

Flush with Cash: Will Pennsylvania Invest in Our Kids' Future?

Analysis of Governor Wolf's 2022-23 Education Budget Proposal

By Diana Polson and Marc Stier

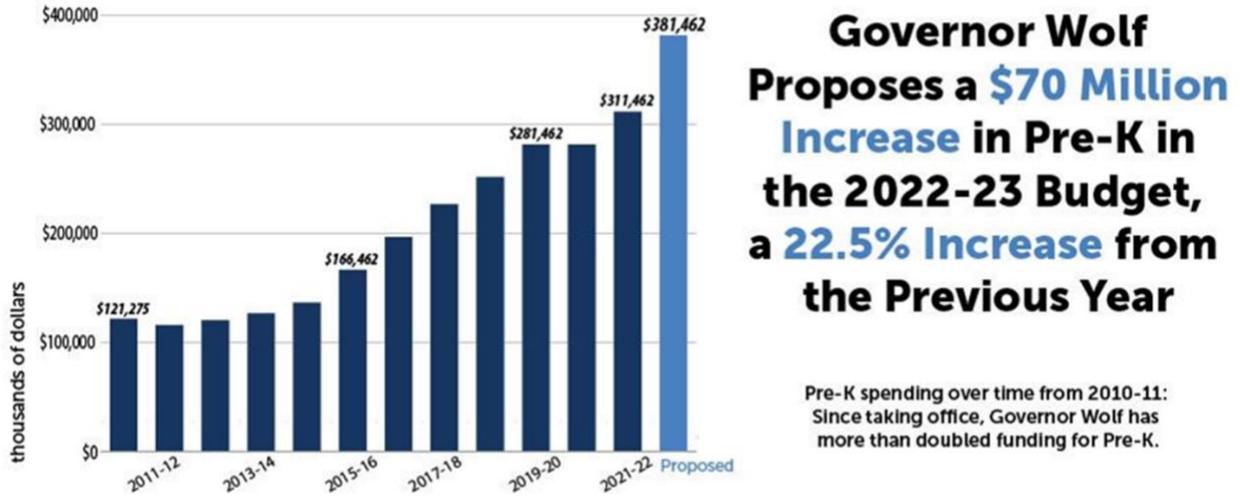
Pennsylvania's education system consists of 500 school districts and 2,900 schools and early childhood centers. Governor Wolf has made education a focus of his administration, making strong investments in pre-K and K-12. While in many cases these investments have been significant, they have not been enough to solve the underfunding and great inequities our education system faces. Governor Wolf proposes a bold education budget in the 2022-23 Executive Budget.

Early Childhood Education

Investments in early childhood education have a tremendous impact on a child's future school performance and success. Since taking office, Governor Wolf has more than doubled funding for early childhood education. This year he proposes a \$70-million increase in pre-K funding, which is an increase of 22.5%. This includes \$60 million more for Pre-K Counts and \$10 million more for the Head Start Supplemental Assistance Program. Funding for Pre-K Counts will go towards rate increases for providers—a \$1,250 increase per full-time slot and \$625 per part-time slot. These increased rates will support the providers, who have seen rising costs, and allow them to pay teachers more. Additionally, the governor's budget provides for an additional 2,308 pre-K slots for Pennsylvania's families. Additional

funding for Head Start won't produce any more slots but will meet growing costs of operating the program in Pennsylvania.

