



Leadership • Service • Advocacy

Budgeting and Communicating in Tough Economic Times

Presenters:

Budgeting in Tough Economic Times

Course Topics

1. Balancing expenses with limited resources

- Maintaining academic achievement with fewer resources revenues
- Keeping quality staff with limited dollars
- Controlling spending to ease the burden on taxpayers

Course Topics

2. Negotiating staff contracts that won't sink the budget

- Understanding the cost-drivers in your teacher contracts, PSERS, state and federal mandates

3. Effectively planning finances in a changed economy

4. Making effective outsourcing decisions

How We Got Here

- **Worst recession since the Great Depression**
 - **Foreclosures**
 - **Fewer home sales**
 - **Lower tax collections**
- **Act 1 limitations**
- **PERS increase**
- **Others?**

Results of a PASBO Survey

(Pennsylvania Association of School
Business Officials)

Revenue Shortfalls (2009-10)

- **Collectively nearly \$345 million budget hole**
 - EIT revenue down close to \$50 million
 - Realty Transfer Tax loss of \$75 million
 - Drop in interest earnings of \$220
- **More than 2/3 SD reported revenues fell**
- **Even with adjustments, 40% of SD suffered local revenue shortfall**

What were the Consequences for 2010-11?

- 2/3 of SD reduced instructional staff
- Jeopardized SD ability to meet accountability requirements
 - AYP for Reading – 72%
 - AYP for Math – 67%
- 30% of respondents cut instructional programs
- 70% of respondents used reserves to balance budgets

Add to That...Challenges Ahead

- Act 1 index is 1.4% - 2011-12
- PSERS rate – 10.59% for 2011-12
- Jobless recovery
 - EIT/PIT
- Housing market
 - Realty transfer
 - Foreclosures

... Challenges Ahead

- **Stimulus money gone**
- **Projected \$3 billion state shortfall**
- **Predicted funding back to 2005-06 levels**
- **Mandated programs**
 - **Academic requirements**
 - **Special education**
- **Building projects and debt service**

... Challenges Ahead

- **Balanced budget**
- **Strategic plan**
- **Collective bargaining agreements**
- **Class size and other policies**
- **Keeping buildings open**
- **Contractual obligations**

Budget Plan

- Only 10-15% is “wiggle room” after standing obligations are considered
- Time to change recipe is *not* right before meal
- Need to communicate with our public
NOW

Mandatory vs. Optional

Advantages and Disadvantages of Cuts

Collective Bargaining Cost-Drivers

- Retirement incentives
- Tuition reimbursements
- Health insurance
- Accumulated sick leave
- Prep time and education issues
- Salary schedules

Drastic Measures?

- Outsourcing
- Entitlement and competitive grants
- Four-day school week
- Pay-to-participate in extra-curricular
- Corporate sponsors
- Tax increases (33% raised taxes in 2010-11)
 - 135 SDs raised taxes over index
 - 30 SDs raised taxes to within the index
- Merger/consolidation

Less Drastic Measures?

- Shared services
- Deferred maintenance
- Delay in replacing equipment, software
- State purchasing???
- Not replacing retired staff
- Consolidating staff
- Restructuring debt

Prescription for Financial Health

Dr. Robert J. Madonia

- **Districts that make things happen**
- **District that watch things happen**
- **Districts that say, “What just happened?”**

PASBO's SCORRE

School Cost Reduction and Revenue Enhancement

Time to Prepare

- Now is the time for 2012-13 discussions

What is Your District Doing?

Examples ... sharing services?

Eliminating programs?



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