



Nazareth Area School District
Financial Planning Roundtable Discussion
January 21, 2025 – 6pm

Budget Development Calendar:

Pennsylvania Public School Districts operate under a budget development calendar mandated by the Pennsylvania Department of Education (PDE). Local Districts can not deviate nor modify this timeline. Generally, the following dates apply to annual budget development (*presidential election year moves dates slightly*):

Step 1 - January/February – Districts display and approve ***Preliminary Budget***

Step 2 - April/May – Districts display and approve ***Proposed Final Budget***

Step 3 - June 30th – Deadline for Districts to approve ***Final Budget***

The below link will take you to the 2025-26 detailed budget calendar for PA School Districts:

<https://www.pa.gov/content/dam/copapwp-pagov/en/education/documents/schools/property-tax-relief/ssact1%20timeline%202025-26%20fiscal.pdf>

Budget development presents numerous opportunities for School Boards and residents to hear and see updates and modifications as they pertain to preparing an annual budget. However, these timeline can also limit local Districts'/Administrations' ability to provide accurate and timely information because early budget development projections are almost always very different from the final version that is voted on in June each year.

Act 1 of 2006 – What is it and How Does it Impact Budget Development

Act 1 of 2006 is state legislation that made significant changes to the timeline and process for school districts in the annual development. Act 1 also placed limitations on School District's ability to annually adjust its real estate tax rate. Lastly, Act 1 provided for Property Tax reductions via Homestead/Farmstead. Each is explained below:

Timeline – Prior to Act 1, District budget adoption only required a proposed final and final budget adoption (typically May and June). After Act 1, there is an additional board vote required in January/February referred to as the proposed preliminary budget. School Districts may opt out of the January/February preliminary budget adoption step by passing a resolution to stay at a tax increase at or below the annual Act 1 Index.

Taxes – Prior to Act 1, Districts' could adjust taxes by any amount provided a majority vote of School Board. Post Act 1, Districts' must limit tax increase to annual Index. The Index is posted by the PDE each year and is linked to Statewide Average Weekly Wage (SAWW) and Employment Cost Index reported by Federal Department of Labor. The Act 1 Index is a barometer of the larger economy tied to wages and inflation. During times of wage growth, the Act 1 Index is higher than in times of lower wage growth. School Districts are the only governmental entity in Pennsylvania required to stay within a tax limit each year.

Current Millage Rate = 20

Act I Index = 3.0%

Millage Rate Increase Limit = .6 Mill

Maximum Millage Rate = 20.6

School Districts may also be subject to an adjusted Index. If a Districts MV/PI (Market Value/Personal Income) aid ratio is .4 or higher (Nazareth is .4157) it is eligible for the following adjustment. The calculation is as follows. $.75 + .4157 = 1.166$; $1.166 \times \text{base index of } .40 = 0.4664$ (rounded to 4.7%)

| | A | B | C | D | E | F | G | H | I | J | K |
|---|-----------|------------------|-------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | AUN | School District | County | 2025-26 | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 | 2019-20 | 2018-19 |
| 7 | 120484803 | Nazareth Area SD | Northampton | 4.7% | 6.3% | 4.8% | 4.0% | 3.6% | 3.1% | 2.8% | 2.8% |

Property Tax Reductions – Each year, the state will distribute a portion of gaming fund taxed revenues (Casinos) to eligible property owners. Typically, the property tax reduction averages around \$200 - \$250 per homeowner. Property owners must be signed up for and receive approval from the county of residence to receive the rebate off of their tax bill.

Budget Development:

The annual budget development involves literally thousands of decisions and prioritization as to plans/initiatives/sustainability measures. Developing a budget is a complex balance of determining priorities and associated costs against revenues needed to fund everything. While the math part of this process is straightforward, the challenges are that there are many more expenditures than there is revenue to cover. This then results in whether to increase revenues via taxes, decrease the expenditures, or a combination of both. This again is a months-long process that entails many stakeholders and decisions.

