

# 2015-16 Budget Update

March 24<sup>th</sup>, 2015

# Presentation Overview

- Proposal to Continue Construction Debt Prepayment Plans
- Review the Governor's Budget for 2015-16
- Impact of Governor's Budget on CBSD
- Status of CBSD Budget Development

# \$40M Construction Debt Prepayment

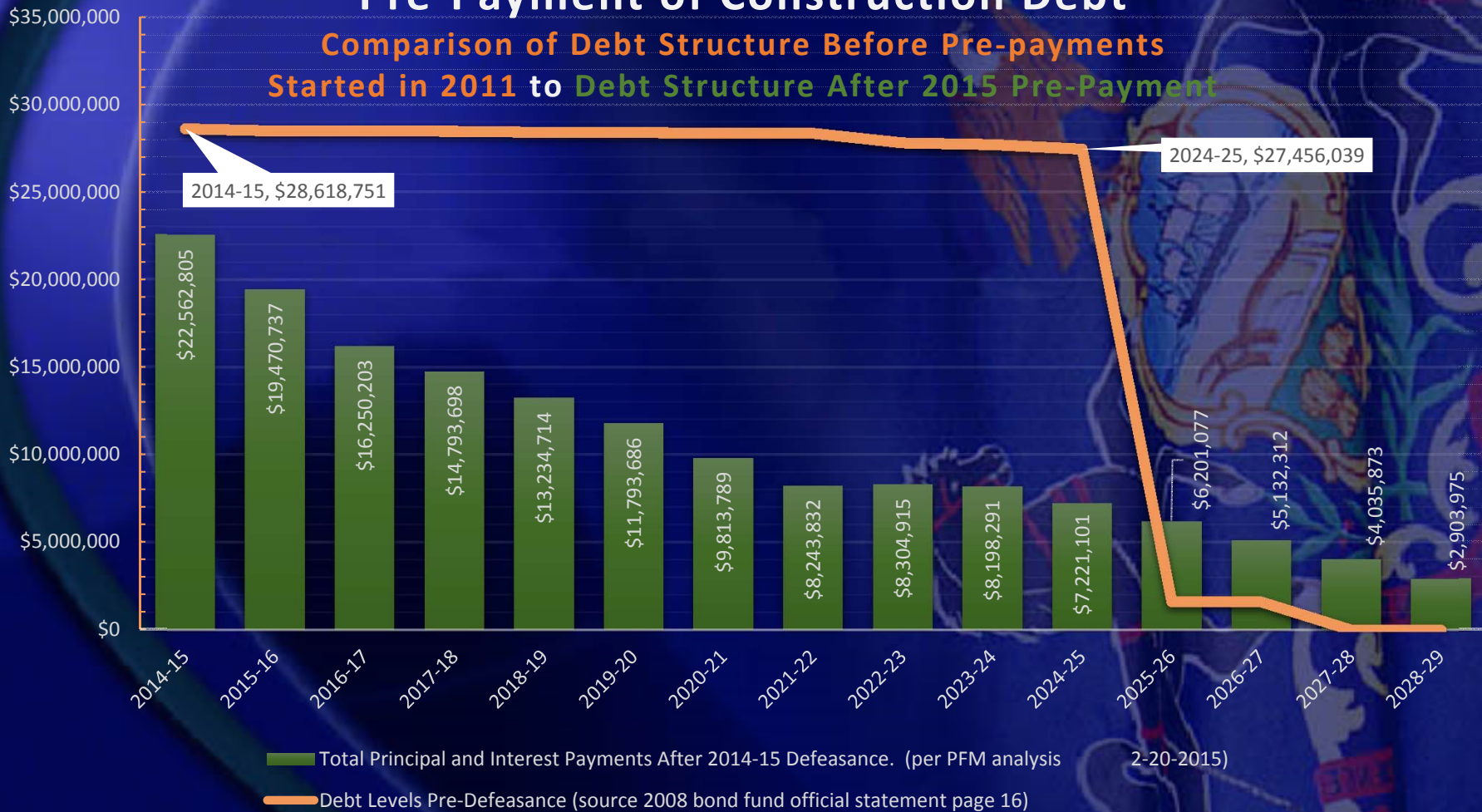
11	12	13	14	15	16	17	18
Fiscal Year Ending	Existing Local Effort	2005 Bonds Defeased Local Effort	2011A Bonds Defeased Local Effort	2011B Bonds Defeased Local Effort	2011C Bonds Defeased Local Effort	Total Defeased Local Effort	Net Overall Local Effort
6/30/2015	22,562,805						22,562,805
6/30/2016	21,545,879	685,195	274,096	475,755	640,096	2,075,142	19,470,737
6/30/2017	21,725,440	2,641,405	274,096	475,755	2,083,981	5,475,238	16,250,202
6/30/2018	20,298,287		2,469,763	475,755	2,559,071	5,504,590	14,793,698
