

State College Area School District



2026-27 Budget Development

**State College
Area School District
December 25, 2025**

2026-27 Proposed Preliminary Budget

- Board discussion and future action
 - Proposed Preliminary Budget presented to the Finance Committee on November 25, 2025 in addition to the Board on December 1
- Accelerated Budget Opt Out Resolution
 - Deadline: January 29th
 - Scheduled: January 12th meeting

What is the Accelerated Budget Opt Out Resolution

- Maintains any real estate tax rate increase would be within the Act 1 index – 3.5% for FY 2026-2027
- Comply with budget adoption rules in School Code
- Not eligible to use any of the Act 1 referendum exceptions

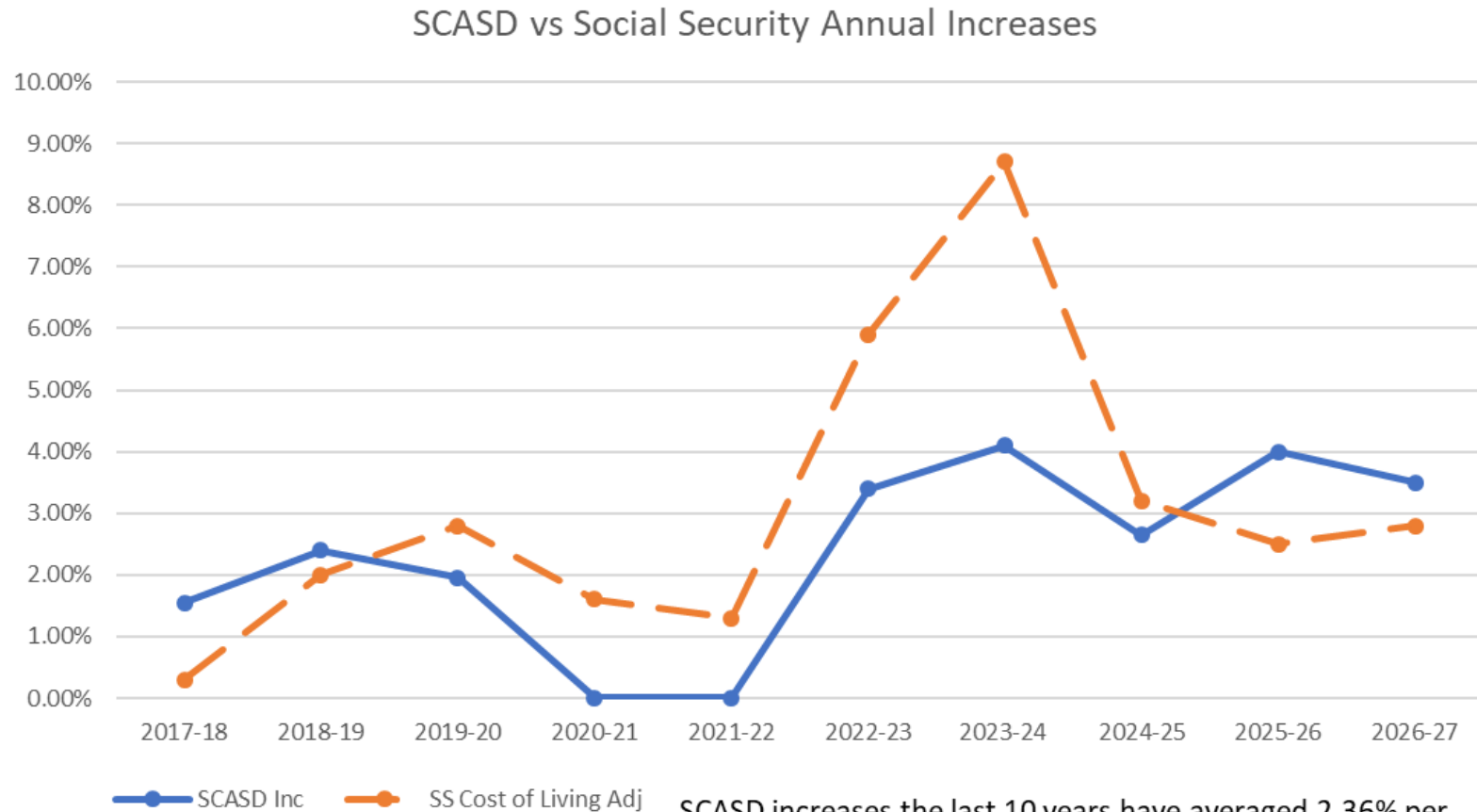
Why approve the Resolution?

