

Community Task Force Questions

Why do we have a budget gap?

It should be noted that district spending has remained flat as required budget cuts have been made over the past three years. Reduced state and federal contributions, along with depressed real estate activity and property values, have all played a role in dropping revenues. Since nearly 75% of budget revenue for the WCASD is derived from local sources such as property taxes, as well as transfer and earned income taxes, the poor economic situation has caused extreme hardship in the district's budget process for three years in a row. Forecasts for slow economic recovery put the spotlight on efforts such as our Community Budget Task Force to come up with even more financial remedies to present to the Administration and School Board to help balance the district's budget.

If property taxes had gone up in the 2011-12 budget, would that have eliminated the need for a Community Budget Task Force to work on the 2012-13 district budget?

No, because the annual budget for a school system the size of the WCASD is highly complex, both in terms of revenues and expenditures. No single factor can be isolated as the cause for the budget gaps we face year-to-year, nor can one be identified as the sole solution. For example, the estimated shortfall between revenue and expenses for 2012-13 is \$5 million. If the board had taken a tax increase of 1.4% last year, the estimated shortfall would still be approximately \$3 million, and the task force would have been engaged to help with that gap. External factors beyond the district's control promise budget shortfalls well beyond the 2012-13 budget, and so a tax increase or large budget cuts would each present only partial solutions to the problem. The task force can play an important role in shaping the decisions that must be made to achieve sustainable, long-term funding and expense solutions to the budget gap.

Why are we forming another Community Budget Task Force effort for the 2012-13 school district budget?

The district's 2009 budget task force experience was positive, with more than \$6 million of findings for budget reductions and non-tax revenue enhancements identified by our community panels after more than two months of work. Confidence is high that the new task force, convened in a similar fashion, will be able to examine our ongoing budget restrictions and present equally beneficial findings regarding educational and spending priorities. There is also a strong belief that a collective approach is the best way to ensure all efficiencies are identified, and that findings presented will most accurately assess the impact on the classroom.

What must be done to find the budget savings needed in order to eliminate the 2012-13 shortfall?

The expected budget gap for 2012-13 is approximately \$5 million. This figure is based on funding possibilities that include everything from taking no tax increase to making full use of state-allowed exceptions. It is important to remember that balancing the district's annual budget requires a multi-year focus, with decisions made in one year having a profound impact on spending for the year after that. How the \$5 million gap is closed will also have a lot to do with determining the size of budget shortfalls for the years that follow.

How will the Community Budget Task Force help to reduce the 2012-13 budget gap?

Members of the community have volunteered their time to serve on a number of subcommittees as part of the following five established focus areas:

- * Class size
- * Revenue
- * Non-Instructional programs

- * Instructional Programs
- * Space Consolidation

Task force volunteers come from all stakeholder groups including taxpayers, district staff, parents, students, and local business representatives.

Meeting on a regular basis until mid-November, these subcommittees will focus on how services are delivered, explore new revenue sources, and discuss what changes can be made to reduce the budget gap. Each subcommittee has a section on a resource page posted to the WCASD website www.wcasd.net found at the yellow icon marked "New Community Budget Task Force."

How can I learn about the activities of each committee?

After each meeting, minutes for the subcommittees will be posted on the specific resource page which can be accessed as:

www.edline.net/pages/West_Chester_Area_SD/About_Us/Budget/Budget_Task_Force/Minutes

How will the School Board use the findings presented by the Community Budget Task Force?

On December 7th, 2011, the task force will issue a report to the Superintendent, School Board, and community. It will then be up to the School Board to conduct a review of the findings and impact statements. The Board will then have to weigh what new sustainable revenue increases can be implemented along with budget cuts to help close the budget gap. In doing so, the Board will be required to assess the impact of budget cuts on educational programming compared to tax increase considerations for 2012-13.

General Budget Questions

What is the current West Chester Area School District budget?

The West Chester Area School District's budget for 2011-12 is \$201,651,866. This budget included a reduction in expenses totaling \$1,424,775 which resulted in a 0.0% tax increase over the previous year.

What is the projected expenditure budget for 2012-13?

The projected expenditure budget for 2012-13 as of September 1, 2011 was \$208,719,800. This is an increase of \$7,068,000 of which \$2,893,000 is attributed to the mandated state retirement contribution. The increase in expenditures represents a 3.5% over the current year budget.

Why are the school district's costs going up?

A school district is subject to the same economic forces that any organization faces; salaries, health care, property insurance, energy, and building maintenance and equipment costs are all rising.

In addition, school districts are subject to other costs that are unique to education. Pennsylvania school districts are mandated by the state to provide free public education to their resident children ages kindergarten until graduation from high school or the end of the school term in which a student reaches the age of twenty-one (21) years, whichever occurs first.

As individual's household budgets are inflating beyond their direct control - gas and food prices, for instance - so too are the operating costs for the school district. Given the extraordinary pressures and unfunded government mandates school districts face, we are quite proud of the fact that we are able to keep our projected expenditure growth low.