No budget can be developed without viewing it as a long-term multi-year project. This is especially true now based on the limitations imposed by Act 1.

Personnel costs are the single largest driver of the annual budget. Personnel costs include wages and fringe benefits for staff members that are governed by binding agreements. For Nazareth, the 2024-25 Budget total is \$110,976,994 and personnel costs total \$79,301,070, or 71.5% of the entire budget.

The vast majority of the budget is guided by mandated costs. This means that the discretionary portion of the budget represents a small fraction of the total.

In addition to the major cost drivers of our annual budget, there are many other components across departments and buildings that contribute to the annual budget. Each of these is evaluated with the director/principal annually.

Budget development starts in August each year with a final budget vote in June. This means that the budget development cycle is ongoing nearly all 12 months of the year.

How to Breakdown a Budget

Budget development is based on assigning expenditures and revenues to account codes that are assigned by the PDE for those areas. Individual school districts must utilize these account codes for all expenditures and revenues.

<https://www.pa.gov/content/dam/copapwp-pagov/en/education/documents/schools/grants-and-funding/school-finance/comptrollers-office/chart%20of%20accounts%202024-2025.pdf>

10-1110-610-000-10-210-000-000-0210

10 – FUND

1110 – FUNCTION

610 – OBJECT

000 – FUNDING SOURCE (Title I, II, IV, IDEA)

10 – INSTRUCTIONAL ORGANIZATION (Elementary/Secondary)

210 – OPERATIONAL UNIT (Building – Butz Elem)

000 – NOT DESIGNATED

000 – NOT DESIGNATED

0210 – BUDGET RESPONSIBILITY (USED TO DETERMINE WHO CONTROLS FUNDS)

Below, represents the broad categories of expenditures within a school district budget. Explanation is as follows:

Instructional Costs: Function Codes 1100-1199– This includes all staff salaries/benefits and related costs for supplies/equipment/contracted services, etc... directly attached to classroom instruction.

