



# PRELIMINARY BUDGET PROPOSAL 2021-2022

*May 3, 2021*

# ACHIEVING SUCCESS ONE STUDENT AT A TIME



Our mission is to provide all students a secure learning environment and exemplary academic programs that inspire all students to reach their full potential.



# 2020-21 BUDGET RECAP

- Revenues\*               \$ 70,810,372
- Expenditures           \$ 72,446,583
- Net Budget           \$ (1,636,211)

\* tax increase 0.00%

## Recap

- State Budget –
  - Stop Gap - signed May 29, 2020 (5 month budget)
  - Final – signed November 23, 2020
    - Basic Ed Funding – no change from 19/20
    - Ready to Learn Block Grant – no change from 19/20
    - Special Ed Funding – no change from 19/20



# PROPOSED 2021-2022 GOVERNOR BUDGET

*(FEBRUARY 2021)*



- Basic Education Funding – \$2,960,944 increase
  - Based on \$1.3 billion increase
    - Raise Personal Income Tax (PIT) from 3.07% to 4.49%
    - Uses new funding formula for all money
    - Any district with a reduction will remain flat funded
  - Ready to Learn Grant – no change
- Special Education Funding – \$532,424 increase
  - Based on \$200 million increase
  - Uses new funding formula- \$187 million of new funding
- Plancon/Construction Funding
  - \$190 million statewide increase
  - We no longer have any bonds qualify.
- Pupil Transportation – \$16 million increase statewide
  - Continue funding formula

**...CONTINUED...**

**PROPOSED  
2021-2022  
GOVERNOR  
BUDGET  
(FEBRUARY 2021)**



- Early Childhood - \$30 million
- Early Intervention - \$11 million
- Safety and Security – \$15 million
- Charter School Reform
  - Apply Act 16 Special Education Categories to tuition
  - \$9,500 statewide cyber charter tuition
- Teacher salary – minimum \$45,000
- Minimum wage
  - \$12/hour 7/2/21; \$15/hour 7/1/27
- Proposed Pension Reform – not included in proposal
- Property Tax Reform – not included in proposal

*Source – Pennsylvania Association of Business Officials*

**...CONTINUED...**

**PROPOSED  
2021-2022  
GOVERNOR  
BUDGET  
(FEBRUARY 2021)**



- What this budget proposal does?
  - Good
    - Recognizes that more state funding is needed for education, and more state funding cannot come without additional revenue
    - Starts a necessary conversation about how to move all districts toward equity
    - Begins to address overcharge by cyber charter schools
  - Bad
    - Personal Income Tax increase for local residents would not necessarily stay local
    - Full Implementation of the Basic Education funding formula in one year is unrealistic
    - Negative implications for other state formulas/costs

*Source – Pennsylvania Association of Business Officials*



# STATE – COVID-19 EFFECTS



- As of January 21, State has estimated \$2 billion shortfall of revenue
  - Likely means, no increases to Basic Education Funding
- Homestead/Farmstead Reduction
  - 2021-22 will be similar to prior years
    - Will this continue for the future

*Source – Pennsylvania Association of Business Officials*

# FEDERAL EDUCATION FUNDING



- 2020-21
  - Individuals with Disabilities Education Act (IDEA) – increase \$18,184
  - Title I – decrease \$3,862
  - Title II – increase \$1,248
  - Title IV – no change
- 2021-22
  - No information released



## 2021-2022 BUDGET

• Revenues	\$ 74,739,202
• Expenditures	<u>\$ 76,116,720</u>
• Net Budget	\$ (1,377,518)

\*based on 3.7% Act 1 limit



# REVENUES

## \$74,739,202

### LOCAL SOURCES

Real Estate – based on <b>3.7%</b>	\$ 42,876,907
Per Capita	\$ 178,000
Earned Income Tax (EIT)	\$ 4,400,000
Real Estate Transfer Tax	\$ 700,000
Delinquent Real Estate Tax	\$ 600,000
Interest Earnings	\$ 100,000
Other (Interim, PILOT, Rental, etc.)	\$ 1,533,993

