

Public Policy Lab

State Policy, Local Impact: How Policy Choices Will Shape the Financial Future of Pennsylvania School Districts

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## A NOTE FROM THE EDITOR

This report is the fifth in a series of fiscal forecasts for all 500 school districts previously published by Temple's Center on Regional Politics (CORP), and starting this year, by Temple's Public Policy Lab (PPL). It was finished after the disruption caused by the COVID-19 pandemic forced an abrupt shutdown of vast sections of Pennsylvania's economy, threw millions of state residents out of work, and devastated the budgets of the Commonwealth and its local governments, including its public schools, whose buildings were closed by the governor. The federal government has now provided approximately \$6.3 billion for education in the state; however, distribution of those funds to district fiscal paths over a seven-year period, 2019-20 through 2025-26, to examine the impacts of the huge influx and then withdrawal of federal funds. It also provides state policymakers with an understanding of how their policy decisions regarding amounts of state funding and the resultant requirements on local property taxes impact school district fiscal health and equality.

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## Note from the Authors

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### **Introduction**

This is the fifth report in an ongoing series assessing the financial conditions for all 500 Pennsylvania school districts.<sup>1</sup> In this study, the extraordinary impacts of the COVID-19 pandemic on school district's finances are reviewed and the ongoing fiscal effects are projected from 2019-20 through 2025-26. We highlight key funding policy choices available to state policymakers in the upcoming five years and detail how those choices would impact the financial health of school districts.

Since 2008-09, the condition of school district funding in Pennsylvania has been highly volatile, uncertain from year-to-year with unpredictable shifts and serious delays in state and federal revenues. Rapidly rising expenditures, most of which were out of the districts' control, consumed increasing amounts of available funds. These fiscal trends and circumstances combined to place greater reliance on local funding sources, particularly property taxes.<sup>2</sup> This has left districts especially vulnerable to decisions made by the governor and legislature, who frequently disagree on key aspects of both the timing and amounts of school funding.

Despite a great deal of attention to education funding in recent years,<sup>3</sup> increasing fiscal stress continues to characterize the majority of districts. Local taxes now carry most of the burden, while in the state funding formula, subsidies have not kept pace with funding needs, and uncontrolled state-mandated expenditures have grown substantially, exceeding the amount of state funding that districts receive. This leaves districts in the position of having to raise property taxes (the only local resource under district control) or reduce educational programs and staff to reach a required balanced budget. Without changes in the educational funding system established by the legislature and governor, there will be steady, significant, and unrelenting annual increases for charter school tuition and the Pennsylvania Public School Employees Retirement System (PSERS). The projections in this report illustrate that this is not a sustainable condition for taxpayers, school districts, charters, or students.

The new wild card in education finance in Pennsylvania is federal funding from the **Elementary and Secondary School Emergency** Relief fund (ESSER). Three separate federal acts (ESSER I, ESSER II, and ESSER III) have provided approximately \$6.4 billion to support education in Pennsylvania school districts, dwarfing any previous federal funding in the Commonwealth. However, ESSER funds are not made wholly available in a single grant; rather, they will be distributed annually in differing amounts from 2019-20 through 2024-25 with state and federal regulations for their use. Should districts have trouble complying with these regulations, perverse economic incentives could emerge for both districts and the state.

Table 1 shows the annual September obligation dates for each of the ESSER funds, which are coming at districts quickly, especially given that the applications and guidance for fund use were only recently issued.

The timelines for fund obligation also signal the end of ESSER funding and the deadlines by which districts must align their expenditures and revenue operating budgets excluding any federal fund reliance. By 2025-26, districts must raise revenues or reduce costs to balance the budget to account for increased mandated cost and annual inflation.

<sup>1.</sup> The previous reports are available from Temple University.

<sup>2.</sup> In 2019-20, property taxes provided 78% of total local revenue. See the Pennsylvania Department of Education website at https://www.education.pa.gov/Documents/Teachers-Administrators/School%20Finances/Finances/Summary%20of%20 AFR%20Data/AFR%20Data%20Detailed/Finances%20AFR%201\_LocalRev%201011-1920.xlsx.

<sup>3.</sup> For example see: https://basiceducationfundingcommission.pasenategop.com/; https://elc-pa.org/wp-content/uploads/2014/01/SpecialEducationFundingCommissionReport\_12\_11\_13.pdf.

	3/1/2020			9/30/2022	9/30/2023	9/30/2024
ESSER I = \$400.6 M	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23		
ESSER II = \$1.873 bn	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	
ESSER III = \$4.010 bn	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25

Table 1. ESSER Estimates and Timelines

#### Purpose of Study

This study projects the fiscal conditions over a six-year period for all 500 Pennsylvania school districts, covering the fiscal years from 2019-20 to 2025-26. This period encompasses the entirety of federal ESSER funding. These future projections are based on recent trends for major revenue sources and expenditure items. Specifically, this project:

- 1. Forecasts major revenues, expenditures, and district shortfalls from 2019-20 through 2025-26 for all Pennsylvania school districts, incorporating estimates of changes resulting from COVID-19 on district finances.
  - Using the latest trends from recent data and informed assumptions about the future.
  - Incorporating estimates of changes brought about by COVID-19 on district finances.
- 2. Identifies key funding policy choices available to state policymakers in the upcoming five years that could directly impact school district financial health.
  - Which policy choices will have the greatest impacts on school districts?
- 3. Projects levels of fiscal stress for PA school districts given different policy choices made at the state level.
  - How will they increase or decrease fiscal stress among districts?

## Policy Decisions

School districts funds comes from two general sources: state subsidies set by the state legislature, and district funds raised from local taxes, primarily property taxes. The nature of school district funding means that state and local revenue choices are inextricably linked together. More funding from the state lessens the amount required from local property taxes to meet districts' balanced budget requirements. The reverse is true as well: less funding from the state or lack of relief from state mandates will cause a mix of property taxes to rise and school programs to be cut in pursuit of a balanced budget.

In terms of state-level funding sources, there are a few key fiscal elements under the sole control of state policymakers that impact the future financial health of districts, including: state basic education funding subsidies (BEF), state special education funding subsidies (SEF), the growing pension costs associated with PSERS, and the future growth rate of charter school tuition payments. Each fiscal element is constrained by varying policy prescriptions over the amount allotted and the timing of payment:

- State Basic Education Funding (BEF) Amounts and timing
- State Special Education Funding (SEF) Amounts and timing

- Charter School Tuition
  - Continued unlimited increases or limited in some fashion
  - Shared local and state funding or to remain funded by all local taxes
- Pension Cost growth (PSERS) Amounts and timing of state shares

At the district level, the key funding source is property taxes levied by local school boards. This funding source will be strongly influenced by state policymakers and the funding they provide.

The range of policy options is wide and will yield widely varying fiscal results for school districts—ranging from a further deterioration for most districts, to substantial improvements for many districts and a reduction of the existing inequities. As a result, this report emphasizes the comparative fiscal results under different funding policy choices or combinations of choices made by key policymakers in the upcoming five years.

## Measures of Fiscal Stress

The key measure of a district's fiscal condition is fiscal stress, which is defined as a condition where a district's projected revenues are less than its projected expenditures. The condition is also termed "shortfall" in this report. This study details the extent to which individual districts may experience fiscal stress in terms of budget surpluses or shortfalls, and also provides a statelevel measure of fiscal stress as a function of how many districts in a given year are projected to experience surpluses or shortfalls. In general, the greater the shortfall amount, the greater the level of fiscal stress faced by a district. Scaling up, the greater the number of districts in shortfall conditions and the longer they remain in this condition, the greater the degree of fiscal stress present in the state. Thus, the measures are:

- Surplus or Shortfall. Total and amounts for Shortfall Districts and Surplus Districts
- Number of Shortfall Districts (# Negative) and Surplus Districts (# Positive)
- Average Shortfall or Surplus per District

# Interpretation of Projected Shortfalls

State policy dictates that districts must maintain a balanced budget: for each year, expenditures must equal revenues. In this framework, if the projected revenues exceeded the expenditures. the district would have a surplus, but if projected expenditures were greater than revenues, the district would experience a shortfall. As budget shortfalls increase in magnitude, strategies for districts to achieve balanced budgets often become limited to budget cuts in non-mandated expenditure areas such as instructional programs and staff or raising local taxes.<sup>4</sup> Districts with large shortfalls relative to their total budget face a more difficult task involving more programs and staffing cuts to bring the budget back into balance. This difficulty is magnified for districts with stagnated growth of property tax value, or a lower property tax base as share of their total budget.

## Approach to the Study

All 500 school districts in Pennsylvania were included in the study. Data collection and calculations were done at the individual school district level and aggregated to the state level for summary results. Almost all fiscal data were obtained from the websites of the Pennsylvania Department of Education (PDE), the Independent Fiscal Office (IFO), and the Pennsylvania School Employees' Retirement System (PSERS).

A simulation model was created to project the results for each selected major revenue and expenditure category. The model generated annual revenues by category and major expenditures by object for each district from 2020-21 to 2025-26 based upon trends

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<sup>4.</sup> Increases in property tax are restricted by Act 1 limits and by local resistance to increases.

Major Revenues	Major Expenditures
Total Local Revenue	Salaries
Basic Education Funding (BEF)	Net PSERS (district only)
Special Education Funding (SEF)	Health care and other benefits
Elementary and Secondary School Emergency Relief Fund (ESSER)	Total ESSER dollars (spent)
Total Other Federal	Charter school tuition payments

 Table 2. Major Revenue and Expenditure Categories

established from the most recent years of actual data. The annual dollar and percentage changes were determined for each district for the key revenue and expenditure variables in the model. For some fiscal categories, the projection assumptions were established by individual district; in others, where district patterns of increases and decreases were irregular and episodic, individual district trends were not an appropriate basis for future projections and a statewide rate of change was chosen based on overall data. The statewide fiscal measures were calculated from the overall results.

## Projection Model

The study utilized an updated projection model that varied key inputs and calculated the projected level of financial stress for Pennsylvania school districts under those conditions. The model also calculated annual measures of fiscal stress statewide as a function of the number of districts projected to experience budget surpluses and shortfalls and the positive and negative magnitude of those projections.

The fiscal elements included in the study include: revenues by major category, expenditures by major category, and the resultant shortfalls/ surpluses for each district. Table 2 summarizes these elements. The definitions for each fiscal element used in the study are shown in the Appendix.

