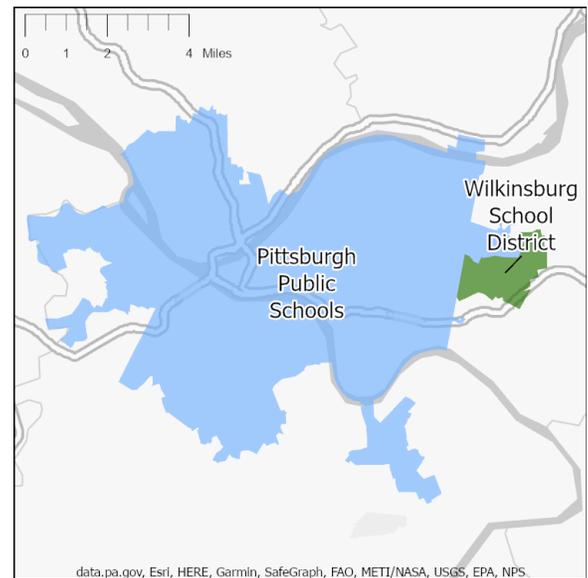


Summary of Fiscal Impact Analysis

The Wilkinsburg Community Development Corporation (“WCDC”) contracted with Public Financial Management (“PFM”) to evaluate the fiscal impact of a potential merger between the Wilkinsburg School District (“WSD, or Wilkinsburg”) and the Pittsburgh Public Schools (“PPS, or Pittsburgh”). The two districts have taken some initial collaborative steps, with Wilkinsburg sending its middle and high school students to the Pittsburgh Public Schools beginning in 2016. The underlying agreement was renewed in 2021, and WSD pays tuition to PPS as part of the arrangement. This analysis is a source of information in the context of current public consideration of a potential merger between the Borough of Wilkinsburg and the City of Pittsburgh, which would encompass the two school districts (PFM has provided separate analysis of the proposed municipal merger).

The purpose of this report is to provide the WCDC and others involved in the process with financial information so they can discuss whether and under what circumstances a full merger may work for both school districts and their taxpayers. Given the open-ended nature of the process, we have made assumptions about a variety of factors related to a potential merger so we can provide meaningful estimates of its financial impact. Those assumptions are described throughout the report and should lead to further discussion.

This document includes two sections on the school merger’s potential impact, one from a revenue perspective and the other from an expenditure perspective. The two sections describe our full set of assumptions and provide low- and high-end estimates for the school merger’s potential fiscal impact. The analyses identify fiscal issues that the parties should discuss to refine our assumptions, especially where limited public information is available. We relied on information in both district’s most recent budgets, supplemented by data available from the Pennsylvania Department of Education and additional sources where available.



In addition to the low- and high-end estimates, this analysis identifies potential one-time costs related to the school merger and potential funding sources to cover them, and highlights important questions that the communities should discuss regarding service level expectations (on Wilkinsburg’s side) and ability to meet those expectations (on PPS’s side). Where possible we have identified logistical issues beyond the scope of this report, ranging from the timing of tax bill issuance and the assignment of state subsidies to the meshing of different work rules and teachers’ contracts.

For both annual revenues and expenditures, we project a low-end and high-end estimate for the impact of a school merger on PPS. The range for revenues is from \$27.7 million to \$31.4 million, depending particularly on local tax collections. The range for expenditures is from \$27.0 million to \$30.9 million, with variance driven largely by tuition payments for students attending schools not operated by the Wilkinsburg. The midpoint of each range yields revenues of \$29.6 million and expenditures of \$28.9 million, for a net positive result of \$660,000.

It is important to note that the figures above do not include the one-time cost of any unemployment insurance for employees not covered in the transfer, conservatively estimated at \$1.4 million, or up to \$5.0 million in building repair costs that the WSD may spend. However, they also do not include up to \$17.0 million in one-time revenue that would transfer to PPS, including the WSD’s fund balance, capital funds, and likely a portion of its federal ESSER pandemic grants. While these sources are all non-recurring, depending on how they were applied they could reduce the merger costs to Pittsburgh.



In addition, if economic activity in Wilkinsburg exceeds pre-pandemic levels and tax revenues follow, and the PPS can achieve economies of scale that we could not fully quantify in this analysis, it would have additional positive impact on the net result for Pittsburgh.

Most Wilkinsburg homeowners would pay less in school taxes overall after a merger when they exchange the Borough's higher real estate tax rates for the City's higher earned income tax ("EIT") rates. Wilkinsburg renters would pay more in a merger because of the higher EIT rates, though the extent of their additional tax liability depends on their rental arrangement and level of earned income.

Scenario 1: Wilkinsburg low-end revenue and expenditure estimates	
WSD local, state, and federal revenues	\$27,743,786
WSD expenditures, excluding transition costs	\$26,979,763
Net result	\$764,023 surplus for PPS
<u>Revenue assumptions</u>	<u>Expenditure assumptions</u>
Wilkinsburg residents pay City taxes at current rates (lower real estate tax, higher EIT)	WSD building-level staff transition to PPS
Wilkinsburg real estate tax collection rate remains at current levels	Level of charter school enrollment moves to PPS average after the merger
Wilkinsburg major state subsidies are recalculated through the weighted-student funding formulas	WSD's current debt service payments shift to PPS at 2021-22 budgeted levels with and one-time revenues cover estimated capital needs
Scenario 2: Wilkinsburg high-end revenue and expenditure estimates	
WSD local, state, and federal revenues	\$31,421,826
WSD expenditures, excluding transition costs	\$30,871,737
Net result	\$550,090 surplus for PPS
<u>Revenue assumptions</u>	<u>Expenditure assumptions</u>
Wilkinsburg residents pay City taxes at current rates (lower real estate tax, higher EIT)	WSD building-level staff transition to PPS
Wilkinsburg real estate tax collection rate increases to match PPS	Charter school enrollment stays at current estimated levels
Wilkinsburg major state subsidies are recalculated through the weighted-student funding formulas	WSD's current debt service payments shift to PPS at 2021-22 budgeted levels with and one-time revenues cover estimated capital needs



General Fund Projections by Object

As described in this analysis, we calculated a low-end and high-end for the range of operating expenditures that Pittsburgh would incur in a merger. The table below shows the mid-point estimate in comparison to Wilkesburg's 2021-22 budget with key assumptions noted.

Object Code	Description	Low-End Estimate	High-End Estimate	Low-End Assumptions	High-End Assumptions
110	Administrative Salaries	\$302,564	\$302,564	Remove central administrative salaries; keep principals and adjust to PPS average salary based on the 2022 budget	
120	Teacher Salaries	\$5,639,186	\$5,639,186	Adjust to PPS schedule based on closest salary level	
130	Professional Salaries	\$25,573	\$25,573	Match growth in teacher salaries based on PPS salary schedule	
140	Maintenance Salaries	\$290,666	\$290,666	Adjust to PPS average salary based on the 2022 budget	
150	Secretary Salaries	\$138,070	\$138,070	Adjust to PPS average salary based on the 2022 budget	
180	Custodian Salaries	\$738,284	\$738,284	Adjust to PPS average salary based on the 2022 budget	
190	Paraprofessional Salaries	\$339,353	\$339,353	Adjust to PPS average salary based on the 2022 budget	
210	Medical Insurance	\$1,459,443	\$1,459,443	PPS average insurance costs for 100 FTE	
220	Social Security	\$566,299	\$566,299	7.65 percent of salaries	
230	PSERS	\$2,586,467	\$2,586,467	2021-22 PSERS contribution rate and projected salaries	
290	Other Benefits	\$80,656	\$80,656	Adjusted for salary growth	
300	Academic Professional Services	\$768,867	\$839,125	Adjust AIU service costs to WSD actuals, 50 percent economies of scale	Current costs
300	Other Professional Services	\$399,979	\$514,419	25 percent economies of scale, remove ESSER costs	Current costs; remove ESSER costs
400	Property Services	\$188,168	\$197,180	Equipment leases and repairs held flat; other services reduced by 25 percent, remove ESSER costs	Current costs; remove ESSER costs



Object Code	Description	Low-End Estimate	High-End Estimate	Low-End Assumptions	High-End Assumptions
420/620	Utilities	\$220,575	\$220,575	Current costs	
500	Purchased Services	\$133,313	\$136,750	Current costs	
510	Transportation	\$2,127,500	\$2,127,500	Current costs	
562	Charter School Tuition	\$5,319,586	\$8,637,784	Adjust to PPS proportion of students enrolled in charter schools and PPS tuition rates	WSD current enrollment and PPS tuition rates
560	Other Tuition Payments	\$3,804,685	\$4,022,940	Adjust to WSD actuals for tuition cost; maintain other costs	Current budgeted costs
600	Supplies	\$185,606	\$206,229	25 percent economies of scale; remove ESSER costs	Current costs; remove ESSER costs
700	Property/Equipment	\$35,000	\$35,000	Current costs; remove ESSER costs	
800/900	Debt Service	\$1,282,922	\$1,282,922	Current debt schedule payments and one-time revenues cover estimated capital needs	
800/900	Other Dues and Financing Uses	\$347,000	\$484,750	25 percent economies of scale; remove duplicative dues	Current costs; remove duplicative dues
Total Expenditures		\$26,979,763	\$30,871,737		
Total Revenues		\$27,743,786	\$31,421,826		
Net Impact		\$764,023	\$550,090		
	One-time unemployment claims	(\$1,392,401)	(\$1,392,401)	Total salaries removed from WSD budget, one-time cost	
	Capital needs	(\$5,000,000)	(\$5,000,000)	Estimated capital needs at Kelly Elementary School	
	One-time revenues	\$17,038,782	\$17,038,782	ESSER funds, WSD General Fund balance, and WSD Capital Projects Fund balance	
Available one-time funds		\$11,410,404	\$11,196,471		



Wilkinsburg-Pittsburgh School Merger Analysis – Revenue Impact

Although the school districts are adjacent to each other, WSD and PPS are vastly different in enrollment, physical size, and student base. The Wilkinsburg School District—just 2.25 square miles in size—is located adjacent to the eastern boundary of the Pittsburgh Public Schools and serves approximately 1,100 students, including 339 attending charter schools. In comparison, the Pittsburgh Public Schools educate almost 26,000 students from the City of Pittsburgh and Mount Oliver Borough, including over 4,600 students in charter schools, across a span of 57.6 square miles. For the 2022 calendar year Pittsburgh has an adopted General Fund budget of \$668.3 million – nearly 19 times larger than Wilkinsburg’s budget of \$35.4 million in 2021-22. In addition to the difference in size between the school district budgets, PPS is one of two school districts in the Commonwealth that operate on a calendar year, while WSD and other school districts align with the Commonwealth’s July-June fiscal year.

