

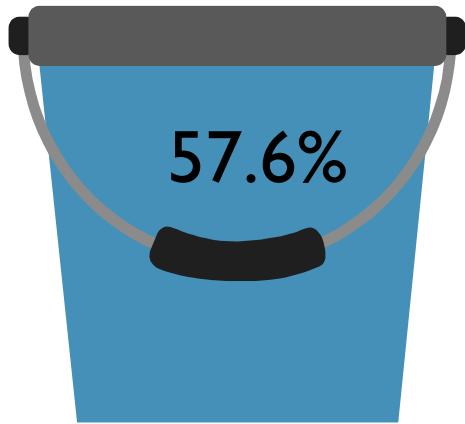
# PASBO MEDIA CALL: PROJECTED 20-21 LOCAL TAX REVENUE DECLINE

MAY 1, 2020

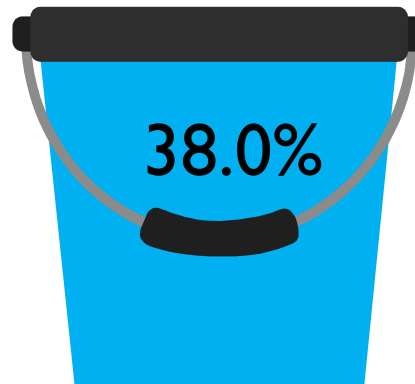
VIA GOTOMEETING



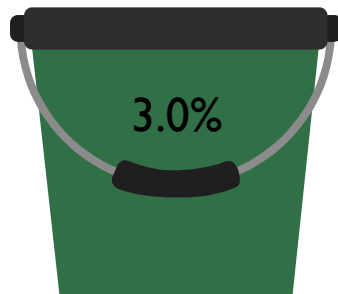
# FOUR SOURCES OF SCHOOL DISTRICT REVENUE



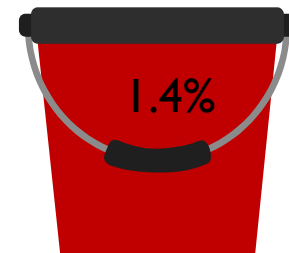
Local Revenue



State Revenue



Federal Revenue



Other Revenue

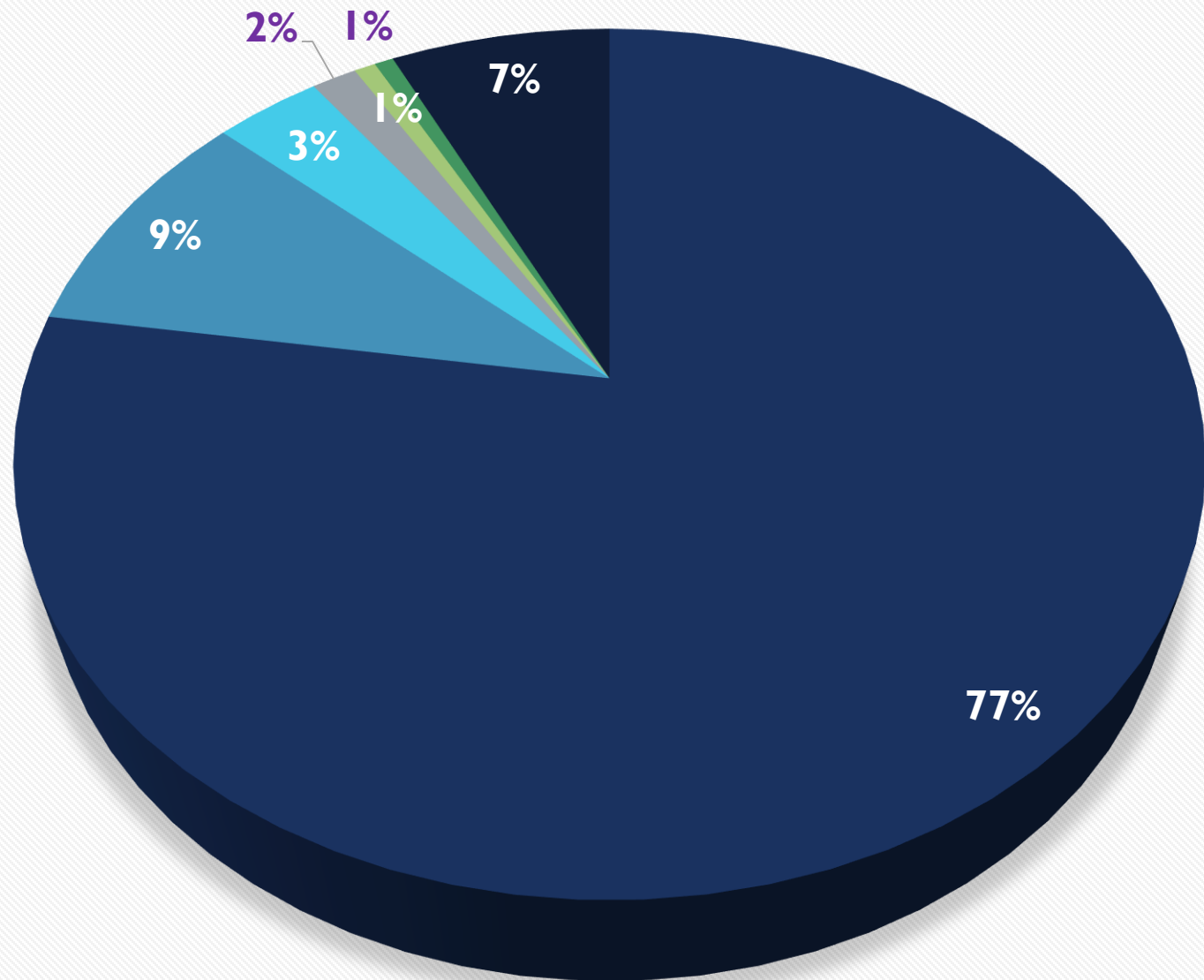


# LOCAL REVENUE

Top 50 SDs	Middle 50 SDs	Bottom 50 SDs
<b>80%</b> of SD revenue is from local sources	<b>53%</b> of SD revenue is from local sources	<b>23%</b> of SD revenue is from local sources



