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DEPARTMENT OF EDUCATION

# 2023 Pennsylvania Basic Education Funding Commission Hearing

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# Basic Education Funding in Pennsylvania

The Basic Education Funding Commission was created in 2014 to recommend policy and funding changes to address the inequities in education funding in Pennsylvania and ensure that every student has access to a quality education.

# History of Basic Education Funding in Pennsylvania

- Basic Education Funding is the single largest education funding stream in the Commonwealth's budget to support local school districts.
- Each fiscal year, during the annual budget process, the General Assembly appropriates state funding from the General Fund to be distributed among the Commonwealth's school districts.
- Presently, the state's basic education funding formula used to distribute these funds is contained in Article XXV (Reimbursements by Commonwealth and Between School Districts) of the Public School Code of 1949.

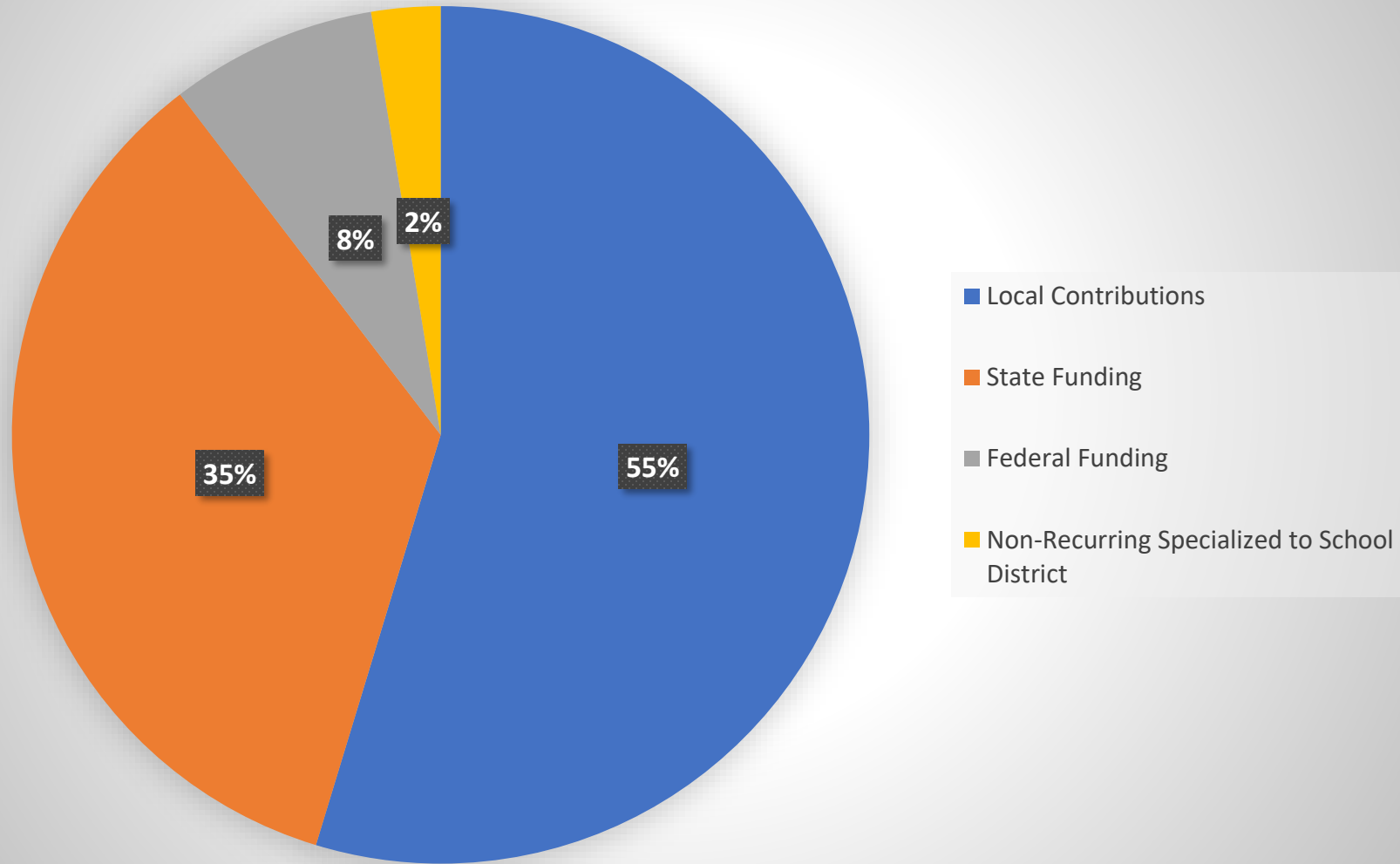
# History of Basic Education Funding in Pennsylvania

