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**STRONGER TOGETHER 2021**

# **PASBO**

**66<sup>th</sup> PASBO ANNUAL CONFERENCE & EXHIBITS**



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

[www.pasbo.org](http://www.pasbo.org)

# COMING PROFESSIONAL DEVELOPMENT

- Caffeinated Conversations & Web Forums
  - Various Dates for Transportation, HR and Procurement
  - Leadership, ESSER II Funds, Workers' Comp

Member Only Benefits

- Taxation Virtual Workshop – February 26, 2021

Members and Nonmembers



# 2021 Commonwealth Budget Seminar

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FEBRUARY 2021



# TODAY'S AGENDA...

1. Part I: Governor's proposed budget with Q and A
2. Part II: Financial state of PA heading into 21-22

## **Quick Break!**

3. Part III: Policy considerations as you build your budgets
4. Part IV: Advocacy messaging
5. Q and A



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# PART I: GOVERNOR'S PROPOSED 2021-22 STATE BUDGET



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

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# Whoa.

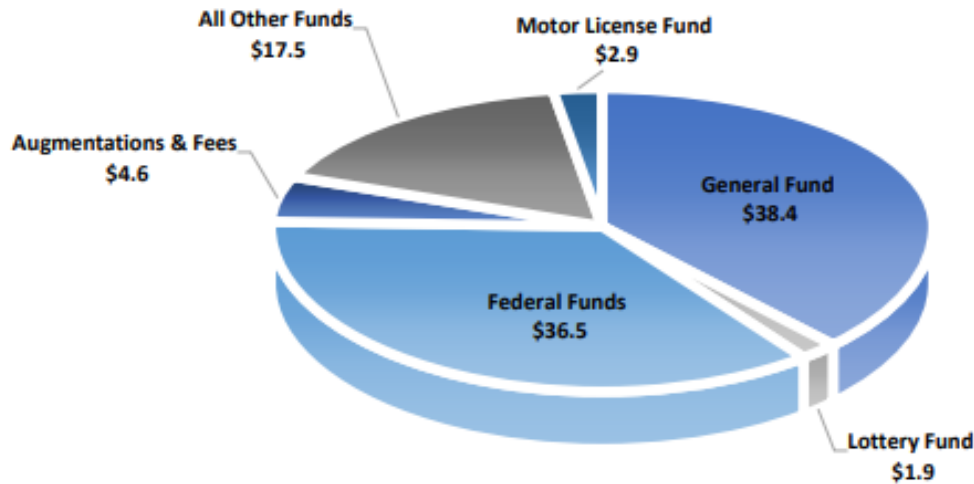


## 2021-22 PROPOSED BUDGET...

- \$37.8 billion budget proposal
- Prioritizes education, workforce initiatives and economic development
- Raises new revenue on multiple fronts

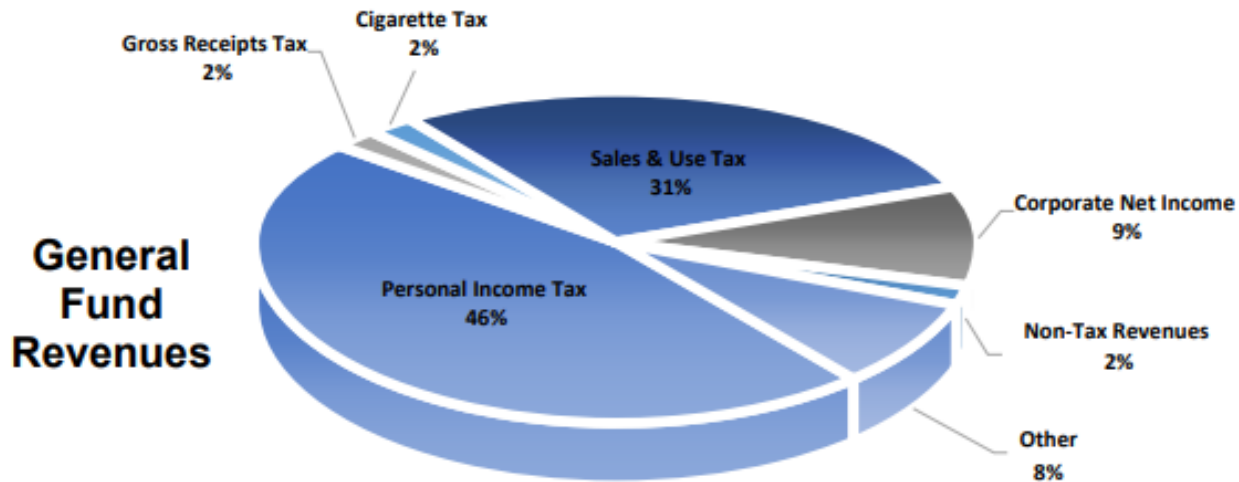


# Budget Overview



**Total  
Operating  
Budget**

**\$97.2  
Billion**



**General  
Fund  
Revenues**





# GENERAL FUND AND SPECIAL FUNDS

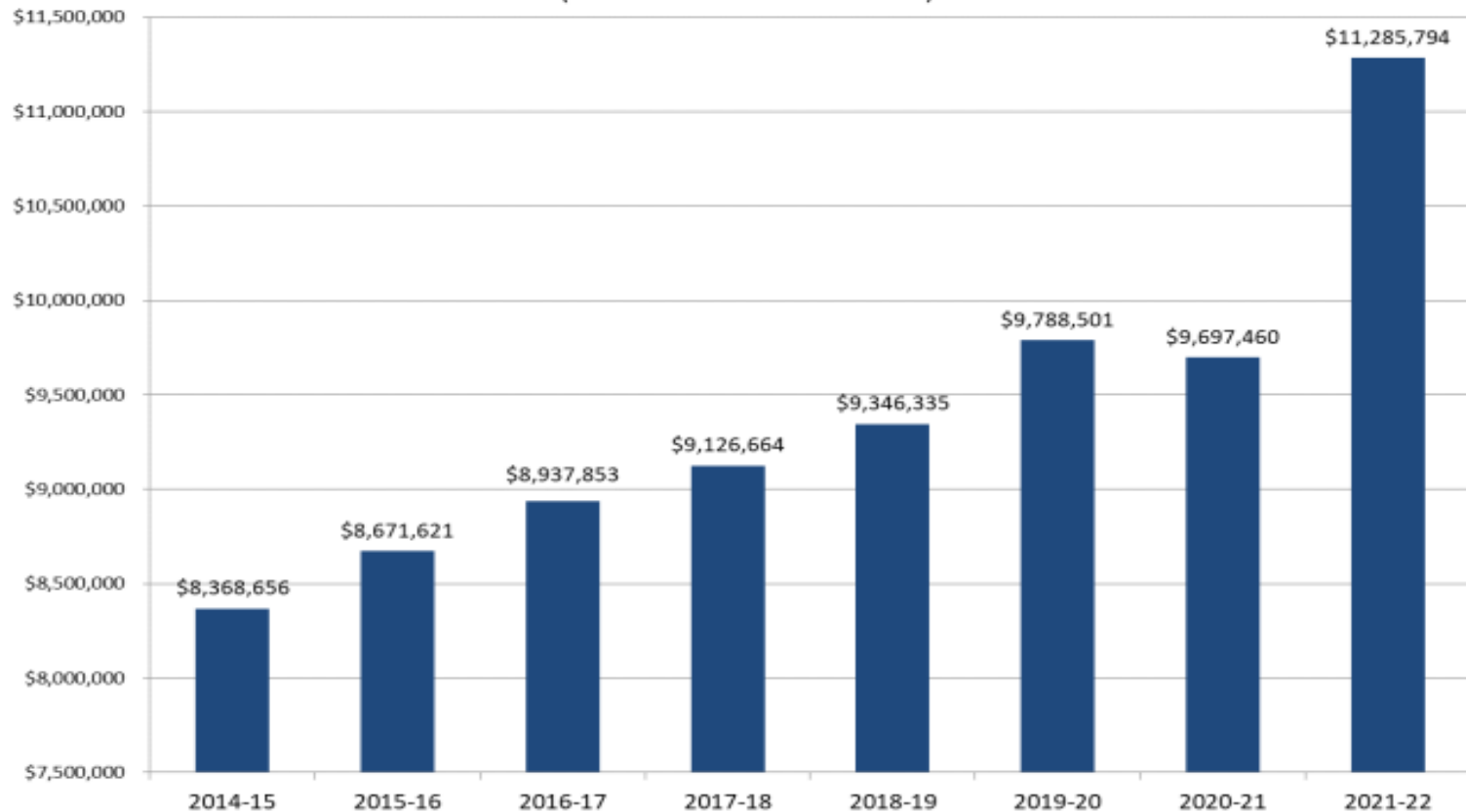
2021-22 Fiscal Year  
(Dollar Amounts in Thousands)



## INVESTING IN OUR KIDS

### Pre-K to 12 Education Funding

(Dollar amounts in thousands)



Note: Excludes Authority Rentals and Sinking Fund Requirements, School Employees' Social Security, and School Employees' Retirement.



# THE APPROPRIATIONS...

- \$1.3 billion proposed increase to BEF (more on this in a minute!)
- \$200 million proposed increase to SEF (\$187 million through the formula; \$13 million for the contingency fund...AND remember: DON'T look at the spreadsheets!!)
- \$30 million proposed increase to early childhood
- \$11 million proposed increase for Early Intervention



## THE APPROPRIATIONS...

- \$190 million proposed increase for PlanCon (existing debt)
- \$16 million proposed increase to Pupil Transportation
- \$32 million proposed increase for PSERS
- \$3 million proposed reduction to SS (LEAs except SDs)



# SD SOCIAL SECURITY REIMBURSEMENT

	2020-21	2021-22	\$ Change	% Change
Social Security Set-aside	\$555,310,000	\$526,639,000	(\$28,671,000)	-5.16%
Employer Contribution Rate	6.20%	6.20%	0%	
<b>Salary Base</b>	<b>\$8,956,612,901</b>	<b>\$8,494,177,419</b>	<b>(\$462,435,481)</b>	<b>-5.16%</b>
Social Security Contribution Appropriation	\$73,643,000	\$70,593,000	(\$3,050,000)	-4.14%
Employer Contribution Rate	6.20%	6.20%	0%	
<b>Salary Base</b>	<b>\$1,187,790,323</b>	<b>\$1,138,596,774</b>	<b>(\$49,193,548)</b>	<b>-4.14%</b>



# CHARTER SCHOOL REFORM POLICY

## \$99 Million Savings

- Apply Act 16 SE categories to charter school students/tuition
- SEF Commission recommendation

## \$130 Million Savings

- \$9,500 statewide cyber charter tuition rate
- Current range is from \$9,170 to \$22,300

## Redirection Process

- Clear timelines and processes in redirection process
- Transparency and fairness for SDs and CSs



## OTHER POLICY

- **Minimum Teacher Salary: \$45,000**
- **Minimum Wage: \$12/hour July 1, 2021; \$15/hour by July 1, 2027**
- **RACP: \$1 billion expansion in eligible projects to include lead/asbestos abatement and schools as grantees**



# REDEVELOPMENT ASSISTANCE CAPITAL PROGRAM (RACP)

- State grant program administered by the Office of the Budget
- Since 1986, \$6.3 billion in funding--about 3,000 projects
- Source of funding is Commonwealth GO Bonds
- A RACP project must have a total cost of at least \$1,000,000.
- At least 50% of the project cost must be match (non-state) participation.
- Proposal expands eligible grantees to schools for lead/asbestos abatement projects





# RCAP FUNDED PROJECTS 2020

[The Northern York County School District](#) Athletic Field Improvements Project consists of: 1. the complete renovation of the existing field hockey/soccer field located behind Northern High School. Renovations include widening the field, moving light standards, installing new lights and standards, excavation of the field, stormwater management work, installation of security fencing and the installation of a synthetic turf field. 2. Replacement of lights at Bostic Field with LED lights. This includes installation of four concrete bases and galvanized steel poles, electrical wiring, luminary assemblies, and 46 luminaries.

Amount Requested: \$1,419,032

Amount Approved: \$1,419,032



# RCAP FUNDED PROJECTS 2020

Project is to renovate/replace infrastructure for four of existing school buildings in the [Scranton School District](#): 1) Armstrong Elementary School - Remove and replace the existing heating system; 2) Scranton High School - Either extensively renovate or completely replace the fire suppression sprinkler system; 3) South Scranton Intermediate School - Either extensively renovate or completely replace the boilers of the existing heating system; and 4) West Scranton Intermediate/West Scranton High Schools - Renovate West Scranton Intermediate School to accommodate more students or renovate West Scranton High School to create additional classroom space to accommodate more students, and to create new science laboratory space that would be incorporated into the District's new Science, Technology, Mathematics, and Medicine (STEMM) program.

Amount Requested: \$4,000,000

Amount Approved \$3,000,000



# BASIC EDUCATION FUNDING...

1. This is a BIG proposal
2. It's dead on arrival
3. It's a good start to a needed conversation...



# BASIC EDUCATION FUNDING

## Step I: Raise additional revenue

- PIT rate increases to 4.49%
- 67% of Pennsylvanians will see decreases or no change
- Significant PIT exclusions/reductions based on income



# BASIC EDUCATION FUNDING

## Step 2: Run **ALL THE MONEY** through the **BEF** formula

- Redistribute all \$6.25 billion in existing BEF (19-20) through the BEF formula (keeps SS separate)
- Shifts \$1.15 billion from 336 districts to 164 districts
- This creates winners and losers



School District	19-20 BEF	Proposed 21-22 BEF (Part I)	\$ Change	% Change
Erie City SD	\$81.8 M	\$101.5 M	\$19.6 M	24%
Derry Township SD	\$2.98 M	\$7.54 M	\$4.56 M	152%
Red Lion Area SD	\$15.5 M	\$12.0 M	-\$3.54 M	-22%
Altoona Area SD	\$40.2 M	\$26.1 M	-\$14.0 M	-34.9%



# BASIC EDUCATION FUNDING

## Step 3: Make all the “losers” whole with new revenue

- Use \$1.15B of new PIT revenue to level-fund (at 19-20 BEF) any district that lost money when running all BEF \$s through the formula
- This undoes the impact on the 336 districts that would lose money
- Creates a new hold harmless??



School District	19-20 BEF	Proposed 21-22 BEF (Part I)	PIT backfill (Part 2)
<b>Red Lion Area SD</b>	\$15.5 M	\$12.0 M	\$3.54 M
<b>Altoona Area SD</b>	\$40.2 M	\$26.1 M	\$14.0 M
<b>Punxsatawny Area SD</b>	\$15.6 M	\$7.12 M	\$8.54 M
<b>Northern Cambria SD</b>	\$8.84 M	\$3.67 M	\$5.17 M





# BASIC EDUCATION FUNDING

## **Step 4: Distribute \$200 million to all 500 districts through the BEF formula**

- **AFTER** running ALL BEF through the formula and making everyone whole (Steps 2 and 3 above), distribute \$200 million **ON TOP**
- Will use new formula data (2019 ACS data and 2019-20 AFR, ADM data—data in spreadsheets is not all updated!)
- Every SD gets an increase above the 2019-20 BEF amount (range is \$24,000 to \$43 million)



School District	19-20 BEF	Proposed 21-22 BEF (Parts 1/2)	Proposed Share of \$200 M Increase (Part 3)	Proposed TOTAL 21-22 BEF	Total % Increase
Red Lion Area SD	\$15.5 M	\$15.5 M	\$384k	\$15.95 M	2.47%
Altoona Area SD	\$40.2 M	\$40.2 M	\$837k	\$41.09 M	2.08%
Punxsatawny Area SD	\$15.6 M	\$15.6 M	\$228k	\$15.9 M	1.45%
Erie City SD	\$81.8 M	\$101.5 M	\$3.24 M	\$104.7 M	27.97%
Derry Township SD	\$2.98 M	\$7.54 M	\$241k	\$7.79 M	161.05%



# EXAMPLES

## Pittsburgh SD

Current Yr. BEF: \$163,259,830

Full Formula Distribution: \$69,979,662

Full Formula Shortfall: \$93,280,169

New Additional BEF: \$2,237,531

Total 21-22 BEF: \$165,497,362

Increase: \$2,237,531

Percent Increase: 1.37%

## Allentown City SD

Current Yr. BEF: \$120,842,645

Full Formula Distribution: \$222,660,430

Full Formula Shortfall: \$0.00

New Additional BEF: \$7,119,348

Total 21-22 BEF: \$229,779,779

Increase: \$108,937,484

Percent Increase: 90.15%



# BEF DISTRIBUTION SPREADSHEETS

AUN	School District	County	2021-22 Proposed Total BEF Feb 2021	2021-22 Proposed Student-Weighted Distribution of Existing Funds	2021-22 Proposed Fair Funding Formula Initiative <sup>(1)</sup>	2021-22 Proposed Student-Weighted Distribution of New Funds	2019-20 Final BEF May 2020 <sup>(2)</sup>	Dollar Change over 2019-20	Percent Change over 2019-20
112011103	Bermudian Springs SD	Adams	\$6,467,687	\$4,073,551	\$2,263,888	\$130,248	\$6,337,439.43	\$130,248	2.06%
112011603	Conewago Valley SD	Adams	\$13,160,574	\$12,752,816	\$0	\$407,759	\$9,318,191.96	\$3,842,382	41.24%
112013054	Fairfield Area SD	Adams	\$3,628,297	\$1,847,672	\$1,721,548	\$59,077	\$3,569,219.46	\$59,078	1.66%
112013753	Gettysburg Area SD	Adams	\$9,209,624	\$8,924,279	\$0	\$285,345	\$8,213,313.31	\$996,311	12.13%
112015203	Littlestown Area SD	Adams	\$6,669,605	\$4,056,949	\$2,482,939	\$129,717	\$6,539,887.81	\$129,717	1.98%
112018523	Upper Adams SD	Adams	\$6,890,371	\$6,282,998	\$406,481	\$200,893	\$6,689,478.89	\$200,892	3.00%

**However ... this proposal is not likely to pass the General Assembly.**



This is what you would receive in the 2021-22 school year in total BEF \$.



This is what you received in the prior two school years in total BEF \$.



This is the total \$ increase proposed in the budget for 2021-22.



