

To prepare students for lifelong success through excellence in education



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To: Board of Directors
From: Robert O'Donnell, Randy Brown and Donna Watson
Subject: 2019-2020 Budget Development
Date: March 18, 2019

This budget development update includes current projections for 2018-2019 and our initial proposal for 2019-2020. The projections and proposal for each budget year are updated as our experience and understanding increase throughout the process. In addition, this update includes a review of our athletics, charter school costs, community education, and food service programs. Future discussions will include budgetary details pertaining to student activities, Delta/Hearts/RIT, vocational education, special education/gifted education, as well as salaries and benefits, debt service and capital financing, change in student day costs, and costs of staffing and operations.

2018-2019 Budget Projections

The budget projection for 2018-2019 shows revenue of \$160.4 million and expenses of \$159.9 million. On the revenue side, this projection represents an increase of \$2.2 million over the original budget. The majority of this increase is related to an increase in real estate assessed value, earned income, realty transfer, and interest on investments. These are all signs of a strong local economy. Our original budget uses a historical average for budgeting these revenues since there can be significant variability in each of these categories from year to year.

Expenses have been lower than budgeted for health insurance, primarily due to plan changes and lower than expected participation and lower than projected charter school enrollments, although expenses for mold remediation offset some of these savings. In addition, the greater than expected local revenue is allowing for an increase in the projection for transfer to capital reserve fund. This will provide additional funding for the Memorial Field and related athletic facility projects.

2019-2020 Budget Proposal

The current proposal assumes the Act 1 Index of 2.3% for a real estate tax increase, which along with 1.2% increase in assessed value and 2.5% increase in earned income tax revenue, should generate \$3.17 million more than projected in 2018-2019. From the estimated allocations in the 2018-2019 state budget, we are estimating the 2019-2020 education subsidies to include no increase for SCASD. A total revenue of \$162.6 million is proposed, compared to an original 2018-2019 budget of \$158.1 million.

The 2019-2020 Budget Proposal includes several changes to programming and operations, resulting in increased expenditures aside from resources (e.g. - class size, levels of services to students, etc.). To improve our support for students, we will continue to look for opportunities that become available later in the process or next year.

Expenses in the budget proposal total \$162.4 million as compared to \$157.7 million in the original budget for 2018-2019.

Our current budget proposal includes the following new roles, positions, and resources:

1. *Elementary Special Education Teacher* - This request includes resources for increased teaching staff to meet student educational plans throughout the district. Educational Strategic Plan goals 1,2,3,4,5
2. *Elementary Teachers* - To assist with anticipated increases in elementary enrollment, the budget proposal includes two teaching positions. Educational Strategic Plan goals 1,2,3,4,5
3. *Psychologist Doctoral Intern* - Through collaborating with Penn State's CEDAR Clinic, this request would result in a doctoral counseling intern that supports student mental health.
4. *Online Learning Coordinator* - We have identified a need to request a current teacher to assume coordinator responsibilities for our online learning options due to increased student enrollment in the virtual school. In addition to the current role of leading training related to our virtual school, as well as working with students, parents and faculty, this role includes oversight of an online learning classroom, leading the curriculum transitions to develop online courses, and supporting instruction between staff and students. This adjusts a current faculty role. Educational Strategic Plan goals 1 - 5

5. *Instrumental Music Instruction* - This request includes resources for increased teaching staff to meet student instrumental caseloads throughout the district. Educational Strategic Plan goals 1,3
6. *Gifted Support Teachers* - In response to the increase in students receiving gifted support services, we are requesting 1.5 gifted support teachers. Educational Strategic Plan goals 1,2,3
7. *Assistant Director of Athletics and Advertising Coordinator* - The proposal includes the request to increase the assistant athletics director from a .5 to 1.0 FTE. In the future, we expect funding for this position to be offset by advertising revenue. Educational Strategic Plan goals 1,4
8. *Professional Development (curriculum, instruction, equity & inclusivity, paraprofessional)* - We are requesting an increase to our professional development budget in order to provide these opportunities outside of the school day. At the elementary level, this will result in a shift of budget resources and decrease the need for substitute teachers. This increase also will provide support for training needs within the areas of equity and inclusivity. In addition, we plan to provide professional development for our paraprofessional staff prior to the start of the school year. Educational Strategic Plan goals 1,4,5
9. *Read 180 Update* - This request will provide funding to complete a required update for our reading intervention software/program, including required professional development. Educational Strategic Plan goals 2,4
10. *International Baccalaureate Curriculum Program Costs* - We request an increase in budget funding as part of the IB program implementation. This doesn't include any staffing increase. Educational Strategic Plan goals 1,3,5
11. *Student Learning and Assessment* - We request an increase in budget funding to expand our use of MAP (Measures of Academic Progress) assessments to include all ninth-grade students. This request also expands the use of the PSAT and NMSQT testing to tenth-grade students. Educational Strategic Plan goals 1,2,4
12. *Marching Band Uniforms* - We request resources to complete the purchase of marching band uniforms, of which almost \$60,000 was raised through our education foundation, and a piano for the new performance auditorium. Educational Strategic Plan goal 1

