

Status of K-12 Funding Reform in Pennsylvania

EPLC Education Finance Symposium

Presented by Ron Cowell

Harrisburg

November 18, 2010

□ PUBLIC K-12 SPENDING

CURRENT EXPENDITURES PER STUDENT - 2007-08

	2007-08		1991-92	
	<u>Amount</u>	<u>Rank</u>	<u>Amount</u>	<u>Rank</u>
	<u>Per Pupil Amounts for Current Spending</u>			
US	\$10,259	---	\$5,001	---
PA	\$12,035	12th	\$6,050	6th

Source: US Census Bureau – June 2010

□ PUBLIC K-12 SPENDING

CURRENT EXPENDITURES PER STUDENT - 2007-08

Compared to contiguous states, spending in Pennsylvania was far below average and ranked 5th in a group of seven states, exceeding only Ohio and West Virginia, but trailing Delaware, Maryland, New Jersey and New York.

• Pennsylvania	\$12,035
• National	10,259
• Delaware	12,253
• Maryland	12,966
• New Jersey	16,491
• New York	17,173
• Ohio	10,173
• West Virginia	9,852

Source: US Census Bureau – June 2010

SO WHAT'S THE PROBLEM?

□ INCREASING EXPECTATIONS and CONSEQUENCES for STUDENT ACHIEVEMENT

- **State Academic Standards Adopted**
- **NCLB (All proficient by 2014)**
- **State Requirement to Show Proficiency for Graduation beginning in 2004**
- **Implications for Higher Ed/Employment**
- **Governor's Commission on College and Career Success Recommendations**
- **Future State Graduation Requirements**
- **Globalization and "Flat World"**

**❑ GOAL OF 50% STATE
SHARE ABANDONED (1983)**

**❑ STATEWIDE ED FUNDING
FORMULA ABANDONED
(1991)**

□ SPECIAL EDUCATION FUNDING

- **State paid 100% excess cost until 1991**
- **New formula as of 1991-92**
- **Assumes 1% and 15% incidence rates**
- **No consideration of district costs or wealth**
- **In 2005-06, more than \$1 billion of school district expenditures non-reimbursed**

□ CHARTER SCHOOLS

- * **Approved by district or state appeal board**
 - **No limit on number in state**
 - **Cost borne by local districts**
- **Law assumes some savings to districts**
 - **More than half-billion annual cost to districts**
- **Since 2002-03, state will pay up to 30%**
 - **Cyber charter schools**

□ STATE/LOCAL SHARES

for Elementary/Secondary Public Education

	<u>State Share</u>		<u>Local Share</u>	
	<u>PA</u>	<u>National</u>	<u>PA</u>	<u>National</u>
2007-08	35.8%	(48.3)	56.8%	(43.7)
2006-07	36.2%	(47.6)	56.5%	(43.9)
2005-06	<u>35.0%</u>	(46.6)	<u>57.1%</u>	(44.4)
2004-05	35.6%	(47.0)	56.2%	(43.9)
2003-04	35.9%	(47.1)	56.1%	(43.9)
2002-03	36.7%	(49.0)	55.8%	(42.7)
2001-02	37.4%	(49.4)	55.3%	(42.8)
2000-01	37.3%	(49.9)	56.3%	(43.0)
1999-00	37.9%	(49.8)	55.8%	(43.1)
1998-99	38.3%	(49.5)	55.8%	(43.6)
1997-98	38.7%	(49.0)	55.5%	(44.4)
1996-97	39.2%	(48.8)	55.4%	(44.8)
1995-96	39.8%	(48.1)	54.8%	(45.5)
1994-95	40.0%	(47.5)	54.8%	(46.0)
1993-94	40.1%	(45.9)	54.5%	(47.6)
1992-93	39.9%	(46.4)	54.2%	(47.0)
1991-92	41.0%	(47.3)	53.3%	(46.2)

