



A Necessary First Step: Governor Wolf's Proposal to Provide Adequate and Equitable Funding of Pennsylvania Schools

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Introduction

It is well known that Pennsylvania's K-12 schools are inadequately and inequitably funded. But the extent of the problem is not fully understood. This paper uses new data and methods to demonstrate just how unfair—and in fact, morally unsustainable—the funding of elementary and secondary education is in the Commonwealth. And it shows that the proposal put forward in Governor Wolf's 2021-2022 Executive Budget, or something much like it, is a necessary first step toward reforming the shameful way K-12 schools in Pennsylvania are funded.

The origins of the deep inadequacy and inequity in school funding go back decades.¹ For the purposes of this paper we can divide the source of the problem into two parts.

First, the state share of funding of K-12 schools has been declining since the early 1970s under Democratic and Republican governors—[but it is mostly a result of Republican control of the General Assembly](#). As Figure 1 shows, in the early 1970s the state covered 54% of the actual instructional expenses of our schools—that share has declined to 33%.

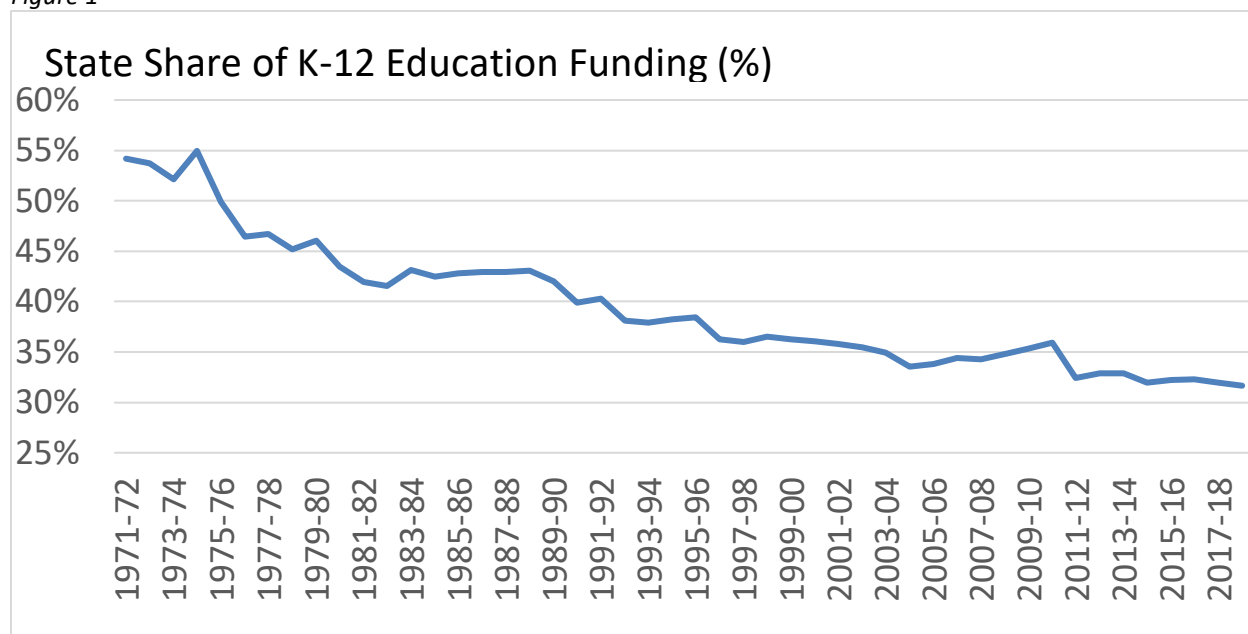
Declining state funding contributes to inadequate spending in a few ways. First, because in almost all districts, the members of local school boards are elected by taxpayers, in all but the wealthiest communities they are reluctant to raise local taxes. This unwillingness to raise taxes is compounded by the impact of increasing school taxes on local economies. We have long argued that tax rates play a far smaller role than is usually imagined in businesses' decisions to invest in one community or another. Businesses typically are far more concerned with whether the communities can supply the educated and trained workers they need and whether the region has the transportation and communication infrastructure to deliver their products and to secure the materials and services they need to produce their own goods and services. But tax considerations become more important when businesses choose between a few nearby communities. And most schools in the 500 school districts in Pennsylvania are geographically small, thus offering businesses a choice to locate in low tax rate school districts without losing the benefits of locating in a certain geographic area.²

¹ An overview of the state support for K-12 education can be found in Janice Bissett and Arnold Hillman, *The History of School Funding in Pennsylvania, 1782-2013*, The Pennsylvania Association of Rural and Small Schools, 2013.