<u>Definition of Major Revenues.</u> As defined in this study, major revenues include: Total Local Revenue; Basic Education Funding

(BEF); Special Education Funding (SEF); Total Other Federal; and Total ESSER Revenues. For a fuller definition of these categories, see the Appendix. Taken together, the revenues included in the study represented 80% of the total revenues that districts received in 2019-20. Excluded from the revenue analyses were the state subsidies for the state shares of Social Security and Medicare taxes and the Public School Employees' Retirement System (PSERS), because only net amounts paid of these expenditures by the districts were included on the expenditure side of the analysis. The revenues from ESSER funding were included as a separate fiscal element to show these funds independently.

Definition of Major Expenditures. As defined in this study, major expenditures included: Salaries; Net PSERS amount (district cost only); Health Care and Other; Charter School Tuition Payments; Net Operating Expenditures (all other non-capital expenditures); and Total ESSER Expenditures. Taken together the expenditures included in the study made up approximately 76% of all district expenditures in 19-20 and represents the current expenditures of school districts. Omitted from the analysis were the financing and debt-related expenditure categories. The Expenditures from ESSER funding were included as a separate fiscal element to show these funds independently.

Version 1	Continuing Fiscal Trends without COVID or ESSER Funding Hypothetical Baseline Outcomes without COVID or ESSER Funding
Version 2	Revenues and Expenditures Adjustments for COVID-19 Steady State Funding at Modest Levels No Federal ESSER Funds
Version 3	Federal ESSER Funds Increase ESSER Expenditures to Match ESSER Revenues No New State BEF and State SEF Funding during ESSER
Version 4	Federal ESSER Funds and Associated ESSER Expenditures Increase Annual State BEF and State SEF Amounts at Higher Levels
Version 5	Federal ESSER Funds and Associated ESSER Expenditures Increase Annual State BEF and State SEF Amounts at Higher Levels Limit Charter School Tuition Growth

#### Table 3. Versions of Projection Model Illustrating Various Policy Options

### Policy Versions of the Projection Model

This report presents five different versions illustrating essential policy choices to be made along with the key results from each. The model versions represent a variety of future funding assumptions about possible actions by statelevel policymakers. They range from minimal or no additional state funding support for school districts to substantial increases in state support and limits on future growth of mandated expenditures. Many other versions are possible by varying the inputs for the model.

The five versions chosen for this report are described briefly in Table 3. They are displayed to illustrate the impacts of implementing each version under the assumptions specific to that version. In general, they are arranged to move from no policy interventions to adding one or more of the policy levers at the state level sequentially.

The five different versions used in the model yield very different results depending on the assumptions about the key policy choices. To provide a background for these differences, Table 4 lists the assumptions for each fiscal category for each version. Note that in Versions 2 through Version 5, most of the other (non-state policy) assumptions utilize identical values since those assumptions are not being tested. As a result, the differing results among the versions are determined by the specific choices made by policy makers.

The three key policy changes are highlighted to clearly show the basis for the projections in each version. The BEF and SEF amounts in Version 3 range from \$0 increase beginning in 2020-21 and continuing at \$0 increase through 2024-25 but rising to \$200 million and \$50 million for 2025-26 only. By contrast, increases for Version 4 and Version 5 are set at \$200 million and \$50 million in BEF and SEF for all years 2022-23 through 2025-26, respectively. On the expenditure side, charter tuition, after an estimated increase of 17.5% in 2020-21 (based on preliminary district budget reports) shifts to a steadily increasing rate starting at 6.0% in 2021-22 reaching 10% by 2025-26 (Version 2, Version 3, Version 4), and Version 5 places a limit of 5% annual increase

Revenue and Expenditure Categories	Version 1	Version 2	Version 3	Version 4	Version 5	
Revenues						
Total Local	Prior 2 Yr Trend	Reduced-COVID	Reduced-COVID	Reduced-COVID	Reduced-COVID	
Basic Education Funding (BEF)	\$100 m per Yr	\$100 m per Yr	None	\$200 m per Yr	\$200 m per Yr	
Special Education Funding (SEF)	\$25 m per Yr	\$25 m per Yr	None	\$50 m per Yr	\$50 m per Yr	
ESSER (revenues)	None	None	% by Yr	% by Yr	% by Yr	
Expenditures						
Salaries	0.021	1% to 2.25%	1% to 2.25%	1% to 2.25%	1% to 2.25%	
Net PSERS	PSERS ECR %	PSERS ECR %	PSERS ECR %	PSERS ECR %	PSERS ECR %	
Healthcare and Other	0.5% to 5%	0.5% to 5%	0.5% to 5%	0.5% to 5%	0.5% to 5%	
Charter School Tuition	11% per Yr	Drop 6% to 10%	Drop 6% to 10%	Drop 6% to 10%	Capped at 5%	
Net Other Expenditures	3.4% per Yr	Drop 1.9 to 2.23%				
ESSER Expenditures = Revenues	None	None	% Share by Yr	% Share by Yr	% Share by Yr	

 Table 4. Key Assumptions on Annual Change of Revenue and Expenditure Categories by Model

 Version

(Version 5). Consequently, Version 5 uses two policy levers jointly to test their combined effects (state funding lift and charter tuition rate of increase limit).

The seven-year totals for each version are compared in Table 5. The projections are shown as totals for the fiscal changes for each major element, which aggregate the individual year calculations to statewide totals for revenues, expenditures, surplus/shortfall, and fiscal measures for each version. These are the specific components of the projection model and together provide a comprehensive picture of Pennsylvania school districts' fiscal health. It is important to note that this study focuses on changes in fiscal condition, not absolute measures. The combined changes among the different fiscal elements provide the determination of surplus or shortfall each year. For some fiscal categories, the total amounts are the same for all versions since those assumptions did not vary in each version. These include Total Local Revenue, Federal Other, Federal ESSER, Salaries, PSERS, Health Care, Net Other Expenditures, and ESSER Expenditures. (For the specific assumptions, see Table 4 above.) Version 1 is the exception since it was created on a different basis. By contrast, the changes caused by variations in the key policy variables are clearly shown in the total results for each version.

The key results for each version are compared in Table 5. They include each major revenue, each major expenditure, the total statewide shortfall or surplus for all districts, the number of districts with a shortfall (# Negative), and the average shortfall/surplus per district. Full versions of all projection models can be found in the Appendix.

Fiscal Elements and Summary Benchmarks	Version 1	Version 2	Version 3	Version 4	Version 5	
Change in Revenues						
Total Local (0 if Negative)	\$4,440,267,888	\$3,054,311,669	\$3,054,311,669	\$3,054,311,669	\$3,054,311,669	
BEF (Using New Formula)	\$660,000,004	\$659,913,491	\$359,913,491	\$959,913,491	\$959,913,491	
SEF	\$171,750,000	\$171,466,507	\$96,466,507	\$246,466,507	\$246,466,507	
Federal Other	\$23,675,354	\$23,675,354	\$23,675,354	\$23,675,354	\$23,675,354	
Federal ESSER	\$0	\$0	\$0	\$0	\$0	
Major Revenues	\$5,272,017,892	\$3,909,367,021	\$3,534,367,021	\$4,284,367,021	\$4,284,367,021	
Changes in Expenditures						
Salaries	\$1,872,407,995	\$1,603,105,390	\$1,603,105,390	\$1,603,105,390	\$1,603,105,390	
Net PSERS	\$520,465,044	\$476,981,000	\$476,981,000	\$476,981,000	\$476,981,000	
Health Care and Other	\$658,267,168	\$658,267,168	\$658,267,168	\$658,267,168	\$658,267,168	
Charter Tuition	\$2,201,627,966	\$1,704,351,918	\$1,704,351,918	\$1,704,351,918	\$1,243,779,552	
Net Other Exp	\$1,225,657,233	\$698,992,772	\$698,992,772	\$698,992,772	\$698,992,772	
ESSER Expenditures	\$0	\$0	\$0	\$0	\$0	
Major Expenditures	\$6,478,425,405	\$5,141,698,249	\$5,141,698,249	\$5,141,698,249	\$4,681,125,883	
ESSER Funds						
Federal ESSER Dollars	\$0	\$0	\$6,351,865,240	\$6,351,865,240	\$6,351,865,240	
7th Year Summary Benchmarks						
Total District Expenditures	-\$2,175,188,330	-\$1,978,181,930	-\$2,284,578,787	-\$1,703,911,388	-\$1,338,337,855	
Total District Revenues	\$968,497,323	\$746,557,173	\$677,954,030	\$847,286,631	\$942,285,465	
Total Budget Shortfall	-\$1,182,732,159	-\$1,232,331,228	-\$1,607,331,228	-\$857,331,228	-\$396,758,862	
Average District Deficit	-\$1,191,630	-\$919,729	-\$721,475	-\$721,475	-\$343,509	
Average District Surplus	\$642,405	\$628,821	\$631,814	\$631,814	\$694,169	
Number of Negative Districts	356	383	347	347	305	
Number of Positive Districts	144	117	153	153	195	

Table 5. Projected 7 Year Totals for Average District Shortfalls and Surplusses

#### Version 1: Baseline Projections without COVID or ESSER

Version 1 was constructed as a hypothetical baseline that estimates school funding system results if past fiscal trends had continued. It estimates operating conditions for school districts without COVID impacts or Federal ESSER Funding. It is obviously not a projection of anticipated results but provides a measuring point to show the impacts of the COVID-19 pandemic on school finance in the state.

#### Version 2: Adjustments for COVID-19 Impacts

Version 2 forms the foundation for versions 3-5. In essence, Version 2 projects COVID impact on district operating funds with a lower local revenue growth, modest state input, and altered spending patterns between and among objects. It separates this impact from ESSER funds that will layer on top. These same underlying values are used in versions 3-5, allowing the manipulation of different policy choices to showcase different possible outcomes in the subsequent model versions.

In terms of model specification, Version 2 utilizes only local and state funds and omits federal ESSER funding, estimating future results solely from local and state funding sources. With the inclusion of projected COVID-19 impacts on local and state revenue sources, this version contains substantial decreases in total local revenues over a 60% drop in 2019-21 in percentage annual increase, followed by a very gradual annual increase in later years. State-level sourcesthe BEF and SEF—assume a low fixed growth pattern similar to past years. Revenue sources categorized as Federal Other assume no growth for existing federal programs, while salaries drop in the 2020-21 year and slow upward beyond prior levels by 2024-25. Lastly, health care costs start from a low baseline and gradually increase in an upward annual trend, while sources categorized as Net Other Expenditures remain relatively steady, with small annual increases around 2%.

