



2023 Commonwealth Budget Seminar

MARCH 2023



Today's agenda...

1. The context for the 2023-24 proposal...
2. Governor Shapiro's proposal...
3. Diving into the big ticket items...
4. What happens next?
5. Q and A



The context...

PART 1

...and the economists say:



"The very strong February jobs report, combined with only small downward revisions to job growth in December and January, mean that the Federal Open Market Committee is likely to raise the fed-funds rate by 50 basis points when it meets in two weeks." —*Gus Faucher, PNC*

(3/10/23 Real Time Economics)



...and the economists say:

"The Fed can take comfort in the rise in the supply of labor and the easing of upward pressure on wages to maintain a 25bps rate increase. However, the February CPI report will also weigh heavily in the Fed's deliberations of whether to raise rates 25bps or 50bps. Another rapid rise in consumer inflation could tip the scales towards 50bps." —*Kathy Bostjancic, Nationwide*

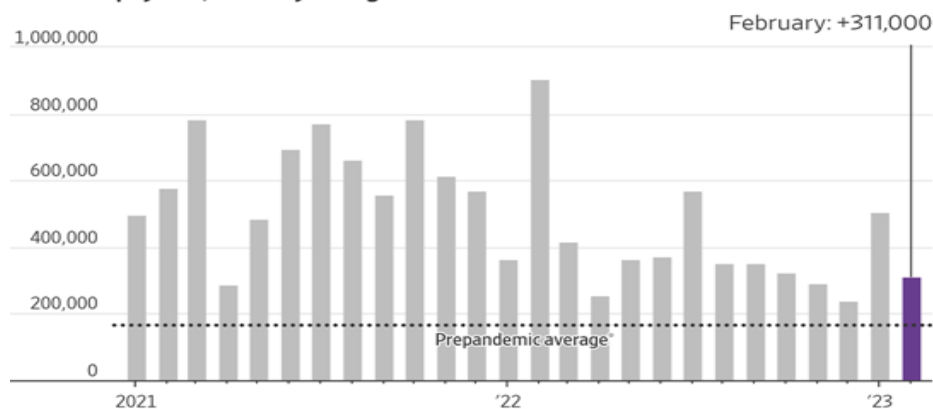
(3/10/23 *Real Time Economics*)

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Pre-Pandemic: Nothing is Normal



Nonfarm payrolls, monthly change



*2019 average. Note: Seasonally adjusted.
Source: Labor Department

6

Federal Funds Last 60 Years (10 Recessions)



☆ Federal Funds Effective Rate (FEDFUNDS)

[DOWNLOAD](#)

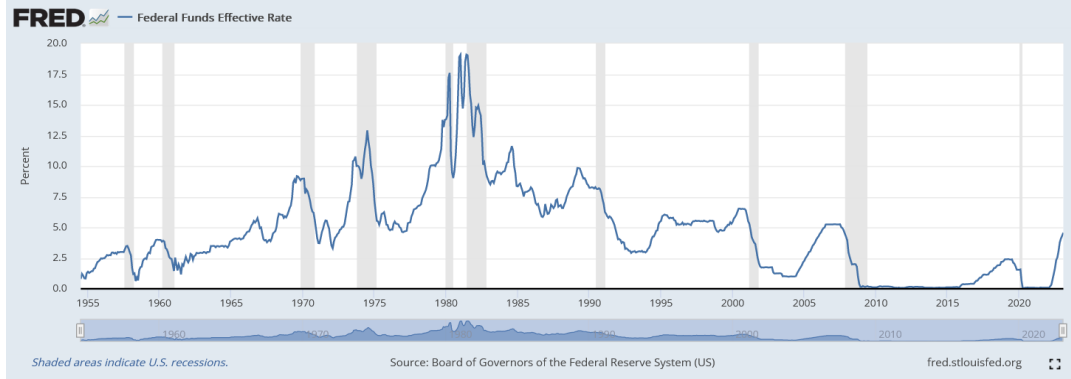
Observation:
Feb 2023: 4.57 (+ more)
Updated: Mar 1, 2023

Units:
Percent,
Not Seasonally Adjusted

Frequency:
Monthly

1Y | 5Y | 10Y | Max

1954-07-01 to 2023-02-01

[EDIT GRAPH](#)


7

Federal funds – The Last Twenty Years



☆ Federal Funds Effective Rate (FEDFUNDS)

[DOWNLOAD](#)

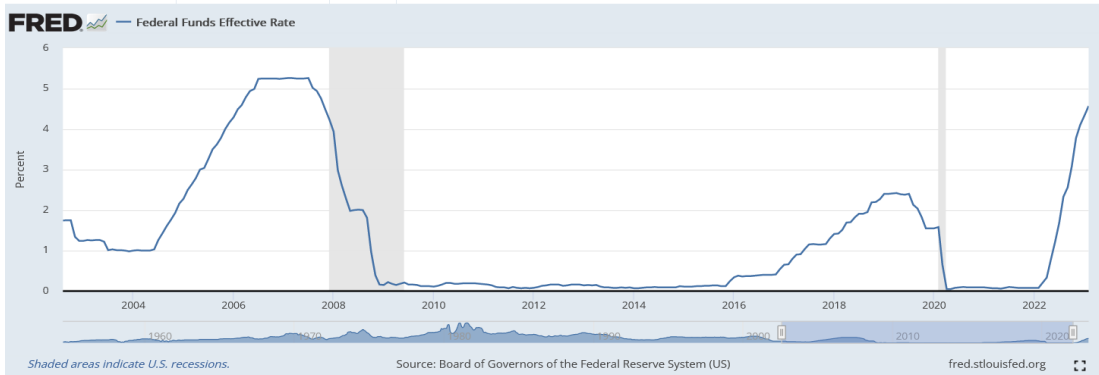
Observation:
Feb 2023: 4.57 (+ more)
Updated: Mar 1, 2023

Units:
Percent,
Not Seasonally Adjusted

Frequency:
Monthly

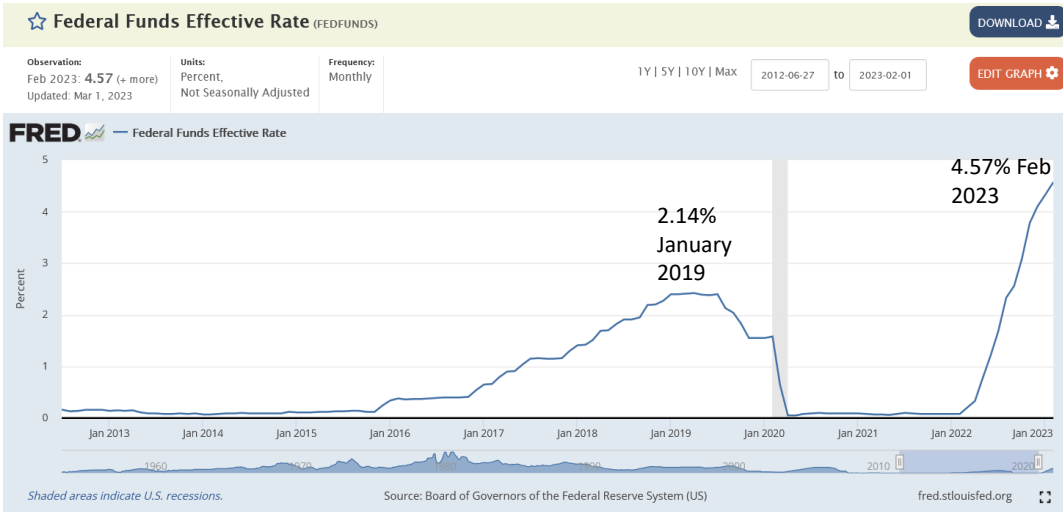
1Y | 5Y | 10Y | Max

2002-08-04 to 2023-02-01

[EDIT GRAPH](#)


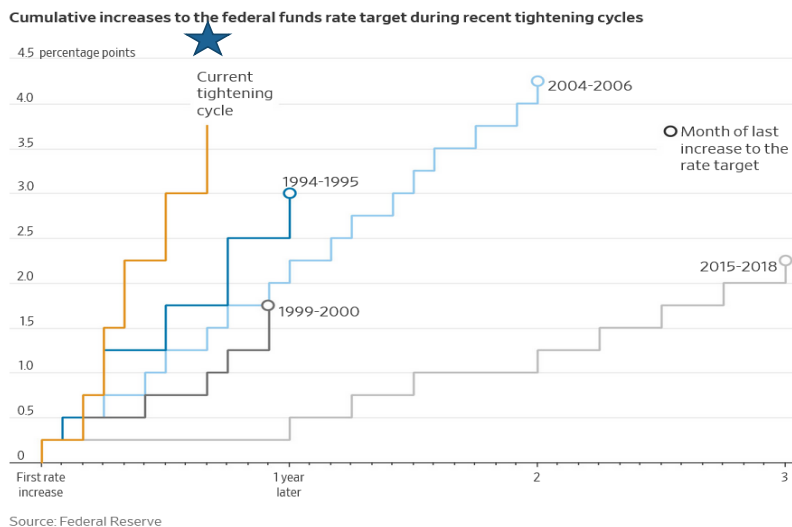
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Federal funds—The Last Ten Years



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In the past nine months, the Fed has raised rates at the fastest pace of any Federal Reserve since the 1980s....



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Some particulars...indicators?

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30 mos. later, savings below pre-pandemic levels



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Consumer Loans & Credit Cards Track Upwards

☆ Consumer Loans: Credit Cards and Other Revolving Plans, All Commercial Banks (CCLACBW027SBOG)

[DOWNLOAD](#)

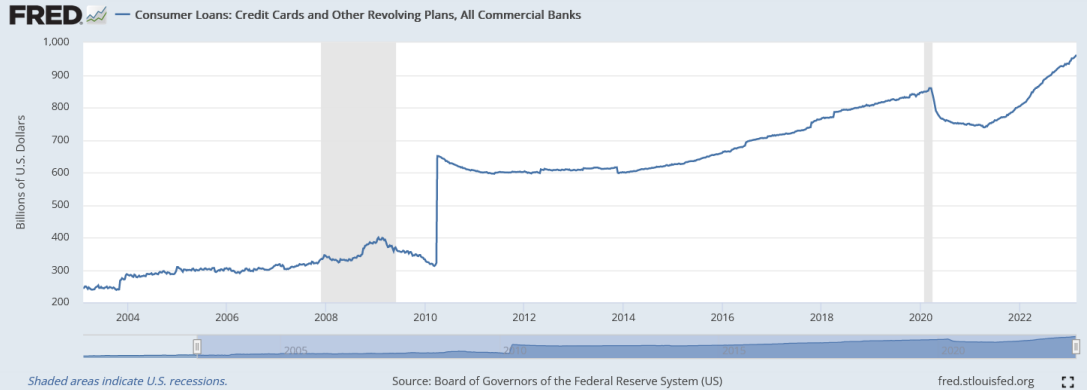
Observation:
2023-02-22: **961.6295** (+ more)
Updated: Mar 3, 2023

Units:
Billions of U.S. Dollars,
Seasonally Adjusted

Frequency:
Weekly,
Ending Wednesday

1Y | 5Y | 10Y | Max

2003-02-06 to 2023-02-22

[EDIT GRAPH](#)


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Labor Force Participation: 1977 Levels



☆ Labor Force Participation Rate (CIVPART)

[DOWNLOAD](#)

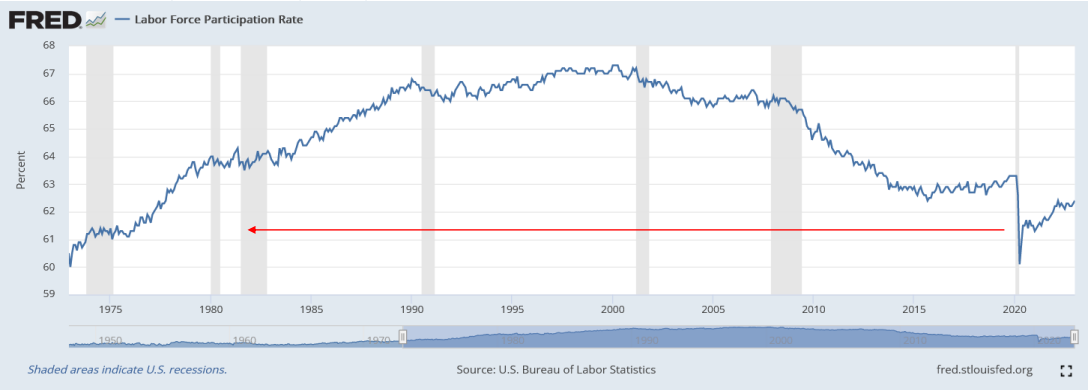
Observation:
Jan 2023: **62.4** (+ more)
Updated: Feb 3, 2023

Units:
Percent,
Seasonally Adjusted

Frequency:
Monthly

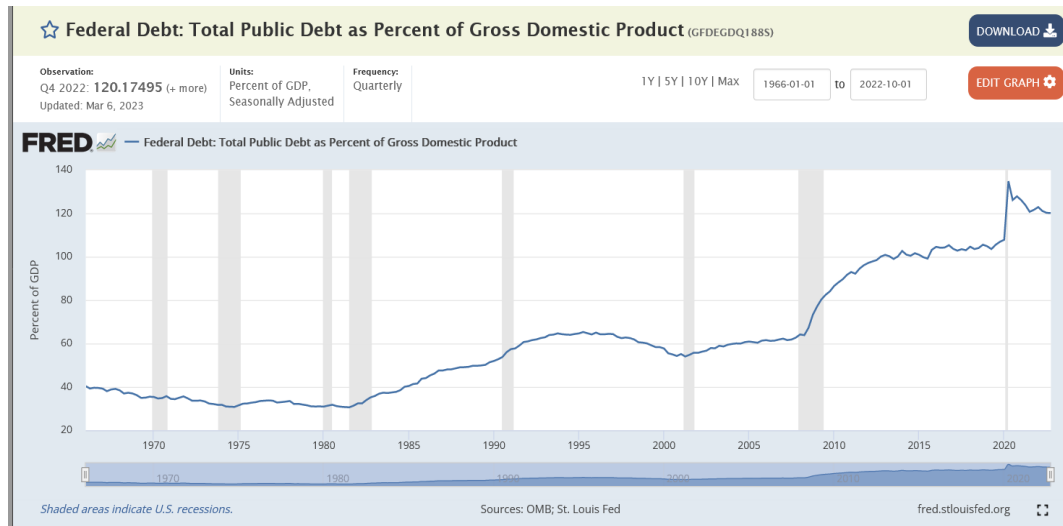
1Y | 5Y | 10Y | Max

1972-12-05 to 2023-01-01

[EDIT GRAPH](#)


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Debt Ceiling Conversations



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Total PA employees still below pre-pandemic; well below prior trend growth



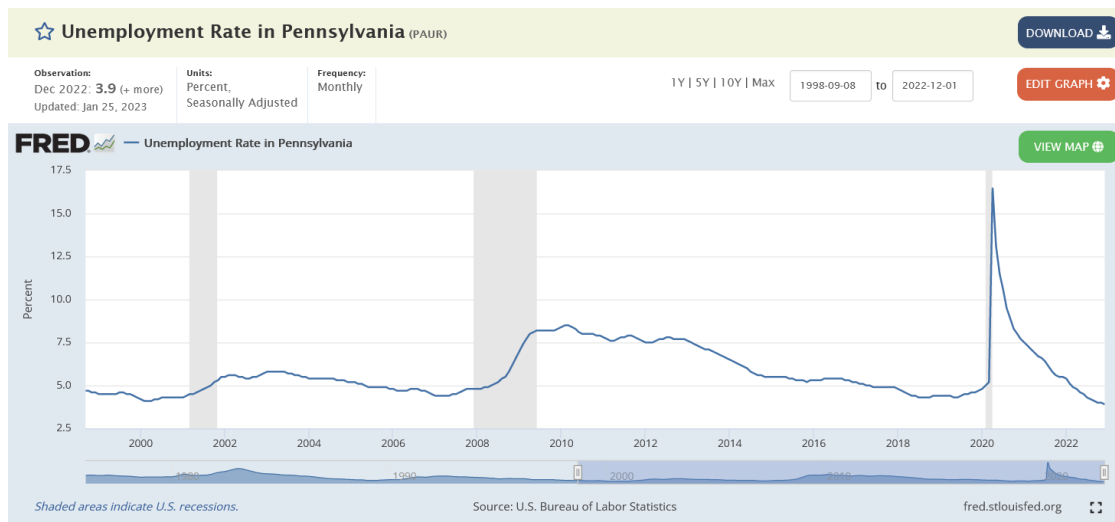
16

Higher wage pressure in PA...



