

Proposed Preliminary Budget

Fiscal Year 2011-2012

January 12, 2011 – Board Workshop Meeting



Overview

- Budget Timeline
- Financial Status
- Financial Outlook
- Included In The Budget
- Next Step

Budget Timeline 1

- January 27, 2011 – Act 1 deadline for CASD to make its proposed preliminary budget available for public inspection.
- January 28, 2011 – deadline for CASD to adopt a resolution limiting a real estate tax increase to a maximum Act 1 “adjusted index” of (1.7%).
- The School Board meets on January 12 (this evening) and January 26, prior to these deadlines.

Budget Timeline 2

- February 9, 2011 – this is the last Board meeting scheduled prior to February 16, the Act 1 deadline for adopting a preliminary budget.
- January 30, 2011 – deadline for CASD to advertise public notice of intent to adopt a preliminary budget and provide ten days notice of such adoption on February 9.

Financial Status 1

- The 2009-2010 Financial Audit shows a \$1,245,668 increase in the District's Fund Balance, primarily due to staff reductions and spending controls on the expenditure side of the budget.
- Revenues, supplemented with soon to expire Federal Stimulus funding, were sufficient to meet budget.

Financial Status 2

- Three sources of revenue – Earned Income Tax, Real Estate Transfer Tax, and Interest Income – had a combined deficit of \$890,906 compared to budget.
- Cost control measures continued and expanded from 2008-2009 into the 2009-2010 fiscal year, plus Federal Stimulus funding, combined to keep total expenditures within total revenue.

Financial Outlook 1

- With the Federal Stimulus expiring on June 30, 2011 CASD will remove \$773,000 in direct funding from the budget.
- CASD has prepared for this loss of funding and has eliminated spending associated with those funds.
- During the 2010-2011 fiscal year, the Commonwealth of Pennsylvania is using \$2,362,047 in Federal Stimulus dollars to supplement its own budget and fund the “state subsidy” that it provides to CASD.

Financial Outlook 2

- The Commonwealth does not appear to have resources available to replace its funding from the Federal Stimulus.
- The Federal “EdJobs” bill, signed in August, may restore a portion of Federal funding formerly provided by the Stimulus, but distribution of these funds to CASD and other school districts is dependent on action by the Commonwealth.

Financial Outlook 3

- The difference between Federal Stimulus and EdJobs funding from the Commonwealth may result in a shortfall of \$1 million to CASD.
- Governor-elect Corbett will take office on January 18, and develop a state budget that currently runs a multi-billion dollar deficit.
- Preliminary estimates indicate that CASD may experience a \$2 million reduction in educational funding from the state.

Prior to 2009-2010, the Commonwealth funded the State Subsidy using its own budgetary revenues.

In the last two fiscal years, the Commonwealth has supplemented its budget with Federal Stimulus funds, sending the combined total to school districts.

| CASD | State Funding | Stimulus Supplement | Total Subsidy |
|-----------|------------------|------------------------|------------------|
| 2007-2008 | 18,066,048 | 0 | 18,066,048 |
| 2008-2009 | 18,608,029 | 0 | 18,608,029 |
| 2009-2010 | 17,135,122 | 2,305,713 | 19,440,835 |
| 2010-2011 | 18,200,870 | 2,362,047 | 20,562,917 |
| 2011-2012 | ??? | ??? | ??? |

The concerns about 2011-2012 funding:

- 1) Federal Stimulus ends in June 2011, reducing the stimulus supplement to zero.
- 2) The Commonwealth will reduce state funding for school districts to 2009 levels due to its own budget deficit.

