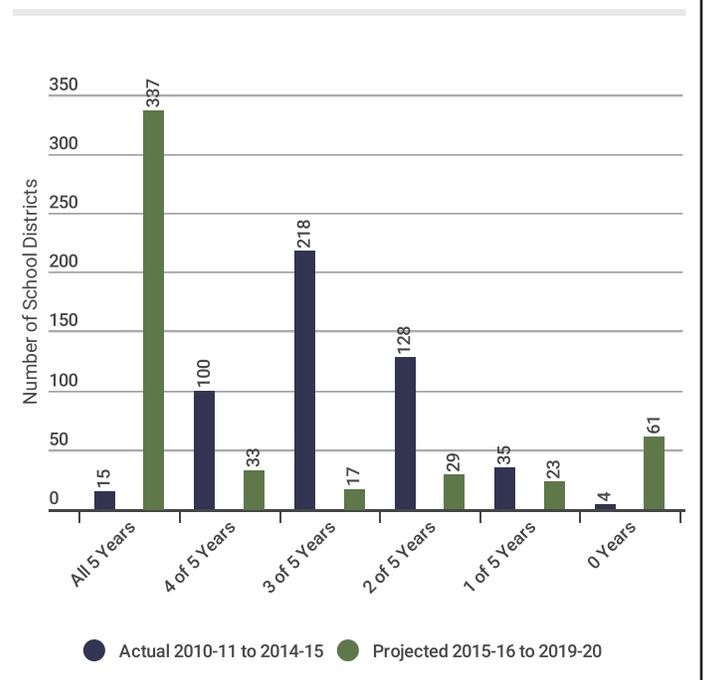




Hard Choices Still Ahead: The Financial Future of Pennsylvania School Districts

A recent policy brief from the Center on Regional Politics, “Hard Choices Still Ahead,” forecasts the fiscal future for all 500 school districts in PA for the period 2015-16 through 2019-20. The brief and supporting interactive graphics and maps project budget shortfalls that will require program cuts, higher taxes, or a combination of the two for the vast majority of Pennsylvania school districts. In short, the hard choices most districts have faced in the recent past will continue, making a decade of fiscal stress “the new normal” for public

Comparison of Number of School Districts with Shortfalls 2010-11 to 2014-15 v. 2015-16 to 2019-20



School District Projections: Annual Changes in Revenues, Expenditures; Shortfall/Surplus



*Actual subsidies for BEF and SEF

schools, teachers, students, and their families.

Based on conservative assumptions, total revenues are projected to increase at \$700 to \$750 million per year at an increasing rate. However, expenditures are projected to increase at \$750 to \$800 million per year, although at a decreasing rate. What results are continuing shortfalls for most school districts although a

net statewide shortfall would be substantially reduced. See the figure “School District Projections.” Over 350-425 districts will be in shortfall over the projection period, with 70% of districts projected to face shortfalls in 2019-20 at an average of approximately \$450,000. The brief also analyzes the actual spending and revenues of districts between 2009-10 and 2014-15. Local revenues, overwhelmingly raised through property taxes, were the main and only stable source of increases in funding for education from 2009-10 through 2014-15, growing a total of \$2.5 billion over six years, and providing 90% of the increases in district revenues. During this period, expenditure increases were largely driven by mandated PSERS increases and charter school payments, with approximately \$800 million increases in each category. Federal revenue sources, boosted by ARRA funds, totaled increases of about \$1.3 billion over 2009-11, but they saw a six-year period decline of \$37 million.

For the projection period through 2019-20, local revenues continue to be the main support of education, increasing at about \$600 million annually. Expenditures will see pension increases drop from \$270 million annually to \$100 million, and charter tuition payments are projected to grow more slowly relative to the past for the total five-year period of \$400 million. This will be in addition to existing charter payments of \$1.5 billion from districts in 2014-15.

It’s important to note the projected shortfalls for the districts indicate the level of fiscal distress a district is estimated to encounter in future years. It is not an actual deficit that will occur. By law, districts are not allowed to have deficit budgets. In the case of a shortfall, this indicates the extent of the expenditures that would need to be cut from the budget, or revenues increased, a much

less likely scenario, according to the authors. At the same time, a surplus does not necessarily indicate a cushion to absorb cuts. Even those districts with projected surpluses will likely have greater expenditure needs in the near future than have been indicated by the conservative analysis of the study. A number of budget items will require greater attention and funding than was the case in the prior six years, including:

- Deferred maintenance for buildings and equipment
- New capital construction in growing districts
- New technology and infrastructure upgrades
- Personnel contracts in districts with salary increases beyond the annual 1.5% growth assumed in the projections. As an extreme case, Philadelphia teachers have been working without a contract and have not had a salary increase in 5 years.
- Health care cost growth, artificially held down by staff cuts, the economy, cost-shifting and other reasons.

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. In short, the vast majority of districts will face hard choices in the years ahead, and for many, the choices are likely to be extremely painful.

Find interactive graphics and PA school district maps, including options to view actual spending and projections by PA House and Senate districts, on the Center on Regional Politics website at cla.temple.edu/corp/hard-choices-ahead/.

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