Source: US Census Bureau – June 2010
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□ STATE/LOCAL SHARES

for Elementary/Secondary Public Education
2007-2008

	State Share %	Local Share %
• Pennsylvania	35.8	56.8
• National	48.3	43.7
• Delaware	63.0	30.7
• Maryland	42.0	52.6
• New Jersey	41.3	54.9
• New York	45.4	48.7
• Ohio	44.1	49.0
• West Virginia	58.1	21.1

Source: US Census Bureau – June 2010

1% in PA in 2006-2007 = approximately \$240 million

\$3.0 billion increase needed in 2007-2008 to get PA to national average

□ PUBLIC K-12 REVENUE PER \$1,000 PERSONAL INCOME

Source: US Census Bureau 2009

	<u>2006-07</u>		<u>1991-92</u>	
	<u>Amount</u>	<u>Rank</u>	<u>Amount</u>	<u>Rank</u>
US - Total	\$50.72	---	\$48.87	---
PA - Total	\$53.09	17th	\$49.98	27th
US Local	\$22.37	---	\$23.25	---
PA Local-	\$30.25	3rd	\$27.24	13th
US State	\$24.12	---	\$22.43	---
PA State-	\$18.85	41st	\$20.25	36th

Differences to 100% come from federal sources.

□ STATE FUNDING APPROPRIATED PER STUDENT

Source: US Census Bureau June 2010

	2007-08		1997-98		1991-92	
	State \$ per pupil	Rank	State \$ per pupil	Rank	State \$ per pupil	Rank
US	5,805	---	3,473	---	2,661	---
PA	5,232	31	3,186	32	2,775	18
DE	9,097	5	5,311	4	4,137	4
MD	6,503	16	3,026	34	2,516	22
NJ	7,618	9	4,196	8	4,060	5
NY	8,813	6	3,855	16	3,290	9
OH	5,606	27	2,999	35	2,228	33
WV	6,616	19	4,485	6	3,603	6

□ RESULT: 2006-07 BURDEN ON LOCAL PROPERTY TAXES

	<u>Total K-12 State-wide Revenues</u>	<u>Local K-12 Property Taxes</u>	<u>% from Prop Taxes</u>
US	\$556,860,590	\$155,329,981	27.89%
PA	\$24,203,543	\$ 10,558,344	43.62%

in 000's

Source: US Census Bureau - 2009

15.7% Difference = more than \$3.8 billion/year

□ RESULT: INEQUITY FOR STUDENTS ACROSS PA

Great Inequity for Students Among 501 Districts (as of 2007)

In 2006-07, current spending per pupil in Pennsylvania school districts ranged
from \$7,252 to \$18,945

This means, in an average classroom of 25 students, a gap of almost \$300,000 per classroom per year.

**Inequitable and Inadequate Resources in a NCLB and Standards-Based Environment with
Equal Expectations for All Students**

□ RESULT: INEQUITY FOR TAXPAYERS ACROSS PA

**Great Discrepancies in Local Effort
and Resultant Burden on Local
Taxpayers**

□ RESULT: INADEQUATE EDUCATIONAL RESOURCES IN MANY DISTRICTS

- **Qualified Teachers**
- **Class Size**
- **Early Ed/Kindergarten Programs**
- **Curriculum**
- **Books, Computers and Materials**
- **Labs, Foreign Languages, Honors/AP Courses**
- **Facilities not conducive to learning**

□ ACKNOWLEDGE

SOME PROGRESS in 2003-2007

- **State Funding for Pre-School started**
- **Basic Subsidy line item increased**
- **Attention to “Foundation” funding**
- **Accountability Block Grants initiated**
- **School districts reimbursed 27% for charter school payments**

BUT.....