If these concerns prove true, the loss of funding exceeds \$3.4 million.

| CASD | State Funding | Stimulus Supplement | Total Subsidy |
|------------------|-------------------|------------------------|--------------------|
| 2007-2008 | 18,066,048 | 0 | 18,066,048 |
| 2008-2009 | 18,608,029 | 0 | 18,608,029 |
| 2009-2010 | 17,135,122 | 2,305,713 | 19,440,835 |
| 2010-2011 | 18,200,870 | 2,362,047 | 20,562,917 |
| 2011-2012 | 17,135,122 | 0 | 17,135,122 |
| | resulting in ==> | | (3,427,795) |

Another factor to consider:

- 1) In August, the Federal Government passed a program known as “EdJobs.”
- 2) The Commonwealth must allocate EdJobs funding to school districts based on a currently undetermined formula.
- 3) The EdJobs allocation method that most closely matches the method used in allocating Federal Stimulus funds provides \$1,343,430.

If the Federal Stimulus allocation method is also used for EdJobs fund allocation, the loss of funding exceeds \$2.0 million.

| CASD | State Funding | Stimulus or EdJobs Supplement | Total Subsidy |
|------------------|-------------------|-------------------------------------|--------------------|
| 2007-2008 | 18,066,048 | 0 | 18,066,048 |
| 2008-2009 | 18,608,029 | 0 | 18,608,029 |
| 2009-2010 | 17,135,122 | 2,305,713 | 19,440,835 |
| 2010-2011 | 18,200,870 | 2,362,047 | 20,562,917 |
| 2011-2012 | 17,135,122 | 1,343,430 | 18,478,552 |
| | resulting in ==> | | (2,084,365) |

Financial Outlook 4

- Upon inauguration, Governor Corbett has until early March to present his first Commonwealth budget.
- Until then, the District's budget is based on incomplete data.

Included In The Budget 1

- 3.0% increase in the payroll budget.
- 16.5% preliminary increase in health care premiums.

Included In The Budget 2

- 53.37% increase in PSERS contribution rate.

PSERS rate is 5.64%: July 1 rate is 8.65%.

Note: CASD budgeted a rate of 8.22%, and the Commonwealth directed PSERS to reduce the 2010-2011 rate in July 2010 from 8.22% to 5.64%, after school districts had already adopted their budgets several weeks earlier.

Included In The Budget 3

- Additional debt service to construct the Career Magnet School and, jointly with other participating school districts, to renovate facilities and shops in the FCCTC.
- Final increase in debt service to phase in payments for the GOB 2010A bond issue, the final portion of funding for the CASHS construction and renovation project.

Included In The Budget 4

- Carry over of existing supply and equipment reductions implemented in the current and prior fiscal years, plus a budgetary reduction of \$500,000 for 2011-2012.
- Increase in Real Estate Taxes of 3.50%, from 89.621 to 92.757 mills.

Financial Outlook 5

- Except for changes in the Commonwealth's funding to CASD, the preliminary budget is drafted to provide sufficient funding and in balance.
- Decreases in the Commonwealth's funding to CASD, unknown at this time, compared to the current fiscal year will define the anticipated budget deficit.

Financial Outlook 5

- If the anticipated \$2 million decrease in the Commonwealth's funding to CASD turns out to be true, as shown on "Financial Outlook 2" in March, the Administration and Board must address \$2 million in spending reductions to bring the budget into balance prior to final adoption.

2011-2012 Real Estate Taxes

with a \$2 million reduction in total funding from the Commonwealth

| Mills | % Increase | | Deficit |
|---------------|--------------|--|--------------------|
| 89.621 | 0.00% | 2010-2011 Real Estate Tax Rate | \$4,000,000 |
| 91.144 | 1.70% | Act 1 "Adjusted Index" Increase | \$3,000,000 |
| 92.668 | 3.40% | Same Increase as 2010-2011 | \$2,100,000 |
| 92.757 | 3.50% | Recommendation | \$2,000,000 |
| 94.012 | 4.90% | Same Increase as 2009-2010 | \$1,200,000 |
| 94.550 | 5.50% | Estimated Maximum Increase using Act 1 Exceptions | \$900,000 |

Next Step – January 26, 2011

- CASD makes proposed preliminary budget available for public inspection

– OR –

adopts a resolution that the 2011-2012 budget shall contain a real estate tax increase less than or equal to the 1.7% adjusted index based on Act 1 of the Special Session of 2006.

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End of Presentation

