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Pittsburgh Public Schools must confront budget realities

By Colin McNickle

Difficult decisions await Pittsburgh Public Schools (PPS) in 2024, says the research director of the Allegheny Institute for Public Policy.

“PPS is again in a critical situation of its own making,” Eric Montarti says (in *Policy Brief Vol. 23, No. 42*).

“Keeping the commonwealth and the school district taxpayers in mind, the PPS board needs to begin the process of making major cuts in spending for several years,” he adds.

And if the state Legislature eliminates or makes major reductions to the state’s basic education funding “hold harmless” provision – a policy in which districts’ subsidies are not reduced when enrollment drops – the PPS board “will be forced to make reductions or find other sources of revenue to sustain the level of per-student spending,” Montarti notes.

That spending, by the way – more than \$30,000 annually per student --is quite high for continuing very poor academic results.

And how the state addresses its Commonwealth Court-determined unconstitutional school funding formula remains the wildest of wild cards.

Given that PPS’ preliminary 2024 budget shows spending will outstrip revenues, Montarti says next year’s spending blueprint would be a good place to start the paring process.

“For the fiscal year (FY) that begins Jan. 1 and ends Dec. 31, 2024, PPS’ preliminary general fund budget expects \$684.3 million in revenues and \$713.9 million in expenditures,” he says.

“This results in a deficit of \$29.6 million, which would be covered by PPS’ fund balance. Spending more than available revenues and utilizing the fund balance happened in FY 2021 and FY 2022 and is how PPS expects to end FY 2023.”

“This has been the case for the past several years,” Montarti says of expenditures exceeding income. “Then, too, the decline in projected enrollment over the next decade presents a sobering picture, making decisions on the possible closure of school buildings, which have been repeatedly deferred, even more critical.”

PPS operates 57 schools (34 elementary, 7 middle, 9 secondary and 7 special). The total square footage of the schools and three other buildings is just over 6 million square feet. After putting off a plan to close six schools in 2021, the board and the administration discussed revisiting the issue at a meeting in October.

“In the preliminary budget, K-12 enrollment in 2022-23 was 18,665,” Montarti says. “That was down 24 percent from 2012-13.” The enrollment projection for 2024-25, drawn from state Department of Education data, is 17,422, another 7 percent decline from 2022-23.

The projection shows a nearly 30 percent drop to 13,303 by 2032-33. According to the 2022 Annual Comprehensive Financial Report, PPS used 52 percent of its “functional capacity” of space. Without adjusting square footage, utilization would be even worse.

“The superintendent and board are talking about closing schools, no easy task that can get plenty of public pushback and can increase travel time for students,” Montarti notes. “Eventually, closed school buildings must be sold, preferably to buyers that will put them on the tax rolls.”

Do note that between fiscal years 2005 and 2006, the number of PPS schools was reduced by 21 – the largest year-over-year drop in the past two decades.

And there’s another fly in PPS’ 2024 budgeting process, the think tank scholar notes:

“PPS’ end-of-2024 unassigned fund balance (money other than assigned, committed, restricted or non-spendable fund balances) would be \$14.5 million. This would represent 2 percent of 2024’s expenditures and violate the PPS board’s policy on unassigned fund balance as a percentage of spending,” Montarti says.

When the unassigned fund balance is expected to fall below the 5 percent target of expenditures, “the District shall generate additional revenues or reduce expenditures,” Montarti quotes district policy.

PPS spending next year is budgeted to increase by \$28.9 million (4.2 percent) over 2023’s budget.

“Examining appropriations by major object (nine objects in all, including salaries, employee benefits, supplies and property) shows that spending will be up for five and down for four,” Montarti says.

Additionally, he finds salaries and employee benefits total \$338.7 million and account for 47 percent of all appropriations in the 2024 spending document.

Salaries will be up \$4.9 million (2.5 percent) but benefits will decrease \$1.1 million (0.9 percent). PPS is projecting a major jump in tuition paid for students attending charter schools, with a recent headcount of 5,343.

“Perhaps that is an indictment of PPS’ performance or dissatisfaction of district families, which comes despite PPS’ level of per-student spending,” Montarti says.

Colin McNickle is communications and marketing director at the Allegheny Institute for Public Policy (cmcnickle@alleghenyinstitute.org).

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Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: [AlleghenyInsti1](https://twitter.com/AlleghenyInsti1)