

State College Area School District



Governor Budget Address 2025-2026

**State College
Area School District
Board of Directors
March 3, 2025**

The Proposal

PA's Proposed Total Operating Budget

\$ 133.4 billion for 2025-26

- \$ 3.1 billion in the Motor License Fund
- \$ 2.1 billion in the Lottery Fund
- \$ 53.1 billion in Federal funds
- \$ 23.7 billion special funds/augmenting fees
- **\$ 51.4 billion in the General Fund**

2025-26 Proposed Budget

- **\$51.4 billion** General Fund budget proposal (6.4% increase from 2024-25 budget)
- The budget proposal holds the line on taxes, and instead proposed new revenue streams, and uses \$1.6 billion from the Rainy Day Fund.

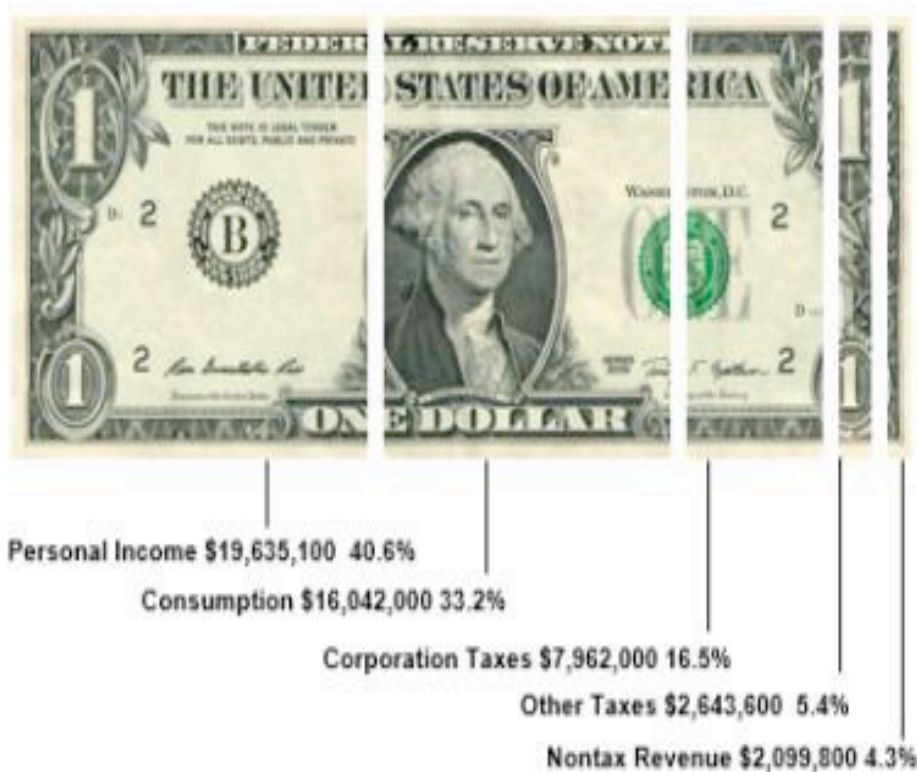
Budget Themes

- Investing in Children, Students, and Educators
- Making Pennsylvania a Leader in Economic Development, Job Creation, and Innovation
- Ensuring All Pennsylvanians Have the Freedom to Chart Their Own Course and the Opportunity to Succeed
- Cutting Everyday Costs for Pennsylvanians
- Helping More Pennsylvanians Access Quality, Affordable Health Care

Budget Themes (cont'd)

- Creating Opportunity for Our Children and Our Students to Succeed
- Speeding Up Tax Cuts for Pennsylvania Businesses and Delivering Commonsense Tax Reform
- Ensuring Pennsylvanians Have Access to Mental Health Resources
- Lowering Electricity Costs and Building a More Reliable, Affordable Energy Sector
- Getting Stuff Done –Government Service that Works

General Fund Revenue 2025-26



Income

(Dollar Amounts in Thousands)

TOTAL INCOME	\$48,382,500
Refunds	(1,758,000)
Beginning Balance	2,893,876
Lapses	350,000
TOTAL	\$49,868,376

General Fund Revenue 2025-26

Outgo

(Dollar Amounts in Thousands)

TOTAL OUTGO	\$51,474,431
Budget Stabilization Reserve Fund	(1,606,055)
TOTAL	\$49,868,376



Note: Health and Human Services spending continues to eclipse Education as the largest General Fund expenditure.

Education Appropriations

- **\$75 million** proposed increase for BEF formula
- **\$40 million** proposed increase for SEF
- **\$526 million** increase in new adequacy/tax equity investment formula driven into RTL

Education Appropriations

- **\$100 million** proposed for Physical & Mental Health/Targeted Grants (**+\$11 million** from PCCD)
- **\$125 million** for school facilities improvement grants (via CFA)
- **\$17 million** proposed increase to Pre-K Counts
- **\$14.5 million** proposed increase for Early Intervention

Education Appropriations

- **\$109 million** for school food service (universal free breakfast)
- **\$5.5 million** increase in CTE funding
- **\$20 million** in CTC equipment grants
- **\$40 million** proposed for student teacher stipend program (\$20 million increase)
- **\$7.5 million** proposed for professional development of educators (\$2.5 million increase)

Other Related Policy

- An increase in the minimum wage from **\$7.25 to \$15.00 per hour** for non-tipped workers and **\$9.00 per hour** for tipped workers is proposed.
- Estimates assume an effective date of January 1, 2026.
- State budget estimated additional income... \$51.5 million
 - Personal income tax effect: \$20.9 million;
 - Sales and use tax effect: \$30.6 million.
- •**1.75%** increase in mass transit funding, such as SEPTA.

What's NOT in the proposed budget?

- Cyber Charter Reimbursement
- PASS Scholarships
- PlanCon funding
- Minimum teacher salary
- EITC/OSTC increases

Additional Proposed Revenue

- **Video Gaming Terminal Tax Expansion**, estimating an additional \$368.9 million in revenue.
- Legalize **adult-use marijuana**, estimating the industry would yield \$536.5 million in additional annual revenue.
- **Corporate Net Income Tax Reduction**, proposing a CNIT of 4.99% by 2029 instead of the previous 2031; \$264 million increase in revenue
- **Minimum Wage** increase, beginning January 1, 2026, to increase revenue by \$51 million (PIT and SUT)

Appropriations

Basic Education Funding

- Biggest Education line; funds all 500 districts
- Proposed increase of \$75 million, once added to the \$225 million for 24-25, would mean \$300 million in dynamic BEF funds
- Smallest proposed increase for BEF (ignoring 2020-21), in 10+ years

