Education Funding, K Through 12

The Pennsylvania General Assembly established school districts and provided them with broad authority to operate schools and educate resident students of school age. The schools are operated and funded under the authority of the commonwealth and the locally elected school boards of directors.

The Pennsylvania Department of Education (PDE) administers laws governing public schools across the commonwealth and provides guidance to school districts in achieving educational goals. PDE maintains a website, www.education.state.pa.us, with the most up-to-date information on education.

The Common School Fund, established in 1831, marked the first time that the commonwealth provided support to public schools through state revenue. As of 2012/13, school districts receive nearly 58 percent of their funding through local revenues, with nearly 96 percent of these funds derived from local taxes. The state provides 35.2 percent of school funding, with the remaining funds provided through federal and other sources. The state’s share of school district revenue has declined slightly over the years. In 1995/96, the state share of school funding was 40 percent and the local share was 55.7 percent.

There are 500 school districts in the commonwealth. The districts are comprised of more than 3,000 individual school buildings, with a range of one to 218 per individual school district. The approximate total student enrollment in these schools is 1.7 million, with an average of roughly 3,500 students per district. For 2012/13, the most recent data available, per pupil expenditures averaged approximately $14,622.

Charter schools were established in Pennsylvania by Act 22 of 1997 and are approved by local school districts. Cyber charter schools are charter schools that are not traditional brick-and-mortar schools and are approved by PDE. Currently, Pennsylvania has 149 charter schools, 10 regional charter schools and 14 cyber charter schools.

Basic Education

The Public School Code Law defines a school district funding formula on a one-year basis for each fiscal year. Traditionally, the formula has adhered to a “hold harmless” clause, which means the districts that receive funding through the basic education subsidy will not receive less than their previous year’s subsidy payment.

School Funding Formulas

School funding formulas are varied and complex, and rely heavily on factors such as average daily membership and market value/personal income/aid ratio.

The ADM or Average Daily Membership is the number of students for which the school district receives funding.

The Aid Ratio measures the relative wealth of a school district in terms of market value of taxable real estate and personal income. A high aid ratio corresponds to less wealthy school districts.

For more detailed information, a glossary of expenditures and financial data elements and files are located on PDE’s website.

Fiscal year 2008/09 marked a dramatic change in the basic education funding formula. This change was based upon the findings of the State Board of Education’s Costing-Out Study. The goal of this study was to identify an adequate and equitable cost to educate each pupil. The new formula identified an “adequacy target” by calculating a base cost to educate each student, then adjusting that amount for individual districts based upon variables such as low-income, district size and geographic location. This target amount was then compared to the actual district per-student expenditures to determine if there was an adequacy funding shortfall. The results showed that the total shortfall in funding was more than $4 billion, with nearly 93 percent of districts spending below their adequacy target. In the budget for 2008/09, the state share of the shortfall...
was calculated to be more than $2 billion and a goal was identified to phase-in funding to appropriate this state share over a six-year period. Although the basic education subsidy appropriation received substantial increases in the state budget until 2011/12, budgetary constraints during those years caused the total increases to fall short of the projected amounts necessary to fulfill this six-year goal.

The federal American Recovery and Investment Act of 2009 (ARRA) provided Pennsylvania with billions of dollars in additional federal funds. In the basic education subsidy alone, $1.3 billion was split between 2009/10 and 2010/11.

Note: When comparing historical data, it is important to note that in Gov. Corbett’s first budget (2011/12) he used $388 million in federal Education Jobs Fund monies to retroactively offset state funds in the basic education subsidy for 2010/11. This action reduced the basic education state spend for 2010/11, thereby showing an artificially low point with which to compare state funding for basic education.

With both the expiration of the federal ARRA funds and the election of a new governor, the 2011/12 basic education subsidy formula received less funding and the Costing-Out Study formula was replaced with one that directed portions of the subsidy to specific school districts.

Act 51 of 2014 (House Bill 1738), established a Basic Education Funding Commission. This commission, consisting of 12 legislators and three appointees of the governor, is charged with reviewing and making recommendations for a basic education funding formula. At present, the commission is holding public hearings across the state and identifying factors - such as poverty, enrollment trends, relative wealth, and tax effort - that may be included as part of the formula. The commission’s final report is due no later than June 10, 2015.

**Special Education**

The goal of special education services in public schools is to provide free and appropriate education to exceptional students. Prior to 1991/92, the commonwealth paid most or all of the extra expenses to school districts that were associated with the education of students with disabilities.

In 1992, a formula-driven subsidy payment was implemented to pay these costs. The new formula assumed that each school district had 16 percent of the total student population identified as special education. The special education funding was then appropriated using a formula that included this 16 percent assumption. The subsidy also included a “contingency fund”, approximately one percent of the total special education subsidy, to assist schools with extraordinary special education expenses. School districts with one or more exceptionally high cost special education students applied separately to PDE for a portion of these contingency funds. When insufficient special education funding was available, the monies were distributed on a pro-rata basis. PDE determined the awarding of the contingency funding, with no guarantee that a school district would receive funding from this portion of the subsidy at all. **From 2008/09 through 2013/14, the special education subsidy received no increase.**

In 2013, legislation was enacted (Act 3) to establish a Special Education Funding Commission. The duties of this commission were to develop a special education funding formula, based upon actual cost of educating special education students, and a related system of accountability. The Special Education Funding Commission report, issued Dec. 11, 2013, contains a new formula for any additional special education funding above the current $1.03 billion appropriation. A summary of the report is available at www.hacd.net.

