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To: Dr. Robert J. O'Donnell

**VI-B**

From: Jeffrey S. Ammerman

RE: Governor's Budget

Date: February 9, 2012

The Governor's budget was recently released. In his budget he combines four line items (Basic Education Funding, Public School Transportation, Private School Transportation, and Social Security Reimbursement) into a new line item called the Student Achievement Education Block Grant. For those four line items there is a proposed \$275,000 increase over 2011-12 funding levels. There are some potential long term implications with this change if it goes through as, up to this point, Transportation and Social Security Reimbursement were formula driven. As proposed, it appears those formulas would be going away, which depending on how the new line item would get changed in the future, could generate less revenue than would occur under the current system. To be fair, it is also possible that it could generate more revenue than under the current system as well. It does become less predictable.

The Accountability Block Grant was eliminated in the Governor's budget. This is a \$128,000 line item for us. Overall, the increase as contained within the Governor's budget will be about \$150,000 for everything but the state share of PSERS. The state share of PSERS will increase by over \$1 million.

As it relates to what was in the District's recently passed preliminary budget, the Governor's budget would provide about \$650,000 more revenue than was contained within our preliminary budget. We assumed a \$500,000 decrease in state budget line items that were not related to the state share of PSERS. As shown above, there appears to be an increase of \$150,000 in those line items instead. All of this analysis is preliminary and subject to change based on further clarifications that may come forward.

The detail below shows the estimated budgetary gap at various levels of taxation. The numbers are calculated using the preliminary budget assumptions. At our meeting on February 20, we will be refining those assumptions and bringing forward recommended strategies for closing this gap.

**Governor's Budget Impact on Preliminary Budget-02/08/12**

<b>Revenues</b>	<b>0% Tax Increase</b>	<b>1.7% Tax Increase</b>	<b>3.3% Tax Increase</b>
Local	96,327,250	97,627,250	98,827,250
State	17,119,231	17,119,231	17,119,231
Federal	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>
<b>Total</b>	<b>114,746,481</b>	<b>116,046,481</b>	<b>117,246,481</b>
<b>Expenses</b>			
Operating Expenses	116,519,351	116,519,351	116,519,351
PSERS Pre-funding	515,000	515,000	515,000
Capital Reserve Transfer	1,000,000	1,000,000	1,000,000
Contingency	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
<b>Total Expense</b>	<b>118,334,351</b>	<b>118,334,351</b>	<b>118,334,351</b>
<b>Revenue- Total Expenses+Contingency</b>	<b>(3,287,870)</b>	<b>(1,987,870)</b>	<b>(787,870)</b>
<b>Revenue-Operating Expenses</b>	<b>(1,772,870)</b>	<b>(472,870)</b>	<b>727,130</b>