



State College Area School District

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To: Board of Directors
From: Curtis Johnson, Randy Brown and Joseph Viglione
Date: February 16, 2026
Subject: 2026-2027 Governor's Budget Update

Enclosed is information from the Governor's proposed 2026-2027 State budget to provide information pertaining to future funding from the Commonwealth.

The goal of this presentation is to inform the board of what is currently occurring at the State as well as the next steps that will be occurring at the State level.

State College Area School District



Governor Budget
Address
2026-2027

**State College
Area School District
Board of Directors
February 16, 2026**

The Proposal

PA's Proposed Total Operating Budget

\$ 136.8 billion for 2026-27

- \$ 3.1 billion in the Motor License Fund
- \$ 2.2 billion in the Lottery Fund
- \$ 54.8 billion in Federal funds
- \$ 23.5 billion special funds/augmenting fees
- **\$ 53.2 billion in the General Fund**

2026-27 Proposed Budget

- **\$53.26 billion** General Fund budget proposal (5.4% increase from 2025-26 budget)
- The General Fund budget proposal does not include any tax increases; it uses new revenue streams and **pulls \$4.58 billion from the Rainy Day Fund.**

Structural Deficit in PA Budget

General Fund Financial Statement

	Final 24-25	Estimate 25-26	Projected 26-27	Notes
Gross Revenues	\$46,408	\$48,320	\$48,926	1.3% growth in 26-27
Less: Refunds	<u>-2,252</u>	<u>-2,150</u>	<u>-2,200</u>	
Net Revenues	44,157	46,170	46,726	
State Expenditures	-47,823	-50,093	-52,417	4.6% growth in 26-27
Plus: Prior Year Lapses	<u>1,116</u>	<u>500</u>	<u>250</u>	
Current Year Deficit	-2,550	-3,424	-5,441	
Less: Temporary Support	<u>870</u>	<u>1,330</u>	<u>--</u>	assumes no payment delays
Structural Deficit	-3,420	-4,754	-5,441	or cycle rolls
General Fund Ending Balance	\$4,156	\$732	--	
Rainy Day Fund Ending Balance	7,404	7,746	\$3,173	

Note: Millions of dollars. FY 26-27 expenditures from IFO's Fiscal Outlook (November 2025).

Budget Themes



INCREASED LAW
ENFORCEMENT AND
WORK WITH LOCAL
COMMUNITIES



SAFEGUARDING
ARTIFICIAL INTELLIGENCE



CONTINUING TO
DECREASE PERMITTING
WAIT TIMES



DRIVING MORE
INVESTMENTS INTO THE
COMMONWEALTH



CONTINUING TO INVEST
IN ADEQUACY FUNDING



HOUSING POLICY



ENERGY FUTURE



RAISING THE MINIMUM
WAGE

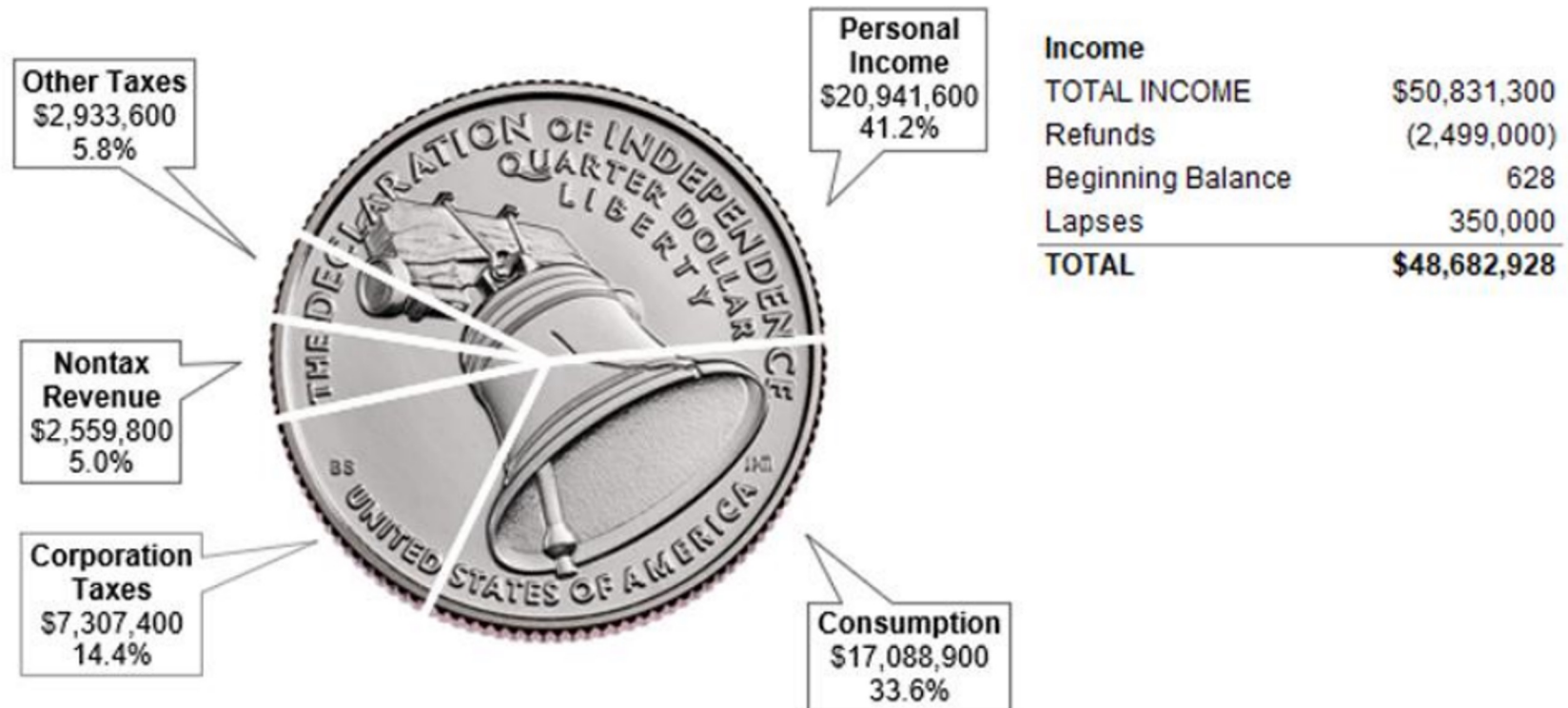
Budget Themes (cont'd)

