

A History of Public School Funding in Pennsylvania

Constitutional Standard (Article III, Section 14)

- “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.”

Early History

- Public education has been a state priority since Pennsylvania first joined the union. State funding was not initially provided.

Free Schools Act of 1834

- Required local school districts to raise two dollars from local taxes for every dollar of state funding. This led to tremendous inequity between districts, because local schools had access to different levels of funding based on the money they could raise from local sources. Over time, the state began to contribute somewhat more to support local schools, in order to even out the access to resources across communities of different wealth.

50 Percent Minimum (1965)

- The General Assembly enacted a law requiring the state to pay at least 50 percent of the total cost of public education. State funding did not always meet this requirement. The state's contribution peaked at 55 percent in 1974.

Equalized Subsidy for Basic Education (ESBE) (1983)

- The General Assembly enacted a new funding formula and also repealed the 50 percent funding guarantee. ESBE was intended to distribute funding based on the average actual cost to educate children, but the average cost was eventually ignored. In addition, the General Assembly started to distribute funding within a fixed range of annual increase. The wealthiest districts were guaranteed a minimum increase (whether they needed it or not) and the poorest districts were capped by a maximum increase (regardless of greater need).

Declining State Share (1975 to 2006)

- During this period the state share of total spending fell almost every year, reaching a low of 36 percent in 2006. Only a few states contribute less. Many local school districts raised property taxes to make up the difference, but were still unable to generate enough funding to provide competitive schools. In addition, the use of hold-harmless funding and annual minimum increases acted as a subsidy for some communities to maintain artificially low property taxes.

Frozen State System (1992 to 2007)

- During this period, the state funding system was essentially frozen. The state's contribution for each school district stayed about the same (with small and unpredictable increases), regardless of how student enrollment and other circumstances in each district may have changed. This means that districts growing in enrollment, poverty, or special needs students received less than they should, while shrinking districts received more than their fair share.

Standards-based Education Reforms (1999 to date)

- In 1999, Pennsylvania first adopted academic standards for what all children should learn in public schools. The No Child Left Behind Act of 2001 established federal requirements for all states to use academic standards and assessments to increase student achievement, especially for disadvantaged children. Effectively implementing standards-based reforms and meeting higher expectations for student achievement often require the investment of new resources, primarily in historically under-funded schools with large numbers of students in poverty, children with disabilities, and English language learners.

Foundation Funding (2005 to 2007)

- The state established a minimum “foundation target” of total annual funding from state and local sources for every district. The target was set at \$8,500 in 2005-06 and increased in subsequent years. The state never provided the funding to bring districts up to this level.

Costing-Out Funding (2008 to current budget)

- The General Assembly commissioned a Costing-out Study in 2006. The State Board of Education performed the Study in 2007. The General Assembly incorporated the results of the Study into a new state funding system in 2008. The costing-out formula has been used in every budget since 2008, including the 2011-12 budget. Due to the budget cuts in 2011-12, the formula had little impact on the actual distribution or level of state funding.
- The Study and the resulting formula distribute state funding based on real data about the unique characteristics and needs of each school district. The formula variables measure the number of students in each district, community poverty levels, and local tax effort, allocating relatively more funding to districts that are larger, poorer, and with higher property taxes. The formula also recognizes the additional costs associated with educating students in poverty and English language learners, distributing relatively more funding to districts with higher numbers of these students.
- The state has never fully funded the costing-out formula.
- There is little controversy about these basic principles underlying the Costing-out Study and the 2008 funding formula. However, disagreements did arise about the size of the weights used in the formula to calculate the desired level of “adequate” funding. Some legislators would like to revisit the research documenting the size of these weights, to determine if a lower level of spending should be determined as adequate to meet student needs.

Property Tax Reform (2004 to current budget)

- The General Assembly adopted Act 72 in 2004 and Act 1 in 2006, authorizing gambling in Pennsylvania and directing some of the resulting revenue for property tax rebates to eligible property owners. These laws do nothing to reduce property tax levels or to change the education funding system, but instead provide cash rebates to senior citizens and other eligible property owners.