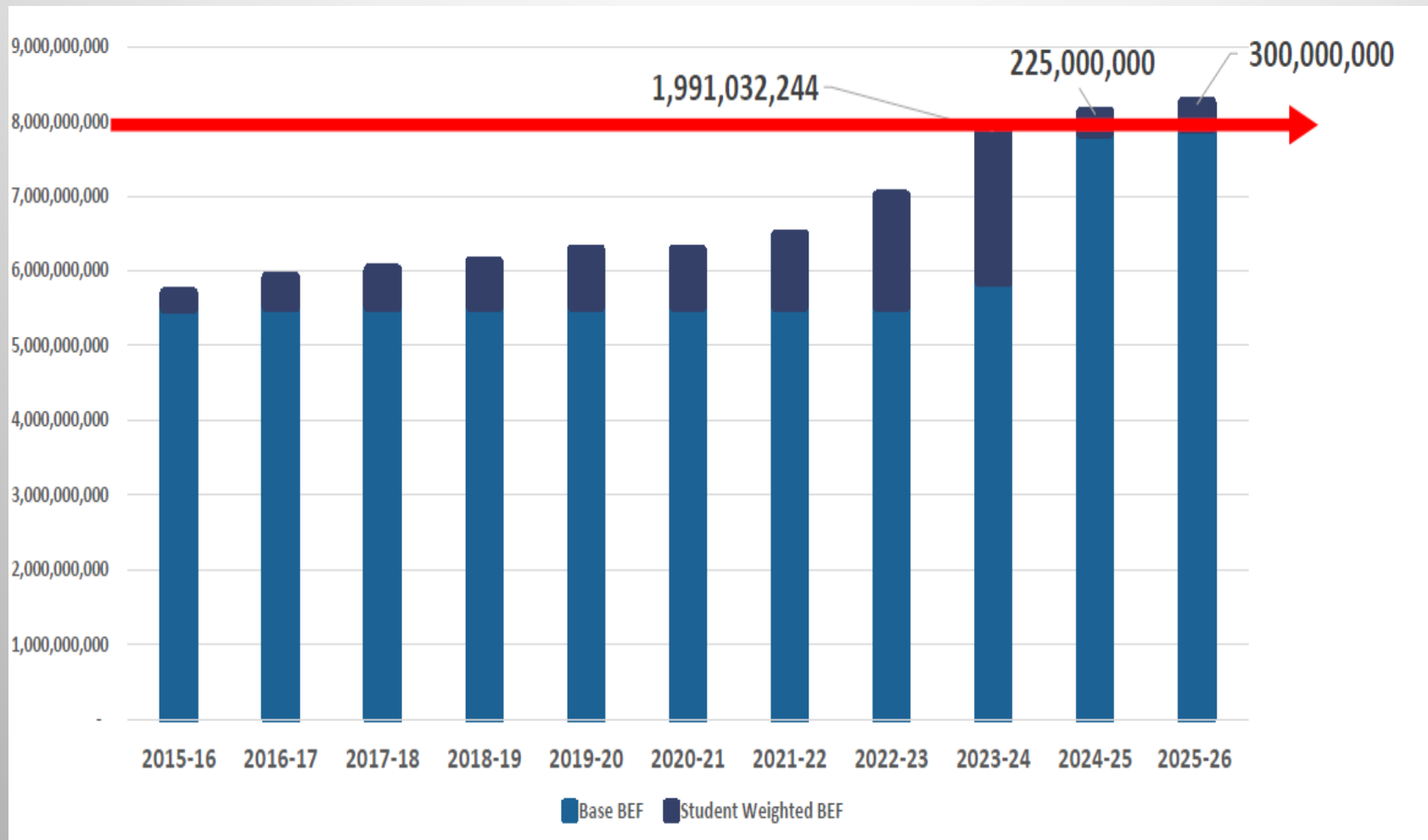
BEF Base \$7.93 Billion

BEF Formula \$300 Million

- \$225 Million from 2024-25
- \$75 Million increase proposed for 2025-26

Total BEF \$8.23 Billion

BEF Components Over Time



BEF Formula Improvements (started 24-25)

- Use **three-year averages** of ACS poverty, median household income, and number of households datasets to smooth the trend for changing factors.
- Extend the qualification for concentrated poverty: Allow districts to qualify if they have a 30% or greater acute poverty level in **any of the previous three years**.

Basic Education Funding

\$300 million in the dynamic BEF formula

- The average increase in BEF is 0.92% over 24-25
- The range is -0.35% to 3.00%
- From 2024-25 to 2025-26 proposed as is:
 - 214 districts lost share yr. over yr., to date.
 - Total range on share loss is -0.06% to -36.2% (can lose share but get additional dollars!)
 - The proposed \$75 million increase is barely enough to bring all districts to positive

BEF 2025-26 Budget Advocacy Priorities

- Direct additional state funds to BEF
- Benefits all 500 SDs
- Adheres to BEFC Report

Special Education Funding

• Special Education Funding	\$1,415,035,838
• Contingency Fund	\$ 14,262,473
• Contingency Fund APS Set-aside	\$ 1,000,047
• Cordero Community Services	\$ 563,000
• Intermediate Unit Core Services	\$ 83,943,860
• Intermediate Unit Institutionalized Children (Net)	\$ 2,343,000
• Private Residential Rehabilitative Institutions	\$ 1,500,000
• Special Education Out of State	\$ 3,000,000
• Special Education Wards of State	\$ 5,166,782
• Total 2025-26 Proposed State Appropriation	\$1,526,815,000

Special Education Funding

- Third largest education line; funds all 500 districts
- Proposed increase of \$40 million means \$37.4 million into the formula
- Would mean \$476.5 million in 25-26 SEF formula
- Smallest proposed increase for SEF (ignoring 2020-21) since 2014-15

