

# Newsletter

ABOUT YOUR SCHOOLS

Vol. 35 Number 5

June 2010

## THE BUDGET ISSUE

### An In-depth Look at the 2010-11 Budget

#### A New Era in School District Budgeting - Weathering the Storms in Upcoming Years

##### *Loss of Federal Funds*

- **Loss of over \$1.1 million for basic education**
- **Loss of \$1 million for special education**

It's that time of year when the district proposes a budget for the upcoming school year. In the past, the report has been straightforward with budget projections of revenue, expense, and the proposed real estate tax increase. Last year's budget included a new funding source, the ARRA (American Recovery and Reinvestment Act) federal stimulus. These funds are for a two-year period ending June 30, 2011. The drop off of this federal support is one of several complex financial challenges that our district, along with all Pennsylvania schools, has to face in future budget years.

It is important that our residents realize that the Board of School Directors, District Administration, and all staff members go through an arduous process of reviewing and revising the General Fund Budget up until the date of final adoption in June. The district is not only focused on the upcoming year but also on several years ahead to prepare for the challenges we face. Some of these challenges include the loss of federal funds, a declining Act 1

index, the pension crisis, weak local revenues, new staffing and operating costs of a new K-4 elementary school, and expenditures growing faster than revenues. The loss of federal funds alone comes to over \$1.1 million for the state basic education subsidy and \$1 million for special education funding.

##### *Changes in State Funding*

- **Act 1 limits**
- **Public School Employee Pension Crisis**

There is concern that the deficit in state funding for 2011-2012 (created by the loss of federal funds) is beyond what legislators will be willing to fund. The Act 1 index for 2011-2012 is projected to be between 1% and 2% as compared to 2.9% for 2010-2011. It is expected that the index will remain at low levels for the next few years. What this means is that increases in real estate taxes will be severely limited and will not be enough to support cost-of-living adjustments and other inflationary increases in insurance, utilities, and transportation. We will face deficits in future years that will have to be managed through continued curtailment of costs and use of fund balance reserves. Additionally, all districts in Pennsylvania are faced with phenomenal increases in employer retirement contribution rates over the next several years. In 2010-2011 the rate increases to 8.22% from the current 4.78%. According to current projections, districts face the imminent increase in two years

of a rate spike to 29.22% in 2012-2013. The state's level of future support to fix the pension crisis will impact its ability to support education funding in the future. The additional net cost to this district over the next five years is projected to be \$18.9 million based on the projection of employer contribution rates. This is not just a pension issue; it is a school finance issue. This is a pending crisis and we cannot ignore it.

##### *Decline in Local Revenue*

- **Loss of \$1 million due to recession**
- **Overcrowding in current school buildings**

District local revenue sources, excluding real estate taxes, have declined by \$1 million over the past two years due to the recession. We will continue to feel the pressure of diminished local revenue over the next couple of years. While we are all very excited about the opening of a new fourth K-4 elementary that will provide the long overdue relief to classroom space and program needs, the District is faced with the economic challenge of new staff and operating costs. While most of the staffing needs will be filled with transfers from other elementary schools, there will still be a need to increase some staff.

##### *The District's Response*

- **Designation of unreserved fund balance**
- **Increase in real estate millage**

(Continued on page 2)

**2010-11 Budget (continued)**

- Possible increase in class size, eliminating programs, and cut backs

Multi-year budgeting has become especially critical in this challenging time of serious fiscal uncertainty when this school district is facing future economic challenges that are aligning to create the perfect storm that will have a serious financial impact on the District. The School Board and District Administration use tools such as designations of unreserved fund balance to help address the future costs related to the PSERS rate spike, the opening of a new elementary school, increases in health-care costs, and the strain on local revenues. The School Board recognizes the need to increase the real estate tax millage so that local effort and resources can be sustained. We will need to be very aggressive in reducing costs over the next several years by considering an increase in class sizes, eliminating programs, and cutting back on things that have always been considered essential to our existence. Most importantly, we will need the support of parents and other community members for the tough decisions that will need to be made as we weather the storms that lie ahead.

