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# BUILDING A 20-21 BUDGET POST-COVID-19: STATE, FEDERAL AND LOCAL REVENUE CONSIDERATIONS

APRIL 14, 2020



*Working to develop and support leaders in school business operations.*

# INTRODUCTION

- The PASBO team is currently working remotely, but, please rest assured that we are still fully operational.
- Wayne McCullough: 717-350-8591  
or [wmccullough@pasbo.org](mailto:wmccullough@pasbo.org)
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# FRIDAY, APRIL 17 WEB FORUM

ACT 13 Transportation Information

Free web forum on April 17, 1:30 p.m.

Visit [www.pasbo.org/webforums](http://www.pasbo.org/webforums) to register



# PROFESSIONAL DEVELOPMENT

- A Benefits Primer for Payroll Staff Webcast: April 16, 9:30 a.m.
- Applications in Payroll Administration\* ONLINE COURSE starts April 20
- FYI Web Forum - PDE 2089: Summary of Pupil Transportation: April 22, 1:30 p.m.
- Dealing with Difficult People Webcast: April 24, 9:30 a.m.
- Elements of School Law and Organization ONLINE COURSE starts April 28
- <https://www.pasbo.org/workshops>



# REGISTER FOR SUMMER CLASSES

- Wilkes ABBA with a Concentration in School Business
- [www.wilkes.edu/schoolABBA](http://www.wilkes.edu/schoolABBA)
- Wilkes Master's Degree in School Business Leadership
- <https://www.wilkes.edu/academics/graduate-programs/masters-programs/graduate-education/programs/school-business-leadership.aspx>



# STAY UP-TO-DATE

- Please continue to use PASBOlink for questions and answers
- PASBO COVID19 website at <https://www.pasbo.org/covid19> for additional resources



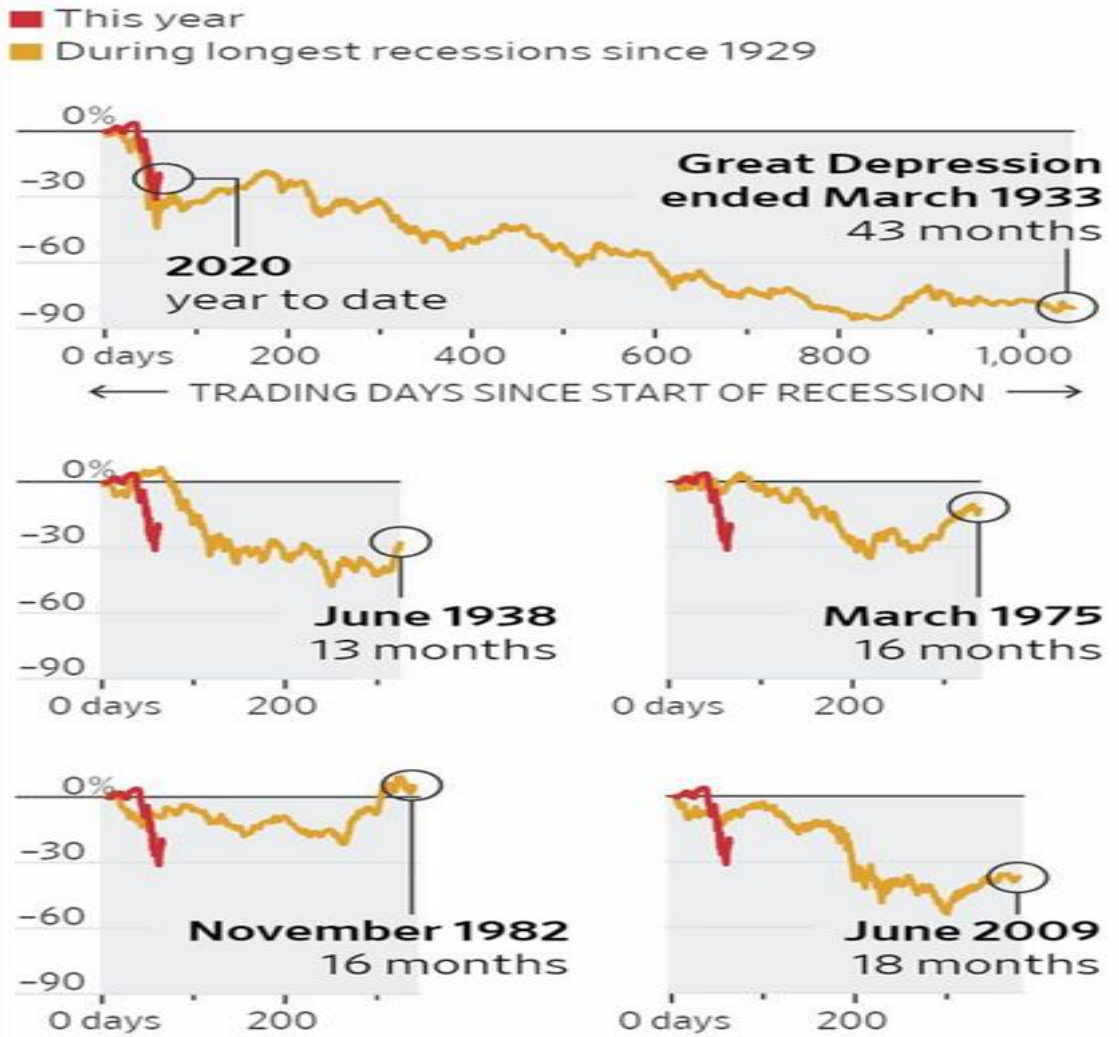
# TODAY'S AGENDA

- The Big Picture
- School district revenue sources and what the economic changes mean for your 2020-21 budget
  - Local revenue
  - State revenue
  - Federal revenue
- Other important complexities
- Recaps
- Q and A



How does the current market contraction compare to other pullbacks?

### S&P 500 performance



Note: 2020 figures through March 27 close  
Sources: Dow Jones Market Data (recessions ended 1933, 1938, 1975); FactSet (recessions ended 1982, 2009); National Bureau of Economic Research (recession durations)  
Kara Dapena/THE WALL STREET JOURNAL

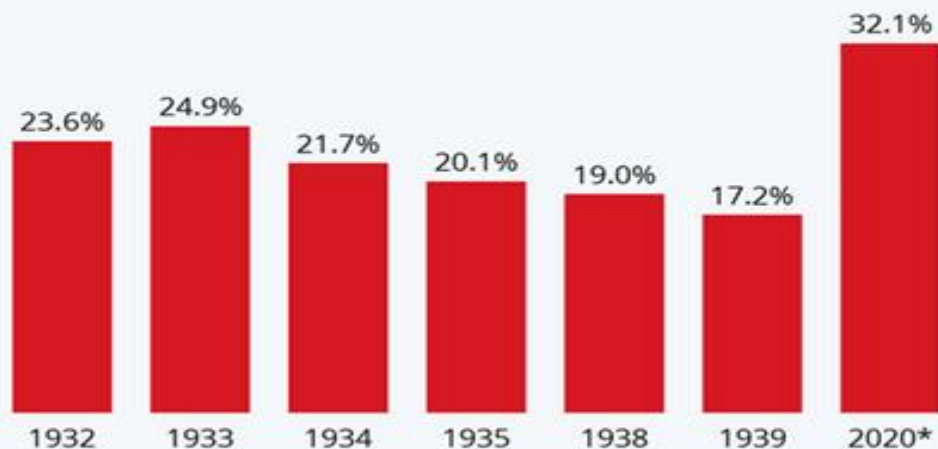




# Will the 2020 unemployment rate exceed the highest levels of the Great Depression?

## Predicted Unemployment Higher Than Great Depression

Highest unemployment rates in U.S. history



\* Projected unemployment rate as of March 2020

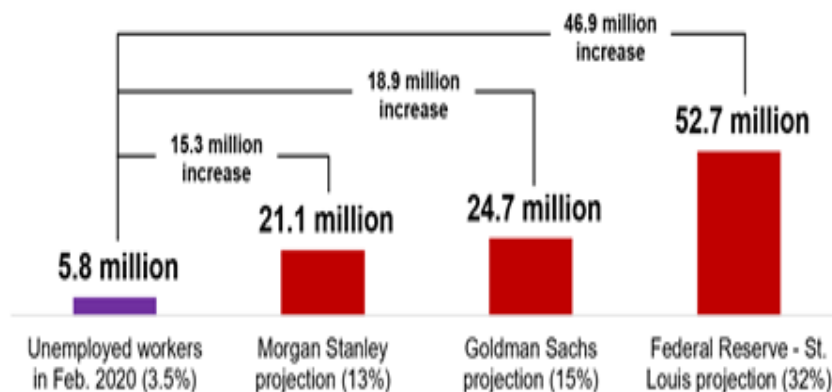
Sources: CNBC, The Balance



statista

## Up to 50 million Americans could end up unemployed if economic predictions come true

Unemployed Americans under selected projections of 2nd-quarter national unemployment rate



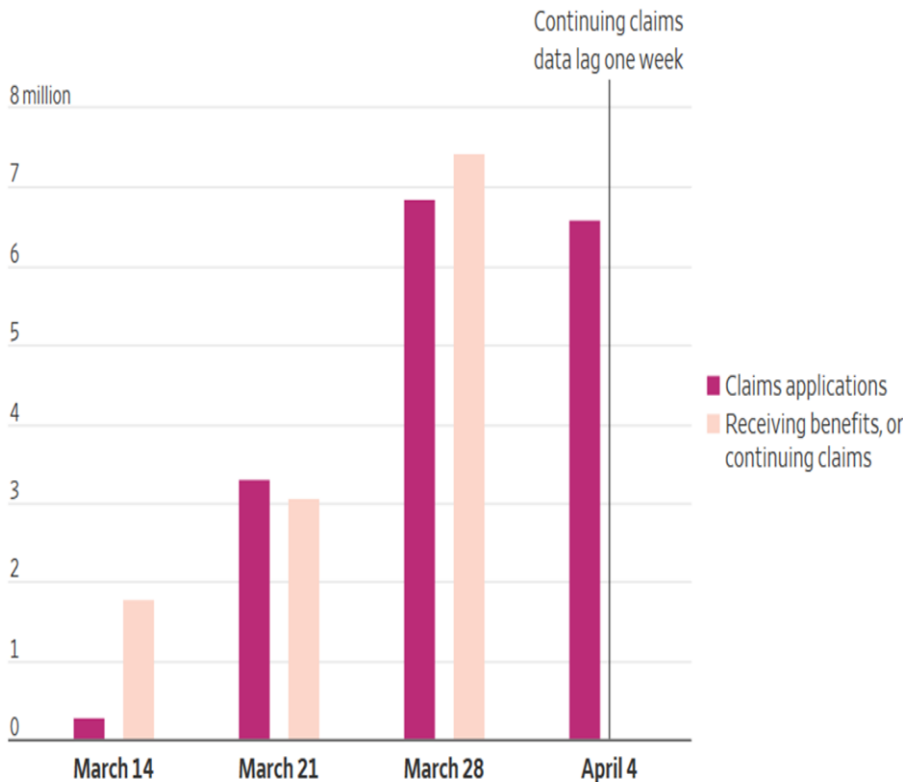
Sources: U.S. Bureau of Labor Statistics, Morgan Stanley, Goldman Sachs, Federal Reserve Bank of St. Louis  
 Note: For simplicity, the nation's labor force is assumed to remain constant: 165 million (as of Feb. 2020)



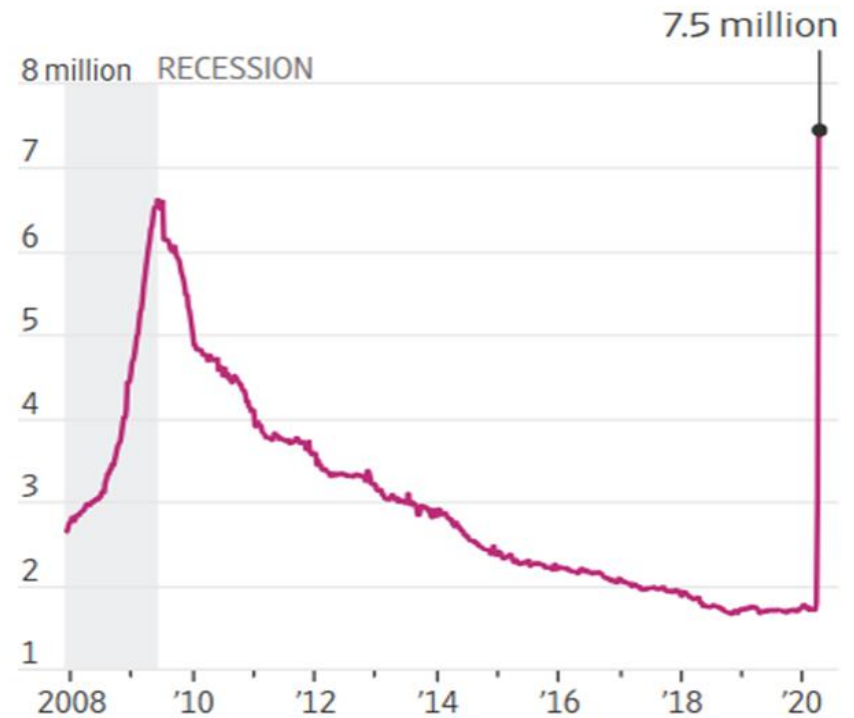
# Unemployment Compared to 2008...where are we now? (as of April 10<sup>th</sup>)

