

**Preliminary Baseline Projection
Act 141 Recovery Plan
Harrisburg School District**



**Presented by Public Financial Management for the
Act 141 Public Meeting**

February 21, 2013

Why calculate a baseline?

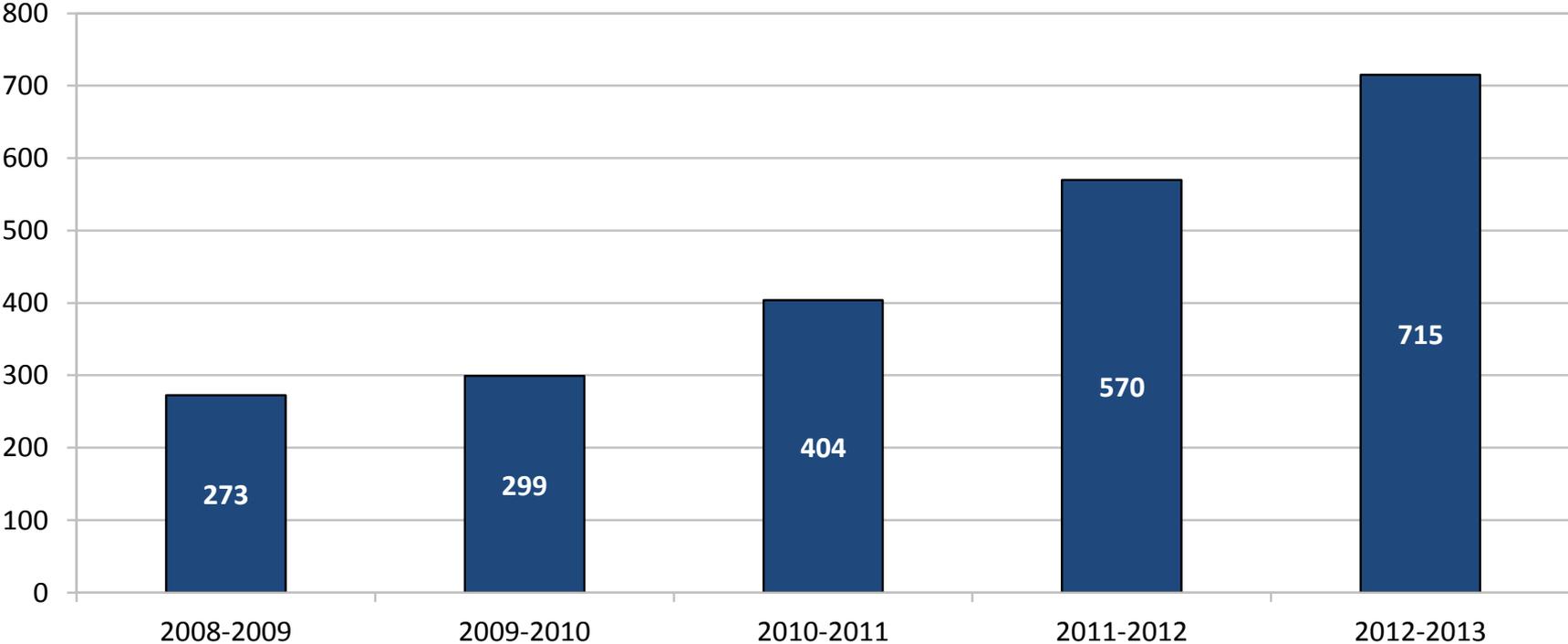
- The baseline shows your financial position over a number of years, moving away from the year-to-year perspective that overlooks long-term structural challenges
- The baseline shows your position if no significant changes are made to current policy. This will give you a sense for the magnitude of change needed
- The baseline provides a point of comparison for evaluating the financial impact of alternative approaches

The main projections that we will review tonight are enrollment (charter and HSD) and financial results for FY2014 through FY2018.

