

- I. **JANUARY 2019 KPBSD BUDGET REVISIONS** – The FY19 Budget revisions passed at the January 14, 2019 School Board meeting have recently been a topic of discussion by many. The information below is offered to provide further detail, and clarify the revisions in light of previous and ongoing negotiations.

A. EXPENDITURES

On the expenditure side of the revisions, a reduction of \$381,153 was made to salary line items in the budget. However, \$334,459 of those funds were added to contracted services for physical therapy, occupational therapy and speech services. This resulted from the lack of qualified certificated individuals able to perform those duties as salaried employees. However, in order provide the services to students as mandated by state and federal law, the District had to contract for those services. In short, the reduction of those funds did not constitute “savings.”

Benefit line items were reduced by \$1,246,620.

PERS/TRS, FICA/Medicare, and Unemployment benefit reductions accounted for \$76,591. A reduction of \$1,170,029 for District health care contributions resulted from the transition of employees from the Traditional Plan to the HDHP Plan, and employees opting out of health care coverage, relying instead upon available alternative health insurance.

The employees switching to the HDHP Plan will collectively save approximately \$849,300; funds that may pay for deductible and out of pocket costs if health care needs arise. Employees opting out of the District’s health care program will collectively see approximately \$74,700 less in premium payments from their paychecks.

B. REVENUES

On the revenue side of the revisions, the District experienced a significant drop in student enrollment, which resulted in a loss of \$322,997 in State funding.

C. Budget Balance

The FY19 KPBSD Budget, as originally passed, had a deficit of \$1,450,222 between revenues and expenditures. The School Board chose to use fund balance to pay for this deficit and not make additional budget cuts. After all the January 2019 revisions, expenditures still exceed revenues. A remaining deficit of \$675,755 still requires the use of fund balance to achieve the legally mandated balanced budget.

D. Negotiations FY16-FY18

During the negotiations process relevant to the FY16-FY18 school years, the District stated concerns throughout that they were being asked to commit to salary schedule and benefit cost increases without any new corresponding revenue from either the State or Borough to pay for those increases. If the District agreed to the increased expenditures without new revenues, the District would need to find internal expenditure decreases to pay for the salary and benefit increases, or it would need to significantly reduce the number of personnel working for the District.

The District ultimately agreed to salary and benefit increases in the FY16-FY18 Negotiated Agreement because the HDHP Plan and the Opt-Out provisions were included and would provide a way to make internal decreases that would fiscally allow for the salary and benefit increases given. This is precisely what occurred in the January 2019 Budget Revisions. Unfortunately, the entire deficit was not erased and fund balance usage continues to be necessary as expenditures exceed revenues for the eighth year in a row.

E. Negotiations FY19

Once again, KPBSD is being asked by KPEA and KPESA to commit to salary schedule and benefit cost increases despite the absence of new revenue from the State and Borough, the District’s primary revenue sources. The District has not been able to find further internal expenditure decreases to allow for salary and benefit increases, and does not want to reduce the number of personnel working for the District. Therefore, the District has not agreed to such increases.