13. *Fitness Center Equipment* - The proposal includes funding for fitness center equipment over a multi-year replacement cycle. Educational Strategic Plan goal 1
14. *Custodians* - We request additional custodial staffing due to an increase of more than 200,000 square feet (high school, Delta, and elementary schools) in the district when construction and renovation projects are completed. At this time, we are requesting seven new custodian positions. Educational Strategic Plan goal 1
15. *Auditorium Support Staff* - To ensure we provide oversight to the performing arts spaces, including the large auditorium, we propose the creation of a position to facilitate operations of our performing arts centers throughout the district. The cost of the auditorium manager would be offset by revenue received for facility rentals. Educational Strategic Plan goal 1

The following information pertains to shifts in resources to meet specified needs within the district:

1. *Online Learning Classroom Paraprofessional* - To ensure we are supervising students who are participating in our virtual school, our plan is to shift a support staff role where we experienced a reduction in 1.0 paraprofessional.
2. *Secretary for Director of Equity and Inclusivity* - We expect this request to be met by shifting current secretarial staff.
3. *Special Education Teacher (Secondary)* – To support the increase in secondary students with emotional needs within our special education program, we are planning to shift within our current faculty. However, this is a request that needs continual evaluation.
4. *State High Security Staff* - To achieve an additional security role, we are repurposing two support staff roles and potentially other security-related resources. At this time, we are continuing to evaluate this request along with other high school-related requests.

Requests not included in the 2019-20 Budget Proposal

The budget development process requires us to prioritize resources. We recognize the importance of many requests received throughout each year. After careful consideration, taking into account remaining unfunded needs, we decided not to include the below positions and resources in the budget proposal. The estimated costs for these items is \$934,000.

1. School Resource Officer for Elementary Schools (SRO)
2. Delta Middle Level Teacher
3. Part-time Chinese Teacher
4. Part-time Elementary Gifted Education Teacher - To support the increase in gifted identified students at the elementary level, we currently exploring various options.
5. Social Worker
6. Speech Pathologist
7. Increase compensation for substitute teachers
8. Increased resources to support replacing large musical instruments
9. Expanded use of coach buses for athletic competitions in Harrisburg area

Areas of Review

This update also includes review of charter school costs, athletics, food service and community education.

- The review of our athletic offerings looks at the funding changes requested for the budget year related to team and equipment needs. In addition, a summary of participation levels and the Act 82 Report which includes cost data and cohort data where available.
- The charter school review includes analysis of student enrollment and cost for our district as well as comparison cohort school districts.
- The community education report will focus primarily on the 2017-18 results as well as discuss the current and budget year.
- The annual food service report will highlight the results from 2017-18, look at estimates and changes occurring in 2018-19, and discuss proposed rates and impacts of the new facilities in 2019-20.

Capital Finance Plan

In addition to better understanding the proposed budget, we request the Board committees for finance and facilities and grounds study the capital finance plan to understand our financial capacity relating to facilities and grounds (Memorial Field, high school north athletic field, elementary playground updates, and future consideration for Park Forest Middle School).

Future updates will include capital financing, multi-year projections and the other program/department reviews. It is our hope that this deeper level review is allowing for an increased exposure and understanding in this budget process.

2019-20 Budget
Compared to 2018-19 Projection

**State College Area School District
General Fund Revenue
Projected 2018-19 vs. Proposed Budget 2019-20**

Assumptions:

Earned Income Tax Growth	2.00%	2.50%
Assessed Value Growth	1.43%	1.20%
Act 1 Index	2.40%	2.30%
Actual/Projected Total Tax Increase	2.40%	2.30%

	(A)	(B)	(C)	(D) (E)	
	Projected 2018-2019	Budget 2019-2020	Variance	Variance	
				Proposed Changes	Other
LOCAL SERVICES TAX					
CURRENT REAL ESTATE TAX	\$95,926,717	\$99,530,098	\$3,603,381		\$3,603,381 (1)
REAL ESTATE TAX-REFERENDUM DEBT	4,941,977	4,946,210	4,233		4,233
EARNED INCOME TAX	18,230,000	18,690,000	460,000		460,000 (2)
REALTY TRANSFER TAX	2,685,205	2,200,000	(485,205)		(485,205) (3)
DELINQUENT REAL ESTATE TAX	1,100,000	1,100,000	-		-
INTERIM REAL ESTATE TAX	723,039	600,000	(123,039)		(123,039) (4)
IDEA-B	739,659	740,000	341		341
PAYMENTS IN LIEU OF TAX	664,382	664,382	-		-
LOCAL SERVICES TAX	402,000	406,000	4,000		4,000
TUITION	1,513,346	1,674,651	161,305		161,305 (5)
MISC LOCAL REVENUE	573,112	611,705	38,593	64,000	(25,407)
PUBLIC UTILITY REALTY TAX	117,190	117,190	-		-
INTEREST ON INVESTMENTS	892,000	400,000	(492,000)		(492,000) (6)
TOTAL LOCAL	128,508,627	131,680,236	3,171,608	64,000	3,107,608
STATE					
BASIC ED INSTR SUBSIDY	7,921,450	7,921,450	-		-
SPECIAL ED REVENUE-REGULR	3,315,119	3,315,119	-		-
REV. FOR RETIREMENT	11,415,427	12,158,068	742,642	77,914	664,728 (7)
REV. FOR SOCIAL SECURITY	2,616,180	2,716,495	100,315	17,383	82,932 (8)
PROPERTY TAX REDUCTION	1,423,448	1,423,448	-		-
TRANSPORTATION REVENUE	800,000	800,000	-		-
BOND REIMBURSEMENTS	320,857	630,098	309,241		309,241 (9)
HEALTH SERVICES REVENUE	140,000	140,000	-		-
READY TO LEARN GRANT	310,013	310,013	-		-
SAFETY GRANTS	65,000	20,000	(45,000)		(45,000)
VOCATIONAL EDUCATION	103,895	100,000	(3,895)		(3,895)
OTHER STATE REVENUE	1,935,393	-	(1,935,393)		(1,935,393) (10)
TUITION - 1305/1306	130,000	130,000	-		-
TOTAL STATE	30,496,783	29,664,691	(832,091)	95,296	(927,387)
FEDERAL					
TITLE I REVENUE	765,956	744,552	(21,404)		(21,404)
TITLE II REVENUE	156,415	156,489	74		74
ACCESS FUNDS	250,000	250,000	-		-
OTHER FEDERAL REVENUE	133,246	60,000	(73,246)		(73,246)
TITLE III REVENUE	55,211	35,000	(20,211)		(20,211)
TOTAL FEDERAL	1,360,828	1,246,041	(114,787)	-	(114,787)
TOTAL REVENUE	\$160,366,238	\$162,590,968	\$2,224,731	\$159,296	\$2,065,435