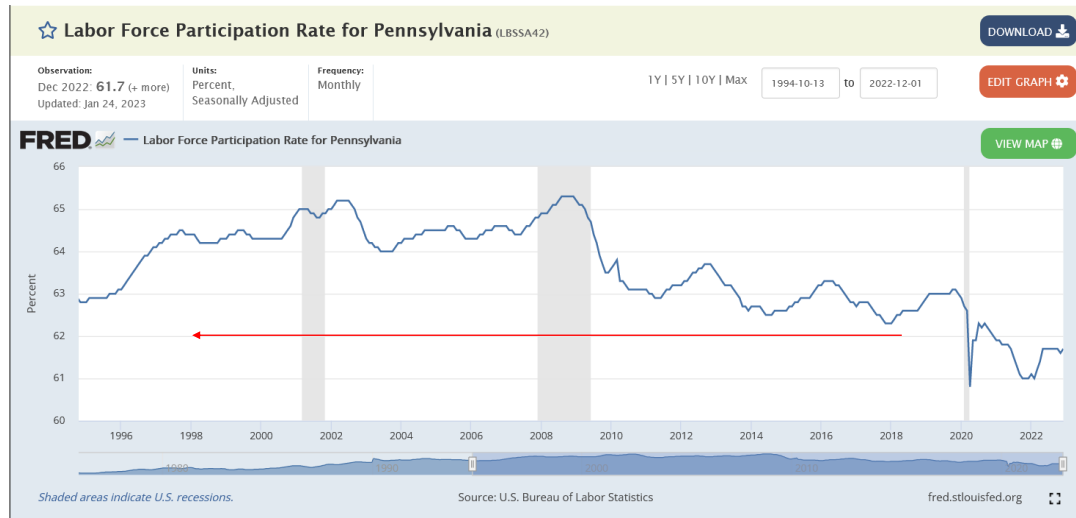
17

PA unemployment: record lows



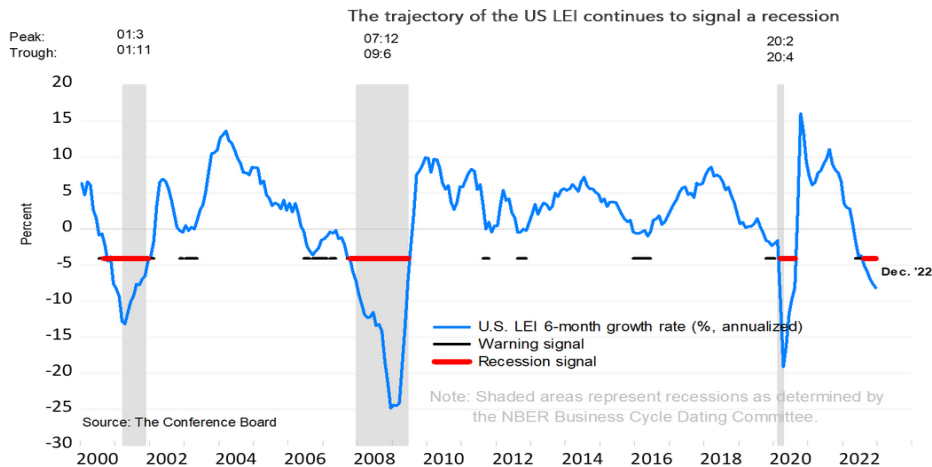
18

PA LFP rate: February 1988 levels



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The Conference Board Leading Economic Indicators-1/24/23



Note: The chart illustrates the so-called 3D's rule which is a reliable rule of thumb to interpret the duration, depth, and diffusion – the 3D's – of a downward movement in the LEI. Duration refers to how long-lasting a decline in the index is, and depth denotes how large the decline is. Duration and depth are measured by the rate of change of the index over the last six months. Diffusion is a measure of how widespread the decline is (i.e., the diffusion index of the LEI ranges from 0 to 100 and numbers below 50 indicate most of the components are weakening). The 3D's rule provides signals of impending recessions 1) when the diffusion index falls below the threshold of 50 (denoted by the black dotted line in the chart), and simultaneously 2) when the decline in the index over the most recent six months falls below the threshold of -4.0 percent. The red dotted line is drawn at the threshold value (measured by the median, -4.0 percent) on the months when both criteria are met simultaneously. Thus, the red dots signal a recession.

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Rest of 2023 & 2024?



Fed is messaging more rate increases, albeit smaller (thru 2023)

How sticky will inflation be?
Not sure, but it is still pretty sticky!!

Fed meets March 22nd!!!



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IFO Projections



	21-22	22-23	23-24	24-25	25-26	26-27	27-28
Beginning Balance	\$4	\$5,537	--	--	--	--	--
Current Year Revenues	48,134	43,686	\$44,850	\$45,804	\$46,921	\$48,339	\$49,606
Less Refunds	<u>-1,420</u>	<u>-1,220</u>	<u>-1,300</u>	<u>-1,325</u>	<u>-1,350</u>	<u>-1,375</u>	<u>-1,400</u>
Net Revenues	46,714	42,466	43,550	44,479	45,571	46,964	48,206
State Expenditures	<u>-39,351</u>	<u>-42,766</u>	<u>-45,222</u>	<u>-46,910</u>	<u>-48,725</u>	<u>-50,099</u>	<u>-51,467</u>
Current Year Balance	7,367	-300	-1,672	-2,431	-3,155	-3,135	-3,261
Reduced Spending	0	1,302	0	0	0	0	0
Plus Prior Year Lapses	<u>-1,830</u>	<u>140</u>	<u>140</u>	<u>140</u>	<u>140</u>	<u>140</u>	<u>140</u>
Prelim Ending Balance	5,537	6,680	-1,532	-2,291	-3,015	-2,995	-3,121

Note: Millions of dollars. Prior year lapses include transfers to Budget Stabilization Reserve Fund. Current balance is \$4.99 billion.

NOTE: The Administration's budget projections--with their proposed budget--stated they are \$3 billion less than the IFO's numbers....

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Demographic Trends

Age Cohort	Number (000s)			Number Change		Percent Change	
	2020	2025	2030	20-25	25-30	20-25	25-30
0 to 19	3,044	2,916	2,790	-128	-126	-4.2%	-4.3%
20 to 64	7,528	7,311	7,136	-217	-175	-2.9%	-2.4%
65 to 79	1,839	2,108	2,208	269	100	14.6%	4.7%
80+	<u>578</u>	<u>626</u>	<u>762</u>	<u>48</u>	<u>136</u>	<u>8.3%</u>	<u>21.7%</u>
Total	12,990	12,960	12,897	-29	-63	-0.2%	-0.5%

Note: Numbers in thousands. Source: U.S. Census Bureau. Forecast by IFO.

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Trends by Age Group



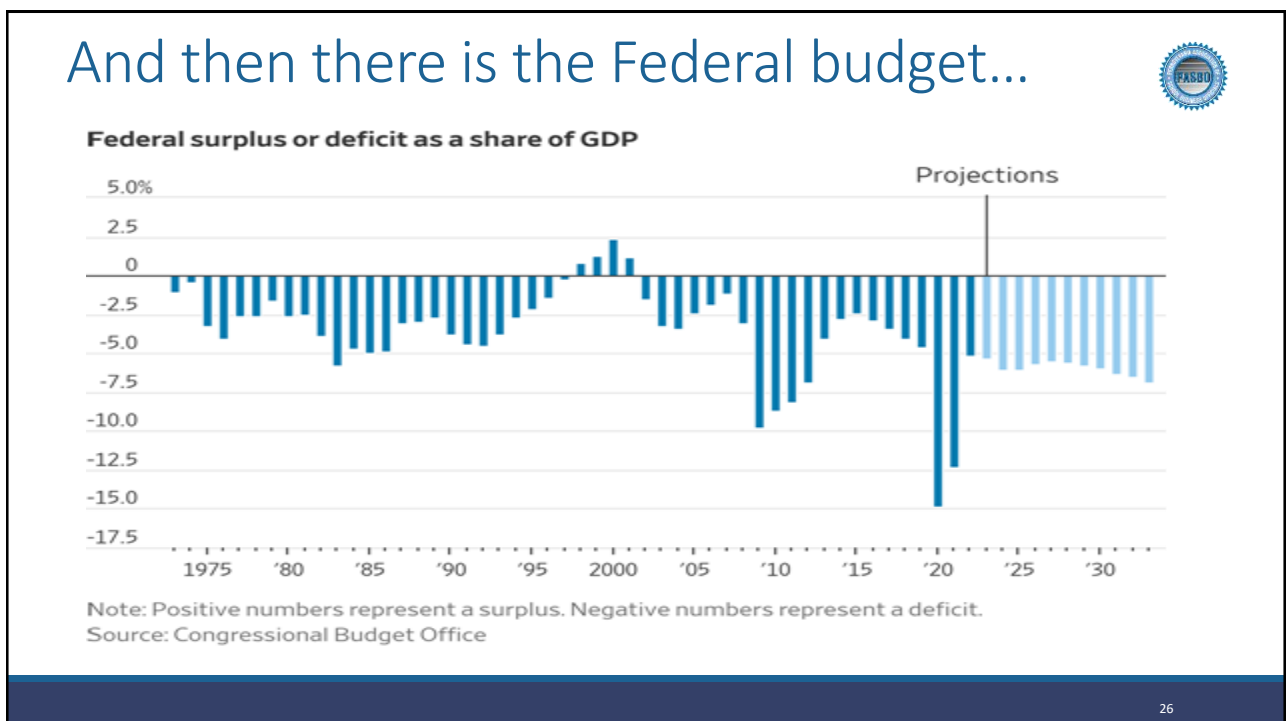
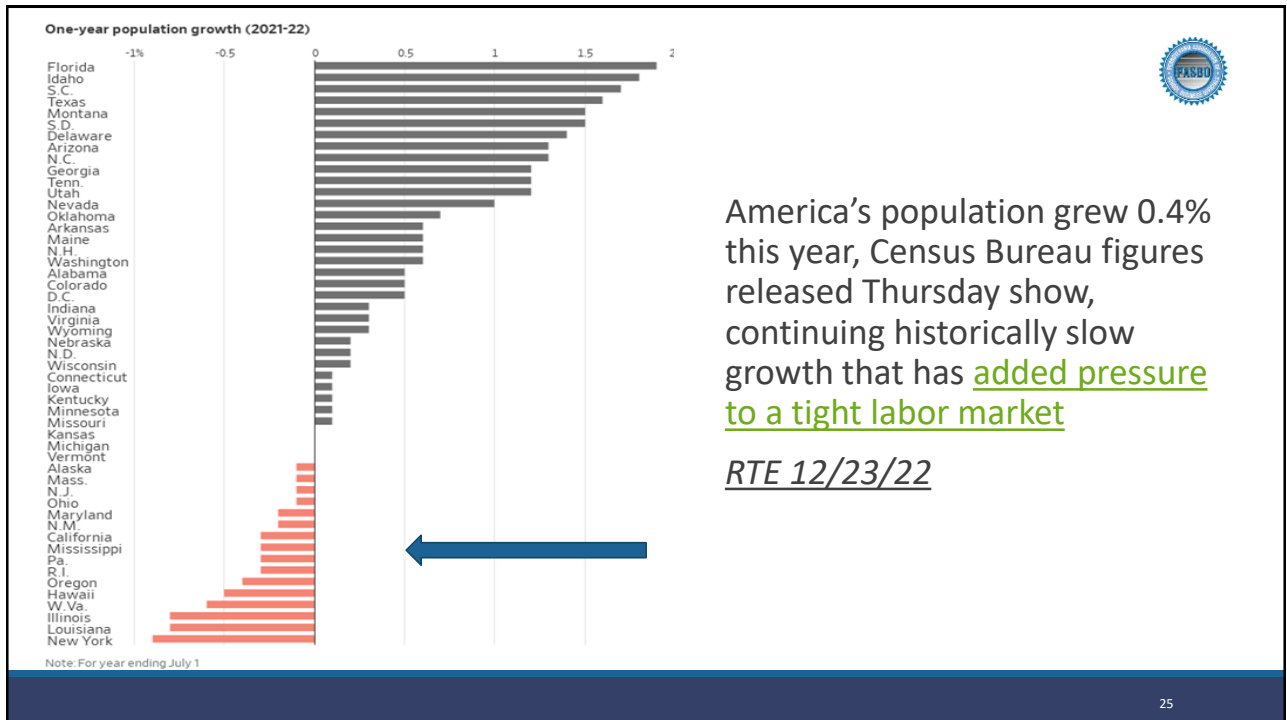
Table 2.4
Pennsylvania Demographic Trends by Age Group

	Number of Residents (000s)			Change (000s)		2022 LFPR
	2019	2022	2025	19-22	22-25	
0 to 17	2,721	2,651	2,580	-70	-71	--
18 to 24	1,143	1,141	1,153	-2	12	70.2%
25 to 54	4,920	4,857	4,811	-63	-46	82.7
55 to 64	1,854	1,779	1,682	-75	-96	65.0
65 to 69	769	823	853	54	30	34.7
70 to 74	602	659	714	57	55	17.9
75 or older	<u>991</u>	<u>1,055</u>	<u>1,166</u>	<u>64</u>	<u>112</u>	8.6
Total	13,001	12,965	12,960	-36	-4	

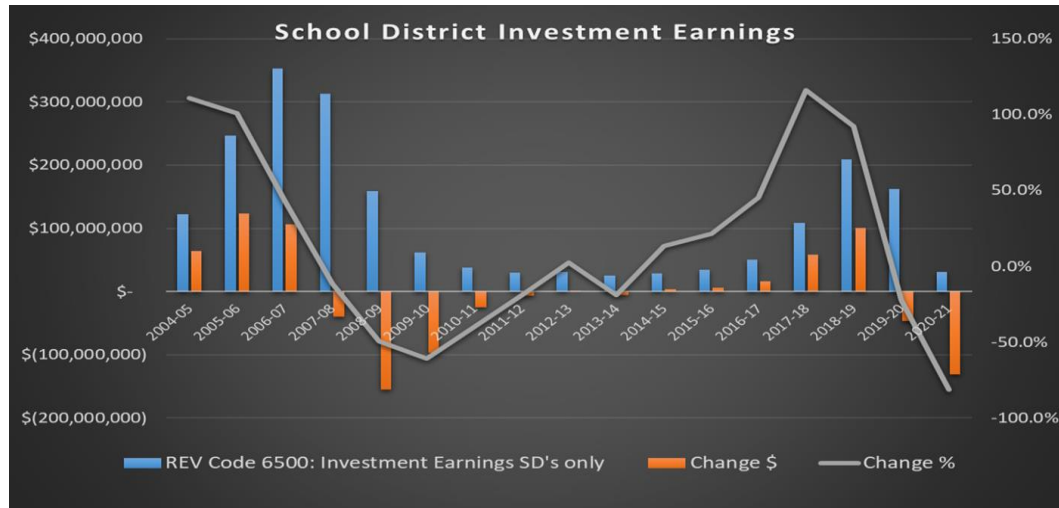
Note: LFPRs are September 2022 for U.S. due to small number of data points for state by age group. Rate for 18 to 24 age cohort is rate for 20 to 24 year olds.

