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To: Robert J. O'Donnell
From: Randy L. Brown and Donna Watson
Date: September 26, 2016
Subject: 2017-2018 Budget Development

The budget development process for the 2017-2018 fiscal year begins with several components.

- Act 1 (Base) Index for 2017-2018
- Act 1 Timeline for 2017-2018 Budget Process
- SCASD Budget Development Timeline

The Act 1 (Base) Index for 2017-2018 is 2.5%. The District is subject to the base Act 1 Index. Districts with a market value/personal income aid ratio (MVPI) of greater than .4000 are subject to an adjusted Act 1 Index. With an MVPI of .1684 for 2016-2017, the district is one of 87 of the state's 500 school districts subject to the base Act 1 Index. The adjusted Act 1 Index applies to the remaining three local school districts in the county. Since inception in 2006, the base Act 1 index has ranged from 1.4% to 4.4%. The base Act 1 index was 2.4% in 2016-2017.

The Act 1 Timeline for the 2017-2018 Budget Process prepared by the PA Department of Education is provided for reference. The deadlines included in this timeline are to be used to generate the SCASD Budget Development Timeline. If the District intends to apply for available exceptions under Act 1, the District will have until December 19, 2016 to adopt a resolution authorizing proposed preliminary budget. In light of this step, a Proposed Preliminary Budget will be provided for approval at the December 5 Board meeting. The deadline to present a Preliminary Budget for public display or adopt an opt out resolution stating the District will not raise the rate of any tax by more than the Act 1 Index is January 23. The deadline to approve a preliminary budget is February 15, which is scheduled for action at the February 13 Board meeting. The deadline to request approval for referendum exceptions is March 2, this action will be presented at the February 27 Board meeting. These deadlines are considered in the SCASD budget timeline also attached for your review.

General Fund budget projections will be presented at the November 14 board meeting for the period fiscal years 2017-2018 through 2027-2028, taking into consideration updated projections.

NOTICES

DEPARTMENT OF EDUCATION

Index Calculation Required by Special Session Act 1 of 2006

[46 Pa.B. 5817]
[Saturday, September 10, 2016]

Under section 333(l) of the Taxpayer Relief Act (53 P.S. § 6926.333(l)), the Department of Education (Department) has calculated the index for the Fiscal Year (FY) 2017-2018.

The index is the average of the percentage increase in the Statewide average weekly wage and the Employment Cost Index. For FY 2017-2018, the base index is 2.5%.

For school districts with a market value/income aid ratio greater than 0.4000, an adjusted index will be posted on the Department's web site at www.education.pa.gov by September 30, 2016.

PEDRO A. RIVERA,
Secretary

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Act 1 Timeline for 2017-2018 Budget Process – KKAL Version

Preliminary Notes: (1) This document is a work in progress based on the PDE Timeline format – with appropriate dates and other changes, additions, and explanations from KKAL. (2) Timeline dates apply to all school districts except Philadelphia, Pittsburgh, and Scranton. (3) Concerning the various forms referred to in this Timeline, forms listed with the **title typed in bold are PDE forms**; forms listed with the **title typed in bold italics are KKAL forms**.

Act 25 Exceptions Change Note: ***On June 30, 2011, Act 25 was adopted and signed into law. Act 25 eliminates all referendum exceptions other than: (1) grandfathered debt; (2) debt approved by voter referendum; (3) special education costs, net of state reimbursement, in excess of the index (measured by look back – compare 2 prior years); (4) PSERS cost in excess of the index. For PSERS cost, the exception freezes the wage base at 2011-12 levels, such that the exception cannot be used to cover increased costs applicable to wage base increases, even if the district hires new employees or total salary costs otherwise exceed the 2011-12 wage base. The exception applies based on the increase between the current year and estimated payments for the next year, as determined by PDE. PDE provides guidance on how to calculate estimated payments in the PDE annual publication entitled “Referendum Exceptions Submitted to PDE Guidelines” and also in the “Retirement Contributions Referendum Exception Worksheet.”***

