

2016-17 Budget Update

March 22nd, 2016

Presentation Overview

- Review the Governor's Budget for 2015-16
- Impact of Governor's Budget for 2016-17
- Status of CBSD Budget Development

Overview of the Governor's Proposed Budget, and the Impact on CBSD for 2015-16 & 2016-17



2015-16

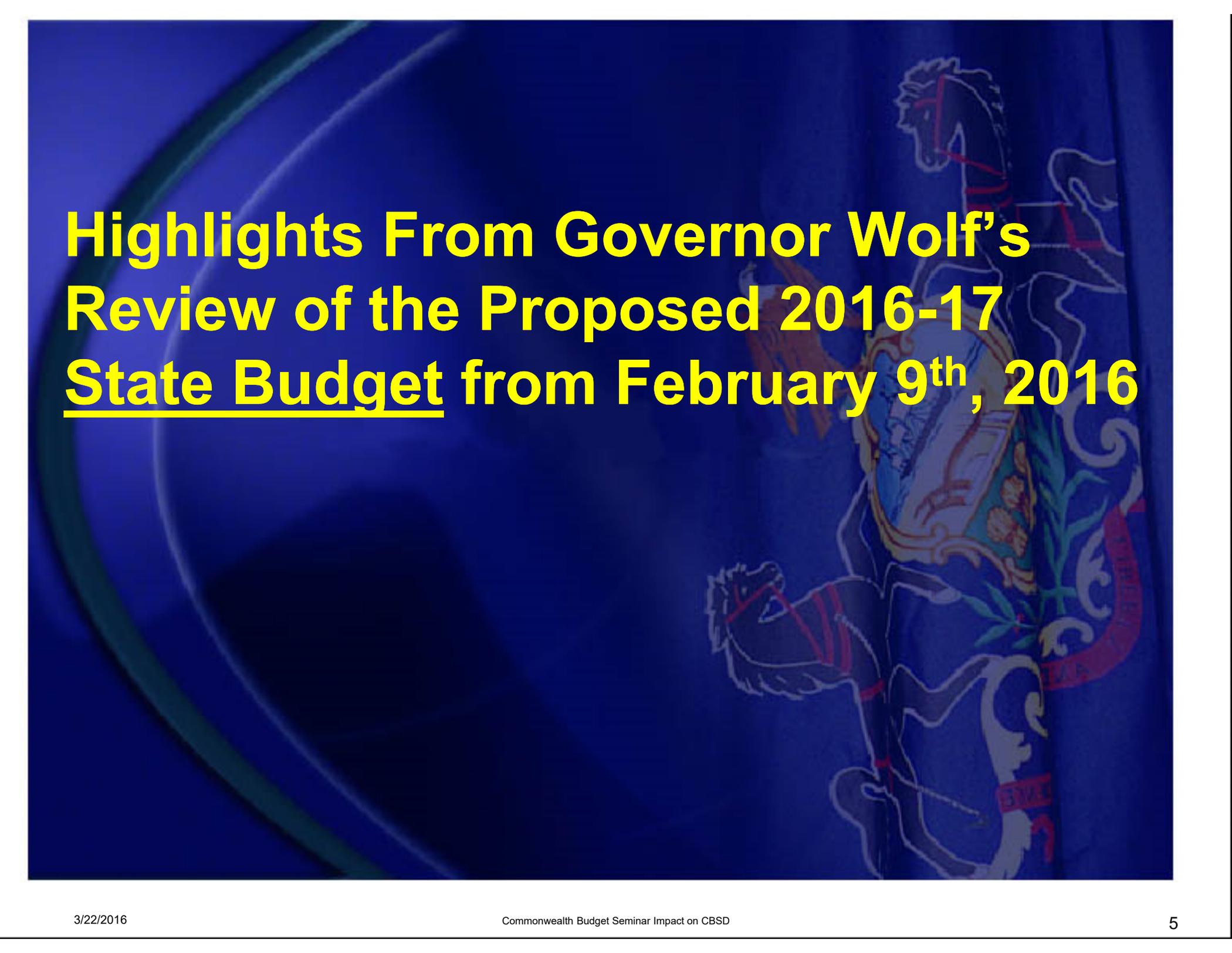
Current Vetoed (blue lined) Budget

| <u>State Subsidies to CBSD</u> | 2015-16 Revenue Budget | Estimated Revenues 3/22/2016 | Variance |
|--------------------------------|------------------------------|------------------------------------|---------------------|
| Basic Instructional Subsidy | \$17,781,941 | \$16,345,166 | -\$1,436,775 |
| Special Education Subsidy | \$7,762,441 | \$7,061,965 | -\$700,476 |
| Ready to Learn Block Grant | \$0 | \$819,808 | \$819,808 |
| | \$25,544,382 | \$24,226,939 | -\$1,317,443 |

November Finance

Meeting Was +222k

| | | | |
|--|---------------------|---------------------|---------------------|
| Construction Reimbursement | \$1,082,720 | \$0 | -\$1,082,720 |
| Soc. Sec. Cash flow (May & June Delayed until July & August) | \$5,386,176 | \$5,386,176 | \$0 |
| | \$32,013,278 | \$29,613,115 | -\$2,400,163 |



Highlights From Governor Wolf's Review of the Proposed 2016-17 State Budget from February 9th, 2016

Pennsylvania 2016-17 Proposed Budget

- \$33.1 billion budget **7% increase**
- \$2.2 billion increase over proposed 2015-16
 - \$1.6 billion in mandated cost increases
 - Debt: \$100 million
 - Corrections: \$178 million
 - Human Services: \$800 million
 - Pensions: \$500 million
 - \$500 million increase to school districts
 - \$120 million other

Overall Summary of Governor Wolf's State Education Budget for 2016-17

Basic Education Subsidies for all School Districts

- 2015-16 Increase by \$377M (not adopted by the legislature – to date)
- 2016-17 Increase by \$200M 3.3% over Proposed 2015-16

Special Education Subsidies for all School Districts

- 2015-16 Increase by \$50M (not adopted by the legislature – to date)
- 2016-17 Increase by \$50M 4.6% over Proposed 2015-16

Reestablish School Construction Reimbursement Funding (PLANCON)

- 2015-16 \$0
- 2016-17 \$306M

The State Budget Must be Adopted by June 30th, 2016

What are the Chances of a State Tax Increase Before Legislative Elections in November 2016?

