State College Area School District



2027-28 Budget Development

State College Area School District

November 24, 2026

2027-28 Proposed Preliminary Budget

- Board discussion and future action
  - Proposed Preliminary Budget presented to the Finance Committee on November 24, 2026 in addition to the Board on December 7.
  - Accelerated Budget Opt Out Resolution
    - Deadline: January 28th
    - Scheduled: January 11th meeting
  - Special Education Exemption Calculation

What is the Accelerated Budget Opt Out Resolution

- Maintains any real estate tax rate increase would be within the Act 1 index – 3.6% for FY 2027-2028
- 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

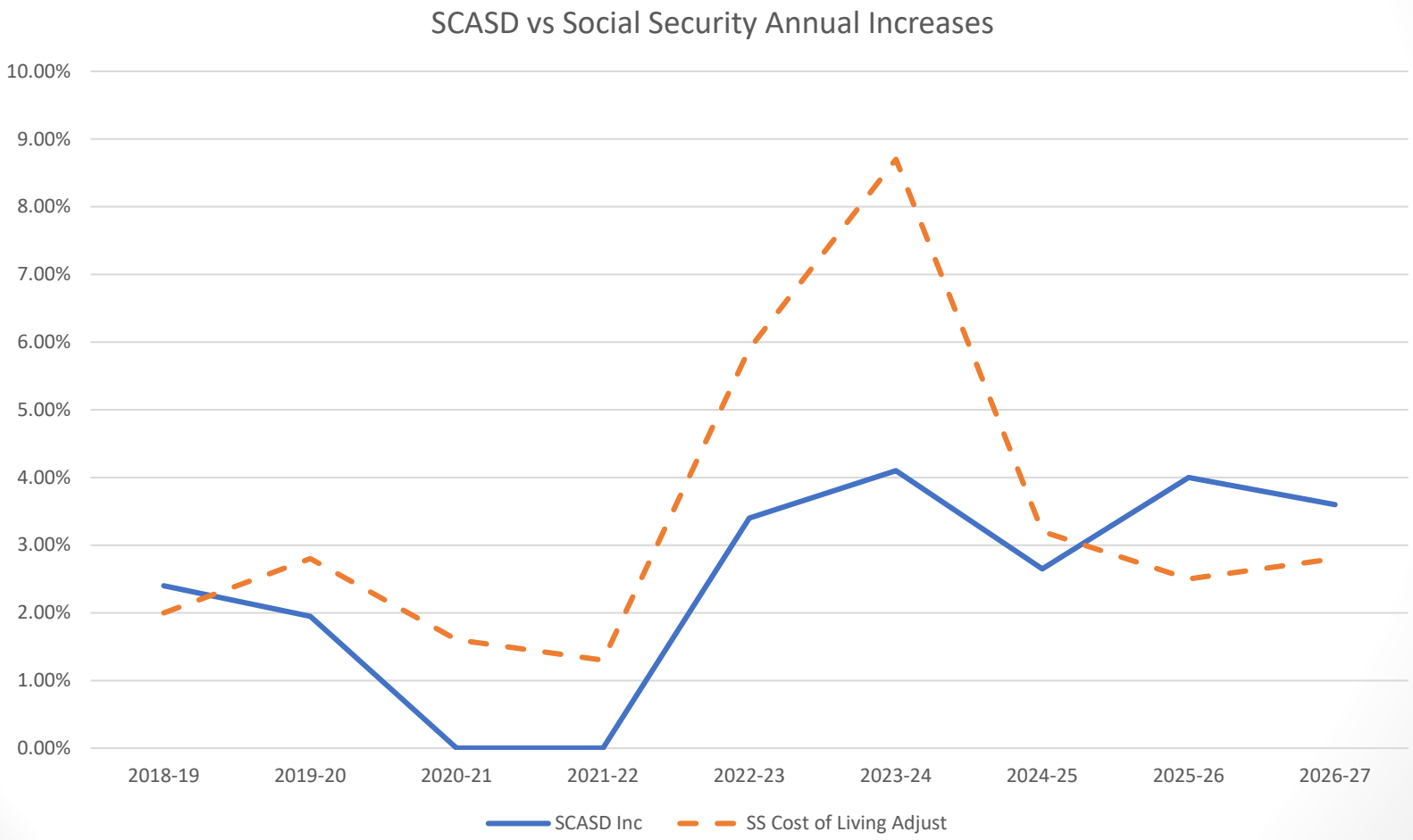
Proposed Preliminary Budget

- Only presenting 3.6% (Act 1 Index) because:
  - Anticipated growth in personnel costs
  - Increase requested for capital projects to meet building needs as outlined in the 10 year capital plan

