



Governor's 2014-15 Budget

March 11th, 2014

Presentation Overview

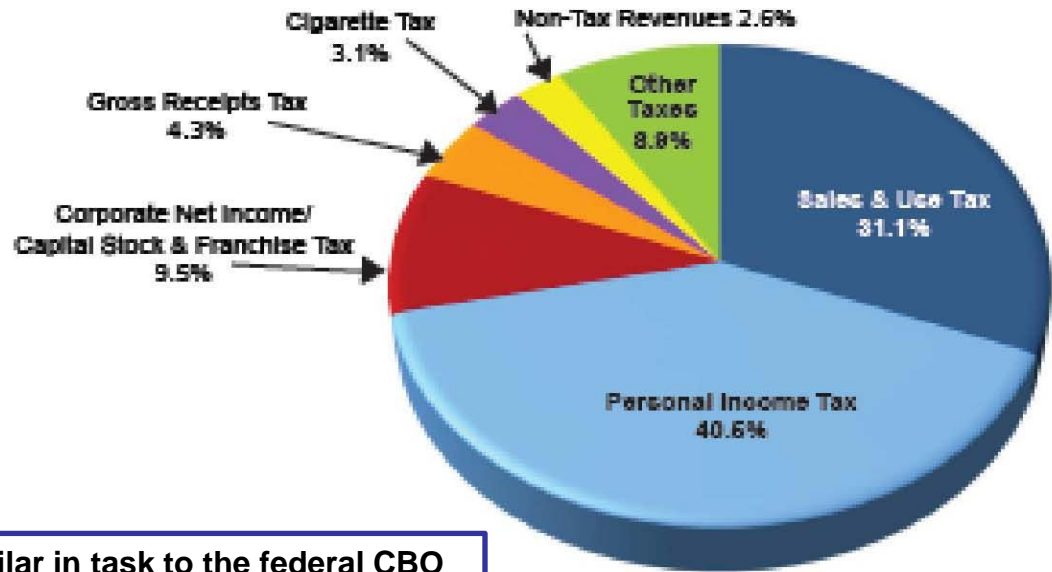
- Review the Governor's Budget for 2014-15
- Impact of Governor's Budget on CBSD
- Status of CBSD Budget Development



Overview of the Governor's Proposed Budget for the State

Governor's Revenue Budget 2014-15

General Fund Revenues for the State of Pennsylvania



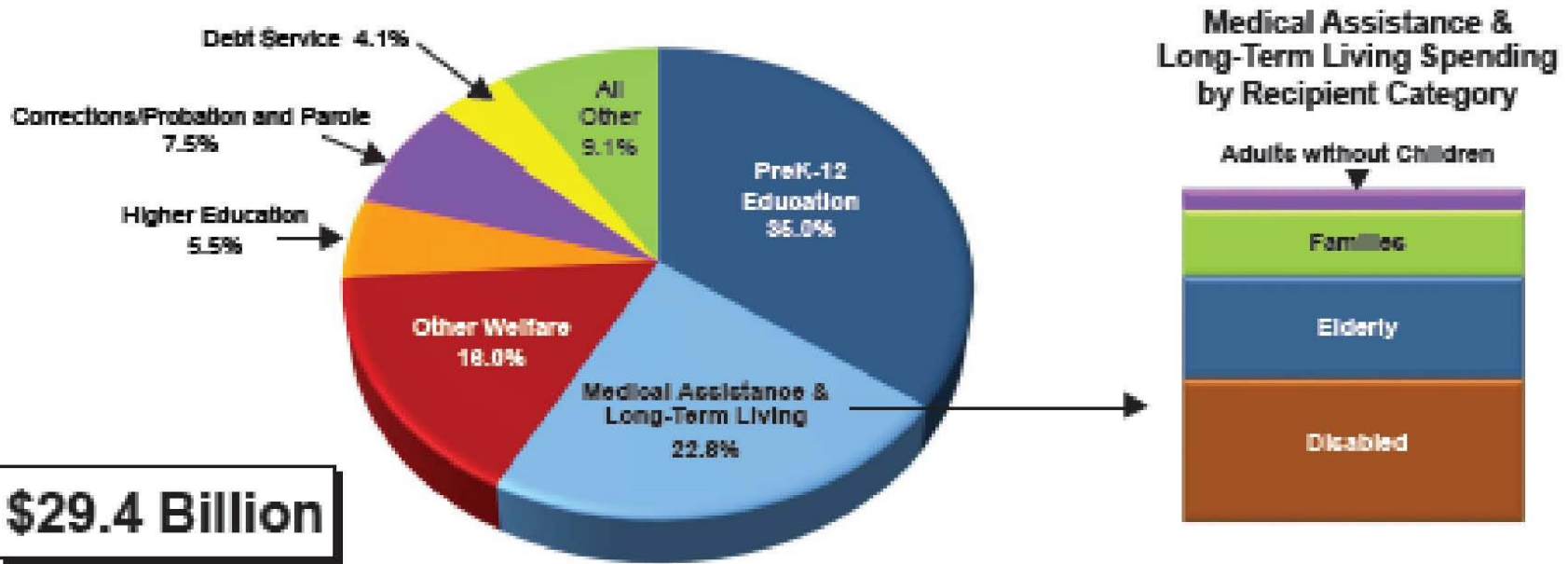
IFO = Independent Fiscal Office similar in task to the federal CBO