How are budget decisions made?

A wide variety of factors affect budgetary decisions. Some of these include size of the enrollment as well as future projections; number and educational level of staff; the requirements of collective bargaining agreements; building needs (age, efficiency, and space requirements); pupil transportation costs (including transportation for non-public students); health and special educational programs; and changes in program requirements.

On the revenue side, influencing factors include the number of taxpayers; the assessed value of real estate and other tax-generating capacity; practical and legal limits on the rates of taxation; current and future debt; value of investments; various state subsidies and other funding (including building construction reimbursements); and federal and state grants.

The budget must develop and bring together all of these factors to provide a coherent plan. Choices need to be made between educational requirements and available funding. There are always competing interests, and it is the job of the Administration and the School Board to keep those interests in balance.

What is the maximum allowed tax increase under Act 1 for the WCASD?

Act 1 caps the maximum allowed tax increase for all Pennsylvania school districts. The Act 1 increase for 2011-12 was 1.4%. We are projecting an Act 1 index of approximately 1.7% for 2012-13

How is the Act 1 index determined?

The index is the average of two economic indicators known as the Statewide Average Weekly Wage (SAWW) and the Employment Cost Index for Elementary and Secondary Schools (ECI). The Pennsylvania Department of Labor and Industry reports the SAWW by tracking compensation paid by employers. The US Department of Labor, Bureau of Labor Statistics, reports the ECI by tracking the employer labor costs for specific sectors. The Pennsylvania Department of Education is responsible for reporting the index to school districts by September 30 of each year. This then serves as the basis for the school district's preparation of its annual budget.

What are the exceptions that would allow a school district to increase its budget higher than the Act 1 index without going to voter referendum?

In 2011, the General Assembly made the first change to Act 1 since its enactment in 2006. The changes significantly reduced the ability of districts to exceed their index creating the potential for voter approval for increasing school real estate taxes. Act 25 of 2011 repealed all but three exceptions under Act 1 and those remaining exceptions for pensions, special education and debt have new restrictions.

Act 25 of 2011 now eliminates the vast majority of the back-end referendum exceptions. The exceptions eliminated by Act 25 of 2011 include:

- Costs related to responding to or recovering from a disaster or other emergency;
- Costs to implement a court order;
- Costs attributed to principal and interest on indebtedness for up to 60 percent of construction;
- Costs incurred in the implementation of No Child Left Behind school improvement plans;
- Costs incurred to respond to immediate threats or serious physical harm to students; and
- Costs incurred in providing health care benefits to a collective bargaining unit.

Act 25 of 2011 only retains the following exceptions: Special Education; Electoral; Grandfathered debt; costs related to pension obligations.

Is the District considering using Act 1 exceptions in order to raise taxes above the 1.4% index?

Yes, it is always an option on the table unless and until the School Board decides against the utilization of exceptions. The WCASD Board has until December of 2011 to decide whether to take advantage of the PDE

exceptions, at which time they will have to vote on a resolution that would either cap the tax increase at the Act 1 limit or allow the District the option of utilizing the exceptions.

What are the major factors affecting the 2012-13 budget?

There are many factors affecting the 2012-13 budget including:

Revenues:

- Historically low local real estate tax revenues (transfer and interim) as a result of the slump in the real estate market
- Reductions in taxable values due to assessment appeals
- Minimal investment income due to low interest rates
- Reduction in State funding

Expenses:

- Salary increases for staff assuming an increase equal to the ACT 1 index for all employees
- Increase in the employer rate for Retirement (PSERS) of 36.34%
- Inflationary increases in health insurance costs of 7.5%
- Special Education cost increases
- Charter/Private school cost increases
- Debt service cost increases

What is a mill?

A mill is a unit of currency used that is equivalent to 1/1000 of a United States dollar (1/10 of one cent or \$.001). A mill levy is the number of dollars a taxpayer must pay for every \$1,000 of assessed value. One mill equals \$8,270,657 for 2011-12 and is projected to remain unchanged for the 2012-13 budget.

How does a millage rate and assessment come together in the form of a tax bill?

A school tax bill is calculated by multiplying the millage rate by the assessed value of the property. For example, a property in Chester County assessed at \$189,950 would have received an annual school tax bill in 2011-12 of \$3,487 or .01836 (millage) multiplied by \$189,950. A house assessed at \$300,000 would have received a tax bill in 2011-12 of \$5,508.

How are assessments prepared?

The state of Pennsylvania has a constitutional requirement for uniformity of taxation. Counties are the governmental unit responsible for assessments. They typically meet the uniformity requirements by adopting a "base year" market value.

What affect do assessment appeals have on the revenue budget?

The assessed value of property remains unchanged from year to year unless the property significantly changes in value. Each year, the State determines an updated "common level" ratio (CLR) that indicates the difference between assessed values and current market values for properties sold within each county. Unlike other states, when you buy an existing home in Pennsylvania, the assessment is not adjusted based upon the sale price. If a taxpayer (residential or commercial) believes his property is over-assessed, he has the right to appeal that assessment in an attempt to have the overall taxes reduced.