### STATE SOURCES

Basic Education Subsidy	\$ 10,176,395
Social Security	\$ 1,200,000
Special Ed Subsidy	\$ 2,976,387
Property Tax Relief	\$ 1,025,092
Transportation	\$ 1,065,000
Retirement	\$ 5,500,000
Other	\$ 665,064

### FEDERAL SOURCES

Title I, II & ACCESS	\$ 1,742,364
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# REVENUE DISCUSSION ITEMS



- Real Estate Tax
  - At 3.7% (17.88 mils) – \$2,640,997 increase
    - Increased collection rate to 97.0%
- Earned Income Tax – \$830,000 increase
  - 2020-21 budgeted 15% drop – did not occur
  - Estimate for 20-21 is \$4,400,000 – flat funded
- Real Estate Transfer Tax – \$100,000 increase
- Delinquent Real Estate Tax – no change
- Investment Income – \$200,000 decrease
  - Significantly reduced interest rates
- Others (IDEA, PURTA, Per Capita, Gate Receipts) – \$46,346 decrease

# REVENUE DISCUSSION ITEMS



- State Revenue
  - Basic Education Funding – Flat funded
  - Social Security – Flat funded
  - Special Education – \$556,356 increase
    - Governor’s budget
  - Transportation – Flat funded
  - Retirement – \$300,000 increase
- Federal Revenue
  - Title programs - current flat funded 2020-21 actuals
  - ESSER II and III - \$785,000 increase
    - Offsets to increases in expenditure items due to COVID
      - PPE Supplies
      - Ephrata Virtual Academy increase costs
      - Salaries

**Local Sources**

	<u>2020-21</u>	<u>2021-22</u>	<u>+/-</u>	<u>%</u>
Real Estate	40,235,910	42,876,907	2,640,997	6.6%
EIT	3,570,000	4,400,000	830,000	23.2%
Other (P/C, Interim, Delin, etc.)	3,258,339	3,111,993	-146,346	-4.5%

**State Sources**

Basic Education Subsidy	10,176,395	10,176,395	0	0.0%
Ready to Learn Grant	515,064	515,064	0	0.0%
Security Grant	403,634	0	-403,634	-100.0%
Social Security	1,200,000	1,200,000	0	0.0%
Special Ed Subsidy	2,420,030	2,976,386	556,356	23.0%
Property Tax Relief	1,025,093	1,025,093	0	0.0%
Transportation	1,065,000	1,065,000	0	0.0%
Retirement	5,200,000	5,500,000	300,000	5.8%
Other	150,000	150,000	0	0.0%

**Federal Resources**

Title I, II & ACCESS	959,978	957,364	-2,614	-0.3%
ESSER (CARES )	630,929	785,000	154,071	24.4%

	<u><b>70,810,372</b></u>	<u><b>74,739,202</b></u>	<u><b>3,928,830</b></u>	<u><b>5.5%</b></u>
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# REVENUE 2020-21 VS. 2021-22



# EXPENDITURES

## \$76,116,720



### SALARIES

• Administration	\$ 2,942,689
• Professional Staff	\$ 23,739,557
• Support Staff	\$ 5,489,669
• Co-Curricular	\$ 737,836

### BENEFITS

• Employer Taxes	\$ 2,509,382
• Retirement	\$ 11,426,964
• Insurance ( <i>Medical, Dental, Life, WC</i> )	\$ 6,894,966

### SPECIAL EDUCATION

• <i>IU Contract, Districts &amp; Other LEAs</i>	\$ 2,463,300
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### CHARTER SCHOOL TUITION