Date/Deadline	Description	Law Section
Now	School district begin development of 2017-2018 Proposed Preliminary Budget. As part of this process, the business office should prepare a specific timeline for its school district to take each applicable step set forth in this Act 1 Timeline.	Unless otherwise stated, Law Section references are to Act 1, 53 P.S. § 6926.101 <i>et seq.</i>
September 1, 2016 <i>(annual deadline)</i>	Department of Education deadline to publish in Pennsylvania Bulletin 2017-2018 permitted tax increase base index.	Section 333(I)
September 30, 2016 <i>(annual deadline)</i>	Department of Education deadline to notify school districts of applicable base index or adjusted index; and of next year budget process timeline.	Section 313(1)
November/December 2016 <i>(If school district will adopt Accelerated Budget Opt Out Resolution, this step does not apply)</i>	School district adopt <i>Resolution Authorizing Proposed Preliminary Budget Display and Advertising</i> – Documents #4, #5, and #5A. (Note: Unless school district intends to adopt an opt out resolution, must display and advertise. Although KKAL believes this resolution authorizing public display and advertising is optional, PDE recommends this step. School districts should follow the PDE recommended process unless there is a compelling reason to do otherwise. See discussion at end of timeline on Required Budget Votes and Related Steps .)	
December 15, 2016 – tax certification deadline <i>(annual deadline)</i>	School district (that imposed earned income tax in 2015 and had residents paying tax on compensation imposed by Philadelphia under Sterling Act) deadline to certify to the Department of Education the total amount of 2015 tax credits claimed by school district residents based on the school district tax rate. Certification is accomplished by filing Sterling Act Tax Credit Data – Document #2 .	Sections 503(b)(2); 324(2)

<p>December 27, 2016 <i>(30 days prior to preliminary budget display deadline)</i></p>	<p>Department of Education deadline to notify school districts of school year AFR data to be used when calculating referendum exception under Section 333(f)(2)(v).</p>	<p>Section 333(j)(4)</p>
<p>December 31, 2016 – homestead notice <i>(annual deadline – 60 days prior to March 1 homestead application deadline)</i></p>	<p>School district deadline to notify by first class mail owner of each parcel of residential property – which can be limited to owners not currently approved or whose approval is due to expire – stating that the owner must submit a completed application to county assessment office to qualify for homestead exclusion. Mailing must include application, instructions, and deadline. (See also March 1 concerning application deadline.)</p>	<p>Section 341(b)</p>
<p>December 2016/January 2017</p>	<p>School districts should meet with the county assessment office to engage in dialogue concerning Act 1 homestead/farmstead approval and property transfer rules, and procedures to be followed for May 1 certification of approved properties. This step is optional, but should help avoid later problems with the county homestead and farmstead list.</p>	
<p>January 26, 2017 – preliminary budget public display or opt out <i>(110 days prior to primary election – or 20 days prior to preliminary budget adoption)</i></p>	<p>School district deadline to either: (1) make 2017-2018 Proposed Preliminary Budget on form PDE-2028 available for public inspection (public display) pursuant to resolution; or (2) adopt opt out resolution pursuant to Section 311(d)(1) stating district will not raise the rate of any tax by more than index (Accelerated Budget Opt Out Resolution – Document #6).</p>	<p>Sections 311(c); 311(d)(1)</p>
<p>January 31, 2017 <i>(or 5 days after opt out resolution adoption)</i></p>	<p>School district deadline to submit to Department of Education copy of opt out resolution and related proposed tax rate increases (Real Estate Tax Rate Report – Document #10).</p>	<p>Section 311(d)(2)(iii)</p>
<p><i>If school district adopts Accelerated Budget Opt Out Resolution, skip to Feb. 10, Feb. 15, March 1, Apr. 15, and after</i></p>	<p>If school district adopts Accelerated Budget Opt Out Resolution, the accelerated budget and Act 1 exception and primary election steps that follow do not apply – skip Timeline items other than Feb. 10, Feb. 15 as to tax collector compensation, March 1, Apr. 15, and after.</p>	<p>Section 311(d)(2)</p>
<p>February 5, 2017 <i>(or 10 days prior to preliminary budget adoption) (n/a if opt out)</i></p>	<p>School district deadline to publish notice of intent to adopt 2017-2018 Preliminary Budget (Preliminary Budget Notice – Document #5 or #5A – must advertise at least 10 days before preliminary budget adoption – unless opt out resolution was adopted).</p>	<p>Section 311(c)</p>
<p>February 10, 2017 <i>(or 10 days after PDE receipt of opt out resolution)</i></p>	<p>Department of Education deadline to notify school districts that adopted opt out resolution whether the proposed tax rates are equal to or less than index.</p>	<p>Section 311(d)(4)</p>