# School District Taxes and Revenue (Source: PDE 2017-18 AFR Data)



- Real Estate Taxes
- Earned Income Taxes
- Delinquent Taxes
- Realty Transfer Tax
- Other Act 511 Taxes
- Investment Earnings
- All Other Taxes and Revenue

# 2008 IMPACT OBSERVATIONS

## Great Recession

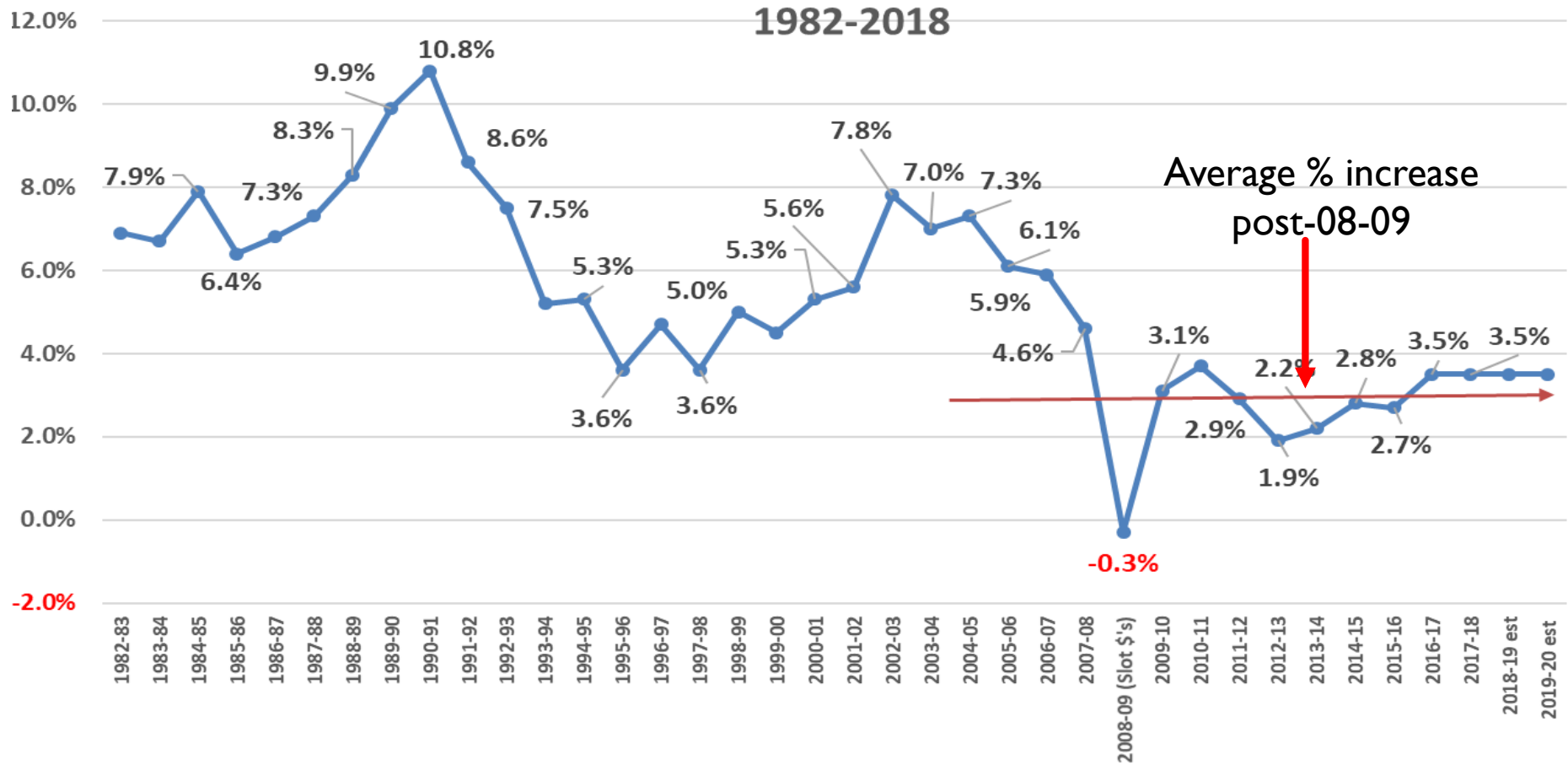
- Recession impact was generally gradual with time lag across specific industries and sectors by region
- Recovery was long and slow
- Lowest on record