Revenue Footnotes (Column E - Other Variance)

- (1) Budget reflects 2.3% Act I index for real estate tax increase and 1.2% assessed value growth.
- (2) Budget reflects projected EIT growth of 2.5%. 5-year average is 3%.
- (3) Budget is based on 5-year average. Projected 2018-19 column reflects significant large transactions through February 2019.
- (4) Budget assumes 10 year average, less \$100,000 for supplemental tax rebate. Projected 2018-19 is based on actual interim billings which are higher than average.
- (5) Budget reflects increase in CEEL revenue based on all locations open for the full year, plus a rate increase.
- (6) Budget reflects conservative estimate due to possible need to advance payment on capital projects and potential fluctuation in interest rates.
- (7) Budget reflects the increase in the PSERS rate and increase in salary expense.
- (8) Budget reflects the impact of increased salary expense.
- (9) Projected 2018-19 includes debt currently receiving Plancon reimbursement. Budget also includes estimated reimbursement related to high school referendum bonds.
- (10) Projected 2018-19 reflects the budgeted DCED grant to fund a portion of high school project costs. An updated projection and budget for DCED grants will be presented in the near future based on the most recent estimated timing of grant receipts for the high school and elementary projects.

**State College Area School District
General Fund Expenses and Fund Balance Transfers
Projected 2018-19 vs. Proposed Budget 2019-20**

	(A)	(B)	(C)	(D) (E) Variance	
	Projected 2018-2019	Budget 2019-2020	Variance	Proposed Changes	Other
Salaries	\$ 69,792,724	\$ 72,468,862	\$ 2,676,138	\$ 454,438	\$ 2,221,700 (1)
Health Insurance	12,627,707	13,949,437	1,321,730	161,619	1,160,111 (2)
PSERS	22,830,853	24,316,135	1,485,282	155,827	1,329,455 (3)
Other Benefits	6,883,419	7,153,229	269,810	46,108	223,702 (4)
Professional Services	3,426,423	3,647,514	221,091	93,645	127,446 (5)
Purchased Property Services	1,792,576	1,370,308	(422,268)		(422,268) (6)
Charter School Expense	6,158,438	6,921,425	762,987		762,987 (7)
Other Purchased Services	6,265,394	6,349,890	84,496	100	84,396
Supplies/Equipment	8,565,712	8,039,719	(525,993)	413,734	(939,727) (8)
Minor Capital Projects	2,181,543	2,225,174	43,631		43,631
Transfers/contingencies	992,917	1,727,884	734,967	17,900	717,067 (9)
Debt Service	7,613,532	7,540,783	(72,749)		(72,749)
Debt Service - Referendum Debt	5,254,125	5,258,625	4,500		4,500
Transfer to Cap Projects-DCED Grant	1,935,393	-	(1,935,393)		(1,935,393) (10)
Transfer to Capital Reserve- Local Revenue Increase	2,106,250	-	(2,106,250)		(2,106,250) (11)
Transfer to Capital Reserve	2,642,750	2,123,500	(519,250)		(519,250) (11)
Fund Balance Use (PSERS/Legal)	(1,207,573)	(659,620)	547,953		547,953 (12)
Total Expenses and Fund Balance Transfers	\$159,862,183	\$162,432,865	\$2,570,682	\$1,343,371	\$1,227,311

Expenditure Footnotes (Column E - Other Variance)

- (1) Includes contractual increases and full year impact of positions vacant in 2018-19, offset by savings from retirements.
- (2) Assumed 9.5% contractual increase in health insurance is offset by savings from plan changes and changes in premium share per contracts.
- (3) Reflects increase in PSERS rate from 33.43% to 34.29% and increase in salary expense.
- (4) Primarily related to salary increases.
- (5) Increase in CEEL providers related to full year at all locations and increased enrollments. Other expense increases primarily relate to tax collection services and legal/other professional services. Increases are offset by non-recurring student day expenses in 2018-19.
- (6) Reduction in budget compared to projection is primarily related to one-time mold removal expenses included in 2018-19.
- (7) Assumes increase of 25 charter school students over 2018-19 and estimated increase in cost per student.
- (8) Reduction is primarily related to non-recurring 2018-19 expenses related to the student day change, two-way radios and unplanned mold expenses, estimated reduction in natural gas and projected fitness center equipment in 2018-19.
- (9) The Projected 2018-19 contingency has been reduced to include only the high school contingency (\$550,000) as the remainder is projected to be utilized primarily to cover unbudgeted mold and other building related expenses. The 2019-20 contingency is budgeted at \$1,195,000, which is slightly lower than the 2018-19 budget, per the multiyear projection.
- (10) Projected 2018-19 reflects the budgeted transfer of DCED grant funds to Capital Project funds to cover a portion of high school project costs. An updated projection and budget for DCED grants will be presented in the near future based on the most recent estimated timing of grant receipts for the high school and elementary projects.
- (11) Reflects decrease in proposed estimated transfer to capital reserve. Projected 2018-19 increased in large part due to significant increases in local revenue.
- (12) Budgeted reflects planned usage of PSERS fund balance.

