

# PSBA Winter Town Hall Series

Section 6 – March 1, 2017

John Callahan, Assistant Executive Director  
Andrew Christ, JD, Education Policy Analyst



## Governor Wolf's Budget Proposal

- Difficult budget year expected.
- IFO projected budget deficit of \$3 billion.
- Governor Wolf's budget increases spending 1.8%.
- Includes \$2.1 billion in reduced spending:
  - Cost savings from improved fiscal management.
  - Consolidation of services/programs.
- Includes \$1 billion in revenue enhancements:
  - Severance tax.
  - Closing tax loopholes.



©2017 PSBA

## Governor Wolf's Budget Proposal

- Despite projected deficit, Governor Wolf proposed \$12.2 billion in education spending.
  - A \$458 million (3.9%) increase from 2016-17.
- Highlights
  - More BEF and Special Education money.
  - Significant investment in early childhood education.
  - Decrease in transportation as part of cost savings proposal.
- Budget outlook
  - On time?
  - How much will the Governor get?



©2017 PSBA

## BEF Funding History



©2017 PSBA

## The Governor's Numbers

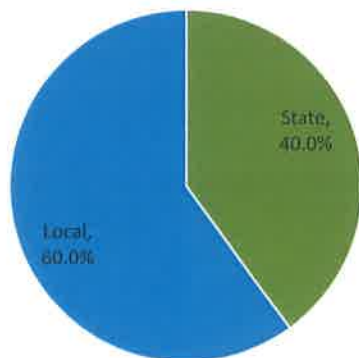
(In Thousands)	2016-17 Budget	2017-18 Proposal	Difference
Basic Education	\$5,895,079	\$5,995,079	\$100,000
Ready to Learn	\$250,000	\$250,000	\$0
Special Education	\$1,096,815	\$1,121,815	\$25,000
Early Intervention	\$252,159	\$263,878	\$11,719
Pre-K Counts	\$147,284	\$212,284	\$65,000
Head Start	\$49,178	\$59,178	\$10,000
Pensions	\$2,064,000	\$2,304,000	\$240,000
Social Security	\$492,082	\$529,500	\$37,418
Transportation	\$549,097	\$499,097	(\$50,000)
Nonpublic Transportation	\$80,009	\$80,009	\$0
Career & Technical Ed	\$62,000	\$62,000	\$0
Assessments	\$58,300	\$58,300	\$0



©2017 PSBA

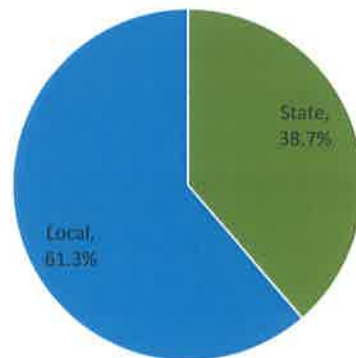
## Education Revenue Sources

State/Local Shares: 1994-95



Difference - \$2.3 billion

State/Local Shares: 2014-15



Difference - \$7.7 billion



©2017 PSBA

## Education Revenue Sources

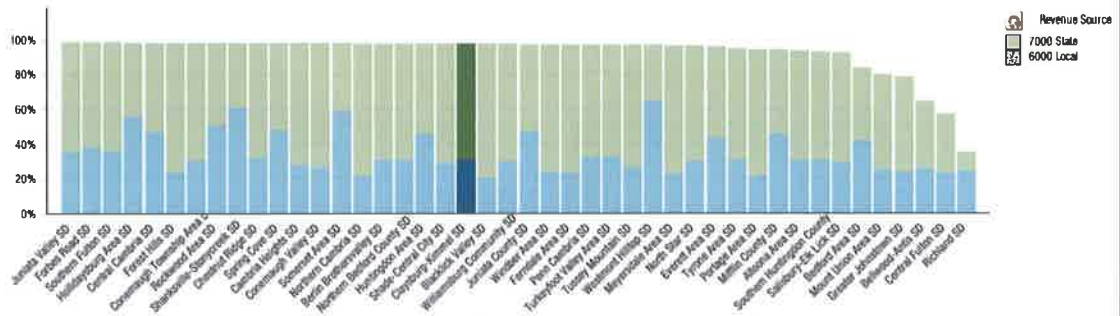
	Percent of Revenue from State Sources	Rank	Percent of Revenue from Local Sources	Rank
National Average	46.7%	-	44.7%	-
Delaware	59.8%	11 <sup>th</sup>	33.2%	37 <sup>th</sup>
West Virginia	58.1%	14 <sup>th</sup>	31.9%	38 <sup>th</sup>
Maryland	44.3%	30 <sup>th</sup>	49.9%	15 <sup>th</sup>
Ohio	42.2%	33 <sup>rd</sup>	50.3%	14 <sup>th</sup>
New Jersey	40.3%	37 <sup>th</sup>	55.5%	6 <sup>th</sup>
New York	40.6%	36 <sup>th</sup>	53.9%	10 <sup>th</sup>
<b>Pennsylvania</b>	<b>37.2%</b>	<b>46<sup>th</sup></b>	<b>56.3%</b>	<b>4<sup>th</sup></b>



