



**State College Area School District  
Administrative Offices  
240 Villa Crest Drive  
State College, PA 16801  
814-231-1021**

To: Robert J. O'Donnell  
From: Randy L. Brown and Donna Watson  
Date: December 15, 2016  
Subject: 2017-2018 Budget Development – Proposed Preliminary Budget Process

The administration presents the Accelerated Opt Out Resolution certifying the tax rate within inflation index (Act 1 of 2006) of 2.5% for the 2017-2018 Fiscal Year for approval. This recommendation follows the proposed preliminary budget discussion on December 5, 2016.

The attached Proposed Preliminary Budget statements have been revised to reflect an updated PSERS employer contribution rate of 32.57%, certified by the PSERS Board of Trustees on December 7, 2016. The projected PSERS rate included in the presentation at the December 5<sup>th</sup> board meeting was 32.04%. The net impact of this rate change is a decrease in budgeted fund balance of \$171,388. The report from PSERS also projected rates through 2021-22. A revised PSERS pay forward projection will be prepared for presentation at a future meeting.

The revised proposed preliminary budget maintains a 1.55% increase in the tax rate, within the 2.5% Act 1 Index for 2017-2018. Budgeted revenues are based upon the most recent projections of 2016-2017, adjusted for historical results or known contracts. Expenses reflect changes in employment contracts, assumed change in health insurance, debt service for existing debt and transfer to capital reserve of \$5.5 million, consistent with the most recent capital reserve projection. This proposal also includes costs for the proposed International Baccalaureate program and programming changes at the elementary level, as well as an increase in the rate of charter school tuition and transfer to the food service program. At this time, administration is not recommending an increase in the tax rate related to the increase in the PSERS rate. Our intent is to first look for opportunities for savings to offset this increase.

This budget proposal will be refined as we gain a greater understanding of the current year financial results and program expansion estimates. Schedules detailing the assumptions utilized in the proposed preliminary budget were included in the materials shared at the December 5, 2016 meeting.

An updated budget development timeline has been attached for reference. The updates include the option for the Accelerated Opt Out resolution. An additional schedule for Board discussion includes board action items continuing through budget approval in June.

The next discussion of the 2017-2018 budget is expected to be January 23<sup>rd</sup>, in addition to the January Finance and Audit Committee.

STATE COLLEGE AREA SCHOOL DISTRICT  
(Centre County, Pennsylvania)

**Accelerated Budget Opt Out Resolution Certifying Tax Rate Within Inflation Index  
(and No Need to Comply with Act 1 Accelerated Budget Procedures)**

**Background.** Act 1 § 311(a), 53 P.S. § 6926.311(a), requires an accelerated budget adoption timeline and procedure unless a school district, no later than 110 days before the primary election, adopts a resolution containing the certifications incorporated in this resolution. The deadline this year is January 27, 2017. After adoption of a resolution containing such certifications, § 311(d) authorizes a school district to comply with pre-Act 1 budget adoption rules as set forth in School Code § 687, 24 P.S. § 6-687. The School Board has reviewed the school district preliminary budget or has other information sufficient to make a determination that the budget for the next fiscal year can be funded based on maintaining current tax rates or increasing taxes by an amount less than or equal to the Act 1 index. In lieu of the Act 1 budget adoption timeline and procedure, the School Board wishes to make the required certifications and comply with pre-Act 1 budget adoption rules.

**RESOLVED,** that the Board of School Directors of State College Area School District, makes the following unconditional certifications:

1. The school district's various tax levies and other revenue sources will be sufficient to balance the school district final budget for the next fiscal year (2017-2018) based on maintaining current tax rates or increasing tax rates by an amount less than or equal to the Act 1 index applicable to the school district as calculated by the Pennsylvania Department of Education. This conclusion is based on the school district preliminary budget or other information available to the School Board.
2. The applicable index for the next fiscal year is 2.50%, and the School Board will not for the next fiscal year increase the rate of its real estate tax, or any other tax for the support of public education, by an amount that exceeds the applicable index.
3. The School Board has to date and in the future will comply with the rules set forth in School Code § 687 for adoption of the school district proposed and final budgets for the next fiscal year.
4. The School Board understands that the school district will not be eligible to use Act 1 referendum exceptions for the next fiscal year.

Duly adopted by the State College Area School District (Centre County, Pennsylvania) in lawful session assembled on this \_\_\_\_ day of December, 2016.

STATE COLLEGE AREA SCHOOL  
DISTRICT

Attest:

\_\_\_\_\_  
President, Board of School Directors

\_\_\_\_\_  
Secretary

[Per Act 1 §§ 311(d)(2)(ii) and (iii), the school district must, within 5 days after adoption of this resolution submit to PDE: (1) on a PDE prescribed form, information on any proposed tax increase – **Real Estate Tax Rate Report**; and (2) a copy of this resolution.]

