

Overview of Budgeting & School Finance



PINE-RICHLAND SCHOOL DISTRICT

(UPDATED AS OF JANUARY 2015)

Purpose



- To provide a clear overview of school funding in Pennsylvania that highlights the impact of recent legislative changes and economic factors that impact school district operations

School Funding in the News



- “Perfect Storm” of factors have put school budgets and education funding in the news
 - Slow economic recovery
 - State & federal funding cuts (e.g. School Based ACCESS funding)
 - Increasing school pension liabilities
- PASBO/PASA School Budget Reports
- PSBA Bulletin, ‘*Skyrocketing Increases: Pension Crisis*’
- “Spending Money Wisely: Getting the Most From School District Budgets”, by The District Management Council
- Common misconception is that these issues are related only to Pine-Richland School District and not a national or state issue

Outline

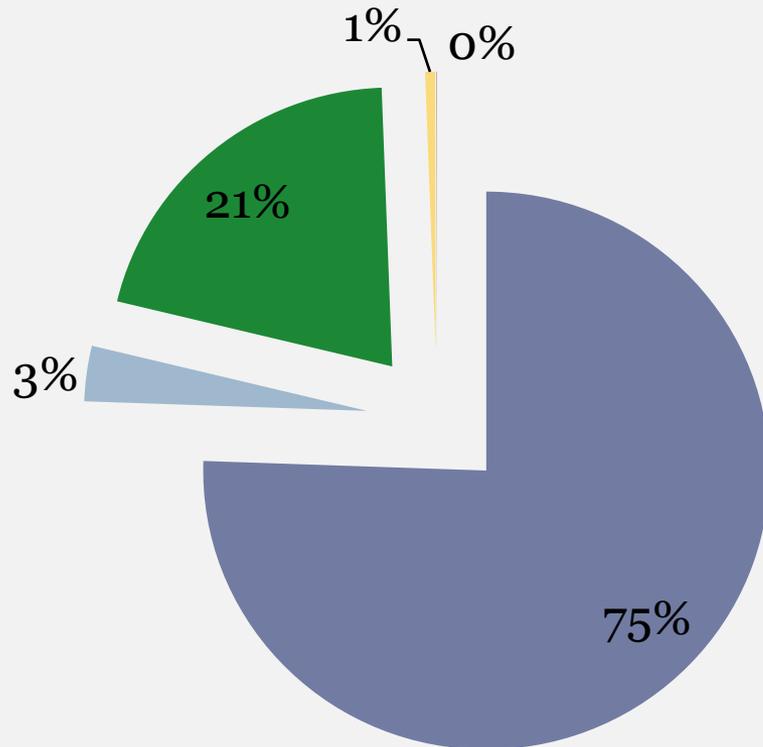


- In this presentation, we will cover the following topics:
 - Revenue
 - Funding overview
 - Legislative changes
 - Expenditures
 - Implications for our school district & community

Revenue Snapshot



2014-2015 Budget



- Local taxes (real estate, Act 511 earned income & per capita)
- Other local income (grants, donations, fees)
- State revenue
- Federal revenue
- Other financing sources

Funding of Public Education



- Landscape for funding public education has changed significantly in recent years
- Legislative changes and regulatory limitations have impacted both school districts' revenues & expenditures
 - Indexed tax limits imposed on local school boards
 - Increasing mandated costs
- Emphasis has shifted to multi-year sustainability projections & long-term decision making
 - Limits to local revenue
 - Increasing fixed costs
- Significant program and personnel cuts have been necessary in Pine-Richland and in schools across the country

Act 1 of 2006 – Taxpayer Relief Act



- Law was designed to provide state gaming revenue to local school districts, which is then used to lower property taxes to homeowners with approved homestead applications on file
 - In reality, a property owner with an approved homestead will receive a tax reduction in the amount of \$193.77 in 2014.
 - Tax reduction amount is the same ~ regardless of property valuation



Act 1 of 2006

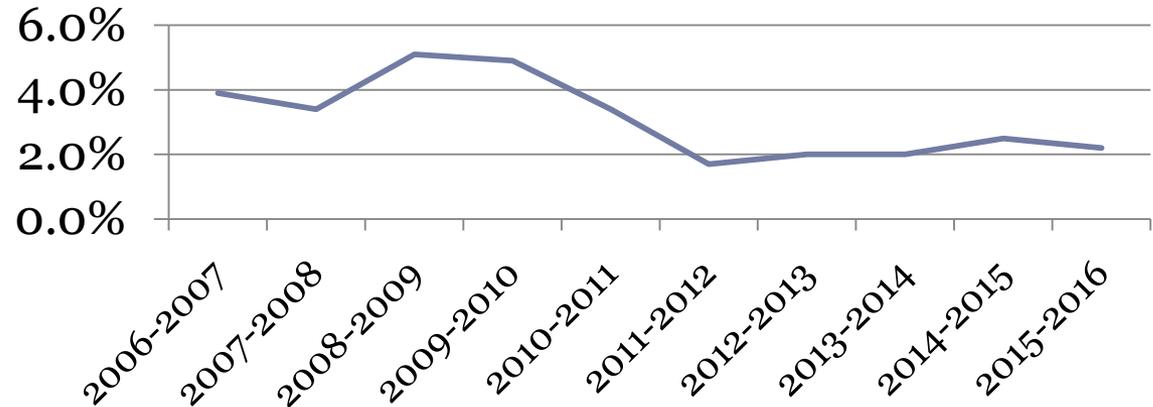
Index is calculated on the statewide average weekly wage & federal employment cost index.

