

Budget Trends
December 2013

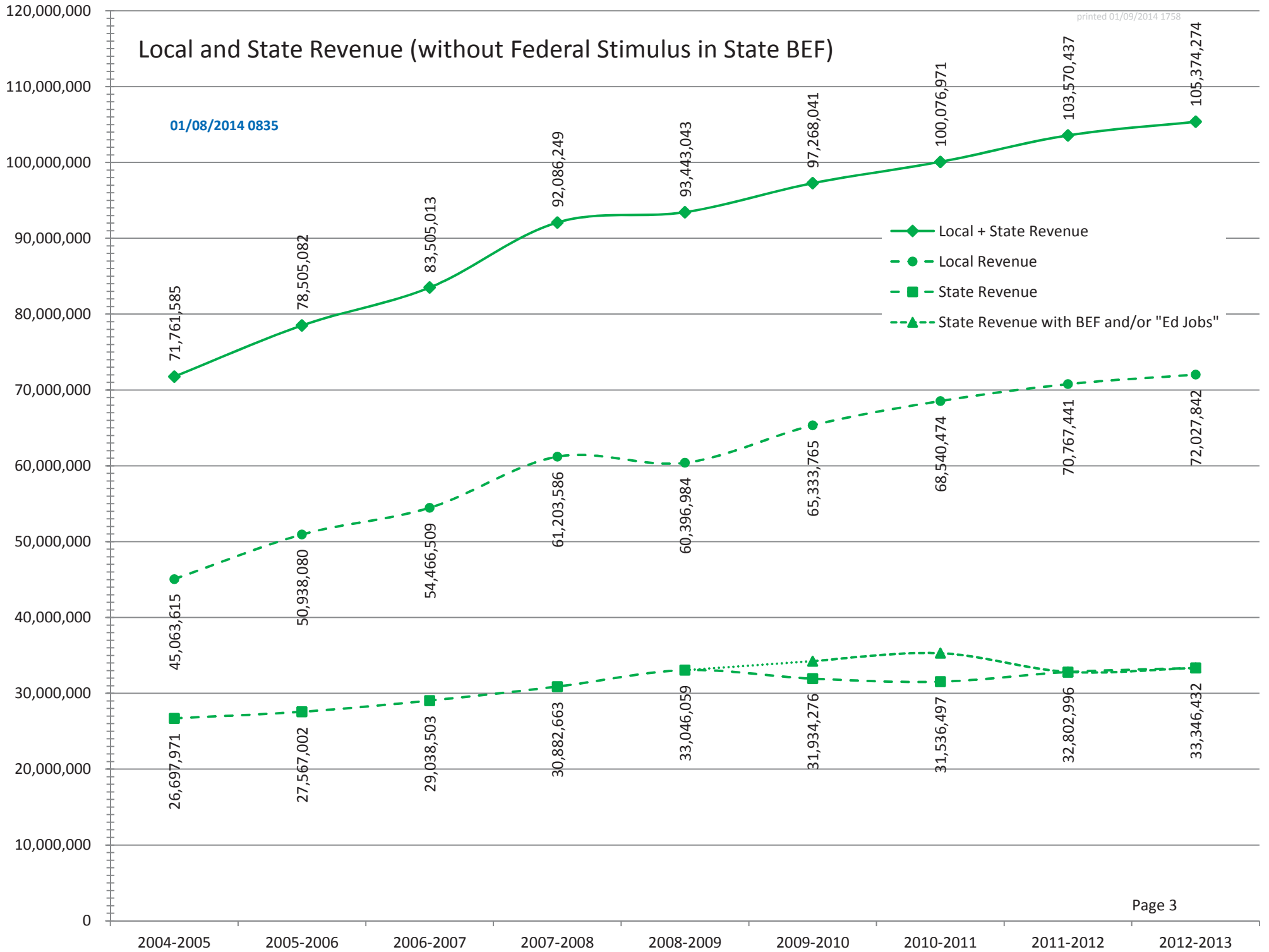
Local and State Revenue

- The gap between local revenue and state revenue continues to widen each year.
- Local taxpayers are paying a continually greater proportion of educational expenses.

Local and State Revenue (without Federal Stimulus in State BEF)

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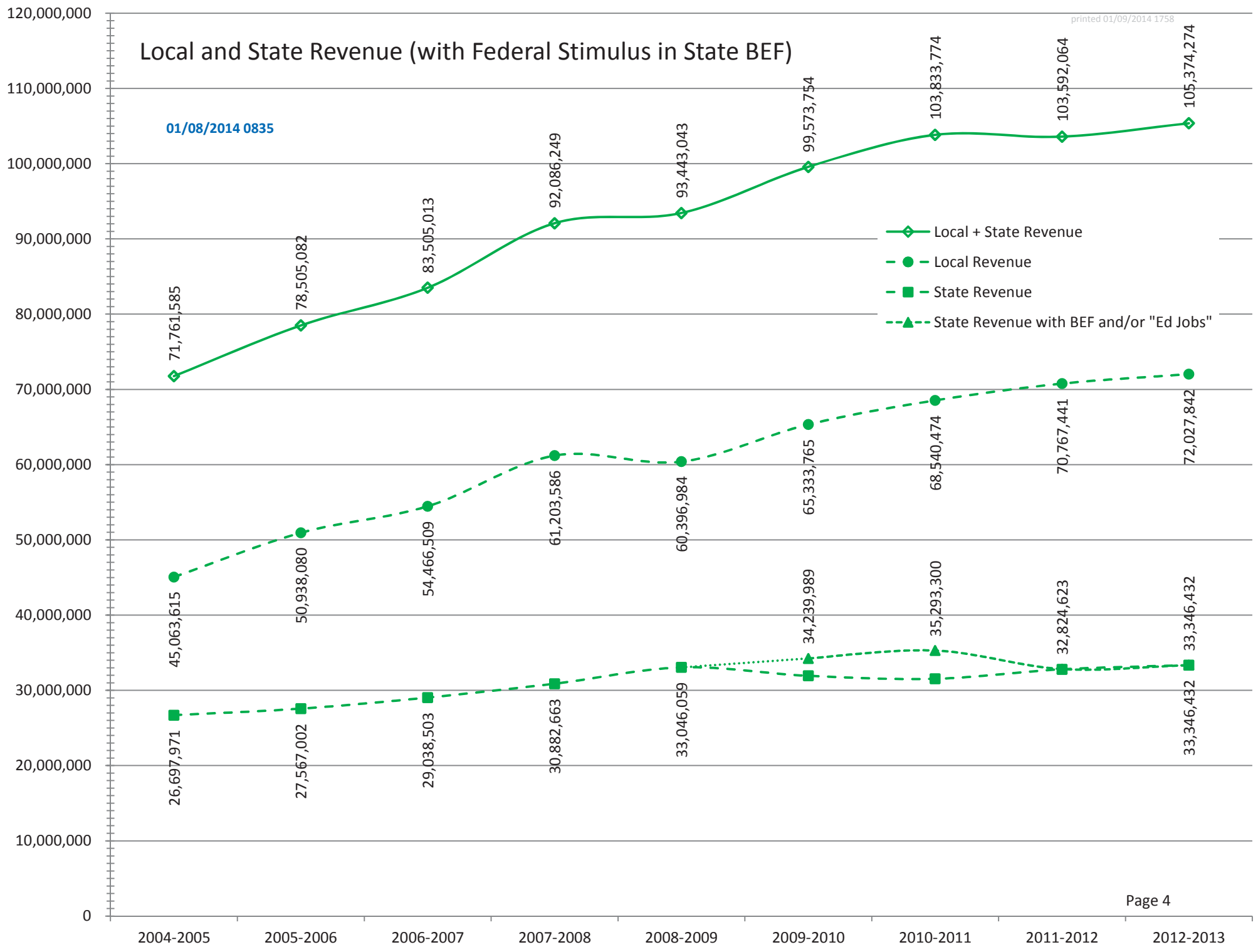
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Local and State Revenue (with Federal Stimulus in State BEF)

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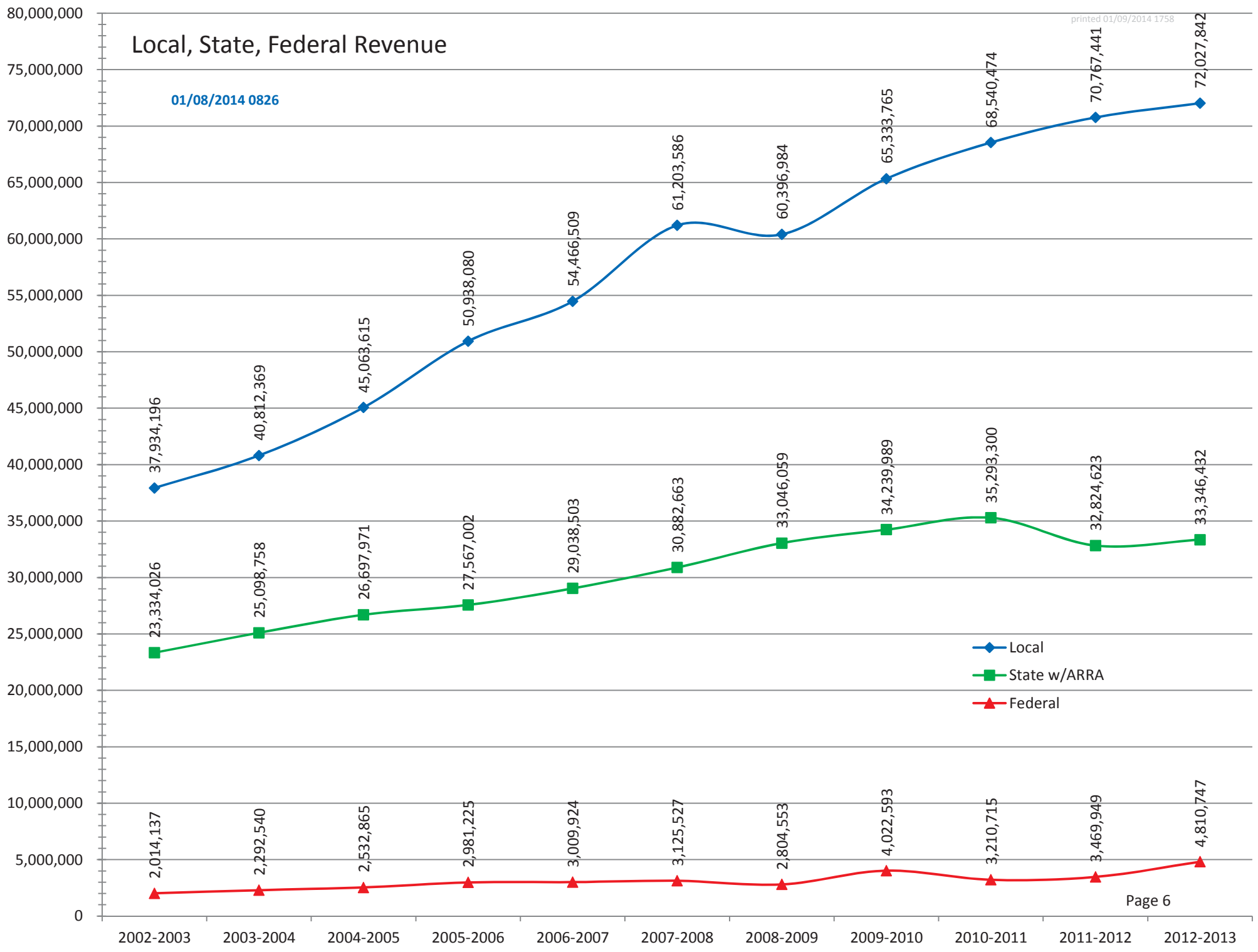
Federal Revenue

- The Federal government's contribution to CASD's budget is less than 5%. The funding increased in 2009-2010 and 2010-2011 due to the Federal Stimulus program and has also increased following the 2010 United States census results.
- Commonwealth funding decreased from its peak in the 2010-2011 fiscal year after substantial reductions as it established the 2011-2012 budget.