As a basis for comparison, the seven-year spending levels and fiscal measures for Version 2 project continued financial difficulty for most of the districts in the Commonwealth. The total fiscal results show overall district shortfalls totaling \$2 billion and surpluses totaling \$750 million, resulting in a net shortfall of over \$1.2 billion in the seven-year period. There were 383 districts projected with shortfalls (77%), while 117 districts (23%) had surpluses. Districts projecting shortfalls had an average annual deficit of \$920,000.

#### Version 3: No Increases in State Funding; Adding Federal ESSER Funds

This version assumes no additional state funding for BEF and SEF through 2024-25 and an increase in 2025-26, the initial year without ESSER funds. Like Version 2, Version 3 shows a severe decline in 2019-20 in Total Local Revenues (property taxes) and slow small annual increases for the remaining years. Given the introduction of new federal dollars, this model assumes that the state legislature will be more resistant to increase state-level funding; by the same token, this model assumes that local school boards will also see the infusion of federal dollars as motivation to resist increasing property taxes. Version 3 introduces federal ESSER funding by adding \$6.352 billion revenues from 2019-20 through 2024-25. In accordance with federal regulations, additional and equivalent additional expenditures supported by these federal funds must also be added over the same time period. As a result, at the end of 2024-25, the cumulative ESSER revenues should equal cumulative ESSER expenditures, leaving a net zero impact on the district budget over the seven-year projection period. The model assumes that an equal amount of ESSER revenue and expenditures will be used each year, although this is not required. It is just that total ESSER revenues received and expenditures made be equal by 2024-25. However, if districts use some of these funds to supplant, and not simply bolster, existing district or state funding support, the ESSER funds will no longer be available in 2025-26 to continue that support and will require replacement. If

substantial supplanting does take place during the ESSER period, it could well leave a more severe fiscal cliff for districts than that following the loss of American Recovery and Reinvestment Act (ARRA) funds in 2011-12. This treatment of ESSER funds will also be continued in Version 4 and Version 5.

The total fiscal results for Version 3 show a substantial worsening of conditions for districts absent additional state support in the next years. Net shortfall rises to \$1.6 billion over the sevenvear period; of that, \$2.3 billion now come from districts that will experience shortfalls and netted against that was \$680 million from districts that will experience surpluses. For the final year, 2025-26, there were 347 districts projected with shortfalls (69%)-the highest of any version-running an average annual deficit of \$720 million. Meanwhile, only 153 districts (31%) are projected to experience surpluses. Note that these predictions for the 2025-26 year are the same for Version 3 and Version 4 since they report only the final year data, in which the addition of new state funding in Version 3 raises it to the equivalent of Version 3 for that year only. However, in earlier years, the annual numbers of shortfall districts and magnitude of deficits were greater in Version 3 without the later state funding.

## Version 4: Adding Additional Annual State BEF and State SEF

This version illustrates the impact of substantially increasing state funds for BEF and SEF by adding \$200 million and \$50 million per year in these categories starting in 2022-23, after a two-year hiatus of providing no new state funding in 2020-21 and 2021-22. This would result in a combined total of \$1 billion additional state aid over four years. BEF and SEF are two of the policy levers available to state policymakers. This version also assumes continued unlimited charter school tuition payments. Despite an initial reduction in charter tuition payments' growth rate, district mandated payments will continue to grow at an increased pace (from 17.5% increase in 2020-21 to 6.0% in 2021-22 and rising to 10.0% by 2025-26). The initial drop in charter growth is derived from the expected post-COVID-19 correction, accounting for enrollment churn, increased online competition from districts, and federal deduction impact on the tuition formula. It does not represent a change to existing charter funding policy.

Even with the initially lower growth level of charter school tuition payments, school districts and taxpayers would be paying larger and larger annual increases. In Table 7, the seven-year totals for Version 4 show that district taxpayers would begin paying higher annual increases for charter school tuition for students attending those schools than for salaries of teachers in district school in the later years of the projection period. This is the same for all other versions that do not control the growth of mandated charter school tuition payments.

The policy choices of Version 4 of increased state BEF and SEF funding are reflected in the projection results. The total fiscal results for Version 4 show a clear improvement of fiscal conditions for districts over Version 3, but do not alleviate the basic financial and programmatic inequities in Pennsylvania. Net shortfall drops \$1.0 billion over the seven-year period to \$860 million due to the additional state aid: of that. \$1.7 billion comes from districts that will experience shortfalls, which is then offset by \$850 million from districts that will experience surpluses. In this version, 347 districts project shortfalls (now 69%) - with an average annual deficit of \$720,000 - while 153 districts (31%) will experience surpluses.

## Version 5: Limitations on Charter School Tuition Payment Growth

In this version, the state legislature uses a third policy lever: establishing a limit on the annual growth of charter school tuition paid by school districts. Presently, state policymakers have mandated that these costs, with no set limit, are fully paid by local district taxpayers. For projection purposes the limitation is set at an annual rate of 5%. This single digit increase is significantly lower than past charter history, yet significantly higher than district averages. The impact of this choice would be felt directly and substantially by district taxpayers as charter school tuition paid by districts would be reduced by approximately \$460 million over the sevenyear period.

Note that this policy choice would neither reduce nor eliminate payments to charter schools; rather, it only places an inflationary limit on what increases could be charged. No reductions in payments to charter tuition are included in this projection model. This 5% capped increase for charter school revenue would be less than half of its prior pre-COVID annual average increases. However, even at that capped rate, it would be significantly higher than the Act 1 Index that limits the permitted increase for school district property tax growth, which has been in the range of 2.3% -3.0% over the last three years. This choice would still permit a higher charter school tuition rate increase than the rate of increase allowed for school districts to support it.

Charter school tuition is projected to increase by almost \$400 million increase in 2020-21 (a 17.5% jump in one year) due to a combination of events, including enrollment changes and tuition rate calculation impact. During the remaining five years in the projections from 2021-22 through 2025-26 at 5% annual increases, charter schools would receive (and taxpayers would pay) an additional \$130 million to \$160 million per year for charter school tuition, reaching an annual total of over \$3.0 billion.

The results of this simulation using all three state policy levers – increases in BEF, increases in SEF, and limitation of inflationary charter school tuition payments – would substantially improve the fiscal health of school districts. First, there is a reduction in charter school tuition payments of \$460 million through 2025-26, a marked savings to both school district budgets and their local taxpayers. The fiscal measures all show these improvements as well: the net statewide shortfall is reduced to \$400 million, of which \$1.3 billion would come from districts that experience shortfalls and \$940 million is generated from districts that would experience surpluses. There would now be 305 districts projected with shortfalls (61%), while only 195 districts (39%) had surpluses. Importantly, shortfall districts would now run an average annual deficit of \$340,000, about half the rate projected in Version 4. However, even with these improvements, over half of districts remain in permanent shortfall conditions.

## Analysis of Alternative Versions

Each of the five versions of the projection model is based on different assumptions and policy choices. This section provides a comparison of all versions to review their projected fiscal outcomes, to compare them along critical outcome measures, and to interpret their main consequences for the next five years in Pennsylvania education finance.

#### Total Local Revenue

The recent release of data from the districts' Annual Fiscal Reports 2019-20 has helped to clarify how different fiscal elements within the total local revenue category have changed during the 2019-20 year. The annual changes are pictured in Figure 1. Overall total local revenue increased by 1.4%, or \$260 million, from 2018-19 to 2019-20. The primary increase was in current real estate taxes, which grew by 2.8% or \$350 million. For the 2019-20 fiscal year, property tax assessed values, the millage set by districts, and property tax invoices and payment all occurred well in advance of the COVID onset. This growth offset losses in earned income taxes. delinquent taxes, and earnings on investments. Property taxes provided the stability that allowed districts to lessen program cuts in educational programs at the beginning of the downturn.

#### Average Deficits by Policy Levers

The graduated impact on districts' fiscal conditions is illustrated for Versions 1-5 in Figure 2. The annual deficit for shortfall districts shows



Percent Changes

## Figure 1. Total Local Revenue Changes in 2019-20

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#### Figure 2. Average Deficit Per District Over Time

the impact of the different policy choices for state policymakers arranged from the lowest average deficit to the highest. The patterns are consistent across versions and years. Apart from Version 5, which utilized all three state policy choices, all the other versions reach their minimums around 2023-24 and then begin to increase again. This indicates that district expenditures are again growing faster than their revenues and that increased state revenues, as in Version 4, cannot reduce the imbalance alone. However, the limitation of charter school tuition growth to 5.0% annually can stabilize large shortfalls, even as they remain serious and affect the majority of districts.

#### **Revenue Comparison**

District expenditures are supported by revenues from local, state, and federal sources. Federal ESSER revenues and expenditures are excluded from this comparison since they will offset each other. Table 6 shows the amounts and relative proportions of new projected revenues in each version. Total local revenue remains the same over all versions since none of the policy choices alter the assumptions for this fiscal category. However, the impacts of state policy choices are shown clearly in each of the choices. Version 3, the projection in which the state eliminates its BEF and SEF support for districts illustrates this condition, highlights a problematic possibility for future revenues, given that Pennsylvania provided no additional funding for BEF or SEF in 2020-21. Overall, the 7 year totals state funding level is over \$600,000 less than Version 2 and the percent share of education costs provided by the state is only 6%. For districts, the balance would have to come from property taxes in total local revenue or program and staff reductions. In versions 4 and 5, where BEF and SEF are projected to increase by \$1 billion over the last four years, the share of state support increases to 28%.