Figure 1

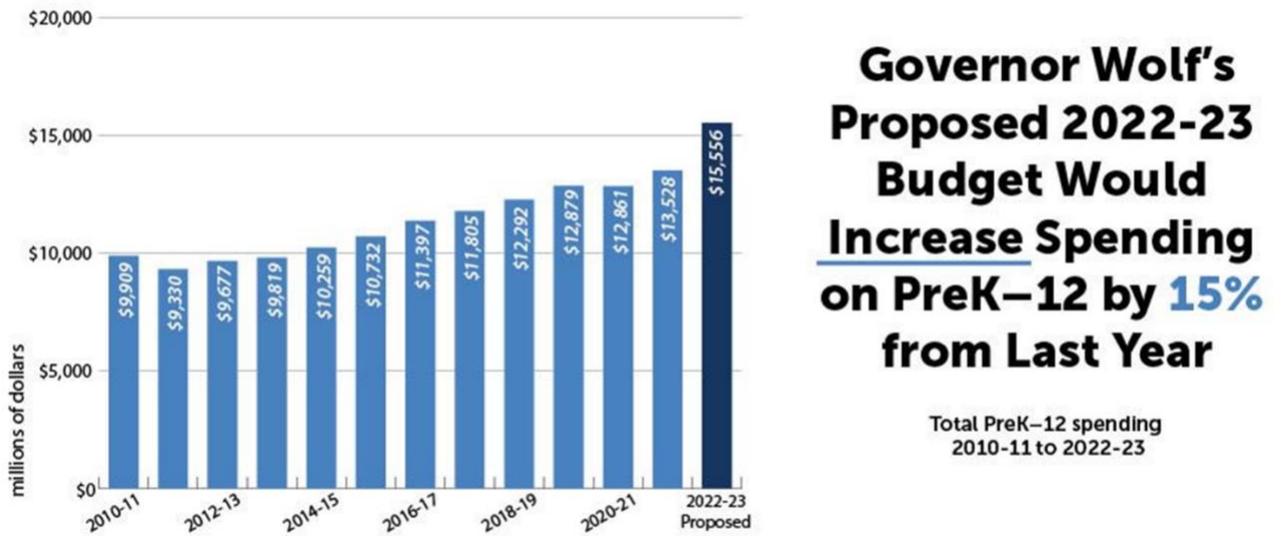


PreK-12 Education

For 2022-23, Governor Wolf proposes adding 15% to preK-12 education spending, bringing the budgeted total to \$15.6 billion. Due to the pandemic, education was flat funded between 2019-20 and

2020-21. Last year, preK-12 funding increased by 5.2%. If passed, this education budget could make significant progress in beginning to solve our education funding problems.

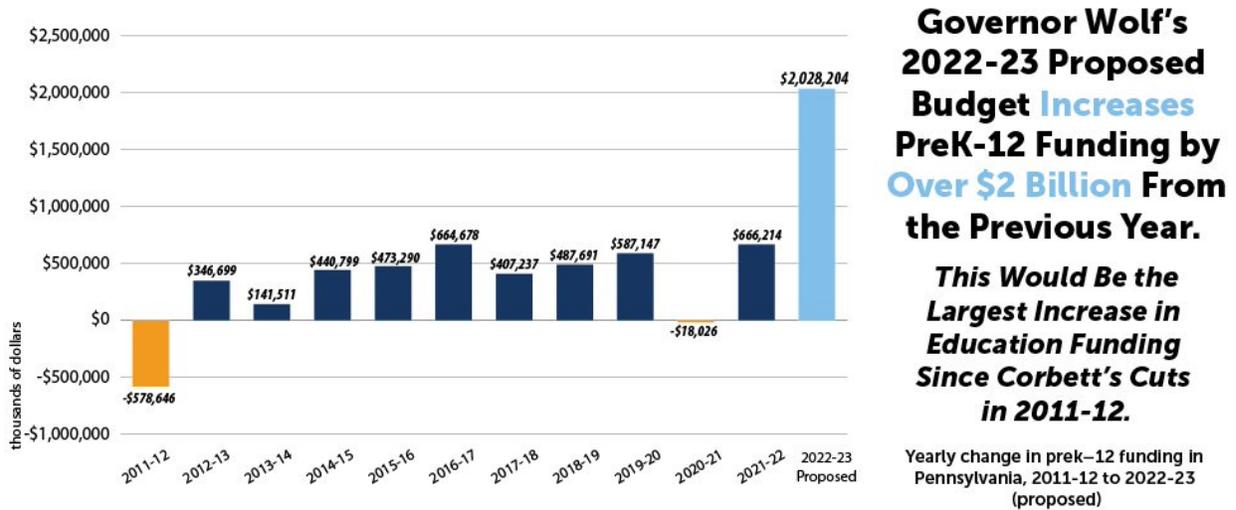
Figure 2



As figure 3 shows, the governor’s proposed increase to preK-12 funding is more than three times the highest increase we’ve seen over the last decade. This proposal would increase funding over the previous year by more than \$2 billion. Last year, preK-12 funding was increased by \$666 million, far less than the \$1.77 billion in additional funds that Governor Wolf proposed. Given our state’s rosy financial

picture, now is the year to go big with education funding so we can begin to solve some of the long-standing education funding challenges we face.