² Two works that emphasize that tax rates become far more important to businesses' location decisions, the smaller the municipal jurisdictions are: Paul Peterson, *City Limits*, University of Chicago Press, 1981 and James O'Connor, *The Fiscal Crisis of the State*, St. Martin's Press, 1973.

For these reasons, Pennsylvania’s over-reliance on local school districts to fund schools also leads to great disparities between school districts, based on the income and wealth of the community in which those school districts are found. Pennsylvania has a greater disparity in school spending than any other state. Affluent districts spend 33% more per pupil than the state’s poorest districts.³ Assuming a class size of 33 students, the data we present below suggest that the wealthiest school districts are spending \$94,427 more *per classroom* than the lowest-spending districts.⁴ As we shall see, these inequities also have a racial dimension, as schools primarily attended by Black children are funded at lower levels than those attended by white children.

Figure 1



Source: Pennsylvania Budget and Policy Center based on Pennsylvania Department of Education Data

The impact of decline in the state share of funding for K-12 education on inequity in school funding is compounded by a second problem—for decades, the state has been funding local school districts with little regard to the varying needs of those districts or the students who attend schools in them.

The Commonwealth of Pennsylvania attempted to fairly distribute state aid to its 500 local school districts in only three of the 21 years between 1993 and 2014. Only between 2008 and 2010, under Governor Rendell, was state aid distributed according to a formula that aimed to invest more in the school districts that needed the most state aid. And then, Governor Corbett and the General Assembly abandoned this funding plan in 2011 and cut \$1 billion in state funding for K-12 school districts, which resulted in deep cuts in local school programs, the loss of 27,000 employees in school districts, and sharp increases in local property taxes. Governor Corbett and the General

³ Data from the National Center for Education Statistics found at https://nces.ed.gov/edfin/Fy11_12_tables.asp. Also see https://www.washingtonpost.com/news/local/wp/2015/03/12/in-23-states-richer-school-districts-get-more-local-funding-than-poorer-districts/?utm_term=.54a7f95dfead.

⁴ <http://paschoolswork.org/>.

Assembly deliberately chose to most deeply cut funding to school districts in Southeastern PA and in the small cities around the state with a high share of Black and Hispanic students and students from low-income homes.

Aside from three years under Governor Rendell, between 1993 and 2016, the state made little effort to systematically adapt funding distribution to changes in the number of students in each school district, the needs of those students, the ability of school districts to raise funds locally, or the effort they made to raise those funds. In most of those years, state funds for school districts were typically distributed as they were the year before, with new funds and some adjustments to older ones, made in response to the demands of powerful state legislators or the governor. Legislators that represented districts which a large share of students from low-income homes or with a large share of Black or Hispanic students rarely had the political influence to secure higher levels of funding for the school districts they represented.

We turn now to the striking evidence of the decades of neglect of both adequacy and equity in school funding in Pennsylvania.

Inadequacy and Inequity in K-12 School Funding in PA

In this section of the policy brief, we document the inadequacy and inequity of school funding in the state. We measure the adequacy of funding by looking at the gap in per-student spending in school districts between what they spent in 2019 and what they should spend according to a 2020 update to the “Costing-Out Study” carried out by Augenblick, Palaich and Associates (APA) at the request of the State Board of Education pursuant to the bipartisan Act 114 of July 2005. The goal of the study was to “arrive at a determination of the basic cost per pupil to provide an education that will permit a student to meet the state's academic standards.”⁵ As required by Act 114, APA used a number of standard methods to carry out the study, including

- the successful school district approach (determination of a base cost from current spending by successful districts).
- the professional judgment approach (determination of the resources identified as necessary by panels of Pennsylvania educators, with adjustments for district size and special needs students).
- the evidence-based approach (academic research and responses to it by Pennsylvania educators and other citizens).
- the cost function approach (statistical analysis of spending and performance data).

