

Montoursville Area School District Financial Philosophy, Synopsis and Strategy

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Developing Personal Best Practice

$$\text{Income} - \text{Expenses} = \text{Savings}$$

Why do you need Savings?

- Loss of Job
- Unexpected Emergencies
- Health Impairment
- Accident
- Taking care of adult children/adult parents

Developing Personal Best Practice

$$\text{Income} - \text{Expenses} = \underline{\text{Savings}}$$

Developing District Best Practice

$$\text{Assets} - \text{Liabilities} = \underline{\text{Fund Balance}}$$

Types of Fund Balance

- Restricted Fund Balance
- Assigned/Nonspendable Fund Balance-inventory and commodities that are in existence at the point of determination.
- Committed Fund Balance-board motion to commit for specific purposes.
- Unassigned Fund Balance-funds maintained to hedge against outside variables.

Why does a district need a Fund Balance? What should the Fund Balance be for MASD?

- Pennsylvania State Budget not released on time (42% of district revenue comes from the state) other subsidies not released almost fifty percent of the time.
 - 2014-2015- PA budget enacted 99 days late
 - 2015-2016- PA budget enacted 9 months

Source: Scolforo M.; Levy M.; *Pennsylvania Budget Impasse Ends: Wolf Won't Veto*; Associated Press, March 24, 2016

- New Pennsylvania Funding Formula with “worst case scenario” (\$25,000), best case scenario where Basic Education Subsidies increase by \$100 Million nets Montoursville \$46,000.

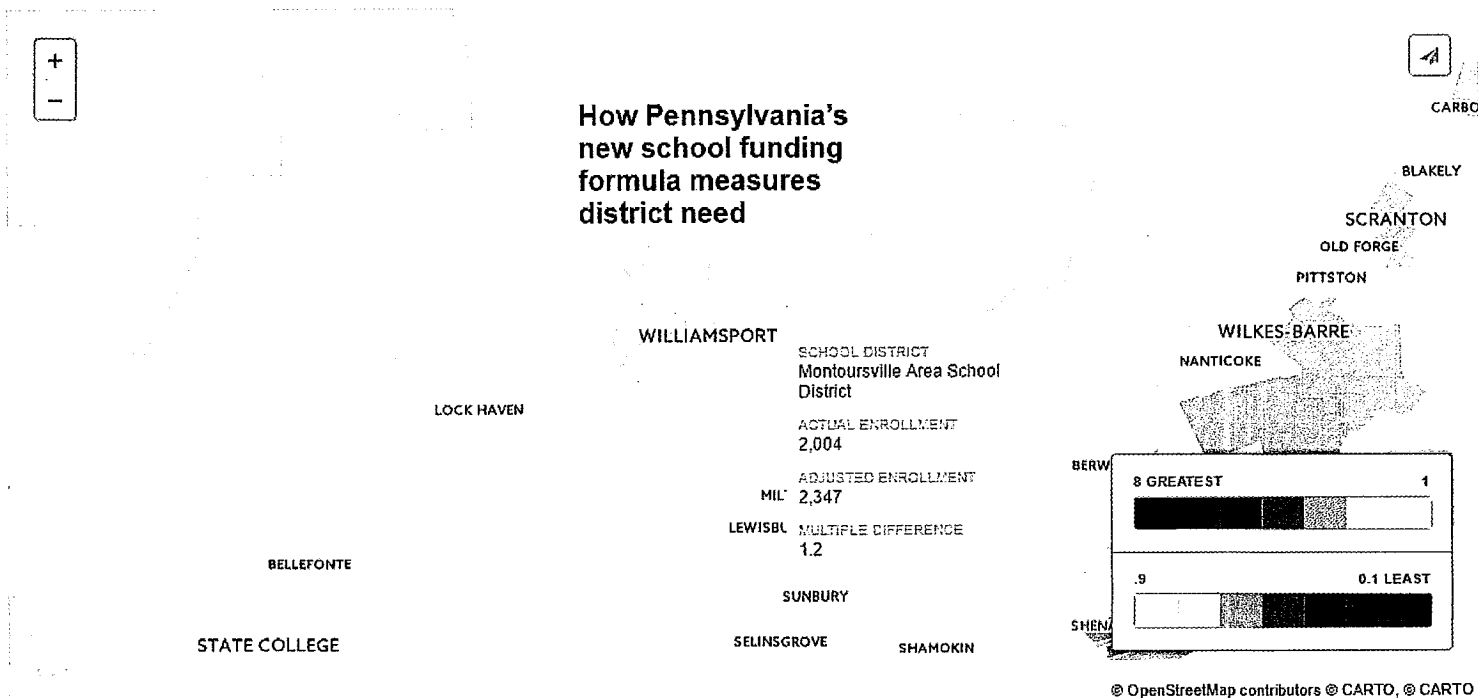


MENU



KEYSTONE
CROSSROADS

need



Why does a district need a Fund Balance?

