

Frequently Asked Questions about Pottsgrove's Community Budget Task Force

1. Why is the school district forming a budget task force?

Pottsgrove faces a significant budget deficit, as much as \$1 to \$2 million (last year's budget was about \$57 million.) The administration and school board want input from the community about how to save money. A budget task force will allow parents, staff, board members and community members to work together in committees to analyze the district's expenses and revenues and come up with recommendations to the school board. These recommendations will likely include a mix of ways to operate more efficiently as well as where the district can cut some spending.

2. How did the district end up with such a large deficit?

There are many factors contributing to the anticipated shortfall. The slow economy has had an impact on the assessed values of properties in the district, many of which having been successfully appealed, thus reducing the amount of revenue collected from existing real estate. Property transfer taxes (money received from home sales) was down 21%, and earned income tax collections have decreased by 6%, something that has not happened in recent history.

The state of Pennsylvania is expected to lose federal stimulus funding, which could lead to a loss of \$900,000 in state funding for Pottsgrove. Salary and benefits costs continue to rise and the teacher's contract expires on August 31, 2011. Like all school districts in the Commonwealth, salaries and benefits are the largest part of a school district's budget. In addition, the Public School Employee Retirement System, a state mandated contribution to employee retirement plans, is expected to increase 53%, or approximately \$400,000.

While revenues have decreased, the cost of providing public education services has actually increased. Our Ringing Rocks Elementary School facility is in serious need of an upgrade (that project is underway.) Energy deregulation will lead to increased energy costs (even though we've got an aggressive plan to reduce our energy usage.) The demands to meet the challenges of federal laws remain in effect. With the mandates for services and the limits on revenue, we are anticipating a shortfall of revenue to meet expenses of roughly \$1 to \$2 million, or nearly 1.8 to 3.6%.

3. Can the school district simply raise taxes to make up that projected budget deficit?

The state of Pennsylvania enacted a law called Act 1 that places a limit on the amount a school district can raise taxes without going to a voter referendum. It is anticipated that the Act 1 limit will be 1.8 percent for the 2011-12 budget, which means the district could raise approximately \$600,000 more in property taxes. Increases in salaries and benefits could exceed that amount.

4. Why is it so difficult to reduce a school district's budget?

Education is highly regulated by the state and federal governments. The school district has a large number of expensive, fixed obligations and mandates including special education placement and services and charter school tuitions that it is obligated to pay. In addition, the largest part of any district's budget is salary. Teachers are our most valuable tool in educating

children, and employee compensation and benefits account for more than 63 percent of the district's operating budget.

5. How will the new teachers' contract impact the budget gap?

Even without the new teacher's contract, we would be facing a \$1 to \$2 million shortfall. Any increases in the contract will obviously have an impact, but we will work to keep that to a minimum. Teachers are our most precious educational resource. The single most important factor for student achievement is the quality of teacher in a classroom and the relationship that teacher builds with students.

6. If so much of the District budget is inflexible, what impact can being on a committee have?

There are still a number of very important areas in which the district can make significant choices, including transportation, activities, energy, and technology. We must make reductions and would rather do it with the help of the community than making the choices without that input.

7. What process will the district follow?

The district has asked for volunteers to participate on the following committees:

- Energy and Facilities
- Student Transportation
- Educational Programs and Services
- Technology
- Extracurricular Activities

The goal of the committees is to develop a feasibility report on ways to operate in a more cost effective manner. Each recommendation will need a cost analysis to determine a financial savings and an impact analysis if a service or program service or program is reduced. The committees will examine ways to reduce expenses while protecting and maintaining the integrity of classroom instruction. Committees can also look at alternate ways to increase revenue. These committees will meet several times before making recommendations to the superintendent and school board in mid-April. This information will help the administration and school board develop the budget that will be passed in June.

8. How will the board and administration use the committee's report?

School district budgets are very complicated and impact thousands of students, parents and community members. Difficult decisions must be made, and the board and administration will use the work of the committees to help guide those decisions.