

# PENNSYLVANIA

## Budget and Policy Center

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March 21, 2018

### PreK-12 Education Funding in Pennsylvania: Where Do We Stand?

The General Assembly has begun working on the budget for 2018-19 based on Governor Wolf's budget proposal. So, this is a good time to look at the governor's proposals in light of the recent history of funding for education in our state.

Governor Wolf's budget would finally restore (in nominal dollars) the deep cuts to K-12 classroom funding made by Governor Corbett in 2011-12, which is a noteworthy accomplishment. However, inadequate funding and deep inequities still remain in our school funding system. Also, Governor Wolf continues to prioritize early education funding. His proposal this year, if enacted, would nearly double Pre-K funding since 2014-15. A signature focus of Governor Wolf this year is a substantial investment in Career and Technical Education and workforce development, with the aim of providing high school and post-secondary youth with critical STEM and other technical skills that can lead to good paying jobs.

#### A Low Share of K-12 Funding Comes from the State

The state government shares responsibility for funding K-12 schools with 500 local school districts across the Commonwealth. State funds supplement funds raised locally, primarily through property taxes. Pennsylvania ranked 47<sup>th</sup> in 2015 for its share of K-12 funding coming from the state (37%), which is low compared to the national average of 47%.<sup>1</sup> This results in an over-reliance on local school districts to fund schools, leading to great disparities between school districts based on the income and wealth of community residents. In fact, Pennsylvania has the greatest disparities of all other states, with poor districts getting 33% less than the state's most affluent districts.<sup>2</sup>

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<sup>1</sup> Data from [https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SSF\\_2014\\_00A05&prodType=table](https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SSF_2014_00A05&prodType=table)

<sup>2</sup> Data from the National Center for Education Statistics found at [https://nces.ed.gov/edfin/Fy11\\_12\\_tables.asp](https://nces.ed.gov/edfin/Fy11_12_tables.asp). Also see [https://www.washingtonpost.com/news/local/wp/2015/03/12/in-23-states-richer-school-districts-get-more-local-funding-than-poorer-districts/?utm\\_term=.54a7f95dfead](https://www.washingtonpost.com/news/local/wp/2015/03/12/in-23-states-richer-school-districts-get-more-local-funding-than-poorer-districts/?utm_term=.54a7f95dfead)

## Overall K-12 Funding

The Pennsylvania Budget and Policy Center analyzes education funding in two primary ways – overall spending on PreK-12 and what we call “classroom funding,” which is the funding provided to local school districts to fund classroom education.<sup>3</sup> First, let’s start with overall spending.

As Figure 1 shows below, Governor Wolf proposes an overall spending increase for PreK-12 by 5.1% to \$12.4 billion.

Figure 1

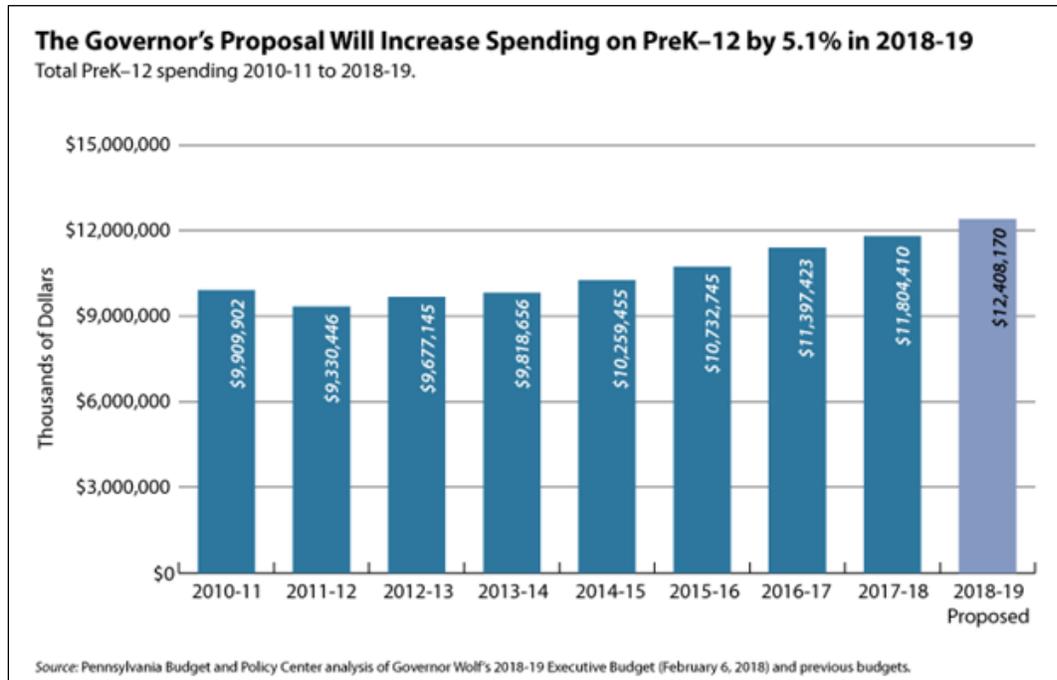
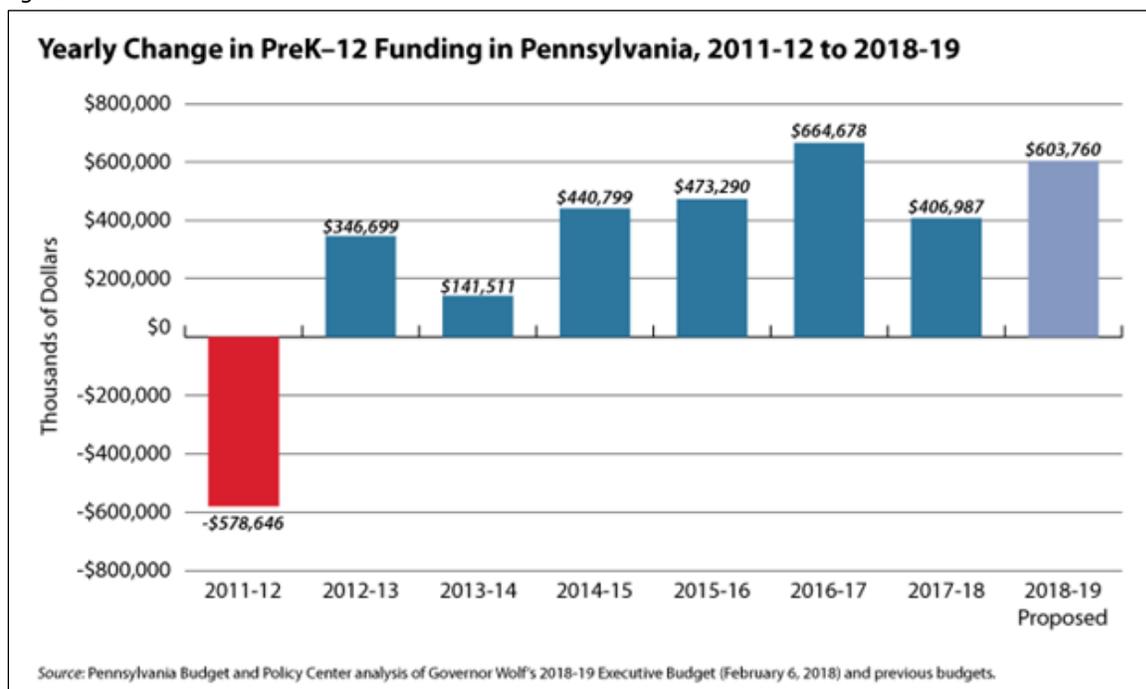


