



STATE COLLEGE AREA SCHOOL DISTRICT

Office of Finance and Operations

240 VILLA CREST DRIVE • STATE COLLEGE PENNSYLVANIA • 16801
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To: Robert J. O'Donnell

From: Randy L. Brown and Donna Watson

Date: January 4, 2018

Subject: 2018-2019 Budget Development – Opt Out Resolution

The administration presents the Accelerated Budget Opt Out Resolution certifying the tax rate within the inflation index (Act 1 of 2006) of 2.4% for the 2018-2019 Fiscal Year for your review. This resolution will be presented for board approval on January 22, 2018.

The Proposed Preliminary Budget statements are provided in Attachment A. The revenues and expenses included in these statements are as presented at the December 18, 2017 board meeting and include the following major revenue and expense assumptions.

❖ Revenue:

- Estimated real estate tax increase at Act 1 Index of 2.4%
- Estimated assessed value adjusted to reflect 7/1/2017 actual and changes resulting from recent tax assessment appeals
- Revised estimated growth in EIT based upon expectations
- Inclusion of anticipated receipt of DCED grant funds for the high school

❖ Expenses:

- Estimated student day expenses in each expense line are included as shown in column D of the statements in Attachment A (page A-2).
- Salaries reflect changes in employment contracts for current employee complement and the estimated cost of additional custodial staff.
- Health Insurance is based upon the current year complement, additional custodial staff and projected rate increases.
- Charter School Tuition estimates are based upon current year enrollments and estimated increase in rates.
- Debt service for existing debt
- Transfer to capital reserve of \$1,317,200, consistent with the most recent capital reserve projections

Please reference the December 18, 2017 meeting materials for additional assumptions and reconciliations.

This budget proposal will be refined as we gain a greater understanding of the current year financial results and further analyze and refine projected revenues and expenses for the 2018-19 budget year.

Other attachments included for your review include:

- ❖ Attachment B – 2018-2019 required PDE form for Accelerated Budget Opt Out Resolution. This form reflects the tax related local revenue and state property tax reduction allocation as included in the attached budget.
- ❖ Attachment C – 2018-2019 budget development timeline has been updated to reflect the option for the Accelerated Budget Opt Out Resolution. Also included in Attachment C is an updated schedule of budget area review.

The next board discussion of the 2018-2019 budget is expected to be January 22nd, in addition to the January 18th Finance and Audit Committee meeting .

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 26, 2018. 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 (2018-2019) 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 2.40%, 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 January, 2018.

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.]

