

Overview of Budgeting & School Finance



PINE-RICHLAND SCHOOL DISTRICT

(UPDATED AS OF JANUARY 2016)

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

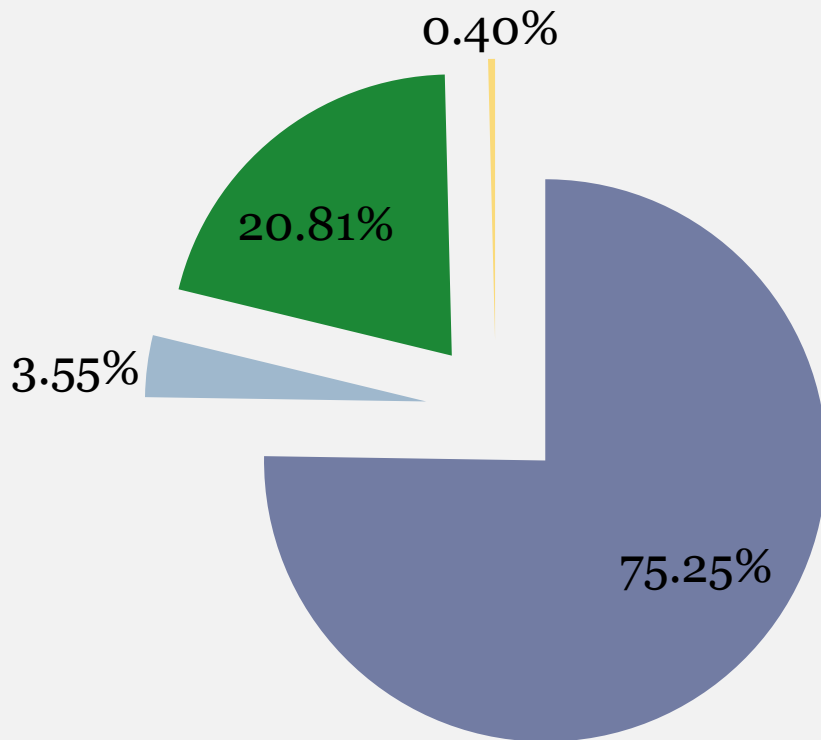


- In this presentation, we will cover the following topics:
 - Revenue
 - Funding overview
 - Legislative changes
 - Expenditures
 - Implications for our school district & community

Revenue Snapshot



2015-2016 Budget



■ Local taxes (real estate, Act 511 earned income & per capita)

■ Other local income (grants, donations, fees)

■ State revenue

■ Federal revenue

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 received a tax reduction in the amount of \$189.87 in 2015.
 - Tax reduction amount is the same ~ regardless of property valuation



Act 1 of 2006

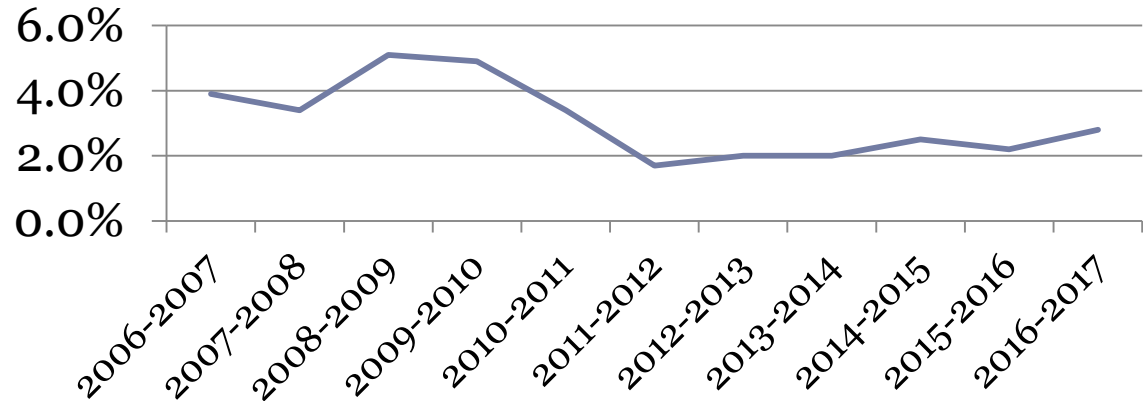
Index is calculated on the statewide average weekly wage & federal employment cost index.

