

# Overview of the Governor's 2012-13 Budget

March 27<sup>th</sup>, 2012

# Overview

- Review the Governor's Budget for 2012-13
- Impact of Governor's Budget on CBSD
- Status of CBSD Budget Development
- Continued Benchmarking Analysis

# Meaningful Mandate Relief

- In response to state and local budget crisis the Governor said:
- “give school districts the flexibility to adjust programs to their own unique needs”
- “education is bound up in a thicket of outdated regulations and mandates”
- “school districts need the flexibility to reduce teaching staff”



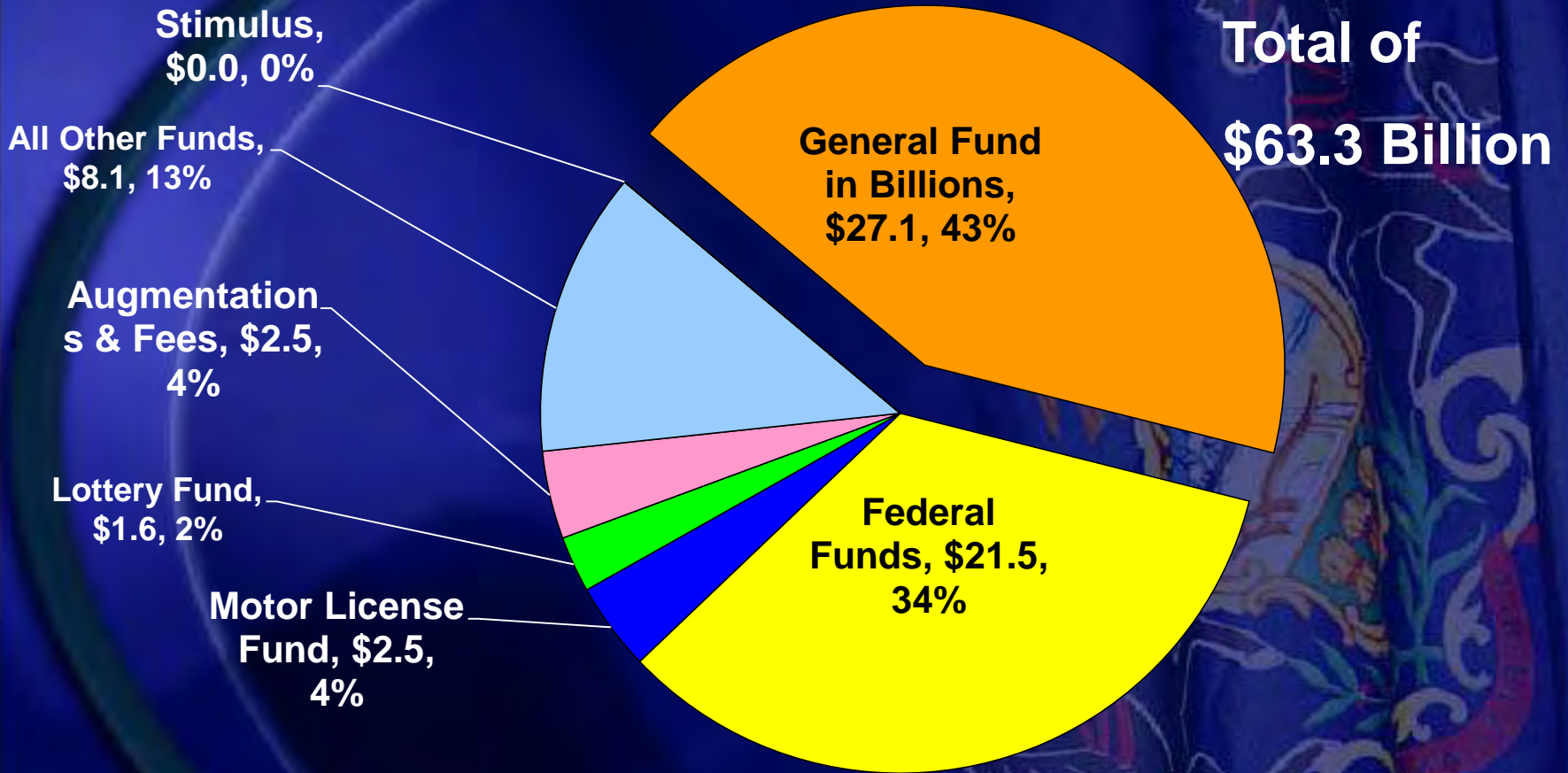
# No Mandate Relief

- No legislation allowing flexible staff reductions
- No legislation to eliminate prevailing wages on school construction projects
- No legislation to eliminate Pennsylvania sales tax on school construction
- No legislation to reform generous state subsidies to charter and virtual charter schools
- School districts need help if they are going to maintain and improve education quality

# Current Year, 2011-12, State Budget Challenges (dollars in Billions)

Tax Revenue	Budgeted	Anticipated	\$ Δ	% Δ
Corporate	\$1.6	\$1.3	-\$0.3	-18.2%
Sales & Use	\$6.0	\$6.0	\$0.0	0.7%
Personal Income	\$6.6	\$6.4	-\$0.2	-3.4%
Non Tax Revenue <small>(liquor control and investments)</small>	\$0.2	\$0.1	\$0.0	-17.1%
<b>Total</b>	<b>\$14.4</b>	<b>\$13.8</b>	<b>-\$0.5</b>	<b>-3.5%</b>

