

# Pennsylvania Schools Work's School Funding Proposal for 2022-23: A Bigger Step Towards Adequate and Equitable State Funding for Schools

## Introduction

### Background

For 25 years, starting in the early 1990s, Pennsylvania had no fair funding formula for distributing state school funding based on the number of students in each district and other factors that research shows impact the cost of delivering a quality education that meets state standards.

For three years, 2008 to 2010, Pennsylvania adopted a fair funding formula and increased funds to the most underfunded schools. But cuts in funding in 2011-12 undid the steps toward equity in the three previous years. Therefore—for practical purposes—as of 2015, Pennsylvania had not had a fair funding formula for a quarter-century.

Since the 2014-15 school year, annual increases to the BEF have been distributed using the Fair Funding Formula, which calculates a fair way to distribute funding increases based on the needs of the students and the districts. The amounts of BEF funding received by each school district prior to 2015-2016, however, were frozen and now are now called the “base BEF.” Since the state had no fair funding formula for a quarter-century, the base BEF was poorly distributed. It underfunded many of the poorest school districts and the school districts with high shares of Black and Hispanic students.

The Fair Funding Formula fairly distributes new funding but does not take into account the existing inequities in the base BEF. To accelerate progress towards adequate and equitable school funding beyond what increases in new BEF funding to all districts achieve, the PA Legislature added a \$100 million “Level Up” supplement to the 2021-22 Basic Education Funding (BEF) appropriation. This increased the base BEF of the 100 Pennsylvania school districts most underfunded by the state by a collective \$100 million. This was an important step towards equitable and adequate school funding in Pennsylvania. The BEF proposal of the Pennsylvania Schools Work (PaSW) campaign for 2022-23 seeks to build on the progress the Legislature and Governor Wolf achieved in 2021-22. Since Pennsylvania schools remain among the least well-funded by the state (state share is 45th in the nation), which leads to great inequity in total funding (including local funding), we urge the Legislature to take a bigger, bolder step towards adequacy and equity with its school funding for 2022-23.

### Proposal

Basic education funding in Pennsylvania remains both inadequate and inequitable. The 2022-23 BEF must take even bigger, bolder steps to reduce inadequacy and inequity. The Pennsylvania Schools Work

campaign (PaSW) proposes to expand on the improvements made in the 2021-22 BEF in two ways: 1) by increasing the amount of money flowing to all districts through the Fair Funding Formula by \$1 billion; and 2) through a second and larger Level Up supplement of \$300 million. PaSW also advocates for another \$200 million for special education funding and \$25 million for career and technical education for a total of \$1.525 billion more funding than in 2021-22. This brief analyzes the potential effects of the proposed \$1.3 billion increase to basic education funding for the 2022-23 school year.

### Defining Adequacy

In part, we evaluate our proposal by how much it reduces inadequacy in school funding. To quantify inadequacy, we rely on a methodology defined by the state in 2008. In that year, the state amended the school code to include a method of calculating the amount of money needed for school districts to be adequately funded called the “adequacy target.” This was accompanied by a method to calculate how much more basic education funding each school district should receive from the state to be adequately funded, considering factors that impact the cost of achieving a quality education, such as number of students, share of poor students, and share of English language learners, etc. as well as taking into account local income and property wealth (i.e., districts’ fiscal capacity to fund their local schools). The estimated amount that districts should receive from the state is called the “state funding target.” Though the state has stopped publishing these calculations, this method was used to calculate an updated 2018-2019 adequacy target and state funding target. (Data availability results in a lag in updating these estimates to the current school year.) We use the term *state funding target shortfall* (SFTS) to refer to how much more funding is needed to meet the state funding target, and we use *adequacy shortfall* (AS) to refer to how much more total funding, including local as well as state, is needed to reach the adequacy target.

### Overview of the Rest of This Brief

We examine the effects of the PaSW proposal on both state funding target shortfall and adequacy shortfall at both a state level and broken down into quartiles based on demographic factors. Looking at statewide indicators tells us how effective the plan is at reducing total inadequacy (i.e., the sum of the shortfalls across all 500 school districts); looking at shortfalls by race and class allows us to examine how the proposal affects funding equity.

