Nazareth Area School District

PRELIMINARY BUDGET UPDATES

APRIL 26, 2022

2022-23 Budget Timeline - Regulations

- Act 1 of 2006 – Law Passed June 27, 2006 that sets the framework under which each budget timeline is established - https://www.education.pa.gov/Policy-Funding/PropertyTax/Pages/default.aspx
- Budget timeline requires 3 major votes at pre-determined dates established by Act 1 of 2006: Preliminary Budget Adoption/Resolution, Proposed Final, Final Adoption. Administration/Board can not deviate from any of these action items.
- District is required to submit budget on PDE 2028 to state for both preliminary adoption and final adoption. There is no other option available for District to post budget. A copy of the PDE 2028 has always and continues to be posted on the District's website - https://www.nazarethasd.k12.pa.us/page/148

Budget Timeline - Process

- Budget development is a 12 month process. Starting in July and concluding in June each year.

- Numerous meetings with administration and board during early development followed by committee/board presentations starting in December and concluding in June.

- All PA School Districts must approve a balanced budget by June 30th.

Budget Development

- Budget development involves a multitude of external factors that occur during the budget development process. Each piece of information can and does change one or more times during the process. Sometimes the change can be substantial +/-.
- Most aspects of the budget are completely outside the control of the District.
- Single point in time budget snapshots should not be used as an <u>actual</u> projection for the next 12 months. Especially in the early budget development. A budget is at best a well prepared estimation of actual expenditures.
- Administration utilizes historical data, trends, long-term planning, etc… during the process to prepare a best as possible a realistic budget for the next 12 months.

ESSER Grants

https://www.education.pa.gov/Schools/safeschools/emergencyplanning/COVID-19/CARESAct/May2020/Pages/FAQs.aspx

- ESSER grants are a one-time non-reoccurring funding for COVID-related impacts on public education. There are specific uses of the funding and there is no local option to deviate from these uses.

- All ESSER grants must be fully spent by 2024. There is no funding provided after this grant period.

- Grant funding must be used to offset an expenditure and can not be used as just a revenue source.

- Grants should only be used for one-time expenditures unless the entity has a clearly defined plan on how to transition from grant funding to local funding. Otherwise, the items paid from the grant would need to be transitioned over to local funding or eliminated.

Laws/Regulations/Mandates and Budgeting

- Nearly every aspect of the budget is under state and/or federal regulatory control/mandate – Here is a small sample of the regulations…

  - special education https://www.education.pa.gov/K-12/Special%20Education/Pages/default.aspx

  - charter schools tuition costs - https://www.education.pa.gov/K-12/Charter%20Schools/Pages/Charter-School-Funding.aspx

  - student transportation - https://www.education.pa.gov/Teachers%20-%20Administrators/Pupil%20Transportation/Pages/default.aspx

- IU20 recently published a listing of mandates on public k-12 education. *This document is 74 pages in length.*
- There is no local option to include or exclude the laws/mandates/regulations that are placed upon PA school districts.

PDE CHART OF ACCOUNTS

https://www.education.pa.gov/Documents/Teachers-Administrators/School%20Finances/Comptrollers%20Office/Chart%20of%20Accounts.pdf

- THE BELOW WILL DEFINE THE ACCOUNT CODE STRUCTURE AS WELL AS WHAT EACH SECTION OF THE ACCOUNT CODE MEANS RELATIVE TO REVIEWING THE FINANCIAL REPORTS:

- 10-1100-610-000-10-210-018-000-0000
- 10 – FUND
- 1100 – FUNCTION
- 610 – OBJECT
- 000 – FUNDING SOURCE
- 10 – INSTRUCTIONAL ORGANIZATION
- 210 – OPERATIONAL UNIT
- 018 – SUBJECT MATTER
- 000 – NOT DESIGNATED
- 0000 – NOT DESIGNATED

FUND (THIS DEFINES WHERE THE EXPENSE IS CLASSIFIED):

10 – GENERAL FUND

19 – ATHLETIC FUND – COMBINED WITH GENERAL FUND FOR AUDIT

32 – CAPITAL PROJECTS

50 – FOOD SERVICE

70 – SCHOLARSHIP

81 – STUDENT ACTIVITIES

FUNCTION (THIS DEFINES THE CATEGORY OF THE EXPENSE):

1100 – CLASSROOM INSTRUCTION – STAFF SALARIES/BENEFITS, SUPPLIES, EQUIP

1200 – SPECIAL EDUCATION- STAFF SALARIES/BENEFITS, PLACEMENTS, PROF SVCS

1300 – VOCATIONAL ED – INDUS ARTS, HOME EC, BUS ED (SALARIES/BENEFITS), NMTCC

1400 – OTHER INST – HOMEBOUND,FED PROGRAMS, DRIVER ED

1600 – ADULT EVENING SCHOOL – COMMUNITY ED

2100 – PUPIL PERSONNEL – GUIDANCE, PUPIL SERVICES, PYSCHOLOGISTS

2200 – INST. SUPPORT – CURRIC & INST, LIBRARY, STAFF DEV, TECH INTERGRATORS

2300 – ADMINISTRATION – SUPT, PRINCIPALS, SCHOOL BOARD, TAX COLLECTORS

Property Taxes

https://www.education.pa.gov/Policy-Funding/PropertyTax/Pages/Information-for-School-Districts.aspx

