



STATE COLLEGE AREA SCHOOL DISTRICT

Office of Finance and Operations

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To: Robert O'Donnell

From: Randy Brown and Donna Watson

Subject: 2019-2020 Budget Development

Date: November 21, 2018

At the November 12 Board meeting, the administration presented a capital financing analysis showing the district's capacity for funding further capital projects. The contributions to capital financing are funded by the general fund, in absence of donations or borrowings. Therefore the next step in our budget development includes a look at the general fund projections.

More specifically, this step looks at the 2019-20 general fund projections in relation to a potential real estate tax increase. The Act 1 index for next year is 2.3%, which is included in our projections as a ceiling and has been our practice. The Act 1 process requires the Board to complete one of two actions before January 31, 2019:

1. Present for public review and adopt a proposed preliminary budget for 2019-20
2. Adopt an accelerated budget opt out resolution

The adoption of an accelerated budget opt out resolution provides notice to the community that the Board does not intend to apply or make use of Act 1 exceptions to increase the tax rate above the maximum rate of 2.3%. Without direction to consider an increase in the tax rate above the index, the administration recommends that the Board adopt the accelerated budget opt out resolution prior to the January 31, 2019 due date.

In order to provide the Board with the opportunity to adopt this resolution, the administration will:

1. Prepare a proposed preliminary 2019-20 budget, draft included in Attachment A for review
2. Review in detail the assumptions used in the budget projections for revenue and expense, taking into account the most recently completed fiscal year
3. Updated multi-year budget projections which will be presented on December 17

### **Proposed Preliminary FY2019-20 Budget - Draft**

The proposed preliminary FY 2019-20 budget includes:

#### **Revenue**

- 2.3% real estate tax increase - maximum allowed under Act 1, reflected as a ceiling
- Assessed value growth projected at 1.2% greater than actual of 2018-19 which grew at 1.43%
- EIT revenue growth projected at 2.5% growth from 2018-19 actual revenue
- Total revenue budgeted at \$162,357,509

#### **Expense**

- Total expenses (excluding use of fund balance) budgeted at \$161,996,294
- Increased costs in salaries, health insurance and PSERS result from additional teachers hired in current year due to increased enrollment
- Charter school costs decreased due to lower enrollment

This analysis provides a first of many reviews of the 2019-20 proposed preliminary budget. To assist in preparing for future discussions, Board members should provide questions at this meeting.

