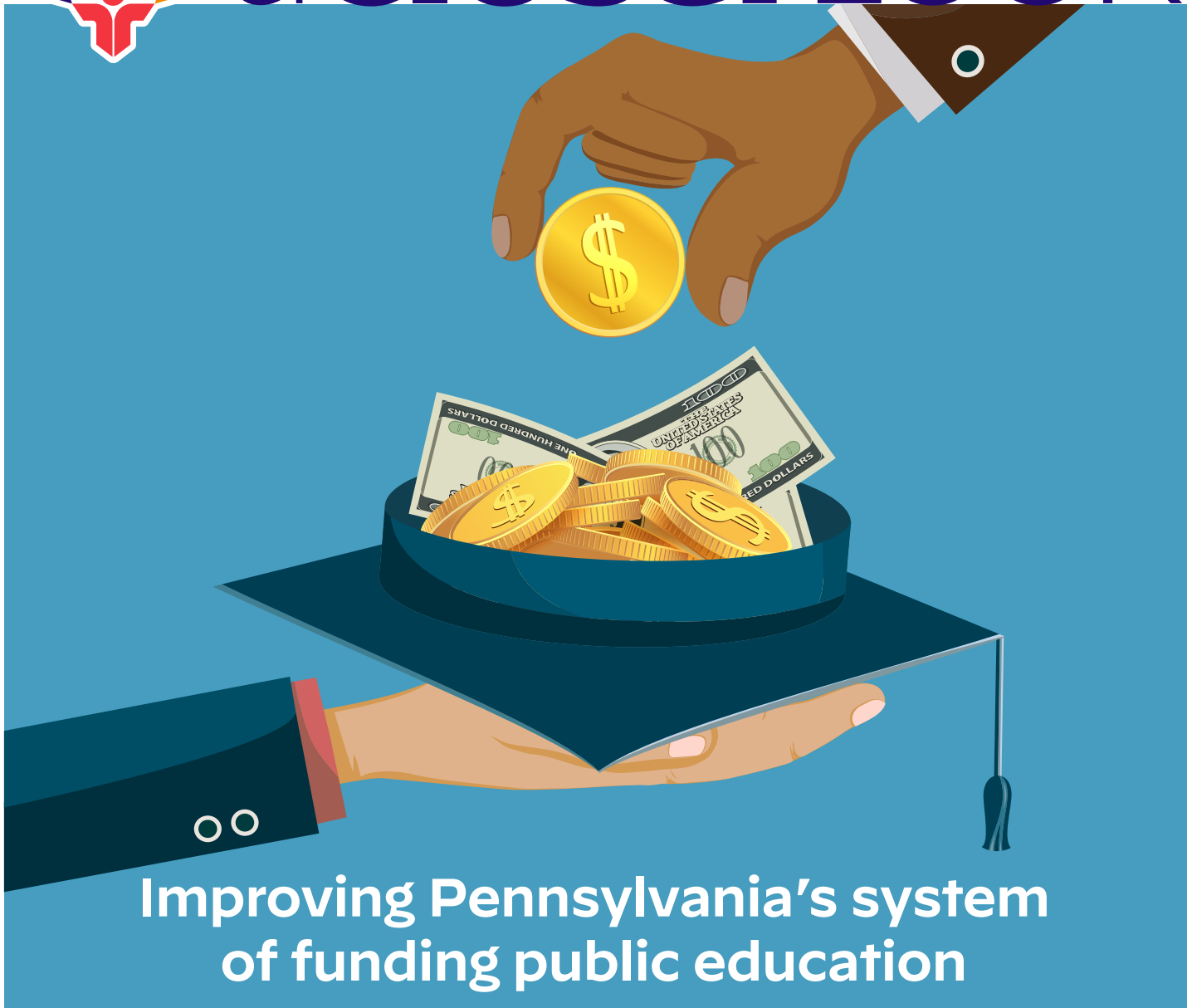




a closerLOOK



Improving Pennsylvania's system of funding public education

Since the Commonwealth Court issued its ruling in 2023 finding Pennsylvania's system of public education unconstitutional, the General Assembly is tasked with developing a new system for distributing state money to school districts. The new system must be able to fully fund public schools in a manner that will benefit all school districts equitably and ensure no district is harmed.