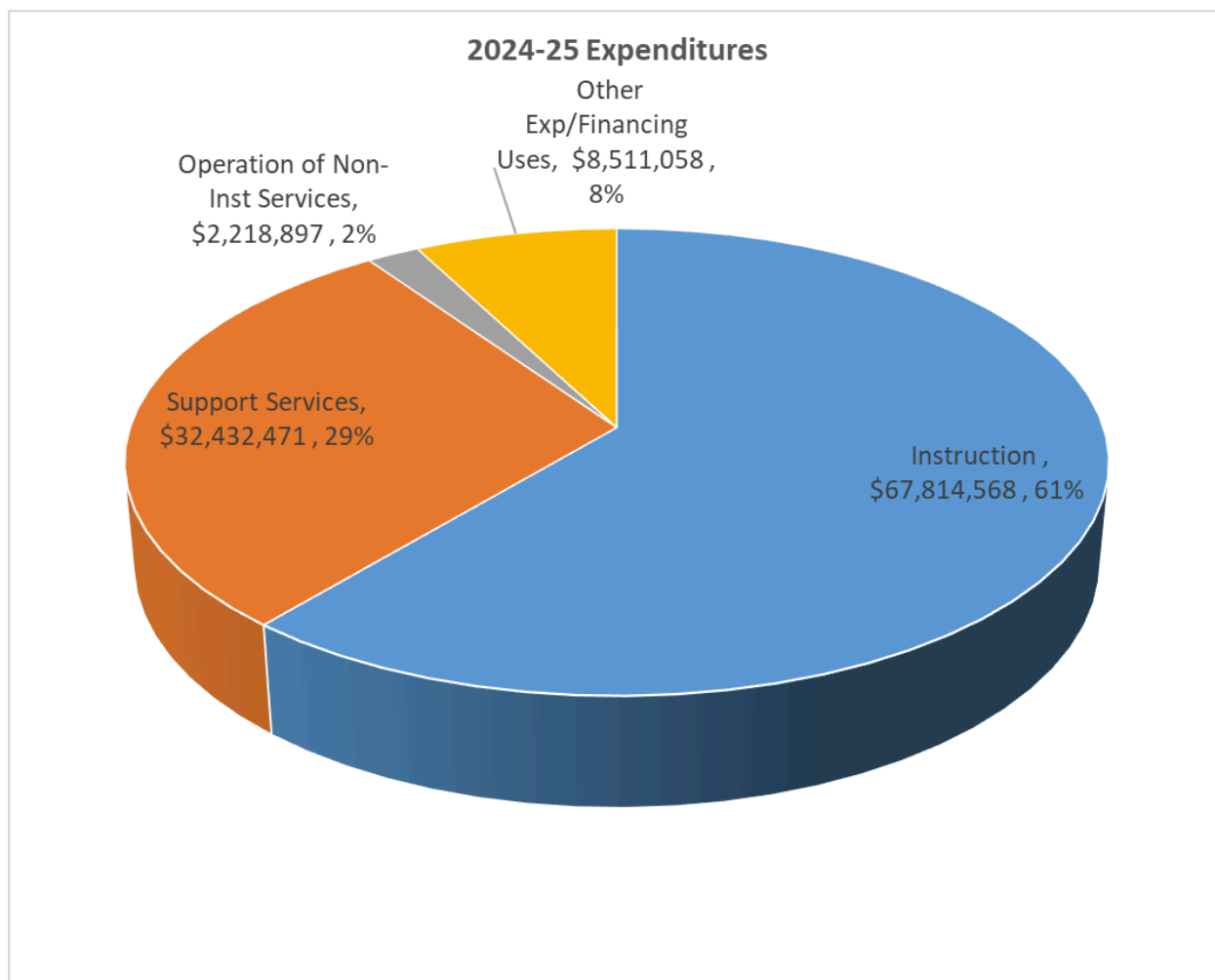
Support Services: Function Codes 2000-2999- This includes all staff salaries/benefits and related costs for supplies/equipment/contracted services, etc... directly attached to supporting the classroom instruction (Principal Office, Library, Guidance, etc.)

Operation of Non Instructional Services: Function Codes 3000-3999 - This includes all staff salaries/benefits and related costs for supplies/equipment/contracted services, etc... directly attached to programs and services outside of direct classroom instruction (extra curricular, athletics).

Other Expenditures/Financing Uses: Function Codes 4000-5999– This includes all costs included by the repayment of debt borrowed for large capital expenditures (ex. Lower Nazareth/Butz Expansions).