Revenue Estimate for FY 2013-14	IFO Estimate—July 2013	IFO Mid-Year Revision—January	2014-15 Budget
\$29.116 billion	\$29.154 Billion	\$29.005 billion	\$30.540 Billion
	+ \$38.5 Million	- \$111 Million	+ \$1.424 Billion

Five Year Growth Rate in General Fund Revenue is 12.2% or less than 3% annually. Growth rate for 2014-15 revenues is 3.5%

Governor's Expenditure Budget 2014-15

General Fund Expenses for the State of Pennsylvania



4 2014-15 Budget In Brief



Expenditures grow by \$927 million or 3.3% for the 2014-15 budget. For the current fiscal year, expenditures are \$28.37 billion which is an increase of 2.3% (\$645 million) from FY 2012-13.

Governor's Budget Changes for 2014-15

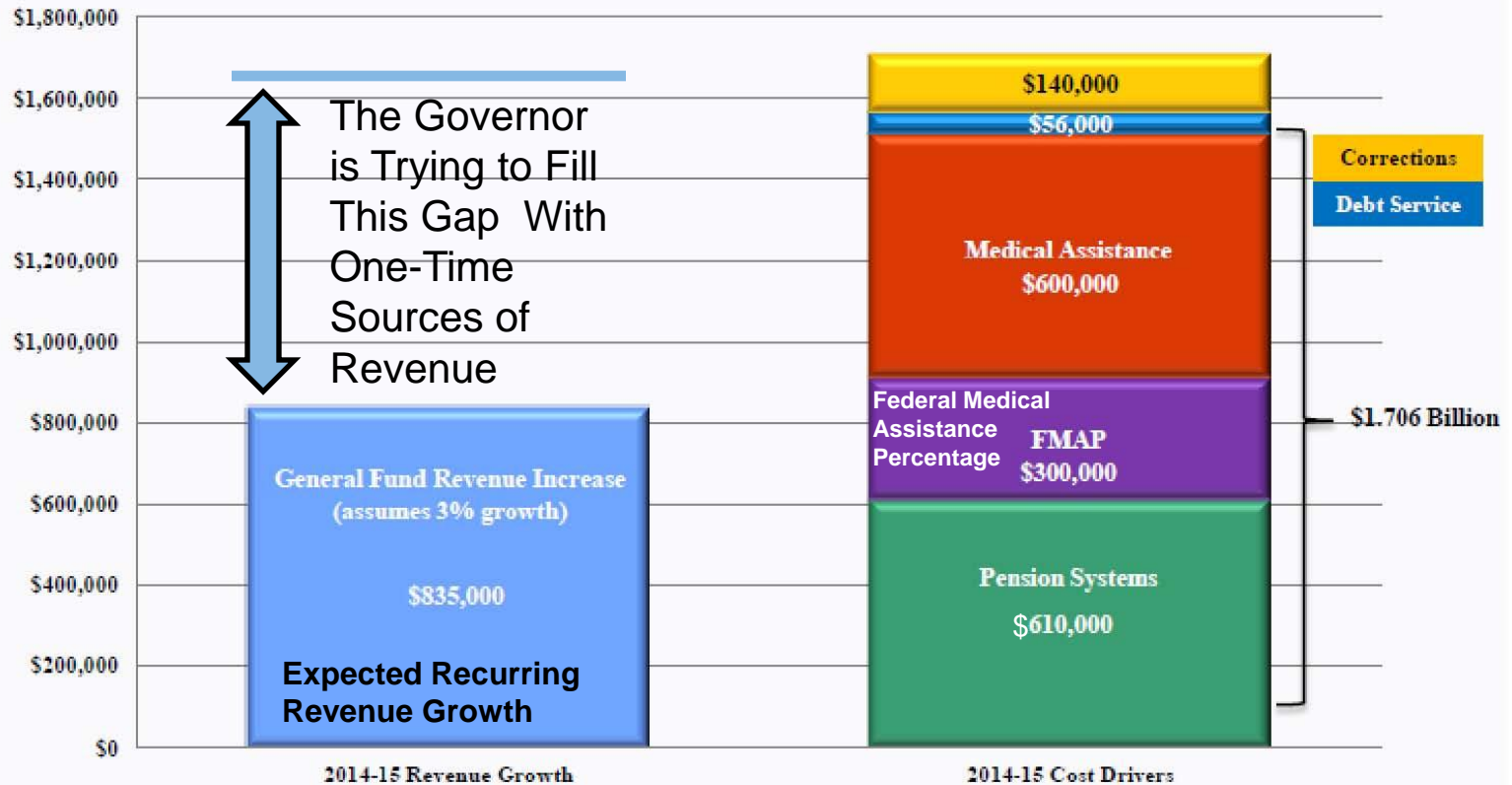
2013-14 Mid-Year Budget Briefing



Tom Corbett, Governor Charles B. Zogby, Secretary of the Budget

www.budget.state.pa.us

Cost Drivers in the 2014-15 Budget (in Thousands)



What is the Source of the Increased State-Wide Funding?

One-Time Revenues and Savings

\$150 million Unclaimed property (reduces state holding period)

\$75 million Permitting leasing/drilling under state forests and parks

\$225 million Transfer of Tobacco Settlement Funds

\$63 million Elimination of the state PSERS reimbursement to charters

\$125 million Implementation of Healthy PA (assumes federal approval)

\$170 million Tapering the collars to reduce state pension contributions

\$10 million Use of Special Pharmaceutical Benefit Program rebates

\$75 million Balancing Incentives Program savings-due to fed.
participation

\$900 million

Reference: Governor's Detailed Budget

Impact of the Governor's Budget on CBSD

What are the Projected
2014-15 State Subsidies
for CBSD?

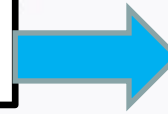
State Sources of Revenue for CBSD

	2013-14 Estimated	2014-15 Budget	Budget \$ Change	Budget % Change
Basic Instructional Subsidy	16,178,141	16,227,940	\$49,799	0.31%
Tuition, Wards of State and Foster	300,000	300,000	\$0	0.00%
Special Educ./Except. Pupils	7,286,226	7,365,010	\$78,784	1.08%
Misc. State Grants	126,945	126,945	\$0	0.00%
Ready to Learn / Accountability	306,359	1,423,249	\$1,116,890	364.57%
Transportation	3,100,000	3,100,000	\$0	0.00%
Rental & Sinking Fund Reimb.	1,620,000	1,620,000	\$0	0.00%
Health Services	375,000	375,000	\$0	0.00%
	29,292,671	30,538,144	\$1,245,473	4.25%

The question is, will the state fund all of these proposed revenues in 2014-15 and will they re-occur each year thereafter?

Ready to Learn / Accountability Block Grant

Analyze, publish and share best practices that have proven to increase student achievement.



The Governor's Expanding Excellence Competitive Grant Program

(90 and above on the SPP)

Tier 4 School Districts

(80 and above on the SPP)

- Pre-K to Grade 3 curriculum alignment Efforts
- Training to support early literacy and STEM
- Pre-K to Grade 3 Extended Learning Opportunities
- Pre-Kindergarten
- Full-day Kindergarten
- Supplemental instruction in Biology, English Language Arts and Algebra 1
- Implementation of State Literacy Plan
- Instructional Coaches
- STEM Education
- Hybrid Learning
- Competency-Based Learning

Tier 3 School Districts

(70 to 79.9 on the SPP)

- Pre-K to Grade 3 curriculum alignment Efforts
- Training to support early literacy and STEM
- Pre-K to Grade 3 Extended Learning Opportunities
- Pre-Kindergarten
- Full-day Kindergarten
- Supplemental instruction in Biology, English Language Arts and Algebra 1
- Implementation of State Literacy Plan
- Instructional Coaches
- STEM Education
- Hybrid Learning
- Competency-Based Learning

