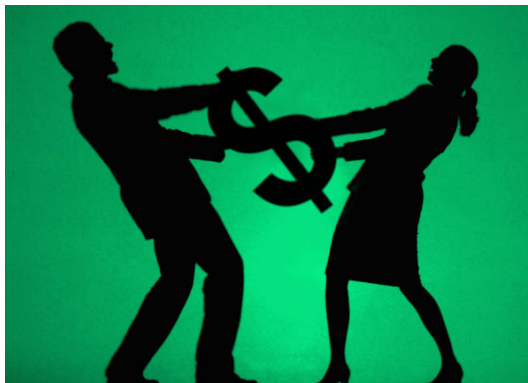




## **STATE BUDGET 101: SAVING YOUR SCHOOL/ SAVING YOUR STATE**



### ***A Lesson Plan for Students to Solve Pennsylvania's Budget Problems (without Politics)***

**Prepared by the Education Law Center  
and Good Schools Pennsylvania**

For more information, contact:  
Sarah Peterson: [speterson@elc-pa.org](mailto:speterson@elc-pa.org), 215-238-6970 ext. 315  
or  
Alison Murawski: [alison@goodschoolspa.org](mailto:alison@goodschoolspa.org), 215-332-2700

---

## STATE BUDGET 101: SAVING YOUR SCHOOL / SAVING YOUR STATE

---

### INTRODUCTION

Every family has a budget. Your school has a budget. This year, Pennsylvania does not have a budget. Pennsylvania does not have a budget because the members of the Pennsylvania General Assembly and the Governor cannot agree on how to use the state's limited tax dollars.

This exercise is designed to get students to discuss the budget issue, with an emphasis on how the state budget impacts public schools. Class and group interaction will allow shared learning and multiple perspectives and compromise, leading to the best civic results and the most accurate feedback. The data included in this exercise is approximate, but close to the real figures.

We recommend trying to do this activity in small groups of no more than 10 students. After 90 minutes, the groups should stop and compare their results.

The activity may work best if students do not play "roles." Let them be themselves. Do not split the students into the roles of Republicans and Democrats, unless you want to spend several hours at this.

---

### BACKGROUND

What is a budget? A budget reflects the choices you make about money. A budget is usually made for a period of 12 months. Pennsylvania's budget starts each year on July 1 and ends on June 30 of the following year.

#### Revenue

The first part of the budget says how much money will be collected from citizens and businesses. This is called "**revenue**." For Pennsylvania, most revenue comes from taxes. State taxes include:

- Personal Income Tax: Paid by individuals on the wages they earn and other income.
- Business Income Tax: Paid by businesses on the money they make.
- Sales Tax: Paid by individuals on most goods they buy at stores.
- User Fees: Paid by individuals when they use parks, highways, electricity, and many other things.
- "Sin" Taxes: Paid by individuals when they buy cigarettes, alcohol, and chewing tobacco.

#### Expenditures

The second part of the budget says how the revenue will be used. This is called "**expenditures**." The state spends money in the following ways:

- Public schools and colleges
- Medical health care and Income Assistance for low-income families
- Public services such as roads, police, prisons, and public transportation
- Hundreds of smaller programs

The 2009-10 revenues for Pennsylvania are approximately \$23 billion.  
The 2009-10 expenditures for Pennsylvania are approximately \$26 billion.  
So, the state has a \$3 billion deficit.

The State Constitution of Pennsylvania says that the expenditures cannot be more than the revenues expected over the 12-month period — the budget must be "balanced."

There are three ways to balance a budget so that it does not have a deficit. The Governor and the members of the General Assembly in Harrisburg are required by the State Constitution to make these decisions.

1. Cut expenditures. Spend less on government programs. *For example, you could lower the state deficit by \$1 billion by cutting \$555 for every public school student - about \$15,500 per classroom; OR*
2. Raise revenue. Increase taxes to collect more money. *For example, you could lower the state deficit by \$1 billion by raising the annual income tax by \$200 per person; OR*
3. Cut expenditures and raise revenue. *For example, when both are done at the same time the spending cuts and the tax increases can be smaller.*

### **What happens to public schools?**

Cuts in the state budget would have a big effect on public schools, which rely in varying degrees on state revenues to help them provide a quality public education. Since local school districts also must have a balanced budget, when the state cuts its budget for schools, school districts must decide whether to cut their budgets in turn or make up the difference by increasing local property taxes.

