



A Report to the School District of Lancaster

March 31, 2026

Executive Summary

Observations

This report highlights that from 2018-19 through 2020-21 School District of Lancaster operations were roughly balanced (expenditures equaled revenues). However, starting in 2020-21, expenditure growth outpaced revenues, a trend masked by federal ESSER funds as well increased rates of gross and net expenditure increases. The trend of routine fund balance use was well established by 2023-24, with continued and increased reliance on fund balance to cover budget gaps. The end of ESSER funding in 2024-25, along with rising inflationary pressures, salary and healthcare increases, and infrastructure costs, have increased the scope of the district's financial challenges.

The 2024-25 budget operation was further complicated by the loss of two key business office staff in 2024, which likely delayed earlier comprehension of the scope of the deficit and mitigation of the built-in structural deficit. A software/budget projection error, a review of which was a catalyst of this consulting study, underestimated salary expenditures in the 2024-25 budget, missing an opportunity for earlier corrective action of the larger structural budgetary issues. The 2025-26 fiscal year has required the district to initiate in-year budget reductions, one time moves, and tax adjustments. Sustained effort over multiple years will be necessary to realign expenditures with revenues.

It will be critical for the district to continue to monitor and adjust budgets in an ongoing process within future operational years to leverage opportunities to balance its expenditures and expenditure growth to available revenue. The thoughtful consideration of future year state funding uncertainties, local revenue constraints, and unabated expenditure pressures will require vigilance and sustained effort. Prioritizing sustainable programs and resource allocations aligned with the district's mission is essential for student program continuity and long-term financial stability.

Revenue Summary

Review of major state subsidies and local revenue sources were conducted to contextualize the School District of Lancaster's revenue growth and challenges. The three primary state funding buckets targeted to operations and programming are Basic Education Funding (BEF), Special Education Funding (SEF), and the Ready to Learn (RTL) Block Grant.

From 2014-15 to the proposed 2026-27 state budget, these subsidies increased for the district by \$42.7 million, jumping from \$64.7 million in 2014-15 to \$107.3 million as proposed in 2026-27. The state's proposed budget for 2026-27 would direct a \$4.457 million increase in these subsidies to the district, however, future increases beyond 2026-27 are fully anticipated to be constrained by Pennsylvania's own multi-billion-dollar structural deficit.

Special Education Funding presents a particular challenge for the district. Although special education expenditures increased substantially, state SEF subsidies have not kept pace, resulting in the school district footing \$13.6 million in increased special education costs over seven years (above the additional state SEF), with \$11.8 million of that total cost occurring since 2020-21. The 2024-25 audit

reflects a \$4.3 million increase in net local special education costs, which nearly offsets the entire state SEF subsidy increase for that year. This cost shift is a significant driver of the district's financial strain. The district cannot raise local taxes to cover special education costs beyond the Act 1 index cap because, as an Adequacy district, they are statutorily barred from applying for Act 1 exceptions. Other net state subsidies, including Social Security and employee retirement, have also increased the share of their related expenditures being paid for by the district by \$1 million and \$5.8 million, respectively, since 2020-21, adding to expenditure pressures.

Local revenues, primarily property and wage taxes, constitute about 85% of total local revenue. The district experienced a year-over-year reduction in local revenue in 2024-25, compounding the revenue/expenditure mismatch in that year.

Expenditure Summary

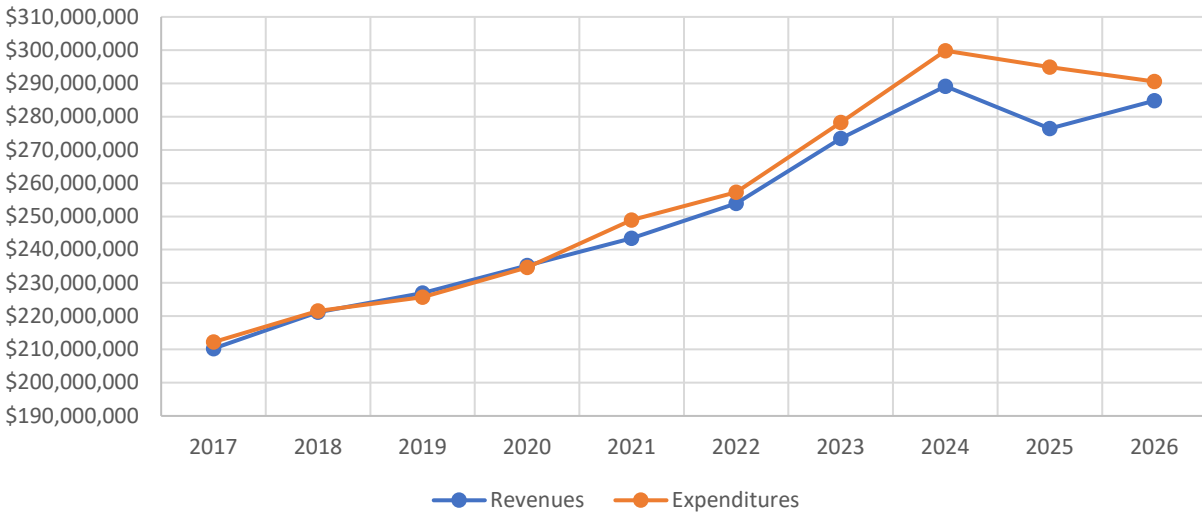
In addition to the significant increase in special education costs noted above, the district experienced historic salary and healthcare cost increases in 2023-24 and again in 2024-25, with healthcare costs alone rising by an estimated \$3 million annually over each of the past three years. Healthcare cost trends are projected to remain high, exceeding 7% annually. These cost increases outpace local and state revenue growth, contributing to the widening budget gap. The salary and healthcare cost growth, now built-in, will require the cost-to-carry increase to substantially carve into any future local or state revenue growth.

A cumulative review of revenues versus expenditures over the past decade shows a growing deficit, with modeling indicating that achieving a balanced general fund could take four to five years under modest assumptions. More aggressive expenditure mitigation could rebalance the general fund by 2028; internal service fund deficits may require additional time.

Year	Revenues	Expenditures	Revenue Minus Expenditures	Cumulative Variances over time
2017	\$210,259,827	\$212,198,631	-\$1,938,804	-\$1,938,804
2018	\$221,173,713	\$221,538,159	-\$364,446	-\$2,303,250
2019	\$226,953,480	\$225,690,884	\$1,262,596	-\$1,040,654
2020	\$235,275,934	\$234,653,960	\$621,974	-\$418,680
2021	\$243,404,931	\$248,940,796	-\$5,535,865	-\$5,954,545
2022	\$253,858,178	\$257,225,272	-\$3,367,094	-\$9,321,639
2023	\$273,446,802	\$278,289,692	-\$4,842,890	-\$14,164,529
2024	\$289,153,700	\$299,833,600	-\$10,679,900	-\$24,844,429
2025	\$276,377,172	\$294,913,308	-\$18,536,136	-\$43,380,565
2026	\$284,762,776	\$290,594,520	-\$5,831,744	-\$49,212,309

Source: PDE AFR data, audited 2024-25 data, and school district estimates for 2025-26.

Revenues Minus Expenditures



Source: PDE AFR data, audited 2024-25 data, and school district estimates for 2025-26.

The software/budget projection error tied to the shorting of the 2024-25 budget is unfortunate, and it created a missed opportunity to take deeper preventive and actionable steps ahead of and within 2025-26, if not even within 2024-25 itself to address expenditure growth. To be clear, the software/budget projection error did not cause the mismatch in actual ending expenditures versus revenues: those were already built in.

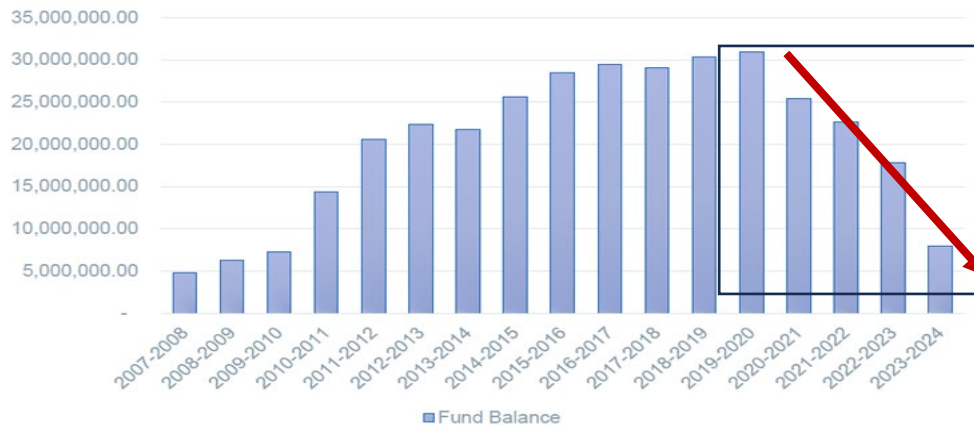
Arguably and forensically, this review strongly suggests the 2023-24 resulting fund balance decline and internal fund stress indicated an urgent need for deeper corrective action in the 2024-25 budget year. That correction did not occur.

For additional context, nearly \$70 million in ESSER funding was layered into district operational finances over a five-year period, even as fund balance was being utilized. The largest portion of this ESSER funding (ESSER III at \$42.3 million) would have been concentrated in the 2024 calendar year impacting both 2023-24 and 2024-25 fiscal years. Approximately \$20 million of total ESSER funds were allocated to project-based (capital) district needs, and the remaining \$50 million was then designated to an untraceable mix of added new programs and/or offsets to existing district programming as eligible under federal ESSER rules.

Within the review, there are clearly many complex factors in play behind many numbers. The dominating overall record is that operational revenues simply have not kept pace with operational expenditure over a period of five years. The rate of that mismatch compounds in the last two fiscal years even as several mitigating one-time fiscal strategies are employed, and they are outweighed by cost pressures for salary, healthcare, special education, and charter school tuition.

The fund balance history visual below is from the district’s own 2023-24 audit report, with an inset added for emphasis. This visual highlights the downward trend of fund balance—signifying its rapid depletion beginning in 2020-21. Fund balance use as outlined in the 2024-25 audit fits the same established downward trend and the weight of the built-in general fund operational expenditure and revenue structural deficit. At the end of 2023-24 and at the starting position for 2024-25, it would be very difficult to alter or bend that established trend line in one fiscal year.

June 30, 2024



Source: Board presentation of the 2023-24 audit by the auditors (shared in PowerPoint). Box and trend line added for emphasis in this report.

Thoughtful and diligent evaluation to right-size costs and to define revenue enhancements will need to be ongoing and adjusted every year, within every year, and for each future year’s budget planning purposes. The district has a deep base of staff talent, student programs, community and parental support, and innovative and creative programs to help prioritize areas of greatest need and to minimize impact.

For the district, the local Lancaster County economy and related factors remain strong, and a solid baseline of natural growth would be expected, if not reduced in pace from the recent era. It is from that base and natural growth that applied effort over time will be needed to align expenditures and revenues in balance. The journey will not be without thoughtful and difficult decision-making for priority program allocations over several years. Targeted resource allocations of district resources will serve to focus discernment of the district’s mission based on student priorities and leadership direction.

The federal ESSER funds were a massive one-time federal effort to help districts provide/maintain additional student services and programs driven from economic and

pandemic impacts. Winnowing student programs deemed most valuable and effective from these lifted and higher funding levels can serve to prioritize resource allocations.

Part 1: Review of Software/Budget Projection Error

Overview

On-site and virtual discussions were conducted to better understand the software/budget projection error and the context surrounding the absence of 83 positions. The misalignment of a forward year payroll/benefit projection to actual payroll and benefit spending occurred in the 2024-25 fiscal year along with other converging factors. Efforts to identify issues, understand timelines, and introduce recommendations were extensive. In listed format, the findings, observations, and recommendations to improve systems and procedures follow below.

Multiple in-person and virtual interviews with selected district staff, auditors, and board members.

Data, Work Product, and Sources Reviewed:

- Software projection system (see Appendix)
- Multiple District data sources and presentations over multiple years (See Appendix)
- Review and compilation of district audits and Comprehensive Annual Financial Reports (2018 to present)
- Review and analytics with multi-year Pennsylvania Department of Education (PDE) data, including Annual Financial Report data for revenues, expenditures, funds, and fund balances.

Findings and Observations

The following findings and observations came from data and work product review and from interviews with individuals noted above:

1. The software issue as reviewed is tied to a specific module in the MUNIS software, primarily used for position control, but also used for forward year projections by way of advancing query to forward year or years.
2. That module (and data in it) are added and controlled primarily by the Human Resource (HR) Department, which utilizes that module for position control and entry of new employees for payroll access to process from.
3. The module contains base salary information as well as future salary steps and potential column adjustments. This information will cross calendars of future years of collective bargaining contracts in accordance with the collective bargaining agreement (i.e. salary schedules as per contract in out years).
4. The module can be queried to roll-over positions to the next step or column and will incorporate benefit assignments (and estimated cost allocations or increments) that are also aligned from staff benefit selections; and then project that information to a future year's budget.
5. As understood and reviewed, this module was routinely used only two to three times per year for budget projection purposes of the forward budget build time frame. It is not a user-friendly dashboard type application; it is robust in its data capture and selections process (see also standard operating procedure listing (SOP) in Appendix). It is also dependent on the accuracy of the positions entered, and when data are updated or posted compared to the time of projection.
6. The module's projection component and its use is outside and apart from actual payroll and general ledger cost allocations that show up in monthly expenditures and treasurer reports. The projection component sits entirely outside of current and actual payroll activity.
7. From review and discussion with staff, it appears the software issue (83 dropped positions in the module) occurred sometime between December of 2023 through late March/early April 2024. The projection was utilized in setting salary and benefits numbers for the 2024-25 budget. The district payroll covers approximately 1,600 people—and the projections would have included raises pursuant to collective bargaining contracts and related retirement, healthcare, and other benefits costs.
8. District staff recall using the projection module at least twice in this cycle.
9. Two business office staff involved in budget development during this timeframe subsequently left the district shortly after the 2024-25 budget was set.
10. The apparent "system dropping" of 83 employee positions occurred only on the projection component, which then shorted the budget number allocated.
11. District staff were able to discern that these 83 positions were correlated to staff members eligible for salary advancements (advancing across salary columns) occurring in the fiscal year.

