# MONEY MATTERS IN EDUCATION JUSTICE

Addressing Racial and Class Inequities in Pennsylvania's School Funding System



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#### **Executive Summary**

The Pennsylvania Constitution guarantees that children across the state have access to a "thorough and efficient" system of public education, one that enables them to meet comprehensive state academic standards and graduation requirements. Despite this constitutional mandate, hundreds of thousands of children—particularly children of color and children in poorer communities—are denied the school resources they need to be successful in school and beyond. We have a broken school funding system that further entrenches inequities and fails to support Pennsylvania's most vulnerable students.

School districts in Pennsylvania are confronted with two interconnected challenges: the state is not appropriating adequate funding to basic education, and the majority of the funding it does provide is distributed inequitably.

- **Inadequate funding.** The state is not appropriating adequate funding to basic education. The state is between \$3-4.5 billion short of providing what districts across Pennsylvania actually need to educate their students adequately.
- Inequitable funding. Of the money it does appropriate to basic education funding, Pennsylvania distributes it in ways that reinforce inequality by shortchanging the schools which need the most support. Pennsylvania is one of 14 states that regressively funds its public school system. Although school districts with high numbers of students in poverty and/or students of color generally impose significantly higher local tax rates than their wealthier and whiter neighbors, they are often unable to raise sufficient local funds to adequately educate their students. The state does not provide sufficient funding to address this deficiency and instead sends proportionally more dollars to wealthier and whiter school districts. Although the state recently adopted a funding formula that takes into account factors like student poverty, the formula is currently only applied to about six percent of the \$5.9 billion Pennsylvania spends on public education.

To chart a new course, the governor and legislature must commit to substantial increases in state aid in order to close persistent adequacy gaps. Harrisburg must implement policies that channel increasing amounts of state aid through the funding formula to remedy these historic inequities.

Adequate funding is a key component of educational success because it allows schools to invest in the curricula, facilities, and supports that students need to succeed. Simply put, money matters. To address inadequate and inequitable funding, which disproportionately harms students of color and students in poorer communities, we need sustained increased state investment through the new school funding formula to provide access to a quality public education for all children in Pennsylvania.

<sup>&</sup>lt;sup>1</sup> These figures come from several calculations done by the Pennsylvania Department of Education and the Public Interest Law Center. Details about these calculations are provided in the body of our report.

#### I. Introduction

The promise of a quality public education for *all* children is enshrined in Pennsylvania's Constitution. Article III, Section 14 of the Constitution states that "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."

This constitutional mandate is implemented in part through a series of state laws that define curricula and establish academic and graduation requirements for all of the Commonwealth's public schools. However, there is significant evidence that the Legislature has consistently failed to meet its obligation to "maintain and support" this system. Because of a pervasive and longstanding pattern of insufficient and inequitable funding, hundreds of thousands of children are deprived of the opportunity to obtain a quality education that supports their development and prepares them for a career or college.

"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."

Article III, Section 14 of the Pennsylvania Constitution

Extreme disparities in school funding reinforce persistent inequalities in opportunity which plague our public education system. Put simply, communities with larger numbers of poorer children and children of color suffer the most under Pennsylvania's current school funding system. These are the same communities that tax themselves at higher rates than wealthier or whiter communities, yet are unable to generate enough revenue locally to adequately fund their public schools.¹ The state does not provide sufficient resources to close this funding gap. As a result, Pennsylvania's achievement gaps between students classified by race-ethnicity and by economic status are devastatingly large. For example, according to a recent study by RAND senior economist Lynn Karoly, "the share of white students in Pennsylvania achieving proficiency or above exceeds the share of African-American<sup>iii</sup> and Latino students by as much as 24 to 38 percentage points, depending on the assessment and subject. There are equally large differences in student achievement based on family economic status." <sup>2</sup>

<sup>&</sup>quot; In 2014, the Education Law Center, partnering with the Public Interest Law Center, filed a lawsuit challenging the Legislature's failure to meet this constitutional requirement. Plaintiffs include parents, six school districts – William Penn, Panther Valley, Lancaster, Greater Johnstown, Wilkes-Barre Area and Shenandoah Valley – the Pennsylvania Association of Rural and Small Schools (PARSS), and the NAACP Pennsylvania State Conference. The complaint delineates how underfunded school districts across Pennsylvania are unable to provide their students with the basic elements of a quality education, including sufficient numbers of qualified teachers and staff, appropriate class sizes, suitable facilities, expansive course offerings, up-to-date text books, laboratories, and technology. See *William Penn School District et.al. v. PA Department of Education* at <a href="https://edfundinglawsuit.wordpress.com/legal-documents/">https://edfundinglawsuit.wordpress.com/legal-documents/</a>. As of publication, this case remains pending before the Pennsylvania Supreme Court.

Throughout this report, Education Law Center uses the nomenclature used in the research cited. For example, some data sets categorize students as African American and some data sets categorize students as Black.

In this report, we revisit why investing in a school funding system that addresses **both equity and adequacy** is essential to ensure access to a quality public education for all of Pennsylvania's students. Specifically, we discuss:

- Updated research findings on why money matters, and how the lack of adequate funding in schools directly impacts students' education and life outcomes;
- Why Pennsylvania's current school funding scheme continues to unfairly disadvantage students in poorer communities, and more severely disadvantages communities of color; and
- How certain low-wealth communities in Pennsylvania particularly communities
  of color tax themselves at higher rates, but remain unable to generate sufficient
  local revenues to support their schools.

We also explain why Pennsylvania's new funding formula represents an important step forward, but is ultimately insufficient on its own to meet the state's needs. To create a viable and constitutional system to serve the changing needs of the Commonwealth and meet the needs of all children, Pennsylvania must calculate the actual cost of providing a thorough and efficient education — and then fund it.

## II. Recent History of School Funding Policies in Pennsylvania

Pennsylvania has had a series of funding formulas over time. The history of the Commonwealth's funding instability informs why the schools are in the crisis they are now, and explains why we must continue to advocate for lasting, long-term funding.

The relevant recent history of the Commonwealth's funding formula begins in 1991, when the state funding formula that had been in place in some form since 1968 was abandoned.<sup>3</sup> Following this, the state began to follow the practice of "hold harmless" in the absence of a formula. The practice of hold harmless upholds the expectation that school districts never receive less state aid than they received in the preceding year – meaning that the vast majority of state education funding is distributed in ways that do not take into account changes in student population or district needs but allocate dollars based on the previous year's distribution.<sup>4</sup>

In 2007, Pennsylvania adopted a student-based funding formula which statutorily mandated that the Pennsylvania Department of Education calculate an "adequacy target" for each of the Commonwealth's 500 school districts. This target calculation was based primarily on the Costing-Out Study that was commissioned by the General Assembly in 2006. The study was performed for the state by an external consulting group and determined the base cost of educating the average student, as well as the additional costs of factors like living in poverty and tax capacity. The study thus determined how much the state should spend on education.<sup>5</sup> That same year, legislation incorporated the new funding formula and explained that "adequate funding" was intended "to enable students to attain applicable federal and state academic standards" and set a goal to "meet state funding targets by fiscal year 2013-2014." The legislation specifically defined "adequacy" as "whether sufficient resources, both State and local, are being committed to meet established performance standards and assure academic success for all." It defined equity as "whether public resources being committed to education are distributed in such a way that all children, regardless of race, gender, ethnicity, disability, socioeconomic status, and geography, have an equal opportunity to succeed in school."