Figure 2 below shows the yearly change in PreK-12 funding since the 2011-12 cuts to education put in place under Governor Corbett. These figures do not account for inflation.

<sup>3</sup> Classroom funding is the primary vehicle for closing the wide gaps between school districts that are generated by a heavy reliance on local property taxes for school funding. It excludes spending that does not directly affect what goes on in the classroom, such as transportation costs, as well as spending on pensions, which does not affect the quality of education in solely one year. For our methodology and data sources see Waslala Miranda, Undermining Educational Opportunity: Pennsylvania’s Unequal Restoration of School Funding, Pennsylvania Budget and Policy Center, October 21, 2015, especially Box 1 and “Methodology and Data Sources” (at the end of the brief); online at <https://pennbpc.org/sites/pennbpc.org/files/finaledcutsbrief.pdf>.

Figure 2



### Classroom Spending

Now let's turn to classroom spending since this is the funding that really impacts the quality of education in the classroom. Classroom spending excludes funding for, among other things, pensions and transportation. It only includes the money that goes directly to school districts across the state to pay for classroom education.

The gap between overall education and classroom spending is primarily due to increased state funds going to teachers' pensions. After years of the state failing to meet pension contributions, the Pension Reform Act of 2010 mandated the state to phase in full funding of these pensions at the level actuaries say is required. This is why pension spending for the State Employees' Retirement System, (SERS) and the Public School Employees' Retirement System (PSERS) has increased since 2010. Wolf's proposed budget reaches these "actuarially required contribution" levels, which should level off and slowly reduce pension debt, now about \$65 billion. These increases in pension payments by both the state and each school district are significant and have accounted for half of overall General Fund increases over the last three years.<sup>4</sup>

As Figure 3 below shows, Governor Wolf's proposal this year would finally restore, after eight long years, the drastic budget cuts from then-Governor Corbett in 2011-12. Corbett's devastating cuts led to tens of thousands of teachers, guidance counselors, and school nurses being laid off. Students suffered due to declining staff and the elimination of programs.<sup>5</sup>

<sup>4</sup> Governor Wolf's 2018-19 Executive Budget (February 6, 2018).

<sup>5</sup> Pennsylvania Association of School Administrators and Pennsylvania Association of School Business Officials. "Continued Cuts: The Fourth Annual PASA-PASBO Report on School District Budgets." June 2014. Accessed at <http://archive.pasbo.org/2014%20PASA%20PASBO%20Report%20on%20School%20District%20Budgets.pdf>; Megan Healy. "Failure to Fund Schools Would Result in the Loss of 23,000 Educators." February 22, 2016.