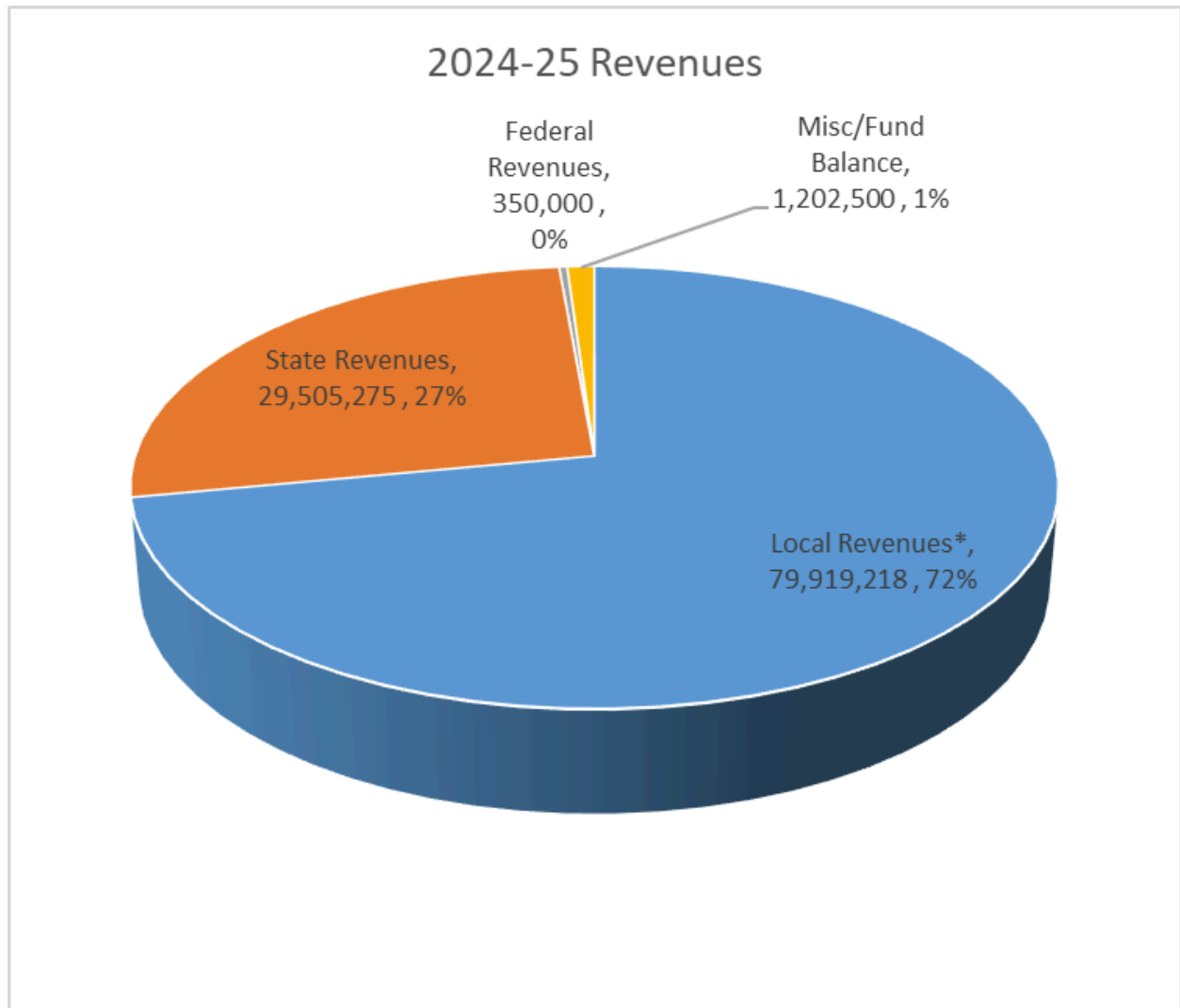
How Nazareth's Budget Breaks Down: Expenditures

90% of Nazareth's budget is dedicated to direct classroom instruction and the support of classroom instruction. Non-instructional (athletic/extra curricular) services represent 2% of our expenditures and financing uses (debt repayment) represent 8% of our expenditures.



How Nazareth's Budget Breaks Down: Revenues

Local Revenues fund 72% of Nazareth's budget, followed by 27% state-funded and 1% fund balance (savings account) funded. Federal Revenues fund less than 1% of the budget. The only source of adjustable revenues is local property taxes.



Public School Districts have no control over the funding received from the state or federal governments. For the 2024-25 fiscal year, state funding of our overall budget totals totaled 27% of total budgeted revenues. Federal Funding represents less than 1%. Use of Fund Balance represents use of District "savings" used to balance the budget.

Real Estate Property Values and Taxes:

The county tax assessment office is responsible for assigning a “value” to all properties within the county’s borders. This value for taxation purposes is referred to as the “assessed value”. Alternatively, Market value represents the real value of the property and the assessed value is a % percentage of that amount. For Northampton County, the assessed value is 50% of the Market Value.

