2026-2027
DRAFT
Proposed Preliminary Budget

Budget Focus

- Maintaining Academic Programming
- Improving Supplemental Support Services/MTSS
- Improving Structured Literacy Development
- High School and Master Facilities Plan
- Right Sizing Staff
- Improving Special Education Program Delivery

Current Status

Started with about a deficit of $5.5 Million over Act 1 Index
Reductions of $4 Million have been identified
Current Deficit is $1.77 Million over the Act 1 Index

Deficit primarily related to:

Revenue:

- Stagnant revenue growth (assessments)
- Continual taxpayer appeals chipping away at revenue
- Limited State Budget revenue projected (future trend)
- Act 1 Index projections showing future decreases
- Interest Income and EIT variables

Expenses:

- General cost increase of goods, supplies, and services
- $1.5M increase in out of district placements
- $300K increase in energy costs
- 4.33% increase in overall staff salaries
- Early intervention students requiring services has doubled
- $455K increase in Wilson Reading costs
- $2M increase in debt service costs
- 11% increase in healthcare costs

Reductions to Date

- Reduction of 5 MEA Positions – ($477,589)
- 4 MEA retirements to be replaced – ($213,361)
- REACH Program – ($245,813)
- Reduction of vacant Staff Nurse Position – ($108,594)
- Reduction of 1 vacant unarmed security guard – ($51,840)
- Special Education behavior support changes – ($989,063)
- Reduction of building substitutes (from 24 to 12)– ($548,640)

Reductions to Date

- Reduction in supplemental contract costs – ($41,613)
- Remove Food Service transfer – ($250,000)
- Departmental and building cuts – ($1,427,548)
- Reduction of ESY costs – ($100,000)

Total expenditure reductions to date = ($4,454,060)

Revenue Reductions to date = ($412,829)

Net reduction to date = ($4,041,231)

Budget to Budget Object Comparison

Object	26-27 Proposed	25-26 Budget	Budget to Budget	Budget to Budget
Salaries	$57,879,009.35	$55,478,081.28	$2,400,928.07	4.33%
Benefits	$37,042,910.79	$35,348,094.00	$1,694,816.79	4.79%
Purchased Services	$13,505,742.31	$12,086,439.71	$1,419,302.60	11.74%
Purchased Property Services	$1,279,352.53	$1,619,306.49	($339,953.96)	(20.99%)
Other Purchased Services	$16,812,392.27	$15,306,357.81	$1,506,034.46	9.84%
Supplies	$4,194,216.77	$4,921,676.12	($727,459.35)	(14.78%)
Equipment	$11,372.77	$52,500.00	($41,127.56)	(78.34%)
Debt Service, Transfers and Leases	$12,760,307.70	$12,964,460.59	($204,152.89)	(1.57%)
TOTAL	**$143,485,304.16**	**$137,776,916.00**	**$5,708,388.16**	**4.14%**

Object Comparison Detail

Salaries

- Contractual increases
- Reduction of 5 MEA positions
- Addition of 8 Personal Care Assistant (PCA) positions

Benefits

- Increase in healthcare based on preliminary healthcare estimates(1st look)
- FICA and PSERS increases

Purchased Services

- Special Education – Behavioral Supports & Wilson Services
- Increase in Intermediate Unit (IU) services
- Decrease in substitute teacher costs

Purchased Property Services

- Delayed implementation of PM Contracts

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Object Comparison Detail

Other Purchased Services

- Increase in out of district placement costs
- Contractual transportation increase
- Increase in specialized third party transportation services

Supplies/Equipment

- No curriculum refresh slated for 2026-2027
- Increase in electricity costs
- Underspend in technology

Other Objects and Other of Funds

- Based on debt schedule
- No budgeted transfer to capital fund
- No budgeted food service transfer