#### **Expenditure Comparison**

On the expenditure side of the budget, state

Revenue Categories	Version 1	Version 2	Version 3	Version 4	Version 5	
Total Local	\$4,440,267,887.918	\$3,054,311,668.739	\$3,054,311,668.739	\$3,054,311,668.739	\$3,054,311,668.739	
Percent Share of Total Revenue	83.85%	78.13%	86.42%	71.29%	71.29%	
Total State *	\$831,750,004.210	\$831,379,998.020	\$456,379,997.990	\$1,206,379,997.990	\$1,206,379,997.990	
Percent Share of Total Revenue	15.71%	21.27%	12.91%	28.16%	28.16%	
Federal Other	\$23,675,354.000	\$23,675,354.260	\$23,675,354.260	\$23,675,354.260	\$23,675,354.260	
Percent Share of Total Revenue	0.45%	0.61%	0.67%	0.55%	0.55%	
Total Revenue **	\$5,295,693,246.128	\$3,909,367,021.019	\$3,534,367,020.989	\$4,284,367,020.989	\$4,284,367,020.989	

\*BEF + SEF

\*\*Without ESSER

Table 6. 7 Year State and Local Revenue Totals and Percent Share of Revenue by Model Version

policy choices can make a substantial alteration in how the funding is spent by districts. As shown in Table 7, the deviations appear in Version 5, the only version in which the mandated charter school tuition payments by school districts are limited to an annual increase. In Version 5, 27% of total district expenditure (\$1.2 billion) are mandated for charter schools. Without this limitation, charter school tuition payments are the largest single expenditure group and represent an even a greater proportion of district expenditures than salaries. Given this projection, they would require \$460 million more from local taxpayers.

### <u>Comparison of Total Local Revenues and Charter</u> <u>School Tuition</u>

The impact of mandatory charter school tuition payments on school districts is similarly shown in Table 8 with a comparison of total local revenue, which is primarily local property taxes since the state has not contributed to district support of charter schools since 2010-11. Without any limits on charter school tuition growth, these costs require 56% of total local revenue. Even with charter school tuition growth limitations, the tuition would still require 41% of total local revenue (mostly property taxes) to be paid out in this state-mandated expenditure.

#### <u>State Subsidies Compared to State Mandates</u> The key tradeoff for future fiscal stability for school districts is the balance that state

policymakers establish between state subsidies and state mandates in the coming years. Currently, it is severely out of balance: it is projected to increase, and this imbalance is the root cause of many districts' fiscal problems and a danger to their future performance, both educationally and financially. Comparing the 7 year totals of all versions, Figure 3 illustrates the acute imbalance between current and projected state funding streams (BEF and SEF), state mandated expenditures (charter school tuition payments, which are almost solely funded by districts, and district-level net PSERS payments). Within each version, statewide shortages occur nearly every year and the 7 year totals range from \$400 million to \$1.7 billion. As noted, these deficits must be recovered through a combination of increased property taxes or program and staff cuts.

## Total Revenue and Expenditures

One of the main concerns with the massive increase in federal funds through ESSER is that these funds may be used to supplant or replace state and local funds supporting district expenditure to a degree that threatens future district budgets. It is certainly beneficial to school finance in Pennsylvania to have an additional \$6.35 billion to spend over the next six years. For school and state budgets it will be very helpful in the short run for supporting new expenditures. However, districts must take care to avoid a severe fiscal cliff when ESSER funds

Expenditure Categories	Version 1	Version 2	Version 3	Version 4	Version 5	
Salaries	\$1,872,407,994.66	\$1,603,105,390.02	\$1,603,105,390.02	\$1,603,105,390.02	\$1,603,105,390.02	
Percent Share of Total Expenditures	28.90%	31.18%	31.18%	31.18%	34.25%	
Net PSERS	\$520,465,044.16	\$476,981,000.48	\$476,981,000.48	\$476,981,000.48	\$476,981,000.48	
Percent Share of Total Expenditures	8.03%	9.28%	9.28%	9.28%	10.19%	
Health Care	\$658,267,168.38	\$658,267,168.38	\$658,267,168.38	\$658,267,168.38	\$658,267,168.38	
Percent Share of Total Expenditures	10.16%	12.80%	12.80%	12.80%	14.06%	
Charter Tuition	\$2,201,627,965.57	\$1,704,351,918.47	\$1,704,351,918.47 \$1,704,351,918.47		\$1,243,779,551.84	
Percent Share of Total Expenditures	Percent Share of Total Expenditures 33.98%		33.15%	33.15%	26.57%	
Net Other Exp	\$1,225,657,232.60	\$698,992,771.98	\$698,992,771.98	\$698,992,771.98	\$698,992,771.98	
Percent Share of Total Expenditures	rcent Share of tal Expenditures 18.92% 13.59%		13.59%	13.59%	14.93%	
Major Expenditures*	\$6,478,425,405.37	\$5,141,698,249.34	\$5,141,698,249.34	\$5,141,698,249.34	\$4,681,125,882.71	
*Without ESSER						

Table 7, 7	Year Expenditure	Totals and Present	t Share of Ex	penditures b	v Model Version
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Fiscal Categories	Version 1*	Version 2*	Version 3*	Version 4*	Version 5**
Total Local Revenue	\$4,440,267,888	\$3,054,311,669	\$3,054,311,669	\$3,054,311,669	\$3,054,311,669
Charter Tuition	\$2,201,627,966	\$1,704,351,918	\$1,704,351,918	\$1,704,351,918	\$1,243,779,552
Tax \$ After Charter	\$2,238,639,922	\$1,349,959,750	\$1,349,959,750	\$1,349,959,750	\$1,810,532,117
% Charter of Local	49.58%	55.80%	55.80%	55.80%	40.72%

\*No Charter Tuition Growth Limitations

\*\*Charter Tuition Growth Slightly Higher Than Act 1 Index

Table 8. Comparison of 7 Year Total Revenues and Charter School Tuition by Model Version



#### Figure 3. State Subsidies v. State Mandates

end in 2025-26. Once ESSER monies expire, any ongoing costs must be paid for with local or state revenue sources to maintain a balanced budget. To do this requires effort on both the revenue side and the expenditure side. Districts, to the extent possible, will need to both modestly increase revenues over time to keep pace with increasing costs and inflation as well as use the ESSER funds for non-reoccurring (once and done) types of expenditures, such as large capital purchases that will not repeat in the near future. By contrast, creating additional expenditures with ESSER funds that will be ongoing (e.g., additional staff beyond expected retirements) will force districts to support these new expenditures by raising property taxes or cutting programs and staff after ESSER funds are gone.

Table 9 shows the combined total of local and state revenues projected for each model version along with the projected expenditures over time. The difference between available revenues

and anticipated expenditures ranges from approximately \$1.6 billion (Version 3) to \$880 million (Version 4) and \$420 million (Version 5) over 7 years. These differences represent the fiscal cliff that districts would face by 2025-26 if local and state revenues do not match growing expenditures from normal operating costs and rapidly increasing charter school tuition costs. Note that this condition is not caused by ESSER funds; rather, in this projection it is caused by an imbalance between state revenues increasing at a fixed annual amount and expenditures increasing at an inflationary rate. However, ESSER will inevitably impact this condition, since it provides incentives to school boards and the legislature to avoid raising taxes when the districts and state will be awash with ESSER funds.

#### Shortfall and Surplus Districts

To further illustrate the varying fiscal impacts of the different versions, Figure 4 presents an eight-year history and projections of the number

Revenue and Expenditure Categories	Version 1	Version 2	Version 3	Version 4	Version 5
Total Local Revenue	\$4,440,267,887.92	\$3,054,311,668.74	\$3,054,311,668.74	\$3,054,311,668.74	\$3,054,311,668.74
BEF	\$660,000,004.12	\$659,913,491.03	\$359,913,491.00	\$959,913,491.00	\$959,913,491.00
SEF	\$171,750,000.09	\$171,466,506.99 \$96,466,50		\$246,466,506.99	\$246,466,506.99
Total State**	\$831,750,004.21	\$831,379,998.02	\$456,379,997.99	\$1,206,379,997.99	\$1,206,379,997.99
Total Nonfederal Revenue	\$5,272,017,892.13	\$3,885,691,666.76	\$3,510,691,666.73	\$4,260,691,666.73	\$4,260,691,666.73
Total Expenditures	\$6,478,425,405.37	\$5,141,698,249.34	\$5,141,698,249.34	\$5,141,698,249.34	\$4,681,125,882.71
Difference in Revenue and Expenditures upon Completion of ESSER Funding	-\$1,206,407,513.25	-\$1,256,006,582.58	-\$1,631,006,582.61	-\$881,006,582.61	-\$420,434,215.98

\*\*No ESSER funding

 Table 9. Comparison of 7 Year Local and States Revenues and Expenditures without ESSER Funds

of districts with surpluses (Positive Districts) and shortfalls (Negative Districts). While the historical results in earlier years are identical, they increasingly diverge beginning with 2020-21 projections. In Version 1 there is a steady widening of the two paths with the number of negative districts increasing as their inflationary expenditures grow at a faster rate than fixed state and trending level local revenues. Version 2 shows a similar pattern with the expanding separation of shortfall and surplus districts dealing with the onset of the pandemic and consequent loss of district revenues and higher expenditures. Version 3 has an elevated pattern of shortfall districts due to the elimination of additional state funds from 2021-22 through 2024-25 alongside annually-increasing charter school tuition payment growth. Version 4, with higher levels of state revenues beginning in 2022-23, initially reduces the number of negative districts, but shortfall and surplus districts grow apart as expenditures grow at a faster rate than the fixed state amounts for BEF and SEF, along with unlimited growth of charter school tuition payments. Version 5 has the best outcomes of any version, with the lowest number of shortfall districts achieved by higher state revenues and moderate limits on charter school tuition growth. However, the separation of shortfall and surplus districts begins again as expenditures exceed revenues, even with lower charter school tuition increases. Even with implementation of

these three major state policy choices, Version 5 projects that 61% of districts will remain in lasting shortfall conditions.

### <u>Elementary and Secondary School Emergency</u> <u>Relief Fund (ESSER)</u>

The 2019-20 school fiscal year began in era of strong economic growth coming out of more than a decade recovering from the 2008 recession. However, that recovery was uneven in communities across the state and many districts entered that fiscal year in deficit positions as they struggled with declining revenues and increasing costs due to program mandates. Each district was also constrained by its local demographics and varying ability to raise local revenues. Districts most reliant on the state are the hardest hit when the state provides no additional funding in a year or pulls back on funding. Generally, such districts also have high student needs and larger gaps between community wealth and district costs. In March 2020, the federal Congress passed the first in a series of large-scale relief legislation to aid schools in the time of the pandemic. Overall, Congress enacted the following three bills summarized in Table 10:

> The Coronavirus Aid, Relief and Economic Security (CARES) Act, passed on March 27, 2020, provided \$13.5 billion to the ESSER Fund (approximately \$400 million to Pennsylvania schools).

