



State of the District

School District of the Borough of Morrisville

June 19, 2019

Quick Facts

- We have a current enrollment of 1,042 students K-12
- We employ 135 personnel
- We have 2 Principals and 1 Assistant Principal for 12 grades
- Our total budget for 2019-2020 is over \$21,000,000
 - 5% is from Federal Revenues (~ \$1.2 million)
 - 30% is from State Revenues (~ \$6.2 million)
 - 65% is from local revenues, i.e., property taxes (~ \$13 million)

Rebuilding Programs and Services Infrastructure Improvements

- Art, music, gym, library/resource center were brought back for all grade levels
- Administrative positions were reintroduced – supporting both students and faculty
 - Improved the learning culture of the District
 - Allowed curriculum to be updated
 - Improved discipline
- Guidance counselor was added
- Full day Kindergarten was reinstated

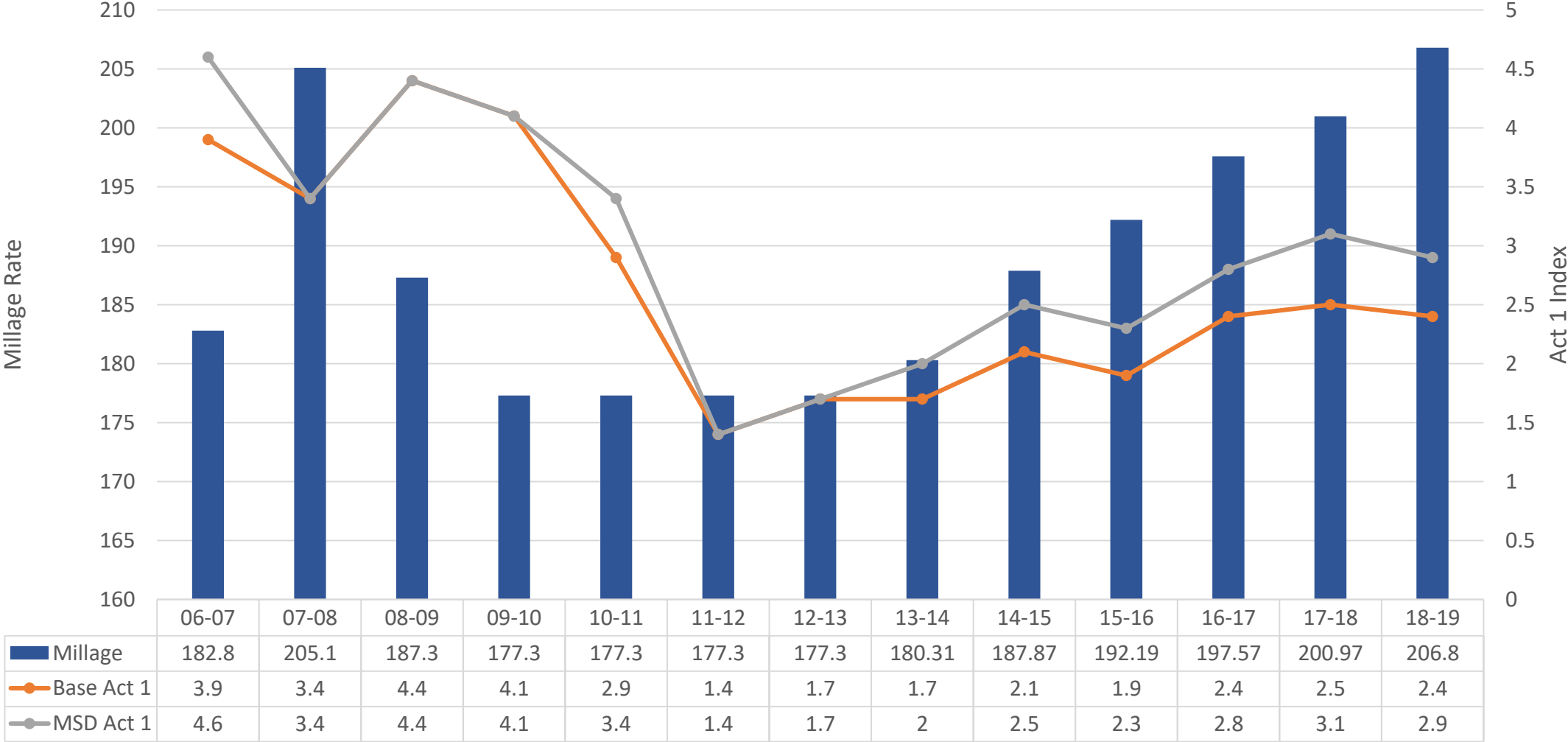
Rebuilding Programs and Services Infrastructure Improvements

