

Northampton Area School District

Preliminary Budget Presentation

School Year 2025-26

January 13, 2025





Mission Statement

Northampton Area School District is dedicated to educating and developing responsible citizens who learn from the past, listen to the present, and lead our future.

Learn, Listen, Lead

Vision Statement

Northampton Area School District will empower students to achieve individual, unique, and authentic success through a culture of excellence.

Role of the School Board and the Budget

- A school district budget, no matter how large or small, is a delicate balance of policy choices.
- Adopting a budget is one of the most important functions of the school board.
- Budgets provide school boards with the opportunity to directly influence the educational environment.
- Adoption of the budget provides administration with direction and guidance to act.
- Almost every major decision made by the school board is or needs to be incorporated into the budget.



*Source: Understanding School Finance – A Basic Guide for Pennsylvania School Directors.
Published by the Pennsylvania School Boards Association.*

Revenue

Preliminary Budget Presentation

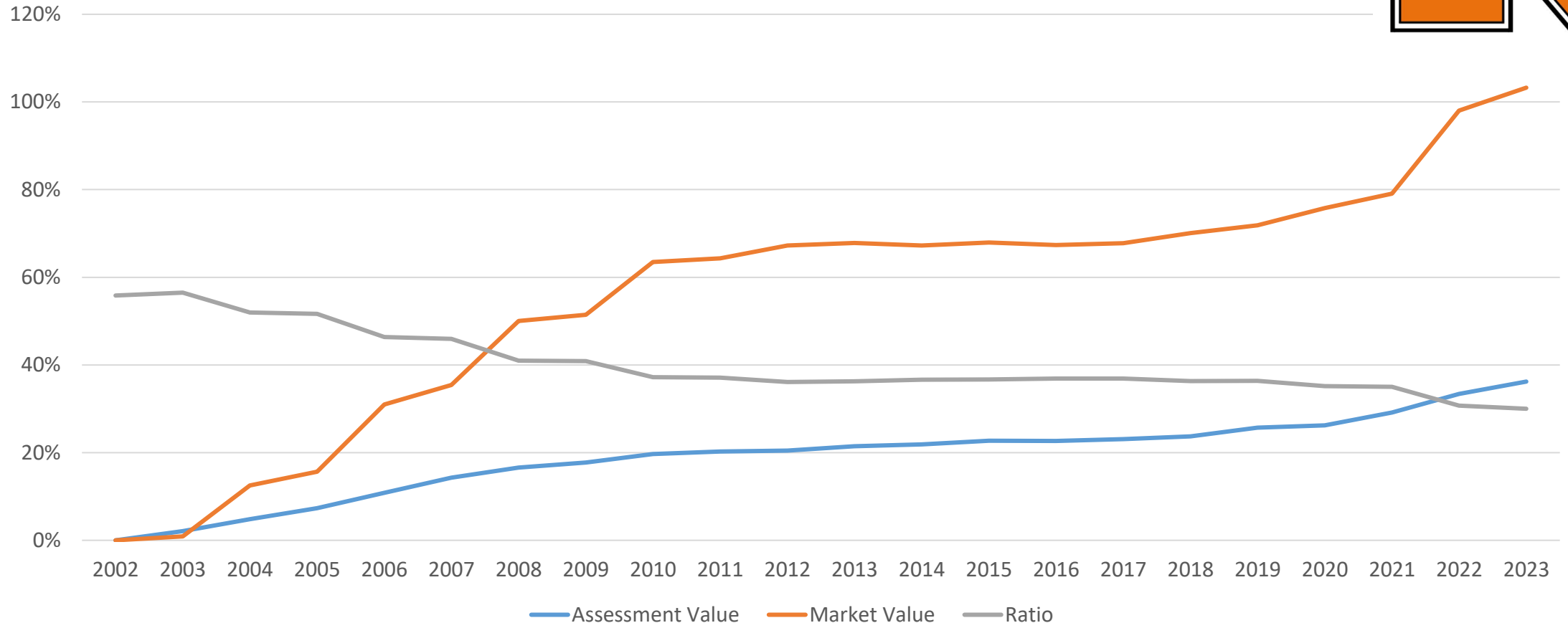
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Market & Assessment Value Trend



- 2023 Market value increased 5.2% over 2022.
- 2023 Assessment value increased 2.8% over 2022.
- Market/Assessment ratio down to 30% as of 2023. Leads to improprieties between similar properties.

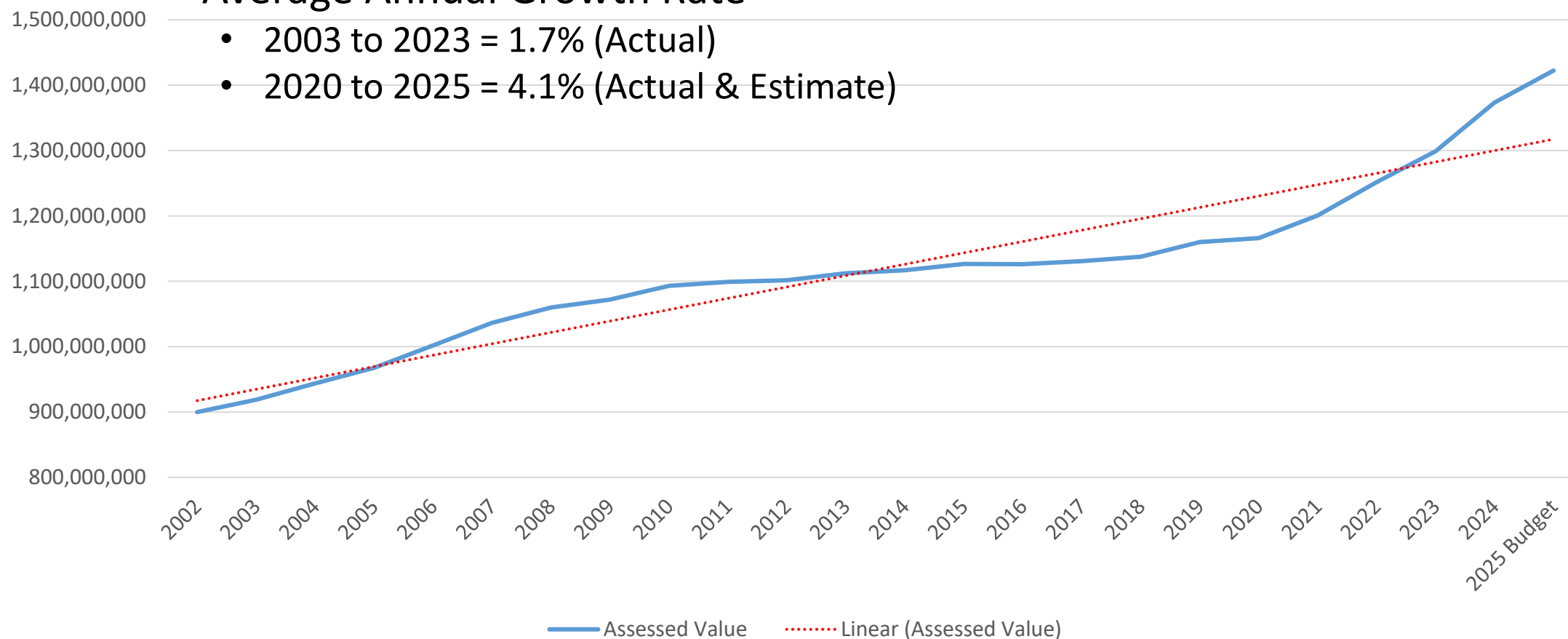
Source: State Tax Equalization Board (STEB)



Assessment Value Historical & Forecast

Average Annual Growth Rate

- 2003 to 2023 = 1.7% (Actual)
- 2020 to 2025 = 4.1% (Actual & Estimate)

