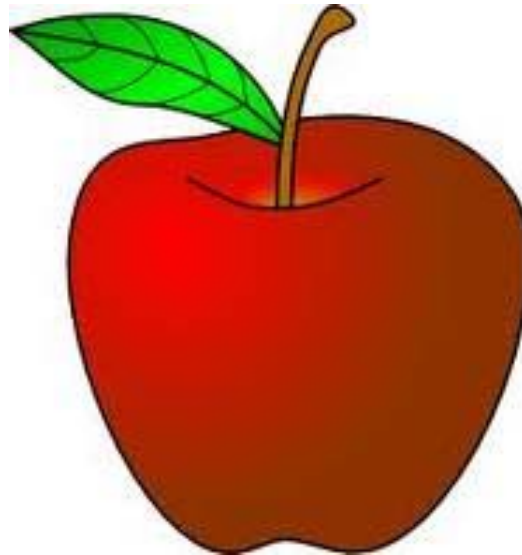


# ***Bethlehem Area School District***

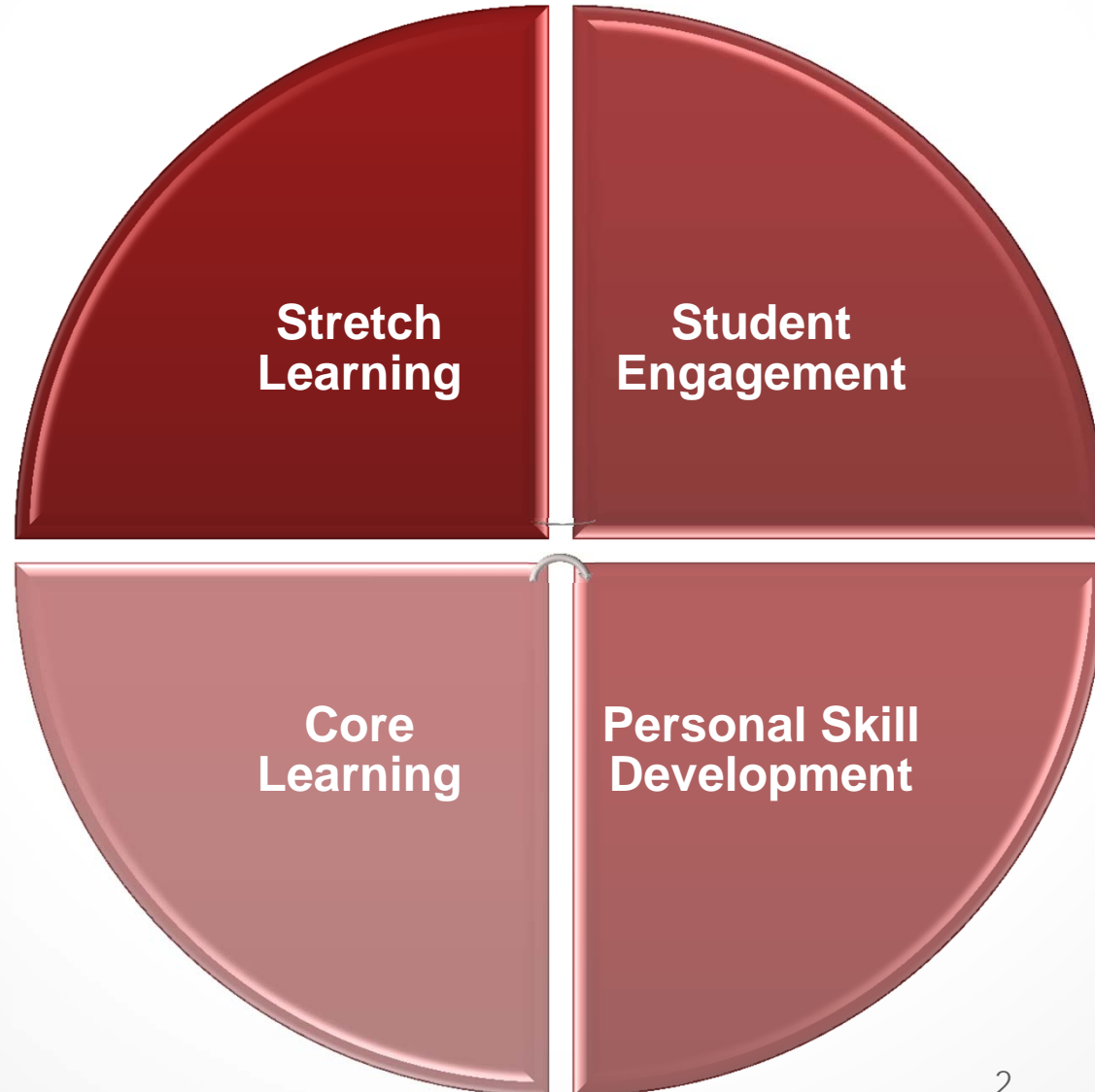


## ***2012-13 Proposed Preliminary General Fund Budget***

***April 30, 2012***

# 2012-13 Budget Goals

Roadmap to Educational Excellence 2012-2014



# 2012-13 Budget Goals

- *Sustainable Budgeting*
  - *Align programs to reliable revenue sources*
  - *Assure Adequate Financial Resources*
- *Address Structural Deficit*
- *Sustain mandated programs, existing contracts & agreements*
- *Preservation*
  - *Stabilize following dramatic changes*
  - *Evaluate result of 2011-12 reductions and changes*
  - *Preservation vs. Restoration*
- *Multi-Year Financial Goals*
  - *Address Cyclical Needs (Buses, Facilities, Technology)*

# *Tonight's Objective*

*Determine the direction of the Board relative to*

- a) Priorities if State Funding Increases*
- b) Impact of Charter Schools*
- c) Fund Balance Strategy*
- d) Tax Impact Using Various Measures*

# *Programs Retained After Loss of Accountability Block Grant*

- ***School Resource Officers***
- ***Instructional Technology***
- ***At Risk Full Day Kindergarten (6 Sections)***

# *IF Increase Comes As Accountability Block Grant*

## ***A. Restore Additional Shelf Items***

- |   |                         |
|---|-------------------------|
| <b><i>1) Class Size Maintenance</i></b>         | <b><i>\$365,439</i></b> |
| <b><i>2) Alternative Education Programs</i></b> | <b><i>\$300,000</i></b> |

