

Budget Kickoff and Outlook

2022-2023

02/14/2022

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Overview

- ▶ How Did We End The 2020-21 Fiscal Year Financially?
- ▶ Use of 2020-21 Positive Budget Variance
- ▶ Capital Projects
- ▶ Role of the school board and the budget
- ▶ School Finance 101
- ▶ Assumptions for Future Budget Growth

2020-2021 General Fund Year End

Revenues					
2020-21	Budget	Actual	Variance	% of Budget	
	\$ 143,812,026	\$ 145,464,877	\$ 1,652,851	1.15%	
Expenses					
2020-21	Budget	Actual	Variance	% of Budget	
	\$ 143,812,026	\$ 141,325,296	\$ 2,486,730	1.73%	
2020-21	Excess Revenues over Expenditures		\$ 4,139,581		
	Total excess as a % of expenditure budget		2.88%		

Fund Balance

General Fund	2019-20	2020-21	Variance
Nonspendable	\$ 483,086	\$ 534,371	\$ 51,285
Committed	\$ 6,057,767	\$ 6,041,781	\$ (15,986)
Assigned to 2020-21 Fiscal Year	\$ 1,494,666	\$ -	\$ (1,494,666)
Unassigned	\$ 9,969,638	\$ 9,934,339	\$ (35,299)
Total General Fund	\$ 18,005,157	\$ 16,510,491	\$ (1,494,666)
Capital Projects Fund Commitment	\$ 16,024,765	\$ 18,369,577	\$ 2,344,812
Unassigned 2020-2021 General fund Balance as a Percent of the \$144,790,562 2021-2022 Budget			6.9%
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. From 2020-21 through 2025-26 approximately \$39.7M dollars could be available for major capital projects.

Capital Projects

	2015-2016 Actual	2016-2017 Actual	2017-2018 Actual	2018-2019 Actual	2019-2020 Actual	2020-2021 Actual
Fund Balance Beginning	\$ 12,870,677	\$ 16,559,446	\$ 17,954,257	\$ 19,724,725	\$ 21,500,817	\$ 16,024,765
Expenditures	\$ 4,331,911	\$ 3,512,021	\$ 2,177,067	\$ 3,457,486	\$ 5,478,142	\$ 3,290,103
Earnings	\$ 13,142	\$ 2,527	\$ 27,895	\$ 58,344	\$ 2,090	\$ 666
Transfer In	\$ 8,007,538	\$ 4,904,305	\$ 3,919,640	\$ 5,175,234	\$ -	\$ 5,634,249
Fund Balance at Year End	\$ 16,559,446	\$ 17,954,257	\$ 19,724,725	\$ 21,500,817	\$ 16,024,765	\$ 18,369,577

Capital Projects Forecast With Estimated Revenue

	2021-2022 Forecast	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast	2025-2026 Forecast
Fund Balance Beginning	\$18,369,577	\$13,169,577	\$8,294,577	\$4,094,577	\$6,094,577
Expenditures	\$5,200,000	\$6,875,000	\$6,200,000	\$7,000,000	\$2,450,000
Earnings					
Transfer from GF		\$2,000,000	\$2,000,000	\$9,000,000	\$9,000,000
Fund Balance at Year End	\$13,169,577	\$8,294,577	\$4,094,577	\$6,094,577	\$12,644,577

Role of the School Board and the Budget

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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 an 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

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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 62%

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 74%

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

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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