- Pennsylvania revenues being \$600 Million lower than projections for 2016-2017.

Source: Associated Press; *GOP Eyes Big State Budget Changed in Lean Budget Year*; NBC JACTV; January 2, 2017

- Retirement contributions originally projected to stop increasing past .33 cents/payroll dollar will now increase past .36 cents/payroll dollar.

Source: Pennsylvania School Employees Retirement System

Why does a district need a Fund Balance?

- Pennsylvania state contributions to public education continue to decrease while local tax increases continue to attempt to make up the difference.

Pennsylvania's school districts continue to be highly dependent on the local wealth of their communities to support students' academic achievement due to insufficient state funding. Almost every state pays a larger percentage of overall public education costs than Pennsylvania does. On average, other states contribute 45 percent of total education funding, but Pennsylvania contributes only 36 percent. This low state share means that Pennsylvania's local school districts must pay 55 percent of all public education costs, compared to the national average of 44 percent. As a result, Pennsylvania's state share of PK-12 education funding ranks 45th in the nation. *Source: US Census Bureau 2014*

Source: Pennsylvania School Funding Project; *Pennsylvania's Historic School Funding Problem*; 2017

Why does a district need a Fund Balance?

- Special education student numbers growing along with mandated educational programs for this population.

2014-2015-227 2015-2016-241 2016-2017-264

Source: Bradford, Lycoming and Sullivan Tioga Intermediate Unit #17 Annual
December 1st count

Why does a district need a Fund Balance?

- Transportation costs-flooding and special needs students

School Year	Actual Transportation Expenditures	Special Education Portion	Special Education % of Total
2009-2010	\$966,877	\$165,624.58	17.12%
2010-2011	\$1,043,630.44	\$190,504.54	18.25%
2011-2012	\$1,175,920.83	\$224,813.41	19.12%
2012-2013	\$1,112,435.68	\$191,429.06	17.21%
2013-2014	\$1,045,038.32	\$177,053.18	16.94%
2014-2015	\$1,081,673.47	\$179,606.01	16.60%
2015-2016	\$1,142,402.10	\$233,438.51	20.43%

Why does a district need a Fund Balance?

- Added publicly funded cyber school choice, charter school choice, vouchers and new federal Secretary of Education, Betsy DeVos.

Source: Richmond, E.; The Atlantic; January 10, 2017

Source: Nazaryan, A.; *Betsy DeVos is Coming for Your Public Schools*; Newsweek; January 10, 2017



Why does a district need a Fund Balance?

- Annual health care increases.
- Potential economic changes to the local business community such as large business closures or layoffs.

