

State College Area School District



2022-23 Budget Development

**State College
Area School District
Finance Committee
December 8, 2021**

School Finance

- Budget, budget, budget.....
- What else is going on

Prior fiscal year

- Audit
- Financial statements
- Annual Financial Report (AFR)
 - state report

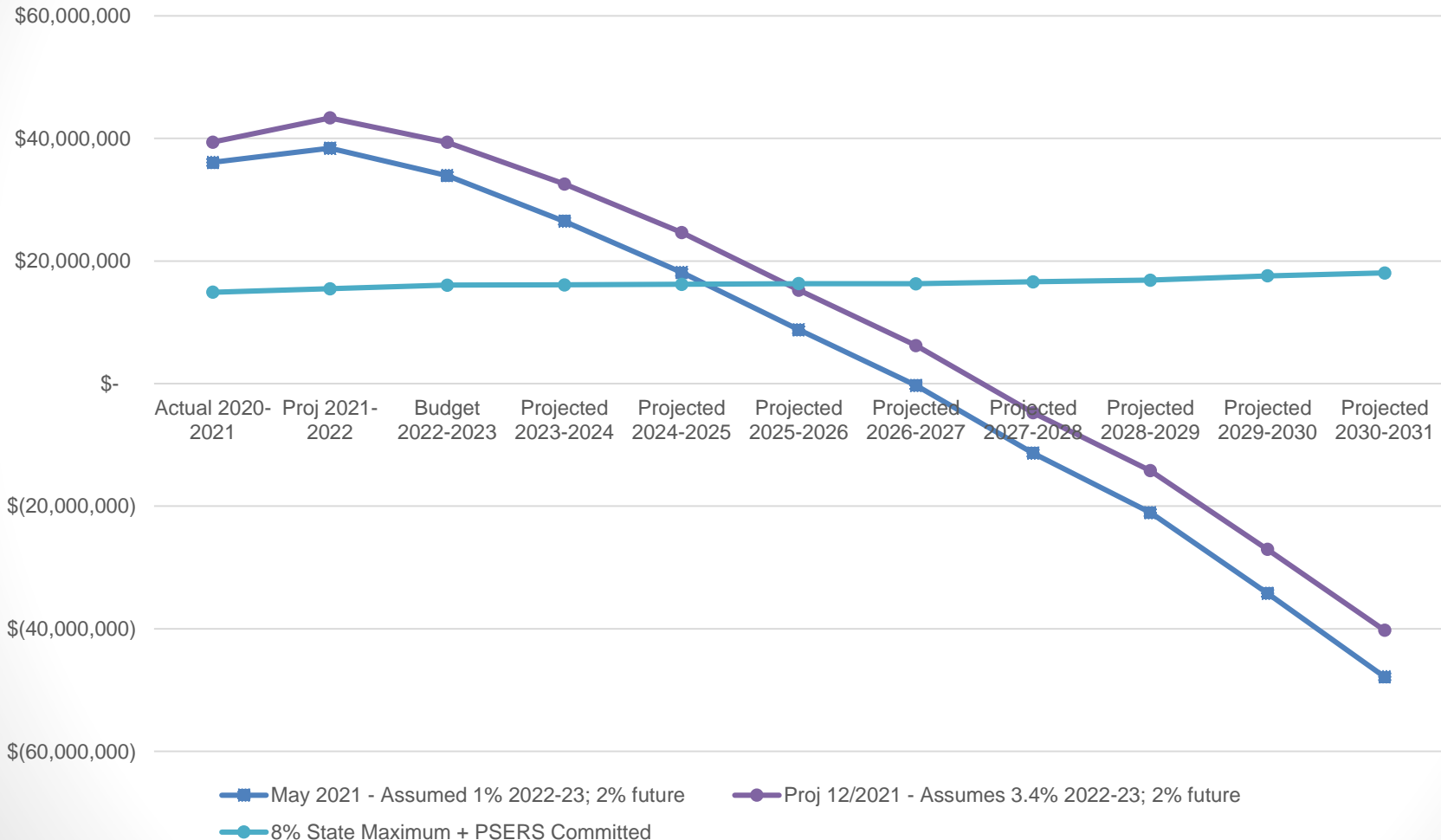
What else?