Source: U.S. Census Bureau and IFO projections. See 2022 Demographic Outlook (October 2022).

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With Fed rate increases, interest earnings are improving....may be worth \$100 mil + statewide



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Recession or not...much is going to slow down....



THE WALL STREET JOURNAL

March 6, 2023 10:45 am ET

"The next economic downturn has become the most anticipated recession in recent U.S. history. It also keeps getting postponed."

WSJ Economist Survey: Odds of Recession in Next 12 Months

Nov 2007	34%
Dec 2007	38% (Dec 07 to Jun 09)
Jun 2022	44%
Jul 2022	49%
Oct 2022	63%
Jan 2023	61%



Questions...Thoughts... ? And Next....

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School Funding Lawsuit...

- Define “thorough and efficient” and
- Determine whether the state’s system of funding schools complies with the state constitution’s Education Clause and Equal Protection Clause.

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The Education Clause:

...every student receive a meaningful opportunity to succeed academically, socially and civically which requires that all students have access to a comprehensive, effective and contemporary system of public education.



Education is a fundamental right

Thus, between the plain language of the Constitution and the history of the Education Clause, the Court concludes the right to public education is a fundamental right explicitly and/or implicitly derived from the Pennsylvania Constitution. (p747)



“Insufficient Inputs”

The evidence demonstrates that low-wealth districts like Petitioner Districts... lack the inputs that are essential elements of a thorough and efficient system of education --
-- adequate courses, curricula and other programs that prepare students to be college and career ready; sufficient, qualified, and effective staff; safe and adequate facilities; modern instrumentalities of learning.



The Decision...

The consistency of . . . gaps over the variety of inputs and outputs leads to the inescapable conclusion that these students are not receiving a meaningful opportunity to succeed academically, socially, and civically, which requires that all students have access to a comprehensive, effective, and contemporary system of public education. (p 729)

The current funding system violates the Education Clause and Equal Protection Clause



The Remedy...?

...it seems only reasonable to allow Respondents, comprised of the Executive and Legislative branches of government and administrative agencies with expertise in the field of education, the first opportunity, in conjunction with Petitioners, to devise a plan to address the constitutional deficiencies identified herein. (p 775-6)

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The proposal...

PART 2

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PA's Total Operating Budget

\$117.6 billion for 2023-24

- \$3.2 billion in the Motor License Fund
- \$2.0 billion in the Lottery Fund
- \$45.8 billion in Federal funds
- \$22.1 billion special funds/augmenting fees
- **\$44.4 billion in the General Fund**

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Budget Themes

- Ensuring Access to Effective Emergency Services and Public Safety Resources
- Combatting Violence and Discrimination and Ensuring the Criminal Justice System Works for All Pennsylvanians
- Investing in Children and Students
- Ensuring Students have a Supportive and Safe Learning Environment
- Investing in Higher Education and Supporting Students Pursuing Postsecondary Education

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Budget Themes

- Building Economic Prosperity Through Key Investments in Communities, Businesses, and Workers
- Incentivizing Individuals to Fill and Remain in Critical Job Classifications
- Assistance for Seniors and Individuals with Disabilities
- Supporting the Mental Health of Every Pennsylvanian
- Providing Resources to Bolster Healthy Communities
- Safeguarding Pennsylvania's Environment and Protecting Pennsylvanians' Rights to Clean Air and Pure Water

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2023-24 Proposed Budget...

\$44.4 billion General Fund budget proposal

- Does not raise any additional revenue
- Includes tax credits/tax reductions

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General Fund Revenue 2023-24



Personal Income	\$18,050,900	41.8%
Consumption	\$14,525,400	33.6%
Corporation Taxes	\$7,365,600	17.0%
Other Taxes	\$2,195,000	5.1%
Nontax Revenue	\$1,092,500	2.5%

Income

(Dollar Amounts in Thousands)

TOTAL INCOME	\$43,229,400
Refunds	(1,257,500)
Beginning Balance	7,858,253
Lapses	205,000
TOTAL	\$50,035,153

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General Fund Expenditures 2023-24



Outgo

(Dollar Amounts in Thousands)

TOTAL OUTGO	\$44,396,715
Budget Stabilization	0
Reserve Fund	0
Plus Ending Surplus	5,638,438
TOTAL	\$50,035,153



Health and Human Services	\$19,560,128	44.1%
Education	\$17,950,325	40.3%
Protection of Persons and Property	\$4,179,019	9.4%
Debt Service	\$1,205,040	2.7%
Direction and Supportive Services	\$985,098	2.2%
Other Programs	\$286,960	0.7%
Economic Development	\$275,145	0.6%

Health and Human Services spending has eclipsed Education as the largest General Fund expenditure.

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Grants and Subsidies 81.2¢



Institutional 8.8¢

General Government 7.3¢

Debt Service Requirements 2.7¢

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Education Projections



	(Dollar Amounts in Thousands)						
	2021-22 Actual	2022-23 Available	2023-24 Budget	2024-25 Estimated	2025-26 Estimated	2026-27 Estimated	2027-28 Estimated
Education							
General Fund.....	\$ 15,253,353	\$ 16,983,891	\$ 17,905,325	\$ 18,308,333	\$ 18,668,555	\$ 19,006,253	\$ 19,358,584
Motor License Fund....	1,100	1,100	-	-	-	-	-
Lottery Fund	-	-	-	-	-	-	-
Federal Funds	8,099,682	3,478,185	4,548,577	4,548,077	4,542,967	4,526,967	4,526,967
Other Funds	670,237	839,354	856,034	859,123	862,230	866,922	870,119
Total Operating.....	\$ 24,024,372	\$ 21,302,530	\$ 23,309,936	\$ 23,715,533	\$ 24,073,752	\$ 24,400,142	\$ 24,755,670

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PDE: General Government Operations

\$4.1 million increase in PDE's GGO...

This increase is a combination of moving costs (moving to the forum building), increasing capacity to continue current work, and \$2 million for increasing capacity for future audits...

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The Future?

	(Dollar Amounts in Thousands)						
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	Actual	Available	Budget	Estimated	Estimated	Estimated	Estimated
GENERAL FUND:							
General Government Operations	\$ 29,981	\$ 36,404	\$ 40,595	\$ 40,095	\$ 40,095	\$ 40,095	\$ 40,095
Information and Technology Improvement	3,740	3,740	3,940	3,940	3,940	3,940	3,940
TOTAL GENERAL FUND	\$ 33,721	\$ 40,144	\$ 44,535	\$ 44,035	\$ 44,035	\$ 44,035	\$ 44,035

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Appropriations Not to Worry About...

- PSERS reimbursement
- Transportation subsidy
- Existing PlanCon
- Level-Up (if you receive it in 2022-23)
- Social Security reimbursement
- Ready to Learn Block Grant

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The Appropriations...

- **\$567 million** proposed increase for BEF formula (7.8% increase to cover inflation)
- **\$104 million** proposed increase for SEF (7.8% increase to cover inflation)
- The budget proposal acknowledges the intent to continue increasing both appropriations at an inflationary amount going forward

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The Appropriations...

- **\$100 million** proposed for safety/security grants via PCCD for physical safety (and for coordinator training)
- **\$30 million** proposed increase to Pre-K Counts (increases the rate for FT seats to \$11,000)
- **\$3 million** proposed increase to Head start (covers increased costs)
- **\$10.4 million** proposed increase for Early Intervention (through existing funding model)

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NEW-ish Appropriations

- \$100 million proposed for school mental health support grants via PDE
- \$100 million proposed for school environmental repairs and improvement grants (expands existing work with DEP and PENNVEST)
- \$38.5 million proposed increase for universal free breakfast (continuing from 2022-23) and free lunch for reduced-price students (under 185% of poverty)

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CTE- focused funding

- \$3.3 million increase in the equipment grants
- \$4 million increase in CTE subsidy
- \$5 million increase to expand computer science and STEM programs
- \$2 million to establish an Industry in the School Program
- \$3 million in Apprenticeship training through Dept of Labor and Industry (increase the number of apprenticeships available and expand apprenticeships into non-traditional occupations)
- \$3.5 million investment in Schools-to-Work program
- \$3 million to start a Foundations in Industry program at DCED



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Career & Tech



		Career and Technical Education
	\$ 3,000	—to continue current program.
	5,000	—Initiative—to increase exposure to CTE programs and develop additional CTE programs statewide.
	4,000	—Initiative—to provide additional subsidy increase.
	2,000	—Initiative—to establish a state-level Industry in the School Program to bring trade and industry professionals into the classroom.
	<hr/>	
	\$ 14,000	<i>Appropriation Increase</i>
		Career and Technical Education Equipment Grants
	\$ 3,330	—Initiative—to provide resources for additional equipment purchases and maintenance.

Subsidy

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Statement of Cash Receipts and Disbursements

(Dollar Amounts in Thousands)



	2021-22 Actual	2022-23 Available	2023-24 Estimated
Cash Balance, Beginning	\$ 494,427	\$ 803,410	\$ 1,028,536
Receipts:			
Transfer from State Gaming Fund.....	\$ 1,045,883	\$ 1,083,787	\$ 1,107,213
Property Tax Relief Reserve Fund Loan Repayment	2,832	-	-
Interest	768	13,439	17,205
Total Receipts	1,049,483	1,097,226	1,124,418
Total Funds Available	\$ 1,543,910	\$ 1,900,636	\$ 2,152,954
Disbursements:			
Property Tax Relief Payments:			
Education:			
General Property Tax Relief	\$ 595,000	\$ 750,000	\$ 750,000
Sterling Act	26,300	28,300	28,300
Subtotal: Education Property Tax Relief Payments	621,300	778,300	778,300
Revenue:			
Expanded Prop Tax/Rent Rebate/Senior Tax Reductions	89,800	65,900	64,900
Cities and High-Burden.....	24,400	22,900	22,300
Subtotal: Revenue Property Tax Relief Payments	114,200	88,800	87,200
Total Property Tax Relief Disbursements	735,500	867,100	865,500
Emergency Management:			
Fire and Emergency Medical Services Grants	5,000	5,000	5,000
Total Disbursements	(740,500)	(872,100)	(870,500)
Cash Balance, Ending	\$ 803,410 ^a	\$ 1,028,536 ^b	\$ 1,282,454 ^b

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Other Policy...



- Increase the **minimum wage to \$15/hour**
- **\$24.7 million** in job retention and recruitment efforts for teachers, police officers/state troopers, and nurses
- Changes to **Property Tax/Rent Rebate program**:
 - Increase the income cap for homeowners from \$35k to \$45k
 - Increase the income cap for renters from \$15k to \$45k
 - Grow the income caps by inflation beginning in 2024
 - Increase the rebate cap to \$1,000
 - Changes would take place beginning in 2024-25

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What's NOT in the proposed budget?

- Charter school funding reform
- PlanCon-proper funding
- Minimum teacher salary
- EITC expansion
- Lifeline scholarship program/pilot
- Level-Up round 3



School Funding Next Steps...

“Last month, President Judge Renée Cohn Jubelirer of the Commonwealth Court issued a ruling declaring Pennsylvania’s system for funding public education unconstitutional.

That ruling was a call to action. Literally.

Her remedy was for us to get around the table and come up with a solution that ensures every child has access to a thorough and efficient education.”

Governor Josh Shapiro



School Funding Next Steps...

“We must approach this responsibility with hope and ambition – because this is a once-in-a-lifetime opportunity for us to do right by our kids, to fund our schools, and to empower parents to put their kids in the best position for them to succeed.

It will take all of us – Republicans and Democrats – teachers and administrators – students and families – advocates and community leaders.

It will take all of our ideas for not just how many dollars we set aside from the state for public education but how we drive those dollars out to local districts adequately and equitably.”

Governor Josh Shapiro

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Responses: House Democrats

“Governor Shapiro’s budget is a roadmap for strengthening Pennsylvania’s communities, economy and schools. His plan creates a **solid foundation** for the House and Senate to work from in crafting a spending plan that serves all Pennsylvanians.”

House Speaker Joanna McClinton, D-Phila./Delaware

“Governor Shapiro’s budget address sets a **positive tone** for our commonwealth, and I’m encouraged by the investments in education, workforce and our communities.”

House Majority Leader Matt Bradford, D-Montgomery

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Responses: House Republicans



“We will not abandon our core principles that have made Republicans the trusted fiscal stewards we are. We must work **to prudently conserve what we have** of our financial success, so we do not go back to taxpayers for more when they are already struggling.”

House Republican Leader Bryan Cutler, R-Lancaster

“Gov. Shapiro’s proposed budget is a reasonable start to the process. There are some policy points that give us pause, but other initiatives are refreshing to see, such as investments in career and technical education. However, I am disappointed the governor **did not address our structural deficit...**”

House Republican Appropriations Chairman Seth Grove, R-York

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Responses: Senate Democrats



“I was incredibly encouraged to hear that Governor Shapiro included **extending the Universal School Breakfast program** and **expanding access to free lunch** in his first budget address. Providing breakfast and lunch is just as essential to learning as providing textbooks and desks—students can’t learn when they’re hungry.”

Senator Lindsey M. Williams, D-Allegheny

“This budget prioritizes our children, our educators, our workforce, our small businesses, and our seniors. This is a **solid plan** to move Pennsylvania forward, and I look forward to **bipartisan cooperation...** as we go into hearings in the coming weeks.”