- Basic Education Funding Commission Creation
  - Act 51 of 2014 created the Basic Education Funding Commission to review Basic Education Funding and make recommendations about the formula.
  - The Commission conducted 15 hearings in different parts of the Commonwealth in 2014 and 2015.
  - The Commission heard from more than 110 individuals including school board presidents, academics, superintendents, nonprofit groups, other states, parents, and members of the business community.
  - The Commission also asked the Independent Fiscal Office (IFO) to do a survey.

# History of Basic Education Funding in Pennsylvania

- William Penn School District v. Pennsylvania Department of Education
  - A lawsuit filed in 2014 argued that Pennsylvania's funding of public education was inadequate and inequitable, violating the state constitution.
  - The case went through several legal challenges and was finally tried in 2021.
  - In 2023, the Commonwealth Court found that the state's funding system was unconstitutional and directed the Legislative and Executive branches of government, as well as the Petitioners, to devise a new system.

## Education Funding Sources in Pennsylvania



# Historical Overview of Basic Education Funding Formula in Pennsylvania

- First adopted in the Constitution of 1874, the General Assembly was to maintain and support a thorough and efficient system of public schools and it was later modified in the Constitution of 1968 to read as follows:

*The General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth. Article III, Section 14, PA Constitution of 1968.*

# Historical Overview of Basic Education Funding Formula in Pennsylvania

- Act 580 of 1965 changed the school district funding formula from district teaching units to Weighted Average Daily Membership (WADM), Actual Instruction Expense (AIE) per Average Daily Membership (ADM), and Aid Ratio, with a goal of 50% state share of cost and supplemental payments for poverty, density or sparsity, homebound instruction, and vocational education.
- Act 31 of 1983 ended the state's 50 percent reimbursement guarantee, which was last reached by the state in 1974-1975. The act established the calculation for the Equalized Subsidy for Basic Education (ESBE). ESBE would go on to serve as the basis for school district instructional payments for 10 years.



# Historical Overview of Basic Education Funding Formula in Pennsylvania

- Act 25 of 1991 added two further supplements to the formula for school districts with low expenditures and low wealth, as well as a low expenditure poverty supplement. These supplements targeted those school districts that were perceived to be underfunded by the Commonwealth and lacked local revenue to offset the absence of additional state funding.
- Act 85 of 1992 served as a turning point in basic education funding for the Commonwealth, most significantly because there were no changes in the components of the formula and no additional funding added to the ESBE line item. Act 85 froze the provisions of the ESBE formula, as well as the supplements.

# Historical Overview of Basic Education Funding Formula in Pennsylvania

- Between fiscal years 1992-93 to 1994-1995 and 2007-2008, the Basic Education Funding formula continued to distribute state dollars based on *hold harmless* funding for school districts with annual increases in the appropriation driven out through supplements targeted to different school districts.
- Hold harmless meant that no school district would receive less state funding than it received in the previous year. After the Commission's report and a change to the formula, hold harmless now means that school districts will not receive less than they did in the 2014-15 fiscal year.
- It is important to note that with each subsequent year, the supplements for the previous year were built into the hold harmless provision of the existing Basic Education Funding formula.