Our overall finding: the PaSW proposal is very effective at reducing state funding target and adequacy shortfalls, especially in school districts representing historically disadvantaged demographics. It would reduce the state funding target shortfall in Pennsylvania by half and the total adequacy shortfall by one quarter. It would also sharply reduce inequity in school funding, channeling most of the money toward the school districts that need it most—the school districts that educate the most poor, Black, and Hispanic kids who currently experience the greatest adequacy and state funding target shortfalls.

## State Funding Target Shortfall

### Adequacy

The PaSW plan increases BEF funding by \$1.3 billion and decreases the aggregate state funding target shortfall (SFTS) by over \$1.1 billion. This cuts the existing SFTS by more than half. On average, each new dollar spent under the PaSW plan decreases the state funding target shortfall by about 88 cents across

the state. The proposal doesn't reduce SFTS by \$1.3 billion because the proposal involves funding some school districts above their state funding target. We call this "above-target funding". Our proposal includes only around \$160 million in above-target funding.

All 500 Pennsylvania school districts benefit and receive funding from the PaSW proposal. In addition, 405 school districts would see their state funding target shortfall shrink under the PaSW plan. (The state already meets its funding target in 95 school districts.)

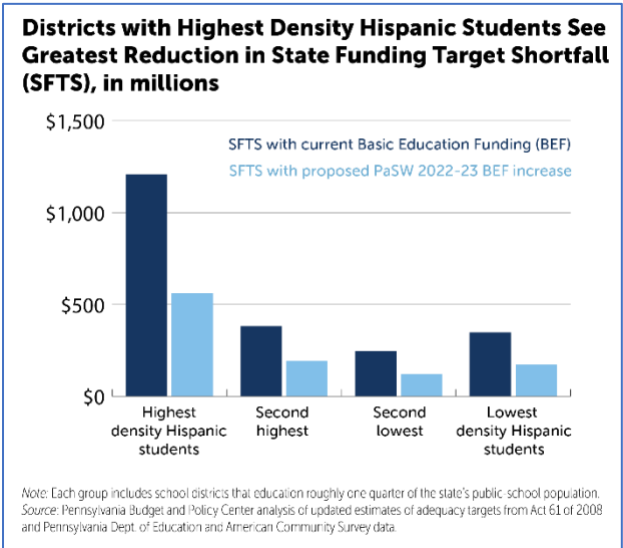
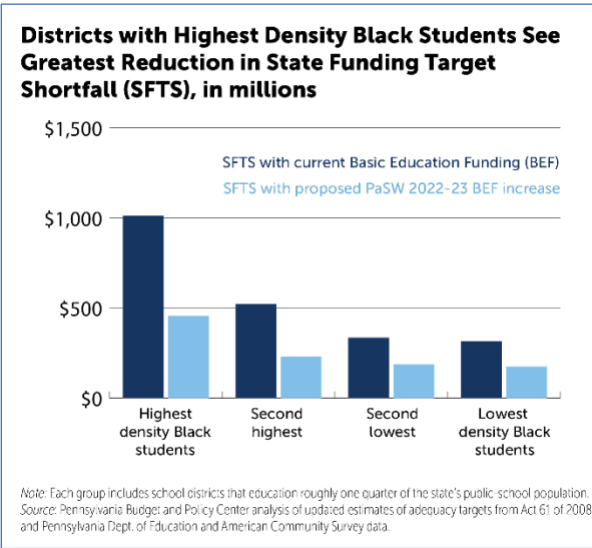
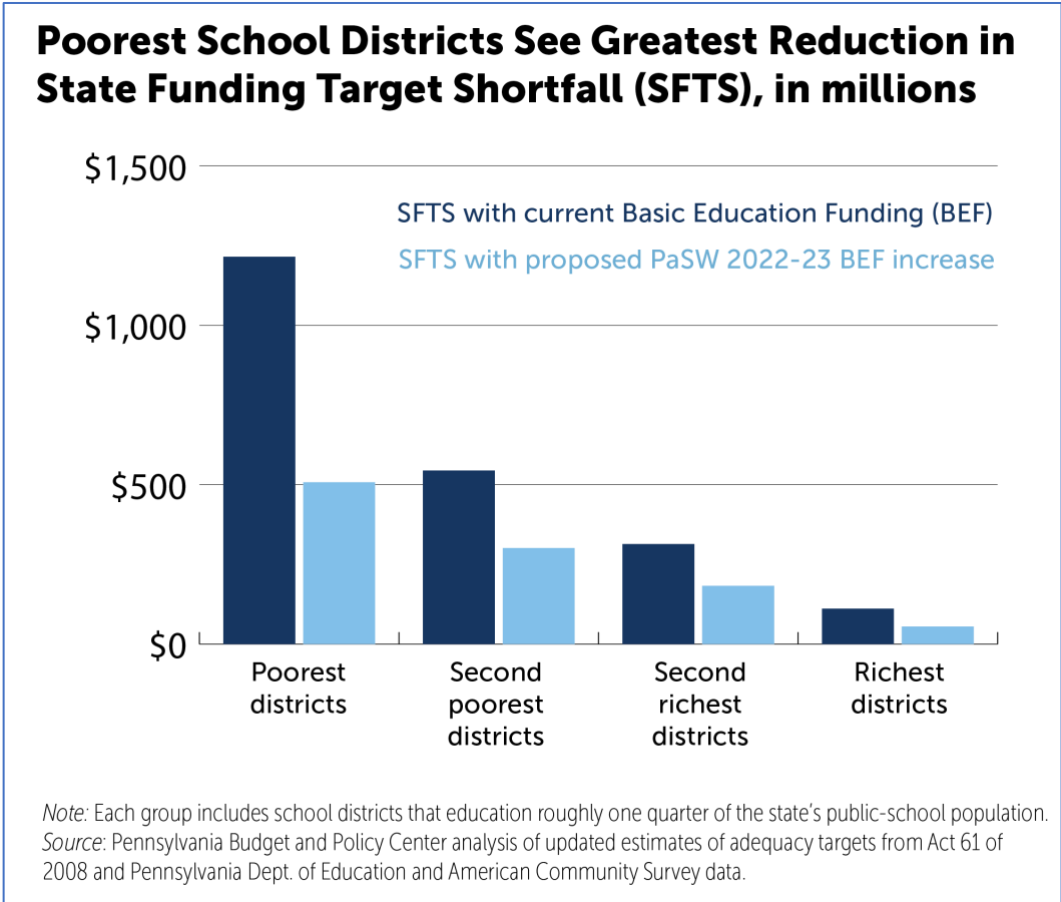
Table 1: Impact of PA Schools Work Proposed 2022-23 K-12 Basic Education Funding Increase on Adequacy of State Funding of PA Schools

