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To: Dr. Robert J. O'Donnell

From: Jeffrey S. Ammerman

RE: 2012-13 Budget

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As we begin to move through the 2012-13 Budget Process, now would be a good time to recap both what has happened over the past two years as well as review next steps for our planning for 2012-13.

First, we will turn the clock back to the 2010-11 Budget process. At that time, without state action to change pension funding the District would have been facing a PSERS rate jump from 10.7% in 2011-12 to 29.6% in 2012-13. This would have meant a more than \$6 million net increase to the District all in one year. As a result of that, the District began to develop a PSERS funding strategy that would smooth that increase in pension payments.

A cost control task force was formed to help the District develop ways to reduce costs. As a matter of review, the full list of implemented strategies for 2010-11 accompanies this document. The three largest items from 2010-11 are below:

Reduction of 18 positions through attrition	\$1,250,000
Energy savings measures and cooperative energy purchasing	\$ 368,000
Transportation related savings	\$ 178,000

The state eventually changed the PSERS funding model, which allowed for a more gradual phase-in of the pension costs. However, the District remained under fiscal pressure as Earned Income Tax, Interest Revenue, and Realty Transfer Tax all began to shrink, instead of grow. As the 2011-12 budget was being prepared, the District also knew that \$1.7 million of Federal Stimulus would not be renewed. When the Governor released his budget, an additional \$1.9 million of state funding reductions was proposed.

What had already been a fiscally challenging situation became very difficult. The list of reductions in 2011-12 is attached. The largest items from 2011-12 are below:

Reduction of 17 positions through attrition	\$1,143,000
Reduction of 14 positions outside of the classroom via furlough	\$ 608,000
Reduction of 8 positions in the classroom via furlough	\$ 450,000

In total, the District has reduced nearly 60 positions over the course of the past two years.

The Board provided guidance in 2010-11 and 2011-12 regarding budgeting priorities. That is repeated here.

Board Guidance from 2010-11

1. Prepare a list of programs that should be reduced or eliminated because they lack student interest and/or educational viability in the 21st century.
2. All positions held by retiring and resigning employees will be subject to zero-based review. Possible restoration of these positions will be considered by the board on a case-by-case basis, with justification provided by the Superintendent.
3. The Superintendent will prepare an administrative/organizational review with the goals of improving the quality and efficiency of educational delivery.
4. Prepare a fee schedule that reflects reasonable cost sharing by parents. Opportunities for public comment will be provided.
5. Prepare draft policies and procedures that distinguish between renovation and capital improvement, with the goal of identifying modest projects that would be funded more appropriately through bond proceeds rather than the general operating budget.
6. If these and ongoing cost control efforts fail to close the projected budget gap, an across-the-board budget reduction may be implemented in FY 12.

Those strategies were re-affirmed in 2011-12 and supplemented with not using one-time money to balance the budget coupled with using a concentric circles model of looking first for savings outside of the classroom. With that as background, we now must consider 2012-13. The timetable for upcoming budget discussions and actions is listed below:

November 2011

- Reports on Transportation and Physical Plant Costs

December 2011

- Introduction of Preliminary Budget

January 2012

- **Approve Preliminary Budget at January 23rd Board Meeting**

February 2012

- Governor's Budget released
- Submit exceptions (if necessary)
- Submit referendum question (if necessary)

March 2012

- Incorporate Governor's Budget assumptions into District Budget process

April 2012

- Primary Election, 4/24/12 (referendum question on ballot if that is the path chosen)

May 2012

- **Approve Proposed Final Budget, 5/21/12**

June 2012

- Budget Hearing, 6/4/12
- **Final Budget Adoption, 6/25/12**

The challenge with the timetable in the short term is that very little is known about 2012-13 from a fiscal sense at this time. Negotiations are continuing with each of our bargaining units. The Governor will not release his budget until February. The one item that is known is the Act 1 index is 1.7% for 2012-13. A reasonable estimate of potential Act 1 exceptions can also be made. A summary of those estimates from the last meeting is repeated below:

Real Estate Revenue Growth Available 2012-13 (preliminary and estimated)

	Tax Increase \$	Tax Increase Percentage
Act 1 Index Tax Increase	1,270,000	1.7%
Special Education Exception	250,000	0.3%
PSERS Exception	<u>950,000</u>	<u>1.3%</u>
Total Tax Increase Available	2,470,000	3.3%
1% Assessed Value Growth	<u>750,000</u>	
Total New Real Estate Revenue Available	3,220,000	

The District has embarked on a PSERS pre-funding strategy. That strategy calls for a 1% annual tax increase for PSERS with an eventual drawing down of the PSERS fund balance. A summary of that strategy through the end of the decade is below:

Year	Annual Pay forward fund 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

As we move forward in the budgeting process, we need to determine:

1. Will any changes be made to previous Board budgeting guidance?
2. Will any changes be made to the PSERS funding strategy?
3. If a 1% tax increase for PSERS is levied, will that be within the Act 1 Index or part of an allowable Act 1 exception?

At the first meeting in November, some assumptions about all revenue and expenses will be introduced. By the last meeting in December, a decision about the process that will be followed in 2012-13 will need to be made. As a reminder, the options are:

1. Adopted a resolution limiting any tax increase to the Act 1 Index
2. Pass a preliminary budget including exceptions (if needed)
3. Proceed to referendum

2010-11 Cost Control Strategies

Strategy	Discussed and accepted for 2010-11	Anticipated Savings over Preliminary Budget
1	Reduce electricity budget due to lower cost estimate and cooperative purchasing	268,000
2	Reduce administrative salary increases from 4% to 1.5%	150,000
3	Reduce dental insurance budget based on self funded historical savings	150,000
4	Reduce electricity budget due to elimination of personal appliances and lighting upgrades	100,000
5	Restructure administrative team	90,000
6	Renegotiate contract terms with bus contractors	70,000
7	Increase fees for building use	20,000
8	Restructure late bus run	50,000
9	Decrease coach bus transportation based upon travel distance	58,000
10	Reduce elementary supply budget due to parent provided supplies	30,000
11	Reduce HS operations budget outside of the classroom	27,000
12	Reduce LE Operations budget outside of the classroom	27,000
13	Reduce tech maintenance contracts	26,000
14	Charge a \$50 fee for Driver Education	25,000
15	Reductions to Community Education budget	21,000
16	Replace MS Office at elementary/middle levels with open source and free software	20,000
18	Eliminate unit planning meetings	16,000
19	Replace VLN with existing virtual education program in use at High School	15,000
20	Miscellaneous other savings	13,000
21	Reduce telephone operations budget because of VOIP lower costs	10,000
22	Increase student parking fees by \$10/semester	7,000
23	Decreased paper use	7,000
24	Eliminate 18.25 positions through attrition	1,250,000
25	Reduce debt service increase due to lower interest rates	80,000
26	Move "minor" capital projects to Capital Reserve fund	<u>1,000,000</u>
	Total discussed and accepted	3,530,000
	Potentials for 2010-11	
17	Eliminate swimming program during school day	20,000
27	Potential additional state revenue	50,000
28	Potential savings from copier RFP	50,000
29	Potential additional real estate tax revenue due to higher assessed value growth	100,000
30	Reduce field trip budget due to curricular related trips only	50,000
31	Potential workers compensation and liability insurance savings	<u>50,000</u>
	Total Potentials	320,000
	Not Recommended for 2010-11	
32	Increased class size at elementary schools	
33	Fees for student activities/sports	
34	Major cuts to academic programs	
35	Increase walking distance to state maximums for bus transportation	
36	Cuts to classroom supplies, equipment, technology	
37	Reduction in the number of student activities	
	Continuing strategies for 2011-12	
	Attritional savings from employee turnover	
	Further energy savings	
	Expansion of open source and free software	
	Technology plan review for potential equipment savings	

