PASE OF July 2021 Report Formula Continue Contin

2019-20 AFR Data:

A Look Back

The Mandate Decade and Property Taxes 2021-22: Front Loading the Next Decade

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30ARD MESSAGE

PAST, PRESENT and FUTURE: What a Ride!

ello PASBO Nation! As I write this message, I can't help but think about everything that happened this past year and how my 18-year career in school business has prepared me for a lot of things, but this past year was something that none of us ever imagined. While I can't help but to keep thinking about all we just endured, I am tired of talking about the pandemic and tired of looking back. I'm excited to look forward! There is much to come for Education. How things will change and how new processes or new ideas have been achieved. How we all came together to survive and be successful for our organizations in order to serve our communities, students and staff. How we all will thrive in the future?

Let me start with PASBO itself. Have you ever taken the time to ask yourself, what is PASBO? Or better yet, who is PASBO? PASBO, is it a word? Maybe a noun or a verb or an adjective? Don't ask me, I was never an English major. PASBO can be anything you feel or think. PASBO means something different to all of us. PASBO is everything in school business and school operations. PASBO is always there for us. PASBO is family. Serving on the PASBO Board has been an amazing experience. Let me just quickly share some items about PASBO.

The Pennsylvania Association of School Business Officials (PASBO) is a statewide association, serving 3,000+ members strong. PASBO is devoted to providing members with education, training, professional development and timely access to legislative news.

Our membership base covers school professionals working in finance, accounting, operations, facilities, transportation, food service, technology, communications, human resources, purchasing, school safety and more. While diverse in areas of specialty, all members share a common goal - to support classroom learning in schools during good and bad economic times. PASBO helps make that goal a reality.

PASBO's mission is to develop and support leaders in school business operations.

While those items are found on the PASBO website and in other areas to describe PASBO. Let me just say that during this past year, PASBO was definitely there to support all of us! A huge thank you to all of the PASBO staff for supporting us during this pandemic.



Brent A. Kessler, PCSBA
Business Manager
Central York SD
President
PASBO Board of Directors

When I started in school business, back in 2003, I attended events like the School Operations Academy shortly after joining PASBO. Attending seminars, taking courses to learn more, joining some committees, attending the annual conference, and more. It all felt overwhelming at first, learning school business and school operations. But PASBO was always a huge help. It was great back then and it is great now. I found a mentor and created networks and resources that I still connect with today, 18 years later.

Currently, I am starting my term as President of PASBO for the 2021-22 year. I look forward to serving our association and helping to continue supporting the mission of PASBO. While we are coming out of the pandemic and looking forward to the future, I'm encouraged by everyone being involved in school business. We need everyone supporting education now more than ever.

I would say to anyone in PASBO, soak up all that you can. A career in school business operations is not only challenging but rewarding and amazing! I encourage you to be involved, be active in your organization, be active in PASBO, be an ADVOCATE for your school, be an ADVOCATE for your department and those you serve! I am blessed to give back and serve PASBO as President. What a journey it has been. Hopefully you will enjoy your role and position in school operations.

Let me leave you with this.... Keep working hard for your organization. Keep being great at what you do. Take care of yourselves, enjoy family/friends, have fun and

"make every day a great day" and remember this, "what you do for yourself, dies with you.... but what you do for others, that will live on forever!"

Thank you!!

THINKING ABOUT YOUR NEXT MOVE?

Professional Certification can help pave the way!

Professional certification will let your school know that you are serious about building your career and learning all you can





The Next Step on the Leadership Journey... What's Yours?

By Christopher Ursu
Director of Finance & Operations | Northgate SD
PASBO Education Committee

y entry into the world of school business administration began after spending six years in the banking and accounting industry. My undergraduate degree was in mechanical engineering, and I later earned my MBA with a focus in quantitative analysis techniques. Based on my educational background and early experience, I was much more comfortable with the aspects of the more technical and numbers-driven world.

Therefore, as I began my career in school business administration, I spent most of my time learning all sorts of technical information. I learned about fund financial statements and modified accrual accounting. I familiarized myself with GASB statements that set accounting standards for local governments. I learned PDE's account coding structure behind the chart of accounts.

Having this knowledge allowed me to be proficient in overseeing the various business processes for which I was responsible and ensuring compliance with various governmental mandates. Annual budgets were developed and submitted as required. The school district's financial status was consistently monitored to ensure stability. Appropriate internal controls were in place, which led to clean audit reports.

Despite the fact that things were running smoothly, after a while I began to have a nagging feeling that something was missing. One day while scrolling through my emails, I noticed that PASBO was offering a series of leadership seminars. This sounded interesting, so I decided to register.

During the seminars, the presenters talked about the characteristics of effective leaders. They pointed out that leaders tend to be visionaries who are not satisfied with the status quo and are able to use soft skills to persuade and inspire others to join them in their quest to make things better. They clearly and consistently communicate their vision for the future and invest time in relationships. They recognize the influence they have to make a positive difference for the organization and its staff.

After attending the leadership series seminars, I realized that the information that had been presented explained that nagging feeling I had been having. Quite simply, it was time for me to take the next step in my career by transitioning from a management role to a leadership role. Although there are multiple aspects of effective leadership, my first steps involved identifying immediate improvements, fostering a sense of engagement and "buy-in", and successfully communicating my ideas.

Identifying Improvements & Developing an Implementation Plan:

I began this journey by analyzing the processes that I oversaw, identifying their weaknesses, and determining how they could be enhanced. I then considered how to go about implementing the necessary changes to bring about the desired improvements.

It quickly became apparent to me that several of the enhancements that I had identified would be time consuming to implement and disruptive to current operations until fully implemented. This would be particularly challenging in a small district like the one at which I worked where everyone was already pressed for time, juggling numerous duties. Success would require a serious commitment from all involved to achieve the desired outcome. In order to foster such commitment, I would have to sell my ideas by honing and applying the soft skills the presenters had emphasized in the leadership series.

Fostering Teamwork & Enlisting Staff

Because members of my staff would play a major role in the implementation process, their buy in and commitment was particularly important, and that could only be achieved by taking time to communicate and explain my ideas to them. It was just as important to allow them to have a voice in the process by giving serious consideration to their responses, thoughts, questions, and concerns.