12. Employee salary movement would have been manually adjusted by payroll (pursuant to the collective bargaining agreement) to affect their salary increase in conjunction with lane movement--nothing in the projection module would have impacted that.
13. Payroll (meaning actuals being paid) was not impacted as all employees were being paid as required and according to the collective bargaining agreement or policy. In this review, it is observed that monthly payroll reconciliations of both cash and general ledger expense accounts were occurring timely.
14. The general ledger (and treasurers report on expenditures and payroll hitting the general ledger and bank account) was not impacted. All indications (inclusive of monthly reconciliations, internal accounting, and work paper trails translating to the final audits are that payroll costs accurately rolled into expenditures and/or into proper withholding accounts.
15. District monthly/quarterly cash reconciliation and accounting work were (and are in this review) completed timely. Office work to account for distributions for liabilities for pensions, IRS (941s), DOR, local taxes, and payroll withholding indicate timely action.
16. While the monthly reconciliation processes are being completed regularly, it was observed that there are indications that staff time is limited to get out beyond operational work tasks. Time and capacity to move out from internal tasks and month-end reconciliation process is limited.
17. Staff discussions and work product observed clearly indicates that employees have the skill sets to perform the complex work, however, it is observed that there are few written procedures to point to for specific tasks assigned, for the actual responsibilities, and to be used to assist with training/cross training as needed.
18. The district did submit a review to MUNIS for help to back track what may have triggered the issue. Review of the MUNIS ticket submissions post-discovery (current fiscal year) indicated that the incident was too far back for MUNIS to pull data for review. MUNIS' response indicated possible calendar issues (i.e. moving back forth to/from current year to forward years). Which seems probable; however, it is unknown if that was a root cause and MUNIS cannot track that event that far back. Calendar changes in the projection module (by moving to the new current fiscal year) would reset the data.
19. The issue with the MUNIS module does not appear replicable, and while we can make assumptions about what could have occurred, there is simply no definitive way to know what happened with certainty.
20. Budget presentations on record for several fiscal years clearly indicate fiscal stress (reoccurring starting budget deficit positions) as early as 2022-23, and on into 2023, 2024, and 2025.

21. The 2024-25 budget shortage error may have served to indicate that there was more time to act, but at the levels of budget stress, the budget shortage error did not necessarily alter built-in multi-year trend of revenue and expenditure mismatch.
22. The use of the MUNIS projection module in the manner utilized, from discussion and review, appears to be historical and typical of the district approach for the nearly nine years that they had the software. It apparently worked and served satisfactory during past years. It can only be surmised that its use may have been complimented with more experienced staff.
23. Further compounding the 2024-25 budget projection shortage, there was an established district budget practice to discount the salary projections, as history suggested not all positions got filled, and they typically underspent the full salary projection. For 2024-25, that discount was significant on top of the shortage and compounded it.
24. For this review actual audit data was aligned over time, and for 2024-25 any history of underspending the salary did not hold true as the most recent salary increase trends exceeded actual total annual salary increase norms by significant margins (See salary object code year over year table in Part 2).
25. It is deemed the reliance on the projection module, primarily as a standalone component, was inherently inviting risk. Such projections generally require several correlated data sets used in unison to cross-reference, validate, and systematically drive down output variance.
26. There is no evidence that a robust system to reconcile and triangulate projections was in use. Utilization of actual historical and actual current expenditures against current budgeted data and forward projections, on an ongoing basis, are required. Projections from the stand-alone module by itself introduces too much variability.
27. As observed, the gap in the budget process was that without a strong methodology to triangulate robust expenditure and revenues data sets for current year and forward year projections---it allowed for the gap to remain unrecognized. Staff changes/resignations during the timeframe served to add to that gap along with salary and benefit cost increase rate of growth.
28. Budget presentations in earlier years from staff (who left the district in 2024) indicated communication of fiscal stress, along with recognition of potential ESSER cliff issues.
29. In the audit review record, total spending in the district has a multi-year history of exceeding the budgeted amount (at least in total) as well as expenditures exceeding revenues. To the degree such trends are inclusive of ESSER funds served to mask operating expenditure and revenue mismatch accruing over time.

30. Current staff's presentations during 2025-26 preliminary budget work (spring of 2025) show deficit awareness and indicate awareness of action needed; however, even given that, it is not apparent there was awareness of how deep the 2024-25 deficit position was. Fund balance trends from the prior four years were already in evidence.
31. Without an ongoing system of triangulating data sets for all three fiscal years (prior, current, and projected), several critical issues in 2024-25 were not picked up for deeper influence in building the 2025-26 budget. Arguably, there was sufficient information in the record from 2023-24, if not even in 2022-23, to warrant corrective measures.
32. The 2025-26 budget process indicated retraction needs and presented options and alternatives inclusive of revenue lift; that message was likely mitigated by the fully unrealized 2024-25 position.
33. From actual historical data reviews, the 2024-25 salary and healthcare increases were at historic levels, meanwhile, there was an actual local revenue retraction (versus the prior year) along with all cost to carry and inflationized cost increases.
34. As the year 2024-25 came to a close, current staff spent the summer of 2025 closing out one year and opening the new. The year 2025-26 included many budgetary actions that needed to be implemented as well as several facility projects that were in full summer mode.
35. By late August of 2025, the late state budget was not resolved, and all hands were on deck to handle daily cash flow needs (which bills to pay and when) and arranging to set up lines of credit as needed.
36. By late fall 2025, staff discussion indicates that they were now aware of a mismatch in the 2024-25 budget to salary expenditure data. This was discovered as information was being prepared for the auditor and work was being done to check and re-check closing entries, accruals, and related accounting to try to sort it out. From there, the information went to the auditor, and the auditor was behind their schedule.
37. Nearly all the district budget presentations post-COVID indicate starting points of ever-growing significant deficits; actual fund balance use trends in the actual record indicate fiscal stress and trending at an increased pace.
38. Many actions taken to mitigate the year-end deficits were one-time structural moves as well as actual data show churning actively in the lessor share (total expenditures year over year change) accounts. Capacity for reduction therein may be relatively low.
39. The expiration of the ESSER funds in 2024-25 ended the ability to leverage those resources as significant pieces had become embedded in the budget. To the degree supplanted portions of those funds were transferred to capital, they also showed up as an expenditure in the general fund compounding spend.

40. The district's audit firm and internal accounting process remain consistent across the timelines and in all years as observed. It also remained consistent in reporting clarity and sunshine.
41. There is no evidence based on review that the software/budget projection error impacted on any actual financial data reporting, or that the projection error was in any manner intentional by current or past staff. It is observed that that it is likely, but with no certainty, that the missed projection would have been surfaced earlier without the business office staffing changes.
42. It is important to note that district records as requested and reviewed were delivered timely and found to be well maintained, compiled, and filed. AFR and PDE posted files were complete for the most recent years and timely filed.

Other Observations

The Software Issue

- a) As a "glitch", it is simply unknown at this level of review whether it is replicable or not in all permutations and situations, even as apparently it is not an issue currently. Responses from MUNIS, while understandable from a module perspective (in which they do not control keyed data), were somewhat lacking in terms of their expressed interest to identify the likely possibility of the trigger.
- b) It is unknown if any other MUNIS projection module users experienced similar issues.
- c) As noted above, according to MUNIS' response, the issue most likely had something to do with system calendar tie-ins and the salary crosswalk. It does make sense in that projections have to cross fiscal years with entered projected data. Additionally, the fact that the issue was reset following the change in the new fiscal year, also points to this possibility.
- d) Liability-wise, MUNIS software contract language liability challenges would not appear to be a viable path, with costs far exceeding the value of potential outcomes as well as vendor favorable contract terms.

The Budget Projection Issue

- a) Primarily, the issue here is not the module use, it was the implied trust placed on this standalone projection component without an apparent robust cross-check system in play. The single year software issue was not a root cause creating a deficit situation. It did have a part in any portions attributed to it for cause of delay of action to mitigate expenditures and adjusting them to actual revenue.
- b) That assumes such actions if called out would have been implemented; and as noted those actions had evidence for action in record for earlier fiscal years.

- c) The timelines have been outlined earlier, and we find no reason to doubt them. However, the largest gap was the discovery issue timeframe versus the actual software “glitch”. This multi-month period corresponds to key staff departures, over-reliance on a single module, no detailed cross-check system in place, a past history of budget overages and expenditure exceeding revenues, and a myriad of other converging revenue and expenditure events.
- d) Staff appear (for 2024-25) to have been following routine processes and doing what had always been done, which with key staff losses means doing so without knowing what they did not know, or knowing what the prior staff knew or would have more readily recognized.
- e) It is possible prior district staff did routine cross checks on projections on their own or in their own way, whether it was routine or driven from sense of experienced need and knowledge. However, multi-year fund balance drawdowns (expenditures greater than revenues) occurred over several years with prior staff. It is clear in the record from budget presentations reflecting this fiscal stress that prior staff were aware of needed trend correction; however, again the scope was not yet in record until 2023-24 was finalized and rolled into 2024-25.
- f) Regardless, implied trust in the projection for 2024-25 created a wider possibility of error, especially in environments of greater volatility and converging factors that all converged.
- g) As district staff worked through mandated ESSER timelines, the allocation of each tranche’s complex spending and reporting rules appear timely in the required state reporting. The various layers of the funds accounting work included the federal monitoring (compliance) process as well. Staff time to address the added accounting and reporting needs related to ESSER was definitely impacted. To what degree it was impacted, based on other needs in the business office, it is hard to discern; it is highly probable it had impact as the largest amount of ESSER closed out in 2024-25.
- h) Current staff have already begun implementing the recommendation to build a process with a multi-year lens and define a budget projection monitoring approach. These efforts are being supported by the Frontline system and various data sets.
- i) This process is dependent on the monthly reconciliation processes, underscoring the need for written procedures to define work and tasks needed.
- j) Budget projections by nature require assumptions. Projecting multiple months ahead can be volatile, so it must be ongoing to re-assess and narrow variability as information improves. Inclusive of the many assumptions required, salary variability in the district can be significant as can benefit costs. Special attention and review are required here since this represents the largest spending block in the budget. That variability will be revealed in month-to-month updates and informed by prior years, prior months, and

current year to date actuals as year-end approaches. It is a regression to a mean process to achieve minimum variance from estimated.

School District of Lancaster Staff

- a) Staff were found to be open and forthright in this review; they were responsive to requests and questions, and it is obvious they face embarrassment to be caught up in all of this. There is a struggle with their own morale as this incident plays out.
- b) Through this review and work, it is observed that staff readily see the missing links in prior projection processes and have rapidly moved to close gaps for projections and cross-validations.
- c) It is also clear that their depth of district history, skill sets, and understanding of the district operations and connections provides them with deep insights to assist with efforts to address financial imbalances.
- d) The staff we interacted with, as well as the work product evidence from the office staff in general, show that skill levels are at levels that would be desired. The school district's level of complexity as an urban district with wide and varied student offerings and needs requires significant applied leadership in managing scarce financial resources. That also requires an elevated level of skills and purposeful staff capacity to provide time to lead and redirect as things change.
- e) Looking ahead within the business office, it is likely turnover will occur as well as current leadership staff struggle (timewise) to get their heads up to look ahead.
- f) Planning ahead is required to both increase capacity of at least the leadership team as well as begin transition training for potential staff turnover. It can take three or more years to achieve core competency for many of these positions, and that assumes you can hang on to that staff during the three-year period
- g) District accounting staff and work product have met the high standards of the ASBO International and GFOA reporting formats and disclosures rules for Comprehensive Annual Financial Reports. There are fewer than 15 districts in Pennsylvania that apply for and subject themselves to this review to achieve these standards. It is an added validation for underlying work of the accounting record reporting meeting rigorous and sunshined standards.

Recommendations

Financial Position

- a) A great deal of time was invested to review prior annual audits, state posted annual financial reporting and running analytics to better understand the situation at play with

2024-25 and 2025-26. This multi-year review served to provide a preferred lens on reported financial data independent of any district record, and it produced other concerning findings that are included in other components of this report.

- b) At key budget levels, the recommendation is to tighten procedure on budget transfer policy and to mitigate routine budget overspends. Regardless of budget line items, if revenues are not keeping pace, spending on the budget or in a department budget may need to be adjusted accordingly. A flexible process with leadership discernment will be needed and that can go a long way to make sure priorities and needs across the entire district are factored in and applied within limited resources.
- c) Care needs to be employed so that overreach (lower-level budget control) does not needlessly cause delays and too much staff time. It may also require setting up reserves outside of departmental budgets for improved budget control and expenditure request alignment to district curriculum, student programs, and overarching district priorities.
- d) A review of current board policy and how best to engage a process/procedure to follow policy intent and to reveal budgetary trip wires is essential to ensure that future fiscal years mitigate the scope of the financial challenges instead of continuing the current trends.

Budget Control and Budgetary Transfer Control

- a) Review of board policy to ensure all staff and departments are on the same page and that procedures are in place to provide for both control and procurement of services and supply.
- b) Implementation processes and procedures that identify budgetary transfer needs earlier in the process (especially at scope limits) will allow time to work with departmental needs to prioritize resources needed.
- c) Development and utilization of some reserve account flexibility in the general fund with administrative leadership priority are recommended.
- d) Most importantly, immediate and ongoing engagement in a multi-year effort at the cabinet/board level to address and right-size the budget to ensure that the budget can return to a balanced position. This must be an overarching approach cognizant of the primary objective to balance right sizing with prioritized student programming needs. It must also remain supported with ongoing follow-up information that can provide feedback with adjustments along the pathway.
 - a. Current modeling strongly suggests this may take at least three years or more to level out. The need is to work the district back to a level, and ideally a positive fund balance three or four years out. At a minimum, the direction must be turned from current trend (i.e. greater deficits) and leverage opportunities as presented.

Position Controls and Budget

- a) Human Resource and Business Office coordination:
 - a. Simple but standardized efforts at communications for staffing and staffing levels must be implemented.
 - b. Coordinated deadlines and timeframes for updated data inputs in the HR system and for any projections needs must be established.
 - c. Standardized board hiring procedures (i.e. what is brought to the board for approval) for post budget adoption hires and staff adds must be developed and implemented.
- b) New positions entered after the budget is finalized may require resource allocation from other areas of the budget. There must be clarity to define how this will occur, when this will occur, and how to include the actual budget transfer reallocation at hire. This should include newly awarded grants or entitlements, etc. that may occur in be in receipt after budget adoption.

Written Procedures in the Business Office (May Include HR):

- a) While the review shows these processes happening with regularity, the procedures are required for monthly reconciliations across AP, payroll, cash, and the general ledger. Accurate results here are required for forward projection accuracy. These procedures are also essential in cross-training, training, and on-boarding staff, as well as for identifying process improvements and efficiencies.
- b) Procedures must include how the data is to be used and reported and for what purpose across the department for greater insight into recognizing anomalies and needed corrections early on.
- c) Procedure to define how data get used for improved projection accuracy requires a consistent process and procedure that feeds it and it is informed by relevant data sets.
- d) While not doing a deep dive here, it understood that HR office administrative roles define who has access to the various modules of HR data, including the projection model. That procedure and specific responsibility tiers should be defined to determine who may have access to which module and at which level (i.e. or no access, change and edit, or read only), and when.
- e) Work with MUNIS to understand their internal process for tracking edits to the projection module should be completed inclusive of HR department training and position control

Budget Projections and Triangulation

This is defined as the specific use of:

- Historic actual revenues and expenditures; plus
- Actual similar current year-to-date data; plus
- Current year budgeted back-up data

All of the above is leveraged and used to cross-reference current budgeted fiscal year estimates as well as inform forward year budget build. This is an overarching and discerning process, accounting for all known activities that can be applied for improved understanding.

