



AGENDA

Budget Workshop

Monday, April 30, 2012 at 6:00 p.m.
East Hills Middle School, Auditorium

1. Courtesy of the Floor (15 minutes allowed)
2. Presentation of Budget Information
3. Board of School Directors Discussion
4. Courtesy of the Floor (15 minutes allowed)



**BUDGET WORKSHOP
MINUTES
Monday, April 30, 2012**

President Faccinetto called the Budget Workshop to order at 6:00 p.m. at East Hills Middle School in the Auditorium. Seven Board members were present – President Faccinetto, Director Burkhardt (arrived at 6:15 p.m.), Director Cann, Director Follweiler, Director McKeon, Director Patrick, and Director Ortiz. Absent were Director Bonilla and Director Vidanage.

Courtesy of the Floor

President Faccinetto offered Courtesy of the Floor to the public.

None

Presentation of Bethlehem Area School District Budget Information

(Please note that the bold underline titles listed below correspond to the PowerPoint slides. The PowerPoint is available on the website to view.)

In Dr. Roy's introduction, he stated that at the conclusion of the March Budget Workshop a majority of the Board supported the Preliminary Budget at \$212.2 million with a 4.48 percent tax increase, and this evening the administration will provide more information in some related areas and talk about what might happen if the state comes through with additional money.

Roadmap to Educational Excellence

Dr. Roy reviewed the goals and reminded the Board that this budget is tight with a lot of reductions within the budget and efficiencies on top of the reductions and efficiencies that we had for this current year so that we can confidentially sustain what we have and move ahead in our progress towards our educational goals. The *Roadmap to Educational Excellence for 2012-2014*, involves Stretch Learning, Core Learning, Student Engagement, and Personal Skill Development.

2012-2013 Budget Goals

Dr. Roy reviewed the goals related to the 2012-2013 Budget, which include:

- Sustainable Budgeting
 - Align programs to reliable revenue sources
 - Assure Adequate Financial Resources
- Address Structural Deficit
- Sustain mandated programs, existing contracts, and agreements
- Preservation
 - Stabilize following dramatic changes
 - Evaluate result of 2011-2012 reductions and changes
 - Preservation vs. Restoration
- Multi-Year Financial Goals
 - Address Cyclical Needs (buses, facilities, and technology)

Dr. Roy indicated that discussions have occurred regarding sustainable budgeting. We have discussed addressing the structural deficit, which is the natural growth in costs outpacing the growth in revenue. We have talked about sustaining mandated programs and those that are required by contract or agreements to do. We wanted to preserve this year, and our focus was preservation after so many cuts last year, and the preservation was aimed at stabilizing the district, evaluate where we are with all the cuts that occurred this year, and focus more on preservation than restoration. Finally, we wanted to attack some of our multi-year financial needs, particularly around busing, facilities, and technology.

The administration is happy to say that the budget that was discussed in March and will discuss this evening really is successful in meeting these goals. It includes significant savings and efficiencies. It does not increase the size of the district, and we are preserving where we are. It does not introduce additional deep cuts, which we did not want to do after last year, but it does get at structural issues that we face, and the most important way in the short term to address structural deficit is not to grow the size of the organization. So, we have sustained our staffing levels, and there is a 5.5 position reduction in the budget.

The administration has also addressed our multi-year financial goals specifically with the money for purchasing or leasing buses, technology replacement, and capital improvements.

So, we are pleased that this budget achieves our goals, but it is tight. If we look at this budget compared to the current year budget, there is an \$8.4 million increase. Almost all of that, about \$8 million of that is the result of our cost drivers, which are salary increases, pension, health insurance, and student tuition to charter schools and others. So the fact that we have been able to include the shelf items, that is purchase or lease of new buses, increase capital improvement, and technology, these were added because of reductions and efficiencies we found elsewhere in the budget to make room for those. Really, the \$8.4 million increase from year to year really reflects things we cannot control.

Tonight's Objective

Dr. Roy reviewed that tonight's objective is to determine the direction of the Board relative to: a) priorities if state funding increases; b) impact of charter schools; c) fund balance strategy; and d) tax impact using various measures. Letters "b", "c", and "d" are really information items for the Board this evening and do not require Board direction, but letter "a" we would be looking for Board direction. There are a lot of slides this evening that are text heavy, but we are not going to read through them, but we put them in there so that it is available to the Board and public with regard to the charter school issues, as well as the fund balance strategies.

Programs Retained After Loss of Accountability Block Grant

Dr. Roy indicated that in addition to being able to incorporate the shelf items, the administration was able to retain programs that were funded this year with the Accountability Block Grant (ABG), which is currently not in the Governor's Budget for 2012-2013. The administration is able to retain the school resources officers, instructional technology, and six sections of the at-risk full-day Kindergarten classes in the General Operating Budget for 2012-2013.