Wilkinsburg also has higher percentages of both special education and economically-disadvantaged students than Pittsburgh Public Schools, which will impact anticipated state subsidy funding as discussed later in this memorandum.

Key Characteristics of WSD and PPS¹

	WSD	PPS
Average Daily Membership (ADM)	1,143	25,743
Charter School Enrollment	339	4,640
% Special Education	35.9%	20.8%
% Economically Disadvantaged	96.9%	63.2%
Expenditure Budget (\$ M)	\$35.4	\$668.3
Geographic Size	2.25 square miles	57.62 square miles
Average Daily Membership (ADM)	1,143	25,743

To make meaningful estimates, two major assumptions were made for this analysis:

- There would be a full merger of the Wilkinsburg School District into the Pittsburgh Public Schools as outlined in the School Code.
- After the merger, Wilkinsburg residents and businesses would pay the same taxes at the same rates that their Pittsburgh counterparts do. In some cases, this would mean a tax cut for Wilkinsburg residents (e.g. real estate tax), and in others, it would mean a tax increase (e.g. earned income and real estate transfer taxes).

This portion of the analysis focuses exclusively on the revenue impacts of a merger between the two districts and two questions in particular:

- How much local, state, and federal revenue would Pittsburgh Public Schools receive in a merger, net of lost tuition payments that the Wilkinsburg School District currently pays for its secondary students?

¹ Enrollment and demographic data are taken from public sources published by the Pennsylvania Department of Education, including the 2021-22 Basic Education subsidy file, Penn Data Special Education Data Reports, and the Future Ready Index. Budget information is taken from the WSD 2020-21 PDE 2028 form, and the PPS adopted 2022 calendar year budget.



- What would the financial impact of a municipal merger be on Wilkinsburg residents and businesses from the perspective of taxes?

For this analysis, we relied largely on publicly available data and information provided by the Wilkinsburg School District. This analysis also does not consider the potential indirect impact that merging other forms of local government may have for the two school districts.

Revenue impact: PPS perspective

The first key question is how much new revenue PPS could potentially anticipate after a merger, net of the tuition payments that the District would no longer receive from WSD.

WSD tuition payments

PPS currently receives tuition payments from WSD for the education of Wilkinsburg students in grades 7 to 12 in Pittsburgh schools. Following a merger, the recent agreement between PPS and WSD would be nullified, and Pittsburgh would stop receiving tuition payments from Wilkinsburg. Instead, PPS would receive a variety of local, state and federal revenue streams for all Wilkinsburg students, as described below.

Real estate tax: \$2.9 million - \$3.4 million, minus differences in exemptions/abatements

In its adopted 2021-22 budget, WSD reported a total taxable assessed property value of \$426.7 million. WSD budgeted for a collection rate of 80.5 percent, 5.3 percent lower than its average collection rate between 2014-15 to 2019-20. During the same period, PPS had a 96.1 percent average collection rate, and budgeted a 94.7 percent collection rate for the 2022 school year, significantly higher than the collection rate for WSD.

Since Allegheny County is responsible for assessments for municipalities and school districts, the analysis assumes that there will be no reassessment of Wilkinsburg properties after the merger is complete. Any future changes in assessments would be captured through the annual appeals process or a future Countywide reassessment.

One of the two biggest differences between PPS and WSD revenues is the property tax rate. PPS' 2022 rate is 10.250 mills, while WSD's millage rate is 26.500. With PPS's lower millage rate and assuming that the collection rate will remain the same for WSD residents on its current assessed value, PPS would receive approximately \$2.9 million in additional real estate tax revenue after a merger. However, if the collection

	Low End Estimate	High End Estimate
Current year real estate taxes	2,872,774	3,380,238
Prior year real estate taxes	1,600,000	1,700,000
Current year EIT collections (1.75 percent)	4,725,000	6,336,610
Real estate transfer tax	250,000	487,140
Other local revenue	415,876	692,637
Total Local Revenue	9,863,650	12,596,624
Basic Education Funding	10,778,610	10,778,610
Special Education Funding	1,297,913	1,297,913
Transportation subsidy	590,737	851,971
State reimbursements	1,788,213	1,788,213
Other state revenue	1,967,001	1,993,307
Total State Revenue	16,422,474	16,710,014
Title funding	1,427,662	1,838,683
Other federal revenue	30,000	127,404
Total Federal Revenue	1,457,662	1,966,086
Other Revenue	0	149,101
Total Recurring Revenues	27,743,786	31,421,826
ARP ESSER funds	9,096,673	9,096,673
General Fund balance (estimated 2021-22 year-end)	5,569,490	5,569,490
Capital Projects Fund balance (2020-21 audit)	2,372,619	2,372,619
Total One-Time Revenues	17,038,782	17,038,782



rate were to increase to Pittsburgh's 2022 budgeted collection rate, PPS could anticipate up to \$3.4 million in current year real estate revenues. Note that assessed values are assumed to remain stable since both PPS and WSD are assessed by Allegheny County.

The District's total tax exemptions will vary by year, based on the Commonwealth's annual gaming revenue. Further information on the tax relief revenue from the Commonwealth is provided later in this memo.

Delinquent real estate tax: \$1.6 million - \$1.7 million

For delinquent real estate taxes, WSD budgeted for \$1.6 million in collections in the 2021-22 school year after reporting average revenue of approximately \$1.7 million in 2018-19 and 2019-20. As current outstanding delinquent taxes would be based on WSD's higher property tax rate, PPS would see larger delinquent payments in the short-term. Over time, delinquent real estate tax revenues would gradually decrease due to PPS's lower tax rates. Changes in the collection rate would also impact future year delinquent tax revenues.

Earned income tax: \$4.7 million - \$6.3 million

WSD projected \$1.4 million in earned income tax ("EIT") collections for the 2021-22 school year. With its current EIT rate of 0.5 percent, Wilkesburg's tax base is estimated to be just over \$270.0 million based on the budgeted current EIT revenues. Due to the impacts of the pandemic, collections in 2021-22 are expected to be lower than in prior year, as many school districts across PA saw a decline in EIT due to volatile economic activity. Prior to the pandemic, Wilkesburg had a tax base of \$362.1 million, \$91.9 million higher than the tax base estimated for the 2021-22 school year.

PPS currently has an EIT rate of 1.75 percent, three and half times higher than WSD's current tax rate. With the PPS tax rate and Wilkesburg's current tax base, PPS would receive \$4.725 million in earned income tax collections. If the tax base returns to pre-COVID levels of \$362.1 million, PPS would receive \$6.337 million in net revenues.

Wilkesburg historically has not reported or budgeted separately for delinquent earned income taxes, and the District reported that these revenues are included in the line item for earned income taxes. For Pennsylvania school districts, EIT is levied based on the school district of residence, and there would be no potential impacts for non-residents who are employed in Wilkesburg (except for a small group of employees who may not reside in Pennsylvania).

Real estate transfer tax: \$250,000 - \$487,000

Both WSD and PPS currently levy a real estate (or deed) transfer tax, which includes property transactions of deeds and long-term leases. This tax can be quite volatile depending on fluctuations in the residential and commercial real estate markets, and sometimes even on the transfer of a few properties of high value. WSD has a real estate transfer tax rate of 0.5 percent, whereas PPS has a rate twice as high at 1.0 percent. WSD estimated \$125,000 in real estate transfer taxes for the 2021-22 school year, close to the \$122,000 in revenue collected in 2018-19 before the pandemic began. Based on the estimated tax bases for the pre-pandemic high in 2019-20 and the amount in the current budget, real estate transfer tax collections could be between \$250,000 to \$487,000 with PPS's tax rate. The analysis also assumes that the higher tax rate does not impact the future volume of transactions in Wilkesburg.



Other taxes

As a result of the merger, any taxes that Pittsburgh does not collect that are currently levied by Wilkinsburg would be removed.

The **local services tax** is a per capita tax collected by Wilkinsburg for those employed in the District. WSD currently collects \$5 from all those who are employed in the District, and PPS does not levy a local services tax. After a merger, PPS would not receive revenue from the local services tax.

Other local revenues: \$416,000 to \$693,000

In addition to the local revenues outlined above, Wilkinsburg receives \$400,000 to \$700,000 in revenues from miscellaneous local sources. While it is assumed that Pittsburgh would receive a majority of these revenues after the merger, some revenues may be subject to annual variances. Below we discuss the major miscellaneous local revenues in the analysis.

- WSD budgeted for \$181,000 for its **LEA and IDEA Pass-Through** in the 2021-22 school year. Local pass-throughs are often predetermined federal allocations that are received and then transferred to another local education agency (“LEA”) who provides the services. Allocations for the Individuals with Disabilities Act (“IDEA”) and federal pass through are based on formula funding, and these may potentially change post-merger.
- WSD included \$21,000 in interest revenues in the 2021-22 school year. This revenue source can be particularly volatile depending on the interest rate environment and levels of cash on hand in various accounts. In prior years, WSD received over \$100,000 from this revenue source.
- Like other school districts, WSD receives tuition payments from students educated from outside of the school district and for those attending summer or winter school. In the 2021-22 budget, WSD included \$40,000 from this source, and in some years, it has exceeded \$100,000.
- Other revenue sources are fairly small and include public utility realty tax, payments in lieu of taxes, and refunds from prior year expenditures.

For each of these revenue sources, in the summary table at the beginning of the analysis, the lower estimate assumes that PPS receives the lowest of the three years used in the analysis (2018-19, 2019-20, and 2021-22), and the higher estimate in the analysis assumes that PPS would receive a higher level of funds for the three years.