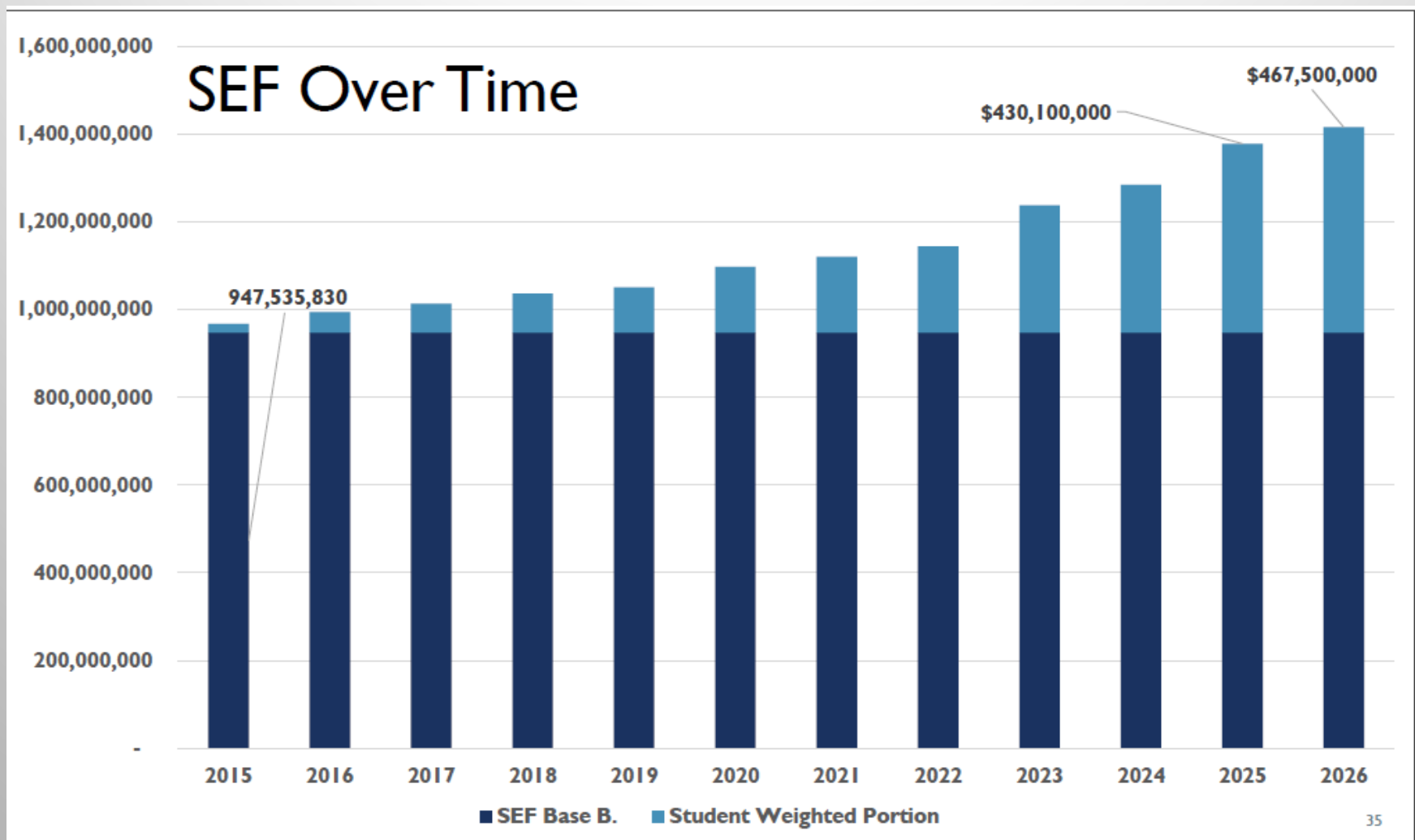
SEF Base \$947 Million

SEF Formula \$467.5 Million

- \$430 Million from 2024-25
- \$37.4 Million increase proposed for 2025-26

Total SEF \$1.41 Billion

SEF Components Over Time

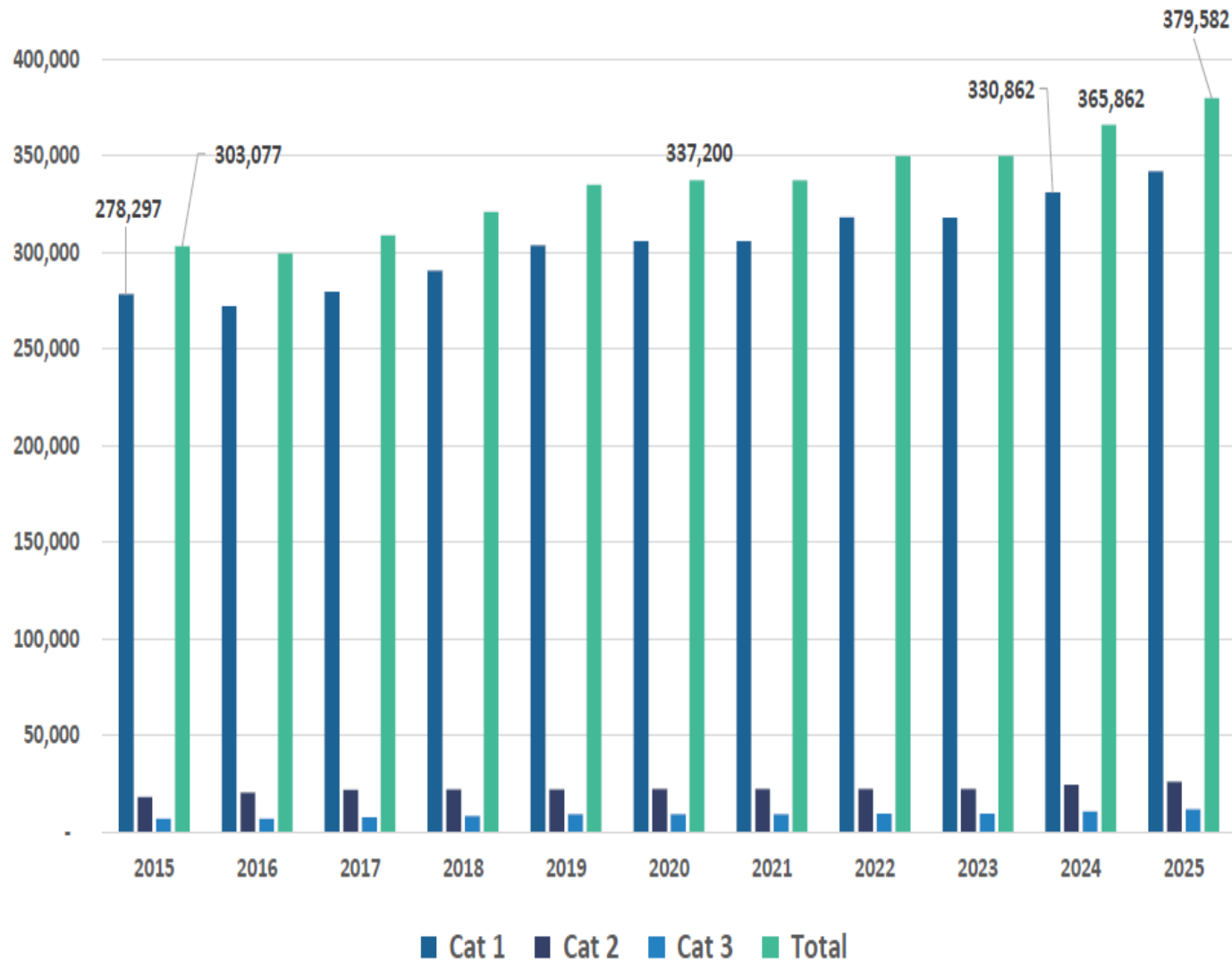


Special Education Funding

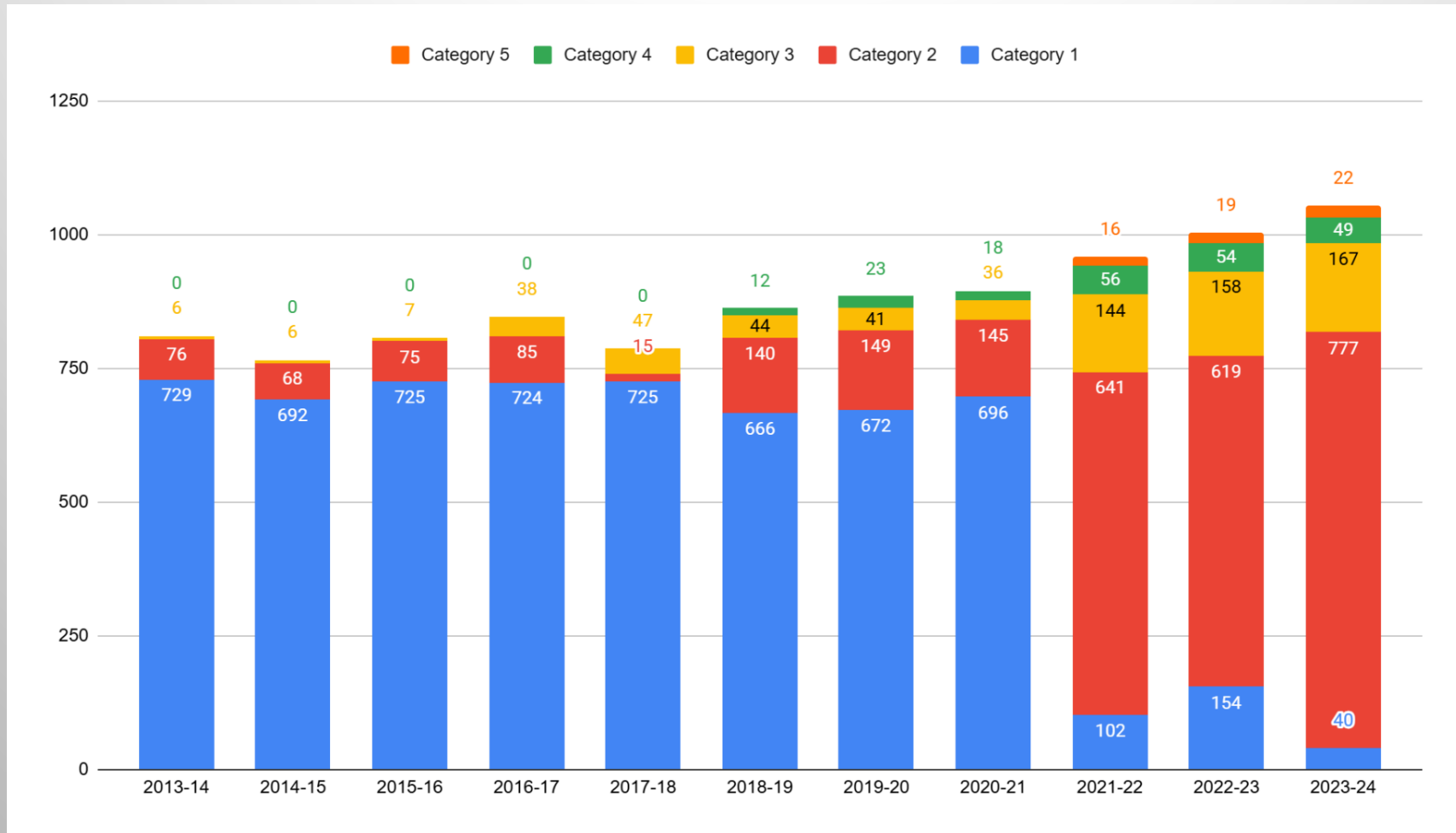
- **\$467.5 million runs through the dynamic BEF formula**
- The average increase in SEF is 2.71%
- The range is -3.79% to 8.81%
- The proposed \$40 million increase is barely enough to bring all districts to positive
- **BUT...the student data has not yet been updated!**
- Act 16 student counts will be updated with 23-24 data this spring
- That data WILL CHANGE the share distribution!

Special Education Categories (22-23)