# Pennsylvania 2012-13 Budgeted Expenses (all funds in Billions)



## Historical State Budget Growth

2006-07 to 2007-08 Budget Change = 9%

2009-10 to 2010-11 Budget Change = 7.6%

2007-08 to 2008-09 Budget Change = 3.7%

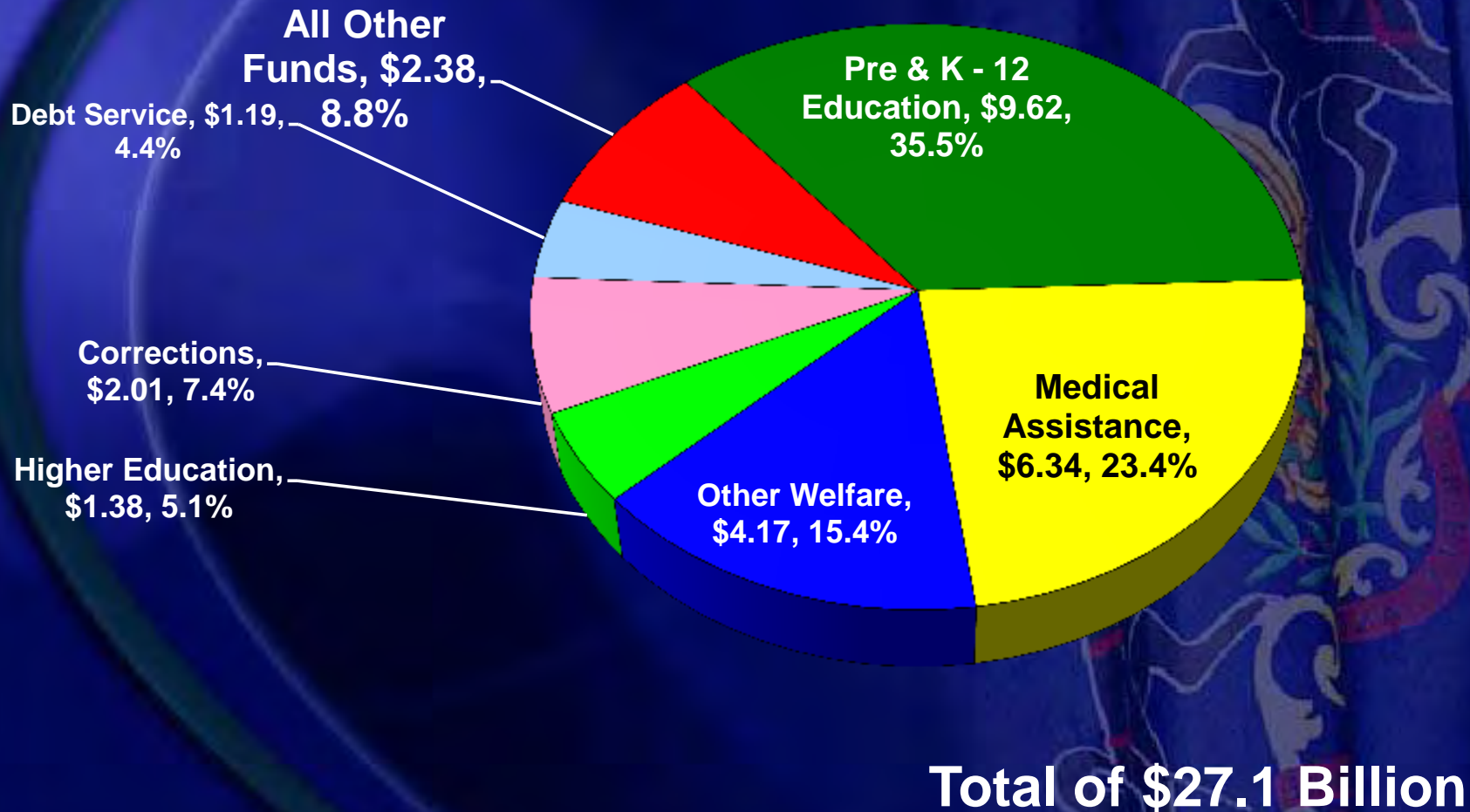
2010-11 to 2011-12 Budget Change = - 4%

2008-09 to 2009-10 Budget Change = 0.6%

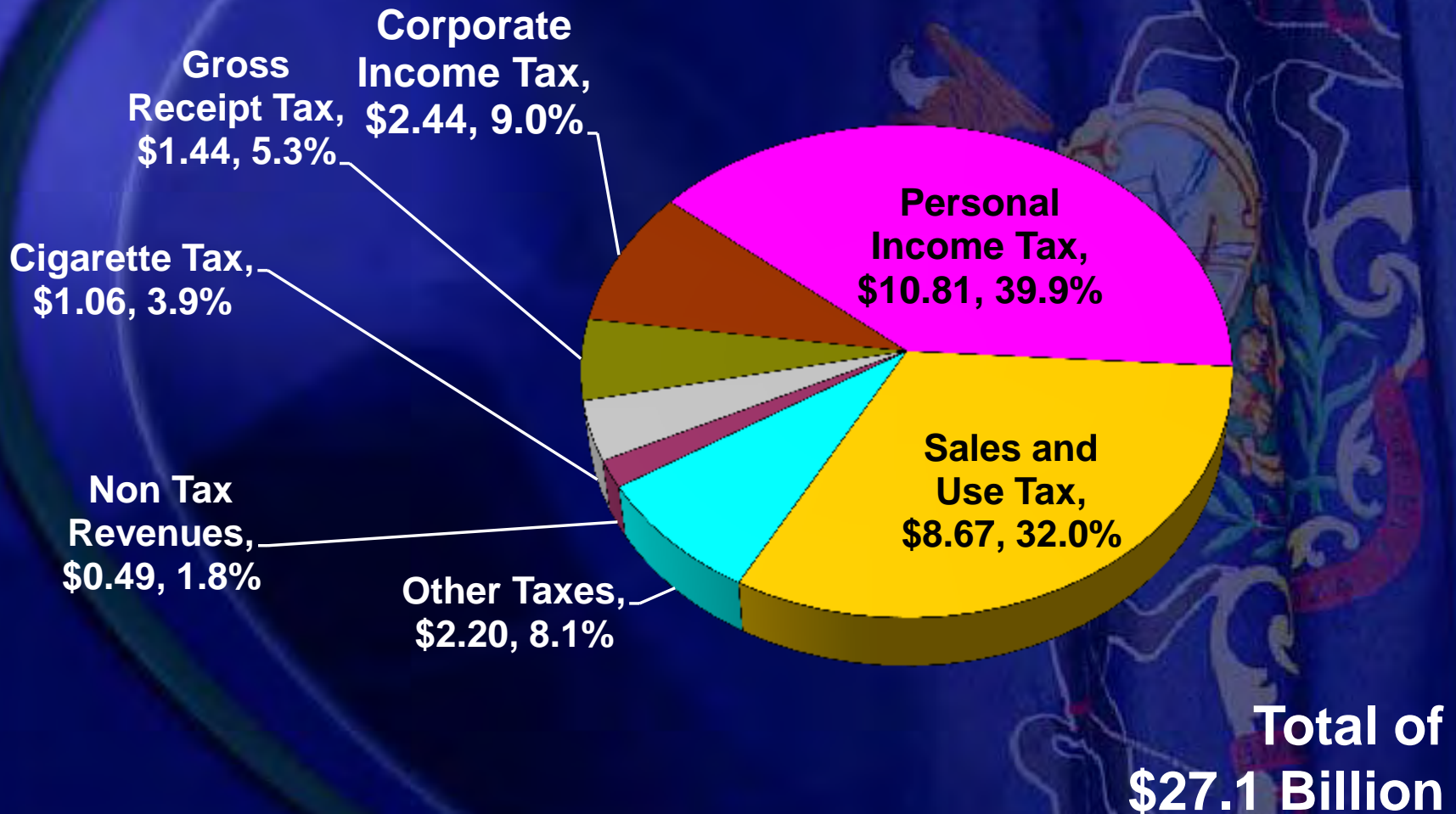
2011-12 to 2012-13 Budget Change = - .5%



# 2012-13 Pennsylvania General Fund Expenditures (all funds in Billions)



# 2012-13 Pennsylvania General Operating Fund Revenue Sources (all funds in Billions)





# 2012-13 Proposed State-Wide Funding Changes:






Basic Education Funding	\$0
Special Education Funding	\$0
Transportation	\$0
Accountability Grant	(eliminated in 2011-12)
Charter School Reimb.	(eliminated in 2011-12)