IF Increase Comes As Accountability Block Grant

Dr. Roy said there is discussion out there from legislators that they might be considering the ABG grant in some form. Districts are not sure if this will happen and we are not sure of the amount, but what we are being told is that it would likely be the same amount as this year. So for Bethlehem Area School District, it would be \$665,000. If an increase comes through as ABG, the administration would like the Board to consider the following:

- Restore Additional Shelf Items to include:
 - 1) Class Size Maintenance \$365,439
 - 2) Alternative Education Programs \$300,000
- Reduce Tax Increase

So at the end of this presentation, the administration would like to discuss with the Board that “if” the ABG comes about, then what do we do with the money. The first one would be to restore some of the shelf items that are not in the General Operating Budget, and one of the shelf items is the class size maintenance. We are really tight on staffing with all of the cuts that we made last year and in taking out the 5.5 positions, it is tight. So for a district of 14,500 students across 22 schools, we do not have a lot of wiggle room. So if we would apply the ABG to maintaining class sizes, that would give us some funding to better address that.

The alternative education programs recommendation by the administration is really a safety issue, and a school climate issue. The administration is not recommending starting our own alternative education program, but that we have funds available to place students in alternative programs that would best serve them.

Another option if we receive an increase in the ABG money, it would be to reduce the tax increase, but that is a couple of big “ifs.” This is “if” the state budget includes the ABG money, and “if” the state budget is passed prior to the final approval of the BASD Budget on June 18, would be we able to use it to reduce the tax increase. Once the BASD Budget is approved, then the tax bills go out and we are locked in.

So, these suggestions are big “ifs” with the ABG money. There are other ways of reducing items and so forth, but those are two overall approaches we can use, and we will come back to this at the end of the presentation.

Blend of Long and Short Term Needs Recommendations for 2012-2013 – Revised March 2012

Mrs. Gober reviewed the blend of the long and short-term needs which was reviewed at the Budget Workshop in March and are listed below:

	<u>February 2012</u>	<u>Mills</u>	<u>March 2012</u>	<u>Mills</u>
Estimated Value of Act 1 Exceptions	\$2,510,103	0.89	\$2,470,286	0.87
PSERS – 42.89% Rate				
Increase in 2012-2013	\$760,103	0.27	\$0	0.00
Shelf Items				
- Capital Improvements	\$100,000	0.35	\$600,000	0.21
- Buses	\$450,000	0.16	\$300,000	0.11
- Technology	\$300,000	0.11	\$232,000	0.12
Communications/PR			\$20,000	0.01
Reduce 5.5 of 11.9 Teachers			\$351,718	0.12
Total	\$2,510,103	0.89	\$1,503,718	0.53
		1.98%		1.18%

Charter School Costs

Mrs. Gober reviewed the chart showing the charter school costs and what is the impact of charters schools on our overall budget, and what would we have the ability to influence in that regard. The district is looking at a material amount of money that is going out of the General Operating Budget with over five percent being allocated to fund tuition for charter school students. Since 2006-2007, there was an average 17.98 percent increase per year since authorized. In 2006-007, charter school costs were \$4,282,881. For the 2011-2012 school year, the costs are estimated to be \$10,481,258, and the estimated cost for the 2012-2013 school year is \$11,384,723.

Impact of Recent Changes on the Charter School Funding Formula

Mrs. Gober indicated that the following slides that will be discussed this evening will show the impact to districts on changes being discussed with the legislators on the Charter School Funding Formula which involve:

- PSERS
- GASB 54 – Athletic Fund
- Non-Public Services
- Charter School Tuition Payments
- Special Education
- Cyber Charter vs. Brick & Mortar

So, we will review how some of these issues impact that funding formula and what is driving that cost to rise at over 17 percent on average per year.

Double Dip for Retirement Expenditures

The double dip for retirement expenditures of PSERS impacts the districts from the Charter School Funding Formula as a school district’s cost for retirement expenditures is not subtracted from expenditures; the tuition rate is calculated on 100 percent retirement expense with no consideration of net cost after reimbursement (50 percent); and charter/cyber schools also receive state reimbursement for their retirement costs.

An amendment to the funding formula would remove school districts’ retirement expenditures from the charter/cyber tuition calculation.

PASBO estimates the cost to districts for 2012-2013 for retirement expenses will be in excess of \$258 per student. The significant escalation of the PSERS Employer Contribution Rate through 2016-2017 will generate \$510,009,043 extra sent to charter/cyber schools.

PSERs Costs: The Next Five Years

A chart from PASBO showing what the PSERs costs for the next five years would be. To determine what the district’s costs will be, Mrs. Gober broke it down as follows in the next chart.