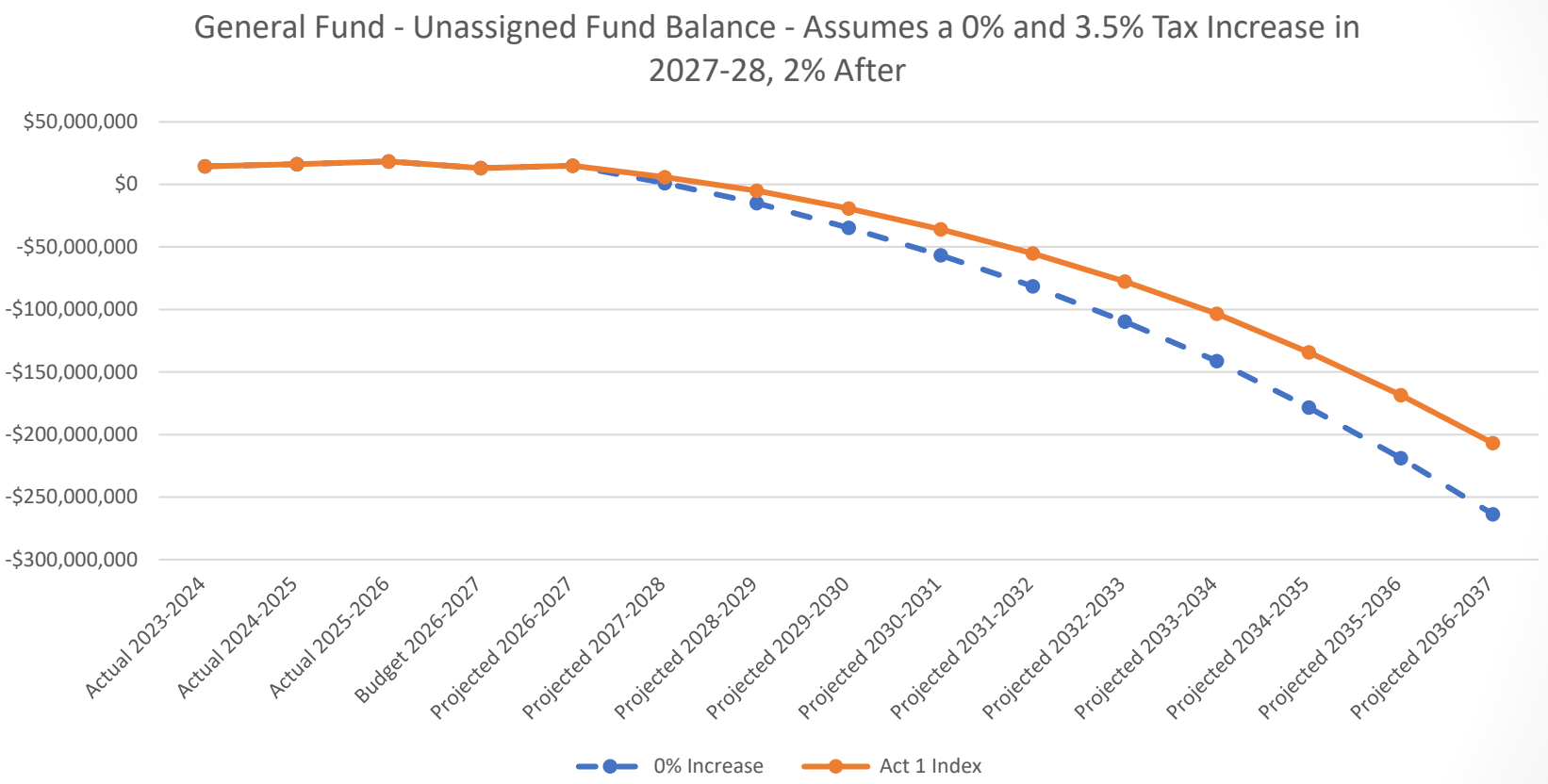
- Prior five years tax rate increases:
  - 2022-23 3.40% (followed two years of 0% tax increase)
  - 2023-24 4.10%
  - 2024-25 2.65%
  - 2025-26 4.00%
  - 2026-27 3.50%