Consumer Price Index 2011 Philadelphia = 2.8%



# State Subsidies for CBSD

# State Sources of Revenue for CBSD

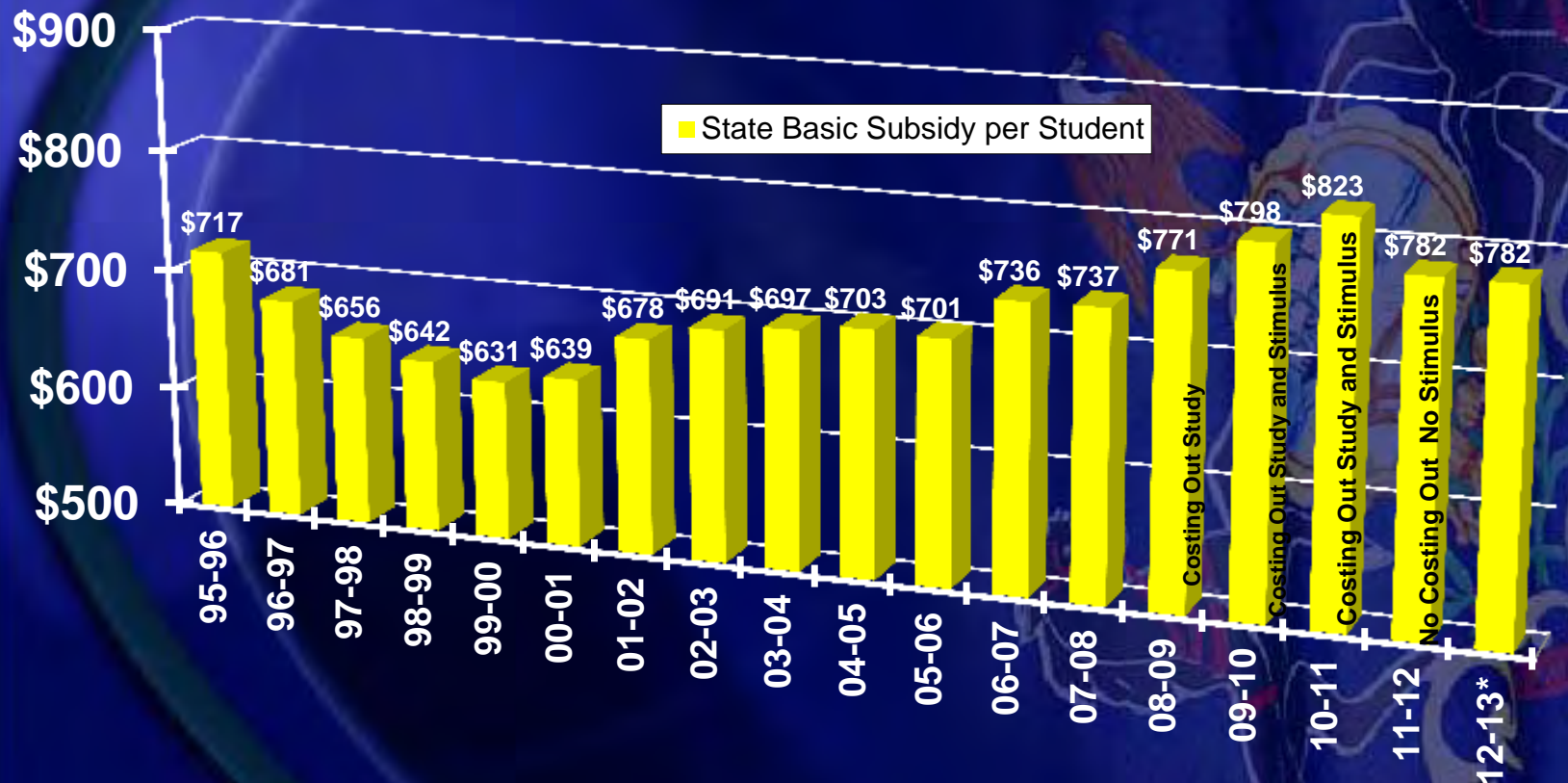
	2011-12 Estimated	2012-13 Budget	Budget \$ Change	Budget % Change
Basic Instructional <i>Lost \$500k, 2011-12</i>	15,727,046	15,727,046	\$0	0.00%
Stimulus 2010-11		0	\$0 	
Charter Schools <i>Lost \$150k in 2011-12</i>		0	\$0 	
Tuition, Wards of State and Foster	358,000	358,000	\$0	0.00%
Special Educ./Except. Pupils	7,275,000	7,275,000	\$0	0.00%
Misc. State Grants	126,945	126,945	\$0	0.00%
Accountability Grant <i>Lost \$850k, 2011-12</i>		0	\$0 	
Transportation	3,060,000	3,134,000	\$74,000	2.42%
Rental & Sinking Fund Reimb.	1,675,000	1,625,000	-\$50,000	-2.99%