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

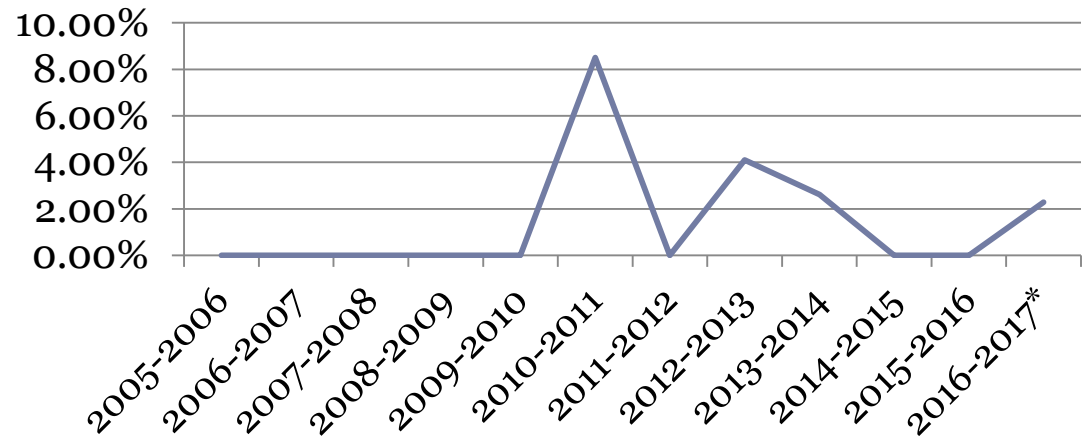
Exceptions to the limitation:

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

Adjusted Index: Pine-Richland



History of % change in millage rate



*2016-2017 millage rate needed

Market Value Aid Ratio



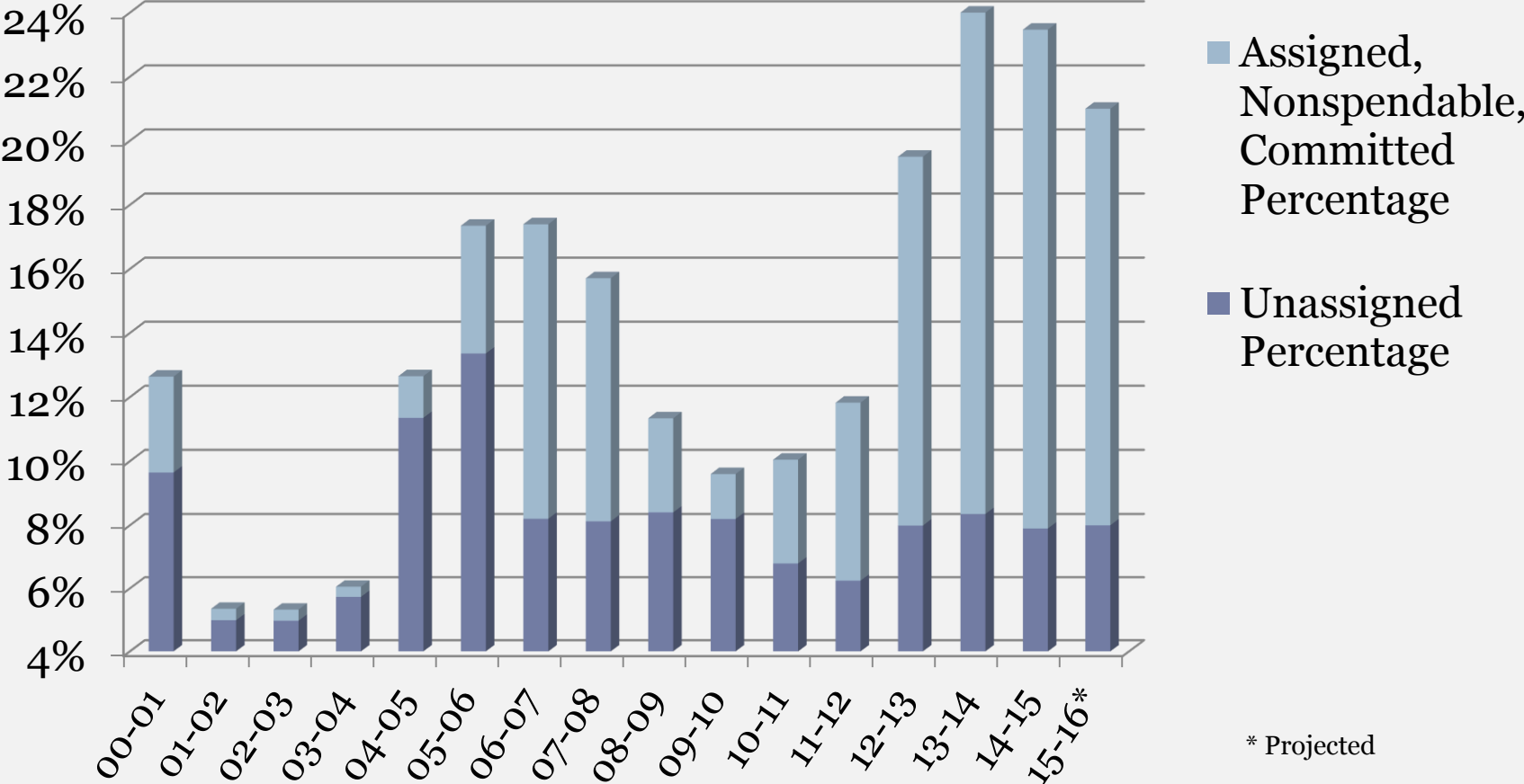
Allegheny County

- In Allegheny County, Pine-Richland School District is ranked 19th out of 43 school districts.
- This is the same ranking as last year.