The West Chester Area School District has seen a drastic increase in the number of assessment appeals over the past few years. Many of these appeals have been granted resulting in a reduction in overall taxable assessments which results in lower than anticipated real estate tax revenue. In the 2010-11 year, the District had \$500 million in appeals in which their assessments were lowered by \$70 million. As of August 2011, the District has over \$44 million in assessment appeals pending in the current year.

What is the West Chester Area School District's current millage rate?

The current millage rate in Chester County is 18.36 per mill and 14.22 in Delaware County. These millage rates represent a 0% increase in Chester County and a .2% decrease in Delaware County. WCASD's millage rate is the lowest of all of the school Districts in Chester County.

What would a 1.7% increase in taxes equate to for an average homeowner in the District?

A 1.7% tax increase for residents of WCASD would equal an annual increase in taxes for:

- Chester County Residents \$57.00 (assumes an average assessed value of \$189,950 times .01856)
- Delaware County Residents \$54.00 (assumes an average assessed value of \$225,000 times .01438)

When will the 2012-13 budget be finalized?

In accordance with state code, the District must adopt a budget no later than June 30th of any given year. The WCASD school board will adopt the 2012-13 at a special meeting held in June.

Why is it so difficult to reduce a school district's budget?

Educating students is both labor intensive and highly regulated. Employee compensation and benefits accounts for over 62% of the district's operating budget and the majority of the employees work under collective bargaining agreements. In addition, 12.3% is directly associated with debt service and 22% is associated with contractual obligations (such as special education placements and services, charter school and other alternative school tuitions, transportation, and utilities).

What is a fund balance? Does the West Chester Area School District have one?

Fund balance is a measure of net financial assets, which is similar but not identical with equity or accumulated savings. The fund balance is equal to financial assets less financial liabilities.

It is important to recognize that there is often a portion of the fund balance for a school district that is reserved and can only be used for specific purposes because of legal or accounting commitments. The unreserved portion of the fund balance can be used for any future district spending. Good financial practices suggest that districts maintain an adequate unreserved fund balance to cover cash flow needs, district emergencies or other contingencies. The state restricts the unreserved fund balance for all school districts to less than 8% of projected annual expenditures.

As of August 2011, The West Chester Area School District is projecting an unreserved fund balance of \$12.7 million at the end of June 2012 (or 6.3% of projected annual expenditures).

Can the District utilize some of the fund balance to offset an increase in taxes?

Yes, the District used \$2.9 million to balance the 2011-12 budget, and is currently planning to use approximately \$3.1 million to balance the budget for 2012-13. The District's current unreserved fund balance is approximately \$12,700,000, or 6.3% of total expenditures. To address regular cash flow fluctuations and ensure financial stability, the Board adopted a fund balance policy. This policy states that when the general fund unreserved, undesignated fund balance is projected to decrease below 5% of the general fund expenditures, the District is required to initiate an action plan to ensure that the year-end general fund balance meets a 5%-8% goal. The state mandates that school districts maintain a fund balance that does not exceed 8% of total expenditures.

Revenue Budget Questions

Where does funding for the West Chester Area School District come from?

Like all school districts in Pennsylvania, the West Chester Area School District receives revenue from three primary sources: local, state, and federal revenues.

The individual revenue breakdowns include:

- Local – 84.9%
- State – 12.9%
- Federal – 2.2%

The following chart compares the 2009-10 WCASD state subsidies as a percentage of overall costs to the state-wide average. In addition the chart compares the WCASD cost per student and state/federal and local share to the state average. The 2009-10 is the most recent data available from PDE's website.

2009-10 Total State Subsidies		
Reimbursement Rate	WCASD	State Avg
(Subsidy as a percentages of total expenses)	15%	36%
Largest Student Subsidy Categories (2009-10)		
	WCASD	State Avg
Regular instruction Subsidy % of Instruction Exp.	8%	50%
Special education Subsidy % of Special Education Exp.	20%	35%
Transportation Subsidy % of Transportation Exp.	36%	47%
2009-10 State/Federal/Local Share \$		
	WCASD	State Avg
Total Cost per Student	\$ 15,841	\$ 13,858
Total State Subsidy per Student	\$ 2,383	\$ 4,982
Total Federal Subsidy per Student	\$ 379	\$ 1,007
Local Cost per Student	\$ 13,419	\$ 7,839

What are the sources of the District's local revenue?

The District's main source of local revenue is property taxes related to residential and commercial properties. In addition, local revenues are generated through real estate transfer tax, earned income tax, investment earnings, tuitions and other miscellaneous revenues.

Earned income tax collections, real estate transfer taxes and investment earnings are directly related to the economy and cannot be relied upon to produce a consistent revenue stream.

What affect does the overall economy have on the revenue budget?