Education Related:

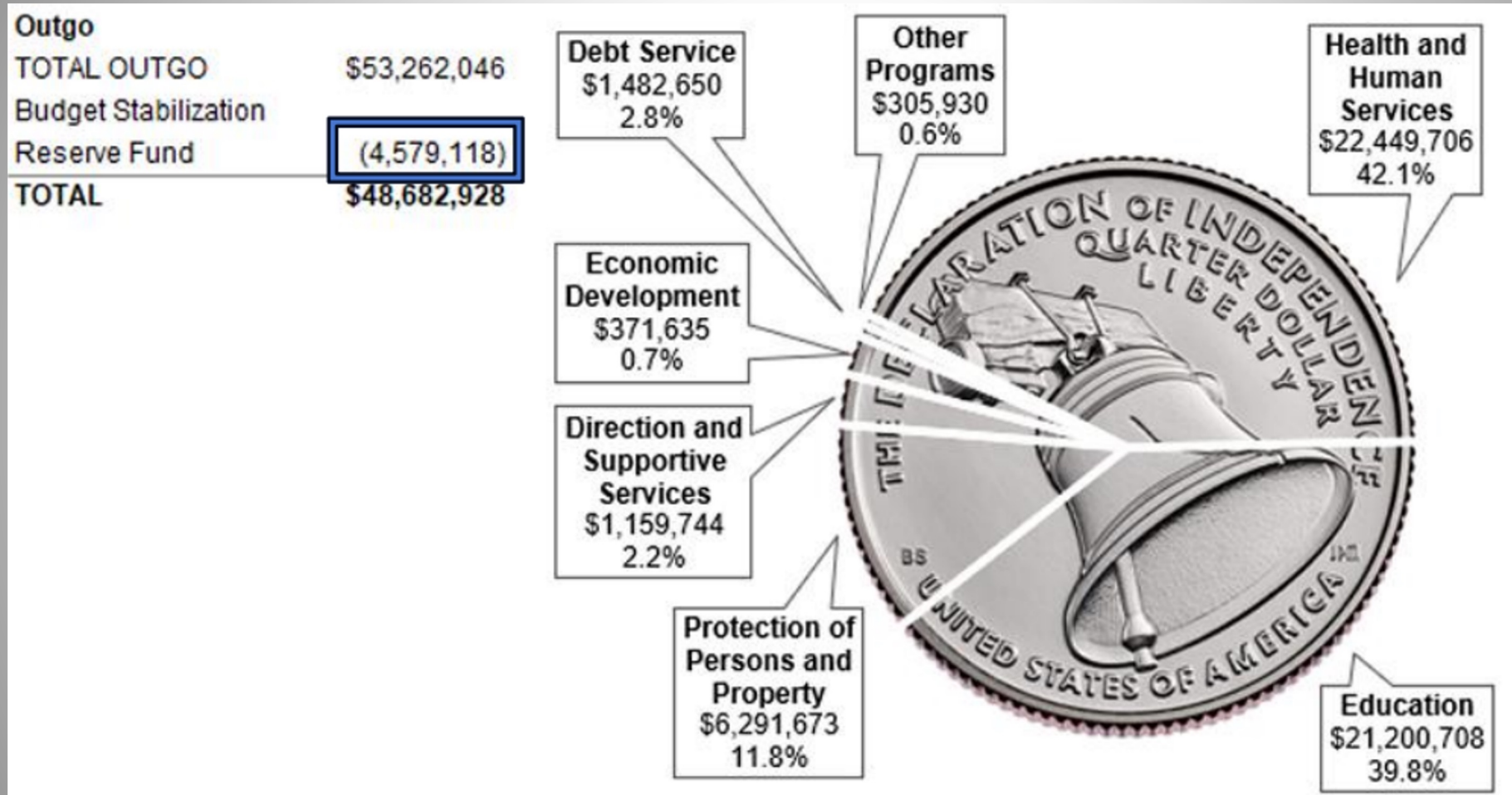
- Continuing the strides in education investments
- Safeguarding children from the harmful effects of artificial intelligence
- Cellphone ban

General Fund Revenue 2026-27

General Fund Revenue 2026-27



General Fund Expenses 2026-27



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

Education Appropriations

- **\$50 million** proposed increase for BEF formula
- **\$50 million** proposed increase for SEF
- **\$565 million** proposed for ADQ/TEQ/ Minimum Allocation Supplement
- **\$125 million** proposed for PSFIG & Solar4Schools (\$100/\$25)
- **\$100 million** proposed funding for School Safety
- **\$51 million** proposed increase for Early Intervention

Education Appropriations

- **\$44 million** proposed increase for PlanCon (not for new projects)
- **\$14 million** proposed increase for CTCs
- **\$15.5 million** increase in pupil transportation
- **\$84 million** proposed increase in PSERS reimbursement
- **\$27 million** proposed increase for Social Security
- **\$14 million** proposed increase for School Food Service

