



State College Area School District

Randy Brown

Finance and Operations Officer

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To: Board of Directors
From: Robert O'Donnell, Randy Brown and Donna Watson
Subject: Budget Hearing - Budget 2022-2023
Date: May 16, 2022

The purpose of the Budget Hearing is to present the Budget for 2022-2023 for public input. The Proposed Final Budget was approved on May 3, 2022 at a regular meeting of the Board of Directors. The budget document is available in the Business Office and on the district website. The Final Budget for 2022-2023 is scheduled to be approved at the regular meeting of the Board of Directors on June 6, 2022.

Since being approved on May 3, the proposed final budget has been modified to reflect the 2022-23 state property tax reduction allocation. This new information will also be presented during the regular board meeting following the Budget Hearing.



**STATE COLLEGE AREA SCHOOL DISTRICT
ADMINISTRATIVE OFFICES**

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**STATE COLLEGE AREA SCHOOL DISTRICT
2022-23 BUDGET SUMMARY**

Budget Hearing Date: May 16, 2022, 7:00 p.m.

Budget Adoption Date: June 6, 2022, 7:00 p.m.

Location: College Township Municipal Building, 2nd Floor Meeting Room

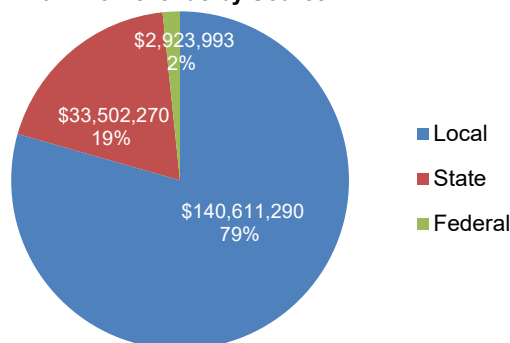
Education is an investment in the future that requires a partnership between schools and the entire community. The State College Area School District is committed to wise use of resources and delivery of quality educational programs.

The Board of School Directors allocates revenue and expenditures to support the educational programs as defined by the district's mission and goals articulated through the strategic plan, as well as financial and operating policies. The board must balance the educational needs of students with the ability and willingness of the community to provide the necessary financial support.

Revenue Budget

- The budget for 2022-23 includes revenues in the amount of \$177,037,552, which represents a \$7,788,647 (4.6%) increase compared to the 2021-22 budget.
- Budgeted local revenue is \$8,015,771 higher than the 2021-22 budget. Approximately \$6,600,000 of this increase is related to real estate taxes with approximately \$3,750,000 related to assumed assessed value growth, \$1,886,000 related to the tax increase, \$1,300,000 related to the assumed increase in the tax collection percentage, offset by a \$360,000 increase in the state property tax reduction allocation. Earned income tax accounts for the majority of the remaining increase.
- The proposed real estate tax rate reflects an increase of 3.40% (equal to the Act I Index) or a 1.5669 mill resulting in a total of 47.6544 mills. The proposed increase follows two years without a change in the tax rate, bringing the five-year average tax increase to 1.55%.
- The increased cost to the average homestead approved residential taxpayer is \$128 per year, offset by a \$28 homestead exclusion increase.
- The district is primarily locally funded, with 79% of revenue from local sources.
- Budgeted state revenue is \$2,157,540 higher than the 2021-22 budget, primarily related to an increase in reimbursement from the state for retirement (\$929,000) and social security (\$173,000) due to increasing salaries and wages and an increase in the PSERS rate. Basic education subsidy and property tax reduction revenues also increased by \$633,000 and \$371,000, respectively.
- Federal revenue decreased \$2,384,664 related to a reduction in available ESSER grant funds compared to 2021-22.