State College Area School District  
 General Fund Revenue  
 Proposed Preliminary Budget 2017-18

**Assumptions:**

<b>Earned Income Tax Growth</b>	<b>2.00%</b>
<b>Assessed Value Growth</b>	<b>1.10%</b>
<b>Exceptions</b>	<b>0.00%</b>
<b>Act 1 Index</b>	<b>2.50%</b>
<b>Actual/Projected Total Tax Increase</b>	<b>1.55%</b>

**LOCAL SERVICES TAX**

CURRENT REAL ESTATE TAX	\$91,869,597
REAL ESTATE TAX-REFERENDUM DEBT	4,945,363
EARNED INCOME TAX	17,350,000
REALTY TRANSFER TAX	2,082,000
DELINQUENT REAL ESTATE TAX	1,100,000
INTERIM REAL ESTATE TAX	400,000
IDEA-B	740,000
PAYMENTS IN LIEU OF TAX	555,011
LOCAL SERVICES TAX	385,000
TUITION	1,150,304
MISC LOCAL REVENUE	644,100
PUBLIC UTILITY REALTY TAX	117,190
INTEREST ON INVESTMENTS	150,000

**TOTAL LOCAL** **121,488,565**

**STATE**

BASIC ED INSTR SUBSIDY	7,543,140
SPECIAL ED REVENUE-REGULR	3,268,768
REV. FOR RETIREMENT	10,532,276 (1)
REV. FOR SOCIAL SECURITY	2,472,387
PROPERTY TAX REDUCTION	1,424,101
TRANSPORTATION REVENUE	800,000
BOND REIMBURSEMENTS	632,953
HEALTH SERVICES REVENUE	140,000
READY TO LEARN GRANT	310,013
VOCATIONAL EDUCATION	90,891
TUITION - 1305/1306	130,000

**TOTAL STATE** **27,344,529**

**FEDERAL**

TITLE I REVENUE	600,000
TITLE II REVENUE	200,000
ACCESS FUNDS	250,000
OTHER FEDERAL REVENUE	60,000
TITLE III REVENUE	35,000

**TOTAL FEDERAL** **1,145,000**

**TOTAL REVENUE** **\$149,978,094**

(1) Includes impact of updated PSERS rate of 32.57% certified by PSERS Board of Trustees on December 7, 2016. This increased revenue \$171,388 compared to the budget presented at the December 5, 2016 Board meeting.

**State College Area School District  
General Fund Expenses and Fund Balance Transfers  
Proposed Preliminary Budget 2017-18**

Salaries	65,956,706
Health Insurance	14,111,448
PSERS	21,064,552 (1)
Other Benefits	6,624,604
Professional Services	3,703,357
Purchased Property Services	2,049,797
Other Purchased Services	12,495,121
Supplies/Equipment	6,073,682
Minor Capital Projects	2,138,768
Transfers/contingencies	2,339,964
Debt Service	5,014,258
Debt Service - Referendum Debt	5,257,725
Transfer to Capital Reserve	5,502,000
Fund Balance Use (PSERS/Legal)	<u>(2,186,728)</u>
<b>Total Expenses and Fund Balance Transfers</b>	<b><u><u>\$150,145,254</u></u></b>

(1) Includes updated PSERS rate of 32.57% certified by PSERS Board of Trustees on December 7, 2016. This increased expense \$342,776 compared to the 32.04% rate included in the budget presented at the December 5, 2016 Board meeting.

December 13, 2016

**State College Area School District  
General Fund Activity  
Proposed Preliminary Budget 2017-18**

**Assumptions:**

<b>Earned Income Tax Growth</b>	<b>2.00%</b>
<b>Assessed Value Growth</b>	<b>1.10%</b>
<b>Exceptions</b>	<b>0.00%</b>
<b>Act 1 Index</b>	<b>2.50%</b>
<b>Actual/Projected Total Tax Increase</b>	<b>1.55%</b>

<b>Beginning Fund Balance</b>	\$11,684,977
<b>Revenue</b>	149,978,094
Local	121,488,565
State	27,344,529
Federal	1,145,000
<b>Expense</b>	152,331,982
<b>Revenue less expense</b>	<u>(2,353,888)</u>
<b>Use of Assigned Fund Balance</b>	<u>2,186,728</u>
<b>Change in Unassigned General Fund Balance</b>	<u>(167,160) (1)</u>
<b>Ending Unassigned Fund Balance</b>	<u><u>\$ 11,517,817</u></u>

**Impact of Change in Tax Rate Increase**

Assumed Tax Increase:	Impact on 2017-18 Tax Year	Cumulative Impact thru 2025-26
0%	(\$1,499,181)	(\$15,382,703)
2.5%	\$918,638	\$9,404,936

Note: The assumed tax increases above are compared to the proposed preliminary tax increase of 1.55% for 2017-18. The tax rate assumed for 2018-19 thru 2015-26 is assumed constant at 2% for all projections.