## ***B. Reduce Tax Increase***

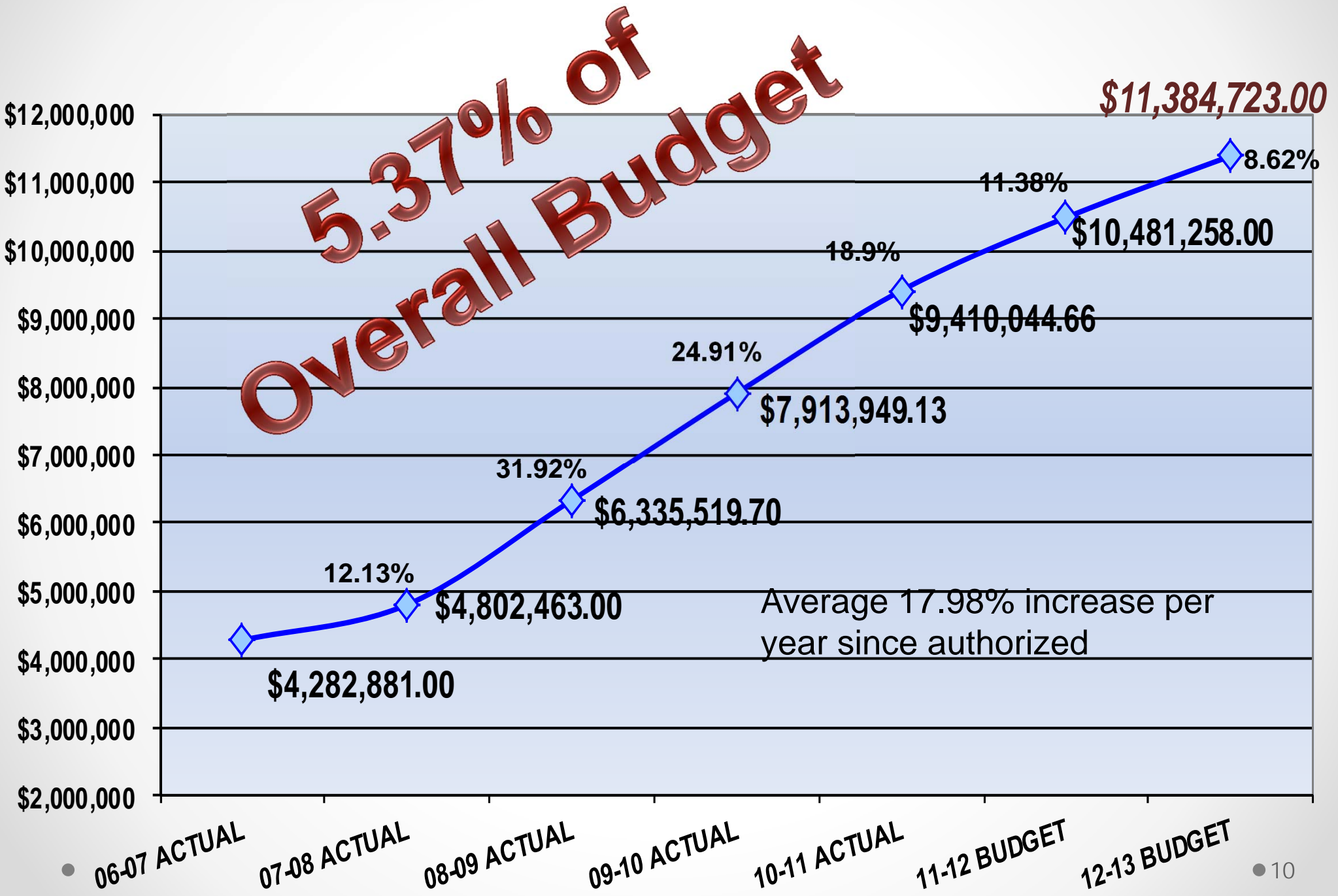
***2012-13 ABG Allocation ⇒ \$665,439***

***0.235 Mills or 0.5%***

# Blend of Long & Short Term Needs Recommendations for 2012-13 Rev. March 2012

	<u>Feb 2012</u>	<u>Mills</u>	<u>March 2012</u>	<u>Mills</u>
<i>Est. Value of Act 1 Exceptions</i>	\$ 2,510,103	0.89	\$ 2,470,286	0.87
<b><i>PSERS – 42.89% Rate Increase in 2012-13</i></b>	<b>\$ 760,103</b>	<b>0.27</b>	<b>\$0</b>	<b>0.00</b>
<b><i>Shelf Items</i></b>				
<b><i>–Capital Improvements</i></b>	<b>\$ 1,000,000</b>	<b>0.35</b>	<b>\$ 600,000</b>	<b>0.21</b>
<b><i>–Buses</i></b>	<b>\$ 450,000</b>	<b>0.16</b>	<b>\$ 300,000</b>	<b>0.11</b>
<b><i>-Technology</i></b>	<b>\$ 300,000</b>	<b>0.11</b>	<b>\$ 232,000</b>	<b>0.08</b>
<b><i>Communications/PR</i></b>			<b>\$ 20,000</b>	<b>0.01</b>
<b><i>Reduce 5.5 of 11.9 Tchrs</i></b>			<b>\$ 351,718</b>	<b>0.12</b>
<b><i>Total</i></b>	<b>\$ 2,510,103</b>	<b>0.89</b>	<b>\$ 1,503,718</b>	<b>0.53</b>
	<b><i>Millage Incr</i></b>	<b>1.98%</b>	<b><i>Millage Incr</i></b>	<b>1.18%</b>