## Nearly 17 million Americans have filed new claims for benefits since mid-March as the coronavirus spread

New jobless claims, benefits received



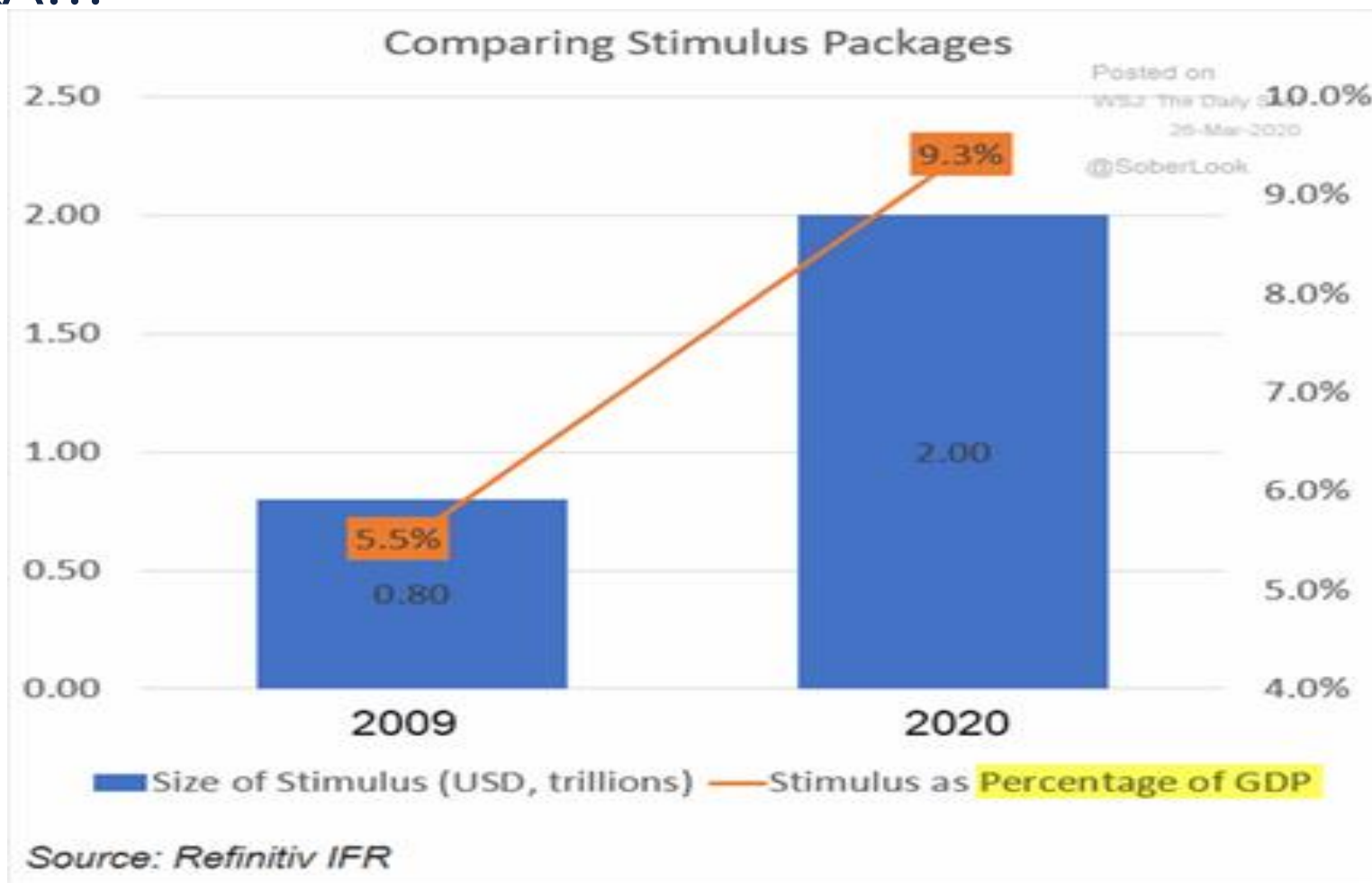
Continued jobless claims



Note: Seasonally adjusted  
Source: Labor Department



At 9.3% of the GDP, the total size of the Stimulus package is unprecedented...yet the school district portion is smaller than ARRA...



# WHAT WE KNOW NOW...

1. There are A LOT of unknowns at this point.
2. The world has changed since you began your 20-21 budgets; start over...
3. State revenue (and funding) will be negatively impacted.
4. Local revenue will be affected on all fronts:
  - There will significant reluctance to increase property taxes
  - Property tax delinquencies will increase; collection rate will decline
  - Assessment appeals will begin again
  - EIT revenue will decrease
  - Realty Transfer Tax will decrease



## LOCAL REVENUE...

PASBO estimates that total local revenue could decrease by \$700 million to more than \$1 billion (4-6%) in 20-21...



# LOCAL REVENUES

## Key Drivers:

### Property tax

- Collection rate?
- Millage?
- Delinquents/Interims?
- Slot fund offset
- Assessed values and appeals

### EIT

### Realty Transfer Tax

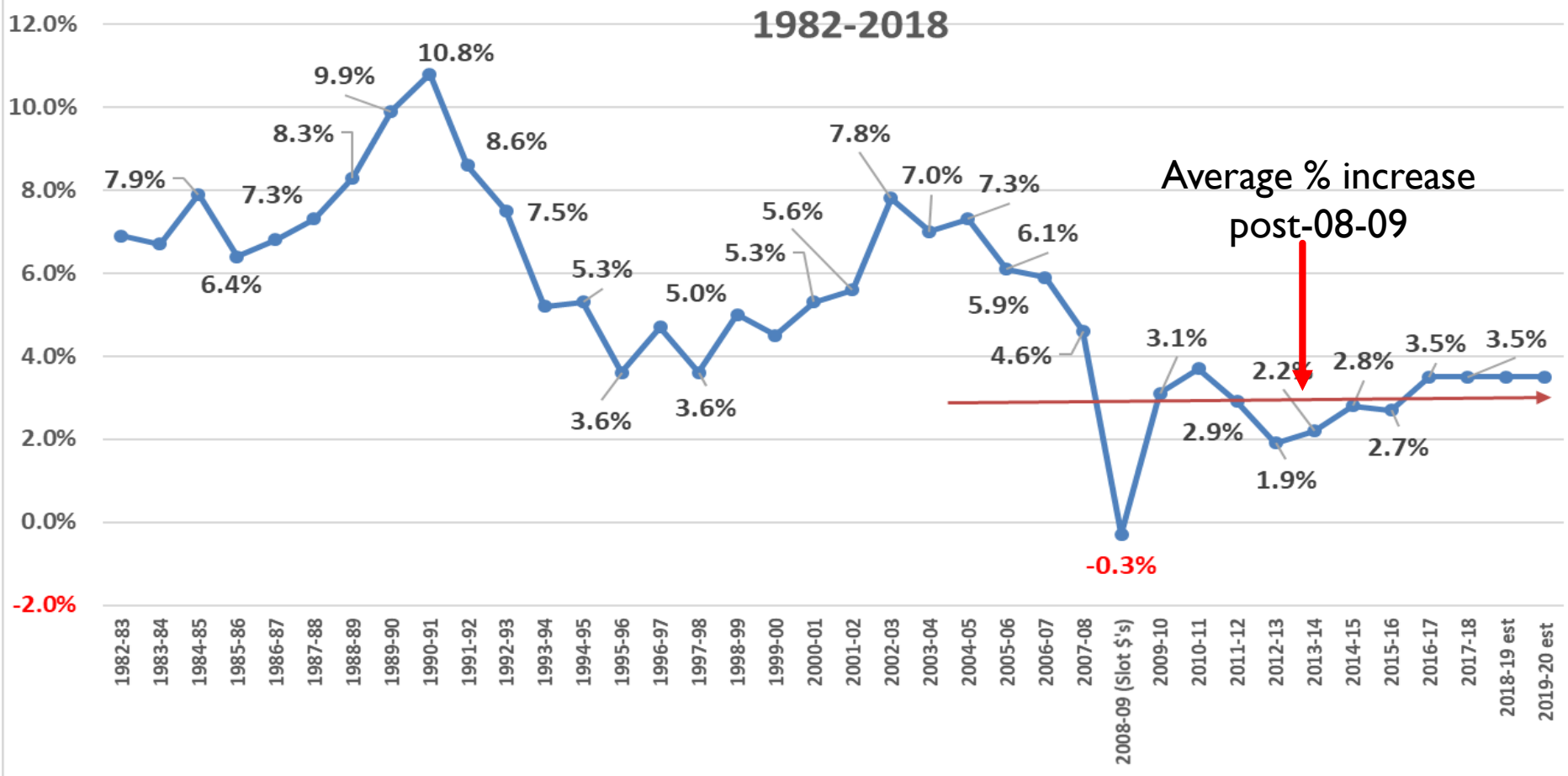
### Interest earnings

## Smaller but critical:

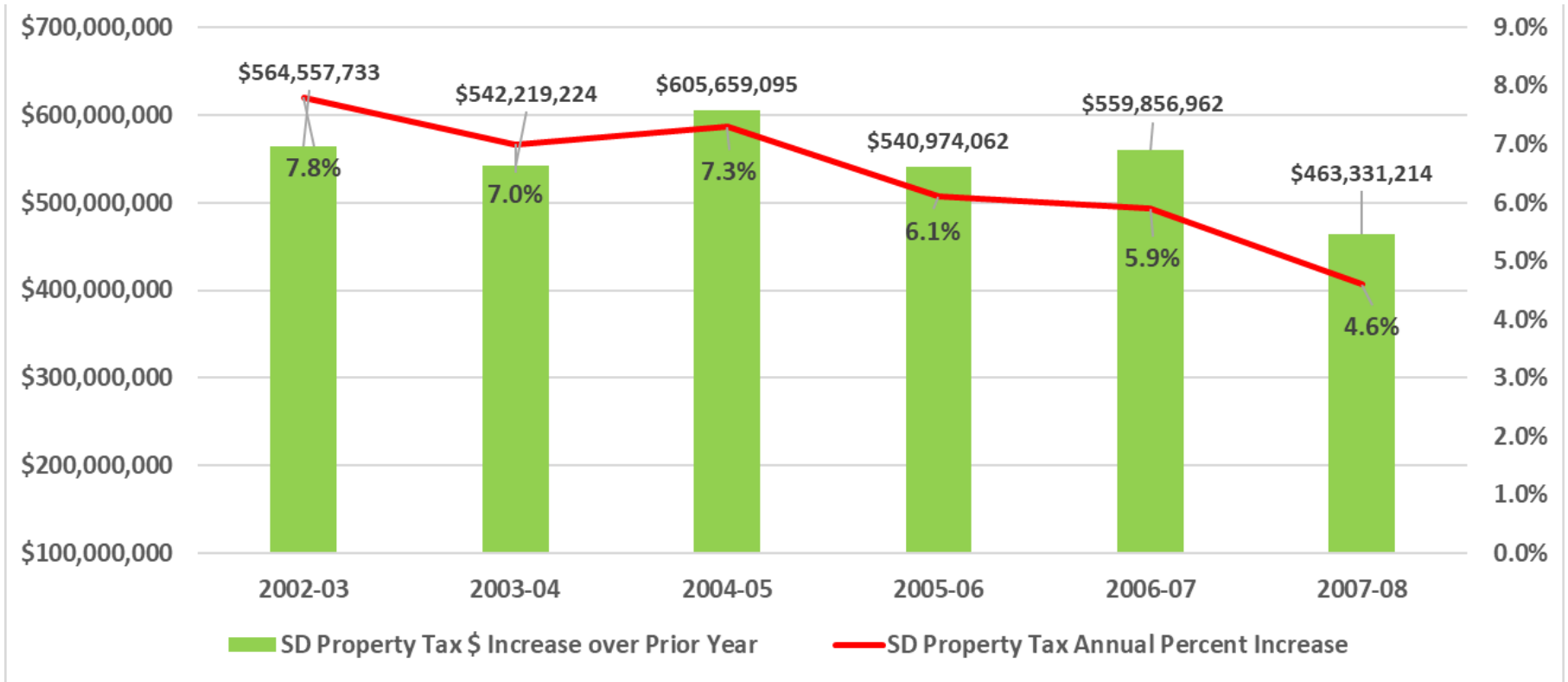
- Per capita 679 & 511
- Occupation; Assessed & Flat
- PILOTs
- Mercantile/Business privilege
- Local services tax
- Building use/rentals
- Athletic and extra-curricular revenues
- All other and misc.