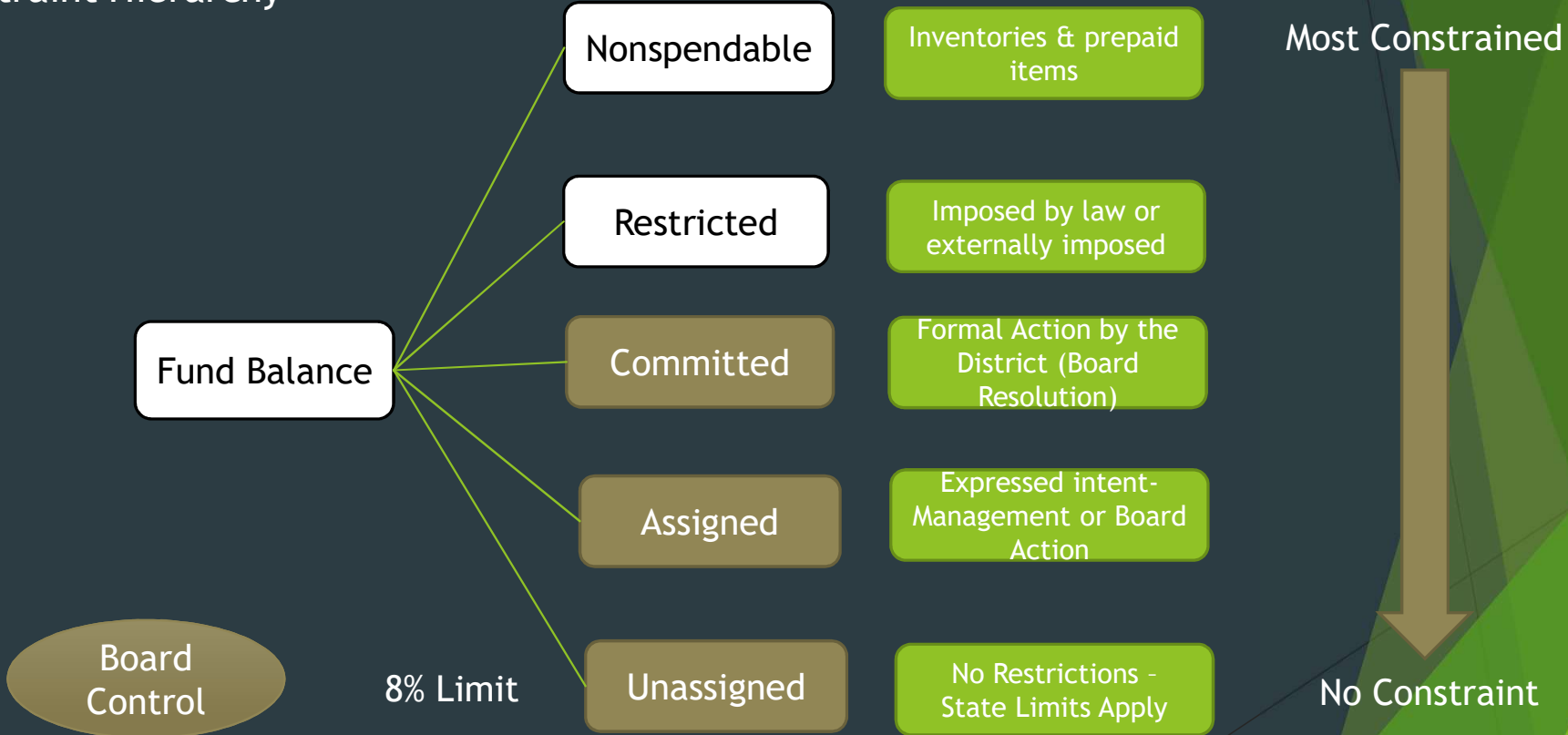
- Conservative budget balancing

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 \$144MM

- 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 2022-2023 Budget Parameters

Act 1 Base index of 2022-2023 is	3.40%
<u>Act 1 Exceptions</u>	<u>0.00%</u>

Allowable Act 1 Tax Increase is	3.40%
Estimated additional revenue	2.9M

Budget Assumptions

Employee Group	2020-2021	2021-2022 Current Year	2022-2023 Budget Year	2023-2024
Administration	2.5%	2.5%	TBD	TBD
Miscellaneous	2.5%	2.5%	TBD	TBD
Teaching	2.58% Gross	2.46% Gross	2.19% Gross	TBD
Support	3.5% Gross	2.01% Gross	2.41% Gross	2.47% Gross

The current five-year teacher contract is in effect from the 2018-19 to 2022-2023 fiscal year. The current administration agreement runs from 2018-2019 through 2021-2022. 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 (PSERS) Employer Retirement Contributions - 100 Year Term