Local, State, Federal Revenue

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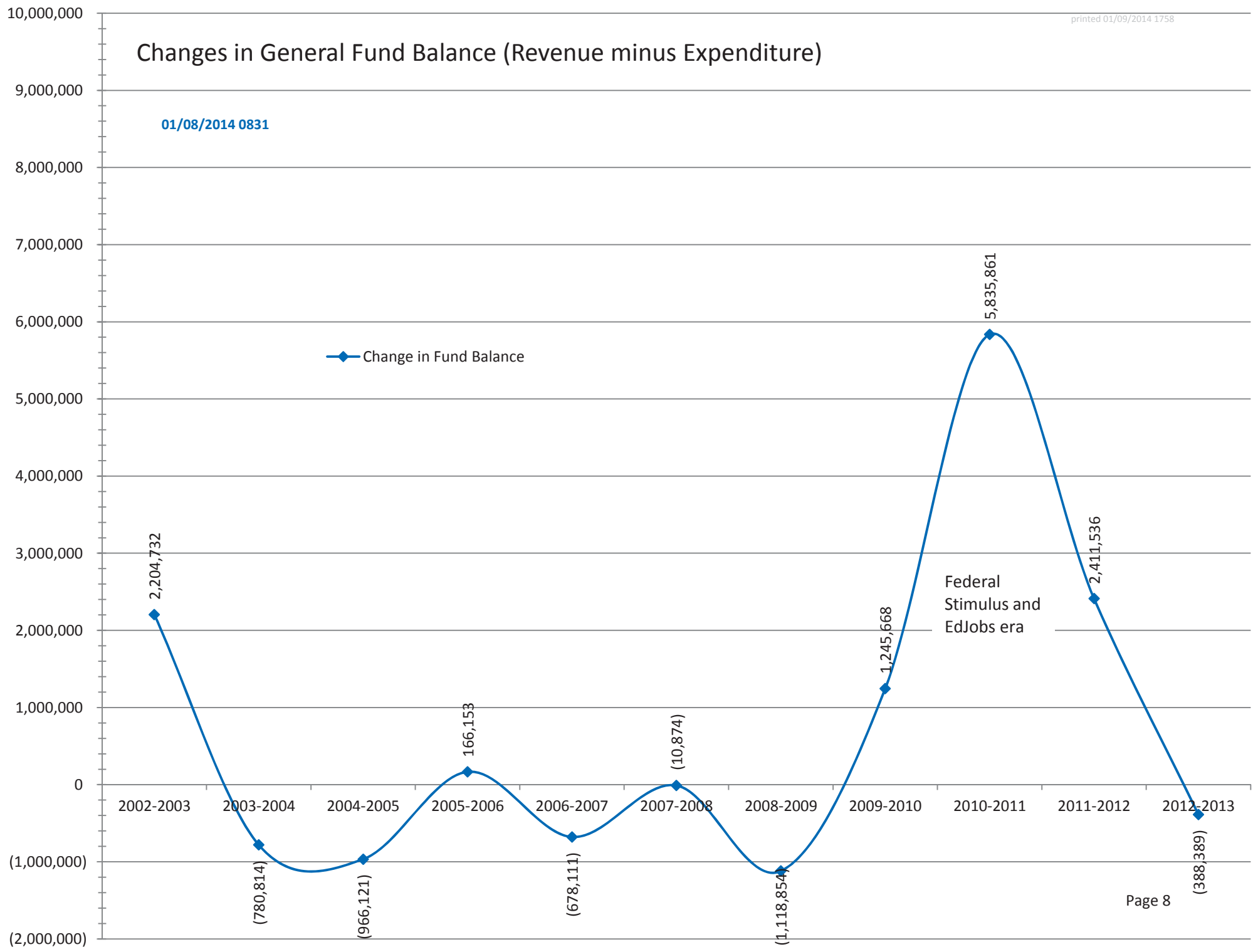


General Fund Balance

- CASD's General Fund Balance changes based on an audited analysis of revenues and expenditures in each fiscal year.
- During the American Recovery and Reinvestment Act of 2009 (ARRA), often called the "Federal Stimulus," CASD received a substantial but temporary increase in federal funds, increasing the Fund Balance.
- CASD's Fund Balance decreased in the 2012-2013 fiscal year after the Federal Stimulus ended. Recurring expenditures exceeded revenues.

Changes in General Fund Balance (Revenue minus Expenditure)

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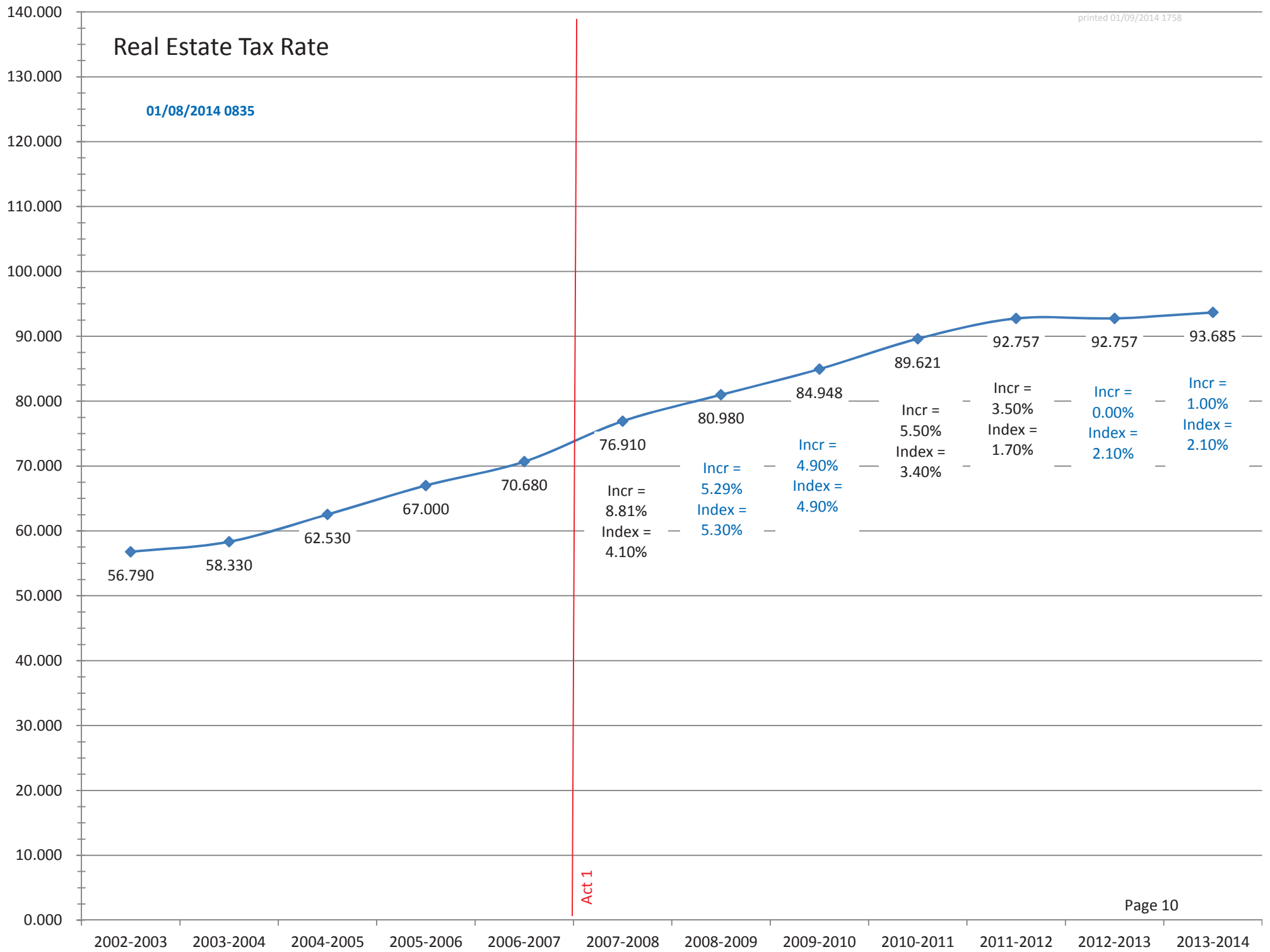


Real Estate Tax Rate

- The current real estate tax rate is 93.685 mills, representing a 1% increase over the prior fiscal year.
- Since the implementation of Act 1 of the Special Session of 2006, CASD has increased real estate taxes seven times (there was no real estate tax increase in 2012-2013) in eight years.
- Of the seven fiscal years in which real estate taxes increased, four increases were at or below the Act 1 adjusted index and three were above.

Real Estate Tax Rate

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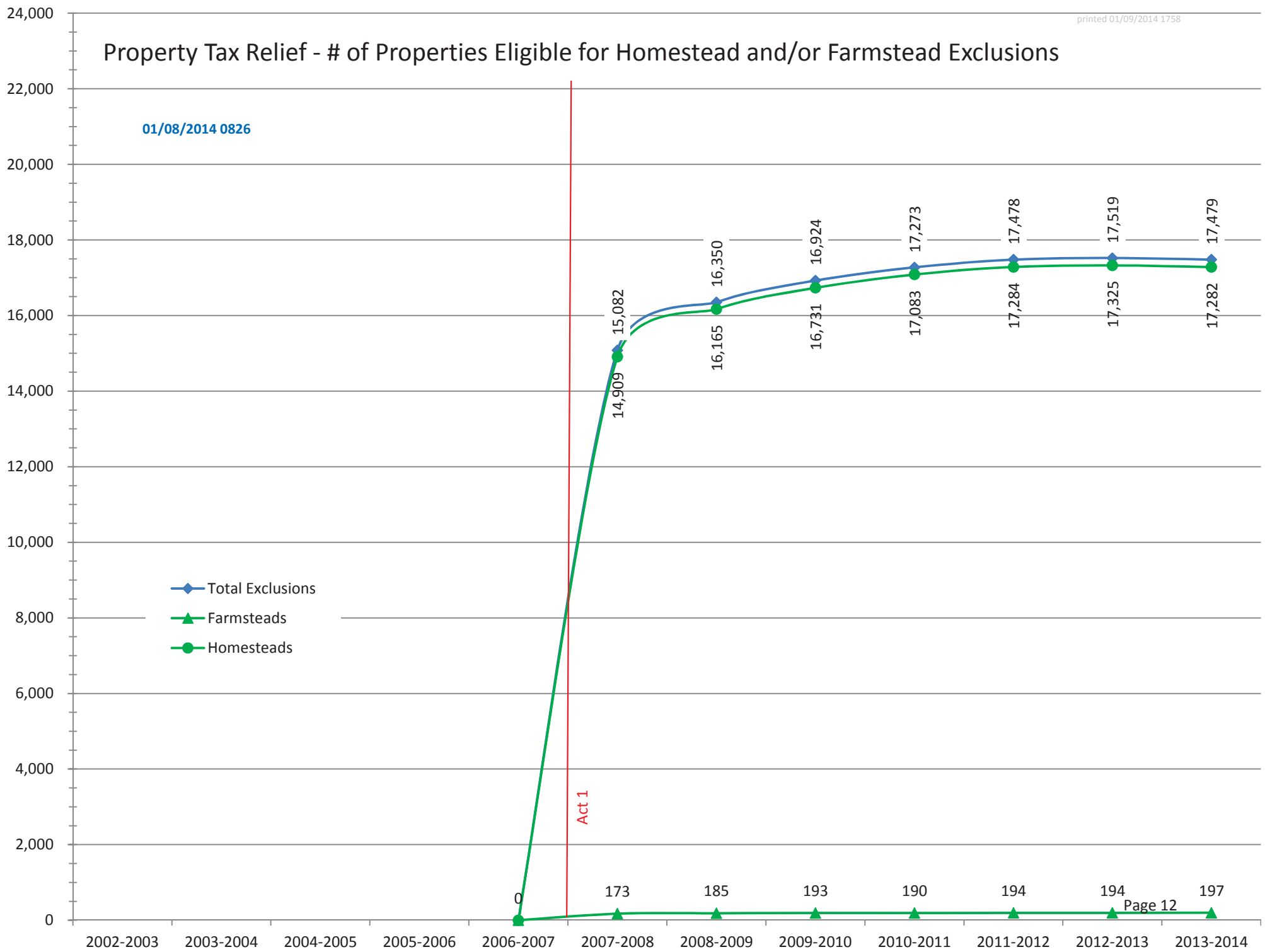
Act 1

Real Estate Tax Relief – Eligible Properties

- Since the implementation of Act 1 of the Special Session of 2006, the number of properties eligible for homestead and/or farmstead exclusions has grown and finally leveled off at approximately 17,500.
- In the current fiscal year, 17,282 properties received approval for a homestead exclusion and 197 properties received approval for a farmstead exclusion.