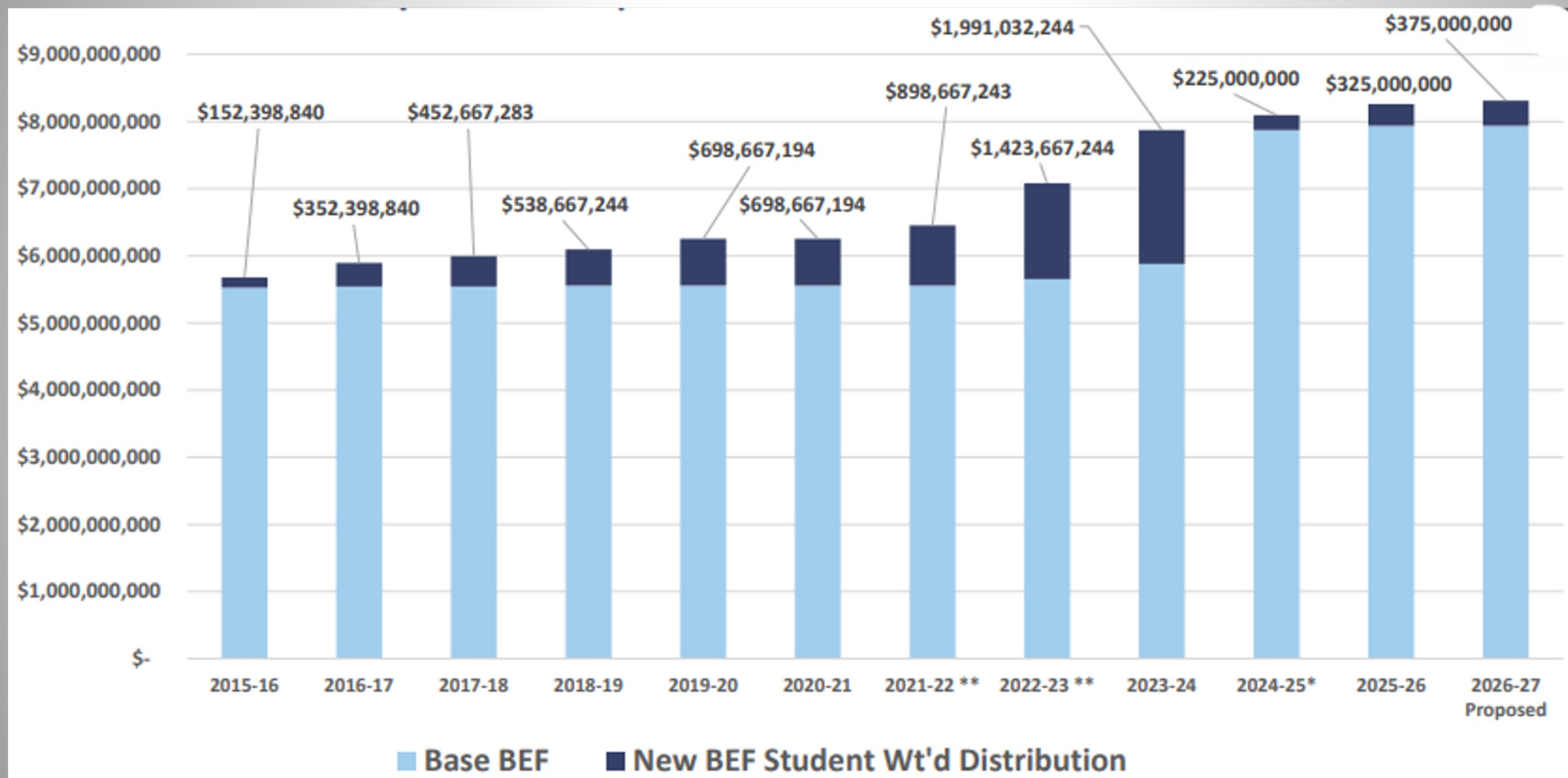
Appropriations

Basic Education Funding

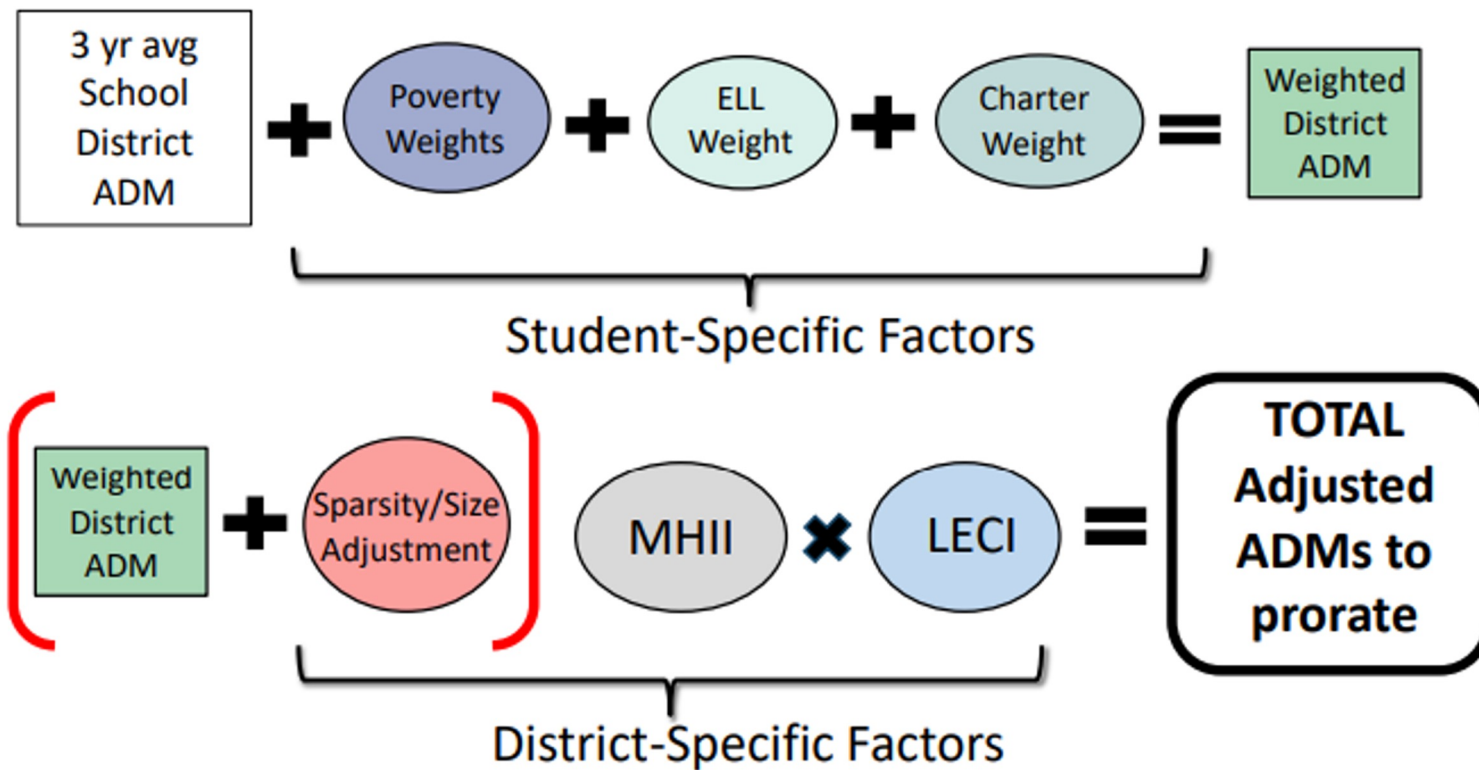
- Biggest Education line; funds all 500 districts
- Proposed increase of \$50 million, once added to the \$325 million for 25-26, would mean \$375 million in dynamic BEF funds
- Statewide Increase of 0.6%
- The BEFC report recommended \$200 million, annually, four times the proposed increase
- Smallest proposed increase for BEF (ignoring 2020-21), in 10+ years