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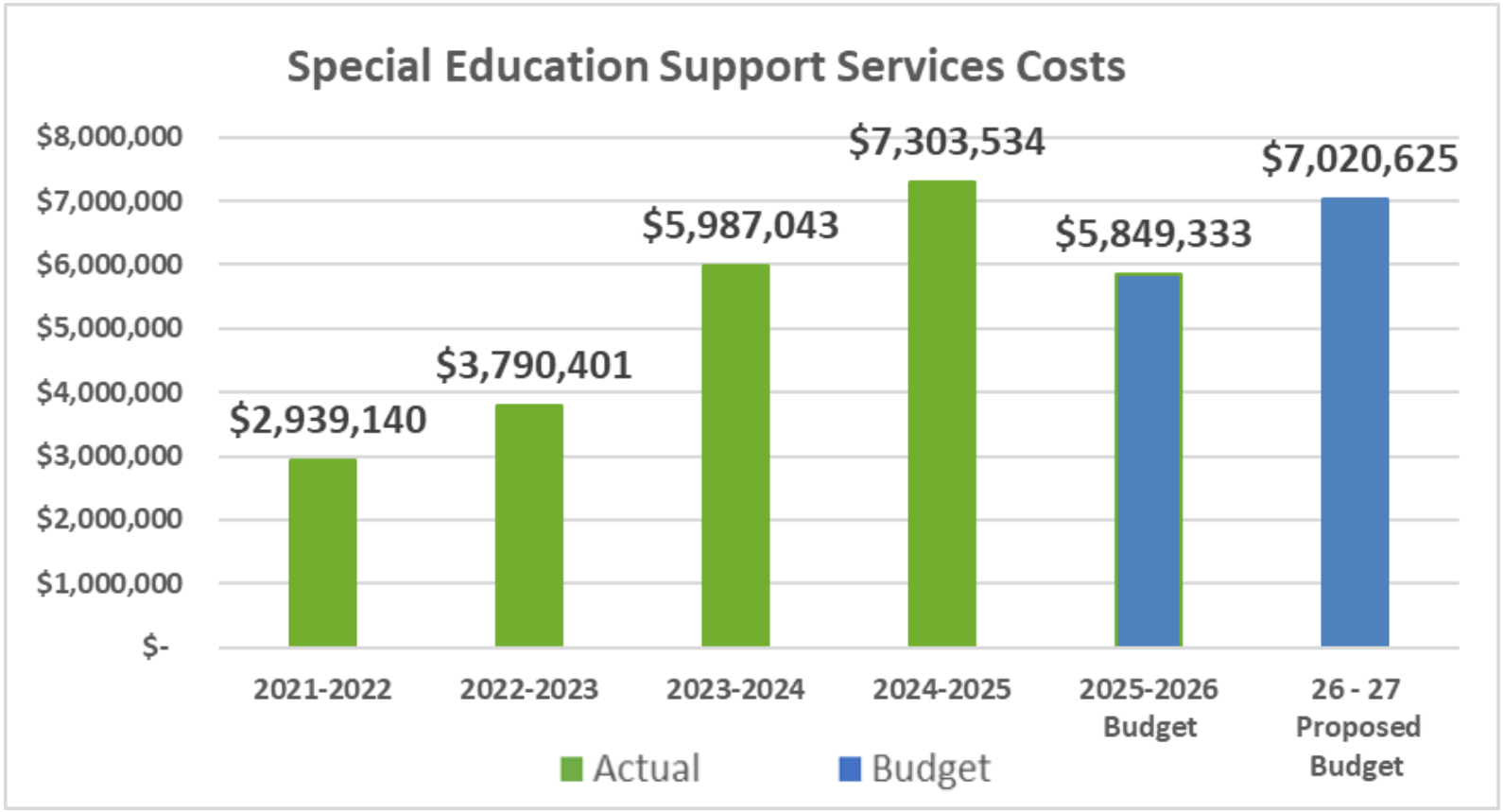
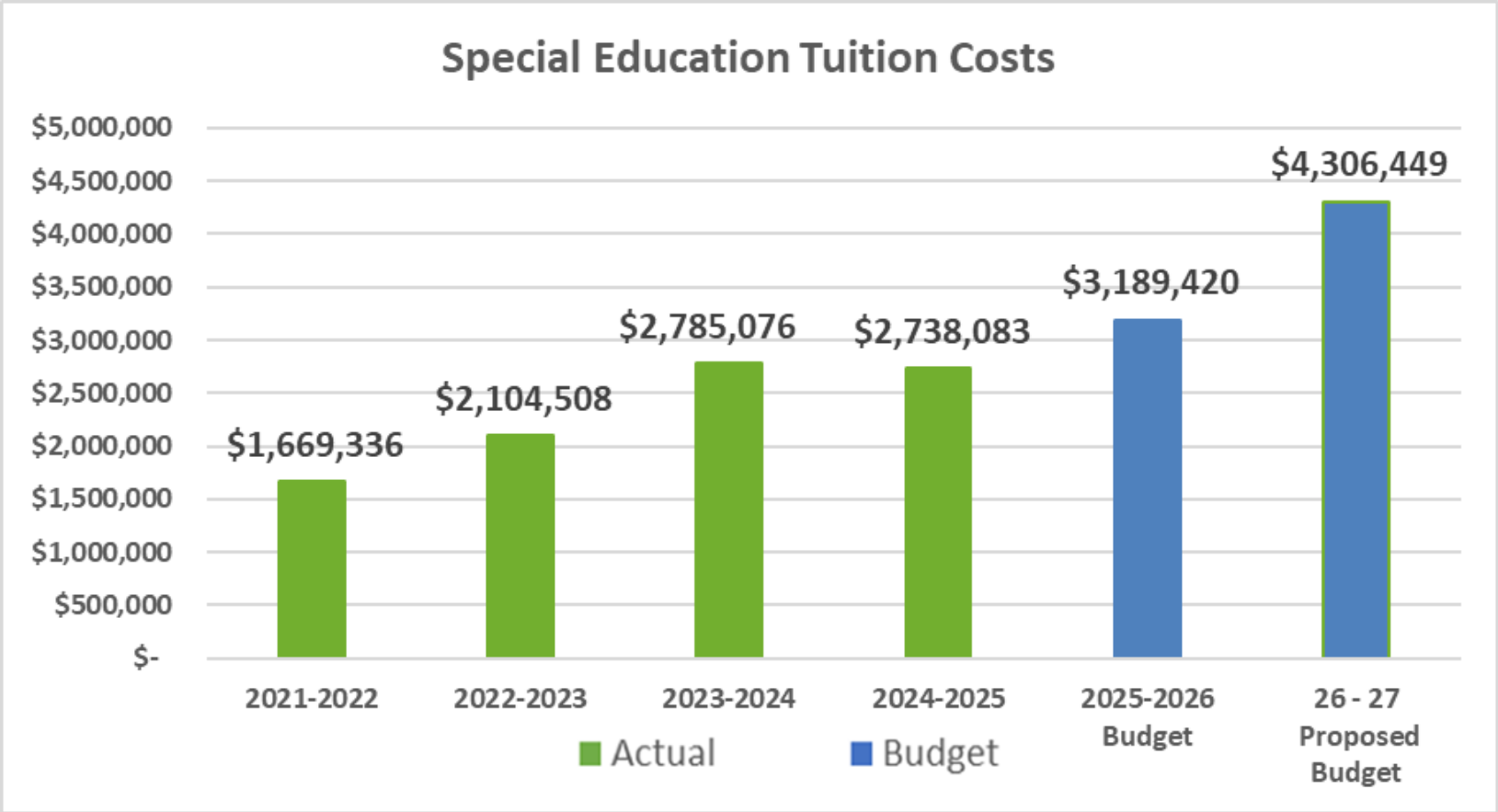