Pennsylvania

- Statewide, Pine-Richland School District is ranked 227th out of 500 school districts.
- This is only an increase of one from the previous year ranking of 226th of 500 school districts across the State.

History of Fund Balance As a Percentage of Total Expenditures



* Projected

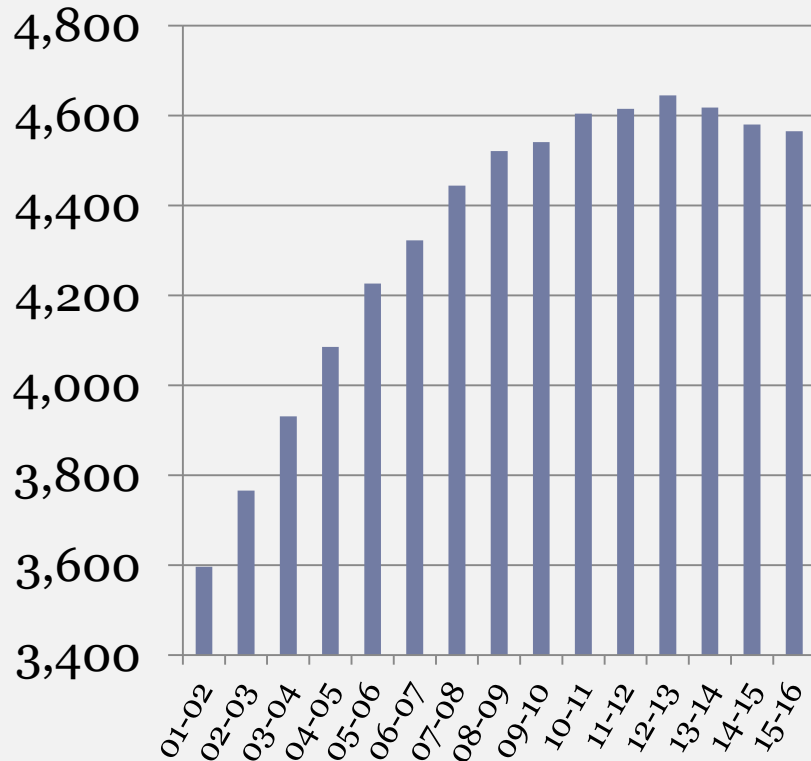