Property Tax Relief - # of Properties Eligible for Homestead and/or Farmstead Exclusions

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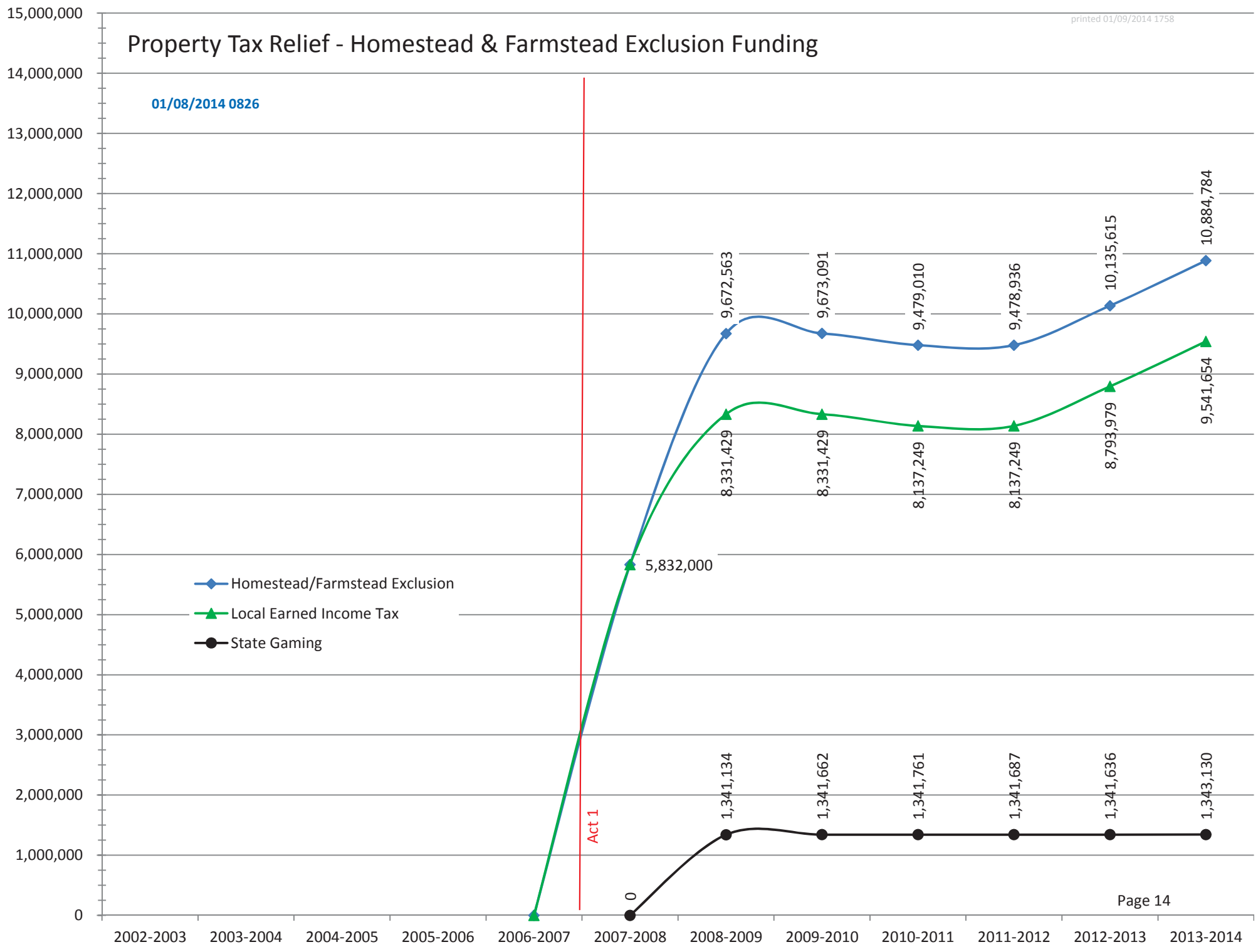


Real Estate Tax Relief – Funding the Exclusions

- CASD budgets almost \$10.9 million for real estate tax relief. Most of the money comes from local Earned Income Tax payers and a much small percentage comes from the State Gaming fund.
- In the current fiscal year, CASD has budget approximately \$9.5 million in local Earned Income Tax for Real Estate Tax relief. The budgeted amount has increased noticeably since 2011-2012.
- The State Gaming fund provides almost \$1.4 million for Real Estate Tax relief, a figure that has changed very little over the years.

Property Tax Relief - Homestead & Farmstead Exclusion Funding

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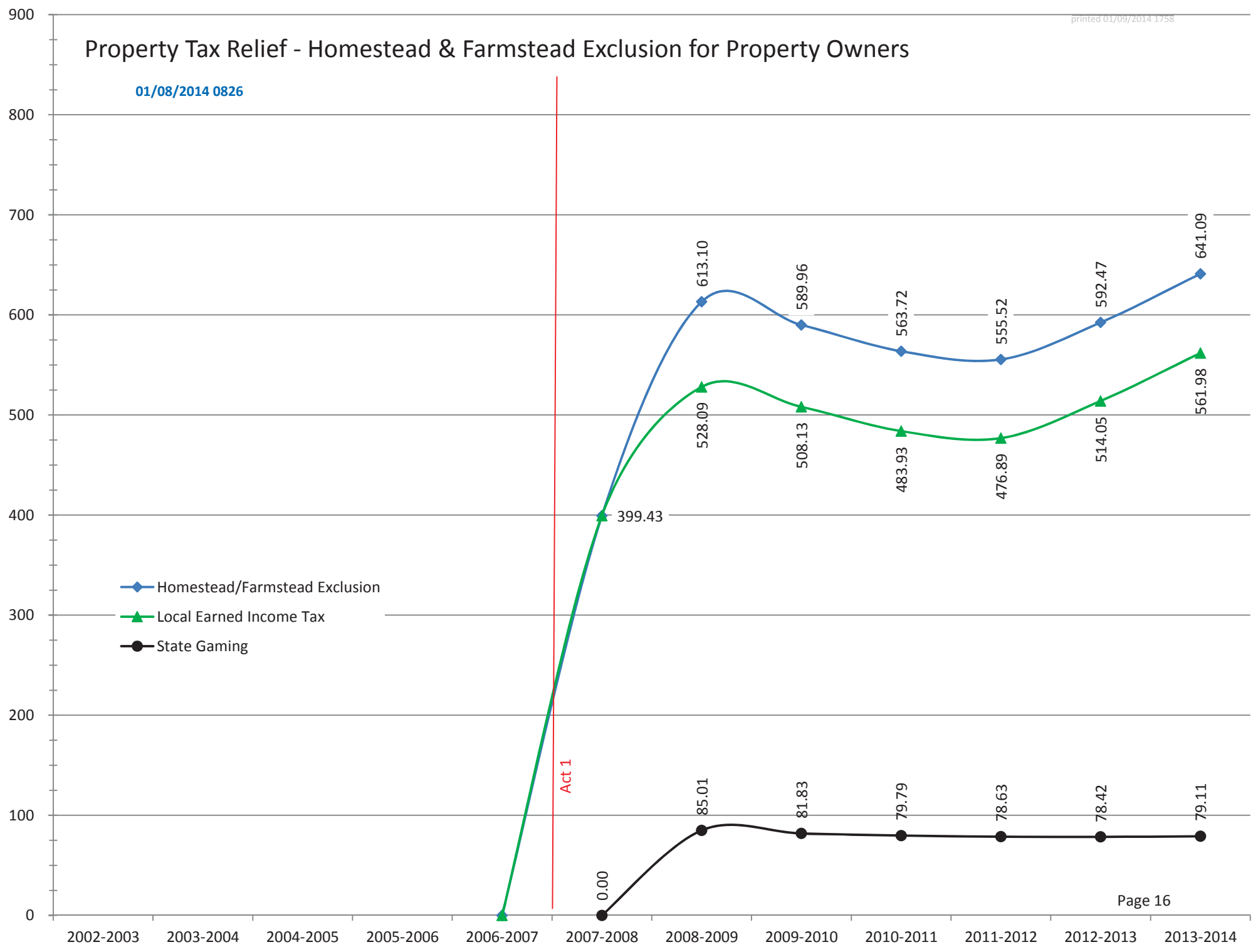


Real Estate Tax Relief – For Property Owners

- CASD must allocate all of its budgeted Real Estate Tax relief funds to eligible property owner
- The homestead and farmstead exclusion is currently at its highest level ever, \$641.09.
- The homestead and farmstead exclusion reduces each approved property owner's tax bill by \$641.09.

Property Tax Relief - Homestead & Farmstead Exclusion for Property Owners

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Debt Service (as of 12/31/2013)

- CASD has 13 capital project borrowings outstanding as of December 31, 2013
 - GOB = General Obligation Bonds or bond issue
 - GON = General Obligation Note or (typically) bank loan

- GOB 2014, refinancing GOB 2005B (Board approved, but with a settlement date in January 2014)
- GOB 2013A, partially refinancing GOB 2007
- GOB 2013, refinancing GOB 2008
- GOB 2012, refinancing GOB 2005
- GOB 2011, financing construction of the Career Magnet School
- GOB-F-2011, partially financing renovations to the Franklin County Career & Technology Center

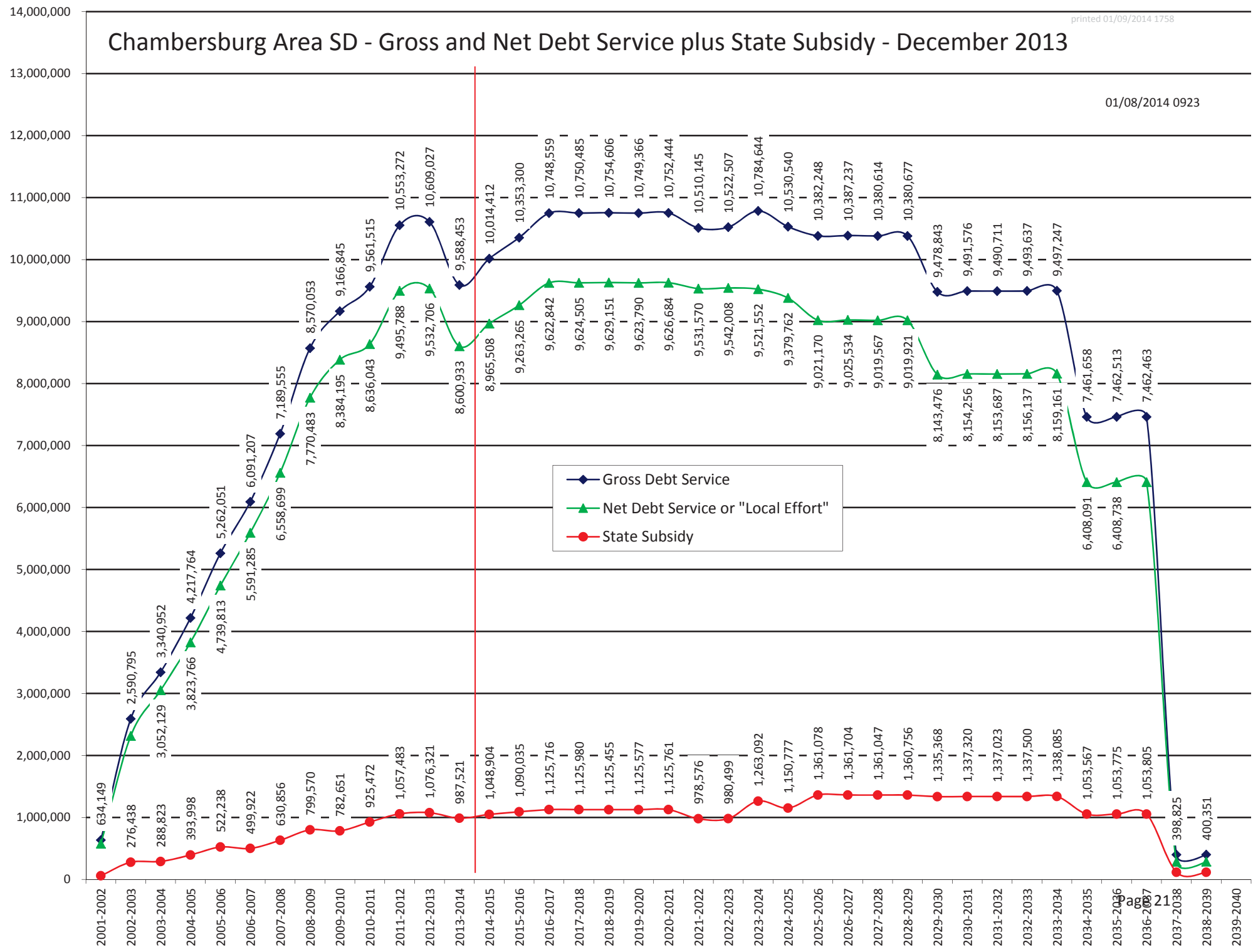
- GON 2010AA, refinancing GOB 2003
- GOB 2010A, partial funding for construction and renovations to CASHS
- GON 2010, refinancing GOB 2002 and financing technology purchases
- GOB 2009, partial funding for construction and renovations to CASHS
- GOB 2007 (partially refinanced by GOB 2013A), partial funding for construction and renovations to CASHS
- GOB 2005B (in the process of refinancing by GOB 2014), partial funding for construction and renovations to elementary schools and CASHS
- GOB-F 2005, partially financing renovations to the Franklin County Career & Technology Center

Debt Service *continued* (as of 12/31/2013)

- CASD's gross debt service chart appears on the next page.
- Following the gross debt service page, another chart shows the gross debt service, the amount of state subsidy provided by the Commonwealth, and the net debt service provided by CASD's general fund revenue.
- Based on currently outstanding borrowings, CASD will pay off its capital projects debt in the 2038-2039 fiscal year.