The 2014/15 budget contained an additional $20 million in special education funding, which was driven out through a new formula based upon the recommendations of the commission. Although the commission recommended that the new formula, based upon actual cost to educate special education students, should also be applied to charter school payments, this stipulation was removed prior to final passage of the formula. Charter schools continue to receive funding based upon the old formula.

**Charter Schools**

Charter schools are brick-and-mortar, non-profit public school entities established to provide innovative educational opportunities for commonwealth students. The charter school law was enacted in 1997 as Act XVII-A of the Public School Code of 1949. In 2002, Act 88 amended the charter
school law to allow for the establishment of cyber charter schools, which provide online learning.

Charter schools are authorized by the locally elected school board and are located within the physical boundaries of the authorizing school district. Regional charter schools are brick and mortar schools that serve students from multiple school districts. Cyber charter schools are authorized by PDE. Charter and cyber charter schools are free from many of the mandates required of regular public school districts, including the ability to hire for-profit management companies to run the school and no requirement for independent financial audits. Charter and cyber charter schools lack the ability to elect a local school board and to raise local property taxes.

When students from a particular school district attend a charter school, the money to educate that student comes from the home school district and is paid to the charter school. To help alleviate some of this loss of revenue, the commonwealth began reimbursing districts in 2003 for a portion of these charter school payments. This particular appropriation grew from $52.9 million in 2002/03 to more than $224 million in 2010/11. The increase is due to a combination of higher reimbursement percentages as well as enrollment increases in charter schools. In 2011/12, funding was eliminated for this appropriation and school districts began funding the entire cost of students to attend charter schools.

For more information, see the committee’s primer on charter and cyber charter schools, published Jan. 27, 2015.

Early Childhood Programs

**Pre-K Counts** provides high quality pre-kindergarten opportunities for children. Attendance in this program is projected to exceed 15,000 children in 2014/15.

**Head Start Supplemental Assistance**, which supplements the federal Head Start program, provides early learning opportunities to more than 5,000 eligible, economically disadvantaged children.

**Funding for Early Intervention**, a federally mandated program, provides educational support for developmentally delayed children age three until

the start of kindergarten. More than 52,000 children are expected to participate in this program for 2014/15.

The **Ready to Learn Block Grant**, a revised version of the former Accountability Block Grant, creates additional opportunities for school districts to utilize funding. The Accountability Block Grant program provided funding to districts to help with specific areas such as Pre-K, full-day Kindergarten, tutoring, small class sizes, and teacher training. The Ready to Learn Block Grant adds programs such as supplemental tutoring for Keystone Exams, and establishing/maintaining hybrid learning models to the eligible program list. According to the latest report, nearly 80 percent of district funding is used for early education initiatives.

Libraries

Pennsylvania public libraries are funded by local and state appropriations, as well as by community fundraising efforts. In recent years, an average of 70 million items are borrowed annually from public libraries. Some statewide initiatives include:

- **The Access PA Database** - This database consists of the largest catalog of library materials in the country. These materials can be requested online from school, public and academic libraries. The database is available at www.accesspa.state.pa.us.
- **The Power Library** - This online service allows users to access articles, newspapers, pictures, maps and other reference materials. The service is available at www.powerlibrary.net.

Discretionary vs. Mandatory Education Funding

Most appropriations within PDE’s budget are categorized as discretionary spending even though there may be authorizing legislation in current statute. The funding is discretionary in that the legislation has flexibility in how much, if any, funding the program will receive. Examples of current appropriations within the education budget that are discretionary include Pennsylvania Accountability Block Grants, Teacher Professional Development, and Mobile Science Education Programs. The basic education subsidy appropriation is also discretionary. While the legislature has a responsibility to provide
free education to children, the funding does not have to flow through the basic education subsidy appropriation and there is also no mandate to retain a specific funding level within this subsidy.

Other education appropriations are classified as mandatory for purposes of funding. These programs have authorizing state and/or federal statutes or mandates that require a certain level of funding each year. Examples of mandatory subsidies include Early Intervention, Pupil Transportation, School Food Services, and School Employees’ Retirement.

**Other Education Funding Appropriations**

All subsidies within PDE’s budget have either authorizing legislation or guidelines for each program. Over the years, many different discretionary programs have been created and eliminated even though the statutory language may remain in place.

Recent programs that were eliminated under Gov. Corbett include Reimbursement of Charter Schools, Educational Assistance Program, School Improvement Grants, Dual Enrollment, and Intermediate Units. Prior to the Corbett administration, funding for Education Mentoring, Safe and Alternative Schools, and Consolidation Incentives and Shared Services were eliminated from the budget.

In recent years, new programs were created and received funding. These subsidies include the Safe School Initiative; Rx for PA: School Food Services; Rx for PA: Physical and Health Education; and Urban and Minority Teacher Development. Of these new subsidies, only the Safe School Initiative, created in 2011/12, remains funded.