- Expanded academic offerings in the High School
 - Brought electives back
- District technology was updated to reflect 21st Century instructional practices
 - Improved computer networks throughout the buildings
 - Smartboards in all classrooms
- School Safety
 - Naviance was implemented
 - Updated communication equipment – phones, alarms, etc.
 - Updated cameras and security systems

Rebuilding Programs and Services Infrastructure Improvements

- **All improvements and rebuilding were done under the belief that they were sustainable**
- **All improvements and rebuilding were done while staying below, at or around the Act 1 index**
 - **Minimal tax increases to the community**
 - **In line with inflation**

Act 1 Index (Base & Morrisville)/Millage Rate Imposed



State of the District

For 2019-2020 we have budgeted expenses of
\$21,130,761

We have a current budgetary shortfall of
\$1,000,000

Current Shortfall of \$1,000,000

Even After:

- 1) Making severe cuts to almost every budget line and refinancing a portion of our debt**
- 2) Re-thinking Special Ed – not curtailing services; simply a new approach with a cost savings of \$430,000 to the District**
- 3) Cutting expenses by bringing other services back to the District that had previously contracted out through the IU**

How Did We Get Here?

- 1) Rising special education costs and numbers of students needing services**
- 2) Significant increases to Charter Schools both regular and special education**
- 3) Increasing PSERs (pension) contributions**
- 4) State and Federal Revenues that do not match the growth of these expenses**

How Did We Get Here?