Chambersburg Area SD - Gross and Net Debt Service plus State Subsidy - December 2013

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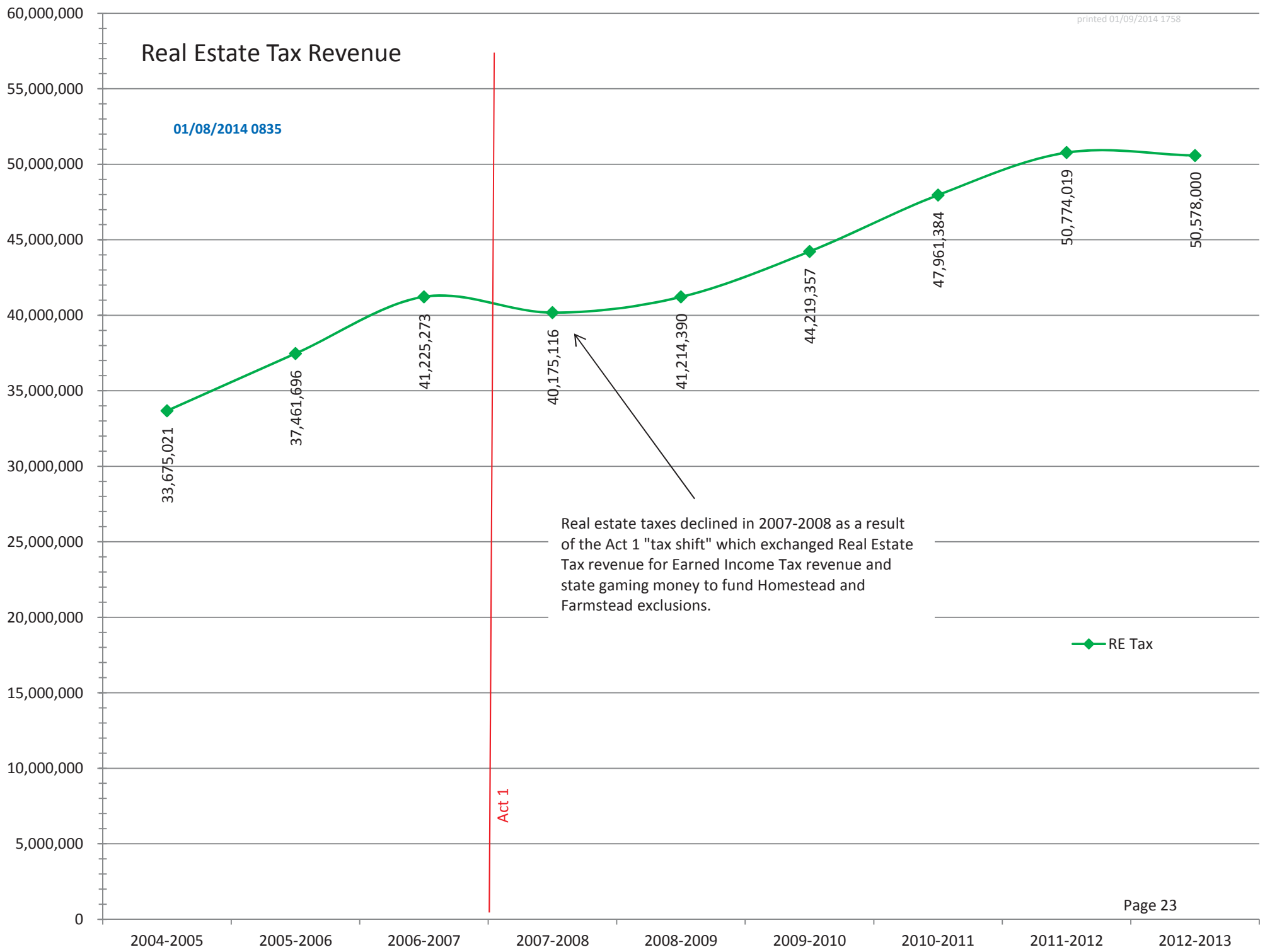


Revenue

- The District continues to rely heavily on the Real Estate Tax
- Earned Income Tax, after leveling off in the three prior fiscal years following a rapid increase after the Act 1 referendum, is once again rising
- Real Estate Transfer Tax has decreased to less than half of the amounts received only a few years before.
- Interest Income has decreased due to historically low interest rates. This has benefited our debt service expenses with refinancings, but has reduced income to a small fraction of the amounts received in prior years.

Real Estate Tax Revenue

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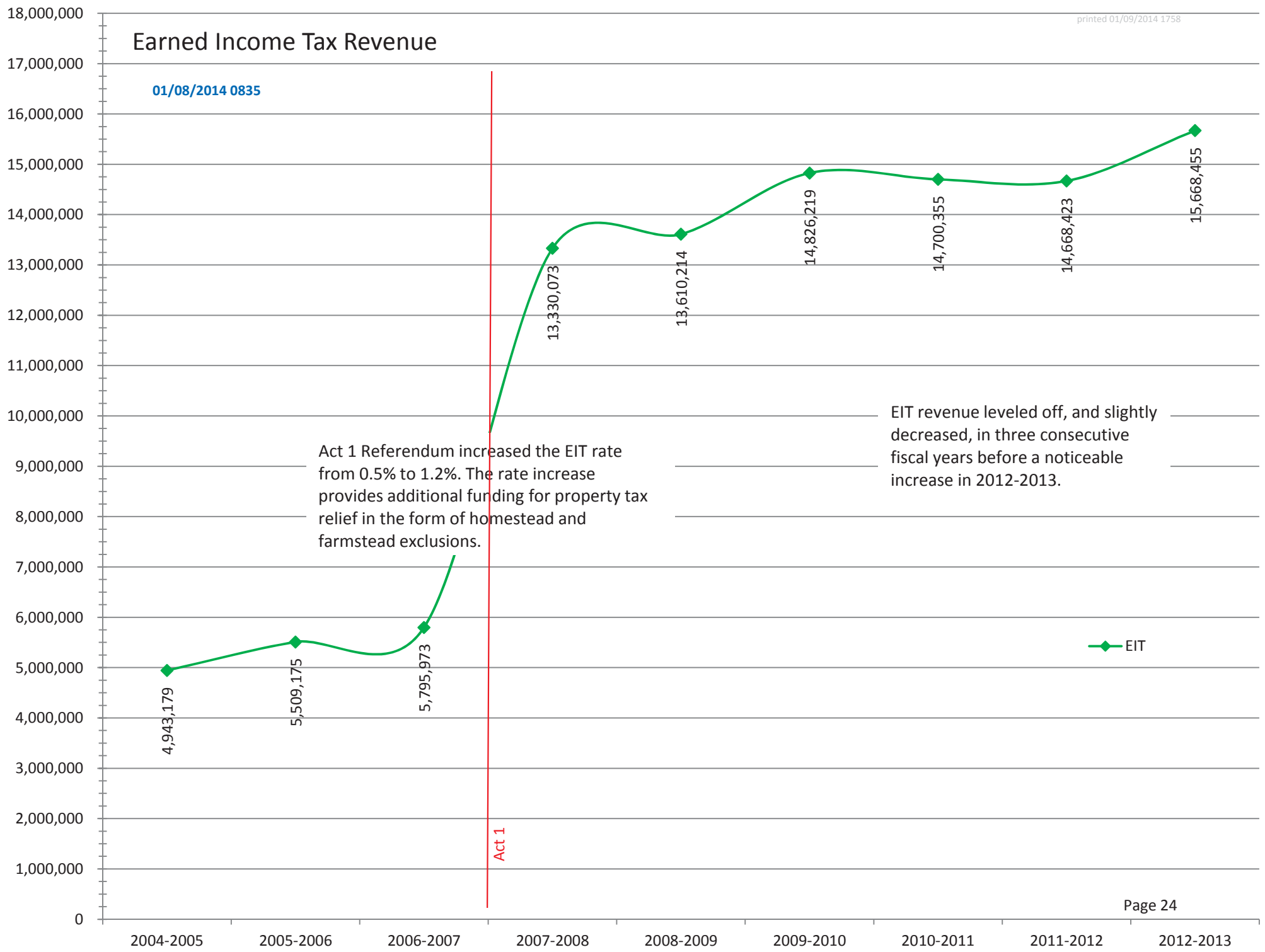


Real estate taxes declined in 2007-2008 as a result of the Act 1 "tax shift" which exchanged Real Estate Tax revenue for Earned Income Tax revenue and state gaming money to fund Homestead and Farmstead exclusions.

RE Tax

Earned Income Tax Revenue

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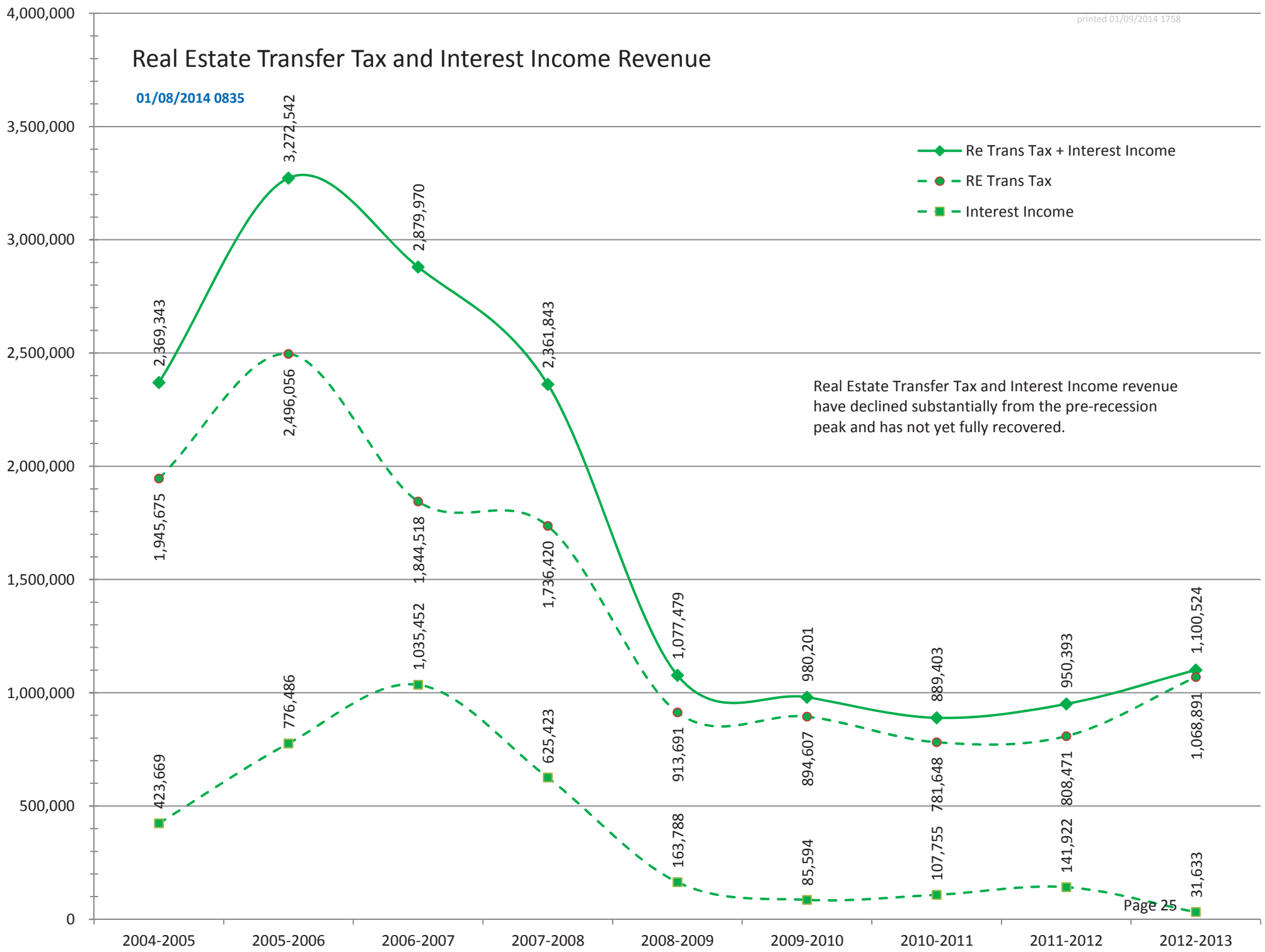
Act 1 Referendum increased the EIT rate from 0.5% to 1.2%. The rate increase provides additional funding for property tax relief in the form of homestead and farmstead exclusions.

