Mandated Costs and the 2021 State Budget: A Closer Look

INVEST IN STUDENTS, SECURE OUR FUTURE
The Major Education Funding Sources in the State Budget

The state budget increase in pension reimbursement is almost as large as the combined increase in BEF and SEF.

• Basic Education Funding (BEF) increased by 1.5% ($100 million) for 20-21
• Special Education Funding (SEF) will see a 2.1% increase ($25 million)
• Pension cost reimbursement will increase by 4.5% ($119 million)
How Will Schools Use this New Money?

Mandated Costs

$548 million

Just to cover special education, charter tuition and net pension costs (local share after reimbursement).
Special Education Cost Increases

School budgets must absorb an estimated $250.8 million in new special ed instructional and support services costs: a projected increase of 5.76%.

- Why?
  - More special education students and higher service costs.
  - More students means more teachers and aids and higher transportation costs.
  - Schools have both federal and state mandates to comply with in providing services.

State Funding Increase = 2.1%
School Budget Increase = 5.76%
Charter School Tuition Expense

School districts will pay an estimated $236 million more in charter school tuition costs.

• Why?
  • School districts provide almost all of the funding for charter schools as mandated in state law.
  • As district expenses go up for items like special ed and pensions, the tuition rate paid to charters goes up as well.

State Funding Increase = 0%
School Budget Increase = 10.48%
Pension Expenses Continue to Rise

Even with state reimbursement of some of the pension expenses for school employees, school budgets for next year will need to find more than $60 million locally.

Why?
• All schools are mandated to pay into the PA School Employee’s Retirement System (PSERS) at rates determined by PSERS.
• 34.5% of every dollar in salaries must be contributed to PSERS in 2020-21.
• Mandated retirement costs will exceed $2,800 per student next year.

Estimated Net Increase in School District Budgets for Retirement = $61 million
Pensions Have Been the Fastest Growing Cost in School Budget for the Last Decade

Total PSERS Expense History
## Best Case Scenario

<table>
<thead>
<tr>
<th>New State Revenue</th>
<th>Mandated Cost Increases</th>
<th>Governor’s Charter Initiative</th>
<th>Local Taxpayers</th>
</tr>
</thead>
<tbody>
<tr>
<td>$125,000,000</td>
<td>$548,000,000</td>
<td>$280,000,000</td>
<td>-$143,000,000</td>
</tr>
</tbody>
</table>
## Worst Case Scenario

<table>
<thead>
<tr>
<th>New State Revenue</th>
<th>Mandated Cost Increases</th>
<th>Local Taxpayers</th>
</tr>
</thead>
<tbody>
<tr>
<td>$125,000,000</td>
<td>$548,000,000</td>
<td>-$423,000,000</td>
</tr>
</tbody>
</table>
Mandated costs as a percentage of 2019-20 property taxes
The Result

• Groundhog day
• More property taxes
• $423 million more in the worst case scenario WITHOUT factoring in other cost increases.
Hannah Barrick
Assistant Executive Director
Pennsylvania Association of School Business Officials

2608 Market Place

Harrisburg, PA 17110

(717) 540-9551

www.pasbo.org

T: @pasbo_org

F: /Pennsylvania-Association-of-School-Business-Officials-PASBO-1041546496288

hbarrick@pasbo.org
Questions & Answers

Jay Himes, jhimes@pasbo.org
Hannah Barrick, hbarrick@pasbo.org