U.S. Census Bureau, Public Education Finances 2014

## Education Revenue Sources

2014-15 State/Local Revenue Shares

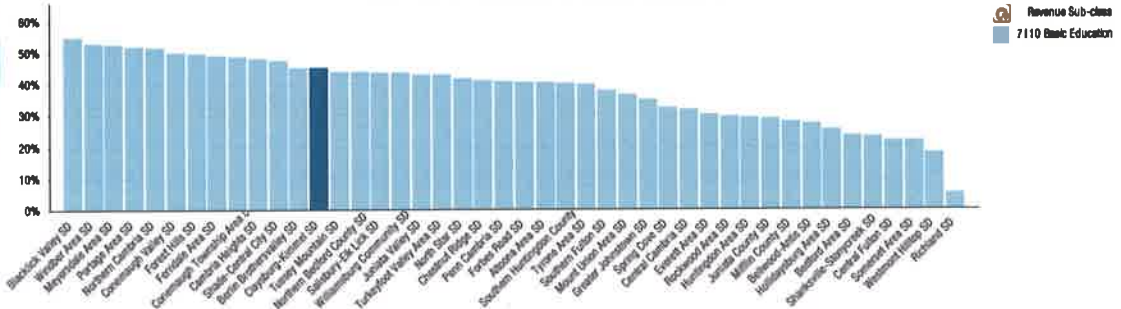


Powered by

**eidex**  
data | context | insight

## Basic Education Funding

BEF as a Percent of Total Revenue



©2017 PSBA

Powered by

**eidex**  
data | context | insight

## Basic Education Funding

- Governor Wolf's budget proposal
  - \$100 million increase in BEF (a 1.7% increase).
  - Total of nearly \$6 billion.
- Would mean \$452 million in new money passed through new BEF Formula.
  - All districts would see an increase in BEF funding.
    - Waiting for formula factors to be updated.
  - **If \$0 increase** – some districts could see a reduction in BEF funding from last year.
    - Would not be less than 2013-14 BEF, but could be less than 2016-17.