# Outcomes of Final Report from Basic Education Funding Commission of 2015

- The Commission released a report and recommendations on June 18, 2015.
  - Based on collected feedback and surveys, the Commission recommended that the General Assembly adopt a new formula for distributing state funding with a focus on transparency and predictability.
- Fair Funding Model
  - The Commission recommended a student-weighted formula that directs funding based on student need and school district capacity to pay for education.

# Outcomes of Final Report from Basic Education Funding Commission of 2015

- Student and Community Factors
  - The new formula was recommended to include factors reflecting student and community differences such as poverty, local tax effort and capacity to generate revenue, and rural and small district conditions.
  - The new formula was enacted as part of Act 35 of 2016, and it took effect for fiscal year 2015-16.

# Formula Factors

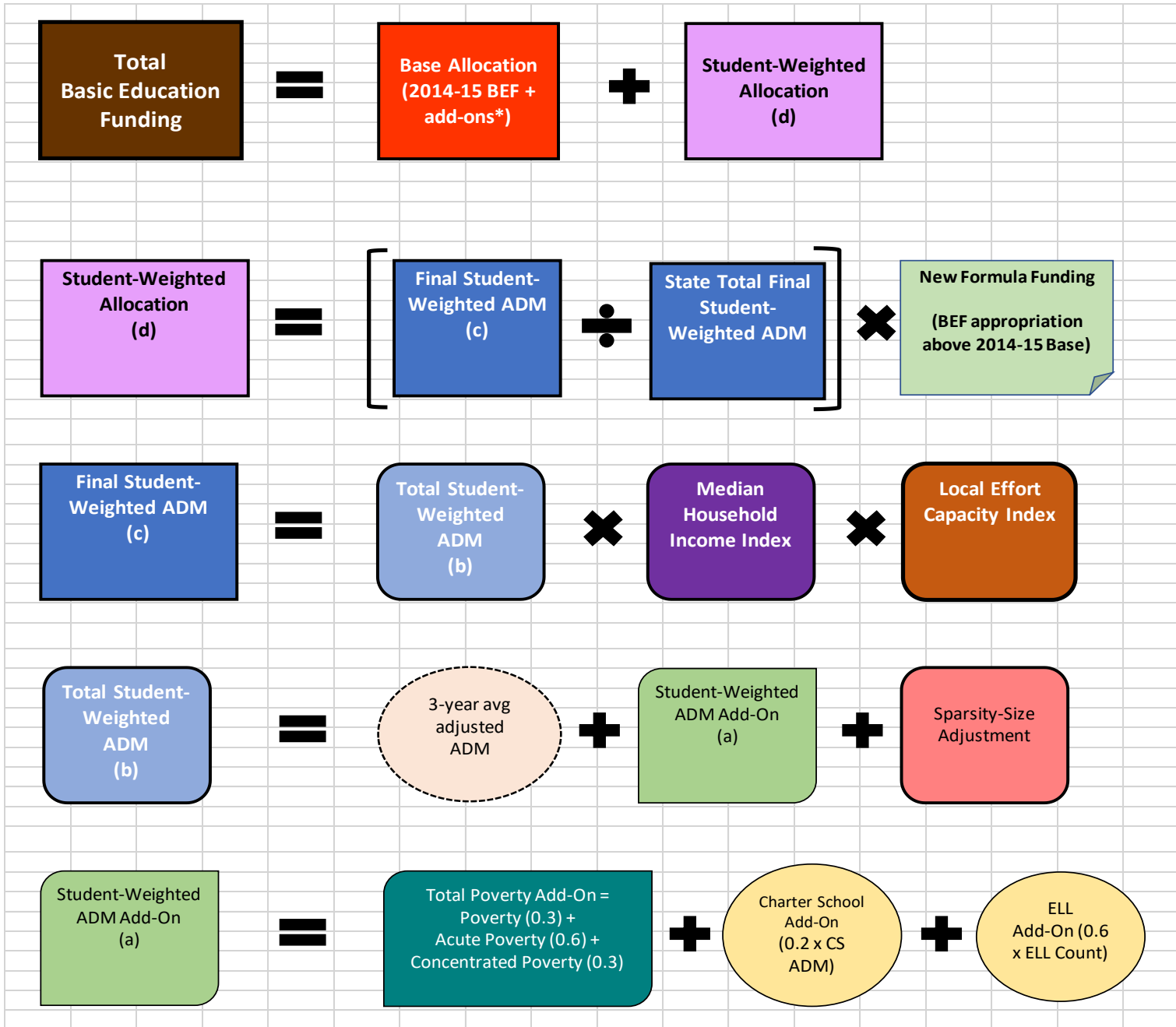
- Base
  - Makes up approximately 80% of the current Basic Education Funding (BEF) formula distribution. The Base was legislated to be the fiscal year 2014-15 BEF allocation and, at its core, is based on ADM and other data factors from the early 1990s. This is commonly known as "hold harmless" due to the legislated language that school districts can't receive less than the 2014-15 BEF allocation.

