

Budget Meeting Agenda

February 20, 2019

6:00 P.M.

- 1) Update on 2018-2019 Budget
 - a. Treasurer's Report
 - b. Revenues (See **Revenue Report** handout)
 - c. Expenses by Object (See **HASD – Budget vs Actual by Dimension** handout)

- 2) Update on 2019-2020 Budget
 - a. 2019-2020 (Handout of Budget Totals by Function including Revenues)
 - b. 2019-2020 (Handout of Budget Totals Expenses by Object)

Revenues	\$157,808,088
Expenses	<u>\$166,121,058</u>
(Deficit)	(\$ 8,312,971)

Relevant facts of the current state of the 2019-2020 Budget:

- No open (replacement) positions have been included
- 8 new positions have been included (6 Regular Ed. Teachers & 2 Special Ed Teachers) – due to the renovation construction of swimming pools into classrooms
- \$600,000 included for Phase II borrowing of 9th Grade Project & Special Ed. / Vital House Project
- Revenues include a tax increase of \$1,621,188 – Function 6111 (This amount needed to be placed into the budget in order to apply for the Referendum Exceptions). The amount of the increase above takes us \$99,195 above the index maximum. With the amount of referendum exceptions that HASD qualified for we can still raise Real Estate Tax amount another \$1,006,775 without having to go to referendum vote for an ESTIMATED Grand Total of \$45,305,230.
- Revenues do include the projected increase in Basic Education Funding and Special Ed Funding. However, please note that these amounts are not FINAL.
- B.S.I. Corporate Benefits recommends budgeting \$20,118,386 for General Fund medical claims & Rx (object 271). I have budgeted \$18,130,285 with the hopes of our new medical plan encouraging consumerism with all of our employees
- No budgetary reserve has been budgeted (similar to years past)
- No General Fund Capital Project monies budgeted (4000 series)
- Transfer to the Athletic Fund amount has increased by \$109,165 from last year due mostly to salary increases in teacher contract and PSERS.
- All Federal & State Programs revenue amounts are not available yet so they are not reconciled with their related expenditures (this includes the additional \$605,206.04 of CSI funds). This

reconciliation process will occur as final amounts become available from the Feds and State. We hope to reconcile these amounts over March and April.

- 3) Preliminary Budget & Referendum Exceptions To Be Submitted
 - a. Special Education Exception - \$1,105,870 approved
 - b. Retirement Contribution Exception - \$0 approved
 - c. Total Referendum Exception Amount - **\$1,105,870 approved**

- 4) Governor Wolf's Budget Proposal

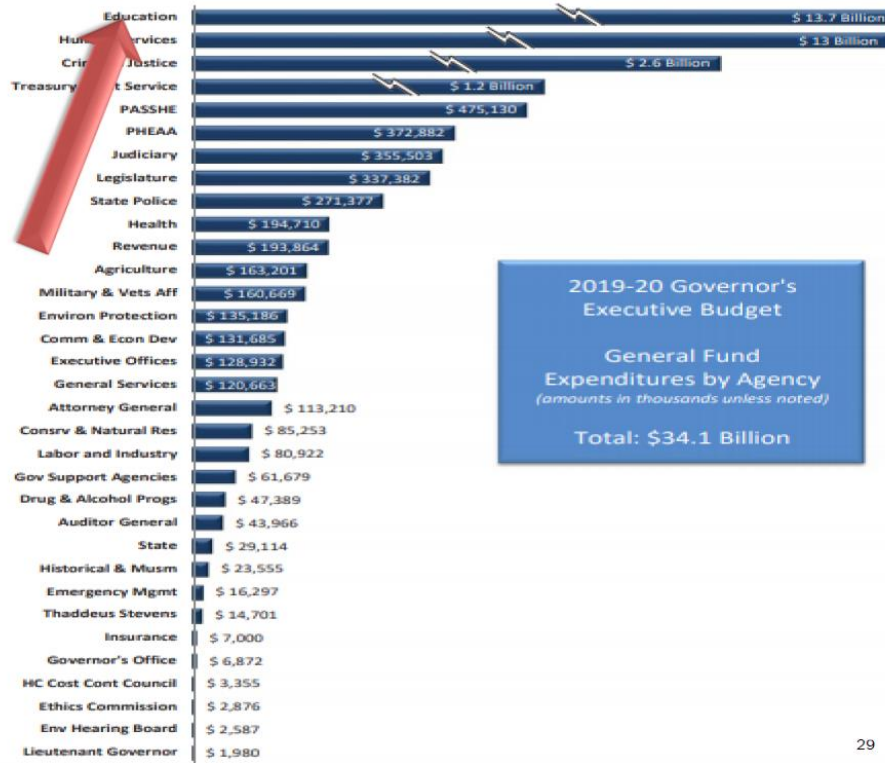
4 Important Things About the Proposed Budget

- It's the high water mark for budget negotiations.
- It's much better than last year.
- Safety continues to be a priority.
- Don't panic about the minimum teacher salary...



