

# NORRISTOWN AREA SCHOOL DISTRICT

2011-12 PRELIMINARY GENERAL FUND BUDGET  
DISCUSSION

FEBRUARY 22, 2011

ACT 1 "EXCEPTIONS"



# NORRISTOWN AREA SCHOOL DISTRICT

## 2011-12 BUDGET DISCUSSIONS

- Act 1, or the Homeowners Tax Relief Act, guides our budgeting timeline and process
- Act 1 establishes an annual “index”, or threshold, that Districts generally must limit their annual tax increase to
  - For 2011-12, our index is 1.4%
- If the School District wants/needs to raise taxes beyond this level:
  - The District can seek “exceptions”
  - Or can eventually ask for voter permission through a back-end referendum



# NORRISTOWN AREA SCHOOL DISTRICT

## 2011-12 BUDGET DISCUSSIONS

- The “exceptions” provided for in Act 1, if approved, allow a school district to raise taxes beyond the index
  - There are 10 “exceptions”
    - 3 need approval by Court of Common Pleas
    - 7 need approval by Pa Dept of Education
- The exception categories provide partial relief for increases in costs that, in many cases, are beyond local control
- Districts planning to use one of the exceptions must follow a strict protocol for approval and must provide clear and convincing evidence that it qualifies for the exception sought



# 2011-12 Budget Discussions - Act 1 Exceptions



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**Emergencies / Natural Disasters**

2

**Threats**

3

**Debts**

4

**Special Education**

5

**No Child Left Behind**

# 2011-12 Budget Discussions - Act 1 Exceptions



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**Maintenance of Actual Instructional Expense**

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**Court Orders**

8

**Certain Health Care Costs**

9

**Tax / State Funding Maintenance**

10

**PSERS Increases (if greater than index)**

# NORRISTOWN AREA SCHOOL DISTRICT

## ACT 1 "EXCEPTIONS"



### **EMERGENCIES / NATURAL DISASTERS**



- Costs incurred in responding to an emergency or disaster that it declared by the Governor
- Requires court approval
  - **Example: Hurricane / Blizzard**

# NORRISTOWN AREA SCHOOL DISTRICT

## ACT 1 "EXCEPTIONS"



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## THREATS

- Costs incurred in responding to conditions that pose an immediate threat of serious physical harm or injury to the students, staff, or residents of the District.
- Requires court approval
  - Example: Bomb Scare / Terrorism

# NORRISTOWN AREA SCHOOL DISTRICT

## ACT 1 "EXCEPTIONS"



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### **DEBTS**

- To pay Interest & Principal on debt
- NOT ALL DEBT – very limited
  - Based on
    - What debt was used for
    - When the debt was issued
- Requires PDE approval

# NORRISTOWN AREA SCHOOL DISTRICT

## ACT 1 "EXCEPTIONS"



### **SPECIAL EDUCATION**

- Costs for special education if increases exceed the index
- Requires PDE approval



# NORRISTOWN AREA SCHOOL DISTRICT

## ACT 1 "EXCEPTIONS"



### NO CHILD LEFT BEHIND

- To pay expenses incurred in the implementation of a Corrective Action Plan required under NCLB, where the expenses of the plan exceed certain Commonwealth funding mechanisms
- Requires PDE approval
  - **Example:**
    - Cost of School Improvement Plan
    - Implementation of School Choice
- **NASD was granted this exception in 2010-11, and will request again in 2011-12**



# NORRISTOWN AREA SCHOOL DISTRICT

## ACT 1 "EXCEPTIONS"



### MAINTENANCE OF ACTUAL INSTRUCTIONAL EXPENSE

- For costs necessary to maintain the actual instructional expenses per ADM, adjusted by the index or to maintain per student local tax revenues, adjusted by the index.
- Eligible districts must have experienced growth exceeding 7.5% in the prior 3 years
- Requires PDE approval
  - Example: Districts with rapid student growth



# NORRISTOWN AREA SCHOOL DISTRICT

## ACT 1 "EXCEPTIONS"



### COURT ORDERS

- For costs incurred in implementing a court order or administrative order from a Federal or State agency.
- Requires Court approval
  - **Example:**
    - Special Education Awards
    - Assessment Appeals
    - Transportation ???



# NORRISTOWN AREA SCHOOL DISTRICT

## ACT 1 "EXCEPTIONS"



### CERTAIN HEALTH CARE COSTS

- To pay health care expenses that are attributable to a collective bargaining agreement if the increased costs exceed the index
- Applies ONLY to collective bargaining agreements in effect on January 1, 2006
- Requires PDE approval
  - **None of our healthcare expenses for 2011-12 will qualify**



# NORRISTOWN AREA SCHOOL DISTRICT

## ACT 1 "EXCEPTIONS"



### TAX / STATE FUNDING MAINTENANCE



- To maintain revenues derived from real property taxes, earned income taxes, basic education funding, and special education funding , adjusted by the index.
- Requires PDE approval
  - **Example:**
    - If state funding freezes, school districts may seek an exception for the amount of any lost revenue
      - **NASD may be able to seek this exception for 2011-12 (still waiting to see state subsidy levels)**
    - If a local tax base is eroding, districts may seek an exception for the amount of revenue lost due to this adverse activity.

