PASBO MEDIA CALL: PROJECTED 20-21 LOCAL TAX REVENUE DECLINE

MAY 1, 2020
VIA GOTOMEETING
FOUR SOURCES OF SCHOOL DISTRICT REVENUE

- Local Revenue: 57.6%
- State Revenue: 38.0%
- Federal Revenue: 3.0%
- Other Revenue: 1.4%
<table>
<thead>
<tr>
<th>Top 50 SDs</th>
<th>Middle 50 SDs</th>
<th>Bottom 50 SDs</th>
</tr>
</thead>
<tbody>
<tr>
<td>80% of SD revenue is from local sources</td>
<td>53% of SD revenue is from local sources</td>
<td>23% of SD revenue is from local sources</td>
</tr>
</tbody>
</table>
School District Taxes and Revenue (Source: PDE 2017-18 AFR Data)

- Real Estate Taxes: 77%
- Earned Income Taxes: 9%
- Delinquent Taxes: 2%
- Realty Transfer Tax: 1%
- Other Act 511 Taxes: 1%
- Investment Earnings: 1%
- All Other Taxes and Revenues: 3%
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
EARNED INCOME TAX COLLECTION HISTORY

Dollar change

Percent change

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SCHOOL DISTRICT INTEREST EARNINGS

Y-axis: $0,000,000 to $400,000,000

Year: 2003-04 to 2020-21

2003-04: $20,000,000
2004-05: $50,000,000
2005-06: $150,000,000
2006-07: $350,000,000
2007-08: $390,000,000
2008-09: $140,000,000
2009-10: $100,000,000
2010-11: $70,000,000
2011-12: $50,000,000
2012-13: $40,000,000
2013-14: $30,000,000
2014-15: $20,000,000
2015-16: $15,000,000
2016-17: $30,000,000
2017-18: $45,000,000
2018-19: $34,100,000
2019-20: $145,000,000
2020-21: $1,000,000

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LOCAL REVENUE IMPACTS BY DISTRICT

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 UNDER EACH SCENARIO

In millions $
LOCAL REVENUE LOSS BY % OF 2019-20 BUDGET

# of School Districts

-10.0% - 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Committed + Assigned FB's</th>
<th>Unassigned FB</th>
<th>Total FB</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>32</td>
<td>25</td>
<td>57</td>
</tr>
<tr>
<td>2013-14</td>
<td>34</td>
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<td>57</td>
</tr>
<tr>
<td>2016-17</td>
<td>32</td>
<td>23</td>
<td>54</td>
</tr>
<tr>
<td>2017-18</td>
<td>33</td>
<td>22</td>
<td>56</td>
</tr>
</tbody>
</table>
2019-20 SAVINGS APPLY TO A SMALL % OF COSTS

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.
THANK YOU FOR PARTICIPATING

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