Major assumptions: Enrollment

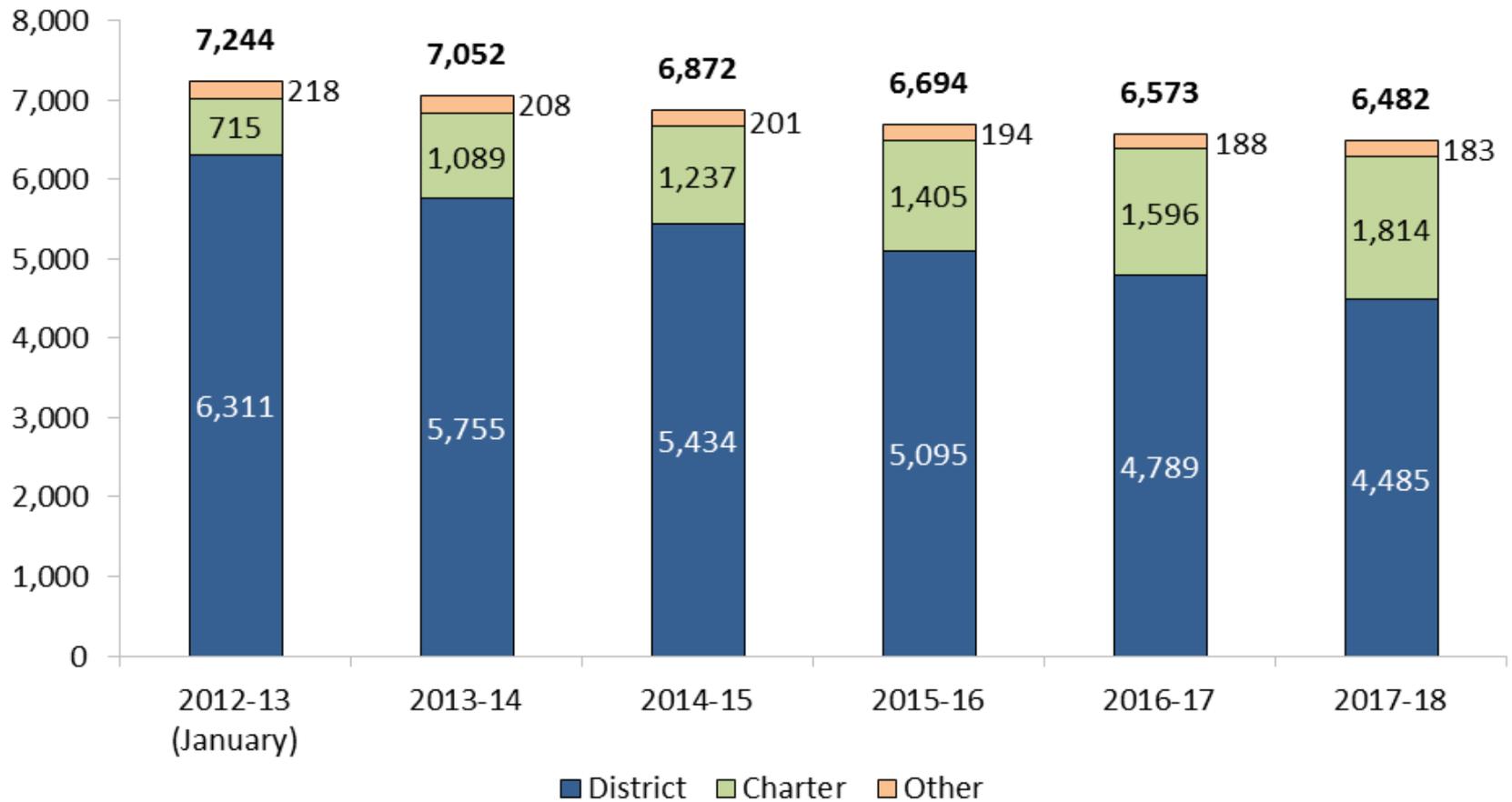
- Total district population will shrink by an average of 2.2 percent per year (all students, all schools, including private and charters)
 - District data shows a 7.4 percent annual reduction in total student population from 2008-09 to 2011-12
 - Commonwealth data shows a 0.6 percent annual reduction in the number of births in the City from 2007 to 2011
 - The City's population grew by 0.1 percent per year from 2000 to 2010
 - Pennsylvania Department of Health projects that the number of births will increase by 0.1 percent per year from 2012 to 2015
- Charter school population will grow by 13.6 percent per year (see next slide)
- 16 percent of the charter students are assumed to be special education students, as defined by the charter payment formula.