\$ 1,375,000

### UTILITIES

\$ 1,597,300

### TRANSPORTATION

\$ 2,680,000

### DEBT SERVICE (*Principal & Interest*)

\$ 6,373,100

### OTHER

\$ 7,886,957

*(Supplies, Equipment, Repairs, Insurance, Legal, etc.)*

# EXPENTIDURE DISCUSSION ITEMS



Staff Salary Changes – \$1,148,930 increase

- Replacements – 7 professional positions at reduced rate
- New Positions
  - District wide Technology Specialist - \$45,760
  - Autistic Support Classrooms Added - \$155,060
    - High School Autistic Support Teacher
    - 3 FT Special Ed Para Educators High School
    - Elementary Learning Support PT to FT
    - 1 FT Special Ed Para Educator Elementary

Retirement rate (34.94%) – \$566,193 increase

Health Insurance –\$1,710,858 increase

- Rates – 5.9 % increase
- Claim experience – 1 funding holidays based on fund balance
  - Reduced from 3 funding holidays 20-21



# EXPENTIDURE DISCUSSION ITEMS



Charter School – \$195,000 increase

- Tuition – based on budget vs. actual
- Increase students

Special Education – \$42,258 increase

- Includes Staff Costs
  - Opening Autistic Support classrooms
- IU 2% increase currently – awaiting actuals

Transportation – \$150,000 increase

- 2.5% increase – will be renegotiating contract for 2021-22
- Additional runs for out-of-district students & homeless; behavioral health day patient

Debt Schedule – \$197,300 decrease

- Final payment 4/15/2022

<u>Salaries</u>	<b>2020-21</b>	<b>2021-22</b>	<b>+/-</b>	<b>%</b>
Administration	2,880,864	2,942,689	61,825	2.1%
Professional Staff	22,956,983	23,739,557	782,574	3.4%
Support Staff	5,208,709	5,489,669	<b>280,960</b>	<b>5.4%</b>
Co-Curricula	714,265	737,836	23,571	3.3%
	<u>31,760,821</u>	<u>32,909,751</u>	<u>1,148,930</u>	<u>3.6%</u>
<u>Benefits</u>				
Employer Taxes	2,422,176	2,509,382	87,206	3.6%
Retirement	10,860,771	11,426,964	<b>566,193</b>	<b>5.2%</b>
Insurance (Medical, Dental, Life, WC)	5,184,108	6,894,966	<b>1,710,858</b>	<b>33.0%</b>
	<u>18,467,055</u>	<u>20,831,312</u>	<u>2,364,257</u>	<u>12.8%</u>
Special Education Contracts (IU, LEA's, etc.)	2,449,800	2,463,300	13,500	0.6%
Charter School Tuition	1,180,000	1,375,000	<b>195,000</b>	<b>16.5%</b>
Utilities	1,572,300	1,597,300	25,000	1.6%
Transportation	2,530,000	2,680,000	<b>150,000</b>	<b>5.9%</b>
Debt Service (Principal & Interest)	6,570,400	6,373,100	<b>-197,300</b>	<b>-3.0%</b>
Other (Equipment, Repairs, Insurance, Legal, etc.)	7,916,207	7,886,957	<b>-29,250</b>	<b>-0.4%</b>
	<u><b>72,446,583</b></u>	<u><b>76,116,720</b></u>	<u><b>3,670,137</b></u>	<u><b>5.1%</b></u>

# EXPENSES 2020-21 VS. 2021-22



# KEY CHALLENGES



## Revenue drop

- Local Revenue
  - Investment Income
- State Revenue
  - What will it look like?