2011-12 Staffing Reductions				
Attrition				
Level	Description	Detail	Salary Amount	FTE
Central	Bus Garage	Route Consolidation that has occurred through the 10-11 year.	\$60,000	3.50
Central	Curriculum	Assign Director of Education duties to other administrators-Retirement	\$126,000	1.00
Central	Physical Plant	Carpentry supervisor retirement	\$50,000	1.00
Elementary	Curriculum Coordinator	Leave position vacant	\$101,000	1.00
High School	Earth Science	Reduced enrollment	\$80,000	1.00
High School	English	Reduced enrollment	\$80,000	1.00
High School	Physical Education	Reduced enrollment	\$80,000	1.00
High School	ISS	Reduced enrollment	\$80,000	1.00
High School	Math Teacher	Reduced enrollment	\$80,000	1.00
High School	Coordinator	STEM Coordinator increased teaching load to teach courses open through attrition	\$33,000	0.33
High School	French	Reduced enrollment	\$16,500	0.33
High School	Spanish	Reduce Spanish Program	\$25,000	0.50

Level	Description	Detail	Salary Amount	FTE
High School	CTC	Reduce Auto Tech Program	\$16,500	0.33
Elementary	Title I	Title I can be covered with 1 less teacher who retired	\$80,000	1.00
Special Ed	Special Education - Professionals	Reduced number of students identified in special education	\$205,000	2.50
Central	Tech Services	Do not replace retiring IT operations para	\$30,000	1.00
Attrition Total			\$1,143,000	17
Out of Classroom Furloughs/Demotions/Changes				
Central	Development	Development Specialist	\$65,000	1.00
Central	Receptionist	Reduce a position	\$30,000	1.00
Central	Physical Plant	Various Positions	\$95,000	3.00
High School	Driver Education	Reduced para	\$12,000	1.00
Elementary	Para/Clerical	Library Para/Secretary due to building combination (MNES)	\$40,000	2.00
LE/SS	Health Paras	Reduce 3 Health Paras	\$51,600	3.00
Central	Tech Services	Various Positions	\$103,000	1.25
Central	Community Education	Reduce District Contribution to Community Ed.	\$56,300	1.25

Level	Description	Detail	Salary Amount	FTE
Elementary	Division Chair/Team Leader	Eliminate duties	\$155,000	
Out of Classroom Furloughs/Demotions/Changes Total			\$607,900	14
In Classroom Furloughs/Demotions/Changes				
High School	Driver's Education	Eliminate in-car: school year	\$125,000	2.00
High School	Driver's Education	Eliminate Summer in car and classroom	\$49,000	
High School	Social Studies	Reduced enrollment	\$50,000	1.00
High School	Art Teacher	Reduce Art Program	\$16,500	0.33
High School	CTC	Reduce Public Safety while adding Health Professions courses (net change)	\$16,500	0.33
High School	CTC	Reduce Para Time related to Auto Tech	\$5,000	0.50
High School	CTC	Reduce Early Childhood para	\$5,000	0.50
High School	CTC	Reduce Engineering Program	\$25,000	0.50
High School	CTC	Reduce Vo-Ag Program	\$41,500	0.83
High School	Family & Consumer Science	Reduce FCS Program	\$58,300	1.17
High School	World Language	Arabic 1 not offered, due to low enrollment. Could be offered in future because of a dual certified teacher	\$8,500	0.17

Level	Description	Detail	Salary Amount	FTE
Middle	Math Teacher - MNMS	Reduced enrollment	\$25,000	0.50
Middle	Music Teacher - MNMS	Reduced enrollment	\$25,000	0.50
In Classroom Furlough/Demotions/Changes Total			\$450,300	8.33
Total			\$2,201,200	39.32