**The Budget Details**

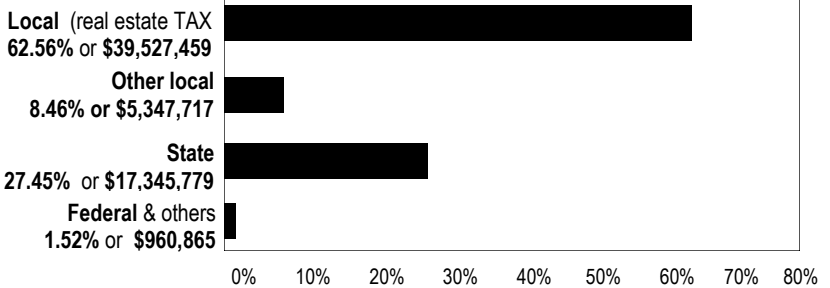
The Exeter Township Board of School Directors approved a proposed final budget for the 2010-2011 school year of \$63,364,053 in expenditures at the May 18 meeting. This is an 8% increase from the current year. To support this, an increase of up to 1.381 mills may be necessary. For a home assessed at \$100,000, the tax would be \$3,000 which is an increase of \$138 annually. A final decision on the increase in the millage rate will be made on June 22, 2010.

The proposed final budget revenue for the 2010-2011 school year would be \$63,181,820 if the millage rate is approved. This increase is limited by the district's Act 1 index of 3.7% plus the additional millage generated by

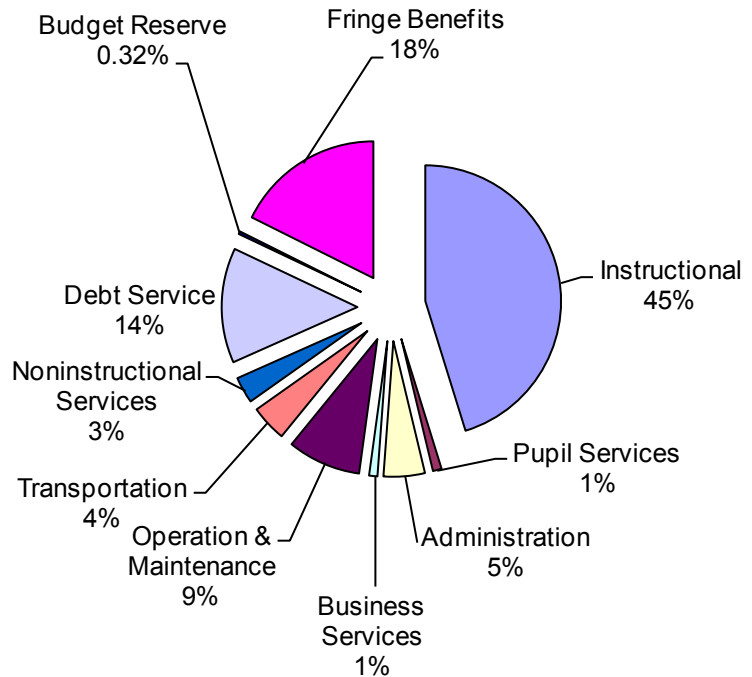
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**Revenue . . . Where does the money come from?**

**SOURCES**



**Expenditures . . . How is the money spent?**



**Reductions Made to the 2010-11 Budget**

Cut-Back on New Staffing Requests	\$ 540,000
Facility Improvement Project Cuts	\$ 363,000
Technology Budget Cost Reduction	\$ 265,000
Vacant Positions not being filled	\$ 263,000
Reduction in Classroom & Athletic Supplies	\$ 123,000
Electricity Cost Curtailment	\$ 100,000
Reduce Library Book Purchases by 50%	\$ 33,000
Reduction in Staff Development Costs	\$ 27,000
<b>TOTAL</b>	<b>\$ 1,714,000</b>