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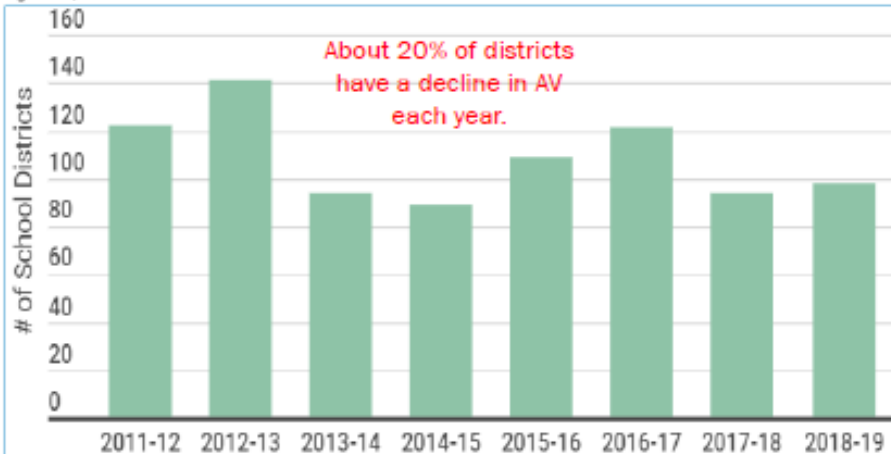
General Fund Expenditures by Agency



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Assessed Value Changes

Figure 13, Number of school districts with a decline in assessed value from 2011-12 to 2018-19.



Sources: PDE-AFR and general fund budget data; DCED-STEB Land Use data



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TOTAL ASSESSED VALUE BY COUNTY (HASD)			
	<u>Luzerne</u>	<u>Carbon</u>	<u>Schuylkill</u>
<i>June 2014</i>	4,496,823,300	33,432,382	179,216,520
<i>June 2015</i>	4,533,624,600	33,861,970	180,715,585
<i>June 2016</i>	4,495,382,600	33,019,327	165,687,595
<i>June 2017</i>	4,552,191,200	33,442,559	176,374,270
<i>June 2018</i>	4,566,812,300	34,222,709	181,103,975
<i>June 2019</i>			
TOTAL Increase since 2014	1.55%	2.36%	1.05%

a. ACT 1 Index History for Hazleton Area School District

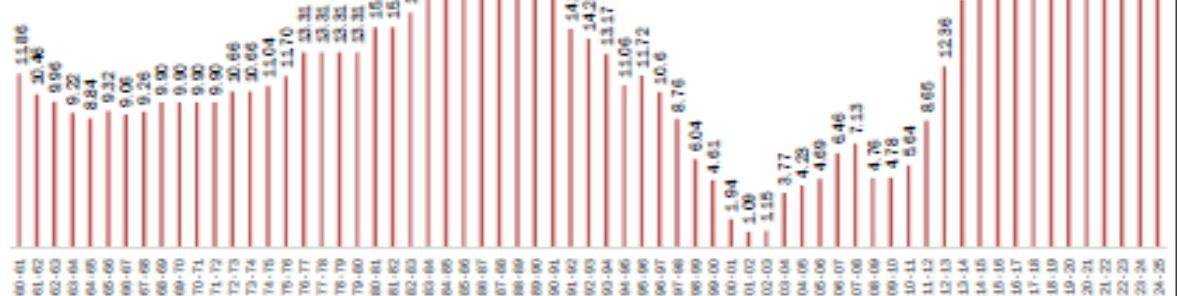
2014-2015	2.9%
2015-2016	2.7%
2016-2017	3.4%
2017-2018	3.5%
2018-2019	3.4% (Luzerne County hits the index first)
2019-2020	3.2% (Luzerne County hits the index first)