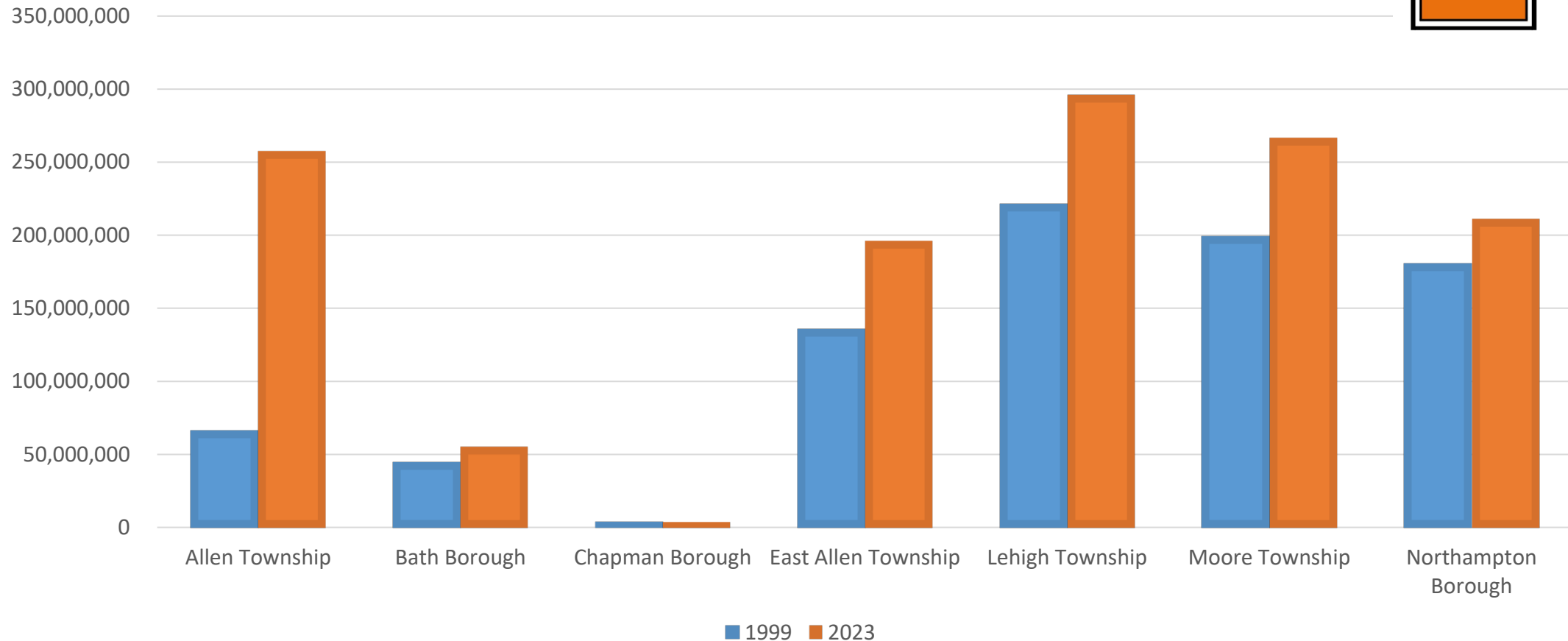


Assessment Value and Real Estate Millage drives Real Estate Tax Revenues.

Source: State Tax Equalization Board (STEB), Northampton County Assessment Office, and Administration Estimates



Assessment Value by Municipality



Source: State Tax Equalization Board (STEB)



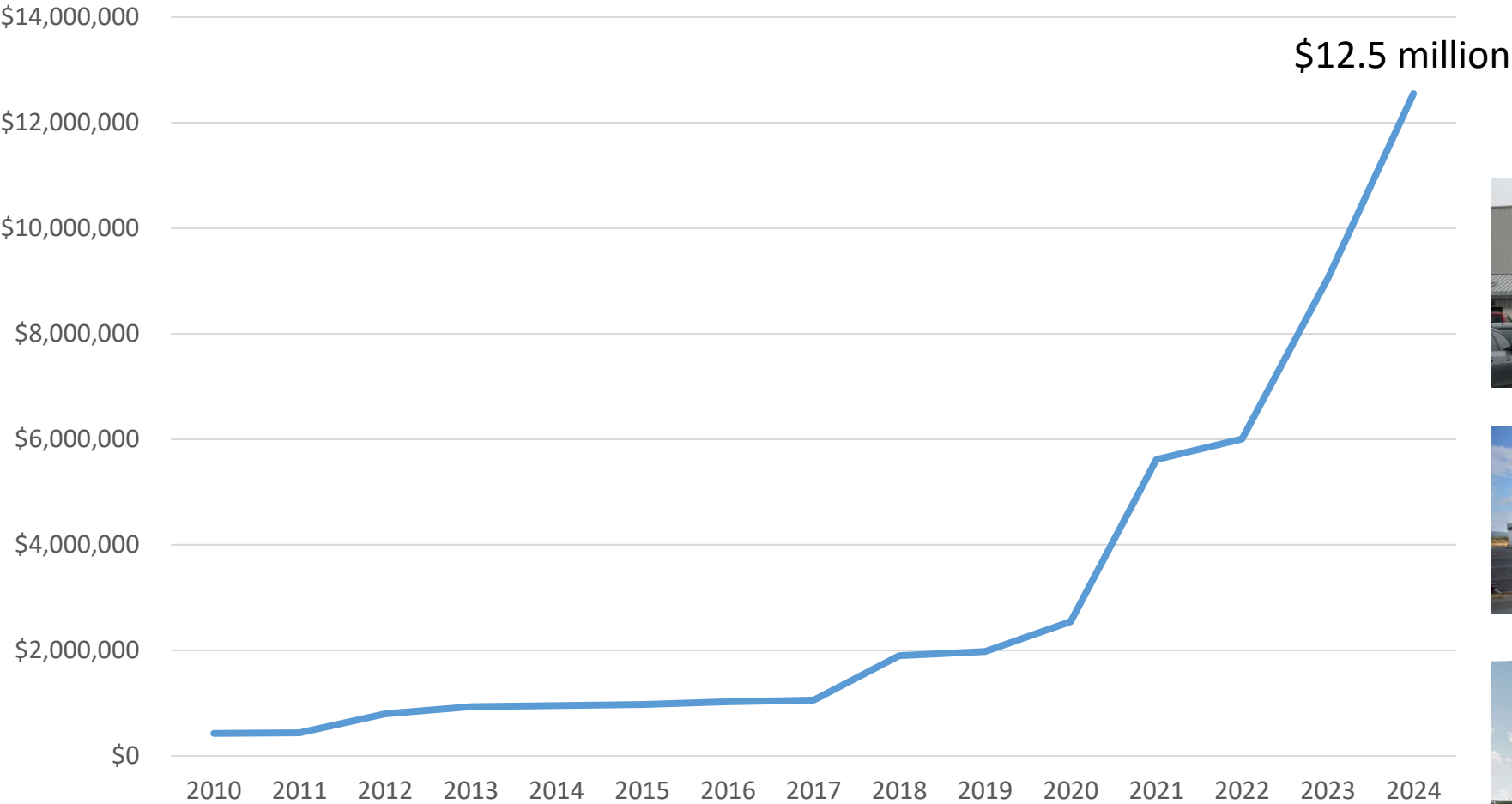
Recent Industrial Developments

- JW Development Partners-
 - Cesanek Road
- 7345 Airport Road
- 7378 Airport Road
- Century Commerce/Prologis –
 - Liberty Drive (Behind Ace Hardware)
- Centerpoint/Geodis Willowbrook
- Fedex Ground
- Trader Joe's
- Fisher Scientific
- Radar Distribution

District is now realizing over \$12 million annually in Real Estate Tax Revenue related to these properties.