2022-23 Revenue by Source

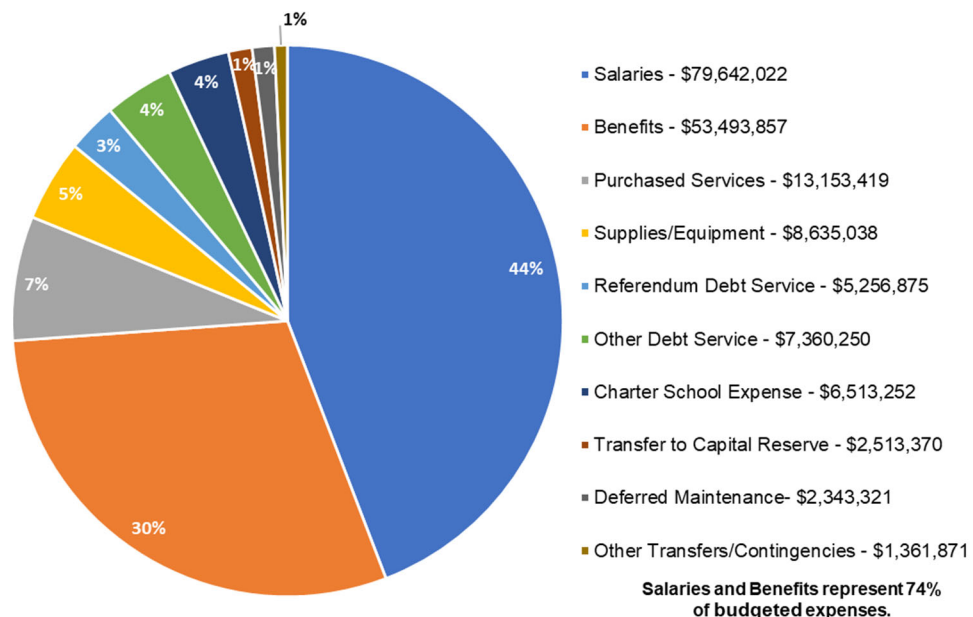


Expense Budget

- The budget for 2022-23 includes expenses in the amount of \$180,273,275, which represents a \$13,323,078 (8.0%) increase compared to the 2021-22 Budget.
 - Percentage increase over 2021-22 budget:

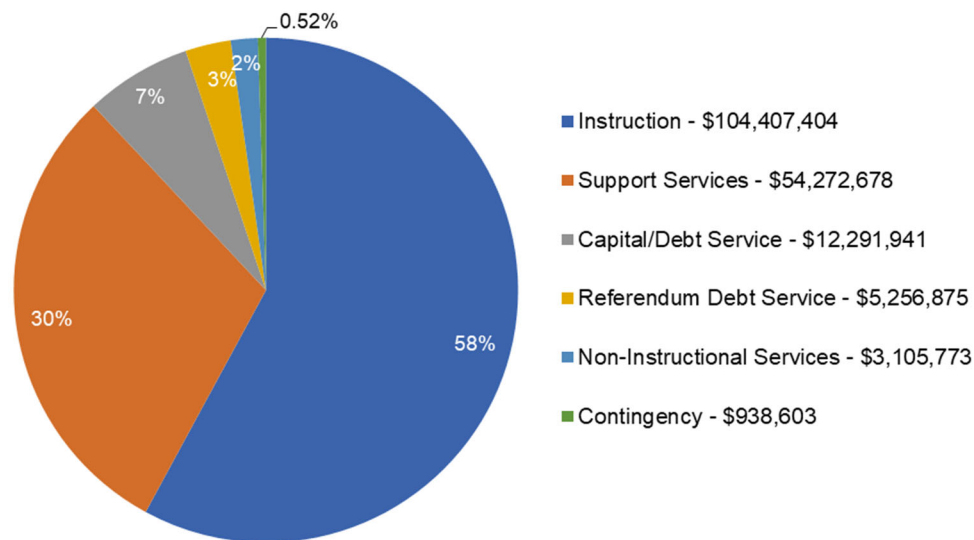
Personnel – existing staff	4.7%
Personnel – new staff	0.6%
Capital/Debt	1.9%
Other	<u>0.8%</u>
Total	8.0%
- Salary and benefit expenses represent approximately 74% of the district’s budget.
- The budget includes the following new resources (excludes positions with offsetting reductions).
 - Recurring
 - 4.0 teachers related to potential classroom over-enrollment concerns
 - 1.0 middle school teacher
 - Middle school: .5 art teacher and .34 music teacher
 - .6 gifted support teacher
 - Recruitment/Title IX compliance position
 - Contracted mental health services
 - HVAC Technician
 - Non-recurring
 - 1 middle school PTS science
 - IT cyber security
- The budget includes \$759,836 to be funded by COVID relief funds dedicated to lost learning.
- Required contributions to the state retirement plan (PSERS) increased approximately \$1.9 million over the 2021-22 budget. This is related to an increase in salary expense and an increase in the percentage contribution rate from 34.94% to 35.26% of qualifying salaries.
- The district’s required payment to charter schools represents 3.6% of the 2022-23 budget (\$6,513,252).
- The budget contains an allocation of \$17,473,816 (10%) for debt service and capital expenses which includes \$5,256,875 to fund debt service payments related to the State High Project borrowing approved through the referendum.