Figure 3



The above figures include the total preK-12 education funding, but we also like to look specifically at what we call classroom funding—or the funding that’s directly related to what happens in the classroom. Classroom funding excludes line items like pensions and transportation. When we look at classroom funding in Governor Wolf’s proposal, we can see that the proposed increase is even larger—a 22.7% increase over what’s in the 2021-22 enacted budget.

Figure 4

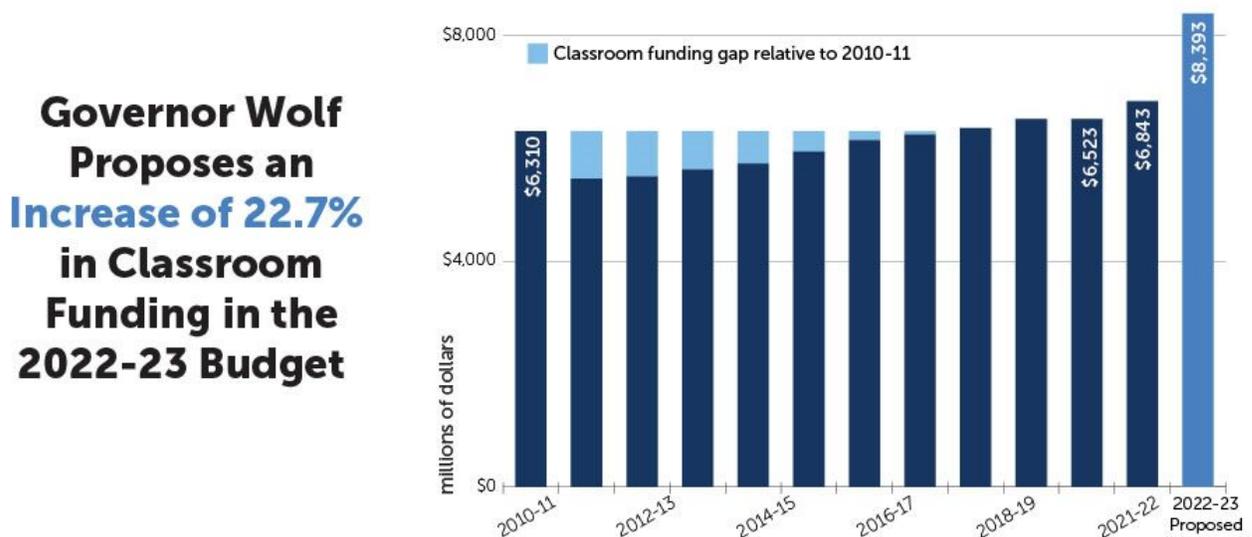
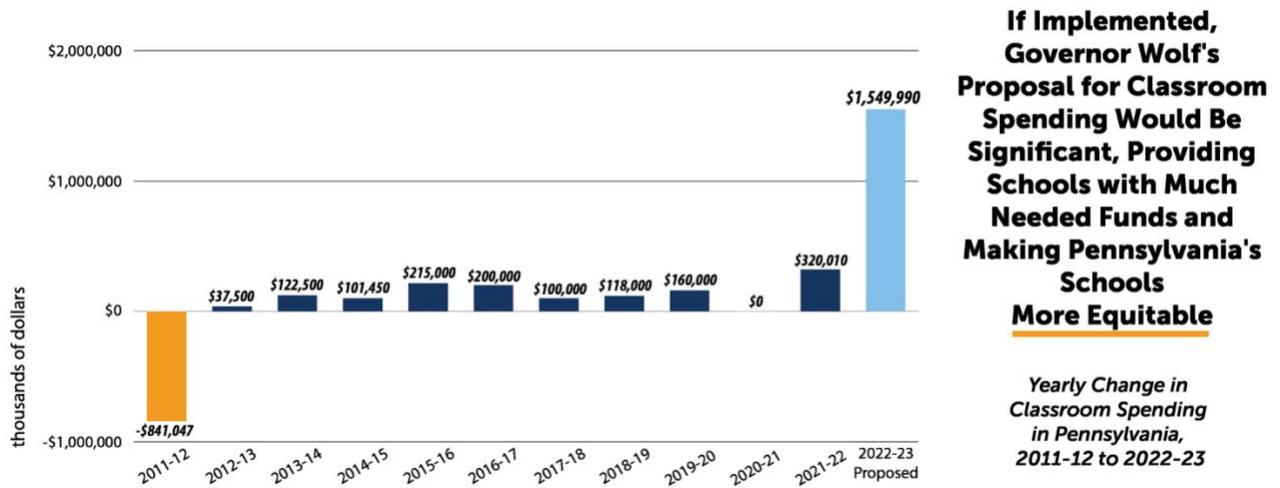