<p>February 15, 2017 – Preliminary Budget <i>(90 days prior to primary election) (n/a if opt out)</i></p>	<p>School district deadline to adopt Preliminary Budget on form PDE-2028 unless opt out resolution was adopted (Resolution Approving Preliminary Budget [and Authorizing Referendum Exception and Final Budget Notice] – Documents #7, #8, and #9). If school district does not intend adoption of a Proposed Final Budget, school board president sign and send to PDE Certification of Use of PDE-2028 – Document #14. (See also May 31, and discussion at end of timeline on Required Budget Votes and Related Steps.)</p>	<p>Section 311(a)</p>
<p>February 15, 2017 – elected tax collector compensation <i>(deadline is Feb. 15 of municipal election year – every 4 years – the next applicable year is 2017)</i></p>	<p>School districts that collect real estate taxes directly, and also those with elected tax collectors, should complete data collection and analysis to establish official elected tax collector compensation rate. February 15, 2017 is deadline for school board action to establish or change the compensation rate applicable to anyone who runs for office, is elected, or serves for years starting 2018.</p>	<p>Section 36a (Local Tax Collection Law)</p>
<p>Elected or municipality appointed tax collector qualification</p>	<p>In the first year of service by, or in the first year of a new term of, an elected or municipality appointed tax collector, prior to delivery of the tax duplicate or tax bills to the collector, the school district should receive copies of: (1) DCED Qualified Tax Collector Certificate; (2) Criminal history background information report; (3) Bond in proper form; (4) Evidence of appointment of deputy in compliance with applicable rules.</p>	
<p>February 19, 2017 <i>(85 days prior to primary election) (n/a if opt out)</i></p>	<p>School district deadline to submit to Department of Education Preliminary Budget and related proposed tax rate increases (PDE-2028, including Real Estate Tax Rate Report – Document #10).</p>	<p>Section 333(e)</p>
<p>February 23, 2017 <i>(or 1 week prior to filing referendum exception request) (n/a if opt out)</i></p>	<p>School district deadline to publish and post on district website notice of intent to apply to Department of Education for referendum exceptions (Act 1 Referendum Exception Notice – Document #5A or #8).</p>	<p>Section 333(j)(2)</p>
<p>March 1, 2017 – Homestead Application <i>(annual deadline)</i></p>	<p>Homeowner deadline to file homestead application (and, if applicable, farmstead application) with county assessment office. (See also Dec. 31, 2016.)</p>	<p>Sections 341(c), (e), (i)</p>
<p>March 2, 2017 <i>(75 days prior to primary election) (n/a if opt out)</i></p>	<p>Department of Education deadline to notify school districts (that did not adopt an opt out resolution and therefore submitted a Preliminary Budget to PDE) whether the proposed tax rates are equal to or less than index.</p>	<p>Section 333(e)</p>
<p>March 2, 2017 – file referendum exception request <i>(75 days prior to primary election) (n/a if opt out)</i></p>	<p>School district deadline to request approval from Department of Education for referendum exceptions (Referendum Exception Application – Document #11).</p>	<p>Section 333(j)</p>