Attachment A

Comparative Statements

**State College Area School District
General Fund Revenue
Projected 2017-18 vs. Preliminary Budget 2018-19**

	Projected 2017-2018	Budget 2018-2019	Variance	Estimated Student Day Impact(1)
LOCAL SERVICES TAX				
CURRENT REAL ESTATE TAX	\$92,118,130	\$95,491,597	\$3,373,467	-
REAL ESTATE TAX-REFERENDUM DEBT	4,945,363	4,941,977	(3,386)	-
EARNED INCOME TAX	17,480,000	17,830,000	350,000	-
REALTY TRANSFER TAX	2,194,000	2,194,000	-	-
DELINQUENT REAL ESTATE TAX	1,100,000	1,100,000	-	-
INTERIM REAL ESTATE TAX	600,000	600,000	-	-
IDEA-B	742,380	740,000	(2,380)	-
PAYMENTS IN LIEU OF TAX	648,561	648,561	-	-
LOCAL SERVICES TAX	398,000	402,000	4,000	-
TUITION	1,190,638	1,513,346	322,708	-
MISC LOCAL REVENUE	570,508	573,112	2,604	-
PUBLIC UTILITY REALTY TAX	117,190	117,190	-	-
INTEREST ON INVESTMENTS	350,000	250,000	(100,000)	-
TOTAL LOCAL	122,454,770	126,401,783	3,947,012	-
STATE				
BASIC ED INSTR SUBSIDY	7,724,480	7,724,480	-	-
SPECIAL ED REVENUE-REGULR	3,292,893	3,292,893	-	-
REV. FOR RETIREMENT	10,630,096	11,371,149	741,053	153,394
REV. FOR SOCIAL SECURITY	2,483,544	2,603,297	119,753	34,285
PROPERTY TAX REDUCTION	1,424,050	1,424,050	-	-
TRANSPORTATION REVENUE	800,000	800,000	-	-
BOND REIMBURSEMENTS	321,430	633,004	311,574	-
HEALTH SERVICES REVENUE	140,000	140,000	-	-
READY TO LEARN GRANT	310,013	310,013	-	-
VOCATIONAL EDUCATION	135,000	100,000	(35,000)	-
OTHER STATE REVENUE	0	1,935,393	1,935,393	-
TUITION - 1305/1306	130,000	130,000	-	-
TOTAL STATE	27,391,507	30,464,279	3,072,773	187,679
FEDERAL				
TITLE I REVENUE	713,000	600,000	(113,000)	-
TITLE II REVENUE	180,000	180,000	-	-
ACCESS FUNDS	250,000	250,000	-	-
OTHER FEDERAL REVENUE	86,156	60,000	(26,156)	-
TITLE III REVENUE	35,000	35,000	-	-
TOTAL FEDERAL	1,264,156	1,125,000	(139,156)	-
TOTAL REVENUE	\$151,110,433	\$157,991,062	\$6,880,629	\$187,679

(1) Includes the PSERS and Social Security reimbursement related to the estimated student day expenses as included in the budget 2018-19 column.

State College Area School District
General Fund Expenses and Fund Balance Transfers
Projected 2017-18 vs. Preliminary Budget 2018-19

	(A) Projected 2017-2018	(B) Budget 2018-2019 (1)	(C) Variance	(D) Estimated Student Day Impact (2)
Salaries	\$ 66,662,469	\$ 69,449,042	\$ 2,786,573	\$ 897,725
Health Insurance	12,825,988	14,133,888	1,307,900	155,655
PSERS	21,260,192	22,742,298	1,482,106	306,842
Other Benefits	6,679,425	6,905,360	225,935	82,457
Professional Services	3,566,755	3,630,000	63,245	-
Purchased Property Services	1,248,428	1,270,000	21,572	-
Charter School Expense	6,629,298	7,043,347	414,049	-
Other Purchased Services	5,889,497	6,340,000	450,503	350,000
Supplies/Equipment	6,785,675	7,150,000	364,325	300,000
Minor Capital Projects	2,138,768	2,181,543	42,775	-
Transfers/contingencies	2,268,980	1,781,495	(487,485)	-
Debt Service	7,486,050	7,613,533	127,483	-
Debt Service - Referendum Debt	5,257,725	5,254,125	(3,600)	-
Transfer to Cap Projects-DCED Grant	-	1,935,393	1,935,393	-
Transfer to Capital Reserve	3,793,331	1,317,200	(2,476,131)	-
Fund Balance Use (PSERS/Legal)	(2,186,728)	(1,207,573)	979,155	-
Total Expenses and Fund Balance Transfers	\$150,305,853	\$157,539,651	\$7,233,798	
Proposed Student Day Expense Impact				2,092,679
Less PSERS and Social Security Reimbursement (3)				187,679
Net Proposed Student Day Impact				\$ 1,905,000

(1) Includes estimated student day expenses for 2018-19 school year. These expenses include the following recurring costs: Transportation, Fifth Special (Staffing of 10 FTE teachers and curriculum resources), Support staff (special education and recess supervision) and include the following non-recurring costs: Transportation (vehicle replacement) and curriculum resources for fifth elementary special.

(2) Student day impact as it is included in the Budget 2018-19 column (Column B).

(3) The PSERS and Social Security Reimbursement is reflected in the preliminary Revenue Budget for 2018-19.