- Provides notice to community of intent to maintain tax rate within the index
 - Will not apply for exceptions
- Does not set tax rate
 - Tax rate approved with final budget
- Allows Board to consider administrative recommendations during budget development process
- Reminder: State budget approval deadline June 30

Proposed Preliminary Budget

- Only presenting 3.5% (Act 1 Index) because:
 - Anticipated growth in personnel costs
 - State & Federal Funding Uncertainty
 - Costs associated with onboarding two new schools (Mt Nittany Elementary expansion and Park Forest Middle)
- Prior four years tax rate increases:
 - 2022-23 3.40% (followed two years of 0% tax increase)
 - 2023-24 4.10%
 - 2024-25 2.65%
 - 2025-26 4.00%
 - Average increase of 2.36% over past 10 years despite inflation – social security increases have averaged 3.11% over that time

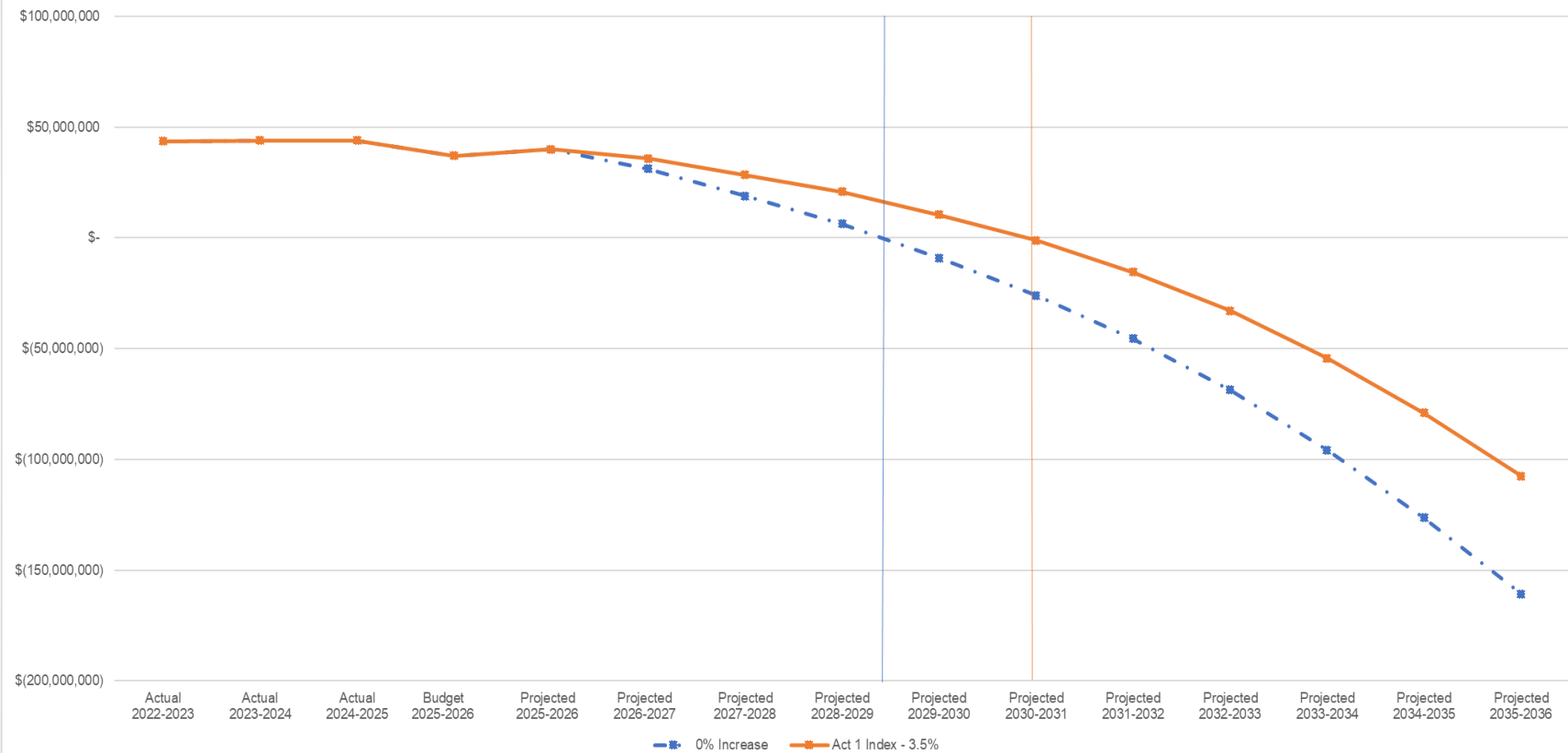
SCASD Real Estate Tax Increases vs Social Security Adjustments



SCASD increases the last 10 years have averaged 2.36% per year, SS increases have averaged 3.11% over that time.