![](_page_18_Figure_2.jpeg)

![](_page_18_Figure_3.jpeg)

![](_page_18_Figure_4.jpeg)

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![](_page_18_Figure_10.jpeg)

Version 5

![](_page_18_Figure_11.jpeg)

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ESSER Fund	Amount
ESSER I	\$400,635,293
ESSER II	\$1,873,231,979
ESSER III	\$4,010,469,720
Net all others	\$67,528,248
Total Estimated Federal Dollars	\$6,351,865,240

Table 10. Estimation of ESSER Funds to Pennsylvania School Districts

The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA), passed on Dec. 27, 2020, provided \$54.3 billion in supplemental ESSER funding, known as the ESSER II fund (approximately \$1.9 billion to Pennsylvania schools).

The American Rescue Plan Act, (ARP) passed on March 11, 2021, provided \$122.7 billion in supplemental ESSER funding, known as the ESSER III fund (approximately \$4.0 billion to Pennsylvania schools).

The amount of this federal input is unprecedented with over \$ 6.3 billion dollars in K-12 allocations to Pennsylvania. Along with the funding come some regulations.

- All ESSER funds are to be used from 2019-20 through 2024-25.
  - By the end of the funding period, ESSER revenues must equal ESSER-supported expenditures. That is, all the ESSER funds must be used; it is not allowable to save them for future district use.
- The SEAs (State Education Agencies) are required to reserve their allocations to carry out the following activities: 5% to address learning loss, 1% for afterschool activities, and 1% for summer learning programs.
- The LEAs must reserve at least 20% of the funding they receive to address learning loss.

• Two-thirds of ESSER funds are immediately available to states, while remaining funds will be made available after states submit ESSER implementation plans.

The federal ESSER funds are, and remain, extremely helpful to districts as they struggle with lost or declining revenues and increased costs due to COVID-19. Meanwhile, other than the immediate use of federal ESSER funds to supplant costs of district operations, districts must now work to balance their operating funds and spend the remaining federal dollars in accordance with eligible uses, federal procurement rules, and grant deadlines.

The ESSER funds have bought time for both the state and districts to recover and plan ahead to align finances; however, those recoveries will not be even in pace or scope. For many districts, the lag to recovery or normalization will well exceed the state recovery timelines. ESSER funds in excess over any immediate supplanting needs will allow districts to address an array of fund use to improve and enhance student program needs, district infrastructure, and sustain and improve financial standing within their general operations.

Now 15 months since the March 2020 COVID pandemic, on May 26, 2021, the U.S. Department of Education issued guidance on use and timing via their FAQs on ESSER and Governors Emergency Education Relief (GEER).<sup>5</sup> The FAQs cover everything from basic information on timelines, to important information about how

<sup>5.</sup> https://oese.ed.gov/files/2021/05/ESSER.GEER\_.FAQs\_5.26.21\_745AM\_

FINALb0cd6833f6f46e03ba2d97d30aff953260028045f9ef3b18ea602db4b32b1d99.pdf

ESSER/GEER affect the implementation of the MOE, and details about procurement and eligible facilities-related projects.

Currently, as of the beginning of June 2021, many districts have only recently submitted their ESSER II applications. The Pennsylvania Department of Education opened the ESSER III portal in the last week of May 2021 and, by the end of the month, no districts have moved forward with ESSER III, the largest of the federal programs. While all three ESSER funds officially start in March 2020 for use, retroactive use is often intractable as the activity must have been in compliance with the Federal Uniform Guidance (UG) procurement regulations, which may vary from state requirements. This in effect means that districts using their own funds may have complied with their local procurement policies and state regulations but have not necessarily met all the federal requirement for spending federal funds. As a result, they may not now supplant those costs even if they face millions in local revenue loss or increased costs.

Although it may appear easy for districts to spend allocated ESSER funds, districts must contend with a variety of constraints, variables, rules and timelines to set priorities. There will be significant work over the next four fiscal years to properly align federal, state and district oversight to the myriad of district needs and the appropriate uses of ESSER funds.

## **Conclusions**

The future of the Pennsylvania education funding system will be determined by the policy choices made by state-level policymakers and the balance they strike between state subsidies and state mandates. This balance proved to be the most important aspect for future fiscal conditions for school districts in this study's projection models, and it is the responsibility of state policymakers – legislators and governor. The central policy levers available to policymakers include:

- Level of state support for Basic Education subsidy.
- Level of state support for Special Education subsidy.
- Control of future charter school tuition rate of increase paid by school districts and taxpayers.

The degree of fiscal stress and number of districts impacted will depend on policy choices made by legislators and the governor, both for state subsidies on the revenue side and control of mandated expenditures. These choices are the responsibility of state policymakers and their past decisions have produced the current fiscal crisis. However, these policy levers can be used in dynamic ways to either improve districts' financial health or allow its further decline over the next five years. In short, improving the immediate and future fiscal health of Pennsylvania school districts remains contingent upon effective and efficient policy choices at the state level.

Additionally, these state-level policy choices have a strong influence on the property taxes that districts need to levy to balance their budgets. The relationship between state policy choices regarding BEF and SEF funding and limitations on charter school tuition payment growth are inseparably tied to local decisions on property taxes. School board decisions regarding lower or slower growth of property taxes are dependent on decisions made by state policy makers.

The federal ESSER funds, while exceedingly large, are short-lived and will not support districts after 2024-25. Furthermore, without careful fiscal planning, their disappearance will result in a fiscal cliff for districts in 2025-26 when ESSER funds are exhausted and only new local and state funds will once again fund districts. For the next four years, the ESSER funds can mask the massive fiscal stress underlying districts' operations, which will allow both districts and the state to defer ongoing operating funding increases until the cliff is imminent. The negative results would likely exceed the ARRA funding gaps of 2012.

For many districts and communities, school finance in Pennsylvania is at a breaking point. The reality of annual fiscal shortfalls for a substantial majority of districts in the state is a persistent, ongoing, and systemic crisis that will continue and worsen unless structural changes are made in the Pennsylvania school funding system. Signs of this worsening dilemma include:

- 70% of school districts will become locked into permanent shortfalls where revenues will not be sufficient to pay expenditures.
- As a result, most school districts will face large property tax increases, reduced budgets, and cuts in programs for students to maintain state-mandated balanced budgets.

The rising costs of charter school funding also poses short- and long-term funding problems for school districts. Unless charter school funding is modified, local taxpayers will send an increasing amount of local property taxes to charter schools, exceeding increases in district salaries and requiring over half of all taxes raised locally.

There are no other local revenue options for districts sufficient to balance their budgets. Although the burden on taxpayers from property taxes can be lessened by state policymakers providing additional support from state BEF and SEF subsidies and limiting future charter schools' costs, unchecked cost growth would lead to the following conditions:

- Projections indicate a \$3 billion increase in total local revenues over the next five years—a 74% increase.
- Approximately \$2.3 billion will have to come from property taxes.

Another key finding from this study is that state BEF and SEF subsidies at past historical levels fall short of covering projected state mandated costs. There will be no state funds remaining to support district educational programs, instruction, and operations. Further, local funds will be required to make up the shortfall between state subsidies and state mandated costs, leaving less money for district programs.

Mandated charter school tuition payments alone will exceed both BEF and SEF combined by \$1.7 billion (Version 3) to \$970 million (Version 4), and \$510 million (Version 5) over seven years during 2019-2020 through 2025-26 if no changes are made to control currently unlimited tuition payments. This would create the following conditions:

- Tuition charges to districts will grow from over \$150 million per year to \$340 million per year if limits are not established.
- Total annual district payments will reach over \$2 billion by 2022-23.

Any change to the charter formula that does not limit growth in the future or add state revenues to offset a fixed share of each year's increase will be a temporary reset and eventually return to a sizeable compounding factor as charter school costs rise.

Net PSERS (district share of total PSERS contribution) contribute to the imbalance and are projected to grow slowly over time along with salaries. They are projected in the range of an additional \$50-\$80 million annually.

The imbalance between mandates and subsidies is not a new situation: educational policymakers in Pennsylvania have a long history of imposing mandates on school districts without providing funding for their implementation. For example, over the past five years, rapidly increasing Net PSERS costs rising faster than state subsidies were the primary cause of the recent shortfalls.

However, beginning in 2017-18, charter school tuition began increasing more rapidly and

became the main mandate cost driver. These previous state policy choices have left most districts little net state funding remaining to support other district operating expenditures, with many seeing net decreases. These continuing and growing mandated expenditures placed an escalating burden on district taxpayers since the state eliminated its support to districts to mitigate the costs for charter school tuition in 2011-12.

Fiscal policy for education in Pennsylvania has produced a funding structure leading to greater inequity and more fiscal stress. These inequities will continue to widen not only for district level finance conditions, but also for student educational program offerings, and for taxpayers living in widely disparate communities across the state. The overall conclusions of this study are:

- There is an imbalance between limited revenue increases and growing mandated expenditures.
- Many districts have been placed in permanent structural deficits.
- This can only be corrected by state-level legislative policy changes.

The crux of the fiscal crisis facing education in the next few years for Pennsylvania lies in the funding policy decisions made by the legislators and the governor regarding amounts for BEF and SEF, the shape and level of charter school funding reform, and any changes made to PSERS funding. The interaction of subsidies and mandates will largely dictate school district budget decisions and the quality and equity of education in the state. Importantly, these are not decisions that school districts have any control over: they remain the province of the state policymakers.

## ABOUT THE AUTHORS

William T. Hartman is a professor emeritus at the Pennsylvania State University's College of Education. His areas of research include public school finance, financial management of schools, school district budgeting practices, and data analysis for student performance improvement and decision making. His recent research focuses on the fiscal impacts on school districts of the current economic crisis. Other areas of interest include school district budgeting models and forecasts, special education finance, charter school funding, resource allocation at school and district levels, and decision making models in educational finance. Dr. Hartman has served as a consultant or advisor to state school funding projects in California, Florida, Maryland, North Carolina, Ohio, Pennsylvania, Idaho and Vermont. He obtained a bachelor's degree in mechanical engineering at University of Florida, Master of Business Administration in management control and marketing at Harvard University, and a doctorate in educational finance and administration at Stanford University.

