

District Budget Town Hall

Coatesville Area School District

General Fund Budget

- District Budget normally refers to the General Fund Budget
 - This Budget must be filed annually with the state on form PDE-2028
 - Appropriation should not exceed available funds

Act 1 Index

- The Act 1 Index for CASD in 2018-19 is 3.0%
- This is the percentage that the property tax rate can be raised without applying for exceptions
- Exceptions available for real estate tax increases above the Act 1 Index
 - Special Education Expenditures above the index
 - Retirement Rate Increases above the index
 - District applied for and was granted just under \$5.4 million in exceptions, mostly from Special Education expenses

Key Act 1 Deadlines For 2018-19 Budget

- **June 30, 2018**

State Deadline to adopt 2018-2019 final budget

- **May 31, 2018**

CASD Deadline to adopt 2018-2019 final budget per Board resolution

Decision Variables

- Cannot change any tax rate except real estate tax rate
- All other revenue changes based upon “natural” fluctuations, state formula, or state legislation
- The only revenue decision available to the Board is the real estate tax millage decision
- Expenditure decisions to some extent are in District’s control
- Charter Tuition however is not under District’s control

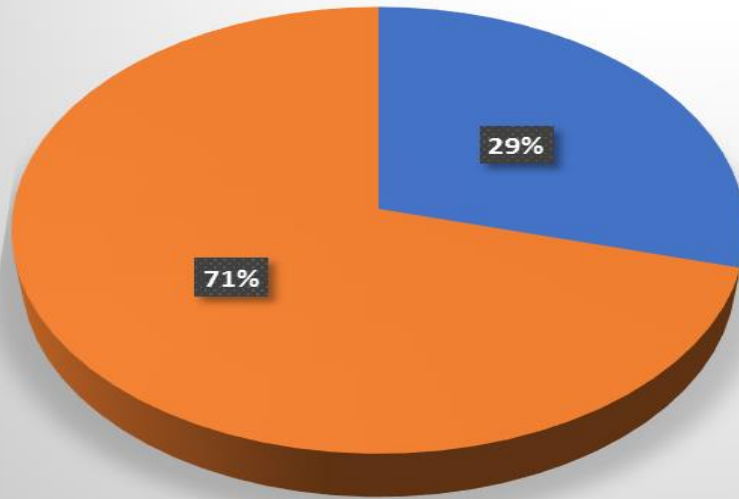
Recent Budget History

- Driven almost exclusively by special education placements, charter school tuition, and pension costs
- District has had two consecutive years of overspending the budgeted expenditure levels and it will happen again in 17-18
- Budgeted expenses in 15-16 were \$149 million, actual expenses were \$159 million
- Budgeted expenses in 16-17 were \$153 million, actual expenses were \$170 million
- Budgeted expenses are \$165 million, actual expenses are tracking at \$171 million

	Special Education Costs excluding Special Education Charter Tuition	Special Education Charter Tuition	Regular Education Charter Tuition	Pension Costs	Other	Total
10-11	\$20,974,794	\$5,022,356	\$13,376,921	\$3,153,886	\$103,197,782	\$145,725,739
11-12	\$19,665,732	\$5,629,076	\$14,089,052	\$4,221,996	\$95,705,364	\$139,311,220
12-13	\$18,635,097	\$5,680,010	\$14,474,954	\$5,731,443	\$93,052,472	\$137,573,975
13-14	\$20,554,372	\$5,111,956	\$12,854,556	\$7,913,455	\$90,737,986	\$137,172,325
14-15	\$22,800,985	\$6,745,371	\$14,569,049	\$10,120,506	\$92,211,115	\$146,447,026
15-16	\$25,523,059	\$7,602,847	\$18,690,674	\$12,126,113	\$94,740,852	\$158,683,546
16-17	\$26,297,140	\$11,868,672	\$22,119,902	\$13,863,628	\$95,981,200	\$170,130,542
Change 10-11 to 16-17	\$5,322,346	\$6,846,316	\$8,742,981	\$10,709,742	-\$7,216,582	\$24,404,803

	Total of Pension, Special Education, and Charter Tuition	% change	Other	% change	Total
10-11	\$42,527,957		\$103,197,782		\$145,725,739
11-12	\$43,605,856	2.53%	\$95,705,364	-7.26%	\$139,311,220
12-13	\$44,521,504	2.10%	\$93,052,472	-2.77%	\$137,573,975
13-14	\$46,434,339	4.30%	\$90,737,986	-2.49%	\$137,172,325
14-15	\$54,235,911	16.80%	\$92,211,115	1.62%	\$146,447,026
15-16	\$63,942,694	17.90%	\$94,740,852	2.74%	\$158,683,546
16-17	\$74,149,342	15.96%	\$95,981,200	1.31%	\$170,130,542
Change 10-11 to 16-17	\$31,621,385	74.35%	-\$7,216,582	-6.99%	\$24,404,803

