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Pittsburgh School Spending: Where Does All The Money Go?

For several years the Allegheny Institute has called attention to the Pittsburgh School District's per pupil expenditures of more than $20,000. The preliminary 2014 budget calls for outlays of $529 million that will maintain or even increase the per pupil spending level. Next year's planned spending will surpass 2013's budget outlays by $7 million, and with revenue falling $18 million short of expenditures, it will be necessary to dip into reserves.

Over the next three years, the District is facing a difficult financial situation with projected deficits wiping out its near $90 million reserve and creating a $78 million cumulative debt. As matters now stand spending is expected to continue rising at a pace much faster than revenues for the foreseeable future. In March of this year the District's top budget official predicted insolvency by 2015.

While spending reductions will undoubtedly have to be made, the forecasts of large hikes in pension outlays and health care costs are virtually unavoidable. Absent major changes in state law covering public pensions, the District will experience a $34 million rise in **annual** pension payments between 2011 and 2016—representing a quadrupling of the 2010 payment. The health care rise will be less dramatic but nonetheless still substantial. With these unavoidable jumps in costs there will be great difficulty in slowing the pace of overall expenditure growth.

So, where does all the money go? Interestingly and somewhat surprisingly, teacher salaries will account for only $92.48 million of the budgeted $529 million. Teacher salaries are actually down $5.8 million from 2013's budget (mostly owing to fewer teachers, not lower pay rates). To be sure, $45 million or so in benefits will add greatly to teacher compensation. But, even at $137 million, the total compensation of teachers is only one quarter of all District spending.

Other major salary amounts by occupation include principals, custodial personnel, substitutes, nurses, social workers, central administration and directors, tradesmen and technical staff. Total salaries and benefits for District employees will come to $259 million, up slightly from 2013's budget primarily because of a $7.5 million rise in pension payments.

Still, one is amazed to learn that $270 million in projected spending will not be going to salaries and benefits. Then too, it is surprising that spending on elementary and secondary education amounts to only $216 million, far less than half of all outlays. However, the District does plan to allocate $79 million to other education efforts. That means $240 million is spent on items not considered to be strictly instructional.

The District will spend $64 million on the Intermediate Unit. Note that IU personnel are not included in the District's employee count or on District payrolls per se. Then too, the District will expend $55 million funding the City's Charter schools. Also budgeted at $55 million, debt service rounds out the very large expenditure categories. Another $36 million will be used to cover student transportation costs. Various other purchases of services account for the remainder of the budgeted expenses.

The District is certainly in a bind. Unless it can find ways to make major cuts in line items other than pensions or raise taxes there will be no chance of correcting the growing deficit problem. The heavy cost of special education and transportation might offer some opportunities to make cuts. Moreover, the District should begin to look at outsourcing services such as maintenance and custodial. There might also be opportunities to lower the numbers and cost of non-teaching personnel such as social workers and nurses.

The only alternative to belt tightening to offset the pension cost jumps will be to raise taxes. Under Act 1 of 2006 millage rate increases are limited to an allowable percentage set by the state, usually a fairly low percentage. The District could file for exemptions so that it could raise the property tax rate more or it could put the needed tax hike to a referendum. This would let the people of Pittsburgh decide if they want to pay more taxes to support the schools. Or perhaps they should ask the Promise Program to allocate some of its funds to help cover the cost of education. After all, if the students cannot get a good education for lack of adequate funding, what good is a college scholarship?

Maybe employees facing layoffs would be willing to support meaningful reform of the state pension law to ease the mounting pension cost burden on school districts and the state government. Not likely perhaps, but support from employees facing layoff or other wage and benefit cuts might be the key to getting reform that will head off the state's burgeoning pension crisis.

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