Fiscal Responsibility



Community Growth

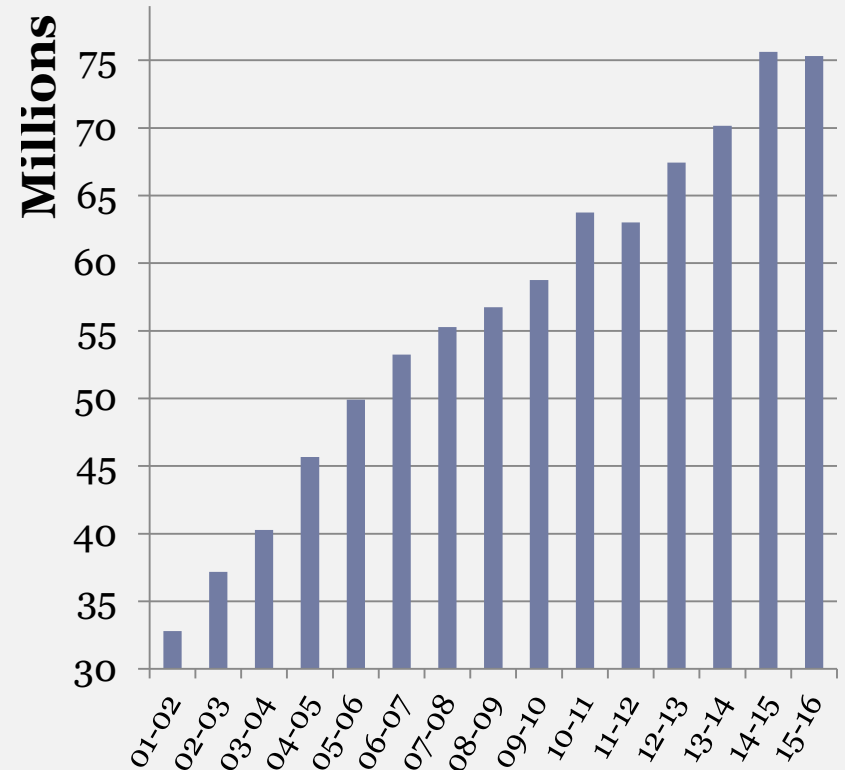


Enrollment

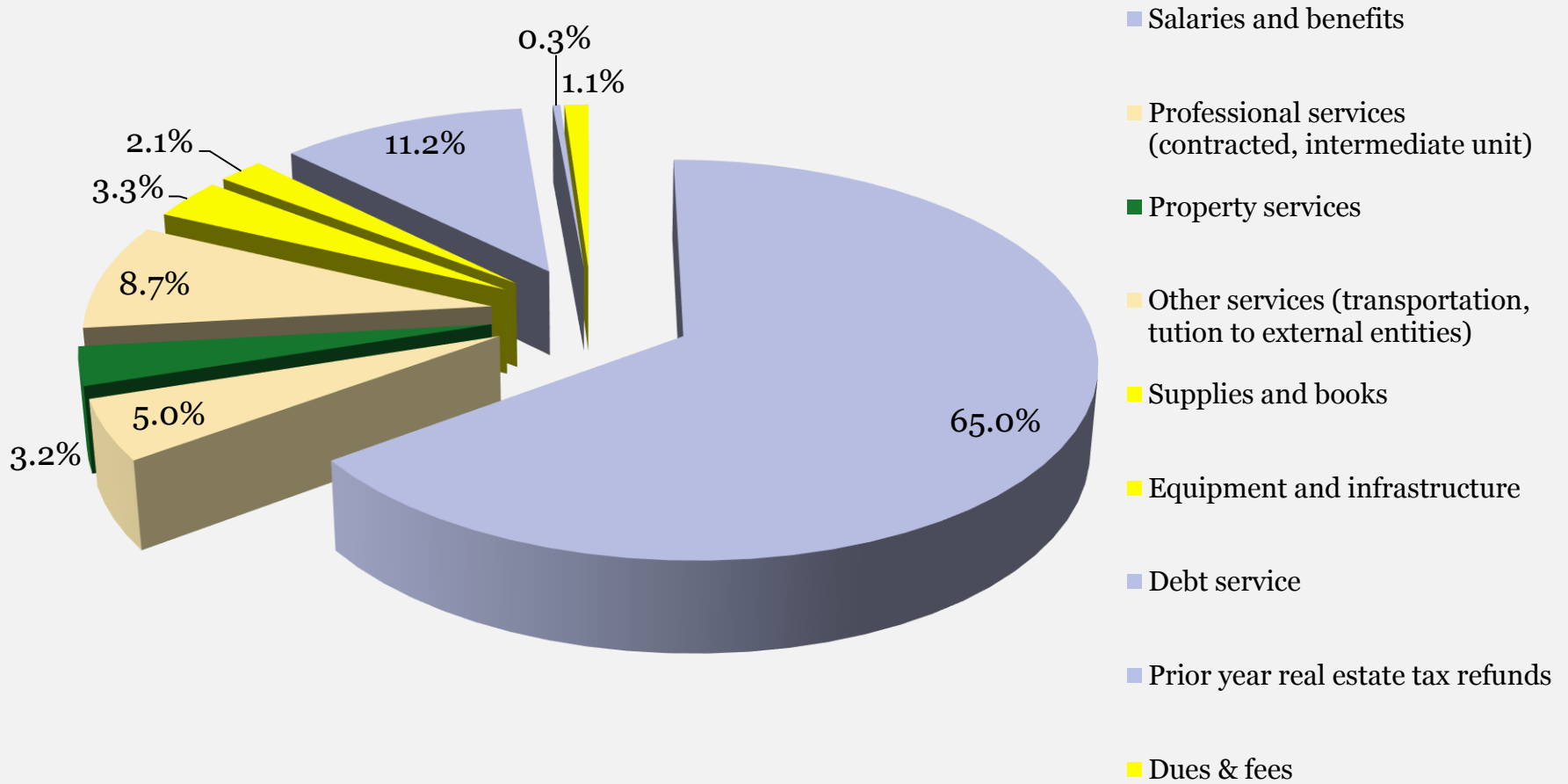


Revenues*

*Less bond refunding activity



Expenditures



Significant Cost Drivers



SALARIES & BENEFITS

RETIREMENT SYSTEM

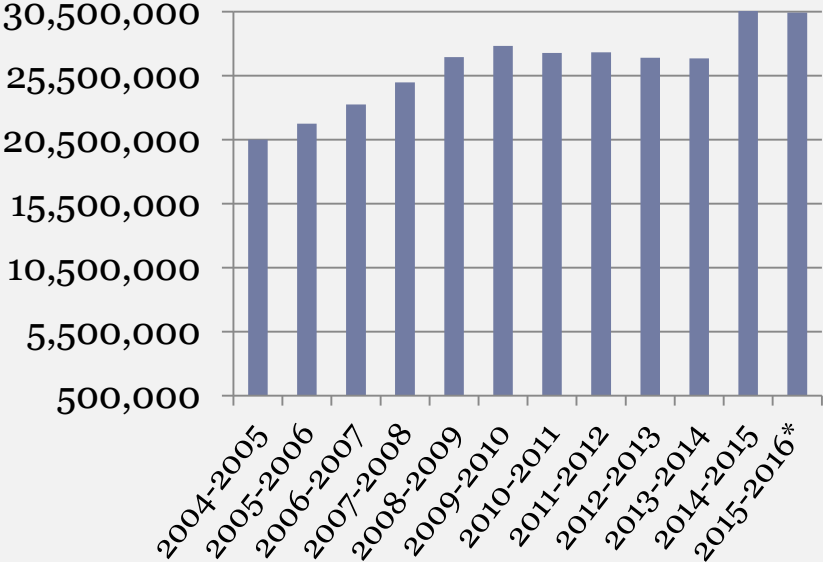
CONTRACTED SERVICES

TUITION – EXTERNAL ENTITIES