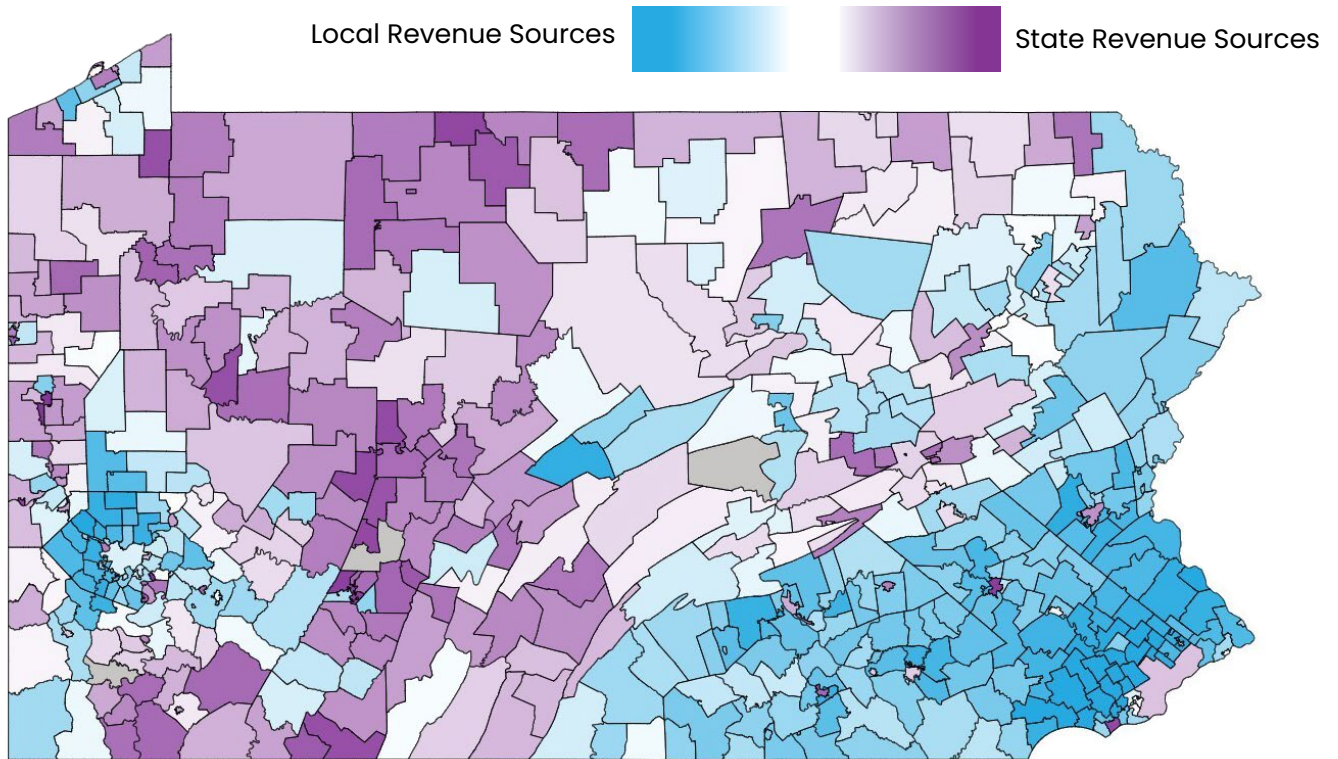
Statewide, only about 37% of education revenues come from the state. Only eight other states have a lower percentage of education revenues coming from the state. However, when we look at school districts individually, we see a very diverse picture. In rural and urban parts of the state, there is a reliance on the state for education revenues while in suburban areas, there is a reliance on local sources.

This diversity was one of the keys to the Commonwealth Court's ruling. In many of the suburban school districts, property values and income levels may be sufficient enough to pay the mandated cost gap and still be able to invest in classrooms, while in rural and urban areas,

many of those school districts do not have resources to invest in educational programs and services after paying for the mandated cost gap, thus contributing to an education system consisting of the “haves” and “have nots.”

