How Public Schools Are Funded

Pennsylvania public schools are funded primarily by real estate taxes and state and federal funds. For the 2005-06 academic year, Pennsylvania's public schools received most of their revenue from local property taxes (45%). The remaining money came from state funds (35%), other local sources (14%), federal funds (4%) and other miscellaneous revenue (1%). In the early 1970s, state support for public schools equaled 50% of school budgets. However, the reduction in state subsidy to now only one-third of school budgets has required school districts to raise property taxes to make up the difference.

Pennsylvania school districts always had the authority to use a mix of local taxes to fund schools. By far, the primary local revenue source is property taxes. Property taxes accounted for 76% of total local school district revenue in 2005-06 and provided 45% of all revenues collected by school districts.

What Are Property Taxes?

Property taxes are based on the value of all real property within the borders of a school district. Property value is the total of the value of the land and the value of any buildings on the land. The County Board of Property Assessment and Appeals has the legal responsibility for determining the value of land for taxing purposes. Taxes are based on assessed value.

Property taxes in a school district increase for several specific reasons:

• A change in the base value of all property.
• A decrease in the actual collection of revenues.
• An increased need for revenue.

The Cost of Operating a School District

A school district uses its revenue to purchase a variety of goods and services that produce the educational programs for their students. In some cases, a district also provides a variety of services for nonpublic school students. Spending will vary among districts because of community preferences and the student needs within each district.

Two different methods can be used to describe what a district purchases. One way is to review the specific areas of spending such as:

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Another way is to examine the function spending of the district. By doing this, you can look at the district's spending in a summary and program structure. The functions defined by the school accounting system are:

- Instructional support
- Community and student activities
- Facilities
- Debt

Salaries typically represent the largest single item of expenditure in a school district. Teacher salaries are subject to collective bargaining at the school district level. Also included in collective bargaining requirements are employee benefits.

A school district's main purpose is to provide public education. This means that the district must provide for classes such as math, reading, physical education and social studies. All of the specific course requirements are established by the State Board of Education, although a school district can make additional locally determined requirements.

**For Further Information**

There are many resources available to further explain school funding in Pennsylvania. For more information, visit the Pennsylvania School Boards Association’s Pride & Promise Web site at www.psba.org/pride-and-promise, where you will find many outstanding resources to help you.

If you have specific questions regarding school funding, e-mail pride-andpromise@psba.org.