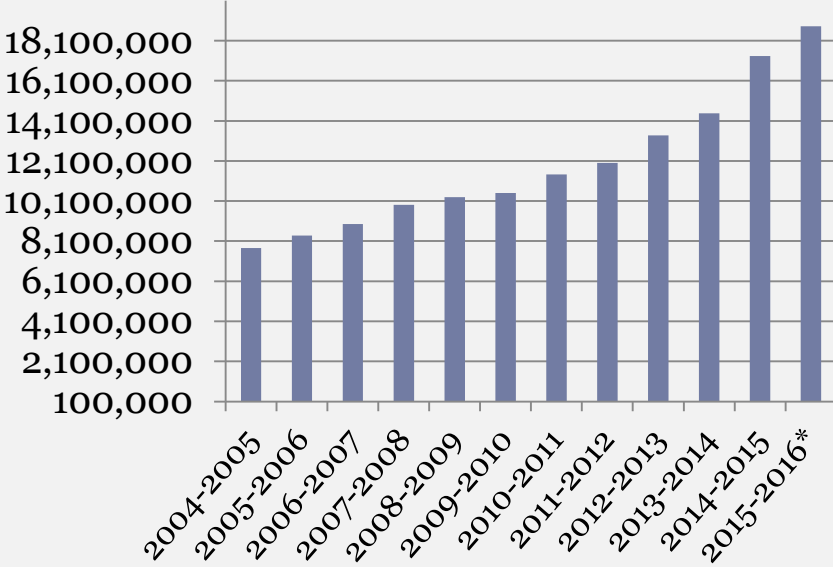
Salaries / Benefits



Salaries & Wages

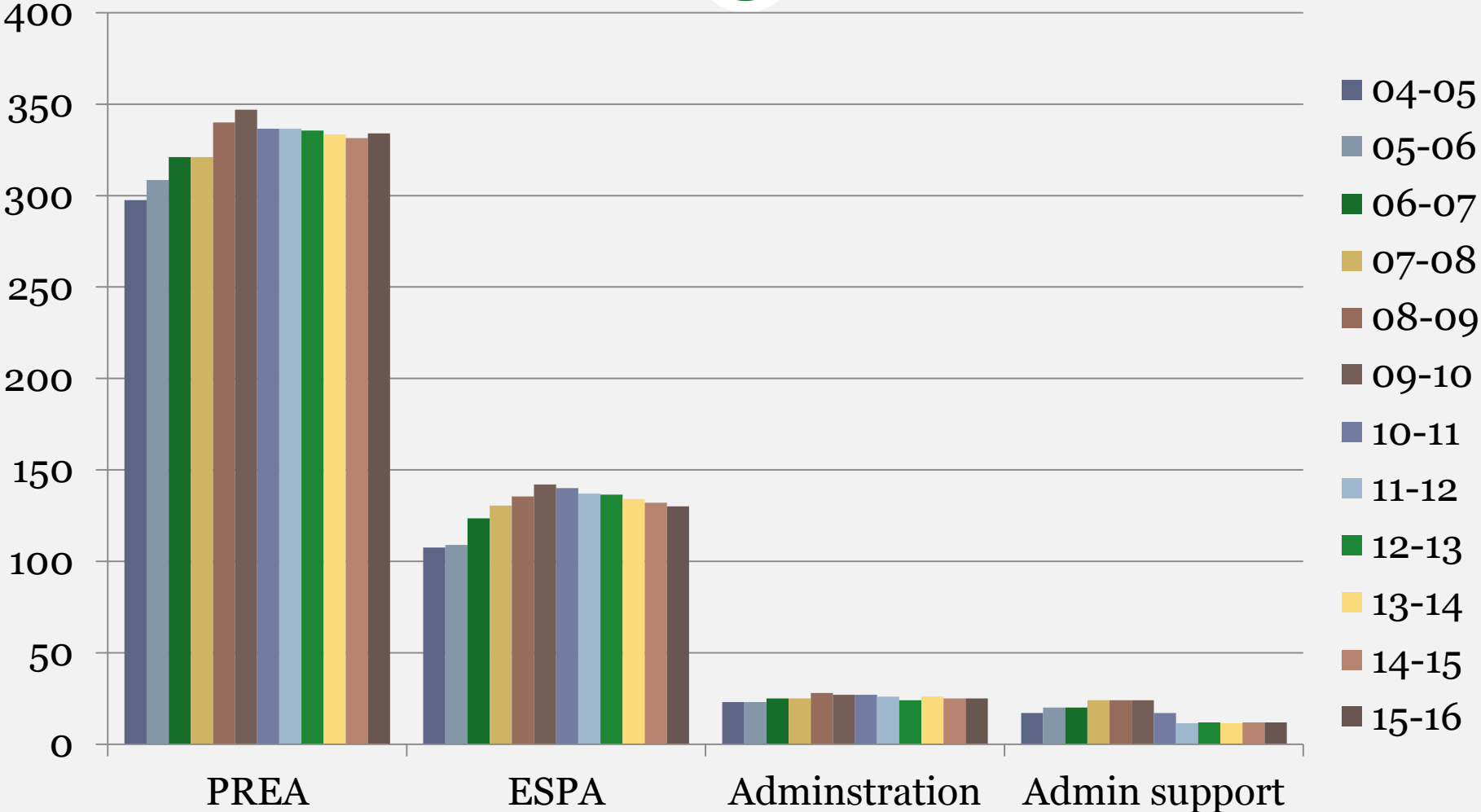


Employer payroll taxes, healthcare, PSERS



* Budgeted figures shown

Staffing by Employee Group



Public School Employees' Retirement System



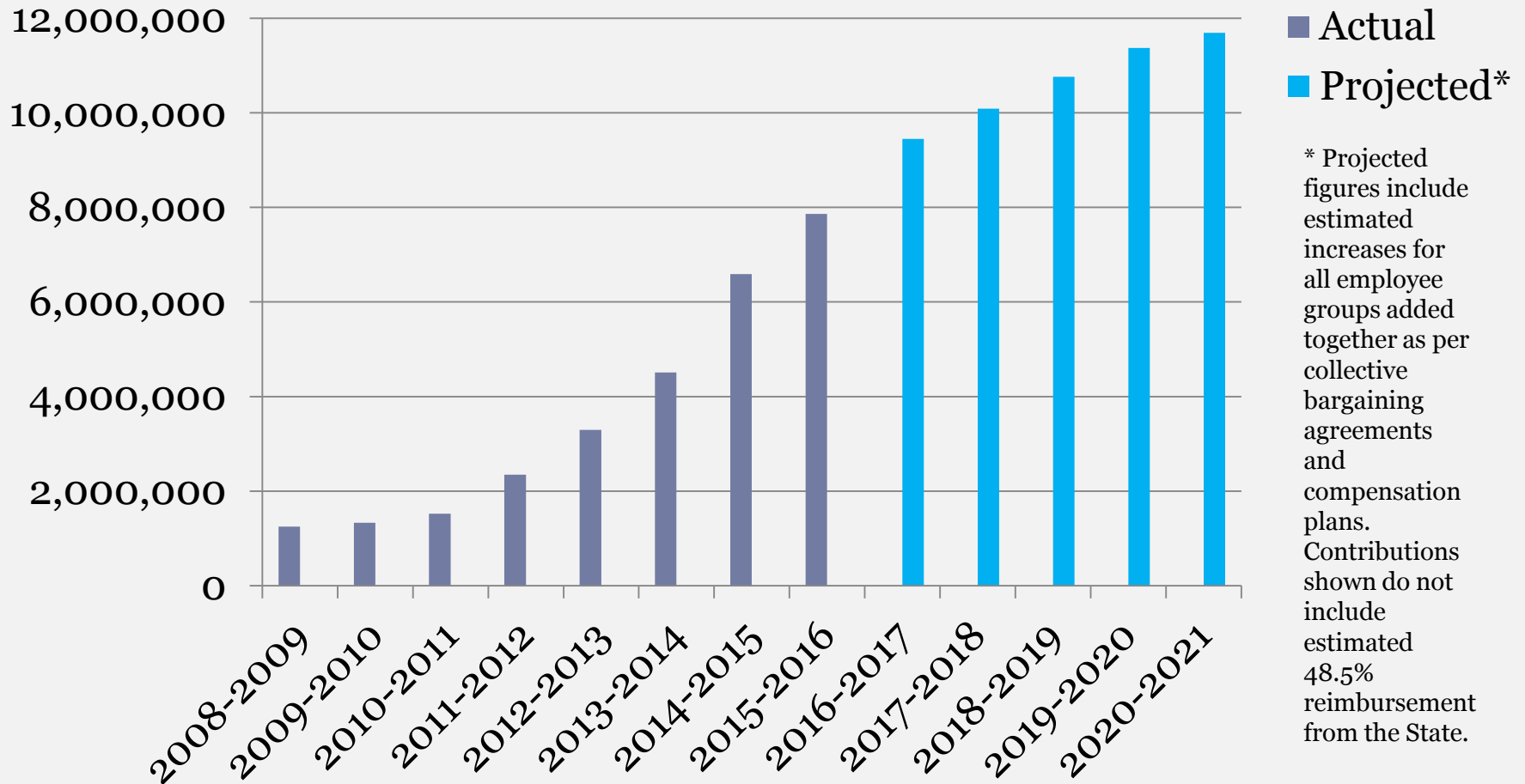
- Governmental, multi-employer, defined benefit pension plan for school employees in Pennsylvania
 - Operating parameters are defined by state legislation
- **Funding mechanism:**
 - Employer contributions (paid by school districts and the Commonwealth of Pennsylvania)
 - Employee contributions
 - Investment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