b. PSERS continues to climb

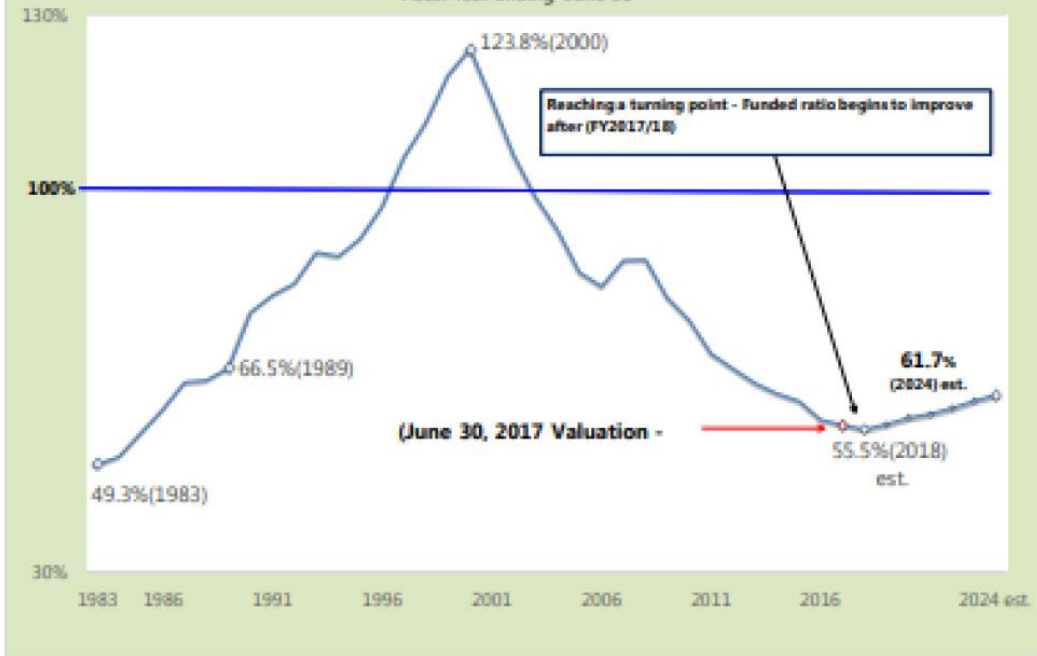
ECR History

Actual Rates
Projected Rates

Highest rate in PSERS history set in 14-15 at 21.4%; new record every year since. The rate will continue to escalate to perhaps 40+%. Stock market success will help to keep the ECR stable.



History of PSERS Funded Ratio Beginning 1983
Funded Ratio = Actuarial Value of Assets/Actuarial Accrued Liabilities
Fiscal Year Ending June 30



Pennsylvania Public School Employees' Retirement System

Payment for Past Service Debt is Nearly 75% of the Employer Contribution Rate (ECR)



**Summary Membership Data
10 Year Trend ***

For year ended June 30	Male			Female			Total Number of Active Members
	Average Age	Average Service	Average Annual Salaries	Average Age	Average Service	Average Annual Salaries	
2017	45.0	11.7	\$ 56,369	45.3	11.3	\$ 48,879	255,945
2016	44.8	11.6	55,518	45.2	11.1	47,912	257,080
2015	44.6	11.5	54,269	45.0	11.0	46,720	259,868
2014	44.5	11.2	53,248	45.0	10.9	45,918	263,312
2013	44.4	11.1	52,413	44.9	10.7	45,005	267,428
2012	44.3	10.9	51,751	44.9	10.6	44,513	273,504
2011	44.1	10.8	51,678	44.6	10.3	44,209	279,152
2010	44.2	10.9	50,770	44.6	10.3	43,306	282,041
2009	44.4	11.2	50,613	44.7	10.3	42,606	279,701
2008	44.5	11.4	49,818	44.7	10.4	41,440	272,690

* Actuarial Valuation for year ended June 30, 2017 is most current valuation completed at publication date.



Act 5 of 2017

- No impact on TC or TD active members
- No impact on retired members
- Minimal impact on TE and TF members
- Impacts new members as of July 1, 2019
- Current members will have a one-time option to elect participation in one of 3 new plans in first 90 days after July 1.



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Employer Contribution Rate doesn't change under Act 5!

ECR is **34.29%** for
19-20 for **ALL**
employees!

This is a complex process—don't expect payroll to have this perfect on July 1, 2019. Business managers will need to assure oversight and assistance.



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Ready to Learn Block Grant

\$242 Million (for all) + \$20 Million (for 5)



Basic Education Funding
Money goes in the
BEF BASE (eventually)!



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Minimum Teacher Salary

We'll talk about this later...BUT...