EIT revenue leveled off, and slightly decreased, in three consecutive fiscal years before a noticeable increase in 2012-2013.

EIT

Real Estate Transfer Tax and Interest Income Revenue

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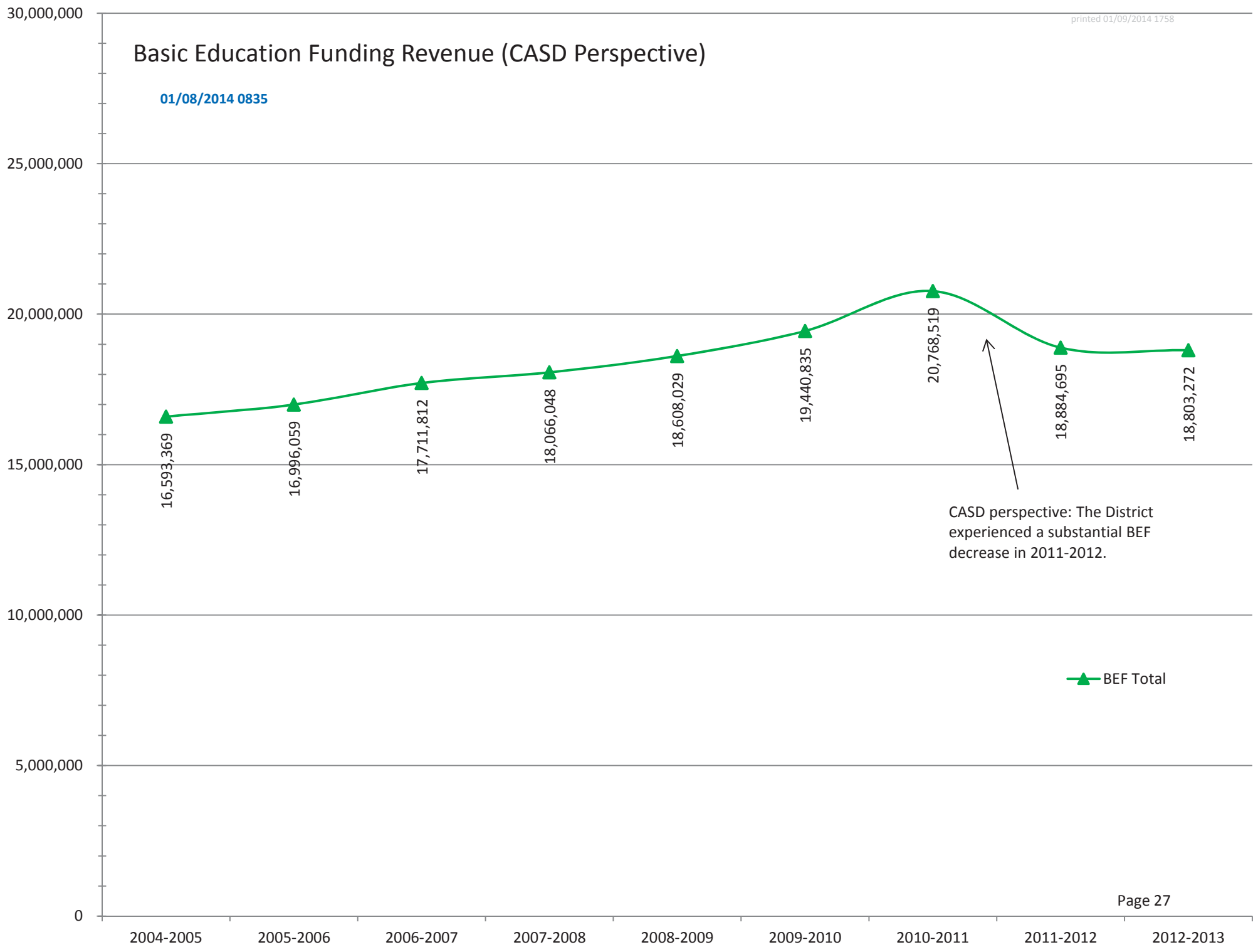
Real Estate Transfer Tax and Interest Income revenue have declined substantially from the pre-recession peak and has not yet fully recovered.

Basic Education Funding

- Although the impact of the 2011-2012 budget is fading from memory, the following pages summarize the state's Basic Education Funding (BEF) support
- Prior to 2011, the Commonwealth included funds received from the Federal Stimulus as part of its BEF support to Pennsylvania school districts.
- Since 2011, the Commonwealth no longer includes funds received from the Federal Stimulus as part of a historical look at BEF support to Pennsylvania school districts.
- Depending on the chosen perspective, the Commonwealth either increased or reduced BEF support in 2011.

Basic Education Funding Revenue (CASD Perspective)

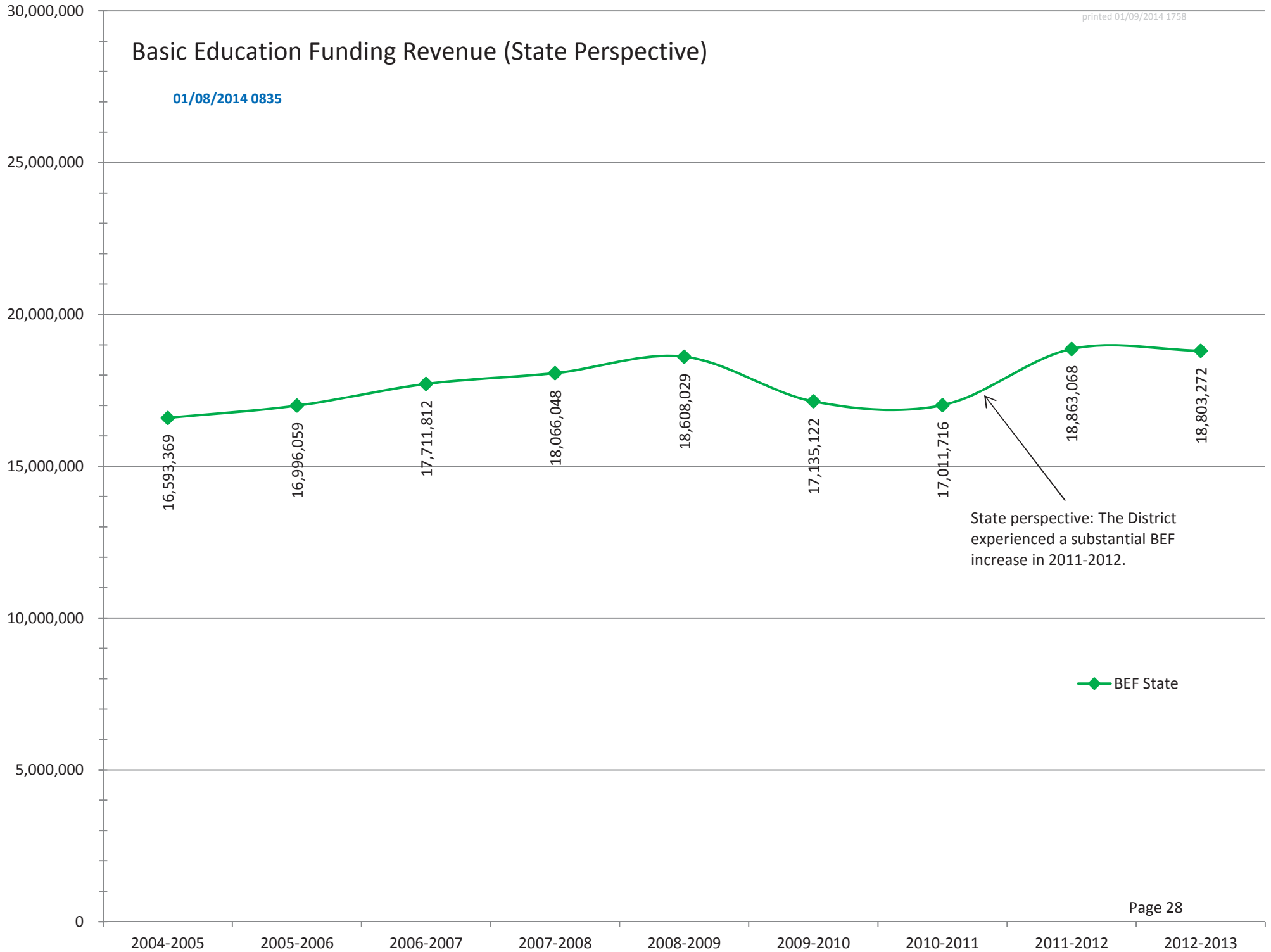
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▲ BEF Total

Basic Education Funding Revenue (State Perspective)

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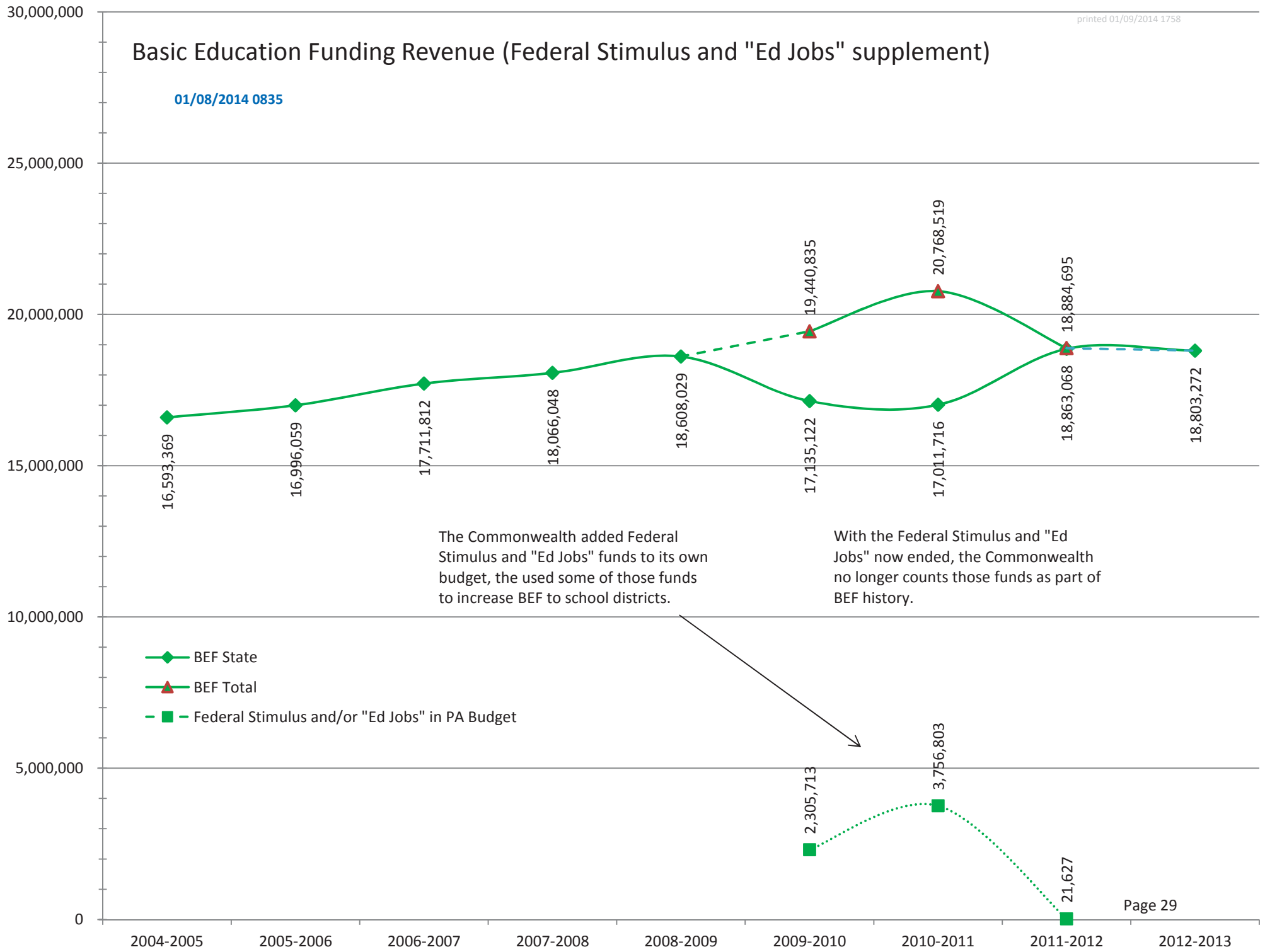


State perspective: The District experienced a substantial BEF increase in 2011-2012.

◆ BEF State

Basic Education Funding Revenue (Federal Stimulus and "Ed Jobs" supplement)

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The Commonwealth added Federal Stimulus and "Ed Jobs" funds to its own budget, the used some of those funds to increase BEF to school districts.

