

CENTRE DAILY TIMES

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FIRST OF A THREE-PART SERIES

Part 1: Economy upends budget debate

EDUCATION: Harrisburg spending plans leave schools with more questions than answers

By Ed Mahon

- emahon@centredaily.com

The State College Area school board isn't alone in struggling to cut expenses just weeks before it must pass a final budget.

Board members asked teachers last week to accept lower pay raises, as a way of trimming costs in the midst of the worst recession in at least a quarter-century.

Across the state, districts like State College are trying to estimate how much money they'll have to work with next year, but they are hampered by several unknowns: How will the economic downturn affect earned income tax collection? Will the assessed value of real estate continue to grow at the lower rate of about 1 or 2 percent? How much room will districts have to raise taxes next year?

But the most immediate question facing districts as they prepare to pass a budget by the end of the month: How much money will the state give them?

Pennsylvania's Democratic governor and its Republican-controlled Senate haven't been able to reach agreement over the state's budget, including education spending.

The state is supposed to adopt a budget by June 30 but hasn't met that deadline in any year of Gov. Ed Rendell's administration. No one expects that to change this year.

What's different this year is a \$3 billion budget deficit, and \$16 billion in federal money — including \$2.56 billion targeted for education — that the state is receiving through the American Recovery and Reinvestment Act.

Republicans want to use some of the funds Rendell has allocated for local school districts to cut into the state's projected \$3.2 billion shortfall.

Budget disagreements occur every year, said William Hartman, a Penn State education professor and budgeting expert. "It's just this year it's much greater than it has ever been because of the stimulus."

Contingency plans

Depending on which version of the state budget is finally adopted, the State College Area School District could either receive \$200,000 more than it has budgeted from the state or \$600,000 less. Most likely, that figure will wind up somewhere in the middle.

“It’s a huge swing. ... It’s very difficult to plan,” board President Rick Madore said in an interview last week. “I don’t want to call it a crisis. I don’t want to call it an emergency. But it is a pinch.”

So what does \$800,000 mean to the district? It could pay for laptop carts for third-and fourth-grade

Districts may have difficulty keeping tax increases below state cap next year, classrooms at each elementary school (\$275,000), a part-time Chinese language instructor (\$39,925), and salaries, health care and other benefits for eight first-year teachers (about \$60,000 each).

Earlier this budget season the board denied an administration request for the first two items. The board has expressed no plans to cut staff, but concern over the state budget did prompt the board to ask the teachers union to agree to reduce their contracted salary increase by 1 percent. The union rejected that proposal Wednesday.

Madore said it might become necessary for State College to reopen its budget after the state spending plan is adopted. That’s permitted but poses other problems for districts since they send out tax bills in July.

Multiple choices

Centre County’s other school districts are also trying to juggle the discrepancies between the different state budget proposals.

“If it goes completely opposite of what we’re predicting, we would have \$600,000 that we would have to come up with,” said Ken Bean, Bellefonte Area School District’s director of fiscal affairs.

Bellefonte administrators have trimmed the expenditures since they approved a preliminary budget in May, reducing the amount the district will spend to send faculty to conferences and workshops from \$110,000 to about \$90,000. The district also eliminated one position through attrition.

Superintendent James T. Masullo Jr. said the seventh- grade language arts teacher was not needed because of class schedule changes at the middle school.

"I would love to get it down even more, but I'm not so sure we're going to be able to take it any further without having to cut needed programs," Masullo told the board Tuesday.

Bean said the district has \$2 million available in a contingency fund, which is separate from its \$2.8 million general reserve fund. The district would still be able to keep its general reserve at about 7 percent of its total budget.

Philipsburg-Osceola has been trying to build its reserve fund, ever since the district faced a \$3.4 million budget shortfall three years ago.

"A lot of districts are using their reserve this year because of the economic realities," said Philipsburg-Osceola board President Robert Selfridge, "but that's kind of how Philipsburg got in trouble there four years ago. That's just going to cause you problems down the line."

Philipsburg-Osceola's budget includes \$300,000 that it may not receive from the state. That money could be offset with about \$394,000 that the district is planning to put into its general reserve next year.

"We're hoping we don't need to. We're still trying to build that fund," Selfridge said.

Bald Eagle Area passed a preliminary budget that included the money dictated by Rendell's proposed budget. The district did not fill three positions vacated by retirements, and Superintendent Dan Fisher said that decision was driven by declining population and would be revisited.

With \$491,000 for Penns Valley in question, Superintendent Brian Griffith said the outcome of the state funding debate will determine, among other things, whether the district hires for two unfilled positions. The district's budget currently includes no basic education funding increase, in keeping with the Senate's version of the bill.

The Penns Valley school board is slated to discuss its budget Wednesday. But board member Chris Houser has suggested the board wait until June 30, the last day possible, to pass the budget. Philipsburg-Osceola made the same decision.

"There is wisdom to waiting to the last possible minute," Houser said. "Even though I don't think they'll have a bill in Harrisburg, they might narrow the parameters to some degree, which could be what we want."