Recent Industrial Development Revenue by Year*



*Does not include fees associated with District initiated reverse tax appeals

Source: Northampton County Assessment Office and Administration Estimates

Recent Housing Developments

- Toll Brothers (East Allen) – 246/246 on books
- Kay Homes – Fields at Willowbrook (Boro) – 56/56 on books
- Towpath Estates (Allen) – 83/93 on books
- Sunny Slope Crossings (East Allen) – 0/81 on books
- Stone Ridge extension (Allen) – 0/80 units on books
- Northampton Crossings (Boro) - 40/40 on books
- Bathview Phase III (Bath) – 36/36 units on books
- Vineyard Estates (Lehigh) – 0/18 units on books
- North Hills of Allen (Allen) – 0/58 units on books
- Future Consideration
 - Jaindl Seminary (Lehigh/Allen) – 475-500 units planned
 - Willowbrook Farm (Allen) – 508 units planned
 - Northwood Estates (Lehigh) – 198 units planned
 - High Meadow Phase 2 (Allen) – 37 units planned
 - Top of the Mountain Estates (Lehigh) – 34 units planned
 - Compass East Subdivision (East Allen) – 45 units planned

Source: Local Municipalities and Administration Estimates



SUNNY SLOPE CROSSINGS

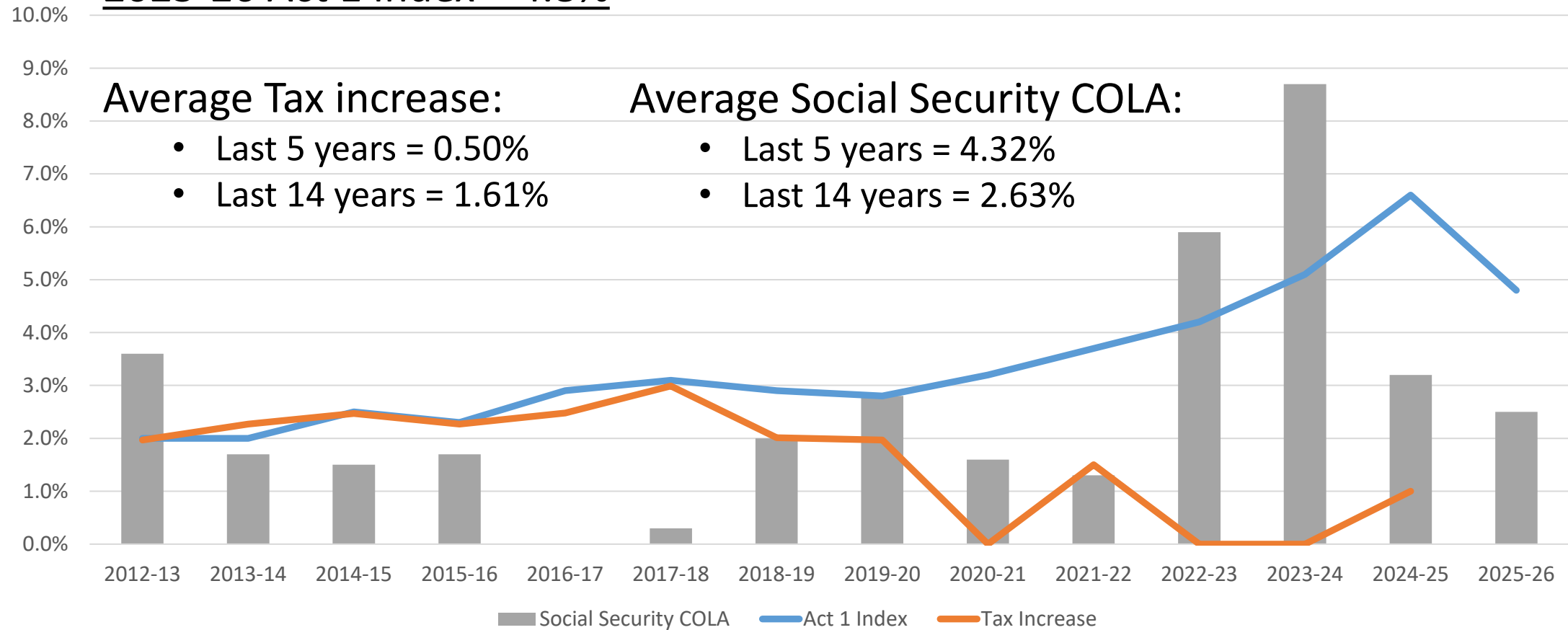
EAST ALLEN TOWNSHIP
NORTHAMPTON COUNTY, PENNSYLVANIA





Act 1 Index compared to Tax & SSA Increase

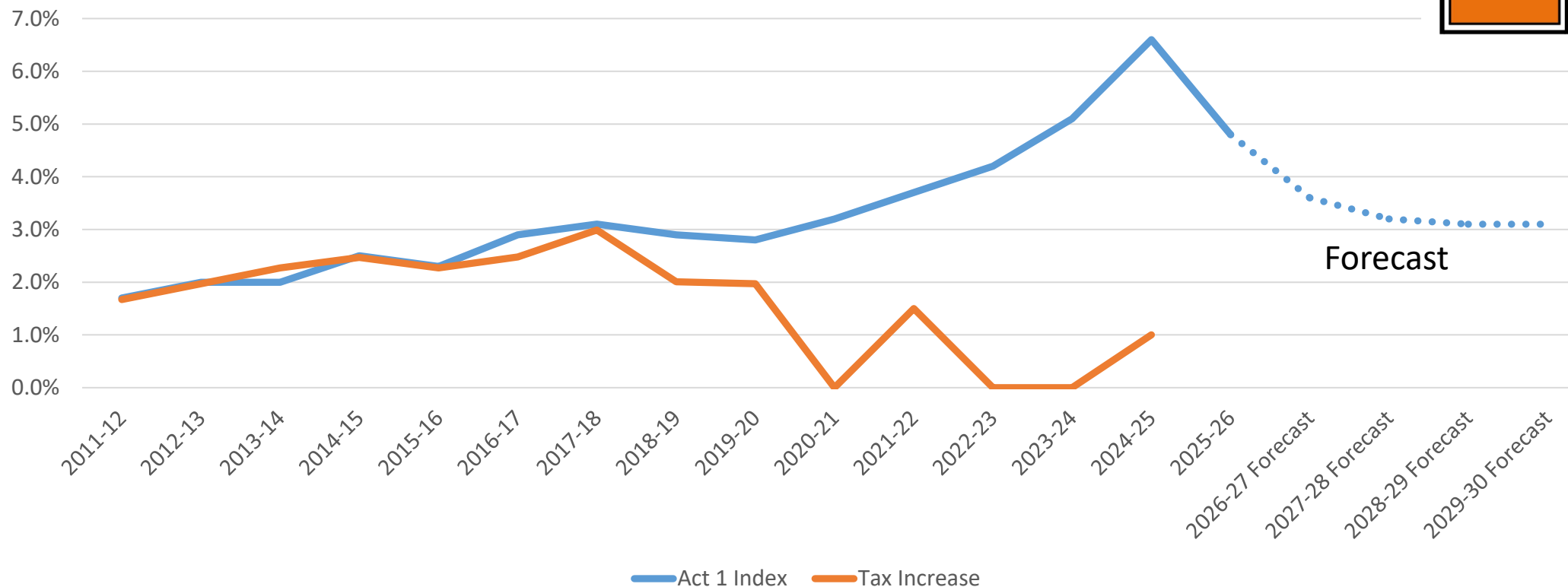
2025-26 Act 1 Index = 4.8%



Source: Pennsylvania Department of Education (PDE) & Social Security Administration (SSA)