2019-20 Budget
Comparison to Preliminary Budget

**State College Area School District
General Fund Revenue
Budget 2019-20**

Assumptions:

Earned Income Tax Growth	2.50%	2.50%
Assessed Value Growth	1.20%	1.20%
Exceptions	0.00%	0.00%
Act 1 Index	2.30%	2.30%
Proposed Tax Increase	2.30%	2.30%

(A) (B) (C)

	Preliminary 12/12/18	Board Presentation 3/20/19	3/20/19 vs. 12/12/18
LOCAL SERVICES TAX			
CURRENT REAL ESTATE TAX	\$99,530,098	\$99,530,098	\$ -
REAL ESTATE TAX-REFERENDUM DEBT	4,946,210	4,946,210	-
EARNED INCOME TAX	18,690,000	18,690,000	-
REALTY TRANSFER TAX	2,194,000	2,200,000	6,000
DELINQUENT REAL ESTATE TAX	1,100,000	1,100,000	-
INTERIM REAL ESTATE TAX	600,000	600,000	-
IDEA-B	740,000	740,000	-
PAYMENTS IN LIEU OF TAX	648,561	664,382	15,821
LOCAL SERVICES TAX	406,000	406,000	-
TUITION	1,513,346	1,674,651	161,305
MISC LOCAL REVENUE	573,109	611,705	38,596
PUBLIC UTILITY REALTY TAX	117,190	117,190	-
INTEREST ON INVESTMENTS	250,000	400,000	150,000
TOTAL LOCAL	131,308,513	131,680,236	371,722
STATE			
BASIC ED INSTR SUBSIDY	7,921,450	7,921,450	-
SPECIAL ED REVENUE-REGULR	3,315,119	3,315,119	-
REV. FOR RETIREMENT	12,314,000	12,158,068	(155,932)
REV. FOR SOCIAL SECURITY	2,707,735	2,716,495	8,760
PROPERTY TAX REDUCTION	1,423,448	1,423,448	-
TRANSPORTATION REVENUE	800,000	800,000	-
BOND REIMBURSEMENTS	785,815	630,098	(155,717)
HEALTH SERVICES REVENUE	140,000	140,000	-
READY TO LEARN GRANT	310,013	310,013	-
SAFETY GRANTS	-	20,000	-
VOCATIONAL EDUCATION	100,000	100,000	-
OTHER STATE REVENUE	-	-	-
TUITION - 1305/1306	130,000	130,000	-
TOTAL STATE	29,947,580	29,664,691	(302,889)
FEDERAL			
TITLE I REVENUE	600,000	744,552	144,552
TITLE II REVENUE	156,415	156,489	74
ACCESS FUNDS	250,000	250,000	-
OTHER FEDERAL REVENUE	60,000	60,000	-
TITLE III REVENUE	35,000	35,000	-
TOTAL FEDERAL	1,101,415	1,246,041	144,626
TOTAL REVENUE	\$162,357,509	\$162,590,968	\$213,459

3/20/19 vs. 12/12/18 - Increase in projected CEEL revenue and interest on investments. Revenue from retirement decrease due to PSERS rate change published December 2018, offset by salary changes. Bond reimbursement was corrected to remove estimated revenue related to the 2017 high school bonds. This revenue is not projected to be received in the budget year. Title revenue is updated to reflect an increase in the projected grant.

**State College Area School District
General Fund Expenses and Fund Balance Transfers
Budget 2019-20**

	(A)	(B)	(C)
	Preliminary 12/12/18	Board Presentation 3/20/19	3/20/19 vs. 12/12/18
Salaries	\$ 72,235,162	\$ 72,468,862	\$ 233,700
Health Insurance	14,909,205	13,949,437	(959,768)
PSERS	24,628,001	24,316,135	(311,866)
Other Benefits	7,208,693	7,153,229	(55,464)
Professional Services	3,590,000	3,647,514	57,514
Purchased Property Services	1,390,000	1,370,308	(19,692)
Charter School Expense	6,440,000	6,921,425	481,425
Other Purchased Services	6,080,000	6,349,890	269,890
Supplies/Equipment	7,714,503	8,039,719	325,216
Minor Capital Projects	2,225,174	2,225,174	0
Transfers/contingencies	1,880,148	1,727,884	(152,264)
Debt Service	7,540,783	7,540,783	-
Debt Service - Referendum Debt	5,258,625	5,258,625	-
Transfer to Cap Projects-DCED Grant	-	-	-
Transfer to Capital Reserve	896,000	2,123,500	1,227,500
Fund Balance Use (PSERS/Legal)	(659,620)	(659,620)	-
Total Expenses and Fund Balance Transfers	\$161,336,674	\$162,432,865	\$1,096,191

3/20/19 vs. 12/12/18 - Proposed additions to the budget totalling \$1.3 million are offset by decreases in projected base salaries and related benefits, lower health insurance based on a recent actuarial projection, decrease in PSERS rate based on December 2018 report and lower than projected food service transfer. Offsetting increases include an increase in the projected number of charter school students and contracted transportation expense. The net increase in revenue less expense result in a \$1.2 million increase in the proposed transfer to capital reserve.