The 2007 funding formula was abolished by Act 1A on June 29, 2011.8 However, the General Assembly left intact the legislative requirement that the Pennsylvania Department of Education

calculate each school district's school funding "adequacy target" each year. Adequacy targets are more fully discussed below in the context of the current funding system.

In addition to abandoning this short-lived formula in 2011, the Commonwealth also broke with the hold harmless practice in 2011. It provided nearly \$1 billion less to school districts across Pennsylvania that year. These cuts disproportionately harmed students in high-poverty communities, who were already being educated in underfunded schools, and intensified inequities along racial and socio-economic lines.<sup>10</sup>

At the very same time that the Commonwealth instituted these cuts, Harrisburg implemented more rigorous academic standards. For students to meet standards, school districts need to provide an education that costs more than they are spending now. For example, students must take the Keystone Exam standardized tests in Algebra I, Biology, and English/Language Arts. Hese more rigorous exams will soon become a graduation requirement. This addition has a counterpart: districts *must* provide supplemental instruction to students who fail to pass one or more Keystone exam. Thus, the General Assembly raised the bar and increased the cost of what the General Assembly determined to be a "thorough and efficient" system of public education, while at the same time providing districts with the greatest needs significantly fewer resources to meet these new academic targets.

In 2013 the Education Law Center issued the report *Funding, Formulas, and Fairness* as part of its advocacy for a student-based funding formula. This report urged lawmakers to address these inequities by channeling state funding to school districts with the highest needs and the least ability to provide funding locally. There we explained how such a formula represents a rational method for both (1) calculating the cost of public education in each school district by measuring the unique needs of students and the community, and (2) fairly distributing state funding accordingly. We presented this evidence to call on Pennsylvania to adopt such a funding formula.<sup>13</sup>

Since we issued that report, in June 2015 the bipartisan Basic Education Funding Commission (BEFC) unanimously recommended a new funding formula to distribute state funding to school districts according to a variety of unique student and district characteristics. <sup>14</sup> The formula was used to distribute \$152 million of additional basic education funding for the 2015-16 budget. It was permanently adopted into the School Code in late spring 2016 with the intention that new money appropriated to the basic education line item going forward would pass through the formula. An additional \$200 million in basic education funding was appropriated through the formula in the 2016-17 budget. In February 2017, Governor Wolf proposed a \$100 million increase in basic education funding to pass through the formula in the 2017-18 budget. <sup>15</sup> As of publication, the Pennsylvania General Assembly has not yet indicated how much it intends to fund basic education in the upcoming budget.

Pennsylvania's new formula ensures that a greater share of state aid sent through the formula is directed toward communities with students living of poverty. Poverty is broken into three weights based on (1) the number of students living in poverty (100-184% of the federal poverty level), (2) number of students living in deep poverty (0-99% of the federal poverty level) and (3) number of students living in concentrated deep poverty (30% or more of school district's residents living in acute poverty). The formula also considers the number of English language learners enrolled in a given district, in recognition of the additional costs associated with serving students learning English. In addition, the formula accounts for: sparsity to address the needs of districts that are spread over large areas but enroll small numbers of students, the costs experienced by districts facing declining enrollments, and the additional stranded costs associated with charter school

In March 2013, the State Board of Education made passing the Keystone exams a new graduation requirement. In June 2015, Senate Bill 880 was passed to defer implementation of more rigorous standards until the 2018-2019 school year. Supplemental instructional support *must* be provided for any student who does not demonstrate proficiency on a Keystone Exam in order to assist that student to attain proficiency and meet State academic standards. 22 PA Code § 4.24 (k).

expansion. The local community's tax rates and ability to raise local tax revenues for education are also factors in the formula.<sup>17</sup>

While this formula is a major step forward for equitable public education funding, the formula's potential effects are limited because it is currently only used to determine allocation of *new* state basic education funding, beginning with the 2015-16 budget. For the 2015-16 and 2016-17 school years, the new basic education funding amounted to a combined \$352 million out of the \$5.9 billion total 2016-2017 basic education funding state budget. This combined \$352 million in basic education funding distributed through the formula is only *roughly 6 percent* of total state basic education funding. Accordingly, the vast majority of all school funding continues to be distributed according to the old system, essentially locking in existing inequities for years to come while students in underfunded school districts are still failed. These inequities are also exacerbated because the General Assembly still has not fully restored funding to all of the districts that received significant cuts during the 2010-2011 school year, as of the 2015-16 budget.

This practice of limiting the formula to new state aid leaves Pennsylvania's "old" school funding scheme essentially intact and cements longstanding disparities. Additionally, the practice of hold harmless has especially hurt growing districts and those with increasingly high-need student populations.

Taken together, this history of unstable funding policy along with the lack of education funding has produced the most inequitable school funding scheme in the nation. According to one recent analysis, "per-pupil spending in the poorest [Pennsylvania] school districts is 33 percent lower than per-pupil spending in the wealthiest school districts." This gap is the highest in the nation, more than double the national average of 15.6 percent, and 15 percentage points higher than the next most inequitable state. <sup>21</sup>

Pennsylvania also ranks 46<sup>th</sup> in the nation in state share of funding provided to school districts; only four state governments provided a lower share of revenues to their public schools.<sup>22</sup> And, Pennsylvania is one of only 14 "regressively" funded public school systems in the country, meaning our poorest and most needy schools generally receive the fewest resources to serve their students.<sup>23</sup>

This reality prevents hundreds of thousands of schoolchildren across Pennsylvania from receiving the adequate resources they need to succeed academically. In no other state do students in poor districts receive so much less than their peers in wealthier districts.<sup>24</sup> In the absence of a funding scheme that fully accounts for student and district needs, nearly 250,000 of Pennsylvania's public school students attend fiscally disadvantaged school districts, the third-highest percentage nationwide.<sup>25</sup>

# III. The Root Causes of Inadequate, Inequitable, and Racially Segregated School Funding in Pennsylvania

Most schools across the country receive the overwhelming majority of their school funding from three distinct sources: the federal government, state governments, and local taxpayers. On average, 47 percent of school revenues in the United States come from state funds.<sup>26</sup> This is not the case in Pennsylvania, where only 37 percent of school revenue is provided by the state. As mentioned above, Pennsylvania ranks 46<sup>th</sup> in the nation in state share; only four state governments provide a lower share of revenues to their public schools. Pennsylvania also differs from the national averages in its local funding burden. In fiscal year 2014 (the most recent data available), local communities provided 44.7 percent of public education dollars nationally, while

Pennsylvania's local communities provided 56.3 percent of all public education dollars.<sup>27</sup>

The purpose of state and federal school funding is to support the needs of students in schools and compensate for a lack of local wealth. In most Pennsylvania communities, local school revenues come from property taxes. When state and federal revenues are insufficient, the quality of a child's education is inherently tied to her community's wealth — or lack thereof. Pennsylvania relies on local funding much more than most states, which leads to inadequate funding in many communities and vast inequality among them.