State Revenues

Basic Education Funding: \$10.8 million

Basic Education Funding (“BEF”) is the Commonwealth’s largest source of support for local school districts. In the Pennsylvania Department of Education’s estimated allocations for BEF in the 2021-22 school year², WSD would receive \$11.1 million in and Pittsburgh was allocated \$163.7 million. BEF is comprised of two major components: the base allocation, which typically does not change from year to year, and the student-weighted allocation, which changes based on factors used in the subsidy formula. In 2021-22, the Commonwealth provided additional support for 100 school districts through the Level Up Supplement. Neither WSD nor PPS received Level Up funding in the 2021-22 school year.

² Estimates are based on the Department’s allocations published in June 2021 for the 2021-22 school year.



In 2021-22, Wilkinsburg received a base allocation of \$10.1 million and \$974,000 for its student-weighted distribution, for the total of \$11.1 million. It is important to note that in 2016-17 the Commonwealth moved the \$3.0 million subsidy used to support the transition of WSD secondary students to PPS to become a permanent part of the WSD’s base BEF allocation. This analysis assumes that under a potential merger the full current WSD base allocation will be transferred to PPS and the student-based portion of the allocation would be recalculated based on Pennsylvania’s funding formula. The Commonwealth uses multiple demographic characteristics and other factors to determine a school district’s annual student-weighted allocation, including median household income, the average daily membership (enrollment statistic) adjusted for local demographics, a district’s local tax effort capacity index, and other factors. However, the analysis also assumes that a merger would not make PPS eligible for additional state funding under the concentrated poverty factor in the BEF allocation. If PPS did meet the concentrated poverty threshold due to the addition of Wilkinsburg students, it would suggest a reconsideration of the \$3.0 million subsidy.

Demographic information in the Department’s 2021-22 estimated BEF allocation file was used to determine Pittsburgh’s estimated allocation.³ This analysis assumes that some factors in the BEF allocation would be additive under the potential merger; for example, the number of households and average daily membership would be the sum of WSD and PPS. For other factors, our analysis used a weighted average to estimate the impact of the relative size of the two school districts. In the table below and the subsequent analysis, we show our assumptions for each of the major factors used in the BEF formula.

**Basic Education Funding Formula
Merger Assumptions**

Factor	Assumption
Median household income	Weighted average based on number of households
Number of households	Sum of WSD and PPS
Sparsity/ size adjustment	Not included because WSD and PPS do not have this factor
Percentage of students in poverty	Weighted average based on enrollment
Charter school enrollment	Sum of WSD and PPS
English language learners	Sum of WSD and PPS
Total PPS and WSD enrollment	Sum of WSD and PPS
Local effort capacity index	Held flat at PPS number based on sensitivity analysis

Although Wilkinsburg has a higher percentage of students living in poverty and a lower median household income than Pittsburgh, it is assumed that Pittsburgh would receive all of Wilkinsburg’s student-weighted allocation under a merger. Since Wilkinsburg students would be a smaller proportion of the total student population, our analysis used a weighted average for these factors based on the number of households and enrollment. These factors would change in future years with new Census data and enrollment reports for the combined school district. As mentioned above, if the addition of WSD students to PPS had the effect of making PPS again meet the concentration of poverty threshold, it is likely that other portions of the state funding package would be revisited.

Local effort is another factor used in the student-weighted distribution calculation; this is the estimation of local tax contributions for school district operations relative to local wealth and the statewide median. Some

³ Basic Education Funding uses average daily membership and Census data from 2019-20 to determine current year funding levels.



factors, such as actual revenues and expenditures, will not be finalized until after the merger takes place, and our analysis assumes the impact from those changes would be de minimis. Based on the relative size of PPS compared to WSD, it appears that the local effort index will remain largely unchanged after the merger. Since WSD’s local capacity per student is lower than the statewide median, the District receives a supplemental factor in its formula-based funding. Since PPS is above the statewide median, our analysis assumes that the factor would not continue.

Based on the assumptions above, PPS would receive a total of \$10.8 million in BEF after the merger: an increase of \$10.1 million in its base allocation and an additional \$661,000 in its student-weighted distribution. The estimated student-weighted distribution will continue to change in future school years based on funding levels from the Commonwealth and changes in the underlying factors used in the funding formula.

Special Education Funding: \$1.3 million

In addition to BEF, Pennsylvania school districts receive an annual amount to support the costs of special education services, known as Special Education Funding (“SEF”). In the Department of Education’s estimated allocations for SEF in the 2021-22 school year⁴, WSD was allocated \$1.4 million and Pittsburgh was allocated \$29.1 million. Similar to Basic Education Funding, Special Education Funding also consists of a base allocation and student-weighted distribution. For Special Education Funding, the student-weighted allocation is determined by the special education enrollment at each district, the categorization of students, the market value-personal income aid ratio (“MV/PI ratio”), and an equalized millage rate, which is another measure of local tax effort calculated by the Department. In the table below and the subsequent analysis, we show the assumptions for each of the major factors in the SEF formula.

**Special Education Funding Formula
Merger Assumptions**

Factor	Assumption
Special education enrollment by category	Sum of WSD and PPS
MV/PI Aid Ratio	Recalculation based on merger of WSD and PPS data including market value, personal income, and enrollment
Total PPS and WSD enrollment	Sum of WSD and PPS
Equalized mills	Held flat at PPS number based on sensitivity analysis

In 2019-20, Wilkesburg and Pittsburgh had a combined special education enrollment of 6,679 students, and a weighted student count of 12,451, based on individual student categorizations.⁵ Due to the relative size of PPS, we assume that the equalized millage rate would remain unchanged after the merger.

After the potential merger, the MV/PI ratio will be recalculated for the combined school districts. This ratio compares the relative wealth from property and personal income to statewide levels, and it is used in the calculation of subsidies for SEF and other state revenues. In our analysis, we focus on the information used in the 2021-22 allocation, which draws on data from two years prior to the current funding year in the June 2021 allocation file. Based on the 2018 market value and personal income of both Wilkesburg and Pittsburgh, the combined MV/PI ratio is estimated to be 0.2941, which is significantly lower than Wilkesburg’s MV/PI ratio of 0.5529 and slightly higher than Pittsburgh’s ratio of 0.2833.

⁴ Estimates are based on the Department’s allocations published in June 2021 for the 2021-22 school year.

⁵ Categorizations are based on reported individual spending for students with special needs from districts’ annual Act 16 reports.



Assuming that both districts' special education population remain the same after the merger, PPS would receive \$1.3 million more in SEF, made up of an increase of \$1.1 million in its base allocation and an additional \$155,000 in the student-based allocation.

Transportation Subsidy: \$591,000 - \$852,000

In Pennsylvania, school district transportation subsidies are based on transportation costs from the prior school year, school district demographics, and operational data provided to the Department of Education. In the 2020 calendar year, Pittsburgh Public Schools was reimbursed for approximately 48.5 percent of its 2019 transportation costs, receiving a total of \$15.9 million in transportation subsidy payments that year to offset the total operating costs of \$32.7 million. In 2018-19 and 2019-20, WSD averaged an annual transportation subsidy of \$721,000. However, for the 2021-22 school year, WSD budgeted for \$275,000 in its transportation subsidy, which is significantly lower than previous years. Since the current year subsidy would be based on last year's reported costs, this may be due to a sharp reduction in transportation costs in the 2020-21 school year, due to remote learning and limited bus usage during the pandemic.

Assuming that transportation for both PPS and WSD will return to normal operations in the 2021-22 school year and the reimbursement rate will return to 2020 levels for Pittsburgh, after a merger PPS is expected to see additional revenues of \$852,000 based on Wilkesburg's 2019-20 transportation subsidy. This assumes that the Pittsburgh will not consolidate any existing routes, the current providers will remain the same, and the number of students requiring transportation will remain the same following the merger.

State Retirement Reimbursements: \$1.8 million

Pennsylvania school districts receive subsidies from the Commonwealth to offset the costs of the employer share of Social Security contributions and pension payments to PSERS. District reimbursement rates for both Social Security and PSERS are the greater of 50 percent or the current year MV/PI ratio, with some exceptions based on employee tenure and whether the positions are funded by federal grants. In PPS's preliminary 2022 budget, it estimated a Social Security reimbursement rate of 50.0 percent and a PSERS reimbursement rate of 57.5 percent. In the adopted 2021-22 budget, Wilkesburg included \$1.7 million in reimbursements.

Following the merger, building-level Wilkesburg staff will be transitioned to Pittsburgh with salary adjustments to match current bargaining agreements in PPS, and central office positions are expected to be removed. As detailed in the expenditure section, our analysis assumes that teachers and employees will be transitioned based on either position description, current salary, or step placement. With the reimbursement rates at the levels in the PPS budget and higher salary adjustments, PPS would see an increase of approximately \$300,000 in Social Security reimbursement and \$1.5 million for PSERS reimbursement for a total of \$1.8 million.

The reimbursement calculations assume that all Wilkesburg employees will be absorbed into PPS and account for adjustments to PSERS contribution rates based on Pittsburgh's calendar year school year. This analysis does not account for adjustments in salaries, federal positions, or retirement incentives that may impact reimbursement rates.

Other State Revenues: \$2.0 million

School districts in Pennsylvania, including PPS, receive a variety of other revenues from the state, covering expenditures for vocational education; medical, dental and nursing services; and capital expenditures. WSD does not receive the capital expenditure support, and other state revenue streams that might be



transferred to PPS are assumed to be de minimis. In the section below, the other state revenue sources are summarized.

- WSD budgeted \$868,000 for the state Pre-K Counts grants. In 2020-21, Wilkesburg reported 46 Pre-Kindergarten students out of its total in-District enrollment of 483 students, approximately 9.5 percent of its total student population. Pittsburgh has also received a Pre-K Counts grant to support some of its Pre-K programs. If the transition occurs, the two school districts will need to work with the Department of Education to transition the funds to PPS, and then to incorporate the combined programs into future grant applications. PPS could also evaluate the feasibility of extending Head Start programs to WSD schools if a merger occurs.
- WSD included \$805,000 in its 2021-22 budget for its Property Tax Reduction Allocation. The allocation is a broad-based property tax relief program provided by the Commonwealth. This funding source is relatively stable from year to year, and the analysis assumes that the full amount transfers from WSD to PPS.