**State College Area School District
General Fund Activity
Budget 2019-20**

	Preliminary 12/12/18	Board Presentation 3/20/19	3/20/19 vs. 12/12/18	
Beginning Fund Balance	\$13,846,417	\$12,756,751	(\$1,089,666)	a
Revenue	162,357,509	162,590,968	233,459	
Local	131,308,513	131,680,236	371,722	
State	29,947,580	29,664,691	(282,889)	
Federal	1,101,415	1,246,041	144,626	
Expense	161,996,294	163,092,485	1,096,191	
Revenue less expense	<u>361,215</u>	<u>(501,518)</u>	<u>(862,733)</u>	b
Funding (Use) of Assigned Fund Bal (Debt Serv/Cap)				c
Funding (Use) of Assigned Fund Bal (PSERS/Legal Liab)	(659,620)	(659,620)	-	d
Change in Assigned Fund Balance	<u>(659,620)</u>	<u>(659,620)</u>	-	e (c+d)
Change in Unassigned General Fund Balance	1,020,835	158,102	(862,733)	f (b-e)
Ending Unassigned Fund Balance	<u><u>\$14,867,252</u></u>	<u><u>\$12,914,853</u></u>	<u><u>(\$1,952,399)</u></u>	(a+f)

3/20/19 vs. 12/12/18 - Beginning and ending unassigned balance reflects adjustment to be within 8% limit after changes to projected revenue and expense.

2018-19 Projection
Compared to 2018-19 Budget

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

	(A)	(B)	(C)
Assumptions:			
<i>Earned Income Tax Growth</i>	<i>2.00%</i>	<i>2.00%</i>	
<i>Assessed Value Growth</i>	<i>1.00%</i>	<i>1.43%</i>	
<i>Act 1 Index</i>	<i>2.40%</i>	<i>2.40%</i>	
<i>Actual/Projected Total Tax Increase</i>	<i>2.40%</i>	<i>2.40%</i>	
	Budget 2018-2019	Projected 2018-2019	Variance
LOCAL SERVICES TAX			
CURRENT REAL ESTATE TAX	\$95,492,192	\$95,926,717	\$434,525
REAL ESTATE TAX-REFERENDUM DEBT	4,941,977	4,941,977	-
EARNED INCOME TAX	17,830,000	18,230,000	400,000
REALTY TRANSFER TAX	2,194,000	2,685,205	491,205
DELINQUENT REAL ESTATE TAX	1,100,000	1,100,000	-
INTERIM REAL ESTATE TAX	600,000	723,039	123,039
IDEA-B	740,000	739,659	(341)
PAYMENTS IN LIEU OF TAX	648,561	664,382	15,821
LOCAL SERVICES TAX	402,000	402,000	-
TUITION	1,513,346	1,513,346	-
MISC LOCAL REVENUE	573,112	573,112	-
PUBLIC UTILITY REALTY TAX	117,190	117,190	-
INTEREST ON INVESTMENTS	250,000	892,000	642,000
TOTAL LOCAL	126,402,377	128,508,627	2,106,250
STATE			
BASIC ED INSTR SUBSIDY	7,724,480	7,921,450	196,970
SPECIAL ED REVENUE-REGULR	3,292,893	3,315,119	22,226
REV. FOR RETIREMENT	11,395,719	11,415,427	19,708
REV. FOR SOCIAL SECURITY	2,611,664	2,616,180	4,517
PROPERTY TAX REDUCTION	1,423,448	1,423,448	-
TRANSPORTATION REVENUE	800,000	800,000	-
BOND REIMBURSEMENTS	633,004	320,857	(312,147)
HEALTH SERVICES REVENUE	140,000	140,000	-
READY TO LEARN GRANT	310,013	310,013	-
SAFETY GRANTS	0	65,000	65,000
VOCATIONAL EDUCATION	100,000	103,895	3,895
OTHER STATE REVENUE	1,935,393	1,935,393	-
TUITION - 1305/1306	130,000	130,000	-
TOTAL STATE	30,496,615	30,496,783	168
FEDERAL			
TITLE I REVENUE	709,940	765,956	56,016
TITLE II REVENUE	156,415	156,415	-
ACCESS FUNDS	250,000	250,000	-
OTHER FEDERAL REVENUE	60,000	133,246	73,246
TITLE III REVENUE	35,000	55,211	20,211
TOTAL FEDERAL	1,211,355	1,360,828	149,473
TOTAL REVENUE	\$158,110,346	\$160,366,238	\$2,255,891