Impact of mandated costs on school budgets

The past few state budget cycles have brought historic increases in basic education funding. While these increases are extremely welcome by school districts, they pale in comparison to



increases in mandated costs for pensions, charter school tuition and special education. These three mandated costs alone have been the primary cause for increases in education spending over the last decade. Combined, those costs have increased by more than \$6.2 billion over the last decade, while state revenue intended to help pay those costs has only increased by more than \$2.2 billion. That leaves schools with a nearly \$4 billion mandated cost gap to fill. Even if public schools used every single dollar of Basic Education Funding increase to help pay those costs, there would still be a mandated cost gap of more than \$2.5 billion.

Considerations for a new funding system

In developing a new funding system, legislators are urged to consider these factors:

School infrastructure: The current system of funding public education also results in very different means for improving and addressing school infrastructure needs. Across the state, many school buildings are deteriorating and becoming obsolete. Yet most communities simply do not have the resources to undertake a major school construction or renovation project without the state’s help. They are forced to make difficult choices between improving their educational program or making repairs to their school buildings. The General Assembly is urged to begin funding the PlanCon program passed into law in 2019 or funding on a recurring basis a facilities construction, renovation, maintenance and remediation program. This gives school leaders predicable funding for long-term facilities planning.



Mental health and school safety: Two of the biggest challenges facing public education today are addressing the mental health needs of students and providing a safe and healthy learning environment. Investments made in the last several state budgets have been crucial to helping schools and should continue to be a consideration in addressing the critical needs of school districts and students. Further, school leaders must maintain the authority to see that the mental health needs as well as the safety and security of their school buildings can be addressed in a manner consistent with the beliefs of their community.

Community engaged schools: There is discussion about creating a voucher program to help students attending struggling schools. The Opportunity Scholarship Tax Credit program currently provides scholarships to eligible students in low-achieving schools. Adding a duplicative scholarship program does not address barriers to achievement present in communities with struggling schools. That is what the community engaged school model is intended to do.

Community engaged schools focus on what students in the community truly need to succeed – whether it's access to free healthy meals, health care, tutoring, mental health counseling or other tailored services before, during and after school. Community engaged schools identify these needs and then bring together academics, health and social services, youth and community development, and community engagement. The General Assembly is urged to include finances to fund the proven community engaged schools model.

Mandate relief: School districts must comply with hundreds of individual mandates. When considered separately, many mandates can be viewed as implementing important policy objectives or as genuine efforts to enhance the quality of education, student achievement, safety and wellness, accountability, transparency, and the efficient expenditure of taxpayer money. However, when viewed as a collective whole, mandates create burdensome requirements, force money away from classrooms or result in higher property taxes. Mandate relief presents the opportunity for the General Assembly to provide additional resources for public education without appropriating more funds.