MASD Fund Balance at 6-30-2016

Fund Balances

0810 Nonspendable Fund Balance	38,776
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0820 Restricted Fund Balance	
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0830 Committed Fund Balance	1,160,550
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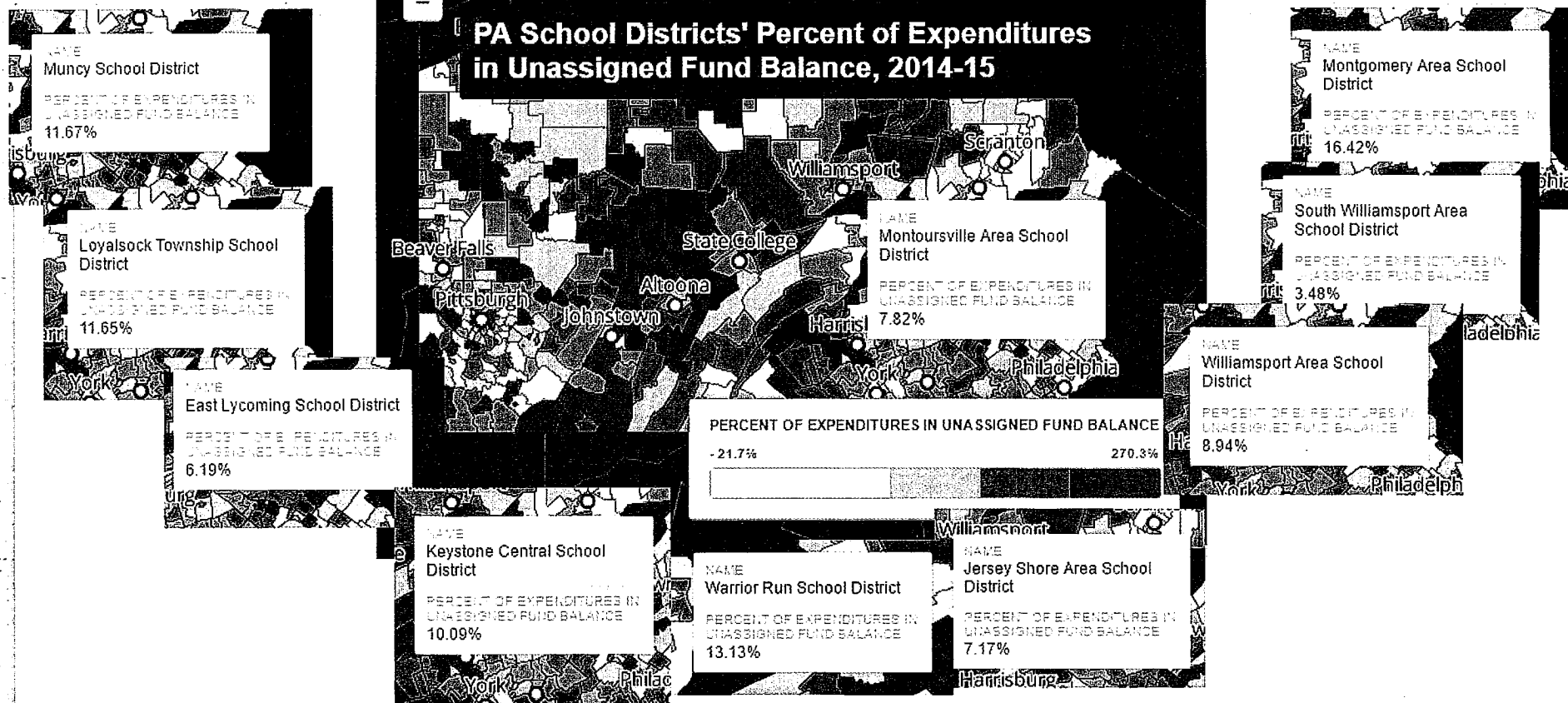
0840 Assigned Fund Balance	
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0850 Unassigned Fund Balance	1,532,417
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Total Fund Balances	\$2,731,743
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Total Liabilities, Deferred Inflows Of Resources And Fund Balances	\$6,755,118
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PA School Districts' Percent of Expenditures in Unassigned Fund Balance, 2014-15