Senate Democratic Leader Jay Costa, D-Allegheny

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Responses: Senate Republicans

“There are some **glaring items missing** from Gov. Shapiro’s budget that prevent Pennsylvania from reaching its full potential by... establishing a 21st century education system that focuses on retention by producing the necessary skilled workers to support an innovative economy.”

Senate President Pro Tempore Kim Ward R-Westmoreland

“The governor’s proposed **tax credit only for certain front-line workers** picks winners and losers. Now is the time to encourage workforce participation in all areas and to make it more attractive for every individual to find a job.”

Senate Majority Leader Joe Pittman, R-Armstrong/Juniata/Jefferson/Westmoreland

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2023-24 Proposed Budget Q and A....

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A deeper dive...

PART 3



But first.....a surprise test!! READY?

It is a pass / fail test; grading will not be on a curve

You must get 100% to pass

Yes...is not an acceptable answer, showing your math is required...



190 districts lost BEF share yr over yr in the proposed budget...

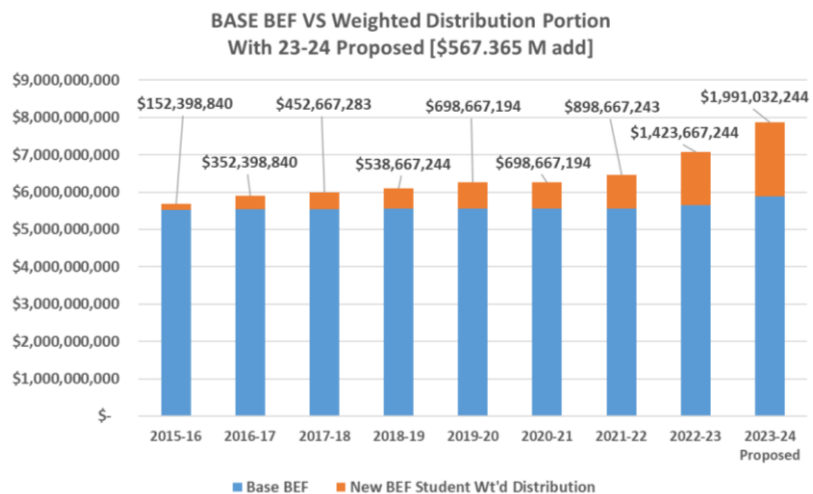
1. Do you know your district's 22-23 share of student weighted BEF?
2. Do you know your district's 23-24 proposed share of student weighted BEF?
3. Do you know if your districts share of student weighted BEF has generally declined, increased, or remained flat for the past 8 years?
4. Are your district multipliers both above 1.0, both below 1.0, or mixed with one above and one below?
5. Do you know if your districts net impact of multiplier trend has generally declined, increased, or remained flat for the past 8 years?
 - *Bonus Question1:* What is the dollar value of losing or gaining ONE Student weighted ADM in the formula?
 - *Bonus Question 2:* For every \$100 million change in the proposed BEF, at your current share, what is that worth to your district?

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Proposed \$567 million add to BEF formula

\$1.991 billion
proposed in the
Student weighted
formula distribution



66

BEF: Since the beginning...



...as proposed,
each student
weighted ADM
is worth
\$757.36

FY	BEF BASE	BEF Formula Distribution	BEF Increase	BEF Distribution Value per SWADM	BEF Distribution Value per SWADM % Change
2015-16	\$ 5,527,680,160	\$ 152,398,840	\$ 152,398,840	\$ 52.14	
2016-17	\$ 5,542,411,717	\$ 352,398,840	\$ 200,000,000	\$ 120.52	131.1%
2017-18	\$ 5,542,411,717	\$ 452,667,283	\$ 100,268,443	\$ 151.89	26.0%
2018-19	\$ 5,556,411,756	\$ 538,667,244	\$ 85,999,961	\$ 182.92	20.4%
2019-20	\$ 5,556,411,806	\$ 698,667,194	\$ 159,999,950	\$ 236.92	29.5%
2020-21	\$ 5,556,411,806	\$ 698,667,194	\$ -	\$ 234.83	-0.9%
2021-22	\$ 5,556,411,806	\$ 898,667,243	\$ 200,000,049	\$ 316.68	34.9%
2022-23	\$ 5,656,411,806	\$ 1,423,667,244	\$ 525,000,001	\$ 522.56	65.0%
2023-24 Proposed	\$ 5,881,411,806	\$ 1,991,032,244	\$ 567,365,000	\$ 757.36	44.9%

67

BEF add proposed: \$567,365,002
with 2,628,897 total student weights



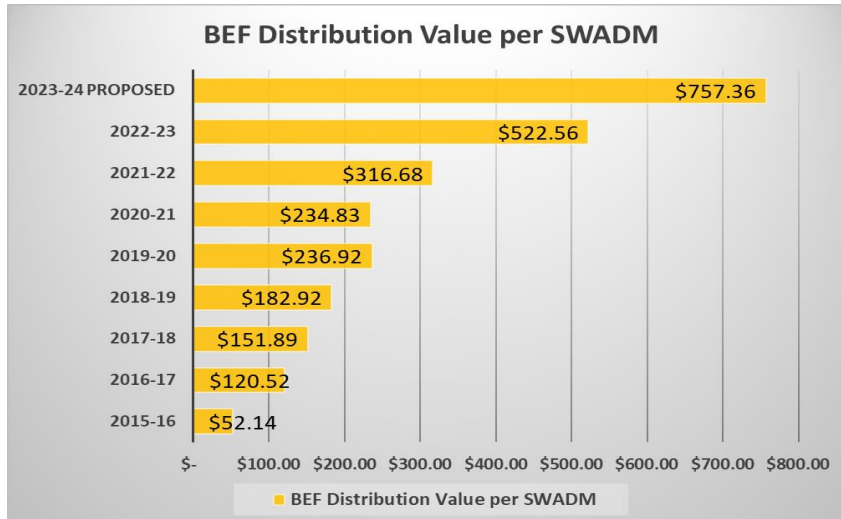
AUN	School District	County	2023-24 Proposed Total BEF (Columns E+F) Mar2023	2023-24 Proposed Base BEF	2023-24 Proposed Student-Weighted Distribution
112011103	Bermudian Springs SD	Adams	\$7,440,787	\$5,878,309.62	\$1,562,477.54
112011603	Conewago Valley SD	Adams	\$12,138,089	\$8,066,055.13	\$4,072,033.47
112013054	Fairfield Area SD	Adams	\$4,100,089	\$3,342,764.07	\$757,325.38
112013753	Gettysburg Area SD	Adams	\$9,864,712	\$7,257,695.14	\$2,607,017.32
112015203	Littlestown Area SD	Adams	\$7,597,624	\$6,083,869.53	\$1,513,754.04
112018523	Upper Adams SD	Adams	\$8,450,934	\$6,066,303.93	\$2,384,630.25
112675503	Red Lion Area SD	York	\$17,841,743	\$14,217,334.15	\$3,624,408.62
112676203	South Eastern SD	York	\$10,269,209	\$8,470,035.61	\$1,799,173.49
112676403	South Western SD	York	\$13,463,234	\$9,636,980.14	\$3,826,253.70
112676503	Southern York County SD	York	\$9,443,259	\$7,432,195.87	\$2,011,062.73
112676703	Spring Grove Area SD	York	\$13,342,510	\$10,224,027.70	\$3,118,482.65
115219002	West Shore SD	York	\$17,249,436	\$12,404,717.40	\$4,844,718.95
112678503	West York Area SD	York	\$9,366,665	\$5,484,499.19	\$3,882,165.34
112679002	York City SD	York	\$99,089,294	\$66,441,445.38	\$32,647,848.52
112679403	York Suburban SD	York	\$5,838,745	\$1,746,071.82	\$4,092,673.16
Basic Education Funding: Formula + Level Up			\$ 7,872,444,054.00	\$ 5,881,411,805.59	\$ 1,991,032,243.49



68



Compounding impact of money in the formula...greater attention is now required



69



BEF Value Per SWADM...proposed & ALL IN

2023-24 Proposed: SW Distribution	\$ 1,991,032,244
2023-24 Proposed SWADMs Total	2,628,897.368
2023-24 Proposed: Value per SWADM	\$ 757.36



BASE 23-24	\$ 5,881,411,806
Student Weighted Proposed	\$ 1,991,032,245
Total BEF: (less Social Security)	\$ 7,872,444,051
2023-24 Proposed SWADMs Total	2,628,897.368
Value per SWADM ALL BEF in formula	\$ 2,994.58

What if all the money runs through the formula?



70

Proposed 23-24 BEF: Student weighted tab (Column AA)

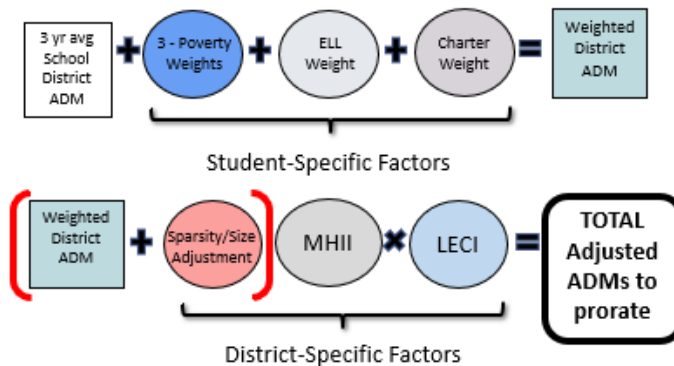


AUN	School District	County	Column AA Total Student-Weighted ADM * MHII * LECI	2023-24 proposed Student-Weighted Distribution	Proposed Share 23-24
112011103	Bermudian Springs SD	Adams	2,063.047	\$1,562,477.54	0.0007848
112011603	Conecago Valley SD	Adams	5,376.587	\$4,072,033.47	0.0020452
112013054	Fairfield Area SD	Adams	999.949	\$757,325.38	0.0003804
112013753	Gettysburg Area SD	Adams	3,442.225	\$2,607,017.32	0.0013094
112015203	Littlestown Area SD	Adams	1,998.714	\$1,513,754.04	0.0007603
112018523	Upper Adams SD	Adams	3,148.592	\$2,384,630.25	0.0011977

Your student weighted counts in Column AA divided by 2,628,897.368
total of the column = your 'share' of the
\$1,991,032,243 bn.

71

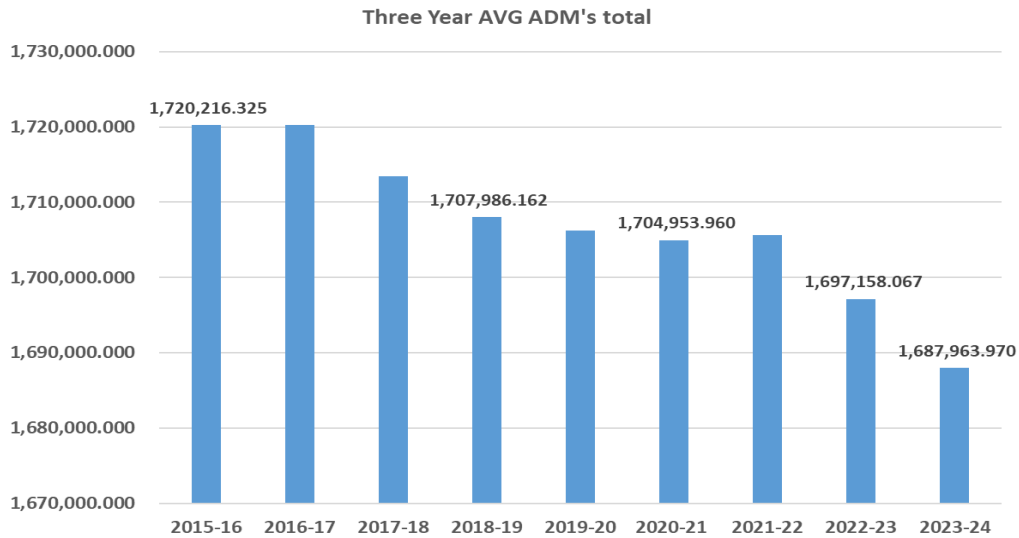
BEF formula in a nutshell...



Added Weights	
Acute poverty	0.6
Moderate poverty	0.3
Concentrated poverty	0.3
ELL	0.6
Charter	0.2

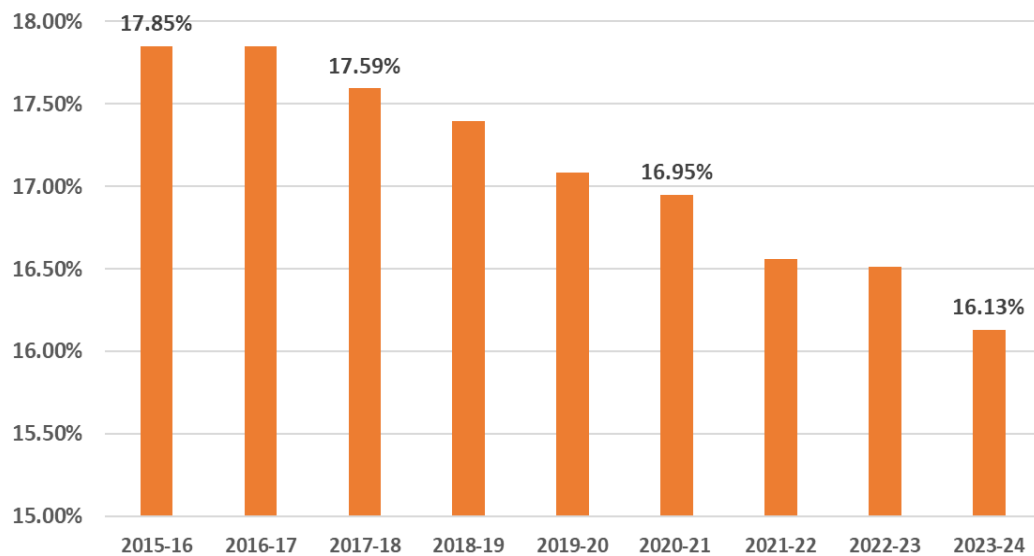
72

Remember...your movement is relative....



