



**WE CAN DO BETTER, AND WE WILL!**

**ACT 141 FINANCIAL RECOVERY PLAN  
HARRISBURG SCHOOL DISTRICT**

**CHIEF RECOVERY OFFICER  
GENE G. VENNO  
COMMONWEALTH OF PENNSYLVANIA**

**Advisory Committee Meeting  
March 7, 2013**

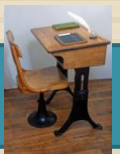
# Harrisburg School District

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- Financial challenges
  - ▣ Major budget cuts in recent years
  - ▣ Harrisburg - as state capitol - is unique
    - 47% of tax base is tax-exempt – revenue problem
  - ▣ Relatively high “Per Pupil” spending
    - Fringe benefits & Debt Service are areas of concern
  - ▣ Enrollment down 2,080 in the last five school years.
- Academic performance
  - ▣ In 2011 HSD ranked 494 out of 501 school districts
  - ▣ In 2012 only 45% of Harrisburg students graduated high school (state average 83% )

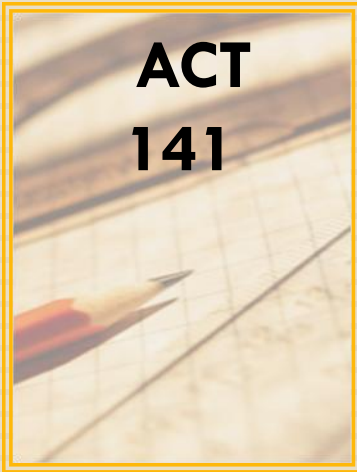


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# What is Act 141?

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- July 2012: New state law enacted to help school districts facing financial challenges
- December 12, 2012:
  - ▣ HSD deemed in “moderate financial recovery status” by PA Education Secretary Tomalis
  - ▣ Tomalis appointed Gene Veno as CRO
- January 2012: Advisory Committee appointed to provide recommendations and feedback to CRO

CRO has 90 days from day of appointment to develop financial and academic recovery plan with goal of quality education



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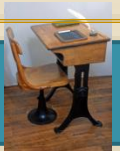
# Chief Recovery Officer role

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- **Oversee the creation of the Financial Recovery Plan**
  - Regularly meet with School Board, Superintendent, the Advisory Committee, financial advisors and other key stakeholders
  - Hold public meetings to explain process and receive input
  - Work with community and learn hopes/concerns
  - Develop sound financial and academic recovery plan with
    - Financial experts, PFM
    - Academic experts, including Francis V. Barnes, academic advisor
- **Decisions will be made with input from school board, advisory committee, public, students, other stakeholders**