Regulates the annual index rate at which each school district can raise property taxes in Pennsylvania ~ similar to COLA (cost of living adjustment)

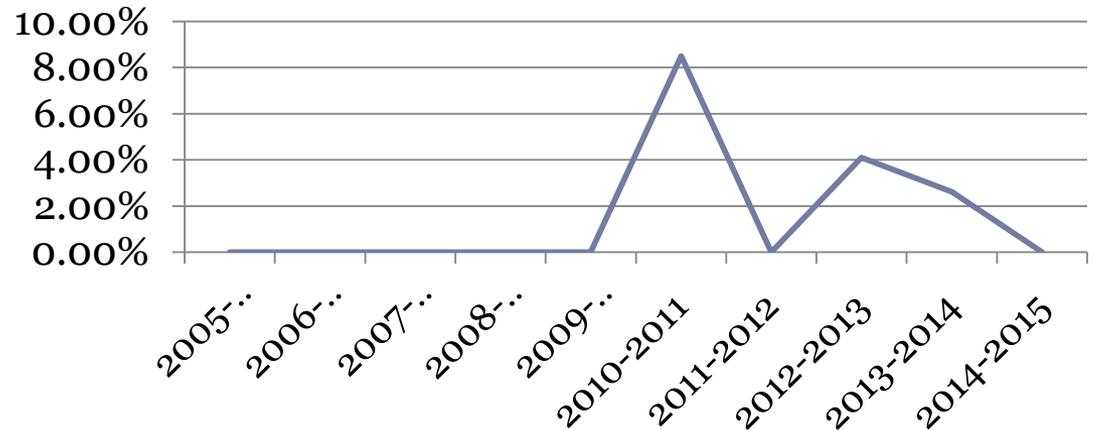
Exceptions to the limitation:

- Special education costs
- Retirement rate costs
- Certain construction costs

Adjusted Index: Pine-Richland



History of % change in millage rate



Market Value Aid Ratio



Allegheny County

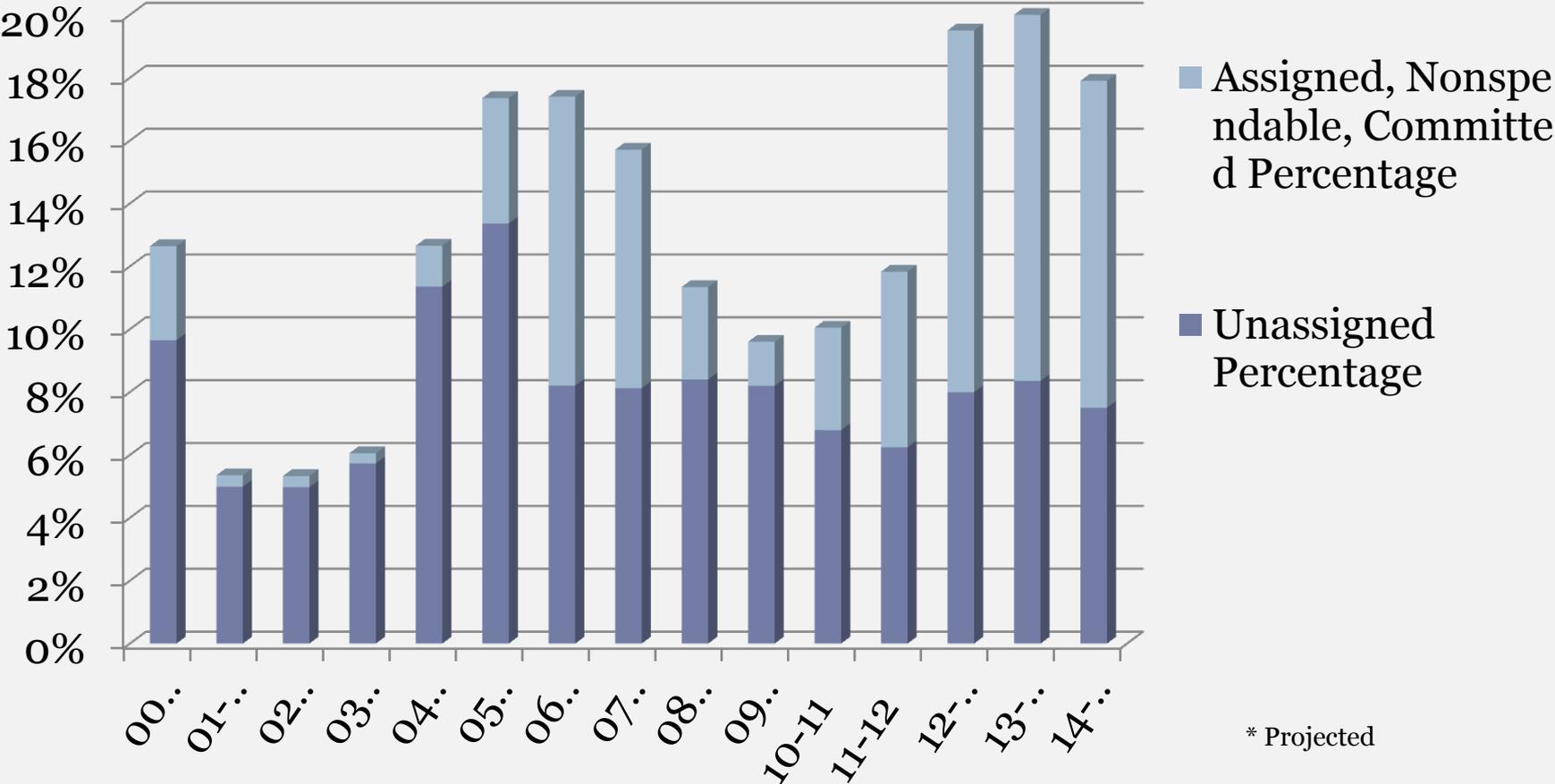
- In Allegheny County, Pine-Richland School District is ranked 19th out of 43 school districts.