- \$12.8 million for school districts
- \$1.05 million for IUs/CTCs

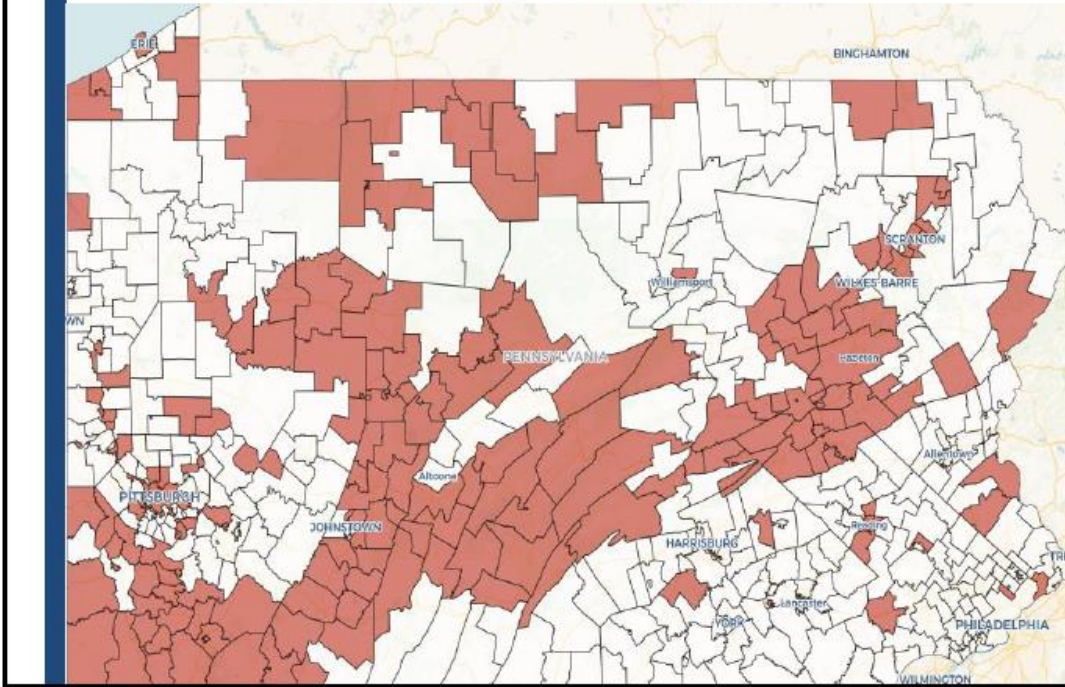


Basic Education Funding
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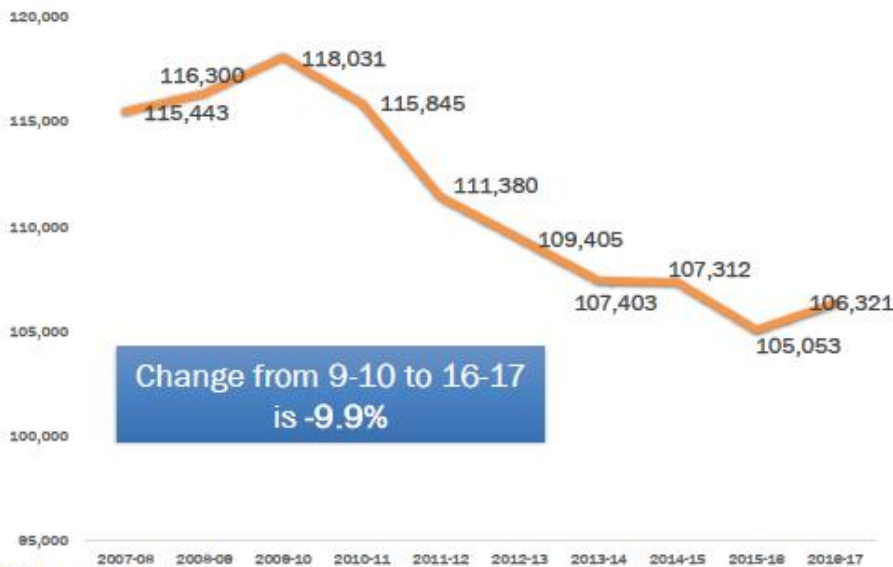
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SDs Receiving Salary \$s