## THE GOOD...

- Recognizes that more state funding is needed for education, and more state funding can't come without additional state revenue
- Acknowledges that some districts can't lift themselves without additional, significant state support
- Starts a necessary conversation about how to move all school districts towards equity



## THE GOOD...

- Recognizes that more state funding is needed for education, and more state funding can't come without additional state revenue
- Acknowledges that some districts can't lift themselves without additional, significant state support
- Starts a necessary conversation about how to move all school districts towards equity



## THE NOT SO GOOD...

- Confuses student equity and taxpayer equity
- Misuses and undermines the BEF formula
- One year shift is unrealistic
- Negative implications for other formulas/costs



“The budget he is presenting is completely unsustainable, totally irresponsible and absolutely crippling to the state’s economy. Now is not the time to ask Pennsylvanians to send more of their hard-earned dollars to Harrisburg.”

*Jake Corman*

*Senate President Pro Tempore*

“The Governor could not have picked a worse time to propose a 46.3 percent increase in the personal income tax given the struggles Pennsylvanians continue to face during the worst pandemic of our lifetime.”

*Pat Browne*

*Senate Appropriations Chair*





“No matter how you slice it, today Gov. Wolf proposed a massive tax increase on working Pennsylvanians and small businesses—the very same Pennsylvanians who have been unfairly targeted by overbroad and inconsistent economic shutdowns over the past year. Tax increases are not the answer to our current problems.”

*Kerry Benninghoff*  
*House Majority Leader*

“What the governor proposed today was just more of the same, but it shockingly and unfairly targeted middle-class, working Pennsylvanians and small businesses job creators to pay the brunt of this massive proposed increase in spending.”

*Stan Saylor*  
*House Appropriations Chair*



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# 2021-22 Proposed Budget

## Q and A....



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# PART II: THE STATE OF THE STATE



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# WHAT'S THE CONTEXT FOR THE 2021-22 BUDGET?

- New legislative session
- New leadership and dynamics
- State financial challenges (COVID and otherwise)
- No federal funding (yet!)



# IFO ECONOMIC FORECAST *JANUARY 21, 2021*

## **IFO analysis finds an estimated \$2 billion structural deficit**

- November 2019 IFO Outlook identified a \$1 billion structural deficit
- What has changed? Why is it worse?





# GOVERNOR WOLF

SCHOOLS THAT TEACH • JOBS THAT PAY • GOVERNMENT THAT WORKS

## 2021-22 FINANCIAL STATEMENT

(Dollars in Thousands)

	<u>2019-20</u> <u>Actual</u>	<u>2020-21</u> <u>Available</u>	<u>2021-22</u> <u>Budget</u>
<b>Beginning Balance</b> .....	\$ -	\$ (2,734,070)	\$ (233,422)
Adjustments to Beginning Balance....	30,373	-	-
Actual/Estimated Revenue.....	32,275,785	37,490,200	40,085,800
COVID-19 Enhanced FMAP.....	1,129,395	1,634,889	2,370,161
CRF - Public Health & Safety Staff	-	1,467,504	-
Refunds.....	(1,150,000)	(1,295,000)	(1,724,000)
<b>Total Revenue</b> .....	<b>32,285,553</b>	<b>36,563,523</b>	<b>40,498,539</b>
Prior-Year Lapses.....	200,000	220,000	100,000
<b>Funds Available</b> .....	<b>32,485,553</b>	<b>36,783,523</b>	<b>40,598,539</b>
Enacted/Proposed Expenditures....	34,090,228	34,049,086	37,837,187
Federal Stimulus Expenditures.....	1,129,395	3,102,393	2,370,161
<b>Total Expenditures</b> .....	<b>35,219,623</b>	<b>37,151,479</b>	<b>40,207,348</b>
Current-Year Lapses.....	-	(134,534)	-
<b>Preliminary Balance</b> .....	<b>(2,734,070)</b>	<b>(233,422)</b>	<b>391,191</b>
Transfer to the Rainy Day Fund...	-	-	(97,798)
<b>Ending Balance</b> .....	<b>\$ (2,734,070)</b>	<b>\$ (233,422)</b>	<b>\$ 293,393</b>
<b>Cumulative Rainy Day Balance</b> ....	<b>340,096</b>	<b>240,096</b>	<b>337,894</b>
<b>CNIT Rate (Effective Jan. 1)</b> .....	<b>9.99%</b>	<b>9.99%</b>	<b>8.99%</b>



# General Fund Financial Statement

	19-20	20-21	21-22	22-23	23-24	24-25	25-26
Beginning Balance	\$30	-\$2,734	--	--	--	--	--
Current Year Revenues	32,276	38,437	\$36,675	\$37,851	\$39,352	\$40,828	\$42,321
Less Refunds	<u>-1,150</u>	<u>-1,300</u>	<u>-1,326</u>	<u>-1,353</u>	<u>-1,380</u>	<u>-1,407</u>	<u>-1,435</u>
Net Revenues	31,126	37,137	35,349	36,498	37,972	39,421	40,885
State Expenditures	-34,090	-33,141	-37,975	-39,223	-40,586	-41,877	-42,971
Current Year Balance	-2,934	1,263	-2,626	-2,725	-2,613	-2,455	-2,086
Plus Prior Year Lapses	<u>200</u>	<u>219</u>	<u>125</u>	<u>125</u>	<u>125</u>	<u>125</u>	<u>125</u>
<b>Prelim Ending Balance</b>	<b>-2,734</b>	<b>1,481</b>	<b>-2,501</b>	<b>-2,600</b>	<b>-2,488</b>	<b>-2,330</b>	<b>-1,961</b>

Note: Millions of dollars. Prior year lapses include transfers to the Budget Stabilization Reserve Fund.

January 21, 2021



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**Table 3.5**  
**Permanent Job Loss Likely for Many Sub-Sectors, but a Few Gain**

	Number (000s)		Change	
	Nov 2019	Nov 2020	Number	Percent
Full-Service Restaurant	193.9	146.0	-47.9	-24.7%
Colleges, Universities, Professional	183.2	151.9	-31.3	-17.1
Limited-Service Restaurant	161.7	134.8	-26.9	-16.6
Employment Services (Temps)	128.3	104.4	-23.9	-18.6
Personal Care-Dry Cleaning	72.7	50.0	-22.7	-31.2
Local Government	465.0	443.1	-21.9	-4.7
Retail - Clothing Stores	44.5	22.8	-21.7	-48.8
Accommodations	58.5	37.9	-20.6	-35.2
Nursing and Residential Care	201.8	189.3	-12.5	-6.2
State Government-Education	63.4	54.3	-9.1	-14.4
Air Transportation	13.4	7.8	-5.6	-41.8
Courier and Messengers	41.7	48.6	6.9	16.5
Home Health Care	69.3	71.9	2.6	3.8
Real Estate	45.0	47.5	2.5	5.6

Source: U.S. Bureau of Labor Statistics, CES State and Metro Area Employment.



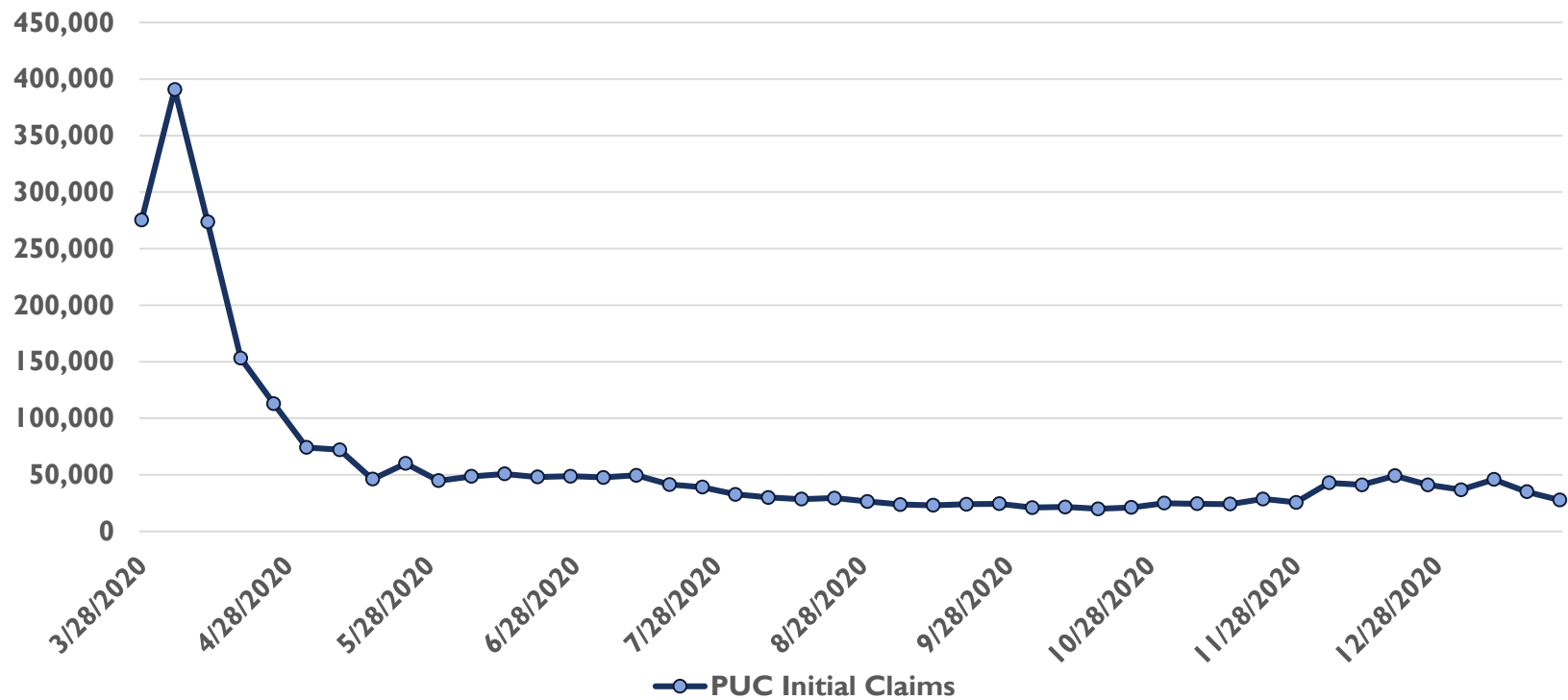


# IFO JANUARY 2021: MONTHLY ECONOMIC UPDATE

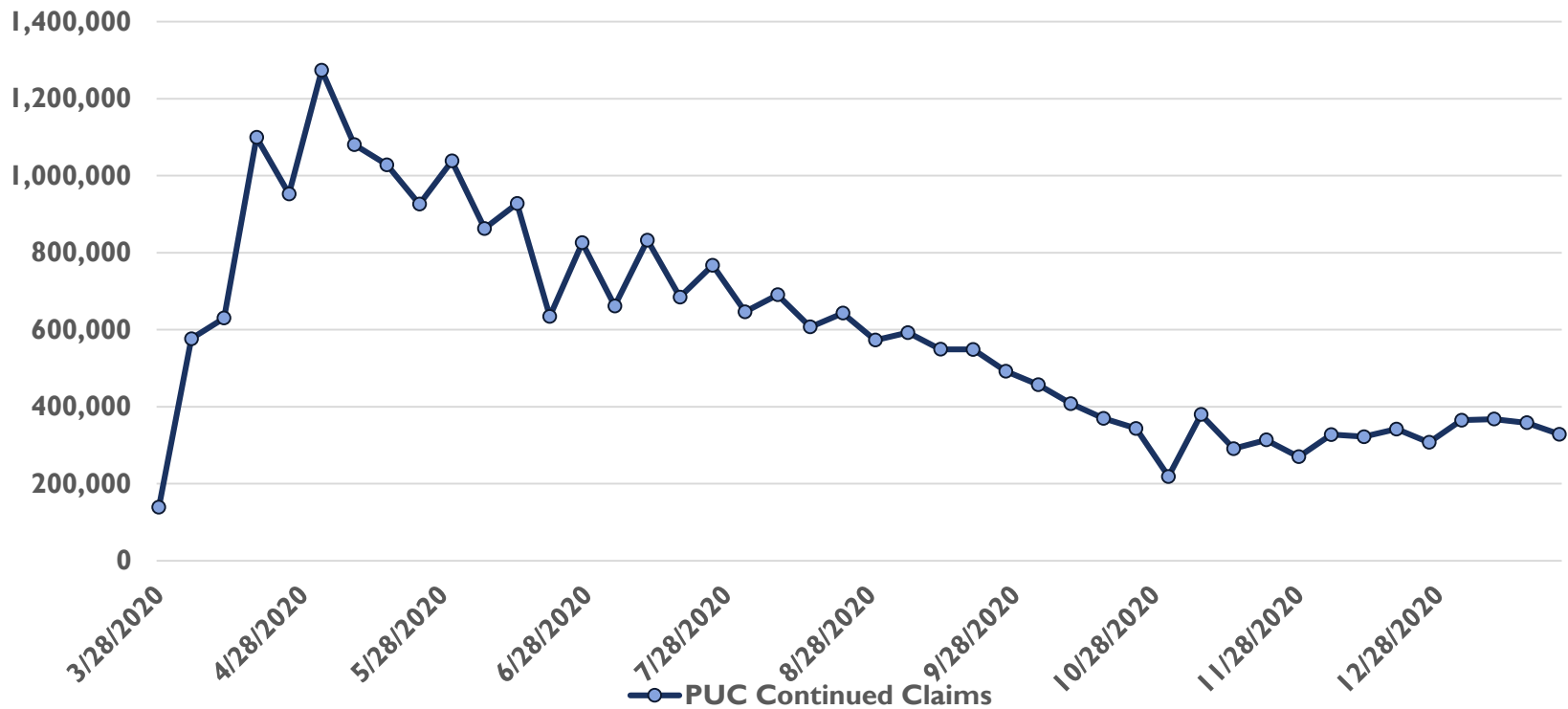
- Pennsylvania Education Jobs Not Recovered as Pandemic Persists.
- A recent article from the Wall Street Journal finds that the pandemic is exacerbating an ongoing teacher shortage, as nationwide public school employment fell to its lowest level since 2000.
- In Pennsylvania, education jobs at all levels and across both the public and private sector **declined relative to the prior year**.
- For November 2020, recent data from the U.S. Bureau of Labor Statistics reveal that local public school districts employed 268,800 staff, **a decline of 5.5%** (-15,700 jobs, not seasonally adjusted) from November 2019.
- These jobs include elementary and secondary school teachers, teachers' aids, clerical workers and other support staff.
- **State education jobs declined 14.4% (-9,100) from the prior year.** These include employees of intermediate units, the Pennsylvania State System of Higher Education and state-related colleges/universities.
- Private colleges, universities and professional schools recorded similar job losses as students moved to remote learning or delayed admission in response to the pandemic. **Employment in this subsector fell 17.1% (-31,300) over the prior year.** Private elementary and secondary school employment, which has grown modestly over the past decade, remained flat compared to the prior year. In November 2020, this subsector employed 48,400 and experienced minimal employment loss during the pandemic



# PA UC INITIAL CLAIMS

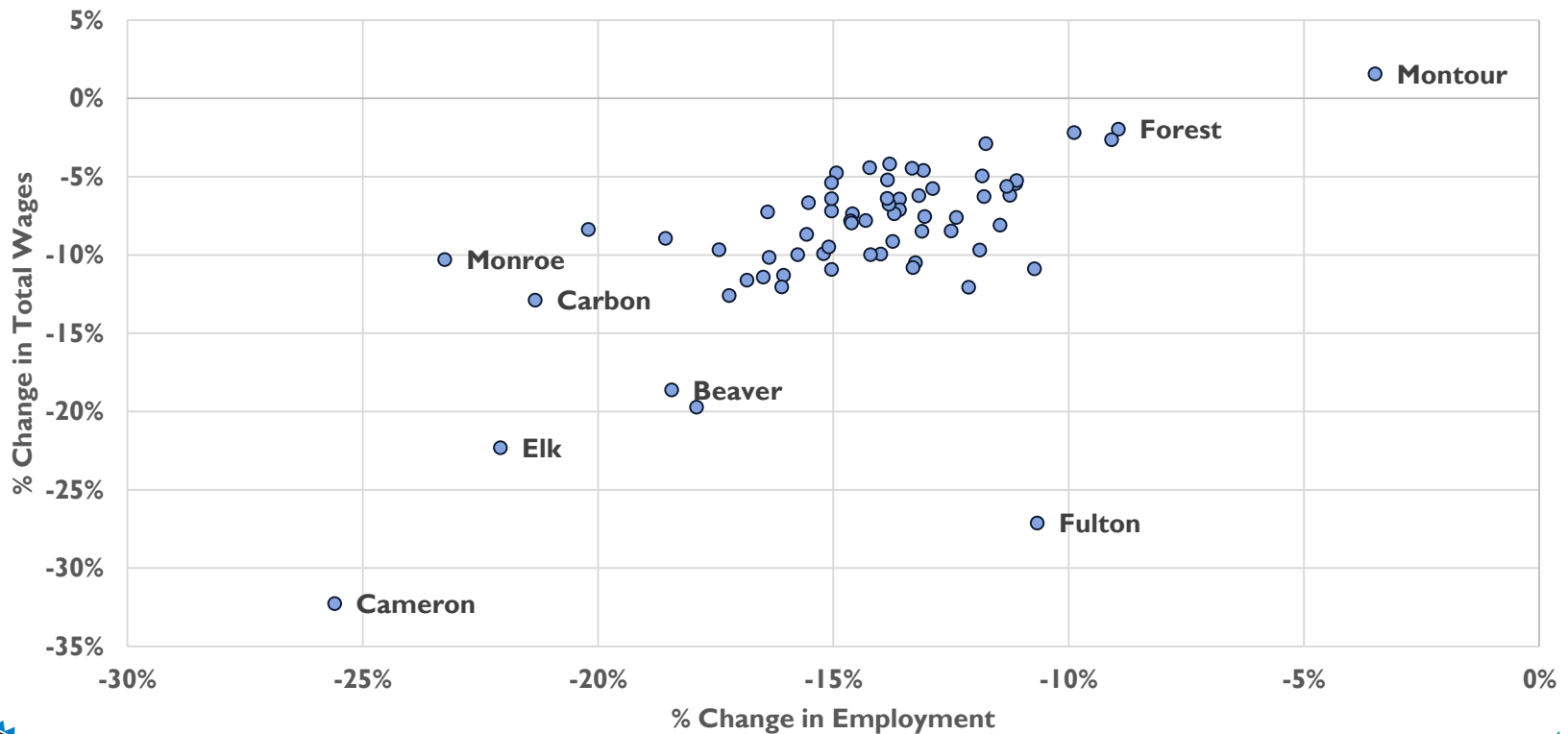


# PA UC CONTINUED CLAIMS



# WAGES AND EMPLOYMENT CHANGE

(Q2 2021 from Q2 2020)  
Not Seasonally Adjusted



# Lost Economic Growth Drives Larger Structural Deficit

	2019	2020	2021	2022	2023	Notes
<b>Nominal GDP (\$ billion)</b>						
November 2019 forecast	\$823	\$854	\$887	\$923	\$961	no recession
January 2021 forecast	<u>\$809</u>	<u>\$783</u>	<u>\$824</u>	<u>\$865</u>	<u>\$905</u>	COVID-19 recession
Change	-\$14	-\$71	-\$63	-\$58	-\$56	permanent loss to growth
<b>Wages Paid (\$ billion)</b>						
November 2019	\$353	\$395	\$380	\$395	\$410	reduces PIT by ~\$350 million
January 2021	<u>\$354</u>	<u>\$350</u>	<u>\$366</u>	<u>\$382</u>	<u>\$399</u>	reduces SUT by ~\$150 million
Change	\$1	-\$16	-\$13	-\$12	-\$11	
<b>Payroll Jobs (000s)</b>						
November 2019	6,060	6,105	6,151	6,194	6,237	
January 2021	<u>6,054</u>	<u>5,614</u>	<u>5,734</u>	<u>5,834</u>	<u>5,914</u>	
Change	4	-491	-417	-360	-323	