Special Education support services for the 2026-2027 school year were budgeted taking into account actual spend in 2024-2025. Purchased professional services include outsourced behavior support as well as psychologists, occupational, physical and speech therapists. It also includes all services and tuition costs paid to both the MCIU as well as the CCIU.

Purchased Professional Services Kindergarten Students

	2021	2022	2023	2024	2025	2026
Speech Language	18	24	25	27	39	46
Occupational Therapy	14	17	17	19	22	29
Orientation & Mobility	-	-	-	1	-	-
Behavior Supervision Consulation	2	10	8	12	21	15
Dev Delay Itinerant	10	18	20	18	22	24
Dev Delay Classroom - PM	-	1	1	0	6	0
Hearing Impaired Itinerant	1	1	1	0	1	1
Vision Itinerant	-	1	-	2	1	1
Audiological Consult	-	-	-	-	-	1
Auditory Classroom	-	1	-	0	-	-
Physical Therapy	6	3	4	4	-	8
Autistic ABA Classroom - PM	1	-	-	-	-	-
Autistic Support Classroom - AM	-	2	1	2	3	5
APS Classroom	-	-	-	1	-	1
PCA	-	-	-	-	-	1
The Next Step Classroom	-	-	1	-	1	1
Complex Needs Classroom	-	-	-	-	-	1
Language Enrichment Classroom	-	-	-	-	-	1
Total children receiving services	23	30	34	32	45	54
	$231,246.41	**$407,061.64**	**$392,607.16**	**$485,563.42**	**$571,700.82**	**$705,746.64**