# Overreliance on local funding inherently leads to inadequacy and inequality.

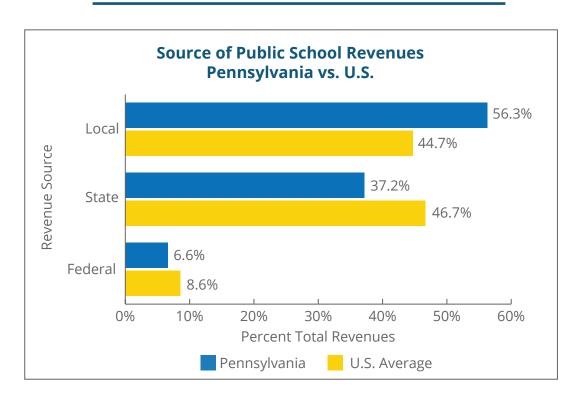


Figure 1 data from the U.S. Census Bureau, 2014 Annual Survey of School System Finances: Percentage Distribution of Public Elementary-Secondary School System Revenue by Source and State.<sup>28</sup>

This inequality is not only an issue of poverty, but also of race as our communities and schools have become increasingly and more profoundly segregated. Across the nation, low-income Black children are increasingly more isolated. *Today 40 percent of Black students attend schools that are more than 90 percent students of color*, compared to 34 percent students of color 20 years ago. Today Black students attend schools where on average 60 percent of students are low-income, compared to only 40 percent low-income 20 years ago.<sup>29</sup>

<sup>&</sup>lt;sup>vi</sup> Philadelphia is unique in that more than half of its local school revenue comes from a variety of taxes on goods and services, in addition to property taxes.

While the solution entails an increase in state funding, we are not proposing the elimination of local tax dollars. Property tax elimination bills whereby property tax funds are replaced dollar-for-dollar by the state in a regressive manner results in the state providing significantly more dollars to wealthier districts—undermining the fair funding formula. Proposed legislation to eliminate property taxes would further exacerbate and lock in existing inequitable funding at the state level. See the Pennsylvania Association of School Business' analysis for more information at <a href="http://www.pasbo.org/Files/PTeliminationimplications.pdf">http://www.pasbo.org/Files/PTeliminationimplications.pdf</a>.

Pennsylvania schools, in particular, have been described as "among the most deeply segregated and highly inequitable in the nation." For example, the rate at which Black and Hispanic students attend schools that are over 90% non-white are 8th and 11th highest in the country, respectively. A recent report found that Pennsylvania is home to six of America's 50 most starkly segregated school district borders, which separate wealthy, predominantly white districts from underresourced schools that serve their mostly non-white neighbors. Described as "among the most deeply segregated and highly inequitable in the nation." For example, the rate at which Black and Hispanic students attend schools that are over 90% non-white are 8th and 11th highest in the country, respectively.

One study found that each year Pennsylvania school districts with the fewest white students are shortchanged state funding by almost \$2,000 per pupil, while the districts with the most white students receive about \$2,000 more per pupil than their "fair share" as determined by Pennsylvania's new (previously discussed) state funding formula.<sup>33</sup>

This segregation both reflects and results from a myriad of problems: historic and recent discriminatory practices and policies in housing,<sup>34</sup> Black unemployment rates that are more than twice that of white rates,<sup>35</sup> a minimum wage level that for many jobs is below the inflation-adjusted level of 1967,<sup>36</sup> and a discriminatory criminal justice system that incarcerates many more Black young adults than it did 50 years ago.<sup>37</sup>

These factors operate in tandem to segregate and entrench children of color in economically depressed neighborhoods. Increased segregation in schools is also the result of decisions to turn away from proactive efforts to integrate neighborhoods and schools—a practice which research consistently demonstrates improves educational outcomes for all students. Studies show that students in socioeconomically and racially diverse schools—regardless of a student's own economic status—have higher test scores, are more likely to attend college, less likely to drop out, and more likely to seek out integrated settings in life.<sup>38</sup>

In response to similar disparities, many other states have sought to map a more equitable course that is designed to provide underfunded districts and students of color with the support they need. Neighboring New Jersey is just one state that bases its school funding formula on a yearly adequacy target for each school district that is determined by the number of students served and their unique factors, like poverty.

The gap between the adequacy target and what local districts can afford to pay is filled by state dollars, known as "equalization aid." In New Jersey, the 200 wealthiest school districts (roughly one-third of the 595 total districts) received no equalization aid in 2015-16. These school districts have wealthier tax bases and therefore receive just 3.1 percent of all state K-12 education expenditures. To ensure fair funding, state education dollars in New Jersey are primarily directed to the students and school districts that need help meeting the basic adequacy threshold.

Similar approaches are utilized in other states, including Massachusetts. There, the state government guarantees that all districts meet a targeted "foundation budget" based on the actual costs of meeting the unique needs of students—including whether they live in poverty, are English language learners, or face other challenges. If a school district in Massachusetts cannot meet its foundation target, the state makes up for what the local community cannot.<sup>41</sup>

In Pennsylvania, the state makes no such guarantee. In contrast, the wealthiest one-third of Pennsylvania's school districts received nearly 29 percent of all state funding in 2013, which does not leave enough school funding for poor districts that *rely* on state aid to achieve adequacy. To be clear, wealthy school districts in Pennsylvania have the right to provide their children with

This figure was calculated by using U.S. Census estimates of Median Household Income for all districts to determine the top 50 districts by wealth, and then summing state aid as a share of total state aid, according to Pennsylvania Department of Education data.

educational opportunities that far exceed Pennsylvania's requirements by supplementing state aid with local funding sources. However, Pennsylvania's current funding system distributes state dollars in ways that prevent poorer districts and districts serving large numbers of students of color from providing their children with a basic education that meets the state's own standards.

National statistics characterize Pennsylvania as a state that, *in the aggregate*, spends generously on education—ranking among the top ten in the country in terms of total per-pupil spending.<sup>42</sup> However, these global numbers mask the deep racial and class inequities that lead to more than ample school funding for some schools while hundreds of other school districts lack adequate funding to provide even basic minimum educational opportunities for their students. These disparities are rooted in Pennsylvania's overreliance on local funding and failure to distribute the bulk of state revenues in a way that accounts for lack of local wealth.<sup>43</sup> This problem compounds racial inequality, as minority students are more likely to attend schools that receive less state funding and also live in poorer communities that cannot make up for that gap through local tax increases. These trends have only deepened in recent years.<sup>44</sup>

According to Research for Action's recent study, *Racial Disparities in Educational Opportunities in Pennsylvania: A First Look at the New Civil Rights Data*, Black and Hispanic students in Pennsylvania fare worse than their white peers" on all 17 of the [Civil Rights Data Collection] indicators of educational opportunities we examined."<sup>45</sup> These indicators include measures like access to AP and high-level courses, access to full-time counselors, and out-of-school suspension rates. The report concluded that "while Pennsylvania appears to provide high levels of access to rigorous coursework, school counselors, and experienced educators compared to the nation, white students are disproportionately beneficiaries of that access. Black and Hispanic students in Pennsylvania are less likely than white students...to have access to these essential resources and learning opportunities, and more likely to encounter adverse experiences that decrease their chances of academic success."<sup>46</sup>