## Comparing Expenditures - This Term & Next

BUDGET CATEGORY	2009-2010 BUDGET (estimate)		2010-2011 BUDGET	
	AMOUNT	PERCENT	AMOUNT	PERCENT
Instructional	\$28,028,107	47.78%	\$29,398,985	46.40%
Pupil Services	\$ 724,056	1.23%	\$ 832,256	1.31%
Administration	\$ 2,573,290	4.39%	\$ 2,660,600	4.20%
Business Services	\$ 614,420	1.05%	\$ 604,626	0.95%
Operation/Maintenance	\$ 3,938,475	6.71%	\$ 4,538,785	7.16%
Transportation	\$ 1,969,692	3.36%	\$ 2,030,245	3.20%
Noninstructional Services	\$ 1,950,763	3.33%	\$ 1,841,674	2.91%
Debt Service	\$ 8,402,331	14.32%	\$ 9,109,730	14.38%
Budget Reserve	\$ -	0.00%	\$ 200,000	0.32%
Fringe Benefits	\$10,465,347	17.84%	\$12,147,152	19.17%
<b>TOTAL</b>	<b>\$58,666,481</b>	<b>100.00%</b>	<b>\$63,364,053</b>	<b>100.00%</b>

### Budget Details (continued)

exceptions for which the district has been approved. The index generates a mill increase of 1.059. The district was approved for exceptions in the amount of \$1,470,987 which represent expenditure increases that are above the index of 3.7%. Expenses that are increasing at a rate greater than the index include special education costs, employer retirement contributions, and school construction debt costs. The total exception amount equates to an additional mill increase of 1.094, but the proposed millage only includes .322 mills equal to \$432,000 in qualified exceptions.

### Local Funding

The Exeter Township School District receives most of its revenue from local property taxes (62.5%). The remaining money comes from state funds (27.5%), other local sources (8.5%), federal funds and other miscellaneous revenue (1.5%). Certain local sources of tax revenue continue to be at historic lows including transfer tax revenue and investment income. Transfer tax revenues diminished by \$370,000 over the past two years and investment income revenues reduced by \$816,000 annually. The accumulated loss in these two sources of local revenue alone is over \$1.8 million these past two years. The district additionally has experi-

enced residential and commercial assessment reductions of \$10,500,000 this past year causing a reduction in real estate property tax revenue of \$300,000. Fortunately, the district's commercial property assessment received an infusion of \$16,000,000 in assessed value from the completion of Exeter Commons Retail Center and the Walmart Supercenter. The impact is a net increase in real estate property tax revenue of \$188,000. The District participates in a Tax Increment Financing Plan that financed the road development costs related to the development of Exeter Commons, and is therefore obligated to pay a portion of the tax increment for debt service costs related to the project. This reduces the additional real estate tax revenue from the Exeter Commons property by 37% or \$270,000. It is expected that local revenue growth before any millage increase will be flat in 2010-2011 due to the slow economic recovery. The proposed final budget includes the use of fund balance reserves of \$180,000, in addition to the millage increase, in order to balance the budget. Without a property tax increase the deficit of revenue over expense is (\$2,038,000).

### Federal Stimulus Funding

The American Recovery and Reinvestment Act (ARRA) of 2009 provided for federal stimulus funds for education for a two-year period which

spans fiscal years 2009-2010 and 2010-2011. In the current fiscal year, the Exeter Township School District's Basic Education Subsidy from the State was supplemented with \$989,554 in ARRA State Fiscal Stabilization Grant Funds. However, the increase in basic education funding over the prior year funding level was \$469,965, or a 5.96% increase. The District is required to specifically substantiate the uses of the \$989,554 grant which are defined by the ACT (Accountability to Commonwealth Taxpayer) regulations of the Public School Code. During the current fiscal year the grant funds were used to pay for district paid healthcare costs, and costs related to specific high impact strategies targeted to improve the District's educational programs and activities.