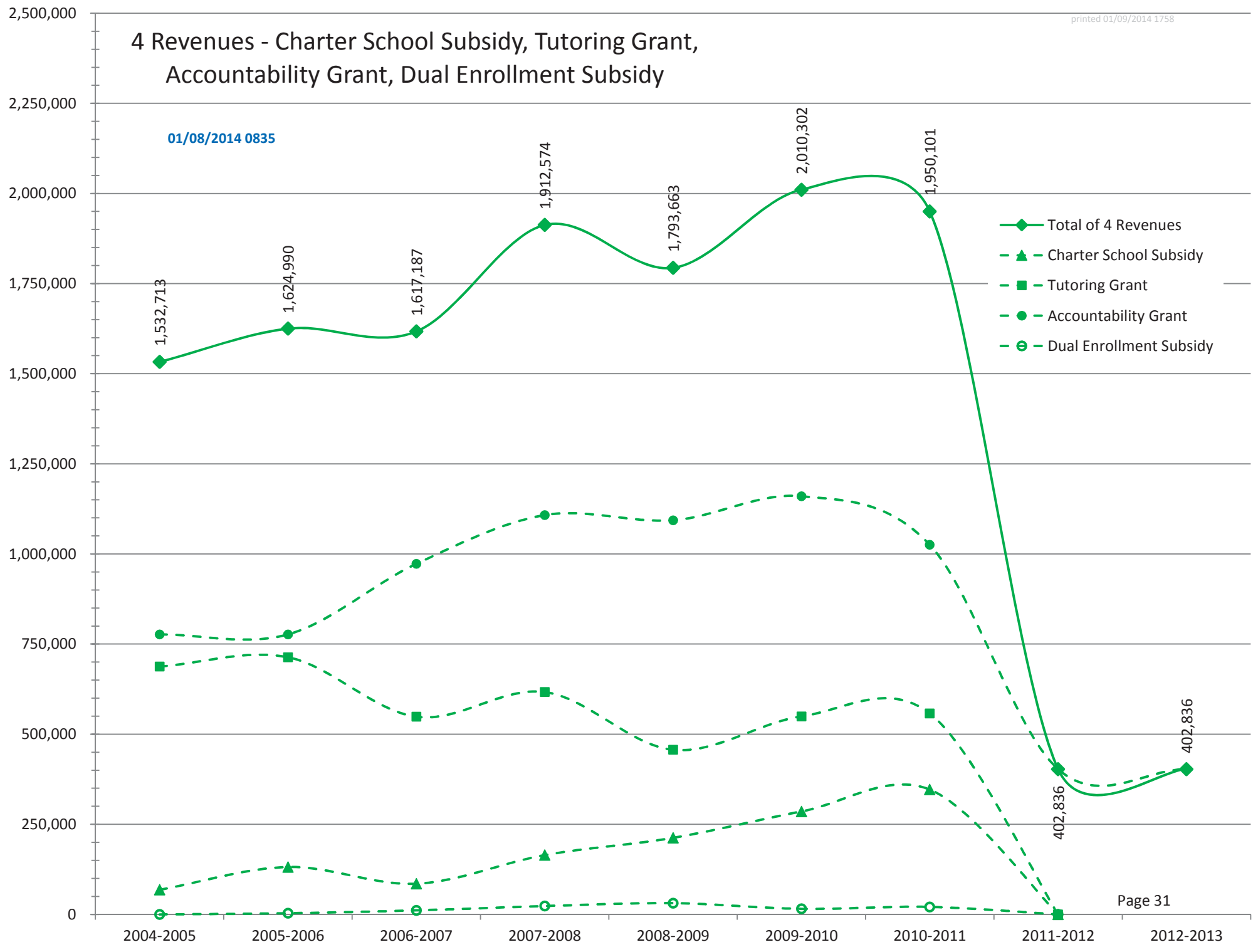
With the Federal Stimulus and "Ed Jobs" now ended, the Commonwealth no longer counts those funds as part of BEF history.

Other Grants and Subsidies

- Starting in 2011-2012, four state grants and subsidies providing approximately \$2 million in operating revenue to CASD are either no longer available or substantially reduced.
- The remaining subsidy, known as the Accountability Block Grant (ABG), is the only remaining grant of the four, providing just over \$400,000. Local revenue is making up the difference.

4 Revenues - Charter School Subsidy, Tutoring Grant, Accountability Grant, Dual Enrollment Subsidy

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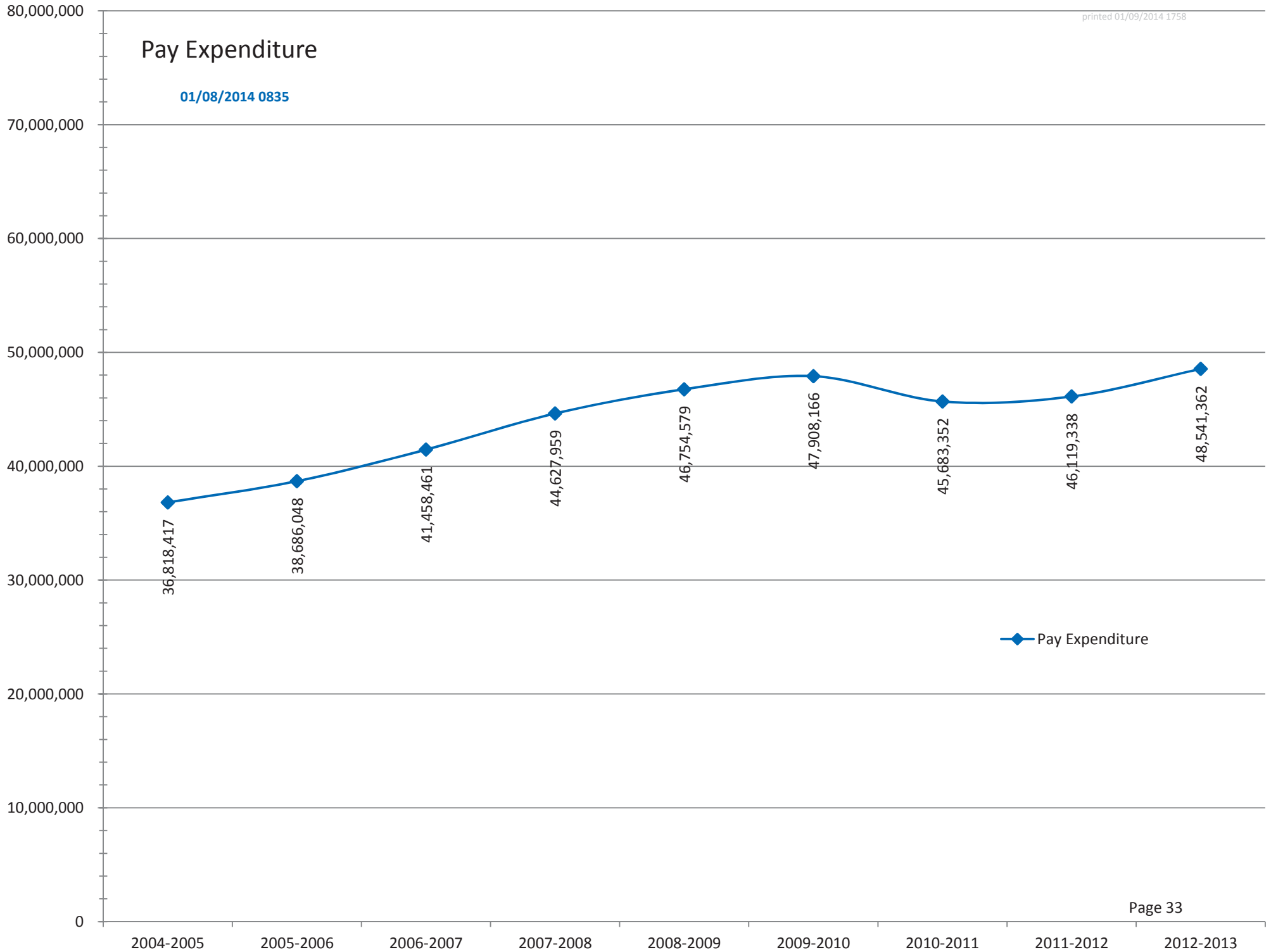


Expenditure

- Some expenditures are subsidized by the state, but often at a decreasing proportion of the total.
- The Commonwealth continues to subsidize half of Social Security and Retirement expenditure
- Other expenditures are paid largely by local taxes, plus some state and federal funding

Pay Expenditure

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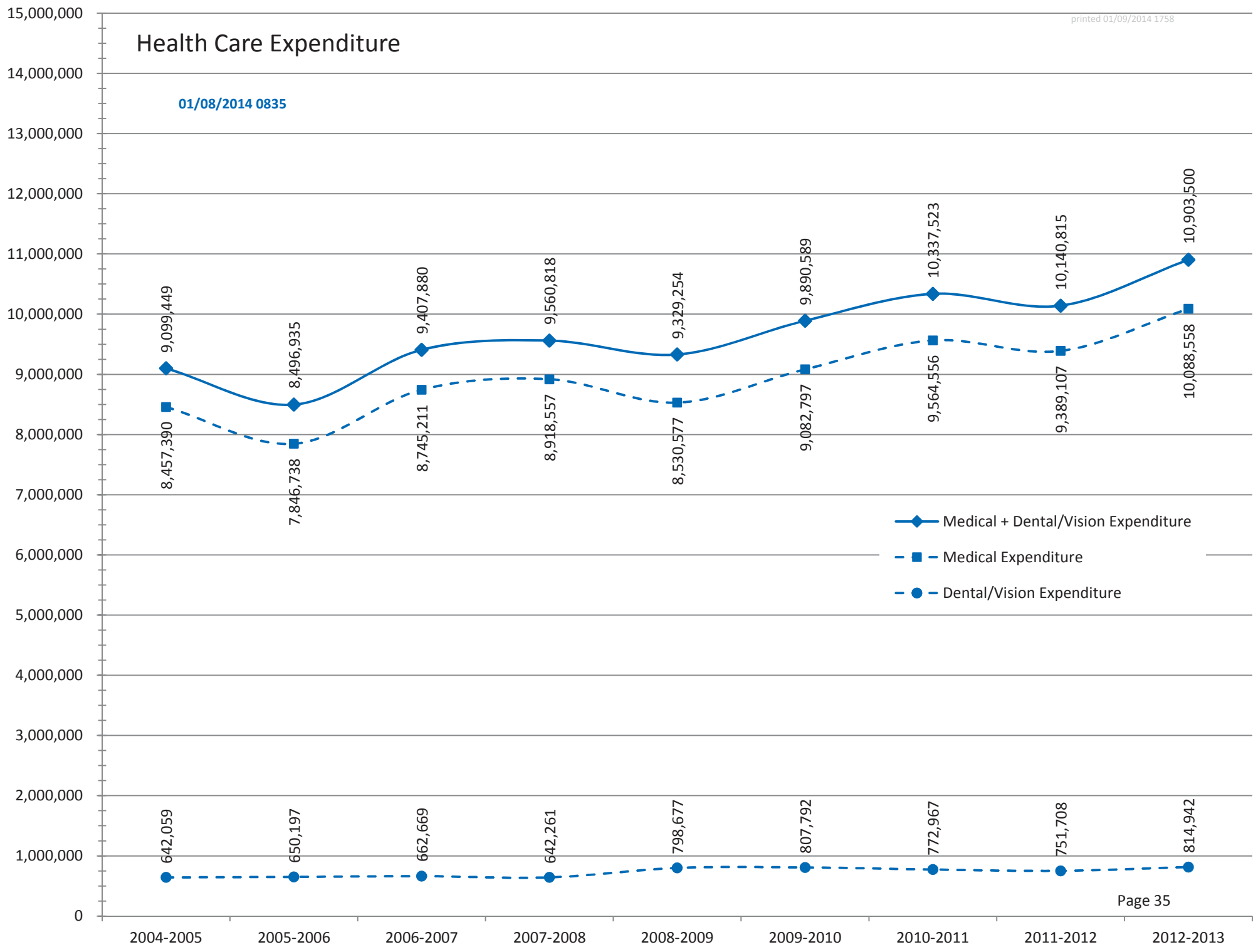


Health Care

- In 2011-2012, CASD switched from a guaranteed maximum cost contract for health care to a self-funded medical plan with stop-loss insurance, administered by Capital Blue Cross.
- CASD has also implemented a series of plan design changes to help control rising health care costs.