Communicating the Message

Since some of the changes that I was considering involved financial outlays, I also knew that I would have to persuade our superintendent and school board to grant their approval for my proposals. This meant taking extra time to educate and inform them on the district's business operations so that they would have a better understanding of how the changes would impact those operations in a positive manner.

I had spent a great deal of my career in school business administration focused on acquiring technical knowledge. Ironically, it was soft skills that I had not given as much thought to that would be the key to moving forward.

Leadership involves continual growth, learning, and improvement. Leadership is a journey – not a destination. A journey requires the taking of steps to continually move forward.

What's your next step?

















PASBO is continually adding opportunities for our members to enhance their knowledge and keep current with best practices and trends in school business.

Here's what the schedule looks like for July 2021, but keep an eye on the website, as it is always being updated with new topics.

July 8, 2021 **Caffeinated Conversation ESSER Funds**

Join us for up-to-date information and an opportunity for idea sharing and Q &A.

Tuesday, July 13, 2021 @ 1:30 pm **WEB FORUM Leading Your Team as We Come Out of the Pandemic**

Join us for useful tips for all school business officials on how to lead their team as we come out of the pandemic.

Wednesday, July 14, 2021 @ 1:30 pm **WEB FORUM**

Understanding the New Federal Emergency Connectivity Fund

This web forum will address the new federal Emergency Connectivity Fund (ECF)

Micro Learning Topics

Micro-learning webinars put information at your fingertips, when you need it, and in a length of time that doesn't disrupt your schedule. https://www.pasbo.org/microlearning

PASBO SCHOOL OPERATIONS ACADEMY July 22, 27 & 29, 2021 **VIRTUAL EVENT**

Check out all of the professional development opportunities at www.pasbo.org/workshops

Ladder Safety Tips

Christopher M. Berdnik, PCSBA Chief Financial Officer | Pennsbury SD PASBO Safety Committee

Falls from portable ladders are one of the leading causes of occupational fatalities and injuries.

- Read and follow all labels/markings on the ladder.
- Avoid electrical hazards. Look for overhead power lines before handling a ladder. Avoid using a metal ladder near power lines or exposed energized electrical equipment.
- Always inspect the ladder prior to using it. If the ladder is damaged, it must be removed from service and tagged until repaired or discarded.
- Always maintain a 3-point contact on the ladder when climbing. Keep your body near the middle of the step and always face the ladder while climbing.
- Only use ladders and appropriate accessories (ladder levelers, jacks or hooks) for their designed purposes.
- Ladders must be free of any slippery material on the rungs, steps or feet.
- Do not use a self-supporting ladder (e.g., step ladder) as a single ladder or in a partially closed position.
- Do not use the top step/rung of a ladder as a step/rung unless it was designed for that purpose.
- Use a ladder only on a stable and level surface, unless it has been secured (top or bottom) to prevent displacement.
- Do not place a ladder on boxes, barrels or other unstable bases to obtain additional height.
- Do not move or shift a ladder while a person or equipment is on the ladder.
- An extension or straight ladder used to access an elevated surface must extend at least 3 feet above the point of support.
- Do not stand on the three top rungs of a straight, single or extension ladder.
- The proper angle for setting up a ladder is to place its base a quarter of the working length of the ladder from the wall or other vertical surface.
- A ladder placed in any location where it can be displaced by other work activities must be secured to prevent displacement or a barricade must be erected to keep traffic away from the ladder.
- Be sure that all locks on an extension ladder are properly engaged.
- Do not exceed the maximum load rating of a ladder. Be aware of the ladder's load rating and of the weight it is supporting, including the weight of any tools or equipment.

Source: Occupational Health and Safety Administration

ATTENTION Technology Professionals

Did you know that all content from the Pennsylvania Educational Technology Expo and Conference is still available? This year, PETE&C was held as a virtual conference only. This allowed for recording of all educational sessions as well as the keynote speakers.

This exceptional content will be available for review until August 30 2021. If you missed the conference, or just a part of the conference, you can still take advantage of the sessions and learn about innovative technology and best practices in the educational technology field.

BUT WAIT...there's a bonus. VPETE2021 offered institutional pricing, so for one low price, all of the teachers and technologists at your school can learn what's trending and happening now in educational technology.

Visit the VPETE2021 website to learn more about the sessions that were offered and how you and your school can take advantage of this awesome learning opportunity.



PASBO 202 L Virtual

SCHOOL OPERATIONS ACADEMY

JULY 22, 27 & 29, 2021

Are you new to school business, taken on new responsibilities, or want to refresh your knowledge?

School Operations Academy is your one-stop conference providing an introduction or refresher to key areas of school management.

A blend of common-interest and track-specific sessions will provide an overview of school business operations. and management in the following fields:

Business
Facilities
Food Service
Transportation
Human Resources

For more details and to register, visit. https://www.pasbo.org/soa



Curtisitne Walker

Food Service Director, Pittsburgh School District

rossing a bridge or entering a tunnel into the city of Pittsburgh, you are immediately reminded of just how massive the city is and how large the number of students enrolled in the public-school system there must be. One PASBO member knows this all too well and she is in the member spotlight for July 2021. Meet Curtistine Walker, Food Service Director, Pittsburgh Public School District, Pittsburgh, PA

Curtistine is a fascinating woman and someone who makes you feel like you've known her for years once you start a conversation. She is warm and open and a pleasure to engage. One thing immediately becomes clear, her passion for leadership, her career and the 18-19,000 students of Pittsburgh that she and her staff feed daily.

Curtistine has recently been named the Northeast Food Service Director of the year by the National School Nutrition Association (SNA), an honor she is thankful to add to her list of accomplishments. This award recognizes school nutrition directors for the contributions they have made throughout their career. It couldn't have gone to a more deserving professional, as Curtistine has contributed an enormous amount of her time and energy to making school food services better for kids across PA and now, the rest of the country. Along with this recognition came an appointment to the National Leadership Development Committee for SNA. In her role as an at-large committee member, Curtistine will be charged with looking for strategic leaders throughout the country and striving to make school nutrition programs culturally diverse and equitable. Curt

says she's excited about this new role and she is sure that, "new and positive things are coming our way."

Although a big one, this is just one of Curtistine's leadership roles.