Charter school enrollment



Total charter school population increased by 27.2 percent per year from 2008-2009 to 2012-13. In 2013-14, the District is assuming an increase of 374 charter students, which includes a contingency for new charters opening in the 2013-14 school year. After 2013-14, our baseline projections assume annual growth of 13.6 percent through 2017-18 – half of that experienced in recent years.

Projected student population

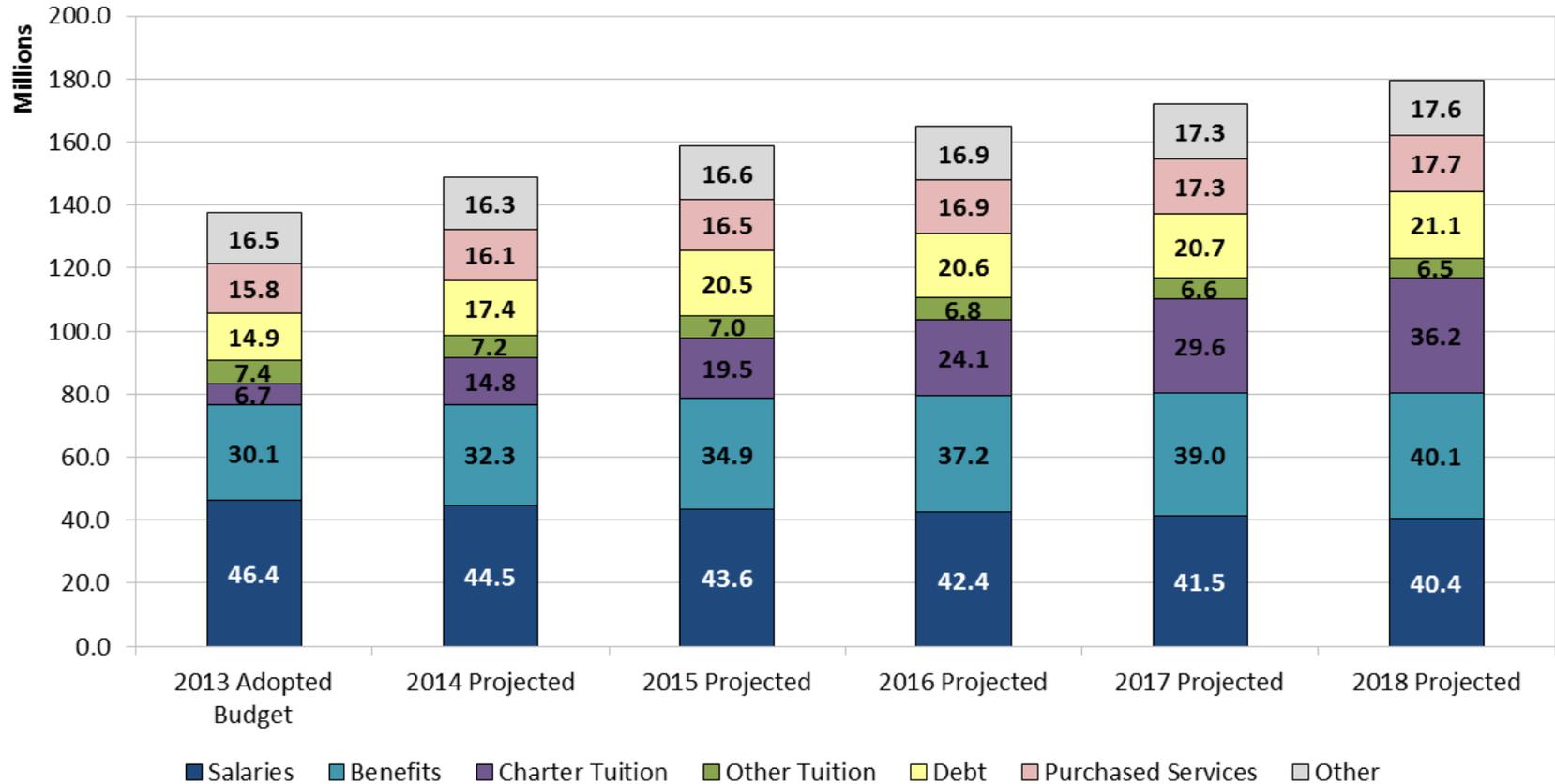


Please see the Enrollment Projection handout for more information

Major assumptions: Expenditures

- Teacher-to-student ratio remains constant at reported January 2013 levels. So declining enrollment results in declining teacher headcount
- No base wage increases in any year
- Medical insurance costs are projected to grow by 10.0 percent per year (District trend)
- Charter school payments calculated according to PDE methodology
- Debt service follows scheduled payments
- District's pension contribution linked to salaries and the actuarially determined (projected) employer contribution rate; Most other supplies and service expenses grow by 2.3 percent inflationary index or are kept flat according to historic patterns

Projected expenditures (\$Millions)