Figure 5 shows the year-to-year change in classroom funding since Governor Corbett’s substantial education cuts in 2011-12. This figure shows the sizable increase that Governor Wolf is proposing—an increase of \$1.5 billion—or an increase almost five times as large as last year.

Figure 5



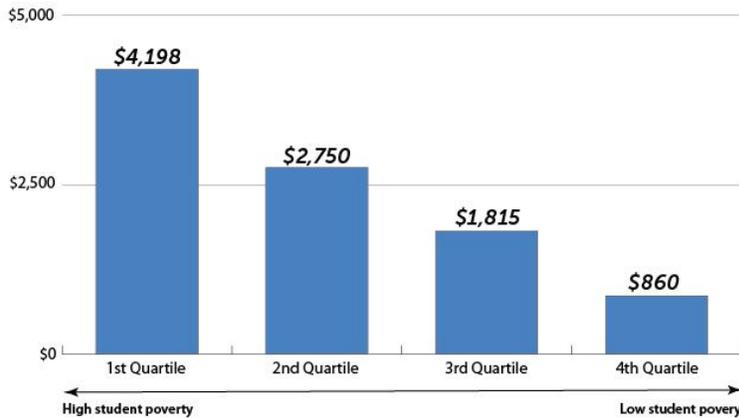
Basic Education Funding and Funding Inequities

Pennsylvania needs additional funding to adequately fund our public schools.¹ In 2014, the Public Interest Law Center and the Education Law Center-PA filed a lawsuit against the Commonwealth claiming its education funding violates the Pennsylvania Constitution since schools have not received adequate and equitable funding. The trial lasted for a few months and ended on March 10, 2022. The data provided by the Public Interest Law Center estimates the state would need an additional \$4.1 billion in school funding to cover its share of bringing each school district to an adequate level of funding.

Figure 6, below, divides up Pennsylvania's 500 school districts into four groups (each with nearly equal numbers of students) by the share of students living in poverty. The 1st quartile includes school districts that have the highest share of families living in poverty, while the 4th quartile includes the districts with the lowest share. The gap remaining to reach adequate funding is much greater for high-poverty districts than low-poverty districts. High-poverty school districts need an average of \$4,198 in additional funding per student to provide an adequate education. The average low-poverty school district needs more money as well but only \$860 per student.

¹ For more information on the cost of adequate education funding in Pennsylvania, see the Public Interest Law Center's website at <https://www.pubintl.org/cases-and-projects/the-cost-of-adequate-education-funding-an-updated-report/>. For more information on the methodology for creating the State Adequacy Cost, see <https://www.pubintl.org/casesand-projects/befc-adequacy-calculation/>.