Timothy J. Shrom served 36 years as the business manager/CFO for the Solanco School District in Quarryville, Pennsylvania. Prior to his work at Solanco, he served in the Lancaster County banking sector. Presently, he serves as the director of research for the Pennsylvania Association of School Business Officials (PASBO). He has served as President of PASBO and represented the Association of School Business Officials International as a member of the National Center for Education Statistics' (NCES) School Facilities Task Force. For PASBO, he served as chair of their Statewide Health Care Task Force, and as a trustee and operating committee chair for the PA School District Liquid Asset Fund (PSDLAF). Dr. Shrom holds a B.S. degree in business from Elizabethtown College, and a master's and PhD in educational leadership from Pennsylvania State University. His academic areas of concentration are school finance policy and school health care delivery structures. He has served as a board member of the Lancaster County Chamber of Commerce, as the chair of the Central Penn Business Group on Health, and as an executive committee member for the Lancaster-Lebanon EHCC health care consortium.

# APPENDIX

## VERSIONS OF THE MODEL FOR EACH POLICY CHOICE

Version 1 Continuing Trends without COVID and ESSER Version 2 COVID Adjustments, Modest State \$, No ESSER Version 3 COVID Adjustments, No New State \$, ESSER Version 4 COVID Adjustments, New State \$, ESSER Version 5 COVID Adjustments, New State \$, ESSER, Limit Charter Increases

## DEFINITIONS

VERSION 1 - ContinuingTrends Without Covid & Federal \$										
	BASIS	ACT	UAL			PROJECTIONS	ASSUMPTIONS			
Changes in Revenues		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	
Total Local	Mod 2 Year	4.04%	1.48%	3.42%	3.44%	3.45%	3.47%	3.48%	3.50%	
BEF (Using New Formula)	\$100,000,000	\$100,481,501	\$160,000,009	\$0	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	
SEF	\$25,000,000	\$14,024,990	\$46,466,507	\$0	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	
Total Federal	No Increases	\$29,418,853	\$23,675,354	\$0	\$0	\$0	\$0	\$0	\$0	
Changes in Expenditu	200	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	
Sakries	% Increase in Yr	2 48%	2.10%	210%	2 10%	2.10%	210%	2 10%	2 10%	
Net PSERS	PSERS FCR+	3343%	34.29%	34 51%	34.94%	3562%	36.12%	36.60%	37.23%	
Health Care and Other	% Increase in Yr	0.24%	1 11%	0.50%	2 00%	3.00%	3.00%	4.00%	5.00%	
Charter Tuition	11.0%	12.20%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	
Net Other Exp	Mod 3 Year	4 07%	-1.65%	329%	3.32%	3,35%	338%	3.41%	3 43%	
		ACT	UAL				PROJECTIONS		c	
Changes in Revenues		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	V17 Year Totals
Total Local (0 if Negative)	1.48%	\$704,914,283	\$268,790,487	\$630,558,412	\$655,025,023	\$680,513,849	\$707,069,638	\$734,739,164	\$763,571,314	\$4,440,267,888
BEF (Using New Formula)	\$0	\$100,481,501	\$160,000,004	\$0	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$660,000,004
SEF	\$0	\$14,024,990	\$46,750,000	\$0	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$171,750,000
Total Federal	No Increase	\$29, 418, 853	\$23,675,354	\$0	\$0	\$0	\$0	\$0	\$0	\$23,675,354
Major Revenues		\$848,839,627	\$499,215,845	\$630,558,412	\$780,025,024	\$805,513,849	\$832,069,638	\$859,739,164	\$888,571,314	\$5,295,693,246
Without Federal		\$819, 420, 774	\$475,540,491	\$630,558,412	\$780,025,024	\$805,513,849	\$832,069,638	\$859,739,164	\$888,571,314	\$5,272,017,892
Changes in Expenditu	res	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	V17 Year Totals
Salaries	2.1%	\$289, 239, 288	\$251,667,866	\$256,285,635	\$261,667,634	\$267,162,654	\$272,773,070	\$278,501,304	\$284,349,832	\$1,872,407,995
Net PSERS	PSERS ECR	\$91,018,506	\$73,474,404	\$79,680,667	\$62,890,205	\$78,792,899	\$70,898,762	\$71,817,057	\$82,911,051	\$520,465,044
Health Care and Other	0.5%	\$7,745,259	\$36,379,729	\$16,576,485	\$66,637,468	\$101,955,326	\$105,013,986	\$144,219,207	\$187,484,969	\$658,267,168
Charter Tuition	11.0%	\$222, 412, 447	\$225,039,996	\$249,794,395	\$277,271,779	\$307,771,674	\$341,626,559	\$379,205,480	\$420,918,083	\$2,201,627,966
Net Other Exp	3.3%	\$240, 341, 026	(\$101,554,908)	\$199,141,642	\$207,440,936	\$216,120,080	\$225,197,114	\$234,690,951	\$244,621,418	\$1,225,657,233
Major Expenditure s		\$850,756,526	\$485,007,086	\$801,478,824	\$875,908,021	\$971,802,633	\$1,015,509,490	\$1,108,433,999	\$1,220,285,352	\$6,478,425,405
Surplus or (Shortfall)		(\$1,916,900)	\$14,208,759	(\$170,920,412)	(\$95,882,998)	(\$166,288,784)	(\$183,439,852)	(\$248,694,835)	(\$331,714,038)	(\$1,182,732,159)
\$ Negative		(\$273,680,339)	(\$336,686,757)	(\$273,173,445)	(\$218,560,476)	(\$271,586,391)	(\$297,313,023)	(\$353,647,862)	(\$424,220,375)	(\$2,175,188,330)
\$ Positive		\$271,763,439	\$327,220,162	\$102,253,021	\$122,393,998	\$105,297,607	\$1 13,873,172	\$104,953,027	\$92,506,337	\$968,497,323
# Negative		280	215	320	-282	320	311	333	356	
# Postive		220	285	180	218	180	189	167	144	
										+
Average Shortfall per District		(\$977,430)	(\$1,565,985)	(\$853.667)	(\$775.037)	(\$848.707)	(\$955.990)	(\$1,062,006)	(\$1,191,630)	
Average Sumplus per District		\$1,235,288	\$1,148,141	\$568,072	\$561,440	\$584,987	\$602,504	\$628,461	\$642,405	
										k

# Appendix. Version 1 Continuing Trends without COVID and ESSER

VERSION 2 - Co	vid Adjustme	nts, Modest	t State \$, No	ESSER						
	BASIS	ACT	UAL	PROJECTIONS ASSUMPTIONS						
Changes in Revenues		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	
TotalLocal	Mod 3 Year	4.04%	1.48%	1.41%	2.05%	225%	2.50%	2.85%	3.20%	
BEF (Using New Formula)	\$100,000,000	\$100,481,501	\$159,913,491	\$0	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	
SEF	\$25,000,000	\$14,024,990	\$46,466,507	\$0	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	
Federal Other	% by Year	\$29,418,853	\$23,675,354	0%	0%	0%	0%	0%	0%	
Federal ESSER	% Share by Year	\$0	3%	22%	25%	25%	15%	10%	0%	100%
Changes in Expenditur	45	2018_19	2019.20	2020-21	2021.22	2022 23	2023.24	2024.25	2025.26	
Sabrine	Teed	2 1996	2114	1.00%	1 5/94	175%	2.00%	2.10%	2.25%	
Not PRERS	PSERS ECR +	13 / 396	31 29%	31 5196	319195	35.62%	36 12%	36.60%	27 23%	
Health Care and Other	2%-6%	0.24%	111%	0.50%	2.00%	300%	3.00%	100%	500%	
Charter Tuition	% Channe hy Yr	12 20%	7.27%	17.50%	6.00%	6.00%	8.00%	9.00%	10.00%	· · · · · · · · · · · · · · · · · · ·
Not Other Eyn	% Change by Yr	1.07%	1 65%	196%	201%	207%	2 12%	2 18%	2.2346	
Nh ESSER Evnandituras	% Share by Year	କାର ସ	706	22%	25%	25%	15%	10%	0%	100%
ne couch cyclobales		40	219	22.10	24.19	2319	1219	1070	9.19;	100.10
		ACT	UAL	PROJECTIONS						
Changes in Revenues		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	V27 Year Totals
Total Local (0 if Negative)	1.48%	\$704,914,283	\$268,790,487	\$260,094,006	\$382,270,680	\$429,104,200	\$488,075,346	\$569,225,295	\$656,751,654	\$3,054,311,669
BEF (Using New Formula)	\$100,000,000	\$100,481,501	\$159,913,491	\$0	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$659,913,491
SEF	\$25,000,000	\$14,024,990	\$46,466,507	\$0	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000.000	\$171,466,507
Federal Other	% by Year	\$29,418,853	\$23,675,354	\$0	\$0	\$0	\$0	\$0	\$0	\$23,675,354
Federal ESSER	% by Year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Major Revenues		\$848,839,627	\$498,845,839	\$260,094,006	\$507,270,680	\$554,104,200	\$613,075,346	\$694,225,295	\$781,751,654	\$3,909,367,021
Changes in Expenditur	24	2018 19	2019-20	2020.21	2021-22	2022 23	2023 24	2024-25	2025.26	V07 Voor Totale
Cabring	W Channa by Vr	£010-15 €200,220,200	C15400	E422 0/0 770	EVEL-EE	E210043.002	200,000,000	2024-LJ	COLUCIO 007 COL	C4 202 405 200
VPH DCEDC	DSEDS ECD	\$205,235,200 \$91,018,E06	\$231,001,000 \$73,474,404	\$122,040,115 \$50,597,03,7	01,100,401	\$210,342,003	\$234,333,002 \$67,490,542	\$21 2,010,000 \$70,014,783	0230,101,023 08/ 387,661	\$1,000,100,000
Health Care and Other	4 Channa by Vr	\$7 745 250	¢3£370790	\$16,576,485	\$31,000,440 \$31,723,330	\$101.055.326	\$105,013,086	\$11.1.210.207	¢197 /9/ 000	9410,007,000
Charter Teitinn	17.5%	\$222 412 448	\$147 786 854	\$383 880 87.4	\$154,649,152	\$163,928,101	\$231 685 05.0	\$281,497,336	\$340.924.551	\$1 704 351 918
Net Other Exp	% Change by Yr	\$240,341,026	(\$101554908)	\$118,360,868	\$124 052 800	\$129,986,410	\$136 172 817	\$142,623,662	\$149.351.124	\$698 992 772
No ESSERExpenditures	\$ 6,351,865,240	\$0	\$0	SO	\$0	\$0	SO	\$0	\$0	SO
Major Expenditures		\$850,756,527	\$407,753,944	\$700,446,942	\$581,236,649	\$685,533,745	\$794,960,457	\$911,330,583	\$1,060,435,929	\$5,141,698,249
•										
surplus or (snortfall)		(\$1,916,901)	\$91,091,895	(\$440,352,935)	(\$73,965,969)	(\$131,429,544)	(\$181,885,111)	(\$217,105,288)	(\$2/8,684,2/6)	(\$1,232,331,228)
\$ Negative		(\$2/3,680,340)	(\$272,745,353)	(\$464,411,773)	(\$144,847,295)	(\$190,635,943)	(\$252,061,841)	(\$301,223,423)	(\$352,256,302)	(\$1,9/8,181,930)
\$ Postve		\$2/1,763,439	\$353,837,248	\$24,678,795	\$10,951,839	\$59,ZU6,399	\$10,175,730	\$84,118,135	\$13,512,026	\$/46,567,175
# Ne gative		280	207	416	290	333	346	359	383	
# Positive		220	293	84	210	167	154	141	117	
Avg Defiat per District		(\$977, 430)	(\$1,317,610)	(\$1,116,374)	(\$499, 473)	(\$572,480)	(\$728,502)	(\$839,062)	(\$919,729)	
Avg Surplus per District		\$1,235,288	\$1,241,765	\$293,795	\$337,942	\$354,529	\$455,693	\$596,583	\$62.8,821	