# Charter School Costs





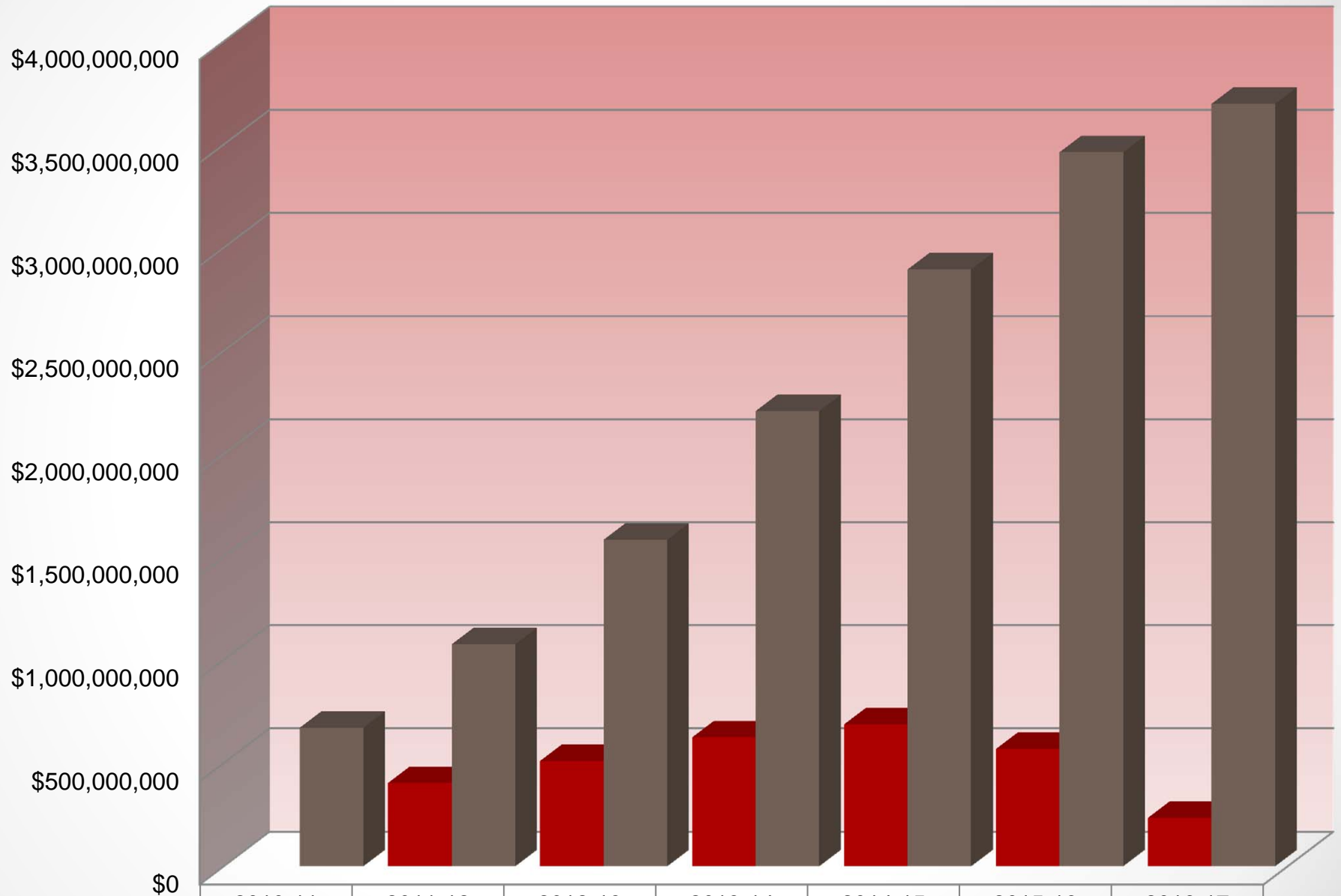
# Impact of Recent Changes on the Charter School Funding Formula

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

# Double Dip for Retirement Expenditures

- A school district's costs for retirement expenditures is not subtracted from expenditures.
- Tuition rate is calculated on 100% retirement expense with no consideration of net cost after reimbursement (50%)
- Charter/cyber schools also receive state reimbursement for their retirement costs.
- **Amendment**—Remove school districts' retirement expenditures from the charter/cyber tuition calculation.
- PASBO estimates the cost to districts for 2012-13 for retirement expenses will be in excess of **\$258 per student**.
  - The significant escalation of the PSERS Employer Contribution Rate through 2016-17 will generate **\$510,009,043** extra sent to charter/cyber schools.