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

	(A) Budget 2018-2019	(B) Projected 2018-2019	(C) Variance
Salaries	\$ 69,672,234	\$ 69,792,724	\$ 120,490
Health Insurance	13,051,290	12,627,707	(423,583)
PSERS	22,791,438	22,830,853	39,415
Other Benefits	6,954,032	6,883,419	(70,613)
Professional Services	3,507,236	3,426,423	(80,813)
Purchased Property Services	1,354,134	1,792,576	438,442
Charter School Expense	7,130,000	6,158,438	(971,562)
Other Purchased Services	5,976,277	6,265,394	289,117
Supplies/Equipment	8,023,577	8,565,712	542,135
Minor Capital Projects	2,181,543	2,181,543	-
Transfers/contingencies	1,788,656	992,917	(795,739)
Debt Service	7,613,532	7,613,532	-
Debt Service - Referendum Debt	5,254,125	5,254,125	-
Transfer to Cap Projects-DCED Grant	1,935,393	1,935,393	-
Transfer to Capital Reserve- Local Revenue Increase	-	2,106,250	2,106,250
Transfer to Capital Reserve	1,640,000	2,642,750	1,002,750
Fund Balance Use (PSERS/Legal)	(1,207,573)	(1,207,573)	-
Total Expenses and Fund Balance Transfers	\$157,665,894	\$159,862,183	\$2,196,289

**State College Area School District
General Fund Revenue
Projected 2018-19**

	(A)	(B)	(C)
	Preliminary	Board	3/20/19 vs.
	12/12/18	Presentation	12/12/18
		3/20/19	
LOCAL SERVICES TAX			
CURRENT REAL ESTATE TAX	\$95,926,717	\$95,926,717	\$0
REAL ESTATE TAX-REFERENDUM DEBT	4,941,977	4,941,977	\$0
EARNED INCOME TAX	18,230,000	18,230,000	\$0
REALTY TRANSFER TAX	2,394,000	2,685,205	\$291,205
DELINQUENT REAL ESTATE TAX	1,100,000	1,100,000	\$0
INTERIM REAL ESTATE TAX	600,000	723,039	\$123,039
IDEA-B	739,659	739,659	\$0
PAYMENTS IN LIEU OF TAX	648,561	664,382	\$15,821
LOCAL SERVICES TAX	402,000	402,000	\$0
TUITION	1,513,346	1,513,346	\$0
MISC LOCAL REVENUE	573,112	573,112	\$0
PUBLIC UTILITY REALTY TAX	117,190	117,190	\$0
INTEREST ON INVESTMENTS	800,000	892,000	92,000
TOTAL LOCAL	127,986,561	128,508,627	522,066
STATE			
BASIC ED INSTR SUBSIDY	7,921,450	7,921,450	-
SPECIAL ED REVENUE-REGULR	3,315,119	3,315,119	-
REV. FOR RETIREMENT	11,472,439	11,415,427	(57,013)
REV. FOR SOCIAL SECURITY	2,629,084	2,616,180	(12,904)
PROPERTY TAX REDUCTION	1,423,448	1,423,448	-
TRANSPORTATION REVENUE	800,000	800,000	-
BOND REIMBURSEMENTS	320,857	320,857	-
HEALTH SERVICES REVENUE	140,000	140,000	-
READY TO LEARN GRANT	310,013	310,013	-
SAFETY GRANTS		65,000	65,000
VOCATIONAL EDUCATION	103,895	103,895	-
OTHER STATE REVENUE	1,975,393	1,935,393	(40,000)
TUITION - 1305/1306	130,000	130,000	-
TOTAL STATE	30,541,699	30,496,783	(44,916)
FEDERAL			
TITLE I REVENUE	709,940	765,956	56,016
TITLE II REVENUE	156,415	156,415	-
ACCESS FUNDS	250,000	250,000	-
OTHER FEDERAL REVENUE	60,000	133,246	73,246
TITLE III REVENUE	35,000	55,211	20,211
TOTAL FEDERAL	1,211,355	1,360,828	149,473
TOTAL REVENUE	\$159,739,614	\$160,366,237	\$626,623

3/20/19 vs. 12/12/18 - Local revenue is increased to reflect actual revenue in excess of previously projected to date. PSERS and Social Security reflect updated salary projections. A separate line has been added for safety grants and Federal revenue reflects updated current year allotments.

**State College Area School District
General Fund Expenses and Fund Balance Transfers
Projected 2018-19**

	(A)	(B)	(C)
	Preliminary 12/12/18	Board Presentation 3/20/19	3/20/19 vs. 12/12/18
Salaries	\$ 70,136,956	\$ 69,792,724	\$ (344,232)
Health Insurance	13,193,987	12,627,707	(566,280)
PSERS	22,944,879	22,830,853	(114,026)
Other Benefits	7,000,842	6,883,419	(117,423)
Professional Services	3,573,704	3,426,423	(147,281)
Purchased Property Services	1,735,254	1,792,576	57,322
Charter School Expense	6,330,172	6,158,438	(171,734)
Other Purchased Services	5,976,277	6,265,394	289,117
Supplies/Equipment	8,504,707	8,565,712	61,005
Minor Capital Projects	2,181,543	2,181,543	-
Transfers/contingencies	1,332,096	992,917	(339,179)
Debt Service	7,613,532	7,613,532	-
Debt Service - Referendum Debt	5,254,125	5,254,125	-
Transfer to Capital Projects - DCED Grant	1,935,393	1,935,393	-
Transfer to Capital Reserve - Local Revenue Increases	-	2,106,250	2,106,250
Transfer to Capital Reserve	1,640,000	2,642,750	1,002,750
Fund Balance Use (PSERS/Legal)	(1,207,573)	(1,207,573)	-
Total Expenses and Fund Balance Transfers	\$158,145,894	\$159,862,183	\$1,716,289

3/20/19 vs. 12/12/18 - Salary and related benefits reflect updated projected amounts. Health insurance reflects plan changes after the budget was completed and the impact of lower than budgeted contracts. Charter school enrollments reflect an updated estimate based on current student counts. Other purchased services reflects contracted carrier costs in excess of budget and food service transfers are estimated to be lower. Contingency is reduced to \$550,000 for possible unanticipated high school expenses. Transfers to capital reserve include a separate line to show the impact of local revenue vs. budget.