6/30/2019	17,281,054		1,337,426	2,189,744	519,170	4,046,340	13,234,714
6/30/2020	14,143,170		521,797	1,308,517	519,170	2,349,483	11,793,687
6/30/2021	10,855,541		160,453	362,129	519,170	1,041,752	9,813,790
6/30/2022	9,285,584		160,453	362,129	519,170	1,041,752	8,243,833
6/30/2023	9,346,667		160,453	362,129	519,170	1,041,752	8,304,915
6/30/2024	9,530,976		382,432	431,083	519,170	1,332,685	8,198,292
6/30/2025	9,700,405		429,241	1,530,893	519,170	2,479,303	7,221,102
6/30/2026	9,862,862		2,842,544	300,071	519,170	3,661,785	6,201,078
6/30/2027	10,023,876			1,265,421	3,626,143	4,891,564	5,132,312
6/30/2028	10,151,758			2,340,112	3,775,773	6,115,885	4,035,873
6/30/2029	10,260,266			3,516,263	3,840,028	7,356,292	2,903,974
<b>TOTAL</b>	<b>206,574,571</b>	<b>3,326,600</b>	<b>9,012,754</b>	<b>15,395,760</b>	<b>20,678,448</b>	<b>48,413,562</b>	<b>158,161,010</b>