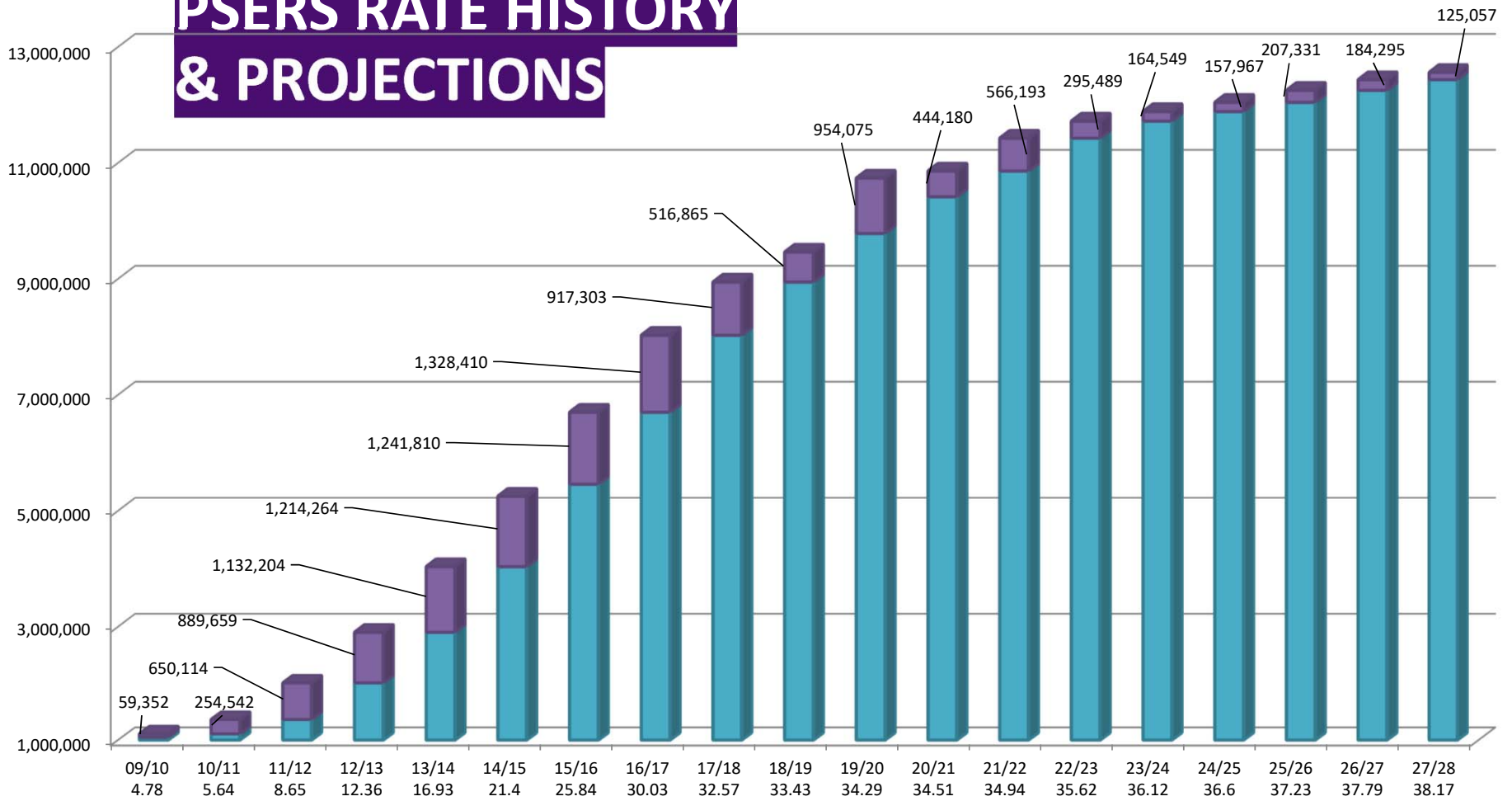
## PSERS – Pre COVID-19 forecast

Using June 2019 valuation, a new valuation with changes will be done in June 2021.