January 21, 2021



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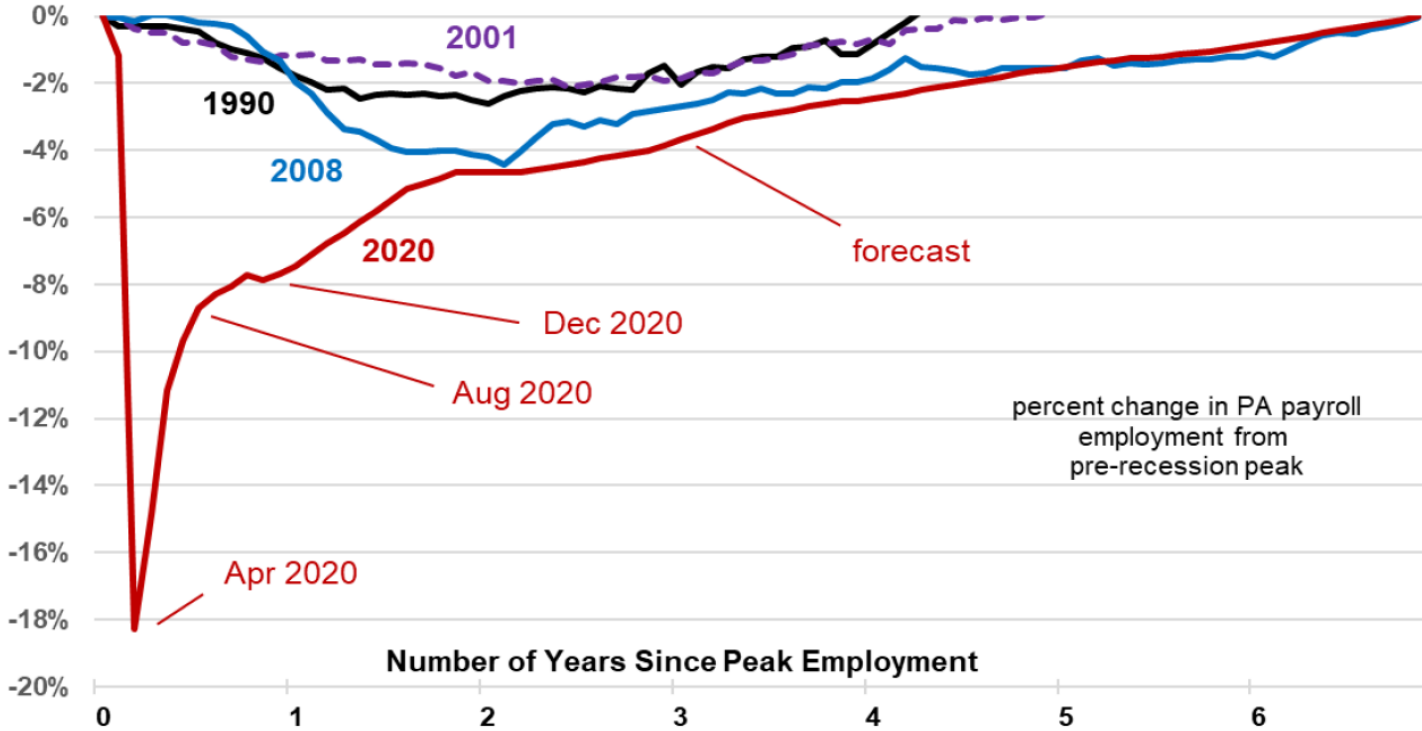


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# Years Needed for Full PA Jobs Recovery



Source: U.S. Bureau of Labor Statistics. Forecast by IFO.

January 21, 2021



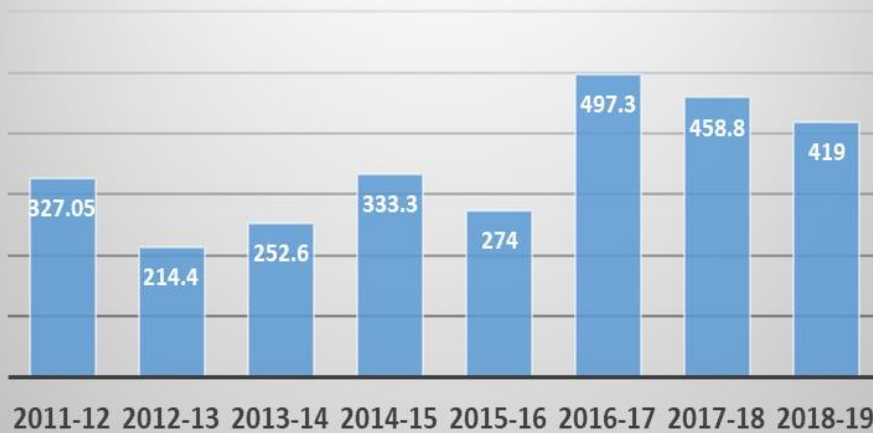
# IFO PROPERTY TAX REPORT JANUARY 2, 2021

- Total school district property tax collections for FY 2019-20 (\$15.4 billion) are estimated using millage rates published by the Pennsylvania Department of Education and property tax assessment data.
- FY 2020-21 collections are projected to decline by \$269 million (-1.7 percent) due to various factors related to COVID-19. The projected decline is the result of flat millage rates, lower collection rates, extended payment periods and economic distress.
- For FY 2021-22 to FY 2025-26, total school district property tax collections are projected to grow at an average annual rate of 3.7 percent, reaching \$18.2 billion by FY 2025-26.

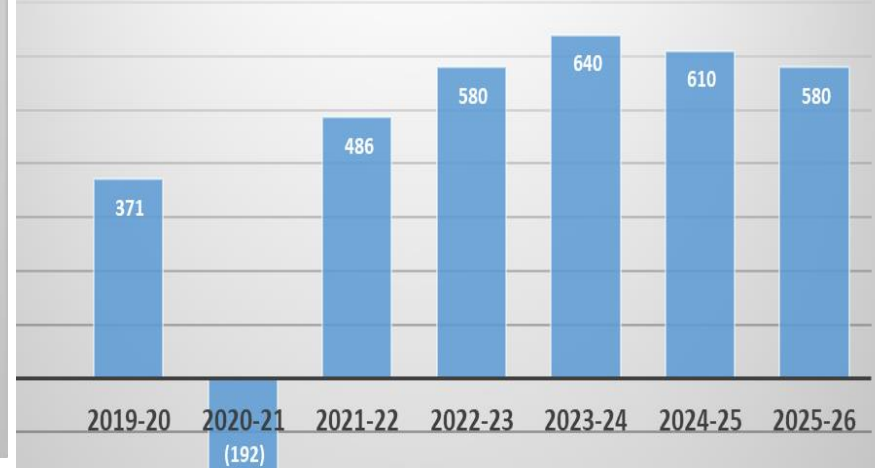


# Property Tax Increases (in millions): Actual and IFO Projections

### Actual Property Tax Increase Statewide



### IFO Property Tax: Projected Annual Increases; Feb. 2, 2021. (In Millions)





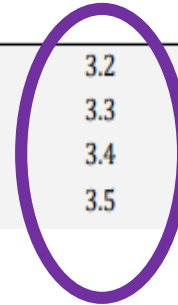
# ACT 1 INDEX HISTORY AND PROJECTED.

SOURCE: IFO (FEBRUARY 2020)

**Table 3: Act 1 Index History and Forecast**

Fiscal Year	SAWW <sup>1</sup>	ECI <sup>2</sup>	Base Index <sup>3</sup>	Weighted Index <sup>4</sup>
2007-08	2.8%	4.0%	3.4%	4.3%
2008-09	4.3	4.5	4.4	4.9
2009-10	4.6	3.6	4.1	4.6
2010-11	2.7	3.0	2.9	3.3
2011-12	0.9	1.9	1.4	2.0
2012-13	2.1	1.3	1.7	1.9
2013-14	2.0	1.4	1.7	1.9
2014-15	2.6	1.6	2.1	2.5
2015-16	2.4	1.4	1.9	2.5
2016-17	2.5	2.2	2.4	2.7
2017-18	2.6	2.3	2.5	2.9
2018-19	2.2	2.6	2.4	2.7
2019-20	2.2	2.4	2.3	2.6
2020-21	2.2	2.9	2.6	3.0

2021-22	3.3	3.1	3.2	3.6
2022-23	3.4	3.1	3.3	3.8
2023-24	3.6	3.2	3.4	3.9
2024-25	3.7	3.3	3.5	4.0



# ACT 1 INDEX HISTORY AND PROJECTED.

SOURCE: IFO (FEBRUARY 2021)

**Table 3: Act 1 History and Forecast**

Fiscal Year	SAWW <sup>1</sup>	ECI <sup>2</sup>	Base Index <sup>3</sup>	Weighted Index <sup>4</sup>
2017-18	2.6	2.3	2.5	2.9
2018-19	2.2	2.6	2.4	2.7
2019-20	2.2	2.4	2.3	2.6
2020-21	2.2	2.9	2.6	3.0
2021-22	3.1	2.9	3.0	3.4
2022-23	4.3	3.2	3.7	4.2
2023-24	4.5	3.0	3.7	4.2
2024-25	3.6	3.0	3.3	3.8
2025-26	2.3	3.1	2.7	3.1

1 Statewide Average Weekly Wage.

2 Employment Cost Index.

3 Average of the SAWW and ECI.

4 Average of the index for each school district weighted by property tax collections.

- In one year ( Feb 2020 to Feb 2021 )  
....projections changed...
- 22-23 from 3.3 to 3.7
- 23-24 from 3.4 to 3.7
- 24-25 from 3.5 to 3.3



# OTHER ACT 1 INFORMATION

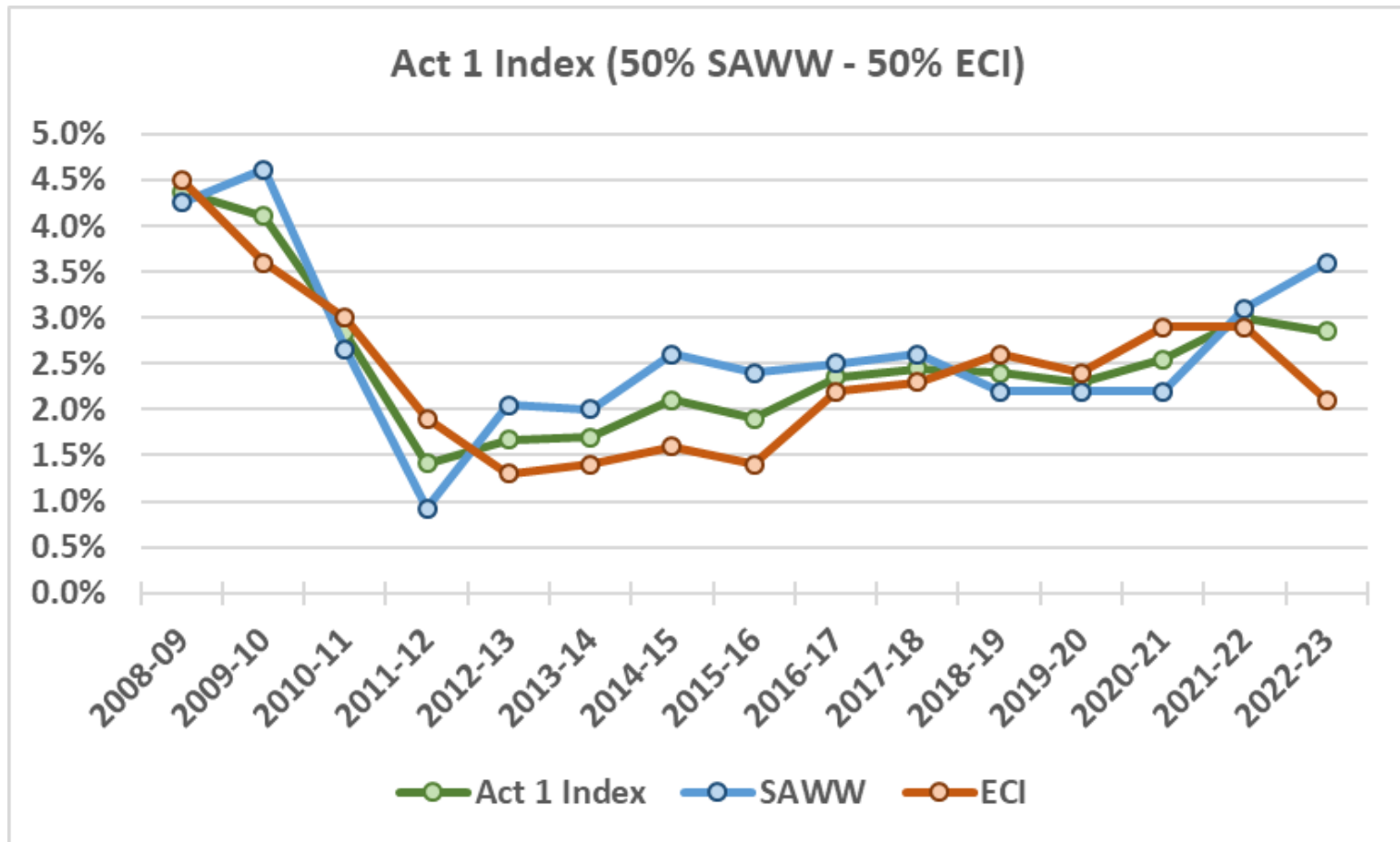
SOURCE: IFO [HTTP://WWW.IFO.STATE.PA.US/SEARCH.CFM?SITESEARCH=ACT+I](http://www.ifo.state.pa.us/search.cfm?siteSearch=ACT+I)

**Table 4: Act 1 Index and Exceptions Detail**

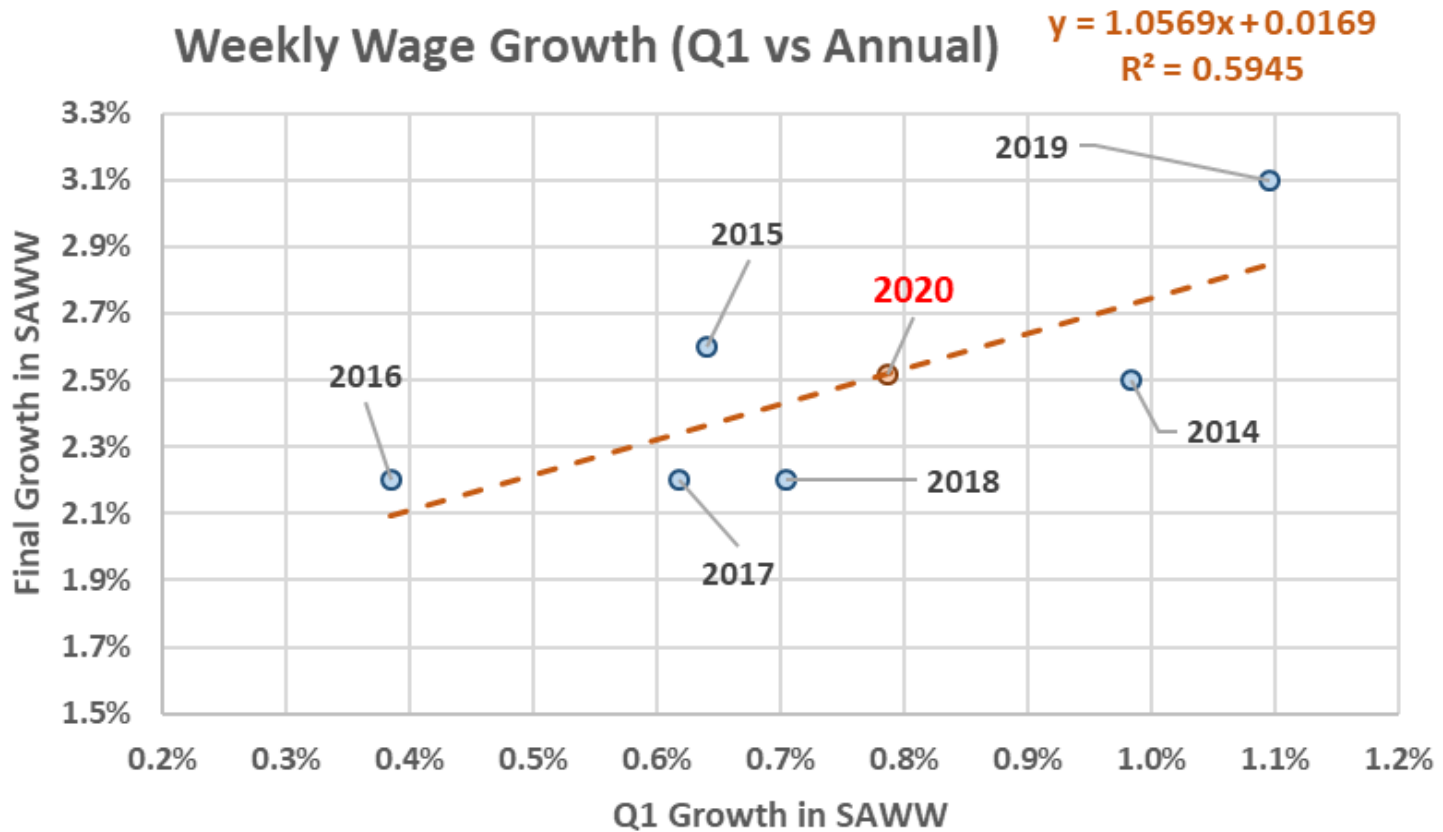
	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Detail: Act 1 Index Growth</b>					
Baseline Collections (Prior Year + Economic Growth)	\$14,930	\$15,430	\$16,030	\$16,670	\$17,340
Weighted Average Index	3.0%	3.6%	3.8%	3.9%	4.0%
Potential Revenue Growth from Index	\$443	\$561	\$601	\$643	\$689
Index Utilization Rate	75.0%	75.0%	75.0%	75.0%	75.0%
Forecast Growth from Index	\$332	\$421	\$451	\$482	\$517
<b>Detail: Act 1 Exceptions</b>					
Pension Exception	\$1	\$2	\$3	\$2	\$2
Special Education Exception	\$51	\$51	\$51	\$51	\$51
Debt Exception	\$5	\$5	\$5	\$5	\$5
Subtotal—Exceptions	\$57	\$58	\$59	\$58	\$58
Exception Utilization Rate	30.0%	30.0%	30.0%	30.0%	30.0%
Forecast Growth from Exceptions	\$17	\$17	\$18	\$17	\$17
Note: Dollar amounts in millions.					