Health Care Expenditure

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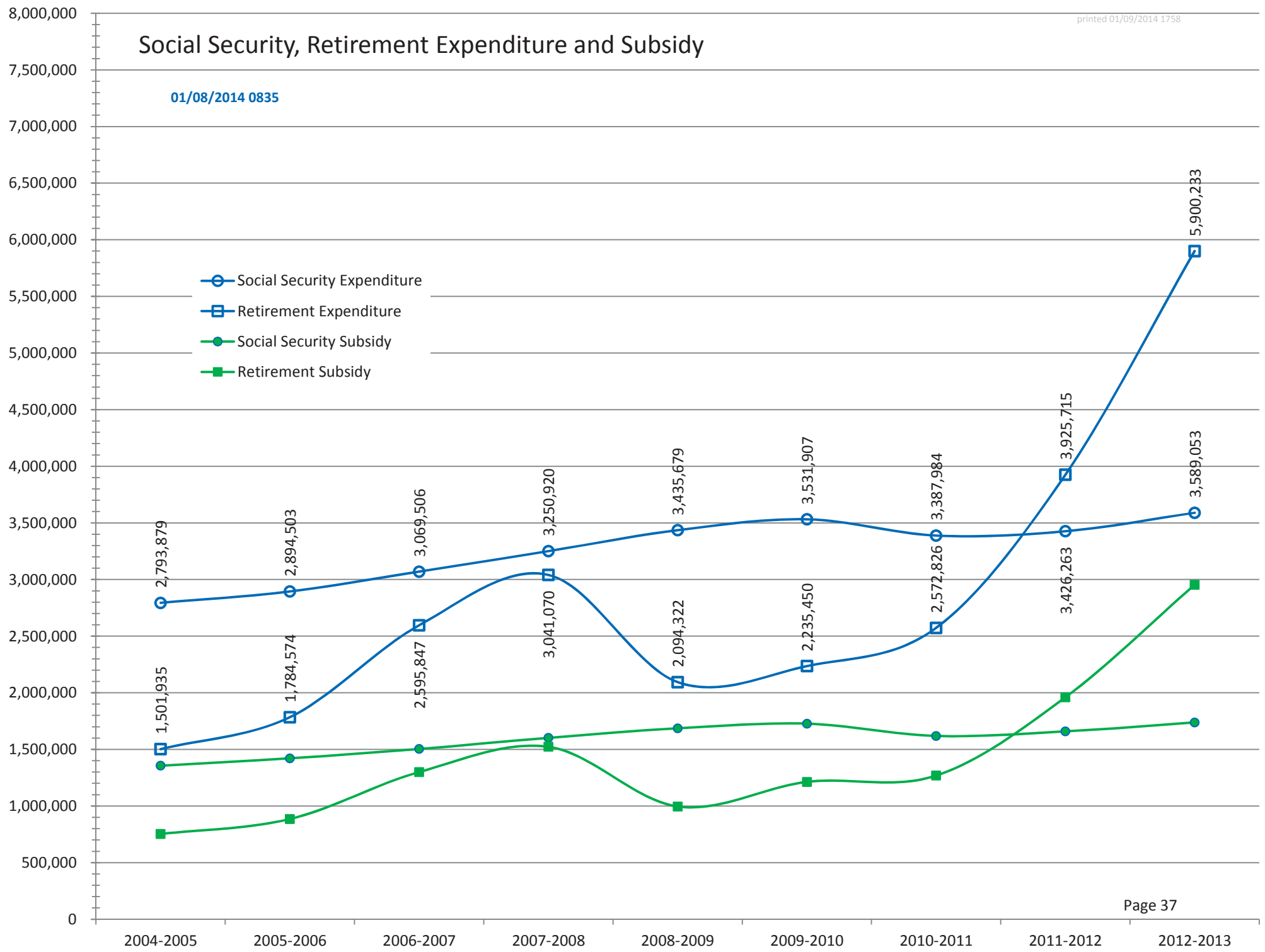


Social Security and Retirement

- The total cost of Social Security payments moves proportionately with total pay as a fixed percentage of pay.
- The total cost of Retirement contributions varies widely and is more difficult to budget. Actuarial calculations and political influence have collided several occasions, often to the detriment of District budgeting efforts.
- The Commonwealth continues to subsidize roughly half of these payments.

Social Security, Retirement Expenditure and Subsidy

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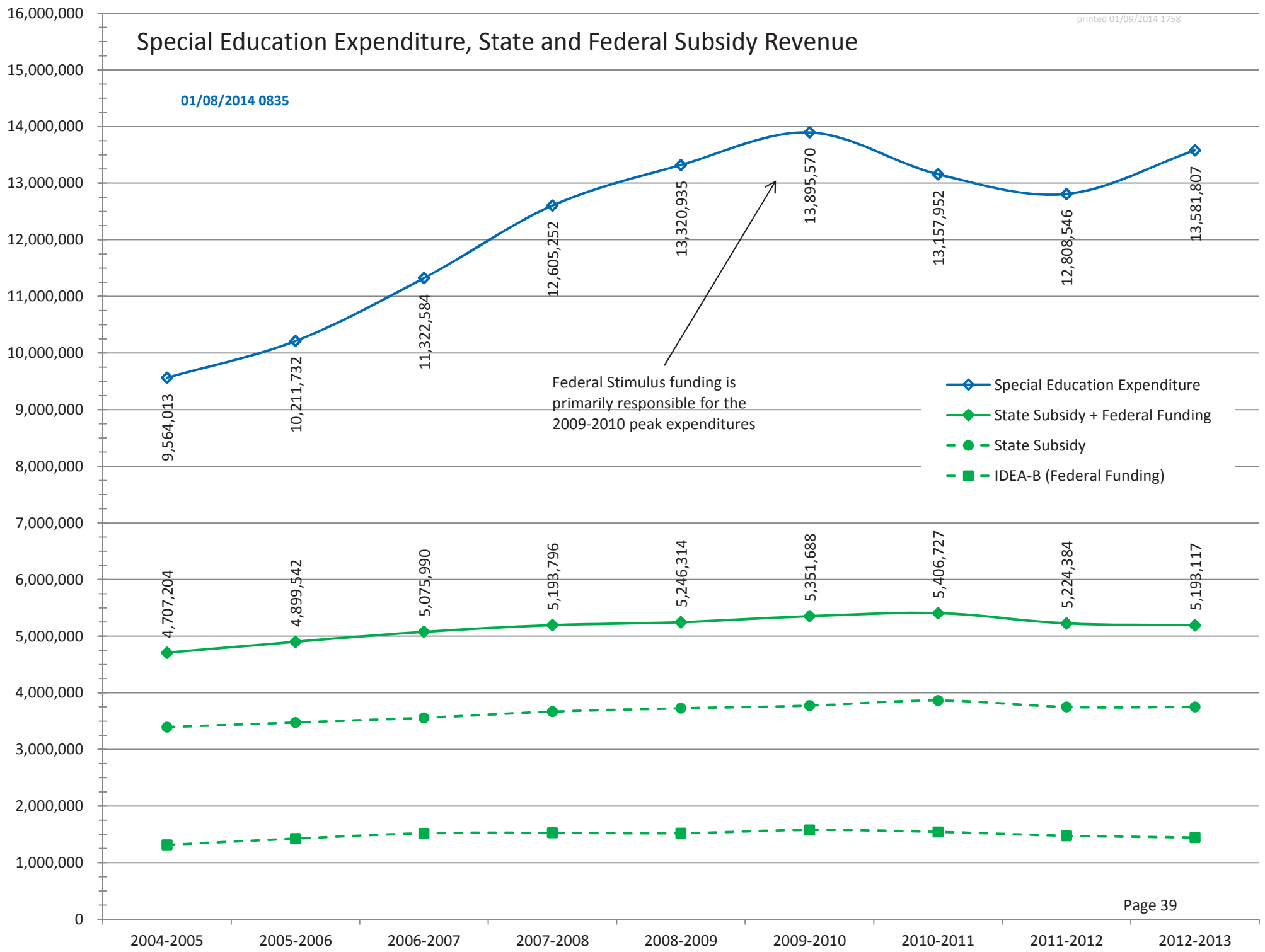


Special Education

- Special Education expenditures, with few exceptions, continue to rise.
- The state's Special Education subsidy has remained substantially flat over time, requiring additional local revenue to continue the programs.
- Federal IDEA-B funds are also available for Special Education expenses, but have also remained nearly flat over time as well.

Special Education Expenditure, State and Federal Subsidy Revenue

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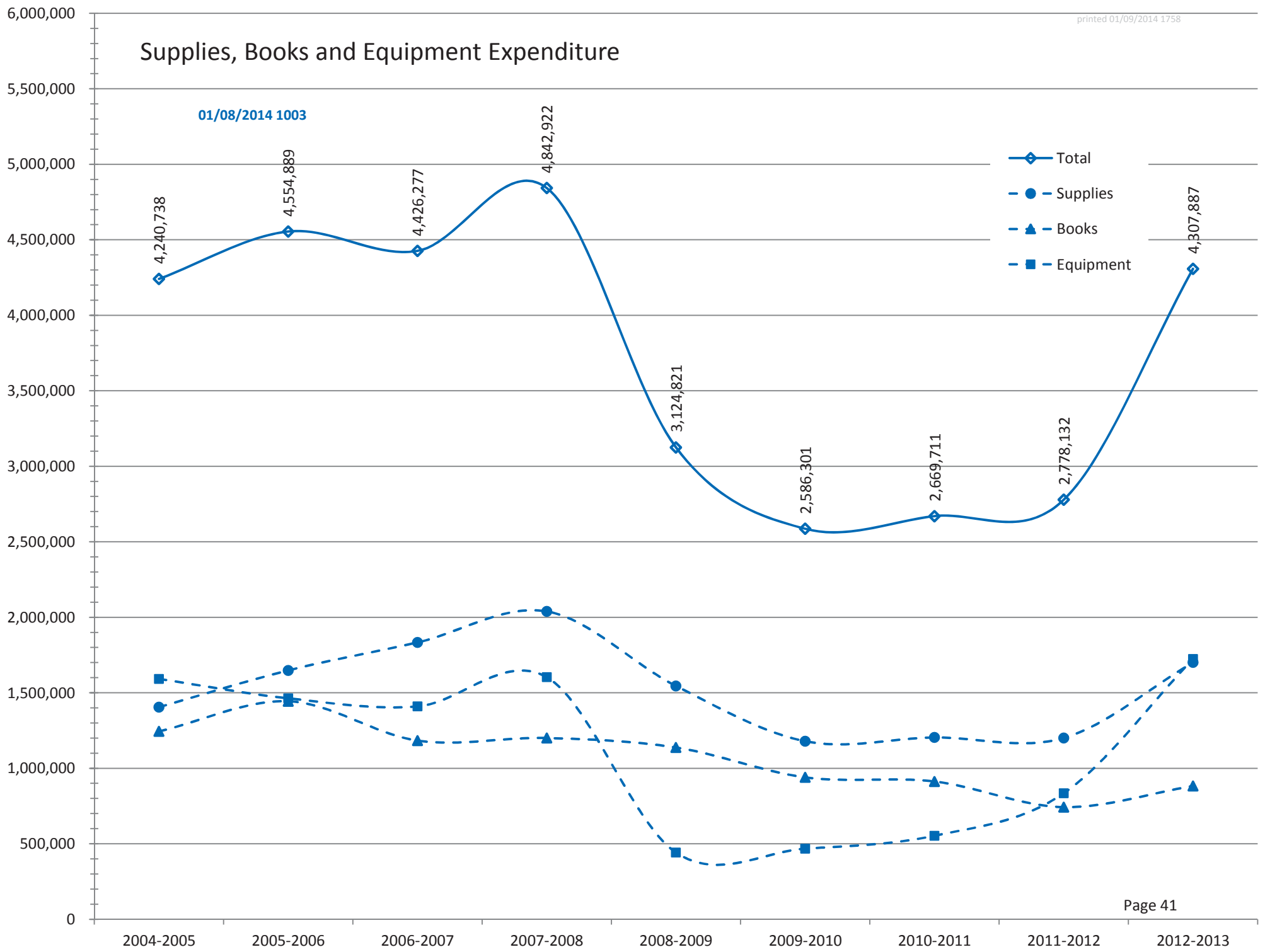
Federal Stimulus funding is primarily responsible for the 2009-2010 peak expenditures

- Special Education Expenditure
- State Subsidy + Federal Funding
- State Subsidy
- IDEA-B (Federal Funding)

Supplies and Equipment

- Budget pressures forced dramatic reductions in supply and equipment purchases for several years after 2007-2008.
- For the most part, these expenditures have reached their minimums and have gradually returned to near their 2007-2008 levels.