The finding that Black students in Pennsylvania have less access to advanced coursework than do white students is bolstered by recent research conducted by Pennsylvania State University. Their report, "How Equitable is Access to Advanced Coursework in Pennsylvania High Schools?" found that, in the 2014-15 school year across the state, only 58 percent of all African American 11<sup>th</sup> and 12<sup>th</sup> grade students "were enrolled in schools offering at least one advanced course" in English, social studies, math or science. On the other hand, 87 percent of white students were enrolled in schools which did offer at least one such course. Furthermore, the report states that "money matters with respect to the ability of schools to offer advanced courses...because offering advanced courses can incur additional costs to schools."<sup>47</sup> Such costs include fees to participate in AP or IB courses, or higher costs to staff these classes that tend to be smaller than others. And, across the state, "the percentage of students living in poverty and the percentage of students of color (defined here as African American, Hispanic, American Indian, and mixed race students) was highly correlated."<sup>48</sup>

The bottom line is that Pennsylvania state dollars for public education are grossly insufficient and their distribution fails to eliminate our nation's worst school funding inequity and deep racial disparities. To begin to fix this problem, Pennsylvania will need both to increase state aid and apply its funding formula to a significantly larger amount of state basic education funding dollars. Like the systems in New Jersey and Massachusetts, this would send more state funding to the districts that are least able to raise local funds and have the highest student needs.

# IV. Money Matters - Addressing Both Equity and Adequacy in School Funding

Decades of research conclusively show that long-term investments in education are crucial for improving opportunities and outcomes for children—particularly children of color and children who come from poorer families and attend schools in poorer communities. As school funding expert Bruce Baker noted, "a sizeable and growing body of rigorous empirical literature" shows "that state school finance reforms can have substantial positive effects on student outcomes."

That body of evidence was bolstered by a 2015 study by researchers from the University of California Berkeley and Northwestern University. With the release of newly available data, professors Kirabo Jackson, Rucker C. Johnson, and Claudia Persico were able to conduct a longitudinal analysis—the gold standard of research methodologies—of judicially mandated school finance reforms that increased school funding in 28 states from 1970 through 2010.<sup>50</sup>

They concluded that low-income students educated in districts that experienced sustained, long-term funding increases significantly outpace their equally low-income peers in under-funded districts. The research shows:

[F]or low-income children, a 10 percent increase in per-pupil spending each year for all 12 years of public school is associated with 0.43 additional years of completed education, 9.5 percent higher earnings, and a 6.8 percentage-point reduction in the annual incidence of adult poverty.<sup>51</sup>

This study is groundbreaking both because its sample size is so extensive and the effects demonstrated are so large. In addition, the funding changes they studied were attributable to judicially mandated increases, which resulted in changes that were long-term investments sustained over long periods of time rather than increases for just a few years. The researchers were also able to control for other factors that may have influenced student outcomes in other studies, such as a generally improving or declining economy.

Research in Pennsylvania conducted by Penn State professor Dana Mitra, with input from ELC, has similarly found that low-income children with access to a well-funded, quality education in the Commonwealth have increased economic and social outcomes relative to their peers without such opportunities. This study concluded that increasing education funding is "Pennsylvania's best investment."<sup>52</sup>

As we documented in our previous school funding report, the Commonwealth of Pennsylvania steadily increased state funding for public education from 2003 through 2010. During this time (with a funding formula in place for three of those years), the 50 districts with the largest increases in state funding had student standardized test scores rise by an average of 55 percent. When state funding was subsequently cut in 2011—with students losing teachers, librarians, counselors, and art and music programs—test scores dropped precipitously. Since 2011, roughly 95 percent of districts in Pennsylvania have reduced staff. Reductions in teaching staff and counselors

<sup>\*</sup>A recent study published in the National Tax Journal by Steinberg et al., "Did Pennsylvania's Statewide School Finance Reform Increase Education Spending or Provide Tax Relief?" suggests that increased state funding did not reduce the *gaps* in spending or student achievement that separate wealthy and poorer districts and that districts that received the most additional state funding actually decreased their property taxes to ultimately supplant rather than supplement local funding. However, of the 92 high-taxing but underfunded districts in the study, "only seven lowered their tax rates during the period of the funding law... although the measure of tax effort decreased as the market value of property increased." See <a href="http://www.philly.com/philly/education/20160915\_Study\_Pa\_school-funding\_reform\_plan\_a\_failure.html">httml</a>, and endnote 49 for the full study.

have been especially dramatic in the poorest communities.<sup>55</sup> As schools continue to face funding uncertainty, 33 percent of districts were forced to reduce already bare-bones staffing even further in 2016-2017.<sup>56</sup>

Notably, school funding research supports the importance of improving *both* equity and adequacy in school funding. As a team of education scholars at the University of Pennsylvania recently concluded, "[the] question is no longer whether money makes a difference for students but rather the extent to which educational resources are *adequate* for schools to educate their students and *equitably* distributed to and utilized by districts serving different student populations in different geographic contexts [emphasis added]."<sup>57</sup>

## **A. Equity Matters**

On average, 43 percent of students in Pennsylvania districts are considered "economically disadvantaged." These students and other educationally at-risk students are not equally distributed across Pennsylvania's school districts.\* For example, **nearly 40 percent of all economically disadvantaged students are concentrated in just 50 of Pennsylvania's 500 school districts.** These districts are also more likely to serve large numbers of students of color. In these 50 districts, collectively, the student body is over 80 percent economically disadvantaged. By contrast, many of Pennsylvania school districts serve predominantly middle- and upper-income students. The 50 districts with the lowest concentration of poverty collectively educate 16 percent of the state's total students, but only 4 percent of its economically disadvantaged students.

To bring high concentrations of educationally vulnerable students up to state standards, schools must provide a range of *additional* support services that students in higher-wealth districts may not require. Children living in poverty often experience food insecurity, housing instability, and a range of traumas that negatively impact their ability to learn before they even arrive at school each morning—and impact what they need to succeed once they get there.<sup>59</sup> Schools must have the resources to provide access to remedial instruction, school counselors, smaller class sizes, and teachers with specialized training and experience. These services are costly. Indeed, "**research shows that the actual additional cost of educating low-income children is between two and two-and-a-half times the cost of educating non-poor children."<sup>60</sup>** 

There are other student-centered factors that must be considered in how Pennsylvania allocates education dollars. Federal and state laws mandate that limited English proficient students who are English Language Learners (ELLs) receive specialized instruction and supports to overcome language barriers and learn English, including receiving direct bilingual or English as a Second Language instruction, and modifications to instruction and testing in core academic subjects. Students experiencing homelessness and students in the foster care system also face daunting challenges which often include frequent school moves and no quiet or stable workspace for homework. These students may need additional support services to overcome barriers to enrollment and attendance.

