

# ***POLICY BRIEF***

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## **School Tax Jump Crippling Pittsburgh**

The recent skyrocketing increase in Pittsburgh school taxes has become a serious drag on the City and a major contributor to the City's financial woes. The \$78 million jump in taxes on residents and businesses over the last six years has effectively precluded any tax increase by the City to meet its needs. Moreover, the soaring school taxes together with the generally dismal performance of Pittsburgh Public Schools are principal driving forces in the ongoing population decline and weak tax base.

In 1997, enrollment in the Pittsburgh school district exceeded 39,000 students and general fund expenditures stood at \$391 million, or \$9,794 per pupil. In 2003, with a smaller student population of just over 35,000 students, the general fund topped \$480 million, and per-pupil general fund expenditures reached \$13,683. Thus, in current dollars terms, the district is spending \$3,889 (40%) more per student now than it did in 1997.

### **School District Statistics 1997 and 2003**

	1997	2003	Change	% Change
Enrollment	39,955	35,147	-4,808	-12
General Fund	\$ 391,350,000	\$ 480,941,193	\$ 89,591,193	23
General Fund Per-Pupil	\$ 9,794	\$ 13,683	\$ 3,889	40
Tax Revenues	\$ 204,200,000	\$ 282,770,000	\$ 78,570,000	38
Tax Revenue Per-Pupil	\$ 5,111	\$ 8,045	\$ 2,934	57

Consider that if spending had risen only at the rate of inflation over the period, the per-pupil outlays would have climbed to just \$10,871 this year. At this level of per-student outlays and with current enrollment of 35,147, the school district would have general fund spending of \$382 million this year, or about \$100 million less than the actual budgeted amount. Allowing for a reasonable increase in spending above the inflation rate, perhaps 10 percent on a per-pupil basis over the time frame, the district is still spending about \$65 million more than it should be.

Meanwhile, school taxes, which are the principal revenue source for the general fund, produced revenue of \$204 million in 1997, or \$5,111 per-pupil. By 2003, school tax revenues have climbed to \$282 million, thanks largely to increased tax rates on real estate and earned income. This amounts to \$8,045 per pupil.

If taxes per-pupil had been raised only to match the inflation rate over the last six years, the 2003 tax collections per-pupil would be just \$5,673. Thus, the district is collecting revenue at a rate of \$2,934 per pupil more than inflation alone would justify. In total, the Pittsburgh district is being over taxed by \$83 million. Allowing for a further 10 percent increase in real collections would still leave \$60 million in excess tax collections.

### Adjusted Spending and Tax Amounts

Adjusted General Fund Per-Pupil	2003 Enrollment	Adjusted 2003 General Fund	Excess
\$ 10,871	35,147	\$ 382,083,037	\$ 98,858,156
Adjusted Local Tax Revenue Per-Pupil	2003 Enrollment	Adjusted 2003 Local Tax Revenue	Excess
\$ 5,673	35,147	\$ 199,388,931	\$ 83,381,069

What does all this mean for the City and its financial problems? For one thing, it ties the City's hands by limiting its ability to raise its rates on real estate and wages. It is important to bear in mind that residents and businesses look at their total tax burden. And in Pittsburgh the combined tax rates of the City and the school district are 24.72 mills on real estate and 3 percent on earned income. The excessive tax collection by the school district cries out for a reduction in its rates on real estate, wages, or perhaps both. Such a reduction could provide an opportunity for the City to raise taxes a small amount to help close its budget deficit while still leaving Pittsburgh taxpayers with lower total tax payments.

Just as it is important for Pittsburgh employees to step up and help the City, the employees and administration of the school district should acknowledge the role they play in the City's financial difficulties and make an effort to help as well. The self-congratulatory attitude exhibited by school district employees and Board members about the relatively good financial condition of the schools is uncalled for owing to the fact that their financial standing is being purchased at tremendous costs to the City. They should also recognize that their poor academic record and high taxes are major obstacles to attracting and retaining residents and are a deterrent to economic growth in the City.

In short, the City's problems and the school district's high cost and poor performance are intertwined. Some cooperation from the schools in assisting the City with its financial problems is not only called for, it is a necessity.

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