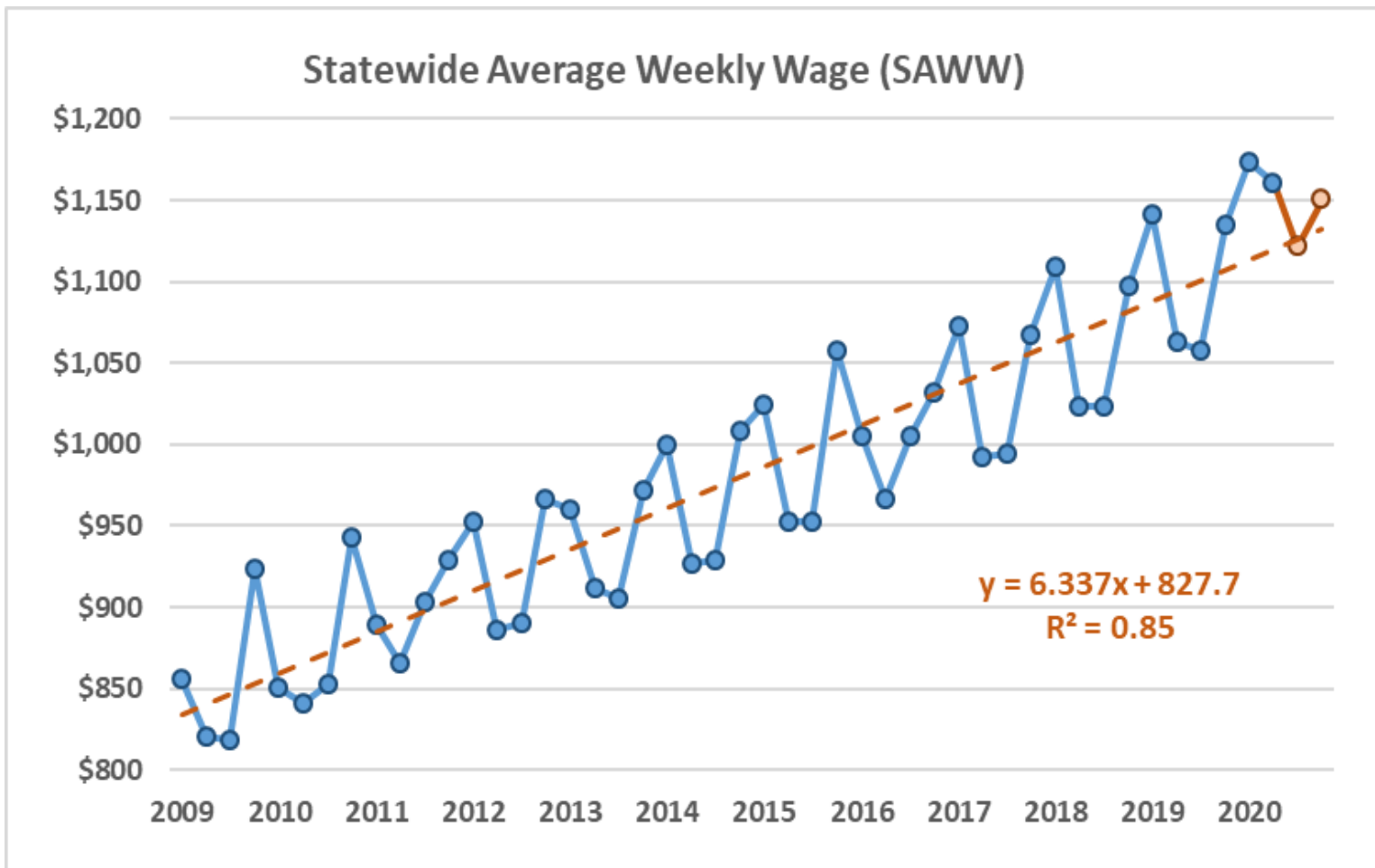
# AVERAGE OF SAWW AND ECI



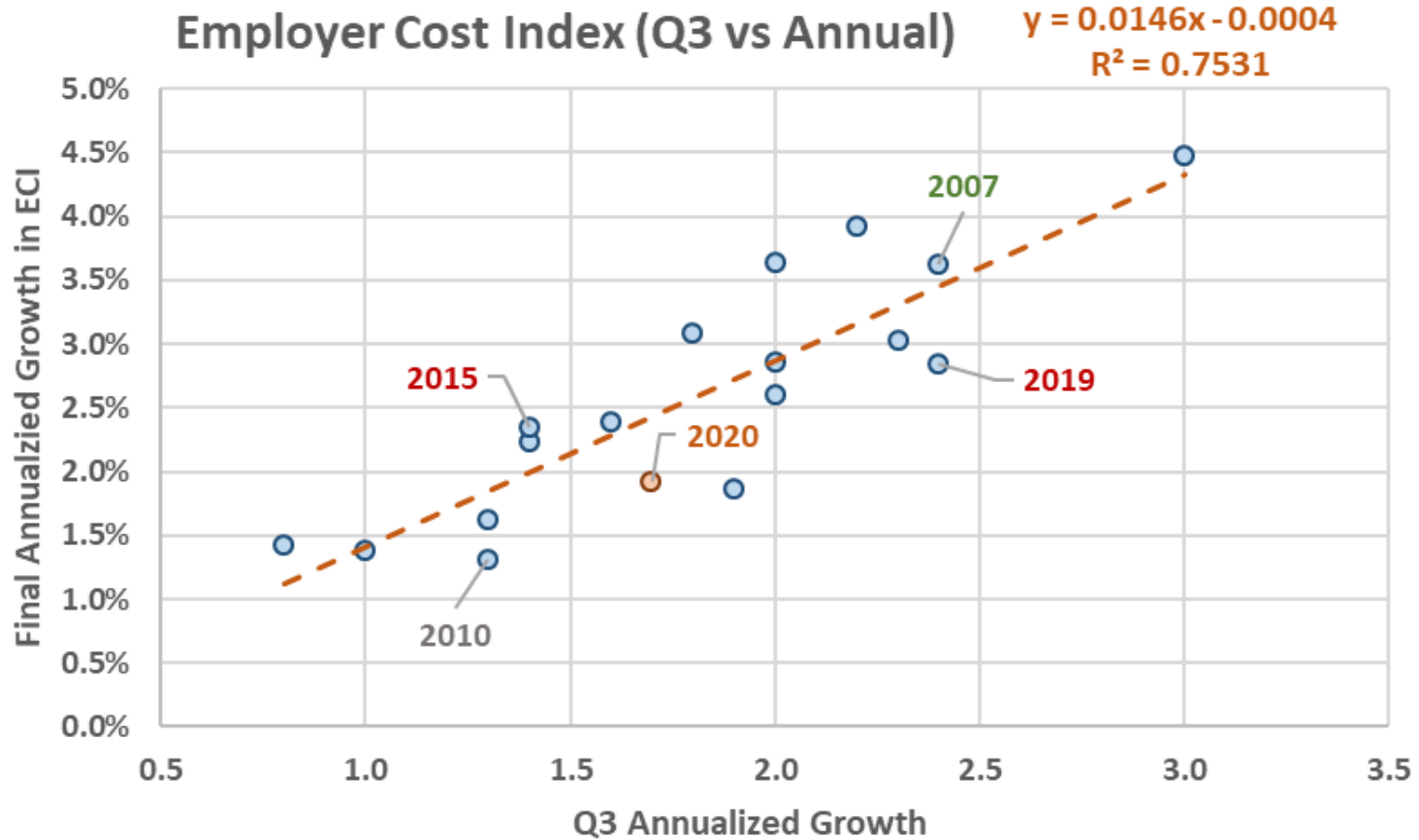
# 2021 Q1 SAWW



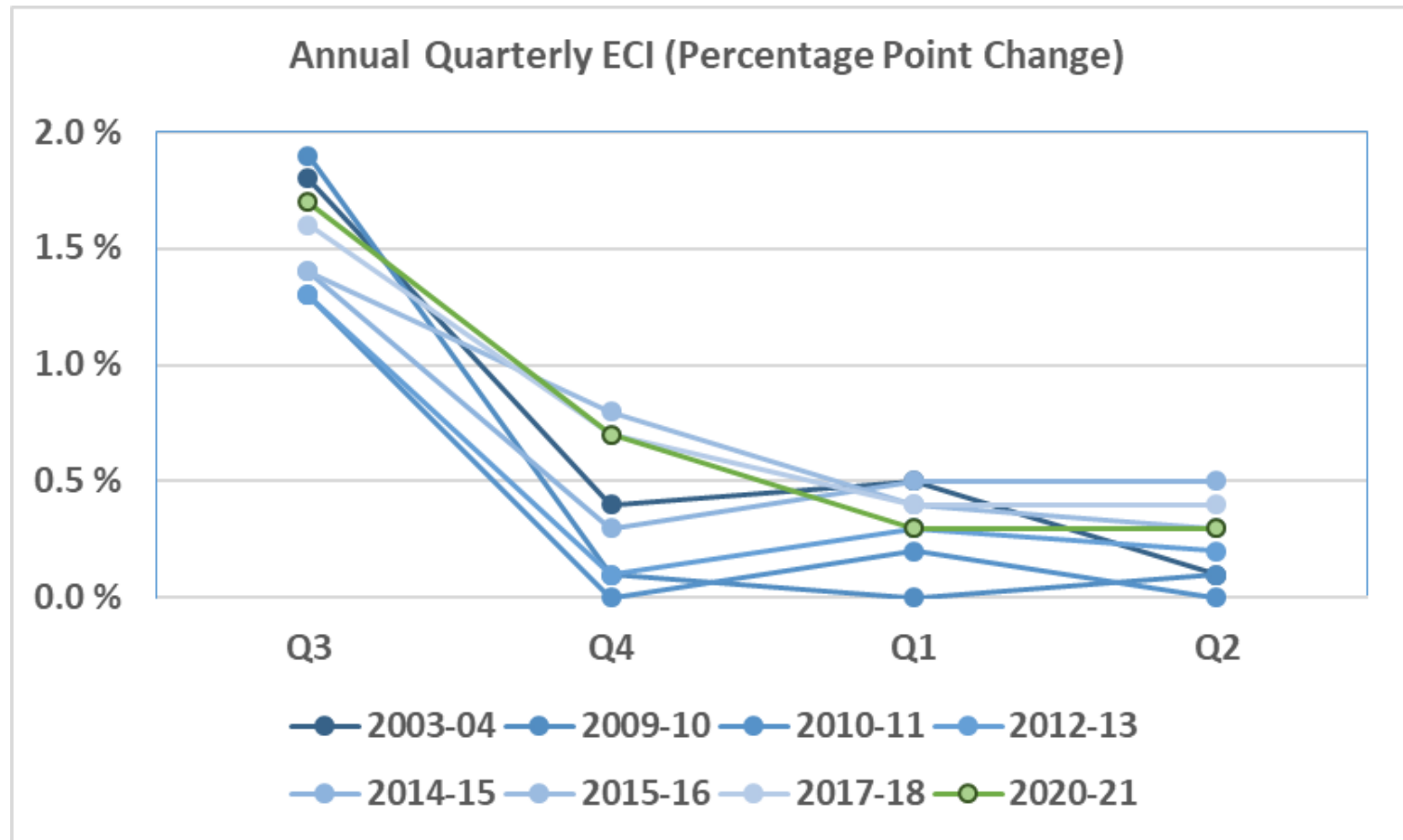
# WAITING ON 2 QUARTERS OF DATA



# 2021 Q3 ECI

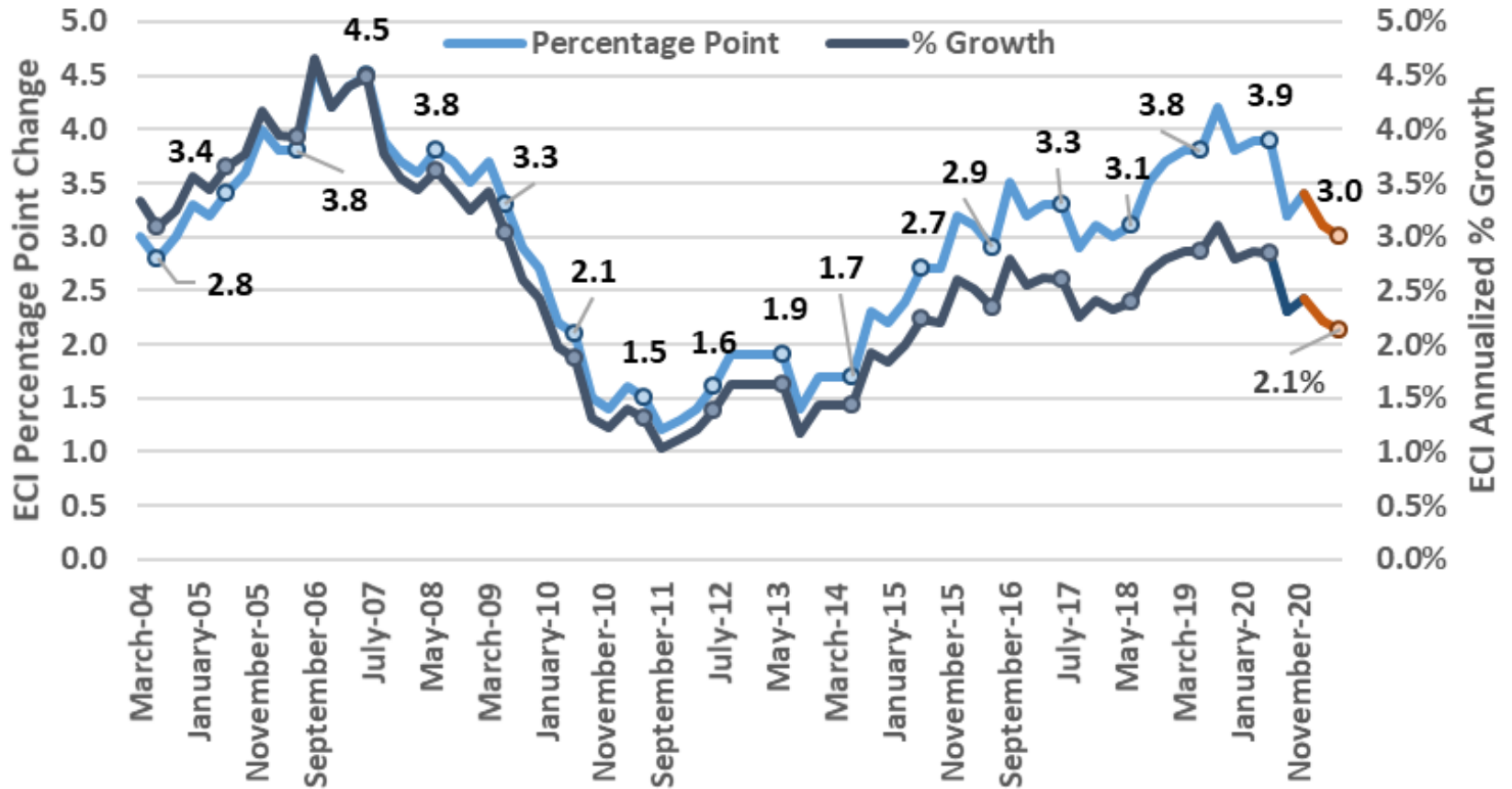


# AVERAGE OF OTHER SIMILAR YEARS

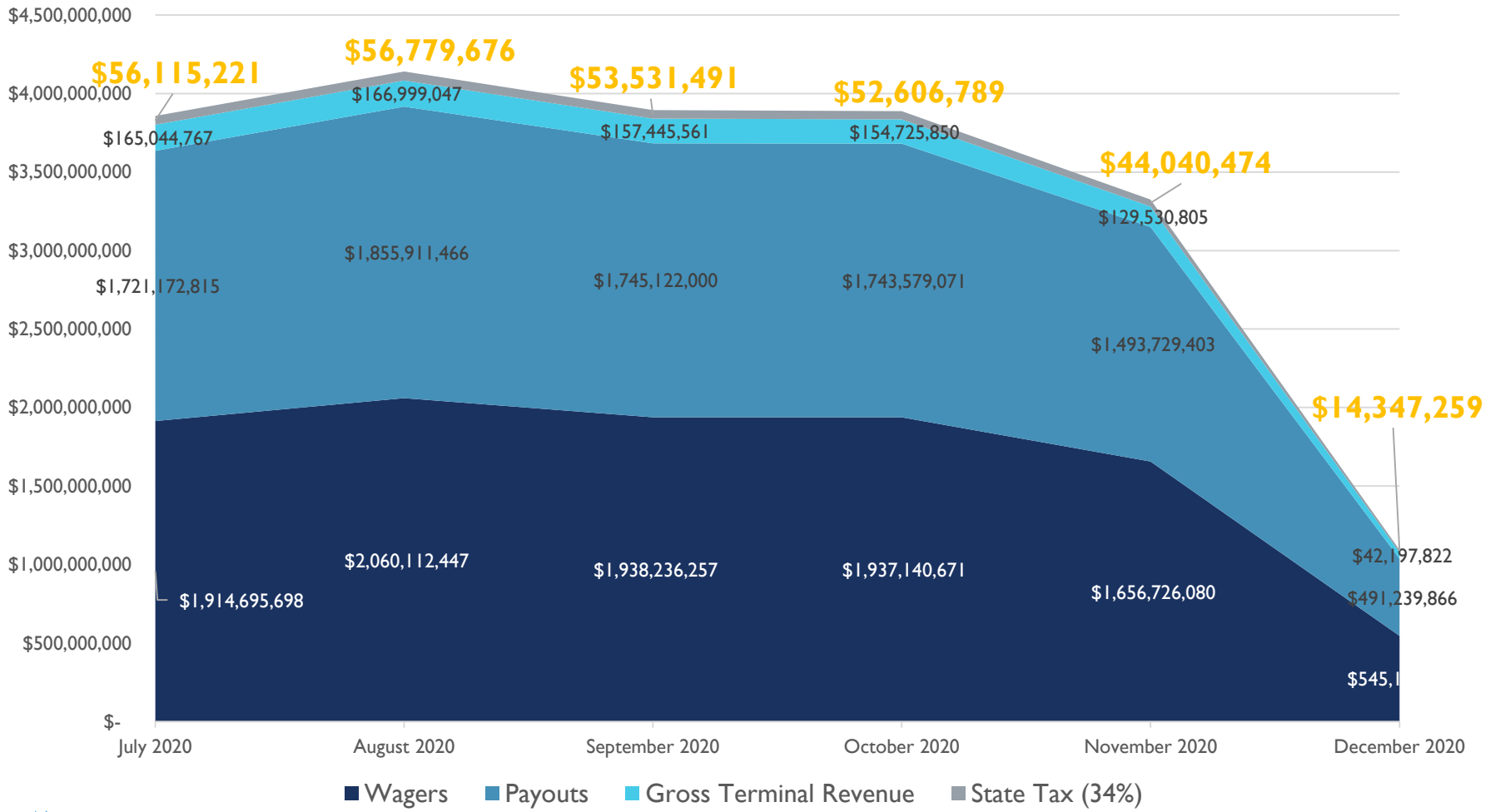




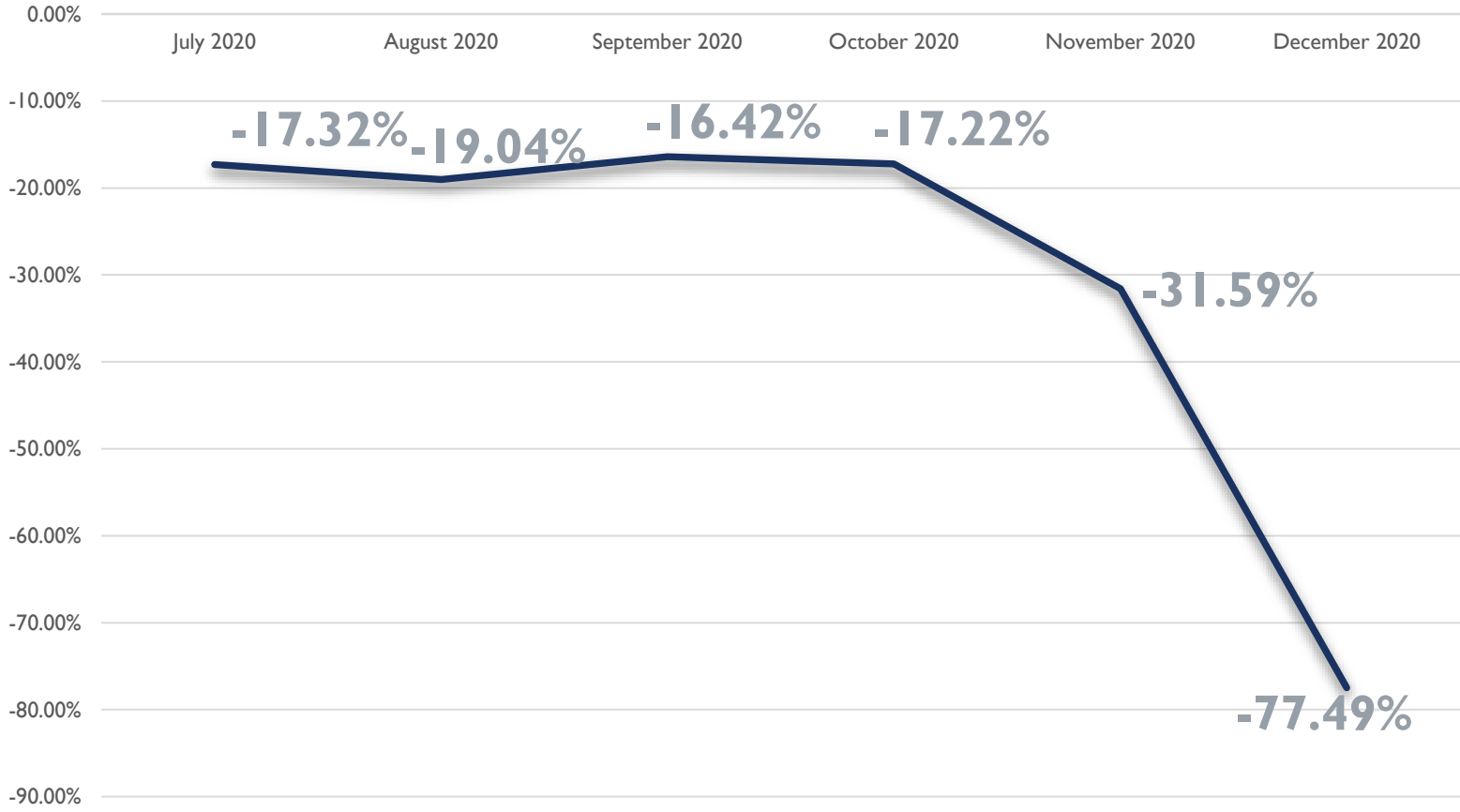
## Quarterly Employer Cost Index (Annualized Growth)



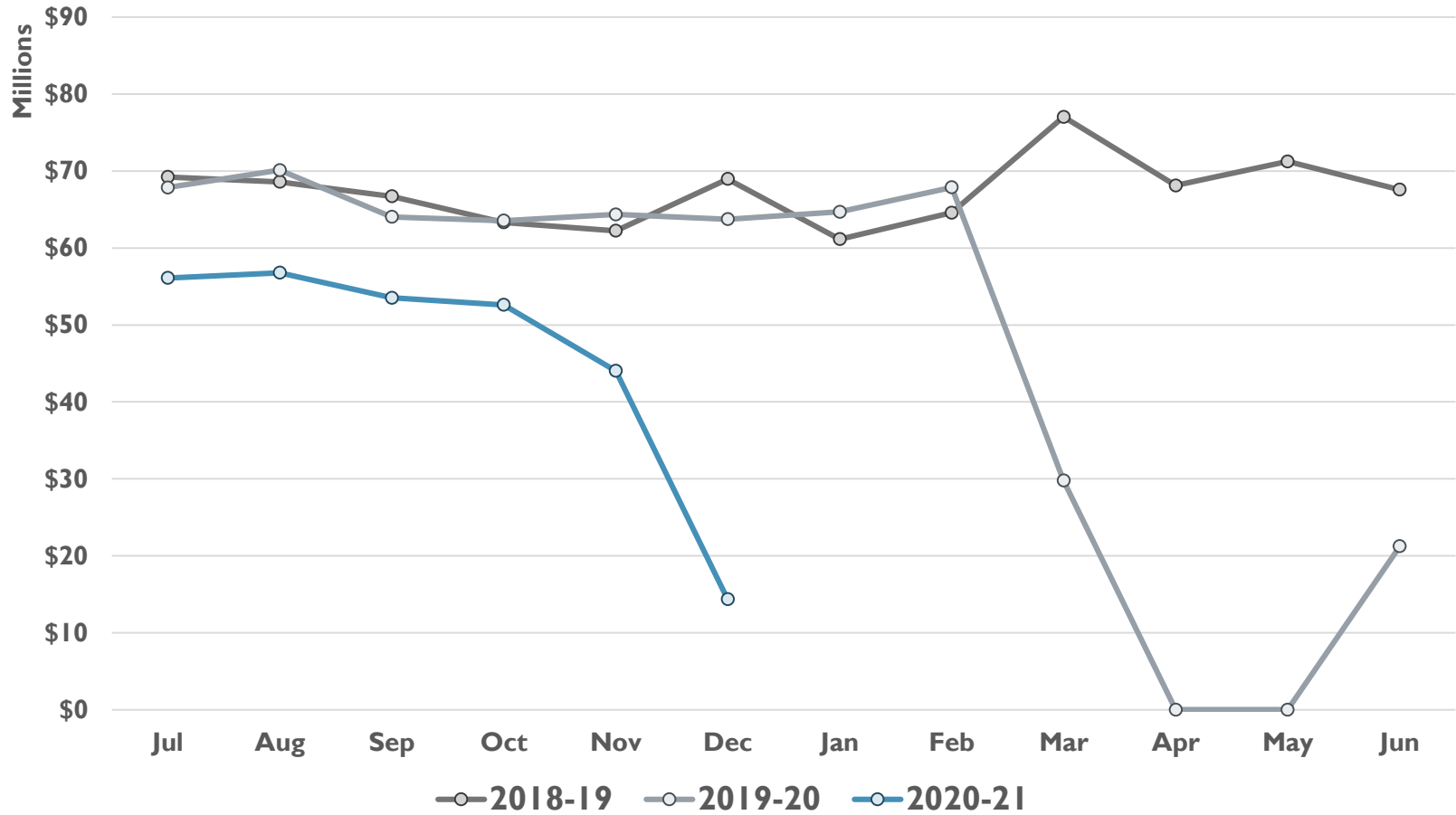
# Gaming Revenues in Decline Again



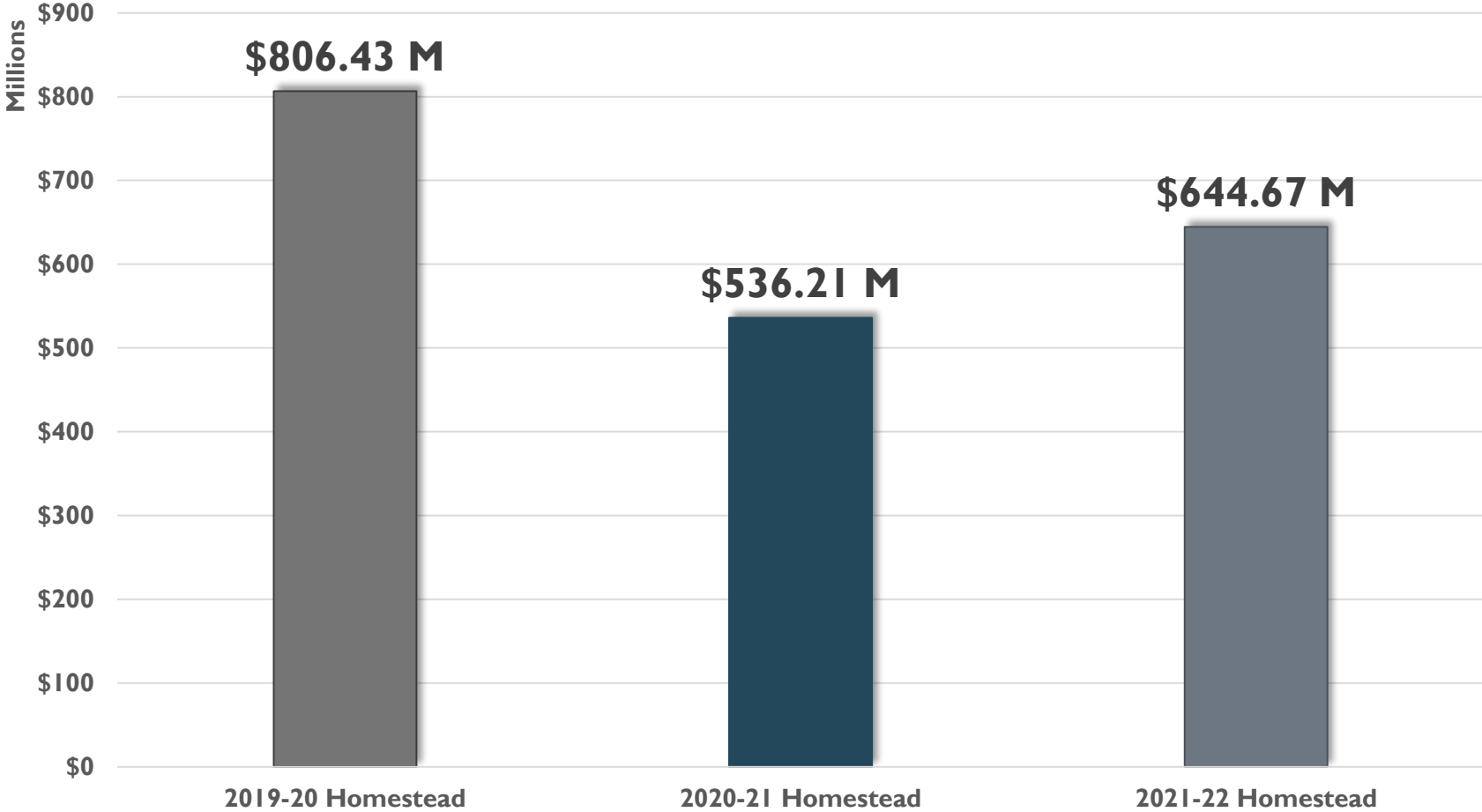
# Gross Terminal Revenue One Year Change by Month



# Monthly Slot Gaming Revenue



# Fiscal Year Revenue



	2019-20 Actual	2020-21 Available	2021-22 Estimated
<b>Cash Balance, Beginning</b> .....	<b>\$ 440,367</b>	<b>\$ 123,378</b>	<b>\$ 494,197</b>
<b>Receipts:</b>			
Transfer from State Gaming Fund.....	\$ 563,628	\$ 790,132	\$ 929,833
Property Tax Relief Reserve Fund Loan Repayment .....	6,504	6,384	4,788
Transfer of Personal Income Tax.....	-	200,000	-
Interest .....	3,379	303	400
Total Receipts .....	<u>573,511</u>	<u>996,819</u>	<u>935,021</u>