Cat 1 = 90.1%
Cat II = 6.9%
Cat III = 3.1%

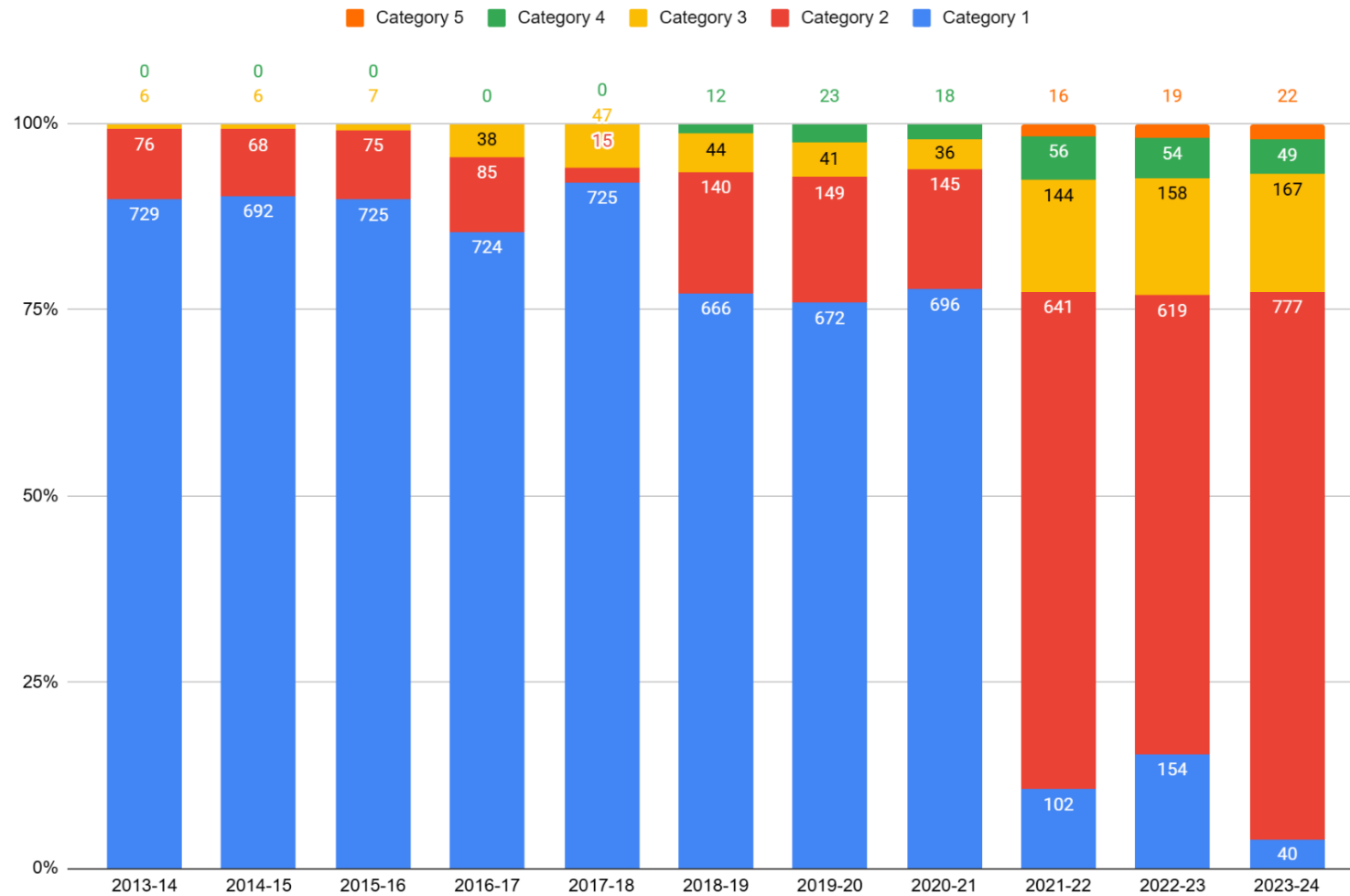


Special Education Categories - SCASD

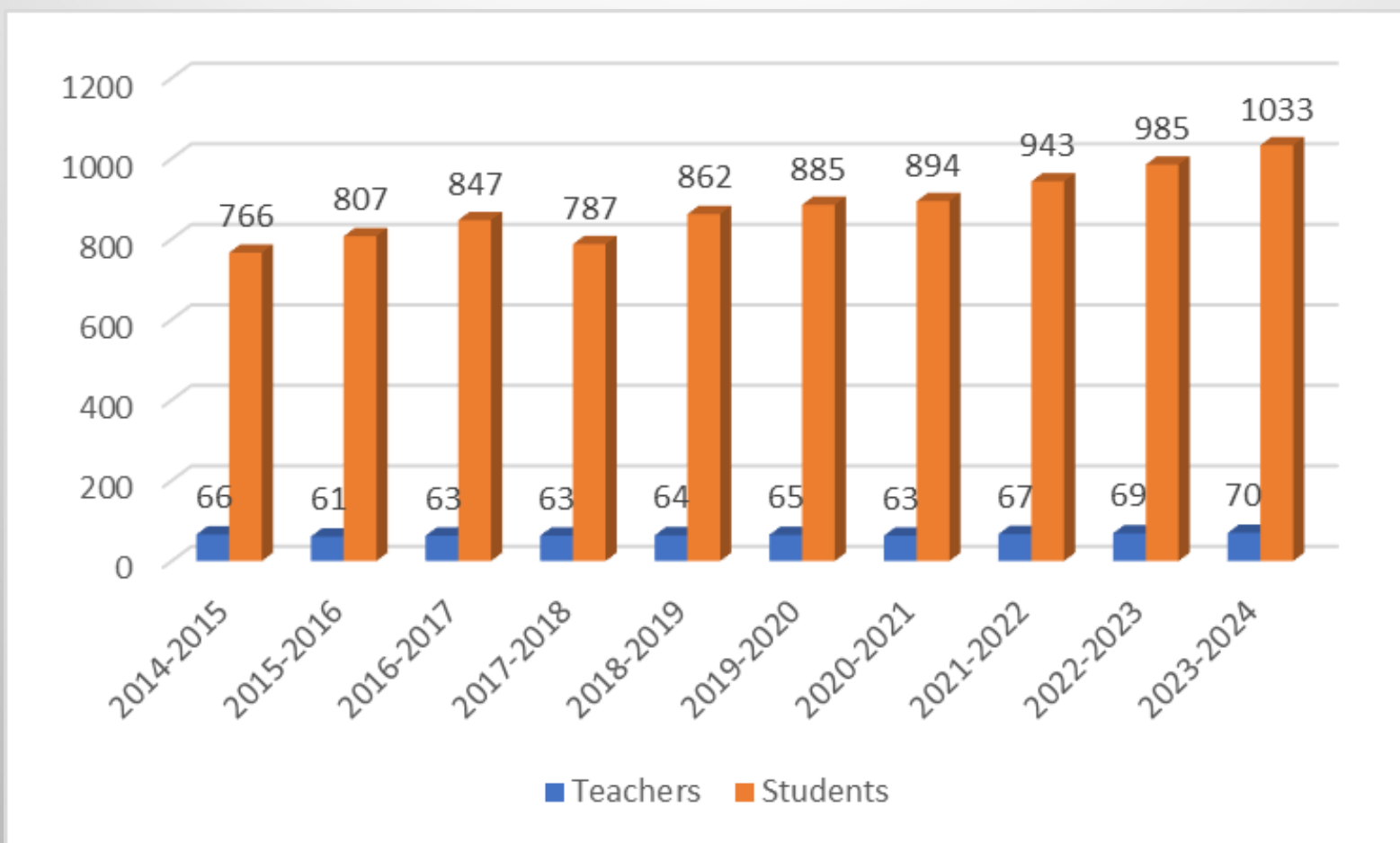


Enrollment 2013-14 vs. 2023-24:
 Special Education 811 and 1,015; 12% and 15% Total 6,776 and 6,712