# Formula Factors

- Student-Weighted Allocation
  - Designed to allocate resources to school districts based upon a three-year average adjusted Average Daily Membership (ADM). The average ADM is then adjusted by poverty factors indicated by federal census data, charter school enrollment, English learner population, and population density. Student-weighted ADM is then multiplied by indices related to median household income from federal census data, and local tax effort.

# Formula Factors

- Level-Up Supplement
  - In fiscal years 2021-22 and 2022-23, supplemental state funding was allocated to the 20% of school districts that had the greatest number of students with additional needs (based on BEF weighted ADM and Special Education Funding weighted student counts) AND were the lowest in current expenditures per weighted student across the state.



\* Base add-ons: Basic Education Formula Enhancements (2014-15), Supplemental BEF (2015-16), Educational Access Funding (2017-18), Level-Up Supplement (2021-22 and 2022-23)



Basic Education Funding									
Base/Student-weighted funding per year									
								Estimated	Recommended
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Base	\$ 5,527,680,160	\$ 5,542,411,717	\$ 5,542,411,717	\$ 5,556,411,756	\$ 5,556,411,806	\$ 5,556,411,806	\$ 5,556,411,806	\$ 5,656,411,806	\$ 5,881,411,806
Student-weighted	\$ 152,398,840	\$ 352,398,840	\$ 452,667,283	\$ 538,667,244	\$ 698,667,194	\$ 698,667,194	\$ 898,667,243	\$ 1,423,667,243	\$ 1,991,032,243
Level Up	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000,000	\$ 225,000,000	\$ -
Total	\$ 5,680,079,000	\$ 5,894,810,556	\$ 5,995,079,000	\$ 6,095,079,000	\$ 6,255,079,000	\$ 6,255,079,000	\$ 6,555,079,049	\$ 7,080,079,049	\$ 7,872,444,049
% Student-Weighted of Total	2.68%	5.98%	7.55%	8.84%	11.17%	11.17%	13.71%	20.11%	25.29%

# Conclusion

- This presentation has provided a historical perspective on how the Pennsylvania school funding system has evolved over time and what factors have influenced its development, including:
  - Average Daily Membership;
  - Poverty;
  - Charter school and English learner enrollment;
  - Population density; and
  - A community's ability to raise local revenue.

# Contact/Mission

For more information on Education funding, please visit PDE's website at [www.education.pa.gov](http://www.education.pa.gov)

*The mission of the Department of Education is to ensure that every learner has access to a world-class education system that academically prepares children and adults to succeed as productive citizens. Further, the Department seeks to establish a culture that is committed to improving opportunities throughout the commonwealth by ensuring that technical support, resources, and optimal learning environments are available for all students, whether children or adults.*