Figure 3

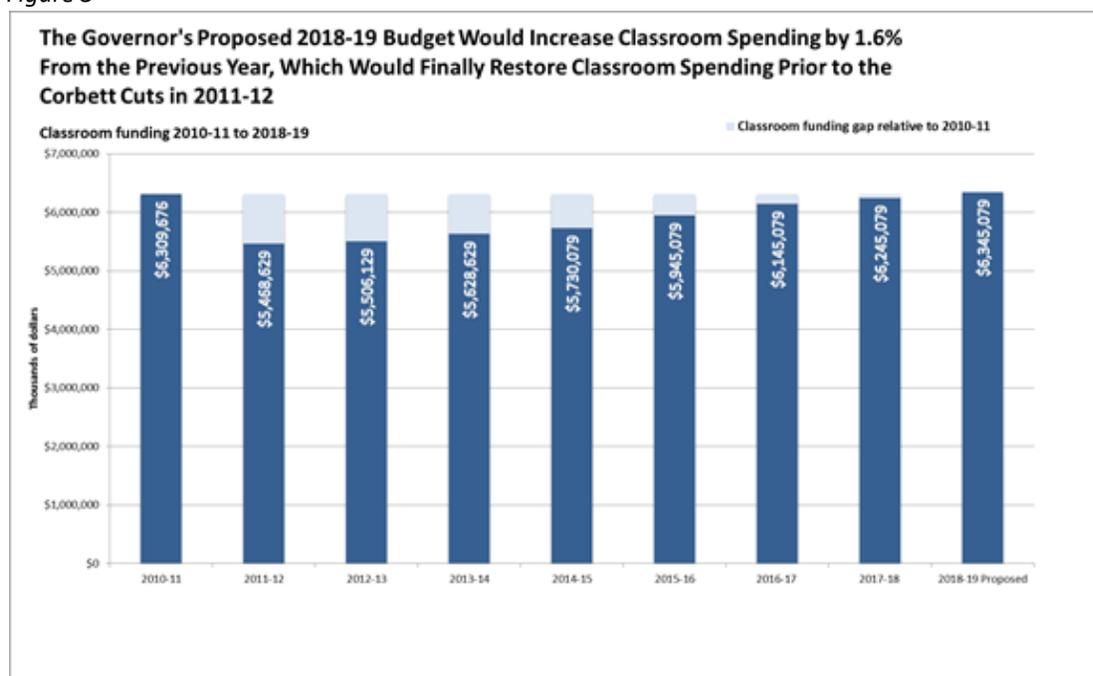
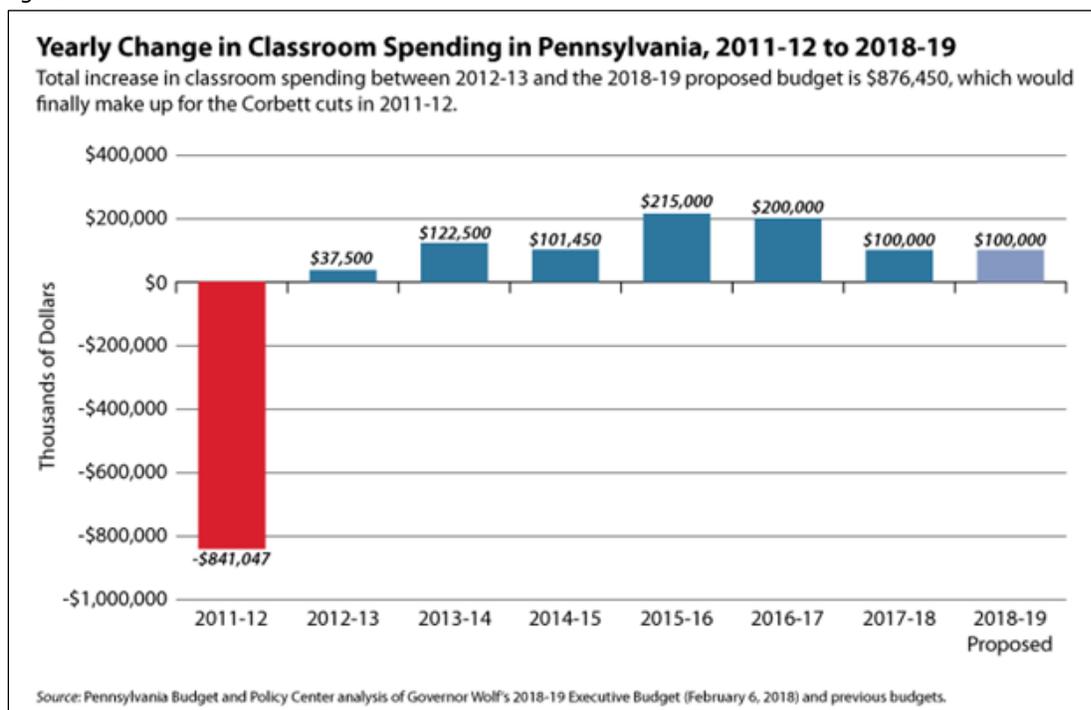


Figure 4 below shows the yearly change in classroom funding. Increases in classroom spending over the last eight years (the blue bars) totaled \$876.5 million, which finally exceeded the cuts to classroom funding enacted in 2011-12 – \$841 million. Keep in mind, however, that this means that school funding will be only about the same in 2018-19 as in 2010-11, a period over which inflation will be about 15%.<sup>6</sup> In addition, at the time that state funding was gradually increasing to the levels of 2010-11, local school districts also have had to pay more for pensions. The result is that the level of spending from both state and local sources reaching the classroom directly is still below what it was seven years ago.