BEF Base	\$7.93 Billion
BEF Formula	\$375 Million
Total BEF	\$8.31 Billion

BEF Components Over Time



BEF Formula Improvements (started 24-25)



Special Education Funding

2026-27 Proposed Special Education Appropriation			
Component Listing			
	SEF Components	Base	Student Weighted
Special Education Funding	\$1,461,785,837	\$947,535,830	\$514,250,007
Contingency Fund	\$14,012,438		35.2%
Contingency Fund APS Set-aside	\$1,750,082		
Cordero Community Services	\$563,000		
Intermediate Unit Core Services	\$86,693,860		
Intermediate Unit Institutionalized Children (	\$2,343,000		
Private Residential Rehabilitative Institution:	\$1,500,000		
Special Education Out of State	\$3,000,000	All other	
Special Education Wards of State	\$5,166,783	\$115,029,163	
Total 2026-27 Proposed State Appropriation	\$1,576,815,000	\$1,576,815,000	
February 2026			

Special Education Funding

- Third largest education line; funds all 500 districts
- Proposed increase of \$50 million means \$46.7 million into the formula
- Would mean \$514.25 million in 26-27 SEF formula
- Smallest proposed increase for SEF (ignoring 2020-21) since 2014-15

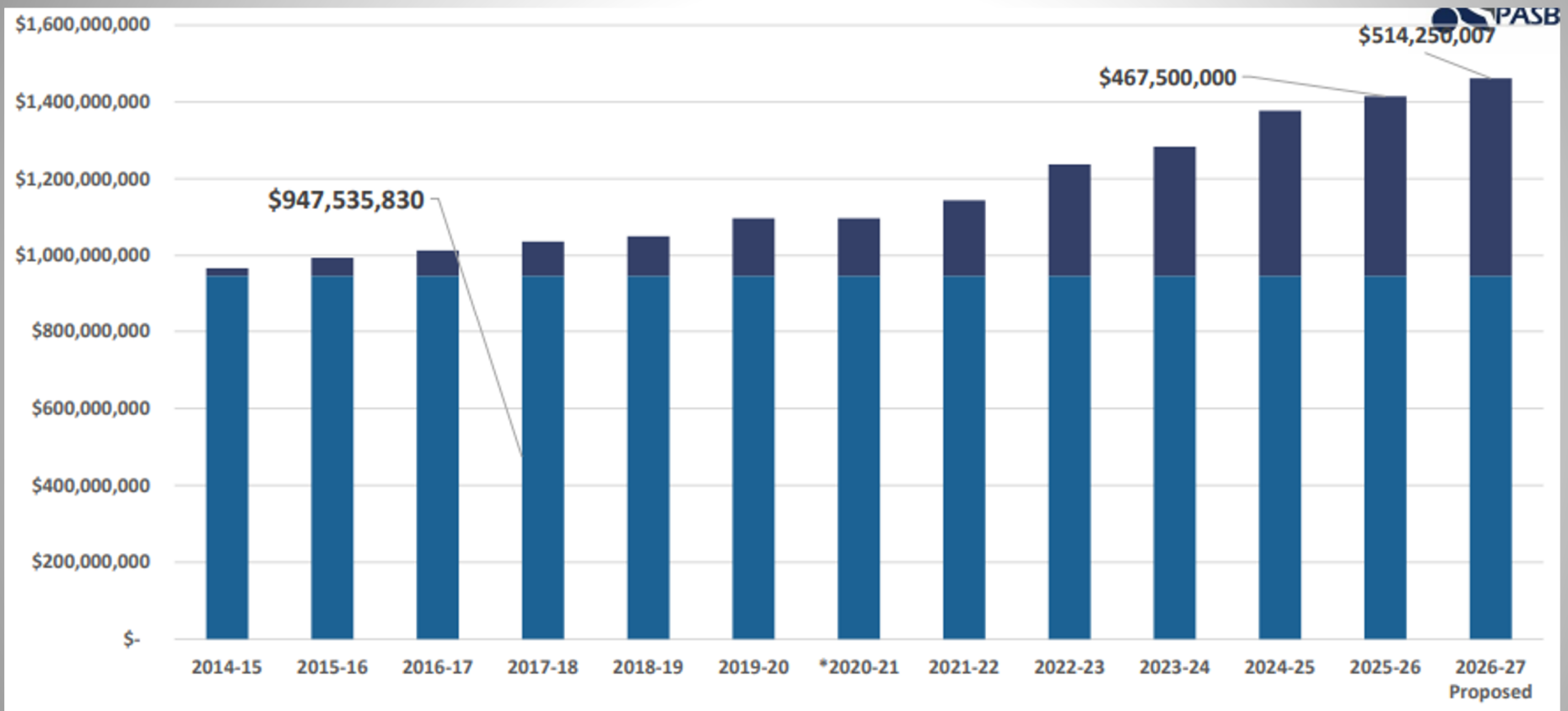
SEF Base \$947 Million

SEF Formula \$514.2 Million

- \$467.2 Million from 2025-26
- \$46.7 Million increase proposed for 2025-26

Total SEF \$1.46 Billion

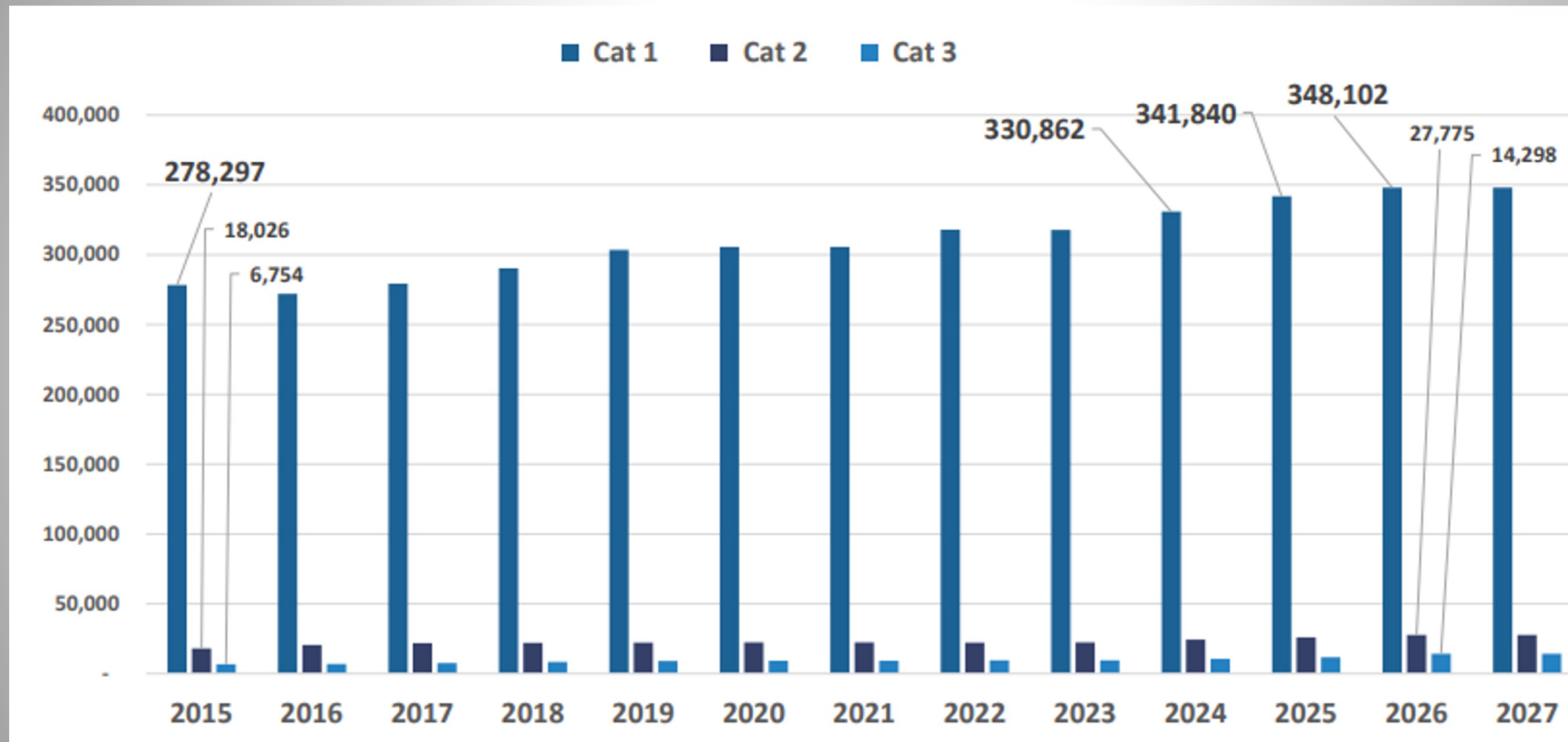
SEF Components Over Time



Special Education Funding

- **\$514.2 million runs through the dynamic BEF formula**
- The average increase in SEF is \$41.2 million
- The proposed \$50 million increase will not necessarily bring all districts to positive
- Advocacy Priorities
 - An increase in the state SEF
 - Special education is one of the fastest growing student demographics
 - Calculate the value of your Act 1 exception (Even if you can't use it)

Special Education Categories (Count)