Pennsylvania

- Statewide, Pine-Richland School District is ranked 226th out of 500 school districts.
- This is a drop from the previous year ranking of 218th of 500 school districts across the State.

Source: Pennsylvania Department of Education website – Financial Data Elements – market value per weighted average daily membership ; http://www.education.state.pa.us/portal/server.pt/community/financial_data_elements/7672

History of Fund Balance



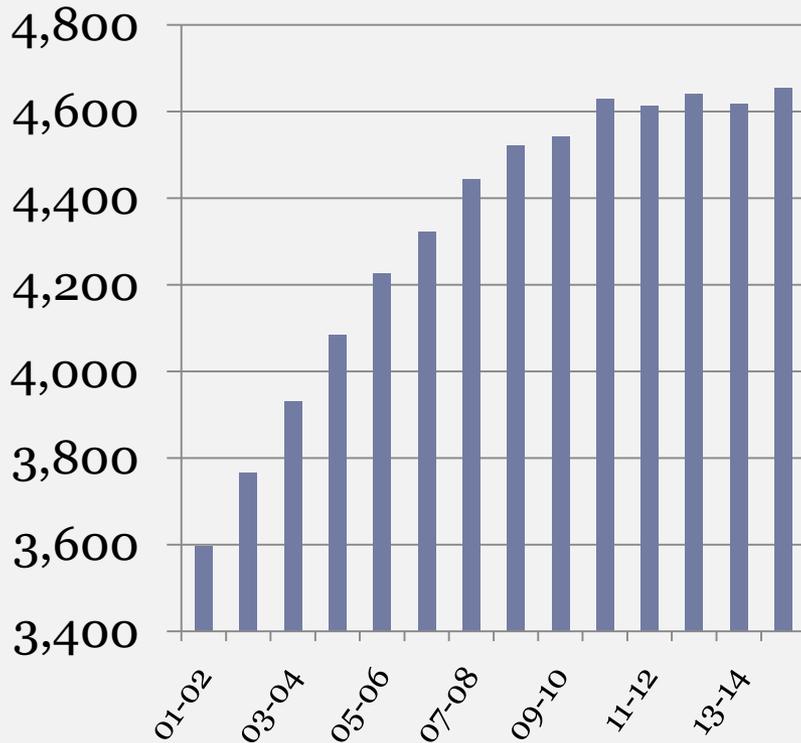
Fiscal Responsibility



Community Growth

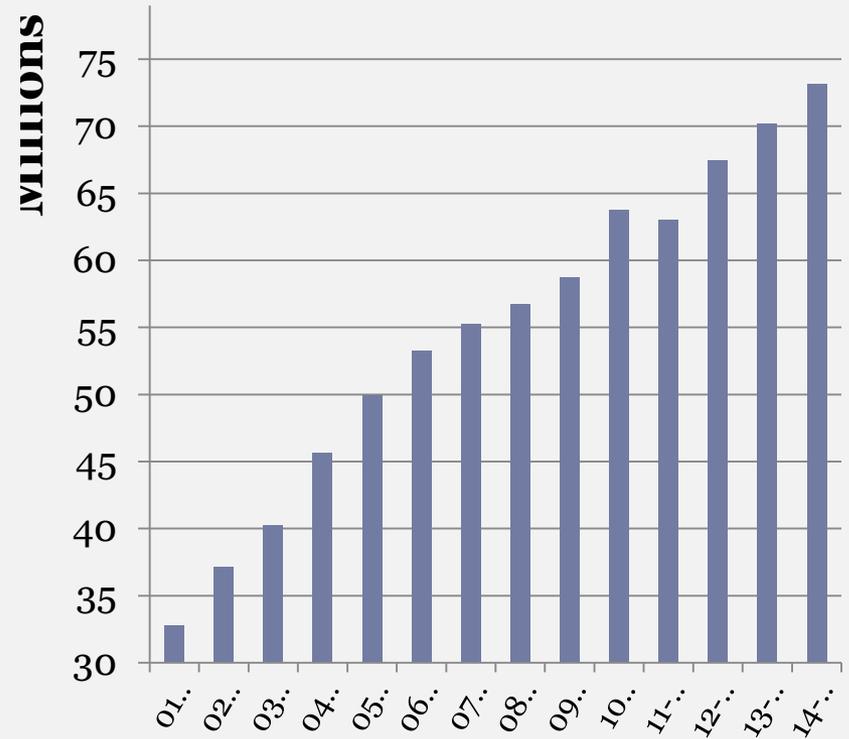


Enrollment



Revenues*

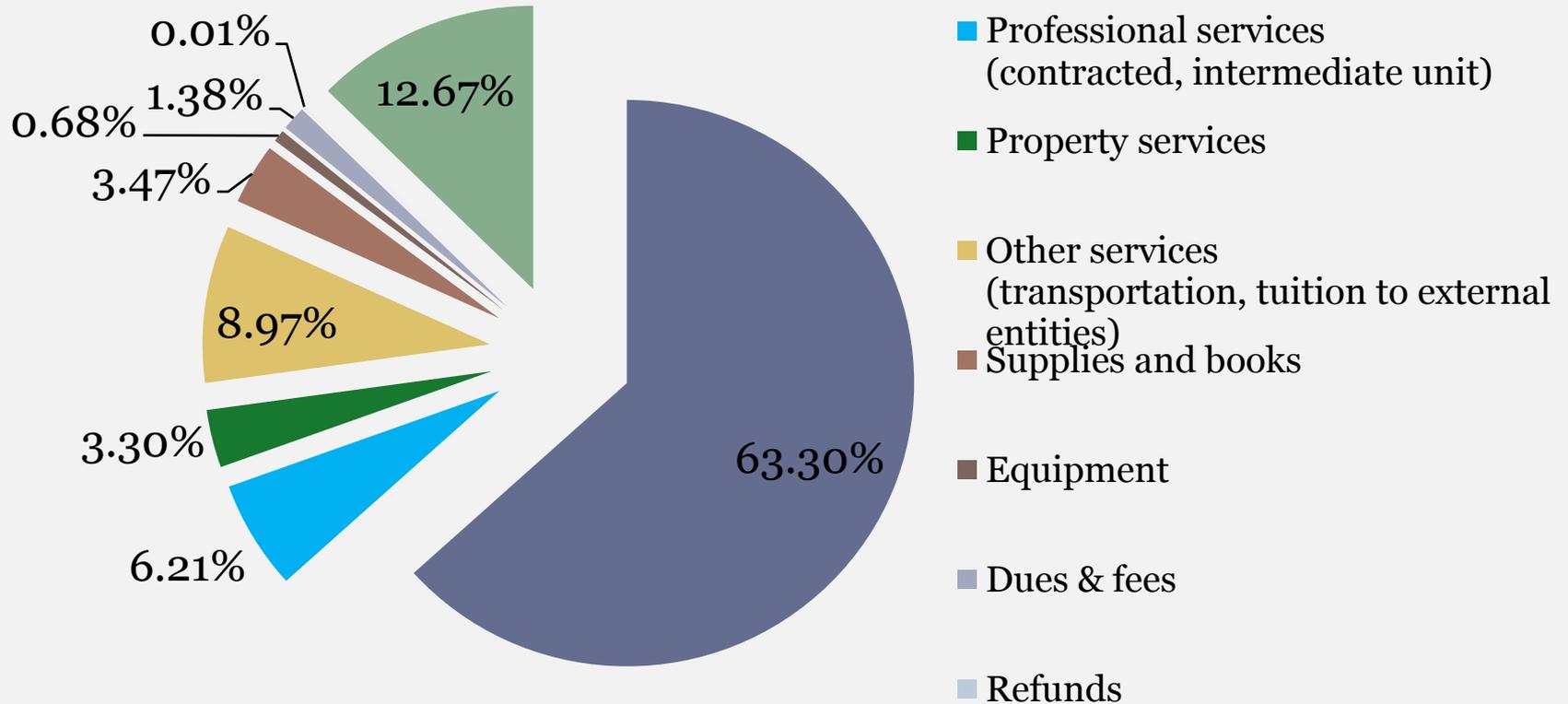
*Less bond refunding activity



Expenditure Snapshot



2014-2015 Budget



Significant Cost Drivers



SALARIES & BENEFITS

RETIREMENT SYSTEM

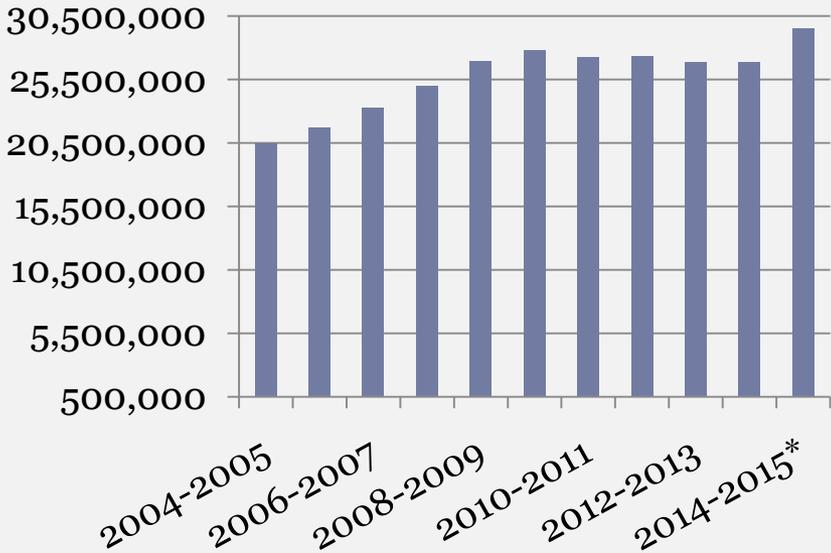
CONTRACTED SERVICES

TUITION – EXTERNAL ENTITIES

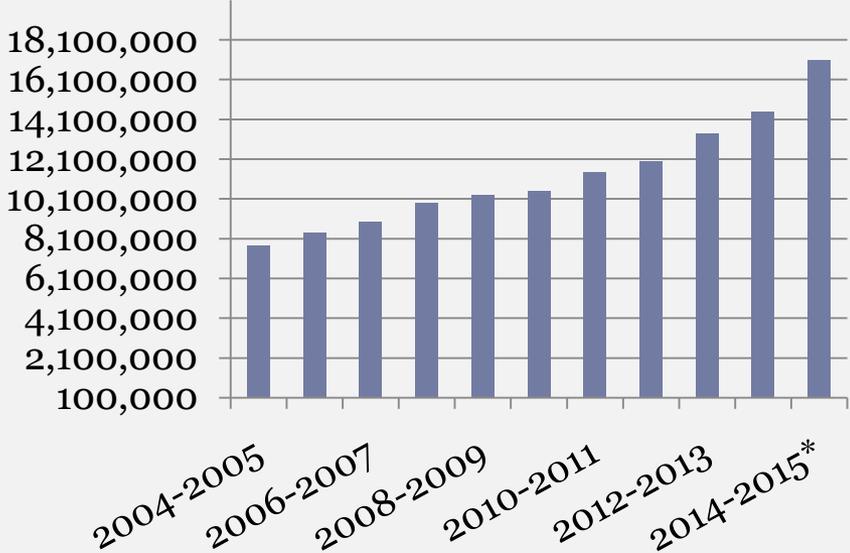
Salaries / Benefits