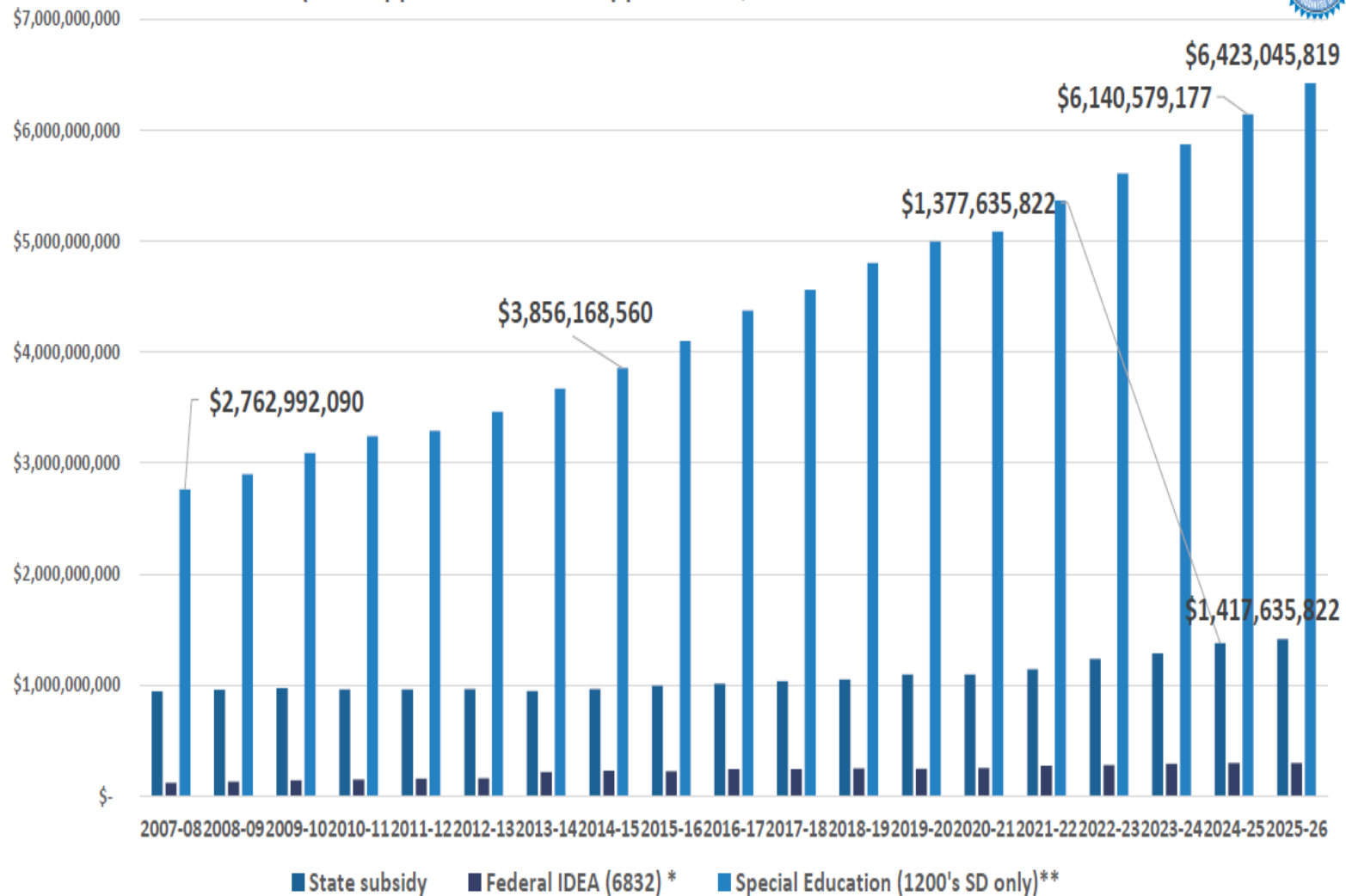
Special Education Categories - SCASD



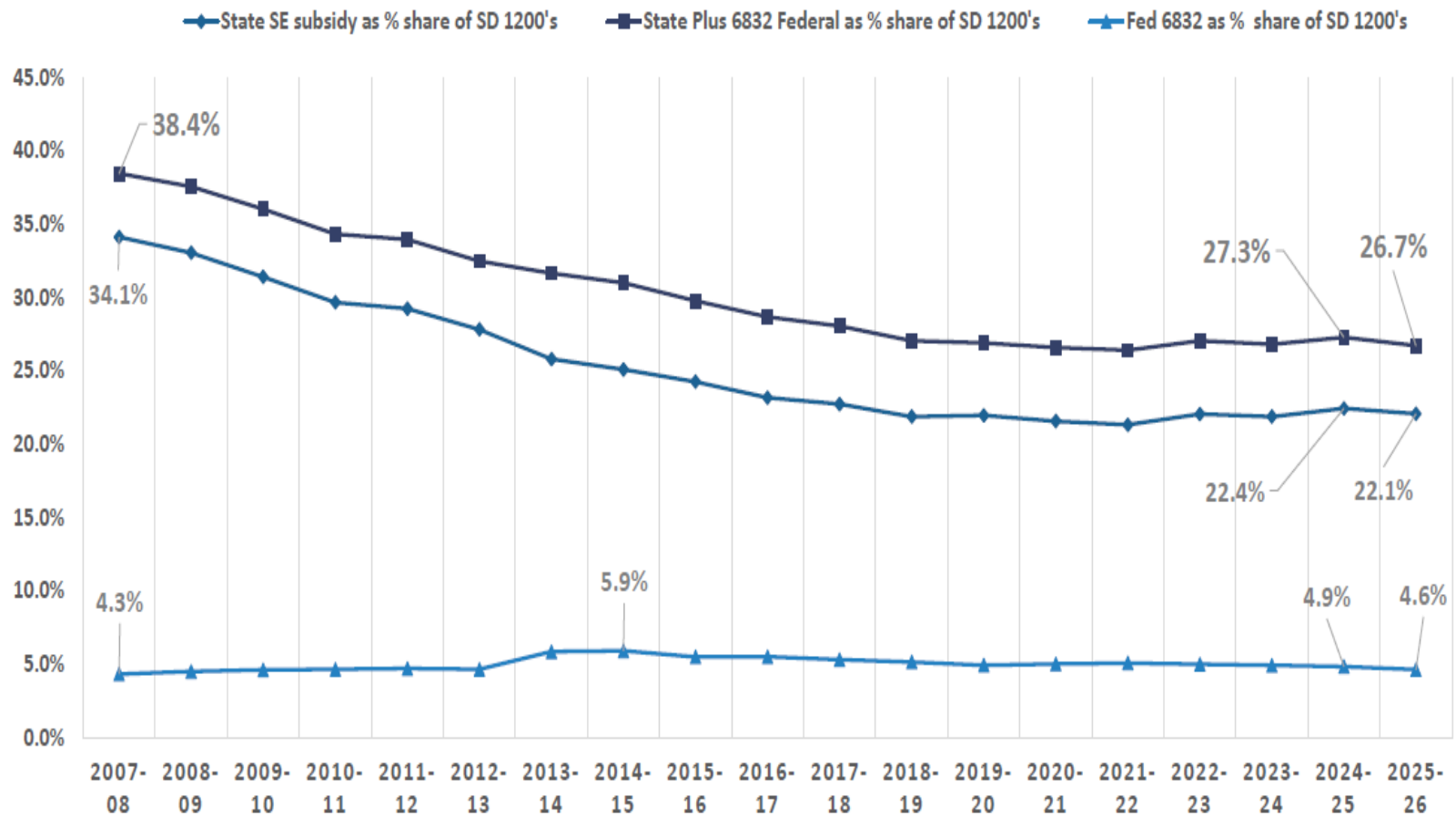
SCASD Special Education Teachers and Students