### State Funding

Governor Rendell's education budget proposal for FY 2010-2011 as presented in February continues strategic investments to ensure quality education. FY 2010-2011 is the third year of a multi-year commitment by the Governor and the General Assembly to increase the state's share of basic education funding. This commitment to investing in education funding is the result of a Costing Out Study completed in 2007 that was designed to inform legislators and school leaders

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**Budget Details (continued)**

what it would cost each school district in Pennsylvania to provide an education that would allow each student to achieve the educational goals that are expected of them. In order to continue the investment in providing the adequate funding that is critical to student success, the Governor is proposing additional state funding to restore the same level of funding received in 2008-09 in addition to the use of ARRA federal stimulus funds to provide increases in the basic education subsidy for 2010-2011. The proposed dollar increase in basic education funding for the district for FY 2010-2011 is \$672,909, or an 8.06% increase. The use of the additional funding is again subject to the ACT regulations of the public school code. The additional basic education funding amount is currently included in district's proposed final budget state revenue total. It is important to point out that the Commonwealth's financial position has changed significantly since the Governor announced his FY 2010-2011 budget proposal. State tax collections in revenue in April were 11.8% behind expectations leaving a \$390 million gap in the budget on top of the \$719 million shortfall which already existed. Legislators have cautioned school districts that there is no guaranteed level of funding, and more than likely school districts will not get the whole amount of the basic education funding increase. It is important to remember that the ARRA state fiscal stabilization funds are for a two-year period which ends June 30, 2011. Looking to the future, if the State is unable to fill the hole left in basic education funding by the unavailability of federal stimulus funds, the district may only receive funding equal to the FY 2008-2009 amount, or \$1,143,000 less than the FY 2010-2011 proposed amount.

**Federal Title I and IDEA Funding**

The district's allocation of federal Title I and IDEA (Individuals with Disabilities and Education Act) supplemental funds for 2009-2010 and 2010-

2011 total \$154,206 and \$964,394, respectively. The use of these Title I funds is divided equally among the two fiscal years. In the current fiscal year, the District used \$733,316 in IDEA ARRA funds, and the balance of \$231,078 will be used in FY 2010-2011. It is important to understand that these categorical funds are restricted by federal law and regulation. The ARRA Title I funds are being used to fund the cost of a Professional Development Coach for a two year period. IDEA supplemental funds are being used to fund three (3) new special education teaching positions, increases in contracted speech therapy services for students, and assistive devices and reading software for special education students. As of June 30, 2011, the district will have expended \$1,118,600 in federal supplemental funds provided by the ARRA stimulus funds. In FY 2011-2012, a funding cliff in the amount of \$526,000 will occur due to

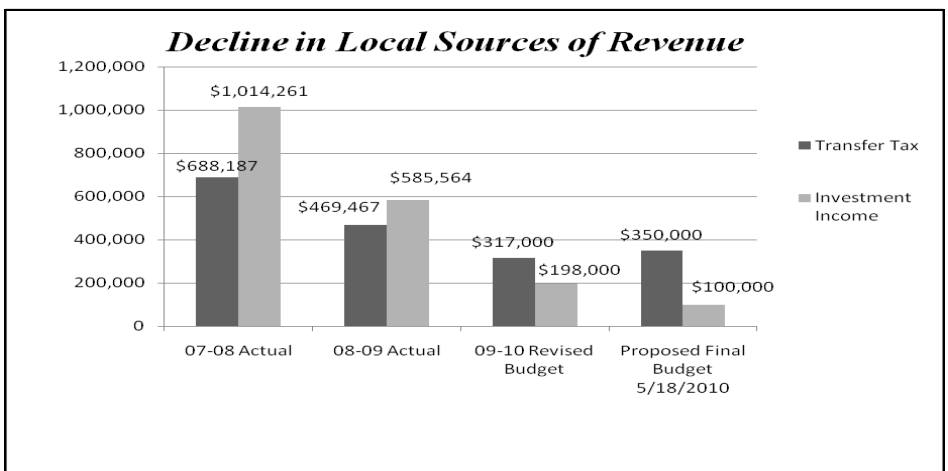
the on-going costs of special education staffing and contracted services previously funded by ARRA stimulus funds. These costs will have to be absorbed through local effort, or offset by reduction of other program costs.