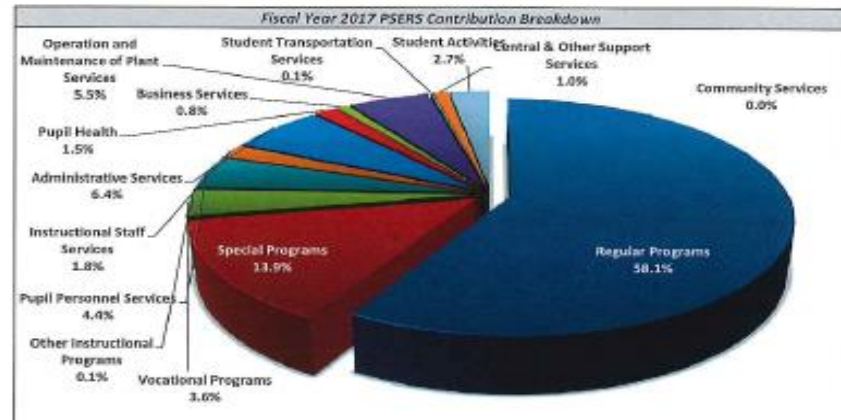
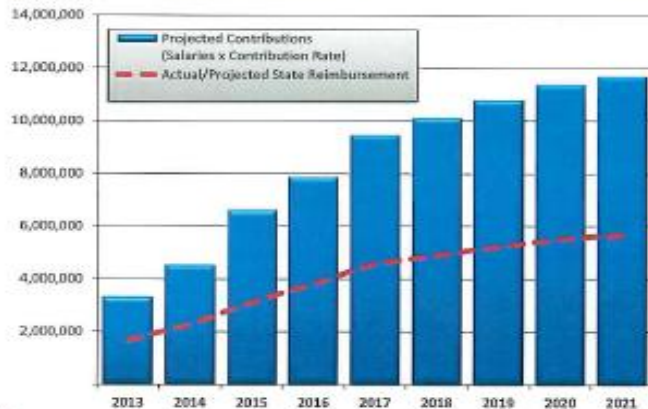
	(Actual) 2013	(Actual) 2014	(Actual) 2015	(Budget) 2016	(Projected) 2017	(Projected) 2018	(Projected) 2019	(Projected) 2020	(Projected) 2021
Total Revenues & Other Financing Sources	67,448,840	70,150,587	130,165,767	75,323,687	79,342,686	80,824,408	82,606,237	84,099,079	85,466,886
Total Expenditures & Other Financing Uses	64,208,071	66,573,771	128,951,833	76,745,362	81,040,967	84,368,784	87,145,163	91,273,619	96,178,631
Operating Balance	3,240,770	3,576,816	1,413,934	(1,421,675)	(1,698,281)	(3,544,376)	(4,538,927)	(7,174,540)	(10,711,745)

EXPENDITURES										
100	Personnel Services - Salaries	26,887,331	26,857,896	30,857,440	30,427,211	31,827,663	32,941,631	34,094,589	35,287,899	36,522,976
	PSEERS Contribution Rates *	12.36%	16.93%	21.40%	25.84%	29.69%	30.62%	31.56%	32.23%	32.02%
	Projected Contributions (Salaries x Contribution Rate)	3,323,274	4,547,042	6,603,492	7,862,391	9,449,633	10,086,728	10,760,252	11,373,290	11,694,657
230	Actual Contributions (from AFR)	3,296,955	4,509,353	6,588,974	7,862,628					

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

REVENUES										
	Projected Contributions (from above)	3,323,274	4,547,042	6,603,492	7,862,391	9,449,633	10,086,728	10,760,252	11,373,290	11,694,657
	Projected State Reimbursement	48.50%	1,611,788	2,205,315	3,202,694	4,583,072	4,892,063	5,218,722	5,516,046	5,671,909
7820	Actual Reimbursement (from AFR)	1,668,331	2,266,269	3,113,877	3,813,691					
	Actual State Reimbursement % (Average)	49.37%	50.60%	50.26%	47.26%	48.50%				

