



State College

Area School District

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To: Board of Directors
From: Curtis Johnson, Joe Viglione and Randy Brown
Date: April 20, 2026
Subject: 2026-2027 Budget Development

Action

The 2026-2027 proposed final budget is presented for approval by the Board of Directors, as required by Act 1 of 2006.

Summary

The proposed final budget is presented as the budget development process nears culmination as outlined in the [2026-2027 Budget Development Calendar](#), adapted from the required by Act 1 process. The Accelerated Budget Opt Out Resolution, certifying the tax rate within the inflation index (Act 1) of 3.5% for the 2026-2027 Fiscal Year, was approved on January 12, 2026. The real estate tax rate included in the proposed final budget reflects a 3.5% increase, equal to the Act 1 Index. The proposed budget includes revenue of \$214,497,531 with expenses of \$221,559,604. The final unassigned fund balance is projected at \$13,207,340.

Revenue

The proposed final budget has been developed in response to current and projected economic conditions. The real estate tax rate is 54.8132 mills (an increase from 52.9597 mills). The collection percentage and assessed value growth return to more normal averages of 97.2% and 0.9%, respectively. Earned income tax revenue is budgeted at 3% growth, which is comparable to the historical average. State subsidies are primarily maintained at current year projected levels. Federal revenue remained level.

Expense

The budget includes new recurring costs personnel costs associated with the hiring of one of each of the following:

- 2 Physical Plant Positions to respond to need at expanded Mount Nittany Elementary
- 0.17 Middle School Science Teacher
- Coaches for coed ice hockey and coed rugby clubs

Other recurring costs include an additional \$1M contribution towards ongoing facility maintenance (Deferred Maintenance), inflation associated with geo-political concerns, and increasing special education enrollment.

Future Year Budget Projections

As discussed during the budget development process, and consistent with the 2025-26 communication, expenses are projected to outpace revenues throughout the remainder of the projection period. Reasons for the increase are plentiful and include, but are not limited to:

1. Managing the additional square footage within the District
2. Personnel costs are growth rate exceeds inflation
3. Revenue growth is limited because of state & federal budget allocations, the cap related to the Act 1 Index as developed by the Commonwealth of Pennsylvania, and the Assessed Value growth in the District.

Capital/Debt Budgeting:

The District has projects nearing completion (Mount Nittany Elementary School addition) as well as planned in the near future (Park Forest Middle School construction). In addition, the results of the District-Wide Master Facility Plan need to be incorporated into the capital plan in the near future. To fund these projects will likely require the utilization of Capital Reserve funds as well as a future borrowing(s). Over the past two years the Administration and its Financial Advisor have discussed numerous times the likelihood of borrowing(s) to finance construction projects and a borrowing recommendation could come to fruition in the near future.

What's to Come:

This update is to prepare the Board for the final steps of the budget development process including:

- Finalized revenue projections
- Finalized expense projections
- Full Time Equivalent staffing analysis for 2026-27 and 2025-26
- Departmental budget analysis for 2026-27 and 2025-26
- Expense budget analysis for 2026-27 and 2025-26
- Requested budget related information
- Fund balance analysis
- Supplemental tax rebate
- Updated timeline
- Updated multi-year projections
- Budget Hearing draft for the Board to review

A CAC for the finance committee meeting was held on April 1 and provided an additional opportunity for stakeholders to review updated information.

Conclusion

Although the multi-year projections have shown a more constrained budget than in the prior budget cycle. Administration will continue to work throughout 2026-2027 monitoring the financial trajectory of the District with recommendations coming in the new year.

Next Steps

The budget hearing and budget development at the regular board meeting will be held on May 18. The final budget will be presented for approval on June 1.