- The preferred projection format is at the object (accounting) level with underlying function and sub function detail. The sub function detail will be used to expose and inform anomalies as early as possible. The object format focuses review at the salary and benefit level which drives 65% to 70% of the budget.
- Variability in actual salary changes and healthcare costs are to be reflected in ongoing updated iterations to inform along the way. As payroll counts narrow, the variability will narrow as well.
- Projection processes should include multi-year views to provide context and provide reasonable tests to trends for any forward year budget work.
- Position control coordination with HR will assist in providing greater accuracy with newly added staffing or changes in staffing. This should include collective bargaining agreement compliance coordination with contracted versus salary substitute transitions as well as other salary related collective bargaining agreement obligations.
- A cost and expense history of specific collective bargaining agreement-related articles (i.e. articles in the contract) and their costs should be developed and maintained. The larger cost collective bargaining agreement areas and articles should have their own budget impact tracking.

Business Office Leadership Staff

As currently structured the CFO has little time to focus on looking ahead and analyzing operational results for corrections and recommendations to leadership. There appears to be little back up or cross-training in place for the position and the layered cross-sectioned job responsibilities. Workload pressures from operations or finance basically force workload priorities to do one or the other, with one then being differed, or delayed, or possibly dropped.

- Review and define with internal staff and HR leadership which key CFO position responsibilities provide the most value for achieving long-term financial stability of the district, and how best to support that with properly vetted skilled staffing to provide capacity.
 - Consider at least one FTE of a higher skill set to deepen capacity for financial leadership efforts with the board and superintendent as decisions are made.

Whether to split tasks with operations or not, the cross-training and internal operations support with the challenges that are faced will require dedicated time for effective implementations moving forward.

- b) Potential staff turnover in the next two-three years (particularly at the accounting or payroll levels) exists with service time, skill sets, and years served. Written procedures can leverage cross training and consideration for overlap adds as these jobs require two-three years to onboard to competency.

Part 2: School District of Lancaster Financial Challenges

Review and Background

To achieve validation of the observed issues outlined by the board of directors, and to complete the key service objectives for this consultation required conducting a multi-year background review of the district's financial picture leading up to the current point in time.

The final 2024-25 audit (as drafted) remains a clear focal point, especially since general fund reserves ended in a significant deficit position; however, the patterns and trends over time serve to inform the larger picture of the district’s financial challenges. The implementation of any comprehensive remedy to overcome the financial challenges faced by the district must be informed by the scope of the starting point and require sustained effort to ensure a path to stabilization. That path requires forward-year estimates of potential and probable revenue increases and constant monitoring for adjustment in mitigation of expenditure trends.

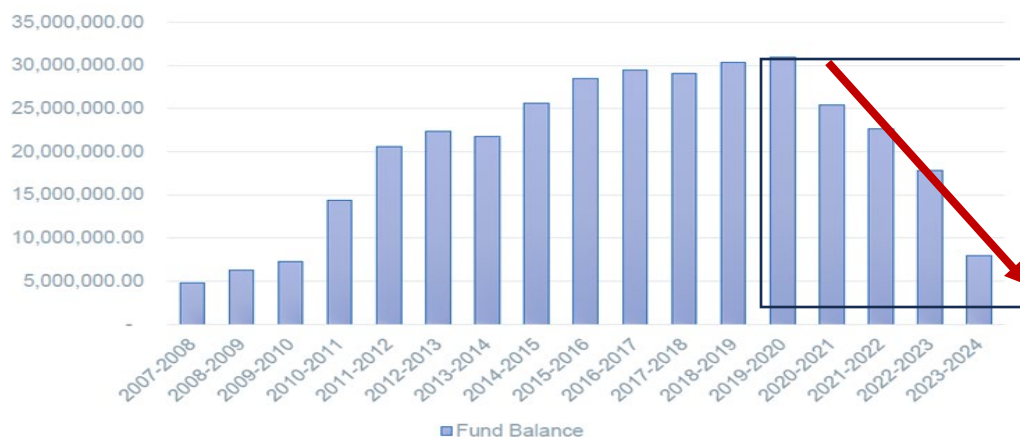
To address the consultation objectives, this review encompassed hundreds of documents inclusive of prior year audits, school board finance and budget presentations, Annual Financial Reports (AFRs), and historical financial data publicly available on the Pennsylvania Department of Education’s (PDE) website.

As the consultation started, it quickly became clear that the scope and trend of mismatch between district expenditures and revenues in operations overwhelm any single year projection error.

The ending general fund balance moved to a significant negative position for the fiscal year 2024-25. That ending result was completely aligned to the trend of the previous four years. Additionally, in 2023-24, the district’s internal service fund ended in a deficit position, adding more pressure to the general fund heading into 2024-25.

The fund balance history visual presented below is from the district’s 2023-24 audit report, with an inset added for emphasis. This visual reflects the impact of the use of fund balance and the resulting downward trend each year as fund balance was being depleted, beginning in 2020-21.

June 30, 2024



Source: Board presentation of the 2023-24 audit by the auditors (shared in PowerPoint). Box and trend line added for emphasis in this report.

The fund balance and its use at the 2024-25 audit fits the four-year established trend, strongly suggesting a built-in general fund operational expenditure and revenue mismatch over several years. At the end of 2023-24, without significant intercession to arrest that trend for the 2024-25 fiscal year, it would have been very difficult to alter the trended path.

Compounding the trend, there were historical total compensation increases for employees in the 2023-24 fiscal year. Those costs had to be carried into the 2024-25 budget even as a similar increase was added in 2024-25. From this lens, the 2023-24 historical total compensation increases were most likely not fully allowed for in the 2024-25 budget, and the software/budget projection error in the 2024-25 budget widened the gap.

The annual fund balance drawn down over each of the five-year periods occurs concomitantly with the infusion of three major tranches of federal ESSER funding totaling approximately \$70 million dollars.

Within the review, there are clearly many complex factors at play behind many numbers. The overall record is that operational revenues simply have not kept pace with operational expenditures over a period of five years. The rate of the mismatch compounds in the last two fiscal years even as several mitigating one-time fiscal strategies are employed, and even as cost pressures for salary, healthcare, special education, and charter school tuition escalate.

Summary of School District Audits

Regarding the fund balance visual presented above, the period from 2007-08 to 2014-15 represents a post-Great Recession era and the district's rebuilding of reserves. The periods from 2014-15 to 2019-20 reflect a consistent and stable trend, which, from a school finance lens, indicates generally that operational expenditure equal revenue. This means that the operating fund is annually balanced between expenditure and revenue and allows the district's fund balance position to remain stable over time. This is the very definition of a balanced budget, and the district is undergirded with reserves to provide stability to the general fund.

It is not inconsequential that the 2020-21 and subsequent fund balance changes occur at the onset of and during the COVID era with clear national and local economic stressors. It was

during this time that significant additional federal ESSER funding was distributed to assist schools respond to and stabilize costs following the pandemic and its economic impacts.

While the review of prior year audits and related materials and presentations was extensive, the following timeline denotes selected year end audit summaries:

2018-19 Fiscal Year audit

- The general fund reported an **increase in fund balance of \$1.3 million**, bringing the cumulative fund balance to \$30.4 million
- Actual revenue and other financing sources were \$10.1 million more than budgeted amounts and actual expenditures and financing uses were \$6.4 million greater than budgeted for net-positive variance of \$3.7 million.

2019-20 Fiscal Year audit

- The general fund reported an **increase in fund balance of \$622 thousand**, bringing the cumulative fund balance to \$31.0 million.
- Actual revenues and other financing sources were \$9.7 more than budgeted amounts and actual expenditures and other financing uses were \$4.5 million more than budgeted amounts resulting in a net positive variance of \$5.2 million.

2020-21 Fiscal Year

- The general fund reported a **decrease in fund balance of \$5.5 million** bringing the cumulative balance to \$25.4 million.
- Actual revenues and other financing sources were \$18.4 million more than budgeted amounts and actual expenditures and other financing uses were \$16.0 more than budgeted amounts with a positive variance of \$2.4 million. The district utilized \$7.9 million of fund balance to balance the 2020-21 budget.

2021-22 Fiscal Year

- The general fund reported a **decrease in fund balance of \$2.7 million**, bringing the cumulative balance to \$22.7 million.
- Actual revenues and other financing sources were \$8.3 million more than budgeted amounts and expenditures and other financing uses were \$7.5 million more than budgeted amount resulting in a net positive variance of \$790 thousand. The district utilized \$3.5 million of fund balance to balance the 2021-22 budget.

2022-23 Fiscal Year

- The general fund reported a **decrease in fund balance of \$4.8 million**, bringing the cumulative balance to \$17.9 million.
- Actual revenues and other financing sources were \$11.2 million more than budgeted amounts and expenditures and other financing uses were \$14.4 million more than budgeted amounts resulting in a net negative variance of \$3.2 million. The district allocated \$1.7 million of fund balance to balance the 2022-23 budget.

2023-24 Fiscal Year

- The general fund reported a **decrease in fund balance of \$9.9 million**, bringing the cumulative balance to \$8.0 million.
- Actual revenues and other financing sources were \$11.2 million more than budgeted amounts and expenditures and other financing uses were \$21.1 million more than budgeted amounts resulting in a net negative variance of \$9.9 million.

2024-25 Fiscal Year (CLA audit presentation January 2026)

- **Net change in fund balance is a negative \$17.6 million for an ending fund balance of negative \$9.64 million**
- From the CLA audit presentation (January 2025) Revenues are noted to have increased 16% in the most five-year period recently.
- Expenditures in total are noted to have increased 20% in the most five-year period recently.
- Special education expenditures have increased 31% in the most five-year recent period
- Healthcare expenses have increased 43% in the most recent five-year period.

Source: District MD&A comprehensive audit reports and/or audits for each fiscal year and selected consulting excerpts from audit summaries.

Budget to Actual Review

The district’s summarized fiscal year table aligns budgeted revenue and expenditures and ending audited actual revenue and expenditures. It provides perspective on the operating revenue and expenditures as well as “other financing uses” (debt and capital formation), which is often more variable and can contain one-time financing moves.

	Original Budget	Final Budget	Actual	Actual Variance w/ Final
2016-17				
Revenue	\$192,045,704	\$192,045,704	\$ 210,259,827	\$18,214,123

Expense	\$196,686,304	\$196,686,304	\$ 204,390,652	\$(7,704,348)
Other Financing Sources (Uses)	\$3,050,000	\$3,050,000	\$(4,860,658)	\$(7,910,658)
Totals	\$(1,590,600)	\$(1,590,600)	\$1,008,517	\$2,599,117
2017-18				
Revenue	\$205,141,266	\$ 205,141,266	\$215,743,336	\$10,602,070
Expense	\$207,319,211	\$ 207,319,211	\$213,397,614	\$(6,078,403)
Other Financing Sources (Uses)	\$(235,000)	\$(235,000)	\$(2,710,168)	\$(2,475,168)
Totals	\$(2,412,945)	\$(2,412,945)	\$(364,446)	\$2,048,499
2018-19				
Revenue	\$213,811,149	\$ 213,811,149	\$222,220,781	\$8,409,632
Expense	\$216,101,149	\$ 216,101,149	\$222,605,575	\$(6,504,426)
Other Financing Sources (Uses)	\$(135,000)	\$(135,000)	\$1,647,392	\$1,782,392
Totals	\$(2,425,000)	\$(2,425,000)	\$1,262,598	\$3,687,598
2019-20				
Revenue	\$222,780,298	\$222,780,298	\$229,304,917	\$6,524,619
Expense	\$227,061,774	\$227,061,774	\$231,876,275	\$(4,814,501)
Other Financing Sources (Uses)	\$(230,000)	\$(230,000)	\$3,193,333	\$3,423,333
Totals	\$(4,511,476)	\$(4,511,476)	\$621,975	\$5,133,451
2020-21				
Revenue	\$222,026,325	\$222,026,325	\$237,370,211	\$15,343,886
Expense	\$229,685,644	\$229,685,644	\$246,051,090	\$(16,365,446)
Other Financing Sources (Uses)	\$(265,000)	\$(265,000)	\$3,143,023	\$3,408,023
Totals	\$(7,924,319)	\$(7,924,319)	\$(5,537,856)	\$2,386,463
2021-22				
Revenue	\$243,359,221	\$243,359,221	\$250,545,219	\$7,185,998
Expense	\$246,579,466	\$246,579,466	\$251,973,123	\$(5,393,657)
Other Financing Sources (Uses)	\$(320,000)	\$(320,000)	\$(1,322,000)	\$(1,002,000)
Totals	\$(3,540,245)	\$(3,540,245)	\$(2,749,904)	\$790,341

	Original Budget	Final Budget	Actual	Actual Variance w/ Final
2022-23				
Revenue	\$257,915,327	\$257,915,327	\$267,911,977	\$9,996,650
Expense	\$260,709,700	\$260,709,700	\$262,488,792	\$(1,779,092)
Other Financing Sources (Uses)	\$1,140,000	\$1,140,000	\$(10,266,072)	\$(11,406,072)
Totals	\$(1,654,373)	\$(1,654,373)	\$(4,842,887)	\$(3,188,514)
2023-24				
Revenue	\$274,489,562	\$274,489,562	\$285,286,901	\$10,797,339
Expense	\$275,581,348	\$275,581,348	\$283,584,674	\$(8,003,326)

Other Financing Sources (Uses)	\$1,115,000	\$1,115,000	\$(11,602,897)	\$(12,717,897)
Totals	\$23,214	\$23,214	\$(9,900,670)	\$(9,923,884)
2024-25				
Revenue	\$272,680,424	\$272,680,424	\$276,377,172	\$3,696,748
Expense	\$275,590,334	\$275,590,334	\$294,913,308	\$(19,322,974)
Other Financing Sources (Uses)	\$610,000	\$610,000	\$937,053	\$327,053
Totals	\$(2,299,910)	\$(2,299,910)	\$(17,599,083)	\$(15,299,173)

Source: Compiled by Mr. Schenk (January 2026, district internal use)

At the summary level, the district has struggled to remain within budgeted expenditure allocations for nearly the entire period reviewed. The years listed capture pre- and post-COVID eras, the COVID onset era (through 2025), the entry of federal ESSER dollars, and pandemic economic impacts; they are all intertwined with cross-over fiscal year impact. While there are many reasons to be over or under a planned budget target, the multi-year history reflects both norms as well as cumulative impact over time.

The time summary table below examines two points in time to test for the mismatch between budgeted expenditures and revenues to actual expenditures and revenues at the selected two fiscal year end points. Budgeted positions align closely, with expenditures and revenues largely matching, while the actuals position reveals a wide variance. This simple test strongly suggests that budgets were chasing the actuals, which are finally known and posted nearly one full year after the budgets were set or formulated.