<b>Total Funds Available</b> .....	<b>\$ 1,013,878</b>	<b>\$ 1,120,197</b>	<b>\$ 1,429,218</b>
<b>Disbursements:</b>			
Property Tax Relief Payments:			
Education:			
General Property Tax Relief .....	\$ 595,000	\$ 595,000	\$ 595,000
Sterling Act .....	25,500	26,000	26,000
Subtotal: Education Property Tax Relief Payments .....	<u>620,500</u>	<u>621,000</u>	<u>621,000</u>
Revenue:			
Expanded Prop Tax/Rent Rebate/Senior Tax Reductions .....	211,500	-	90,100
Cities and High-Burden.....	53,500	-	24,400
Subtotal: Revenue Property Tax Relief Payments.....	<u>265,000</u>	<u>-</u>	<u>114,500</u>
Total Property Tax Relief Disbursements .....	<u>885,500</u>	<u>621,000</u>	<u>735,500</u>
Emergency Management:			
Volunteer Company Grants .....	5,000	5,000	5,000
Total Disbursements .....	<u>(890,500)</u>	<u>(626,000)</u>	<u>(740,500)</u>
<b>Cash Balance, Ending</b> .....	<b>\$ 123,378 <sup>a</sup></b>	<b>\$ 494,197 <sup>a</sup></b>	<b>\$ 688,718 <sup>a</sup></b>

<sup>a</sup> Ending cash balance includes \$6,192,265 in the Property Tax Relief Reserve Account.



RELAX!

Fixed temporarily at least...



