

### **2011-2012 School Year Budget Preparation**

Beginning this past fall, Members of Methacton's administrative team began the process of gathering and submitting building and department budgets, marking the official start of preparations for the 2011-2012 school year budget.

Over the past two budget cycles, maintaining the Methacton education within the confines of Act 1, combined with the impact of the nation's financial crisis has become increasingly difficult. Each budget cycle brings with it new challenges.

The Methacton School District receives funding from federal, state and local sources. A reduction in funding is possible in all three areas. At the federal level, \$537,443 in stimulus money will not be part of this year's government education subsidy. While the stimulus money provided a much needed boost in offsetting expenditures, the funding was never intended to become an annual part of the subsidy.

Much less is known about the potential for funding at the state level. The Commonwealth anticipates that state fiscal stabilization and enhanced "FMAP" funds will expire in 2011-2012. FMAP refers to the federal percentage of matching funds for state Medicaid expenditures. The American Recovery and Reinvestment Act of 2009 enhanced the FMAP contribution for states through December 2010. The expiration of these funds creates a \$3.2 billion gap at the state level that will need to be closed.

What does all this mean for Methacton? While more than 80% of Methacton's budgetary dollars are raised at the local level, roughly 17-18% of the District's funding comes from the Commonwealth through various grants and subsidies. Any reduction in that funding will almost certainly have to be made up either through an increase in local taxes, or through cuts to Methacton's programs and services. Act 1 restricts the property tax increase that school board's can seek each year without a public referendum. The 2011-2012 Act 1 index is 1.4%, and it is expected that the index for 2012-2013 will remain low for the foreseen future.

Locally, the real estate collection rate, investment earnings and real estate transfer taxes have dropped precipitously since the 2006-2007 school year, reaching their lowest level when the 2010-2011 school year budget was prepared. The administration and Board will be working closely together, identifying any and all budget areas where expenditures can be reduced.

Salaries and benefits continue to be the largest expenditure area, and while the District has made good progress in controlling costs through contract negotiations, that have produced savings in the hundreds of thousands of dollars, these savings only offset annual healthcare cost increases that continue to outpace inflation and the index by a substantial average of 12.24% per year (over five years).

Members of the community are invited to monitor the progress of the 2012-2013 school year budget preparations by attending public meetings of the Board, and watching the website for updates. [Click here to download a budget preparation schedule.](#)