

SAVE OUR SCHOOLS---
---SAVE OUR STUDENTS

Hourglass Foundation and the
Pennsylvania Economy League,
Central Division

January 12, 2011

Lancaster, PA

School Budgets...

The Present...*and...*

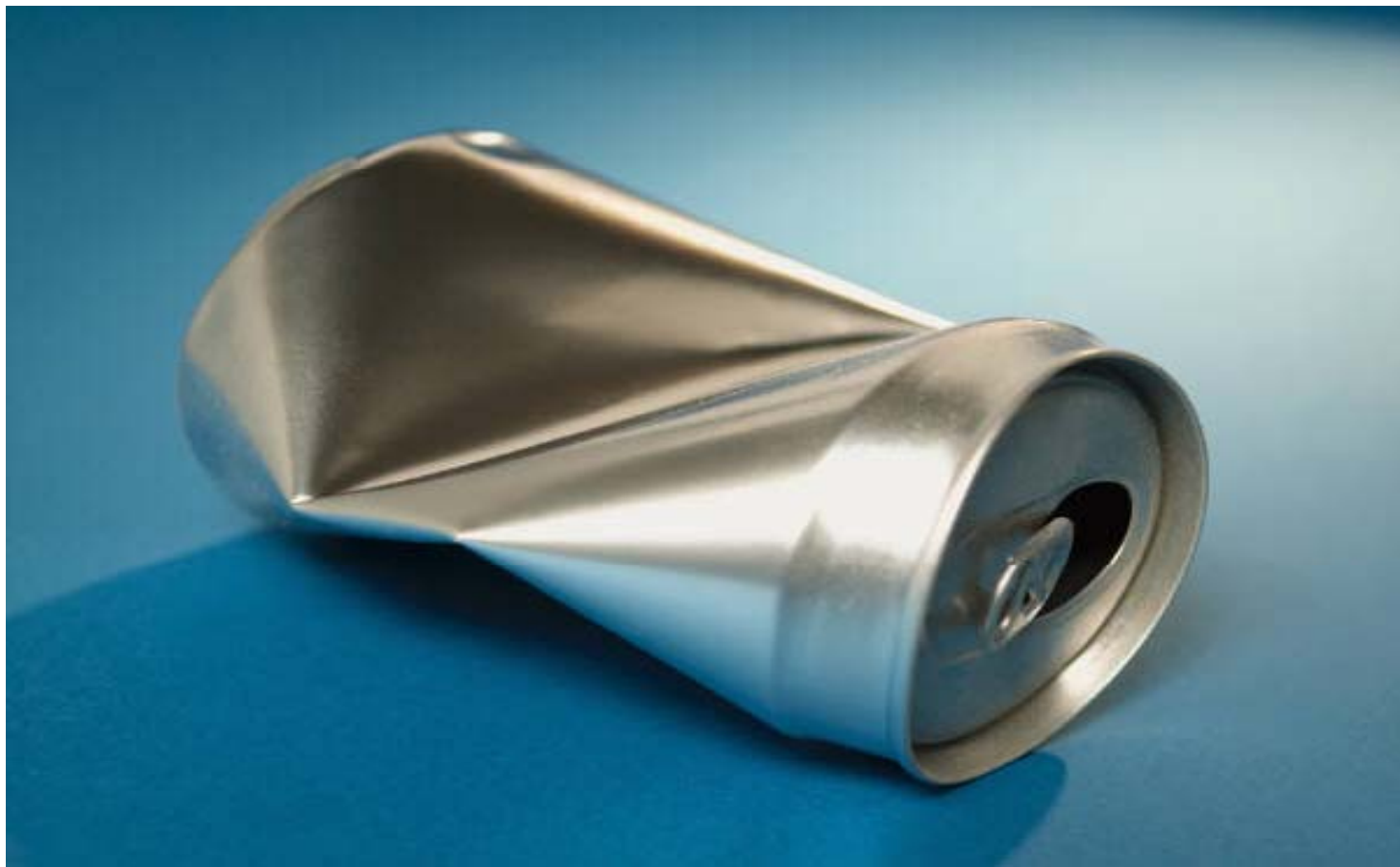


The Future...

What we can see...



Kicking 'this' down the Road...
Is Not Permitted...