For each of these revenue sources, in the summary table at the beginning of the analysis, the lower estimate assumes that PPS receives the lowest of the three years used in the analysis (2018-19, 2019-20, and 2021-22), and the higher estimate in the analysis assumes that PPS would receive a higher level of funds for the three years.

Federal Revenues

Title Funds: \$1.4 million to \$1.8 million

Like most school districts in Pennsylvania, WSD and PPS receive federal revenues annually through the title programs authorized under federal legislation, such as the Every Student Succeeds Act, and other sources of grant funding. In general, these funding sources are designed to supplement state and local revenues. Funds are allocated to school districts based on the proportion of students attending the districts who meet eligible criteria. In 2021-22, WSD's budget anticipated the receipt of approximately \$1.4 million in title funds, which are assumed to transition to PPS, and adding to the \$16.4 million PPS receives in title funds as the students transition between the districts. No assumption is made regarding a decrease in enrollment resulting from the transition.

In the summary table at the beginning of the analysis, the lower estimate assumes that PPS receives the WSD 2021-22 budgeted revenue for title funds, and the higher estimate in the analysis assumes that PPS would receive a higher level of funds based on the 2018-19 revenues.

Other Federal Funds: \$30,000 to \$127,000

School districts in Pennsylvania, including PPS, receive a variety of other revenues from the federal government, including certain subsidized debt service (such as Qualified School Construction Bonds and Qualified Zone Academy Bonds). WSD does not receive revenue from the programs and therefore no new revenue to PPS is assumed in this analysis.

After Title Funds and ESESR, the only other federal source in the WSD budget is Medicaid ACCESS revenue. In 2021-22, WSD budgeted for \$30,000 in ACCESS revenue, and in prior years it has been as high as \$127,000. ACCESS revenues are dependent on the number of students with special needs and regular filing for reimbursements for eligible costs by the district. Many districts maintain a fund for ACCESS revenues that can be drawn down annually depending on eligible costs. This funding is assumed to transfer to PPS in a merger. However, due to the volatility in revenues for this source and the potential to align



services with PPS, the school districts should look for opportunities to increase this revenue source by looking for to improve administrative compliance, find efficiencies, or expand the list of covered services.

For the other federal revenues in the summary table at the beginning of the analysis, the lower estimate assumes that PPS receives the lowest of the three years used in the analysis (2018-19, 2019-20, and 2021-22), and the higher estimate in the analysis assumes that PPS would receive a higher level of funds for the three years.

One-time ESSER Funds: Up to \$9.1 million

In addition to regular recurring federal revenues, WSD and PPS have received additional one-time funds resulting from federal legislation in response to the coronavirus pandemic and its impact on schools. There have been three rounds of pandemic relief funding for school districts, and each round has its own set of allowable uses and expiration dates. In addition, school districts have received other pandemic relief funds from the federal government and as passthroughs from the Commonwealth. The table below shows the funding allocations for the three major sources of pandemic relief funding for school districts. School districts also received various other pandemic relief funds from the federal government (e.g. Governor’s Emergency Education Relief), and they are not shown in this table.

ESSER Fund Allocations and Expiration Dates⁶
 (\$ Millions)

Funding Source	WSD	PPS	Expiration Date
ESSER I	\$1.0	\$11.1	September 2022
ESSER II	\$4.5	\$49.5	September 2023
ARP ESSER	\$9.1	\$100.2	September 2024
Total	\$14.6	\$160.9	

As of the writing of this analysis, Wilkinsburg spent its ESSER I allocation, so those revenues will not be available for use during the transition. Although ESSER II funds are committed in the 2021-22, WSD has not spent the funds. Current budgets submitted to the Commonwealth include spending for buildings and equipment, professional services, and supplies. For purpose of this analysis, we will assume that WSD’s remaining ESSER II funds will be spent prior to a merger, and the \$9.1 million for ARP ESSER would be considered in the merger analysis.

As noted in the expenditure portion of the analysis, we remove most of the ESSER funds included in the WSD 2021-22 budget from the costs considered in the merger analysis. Based on discussions with WSD, the majority of these funds are for one-time costs. Approximately \$1.0 million in WSD 2021-22 ESSER expenditures used to support continuity of operations to close a portion of the deficit in the adopted budget are included in the costs of the merger.

For the purposes of the merger analysis, both scenarios assumes that the entirety of the ARP ESSER funds would be available to support one-time costs as part of the merger.

Regardless of how the ESSER funds are used over the next several years, the most important consideration for the merger analysis is that these are one-time funds. Using one-time funds on recurring costs may result in structural deficits that will be difficult to close to future years.

⁶ In the table above, “ESSER” is an abbreviation for federal pandemic funds provided under the Elementary and Secondary School Emergency Relief Fund. “ARP” is an abbreviation of the American Rescue Plan Act, terminology used by the Commonwealth and others to distinguish the third round of relief from the previous two rounds.



One-time fund balance: \$5.6 million in the General Fund; \$2.4 million in the Capital Projects Fund

In addition to the recurring revenues described above, it is assumed that PPS would receive WSD's accumulated fund balance after the completion of the merger. Based on the adopted 2021-22 budget, WSD will use approximately \$1.0 million in fund balance to cover operating expenditures during the current year, leaving \$5.6 million in available funds at the end of the year. Actual amounts transferred to PPS will depend on the timing of the merger and WSD's financial results. In the 2020-21 audited financial statements, WSD also recorded a balance of \$2.4 million in the Capital Projects Fund. Given the needs identified in Kelly Elementary School and other facilities, it is likely that the balance in the Capital Projects Fund will be used to cover a portion of these projects. This is discussed in more detail in the expenditure portion of the analysis.

Although the fund balance is a one-time revenue source, it could be used to cover some of PPS' costs of absorbing WSD after the merger. Potential options for the use of these funds include addressing capital costs at WSD facilities, defeasing a portion of WSD bonds, defraying one-time merger expenditures such as unemployment costs. Any remaining funds could be put in reserve for contingencies.

One-time asset sales: \$0

The Wilkinsburg School District mothballed its high school when secondary students began attending PPS in 2016-17, but has invested to maintain the integrity of the building. WSD believes that both the high school and the District's administration building are marketable and have value. However, no revenue assumption is made regarding the potential future sale of the former high school. No other WSD properties are expected to be sold as part of a merger.

Tax impact: Wilkinsburg resident/business perspective

The answer to how a Wilkinsburg resident's or business's local tax bill would change after a merger is, "It depends on whether you own property and how much you earn."

Similar to the impact analysis for the municipal merger, Wilkinsburg residents who pay real estate taxes now would pay less in a merger because PPS has a lower tax rate than WSD. Someone who does not pay the real estate tax (e.g. renters for whom real estate taxes are not a direct part of their monthly rent) would likely pay more in a merger if they have taxable earnings, though the additional amount may be relatively small on a monthly basis. Businesses that own property would also pay lower real estate taxes in a merger, though whether their total tax bill is lower depends on the factors included in the municipal merger analysis, which include the type of business, their current level of gross receipts, and their payroll.

We provide eight scenarios that show how these dynamics affect different types of residents and businesses, parallel to the scenarios in the municipal analysis. First, we outline the major tax rate differences. As noted earlier, the analysis presented here only shows the impact on district (i.e. WSD/PPS) taxes.

Real estate taxes

The Wilkinsburg School District levies higher real estate taxes than Pittsburgh Public Schools. In Wilkinsburg, the real estate tax rate was lowered to 26.500 mills in 2021-22. On the Pittsburgh side, PPS approved a 3 percent real estate tax increase to 10.250 mills for the 2022 calendar year.



In our scenario model, Wilkinsburg residents begin to pay the tax rate for Pittsburgh Public Schools. Delinquent taxes from prior to the merger would continue to be paid based on Wilkinsburg's tax rate, while post-merger taxes would be subject to PPS's rate and collections practices.

2021-22 Real Estate Taxes

Tax (Mills)	WSD	PPS
Real Estate	26.500	10.250

Earned income taxes

PPS levies a higher EIT rate on its residents than the WSD. Pittsburgh's EIT rate is 1.75 percent compared to Wilkinsburg's 0.5 percent.

2021-22 Earned Income Taxes

Tax (%)	WSD	PPS
Earned Income Tax	0.5%	1.75%

The key questions for individual residents are whether and how much they pay in real estate taxes and EIT. The scenarios presented later explain this further.

Other service charges and fees

Wilkinsburg levies a \$5 **local services tax** ("LST"), while PPS does not. As mentioned above, the local services tax is a per capita tax that is charged to those who work within the jurisdiction. Someone employed in Wilkinsburg⁷ pays \$5 annually to the School District. After a merger, those employed in Wilkinsburg would no longer pay the \$5 LST, as the PPS does not have a local services tax.⁸

Both communities, on the other hand, levy a **real estate (or deed) transfer tax** on transactions involving deeds, long-term leases, or similar instruments. WSD's realty transfer tax rate is 0.50 percent of the value of real estate transferred while the PPS's realty transfer tax rate is twice as high at 1.0 percent.⁹ While these types of transactions are not everyday occurrences for Wilkinsburg residents or businesses, when property transfers occur they would be subject to the higher tax rate after a merger.

Scenario analysis

As noted earlier, the answer to how the tax bill for an individual household or business would change in a merger depends on several variables. To help the reader understand the interplay of those variables, we've provided eight scenarios below that show the estimated pre- and post-merger tax bills. For ease of comparison, we have also used the same base year as the municipal merger analysis where possible. Note that all analyses are made on a twelve-month basis without regard for the different WSD and PPS fiscal years and any differences in billing schedules.

For residents, the major assumptions are:

⁷ The LST is levied on employees based on where they work regardless of residency, so commuters also pay this tax.
⁸ The City of Pittsburgh has a LST, therefore employees would still need to pay LST following the merger.
⁹ The total real estate transfer tax rate in Wilkinsburg is 2.0 percent split evenly between the Borough (0.5 percent), School District (0.5 percent) and Commonwealth (1.0 percent). The real estate transfer tax rate in Pittsburgh is 5.0 percent split between the City (3.0 percent), Pittsburgh Public Schools (1.0 percent) and Commonwealth.