- For most PA school districts, property taxes is the single largest revenue. However, this is not the result of the school district making that decision, rather, it is a result of the state laws that govern how we operate. Any change to the current property tax funding would require PA State Legislative action.
- State funding only represents roughly 24-25% of our total revenues. This number has been decreasing over the years. Federal funding (excluding ESSER funds) is generally less than 1%. This means that 75% and growing of our funding comes from local sources. This is not a District-established decision. Administration and Board are following the state laws/regulations as to how we can fund our operations.
- Act 1 of 2006 has further established a "cap" on annual property tax increases. Public education is the only governmental entity to have a mandated cap on its ability to fund operations.

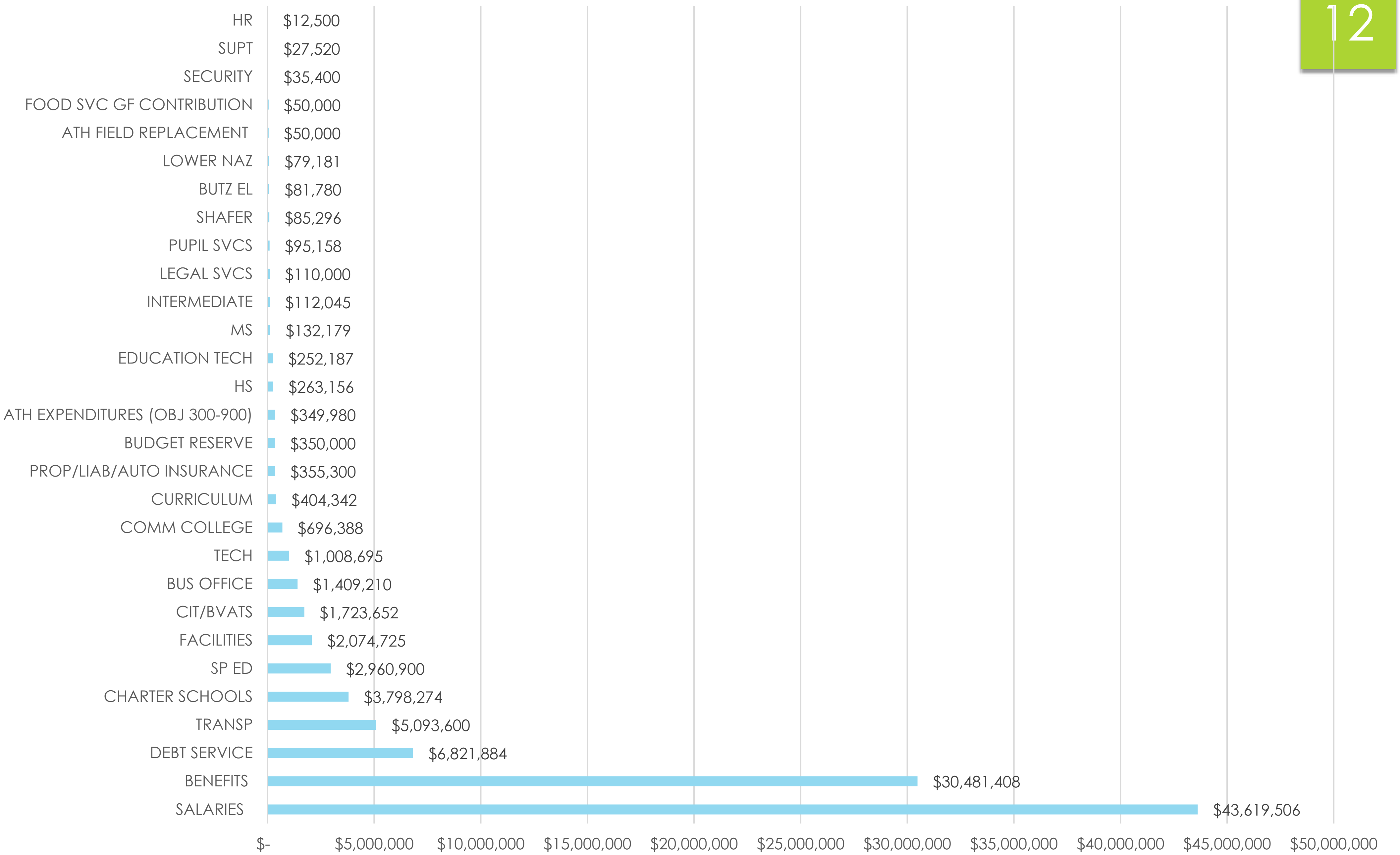
BUDGETED EXPENDITURES

Budget Category	2022-23 Expenditures	% of Total Budget	
Salaries	**$ 43,619,506**	**42.54%**	
Benefits	**$ 30,481,408**	**29.73%**	**72.27%**
Prof Svcs/Sp Ed Svcs	$ 3,675,923	3.59%	
Repair/Maint	$ 1,179,309	1.15%	
Travel/Tuition/Transp	$ 12,395,452	12.09%	
Supplies/Utilities	$ 3,206,822	3.13%	
Equipment	$ 7,000	0.01%	
Dues/Fees/Debt	$ 3,125,717	3.05%	
Debt	$ 4,843,130	4.72%	
	$ 102,534,266	100.00%	