## COVID-19 Differences

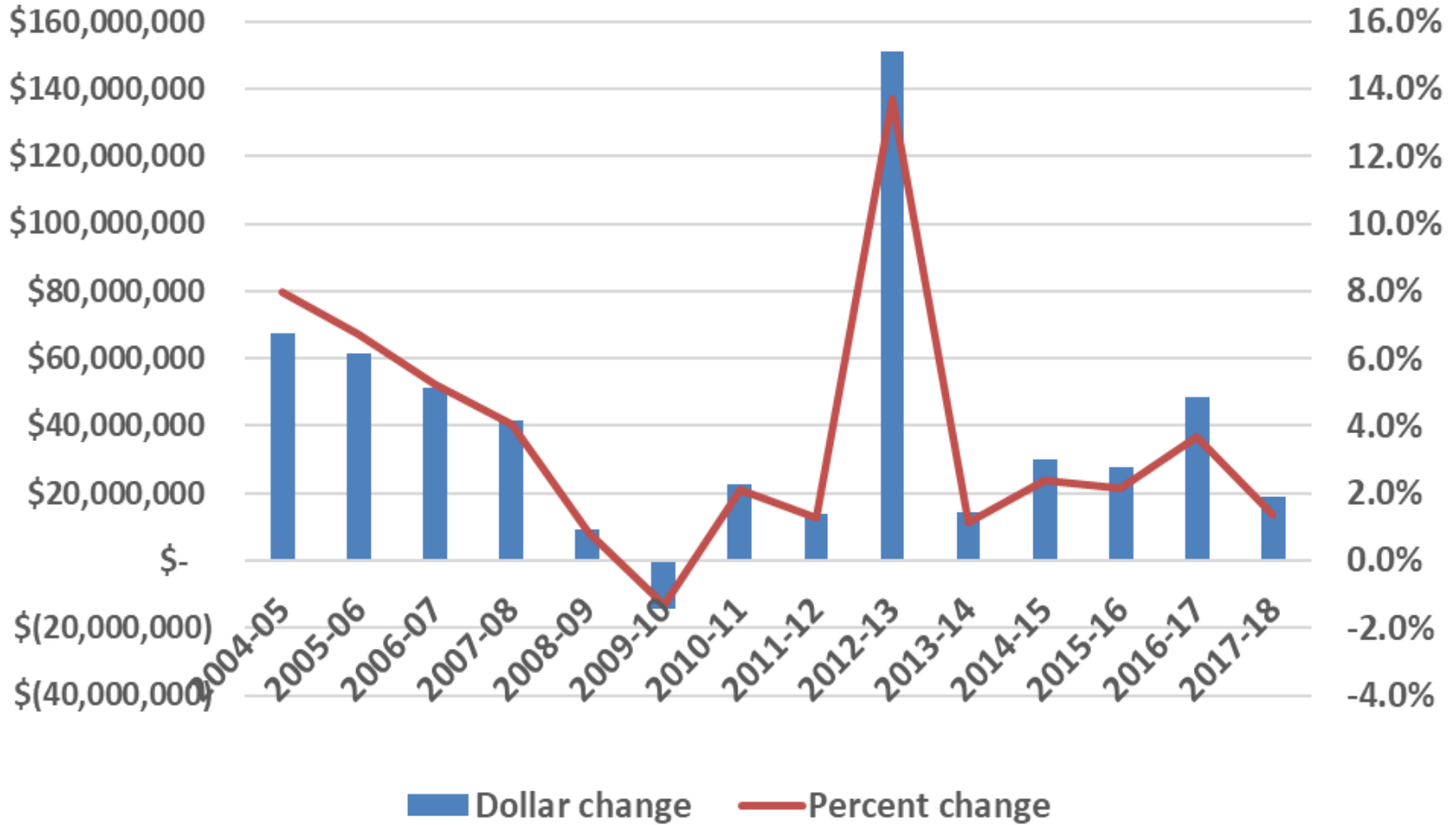
- In 6 weeks, we have reached/exceeded many of 2008's metrics, which took 18 months-3 years to achieve