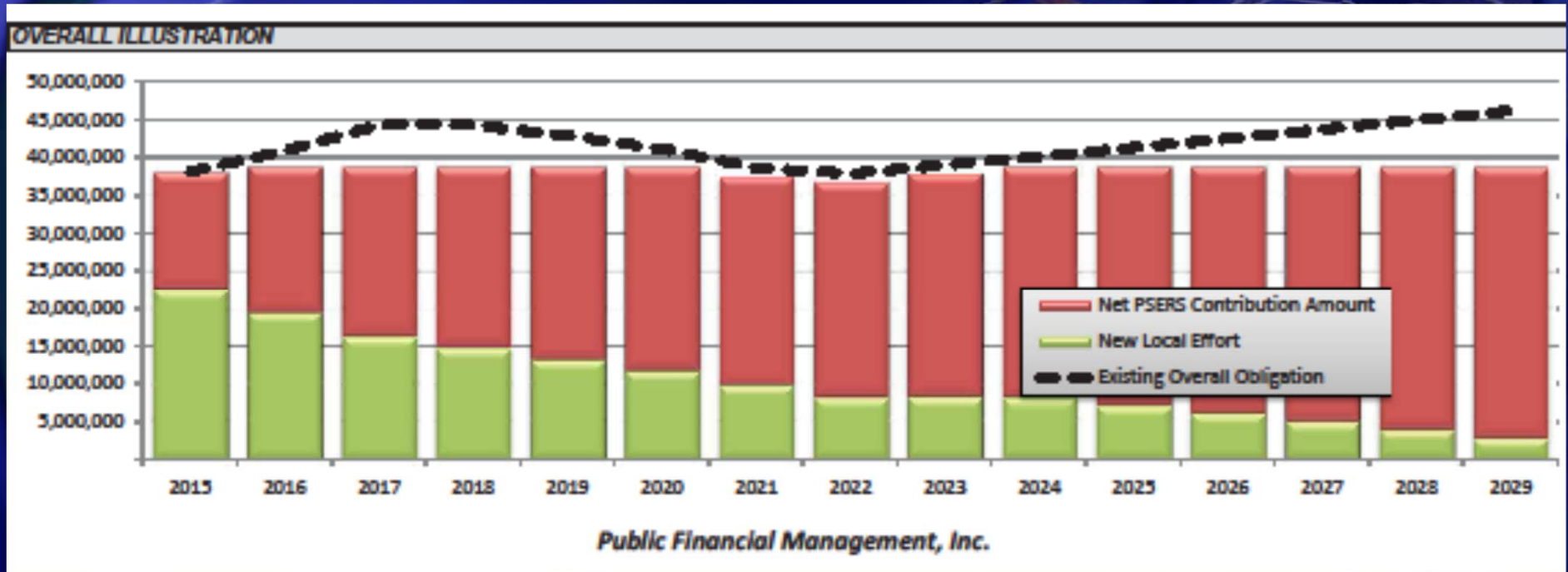
# Reducing Debt Since 2008

## Pre-Payment of Construction Debt

Comparison of Debt Structure Before Pre-payments Started in 2011 to Debt Structure After 2015 Pre-Payment



# Eliminating the Pressure of State Pension Costs on Future Budgets



# Funding for the \$40M Prepayment

## Source of Funds for Debt Defeasance

Fund 4 Debt Service	Bank	Amount
	TD Bank	7,000,000
	PSDLAF (Full Flex)	8,000,000
	TD Bank(GF Pending Transfer to Fund 4)	<u>10,000,000</u>
		\$25,000,000
* Fund 1 Use of Fund Balance	TD Bank	\$9,000,000
Fund 1 Expected Positive Rev/Exp Variance from 2014-2015 Operations (3M Rev + 3M Exps)	Various Banks	\$6,000,000
		<u>\$40,000,000</u>
<b>Total Defeasance Amount</b>		
* Fund Balance	\$18,024,326	approximately 6% of 2014-15 budget
Less Proposed use of Fund Balance	<u>\$9,000,000</u>	
Projected Fund Balance as of 6/30/2015	\$9,024,326	
* % of 2014-15 General Fund Budget of \$301,538,509	2.99%	





# Overview of the Governor's Proposed Budget for the State

# Governor Wolf's 2015-16 State-Wide Education Budget Proposal

- K-12
  - \$400M increase in Basic Ed. Funding
  - \$100M increase in Special Ed. Funding
  - \$25M increase in Career and Tech. Funding
  - \$160M saving in cyber charter school reforms
- Pre K
  - \$100M Pre-K Counts
  - \$20M Head State Supplement



# \$4B Per Year Property Tax Relief Proposal

- New taxes to fund property tax relief
  - Increase personal income tax from 3.07% to 3.7%
  - Increase the state sales tax from 6% to 6.6%
    - Sales tax would now apply to services (excludes food / clothes / R<sub>x</sub>)
    - <http://www.post-gazette.com/news/state/2015/03/06/More-goods-services-to-be-taxed-under-Wolf-proposal/stories/201503060173>
  - Natural gas extraction tax of 5%
  - Estimates are the CBSD residents would see a property tax reduction of 18%
  - The governor proposes that property tax relief will be implemented for the 2016-17 fiscal year

# Impact of the Governor's Budget on CBSD

What are the Projected  
2015-16 State Subsidies  
for CBSD?