*For example, if the state cuts education spending by \$1 billion, a property tax increase of \$300 on every house in Pennsylvania would be required to make up the difference.*

---

### **POINTS TO CONSIDER**

- There is a new state education funding law that guarantees all children attend schools with adequate funding. The law provides a six-year plan to increase state funding and ease the burden on local property taxes. This year the budget crisis makes it difficult to fully continue this guarantee, but large cuts in state funding would violate the state law and put even more pressure on local property taxes.

- Pennsylvania is receiving about \$3 billion in federal stimulus money for education during the next two years. Most of the money must be used for federally required programs that help children with disabilities, students in poverty, students who are homeless and others. A portion of this money — \$500 million — may be used for making up for cuts in the state education budget. However, using all of the \$500 million for making up for cuts in the state budget could jeopardize the state's chance to receive an additional pot of federal education stimulus money — approximately \$250 million. If the stimulus money is used for increasing the state's education budget, then school districts can meet their increased costs and avoid raising property taxes.
- 

### **HOW WOULD YOU SOLVE THIS PROBLEM?**

To make this assignment a little easier, assume that you only need to deal with the education part of the state budget. Also assume the education budget deficit is about \$1 billion. Your job is to eliminate this deficit. There's an attached worksheet that will help work through the following questions.

1. Decide whether you want to cut state education spending, raise state taxes, or do a little of both. Also, decide the size of your cuts or increases.
2. If you cut state education spending, that means cutting local school budgets or raising local property taxes to avoid losing school programs. How much will you cut from local school budgets? How much will you raise property taxes?
3. If you raise state taxes, decide which taxes will be raised and by how much.
4. How do you want to use the education stimulus funding? To make up for cuts in state spending; to increase funding to school districts so as to avoid property tax increases for disadvantaged school districts; or to do a little of both?
5. If you use stimulus funds — which disappear by 2011 — to make up for cuts in state spending, decide which taxes will be raised in future years and by how much.
6. If you cannot agree at first, keep trying.

### **EXTRA CREDIT**

- Fax the complete worksheets to us and we'll report them to the legislature.
- Go to this form: <http://www.elc-pa.org/statebudget101.worksheet.html> on our Web site and record the outcomes online and we'll report them to the legislature.
- Create a video summarizing your discussions and your decisions. Send us the video and we'll put it on our Web site. Be creative.

## STATE BUDGET 101 WORKSHEET

---

Thank you for participating in the "State Budget 101: Saving your school/Saving your state" exercise. Remember, you need to eliminate a \$1 billion state deficit for education. This worksheet will help you work through and record your budget decisions.

1. Did you decide to cut state education spending, raise state taxes or a little of both? (*Circle one and give the dollar amount.*)

Cut spending  
By how much?

Raise taxes  
By how much?

Both  
By how much?

Did you close the \$1 billion deficit?

2. If you decided to cut state education spending, what happens to local school districts? (*Circle one and give the dollar amount.*)

Local school budgets are cut throughout the state  
By how much?

Local property taxes are raised throughout the state  
By how much?

Both  
By how much?

Did you make up for the amount you cut in #1?

3. If you decided to raise state taxes, which taxes did you raise and by how much? (*Fill in the amount next to each tax.*)

- Personal Income Tax
- Business Income Tax
- Sales Tax
- User Fees:
- "Sin" Taxes

4. How did you decide to use the education stimulus funding? (*Circle one and give a dollar amount.*)

Make up for cuts in state spending  
By how much?

Increase funding to school districts to improve programs and avoid raising local property taxes  
By how much?

Both  
By how much?

Did you use the full amount of the stimulus money — \$500 million?

5. If you use stimulus funds — which disappear by 2011 — to make up for cuts in state spending, decide which state taxes will be raised in future years and by how much. (*Fill in the amount next to each tax.*)

- Personal Income Tax
- Business Income Tax
- Sales Tax
- User Fees
- "Sin" Taxes

Summarize the outcomes for your groups:

Additional comments:

THANK YOU FOR PROVING THAT YOU CARE ABOUT PUBLIC SCHOOLS

If you have any questions about this exercise, please contact Sarah Peterson at (215) 238-6970 ext. 315 or Alison Murawski at (215) 332-2700.

**Fax completed worksheets to (215) 772-3125 or (412) 391-4496**