Basic Education Funding Commission School Finance Briefing

August 20, 2014

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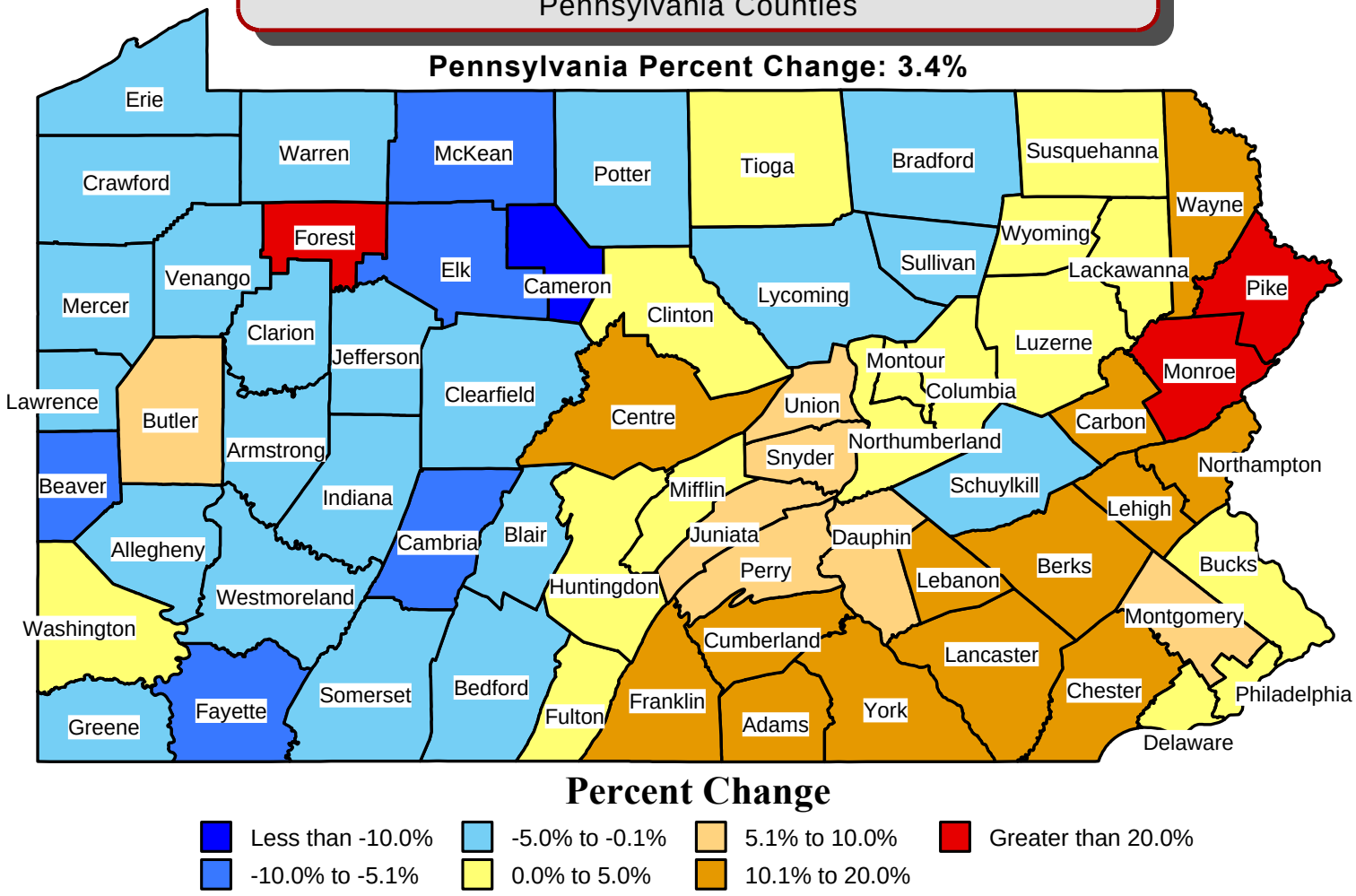
Discussion Items

- PA Basic Education Overview
  - Student Enrollment/Trends and Demographics
  - Public Education Delivery System
  - Educational Outcomes
- Terminology
- The Numbers
  - Revenues
  - Spending
  - Act 1
  - Fund Balance
- Cost Drivers
- Formula History
- What do school administrators and school board members want in a new funding formula?
- Q and A

Decennial Population Percent Change

April 1, 2000 to April 1, 2010

Pennsylvania Counties



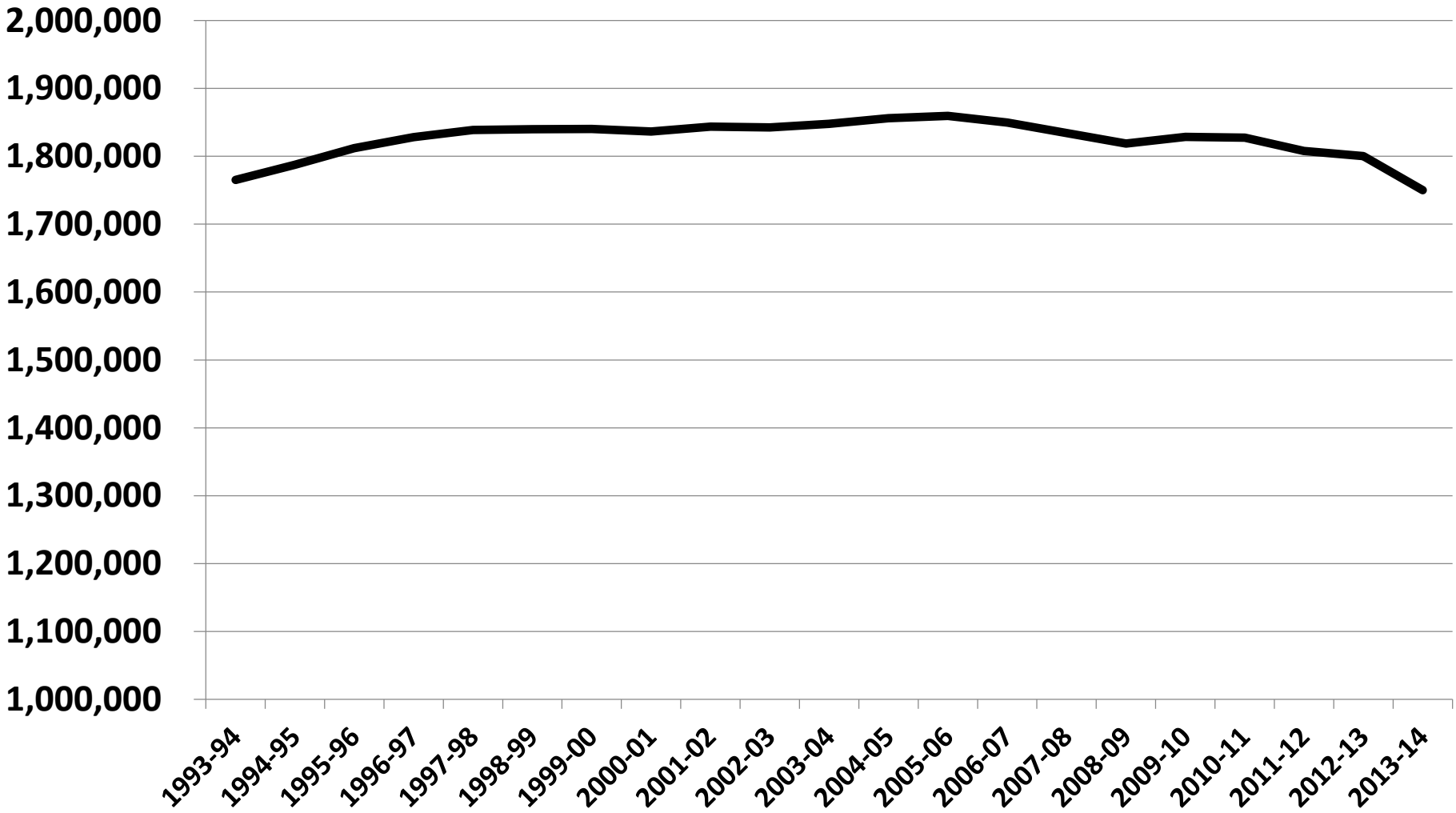
Prepared by:

Source: U.S. Department of Commerce
United States Census,

PA Population Under 19 years-of-age

	< 19 years	% < 19 years	Total PA Pop.
1990	3,158,578	26.6%	11,881,643
2000	2,922,221	23.8%	12,281,054
2010	3,179,347	25.0%	12,702,379
2020 (est.)	3,115,708	23.6%	13,230,170
2030 (est.)	3,190,254	23.2%	13,759,594

PA Public School Student Enrollment
1993-94 to 2013-14



2013-14 PA Student Demographics

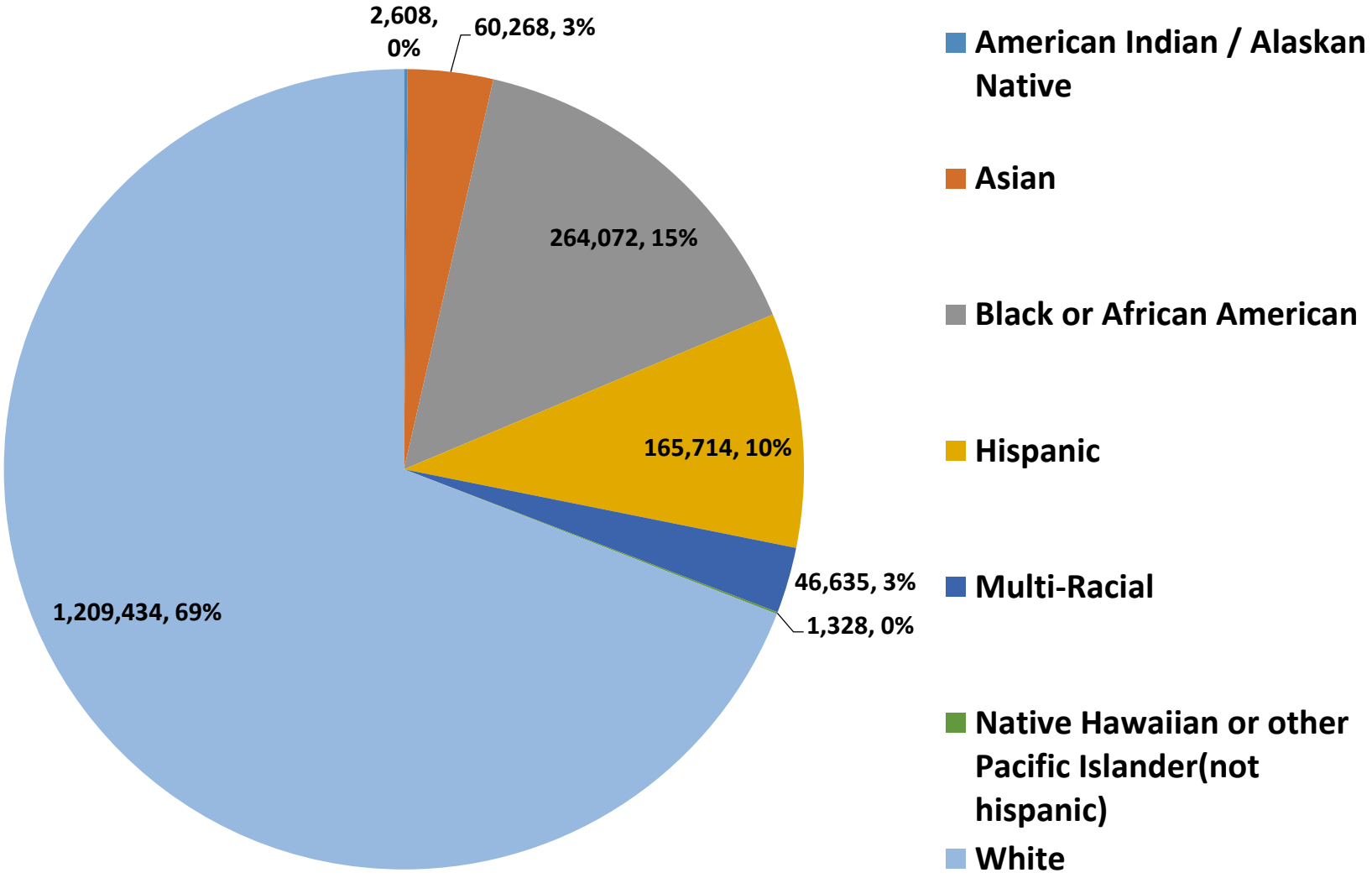
Public School Enrollment 1,765,109

- 69% White
- 15% Black
- 10% Hispanic
- 3% Asian
- 3% Multi-racial

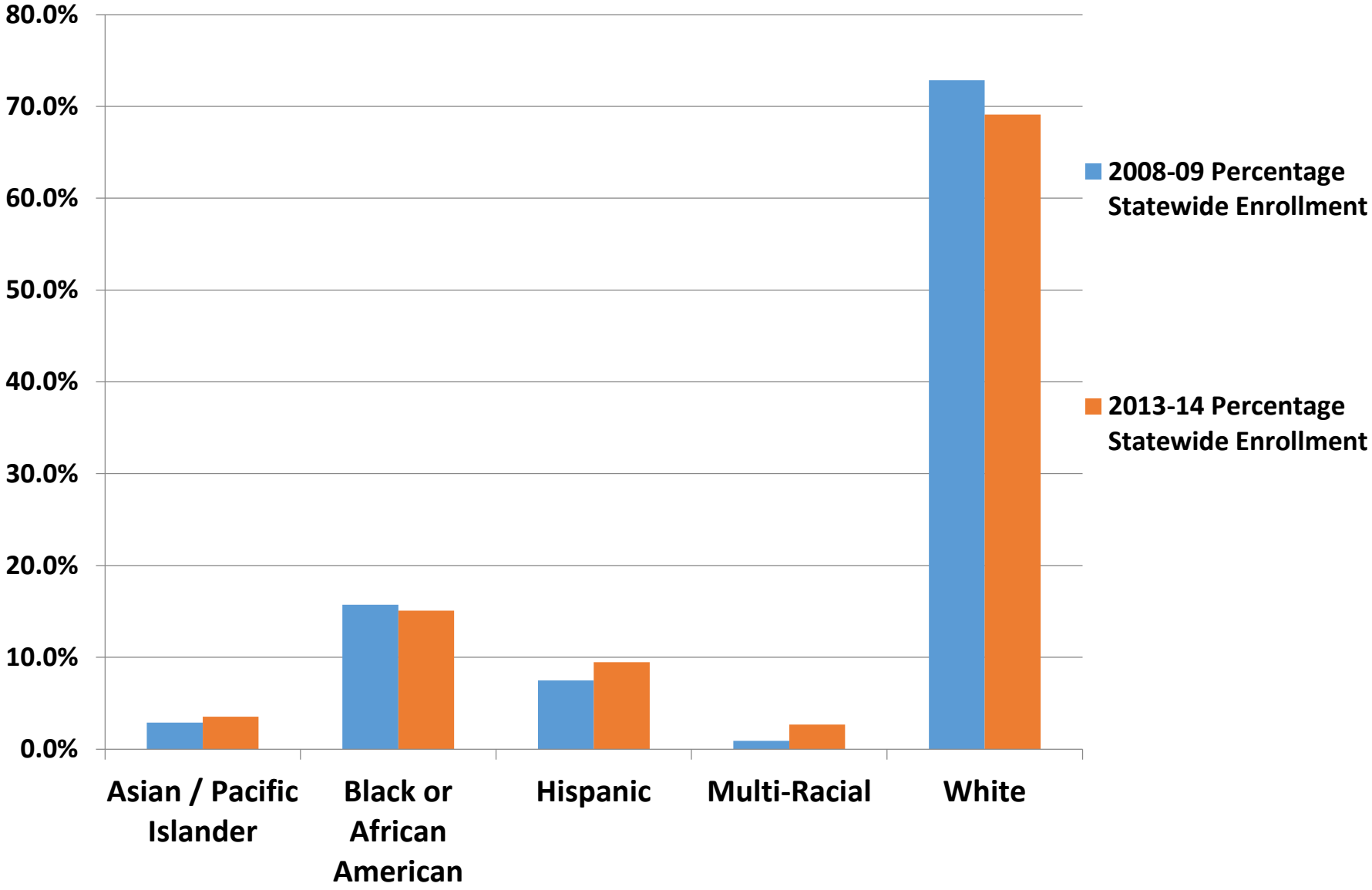
- Private and Religious School Students 258,070
- Home Schooled Students 22,136*

*2006-07

2013-14 Student Enrollment by Race



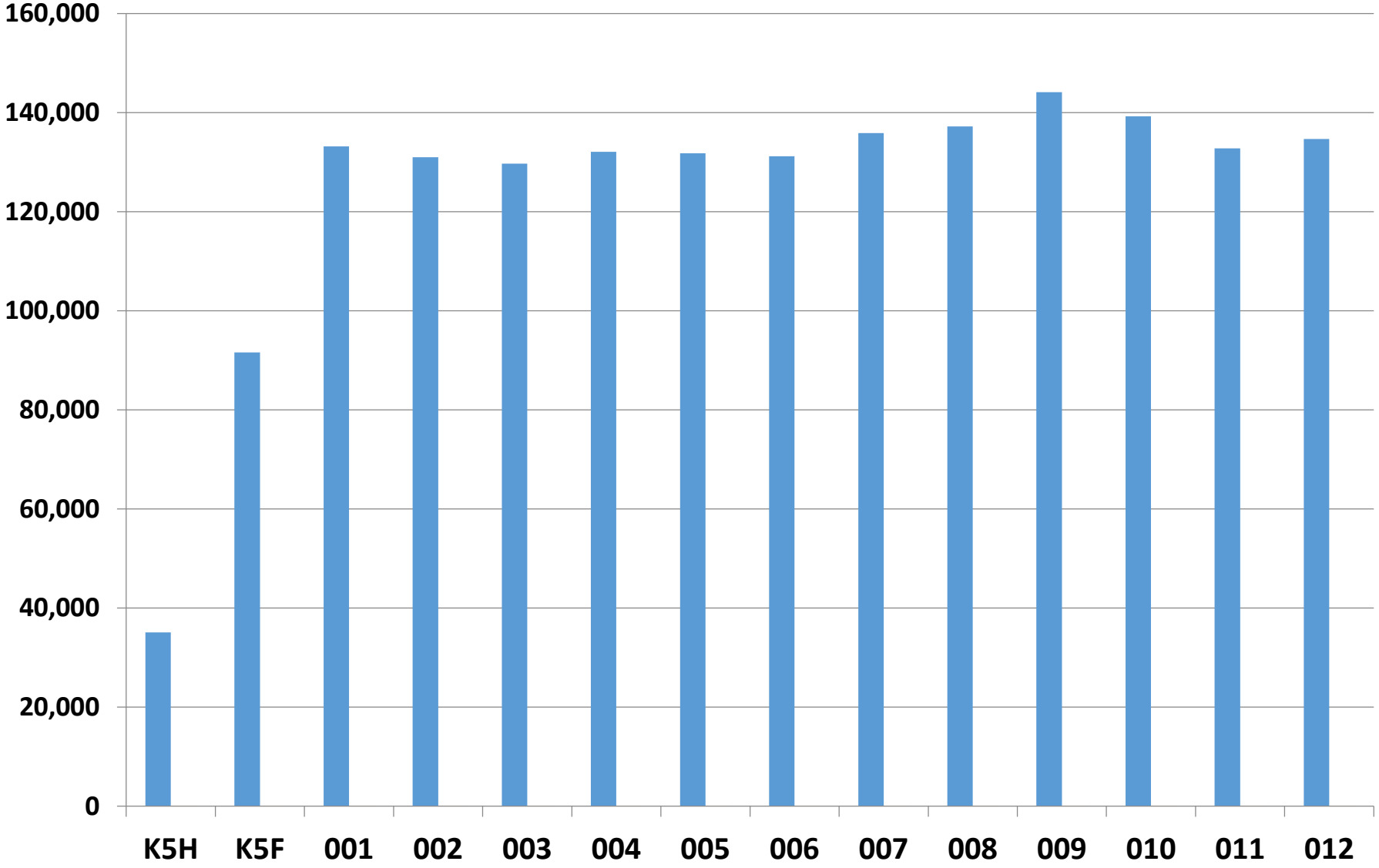
5-Year Change in Student Race/Ethnicity 2008-9 to 2013-14