# NORRISTOWN AREA SCHOOL DISTRICT

## ACT 1 "EXCEPTIONS"



### PSERS INCREASES

- To make payments on behalf of active members of the Public School Employees Retirement System – where the increase in the school districts share of payments exceeds the index
- Requires PDE approval
- **NASD was granted this exception in 2010-11, and will request again in 2011-12**



## 2011-12 Budget Discussions - Act 1 Exceptions



### **SUMMARY:**

| EXCEPTION         | APPROVAL   | DID NASD QUALIFY FOR THIS EXCEPTION FOR 2010-11? | AMOUNT OF EXCEPTION GRANTED IN 2010-11 | FOR 2011-12, WHICH EXCEPTIONS WILL NASD APPLY FOR?                     |
|-------------------|------------|--|--|--|
| EMERGENCY         | COURTS     | NO   |  | NO   |
| THREATS           | COURTS     | NO   |  | NO   |
| DEBT SERVICE      | PDE        | YES  |  | NO   |
| SPECIAL ED        | PDE        | NO   |  | <b>NOT SURE<br/>GUIDELINES CURRENTLY<br/>UNDER REVIEW</b>              |
| <b>NCLB</b>       | <b>PDE</b> | <b>YES</b>                                       | <b>\$ 3,765,380</b>                    | <b>YES</b>   |
| ACTUAL INSTR EXP  | PDE        | NO   |  | NO   |
| COURT ORDERS      | COURTS     | NO   |  | NO   |
| HEALTH CARE       | PDE        | YES  |  | NO   |
| TAX/STATE FUNDING | PDE        | NO   |  | <b>MOST LIKELY - DEPENDENT<br/>ON GOVERNORS EDUCATION<br/>PROPOSAL</b> |
| <b>PSERS</b>      | <b>PDE</b> | <b>YES</b>                                       | <b>\$ 1,142,150</b>                    | <b>YES</b>   |
|                   |            |  | <b>\$4,907,530</b>                     |  |

## 2011-12 Budget Discussions - Act 1 Exceptions



### **SUMMARY:**

| EXCEPTION         | APPROVAL   | DID NASD QUALIFY FOR THIS | AMOUNT OF EXCEPTION | FOR 2011-12, WHICH EXCEPTIONS WILL NASD                        |
|-------------------|------------|---------------------------|---------------------|--|
| EMERGENCY         | COURTS     |                           |                     |  |
| THREATS           | COURTS     |                           |                     |  |
| DEBT SERVICE      | PDE        |                           |                     |  |
| SPECIAL ED        | PDE        |                           |                     |  |
| <b>NCLB</b>       | <b>PDE</b> |                           |                     |  |
| ACTUAL INSTR EXP  | PDE        |                           |                     |  |
| COURT ORDERS      | COURTS     |                           |                     |  |
| HEALTH CARE       | PDE        | YES                       |                     | NO   |
| TAX/STATE FUNDING | PDE        | NO                        |                     | <b>MOST LIKELY - DEPENDANT ON GOVERNORS EDUCATION PROPOSAL</b> |
| <b>PSERS</b>      | <b>PDE</b> | <b>YES</b>                | <b>\$ 1,000,000</b> | <b>YES</b>   |
|                   |            |                           | <b>\$4,907,530</b>  |  |

**APPROVAL OF \$4.9 MILLION IN EXCEPTIONS WOULD HAVE ALLOWED NASD TO RAISE TAXES BY NEARLY 10% IN 2010-11 (WHICH WE DID NOT)**

**JUST BECAUSE EXCEPTIONS ARE GRANTED DOES NOT MEAN THAT HAVE TO BE USED DOLLAR FOR DOLLAR**

**MOST LIKELY - DEPENDANT ON GOVERNORS EDUCATION PROPOSAL**

# NORRISTOWN AREA SCHOOL DISTRICT

## ACT 1 "EXCEPTIONS"

- Our "exception" requests must be submitted to PDE by March 3, 2011
  - Electronic process
  - Submission site still not available
  - Exception involving "state funding" problematic; our Exception request is due before state subsidy data will be officially released
  
- PDE approval deadline is March 23, 2011



# NORRISTOWN AREA SCHOOL DISTRICT

## ACT 1 "EXCEPTIONS"

- Will revisit this topic publicly in April 2011; after "Exception" process has been completed.
- Exceptions, if approved by PDE, would allow NASD to raise taxes in 2011-12 beyond the Act 1 Index limit of 1.4%.
- Because of all of the "unknown" factors affecting our 2011-12 budget at this point; we are completing the exception process as a precautionary measure.
- Please be reminded that we are committed to minimizing the needed tax increase; however there is not a second opportunity to seek exceptions.



Thank You!