Act 1 Index Forecast



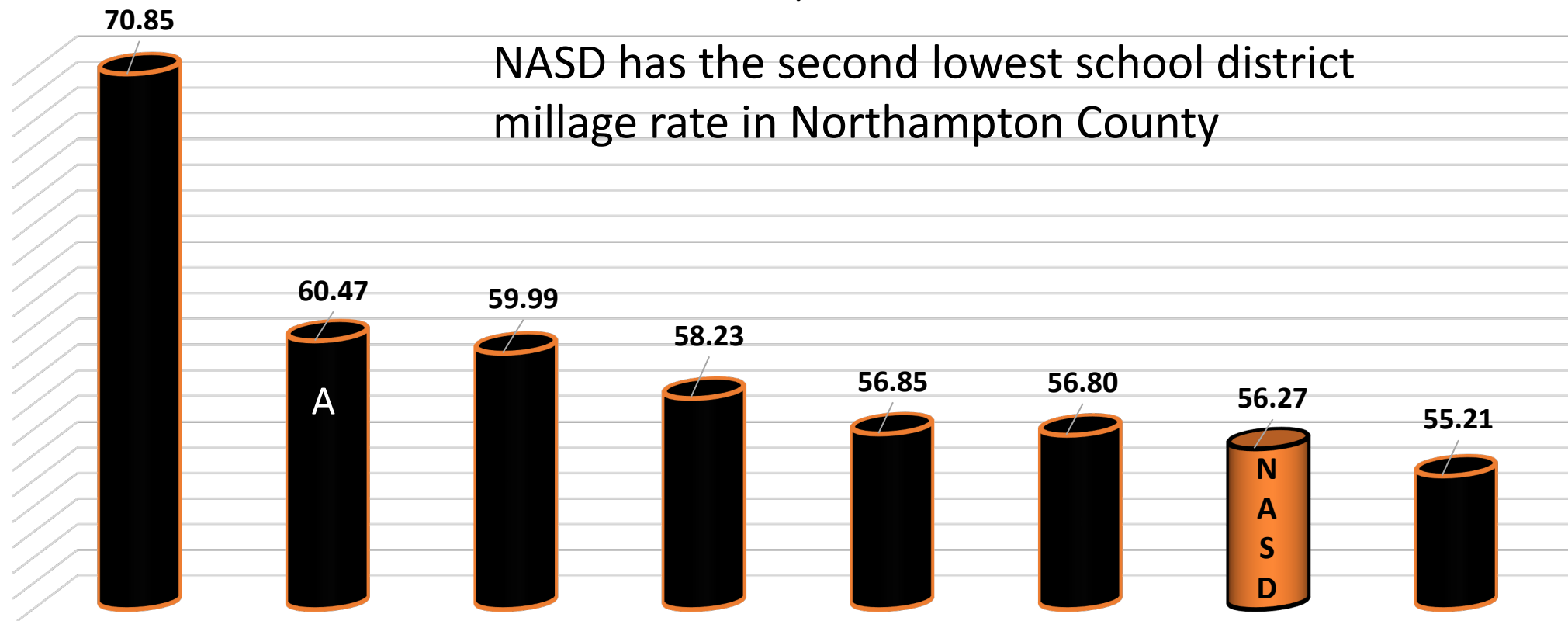
- Act 1 index forecasted to decline; limiting Board's taxing authority.

Source: Pennsylvania Department of Education (PDE) & Independent Fiscal Office (IFO)



Northampton County Millage Rates

As of July 1, 2024



Based on NASD's average assessed value of 63,000, a taxpayer in NASD pays \$3,545 in property taxes prior to the Homestead rebate. While a taxpayer in District "A" pays \$3,810 on a similarly assessed property which is \$265 more than NASD.

Revenue Highlights



- Act 1 index 4.8%
 - Board direction related to PDE application for exceptions
- Strong assessment growth
- Investment earnings hedged to continue in 2025-26
 - Less than 2024 levels due to Federal interest rate drawdown.
- Act 511 (EIT, RE Transfer, Per Capita) continue to perform above trend
- Basic Ed funding assumes increase over 2024-25 (includes July 2024 increase plus \$500,000)
- Special Education funding assumed flat to 2024-25
- Other subsidies (Transportation, Social Security, Pension) funded at 2024-25 rates
- State gambling funding remains flat to 2024-25 (Homestead/Farmstead Deduction)
- Flat federal funding for Title programs and SBAP
 - Monitor Department of Education developments and potential funding impacts

Revenue Summary



	Budget 2024-25	Budget 2025-26	Increase / (Decrease) From 2024-25	
			\$	%
Local	\$88.0	\$92.0	\$4.0	4.5%
State	40.7	42.9	2.2	5.3%
Federal	1.7	1.7	0.0	0.0%
Total	\$130.4	\$136.6	\$6.2	4.7%

Expenditures

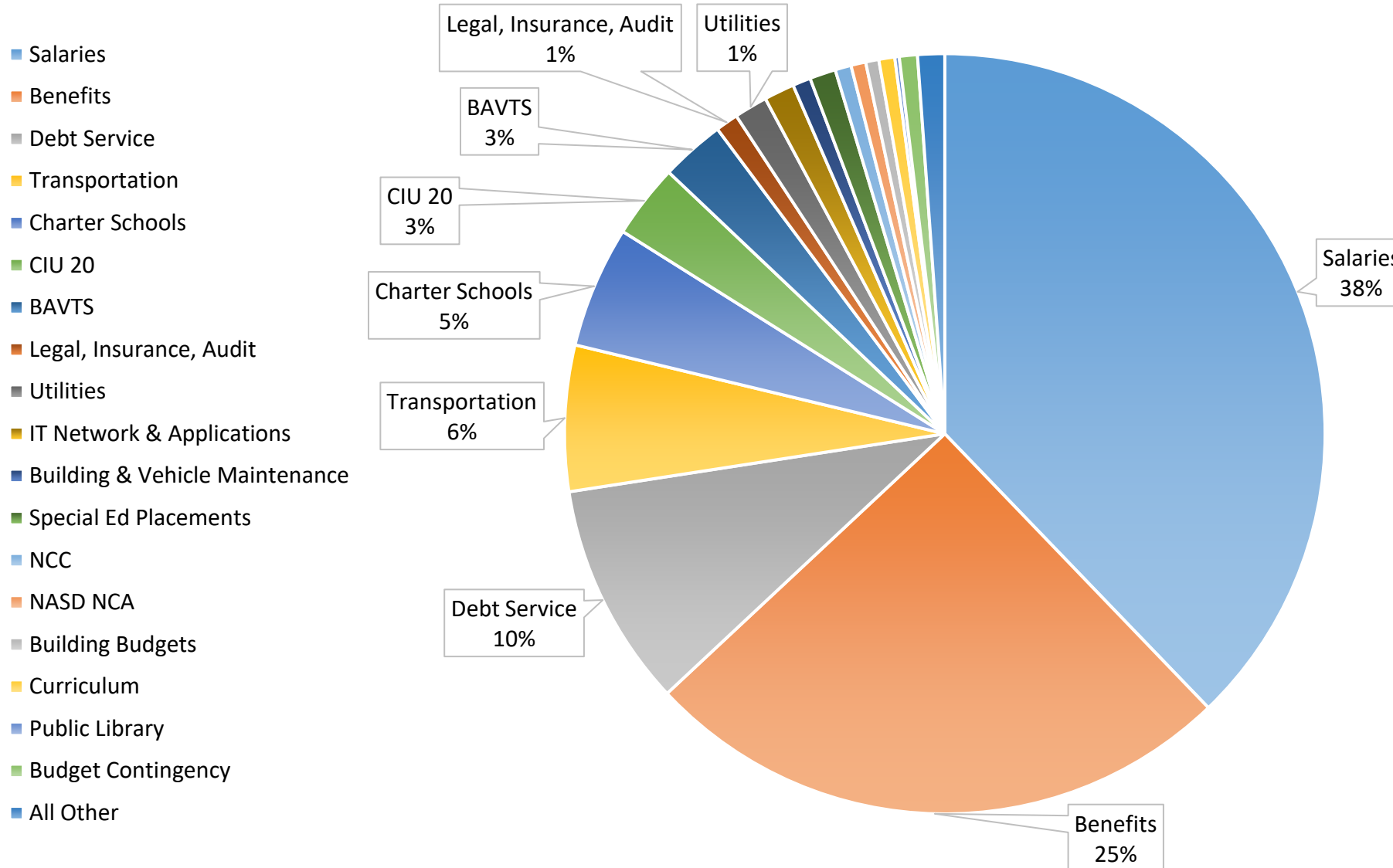
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2025-26 Expenditure Budget