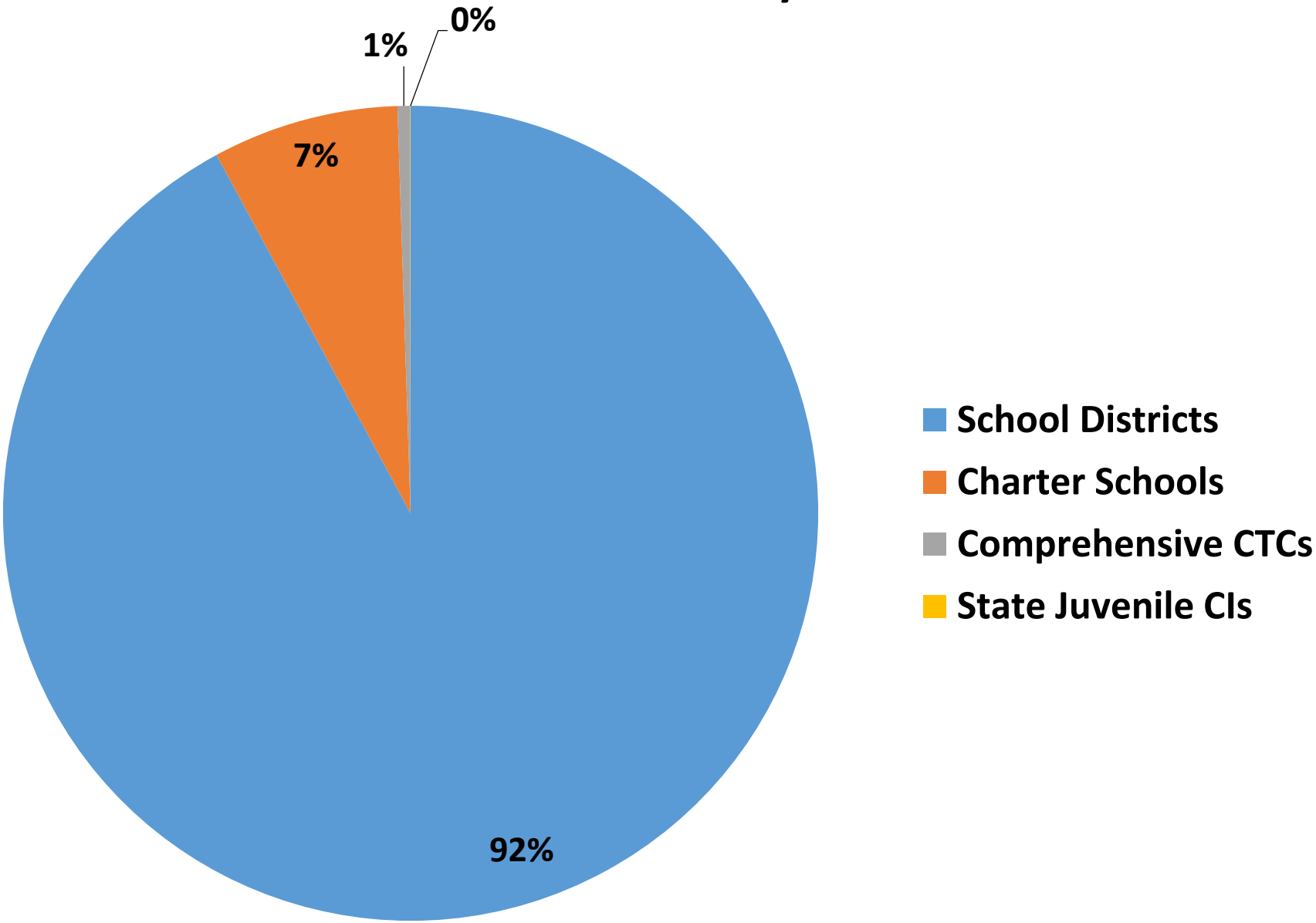
PA Public School Demographics

- 777,186 Free/Reduced Lunch (44% low-income)
- 268,640 Students with Disabilities (15.2%)
- 42,542 English Language Learners (2.4%)
- 75,000 (approx.) Students identified as Gifted

Public School Enrollment by Grade Level 2013-14



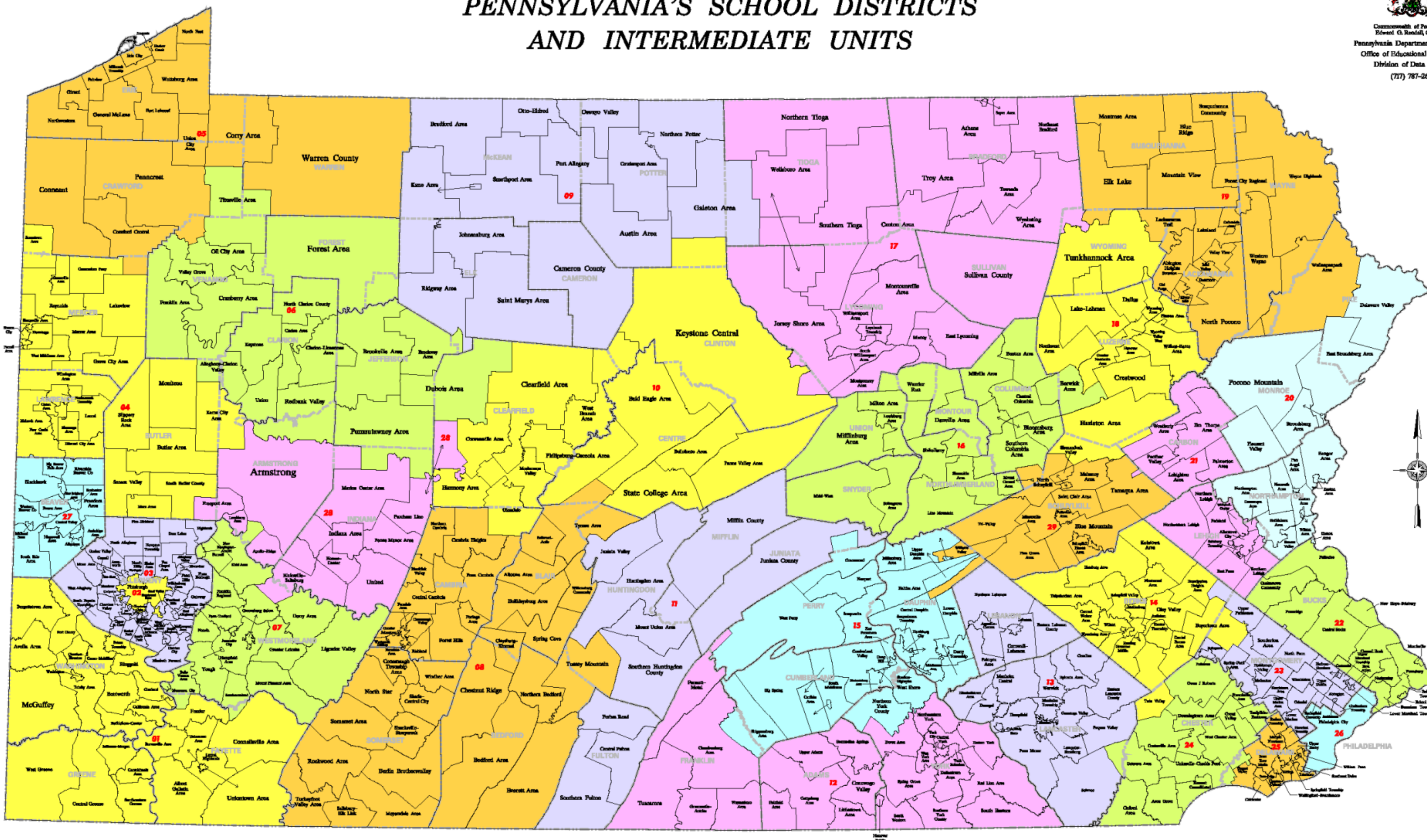
Student Enrollment by Institution



PA Public Education System

- 3,288 Public Schools
- 500 School Districts
- 176 Charter Schools
- 29 Intermediate Units
- 12 Comprehensive Career and Technology Centers
- 59 Occupational Career and Technology Centers
- 7 State Juvenile Correctional Institutions
- 2 School District sponsored Community Colleges

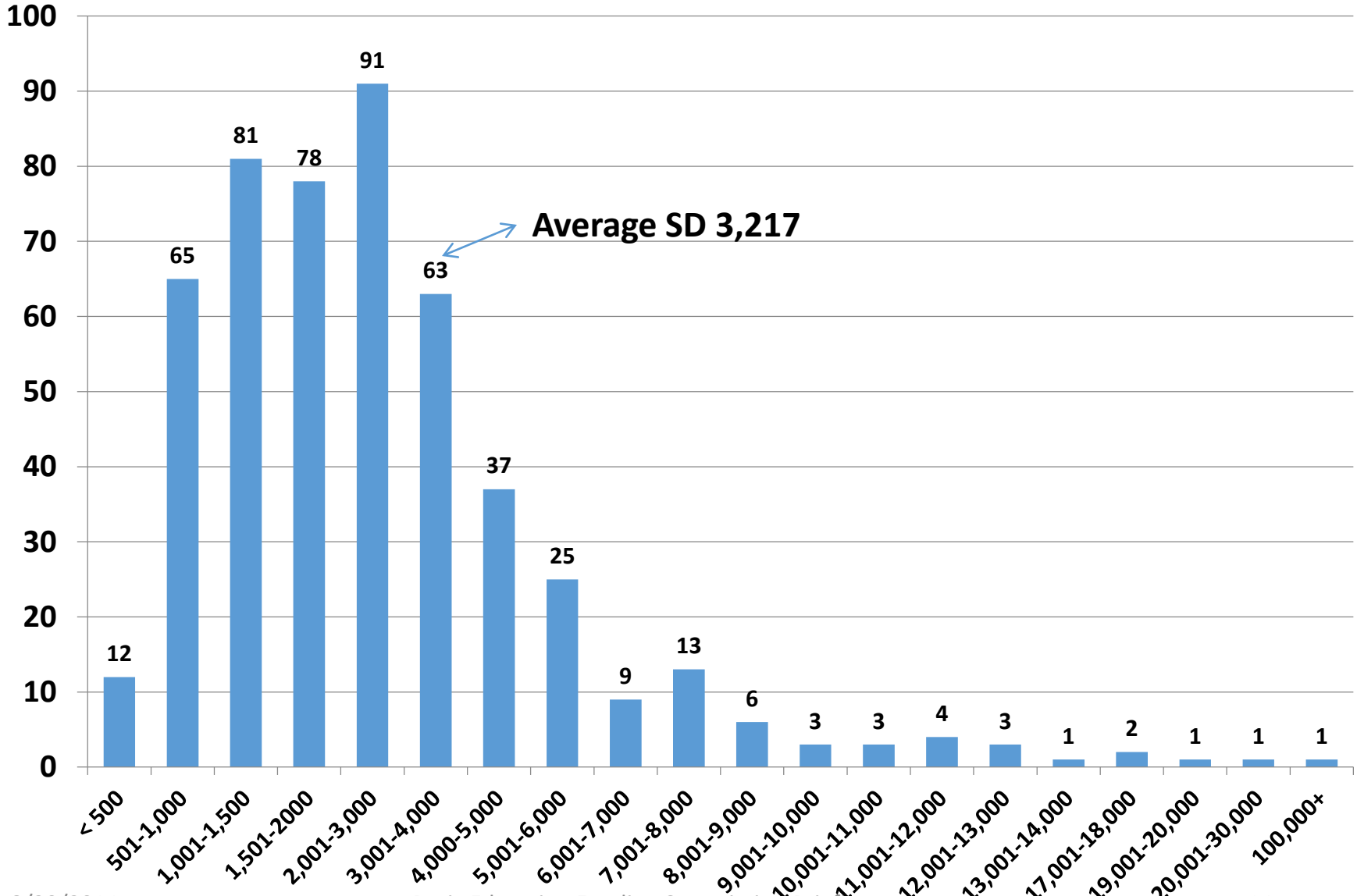
PENNSYLVANIA'S SCHOOL DISTRICTS AND INTERMEDIATE UNITS



PENNSYLVANIA'S INTERMEDIATE UNITS

Key – IU Name	Key – IU Name	Key – IU Name
01 – Intermediate Unit 1	11 – Tuscarora IU 11	21 – Carbon – Lehigh IU 21
02 – Pittsburgh – Mt. Oliver IU 2	12 – Lincoln IU 12	22 – Bucks County IU 22
03 – Allegheny IU 3	13 – Lancaster – Lebanon IU 13	23 – Montgomery County IU 23
04 – Midwestern IU 4	14 – Berks County IU 14	24 – Chester County IU 24
05 – Northwest Tri – County IU 5	15 – Capital Area IU 15	25 – Delaware County IU 25
06 – Riverview IU 6	16 – Central Susquehanna IU 16	26 – Philadelphia IU 26
07 – Westmoreland IU 7	17 – Blast IU 17	27 – Beaver Valley IU 27
08 – Appalachia IU 8	18 – Luzerne IU 18	28 – ARIN IU 28
09 – Seneca Highlands IU 9	19 – Northeastern Educational IU 19	29 – Schuylkill IU 29
10 – Central IU 10	20 – Colonial IU 20	County Boundary Line

Number of School Districts by Enrollment Size



Counties With Most/Least Number of School Districts

County	Number of School Districts	Students
Allegheny	43	142,783
Montgomery	21	105,105
Berks	18	67,914
Westmoreland	17	48,079
Lancaster	16	67,252
York	16	64,633
Delaware	15	68,979
Washington	14	27,353
Bucks	13	85,561
Erie	13	37,877

County	Number of School Districts	Students
Cameron	1	630
Clinton	1	4,223
Forest	1	515
Juniata	1	2,965
Mifflin	1	5,273
Montour	1	2,161
Philadelphia	1	137,674
Sullivan	1	604
Warren	1	4,574
Pike	2	8,169
Snyder	2	4,889
Union	2	3,978
Wayne	2	4,866
Wyoming	2	3,665

Largest and Smallest SD's in Sq. Miles

Rank	School District	Total Square Miles	Student Enrollment
1	Keystone Central SD	970.8	4,223
2	Warren County SD	774.4	4,574
3	Forest Area SD	503.9	515
4	Southern Tioga SD	485.9	1,799
5	Sullivan County SD	452.4	604
6	Armstrong SD	443.7	5,371
7	Wayne Highlands SD	425.1	2,756
8	Penncrest SD	408.3	3,165
9	Cameron County SD	398.6	630
10	Jersey Shore Area SD	390.8	2,610

Rank	School District	Total Square Miles	Student Enrollment
1	Jenkintown SD	0.6	636
2	Brentwood Borough SD	1.5	1,181
3	Northgate SD	1.8	1,228
4	Bristol Borough SD	2.0	1,217
5	Duquesne City SD	2.0	366
6	Morrisville Borough SD	2.0	881
7	Camp Hill SD	2.1	1,290
8	Midland Borough SD	2.2	310
9	Wilkinsburg Borough SD	2.3	932
10	Iroquois SD	2.4	1,196

Rural, Urban/Suburban School Districts & Student Enrollment

- 235 “rural” school districts (47%) enroll 26% of PA students (431,835)
  - Average SD enrollment 1,838

- 265 “urban/suburban school districts (53%) enroll 74% of PA students (1,228,131)
  - Average SD enrollment 4,634

Source: Center for Rural Pennsylvania , June 2014

Population Scarcity Impact on School Enrollment

Forest Area SD

2 Elementary Schools –178 & 95

2 Junior/Senior H.S. –107 & 135

Warren County SD

4 Elementary Schools – 228, 308, 173 & 911

Elem/MS 605

MS 545

2 MS/HS 294 & 476

2 HS 297 & 737

Consequences on School Finance

- Compact urban areas and isolated rural districts cannot “grow” tax base
- Transportation Costs Are Higher in Rural Areas
- Staffing/Facility inefficiencies due to inability to achieve economies of scale
- More buildings of less than ideal size in Rural Areas
- Some districts that are generally larger in square miles cross county lines—88 statewide

School District Factoids

- 496 School Districts operate K-12 schools
- 1 District (Bryn Athyn) operates no schools

  -it pays tuition to send student to other districts
- 1 District (Duquesne) operates 1 K-6 school
- 2 Districts (Saint Clair, Midland Borough) each operate 1 elementary/middle school (K-8)

Largest 20-year SD increases/decreases in District Student Enrollment

(excludes charter enrollments)

Increase		Decrease	
Central Bucks	+7,990	Philadelphia	-65,138
Reading	+4,218	Pittsburgh	-13,815
Spring-Ford Area	+3,839	Chester Upland	-4,517
Perkiomen Valley	+3,098	Harrisburg	-3,273
Garnet Valley	+2,899	Warren County	-2,329
Parkland	+2,861	Woodland Hills	-2,151
Allentown	+2,687	Williamsport Area	-2,104
East Stroudsburg	+2,491	York City	-2,052
Upper Darby	+2,471	Penn Hills	-2,042
Downingtown Area	+2,463	Bristol Township	-1,942

20-year SD Student Enrollment Change in Selected Counties

(includes charter school, excludes cyber charter school enrollments)

	Overall Enrollment Change +/-	# SDs with increases	# SDs with decreases
Lehigh	9,331	6	3
Montgomery	20,255	20	2
Lebanon	1,741	5	2
Dauphin	(2,557)	4	6
Chester	22,572	11	1
Allegheny	(3,989)	13	30
Washington	(2,302)	2	12
Lancaster	4,284	6	3
Bucks	6,135	6	7
Philadelphia	(18,420)	0	1
Clarion	(2,108)	0	7
Armstrong	(1,750)	0	1
Forest	(239)	0	1
York	6,769	12	2

25 Largest School Districts
By Student Enrollment

Philadelphia City SD	Philadelphia	137,674
Pittsburgh SD	Allegheny	26,041
Central Bucks SD	Bucks	19,621
Reading SD	Berks	17,487
Allentown City SD	Lehigh	17,006
Bethlehem Area SD	Northampton	13,900
North Penn SD	Montgomery	12,734
Upper Darby SD	Delaware	12,430
Downingtown Area SD	Chester	12,028
Erie City SD	Erie	11,740
West Chester Area SD	Chester	11,659
Council Rock SD	Bucks	11,241
Lancaster SD	Lancaster	11,127
Central Dauphin SD	Dauphin	10,916
Hazleton Area SD	Luzerne	10,560
Pennsbury SD	Bucks	10,181
Scranton SD	Lackawanna	9,795
Pocono Mountain SD	Monroe	9,445
Parkland SD	Lehigh	9,197
Chambersburg Area SD	Franklin	8,895
Easton Area SD	Northampton	8,736
Neshaminy SD	Bucks	8,352
Cumberland Valley SD	Cumberland	8,311
North Allegheny SD	Allegheny	8,281
East Penn SD	Lehigh	8,058

11 are urban SDs

14 are suburban SDs

25 Smallest School Districts
By Student Enrollment

Cameron County SD	Cameron	630
Johnsonburg Area SD	Elk	624
Union SD	Clarion	617
Southeastern Greene SD	Greene	605
Sullivan County SD	Sullivan	604
North Clarion County SD	Clarion	592
Saint Clair Area SD	Schuylkill	590
Avella Area SD	Washington	581
Northern Potter SD	Potter	554
Jamestown Area SD	Mercer	541
Forest Area SD	Forest	515
Fannett-Metal SD	Franklin	510
Commodore Perry SD	Mercer	507
Williamsburg Community SD	Blair	491
Oswayo Valley SD	Potter	470
Shade-Central City SD	Somerset	467
Turkeyfoot Valley Area SD	Somerset	410
Galeton Area SD	Potter	382
Forbes Road SD	Fulton	375
Duquesne City SD	Allegheny	366
Shanksville-Stonycreek SD	Somerset	364
Harmony Area SD	Clearfield	326
Midland Borough SD	Beaver	310
Salisbury-Elk Lick SD	Somerset	278
Austin Area SD	Potter	214

Student Enrollment Change
1993-94 to 2013-14

- 336 School Districts (67.3%) experienced a decline in student enrollment of 228,288

- 162 School Districts (32.5%) experienced an increase in student enrollment of 130,079

- 1 School District (Millcreek) remained unchanged

PA "Professional" School Staffing 2012-13 Statewide PT & FT

- **Administrative/Supervisory** **7,676**
- **Classroom Teachers** **126,981**
  - **Elementary** **51,529**
  - **Secondary** **52,995**
  - **Spec Educ.** **18,057**
  - **Specialists/Other** **4,400**
- **Support/Coordinators** **16,324**

  (guidance counselors, school nurses, psychologists, social workers, librarians, etc.)
- **Other** **7,940**

Total **158,921**

PA “Support” Personnel 2012-13 Statewide PT & FT

Instructional Aides, Administrative support, Library/media Aides, etc.

