



Proposed Basic Education Funding System for Pennsylvania Schools

Executive Summary

February 26, 2015

The mission of the Campaign for Fair Education Funding is to ensure that Pennsylvania adopts and maintains an adequate and equitable system of funding public education by 2016, to enable every child to meet state academic standards and be prepared for post-secondary success.

The Campaign has proposed a new Basic Education Funding (BEF) formula to boost student outcomes in all parts of the state by helping close funding shortfalls in all school districts and narrow the growing gap between wealthy and poorer districts. This proposed funding system is based on the real costs necessary to help students meet state academic standards. The proposed formula relies on accurate, reliable, verifiable, and current school and community data. The formula:

- Directs more funding to districts and students with the greatest need by addressing student factors like poverty, English proficiency, and enrollment, as well as district factors like tax effort, sparsity and the impact of charter schools.
- Ensures that all districts receive minimum funding increases while the new formula is being implemented.
- Operates based on shared fiscal responsibility among the local community and the state, and individual and commercial taxpayers.
- Includes strong accountability standards to ensure that schools invest efficiently and effectively.

The Campaign's proposal combines a new funding formula with recommendations for greater efficiencies and strong accountability.

1. *New Formula for Adequate and Equitable Basic Education Funding*

The Campaign proposes a new funding formula that would be transparent, sustainable, equitable, and long-range. The elements of this formula, which would be revisited every five years, are as follows:

Statewide Base Cost: The first step was to determine a base amount of educational dollars that reflects the costs associated with educating each student. The base cost calculation is derived from a five-year weighted average of Average Daily Membership (ADM), giving greatest value to the most recent data to count students, and the statewide average of Actual Instructional Expenses (AIE) to determine the per pupil base cost. This base cost is then adjusted to reflect the current federal share of education funding for Pennsylvania, which is approximately four percent. The group's calculations produced a base cost of \$7,266.

Student-Specific Weights – Poverty, ELL, Homeless and Foster Care: The base amount is adjusted for poverty among students in each district. A weight of .25 is added for students between 101-185% of the poverty level and an additional weight of .75 is added for children under 100% of the poverty level. A weight of .50 is added for each English Language Learner (ELL) student, unless a school district has fewer

than 40 ELL students and then the weight per child will be .75. An additional weight of .25 is added for homeless students and for children in foster care to address the additional barriers these children face.

District-Specific Weights – Sparsity, Tax Effort and Local Wealth: Students in districts that are both sparsely populated and large in terms of square miles will receive an additional weight according to a formula very similar to that enacted for Special Education Funding in Act 126 of 2013-14. The amount is also adjusted for local tax effort, a measure of how much of a community's wealth and resources are employed to support its public schools. The Campaign recommends that a new, more comprehensive measure of local wealth be developed to replace the current market value/personal income aid ratio now used in BEF allocations. Until that occurs, the current aid ratio should be used in the formula for 2015-16.

Charter Schools: Districts paying tuition to charter schools should be weighted to offset stranded and other mandated costs associated with operating parallel systems of public schools. The weight should be driven by the total number of charter students in a district, and should be higher for newly enrolled charter students in recognition that it takes time to reduce stranded costs. The Campaign used a 0.30 weight to calculate expected costs of implementing a charter school factor.

Hold Harmless: The Campaign recommends that no district receive less in state BEF funds than received in FY 2015, increased by the Act 1 index. As the formula is phased in over time, any school district already at the adequacy target would receive a minimum annual increase in state BEF equal to the Act 1 Index. Once all districts reach the state share of the adequacy target, annual adjustments will be made to BEF based on an up-to-date student count. This protection would provide minimum increases to 18 school districts at a cost of \$48.6 million.

Proposal Costs and Phase-In Period: After full phase-in, the Campaign's proposal would bring the annual BEF level to \$9.326 billion, up from the \$ 5.715 billion in spending for BEF and Ready to Learn grants in 2014-15. This increase of \$3.611 billion would be phased in over six to eight years. Therefore, as an example, an eight-year phase-in would call for annual increases of approximately \$451 million in BEF in that period.

2. Greater Efficiencies

The Campaign recognizes that every tax dollar must be spent effectively and efficiently in the education of our children and the first step in that process is to make certain that schools demonstrate outstanding stewardship of every tax dollar they currently receive. The Campaign recommends several initiatives to generate even greater potential savings: encouraging expanded use of shared services; mandate relief that is specific, limited in scope, and subject to PA Department of Education (PDE) review, with exceptions to protect individual substantive rights to ensure access to a quality education; determining the actual cost of providing cyber charter schools; and expanded use of consolidated tax collections. The campaign acknowledges that in their efforts to prudently manage local budgets and meet student needs, school districts are faced with unfunded pension debt.

3. Student Outcome and Fiscal Accountability

The Campaign recommends that Pennsylvania adopt a system of accountability at the district and school level to assure that tax dollars are being appropriately invested to prepare students to meet state academic standards and to achieve post-secondary and career success. The system should place responsibility on the district or school to improve and should make all appropriate information publicly available at the state, school district, and school level. The Campaign further recommends that PDE be given sufficient resources to implement the accountability system, including the resources and tools necessary to support schools' progress and to intervene as appropriate when schools are not meeting academic standards.