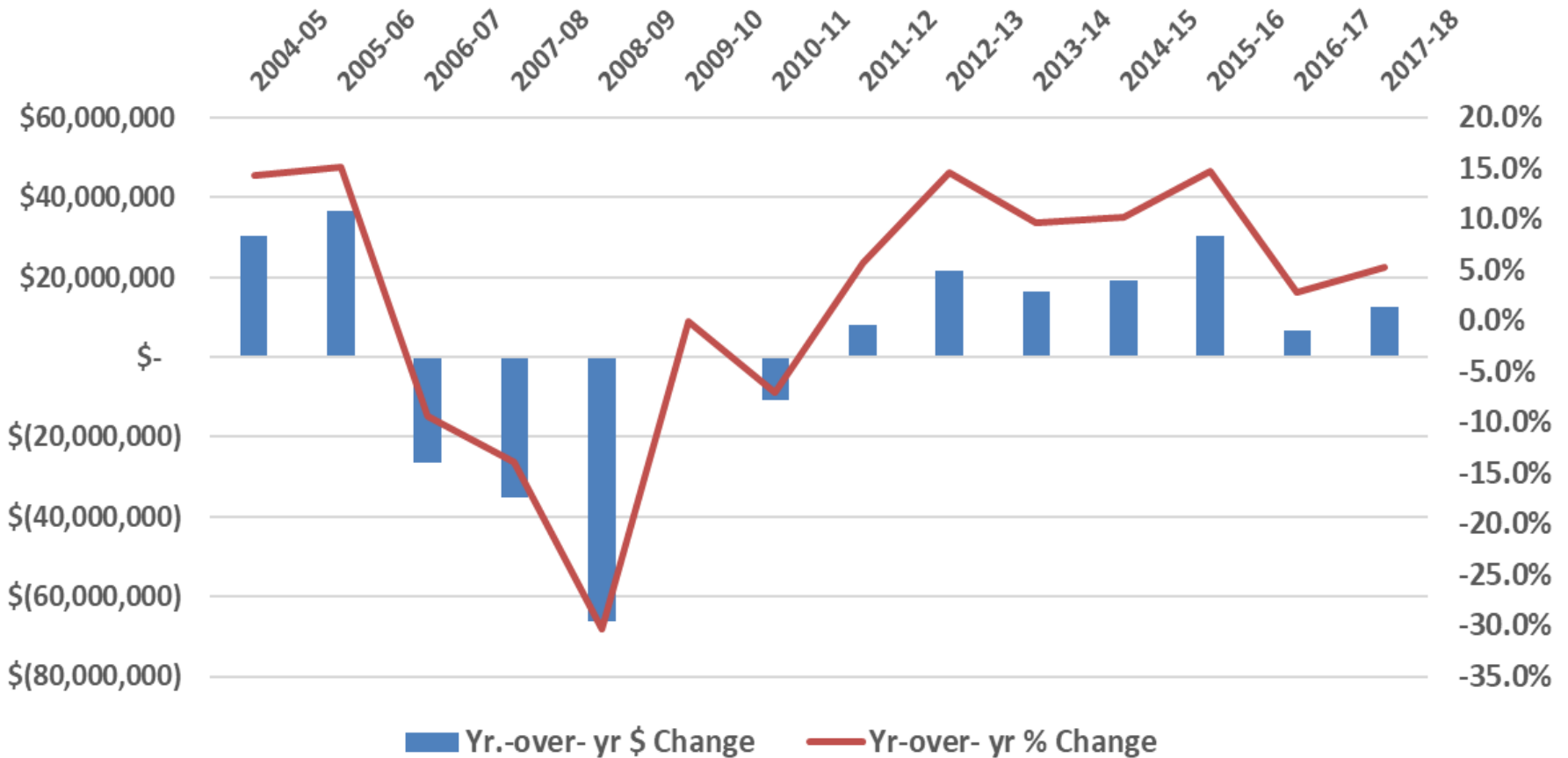
# PROPERTY TAX ANNUAL % INCREASE



# EARNED INCOME TAX COLLECTION HISTORY

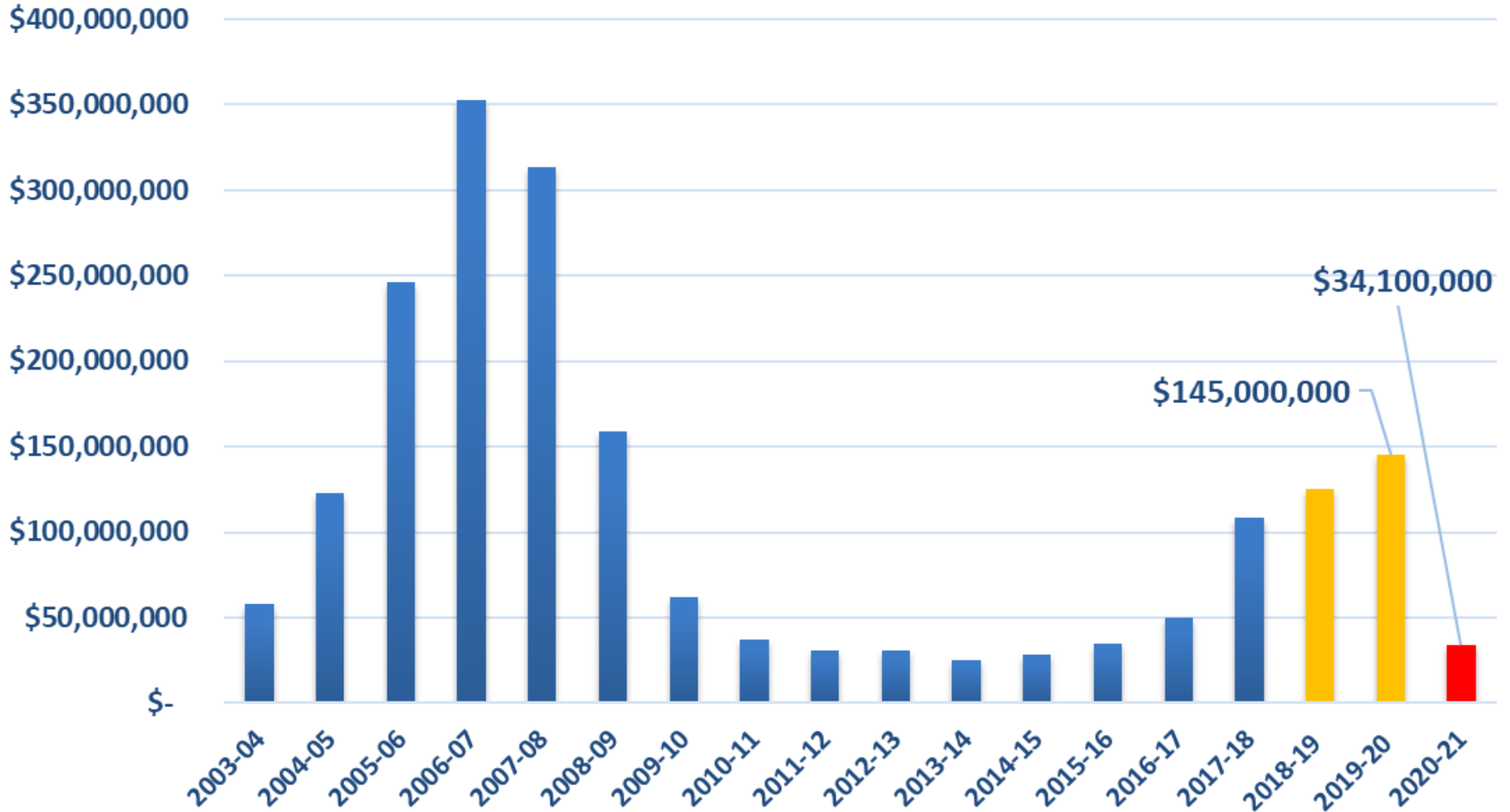


# REALTY TRANSFER TAXES

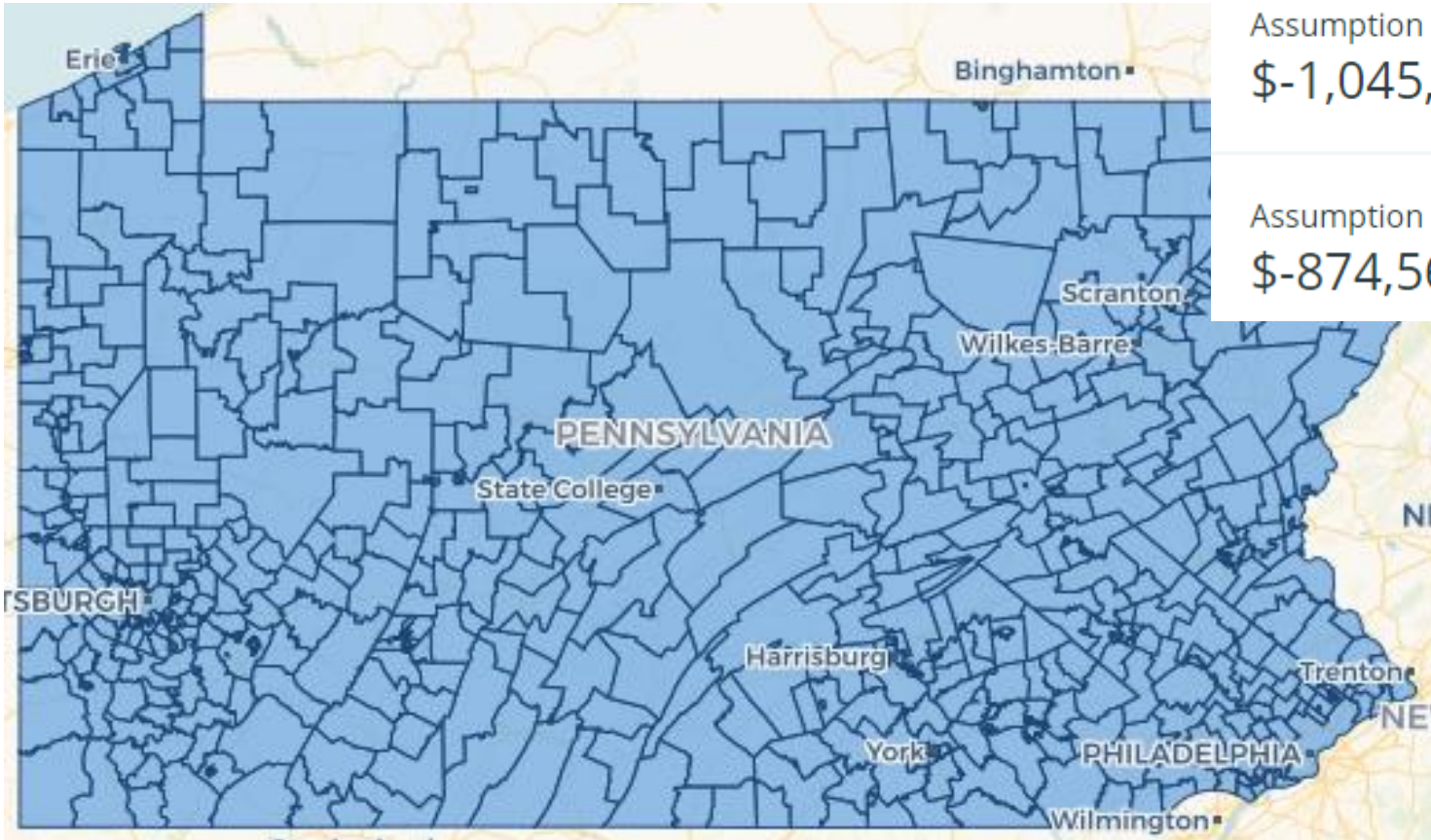




# SCHOOL DISTRICT INTEREST EARNINGS



# 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](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

