

2012 and 2013 Budget Update

**Board Committee Meeting
March 5, 2013**



Where we are as of March 5, 2013

- **2012 Budget Update**
- **Impact of Governor's Proposed Budget**
- **Proposed Pension Reform Plan**
- **Federal Sequestration**

District's Financial Outlook at 2013 Budget Adoption

	2012 est.	2013 est.	2014 est.	2015 est.	2016 est.
Revenue (Millions) (a) (b)	\$507.95	\$511.97	\$512.47	\$516.91	\$519.76
Operating Expenditures (c)	\$514.34	\$521.83	\$542.40	\$559.69	\$572.71
Operating Deficit	(\$6.39)	(\$9.86)	(\$29.93)	(\$42.78)	(\$52.95)
Beginning Fund Balance	\$72.40	\$66.01	\$56.15	\$26.22	(\$16.56)
Budgeted Year-end Fund Balance	\$66.01	\$56.15	\$26.22	(\$16.56)	(\$69.51)
Fund Balance Compliance	Yes	Yes	No	No	No
Minimum Fund Balance per Board Policy #721 (d)	\$25.72	\$26.09	\$27.12	\$27.98	\$28.64

Funds required to comply with Fund Balance Policy

	\$30.06	(\$0.90)	(\$44.54) (e)	(\$98.14)
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*The 2012 closing appears better than projected. A new rolling forecast will be provided when we close our books.

2013-14 Governor's Proposed Budget

- Proposed \$5.5 billion in Basic Education Funding
 - 1.67% increase over 2012-13
 - Schools Districts “held harmless”
- Proposed an estimated \$1 billion four-year Passport for Learning Block Grant for K-12 education
 - Funds for school safety, “Ready by 3,” individualized learning programs, and science, technology, engineering and math (STEM) programs.
 - Dependent on the privatization of the state’s wine and spirit stores

Impact of 2013-14 Governor's Proposed Budget

SCHOOL DISTRICT OF PITTSBURGH
GOVERNOR'S PROPOSED BUDGET 2/5/2013

2/5/2013

	<u>2012/13</u>	<u>2013/14</u>	<u>VARIATION</u>	<u>% CHANGE</u>
BASIC EDUCATION FUNDING	\$152,501,623.00	\$153,648,060.00	\$1,146,437.00	0.75%
ACCOUNTABILITY BLOCK	\$2,093,687.00	\$2,093,687.00	\$0.00	0.00%
SPECIAL EDUCATION	\$27,426,465.00	\$27,289,333.00	-\$137,132.00	-0.50%
	<u>\$182,021,775.00</u>	<u>\$183,031,080.00</u>	<u>\$1,009,305.00</u>	<u>0.55%</u>

Proposed Pension Reform Plan

- Moving new employees from a defined benefit to a defined contribution plan
 - Public School Employees' Retirement System, or PSERS, employees hired after July 1, 2015 will be enrolled in a 401(a) defined contribution plan, similar to a 401(k) plan.
- Changing the formula for future benefits for current employees' plans
 - Changes to the formula will be effective for PSERS employees on July 1, 2015
- Limiting the amount by which the Commonwealth's employer contributions can be increased
 - Reduces current annual employer contribution limits from the mandated 4.5 percent to 2.25 percent in 2013-14.

Proposed Pension Reform Plan (continued)

<u>Projected PSERS Rates</u>		
<u>Year</u>	<u>Rate</u>	<u>Increase</u>
2012-13	12.36%	-
2013-14	16.93%	4.57%
2014-15	21.31%	4.38%
2015-16	25.80%	4.49%
2016-17	28.30%	2.50%

<u>Reform Plan PSERS Rates</u>		
<u>Year</u>	<u>Rate</u>	<u>Increase</u>
2012-13	12.36%	-
2013-14	14.61%	2.25%
2014-15	17.36%	2.75%
2015-16	20.61%	3.25%
2016-17	24.36%	3.75%

***By law, the state must increase that rate by 4.5 percent each year. Corbett’s plan reduces current annual employer contribution limits from the mandated 4.5 percent to 2.25 percent in 2013-14. That amount would increase half a percentage per year until it reaches 4.5 percent again, or until it is equal to the annual required contribution rate. This is otherwise known as “tapering the collars.”**

Impact of Proposed Pension Reform Plan

	2012 est.	2013 est.	2014 est.	2015 est.	2016 est.
Revenue (Millions) (a) (b)	\$507.95	\$510.22	\$509.60	\$512.56	\$517.60
Operating Expenditures (c)	\$514.34	\$518.34	\$536.66	\$550.99	\$568.40
Operating Deficit	(\$6.39)	(\$8.12)	(\$27.06)	(\$38.43)	(\$50.80)
Beginning Fund Balance	\$72.40	\$66.01	\$57.89	\$30.83	(\$7.60)
Budgeted Year-end Fund Balance	\$66.01	\$57.89	\$30.83	(\$7.60)	(\$58.40)
Fund Balance Compliance	Yes	Yes	Yes	No	No
Minimum Fund Balance per Board Policy #721 (d)	\$25.72	\$25.92	\$26.83	\$27.55	\$28.42

Funds required to comply with Fund Balance Policy

	\$31.97	\$4.00	(\$35.15) (e)	(\$86.82)
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*The 2012 closing appears better than projected. A new rolling forecast will be provided when we close our books.

Federal Sequestration

- Automatic annual cuts to discretionary Federal programs over the next decade
- Assessing the cuts that took place March 1, 2013
- PPS' overall decrease could be between \$3.3 and \$4.3 million, depending on whether all of the federal funding was affected

Impact of Sequestration

	2012/13	Estimated 2013/14
	<u>Current Budget</u>	<u>8.2% Decrease</u>
Title 1	\$17,814,658.00	\$1,460,801.96
Title 2	\$3,467,205.00	\$284,310.81
Title 3	\$180,876.00	\$14,831.83
IDEA	\$6,939,667.00	\$569,052.69
IDEA Comp 1	\$1,205,875.00	\$98,881.75
Perkins	\$624,565.00	\$51,214.33
Head Start	\$9,843,485.00	\$807,165.77
Early Head Start	\$818,572.00	\$67,122.90
	<u>\$40,894,903.00</u>	<u>\$3,353,382.04</u>

*PPS' TIF grant is another \$9.5 million and the Keystones to Opportunity grant is another \$2 million. The loss from those two programs, if included would be approximately \$940,000.

Conclusion

- The 2012 closing and pension reform will have positive effects on our forecast.
- We must continue take advantage of cost savings opportunities.
- We have not solved our financial problem and we must continue to explore all options, both traditional and non-traditional.
- Our financial situation is dynamic and requires continuous monitoring and regular updates.
- Better understanding is the key to addressing our financial situation.