# MORE PSERS...ONE YEAR LATER...34.94% VS 34.95%

PSERS: As Of June 30, 2019 (Board Approved December 2019) Assumes 7.25% Annual Rate of Return					PSERS: As Of June 30, 2019 (Board Approved December 2019) Assumes 7.25% Annual Rate of Return								
Fiscal Year Ending	Payroll Est. PSERS (\$ Thousands)	Member Rate	Employer Normal Cost	Employer Unfunded Liability Rate	Fiscal Year Ending	A: Preliminary Employer Rate	B: Health Care Rate	C: DC Plan	Total Employer Contribution Rate = A + B + C	Total Employer Contributions (\$ Thousands)	Funded Ratio	Unfunded Accrued Liability (\$ Millions)	ECR projected % of PYRL Increase
2020	13,880,000	7.59%	7.49%	25.87%	2020	33.36%	0.84%	0.09%	34.29%	\$4,759,452	59.20%	\$43,945.2	
2021	14,078,000	7.61%	7.37%	26.14%	2021	33.51%	0.82%	0.18%	34.51%	\$4,858,318	59.90%	\$44,130.3	
2022	14,288,893	7.51%	7.10%	26.75%	2022	33.85%	0.85%	0.25%	34.95%	\$4,993,968	61.00%	\$43,874.2	0.44%
2023	14,517,265	7.41%	6.88%	27.58%	2023	34.46%	0.85%	0.31%	35.62%	\$5,170,820	62.20%	\$43,414.3	0.67%
2024	14,762,847	7.32%	6.65%	28.24%	2024	34.89%	0.84%	0.39%	36.12%	\$5,332,756	63.30%	\$43,050.9	0.50%
2025	15,021,479	7.24%	6.43%	28.90%	2025	35.33%	0.83%	0.44%	36.60%	\$5,497,431	64.70%	\$42,203.4	0.48%
2026	15,286,215	7.16%	6.22%	29.69%	2026	35.91%	0.82%	0.50%	37.23%	\$5,691,399	66.60%	\$40,720.1	0.63%
2027	15,542,819	7.09%	6.01%	30.39%	2027	36.40%	0.82%	0.57%	37.79%	\$5,873,900	68.60%	\$39,032.3	0.56%
2028	15,788,169	7.02%	5.79%	30.96%	2028	36.75%	0.80%	0.62%	38.17%	\$6,027,091	70.70%	\$37,115.0	0.38%





**PROJECTED EMPLOYER CONTRIBUTION RATES AND TOTAL EMPLOYER CONTRIBUTIONS**

\*\* (Presumes a 7.25% rate of return)

<b>Fiscal Year Ending June</b>	<b>Total Employer Contribution Rate %</b>	<b>Projected Total Employer Contribution (thousands) \$</b>
20/21	34.51	4,858,318
21/22	34.95	4,993,968
22/23	35.62	5,170,820
23/24	36.12	5,332,756
24/25	36.60	5,497,431
25/26	37.23	5,691,399
26/27	37.79	5,873,900
27/28	38.17	6,027,091

**40%?**



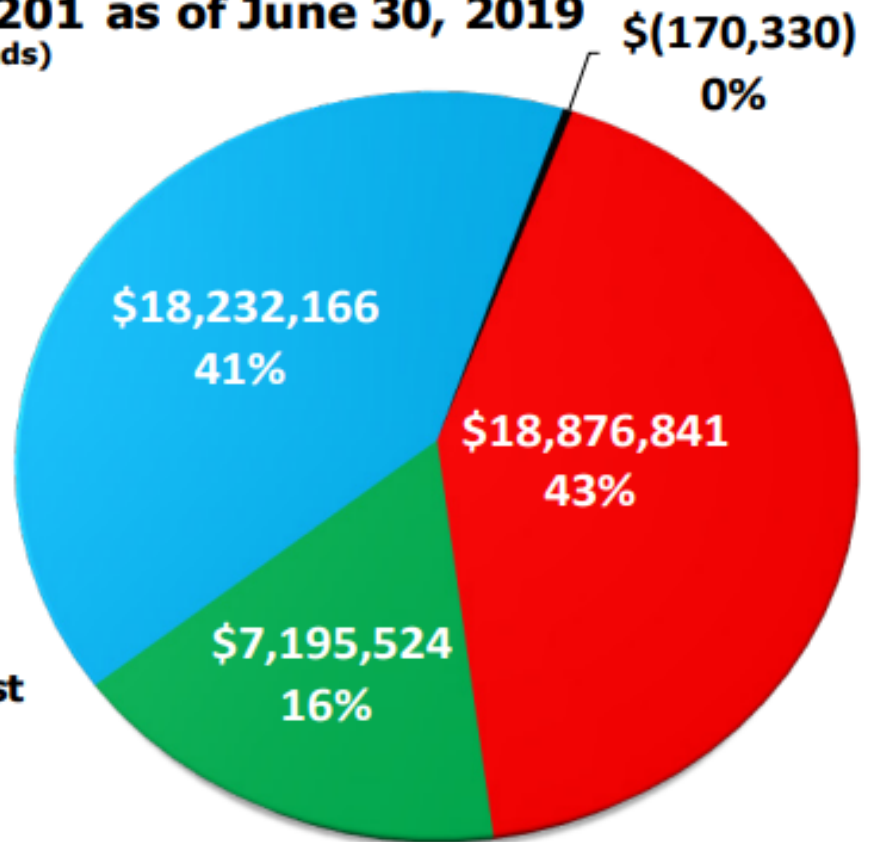
Chart 4.6

### PSERS Sources of Unfunded Liability

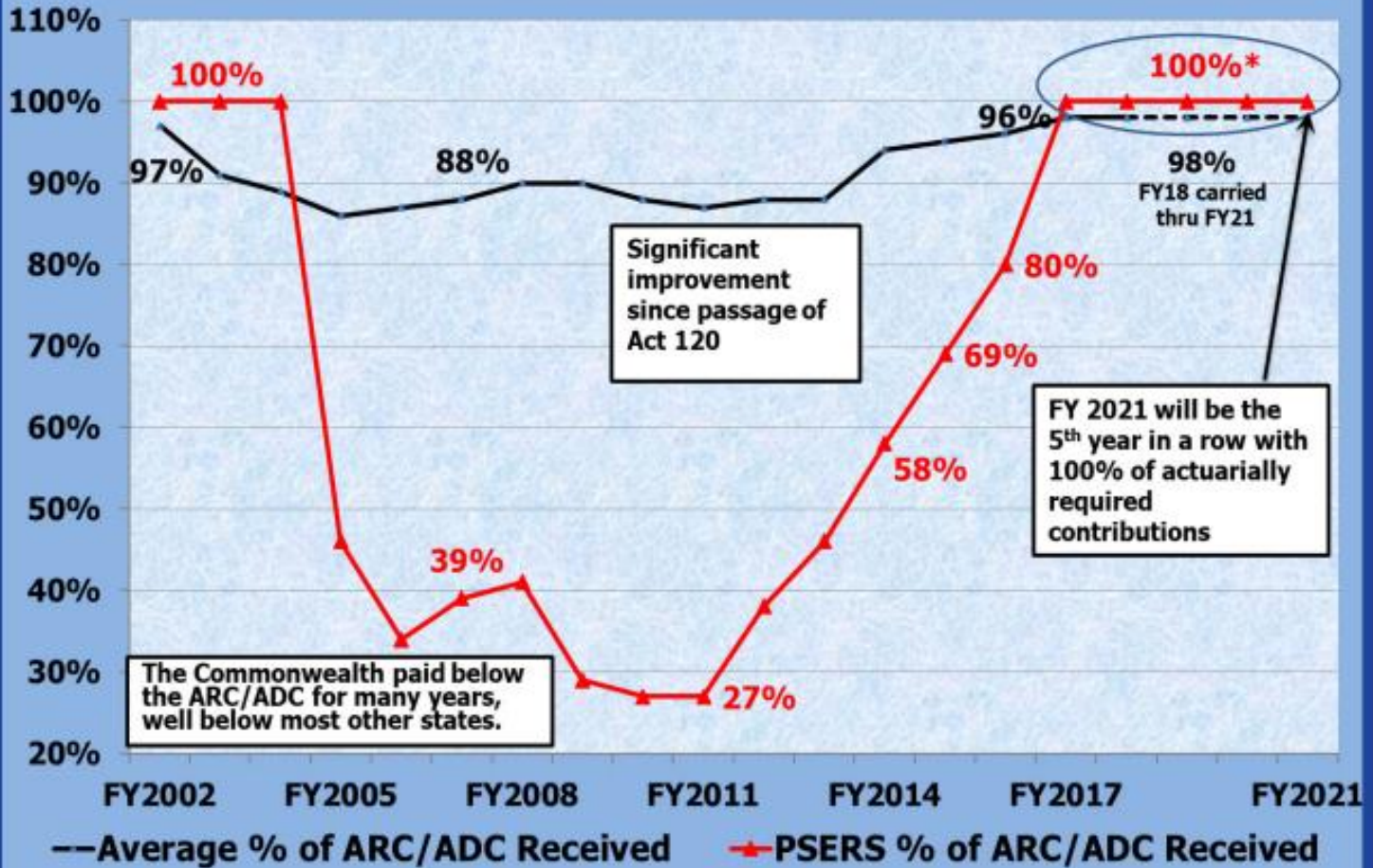
Total \$44,134,201 as of June 30, 2019

(\$ Amounts in thousands)

- Employer Underfunding
- Benefit Enhancements
- Investment Performance
- Changes to Assumption, Cost Method, Net Demographics, & Salary Experience



Average % of Annual Required Contribution (ARC)/Actuarially Determined Contribution (ADC) Received  
 - Other Public Plans vs. PSERS  
 Fiscal Year Ending June 30th



The Commonwealth paid below the ARC/ADC for many years, well below most other states.

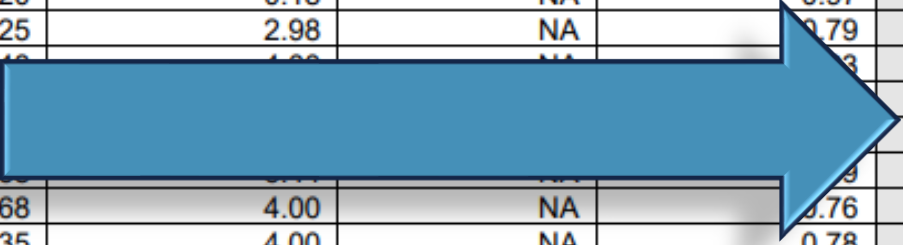
Significant improvement since passage of Act 120

FY 2021 will be the 5<sup>th</sup> year in a row with 100% of actuarially required contributions

\*FY2018 to FY2021 are based on the actuarially required rate calculated by PSERS Actuary.



HISTORY OF EMPLOYER CONTRIBUTION RATES					
Fiscal Year	Employer Normal Cost %	Employer Pension Rate %	Act 5 Defined Contribution %*	Health Care Contributions %	Total Employer Contribution %
02/03	7.20	0.18	NA	0.97	1.15
03/04	7.25	2.98	NA	0.79	3.77
04/05	7.48	4.88	NA	0.83	4.23
05/06	7.50	4.98	NA	0.89	4.69
06/07	6.50	4.98	NA	0.98	6.46
07/08	6.50	4.98	NA	0.99	7.13
08/09	6.68	4.00	NA	0.76	4.76
09/10	7.35	4.00	NA	0.78	4.78
10/11	8.08	5.00	NA	0.64	5.64



Pensions October 15, 2020

## Pennsylvania PSERS Returns 1.13% in 2020

*Net position of teachers' fund drops by \$105 million as benefit payments exceed contributions.*



The \$59 billion Pennsylvania Public School Employees' Retirement System (PSERS) reported a net annual return for the fiscal year that ended June 30 of 1.13%, resulting in a net investment gain of about \$1 billion for the fiscal year.





## 49 Year History of PSERS Fiscal Year Rates of Return 1971 to 2019

### Summary

43 of 49 years  
were positive

26 years were  
above 10%

5 years were  
above 20%

6 of 49 years  
were negative

1 year was  
below -20%

Year Ended 6/30	Investment Return *	Year Ended 6/30	Investment Return *	Year Ended 6/30	Investment Return *
2019	6.68%	2002	-5.26%	1986	21.5%
2018	9.27%	2001*	-7.4%	1985	26.0%
2017	10.14%	2000	12.2%	1984	1.0%
2016	1.29%	1999	12.4%	1983	37.3%
2015	3.04%	1998	16.0%	1982	5.4%
2014	14.91%	1997	19.1%	1981	-0.4%
2013	7.96%	1996	17.9%	1980	1.3%
2012	3.43%	1995	17.1%	1979	7.1%
2011	20.37%	1994	1.9%	1978	2.0%
2010	14.59%	1993	13.3%	1977	10.8%
2009	-26.54%	1992	14.2%	1976	11.4%
2008	-2.82%	1991	8.1%	1975	11.3%
2007	22.93%	1990	9.2%	1974	-7.4%
2006	15.26%	1989	13.8%	1973	5.5%
2005	12.87%	1988	2.6%	1972	12.3%
2004	19.67%	1987	12.7%	1971	15.5%
2003	2.74%				

Over the past 10  
years ending June  
30, 2019 PSERS  
earned an annualized  
average rate of return  
of 9.02%.

Over the past 25  
years ending June  
30, 2019 PSERS  
earned an annualized  
average rate of return  
of 8.08%, which is  
above the Fund's  
actuarial rate of  
return for the same  
period.

Over the past 30  
years ending June  
30, 2019 PSERS  
earned an annualized  
average rate of return  
of 8.25%.

Including the FY 2019-20 results, the ten year average drops to 7.70%



## PSERS COVERED PAYROLL HISTORY FY 13-14 TO FY 19-20

Fiscal Year Ending	Total PSERS Payroll (000s)	Change
30-Jun-20	\$ 14,036,006	1.8%
30-Jun-19	\$ 13,791,197	2.4%
30-Jun-18	\$ 13,466,526	1.1%
30-Jun-17	\$ 13,313,900	2.8%
30-Jun-16	\$ 12,951,077	0.7%
30-Jun-15	\$ 12,866,473	0.8%
30-Jun-14	\$ 12,760,785	

Average  
1.6%



---

# Time for a quick break!





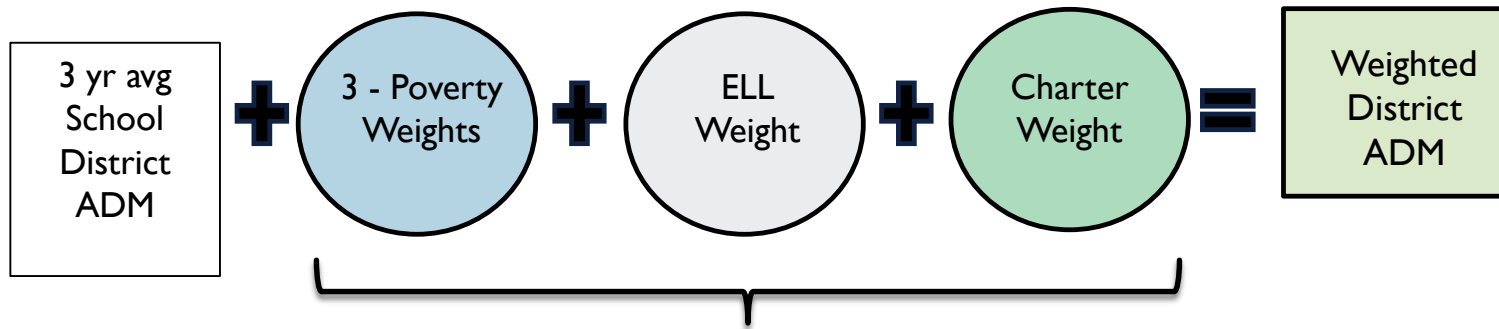
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# PART III: POLICY CONSIDERATIONS

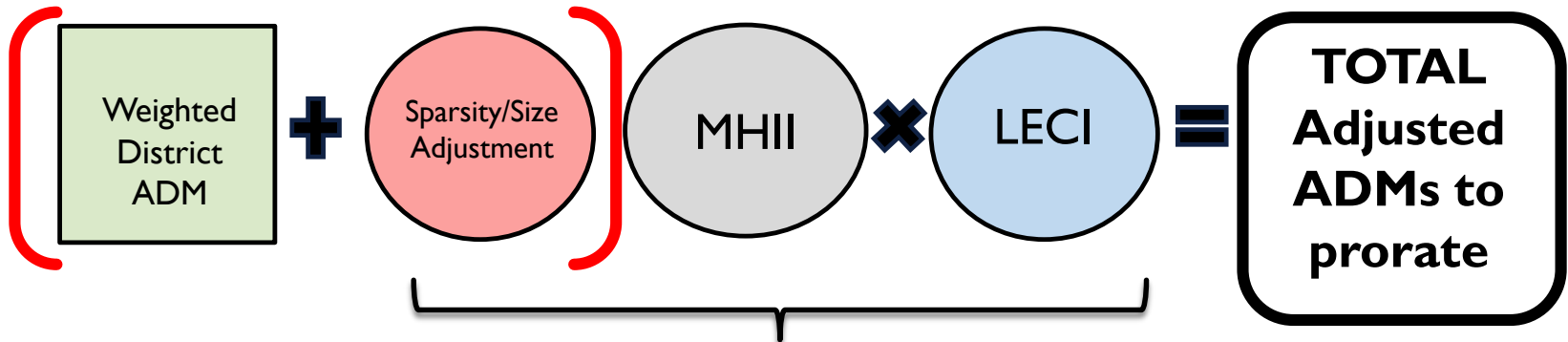


*Working to develop and support leaders in school business operations*

# BEF FORMULA SNAPSHOT



Student-Specific Factors



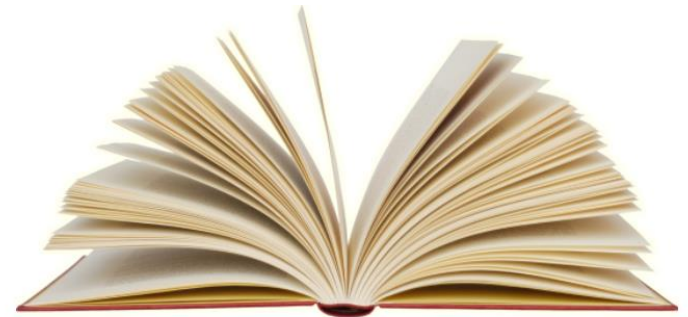
District-Specific Factors



# BEF FORMULA ELEMENTS

- 3 poverty percentages (acute, concentrated, moderate)
- **ELL students/district**
- **Charter school students/district**
- **Updated ADMs (single year & 3 year average)**
- **Sparsity/Size (small/rural districts)**
- Median Household Income
- **Local Effort/Capacity Index**

*Everything in **RED** is not updated!!*



# WHAT'S YOUR SHARE OF THE BEF PIE?



The data used matters...A LOT!



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

# IT'S A DYNAMIC FORMULA

Philadelphia SD	Total Weighted Student Count	Median Household Income Index	Local Effort/Capacity Index	Total ADMs to Prorate (share of the pie!)	Dollar Amount (Gov proposal)
2020-21	310,299	1.3589	1.760	742,131	<b>\$445 M</b>
2021-22	309,521	1.3444	1.500	624,181	<b>\$261 M</b>



# EQUITY SUPPLEMENT

- The methodology calculates a “weighted student” count for every school district, using student weights employed in the state’s Basic Education Funding formula (BEF) and Special Education Funding formula (SEF) to measure the additional needs of students in each school district and create a weighted student count.
- The weighted student count is used for each district to calculate a more meaningful measure of spending per pupil: Each school district’s current expenditures (e.g. spending on school programs) is divided by the weighted student count, thus measuring “current expenditures per weighted student.”