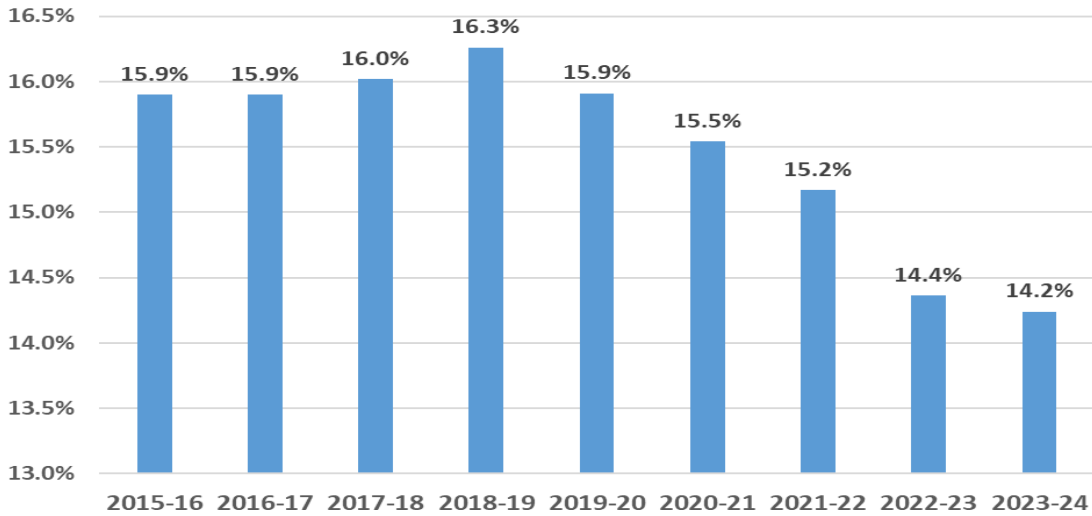
73

Average Moderate Poverty



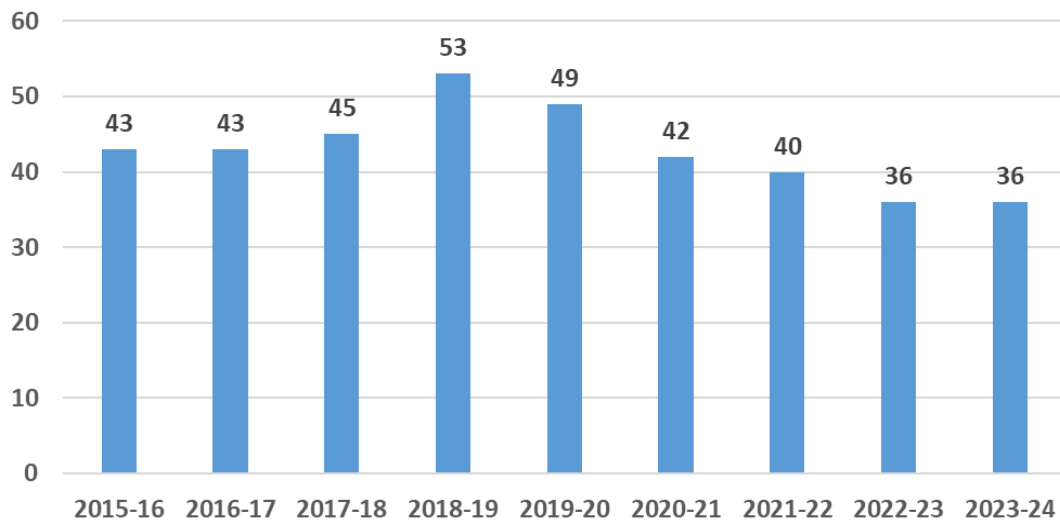
74

Average Acute Poverty



75

BEF Concentrated Poverty Counts



76



9 New Adds for 23-24			From 22-23; 9 Dropping out for 23-24		
113384603	Lebanon SD	Lebanon	115226103	Millersburg Area SD	Dauphin
127041503	Big Beaver Falls Area SD	Beaver	128323303	Homer-Center SD	Indiana
127045303	Midland Borough SD	Beaver	101268003	Uniontown Area SD	Fayette
108112003	Ferndale Area SD	Cambria	117417202	Williamsport Area SD	Lycoming
105251453	Corry Area SD	Erie	129544503	Mahanoy Area SD	Schuylkill
106272003	Forest Area SD	Forest	106169003	Union SD	Clarion
119357003	Riverside SD	Lackawanna	121139004	Weatherly Area SD	Carbon
129544703	Minersville Area SD	Schuylkill	117086003	Sayre Area SD	Bradford
101631803	Charleroi SD	Washington	118408852	Wilkes-Barre Area SD	Luzerne

Change in Concentrated Poverty Eligibility



	8	12	7	7	5	12	9
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Added	Woodland Hills SD	Uniontown Area SD	Charleroi SD	Jamestown Area SD	Charleroi SD	Uniontown Area SD	Lebanon SD
	Forest Area SD	Southeastern Greene SD	Steel Valley SD	Union SD	Sto-Rox SD	East Allegheny SD	Big Beaver Falls Area SD
	Claysburg-Kimmel SD	Washington SD	Forest Area SD	Harmony Area SD	Salisbury-Elk Lick SD	Iroquois SD	Midland Borough SD
	Fannett-Metal SD	Clarion Area SD	Windber Area SD	Columbia Borough SD	Windber Area SD	Northern Cambria SD	Ferndale Area SD
	Steelton-Highspire SD	Greensburg Salem SD	Antietam SD	Hazleton Area SD	Riverside SD	Smethport Area SD	Corry Area SD
	Pottstown SD	Jeannette City SD	Hanover Area SD	Big Beaver Falls Area SD		Millersburg Area SD	Forest Area SD
	Rochester Area SD	Salisbury-Elk Lick SD	Bristol Borough SD	Marion Center Area SD		Sayre Area SD	Riverside SD
	Purchase Line SD	Shanksville-Stonycreek SD				Williamsport Area SD	Minersville Area SD
		Columbia Borough SD				Greater Nanticoke Area SD	Charleroi SD
		Mount Carmel Area SD				Weatherly Area SD	
Dropped		Mid Valley SD				Homer-Center SD	
		Mahanoy Area SD				Mahanoy Area SD	
	Uniontown Area SD	Forest Area SD	Washington SD	Albert Gallatin Area SD	Steel Valley SD	Charleroi SD	Millersburg Area SD
	Carlynton SD	Oil City Area SD	Woodland Hills SD	Connellsville Area SD	Jamestown Area SD	Clairton City SD	Homer-Center SD
	Clarion-Limestone Area SD	Monessen City SD	Titusville Area SD	Uniontown Area SD	Harmony Area SD	Sharon City SD	Uniontown Area SD
	Mount Carmel Area SD	Purchase Line SD	Salisbury-Elk Lick SD	Southeastern Greene SD	Williamsport Area SD	Forest Area SD	Williamsport Area SD
	Hazleton Area SD		Shanksville-Stonycreek SD	Charleroi SD	Hazleton Area SD	Salisbury-Elk Lick SD	Mahanoy Area SD
	Wyoming Valley West SD		Columbia Borough SD	Pittsburgh SD	Bristol Borough SD	Windber Area SD	Union SD
			Lebanon SD	Sto-Rox SD	Big Beaver Falls Area SD	Fannett-Metal SD	Weatherly Area SD
			Greater Nanticoke Area SD	Clarion Area SD		Columbia Borough SD	Sayre Area SD
			Mid Valley SD	Greensburg Salem SD		Lancaster SD	Wilkes-Barre Area SD
			Panther Valley SD	Claysburg-Kimmel SD		Steelton-Highspire SD	
			Big Beaver Falls Area SD	Windber Area SD		Riverside SD	
				Antietam SD		Scranton SD	
				Mount Carmel Area SD		Pottstown SD	
				Mahanoy Area SD		Midland Borough SD	
						Rochester Area SD	
						Marion Center Area SD	
	6	4	11	14	7	16	9

The 23-24 adds must watch for 24-25!

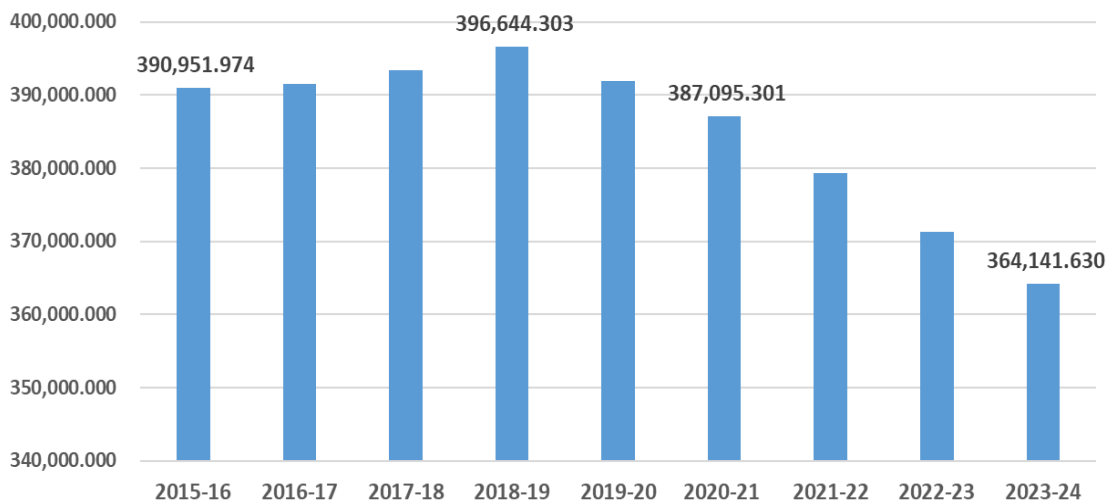


Concentrated Poverty 23-24 Proposed : New Adds and their rate.....Cliff watch for 24-25...?

Lebanon SD	31.04%	Lebanon
Big Beaver Falls Area SD	31.39%	Beaver
Midland Borough SD	33.90%	Beaver
Ferndale Area SD	30.07%	Cambria
Corry Area SD	31.97%	Erie
Forest Area SD	50.44%	Forest
Riverside SD	34.89%	Lackawanna
Minersville Area SD	37.86%	Schuylkill
Charleroi SD	36.23%	Washington

How Safe are the higher numbers??

Added Student Weighted ADMs





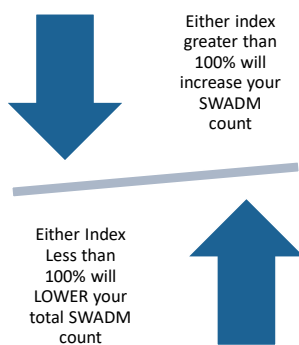
Remember the multipliers...and the math $[1 \times 1 = 1]$



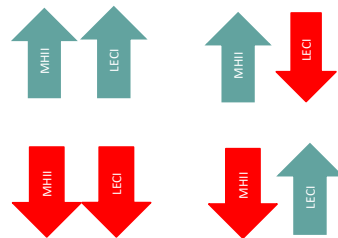
81



The Multipliers...above or below 1.0...and net of the two



Either Multiplier can raise or lower final student adjusted ADM count whether above or below 1.0



82

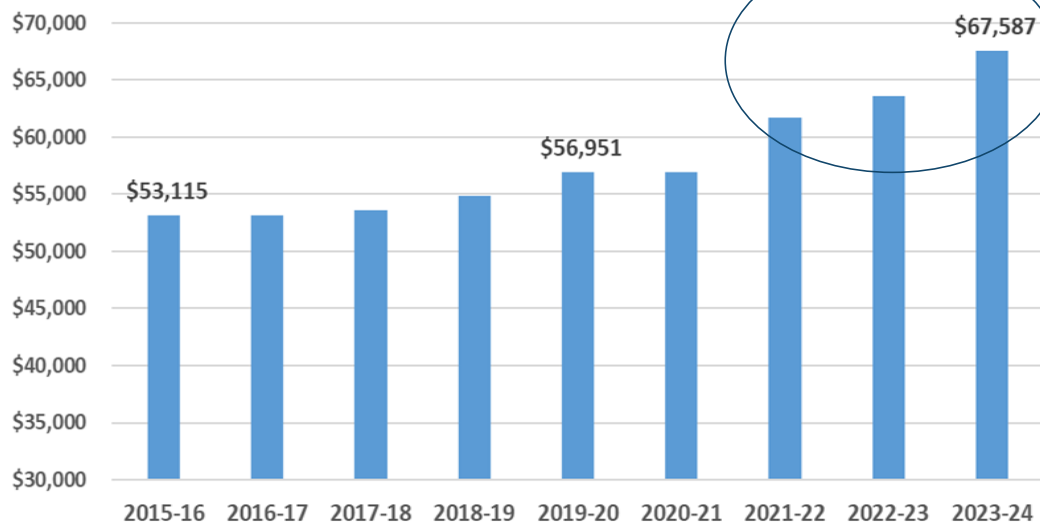
State Median Household Income



FY	State Median HHI	Change \$	Change %
2015-16	\$ 53,115		
2016-17	\$ 53,115	\$ -	0.0%
2017-18	\$ 53,599	\$ 484	0.9%
2018-19	\$ 54,895	\$ 1,296	2.4%
2019-20	\$ 56,951	\$ 2,056	3.7%
2020-21	\$ 56,951	\$ -	0.0%
2021-22	\$ 61,744	\$ 4,793	8.4%
2022-23	\$ 63,627	\$ 1,883	3.0%
2023-24	\$ 67,587	\$ 3,960	6.2%
Total Change		\$ 14,472	27.2%

83

State Median HHI



84



Prorate based on your share of total formula ADMs

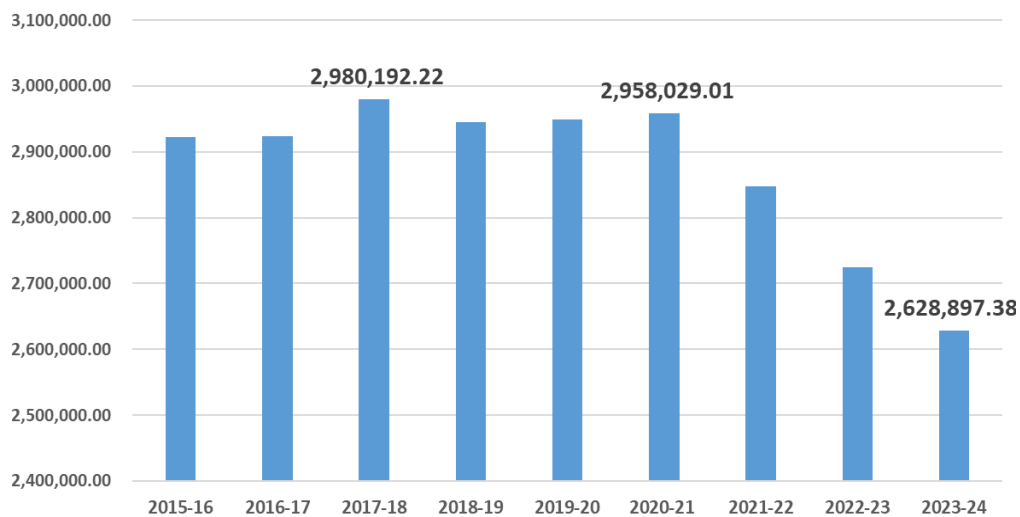


This number divided by the total statewide ADMs is your SHARE OF BEF!