In addition to these student populations, students with disabilities require and are legally entitled to additional educational supports. Specifically, students with disabilities are legally entitled to specially designed instruction and additional aids and services to ensure they receive a "free, appropriate public education."<sup>63</sup> Under federal and state law, every child with a suspected

<sup>\*</sup> The following statistics are calculated in research on file at ELC using data from the Pennsylvania Department of Education's 2014-2015 School Performance Profiles (<a href="http://paschoolperformance.org/Downloads">http://paschoolperformance.org/Downloads</a>). ELC isolated district-level data and then selected only the economically disadvantaged districts. ELC then totaled the numbers of economically disadvantaged students and total students for all districts, totaled these same numbers for just the 50 most heavily concentrated districts in terms of percent economically disadvantaged, and totaled these numbers for the 100 least concentrated districts in terms of percent economically disadvantaged.

disability must be evaluated by a certified school psychologist through a comprehensive evaluation process. Some students with disabilities may require access to specialized personnel such as therapists and nurses to meet their physical and developmental needs, as well as psychologists, counselors, and mental health professionals to address students' behavioral health needs. In addition to requiring specially trained classroom teachers, these students may need other paraprofessionals, smaller class sizes, equipment or assistive technology, materials, etc. And, all school faculty and staff, including teachers, administrators, and aides, require additional supports and training to effectively and inclusively serve students with disabilities and ensure compliance with each student's Individualized Education Program ("IEP"). A statewide costing-out study estimated the average cost of serving a student with a disability is 2.3 times the cost of a student receiving regular education.<sup>64</sup> The cost to support each actual student can be greater or less than this average.<sup>65</sup>

For many years, Pennsylvania distributed state special education dollars to school districts according to a "census-based" approach which "presumed" that 16% of every school district's student population required special education services. This allocation method did not take into account the wide-ranging costs of providing varying services, nor did it drive additional funding to students with the most significant disabilities requiring higher-cost aids and services. However, in 2014, the General Assembly passed a special education funding formula that allocates new special education funding to school districts based on the estimated costs of serving students with disabilities. The formula created three tiers of disabilities, from lowest to highest cost, and distributes funding to districts based on the number of students districts actually serve in each of the three tiers. However, these funding tiers do not currently apply to charter school funding.

This loophole means that for each student with a disability that charter schools enroll, charters receive the statewide average amount of per-student disability funding, regardless of the actual cost to support the student's disability. As such, charters—which disproportionately enroll students with low-cost disabilities such as speech and language, as shown by our own recent analysis<sup>66</sup>—now receive more funding than the formula would allocate to these schools based on the tiered system of disability funding.

And, as with the basic education formula, a formula is only as good as the dollars sent through it, and the General Assembly continues to underfund special education. Special education assistance from the state to school districts is provided through a separate line in the Pennsylvania budget. While the 2016-2017 state budget allocated a small increase in special education funding (a \$20 million increase to the \$1.1 billion special education line item) to be distributed under the state's special education funding formula adopted in 2014, state aid for special education is woefully insufficient.<sup>67</sup> This disconnect between need and aid received further exacerbates problems for poorer school districts.

Education spending in Pennsylvania is the most inequitable in the nation, as "per-pupil spending in the poorest school districts is 33 percent lower than perpupil spending in the wealthiest school districts."

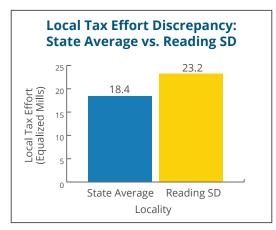
Across student populations—students with disabilities, ELL students, students living in poverty and others—the compounding of multiple factors means that "equity" in school funding does not mean "the same." To be truly equitable, schools serving large numbers of high-needs students require *more* resources than schools that do not. Yet Pennsylvania's current school funding scheme currently provides the exact opposite. As previously discussed, Pennsylvania has the greatest gap in the nation between poor and wealthy school spending; poor school districts spend

33 percent less per-pupil than do the wealthiest school districts.<sup>68</sup> This gap is specifically between local and state (not federal) funds spent, which underscores that the inequity in Pennsylvania is at the local and state levels and must be addressed there.

#### **High Tax Effort and Low Funding for Communities in Poverty**

Meanwhile, our own analysis shows that inequity in Pennsylvania's school funding occurs even though residents of poorer communities bear higher property tax burdens when compared with their wealthier neighbors. Despite higher tax rates, they are simply unable to generate the funds locally that are needed to adequately support their schools.

For example, the Reading School District serves one of the poorest cities in the state. Its students have some of the greatest needs of any community—with some of the highest concentrations of students in poverty, students of color, students with disabilities, and English language learners of any district. Over 93 percent are minority students, 19.4 percent are ELLs, and 16.5 percent have disabilities.<sup>69</sup> Meanwhile, the "tax effort" in Reading—the portion of the city's wealth spent on school taxes—is 23.2 percent, significantly higher than the state average of 18.4.xi Yet even with these higher tax rates, the school district is only able to spend \$11,789.18 per pupil, as compared with the statewide average of \$16,203.05 (See Figures 2 and 3).<sup>70</sup> That is, while Reading taxpayers dedicate particularly large shares of their incomes to school taxes, their schoolchildren are supported by significantly lower levels of overall funding per pupil than the state average.



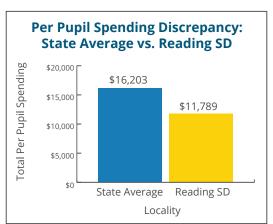


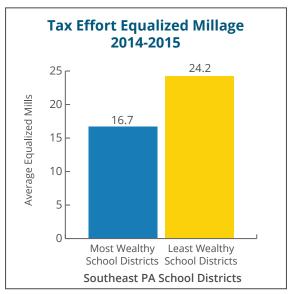
Figure 2, Pennsylvania Department of Education 2014-2015 Revenue Data for School Districts, Career and Technology Centers, and Charter Schools; Figure 3, Pennsylvania Department of Education 2014-2015 Expenditure Data for School Districts, Career and Technology Centers, and Charter Schools

Regional comparisons reveal even more damaging inequities. School districts that are geographic neighbors often have similar costs of living and compete to attract the same pool of teaching talent. Poor districts adjoining wealthy neighboring districts, however, are often unable to offer competitive salaries or provide sufficient staff supports to teachers, which weakens their ability to provide students with effective teaching.

A glaring example of this is in Southeastern Pennsylvania, which includes Montgomery, Delaware, Chester, Bucks, and Philadelphia counties. This region encompasses many of the Commonwealth's wealthiest communities—school districts with strong tax bases and wealthy residents—as well as some of the lowest-wealth districts. As shown in Figure 4, on average the 10 poorest districts

<sup>&</sup>lt;sup>xi</sup> Local taxes are measured in equalized mills, calculated and reported yearly by the Pennsylvania Department of Education. In terms of property taxes, one mill represents 1/1000 of each dollar of property value. In 2014-2015, the statewide average of equalized mills was 18.4. The higher the millage rate, the more effort a community was making to tax itself and fund public schools. The equalized millage rate in Reading was 23.2 in 2014-2015.

in the region expend 144 percent more tax effort than the 10 wealthiest. But, including state and federal support, they receive 65 percent less per pupil than their 10 wealthiest neighboring districts. These low-wealth districts also serve many more high-needs students. Therefore, it is no surprise that their revenues are wholly inadequate to provide an education that allows students to meet state academic standards, let alone to compete for teachers and staff with their wealthy neighbors who enjoy relatively low tax burdens and student bodies with generally lower levels of need.



