



Philadelphia School Funding Agreement Comes with Strings Attached

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The Philadelphia School District will receive new state funding, but with strings attached that leave some key decisions in the hands of the state Secretary of Education.

The Pennsylvania Legislature is expected to take up several bills today that provide some help to the school district, as it seeks to close a \$304 million budget deficit and prevent the layoff of more than 3,800 teachers and staff. The budget could be finalized when the clock runs out at midnight tonight.

The state dollars fall short of the \$120 million requested by the school district to close its gap. Also left undone is the \$2-per-pack cigarette tax requested by the city, leaving another \$46 million hole in the school district's funding package.

The school district will receive \$60.8 million in new state funding for 2013-14. The rest will come from new city funds: \$28 million to \$30 million from pending legislation that would give Philadelphia the legal authority to go after property and business owners who fail to pay their taxes, along with revenue from permanently extending the city's additional 1% sales tax enacted in 2009.

State Funds: The budget language includes \$15.8 million in new education funding for the School District of Philadelphia, a small share of the nearly \$130 million total increase in basic education funding.

An additional \$45 million in one-time funds has been set aside in a restricted state account that will be available to the City of Philadelphia to grant to the school district. These dollars come from funds owed to the U.S. Department of Health and Human Services that the federal government has forgiven.

The \$45 million will be released only when the Pennsylvania Secretary of Education has issued a written certification that the school district has, in the Secretary's judgment, begun implementation of reforms that will provide for the district's fiscal stability, education improvement and operational control.

City Funds: The legislation also authorizes the city to continue a 1% sales tax increase passed in 2009, during the recession, which was due to expire in June 2014. It is important to note that these funds are not available to help fill the current year budget hole. It appears, instead, that the city will borrow \$50 million against these funds to fill the current gap.

The city is authorized to provide up to \$120 million of the sales tax dollars to the school district in the future if it meets the conditions listed above. Up to \$15 million can be allocated to school district debt service, and any additional funds would go to pay pension costs.

The language giving the Secretary of Education control over the additional funding is a watered down version of language promoted by the Philadelphia School Partnership, which was looking for the state to tie additional funding to very specific conditions in the union contract being negotiated by the school district.

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