

### **Big issues still front and center for Pittsburgh Public Schools**

**Summary:** Pittsburgh Public Schools' (PPS) board of directors approved a 2021 general fund budget that spends more than it collects in revenue (\$673.8 million to \$631.9 million). By taking money from its fund balance (\$39.4 million) and reserves for prior-year encumbrances (\$2.5 million) the budget achieves balance. But the school district has a long way to go to address its expenditures.

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That's been the norm in recent years. A review of final budgets from 2016 through 2020 shows that PPS spent more than it has raised in revenues each of those years and utilized a portion of the unreserved fund balance to cover the difference.

The 2021 budget does not raise property taxes, though PPS administration asked for a 0.26 mill (2.6 percent) increase after the publication of the 2021 preliminary budget. Current and delinquent property taxes are expected to raise \$182.0 million in 2021 after accounting for \$15.6 million in homestead property tax relief. Property taxes represent 52 percent of local revenue and 29 percent of total revenue (local, state and other). PPS expects to collect an additional \$2.3 million in current property taxes. Much of this could be the result of successful appeals of assessed values as well as new construction and improvements.

The district expects \$149.7 million in current and delinquent wage tax revenue, the second-largest source of local revenue. Compared to 2020, PPS expects \$3.8 million less (2.5 percent). Under Act 187 of 2004, PPS shares 0.25 percent of its 2 percent rate with the City of Pittsburgh. Next year \$19.9 million will be sent to the city (\$202 million total since 2009). Total local revenue is expected to decline by \$6.7 million (1.9 percent) in 2021.

PPS will receive \$163.2 million in state basic education funding, down slightly from last year. Other sources of state revenue—including special education, Social Security and retirement contributions—bring the total amount of state revenue to \$274.5 million in 2021, up \$0.2 million (0.07 percent).

Spending is to increase by \$6.5 million (0.9 percent) over 2020. Examining appropriations by object (nine objects in all, including salaries, employee benefits, supplies and property) shows that spending will be up for seven objects and down in two. Salaries and employee benefits total \$341.2 million and account for half of all appropriations. Salaries will be up \$0.5 million (0.2 percent) but benefits will decrease \$1.1 million (0.8 percent). For the remaining objects the net increase is \$7.2 million over 2020.

At the December legislative meeting the superintendent advocated for the property tax increase and then exploring savings in 2021. One wonders why that was not worked on this year since property taxes did go up in 2020. According to a news article “many difficult decisions regarding the programming, services and staffing in our buildings” will be coming, according to the superintendent.

PPS’ trends on costs, enrollment, building capacity and employee headcount, as contained in the 2019 Comprehensive Annual Financial Report (CAFR), the 2021 preliminary budget and Pennsylvania Department of Education data are troubling and should provide the board and administration plenty of opportunity to reduce costs:

- PPS’ cost per pupil—based on operating expenses (total expenditures less capital outlay and debt service) and enrollment (based on start of year census) was \$30,032.
- Performance on the 2019 Pennsylvania System of School Assessment on English Language Arts and Math was below the statewide averages. Results were reported by 48 schools in the district with students in grades 3 through 8. On English Language Arts, 19 schools had 60 percent or more of students score basic or below basic (reflecting marginal or inadequate academic performance requiring additional academic support according to the Department of Education essentially meaning grade level proficiency has not been met), and six were at 75 percent or greater. On math, 37 schools had 60 percent or more of students score basic or below basic with 23 of those at 75 percent or greater.
- The ratio of students in charter schools to those in PPS has risen from 0.16 to 1 in 2016 to 0.23 to 1 this year.
- School buildings have functional capacity for 39,665 students but due to declining enrollment serve far fewer than that.
- PPS’ total number of employees—general fund and all other supplemental funds—has grown by 155 positions since 2016 and is to stand at 3,972 this year. To date, PPS has not laid off or furloughed any employees. Based on 2019 data, PPS’ student-to-classroom teacher ratio was 10.8 to 1 and its student-to-administrator ratio was 127.9 to 1.
- K-12 membership, measured on Oct. 1, 2020, was 20,438, was down 837 students (3.9 percent) from Oct. 1, 2019.
- Projected K-12 enrollment in 2029-30 will be 16,762.

Focusing on projected enrollment, a close to 18 percent drop over the next decade should have implications for PPS employees, building space, state basic education funding and PPS’ position statewide.

The Oct. 1, 2020, membership and the total employee count for 2021 produces a ratio of 5.1 students per employee. Can PPS honestly expect that enrollment will continue to fall in the next decade and not begin to look at reducing employee headcount—whether through attrition, not filling vacant positions or furloughs or layoffs? It is astounding that employment grew during the last five years. PPS exceeds the average ratio for districts in Allegheny County on students to classroom teachers (14.5 to 1) and students to administrators (250.3 to 1).

PPS offered five properties for sale in 2020. Three received official bids but no transactions have been recorded by Allegheny County. There will surely be more sales proposed, especially if PPS is looking at deferred maintenance and consolidating schools.

Each year, as new basic education funding is awarded through the Act 35 of 2016 student-weighted formula—which takes into account enrollment change unlike the portion that is unchanged (the portion of the basic education subsidy that school districts receive as a base amount and does not change with enrollment, known as “hold harmless”)—it is possible PPS could start to see a decline in basic education funding.

Based on the enrollment projections, by 2029-30 PPS would be surpassed by Allentown School District (Lehigh County) and would have a few hundred more students than Central Bucks School District (Bucks County). Only three districts in Allegheny County (Clairton, Highlands and McKeesport) are projected to see a greater percentage loss in enrollment than PPS.

If the fiscal picture continues to decline, the possibility of PPS meeting criteria to enter financial watch or financial recovery under Act 141 of 2012 could become real. There are currently 12 districts in Act 141 status (including four in Allegheny County—Duquesne, Penn Hills, Sto-Rox and Wilkinsburg). Last year, when PPS proposed a 2.3 percent property tax increase and ending the wage tax sharing agreement, the mayor suggested such an action should occur.

How can PPS continue to see rising expenses, falling enrollment and produce lackluster results and not be in crisis mode? With years of failing to address the poor academic performance of many schools and PPS’ high costs, the administration and the board have a lot of work to do. As one board member noted “It’s up to us to make this right and come up with a good, solid plan, then revisit the tax increase next year.”

If Pittsburgh Public Schools commits to finding recurring savings perhaps a tax increase won’t be necessary next year.

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