[The APA Costing-Out Study](#) was released in December 2007. The results of the study were updated to take account of inflation in education costs in 2020 by Professor Matthew Kelley of the Penn State College of Education.

⁵ State Board of Education, [Education Costing-Out Study](#), accessed April 4, 2021.

The following charts divide school districts into four groups, each of which contain school districts that include one-quarter of the K-12 students taught in the Commonwealth.⁶ The groups vary depending on the share of students who are Black or Hispanic or who live in households with incomes under the poverty line. For each group, we give the average per-student funding gap; that is the average difference between the per-student cost of giving students in these school districts an adequate education and the current per-student spending in these school districts.⁷

Figure 2 presents the funding gap for school districts grouped by the share of households living in poverty. School districts with the highest share of households living in poverty have a funding gap of \$3,167 per student. School districts with the next highest share of households living in poverty have a funding gap of \$1,429 and the funding gap for the third group is \$573. School districts with the lowest share of households living in poverty have a funding gap of \$305 per student.

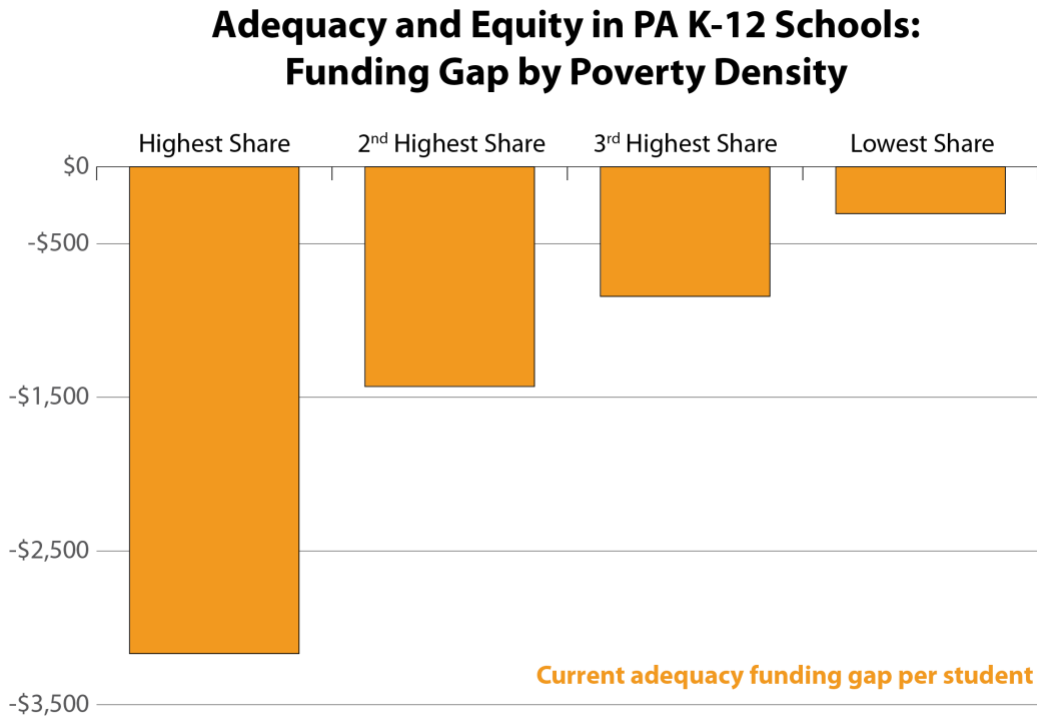
While the average funding gap for school districts with the lowest share of students living in poverty is negative, some of those school districts do have an adequate level of funding. But in the state as a whole, only 79 of 500 school districts, or about 16% of school districts, have an adequate level of funding.⁸ A bit more than 84% of school districts, which include some with a low share of students living in poverty, spend too little to provide an adequate education to their students. But the gap between the level of funding needed to provide an adequate education and what is actually provided is far greater for school districts located in communities with a higher share of households living in poverty.