Tier 2 School Districts

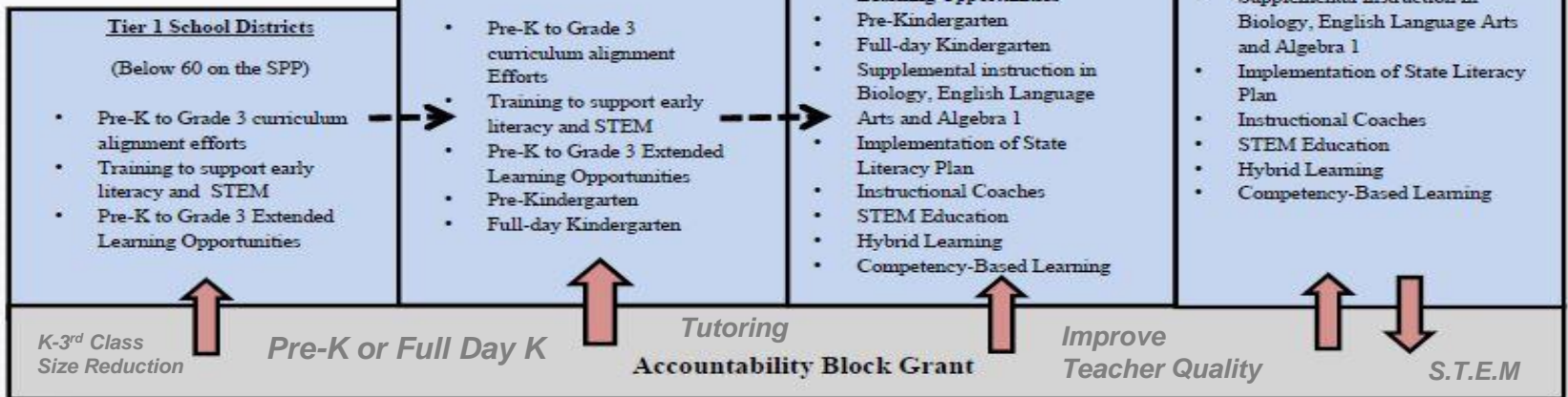
(60 to 69.9 on the SPP)

- Pre-K to Grade 3 curriculum alignment Efforts
- Training to support early literacy and STEM
- Pre-K to Grade 3 Extended Learning Opportunities
- Pre-Kindergarten
- Full-day Kindergarten

Tier 1 School Districts

(Below 60 on the SPP)

- Pre-K to Grade 3 curriculum alignment efforts
- Training to support early literacy and STEM
- Pre-K to Grade 3 Extended Learning Opportunities