Accessed at <https://www.governor.pa.gov/blog-failure-to-fund-schools-would-result-in-the-loss-of-23000-educators/>

<sup>6</sup> This inflation estimate is based on the CPI-U-RS available online at <https://www.bls.gov/cpi/research-series/home.htm> and assumes inflation of 2% between now and 2018-19.

Figure 4



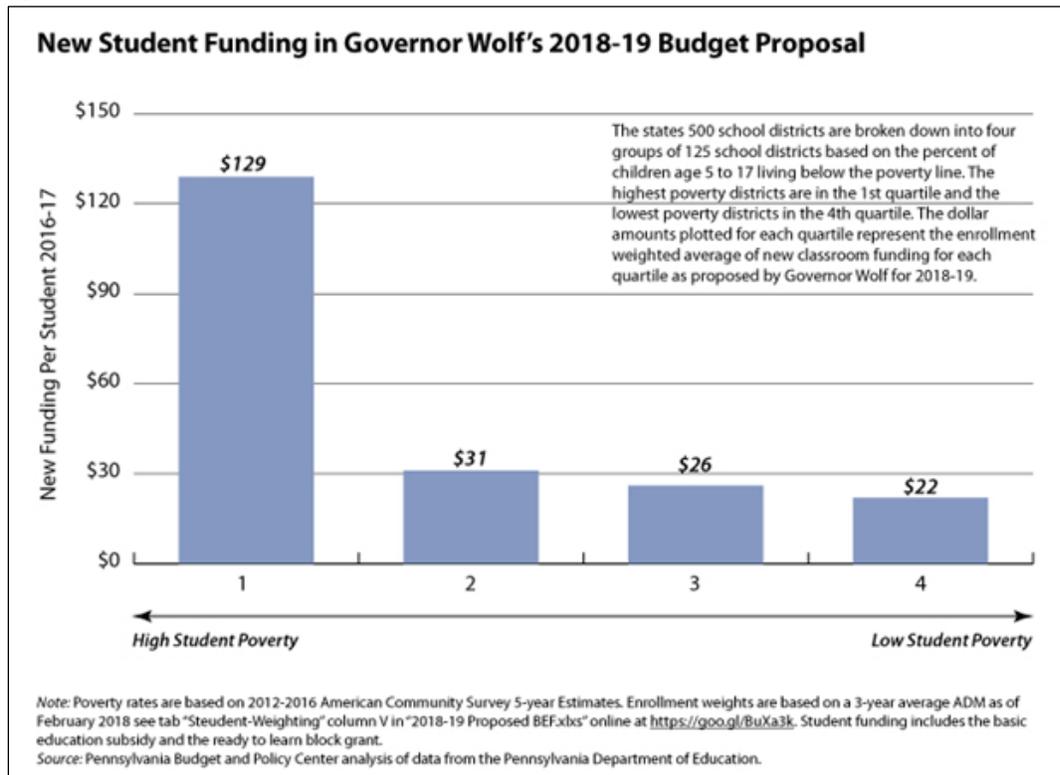
### Basic Education Subsidy and School Inequities

Pennsylvania has several problems in how we fund our schools. The first is that, as we pointed out above, funding is highly unequal in large part because the state share of funding is so low. State funding for local school districts comes in the form of various state subsidy payments, the largest of which is the Basic Education subsidy. Governor Wolf proposes increased funding for Basic Education by \$100 million – a 1.7% increase – to about \$6.1 billion.

A fair funding formula was enacted in Pennsylvania aimed at addressing the disparity that exists between rich and poor school districts in June 2016. This new legislation requires all new education funding to be distributed using this new funding formula. The formula ensures that new funding takes into account each school district's distinct needs, including the number of students, the number of children living in poverty, the number of English language learners, the overall income and wealth, and the "tax effort" made by each district – that is how much money it raises for schools locally relative to its income and wealth.