BASD PSERs Costs

The PSERS costs for BASD from 2010-2011 through 2016-2017 are listed below:

**2011-2012 Charter School Tuition \$8,538.82 Regular Education
\$16,390.93 Special Education**

Fiscal Year	PSERS	Increase Per Student	Per Student x Charter Enrollment (i.e., PDE 363)	Cumulative Charter Cost Due to PSERS
2010-2011	5.64%			
2011-2012	8.65%	\$205.42	\$250,813	\$250,813
2012-2013	12.36%	\$247.60	\$302,324	\$553,137
2013-2014	16.69%	\$288.98	\$352,847	\$905,984
2014-2015	21.18%	\$299.66	\$365,885	\$1,271,869
2015-2016	24.50%	\$221.58	\$270,543	\$1,542,412
2016-2017	25.27%	\$51.39	\$62,746	\$1,605,159
			\$1,605,159	\$6,129,374

Elimination of Other Unrelated Expenditures from Tuition Calculation

The next three items that impact the districts from the Charter School Funding Formula involves GASB 54, non-public services, and charter/cyber school tuition payments.

- GASB #54 required school districts to move athletic funds into the general fund. Prior to GASB #54 these funds were not included in the General Fund and subsequently excluded from the tuition calculation.
- Costs related to non-instructional services provided to non-public students (such as nursing) are included in the tuition calculation, though the non-public students are not included in “estimated average daily membership” of the school district.
- Charter/cyber school tuition payments are included in the tuition calculation thereby increasing the expenditure cost on itself.

Charter schools do not operate their own athletic programs and this is a cost that we are incurring and when charter school students choose to play sports, they have the opportunity and the district is required to allow them to play with our own BASD students in PIAA sports.

Special Education Actual Cost

Special Education actual costs also impact the districts from the Charter School Funding Formula for students who attend charters and are identified. The following are concerns to the Charter School Funding Formula:

- Special Education nearly double regular tuition to charters
 - Average more than \$18,000 per student across PA
- No reconciliation of the special education services to the payment from the district.
- Charters/cybers can profit by receiving the special education tuition rate from the sending district and then providing fewer or lower cost services with no reconciliation required.

The amendment to the formula would cap the special education calculation at the actual cost of service provided if less than the formula reimbursement. Also, give the resident district the option to provide the service at the district’s expense in lieu of paying the charter school special education formula rate. This would prevent over-identification and remove higher special education payments without regard to actual costs.

Residency Determination and Liability for Tuition

The next three slides are related to the final items that impact the districts from the Charter School Funding Formula, which involves cyber school versus brick and mortar:

Residency Determination - There is no requirement that proof of residency be transmitted with the charter/cyber school enrollment notification form. Tuition payments shall not be made for students whose documentation for residency has not been submitted or for students for whom the district disclaims residence.

Truancy - Currently the responsibility of the school district to enforce the compulsory attendance laws. Shift the responsibility of instituting truancy charges to charter/cyber schools.

Verification of Attendance and Notice of Withdrawal

- Require charter/cyber schools to certify monthly to the district of residence evidence, including monthly attendance records of each charter/cyber student, that students are in compliance with compulsory attendance laws, receiving educational instruction and completing assignments as required.
- Require a student’s parent/guardian to notify the district of residence within 10 days of a student’s enrollment in a new charter/cyber school or other school district.

Penalty for noncompliance for charter/cyber schools:

- There are no consequences, e.g. the withholding of funds, when charter/cyber schools fail to comply with requirements.
- Allow a school district to withhold payment to the charter/ cyber school during the time in which the charter/cyber school is in noncompliance with School Code provisions.

Reconciliation of Payments Received

- Require each charter/cyber school to determine an actual cost of educational services, and align tuition to actual cost not to exceed the district's actual cost of the educational services provided to the student;
- Require charter/cyber schools to reconcile annually with overpayments being returned to the district of residence to ensure that taxpayers' dollars are being spent fairly and efficiently.
- Require charter/cyber schools' annual reports to reflect over- and underpayments.

New Fund Balance Classifications

Mrs. Gober reviewed the new fund balance classifications that resulted about a year ago. These again are Governmental Accounting Standards Board changes that took what used to be simply two buckets of fund balance as restricted and unrestricted, and now has broken those out to five different categories that each have their own particular classification or rules assigned to them. Beginning with the most binding constraints, fund balance amounts shall be reported in the following classifications:

Formerly Restricted Fund Balance

- Non-spendable
- Restricted
- Committed

Formerly Unrestricted Fund Balance

- Assigned
- Unassigned

Policy 620 which was amended and approved by the Board last year to be in compliance with these accounting changes allows the Assistant to the Superintendent for Finance and Administration to designate funds to the Non-spendable, Restricted and Assigned classifications. This may be done after the audit is finished but prior to the financial statements being finalized.