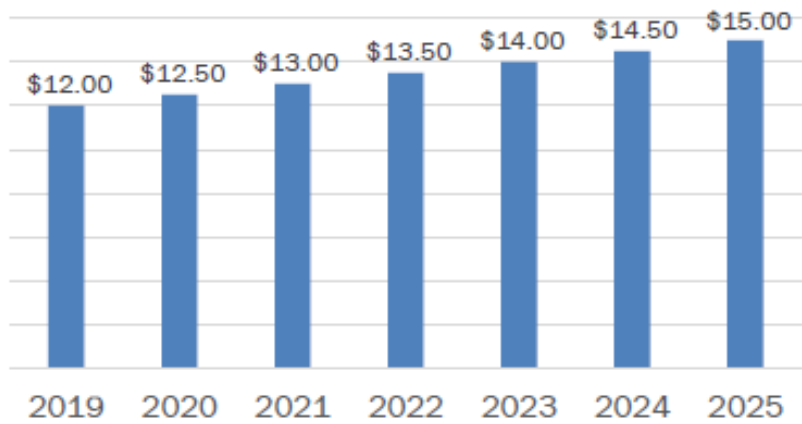
AUN	School District	County	2019-20 Proposed BEF Feb2019	2019-20 Proposed Base BEF	2018-19 Ready to Learn Block Grant	2019-20 Proposed Minimum Salary Increase	2019-20 Proposed Student- Weighted Distribution	2018-19 Estimated BEF Feb2019	Dollar Difference
118403302	Hazleton Area SD	Luzerne	\$41,378,515	\$34,050,296	\$1,675,119	\$178,526	\$5,474,575	\$38,383,426	\$2,995,089

Classroom Teachers



Minimum Wage Increase

To \$12 on July 1, 2019...then \$0.50/year



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c. Basic Education Funding (BEF)

i. History of BEF in Pennsylvania

1. Pre-1983 BEF formulas used
2. 1983-1993 BEF formulas used
 - a. ESBE (Equalized Subsidy for Basic Education) formula used
3. 1993-2008 Haphazard Funding as per PASBO
4. 2008-2010 Costing Out Study (Governor Rendell)
5. 2010-2015 Return to Haphazard Funding

ii. New Funding Formula 2016-2017

BEF Formula Elements

Data elements in BEF formula:

- 3 poverty weights (acute, concentrated, moderate)
- ELL weight
- Charter School ADM weight
- Sparsity/Size (small/rural districts)
- Median Household Income Index
- Local Effort/Capacity Index



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Basic Education Funding

Proposed increase of \$441 million*

- \$166 million NEW money
- \$262 million from RTL
- \$13.8 million from teacher salary increase



i. 2019-2020 Basic Education Funding

SCHOOL DISTRICT	2016-2017 ENROLLMENT	2016-2017 EXPENSES	2018-2019 BEF FUNDING	2019-2020 BEF PROJECTED FUNDING
Reading	17,501	\$235,977,356	\$139,684,595	\$149,747,599
Allentown City	16,628	\$298,166,283	\$114,728,357	\$134,384,746
Lancaster	11,336	\$212,198,631	\$ 62,583,503	\$ 66,147,426
Hazleton Area	11,223	\$140,504,628	\$ 38,383,426	\$ 41,378,515