- Pandemic impact
- ARP/ESSER grants and other subsidies
 - Applications
 - Spending
 - Tracking
 - Reporting
- Increased reporting requirements
 - ESSA, Act 16, Act 82, etc.
- Normal school operations
 - Attract and retain adequate labor force

- Note:
 - ARP/ESSER: American Rescue Plan Elementary and Secondary School Emergency Relief
 - ESSA: Every Students Succeeds Act
 - Act 16: Exceptional Students Expenditures
 - Act 82: Athletics

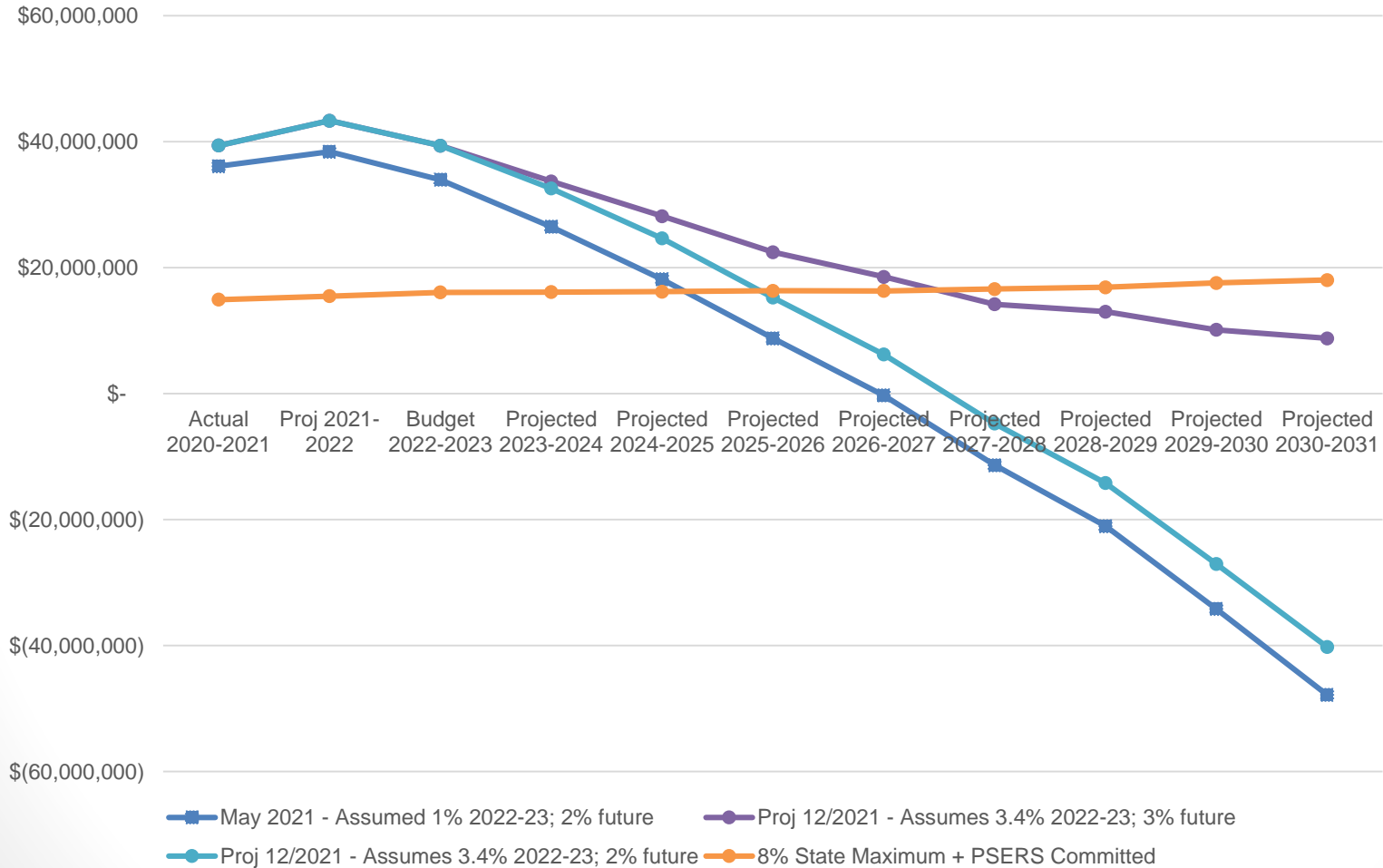
Declining Fund Balance

General Fund - Committed and Unassigned Fund Balance



Alternate Tax Rate Scenario

General Fund - Committed and Unassigned Fund Balance



Budget: Revenue Analysis

- Local revenue collection
 - Real estate
 - Earned income
 - Delinquent real estate
- Assessed value growth
 - Appeals
- Investment earnings
- COVID impact on local economy

Budget: Revenue Analysis

- State and Federal
 - Provided long after district's budget process

Budget: Expense Analysis

- Charter school enrollment
- Supply orders
 - Volume
 - Supply chain delays
- Inflation – short and long term predictions
- Recurring vs. non-recurring expenses
 - Pandemic
 - Use of one time funds
- Year to year comparisons complex due to large variations

Budget: Expense Analysis

- Salaries and benefits
 - Largest portion of budget
 - Contracted salary increases and step movement
 - Healthcare costs
 - PSERS – receive rate in December
- Deferred maintenance (capital projects)
- Capital reserve transfer
- Food service transfer
- Equipment including school buses, technology
- Special education

Budget Process

- Board and committee presentations
- Budget Heads – principals and directors
 - Detailed budgets
 - Budget requests
- Evaluation criteria:
 - Strategic plan
 - Student need
- Budget shifts – move funds to fund new program
 - Evaluate possible reductions

Current Reality

Difficult to consider budget reductions:

- Recruiting and retaining staff
- Cost of inflation
- Supply chain issues
- Student needs – mental health, academic needs