Governor's Tax Proposal

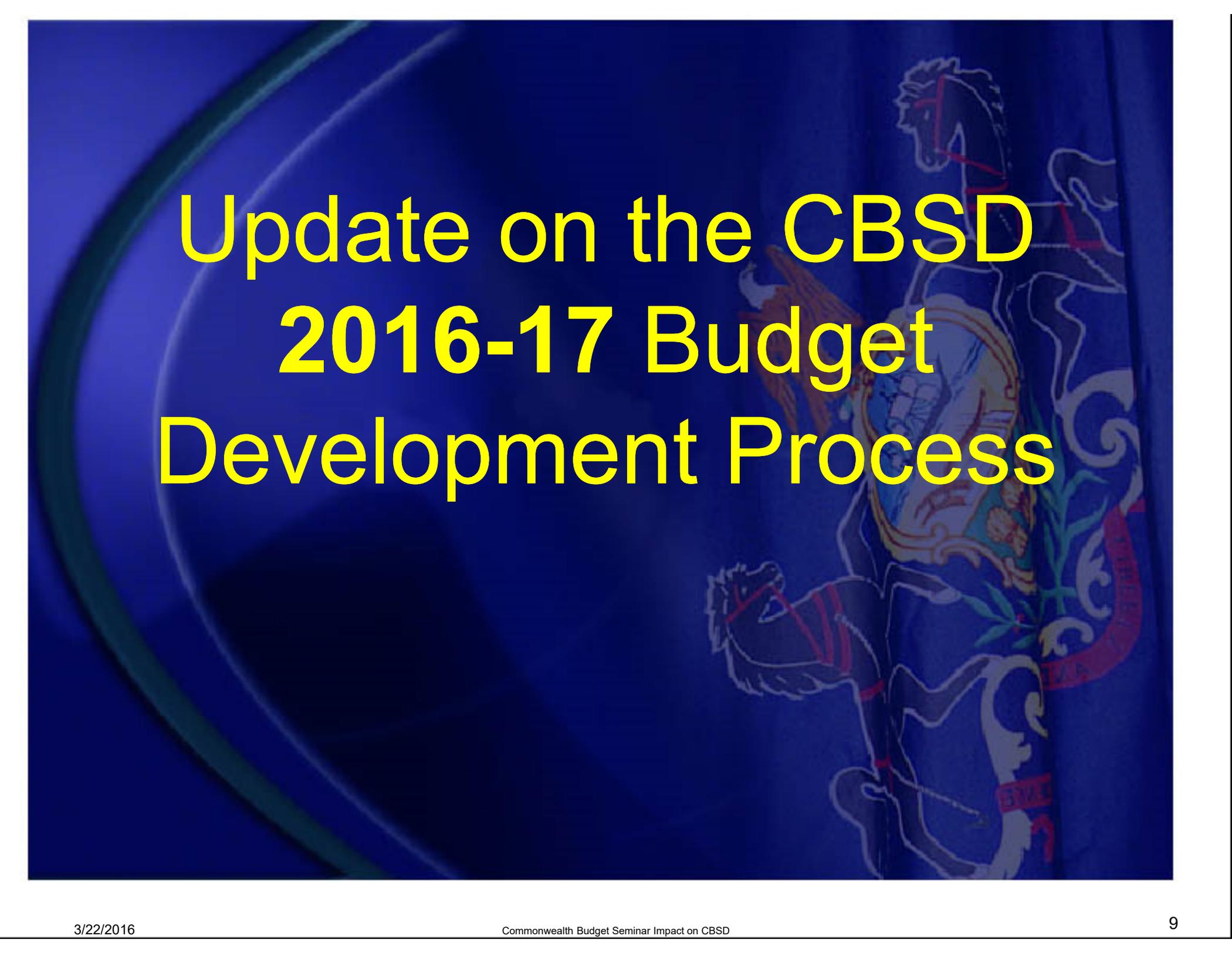


GOVERNOR WOLF

SCHOOLS THAT TEACH • JOBS THAT PAY • GOVERNMENT THAT WORKS

SUSTAINABLE REVENUE PACKAGE

| <i>(Dollar amounts in millions)</i> | | 2016-17 |
|--|--|------------------|
| Personal Income Tax increase from 3.07% to 3.4% | | \$1,294.4 |
| Sales Tax Base expansion | Sales and Use Tax -Expansion to basic cable, movie tickets, digital downloads | 414.6 |
| Bank Share Tax increase from .89% to .99% | | 39.2 |
| Insurance Premiums Tax surcharge for P+C and Fire of .5% | | 100.9 |
| Cigarette Tax increase from \$1.60 to \$2.60 per pack | | 468.1 |
| Other Tobacco Products tax at 40% | | 136.0 |
| Severance Tax at 6.5% with Impact Fee credit | | 217.8 |
| Gaming Promotional Play tax at 8% | | 50.9 |
| Total | | \$2,721.9 |