# PROPERTY TAX ANNUAL % INCREASE

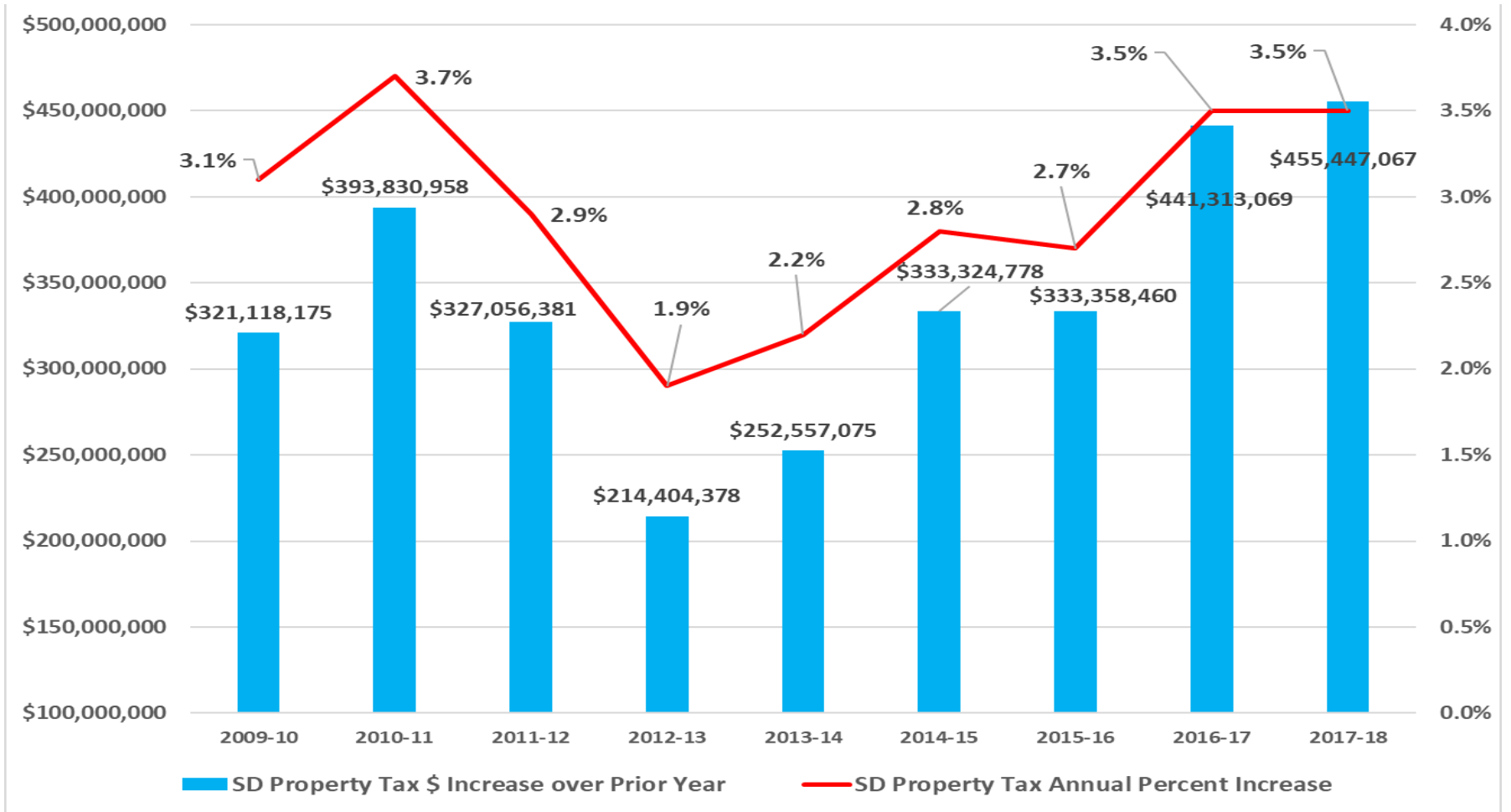


# PROPERTY TAX PRE-2008 RECESSION: AVG. \$546M





# PROPERTY TAX POST-2008 RECESSION: AVG. \$341M

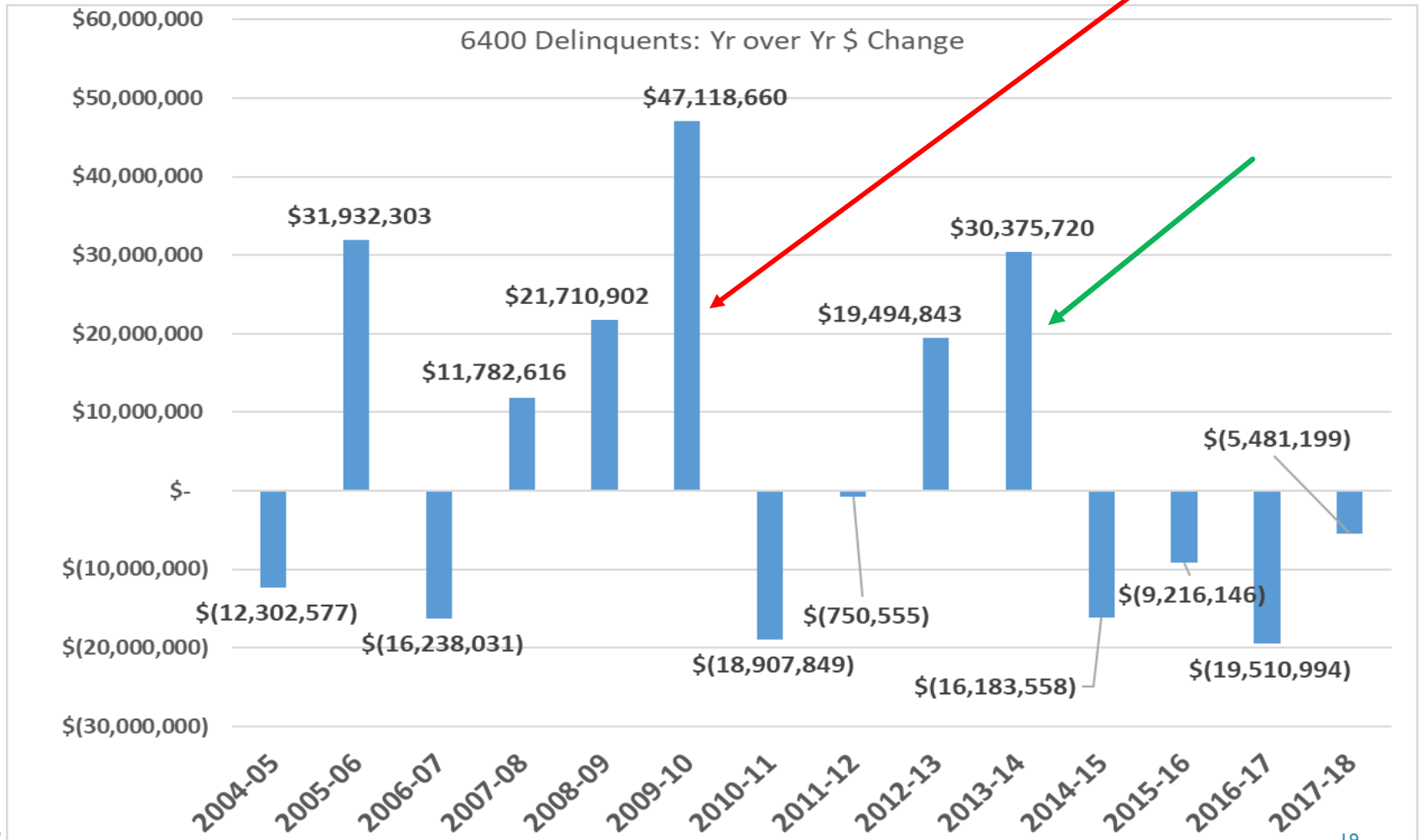


# STATEWIDE—PROPERTY TAX, DELINQUENTS & INTERIMS: ANNUAL % CHANGE AND REBOUND

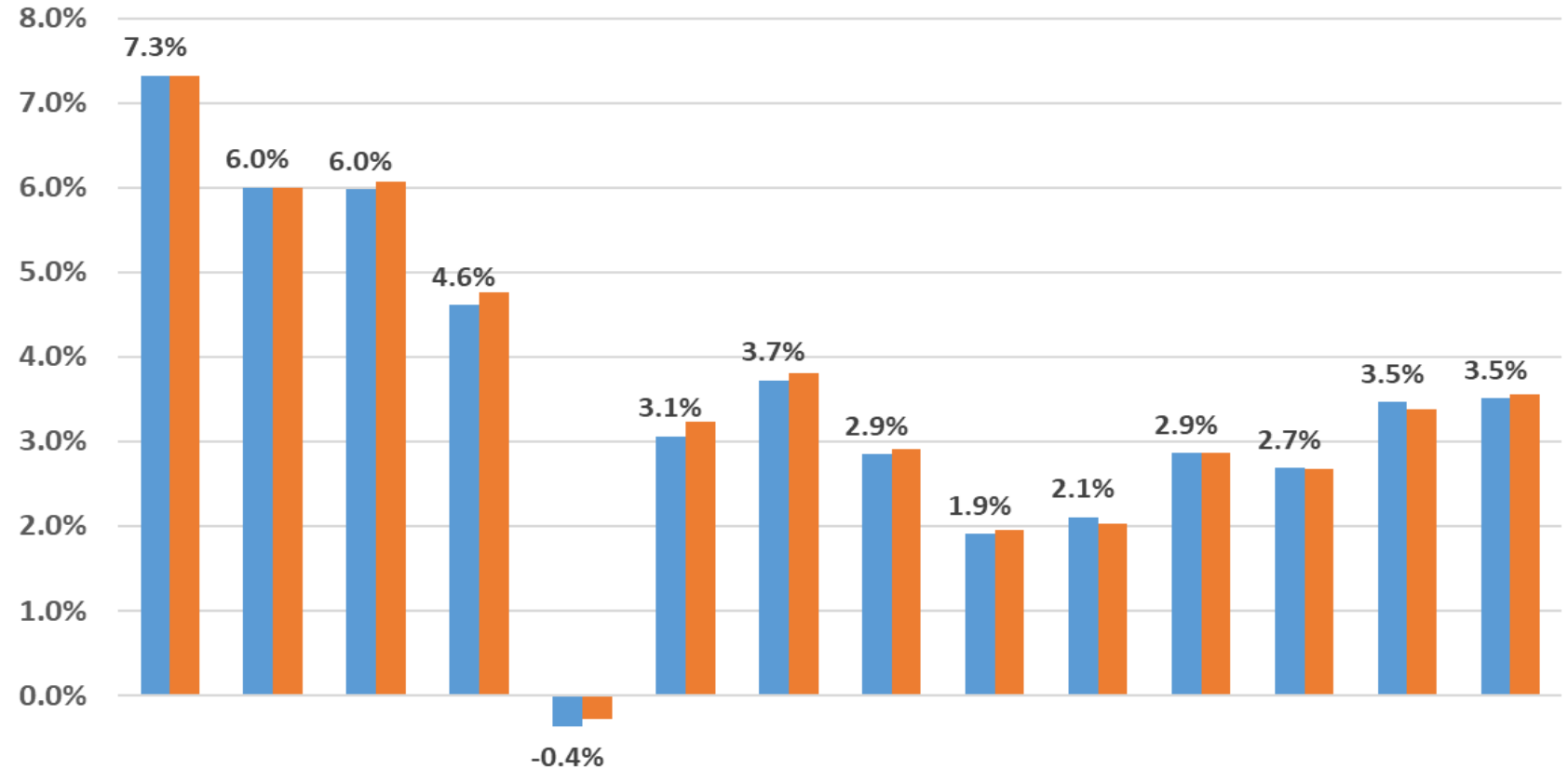
		Year over Year % Change			
		6400 Delinquents	Total PT	Property Tax	Interims
	2004-05	-2.3%	7.3%	7.3%	8.5%
	2005-06	6.0%	6.0%	6.0%	6.8%
	2006-07	-2.9%	6.0%	6.1%	-3.1%
	2007-08	2.2%	4.6%	4.8%	-10.6%
Slots	2008-09	3.9%	-0.4%	-0.3%	-12.0%
	2009-10	8.2%	3.1%	3.2%	-20.3%
	2010-11	-3.0%	3.7%	3.8%	-9.8%
	2011-12	-0.1%	2.9%	2.9%	-8.6%
	2012-13	3.2%	1.9%	2.0%	-9.5%
	2013-14	4.9%	2.1%	2.0%	20.6%
	2014-15	-2.5%	2.9%	2.9%	2.9%
	2015-16	-1.4%	2.7%	2.7%	4.4%
	2016-17	-3.1%	3.5%	3.4%	22.3%
	2017-18	-0.9%	3.5%	3.6%	-3.5%



# STATEWIDE—PROPERTY TAX, DELINQUENTS & INTERIMs: ANNUAL % CHANGE AND REBOUND



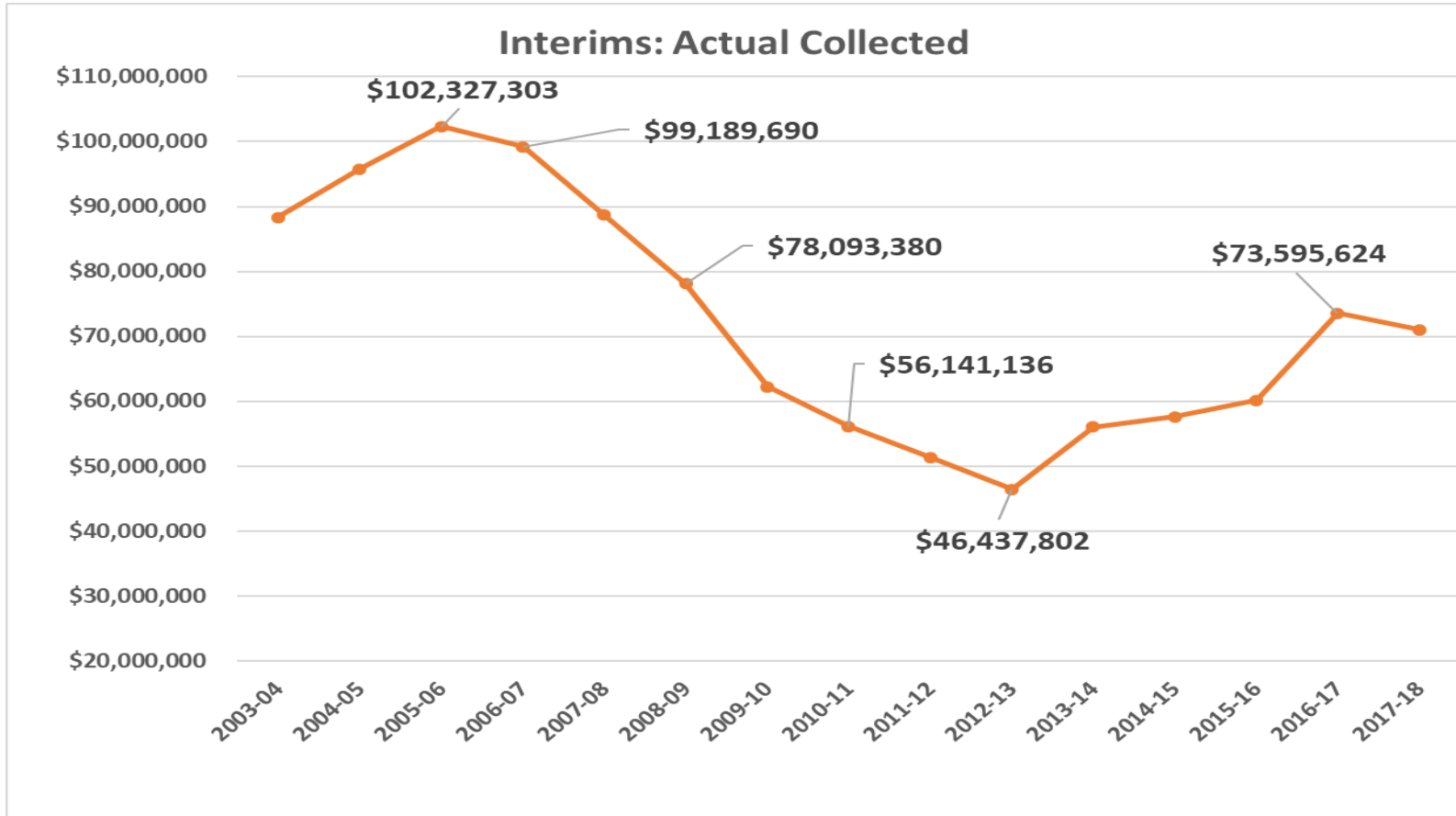
# STATEWIDE: PT CHANGE YEAR-OVER-YEAR



	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Total PT	7.3%	6.0%	6.0%	4.6%	-0.4%	3.1%	3.7%	2.9%	1.9%	2.1%	2.9%	2.7%	3.5%	3.5%
Property Tax	7.3%	6.0%	6.1%	4.8%	-0.3%	3.2%	3.8%	2.9%	2.0%	2.0%	2.9%	2.7%	3.4%	3.6%