- FT 73,820
- PT 26,911

School District
Pre-K & Early Childhood Programs

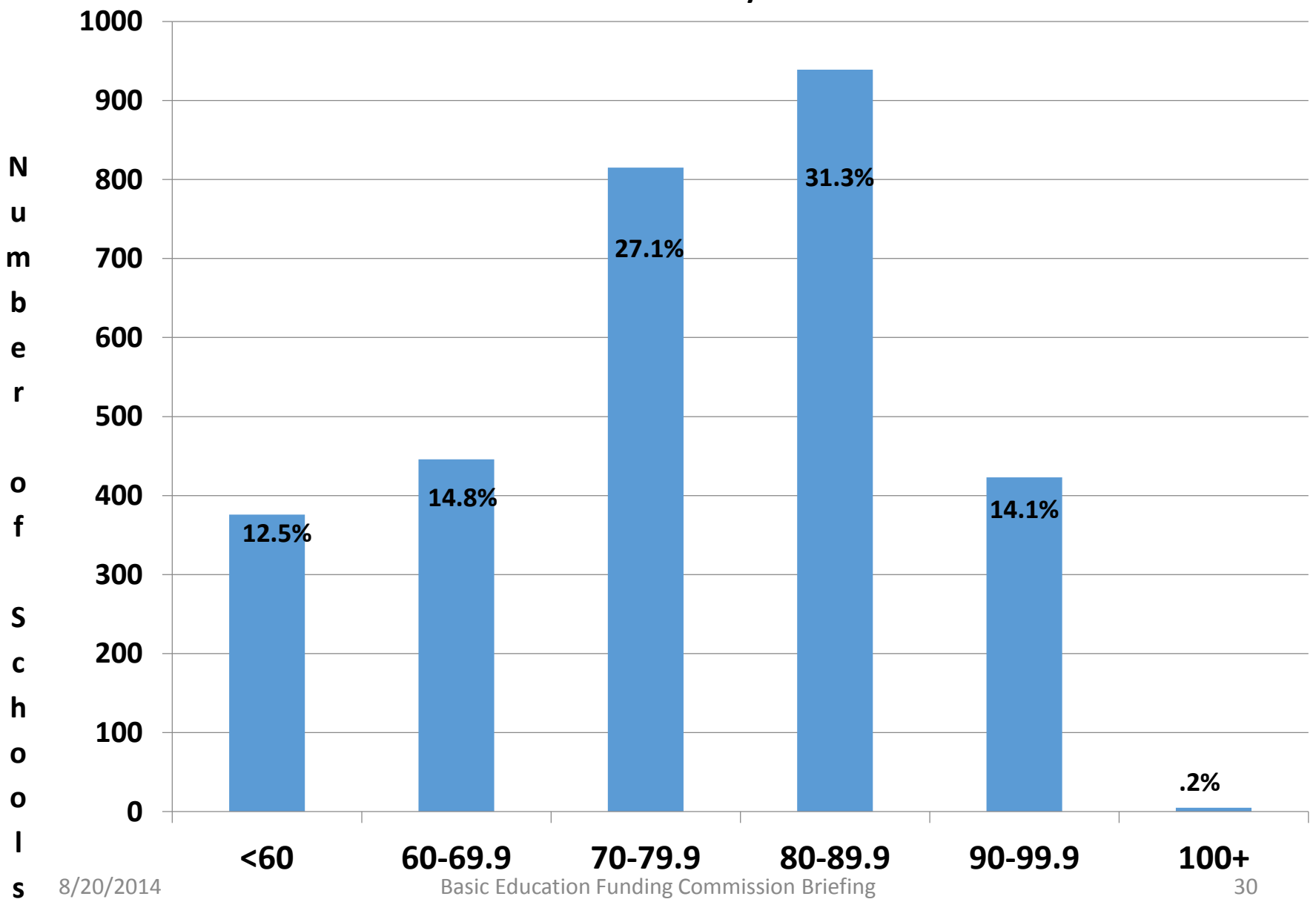
- Pre-K --5,756 enrolled in FT programs
  - 2,143 in PT programs
- K4 – 761 in FT programs
  --1,349 in PT programs
- K5 – 82,716 (70%) in FT programs
  -- 35,073 in PT programs

- Early Intervention – 237,516 ages 3-5 (IUs, SDs) DPW program birth – age 3

PA Advanced Placement Participation/Results

Year	AP Schools	AP Students	≥ 3 on Exam
2003	625	16,594	11,421
2013	728	30,105	19,965

40 PA School Districts on AP Honor Roll


2012-13 PDE School Performance Profile
Distribution of Schools by SPP Score
Number of Schools
1000
900
800
700
600
500
400
300
200
100
0
12.5%
14.8%
27.1%
31.3%
14.1%
.2%
<60
60-69.9
70-79.9
80-89.9
90-99.9
100+

2011-12 Statewide PSSA Students Proficient/Advanced

Math – grades 3-8 75.6%

Reading – grades 3-8 72.0%

Writing – grades 5, 8, 11 73.2%

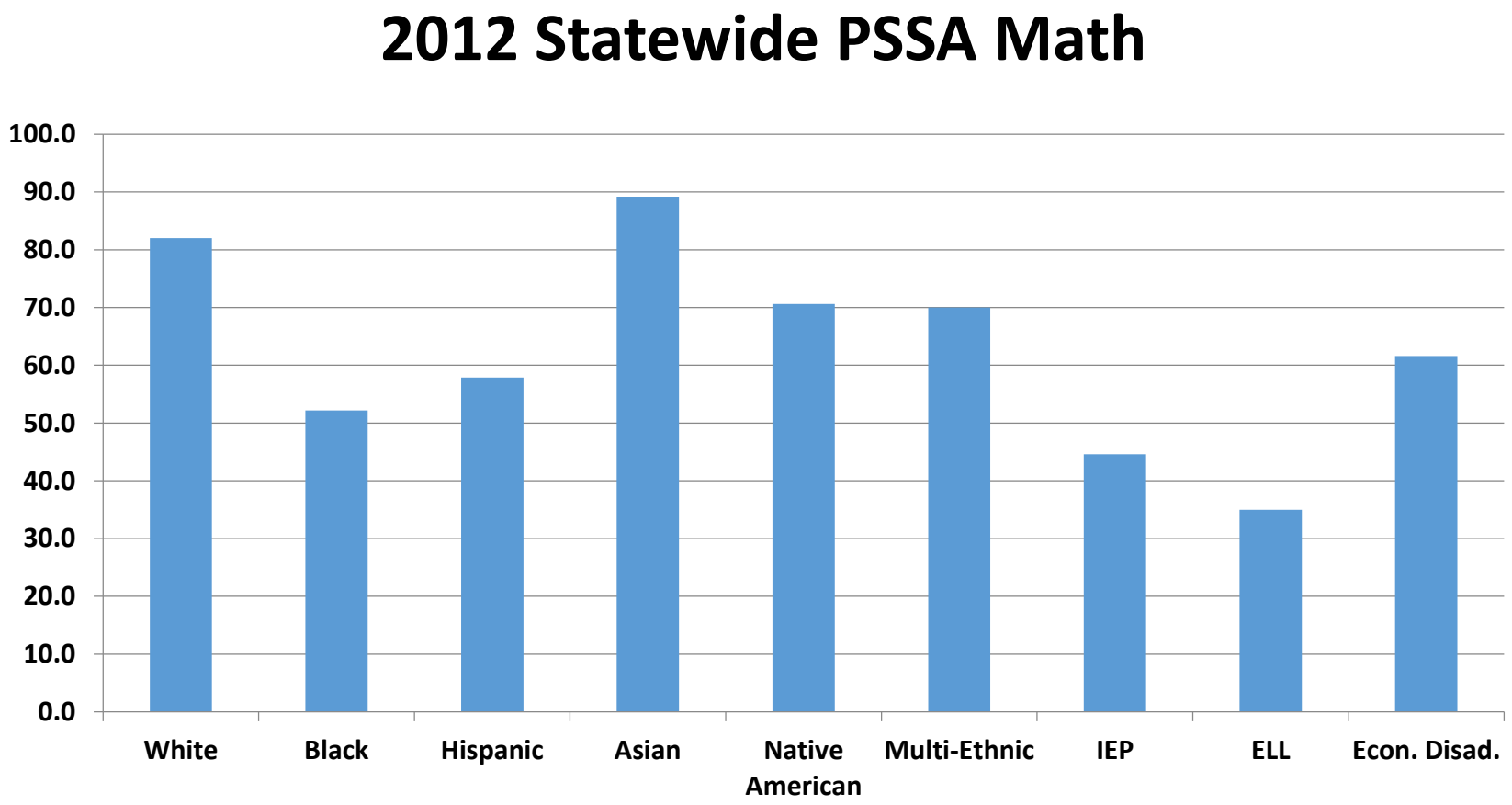
Science – grades 4, 8, 11 61.5%

2011 Keystone Exams
Statewide Students Proficient/Advanced

Algebra	38.6%	94,939 tested
Literature	49.9%	42,815 tested
Biology	35.7%	46,998 tested

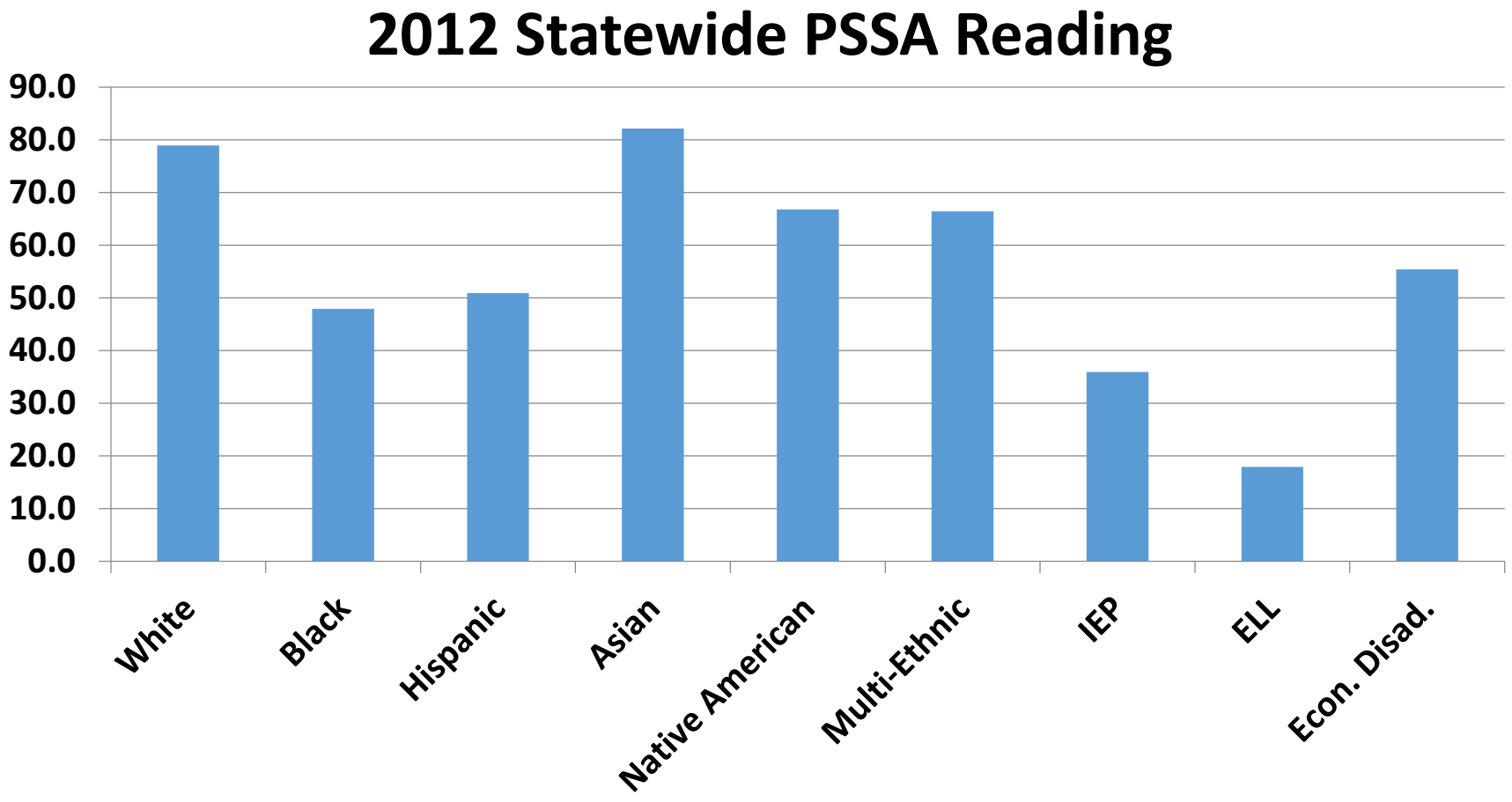
PA Achievement Gaps

% proficient/advanced by subgroup



Achievement Gaps

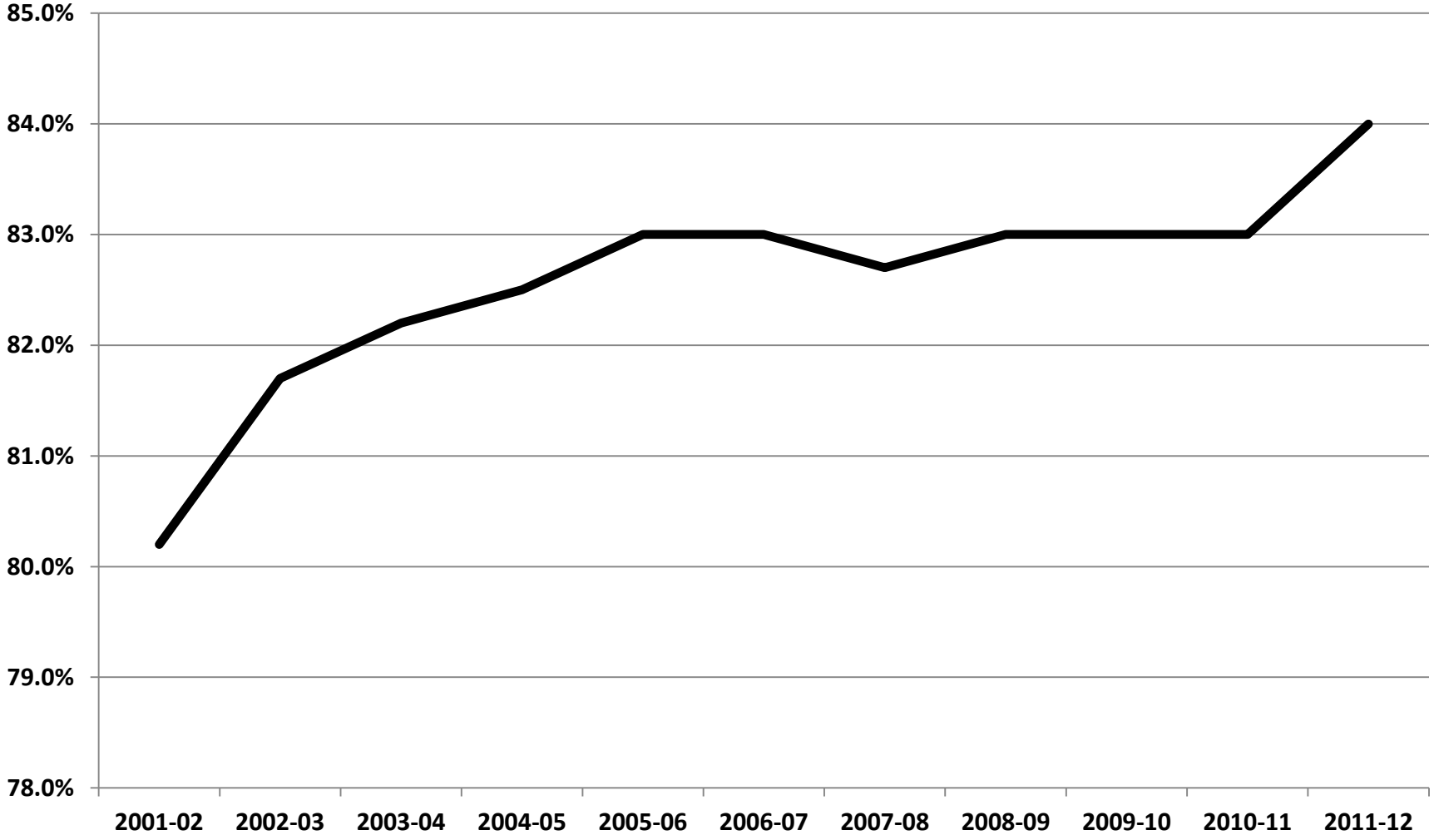
% proficient/advanced by subgroup



Pennsylvania High School Graduation Rate

(Cohort Rate)

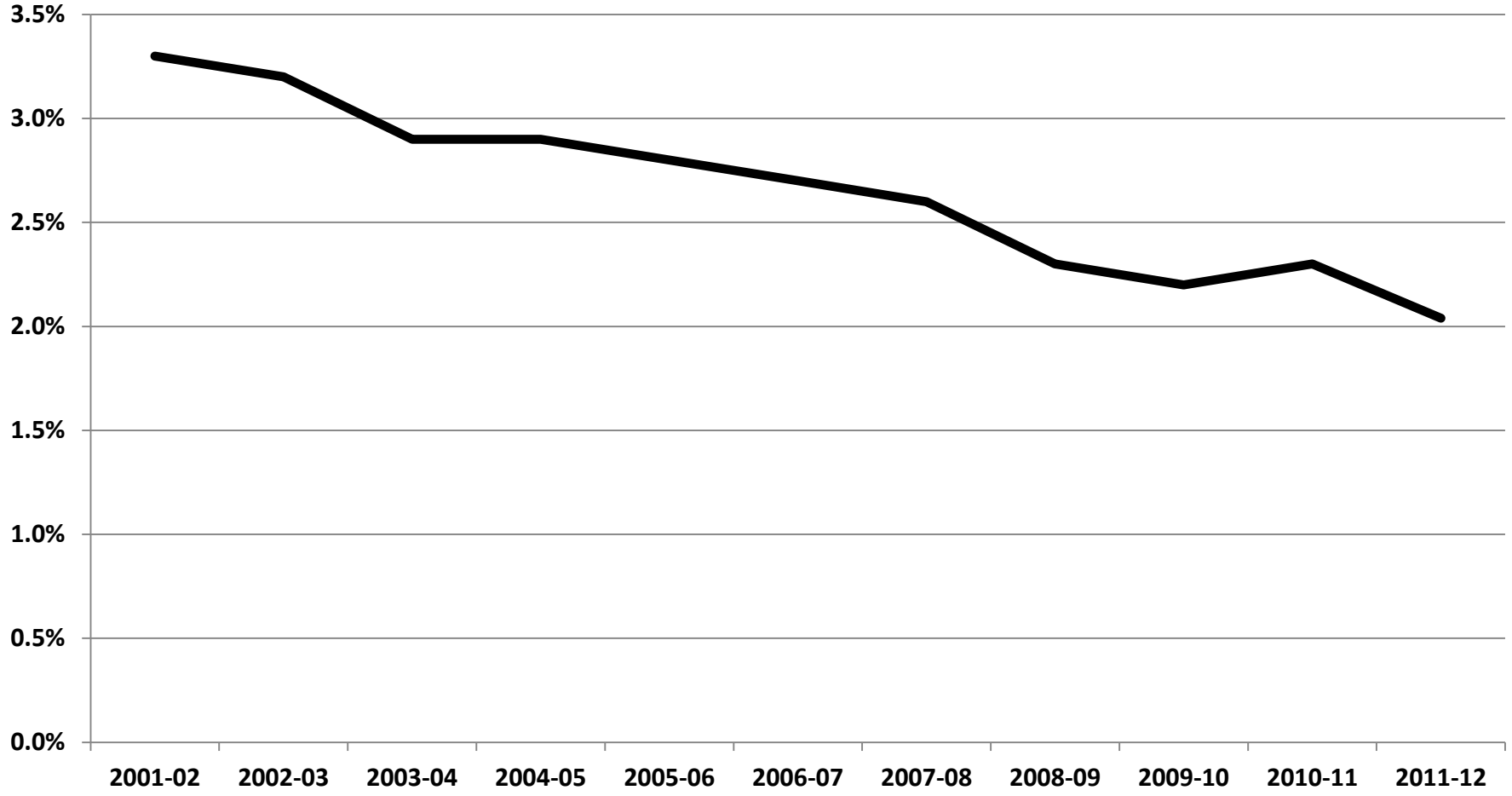
2002 -2012



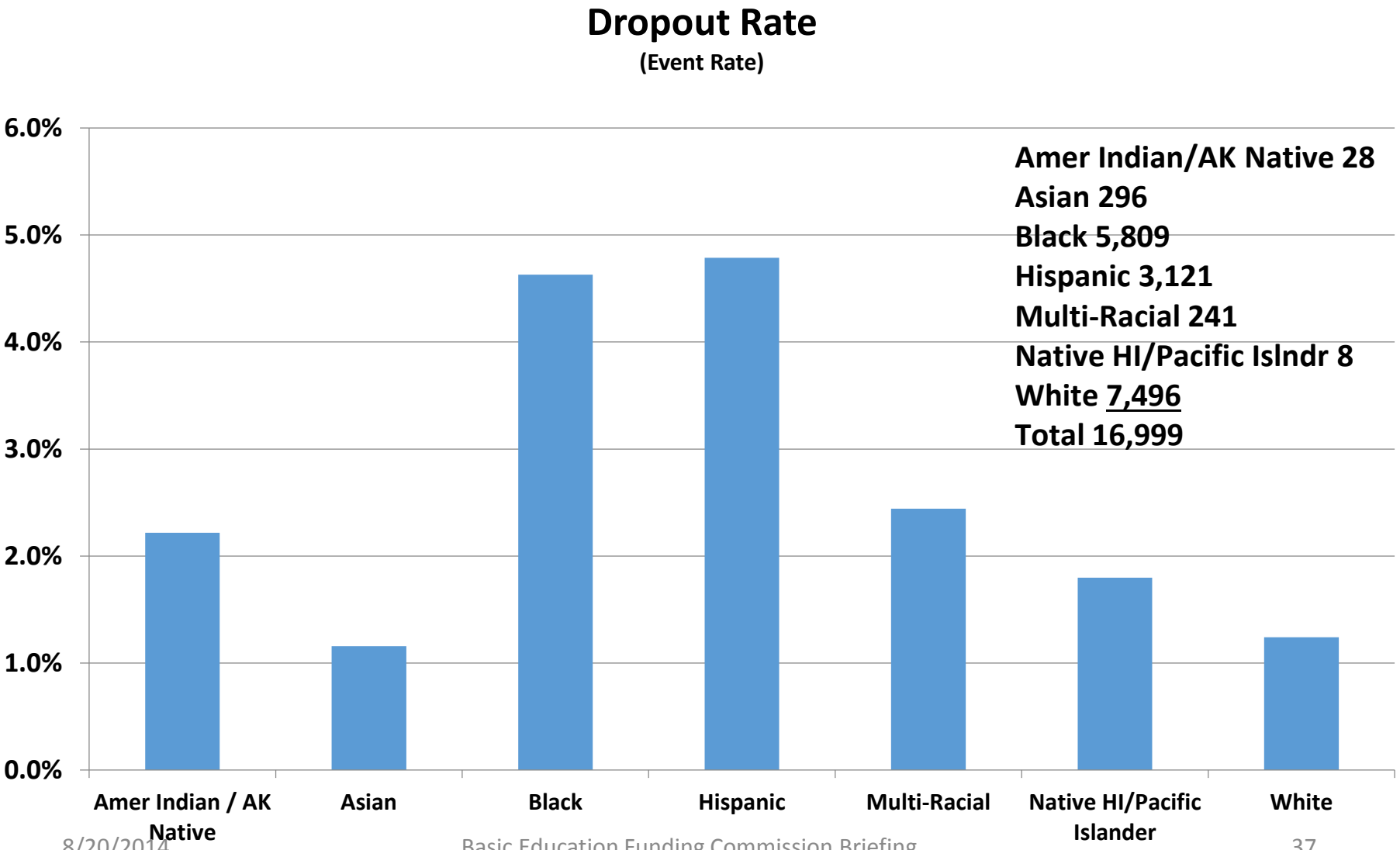
Pennsylvania Dropout Rate

(Event Rate)

