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Federal COVID aid is coming to an end: how will school districts react?

Introduction: A recent news article profiled four Western Pennsylvania school districts on their use of federal COVID aid and what might happen after the money is spent as required by September 2024. The officials interviewed indicated they were aware of the non-recurring nature of the aid while acknowledging there may be adjustments to personnel and programs after the aid has been spent.

As documented in three *Policy Briefs* (Vol. 20, No. 39, Vol 21, No. 23 and Vol. 22, No. 23) schools across the nation received federal COVID aid from the Elementary and Secondary School Relief Fund (ESSER I, ESSER II and ARP-ESSER).

With the money came guidelines for allowable uses and deadlines by which the money was to be spent. ESSER I funds had a deadline of September 2022; the ESSER II deadline is this month and ARP-ESSER is September 2024. Federal and state guidelines consistently conveyed that the money was to be used as emergency funding and would not be replenished, despite there being two follow-ups to the original ESSER allocation.

Allegheny County's 43 school districts received \$443.3 million and charter schools received \$69.8 million from the three federal COVID aid allotments.

The Pennsylvania Department of Education's annual financial report data show that in fiscal year (FY) 2018-19, federal revenue totaled \$1.1 billion and represented 3.3 percent of combined local, state and federal revenue for school districts and charter schools. In FY 2021-22, federal revenue increased to \$3.3 billion and represented 8.7 percent of combined local, state and federal revenue.

The completion of COVID aid expenditures is of the utmost importance to Pennsylvania taxpayers inasmuch as there might be calls for school districts to maintain programs and continue spending at the aid-supported level. School districts' tax revenues come mainly from property, earned income and deed transfers. The latter two are subject to sharing provisions with the municipalities where the taxes are levied in common and, in most cases, are capped at 0.5 percent for the school district's purposes.

Under Act 1 of 2006, school property tax rates can only increase to or below an annual index. Those exceeding the index can be granted an exception by the state or are placed on the ballot for approval or disapproval in an election.

Of Allegheny County's 43 school districts, 42 have made their property tax decisions for FY 2023-24, which began July 1 and ends next June 30. One district, Clairton, levies separate rates on land and buildings; the district increased both. Of the remaining 41 districts, 23 increased property tax rates, 2 decreased rates and 16 made no change from the year before. Of the increases, none exceeded the Act 1 index for the district.

Pittsburgh Public Schools budgets on a calendar-year basis; it increased the property tax millage in 2022 from 9.95 mills to 10.25 mills. It will set its 2024 tax rate in December.

The millage rates for the 41 school districts with a unified rate that budget on a fiscal-year basis were compared, beginning with the rates approved for FY 2020-21 (a few months after the pandemic began) through FY 2023-24. The comparison shows:

- 32 school districts, including Gateway, Hampton and Quaker Valley, raised their property tax rate over the period. Increases in rates ranged from 23 percent at South Allegheny to 1 percent higher at Highlands and West Mifflin. Of the 32 districts, 15 raised the property tax rate each year in the time period. Of the increases, one exceeded the Act 1 index for that given year.
- 7 school districts, including Allegheny Valley, Pine-Richland and South Fayette, made no change to the property tax rate.
- 2 school districts, Wilkinsburg and Woodland Hills, had a lower property tax rate. Wilkinsburg closed its middle and high school program and sends students to Pittsburgh Public Schools and Woodland Hills was one of the four districts profiled in the news article and made staffing cuts to adjust for the end of COVID funding.

How did academic performance fare as measured by the Pennsylvania System of School Assessment (PSSA) and Keystone Exams fared during the time period of COVID aid arriving and being spent? For all Allegheny County's school districts and charter schools combined, the percentage of students scoring advanced or proficient on both the PSSA English Language Arts and Math tests fell from school years 2018-19 to 2021-22. Third through 8th grade scores on the English Language Arts dropped from 65 percent to 57 percent and Math slipped from 48 percent to 41 percent.

On Keystone tests, taken by 11th graders, those scoring advanced or proficient on the Literature test fell from 67 percent to 61 percent while scores on the Algebra I exam improved from 57 percent to 67 percent. Participation on both exams decreased, but the 44 percent decline in Algebra I was much greater than the 13 percent decline in Literature. The improvement in the percentage of Algebra I test takers scoring at the advanced or proficient level over the period is in part due to the waivers that allowed students to opt out of taking the test.

Clearly, school board members and school administrators should focus on keeping a lid on expenditures so as to not require raising school property taxes—keeping in mind that high levels of spending per student do not necessarily translate to high levels of academic achievement as clearly demonstrated by recent *Policy Briefs* (see *Vol. 23, Nos. 2, 11 and 21*).

As COVID aid for schools runs out another serious school funding issue could arise as the Legislature decides how to address the February ruling by Commonwealth Court that the system of funding K-12 education is unconstitutional. What the Legislature will decide to do and how that will affect local funding requirements and school property taxes is unknown at this time. But it is vitally important since it will be a major factor in the state budget deliberations regarding education funding for FY 2024-25.

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