Expense By Object



- The District is required to report expenses to PDE using defined functional groupings. Functions reported in the chart below include:
 - Instruction (58%) - Includes all activities dealing directly with the interaction between teachers and students and related costs, which can be directly attributed to a program of instruction. This does not include administrative instructional support costs. Payments to charter schools are also defined as instructional expense.
 - Support Services (30%) – Includes student support services (i.e. guidance, health, social work), instructional support (i.e. curriculum development, library), plant services, transportation, information technology and administrative support (i.e. principals, human resources, tax collection, legal, accounting).
 - Non-Instructional Services (2%) - Activities concerned with providing non-instructional services to students, staff or the community such as student activities, athletics and community services.
 - Other Expenditures and Financing Uses (10%) - Transfers from the general fund to support the food service fund, to fund debt service payments and establish capital reserves.
- Over half of budgeted expenses consist of direct contact with students through instruction (58%).

Expense By Function



Fund Balance

- The budget includes:
 - Use of committed fund balance in accordance with long term projections. Fund balance for PSERS was committed in prior years to offset projected future year expenses. The budget includes usage of \$396,159 of committed PSERS fund balance.
 - Use of \$3,974,900 of fund balance to cover a portion of revenue shortfalls due to the impact of COVID-19.
 - An addition of \$2,513,370 to the Capital Reserve Fund for capital projects following a two-year hiatus of transfers due to the pandemic.
 - Projected Unassigned General Fund Balance of \$14,277,458, which is 7.9% of budgeted expense. The maximum percentage allowed by PDE is 8%.

District Facts

- Eight elementary schools
- Three middle schools (including alternative Delta Middle Level)
- Two high schools (including alternative Delta Program)
- 2,877 elementary students
- 1,517 middle school students (including Delta Middle Level)
- 2,421 high school students (including Delta Program)
- 1,338 employees
- 668 teachers
- Covers 150 square miles
- Transportation system providing service to district, charter and private students
- District operated school breakfast and lunch program
- Community education programs including after school and summer extended learning opportunities

Pennsylvania School Law

The School Law of Pennsylvania, as enacted by the Commonwealth legislature, requires that public school districts approve an annual budget on the modified accrual basis for the operation of the General Revenue Fund prior to the start of the fiscal year. The Board of School Directors of each district is further required to make these budgets available for public inspection at least 20 days prior to their adoption. Once approved by the district's Board of School Directors, these budgets become the approved spending plan of the district for the coming year, and the Board is prohibited from spending or obligating funds in excess of these amounts. The Board is authorized to transfer funds within the budget during the last nine months of the fiscal year. Unused appropriations revert to the fund balance at the end of each fiscal year. The school district designates a portion of this fund balance by an amount equal to outstanding encumbrances at year end.