- **State share and state appropriations per student remained far below the national average**
- **Dependency on property taxes remained, with resultant inequity and inadequacy**
- **No development of a “system”**
- **Re-negotiating basic elements such as growth every year**

□ WHAT IS WRONG WITH THE CURRENT PA FUNDING SYSTEM

- **State Share in bottom five in nation**
- **State Appropriations Per Student below national average**
- **Disproportionate share of state funds are withheld from poorer districts**
- **Therefore, districts too dependent on Local Wealth & Property Taxes**
- **Therefore, great Inequity and Inadequacy among 501 school districts (500 as of 2009)**

□ WHAT IS WRONG WITH THE CURRENT PA FUNDING SYSTEM

- We have had a “Non-System” and there has been no attention to development of a statewide “system” of education funding**
- State Government has had no sense of obligation to students or to honor a commitment to a funding formula**
- Annual K-12 Funding had been based on political considerations rather than educational**
- Advocates had to re-negotiate basic funding elements such as growth in enrollments every year**

□ POLITICAL CHALLENGES TO OVERCOME

- **No relief from state courts**
- **Many think schools already spend too much**
- **Many think Pennsylvania taxes are high**
- **Pennsylvania's difficult fiscal condition**
- **Many PA legislators oppose any tax increase**
- **Political support for tax cuts/caps**

□ POLITICAL CHALLENGES TO OVERCOME

- **“Bring home the bacon” expectations**
- **“Printout” focus of lawmakers**
- **Tension of “what works” vs “local control”**
- **No accountability for state lawmakers on this issue**
- **Funding advocates ineffective in delivering a compelling message**

□ ADEQUATE FOR WHAT?

***The Expectations for Student Performance
Established by PA's Academic Standards***

***The Expectations of No Child Left Behind
Law and Related Policies***

□ 2007 COSTING-OUT STUDY

- **Mandated by General Assembly in 2006**
- **Commissioned by State Board of Education**
- **Conducted Augenblick & Palaisch**
- **Reported in November 2007**
- **Cost of all students accomplishing proficiency in all areas of standards**
- **Considered special ed, poverty, ELL, regional costs**
- **Identified district-by-district a total spending gap of \$4.6 billion**

□ NEW 2008 BASIC FORMULA

- Calculate adequacy target for district:
\$8,355 + poverty, ELL, regional costs
- Minus actual spending = **adequacy gap**
- Determine state share of adequacy gap
based upon aid ratio and district's existing
tax burden
- **With 3.0% Hold Harmless in 2008-09**

□ NEW BASIC FORMULA IN 2008-2009

- **Linked to Costing-Out Study**
- **But does not include Special Ed**
- **Plan to increase State Funding by \$2.6 billion over 6 years**
- **Gets state share to 44% in 6 years**
- **Changing “culture” to one of what is owed the districts and students.**

□ 2008-09 Education Budget

- **New Formula**
- **\$275 million increase in Basic Ed Funding**

□ ACCOUNTABILITY

- **Districts receiving basic ed increase in 2008-09 above Act 1 inflation index must spend portion above index on “proven school improvement strategies”**
- **Districts identified as Warning, Improvement or Corrective Action & districts with a school identified for improvement or Corrective Action must have PDE approval for use of resources above inflation index**

□ 2009-10 Education Budget

- **New 2008 Formula used again.**
- **First time cut in state funding for Basic Ed Subsidy (\$354 million).**
- **Use of \$654 million federal stimulus funds for Basic Ed Subsidy.**
- **Therefore... \$300 million net increase for Basic Ed Subsidy to school districts.**
- **No increase for Special Education.**
- **No increase for higher education (\$72 million of stimulus funding used to maintain level funding).**
- **Cuts to other education and education-related line items.**

□ 2010-11 Education Budget

- **New 2008 Formula used again.**
- **The 2010-11 State Budget provided for a net increase of \$250 million for the state's Basic Education Subsidy to school districts.**
- **\$654 million of federal stimulus used again for basic subsidy.**
- **The increase was reduced to \$200 million due to less than expected Federal funding for FMAP.**
- **No increase for special education.**
- **No increase for higher ed & PHEAA grants reduced.**
- **Cuts to other education and education-related line items.**
- **Legislature failed to adopt Marcellus Shale tax, so additional cuts may be needed.**

Pennsylvania School Funding Campaign

Successful Schools...

