Pennsbury School District

Budget Update
&
Financial Impact of PEA Collective Bargaining

Updated May 19, 2011

Projected Revenues and Expenditures

(Before the impact of Collective Bargaining Agreement)

Total revenues before potential tax increase	$169,020,377
Total expenditures	$173,301,000
Deficit	($4,280,623)
Fund balance appropriation	$2,500,000
Deficit before allowable tax increase (1.4%)	($1,780,623)
Maximum tax allowable under Act 1(1.4%)	$1,780,623

Revenue Challenges for 2011-2012 and Beyond

Declining Revenues

- Declining state funding – reductions in subsidies, grants and reimbursements under proposed state budget could result in a $3.7 million revenue loss for Pennsbury
  - Uncertainty of Republican bill
- Declining assessments
- Reduced investment interest
  - 2010-11 Projection: $100,000
  - 2007-08 Actual: $2,847,473
- Loss of stimulus money
- Reduced federal subsidies

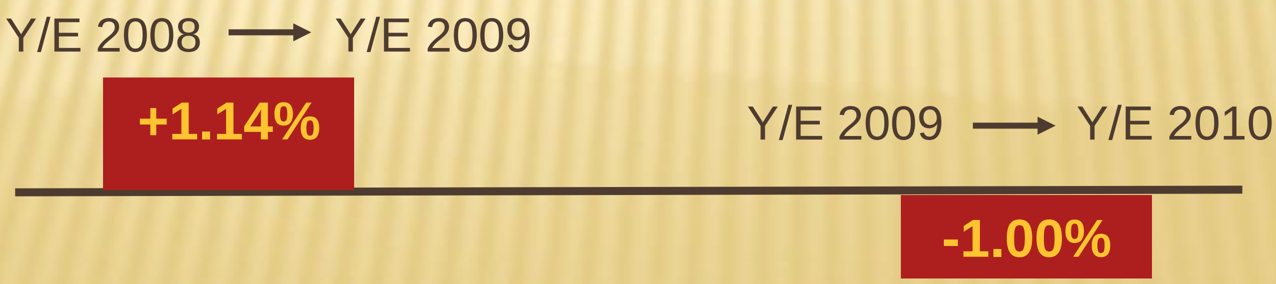
3-Year Expenditure History

Y/E 6/30/2008 Actual	Y/E 6/30/2009 Actual	Y/E 6/30/2010 Actual
$167.3M	$169.1M +1.14%	$167.5M -1.00%

Where Does the Money Go?

Salaries
Benefits
Services
Materials
Debt Service & Other

Year-to-Year Expenditure Increases



Cost of Teachers' Contract Under Status Quo

	2010-2011	2011-2012	2012-2013	2013-2014	Increase/ Decrease
Salaries	$67,283,195	$66,259,395	$65,235,595	$64,211,795	($3,071,400)
Column movement	-	-	-	-	-
PSERS	$1,897,386	$2,865,719	$3,976,110	$5,358,474	$3,461,088
Social security	$2,573,582	$2,534,422	$2,495,262	$2,456,101	($117,481)
Healthcare	$10,278,340	$10,887,846	$11,594,656	$12,565,049	$2,286,709
Totals	**$82,032,503**	**$82,547,382**	**$83,301,623**	**$84,591,419**	**$2,558,916**

- Assumes 20 retirements/year

- No column movement

Cost of Teachers' Contract Under Status Quo

	2010-2011	2011-2012	2012-2013	2013-2014
Total Cost	$82,032,503	$82,547,382	$83,301,623	$84,591,419
Increase year over year	-	$514,878	$754,240	$1,289,797
Act 1 projected maximum tax increase	-	1.4% $1,803,341	1.0% $1,306,134	1.0% $1,319,196
Remainder of tax increase to fund all additional costs	-	$1,288,463	$551,894	$29,399

Status Quo Conclusion

- Cost of teachers’ contract to increase because of PSERS and healthcare despite salaries decreasing due to retirements
- Tax increase, if any, limited by Act 1 such that minimal funds left to cover program cost increases

Solutions?

- Early retirement incentive
  - An early retirement incentive is considered a post-employment benefit. The Governmental Accounting Standards Board (GASB) requires this type of benefit to be expensed in the year that the employee becomes eligible for the benefit. Therefore, if a retirement incentive were approved for this year, there would have to be sufficient fund balance to cover the total cost of the incentive.

- Increased healthcare contributions
  - For every dollar contributed, teacher salary could only be increased cents on the dollar due to PSERS and social security and still maintain the status quo.

- New increased deductible medical plan
  - Could provide savings that could be used to increase salaries.

Solutions?

- Recover from recession – in time… but when?
  - Greater investment earnings
  - Increased assessments
  - Improved state subsidies
- Board Revenue Development Committee
  - Some hope (advertising, grant-writing) but nothing is certain
- Act 1 referendum – unlikely
- Act 1 exceptions – uncertainty in future years

How Do Other Districts Do It? They Don't!

- Layoffs and staff reductions
- Elimination of kindergarten
- Cutting number of Advanced Placement classes
- Considering 4-day school week

Conclusion

Given the increasing costs of the teachers' contract due to:

- PSERS contributions and
- Healthcare benefit expenses

… it is not now possible to increase faculty compensation without sacrificing educational programs – even with cost savings generated by retirements.

Nevertheless, the negotiating situation could be improved if and when:

- Significant changes in the District's healthcare benefit plans are made
- The Act 1 index is increased by the state
- The economy improves, resulting in increased revenue from investments, increased real estate assessments and improved state subsidies