The District's main source of local revenue is property taxes related to residential and commercial properties. Other local revenue streams include real estate transfer tax, earned income tax, investment earnings, tuitions and other miscellaneous revenues. Collections in earned income taxes, real estate transfer taxes and investment earnings are directly related to the economy and the District has seen a drastic reduction in these revenues over the past few years.

What are the sources of the District's state revenue?

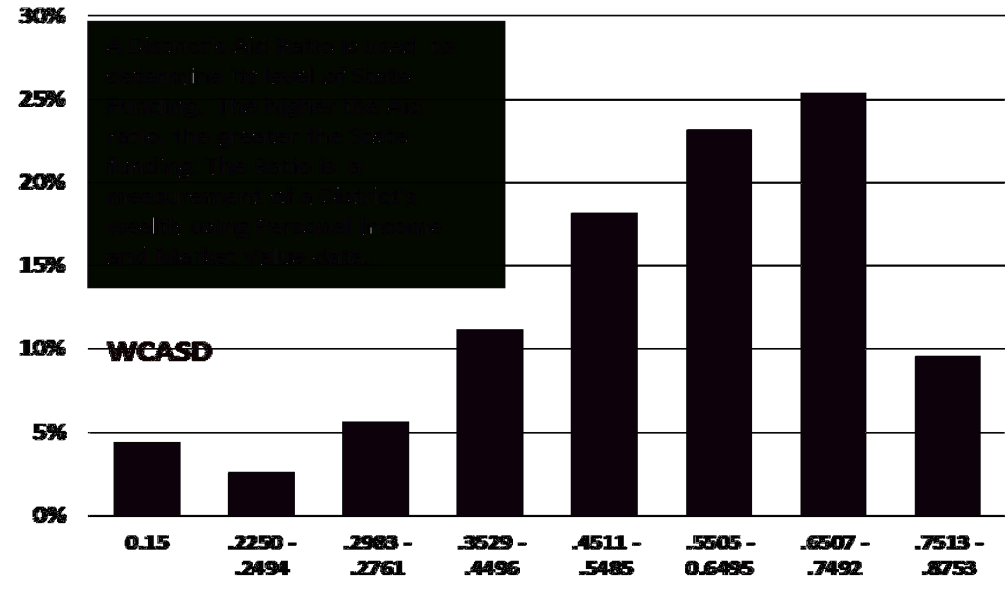
The largest source of state subsidy is the basic education subsidy. In addition, the District receives subsidy for special education, transportation, property tax reduction, as well as reimbursement subsidies for social

security and retirement benefits for our staff. The state reimbursement for 25% of our charter school tuitions was eliminated in the Governor’s 2011-12 State Budget.

Why is state funding to WCASD so low as compared to other District’s state funding?

Many of the state subsidies received by the district are determined in part by a formula. The formula includes a ratio used to allocate funding based on the relative wealth of the district as compared to other districts within the state. The WCASD has the lowest aid ratio assigned to districts within the state. More than 95% of the 501 school districts in the state have aid ratios greater than West Chester’s. Consequently, the district receives less state funding than many neighboring districts.

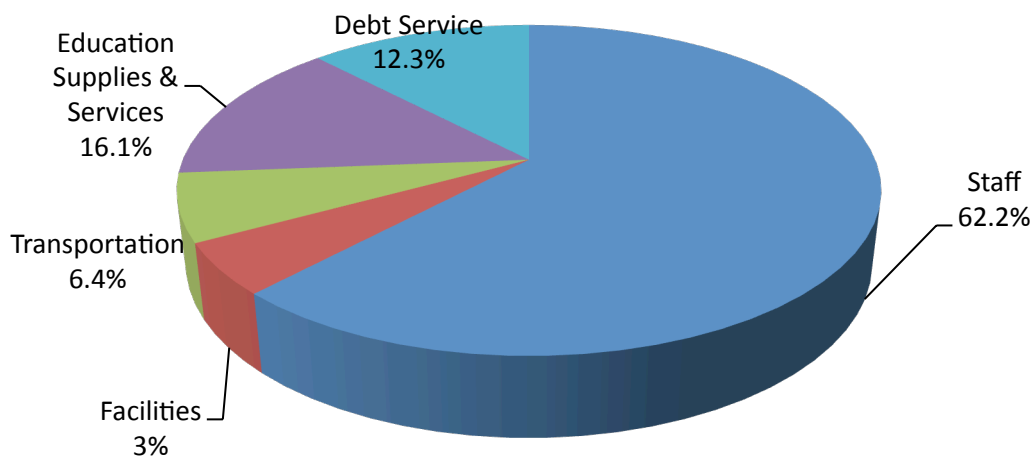
Aid Ratio Levels: % of PA Districts



Expense Budget Questions

What is the breakdown by category of expenditures?

The largest component of any school district budget is staffing. Approximately 62.2% of the WCASD 2011-12 budget relates to salaries and benefits for our 1500+ employees. The other components of the 2010-12 budget include educational supplies and services (16.1%), debt service (12.3%), student transportation (6.4%) and facility costs (3%).