85



Total Student Weights After Multipliers



86



District	3 Year Avg ADM	Total Student Weighted ADM	MHII	LECI	Total ADMs to Prorate (after Multipliers)
West Chester Area SD	12,632.337	13,554.149	0.6058	0.8600	7,061.549
South Middleton SD	2,177.791	2,271.789	0.8139	0.9900	1,830.519
Ellwood City Area SD	1,752.345	2,033.519	1.2119	0.8300	2,045.470
Mechanicsburg Area SD	4,499.572	5,084.470	0.8578	1.1900	5,190.135
Titusville Area SD	1,920.196	2,409.093	1.4251	1.2500	4,291.498
Lebanon SD	5,338.833	7,452.658	1.5399	1.7600	20,198.373
Farrell Area SD	697.142	1,137.264	2.3305	1.8500	4,903.228

87



Did we mention?...Know your share...



	AUN	School District	Total Student-Weighted ADM * MHII * LECI	Estimated Student-Weighted Distribution	SD change	Your District's Share	Amount in student weighted BEF Distribution	Amount per Total wtd ADM after multipliers
2015-16	113367003	Solanco SD	4,021.093	\$209,677.70		0.001376	\$ 152,398,840	\$ 52.14
2016-17	113367003	Solanco SD	4,024.475	\$485,013.76	\$275,336	0.001376	\$ 352,398,840	\$ 120.52
2017-18	113367003	Solanco SD	3,705.625	\$562,854.66	\$77,841	0.001243	\$ 452,667,283	\$ 151.89
2018-19	113367003	Solanco SD	3,356.813	\$613,889.57	\$51,035	0.001140	\$ 538,667,294	\$ 182.88
2019-20	113367003	Solanco SD	3,378.099	\$800,286.21	\$186,397	0.001145	\$ 698,667,194	\$ 236.90
*2020-21	113367003	Solanco SD	3,378.099	\$800,286.21	\$0	0.001145	\$ 698,667,194	\$ 236.90
2021-22	113367003	Solanco SD	3,577.825	\$1,129,245.45	\$328,959	0.001257	\$ 898,667,194	\$ 315.62
2022-23	113367003	Solanco SD	3,401.997	\$1,777,688.85	\$648,443	0.001249	\$ 1,423,667,194	\$ 522.54
2023-24 ?	113367003	Solanco SD	3,725.005	\$2,821,184.71	\$1,043,496	0.001417	\$ 1,991,032,243	\$ 757.36

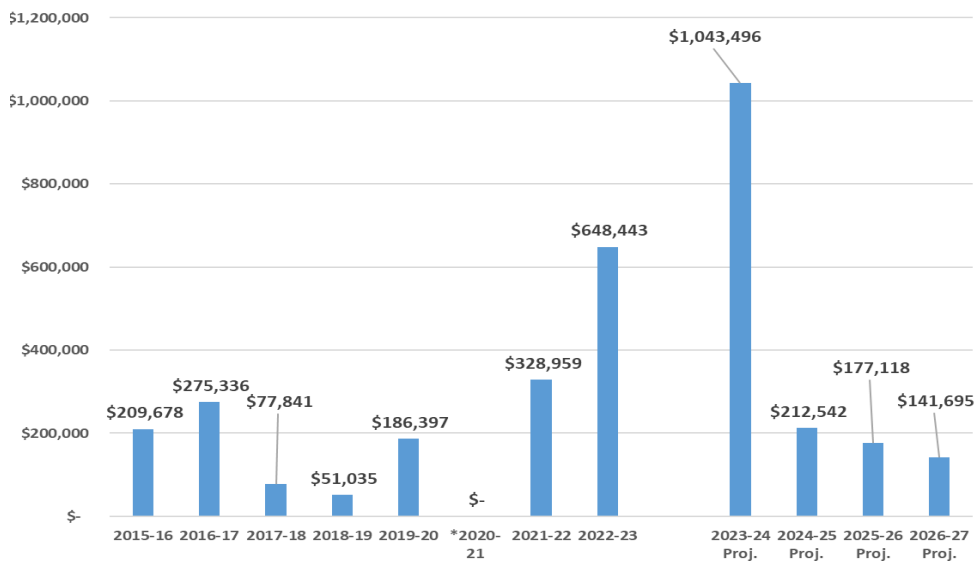
88



Solanco SD	FY	State BEF ADD	State BEF Student wtd Distribution	(Enter) LEA's Share	LEA's Student Wtd Amount	LEA's Student Wtd Amount Annual Increase
Actuals from 2015-16 to 2022-23	2015-16	\$ 152,398,840	\$ 152,398,840	0.001376	\$ 209,678	\$ 209,678
	2016-17	\$ 200,000,000	\$ 352,398,840	0.001376	\$ 485,014	\$ 275,336
	2017-18	\$ 100,268,443	\$ 452,667,283	0.001243	\$ 562,855	\$ 77,841
	2018-19	\$ 86,000,011	\$ 538,667,294	0.001140	\$ 613,890	\$ 51,035
	2019-20	\$ 159,999,900	\$ 698,667,194	0.001145	\$ 800,286	\$ 186,397
	*2020-21	\$ -	\$ 698,667,194	0.001145	\$ 800,286	\$ -
Average Add = \$178 million	2021-22	\$ 200,000,000	\$ 898,667,194	0.001257	\$ 1,129,245	\$ 328,959
	2022-23	\$ 525,000,000	\$ 1,423,667,194	0.001249	\$ 1,777,689	\$ 648,443
Projections based on Estimated State Adds and share estimates	2023-24 Proj.	\$ 567,365,002	\$ 1,991,032,196	0.001417	\$ 2,821,184.64	\$ 1,043,496
	2024-25 Proj.	\$ 150,000,000	\$ 2,141,032,196	0.001417	\$ 3,033,726.51	\$ 212,542
	2025-26 Proj.	\$ 125,000,000	\$ 2,266,032,196	0.001417	\$ 3,210,844.73	\$ 177,118
	2026-27 Proj.	\$ 100,000,000	\$ 2,366,032,196	0.001417	\$ 3,352,539.31	\$ 141,695
Four Year Projections		\$ 942,365,002				\$ 1,574,850
						
		Enter Estimated State Annual Adds the student Wtd distribution portion		Enter District estimated shares based on past trends and / or current knowns and Assumptions		

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LEA's Student Wtd Amount Annual Increase

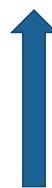


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From PDE's posted Spread sheet TWO line items for BEF: BASE (frozen) and SW BEF

AUN	School District	County	2023-24 Proposed Total BEF (Columns E+F) Mar20	2023-24 Proposed Base BEF	2023-24 Proposed Student-Weighted Distribution	2022-23 Estimated BEF + Level Up 3-1-22	Dollar Change in Total BEF
113367003	Solanco SD	Lancaster	\$12,355,737	\$9,534,552.28	\$2,821,184.71	\$11,311,146	\$1,044,591



91



And yet it all moves.....

- Finalized 2021-22 ADM before the Governor's Executive Budget address for BEF
- As of Governor's Budget, the 2020-21 AFR data (affecting the Local Effort Capacity Index calculation) were revised as part of the **update to the 2022-23 BEF** file.
- There may be updates to 2018-19, 2019-20, and/or 2020-21 ADM before final BEF payments are made on June 1, 2023.
- **Additionally, the following are the statuses of the fluid data elements for 2023-24 BEF and SEF:**
- 2021-22 ADM – finalized and available for use. Normally this is not posted until the spring.

92



And yet it all moves....

- 2021-22 AFR data – Several school districts still have not submitted an AFR. The data on the BEF file uses 2020-21 AFR data in lieu of the 2021-22 data; those will be updated on June 2 after PDE gets the data.
- 2022-23 ELL data – we anticipate receiving in April, as in prior years.
- 2021-22 Act 16 counts – we will have for the June 2 calculation.
- Bottom line: Updated 2022-23 BEF and SEF due to revised AFR data that were available for the school years used in those calculations (for BEF, 2020-21; for SEF, 2018-19, 2019-20, 2020-21 used for Equalized Mills calculations).
- In early May (for finalized subsidies for June 1 payment) with additional AFR revisions. There may also be ADM revisions to the years used in the formulas.

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Statewide relativity

- Your share comes from your metrics...
- Compared to 499 other school districts
- As your metrics move...it matters how far yours move...and in which direction.

94

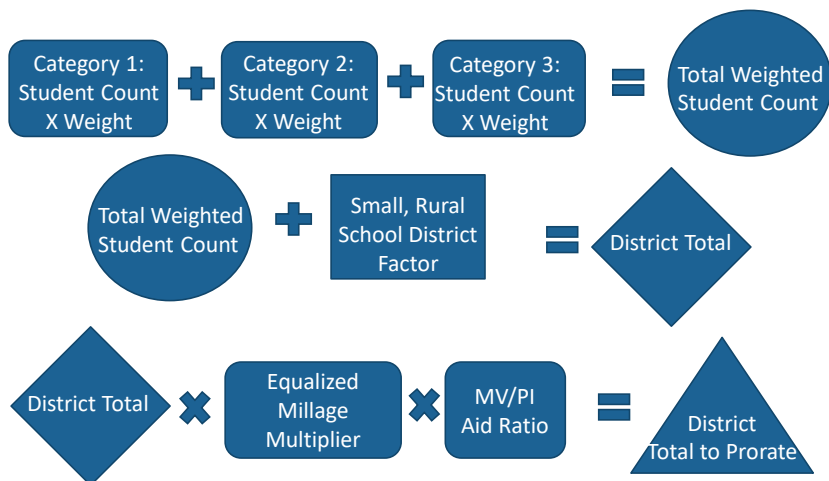
SEF Appropriation



2023-24 Proposed Special Education Appropriation				
Component Listing	Share	Amount	Base	SW Distribution
Special Education Funding	92.6%	\$ 1,334,463,139	= \$ 947,535,830	+ \$ 386,927,310
Contingency Fund	0.9%	\$ 13,400,733		29.0%
Contingency Fund APS Set-aside	0.1%	\$ 1,000,047		
Cordero Community Services	0.0%	\$ 563,000		
Intermediate Unit Core Services	5.5%	\$ 79,204,290		
Intermediate Unit Institutionalized Children (Net)	0.2%	\$ 2,343,000		
Private Residential Rehabilitative Institutions	0.1%	\$ 1,500,000		
Special Education Out of State	0.2%	\$ 3,000,000		
Special Education Wards of State	0.4%	\$ 5,166,791		
Total 2023-24 Estimated State Appropriation	100.0%	\$ 1,440,641,000		

95

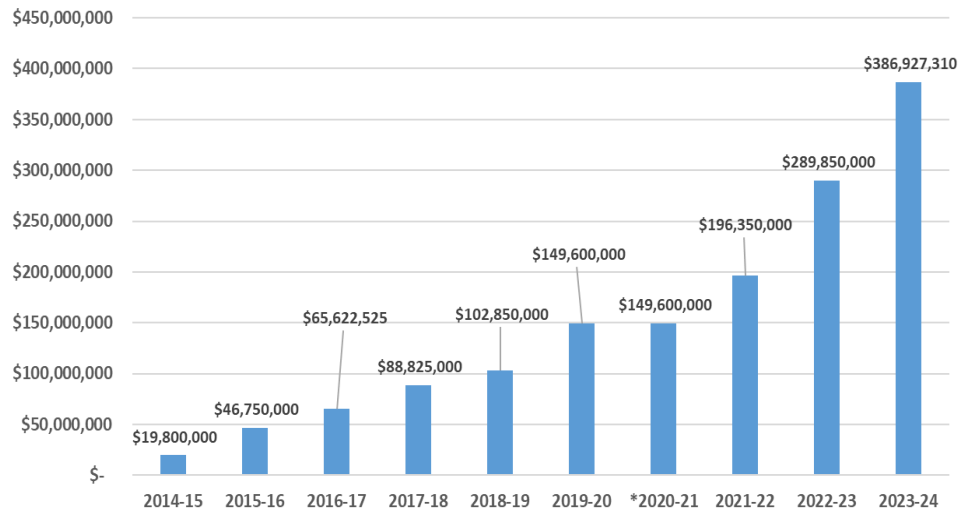
SEF formula in a nutshell



96



SEF Student-Based Allocation



97

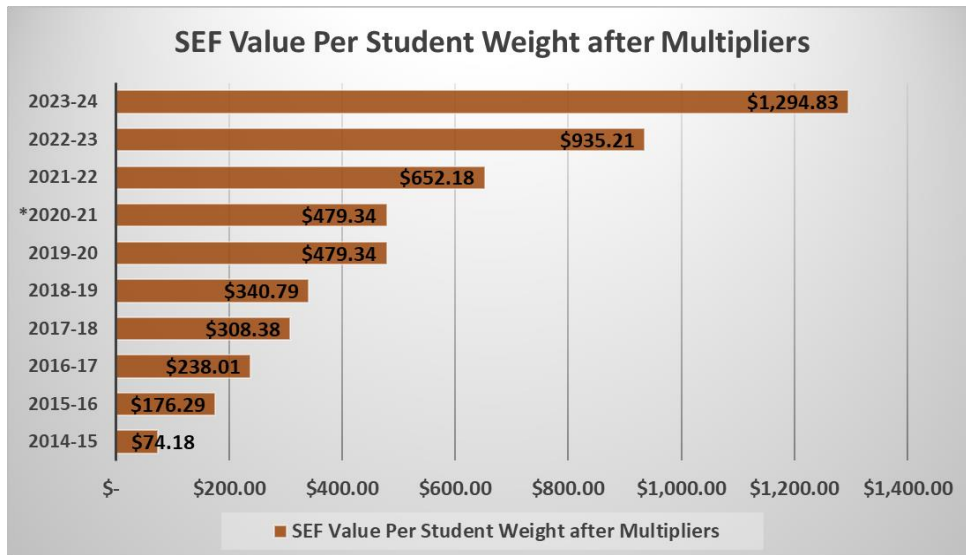
SEF Formula



SEF	Student-Based Allocation	Adjusted WSC x MV/PI Aid Ratio x EMM	Weighted Student Count (WSC) plus SSA
2014-15	\$ 19,800,000	266,911.46	538,554.00
2015-16	\$ 46,750,000	265,193.51	539,450.00
2016-17	\$ 65,622,525	275,714.88	562,632.98
2017-18	\$ 88,825,000	288,036.66	586,776.49
2018-19	\$ 102,850,000	301,801.70	612,388.53
2019-20	\$ 149,600,000	312,096.34	637,137.71
*2020-21	\$ 149,600,000	312,096.34	637,137.71
2021-22	\$ 196,350,000	301,067.87	637,254.06
2022-23	\$ 289,850,000	309,929.99	652,549.44
2023-24	\$ 386,927,310	298,824.80	652,482.22
State Avg Reduction		45.80%	

98

SEF per SWADM climbs to **\$1,294.83**....same as BEF compounding



99

SEF: 23-24 Proposed

Warning: 2021-22 data NOT in here
(2018-19 drops out...and 2021-22 comes in)



AUN	School District	County	2023-24 Proposed SEF Mar2023	2022-23 Estimated SEF 3-1-23	Dollar Change	Percent Change	2023-24 Proposed Student-Based Allocation
112011103	Bermudian Springs SD	Adams	\$1,422,623	\$1,318,825	\$103,798	7.90%	\$1,048,623.65
112011603	Conecago Valley SD	Adams	\$2,830,792	\$2,521,863	\$308,929	12.3%	\$1,717,670.75
112013054	Fairfield Area SD	Adams	\$752,966	\$713,993	\$38,973	5.5%	\$611,434.53
112013753	Gettysburg Area SD	Adams	\$2,159,455	\$2,032,026	\$127,429	6.3%	\$1,685,441.94
112015203	Littlestown Area SD	Adams	\$1,604,366	\$1,503,965	\$100,401	6.7%	\$1,252,459.42
112018523	Upper Adams SD	Adams	\$1,394,752	\$1,266,811	\$127,941	10.1%	\$933,759.52

Adjusted WSC x MV/PI Aid Ratio x EMM	Weighted Student Count (WSC) plus SSA	Weighted Student Count	3-yr avg Cat 1 x 1.64 factor	3-yr avg Cat 2 x 3.08 factor	3-yr avg Cat 3 x 6.34 factor	2020-21 Cat 1 Count (SD+CS)	2020-21 Cat 2 Count (SD+CS)	2020-21 Cat 3 Count (SD+CS)	2019-20 Cat 1 Count (SD+CS)	2019-20 Cat 2 Count (SD+CS)	2019-20 Cat 3 Count (SD+CS)	2018-19 Cat 1 Count (SD+CS)	2018-19 Cat 2 Count (SD+CS)	2018-19 Cat 3 Count (SD+CS)
288.937	477.000	477	377	68	32	228	18	6	227	18	5	236	30	5
859.954	1,424.000	1,424	1,036	179	209	638	58	36	626	55	33	632	61	30
109.342	307.811	298	233	46	19	148	18	3	147	11	4	132	15	3
366.204	1,051.000	1,051	787	163	101	475	55	18	496	56	15	470	49	16
271.869	510.000	510	402	89	19	222	36	4	261	44	3	251	8	1
356.145	548.000	548	458	71	19	304	23	7	275	25	1	259	20	1

100

SEF: 2022-23 forward

new categories (for reporting only) and 3 year averages

As reported ACT 16 special education counts...plus your SEF Base



The sum of the weighted-student counts for categories 1, 2 and 3 calculated by multiplying the number of students in each student category by its weighting ---

Categories

- 1= 1.64
- 2= 3.08
- 3= 6.34

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Check your data!!