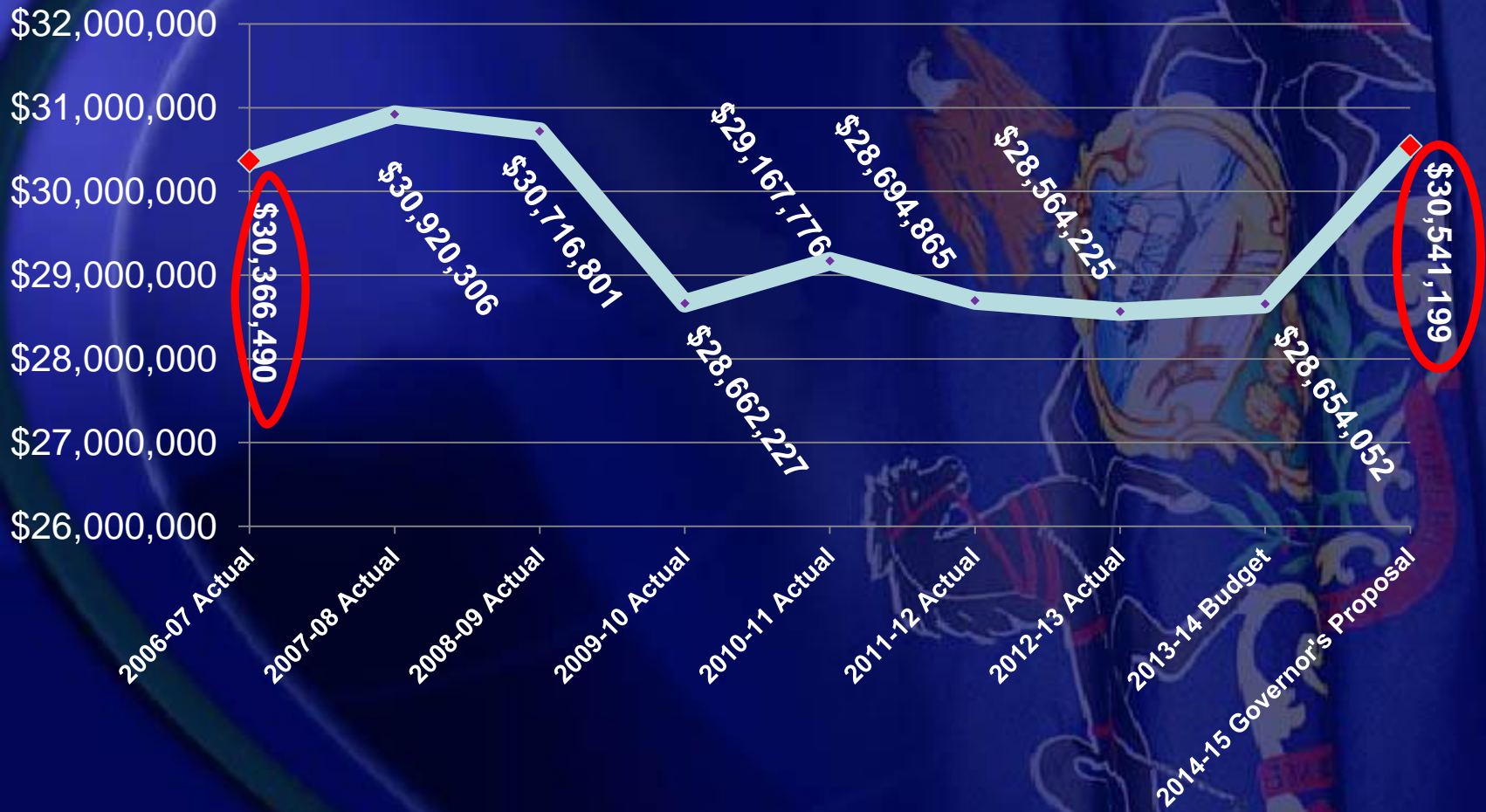


School districts in Tiers 1 and 2 may submit a waiver as part of their proposal to use for purposes described in Tiers 3 and 4.

Historical State Revenue for CBSD

2014-15 revenue proposal brings the district back to 2006-07 funding levels

Total State Subsidies *



* Does not include retirement, FICA, and Act 1 real estate tax rebate subsidy

Questions

- Will we get the full proposed extra funding?
 - Maybe, if the legislature agrees with the governor on reducing employer contributions into the retirement system **(see next slide)**