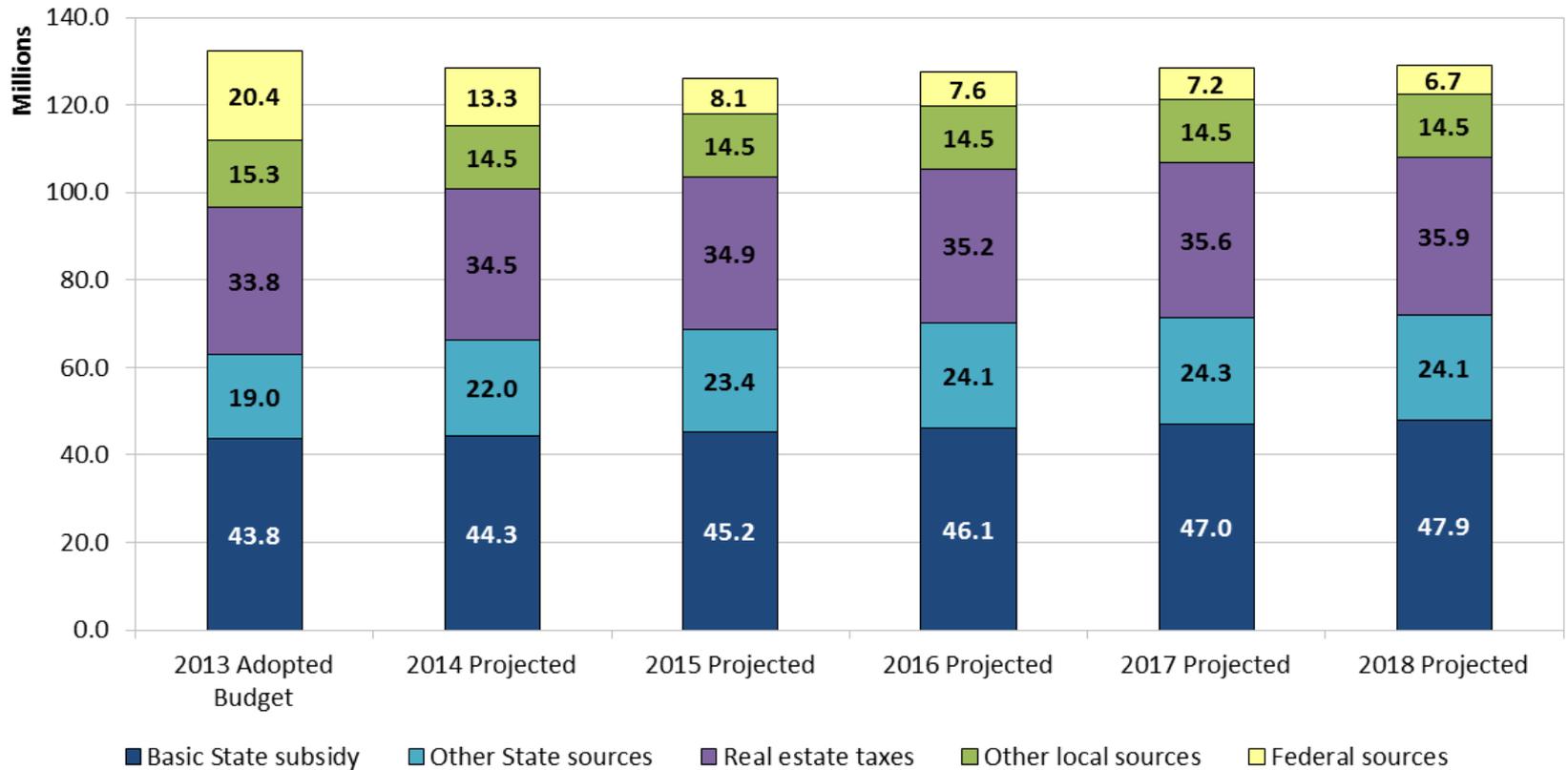


Please see the Financial Projections handout for more detail

Major assumptions: Revenues

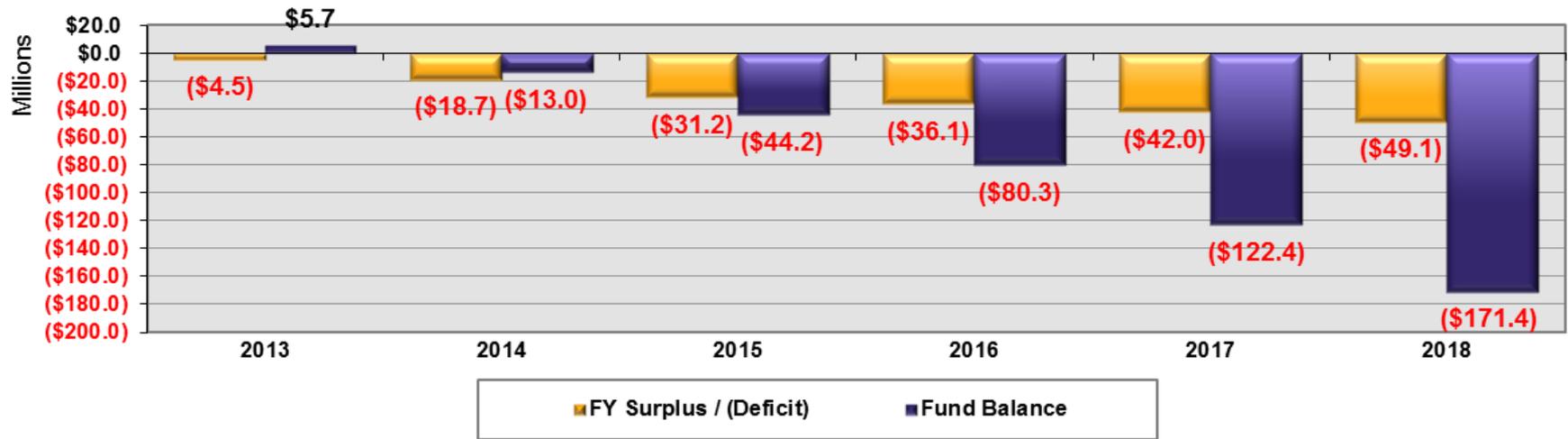
- No real estate tax rate increases beyond 2013-14; tax receipts grow by 1% each year from 2014-15 to 2017-18
- Other local taxes are flat after 2013-14
- Basic education funding grows by 2.0 percent per year
- Special education funding is flat from 2014-15 through 2017-18, consistent with recent trends
- State reimbursement for pension costs held at a constant share of District's costs
- Most Federal funding is tied to enrollment; no additional reductions from federal budget cuts assumed

Projected revenues (\$Millions)



Please see the Financial Projections handout for more detail

Baseline projection (\$ Millions)



	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)

Sensitivity analysis

What makes the deficit smaller?