Year-over-year changes by Category



Cat 1			Cat 2			Cat 3			Cat 1			Cat 2			Cat 3		
228	227	236	18	18	30	6	5	5	1	-9		0	-12		1	0	
638	626	632	58	55	61	36	33	30	12	-6		3	-6		3	3	
148	147	132	18	11	15	3	4	3	1	15		7	-4		-1	1	
475	496	470	55	56	49	18	15	16	-21	26		-1	7		3	-1	
222	261	251	36	44	8	4	3	1	-39	10		-8	36		1	2	
304	275	259	23	25	20	7	1	1	29	16		-2	5		6	0	
190	187	179	15	15	11	6	7	10	3	8		0	4		-1	-3	
110	118	132	17	19	15	4	4	5	-8	-14		-2	4		0	-1	
519	511	521	82	70	54	28	23	35	8	-10		12	16		5	-12	
756	766	797	24	32	29	18	14	16	-10	-31		-8	3		4	-2	
228	226	220	16	12	14	5	12	16	2	6		4	-2		-7	-4	
287	290	306	28	22	26	14	15	9	-3	-16		6	-4		-1	6	
376	417	336	47	31	54	41	26	37	-41	81		16	-23		15	-11	
209	293	286	10	20	13	2	4	7	-84	7		-10	7		-2	-3	
88	72	80	8	12	10	0	3	1	16	-8		-4	2		-3	2	
62	545	585	18	22	3	5	7	3	-483	-40		-4	19		-2	4	
261	283	293	8	13	9	10	9	8	-2	-10		-5	4		1	1	
307	328	348	13	23	14	19	9	18	-21	-20		-10	9		10	-9	
450	430	433	23	22	26	0	0	2	20	-3		1	-4		0	-2	
8	12	298	17	7	8	4	9	4	-4	-286		10	-1		-5	5	
689	709	740	19	22	20	3	3	2	-20	-31		-3	2		0	1	
199	206	187	3	3	3	0	0	1	-7	19		0	0		0	-1	
289	294	321	14	12	9	1	3	0	-5	-27		2	3		-2	3	
203	211	223	23	22	33	9	9	6	-8	-12		1	-11		0	3	
606	537	548	7	48	34	1	4	3	69	-11		-41	14		-3	1	
207	216	219	1	1	1	1	1	1	-9	-3		0	0		0	0	
277	267	176	30	29	17	0	2	7	10	91		1	12		-2	-5	

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Act 1 index History and Estimated (PASBO)



FOR USE IN FY	SAWW CAL YEARS	SAWW	ECI FY	ECI	INDEX (unadjusted)
2007-08	2005	2.9%	2005-06	3.9%	3.4%
2008-09	2006	4.3%	2006-07	4.5%	4.4%
2009-10	2007	4.6%	2007-08	3.6%	4.1%
2010-11	2008	2.7%	2008-09	3.0%	2.8%
2011-12	2009	0.9%	2009-10	1.9%	1.4%
2012-13	2010	2.1%	2010-11	1.3%	1.7%
2013-14	2009-2011	2.0%	2011-12	1.4%	1.7%
2014-15	2010-2012	2.6%	2012-13	1.6%	2.1%
2015-16	2011-2013	2.4%	2013-14	1.4%	1.9%
2016-17	2012-2014	2.5%	2014-15	2.2%	2.4%
2017-18	2013-2015	2.6%	2015-16	2.3%	2.5%
2018-19	2014-2016	2.2%	2016-17	2.6%	2.4%
2019-20	2015-2017	2.2%	2017-18	2.4%	2.3%
2020-21	2016-2018	2.2%	2018-19	2.9%	2.6%
2021-22	2017-2019	3.1%	2019-20	2.9%	3.0%
2022-23	2018-2020	4.7%	2020-21	2.1%	3.4%
2023-24	2019-2021	5.2%	2021-22	2.9%	4.1%
2024-25	2020-2022	5.9%	2022-23	4.1%	5.0%

Definitions:

Statewide Average Weekly Wage That amount determined by the Department of Labor and Industry in the same manner that it determines the average weekly wage under section 404(e)(2) of the act of December 5, 1936 (2nd Sp.Sess., 1937 P.L.2897, No.1), known as the Unemployment Compensation Law, except that it shall be calculated for the preceding calendar year.

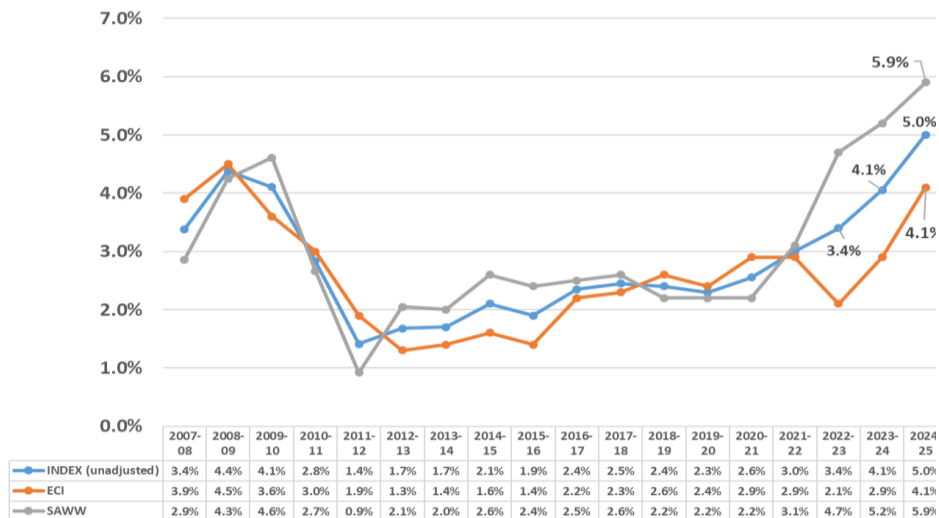
Employment Cost Index The most recent official figures, for the previous 12-month period beginning July 1 and ending June 30 for the Employment Cost Index Series for Elementary and Secondary Schools, reported by the Bureau of Labor Statistics of the Federal Department of Labor (Table 4).

Index (1) Except as set forth in paragraph (2), the average of the percentage increase in the Statewide average weekly wage and the employment cost index. (2) For a school district with a market value/income aid ratio greater than 0.4000 for the school year prior to the school year for which the index is calculated, the value under paragraph (1) multiplied by the sum of: (i) 0.75; and (ii) the school district's market value/income aid ratio for the school year prior to the school year for which the index is calculated.

ECI data rebased in July 2006: base year changed to Dec. 2005; also, new industry SAWWW calculation changed by Act 6 of 2011 to a 36-month from 12-month

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SAWW, ECI, Act 1 history.....and Estimated Act 1 Index



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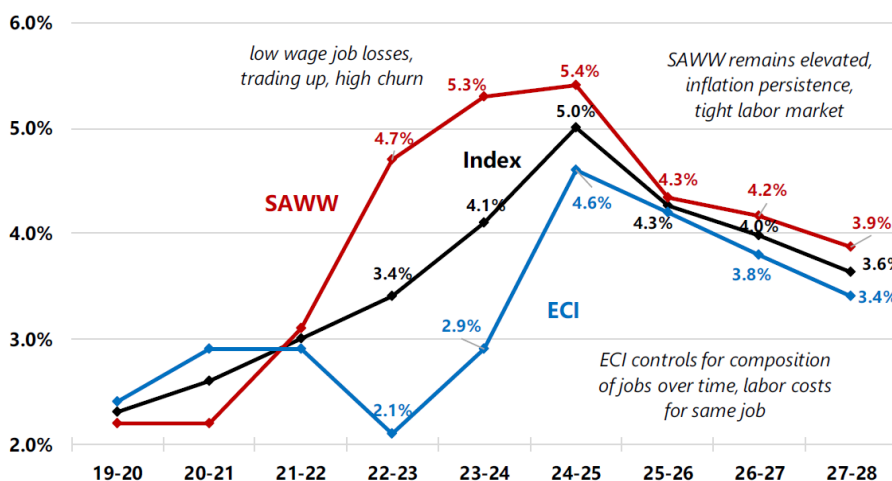


The IFO's Act 1 Projections

	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27
Base Index	2.3%	2.6%	3.0%	3.4%	4.1%	5.0%	4.3%	4.0%
SAWW	2.2%	2.2%	3.1%	4.7%	5.3%	5.4%	4.3%	4.2%
ECI	2.4%	2.9%	2.9%	2.1%	2.9%	4.6%	4.2%	3.8%
August 2022 Forecast (Base Index)					4.2%	4.5%	4.0%	3.8%
Change					-0.1%	+0.5%	+0.3%	+0.2%

Notes: SAWW is statewide average weekly wage. ECI is employment cost index (2022.4 growth rate is 4.7%).
Source: Reported by the Department of Education through 23-24, forecast by the IFO thereafter.

The IFO's Act 1 Projections (assumes no recession)



ECI response rates down dramatically

- 2010 71.8%
- 2019 62.3%
- 2021 54.3%
- 2022 50.6%

PSERS: What is the FY 2023-24 Employer Contribution Rate (ECR)? Answer = 34.0%



On December 16, 2022, the Public School Employees' Retirement System (PSERS) Board of Trustees certified the FY 2023-24 employer contribution rate (ECR) at 34.00%.

The ECR for 2022-23 was 35.26%. ...a 1.26% of payroll yr over yr reduction.

The ECR is the percentage of payroll that local school employers and the Commonwealth share and pay toward retired and current school employees' benefits.

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Why did the FY 2023-24 Employer Contribution Rate decrease when the Fund did not meet its 7.00% investment rate of return in FY 2021-22?



The ECR decrease, the first since 2008-09, was caused in large part by PSERS' employers strong payroll growth and favorable demographic changes

- involving mortality (actuarial tables)
- and retirement experience,

...according to the Board's actuarial firm, Buck.

108

...Of all the lousy ways to save a buck...

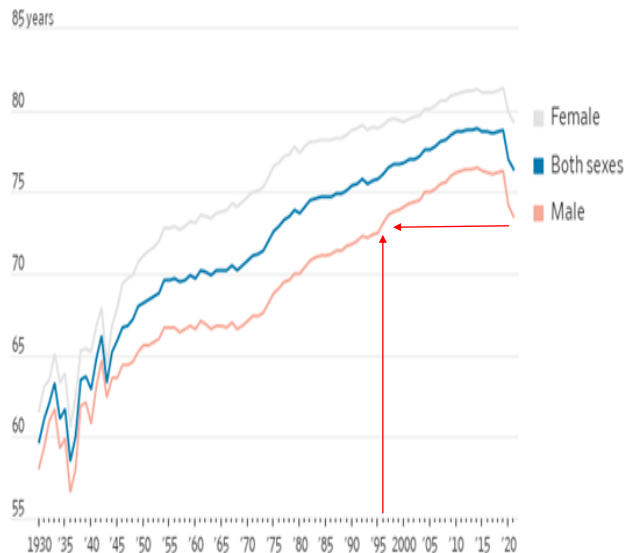
Life expectancy in the U.S. fell again last year to the lowest level since 1996,

The death rate for the U.S. population increased by 5%, cutting life expectancy at birth to 76.4 years in 2021 from 77 years in 2020.

Before the pandemic, in 2019, life expectancy at birth in the U.S. was 78.8 years.

WSJ: The decline in 2020 was the largest since World War II, Julie Wernau and Jon Kamp reported.

U.S. life expectancy at birth



Source: Centers for Disease Control and Prevention



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The Honorable Seth Grove: ECR Letter

In December of 2022, the Board of Trustees for the Pennsylvania School Employees Retirement System (PSERS) approved a reduction to the employer contribution rate from 35.26% to 34%, while continuing to reduce the total unfunded liability of the retirement system. PSERS publicly cited this as the "First Decline in the Employer Contribution Rate in More Than a Decade" in their press release. (https://www.media.pa.gov/pages/Public-School-Employees-Retirement-System_details.aspx?newsid=256)

In order for you to plan appropriately, I want to ensure you understand the reduction in the employer contribution rate is projected to be a one-time reduction and pension payments for your school district are expected to rise for the foreseeable future.