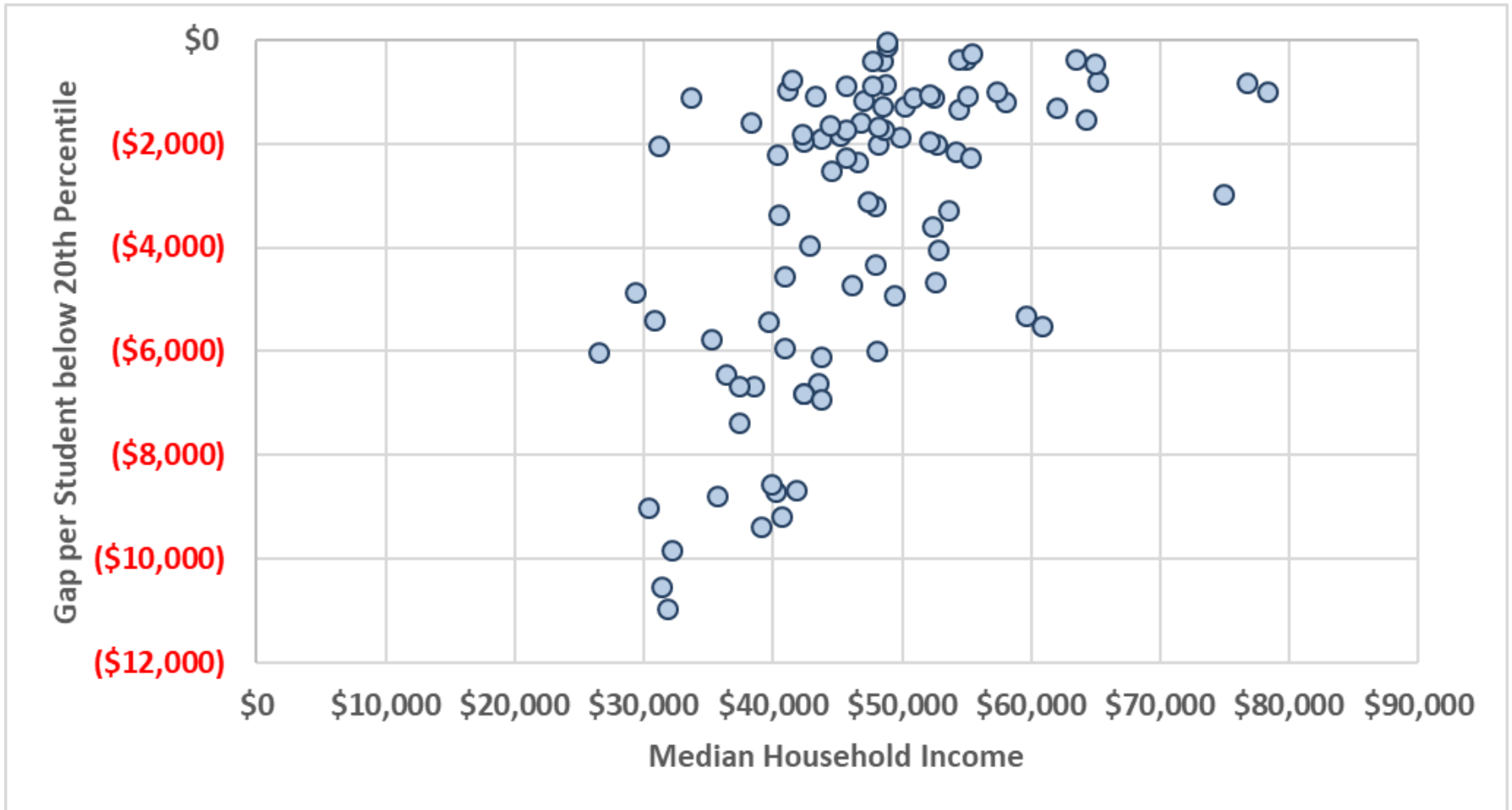
# EQUITY SUPPLEMENT

LEA Name	County	2019-20 BEF Formula	2019-20 SEF Formula	Student Weights	2018-19 Current Exp.	CE per Student Weight	Equity Gap
Reading SD	Berks	12,735	9,057	21,792	\$238,119,305	\$10,926	\$13,903
Lebanon SD	Lebanon	2,558	2,463	5,021	\$65,840,904	\$13,111	\$11,718
Panther Valley SD	Carbon	740	1,071	1,811	\$25,074,870	\$13,838	\$10,991
Greater Nanticoke Area SD	Luzerne	960	1,183	2,143	\$29,884,972	\$13,940	\$10,889
Greater Johnstown SD	Cambria	1,649	1,451	3,100	\$43,955,032	\$14,178	\$10,651

Equity Target – CE per Student Weight at or below the 20<sup>th</sup> percentile - \$25,013

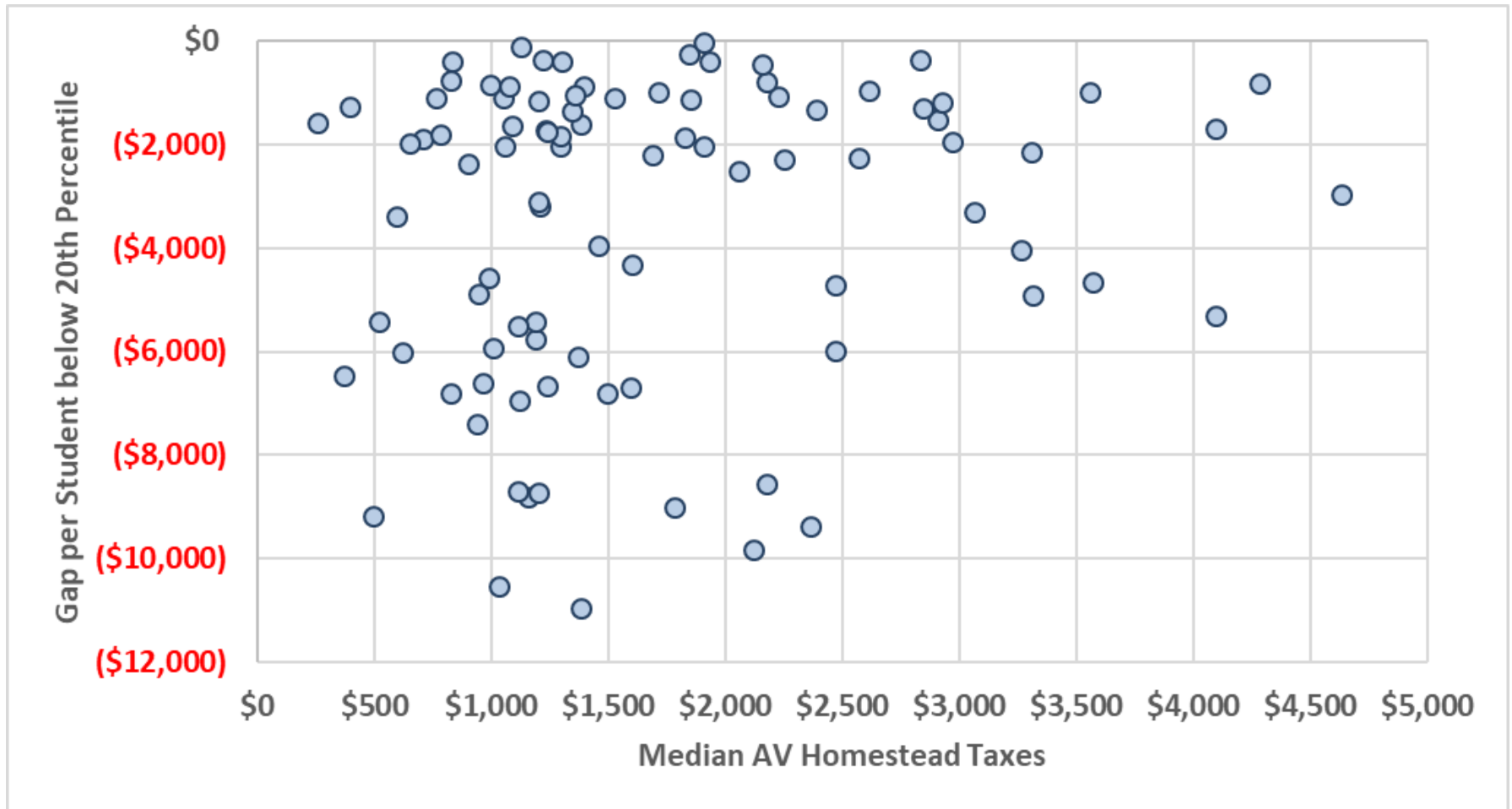


# EQUITY GAP AND MEDIAN HOUSEHOLD INCOME

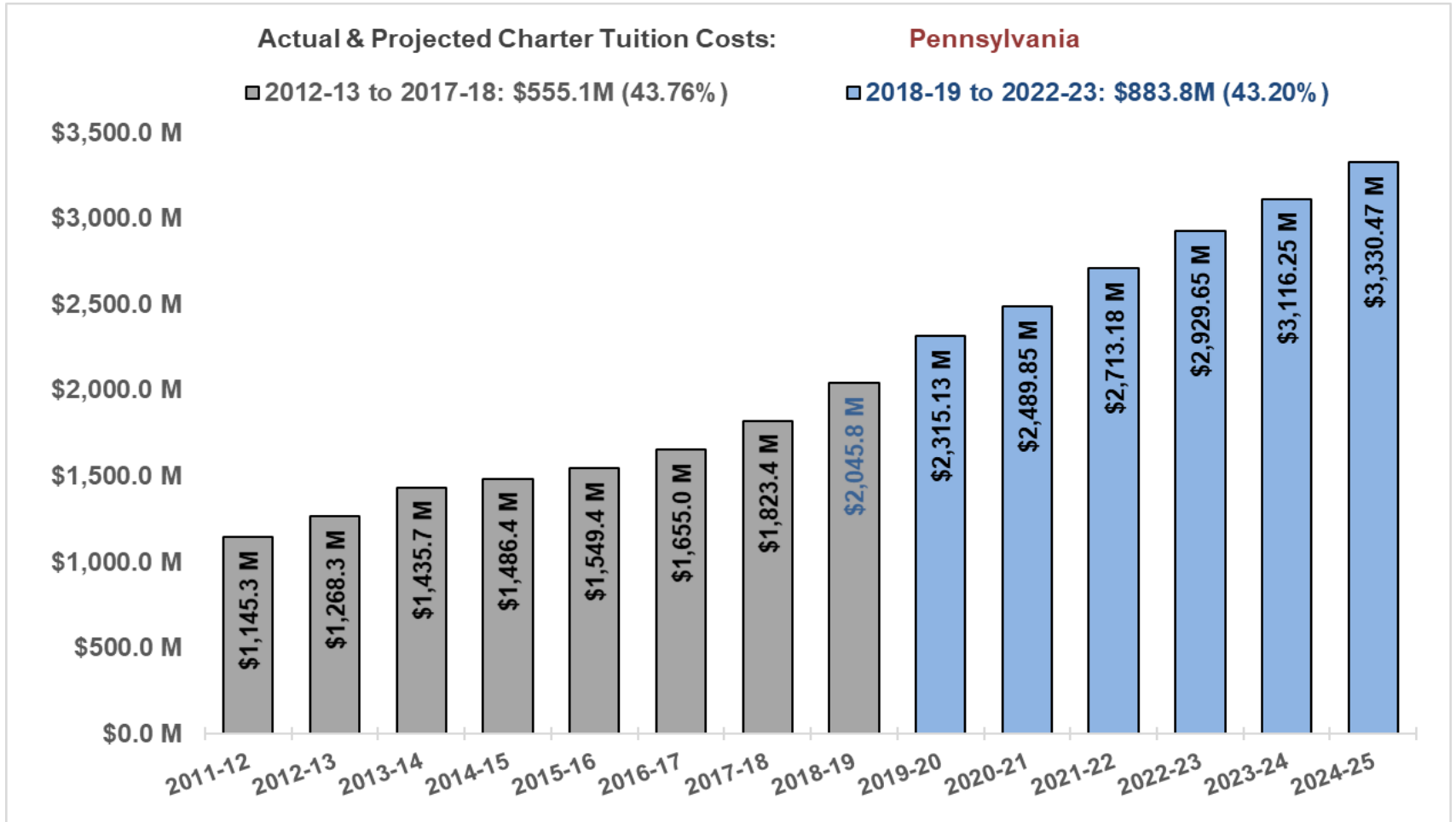




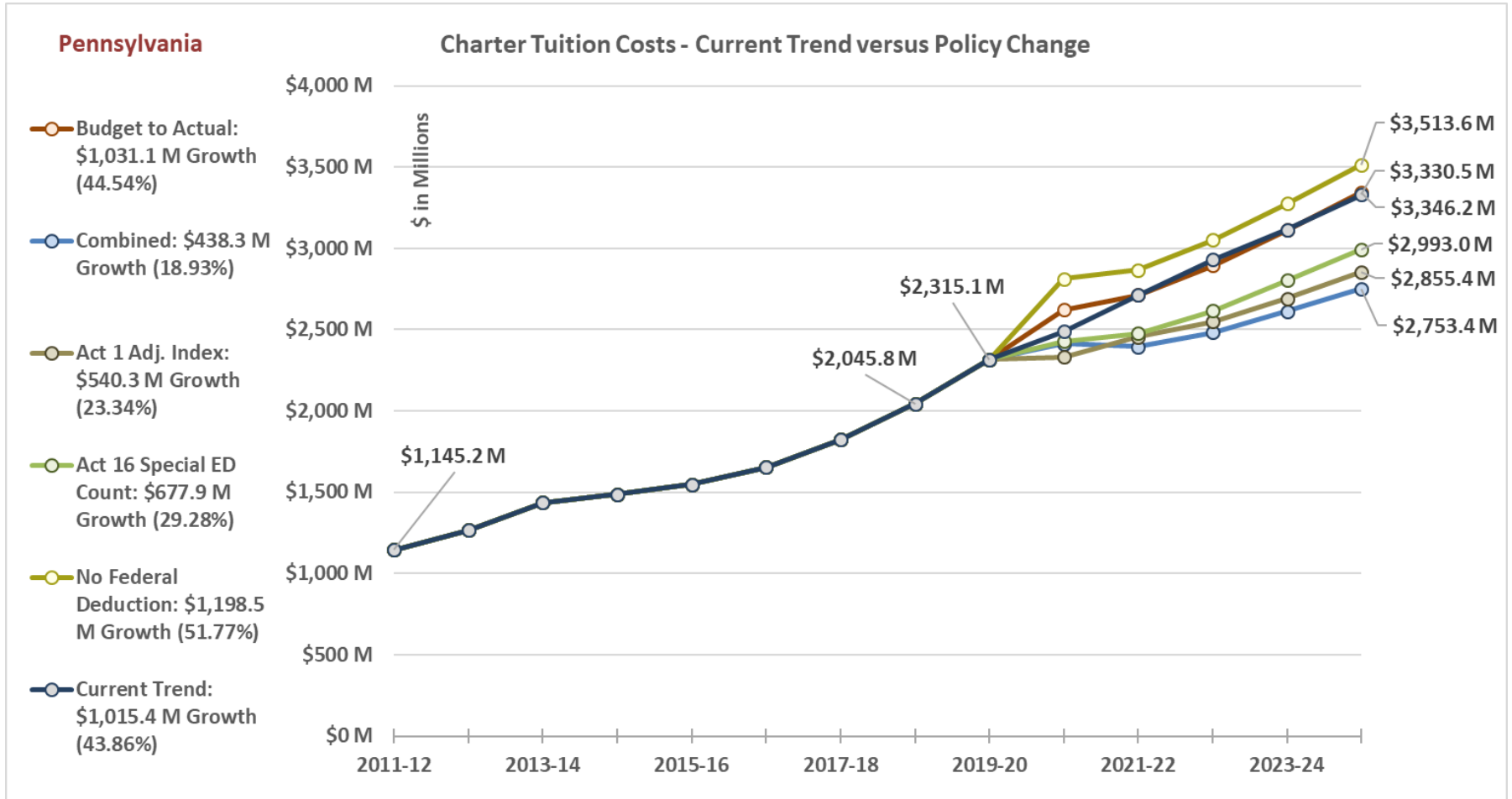
# EQUITY GAP AND MEDIAN AV HOMESTEAD TAXES



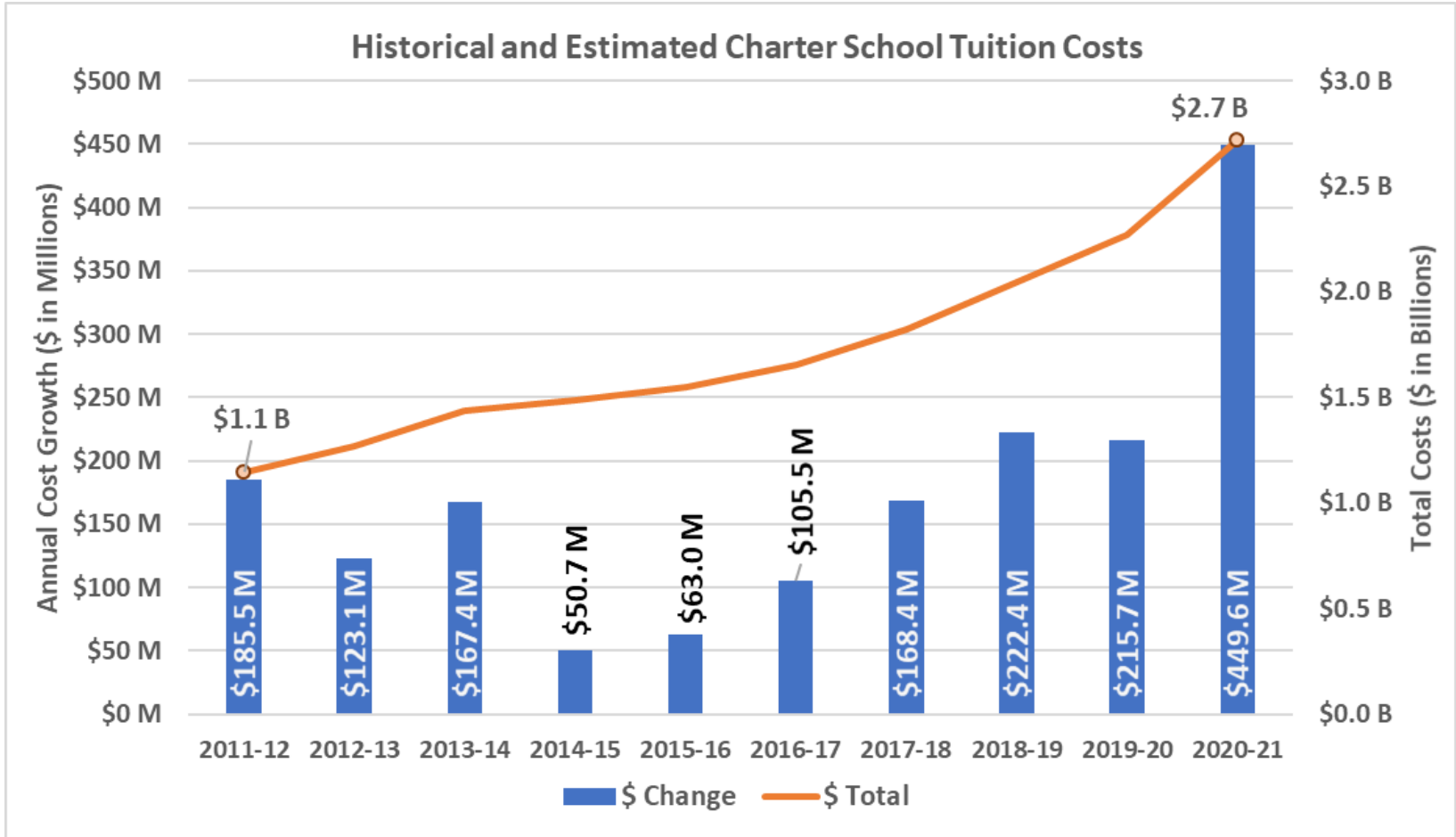
# PRE-COVID PROJECTIONS OF CHARTER TUITION