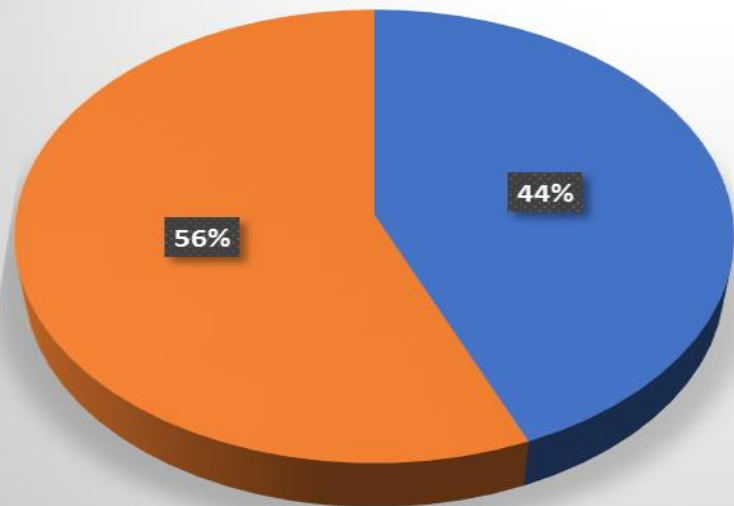
10-11



■ Total of Pension, Special Education, and Charter Tuition

■ Other

16-17



■ Total of Pension, Special Education, and Charter Tuition

■ Other

Expense Analysis

- Salary cost is significantly lower than it was in 2010-11
- Outsourcing and position elimination helped to save money in these areas
- Challenge is most of the costs that are driving the budget have limited District control
- Pension costs, Special Education costs, and Charter Tuition are mandated and not discretionary

	Special Education Costs excluding Special Education Charter Tuition	Special Education Charter Tuition	Regular Education Charter Tuition	Total Special Education and Charter Costs		State Charter School Revenue	State Special Education Revenue	Total State Special Education and Charter Revenue
10-11	\$20,974,794	\$5,022,356	\$13,376,921	\$39,374,071	10-11	\$3,891,915	\$4,566,563	\$8,458,478
11-12	\$19,665,732	\$5,629,076	\$14,089,052	\$39,383,860	11-12	\$0	\$4,566,553	\$4,566,553
12-13	\$18,635,097	\$5,680,010	\$14,474,954	\$38,790,061	12-13	\$0	\$4,566,553	\$4,566,553
13-14	\$20,554,372	\$5,111,956	\$12,854,556	\$38,520,884	13-14	\$0	\$4,572,128	\$4,572,128
14-15	\$22,800,985	\$6,745,371	\$14,569,049	\$44,115,405	14-15	\$0	\$4,698,834	\$4,698,834
15-16	\$25,523,059	\$7,602,847	\$18,690,674	\$51,816,580	15-16	\$0	\$4,842,614	\$4,842,614
16-17	\$26,297,140	\$11,868,672	\$22,119,902	\$60,285,714	16-17	\$0	\$4,894,170	\$4,894,170
Change 10-11 to 16-17	\$5,322,346	\$6,846,316	\$8,742,981	\$20,911,643	Change 10-11 to 16-17	\$3,891,915	\$327,607	-\$3,564,308

State Share

- The state share of charter and special education costs has fallen dramatically at the same time these costs have escalated for us
- Expenses increased almost \$21 million since 2010-11
- State Revenue DECREASED by more than \$3.5 million for these items since 2010-11
- It's even worse because the Charter School formula was based on a percentage of charter expenses
- Had it remained in place, we would have gotten an additional \$50 million since 2011-12

Charter Tuition And The Flawed Formula Used to Calculate It

- Estimating Charter Tuition Costs is difficult
- Students come and go and there is no perfect way of estimating that from one year to the next
- The tuition rates in the past were not finally determined until May or June of the Fiscal Year for which the budget is passed
- That is, we would not know the Charter Tuition rates for 2018-19 until May of 2019
- Can make estimates based upon a formula
- Currently in a state of flux, as PDE is proposing changes based on a lawsuit by Charter Schools

Charter Tuition And The Flawed Formula Used to Calculate It

- Since Total Expense = Price (charter tuition rates) * Quantity (# of charter students), that number is very difficult to predict accurately
- The formula itself, especially for Charter School Special Education Tuition is seriously flawed
- The state had an opportunity to correct this a number of years ago when a new Special Education formula was passed, but it chose not to do that.