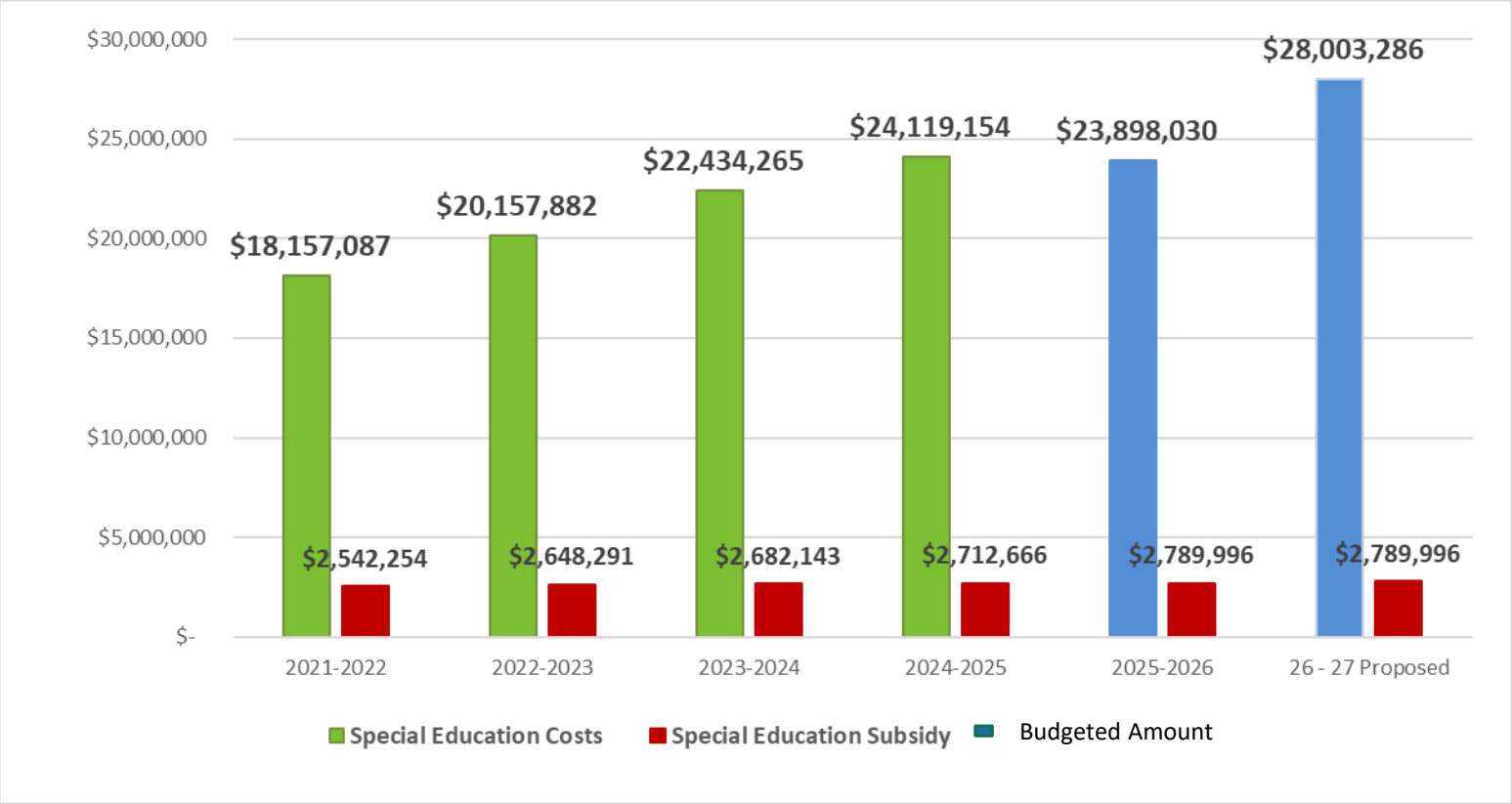
Special Education other purchased services have doubled over the past 4 years. Costs in this category include charter school tuition as well as out of district placement costs.

Major Program Comparison - Major Drivers

Program	Proposed 27	Budget 26	Budget to Budget	Budget to Budget
Regular Education	$ 53,728,193	$ 53,221,649	$ 506,544	<1%
Special Education	$ 28,003,286	$ 23,898,030	$ 4,105,256	17.18%
Vocational Education	$ 2,044,069	$ 1,977,282	$ 66,787	3.27%
Administrative Support Services	$ 7,747,812	$ 7,650,727	$ 97,085	1.25%
Transportation	$ 9,191,496	$ 8,832,716	$ 358,777	3.9%
Fund Transfer	$ 0	$ 250,000	($250,000)	-100.00%