2002 to 2012



Achievement Gaps

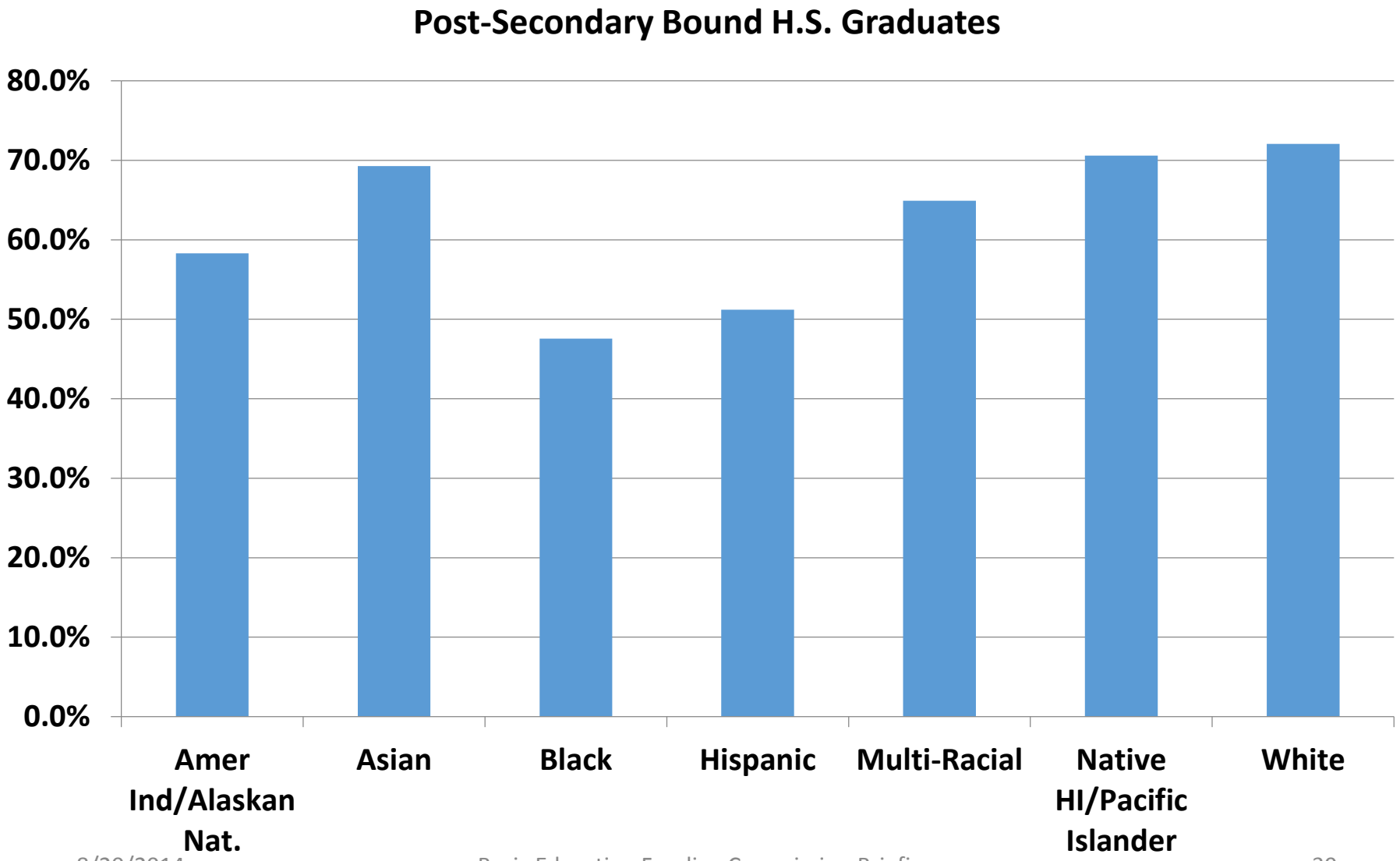


PA Graduating Class of 2013 Post-H.S. Graduation Plans

69.4% - Post-Secondary Education (college, trade school, certificate programs)

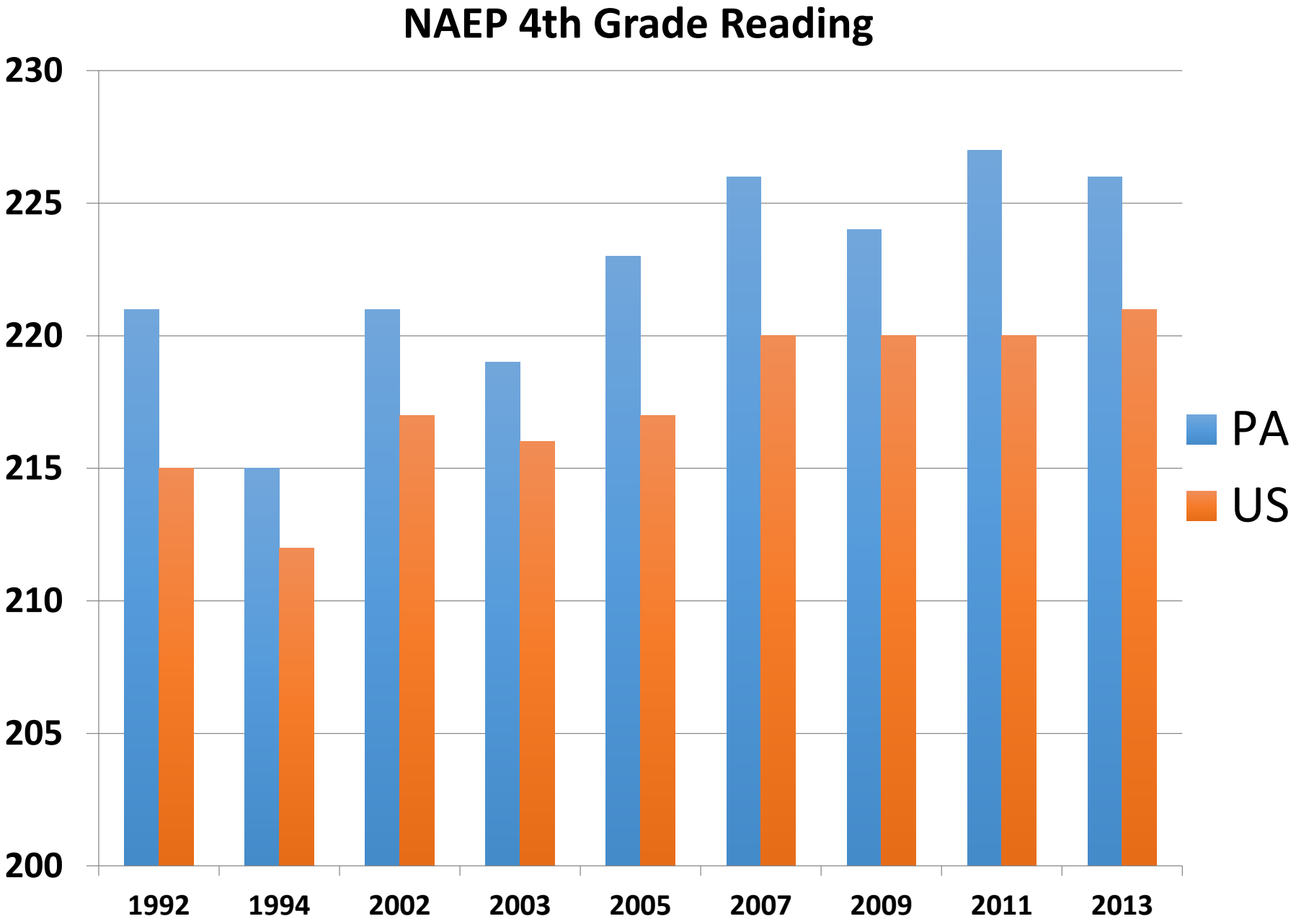
67.1% - Enrollment at 2 or 4-year College

Achievement Gaps

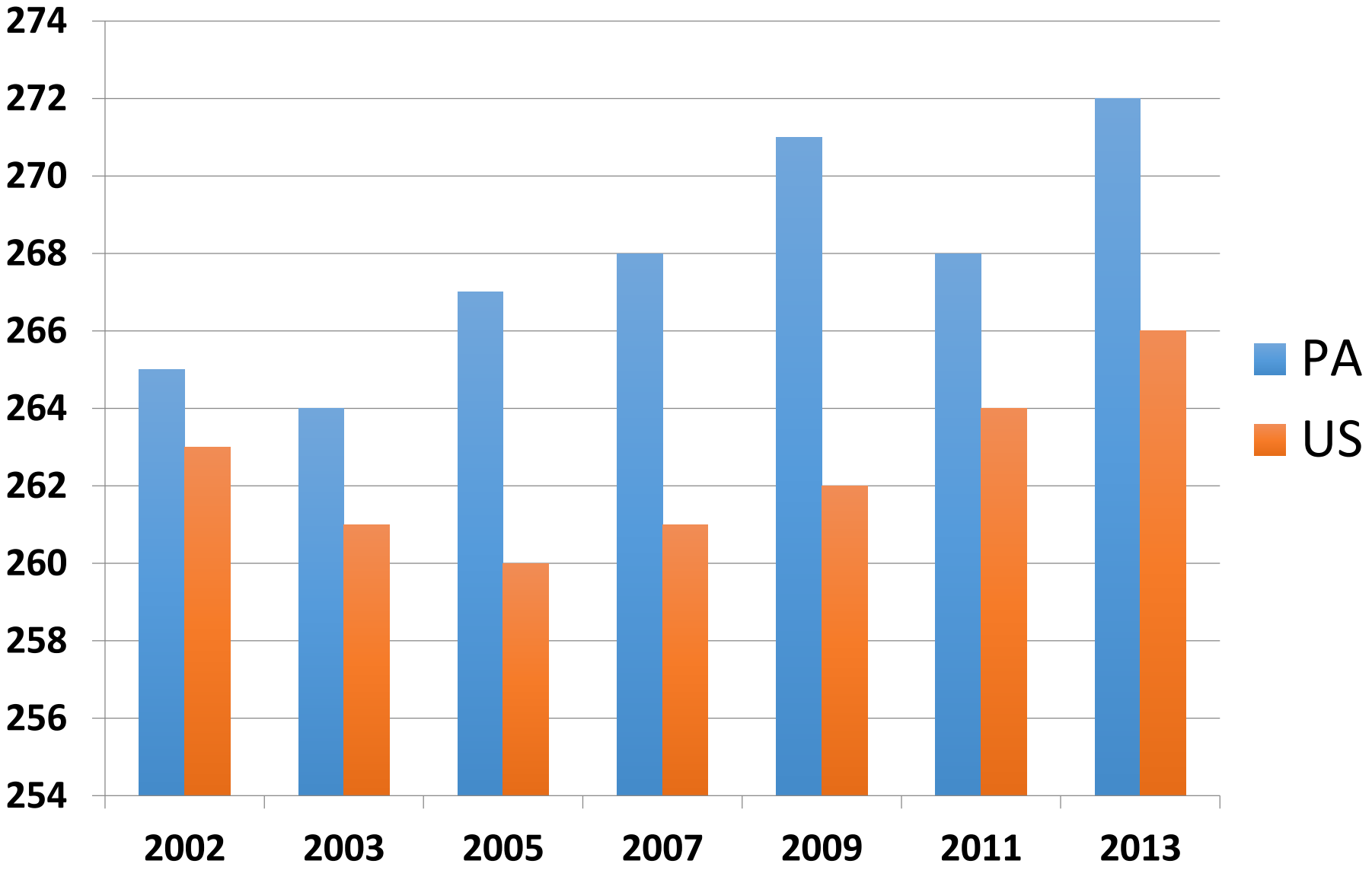


National Assessment of Educational Progress (NAEP)

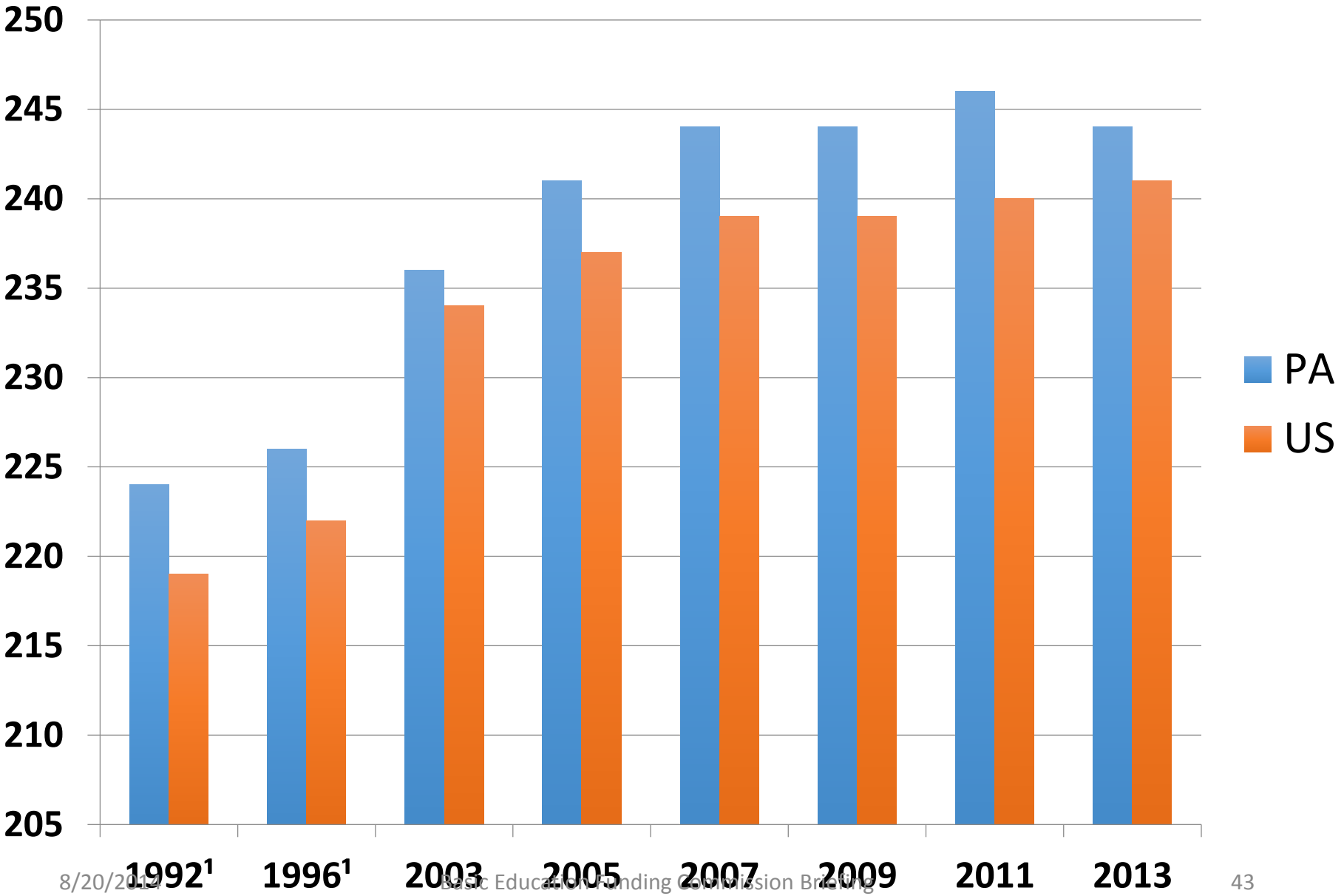
- Dubbed “The Nation’s Report Card”
- Federally administered testing program given in every state
- Statistically valid sample of schools/students
- Reading and Mathematics in grades 4 & 8
- Administered every two years
- Other subjects assessed periodically (science, history, civics & government)


NAEP 4th Grade Reading
230
225
220
215
210
205
200
1992
1994
2002
2003
2005
2007
2009
2011
2013
PA
US

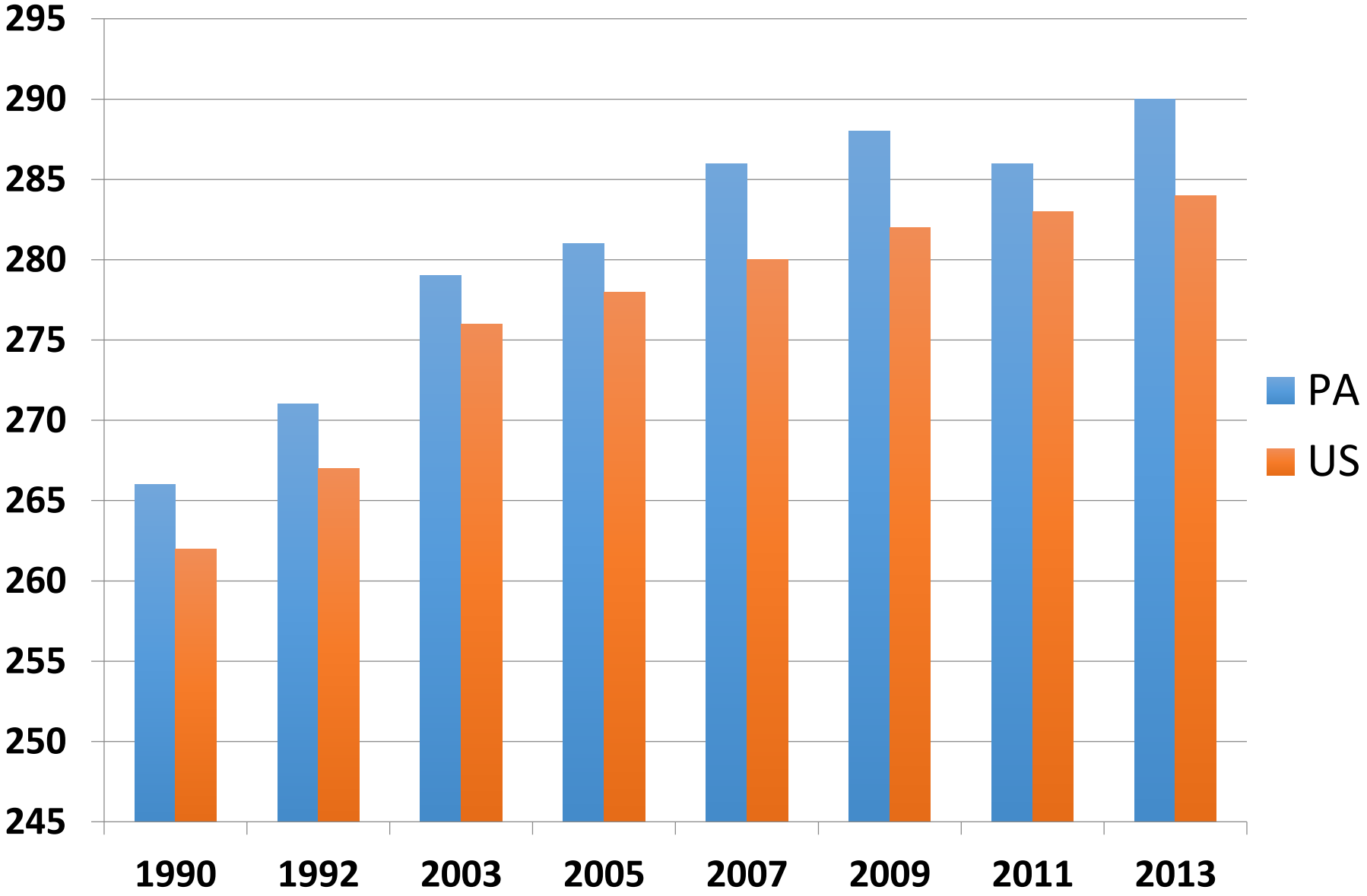
NAEP 8th Grade Reading



NAEP 4th Grade Mathematics



NAEP 8th Grade Mathematics



2013 NAEP 4th Grade Reading

Order	Jurisdiction	Cross-state significant difference	Number of Jurisdictions Significantly higher	not different	lower	All students 2013 Scale Score
1	Massachusetts	>	0	5	46	232
2	DoDEA	>	0	3	48	232
3	Maryland	>	0	6	45	232
4	New Hampshire	>	0	5	46	232
5	Connecticut	>	1	10	40	230
6	New Jersey	>	1	14	36	229
7	Virginia	>	3	12	36	229
8	Vermont	>	4	8	39	228
9	Florida	>	4	13	34	227
10	Minnesota	>	4	17	30	227
11	Colorado	>	4	17	30	227
12	**Pennsylvania**	**>**	**4**	**19**	**28**	**226**
13	Wyoming	>	6	15	30	226
14	Delaware	>	6	17	28	226
15	Indiana	>	6	22	23	225
16	Washington	>	5	25	21	225
17	Maine	>	8	21	22	225
18	Kentucky	>	8	22	21	224
19	North Dakota	>	12	18	21	224
20	Ohio	>	9	21	21	224
	National public		26	10	16	221