How do student transportation costs affect the Budget?

The Transportation Department is responsible for transporting 17,000 students to 16 public schools and 150 non-public and charter schools over 750 square miles each day. The District is mandated by the state to provide this service to both our public and non-public students. Included in the 2011-12 budget were over \$1.0 million in savings due to the implementation of numerous initiatives identified by the Budget task Force Committee in the 2009. These initiatives include: bus stop consolidations, a two tiered bell schedule for our elementary schools, a bell schedule change for Fugett Middle School and increased use of transfer points for out of District students.

What is a charter school and what is their projected impact on WCASD in 2011-12?

A Charter school is an independent public school created by citizens from the local community requiring the approval of the state or the school district in which it would operate. In Pennsylvania, Charter Schools are possible due to a 1997 revision to the public school code known as Act 22 (the "charter school law"). Charter schools are tuition free for parents. A Charter School receives the tuitions from the public school district where its students reside. In 2011-12, the WCASD projects charter school enrollment to be approximately 600 students at an annual cost of \$7,280,600 at a projected tuition rate of \$10,392 for a regular education student and \$22,307 for a child identified as special education by the charter school. The tuition rates are the same for bricks & mortar charter schools and cyber charter schools.

What are mandated expenditures and what are their projected costs for 2011-12?

A mandated expenditure is an expense that is required by either a state or federal law. Often times, school districts don't have sufficient funds to cover these mandates. These are called unfunded or underfunded mandates. In order to pay for these requirements, school districts are forced to either reduce academic and student programs or raise property taxes. Examples of state mandates and their anticipated expenditures for 2011-12 are: Special Education; Charter School Tuitions; Pension Contributions; Student transportation; School nursing services; and Prevailing wage.

Why were the 2011-12 budget expenditures \$1.4 million lower than the 2010-11 Budget?

The WCASD implemented numerous cost cutting initiatives as indicated in the follow chart:

- **Salary Freeze**
- **Transportation Efficiency Initiatives**
- **2010-11 Spending Freeze**
- **Reduce General Fund Maintenance Projects**
- **Increase Student Parking Fees**
- **Facility and Operations Position Control Model**
- **Reduce Athletic Costs**
- **Eliminate "No Cut" Policy**

Position Reductions:

- **Human Resources**
- **Pupil Services**
- **Business Office**
- **Facilities & Operations**
- **H.S. Reading Specialists**
- **Middle School Guidance Counselors**
- **H. S. Support Staff**
- **Elementary Teacher Allocations**
- **Elementary Support Staff**

How has the District’s staffing changed since the implementation of the cost savings initiatives 2009?

The following chart shows the change in headcount by category since the 2008-09 school year.

West Chester Area School District Labor Force				
2008-09 vs 2011-12 Budget by Category				
	2008-09 Totals	2011-12 Totals	\$ Inc/(Decr)	
Regular Education Classroom Instruction	676.10	675.10	(1.00)	-0.1%
Regular Education Instructional Support	149.70	129.00	(20.70)	-16.0%
Extracurricular Activities	9.00	8.80	(0.20)	-2.3%
Pupil Services	114.50	105.40	(9.10)	-8.6%
Special Education	253.80	257.30	3.50	1.4%
Gifted	19.40	17.00	(2.40)	-14.1%
ELL	36.00	35.20	(0.80)	-2.3%
Superintendent, Asst Super, Dir. of Elem Office	11.00	9.00	(2.00)	-22.2%
Business Office	19.30	16.00	(3.30)	-20.6%
Human Resources	8.00	6.00	(2.00)	-33.3%
Transp. Public/Nonpublic	2.00	2.00	-	0.0%
Transp. Special Education/Charter Schools	2.00	2.00	-	0.0%
Technology	40.00	36.00	(4.00)	-11.1%
Facilities	144.80	138.80	(6.00)	-4.3%
Total Budget	1,485.60	1,437.60	(48.00)	-3.3%