Board of School Directors

Ms. Amber Concepcion, President
Dr. Amy Bader, Vice-President
Dr. Deborah Anderson
Ms. Gretchen Brandt
Dr. Peter Buck
Dr. Carline Crevecoeur
Dr. Daniel Duffy
Ms. Jacqueline Huff
Ms. Laurel Zydney

Administration

Dr. Robert J. O'Donnell, Superintendent
Curtis Johnson, Assistant Superintendent for Secondary Education
Danielle Yoder, Assistant Superintendent for Elementary Education
Linda E. Pierce, Director of Human Resources
Randy L. Brown, Finance & Operations Officer
Donna M. Watson, Assistant Business Administrator

State College Area School District
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Mission: To prepare students for lifelong success through excellence in education.

**State College Area School District
General Fund Revenue
Budget 2022-23**

LOCAL SERVICES TAX

CURRENT REAL ESTATE TAX	\$107,366,561
REAL ESTATE TAX-REFERENDUM DEBT	4,944,564
EARNED INCOME TAX	19,610,000
REALTY TRANSFER TAX	2,800,000
DELINQUENT REAL ESTATE TAX	1,100,000
INTERIM REAL ESTATE TAX	600,000
IDEA-B	802,610
PAYMENTS IN LIEU OF TAX	674,646
LOCAL SERVICES TAX	383,000
TUITION	1,462,805
MISC LOCAL REVENUE	549,915
PUBLIC UTILITY REALTY TAX	117,190
INTEREST ON INVESTMENTS	200,000

TOTAL LOCAL **140,611,290**

STATE

BASIC ED INSTR SUBSIDY	9,039,487
SPECIAL ED REVENUE-REGULR	3,409,937
REV. FOR RETIREMENT	13,760,101
REV. FOR SOCIAL SECURITY	2,985,381
PROPERTY TAX REDUCTION	1,792,547
TRANSPORTATION REVENUE	800,000
BOND REIMBURSEMENTS	938,804
HEALTH SERVICES REVENUE	140,000
READY TO LEARN GRANT	310,013
SAFETY GRANTS	0
VOCATIONAL EDUCATION	196,000
OTHER STATE REVENUE	0
TUITION - 1305/1306	130,000

TOTAL STATE **33,502,270**

FEDERAL

TITLE I REVENUE	600,000
TITLE II REVENUE	140,000
ACCESS FUNDS	250,000
OTHER FEDERAL REVENUE	1,898,993
TITLE III REVENUE	35,000

TOTAL FEDERAL **2,923,993**

TOTAL REVENUE **\$177,037,552**

**State College Area School District
General Fund Expenses and Fund Balance Transfers
Budget 2022-23**

Salaries	\$ 79,642,022
Health Insurance	18,326,215
PSERS	27,520,202
Other Benefits	7,647,440
Professional Services	4,296,346
Purchased Property Services	1,421,940
Charter School Expense	6,513,252
Other Purchased Services	7,435,132
Supplies/Equipment	8,635,038
Deferred Maintenance	2,343,321
Transfers/contingencies	1,361,870
Debt Service	7,360,250
Debt Service - Referendum Debt	5,256,875
Total Expense before transfer to capital reserve and fund balance use	<u>177,759,905</u>
Transfer to Capital Reserve	2,513,370
Total Expense including transfer to capital reserve	<u>180,273,275</u>
Fund Balance Use (COVID-19)	(3,974,900)
Fund Balance Use (PSERS/Legal)	(396,159)
Total fund balance commitment/(use)	<u>(4,371,059)</u>
Total Expenses and Transfers	<u><u>\$ 175,902,216</u></u>

**State College Area School District
General Fund Activity
Budget 2022-23**

Beginning Fund Balance	\$13,152,498
Revenue	177,037,552
Local	140,611,290
State	33,502,270
Federal	2,923,993
Expense (including capital reserve transfer)	<u>180,273,275</u>
Revenue less expense	(3,235,722)
Fund Balance Commitment/(Use) (Revenue Shortfall)	(3,974,900)
(Use) of Assigned Fund Bal (PSERS)	<u>(396,159)</u>
Incr (Decr) in Assigned Fund Balance	(4,371,059)
Change in Unassigned General Fund Balance	1,135,337
Ending Unassigned Fund Balance	<u><u>\$14,287,835</u></u>
Unassigned Fund Balance Percentage	7.9%