©2017 PSBA



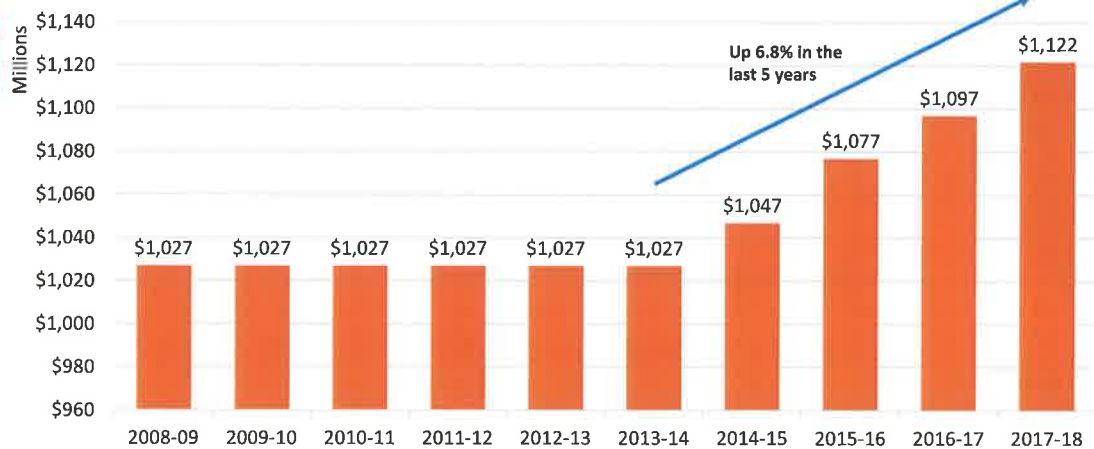
## Special Education

- Increasing costs have become a major cost driver.
  - Special education expenditures have increased 44.6% since 2007-08.
  - State special education funding has increased 8.6% since 2007-08.
- Governor Wolf's budget proposal
  - \$25 million increase in special education (a 2.3% increase).
    - Total of more than \$1.1 billion.
    - \$90 million in new special education funding run through SEF Formula.
  - \$11.7 million increase in early intervention.