<p>March 17, 2017 (60 days prior to primary election) (n/a if opt out)</p>	<p>School district deadline to submit primary election referendum question seeking voter approval of tax rate increase in excess of index to county election officials (for each county in which the school district is located), unless referendum exception request has been submitted to Department of Education. If the school district proposed tax rate increase would exceed the index even if all referendum exception requests were approved, and if it intends to submit a referendum question for that part of the tax rate increase, it must do so by this date. (See March 27 if referendum exception request submitted.)</p>	<p>Section 333(c)(3)</p>
<p>March 22, 2017 (55 days prior to primary election) (n/a if opt out)</p>	<p>Department of Education deadline to rule on school district request for referendum exception.</p>	<p>Section 333(j)(5)(i)</p>
<p>March 27, 2017 (50 days prior to primary election) (n/a if opt out)</p>	<p>School district deadline, if Department of Education denies all or a part of referendum exception request, to submit to county election officials primary election referendum question seeking voter approval of tax rate increase in excess of index for denied portion of the referendum exception request.</p>	<p>Section 333(j)(5)(iii)</p>
<p>April 15, 2017 (annual deadline)</p>	<p>Secretary of Budget certifies total amount of slot money revenue in Property Tax Relief Fund and Property Tax Relief Reserve Fund and total amount available for distribution.</p>	<p>Sections 503(a)(1), (e)</p>
<p>April 20, 2017 (annual deadline)</p>	<p>Secretary of Budget notifies Department of Education whether it is authorized to provide school districts with slot money allocations.</p>	<p>Section 503(d)</p>
<p>May/June of 2017</p>	<p>School district consider final and future budget and long term financial planning steps, including: (1) fund transfer to capital reserve fund or other budget category transfers, and (2) general fund balance designation for particular future needs. Factors to consider include future capital needs and School Code § 688 general fund balance limits. (Note: As to timing for budgetary transfers, the School Accounting Manual, under Budgetary Transfers, states that: "Transfers may not be made after the end of the budgeted fiscal year." However, relying on Municipal Code legal authority, many school districts make transfers to the capital reserve fund as part of finalizing the audit after the end of the fiscal year. As to timing for fund balance designation, this may occur at any time, but is often done before the end of the fiscal year in connection with budget adoption, or after the end of the fiscal year in connection with financial statement preparation and audit.)</p>	<p>Section 687 (School Code); Section 1432 (Municipal Code)</p>
<p>May 1, 2017 – slot money notice (annual deadline)</p>	<p>Department of Education notifies school districts of slot money allocation amount. This amount is used in calculating the homestead exclusion amount for tax bills.</p>	<p>Section 505(a)(4)</p>
<p>May 1, 2017 – county homestead report (annual deadline)</p>	<p>County assessment office provides each school district a certified report of homestead and farmstead properties per 53 Pa.C.S.A. § 8584(i).</p>	<p>Section 341(g)(3)</p>

<p>May 16, 2017 – primary election <i>(fourth Tuesday in April for Presidential election year; otherwise, third Tuesday in May) (n/a if opt out)</i></p>	<p>Primary election. If school district budget requires tax rate increase in excess of index and approved exceptions, county election officials place referendum question on the ballot pursuant to school district request. In addition, county election officials, in conjunction with school board, draft nonlegal interpretative statement to accompany referendum question. (See also March 17 and March 27)</p>	<p>Section 333(c)(4)</p>
<p>May regular school board meeting</p>	<p>School district appoint tax collector for direct collection of real estate taxes as required by School Code § 683 (<i>Direct Tax Collection Tax Collector Appointment Resolution and Direct Tax Collection Acceptance of Appointment as Tax Collector</i> – Documents #12 and #12A) – if school district collects directly rather than through elected tax collector. School district approve any tax collection procedure changes. School district adopt any changes to existing LTEA taxes. (See also May 31 concerning other required LTEA steps. If LTEA taxes changed and advertising required, deliver advertisement to newspaper of general circulation/Law Review for publication once a week for 3 weeks as required by LTEA § 306. Also, consider preliminary action at prior school board meeting.)</p>	<p>Section 683 (School Code)</p>
<p>May 30, 2017 <i>(annual deadline/optional action) (adoption must occur within 30 days of receipt of PDE notice of slot money; see note above)</i></p>	<p>School district deadline to adopt resolution declining slot money and allowing voter decision. (See also June 6 and July 29)</p>	<p>Section 903(a)</p>
<p>May 31, 2017 <i>(annual deadline – Act 1 § 351(f)(1) and LTEA § 511 state a June 1 deadline to report tax information; however, LTEA § 312 states a May 31 deadline. LTEA § 310 also requires filing a certified copy within 15 days after effective date.</i></p>	<p>School district deadline to report to, and file certified copy with, the Department of Community and Economic Development, new LTEA tax enactments and repeals and changes of LTEA taxes or tax collector (to require employer withholding of a new tax, withholding at a new rate, or to suspend withholding of a tax effective July 1, and otherwise to comply with filing requirements). (Note: DCED encourages e-filing using form CLGS-501. Certified copies of tax enactments may be filed by pdf email attachment.)</p>	<p>Section 351(f)(1); LTEA Sections 310, 312, 511; 71 P.S. § 965</p>
<p>May 31, 2017 <i>(or 30 days prior to final budget adoption – see discussion in middle column and at end of timeline on Required Budget Votes and Related Steps)</i></p>	<p>School district deadline to adopt Proposed Final Budget (<i>Resolution Authorizing Proposed Final Budget Display and Advertising</i> – Documents #13 and #9) – and for school board president to sign and send to PDE Certification of Use of PDE-2028 – Document #14. (Note: PDE believes this action should occur in all cases, even if the school district adopted a Preliminary Budget. KKAL believes this action approving the specific Proposed Final Budget before adoption is mandatory if the school board previously adopted an opt out resolution and therefore did not previously adopt a Preliminary Budget. KKAL believes this step is optional if the school board previously adopted a Preliminary Budget. However, KKAL recommends following the PDE recommended process unless there is a compelling reason to do otherwise. See discussion at end of timeline on Required Budget Votes and Related Steps.)</p>	<p>Section 687(a)(1) (School Code)</p>