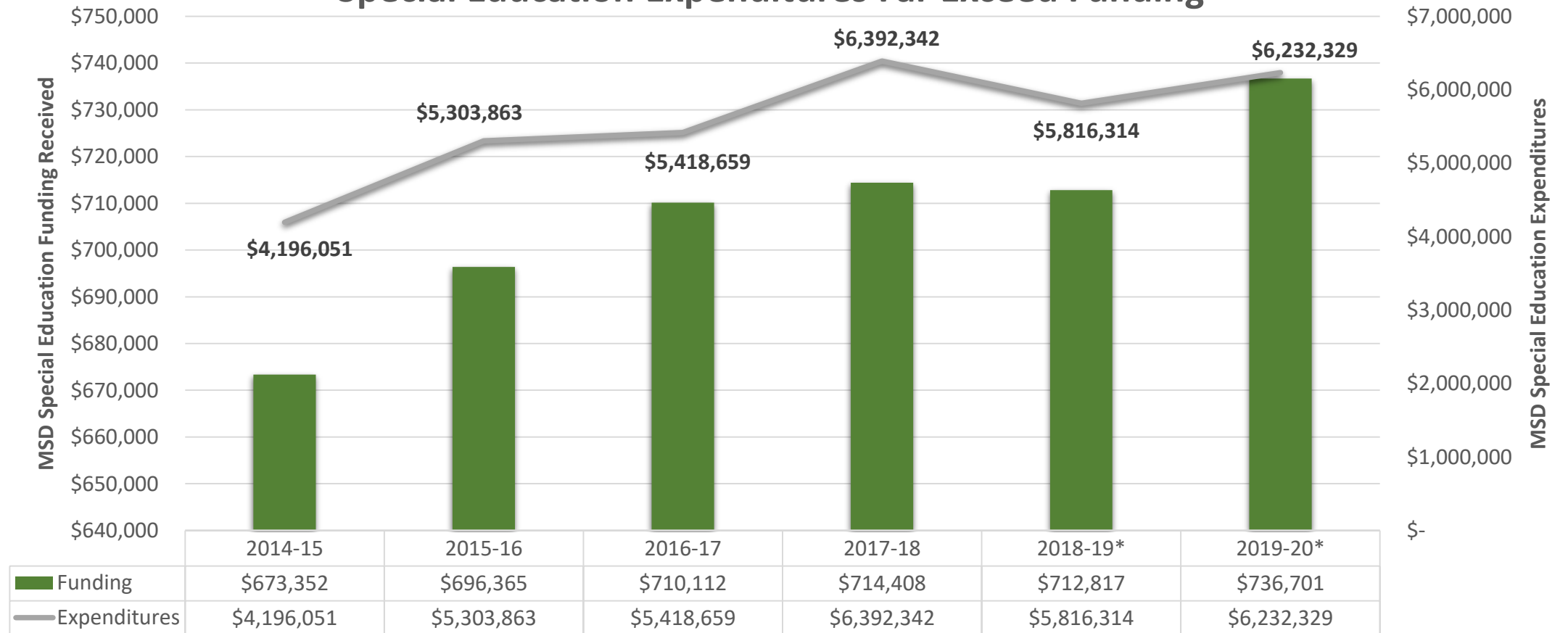
Special Education Funding

vs.

Expenditures

How Did We Get Here?

Special Education Expenditures Far Exceed Funding



How Did We Get Here?

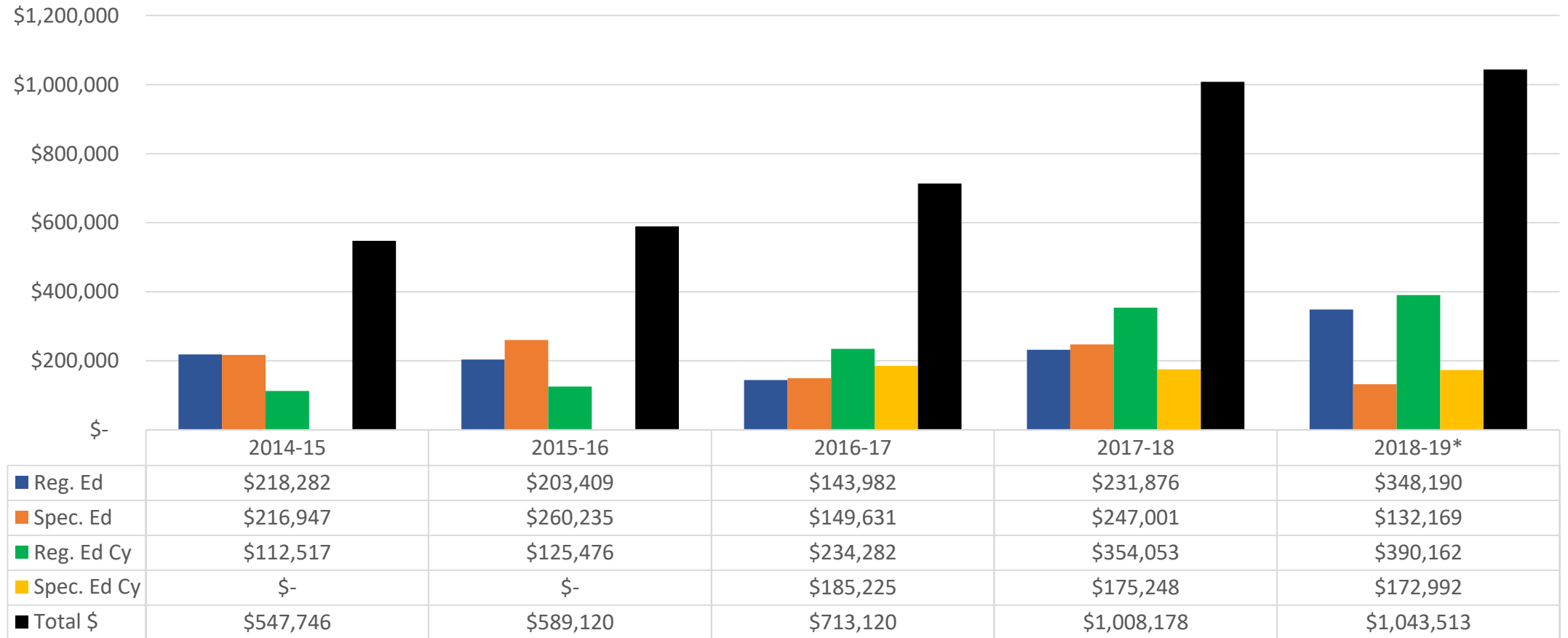
Payments to Charter Schools

Regular Education and Special Education

Cyber and Brick & Mortar

How Did We Get Here?