Figure 6



**The Gap Remaining
Between Per Student
Funding Guaranteeing
That All Pennsylvania
Schools Have What
They Need to Properly
Educate Their Students**

*How short of adequacy is
per student funding based
on calculations by the
Public Interest Law Center*

The Basic Education Funding Formula and Governor Wolf's Bold Education Proposal

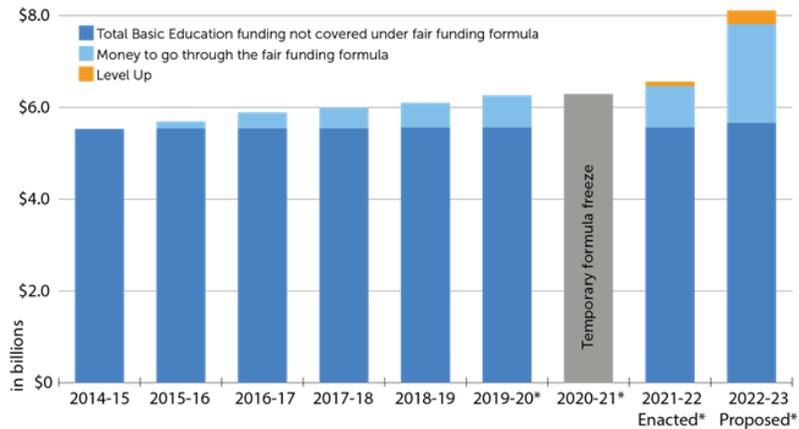
To address existing inequities in funding in Pennsylvania's schools, in 2015-16, the legislature enacted a new method of distributing state aid to school districts, known as the "fair funding formula." The method requires all new basic education funding since 2014-15 to go through a formula that takes into account each district's distinct needs, including the number of students, the number of children living in poverty, the number of English-language learners, the overall wealth and income of district residents, and the "tax effort" made by each district—that is the share of local resources spent on education. However, under what is called the "hold-harmless" rule, only increases in basic education funding that began in 2015-16 go through the formula, while the rest of basic education funding is distributed as it was as of 2014-15.

As you can see in figure 7 below, the amount of money going through the formula slowly increased between 2015-16 and 2019-20 but was still a small percentage of the total BEF funding, which has historical inequities baked into it. In 2020-21, there was a temporary freeze on the formula. In 2021-22, funding running through the formula increased again, and a new distribution mechanism called Level Up was implemented, which distributed an additional \$100 million to Pennsylvania's 100 least-funded schools—that is those with the lowest spending per weighted student (includes weights for poverty, English language learners, charter school students, and special education students). While this was a step forward, the share of funding going through the fair funding formula was only about 14% in the 2021-22 enacted budget.

This year, Governor Wolf is proposing a \$1.55-billion increase to Basic Education Funding, which would increase the share of funding going through the formula to 26.5%. On top of that, the governor proposes that \$300 million go directly to the state's 100 poorest school districts through Level Up.

Figure 7

Governor Wolf Proposes a \$1.55 Billion Increase to Basic Education Funding (BEF). If Implemented, 26.5% of BEF Funding Would Go Through the Fair Funding Formula and \$300 Million Would Go Directly to the Poorest School Districts



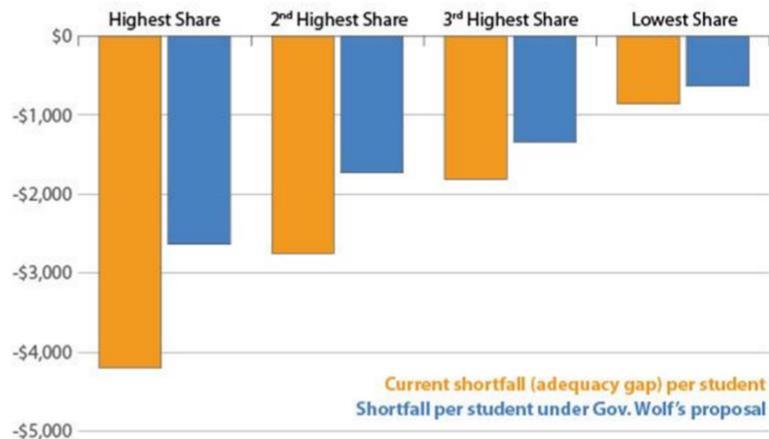
Governor Wolf’s proposed state funding reform for education would begin to correct the economic and racial inequities in Pennsylvania’s current education funding. The following three charts examine the impact of the governor’s K-12 education funding on the equity of school funding based on three characteristics of school districts: poverty rate, Black student share, and Hispanic student share. In our analysis, we divide school districts into four groups or “quartiles,” each educating one-quarter of the K-12 public school students in the state, based on the share of school district families living in poverty, the share who are Black, and the share who are Hispanic. Although it wouldn’t yet solve all our school funding problems, the governor’s proposal would significantly increase the equity of school funding based on poverty and the share of students of color in districts.