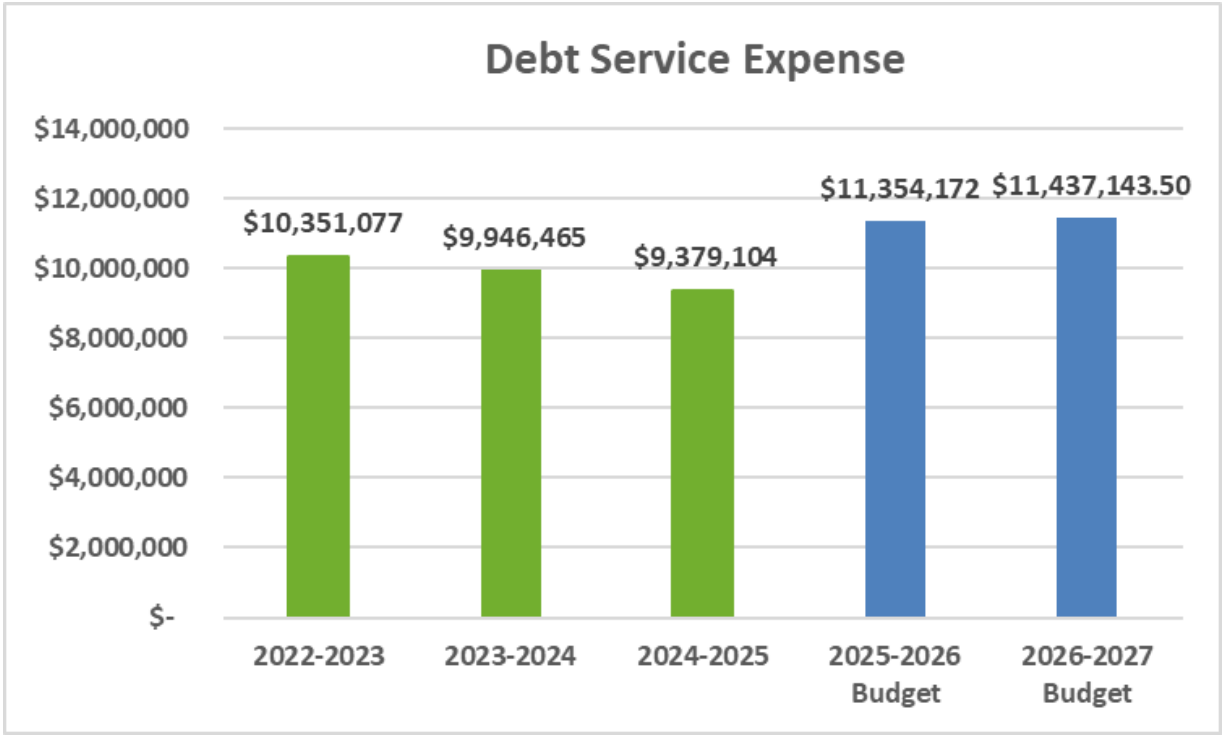
- Regular Education
  - Increase in salary and benefit costs
- Special Education
  - Increase in salary and benefit costs
  - Increase in purchased services
- Vocational Education
  - Anticipated 3.5% increase in NMTCC
- Administrative Support Services
  - Increase in salary and benefit costs
- Transportation
  - First Student contractual increases
  - Increased expense for additional 3rd parties to provide transportation for homeless and out of district placements
- Fund Transfer
  - No budgeted Capital transfer
  - No budgeted Food Service Transfer

Special Education Costs and Subsidy Information



- Budgeted costs for the 2025-2026 school year are less than actual costs in the 2024-2025 school year
- Special education **costs** have increased on average 8.2% per year over the past four years. During that same time period special education **subsidy** has increased on average 1.67%

Debt Service



The five year trend in Debt Service can be seen in the chart above. The budgeted figures for 2026-2027 include anticipated borrowing for the high school project as well as the Master Facilities Plan.

Act 1

- Act 1 of 2006 - This law provides limits on a school district's ability to increase taxes from previous year. The Act 1 index for 2026-2027 is 3.5%.

- Districts can be granted an exception to the limit for costs associated with existing debt, increase in special education costs, increase in pension costs.

- Act 1 is calculated using the percentage changes in wages statewide and the percentage changes in school employee compensation costs nationwide.