## PSERS Costs: The Next Five Years



■ Inc. in Total PSERS Cost		\$403,677,120	\$510,016,360	\$623,547,382	\$686,510,232	\$567,893,516	\$234,739,787
■ Total PSERS Cost	\$670,528,320	\$1,074,205,4	\$1,584,221,8	\$2,207,769,1	\$2,894,279,4	\$3,462,172,9	\$3,696,912,7

Source: PASBO Jan 2012

# BASD PSERS Costs

**2011-12**                      **\$8,538.82 Reg Ed**  
**Charter Schl Tuition**    **\$16,390.93 Spec Ed**

FY	PSERS	Increase Per/ Student	Per Student times Charter Enroll ( i.e. PDE 363)	Cumulative Charter Cost Due to PSERS
2010-11	5.64%			
2011-12	8.65%	\$ 205.42	\$ 250,813	\$ 250,813
2012-13	12.36%	\$ 247.60	\$ 302,324	\$ 553,137
2013-14	16.69%	\$ 288.98	\$ 352,847	\$ 905,984
2014-15	21.18%	\$ 299.66	\$ 365,885	\$ 1,271,869
2015-16	24.50%	\$ 221.58	\$ 270,543	\$ 1,542,412
2016-17	25.27%	\$ 51.39	\$ 62,746	\$ 1,605,159
			<u>\$ 1,605,159</u>	<u>\$ 6,129,374</u>

# Elimination of Other Unrelated Expenditures from Tuition Calculation

- (1) 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.
- (2) 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.
- (3) Charter/cyber school tuition payments are included in the tuition calculation thereby increasing the cost on itself.

# Special Education Actual Cost

- 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.
- **Amendment**—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.
  - Prevent over-identification and remove higher special education payments without regard to actual costs.

# Residency Determination and Liability for Tuition

- 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.

## Enforcing 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 & 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

- 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

- (1) 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;
- (2) 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
- (3) Require charter/cyber schools' annual reports to reflect over- and underpayments.

# ***New Fund Balance Classifications***

Beginning with the most binding constraints, fund balance amounts shall be reported in the following classifications:

- **Nonspendable**
  - **Restricted**
  - **Committed**
- Formerly Restricted Fund Balance**
- **Assigned**
  - **Unassigned**
- Formerly Unrestricted Fund Balance**

Policy 620: The Assistant to the Superintendent for Finance & Administration may designate funds to the Nonspendable, 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***

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**
- **Also includes the long-term amount of loans and notes receivable as well as property acquired for resale**

The General Fund had \$254,635, in nonspendable 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***

***Restricted Fund Balance should be reported when constraints placed on the use of amounts are either:***

- a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments; or***
- b) Imposed by law through constitutional provisions or enabling legislation***

# *Restricted Fund Balance*

- The Capital Reserve Fund's \$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.
- 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.
- The General Fund's \$2,058 in fund balance is restricted as a result of a Lot program.

# Committed Fund Balance

**Committed** – amounts limited by Board policy or resolutions (e.g., future anticipated costs).

- 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

Amounts that 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:

- a) The school board
- b) A body (budget or finance committee) or official (Business manager or CFO for example) authorized by the school board
- **Assigned fund balance may never exceed total fund balance less its nonspendable, 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 (rainy-day) Amounts

- 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

# PERS Rate Stabilization Fund

- Rate stabilization funds 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 No. 620

- 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.