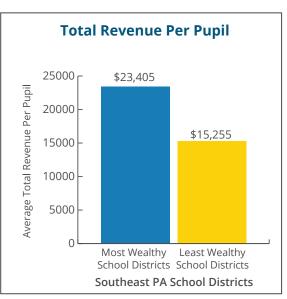


Figure 4, Pennsylvania Department of Education 2014-2015 Revenue Data for School Districts, Career and Technology Centers, and Charter Schools

Operating schools that are close in physical proximity but far apart in school funding highlights the disparities between them. While the wealthiest communities are able to offer their children world-class schooling, just a few miles or even a few blocks away, poorer, often communities of color, are forced to lay off staff, shrink programming, eliminate support services and reduce educational opportunities in response to budget cuts and inadequate state support.

Yet the disparities in Pennsylvania are not isolated to a few particularly disadvantaged school districts, like Reading. Nor are they limited to regional inequity, such as in Southeastern Pennsylvania. Rather, school funding inequity is systemic and entrenched throughout the state—from cities like Erie to rural districts like Greater Johnstown.

Moreover, looking at district wealth across the state makes it particularly clear that the wealthiest and least wealthy districts have dramatic differences in funding sources. Figure 5 compares the wealthiest Pennsylvania districts to the least wealthy in the 2014-15 school year. The vertical bar on the right shows that in the 50 wealthiest districts (the most wealthy decile), a larger share of total revenues per pupil come from local sources. However, these wealthy districts still receive a significant portion of revenues from the state, pushing total revenues per pupil far above those of the 50 least wealthy districts (the least wealthy decile) and diverting scarce state dollars away from poorer children.

xii There are 66 school districts in this five-county region. The poorest and wealthiest districts were determined based on their local per-pupil revenue, which reflects the amount of money a district actually raises to support its students. Based on PDE 2014-15 revenue data, the poorest districts according to local per-pupil revenue are Chester-Upland SD, Philadelphia City SD, Upper Darby SD, Southeast Delco SD, William Penn SD, Oxford Area SD, Bristol Borough SD, Avon Grove SD, Pottstown SD, and Upper Perkiomen SD. The wealthiest districts (excluding Bryn Athyn SD, which does not operate public schools) are Lower Merion SD, New Hope-Solebury SD, Radnor Township SD, Jenkintown SD, Colonial SD, Cheltenham Township SD, Upper Merion Area SD, Rose Tree Media SD, Marple Newtown SD and Palisades SD.

Meanwhile, for low-wealth districts, a larger share of revenues comes from the state and federal government, but these funds are not nearly enough to meet the needs of students or come close to matching the overall spending levels in the wealthy communities. The result is that they still have dramatically less total revenue on a per-pupil basis to serve their students. XiII

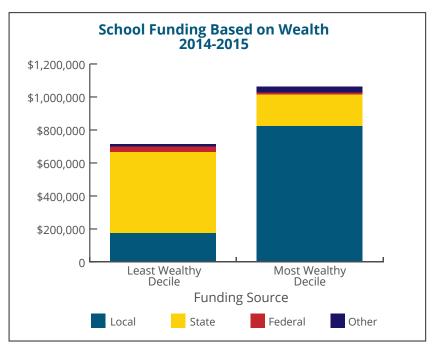


Figure 5, Pennsylvania Department of Education 2014-2015 Revenue Data for School Districts, Career and Technology Centers, and Charter Schools

#### **What This Funding Scheme Means for Students of Color**

**Pennsylvania's school funding scheme further entrenches already significant racial disparities in education quality across the Commonwealth**. Given the decades-long trend of increased racial segregation of Pennsylvania communities and schools, funding disparities with respect to race are especially troubling. Students of color are now significantly more concentrated in underfunded schools than they were in 1989.<sup>71</sup>

A 2014 analysis found "dramatically higher per-student [state] funding in [Pennsylvania] districts with predominantly white populations compared to economically similar districts with more racial diversity."

Adding to a growing body of research on the relationship between race and school funding, <sup>73</sup> our own analysis demonstrates that Pennsylvania school districts with above-average populations of students of color receive *less* state funding per-pupil than districts with above-average white populations, even when both districts have similar levels of poverty.

Our analysis further demonstrates that districts serving greater concentrations of students of color also tax themselves at much higher levels than districts with fewer children of color.

xiii The figure also includes an "Other" category. According to PDE data, this category includes the following subcategories: bond issue proceeds; proceeds from refunding of bonds; bond premiums; proceeds from Commonwealth of PA loans; other extended term financing proceeds; special revenue fund transfers; capital projects fund transfers; debt service fund transfers; enterprise fund transfers; internal service fund transfers; trust and agency fund transfers; activity fund transfers; permanent fund transfers; sale or compensation for loss of fixed assets; transfers from component units; transfer from primary governments; other financing sources not listed in [this] 9000 series; special-items gains; extraordinary items gains; insurance recoveries.

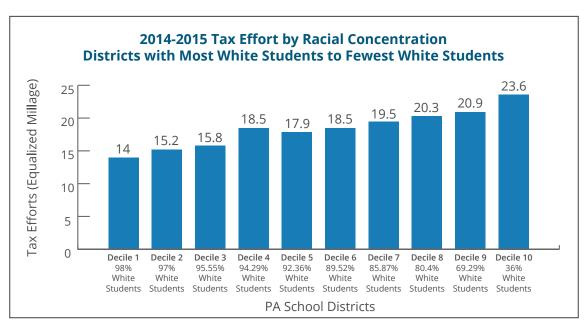


Figure 6, Pennsylvania Department of Education 2014-2015 Revenue Data for School Districts, Career and Technology Centers, and Charter Schools; Pennsylvania Department of Education 2014-2015 School and District Fast Fact Data

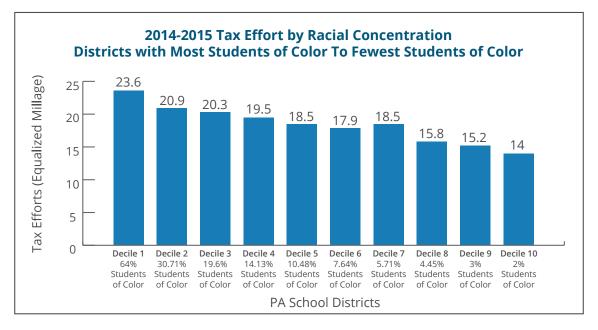
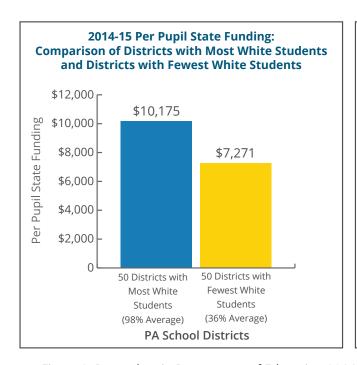


Figure 7, Pennsylvania Department of Education 2014-2015 Revenue Data for School Districts, Career and Technology Centers, and Charter Schools; Pennsylvania Department of Education 2014-2015 School and District Fast Fact Data

This disparity is particularly striking when the 50 districts with the most white students are compared to the 50 districts with the fewest white students. Even when districts with the fewest white students and districts with the most white students both serve high numbers of economically disadvantaged students, districts with the fewest white students receive significantly less in per-pupil state revenues than districts with the most white students.