	Current BEF	PaSW
Total statewide shortfall (SFTS)	\$2,184,539,874	\$1,046,526,490
Total state funding in excess of state funding target ("above-target funding")	\$31,685,228	\$193,671,844
Number of school districts in which state funding shortfall declines	NA	405
Number of school districts that meet state funding target	95	186

### Equity

To analyze equity, we split Pennsylvania's 500 school districts into four groups (or quartiles), making sure each educates roughly one quarter of the students in the state and grouping the districts into the four groups based on each one's poverty level, share of Black students, and share of Hispanic students. (Here and elsewhere in this brief, "Black students" refers to non-Hispanic Black students.)

In the figures below, larger numbers represent larger state funding target shortfalls—they mean that a district is farther from being adequately funded. As discussed earlier, PaSW greatly reduces the statewide state funding target shortfall. The goal of dividing school districts into four groups based on their poverty, share of Black students, and share of Hispanic students is to see how the proposal distributes the reduction in SFTS. A more equitably distributed BEF would result in a greater reduction in SFTS for the poorest, highest-density Black/highest-density Hispanic districts compared to the richer, less Black/Hispanic districts.



Currently, the school districts that educate higher densities of poor, Black, or Hispanic students have the largest state funding target shortfalls. The PaSW plan reduces the state funding target shortfalls in those school districts drastically. It is not able to equalize the amount of adequacy shortfall found in each quartile, however, because \$1.3 billion is insufficient for that purpose, given the extreme inequity in current Pennsylvania school funding. The PaSW proposal does reduce the share of remaining state

funding target shortfall left in school districts with the highest density of poor, Black, or Hispanic students.