Salaries & Wages

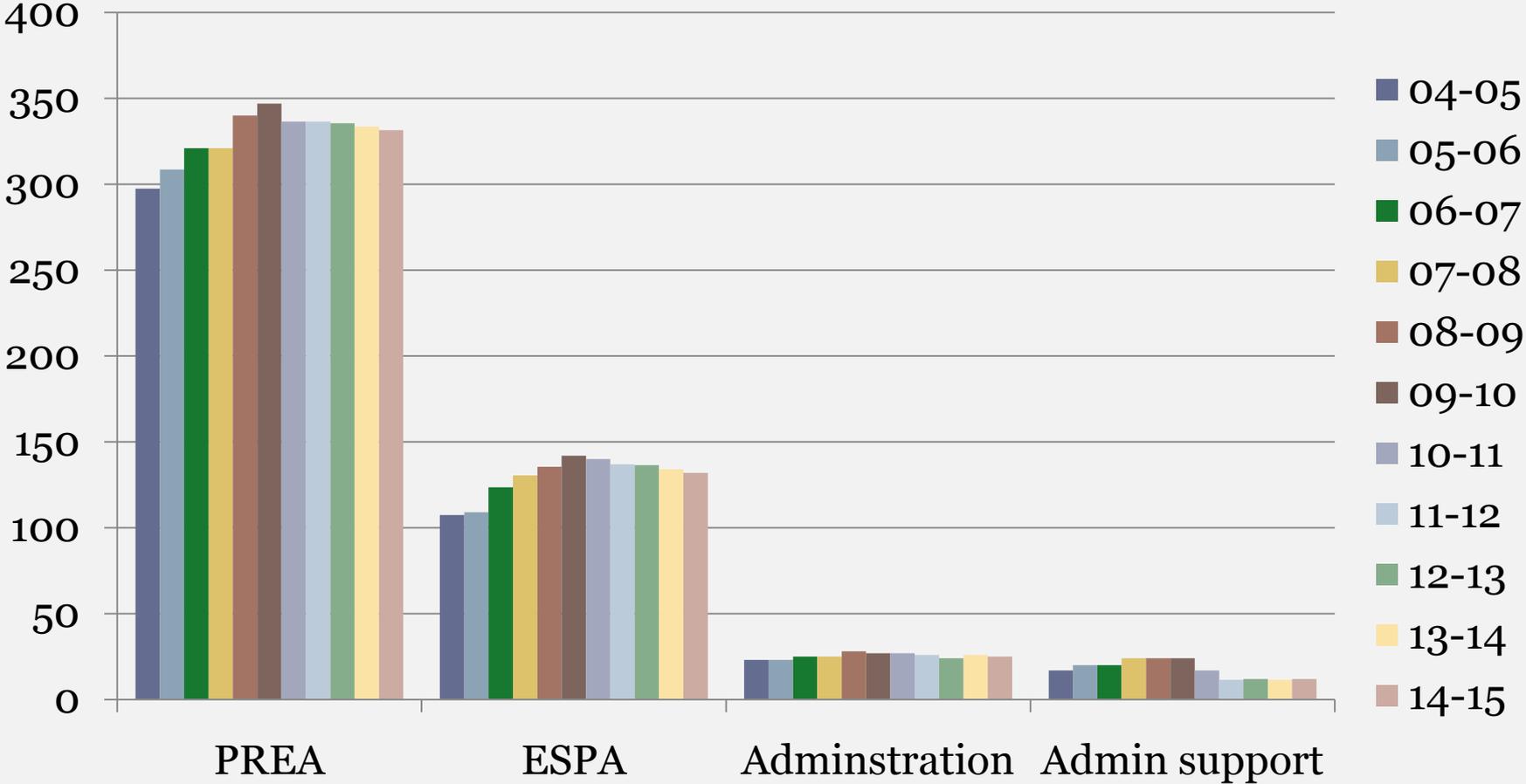


Employer payroll taxes, healthcare, PSERS



* Budgeted figures shown

Staffing by Employee Group



Public School Employees' Retirement System



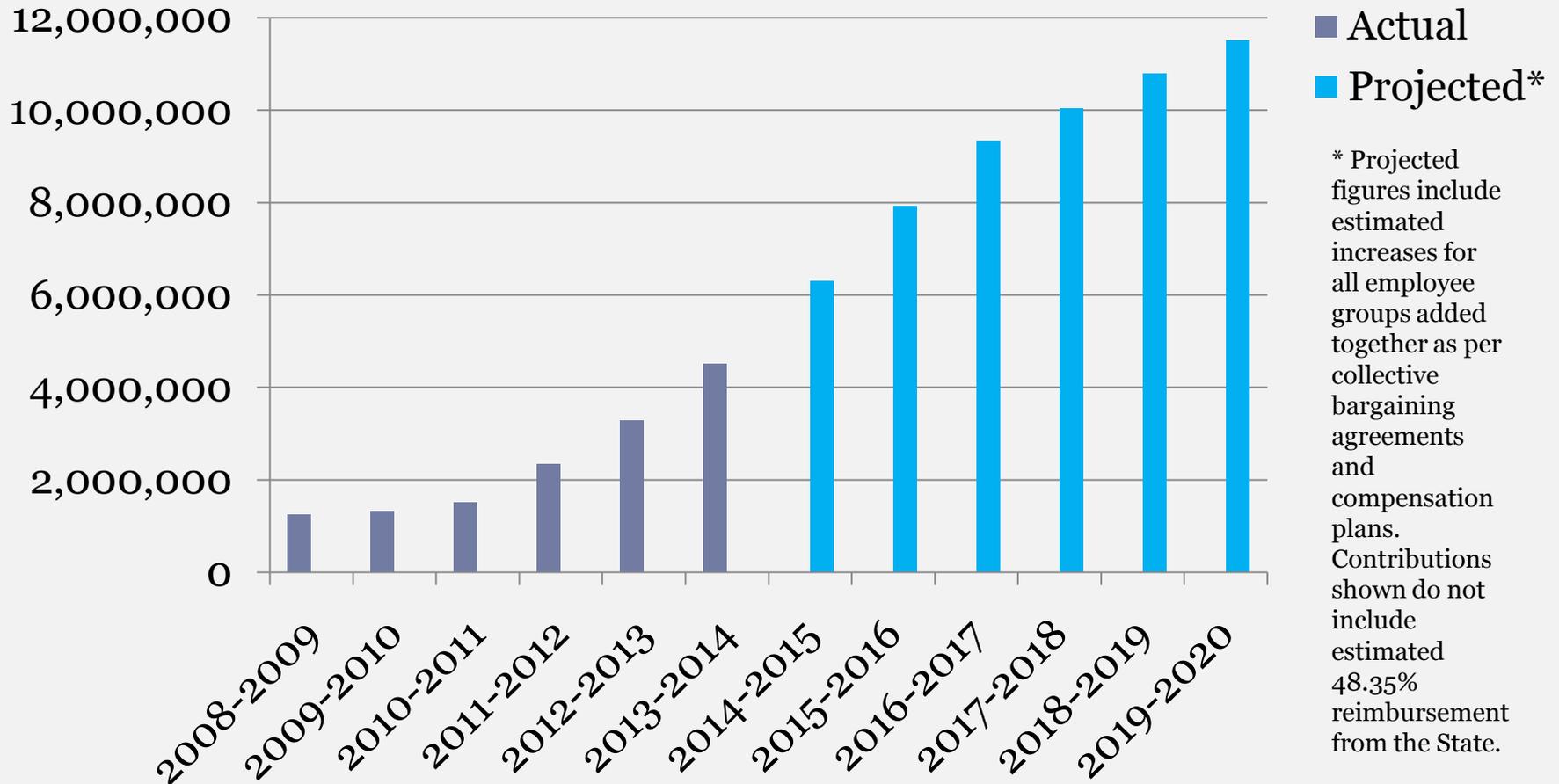
- Governmental, multi-employer, defined benefit pension plan for school employees in Pennsylvania
 - Operating parameters are defined by state legislation
- **Funding mechanism:**
 - Employer contributions (paid by school districts and the Commonwealth of Pennsylvania)
 - Employee contributions
 - Investment returns

Investment Performance Risk



- Investment earnings are the primary source of funding for benefits.
- When investment performance was high in previous years, the employer contribution rate for both the state and school employers was lowered, as a result of state legislation
- Changes in the economy in recent years have negatively impacted the status of funding for the plan.