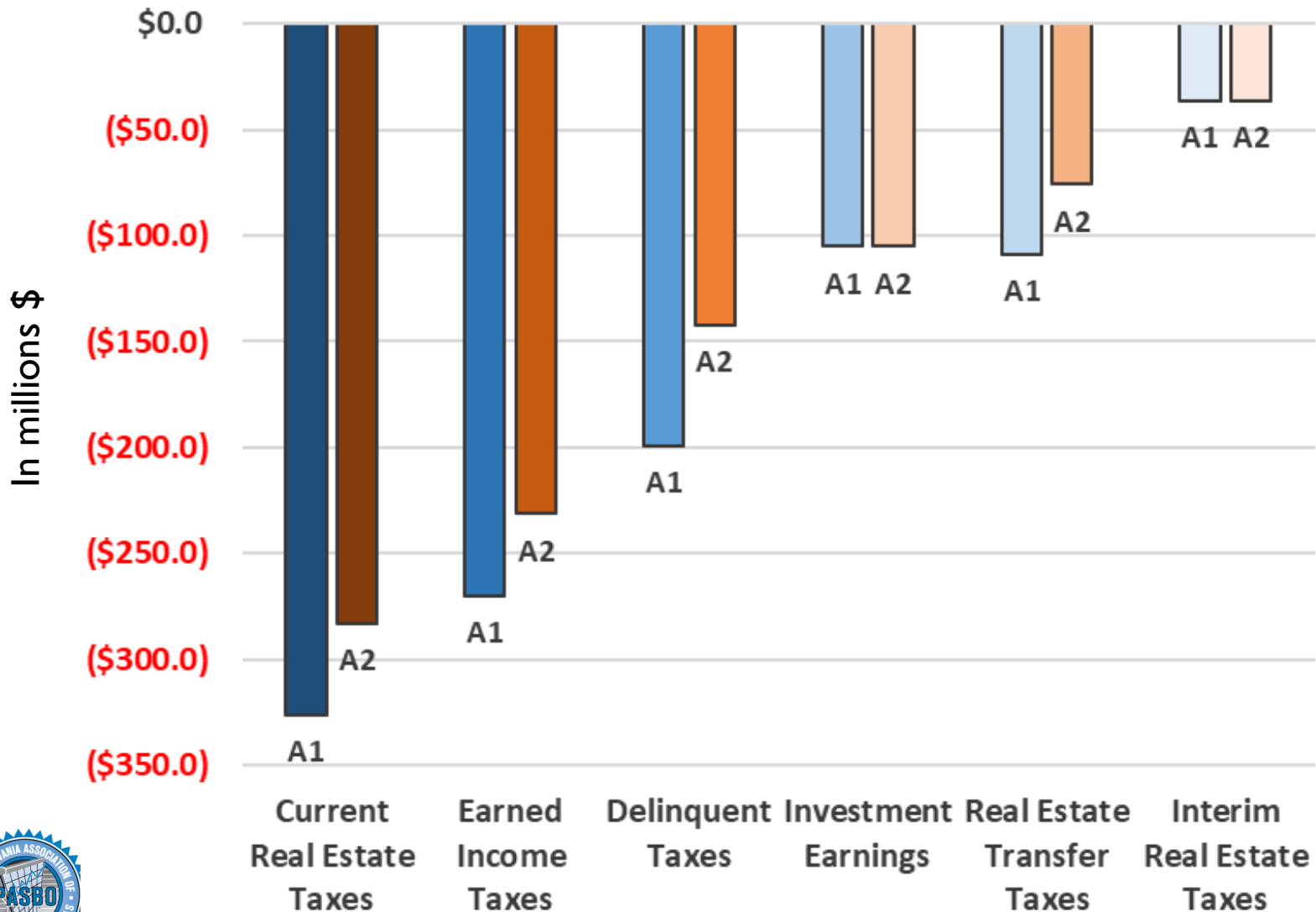
## Assumption 2

### **\$874 Million Decline**

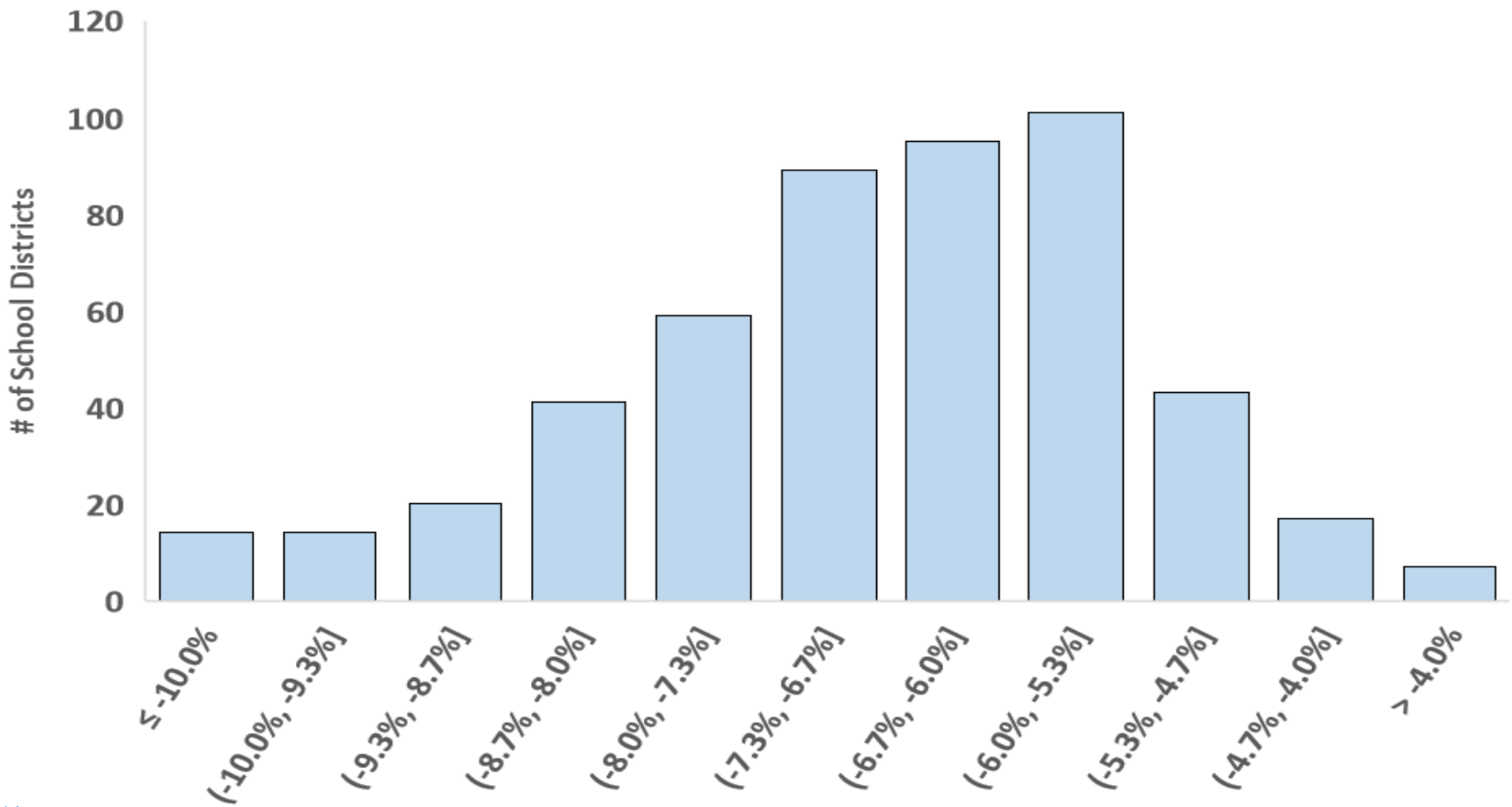
- Property Tax: 1.95% reduction in collection=\$283 million decline
- Earned Income Tax: 15% reduction in revenue: \$231 million decline
