A recent policy brief from the Center on Regional Politics, “A Tale of Haves and Have-Nots,” forecasts the fiscal future for all 500 school districts in PA for the period 2017-18 through 2021-22. The brief and supporting interactive graphics and maps project budget shortfalls for almost 300 districts, requiring them to reduce expenditures through program cuts or raise additional revenue. Additionally, even some districts whose fiscal condition is improving may be doing so from a base that is inadequate to support the needs of their students. Overall fiscal conditions are improving in aggregate, with revenues catching up to
expenditures, but that masks continued fiscal stress for most districts and the persistent gulf between those with surpluses (“the Haves”) and those with shortfalls (“the Have-Nots”).

It is important to note that projected shortfalls indicate the level of fiscal stress districts are expected to encounter, not actual deficits. By law, districts cannot operate under a deficit budget. Similarly, those districts with projected surpluses will have funds to restore or partially restore program cuts since the 2008 recession, and in some cases, upgrade and enhance their instructional programs, and maintain staff aimed at improving student outcomes.

Some of the funding problems for districts can be explained by comparing revenues from the state BEF (Basic Education Funding) and SEF (Special Education Funding) subsidies with the state-mandated expenditures for charter school tuition and Net PSERS (Pennsylvania School Employees’ Retirement System). PSERS is paid through a combination of local and state funding, with Net PSERS reflecting the amount of local funding required to pay the districts’ share of the total PSERS amount. The projected five-year state funding subsidy increases for BEF and SEF, $667 million, is far less than the projected increase in Net PSERS and charter school payments, $1.23 billion.

Total revenues are likely to increase at $650-$750 million per year, at increasing annual amounts. This is largely driven by new local revenues, usually property taxes, increasing by $520 to $600 million annually, for a total increase of $2.82 billion over the next five years, or a 17% increase.

Total expenditures after 2017-18 are likely to increase at $650-$800 million per year. This results in continuing shortfalls for most school districts, even if the net shortfall statewide is narrowed and/or eliminated over time. For example, by 2021-22, 60% of districts are projected to be facing shortfalls at an average of $375 thousand each. The total projected shortfall of $110 million indicates the level of budget adjustments required from these districts. In contrast, 40% of districts are projected to have surpluses by 2021-22 at an average of $800 thousand each.

If these projections continue, the state’s schools are at risk of being permanently divided into two groups, the Haves (surplus districts) and Have-Nots (shortfall districts). Applying the average expenditure change for surplus districts (+1%) and shortfall districts (-1%) to two hypothetical districts with identical beginning expenditures, the report shows that after five years, the surplus district will have 10.5% more in resources. The Haves, therefore, will enjoy higher levels of expenditures with appropriate education resources, adequate staff levels, and additional opportunities for their students. The Have-Nots, in contrast, will have lower expenditures, fewer educational resources, lower staffing levels, and limited opportunities for their students.

Find the full report, interactive graphics and PA school district maps, including options to view 5-year projected shortfalls and surpluses as a percent of major expenditures, and 5-year projections for the gap between state subsidies and mandates, as well as groupings by PA House and Senate districts, on the Center on Regional Politics website at www.cla.temple.edu/center-on-regional-politics/pa-school-districts-financial-future-2019/.

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