- SCASD average increase of 2.46% over past 10 years despite inflation – social security increases have averaged 3.42% over that time

SCASD Real Estate Tax Increases vs Social Security Adjustments



Multi-year Fund Balance Projection



Real Estate Tax Increases set at 2% for FY 2029 and beyond
Act 1 Index set to increase at 3.6% over the next 10 years

Act 1 Forecast

Act 1 Index Forecast

IFO

Independent Fiscal Office | Property Tax | December 2025

This annual update provides an outlook for the Act 1 Index. Act 1 of 2006 limits the increase to a school district's millage rate based on an index, with certain exceptions. The maximum percentage increase in a school district millage rate is equal to the base index or an adjusted index, depending upon the district's aid ratio. The table displays a recent history and IFO forecast of the base index and its components.

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.

The updated Act 1 Index Forecast is due out in early December. The Base Index for 2027-28 is 3.6%, 0.4% higher than above. It is anticipated that the forecast beyond 2027-28 could be adjusted upwards as well.

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 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

Opt Out Resolution

The Fiscal Year (FY) 2027-28 Budget Development calendar was presented to the Finance Committee on November 24, 2026.

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 2027-28 proposed budget is still under development at this time. The FY 2027-28 proposed budget includes a budgeted revenue projection of $221,226,849 and a 3.6% 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 11, 2027 prior to the January 28, 2027 deadline. The next discussion regarding budget development is scheduled to occur on December 21, 2026.

Tax Increase Options – FY 2027-28

	3.6% Tax Increase
Beginning Fund Balance	$ 15,005,526a
Revenue	221,504,679
Local	176,128,969
State	43,900,710
Federal	1,475,000
Expense (including capital reserve transfer)	230,637,043
Revenue less expense	(9,132,364)b
Funding (Use) of Committed Fund Bal (Debt Service)	(0)c
Change in Committed Fund Balance	(0)
Change in Unassigned General Fund Balance	(9,132,364)b-c
Ending Unassigned Fund Balance	$ 5,873,162(a-b-c)
Unassigned Fund Balance Percentage	2.55%

Expense Assumptions

- Slightly higher health insurance costs in 2025-26 as compared to 2024-25 due to spike in the 2Q of 2026.
- Transferred Committed Fund Balance to fund Debt Service Obligations to the Capital Reserve Fund to match with the debt service for Park Forest Middle School.
- 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 implementation of the 10 Year, $75M Capital Projects Plan continue to be onboarded.
- Charter School Funding costs continue to increase.
- Savings have been realized with the refinancing of 2015 Referendum Bonds – passed onto taxpayers.

Items for Focus
2027-2028 Budget

- Compensation and Benefits, especially Health Insurance costs
- Construction of Park Forest Middle School
- Impact of Implementing the 10 Year, $75M District-wide Facilities Master Plan outcomes
- Inflationary operating environment returns and its impacts on budgetary projections
- Federal & State funding – more certain than recent times, but still unstable at this time.

Multi-year Projections

- Declining fund balance
  - Expenses are anticipated to grow faster than revenues
  - Onboarding of additional debt to fund projects
    - Park Forest Middle School construction
      - 2026 Borrowing for half of the project is completed
      - 2028 Borrowing for the remaining portion of the project is anticipated
- Constrained Revenues
  - Assumed growth in Assessed Value of Real Estate within the District is less than inflation
  - Act 1 Index + Growth in Assessed Value is lagging the growth in personnel costs
  - Uncertainty surrounding State & Federal Funding

Next Steps

- 12/21/2026 Board Meeting
  - Budget Development
- 1/11/2027 Finance Committee of the Whole
  - Approval of the Opt Out Resolution
- 1/25/2027 Board Meeting
  - Budget Development

Questions

State College Area School District

