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For Immediate Release

January 13, 2021

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SCHOOL DISTRICT BUDGET SURVEY HIGHLIGHTS COVID CHAOS, FEDERAL FUNDING AND AN UNCERTAIN FUTURE

HARRISBURG (1/13/21)— The pandemic required an unprecedented change in k-12 schools to overcome new operational and fiscal challenges and continue to educate Pennsylvania's students in the wake of the most critical public health crisis in our nation's history. While school leaders coped with the unknown budget effects of COVID, technology access and staffing shortages plagued the changes in instructional models leaving school leaders concerned about remedying the instructional deficit many students are experiencing.

The dramatic economic crisis in the spring just as schools shut down in March 2020 had positive and negative effects on last year's school district budgets. While the school closures last spring had little impact on school district instructional costs, largely due to Act 13 of 2020, many districts were able to reduce transportation costs during that time; however, in most cases, the savings were not significant.

As the 2019-20 school year was coming to an end, school leaders began intensive planning for an unknown educational environment in 2020-21. The result was a beginning of the school year that looked very different for many students. While some school districts opened the 2020-21 school year with all students in face-to-face classes five days a week, the majority opened with an instructional model that was designed to meet specific community and student needs creating a smorgasbord of instructional delivery models across the state.

Regardless of how school districts structured student learning, new fiscal and operational challenges emerged. Staffing shortages and challenges were noted by almost 90% of respondents, as teachers were needed for new online programs, social distancing required smaller class sizes and ongoing health concerns and quarantine procedures spread existing staff thin. On top of these challenges, nearly 85% of respondents indicated that finding substitutes was difficult, if not nearly impossible. Almost unanimously, however, respondents noted that despite the personnel challenges, their staff was working well together through the chaos.

To add to the array of instructional delivery methods, more than eight in ten respondents indicated that they were offering a cyber program to their students. However, these newly developed, improved or expanded district-run cyber programs were not without challenges, and at least 70% of respondents noted the difficulties associated with getting students and parents engaged in online work, the cost of new technology and challenges with internet access.

Despite the added capacity in district-run cyber programs, the escalation of cyber charter school enrollment during the pandemic drove up an already existing budget concern. The report highlights a projected increase in charter school tuition costs of $475 million this year, of which $350 million of that increase is due cyber charter school enrollment increases. Not surprisingly, cyber charter tuition was noted by many survey respondents as a top financial concern for next year, followed by assessment appeals and state funding.

Looking at local revenues, despite the increases in costs and challenges for 2020-21, the report found that school districts reversed a two-decade trend of increasing property taxes to meet the continuing escalating expenditures for mandated costs. More than 50% of school districts did not raise property tax rates in 2020-21.

While property tax increases were historically minimal, there are many local revenue unknowns for the current fiscal year. More than half of survey respondents projected a reduction in earned income tax collection rates this year as employment levels continue to be elevated due to the pandemic. Additionally, more than half of survey respondents anticipated a reduction in property tax collection rates as well. Less wealthy school districts with restricted tax bases may be more susceptible to local revenue declines as the pandemic's economic impact is generating disparate effects.

While the growing routine costs in addition to the new pandemic-related expenditures—as well as flat state funding—are challenging school districts of every shape and size, federal funds are providing a life line. With two federal stimulus bills providing resources to school districts to assist in COVID-related expenditures, school districts are able to scrape through the chaos as the pandemic continues.

While federal funds are welcome, the report warns of the consequences when this exceptional federal funding dries up in 2023. The mistakes and consequences of the previous withdrawal of federal aid to school district during the Great Recession must not be repeated. Without additional future state support to begin to cover the increase in school district mandated costs that have been percolating underneath all of the COVID-related expenditure increases, school districts—and taxpayers—are worse off.

The report uses data collected in the late fall of 2020 from two separate surveys—one for school district superintendents, and one for school district business managers. The report is also informed by 2019-20 Annual Financial Report data collected from survey respondents and publicly available information, such as 2020-21 school district General Fund Budgets and 2018-19 Annual Financial Reports. Three statewide education associations issued the report: The PA Association of School Business Officials (PASBO) along with the PA Association of School Administrators (PASA) and the PA Association of Rural and Small Schools (PARSS).