# Appendix. Version 2 COVID Adjustments, Modest State \$, No ESSER

## VER SION 3 - Covid Adjustments, No State \$, ESSR Rev = Exp

		,								
	BASIS	ACT	UAL	PROJECTIONS ASSUMPTIONS						
Changes in Revenues		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	
Total Local	Mod 3 Year	4.04%	1.48%	1.41%	2.05%	2.25%	2.50%	2.85%	3.20%	
BEF (Using New Formula	\$0	\$100,481,501	\$159,913,491	\$0	\$0	\$0	\$0	\$0	\$200,000,000	
SEF	\$0	\$14,024,990	\$46,466,507	\$0	\$0	\$0	\$0	\$0	\$50,000,000	
Federal Other	% by Year	\$29,418,853	\$23,675,354	0%	0%	0%	0%	0%	0%	
Federal ESSER	% Share by Year	\$0	3%	22%	25%	25%	15%	10%	0%	100%
							10000			
Changes in Expenditu	res	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	
Salaries	Trend	2.48%	2.11%	1.00%	1.50%	1.75%	2.00%	2.10%	2.25%	
Net PSERS	PSERS ECR +	33.43%	34.29%	34.51%	34.94%	35.62%	36.12%	36.60%	37.23%	
Health Care and Other	2%-6%	0.24%	1.11%	0.50%	2.00%	3.00%	3.00%	4.00%	5.00%	
Charter Tuition	% Change by Yr	12.20%	7.22%	17.50%	6.00%	6.00%	8.00%	9.00%	10.00%	
Net Other Exp	% Change by Yr	4.07%	-1.65%	1.96%	201%	2.07%	2.12%	2.18%	2.23%	
ESSER Expenditures	% Share by Year	0.0%	3%	22%	25%	25%	15%	10%	0%	100%
		107					DEO JECTIONS			
Chan nes in Devenues		2018.10	2816.28	2020.21	2024.22	2022.23	2021.24	2024.25	2025.26	V37 Vear Toble
Total Local (0 if Nenative	1.48%	\$701 914 283	\$268,790,487	\$260.094.006	\$382,270,680	\$429 104 200	\$488.075346	\$569 225 295	S656 751 654	\$3.054.311.669
BEE (Using New Formula	\$0	\$100.481.501	\$159.913.491	\$200,004,000	\$302,270,000	942.0,104,200	\$10,070,070	3000 220 200	\$200,000,000	\$350 013 401
CEE	20	\$11.02.1.000	\$155,515,451 \$16,166,507	00 00	50 60		50	40 60	\$50,000,000	9303,513,431 936,466,507
JLI Fadaral Othar	ogu ≪uhw Veer	\$70,418,853	\$73,675,354	00	02		50		000,000,000	\$23,675,354
Fadaral FCSED	A hy Voor	923,410,033	\$100.653.835	\$1 207 171 351	\$100,653,845	61	(\$635,612,818)	(0117 756 200)	(9635 512 818)	423,013,334 ¢A
Main r Devenues	le of 1 cell	\$848 839 627	2833 001 0832	\$1.467.568.360	\$572 924 525	\$429 104 200	(\$1.17.137.172)	\$251.468.886	\$271 238 836	\$3 534 367 021
majorreavena co		\$0.00,000,000	\$003,433,000	\$1,407,000,000	\$012,024,020	9423,104,200	10111111111111	\$2.5 1, 400,000	9211,230,000	40,004,007,021
Changes in Expenditu	res	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	V37 Year Totals
Salaries	% Change by Yr	\$289,239,288	\$251,667,866	\$122,040,779	\$184,891,780	\$218,942,683	\$254,599,062	\$272,675,596	\$298,287,625	\$1,603,105,390
Net PSERS	PSERS ECR	\$91,018,506	\$73,474,404	\$59,587,937	\$51,005,449	\$70,721,225	\$67,489,542	\$70,314,783	\$84,387,661	\$476,981,000
Health Care and Other	% Change by Yr	\$7,745,259	\$36,379,729	\$16,576,485	\$66,637,468	\$101,955,326	\$105,013,986	\$144,219,207	\$187,484,969	\$658,267,168
Charter Tuition	17.5%	\$222,412,448	\$147,786,854	\$383,880,874	\$154,649,152	\$163,928,101	\$231,685,050	\$281,497,336	\$340,924,551	\$1,704,351,918
Net Other Exp	% Change by Yr	\$240,341,026	(\$101,554,908)	\$118,360,868	\$124,052,800	\$129,986,410	\$136,172,817	\$142,623,662	\$149,351,124	\$698,992,772
ESSER Expenditures	\$ 6,351,865,240	\$0	\$190,555,957	\$1,206,854,396	\$190,555,957	\$0	(\$635.186.524)	(\$317.593.262)	(\$635.186.524)	\$0
Major Expenditures		\$850,756,527	\$598,309,902	\$1,907,301,338	\$771,792,606	\$685,533,745	\$159,773,933	\$593,737,321	\$425,249,405	\$5,141,698,249
5 1										
Surplus or (Shortfall)		(\$1,916,901)	\$91,189,783	(\$439,732,978)	(\$198,868,081)	(\$256,429,544)	(\$307,211,405)	(\$342,268,435)	(\$154,010,569)	(\$1,607,331,228)
\$ Negative		(\$273,680,340)	(\$272,745,353)	\$464,411,773)	(\$241,933,585)	(\$293,225,729)	(\$356,104,500)	(\$405,805,984)	(\$250,351,863)	(\$2,284,578,787)
\$ Postive		\$271,763,439	\$363,837,248	\$24,678,795	\$43,054,130	\$36,796,185	\$49,219,389	\$63,700,696	\$96_667_587	\$677,954,030
# Nerative		280	207	416	370	39.9	389	393	347	
# Positive		220	207	84	120	10.1	111	107	152	
# I U SILW C		220	230	04	130	101	111	107	135	
Avg Deficit per District		(\$977,430)	(\$1,317,610)	(\$1,116,374)	(\$653,875)	(\$734,902)	(\$915,436)	(\$1,032,585)	(\$721,475)	
Avq Surplus per District		\$1,235,288	\$1,241,765	\$293,795	\$331,186	\$364,319	\$443,418	\$595,334	\$631,814	

# Appendix. Version 3 COVID Adjustments, No New State \$, ESSER

VERSION 4 - Co	vid Adjustme	nts, New St	ate \$, ESSR	Rev = Exp						
	BASIS	ACTUAL								
Changes in Revenues	2.2.10	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	
Total L ocal	Mod 3 Year	4.04%	1.48%	1.41%	2.05%	2.25%	2.50%	2.85%	3.20%	
BEF (Using New Formula)	\$0	\$100,481,501	\$159.913.491	\$0	30	\$200,000,000	\$200.000.000	\$200,000,000	\$200.000.000	
SEF	\$0	\$14,024,990	\$46,466,507	S0	\$0	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	-
Federal Other	% by Year	\$29,418,853	\$23,675,354	0%	0%	0%	0%	0%	0%	
Federal ESSER	% Share by Year	\$0	3%	22%	25%	25%	15%	10%	0%	100%
Changes in Expenditur	es	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	
Salaries	Trend	2.48%	2.11%	1.00%	1.50%	1.75%	2.00%	2.10%	2.25%	
Net PSERS	PSERS ECR +	33.43%	34.29%	34.51%	34.94%	35.62%	36.12%	36.60%	37.23%	
Health Care and Other	2% - 6%	0.24%	1.11%	0.50%	2.00%	3.00%	3.00%	4.00%	5.00%	
Charter Tuition	% Change by Yr	12.20%	7.22%	17.50%	6.00%	6.00%	8,00%	9.00%	10.00%	
Net Other Exp	% Change by Yr	4.07%	-1.85%	1.98%	2.01%	2.07%	2.12%	2.18%	2.23%	
ESSER Expenditures	% Share by Year	\$0	3%	22%	25%	25%	15%	10%	0%	100%
		ACTUAL					PROJECTIONS			
Changes in Revenues		2018-19	2019-20	20:20-21	2021-22	2022-23	2023-24	2024-25	2025-26	V47 Year Totals
Total Local (0 if Negative)	1.48%	\$704,914,283	\$268,790,487	\$260,094,006	\$382,270,680	\$429,104,200	\$488,075,346	\$569,225,295	\$658,751,854	\$3,054,311,669
BEF (Using New Formula)	\$0	\$100,481,501	\$1 59,91 3,491	\$0	90	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000	\$959,913,491
SEF	\$0	\$14,024,990	\$46,466,507	\$0	90	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$248,488,507
Federal Other	% by Year	\$29,418,853	\$23,875,354	\$0	\$0	<b>\$</b> 0	\$0	\$0	\$0	\$23,875,354
Federal ESSER	% by Year	\$0	\$190,653,845	\$1,207,474,354	\$190,653,845	90	(\$635.512,818)	(\$317,756,409)	(\$635.512.818)	\$0
Major Revenues		\$848,839,627	\$8 89,49 9,685	\$1,487,568,380	\$572,924,525	\$679,104,200	\$102,582,528	\$501,468,886	\$271,238,838	\$4,284,387,021
Channes in Francisk								2224.07		
Changes in Expenditur	es	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	V47 Year Lotals
Salaries	% Change by Yr	\$289,239,288	\$251,667,866	\$122,040,779	\$184,891,780	\$218,942,683	\$254,599,062	\$272,675,596	\$298,287,625	\$1,603,105,390
Net PSERS	PSERS ECR	\$91,018,506	\$73,474,404	\$59, 587,937	\$51,005,449	\$70,721,225	\$67,489,542	\$70,314,783	\$84,387,661	\$476,981,000
Health Care and Other	% Change by Yr	\$7,745,259	\$36,379,729	\$16,576,485	\$66,637,468	\$101,955,326	\$105,013,986	\$144,219,207	\$187,484,969	\$658,267,168
Charter Tuition	17.5%	\$222,412,448	\$1 47,786,854	\$383,880,874	\$154,649,152	\$163,928,101	\$231,685,050	\$281,497,338	\$340,924,551	\$1,704,351,918
NetOther Exp	% Change by Yr	\$240,341,028	(\$101,554,908)	\$118, 360,868	\$124,052,800	\$129,986,410	\$136, 172,817	\$142,623,662	\$149,351,124	\$698,992,772
ESSER Expenditures	5 6,351,865,240	\$U	\$190,050,957	\$1,200,854,390	\$190,000,907	30	(3030-186.0.24)	(\$317,083,202)	(\$635,180,024)	30
Major Expenditures		\$850,756,527	\$5 98,30 9,902	\$1,907,301,338	\$771,792,808	\$685,533,745	\$159,773,933	\$593,737,321	\$425,249,405	\$5,141,698,249
Surplus or (Shortfall)		(\$1,916,901)	\$91,189,783	(\$439,732,978)	(\$198,868,081)	(\$8,429,544)	(\$57,211,405)	(\$92,268,435)	(\$154,010,589)	(\$857,331,228)
\$ Negative		(\$273,680,340)	(\$272,745,353)	(\$484, 411,773)	(\$241,933,585)	(\$108,441,649)	(\$162,027,807)	(\$203,999,558)	(\$250,351,863)	(\$1,703,911,388)
\$ Postive		\$271,783,439	\$363,837,248	\$24,878,795	\$43,054,130	\$102,012,105	\$105,142,496	\$111,894,270	\$96,687,587	\$847,286,631
# Negative		280	207	418	370	259	280	311	347	
# Profile		200	297	9.4	120	244	200	100	152	
······································		220	233	07	130	241	220	10.3	100	
Ava Deficit per District		(\$977.430)	(\$1.317.810)	(\$1 118 374)	(\$853, 975)	(\$418.894)	(\$578.870)	(\$855,947)	(\$721.475)	
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# Appendix. Version 4 COVID Adjustments, New State \$, ESSER