Currently the rates will level out over the next 5 years (34.94%, 35.62%, 36.12%, 36.6%, 37.23%)

- 2021-22: \$ .6m
- 2022-23: \$ .6m + .2m
- 2023-24: \$ .6m + .2m + .2m
- 2024-25: \$ .6m + .2m + .2m + .2 m
- 2025-26: \$ .6m + .2m + .2m + .2 m + .2m

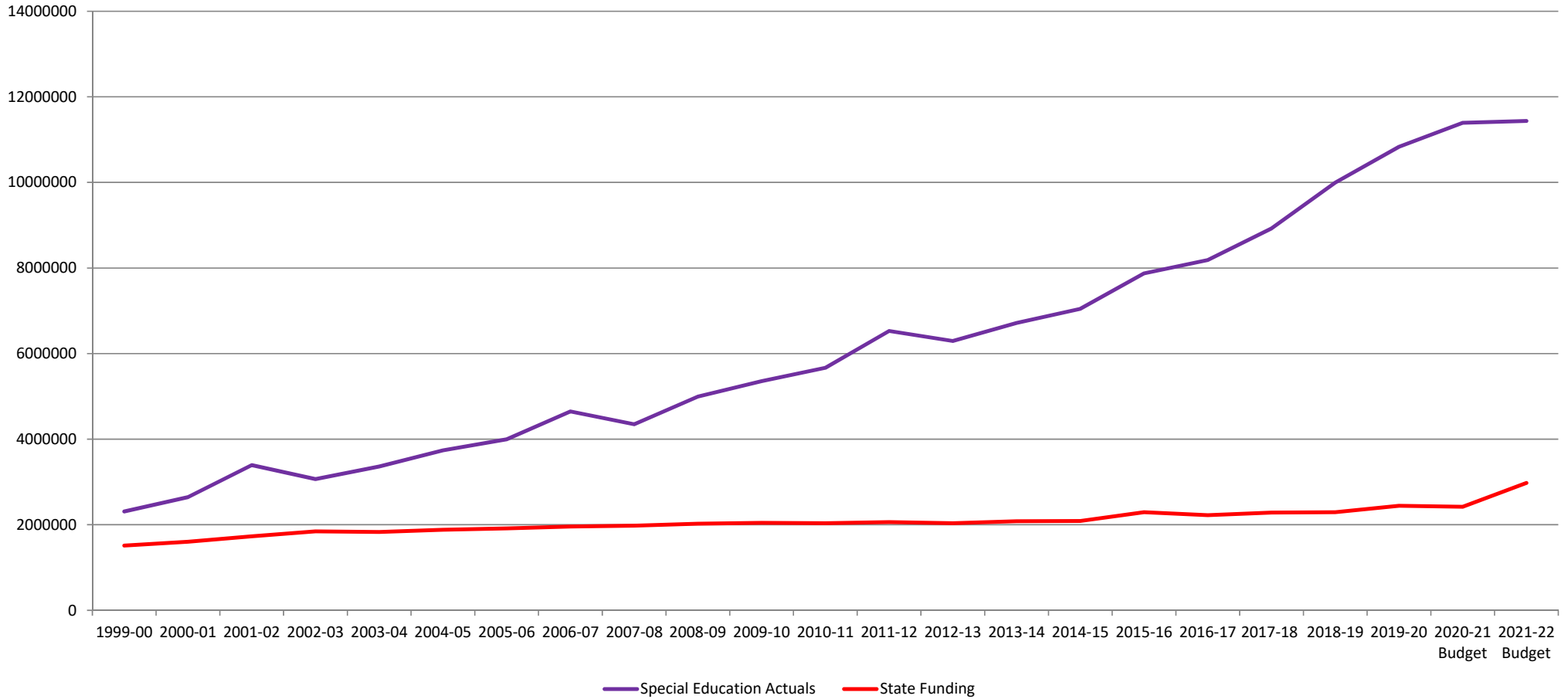
# PSERS RATE HISTORY & PROJECTIONS



# KEY CHALLENGES



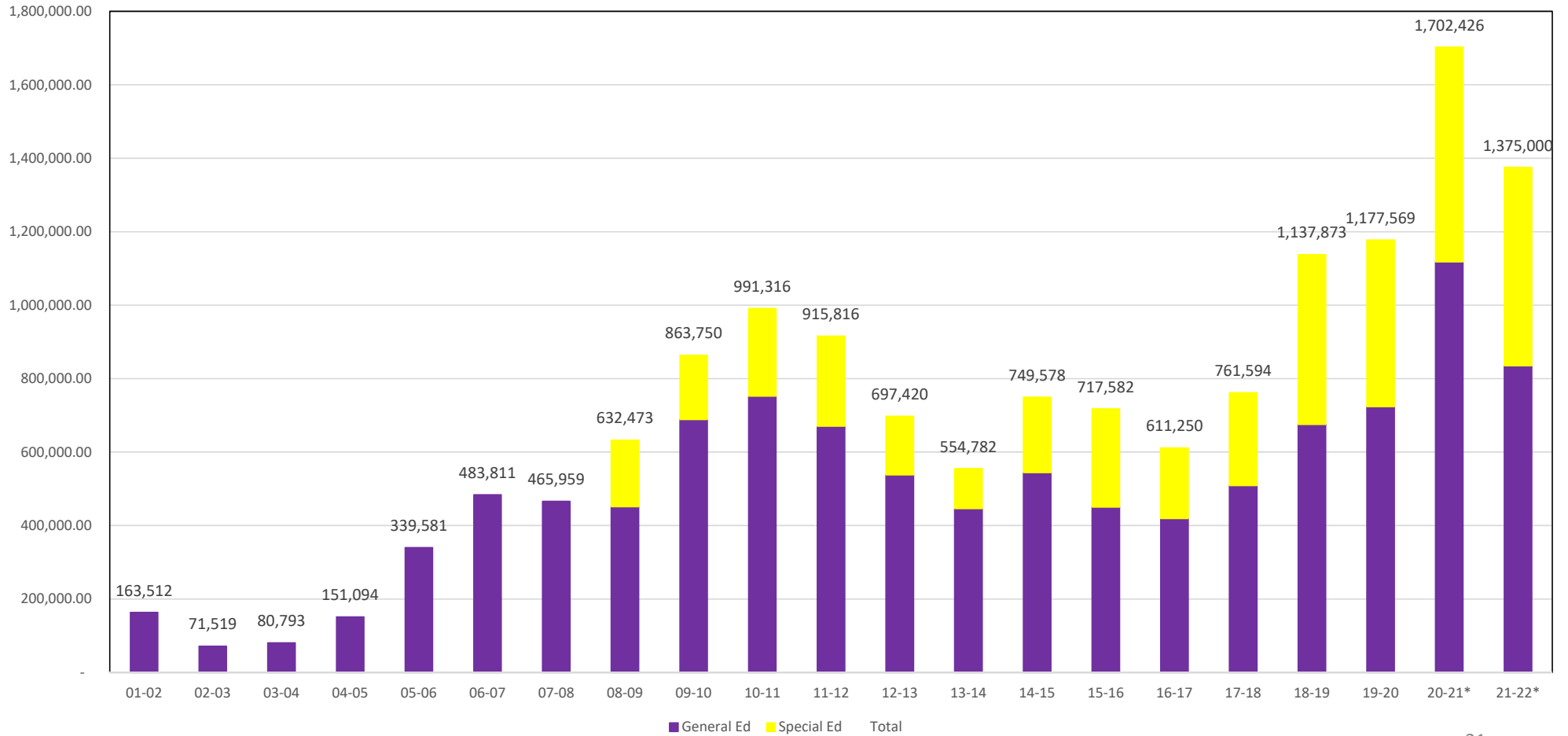
# SPECIAL EDUCATION



# KEY CHALLENGES



# CHARTER SCHOOLS



# KEY CHALLENGES -----

# CHARTER SCHOOLS

Year
15-16
16-17
17-18
18-19
19-20
20-21 Estimate

Cyber School Total Costs	Cost if Cyber Students Used EVA	Savings to the District
717,582.00	236,852.58	480,729.42
611,250.00	247,683.47	363,566.53
761,594.00	243,535.42	518,058.58
1,137,873.18	305,795.24	832,077.94
1,177,569.24	372,063.91	805,505.33
1,702,426.00	358,359.22	1,344,066.78