## Adequacy Shortfall

The proposed BEF budget allocates almost \$200 million above those school districts' state funding target. The state funding targets, however, represent the "state's share" of adequacy funding. It may not be the responsibility of the state to fund districts anymore, but that extra funding would pick up slack where school districts don't raise enough local funds to be adequately funded. Therefore, we also look at the *adequacy shortfall* (AS), which we define and calculate in 2018-2019, as the difference between the 2018-19 adequacy target and 2018-19 "actual spending."<sup>1</sup> We estimate the adequacy shortfall since 2018-19 as the shortfall in 2018-19 minus the increase in Basic Education Funding since then. We estimate the AS with the PaSW proposal for 2022-23 as the adequacy shortfall in 2018-19 minus the sum of the increase in BEF funding by 2021-22 and the PaSW proposed increase in 2022-23.<sup>2</sup>

### Adequacy

From an adequacy standpoint, the comparison between the PaSW proposal and the current BEF looks similar to our analysis of the state funding target shortfall. PaSW's plan reduces the statewide adequacy shortfall, sending very little money to school districts above their total adequacy target. In this case, PaSW's proposed budget only sends \$100 million more to school districts in excess of their total adequacy targets than the current BEF. Most of this amount goes to the 80 school districts already funded at the level of their adequacy target.

Table 2: Impact of PA Schools Work Proposed 2022-23 K-12 Basic Education Funding Increase on Adequacy of Total Funding of PA Schools

	Current BEF	PaSW
Total (state plus local) statewide funding shortfall	\$4,124,983,106	\$2,926,981,950
Funding in excess of funding target	\$28,908,826	\$130,907,670
Number of school districts in which total funding shortfall declines	NA	420
Number of school districts that meet adequacy target	80	102

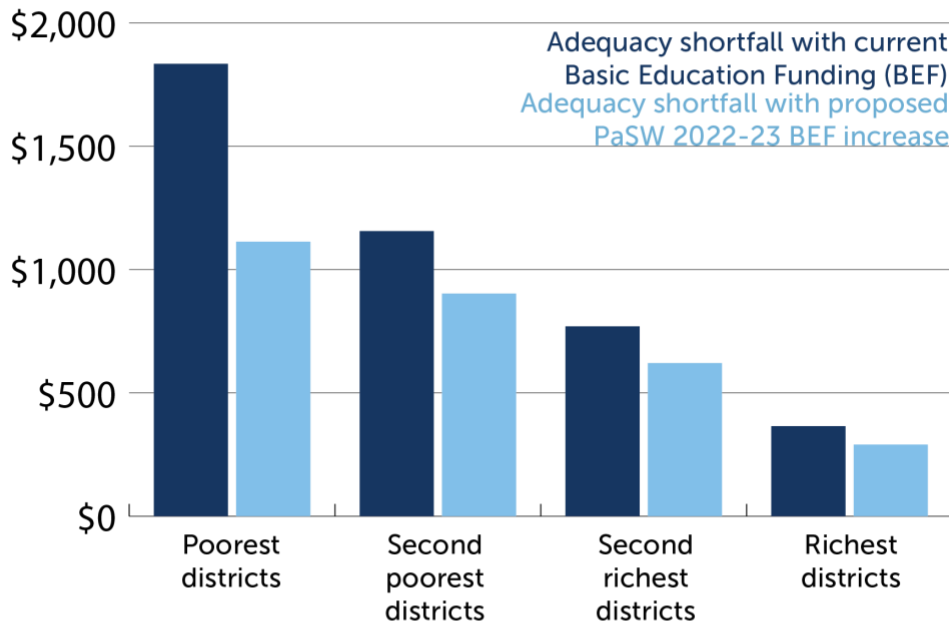
### Equity

Our analysis of the remaining total adequacy shortfall in our four groups (quartiles) based on poverty level, share of Black students, and share of Hispanic students looks similar to our analysis of how state funding target shortfall varies based on these variables. Once again, because we are looking at a shortfall, larger bars mean that a group (quartile) of school districts is further away from being adequately funded.

<sup>1</sup> "Actual spending" is a specific measure of school district spending defined in the school code. Pennsylvania General Assembly, "Section 28 of Act 61 of 2008," Public School Code of 1949 – Omnibus Amendments, accessed at <https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2008&sessInd=0&act=61>.