2026 – 2027 ACT 1 Index

Revenue Category	Amount
Local	$111,611,806
State	$29,692,793
Federal	$409,644
Total	**$141,714,243**

Expense Category	Amount
Salary & Benefits	$94,921,920
Operational	$35,803,076
Debt & Transfers	$12,760,308
Total	**$143,485,304**

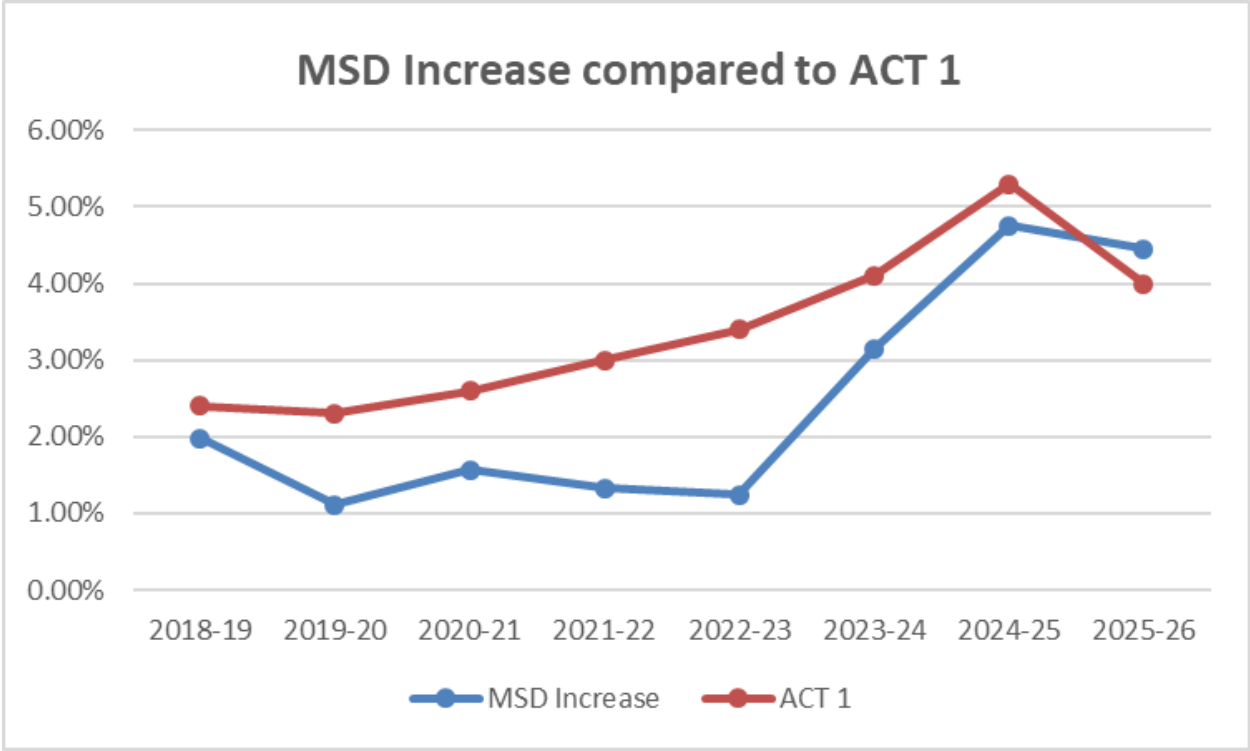
SHORTFALL ($1,771,061)

With Act 1 Index limit

ACT 1 – 3.5%

Net Tax Levy = $97,959,346

Increased tax bill for a home assessed at the district median = $221



ACT 1 and Special Education Exception

Because of Special Education cost increases year over year and with the 26/27 preliminary budget having a $1.7 million shortfall, we are proposing to file for the Special Education Exception while we work on reducing the budget.

