

School District Property Tax Update



Independent Fiscal Office | Property Tax | May 2026

This annual update provides a review of statewide school district property tax collections as published by the Pennsylvania Department of Education (PDE) and an outlook for current and future collections by the Independent Fiscal Office (IFO).¹ Page 2 displays recent data for all school district revenue sources, and page 3 provides a brief description of the methodologies used for this update.

The table below displays recent data and the IFO forecast of (1) school district property tax collections and (2) the Act 1 index, which limits the rate at which districts can raise millage rates each year.

School District Property Taxes

	Actual			Estimate	Forecast	
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Current-Interim	\$15,471	\$15,952	\$16,510	\$16,990	\$17,500	\$18,100
Act 1 Allocations	681	669	800	900	900	900
Delinquent	<u>492</u>	<u>515</u>	<u>550</u>	<u>570</u>	<u>590</u>	<u>610</u>
Total	\$16,644	\$17,135	\$17,860	\$18,460	\$18,990	\$19,610
Annual Change	549	491	725	600	530	620
Growth Rate	3.3%	2.9%	4.2%	3.4%	2.9%	3.3%
Act 1 Base Index	3.4%	4.1%	5.3%	4.0%	3.5%	3.5%
Act 1 Weighted Avg. Index	3.8%	4.7%	5.9%	4.7%	4.2%	4.2%

Note: Dollars in millions.

Source: Revenues through FY 2024-25 reported by PDE, projected by the IFO thereafter. Act 1 Index reported by PDE through FY 2026-27, projected by the IFO thereafter. Weighted index calculated by the IFO for all years.

Recent collection and forecast trends include:

- For fiscal year (FY) 2024-25, collections totaled \$17.86 billion, an increase of \$725 million (4.2%) over the prior year. This is the strongest annual increase in school district property taxes since FY 2007-08. Total revenues are projected to increase by \$600 million (3.4%) for FY 2025-26.
- The Philadelphia School District disproportionately impacted statewide revenue growth, as current-year property taxes increased by \$97 million (9.8%) for FY 2024-25. From FY 2021-22 to FY 2024-25, Philadelphia revenues increased by \$277 million (34.9%), due to a multi-year countywide reassessment that is still in progress. For the rest of the state, the total increase was 8.5% for those three years and 3.1% for FY 2024-25.
- Act 1 Property Tax Reduction Allocations increased to \$800 million (+\$131 million, 19.6%) for FY 2024-25. PDE data show that allocations are projected to increase by an additional \$100 million for FY 2025-26. The allocations are distributed from gaming revenues to homestead and farmstead property owners.

¹ Revenue data through FY 2024-25 are based on data published by PDE in April 2026.

Local property tax provides less than half of total revenue for schools. The **table below** displays a five-year history of total school district revenues by source and estimates for FY 2025-26. Notable trends include:

- For FY 2025-26, school district revenues will total an estimated \$41.0 billion. Estimated property taxes (current-interim and delinquent) will comprise 42.9% of the total, down from 45.0% in FY 2020-21 as property tax growth (2.9% per annum) lagged other revenue sources.
- Revenue from state sources (includes Act 1 allocations) will comprise an estimated 40.4% of total revenues in FY 2025-26, up from 36.1% in FY 2020-21 (+4.2 ppts). State revenues (excluding Act 1) will increase by an estimated \$4.0 billion (6.1% per annum) during the period. The growth was driven by two factors: (1) enhanced Basic Education Funding from FY 2021-22 to FY 2023-24 (5.8% per annum) and (2) an average increase of 6.1% in FY 2024-25 and FY 2025-26 largely related to "Adequacy Gap" funding. Adequacy gap funding is the result of a 2023 Commonwealth Court ruling that declared the school district funding system unconstitutional. Act 1 allocations have also increased dramatically since FY 2020-21 (+\$365 million, 11.0% per annum).
- Federal revenues are estimated to total \$1.3 billion for FY 2025-26, a decline of \$1.5 billion (-53.7%) from the peak in FY 2021-22. Regular federal funding was relatively stable during the period, while temporary COVID relief funds boosted revenues. Those funds, which totaled \$5.8 billion from FY 2019-20 through FY 2024-25, are largely comprised of Elementary/Secondary School Emergency Relief (ESSER) funds allocated across three COVID relief packages. Data from PDE suggest that roughly \$300 million in ESSER funds have been allocated to school districts but not recorded as revenue. The forecast assumes that all remaining funds are recorded in FY 2025-26.
- The bottom row displays the statewide unassigned fund balance for all school districts combined, which declined by \$82 million (-2.6%) for FY 2024-25. The moderation in statewide balances is largely due to the deceleration in temporary federal revenue. Prior to FY 2020-21, statewide balances averaged \$1.9 billion for five consecutive years without significant fluctuation. Total balances for FY 2024-25 remained \$1.1 billion (55%) above that level. The relative size and growth of unassigned balances varies significantly across school districts, and statewide gains are affected by several large school districts. From FY 2018-19 to FY 2024-25, the median gain was roughly 20% statewide.