	Expense	Revenue
Budget 2024-25	\$275,590,334	\$272,680,424
Budget 2018-19	\$216,101,149	\$213,811,149
Budget Change	\$59,489,185	\$58,869,275
Percent Change	21.60%	21.60%
Actual Exp or Rev 2024-25	\$294,913,308	\$276,377,172
Actual Exp or Rev 2018-19	\$222,605,575	\$222,220,781
Actual Exp or Rev Change	\$72,307,733	\$54,156,391
Percent Change	32.50%	24.40%

		8.10%
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Source: Compiled by Mr. Schenk (January 2026, district internal use)

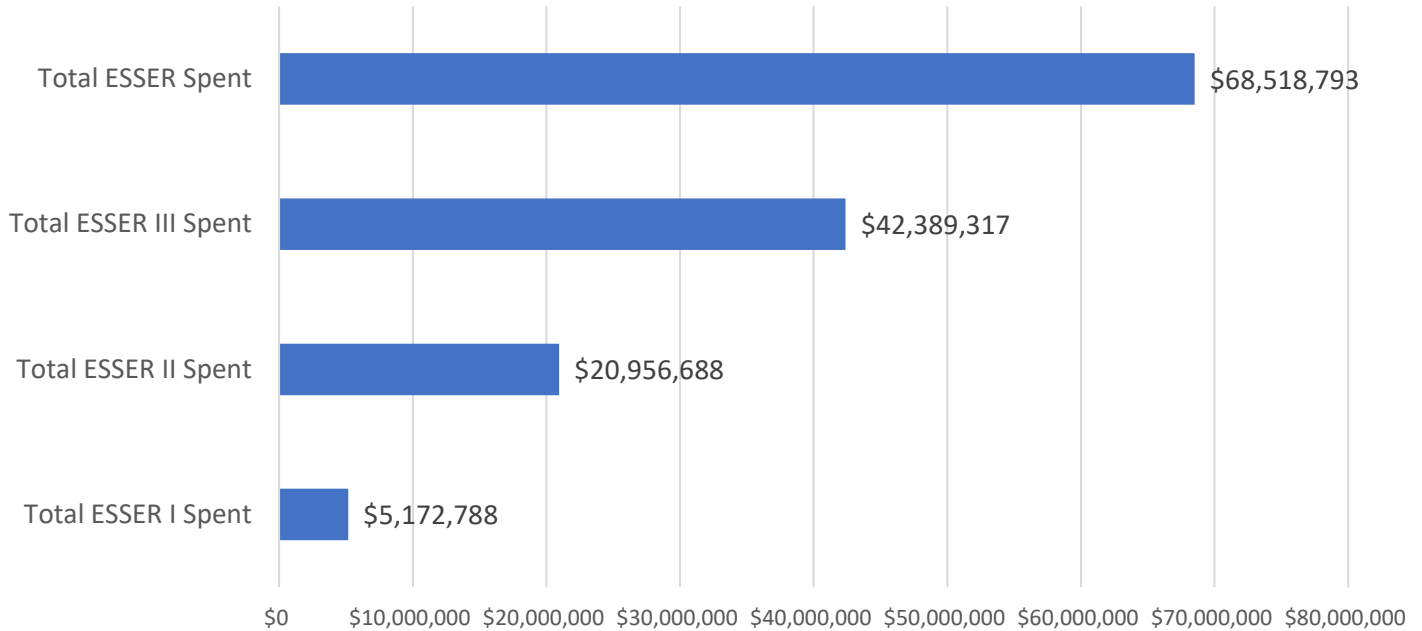
The five-year crush and deadline to spend all three federal ESSER fund tranches converged in 2024-25 at the same time of critical business office staff changes, healthcare cost increases approaching historical double-digit levels, local revenue year-over-year reductions, increased rate of salary increases, added charter school tuition costs, and special education programming and staffing additions.

Federal compliance and monitoring processes (for ESSERS obligations) required significant staff time and costs to adhere to the rules for spending, procurement and required reporting. The federal accounting rules along with state/federal monitoring processes are complex. All of this was occurring without two key business office staff members who left the district in August and December of 2024.

For additional context, the ESSER visual reflects the \$68.5 million in ESSER funding that was layered into district finances at various amounts over a five-year period, even as fund balance was being utilized. The largest portion of ESSER funds (ESSER III at \$42.3 million) would have been concentrated in the 2024 calendar year impacting both the 2023-24 and 2024-25 fiscal years.

Approximately \$20 million of total ESSER funds were allocated to project-based (capital) district needs, and the remaining \$50 million was then designated to a mix of added new programs or offsets to existing district programming as eligible under ESSER federal rules.

School District of Lancaster Total ESSER Allocations/Spends



Source: PDE AFR data and school district provided data.

Not just in the School District of Lancaster, but across the United States, the degree to which these funds were utilized to cover new costs, to cover existing programs, and to cover program expansion predates the scope of any potential funding cliff as the funds unwind and expire. Many districts allocated funding to current programs to provide program sustainability, as did the School District of Lancaster, in combination with other allocations. However, to the degree that was done, and done over multiple years and at what scope, it will mask annual carrying-cost growth in those programs compounded year-over-year. This is especially so if later ESSER fund tranches covered the same program allocation with higher costs annually throughout the period.

State and Local Revenues

To provide context, an overview of the major state subsidies and major local revenue was required and deemed to serve several purposes:

- While the federal ESSER dollars were temporary, most of the increased state dollars over the period are embedded in base allocations, so to what degree can we see additional revenue growth that grows the district baseline of revenue?
- What was the mix of the major state subsidies inclusive of state policy changes and major local revenues?

- From this historical lens, it is critical for projections moving forward to predict or project state and local baseline growth within reasonable corridors. It is readily expected that over the next several years (2027-28 and beyond) state funding will not be as robust as the recent past.
- To provide this context, we review only the major state revenue buckets. While the district receives significant reimbursement subsidies (transportation, employee retirement, Social Security), those revenues represent net costs to the district. Meaning, in a particular area, the district may spend \$3.00 and get \$1.50 back from the state. For example, while the state reimburses the district for a portion of the employee retirement cost, when the overall employee retirement cost increases even as the state subsidy increases, so too does the portion covered by the district. So, while such state revenue may increase, it is the net effect of the underlying expenditure that is more critical to understand than the associated state revenue growth.

State Revenue

We start with a brief look at the major subsidies for the 2026-27 governor’s proposed budget, look back at trends, and then place projected future funding in context for beyond 2026-27.

The district is proposed to receive an estimated \$4.457 million increase proposed for the 2026-27 budget year. This includes Basic Education Funding (BEF), Special Education Funding (SEF) and Ready to Learn (RTL) Block Grant funds as the major state funding buckets dedicated to operations and programming.

Every district has different shares of proposed increases in state subsidies based on formula mechanics and individual district data relevant to each individual state subsidy. District shares of state BEF and SEF change annually based on an array of annually updated district and student metrics. For the Ready to Learn Block Grant (also known as Adequacy), the share is fixed; that funding was set using 2021-22 fiscal year data, and it is locked in.

The table below lists the three major state subsidy distributions (BEF, SEF, RTL) to the School District of Lancaster and the history for each of those subsidies over time from 2014-15 through the 2024-25 audit. During the years listed, these major subsidies increased a total of \$42.7 million, from \$64.7 million in 2014-15 to the 2026-27 proposed \$107.3 million.

PDE AFR Source data (as of Feb 2026)	Total Basic Education Funding (with Soc Sec adjustments ⁰)	Total Special Education Funding	Ready to Learn Block Grant	Total Major State Subsidy
2014-15	\$53,818,358	\$9,026,129	\$1,842,552	\$64,687,039
2015-16	\$56,456,285	\$9,351,598	\$1,997,386	\$67,805,269
2016-17	\$59,909,534	\$9,716,132	\$2,700,330	\$72,325,996
2017-18	\$61,538,799	\$9,767,158	\$2,348,858	\$73,654,815
2018-19	\$62,626,412	\$9,958,080	\$2,348,858	\$74,933,350
2019-20	\$63,753,087	\$10,262,419	\$2,348,858	\$76,364,364
2020-21	\$63,752,278	\$10,455,347	\$2,348,858	\$76,556,483
2021-22	\$67,084,670	\$10,705,207	\$2,848,858	\$80,638,735
2022-23	\$69,252,398	\$11,674,278	\$2,348,858	\$83,275,534
2023-24	\$77,639,172	\$12,285,700	\$2,348,858	\$92,273,730
2024-25 Audit	\$79,505,919	\$12,761,005	\$5,880,688	\$98,147,612
2025-26 Est	\$80,329,486	\$13,157,477	\$9,412,321	\$102,899,284
2026-27 Budget	\$80,777,919	\$13,634,445	\$12,943,954	\$107,356,318

Source: PDE AFR files (downloaded February 26, 2026). Note that 2025-26 and 2026-27 are as estimated by PDE. Note: Due to state legislation for several years regarding how the state's Social Security reimbursement was classified, it requires adjustment to account for that.

The tables above and below incorporate a fourth invisible subsidy (Level-Up Funding in 2021-22 and 2022-23), which the district received for two fiscal years. PDE's historical reporting does not list those funding components separately on its website, as the funds were rolled in the district's BEF base.

The table below reflects the year-over-year changes in the distribution of these subsidies to the School District of Lancaster.

Year	BEF Changes with Level Up	SEF Changes	RTL Changes	Total Change in Major Subsidies
2015-16	\$2,637,927	\$325,469	\$154,834	\$3,118,230
2016-17	\$3,453,249	\$364,534	\$702,944	\$4,520,727
2017-18	\$1,629,265	\$51,026	-\$351,472	\$1,328,819
2018-19	\$1,087,613	\$190,922	\$0	\$1,278,535
2019-20	\$1,126,675	\$304,339	\$0	\$1,431,014
2020-21	-\$809	\$192,928	\$0	\$192,119
2021-22	\$3,332,392	\$249,860	\$500,000	\$4,082,252
2022-23	\$2,167,728	\$969,071	-\$500,000	\$2,636,799
2023-24	\$8,386,774	\$611,422	\$0	\$8,998,196
2024-25	\$1,866,747	\$475,305	\$3,531,830	\$5,873,882
2025-26	\$823,567	\$396,472	\$3,531,633	\$4,751,672
2026-27	\$448,433	\$476,968	\$3,531,633	\$4,457,034

Source: PDE AFR data and estimated subsidy distribution spreadsheets.

Post-COVID and post-school funding lawsuit, the state funding streams in Pennsylvania shifted to a lower priority (in terms of dollars allocated for increases) for the BEF and SEF funding buckets to greater allocations (of dollars) towards the new RTL Adequacy subsidy.

The prior period increases from 2014-15 to 2020-21 average annually by about 3.0%. Post COVID and post-school funding lawsuit, they average about 5.8%.

A district's share (of new subsidy increases) will increase or decrease year over year and across time in an upward to downward trend or even change alternately up and down. Multi-year revenue projections must have some awareness of these shares, shares trends, and state policy shifts in bucket allocations. With the caveat that the state budget is almost always finalized after-the-fact in any given year.

The current proposed (2026-27) shares for the School District of Lancaster are listed below for the proposed 2026-27 subsidies. The district's SEF share is the highest, and special education is a major cost driver for the district. However, the 2026-27 proposed state budget does not prioritize SEF increases to the degree the district is experiencing expenditure growth in this area. This means that while other funding buckets may provide additional dollars, many of those dollars are, in essence, already spent and effectively are used to backfill a major district cost driver. State policy on how funding buckets are prioritized matters.

Subsidy	Share
BEF Share (2026-27 proposed)	0.00837
SEF Share (2026-27 proposed)	0.00957
RTL Share (2026-27 proposed)	0.00663
Level Up Share (2022-23)	0.01686

Source: PDE proposed 2026-27 budget spreadsheets; 2022-23 AFR data. Note: Level Up is included only as comparison to the other subsidies. Level Up was discontinued in 2022-23.

With the 2026-27 state budget proposing a nearly \$4.5 million increase in these major state subsidies for the district, projections for 2027-28 and beyond may reasonably need to be tempered due to the state’s own structural budget deficit and to what degree can it sustain proposed increases. To be clear, actual state reduction of funding is not anticipated, however, annual increases at pre-COVID levels would not be out of a projected range given the state deficit situation. Where they allocate dollars will matter significantly for the School District of Lancaster.

The district’s BEF shares have fallen significantly over time, however they have stabilized in the past several years. The SEF shares are much more stable and exhibit much less variability. For district budgeting, projections (especially multi-year) must assume which bucket(s) the state will place new money and how much in each, as well as anticipating which way the district shares of those funds may trend. This is further complicated by the fact that in any current year the state rarely if ever has a final budget done before the district has to commit to its budget.

The recommended process is to get as close as possible given trended data for a June district budget passage, and then in early fall after the state budget finalization, reconcile budgeted with estimate state final, and adjust spending accordingly. Importantly, a shortage in revenues may require changes to expenditure expectations, which requires communication and understanding across departments and schools.

Overall, looking at 2027-28 and beyond, Pennsylvania is facing a \$6 to \$8 billion deficit of its own in the 2027 to 2029 timeframe. The state’s approach to its own deficit will impact school funding. Exactly in what manner and which subsidies are impacted and to what extent within each of the buckets, will all matter. Conservative assessments and adjustment reaction to each year’s final state budget will be required.

Assuming the pace and rate of the annual increases from the most recent era/period is most likely too aggressive as depicted below. Right-sizing district expenditures and revenues will require several years with constant and applied effort along with ongoing adaptation and adjustments as data better informs across many fronts (modeling strongly suggests at least three years depending on depth of expenditure mitigation).

Selected Net and Gross State Subsidy

Before leaving state subsidies completely, the following review looks at selected net and gross state subsidy share changes over time. Selected are special education, employee retirement, and Social Security.

Each of those specific programs has a net local cost that must be borne by the district. Much like so many expenditures, that local cost creeps upwards over time. Data sources for this net subsidy series are the PDE AFR data through 2023-24, with the district's 2024-25 preliminary audited data and 2025-26 district estimated data.

When aligning the special education instructional expenditures (the 1200 function) to the state SEF subsidy, the district's ratio of those expenditures to revenues was amazingly stable from 2018-19 through 2023-24, even as costs increased. Note, however, though the annual ratio remained relatively static and additional state SEF was added, it was not insignificant that overall, within just that time period, a \$6 million net dollar cost increase in expenditure was shifted to the district.

As we move to the 2024-25-year, significant emergent growth in special education instructional expenditures hit the 2024-25 fiscal year as highlighted in the 2024-25 audit.

The 2024-25 audit shows a significant net cost increase of \$4.3 million (see table below) in the net district share of special education expenditures. This single item is nearly the district's entire state subsidy increase for the year. The special education expenditure increases at current district projections, will add nearly an additional \$3.2 million in local costs for 2025-26.

Over a seven-year period, special education expenditure growth added a \$13.6 million additional burden to district costs, with \$11.8 million of that shift occurring just since 2020-21. While one aspect of this net cost shift is due to increased programming and the cost to carry of the baseline program, it is also due in large part to the small increases in state SEF, which forced more of the annual special education expenditure increases onto the district.

While the district's share of the new RTL dollars is relatively robust, by not recognizing special education as the cost driver that it is for the district, the district's RTL funding is greatly limited in use as funds are effectively spent on special education cost growth.

As the 2026-27 budget gets built, this trend must be addressed in terms of resource reallocation from other budget areas, new revenue estimates, and in the mitigation of expenditure growth.