Multi-year Fund Balance Projection

General Fund - Unassigned and Committed Fund Balance - Assumes a 0% and 3.5% Tax Increase in 2026-27, 2% After



Real Estate Tax Increases set at 2% for FY 2028 and beyond
Act 1 Index set to increase at 3.5% over the next 10 years

Other Local Revenue Major Assumptions

- Real estate tax – other assumptions
 - Assessed value growth 0.9% (net of appeals)
 - Collection percentage 97.2%
- Earned income growth 3.0% in 2026-27 & 2027-28, afterwards growth rate assumed to be 2.5%
- Other Key Areas of Analysis:
 - Real Estate Appeals
 - Transfer Tax
 - Interim Real Estate Tax
 - EIT Collections
 - Interest Rate Projections for Investment Income
 - Stability of State and Federal Funding

Opt Out Resolution

The Fiscal Year (FY) 2026-27 Budget Development calendar was presented to the board on November 17, 2025.

The Board will be required to take one of two future actions:

1. Adopt an Opt-Out Resolution - Recommendation
2. Approve a preliminary budget

Both of these Board actions have required advertising notices in order to inform district residents giving the community notice of the intent.

The FY 2026-27 proposed budget is still under development at this time. The FY 2026-27 proposed budget includes a budgeted revenue projection of \$214,479,073 and a 3.5% tax increase (which is equivalent to the Act 1 Index).

The administration will be requesting the Board to adopt the Opt Out Resolution at the latest on January 12, 2026 prior to the January 29, 2026 deadline. The next discussion regarding budget development is scheduled to occur on December 15, 2025.

Tax Increase Options – FY 2026-27

	3.5% Tax Increase
Beginning Fund Balance	\$ 15,186,413a
Revenue	214,479,073
Local	170,250,466
State	42,753,607
Federal	1,475,000
Expense (including capital reserve transfer)	218,574,325
Revenue less expense	<u>(4,095,252)b</u>
Funding (Use) of Committed Fund Bal (Debt Service)	<u>(3,001,000)c</u>
Change in Committed Fund Balance	(3,001,000)
Change in Unassigned General Fund Balance	(1,094,252)b-c
Ending Unassigned Fund Balance	<u><u>\$14,092,161</u></u> (a-b-c)
Unassigned Fund Balance Percentage	6.45%

Expense Assumptions

- Stabilization of health insurance costs in 2024-25 after a large increase in the 2023-24 year.
- Anticipates the utilization of \$3M of Committed Fund Balance to fund 2026-2027 Debt Service Obligations.
- Does not anticipate a transfer to the Capital Reserve Fund due to a declining “General Fund” fund balance.
- Growth in Personnel costs continues to outpace the growth rate in real estate assessed value.
- Costs associated with the expansion of Mount Nittany Elementary and Park Forest Middle Schools not factored into projections.
- Charter School Funding assumed as stable for the 2026-27 Budget at this time.

Items for Focus

2026-2027 Budget

- Compensation and Benefits, especially Health Insurance costs
- Mount Nittany Elementary School Expansion
- Construction of Park Forest Middle School
- Impacts associated with District-wide Facilities Master Plan outcomes
- Inflationary vs Deflationary Interest Rate Environment and the impacts on budgetary projections
- Federal & State funding

Multi-year Projections

- Declining fund balance
 - Expenses are anticipated to grow faster than revenues
 - Onboarding of additional debt to fund projects
 - Mt Nittany Elementary School expansion
 - Park Forest Middle School construction
- Constrained Revenues
 - Assumed growth in Assessed Value of Real Estate within the District is less than inflation
 - Unclear direction of State Funding
 - Uncertainty surrounding Federal Funding

Next Steps

- 12/15/2025 Board Meeting
- 1/12/2026 Finance Committee of the Whole
 - Approval of the Opt Out Resolution
- 1/26/2026 Board Meeting

Questions

State College Area School District