⁶ Note that the four groups do not include the same number of school districts because the student population in school districts varies considerably. So these data are not comparable to data found in our analyses of school district funding in past years, which divided all school districts into four quartiles of 125.

⁷ The estimates of the per-student cost of an adequate education adequacy were provided to us by the Public Interest Law Center, which hired Dr. Kelly to update the APA Costing-Out Study. The calculations of the per-district funding gap, as well as our estimates below of the impact of Governor Wolf's proposal to reform state funding of K-12 education, were produced by Eugene Henninger-Voss with the KRC-PBPC PA K-12 Education Funding Model. Details about the model are available from the Keystone Research Center and PA Budget and Policy Center.

⁸ Fund Our Schools PA, [Summary of the Expert Report by Dr. Matthew Kelley](#), Fall 2020, accessed April 4, 2021.

Figure 2



Source: PBPC analysis of updated of updated costing-out study data provided by the Public Interest Law Center and school districts data provided by the State Board of Education.

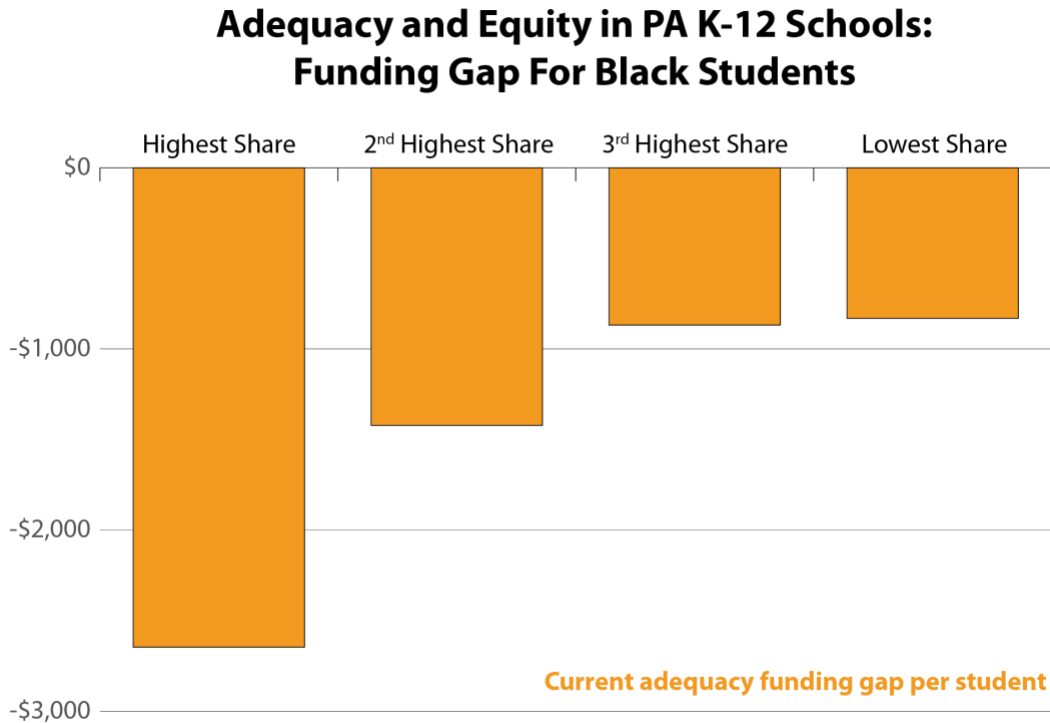
Figure 3 looks at the funding gap for school districts grouped by the share of Black students. School districts with the highest share of Black students have a funding gap of \$2,646 per student. School districts with the next highest share of Black students have a funding gap of \$1,422 and the funding gap for the third group is \$868. School districts with the lowest share of Black students have a funding gap of \$831 per student.⁹

Again we see that schools in all four categories do not, on average, spend enough to provide an adequate education. But the gap between the level of funding needed to provide an adequate

⁹ Close readers of the paper will note that while the funding for school district groups by the share of households in poverty is reduced in a linear fashion—that is, with the reduction in the gap being larger as the share of impoverished households goes up—that is not the case when we look at the percentage of the gap reduced for schools arranged by share of households in poverty as well as the share of Black students. The reason is that the school funding formula has a number of components, some of which drive more money to lower-income communities and one of which drives more money to communities with a higher proportion of students whose first language is not English. None of those components take the race of students into account. Given the various elements in the funding formula, we cannot expect that distribution of new funding would precisely track the funding gap though it does come fairly close.

education and what is actually provided is far greater for school districts with a larger proportion of Black students.