Health Services	388,080 	385,000 	-\$3,080	-0.79%
State Property Tax Reduction	5,867,454	5,867,454	\$0	0.00%
FICA Reimbursement	5,100,000	4,927,000	-\$173,000	-3.39%
	<b>39,577,525</b>	<b>39,425,445</b>	<b>-\$152,080</b>	<b>-0.38%</b>



# History of State Basic Subsidy Per Student in CBSD

Basic State Subsidy per Student Increased by 9% Over the 17 Year Period

Inflation Increased by 51% over the same 17 years



To preserve the trend, removed Accountability Block Grant included with the BEF for 2009-10, 2010-11

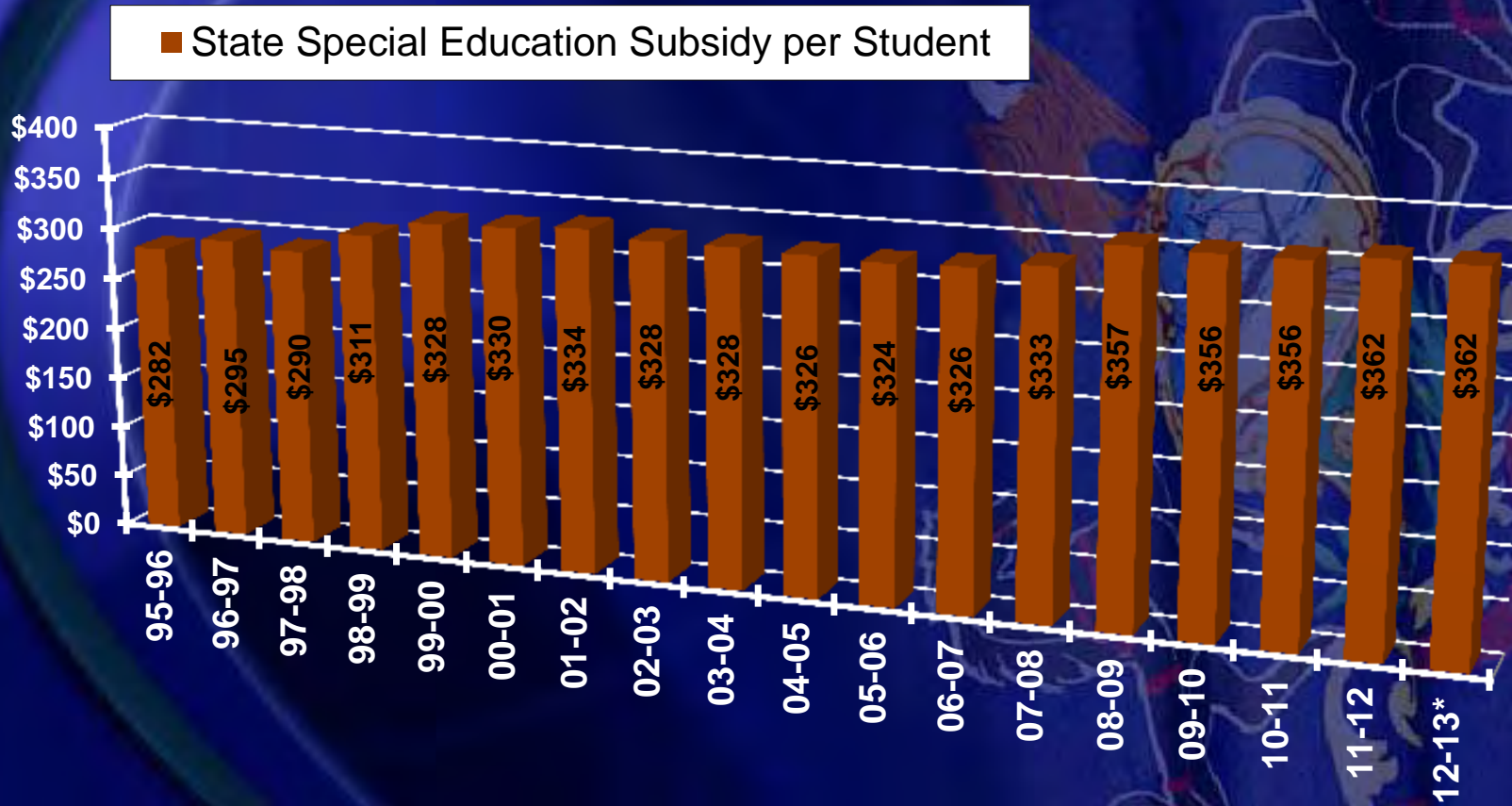
[http://inflationdata.com/Inflation/Inflation\\_Calculators/Inflation\\_Rate\\_Calculator.asp](http://inflationdata.com/Inflation/Inflation_Calculators/Inflation_Rate_Calculator.asp)