Two Budgets

REVENUES and EXPENDITURES



Expenditures have different weights



Revenues Have Different Weights

**OTHER
SOURCES**

**FEDERAL:
REGULAR
and
STIMULUS**

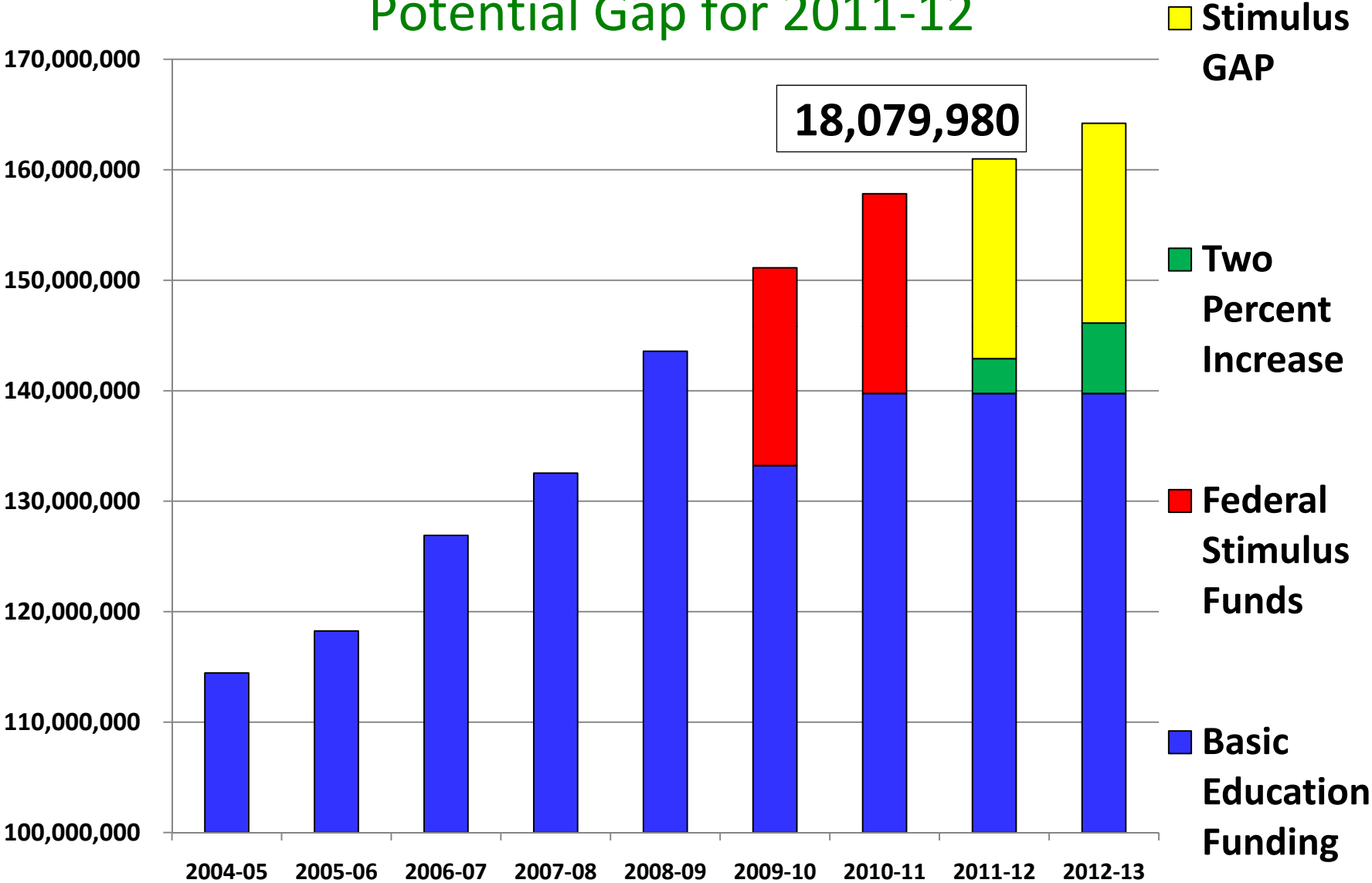
**STATE:
BASIC ED
and
SPECIAL ED**

**LOCAL :
PROPERTY
and WAGE
TAXES**

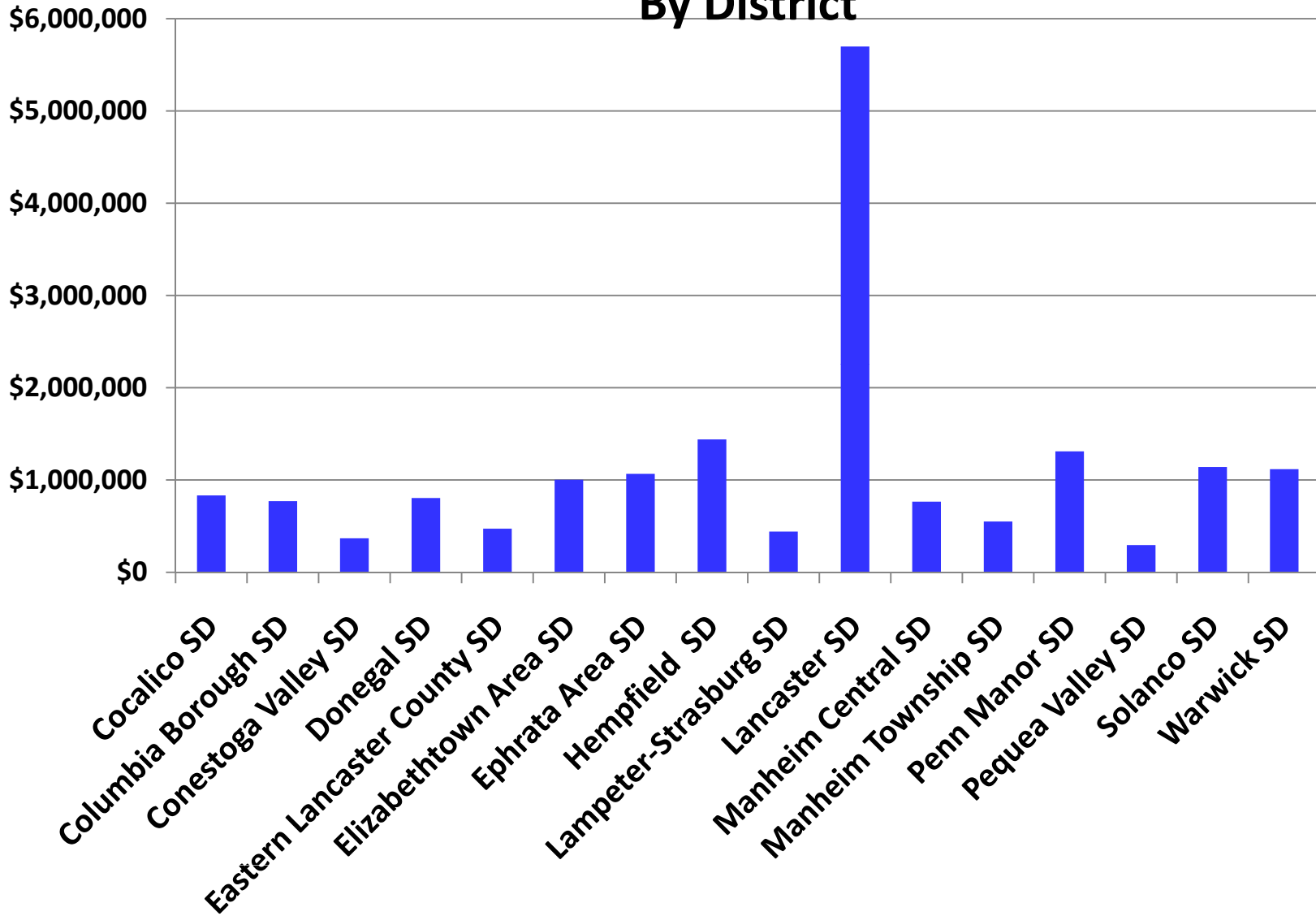


Countywide Basic Education Funding (BEF)