Figure 8 shows that the poorest districts, which educate one-quarter of Pennsylvania K-12 students, would see the greatest reduction in the adequacy shortfall—from the current \$4,198 per student shortfall to a \$2,638 shortfall if Governor Wolf’s plan is implemented (including the increase in BEF and the Level Up money). School districts in the other three quartiles would also see an adequacy shortfall reduction.

Figure 8

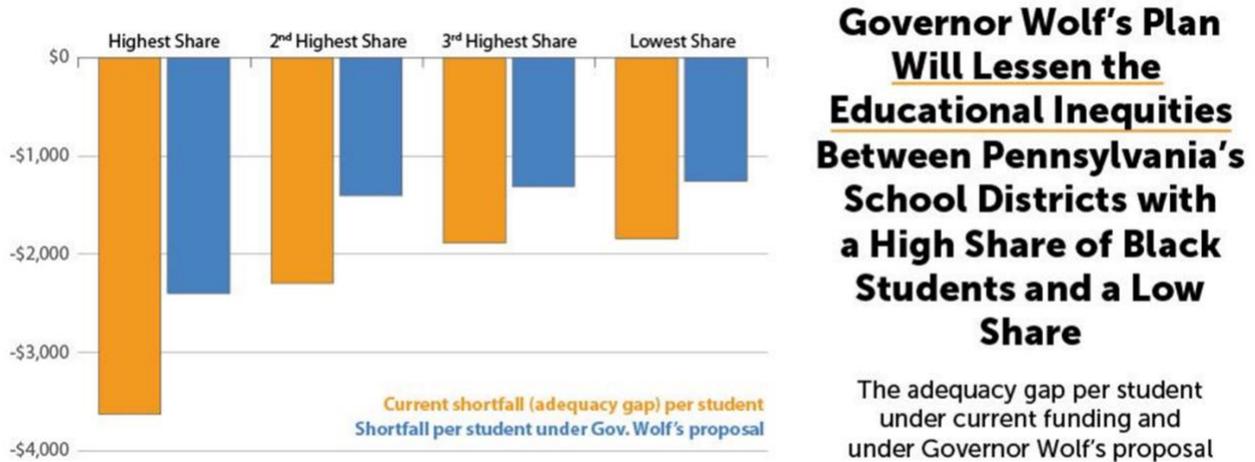
Governor Wolf’s Plan Will Lessen the Educational Inequities Between Our Poorest and Wealthiest School Districts

The adequacy gap per student under current funding and under Governor Wolf’s proposal



The next figure shows how Governor Wolf’s plan will address the adequacy shortfall in the quartiles organized by the share of Black students. As you can see, districts with the highest share of Black students would see the greatest adequacy shortfall reduction—from a shortfall of \$3,626 per student to \$2,395.

Figure 9



Districts with a high share of Hispanic students, who also concentrate in the poorest districts, would also see the largest reduction in the adequacy shortfall, making our school districts more equitable than they currently are.