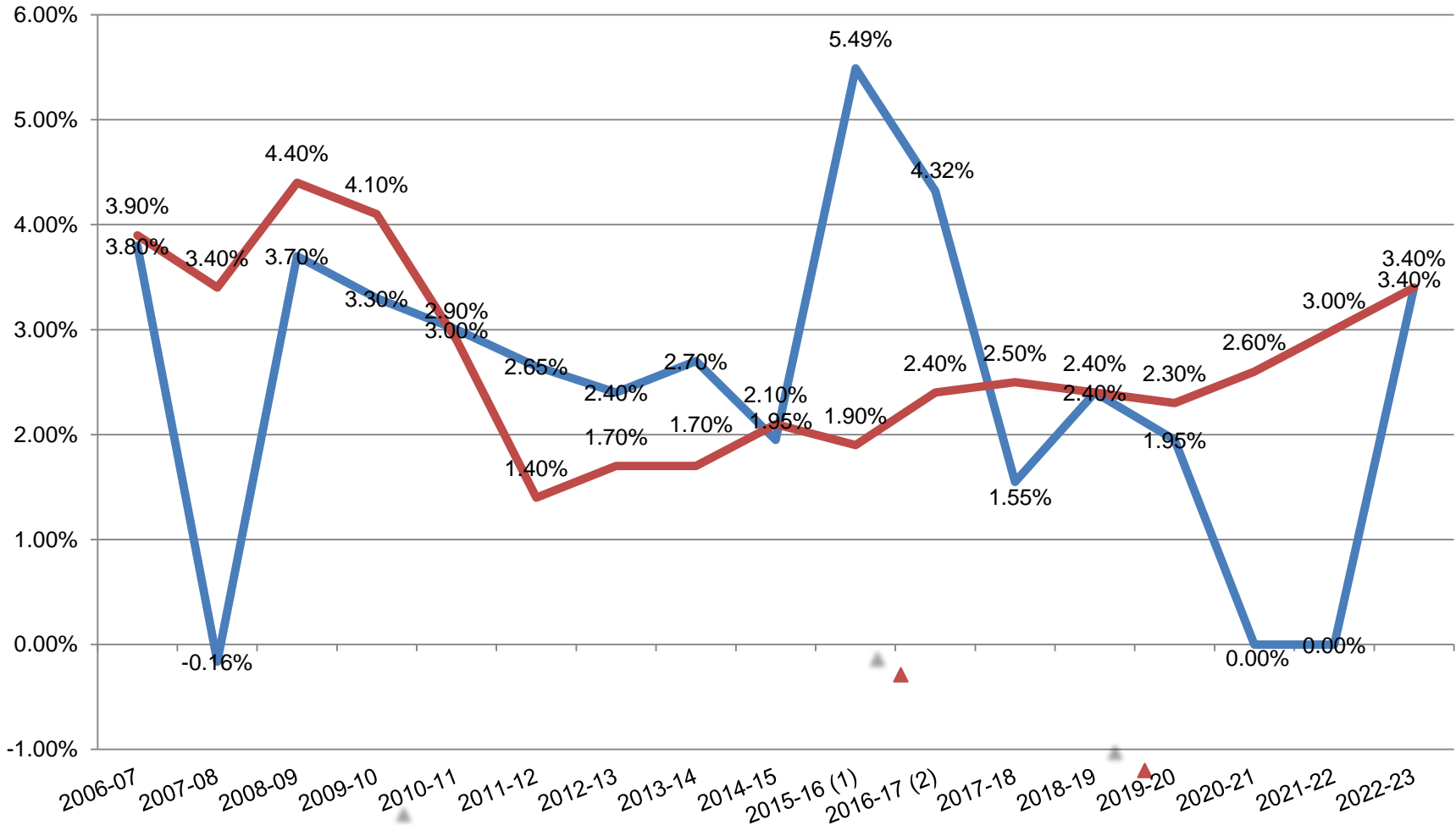
2022-23 Proposed Preliminary Budget

- Board action
 - Proposed Preliminary Budget
 - Or
 - Accelerated Budget Opt Out Resolution
 - Deadline: January 27
 - Scheduled: January 10 meeting

What is the Accelerated Budget Opt Out Resolution

- Maintains any real estate tax rate increase would be within the Act 1 index – 3.4%
- Comply with budget adoption rules in School Code
- Not eligible to use Act 1 referendum exceptions