(1) Decreased \$171,388 compared to the Proposed Preliminary Budget presented at the December 5, 2016 Board meeting. This is due to an increase in the PSERS rate from 32.04% to 32.57%.

December 13, 2016

## State College Area School District

### 2017-18 Budget Development – December 19, 2016

#### Board Budget Process

##### December 5 - completed

- Review and discuss Proposed Preliminary Budget. (Note: Unless school district intends to adopt an opt out resolution.)

##### December 19 – Board Action Required

- Adopt **Resolution Authorizing Accelerated Opt Out - proposed**
- Adopt *Resolution Authorizing Proposed Preliminary Budget Display and Advertising*

##### January 23

- Preliminary Budget Discussion

##### February 19

- Preliminary Budget Discussion

##### March 22

- Preliminary Budget Discussion

##### April 24

- Presentation of district proposed final budget for 2017-2018

##### May 8 – Board Action Required

- Approval of district Proposed Final Budget for 2017-2018. (Resolution and advertising - 30 days prior to final budget adoption)

##### June 5

- Public hearing for district final budget for 2017-2018

##### June 12 – Board Action Required

- Adopt Final Budget on Form PDE-2028 (resolution)
- Homestead and Farmstead Exclusion Resolution
- Annual Tax Levy Resolution
- Installment Payment Plan Resolution

## State College Area School District

### 2017-18 Budget Development – December 19, 2016

Key dates in the budget process based on PDE published filing requirements.

#### September 30

- PDE deadline to notify school districts of applicable base index or adjusted index; and of next year budget process timeline.
  - 2.5% Index for 2017-18

#### December 5

- Review and discuss Proposed Preliminary Budget. (Note: Unless school district intends to adopt an opt out resolution.)

#### December 19 – Board Action Required

- Adopt **Resolution Authorizing Proposed Preliminary Budget Display and Advertising** or **Resolution Authorizing Accelerated Opt Out.**

#### December 31

- District deadline to notify residential property owners not currently approved or whose approval is due to expire that the owner must submit a completed application to county assessment office to qualify for homestead exclusion. Deadline for submitting application is March 1.

#### January 23

- Proposed Preliminary Budget on Form PDE-2028 available for public inspection pursuant to resolution, OR adopt opt out resolution stating district will not raise the rate of any tax by more than index. (110 days prior to primary election, or 20 days prior to preliminary budget adoption.)

#### February 3

- Publish notice of intent to adopt 2017-2018 Preliminary Budget.
- Publish and post on district website notice of intent to apply to PDE for referendum exceptions.

#### February 13 – Board Action Required

- Approve Preliminary Budget
- Presentation of referendum exception calculation for board discussion.
- Deadline to submit to PDE copy of opt out resolution and related proposed tax rate increases February 19.



## State College Area School District

### 2017-18 Budget Development – December 19, 2016

#### February 19

- Submit to PDE Preliminary Budget and related proposed tax rate increases - PDE-2028, including Real Estate Tax Rate Report. (85 days prior to primary election)
- Discussion of 2017-2018 budget.

#### February 23

- Publish and post on district website notice of intent to apply to PDE for referendum exceptions.

#### February 27 – Board Action Required

- Presentation of referendum exceptions for board approval (PDE deadline March 2)

#### March 1

- Deadline for residential property owners to submit homestead application to county assessment office.

#### March 2

- file referendum exception request (75 days prior to primary election)

#### March 22

- PDE to rule on school district request for referendum exception (55 days prior to primary election)

#### April 24

- Presentation of district proposed final budget for 2017-2018

#### May 8 – Board Action Required

- Approval of district Proposed Final Budget for 2017-2018. (Resolution and advertising - 30 days prior to final budget adoption)
- School Board President to sign and send to PDE Certification of Use of PDE-2028

#### May 16

- General Primary Election Day

#### May 23

- 20 days prior to final budget adoption - Proposed Final Budget on Form PDE-2028 available for public inspection

## State College Area School District

### 2017-18 Budget Development – December 19, 2016

#### June 2

- Publish notice of intent to adopt Final Budget (10 days prior to final budget adoption)

#### June 5

- Public hearing for district final budget for 2017-2018

#### June 12 – Board Action Required

- Adopt Final Budget on Form PDE-2028 (resolution)
- Homestead and Farmstead Exclusion Resolution
- Annual Tax Levy Resolution
- Installment Payment Plan Resolution