Expenditure Highlights

- Salary costs reflect contracted labor agreements and new staffing requirements
- Medical Plan costs +\$125,000, mainly Prescription
- Pension cost based on December PSERS Board certification +\$700,000
- Charter School Tuition +\$1.4 million, reflects actual costs
- Contracted Transportation +\$1.3 million, accounts for new contract
- BAVTS estimated and assumes acquisition of “The Factory” and SVSD exit from articles of agreement +\$700,000
- Debt Service estimated and assumes staffing five elementary schools and construction costs related to East Allen and Moore and George Wolf HVAC +\$2.3 million
- Rifle Team not included in budget

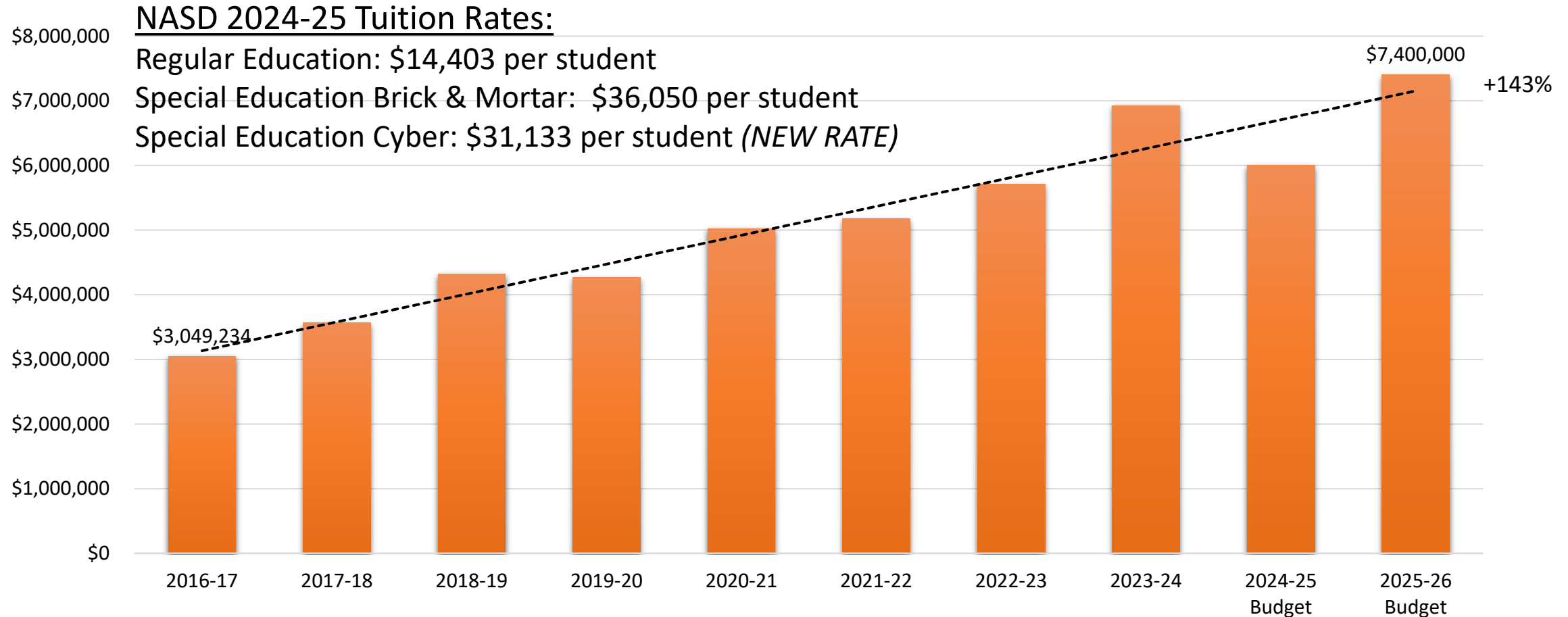


Expenditure Summary

	Budget 2024-25	Budget 2025-26	Increase / (Decrease) From 2024-25	
			\$	%
Salaries	\$51.6	\$54.1	\$2.5	4.9%
Benefits	35.1	36.1	1.0	2.8%
Charter Schools	6.0	7.4	1.4	23.3%
BAVTS	3.2	3.9	0.7	21.9%
Debt Service	11.3	13.6	2.3	21.0%
Transportation	7.6	8.9	1.3	16.3%
IU20 Services	4.0	4.5	0.5	12.8%
1:1 Program	0.0	0.7	0.7	*
All Other	13.1	13.6	0.5	3.7%
Total	\$131.9	\$142.8	\$10.9	8.3%