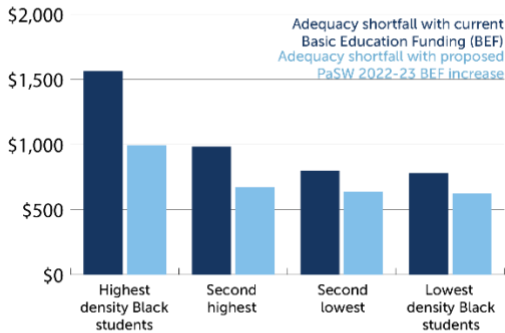
<sup>2</sup> In effect, we use the increase in BEF funding as a proxy for the increase in "actual spending."

### Poorest School Districts See Greatest Reduction in Total Adequacy Shortfall\*, in millions



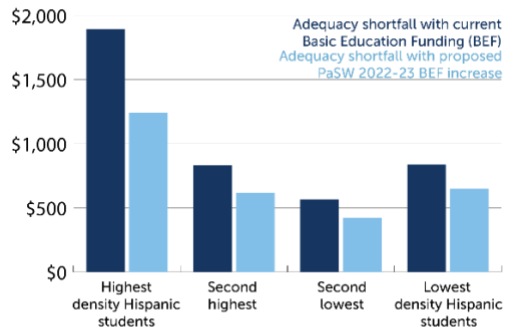
\*Total adequacy shortfall is the difference between the 2018-19 adequacy target and the sum of 2018-19 actual spending and increases in the BEF since 2018-19.  
 Note: Each group includes school districts that education roughly one quarter of the state's public-school population.  
 Source: Pennsylvania Budget and Policy Center analysis of updated estimates of adequacy targets from Act 61 of 2008 and Pennsylvania Dept. of Education and American Community Survey data.

### Districts with Highest Density Black Students See Greatest Reduction in Adequacy Shortfall\*, in millions



\*Total adequacy shortfall is the difference between the 2018-19 adequacy target and the sum of 2018-19 actual spending and increases in the BEF since 2018-19.  
 Note: Each group includes school districts that education roughly one quarter of the state's public-school population.  
 Source: Pennsylvania Budget and Policy Center analysis of updated estimates of adequacy targets from Act 61 of 2008 and Pennsylvania Dept. of Education and American Community Survey data.

### Districts with Highest Density Hispanic Students See Greatest Reduction in Adequacy Shortfall\*, in millions



\*Total adequacy shortfall is the difference between the 2018-19 adequacy target and the sum of 2018-19 actual spending and increases in the BEF since 2018-19.  
 Note: Each group includes school districts that education roughly one quarter of the state's public-school population.  
 Source: Pennsylvania Budget and Policy Center analysis of updated estimates of adequacy targets from Act 61 of 2008 and Pennsylvania Dept. of Education and American Community Survey data.

PaSW's school funding proposal reduces the adequacy shortfall across all demographics, but especially reduces it for the school districts with the highest densities of poor, Black, or Hispanic students. The adequacy shortfall for these districts is reduced by 54% or more. The difference between adequacy

shortfall left by the current BEF and with PaSW's 2022-23 proposal looks less dramatic than the decline in state funding target shortfall because PaSW's proposal eliminates a smaller share of the total AS state share of total school funding. The dollar-amount reduction of AS, however, is greater than the dollar amount reduction of SFTS.

## Conclusion

The PaSW campaign's proposed BEF budget for 2022-23 is a \$1.3 billion increase over the 2021-22 BEF budget. Such a major commitment would alter the landscape of public K-12 school funding in Pennsylvania and represent a major step towards the long-term goals of adequate and equitable school funding. The PaSW proposal would slash the state funding target shortfall in Pennsylvania by half and the total adequacy shortfall by one quarter. It would also greatly reduce the inequity in school funding, channeling most of the money towards the school districts that need it most—the school districts that educate the most poor, Black, and Hispanic kids that currently experience the greatest adequacy and state funding target shortfalls.

## Data Sources and Limitations

This analysis was done based on calculations for 2018-2019 adequacy funding and calculates distribution of proposals for 2022-23 BEF with the same data used for the 2021-22 BEF. In the calculations of state funding target shortfall and adequacy shortfall, we assume non-state funding has been constant since 2018-2019. Density of Black/Hispanic students comes from 2021 PDE data on enrollment by race. We assume the share of students in poverty is proportional to the 2019 ACS five-year estimate for share of households in poverty.