

How Did School Districts Use COVID Funds?



Independent Fiscal Office | Research Brief | October 2024

During calendar years (CY) 2020 and 2021, three federal stimulus packages provided more than \$6 billion to Pennsylvania school districts in response to the COVID-19 pandemic. **Table 1** shows annual revenue sources for all school districts from FY 2018-19 to FY 2023-24 and the average annual growth rate for the same period.

Table 1: School District Revenue Sources

Funding Source	18-19	19-20	20-21	21-22	22-23	23-24	AAGR
Property taxes	\$14,481	\$14,791	\$15,184	\$15,567	\$15,964	\$16,500	2.6%
Earned income tax	1,657	1,674	1,739	1,892	2,019	2,100	4.9
Other local sources	2,018	1,960	1,924	2,137	2,376	2,490	4.3
State (excluding Act 1)	11,253	11,617	11,635	12,014	13,018	13,420	3.6
Act 1 allocations	533	534	535	535	673	668	4.6
Regular federal	926	926	1,040	1,369	1,001	1,470	9.7
Temporary federal	0	23	622	1,440	1,411	960	--
Other (debt related)	<u>546</u>	<u>1,513</u>	<u>1,072</u>	<u>940</u>	<u>221</u>	<u>100</u>	--
Total	31,416	33,039	33,751	35,894	36,682	37,708	3.7
Property tax share	46.1%	44.8%	45.0%	43.4%	43.5%	43.8%	--
Unassigned funds	\$1,944	\$1,975	\$2,197	\$2,588	\$3,122	\$3,100	--
Remaining COVID funds	--	--	--	--	--	\$1,900	--

Notes: Millions of dollars. AAGR is average annual growth rate. Major other local sources includes real estate transfer taxes, public utility realty taxes and earnings on investments. Remaining COVID funds includes allocated Elementary and Secondary School Emergency Relief (ESSER) funds that have not been recorded as revenue.

Sources: Pennsylvania Department of Education. FY 2023-24 is estimated by the IFO based on General Fund budget data reported by PDE.

Recent key trends in school district revenue include:

- Property tax growth (2.6% per annum) lagged other revenue sources. After the pandemic and related federal funds infusion, relatively fewer school districts raised millage rates. Property taxes as a share of total revenues fell from 46.1% to an estimated 43.8%.
- Growth in other local revenue sources (excludes property taxes) outpaced total revenue growth. Notably, earned income tax revenues increased by an estimated 4.9% per annum, due to strong wage growth in CY 2021 (7.3%) and CY 2022 (7.7%).
- Federal funds drove revenue growth. Temporary federal funds totaled \$4.5 billion from FY 2019-20 through FY 2023-24. Regular federal funds increased by an estimated 9.7% per annum.
- The estimated unassigned funds balance totaled \$3.1 billion at the end of FY 2023-24, an increase of \$1.2 billion from FY 2018-19. Another \$1.9 billion of temporary federal funds has been allocated to school districts but not officially recorded as revenue.¹

¹ Elementary and Secondary School Emergency Relief (ESSER) funds only. Most ESSER funds had to be obligated prior to September 30, 2024 (FY 2024-25).

Table 2 shows school district expenditures for the last six years by category. Instruction spending includes all interactions between teachers and students (e.g., teacher salaries and benefits). Support services includes administrative, technical and logistical support to facilitate and enhance instruction (e.g., counseling, technological services, etc.). Noninstructional services is largely comprised of student activities, such as school-sponsored athletics and community services.

Expenditure	18-19	19-20	20-21	21-22	22-23	23-24	AAGR
Instruction	\$18,792	\$19,308	\$20,097	\$20,968	\$21,378	\$22,661	3.8%
Support services	8,622	8,670	8,838	9,520	9,959	10,706	4.4
Noninstructional services	541	513	471	555	600	604	2.2
Facilities	61	83	85	262	469	574	56.6
Other expenditures	<u>3,380</u>	<u>4,203</u>	<u>3,839</u>	<u>3,897</u>	<u>3,449</u>	<u>3,176</u>	<u>-1.2</u>
Total	31,396	32,778	33,330	35,202	35,854	37,721	3.7
<u>Personnel</u>							
Salaries	11,952	12,213	12,314	12,839	13,148	13,613	2.6
Benefits	7,702	7,927	8,087	8,406	8,665	--	--

Note: Millions of dollars. AAGR is average annual growth rate.
Sources: Pennsylvania Department of Education. FY 2023-24 is estimated by the IFO based on school district general fund budgets submitted to PDE. Salaries for FY 2023-24 are based on an IFO analysis of a preliminary estimate of public school payroll growth obtained from the Pennsylvania Public School Employees' Retirement System (PSERS).

Recent key trends in school district expenditures include:

- Instruction spending increased at nearly the same rate (3.8% per annum) as total expenditures, while support services increased by 4.4% per annum. School districts increased spending on support services (e.g., enhanced mental health, technology, professional development) in response to the pandemic.
- Temporary federal funds enabled significant spending on facilities. In FY 2022-23 and FY 2023-24, more was spent statewide on facilities than in the prior nine years combined.
- School district salaries increased by 2.6% per annum from FY 2018-19 to FY 2023-24, which lagged total expenditure growth and inflation. During the same period, the Philadelphia CPI-U for all items increased by 4.1% per annum. It is possible that statewide salary growth was suppressed in recent years due to an elevated churn rate, as new staff with lower salaries replaced experienced staff with higher salaries. PDE personnel data show that 8.4% of professional staff in FY 2023-24 had less than three years of education experience, compared to 6.9% in FY 2018-19. That increase was a notable acceleration relative to the increase from FY 2013-14 to FY 2018-19 (6.4% to 6.9%).

Expenditure data show that school districts generally used temporary federal funds for facility upgrades and support services. The data also show that funds were used to bolster savings for future spending needs.

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