	BASIS	ACT	UAL	PROJECTIONS ASSUMPTIONS						
Changes in Revenues		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	
Total Local	Mod 3 Year	4.04%	1,48%	1.41%	2.05%	2.25%	2.50%	2.85%	3.20%	
BEF (Using New Formula)	\$0	\$100,481,501	\$159,913,491	\$0	<b>\$</b> 0	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000	
SEF	\$0	\$14,024,990	\$46,486,507	\$0	90	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	
Federal Other	% by Year	\$29,418,853	\$23,675,354	0%	0%	0%	0%	0%	0%	
Federal ESSER	% Share by Year	\$0	3%	22%	25%	25%	15%	10%	0%	100%
Changes in Expenditur	es	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	
Salaries	Trend	2.48%	2.11%	1.00%	1.50%	1.75%	2.00%	2.10%	2.25%	
Net PSERS	PSERS ECR +	33.43%	34.29%	34.51%	34.94%	35.62%	36.12%	36.60%	37.23%	
Health Care and Other	2% - 8%	0.24%	1.11%	0.50%	2.00%	3.00%	3.00%	4.00%	5.00%	
Charter Tuition	% Change by Yr	12.20%	7.22%	17.50%	5.00%	5.00%	5.00%	5.00%	5.00%	
Net Other Exp	% Change by Yr	4.07%	-1.65%	1.98%	2.01%	2.07%	2.12%	2.18%	2.23%	
ESSER Expenditures	% Share by Year	\$0	3%	22%	25%	25%	15%	10%	0%	100%
		ACT	UAL				PROJECTIONS			an according to the second
Changes in Revenues		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	V57 Year Totals
Total Local (0 if Negative)	1.48%	\$704,914,283	\$268,790,487	\$260,094,006	\$382,270,680	\$429,104,200	\$488,075,346	\$569,225,295	\$856,751,854	\$3,054,311,669
BEF (Using New Formula)	\$0	\$100,481,501	\$1 59,91 3,491	\$0	\$0	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000	\$959,913,491
SEF	\$0	\$14,024,990	\$46,466,507	\$0	\$0	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$246, 466, 507
Federal Other	% by Year	\$29,418,853	\$23,675,354	\$0	\$0	\$0	\$0	\$0	\$0	\$23,675,354
Federal ESSER	% by Year	90	\$190,653,845	\$1,207,474,354	\$190,653,845	\$0	(\$635,512,818)	(\$317,756,409)	(\$635.512.818)	\$0
Major Revenues		\$848,839,627	\$6 89, 49 9, 685	\$1,487,588,380	\$572,924,525	\$679,104,200	\$102,582,528	\$501,468,886	\$271,238,838	\$4,284,387,021
Changes in Expenditur	es	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	202.5-26	V57 Year Totals
Salaries	% Change by Yr	\$289,239,288	\$251,667,866	\$122,040,779	\$184,891,780	\$218,942,683	\$254,599,062	\$272,675,596	\$298,287,625	\$1,803,105,390
Net PSERS	PSERS ECR	\$91,018,506	\$73,474,404	\$59, 587, 937	\$51,005,449	\$70,721,225	\$87, 489, 542	\$70,314,783	\$84,387,661	\$476,981,000
Health Care and Other	% Change by Yr	\$7,745,259	\$38,379,729	\$16,576,485	\$88,637,488	\$101,955,326	\$105,013,986	\$144,219,207	\$187,484,969	\$658,267,168
Charter Tuition	17.5%	\$222,412,448	\$1 47,786,854	\$383, 880,874	\$128,874,294	\$135,318,008	\$142,083,909	\$149,188,104	\$156,647,509	\$1,243,779,552
Net Other Exp	% Change by Yr	\$240,341,026	(\$101,554,908)	\$118, 360,868	\$124,052,800	\$129,986,410	\$136, 172,817	\$142,623,662	\$149,351,124	\$898,992,772
ESSER Expenditures	\$ 6,351,865,240	\$0	\$190,555,957	\$1,208,854,398	\$190,555,957	\$0	(\$635,186,524)	(\$317,583,252)	(\$635,186,524)	\$0
Major Expenditures		\$850,758,527	\$5 98,30 9,902	\$1,907,301,338	\$748,017,747	\$656,923,651	\$70, 172, 791	\$461,428,089	\$240,972,384	\$4,681,125,883
Surplus or (Shortfall)		(\$1,916,901)	\$91,189,783	(\$439,732,978)	(\$173,093,222)	\$22,180,549	\$32,389,737	\$40,040,797	\$30,266,472	(\$396,758,862)
\$ Negative		(\$273,680,340)	(\$272,745,353)	(\$484, 411,773)	(\$218,617,408)	(\$87,077,113)	(\$92,340,347)	(\$98,375,653)	(\$104,770,208)	(\$1,338,337,855)
\$ Positive		\$271,763,439	\$363,837,248	\$24,678,795	\$45,512,811	\$109,257,682	\$125,056,378	\$138,579,598	\$135,382,974	\$942,285,465
# Negative		280	207	416	36.4	248	257	285	305	288
# Positive		220	293	84	136	252	243	215	195	212
Avg Deficit per District		(\$977,430)	(\$1,317,610)	(\$1,116,374)	(\$800, 597)	(\$351,117)	(\$359,301)	(\$345,178)	(\$343,509)	
Avg Surplus per District		\$1,235,288	\$1,241,765	\$293,795	\$334,653	\$433,562	\$514,635	\$844,558	\$89.4,169	

### VERSION 5 - Covid Adjustments, New State \$, ESSR Rev = Exp, Limits on Charter School Tuition Increases

Appendix. Version 5 COVID Adjustments, New State \$, ESSER, Limit Charter Increases

## DEFINITIONS USED IN THE STUDY

Major Revenues used in the study are:

- Total Local revenue. Includes property tax, earned income tax, all other local taxes collected, and all local non-tax revenue. (6000 revenue code)
- Basic Education Funding (BEF) from the state (7110 revenue code)
- Special Education Funding (SEF) from the state (7270 revenue code)
- Total Federal revenue (8000 revenue code)
- Federal ESSER funds

<u>Major Expenditures</u> used in the study are based on the Object dimension:

- Salaries. Total salary amounts (100 expenditure code)
- Public School Employees' Retirement System (PSERS). Net PSERS amount—district cost only. State subsidy for PSERS is deducted from total PSERS expenditures (230 expenditure code less State Subsidy 7820 revenue code)
- Health Care and Other. District total benefit costs (200 object code) less Pension (230) and Social Security (220) expenditure codes
- Charter School Tuition Payments (562 expenditure code). Includes tuition payments for both special and nonspecial students
- Net Other Expenditures (Non-Capital)
  - Benefits—All remaining accounts except PSERS and Health Care.
    - Social Security district cost only (220 expenditure code less State Subsidy revenue code 7810)
    - Tuition Reimbursement (240 expenditure code)
    - Unemployment Compensation (250 expenditure code)
    - Workers' Compensation (260 expenditure code)
    - Other Postemployment Benefits (OPEB) (280 expenditure code)
    - Other Current Employee Benefits (290 expenditure code)
  - Purchased Professional and Technical Services (300 expenditure code)
  - Purchased Property Services (400 expenditure code)
  - Other Purchased Services except Charter Schools (500 expenditure code less 562 expenditure code)
  - Supplies (600 expenditure code)
  - Property (700 expenditure code)

- ESSER Expenditures. Those district expenditures identified as being purchased with ESSER revenues. These could be either expenditures that supplant existing district expenditures or expenditures that supplement existing district expenditure.
- Other Objects (800 expenditure code) which includes interest payments and Other Uses of Funds (900 expenditure code), which includes redemption of debt and fund transfers are excluded from the analysis.