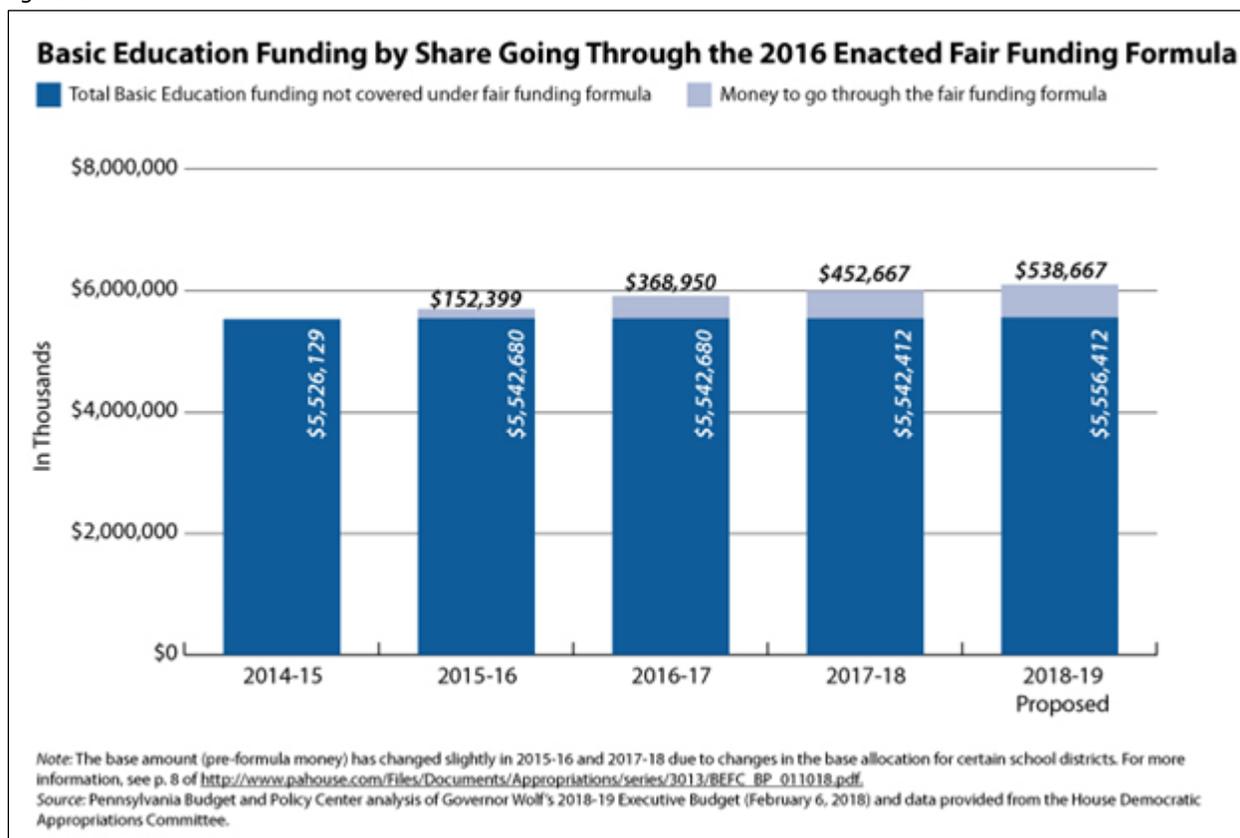
Figure 5 below shows the distribution of new funding in 2018-2019 based on the number of children living in poverty within each school district. In this figure, Pennsylvania's 500 school districts are divided up into four groups of 125 based on the percent of children living below the poverty line. The first quartile is made up of the school districts with the most children living in poverty and the fourth quartile is made up of those with the least. Figure 5 below shows how new funding for education will be distributed; more money will go to school districts with the greatest needs.

Figure 5



While this fair funding legislation and the new funds that flowed through the formula have been critical to restoring the Corbett cuts, it does not resolve all funding inequities, including those already in place before the Corbett cuts. It cannot do so because the funding formula only applies to new money added to the Basic Education subsidy since 2014-15. Figure 6 below shows the percentage of funding (in light blue) that has or will go through this fair funding formula. While the money going through the formula has increased each year since 2014-15, it is a relatively small percentage of the total funding distributed. If the governor's proposed Basic Education subsidy is adopted, the total amount of basic education funding distributed through the fair funding formula will increase to \$539 million, which is only 9.7% of the total Basic Education funding appropriation.

Figure 6



### How Much Funding is Needed to Adequately Fund Our Schools?

We have, to this point, focused mainly on the overall level of funding and inequity in funding. Another critical question, however, is adequacy of funding. Even if we were to make school funding more equal, many school districts would not spend enough to give their students an adequate education.