Not only is she an active PASBO member, having served on the food service committee for the last eight years, she has also served as president of her regional chapter, the Pittsburgh Regional Food Service Directors, or PRFSD, for 2 years and is a very active member. In addition to her leadership roles with PASBO, Curtistine is very active in many other organizations that allow her an opportunity to share her knowledge and experience with others who also work to ensure kids across PA and the nation have a nutritional foundation that allows them to learn and grow.

She has served the School Nutrition Association of Pennsylvania (SNAPa) in numerous and various positions including: president for 2 years, conference program chair and co-chair, regional representative on the board, scholarship chairperson and conference chairperson. Curtistine has been on the SNAPa board since 1998. Through her service with SNAPa, Curtistine has been honored as a multi-year recipient of the prestigious Thema Flannigan Award, an honor given to leaders of the state's School Nutrition Association, recognizing their year as a

president of the state association and their contributions to SNAPa.

"I'm grateful to have opportunities to participate in state and national associations, I enjoy the leadership roles and offering input," says, Curtistine.

As if these roles don't keep Curtistine busy enough, she also contributes on a local level. She actively participates in the Greater City Schools Food Service Directors group and the International Food Service Manufacturers Association, Southwest PA partnership committee and the American Heart Association. Did I mention that Curtistine is a full-time food service director in an urban school district serving 19,000 students a day and also finds the time to share her expertise by speaking at various events to help mentor food service professionals that are just starting their careers? Talk about energy and passion! Curtistine must have gained some of that stamina at her alma mater, Penn State, or maybe as she was earning her M.Ed at the University of Pittsbrugh.

Where ever this spirited woman gets her energy, leadership propensities and a need to serve students of all ages, we are very proud to call Curtistine Walker a PASBO a member and wish her luck in all of her endeavors and her continued career.

• • •



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s we finish out the 2020-2021 school year unlike any other, our weary eyes turn towards the new school year in the hopes that we will be able to return to a "normal" school year. However, will we be able to put this year to a thing of the past?

Many articles have been written about the effect of this extraordinary year on the students but what about staff? How are the teachers, aides, custodians, bus drivers, secretaries, clerks, administration and yes, even the business managers responding to all the stress and anxiety that this year held. Are we ready for what lies ahead?

Since it appears that COVID will be with us in one way or another at the start of the new year, it was good news to hear that the state will be providing COVID-19 testing in K-12 schools. As Secretary Ortega notes "The COVID-19 school testing program is expected to include several options for testing, including rapid tests, at no cost to the schools or families for the entire 2021-22 school year." So, that's covered.

But, what about us? What can be done to help ease our stress and anxiety and the left over COVID headaches that still ring in our ears. There are helpful tools to provide a mental health break. Some are basic and others are deeper supports if they are needed.

Some simple supports seem just that simple but they can be very helpful. Focus on what you can control. Let the myriad of items that call your attention go and really settle into the tasks at hand. Set reasonable expectations for yourself and those that you are working with. Do not let the calls of the many force you into over-committing and over-stretching what you can accomplish.

From a physical point of view, move about. Don't let all those activities keep you chained to your desk chair. Get up. Take a brief walk. Use a standing desk. Move about to relieve the stress in your body as well as your mind.

Take care of you. You cannot continue to accomplish great things if you are not keeping up with yourself. You need to leave yourself time for you. This includes leaving yourself time to laugh and enjoy the day. Reach out to others and let them know that you appreciate their efforts and accept the same expressions when others offer their gratitude.

If the stress and anxiety of the past year has taken a larger toll, perhaps it is time to reach out to your District's Employee Assistance Program (EAP). The EAP is a voluntary program that offers free and confidential assessments, short-term counseling, referrals, and follow-up services to employees who have personal and/or work-related problems. The program can help employees help themselves by facilitating timely access to mental health counselors and therapists.

EAPs offer a variety of services that can help you over the current stressful situation and put you on a better path. EAPs have assisted workers with issues like alcohol or substance abuse. However, most EAPs now cover other services including child or elder care, relationship issues, financial or legal problems, wellness matters, and traumatic events. The EAPs are delivered to employees by standalone EAP providers normally at no cost to the employee.

So, take a deep breath and relax as we move back to the new "normal". We will all get there.

Join us in celebrating these PASBO members as they continue to work towards excellence in school business.

Earning or Renewing Professional Certification



Pennsylvania Certified School Business Administrator

Initial

Sherri L. Ludwig, CPA, Director of Business Affairs, Shaler Area SD Leah G. Pritchett, Business Manager, Northeastern York SD Steven Ritter, Director of Business, Annville-Cleona SD

Renewal

Mark W. Brooks, PCSBA, Chief Financial & Operations Officer, Hempfield SD Mary P. Childress, PCSBA, Business Manager/Board Secretary, South Eastern SD Daniel L. Forry, PCSBA, Director of Finance & Operations, Elizabethtown Area SD Daren Moran, PCSBA, CPA, Business Manager, Capital Area IU #15

Laura Perry, PCSBA, Business Manager, Wellsboro Area SD Amy B. Simmons, PCSBO, SFO, Business Manager, Fairfield Area SD

Pennsylvania Certified School Business Official

Initial

Rita M. Murphy, Assistant Business Administrator, Chichester SD

Renewal

Bryce Cossitor, PCSBO, Director of Technology, Altoona Area SD Troy S. Wentz, PCSBO, Business Manager/Board Secretary, Hanover Public SD

Pennsylvania Certified School Business Specialist

Initial

Michelle Zipay, Administrative Assistant to the CFO, Daniel Boone Area SD

Pennsylvania Certified School Facilities Manager

<u>Initial</u>

Brandon T. Chabola, Maintenance Supervisor, Girard SD Troy Frederick, Maintenance Director, Jefferson County-DuBois AVTS William T. Meiser, PCSBO, Director of Operations, Middletown Area SD



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2019-20 AFR Data: A Look Back

The Mandate Decade and Property Taxes; 2021-22, Front Loading the Next Decade

By Timothy Shrom, Ph.D., PCSBA | Director of Research | PASBO

his time of year (budget season in Harrisburg), there is little surprise to see news and press releases addressing the four major topics of school finance:

- Property Taxes
- State Funding
- Mandates (Pension, Charter and Special Education)
- Fund Balances

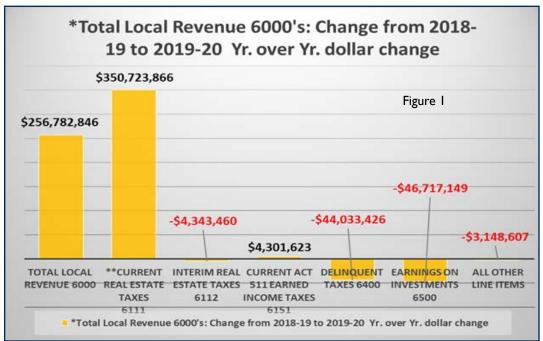
The 2019-20 fiscal year (FY) annual financial report (AFR) data added to prior years helps inform us about the past. Trends may help guide for 2021-2022 and beyond, however there remains uncertainty in motion. The past data are what they are, and while other things may be known, they are certainly not final, and then there remains the reality of the dynamic nature and disparate impacts districts experience from what state level data show.

Figure 1, below, shows 2019-20 school district total local revenue increase year-over year of \$256.7 million or a 1.4% increase. The total local increase is just 45% of the past five-year trend, and only 36% of the prior two-year trends. These are significant revenue trend reductions in just a partial year. It remains hard to predict breadth and scope across the districts for impact in the full years 2020-21 and now 2021-22.

Figure 1 shows a property tax (PT) increase at \$350.7 million, and all PT activity including natural assessed value growth, was built in to the budgets, levied and collected prior to the March 2020 COVID closures. What we do know from survey data for 2020-21 and 2021-22 FYs is that districts reported in record numbers that they did not raise property tax rates, or held increases bellow their Act 1 limits. Their response to the COVID era economic impact is comprised of common sense and reflects the many community and district factors school boards considered as they operated in the COVID era recession.

Total Local Revenue and Property Taxes

The COVID closures in March of 2020 and subsequent economic impacts clearly altered total local (TL) district revenue collections and performance substantially even at the 2019-20 partial year level. Year-over-year actual line item reductions are nearly \$100 million dollars, with variances from the five-year and two-year average trend growth at \$302 million and \$440 million respectively. When the state plans its out year budgets, it relies on trends and natural growth, so do (or did) school districts.



As reported by the IFO, we also know that since March of 2020 the Commonwealth has been the recipient of nearly \$160 billion dollars in federal aid in one form another. Supports distributed for unemployment, to employers and employer payrolls, direct payments to families, and housing and rental supports have been unprecedented. For 2020-21 and moving in to 2021-22, clearly the Federal interventions have not just stabilized the economy in general, but the historic levels have altered historical recessionary impacts.

These federal funds include the \$6 bn in Federal ESSER funding (ESSER I, II, and III) provided to districts. Many districts would be in serious financial condition were it not for the federal funding levels. As discussed for TL tax collection, many districts have experienced severe reductions in both actual growth and trend for TL tax line items. For the 2020-21 FY, we will not know the extent of COVID impact until we see AFR audit information in the spring of 2022. We fully expect to see significant impact in wage tax collection, delinquent taxes, and investment earnings. Significant blocks of the federal assistance are not taxable, so while they supported the broader economy, district wage taxes will continue to struggle to get back to pre-COVID levels, interest earnings are almost non-existent. Moderation in tax rate increases along with increased levels of assessed value challenges and commercial/industrial economic impact will alter normal property tax collection trends, and it will do so erratically along regional and demographic composition. To what scope these changes impact, will matter. In addition to the TL impact, there was no state revenue increase in 2020-21.

State Funding

For the 2020-21 FY the state held all districts at the same funding level as 2019-20. This was good news given the unknowns faced at COVID on-set. It was a good policy decision given the immediate COVID economic impact even though many may argue it hurt the poorest and higher

student need districts the hardest. The state decision to hold the line provided stability and certainty for at least some portion of the district budget, and those with the larger share of state funding actually garnered the greater stability guarantee. Federal intervention has exceeded almost all expectations since then, and the state economic recovery will certainly happen much faster in its wider tax base than it will for districts.

For 2021-22, the state has done mostly the right thing as the budget was finalized just as this writing was submitted. While mostly good, there remains much concern in the mix that only time will tell.

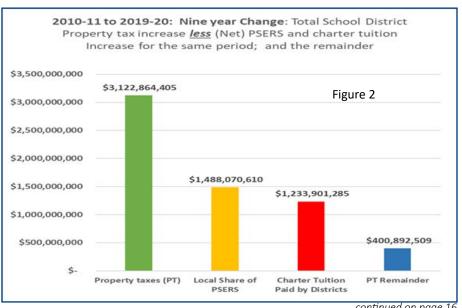
For BEF/SEF for 2021-22:

- BEF is \$200 million additional
- SEF is \$50 million additional
- An additional (new) \$100 million lift for a level-up supplement to 100 districts (a one-time lift)
- Allocated State ESSER set aside dollars (one-time funds) with categorical requirements
- Added monies for Early intervention and early Childhood for pre-K and head start

A second year with no state lift would have significantly impacted districts who are most dependent on the state, and for almost all districts it would have made avoiding the federal funds 'cliff' much harder. A major concern is SEF and BEF at a two-year average of pretty much a return-tonormal mode. \$250 million is a lot on money and the state has at least re-entered the picture, however, in 2019-20 charter tuition paid by local district taxes increased \$150 million and it has increased an estimated \$400 million or more for 2020-21. For 2021-22, who knows, but it is known charters also received billions in federal dollars while their funding from local taxes increased. Over the three-year period charter is most likely to be ahead by \$500 million in local taxes net of BEF, and the difference all comes from property taxes.

Mandates

Figure 2 presents updated 2020 FY ending AFR data and adds it to prior years in the past decade for a nine-year window. For perspective property taxes (PT) are compared alongside two major district mandates for board share of pension and the local district payment of charter tuition. Total increases are shown for property taxes, net pension, and charter. The PT remainder depicts what is left of the entire past decade of PT tax increase after subtracting the two public policy mandates sent downstream for local tax payers to pay.