2013 NAEP 8th Grade Reading

Order	Jurisdiction	Cross-state significant difference	Number of Jurisdictions Significantly higher	not different	lower	All students 2013 Scale Score
1	Massachusetts	>	0	3	48	277
2	DoDEA	>	0	3	48	277
3	New Jersey	>	0	6	45	276
4	Connecticut	>	0	9	42	274
5	Vermont	>	2	6	43	274
6	New Hampshire	>	2	6	43	274
7	Maryland	>	2	9	40	274
8	**Pennsylvania**	**>**	**3**	**13**	**35**	**272**
9	Washington	>	3	13	35	272
10	Montana	>	5	11	35	272
11	Minnesota	>	6	15	30	271
12	Colorado	>	6	15	30	271
13	Wyoming	>	7	12	32	271
14	Idaho	>	7	18	26	270
15	Utah	>	7	18	26	270
16	Kentucky	>	7	21	23	270
	National public		23	14	15	266

2013 NAEP 4th Grade Mathematics

Order	Jurisdiction	Cross-state significant difference	Number of Jurisdictions Significantly higher	not different	lower	All students 2013 Scale Score
1	Minnesota	>	0	2	49	253
2	Massachusetts	>	0	2	49	253
3	New Hampshire	>	0	2	49	253
4	Indiana	>	3	10	38	249
5	Vermont	>	3	11	37	248
6	Colorado	>	3	15	33	247
7	New Jersey	>	3	16	32	247
8	Wyoming	>	3	14	34	247
9	North Dakota	>	3	15	33	246
10	Washington	>	3	18	30	246
11	Kansas	>	3	16	32	246
12	Virginia	>	3	19	29	246
13	Maine	>	5	15	31	246
14	Iowa	>	4	19	28	246
15	Ohio	>	3	22	26	246
16	Maryland	>	3	23	25	245
17	DoDEA	>	7	16	28	245
18	North Carolina	>	5	20	26	245
19	Wisconsin	>	5	21	25	245
20	**Pennsylvania**	**>**	**7**	**22**	**22**	**244**
	National public		24	16	12	241

2013 NAEP 8th Grade Mathematics

Order	Jurisdiction	Cross-state significant difference	Number of Jurisdictions Significantly higher	not different	lower	All students 2013 Scale Score
1	Massachusetts	>	0	0	51	301
2	New Jersey	>	1	3	47	296
3	New Hampshire	>	1	3	47	296
4	Vermont	>	1	3	47	295
5	Minnesota	>	1	3	47	295
6	North Dakota	>	5	11	35	291
7	DoDEA	>	5	12	34	290
8	Washington	>	5	13	33	290
9	Colorado	>	5	15	31	290
10	**Pennsylvania**	**>**	**5**	**15**	**31**	**290**
11	Ohio	>	5	15	31	290
12	Kansas	>	5	15	31	290
13	Montana	>	5	15	31	289
14	Wisconsin	>	5	16	30	289
15	Maine	>	5	15	31	289
16	Texas	>	5	18	28	288
17	Virginia	>	5	21	25	288
18	Wyoming	>	7	15	29	288
19	Indiana	>	6	20	25	288
	National public		22	11	19	284

Important Terminology

- ***Average Daily Membership***

- *Average daily membership* (ADM) is the term used for all resident pupils of the school district for whom the school district is financially responsible. It is calculated by dividing the aggregate days membership for all children on active rolls by the number of days the school district is in session.

  Weighted average daily membership (WADM) is the term used for the assignment of weight by grade level to ADM. The current weighting is half-time kindergarten at 0.5, full-time kindergarten and elementary (grades 1-6) at 1.0, and secondary (grades 7-12) at 1.36.
- Differs (not greatly) from enrollment which is a snapshot of students in school. ADM's are actual child accounting metrics.
- In simple terms: A measure of school district size by students over the school year.

Important Terminology

• *Aid Ratio*

- *Aid ratio* is the general term for three numerical values -- market value aid ratio (MV AR), personal income aid ratio (PI AR), and market value/personal income aid ratio (MV/PI AR) -- calculated in accordance with Section 2501(14) and (14.1) of the School Code. Various state subsidies use aid ratios in their calculations. The MV/PI AR represents the relative wealth (market value and income), in relation to the state average, for each pupil in a school district.
- The MV AR is used in the following subsidies: Pupil Transportation Subsidy and Authority Rentals and Sinking Fund Requirements; the MV/PI AR is used in all other state subsidies that require an aid ratio. In addition, the MV/PI AR is used in the calculation of the Act 1 adjusted index for each school district.
- Numeric value 1.500 to >10.000
- In simple terms: A measure of wealth at the low end and a measure of poverty at the high end

Aid Ratio Calculation Methodology

Market Value Aid Ratio (MV AR):

$$1 - \left(\frac{\text{School District Market Value / SD WADM}}{\text{State Total Market Value / State Total WADM}} * 0.5 \right)$$

Personal Income Aid Ratio (PI AR):

$$1 - \left(\frac{\text{School District Personal Income / SD WADM}}{\text{State Total Personal Income / State Total WADM}} * 0.5 \right)$$

Market Value/Personal Income Aid Ratio (MV/PI AR):

$$(0.6 * \text{MV AR}) + (0.4 * \text{PI AR})$$

Minimum Aid Ratio Districts

School District	County	MV / PI Aid Ratio
Council Rock SD	Bucks	0.1500
New Hope-Solebury SD	Bucks	0.1500
Palisades SD	Bucks	0.1500
Great Valley SD	Chester	0.1500
Tredyffrin-Easttown SD	Chester	0.1500
Unionville-Chadds Ford SD	Chester	0.1500
West Chester Area SD	Chester	0.1500
Marple Newtown SD	Delaware	0.1500
Radnor Township SD	Delaware	0.1500
Rose Tree Media SD	Delaware	0.1500
Bryn Athyn SD	Montgomery	0.1500
Colonial SD	Montgomery	0.1500
Lower Merion SD	Montgomery	0.1500
Springfield Township SD	Montgomery	0.1500
Upper Merion Area SD	Montgomery	0.1500
Wissahickon SD	Montgomery	0.1500
Quaker Valley SD	Allegheny	0.1500
Haverford Township SD	Delaware	0.1500
Phoenixville Area SD	Chester	0.1500
Upper Dublin SD	Montgomery	0.1500

Highest Aid Ratio Districts

Sto-Rox SD	Allegheny	0.8027
New Castle Area SD	Lawrence	0.8120
Ferndale Area SD	Cambria	0.8203
Shenandoah Valley SD	Schuylkill	0.8221
Lebanon SD	Lebanon	0.8247
Farrell Area SD	Mercer	0.8259
Sharon City SD	Mercer	0.8314
Otto-Eldred SD	McKean	0.8326
Midland Borough SD	Beaver	0.8333
Clairton City SD	Allegheny	0.8335
York City SD	York	0.8504
Chester-Upland SD	Delaware	0.8528
Duquesne City SD	Allegheny	0.8770
Reading SD	Berks	0.8959

Aid Ratio Increase—Ten Year Change

SD	County	2004-05 AR	2014-15 AR	Change
Camp Hill SD	Cumberland	0.2373	0.4361	0.1988
South Fayette Township SD	Allegheny	0.3805	0.5580	0.1775
Springfield SD	Delaware	0.1742	0.3306	0.1564
Mid Valley SD	Lackawanna	0.3587	0.5145	0.1558
Central York SD	York	0.3388	0.4906	0.1518
Saint Clair Area SD	Schuylkill	0.5256	0.6720	0.1464
Cornell SD	Allegheny	0.4122	0.5575	0.1453
Fairview SD	Erie	0.2966	0.4288	0.1322
Conestoga Valley SD	Lancaster	0.2552	0.3839	0.1287
Muhlenberg SD	Berks	0.4488	0.5728	0.1240
West Mifflin Area SD	Allegheny	0.5195	0.6431	0.1236
Shenandoah Valley SD	Schuylkill	0.7032	0.8221	0.1189
Wilson SD	Berks	0.3380	0.4546	0.1166
York Suburban SD	York	0.2446	0.3600	0.1154
Clarion Area SD	Clarion	0.4247	0.5362	0.1115

Aid Ratio Decrease—Ten Year Change

SD	County	04-05 Aid Ratio	14-15 Aid Ratio	Change
West Greene SD	Greene	0.4976	0.3060	-0.1916
Oswayo Valley SD	Potter	0.7755	0.6117	-0.1638
Galeton Area SD	Potter	0.5834	0.4287	-0.1547
Shanksville-Stonycreek SD	Somerset	0.4635	0.3090	-0.1545
Wayne Highlands SD	Wayne	0.4877	0.3400	-0.1477
Rockwood Area SD	Somerset	0.4634	0.3180	-0.1454
Austin Area SD	Potter	0.6719	0.5294	-0.1425
Danville Area SD	Montour	0.5064	0.3758	-0.1306
Northern Potter SD	Potter	0.7317	0.6028	-0.1289
Avella Area SD	Washington	0.7001	0.5744	-0.1257
Forest City Regional SD	Susquehanna	0.6185	0.4929	-0.1256
Elk Lake SD	Susquehanna	0.7405	0.6154	-0.1251
McGuffey SD	Washington	0.6622	0.5378	-0.1244
Mountain View SD	Susquehanna	0.6412	0.5189	-0.1223
Pittsburgh SD	Allegheny	0.5304	0.4134	-0.1170

Important Terminology

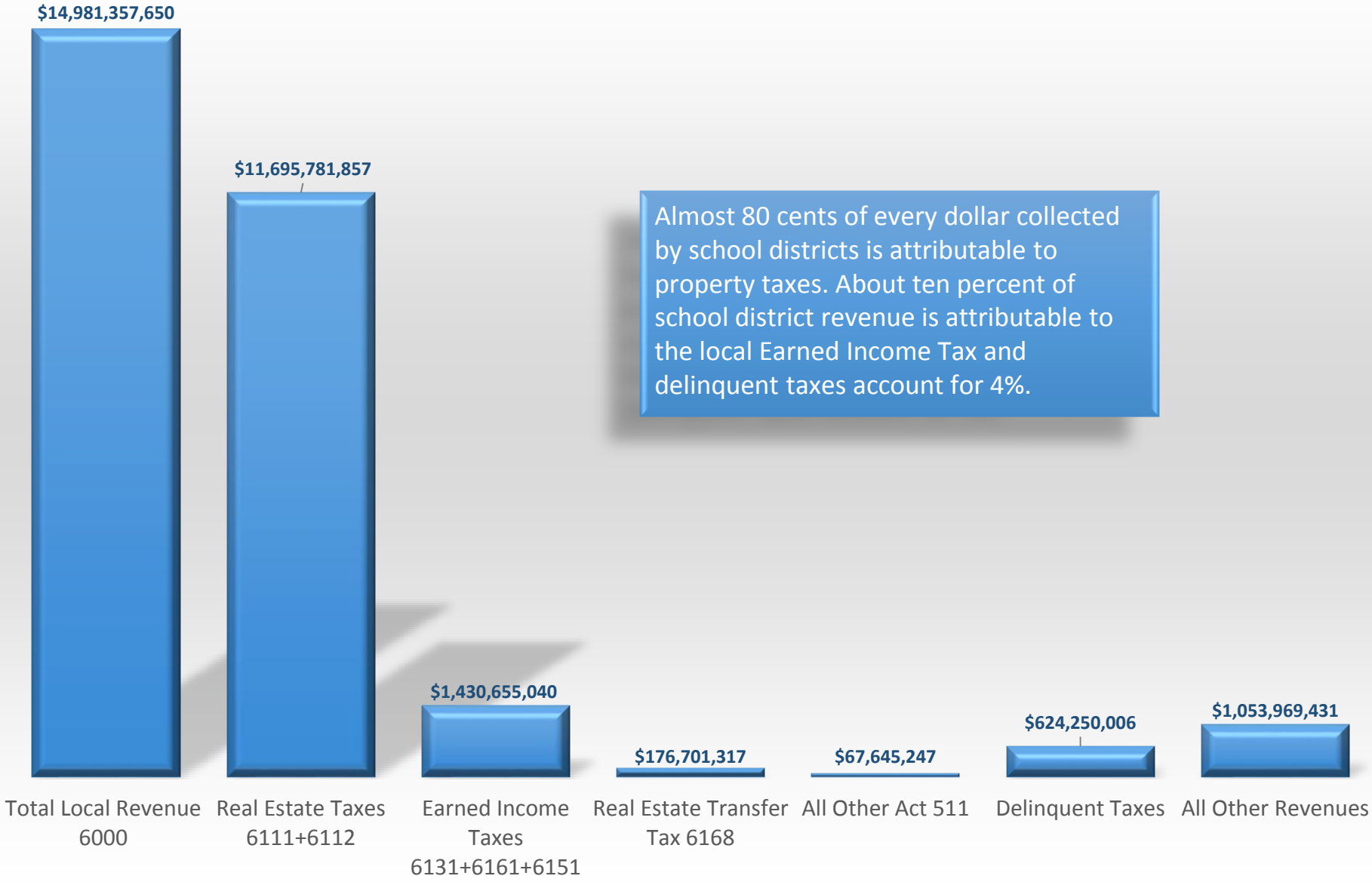
- ***Equalized Mills***

- A standardized millage calculated by dividing a school district's total taxes collected and remitted by its total market value as certified by the Pennsylvania State Tax Equalization Board, now Tax Equalization Division of DC&ED.
- In simple terms: A method to compare total local tax burden of school districts ASSUMING (not!) that market values across counties are consistent. Higher equalized mills means higher tax burden. SW mean is 17.5. Range is 8.1 to 36.9

Important Terminology

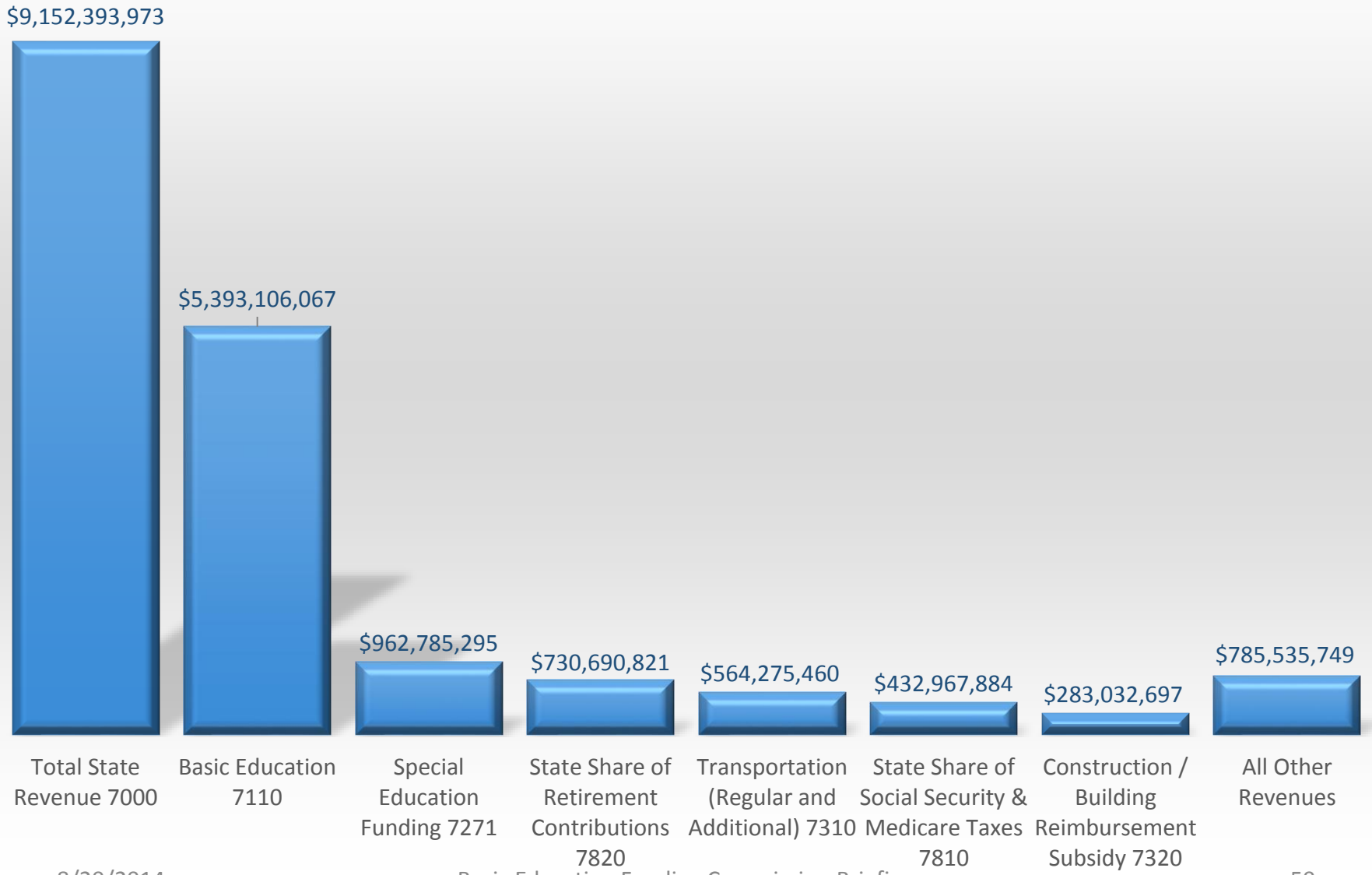
- **Local Revenue** - The sum of Local Taxes and Local Other Revenue
- **Local Taxes** - The sum of all real estate taxes, per capita tax (School Code), Act 511 taxes, payment in lieu of taxes, delinquent taxes, and all special taxes for the first class school districts.
- **Act 511 Taxes** - Revenue received from the flat and proportional assessments made in accordance with Act 511 of 1965 (Local Tax Enabling Act). School districts of the first class or first class A are not empowered to levy taxes under the provisions of Act 511.
- All Act 511 Taxes are capped at 1965 rates. Therefore the ONLY tax option to increase revenue is to raise property tax rates.
- In simple terms: Non-property taxes. The major Act 511 tax is the Earned Income Tax. Prior to the housing decline, the Realty Transfer Tax was also a significant revenue source. Others are flat or per capita taxes sometimes referred to as nuisance taxes.

Local Revenues to Schools



Almost 80 cents of every dollar collected by school districts is attributable to property taxes. About ten percent of school district revenue is attributable to the local Earned Income Tax and delinquent taxes account for 4%.

