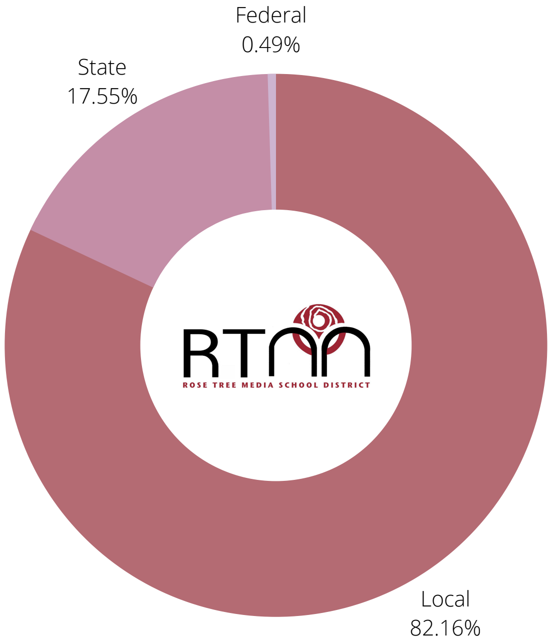
UNDERSTANDING SCHOOL DISTRICT BUDGETS

The Rose Tree Media School District's budget includes several funds. Each fund has rules regarding how money can be spent. Two of the major funds in the district's budget are the **Operating Budget Fund** and the **Capital Budget Fund**. The two are equally important, but are funded separately.

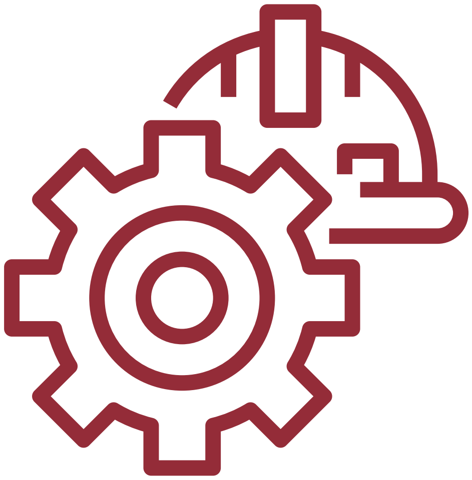
Operating Fund

The Operating Budget, or general fund, covers the day-to-day costs of running the district. It covers salary and benefits for most employees, along with overhead expenses like electricity, materials and supplies for classrooms, and contracted services. Money in this fund comes mainly from local property taxes, as well as revenue received from the state and federal governments.

About 82% of the district’s revenue is generated at the local level, and 93% of the local revenue comes from annual real estate taxes. Salaries and benefits comprise 74% of district expenditures. Moving forward, the PSERS retirement rate will increase to 35.26% from the current rate of 34.94%.



Capital Budget Fund



The Capital Budget funds large, long-term capital projects and expenditures, such as the construction of new school facilities, renovations, additions, roofing, buying land, portable classrooms, and new buses. Capital budgets are largely funded by the sale of a combination of local general obligation bonds and statewide general obligation bonds.

Bond funds accrue interest that must be paid on top of the principal borrowed amount. School districts essentially borrow the money and pay it off with interest over a long period, much like a homeowner pays off a mortgage.

District operating funds and capital funds are intended to meet different needs and must be kept in separate accounts. Capital budget money cannot be spent to cover operational costs, for example. All budget accounts are audited each year to ensure the money in each account is spent appropriately.

ROSE TREE MEDIA SCHOOL DISTRICT

CAPITAL PROJECTS IN ROSE TREE MEDIA

The Rose Tree Media School District completed a facility study of all buildings in 2016. Facility needs regarding maintenance and upkeep were identified. Based on this review, the district plans for the capital projects that must be addressed each year, presenting them to the Board of School Directors in the fall. In the next five years, RTMSD plans to continue upgrading and/or replacing critical building systems, such as heating, ventilation, and air conditioning (HVAC), as well as additional parking, at Indian Lane Elementary, Glenwood Elementary, and Penncrest High School.

ROOM to learn to grow

Additionally, RTMSD is responding to increased student enrollment with its plan for a new elementary school. The cost of purchasing land and the construction of the new school is estimated to be about $40 million. These costs are funded by the capital budget through the selling of bonds. The district's operational budget would then repay a portion of this debt each year, over a long period of time.

About $21 million, or roughly 50 percent of the cost of the construction of the new school, will be paid for by bonds already issued by the district in 2018 for capital projects. The debt service for this bond issuance is already accounted for in the district's budget. RTMSD will borrow the additional funds needed to complete the new elementary school, as well as fund other capital projects that will be implemented between now and 2026.

The additional debt needed to complete the new elementary school requires an additional $7 to $10 per month of the average residential tax bill to be allocated to debt service. As property tax increases are capped each year by the Act 1 index, the operational budget will need to account for the use of the additional $7 to $10 per month of property taxes to be spent on paying for this debt service, as opposed to any other operational costs. In essence, the district will shift resources from operational expenses to debt service.

Although the cost of capital projects comes from a separate budget funded by selling bonds, the debt service needed to *pay back* this debt each year comes from the operational budget, which is funded by local, state, and federal sources. As any increase in property taxes is capped at the Act 1 index, the revenue received must be allocated to meet all operational costs, including paying the debt service of the capital budget. Therefore, the budgeting process must consider the amount of debt service that can be supported by the operational budget without significantly impacting the funds needed to run the district and its schools.