Rank (Enrollment)	Rank (Employees)	Rank (Revenues)	Rank (Expenditures)	Rank (Exp. / Enroll.)	Rank (Exp. / Emp.)	SCHOOL DISTRICT	AUN	FIRST 3	ENROLLMENT (2016-2017)	EMPLOYEES (2016-2017)	REVENUES NET 9120 (2016-2017)	EXPENDITURES NET 5120 (2016-2017)	SURPLUS (DEFICIT) (2016-2017)	EXP. / ENROLLMENT	EXP. / EMPLOYEE
1	1	1	1	36	6	Philadelphia City SD	126515001	126	134,129	19,722	\$4,108,843,228	\$3,089,997,382	\$1,018,845,847	\$23,038	\$156,678
2	2	2	2	5	21	Pittsburgh SD	102027451	102	22,384	4,779	\$647,523,433	\$649,523,007	(\$1,999,574)	\$29,017	\$135,912
3	3	3	3	215	104	Central Bucks SD	122092102	122	18,441	2,827	\$331,023,602	\$324,142,610	\$6,880,992	\$17,577	\$114,660
4	5	8	8	483	245	Reading SD	114067002	114	17,501	2,306	\$249,486,710	\$235,977,356	\$13,509,354	\$13,484	\$102,332
5	4	4	4	187	111	Allentown City SD	121390302	121	16,628	2,620	\$284,122,038	\$298,166,283	(\$14,044,245)	\$17,932	\$113,804
6	6	5	5	143	65	Bethlehem Area SD	120481002	120	13,740	2,145	\$258,427,449	\$258,309,657	\$117,792	\$18,800	\$120,424
7	7	7	7	122	70	North Penn SD	123465702	123	12,884	2,050	\$249,673,338	\$245,524,929	\$4,148,408	\$19,057	\$119,768
8	8	11	10	181	96	Downingtown Area SD	124152003	124	12,656	1,982	\$221,678,517	\$228,948,277	(\$7,269,760)	\$18,090	\$115,514
9	9	16	15	409	326	Upper Darby SD	125239452	125	12,395	1,955	\$186,835,884	\$187,204,581	(\$368,697)	\$15,103	\$95,757
10	10	9	9	85	62	West Chester Area SD	124159002	124	11,578	1,936	\$235,401,340	\$235,382,124	\$19,217	\$20,330	\$121,582
11	13	17	17	346	298	Central Dauphin SD	115221402	115	11,491	1,850	\$183,594,107	\$182,526,788	\$1,067,319	\$15,884	\$98,663
12	12	15	16	324	313	Erie City SD	105252602	105	11,387	1,884	\$187,986,329	\$183,276,252	\$4,710,077	\$16,095	\$97,280
13	11	12	13	147	144	Lancaster SD	113364002	113	11,336	1,912	\$213,207,148	\$212,198,631	\$1,008,517	\$18,719	\$110,983
14	19	30	31	497	368	Hazleton Area SD	118403302	118	11,223	1,515	\$145,354,271	\$140,504,628	\$4,849,643	\$12,519	\$92,742

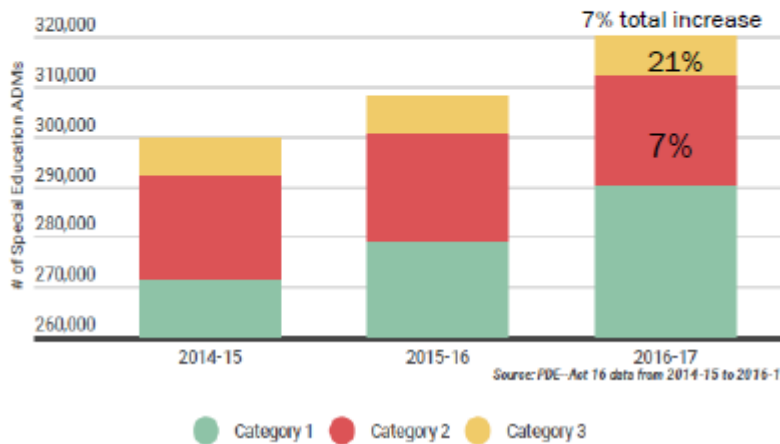
d. Special Education Funding (SEF) (2019-2020)

Special Education Funding Received

2019-2020	Currently \$5,265,117 Budgeted
2018-2019	\$5,055,355 Amount Budgeted
2017-2018	\$4,988,194
2016-2017	\$4,882,509
2015-2016	\$4,859,266

Special Education Enrollment

Figure 6. Change over time in number of special education students in each cost Category (Category 1 is students costing < \$25,000; Category 2 is students costing \$25,000-\$50,000; Category 3 is students costing > \$50,000)



Special Education

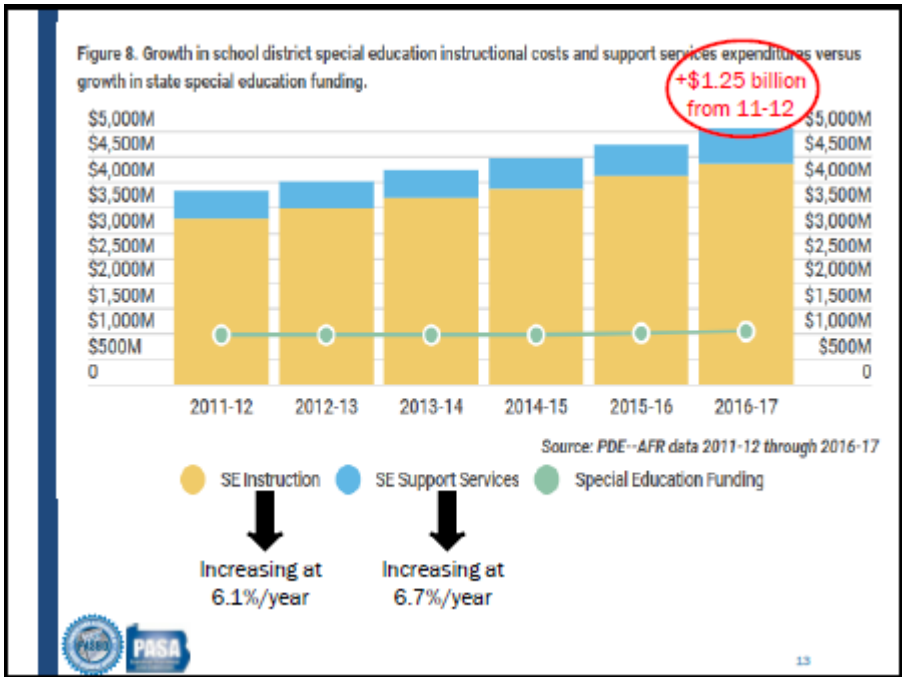
Reasons for Special Education Cost Growth