<p>June 4, 2017 <i>(or 5 days after slot money rejection resolution adoption)</i></p>	<p>School district deadline to submit copy of resolution declining slot money to Department of Education. (See also May 30 and July 29)</p>	<p>Section 903(b)</p>
<p>June 10, 2017 – budget public display <i>(20 days prior to final budget adoption)</i></p>	<p>School district deadline to make Proposed Final Budget on form PDE-2028 available for public inspection (public display).</p>	<p>Section 312(c); School Code Section 687(a)(2)(i)</p>
<p>June 20, 2017 <i>(or 10 days prior to final budget adoption)</i></p>	<p>School district deadline to publish notice of intent to adopt Final Budget (Final Budget Notice – Document #9).</p>	<p>Section 312(c)</p>
<p>June 30, 2017 – Final Budget <i>(annual deadline) (the final budget must be adopted no later than the last day of the 2016-2017 fiscal year)</i></p>	<p>School district deadline to adopt Final Budget on form PDE-2028 (Final Budget for General Fund Approval Resolution – Document #15).</p>	<p>Section 312(a)</p>
<p>June 30, 2017 – homestead exclusion <i>(annual deadline)</i></p>	<p>School district deadline to adopt resolution implementing homestead/farmstead exclusion (Homestead and Farmstead Exclusion Resolution – Document #16).</p>	<p>Sections 321(d), 342, 505(a)(4)</p>
<p>June 30, 2017 – tax levy <i>(annual deadline)</i></p>	<p>School district deadline to adopt Annual Tax Levy Resolution – Document #17 (real estate tax levy, School Code per capita tax levy (if any), and summary of LTEA taxes not requiring annual levy). (Note: In school districts where a county-wide reassessment is applicable for the first time this year, calculating the permissible real estate tax rate requires two steps – an initial step of calculating a lower, revenue neutral tax rate, and a second step of calculating the permissible tax rate – using the Act 1 index for the preceding year (not the current year). Act 91 previously required a two-vote procedure, with initial adoption of Reassessment Year – Preliminary Resolution Establishing Revenue Neutral Tax Rate, followed by Reassessment Year – Final Resolution Levying Taxes and Establishing Final Tax Rate. The two-vote procedure is now optional for school districts.) (Note: Lancaster County reassessment will be effective January 1, 2018.)</p>	<p>Section 687 (School Code)</p> <p>53 Pa.C.S.A. § 8823</p> <p>53 P.S. § 6926.327</p>
<p>July 1, 2017 – tax bills <i>(annual deadline)</i></p>	<p>School district deadline to furnish tax collector with tax duplicate/Tax Bills – Document #18. (Note: Tax bills should be dated July 1 and mailed on or before July 1.)</p>	
<p>July 15, 2017 <i>(annual deadline)</i></p>	<p>School district deadline to submit copy of Annual Tax Levy Resolution to Department of Community and Economic Development. (Copy may be filed by pdf email attachment.)</p>	<p>71 P.S. § 965</p>