State Revenues to Schools



The Numbers

Instruction 1000	Support Services 2000	Non-Instructional 3000	Current Expenditures	Facilities Acquisition & Construction 4000	Other Financing Uses 5000	Total Expenditures
$14,902,305,540	$7,011,817,068	$434,329,217	$22,348,451,825	$35,528,942	$3,180,267,110	$25,564,247,877
58.29%	27.43%	1.70%	87.42%	0.14%	12.44%	

Regular Education 1100	Special Education 1200	Vocational Education 1300	Administration 2300	Business 2500	Operation & Maintenance of Plant Services 2600	Student Transportation Services 2700	All Other
$ 10,356,775,776	$ 3,461,058,240	$ 620,827,201	$ 1,380,646,238	$ 293,699,340	$ 2,005,358,373	$ 1,324,501,922	$6,121,380,786
40.5%	13.5%	2.4%	5.4%	1.1%	7.8%	5.2%	23.9%

The Numbers


2012-13 Personnel Costs Compared to Total Expenditures
$30,000,000,000
$25,000,000,000
$20,000,000,000
$15,000,000,000
$10,000,000,000
$5,000,000,000
$0
$25,564,247,877
$15,911,406,103
$10,967,952,081
$4,943,454,022
Personnel costs for 2012-13 are almost $16 million or 62% of total expenditures
Total Exps
Total Personnel
Salaries
Benefits

Shedding Personnel/Shedding Payroll

Fiscal Year Ending June	Budgeted Appropriation Payroll [9] (thousands)
2004	$ 10,030,705
2005 [3]	11,062,589
2006	11,505,093
2007 [4]	11,821,951
2008	12,881,244
2009	12,500,000
2010 [5]	12,899,000
2011 [5 6]	13,510,000
2012	14,112,000
2013 [8]	14,297,000
2014	13,720,000
2015	**13,482,000**
2016	13,841,530
2017	14,214,689
2018	14,613,842
2019	15,028,322
2020	15,465,597
2021	15,914,196
2022	16,378,425
2023	16,858,286
2024	17,349,187
2025	17,847,579

buckconsultants

THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OF PENNSYLVANIA

ACTUARIAL VALUATION
JUNE 30, 2013

Item	June 30, 2013	June 30, 2012
Demographics		
Active Members		
• Number	267,428	273,504
• Average Annual Pay	$ 47,030	$ 46,487
Annuitants		
• Number	209,204	202,015
• Average Annual Benefit Payment	$ 24,603	$ 24,122

Shedding Personnel/Shedding Payroll

Item	June 30, 2011	June 30, 2010
Demographics		
Active Members		
• Number	279,152	282,041
• Average Annual Pay	$ 46,247	$ 45,344
Annuitants		
• Number	194,622	184,934
• Average Annual Benefit Payment	$ 23,897	$ 23,466

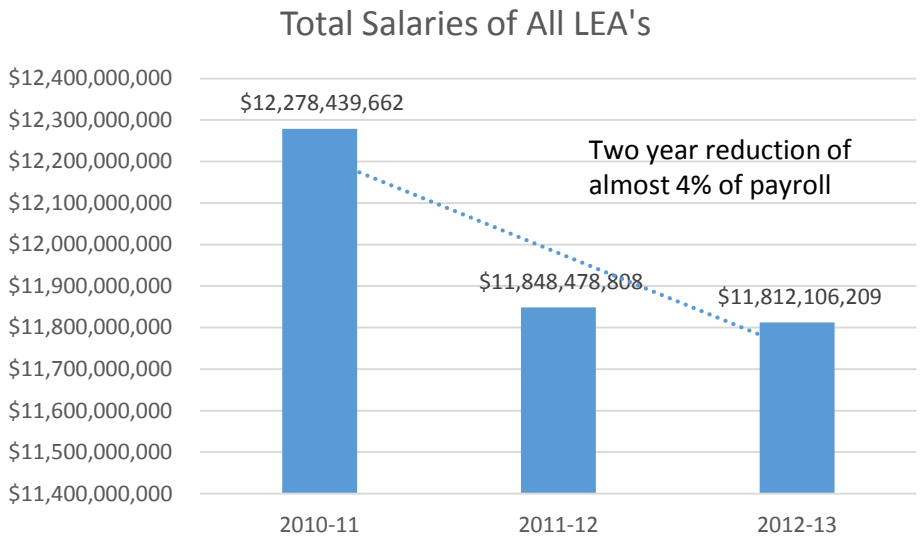
THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OF PENNSYLVANIA

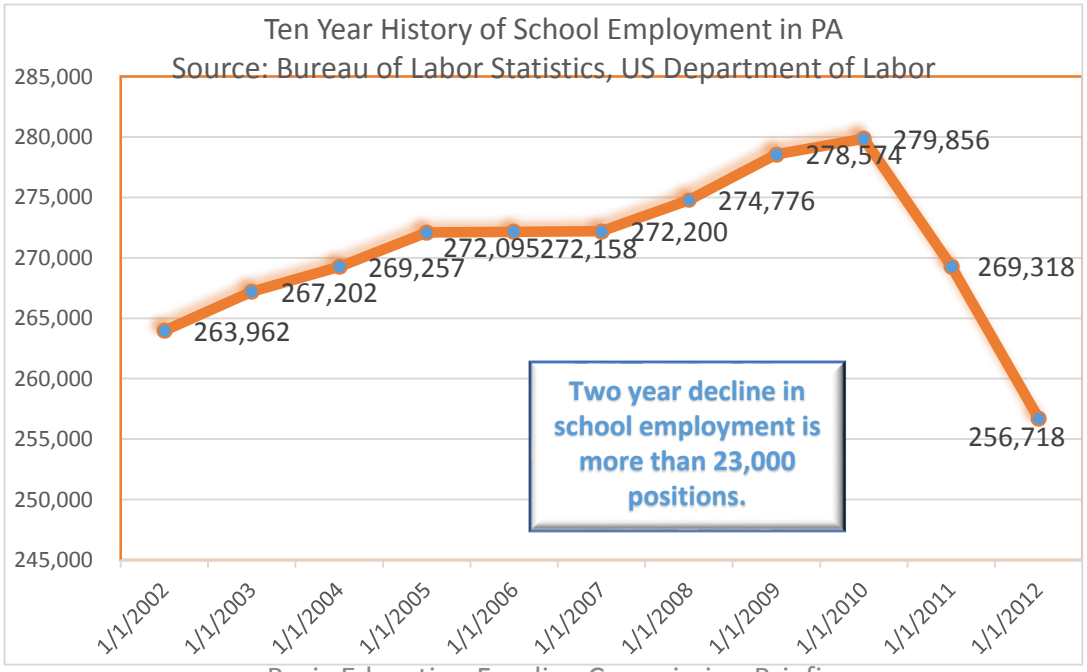
ACTUARIAL VALUATION
JUNE 30, 2011

Item	June 30, 2009	June 30, 2008
Demographics		
Active Members		
• Number	279,701	272,690
• Average Annual Pay	$ 44,779	$ 43,718
Annuitants		
• Number	177,963	173,540
• Average Annual Benefit Payment	$ 22,456	$ 21,963

THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OF PENNSYLVANIA

ACTUARIAL VALUATION
JUNE 30, 2009

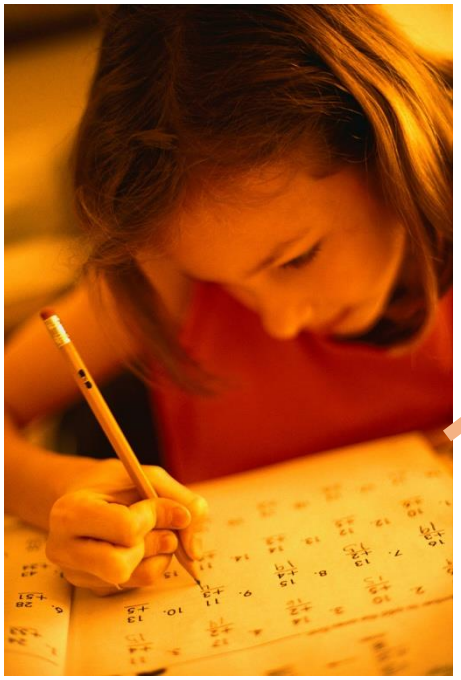

Total Salaries of All LEA's
$12,400,000,000
$12,300,000,000
$12,200,000,000
$12,100,000,000
$12,000,000,000
$11,900,000,000
$11,800,000,000
$11,700,000,000
$11,600,000,000
$11,500,000,000
$11,400,000,000
$12,278,439,662
$11,848,478,808
$11,812,106,209
Two year reduction of almost 4% of payroll
2010-11
2011-12
2012-13


Ten Year History of School Employment in PA
Source: Bureau of Labor Statistics, US Department of Labor
285,000
280,000
275,000
270,000
265,000
260,000
255,000
250,000
245,000
263,962
267,202
269,257
272,095
272,158
272,200
274,776
278,574
279,856
269,318
256,718
Two year decline in school employment is more than 23,000 positions.
1/1/2002
1/1/2003
1/1/2004
1/1/2005
1/1/2006
1/1/2007
1/1/2008
1/1/2009
1/1/2010
1/1/2011
1/1/2012

Shedding Personnel/Shedding Payroll

- Pensions and Health Care are the leading causes of outsourcing any or all of the following:
  - ✓ Custodians
  - ✓ Food Service
  - ✓ Substitute Teachers
  - ✓ Technology Support
  - ✓ Bus Drivers
- Common Practice
  - ✓ Vacant positions are unfilled positions (attrition)
- Personnel is the cut of choice because it is known, immediate, significant and requires no up front cost to implement

What Drives School Budgets and Taxes?



Slots revenues are collected by state government. The money from slots is returned to homeowners through the homestead/farmstead exclusion. About $600 million now goes through schools to property tax payers.

The PA Three Step: Act 1 of 2006

- A school district is allowed to increase its property tax millage rate by the index.
- If expenses still exceed your revenues you may seek an exception(s).
- If you still need additional revenues, voters must approve any additional millage above the index and exceptions (back-end referendum).

Step One: Index limits the millage rate increase

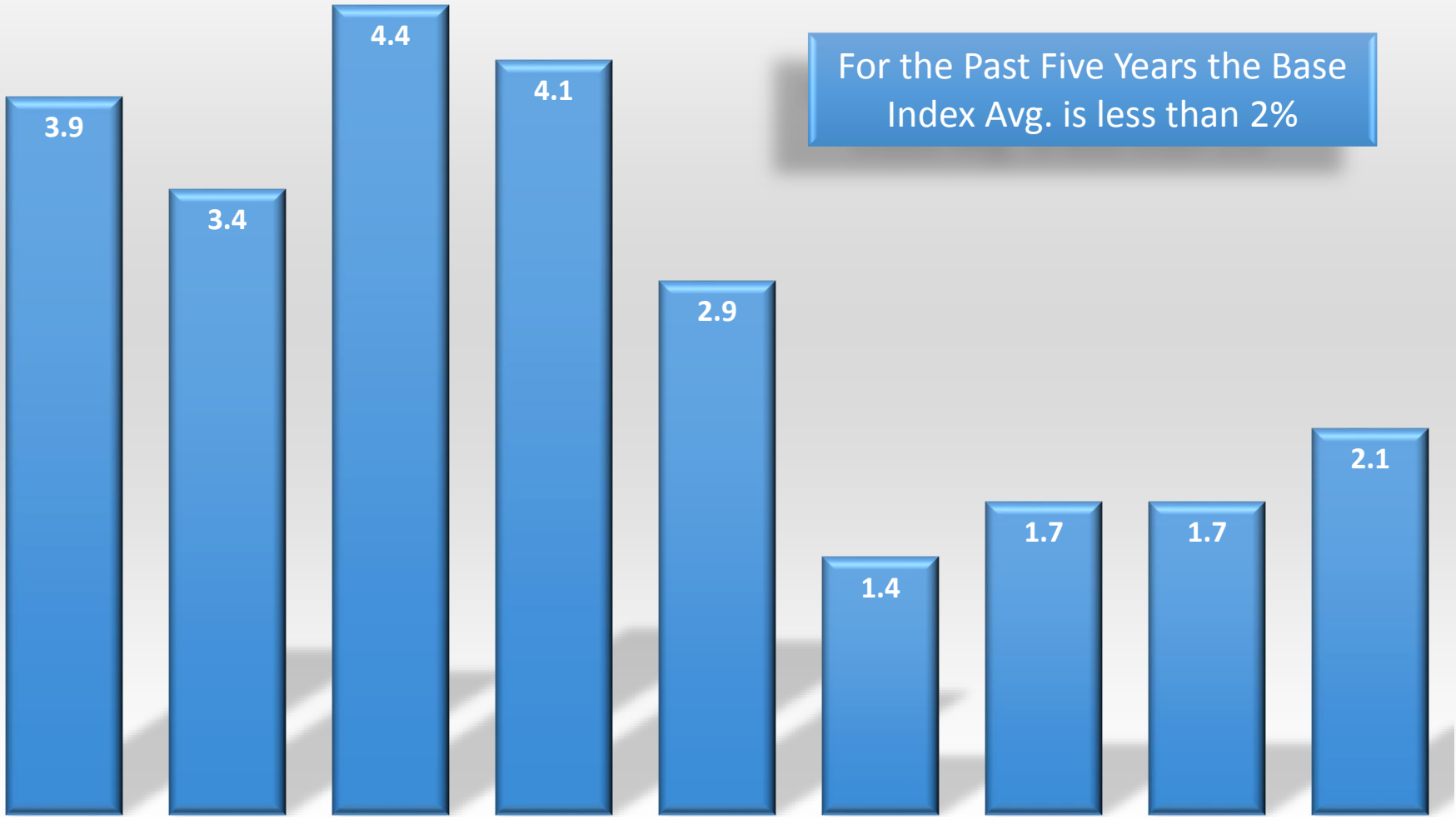
Step Two: Exceptions for dollar amounts created by additional millage (pensions and special education costs).

Step Three: For additional millage voters give approval at the primary election

The Index for All Districts

- The index = average of the SAWW and the ECI
- Statewide Average Weekly Wage (SAWW)
  - A state measure using earnings data
  - Capturing most sectors of industry within the state
- Employment Cost Index for Elementary and Secondary Education (ECI)
  - A national measure of compensation cost trends
  - Tracks employment costs specific to the public education sector
- Slight adjustment for SD's with an Aid Ratio of more than .4000—Adjusted Index (87 SD's at Base Index; average for 14-15 is 2.7%)

Act 1 Index % By FY



For the Past Five Years the Base Index Avg. is less than 2%

Act 1 Index Forecast

History and Forecast of the Act 1 Base Index (and Components)

Fiscal Year	SAWW[1/]	ECI	Act 1 Base Index
2006-07	4.2%	3.5%	3.9%
2007-08	2.8%	4.0%	3.4%
2008-09	4.3%	4.5%	4.4%
2009-10	4.6%	3.6%	4.1%
2010-11	2.7%	3.0%	2.9%
2011-12	0.9%	1.9%	1.4%
2012-13	2.1%	1.3%	1.7%
2013-14	2.0%	1.4%	1.7%
2014-15	2.7%	1.8%	2.2%
2015-16	2.5%	2.2%	2.3%
2016-17	2.4%	2.3%	2.3%
2017-18	2.3%	2.5%	2.4%

1/ For FY 2013-14 and thereafter the SAWW is calculated based on a three-year average.

Source: Independent Fiscal Office *Analysis of Senate Bill 1400 and House Bill 1776*

Referendum Exceptions—~~10~~

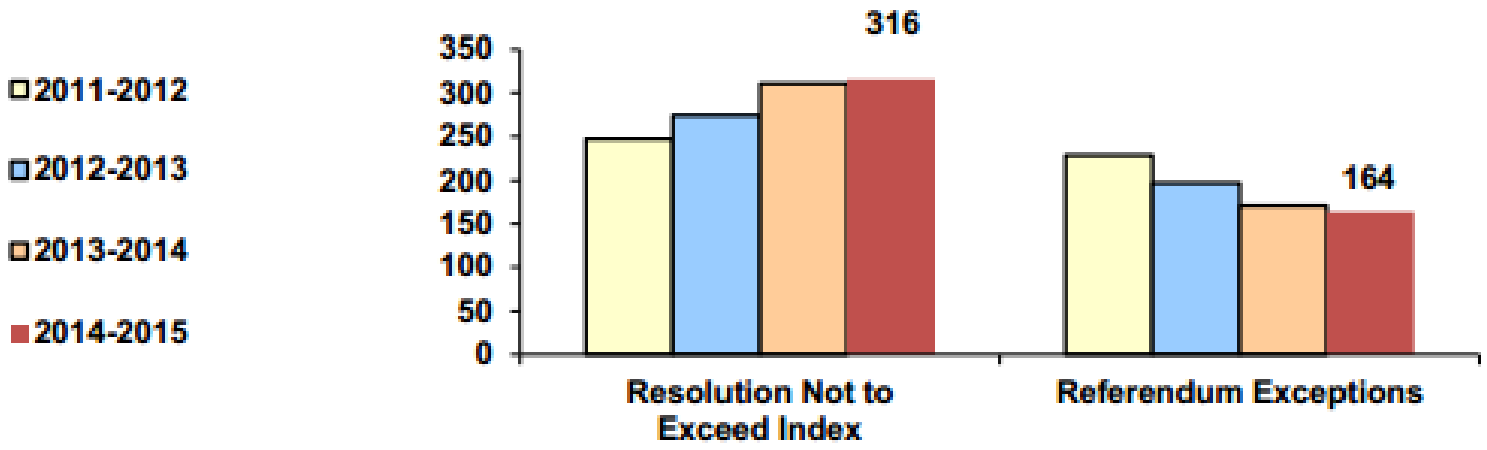
- ~~Emergencies and disaster response [CCC]~~
- ~~Court/administrative orders (state or federal) [CCC]~~
- **Principal and interest on debt [PDE]**
- ~~Costs to remedy an immediate threat of serious physical harm [CCC]~~
- **Special education cost increases [PDE]**
- ~~Costs for school improvement plan implementation [PDE]~~
- ~~Maintenance of per student local tax revenue or maintenance of the Average Instructional Expense per Average Daily Membership [PDE]~~
- **Retirement expenses [PDE]**
- ~~Maintenance of revenues from local taxes (income and real estate taxes) and state funding (basic and special education subsidies) [PDE]~~
- ~~Health care cost increases under a current collective bargaining agreement [PDE]~~

An Earlier Budget Process

- To accommodate the exception process and the potential for back-end referendum an accelerated budget timetable is required by Act 1.
- This earlier budget schedule increases the complexity of school district budgets since there is less actual data on which to base next year's costs and proposed state revenues have not been announced in the Governor's Budget.

Implications

- The “Index” has become the cap in the budgeting process.



Source: PDE

The Untold Story

Referendum Exceptions Utilized in Final Budgets Adopted by School Districts

If needed to balance the final budget, school districts have the option of using the total amount of approved referendum exceptions. However, as the following table indicates, the use of referendum exceptions has historically been less.

	Amount of Referendum Exceptions			Number of School Districts		
Budget Year	**Approved**	**Used**	**Percent**	**Approved**	**Used**	**Percent**
2008-2009	$143,189,572	$41,093,962	28.7%	102	66	64.7%
2009-2010	$84,853,037	$13,072,387	15.4%	61	18	29.5%
2010-2011	$192,420,114	$67,647,774	35.2%	133	84	63.2%
2011-2012	$265,830,906	$95,538,548	35.9%	228	135	59.2%
2012-2013	$159,942,625	$48,174,306	30.1%	197	105	53.3%
2013-2014	$121,708,954	$30,484,314	25.0%	171	93	54.4%
2014-2015	$121,097,346			164		

Source: PDE

Fiscal Accountability Measures for Schools

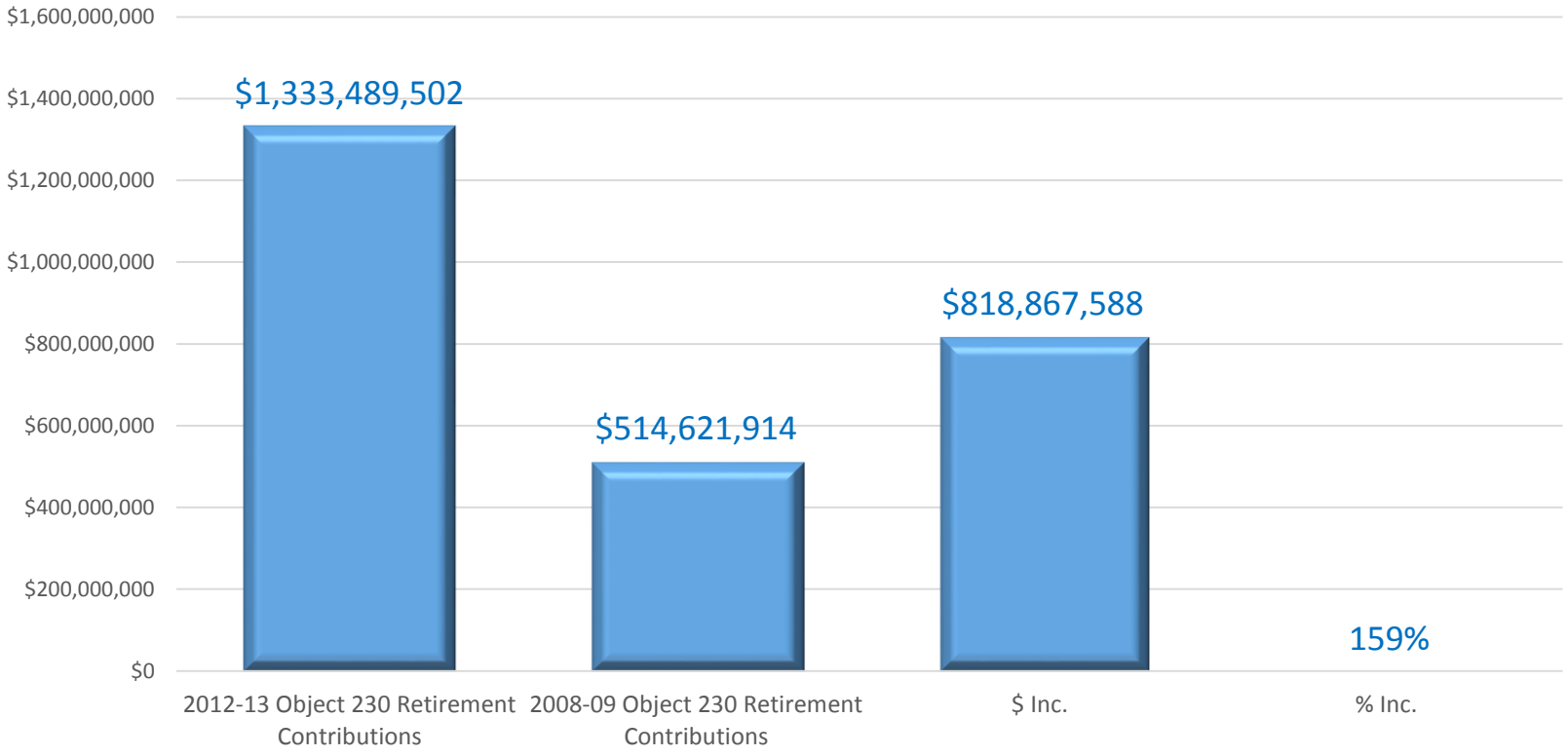
- State Audits
  - Financial
  - Operational
  - Bi-Annual

- **Delaware County**
  Southeast Delco School District
  Complied, in all significant respects, with applicable state laws, contracts, grant requirements and administrative procedures, except for two compliance related matters reported as findings regarding errors in reporting Social Security and Medicare wages resulted in a reimbursement net overpayment of $213,679 and the districting lacking sufficient internal controls over its student record data.
- **McKean County**
  Seneca Highlands Intermediate Unit 9
  Complied, in all significant respects, with applicable state laws, contracts, grant requirements and administrative procedures, except for on compliance related matter reported as a finding regarding a failure to have memoranda of understanding and one matter unrelated to compliance that is reported as an observation regarding insufficient internal controls over student record data.
- **Washington County**
  Washington School District
  Complied, in all significant respects, with applicable state laws, contracts, grant requirements and administrative procedures, except for one compliance related matter reported as a finding regarding internal control weaknesses and lack of supporting documentation for non-resident students resulted in questionable payments totaling $92,974.