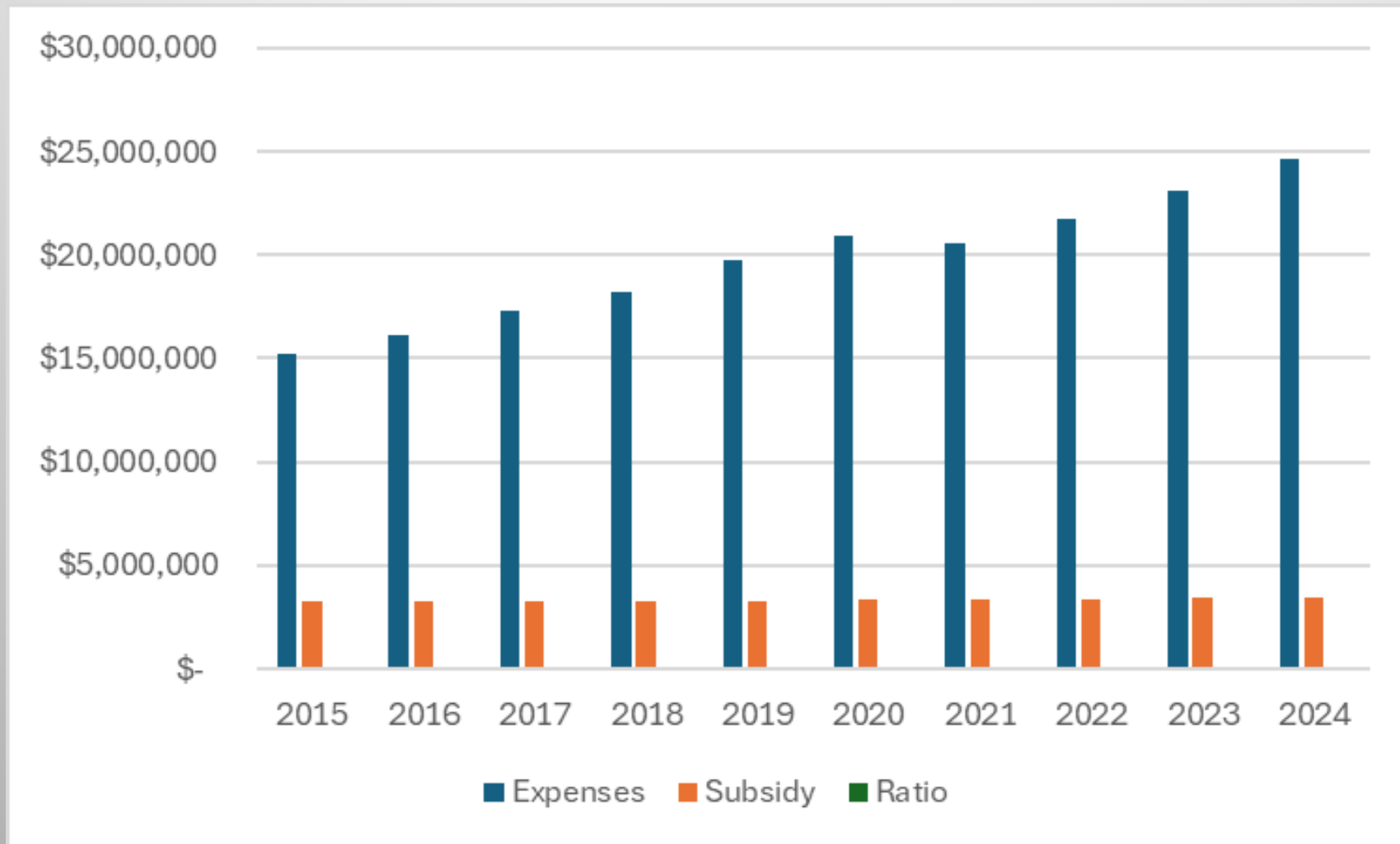
Special Education Subsidy/Revenue VS Instructional Expenses (Add Approx 15% for SE Support Costs)



STATE AND FEDERAL AS A % SHARE OF SD SPEC ED 1200'S



Special Education Expense - Subsidy



SEF 2025-26 Budget Advocacy Priorities

- Direct additional state funds to SEF
- Benefits all 500 SDs
- Need better state funding response to mandated cost increases

Ready to Learn (RTL)

	23-24	24-25	25-26 Proposed
RTL Foundation	\$295 million	\$295 million	\$820 million
RTL Adequacy	N/A	\$493 million	\$493 million
RTL Tax Equity	N/A	\$32 million	\$32 million
Total RTL	\$295 million	\$820 million	\$1.35 million

SCASD does not receive Adequacy or Tax Equity funding.

Cyber Charter School Reform

- Proposes a statewide cyber charter tuition rate of **\$8,000 per student** per year.
- According to the governor's office, this change will save school districts an estimated \$378 million annually.
 - \$271 million from regular education tuition rate
 - \$107 million from special education tuition rate
- We presume this would work similar to all previous proposals
 - \$8,000 regular education
 - Current special education rate –current regular education rate + \$8k
- No other brick-and-mortar and/or cyber charter reforms included

Charter School 2025-26 Budget Advocacy Priorities

- Reinstate/increase cyber charter reimbursement line item
- Provide additional charter school funding reform

Safety and Security

\$111 million transferred to School Safety and Security Fund (PCCD)

- **\$100 million for physical and mental health grants**
 - Presumably, school entities can utilize funds to provide safety, security, and mental health services based on baseline criteria
- **\$11 million for targeted grants (?)**

School Construction

\$125 million for school facility improvement grants via CFA

- Unclear if this is for another round of applications (if implemented) or if it could fund unfunded applications
- Potential room for adjustments to requirements, process, and timeline?
- No funding for PDE Environmental Repairs program
- Priority issue in House/Senate D caucuses

Educator Recruitment and Retention

\$40 million for PHEAA Student Teacher Stipend Program (\$20 million increase)

- \$10,000 grants for student teachers
- \$2,500 for cooperating teachers
- This is not expected to cover all eligible student teachers for 25-26

Food Service

\$109 million (\$10 million increase) to continue to provide universal free breakfast for all Pennsylvania students, regardless of income.