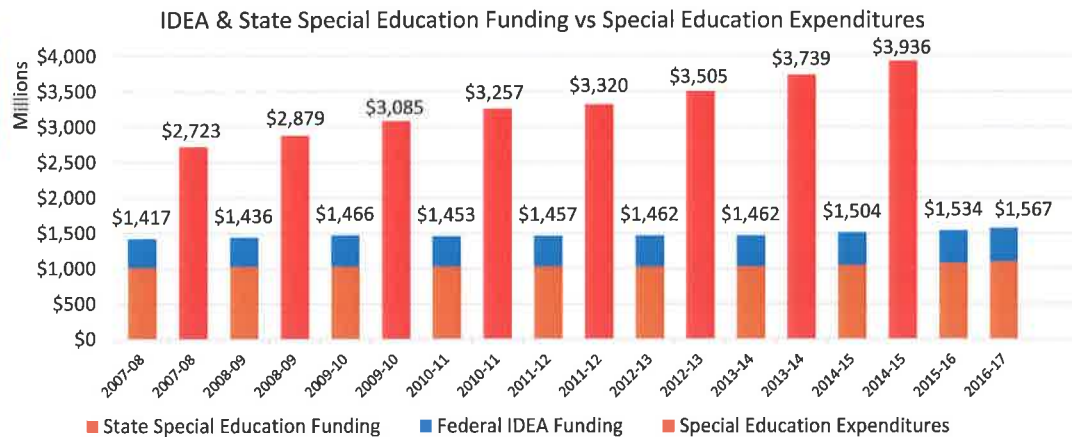


## Special Education

State Special Education Funding



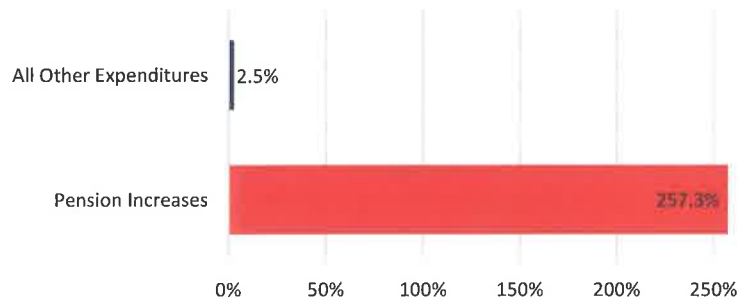
## Special Education



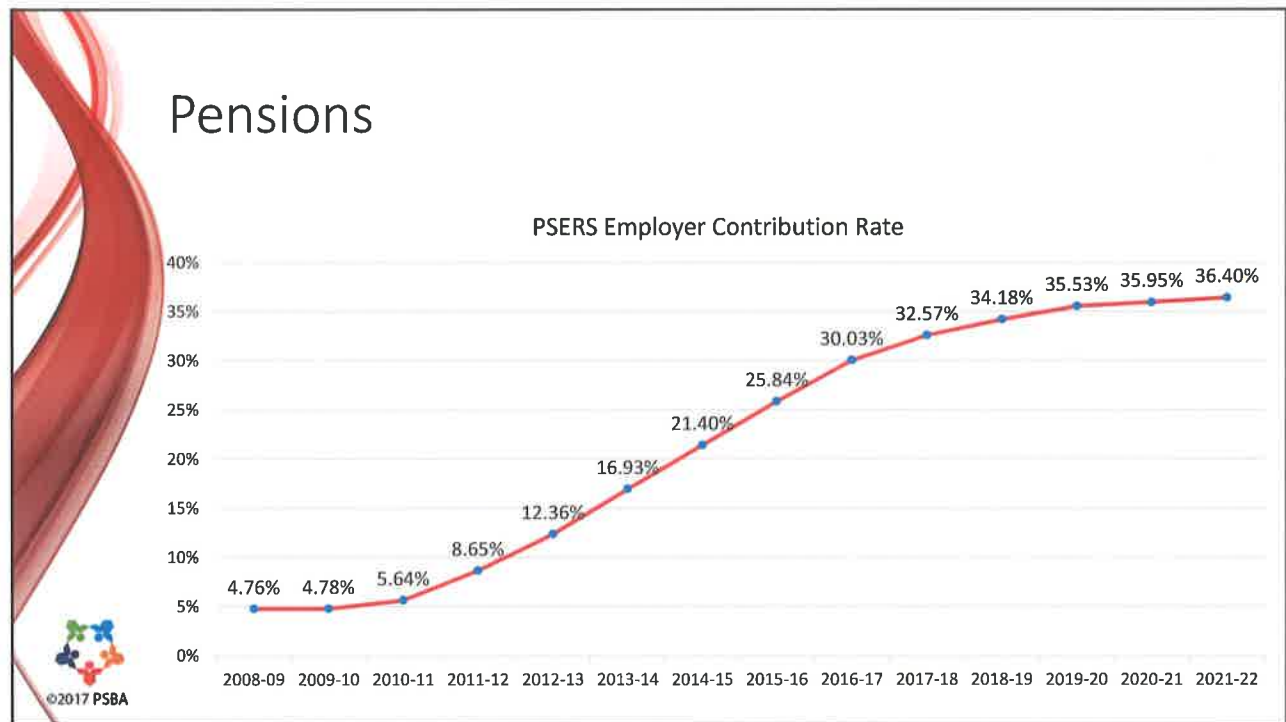
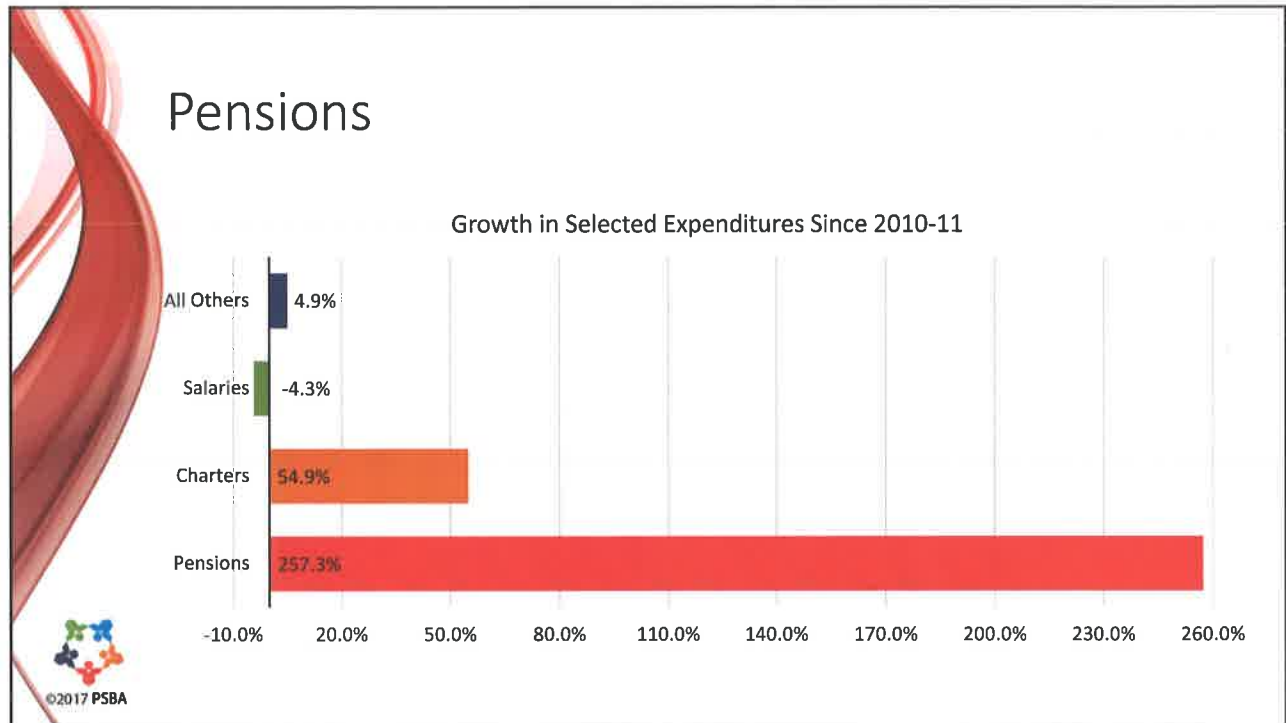
©2017 PSBA

