The Tredyffrin/Easttown School District (T/E) is steadfast in its commitment to our mission to inspire a passion for learning, personal integrity, the pursuit of excellence and social responsibility in each student. Supporting this mission requires the District to balance carefully the needs of students and staff with those of our taxpayers, while acknowledging the District’s fiscal realities.

T/E is facing many challenges described in greater detail below. At the same time, the School Board is negotiating to reach contracts with its employee organizations. Talks between the Board and each bargaining unit commenced in January of 2017. The T/E School Board entered the process with the goal of developing contracts that achieve three objectives:

- To ensure the sustainable success of T/E's strong educational programs
- To provide fair compensation and benefits to T/E's employees
- To respect the financial impact on District taxpayers

Though both contracts expired on June 30, 2017, the T/E School Board is hopeful that continued talks will lead to a settlement with each group.

The District’s ability to negotiate affordable contracts is impacted by our educational commitments, both strategic and mandated. We have devoted the section below to detailing some of the commitments and challenges our District is facing to help provide a context for the negotiations.

**Educational and Financial Commitments and Challenges**

**Enrollment Growth**

Our District's ongoing commitment to its educational program is one factor that has led to a significant increase in student enrollment — 12.3% in the past 10 years. New staff positions and resources have been added to address the increase, but our efforts do not stop there.

Student enrollment and facilities use are regularly monitored to ensure that the District’s Strategic Plan and Elementary Blueprint for Instruction are applied as consistently as possible across all District elementary schools. To address unequal increases in elementary school enrollment, the District has begun the process of rebalancing student populations at the elementary schools. Knowing that this enrollment growth could lead to further considerations about our schools and staffing, it is essential that District resources be preserved.

**Special Education Needs**

Over the past few years, a variety of factors have led to an increase in the District's special education costs. The number of special education students has increased, along with the intensity of their needs. The District's commitment to empowering special education students to succeed in regular education classrooms has also resulted in additional costs, because classroom support may require a designated adult or other accommodations. As part of an individualized program, students with special needs may require counseling services, speech or occupational therapies, or assistive technologies. Schools are required by law to prepare special education students for transition from high school through programs focused on independent living skills, vocational training and post-secondary educational options.

The financial implications of providing this wide range of support services for students has increased significantly, but the expense is necessary to provide appropriate programming for all students. State subsidies have not kept pace with T/E’s growing special education needs, as indicated below:

<table>
<thead>
<tr>
<th>Year</th>
<th>State Subsidy</th>
<th>Special Education Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-17</td>
<td>$2,220,807</td>
<td>$20,561,479 (budgeted)</td>
</tr>
<tr>
<td>2015-16</td>
<td>$2,390,615</td>
<td>$20,586,020 (actual)</td>
</tr>
</tbody>
</table>
Standardized Testing Costs
Standardized tests such as Keystone Exams and PSSAs — both required by the state — involve specialized preparation for teachers and students alike. In recent years, the Pennsylvania Department of Education has tied testing results to evaluating the effectiveness of teachers in supporting student performance. Time and resources are needed to train teachers, schedule assessments, evaluate results and communicate testing information to parents.

Mandated PSERS Contributions
An extreme spike in mandated pension costs is one major financial hurdle the District faces annually. Due to declining investment returns and deferred payments, the Pennsylvania Public School Employee Retirement System (PSERS) has lost a significant amount of funding. To make up for the shortfall, school districts are required to increase their payments to fund the system. Combined with enrollment and program staffing increases, this has resulted in a 475% increase in pension contributions for T/E over the past 12 years!

For 2017-2018, T/E must fund a net budget impact of $9.2 million. This figure represents an $800,000 jump from last year’s net cost. Unfortunately, there is nothing our District can do about this mandated financial obligation, as is the case with all Pennsylvania school districts.

Rising Healthcare Costs
Our District works hard to identify economical ways to deliver employee health benefits. Six years ago, the District moved to a self-funded model, assuming the direct risk for payment of the employee claims for medical, prescriptions and dental benefits. While this has saved taxpayers millions of dollars, healthcare costs continue to rise. To prepare for this increase, the District has budgeted almost $11 million toward healthcare costs for 2017-2018.

Uncertainty of Property Tax Reform
Our elected officials in Harrisburg have proposed legislation to eliminate a school district’s ability to set the property tax rate to fund its educational program. This legislation, if passed, would eliminate school property taxes and replace them with increases in both the State Personal Income Tax Rate and the State Sales and Use Tax. The State would then control the disbursement of this new tax revenue to fund schools across the Commonwealth.

Another plan seeks to eliminate a district’s ability to appeal the assessments of properties that currently are assessed at a rate below the fair market value. As mandates increase, the State continues to explore new ways to limit a local district’s ability to fund its programs.

T/E School Board remains hopeful that it can work collaboratively with all employees to reach contract settlements that meet the needs of all stakeholders.

Frequently Asked Questions

Q: Who is negotiating?
A: The T/E School Board is working to reach mutual agreements on successor contracts with the teachers’ union leadership (TEEA) and with its non-instructional union leadership (TENIG). The TEEA represents professional staff members such as teachers, nurses and counselors. TENIG represents custodial, maintenance, food services and secretarial workers.

Q: When did negotiations start?
A: Talks began in January of this year.

Q: When do the current contracts expire?
A: Both contracts expired on June 30, 2017. The District and TENIG have reached an agreement that was unanimously approved by the Board at a special meeting on August 7, 2017. (Updated 8/8/17)

Q: Can you use reserves to pay for the contract?
A: Fund balance reserves, by Board policy, are not to be used for recurring operational expenses, including salaries and benefits. They are to be used for one-time expenses such as capital projects for maintenance and construction. Using reserves to pay for recurring expenses would be like a homeowner using their savings account to pay their electricity bill. For a school district, spending reserves for contracted salaries and benefits may force a school board to raise taxes sharply or cut programs.

Q: How can I find out what is happening with negotiations?
A: Visit the “Negotiations Update” section of the District website at www.tesd.net/negotiations. Milestones will be shared here. As needed, the District will communicate with residents through its communication channels.