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To: Dr. Robert J. O'Donnell VI-A

From: Jeffrey S. Ammerman

RE: 2012-13 Budget

Date: December 1, 2011

The timeline for upcoming budget decisions is below. At the next meeting, a preliminary budget will be introduced. We must approve that budget at the last meeting in January. As in the past, changes will be made to the budget throughout the Spring as more information becomes known. A final budget will need to be passed at the end of June.

**December 2011**

- Introduction of Preliminary Budget-December 19th

**January 2012**

- **Approve Preliminary Budget at January 23rd Board Meeting**

**February 2012**

- Governor's Budget released
- Submit exceptions

**March 2012**

- Incorporate Governor's Budget assumptions into District Budget process

**May 2012**

- **Approve Proposed Final Budget, 5/21/12**

**June 2012**

- Budget Hearing, 6/4/12
- **Final Budget Adoption, 6/25/12**

Since the last budget discussion, some updated information has been released. The PSERS rate for 2012-13 is now estimated to be 12.36%, up from a previously estimated 12.19%. PSERS will be voting on this rate at its meeting on December 9. If approved, this has the effect of increasing the District's share of PSERS costs by approximately \$50,000.

The Department of Education has released their exception worksheets. Additionally, we have closed out the 2010-11 Fiscal Year. Since the Special Education exception is based upon 2010-11 actual costs, we now have a better estimate of available exceptions.

<b>Act 1 Index and Estimated Exceptions for 2012-13</b>					
			<b>Previous Estimate</b>	<b>Revised Estimate</b>	<b>Tax Increase Percentage</b>
Act 1 Index Tax Increase			1,270,000	1,270,000	1.7%
Special Education Exception			250,000	269,376	0.4%
PSERS Exception			950,000	1,001,616	1.3%
<b>Total Tax Increase Available</b>			<b>2,470,000</b>	<b>2,540,992</b>	<b>3.4%</b>

The available exceptions will be slightly greater than previously estimated. The PSERS exception increase is a direct result of the increase in the rate from 12.19% to 12.36%. The exception worksheets showing the relevant calculations are attached to this memo. In total PSERS expense will go up by approximately \$2.2 million in 2012-13, with the District and State splitting that increase equally.

At an earlier meeting we produced revenue and expense estimates. Those estimates have been updated to reflect the impact of the PSERS rate changes and the estimated exception changes.

<b>Summary of Projected Revenue and Expenses for Five Years</b>					
<b>No Annual Tax Increase</b>					
	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Revenue with no annual tax increase	114,515,804	116,650,806	118,886,839	120,562,688	121,763,524
Expenses with 1.7% increase	118,334,351	123,202,096	127,711,185	132,695,750	137,688,017
<b>Revenue minus Expense</b>	<b>-3,818,547</b>	<b>-6,551,289</b>	<b>-8,824,346</b>	<b>-12,133,062</b>	<b>-15,924,493</b>
<b>1.7% Annual Tax Increase</b>					
Revenue with annual 1.7% tax increase	115,789,528	119,240,277	122,840,394	125,930,099	128,596,037
Expenses with 1.7% increase	118,334,351	123,202,096	127,711,185	132,695,750	137,688,017
<b>Revenue minus Expense</b>	<b>-2,544,823</b>	<b>-3,961,819</b>	<b>-4,870,791</b>	<b>-6,765,650</b>	<b>-9,091,980</b>
<b>3.4% Annual Tax Increase</b>					
Revenue with 3.4% tax increase	117,060,528	121,870,209	126,924,233	131,567,949	135,893,380
Expenses with 1.7% increase	118,334,351	123,202,096	127,711,185	132,695,750	137,688,017
<b>Revenue minus Expense</b>	<b>-1,273,823</b>	<b>-1,331,886</b>	<b>-786,952</b>	<b>-1,127,801</b>	<b>-1,794,637</b>
<b>3.4% Annual Tax Increase</b>					
Revenue with 3.4% tax increase	117,060,528	121,870,209	126,924,233	131,567,949	135,893,380
Expenses with 0% increase	116,755,215	119,931,929	122,630,705	125,764,778	128,907,725
<b>Revenue minus Expense</b>	<b>305,313</b>	<b>1,938,281</b>	<b>4,293,529</b>	<b>5,803,171</b>	<b>6,985,655</b>