Other Fiscal Accountability Measures for Schools

- Local Independent Audits
- Required Annually
- Required to comply with national accounting/auditing standards through the Government Accounting Standards Board (GASB)
- Complex and time consuming 300-500 hours

Pension Expense Increase 2008-09 to 2012-13



Escalation in Pension Costs (using $11 billion of Salary Expense)

Year	Salary Expense	Pension Rate	Pension Costs
08-09	11,000,000,000	4.76%	523,600,000
09-10	11,000,000,000	4.78%	525,800,000
10-11	11,000,000,000	5.64%	620,400,000
11-12	11,000,000,000	8.65%	951,500,000
12-13	11,000,000,000	12.36%	1,359,600,000
13-14	11,000,000,000	16.93%	1,862,300,000
14-15	11,000,000,000	21.40%	2,354,000,000
15-16	11,000,000,000	25.84%	2,842,400,000
16-17	11,000,000,000	29.27%	3,219,700,000
17-18	11,000,000,000	30.25%	3,327,500,000
18-19	11,000,000,000	31.28%	3,440,800,000
19-20	11,000,000,000	32.08%	3,528,800,000

Next FY rate will be highest rate in PSERS history breaking 1986 record.

527% increase or $3 billion

Total Charter Expenditure in 2012-13 = $1.3 Billion

	2012-13 Tuition to Charter Schools: Nonspecial	Inc. from previous	2012-13Tuition to Charter Schools: Special	Inc. from previous
2012-13	$ 917,767,997	8%	$ 350,562,879	19%
2011-12	$ 850,257,860	14%	$ 294,991,093	37%
2010-11	$ 743,619,296	18%	$ 216,084,416	24%
2009-10	$ 631,483,811		$ 174,137,927	

	Total Charter Payments		Total Charter Payments	
2007-08	$ 527,943,681	2012-13	$ 1,268,330,876	140%

Long-Standing Cost Savings Initiatives

- Special Education
- Health Care Consortia in virtually every IU
  - ❑ Keys to Success
  - ❑Allegheny County Health Care Consortium
  - ❑PA Trust
- Purchasing Consortia
  - ❑School Supplies
  - ❑School Lunch Programs
- Energy Consortia
  - ❑ Electric
  - ❑Natural Gas
- Transportation
  - ❑Pupil Transportation
  - ❑Fuel Purchasing

Long-Standing Cost Savings Initiatives

- IU joint services to districts
  - ❑ Administrative/Educational
  - ❑Payroll, Personnel Searches, Interim Assignments, Purchase of Business Office Services, Technology, ACCESS Billing, Strategic Planning, County Wide Earned Income Tax Collection Transition Services, etc.

500 Cost Reduction Strategies for Local Education Agencies

A Product of the PASBO Benchmarking Committee
Originally drafted by Robert Schoch, PRSBA
(2003)
Revised 2010-2011
(March 18, 2011)

Strategies for Local Education Agencies
2014 Edition

(Includes All of the 2011-2013 Strategies and New Strategies for 2014)

Fund Balance In Perspective

- Additional fund balance for 2012-13 was created by a 1.7% differential between revenues and expenses.
- Fund balance not committed to future expenses and projects represents about one month of expenses
- State law provides for a range of allowable fund balance between 8% and 12% of expenditures depending on size of budget. Districts can exceed this percentage limit but they cannot raise property taxes.
- In addition to Act 1 and the cost of pensions, fund balance has increased as a result of failed state commitments to programs such as PlanCon and Special Education.

Fund Balance History

Fund Balance Total for SD's				
FY	Committed Fund Balance 0830	Assigned Fund Balance 0840	Unassigned Fund Balance 0850	Total
2012-13	$ 1,484,599,106	$ 775,700,543	$ 1,723,587,607	$ 3,983,887,256
	Post Act 1	Unreserved - Designated Fund Balance 0771	Unreserved - Undesignated Fund Balance 0772	Total
2008-09		$ 871,893,501	$ 1,641,513,729	$ 2,513,407,230
2003-04	Pre-Act 1	$ 345,133,074	$ 1,150,488,101	$ 1,495,621,175
1998-99		$ 149,868,704	$ 1,317,822,132	$ 1,467,690,836

1966 Formula (Act 580)

- The law transitioned funding based on teaching units to a formula based on district wealth (Aid Ratio) times Actual Instructional Expense per Weighted Average Daily Membership (WADM) times the district's WADM. There was also additional state support based on poverty, density or sparsity, home bound instruction and vocational education.
- Additionally, Act 580 set the level of state support at 50% of reimbursable costs. This funding framework remained in place until 1983.

1983 Equalized Subsidy for Basic Education (Act 31)

- The ESBE formula:
  - Aid Ratio times Factor For Educational Expense (FEE) and times WADM.
  - The FEE was set at $1,650 and
  - Additional funding by an Economic Supplement that used poverty, local tax effort and population per square mile as factors.
- The legislation creating ESBE removed the 50% state share and added a minimum annual increase of 2%. The ESBE formula determined state funding for schools through the 1991-92 fiscal year.

Since 1991-92

- Hold Harmless (funding level from previous year) + supplemental funding
- "…made on an ad hoc basis with the purposes and target of additional funding changing annually depending on transient administrative and legislative priorities. The bases for supplemental payments have included: low wealth, low expenditure, poverty, limited revenue, small district assistance, enrollment growth, minimum funding increases, tax effort, meeting foundation levels, limited English proficiency and performance."

---Dr. William T. Hartman, Penn State University

Except for the Costing-Out Study 2008-10 (Act 114-2006)

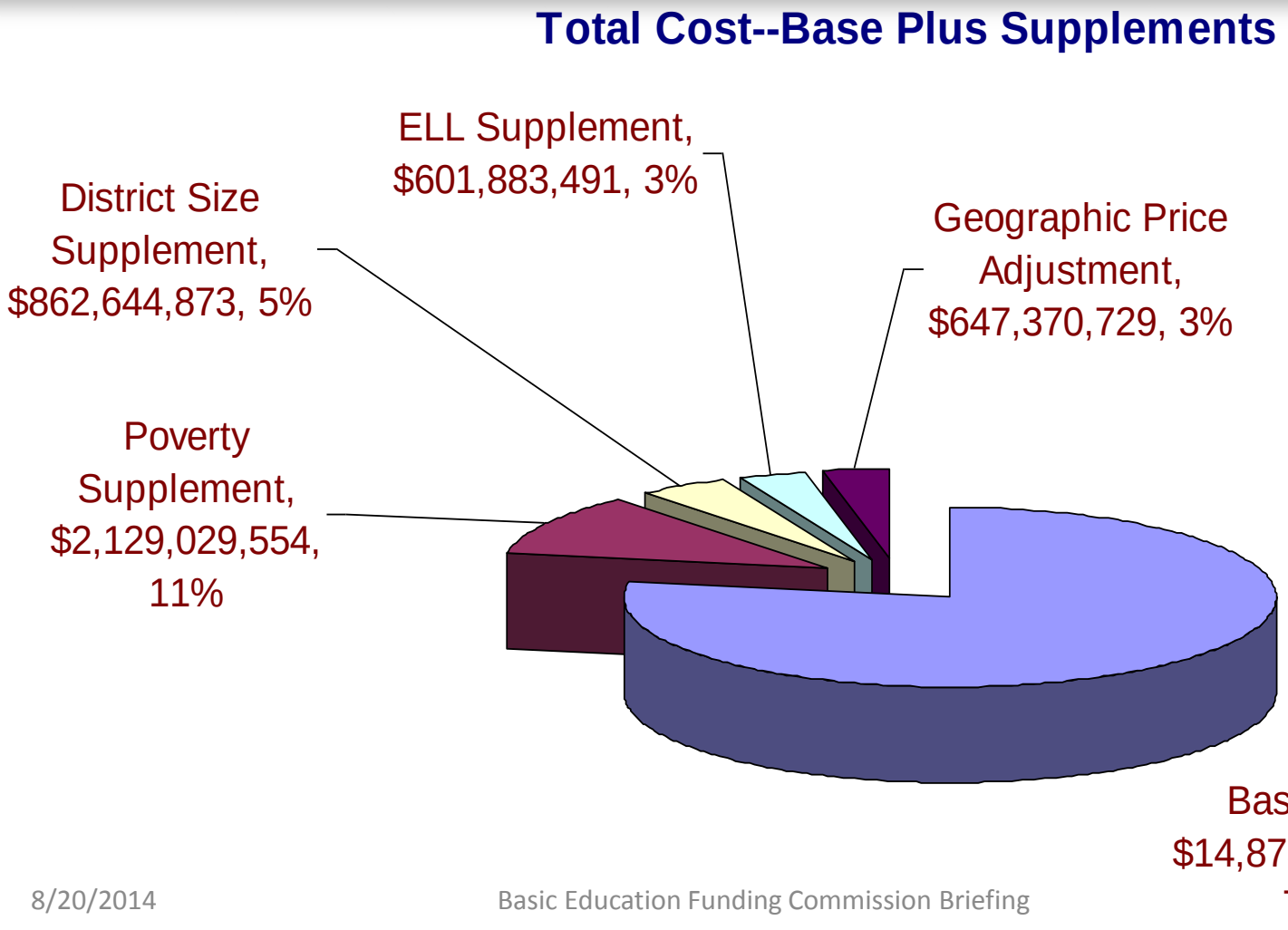
- **Base Cost** — of educating an average child to meet state performance expectations. Does not include food service costs, transportation costs, community services, adult education capital or debt service.
- **Cost Weights** — for educating students with special needs—poverty, special education, gifted, ELL to meet the standards
- **Cost Factors** — associated with differences between school districts based on size, enrollment trends, and regional cost of living.

Other Costs

- Transportation costs treated separately
- Capital expenditures, sinking fund and debt services not treated
- Food service not treated

(Costs associated with these functions are in addition to those identified in the report.)

Costing Out Study Distribution



Predictability Will Increase…

- *Efficiency*—with a predictable state funding base school districts will be able to budget with increased accuracy
- *Planning*—the ability to estimate at least short term state funding allows districts to look at finances over time rather than simply year to year
- *Fairness*—changes in district demographics or student needs will have a cause and effect outcome on state funding
- *Transparency*—school leaders will have a sense of understanding of a process which emphasizes data driven decisions rather than having political winners

Predictability Will Improve the Budget Process by Reducing Guesswork

- January 30, 2014 – preliminary budget public display or vote to stay within the Act 1 Index
- February 4, 2014— Governor's Budget Message
- February 19, 2014 – Preliminary budget adoption deadline
- February 27, 2014— deadline to publish notice for referendum exceptions

- All major decisions on school budgets are required to be completed before the state budget is even announced and long before any final decision is made on school funding in the appropriations process.

School Funding Survey

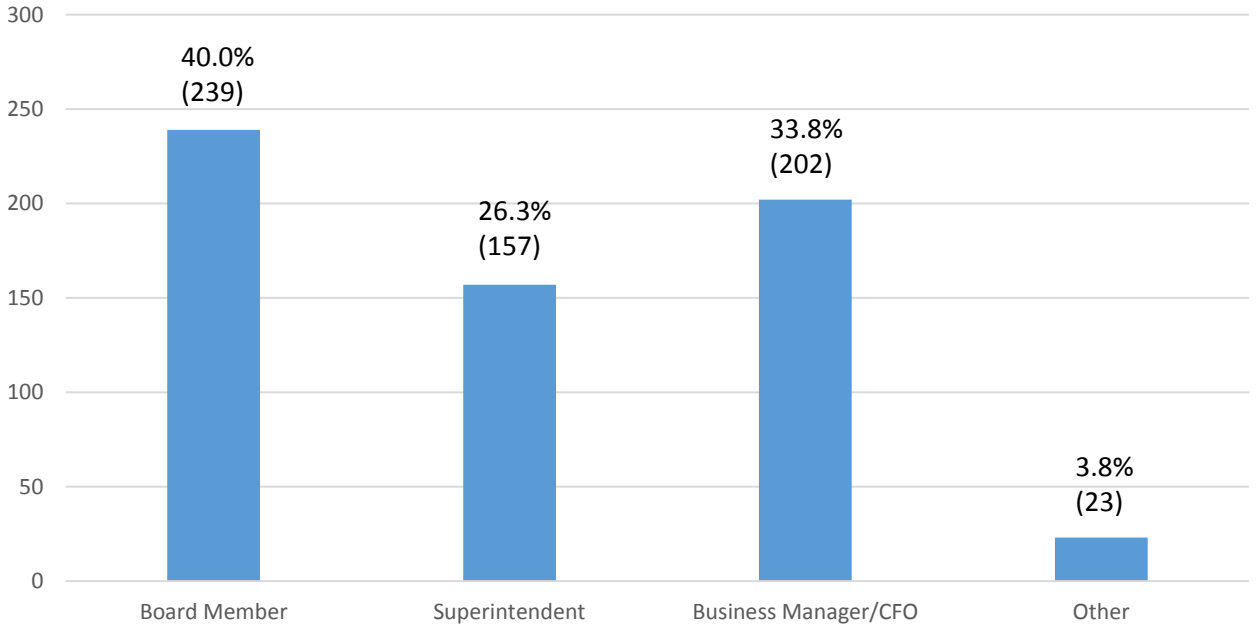
In February, 5 education groups [PARSS, PASA, PASBO, PSBA and the IU 10 Educational Foundation] prepared a school funding survey that was released to members of each association.

The goals of the survey were to:

- Identify the key factors that should be incorporated into a new basic education funding formula
- Determine the appropriate level of state participation in education funding
- Ascertain the role of hold harmless in a new basic education funding formula

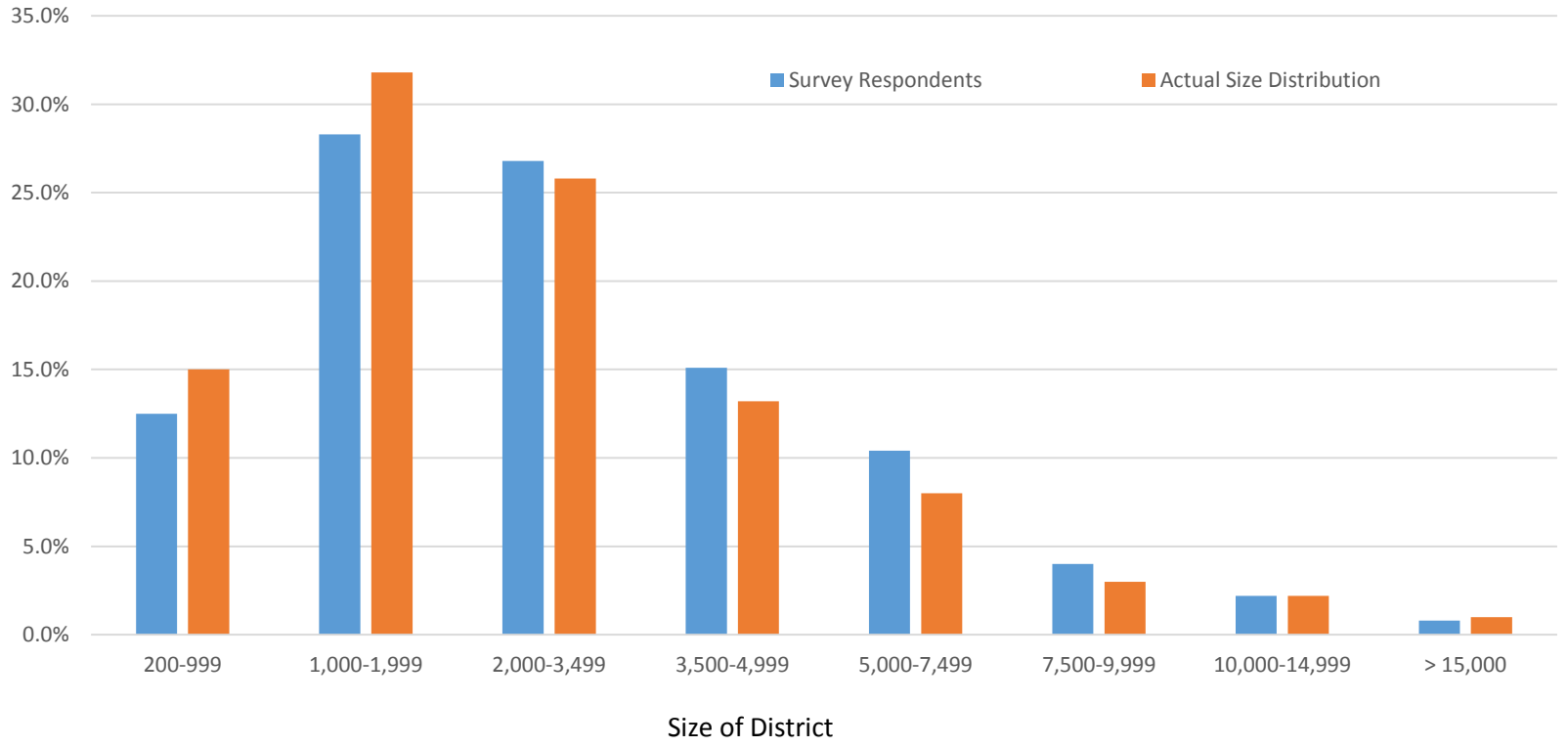
School Funding Survey-Respondent Demographics

Nearly 600 school business officials, school superintendents, and school board members participated in the survey.



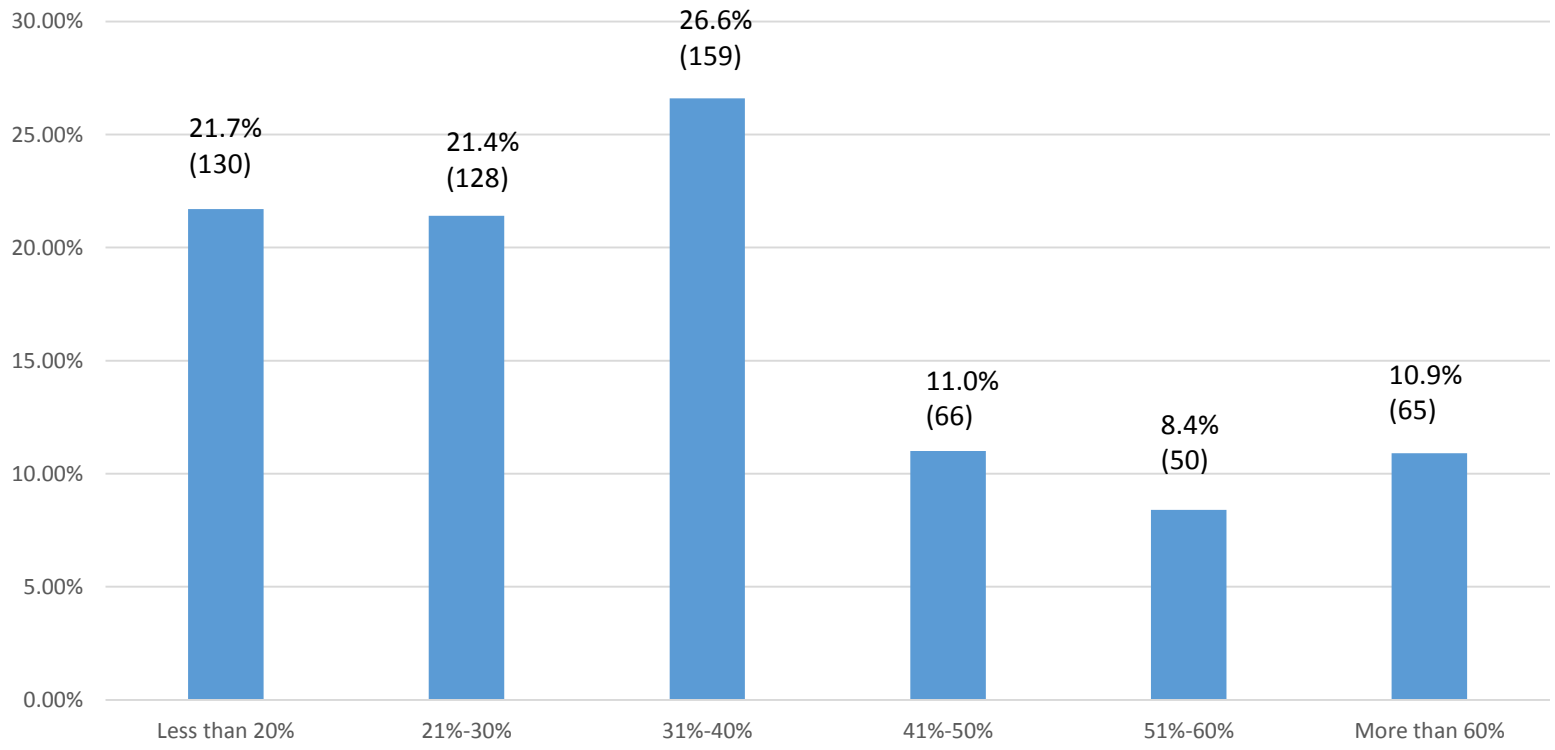
School Funding Survey-Respondent Demographics

The distribution of survey respondents by size generally mirrors the actual distribution of districts by size.