School District Revenue Sources

Funding Source	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Property Taxes	\$15,184	\$15,567	\$15,970	\$16,467	\$17,060	\$17,560
Earned Income Tax	1,739	1,892	2,035	2,109	2,178	2,250
Other Local Sources	1,924	2,137	2,472	2,769	2,800	3,000
State (Exclude Act 1)	11,635	12,014	13,155	13,892	14,887	15,650
Act 1 Allocations	535	535	681	669	800	900
Regular Federal	1,040	1,369	1,010	972	1,000	1,000
Temporary Federal	622	1,440	1,431	1,578	700	300
Other (Debt Related)	<u>1,072</u>	<u>940</u>	<u>218</u>	<u>318</u>	<u>310</u>	<u>310</u>
Total	\$33,751	\$35,894	\$36,971	\$38,774	\$39,735	\$40,970
Growth Rate	2.2%	6.3%	3.0%	4.9%	2.5%	3.1%
Property Tax Share	45.0%	43.4%	43.2%	42.5%	42.9%	42.9%
State Share (Include Act 1)	36.1%	35.0%	37.4%	37.6%	39.5%	40.4%
Unassigned Funds	\$2,197	\$2,588	\$3,094	\$3,098	\$3,016	--

Note: Millions of dollars.

Source: Pennsylvania Department of Education. FY 2025-26 estimated by the IFO.

Methodology

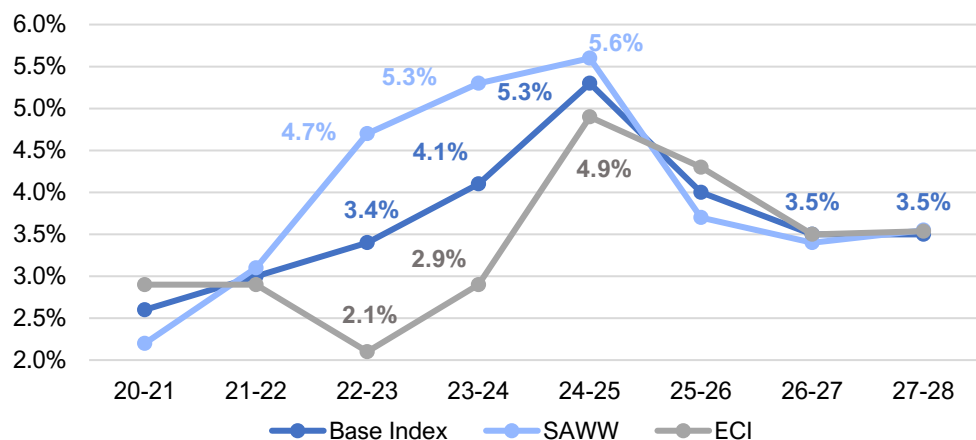
The forecast of school district property tax collections for FY 2025-26 through FY 2027-28 is based on (1) millage rates published by PDE for FY 2025-26 and (2) various economic projections for FY 2025-26 and beyond. For years without published millage rates, the forecast is based on three factors/assumptions:

- Base and weighted average Act 1 index. These parameters represent the upper limit that property tax millage rates can increase annually.
- Act 1 index utilization factor. Most school districts do not increase millage rates to the full extent permitted by the index. This parameter reflects the historical statewide school district utilization rate. The average utilization rate was approximately 50% for FY 2024-25, significantly below historical levels (70-80%). Average utilization has declined in recent years as the Act 1 index increased and temporary federal funds bolstered revenues. The forecast assumes that the utilization factor increases as the index moderates and school districts manage increased personnel costs and reduced federal support.
- Economic growth. Annual tax revenue growth reflects three factors: millage rates, reassessments and new construction. Based on recent historical trends, the forecast assumes that reassessments and new construction cause the underlying tax base to expand by 0.50% per annum.

Act 1 of 2006 limits the increase to a school district’s millage rate based on an index, with certain exceptions. The maximum percentage increase in the school district millage rate is equal to the base index or an adjusted index, depending upon the district’s aid ratio. For this report, a statewide weighted average Act 1 index is calculated using the index for each school district and weighting it by property tax collections. The weighted average index is the statewide maximum percentage increase in property tax collections due to higher millage rates.

The figure displays the Act 1 base index and its components from FY 2020-21 to FY 2027-28. The annual SAWW growth rate is calculated using two overlapping three-year (calendar) periods. For example, the growth rate for FY 2023-24 is equal to the growth in the SAWW from January 2018 – December 2020 to January 2019 – December 2021. For FY 2026-27, the final actual year published by PDE, the Act 1 base index is 3.5%, a significant decline from the record high of 5.3% for FY 2024-25. The increase in the SAWW for FY 2024-25 (5.6%) was largely driven by (1) job losses for low-wage workers in CY 2020 (which raises the average wage for those working) due to the COVID-19 pandemic and (2) strong wage gains in CY 2021. The ECI growth rate was 4.9% for FY 2024-25, the strongest rate since the inception of Act 1. As both components have moderated, the index is projected to remain at 3.5% for 2027-28. The forecast reflects the following SAWW growth rates (not shown in figure) for specific calendar years: 3.7% (2022); 2.8% (2023); 3.9% (2024) and 4.0% (2025). For the ECI, there are no available projections 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.

Act 1 Index and Components



Staff Contact

This report was produced by Jesse Bushman. Questions regarding this document can be directed to jbushman@ifostate.pa.us.