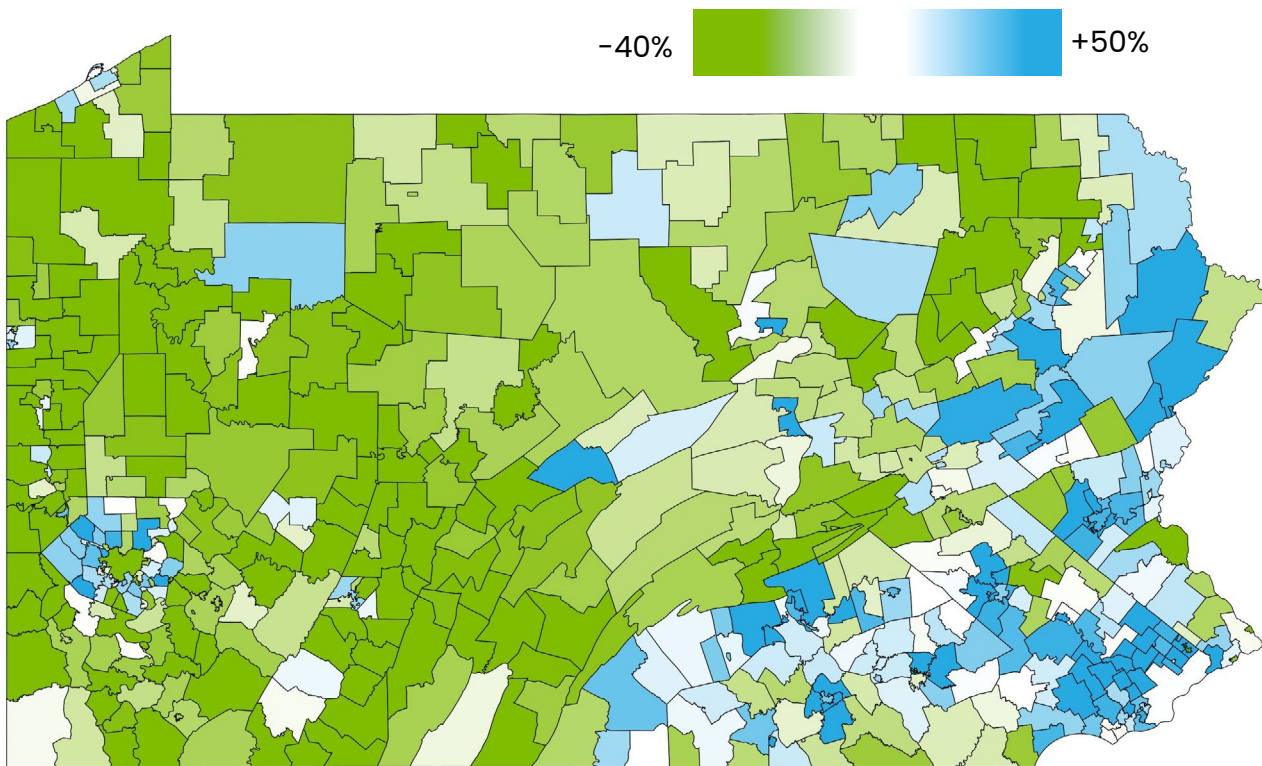
Charter school reform: It's important to note that school district leaders are not seeking the elimination of charter schools or school choice. However, what school leaders are calling for is a fair funding mechanism and a level playing field for all types of public schools.

The 26-year-old funding mechanism for charter schools contains a number of flaws which results in districts overpaying charter schools, particularly when it comes to cyber charter school tuition and tuition for special education students. The charter school tuition payments calculated by school districts are based on the districts' expenses and bear no relation to the costs needed by the cyber charter schools to provide their online educational program. Because each school district calculates its own unique tuition rates based on the school district's expenses, this results in vastly different tuition rates being paid to the cyber charter school despite all students in the school being provided the same education. Providing meaningful charter reform would allow school districts to maintain the necessary resources to invest in their buildings and classrooms.

Other recommendations for a new funding system

Do not end "hold harmless" immediately. Doing so would be catastrophic to hundreds of school districts. In the current 2023-24 fiscal year, running all Basic Education Funding (BEF) dollars through the formula would result in a little more than \$1 billion being taken from 311 school districts and given to 189 districts. The loss of funding for those 311 districts varies, but 224 districts would see BEF reductions of more than 20% and 107 of those districts would see a reduction of more than 40%. As illustrated by the map on the next page, rural areas would be especially impacted negatively.

Change in BEF funding levels by running all BEF through the current formula



Exercise caution in sending all BEF money through the formula. Running all BEF money through the formula would also present school districts with a new set of challenges. The current formula brings with it the possibility that formula factors for each district can change from one year to the next. While in some cases, those changes will benefit a district and bring more funding, they can also result in a reduction in the district's funding allocation. The impact of these annual fluctuations will only grow with the more money that goes through the formula.

Not only would school districts be confronted with potentially large swings in their BEF funding from one year to the next, but they would not know about those swings until they are set to approve their own budgets. Formula factors for the upcoming year are currently not set by June, the same month school districts are required by law to approve their final budgets. Since those factors decide how much funding each school district will receive, districts could be confronted with substantial last-minute changes to their financial plans.

Do not mandate mergers or consolidations. The state should recognize that mergers and consolidations may not have significant financial savings. Rather than forcing school districts to merge or consolidate, the state should find ways to incentivize mergers, consolidations and sharing of services. Where school leaders choose to consider merging or consolidating, additional state financial assistance could go a long way in studying and carrying out those plans.

Maintain local control over expenditures and revenues. Local control is one of the core tenets of public education in Pennsylvania. Locally elected and accountable school leaders are empowered to make decisions regarding taxation and spending in order to provide the educational programs that meet the needs of their local community. Decisions regarding taxation and spending are not taken lightly by school leaders and local control must be preserved in the new system.