Fiscal year	SEF	Special Education Instructional Expenditures	Net Special Education Cost to District	Local Share of Special Education Cost	Local Cost Increase	Percent Change in Local Cost
2018-19	\$9,958,080	\$32,988,555	\$23,030,475	69.8%		
2019-20	\$10,262,419	\$34,533,616	\$24,271,197	70.3%	\$1,240,722	5.4%
2020-21	\$10,455,347	\$35,302,164	\$24,846,817	70.4%	\$575,620	2.4%
2021-22	\$10,705,207	\$36,919,670	\$26,214,463	71.0%	\$1,367,646	5.5%
2022-23	\$11,674,278	\$39,811,128	\$28,136,850	70.7%	\$1,922,387	7.3%
2023-24	\$12,285,700	\$41,355,904	\$29,070,204	70.3%	\$933,354	3.3%
2024-25	\$12,994,917	\$46,417,573	\$33,422,656	72.0%	\$4,352,452	15.0%
2025-26 est.	\$13,180,658	\$49,816,282	\$36,635,624	73.5%	\$3,212,968	9.6%

Source: PDE AFR data, school district 2024-25 draft audited data, and school district 2025-26 estimates.

While minor comparatively, the state Social Security reimbursement remains stable regarding the local cost, however, as payroll grows, the local cost adds to the mix of overall expenditure growth as well. Over the same period noted above for special education, the net cost increase to the district from 2020-21 to estimated 2025-26 is \$1.0 million.

Fiscal year	Social Security Contributions	State Share of Social Security	Local Share of Social Security	Local Social Security Share Change
2018-19	\$6,500,878	\$4,182,032	\$2,318,846	
2019-20	\$6,689,840	\$4,360,226	\$2,329,614	\$10,768
2020-21	\$6,856,005	\$4,539,815	\$2,316,190	-\$13,424
2021-22	\$7,218,991	\$4,248,310	\$2,970,681	\$654,491
2022-23	\$7,441,258	\$4,614,611	\$2,826,647	-\$144,034
2023-24	\$7,918,607	\$4,619,373	\$3,299,234	\$472,587
2024-25	\$8,455,207	\$5,272,154	\$3,183,053	-\$116,181
2025-26 est	\$9,222,869	\$5,900,000	\$3,322,869	\$139,816

Source: PDE AFR data, school district 2024-25 draft audited data, and school district 2025-26 estimates.

More consequential is the mandated local share of employee retirement costs, which is impacted by both increasing payroll levels as well as district wealth factors (used in the state reimbursement formula. From 2020-21 forward, the local cost of employee retirement increased by \$5.8 million. When these selected net subsidy effects are combined over time the effects serve to both add to district cost as well as mitigate the effect of future revenue increases as cost growth has already claimed those dollars.

Fiscal year	Retirement Contributions	State Share of Retirement Contributions	Local Share of Retirement Contributions	Local Retirement Share Change
2018-19	\$29,244,260	\$19,828,652	\$9,415,608	
2019-20	\$30,844,818	\$21,234,906	\$9,609,912	\$194,304
2020-21	\$31,983,830	\$22,036,706	\$9,947,124	\$337,212
2021-22	\$33,362,214	\$21,517,687	\$11,844,527	\$1,897,403
2022-23	\$36,203,349	\$23,749,766	\$12,453,583	\$609,056
2023-24	\$36,887,606	\$23,572,002	\$13,315,604	\$862,021
2024-25	\$38,720,053	\$25,731,792	\$12,988,261	-\$327,343
2025-26 est	\$42,532,645	\$27,500,000	\$15,032,645	\$2,044,384

Source: PDE AFR data, school district 2024-25 draft audited data, and school district 2025-26 estimates.

Local Revenues

Utilizing public Annual Financial Report (AFR) data and district 2024-25 draft audited data, and 2025-26 district estimated data, the following table summarizes selected local revenues. Much like state revenue, the selection is limited to major buckets of local revenue accounting generally for more than 91% of local revenues as aligned below. Two revenues, property tax and wage tax combined are nearly 85% of the total.

Year	Local Revenue Accounted For	Current Real Estate Taxes	Interim Real Estate Taxes	Public Utility Realty Taxes	Payment in Lieu State & Local	Current Act 511 Local Services Taxes	Current Act 511 Earned Income Taxes	Current Act 511 Real Estate Transfer Taxes	Delinquent Taxes	Earnings on Investments
22-23	91.72%	73.39%	0.08%	0.08%	1.50%	0.22%	9.65%	2.32%	2.72%	1.75%
23-24	92.00%	73.67%	0.06%	0.08%	1.49%	0.21%	9.81%	1.97%	2.99%	1.72%
24-25	93.71%	74.34%	0.13%	0.08%	1.51%	0.21%	10.24%	1.95%	3.80%	1.45%

Source: PDE AFR data, school district 2024-25 draft audited data, and school district 2025-26 estimates.

The table below simply aligns the years, and the year-over-year change table below (with highlights) reflects the volatility and unpredictability of some local revenues.

Year	Total Local Revenue	Current Real Estate Taxes	Interim Real Estate Taxes	Public Utility Realty Tax	Payment in Lieu State & Local	Current Act 511 Local Services Taxes	Current Act 511 Earned Income Taxes	Current Act 511 Real Estate Transfer Taxes	Delinquent Taxes	Earnings on Investments
2017-18	\$87,760,257	\$66,413,279	\$96,629	\$76,853	\$1,617,596	\$185,880	\$7,214,107	\$1,609,272	\$3,457,207	\$592,738
2018-19	\$91,653,842	\$68,270,428	\$187,596	\$78,959	\$2,077,749	\$164,785	\$7,615,280	\$2,626,132	\$3,015,928	\$1,127,264
2019-20	\$92,019,596	\$69,935,513	\$439,417	\$72,644	\$1,630,311	\$225,972	\$7,719,169	\$1,819,520	\$2,748,223	\$954,938
2020-21	\$93,750,767	\$71,327,768	\$47,629	\$80,202	\$1,511,287	\$212,754	\$7,911,264	\$2,360,053	\$3,243,606	\$422,564
2021-22	\$97,929,024	\$72,908,483	\$70,835	\$82,706	\$1,666,017	\$207,066	\$8,947,781	\$2,455,838	\$4,162,692	\$429,750
2022-23	\$102,323,859	\$75,099,862	\$77,182	\$82,726	\$1,537,033	\$221,472	\$9,878,564	\$2,377,631	\$2,780,371	\$1,794,368
2023-24	\$105,523,459	\$77,740,518	\$62,850	\$79,391	\$1,568,875	\$224,514	\$10,354,810	\$2,077,134	\$3,159,680	\$1,813,497
2024-25 Draft Audit	\$104,803,370	\$77,907,804	\$136,184	\$86,128	\$1,577,500	\$223,953	\$10,734,136	\$2,044,730	\$3,981,474	\$1,518,150
2025-26 est	\$106,831,062	\$81,541,651	\$105,000	\$80,000	\$1,650,000	\$220,000	\$10,100,000	\$2,000,000	\$3,000,000	\$1,100,000

Source: PDE AFR data, school district 2024-25 draft audited data, and school district 2025-26 estimates.

Source: PDE AFR data / Audit 24-25 and district est 25-26	Total Local Revenue	Current Real Estate Taxes	Interim Real Estate Taxes	Public Utility Realty Tax	Payment in Lieu State & Local	Current Act 511 Local Services Taxes	Current Act 511 Earned Income Taxes	Current Act 511 Real Estate Transfer Taxes	Delinquent Taxes	Earnings on Investments
2018-19	\$3,893,585	\$1,857,149	\$90,967	\$2,106	\$460,153	-\$21,095	\$401,173	\$1,016,860	-\$441,279	\$534,526
2019-20	\$365,754	\$1,665,085	\$251,821	-\$6,315	\$447,438	\$61,187	\$103,889	-\$806,612	-\$267,705	-\$172,326
2020-21	\$1,731,171	\$1,392,255	-\$391,788	\$7,558	\$119,024	-\$13,218	\$192,095	\$540,533	\$495,383	-\$532,374
2021-22	\$4,178,257	\$1,580,715	\$23,206	\$2,504	\$154,730	-\$5,688	\$1,036,517	\$95,785	\$919,086	\$7,186
2022-23	\$4,394,835	\$2,191,379	\$6,347	\$20	\$128,984	\$14,406	\$930,783	-\$78,207	\$1,382,321	\$1,364,618
2023-24	\$3,199,600	\$2,640,656	-\$14,332	-\$3,335	\$31,842	\$3,042	\$476,246	-\$300,497	\$379,309	\$19,129
2024-25 Draft Audit	-\$720,089	\$167,286	\$73,334	\$6,737	\$8,625	-\$561	\$379,326	-\$32,404	\$821,794	-\$295,347
2025-26 est	\$2,027,692	\$3,633,847	-\$31,184	-\$6,128	\$72,500	-\$3,953	-\$634,136	-\$44,730	-\$981,474	-\$418,150

Source: PDE AFR data, school district 2024-25 draft audited data, and school district 2025-26 estimates.

The convergence of a year-over-year reduction in local revenue compounded the impact for 2024-25 revenues minus expenditure for fund balance. The local revenue budget was \$102.8 million, and the district received \$104.8 million, about \$1.9 more than budgeted. However, that was \$720,000 less than what the district received in the prior year. That differential compounded the revenue to expenditure differential as they went in opposite directions. For example, if an expenditure is over budget by 3% and the revenues are held flat, there is a 3% variance. However, if expenditures are over budget by 3% and the revenues are short by 3%, that is a 6% budget variance.

The 2025-26 estimates allow for the current year tax rate increase with a tentative slowing of wage tax collection, realty transfer tax, delinquent sales, and interest earnings. All need monitored for close attention towards year end close out even as final accruals will not be known until after budget adoption.

An annual 3% local revenue increase assumes past trends of the entire interactive mix. Beyond that assumed trend, lifting the property tax rate is the only option the board has to generate additional revenue via its own authority. Local tax and revenue projections for 2026-27 and beyond are strongly tied to the underlying economics and demographics of the state, county, and district. Downward pressure on interest rates with lower cash reserves will see interest

earning contributions reduce further. Property tax and wage tax at 85% of the whole will remain key. As the underlying Lancaster County economy remains robust, these two-line items are considered sustainable and dependable at a reasonable rate of natural growth.

The board's property tax authority is constrained by political factors and well as Act 1 index rate caps. There are further statutory limitations beyond Act 1 through the RTL subsidy; as an Adequacy district, the School District of Lancaster cannot apply for Act 1 exceptions, including for special education cost growth. As a major cost driver, this effectively means that large significant portions of any future state subsidy increase regardless of the bucket are already spent, and the district cannot tax locally to recover any portion of costs above the index.

The district can annually increase the tax rate up to its Act 1 index, which varies every year. Looking ahead, for the 2027 Lancaster County reassessment year, the district will use the prior year rate cap for the 2027-28 budget build (See also district records for Act 1 index history).

Board tax authority (ability to generate revenues to cover costs) can be viewed as the ratio of property taxes to the total budget, which for the School District of Lancaster is approximately 25%.

A 1% increase in this 25% property tax share of the total budget yields an increase equivalent to 0.25% of the total budget; said another way, a 3% increase in the property tax rate can only cover (3 x 0.25%) 0.75% of the total budget (less than eight tenths of 1% of the entire budget).

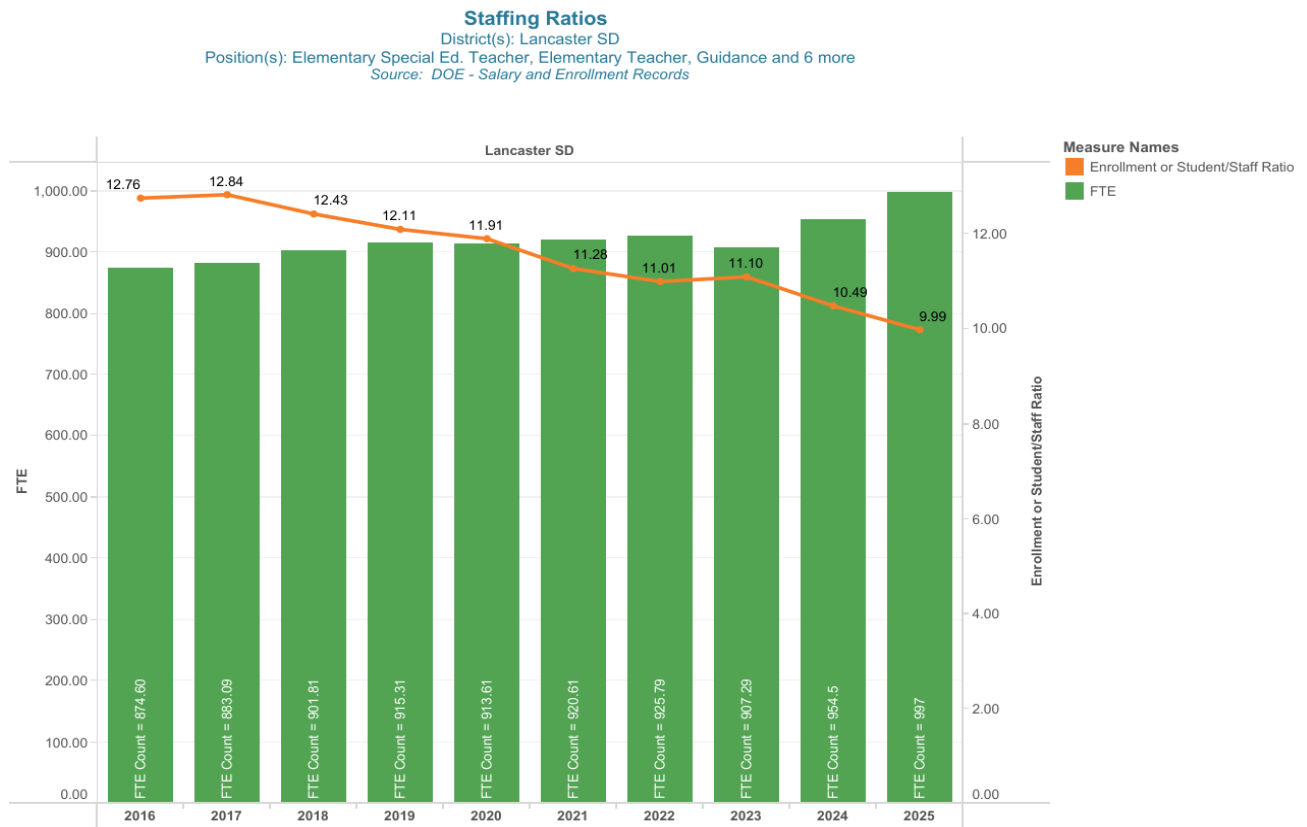
It requires sustained effort and persistence over time as large increases in the revenue budget are simply not possible based on the board's authority lever. Consistency over time matters. Carrying costs, mandated costs, or added program costs at rates greater than revenue generation limitations must be covered by state funding increases, or reduction in spending to balance.

Expenditure Observations

From 2018-19 to about 2020-21, district operations and audits reflected balanced expenditures and revenues. While not entirely clear of the projections or reasons behind the scenes, in 2020-21 there was a Furlough Resolution adopted by the board. Several presentations from that timeframe indicated the need for action to mitigate the then perceived rate of expenditure growth.