Source: Temple University Center on Regional Politics

2016-2017 Budget

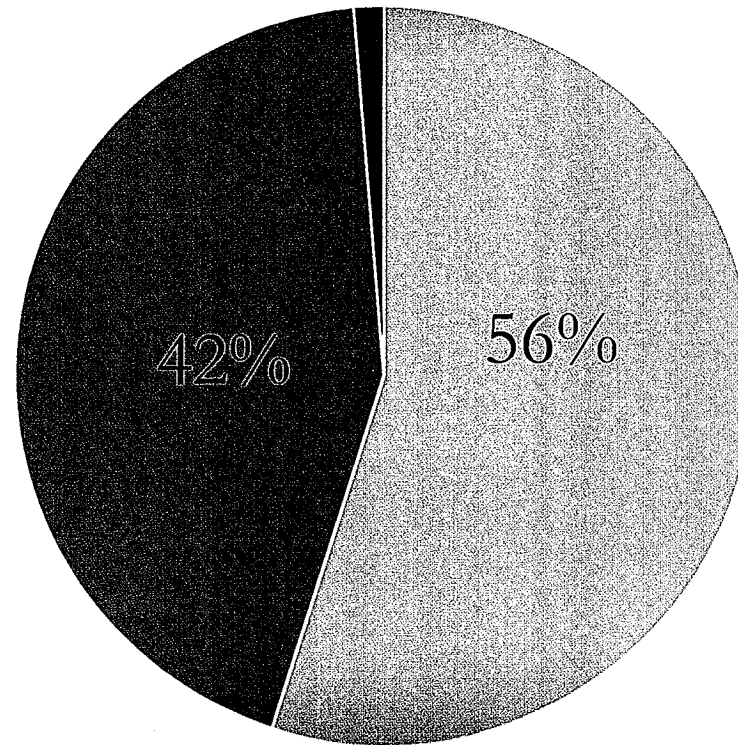
	Amount
REVENUE FROM LOCAL SOURCES	
6111 Current Real Estate Taxes	10,706,710
6112 Interim Real Estate Taxes	30,000
6113 Public Utility Realty Taxes	17,000
6114 Payments in Lieu of Current Taxes - State / Local	30,000
6150 Current Act 511 Taxes - Proportional Assessments	3,700,000
6400 Delinquencies on Taxes Levied / Assessed by the LEA	531,000
6600 Earnings on Investments	10,000
6700 Revenues from LEA Activities	62,000
6800 Revenues from Intermediary Sources / Pass-Through Funds	223,000
6910 Rentals	3,000
6940 Tuition from Patrons	72,000
6990 Refunds and Other Miscellaneous Revenue	20,000
REVENUE FROM LOCAL SOURCES	18,394,710
REVENUE FROM STATE SOURCES	
7110 Basic Education Funding	7,213,245
7271 Special Education funds for School-Aged Pupils	1,261,300
7310 Transportation (Pupil and Nonpublic/CS)	472,000
7320 Rental and Sinking Fund Payments / Building Reimbursement Subsidy	438,800
7330 Health Services (Medical, Dental, Nurse, Act 25)	35,000
7340 State Property Tax Reduction Allocation	511,285
7810 State Share of Social Security and Medicare Taxes	475,800
7820 State Share of Retirement Contributions	1,839,200
REVENUE FROM STATE SOURCES	12,246,630
REVENUE FROM FEDERAL SOURCES	
8514 NCLB, Title I - Improving the Academic Achievement of the Disadvantaged	272,490
8515 NCLB, Title II - Preparing, Training and Recruiting High Quality Teachers and Principals	68,900
8610 School-Based Access Medicaid Reimbursement Program (SBAP) Reimbursements (Access)	30,000
REVENUE FROM FEDERAL SOURCES	371,390
TOTAL ESTIMATED REVENUES AND OTHER SOURCES	28,012,730

Budgeted Revenues 2016-2017

■ Local Funds

■ State Funds

■ Federal Funds



2016-2017 Budget

2016-2017 Financial Fund Budget (PDE-2028)

Estimated Expenditures and Other Financing Uses: Budget Summary

LEA: 117415103 Montoursville Area SD

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Description	Amount
1000 Instruction	
1100 Regular Programs - Elementary / Secondary	13,321,955
1200 Special Programs - Elementary / Secondary	3,023,215
1300 Vocational Education	297,960
1400 Other Instructional Programs - Elementary / Secondary	139,100
Total Instruction	16,782,230
2000 Support Services	
2100 Support Services - Students	794,820
2200 Support Services - Instructional Staff	1,399,480
2300 Support Services - Administration	1,855,050
2400 Support Services - Pupil Health	367,660
2500 Support Services - Business	436,090
2600 Operation and Maintenance of Plant Services	2,829,380
2700 Student Transportation Services	1,108,900
Total Support Services	8,791,380
3000 Operation of Non-Instructional Services	
3200 Student Activities	672,480
Total Operation of Non-Instructional Services	672,480
5000 Other Expenditures and Financing Uses	
5200 Interfund Transfers - Out	3,378,620
5900 Budgetary Reserve	400,000
Total Other Expenditures and Financing Uses	3,778,620
Total Estimated Expenditures and Other Financing Uses	30,024,710

MASD Financial Position 2016-2017

Revenues \$28,012,730 -Expenditures \$30,024,710

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Over expended by (\$2,011,980)