Figure 4. Top Reasons for Increasing Special Education Costs

Reason for Increase in Special Education Costs	# of Respondents	% of Total Respondents
Increase in Need for Outside Placement	207	74.73%
Increase in Special Education Enrollment	187	67.51%
Need to Hire Special Education Staff	164	59.21%
Increase in Need for Special Education Transportation	139	50.18%
Increase in High-Need Special Education Enrollment	136	49.10%

Source: PASBO/PASA budget survey results





e. PLANCON (2019-2020)

Future of PlanCon...

- No funding for new projects...PlanCon is dead.
- Working to implement recommendations of PlanCon Advisory Committee
- Then...need adequate and sustainable FUNDING for new program
- This is likely not a quick fix...

Logos: PISA, PASA

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Charter School Reform

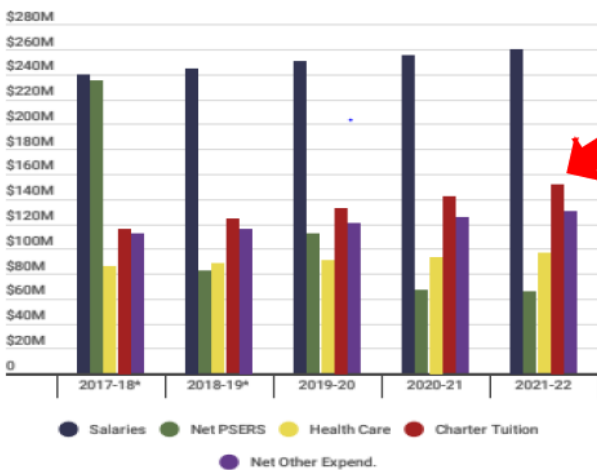
- Discussion in both chambers, in R caucuses
- Focused on funding changes AND other issues
- Looking at smaller universe of changes (i.e. moving away from comprehensive bill)
- Hammering home the impact of charter tuition cost on school districts/taxpayers...



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Projected Annual \$ Changes - 2017-18 through 2021-22, Major Expenditures

Major Expenditures are: Salaries; Public School Employees' Retirement System, more specifically the Net PSERS amount—district cost only; Health Care and Other; Charter School Tuition Payments; and Net Operating Expenditures (all other non-capital expenditures).



Charter school tuition grows by a projected 19% over 5 years, growing \$660 million between 17-18 and 21-22

*Actual subsidies for BEF and SEF. Source: PA Department of Education

SOURCE: Hartman, Shrom, A Tale of Haves and Have-Nots, Temple, CORP, January 2019 110

Charter School Tuition Growth

- CS tuition is projected to grow at 7% per year
- 2016-17 CS tuition totaled \$1.65 billion—will grow to \$2.32 billion by 2021-22

ANNUAL \$ CHANGES FIVE-YEAR PROJECTIONS: 2017-18 THROUGH 2021-22							
Changes in Revenues	Projection Rates	2017-2018*	2018-19*	2019-20	2020-21	2021-22	5-Year Totals
Total Local	Modified 3-Year	\$523,542,129	\$542,744,326	\$562,723,548	\$583,513,179	\$605,148,093	\$2,817,671,275
BEF	2.0%	\$100,368,086	\$100,481,501	\$121,901,584	\$124,339,612	\$126,826,404	\$573,917,186
SEF	2.0%	\$7,812,041	\$20,727,217	\$21,141,761	\$21,564,596	\$21,995,888	\$93,241,503
Changes in Expenditures							
Salaries	2.1%	\$239,659,876	\$244,692,733	\$249,831,281	\$255,077,738	\$260,434,370	\$1,249,695,998
Net PSERS		\$225,091,368	\$78,618,381	\$107,430,930	\$63,509,201	\$62,636,931	\$537,286,811
Health Care and Other	3.0%	\$85,263,392	\$87,821,294	\$90,455,933	\$93,169,611	\$95,964,699	\$452,674,930
Charter Tuition	7.0%	\$115,849,497	\$123,958,962	\$132,636,089	\$141,920,615	\$151,855,058	\$666,220,221
Net Other Expenditures	Modified 3-Year	\$111,679,557	\$115,972,828	\$120,451,342	\$125,123,542	\$129,998,266	\$603,225,534
Major Expenditures		\$786,713,165	\$654,198,752	\$705,088,899	\$681,332,850	\$703,386,690	\$3,509,103,494