PSEERS Employer Contributions



PSEERS Employer Contributions



Pine-Richland School District

Retirement Planning



	(Actual) 2012	(Actual) 2013	(Actual) 2014	(Budget) 2015	(Projected) 2016	(Projected) 2017	(Projected) 2018	(Projected) 2019	(Projected) 2020
Total Revenue	80,287,147	67,448,840	70,150,587	73,105,973	76,634,379	78,438,017	79,913,807	81,463,348	83,274,484
Total Expenditures	78,450,710	64,208,071	66,573,771	73,696,348	78,993,054	82,106,756	84,669,509	88,568,064	92,259,182
Operating Balance (Incl. rounding)	1,836,768	3,240,767	3,576,816	(2,842,109)	(2,358,675)	(3,668,739)	(4,755,702)	(7,104,716)	(8,984,697)

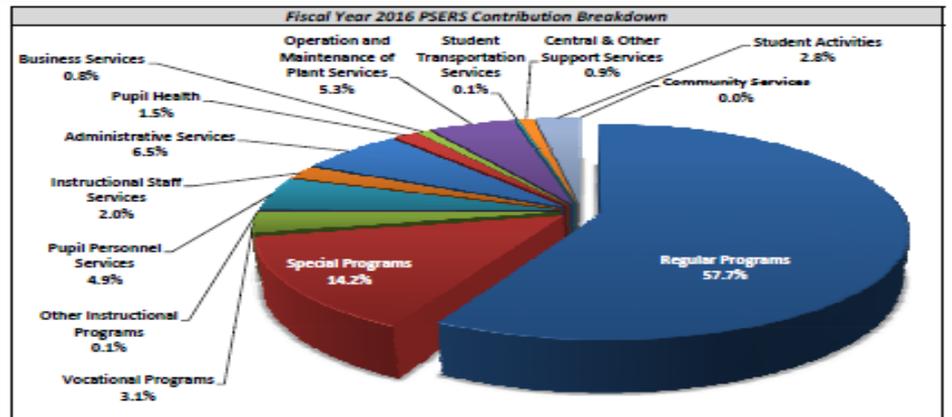
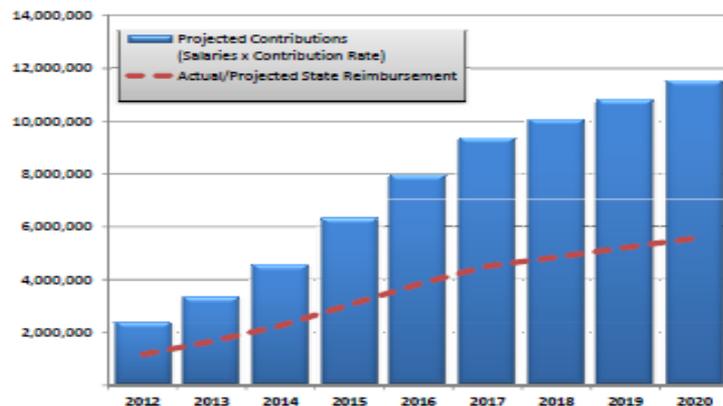
EXPENDITURES

100	Personnel Services - Salaries	27,332,044	26,887,331	26,857,896	29,510,210	30,690,618	31,918,243	33,194,973	34,522,772	35,903,682
	PSERS Contribution Rates *	8.65%	12.36%	16.93%	21.40%	25.84%	29.27%	30.25%	31.28%	32.08%
	Projected Contributions <i>(Salaries x Contribution Rate)</i>	2,364,222	3,323,274	4,547,042	6,315,185	7,930,456	9,342,470	10,041,479	10,798,723	11,517,901
230	Actual Contributions (from AFR)	2,344,936	3,296,955	4,509,353						

* Source: PASBO. Contribution rates in blue can be modified to reflect different budgeted contribution rates

REVENUES

	Projected Contributions (from above)		2,364,222	3,323,274	4,547,042	6,315,185	7,930,456	9,342,470	10,041,479	10,798,723	11,517,901
	Projected State Reimbursement	48.35%	1,143,068	1,606,756	2,198,431	3,053,303	3,834,264	4,516,953	4,854,915	5,221,031	5,568,744
7820	Actual Reimbursement (from AFR)	(Average)	1,172,446	1,668,331	2,266,269						
	Actual State Reimbursement %	50.29%	50.00%	50.60%	50.26%						
	Projected Contribution Less Reimbursement		1,221,154	1,716,518	2,348,611	3,261,881	4,096,191	4,825,516	5,186,565	5,577,692	5,949,157
	Net increase over prior year		495,364	632,093	913,271	834,310	729,325	361,048	391,127	371,466	

