



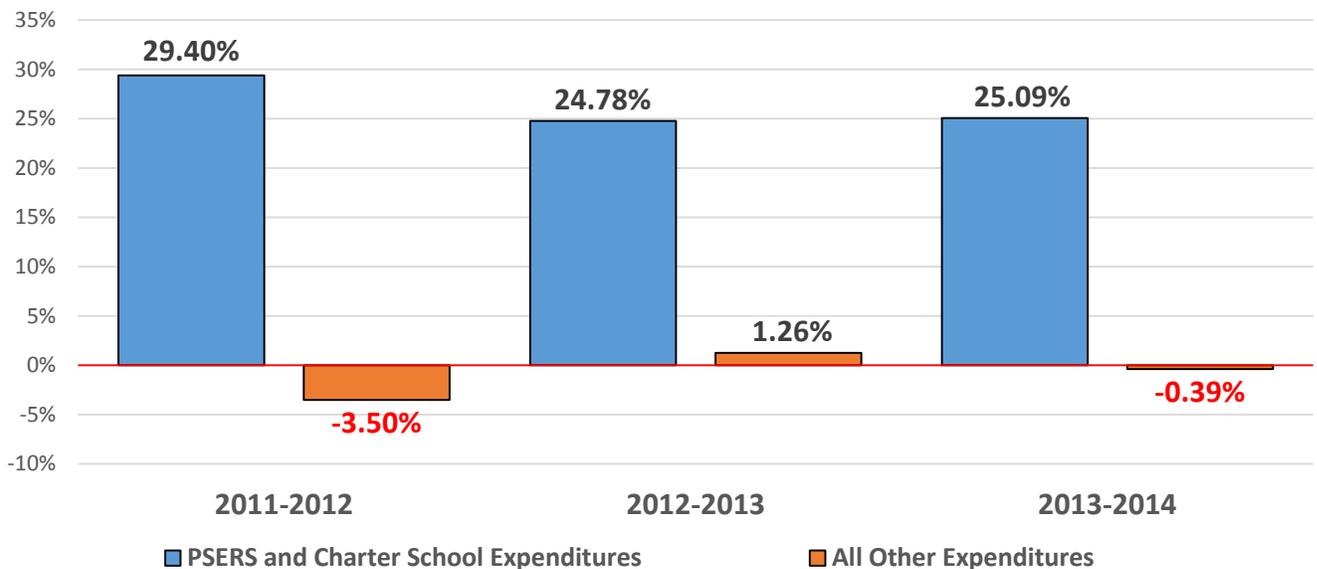
# Elimination of the Act 1 Index Will Devastate School Districts

A backend referendum requirement for any property tax increase would be devastating to school districts across the commonwealth. To avoid dramatic cuts, rising state and federal mandated costs would require nearly all 500 school districts to go to referendum every year to cover increases in these costs, which are beyond their control. Without voter approval, school districts would need to make draconian cuts to their budgets, cutting programs and staff, just to pay for increases in mandated costs. This will make current funding inequities across school districts far worse and will run counter to the recommendations of the Basic Education Funding Commission, which sought to remedy the vast funding inequities that exist throughout the state.

## What Drives School District Budgets?

The largest and fastest growing costs for school districts are PSERS and charter school costs—costs that are mandated and over which school districts have no control. Since 2011-12, PSERS and charter school costs combined were responsible for an aggregate annual increase of at least 25%. While often chided for “irresponsible spending,” during the same period, all other school district expenditures combined (including salaries and healthcare) have increased only by 1.26%, far less than the rate of inflation or the Act 1 Index. In two out of the past three years, expenditures for salaries and healthcare have actually decreased from the prior year.