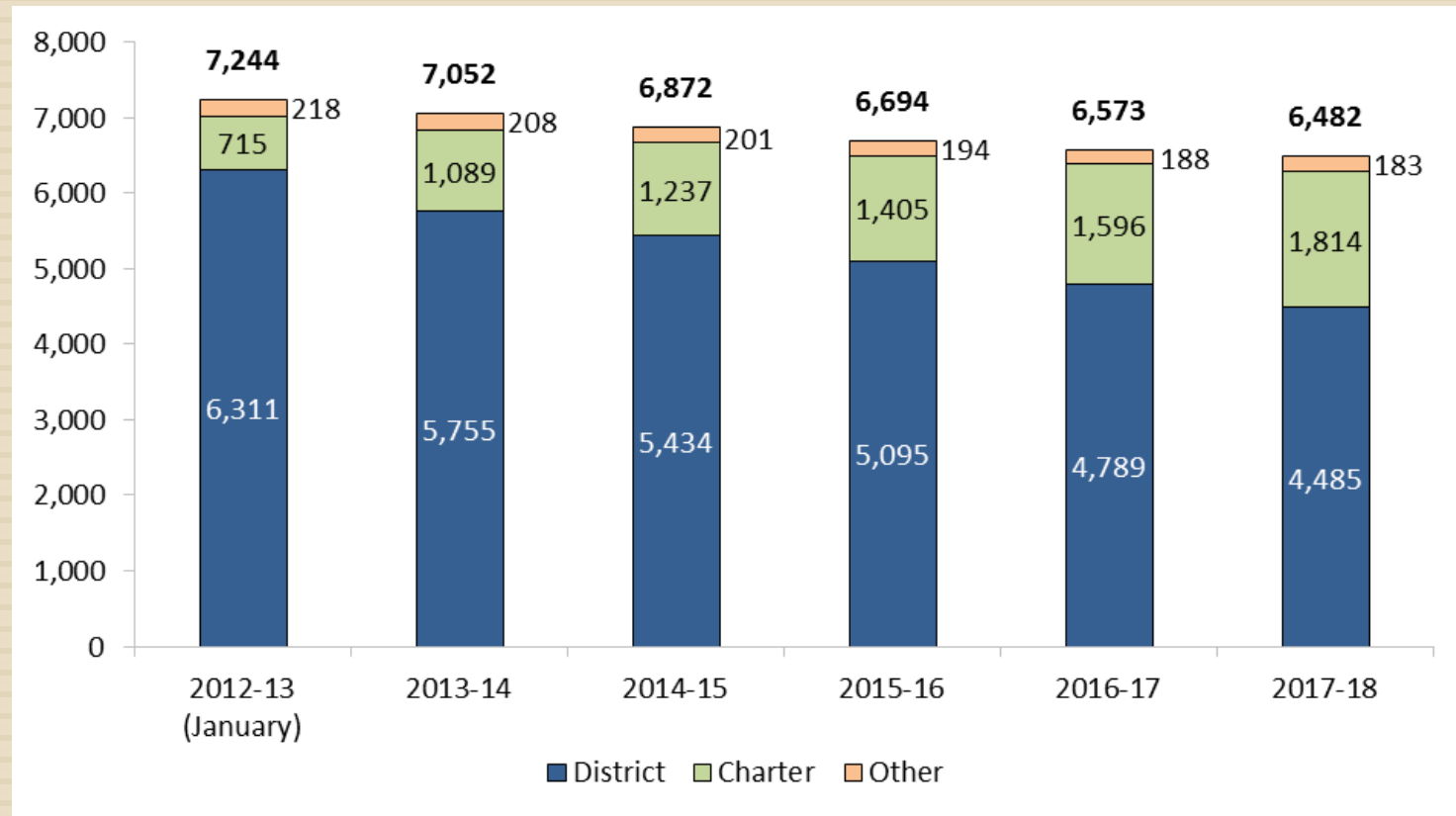
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# Projected student population

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## 2013 – 2018 projections



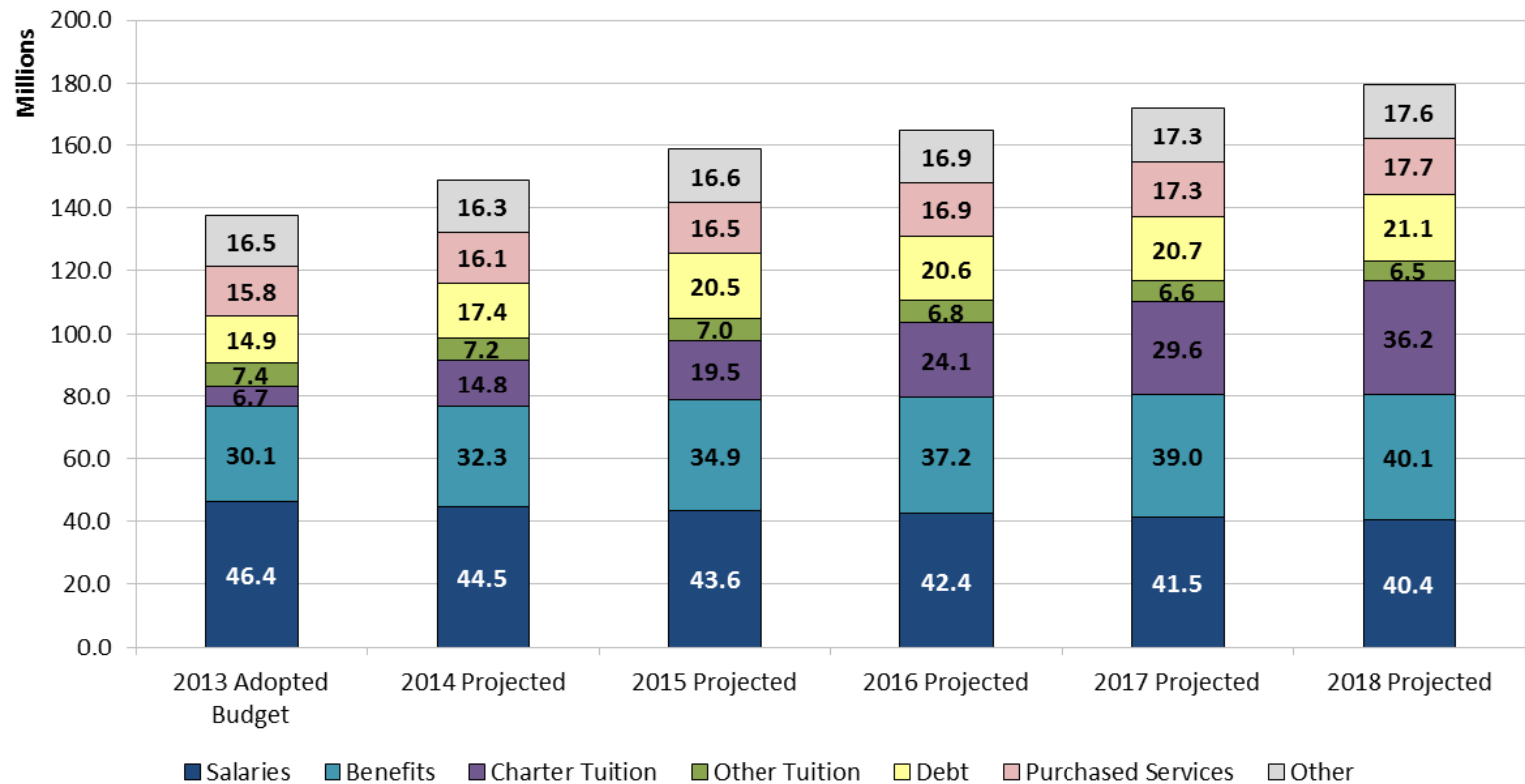
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# Projected expenditures (\$Millions)