- Health insurance costs increase by less than 10.0 percent per year
- State basic education aid grows by more than 2.0 percent per year
- Charter population grows by less than 13.6 percent each year

What makes the deficit larger?

- Employee wage increases
- Teacher headcount does not drop as enrollment does
- Tax base declines through appeals or other factors
- Charter school expansion or enrollment grows faster than 13.6 percent per year

Biggest Cost Drivers

PSEERS Retirement Contributions

- From FY2013 to FY2014, PSEERS contributions will increase by \$2.3 million (41.4 percent) from \$5.6 million (budgeted) to \$7.9 million

Debt Service

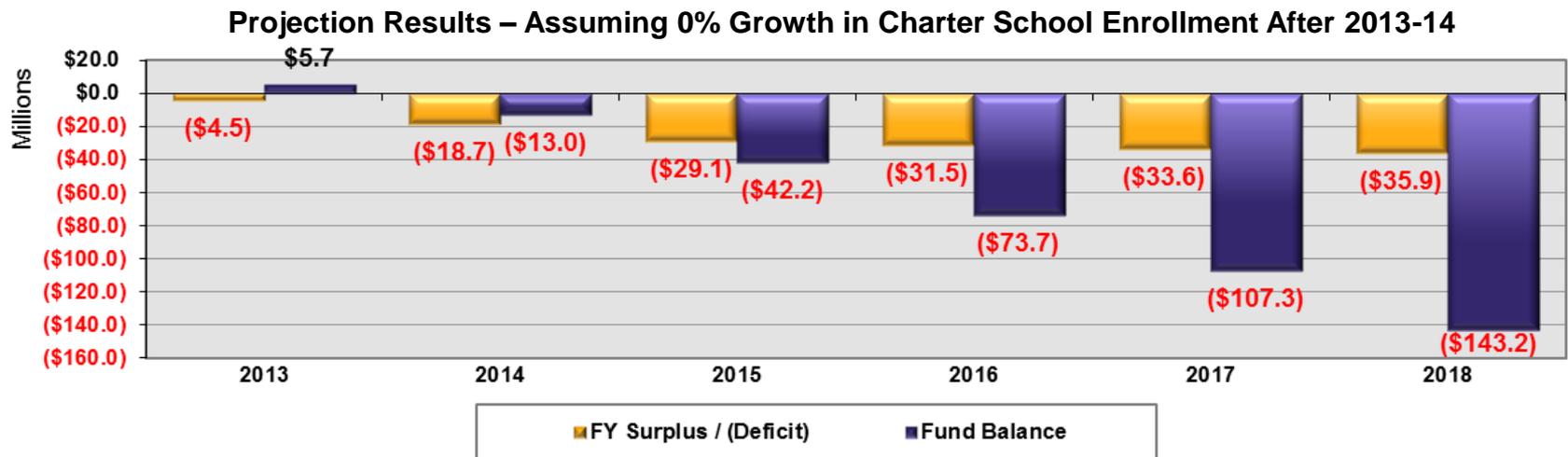
- From FY2013 to FY2014, debt service payments will increase by \$2.2 million (14.2 percent) from \$15.2 million to \$17.4 million

Charter School Tuition Payments

- From FY2013 to FY2014, charter school tuition payments will increase by \$8.0 million (120.6 percent) from \$6.7 million (budgeted) to \$14.7 million

Capping Charter Growth Alone is Insufficient

- 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



History of Debt Service Payments (\$Millions)

