

This budget attempts to balance current needs with future needs. A number of assumptions were made in the preliminary budget process. As more information has come forward and as the District has set priorities for 2012-13, recommendations for changes to the preliminary budget are included in this proposal.

The preliminary budget as passed in January had a budgetary gap of \$1.4 million. An assumption in that budget was that state revenues for everything but the state's share of pension expenses would fall by \$500,000. In the Governor's proposed budget, these revenues would instead rise by just over \$100,000. Additionally, our preliminary budget included a 3.3% tax increase.

The District recognizes the burden that tax increases place on the community. In developing this refined budget proposal, this effect was considered. The proposed budget contains a 2.7% tax increase, which is the equivalent of increasing taxes by 1 mill. The proposed tax rate would be 37.85 mills. The median homeowner would pay an additional \$70 in real estate taxes in 2012-13. With the Act 1 index at 1.7%, the District would use approximately \$783,000 worth of exceptions for pension expenses to arrive at the 2.7% tax increase. Total revenue would be \$116,752,202. The table below summarizes expenses and revenues for a number of years to include the proposed 2012-13 budget.

Recent Budget History				
	09-10	10-11	11-12	12-13
Expenses	Actual	Actual	Estimated	Budget
Salaries	58,419,129	59,472,381	57,324,000	57,808,201
Benefits	18,932,747	20,779,859	24,360,590	28,085,939
Purchased Services	12,832,893	13,294,597	13,184,830	13,184,830
Supplies/Equip/Utilities	5,950,736	6,049,582	5,730,677	5,215,677
Fund Transfers/Other	<u>7,833,246</u>	<u>10,563,152</u>	<u>11,019,270</u>	<u>11,942,555</u>
Total Expenses	103,968,751	110,159,571	111,619,367	116,237,202
PSERS Pre-funding	2,000,000	2,000,000	1,000,000	515,000
Contingency	0	0	0	300,000
Total	105,968,751	112,159,571	112,619,367	117,052,202
Revenues				
Local	88,842,209	92,400,628	94,102,000	96,975,047
State	16,827,379	16,506,598	17,217,367	18,477,155
Federal	<u>2,712,921</u>	<u>3,466,002</u>	<u>1,300,000</u>	<u>1,300,000</u>
Total Revenue	108,382,509	112,373,228	112,619,367	116,752,202
Real Estate Millage Rate	34.85	35.90	36.85	37.85
% Real Estate Tax Increase	3.3%	3.0%	2.6%	2.7%

Expenses were reduced in order to balance the budget. The proposed strategies below allow us to focus on our highest priority practices during the 2012-2013 school year and beyond. As we move through the spring and summer, our efforts would be to work through the required changes to implement these strategies.

Proposed Budget Strategies

1. Set a target of **attritional savings** of **\$600,000**. This would be achieved through two different methods. One method would be to allow some previously filled positions to remain unfilled. The second method is to recognize that when turnover does occur and positions are filled, they are filled at lower salaries. While at this time, we do not have sufficient resignations and retirements in hand to achieve this level of savings, we believe based upon historical turnover, the target is reasonable.
2. Because the District is pursuing an attritional strategy and not recommending furloughs, **unemployment compensation costs in 2012-13 will be at least \$100,000 lower** than will occur in 2011-12.
3. **Freeze budgetary allocations for everything but supplies, equipment, debt service and personnel related costs at the 2011-12 level.** All of these items were inflated by 1.7% in the preliminary budget. This change will result in a reduction of expenses from what was contained in the preliminary budget of **\$317,419**. We believe this will not negatively impact student learning.
4. **Reduce supply and equipment expenses by \$515,000** compared to what is budgeted in 2011-12. This reduction would be across all areas of the District. The focus of the majority of the reduction would be in the technology area. The District is investigating using less expensive student devices. The goal would be to leverage these savings while still providing a similar number of devices to what currently exists. In the supply area, an across the board reduction of 6% would be instituted. The budget for textbooks and curricular resources would not be decreased.

Expense reductions over what were contained in the preliminary budget total **\$1,532,419**.

There is one area of expansion in expenses that is proposed. Four new instructional coaches are being recommended. A more detailed explanation of that proposal is included. The estimated cost for these new positions is **\$250,000**. The net reduction in expenses over the preliminary budget is **\$1,282,419**.

Budget Strategies Not Proposed at This Time

Student extracurricular participation fees are not proposed at this time. The idea will be reviewed as a longer term strategy. This will allow for the many nuances of this issue to be explored in greater depth. This issue will be revisited as part of the development of the 2013-14 budget.

Decreasing contributions of \$1 million to the Capital Reserve Fund are not proposed. The District has a well documented need for improved facilities. Maintaining this contribution will allow the District to begin to address some of those issues in the short term.

Changing the PSERS pre-funding strategy is not proposed. The District will continue to have annual increases in its share of PSERS in excess of \$1 million each and every year through 2016. Changes to funding now will require change to funding in the future.

The strategy as discussed last year is shown below. This will be the final year of pre-funding. In 2013-14, we will begin to draw down the fund balance. Some minor revisions to this strategy will be considered moving forward based on actual PSERS costs as the rate continually changes. Ultimately, the fund balance would be drawn down to zero and the District would no longer draw down fund balance during the decade of 2020.

Year	Annual pre-funding contribution	PSERS Fund Balance
10-11	2,000,000	8,000,000
11-12	1,000,000	9,000,000
12-13	515,818	9,515,818
13-14	-346,353	9,169,465
14-15	-1,253,395	7,916,070
15-16	-1,731,374	6,184,696
16-17	-1,518,798	4,665,898
17-18	-1,273,771	3,392,127
18-19	-1,071,055	2,321,072
19-20	-803,096	1,517,976