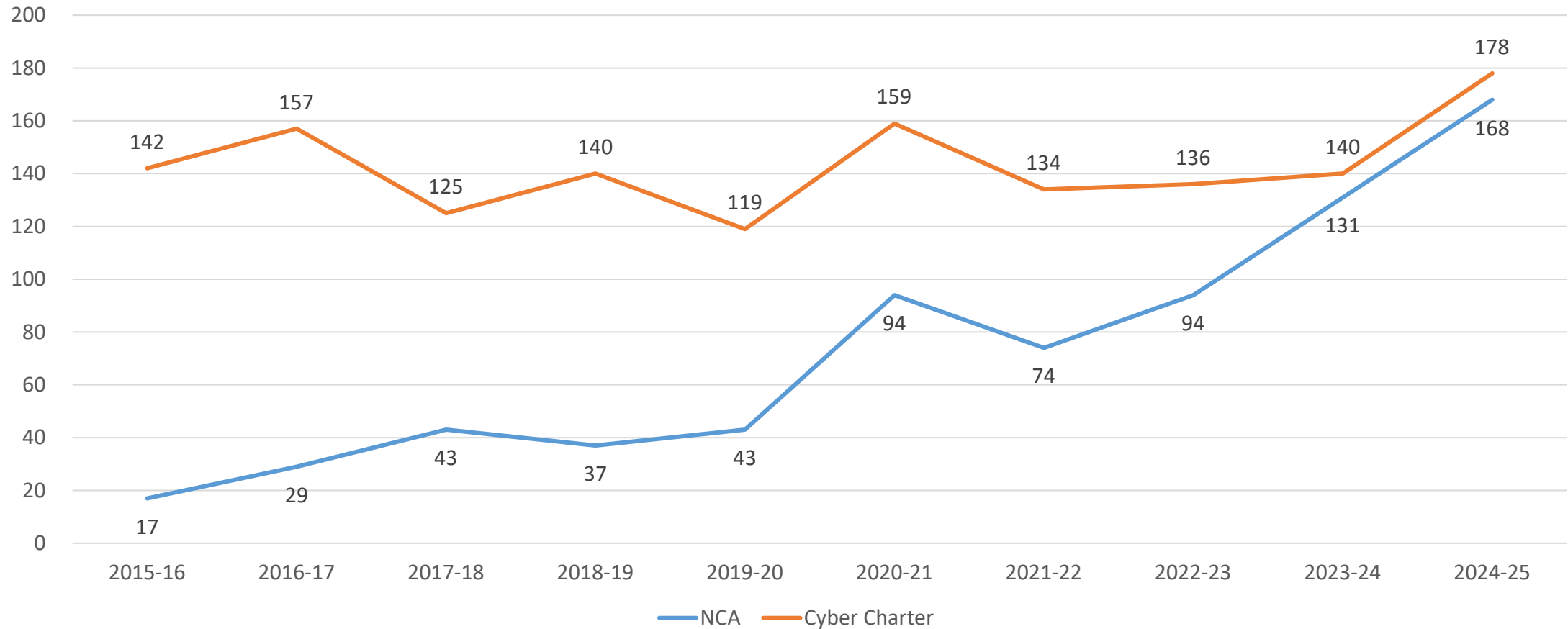


Charter School Costs



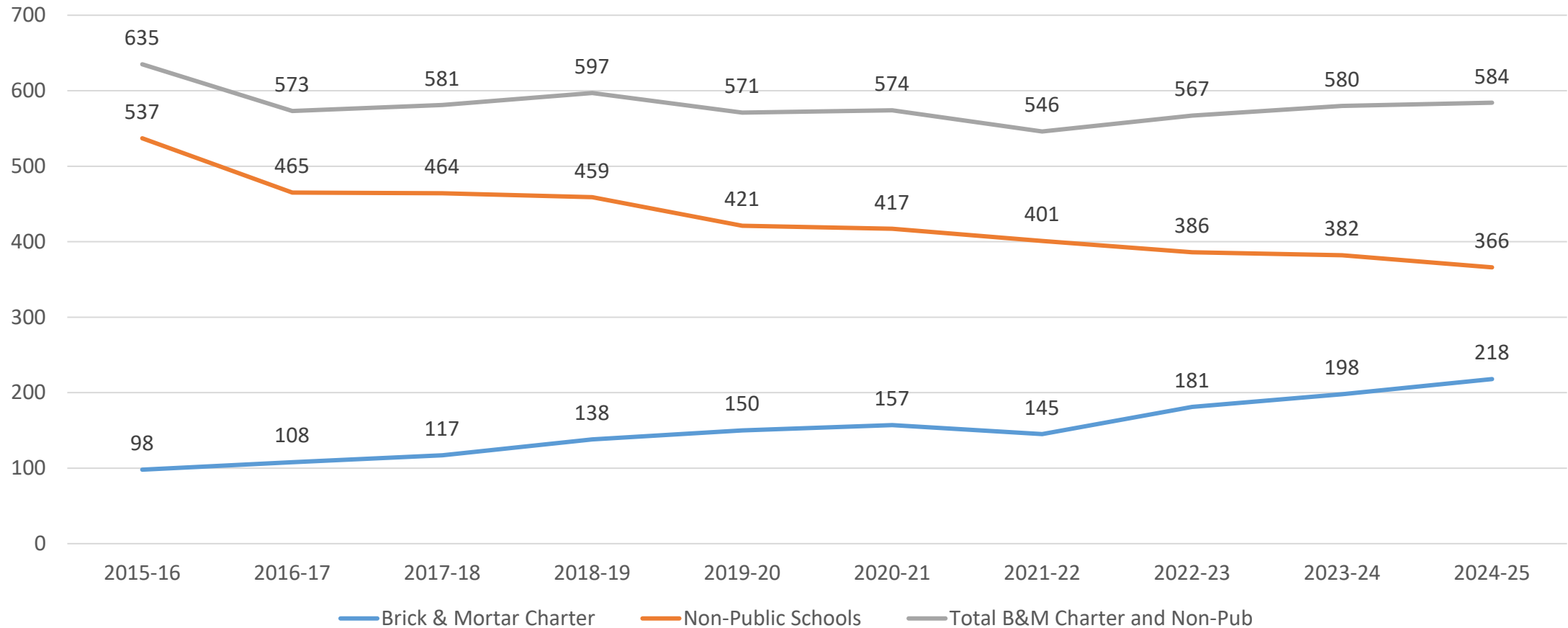
- New Special Education Cyber Charter Rate estimated to “save” the District \$100,000
- Additional legislative action is needed to address the Charter school funding formula

Northampton Cyber Academy (NCA) Enrollment vs. Cyber Charter Enrollment



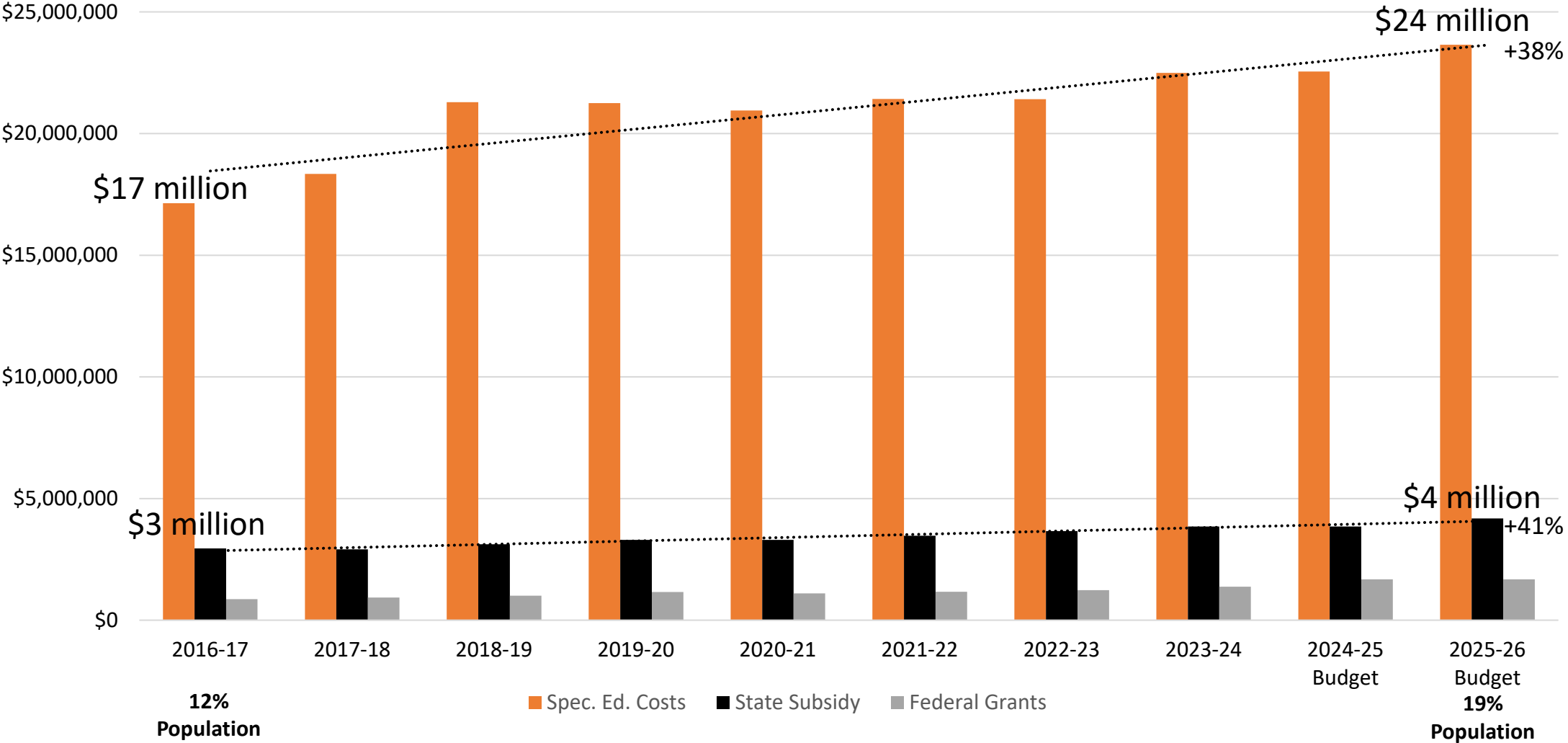
- Based on NCA tuition rate, Cyber Charter Schools are overpaid by more than \$2 million per year.

Brick & Mortar Charter Enrollment vs. Non-Public School Enrollment



- NASD pays all tuition related to Charter Schools.
- Parents are electing to move students to “Free” Charter Schools rather than pay private school tuition.