...continued on page 16

As shown in figure 3, the <u>local share</u> of the pension increase consumed nearly 48% of the periods property tax increase while charter tuition took another 39.5%. After paying for the two mandates, the districts had less than 13% of the nine year \$3.12 billion increase in property tax remaining. Local tax payers and boards have no say, nor does it matter what their community wealth, student need, or local tax base ability to pay the bills are.

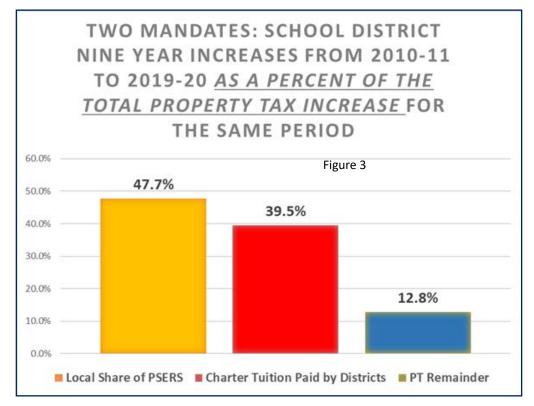
Figure 2 shows direct function/object account code line items which makes them easy to track right to the audits, which is not necessarily so straight forward with special education cost increases. Regardless, the 13% left over equivalent of PT increases do not include the impact from state share of special education funding dropping to 22.2% in 2019-20 from 29.6% in 2010-11.

increases that are larger than their property tax increase can cover may need to make choices like the following:

- increase tax rates and cut programs at the same time
- hold tax rates and just make deeper cuts in programs
- use federal ESSER dollars to fill the gaps (supplant ongoing costs with one-time money), and work to cover any growing funding cliff later

Fund Balance

Too often fund balance is presented biasedly through a lens as a blob of money simply to take a swipe at districts. What is critical to understand, is that school district fund balance is, and will be one of the most crucial tools in the district arsenal to work through the next four years of COVID economic recovery and academic impacts.



The data are what they are for the prior decade. As we move in the next, the pension rate of increase has taped off, yet it is projected to increase over time from a 35% employer cost rate (ECR) to rates approaching or exceeding 38% to 40% (e.g. an additional 5% of payroll cost increase). Meanwhile, charter tuition is front loading the start of the next decade for mandate increases. Charter tuition increase estimates for 2020-21 alone range from \$350 million to over \$450 million depending on cyber enrollment and pre-COVID based tuition rate increases. At the lower end of that range, it is possible we will see a charter tuition increase in 2020-21 exceed that of the total property tax increases. As final audit work commences this summer, districts will clearly see wage tax and property tax collection impacts, and have better clarity on the new state budget for their district. Districts with charter and pension

The Wall Street Journal posted (March 2020) a small business survey looking at business operations reserves and asking how long they can last without revenues:

- 22% were less than one month
- 34% were between one month and up to three
- 17% were from four to six months
- 11% could last about one year
- The remainder was longer than a year, or they did not know.

Similarly, the Journal posted (June 3, 2020) a report for the months of savings to cover expenses for US households (from doxo.com):

- 34.5% were less than one month
- 33.5 % were from one month to three months
- 13% were from four months to six months
- 4% were from seven to twelve months
- The remainder was twelve months or more

So where are school districts?

The school district AFRs (PDE web site) show a total fund balance (FB) of \$4.84 billion for the fiscal year ending June 2020. That is a lot of money. However, it is nowhere near the whole story, but it is the number used by those who want make headlines, and not truly inform. That \$4.84 bn number comes from three fund balance account codes added up:

- Unassigned fund balance of \$1.973 bn
- Assigned fund balance of \$1.245 bn
- Committed fund balance of \$1.622 bn

Only the unassigned is truly at district discretion for immediate use. Assigned and Committed funds are exactly what they sound like, school boards have taken action to cover known and foreseeable costs or expenses, and have reserved those funds to cover them. To declare these funds as "spendable" is disingenuous as such action would require districts to not pay for committed obligations or 'undo' preparation for known and coming expenses and use that money on general operating expenses (one-time money for on-going expenses). In 2019-20, the COVID partial year, district Unassigned FB increased 1.6% year over year while the Committed and Assigned increased 4.9% and 3.5% respectively. Districts are setting-aside funds for foreseeable and known costs and commitments. Such prudent actions to pay-as-you go for known costs should be lauded, not derided. Especially given when some of these funds are being committed to infrastructure projects as the state closed its PlanCon funding stream. Meanwhile, with little fanfare or notice, the 2019-20 charter Unassigned fund balance increased by \$143 million dollars or over a 100% increase year-over-year. Paradoxically, the increase in total charter fund balance was actually more than the entire increase in tuition paid by school districts to charters for the entire FY. Add the \$350 to \$450 million TL tax payer charter increase estimate for 2020-21 on top of that and now more for 2021-22, and then add \$1.1 bn in ESSER funds going to charters as well. Our state needs some serous school finance policy changes.

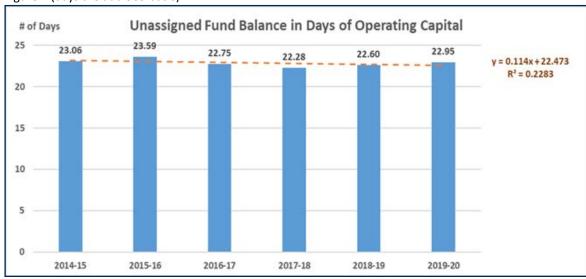
What does the school district \$1.973 bn unassigned fund balance amount translate to?

The short answer is 23 days of school district operating capital.



Figure 4 shows districts at a state wide total for unassigned fund balance that has remained steady and predictable at about 23 days of operating funds. In essence this equates to about 3 weeks of operating funds which must cover a host of accounts payables, revenue receivables (including late and delayed state funds), payrolls and district-wide cash flow management over the summer months. The fund balance at year end is a snap shot of assets and liabilities incorporating a collection of receivables and payables, and that number never truly exists except as number in the audit.