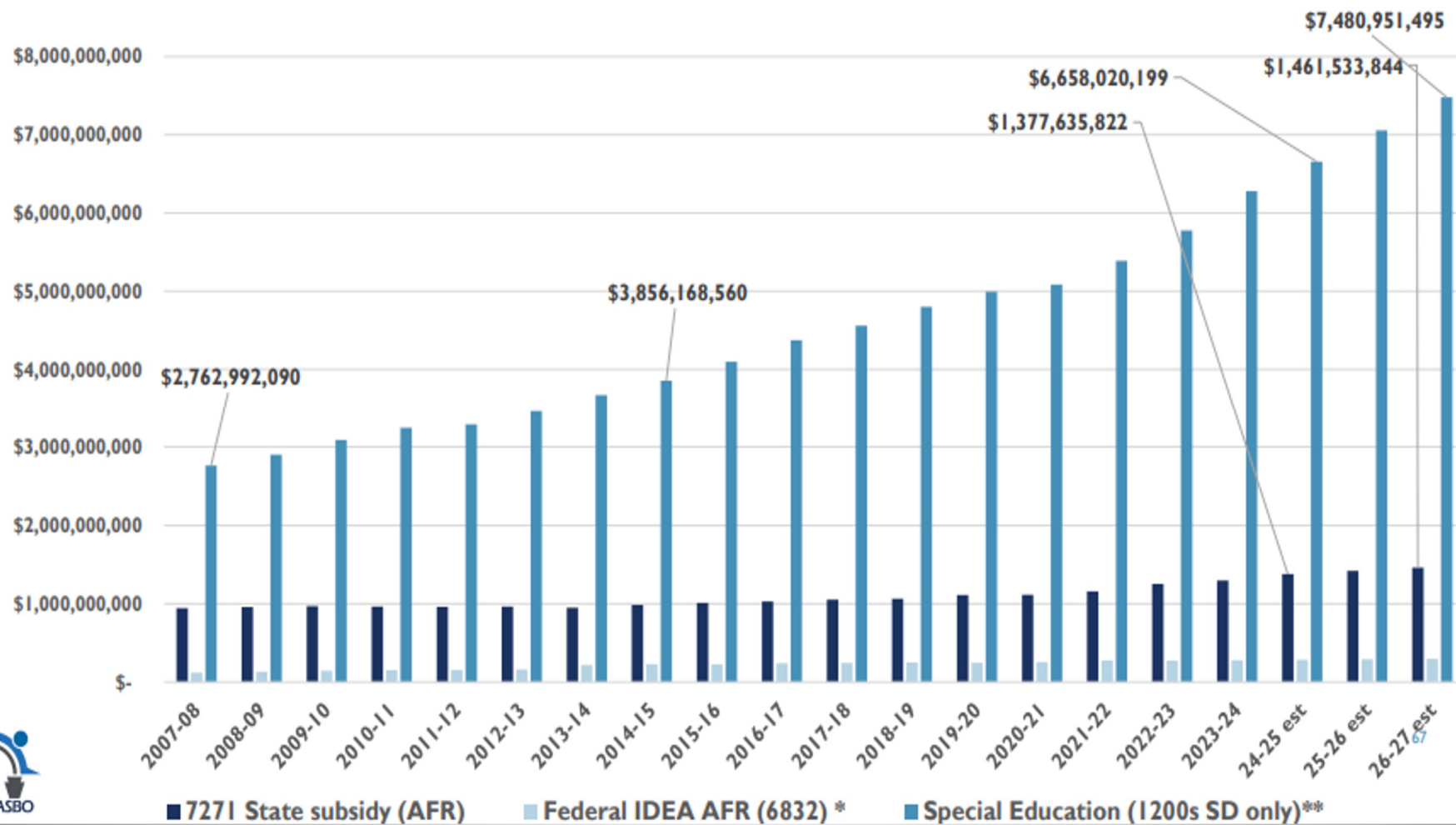


Special Education Enrollment - SCASD

December 1, 2024	LEA-special ed	LEA-total
Total Special Education Enrollment	982	6,845
Percent Special Education	14.35%	
December 1, 2023	LEA-special ed	LEA-total
Total Special Education Enrollment	915	6,712
Percent Special Education	13.63%	
December 1, 2022	LEA-special ed	LEA-total
Total Special Education Enrollment	880	6,781
Percent Special Education	13.00%	
December 1, 2021	LEA-special ed	LEA-total
Total Special Education Enrollment	816	6,783
Percent Special Education	12.10%	
December 1, 2020	LEA-special ed	LEA-total
Total Special Education Enrollment	779	6,717
Percent Special Education	11.60%	