ACT 1 – 3.5%

Net Tax Levy = $97,959,346

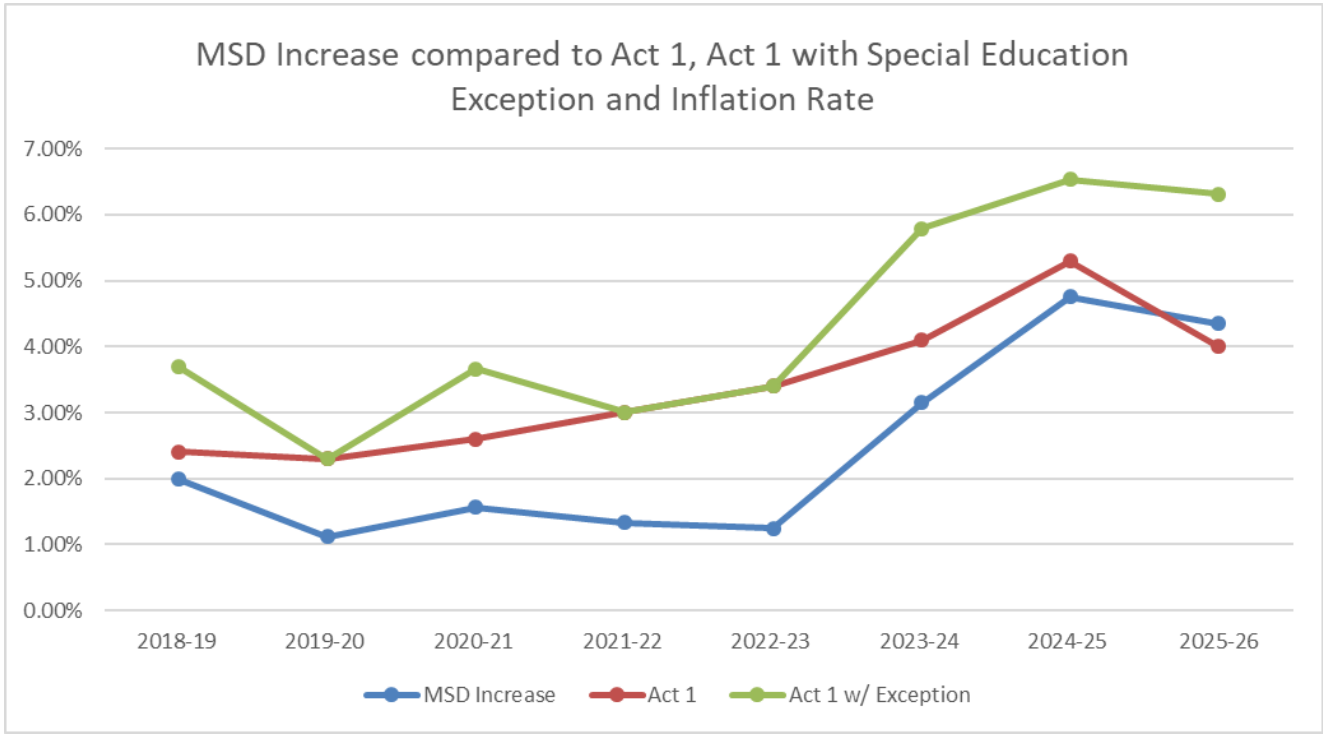
Increased tax bill for a home assessed at the district median = $221

W/ full Special Ed. Exception – 5.29%

Net Tax Levy = $99,708,728

Increased tax bill for a home assessed at the district median = $334

The graph to the right shows the Act 1 index and the Act 1 index with special education exceptions compared to the year over year Methacton increase. Methacton was eligible for the special education exception in four of these years. Had we implemented a tax increase equal to Act 1 for the past 7 years, the total tax levy would have been an additional $12.8 million.



Special Education Exception Calculation

	2023-2024	2024-2025
Special Education Costs	$25,294,589	$27,818,244
Special Education Subsidy	($2,735,490)	($2,720,080)
Net Cost (Special Ed. Exp. – Revenues)	$22,559,099	$25,098,164
Net Cost Increase 23-24 to 24-25		$2,539,065
ACT 1		3.5%
2023-2024 Net Cost * ACT 1		$789,568
Allowable Exception – Difference in net cost increase and ACT 1		**$1,719,497**

Special Education Exception

School Year	Eligible Exception
2024-2025	$1,102,994
2025-2026	$2,159,958
2026-2027	$1,749,497
Total	**$5,012,449**

Special Education costs have increased by approximately **$7.5 million** over the four-year period from **2021–2022 through 2024–2025**. During this period, Methacton was eligible for **just over $5 million in Special Education Exceptions**. This means that Special Education costs exceeded Act 1 Index growth by approximately **$5 million** during that time.

Revenue Comparison

	2026-2027	2025-2026	2024-2025		% Budgeted Inc.
	Proposed Budget	Budget	Actual	Budget	
Local Sources	$ 111,611,806	$ 108,303,160	$ 105,212,484	$105,667,512	3.05%
State Sources	$ 29,692,793	$ 29,056,834	$ 28,476,259	$ 28,425,051	2.19%
Federal Sources	$ 409,644	$ 416,922	$ 416,922	$ 422,550	0.00%
Other Sources	$ -	$ -	$ -	$ 67,362	-
TOTAL REVENUES	$ 141,714,243	$ 137,776,916	$ 134,105,665	$134,582,475	2.86%

Total revenues are budgeted at a 2.86% increase over 2025-2026 budgeted amounts. The major driver is the increase in Real Estate Tax.

