

State College Area School District Budget Development

Since April 27, when we shared a budget update with you, we have been working through the budget development process for 2020-2021. As you can imagine, this has been a difficult task given the uncertainty surrounding our future due to the COVID-19 pandemic. However, we are required by the state to submit a budget by June 30. Please know that during this process our priority has been limiting the impact on student experiences.

As we stated before, based on our analysis of the current economy and historical financial data, our district is projecting a \$9.6 million revenue shortfall for 2020-2021.

You might be asking, "Why is there a shortfall when residents are still paying taxes?" While it's true they are, we have cost increases that are out of our control, such as rising healthcare premiums and charter school expenses. Along with these increases, we envision less overall local revenue.

Annually, 81 percent of our revenue comes from various local sources. Basically, as our local economy goes so does the revenue of our district. Some factors that we're anticipating will influence our finances are nonpayment of rent, lower incomes for property owners, local businesses closing, county-wide increases in furloughs and layoffs, decreases in new construction projects and real estate transactions, and increases in delinquent real estate tax collections.

These reasons, combined with no real estate tax rate increase and a potential decrease in state and/or federal funding, leaves us with the projected \$9.6 million deficit.

Below are some measures we're working on to overcome our shortfall and balance our budget.

- Salary freeze: Most employees have already accepted salary freezes for 2020-2021 and we are working with other groups with the goal of all employees having a freeze. This would save the district several million dollars.
- Hiring freeze until further notice
- Shifting current positions to cover vacancies
- Holding on new programming
- Holding on nonessential equipment and building purchases. For example, we were set to purchase new buses but by deferring those we will save about \$250,000.
- Holding on new construction and avoidable maintenance projects.
- Decreasing building budget allotments by 10 percent
- Decreasing travel and conferences budgets by 50 percent

By doing the things listed above, we will be able to present a balanced budget with no tax increase. However, this is contingent upon Penn State students returning this fall. If Penn State is fully remote this fall, we anticipate further decreases in revenue and thus additional measures would be necessary.

Moving forward, we will have a budget hearing on June 15 and a vote on the final budget by the Board of Directors on June 29. For more information, including budget presentations to our Board of Directors, [please visit our budget website](#).