# Revenue Budget

## Revenue Budget Summary Highlights

As of 3/24/2015 11:53

	2015-16 Budget	2014-15 Projection	2014-15 Budget	Budget to Projection \$ Δ	Budget to Projection % Δ
<b>Local Revenues - 6000's</b>					
6111 CURRENT REAL ESTATE TAXES	209,327,280	207,694,432	206,851,191	1,632,848	0.79%
6112 INTERIM REAL ESTATE TAXES	2,000,000	1,995,000	1,543,922	5,000	0.25%
6151 EARNED INCOME TAX	22,000,000	21,965,985	20,775,000	34,015	0.15%
6153 REAL ESTATE TRANSFER TAX	4,522,500	4,500,000	4,000,000	22,500	0.50%
<b>Total Local Revenues</b>	<b>248,289,280</b>	<b>246,910,980</b>	<b>243,464,259</b>	<b>1,378,300</b>	<b>0.56%</b>
<b>State Revenues - 7000's</b>					
7110 BASIC INSTRUCTIONAL SUBSIDY	17,781,941	16,227,940	16,227,940	1,554,001	9.58%
7271 SPECIAL EDUC OF EXCEPT PUPILS	7,762,441	7,286,226	7,365,010	476,215	6.54%
7810 SOCIAL SECURITY REIMBURSEMENT	5,170,000	5,084,942	5,084,942	85,058	1.67%
7820 RETIREMENT PAYMENTS REIMBURSEMENT	18,125,000	14,772,536	14,772,536	3,352,464	22.69%
<b>Total State Revenues</b>	<b>60,509,375</b>	<b>55,149,859</b>	<b>55,976,892</b>	<b>5,359,516</b>	<b>9.72%</b>
<b>Federal Revenues - 8000's</b>					
<b>Total Federal Revenues</b>	<b>1,607,358</b>	<b>1,607,358</b>	<b>1,607,358</b>	<b>0</b>	<b>0.00%</b>
<b>Other Financing Revenues - 9000's</b>					
<b>Total Other Financing</b>	<b>490,000</b>	<b>490,000</b>	<b>490,000</b>	<b>0</b>	<b>0.00%</b>
<b>Total Yearly Revenue</b>	<b>310,896,013</b>	<b>304,158,197</b>	<b>301,538,509</b>	<b>6,737,816</b>	<b>2.22%</b>



# How Can Additional State Appropriations be Used?

- Academic and other enrichment programs and courses
- Additional instructional time for students by extending the school day and/or year
- Summer learning programs
- Professional development, curriculum, classroom materials and other strategies
- Hybrid/innovative learning options

<http://www.scribd.com/doc/259039055/Letter-to-Superintendents>

# Expense Budget

## 2015-16 Summary of the Expenditure Budget

Budget Summary by Object:	2015-16 Proposed Budget	% Increase 2014-15 Projected Actual to 2015-16 Budget	2014-15 Budgeted Expenses	2014-15 Projected Actual Expenses	2014-15 Budget to 2014-15 Projected Actual Variance
100 Payroll added elem initiative \$407k	147,204,345	3.6%	140,746,522	142,058,074	1,311,552
200 Benefits added elem initiative \$224k	74,542,493	8.3%	71,950,411	68,857,928	(3,092,483)
300 Professional Serv, IU, OT/PT	5,293,225	2.1%	5,524,476	5,183,626	(340,850)
400 Utilities, grounds, snow, alarms	7,093,578	4.8%	7,083,583	6,770,371	(313,212)
500 Transportation, Insur, Comm	19,845,756	1.8%	20,016,837	19,493,766	(523,071)
600 Supplies, diesel, gasoline, books	7,267,128	-0.1%	7,475,689	7,273,179	(202,510)
700 Equipment	906,878	26.6%	1,276,535	716,074	(560,461)
800* Interest, due, fees	6,629,945	-6.1%	7,071,526	7,064,207	(7,319)
900** Principal & Transfers	42,112,665	5.6%	40,363,890	39,883,890	(480,000)
<b>TOTALS</b>	<b>310,896,013</b>	<b>4.6%</b>	<b>301,509,469</b>	<b>297,301,115</b>	<b>(4,208,354)</b>

The 2015-16 budget as of 3/18/2015 shows an increase of \$2,628,273 compared to the preliminary budget. Most of the major category figures have some changes, but the interest category and transfer category show the most change.