Supplies, Books and Equipment Expenditure

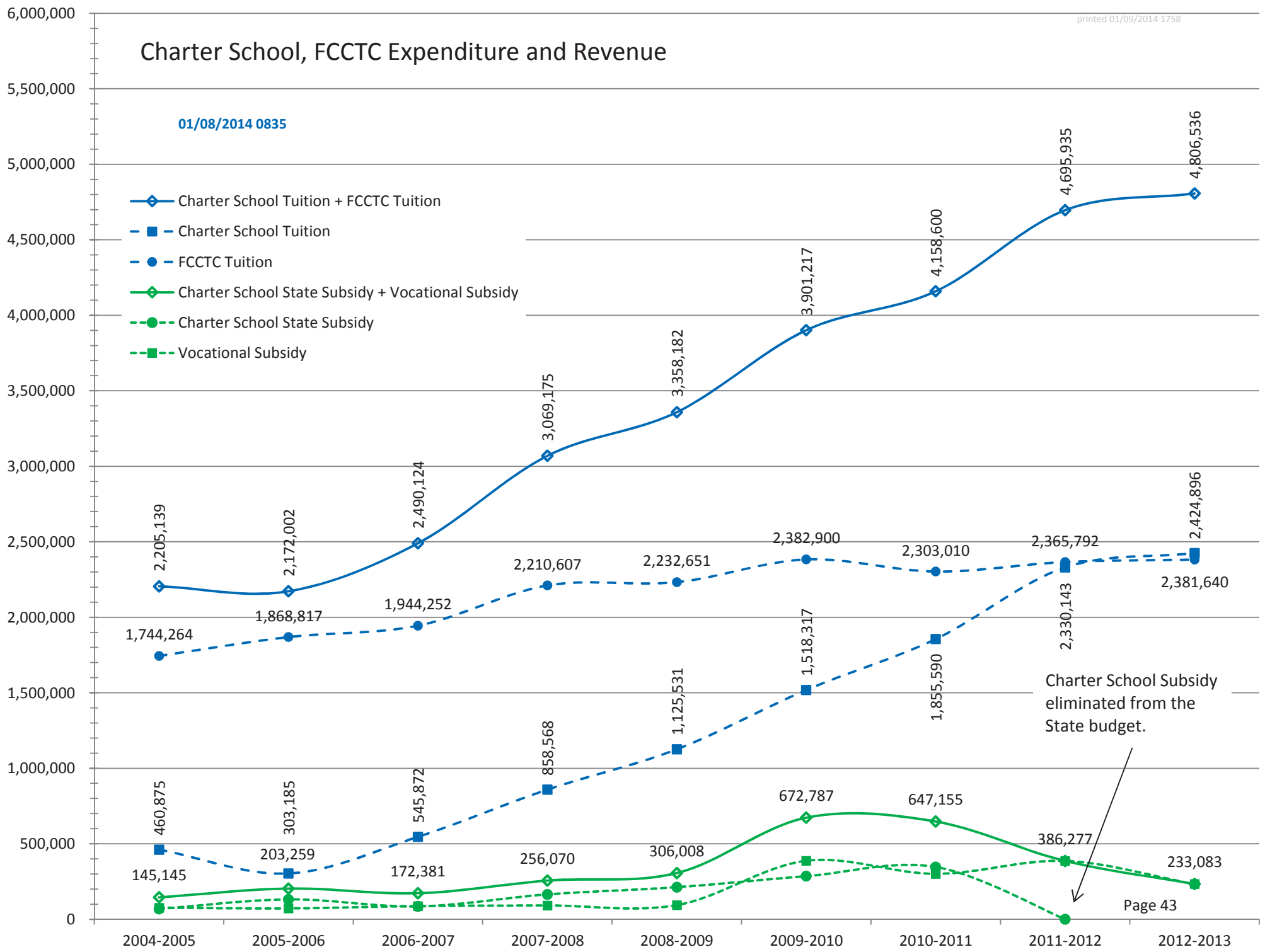


Tuition to FCCTC and Charter Schools

- Tuition to cyber charter schools grew rapidly from 2005-2006 through 2011-2012, and has leveled off in 2012-2013.
- Tuition to the Franklin County Career & Technology Center has gradually grown since 2004-2005.
- The Commonwealth eliminated the charter school subsidy in the 2011-2012 budget as costs continued to climb, leaving the full financial impact to local taxpayers.

Charter School, FCCTC Expenditure and Revenue

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Charter School Subsidy eliminated from the State budget.

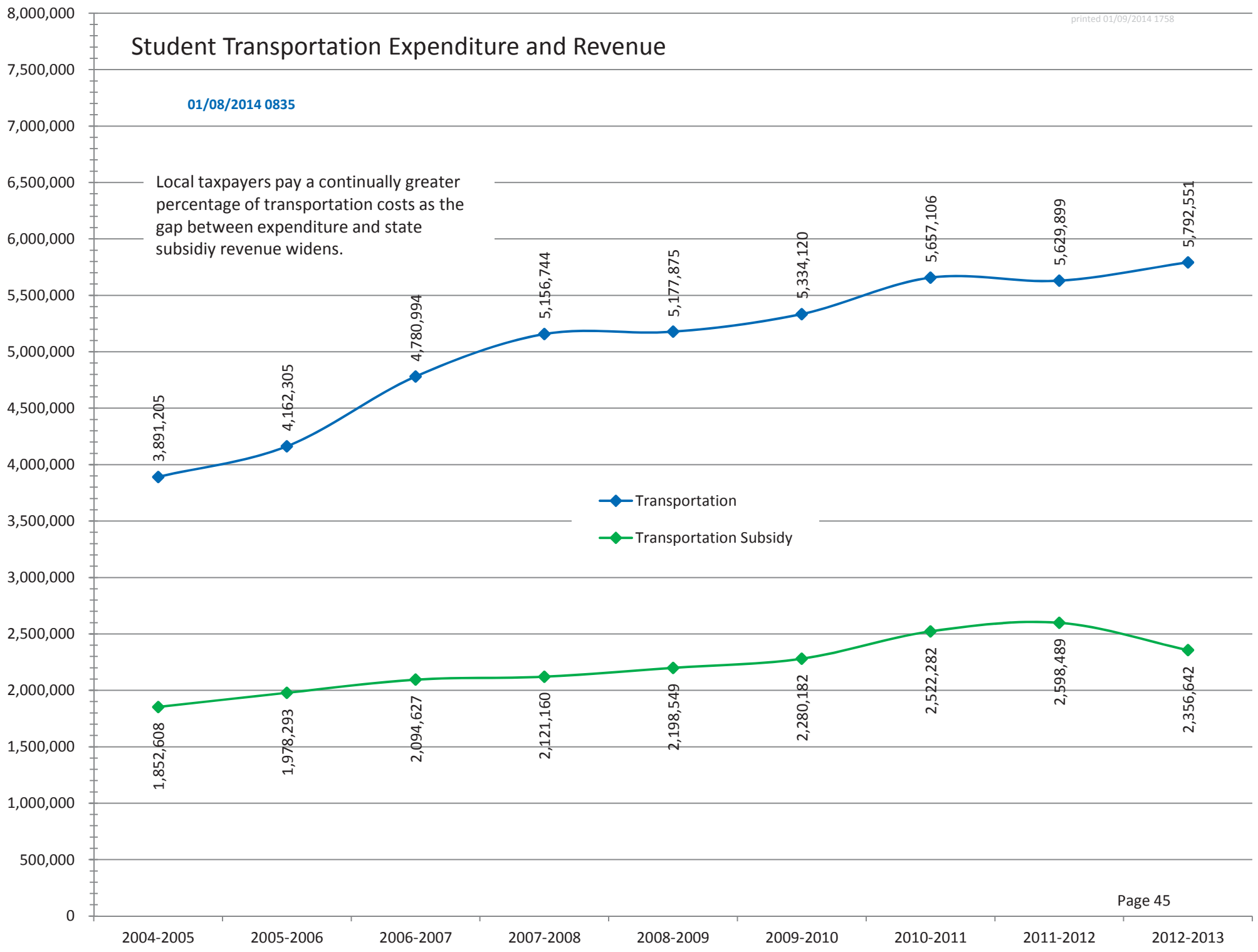
Student Transportation

- Student transportation accounts for approximately 5% of CASD's budget.
- The Commonwealth subsidizes less than half of CASD's transportation costs, and the proportion decreases annually.

Student Transportation Expenditure and Revenue

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Local taxpayers pay a continually greater percentage of transportation costs as the gap between expenditure and state subsidy revenue widens.

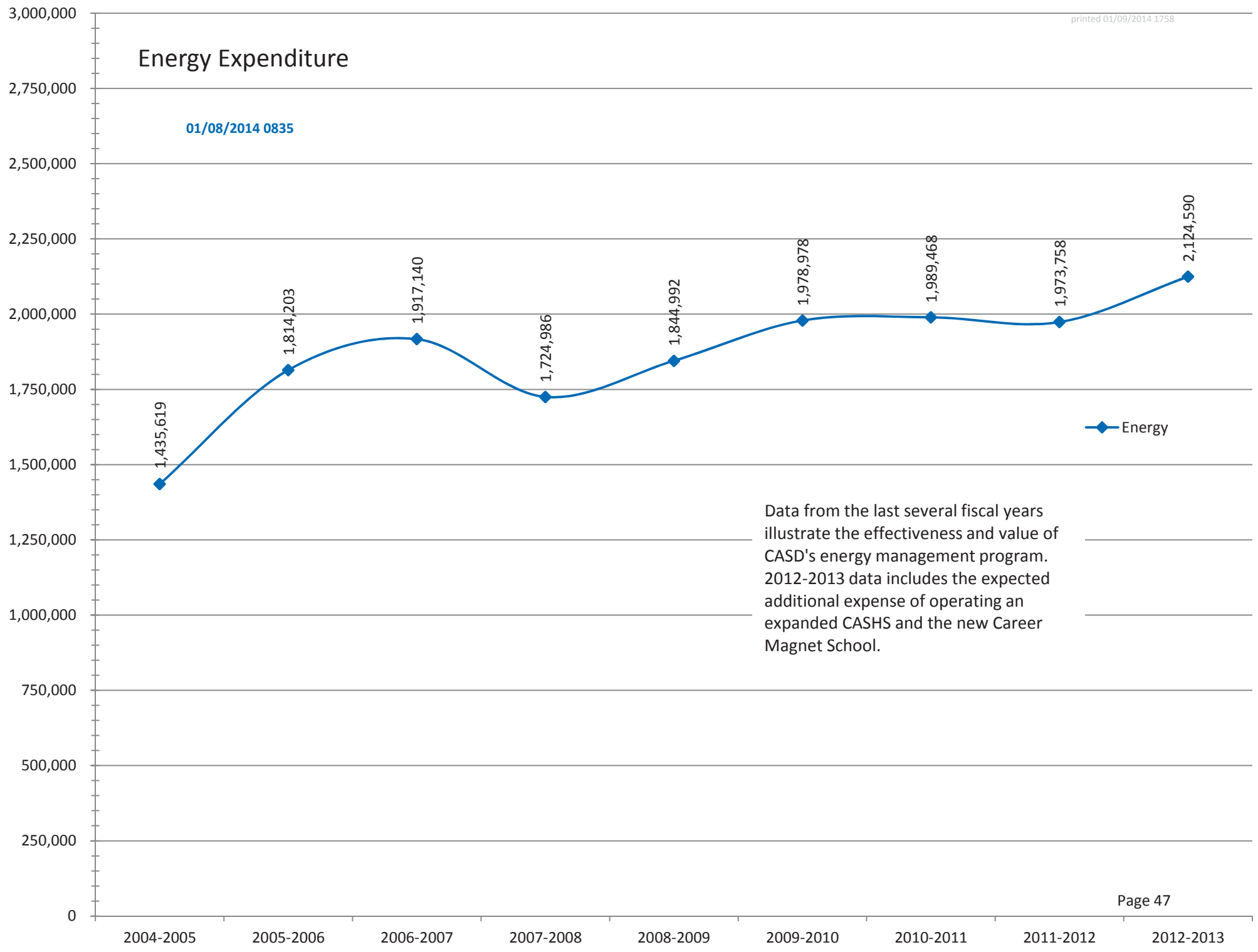


Energy

- Energy expenditures account for approximately 2% of CASD's budget.
- CASD operates a successful energy management program, containing costs from construction, to daily operation of our buildings' HVAC equipment, to energy awareness training with our staff.

Energy Expenditure

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Data from the last several fiscal years illustrate the effectiveness and value of CASD's energy management program. 2012-2013 data includes the expected additional expense of operating an expanded CASHS and the new Career Magnet School.

Conclusions

- Local revenue continues to grow faster than state revenue for the District's budget and that trend is likely to continue for the foreseeable future.
- CASD has implemented many successful programs to control costs.
- CASD curtailed expenditures in many areas due to economic conditions but is starting to see evidence of recovery.
- Projections indicate that CASD will continue its rapid student enrollment growth, providing financial challenges in coming years.