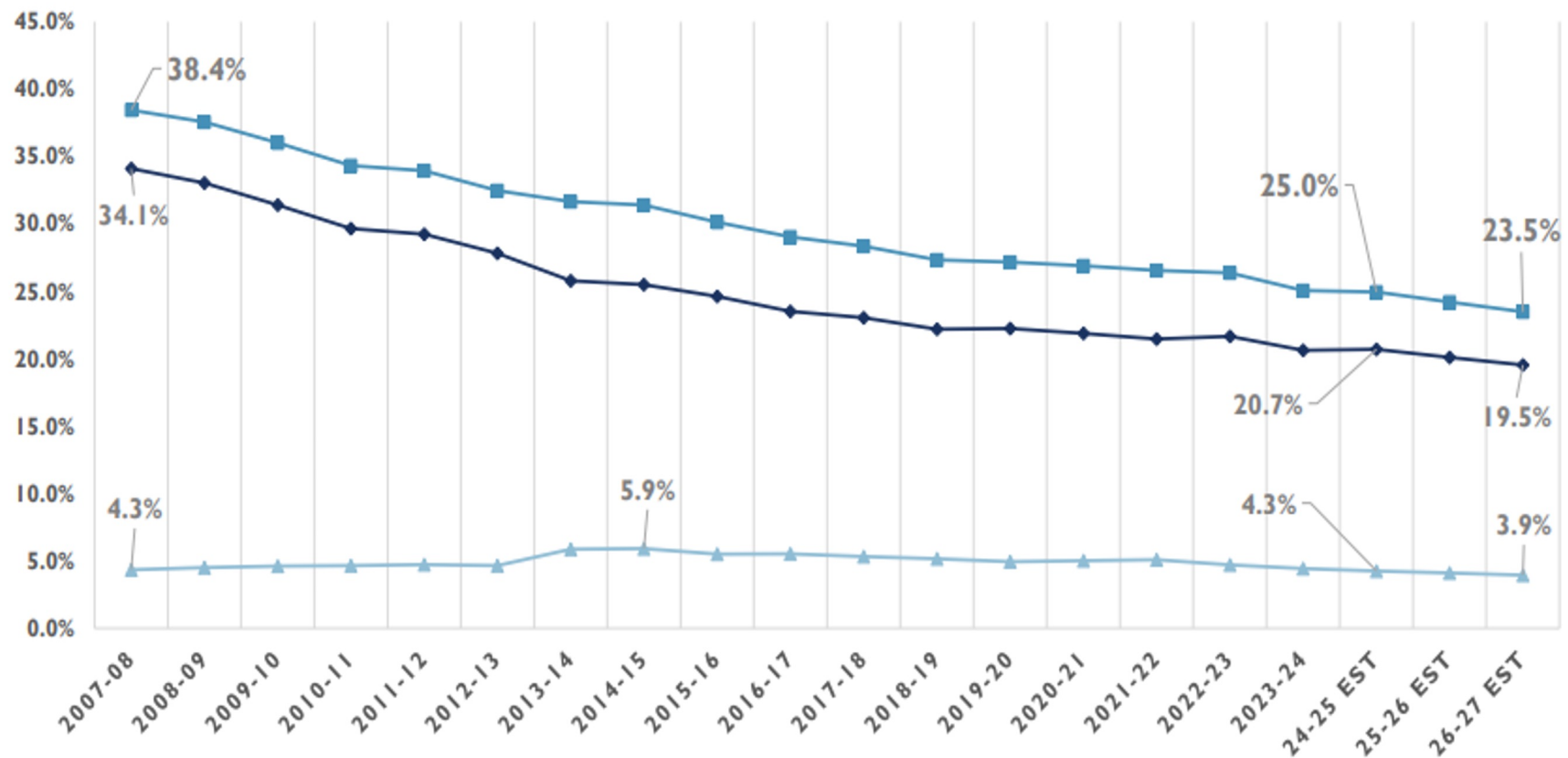
Special Education Funding vs Expenses

SEF Share Decline Will Continue



Special Education Funding History

SEF Share Decline Will Continue

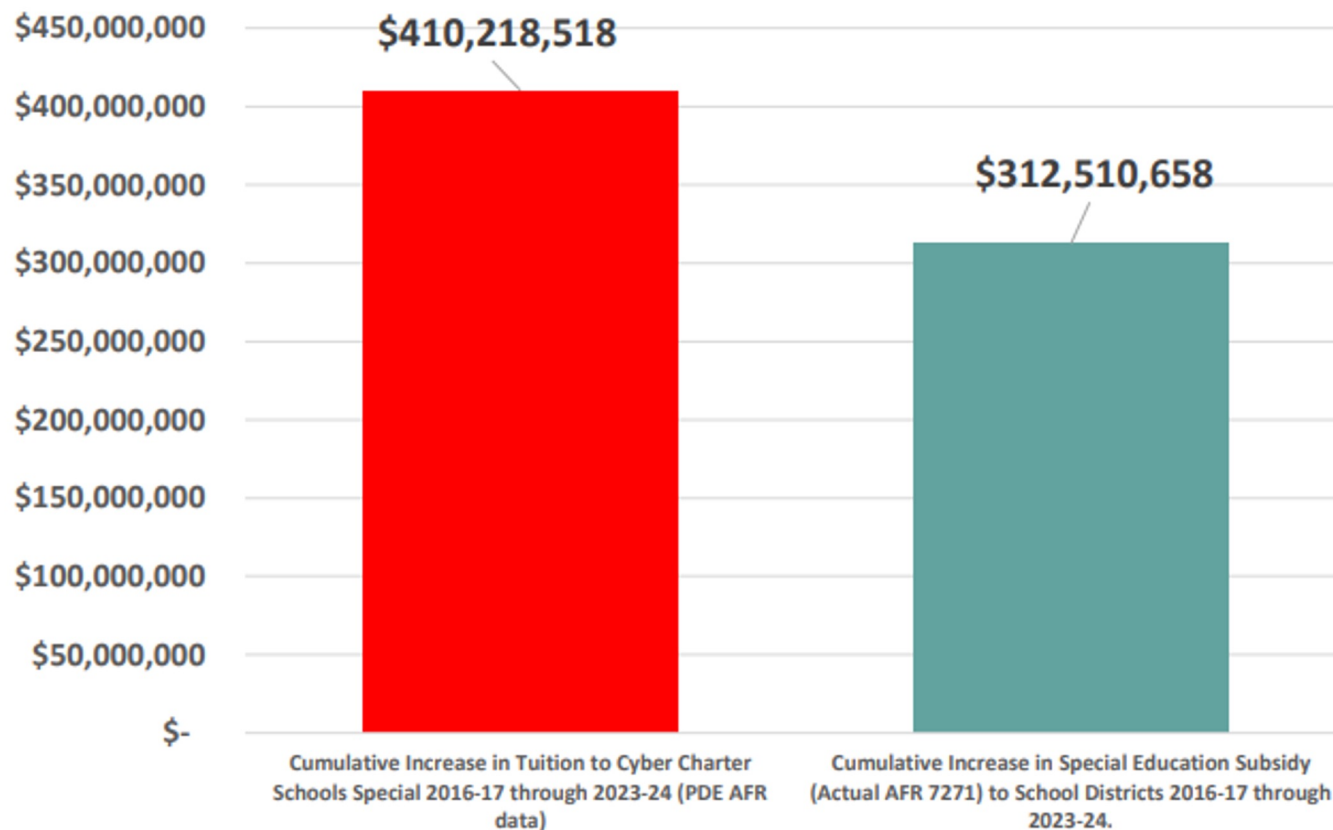


— State SE subsidy as % share of SD 1200s — State Plus 6832 Federal as % share of SD 1200s — Fed 6832 as % share of SD 1200s