Non-Spendable Fund Balance

Non-spendable fund balance is the most restricted category of funds. Items not in spendable form include items that are *not* expected to be converted to cash including fund balance associated with inventories and prepaid items; and the long-term amount of loans and notes receivable as well as property acquired for resale.

The General Fund had \$254,635, in non-spendable fund balance at June 30, 2011, comprised of \$239,629, of inventories on hand at year-end and \$15,006, of prepaid expenditures.

Restricted Fund Balance (2 slides)

A Restricted Fund Balance would be any restriction that is placed by an external entity, such as a debt issuance, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The Capital Reserve Fund currently has a \$394,930 fund balance at year end is restricted because of enabling legislation under the Municipal Code in PA 1432 of this Code which restricts the use of resources for limited purposes. These funds are restricted solely for the purpose of capital improvements. So, because of that type of restriction this would not be available for general fund operating purposes.

In addition, the debt covenant on the bond issues restricts the proceeds shown in the Construction Fund for the purposes outlined in the bond resolution. As such, the \$842,479, in fund balance at year-end within this fund is considered restricted. This fund is simply restricted for completing the various construction projects for which those bonds were issued.

The General Funds' \$2,058 in fund balance is restricted as a result of a Lot program.

Committed Fund Balance

This is where the Board will have to make decisions and where we want to move forward in terms of our overall planning. A Committed Fund Balance is amounts that are limited by Board policy or resolutions for future anticipated costs and include:

- 1) Capital Reserve Fund
- 2) Retirement Costs Stabilization Fund (PSERS)
- 3) Other Board-approved designation fund

Constraint on use for a specific purpose imposed by the district itself, using its highest level of decision-making authority. *The Board shall designate funds to the Committed classification through formal Board resolution.* This can be changed by another Board resolution approved at a later date. The resolution must state what the funds are being committed for, but does not have to specify the amount. The amount can be determined after the audit is finished but prior to the financial statements being finalized. Constraint can be removed or changed only by taking the same action. The Board resolution(s) must be approved on or before June 30 for the fiscal year that it applies to. *Action to constrain resources should occur prior to end of fiscal year, though the exact amount may be determined subsequently.*

Assigned Fund Balance

The Assigned Fund Balance really does not come out of your overall PDE restricted fund balance, but it does set aside a purpose to some of that fund balance and can be done through the normal year end close of the annual audit. These amounts are intended for a particular purpose or segregation of an amount intended to be used at some time in the future whose intent is expressed by the school board, a budget or finance committee or official authorized by the school board.

Assigned fund balance may never exceed total fund balance less its non-spendable, restricted and committed components. Appropriation of a portion of the existing fund balance to eliminate a projected deficit in the subsequent year's budget. Residual amounts in funds *other than* the Educational (General) Fund are assigned.

The fund balance of \$6,970, in the Non-Major Funds is assigned for the purpose of the Concession Fund.

Unassigned Fund Balance

Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund:

- Only general fund can report an unassigned fund balance.
- Available for any purpose.
- Reported only in the Educational (general) fund, except in cases of negative fund balance:
 - Negative balances in other funds are reported as unassigned.

Stabilization Amounts

This is considered a "rainy-day account" and includes:

- Stabilization was not previously considered a specific purpose.
- If constraints on stabilization amounts meet criteria to be reported as restricted or committed, then stabilization can be considered a specific purpose.
- *Stabilization amounts that do not qualify to be reported as restricted or committed should be included in unassigned fund balance.*
- Stabilization amounts should not be reported as assigned.

PSERS Rate Stabilization Fund

The PSERS Rate Stabilization Fund is established for the purpose of setting aside monies for future retirement obligations should be created as a sub-fund within the general fund. Monies can be assigned or committed for future retirement obligations. This type of stabilization fund does not qualify as a special revenue, proprietary or fiduciary fund type.

Board Policy 620

Mrs. Gober indicated that the following has been established by the Board in Board Policy 620 which include:

- Excess fund shall first be applied to the committed allocation to the Capital Reserve Fund for future capital projects, summer maintenance and long-range improvements, the Retirement Fund (PSERS) or to another Board-approved designation funds.
- Capital Reserve Fund projects may include large-cost projects such as re-roofing, classroom upgrades, and safety-related expenses.
- Should funds remain after the committed allocations, funds may be committed or assigned to other purposes as determined and approved by the Board of Education.

BASD Balance Sheet – Governmental Funds As of June 30, 2011

Mrs. Gober reviewed what we currently have in the Fund Balance for BASD as follows:

Fund Balance	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable	\$254,635	-	-	\$254,635
Restricted	2,058	\$1,237,409	-	1,239,467
Committed	-	-	-	-
Assigned	-	-	\$6,970	6,970
Unassigned (8%)	15,418,727	-	-	15,418,727
TOTAL	\$15,675,420	\$1,237,409	\$6,970	\$16,919,799

Dr. Roy indicated that the Unassigned Fund Balance amount will be discussed at the June Finance Committee Meeting.