- Wilkinsburg’s median household income was \$36,743 in 2019.¹⁰ While “income” could include items that are not subject to the EIT, like pensions or Social Security, we use the full median household income figure as our hypothetical base for calculating the EIT liability.
- The median property value for homeowners was \$87,800 in 2019.¹¹ We do not include the homestead exemption in our calculations, though both would make the real estate tax savings larger post-merger.
- We assume that renters do not pay real estate taxes or benefit from real estate tax reduction after a merger, although there may be cases where renters pay all or a share of real estate taxes, or have their rent tied to real estate tax increases or decreases.

While the Census Bureau provides five-year estimates for key variables in the residential tax bill calculation, there is not a parallel resource that provides estimates for key variables in the business tax calculation. Therefore, for illustrative purposes we assume that a small business that owns property in Wilkinsburg has an assessed taxable value of \$200,000 while a large business has an assessed taxable value of \$750,000 (the 10 largest property owners have assessed values ranging from \$1.5 million to \$10 million).

High level findings

Most working homeowners (Scenario 1) and **all non-working homeowners** (Scenario 2) would pay less in their annual tax bills because the real estate tax reduction offsets the higher EIT payments. The “break-even” income point at which the reduction in real estate taxes is entirely offset by higher EIT is about \$114,000. Census data shows that 11.8 percent of the population made over \$100,000 in 2019. Homeowners who do not have any income subject to the EIT (i.e. retired or unemployed homeowners) would only see savings in a merger because they would pay lower real estate taxes and would pay \$0 in EIT and local services taxes.

Property-owning businesses would also see a decrease in their annual bills, again due to the real estate tax drop. Using the input assumptions, **businesses that rent property** would not be required to pay any direct taxes to Pittsburgh Public Schools in the case of the merger.

Census data shows that almost two thirds (65.4 percent) of Wilkinsburg’s occupied housing units are occupied by renters, though a portion of those households have little or no taxable income. **Non-working renters** would not experience a change in their annual bills since they do not pay the real estate or the earned income tax.

Working renters (Scenario 3) would pay a higher school tax bill due to the EIT rate quadrupling in a merger. For someone making the median household income (\$36,743), annual municipal taxes would increase by \$459 per year or \$38.27 per month. Working renters would only save \$5 annually from the elimination of the local services tax they currently pay to Wilkinsburg School District; however, those savings would not offset the significant increases to EIT. While we do not have an exact count of working renters in Wilkinsburg, we estimate that 35 to 45 percent of total households fall into this category.

The key question for working renters is whether the PPS can provide a higher quality of education in exchange for the higher EIT bill.

¹⁰ Census Bureau, American Community Survey 5-year estimates, 2019.

¹¹ Census Bureau, American Community Survey 5-year estimates, 2019.



	Wilkinsburg Current	Pittsburgh Post Merger
Income	\$36,743	\$36,743
Assessed home value	\$87,800	\$87,800
Real Estate - School District	\$2,327	\$900
EIT bill	\$184	\$643
Local Services Tax	\$5	\$0
Tax/Fee bill	\$2,515	\$1,543
Savings (\$)	\$972	
Savings (%)	38.7%	

Scenario 1: Working Homeowner

This scenario shows the estimated impact on the school tax bill for a Wilkinsburg resident who pays real estate tax on their home and currently pays EIT to the Wilkinsburg School District.

While a working Wilkinsburg resident would see increases to the school portion of his or her earned income tax, increases would be offset by significant savings in their school real estate taxes and the elimination of his or her local services tax bill.

	Wilkinsburg Current	Pittsburgh Post Merger
Income	\$0	\$0
Assessed home value	\$87,800	\$87,800
Real Estate - School District	\$2,327	\$900
EIT bill	\$0	\$0
Local Services Tax	\$0	\$0
Tax/Fee bill	\$2,327	\$900
Savings (\$)	\$1,427	
Savings (%)	61.3%	

Scenario 2: Non-Working Homeowner

This is the same as the prior scenario, except none of the homeowner's income is subject to the EIT. The homeowner enjoys the real estate tax savings without any offsetting increase in the EIT.



	Wilkinsburg Current	Pittsburgh Post Merger
Income	\$36,743	\$36,743
Assessed home value	\$0	\$0
Real Estate - School District	\$0	\$0
EIT bill	\$184	\$643
Local Services Tax	\$5	\$0
Tax/Fee bill	\$189	\$643
Savings (\$)		-\$454
Savings (%)		-240.7%

Scenario 3: Working Renter

This scenario shows the estimated impact on the school tax bill for a Wilkinsburg resident who lives in a rental unit and does not pay the real estate tax.

In this case the household pays the higher EIT rate but does not enjoy any of the savings associated with a lower real estate tax.

	Wilkinsburg Current	Pittsburgh Post Merger
Income	\$0	\$0
Assessed home value	\$0	\$0
Real Estate - School District	\$0	\$0
EIT bill	\$0	\$0
Local Services Tax	\$0	\$0
Tax/Fee bill	\$0	\$0
Savings (\$)		\$0
Savings (%)		-

Scenario 4: Non-working Renter

This is the same as the prior scenario, except the household does not have any income subject to the EIT.

Anyone in this group does not currently pay school taxes to the Borough and would not pay them to the City either.



	Wilkinsburg Current	Pittsburgh Post-Merger
Assessed property value	\$200,000	\$200,000
Real Estate - School District	\$5,300	\$2,050
Tax/Fee bill	\$5,300	\$2,050
Savings (\$)	\$3,250	
Savings (%)	61.3%	

Scenario 5: Small business that owns property

This scenario shows the estimated impact on the school tax bill for a small business in Wilkinsburg that owns taxable real estate.

The small business would benefit from the City's lower real estate tax rate, which would generate significant savings in a merger.

	Wilkinsburg Current	Pittsburgh Post-Merger
Assessed property value	\$0	\$0
Real Estate - School District	\$0	\$0
Tax/Fee bill	\$-	\$-
Savings (\$)	\$0	
Savings (%)	-	

Scenario 6: Small business that rents property

This scenario shows the estimated impact on the school tax bill for a small business in Wilkinsburg that rents property.

Since this business does not own real estate, it is not affected by the lower real estate tax rates.



	Wilkinsburg Current	Pittsburgh Post-Merger
Assessed property value	\$750,000	\$750,000
Real Estate - School District	\$19,875	\$7,688
Tax/Fee bill	\$19,875	\$7,688
Savings (\$)	\$12,188	
Savings (%)	61.3%	

Scenario 7: Larger business that owns property

This scenario shows the estimated impact on the school tax bill for a larger business in Wilkinsburg that owns taxable real estate.

The large business would benefit from the City's lower real estate tax rate, which would generate significant savings in a merger.

	Wilkinsburg Current	Pittsburgh Post-Merger
Assessed property value	\$0	\$0
Real Estate - School District	\$0	\$0
Tax/Fee bill	\$-	\$-
Savings (\$)	\$0	
Savings (%)	-	

Scenario 8: Larger business that rents property

This scenario shows the estimated impact on the school tax bill for a larger business in Wilkinsburg that rents property.

Since this business does not own real estate, it is not affected by the lower real estate tax rates.



Revenue conclusions

Overall, we estimate that PPS would receive \$27.7 million to \$31.4 million in revenue from the merger, reflecting all local, state, and federal revenues included in the analysis. These figures do not include the \$17.0 million in one-time ESSER and fund balance amounts estimated to be available to PPS in the General Fund and Capital Projects Fund. Although the WSD's ESSER funds are substantial resources, they are one-time funds that will need to be spent in accordance with federal and state guidelines and carefully incorporated into PPS plans, and a majority are planned to be spent in the near future. Similarly, the PPS will also benefit from a one-time fund balance infusion from WSD which could be used to cover one-time costs (such as for unemployment costs or debt). A majority of increases to revenue are expected to come from annual state payments, with increases to PPS's BEF and SEF allocations based on the addition of WSD students.

For residents and business owners in Wilkinsburg, the impact of the merger will largely depend on income levels and whether or not the individuals own property. The merger would result in tax savings for residents and businesses who own property in Wilkinsburg. The impact on residents and business owners who rent in Wilkinsburg will likely depend on whether they are employed and how changes in the real estate tax are incorporated into future rental agreements.

Finally, there are several items that will need to be considered during a merger:

- **Differing fiscal years:** Pittsburgh Public Schools is one of two school districts in the Commonwealth that currently operates on a calendar year budget. Wilkinsburg, on the other hand, operates on a July to June fiscal year. As current estimates for revenues are based on WSD's fiscal year revenues, payments and calculations for multiple state subsidies and alignment of current tax schedules can vary significantly. As a result, the impact of estimated revenues may be delayed or reduced when comparing the calendar year to the WSD's current fiscal year. In order to account for the PPS calendar year budget, the analysis would need to make assumptions about future subsidy allocations from the Commonwealth and changes in the local tax base. In order to simplify the presentation of the impact, we focus on what we know now in the 2021-22 school year.

If the merger of WSD and PPS takes place, the school districts will need to align the timeline for property tax levies. Currently, Wilkinsburg sends out real estate tax bills for the current budget year in July, and Pittsburgh sends out its real estate tax bills in January. Options may include a temporary extended tax year timeline (e.g. 18 months), temporary shortened timeline (e.g. six months), or temporary adjustments in discount/face/penalty payment periods to help residents adjust to the new timeline. These options and others should be explored with the school district solicitors to determine whether or not special legislation may be needed to align the tax years.

Other revenue sources may adjust more smoothly. For example, it is assumed that state revenues for Pittsburgh will be recalculated after the merger date to reflect its new enrollment level and other formula inputs, and that the special grant funding provided to Wilkinsburg to support the current tuition arrangement will be transferred to PPS to facilitate the merger. Similarly, the earned income tax, collected in arrears, will simply be collected by Pittsburgh, with the first quarter reflecting pre-merger rates.

- **Use of one-time funds:** As described above, Pittsburgh Public Schools will likely have one-time resources from WSD's ESSER funds and the accumulated fund balance that could be used to support the merger. Some potential options for the use of these funds may be to cover a temporary shortfall in revenue (e.g. continued economic impact from the pandemic) or to defray some costs of the transition (e.g. defease debt, pay unemployment, purchase equipment or materials).