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For example, Figure 4.1 shows the last several years and how much money was owed to districts by state and federal governments on the last day of the fiscal year. By rule and accounting measures, these monies are considered assets so they are included in the fund balance numbers reported, but districts may wait 20, 30, or 60 days or more for these payments to arrive. Meaning, the numbers are included in the FB, but the district gets that money whenever the fed or state decides to send them. Meanwhile, at payroll and accounts payable time, employees and the businesses districts deal with, want cash.

additional cash injections in to the economy as they fully understand that most households and businesses, including districts, can only cover operating costs for a few months at

Just like business and households, the districts vary in the number of days they can cover. Figure 5 shows a series of day ranges and district counts. District composition, demographics, tax base, local politics, and their local wealth all factor into a districts ability to maintain a working fund balance.



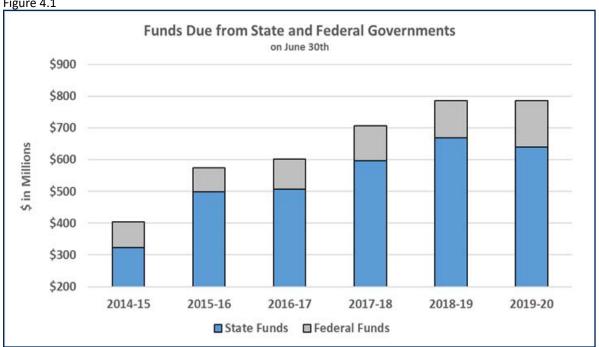
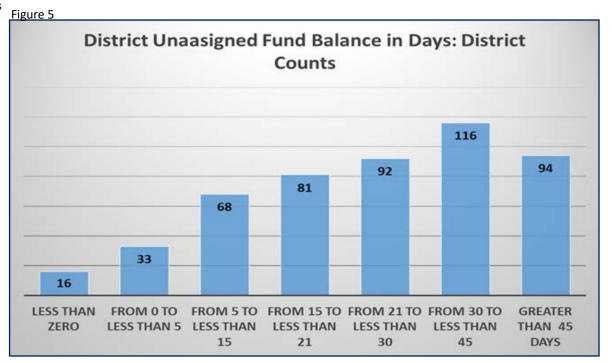


Figure 5, below, shows that 290 districts, or nearly 60% had an operating unassigned fund balance of less than one month on June 30, 2020. Nearly a quarter of all districts were at 15 days or less. All 500 districts entered the 2020-21 FY facing rapidly increasing COVID related costs, escalating mandate costs, and myriad of operational challenges to get through during the year.

The district days of unreserved fund balance are lower

than what business surveys reveal for their members or even household noted surveys **Districts** earlier. as a whole keep lower cash reserves than many of the businesses and organizations they must work with, including some of those who complain about district fund balances. It is also a major underlying reason why the feds acted so quickly in March of 2020 and subsequently with



Federal Funds and Fund Balance

Districts generally have received ESSER I funds in 2020-21, and for most districts they have only seen a small percentage of ESSER II funding. ESSER III window just opened the end of May 2021 so very little of that has been received, if any. To get these federal funds districts must submit a budget plan for the funds, and then upon approval of the submittal the funds come in monthly tranches, which then requires quarterly reporting. The federal expenses reported have to equal the revenues over time (and FY end) so no district is sitting on 10's of millions in ESSER funds. Basically federal dollar spend is a wash of expenditures and revenue. ESSER funds expressly allow for supplanting of lost revenues and increased COVID related costs that the district either would have had to use fund balance for, or make cuts to operational programs. So in that sense, the ESSER funds have stabilized economic impact to many districts (including the state as well), which now allows them time (several years perhaps) to have their revenues recover, or hopefully see some of those costs fade as onetime or transitional.

The many warnings from far and wide about using federal ESSER dollars wisely as they are only one-time funds is fully understood by the districts. No one wants to be caught short as the funds expire, but achieving balance of expenditure and revenues given the widely disparate economic impact and funding ability is not going to be easy for many districts. Further, districts need to leverage their federal funds, their regular operating funds, and leverage their fund balance to

work toward a balanced end point and do so with as disruption little to academic and student programs as possible. Those calling for districts spend onetime fund balance for on-going should expenses not be heeded, but districts leveraging use of a fund balance to stabilize educational needs program during this time uncertain maintain operational cash flow is key.

One Final Decade Look Back

A look back at the same nine-year period as shown in table 1 reveals total district spend increase of 30.51%, for an average of 3.39% per year. Table 1 then subtracts the total pension increase and charter tuition increase from those totals, and the 30.51% gross increase turns into a net 11.76%, or 1.31% average per year. Pension and charter alone represented \$4.7 bn dollars, or over 61% of the period increase. School boards had no control, nor did their local tax payers have any say over these state policies, nor do they now.

Total charter tuition paid was over \$2.1 bn in 2020. With the front-end loading of 2021 and 2022, it will approach \$3 billion dollars in base spend before ESSER dollars go away. At a modest 5% increase (historically charter tuition has grown at double digit rates on average), the charter annual increase will exceed all historical BEF amounts, and may well be half or more of annual PT increases. If charter tuition rate increases return to historical double digit rates, the next decade will be worse than déjà vu all over again, as property taxes pay for it.

Summary

While property tax debates can rage on, it is clear that until the general assembly tackles its declining share of funding, and how it pays for mandates passed down to the local tax base, there can never be sustainable property tax relief. Remember slot funds? Most tax payers don't, and have no clue they get some money back on their tax

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		Table I:		
Nine Year School Distr	ict Expenditure Increa	se; Nine year Pension tution Increase	on Expenditure Incr	ease; Nine year charter
Fiscal year [PDE AFR data]	School District Total Expenditures as Per PDE AFR data	Less School District Pension (230 object Code AFR)	Less School District Charter Tuition Totals PDE AFR	School District Total Expenditures NET of Charter and Pension (9 year Comparison)
2019-20	\$32,753,768,178	\$4,121,586,246	\$2,193,604,997	\$26,438,576,936
2010-11	\$25,097,498,696	\$651,146,264	\$959,703,712	\$23,486,648,719
9 Year Dollar Increase (2020 minus 2011)	\$7,656,269,482	\$3,470,439,982	\$1,233,901,285	\$2,951,928,210
9 Year Increase %	30.51%	532.97%	128.57%	11.76%
9 year Avg annual Percent increase	3.39%	59.22%	14.29%	1.31%

Note: 9 year total pension increase PLUS 9 year total charter increase equals \$4,704,341,266 or 61.4% of the total 9 year total school expenditure increase.

bill. A quick hit relief may be easy, however, delivering a PT relief that is both meaningful and sustainable requires deeper thought and complex implementations. It is doable, but there is no easy button.