2012-2013 Proposed Budget Following Revisions

Mrs. Gober reviewed the following proposed revisions that were reviewed with the Board back in March at the Budget Workshop:

Expenditures	\$212,158,344
Revenues	\$206,005,014
Deficit	\$ 6,153,330
Millage Needed	2.17
Percent Tax Increase	4.84%

2012-2013 Proposed Impact on Average Tax Bill

Mrs. Gober reviewed what it would like for an average taxpayer and an example was explained as follows whether they are commercial or residential within the school , which is our total duplicate divided by the number or parcels:

	<u>2.17 Mills</u>
2011 Average Assessment	\$75,082.00
2011-2012 Millage	44.9200
Tax Bill	\$ 3,372.68
2012-2013 Proposed Millage	47.0900
Tax Bill w/ Proposed Millage	\$ 3,535.61
Percentage Increase	4.8%
Yearly Increase in Average Bill	\$ 162.93
Monthly Increase in Average Bill	\$ 13.58
Weekly Increase in Average Bill	\$ 3.13
Daily Increase in Average Bill	\$ 0.45

2012-2013 Proposed Impact on Median Homestead Tax Bill

Mrs. Gober provided additional information at the request of a Board member of what it would be like for an average taxpayer on a median homestead tax bill. The majority of our tax assessment is in Northampton County, and they do not discern between commercial and residential properties, but if you use the 2011 Median Homestead Assessment, this would give us some indication as to what is the typical median assessed property for a residential homestead where it is owner occupied within our school district, and an example was explained as follows:

	<u>2.17 Mills</u>
2011 Average Assessment	\$55,100.00
2011-2012 Millage	44.9200
Tax Bill	\$ 2,475.09
2012-2013 Proposed Millage	47.0900
Tax Bill w/ Proposed Millage	\$ 2,594.66
Percentage Increase	4.8%
Yearly Increase in Average Bill	\$ 119.57
Monthly Increase in Average Bill	\$ 9.96
Weekly Increase in Average Bill	\$ 2.30
Daily Increase in Average Bill	\$ 0.33

2012-2013 Proposed Tax Impact

Mrs. Gober explained that she put together four different median homesteads and listed them in Quartiles 1, 2, 3, and 4 along with pictures to display the differences. Then she took the median of each quartile and went to the assessment records and found a representative home that was assessed at that median of quartile.

Quartile 1 is a homestead with a median property value of \$34,900 and is fairly typical of a lot of the homes within the district.

Quartile 2 is a homestead with a median property value of \$48,100 and this is more of a single home detached with a garage.

Quartile 3 is a homestead that is getting above the halfway mark and would have a median property value of \$62,300 and this would be more of a suburban type home in the township.

Quartile 4 is a homestead at the highest quartile with a median property value of \$94,000 and is a new development that would have more recent construction.

Listed below is a breakdown of each quartile with the median assessment and the increase for that value, and then for comparison purposes what is the average assessment in each quartile and the increase that they would see.

2011					
Homesteads	Median	Increase	Average	Increase	Count
1 st Quartile	\$34,900	\$75.73	33,451	\$72.59	6,694
2 nd Quartile	\$48,100	\$104.38	48,090	\$104.35	6,695
3 rd Quartile	\$62,300	\$135.19	62,072	\$136.87	6,695
4 th Quartile	\$94,000	\$203.98	102,398	\$222.20	6,694
North. County	\$59,100	\$128.25	65,746	\$142.67	21,238
Lehigh County	\$42,850	\$92.98	46,442	\$100.78	5,540
BASD	\$55,100	\$119.57	61,752	\$134.00	26,778
Combined					
2011 Average Assessment			75,082	\$162.93	
20,312 Homestead Properties or 76 percent are at or below the overall average assessment of ALL property.					
Homesteads below the average would see an average increase of \$105.25.					

Tonight's Objective

Dr. Roy then concluded to review tonight's objectives and to determine the direction of the Board relative to priorities if state funding increases before final June adoption. If so: a) restore additional shelf items including class size maintenance and alternative education programs; and b) reduce tax increase.

We are looking for Board discussion this evening on the ABG money. The next time the Board will be discussing the Budget is on May 14 with a Special Board Meeting for adoption of a Tentative Budget Adoption per the 30-day guideline prior to the Final Budget adoption, which is scheduled for June 18.

Mrs. Gober also reiterated that the Board can make revisions during that 30-day period prior to Board adoption in June.

Board Discussion

Director Faccinnetto opened it up for Board discussion.

Director Burkhardt asked if the property slides reviewed this evening are based on the 50 percent market value rule and does not include Lehigh County? Mrs. Gober responded yes to both questions. The slides are not reflective of the reassessment that occurred in Lehigh County because that will not impact the district until the 2013-2014 Budget.