**State Property Tax Relief**

Pennsylvania will continue its broad-based property tax relief in 2010-2011 based on Special Session Act 1 of 2006. As required by law, the Commonwealth's Budget Secretary certified on April 15, 2010, that \$616,500,000 will be available in 2010-2011 in state-funded local tax relief. The total state-funded property tax relief that will be available to the Exeter Township School District is \$1,361,068. The number of Exeter Township School District approved homestead and farmstead properties has increased by 144 from current year approved properties for a total of 7,422. The state-funded

(Continued on page 5)

**ANNUAL cost per student \$14,191.28** (based on 4,465 students)  
**DAILY cost per student \$78.40** (181 instructional days)



## Budget Details (continued)

property tax relief will be distributed to the approved properties and is estimated to be \$183 per property if the real estate property tax millage is approved at 29.999.

### Cost Increases

The increase of \$4.7 million in budgeted expenditures can be attributed primarily to increases in wages, benefits, contracted professional services, and debt service costs. The increase in wages is due mainly to cost of living contract adjustments. The increase in the PSERS employer retirement contribution rate from 4.78% to 8.22% for 2010-2011 escalates the cost of this budget line item by over \$1.1 million. Additionally, we've experienced a 5.95% increase in the Blue Cross healthcare insurance premium paid by the district for eligible employees. Increases in contracted professional services are associated with increases in the special education student population and their educational needs. Another major factor that continues to

drive up costs at a rate higher than inflation are the mandates that provide inadequate funding to cover the additional expenses, such as cyber-charter schools and tuition for student placements in alternative education and special education programs outside of the district. Debt service costs are increasing due to the new elementary construction project and the possible acquisition of a district administration office.

### Cost Cutting Efforts

The majority of new staffing requests were rejected for 2010-2011. The two new positions that are part of the proposed final budget are critical to either the delivery of a specific educational program or the operation of a support function. In order to limit wage and benefit cost increases our district administration has decided not to fill one administrative position, two professional positions, and two support positions that are vacant due to retirements, resignations, or leaves. Other budget costs have been restricted

through cutting classroom supplies, reducing library book purchases, reducing the technology budget, reducing athletic supply and equipment requests, delaying improvement projects, and procuring electricity for the future at prices that will avoid the anticipated increase when rate caps are removed.

If you would like more information or would like to examine copies of the budget, please visit the business office in the Administration Building weekdays between 8 a.m. and 4 p.m. The final budget will be adopted at the June 22 public board meeting. As always, you are welcome to attend any workshop or voting meeting to ask questions or make comments.



## 09-10 Retirees Devote Over 350 Years of Service to ETSD



The district honored the 2009-10 retirees at a dinner on May 18th. They are: (front row, l to r) Victoria Mollura, SHS Spanish Teacher - 24 yrs; Barbara Szablowski, Lorane Reading Specialist - 25 yrs; Patty Biffen, Jacksonwald Challenge Teacher - 20 yrs; Henrietta VanCoeur, SHS Secretary - 39 yrs; (back row, l to r) Michael Kitsock, SHS Latin Teacher - 20 yrs; Barbara Fletcher, Jacksonwald Second Grade Teacher - 36 years; Debra Silas, Lorane Special Education Teacher - 35 yrs; Jane Hinkle, Lorane Secretary - 28 yrs; Kathleen Harris, Math Coordinator - 11 yrs; David Snyder, Reiffton Sixth Grade Teacher - 41 yrs; and James Seidel, SHS Music Teacher and Band Director - 37 yrs. Missing from the photo are Theresa Suchomelly, Jacksonwald Aide - 30 yrs; Joseph Forster, Custodian - 15.5 yrs; and Harry Schneider, Custodian - 5 yrs.