\* = Projected

# History of State Special Education Subsidy

State Special Education Subsidy Increased by 28 % Over the 17 Year Period

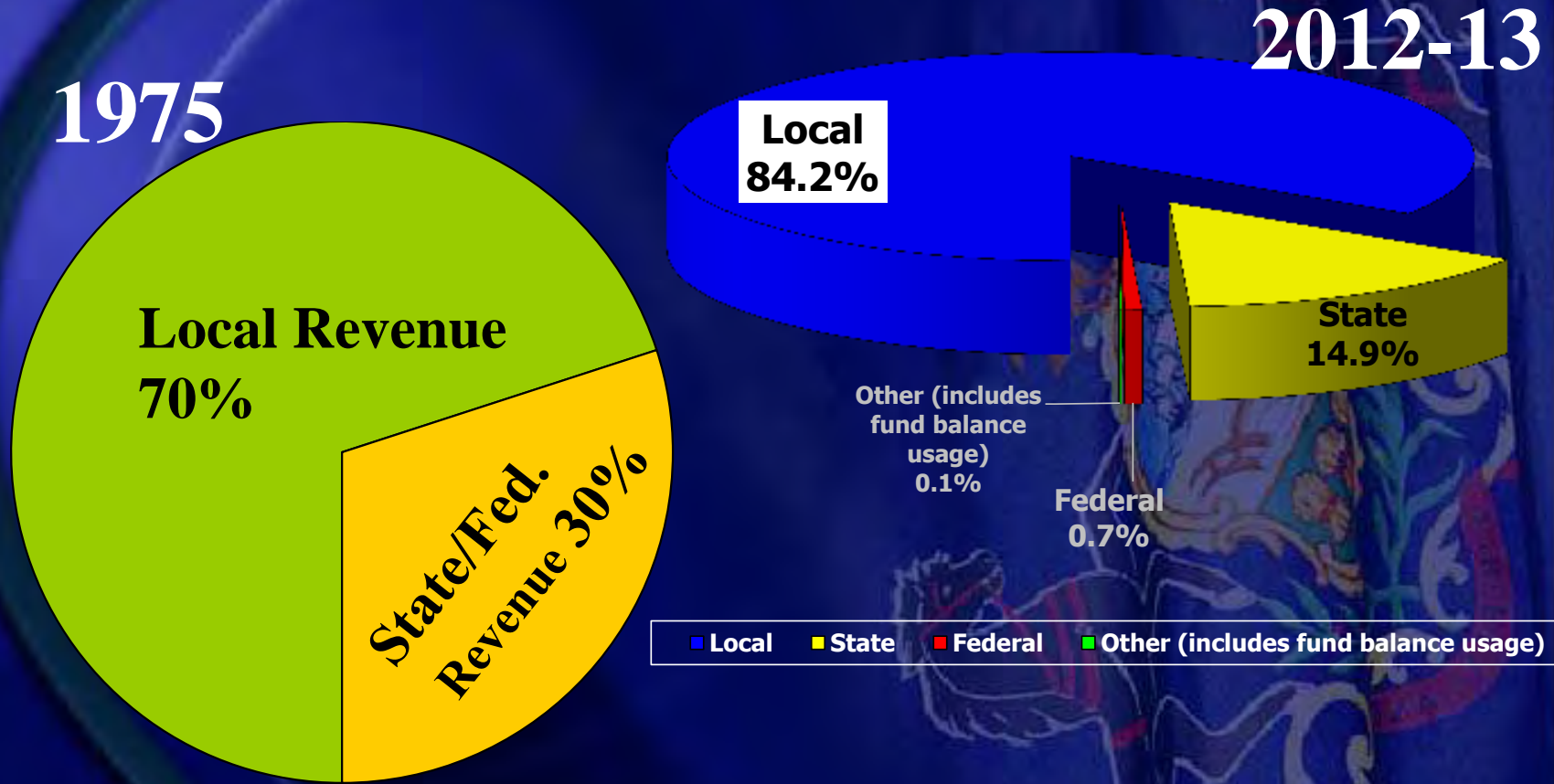
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# CBSD Revenue Comparison 1974-75 to 2012-13



