

## Shorted by state, Quakertown eyes 4 potential budgets

By Gary Weckselblatt, staff writer | Posted: Monday, March 14, 2016 5:30 am

The Quakertown school board has directed its superintendent to develop four budgets with a varying amount of state funding for the panel to consider.

Two of the budgets may contain furloughs and program cuts, while a lowered bond rating may be in the district's future.

The set of problems comes as the state continues to hold onto more than \$3 billion in basic education subsidies that isn't being released to schools following Gov. Tom Wolf's line item veto.

"This is not unique at all to Quakertown," board President Paul Stepanoff said. "It is happening across the state."

Indeed, Pennsylvania districts have borrowed more than \$1 billion to stay afloat and the governor had the state Department of Education put together a manual on steps to take to close a school district.

Locally, Centennial, New Hope-Solebury and Souderton Area have joined Quakertown Community School District to freeze spending.

Quakertown, which expected \$24.3 million from the state to fortify its \$99.5 million 2015-16 budget, has received only \$9.7 million. It learned last week, however, that another \$8.2 million was coming, leaving it \$6.4 million short.

"The story has changed somewhat, but nevertheless we are still short by a significant amount," Stepanoff said.

With Harrisburg nearly nine months behind in agreeing on a budget, Quakertown is seeking options as it considers a spending plan for 2016-17. Stepanoff said he has spoken with the state lawmakers who represent the district — Sen. Bob Mensch, R-24; Rep. Marguerite Quinn, R-143; and Rep. Craig Staats, R-145 — and they were unable to forecast if and when the owed money would be forthcoming.



(File) Quakertown School District administration building on Commerce Boulevard

"It's incredible because the money's in Harrisburg," Superintendent William Harner said. "The money's there."

The district's four budgets will be broken down with the following assumptions:

Full state funding.

The district will not receive the \$6.4 million this year, but will in following years.

The \$6.4 million will never return.

The district will not receive any state funding in the future.

The latter two could mean furloughs and program cuts.

"If you cut programs it could take decades to build them back up," Harner said. "Art, band ... you cut it out in its entirety, you won't get it back. So there's a lot of tough choices you have to make."

One of them is deciding the value of a fund balance that maintains a solid bond rating against district programs.

Robert Riegel, the district's business manager, said investment companies holding district bonds have called him "concerned" about the fund balance.

Without full state funding, Quakertown plans to use a significant portion of the savings to balance its 2016-17 budget.

"Our credit rating is at risk," Harner said. "If you go down 25 percent over five years, your bond rating goes down. We'll go down over 50 percent in one year."

Quakertown has a Aa3 bond rating, which Riegel called "a very good rating." However, in the middle of a \$72 million high school renovation project and with a need for \$65 million in work to its other facilities, district residents would have to dig deeper to borrow if the bond rating took a hit.

"I need \$4.8 million right now," Harner said of the capital projects. "We have Band-Aids and bubblegum holding these things together."

While school directors expressed the need to preserve the rating, board member Austin Sedicum said, "There's got to be some threshold where you have to make decisions to preserve programs."

Charles Shermer, the board's vice president and chair of the finance committee, said, "My preference is to maintain our bond rating, but I don't think there's any way you're going to do it. We're going to be applying for an awful lot of furloughs."

The district must get approval from the Pennsylvania Department of Education to furlough a staff member by April 28. Once approval is given, the furlough doesn't have to be used. But it gives the board options as it considers its final budget in June.

The board is considering an emergency meeting for April 20, the week in between its April 14 and April 28 meetings.

In the meantime, Quakertown has cut expenses by approximately \$4 million, Harner said. Field trips and transportation for nonmandated activities have been canceled, and a freeze has been placed on nonessential professional development, nonessential hiring and supplies.

The district has also frozen payments to the state, saving \$5 million, and frozen payments to charter schools, saving \$796,000.

"We're fiscally healthy and prudent as a school district," Harner said. "We did not generate this problem."