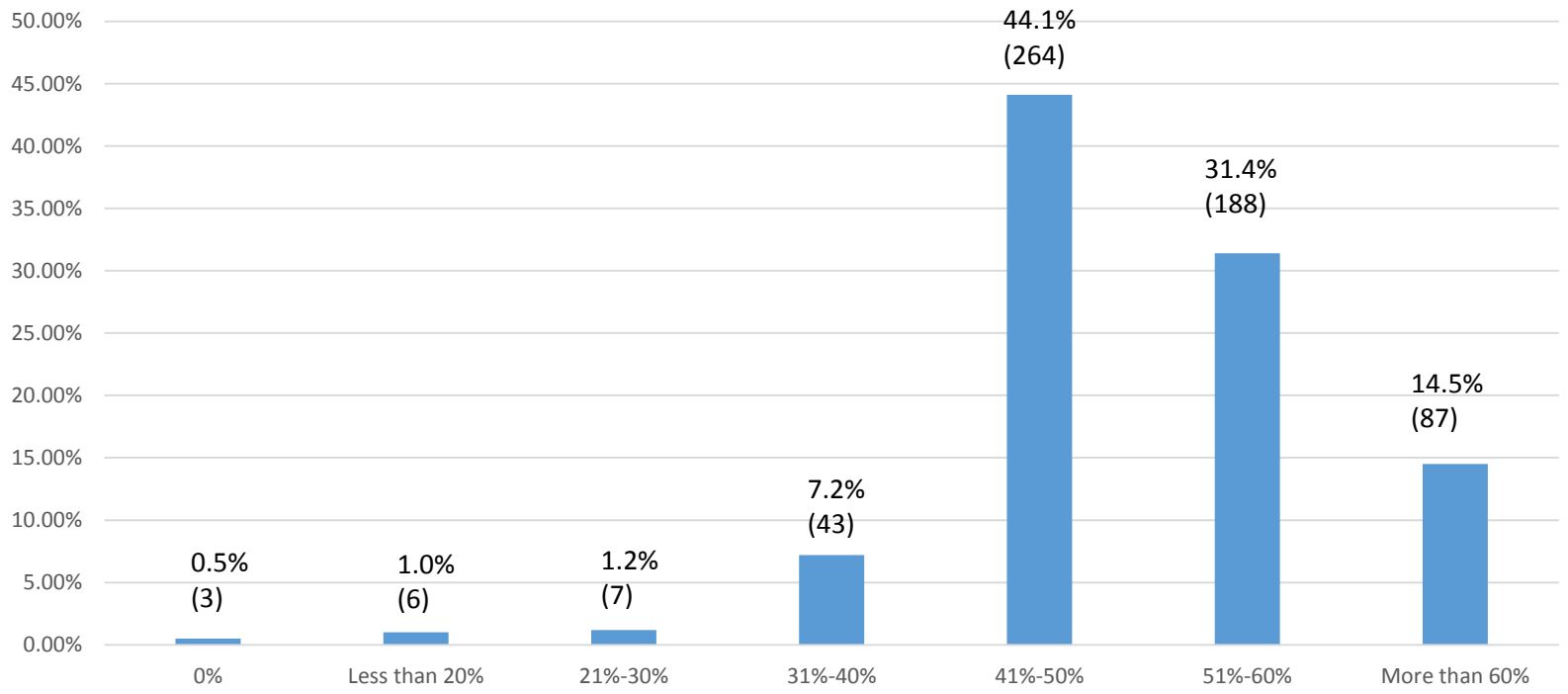
School Funding Survey-Respondent Demographics

The vast majority of survey respondents receive less 40% or less in state funding.



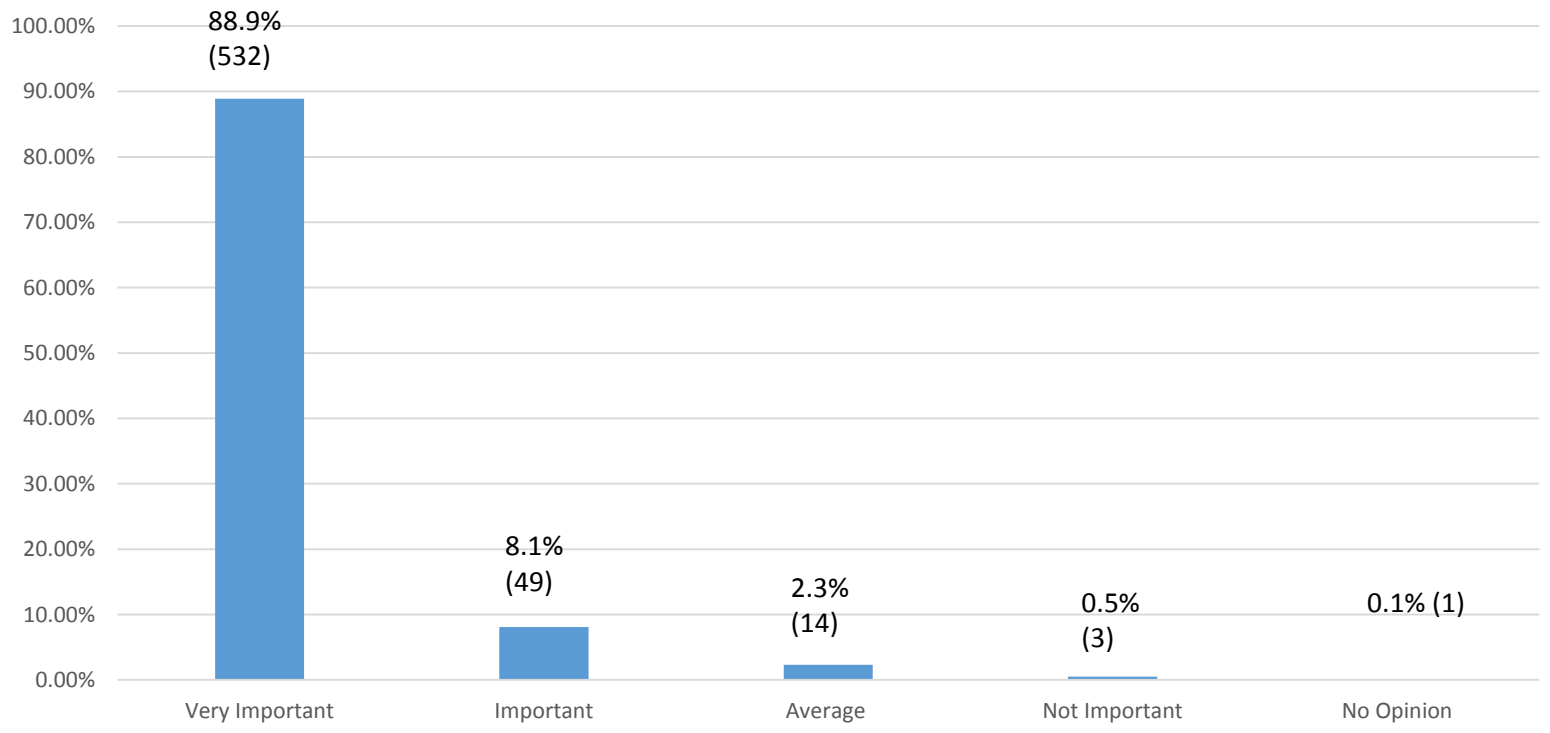
School Funding Survey-Results

The vast majority of survey participants believe the state should contribute up to 50% of all education funding to school districts.



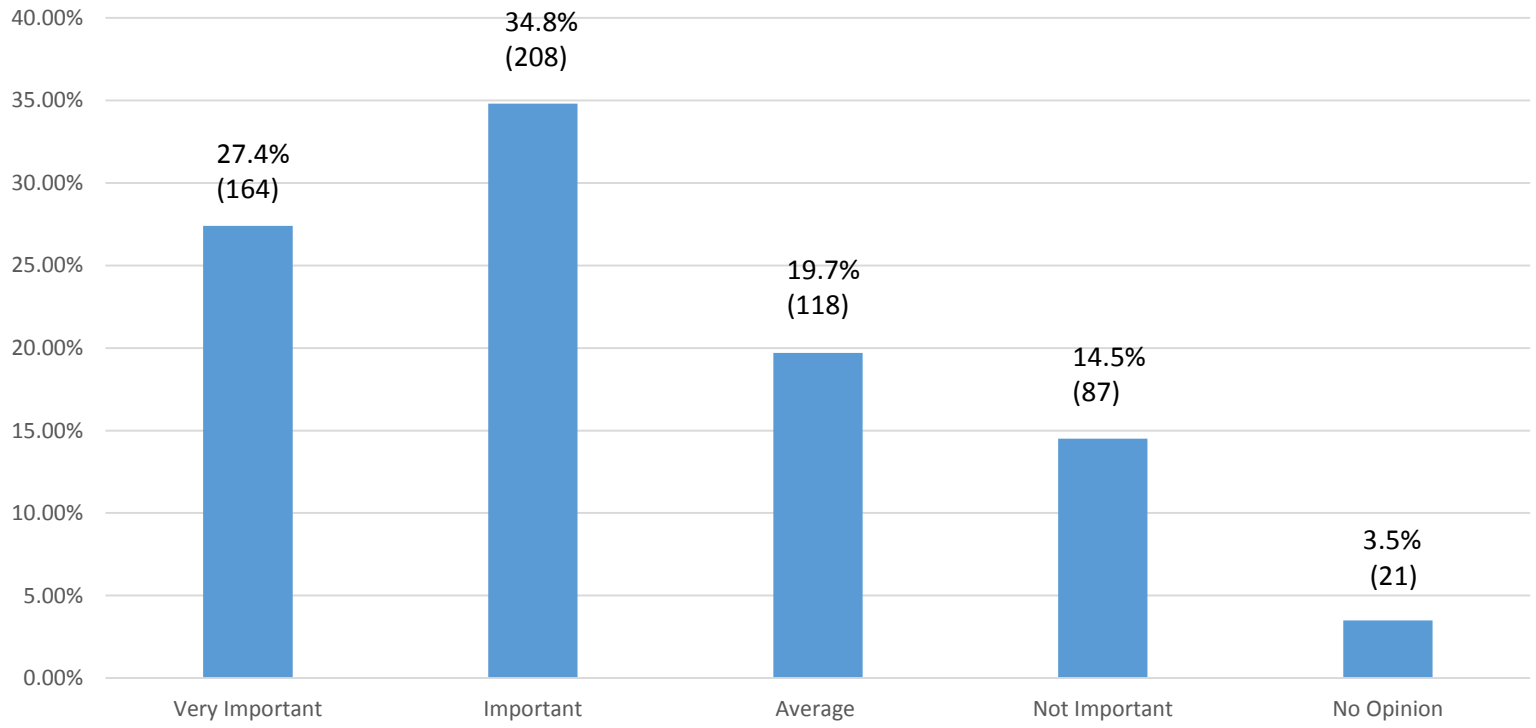
School Funding Survey-Results

How important is predictability in a basic education funding formula? VERY Important.



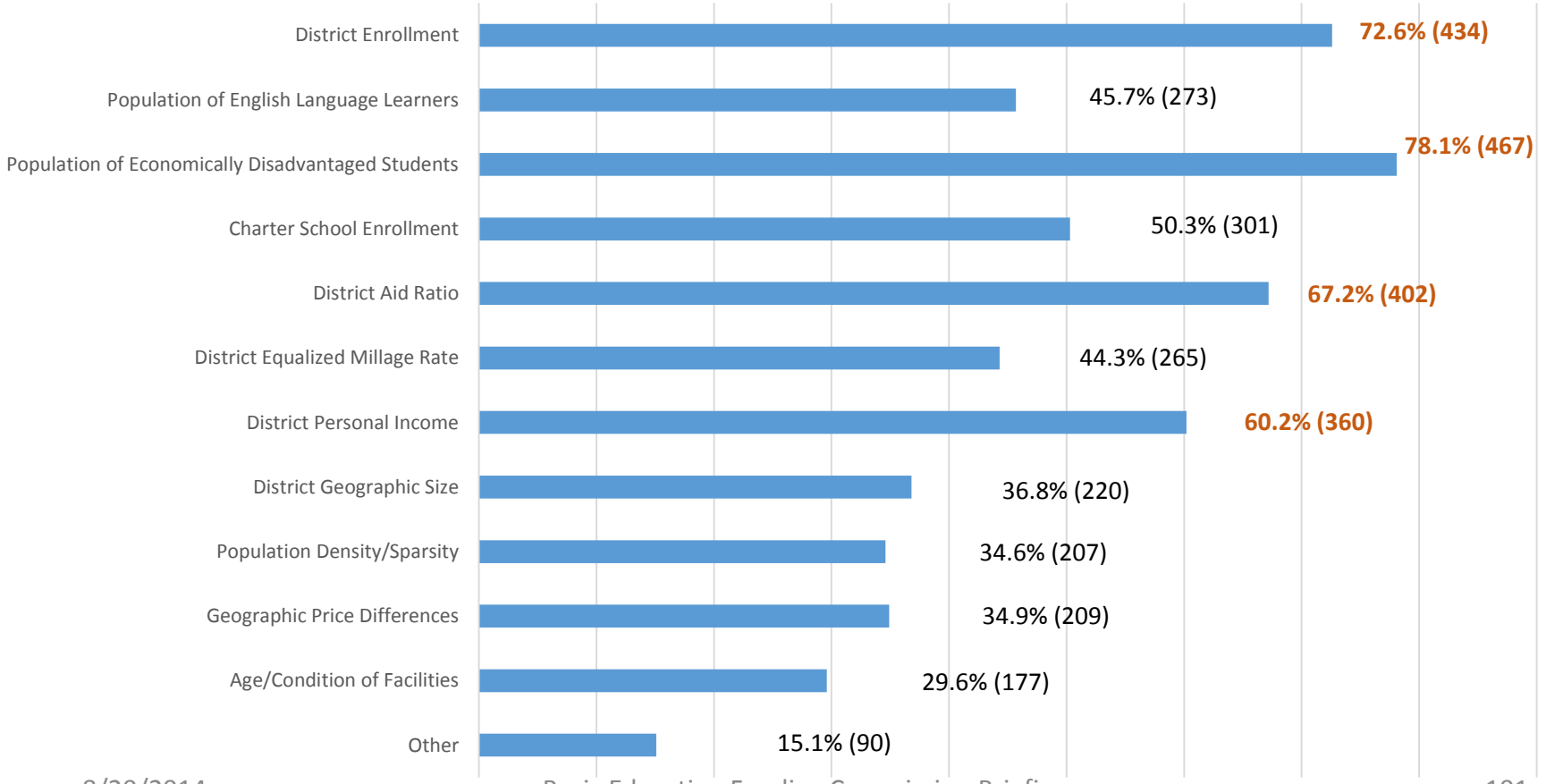
School Funding Survey-Results

A majority of respondents believed that a school districts local tax burden-compared to districts of similar wealth is an important factor in a basic education funding formula.



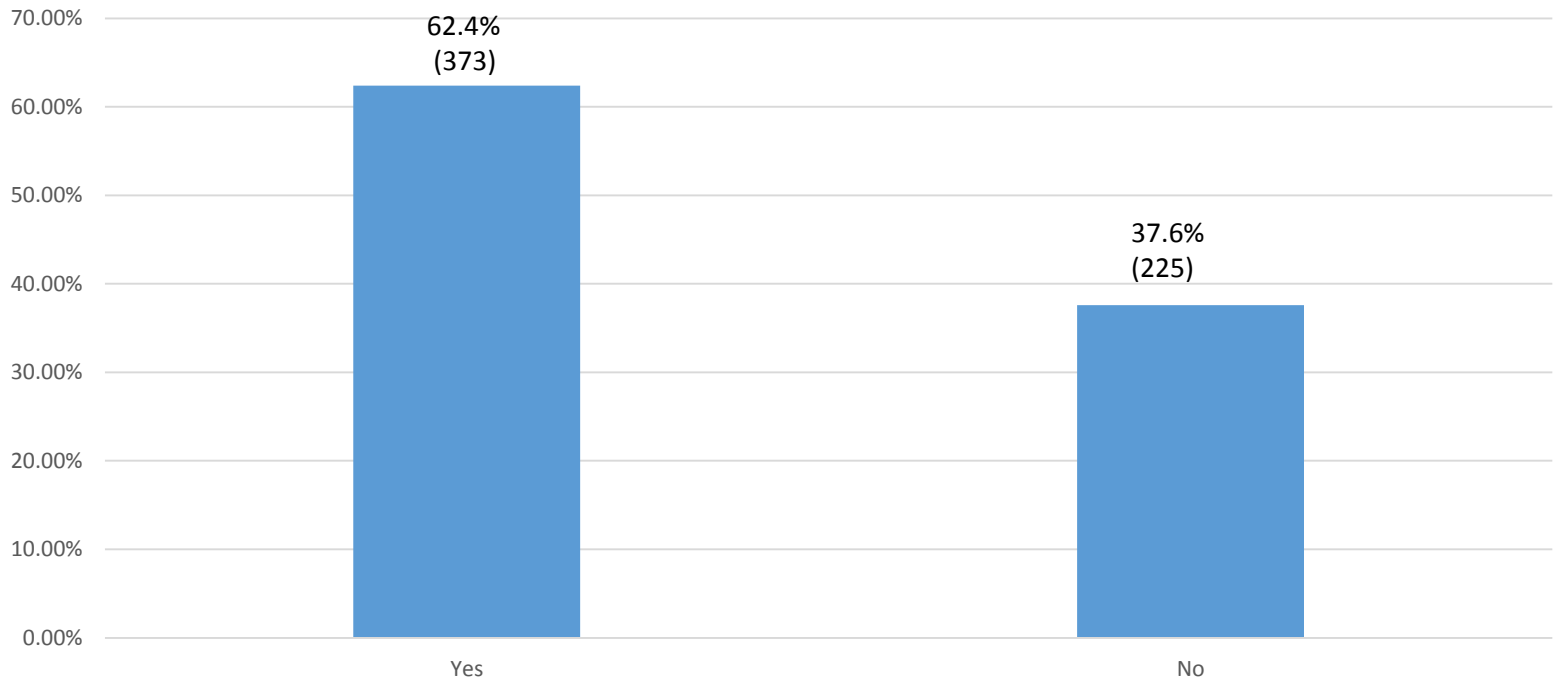
School Funding Survey-Results

Other factors to consider in a basic education funding formula:



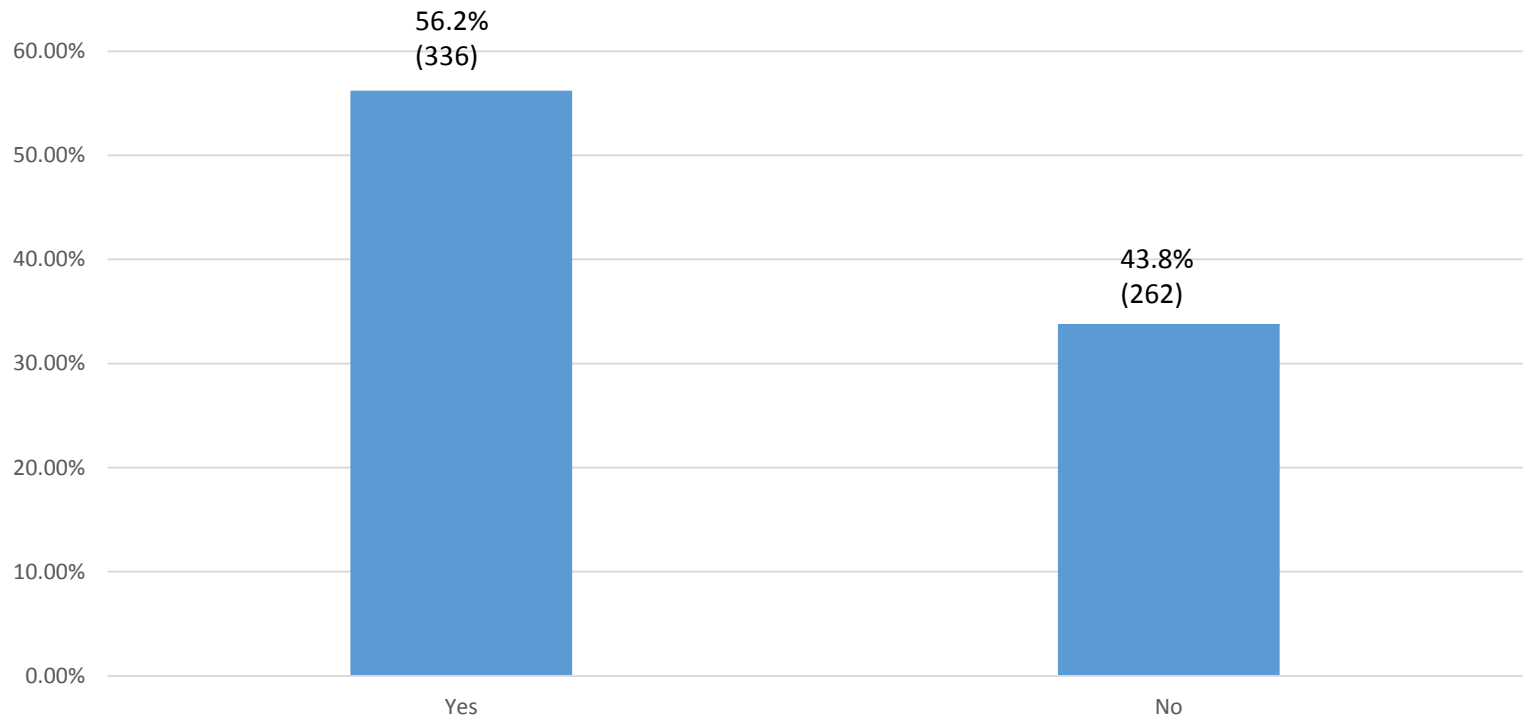
School Funding Survey Results—Taxes

The majority of survey respondents believe a school funding formula should require a minimum local property tax effort in each school district.



School Funding Survey-Results Hold Harmless

The majority of survey respondents believe that hold harmless should be eliminated.



Questions and Answers

Thank you for your time and attention.