- 90 million meals served in 23-24, a 10 million increase from the previous year
- Assume appropriation also continues to cover providing free lunches to reduced price-eligible students

Career and Technical Centers

\$5.5 million increase to CTC line

- Unclear if this is going to subsidy or to maintain the program operations
- Surprised by the limited additional funding proposed; significant interest in this area

\$20 million (level-funded) for CTC equipment grants

CTC 2025-26 Budget Advocacy Priorities

- Increase CTC subsidy (in addition to program operations)

Formula Driven Appropriations

	25-26 Proposed	25-26 Proposed Increase
PSERS Reimbursement	\$3.239 Billion	\$150 Million
Social Security Reimbursement	\$666 Million	\$22 Million
Pupil Transportation	\$725 Million	\$23.5 Million
Nonpub/Charter Transportation	\$67 Million	(\$6 Million)

PSERS ECR 2025-26: 34%

FY 2025-26 Employer Contribution Rate – Frequently Asked Questions

What is the FY 2025-26 Employer Contribution Rate (ECR)?

On December 20, 2024, the Public School Employees' Retirement System (PSERS) Board of Trustees certified the FY 2025-26 ECR at 34.00%.

The ECR is the percentage of payroll that local school employers and the Commonwealth will share and pay toward retired and current school employees' benefits for the July 1, 2025-June 30, 2026, fiscal year. School boards set their budgets based on the ECR, and the Commonwealth's share is included in the Pennsylvania Department of Education's budget.

The 34.00% ECR represents the first rate increase in two fiscal years. The ECR fell slightly in FY 2023-24 and again in the current FY 2024-25.

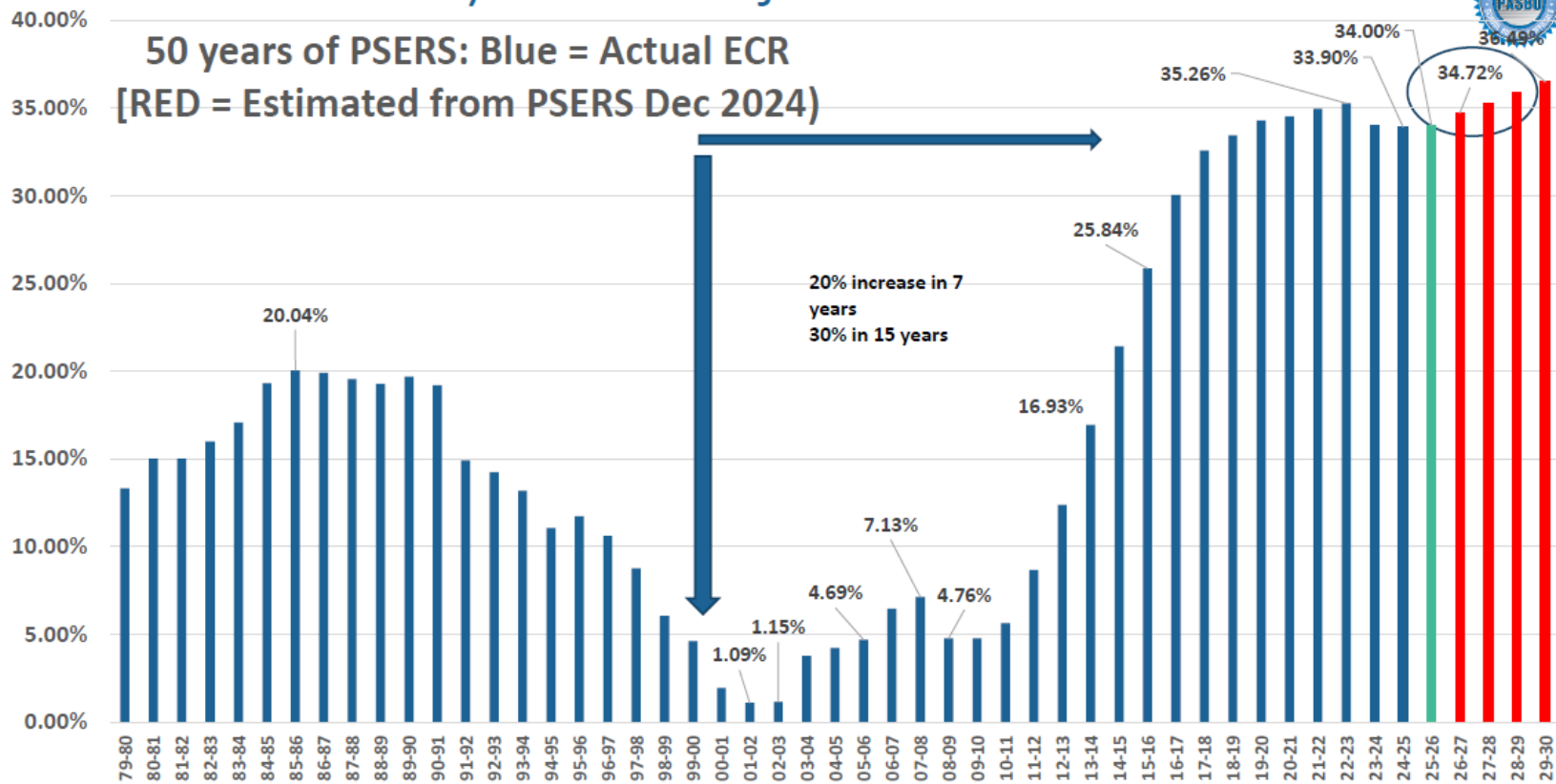
- The FY 2026 ECR is 0.10% higher than the FY 2025 rate of 33.90%.
- Total FY 2026 employer contributions are projected to rise by about 4% (\$210 million) to \$5.5 billion compared to the FY 2025 estimate of \$5.29 billion.

PSERS Increase: \$150 Million

- Estimated LEA share would be approximately \$122 million
 - Note: BEF and SEF Proposed increase combined totals \$115 million
- The small increase in rate (to 34.00% from 33.90%) is magnified by additional added positions and increased wage rates

PSERS

PSERS ECR History: and Projected



Property Tax Relief

- *“In April, my Administration will certify over \$1 billion in property tax relief through the homestead and farmstead exclusion.*
- *It’s the first time ever there will be over \$1 billion available for property tax relief.*
- *The day I took office, the average homeowner received savings of \$225.*
- *As a result of this certification, those average savings will climb to \$386 per household.”*
- *-Governor Josh Shapiro*

Additional Considerations

- Interest earnings
- Minimum wage rate proposal
- Cyber charter rate proposal
- Federal funding freeze potential

Federal Revenue

Federal	Amount
General Fund	
Title I	\$ 825,000
Title II	155,000
ACCESS	350,000
Other Federal (1)	110,000
Title III	35,000
E-Rate (3)	300,000
IDEA	1,000,000
Total	\$2,775,000
Food Service (2)	\$1,400,000

(1) Other Federal includes Perkins, and Title IV.

(2) Funding Source: U.S. Dept. of Agriculture

(3) Funding Source: Federal Communications Commission

What happens next

- Legislative review
- Appropriations committees in House and Senate
 - Hearings to review agency requests
 - PDE House: Monday, February 24
 - PDE Senate: Wednesday, February 26

Questions