Attachment B

2018-19 Required PDE form for Accelerated
Budget Opt Out Resolution

ITEM

AMOUNTS

Estimated Beginning Unreserved Fund Balance Available for Appropriation and Reserves Scheduled For Liquidation During The Fiscal Year

0810 Nonspendable Fund Balance

0820 Restricted Fund Balance

0830 Committed Fund Balance

0840 Assigned Fund Balance

0850 Unassigned Fund Balance

Total Estimated Beginning Unreserved Fund Balance Available for Appropriation and Reserves Scheduled For Liquidation During The Fiscal Year

Estimated Revenues And Other Financing Sources

6000 Revenue from Local Sources

120,859,574

7000 Revenue from State Sources

1,424,050

8000 Revenue from Federal Sources

9000 Other Financing Sources

Total Estimated Revenues And Other Financing Sources

\$122,283,624

Total Estimated Fund Balance, Revenues, and Other Financing Sources Available for Appropriation

\$122,283,624

Amount

REVENUE FROM LOCAL SOURCES

6111 Current Real Estate Taxes	100,433,574
6140 Current Act 511 Taxes - Flat Rate Assessments	402,000
6150 Current Act 511 Taxes - Proportional Assessments	20,024,000

REVENUE FROM LOCAL SOURCES \$120,859,574

REVENUE FROM STATE SOURCES

7340 State Property Tax Reduction Allocation	1,424,050
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REVENUE FROM STATE SOURCES \$1,424,050

TOTAL ESTIMATED REVENUES AND OTHER SOURCES 122,283,624

Act 1 Index (current): 2.4%

Calculation Method:

Rate

Approx. Tax Revenue from RE Taxes:	\$100,433,574
Amount of Tax Relief for Homestead Exclusions	<u>\$1,424,050</u>
Total Approx. Tax Revenue:	\$101,857,624
Approx. Tax Levy for Tax Rate Calculation:	\$104,837,727

Centre

Total

2017-18 Data		
a. Assessed Value	\$2,288,088,527	\$2,288,088,527
b. Real Estate Mills	44.1468	
I. 2018-19 Data		
c. 2016 STEB Market Value	\$6,899,233,011	\$6,899,233,011
d. Assessed Value	\$2,319,110,894	\$2,319,110,894
e. Assessed Value of New Constr/ Renov	\$0	\$0
2017-18 Calculations		
f. 2017-18 Tax Levy	\$101,011,787	\$101,011,787
(a * b)		
2018-19 Calculations		
g. Percent of Total Market Value	100.00000%	100.00000%
h. Rebalanced 2017-18 Tax Levy	\$101,011,787	\$101,011,787
(f Total * g)		
i. Base Mills Subject to Index	44.1468	
(h / a * 1000) if no reassessment		
(h / (d-e) * 1000) if reassessment		
Calculation of Tax Rates and Levies Generated		
j. Weighted Avg. Collection Percentage	97.11827%	97.11827%
k. Tax Levy Needed	\$104,837,727	\$104,837,727
(Approx. Tax Levy * g)		
I. 2018-19 Real Estate Tax Rate	45.2060	
(k / d * 1000)		
III. m. Tax Levy Generated by Mills	\$104,837,727	\$104,837,727
(I / 1000 * d)		
n. Tax Levy minus Tax Relief for Homestead Exclusions		\$103,413,677
(m - Amount of Tax Relief for Homestead Exclusions)		
o. Net Tax Revenue Generated By Mills		\$100,433,574
(n * Est. Pct. Collection)		

Act 1 Index (current): 2.4%

Calculation Method:

Rate

Approx. Tax Revenue from RE Taxes:	\$100,433,574
Amount of Tax Relief for Homestead Exclusions	<u>\$1,424,050</u>
Total Approx. Tax Revenue:	\$101,857,624
Approx. Tax Levy for Tax Rate Calculation:	\$104,837,727