Potential Gap for 2011-12



Federal (SFSF) Stimulus Funds By District



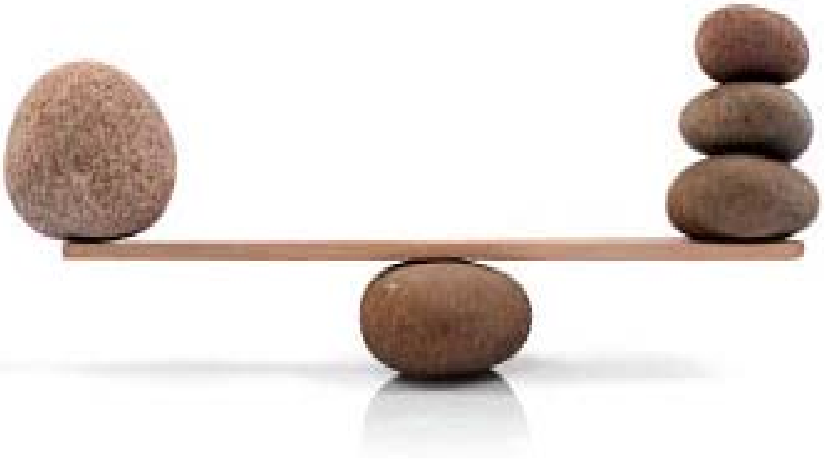
Lancaster County : Intuitive “Balance” 2010-11

Selected Revenue

- **Basic Education Funding**
– \$158,000,000
- **Property Taxes**
– \$501,000,000

Selected Expenditures

- **Benefits**
– \$165,000,000
- **Salaries**
– \$437,000,000
- **Supplies & Equipment**
– \$52,000,000



Total Expenditures Estimated at
\$940,000,000

Property Tax "Weight" as a % of Budget			
Major Budget Weights for Lancaster County	% Share of District Budget	Percent Increase	Budget 'Weighted' Impact
Property Tax ABC District	70.00%	2.50%	1.75%
Property Tax XYZ District	28.00%	2.50%	0.70%
<i>Difference as a % of Total Budget</i>			1.05%

So, To Get Over The Mountain...



Methodology: PDE AFR Data Lancaster County Expenditures

- Align Actual Expenditures by School Year by *Object* from 2002-03 to 2008-09.
- Analyze dollar growth trend and percent growth trends
- Trended 09-10 and 10-11 informed by historical and known data (CBA contracts; Pension rates; health care trends, ARRA, etc.)
- Set up a model to run various assumptions on expenditures for 2011-12, 2012-13 & 2013-14.

Methodology: PDE AFR Data Lancaster County Revenues

- Align Actual Revenues by selected major revenues within Local, State, and Federal funding streams from 2002-03 to 2008-09
- Analyze dollar growth trend and percent growth trends
- Trended 09-10 and 10-11 informed by historical and known data (Basic Ed and Special Ed subsidy; known tax rates; Act 1 Caps; County Assessment trend; County Wage Tax trend; ARRA impact; slot funds; etc.)
- Set up a model to run various assumptions on revenues for 2011-12, 2012-13 & 2013-14.

Future of School Finance...

...the past may be a poor guide...

- Federal Stimulus expires
- The State Budget gap
- Unemployment levels
- Wage Tax receipts
- Act 1 Property Tax caps
- Pensions: State, District, Cities and Municipalities
- Recession recovery pace...
.....public sector lag