 - It is an election year, the governor is up for reelection, ½ of the senate, and all of the representatives. Election years usually mean some extra money
- Will this funding continue into the future?
 - Doubtful, at some point state retirement contributions must be increased and tobacco settlement and retirement collars are “one-time” sources of funding.
Perhaps treat this like federal stimulus funding?

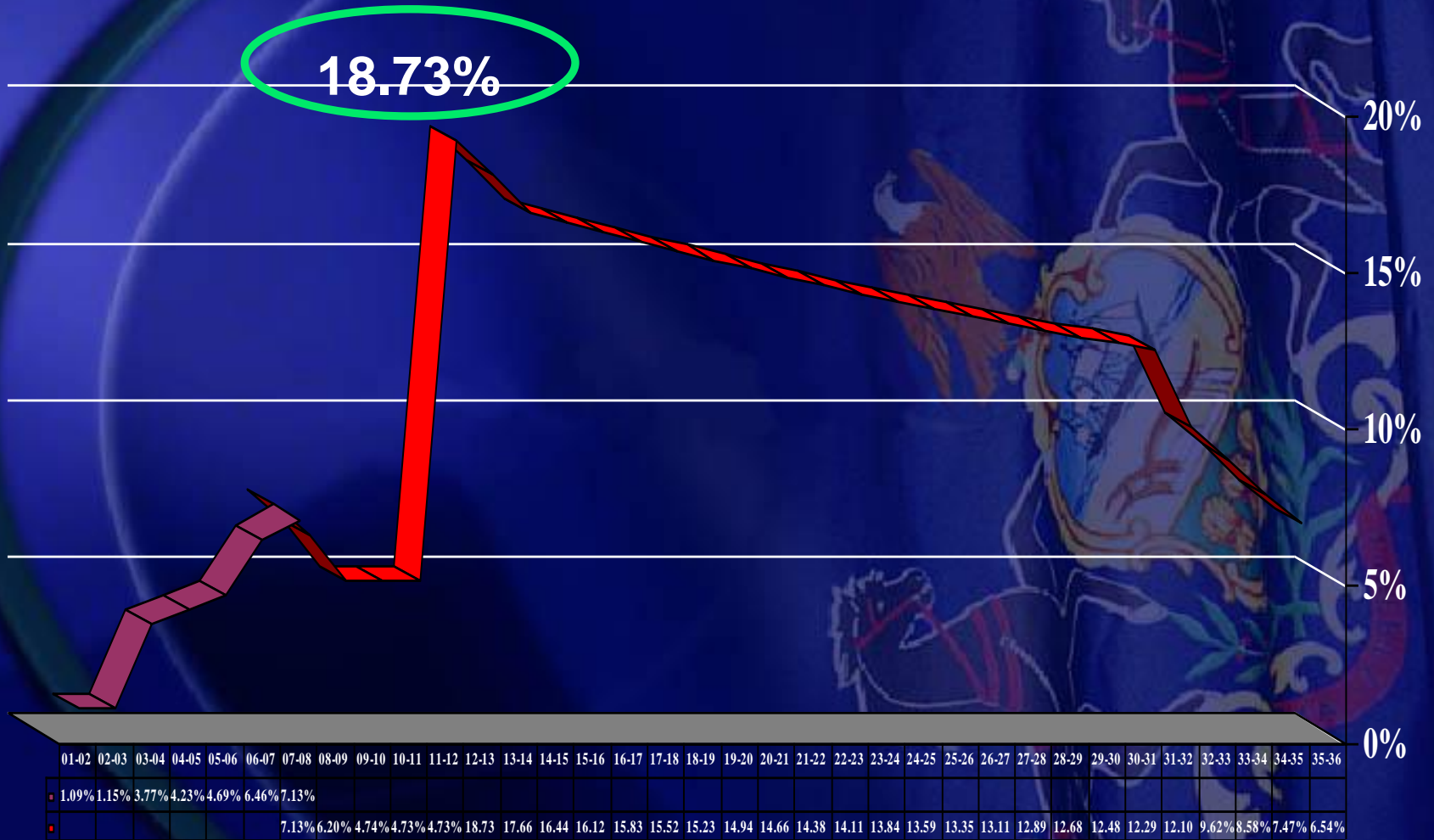
Let's Look at the Governor's Retirement Funding and Kicking the Can Down the Road