There is no indication that any of that was implemented, and understandably so as the federal ESSER tranches arrived shortly thereafter. However, it is understood that for at least the past several years, staff attrition policy was largely focused on a one-for-one replacement of staff in addition to new staff increases. As enrollment continued to decline during the timeframe, this

had the effect of lowering student-to-staff ratios, with large portions of that sustainability masked by ESSER funds overlay.



Source: School District of Lancaster data in Frontline.

With the onset of significant federal ESSER funds and additional state dollars, it effectively put any pullbacks in staffing levels or deeper expenditure mitigation actions on hold. However, to the degree the need existed to right size the district in 2021-22 or 2022-23, now coming out of the other side of the historic state and federal investment era through 2025-26, any underlying need has deepened, along with dollar value erosion by the highest inflationary period on record since the 1980s.

Facility expenditures as a one-time cost often require higher and additional costs for care and maintenance of sophisticated HVAC controls, software, and technical supports. Energy costs have doubled within the time frame, and healthcare costs in many places have gone up by 50% or more since 2021. Salary inflation and labor competition rounds out the largest section of the budget with continued intense pressure.

The resulting deficit position that emerges for the district in the 2024-25 fiscal year has been baked in over the course of prior years. The underlying cost growth across multiple expenditure

areas was masked with unprecedented federal and state allocations and one-time leverages. It will take applied effort for several fiscal years to realign the balance.

All indications from discussion, and in record, the district was aware of and exerted some action to begin to mitigate fiscal cliff scenarios as each budget presentation started with large deficit balances. The scope of the widening may not have been so clear.

The software/budget projection incident tied to the shorting of the 2024-25 salary budget is unfortunate, and it may have created a missed opportunity to take deeper preventive and mitigating steps sooner in 2025-26, if not even within 2024-25 itself (as is occurring now in 2025-26) to address expenditure growth.

To be clear, the software/budget projection error did not cause the mismatch in expenditures and revenues. Arguably, the review strongly suggests the 2023-24 fiscal year should have indicated—due to the fund balance position and internal fund stress—a strong and immediate need for corrective action in the 2024-25 budget. It is understood that it is counter-factual to the actuals in review.

The 2024-25 budget shortage error may have misled that perhaps there was more time to address identified expenditure and revenue mismatch, as noted earlier, the one-year lag in final actual expenditure data compared to budget data was a clear process gap. It may have also contributed to budget additions for several programs in 2025-26 that may not have happened had 2023-24 or 2024-25 projections raised earlier more urgent alarms. Why there was no greater urgency to make changes for 2024-25 based on data from 2023-24 is unknown.

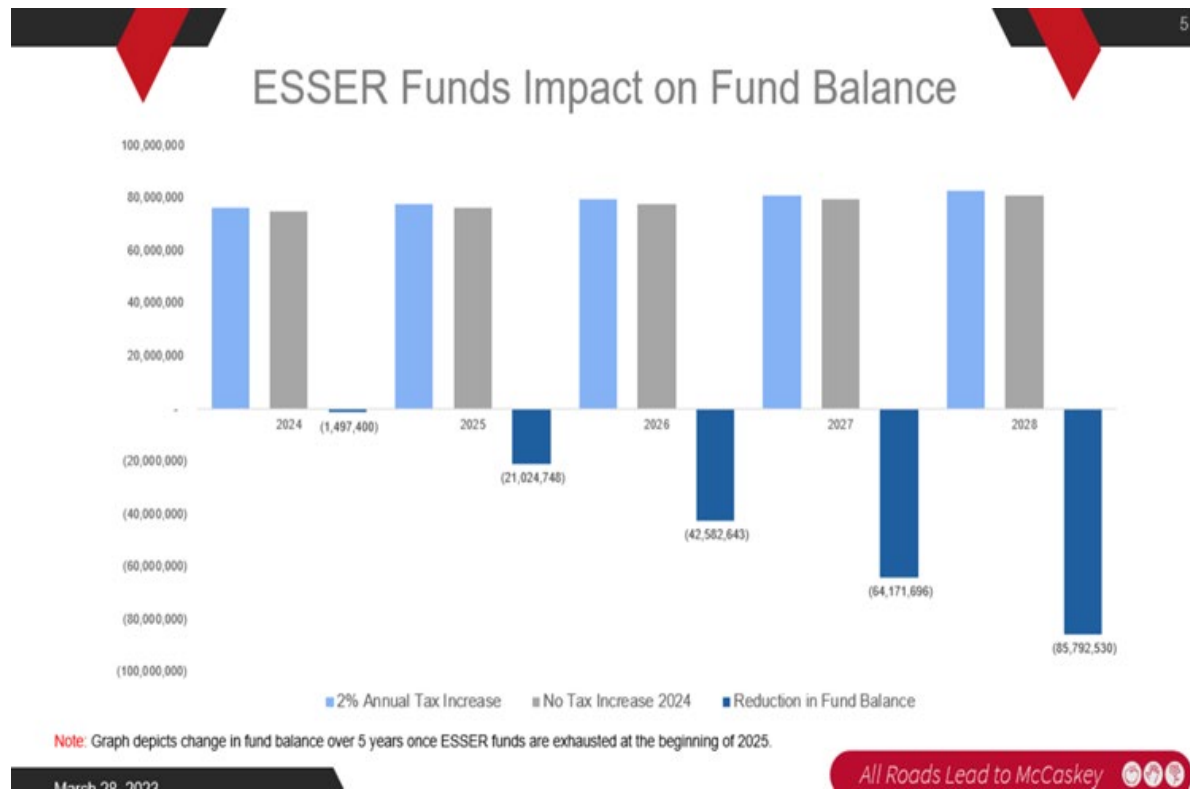
As reviewed and observed, (and presented in May 2025 budget presentations) current 2025-26 prospective in-year budget actions will have a positive impact to bend the curve on cost growth trend, but efforts will need to be carried forward with additional implementation for 2026-27 and beyond.

While the missed software/budget projection error unfortunately provided a sense that there was a little more time before tackling the observable expenditure and revenue mismatch in a deeper manner, again, the trending deficit position and tightening financial picture was not without district awareness and messaging far prior to that. Several presentations (including nearly all audits) and in particular late spring and even May of 2025 reflected actionable and urgent need.

The 2023-24 audit presentation showed a fourth consecutive year of fund balance reduction at a greater trend than prior years as well as a deficit balance internal service fund. It is important to understand that these fund balance reductions to cover the mismatch in expenditures and revenues were occurring during an era of historic state subsidy increases and the federal ESSER funds.

As events progressed to the 2023-24 audit, budget trends were identified and depicted in audit and budget presentations. It was at this juncture that the district lost two key leadership staff in the business office in August and December of 2024.

Neither position was replaced. It is impossible to know what would have changed had the staffing remained intact, however, given a greater level of experience lost in those positions and staff leadership capacity, it is probable the issue of deeper deficit reality would have surfaced sooner in 2024 or early 2025. The slide below on ESSER fund impact to fund balance (dated March 28, 2023) was in the April 2023 2023-24 budget presentation deck presented to the board.



Source: School District of Lancaster budget presentation on the 2023-24 budget, March 28, 2023.

While we cannot comment on its background or how it was presented or described, the projected numbers here eerily correlate to what has been observed in 2024-25 absent ESSER dollars. Further, the estimate here was for a negative \$1.5 million in 2024, which ended at \$9.9 million as the historic salary and healthcare cost increases for 2023-24 would not have been in record yet.

For 2025-26 budget presentations, the proposed budget adjustments and tax scenarios encompassed nearly \$17.5 million in budget reduction strategies, and that included a net \$2.7

million increase to special education which will carry over to 2026-27. This is detailed work and not all of the funding reductions will stick; however, it is noted that large portions are one-time funding efforts that will not repeat (i.e. debt service maneuvers). That by no means implies they should not be done, it just means that one-time moves are just that, one time and will not layer in to bend the curve of longer-term operational cost growth; they do buy time.

This revenue review was to gain a sense of the depth of any built-in operational expenditure and revenue mismatch. It helps to visualize possible and probable range of local and state revenue increases that could be expected to inform projections and multi-year strategy. We now turn to selected historical expenditure actuals and near-term estimates or projections to get a feel of that weight and scope.

The data source for 2014-15 through 2023-24 is PDE AFR data with district 2024-25 preliminary audit numbers and 2025-26 district projected. The first table aligns historic expenditure data by major object code.

Year	Object 100 Personnel Services - Salaries	Object 200 Personnel Services - Employee Benefits	Object 300 Purchased Professional and Technical Services	Object 400 Purchased Property Services	Object 500 Other Purchased Services	Object 600 Supplies	Object 700 Property	Object 800 Other Objects	Object 900 Other Uses of Funds	Total
2014-15	\$74,161,071	\$44,996,545	\$18,826,785	\$6,436,809	\$13,398,896	\$6,037,617	\$4,474,264	\$8,411,684	\$21,548,328	\$198,291,999
2015-16	\$75,984,262	\$48,798,116	\$17,714,525	\$9,518,769	\$12,949,010	\$5,127,269	\$2,702,980	\$8,935,311	\$10,642,709	\$192,372,951
2016-17	\$80,455,818	\$52,495,875	\$18,377,909	\$9,849,557	\$14,976,989	\$7,820,488	\$1,525,523	\$8,850,300	\$17,846,172	\$212,198,631
2017-18	\$84,102,944	\$53,442,021	\$19,199,175	\$12,002,265	\$15,185,792	\$10,163,607	\$1,022,212	\$11,059,888	\$15,360,255	\$221,538,159
2018-19	\$88,001,537	\$56,173,995	\$19,198,383	\$12,188,456	\$16,805,228	\$12,839,188	\$307,208	\$7,893,002	\$12,283,887	\$225,690,884
2019-20	\$90,624,000	\$58,304,710	\$17,110,654	\$15,970,952	\$17,523,218	\$12,546,462	\$280,730	\$10,147,923	\$12,145,311	\$234,653,960
2020-21	\$92,864,626	\$59,761,824	\$17,692,885	\$15,253,589	\$18,566,400	\$18,585,981	\$473,152	\$11,079,687	\$14,662,652	\$248,940,796
2021-22	\$97,714,067	\$61,463,495	\$21,894,673	\$13,328,194	\$19,115,306	\$13,347,187	\$581,979	\$11,519,931	\$18,260,440	\$257,225,272
2022-23	\$100,813,819	\$65,879,117	\$21,325,181	\$15,114,194	\$19,270,810	\$12,232,515	\$3,348,274	\$12,087,037	\$28,218,745	\$278,289,692
2023-24	\$108,133,389	\$70,091,219	\$22,223,665	\$14,570,660	\$21,060,802	\$17,928,492	\$3,312,564	\$12,880,419	\$28,853,160	\$299,054,370
2024-25 Audit Prelim	\$115,241,590	\$75,712,696	\$23,471,529	\$14,466,059	\$23,833,749	\$9,888,988	\$5,419,720	\$13,789,841	\$18,009,428	\$299,833,600
25-26 Budget	\$114,944,234	\$82,102,359	\$19,551,213	\$13,246,681	\$21,764,408	\$9,346,823	\$3,787,616	\$11,687,496	\$5,117,880	\$281,548,710
25-26 Projected 3/1/26	\$117,500,463	\$80,570,302	\$23,415,220	\$14,616,015	\$25,621,543	\$8,332,814	\$3,389,942	\$12,221,956	\$4,692,918	\$290,361,173

Source: PDE AFR data, school district 2024-25 draft audited data, and school district 2025-26 estimates.

More importantly, we next look at the changes across the object codes year-over-year. Overall, the shaded cells show year-over reductions that can reflect one-time changes for ups and downs in funding patterns in each of the large object categories of school district expenditures. Federal ESSER spending plays a role here too.

Overall, there is strong indication that over the past several years tightening has already occurred with many object codes negative year over year, which means capacity for reduction in some areas of the budget will not be as robust as it has already been pulled back.

Year	Object 100 Personnel Services - Salaries	Object 200 Personnel Services - Employee Benefits	Object 300 Purchased Professional and Technical Services	Object 400 Purchased Property Services	Object 500 Other Purchased Services	Object 600 Supplies	Object 700 Property	Object 800 Other Objects	Object 900 Other Uses of Funds	Total
2015-16	\$1,823,191	\$3,801,571	-\$1,112,260	\$3,081,960	-\$449,886	-\$910,348	\$1,771,284	\$523,627	\$10,905,619	-\$5,919,048
2016-17	\$4,471,556	\$3,697,759	\$663,384	\$330,788	\$2,027,979	\$2,693,219	\$1,177,457	-\$85,011	\$7,203,463	\$19,825,680
2017-18	\$3,647,126	\$946,146	\$821,266	\$2,152,708	\$208,803	\$2,343,119	-\$503,311	\$2,209,588	-\$2,485,917	\$9,339,528
2018-19	\$3,898,593	\$2,731,974	-\$792	\$186,191	\$1,619,436	\$2,675,581	-\$715,004	-\$3,166,886	-\$3,076,368	\$4,152,725
2019-20	\$2,622,463	\$2,130,715	-\$2,087,729	\$3,782,496	\$717,990	-\$292,726	-\$26,478	\$2,254,921	-\$138,576	\$8,963,076
2020-21	\$2,240,626	\$1,457,114	\$582,231	-\$717,363	\$1,043,182	\$6,039,519	\$192,422	\$931,764	\$2,517,341	\$14,286,836
2021-22	\$4,849,441	\$1,701,671	\$4,201,788	-\$1,925,395	\$548,906	\$5,238,794	\$108,827	\$440,244	\$3,597,788	\$8,284,476
2022-23	\$3,099,752	\$4,415,622	-\$569,492	\$1,786,000	\$155,504	\$1,114,672	\$2,766,295	\$567,106	\$9,958,305	\$21,064,420
2023-24	\$7,319,570	\$4,212,102	\$898,484	-\$543,534	\$1,789,992	\$5,695,977	-\$35,710	\$793,382	\$634,415	\$20,764,678
2024-25	\$7,108,201	\$5,621,477	\$1,247,864	-\$104,601	\$2,772,947	\$8,039,504	\$2,107,156	\$909,422	\$10,843,732	\$779,230
25-26 est	\$2,258,873	\$4,857,606	-\$56,309	\$149,956	\$1,787,794	\$1,556,174	\$2,029,778	-\$1,567,885	\$13,316,510	-\$9,472,427

Source: PDE AFR data, school district 2024-25 draft audited data, and school district 2025-26 estimates.

With all the activity and churn in the other object areas, the major focus turns to salary and benefits.

The table below limits the columns to capture salary and calculate a net proxy healthcare increase year over year (i.e. the last column on the right).

The post-COVID and ESSER era are highlighted in yellow below. The year-over-year change for salary and benefits changes rapidly as shown, but also for 2023-24 and 2024-25 at approximately double the prior year's pace.