The assumptions in the table above assumed that the state maintains Basic Education Funding at the 2011-12 level and does not cut the Basic Education Funding to pay for its share of the PSERS increase. At this point, it is not clear what will precisely happen as it relates to state funding for education. We were asked to show a what-if analysis should the state choose to cut Basic Education Funding in 2012-13 by the amount of its share of PSERS. That analysis is below. There has been no indication that the State will pursue the strategy shown below. It is presented to show a very bad case scenario.

**Summary of Projected Revenue and Expenses for Five Years If State Reduces Basic Education By PSERS Increase**

<b>No Annual Tax Increase</b>					
	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Revenue with no annual tax increase	113,394,722	114,185,791	114,985,033	115,792,532	116,608,376
Expenses with 1.7% increase	<u>118,334,351</u>	<u>123,202,096</u>	<u>127,711,185</u>	<u>132,695,750</u>	<u>137,688,017</u>
<b>Revenue minus Expense</b>	<b>-4,939,629</b>	<b>-9,016,304</b>	<b>-12,726,153</b>	<b>-16,903,218</b>	<b>-21,079,640</b>
<b>1.7% Annual Tax Increase</b>					
Revenue with annual 1.7% tax increase	114,668,447	116,775,262	118,938,588	121,159,943	123,440,890
Expenses with 1.7% increase	<u>118,334,351</u>	<u>123,202,096</u>	<u>127,711,185</u>	<u>132,695,750</u>	<u>137,688,017</u>
<b>Revenue minus Expense</b>	<b>-3,665,904</b>	<b>-6,426,834</b>	<b>-8,772,598</b>	<b>-11,535,806</b>	<b>-14,247,127</b>
<b>3.4% Annual Tax Increase</b>					
Revenue with 3.4% tax increase	115,939,447	119,405,194	123,022,427	126,797,793	130,738,233
Expenses with 1.7% increase	<u>118,334,351</u>	<u>123,202,096</u>	<u>127,711,185</u>	<u>132,695,750</u>	<u>137,688,017</u>
<b>Revenue minus Expense</b>	<b>-2,394,904</b>	<b>-3,796,901</b>	<b>-4,688,758</b>	<b>-5,897,956</b>	<b>-6,949,784</b>
<b>3.4% Annual Tax Increase</b>					
Revenue with 3.4% tax increase	115,939,447	119,405,194	123,022,427	126,797,793	130,738,233
Expenses with 0% increase	<u>116,755,215</u>	<u>119,931,929</u>	<u>122,630,705</u>	<u>125,764,778</u>	<u>128,907,725</u>
<b>Revenue minus Expense</b>	<b>-815,769</b>	<b>-526,734</b>	<b>391,722</b>	<b>1,033,015</b>	<b>1,830,508</b>

