Projected 20-21 Local Tax Revenue Decline for PA School Districts

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FOUR SOURCES OF SCHOOL DISTRICT REVENUE

Local Revenue: 57.6%
State Revenue: 38.0%
Federal Revenue: 3.0%
Other Revenue: 1.4%
**LOCAL REVENUE**

<table>
<thead>
<tr>
<th>Top 50 SDs</th>
<th>Middle 50 SDs</th>
<th>Bottom 50 SDs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>80%</strong> of SD revenue is from local sources</td>
<td><strong>53%</strong> of SD revenue is from local sources</td>
<td><strong>23%</strong> of SD revenue is from local sources</td>
</tr>
</tbody>
</table>
### STATE REVENUE

<table>
<thead>
<tr>
<th>Top 50—Average</th>
<th>Middle 50—Average</th>
<th>Bottom 50—Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>72% of SD revenue comes from state sources</td>
<td>43% of SD revenue comes from state sources</td>
<td>19% of SD revenue comes from state sources</td>
</tr>
</tbody>
</table>
# Federal Revenue

<table>
<thead>
<tr>
<th>Top 50—Average</th>
<th>Middle 50—Average</th>
<th>Bottom 50—Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>6% of SD revenue comes from federal sources</td>
<td>&lt;2% of SD revenue comes from federal sources</td>
<td>&lt;1% of SD revenue comes from federal sources</td>
</tr>
</tbody>
</table>

Very targeted distribution by federal law. 88% of funds go to 15 districts.
School District Taxes and Revenue (Source: PDE 2017-18 AFR Data)

- Real Estate Taxes: 77%
- Earned Income Taxes: 9%
- Delinquent Taxes: 3%
- Realty Transfer Tax: 2%
- Other Act 511 Taxes: 1%
- Investment Earnings: 1%
- All Other Taxes and Revenues: 7%
2008 IMPACT OBSERVATIONS

Great Recession
- Recession impact was generally gradual with time lag across specific industries and sectors by region
- Recovery was long and slow
- Lowest on record

COVID-19 Differences
- In 6 weeks, we have reached/exceeded many of 2008’s metrics, which took 18 months-3 years to achieve
LOCAL REVENUE IMPACTS BY DISTRICT

Assumption 1
$-1,045,543,439

Assumption 2
$-874,566,496

https://www.pasbo.org/blog_home.asp?Display=122
METHODOLOGY

- Using individual school districts’ historical AFR data trend for each respective revenue stream, the model calculates baseline revenue amounts by projecting each out to the 2019-20 fiscal year.

- The 2019-20 baseline revenue projections use 5-year weighted annual average percent (growth - current real estate tax, earned income tax, investment earnings; ratio – interim real estate tax, delinquent taxes, real estate transfer tax) for each school district.

- Revenue impacts under each set of assumptions (#1 and #2) are each applied to the 2019-20 baseline revenue amounts to provide a range in estimated revenue reduction.
THE TWO SCENARIOS

Assumption 1

$1.04 Billion Decline

- Property Tax: 2.25% reduction in collection=$326 million decline
- Earned Income Tax: 17.5% reduction in revenue: $269 million decline
- Realty Transfer Tax: 40% reduction in revenue: $108 million decline
- Delinquencies: 35% reduction in collection: $199 million decline
- Interims: 50% reduction in revenue: $36 million decline
- Interest Earnings: 80% reduction in revenue: $105 million decline

Assumption 2

$874 Million Decline

- Property Tax: 1.95% reduction in collection=$283 million decline
- Earned Income Tax: 15% reduction in revenue: $231 million decline
- Realty Transfer Tax: 28% reduction in revenue: $76 million decline
- Delinquencies: 25% reduction in collection: $142 million decline
- Interims: 50% reduction in revenue: $36 million decline
- Interest Earnings: 80% reduction in revenue: $105 million decline
LOCAL REVENUE LOSS BY % OF 2019-20 BUDGET

# of School Districts

-10.0% - 9.3% - 9.3% - 8.7% - 8.0% - 7.3% - 6.7% - 6.0% - 5.3% - 4.7% - 4.0% - > 4.0%
MANDATED COST INCREASES CONTINUE

Charter School Tuition:
- 100% paid from local resources
- 2020-21 charter school tuition rate is based on the 2019-20 school district budgeted expenditures (pre-COVID-19)
- Charter school tuition is estimated by increase by more than $200 million for 2020-21

Special Education:
- Special education costs are estimated to increase by about $300 million for 2020-21
SD FUND BALANCE BY NUMBER OF DAYS
No savings on salaries and benefits due to Act 13 (63% of expenditures). Some minimal savings on purchased services due to Act 13 and federal law. No savings on debt and other pre-existing finance mechanisms (11.1% of expenditures). Yes there will some quarterly savings for the remaining expenditures—about 10% of total expenditures.
Take and Give
PASBO REVENUE MODEL DEVELOPERS

- Dr. Timothy Shrom, tshrom@pasbo.org
- Dr. Andrew Armagost, aarmagost@pasbo.org

All information is posted on PASBO’s website at https://www.pasbo.org/blog_home.asp?Display=122
Questions & Answers

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