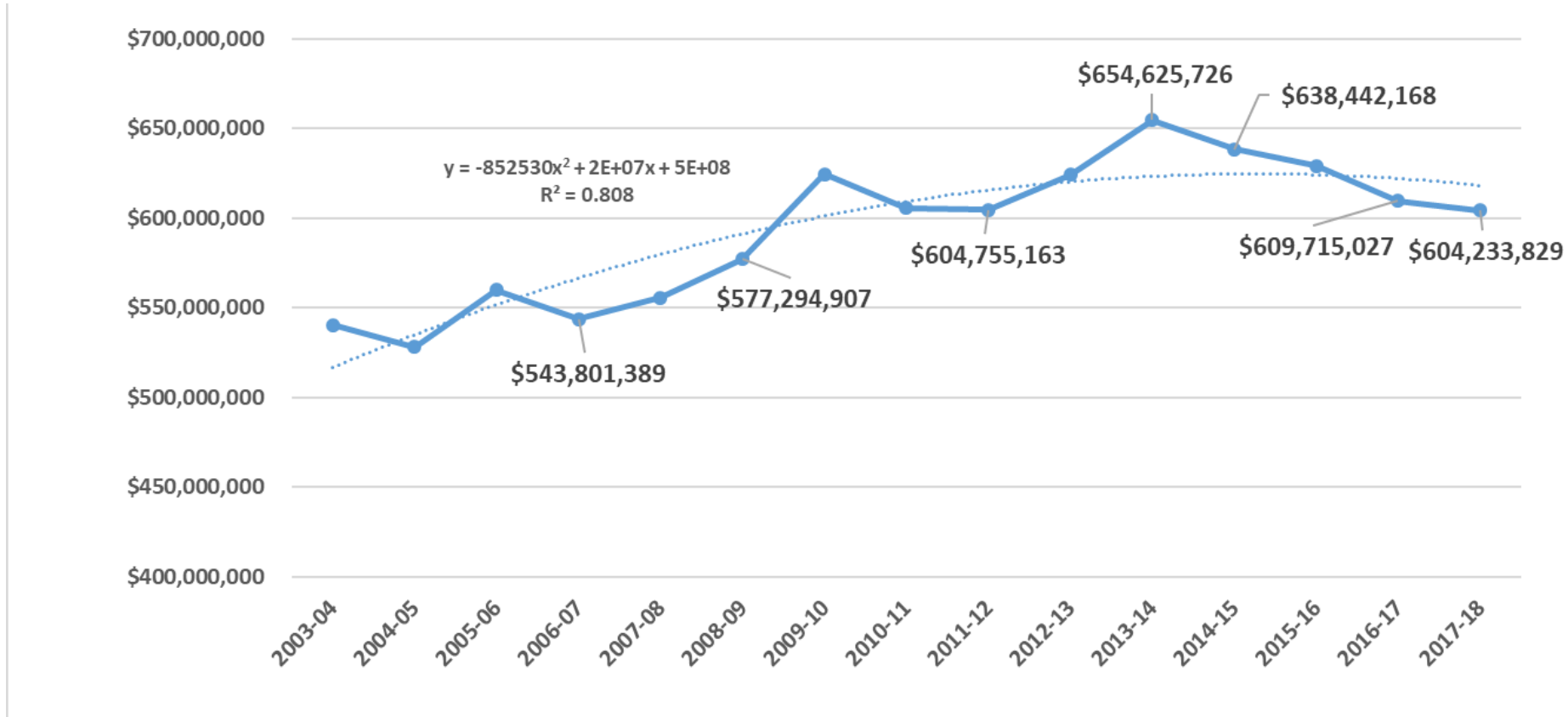
# STATEWIDE: INTERIMS



Fell by more than half, with a long tail post recession...



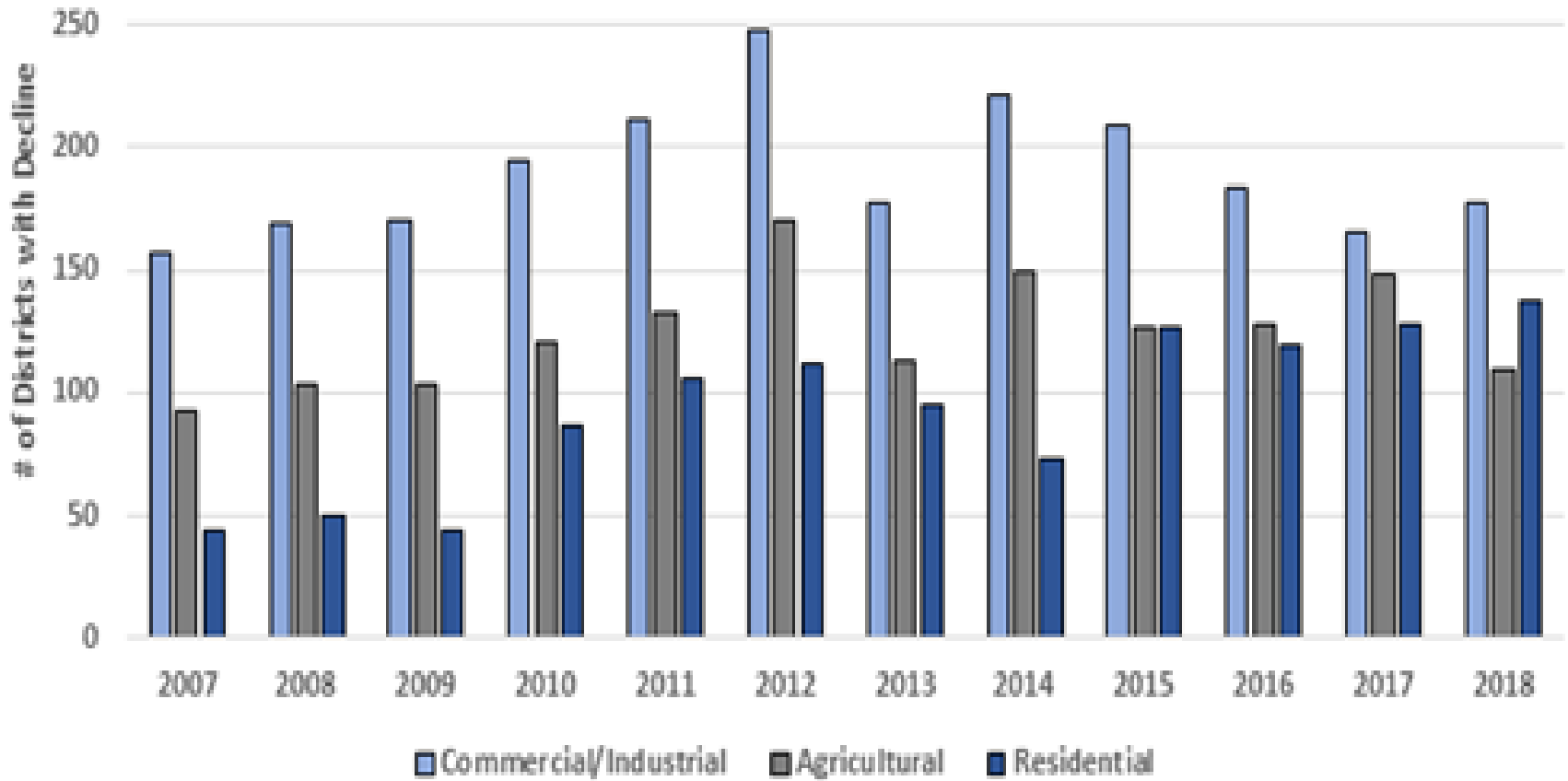
# STATEWIDE: DELINQUENTS COLLECTED



Will 2020 be greater than this or similar? How much shifts to later in the FY? How much gets shifted to out years?



# # OF SDS WITH AV DECLINES BY LAND USE TYPE



- Lead and lag may be very different this time around...
- Commercial will lead the way with appeals...
- Will the property tax 'system' actually remain the same?

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# PROPERTY TAX: CONSIDERATIONS

- What happened to your collection rate in 2008?
- What happened to your AV/appeals after 2008?
- 2020 impact already evidence differences from 2008...faster, deeper on-set in almost every aspect....
- **Look at your options re: taxpayer flexibility**





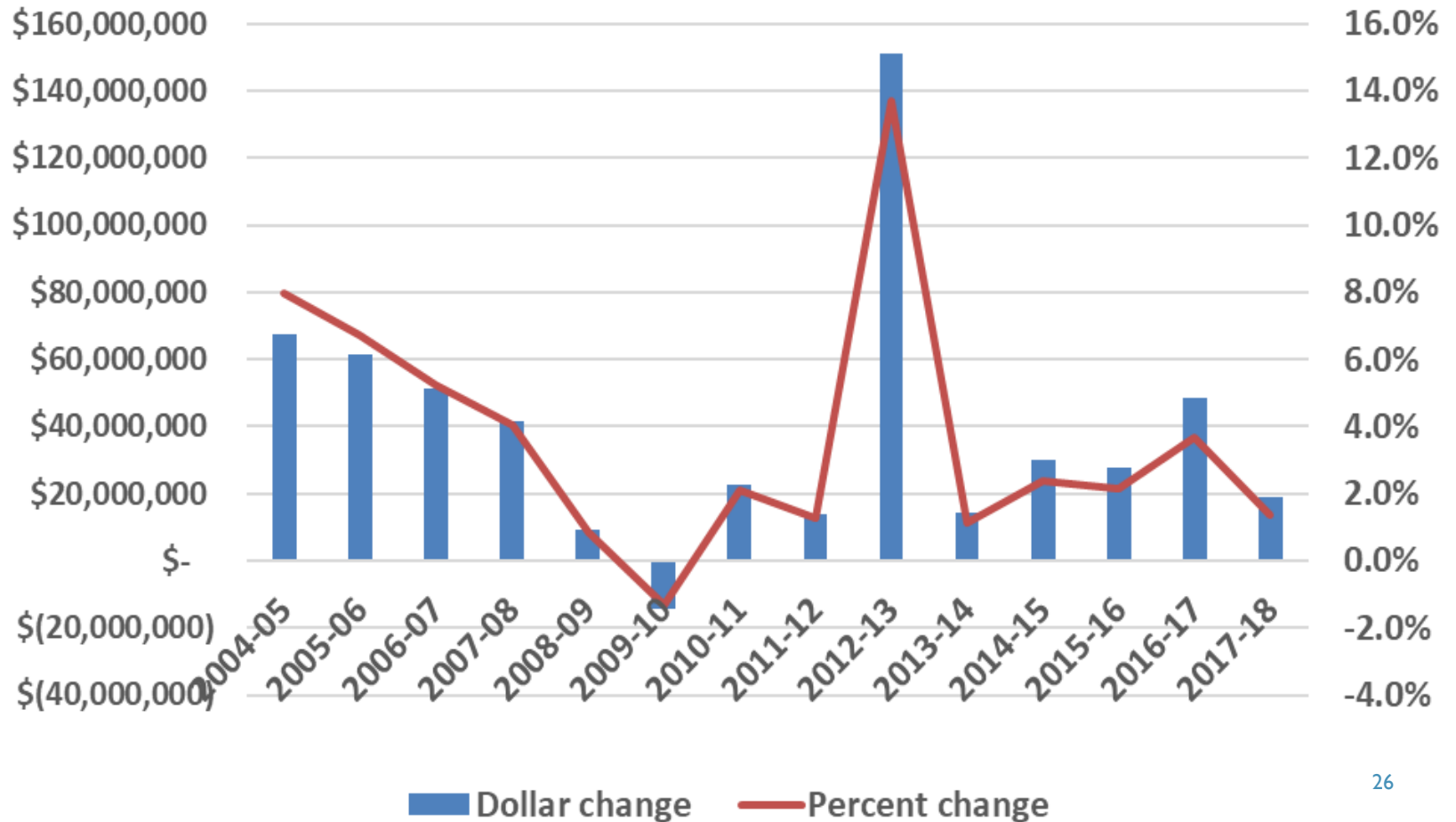
# EARNED INCOME TAX COLLECTION HISTORY

	School District 6151 Wage Tax	Dollar change	Percent change
2003-04	\$ 846,942,954		
2004-05	\$ 914,380,179	\$ 67,437,224	8.0%
2005-06	\$ 976,054,423	\$ 61,674,245	6.7%
2006-07	\$ 1,027,397,069	\$ 51,342,646	5.3%
2007-08	\$ 1,069,184,041	\$ 41,786,972	4.1%
2008-09	\$ 1,078,557,938	\$ 9,373,897	0.9%
2009-10	\$ 1,064,139,560	\$ (14,418,378)	-1.3%
2010-11	\$ 1,086,759,925	\$ 22,620,365	2.1%
2011-12	\$ 1,100,662,358	\$ 13,902,434	1.3%
2012-13	\$ 1,251,709,563	\$ 151,047,205	13.7%
2013-14	\$ 1,265,894,090	\$ 14,184,526	1.1%
2014-15	\$ 1,296,175,536	\$ 30,281,447	2.4%
2015-16	\$ 1,323,804,025	\$ 27,628,488	2.1%
2016-17	\$ 1,372,275,031	\$ 48,471,006	3.7%
2017-18	\$ 1,391,287,987	\$ 19,012,956	1.4%