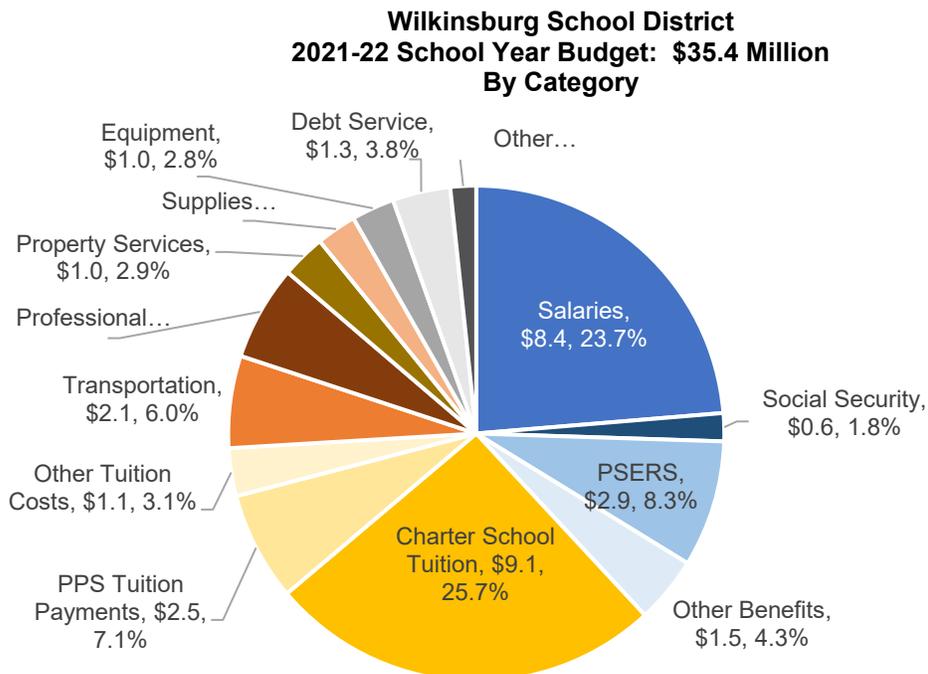


Wilkinsburg-Pittsburgh School Merger Analysis – Expenditure Impact

This portion of the analysis reviews the expenditure and operational impact of a potential merger between the Wilkinsburg School District and Pittsburgh Public Schools.

From a financial perspective, the key question is what level of expenditure is necessary to fully cover the cost to PPS of providing service to students from WSD. The full answer to that question depends on the type and level of services the PPS would provide in a merger. The two districts will need to discuss where the PPS would provide the same or different services, and where the PPS would have to take on new responsibilities or could absorb within its existing programs that WSD now pays for in its budget. In addition, there are some one-time issues – such as pandemic-related federal funding, disposition of property, current capital needs, existing debt and financial reserves – that could be critical to meeting transition costs and reaching an affordable longer-term structure. While all of those issues cannot be resolved here, this analysis will give the parties an overview and starting point for more detailed discussions.

In the current 2021-22 school year WSD budgeted expenditures of \$35.4 million. Similar to other Pennsylvania school districts, Wilkinsburg’s largest share of costs are related to staffing, including salaries, health insurance, the employer share of Social Security contributions, employer pension payments, and other benefits. These categories account for \$13.5 million, or over 38 percent of WSD’s budget. The next largest share of spending is for tuition payments for other educational institutions, which account for \$12.7 million, or 36 percent of the budget. In Wilkinsburg, this category includes payments to PPS for education Wilkinsburg’s secondary students, tuition for students attending charter schools, and the cost of specialized programming outside of WSD for students with exceptionalities. The remaining 24 percent of WSD’s budgeted spending covers a variety of other categories including transportation, professional services contracts for educational services from the Allegheny Intermediate Unit and other providers, maintenance, administration such as legal and accounting support, supplies and equipment.



In the 2022 calendar year, Pittsburgh has proposed a general fund budget of \$668.3 million – nearly 19 times larger than Wilkinsburg’s budget of \$35.4 million in 2021-22. As noted earlier, in addition to the



difference in size between the school district budgets, PPS is one of two school districts in the Commonwealth that operate on a calendar year, while WSD and other school districts follow the Commonwealth's July-June fiscal year. PPS also accounts for federal funds and other grants in a supplemental budget outside of the General Fund. In the 2020-21 supplemental budget, PPS included \$219.0 million for federal programs, early childhood education, special education services, technology, student support services, career and technical programs, and other services.

To make meaningful estimates, several major assumptions were made for this analysis:

- There would be full merger of Wilkinsburg into Pittsburgh as outlined in Pennsylvania's School Code. Pittsburgh Public Schools would take on the costs and responsibility of educating all current Wilkinsburg students. Wilkinsburg students would continue to have the option to attend charter schools, the Forbes Road Career & Technical Center, and programs operated by other providers, subject to certain specific assumptions described below. As a result, some current positions in WSD would be absorbed by PPS, while others would be eliminated. In the latter case, Wilkinsburg employees would still be eligible to fill vacant positions in Pittsburgh Public Schools.
- Wilkinsburg's two elementary schools will remain operational and continue to maintain their existing enrollment and level of services following the merger. Some residual operating costs would remain for the current WSD administration building and the former Wilkinsburg High School until those properties are disposed of.
- Pittsburgh Public Schools would maintain the current level of academic and operational services provided to all Wilkinsburg students in grades 7 through 12. In some cases, this may mean a change in operational structures (e.g. change from contracted to in-house staff).
- PPS would no longer receive tuition payments for WSD students attending PPS schools.
- As part of the merger, PPS would inherit WSD's fund balance, existing debt, and capital costs for the renovation of Kelly Primary Elementary School (WSD's Turner Intermediate School is recently renovated). It may also receive some federal ESSER pandemic funds allocated to WSD. This analysis assumes that the entirety of the WSD ESSER II allocation will be spent before the merger takes place, and that some or all of the ARP ESSER funds may be available for PPS depending on the decisions made by WSD for these investments. To the extent that the ARP ESSER funds are used, this analysis assumes that a portion of the funds directly or indirectly support preliminary capital investments in Kelly Elementary School.
- Wilkinsburg's 2021-22 budget and Pittsburgh's 2022 budget are used as the basis for the financial impact analysis. The analysis is supplemented by additional data provided by the WSD Business Office and publicly available sources from the Commonwealth's Department of Education. Transitional issues in moving from a fiscal year to calendar year budget are assumed to be manageable for expenditures (see the revenue portion of this report for transition issues related to revenue billing and collection).

Position Assumptions: What Happens to WSD Employees?

Currently, Wilkinsburg has a total of 112 employees, including 11 administrators, 69 teachers, 4 clerical staff, 9 aides, and 19 maintenance and custodial staff.

Pittsburgh is assumed to retain 95 out of 112 of current Wilkinsburg employees in our analysis, and five additional positions to account for unfilled teachers in the WSD 2021-22 budget. To maintain the level of services that Wilkinsburg students are currently receiving, Pittsburgh is expected to retain all 100 of



Wilkesburg's building-level staff, including teachers, aides, custodians, maintenance, principals and building clerical staff. Adjustments to staff are expected to be made only in central office positions, where Pittsburgh can draw on its current staff to provide the same level of coverage.

By virtue of its size, Pittsburgh may also be able to provide more in-house specialized academic or support services than Wilkesburg. For example, Wilkesburg currently contracts with the Allegheny County Intermediate Unit to provide services for special education students and staff training. As one of two school districts in the Commonwealth that operates as a sole-member intermediate unit, it is likely that Pittsburgh would provide many of these services in-house. This analysis assumes that current WSD spending on staff and contracted services for specialized services will be sufficient to cover the comparable costs for PPS to provide the services. Pittsburgh's unified program may provide opportunities for cost savings in this area.

Collective bargaining provisions

Currently, WSD staff operate under three collective bargaining agreements:

- The Wilkesburg Education Association contract covers teachers and expires in June 2023
- Secretaries and paraprofessionals are under a contract with the Wilkesburg Educational Support Professionals Association that expires in June 2022
- Custodians and maintenance staff are under a contract with the Wilkesburg Educational Support Professionals Association that expires in June 2022
- Administrators covered by the Act 93 agreement and individual contracts

Teaching and paraprofessional staff at Pittsburgh Public Schools are represented by the American Federation of Teachers, and the agreements for these staff members are scheduled to expire in June 2024. At the time of this analysis, it was unclear which bargaining unit represents the PPS clerical, custodial, and maintenance staff. For purposes of this analysis, it is assumed that any currently-represented WSD employees would be covered by current PPS contracts and those negotiated after the conclusion of the merger.

Teaching staff

Pittsburgh's preliminary 2022 calendar year budget was used to estimate the impact of a merger on teacher salaries, since the proposed document included additional detail on staffing levels and average salaries that was not included in the final approved appropriations. In the preliminary budget, Pittsburgh included \$206.8 million for the salaries of approximately 2,492 positions. \$101.6 million is allocated to the PPS's 1,178 teachers across its elementary, middle, and high schools. For the current school year, Wilkesburg budgeted for \$5.5 million in teachers' salaries.

In terms of compensation, we assume that Wilkesburg School District teaching staff would be covered by the Pittsburgh Public Schools' current collective bargaining agreement with the Pittsburgh Federation of Teachers. In general, Pittsburgh has a higher starting and ending salary compared to Wilkesburg, and Pittsburgh has fewer steps with no differentiation for education levels. For the analysis, WSD teachers were placed on the closest higher salary step on the Pittsburgh salary schedule. After the completion of the merger, WSD teachers would likely receive placement on the salary schedule according to the PPS guidelines and policies.