Real Estate Tax Increase vs. Act 1 Index



(1) Act 1 Index 1.9%, exceptions 3.59%
 (2) Act 1 Index 2.4%, exceptions 1.92%

5- Year avg = 1.18% 10- Year Avg = 2.28%

Real Estate Act 1 Index

Proposed 2022-23 tax rate increase 3.4%

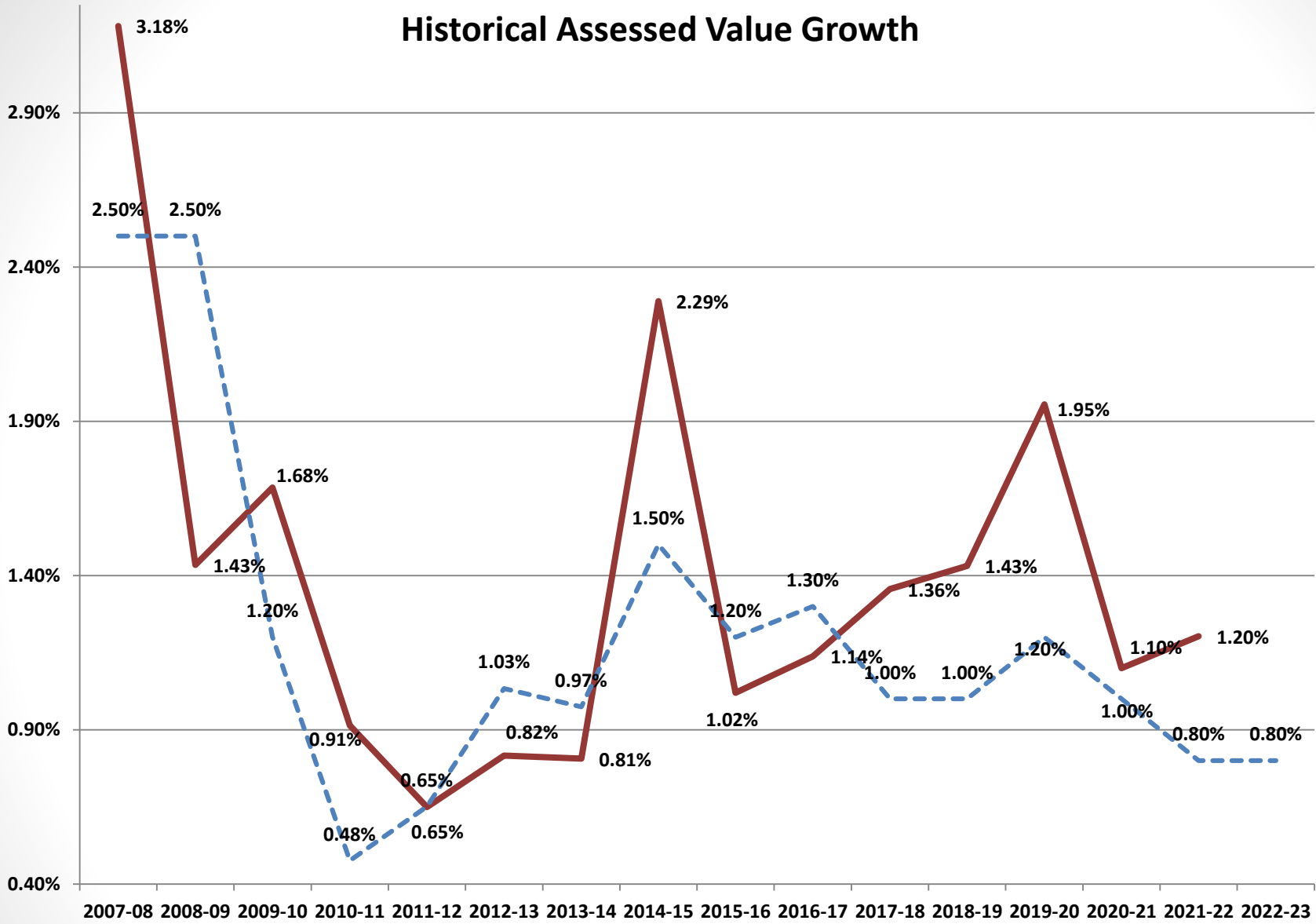
Proposed Preliminary Budget

- Includes real estate tax increase of 3.4%
 - [2021-22 budget discussion](#)
- Two previous years included no change to tax rate
- Budgeted state subsidies similar to 2021-22 budget
 - Except social security and retirement – based upon salary expense

Local Revenue Assumptions

- Real estate tax
 - Rate increase 3.4% (Act 1 index)
 - Assessed value growth .8%
 - Collection percentage 97%
- Earned income growth 2.5%