Director Burkhardt also questioned if there is some estimate of what the fund balance for this year is yet? Mrs. Gober responded that this is in the process, and we are still working at realigning all of the accounting changes to make the data consistent so that when we do those projections that they are valid and not be in the transition that we have been in for the last two years of blending the prior methods with the new methods. We are trying to get all of the same items in the same account codes so it is consistent for comparison reasons. Director Burkhardt asked if we are going to have a figure prior to the May tentative adoption, and Mrs. Gober responded that she will try to get a figure by the May 14 Special Board Meeting.

Director Cann is concerned about all the cuts made last year to get a sustainable budget, and now items are being added back in such as, the school resource officers and full-day Kindergarten These items were put back in this year because we received the Accountability Block Grant. As of now, we do not have this grant for next year, and she does not believe that these two items should be in the current budget. We can make a statement that if we get this grant then we can put them back in, but they should never be part of

the budget as this was not the intention. She cannot believe all of this adding back, and she felt the hard work was done last year to say here is our base, and if taxes have to go up it is because of things we cannot control. It should not be that taxes are going up because we are adding things back in, such as full-day Kindergarten and middle school teaming. She feels we should give it more time in the middle schools to adjust before adding middle school teaming back in. She wants the administration to scale back and do not add back anything that was taken out last year, but we can do the planning for if we get the ABG money and a priority list. This increase in taxes is too much.

Director Follweiler wanted some more clarification on the charter school information and fund balance information. In regards to the charter school information on where some monies are going today and where they perhaps are going where they should not be, but she is not totally clear on what is that going to do to affect the budget. Is the state going to get tighter on these regulations, and thus these monies will come available to the district, or is this a wish list? Mrs. Gober responded that this is a wish list of proposals that are going to be discussed with legislators hopefully for an amendment to the formulas that we can save on these costs and only pay the charter schools what they really need to operate their programs so that we can retain the dollars so that we can operate our programs. One example is paying charter schools to operate a full-day Kindergarten program when we are only providing half-day programs. Director Follweiler asked for clarification if these monies are currently in the budget, and Mrs. Gober responded to this as being correct because we are legislated to pay on the existing formula and that is what is anticipated in the projections. She thanked Mrs. Gober for providing this information in the PowerPoint regarding the charter school funding.

Director Follweiler also had a concern with the fund balance information provided tonight. How does that relate to our budgetary reserve line item in our budget itself because it is in for \$3 million this year? Is that related to the fund balance discussion we are having at the eight percent or is it mutually exclusive? Mrs. Gober responded that she believes that they are mutually exclusive, and they are not one in the same. The budgetary reserve line item is an operational issue, and is not a fund balance concern. The funds that are there are comprised of a million dollars that is both a revenue and expenditure line item so that in the event throughout the course of the year you receive grant revenue through initiatives that we can garner, that would then give us the latitude within the budget to accept the revenue and also expend the program dollars that we receive without having to reopen the budget. If we do not receive the grant monies, it is neutral. The remaining \$2 million that is there is less than one percent of an operational contingency of things that develop throughout the course of the year that we would have know knowledge of or unable to anticipate. Director Follweiler asked if this \$3 million is over and above our eight percent? Mrs. Gober responded that the budgetary reserve is not to be used to increase the fund balance. That had been a philosophy employed in prior years, but that is not what is being suggested here. There is no latitude or wiggle room within the individual line items for things like increase enrollment over the summer, or Kindergarten registration that is larger than what was anticipated. Another is the Allentown NIZ as we do not know what affect it will have in the budget. BASD is a large district and allocating \$2 million of unknown items that may come up is not a large number and is less than one percent. Director Follweiler's last question on the fund balance is where is the fund balance as a line item? Mrs. Gober indicated that the fund balance line item is not part of the general operating budget. The fund balance is your cash on hand.

Director McKeon indicated that he supports what Director Cann said. We trimmed and fought for three years to trim the budget down to what we thought was excess spending, and now we have expanded the expenditures greater than the allowable Act 1. He also has heard some talk about the Allentown NIZ and it will create a problem for everyone. He asked Mrs. Gober for some clarification that if the EIT is collected for December 31, BASD will not see that money for six months? Mrs. Gober concurred. So, there is a built in six-month lag from monies collected till it is transferred over to the municipalities. If the district does receive money through the ABG, he would like to see it utilized for the middle school teaming. He also spoke about all of the tax assessments that BASD has dealt with.

Director McKeon would like the administration to possible look at going from a 26-pay period to a 24-pay period and compensate employees on the 15th and 30th of each month, and if there are any savings in that. Could the administration also look at the building allocations over the last five years and see how

much was really spent by building? Could we also have information on the number of people using direct deposit? Mrs. Gober responded to his concerns indicating that the business office is currently working on a way to get those who do not have direct deposit to subscribe.