Step placement and staffing levels will have the greatest impact on potential salary costs following the merger. Currently, Wilkesburg has a large number of teachers at the top step of the salary schedule. Based on WSD data from the current school year, 39 of Wilkesburg's 69 teachers are at the top step, or a little over 56 percent of all teaching staff. Using comparative salary levels as a guide, Wilkesburg teachers



at the WSD's top step would be placed at the second-highest step on the Pittsburgh salary schedule and would receive an additional \$11,000 to \$12,000 if they reach the top step in the following year.¹²

Based on this analysis, staffing costs for teachers at WSD's two schools would increase under a merger due to the higher salary levels in Pittsburgh. We assume a starting annual cost for teaching staff of \$5.7 million based on the approach described above. Under these assumptions, teachers would see an increase of \$1,831 in average salaries, while the individual impact to salaries would vary for each employee. After the merger, costs would rise over time as teachers receive step movement and other salary increases. Our cost estimates show that in the second year of the merger, salary costs for teachers could increase by approximately \$600,000 as teachers receive step movement, with the majority of the impact due to teachers reaching the top PPS step.

Administrative and support staff

In addition to teachers, Wilkinsburg also has administrators, maintenance staff, secretaries, custodians, and teaching assistants that support the operations and administration of services at the school district. School-based staff will likely need to be maintained at both Wilkinsburg schools after a merger, and these positions include maintenance staff, custodians, and clerks. Administrators in the Wilkinsburg central office are likely to be duplicative with staff in the central office of Pittsburgh Public Schools. Our analysis assumes that all central office administrative positions are removed after a merger, and all building principals and school clerks are retained. Individuals may be rehired by Pittsburgh for other positions; however, those decisions will be made by Pittsburgh after the merger and no related costs are assumed.

Like teachers, remaining administrative and support staff are expected to transition to Pittsburgh's salaries. Based on the salaries listed WSD's collective bargaining agreements and estimated salaries per position in PPS's 2022 final budget, all employees are expected to receive higher salaries after the merger as shown in the table below. Pittsburgh's collective bargaining agreements were unavailable for these positions, and our analysis uses an average salary approach using the employee counts and salaries in the PPS preliminary 2022 budget for each position. Some Wilkinsburg positions may not have an equivalent position in Pittsburgh due to variations in job descriptions and operational structures. For the purposes of our analysis, positions were matched based on the general titles rather than a review of position responsibilities.

WSD Position	Salary	PPS Position	Salary	Difference in Base Salary
Principals	\$106,710	Elementary School Principals	\$115,732	\$9,022
Maintenance	\$36,158	Repairmen	\$60,879	\$24,721
Custodian	\$32,162	Custodians	\$48,391	\$16,229
Security	\$29,452	Security	\$44,107	\$5,695
Aides	\$28,240	Classroom Aides	\$33,935	\$5,695
Secretaries	\$32,904	Clerks/Secretaries	\$37,524	\$4,620

In our analysis, costs for administrative and support positions are estimated to be \$1.8 million based on the average salaries described above. As noted previously, PPS would review the responsibilities of each position and match staffing to current operations for the two Wilkinsburg schools. In addition, there may be slight differences between salary levels outlined in collective bargaining agreements and the average

¹² Since the highest step in Pittsburgh is much higher than in Wilkinsburg, and retirement benefits are calculated on an employee's highest three or five years of service, it is anticipated that senior teachers would have an incentive to work for Pittsburgh Public Schools for several years after a merger.



salaries shown in this analysis. Finally, the analysis assumes that PPS would make a one-time unemployment compensation payment equal to one year of salary for all employees whose positions are eliminated in the merger.

Other workforce considerations

After the merger, PPS would pay on a formula basis for salary-related benefits, which include Social Security and PSERS payments. With the Social Security contribution rates of 7.65 percent and the 2021-22 PSERS contribution rate of 34.94 percent, benefits contributions will add \$3.2 million to Pittsburgh's costs under both scenarios. Pittsburgh is also expected to enroll Wilkesburg employees in its current healthcare plans. Using the assumption from the PPS's preliminary 2022 budget, Pittsburgh pays on average \$15,363 for each employee's healthcare, which would result in \$1.5 million in costs for the employees included in this analysis. It is assumed that WSD's membership in the Allegheny County Schools Health Insurance Consortium may be terminated without significant budget impact. Similarly, it is assumed that WSD's share of PSERS net pension and OPEB liability is proportionate to the PPS and therefore will not have a significant budget impact.

Pittsburgh will also need to address other differences between its collective bargaining agreements and the current collective bargaining agreements in place at Wilkesburg. In addition to the differences in salary schedules described above, the WSD and PPS agreements differ in terms including the number of workdays, days off, class sizes, sick leave allowance, and retirement incentives, among other potential items. Collective bargaining terms will determine whether employees will be able to maintain current sick leave banks, how seniority in WSD will be treated after the merger, and potential impacts to classroom preference selection processes. These items are outside of the scope of this analysis, and the impact of these changes are not included here.

This cost analysis is primarily focused on the retention of services, changes in the number and types of positions overall and does not project changes in compensation or employment status for individuals. We understand the merger's potential impact on individuals is very important, so the parties should discuss these matters.

Service assumptions

In order to continue to provide the same quality of education to students, Pittsburgh will need to absorb certain services currently being provided by Wilkesburg. In some cases, PPS may be able to absorb WSD's operations with minimal impacts to costs, or the potential reduction in costs due to economies of scale. In some cases, PPS may offer more extensive services. For the purposes of our analysis, the following assumptions are made:

- Administrative or central office services will be incorporated into Pittsburgh's current contracts. Examples of these services include board services, legal services, auditing services, memberships in organizations, and others. Therefore, Wilkesburg's current costs will no longer be required and they have been removed from the analysis.
- Student-based services, such as transportation services or out-of-district placements, are necessary services that will be transitioned to Pittsburgh.
- Wilkesburg's current budgeted service costs are sufficient and ensure that students are receiving a quality education. Pittsburgh will not be required to pay additional costs for the same level of services.



Academic services

In addition to students educated in WSD facilities, some Wilkinsburg children receive all or part of their education from other institutions. In 2021-22, WSD's largest costs for services were paid to other local education agencies, including Pittsburgh, charter schools, and other educational institutions. Costs associated with tuition payments for students attending PPS schools will not continue after the transfer. However, Pittsburgh will need to continue to pay for the remaining services for students.

After the merger, Pittsburgh will continue to provide payments for students in out-of-district placements for special education programs and other services. These costs can vary each year due to the high costs of certain tuition payments, as well as enrollment fluctuations. This analysis assumes that the cost of tuition payments and contracts with service providers will transfer to PPS at rates based on information provided by WSD. In recent years, WSD has successfully reduced these costs by bringing some services in-house, and PPS may have additional capacity to continue these efforts due to the PPS's size. As a result, the low-end spending estimate assumes that costs for PPS will reflect recent actual WSD amounts of \$1.5 million reduced by 13 percent to reflect potential efficiencies. The high-end estimate assumes that costs will reach Wilkinsburg's 2021-22 budgeted amount of \$1.7 million.

Contributions for operating expenditures for the Forbes Road Career & Technology Center consortium are included in the figures above, and they are expected to be held flat based on the budgeted amounts at \$25,000. Based on information provided by WSD, even after a merger the expenditures will continue until a member school district is identified to replace Wilkinsburg.

Charter school tuition

For both small and large school districts in Pennsylvania, charter school tuition can prove to be a significant cost not only due to the proportion of charter school students, but also because of the dynamics behind districts' annual tuition rates. In Pennsylvania, the charter school tuition rate is based on the school district's prior year's expenditures, and the calculations include separate rates for special education and general education students. As shown in the chart at the beginning of the analysis, approximately 25 percent of WSD's budget is allocated to charter school tuition expenditures, and assumptions around enrollment levels and tuition rates will have significant impact on PPS costs after merger.

Under the high-end scenario, the analysis uses a recent enrollment count from WSD and PPS charter school tuition rates to estimate the cost impacts of the merger. Based on information from WSD, in the current 2021-22 school year, 372 elementary and secondary students attend brick and mortar or cyber charter schools. Our analysis uses WSD's distribution of general education and special education students as part of the cost calculation, and the most recently publicly available charter school tuition rates for Pittsburgh.¹³ Using these assumptions, the merger would require Pittsburgh to make \$8.6 million in annual charter school tuition payments.

However, compared to PPS, WSD has a higher share of students attending charter schools, with over 29 percent of students attending charter schools in the most recent publicly available data (for the 2019-20 school year). During the same year, PPS enrollment in charter schools was 18.0 percent. After the merger, WSD's distribution of students attending charter schools may move closer to the Pittsburgh average as a result of factors including PPS' special academic offerings such as access to elementary magnet schools and in-house special education services provided by PPS. Therefore, in the low-end scenario, we show

¹³ In 2020-21, Pittsburgh's general education tuition rate per student was \$17,989.09 and the special education tuition rate was \$42,851.39. During the same school year, Wilkinsburg had a general education rate of \$16,577.33, more than \$1,300 lower than PPS's rate, and a special education rate of \$52,061.63, over \$9,200 higher than that of PPS.



the impact of reducing the charter school share of enrollment to 18 percent, which results in \$5.3 million in annual charter school tuition payments.

Pittsburgh Public Schools tuition

In 2016-17, WSD entered an agreement with PPS in which middle and high school students from Wilkinsburg would attend Westinghouse Academy in Pittsburgh at a tuition rate of \$8,000.¹⁴ The tuition amount was increased annually at rates set in the agreement.¹⁵ Between 2018-19 and 2019-20, on average WSD paid PPS approximately \$2.4 million in tuition payments annually. In the 2021-22 school year, Wilkinsburg and Pittsburgh renewed the agreement with an updated tuition rate of \$10,317 per student.

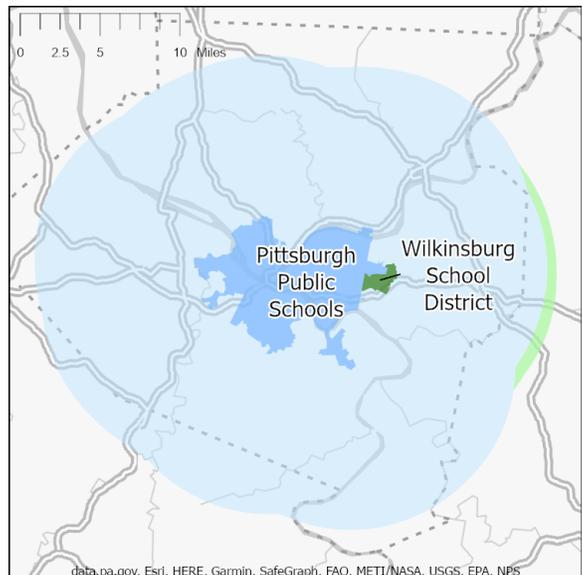
Based on the updated tuition rate to be paid by WSD established in the 2021-22 agreement, and recent enrollment estimates, tuition costs for WSD secondary-level students would be approximately \$2.9 million. Our analysis assumes that the tuition costs paid to PPS represent an amount sufficient to cover the costs of educating WSD's 7-12 students, and that there would be no additional costs from the merger for those grade levels that are not covered elsewhere in the analysis (for example transportation costs currently paid directly by WSD).