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## 2013 – 2018 projections



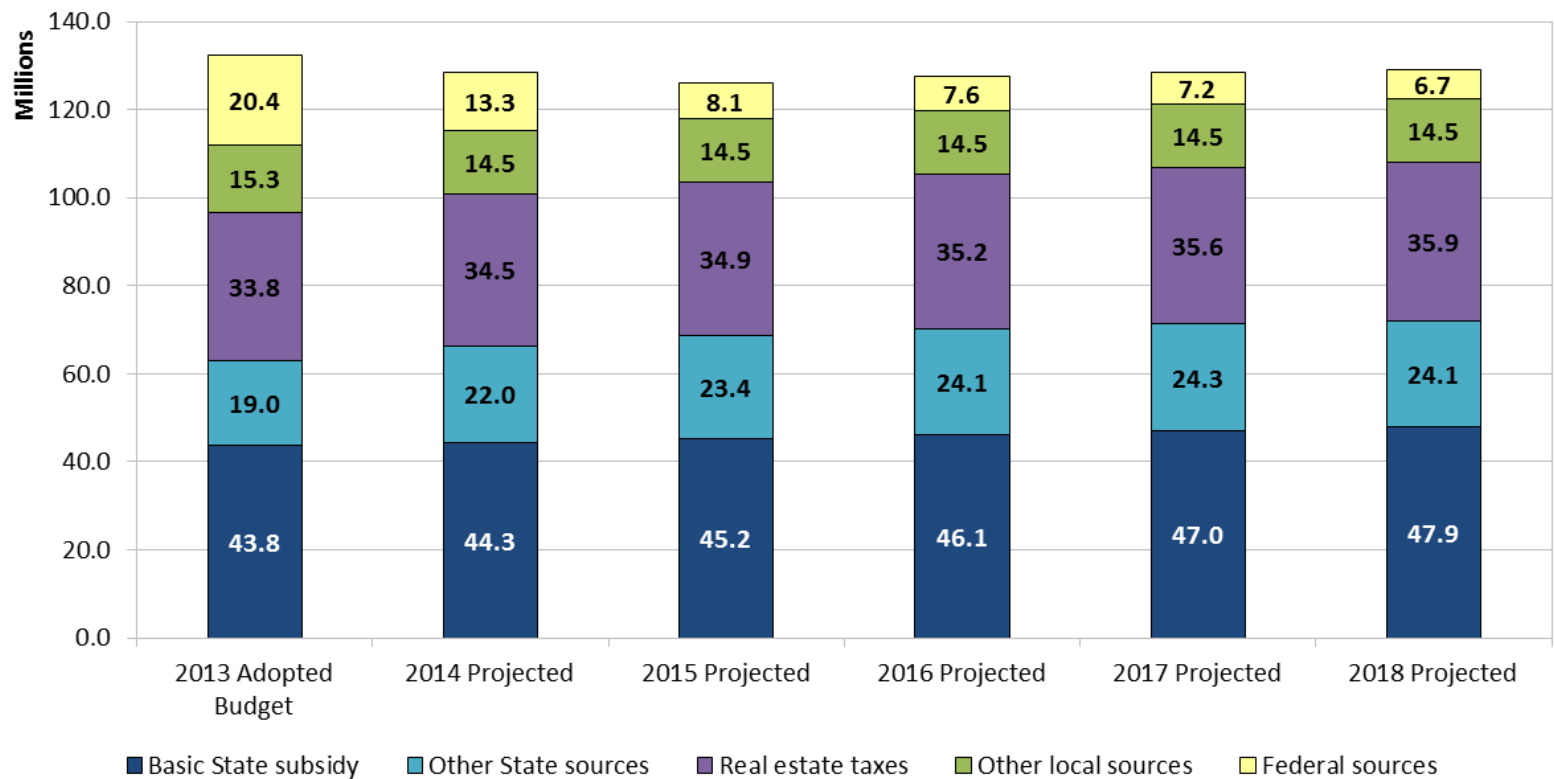
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# Projected revenues (\$Millions)