Year	Current PSERS Employer's Contribution %	Proposed Governor's Contribution %	CBSD Est. Deferred Contributions Under the Governor's Plan
2013-14	16.93%	14.61%	\$1,621,759
2014-15	21.40%	19.18%	\$1,582,892
2015-16	25.84%	21.93%	\$2,843,645
2016-17	29.27%	25.18%	\$3,034,045
2017-18	30.25%	28.93%	\$998,787
2018-19	31.28%	31.28%	\$0
			\$8,459,370

CBSD Budgeted for this contribution % for 2013-14 per the governor's last budget. But the legislature didn't approve. So CBSD underbudgeted for the PSERS retirement contributions in the current year (2013-14).

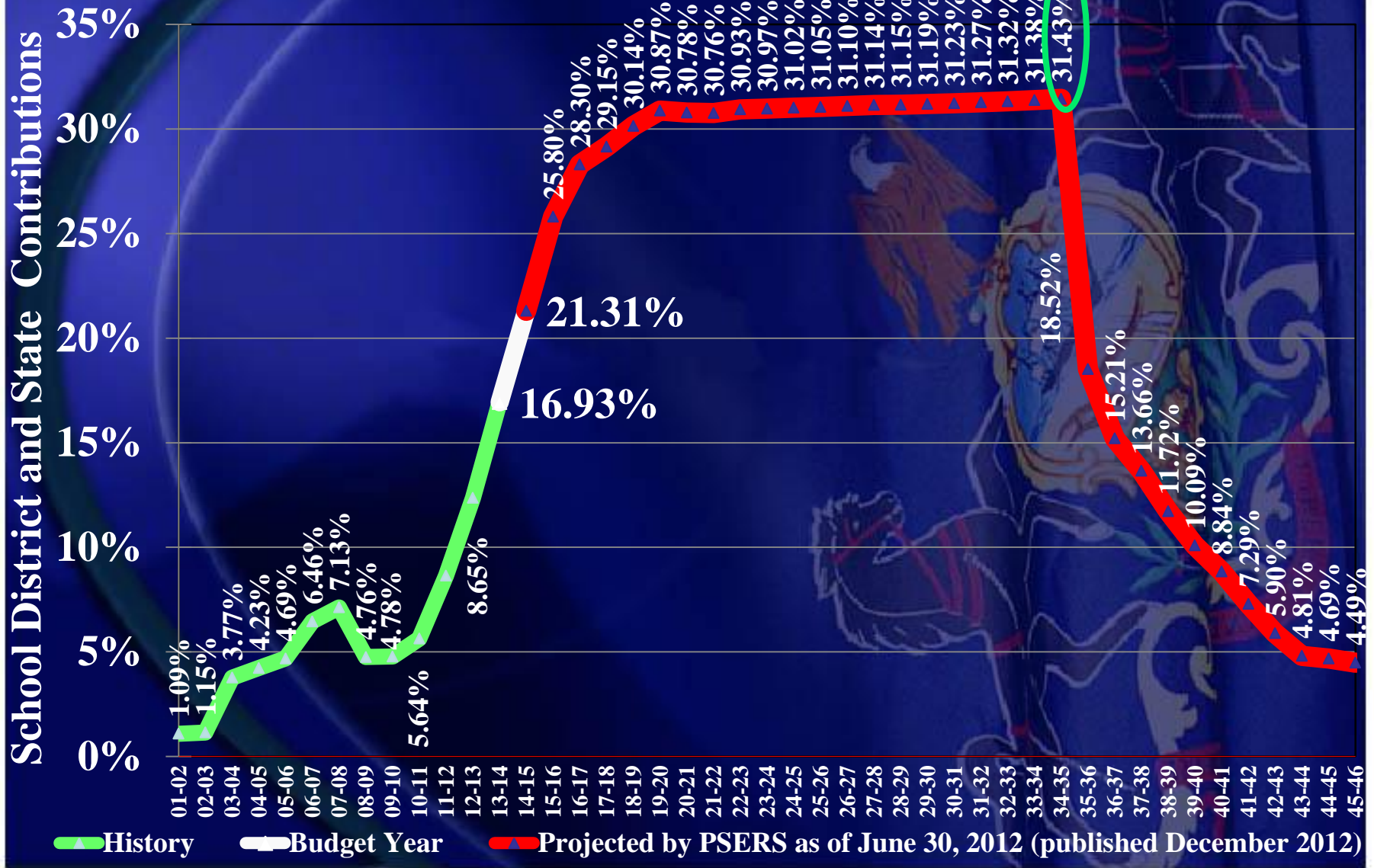
Note: Based upon the information provided, there is no way to tell if the Governor's retirement contribution rates will end up to be lower than the projected PSERS employer's contribution rates. The state legislature probably will not vote to adopt the governor's proposed changes to the PSERS funding formula until June 30th. This is after the CBSD schedule for final budget adoption.