Centre

Total

Index Maximums

p. Maximum Mills Based On Index (i * (1 + Index))	45.2063	
q. Mills In Excess of Index (if (l > p), (l - p))	0.0000	
r. Maximum Tax Levy Based On Index (p / 1000 * d)	\$104,838,423	\$104,838,423
IV. s. Millage Rate within Index? (If l > p Then No)	Yes	
t. Tax Levy In Excess of Index (if (m > r), (m - r))	\$0	\$0
u. Tax Revenue In Excess of Index (t * Est. Pct. Collection)	\$0	\$0

Information Related to Property Tax Relief

V. Assessed Value Exclusion per Homestead	\$0.00	
Number of Homestead/Farmstead Properties		
Median Assessed Value of Homestead Properties		\$0

Act 1 Index (current): 2.4%

Calculation Method:	Rate
Approx. Tax Revenue from RE Taxes:	\$100,433,574
Amount of Tax Relief for Homestead Exclusions	<u>\$1,424,050</u>
Total Approx. Tax Revenue:	\$101,857,624
Approx. Tax Levy for Tax Rate Calculation:	\$104,837,727

Centre	Total
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State Property Tax Reduction Allocation used for: Homestead Exclusions	\$1,424,050	Lowering RE Tax Rate	\$0		\$1,424,050
Prior Year State Property Tax Reduction Allocation used for: Homestead Exclusions	\$0				\$0
Amount of Tax Relief from State/Local Sources					\$1,424,050

CODE

6111 Current Real Estate Taxes

<u>County Name</u>	<u>Taxable Assessed Value</u>	<u>Real Estate Mills</u>	<u>Tax Levy Generated by Mills</u>	<u>Amount of Tax Relief for Homestead Exclusions</u>	<u>Tax Levy Minus Homestead Exclusions</u>	<u>Percent Collected</u>	<u>Net Tax Revenue Generated By Mills</u>
Centre	2,319,110,894	45.2060	104,837,727			97.11827%	
Totals:	2,319,110,894		104,837,727	- 1,424,050	= 103,413,677	X 97.11827%	= 100,433,574

	<u>Rate</u>		<u>Estimated Revenue</u>
6120 <u>Current Per Capita Taxes, Section 679</u>	\$0.00		0
6140 <u>Current Act 511 Taxes – Flat Rate Assessments</u>	<u>Rate</u>	<u>Add'l Rate (if appl.)</u>	<u>Tax Levy</u>
6141 Current Act 511 Per Capita Taxes	\$0.00	\$0.00	0
6142 Current Act 511 Occupation Taxes – Flat Rate	\$0.00	\$0.00	0
6143 Current Act 511 Local Services Taxes	\$5.00	\$0.00	402,000
6144 Current Act 511 Trailer Taxes	\$0.00	\$0.00	0
6145 Current Act 511 Business Privilege Taxes – Flat Rate	\$0.00	\$0.00	0
6146 Current Act 511 Mechanical Device Taxes – Flat Rate	\$0.00	\$0.00	0
6149 Current Act 511 Taxes, Other Flat Rate Assessments	\$0.00	\$0.00	0

Total Current Act 511 Taxes – Flat Rate Assessments 402,000 402,000

	<u>Rate</u>	<u>Add'l Rate (if appl.)</u>	<u>Tax Levy</u>	<u>Estimated Revenue</u>
6150 <u>Current Act 511 Taxes – Proportional Assessments</u>				
6151 Current Act 511 Earned Income Taxes	0.950%	0.000%	17,830,000	17,830,000
6152 Current Act 511 Occupation Taxes	0.000	0.000	0	0
6153 Current Act 511 Real Estate Transfer Taxes	0.500%	0.000%	2,194,000	2,194,000
6154 Current Act 511 Amusement Taxes	0.000%	0.000%	0	0
6155 Current Act 511 Business Privilege Taxes	0.000	0.000	0	0
6156 Current Act 511 Mechanical Device Taxes – Percentage	0.000%	0.000%	0	0
6157 Current Act 511 Mercantile Taxes	0.000	0.000	0	0
6159 Current Act 511 Taxes, Other Proportional Assessments	0	0	0	0