BUDGETED REVENUES

Category	2022-23 Revenues	% of Total Budget
Local Revenues	74,137,062	72.30%
State Revenues	25,675,218	25.04%
Federal Revenues	1,000,000	0.98%
Misc/Fund Balance	1,721,986	1.68%
	102,534,266	100.00%

BUDGET CATEGORY	2022-23 DRAFT PRELIM BUDGET
SALARIES	$ 43,619,506
BENEFITS	$ 30,481,408
DEBT SERVICE	$ 6,821,884
TRANSPORTATION	$ 5,093,600
CHARTER SCHOOLS	$ 3,798,274
SPECIAL EDUCATION	$ 2,960,900
FACILITIES	$ 2,074,725
CIT/BVATS	$ 1,723,652
BUSINESS OFFICE	$ 1,409,210
TECHNOLOGY	$ 1,008,695
COMMUNITY COLLEGE	$ 696,388
CURRICULUM	$ 404,342
PROP/LIAB/AUTO INSURANCE	$ 355,300
BUDGET RESERVE	$ 350,000
ATHLETIC EXPENDITURES	$ 349,980
HS	$ 263,156
EDUCATION TECHNOLOGY - INSTRUCTIONAL	$ 252,187
MS	$ 132,179
INTERMEDIATE	$ 112,045
LEGAL SVCS	$ 110,000
PUPIL SVCS	$ 95,158
SHAFER	$ 85,296
BUTZ EL	$ 81,780
LOWER NAZ	$ 79,181
ATH FIELD REPLACEMENT	$ 50,000
FOOD SVC GF CONTRIBUTION	$ 50,000
SECURITY/POLICE	$ 35,400
SUPERINTENDENT	$ 27,520
HUMAN RESOURCES	$ 12,500
TOTAL EXPENDITURES	**$ 102,534,266**
LOCAL REVENUES	$ 74,137,062
STATE REVENUES	$ 25,675,218
FEDERAL REVENUES	$ 1,000,000
MISC REVENUES	$ 2,500
USE OF FUND BALANCE	$ 1,719,486
TOTAL REVENUES	**$ 102,534,266**
BUDGET SHORT	**$ 0**


2022-23 Preliminary
Expenditures by Category
HR $12,500
SUPT $27,520
SECURITY $35,400
FOOD SVC GF CONTRIBUTION $50,000
ATH FIELD REPLACEMENT $50,000
LOWER NAZ $79,181
BUTZ EL $81,780
SHAFER $85,296
PUPIL SVCS $95,158
LEGAL SVCS $110,000
INTERMEDIATE $112,045
MS $132,179
EDUCATION TECH $252,187
HS $263,156
ATH EXPENDITURES (OBJ 300-900) $349,980
BUDGET RESERVE $350,000
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SP ED $2,960,900
CHARTER SCHOOLS $3,798,274
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SALARIES $43,619,506
$-
$5,000,000
$10,000,000
$15,000,000
$20,000,000
$25,000,000
$30,000,000
$35,000,000
$40,000,000
$45,000,000
$50,000,000

2022-23 Preliminary Budget Adjustments

- State Basic Education Subsidy – Administration will be recommending that the District place a $500,000 adjustment to the basic education subsidy for 2022-23. This represents a similar increase to what NASD received in 2021-22.

- Reduce ESSER revenue line item to $500,000 from $750,000 based on proposed staffing adjustments paid from ESSER transitioning over to General Fund.

- Increase budgeted use of Fund Balance by $469K to a total of $1.7 million.

Millage Rate – Property Taxes

- This evening, Administration is able to present a balanced budget (expenditures = revenues) with NO increase to the millage rate. Currently, the millage rate is 56.80 and will remain at 56.80 for the 2022-23 fiscal year.

- This will reflect a 0% tax increase in 2 of the last 3 fiscal years.

- While the District is able to come in this evening with a zero % tax increase for 22-23, it is not immune from inflation like every single other business and household in the region and across the country. How inflation actually impacts the District during the 2022-23 fiscal year will be closely monitored and communicated to the Audit and Finance committee and board during the year.

Next Steps

- **May 10, 2022** – Administration will be seeking board approval consideration of the Proposed Final Budget. A 30 day required public inspection period follows the May 10th action by the board. The PDE 2028 budget has always and will continue to be available on the District's website as well as hardcopy in the business office during this 30 day period.

- **June 14, 2022** – Administration will be seeking board approval consideration of the Final Budget. A copy of the final budget PDE 2028 has always and will continue to be posted on the District's website as well as hardcopy in the business office.

- **July 1, 2022** – Start of the 2022-23 Fiscal Year.

Questions??

- Thank you…