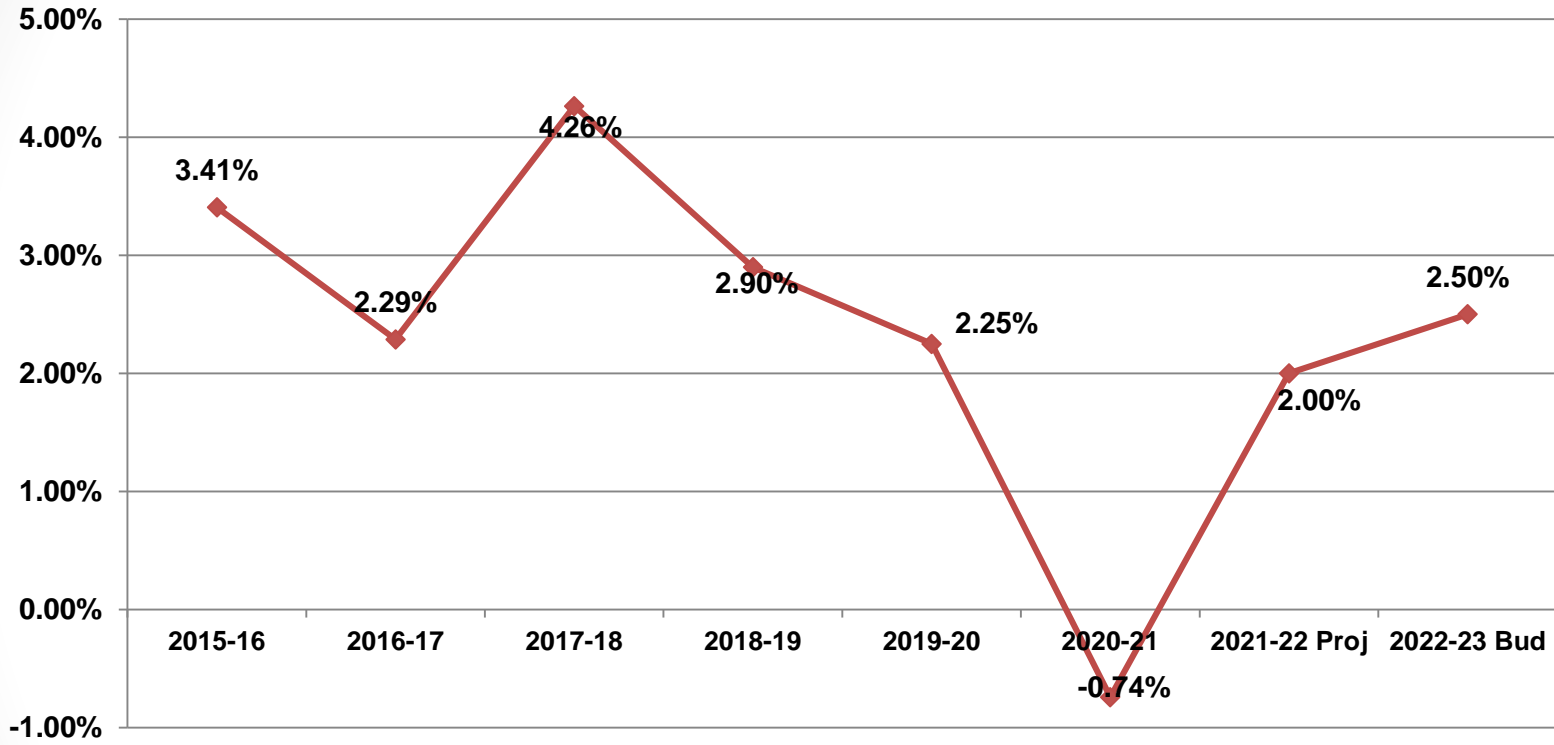
Historical Assessed Value Growth



5- year average 1.40%
10- year average 1.26%

— Actual/Projected
- - - Budget

Earned Income Tax - Historical Percent Change



Five-year average through 2020-21

2.19%

Ten-year average through 2020-21

3.28%

2021-22 Budget 1.0%

Expense Assumptions

- Salaries and benefits
 - Reflects impact of current contractual agreements and estimates for those expiring
 - Assumes 2021-22 budgeted staffing levels
 - Assumes continuation of virtual academy in both levels
 - Assumes 13% rate increase for health insurance
- Inflationary increases for goods and services
- Return of capital reserve transfer

Next Steps

- 12/20/2021 Board
- 1/10/2022 Board
 - Consideration of Opt Out Resolution
- Budget Development Timeline

Questions

State College Area School District