Revenue Reconciliations

Projection 2018-19 vs. Budget 2019-20

2018-19 Budget vs. 2018-19 Projection

**State College Area School District
Proposed Budget
Revenue Assumptions/Reconciliations
Projected 2018-19 vs. Preliminary Budget 2019-20**

Note: The following revenue assumptions and reconciliations include revenue line items >\$400,000.

Local Revenue

Current Real Estate Tax

Projected 2018-19 Revenue		\$95,926,717
Assumed assessed value growth of 1.2%	1,226,056	
5 yr average assessed value growth = 1.45% 10 yr average assessed value growth = 1.21%		
Proposed Tax Increase of 2.3%	2,377,325	
Act 1 Index - 2.3%		
Total increase in Real Estate Tax		3,603,381
Budgeted Revenue 2019-20		99,530,098

Real Estate Tax - Referendum Debt

Revenue equals total principal and interest due on referendum debt, less anticipated future PlanCon reimbursement.

4,946,210

Earned Income Tax

Projected 2018-19 Revenue		18,230,000
Assumed growth - 2.5%		460,000
Five-year average through 2016-17 = 4.3% Ten-year average through 2016-17 = 3.1% Most recent four-year average = 2.99% (avg growth from year prior to PSU remittance change to 2017-18 where PSU remittance reverted back to monthly.) 2016-17 = 2.29%		
Budgeted Revenue 2019-20		18,690,000

Realty Transfer Tax

5-yr average, excluding large transactions (defined as >\$2.8 MM transfer)	1,878,218	
Estimated large transactions	321,782	

Budgeted Revenue 2019-20 **2,200,000**

Delinquent Real Estate Tax

1,100,000

The uncollected balance over the past four years has declined, and therefore the revenue is budgeted more conservatively. Transfers to the county for each year's uncollected real estate tax has remained relatively consistent.

2017-18 revenue	1,077,652
2016-17 revenue	1,011,409
2015-16 revenue	1,257,787

Interim Real Estate Tax

Properties that are not on the tax rolls prior to the July duplicate billing are billed in interim billings. Interim tax revenue has ranged from \$378,000 to \$1.2 million. Budget reflects the 10 year average of approximately \$700,000, less \$100,000 for supplemental tax rebate.

Estimated interim tax revenue	700,000
Less: Assumed supplemental tax rebate program payments	(100,000)
Total tax rebates payments in 2017-18	88,266

Projected 2018-19 600,000

IDEA (Individuals with Disabilities Education Act)

740,000

Budgeted based on prior year allotments

IDEA funds allotted to the district:	
2018-19 allotment	739,659
2017-18 allotment	742,380
2016-17 allotment	749,006
2015-16 allotment	738,020

Payments in Lieu of Tax

664,382

Reflects December 2018 updated report of in-lieu properties.

Local Service Tax

406,000

Projected based on 2018-19 projection

Tuition

1,674,651

Includes all locations open for the full year, plus price increase.

Misc. Local Revenue

Projected 2018-19 Revenue		573,112
Assumed increase in high school auditorium rental	10,000	
Assumed increase in advertising revenue	54,000	
Assumed reduction in athletic ticket sales due to Memorial Field renovation	(18,228)	
Other misc local revenue variances	(7,179)	
Net increase in misc local revenue		38,593

Budgeted Revenue 2019-20

611,705

Interest on Investments

400,000

Major capital projects will be completed in 2019-20. Interest earnings is projected to be less than 2018-19 due to uncertainty as to the timing of receipt of grants that will fund a portion of these projects. Earning rates for 2019-20 are also uncertain.

State Revenue

Basic Education Subsidy

State Basic Education Subsidy above the 2014-15 allotment is allocated based on the new basic education formula. The primary driver of this allocation is each district's average daily membership (ADM) from the prior year as a percentage of all districts. The preliminary budget assumes no change in overall state basic education funding.

Basic education guaranteed at 2014-15 level 6,440,591

Student-weighted distribution allocation for 2018-19	1,480,859	
Proposed Preliminary Budget 2019-20		<u>7,921,450</u>

Special Education Subsidy

State Special Education Subsidy above the guaranteed 2013-14 base year allotment is allocated based on a new formula. The key driver in this new formula is weighted special education student counts. We used PDE's estimated allocation for Special Education Funding that we received in 2018. This assumes no change in overall state special education funding in 2019-20.

Special education guaranteed at 2013-14 level	3,221,641	
Special Education estimated student-weighted distribution allocation for 2018-19	93,478	
Proposed Budgeted Revenue 2019-20		<u>3,315,119</u>

Revenue for Retirement

Projected Revenue 2018-19		11,415,426
Assume revenue equal to 50% of PSERS expense.		

Increase in PSERS percentage from 33.43% to 34.29%	294,177	
Impact of salary increase	448,465	
		742,642

Note: Budgeted PSERS contribution percentage is based on rate published in December 2018.

