district. Adoption of the budget provides the administrative staff with direction and guidance to act.

Budgeting

A Budget, if properly planned and presented, will provide benefits beyond legal compliance

- ▶ Identifies where money comes from
- ▶ Establishes relationship of costs with programs
- ▶ Describes costs associated with building maintenance
- ▶ Communicates financial need to the business community
- ▶ Serves as an overview of the educational system in the district
- ▶ Educates the staff about the interrelationship of specific activities
- ▶ Aides in evaluating planned changes and the progress toward completion
- ▶ Increases public and business community confidence
- ▶ Demonstrates and supports orderly planning and action
- ▶ Helps communicate the return on the investment of tax resources

The budget is not just a collection of numbers, but an expression of our values

School Finance 101

School Finance 101

Budgeting

- Required by State Law
- 2 Parts
 - Investment Plan for programs & Services designed to achieve the district's educational goals & objectives
 - Financing Plan to meet the district's expected costs

School Finance 101

Finances

- Expenditures by Function
 - State Required
 - 5 educational cost categories
 - Instruction
 - Support Services
 - Non-Instructional Services
 - Capital outlay (facilities acquisition & construction)
 - Other financing uses
 - Instructional costs are the largest percentage at 61.5%

School Finance 101

Finances

- Spending by Object
 - State Required
 - Examples include
 - Salaries
 - Benefits
 - Contracted Services
 - Property Services
 - Other purchased services
 - Supplies & Textbooks
 - Equipment
 - Other
 - Debt
 - Salaries & Benefits represent the largest percentage at 72.6%

School Finance 101

Cost Factor Examples

Controllable

- Staffing
- Class Size
- Facilities
- Collective Bargaining Units
- Non-Mandated Programs

Uncontrollable

- PSERS Rate
- Charter School Tuition
- Geographic Location
- Mandated Programs
 - Special Education
 - English Language Development

School Finance 101

Finances

- Revenue Sources
 - 3 Major Areas
 - Local
 - State
 - Federal
- What if we need more money?
 - Act 1 Index Limit
 - Bond financing for construction projects

School Finance 101

Revenue Factor Examples

- Zoning of tax parcels
- Trends in assessed values of real estate
- Other tax-generating capacity - Earned Income Tax
- Practical & legal limits on rates of taxation
- State subsidies
- Federal & State Grants
- Prior year funds (Fund Balance)

What are the District Funds?

- General Fund - General Operations of the District
- Healthcare Fund - Self-Funded accumulation of resources to pay health claims and administrative fees
- Capital Projects Fund - Accumulation of resources to pay for capital projects
- Food Service Fund - General Operations of the food service program - This fund is self-supporting
- Student Activity Fund - Accumulation of student funds (Fiduciary Role)
- Debt Service Fund - Accumulation of resources to pay debt obligations - This fund is used for accounting/reporting purposes as debt service payments are budgeted in the general fund

School Finance 101

What is fund Balance?

Governmental Accounting Term

Measure of net financial assets

Adequate balance to cover district emergencies

Not a recurring source of revenue

Use for:

One-time investments

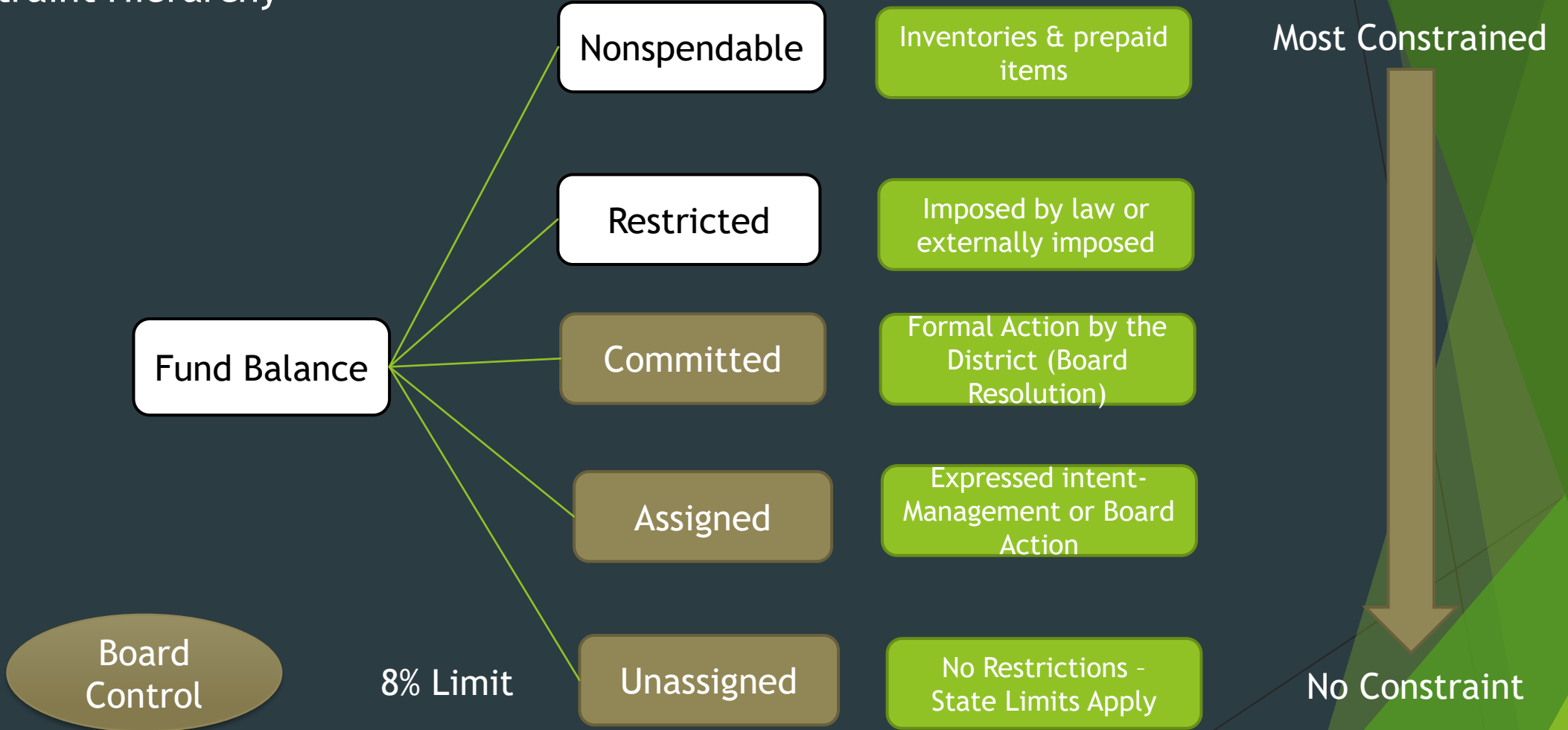
Conservative budget balancing

Fund Balance Equation

| | |
|-----------------------------|-------------|
| Beginning Fund Balance | \$ Millions |
| Plus: Revenues | XXXX.XX |
| Less: Expenditures | XXXX.XX |
| Equals: Ending Fund Balance | \$ Millions |

Fund Balances

Constraint Hierarchy



Fund Balance Limits

Act 48 of 2003

24 PS 6-688 Limitations on certain unreserved fund balances

(a) For the 2005-2006 school year and each school year thereafter, no school district shall approve an increase in real property taxes unless it has adopted a budget that includes an estimated ending unreserved, undesignated fund balance less than the percentages set forth as follows:

| Total Budgeted Expenditures | Fund Balance % Limit (less than or equal to) |
|---------------------------------------|---|
| Less Than or Equal to \$11,999,999 | 12.0 |
| Between \$12,000,000 and \$12,999,999 | 11.5 |
| Between \$13,000,000 and \$13,999,999 | 11.0 |
| Between \$14,000,000 and \$14,999,999 | 10.5 |
| Between \$15,000,000 and \$15,999,999 | 10.0 |
| Between \$16,000,000 and \$16,999,999 | 9.5 |
| Between \$17,000,000 and \$17,999,999 | 9.0 |
| Between \$18,000,000 and \$18,999,999 | 8.5 |
| Greater Than or Equal to \$19,000,000 | 8.0 |

Act 48 of 2003 places limitations on Fund Balance for School Districts

Our budget exceeds \$149MM

- Limited to 8% (Unassigned)
- At the time of budget adoption
- Other categories do not have a limit
- No other “fund” has a limit
 - General Fund only

General Fund 2023-2024 Budget Parameters

| | |
|----------------------------------|--------------|
| Act 1 Base index of 2023-2024 is | 4.10% |
| <u>Act 1 Exceptions</u> | <u>0.00%</u> |

| | |
|---------------------------------|-------|
| Allowable Act 1 Tax Increase is | 4.10% |
| Estimated additional revenue | 3.5M |

Budget Assumptions

| Employee Group | 2021-2022 | 2022-2023 Current Year | 2023-2024 Budget Year | 2024-2025 |
|----------------|-------------|---------------------------|--------------------------|-----------|
| Administration | 2.5% | 2.5% | 2.5% | 2.5% |
| Miscellaneous | 2.5% | 2.5% | TBD | TBD |
| Teaching | 2.46% Gross | 2.19% Gross | TBD | TBD |
| Support | 2.01% Gross | 2.41% Gross | 2.47% Gross | TBD |

The current five-year teacher contract is in effect from the 2018-19 to 2022-2023 fiscal year. The current administration agreement runs from 2022-2023 through 2026-2027. The current five-year PESPA contract is in effect from 2019-20 to 2023-2024 fiscal year. The miscellaneous salary increase percentage is set annually.

Pennsylvania School Employees Retirement System (PERS) Employer Retirement Contributions - 100 Year Term

