



# **Spring-Ford Area School District Current Economic Challenges**

**November 22, 2010**

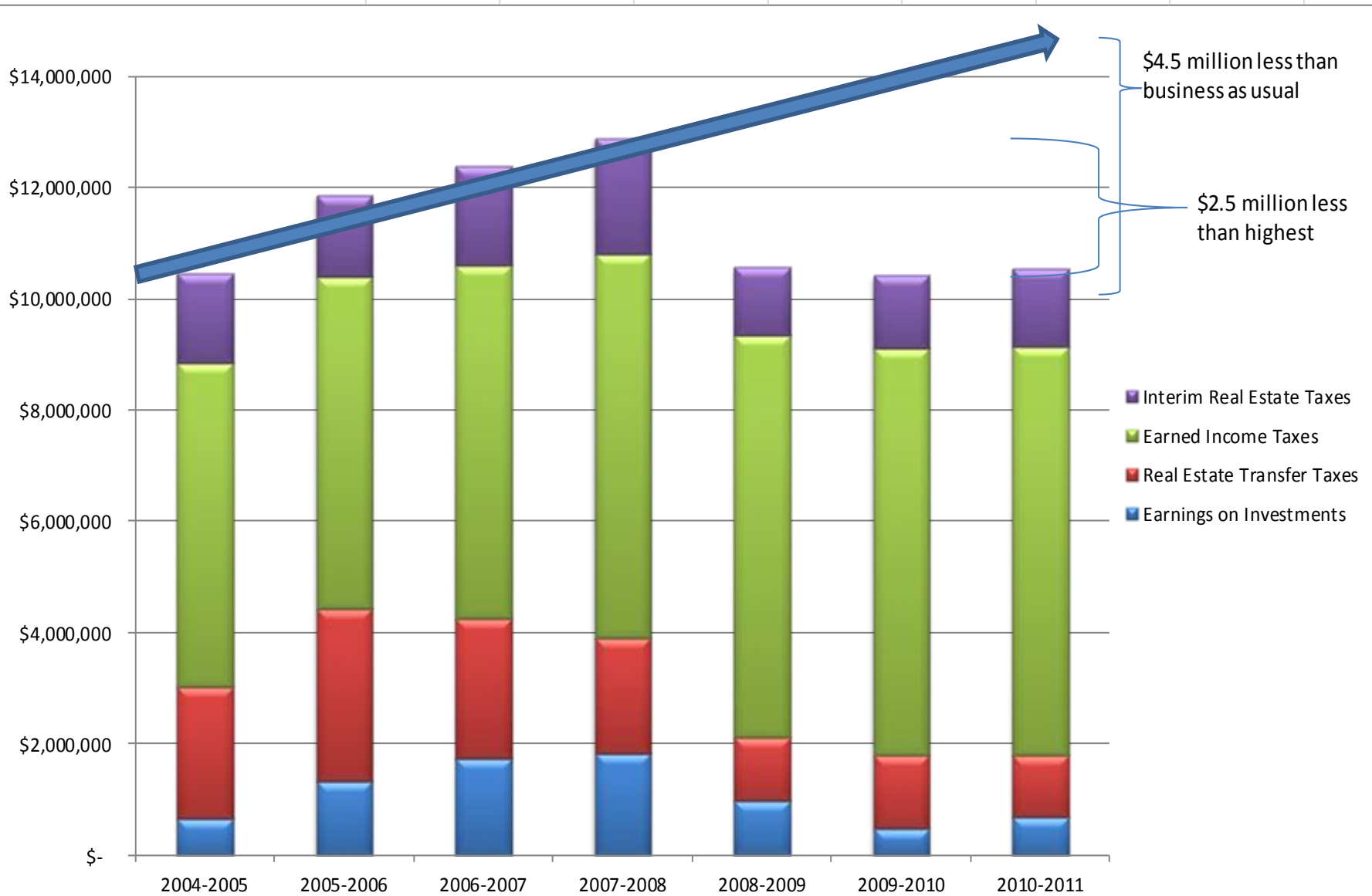
<b>Why has the Financial Outlook Changed?</b>	<b>Estimates</b>
<b>Current Loss of Assessment Appeals</b>	<b>\$800,000</b>
<b>On-going Assessment Appeals</b>	<b>\$2.5 M to \$3.5 M</b>
<b>Loss of Local Stimulus Funds</b>	<b>\$650,000</b>
<b>Loss of State ESBE Stimulus Funds</b>	<b>\$1,044,666</b>
<b>PSERS – Pension Costs (5.64% to 8.72% new legislation)</b>	<b>\$979,269</b>
<b>Operational Costs - Salary, Benefits, Maintenance, Transportation, etc.</b>	<b>\$6.5 M to \$7 M Avg. last 5 years</b>

# Why has the Financial Outlook Changed?

- **Real Estate Taxes – A sluggish real estate market impacts the future tax base.**  
**Avg. Ten Year Growth \$2.7M**  
**08/09 - \$1.4M                      09/10 - \$1.66M**
- **Realty Transfer Tax – Revenue reduced from \$2.5M in 2006/07 to \$1.1M (2010/11).**
- **Earned Income Tax – Decline in the rate of growth**  
**Avg. Ten Year Growth – 9.23%**  
**08/09 – 5.11%                      09/10 – 1.33%**
- **Interest Earnings – Decline in interest from \$1.8M in 2006/07 to \$476,000 in 2009/10.**

# Local Revenues Impacted by Recession

## Reflect a Loss of \$2.5M and a Reversal of a \$4.5M Trend



# Spring-Ford Area School District Fund Balance History

	June 20, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Unreserved Fund Balance	\$5,184,764	\$6,013,550	\$1,687,382	TBD
% of Expenses	4.75%	5.36%	1.42%	TBD
Millage per \$1,000	\$21.27	\$22.19	\$23.07	\$23.53
% Tax Increase	4.27%	4.32%	3.95%	2.00%

# The New Fiscal Reality

- **Prolonged recession impacts all revenue sources**

- Local revenues down with little hope for full rebound to prior levels in the near future.
- State Revenues also down with little political will to raise taxes.
- Federal stimulus provided bailout to both state and local revenues.

These funds will disappear at the end of this year and the loss of this revenue will significantly impact next year's budget.

# The New Fiscal Reality

- **PA Act 1 of 2006 limits local option to raise taxes to wage inflation levels**
  - Pre-recession average            3.5%
  - 2010-11                                2.9% Index  
(Spring-Ford - 2.0% tax increase)
  - 2011-12                                1.4% Index
  - Future                                    Forecast indicates little hope for higher % Index over the next 3 to 4 years



**Increasing recognition that a strong education system is critical to nation's long-term economic recovery**