Figure 3



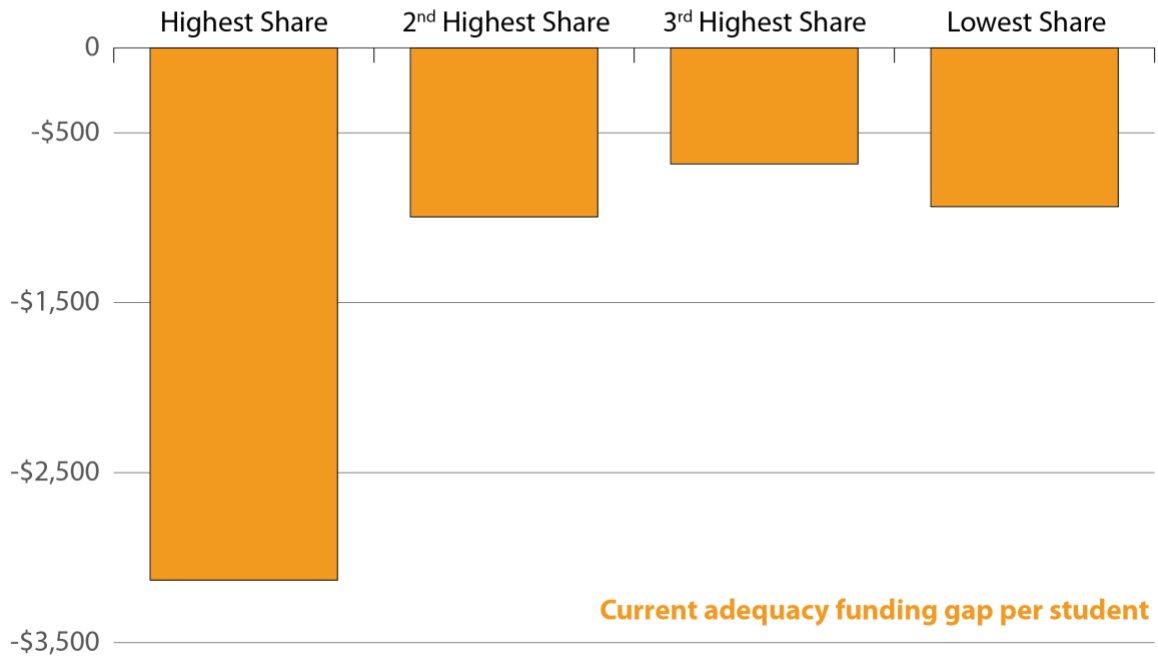
Source: PBPC analysis of updated costing-out study data provided by the Public Interest Law Center and school districts data provided by the Pennsylvania Department of Education.

Figure 4 looks at the funding gap for school districts grouped by the share of Hispanic students. School districts with the highest share of Hispanics living in poverty have a funding gap of \$3,132 per student. School districts with the next highest share of Hispanic students have a funding gap of \$995 and the funding gap for the third group is \$683. School districts with the lowest share of Hispanic students have a funding gap of \$935 per student.

Once again, schools in all four categories do not, on average, spend enough to provide an adequate education. But the gap between the level of funding needed to provide an adequate education and what is actually provided is far greater for school districts with a larger proportion of Black students.

Figure 4

Adequacy and Equity in PA K-12 Schools: Funding Gap For Hispanic Students



Source: PBPC analysis of updated costing-out study data provided by the Public Interest Law Center and school districts data provided by the Pennsylvania Department of Education.

Governor Wolf's Proposal

To address existing inequities in funding in Pennsylvania's schools, in 2015-2016 the General Assembly enacted a new method of distributing state aid to school districts, which is known as the *fair funding formula*. This formula requires all basic education funding added since 2014-15 to be distributed according to a formula that takes into account each district's distinct needs. This includes the number of students, the number of children living in poverty, the number of English-language learners, the overall wealth and income of district residents, and the "tax effort" made by each district. However, under what is called the "hold-harmless" provision, only basic education funds money added since 2014-15 is distributed through the formula, while the rest of basic education funding is distributed as it was in 2014-15.