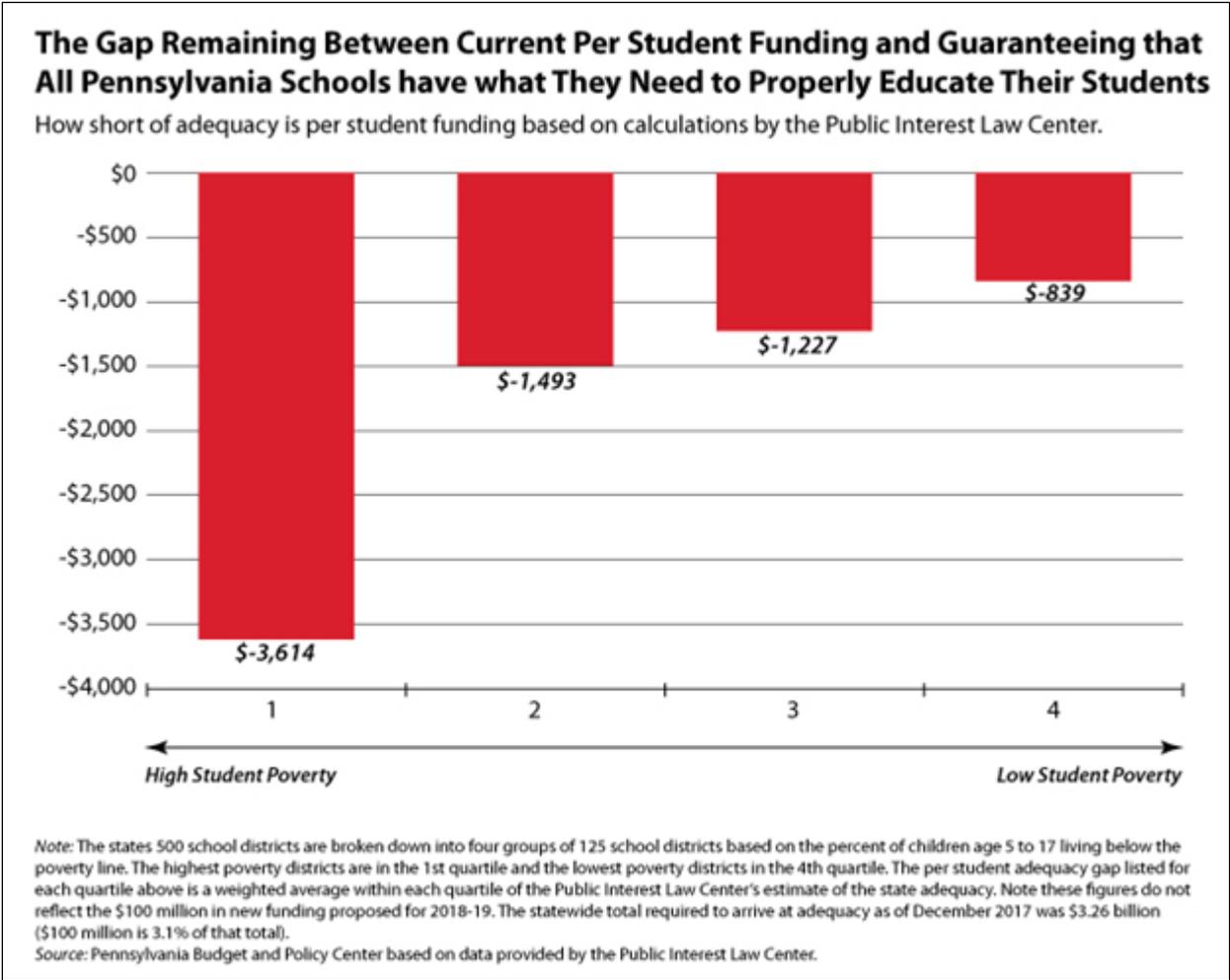
The Public Interest Law Center conducted research to figure out how much state funding all Pennsylvania schools need to properly educate their students, which they refer to as the State Adequacy Cost.<sup>7</sup> Calculating the State Adequacy cost involves four steps, as identified by the Public Interest Law Center. First, counting weighted students, that is the number of students adjusted by those students who will need more resources than others, including those living in poverty, English language learners, students in charter schools and lower enrollment rural areas. Second, determining a base cost based on examining successful schools and feedback from educators about the inputs necessary to provide an adequate education. Third, determining the adequacy cost per district by multiplying the base cost by the weighted number of students in a district. The final step calculating the share, or the total adequacy cost, that should be paid by the

<sup>7</sup> For more information on the cost of adequate education funding in Pennsylvania, see the Public Interest Law Center's website at <https://www.pubintlaw.org/cases-and-projects/the-cost-of-adequate-education-funding-an-updated-report/>.

state.<sup>8</sup> The total money required to reach funding adequacy would be \$3.26 billion as of December 2017.

Below in Figure 7, we look at how schools rank from the perspective of both adequacy and equity. We again divide up the 500 school districts in Pennsylvania into four quartiles based on the percent of children ages 5-17 living below the poverty level. The first quartile includes districts with the highest number of children living in poverty, while the fourth quartile includes the lowest. We then show the average amount of funding needed for each group of districts to provide an adequate education by this standard. This figure shows that the gap in funding to reach adequacy is much wider for the higher poverty districts. To reach adequacy, funding in the poorest districts would need to increase by \$3,614 per student. While the lowest poverty school districts' gap is much smaller (with \$839 per student needed to reach adequacy), it is important to note that a gap still exists.<sup>9</sup>

Figure 7



<sup>8</sup> This is just a short summary of the four steps. For more detailed information on the methodology for creating the State Adequacy Cost, see <https://www.pubintl.org/cases-and-projects/befc-adequacy-calculation/>.

<sup>9</sup> This graph does not take into account the governor's proposed increase of \$100 million. This proposed increase is only 3.1% of the total needed to reach adequacy (\$3.26 billion).

## Special Education

Governor Wolf's proposal is to increase funding for Special Education by \$20 million, following a total increase of \$75 million for Special Education over the last three years. That brings total spending for Special Education to \$1.14 billion. This funding is administered by school districts and charter schools and serves 288,728 students across Pennsylvania.<sup>10</sup> Similar to the Fair Funding Formula, a special education funding formula went into effect in 2014-15, which directs new monies invested in Special Education towards the school districts most in need.

Early Intervention is a program that aims to provide services and support for young children with developmental delays or disabilities. Funding for children ages 0-3 years old is embedded in the Early Intervention appropriation in the Department of Health and Human Services, while funding for children ages 3-5 are in the Early Intervention line item in the Education budget. Early Intervention funding for youth ages 3-5 would increase by \$11.6 million under with the governor's proposal. This would result in an additional 1,100 youth and families being served under this program.

## Early Childhood Education

As shown in Figure 17 below, Governor Wolf proposes a \$40 million increase to early childhood education, which includes \$30 million for Pre-K Counts, and \$10 million for Head Start Supplemental Assistance. This increase of 18% from last year's budget, for a total amount of \$266 million, would allow an additional 4,400 children to enroll in these early childhood programs across the state.