Total Current Act 511 Taxes – Proportional Assessments 20,024,000 20,024,000

Total Act 511, Current Taxes 20,426,000

Act 511 Tax Limit -->	6,899,233,011 X	12	82,790,796
	Market Value	Mills	(511 Limit)

Tax Function	Description	Tax Rate Charged in:		Percent Change in Rate	Less than or equal to Index	Index	Additional Tax Rate Charged in:		Percent Change in Rate	Less than or equal to Index
		2017-18 (Rebalanced)	2018-19				2017-18 (Rebalanced)	2018-19		
6111	<u>Current Real Estate Taxes</u> Centre	44.1468	45.2060	2.40%	Yes	2.4%				
	<u>Current Act 511 Taxes – Flat Rate Assessments</u>									
6143	Current Act 511 Local Services Taxes <u>Current Act 511 Taxes – Proportional Assessments</u>	\$5.00	\$5.00	0.00%	Yes	2.4%				
6151	Current Act 511 Earned Income Taxes	0.950%	0.950%	0.00%	Yes	2.4%				
6153	Current Act 511 Real Estate Transfer Taxes	0.500%	0.500%	0.00%	Yes	2.4%				

Attachment C

Budget Development Calendars

**State College Area School District
 Budget Development 2018-19
 Budget Calendar**

Budget Area	Review Frequency	Presentation to Finance Committee	Presentation to Board
Revenue	Annual	December 14, 2017	December 18, 2017
Preliminary Budget-Proposed Opt out Resolution	Annual	Not Applicable	January 8, 2018
Approval of Opt out Resolution	Annual	Not Applicable	January 22, 2018
Community Education/CEEL	Rotational	January 18, 2018	January 22, 2018 (1)
Charter School Tuition	Annual	January 18, 2018	January 22, 2018
PSERS	Annual	January 18, 2018	January 22, 2018
Building Budget Methodology	Annual	January 18, 2018	January 22, 2018
Debt Service/Capital	Annual	February 15, 2018	February 26, 2018
Transportation	Rotational	February 15, 2018	February 26, 2018
Salaries/Benefits	Annual	February 15, 2018	February 26, 2018
Regular Programs	Annual	March 15, 2018	March 26, 2018
Special Education	Rotational	March 15, 2018	March 26, 2018
Proposed Programming	As Appropriate	As Appropriate	As Appropriate

Budget Area*	Review Frequency
Athletics/Extracurricular Activities	Rotational
Food Services	Rotational
Operation & Maintenance of Plant Services	Rotational
Information Technology	Rotational
Vocational Education/CTC	Rotational
Delta	Rotational
Support Services	Rotational

(1) Previously scheduled for December 2017.

*Budget areas will be analyzed on a rotational basis across multiple budget years.

State College Area School District

2018-19 Budget Development – January 8, 2018

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.
 - 2.4% Index for 2018-19

December 30

- 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 8

- Review Resolution Authorizing Accelerated Opt Out.

January 22 – Board Action Required

- Adopt Resolution Authorizing Accelerated Opt Out. (PDE deadline January 26 – 110 days prior to primary election, or 20 days prior to preliminary budget adoption. Proposed Preliminary Budget on Form PDE-2028 available for public inspection OR adopt opt out resolution stating district will not raise the rate of any tax by more than index)

January 26

- Deadline to submit to PDE copy of opt out resolution and related proposed tax rate increase (PDE deadline 5 days after resolution adoption).

April 23

- Presentation of district proposed final budget for 2018-2019

May 7 – Board Action Required

- Adopt Proposed Final Budget for 2018-19 (Resolution and advertising – 30 days prior to final budget adoption; PDE Deadline May 31)
- School Board President to sign and send to PDE Certification of Use of PDE-2028

May 15

- Primary Election Day

May 23

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

June 1

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

June 4

- Public hearing for 2018-2019 Final Budget

June 11 – Board Action Required

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