SOURCE: Hartman, Shrom, A Tale of Haves and Have-Nots, Temple, CORP, January 2019

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Tuition Paid by HASD for Charter Schools/other educational agencies vs. Charter School Revenue from PDE

SCHOOL YEAR	REGULAR EDUCATION TUITION	SPECIAL EDUCATION TUITION	TOTAL TUITION	CHARTER SCHOOL REIMBURSEMENT (PDE)
2009-2010	\$1,523,012	\$761,610	\$2,284,622	\$350,527
2010-2011	\$1,677,745	\$721,264	\$2,399,009	\$225,632
2011-2012	\$2,152,658	\$811,226	\$2,963,884	\$0
2012-2013	\$1,407,120	\$1,780,561	\$3,187,681	\$0
2013-2014	\$1,504,899	\$1,722,829	\$3,227,728	\$0
2014-2015	\$1,644,132	\$1,769,612	\$3,413,744	\$0
2015-2016	\$1,696,374	\$2,030,173	\$3,726,547	\$0
2016-2017	\$1,693,845	\$1,835,016	\$3,528,861	\$0
2017-2018	\$2,147,584	\$2,127,342	\$4,274,926	\$0

g. Transportation Funding

Competitive Bidding

- Auditor General report recommended competitive bidding of all transportation contracts
- Audits found that many districts that have not bid their contracts pay over the **formula** amount
- Expecting bills to mandate competitive bidding (3 yrs)
- Governor Wolf noted this in his budget documents



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- HASD current Contractor Agreements in place until 6/30/2020

Transportation Funding Received

2019-2020	Currently \$2,545,000 Budgeted
2018-2019	\$2,510,000 Amount Budgeted
2017-2018	\$2,517,056
2016-2017	\$2,504,575
2015-2016	\$2,462,815

Contracted Transportation Payments (Including Fuel Reimbursement)

2019-2020	Currently \$5,312,044 Budgeted
2018-2019	\$4,952,044 Amount Budgeted
2017-2018	\$4,900,059
2016-2017	\$4,620,788
2015-2016	\$5,020,214

5) **Update on Current 2019-2020 Budget Process**

- a. All department and school budgets have been ***initially*** (first-pass) reviewed with each of the respective department heads and/or principals.
- b. Salary & benefit budgeting has been completed (budgeting for each individual position in the General Fund). **This will still be reviewed in great depth.**
- c. All State and Federal grants/subsidies/programs are in-the-process of being reconciled matching the expenses with the projected anticipated revenues.
- d. Preliminary General Fund Budget was Board approved (2/12/2019) and submitted to PDE.
- e. The Business Office has applied for the 2019-2020 Referendum Exceptions after receiving approval from PDE. The approved amounts have been discussed above.

- f. Updated General Fund Budget TOTALS (Revenues & Expenses) will be discussed at the next Public Budget Meeting scheduled for Wednesday, March 20, 2019 at 6:00 P.M. and will continue with all Public Budget Meetings to follow.
- g. Second-pass review of department and school budgets will occur in March and April. This review is where additional budget cuts will be made.
- h. Proposed Final General Fund Budget is scheduled to be Board approved on Thursday, May 23, 2019 at the Regular Monthly School Board Meeting in May.
- i. Final General Fund Budget is scheduled to be Board approved on Thursday, June 27, 2019 at the Regular Monthly School Board Meeting in June.

6) Future Public Budget Meeting Schedule

- Wednesday, March 20, 2019 (Public) – 6:00 P.M.
- Tuesday, April 30, 2019 (Public) – 6:00 P.M.
- Wednesday, May 29, 2019 (Public) – 6:00 P.M.
- Wednesday, June 12, 2019 (Public) – 6:00 P.M.

7) Questions / Comments