Special Education Costs vs. Subsidy



Expenditures vs State Subsidy

“Unfunded State Mandates”

- **Special Education**

- Cost \$23.6 million
- Subsidy \$4.2 million
- ***Difference \$19.4 million***

- **Transportation**

- Cost \$8.9 million
- Subsidy \$4.0 million
- ***Difference \$4.9 million***

- **Charter Schools**

- Cost \$7.4 million
- Subsidy \$0.3 million (estimate)
- ***Difference \$7.1 million***



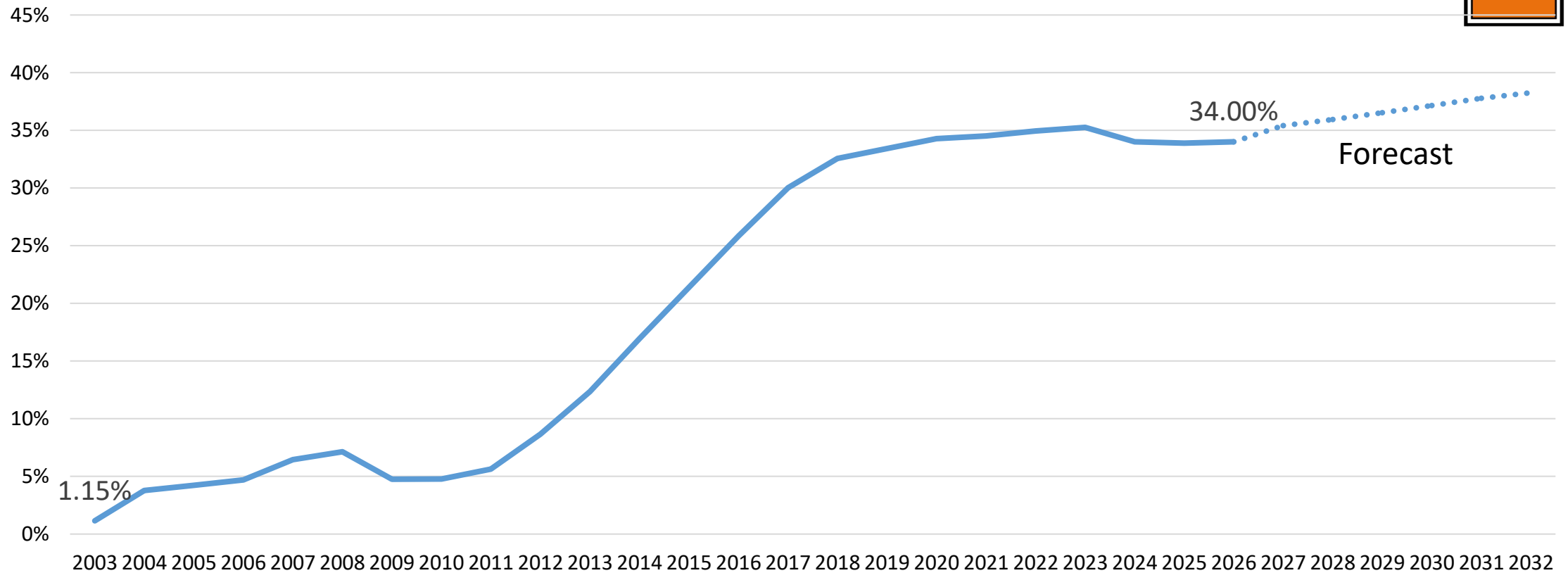
Total shortfall of the three
state mandated programs
is over ***\$31 million***
and is picked up by the
local taxpayer

Staffing Assumptions



- 9 new positions added to the 2025-26 Budget:
 - 5 Special Education Teachers (Compliance Requirement)
 - 1 Behavior Health Counselor (Grant Funded)
 - 2 Special Education Instructional Assistants (Compliance Requirement)
 - 1 Network Analyst
- Increased substitute teaching budget to reflect actual costs.
- Increased security OT budget to reflect actual costs.
- Additional staffing considerations are included in potential budget cut section of presentation.

PSERS Contribution Rate



- Mandated Contribution Rate is 34.00% in 2025-26 as certified by the PSERS Board of Trustees on December 20, 2024.
- More than 80% of the 2025-26 certified employer contribution rate will go toward paying down the pension system's debt, which was the result of years of suppressed employer contributions, unfunded benefit enhancements, and two major market downturns since 2000*.

*Source: <https://www.pa.gov/agencies/psers/newsroom/12202024.html>



Revenue & Expenditure Summary

	Budget 2024-25	Estimate 2024-25	Budget 2025-26
Revenue	\$130.4	\$130.4	\$136.6
Unbudgeted State Revenue		\$1.5	\$0.0
Interim Tax Billings (net of fees)		\$1.0	\$0.0
Expenditures	\$131.9	\$131.9	\$142.8
Net R/E	(\$1.5)	\$1.0	(\$6.2)

2025-26 Initial Tax Options



Deficit	Tax Increase	Revenue Generated	Millage Increase	Add'l Fund Balance Use	Average Annual Tax Bill Increase	Cost per 1,000 of Assessed Value
\$6,259,264	1.00%	\$800,322	0.56	\$5,458,942	\$35.45	0.00056
\$6,259,264	2.00%	\$1,600,644	1.13	\$4,658,620	\$70.90	0.00113
\$6,259,264	3.00%	\$2,400,966	1.69	\$3,858,298	\$106.35	0.00169
\$6,259,264	4.00%	\$3,201,288	2.25	\$3,057,976	\$141.80	0.00225
\$6,259,264	4.80%*	\$3,841,546	2.70	\$2,417,718	\$170.16	0.00270
\$6,259,264	6.09%**	\$4,870,712	3.42	\$1,388,552	\$215.75	0.00342
\$6,259,264	7.82%	\$6,259,264	4.40	\$0	\$277.25	0.00440

- * Act 1 Index; **Act 1 Index **PLUS ESTIMATED** Exceptions (PDE determines final amount)
- Average 2024 Homestead Assessment = \$63,000 (Median Homestead Assessment = \$61,100)
- Average 2024 Homestead Tax Bill \$3,545 less \$171.85 H/F deduction (2024 eligible properties)

Fund Balance

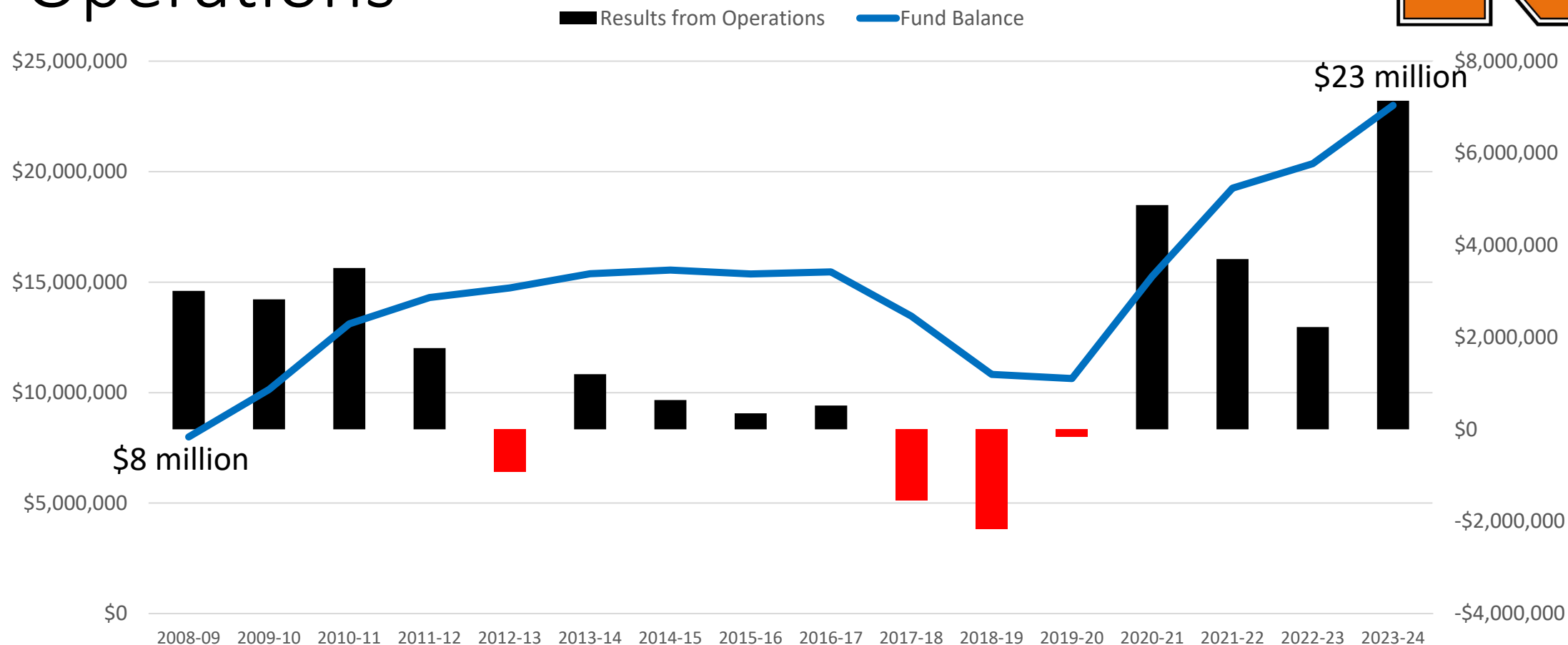
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General Fund Balance / Results from Operations