	(Actual) 2013	(Actual) 2014	(Actual) 2015	(Budget) 2016	(Projected) 2017	(Projected) 2018	(Projected) 2019	(Projected) 2020	(Projected) 2021
Net PSEERS Contribution	1,628,624	2,243,084	3,475,097	4,048,937	4,866,561	5,194,665	5,541,530	5,857,244	6,022,748
Net Increase Over Prior Year		614,460	1,232,013	573,840	817,624	328,104	346,865	315,714	165,504

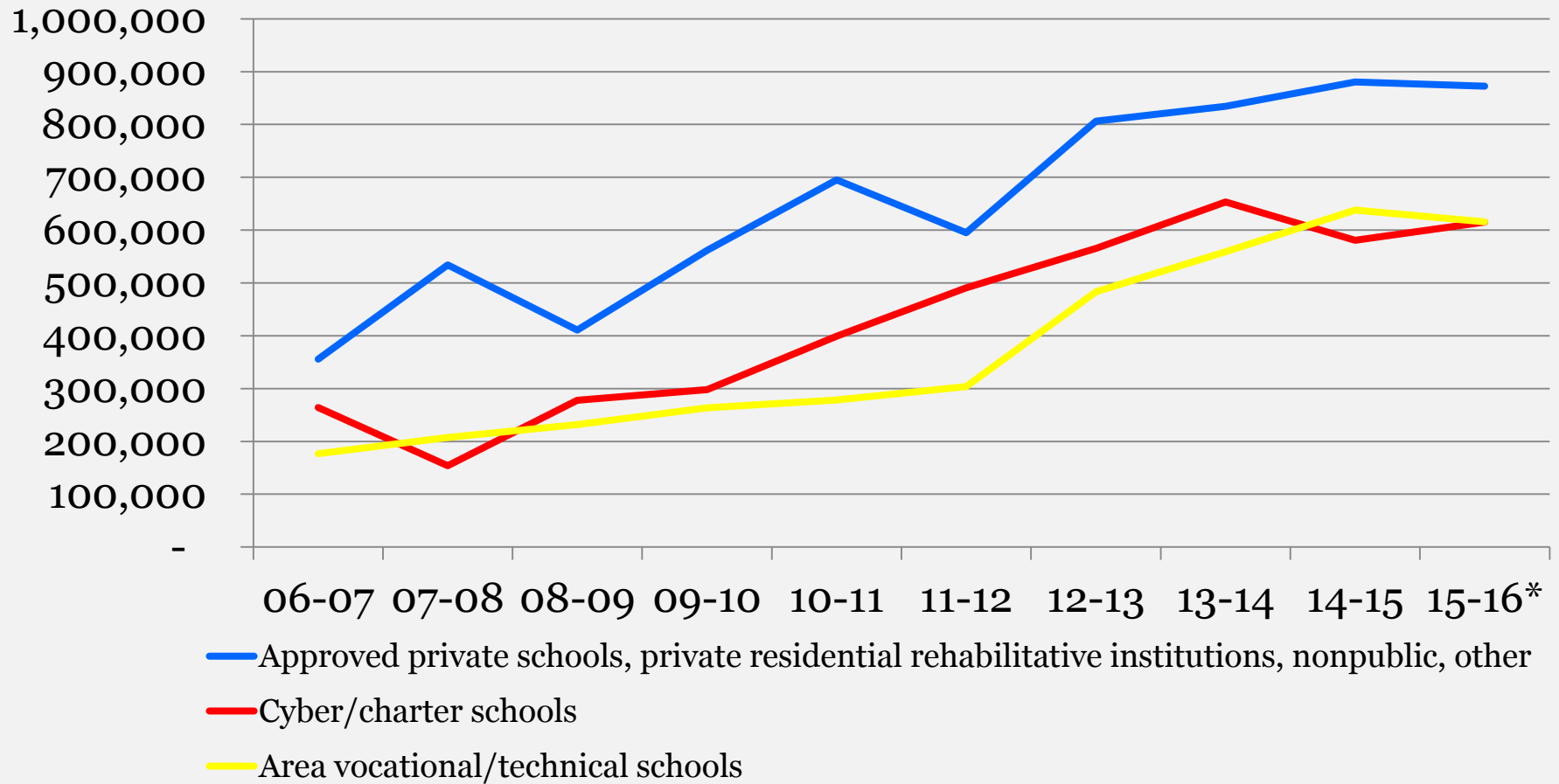


Outsourced Service Contracts



- **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 Mission Statement:**
 - The mission of the Pine-Richland School District is to focus on learning for every student every day.
- **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**
 - In the past few years, district enrollment levels have remained stable.
- **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