Snapshot of the Employer Retirement Contribution - As of May 2007



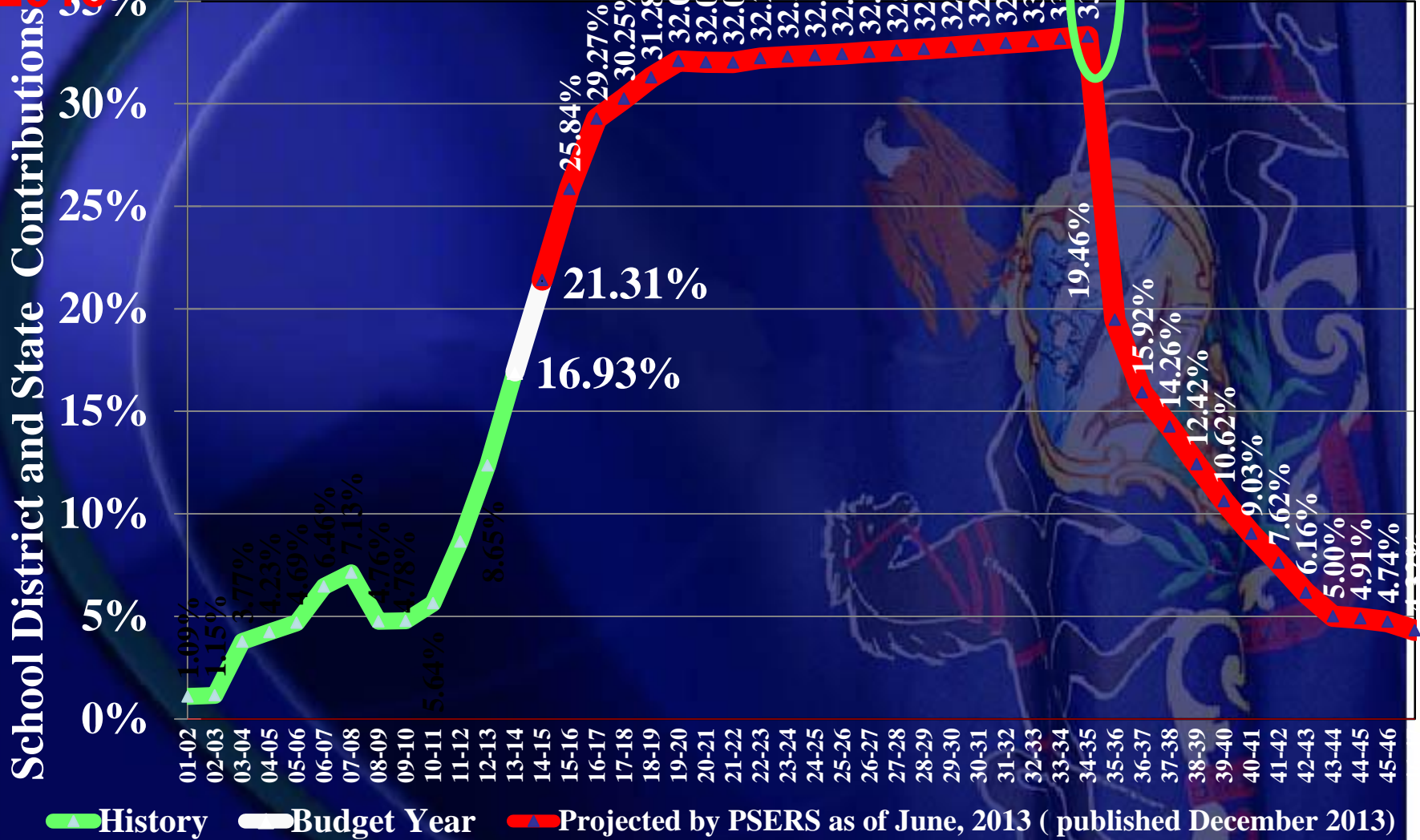
**Published
December 2012**

PSERS Retirement Contribution



Published
December
2013

PSERS Retirement Contributions



Real Estate Tax Rebate

More Casinos, No Increase

\$595,000,000 Available State Wide

Only One Third of Slot Machine Revenue Goes to Property Tax Relief

Distribution of Slot Machine Gross Terminal Revenue



Pennsylvania law mandates the following split of revenue from each dollar generated by slot machine gaming:

- Licensee Retained Earnings - 45%
- Gaming Fund Property Tax Reduction - 34%
- Race Horse Development Fund - 12%
- 66% - Purses
 - 4% - Health Insurance & Pension Benefits
 - 7% - PA Breeders Fund
 - 3% - PA Sire Stakes Fund
 - 3% - PA Standardbred Breeders Development Fund
 - 17% - General Fund
- Local Government Share - 4%
- Economic Development & Tourism Fund - 5%

Act 1 Tax Index + Exceptions

	Act 1 Index with Allowable Exceptions in Mills	Actual CBSD Millage Increase
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	2.0
2013-14	3.4	0.0
2014-15	4.9	?
Total Mills	36.7	20.7

Initiatives for 2014-15

- Return to Full Time Librarians at Elementary Schools
- Return 15 Hours per week in Duty Assistant Time to Elementary Schools (no benefits)
- Purchase Music Instruments K - 12
- More Wireless Network Access in Schools
- Expand Teacher Instructional Technology
- More Teacher Training Opportunities
- Add 2 floating staff nurses
- Teacher Contract

Expense Changes

Category	Amount
Salaries - projected based on teacher mid-year salary adjustments	1,583,493
Employee Benefits - based upon guidance from Amerihealth, Aetna, and Aon-Hewett	(88,540)
Elementary librarian initiative, 1.0 F.T.E.	71,500
7.5 F.T.E. Building based duty assistants initiative - no health care benefits	172,116
Music instruments initiative K - 12 (strings, woodwinds, brass, percussion, and software updates)	220,000