MSD's Escalating Charter School Tuition Costs



How Did We Get Here?

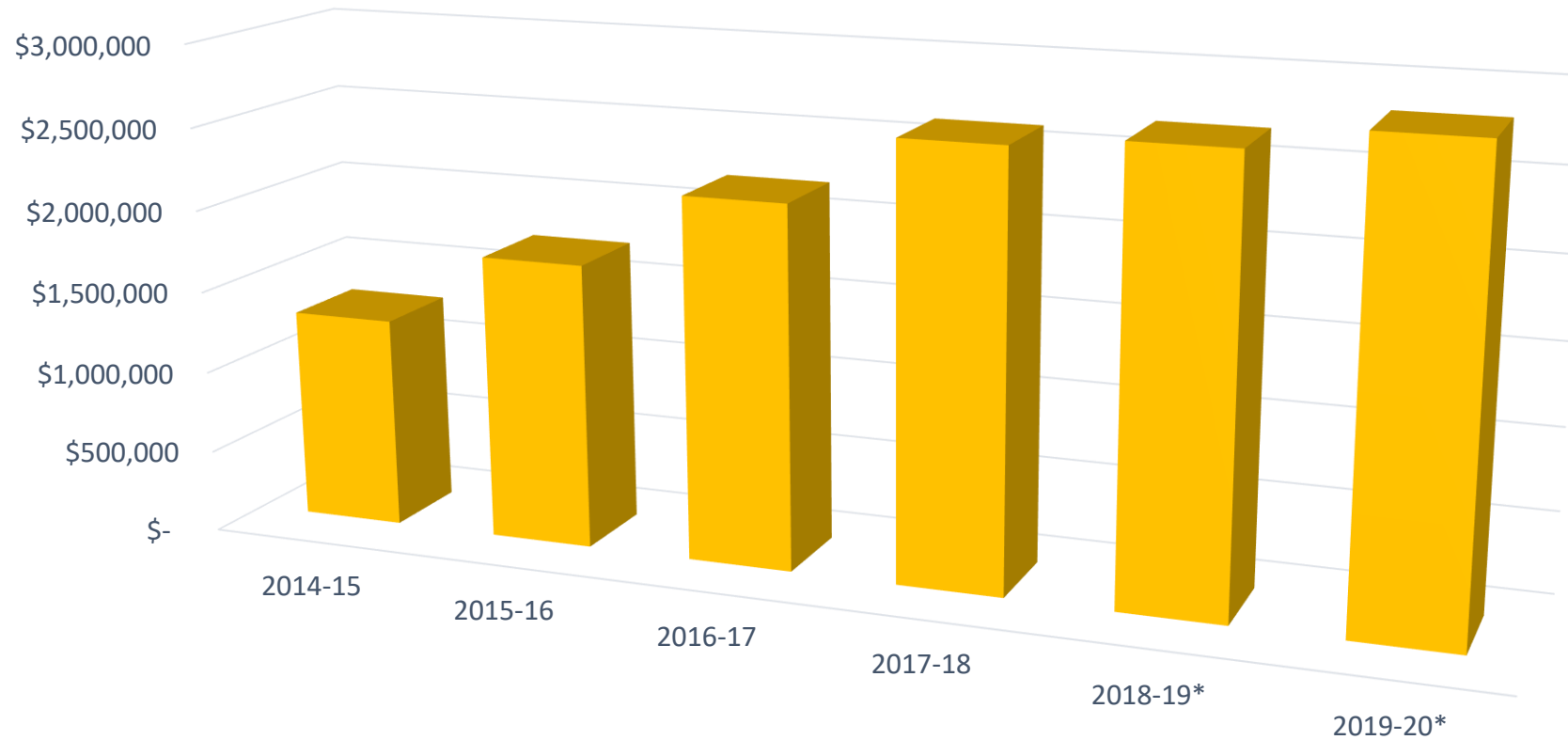
Historical underfunding of the Pennsylvania Public School Employee Retirement System (PSERS)

*“Between the 2002 and 2017 fiscal years, total employer pension costs have increased more than **3500%**.”*

(<https://www.psba.org/issue/pennsylvania-pension-crisis/>)

How Did We Get Here?