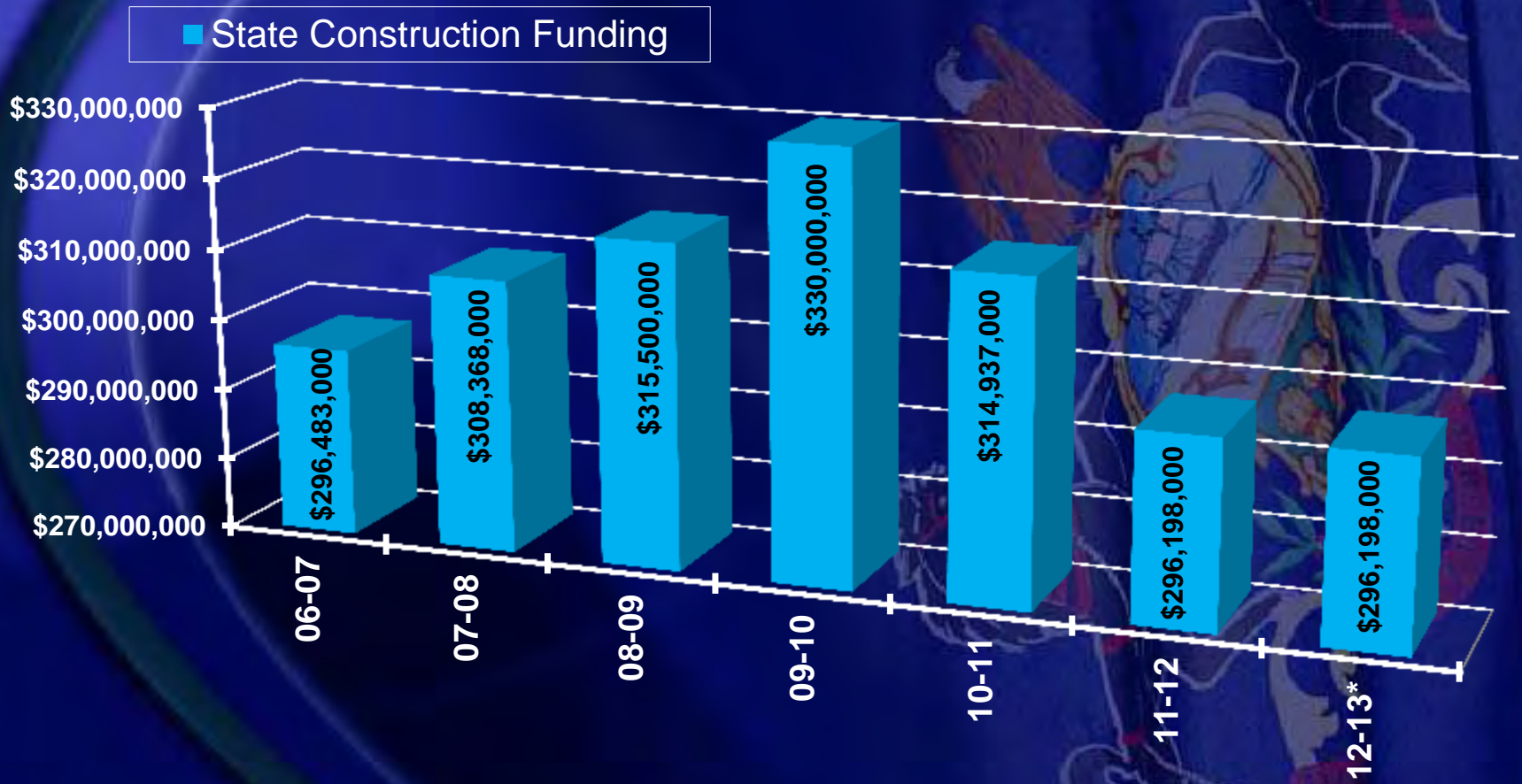
The impact of decreased state support is 25.2 Mills. If state support remained constant through the years, the average assessed house in CB would be paying about \$1,006 dollars less in RE taxes in 2012-13



# Construction Reimbursement Moratorium (PLANCON)

- Level funding of \$296M in 2012-13 for construction reimbursement
- 230 school construction projects waiting for funding approval from PDE
- The Governor is proposing a one year moratorium on accepting new applications.
- This means it could be years before CB current construction projects receive state reimbursement
- (East, Pine Run, Unami, Linden, Lenape, Tamanend)

# History of State Construction Funding



\* = Projected

# Recurring Revenue Losses Per Year

Basic Education state subsidy loss	(\$500k)/yr
Accountability Block Grant	(\$850k)/yr
Charter School Reimbursement	(\$150k)/yr
State transport. loss	(\$2.0M)/yr
Local real estate tax loss	(\$5.0M)/yr
Interest earnings on investments	(\$3.0M)/yr
<b>Total revenue loss per year</b>	<b>(\$11.5M)/yr</b>