Wireless network initiative high schools (paid by the technology capital fund)	\$250,000
Wireless network initiative middle schools (paid by the technology capital fund)	\$300,000
Wireless network initiative elementary schools (paid by the technology capital fund)	\$100,000
Faculty virtual desktop - allows faculty access to data and software from home	\$30,000
Athletic uniform replacement initiative	47,000
Instructional training initiative - less federal funding means more burden on the general fund budget	20,000
2 Floating part time staff nurses, 3.5 hours per day each - health room - no benefits	30,000
Total Adjustments	\$2,055,569

Expense Summary

Category	2014-15	2013-14	% Change
Salaries	140,787,200	141,585,869	-0.56%
Employee Benefits	71,840,476	69,363,672	3.57%
Prof. Services, Special Ed., EIT Tax, Legal	6,433,000	6,685,145	-3.77%
Electricity, Rentals, Repairs	5,964,900	8,571,450	-30.41%
Contracted Services, Transp., MBIT, IU, Charter Sch	20,344,506	19,800,128	2.75%
Supplies, Natural Gas, Diesel, Heating Oil	7,395,400	8,794,285	-15.91%
Equipment	1,276,500	1,151,522	10.85%
Interest Payments on Bonds	7,551,526	10,906,911	-30.76%
Prin., Buses, Technology, Renovations, GASB 45 & Debt Pay Off	39,945,000	23,825,000	67.66%
Total budget	\$301,538,508	\$290,683,982	3.73%

Summary

- CBSD Could See more State Subsidy
 - State subsidy levels are uncertain at this point
 - How Much of the Governor's Proposed \$1.25M Subsidy Increase for CBSD will we Actually Receive?
 - Reminder the Legislature did not Agree with the Governor's Plan to Reduce Retirement Contributions for 2013-14
 - If the Legislature does not Agree to the Reduced Retirement Contributions, the Governor will have \$170M less to Give to School Districts.
- Act 1 limits real estate tax increases
 - Base index is a 2.1% increase
 - Retirement and Special Ed. Exceptions are 1.9% for a total of 4%, but we do not expect to use the exceptions