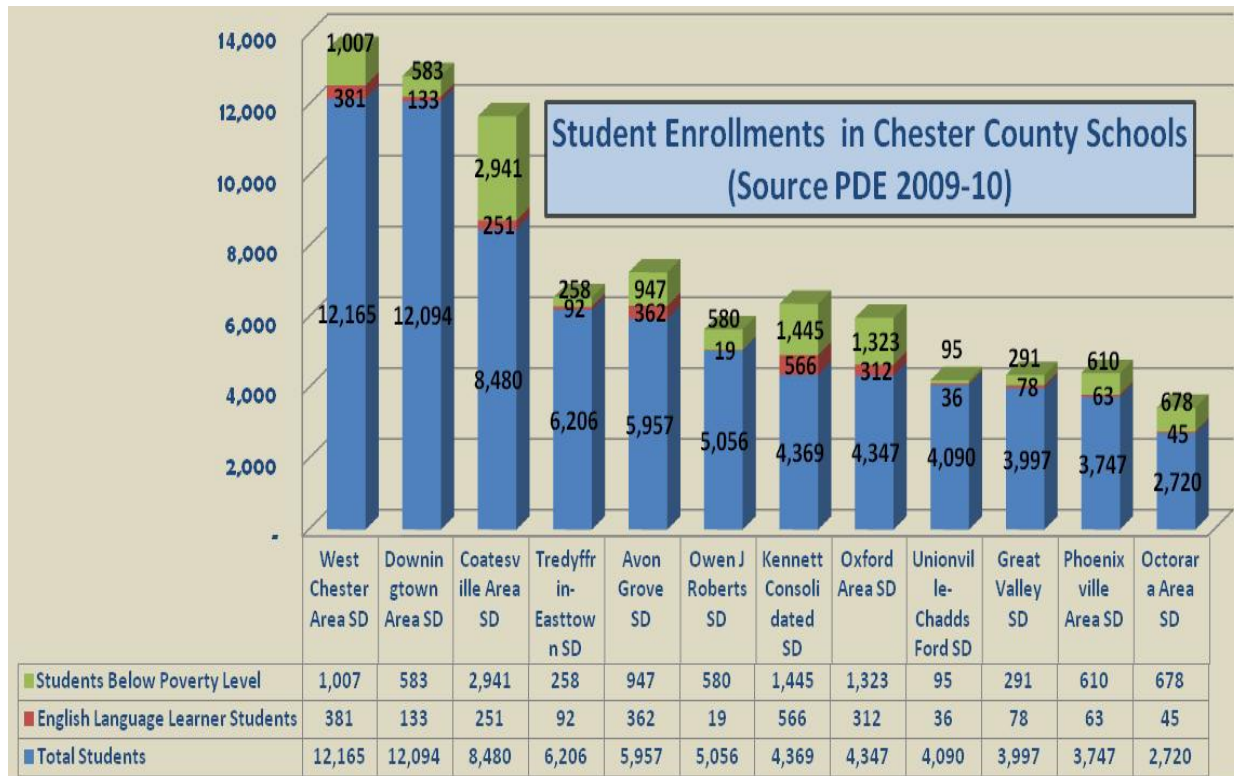
District Comparison Questions

How does West Chester Area School District compare to other Districts in the County?

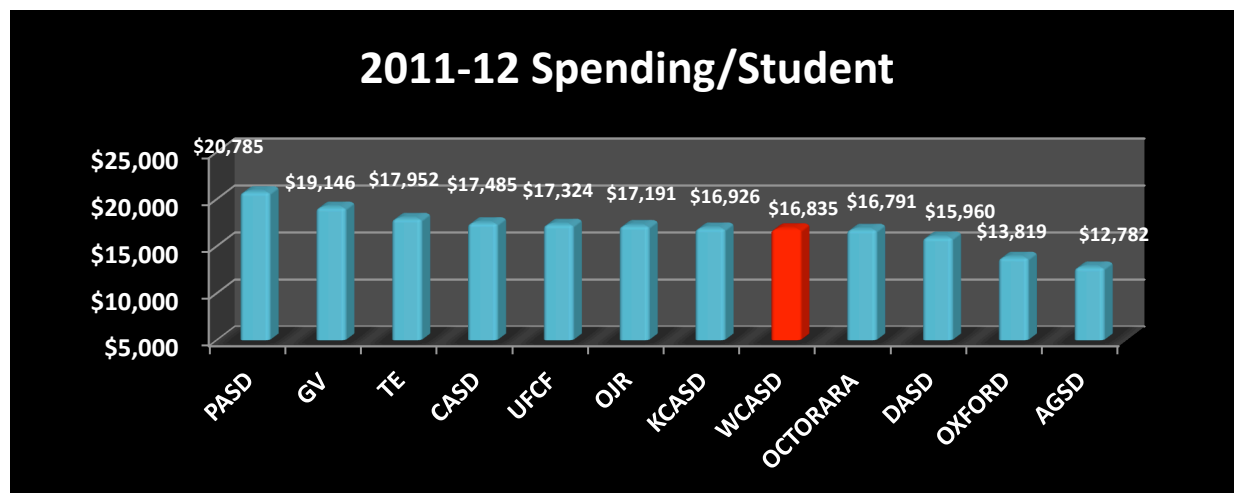
There are many factors to consider when comparing school Districts including:

- Student Enrollment
- Spending per Student
- State Funding Levels
- Millage Rates
- Wealth of the District
- Total Tax Burden