<p>July 15, 2017 <i>(annual deadline – within 15 days after final budget adoption)</i></p>	<p>School district deadline to submit Final Budget to Department of Education on form PDE-2028. In order to show compliance with School Code § 688 eight percent (8%) general fund balance limit, also file Certification of Estimated Ending Fund Balance from 2015-2016 General Fund Budget. In addition, if referendum exceptions were approved, must file Certification of Utilization of Referendum Exceptions – Document #19.</p>	<p>Sections 687(b), 688 (School Code)</p>
<p>July 29, 2017 <i>(or 60 days after deadline for school district to notify PDE of slot money rejection resolution adoption)</i></p>	<p>Department of Education deadline to notify election officials of applicable county of school districts that have taken action to decline slot money and allow voter decision. (See also May 30 and June 6)</p>	<p>Section 904(b)</p>
<p>August 24, 2017 <i>(fourth Thursday in August)</i></p>	<p>Department of Education pays school district 50% of slot money allocation.</p>	<p>Section 505(b)</p>
<p>October 26, 2017 <i>(fourth Thursday in October)</i></p>	<p>Department of Education pays school district 50% of slot money allocation.</p>	<p>Section 505(b)</p>
<p>November 1, 2017</p>	<p>Date on which unpaid school district real estate tax becomes delinquent. School district or tax collector send delinquent tax notice to taxpayers who have not paid real estate tax or real estate tax installment due on or before October 31. Notice should include reference to applicable penalty and December 31 turnover to County Tax Claim Bureau or delinquent tax collector.</p>	<p>Section 10 (Local Tax Collection Law)</p>
<p>November 7, 2017 <i>(first Tuesday after first Monday in November)</i></p>	<p>General election. For school districts that rejected slot money allocation, county election officials place referendum question on the ballot for voters to determine if the school district will be eligible to receive slot money allocation in 2017-2018. In addition, county election officials, in conjunction with school board, draft nonlegal interpretative statement to accompany referendum question. (See also May 30, June 6, and July 29)</p>	<p>Sections 904(c), (d)</p>
<p>December 1, 2017 <i>(annual deadline – Act 1 § 351(f)(2) and LTEA § 511 state a December 1 deadline)</i></p>	<p>School district deadline to report to, and file certified copy with, the Department of Community and Economic Development, new LTEA tax enactments and repeals and changes of LTEA taxes or tax collector (to require employer withholding of a new tax, withholding at a new rate, or to suspend withholding of a tax effective January 1, and otherwise to comply with filing requirements). (Note: DCED encourages e-filing using form CLGS-501. Certified copies of tax enactments may be filed by pdf email attachment.)</p>	<p>Section 351(f)(2); 71 P.S. § 965.</p>

Meaning of deadlines: Various deadlines require the school district to “submit” various items or to “seek approval” by specified dates. Act 1 does not expressly state whether this requires receipt by the other party by the specified date, or merely requires mailing by the specified date. In order to avoid any question, the school district should assume that the item must be received by the other party by the specified date.

Deadlines that fall on Saturday or Sunday: The Pennsylvania Statutory Construction Act, 1 Pa. C.S.A. § 1908, provides as follows: “When any period of time is referred to in any statute, such period in all cases ... shall be so computed as to exclude the first and include the last day of such period. Whenever the last day of any such period shall fall on Saturday or Sunday, or on any day made a legal holiday by the laws of this Commonwealth or of the United States, such day shall be omitted from the computation.” However, for statutes that require action on a specified annual date, such as December 15, February 15, March 1, or May 1, the law is unclear as to what deadline applies when the specified date falls on a Saturday or Sunday. To avoid issues, school districts should assume the deadlines are not extended.

Required Budget Votes and Related Steps:

1. Act 1 of 2006 §§ 311 and 312 enacted new provisions governing the budget process. When these provisions were written, the drafters failed to consider the pre-existing School Code § 687 provisions on the budget process. The end result is inconsistency and uncertainty on how to reconcile the Act 1 and School Code § 687 budget process provisions.
2. School Code § 687 provisions that predated Act 1 include the following:
 - Section 687 refers to a **Proposed Budget**. (Before Act 1, the Proposed Budget was often referred to as the Preliminary Budget. However, there was no reference in § 687 or any other statute to a Preliminary Budget, Preliminary Budget Proposal, or Proposed Final Budget. Under § 687, the only document expressly required to be approved before the Final Budget was the Proposed Budget.)
 - Section 687 mandates that the school board adopt the Proposed Budget at least 30 days before adoption of the **Final Budget**.
 - Section 687 mandates public display of the Proposed Budget at least 20 days before adoption of the Final Budget, and mandates publishing notice of the Proposed Budget at least 10 days before adoption of the Final Budget.
 - Section 687 mandates that, on the date of school board adoption of the Proposed Budget, the school board president certify to PDE that the Proposed Budget was prepared, presented, and will be made available for public inspection using PDE form 2028. For this purpose, PDE has directed use of the PDE form **Certification of Use of PDE-2028 – Document #14**.
 - School Code §§ 671 and 672 mandate adoption by June 30 of the Final Budget.