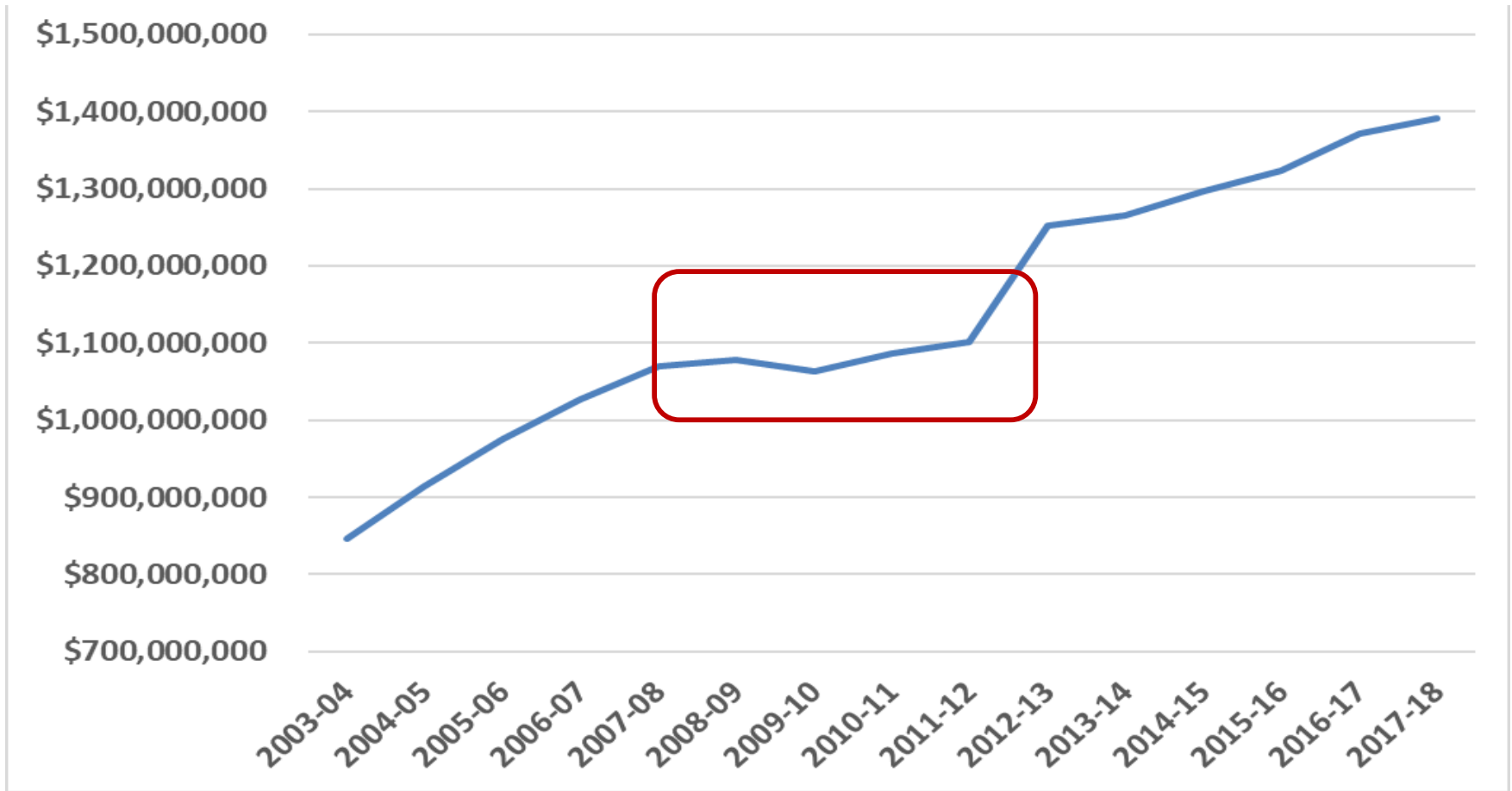


# EARNED INCOME TAX COLLECTION HISTORY

School District 6151 Wage Tax Collections: Dollar and % change



# EIT: WILL 2020 BE THE SAME ? DOUBTFUL...



## EIT: CONSIDERATIONS:

- What happened to your EIT post 2008?
- Recognize that UC numbers will affect 6 months of collection for THIS fiscal year
- Second quarter numbers this summer may be very low
- Watch future stimulus efforts for businesses; i.e. faster write-offs for capital investments

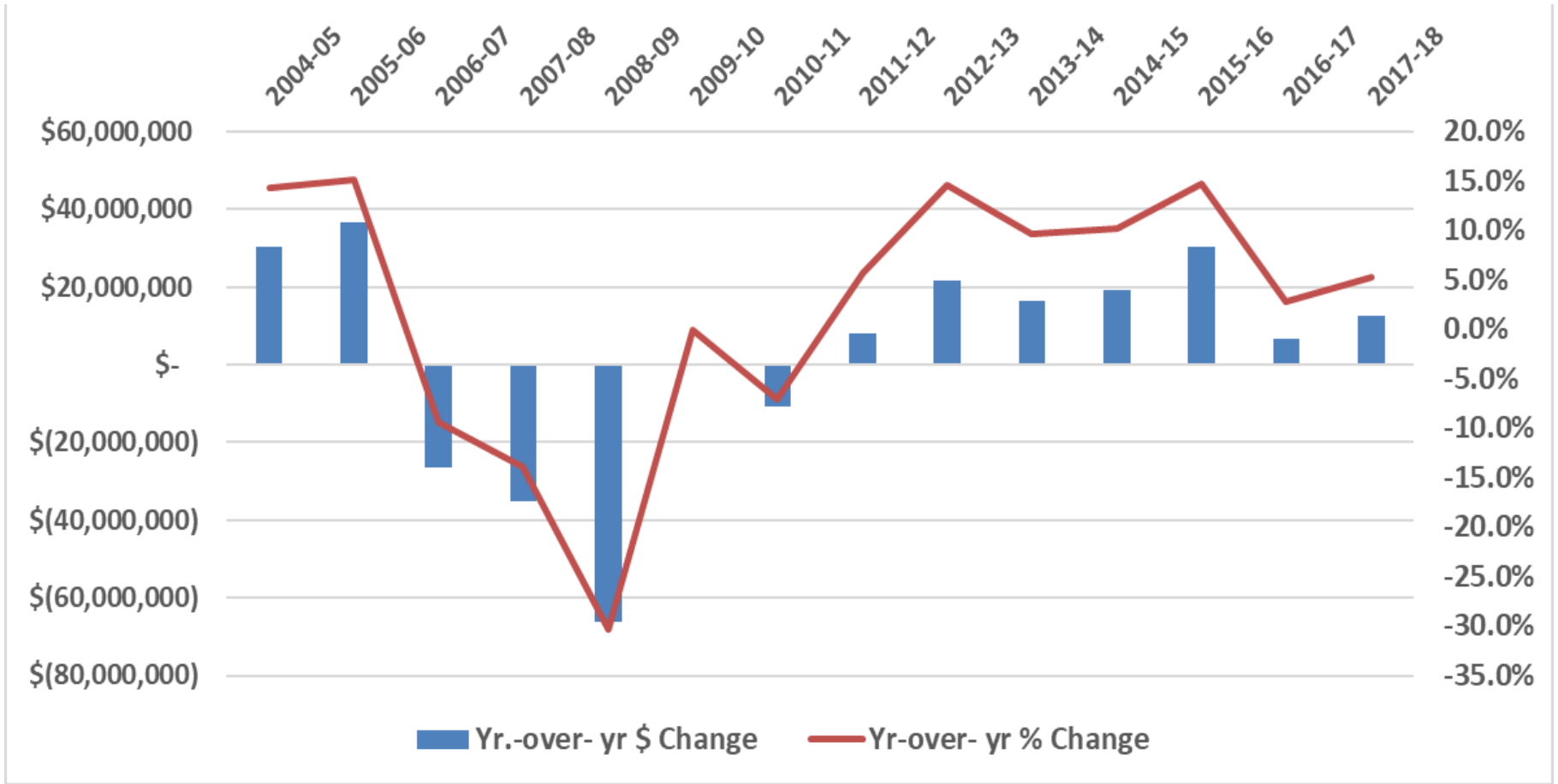


# REALTY TRANSFER TAXES

	Realty Transfer 6153	Yr.-over- yr \$ Change	Yr-over- yr % Change	Cumulative
2003-04	\$ 212,342,659			
2004-05	\$ 242,667,338	\$ 30,324,678	14.3%	
2005-06	\$ 279,246,075	\$ 36,578,737	15.1%	
2006-07	\$ 252,959,384	\$ (26,286,691)	-9.4%	-9.4%
2007-08	\$ 217,809,543	\$ (35,149,841)	-13.9%	-23.3%
2008-09	\$ 151,718,812	\$ (66,090,731)	-30.3%	-53.7%
2009-10	\$ 151,711,514	\$ (7,299)	0.0%	-53.7%
2010-11	\$ 141,063,808	\$ (10,647,705)	-7.0%	-60.7%
2011-12	\$ 149,155,478	\$ 8,091,670	5.7%	
2012-13	\$ 170,928,763	\$ 21,773,285	14.6%	
2013-14	\$ 187,525,889	\$ 16,597,126	9.7%	
2014-15	\$ 206,596,430	\$ 19,070,541	10.2%	
2015-16	\$ 237,136,982	\$ 30,540,552	14.8%	
2016-17	\$ 243,702,781	\$ 6,565,799	2.8%	
2017-18	\$ 256,402,227	\$ 12,699,447	5.2%	



# REALTY TRANSFER TAXES



# REALTY TRANSFER TAXES: CONSIDERATIONS

- What happened to your RTTs post 2008?



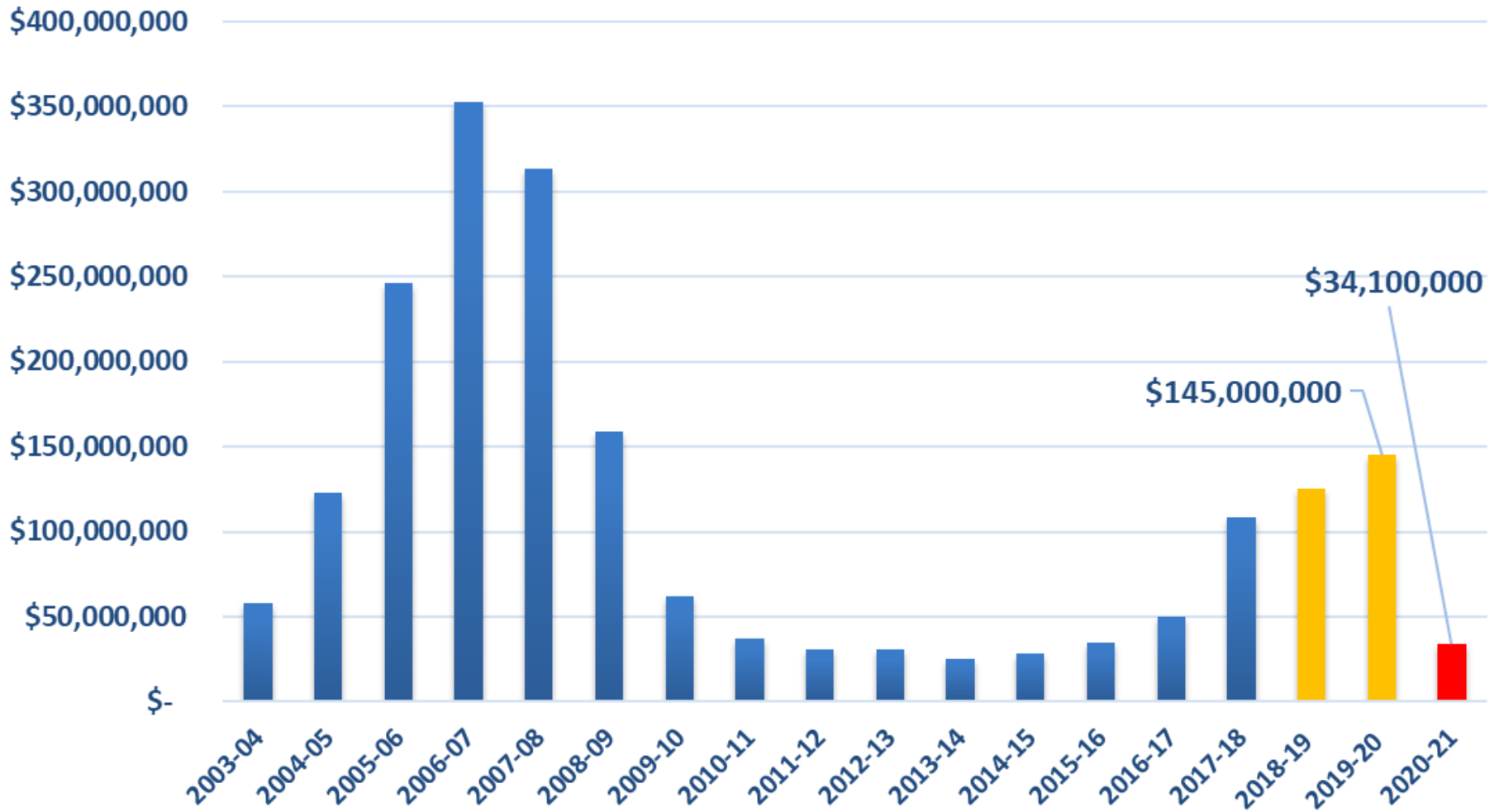
# INTEREST EARNINGS: ESTIMATED FY2019 TO 2021