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## 2013 – 2018 projections

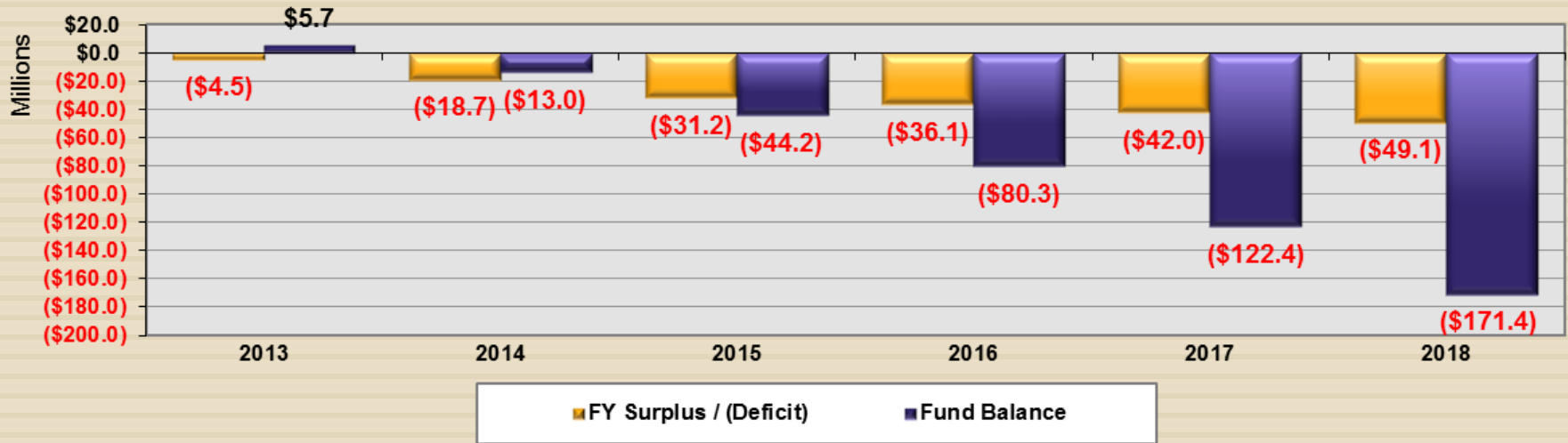


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# Baseline projection (\$ Millions)

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	2013 Adj. Budget	2014 Projected	2015 Projected	2016 Projected	2017 Projected	2018 Projected
Total Revenues	\$133,264,024	\$129,911,108	\$127,370,368	\$128,842,582	\$129,877,899	\$130,531,898
Total Expenditures	\$137,721,662	\$148,629,825	\$158,577,656	\$164,951,200	\$171,884,133	\$179,617,886
Surplus / (Deficit)	(\$4,457,639)	(\$18,718,717)	(\$31,207,288)	(\$36,108,618)	(\$42,006,234)	(\$49,085,989)
Fund Balance	\$5,688,299	(\$13,030,418)	(\$44,237,706)	(\$80,346,324)	(\$122,352,558)	(\$171,438,547)