Director Patrick indicated that she agrees with Director Cann that we should not be adding items back into the budget. Is there a way to scale down the middle school teaming effort such as adding a meeting period once a week? She also indicated that she feels bad for Mr. Stein's department that need buses and improvements to facilities. So, if there is any additional money, we should try to incorporate that to maintenance and transportation. Dr. Silva was asked to respond to Director Patrick's comment on teaming. He said that if that was the direction of the Board, he would meet with the four middle school principals to develop.

Director Ortiz indicated that last year we really trimmed the tree, and this year we still have the affects of that trimming. She deeply believes in early childhood education. Today we have the opportunity to get back a portion of valuable services for our most needy students to close the achievement gap. Teaming is also important for our children. We are here to reduce the achievement gap among our children. And if we are going to compete against charter schools, kindergarten does work and then we will continue to pay the charter schools because we do not offer full-day Kindergarten. Our decisions have to be made based on what is important for our students. Yes we have to cut, but we must look at all items. If we do receive ABG money we should look at middle school teaming and early childhood education for which we are not supporting as a district. She begs the Board to reconsider these items.

President Faccinnetto agrees with Director Cann and Director McKeon, but if we lose students to charter schools for full-day Kindergarten because we only provide six sections for the most needy kids, we are still paying the charter schools for this and we are not saving anything. In regards to the middle school teaming, we are not increasing staff. Last year, the Board forced the administration to make cuts as they would not go any higher than a certain percentage, and to get to that middle school teaming had to be eliminated. So, putting these two items back into the budget he would favor as they are not adding positions, as there are still going to be six less teaching positions next year than we are this year. As for priorities to add back if we receive ABG money, we cannot use that money to reduce the tax increase. If we want to do that, we need to decide that this evening. He would support the class sizes, and he would be open to discussing the other amount whether it be alternative education or something else that is needed.

Director Burkhardt gave the Board an overview of when middle school teaming was initiated when a select number of teachers and administrators spent one full year out of the classroom to study teaming and reported it back and then the Board voted on it. Research still supports middle school students are the most vulnerable and teaming focuses on smaller group of students. BASD was lauded for their innovative programs. Phasing middle school teaming back is one of the most important things we as a Board of Education can do for the education of our students.

Director Cann indicated that there is no question that middle school teaming is a good thing. What it came down to last year is that can we afford that good thing and can we eliminate something else to put that in. She is not in favor of putting middle school teaming back into the budget as the taxes are too high. If we get ABG money, then we can talk about how to use that money.

Director Follweiler indicated that everyone knows her opinion on taxes, and she will be voting no on the budget. There are many large items we talk about early on then not again during the budget process. We need to look at evaluating the number of elementary schools in district due to the impact of declining enrollment and building consolidation; technology versus books; preparing for Nitschmann and the future of asking voters for their support. Middle school teaming sounds like a great proposal on paper, but does not understand why it cost so much. Is the legislation going to help or hurt the district? Charter school reform might help, but not in this year's budget.

Director McKeon will not support the budget. He has a concern that nothing in Harrisburg will relieve us of our obligation for PSERS and that should be part of every discussion we have. The Governor does not want to raise taxes so it forces us to increase taxes.

Director Patrick indicated that she has heard people this evening no supporting this budget. Can we see where everyone stands? President Faccinnetto responded that we need to leave here this evening with some direction to the Administration. Last month we did a vote and we had six votes for the 4.84 budget, but we can do that again before we leave here tonight, but with Director Bonilla and Director Vidanage not here this evening we should ask them for their thoughts at the May Finance Meeting regarding the Budget.

Dr. Roy emphasized that the middle school teaming is not increasing staffing. He agrees that he does not want to increase staffing as personnel is the largest cost driver. Middle school teaming was suggested by a majority of the Board and did so by reallocating staffing and not increase staff above the current level. We have discussed all the reductions we have made to support proposals last time with a majority of the Board supporting the 4.84 percent, and we worked with that assumption. If that is not the case this evening, we need to know now as a lot of work will have to be done to cut back and that was not anticipated based on last month's meeting.

Dr. Silva commented that if we are ever going to bring back middle school teaming, it is a worthwhile investment in student achievement, and if we bring it back it will be more efficient than what we had before. This would be a good time to do this so we don't have a huge hole from Harrisburg.

Director Ortiz indicated that a lot of time and money was spent on teaming and research only to cut programs. Can we afford to be without teaming? We have to measure, not just on dollars and cents, but also on the academic side. We are going to be spending a lot more money if we do not put teaming back. Do not put it back all at once, but step-by-step is the best way to go. We have to look at the education side and also the money side. If we spend a lot of money trying to research on this and put it on the shelf, then we are not doing the right thing and we are not spending the money wisely.