**Bethlehem Area School District  
Balance Sheet  
Governmental Funds  
As of June 30, 2011**

<b>FUND BALANCES:</b>	<b><u>GENERAL</u></b>	<b><u>CAPITAL PROJECTS</u></b>	<b><u>NON-MAJOR GOVERNMENTAL FUNDS</u></b>	<b><u>TOTAL GOVERNMENTAL FUNDS</u></b>
<b>Nonspendable Fund Balance</b>	<b>254,635</b>	<b>-</b>	<b>-</b>	<b>254,635</b>
<b>Restricted Fund Balance</b>	<b>2,058</b>	<b>1,237,409</b>	<b>-</b>	<b>1,239,467</b>
<b>Committed Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Assigned Fund Balance</b>	<b>-</b>	<b>-</b>	<b>6,970</b>	<b>6,970</b>
<b>Unassigned Fund Balance (8%)</b>	<b><u>15,418,727</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>15,418,727</u></b>
<b>TOTAL FUND BALANCES</b>	<b><u>15,675,420</u></b>	<b><u>1,237,409</u></b>	<b><u>6,970</u></b>	<b><u>16,919,799</u></b>

# *2012-13 Proposed Budget Following Revisions*

*Expenditures*      \$212,158,344

*Revenues*      \$206,005,014

*Deficit*      \$6,153,330

*Millage Needed*      2.17

***Percent Tax Increase*      4.84%**

# 2012-13 Proposed Impact on Average Tax Bill

	<u>2.17 mills</u>
2011 Average Assessment	\$ 75,082.00
2011-12 Millage	44.9200
Tax Bill	\$ 3,372.68
2012-13 Proposed Millage	47.0900
Tax Bill with Proposed Millage	\$ 3,535.61
Percentage Increase	4.8%

<b>Yearly Increase in Average Bill</b>	<b>\$ 162.93</b>
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Monthly Increase in Average Bill	\$ 13.58
----------------------------------	----------

Weekly Increase in Average Bill	\$ 3.13
---------------------------------	---------

Daily Increase in Average Bill	\$ 0.45
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# 2012-13 Proposed Impact on Median Homestead Tax Bill

2.17 mills

2011 Median Homestead Assessment	\$ 55,100.00
2011-12 Millage	44.9200
Tax Bill	\$ 2,475.09
2012-13 Proposed Millage	47.0900
Tax Bill with Proposed Millage	\$ 2,594.66
Percentage Increase	4.8%
<b>Yearly Increase in Average Bill</b>	<b>\$ 119.57</b>
Monthly Increase in Average Bill	\$ 9.96
Weekly Increase in Average Bill	\$ 2.30
Daily Increase in Average Bill	\$ 0.33



1st Quartile Median \$34,900



2<sup>nd</sup> Quartile Median \$48,100





3<sup>rd</sup> Quartile Median \$62,300



4<sup>th</sup> Quartile Median \$94,000

# 2012-13 Proposed Tax Impact

2011 HOMESTEADS	MEDIAN	INCREASE	AVG	INCREASE	COUNT
1 <sup>st</sup> Quartile	34,900	\$75.73	33,451	\$72.59	6,694
2 <sup>nd</sup> Quartile	48,100	\$104.38	48,090	\$104.35	6,695
3 <sup>rd</sup> Quartile	62,300	\$135.19	63,072	\$136.87	6,695
4 <sup>th</sup> Quartile	94,000	\$203.98	102,398	\$222.20	6,694
Northampton County Only	59,100	\$128.25	65,746	\$142.67	21,238
Lehigh County Only	42,850	\$92.98	46,442	\$100.78	5,540
BASD Combined	55,100	\$119.57	61,752	\$134.00	26,778
2011 AVERAGE ASSESSMENT			75,082	\$162.93	

***20,312 Homestead Properties or 76% 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*

***Determine the direction of the Board relative to***

***1) Priorities if State Funding Increases  
Before Final June Adoption***

***a) Restore Additional Shelf Items***

- |  |                         |
|--|-------------------------|
| <b><i>i. Class Size Maintenance</i></b>          | <b><i>\$365,439</i></b> |
| <b><i>ii. Alternative Education Programs</i></b> | <b><i>\$300,000</i></b> |

***b) Reduce Tax Increase***

# ***Board Discussion & Direction***