## Pensions

- In a recent PSBA survey, nearly 85% of school districts said pension costs were the single biggest source of budget pressure.
- Employer contributions are up **257%** between 2010-11 and 2014-15.



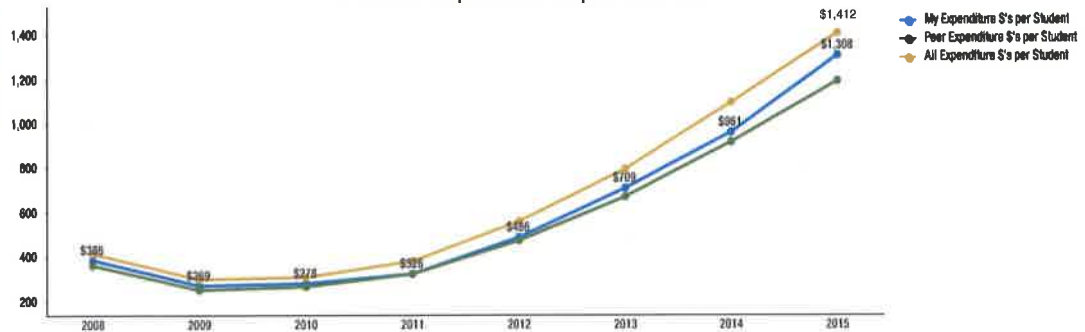
©2017 PSBA





## Pensions

Pension Expenditures per Student



©2017 PSBA

Powered by

**eidex**  
data | context | insight

## Pensions

- Governor Wolf's budget proposal
  - Additional \$240 million in School Employees' Retirement funding (an 11.6% increase).
  - Total of more than \$2.3 billion.
- The state share is 50-55% of employer pension contributions.
- A \$240 million increase in state contributions could mean an increase of \$196-\$240 million for school districts.



©2017 PSBA

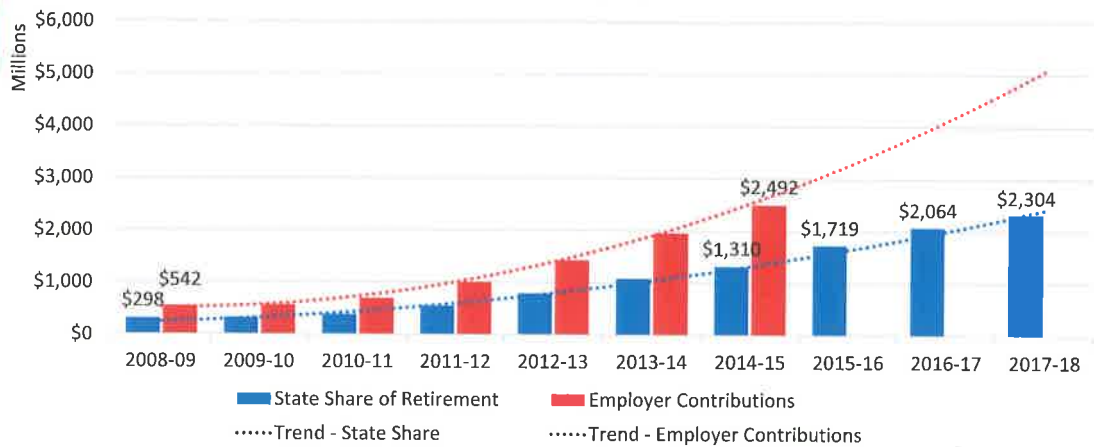
## Pensions

	2010-11	2011-12	2012-13	2013-14	2014-15
Total Pension Contributions	\$690,653,250	\$1,003,784,090	\$1,428,867,135	\$1,951,394,549	\$2,492,432,881
State Share	\$377,716,232	\$547,169,914	\$789,113,550	\$1,077,502,523	\$1,310,418,049
Local Share	\$312,937,018	\$456,614,176	\$639,753,585	\$873,892,026	\$1,182,014,832