Update on the CBSD 2016-17 Budget Development Process

2016-17 CBSD Budget Snapshot: 0% Tax Increase

| Category | 2016-17 Budget | 2015-16 *** Projected Actual | 2014-15 Actual | % Change 15-16 to 16-17 |
|---|----------------------|------------------------------------|----------------------|----------------------------|
| Local Revenue 0 % Tax Increase as of 3/22/2016 | 253,629,997 | 252,852,971 | 248,376,655 | 0.31% |
| State Revenue | 63,029,595 | 59,221,945 | 55,457,419 | 6.43% |
| Federal Revenue | 2,116,000 | 2,161,573 | 2,050,534 | -2.11% |
| Total Revenues | 318,775,592 | 314,236,489 | 305,884,608 | 1.44% |
| Salaries | 151,768,589 | 146,404,160 | 142,344,496 | 3.66% |
| Employee Benefits | 86,575,507 | 77,272,406 | 68,237,505 | 12.04% |
| Prof. Services, Special Ed., EIT Tax Fees, Legal | 6,371,765 | 5,375,675 | 5,357,676 | 18.53% |
| Electricity, Rentals, Repairs, Copiers | 6,670,535 | 6,566,785 | 6,017,507 | 1.58% |
| Contracted Services, Transp., MBIT, IU, Charter Sch | 20,841,380 | 20,822,635 | 19,397,812 | 0.09% |
| Supplies, Natural Gas, Diesel, Heating Oil | 7,279,986 | 7,267,128 | 7,247,502 | 0.18% |
| Equipment | 932,430 | 947,778 | 538,324 | -1.62% |
| Principal & Interest Payments on Bonds, Dues and Fees | 16,335,400 | 19,560,144 | 22,883,042 | -16.49% |
| Technology, Buses, Renovations & Long Term Capital | 22,000,000 | 26,799,665 | 26,753,330 | -17.91% |
| Total Expenses | \$318,775,592 | \$311,016,376 | \$298,777,194 | 2.49% |
| Variance of Revenues and Expenses | \$0 | \$3,220,113 | \$7,107,414 | |

*** if state revenues approximate projections ***

Act 1 Tax Index + Exceptions

| | Act 1 Index 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 | 3.7 | 124.10 | 0.0 | 0.00% | Actual |
| 2016-17 | 4.3 | 124.10 | 0.0 | 0.00% | Proposed |

Capital Planning

(in millions)

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------------|
| Transportation | \$1.0 | \$1.0 | \$1.0 | \$1.0 | \$1.0 | |
| Technology | \$2.0 | \$2.0 | \$2.0 | \$2.0 | \$2.0 | |
| Short Term Capital | \$12.0 | \$11.0 | \$11.0 | \$10.0 | \$10.0 | |
| Long Term Capital | \$7.0 | \$7.0 | \$5.3 | \$3.6 | \$1.9 | 5 year total \$24.8 |
| Debt Service | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | |
| Total | \$22.0 | \$21.0 | \$19.3 | \$16.6 | \$14.9 | |

Long Term Capital:

Athletic Fields, Energy Efficiency Projects, Major Building renovations, etc.
Could also be used for education initiatives

Major Goals for the 2016-17 Budget

- Keep tax increases at an absolute minimum
- Prepare for the large retirement rate increases over the next two years
- Continue to find ways to minimize the growth in health care costs
- Plan for future debt reduction
 - No future borrowing, pay cash for Technology, Buses, and Renovations
- Continue to fund and assess district initiatives for 2016-17
 - Finalize elementary wireless network access
 - Expand Extra Duty Responsibilities (EDR's)
 - Establish iPad carts for grades 3 through 6 classroom use
 - Maintain our class size
 - Add 4 teachers to the Q.U.E.S.T. program (expense offset by enrollment decline)
 - Update materials for elementary math

PA Auditor General Goals for School District Financial Stability Reviews

Financial Position/Stability

Why is it important?

- ✓ Fiscal health is key to ensuring that Districts can meet primary mission of educating students.

What do we review?

- ✓ General Fund balance
- ✓ Operating Position
- ✓ Debt Service
- ✓ Annual Budgets
- ✓ Charter School Expenses

Financial Position/Stability

What are we finding?

- ✓ Declining fund balances
- ✓ Annual Operating Losses
- ✓ Increased borrowing leading to higher debt service payments
- ✓ Actual expenses exceeding budgeted expenses
- ✓ Increasing charter school expenses

Next Steps...

Board of School Directors

- April 26th, Consideration of the Proposed Final Budget
- Expenditure Increase of 2.5% or \$7,759,216 over projected actual
 - Retirement expense \$7,584,580 is about 98% of the increase
- Final Budget Adoption is Scheduled for June 14th

Superintendent and Cabinet

- Refine Staffing Needs
- Refine Health Care Numbers
- Refine Revenue Projections
- Refine Expenditure Projections
- Analyze the Governor's / Legislator's 2016-17 Budget - when available