- Realty Transfer Tax: 28% reduction in revenue: \$76 million decline
- Delinquencies: 25% reduction in collection: \$142 million decline
- Interims: 50% reduction in revenue: \$36 million decline
- Interest Earnings: 80% reduction in revenue: \$105 million decline



# LOCAL REVENUE LOSS UNDER EACH SCENARIO



# LOCAL REVENUE LOSS BY % OF 2019-20 BUDGET



# MANDATED COST INCREASES CONTINUE

## Charter School Tuition:

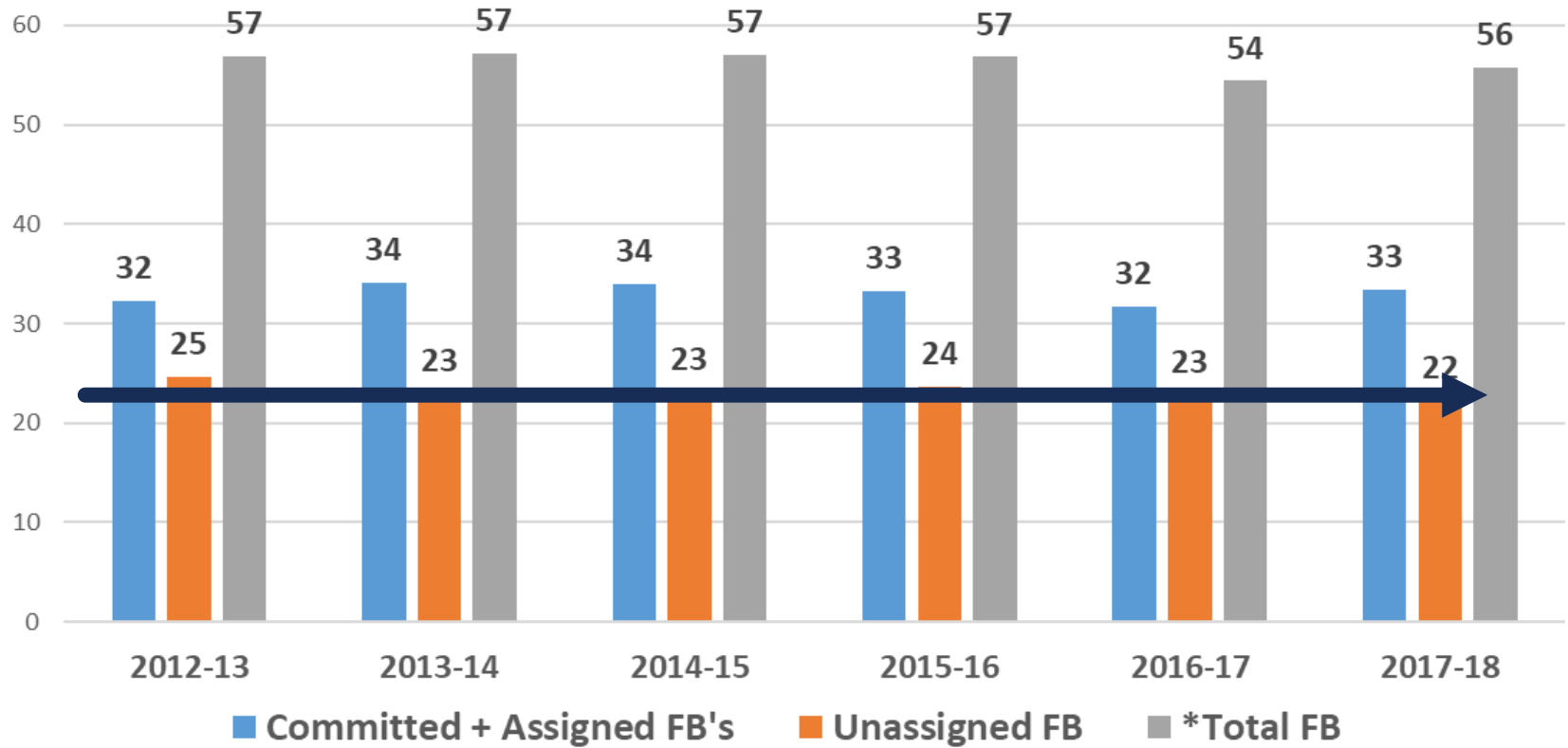
- 100% paid from local resources
- 2020-21 charter school tuition rate is based on the 2019-20 school district budgeted expenditures (pre-COVID-19)
- Charter school tuition is estimated to increase by more than \$200 million for 2020-21