Proposed Budgeted Revenue 2019-20		<u>12,158,068</u>
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Revenue for Social Security

Projected Revenue 2018-19		2,616,180
Assume revenue equal to 50% of Social Security expense.		

Impact of salary increase		100,315
Proposed Budgeted Revenue 2019-20		<u>2,716,495</u>

Property Tax Reduction

Tax reduction allocation amount published by PDE on May 1, 2018. This amount is used for Homestead/Farmstead exemption.

Transportation Revenue		<u>800,000</u>
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Transportation revenue is currently determined based on a complex calculation that includes several factors including district transportation cost, number of students transported, efficiency of bus transports, market value aid ratio, and other calculation factors. There is not anticipated to be any increased allocation to the state budget for transportation. Revenue is assumed to remain at 2018-19 projected level.

Bond Reimbursement

Plancon reimbursement related to existing debt (excl high school)	317,683	
Estimated Plancon reimbursement for high school debt	312,415	

Proposed Budgeted Revenue 2019-20		<u>630,098</u>
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Note: Bond Reimbursement includes estimated reimb for referendum debt.

Federal		<u>744,552</u>
Title I Revenue		

Title I revenue reflects the salary and benefits of Title I teachers. Other Title I expenses are not budgeted until the grant allocation amount is known.

**State College Area School District
Revenue Assumptions/Reconciliations
Budget vs. Projected 2018-19**

Note: The following revenue assumptions and reconciliations include revenue line items >\$400,000.

Local Revenue

Current Real Estate Tax

Budget 2018-19		\$95,492,192
Actual assessed value growth of 1.43% vs. 1% budget	434,525	
Total increase in Real Estate Tax		434,525
Projected Revenue 2018-19		95,926,717

Real Estate Tax - Referendum Debt

Revenue equals total principal and interest due on referendum debt, less anticipated future PlanCon reimbursement.

4,941,977

Earned Income Tax

Budget 2018-19		17,830,000
2017-18 revenue in excess of projected	390,617	
Additional projected increase	9,383	
Projected Revenue 2018-19		18,230,000

Realty Transfer Tax

Budget 2018-19		2,194,000
Increase in projection due to higher than budgeted large transaction (>\$2.8 million) through February 2019	491,205	
Projected Revenue 2018-19		2,685,205

Delinquent Real Estate Tax

Assumes projection will approximate budget

1,100,000

Interim Real Estate Tax

Estimated interim tax revenue - increased to reflect higher interim billing	823,039	
Less: Assumed supplemental tax rebate program payments	(100,000)	
Total tax rebates payments through February 2019	61,333	

Projected Revenue 2018-19		723,039
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IDEA (Individuals with Disabilities Education Act) - actual allotment		<u>739,659</u>
Payments in Lieu of Tax		
Budget 2018-19		648,561
Increase in in-lieu properties per December 2018 assessment office report	<u>15,821</u>	
Projected Revenue 2018-19		<u>664,382</u>
Local Service Tax		<u>402,000</u>
Assumes projection will approximate budget		
Tuition		<u>1,513,346</u>
Assumes projection will approximate budget		
Misc. Local Revenue		<u>573,112</u>
Assumes projection will approximate budget		
Interest on Investments		
Budget 2018-19		250,000
Estimated earnings in excess of budget related to higher than budget earnings rates	<u>642,000</u>	
Projected Revenue 2018-19		<u>892,000</u>
<u>State Revenue</u>		
Basic Education Subsidy		
Budget 2018-19 (based on 2017-18 allotment)		7,724,480
State budgeted 2018-19 subsidy	7,921,450	
Projected Revenue 2018-19 - assumes original 2018-19 state estimate		<u>7,921,450</u>
Special Education Subsidy		
Budget 2018-19 (based on estimated 2017-18 subsidy)		3,292,893
Actual 2017-18 subsidy	3,302,372	
State budget estimate of 2018-19 subsidy	3,315,119	
Projected Revenue 2018-19 - assumes original 2018-19 state estimate		<u>3,315,119</u>
Revenue for Retirement		
Budget 2018-19		11,395,719
Impact of projected salary increase	<u>19,708</u>	
Projected Revenue 2018-19		<u>11,415,427</u>

Revenue for Social Security

Budget 2018-19	2,611,664
Impact of projected salary increase	<u>4,517</u>
Projected Revenue 2018-19	<u><u>2,616,181</u></u>

Property Tax Reduction

Property Tax reduction is known prior to budget completion, therefore projection equals budget.

1,423,448**Transportation Revenue**

Assumes projection will approximate budget

800,000**Bond Reimbursement**

Budget 2018-19	633,004
Budgeted revenue related to high school referendum bonds	(312,147)
(Estimated Plancon reimbursement related to referendum debt service is included in the budget as a reduction in referendum tax to fund debt service. This revenue is removed from projection as it will not be received this year.)	
Total decrease in bond reimbursement	<u>(312,147)</u>
Projected Revenue 2018-19	<u><u>320,857</u></u>

Other State Revenue

Budget 2018-19	1,935,393
Other State Revenue reflects DCED grant revenue related to the high school north building. This grant revenue is a planned funding source for the budget and is included as revenue and as an expense transfer to the capital projects fund.	

Federal**Title I Revenue**

Budget 2018-19	709,940
Increase in 2018-19 allotment (assumes spending up to allotment)	<u>56,016</u>
Projected Revenue 2018-19	<u><u>765,956</u></u>