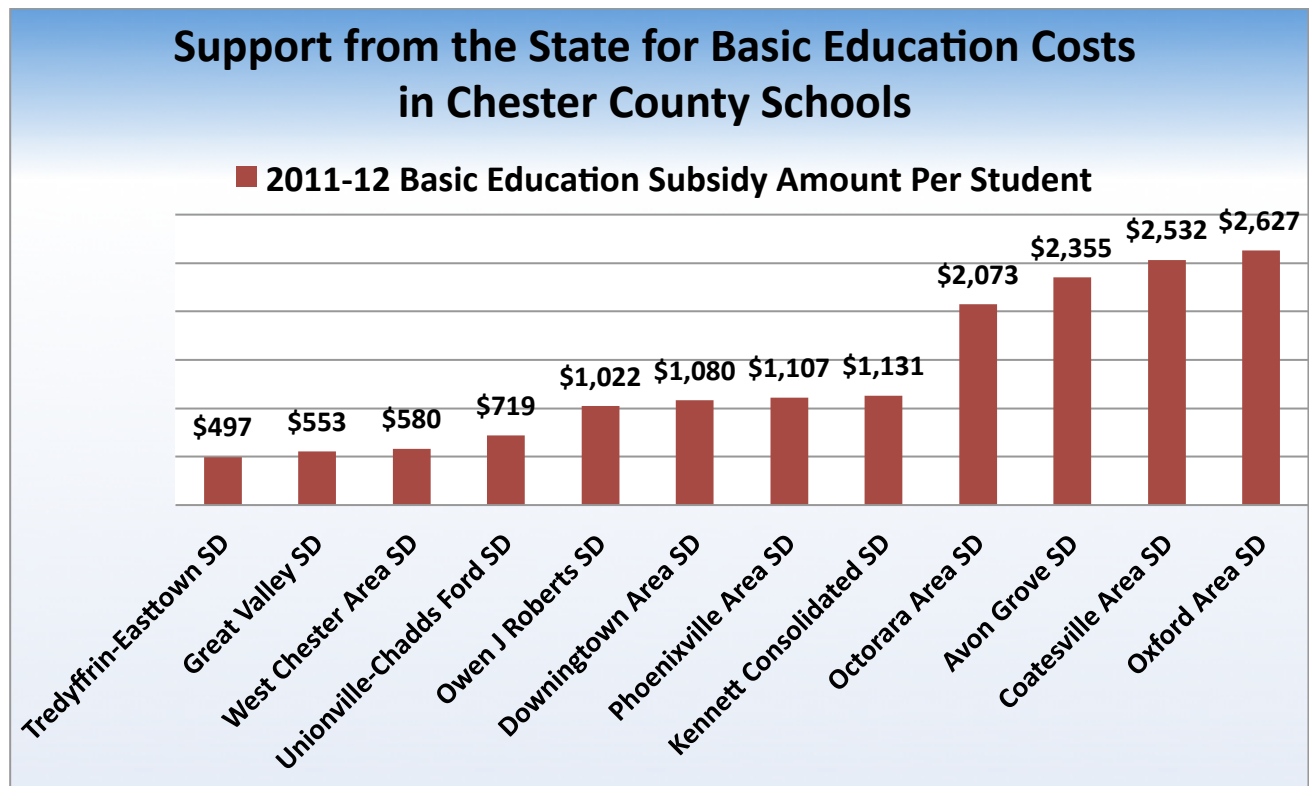
Student Enrollment – The following chart compares WCASD’s student enrollment with the other Chester County School Districts. In addition to total enrollment, the chart illustrates the different levels of school children who are considered below the poverty level as well as the English language learner population by District.



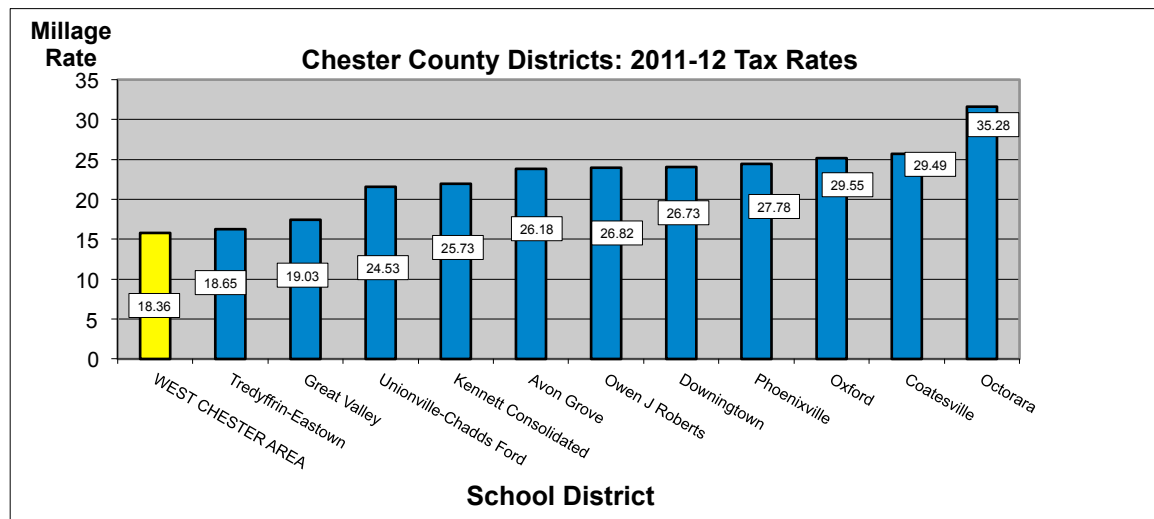
Spending per Student - comparing individual school districts' spending per student is a reasonable comparison of a school district's level of expenditures. For example, during the 2011-12 WCASD's cost per student is budgeted at \$16,835. The average cost per student for all 12 districts in the County is \$16,916. The highest cost per student for a district in Chester County is \$20,785 and the lowest is \$12,782. A district's cost per student could reflect many factors including but not limited to the student/teacher ratio, the average teacher salary and the general cost of living in the area.