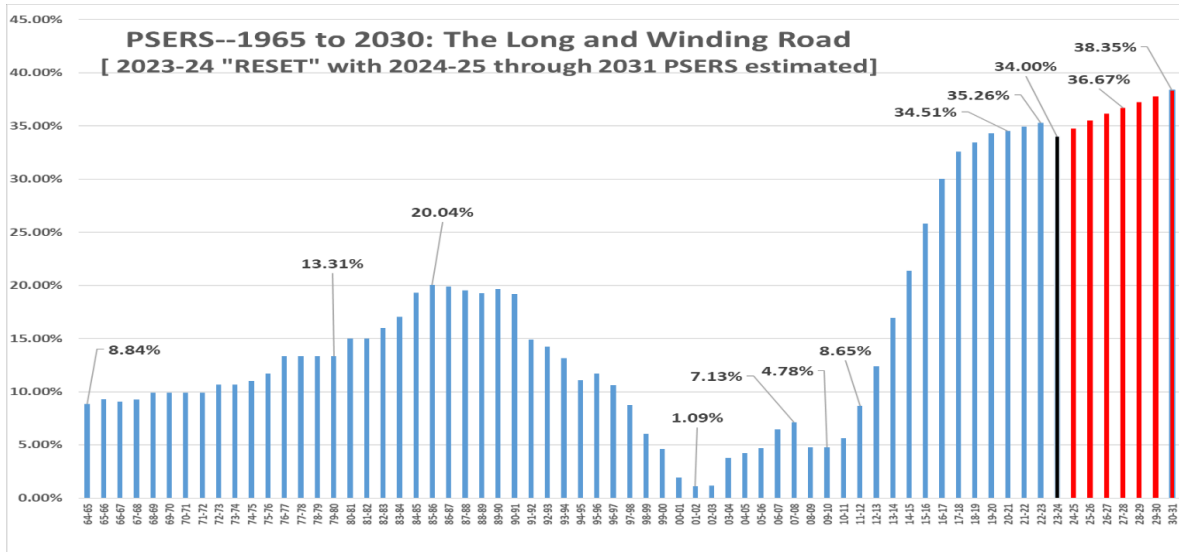
Sincerely,

Seth M. Grove
Republican Chairman
Appropriations Committee



110

65 years later....



111

Safety and Security



Governor Shapiro wants to provide **county-level support** through a two-pronged solution:

- Provide funding to build supports and connect students with services for immediate relief.
- Help counties provide training to fill shortages over time.

112

Safety and Security



\$100 million for school safety and security grants through the PCCD's School Safety and Security Fund.

- These grants came to be last year, in the 2022-23 budget cycle.
- School entities can utilize funds to address physical security enhancements and provide resources for school safety and security coordinator training.

113

Safety and Security



***New* \$100 million** for the School-Based Mental Health Supports Block Grant through PDE.

- Eligible grant uses include:
 - Hiring/maintaining school counselors, social workers, and psychologists
 - Contracting with community and non-profit groups
 - Providing telemedicine behavioral health options.
- Funding will also support clinical mental health internships for individuals pursuing certification in public schools.

114

School Construction



***New* \$100 million** for matching grants for school environmental repairs and improvements via collaboration between DEP, PDE and PENNVEST

- By abating or remediating environmental hazards in schools, more children will have the opportunity to grow and learn in healthy settings.
- There is no indication that these funds are run through PlanCon.

115

Other Legislation...



SB 415 (*Sen. Kearney, D-Delaware*) and **HB 87** (*Rep. Fiedler, D-Philadelphia*)

- Solely opens applications to the Maintenance Program of PlanCon for a temporary 3-year period. After this period, PDE would open the program for traditional PlanCon projects.
- Maintenance Program Grant awards would not exceed \$3 million, replacing the previous \$1million cap.
- Maintenance Program would return to its normal share of available funding after 3 years.

116

Food Service



New **\$38.5 million** to continue to provide **universal free breakfast** for all Pennsylvania students, regardless of income.

- Additionally, this investment will **cover the full cost of lunch** for 22,000 Pennsylvania school students who are eligible for reduced price lunches through NSLP.
- This means that students whose families earn less than 185 percent of the federal poverty level will be able to eat a school lunch at no cost.

117

Other Legislation...



SCO 671 (*Sen. L. Williams, D-Allegheny*) - The Universal School Meal Program is would provide two free meals each school day to each student of a public school entity regardless of the household income of the student.

PDE would provide state reimbursement to public schools.

Each public school would maximize the amount of Federal reimbursement available through the National School Lunch Program and the School Breakfast Program for students who qualify.

**Previously SB 1327 of 2021-22 Session*

118

Teacher Recruitment and Retention



***New* \$24.7 million** in job retention and recruitment efforts to attract individuals into certified and licensed professions in the fields of nursing, teaching, and policing.

- Provides refundable tax credit up to \$2,500 a year for three years to:
 - Current residents that either acquire a license or certification in these fields after January 2023
 - Individuals that move into PA with a recognized credential in these fields
- This would be accomplished through Personal Income Tax returns to avoid extra burden in applying for the funding.

119

Teacher Recruitment and Retention



\$2 million increase to provide teacher professional development through local education agencies.

- This funding will help to ensure that teachers have resources and support to develop new curriculum in line with updated educational standards.

120

Other Legislation...



Elevating Educators bipartisan bill package

- Announced by Rep. Patty Kim in early March 2023
- Raise the minimum salary for education professionals from \$18,500 to \$50,000, and then by an additional \$2,500 annually until it reaches \$60,000. (*Rep. Kim, D-Dauphin/Cumberland*)

121

Other Legislation...



Fiscal Year	Minimum Salary Requirement	Employees with Salaries Raised	Average Salary Increase	LEA's Impacted	Appropriation
2023-24	\$50,000	5,378	\$3,594	283	\$27.4 million
2024-25	\$52,500	7,752	\$1,944	348	\$21.5 million
2025-26	\$55,000	10,015	\$2,162	406	\$30.9 million
2026-27	\$57,500	12,761	2,352	451	\$43.1 million
2027-28	\$60,000	15,390	\$2,473	489	\$54.9 million

In total, the proposal will cost \$178 million in new appropriations by 2027-28.

122



Other Legislation...

Elevating Educators bipartisan bill package

- Grant program for schools with hard-to-staff teaching positions by recruiting students, paraprofessionals, and parents in their local school district. *(Rep. Schlossberg, D-Lehigh)*
- Grant program for colleges to create/expand programs for paraprofessionals to become certified teachers. *(Rep. Rigby, R-Cambria/Somerset)*
- Teacher Loan Forgiveness Program – up to \$40k over 4 years for teaching in Pennsylvania. *(Rep. Young, D-Phila/Delaware)*

**Previously HB 2447 of 2021-22 Session*

123



Other Legislation...

Elevating Educators bipartisan bill package (cont.)

- Teacher Scholarship Program – up to \$32k over 4 years for students enrolled in a teaching program within the state system. *(Rep. Rozzi, D-Berks)*

**Previously HB 2390 of 2021-22 Session*

- Support/mentor program for first-year teachers in districts with high turnover *(Rep. Kinsey, D-Philadelphia)*

**Previously HB 1784 of 2021-22 Session*

124

Level Up



- Senate Democrats have released their own budget proposal, appropriating \$400 million into Level Up.
- Senator Hughes' plan is supported by a mix of General and Rainy-Day funds.
 - Pennsylvania's estimated General Fund surplus at the end of FY 22/23 is \$7.4 billion.
 - The Rainy-Day Fund balance is \$5 billion.

125

Level Up



SCO 690 (*Sen. Miller, D-Lehigh/Northampton*) – Proposes an increase to Level Up funding to \$400 million.

- “Like increases to BEF, Level Up is anticipated to support outcomes such as safer and healthier learning environments, lower student-to-staff ratios, increased access to technology, expanded school nutrition programs, and/or upgraded instructional materials and professional development.”

– *Sen. Nick Miller*

126

Cyber/Charter School Reform



House Democratic Policy Committee hearing on “charter school reimbursement” in late March.

Cosponsorship memos from House members to apply the same funding principles used for school districts to determine special education funding for students enrolled in charter schools.

- *Rep. Kathleen Tomlinson, R- Bucks*
- *Rep. Jessica Benham, D- Allegheny*
- *Rep. Tarah Probst, D- Monroe/Pike*

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Cyber/Charter School Reform



SB 337 (*Sen. Schwank, D-Berks*) - If a public school district offers a cyber-based program equal to an existing cyber chartered school and a student in that district attends a cyber charter school, the school district would not be required to provide funding to pay for a student's attendance at a cyber charter school.

SCO 764 (*Sen. L. Williams, D-Allegheny*) - Establishes requirements for cyber charter school funding and reimbursement, provides for increased charter school transparency and accountability.

**Previously SB 27 of 2021-22 Session*

128

Lifeline Scholarships



SCO 451 (*Sen. J. Ward, R-Blair/Fult/Hunt/Juni/Miff*) and **HCO 363** (*Rep. Owlett, R-Tioga/Brad*)

Establish Education Savings Accounts (ESAs) for school-age students with special needs or enrolled in low-performing schools.

Scholarships would come from the state payments that would otherwise be made to the student's resident school district and could be used for a number of qualified expenses

**Previously SB 733 and HB 2169 of 2021-22 Session*

129

What does this mean for the future?



The decline in the FY 2023-24 ECR is a one-year decline and ECR rates are expected to rise again slowly.

Future increases, however, will start from the lower FY 2023-24 base ECR of 34.00%.

This means projected ECR increases are expected to remain lower than previous projections over the next few years.

130



President Biden's Budget Proposal

\$6.8 trillion spending plan proposes **\$5 trillion in tax increases** to offset new spending programs.

- The White House says Biden's plan would reduce the deficit by **\$3 trillion** over 10 years.
- The Congressional Budget Office says **\$20 trillion** will be added to the national debt over that period, driven by an aging population, rising healthcare costs, higher interest rates, etc.

131



President Biden's Budget Proposal

\$90 billion for the U.S. Department of Education — a 13.6% increase over current budget allocations.

- **\$20.5 billion** for Title I, a \$2.2 billion increase.
- **\$500 million** for a federal-state partnership to provide free preschool.
- **\$578 million** to increase the number of school-based counselors, psychologists, and social workers in K-12 schools

132



President Biden's Budget Proposal

- **\$16.8 billion** in Individuals with Disabilities Education Act (IDEA) grants to support special education for students in grades Pre-K through 12.
- **Extra \$304 million** to train and retain special education teachers.
- **\$1.2 billion** for the English Language Acquisition program to help students attain English proficiency.

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Advocacy

- So now we know the key takeaways from Governor Shapiro's first budget address – How do you continue these conversations with your community?
- Speak optimistically with legislators and your community. Although more needs to be done, this will encourage continued thinking and collaboration.
- Who is your legislator? Consider:
 - Party affiliation (majority or minority party?)
 - Committee assignments
 - Previous legislation they have introduced (is it education-focused?)
 - Are they an incumbent, or a new member?

134

Pennsylvania Senate Education Committee



Majority (R):

- David Argall (*Chair, Carbon/Luzerne/Schuylkill*)
- Doug Mastriano (*Vice-Chair, Adams/Franklin*)
- Ryan Aument (*Lancaster*)
- Michele Brooks (*Crawford/Lawrence/Mercer*)
- Jarrett Coleman (*Bucks/Lehigh*)
- John DiSanto (*Dauphin*)

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Pennsylvania Senate Education Committee



Minority (D):

- Lindsey Williams (*Minority Chair, Allegheny*)
- Carolyn Committa (*Chester*)
- Tim Kearney (*Delaware*)
- Anthony Williams (*Delaware/Philadelphia*)

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Pennsylvania House Education Committee



Majority (D):

- Peter Schweyer (*Chair, Lehigh*)
- Joe Ciresi (*Montgomery*)
- Gina Curry (*Delaware*)
- Paul Friel (*Chester*)
- Carol Hill-Evans (*York*)
- Marylouise Isaacson (*Philadelphia*)
- Carol Kazeem (*Delaware*)
- Maureen Madden (*Monroe*)
- Napoleon Nelson (*Montgomery*)
- Paul Friel (*Chester*)
- Tarah Probst (*Monroe/Pike*)
- Mark Rozzi (*Berks*)
- Ismail Smith-Wade-El (*Lancaster*)

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Pennsylvania House Education Committee



Minority (R):

- Jesse Topper (*Minority Chair, Bedford/Fulton*)
- Barbara Gleim (*Cumberland*)
- Milou Mackenzie (*Northampton/Lehigh/Montgomery*)
- Robert Mercuri (*Allegheny*)
- Jason Ortitay (*Allegheny/Washington*)
- John Schlegel (*Lebanon*)
- Stephenie Scialabba (*Butler*)
- Craig Staats (*Bucks*)

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Pennsylvania Senate Leadership



Position	Senate Majority (R)	Senate Minority (D)
President Pro-Tempore	Kim Ward (R)	
Leader	Joe Pittman	Jay Costa
Whip	Ryan Aument	Christine Tartaglione
Appropriations Committee Chair	Scott Martin	Vincent Hughes
Caucus Chair	Kristin Phillips-Hill	Wayne Fontana
Caucus Secretary	Camera Bartolotta	Maria Collett
Education Committee Chair	David Argall	Lindsey Williams

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Pennsylvania House Leadership



Position	House Minority (R)	House Majority (D)
Speaker	Joanna McClinton (D)	
Leader	Bryan Cutler	Matt Bradford
Whip	Timothy O'Neal	Dan Miller
Appropriations Committee Chair	Seth Grove	Jordan Harris
Caucus Chair	George Dunbar	Michael Schlossberg
Caucus Secretary	Martina White	Tina Davis
Education Committee Chair	Jesse Topper	Peter Schweyer

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What happens next?

PART 4...

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Budget Process

- Now that Governor Shapiro has submitted his budget to the legislature, the legislative review process begins.
- Appropriations committees of the House and Senate hold hearings to review agency requests for funds.
 - PDE House Appropriations Hearing: **Monday, March 20 at 10:00 am**
 - PDE Senate Appropriations Hearing: **Wednesday, March 29 at 9:30 am**

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Budget Process

- The General Assembly makes its decisions on the budget in the form of a General Appropriation Bill and individual appropriation bills.
 - The General Appropriation Bill: The executive, legislative and judicial departments, public schools, and for public debt.
 - All other appropriations are made individually by separate special bills.
- When the appropriation bills are presented to the Governor for approval, the official revised revenue estimates for the budget year are issued.

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Budget Process

- Will the budget be on time?
- Will the \$570 million BEF increase stand?
- Will Level-Up be included in a final budget proposal?



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School Funding Lawsuit

- No immediate next steps...the decision to appeal won't come until summer
- The 22-23 and 23-24 budgets will move the ball...
- Deliberative and thoughtful going forward
- Committees, subcommittees, working groups, etc...

145



School Funding Lawsuit

- The Court concludes that money does matter, and economically-disadvantaged students and historically underperforming students can overcome challenges if they have access to the right resources that wealthier districts are financially able to provide. (P 717)
- Opinion “does not require reform to be entirely financial.” The test will be ending the disparities and enabling all districts to provide necessary services.

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Opportunities...?

- Reset the conversation on school funding tying student equity and taxpayer equity together...state funding for schools is property tax relief!
- Focus new state funding on school district cost-drivers (primarily mandated costs)
- Focus outside of BEF...BEF is a piece of the puzzle
- Control the growth in mandated costs to suppress the need for property tax growth

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Other opportunities...?

- Run all of the money through the formula...? A BEF-only solution?
- Expand school choice to an ESA-like program (would require Constitutional adjustments)
- Other options?

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Questions & Answers

Thank you!