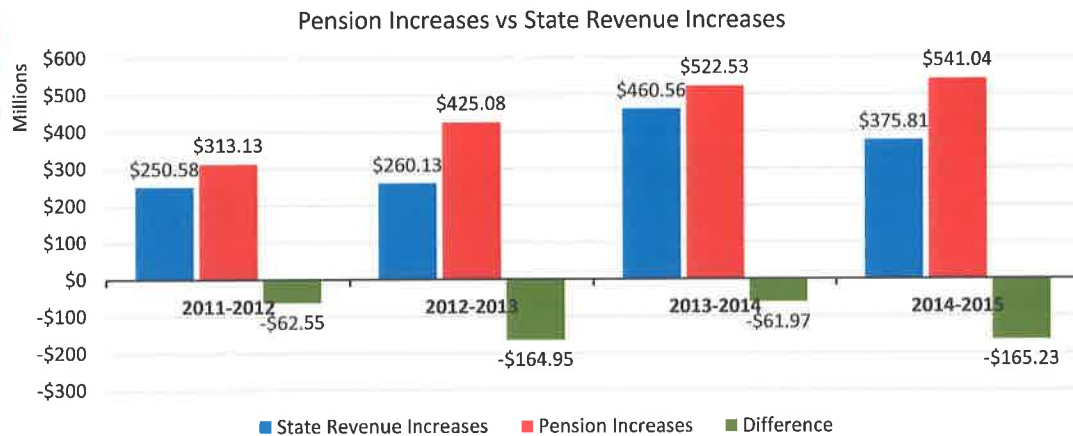


## Pensions

Pension Trends – State and Employer Contributions



## Pensions



©2017 PSBA

## Local Impacts

- Increases in BEF and special education (less a decrease in transportation) will be eaten up by increases in pension costs alone.

	2017-18 Gov. Proposal
Basic Education	\$100,000,000
Special Education	\$25,000,000
Transportation	(\$50,000,000)
Retirement estimate (45% of state increase)	(\$196,000,000)
Net Change	(\$121,000,000)

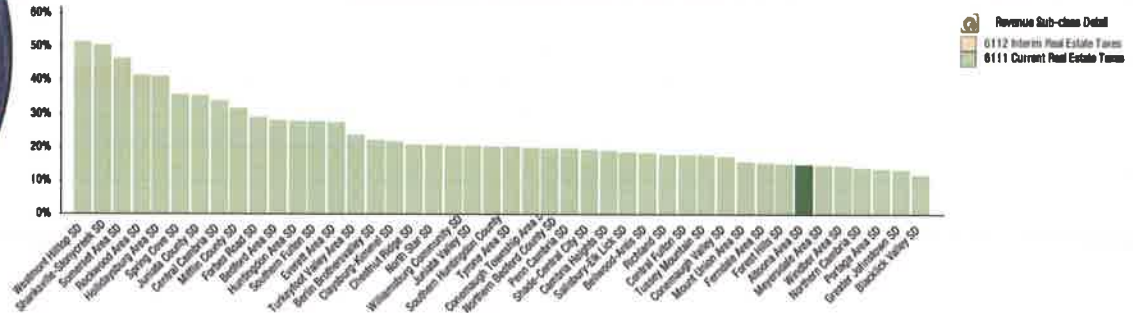
- Bottom Line** - A continued reliance on local revenue sources.