**Special Education Expenditures**  
**Referendum Exception Worksheet**  
**333(f)(2)(v) as amended by Act 25 of 2011**

SCASD

**THIS WORKSHEET IS FOR ESTIMATIONS ONLY AND MAY NOT BE USED FOR OFFICIAL SUBMISSION.**

<b>(a.1) Expenditure Function &amp; Description for Special Education (General Fund Only)</b>	<b>Actual Amount for 2009-2010</b>	<b>Actual Amount for 2010-2011</b>
1200 - Special Education Instruction	\$13,303,217.00	\$13,752,942.77
less: 1243 - Gifted Support		
Special Education Instruction for Students with Disabilities	\$13,303,217.00	\$13,752,942.77
<b>(a.2)</b> 2120 - Guidance Services	\$240,566.00	\$238,777.82
2140 - Psychological Services	\$67,981.00	\$69,628.11
2150 - Speech Pathology and Audiology Services		
2160 - Social Work Services	\$7,962.00	\$8,175.48
2260 - Instruction and Curriculum Development Services	\$29,670.00	\$29,878.84
2350 - Legal Services	\$6,318.00	\$16,702.41
2420 - Medical Services	\$775.00	\$795.46
2440 - Nursing Services	\$94,822.00	\$95,834.98
2700 - Student Transportation Services	\$514,545.00	\$510,247.85
Special Education Services for Students with Disabilities	\$962,639.00	\$970,040.95
<b>(a.3) Total Special Education Expenditures (a.1 + a.2)</b>	<b>\$14,265,856.00</b>	<b>\$14,722,983.72</b>
<b>(b) Revenue Function &amp; Description for Special Education (General Fund Only)</b>	<b>Actual Amount for 2009-2010</b>	<b>Actual Amount for 2010-2011</b>
7271 - Special Education Funding for School Aged Pupils	\$3,221,641.00	\$3,221,640.55
7272 - Early Intervention		
<b>Total Special Education Revenues</b>	<b>\$3,221,641.00</b>	<b>\$3,221,640.55</b>
<b>Special Education Expenditures minus Revenues (a.3 - b)</b>	<b>\$11,044,215.00</b>	<b>\$11,501,343.00</b>
<b>(c) School District's Index for Next Year</b>		1.7%
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<b>(d)</b> Index multiplied by 2009-2010 Net Special Education Expenditures:		\$187,752.00
<b>(e)</b> 2010-2011 Net Expenditures minus 2009-2010 Net Expenditures:		\$457,128.00
<b>Allowable Exception: Special Education Expenditures (e - d):</b>		<b>\$269,376</b>

**Retirement Contributions**  
**Referendum Exception Worksheet**  
**333(n) as amended by Act 25 of 2011**

School District Name

**THIS WORKSHEET IS FOR ESTIMATIONS ONLY AND MAY NOT BE USED FOR OFFICIAL SUBMISSION.**

	Actual Dollar Value of Estimated Payments for 2011-2012	Actual Dollar Value of Estimated Payments for 2012-2013
<b>Budgeted School District Share of Payments to PSERS</b>		
<b>(a)</b> Salary Base - Total	\$57,324,000	\$57,324,000
Salary Base - Total to use for Referendum Exception	\$57,324,000	\$57,324,000
<b>(b)</b> PSERS Employer Contribution Rate	8.65%	12.36%
<b>(c)</b> Expenditure Object 230 (a x b)	\$4,958,526	\$7,085,246
<b>(d)</b> Revenue 7820	\$2,479,263	\$3,542,623
<b>(e)</b> Percent State (d ÷ c)	50.00%	50.00%
<b>(f)</b> Expenditure Object 230 - Local and Federal Share of Total (c - d)	\$2,479,263	\$3,542,623
<b>(g)</b> Salary Base - Federal	\$1,100,000	\$1,100,000
Salary Base - Federal to use for Referendum Exception	\$1,100,000	\$1,100,000
<b>(h)</b> Expenditure Object 230 - Federal Share of Total (g x b)	\$95,150	\$135,960
<b>(i)</b> Expenditure Object 230 - State Share of Federal (h x e)	\$47,575	\$67,980
<b>(j)</b> Expenditure Object 230 - Local Share (f - i)	\$2,431,688	\$3,474,643
<b>(k)</b> School District's Index for 2012-2013		1.7%
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<b>(l)</b> Index multiplied by 2011-2012 budgeted school district share of payments to PSERS:		\$41,339
<b>(m)</b> 2012-2013 net budgeted amount minus 2011-2012 net budgeted amount:		\$1,042,955
<b>Allowable Exception: Retirement Contributions (m - l):</b>		<b>\$1,001,616</b>