Savings by value of a mil (Real Estate Tax)	% of the Millage
0.19	0.96%
0.15	0.71%
0.21	0.99%
0.33	1.97%
0.32	1.87%
0.54	3.13%

<b>Total of 6 Years</b>
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<b>6,108,294.42</b>	<b>1,764,289.86</b>	<b>4,344,004.56</b>
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<b>1.74</b>	<b>9.64%</b>
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Act 1 Index Year	Base Index	Ephrata Adjusted Index
2008-09	4.40%	5.20%
2009-10	4.10%	4.80%
2010-11	2.90%	3.40%
2011-12	1.40%	1.70%
2012-13	1.70%	2.10%
2013-14	1.70%	2.10%
2014-15	2.10%	2.60%
2015-16	1.90%	2.30%
2016-17	2.40%	2.90%
2017-18	2.50%	3.10%
2018-19	2.40%	2.90%
2019-20	2.30%	2.80%
2020-21	2.60%	3.20%
2021-22	3.00%	3.70%
2022-23*	3.70%	4.20%
2023-24*	3.70%	4.20%
2024-25*	3.30%	3.80%
2025-26*	2.70%	3.10%

# KEY CHALLENGES

## ACT 1 LIMITATIONS

*Adjusted February 2021*

\* Estimated by IFO



## ON THE HORIZON

- Post COVID-19 Economy
- Post COVID-19 Learning Environment
- Increasing Social/Emotional Learning Needs
- School Funding Reform
- Music/Washington Project

# FUND BALANCE

3.70%	3.50%	3.00%	2.50%	2.00%	1.00%	0.00%
.63 Mils	.60 Mils	.52 Mils	.43 Mils	.35 Mils	.17 Mils	.0 Mils
17.88	17.85	17.77	17.68	17.6	17.42	17.25

## Beginning Fund Balance 2021-22

### Assigned:

Retirement Rate	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Healthcare Costs	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000
Other Postemployment Benefit Costs	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
Prepaid	40,243	40,243	40,243	40,243	40,243	40,243	40,243
Assigned	1,636,211	1,636,211	1,636,211	1,636,211	1,636,211	1,636,211	1,636,211

Unassigned :	4,986,350	4,986,350	4,986,350	4,986,350	4,986,350	4,986,350	4,986,350
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<b>Total Beginning Fund Balance</b>	<b>18,112,804</b>	<b>18,112,804</b>	<b>18,112,804</b>	<b>18,112,804</b>	<b>18,112,804</b>	<b>18,112,804</b>	<b>18,112,804</b>
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+ Revenues	74,739,202	74,665,540	74,469,111	74,248,128	74,051,698	73,609,732	73,192,319
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- Expenditures	76,116,720	76,116,720	76,116,720	76,116,720	76,116,720	76,116,720	76,116,720
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Net Budget	(1,377,518)	(1,451,180)	(1,647,609)	(1,868,592)	(2,065,022)	(2,506,988)	(2,924,401)
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<b>Ending Fund Balance 2021-22</b>	<b>16,735,286</b>	<b>16,661,624</b>	<b>16,465,195</b>	<b>16,244,212</b>	<b>16,047,782</b>	<b>15,605,816</b>	<b>15,188,403</b>
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Average Assessment	\$173,718						
estimate 2021-22	3,106.08	3,100.87	3,086.97	3,071.33	3,057.44	3,026.17	2,996.64
2020-21 tax	2,996.64	2,996.64	2,996.64	2,996.64	2,996.64	2,996.64	2,996.64
Proposed tax increase	109.44	104.23	90.33	74.70	60.80	29.53	-