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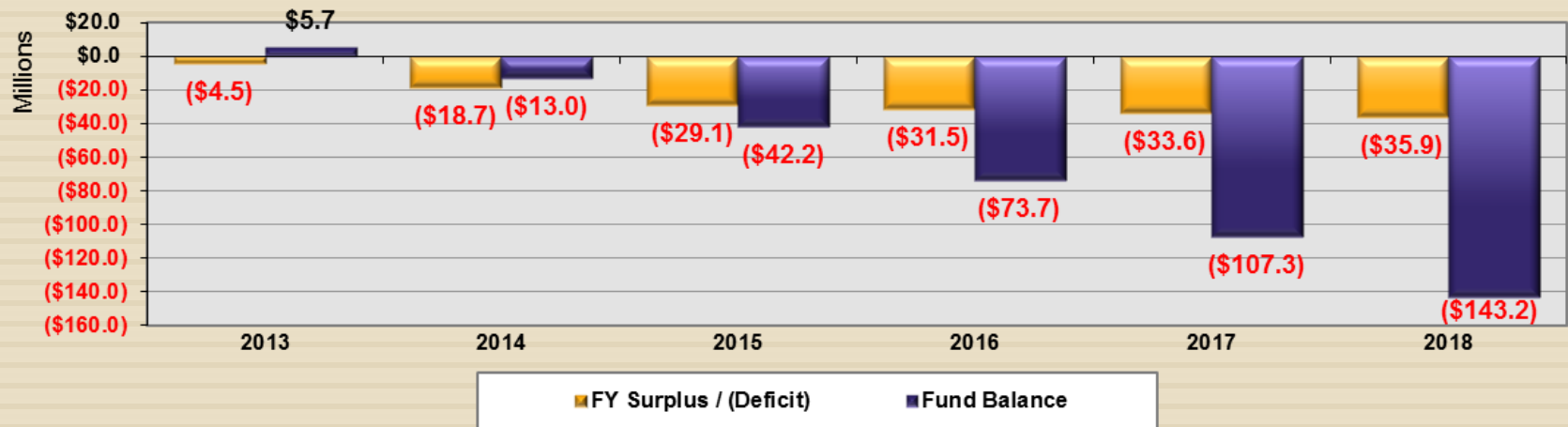




# Capping Charter Growth Alone is Insufficient

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- If the District can improve enough to become attractive to parents and halts the outflow of students to charter schools, that alone would not be sufficient to cure the District of its financial ills. Even with 0% growth in charter enrollment after 2013-14 the deficit would still increase to \$35.9 million by 2017-18, resulting in an ending negative fund balance of \$143.2 million



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# Opportunities for Improvement

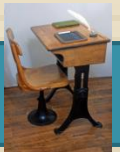
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Key opportunities for improvement include:

- Efforts to stem the flow of students to charter schools;
- Potential consolidation of facilities and programs, including relocating administration from current rented space;
- More efficient provision of services;
- Terms of new collective bargaining agreements;



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# Opportunities for Improvement (cont'd)

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- Robust effort to monitor existing federal funding and secure new/replacement federal and/or private support for core services;
- Improve tax collection;
- Use one-time revenues and unexpended proceeds to pay off bonds, create capital reserve and maintain fund balance. As of July 1, 3013:
  - Total bond principal outstanding: \$265.4 million
  - Total interest to be paid on principal: \$171.7 million (if held to maturity, current interest rates)
  - Annual debt service payments:

2012-13: \$15.2 million	2013-14: \$17.4 million
2014-15: \$20.5 million	2015-16: \$20.6 million
2016-17: \$20.7 million	2017-18: \$21.1 million
  - District will be eligible for approximately \$60.0 million in PLANCON reimbursement from the Commonwealth to offset these obligations
- One-time revenue from building sale.



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# Timeline

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- School Board, Advisory Committee and Public Meetings through March 12
- CRO's Recovery Plan due March 12
- School directors approve or disapprove plan by April 11
- If not approved within 30 days, school district not eligible for loan or technical assistance.
- If school directors do not approve plan within 365 days following the declaration, Secretary shall file Petition for Appointment of Receiver

**While this may seem fast, our children  
can't wait for better schools**



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