The state should not be expected (ever) to fund everything and all. Properly balanced local and state dollar mix to fund education is a proven tool to keep leaders at all levels focused on prudent and priority driven resource allocation. However, I believe we already passed, or at the very least, are very close to an inflection point where policy makers must soon take action to rebalance the state and local mix. Currently it has run its course and is simply out of balance with too much reliance on the local tax base, with the result creating ever widening total funding gaps. Too many districts have little to no ability to generate funds, and the state is not lifting them either.

The state is pilling growing mandate costs on top of too many districts that have no ability to cover those cost increases. This is direct policy that de-funds a district regardless of wealth or student need. As a policy, it has difference in theory than a direct property tax recapture implementation. Based on the past AFR data, it can well be argued that the state spent more school district property taxes than the districts did themselves. Impact from all of this includes many urbans with diverse student needs and challenges, that receive BEF on one side of the ledger and pay out mandates on the other with zero net funding effect. Many rurals with little tax base must decide to tax their open and green space farmland even harder, even as they face clean and green tax exempt property levels that rival urban tax exempts.

Pension sharing policy written 40 years ago and formulated with a 7.25 % normal cost in mind has little to no bearing on ECR costs at 35% and climbing. Unlimited charter annual tuition cost increases exceeding district Act 1 caps, has no bearing in a now mature industry versus the 1996 start-up philosophy. Nor does it even make sense when districts have a cap on their increase and are mandated to pay the increases of others that have no caps.

All of this does have bearing on trying to move policy to an improved balance in the mix use of local tax and the wider statewide tax base over the next five years of COVID recession recovery. Doing nothing will continue to drive more reliance to property tax, and increase and widen gaps in district funding across the state. History says the next recession will appear in the late 2020's to 2031. If policy makers cannot act now with a historical federally assisted recovery, then when?

• • •

New Board Members Welcomed

Congratulations and welcome to the new additions to the PASBO board of directors. The four were recently welcomed and sworn into office at the June board meeting in State College, PA. Say hello to our new vice president and three new directors.

(Below L-R)

Robert M. Reger, PCSBA Director of Human Resources Hempfield Area School District Director

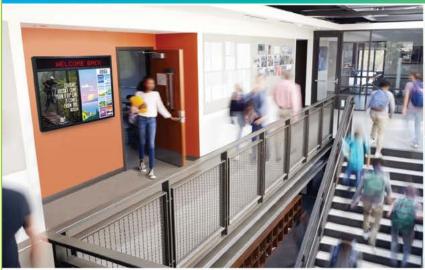
Michael H. Stabile, PCSBA Business Manager/Board Secretary Mercer Area School District Director

Samuel J. Kirk, Jr, PCSBA Director of Finance and Operations Armstrong School District Director

Jeffrey A. Mummert, PCSBA Business Administrator/Board Secretary South Western SD Vice President



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- On-going biohazard consultation
- CASPER facilities certification

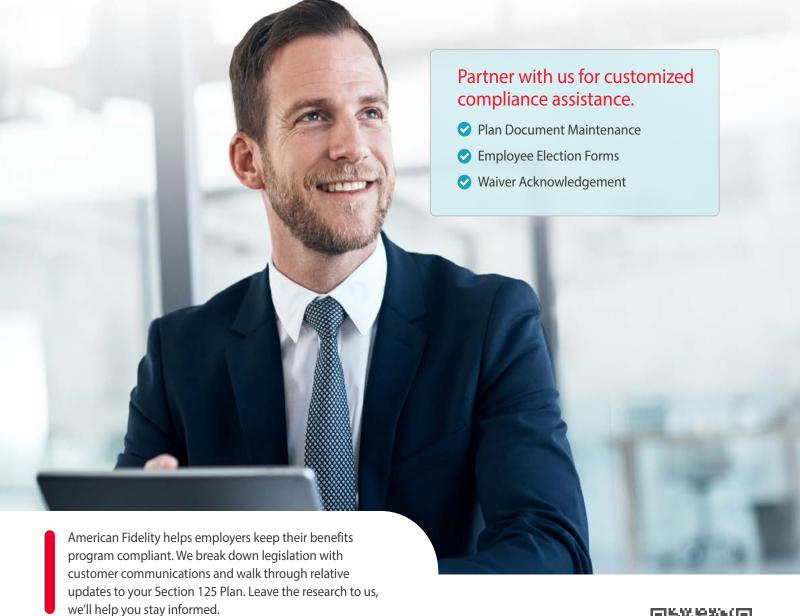
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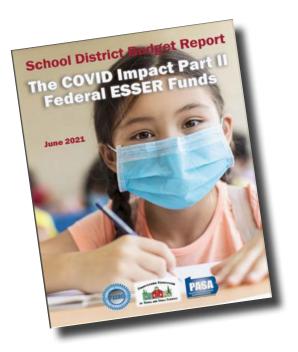
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School District Budget Report Released

The COVID-19 pandemic changed public education in Pennsylvania, and school districts continue to work to rebuild, improve, and enhance educational programming, student supports, and all other aspects of k-12 education with the help of a historic influx of federal funds.

As the scope of this federal funding for schools is significant and the eligible uses are broad, school district leaders are generally optimistic about the opportunity to use these funds to recover from the pandemic, tailoring their expenditures to the unique and specific needs, challenges, and expectations of their students, staff, and communities. The Spring 2021 School District Budget Report reveals how school districts are using-or expect to use-their federal COVID funds. There was commonality in the use of these funds to address learning loss through various strategies, provide for technology expansion and access, engage in facility upgrades and improvements to enhance air quality and safety, and investigate strategies to improve sustainability of programs in preparation for expiration of the funds. School districts are also focused on addressing the unique needs of their individual student subgroups by combatting food insecurity, enhancing mental health services and supports, and providing staff training.