## Real Estate Tax Payment Available in Installments

Eligible district taxpayers may elect to pay their school real estate taxes in three equal installments. The first installment is due on or before July 31, the second installment on or before September 15, and the third one on or before October 31. This excludes interim and delinquent taxes.

Payment of the first installment on or before July 31 will signify intention of the taxpayer to pay the tax using the installment plan. If the first installment is not received by July 31, it will serve to indicate that the taxpayer has chosen not to pay with installments.

There is no abatement or discount allowed on taxes paid using the installment plan. For more detailed information, contact ext. 1024 in the Administration Building.

**Summer Dates to Remember**



**June**

- 22 Grades 9-12 summer school at the SHS through July 30
- 22 Grades 7 & 8 summer school at the JHS through July 17
- 22 School Board voting meeting (budget approval) - Admin. Bldg. at 7 p.m.

**July**

- 6 Kdg-Grade 2 remedial summer school at M.L.Lausch through July 30
- 6 K-12 enrichment classes offered through July 30
- 20 School Board voting meeting - Admin. Bldg. at 7 p.m.

**August**

- 10 School Board workshop meeting - Admin. Bldg. at 7 p.m.
- 12 or 19 Tours for new Jacksonwald students, 10 a.m. OR 1 p.m.
- 17 Orientation for 5th graders and new 6th graders, Reiffton, 9:30 a.m. OR 6:30 p.m.
- 17 School Board voting meeting - Admin. Bldg. at 7 p.m.
- 18 Seventh grade orientation - JHS aud., 9-10:30 a.m.
- 20 Ninth grade orientation - SHS aud., 10 a.m.
- 24 Building tours for new Lorane students & kindergarten bus orientation, 9 a.m. OR 1 p.m.
- 31 **First student day of the 2010-11 term**

**2010-2011 Busing Reminders**



Parents are requested to have their children use the same pick-up and drop-off bus stop each day. If special arrangements are necessary for child care, parents must complete the form entitled "Request for Bus Change Due to Child Care Needs." No more than one different pick-up/drop-off stop will be approved for each student, it must be consistent from week to week, and transportation will only be provided within the elementary attendance zone where a child attends school.

All requests for changes should be submitted at least three working days prior to the start of school. During the summer, request forms can be obtained and submitted at the Administration Building. Parents will be notified of the approval or rejection of the request. August 25 is the last date that "Change" forms will be accepted for requests that are to begin the first week of school.

**WHAT'S INSIDE . . . Detailed 2010-11 Budget Information ♦ 2009-10 Retirees Give Over 350 Years of Service**

The Exeter Township School District is an equal opportunity educational institution and in compliance with the requirements of Title VI, Title IX, Section 504, and the Americans with Disabilities Act. The district will not discriminate on the basis of race, color, religion, gender, ancestry, national origin, disability, or handicap. For information regarding civil rights or grievance procedures, contact Mrs. Elizabeth Weber, Compliance Officer, 3650 Perkiomen Ave., Reading, PA 19606.

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 Questions, suggestions, and/or information concerning the NEWSLETTER should be directed to Don W. Cramer, Editor, in the Instructional Support Services Office.

The NEWSLETTER is the official publication of the Exeter Township School District  
 3650 Perkiomen Avenue Reading, PA 19606  
 Telephone: 610-779-0700 FAX: 610-779-7104  
[www.exeter.k12.pa.us](http://www.exeter.k12.pa.us)  
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