3. Act 1 provisions include the following:

- Unless an opt out resolution is adopted, § 311 mandates that the school board adopt a **Preliminary Budget Proposal** at least 90 days before the primary election.
- Act 1 mandates 20-day public display and 10-day published notice of intent to adopt before adoption of the Preliminary Budget Proposal (but does not state any requirement for a school board vote prior to adoption of the Preliminary Budget Proposal 90 days before the primary election).
- Act 1 next repeats the School Code requirements for adoption of the Final Budget by June 30, and for 20-day public display and 10-day published notice of intent to adopt before adoption of the Final Budget. (Once again, other than the requirement for adoption of the Preliminary Budget Proposal 90 days before the primary election, Act 1 does not state any requirement for the school board to vote on the Final Budget before its adoption by June 30.)

4. Act 1 does not address whether the Act 1 **Preliminary Budget Proposal** is the same as or something different from the School Code § 687 **Proposed Budget**. KKAL believes these two terms should be interpreted as meaning the same thing, and that adoption of the Preliminary Budget Proposal early in the year satisfies the School Code § 687 requirement for adopting a proposed budget 30 days before adoption of the Final Budget. However, PDE takes a different view. PDE interprets the Act 1 Preliminary Budget Proposal as something different from the § 687 Proposed Budget, and therefore believes school districts that have not adopted an opt out resolution are required to adopt both a Preliminary Budget Proposal and also another version labeled Proposed Final Budget at least 30 days in advance of adopting the Final Budget. In fact, PDE also believes school districts that do not intend to adopt an opt out resolution should also adopt a Proposed Preliminary Budget before adopting the Preliminary Budget Proposal.

5. PDE's interpretation is that *4 separate votes* are required as follows if the school district has not adopted an opt out resolution:

December/January/February

1. Adopt Proposed Preliminary Budget
2. Adopt Preliminary Budget

May/June

3. Adopt Proposed Final Budget (at least 30 days before step 4)
4. Adopt Final Budget

6. Although KKAL believes that steps 1 and 3 are optional if the school district has not adopted an opt out resolution, we suggest following PDE's interpretation in order to avoid unnecessary questions.

Tax and Fund Balance Limits (other than Act 1):

1. LTEA limits the amount of taxes that may be imposed under LTEA. Under LTEA § 320, the aggregate amount of all taxes imposed under LTEA during one fiscal year may not exceed the amount that is equal to the market value of all real estate in the district times 12 mills. In calculating whether a district has exceeded the limit, realty transfer taxes are not included for any year in which 100 or more new homes or major improvements were constructed.
2. The School Code also limits the amount of real estate taxes that may be levied. Under School Code § 672, school districts are limited to a tax rate of 25 mills. There is an exception to the 25 mill tax limit. Taxes may be levied in an unlimited amount to pay salaries and debt service. If a school district tax levy will exceed 25 mills, additional language should be added to the Resolution Levying Taxes.
3. School Code § 688 imposes limits on school district unreserved fund balances. A school district is prohibited from increasing real estate taxes unless its general fund budget has an estimated ending unreserved undesignated fund balance less than the percentage provided below.

<u>School district budget size</u>	<u>Fund balance limit</u>
≤ \$11,999,999	12.0%
\$12,000,000 - \$12,999,000	11.5%
\$13,000,000 - \$13,999,000	11.0%
\$14,000,000 - \$14,999,000	10.5%
\$15,000,000 - \$15,999,000	10.0%
\$16,000,000 - \$16,999,000	9.5%
\$17,000,000 - \$17,999,000	9.0%
\$18,000,000 - \$18,999,000	8.5%
≥ \$19,000,000	8.0%

Delayed Budget Adoption: School Code § 671(b) permits schools districts to delay adoption of the annual budget beyond June 30 when state legislation providing the appropriation for basic education has not been enacted by June 15. In such event, a district must adopt its budget no later than 15 days after the state enacts the basic education funding provisions, and must provide the public with 10 days notice prior to final action. School Code § 672 allows delay of the annual tax levy beyond June 30 to a date no later than 20 days after enactment of the basic education funding provisions.

State College Area School District

2017-18 Budget Development – September 26, 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.**

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.

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)

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.

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

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

State College Area School District

Act 1 Index History

