Act 1 Index Forecast

Independent Fiscal Office | Property Tax | November 2026

This annual update projects the Act 1 Index through FY 2031-32. Act 1 of 2006 limits the increase to a school district's millage rate based on the computed Act 1 Index, with certain exceptions. The maximum percentage increase in a school district millage rate is equal to a base index or an adjusted index, depending upon the district's aid ratio. The table displays a recent history and the IFO forecast of the base index and its components.

Act 1 Index

	Actual				Forecast			
	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32
Base Index	5.3%	4.0%	3.5%	3.6%	3.7%	3.6%	3.5%	3.5%
SAWW	5.6	3.7	3.4	3.4	3.7	3.6	3.5	3.4
ECI	4.9	4.3	3.5	3.7	3.7	3.7	3.6	3.6

Note: SAWW is Pennsylvania statewide average weekly wage. ECI is national employment cost index for elementary/ secondary school employees.

Source: Pennsylvania Department of Education through FY 2027-28, projections by the IFO for later years.

The **base index** is the average of two growth rates:

- **Statewide Average Weekly Wage (SAWW)** for Pennsylvania, as determined by the Department of Labor and Industry. The annual SAWW growth rate is calculated using two overlapping three-year (calendar) periods. For example, the growth rate for FY 2026-27 is equal to the growth in the average SAWW from January 2021 – December 2023 to January 2022 – December 2024.
- **Employment Cost Index (ECI)** for elementary and secondary schools for the U.S., as reported by the U.S. Bureau of Labor Statistics for the previous 12-month period from July 1 through June 30.

The base index reached an all-time high in FY 2024-25 (5.3%), as average wages were boosted by (1) job losses for lower-wage workers in CY 2020 due to COVID-19 and (2) strong wage gains in CY 2021. The index fell dramatically in FY 2025-26 and has stabilized since then. For FY 2027-28, the final data year published by the Pennsylvania Department of Education (PDE), the base index is 3.6%. The projected index for FY 2028-29 is 3.7%, a minor increase. The index is forecast to decelerate slightly through FY 2031-32. The forecast reflects these historical SAWW growth rates (not shown) for specific calendar years: 2.8% (2023); 3.8% (2024); 3.7% (2025) and 3.6% (2026). For the ECI, there are no projections available for education-specific employment costs, so the forecast uses the U.S. ECI for all private workers from S&P Global, with adjustments by the IFO.

Data from PDE show that most school districts do not raise millage rates to the full extent allowed by their specific index. For 2026-27, there were 607 school district tax jurisdictions (includes multi-county school districts), and PDE data show that 167 (27.5%) did not raise the millage rate from the prior year and 374 (61.6%) increased the rate below their index. From FY 2022-23 to FY 2024-25 (latest data year), current-year property taxes increased by 3.5% per annum compared to an average base index of 4.3%. Those revenue increases include growth in the tax base (new construction and reassessments), which accounted for roughly one-quarter of annual statewide growth in that period. If those factors are controlled, then higher millage rates increased property taxes by roughly 2.8% per annum, considerably lower than the statewide average base index (4.3%).

Staff Contact

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