Fixed Expenditure Assumptions

% Growth

- Salaries

- Year 11-12
- Year 12-13
- Year 13-14

- Benefits

- Year 11-12
- Year 12-13
- Year 13-14

- Services

- Year 11-12
- Year 12-13
- Year 13-14

- Supplies

- Year 11-12
- Year 12-13
- Year 13-14

All Other Expenditures Held No Growth

Fixed Revenue Assumptions

% Growth

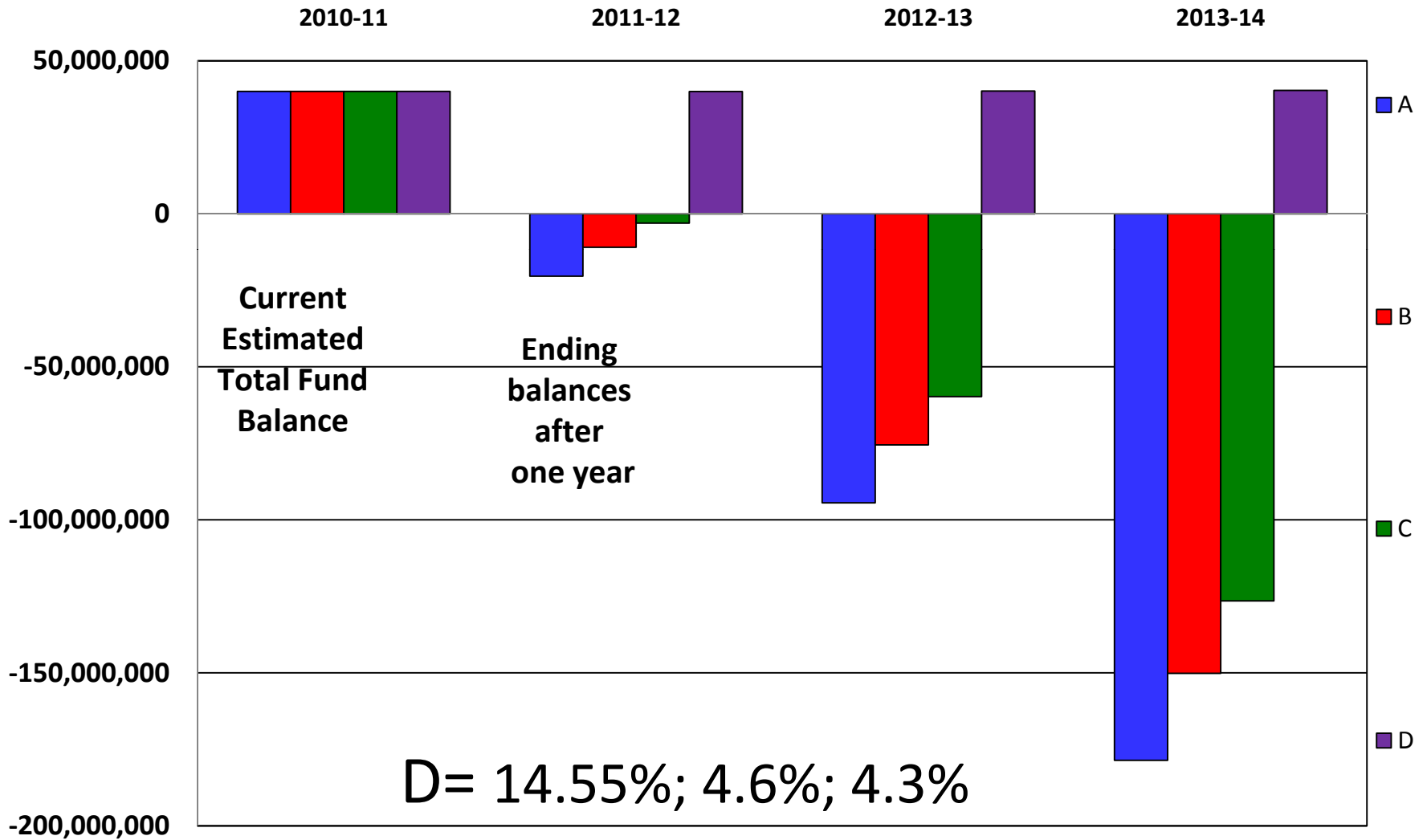
- **Special Ed Subsidy**
 - Year 11-12
 - Year 12-13
 - Year 13-14
- **Transportation Subsidy**
 - Year 11-12
 - Year 12-13
 - Year 13-14
- **All Other State Funding**
 - Year 11-12
 - Year 12-13
 - Year 13-14
- **Federal Funding**
 - Year 11-12
 - Year 12-13
 - Year 13-14
- **Property Tax Funding (except D)**
 - Year 11-12
 - Year 12-13
 - Year 13-14
- **All Other Local Funding**
 - Year 11-12
 - Year 12-13
 - Year 13-14

Four Assumptions

- Assumption A
 - -11% Basic Education
- Assumption B
 - -5% Basic Education
- Assumption C
 - 0% Increase Basic Education
- Assumption D
 - -11% Basic Education
 - Balance with Property Tax

Cumulative Results

Effects on Fund Balance - 4 Scenarios



...more fuel, less weight...not either or...