MASD Financial Position projection for 6-30-2017

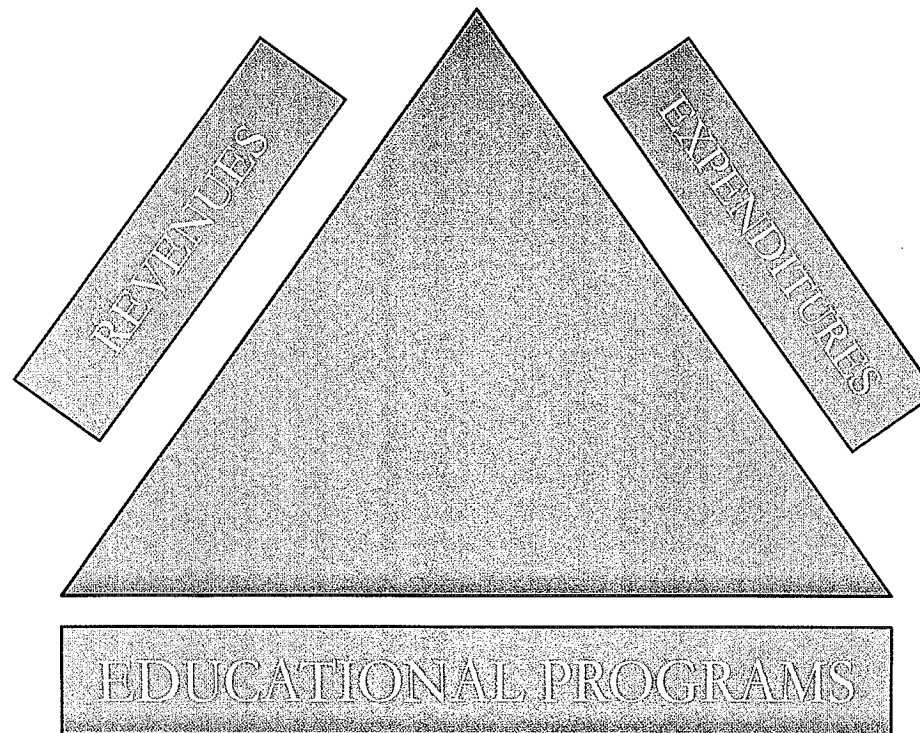
Over expended by (\$2,011,980) must come from
Fund Balance \$2,731,743

Fund Balance estimate at 6-30-2017 = \$719,763

Philosophical Strategy

It is important to keep in mind the short-term nature of fund balance monies as a revenue source. Any ongoing need for funds supplied from the fund balance in a given year will require a double tax increase the following year if revenues have to be obtained from local funds: once to replace the fund balance monies from the previous year and second amount to shift the source of funding over to local taxes...Consequently, revenues from the fund balance are best used for one-time expenditures...

Source: Hartman, William T., *School District Budgeting*, 1999, Scarecrow Education Publishing



FAQ's

- Why don't we just wait and see how the year plays out with the budget? BC1

School Year	Revenue	Expenditure	Fund Balance
2009-2010	\$24,334,813	\$24,062,736	\$3,834,100
2010-2011	\$24,953,691	\$23,328,305	\$5,463,032
2011-2012	\$24,373,414	\$25,420,897	\$4,415,549
2012-2013	\$25,493,072	\$25,389,656	\$4,518,965
2013-2014	\$26,160,490	\$26,298,892	\$4,380,563
2014-2015	\$26,684,639	\$27,384,752	\$3,680,450
2015-2016	\$28,066,717	\$29,014,427	\$2,731,743

School Year	Expenses Inc. %	Revenues Inc. %
2009-2010	*	*
2010-2011	-3.1%	2.5%
2011-2012	9.0	-2.3%
2012-2013	-0.1%	4.6%
2013-2014	3.6%	2.6%
2014-2015	4.1%	2.0%
2015-2016	6.0%	5.2%

MASD Best Practices

- 2016-2017 are being reviewed and budgets reduced to try to alleviate the deficit
- Current expenditures will equal current revenues
- All expenditures will be prioritized through zero based budgeting
- All revenues will be reviewed to ensure accuracy
- Fund balance will be developed for specific needs
- Board members will be kept up-to-date as to our progress

Closing Statements

- ® We will enhance our financial strategies in order to develop a stable structure that safeguards the current educational systems as well as develops new educational systems that prepare our students for a global society.
- ® We will work with every board member to ensure their education as well as transparency of all tax dollars.
- ® We will collaborate with our staff to develop an organizational culture that cultivates “out of the box” thought processes and replaces the industrialized “because we have always done it that way” philosophies in order to continue being a top-ranked school district.