Figure 10



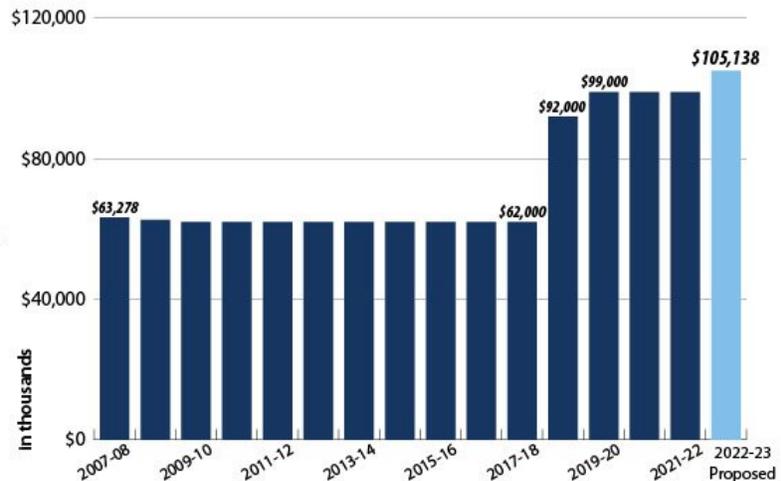
Career and Technical Education

Governor Wolf proposes another increase in Career and Technical Education (CTE) funding. Under Governor Wolf in 2018-19, funding for CTE rose by \$30 million after being flat funded for at least ten years. The governor proposes another increase this year of 6.2% for CTE—to \$105 million—so more students can get access to hands-on, relevant skills that will prepare them for the workforce.

Figure 11

Governor Wolf Proposes a 6.2% Increase in Career and Technical Education (CTE) This Year

CTE funding between 2007-08 and 2022-23



Charter School Reform

This year, Governor Wolf again proposes reform for the charter school funding formula. These are much-needed reforms that would save the Commonwealth \$373 million per year. The reforms consist of two main changes.

The first part of his plan would standardize the special education funding formula. Currently, charter school tuition payments are calculated in an out-of-date fashion. Charter schools are assumed to have a special education population of 16%, a percentage that is often inflated and does not take into account the level of services these students require. Public schools, on the other hand, receive funding based on a three-tiered Special Education Funding formula—so the more services a student needs, the greater the funding a school district will receive for educating that student. The fact that charter schools receive the same amount of tuition from a school district for each special education student regardless of the services those students require—*combined with the lack of any requirement that this money be spent on special education services*—creates a perverse financial incentive for charter schools to enroll special education students who require fewer, less intensive services. The governor proposes charter schools abide by the same tiered Special Education Funding formula that school districts do. This reform would save the Commonwealth an estimated \$174 million every year.

Second, the governor proposes establishing a statewide cyber charter tuition rate. Currently, cyber charters in Pennsylvania charge school districts between \$8,306 and \$36,204 per student each year. This is much more than the typical tuition charged by Intermediate Units for online education, which is around \$5,400 per student for the year. The governor proposes a set amount of \$9,800 for cyber charter tuition per student. Due to the pandemic, the number of students educated at cyber charters has

ballooned. Enrollment went from 38,000 in 2019-2020 to 61,000 in 2020-2021. The governor’s cyber charter reform would save the state an estimated \$199 million per year.

Special Education

State and federal law mandate that school districts cover the costs of special education for students who need it. The need for special education services has grown, but state funding has not kept up, putting enormous strain on local school districts to cover the costs. In 2008-09, Pennsylvania paid 32% of school district’s special education costs, but by 2019-20 this state share dropped to just 22%.² To cover these growing costs, school districts need to either raise property taxes or cut other programs that are not mandatory.

Governor Wolf proposes a 16% increase in special education funding this year. Since his tenure in office, Governor Wolf has slowly increased special education funding after years of flat funding.

Figure 12



Raising the Minimum Teacher Salary in Pennsylvania

The minimum salary for Pennsylvania’s teachers, school nurses, and counselors, \$18,500, was set in the 1980s and has not been raised since. Over the last ten years, low teacher pay has made it more difficult for Pennsylvania school districts to attract and retain teachers and other education professionals in both rural and urban districts and in hard-to-fill positions in special education, STEM, and “English as a second language” (ESL). Again in this year’s budget, Governor Wolf proposes to increase the minimum salary for teachers across the Commonwealth to \$45,000 per year.³

² Education Law Center and PA Schools Work. “Fixing the Special Education Funding Gap.” May 2022. Online at: https://www.elc-pa.org/wp-content/uploads/2022/05/Special_Ed_Report_PASWEDU_Law_Center_2022-5-24.pdf

³ Governor Tom Wolf, “Executive Budget, 2022-2023,” February 8, 2022, Commonwealth of Pennsylvania, https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2022-23%20Proposed%20Budget/Budget%20Book%202022-23_Web%20Version.pdf.