- Strong Operating Results have increased the Fund Balance to \$23 million as of June 30, 2024
- According to the Government Finance Officers Association (GFOA), general-purpose governments (including school districts) should maintain a fund balance of no less than **two months** of general fund operating expenditures
- Assists in facilitating cash flow needs and unanticipated emergency expenditures; favorable credit rating impact

General Fund Balance as of June 30, 2024



- Non-Spendable
 - Inventory - \$218,181
 - Prepaid Expenses - \$122,076
- Restricted
 - Lehigh Elementary Escrow (PennDOT) - \$688,176
 - East Allen Elementary Escrow (Township) - \$5,413,867
 - East Allen Elementary Escrow (PennDOT) - \$590,906
 - Scholarship Donations - \$137,082
- Committed
 - Moore Elementary Renovation - \$2,000,000
- Assigned
 - Capital Projects - \$5,000,000 (***Transferred \$3 million to Capital Reserve in Dec 2024***)
 - Balance 2024-25 Budget - \$1,468,542
- Unassigned
 - \$7,359,406, 5.7% of Expenditures
 - Within Board Policy & PDE Limits

Capital

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Capital Improvement Update

- Recent Projects in Progress/Completed (\$3.3 million):

- AED Replacements - \$40,000
- Laubach Fence - \$37,000
- Stadium PA System - \$50,000
- HS Gym Audio System - \$30,000
- HS Generator Area Guardrail - \$7,000
- Tennis Court Resurfacing - \$43,000
- DW BAS System Upgrades (HVAC) - \$150,000
- Siegfried Windows - \$300,000
- HS Boilers - \$945,000
- George Wolf Elevator - \$30,000
- HS Brickwork - \$110,000
- HS Chillers (Gym & Auditorium) - \$1,150,000
- HS Roof Repair - \$120,000
- George Wolf Driveway - \$90,000
- Security Camera Upgrades - \$210,000



- High Priority in the next 1 to 2 Years (\$8.5 million):

- HS Auditorium - \$600,000
- Stadium Turf - \$900,000
- Secondary Campus Turf - \$900,000
- Fleet Replacement - \$250,000
- George Wolf HVAC - \$5,800,000

Potential Districtwide Expenditure, Program, Personnel, and Capital Reductions

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Areas Analyzed



- Operating Budget
- Capital Plan
- Programs
- Personnel
- Support Organizations

Operating Budget - \$580,000



- Reduce Copier Fleet - \$36,000
 - Reduces fleet by 25%, staff inefficiencies with potential OT and grievances
- Eliminate staff computer replacement cycle -\$150,000
 - Dated technology, performance, security, potential cyber attacks, insurance impact
- Reduce new Library content - \$32,000
 - Dated materials, all grades impacted
- Reduce instructional supplies - \$50,000
 - Primarily online teacher instructional tools
- Reduce Art & Music supplies - \$25,000
 - All grades impacted, MS & HS competitions
- Reduce School-wide positive behavioral support programs - \$25,000
 - Primarily field trips and building activities for students



Operating Budget - continued

- Reduce professional development opportunities - \$25,000
 - Loss of continuing education and staff development
- Eliminate outdoor field treatment programs - \$15,000
 - Reduced grounds and athletic field quality
- Eliminate indoor air quality testing - \$12,000
 - Non-mandated, delayed recognition of air quality issues
- Eliminate gym floor refinishing program - \$10,000
 - Floor appearance deteriorates
- Adjust Districtwide temperature set point - \$100,000
 - Deviate from 73 degree set point, buildings will be warmer/colder
- Eliminate four bus routes - \$100,000
 - Increased walking distance for students and parent inconvenience

Capital Plan - \$5,890,000



- Cancel George Wolf Driveway Project - \$90,000
 - Contract already executed
- Cancel George Wolf HVAC Project - \$5,800,000
 - Contracts are on tonight's Board Agenda



Programs - \$9,860,000

- Eliminate Student 1:1 devices - \$700,000
 - Transforms District delivery of curriculum
 - Need to develop new curriculum approach
- Eliminate NASD Cyber Academy - \$900,000
 - Cyber-Charter alternative
 - 168 Students impacted
 - Will lead to higher Cyber-Charter cost due to students enrolling in outside charters
- Eliminate Middle School Athletics - \$120,000
 - 230 Students impacted, 18 Staff impacted
- Eliminate Middle School Band, Orchestra, Chorus - \$420,000
 - 400 Students impacted, 3 Staff impacted

Programs - continued



- Eliminate Middle School World Language - \$560,000
 - 395 Students impacted, 4 Staff impacted
- Eliminate Elementary Music - \$700,000
 - All ES Students impacted, 5 Staff impacted
- Eliminate High School Athletics - \$1,500,000
 - 780 Students impacted, 157 Staff impacted
- Eliminate High School Elective Courses - \$4,760,000
 - All HS Students impacted, 34 Staff impacted
- Eliminate High School Student Clubs - \$200,000
 - 1,000 Students impacted, 100 Staff impacted

Personnel - \$2,190,000



- No backfill of retiring teachers - \$1,400,000
 - Higher class sizes
 - Additional workload for existing staff
- Eliminate substitute custodians - \$75,000
 - Delayed daily and deep cleaning, 9 staff impacted
- Eliminate 10-month building secretaries - \$715,000
 - Reduced student services, 9 staff impacted
 - Additional workload for remaining staff
 - Potential for increased OT costs

Support Organizations - \$305,000



- Eliminate Facilities use by outside organizations - \$25,000
 - Energy and staff savings
 - No outside groups allowed to use facilities
- Eliminate Community Education Programming - \$10,000
 - Energy and staff savings
- Eliminate Public Library Contribution - \$270,000



Total Savings - \$18,825,000

- Operating Budget - \$580,000
 - Capital Plan - \$5,890,000
 - Programs - \$9,860,000
 - Personnel - \$2,190,000
 - Support Organizations - \$305,000
-
- *Total Savings that can address the Budget deficit = \$12,935,000*

Key Takeaways

- It's early in the budget cycle
- Need direction related to Act 1 Index
- Many unknowns at this point including state funding amounts
- Industrial development generating tax revenue
- NASD has second lowest millage rate in county
- Staffing / enrollment numbers to be monitored
- Unfunded state mandates put pressure on local community
- Capital improvement consideration/planning
- Board position on millage adjustment / program rationalization / budget cuts



2025-26 Budget Next Steps

- Administration will:
 - Monitor State budget discussions
 - Governor's budget address February 4th
 - Monitor Federal Department of Education status
 - Continue to analyze and prioritize expenditures
 - Monitor enrollment and staffing requirements
 - Update Budget based on new developments



2025-26 Budget Timeline

- December 2, 2024 – School Board Meeting
 - ***Board motion not to exceed the Act 1 Index not approved***
- January 13, 2025 – School Board Meeting
 - *Budget presentation by Administration*
 - ***Board motion not to exceed the Act 1 Index or the Administration will advertise and make the Preliminary Budget available for public inspection***
- February 10, 2025 – School Board Meeting
 - ***Preliminary Budget Vote (if the motion to not exceed the Act 1 index was not approved in January)***
- April 14, 2025 – School Board Meeting
 - *Budget update by Administration including PDE exception amounts (if applicable)*
- May 12, 2025 – School Board Meeting
 - *Budget update by Administration*
 - ***Proposed Final Budget Vote***
- June 16, 2025 – School Board Meeting
 - *Budget update by Administration*
 - ***Final Budget Vote***