MSD's Escalating PSER Contribution



	2014-15	2015-16	2016-17	2017-18	2018-19*	2019-20*
PSER \$	\$1,287,017	\$1,740,011	\$2,206,572	\$2,626,263	\$2,692,206	\$2,830,090

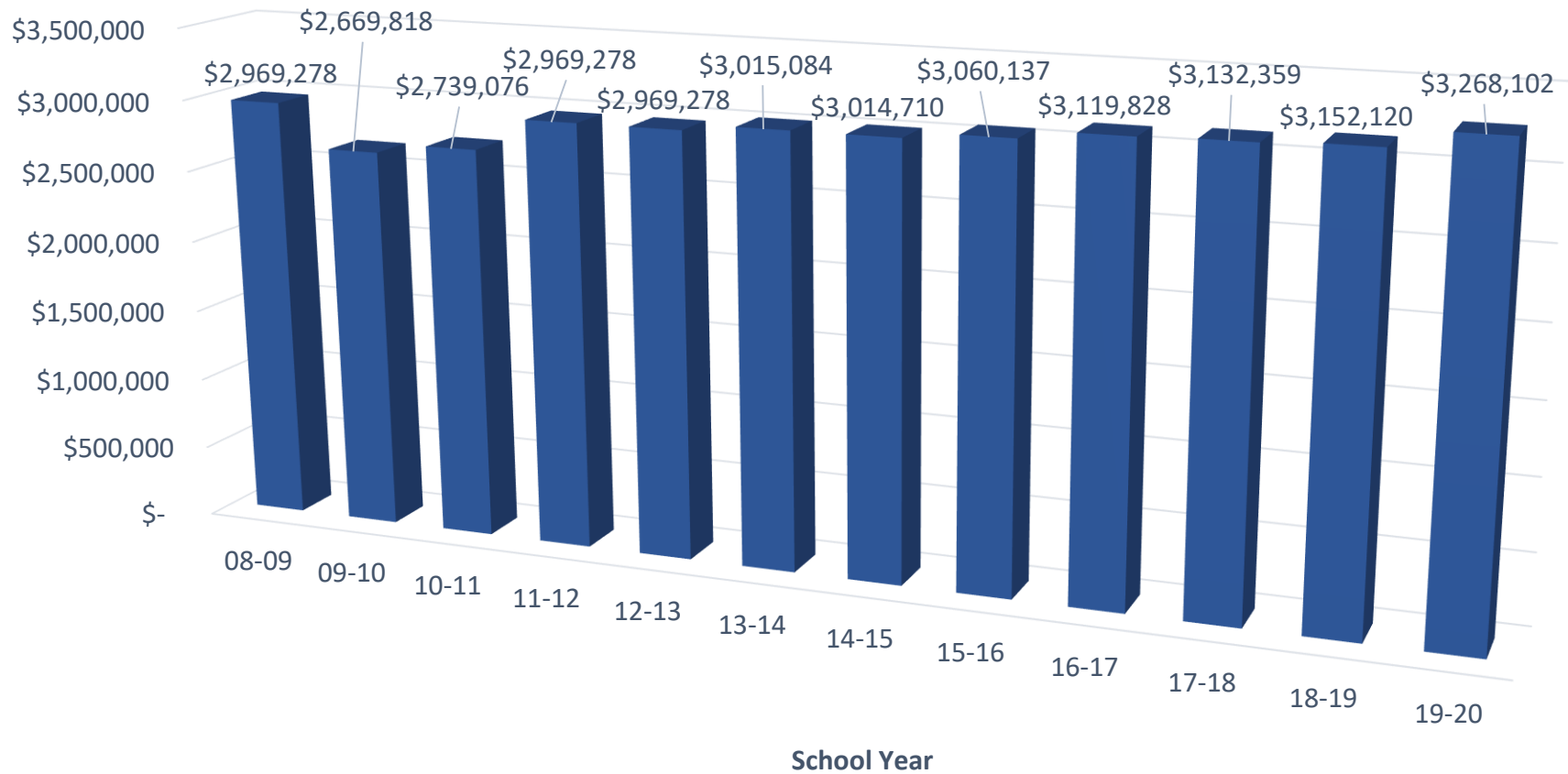
How Did We Get Here?