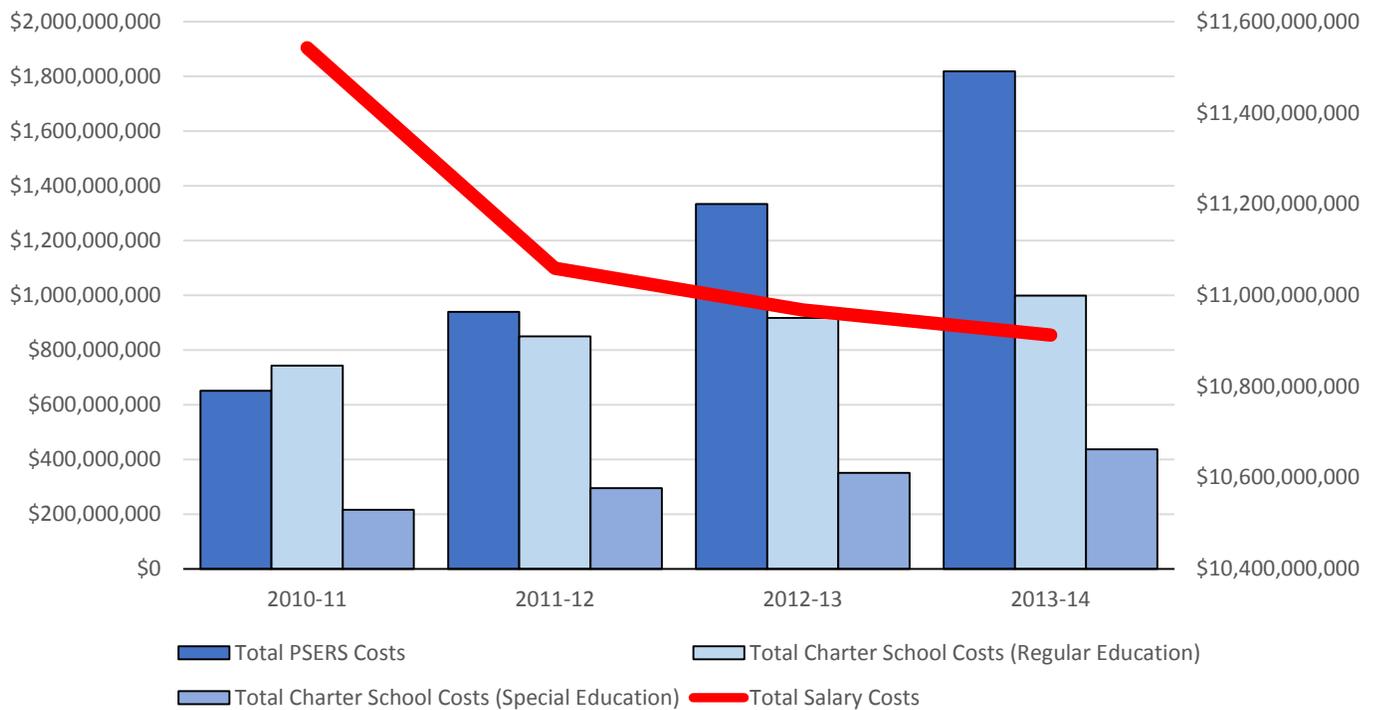
### Growth in School District Expenditures



SOURCE: Prepared by PASBO using PDE data from school district Annual Financial Reports.

While school district salaries are often blamed for increasing school district costs, the data shows that is not the case. Since 2011-12, total school district expenditure on employee salaries have decreased by nearly \$1 billion. During that same time period, school district PSERS costs and charter school costs—for both regular and special education charter school students—have increased dramatically. See the chart below, which contrasts the falling salary costs with the rise in the total PSERS and charter school costs over the past several years.