While the survey showed that school leader optimism and expectations for the outcomes associated with the expenditure of these federal funds are high, the work is not easy, as school districts must build and implement careful plans to leverage this historic federal investment and navigate the expiration of the funds. As a result, with the optimism comes apprehension regarding sustainability of programs, supports, and improvements made with federal funds. Unfortunately, as is pervasive in the commonwealth, the wide pre-COVID variation in local tax bases and

state funding support make this a much greater challenge for many districts. As state mandates continue to grow significantly while local and state revenue growth slows or pauses, the pandemic has served to widen the existing gaps across districts.

Despite a short time period to implement the federal investment, school districts see this as an opportunity to reshape k-12 education in Pennsylvania and move public education ahead post-COVID. Their success in this effort, however, will not be sustainable without the support and partnership of state policymakers.

As school districts navigate these challenging times, mandated costs continue to rise and policymakers continue to discuss efforts to further de-fund public education. Without additional future state support for education along with changes in existing policies, our students, school districts, and taxpayers are worse off, and the promise of the improvements and advancements made as a result of the federal funding will be fleeting at best.

The report uses data collected in the spring of 2021 from two separate surveys—one for school district superintendents, and one for school district business managers. The report is also informed by 2019-20 Annual Financial Report data posted by the PA Department of Education. Three statewide education associations issued the report: The PA Association of School Business Officials (PASBO), the PA Association of School Administrators (PASA), and the PA Association of Rural and Small Schools (PARSS).



DID YOU KNOW?

Drug Classification Varies the Price Employers Pay

Specialty Drug vs. Generic

Classifying Low-Cost Generic Drugs that are used to treat Specialty Conditions (like Pulmonary Hypertension) as Specialty Drugs increases the price the employer pays. If the PBM controls the classification, then the PBM controls the final price.

Sildenafil Citrate



SPECIALTY



PULMONARY HYPERTENSION



GENERIC

Sildenafil Citrate

PULMONARY HYPERTENSION

Does your advisor continually review how your PBM classifies prescription drugs? Misclassifying drugs as specialty vs. generic can lead to significant loss of savings for employers.

For example, a specialty drug (Revatio) can be reclassified as the generic equivalent Sildenafil Citrate (see reverse).



Increased Employer Costs with Generic Drug Misclassification.

PBM A did not reclassify the generics and honored the generic discount guarantee at 87%. PBM B misclassified the generics as specialty, therefore the generic discount was dropped to 31%.

The impact of a 56% positive differential with PBM A on this subset of generic drugs is \$1 M.

	РВМ А	РВМ В
PBM Classification	Generic	Specialty Generic
Count of Prescription Generics		-
used to Treat Specialty		
Conditions	475	475
AWP	\$1.8 M	\$1.8M
Paid	\$300 K	\$1.3 M
Discount (Paid / AWP)	87%	31%
Are Generics used to Treat		
Specialty Conditions included in	Yes	No
the Generic Guarantee		
Employer Discount Savings	\$1.5 M	\$500K

Increased Employer Costs with Speciality Drug Misclassification.

PBM A correctly classifies generic drugs.

PBM B misclassifies generic drugs used to treat specialty conditions as specialty drugs.

PBM A classified the drugs correctly, and reports that the 21% specialty discount guarantee was not met by 1% and pays the client \$330K. By misclassifying, PBM B claims to meet the 21% specialty guarantee by combining specialty generic and specialty brand discounts.

	РВМ А		РВМ В		
	Specialty			Specialty Generic	
PBM Classification	Generics	Specialty Brand	Specialty Brand		
Count of Prescriptions	0	3,741	3,741	475	
Average Wholesale Price (AWP)	0	\$33 M	\$33 M	\$2 M	
Paid	0	\$27 M	\$27 M	\$1 M	
Discount (Paid / AWP)	0	20%	20%	31%	
Total Specialty Discount	2	20%		21%	
Employer's Specialty Discount					
Guarantee.	21%		21%		
Are Generics included in the					
Specialty Discount?	No		Yes		
Was the guarantee met?	No		Yes		
Employer Discount Savings	\$33	0,000		\$0	



If you are looking for further information on Innovu, please call Tim Shrom at **PASBO**



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A New PASBO Partner Announced, Welcome ECG

PASBO is pleased to announce a new partnership with the ECG Group.

We believe ECG is uniquely qualified to guide LEA's through the GESA process and ensure compliance with ESSER requirements with GESA projects.

We also believe ECG will protect the best interests of LEA's by ensuring that all ESCO costs and pricing are declared and fully transparent, all costs are reasonable and negotiated to the LEA's maximum benefit, and savings projections are accurate, guaranteed and optimized.

ECG is able to accomplish this by providing independent oversight of every aspect of project, from on-time completion to monitoring and measuring of savings return, and ensuring the contractor's adherence to the GESA contract. ECG provides objective, confidential counsel and advice to school business officials during the entire project to ensure capital upgrades will be paid by energy savings that are verified and achievable.

Please take a moment to look over ECG's website to gain more knowledge about the company and the work it does at https://www.ecgengineers.com/. You can also learn more about ECG and how it can help you realize energy savings by listening to the recorded Web Forum, *ECG Partnership Announcement*, available at https://www.pasbo.org/webforums



Membership Updates

Member Transitions

Faith Swanson

Business Administrator Tyler Area SD

Emily Laws

Purchasing, Tech Support & Training Lancaster-Lebanon IU #13

Brian Driscoll

Business Manager Towanda Area SD

Bradley Snyder

Interim Business Manager Deer Lakes SD

Matthew Ulmer

Chief Financial & Operations Officer Dover Area SD

Brian Keiser

Assistant Chief Finance & Operations Officer Delaware County IU

Amanda Allison

Assistant Business Manager Lampeter-Strasburg SD

Ashley Antosh

Accountant Lancaster County CTC

Retirements

Kathleen Boyce

Assistant Business Manager Lampeter-Strasburg SD

Kevin Close

Director of Transportation Franklin Area SD

Elsie Harchak

Business Manager Moshannon Valley SD

James Marnell

Business Manager Southmoreland SD

Donald Miley

Maintenance Supervisor Waynesboro Area SD

Ed Poprik, PCSBO

Director of Physical Plant State College Area SD

Tim Senft

Business Manager Eastern York SD

Check out the new member's list coming your way in August.