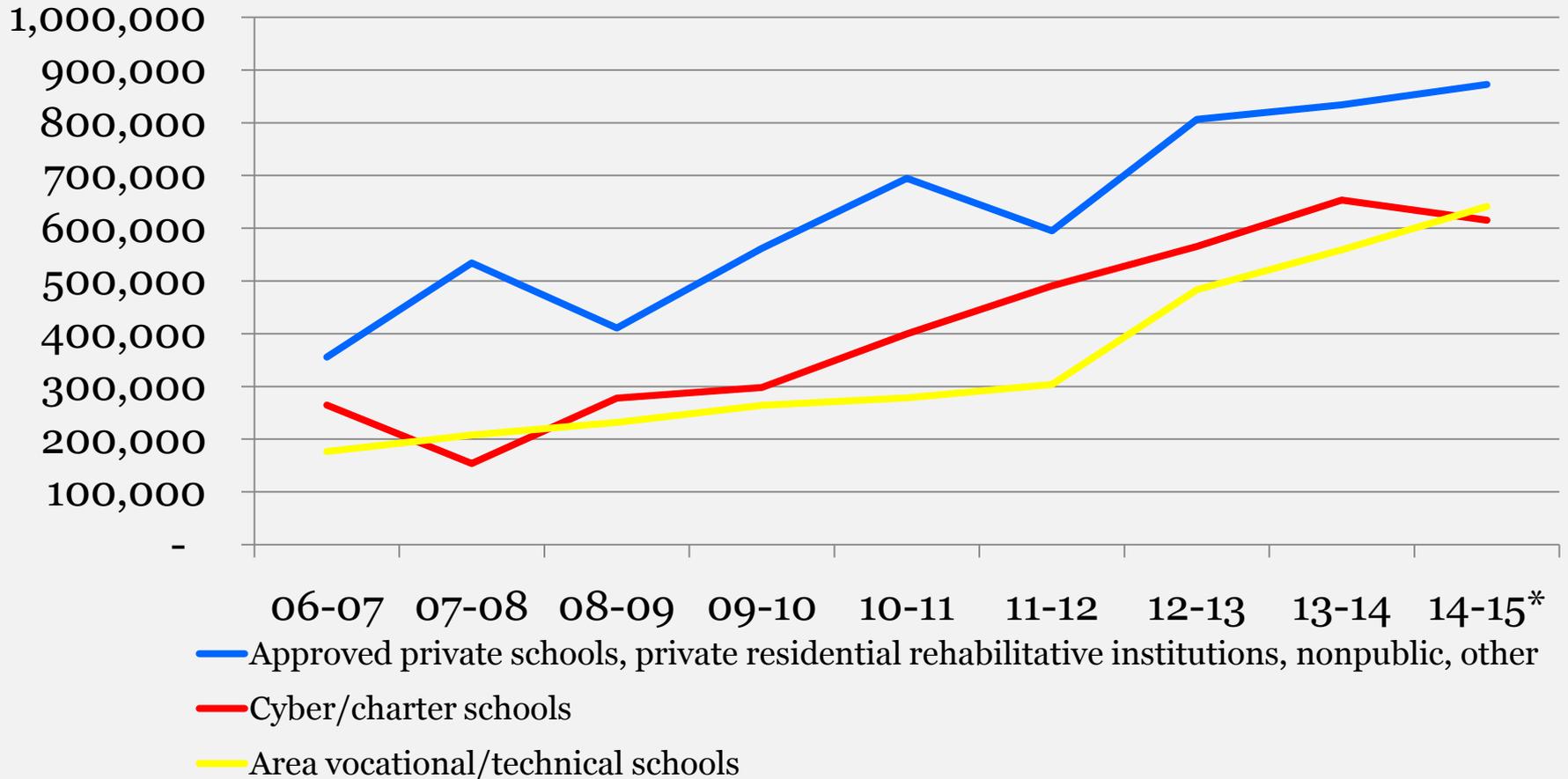


Outsourced Service Contracts



- General Fund
 - Transportation
 - Technology
 - Substitute Staffing
 - Copiers / Print Management Services
- Food Service Operations

Other Mandated Costs



* - budgeted figure shown



Our Future

Economic Value of the School System



- **District Vision Statement:**
 - Pine-Richland School District is a community where learning is challenging, people are inspiring and students are enriched by their experience.
- **Property values in our community are higher as a result of student achievement in our school system**
- **Growth in enrollment has been a result of new residential construction in both townships**
- **Pine-Richland has a strong reputation:**
 - Academics
 - Course offerings
 - Special education
 - Athletics
 - Extra-curricular activities

Future Financial Stability



- Annual budgetary challenges
- Fund balance
 - Capital improvements
 - Future benefit obligations
- District bond rating
- Alternative revenue and corporate partnerships
- Long range planning

Goals



- Continue to increase operational efficiencies
- Analyze staffing levels
- Evaluate multi-year impact of all decisions
- Balance challenges of providing a quality, educational experience for students with the economic impact on residents with fixed-income
- Team-based budgeting process