	Object 100 Personnel Services - Salaries	Object 200 Personnel Services - Employee Benefits	Object 200 minus Objects 220 and 230 (HC Proxy)	100s (salary) plus HC Proxy
2015-16	\$1,823,191	\$3,801,571	-\$510,882	\$1,312,309
2016-17	\$4,471,556	\$3,697,759	-\$788,144	\$3,683,412
2017-18	\$3,647,126	\$946,146	-\$2,358,705	\$1,288,421
2018-19	\$3,898,593	\$2,731,974	\$333,470	\$4,232,063
2019-20	\$2,622,463	\$2,130,715	\$341,195	\$2,963,658
2020-21	\$2,240,626	\$1,457,114	\$151,937	\$2,392,563
2021-22	\$4,849,441	\$1,701,671	-\$39,699	\$4,809,742
2022-23	\$3,099,752	\$4,415,622	\$1,352,220	\$4,451,972
2023-24	\$7,319,570	\$4,212,102	\$3,050,496	\$10,370,066
2024-25	\$7,108,201	\$5,621,477	\$3,252,431	\$10,360,632
25-26 est	\$2,258,873	\$4,857,606	\$3,093,824	\$5,352,697

Source: PDE AFR data, school district 2024-25 draft audited data, and school district 2025-26 estimates.

For context, this table creates a column (fourth column) that subtracts employee retirement and Social Security from total gross employee benefits to create a proxy* for employee healthcare costs. The final column reveals a net budget year-over-year impact of the salary increase plus the proxy healthcare increase. [*Note: this proxy will include workers compensation, unemployment, and some other minor employer benefit costs; however the lion’s share of the proxy number is healthcare].

We have already reviewed that the net local cost of Social Security and employee retirement grew considerably for the district. This methodology teases out board share of healthcare costs, which is entirely a district cost, showing an estimated \$3 million increase each of the last three fiscal years.

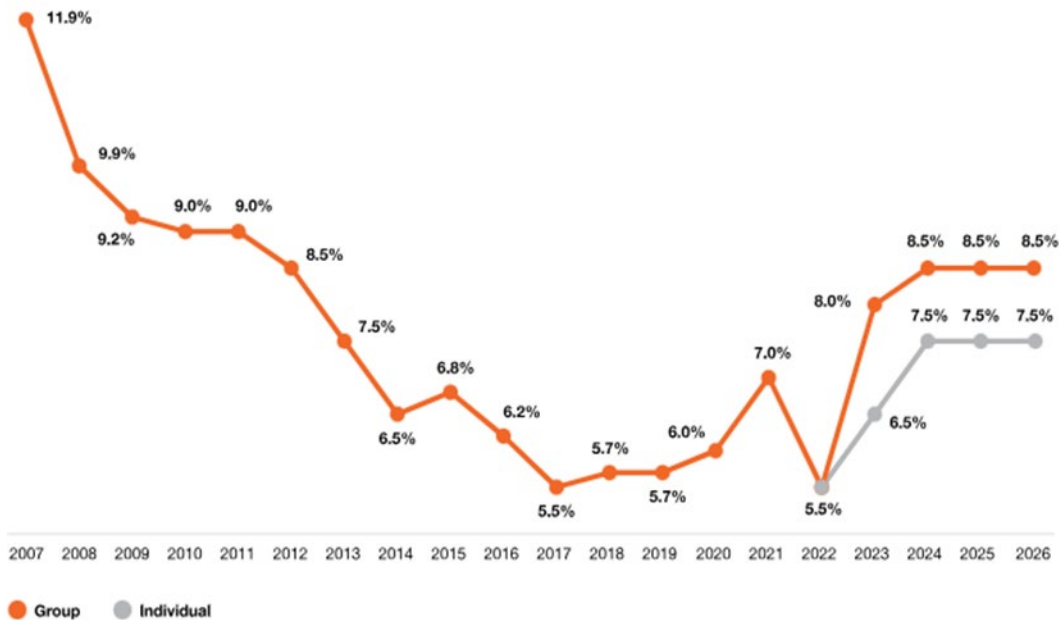
Pre-COVID and during early COVID, healthcare as a pressure point on the budget was minimal, which assumes good utilization years, perhaps plan adjustments and HSA conversion, as well as

the non-utilization years of early COVID era. That all turned in 2023-24 and 2024-25 and, in combination with salary increases, exceeded local and state revenue increase in those two-line items. The healthcare component for 2025-26 and moving into 2026-27 is not expected to abate with medical cost trends exceeding 7% (PwC 2026 medical cost trend analysis 8.5% group and 7.5% individual).

The PwC medical trend history reflects the district pattern of lighter healthcare cost impact in the earlier years with increasing trend leaping ahead after 2022-23.

PwC medical cost trends, 2007-2026

PwC projects medical cost trend to be 8.5% for Group and 7.5% for Individual in 2026, in line with 8.5% and 7.5% in 2025



Source: PwC analysis

Cumulative Impact of Expenditures Exceeding Revenues

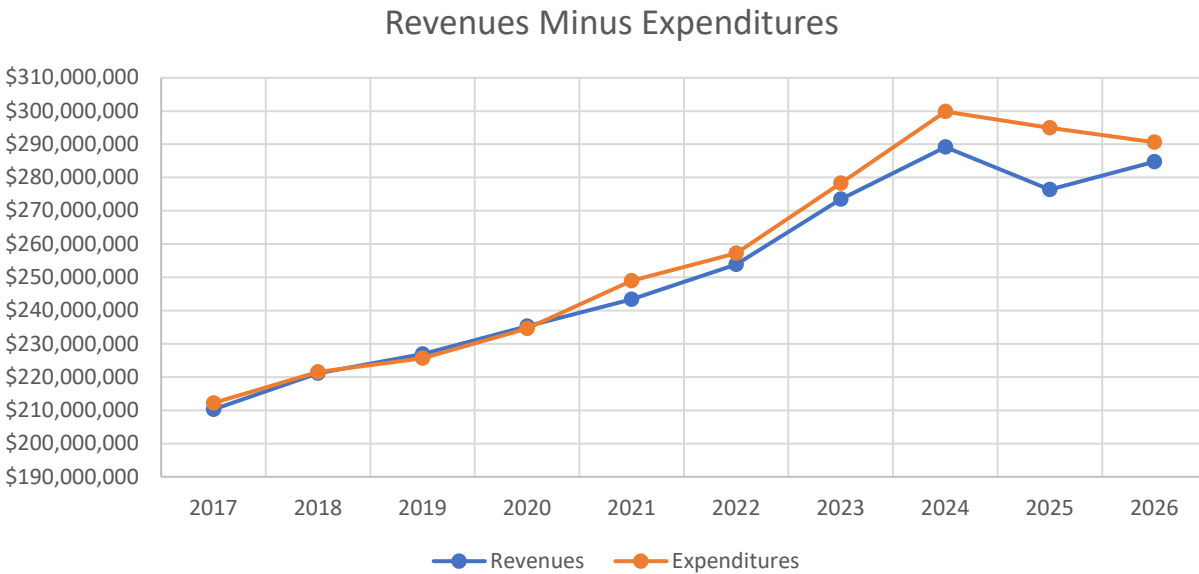
The following table aligns general fund revenue and expenditure totals for the past decade. Subtracting total revenues from total expenditures for the past decade there were two years that were positive. The 2017 and 2018 fiscal years reflected near balanced negative results at less than a 1% variance, followed by 2019 and 2020 ending in positive variance at similar near offsetting variances for those four years.

The revenue minus expenditures is then shown cumulative over time which as the post COVID era progresses the cumulative effect over time draws down fund balance over time.

Year	Revenues	Expenditures	Revenue Minus Expenditures	Cumulative Variances over time
2017	\$210,259,827	\$212,198,631	-\$1,938,804	-\$1,938,804
2018	\$221,173,713	\$221,538,159	-\$364,446	-\$2,303,250
2019	\$226,953,480	\$225,690,884	\$1,262,596	-\$1,040,654
2020	\$235,275,934	\$234,653,960	\$621,974	-\$418,680
2021	\$243,404,931	\$248,940,796	-\$5,535,865	-\$5,954,545
2022	\$253,858,178	\$257,225,272	-\$3,367,094	-\$9,321,639
2023	\$273,446,802	\$278,289,692	-\$4,842,890	-\$14,164,529
2024	\$289,153,700	\$299,833,600	-\$10,679,900	-\$24,844,429
2025	\$276,377,172	\$294,913,308	-\$18,536,136	-\$43,380,565
2026	\$284,762,776	\$290,594,520	-\$5,831,744	-\$49,212,309

Source: PDE AFR data, school district 2024-25 draft audited data, and school district 2025-26 estimates.

The visual below plots the revenue and expenditure trend lines and reflects the widening gap in the 2023-24 and 2024-25 fiscal years.



Source: PDE AFR data, school district 2024-25 draft audited data, and school district 2025-26 estimates.

Modeling this (with a modest 1% revenue to expenditure differential) out to future years indicates a four or five year-time window to a balanced general fund, however that will not cover internal service fund numbers nor replenish fund balance as that will take longer. More

aggressive modeling at nearly a 2% differential gets the general fund rebalanced in 2028 and if maintained moving forward can begin to cover internal service funds and capital formation. Revenues were assumed to grow at 3% to 3.5%.

Conclusion

For the district, the local Lancaster County economy and related factors remain strong, and a solid baseline of natural growth would be expected, as would a reduced pace of increase from the recent era. It is from that base and natural growth --- inclusive of state subsidy additions --- that applied effort over time will need to align expenditure to revenue balance. The journey will not be without applied difficult decision-making for priority program allocations over several years. Beyond that, experience from applied projection processes needs to be built in. Targeted resource allocations for district resources will serve to focus district mission and discernment based on priorities and leadership direction.





























For the state revenue side, the state's own multi-billion-dollar structural deficit situation creates cloudiness to the degree that at least the recent past years' rate of increases in investment to public education is likely not probable without a significant additional state revenue tax increase, which is also not likely.





























Thoughtful and diligent evaluations to right-size costs and revenue enhancements will need to be ongoing and adjusted every year, and during the year, and for each future year's budget planning purposes. The district has a deep base of staff talent, student programs, community and parental support, and innovative and creative programs to help prioritize the greatest need and minimize impact.









Providing prioritized stability with daily student programs with an overarching long-term lens on balancing expenditures and revenues for staffing and infrastructure is a difficult balance. In the long run, sustainable program offerings that serve students across the grades, and for their years in school can only be achieved when that balance exists. Resource allocations and reallocations driven by priority-based delivery to provide sustainable student programs and outcomes are never easy but are worth the effort from the results.



























Appendix

Material Review and Documents Listing (not all inclusive)

 Lanc SD write ups 2026	3/7/2026 12:30 PM	Microsoft Word Docum...	19 KB
 review of budget to actual for GF	3/7/2026 12:23 PM	Microsoft Excel Worksh...	25 KB
 Audit Inquiry Memorandum	3/6/2026 10:55 AM	Adobe Acrobat Docum...	78 KB
 June 30, 2024_Audit Report	3/6/2026 10:55 AM	Adobe Acrobat Docum...	5,742 KB
 June 30, 2021_Audit Report	3/6/2026 10:55 AM	Adobe Acrobat Docum...	2,770 KB
 June 30, 2020_Audit Report	3/6/2026 10:55 AM	Adobe Acrobat Docum...	3,849 KB
 June 30, 2019_Audit Report	3/6/2026 10:55 AM	Adobe Acrobat Docum...	7,922 KB
 Local Tax Increase History	3/6/2026 10:14 AM	Microsoft PowerPoint P...	4,973 KB
 AFR_2023	3/6/2026 9:54 AM	Adobe Acrobat Docum...	1,690 KB
 June 30, 2023_Audit Report	3/6/2026 9:51 AM	Adobe Acrobat Docum...	3,488 KB
 June 30, 2022_Audit Report	3/6/2026 9:51 AM	Adobe Acrobat Docum...	2,636 KB
 finances afr majorobject 1415-2324 drew revised	3/5/2026 7:48 AM	Microsoft Excel Worksh...	1,312 KB
 New Microsoft Word Document	3/5/2026 7:05 AM	Microsoft Word Docum...	18 KB
 Fw_ Google link for PASBO	2/26/2026 5:53 PM	Outlook Item	132 KB
 6-30-25 SDOL Revenue Budget	2/26/2026 5:50 PM	Adobe Acrobat Docum...	235 KB
 RE_ Consulting study proposal	2/26/2026 1:14 PM	Outlook Item	295 KB
 Board Communications	2/26/2026 1:14 PM	Adobe Acrobat Docum...	151 KB
 FY25 Budget Overage	2/26/2026 1:14 PM	Adobe Acrobat Docum...	47 KB
 Multi_Year_Budget_Planning_Feb26	2/26/2026 1:13 PM	Adobe Acrobat Docum...	1,173 KB
 Deficit Mitigation_022426	2/26/2026 1:13 PM	Adobe Acrobat Docum...	367 KB
 report-PA_-_YTD_Variance_Analysis_Report_FY26 (2)	2/26/2026 1:13 PM	Microsoft Excel Worksh...	3,756 KB
 report-PA_-_Cash_Flow_Projection_FY26 (5)	2/26/2026 1:13 PM	Microsoft Excel Worksh...	113 KB
 report-PA_-_Board_Reports (13)	2/26/2026 1:13 PM	Microsoft Excel Worksh...	845 KB
 SCHOOL DISTRICT OF LANCASTER FS 6-30-24	2/26/2026 1:09 PM	Adobe Acrobat Docum...	3,343 KB
 SDOL Audit Summary Presentation 2024	2/26/2026 1:09 PM	Adobe Acrobat Docum...	825 KB
 SDOL Audit Slides 6-30-25	2/26/2026 1:09 PM	Microsoft PowerPoint P...	9,508 KB
 C&M Parking & Visitors Map	2/26/2026 1:08 PM	JPG File	511 KB
 June 30, 2025_Audit Report - Draft 2-24-26	2/26/2026 1:08 PM	Adobe Acrobat Docum...	4,484 KB

