

District Budget Overview

Coatesville Area School District

January 8, 2019

Act 1

- Passed in 2006
- Limits School District tax increases to an index comprised of the average increase of the Statewide Average Weekly Wage (SAWW) and the Federal Employment Cost Index for Education.
- Necessitates “early” budget decisions because of the potential for a question on the primary election ballot allowing for tax increases above the index with voter approval or applying for exceptions

Act 1 Index

- The Act 1 Index for CASD in 2019-20 is 2.9%
- This is the percentage that the property tax rate can be raised without applying for exceptions
- Exceptions available for real estate tax increases above the Act 1 Index
 - Special Education Expenditures above the index
 - Retirement Rate Increases above the index

Key Act 1 Deadlines for 2019-20 Budget

- **January 31, 2019**

Deadline to make 2019-2020 proposed preliminary budget available for inspection or adopt resolution indicating that it will not raise the rate of any tax by more than its index.

- **February 20, 2019**

Deadline to adopt 2019-2020 preliminary budget

- **June 30, 2019**

Deadline to adopt 2019-2020 final budget

Courses of Action

- Three courses of action under Act 1
 - Approve a resolution limiting tax increases to the Act 1 index and resume “normal” budget schedule
 - Prepare a preliminary budget which is balanced by allowable exceptions under Act 1 and submit those exceptions to PDE for approval
 - Prepare a preliminary budget which is balanced only by a tax increase above the Act 1 index and allowable exceptions that is approved by a referendum vote in the primary election

Preliminary Budget is Just That

- There are plenty of unknowns right now
- The real purpose of a preliminary budget is to provide a “first look” at finances of District and to allow for application for exceptions
- Applying for exceptions does not commit the District to using them
- However, if they are not applied for, the decision cannot be reversed at a later date

Preliminary Budget

- General philosophy is better to have the exceptions and ultimately not need them, than the reverse
- Exceptions also cannot be carried forward if not used in a particular year
- Will continue to discuss the budget at future meetings

Current Situation

- For 2017-18, ongoing expenses exceeded ongoing revenues by \$4.8 million due to Charter School spending
- Borrowing of \$13.3 million to provide liquidity in June of 2018
- District had done a \$5 million borrowing in April of the 2013-14 to fund PSERS contributions
- Fund balance after 2017-18 borrowing (borrowing treated as revenue) of \$11.2 million

Current Situation

- Without the borrowing, fund balance would have been more than \$2 million negative because of charter school
- Because of increased charter school costs, 2018-19 Budget will likely finish with ongoing expenses greater than ongoing revenue by more than \$4 million
- Charter costs, especially, special education charter costs continues to rise

Charter Tuition Budget

Charter Tuition Rates		Regular Education	Special Education		
19-20 Using Budgeted Charter Tuition Method		\$11,959	\$39,925		
18-19 Using Budgeted Method		\$11,647	\$34,041		
Year	Charter Tuition	Charter Enrollment	Increase in Charter Tuition	Enrollment Difference	
2014-15	\$21,314,420	1,740			
2015-16	\$26,293,521	1,988	\$4,979,101	248	
2016-17	\$33,988,574	2,225	\$7,695,053	237	
2017-18	\$36,456,735	2,492	\$2,468,161	267	
2018-19 (estimated)	\$42,967,473	2,821	\$6,510,738	329	
2019-20 (estimated no additional students)	\$49,329,621	2,821	\$6,542,079	0	
2019-20 (estimated 310 additional students)	\$54,714,915	3,131	\$11,927,374	310	

Charter Enrollment Changes 18-19

Kindergarten Students	265
Out of District Students First Grade to Twelfth Grade Who Went Directly to Charter	<u>151</u>
Subtotal of Students Who Never Attended CASD	416
Net Transfers from CASD to Charter July to December	<u>90</u>
Total new students to Charter School in 18-19	506
Students who were in Charter School in 17-18 who either graduated, moved to another District, or transferred to private schools	<u>177</u>
Net Change in 18-19	329

Charter Impact

- With no increase in enrollment from December 2018 levels, charter costs will increase by more than \$6 million in 19-20
- Regular Education Tuition (18-19): \$11,647
- Special Education Tuition (18-19): \$34,041
- Regular Education Tuition (19-20): \$11,959
- Special Education Tuition (19-20): \$39,925

Charter Impact

- Regular Education Difference: \$312
- Special Education Difference: \$5,884
- 100 Regular Education Student Difference: \$31,200
- 100 Special Education Student Difference: \$588,400
- If a similar increase in charter school enrollment from kindergarten and transfers were to occur, charter bill will increase by nearly \$12 million in 19-20

Some Positives

- Debt service will decline by over \$700,000 in 19-20
- Custodial costs will decrease by more than \$600,000 with the new ABM contract
- If SBMS is closed, some additional savings through staffing and utilities reduction of approximately \$2 million
- Reduction in HSA Contribution of \$650,000

Estimated Expenses

Estimated 2018-19 Expenses	\$176,450,000
Reduction in Debt Service	-700,000
Reduction in Custodial Service	-600,000
Savings from closing SBMS	-2,000,000
Decrease in Health Savings Contributions	-650,000
Increases in Charter Costs (310 student increase)	11,927,374
Salary Increases	1,200,000
PSERS Increases	350,000
Increases in CTC Costs	353,000
Increase in Health Insurance	450,000
Increase in Special Education Service Costs	675,000
CPI Adjustment for Other Costs	<u>300,000</u>
Estimated 2019-20 Expenses	\$187,755,374

Available Act 1 Exception

- CASD Act 1 Index is 2.9%
- Exception for Special Education Costs of approximately 3.3%
- Maximum available tax increase without going to referendum is just over 6.1%
- Estimated total revenue with a 6.1% tax increase and prior to any changes in state revenue is \$178,567,181
- Estimated available fund balance is \$6.5 million

Summary

- Estimated 2019-20 Expenses: \$187,755,374
- Estimated 2019-20 Revenue: \$178,567,181
- Estimated 2019-20 Additional Revenue
/Cost Reductions Needed: \$ 9,188,193
- Will have approximately \$6.5 million of Fund Balance at the start of the year
- If we used all of fund balance, we would end with an approximate \$2.7 million deficit balance
- Charter enrollment is the key variable

Next Steps

- January 22 review detailed Preliminary Budget
- Approve the Preliminary Budget on February 12
- Spend the Spring refining the budget
- Discuss our situation with Legislators, it will take a State solution to solve the Special Education Charter Funding Formula

Wrap-up

- Discussion and Questions