©2017 PSBA

## Local Impacts

Property Taxes as a Percent of All Revenue



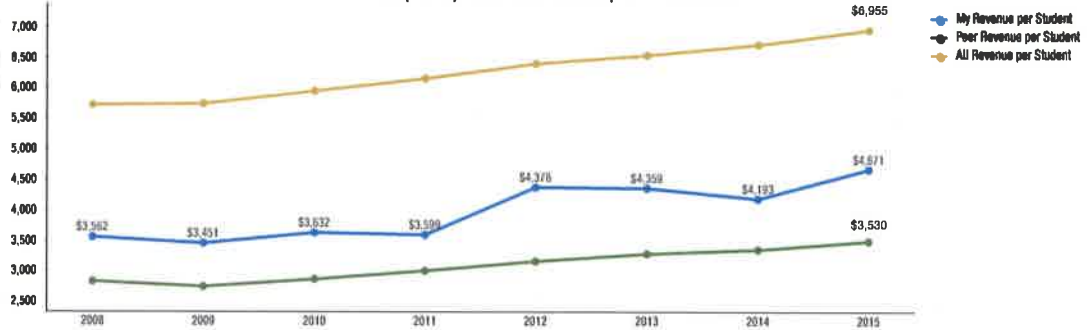
©2017 PSBA

Powered by

**eidex**  
data | context | insight

## Local Impacts

Property Tax Revenue per Student



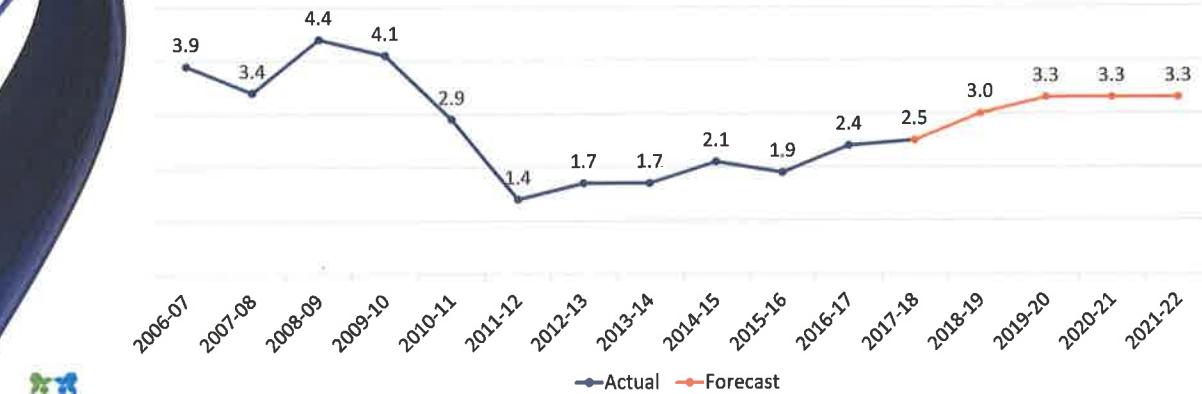
©2017 PSBA

Powered by

**eidex**  
data | context | insight

## Local Impacts

Act 1 Index History and Forecast



©2017 PSBA

## Local Impacts

Act 1 Revenue Increases vs Pension and Charter Increases



©2017 PSBA



## Local Impacts

- Property tax increases for most districts likely.
- Continued use of Act 1 referendum exceptions.
  - Special Education
  - Pensions
- Fund balance levels.
  - 75% of school districts plan on drawing from fund balances in the coming year.
- Any relief in sight?



## Other Issues

- PlanCon
  - Governor Wolf's budget proposal includes \$29.7 million in PlanCon funding.
- Other decreases from Governor Wolf's budget:
  - Adult and family literacy (\$800,000)
  - Mobile science and math education programs (de-funded)
  - Educational access program (de-funded)
  - Job training and education programs (de-funded)







## Transportation

- Governor Wolf's budget proposal includes a decrease of \$50 million in pupil transportation.
  - Incentivize "efficiencies".
  - Re-work transportation formula.
- PDE is not sure how this reduction would be applied to individual school districts.



## Future Developments

- Stay tuned to PSBA's Daily EDITION, Legislative Reports, website, Facebook/Twitter, etc. for new information as it becomes available.
- Advocacy Day - April 24<sup>th</sup> at the State Capitol.
- What can you do?





## Questions?

John Callahan  
Assistant Executive Director  
[john.callahan@psba.org](mailto:john.callahan@psba.org)  
800-932-0588 Ext. 3337

Andrew Christ  
Education Policy Analyst  
[andrew.christ@psba.org](mailto:andrew.christ@psba.org)  
800-932-0588 Ext. 3368