Figure 6 below shows the portion of basic education funding that has gone through the fair funding formula and the portion that does not. In 2019-20, only 11% of total BEF funding was allocated using the formula. Basic education funding was flat funded in 2020-21 so there was no new funding for BEF.

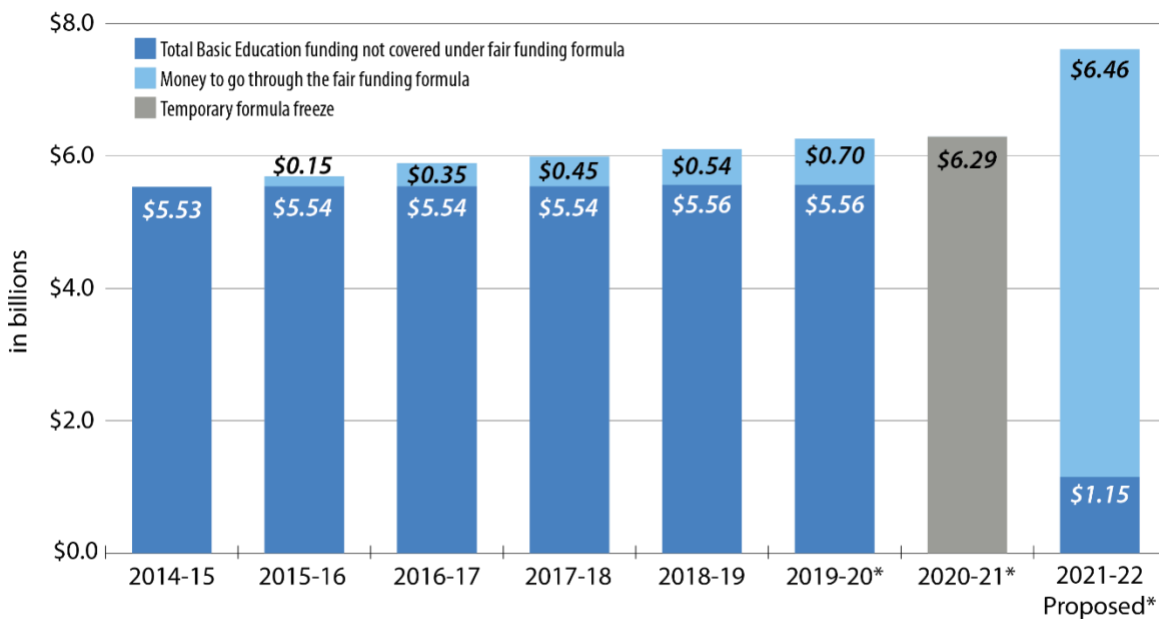
That only 15% of basic education funds are distributed through the formula severely limits the ability of the state to reduce the inequities in school funding. That so little new funds have been added to the BEF is why education funding remains inadequate for 84% of Pennsylvania school districts. (And much of the new funding has gone to help school districts pay additional pension costs required by the state.)

This year, Governor Wolf has put forward a major proposal to address both problems. He is calling for all basic education funds (BEF) provided last year, plus an additional \$200 million, to be distributed 100% through the fair funding formula (Figure 6). Since redistributing last year’s BEF funding through the fair funding formula reduces funding to some school districts, the governor also proposes to add an additional \$1.15 billion to basic education funding to ensure that no district gets less next year than this year. The net result is that 85% of Pennsylvania’s basic education funding would be distributed through the fair funding formula. This proposal would be a massive step forward, reducing both the adequacy and equity gaps in the funding of Pennsylvania’s K-12 schools.

Figure 6

In the Governor's Proposed 2021-22 Budget, 85% of Basic Education Funding Will Go Through the Fair Funding Formula, Up from 11% in 2019-20

The \$1.15 billion not going through the formula in 2021-22 is intended to ensure there are no negative funding impact



Note: The base amount (pre-formula money) changed slightly in 2015-16 and 2017-18 due to changes in the base allocation for certain school districts. For more information see the Pennsylvania Democratic House Appropriations Committee's report "Governor Wolf's 2019/20 Executive Budget Briefing." Also see Education Budget (pa.gov).