SD and AVTS/CTC Interest Earnings			SD and AVTS/CTC Interest Earnings: \$ change yr-over-yr			SD and AVTS/CTC Interest Earnings: % change yr-over-yr		
	Interest Earnings SD's	Interest earning CTC		Interest Earnings SD's	Interest earning CTC		Interest Earnings SD's	Interest earning CTC
2003-04	\$ 58,335,055		2003-04			2003-04		
2004-05	\$ 122,849,352	\$ 1,487,660	2004-05	\$ 64,514,297		2004-05	110.6%	
2005-06	\$ 246,549,372	\$ 3,094,097	2005-06	\$ 123,700,020	\$ 1,606,438	2005-06	100.7%	108.0%
2006-07	\$ 352,819,959	\$ 3,911,591	2006-07	\$ 106,270,587	\$ 817,493	2006-07	43.1%	26.4%
2007-08	\$ 313,174,672	\$ 3,347,199	2007-08	\$ (39,645,287)	\$ (564,392)	2007-08	-11.2%	-14.4%
2008-09	\$ 158,525,264	\$ 1,398,632	2008-09	\$ (154,649,409)	\$ (1,948,567)	2008-09	-49.4%	-58.2%
2009-10	\$ 62,247,786	\$ 455,803	2009-10	\$ (96,277,478)	\$ (942,829)	2009-10	-60.7%	-67.4%
2010-11	\$ 37,414,533	\$ 318,379	2010-11	\$ (24,833,253)	\$ (137,424)	2010-11	-39.9%	-30.1%
2011-12	\$ 30,331,012	\$ 271,290	2011-12	\$ (7,083,521)	\$ (47,089)	2011-12	-18.9%	-14.8%
2012-13	\$ 31,047,167	\$ 235,117	2012-13	\$ 716,155	\$ (36,173)	2012-13	2.4%	-13.3%
2013-14	\$ 25,200,474	\$ 210,778	2013-14	\$ (5,846,692)	\$ (24,339)	2013-14	-18.8%	-10.4%
2014-15	\$ 28,564,363	\$ 207,494	2014-15	\$ 3,363,889	\$ (3,284)	2014-15	13.3%	-1.6%
2015-16	\$ 34,674,471	\$ 297,915	2015-16	\$ 6,110,108	\$ 90,421	2015-16	21.4%	43.6%
2016-17	\$ 50,337,249	\$ 464,594	2016-17	\$ 15,662,777	\$ 166,679	2016-17	45.2%	55.9%
2017-18	\$ 108,704,851	\$ 1,083,913	2017-18	\$ 58,367,603	\$ 619,319	2017-18	116.0%	133.3%
2018-19	\$ 125,000,000	\$ 1,250,000	2018-19	\$ 16,295,149	\$ 166,087	2018-19	15.0%	15.3%
2019-20	\$ 145,000,000	\$ 1,310,000	2019-20	\$ 20,000,000	\$ 60,000	2019-20	16.0%	4.8%
2020-21	\$ 34,100,000	\$ 228,000	2020-21	\$ (110,900,000)	\$ (1,082,000)	2020-21	-76.5%	-82.6%

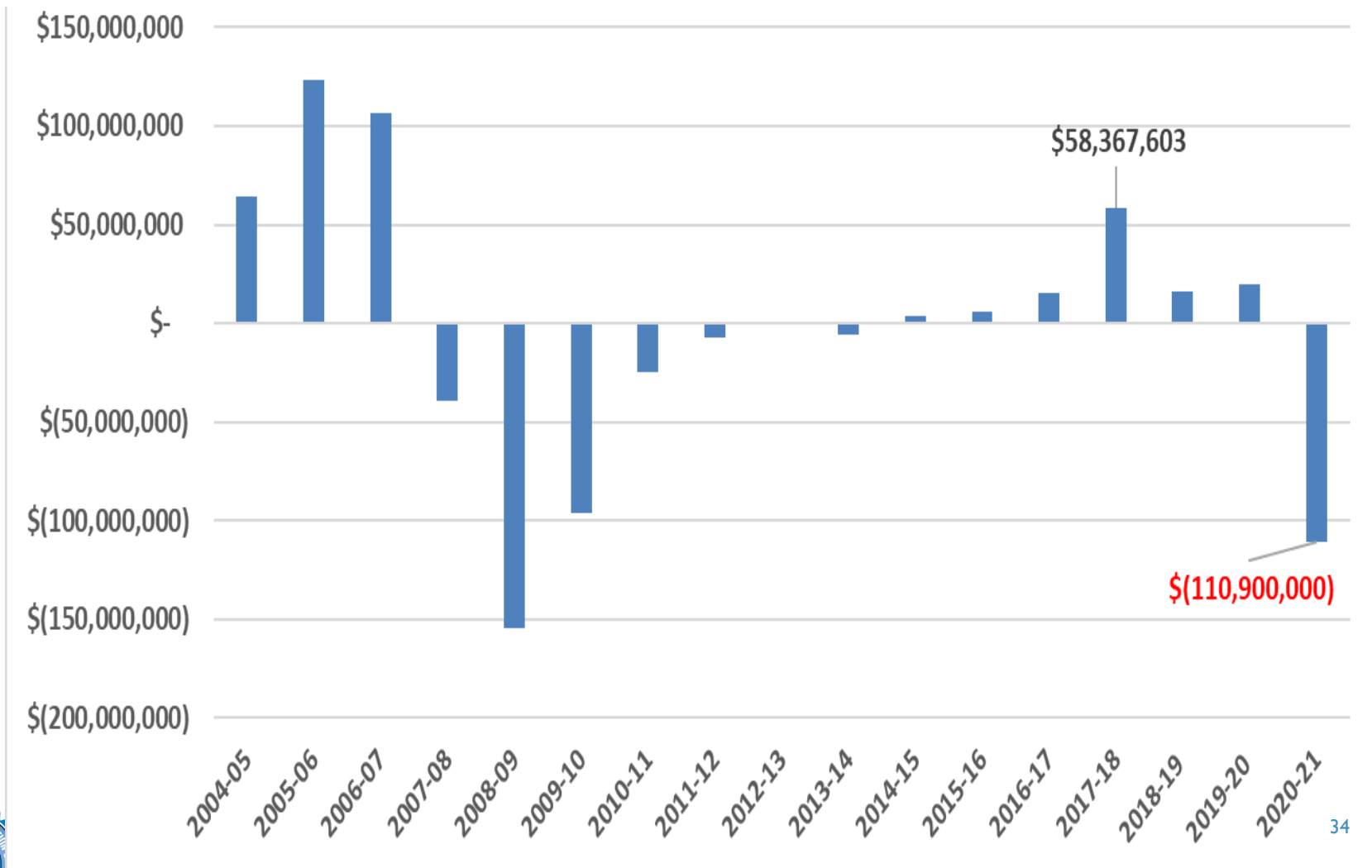




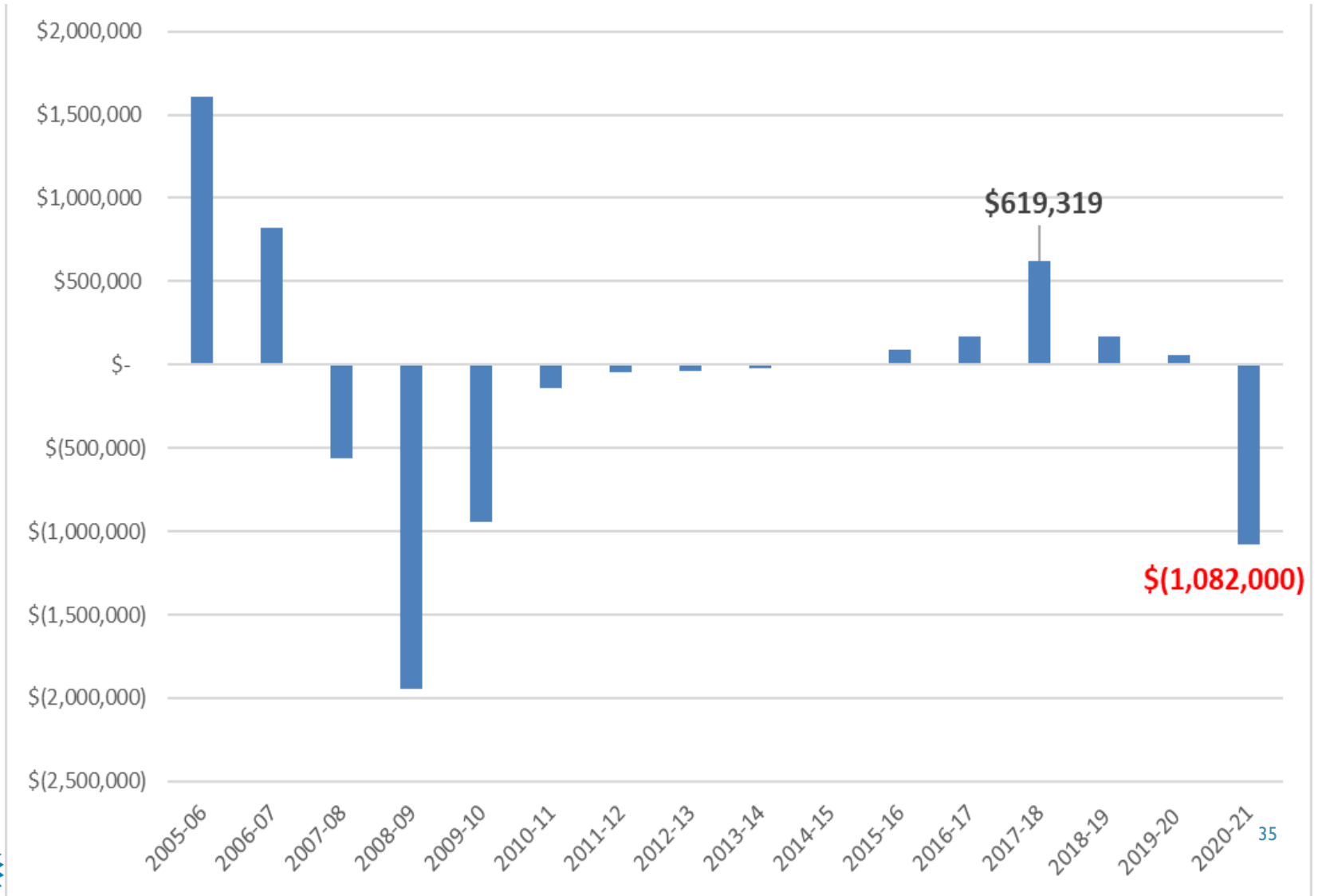
# SCHOOL DISTRICT INTEREST EARNINGS



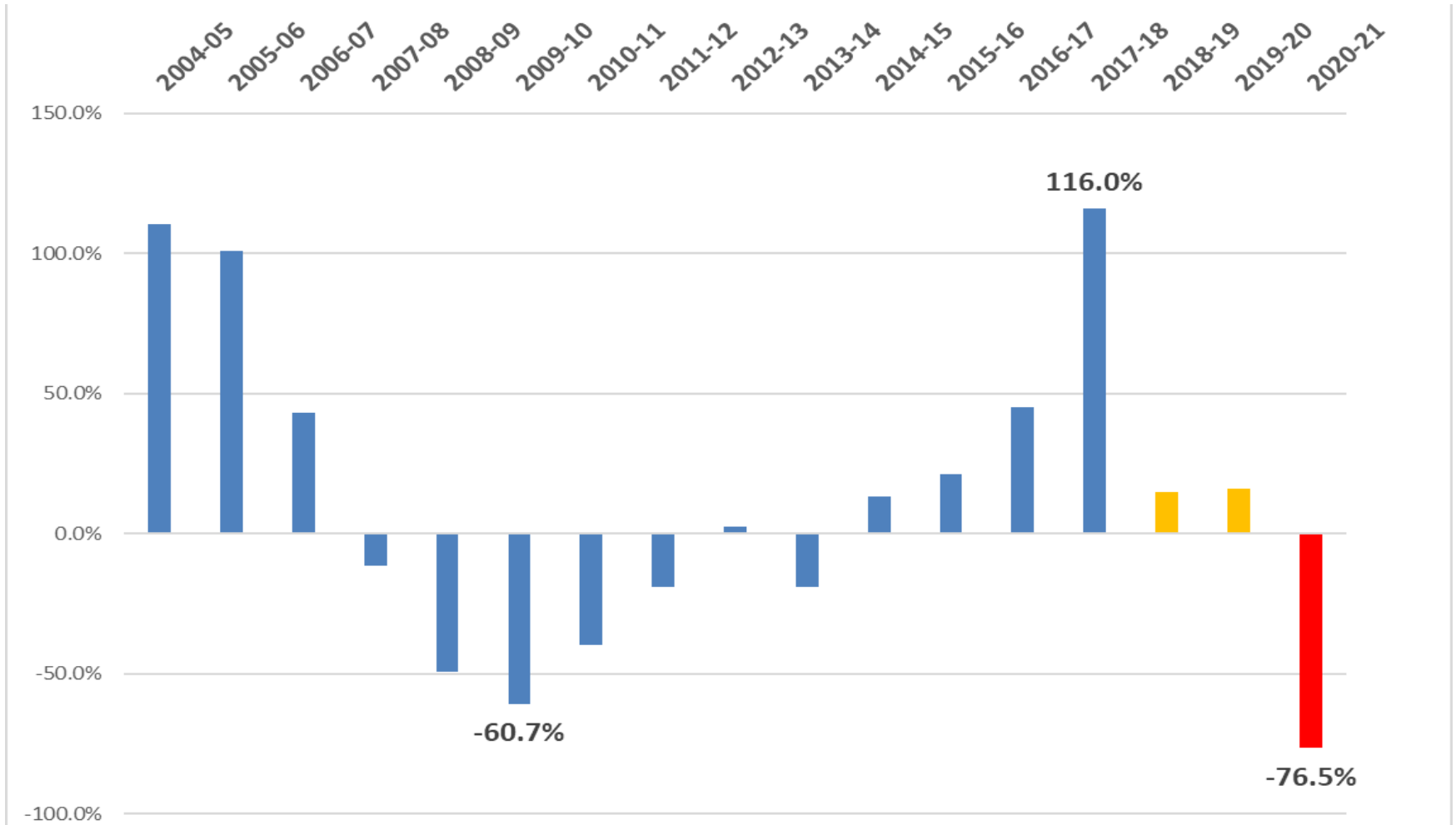
# INTEREST EARNINGS: SD ANNUAL \$ CHANGE



# INTEREST EARNINGS: CTC ANNUAL \$ CHANGE



# INTEREST EARNINGS: SD ANNUAL % CHANGE



# INTEREST EARNINGS: CONSIDERATIONS

- Altered Cash flows? Delayed subsidy? Cannot invest money that you need to pay bills now.
- Post-2008 rates declined over several years....2020 they fell immediately



## OTHER LOCAL REVENUES: CONSIDERATIONS

- What other local taxes do you collect, and what was the impact in 2008?
- TANs/TRANs and cash flow needs?