Pre-K Counts was created in 2007 to provide no-cost pre-K education for children from families earning up to 300% of the federal poverty level. These grants are awarded to eligible providers, which can include school districts, Head Start programs, licensed nursery schools, and child care centers meeting certain criteria. Funding for Pre-K Counts comes entirely from the state.<sup>11</sup> Head Start is primarily funded by federal dollars, but Head Start Supplemental Assistance provides additional state funding for Head Start programs to increase the number of children they serve or expand the length of the Head Start day or year for children.<sup>12</sup>

For Pre-K Counts, this year's proposal would more than double the amount of (nominal) funding available since 2014-15, going from \$97 million in 2014-15 to the proposed \$202 million this year. It would increase Head Start funding by 64% since that same year. Given the extensive evidence on the contribution of early childhood education to lifelong success, this is a critical investment.

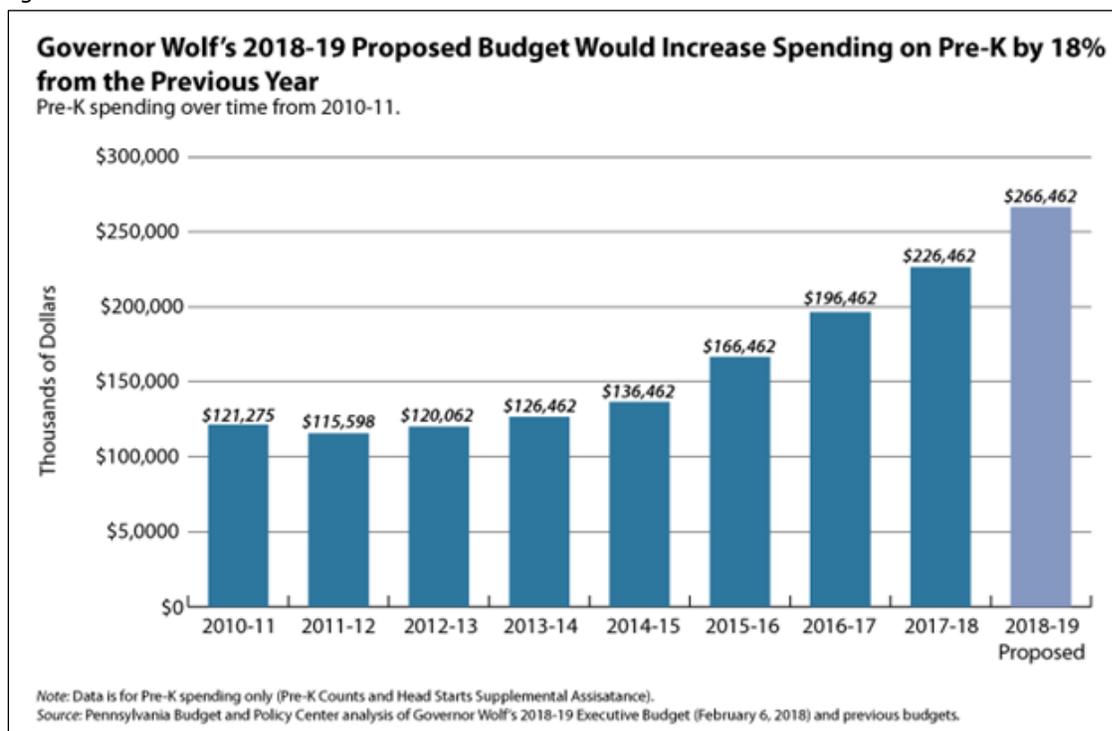
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<sup>10</sup> Governor Wolf's 2018-19 Executive Budget, p. E13-10.

<sup>11</sup> Independent Fiscal Office, "Research Brief 2017-4: Child Care and Early Education Funding in Pennsylvania." September 2017.

<sup>12</sup> For more information see <http://www.dhs.pa.gov/citizens/childcareearlylearning/headstart/>

