



Randy L. Brown, Business Administrator
131 West Nittany Avenue
State College, PA 16801
814-231-1021
rlb21@scasd.org

To: Robert J. O'Donnell
 From: Randy L. Brown and Donna Watson
 Date: January 13, 2014
 Subject: 2014-2015 Budget Resolution

General fund budget projections have been presented to the board in past months as we have presented the projected financial impact of various financing scenarios for the State High Project. These projections assumed a 1.7% Act 1 index for future years, which was the amount of the index for the previous two fiscal years. The index for 2014-2015 calculated by the PA Department of Education (PDE) is 2.1%. These projections are available on the 2014-2015 Budget Development page of the Business Office web site.

In addition to the 1.7% increase in real estate tax rates, revenue projections assume historical growth in earned income tax and real estate assessed values. An increase in the real estate tax rate of 1.7% and 2.1% provides additional tax revenue of \$1.37 million and \$1.69 million, respectively. Schedules showing the budgetary projections at the 2.1% tax increase have also been provided to the board.

Projected expenses assume growth in salaries and most benefits at contracted rates, while other expenses, such as purchased services and supplies/equipment, are projected at increases ranging from 1.5% to 2%. These preliminary expense projections reflect staffing at levels consistent with that of the current year. Healthcare and employer contribution to retirement were predicted to increase by 12.5% and 25%, respectively.

The projected net change in fund balance, including use of \$580,000 of fund balance assigned to PSERS pre-funding, is \$2.2 million for 2014-2015. The budget projections for future years include similar revenue and expense assumptions resulting in fund balance growth through 2019 which does include the use of the fund balance assigned to PSERS pre-funding during that period.

These projections show that the district has taken appropriate steps to curb rising costs in an economic environment where revenue growth is not as significant as some points in the past. The district continues to remain committed to supporting facility improvements through transfers to the capital reserve fund.

The administration recommends that the board of directors approve the attached resolution, which under Act 1 of 2006 would limit the real estate tax increase for 2014-2015 to the amount of the Act 1 Index of 2.1%. Although exceptions may be available for employer retirement contribution expenses, the administration does not recommend applying for any exceptions for the 2014-2015 fiscal year.

Upon approval of the resolution the administration will notify PDE of this board action. The district would not be required to complete the preliminary budget process as prescribed in Act 1 of 2006. A proposed final budget would be presented to the board for approval in May, followed by the final budget prior to June 30.

The administration will inform the board of the impact, if any, of the governor's proposed budget which is set to be released in February. Once the state legislature and governor complete their budget process, the results affecting the district will be reflected in the district's budget projections.

We would like to add a final note regarding the projected tax increase for 2014-2015. Previous projections have included the impact of a \$10 million bank qualified borrowing and related referendum tax increase beginning in 2014-2015. Administration has confirmed with PDE that the district will not be eligible to apply for referendum debt exceptions for 2014-2015 since the debt will not be incurred prior to March 6, 2014, the last day to apply for exceptions. The administration has contacted the financial advisor regarding this information. Further review of a cash drawdown schedule will be conducted in cooperation with our financial advisor and the architect. These projected cash draws, taking into consideration interest rates, will revise projected debt issuance schedules and the timing of the use of committed district reserves. The debt service for any debt issued in 2014-2015 will not result in a general fund budget impact. Options include funding through district reserves or capitalizing the interest (deferring payment).

STATE COLLEGE AREA SCHOOL DISTRICT BOARD OF DIRECTORS
RESOLUTION

WHEREAS, on June 27, 2006, the Pennsylvania legislature passed Act 1 of Special Session 2006, entitled the “Taxpayer Relief Act” (hereinafter “Act 1”);

WHEREAS, Act 1 requires school districts to limit tax increases to the level set by an inflation index (Act 1 index) unless the tax increase is approved by voters in a referendum or the school district obtains from the Department of Education or a court of common pleas certain referendum exceptions;

WHEREAS, Act 1 does, however, allow a board of school directors to elect to adopt a resolution indicating that it will not raise the rate of any tax for the support of the public schools for the following fiscal year by more than its Act 1 index, provided this resolution must be adopted no later than 110 days prior to the date of the election immediately preceding the upcoming fiscal year;

WHEREAS, the State College Area School District Act 1 index for the 2014 - 2015 fiscal year is 2.1%;

WHEREAS, the State College Area School District Board of Directors has made the decision that it shall not raise the rate of any tax for the support of the general fund budget for the 2014 - 2015 fiscal year by more than its Act 1 index.

AND NOW, on this 13th day of January, 2014, it is hereby RESOLVED by the State College Area School District (hereinafter “District”) Board of Directors (hereinafter “Board”) the following:

1 The Board certifies that it will not increase any school district tax for the 2014 - 2015 school year at a rate that exceeds the Act 1 index as calculated by the Pennsylvania Department of Education.

2 The Board certifies that it will comply with the procedures set forth in Section 687, of the Pennsylvania Public School Code (hereinafter “School Code”), 24 P.S. §6-687, for the adoption of its proposed and final budget.

3 The Board certifies that increasing any tax at a rate less than or equal to the Act 1 index will be sufficient to balance its final budget of the 2014 - 2015 fiscal year.

4 The Administration of the District will submit the District’s information on a proposed increase in the rate of a tax levied for the support of the District to the Pennsylvania Department of Education on the uniform form prepared by the Pennsylvania Department of Education no later than five days after the Board’s adoption of this Resolution.

5 The Administration of the District will send a copy of this Resolution to the Pennsylvania Department of Education no later than five days after the Board’s adoption of this Resolution.

6 The Board understands and agrees that by passing this Resolution it is not eligible to seek referendum exceptions under Section 333(f) of Act 1 and is not eligible to request approval from the voters through a referendum to increase a tax rate by more than the Act 1 index as established for the 2014 - 2015 fiscal year.

7 Once this Resolution is passed, the Administration of the District is not required to comply with the preliminary budget requirements set forth in paragraphs (a) and (c) of Section 311 of Act 1.

Provided, however:

(a) The Board understands and agrees that, upon receipt of the information submitted by the District as set forth in paragraphs 4 and 5 above, the Pennsylvania Department of Education shall compare

the District's proposed percentage increase in the rate of the tax with the Act 1 index.

(b) Within ten days of the receipt of this information, the Pennsylvania Department of Education shall inform the District whether its proposed tax rate increase is less than or equal to the Act 1 index.

(c) If the Pennsylvania Department of Education determines that the District's proposed increase in the rate of the District's tax exceeds the Act 1 index, the District is subject to the preliminary budget requirements as set forth in paragraph (a) and (c) of Section 311 of Act 1.

ADOPTED by the School Board _____, 20_____.

_____, President

_____, Secretary