 2026-27 proposed basic education funding (7)	2/26/2026 1:33 PM	Microsoft Excel Worksh...	438 KB
 2026-27 proposed ready to learn block grant (3)	2/26/2026 1:34 PM	Microsoft Excel Worksh...	253 KB
 2025-26 ready to learn block grant (1)	2/26/2026 1:36 PM	Microsoft Excel Worksh...	274 KB
 2026-27 proposed special education funding (3)	2/26/2026 1:36 PM	Microsoft Excel Worksh...	211 KB
 2025-26 estimated special education funding (10)	2/26/2026 1:37 PM	Microsoft Excel Worksh...	201 KB
 finances afr federalrev 1415-2324 (2)	2/26/2026 1:38 PM	Microsoft Excel Worksh...	1,370 KB
 finances afr otherrev 1415-2324 (2)	2/26/2026 1:38 PM	Microsoft Excel Worksh...	609 KB
 finances afr expdetail 1415-2324 (8)	2/26/2026 1:38 PM	Microsoft Excel Worksh...	6,221 KB
 finances aie 0809-2324 (1)	2/26/2026 1:39 PM	Microsoft Excel Worksh...	115 KB
 finances afr expenditures 2023-2024	2/26/2026 1:40 PM	Microsoft Excel Worksh...	270 KB
 finances afr revenues 2023-2024 (6)	2/26/2026 1:40 PM	Microsoft Excel Worksh...	264 KB
 finances afr expenditures 2014-2015 (1)	2/26/2026 1:41 PM	Microsoft Excel Worksh...	275 KB
 finances afr expenditures 2018-2019	2/26/2026 1:42 PM	Microsoft Excel Worksh...	265 KB
 finances afr revenues 2014-2015 (2)	2/26/2026 1:42 PM	Microsoft Excel Worksh...	293 KB
 finances afr revenues 2018-2019 (2)	2/26/2026 1:42 PM	Microsoft Excel Worksh...	250 KB
 finances adm-wadm 2023-24 (6)	2/26/2026 1:43 PM	Microsoft Excel Worksh...	110 KB
 finances aidratio 2013-2014	2/26/2026 1:43 PM	Microsoft Excel Worksh...	249 KB
 finances adm-wadm 2018-19	2/26/2026 1:44 PM	Microsoft Excel Worksh...	108 KB
 Excell Power point templates	2/26/2026 1:46 PM	Microsoft Excel Worksh...	7 KB
 finances afr majorobject 1415-2324 (16)	2/26/2026 7:50 PM	Microsoft Excel Worksh...	1,179 KB
 finances afr tuitionsched 1415-2324 (9)	2/26/2026 9:04 PM	Microsoft Excel Worksh...	580 KB
 finances sef 2024-25 (1)	2/26/2026 11:04 PM	Microsoft Excel Worksh...	197 KB
 report-PA_-_Board_Reports (14)	3/3/2026 9:40 AM	Microsoft Excel Worksh...	979 KB
 Re_ Hi Drew---Slight change of plans	3/3/2026 2:39 PM	Outlook Item	407 KB
 finances afr genfundbalance 1415-2324 (1)	3/3/2026 7:17 PM	Microsoft Excel Worksh...	424 KB
 TJS Build	3/4/2026 12:16 AM	Microsoft PowerPoint P...	2,334 KB
 finances afr localrev 1415-2324 (11)	3/5/2026 7:04 AM	Microsoft Excel Worksh...	2,420 KB
 review of budget to actual for GF	3/6/2026 9:54 AM	Microsoft Excel Worksh...	20 KB

 June 30, 2019_Audit Report	3/6/2026 10:55 AM	Adobe Acrobat Docum...	7,922 KB
 June 30, 2020_Audit Report	3/6/2026 10:55 AM	Adobe Acrobat Docum...	3,849 KB
 June 30, 2021_Audit Report	3/6/2026 10:55 AM	Adobe Acrobat Docum...	2,770 KB
 June 30, 2022_Audit Report	3/6/2026 9:51 AM	Adobe Acrobat Docum...	2,636 KB
 June 30, 2023_Audit Report	3/6/2026 9:51 AM	Adobe Acrobat Docum...	3,488 KB
 June 30, 2024_Audit Report	3/6/2026 10:55 AM	Adobe Acrobat Docum...	5,742 KB
 June 30, 2025_Audit Report - Draft 2-24-26	2/26/2026 1:08 PM	Adobe Acrobat Docum...	4,484 KB
 Review & Background	3/9/2026 10:54 AM	Microsoft Word Docum...	199 KB

 BEF 26-27 Model V5 VLU Solanco SD tjs	3/3/2026 7:21 PM	Microsoft Excel Worksh...	1,819 KB
 2026-27 Shares	2/28/2026 8:31 PM	Microsoft Excel Worksh...	427 KB
 2026-27 proposed basic education funding (7)	2/28/2026 8:28 PM	Microsoft Excel Worksh...	447 KB
 2026-27 proposed ready to learn block grant (4)	2/28/2026 8:28 PM	Microsoft Excel Worksh...	256 KB
 SEF 26-27 prop V3 Lanc SD tjs	2/28/2026 7:38 PM	Microsoft Excel Worksh...	2,313 KB
 finances sef 2024-25 (2)	2/28/2026 6:25 PM	Microsoft Excel Worksh...	197 KB
 2025-26 estimated special education funding (12)	2/28/2026 6:24 PM	Microsoft Excel Worksh...	201 KB
 2025-26 estimated special education funding (11)	2/28/2026 6:24 PM	Microsoft Excel Worksh...	201 KB
 BEF 26-27 Model V5 VLU Lanc. SD tjs -	2/28/2026 2:41 PM	Microsoft Excel Worksh...	1,831 KB
 2025-26 estimated basic education funding (13)	2/26/2026 1:35 PM	Microsoft Excel Worksh...	500 KB
 03 - CFOO Organizational Chart	2/26/2026 1:10 PM	Adobe Acrobat Docum...	110 KB
 03 - Organizational Chart	2/26/2026 1:10 PM	Adobe Acrobat Docum...	68 KB
 07 - Enrollment Data	2/26/2026 1:10 PM	Adobe Acrobat Docum...	1,944 KB
 Access Technician	2/26/2026 1:10 PM	Adobe Acrobat Docum...	24 KB
 Accountant II	2/26/2026 1:10 PM	Adobe Acrobat Docum...	347 KB
 Accounting Technician	2/26/2026 1:10 PM	Adobe Acrobat Docum...	20 KB
 Administrative Assistant	2/26/2026 1:10 PM	Adobe Acrobat Docum...	369 KB
 Director of Finance	2/26/2026 1:10 PM	Adobe Acrobat Docum...	239 KB
 Financial Controller	2/26/2026 1:10 PM	Adobe Acrobat Docum...	53 KB
 Fiscal Manager	2/26/2026 1:10 PM	Adobe Acrobat Docum...	352 KB
 Payroll Accounting Technician	2/26/2026 1:10 PM	Adobe Acrobat Docum...	20 KB
 Payroll Manager	2/26/2026 1:10 PM	Adobe Acrobat Docum...	241 KB
 Payroll Specialist	2/26/2026 1:10 PM	Adobe Acrobat Docum...	337 KB
 Purchasing Specialist	2/26/2026 1:10 PM	Adobe Acrobat Docum...	360 KB
 Senior Accountant	2/26/2026 1:10 PM	Adobe Acrobat Docum...	243 KB
 Budget Board Presentations	3/9/2026 2:27 PM	Outlook Item	277 KB

Munis Screen Shots

EMR - Missing employee positions in the salary projection for 24-25 year [🔗](#)

Technical Support

Active – Waiting for Customer to Close

Close Case

Escalate Case

Print

Open Case

Priority:

1 - Critical

Id:

12171093

Assigned To:

Kirsten Orzolek

Respond Team:

EERP HRM Payroll

Date Created:

2/5/2026 9:17 AM

Last Modified On:


2/24/2026 1:52 PM

Primary Contact:

Kim Reynolds

Show Additional Notes

Attachments:


 Add files

Name 	Modified
 Corrected Salary Calc-3-13-14.pdf (1017 KB) (/ _entity/sharepointdocum...	<u>16 days ago</u> <u>(2/24/2026 11:36 AM)</u>
 List Missing Positions.html (576 KB) (/ _entity/sharepointdocumentlocati...	<u>about a month ago</u> <u>(2/5/2026 9:47 AM)</u>
 Missing Positions in Projection 2572 24-25.pdf (32 KB) (/ _entity/sharep...	<u>about a month ago</u> <u>(2/5/2026 9:51 AM)</u>
 Salary Report 10-2-23.pdf (866 KB) (/ _entity/sharepointdocumentlocatio...	<u>16 days ago</u> <u>(2/24/2026 11:35 AM)</u>

Customer:

Lancaster School District

Timeline:

 Add comment

Product Suite:

Enterprise ERP

16 days ago

Kirsten Orzolek → Kim Reynolds

Product Group:

Enterprise Human Resources Management

Modified on 2/24/2026 1:52 PM

Hi Kim,

If the salaries were copied into the Projection, but then the Salary Calculate was done and the Calendar was not in place, it would have wiped out the data for those employees. Even if it was pulled in correctly to begin with, actions taken within the Projection can alter that data before it is posted to the budget.

Thank you,

Kirsten Orzolek, EERP Payroll Support

Product Module:

Salary and Benefit Projections

Program:

Projections

Version:

2024.7.0.0

Recommended Version:

—

16 days ago

Kim Reynolds → Kirsten Orzolek

#2580 - Joe Torres

We did additional work and it appears the initial projection we did in 10/3/23 had the salaries in for these staff but the 3-12-24 did not - only daily wage. Any other thoughts? If there was a horizontal move made why would that affect salary?

Modified on 2/24/2026 11:39 AM

about a month ago

Kirsten Orzolek → Kim Reynolds

Hi Kim,

Calendars exist under the Human Resources menu, but like many other HR/Payroll processes are directly tied to Projections.

Thank you,

Kirsten Orzolek, EERP Payroll Support

Modified on 2/9/2026 12:45 PM

Lancaster School District



G/L ACCOUNT DETAIL

Org: 32930020 Object: 000000
 General Fund Transfers 32-9310-000000-000-00-000-000-0000-

YEAR	PER	JOURNAL	EFF DATE	SRC T	PO/REF2	REFERENCE	AMOUNT	P	CHECK NO	WARRANT	VDR NAME/ITEM DESC	COMMENTS
2023	13	31	06/30/2023	GEN	1	2313015	-5,364,346.00	Y		0		Record Ca
2023	08	900	02/28/2023	GNI	1	2308005	-2,388,603.00	Y		0		Record GF
2023	08	900	02/28/2023	GNI	1	2308005	-1,147,051.00	Y		0		Record GF

Total Amount: -8,900,000.00

Lancaster School District



G/L ACCOUNT DETAIL

Org: 32930020 Object: 000000
 General Fund Transfers 32-9310-000000-000-00-000-000-0000-

YEAR	PER	JOURNAL	EFF DATE	SRC T	PO/REF2	REFERENCE	AMOUNT	P	CHECK NO	WARRANT	VDR NAME/ITEM DESC	COMMENTS
2024	12	634	06/30/2024	GEN	1	RECORD CAP	-4,091,989.00	Y		0		
2024	11	744	05/31/2024	GEN	1	2411006	5,364,346.00	Y		0		
2024	09	1112	03/31/2024	GNI	1	2409001	-1,318,623.00	Y		0		Rev dupli
2024	07	946	01/31/2024	GNI	1	2407001	-3,496,546.00	Y		0		Record GF
2024	04	267	10/31/2023	GNI	1	2404001	-5,371,505.00	Y		0		Record GF

Total Amount: -8,914,317.00

MUNIS SOP Example for Projections

Standard Operating Procedure (SOP)

Salary and Benefit Projection Process in Munis

School District of Lancaster – Annual Budget Preparation

Purpose

This procedure outlines the steps required to complete the annual **salary and benefits projection process in Munis** for the School District of Lancaster. The projections are used to prepare the district's annual budget and estimate personnel costs for the upcoming fiscal year.

System

Munis – Human Capital Management / Payroll

Frequency

Completed annually during the district budget development cycle.

1. Access the Projection Module

1. Log into **Munis**.
2. Navigate to:
 - **Human Capital Management**
 - **Payroll**
 - **Salary and Benefit Projections**
3. Select **Projection Start and Status**.

2. Create a New Projection Run

1. Create a **new run number** for the fiscal year being projected.
2. Enter the projection period:
 - **Start Date:** First day of fiscal year (example: **7/1/2026**)
 - **End Date:** Last day of fiscal year (**6/30/2027**)
3. Select the checkbox to **Include Benefits**.
4. Save the run configuration.

3. Salary Projection Processing

3.1 Copy Position Control File

1. Navigate to **Salary Projection Processing**.
2. Select **Copy Current Position Control File**.

This step copies the current position control data and creates the base file used for salary projections.

3.2 Apply Pay Increases by Employee Group

Salary adjustments are applied based on employee contracts or projected increases.

LEA (Teachers)

- If a contract is in place, run the **Contract Step Increase** process.
- If no contract exists:
 - Calculate projected salaries using the agreed increase percentage.
 - Example: **3.5% increase** applied to LEA reference salaries.
 - Import the updated salaries using **Employee Import**.

AFSCME Employees

- Apply the projected increase to hourly wages.
 - Example: **4% increase** for:
 - Strictly hourly employees
 - Stretch pay employees
 - Import updated wage data using **Employee Import**.
-

Administrators

- Navigate to **Pay Band Increase Module**.
- Run the administrator salary projection process.

This module automatically calculates projected administrator salaries based on the administrative contract structure.

3.3 Run Salary Calculations

1. Select **Salary Calculate**.
2. Munis will calculate projected salaries for all employee groups for the upcoming fiscal year.

3.4 Verify Salary Data

After the calculation:

1. Review salary projections for accuracy.
2. If corrections are needed:
 - Use **Employee Import** to update salary data, or
 - Manually update through **Employee Job Salary**.

Re-run **Salary Calculate** if changes are made.

4. Benefit Projection Processing

4.1 Update Benefit Master

1. Navigate to **Benefit Projection Processing**.
2. Open **Benefit Master**.
3. Download the previous year's health plan data.
4. Update the following:
 - Employer contribution amounts
 - Employee contribution amounts
5. Repeat this process for:
 - **Health insurance plans**
 - **Dental plans**
6. Upload the new year estimated benefits rates under **Projections Insurance Premiums** using the **Import Function** and selecting the **Prior Year Insurance Template** and select the Excel file with new rates to import

4.2 Update Deduction Master

1. Open **Deduction Master**.
2. Update the **PSERS rate** or deduction rates to reflect the projected fiscal year rates.

This ensures benefit calculations process correctly.

4.3 Run Benefit Calculations

1. Select **Benefit Calculate**.

Munis will calculate the following automatically:

-
- **FICA**
 - **Retirement contributions**
 - **Medicare**
 - **Disability**
 - **Unemployment**
 - **Workers' Compensation**

4.4 Import Additional Benefits

Some benefits must be imported individually by employee.

Use **Employee Import** to upload:

- **Disability insurance amounts**
- **Vision plan contributions**
- **Dental plan contributions**
- **Medical plan**

Import data by **employee number**.

5. Vacant Position Projections

Munis provides an option to calculate projected costs for vacant positions.

Important Note

The automated vacant position calculation may include outdated or inactive positions.

To ensure accuracy:

1. Request the **current vacant position list from OTE**.
2. Import or enter only confirmed active vacancies.

If using Munis to calculate vacants:

1. Navigate to **Position Control**.
2. Select **Calculate Vacants**.
3. Import selected positions into the projection module with associated benefits.
4. Verify with OTEE

6. Post Projection Data to Budget

Once salary and benefit projections are complete:

1. Navigate to **Post Projection**.
2. Select **Post Data to Budget**.
3. Confirm the correct **Projection Run Number**.
4. Select **Define**.

6.1 Budget Posting Configuration

Enter the following information:

- **Budget Projection Number**
 - Example:
 - 2770 – January projection
 - 2771 – March projection
- **Budget Request Level:** Board
- **Rounding Option:** Round Up
- **Budget Year:** Enter the fiscal year being projected

Select **Accept** to run the process.

Munis will generate a **projection report** for review.