Figure 8



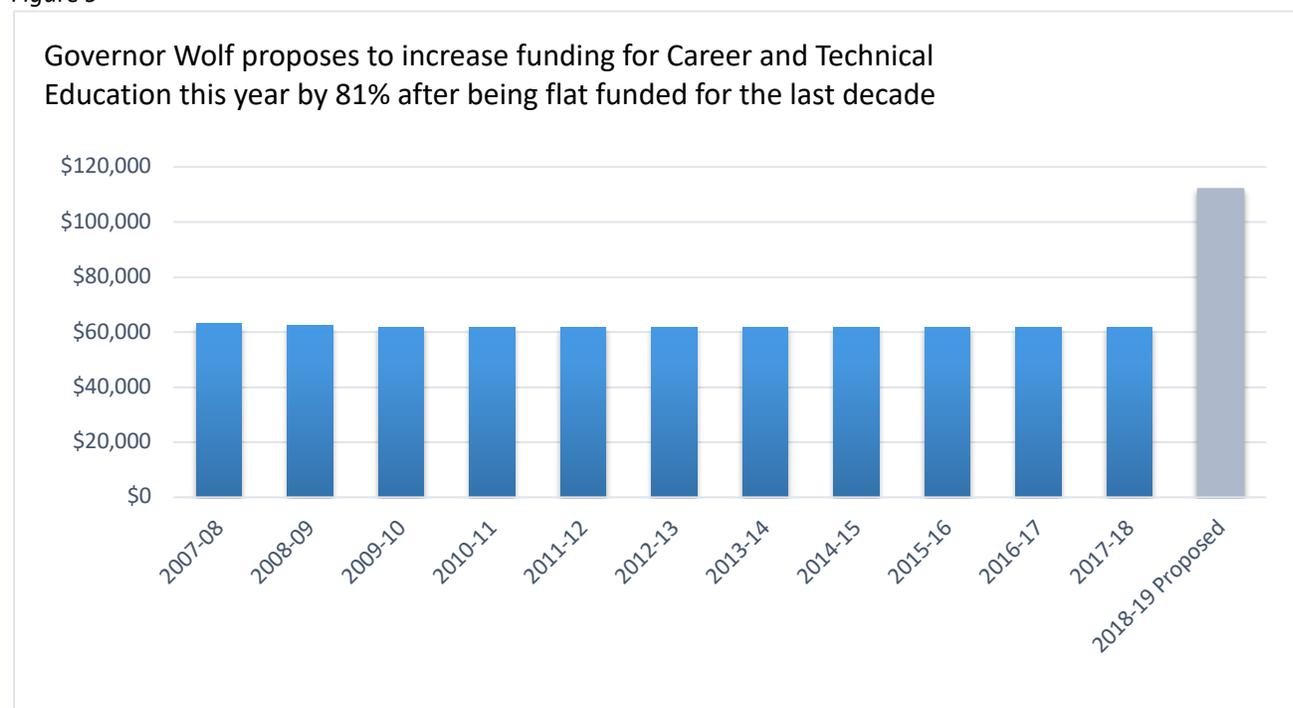
### Career and Technical Education and other Workforce Development Efforts

Perhaps Governor Wolf's most targeted investment this budget cycle is his focus on improving workforce development efforts across the state through, in part, the PAsmart initiative ([www.pa.gov/smart](http://www.pa.gov/smart)). This commitment comes out of the work of the bipartisan Middle-Class Task Force that Governor Wolf established last year.<sup>13</sup> The task force members supported state investment in education and training leading to careers-in-demand because these can deliver a double benefit for individuals and businesses: Pennsylvania's young people gain greater economic opportunity along with industry-recognized credentials and, in many cases, college credit, and businesses facing skill shortages and heavy retirements gain new recruits with the attitudes, aptitudes, and technical knowledge needed for high productivity. The Task Force initiative thus led to budget proposals spanning multiple departments, including the Department of Education, the Department of Labor and Industry and the Department of Community and Economic Development.

Most of Governor Wolf's proposed additional investments in career training and workforce development are included in new funding of \$50 million for Career and Technical Education (CTE). After being flat funded for at least the last 10 years at around \$62 million, Governor Wolf's proposal will raise funding to \$112 million, an increase of 81%.

<sup>13</sup> The members of the task force include: Rick Bloomingdale, president of the Pennsylvania AFL-CIO; Gene Barr, president of the Pennsylvania Chamber of Business and Industry; Suzie Snellick, currently chair of the Board of the Pennsylvania Workforce Development Association as well as executive director of Workforce Solutions for North Central Pennsylvania, and Sue Mukherjee, assistant vice chancellor of the State System of Higher Education.

Figure 9



Ten million dollars of the \$50 million increase would go through the existing Career and Technical Education formula.<sup>14</sup> The remaining \$40 million would fund PAsmart. This project will improve coordination between state agencies that deal with workforce development in some capacity or another, as well as further align these efforts with K-12 and higher education.

The \$40 million is broken down as follows:

- Twenty-five million dollars would expand STEM (Science, Technology, Engineering, and Math) and computer science education in secondary and post-secondary programs. This includes:
  - o \$15 million to improve access to STEM and computer science education. New courses, computer science certifications and credentials, and paid work opportunities will be offered to students in secondary and postsecondary schools;
  - o \$5 million towards educator and staff development;
  - o \$5 million to expand post-secondary STEM and computer science programs. These funds will go towards adult learners and incumbent worker training, with a focus on supporting historically underrepresented students in high-need areas.
- Ten million dollars would improve access and affordability for CTE and STEM career pathways. This funding will increase associate degree attainment to make higher education more affordable and to decrease the time it takes for students to enter the workforce.
- Five million dollars would promote employer engagement in post-secondary education. With this funding, up to 10 business-education consortiums will be created to ensure

<sup>14</sup> For more information on the CTE funding formula, see: <http://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Education%20Budget/Pages/Secondary-Career-and-Technical-Education-Subsidy.aspx>

strong alignment between courses offered at colleges and universities and in-demand skills from employers to improve employability and job placement for students.

Also, part of PASmart is a \$7 million investment in apprenticeship, funneled through the Department of Labor. These funds would go towards a state investment in apprenticeship and other work-based learning initiatives, with a goal of doubling the number of registered apprentices in the state by 2025. In the spring of 2016, Governor Wolf established an Apprenticeship and Training Office (ATO) aimed at increasing the number of registered apprenticeship opportunities for workers and young people across the Commonwealth. Apprenticeship is a proven work-based training model that allows individuals to earn while they learn and receive industry-recognized credentials that lead to good paying careers. Since the establishment of the ATO, registered apprenticeships have seen a 14.5% increase in the Commonwealth.