



State College Area School District

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To: Board of Directors
From: Curtis Johnson, Joe Viglione and Randy Brown
Date: April 6, 2026
Subject: 2026-2027 Budget Development

The 2026-2027 budget is currently being developed and a 3.5% 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 and capital 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. The 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 33.59% and FICA at 7.65%).
- Issue - Additional staffing was required to ensure the District meets standards in servicing an increasing number of services.
- 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 anticipated to be paid from the Capital Reserve Fund.

Notable changes that are to occur in the 2026-2027 budget year include:

- Significant increase in amount contributed for deferred maintenance
- New Positions Contemplated for FY 2026-2027:
 - .17 Middle School Science Teacher
 - 2 Custodial Positions for the Physical Plant Department
 - Coaches for coed ice hockey and rugby club

On the revenue side, level state and federal funding, lower than recent interim real estate tax amounts, and a decline in assessed value of real estate has created concern about revenue growth in 2025-2026 and in future years (including 2026-2027).

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 20, a budget hearing occurring on May 18, with final budget approval scheduled on June 1.

General Fund - Fund Balance Rollforward - Fiscal Year 2026-2027

	Projected 2026-2027
Beginning Fund Balance	\$ 17,268,413
Revenue	<u>\$ 214,497,441</u>
Local	\$ 170,284,055
State	\$ 42,738,386
Federal	\$ 1,475,000
Other Financing Sources - LT Leases	<u>\$ -</u>
Expense and transfers (excluding use of fund balance)	<u>\$ 221,559,604</u>
Revenue less expense	\$ (7,062,163)
Funding/(Use) of Committed Fund Balance (Debt Service)	\$ (3,001,000)
Funding/(Use) of Committed Fund Balance (Health Insurance)	<u>\$ -</u>
Incr (Decr) in Assigned Fund Balance	\$ (3,001,000)
Change in non-spendable Fund Balance	\$ -
Change in enterprise Fund Balance	<u>\$ -</u>
Change in Unassigned General Fund Balance	\$ (4,061,163)
Ending Unassigned Fund Balance	\$ 13,207,250

General Fund - Revenue - Fiscal Year 2026-2027

Revenue	Projected 2026-2027
CURRENT REAL ESTATE TAX	\$ 129,507,152
REAL ESTATE TAX-REFERENDUM DEBT	\$ 4,943,623
EARNED INCOME TAX	\$ 24,040,000
REALTY TRANSFER TAX	\$ 3,000,000
DELINQUENT REAL ESTATE TAX	\$ 1,100,000
INTERIM REAL ESTATE TAX	\$ 600,000
IDEA-B	\$ 1,041,465
PAYMENTS IN LIEU OF TAX	\$ 734,000
LOCAL SERVICES TAX	\$ 375,000
TUITION	\$ 1,870,729
MISC LOCAL REVENUE	\$ 602,086
PUBLIC UTILITY REALTY TAX	\$ 135,000
INTEREST ON INVESTMENTS	\$ 2,335,000
TOTAL LOCAL	\$ 170,284,055
BASIC ED INSTR SUBSIDY	\$ 13,884,000
SPECIAL ED REVENUE	\$ 3,655,188
REV. FOR RETIREMENT	\$ 16,457,505
REV. FOR SOCIAL SECURITY	\$ 3,714,363
PROPERTY TAX REDUCTION	\$ 2,496,328
TRANSPORTATION REVENUE	\$ 800,000
BOND REIMBURSEMENTS	\$ 850,989
HEALTH SERVICES REVENUE	\$ 140,000
READY TO LEARN GRANT	\$ 360,013
VOCATIONAL EDUCATION	\$ 250,000
OTHER STATE REVENUE (4)	\$ -
TUITION - 1305/1306	\$ 130,000
TOTAL STATE	\$ 42,738,386
TITLE I REVENUE	\$ 825,000
TITLE II REVENUE	\$ 155,000
ACCESS FUNDS	\$ 350,000
OTHER FEDERAL REVENUE (5)	\$ 110,000
TITLE III REVENUE	\$ 35,000
TOTAL FEDERAL	\$ 1,475,000
OTHER FINANCING SOURCES - LT LEASES	\$ -
TOTAL REVENUE	\$ 214,497,441

General Fund - Expense - Fiscal Year 2026-2027

Expenses	Projected 2026-2027
Salaries	\$ 99,089,328
Health Insurance	\$ 22,266,057
PSERS	\$ 32,915,009
Other Benefits	\$ 9,858,286
Professional Services	\$ 6,746,191
Purchased Property Services	\$ 1,728,042
Charter School Expense	\$ 7,240,000
Other Purchased Services	\$ 8,839,632
Supplies/Equipment	\$ 10,835,407
Deferred Maintenance	\$ 3,536,487
Transfers/contingencies/fees	\$ 2,067,690
Debt Service	\$ 11,181,600
Debt Service - Referendum Debt	\$ 5,255,875
Fund Balance Commitment/Use (Debt Service)	\$ (3,001,000)
Total Expenses and Fund Balance Transfers	\$ 218,558,604
Total Expense and Transfers (excl fund balance use/commitment)	\$ 221,559,604