Transportation

Wilkinsburg's transportation contract with Myers and Sons is set to expire in June at the end of the current school year, and the WSD School Board is reviewing a new proposal from the vendor to continue service in future years. Potential future increases in rates are not factored into this analysis because the agreement has not been finalized. For the 2021-22 school year, Wilkinsburg budgeted \$2.1 million to cover costs for contracted carriers, public carriers, and additional routes, such as field trips.

Both Pittsburgh and Wilkinsburg use a combination of contractors and the Port Authority of Allegheny County to provide transportation for students, although the share of students who take each form of transportation varies between the two districts. After the merger, it is assumed that transportation operations will remain in the current structure used in WSD with routes, number of vehicles, and usage of public transportation as they are today. Therefore, both costs and reimbursement rates are assumed to be the same.¹⁶

Although a full operational review is outside of the scope of this analysis, we conducted a preliminary evaluation of extending PPS' ten-mile transportation radius to include WSD. As shown in the map to the right, the addition of WSD is not expected to significantly change the current transportation range for PPS.



¹⁴ The tuition rate is for both regular education and special education students. The agreement states that additional tuition for special education is to be determined on a case-by-case basis.

¹⁵ The tuition rate per student was increased to \$9,600 in 2017-18, and then set to grow by the PPS Act 1 Index in future school years.

¹⁶ The potential impact and likelihood of the success of challenges to Wilkinsburg's use of very cost-efficient Port Authority passes in lieu of busing for certain charter school students is beyond the scope of this report. Likewise, the potential for PPS to reduce overall transportation costs through economies of scale, greater use of Port Authority options, and other strategies is not included in this report.



Building operating costs

Wilkinsburg has two school buildings and an administration building that are in use. The former Wilkinsburg High School is unoccupied but maintained by WSD, and it is occasionally rented by outside entities. It also provided temporary classroom space during the renovation of Turner Intermediate School. In the 2021-22 budget, WSD has included expenditures for maintenance and utilities for all of its buildings. Under the merger, it is assumed that Pittsburgh will continue to maintain and operate Kelly Elementary School and Turner Intermediate School, and there will be no economies of scale for maintenance contracts or utilities. For the administration building and the former high school, the analysis assumes that the current levels of spending for maintenance and utilities will continue until the buildings are sold.

In terms of capital, in recent years WSD invested a significant amount to address deferred maintenance in Turner Intermediate School. WSD is considering capital investments at Kelly Elementary School and other facilities. This analysis assumes that the WSD Board will proceed with \$5.0 million in repairs and renovations at Kelly to address core needs in the building, beginning before a potential merger would occur with PPS. This analysis further assumes that the Kelly Elementary School renovations will be covered with currently available WSD one-time funds (capital and fund balance); these amounts are included in the one-time impacts described in this report.

Potential economies of scale

One potential financial benefit to merging school districts is the opportunity for economies of scale where a single, combined district can deliver the same or better level of service more efficiently than the two districts can do on their own. As a much larger district, PPS may be able to purchase materials or services at a lower cost because of its size. PPS may have an inventory of unused supplies or equipment that can be deployed more efficiently after a merger. Merging districts may avoid duplication of costs where WSD and PPS purchase the same item (i.e. both districts pay service fees to the same contractor), or it may lower rates for certain types of liability insurance because the risk is distributed across a larger organization. Some contracted services may be provided less expensively in-house by the receiving district.

In addition to the items included in our analysis above and services that are expected to be removed, low-end estimates for non-personnel expenditure categories have been calculated based on assumptions for potential economies of scale. The reductions and adjustments in the table below are intended to show a range of reduced costs that Pittsburgh may anticipate following the merger. However, the exact savings will be determined on a case-by-case basis as PPS reviews its operations and ability to accommodate each service.

	WSD 2021-22 Budget	percent Reduction	Adjustment	Assumptions
Contracted academic services (excl. AIU special education services)	\$269,000	(25.0 percent)	\$201,750	PPS may provide services in-house (i.e. professional development), there may be some economies of scale
Other contracted services (i.e. nursing, security, technology)	\$345,559	(25.0 percent)	\$259,169	PPS may be able to consolidate services and overhead costs
Building repairs and maintenance	\$75,000	0.0 percent	\$75,000	WSD buildings will remain at the current level of operations
Utilities	\$220,575	0.0 percent	\$220,575	WSD buildings will remain at the current level of operations



Supplies	\$206,229	(10.0 percent)	\$185,606	Some supplies may be purchased in bulk, reducing overall costs
Equipment	\$37,130	0.0 percent	\$37,130	PPS is expected to maintain current equipment budget
General liability insurance	\$121,440	0.0 percent	\$121,440	WSD buildings and vehicles will remain at the current level of operations
Dues and fees (excl. association dues)	\$31,000	(25.0 percent)	\$23,250	Additional dues and services fees may fluctuate with the market
Total	\$1,305,933		\$979,230	

Food Service

In Pennsylvania school districts, food service costs are accounted outside of the General Fund, and the financial impact of the merger on food services was not included in this analysis. In WSD, food service is provided through contracted services, while PPS uses in-house staff to provide food service. From 2017-18 to 2020-21, WSD recorded a transfer from the General Fund to the Food Service fund for three of the four years, and amounts ranged as low as \$20,000 to as high as \$150,000. Prior to the merger, the structure of service provision and cost impacts will need to be reviewed. Given the potential for more efficient service from PPS, for the purposes of this analysis, the \$20,000 was used for the low end of the analysis, and \$150,000 was used as the high end.

Debt

As of June 30, 2021, WSD had \$20.96 million in outstanding debt. After the merger, the analysis assumes that Pittsburgh would absorb Wilkinsburg’s debt and make the remaining annual debt service payments. In the 2021-22 budget, WSD included \$1.3 million in combined principal and interest payments for outstanding bonds. WSD does not receive any state or federal reimbursements for its bonds.

	2020-21	2021-22	2022-23
2017 Series	\$314,650	\$313,200	\$316,600
2019 Series A	\$417,244	\$421,244	\$419,844
2019 Series B	\$347,775	\$345,175	\$347,375
2020 Series	\$204,400	\$202,000	\$194,600
Current Total	\$1,284,069	\$1,281,619	\$1,278,419

Based on the WSD debt service schedule, payments are expected to remain flat at approximately \$1.3 million for the next 12 years. In the analysis, the total debt service payments are held at the budgeted amounts for both the low and high scenarios.

Interfund Transfers

The 2020-21 preliminary audit notes that the General Fund owed approximately \$159,000 to other funds, which will need to be reconciled prior to the merger.

One-Time Costs

Our analysis focuses on how Pittsburgh’s recurring revenues and expenditures would change after merging with Wilkinsburg to show the long-term operating impact of the consolidation. However, there will also be one-time transition costs associated with the merger. Some of these one-time costs would have to be quantified by the professional in charge of the work, like the financial advisors that help shift Wilkinsburg’s debt to Pittsburgh. Others can likely be quantified through a conversation with PPS staff familiar with expenditures related to facilities, software, and legal services. Items for discussion include:



For WSD employees who are not carried over to PPS, would they be able to cash out unused leave?
What unemployment costs will be associated with the merger in the first year? (the analysis assumes 100 percent of salary for one year for all eliminated positions)
Are there any conversion costs for IT (i.e. hardware that does not meet Pittsburgh's current policies and standards, software that needs more licenses, or licenses that could be expanded to cover WSD)?
Are there any immediate repairs that Wilkinsburg would need/want to make to facilities prior to the merger?
Are there any one-time transaction costs associated with Pittsburgh taking on Wilkinsburg debt?
Would Pittsburgh have to set aside money or purchase insurance to cover the possible cost of any pending litigation or outstanding claims involving Wilkinsburg?
Would Pittsburgh assume the remainder of Wilkinsburg's service contracts until the terms expire?
Are there any one-time fees that would be associated with withdrawing from the Allegheny County Intermediate Unit or other membership organizations?

As noted in the revenue analysis, there are substantial one-time funds available from WSD's fund balance, capital projects fund, and ESSER allocation that could be used to address these items.

Expenditure Conclusions

We project that PPS would add \$27.0 million to \$30.9 million in expenditures to provide services to all Wilkinsburg students and maintain current operations. If we take the midpoint of that range (\$28.9 million) and the midpoint of our revenue projection (\$29.6 million), the two numbers result in a slight positive impact of \$660,000 (Approximately 0.1 percent of the PPS's \$668.3 million 2022 General Fund budget).

There are scenarios that vary from the midpoint. The lowest revenue estimate and the highest expenditure estimate would yield a shortfall of \$3.1 million annually. Conversely, the highest revenue estimate and lowest expenditure estimate would provide a benefit to PPS of \$4.4 million each year. However, there is broad overlap between the revenue and expenditure figures.

The largest drivers of costs during the merger will be salaries and benefits for the staff that will transition to PPS, and the costs of charter school tuition payments. For other areas of Wilkinsburg's operations, Pittsburgh will need to evaluate how academic and support services at WSD schools align with current standards in PPS. As noted throughout, there are opportunities for more efficient and less expensive service in many areas, and initial efforts could focus on special education programs, charter school enrollment, and transportation. Achieving some of these savings would increase the likelihood that the overall merger would be budget positive to the PPS.

In addition, as noted above, while PPS will likely have one-time costs associated with the merger, including unemployment costs for employees furloughed as a result of the merger and capital needs for the WSD facilities, one-time resources from fund balance and ESSER funds could address some or all of the expenditures for these items.