# Local revenue for CBSD



# Real Estate Assessment Values are on Life Support

	1/1/2011 Assessment	1/1/2012 Assessment	Δ in R.E. Assessment	% Δ
Buckingham	382,912,400	383,273,410	361,010	0.1%
Chalbr	48,117,220	48,593,640	476,420	1.0%
Doylestown B	110,040,190	110,067,530	27,340	0.0%
Doylestown T	269,425,530	268,451,630	(973,900)	-0.4%
New Britain B	32,810,450	32,802,410	(8,040)	0.0%
New Britain T	165,125,630	164,699,680	(425,950)	-0.3%
Plumstead	190,766,970	192,024,720	1,257,750	0.7%
Warrington	322,590,400	323,489,930	899,530	0.3%
Warwick	221,642,180	221,886,050	243,870	0.1%
<b>Totals</b>	<b>1,743,430,970</b>	<b>1,745,289,000</b>	<b>1,858,030</b>	<b>0.1%</b>

**Historical Assessment Growth has been 2% - 4% per Year**

# Local Revenue Summary

(without a tax increase or stimulus)

	2011-12 Budget	2012-13 Budget	Budget \$ Change	Budget % Change
Current Real Estate Taxes	198,361,774	200,345,392	1,983,618	1.0%
Interim Real Estate Taxes	1,000,000	700,000	(300,000)	-30.0%
Public Utility Tax	289,000	289,000	-	0.0%
Delinquent Taxes	3,300,000	3,300,000	-	0.0%
Earned Income, Act 511	18,100,000	18,462,000	362,000	2.0%
Real Estate Transfer	3,325,000	3,200,000	(125,000)	-3.8%
Interest-Investments	970,000	720,000	(250,000)	-25.8%
Admissions (for extra curricular)	152,000	152,000	-	0.0%
IDEA	2,495,690	2,495,690	-	0.0%
Rentals	125,000	127,500	2,500	2.0%
Contributions/Donations	375,000	382,500	7,500	2.0%
Tuition	450,000	459,000	9,000	2.0%
Services Provided LEA's	15,000	12,000	(3,000)	-20.0%
Community Service Activities	3,150,000	3,228,750	78,750	2.5%
Miscellaneous	15,000	65,000	50,000	333.3%
	<b>232,123,464</b>	<b>233,938,832</b>	<b>1,815,368</b>	<b>0.8%</b>



# Summary

- The 2012-13 budget problem continues to be the lack of revenue
  - On a state and local level
- Act 1 limits real estate tax increases
  - Base index is a 1.7% increase
  - Retirement Exception 1.25% for a total of 2.95%, but...
- **The district is committed to keeping a tax increase under 1.7%**
- Continue to cut expenses
- Enhance revenue - via assessment appeals
- Maintain Education Quality

# Balanced Budgets

Revenues must = Expenses

Revenues



Expenses



# The Economy

How is the national and state economy impacting CBSD local revenues?

- Weakened Earned Income Tax revenues
- Decrease in in real estate transfer taxes
- Plummeting real estate assessed values
- Decrease interest earnings on investments
- Decrease in interim real estate taxes

How long will the recession impact our budgets?

- 2008-09, 2009-10, 2010-11, 2011-12, 2012-13
  - 2013-14, 2014-15 ?



# BENCHMARKING PERFORMANCE

# What has the District Done to Prepare for the Future?

- **Minimize Tax Increases**
- **Addressing the Retirement Rate Spike**
- **Addressing the Growth in Health Care Costs**
- **Maintain Education Programs**

# What has the District Done to Prepare for the Future?

- ◆ Historical Staffing reductions as of 2011-12 **-223.5**

<b>Staffing</b>	<b>Administrative Staff</b>	<b>Professional Staff</b>	<b>Support Staff</b>
<b>Regular Education</b>	<b>-3.6</b>	<b>-87.3</b>	<b>-12.5</b>
<b>Special Education</b>		<b>-6.0</b>	<b>-33.5</b>
<b>Admin. Support</b>	<b>-1.5</b>		<b>-24.0</b>
<b>Student Health</b>		<b>-0.5</b>	<b>-4.0</b>
<b>Transportation</b>			<b>-37.1</b>
<b>Facilities</b>	<b>-4.0</b>		<b>-5.5</b>
<b>Curriculum</b>			<b>-4.0</b>
<b>Totals</b>	<b>-9.1</b>	<b>-93.8</b>	<b>-120.6</b>



# What has the District Done to Prepare for the Future?

- ◆ **Other Expense Reduction Measures in H.R.**
  - ◆ Not hiring full time aides – eliminates Health benefits
  - ◆ Operate a self funded health care Plan
  - ◆ Greater employee health care cost sharing
  - ◆ Explore creating a Bucks/Montgomery health care consortium to reduce costs further.
  - ◆ Restructured employee contracts
  - ◆ Invest in technology to boost organization efficiency
  - ◆ Explore other contracted services to reduce costs