Basic Education Funding (BEF) has not increased proportionately with the increasing costs of State and Federal Mandates.

**From 2018-2019 school year to 2019-2020 school year
estimated increase of only
\$115,982**

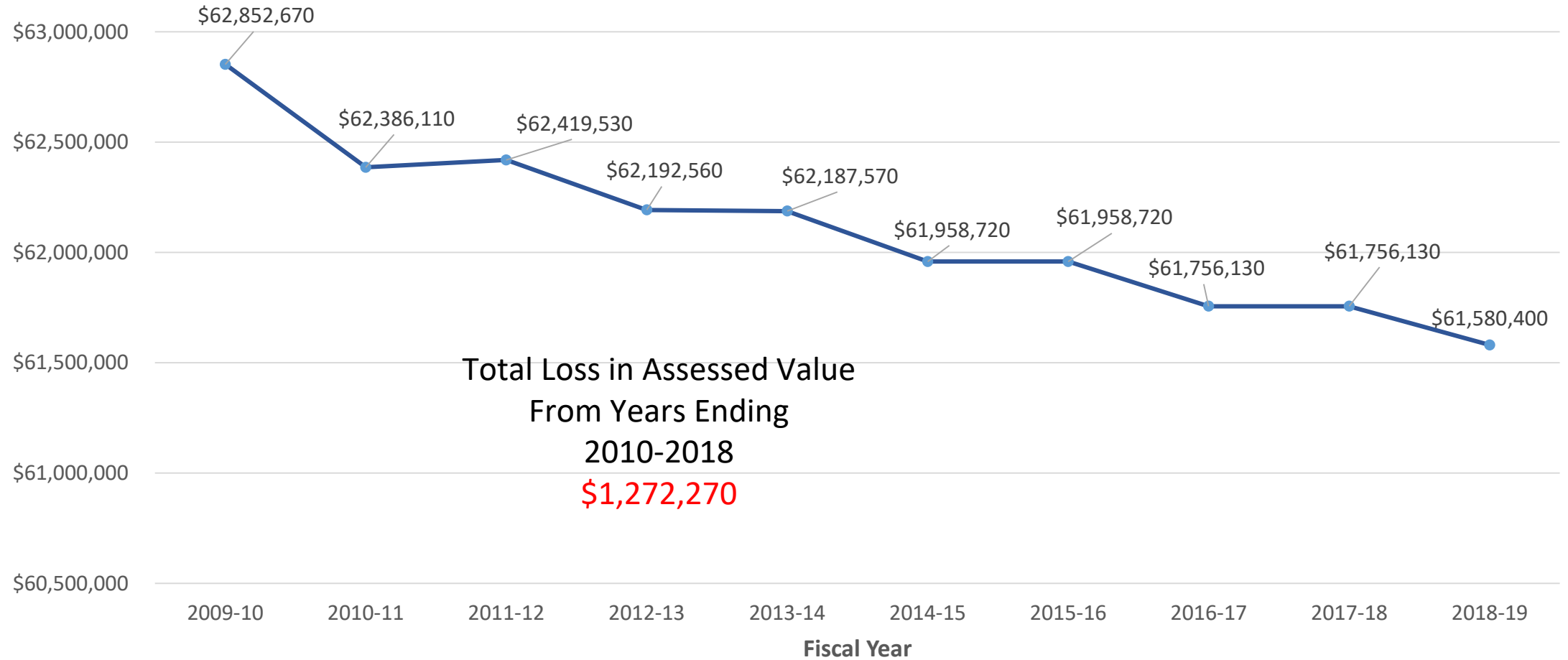
How Did We Get Here?

Basic Education Funding Relatively Flat



How Did We Get Here?