# PRE-COVID CHARTER REFORM ESTIMATES



# CYBER CHARTER IMPACT IN 2020-21 - \$350 M

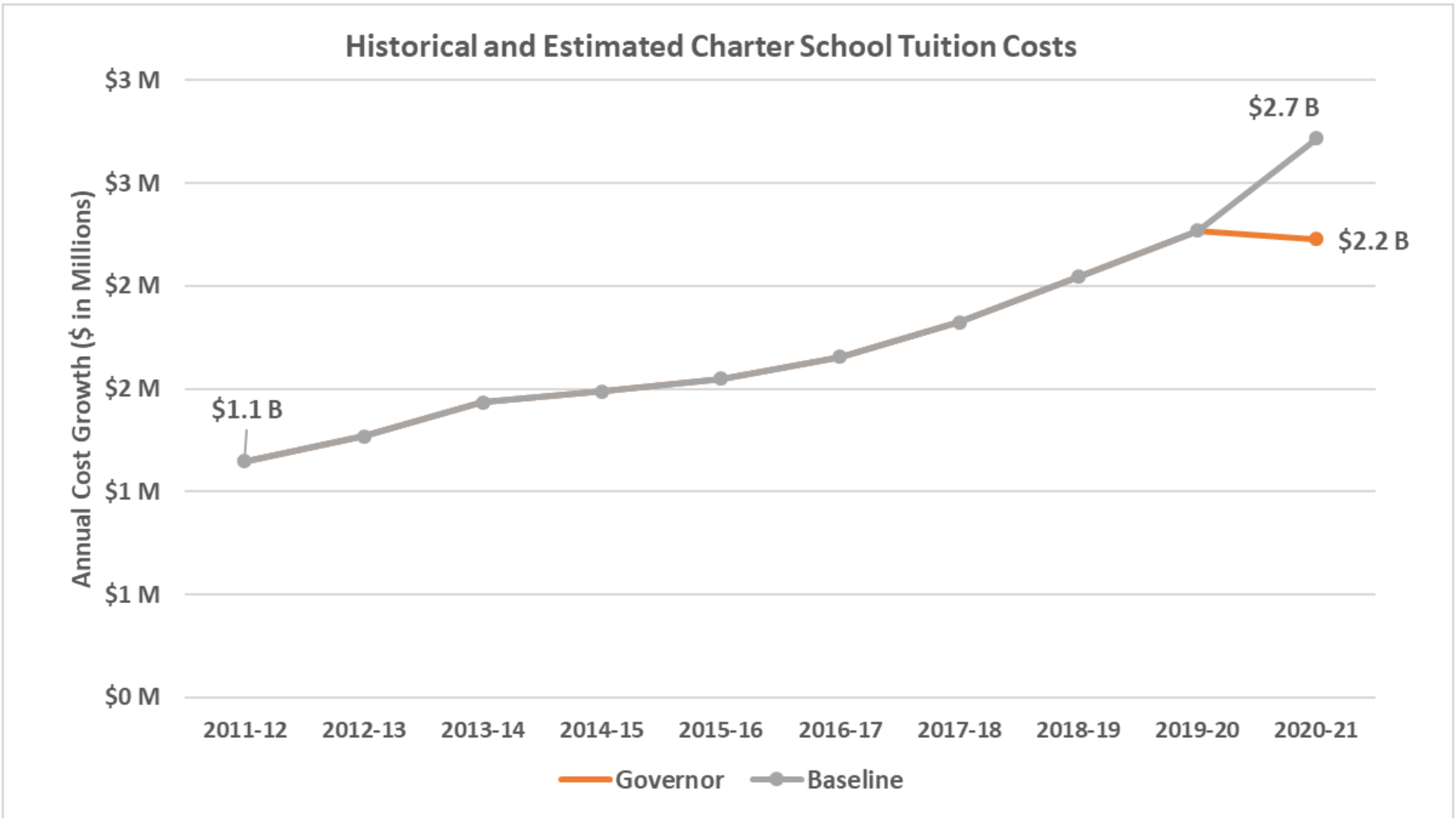


# GOVERNOR'S PROPOSAL

- Establishes a statewide cyber charter tuition rate of \$9,500.
- Applies the SEF weight (1.51, 3.77, 7.34) to students enrolled in charter school to the SD's regular ed tuition rate & statewide cyber charter rate.
- SD regular ed tuition rate deductions for federal funds, charter school tuition, other funds for which charters do not provide (Pre-K) or revenue which charters are eligible to receive directly.
- PDE estimates initial impact saves districts \$229 million but... initial savings does not entirely guarantee tuition rates do NOT continue to grow back up.



# ESTIMATES BASED ON CYBER 2020-21 DATA



## BUDGETED TO ACTUAL

- Cyber charter enrollment spike during COVID can have a longer-term impact on charter school tuition rates in subsequent fiscal years switching from budgeted to actual expenditures.
- \$350 million cyber charter school spike would artificially inflate future tuition rates for any future year using 2020-21 AFR data.



# FEDERAL FUNDING IMPLICATIONS

- \$2 billion in ESSER II funds through September 2023 (in addition to all the federal funds under the CARES Act)
- Likely additional federal funds in early 2021 for COVID relief
- Very important to carefully plan the use of these funds...





# NEW ELIGIBLE USES FOR ESSER II \$\$

- Address learning loss among students by administering and using high-quality assessments to accurately assess students' academic progress and assist educators in meeting students' academic needs, implementing evidence-based activities to meet the comprehensive needs of students, providing information and assistance to parents and families on how they can effectively support students and tracking student attendance and improving student engagement in distance education.
- Conduct school facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.
- Engage in Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and non-mechanical heating, ventilation, and air conditioning systems, filtering, purification and other air cleaning, fans, control systems, and window and door repair and replacement.
- Other activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff of the local educational agency.



## ESSER II FAQs

- Funds may be applied to costs dating back to the onset of the national emergency (March 13, 2020) and are available for obligation by school entities through September 30, 2023.
- PDE calculates preliminary Title I-A allocations each spring, prior to the start of the next school year, to allow recipients to plan for applications and programming. Final allocations are then published in February of each year when charter school enrollment data for the previous school year is finalized.



## ESSER II FAQs:

- Recipients will be required to report on program implementation on a quarterly basis, with a final report due at the close of the ESSER II grant period.
- Additionally, recipients will complete regular quarterly fiscal reporting to continue monthly payments through FAI.
- PDE will monitor the use of ESSER II funds. In addition, ESSER II funds are subject to Single Audit Act requirements.
- No equitable services shares requirement
- No supplement not supplant requirement (this is NOT Title I)

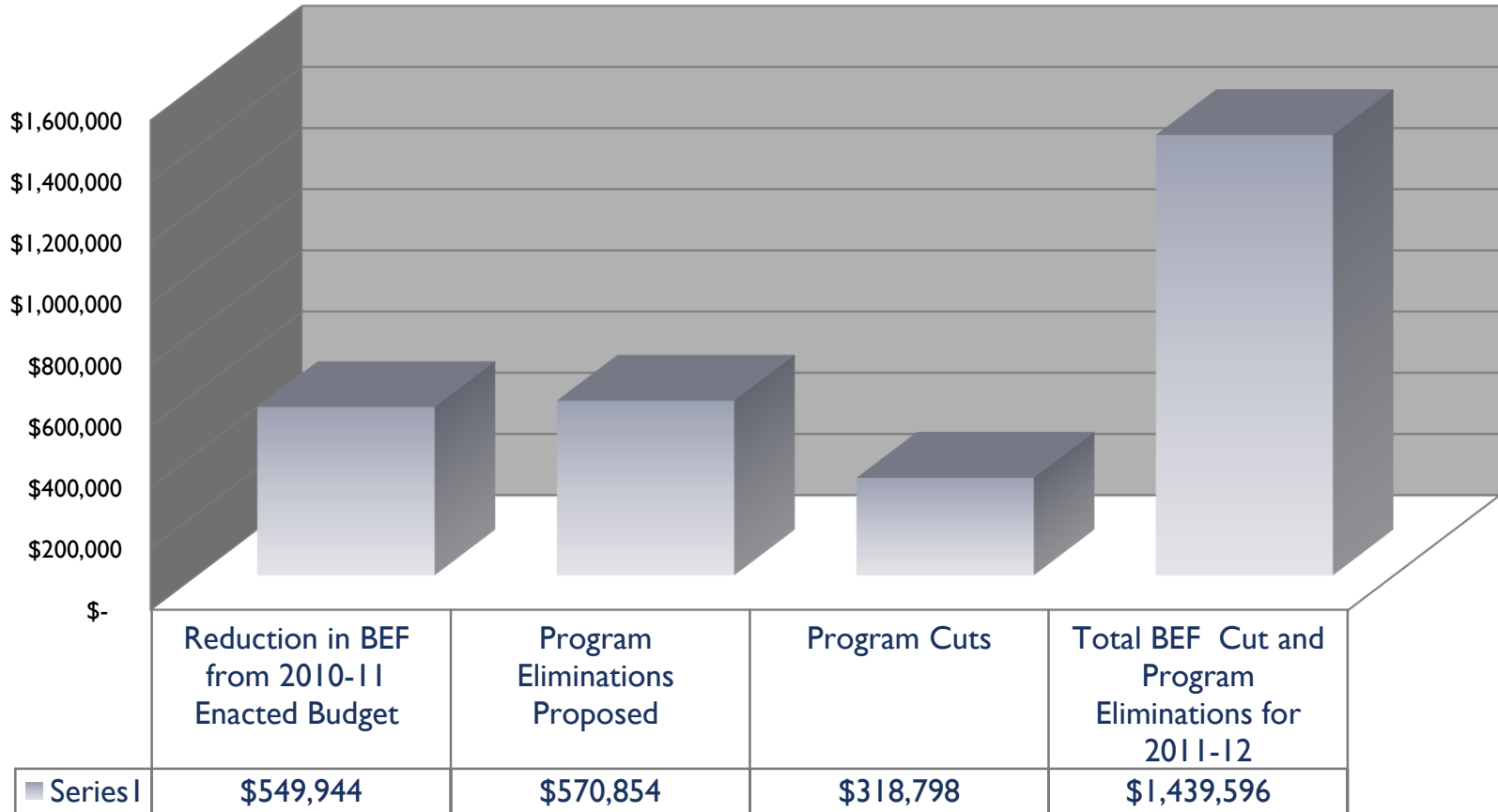


# FEDERAL FUNDING FALLOUT...

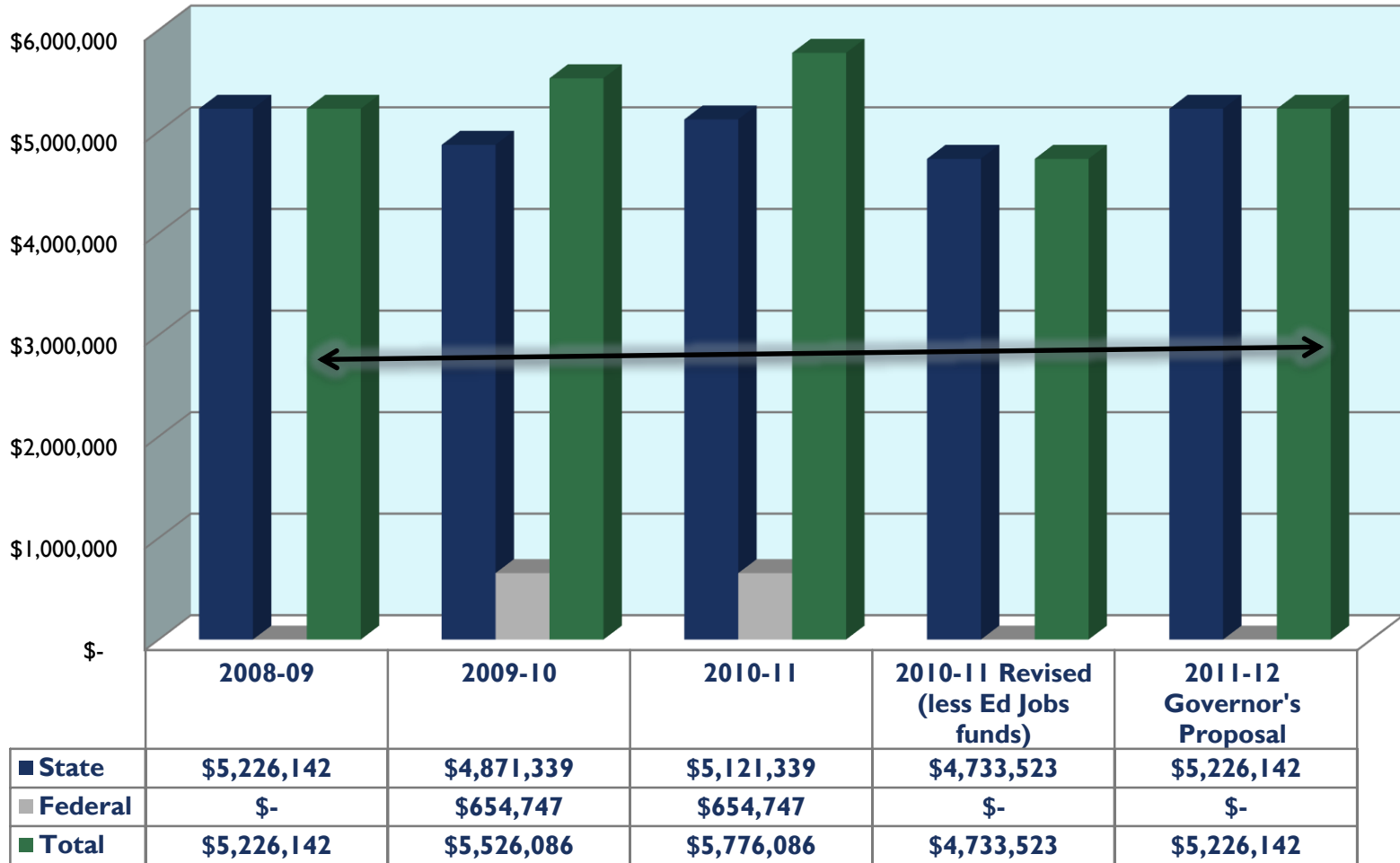
- Not clear where 2021-22 state budget will go
- At this point, it's unlikely that the state will backfill state education funds with federal funds
- Goal is **NOT** to replicate the mess in 2011-12 when federal funds went away
- So...state needs to think through efforts to sustain increases to districts when federal funds go away...
- And, districts need to use the funds carefully...



## The Billion and Half Dollars Budget Hole for Schools in FY 2011-12 (\$000's)



## State Commitment to Basic Education “Reset” to Pre-Stimulus Funding Level



# FIFTEEN PROGRAM ELIMINATIONS

Program	2010-11 Available
Accountability Block Grants	\$259,456
Reimbursement of Charter Schools	\$224,083
Education Assistance Program	\$47,606
School Improvement Grants	\$10,797
Dual Enrollment Payments	\$6,959
Science: It's Elementary	\$6,910
Intermediate Units	\$4,761
Job Training Programs	\$3,442
Basic Ed Formula Enhancements	\$1,984
High School Reform	\$1,762
Mobile Science Education Program	\$1,600
Lifelong Learning	\$825
School Entity Demonstration Projects	\$600
Recording for the Blind and Dyslexic	\$69
<b>\$'s in 000's</b>	<b>\$570,854</b>



# SCHOOL FUNDING LAWSUIT



## IN VICTORY FOR STUDENTS, COURT RULES THAT PA. SCHOOL FUNDING LAWSUIT IS NOT MOOT

Commonwealth Court dismisses Senator Scarnati's motion that the case was rendered moot by the adoption of a fair funding formula in 2016.





The lawsuit was filed in 2014 by the Education Law Center and Public Interest Law Center on behalf of parents, school districts, and statewide organizations alleging that the state's school funding system violates Pennsylvania's constitution, due to significant underfunding and gross disparities in allocations that penalize students in low-wealth districts.



WRAP UP....

# What should you budget?



# PART IV: ADVOCACY



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

# HOW TO ADDRESS GOVERNOR'S PROPOSAL

- Discussions about MORE state funding for schools, recognition that lack of state funding and mandated cost increases drive property taxes and that some districts need more support than others are all overdue conversations
- The proposed \$200 million increase for special education is essential, as special education costs outpace state funding increases
- Charter school funding reform is critical, especially as the increase in this mandated cost is expected to double this year



## OTHER CRITICAL MESSAGES

- Share the COVID impact on your district—revenue changes, additional costs, staffing issues, transportation, learning loss
- Discuss how you will use federal funds going forward—what they will address, how you plan for their expiration
- Discuss your charter school cost increases—what it means to your budget, your students, your taxpayers
- Discuss your special education cost increases—the impact of the pandemic, how state funding has not kept pace



# RESOURCES TO HELP YOU!

Budget Presentation Templates	<a href="https://pasbo.org/research">pasbo.org/research</a>
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# QUESTIONS AND ANSWERS!

## Thank you!!

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