Attachment A

	A	B	Q	R	S	T
1		<b>State College Area School District</b>	Draft			
2		<b>General Fund Revenue</b>				
3		<b>11/20/2018</b>				
4						
5						
6		<b>Assumptions:</b>				
7		<b>Earned Income Tax Growth (1)</b>	<b>4.26%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.50%</b>
8		<b>Assessed Value Growth (2)</b>	<b>1.36%</b>	<b>1.00%</b>	<b>1.43%</b>	<b>1.20%</b>
9		<b>Exceptions</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
10		<b>Act 1 Index</b>	<b>2.50%</b>	<b>2.40%</b>	<b>2.40%</b>	<b>2.30%</b>
11		<b>Actual/Projected Total Tax Increase</b>	<b>1.55%</b>	<b>2.40%</b>	<b>2.40%</b>	<b>2.30%</b>
12						
13			<b>Actual</b>	<b>Budget</b>	<b>Projected</b>	<b>Proposed</b>
14			<b>2017-2018</b>	<b>2018-2019</b>	<b>2018-2019</b>	<b>2019-2020</b>
15		<b>LOCAL SERVICES TAX</b>				
16		CURRENT REAL ESTATE TAX	\$92,292,582	\$95,492,192	\$95,926,717	\$99,530,095
17		REAL ESTATE TAX-REFERENDUM DEBT	4,945,363	4,941,977	4,941,977	4,946,210
18		EARNED INCOME TAX	17,870,617	17,830,000	18,230,000	18,690,000
19		REALTY TRANSFER TAX	2,465,823	2,194,000	2,394,000	2,194,000
20		DELINQUENT REAL ESTATE TAX	1,077,652	1,100,000	1,100,000	1,100,000
21		INTERIM REAL ESTATE TAX	991,994	600,000	600,000	600,000
22		IDEA-B	742,380	740,000	739,659	740,000
23		PAYMENTS IN LIEU OF TAX	648,560	648,561	648,561	648,561
24		LOCAL SERVICES TAX	385,739	402,000	402,000	406,000
25		TUITION	1,296,494	1,513,346	1,513,346	1,513,346
26		MISC LOCAL REVENUE	735,526	573,112	573,112	573,112
27		PUBLIC UTILITY REALTY TAX	114,543	117,190	117,190	117,190
28		INTEREST ON INVESTMENTS	<u>648,205</u>	<u>250,000</u>	<u>800,000</u>	<u>250,000</u>
29						
30		<b>TOTAL LOCAL</b>	<b>124,215,478</b>	<b>126,402,378</b>	<b>127,986,562</b>	<b>131,308,513</b>
31						
32		<b>STATE</b>				
33		BASIC ED INSTR SUBSIDY	7,724,157	7,724,480	7,921,450	7,921,450
34		SPECIAL ED REVENUE	3,302,372	3,292,893	3,315,119	3,315,119
35		REV. FOR RETIREMENT	10,604,553	11,395,719	11,472,439	12,314,000
36		REV. FOR SOCIAL SECURITY	2,429,926	2,611,664	2,629,084	2,707,735
37		PROPERTY TAX REDUCTION	1,424,050	1,423,448	1,423,448	1,423,448
38		TRANSPORTATION REVENUE	905,320	800,000	800,000	800,000
39		BOND REIMBURSEMENTS	321,430	633,004	320,857	785,815
40		HEALTH SERVICES REVENUE	141,930	140,000	140,000	140,000
41		READY TO LEARN GRANT	310,013	310,013	310,013	310,013
42		VOCATIONAL EDUCATION	87,619	100,000	103,895	100,000
43		OTHER STATE REVENUE	9,972	1,935,393	1,975,393	0
44		TUITION - 1305/1306	<u>89,912</u>	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>
45						
46		<b>TOTAL STATE</b>	<b>27,351,253</b>	<b>30,496,614</b>	<b>30,541,698</b>	<b>29,947,580</b>
47						
48		<b>FEDERAL</b>				
49		TITLE I REVENUE	768,721	709,940	709,940	600,000
50		TITLE II REVENUE	216,347	156,415	156,415	156,415
51		ACCESS FUNDS	470,713	250,000	250,000	250,000
52		OTHER FEDERAL REVENUE	77,935	60,000	60,000	60,000
53		TITLE III REVENUE	<u>59,324</u>	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>
54						
55		<b>TOTAL FEDERAL</b>	<b>4 1,593,040</b>	<b>1,211,355</b>	<b>1,211,355</b>	<b>1,101,415</b>
56						
57		<b>TOTAL REVENUE</b>	<b>153,159,772</b>	<b>158,110,347</b>	<b>159,739,615</b>	<b>162,357,509</b>