# What has the District Done to Prepare for the Future?

## ◆ Expense Reduction Measures in Transportation

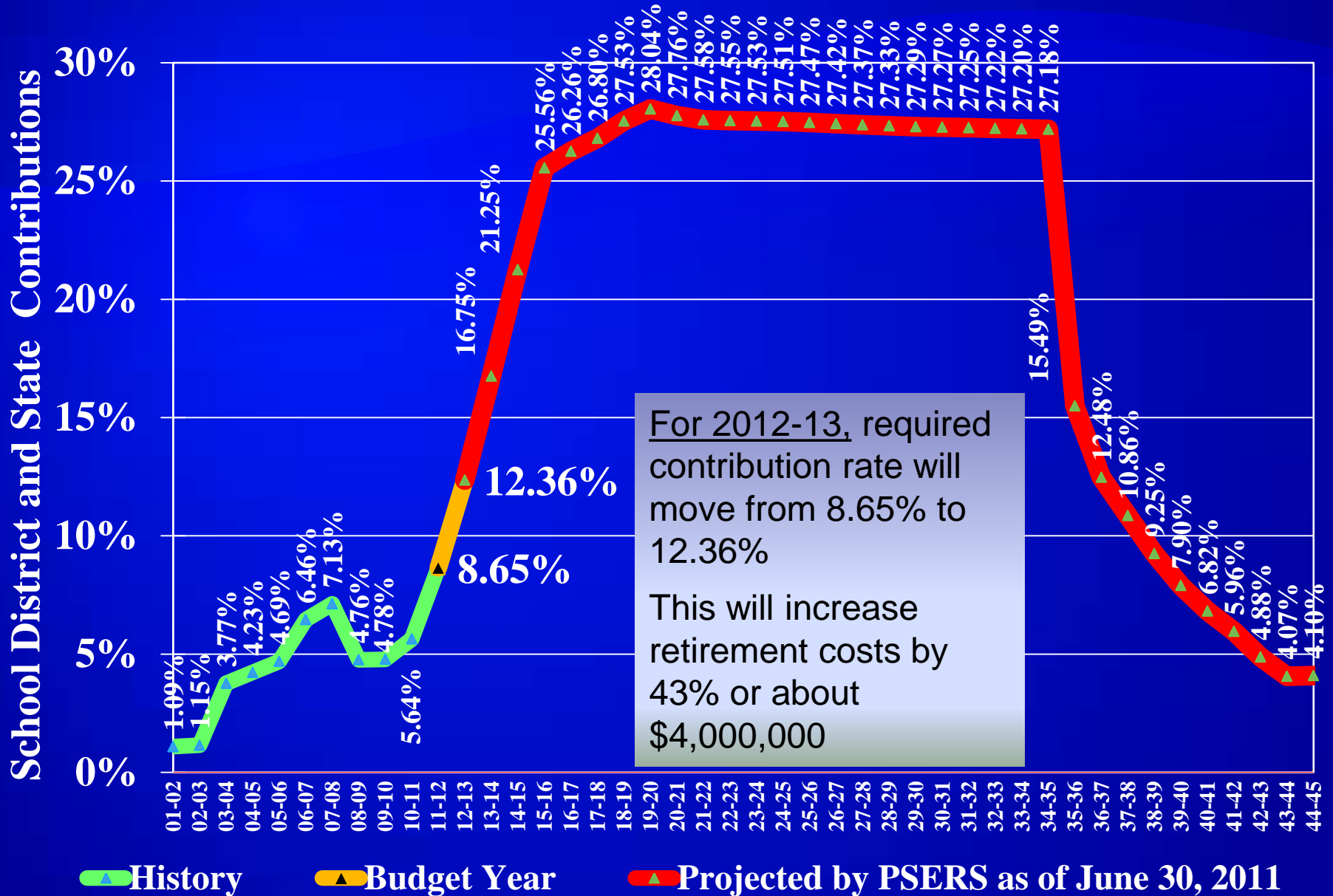
- ◆ Eliminated 5 buses by more students walking to school
- ◆ Consolidating bus stops where possible
- ◆ Eliminated after school activity buses
- ◆ Moved 36 buses to First Student July 1, 2011
- ◆ Parents pay for field trips
- ◆ HS students pay true cost of parking

# What has the District Done to Prepare for the Future?

- ◆ **Other Expense Reductions & Revenue Enhancements**
  - ◆ Refinanced our debt, \$250M, & hopefully refinance again
  - ◆ Contract for food service
  - ◆ Energy efficiency project to reduce utility expenses
  - ◆ Restructured district copier contract
  - ◆ Cut electric demand during high peaks (demand Response)
  - ◆ Explore under assessed properties for appeal
  - ◆ Prepare for the Next Five Years of retirement expenses



# PSERS Employer Retirement Contributions



# Historical Tax Increases (in mills)

	<b>Act 1 index with Allowable Exceptions</b>	<b>Actual CBSD Millage Increase</b>	
2007-08	5.9	3.8	
2008-09	5.6	4.6	
2009-10	5.4	4.3	
2010-11	4.7	4.4	
2011-12	3.2	1.6	
2012-13	3.6	2.4	= 1.7% or <u>less</u>
<b>Total Mills</b>	<b>28.4</b>	<b>21.1</b>	
	Tax Savings on a typical House assessed at \$40,000		
	\$292	Per year	

# Why is CB Considering Outsourcing Transportation?

- ◆ Currently outsource 50% of transportation operations
- ◆ Health care costs and state retirement costs have made the district uncompetitive with private industry
- ◆ For 2012-13 the cost differential between CB operations and First Student is at least \$10,000 per bus per year
- ◆  $\$10,000 \times 125 \text{ buses} = \$1,250,000$  savings per year if First Student takes over operations



# Why Doesn't Contracting for Transportation in CBSD Have a Negative Financial Impact Like it Might in Some Other School Districts

- ◆ CBSD has a long term contract with First Student through 2017-18
- ◆ Contract increases average 2.5% per year and will continue to do so
- ◆ Current discussion about extending that contract even further
  - ◆ A contract extension may reduce increases below 2.5% per year.
- ◆ The district owns most of the transportation facilities (not First Student)
- ◆ If the district ever became unhappy with First Student, it could hire another contractor or slowly start building an in-house fleet again
- ◆ Keystone Research Center report indicated contracted transportation receives a higher state subsidy than school district operated transportation. **(not correct)**
  - ◆ **The Keystone report does not account for state social security and PSERS subsidies for district transportation operations**