*In 2019-20, 2020-21, and 2021-22 the General Assembly combined the Teacher Social Security line item with Basic Education funding, increasing the BEF. We have reduced the enacted BEF total by that amount in order to make year-to-year accurate comparisons in state support for K-12 classroom spending possible.

Source: Pennsylvania Budget and Policy Center analysis of Governor Wolf's 2020-21 Executive Budget (February 4, 2020) and data downloaded on basic education funding from: <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Education%20Budget/Pages/default.aspx>

The Distribution of Funding Under Governor Wolf's Proposal

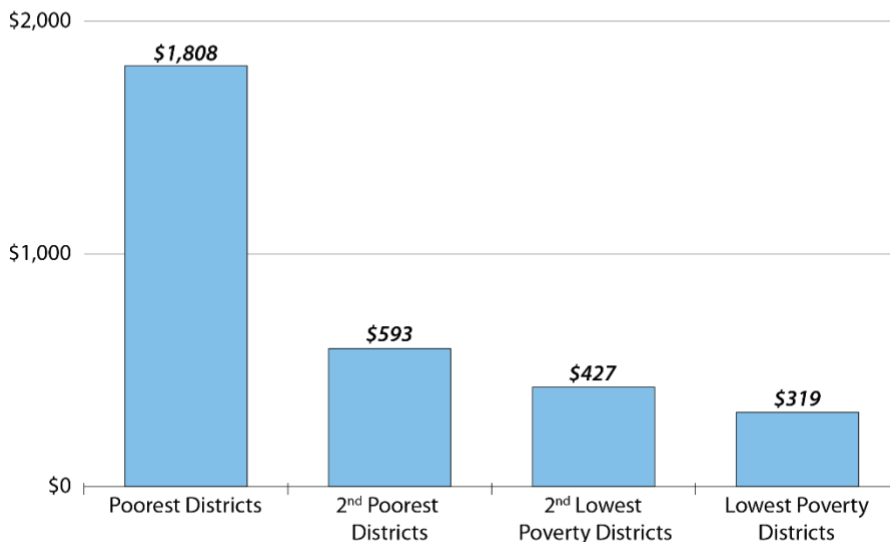
Governor Wolf's proposed state funding reform for education is meant to begin to correct the economic and racial inequities we have identified. The following three charts examine the impact of the governor's K-12 education funding on the equity of school funding based on three characteristics of school districts: their poverty rate, Black student share, and Hispanic student share. In our analysis with each variable, we divide school districts into four groups, each educating one-quarter of the K-12 public school students in the state. Our main finding is that the governor's proposal would dramatically increase the equity of school funding based on poverty and on the share of students of color in districts.

Starting with poverty rate, Figure 7 below shows that the poorest districts educating one-quarter of Pennsylvania K-12 students receive well over half of the funds (58%). This first group of districts with the highest poverty rates receives more than \$1,800 per student, whereas the other three groups all receive less than \$600 per student—a sizable increase, to be sure, but less than one-third per student of the amount going to the poorest districts.

Figure 7

Governor Wolf's Proposal Provides Most Funding to the Districts That Need It Most: Distribution Based on Poverty Rate

Increase in Funding per Student in Four Groups of Districts, Each Educating One Quarter of Public K-12 Students