Charter Tuition And The Flawed Formula Used to Calculate It

- The charter tuition rates are based on District expenses per student
- While not perfect, the Regular Ed Rate is at least somewhat logical in that it counts all of our students in the denominator
- The Special Ed rate does not use an actual count of our special education students
- It is assumed all Districts have 16% of their students in special education

Charter Tuition And The Flawed Formula Used to Calculate It

- CASD has more than 20% of its students in special education
- We are dividing all of our special education costs by far less students than we have in special education because of the arbitrary assumption at the state level that all Districts have 16% of their students in special education
- If our actual count was used, the Special Education Rate would be significantly lower and our costs for Charter School would have been almost \$2 million lower in the most recent year

Charter Tuition And The Flawed Formula Used to Calculate It

- Finally, the state used to reimburse all Districts close to 30% of their Charter School Costs
- Budgets got tight in 2011-12 and the state decided to pay 0% of Charter School Costs from that point forward
- A direct shift of expenses from the state to the local taxpayers
- For 2016-17 and 2017-18, the District would have received \$19 million from the state had they not stopped paying their share in 2011-12
- Cumulatively, about \$50 million that we did not receive because the state decided to walk away from paying their share since 2011-12

Charter Tuition Budget

Year	Month	Charter School Enrollment		Regular Education Enrollment	Special Education Enrollment
2015	June	1,740	March 2018 Charter Enrollment		
2016	June	1,988			
2017	June	2,225		2,008	501
2018	March	2,509			

	Budgeted Charter Tuition	Actual Charter Tuition	Difference
2014-15	\$21,307,270	\$21,314,420	-\$7,150
2015-16	\$21,943,258	\$26,293,521	-\$4,350,263
2016-17	\$23,200,536	\$33,988,574	-\$10,788,038
2017-18 (projected)	\$27,234,385	\$36,876,934	-\$9,642,549
2018-19 (projected)	\$40,795,886		

2018-19 Tuition reflects March 2018 enrollment numbers for a whole year and no growth in enrollment in 2018-19

Fund Balance Impact

Coatesville Area School District-Fund Balance History

	General Fund	Capital Reserve	Capital Projects
2012-13	-\$1,368,211	\$105,804	\$44,417,685
2013-14	\$8,009,557	\$94,808	\$20,075,339
2014-15	\$11,223,004	\$90,229	\$8,443,968
2015-16	\$11,992,262	\$90,341	\$7,231,625
2016-17	\$2,809,382	\$1,093,954	\$5,406,634
2017-18 estimated (before Sale/Leaseback)	-\$2,902,067	\$939,500	\$5,352,959

Steps Taken So Far

- Planned closure of Friendship Elementary School
- Eliminated more than 30 positions throughout the 2017-18 School Year
- Will use further savings in reduced positions through attrition in the 2018-19 school year
- Have moved some employee groups to a High Deductible Health Plan

Major Expense Items In The District's Budget

- Staff salary and benefits: \$74,205,259
- Charter Tuition: \$40,795,886
- Debt Service: \$16,067,000
- Special Education services and placements (not counting staff salary and benefits): \$15,709,273
- Student Transportation (including required transportation to Non-pub and Charter Schools): \$10,210,344

Major Expense Items In The District's Budget

- Building maintenance, repair, and utilities (including outsourced staff): \$6,122,699
- Vo-Tech tuition: \$3,371,111
- Supplies, Textbook, Equipment not contained in other categories: \$2,626,218
- Technology related expenses: \$2,033,934
- Outsourced Substitute Teachers: \$910,731
- Legal Fees: \$605,350
- Property/Casualty Insurance: \$508,000

Where We Are Now

- Will finish 17-18 with approximately \$6 million more in expenses than revenue
- With increases of nearly \$4 million in Charter School tuition for currently attending students and another increase in the pension rate, start 18-19 more than \$11 million out of balance before a tax increase
- Need to take steps to get budget back in balance
- Do not overspend the 2018-19 budget
- Try to keep a positive fund balance after borrowing

Where We Are Now

- Charter Enrollment is the big variable that could have a major impact on our budget
- Have budgeted for current students and included money in budgetary reserve for some level of growth
- Increased costs of \$400,000 for Vo-Tech based on formula
- Need to consider the maximum allowable tax increase to begin to get budget back in balance
- Based on approved exceptions, that would be an 8.4% increase

Where We Are Now

- Even after the reduction of 30 positions through attrition, budget is still \$2.4 million out of balance, after 8.4% tax increase
- Not included in that number is \$2.3 million of budgetary reserve (showing as \$4.7 million out of balance on the budget form including budgetary reserve)
- Budgetary reserve is not intended to be spent, but provides a cushion for charter enrollment growth to not overspend budget

Financing Transaction

- District has formed an Authority to perform a sales/leaseback transaction
- This will provide needed funds to avoid issuing annual Tax Revenue Anticipation Notes and allow us to pay bills
- Board and Authority have approved parameters for the transaction
- Tentative closing in early June
- Will show fund balance as positive, but must be paid back

Budget Town Halls And Contact Information

- Community members are encouraged to share their ideas and suggestions by emailing them to budgetfeedback18@casdschools.org
- May 3, 6 p.m. at Kings Highway Elementary Cafeteria
- May 8, 6 p.m. at East Fallowfield Elementary School Cafeteria
- Board is scheduled to vote on Final Budget at May 29th Board Meeting

More Information

- www.casdschools.org

Wrap-up

- Discussion and Questions