## Special Education:

- Special education costs are estimated to increase by about \$300 million for 2020-21



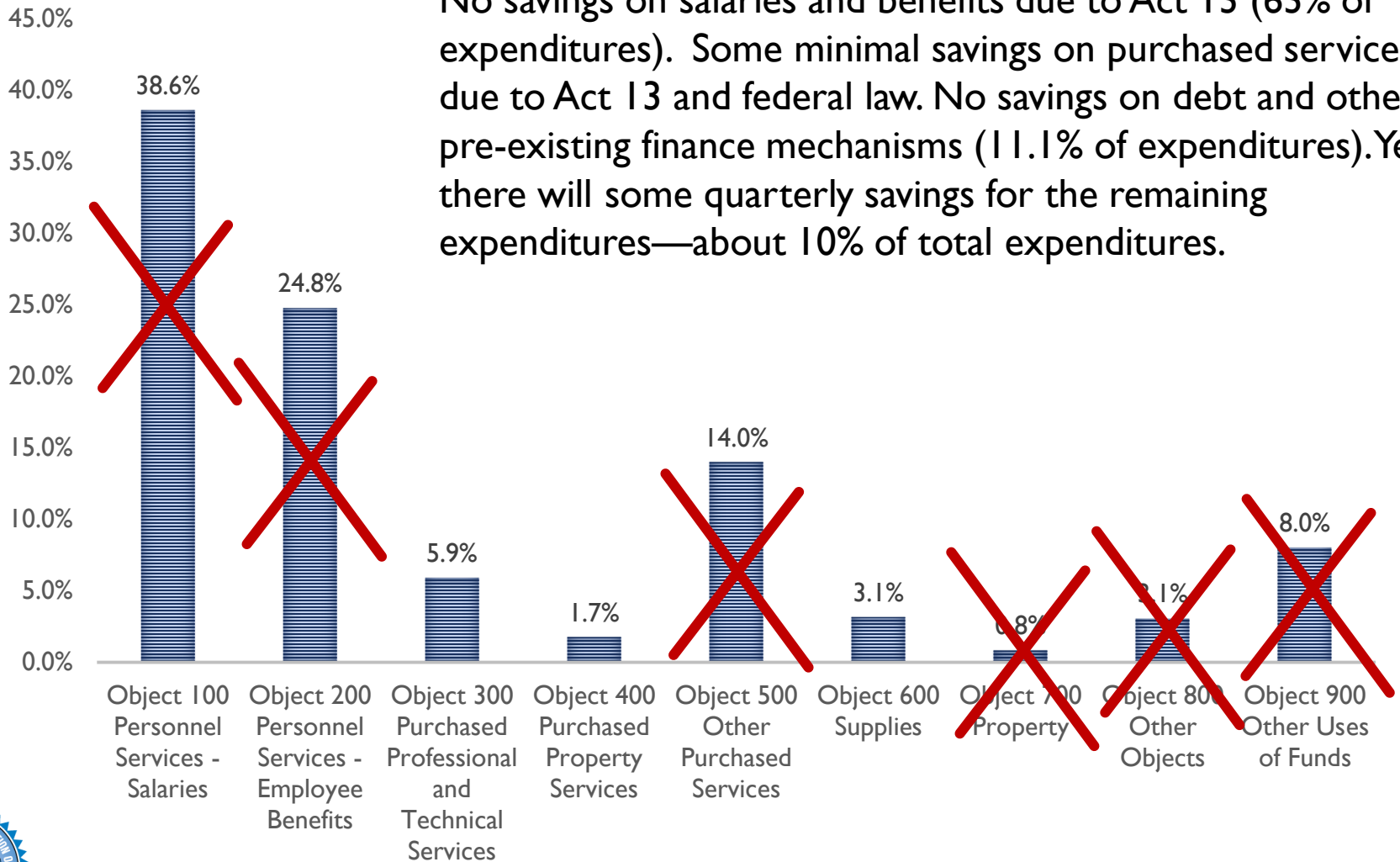
# SD FUND BALANCE BY NUMBER OF DAYS





# 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 be 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](https://www.pasbo.org/blog_home.asp?Display=122)

