

Halifax Area School District

-Proposed Preliminary Budget for 2018-2019-

Submitted on behalf of the Administrative Team

January 9, 2018

-The Act 1 Budgeting Process-

- ▶ Passed in the Special Session of the Legislature in 2006, Act 1 requires school districts to seek voter approval for tax increases greater than the “Act 1 Index.” Districts can get exceptions from this requirement if rate increases are needed to cover specific types of costs: EX: PSERS (retirement), Special Education, etc.
- ▶ The Act 1 Index is the state’s measure for determining property tax increases justified by wage inflation.
 - ▶ HASD’s Act 1 Index for 2018-2019 is 3.2%.
 - ▶ If HASD raises taxes to the Index, \$231,480.00 in new revenue will be generated.
- ▶ Drafting a Preliminary Budget to determine if HASD will (1) pass a resolution to stay at or below the Index or (2) seek voter approval through referendum of a rate increase greater than permitted by the Index, is the first step in the Act 1 Budgeting process.
- ▶ The Preliminary Budget document must balance.
- ▶ The Preliminary Budget is not the final budget. It fulfills the requirements of Act 1 and provides administration with a foundation for using a zero based budgeting process.

-Preliminary Budget Numbers-

-Income: **\$20,417,776.00**

-Assumes the board does not raise taxes. Accounts for level funding from state and federal governments as of 1/9/18.

-Expenses: **\$21,360,372.00**

-Estimated before zero based budgeting begins. Accounts for salary increases for HESPA and HEA. Projects a worse case scenario increase to healthcare at 7.0%. Projects an increase of 3.4% for pension. Does not address any changes that may occur to the Act 93 Management Agreement set to expire on 6/30/18.

-Preliminary Budget Deficit: **\$942,595.00**

-Fund Balance Facts-

-COMMITTED FUND BALANCE-

-Health Insurance & PSERS :	\$1,797,108.00
-DCTS Debt Payment Fund:	\$97,968.00

TOTAL: \$1,895,076.00

-UNASSIGNED FUND BALANCE-

TOTAL: (\$162,469.00)

To balance the preliminary budget, the operating deficit must be subtracted from unassigned fund balance (\$942,595.00).

-2018-2019 Budget Unknowns-

- ▶ **Federal Funding:** Level funded?
- ▶ **State Funding:**
 - ▶ Level Funded?
 - ▶ Impact of Vouchers and School Choice?
 - ▶ Pension Reform?
- ▶ **Cyber-Charter School:** *(reform?)*
 - ▶ Projecting cost of \$545,000.00: *conservative estimate.*
- ▶ **Inflation:** 2.4% *(base index)*
- ▶ **Savings from Retirements and Attrition?**
- ▶ **True Cost of Healthcare?**

-2018-2019 Budget Knowns-

- ▶ Index: Percentage and dollar amount: net revenue generated if board chooses to raise taxes. Based on real estate collection rate of 94.1%
 - ▶ .25: \$57,870.00
 - ▶ .50: \$115,740.00
 - ▶ .75: \$173,610.00
 - ▶ 100: \$231,480.00
- ▶ Positive Audit Result from 2016-2017 School Year: *See page 2 of Budget Document.*
 - ▶ Excess from 2016-2017: \$397,017.00
 - ▶ Balance Sheet Adjustment (Health Care Accrual): \$296,640.00

2017-2018:

-92% of the operating deficit was due to unfunded mandates: Cyber-Charter School and PSERS.

2018-2019:

-64.5% of the current operating deficit is due to unfunded mandates.

Deficit: \$942,595

Cyber-Charter: \$545,000

PSERS *(new money)*: \$63,000

Total: \$608,000

-Next Steps-

- ▶ Adopt a resolution not to raise taxes over the index.
 - ▶ 1/23/18 agenda item to meet 1/25/18 deadline. *Administration recommends this course of action.*
- ▶ Advertise to adopt proposed preliminary budget with possible exceptions.
 - ▶ A preliminary budget must be adopted by 2/14/18. *Administration does not recommend this course of action.*

- ▶ Staffing Notebook to Board: January 23, 2018
- ▶ Budget Notebook: March 13, 2018
- ▶ Budget Review Period: March 13 through April 18, 2018
- ▶ Budget Workshop: April 19, 2018 at 7:00 p.m.
- ▶ Proposed Budget Approved: May 8, 2018
- ▶ Final Budget Approved: June 12, 2018