# LOCAL REV. DECLINE BASED ON A 2008 SCENARIO

## Current Fiscal Year (19-20)

- **Property tax decline =**
  - Each 1% is \$140 million, not placed/collected
  - Collection rate? Millage increase avoidance or deferred; out years (2022--appeals?)
- **EIT decline =** Range will be wide: 10-25%; recovery will vary
- **Realty Transfer Tax decline =** Fell 60% over 5 years in 2008
- **Interest earnings decline =** 70 to 75%
- **Delinquency revenue decline =** Delinquency increases; 25-30% shifts out of current FY...



# LOCAL REV. DECLINE BASED ON A 2008 SCENARIO

## Next Fiscal Year (20-21)

- **Property tax decline** = Assessment growth slows/declines (interims), appeals layer in; millage and Act 1?
- **EIT decline** =
  - Recovery is when?
  - Unemployment at what level?
- **Realty Transfer Tax decline** = Post-2008 declined for 4 yrs...
- **Interest earnings decline** = Recovery will not touch this...
- **Delinquency revenue decline** = Back log and log jam over multiple years.





# STATE REVENUES—WHAT WE KNOW NOW

- Estimated shortfall due to COVID-19 is \$4 billion
- State 19-20 budget is slightly more than \$34 billion
- At a minimum: a 10% to 12% shortfall
- Likely means (without any additional federal COVID-19 funding) no increases in BEF/SEF as proposed in the 2020-21 budget, **AT A MINIMUM**
- Potentially could mean cuts in BEF/SEF for 20-21
- Act 13 protects state revenues for 19-20



# STATE REVENUES—WHAT WE DON'T KNOW

- April revenue report would have been a key indicator, except that the filing date for PIT has been pushed into July
- Even more volatile will be SUT, which is expected to immediately decline and especially for big ticket purchases such as automobiles
- Combined, these two state revenues account for almost 75% of state revenues



# IMPACT ON WAGES AND SALARIES—IFO

- The Independent Fiscal Office (IFO) estimated impact of COVID-19 on remaining FY 19-20 revenue collections.
- The report estimated two scenarios: 1) closures end April 27; 2) closures end May 25 in second.
- IFO estimated two growth rate scenarios for wages and salaries for the current fiscal year will be -1.0% and -1.7%
- IFO cited an IHS Markit Report just released with the calendar year growth rates of 4.3% in 2018 and 4.7% in 2019. The 2020 growth is forecasted at -1.7%. For 2021, the forecast returns to a 3.9% growth in wages and salaries.



# 2019-20: IFO PROJECTS \$3 BILLION SHORTFALL

**Table 5**  
Revised Forecast FY 2019-20



	Adjustments to Revenue Estimate				IFO Revised Estimate			
	Revenues	Shifts to	Economic Effects		Scenario One		Scenario Two	
	<u>thru March</u>	<u>Next FY</u>	<u>S1</u>	<u>S2</u>	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
<b>General Fund</b>	<b>\$165</b>	<b>-\$2,040</b>	<b>-\$1,260</b>	<b>-\$1,771</b>	<b>\$32,383</b>	<b>-\$3,135</b>	<b>\$31,872</b>	<b>-\$3,646</b>
Corporate Net Income	6	-550	-269	-355	2,645	-813	2,558	-899
Gross Receipts	-75	0	-2	-2	1,134	-77	1,134	-77
SUT - Non-Motor	-26	0	-370	-566	9,601	-396	9,405	-592
SUT - Motor Vehicle	20	0	-100	-150	1,467	-80	1,417	-130
PIT - Withholding	26	0	-286	-358	10,533	-260	10,461	-332
PIT - Non-Withheld	30	-1,490	-128	-162	2,163	-1,589	2,129	-1,622
Inheritance	101	0	9	9	1,176	109	1,176	109
All Other	83	0	-114	-187	3,665	-31	3,591	-104

Notes: Millions of dollars. IFO official estimate released June 2019. Scenario 1 (S1) assumes a six-week business closure. Scenario 2 (S2) assumes a ten-week business closure.



# IMPACT ON STATE REVENUE ESTIMATES 20-21



- Corporate net income tax revenues decline by \$754 million (\$2).
- Sales-use tax revenues decline by \$366 million (\$2).
- Personal income tax revenues decline by \$997 million (\$2).
- Total General Fund revenues decline by \$2.2 billion (\$2).
- For FY 2019-20 and FY 2020-21 combined, revenues fall by and \$3.9 billion (\$2).
- The estimate excludes a potential gain of \$400 to \$500 million from federal stimulus

<http://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/Revenue-Update-2020-04.pdf>



# 2020-21 IFO PROJECTIONS

**Table 6**  
**Preliminary General Fund Estimate for FY 2020-21**

IFO	Scenario One			Scenario Two			
	<u>Mid-Year</u>	<u>Amount</u>	<u>Change</u>	<u>Exclude Shifts</u>	<u>Amount</u>	<u>Change</u>	<u>Exclude Shifts</u>
<b>General Fund</b>	<b>\$37,117</b>	<b>\$37,754</b>	<b>\$637</b>	<b>-\$1,404</b>	<b>\$36,989</b>	<b>-\$128</b>	<b>-\$2,168</b>
Corporate Net Income	3,546	3,579	33	-517	3,343	-204	-754
Sales and Use	12,055	12,009	-46	-46	11,689	-366	-366
Personal Income	15,450	16,137	687	-803	15,943	493	-997
All Other	6,066	6,028	-38	-38	6,015	-51	-51
Potential Impact of Federal Stimulus		\$400 to \$500 million			\$400 to \$500 million		

Notes: Millions of dollars. Federal stimulus only reflects direct rebates to individuals and grants to state and local governments.



# PROPERTY TAX RELIEF FUNDS

## Statement of Cash Receipts and Disbursements

(Dollar Amounts in Thousands)

	2018-19 Actual	2019-20 Available	2020-21 Estimated
<b>Cash Balance, Beginning</b> .....	<b>\$ 442,682</b>	<b>\$ 440,367</b>	<b>\$ 438,387</b>
<b>Receipts:</b>			
Transfer from State Gaming Fund.....	\$ 753,072	\$ 757,891	\$ 802,125
Property Tax Relief Reserve Fund Loan Repayment.....	5,946	5,946	5,946
Interest.....	4,867	5,983	5,956
<b>Total Receipts</b> .....	<b>763,885</b>	<b>769,820</b>	<b>814,027</b>
<b>Total Funds Available</b> .....	<b>\$ 1,206,567</b>	<b>\$ 1,210,187</b>	<b>\$ 1,252,414</b>



# WILL SLOTS FUNDS KEEP PTRF INTACT?

## Disbursements:

### Property Tax Relief Payments:

#### Education:

General Property Tax Relief.....	\$ 595,000	\$ 595,000	\$ 595,000
Sterling Act.....	24,500	25,500	25,500
Subtotal: Education Property Tax Relief Payments.....	<u>619,500</u>	<u>620,500</u>	<u>620,500</u>



#### Revenue:

Expanded Prop Tax/Rent Rebate/Senior Tax Reductions.....	114,100	117,600	93,900
Cities and High-Burden.....	27,600	28,700	24,800
Subtotal: Revenue Property Tax Relief Payments.....	<u>141,700</u>	<u>146,300</u>	<u>118,700</u>
Total Property Tax Relief Disbursements.....	<u>761,200</u>	<u>766,800</u>	<u>739,200</u>



#### Emergency Management:

Volunteer Company Grants.....	5,000	5,000	5,000
Total Disbursements.....	<u>-766,200</u>	<u>-771,800</u>	<u>-744,200</u>

Cash Balance, Ending.....	<u><u>\$ 440,367<sup>a</sup></u></u>	<u><u>\$ 438,387<sup>a</sup></u></u>	<u><u>\$ 508,214<sup>a</sup></u></u>
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<sup>a</sup> Ending cash balance includes \$6,192,265 in the Property Tax Relief Reserve Account.





# GAMING FUND

## Statement of Cash Receipts and Disbursements

(Dollar Amounts in Thousands)

	2018-19 Actual	2019-20 Available	2020-21 Estimated
<b>Cash Balance, Beginning</b> .....	<b>\$ 139,452</b>	<b>\$ 142,531</b>	<b>\$ 144,862</b>
<b>Receipts:</b>			
State Tax Revenue.....	\$ 796,716	\$ 812,597	\$ 850,818
Licensee Deposit Accounts.....	71,455	72,826	77,379
Local Share Assessment.....	159,314	152,902	174,680
Interest.....	2,912	3,354	3,409
Other .....	4,334	5,000	7,500
<b>Total Receipts</b> .....	<b>1,034,731</b>	<b>1,046,679</b>	<b>1,113,786</b>
<b>Total Funds Available</b> .....	<b>\$ 1,174,183</b>	<b>\$ 1,189,210</b>	<b>\$ 1,258,648</b>
Transfer to Property Tax Relief Fund.....	753,072	757,891	802,125
<b>Total Disbursements</b> .....	<b>-1,031,652</b>	<b>-1,044,348</b>	<b>-1,112,036</b>
<b>Cash Balance, Ending</b> .....	<b>\$ 142,531<sup>a</sup></b>	<b>\$ 144,862<sup>a</sup></b>	<b>\$ 146,612<sup>a</sup></b>

<sup>a</sup> Ending cash balance includes the following restricted balances: 2018-19 Actual is \$139,829,000, 2019-20 Available is \$123,641,000 and 2020-21 Estimated is \$116,992,000.

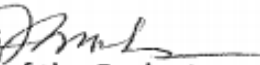


Commonwealth of Pennsylvania  
Office of the Budget  
Secretary of the Budget

April 15, 2019

**Subject:** Certification of Balance in Property Tax Relief Fund

**To:** Honorable Pedro A. Rivera  
Secretary of Education

**From:** Jen Swails   
Secretary of the Budget

Earlier today I issued a statement certifying that sufficient funding is available for property tax relief payments under the Taxpayer Relief Act of 2006. Therefore, I am writing to inform you that the Department of Education is authorized to provide school districts with property tax reduction allocations under Section 505 of the act.

Of the amount certified, the department is authorized to provide school districts \$595.0 million for statewide property tax relief as required by Section 505 of the Taxpayer Relief Act and an additional \$25.5 million to reimburse eligible school districts pursuant to Section 324 of the act, commonly referred to as Sterling Act reimbursements. A total of \$146.3 million will be transferred to the Lottery Fund to reimburse costs related to supplemental and enhanced property tax/rent rebates.

<https://www.budget.pa.gov/PublicationsAndReports/Pages/Property-Tax-Relief.aspx>

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## RECAP—WHAT WE KNOW:

# Local and state revenues for 20-21 will be DOWN...



# FEDERAL REVENUES—WHAT WE KNOW NOW RE: CARES ACT FUNDING

## **Governor's Emergency Education Relief Fund: \$3B**

- PA allocation—\$105 million—maybe \$50 million k-12
- Distribution—at the discretion of the governor
  - Distribution or grants??
  - In the same percentages as all current expenditures?
  - K-12 is about 36% of all state expenditures



# USE OF GOVERNOR'S EMERGENCY EDUCATION RELIEF FUND (K-12)

(I) provide emergency support through grants to LEAs that the State educational agency deems have been most significantly impacted by coronavirus to support the ability of such LEAs to continue to provide educational services to their students and to support the on-going functionality of the LEA



# TIMELINE: GOVERNOR'S EMERGENCY EDUCATION RELIEF FUND (K-12)

- State will apply within 30 days from federal application
- Funds must be used within one year of award



# FEDERAL REVENUES: WHAT WE KNOW NOW RE: CARES ACT FUNDING

## Elementary/Secondary School Emergency Relief Fund: \$13.5 B

- PA allocation of \$13.5B—\$471.4 million to LEAs
  - SDs receive \$399.8 million (85%)/charters receive \$71.6 million (15%)
  - Unclear amount PDE will hold back
- Allocation is based on shares of Title I-A funding
- Estimated distribution—a look at the top, bottom and middle 15 recipients



The Top	County	Estimated LEA Share of k-12 stimulus Fund	Total Student-Weighted ADM	Share Per TSWADM
Salisbury-Elk Lick SD	Somerset	\$351,524	373.626	\$940.84
Wilkinsburg Borough SD	Allegheny	\$1,039,557	1,758.498	\$591.16
Greater Johnstown SD	Cambria	\$2,235,947	4,696.620	\$476.08
Farrell Area SD	Mercer	\$516,400	1,185.141	\$435.73
Pequea Valley SD	Lancaster	\$806,193	1,867.115	\$431.79
Duquesne City SD	Allegheny	\$553,314	1,285.564	\$430.41
Harrisburg City SD	Dauphin	\$4,992,741	12,031.949	\$414.96
New Castle Area SD	Lawrence	\$1,933,727	4,757.114	\$406.49
New Kensington-Arnold SD	Westmoreland	\$1,181,678	2,919.731	\$404.72
Aliquippa SD	Beaver	\$796,144	2,018.885	\$394.35
Solanco SD	Lancaster	\$1,606,491	4,175.219	\$384.77
Philadelphia City SD	Philadelphia	\$116,272,327	308,711.561	\$376.64
Reading SD	Berks	\$11,592,390	31,222.712	\$371.28
Sto-Rox SD	Allegheny	\$937,706	2,551.981	\$367.44
Big Beaver Falls Area SD	Beaver	\$831,570	2,273.700	\$365.73