	Per Pupil State Revenue	Tax Effort (Equalized Millage)	Percent Economically Disadvantaged
50 Districts with Most White Students (Average 98% White Students)	\$10,174.69	14.0	48%
50 Districts with Fewest White Students (Average 36% White Students)	\$7,270.98	23.6	68%

Table 1, Pennsylvania Department of Education 2014-2015 Revenue Data for School Districts, Career and Technology Centers, and Charter Schools; Pennsylvania Department of Education 2014-2015 School and District



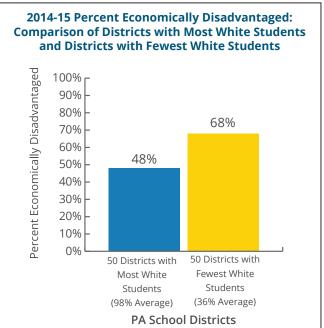


Figure 8, Pennsylvania Department of Education 2014-2015 Revenue Data for School Districts, Career and Technology Centers, and Charter Schools; Pennsylvania Department of Education 2014-2015 School and District Fast Fact Data

Poor communities of color thus face several layers of inequity as a result of Pennsylvania's school funding system. They shoulder the highest local tax burden and yet they still receive less state funding per student than similarly situated, whiter school districts. And as a recent report by the faith-based advocacy group POWER notes, these inequities are locked in because of hold harmless practices.<sup>74</sup>

## **B.** Adequacy Matters

Pennsylvania's inglorious status as having the largest gap between poor and wealthy district funding would be less problematic if the state ensured that each school district in the Commonwealth received a baseline level of funding that gave every child in Pennsylvania the resources needed to receive a quality education – or at least meet state academic standards.<sup>75</sup> Yet despite general agreement about the high importance of adequate school funding from the research and business communities, the Pennsylvania Department of Education's own calculations conclude that hundreds of school districts in Pennsylvania are woefully underfunded.<sup>76</sup>

As discussed in Section One, the Commonwealth abolished an earlier funding formula in 2011.<sup>77</sup> However, the General Assembly left intact the legislative requirement that the Pennsylvania Department of Education calculate each school district's school funding "adequacy target" each year.<sup>78</sup> PDE has failed to calculate adequacy targets since the 2010-2011 school year. While now over six years old, the most recent calculations from 2010-2011 still provide a rough indicator of the extent of inadequate funding in Pennsylvania school districts.

According to PDE's last calculations, 468 out of Pennsylvania's 500 school districts experienced at least some gap between actual funding and adequate funding. In total, these districts were underfunded by more than \$4.5 billion dollars. And these "adequacy gaps" are not equally distributed across all districts.

No Adequacy Gap	Per Pupil Adequacy Gap up to \$1,000	Per Pupil Adequacy Gap between \$1,000-\$2,000	Per Pupil Adequacy Gap between \$2,000-\$3,000	Per Pupil Adequacy Gap between \$3,000-\$4,000	Per Pupil Adequacy Gap between \$4,000-\$5,000	Per Pupil Adequacy Gap Greater than \$5,000
32 Districts	41 Districts	100 Districts	168 Districts	118 Districts	31 Districts	8 Districts

In addition, as shown in the scatter plot graph below, the size of a district's per-pupil adequacy funding gap correlates strongly with the percentage of students considered economically disadvantaged in that district.<sup>79</sup> Thus, for many districts, the larger the share of economically disadvantaged students served, the higher the district's adequacy funding gap.

The Pennsylvania Department of Education is not the only entity that has calculated adequacy funding targets for Pennsylvania school districts. In December 2016, the Public Interest Law Center (PILC) released its own calculation. PILC determined how much state funding schools need to educate students, and the gap between funding needed and funding the state actually provided through the formula. PILC calculated that the state must provide between \$3.0 and \$4.1 billion to ensure students are educated to meet state standards. The more conservative estimate (\$3.0 billion) is based on the median cost to educate Pennsylvania students in 2014-2015. The higher estimate (\$4.1 billion) is based on the median cost to educate students in the 188 better-performing school districts (districts which scored average or above-average on the most recent PSSA exams in English Language, Math and Science).<sup>80</sup>

Meanwhile, because of new academic standards and higher school costs, adequacy targets are likely to be significantly higher for each school district than they were back in 2010-2011. In addition to inflation, school districts today must contend with mandated increases to pension contributions, as well as expanded unreimbursed costs associated with charter school expansion. They must also teach to significantly higher academic standards for students and implement added qualifications for teachers, principals, and other additional standards for schools.

For example, since the 2007 formula (based on the prior costing-out study) was abolished, the state has adopted "School Performance Profiles" which assign an annual public numerical grade

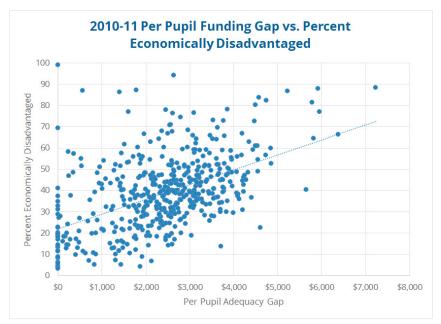


Figure 9, Pennsylvania Department of Education 2010-2011 Revenue Data for School Districts, Career and Technology Centers, and Charter Schools; Pennsylvania Department of Education 2012-2013 School and District Fast Fact Data

of 0-100 for each school district.<sup>81</sup> New teacher and principal evaluation systems were also enacted which grade teachers in part on how their students and schools perform on state assessments and the School Performance Profile.<sup>82</sup>

Finally, new Pennsylvania Core curriculum standards took effect in 2014 and the PSSAs, the state's standardized assessments for students in grades 3-8, have been modified to reflect these new, higher, more comprehensive standards. Pennsylvania Secretary of Education Pedro Rivera recently explained "the new more rigorous standards have resulted in lower standardized test scores." According to Secretary Rivera, "Our students haven't changed, but our assessments have." Have a constant of the standard stan

While many of these changes are designed to improve educational rigor, they cost money to implement and raise the cost of providing an education that meets constitutional and statutory muster. But unpredictable school funding has prevented schools from taking advantage of these reforms. Instead, the current situation has undermined learning, harmed students, and made it impossible for schools to make long-term investments in staff, educational programming and supports to ensure students have what they need to succeed.

For example, according to a 2016 report released by the Pennsylvania Association of School Administrators (PASA) and the Pennsylvania Association of School Business Officials (PASBO), cuts to state funding forced 33 percent of school districts to further reduce its staff in the 2016-2017 school year. Moreover, 37 percent of districts also increased class size in the 2016-2017 school year.<sup>85</sup>

#### **Opportunity Gap**

While overall Pennsylvania's students perform well on the NAEP (National Assessment of Educational Progress), statewide averages overlook deep disparities that cut along racial and class lines. The inadequate and inequitable distribution of school funds creates race and class opportunity gaps for our students, which then are reflected in test score or achievement gaps.

A recent analysis of PSSA data shows a stark achievement gap between white students and African-American and Latino students in Pennsylvania. While 83% and 81% of white students passed the eighth grade reading and math exams, respectively, only 58% and 51% of African-American students and 59% and 55% of Latino students scored at similar levels on the two exams. The gap between economically disadvantaged students' test scores and their more affluent peers' is similarly striking: while only 63% and 59% of students who are economically disadvantaged passed the reading and math exams, 88% and 85% percent of wealthier students achieved the same scores (RAND Corporation, 2015).

Pennsylvania's racial achievement gap is among the worst in the nation, ranking fifth-worst among African American students and third-worst among Latino students.