No Magic Wand...requires many actions in concert

- Direct and Significant Cost Reductions In Play

- in real terms and in slope of growth
- includes “pass through” entities



No Magic Wand....requires many actions in concert

- Long-term Intelligent State and Federal Policy Direction for Education and School Finance



No Magic Wand...requires many actions in concert

- National, State, and Local Economic Recovery
- Timing & Lag...
- New Normal...?



No Magic Wand...requires many actions in concert

- Additional Revenues and Revenue Streams
- Tax *Base* is Critical



No Magic Wand...requires many actions in concert

- Cultural and Systemic Process Changes



No Magic Wand...requires many actions in concert

- *Laser Focus* on Resource Allocation for Instructional Delivery for Students



No Magic Wand...requires many actions in concert

- Difficult Local School Board Decisions



Summary

- Projected School Finance mis-matches are significant.....unparalleled in most lifetimes
- Varied and Multiple level of impact
- *Very difficult short term expenditure adjustments...must be balanced with systemic solutions employed with long-term perspective*
- Core instruction delivery must remain a priority

END

Notes:

Appendix

- Major Budget Weights
- Historical Actual Expenditure Growth as %
- Historical Actual Revenues Growth as %
- County projection assumptions
- Fixed Revenue and Fixed Expenditure projections
- Projections A, B, C & D
- BEF Recovery Example
- Property Tax; % share of total revenue
- Prior Fiscal Years Expenditures and Revenues
- County BEF Increases

Respective Percent Share of Property Tax; Salaries and Benefits

Major Budget Weights for Lancaster County	Percent share of Average Total County School District Budget	Percent Increase Estimate	Budget 'Weighted' Impact
Revenue: Property Tax % Share	54.30%	3.00%	1.62900%
Expenditure: Salary % Share	46.35%	3.00%	-1.39050%
Expenditure: Benefit % Share	15.94%	12.00%	-1.91280%
Weighted Mis-Match as a % of Total Budget(s)			-1.674%

Actual Expenditures: Annual Percentage Growth

Lancaster County School Districts - Average Annual % Increase by Object
Expenditure Series

	100	200	300	400	500	600	700	800	900	Total
2008-09	4.57%	-1.37%	5.24%	2.98%	8.68%	0.10%	-2.88%	3.85%	9.17%	4.18%
2007-08	4.02%	11.19%	9.66%	5.89%	5.40%	3.48%	45.39%	14.64%	8.10%	6.81%
2006-07	4.97%	13.86%	15.96%	1.83%	6.77%	9.23%	40.57%	-24.46%	24.96%	9.53%
2005-06	4.63%	8.50%	-1.00%	5.56%	8.27%	2.78%	20.05%	-0.08%	9.56%	5.73%
2004-05	3.06%	10.61%	11.88%	4.06%	10.63%	9.95%	4.95%	55.04%	-4.12%	5.14%

Share 2009 46.35% 15.94% 6.18% 2.69% 7.78% 4.16% 1.59% 0.98% 14.33% 100.00%

Actual Revenues: Annual Percentage Growth

	Total Revenue	Total Local Revenue 6000	All other Local	Property Taxes 6111 & 6112	Current Real Estate Taxes 6111	Interim Real Estate Taxes 6112	Total State	Total BEF	Spec Ed	Transp	All Other State	Federal
2008-09	4.39%	-0.20%	-8.26%	1.93%	1.86%	11.28%	8.84%	8.31%	2.13%	3.24%	14.87%	-0.99%
2007-08	5.96%	5.13%	2.86%	5.75%	6.44%	-40.44%	6.33%	4.45%	1.77%	-0.60%	15.23%	3.90%
2006-07	8.44%	8.94%	11.10%	8.37%	8.43%	4.78%	8.92%	7.29%	2.48%	7.17%	17.96%	4.77%
2005-06	9.62%	11.54%	17.33%	10.10%	10.16%	6.21%	3.33%	3.30%	1.65%	-1.67%	6.27%	19.64%
2004-05	5.69%	6.32%	7.88%	5.94%	5.49%	44.00%	6.49%	3.70%	2.81%	4.64%	18.31%	-6.75%