Successful Children...

Successful Communities

www.paschoolfunding.org

□ PSFC

MAJOR ACCOMPLISHMENTS

- **Successful completion of the Pennsylvania Costing-Out Study.**
- Mandated by the General Assembly, Received and publicly released by the State Board of Education on 10/14/07.
- Release was preceded by significant statewide media coverage building anticipation and demand for follow-up.
- Report provided important information for the first time about the costs related to achieving the objective of 100% of students accomplishing the proficiencies expected by the state's academic standards.
- The reaction to the Report by state policymakers, the media and education organizations was generally positive.

□ PSFC

MAJOR ACCOMPLISHMENTS

- **The initiation and on-going work of the Pennsylvania School Funding Campaign.**
- More than 20 statewide education and advocacy organizations resolved to work as a coalition to develop a funding proposal based on the anticipated Costing-Out Report in November 2007.
- Endorsed and presented to the PA Secretary of Education a specific school funding proposal in December 2007.
- The Pennsylvania School Funding Campaign and its school funding proposal were announced on 1/23/08.
- An unprecedented coalition of organizations working together on behalf of school funding reform.

□ PSFC

MAJOR ACCOMPLISHMENTS

- **Major School Funding Proposal made by Governor Rendell in 2008.**
- Governor included major school funding proposal as part of his Budget Message on 2/5/08.
- Proposal would establish a new school funding system, and implement and fund it with an annual increase of state funding of \$2.6 billion at the end of six years.
- In March 2008, PSFC endorsed the Governor's proposal and suggested four recommendations to strengthen the proposal.
- The Campaign worked to build public and legislative support for enactment of the Governor's proposal and suggested improvements throughout the budget process.

□ PSFC

MAJOR ACCOMPLISHMENTS

- **Budget and Statutory Language Enacted in July 2008.**
- Increased basic education funding by \$275 million – the largest dollar increase in at least two decades;
- Used a new education funding formula based upon the 2007 Costing-Out Study; and
- Stated that “In furtherance of the General Assembly’s long-standing commitment to providing adequate funding that will ensure equitable state and local investments in public education and in order to enable students to attain applicable federal and state academic standards, it is the goal of this Commonwealth to review and meet state funding targets by fiscal year 2013-2014.”

□ PSFC

MAJOR ACCOMPLISHMENTS

- **2009-10 State Budget Continues Implementation of 6-Year Reform Plan**
- The 2009-10 State Budget provided for a net increase of \$300 million for the state's Basic Education Subsidy to school districts, with distribution based upon the new formula approved in 2008.
- Formula was tweaked as requested by PSFC.
- PSFC continued to play a major advocacy role to accomplish the funding reform progress made with the most recent state budget.

□ PSFC

MAJOR ACCOMPLISHMENTS

- **2010-11 State Budget Continues Implementation of 6-Year Reform Plan**
- The 2010-11 State Budget provided for a net increase of \$250 million for the state's Basic Education Subsidy to school districts, with distribution based upon the new formula approved in 2008.
- The increase was reduced to \$200 million due to less than expected Federal funding for FMAP.
- PSFC continued to play a major advocacy role to accomplish the funding reform progress made with the most recent state budget.
- The Campaign held briefing sessions with four of the six major gubernatorial candidates.

□ Looking Ahead to 2011

- **Loss of federal stimulus funds a major challenge in 2011-12.**
- **Pension funding spike ahead.**
- **State still coming out of recession.**
- **Candidate Corbett promised no increase in taxes or fees.**
- **EduJobs Federal Funding not yet re-appropriated by PA Legislature.**
- **Special Education Funding.**

□ Stimulus Funds for Education

- **Special Education**
- **Title I**
- **Stabilization Fund**
- **EduJobs**

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