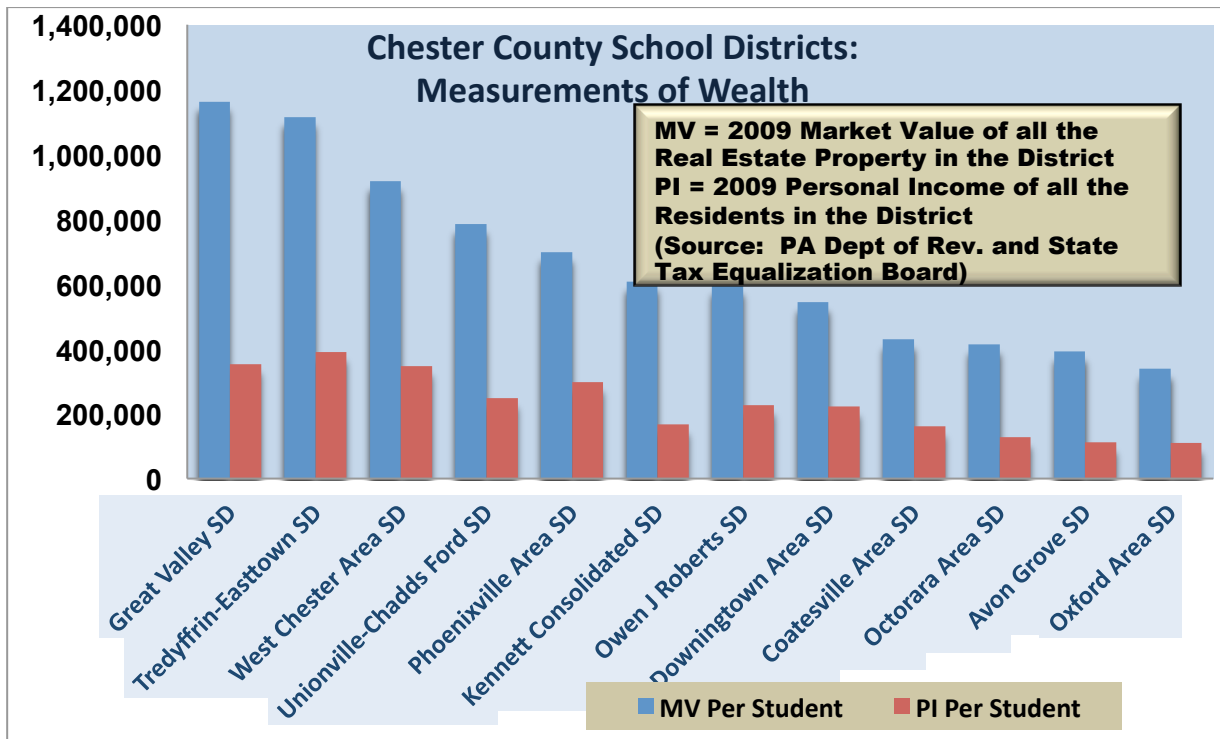
State Funding Levels - as evidenced by the following chart, WCASD's per student Basic Education funding is among the lowest in Chester County at \$580 per student. This relatively low amount of funding per student is due to the fact that the state formula for funding is driven by the District wealth.



Millage Rates - The current millage rate in Chester County is 18.36 per mill and 14.22 in Delaware County. These millage rates represent a 0% increase in Chester County and a .2% decrease in Delaware County. WCASD's millage rate is the lowest of all of the school Districts in Chester County.



Wealth of the District - many of the state subsidies received by the district are determined, at least in part, by a formula called the Market Value Personal Income Aid Ratio (MV/PI AR). This ratio, used to allocate funding, is based on the relative wealth of the district as compared to other districts within the state. The MV/PI AR for WCASD is .15, which is the lowest aid ratio assigned to districts within the state. The following chart compares WCASD wealth calculators to the other Districts in Chester County.



Total Tax Burden – the following chart shows the total tax burden on taxpayers relative to the wealth of the community. The calculation referred to as Equalized Mills is a standardized "millage" calculated by dividing total taxes collected by the market value of all properties in the district. Total taxes includes property taxes, earned income taxes and other taxes assessed on residents. WCASD ranks in the bottom 3 in Chester County for tax burden.