Director McKeon indicated that the money spent on the research of middle school teaming was done a long time ago. His biggest argument is with the retirement numbers and where is that money going to go. He needs to see statistical information that would help us to say aye or nay on a program. He feels that this middle school teaming is an emotional argument from parents and staff, and when parents were asked if their child's grade went down, and about 75 percent said no the grades did not go down.

President Faccinnetto asked Dr. Silva if he could gather the information that Director McKeon is asking. Dr. Silva will get data information to the Board. He indicated that he does agree with Director McKeon that being data driven and putting everything to the program evaluation test is certainly something we should do for all academic programs. Timing is the issue now and we will not have our fullest picture and data until the summer, and how much of it is an implementation dip versus a change in model.

Director Cann asked for a clarification from when the preliminary budget was approved in January. She would like to see a budget like last year with no add ins and only cost drivers beyond our control. Capital needs from shelf item should come from the reserve. She asked the administration to give her an amount of tax increase of a status quo budget.

President Faccinnetto asked this evening to see where the Board stands with the Budget. If the Board had to vote on the budget this evening at a 4.84 percent increase which would include middle school teaming for sixth grade, six sections of full-day Kindergarten, and maintenance items.

Director Burkhardt – Yes
Director Cann – No
Director Follweiler – No
Director McKeon – No

Director Patrick – Yes
Director Ortiz – Yes
President Faccinnetto – Yes

Four Board members support 4.84 percent and three Board members do not support a 4.84%.

President Faccinnetto then indicated on the item regarding the ABG money, the administration has proposed if the funding comes back in full that it would be used to address class size maintenance and alternative education programs. What is the feeling of the Board?

Director Burkhardt – Had concerns regarding class size maintenance and Dr. Roy responded to his concerns.

President Faccinnetto then asked for clarification of what would happen if we wait and see if we get the money, do we have to reopen the budget? Mrs. Gober indicated that in order to not open the budget, items would have to be selected that are currently in the budget and would meet the grant specifications.

Director Follweiler indicated that the ABG has certain restrictions and we need to know that before we decide what we will submit to this grant if received. Mrs. Gober answered her concerns and then Mrs. Tate read a long list of items that are part of the grant specifications to be considered.

Director Cann indicated if the board is going to raise taxes by 4.84 percent, she would prefer teaming and put the six sections of full-day kindergarten in ABG if available?

Director Ortiz asked for clarification to make sure that middle school teaming and six sections of full-day Kindergarten are in the budget. Dr. Roy responded that it is in the budget.

Director Patrick indicated that if we get ABG money, she would like more full-day Kindergarten Programs.

Director McKeon said no. This will become one of our expenditures next year that we will have to deal with.

Mrs. Gober asked for clarification from Director Cann that she wants to see a number that would be the status quo as it was initially presented in January without teaming, without full-day Kindergarten, and without the technology. Director Cann indicated the exact same budget as this year and elements. The ABG money for this year was not part of the General Operating Budget. Mrs. Gober indicated that Director Cann mentioned that she could support the capital maintenance items. So would you add that in? Director Cann said yes.

Dr. Roy clarified that the focus on the budget as it is at 4.84 percent, and that the ABG will be addressed later if it comes and it will not be included in the budget adoption as it was done last year. We can come back to the ABG discussion later if the money received.

Courtesy of the Floor

Marie Chismar – 4103 Ginger Lane, Bethlehem (Parent) – Thanked Mr. Burkhardt about reminding the Board about the importance of middle school teaming. Teaming is not an unnecessary expense. It should be brought back completely, not partially. She had one child go through the middle school and had three years of middle school teaming and benefitted greatly from this. She currently has a child in the eighth grade that has told her that he misses teaming and this is a big change for a lot of students to adapt to. Some teachers are teaching subjects that they haven't taught in some years. The quality of education at the middle school is not as it was. Failure is up with teaming gone. You do not have to wait until the summer to get the data. If you do not bring it back, you will see great teachers leave due to retirement or teaching in another district.

Randy Toman – 359 10th Avenue, Bethlehem – He wants to go on record that what the school faces is out of the realm of the Board’s concern. The district is under restrictions of the state. The \$8 million are the cost drivers that cannot be cut. The information reviewed this evening regarding PSERS and the increases for the following years. Complimented the slides showing the median homes, but how many of those homes are on fixed income? He urges the Board to look at the bigger picture and look at the future years and the increases. Wants to know when the Board will be discussing House Bill 1776.

President Faccinetto answered some of Mr. Toman’s concerns regarding the PSERS increase. He also informed Mr. Toman that House Bill 1776 will be discussed at the June 18, 2012, Board Finance Committee Meeting.

Workshop adjourned at 8:06 p.m.

Attest,

Stacy Gober
Board Secretary

SMG:pag/dlm