



State College Area School District

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To: Board of Directors
From: Curtis Johnson, Joe Viglione and Randy Brown
Date: April 3, 2025
Subject: 2025-2026 Budget Development

The 2025-2026 budget is currently being developed and a 4% tax increase is recommended for the current budget year. Unfortunately, increases in revenue have not been large enough to counteract the increase in expenditures.

The primary driver in increased costs is related to personnel costs, specifically:

- **Issue** - Wage and staffing growth in the District. The growth in personnel costs, whether through the addition of staff or contract increases, impacts the District's ability to remain competitive in the employment market. This District's investment in staffing enhances its ability to retain existing employees as well as attract new employees. The inflation that occurred at the exit of the pandemic has significantly impacted the wage levels for the District. The impact is even more substantial when considering the additional 40% that needs to be added to wage costs (PSERS at 33.9% and FICA at 7.65%).
- **Issue** - New staffing is being requested to ensure the District meets standards in servicing an increasing number of services deemed necessary.
- **Nonissue** - Budgets are stable outside of personnel spending. Inflationary impacts have declined for the first time in over two years.
- **Issue** - The onboarding of two projects (expansion of Mount Nittany Elementary and construction of the Park Forest Middle Schools) will come with a cost that will require utilization of Capital Reserve Fund dollars as well as financing(s). The utilization of these funds/onboarding of this debt will require funds to be allocated to rebuild the Capital Reserve Fund and/or pay debt service obligations. The new debt service is not reflected in the General Fund since it is not yet committed. Recommendations will be presented at a future board meeting following analysis with the financial advisor.
- Reclassify Committed Fund Balance for Health Insurance out of the General Fund and into an Internal Service Fund. Moving forward in this manner will reduce the variability in the General Fund and more closely align with best practice for self-insured (insurance) programs.

Notable changes that are to occur in the 2025-2026 budget year include:

- Significant Increase in Utility Rates (Electricity, Water/Sewer, and Natural Gas)
- Additional Effort for Security – cost has increased 50% over last two years to provide additional support at extra-curricular events to provide an additional safety presence

- New Positions Contemplated for FY 2025-2026:
 - One Special Education Teacher
 - One Business Education Teacher
 - One School Psychologist
 - Student Activities and Athletic Manager
 - One Clerical Position for the Special Education Department
 - Custodial Position for the Physical Plant Department
 - Increased Substitute Rates

On the revenue side, the increase in the State Basic Education Subsidy, better than expected real estate growth, and an higher interest rate environment has helped to stabilize the budget through 2025-2026, however there are still significant headwinds. Uncertainty surrounding Federal funding and increasing economic headwinds are still impacting the longer term financial projections for the District.

Further analysis of the budget detail will continue until the budget is approved. The proposed final budget is set to be presented and approved on April 21, a budget hearing occurring on May 19, with final budget approval scheduled on June 2.