Local Revenue Summary

LOCAL REVENUE

- Assumes a 3.5% tax increase - ACT 1 with Special Education exception allows up to 5.29% tax increase
- Real Estate assessment based on December county report
- Interest income based on projection
- Collection rate is set at 97.13%, average of the last three years

Category	Budgeted Amount	% of Local Revenue
Real Estate Tax	$95,176,916	85.27%
Earned Income Tax	$9,650,000	8.65%
Interest Income	$1,500,000	1.34%
RE Transfer Tax	$1,414,030	1.27%
Delinquent Tax	$1,000,000	.90%
Interim RE Tax	$703,218	0.63%
IDEA	$880,000	0.78%
All other Local Revenue	$1,287,642	1.2 %
Total Local Revenue	**$111,611,806**	**100%**

State Revenue Summary

- No assumed increase for regular education, special education, pupil transportation and nonpublic subsidies
- Social Security and Retirement Subsidies as a direct result of the increase in salary expenditures

Category	Budgeted Amount	% of State Revenue
Retirement	$9,617,544	33.33%
Basic Education Subsidy	$8,907,220	30.35%
Property Tax Relief	$3,306,516	10.40%
Special Education	$2,787,738	9.37%
Social Security	$2,199,195	7.37%
Pupil Transportation	$1,707,010	5.90%
Nonpublic Transportation	$281,000	1.15%
Plancon Reimbursements	$289,255	0.82%
Other State Revenue	$597,315	1.32%
Total State Revenue	**$29,692,793**	**100%**

Federal Revenue Summary

- Title I – Instructional aides - math and reading at Eagleville, Skyview and Arcola
- Title II – Staff development
- Title IV – Career readiness
- ACCESS – Special education related costs

Category	Budgeted Amount	% of Total Budget
Title I	$244,892	58.74%
Title II	$82,996	19.91%
Title IV	$16,756	4.02%
ACCESS	$65,000	17.34%
Total	$409,644	100%

Expenditure & Revenue Summary

Program	Proposed 27	Budget 26	Budget to Budget	Budget to Budget
Salaries & Benefits	$ 94,921,920	$ 90,826,175	$ 4,095,745	4.5%
Support Services	$ 31,597,487	$ 29,012,104	$ 2,585,383	8.9%
Supplies & Equipment	$ 4,205,589	$ 4,974,176	$ (768,587)	-15.5%
Debt, Transfers, Leases & Other	$ 12,760,308	$ 12,964,461	$ (204,153)	-1.6%
Grand Total	$ 143,485,304	$ 137,776,916	$ 5,708,388	4.1%

	Proposed 27	Budget 26	Budget to Budget	Budget to Budget
Local Sources	$ 111,611,806	$ 108,303,160	$ 105,667,512	3.05%
State Sources	$ 29,692,793	$ 29,056,834	$ 28,425,051	2.19%
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TOTAL REVENUES	$ 141,714,243	$ 137,776,916	$ 134,582,475	2.86%

Projected Operating Deficit $ (1,771,061)

Still More Work To Be Done

- Continue review of operational costs and make adjustments where appropriate
- Continue review of special education services and make adjustments where appropriate
- Update Revenue projections as more information becomes available (Local, State and Federal Levels)
- Medical/RX projections will be updated with 2nd and 3rd looks (February & April)
- Continue to review and update staffing

Recommendation

It is recommended that the Board consider approving the proposed preliminary budget inclusive of the full Act 1 Index with special education exception of 5.29%.

Alternative Reductions without ACT 1 Exception

- Reduction of 4 LTS positions - ($265,680)
- Completely eliminate building substitutes (12 have already been eliminated) – ($548,640)
- Elimination of 3 additional positions – ($348,519)
- Reduction of 3 unarmed police officers – ($155,520)
- Elimination of REACH program – ($245,812)

Total additional identified reductions = ($1,564,171)

**Above list will directly impact budget focus areas

Next Steps

- January 27th

  A) Board to authorize the administration to make available for public inspection the Proposed Preliminary Budget (must be made available for public inspection 20 days prior to adoption)

  or

  B) Adopt resolution stating Methacton will NOT raise taxes above the ACT 1 Index

  If option a is chosen then we will need to advertise as outlined above and advertise for a special meeting to the work session on February 17th to:

  Approve the 2026-2027 Preliminary Budget as presented on the PDE 2028 in the amount of $143,485,304 and authorize Administration to apply for referendum exceptions in the accordance with Act 1.

- February 17th – Adoption of Proposed Preliminary Budget & School Board to adopt resolution seeking referendum exception
- March 25th – Deadline for Department of Education to issue ruling on referendum exception
- April 21nd – Adoption of Proposed Final Budget
- May 26th – Adoption of Final Budget