Morrisville Assessed Value



District Response

In addition to cutting budget lines and rethinking Special Education Programming in the District:

- Continuous outreach to our Representatives in Harrisburg;
- Mr. Miller and Mr. Harris went to Harrisburg and met with Senator Steve Santarsiero and Representative Perry Warren;
 - Met with Appropriations Committee members from both houses
 - Met with Pennsylvania Dept. of Education (PDE)
- Continuous outreach to PSBA and the BCIU for assistance

Harrisburg is fully aware of our District's financial issues.

We are not the only District facing these issues.

So Where Does this Leave the District?

- Based on the increase in SE costs as depicted in the earlier graph, the District filed for an exception to the “standard” Act 1 index of 2.3%.
- The Commonwealth of PA granted an exception of \$766,307 recognizing we were eligible for an additional 6.34% tax increase to cover the astronomical increase in SE costs.

$$2.3\% + 6.34\% = \mathbf{8.64\%}$$

So Where Does this Leave the District?

- The Board, Mr. Harris, and Mr. Bruchak have continued to look at all possibilities for generating revenues and decreasing expenses.
- The District advertised, announced via phone blasts, and mentioned at every Agenda and Business meeting since January, that three open forums were to be held (March 14, April 15, May 1) to develop creative solutions to our financial difficulties.

So Where Does this Leave the District?

We need to raise \$1,000,000 in revenues or find additional cuts to defray the difference and continue to operate the District in a

moral and responsible manner

for

the 1,000+ students of this District,
the 135 employees of this District, and
the community of tax payers and their property values.

FINANCIAL WATCH AND RECOVERY

“STATE TAKE-OVER”

- Before entering Financial Recovery the District enters “Financial Watch” based on certain financial criteria.
- District would then have to continue a downward slide to reach the “Financial Recovery” status.
- **Taxes are still raised**
- **Property values plummet**

The Morrisville School District DOES NOT MEET THE CRITERIA!

FINANCIAL WATCH AND RECOVERY

The State analyzes the District budget and other financial data to determine the financial condition of the District.

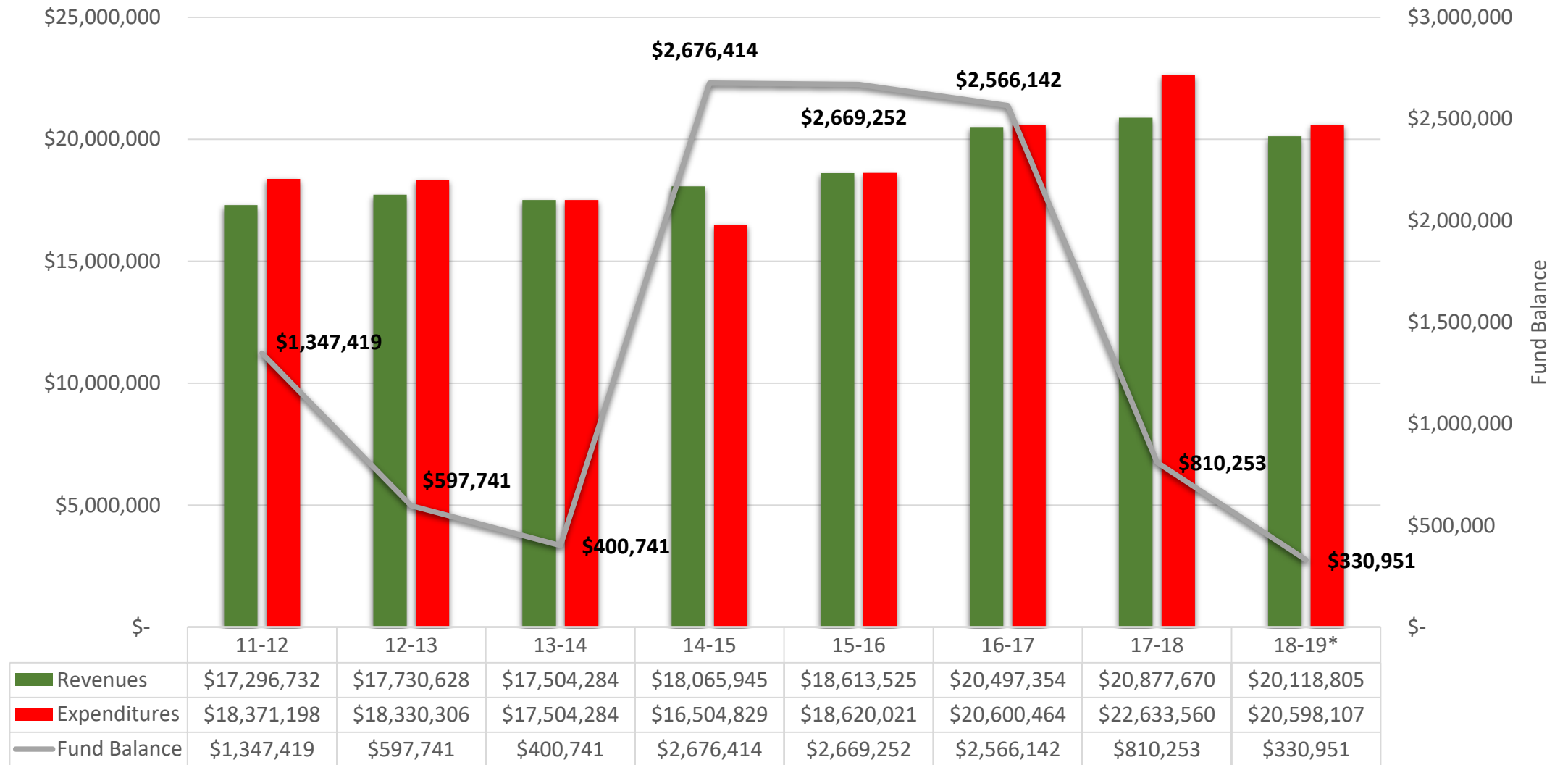
- Fund Balance Ratio
- Borrowing Base Capacity (how much is available to borrow)
- Debt Ratio
- Advance Basic Education Funding (Morrisville has not requested this)
- Bond Intercept (Morrisville has not relied on the bond intercept)
- Socioeconomic Data
 - market value/personal income, aid ratio, equalized mills and school tax ratio