Lancaster County Projections

For 11-12; 12-13; & 13-14

- Salaries (100's): 3%, 2.5%, & 2.0%
- Benefits (200's): Historical trends plus estimated pension ECR
- Equipment, Debt, and Capital set at zero growth all runs (400's,700's,800's & 900's)
- Supplies (600's): set at 2% growth all runs
- Educational services (300's & 500's): set at 4% growth

- Assume ARRA Stimulus Funds at Zero (Gone) from 2011-12 forward
- Property Taxes increase 2.5%, 2.5% & 3.0%.....minimum other local growth
- State Subsidy for Transportation at 3% and Special Education at 2% all runs
- Assumes State maintains share of Social Security and Pension funding

- Data results for districts only...

Fixed Revenue Assumptions

- **Special Ed Subsidy**
 - Year 11-12 2%
 - Year 12-13 2%
 - Year 13-14 2%
- **Transportation Subsidy**
 - Year 11-12 3%
 - Year 12-13 3%
 - Year 13-14 3%
- **All Other State Funding**
 - Year 11-12 9.7%
 - Year 12-13 11.3%
 - Year 13-14 11.2%
- **Federal Funding**
 - Year 11-12 2.5%
 - Year 12-13 2.5%
 - Year 13-14 2.5%
- **All Other Local Funding**
 - Year 11-12 1%
 - Year 12-13 1.5%
 - Year 13-14 2%

Fixed Expenditure Assumptions

- Salaries

- Year 11-12 3%
- Year 12-13 2.5%
- Year 13-14 2.0%

- Benefits

- Year 11-12 13%
- Year 12-13 12%
- Year 13-14 12%

- Services

- Year 11-12 4.0%
- Year 12-13 4.0%
- Year 13-14 4.0%

- Supplies

- Year 11-12 2%
- Year 12-13 2%
- Year 13-14 2%

All Other Expenditures Held Constant

Projection A

-11% Basic Education Funding

Fiscal Year	Total Revenue	Total Expenditures	\$ Variance per FY	% Variance per FY	Position Equivalent at \$75,000
2013-14	982,446,345	1,066,576,051	(84,129,705)	-8.56%	
2012-13	951,696,079	1,025,766,124	(74,070,045)	-7.78%	
2011-12	925,453,738	985,847,582	(60,393,845)	-6.53%	805.25

Projection B

-5% Basic Education Funding

Fiscal Year	Total Revenue	Total Expenditures	\$ Variance per FY	% Variance per FY	Position Equivalent at \$75,000
2013-14	991,916,243	1,066,576,051	(74,659,808)	-7.53%	
2012-13	961,165,976	1,025,766,124	(64,600,148)	-6.72%	
2011-12	934,923,635	985,847,582	(50,923,948)	-5.45%	

Projection C

0% Basic Education Funding

Fiscal Year	Total Revenue	Total Expenditures	\$ Variance per FY	% Variance per FY	Position Equivalent at \$75,000
2013-14	999,807,824	1,066,576,051	(66,768,227)	-6.68%	
2012-13	969,057,557	1,025,766,124	(56,708,567)	-5.85%	
2011-12	942,815,216	985,847,582	(43,032,367)	-4.56%	573.76

Projection D

-11% BEF -- Balance with Property Tax

Fiscal Year	Total Revenue	Total Expenditures	\$ Variance per FY	% Variance per FY	Position Equivalent at \$75,000
2013-14	1,066,355,270	1,066,576,051	(220,781)	-0.02%	3
2012-13	1,025,588,528	1,025,766,124	(177,596)	-0.02%	2
2011-12	985,792,294	985,847,582	(55,288)	-0.01%	1

Property Tax to balance ---14.55% ; 4.6% ; 4.3%

Basic education Funding Recovery from loss

Lanc Co	w/ Loss @	Subsequent Annual BEF Increase	
BEF	11.00%		
157,831,619	17,361,478	140,470,141	year One
		144,684,245	3.00% year two
		149,024,772	year three
		153,495,516	year four
		158,100,381	year five
		162,843,393	year six
		167,728,694	year seven