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Special Education Funding

Cyber Charter Special Ed Tuition vs. SD SEF Increases



What is Ready to Learn (RTL)

- Third largest state subsidy at \$1.9 billion proposed for 2026-27
- Requires annual RTL grant application in Fall
- 26-27 base is \$1.38 billion (now RTL Foundation)
- New funds were added beginning in 24-25; doubled in 2025-26, and tripled in 2026-27
 - Adequacy: \$532 million
 - Tax equity: \$32 million

Ready to Learn (RTL)

	23-24	24-25	25-26	26-27 Proposed
RTL Foundation	\$295 million	\$295 million	\$820 million	\$1.38 billion
RTL Adequacy	N/A	\$493 million	\$532 million	\$532 million
RTL Tax Equity	N/A	\$32 million	\$32 million	\$32 million
Total RTL	\$295 million	\$820 million	\$1.38 billion	\$1.94 billion

RTL Adequacy Summary

- **Remember...all 500 districts get at least \$50,000 in either ADQ or TEq**

- If you got \$0 in ADQ in 2024-25, you got \$50,000 in 2025-26...and you'll get another \$50,000 in 2026-27
- If you got less than \$50,000 in ADQ in 2024-25, you got the difference in ADQ (or TEq) in 2025-26...and you'll get that same amount in 2026-27
- Look in the Minimum Allocation Supplement Column E on PDE RTL spreadsheet (ADQ tab)

- **Remember...if you got MORE ADQ funds in 2025-26 than you did in 2024-25...**

- It was because of the Minimum Allocation Supplement (to get you to \$50,000); or
- It was because they eliminated the local effort adjustments which reduced or eliminated the total Adequacy Gaps for many districts based on local effort percentages

- **The proposed 2026-27 Adequacy Funding should be an increase identical to the increase for 2025-26**

Other Appropriations

- School Safety/Security/Mental Health Grants→ proposal is another year of \$100 million in grants; no changes indicated to current process through PCCD
- Facilities Improvement Grants→ proposal is another year of \$125 million in grants; \$100 million in grants through DCED and \$25 million targeted to Solar4Schools
- Early Intervention→ significant proposed increase of \$51 million
- CTC Funding→ proposed \$14 million increase; \$4 million through the CTE subsidy and \$10 million for STEM programs
- Student Teacher Stipends→ \$5 million proposed increase for 2026-27

Act 1 History and Forecast

IFO: Act I Projections December 2025

Act 1 Index

	Actual				Forecast			
	19-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31
Base Index	3.0%	5.3%	4.0%	3.5%	3.2%	3.3%	3.3%	3.1%
SAWW	3.3	5.6	3.7	3.4	3.5	3.7	3.5	3.3
ECI	2.6	4.9	4.3	3.5	2.9	3.0	3.2	2.9

Note: SAWW is Pennsylvania statewide average weekly wage. ECI is national employment cost index for elementary/secondary school employees. The rate for 19-24 represents an average of the index from FY 2018-19 to FY 2023-24.

Source: Pennsylvania Department of Education through FY 2026-27, projected by the IFO after.

Federal Education Budget

- \$79 billion budget
- \$217 million increase above FY 2025
- Maintains \$400 million in funding for USDE staff (despite many cuts that have already been made)
- Budget includes guardrails to ensure funds can't be withheld or delayed
- Doesn't slow efforts to eliminate the Department, but requires additional input from Congress
- Adult Ed/Perkins CTE is expected to be level funded
- School Safety is expected to be level funded

Cyber Charter School Reform

- Governor proposed an “additional” \$75 million in “savings” in cyber charter tuition, to bring the total “savings” to school districts to \$250 million (when including the changes made with the 2025-26 state budget)
- Changes include increasing the deductions for Student Activities and Plant Maintenance & Operations from 60% to 80% of budgeted expenditures for the prior fiscal year
- Changes also include expanding the Pittsburgh SD methodology
 - Using a portion of the Local Effort Index from the BEF formula for those districts with an excess expenditure factor LESS than 1
 - Districts with a factor greater than or equal to 1 would have no change

What happens next

There will be numerous line items changed & numerous policies enacted that will alter appropriations.... Some examples from 2025-26!

1. Our RTL increase was \$526 million and we finished at \$565 million (Adding the \$50k minimum and eliminating the 33rd and 66th percentile local effort piece)...grew from 348 ADQ districts to 364....(NO ACT 1 Exceptions!!!)
2. For 2025-26...the BEF increase rose \$30 million from the Governor's proposal
3. The line items from what the Governor proposed last year to the final was over \$1.4 billion dollars....

What happens next

- We enter the legislative review process – June 30th is their deadline.... The House and Senate Appropriations will hold hearings with the Pennsylvania Department of Education to review the proposals:
 - Senate, PDE hearing on 2/23 – all day
 - House, PDE hearing on 3/3 – 1pm
- Key Indicators to Watch
 - Rainy Day Fund usage and the balance of our structural deficit
 - SEPTA funding solved early in the process
 - Continued four Caucus meetings
 - Adult-use cannabis bill to Senate Law and Justice
 - Skill Games bill to House Gaming Oversight
 - IFO monthly reports