

Overview of the Governor's Budget

**Business/Finance Committee Meeting
February 4, 2014**



Financial Summary 2013-2017 at Budget Adoption

	2013 est.	2014 est.	2015 est.	2016 est.	2017 est.
Revenue (Millions) (a) (b)	\$504.66	\$511.66	\$516.29	\$522.08	\$525.80
Operating Expenditures (c)	\$502.27	\$529.13	\$555.57	\$572.02	\$584.60
Operating Deficit	\$2.38	(\$17.47)	(\$39.28)	(\$49.94)	(\$58.81)
Beginning Fund Balance	\$85.86	\$88.24	\$70.77	\$31.49	(\$18.45)
Budgeted Year-end Fund Balance	\$88.24	\$70.77	\$31.49	(\$18.45)	(\$77.25)
Fund Balance Compliance	Yes	Yes	Yes	No	No
Minimum Fund Balance per Board Policy #721 (d)	\$25.11	\$26.46	\$27.78	\$28.60	\$29.23

Funds required to comply with Fund Balance Policy - Overage/ (Shortage)	\$63.13	\$44.32	\$3.71	(\$47.05)	(\$106.48)
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Notes:

- (a) Revenues from Real Estate Tax and Basic Education Subsidy are projected to be flat
- (b) Revenue increases can be attributed to Retirement reimbursement from the State
- (c) Increasing costs - retirement, health care, salaries
- (d) Requires 5% of current year's budgeted operating expenditures
- (e) Assumes previous year fund balance is not restored to 5%

Governor's Proposed Budget

Basic Education Funding

- All districts in the state will receive the same Basic Education funding amount for 2014-15 as they did for 2013-14.
- The district will receive \$153,799,661.00 for 2014-15.

Governor's Proposed Budget

Special Education Funding

- Our Special Education funding currently remains level at \$27,426,465.
- The state will allocate new dollars based on categories of support for students with disabilities.

Governor's Proposed Budget

Ready to Learn Block Grant

- Includes the old Accountability Block Grant for Early Childhood.
- “Ready to Learn” can be used for initiatives including Ready by 3rd Grade, STEM, and Supplemental Instruction.
- Available to Districts and Charter Schools

Governor's Proposed Budget

PreK Counts

- \$10 million increase
- Increase to the District is not yet known

Hybrid Learning

- \$10 million for competitive grants for “hybrid learning” programs that combine digital technologies with traditional classroom

2014-15 Governor's Budget Brings a 1.58% Minimum Increase

SCHOOL DISTRICT OF PITTSBURGH

2/4/2014

GOVERNOR'S PROPOSED BUDGET 2/4/2014

	<u>2013/14</u>	<u>2014/15</u>	<u>VARIATION</u>	<u>% CHANGE</u>
BASIC EDUCATION FUNDING	\$153,799,661	\$153,779,661	\$0	0.00%
READY TO LEARN BLOCK GRANT ¹	\$2,093,687	\$4,986,064	\$2,892,377	138.15%
<u>SPECIAL EDUCATION²</u>	<u>\$27,426,465</u>	<u>\$27,426,465</u>	<u>\$0</u>	<u>0.00%</u>
TOTAL	\$183,319,813	\$186,192,190	\$2,892,377	1.58%

¹The Ready to Learn Block Grant includes \$2,093,687 that was allocated in 2013-14 at the Accountability Block Grant.

²New dollars will be allocated based on categories of support for students with disabilities.

Proposed Pension Reform Plan

- Reducing the annual PSERS employer contribution increases to a 2.25% increase for 2014-15, which would then increase by .5% per year until it reaches 4.5%
- Future employees will be enrolled into a defined-contribution, 401(k) style retirement plan instead.
- Eliminates the Charter School Retirement Reimbursement double payment.

Proposed Pension Reform Plan

Projected PSERS Rates		
<u>Year</u>	<u>Rate</u>	<u>Increase</u>
2013-14	16.93%	-
2014-15	21.40%	4.47%
2015-16	25.84%	4.44%
2016-17	29.27%	3.43%
2017-18	30.25%	0.98%

Reform Plan PSERS Rates		
<u>Year</u>	<u>Rate</u>	<u>Increase</u>
2013-14	16.93%	-
2014-15	19.18%	2.25%
2015-16	21.93%	2.75%
2016-17	25.18%	3.25%
2017-18	28.93%	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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Projected Salaries	\$167,581,749.00	\$173,044,985.54	\$174,047,101.21	\$175,069,259.19
Projected PSERS Costs	\$32,117,042.20	\$40,873,225.58	\$47,958,678.74	\$52,100,611.53
Reform Plan PSERS Costs	\$30,256,884.78	\$35,569,396.78	\$40,996,794.69	\$47,364,988.07
Savings	\$1,860,157.41	\$5,303,828.81	\$6,961,884.05	\$4,735,623.46
Reimbursement Reduction	\$930,078.71	\$2,651,914.40	\$3,480,942.02	\$2,367,811.73
Net Savings	\$930,078.70	\$2,651,914.41	\$3,480,942.03	\$2,367,811.73

4 Year Projected Savings	\$9,430,746.87
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Impact of Proposed Pension Reform Plan

	2013 est.	2014 est.	2015 est.	2016 est.	2017 est.
Revenue (Millions) (a) (b)	\$504.66	\$510.73	\$513.64	\$518.60	\$523.43
Operating Expenditures (c)	\$502.27	\$527.27	\$550.27	\$565.06	\$579.86
Operating Deficit	\$2.38	(\$16.54)	(\$36.63)	(\$46.46)	(\$56.43)
Beginning Fund Balance	\$85.86	\$88.24	\$71.70	\$35.07	(\$11.38)
Budgeted Year-end Fund Balance	\$88.24	\$71.70	\$35.07	(\$11.38)	(\$67.82)
Fund Balance Compliance	Yes	Yes	Yes	No	No
Minimum Fund Balance per Board Policy #721 (d)	\$25.11	\$26.36	\$27.51	\$28.25	\$28.99

Funds required to comply with Fund Balance Policy - Overage/ (Shortage)	\$63.13	\$45.34	\$7.56	(\$39.64)	(\$96.81)
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Notes:

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School Funding Reform

- House Bill 1738 was passed by the House in January, is now being considered by the State Senate.
- Bill would create a commission to study the current Basic Education formula used by the state.
- Equitable Distribution of the State's Basic Education Funding.

Updated Financial Situation With Governor's Budget

- There is no impact as of yet on the District's General Fund from what was adopted by the School Board.
- Additional Special Education Dollars could be realized in time with the new Funding Formula.
- Ready to Learn Block Grant