FINANCIAL RECOVERY

- The Commonwealth gives short-term loans to the District to help finance it
 - Those loans have to be repaid
- The Commonwealth assigns a Chief Recovery Officer who determines what the District does and does not need with the input from a “special advisory committee”
- Local control is taken away
- Basic school services are cut
- **Taxes are still raised**
- **Property values continue to plummet**

The Morrisville School District DOES NOT MEET THE CRITERIA!

Revenues & Expenditures/Fund Balance Trend



FINANCIAL WATCH

PA School Districts that are Currently in Financial Watch Include:

1. Aliquippa - 2013
2. Erie City - 2016
3. Reading - 2013
4. Steelton-Highspire - 2013
5. Wilkinsburg Borough -2013

FINANCIAL RECOVERY

PA School Districts that are Currently in Financial Recovery Include:

1. Chester-Upland District - 2012
2. Duquesne City - 2012
3. Harrisburg City - 2012
4. Penn Hills – January 2019
5. Scranton – January 2019
6. York City - 2012

What Needs to Happen State-Wide

- Permanent sustained increases to Basic Education Funding that cover the state-mandated services and programs we are required to implement
- Support for efforts to consolidate school Districts
- A revision to Charter School funding and implementation
- Increasing PSER's costs that are crippling Public Schools needs to be addressed by the Pennsylvania Department of Education
- A hard look at Special Education costs and means for supporting small Districts in providing these services

So What Does this Mean for Morrisville?

Without a revenue increase from the state
or
cuts to basic District-programming
a tax increase of 8.64% is projected.

Alternatives currently before the Board include implementing all or some of the following:

1. Cut athletics
 - a. Just Middle School
 - b. All Athletics
2. Cut some basic educational programming – we don't have “extras”
 - a. High School World Languages
 - b. High School Art
 - c. High School Music
 - d. Media Center/Library
 - e. Electives – also means all levels of subjects go back to one classroom
3. Cut full-day Kindergarten
4. Cut a position in the Business Office

Alternatives currently before the Board include implementing all or some of the following:

5. Implement an 8.64% tax increase

What actions are the District taking?

- District is continuing outreach to Harrisburg
- District is reaching out to other parties who could assist in reducing the deficit

Most importantly the District wants to address the deficit so that based on current knowledge it does not re-occur next year.

Final Vote is on June 26, 2019