<b>The Middle</b>	<b>County</b>	<b>Estimated LEA Share of k-12 stimulus Fund</b>	<b>Total Student-Weighted ADM</b>	<b>Share Per TSWADM</b>
Freedom Area SD	Beaver	\$250,298	1,648.312	\$151.85
Stroudsburg Area SD	Monroe	\$903,541	5,950.647	\$151.84
Brockway Area SD	Jefferson	\$194,469	1,283.862	\$151.47
Valley Grove SD	Venango	\$159,213	1,051.848	\$151.37
Johnsonburg Area SD	Elk	\$120,696	812.272	\$148.59
Sharpsville Area SD	Mercer	\$211,734	1,433.907	\$147.66
Mountain View SD	Susquehanna	\$188,399	1,275.892	\$147.66
Gettysburg Area SD	Adams	\$565,834	3,838.771	\$147.40
Western Wayne SD	Wayne	\$326,079	2,213.167	\$147.34
Lackawanna Trail SD	Wyoming	\$185,594	1,260.245	\$147.27
Elk Lake SD	Susquehanna	\$225,948	1,542.005	\$146.53
Millersburg Area SD	Dauphin	\$140,533	960.877	\$146.25
Eastern Lebanon County SD	Lebanon	\$388,198	2,666.210	\$145.60
Gateway SD	Allegheny	\$592,288	4,072.275	\$145.44
Muncy SD	Lycoming	\$168,673	1,168.443	\$144.36

<b>The Bottom</b>	<b>County</b>	<b>Estimated LEA Share of k-12 stimulus Fund</b>	<b>Total Student-Weighted ADM</b>	<b>Share Per TSWADM</b>
Spring-Ford Area SD	Montgomery	\$246,721	8,384.118	\$29.43
Lower Merion SD	Montgomery	\$249,723	8,661.712	\$28.83
New Hope-Solebury SD	Bucks	\$43,563	1,524.445	\$28.58
Avon Grove SD	Chester	\$189,765	6,728.207	\$28.20
Tredyffrin-Easttown SD	Chester	\$195,179	7,033.171	\$27.75
Haverford Township SD	Delaware	\$162,330	6,097.666	\$26.62
Garnet Valley SD	Delaware	\$122,820	4,830.178	\$25.43
Pine-Richland SD	Allegheny	\$114,536	4,689.813	\$24.42
Peters Township SD	Washington	\$97,599	4,095.653	\$23.83
South Fayette Township SD	Allegheny	\$73,651	3,124.754	\$23.57
Council Rock SD	Bucks	\$259,137	11,234.118	\$23.07
Unionville-Chadds Ford SD	Chester	\$85,474	4,046.584	\$21.12
Downingtown Area SD	Chester	\$255,079	13,636.622	\$18.71
North Allegheny SD	Allegheny	\$140,294	8,500.117	\$16.50
Upper Saint Clair SD	Allegheny	\$62,036	4,168.609	<sup>58</sup> \$14.88

# USE OF ELEMENTARY AND SECONDARY SCHOOLS EMERGENCY RELIEF FUND

- (1) Any activity authorized by the ESEA, IDEA, the Adult Education and Family Literacy Act, Carl D. Perkins Career and Technical Education Act or the McKinney Vento Homeless Assistance Act
- (2) Coordination of preparedness and response efforts of LEAs with State, local public health departments, and other relevant agencies, to improve coordinated responses among such entities to prevent, prepare for, and respond to coronavirus.
- (3) Providing principals and others school leaders with the resources necessary to address the needs of their individual schools.
- (4) Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth, including how outreach and service delivery will meet the needs of each population.
- (5) Developing and implementing procedures and systems to improve the preparedness and response efforts of local educational agencies.
- (6) Training and professional development for staff of the local educational agency on sanitation and minimizing the spread of infectious diseases.



# USE OF ELEMENTARY AND SECONDARY SCHOOLS EMERGENCY RELIEF FUND

- (7) Purchasing supplies to sanitize and clean the facilities of an LEA, including buildings operated by such agency.
- (8) Planning for and coordinating during long-term closures, including for how to provide meals to eligible students, how to provide technology for online learning to all students, how to provide guidance for carrying out requirements under IDEA and how to ensure other educational services can continue to be provided consistent with all Federal, State, and local requirements.
- (9) Purchasing educational technology (including hardware, software, and connectivity) for students who are served by the LEA that aids in regular and substantive educational interaction between students and their classroom instructors, including low-income students and students with disabilities, which may include assistive technology or adaptive equipment.
- (10) Providing mental health services and supports.
- (11) Planning and implementing activities related to summer learning and supplemental after school programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, students with disabilities, English learners, migrant students, students experiencing homelessness, and children in foster care.
- (12) Other activities that are necessary to maintain the operation of and continuity of services in LEAs and continuing to employ existing staff of the LEA.



# TIMELINE: ELEMENTARY AND SECONDARY SCHOOLS EMERGENCY RELIEF FUND

- State will apply within 30 days from federal application
- ***Funds must be used within one year of award***
- Will likely become part of state budget discussions



# ELEMENTARY AND SECONDARY SCHOOLS EMERGENCY RELIEF FUND LIMITATIONS

An LEA, State or other entity that receives funds under “Education Stabilization Fund,” shall to the greatest extent practicable, continue to pay its employees and contractors during the period of any disruptions or closures related to coronavirus.



# ELEMENTARY AND SECONDARY SCHOOLS EMERGENCY RELIEF FUND LIMITATIONS

States **MUST** assure they will maintain support for elementary and secondary education in fiscal years 2020 and 2021 at least at the levels of such support that is the average of such State's support for elementary and secondary education provided in the 3 fiscal years preceding the date of enactment of this Act.

There is an option for states to apply for a waiver from this MOE.



# FEDERAL REVENUES—WHAT WE DON'T KNOW

- When and how...
- Impact on state funding (MOE component for 20-21 budget)...
- More federal care packages on the way? (\$77 billion to schools in stimulus and jobs funds last time)





## SO...WHAT COULD HAPPEN IN HARRISBURG?

- GA is currently assessing the situation and trying to understand the scope of the state hole and federal funds
- Discussions of a 6-month budget (July 1-Dec. 31) are increasing, although there are complexities...
- No change to SD budget adoption timeline



## SO...WHAT COULD HAPPEN IN HARRISBURG?

- Likely to continue to revisit a property tax rate freeze or other limitations on local revenues
  - Property Tax Freeze...20-21?...or 21-22?
  - Extension of discount/face periods for property tax payments
  - Installment payments

**Remember: SDs have flexibility to provide relief and extend timelines for taxpayers!**



# INSTALLMENTS UNDER ACT I

## **Section I 502. Installment payment of school real property taxes.**

- (3) The number of installments that an eligible taxpayer shall be required to pay of school real property taxes, which shall be no more than monthly and no less than three times during the months prior to the date established by the county in which the school district is located for the turnover of delinquent taxes pursuant to the act of July 7, 1947(P.L. 1368, No.542), known as the Real Estate Tax Sale Law.
- (4)...To each installment on the date when it becomes delinquent, a penalty of up to 10% shall be added, which shall be collected by the tax collector.



## OTHER COMPLEXITIES...TRANSPORTATION

- Don't be surprised if transportation funding is a train wreck
- Will see lack of full payments for this year (again)
- For 2020-21 might be a matter of survival (recall the attempt to dump transportation into BEF)



## OTHER COMPLEXITIES...PSERS

- For PSERS, ECR locked in for 2020-21; WON'T change
- BUT, future ECRs will reflect the economic downturn and obviously increase...planning for 2021-22...



# OTHER COMPLEXITIES...ACT I INDEX



## OTHER COMPLEXITIES...FUND BALANCE

- Committed/Assigned for known cost issues determined
- Committed/Assigned for cost issues planned but uncertain
- If you have “left over money” June 30...COVID 19 costs and impact is not going to stop on July 1...
- Plan reasonably for envisioned needs and work that needs to be done....one time money is best tied to one time need/expense
- Note 1: State Receivable to SDs on June 30, 2019 was \$597M...could double in 2020...**cash flow matters**

Note 2: Accruals for Local Revenues (tax receivables) may drop



# RECAP: 2019-20 REVENUES

## Current Year Revenues: State

- Promised by Act 13, but watch June accruals....

## Current Year Revenues: Local

- EIT: districts will have approximately 6 months worth of EIT reductions given record unemployment numbers and NO new hiring, wage increases, etc.
- Delinquent collections....January county turnover? Perhaps not this FY...and maybe even not next.
- Realty Transfer for 3 to 4 months of the FY?
- NET impact of *expense reduction with unplanned expenses and reduced local income for 2020* is \_\_\_\_\_?





# RECAP: 2019-20 EXPENDITURES

## Current year expenditures favorable

- Not buying transportation fuels at normal usage, reduced energy, supply, event, equipment costs...?

## Current year expenditures unfavorable

- Expenses paid for COVID 19 related issues: food delivery and remote food stations, training, supplies, cleaning, sanitizing, security and safety protocols in buildings and grounds, technology for communications/education/instruction

## Many districts may see 2020 expense underspent (but not all)

- Underspent expense line items DO NOT mean districts have left-over money
- How much the local revenue side of the equation drops will be the larger determinant



## POST-COVID 20-21 BUDGET DEPENDS ON:

- How your finances were holding up before COVID-19
- How your 19-20 net expenditures and revenues held up post closure
- How your projected 20-21 revised total local revenue estimates appear
- How your projected 20-21 total state revenues appear...are they known? When will they be known?
- How your share of the Federal CARES Act funding aligns with above local and state revenue changes...it all nets out



## 20-21 CHECK LIST

- **Total Local Revenue: you know it best...own it...prepare**
- CARES Act \$s...one time monies for 20-21
- Budget timelines...the more you know, the better your final budget will be...wait for the state...
- What do you know now about your finances regardless of what the state does?
- Get your side of the ledger ready to adjust to state information at the last minute
- Watch autopilot operations, it is not business as usual...think 30 months
- ***Capturing attrition and non-replacement and deferrals of major cost commitments may prove prescient***



## 20-21 CHECK LIST

- Stay tuned and follow PASBO
- The state has many decisions to make
- General Assembly, governor and budget
  - 6 months? How would it work? What would it mean for your budget?
- State funding netting and federal fund interplay very possible
- CARES Act flexible portion, how is it used
- Is there a CARES Act II?



# SCASD prepares for revenue losses, no tax increase in 2020-21

By **GEOFF RUSHTON**  
StateCollege.com

STATE COLLEGE — State College Area School District is preparing for millions of dollars in revenue losses over at least the next year and a half as a result of the economic impact of the coronavirus pandemic.

District administrators are in the process of planning for ways to offset a \$2 million drop in projected revenue for the current fiscal year, as well as about a \$9 million decrease in projected revenue for 2020-21, finance and operations officer Randy Brown said during the April 6 school board meeting. For next year, the district is now proposing no real estate tax increase, as opposed to the

For 2020-21, no tax increase combined with reductions in assessed values and a 2 percent drop in collections is projected to result in \$4.9 million less revenue than previously anticipated. Other losses come from projected continued decreases in earned income tax revenue, transfer tax, delinquent and interim tax collections and interest rates.

Brown said the longer Penn State does not have students on campus, the greater the ripple effects will be.

“We believe the longer ... Penn State University is out of school and there are not students in town, or prospective students in town, or Blue-White attendees in town, we will have problems with real estate, with earned income tax. We will have transfer tax issues,” he said.



## SUMMARY...

- Maybe \$700M to \$1B decline in local revenue for 20-21
- Currently, \$4B shortfall in state revenue for 20-21
- Cuts to state funding are possible
- Some federal stimulus funding will be coming...NOT clear if it will cover state holes...NOT clear if there will be a round 2...or when
- Timeline of state budget is uncertain...a two-stage, 6 month budget will add more complexities
- Taxpayers will be struggling to make payments, consider flexibility at the local level, as Harrisburg is considering mandates



ONE MORE COMPLEXITY...

# Furloughs under Act 55...



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# LEAS CAN FURLOUGH PROFESSIONAL EMPLOYEES FOR 5 REASONS:

- (1) substantial **decrease in pupil enrollment** in the school district;
- (2) **curtailment or alteration of the educational program** on recommendation of the superintendent and on concurrence by the board of school directors, as a result of substantial decline in class or course enrollments or to conform with standards of organization or educational activities required by law or recommended by the PDE;
- (3) **consolidation of schools**, whether within a single district, through a merger of districts, or as a result of joint board agreements, when such consolidation makes it unnecessary to retain the full staff of professional employes;
- (4) **when new school districts are established** as the result of reorganization of school districts pursuant to Article II., subdivision (i) of this act, and when such reorganization makes it unnecessary to retain the full staff of professional employes;
- (5) **economic reasons** that require a reduction in professional employes.





## IF YOU CHOOSE TO FURLOUGH FOR ECONOMIC REASONS, THERE ARE HURDLES...

- MUST furlough an equal percentage of administrative employees OR seek a waiver of this provision from PDE
- MUST adopt a resolution to furlough for economic reasons in the following FY AT LEAST 60 DAYS PRIOR TO ADOPTION OF A FINAL BUDGET
- MUST outline the economic conditions making the furloughs necessary and articulate how the furloughs will alleviate those conditions, show savings, show other cost-saving actions, share impact on students, etc.



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## ORDER OF SUSPENSIONS...

- Regardless of the option you choose for furloughing employees, employees must be furloughed pursuant to section 1125.1
- Generally, by evaluation, then by seniority...be aware of complexity re: bumping



# THE FURLOUGH CONCLUSION



- You may not be able to invoke economic furloughs for FY 2020-21 due to the rigid timeline.
- So, furloughs for 2020-21 may be limited to the four pre-existing options.
- Few have used the economic furlough language in Act 55, proceed with caution.

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# ADVOCACY IS INCREDIBLY IMPORTANT RIGHT NOW



Tell your legislators what you are thinking through in your 20-21 budgets...what assumptions you are making, what challenges you are facing, what declines you are bracing for...

**Let us know how we can help!**





## QUESTIONS & ANSWERS