Fund Balance Usage : Simple 2% Mis-match of Expenditure Growth to Revenue Growth							Enter Annual Budget
Expenditures	=	Revenues	+	Use of Fund Balance	Fund Balance Remaining	%	\$ 58,000,000
\$ 58,000,000	=	\$ 58,000,000	+	\$0	\$ 5,800,000	10%	
4.00%		2.00%		Year one			
\$ 60,320,000	=	\$ 59,160,000	+	\$ 1,160,000	\$ 4,640,000	7.7%	
4.00%		2.00%		Year Two			
\$ 62,732,800	=	\$ 60,343,200	+	\$ 2,389,600	\$ 2,250,400	3.6%	
4.00%		2.00%		Year Three			
\$ 65,242,112	=	\$ 61,550,064	+	\$ 3,692,048	\$ (1,441,648)	-2.2%	

Two Percent mis-match rule---No matter what size budget (enter in yellow)...deficit occurs within 2.5 years assuming a starting 10% Fund Balance

**Property tax
2008-09 %
share of Total
Revenue**

LEA Name

Cocalico SD	58.1%
Columbia Borough SD	35.2%
Conestoga Valley SD	65.8%
Donegal SD	54.9%
Eastern Lancaster County SD	58.1%
Elizabethtown Area SD	52.2%
Ephrata Area SD	57.3%
Hempfield SD	61.8%
Lampeter-Strasburg SD	65.2%
Lancaster SD	28.5%
Manheim Central SD	54.9%
Manheim Township SD	66.5%
Penn Manor SD	53.1%
Pequea Valley SD	57.1%
Solanco SD	37.0%
Warwick SD	55.7%

Min	28.5%
Max	66.5%
Range	38.0%
Average	53.8%

Expenditures: the Recent Past \$'s

Lancaster County School District AFR data for Object Expenditure Series										
	100	200	300	400	500	600	700	800	900	Total
2010-11	437,076,246	164,653,850	59,169,496	23,615,395	74,546,120	37,950,798	13,922,538	8,612,799	125,675,411	945,222,654
2009-10	422,295,890	151,058,578	56,621,528	23,615,395	71,336,000	37,206,665	13,922,538	8,612,799	125,675,411	910,344,804
2008-09	\$406,640,241	\$139,869,054	\$54,183,280	\$23,615,395	\$68,264,115	\$36,477,122	\$13,922,538	\$8,612,799	\$125,675,411	\$877,259,955
2007-08	\$388,854,722	\$141,810,939	\$51,483,733	\$22,932,940	\$62,814,091	\$36,440,055	\$14,335,868	\$8,293,379	\$115,117,158	\$842,082,885
2006-07	\$373,811,656	\$127,541,753	\$46,949,854	\$21,657,564	\$59,597,267	\$35,213,885	\$9,860,400	\$7,234,459	\$106,491,594	\$788,358,432
2005-06	\$356,123,470	\$112,019,365	\$40,488,096	\$21,267,502	\$55,820,071	\$32,237,770	\$7,014,543	\$9,576,992	\$85,217,680	\$719,765,490

Revenues: The Recent Past \$'s

Lancaster County School Districts : Selected Revenue Data

Fiscal Year	Total Revenue	Total Local Revenue 6000	All other Local	Property Taxes 6111 & 6112	Total State	Total BEF	Spec Ed	Transp	All Other State	Federal
2010-11	932,900,962	595,734,911	95,000,000	500,734,911	290,166,052	157,831,619	35,730,828	16,403,605	80,200,000	42,000,000
2009-10	904,598,025	574,447,444	95,000,000	479,447,444	281,150,582	151,132,372	35,936,244	16,081,966	78,000,000	44,000,000
2008-09	888,705,170	567,163,787	109,151,327	458,012,461	270,842,996	143,538,363	35,936,244	16,081,966	75,286,423	28,721,128
2007-08	851,302,119	568,296,120	118,976,541	449,319,579	248,834,875	132,530,319	35,186,242	15,576,686	65,541,628	29,009,386
2006-07	803,431,099	540,571,203	115,670,925	424,900,279	234,011,924	126,888,459	34,574,427	15,670,074	56,878,964	27,919,605
2005-06	740,885,457	496,200,614	104,118,261	392,082,353	214,839,794	118,262,385	33,737,298	14,621,272	48,218,839	26,648,500

Lancaster County BEF Annual