Market Value

A property's *market value* has been defined by the Pennsylvania State Supreme Court as the price in a competitive market a purchaser, willing but not obligated to buy, would pay an owner, willing but not obligated to sell, taking into consideration all the legal uses to which the property can be adapted and might reasonably be applied.

| | |
|---------------------|--------------------|
| Land value | \$44,600 |
| Building value | + \$189,600 |
| Market value | = \$234,200 |

Assessed Value

The Assessor is responsible for establishing the *assessed value* of properties. They are calculated by multiplying a property's market value by a predetermined ratio. This predetermined ratio is currently set to 50% for the whole county. The assessment process takes place every year.

| | |
|-----------------------|--------------------|
| Assessed value | = \$117,100 |
|-----------------------|--------------------|

The Assessed Value total for all properties in a particular District is then used to determine the amount of revenue needed by determining the multiplier (millage rate) based on each 1,000 dollar of assessed value. The following multiplication is used for this calculation:

Assessed Value - \$1,000,000

Millage Rate - 50.00

Calculation - $\$1,000,000 \times 50.00 / 1,000 = \text{Total RE Tax Collection } \$50,000$

*Same calculation is used for individual tax bills.

Nazareth Facts and Figures:

Nazareth is the lowest spending school district per pupil of the 13 district in IU20 region for the past two years:

TABLE 11

Budgeted Expenditures Per Pupil In Dollars

| School District | 2023-24 Full Time Equivalent Enrollment | 1000 Instructional Services | 2000 Support Services | 3000 Noninstructional Services | 4000 Facilities Acquisition, Construction and Improvement Services | 5000 Other Financing Uses | Total |
|------------------|--|-----------------------------------|-----------------------------|--------------------------------------|---|---------------------------------|--------|
| Bangor | 2,768 | 13,052 | 7,020 | 497 | | 1,961 | 22,530 |
| Bethlehem | 12,712 | 16,790 | 7,503 | 371 | 3 | 2,028 | 26,696 |
| Delaware Valley | 4,375 | 13,565 | 6,665 | 739 | | 739 | 21,707 |
| East Stroudsburg | 6,432 | 16,173 | 8,937 | 492 | 622 | 2,972 | 29,195 |
| Easton | 7,999 | 16,271 | 6,923 | 326 | | 2,223 | 25,743 |
| Nazareth | 4,954 | 13,254 | 6,245 | 431 | | 1,593 | 21,524 |
| Northampton | 5,176 | 14,370 | 7,270 | 332 | 599 | 2,241 | 24,812 |
| Pen Argyl | 1,434 | 14,097 | 8,175 | 965 | | 1,741 | 24,978 |
| Pleasant Valley | 4,264 | 14,644 | 8,379 | 345 | | 1,207 | 24,575 |
| Pocono Mountain | 7,983 | 17,422 | 9,224 | 597 | | 2,713 | 29,956 |
| Saucon Valley | 1,938 | 16,628 | 8,300 | 698 | 3,850 | 1,116 | 30,593 |
| Stroudsburg | 4,540 | 17,090 | 8,231 | 378 | | 3,128 | 28,827 |
| Wilson | 2,122 | 13,254 | 6,014 | 519 | | 2,195 | 21,982 |

TABLE 16
Increase of Total Costs Per Pupil

| School District | 2022-23 Cost Per Pupil | Rank | 2023-24 Cost Per Pupil | Rank | % Change | Rank | \$ Change |
|------------------|---------------------------|------|---------------------------|------|----------|------|-----------|
| Bangor | 21,819 | 11 | 22,530 | 10 | 3.26 | 8 | 711 |
| Bethlehem | 25,702 | 5 | 26,696 | 5 | 3.87 | 7 | 994 |
| Delaware Valley | 21,148 | 12 | 21,707 | 12 | 2.65 | 9 | 560 |
| East Stroudsburg | 28,843 | 1 | 29,195 | 3 | 1.22 | 10 | 352 |
| Easton | 24,280 | 8 | 25,743 | 6 | 6.03 | 3 | 1,463 |
| Nazareth | 20,356 | 13 | 21,524 | 13 | 5.74 | 4 | 1,168 |
| Northampton | 22,984 | 9 | 24,812 | 8 | 7.96 | 2 | 1,829 |
| Pen Argyl | 24,937 | 7 | 24,978 | 7 | 0.17 | 11 | 41 |
| Pleasant Valley | 25,019 | 6 | 24,575 | 9 | (1.78) | 13 | (444) |
| Pocono Mountain | 28,673 | 2 | 29,956 | 2 | 4.47 | 6 | 1,282 |
| Saucon Valley | 25,934 | 4 | 30,593 | 1 | 17.96 | 1 | 4,659 |
| Stroudsburg | 27,461 | 3 | 28,827 | 4 | 4.97 | 5 | 1,366 |
| Wilson | 22,146 | 10 | 21,982 | 11 | (0.74) | 12 | (164) |