	B	Y	Z	AA
81	<b>State College Area School District</b>			
82	<b>General Fund Expenses and Fund Balance Transfers</b>			
83	<b>11/20/2018</b>			
84				
85				
86		<b>Budget</b>	<b>Projected 2018-</b>	<b>Proposed 2019-</b>
87		<b>2018-2019</b>	<b>2019</b>	<b>2020</b>
88	Salaries	69,672,234	70,136,956	72,235,162
89	Health Insurance	13,051,290	13,193,987	14,909,205
90	PSERS	22,791,438	22,944,879	24,628,001
91	Other Benefits	6,954,032	7,000,842	7,208,693
92	Professional Services	3,507,236	3,573,704	3,590,000
93	Purchased Property Services	1,354,134	1,735,254	1,390,000
94	Charter School Expense	7,130,000	6,330,172	6,440,000
95	Other Purchased Services	5,976,277	5,976,277	6,080,000
96	Supplies/Equipment	8,023,577	8,504,707	7,714,503
97	Minor Capital Projects	2,181,543	2,181,543	2,225,174
98	Transfers/contingencies	1,788,656	1,332,096	1,880,148
99	Debt Service	7,613,532	7,613,532	7,540,783
100	Debt Service - Referendum Debt	5,254,125	5,254,125	5,258,625
101	Transfer to Capital Projects - DCED Grant	1,935,393	1,935,393	-
102	Transfer to Capital Reserve	1,640,000	1,640,000	896,000
104	Fund Balance Use (PSERS/Legal)	(1,207,573)	(1,207,573)	(659,620)
105				
106	<b>Total Expenses and Fund Balance Transfers</b>	<b>\$157,665,894</b>	<b>\$158,145,894</b>	<b>\$161,336,674</b>
107				
108	<b>Total Expense and Transfers (excl fund balance use)</b>	<b>\$158,873,467</b>	<b>\$159,353,467</b>	<b>\$161,996,294</b>
109				
110	<b>Total Debt Service (General + Capital Reserve Fund</b>			
111	Debt Service Paid from Capital Reserve	\$3,444,319	\$3,444,319	\$3,441,200
112	Total Debt Service (including referendum debt)	\$16,311,976	\$16,311,976	\$16,240,608

Draft

	B	C	N	O	P	Q	R	S	T
1	<b>State College Area School District</b>								
2	<b>General Fund Activity</b>								
3	<b>11/20/2018</b>								
4									
5									
6									
			<b>Actual</b>	<b>Budget</b>	<b>Projected</b>	<b>Actual</b>	<b>Budget</b>	<b>Projected</b>	<b>Proposed</b>
15			<b>2016-2017</b>	<b>2017-2018</b>	<b>2017-2018</b>	<b>2017-2018</b>	<b>2018-2019 (1)</b>	<b>2018-2019</b>	<b>2019-2020</b>
16									
17	<b>Beginning Fund Balance</b>		\$11,114,602	\$11,750,831	\$11,887,466	\$11,887,466	\$12,137,183	\$12,252,696	\$13,846,417
18									
19	<b>Revenue</b>		149,444,212	150,229,782	151,282,609	153,159,772	158,110,347	159,739,615	162,357,509
20									
21	Local		119,738,829	121,656,837	122,584,771	124,215,478	126,402,378	127,986,562	131,308,513
22	State		28,226,039	27,427,944	27,433,682	27,351,253	30,496,614	30,541,698	29,947,580
23	Federal		1,479,345	1,145,000	1,264,156	1,593,040	1,211,355	1,211,355	1,101,415
24									
25	<b>Expense and transfers (excluding use of fund balance)</b>		151,050,352	152,122,250	153,219,620	154,981,270	158,873,467	159,353,467	161,996,294
26	<b>Revenue less expense</b>		(1,606,140)	(1,892,468)	(1,937,011)	(1,821,498)	(763,120)	386,148	361,215
27									
28	<b>Funding (Use) of Assigned Fund Bal (Debt Serv/Cap) (2)</b>			0			0	0	0
29	<b>(Use) of Assigned Fund Balance (PSERS/Legal Liability)</b>		(2,379,004)	(2,186,728)	(2,186,728)	(2,186,728)	(1,207,573)	(1,207,573)	(659,620)
30	<b>Incr (Decr) in Assigned Fund Balance</b>		(2,379,004)	(2,186,728)	(2,186,728)	(2,186,728)	(1,207,573)	(1,207,573)	(659,620)
31									
32	<b>Change in Unassigned General Fund Balance</b>		772,864	294,260	249,717	365,230	444,453	1,593,721	1,020,835
33									
34	<b>Ending Unassigned Fund Balance</b>		\$11,887,466	\$12,045,091	\$12,137,183	\$12,252,696	\$12,581,636	\$13,846,417	\$14,867,252