Bottom line: In Pennsylvania, we have allowed children of color and children living in poverty to be academically shortchanged. These students are disproportionately concentrated in underfunded districts, while their affluent white peers are more likely to attend adequately funded public schools which have greater opportunities for academic success.

#### V. Moving the Dial: Adequacy, Equity, and Fair Formulas

Inequitable and inadequate school funding is not inevitable. Rather, this is the result of years of neglect, maintaining the status quo, and ignoring the tragic consequences to poor students, particularly children of color, of a deeply flawed school funding system.

Less than a decade ago, the state was making progress on closing the equity and adequacy gaps in many school districts because it undertook efforts to define and ensure adequate school funding. The fair funding formula that passed in 2007 was implemented with fidelity for three years. Again, that formula was based on calculated adequacy targets for each school district that drove substantial new revenues toward Pennsylvania's most underfunded and inequitably funded school districts. During that time, as reflected in Figure 10 below, Pennsylvania's overreliance on local funding—a root cause of inequity—dropped. Though it should be noted that even during this time period, there was not sufficient funding to fill the identified adequacy gap. Figure 10 also shows how our reliance on local revenue resurfaced and increased when the formula was

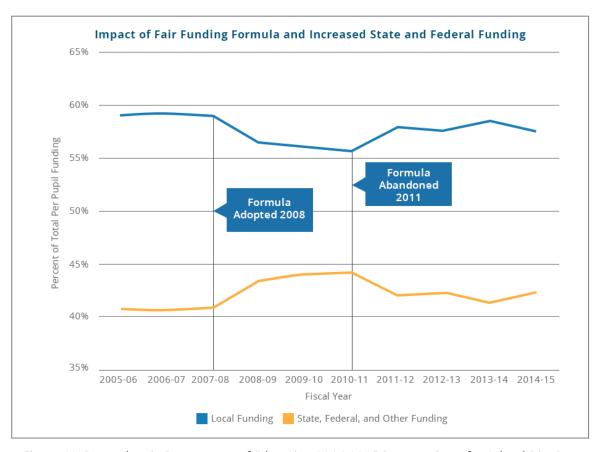


Figure 10, Pennsylvania Department of Education 2014-2015 Revenue Data for School Districts, Career and Technology Centers, and Charter Schools; Pennsylvania Department of Education 2014-2015 School and District Fast Fact Data

xiv Between 2008-2011, the funding formula still only applied to new money added to basic education spending in those years.

abolished and cuts were implemented in 2011.xv

Researchers from the University of Pennsylvania have concluded that with increased state funding, school funding in Pennsylvania became both more equitable and more adequate. They documented that between 1991 and 2001 the state experienced flat education funding, but that the period from 2001 to 2011 was characterized by increased state expenditures and concluded that, as a result, "Pennsylvania's districts were more equitably and adequately spending educational resources by the end of the second decade period compared to the end of the first period."<sup>86</sup>

Unfortunately, when the formula was abolished in 2011 and significant cuts were implemented, much of the progress made under the old formula was undone. Yet, this brief period demonstrates that progress *can* be made if Pennsylvania's leaders commit to increased funding for education, sustained and predictable revenue, and targeted spending based on student and district needs.

#### **Next Steps: Funding Education Adequately**

Taken together, this body of research highlights the structural inequities governing the lion's share of state education aid.

Even the best funding formula cannot correct inequities if it is not actually used to distribute the bulk of school funding. Other states, including Rhode Island, Louisiana, and Mississippi have phased out inequitable practices gradually over time to ultimately eliminate them, while also implementing new funding formulas.<sup>87</sup> The Basic Education Funding Commission's final report suggested such a phased plan as one of several options for implementing Pennsylvania's new formula. This option suggested applying the new formula to an additional 10 percent of existing funding per year over the course of 10 years to buffer districts that currently receive more state aid than the funding formula distribution would suggest.<sup>88</sup> Modifying the practice of hold harmless in order to apply the current funding formula to greater portions of the state's education aid would help remedy these imbalances by directing scarce resources to the districts which need the most help.

However, this alone is not enough to solve Pennsylvania's school funding crisis. **Even if the formula were applied to all existing funding, the new system would not provide an adequate level of funding that satisfies the General Assembly's constitutional obligation absent a sustained increase in the funding level**. In other words, the formula provides no means for ensuring that each district has sufficient revenues to provide students an opportunity to receive a quality public education.

Pennsylvania needs a sustained investment over multiple years to achieve adequate levels of education funding. As noted above, a recent analysis by the Public Interest Law Center indicates that school districts collectively may require between \$3-\$4 billion in additional state aid to reach adequacy.<sup>89</sup>

The General Assembly continued to use the funding formula in 2009 and 2010, both to calculate the size of the state appropriation and the distribution to school districts. During these two years, basic education funding grew by approximately \$300 million in 2009 and \$355 million in 2010. The Commonwealth, however, relied heavily on federal stimulus money under the American Recovery and Reinvestment Act ("ARRA") to fund this increase and to replace state-raised revenue previously appropriated to education. By the time the federal stimulus money expired in 2011, the Commonwealth had substituted federal funds for \$480 million in state revenues for basic education. At that time, Pennsylvania ranked 46th among all states with regard to the state share in funding education. While Pennsylvania appropriated approximately 34% of the cost of K–12 education, other states averaged a contribution rate of 45%. In 2016, Pennsylvania adopted a new basic education funding formula, but only a small percentage of the total basic education funding goes through it and only time will tell how this change will affect the situation going forward.

#### VI. Conclusion

Pennsylvania's school funding system does not deliver on the promise embedded in our state Constitution.

Inequities in the current system make it impossible to allocate scarce resources to districts which serve the students with the most need. Compounding the problem, current state aid is insufficient to provide adequate funding to districts.

It will take years of sustained and fair investment to turn the tide and begin to provide all children in Pennsylvania with the education system to which they are entitled.

While the General Assembly has taken a step toward equity and adequacy with the adoption of a new funding formula to guide the distribution of future increases in state aid, the bulk of education funding is still being distributed in ways that cement inequality, deepen racial disparities, and prevent students in poorer school districts from receiving the resources they need to succeed in the classroom.

At the same time, the total amount of state aid allocated by the General Assembly is not enough to meet the needs of all Pennsylvania children and perpetuates a system that disproportionately disadvantages students of color and students living in poverty.

Because fair funding must address both equity *and* adequacy, the General Assembly should build on the newly adopted formula by using it as a tool to distribute increasing amounts of state aid. At the same time, the state must carry out its statutorily mandated duty of calculating districts' funding adequacy gaps to guide a series of substantial funding increases over a number of years and finally satisfy Pennsylvania's constitutional obligations.

In order to achieve both equitable and adequate school funding, we need a significant new investment to meet the needs of individual districts and students. This is the only way to ensure that all of Pennsylvania's children have the opportunity to meet state standards and obtain the skills and knowledge they need to participate in today's world. This is the action that can heal the racial inequities that plague our state and undermine our success. And this is what is required for "the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

In the absence of adequate funding, Pennsylvania will never meet our Constitution's promise to our children and will continue to perpetuate a broken system that excludes hundreds of thousands of our most vulnerable students, particularly children of color, from receiving the quality education they deserve.

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#### Philadelphia

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