The below chart reflects the revenues collected by source to fund operations.

TABLE 18
2022-2023 Summary of General Fund Revenues by Source

| School District | Local Sources | % | State Sources | % | Federal Sources | % | Other Sources | % | Total |
|------------------|---------------|-----|---------------|-----|-----------------|----|---------------|----|-------------|
| Bangor | 37,845,970 | 59% | 23,528,630 | 37% | 2,299,901 | 4% | | 0% | 63,674,501 |
| Bethlehem | 227,157,551 | 67% | 95,278,567 | 28% | 14,479,288 | 4% | 220,925 | 0% | 337,136,332 |
| Delaware Valley | 54,010,882 | 57% | 36,749,848 | 39% | 3,544,754 | 4% | | 0% | 94,305,484 |
| East Stroudsburg | 114,151,816 | 64% | 55,670,607 | 31% | 7,425,262 | 4% | 1,972,022 | 1% | 179,219,707 |
| Easton | 128,666,744 | 65% | 58,870,076 | 30% | 10,074,306 | 5% | 700,816 | 0% | 198,912,536 |
| Nazareth | 76,820,812 | 73% | 26,854,479 | 25% | 1,618,436 | 2% | 295,559 | 0% | 105,589,286 |
| Northampton | 84,365,411 | 67% | 35,833,100 | 28% | 4,600,000 | 4% | 1,133,857 | 1% | 125,942,313 |
| Pen Argyl | 23,275,866 | 64% | 11,820,038 | 32% | 1,472,890 | 4% | | 0% | 36,568,793 |
| Pleasant Valley | 59,593,518 | 53% | 49,195,720 | 43% | 3,280,723 | 3% | 1,068,982 | 1% | 113,138,944 |
| Pocono Mountain | 147,707,818 | 61% | 75,996,772 | 32% | 16,858,600 | 7% | 12,150 | 0% | 240,575,341 |
| Saucon Valley | 39,226,558 | 75% | 11,095,884 | 21% | 2,137,623 | 4% | | 0% | 52,460,065 |
| Stroudsburg | 82,284,161 | 60% | 43,277,125 | 32% | 9,922,496 | 7% | 971,113 | 1% | 136,454,894 |
| Wilson | 29,107,386 | 61% | 15,731,569 | 33% | 2,694,585 | 6% | | 0% | 47,533,540 |

Other Nazareth Facts:

- Nazareth has repaid in the past 4 years nearly \$9 million in bond debt early, saving significant interest costs over the normal payback period.
- K-12 Building budgets have not increased in the last 9+ years even though the student population has increased by over 200+ students in the past 4 years.
- Nazareth's annual tax burden is less than 1% (.88%) on average annually since the 2020-21 FY
- Nazareth has added 37 new teacher positions since 2020-21 FY
- Nazareth's Charter School Costs have reduced by nearly \$1 million dollars since 2021-22FY. Student enrollment decreased from post pandemic high of 236 - \$3.9+ MM to 164 - \$3.1 MM

Summary:

Thank you for attending the Superintendent Roundtable on Financial Planning this evening. We hope that you have found it informative.