# TAX REVENUE

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 Based on 3.7%
			Reassessment			
<b>Assessed Values on July 1 (w/o KOZ or exonerations)</b>	1,930,839,500	1,934,801,800	2,453,158,700	2,472,119,100	2,493,495,900	2,531,308,294
Taxable # of Properties	12,224	12,260	12,253	12,313	12,354	12,368
Total Homestead/Farmstead	7,912	7,931	8,054	8,018	8,002	8,006
\$ Increase(Decrease)from Prior Year	15,746,300	3,962,300	518,356,900	18,960,400	21,376,800	37,812,393
% Increase (Decrease)from Prior Year	0.82%	0.16%	0.68%	0.77%	0.86%	1.52%
Value of 1 mil	1,930,840	1,934,802	2,453,159	2,472,119	2,493,496	2,531,308
<b>Millage Rate Approved</b>	<b>20.45</b>	<b>20.96</b>	<b>16.95</b>	<b>17.25</b>	<b>17.25</b>	<b>17.88</b>
Revenue x millage	38,464,245	39,532,023	40,555,956	41,618,970	41,987,712	44,234,700
Collection Rate %	96.7%	96.8%	97.1%	96.6%	96.8%	96.9%
Tax Collections	37,186,831	38,283,539	39,365,755	40,207,141	40,662,240	42,876,907
Average Assessed Value						173,718
Tax Obligation						3,106

# HISTORICAL MILLAGE RATES



	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Adjusted Index</b>	2.90%	3.10%	1.50%	2.80%	3.20%	3.70%
<b>Millage Rate</b>	20.05	20.45	16.7	16.95	17.25	17.25
<b>Allowable Millage Increase</b>	0.58145	0.59305	0.2505	0.4746	0.552	0.63825
<b>Allowable Millage Rate</b>	20.63	21.04	16.95	17.42	17.80	17.88
<b>Millage Rate Approved</b>	20.45	20.96	17.18	17.25	17.25	
	2.00%	2.50%	2.90%	1.75%	0.00%	

# HISTORICAL INCREASE BY ASSESSED VALUE



Assessed Value	2016-17	2017-18	2018-19	2019-20	2020-21	5 Year Total
	Reassessment					
Mil Increase	0.4	0.51	0.25	0.3	0.0	
50,000	20	26	13	15	0	46
75,000	30	38	19	23	0	68
100,000	40	51	25	30	0	91
140,968	56	72				128
150,000	60	77	38	45	0	137
173,718			44	52	0	96
200,000	80	102	50	60	0	182
250,000	100	128	63	75	0	228
300,000	120	153	75	90	0	273

**Avg Assessed Value Increase      225**

# ANNUAL INCREASE BY ASSESSED VALUE



Assessed Value	3.70%	3.50%	3.00%	2.50%	2.00%	1.00%	0.00%
Mil Increase	.63 Mils	.60 Mils	.52 Mils	.43 Mils	.35 Mils	.17 Mils	.0 Mils
	17.88	17.85	17.77	17.68	17.6	17.42	17.25

50,000	32	30	26	22	18	9	0
75,000	47	45	39	32	26	13	0
100,000	63	60	52	43	35	17	0
150,000	95	90	78	65	53	26	0
173,718	109	104	90	75	61	30	0
200,000	126	120	104	86	70	34	0
250,000	158	150	130	108	88	43	0
300,000	189	180	156	129	105	51	0



# FUTURE BUDGET PLANNING



- State Budget
- ESSER II & III
  - Summer Program 2021
  - Virtual option for 21-22
  - Technology needs
- Special Education
- PSERS
- Capital Projects Fund
  - MS/HS HVAC Systems
  - Music/Washington Facilities



## NEXT STEPS

- Preliminary Budget Adoption – May 10
- Publicly Display Budget
- Five Year Projections – June 8
- Homestead/Farmstead Calculations
- Final Budget Adoption – June 14