## School District Costs: Total Salary, PSERS and Charter School Costs

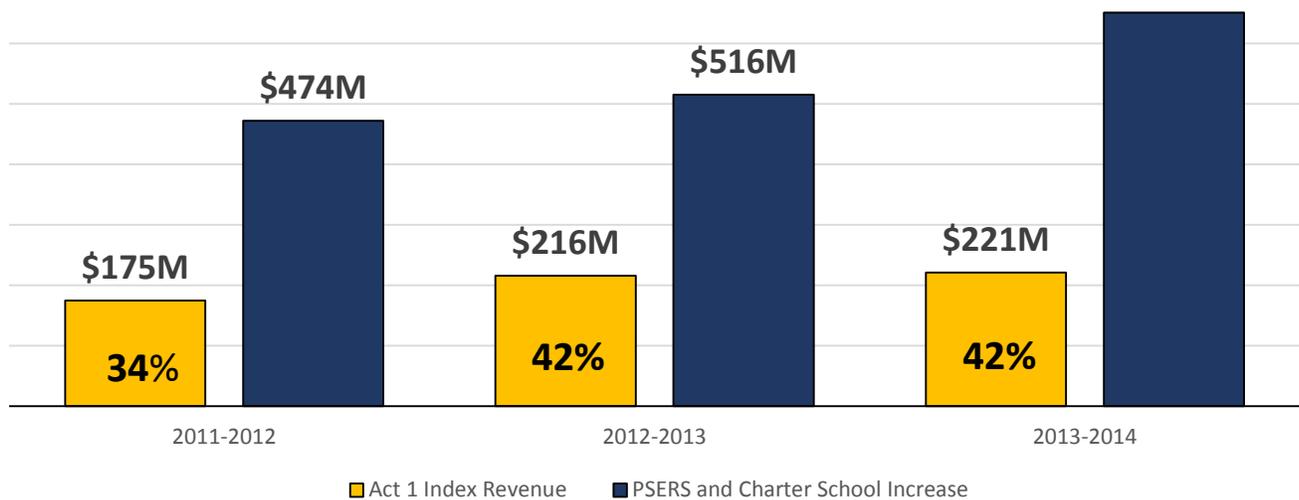


SOURCE: Prepared by PASBO using PDE data from school district Annual Financial Reports.

## Does Raising Revenue to the Act 1 Index Cover These Increases?

No. Over the past several years, the increases in PSERS and charter school costs alone have outpaced the local revenue that school districts can raise by increasing property taxes to the Act 1 index. If all school districts had raised local property taxes to the Act 1 index in each of the past few years, they would still not have been able to cover even half of the annual PSERS and charter school increases.

## Annual Act 1 Index Revenue Increase vs. PSERS and Charter School Increases

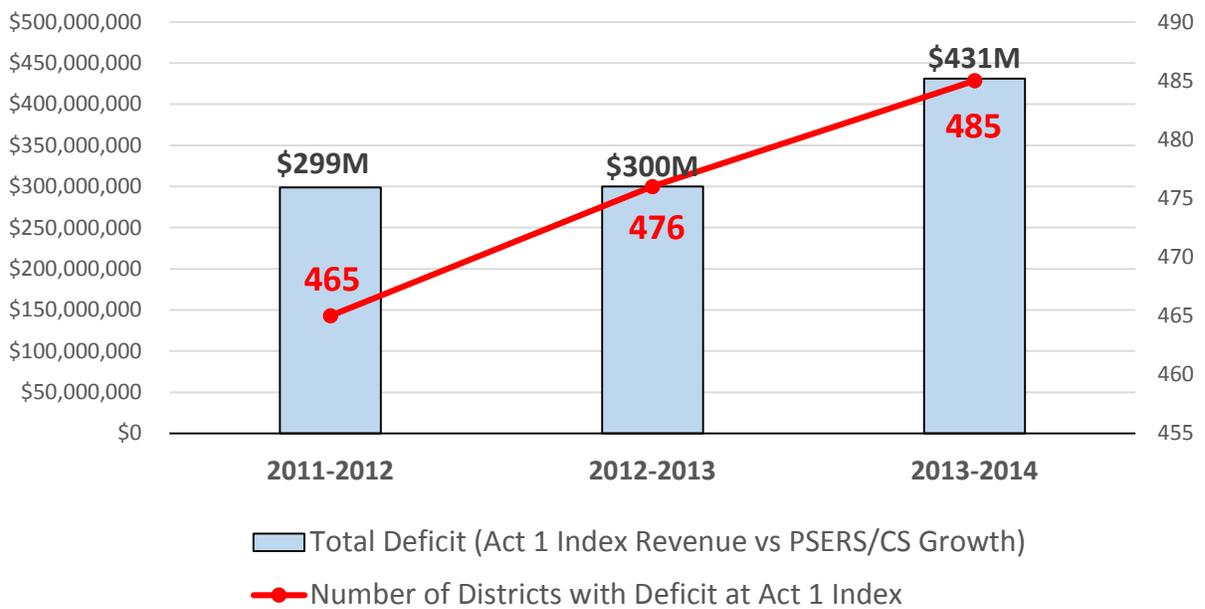


SOURCE: Prepared by PASBO using PDE data from school district Annual Financial Reports and Act 1 index information.

## What Would Happen If the Act 1 Index Were Eliminated?

If school districts were only allowed to raise local property taxes to the Act 1 index, over the past few years nearly every single school district would have been unable to cover increases in mandated PSERS and charter school costs. Almost every school district would face a significant deficit—which would increase annually—due solely to increasing PSERS and charter school costs. If the Act 1 index and exceptions were completely eliminated, every single school district would need voter approval through referendum just to cover these mandated costs. And, in the absence of an Act 1 index, the deficits would be so high that school districts could only balance their budgets by cutting far too deep into their core instructional programs.

### PSERS/Charter School Increases Outpace Act 1 Index



SOURCE: Prepared by PASBO using PDE data from school district Annual Financial Reports and Act 1 index information.