6,564,939	* Interest payments \$432,376 decrease (assumes defeasance)
13,813,000	** Principle payments on debt (decreased \$2,075,000 over 14-15, assumes defeasance)
5,330,000	** Transfers to Short Term Capital (+ \$1M over 2014-15)
8,489,665	** Transfers to Long Term Cap (+ \$5,325,000 state subsidies, defeasance, & refining budget, one year technology reduction)
1,000,000	** Transfers to transportation Capital ( no change over 2014-15)
12,000,000	** Transfer to Debt Service Fund (increased by \$1.2M over 14-15)
0	** Transfer to Technology (reduce \$2M due to high balances)
1,000,000	** Transfer to OPEB (reduce \$1M to gradually meet OPEB requirements)
480,000	** Health Care Contingency (reduced by \$260,000 over 2014-15)
<b>\$42,112,665</b>	** Summary of Principal and Transfers

# Governor Wolf's Plan for the State Pension System

- Do not privatize the state liquor stores
- But, enhance their efficiency to generate more state revenue
- Use the extra revenue from state stores to fund a \$3B pension bond
  - Pension bond will
    - Reduce future employer contribution rates to PSERS
    - Reduce pension unfunded liabilities



# Initiatives for 2015-16

- Continue to Implement Wireless Network Access in Schools
- Continue to Expand Teacher and student Instructional Technology
- Elementary Initiative:
  - Adds about 12 elementary teachers
    - Budget impact is about 8 new positions (anticipate reducing 4 teaching positions due to enrollment decline)
  - Will increase expenses by approximately \$630,000
    - More information to be provided at the next curriculum committee meeting

# Act 1 Tax Index + Exceptions

	with Allowable Exceptions in Mills	CBSD Millage Rate	Millage Increase	% Increase in the Millage Rate	Status
2007-08	5.9	105.87	3.8	3.47%	Actual
2008-09	5.6	110.50	4.6	4.37%	Actual
2009-10	5.4	114.80	4.3	3.89%	Actual
2010-11	4.7	119.20	4.4	3.83%	Actual
2011-12	3.2	120.80	1.6	1.34%	Actual
2012-13	3.6	122.80	2.0	1.66%	Actual
2013-14	3.4	122.80	0.0	0.00%	Actual
2014-15	4.9	124.10	1.3	1.06%	Actual
2015-16	4.0	124.10	0.0	0.00%	Proposed



# 2015-16 Budget Status

- Administration is very comfortable with recommending no millage increase for 2015-16.
- Revenues are higher - Governor's allocation of Basic and Special Ed. subsidies (\$2M increase).
  - (originally anticipated no increase in state funding).
  - Local revenues continue to trend upward.
- Elementary Initiative to add a net of approximately 8 new teachers will increase expenses by approximately \$630,000 in salary and benefits.
  - January 27<sup>th</sup> preliminary budget \$308,267,740.
  - March 24<sup>th</sup> proposed budget \$310,896,013
- Another round of debt defeasance will cut 2015-16 principal and interest expenses by over \$2M (adjusted long term capital transfers for Holicong and Unami renovations upward)



# Summary

- CBSD Could See more State Subsidy
  - How Much of the Governor's Proposed Subsidy Increase for CBSD will we Actually Receive?
- The elementary initiative will comply with the governor's requirement that extra state funding must be used for enrichment, remediation, or extended learning opportunities
- Odds are that the state budget will not be adopted prior to June 30<sup>th</sup> due to its complexity