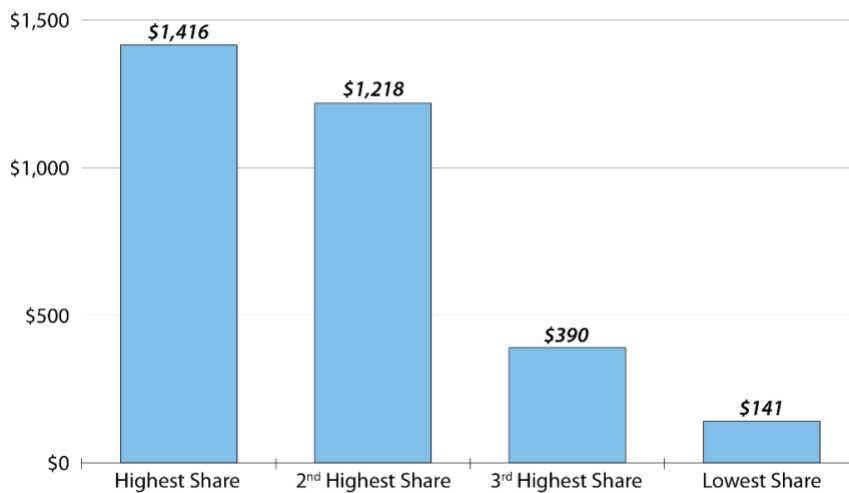
Source: Pennsylvania Budget and Policy Center analysis of Pennsylvania Department of Education data.

The next chart (Figure 8) shows that the group of districts with the highest share of Black students, many of them poor districts, would receive 45% of the increase in state funds under the governor’s proposal, while the group with the second-highest share of Black students would receive 38% of funds. Districts in these two groups would receive \$1,218 to \$1,416 more per student, more than three times as much as districts in the other two groups with smaller shares of Black students. Districts in the group with the greatest share of Black students would receive ten times as much funding as districts in the group with the smallest share of Black students.

Figure 8

Governor Wolf's Proposal Provides Most Funding to the Districts That Need It Most: Distribution Based on Black Share of Students

Increase in Funding per Student in Four Groups of Districts, Each Educating One Quarter of Public K-12 Students



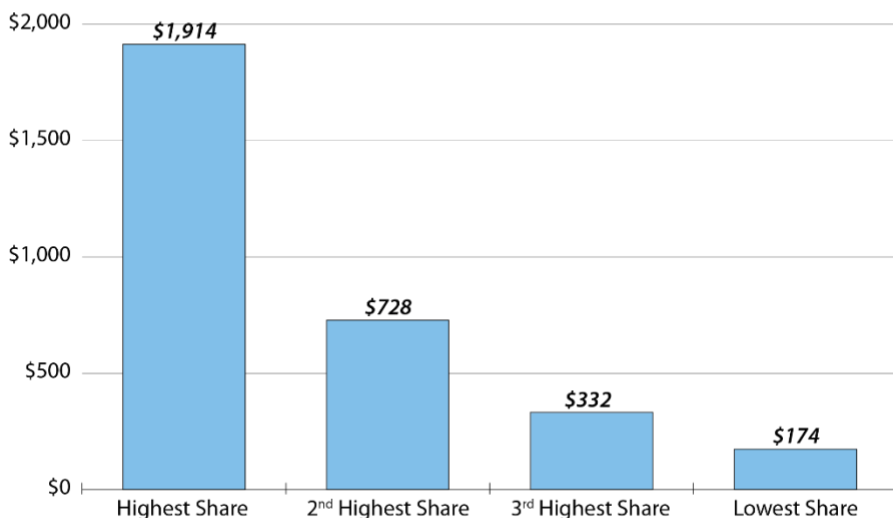
Source: Pennsylvania Budget and Policy Center analysis of Pennsylvania Department of Education data.

Districts with high shares of Hispanic students, who also concentrate in the poorest districts, also receive the most funds: 61% of funds go to the first group with the highest share of Hispanic students, \$1,914 per student (Figure 9). This compares with \$174 per student in districts with the lowest share of Hispanic students.

Figure 9

Governor Wolf's Proposal Provides Most Funding to the Districts That Need It Most: Distribution Based on Hispanic Share of Students

Increase in Funding per Student in Four Groups of Districts, Each Educating One Quarter of Public K-12 Students



Source: Pennsylvania Budget and Policy Center analysis of Pennsylvania Department of Education data.

The Impact of Governor Wolf's Proposal on School Funding

Given which school districts receive the lion's share of new funding under Governor Wolf's education proposal, we would expect that the funding gap for all schools we saw above would be reduced and that the reductions would be greater for school districts with a larger share of households living in poverty, as well as larger shares of Black and Hispanic students. Figures 10, 11, and 12 replicate the earlier figure portraying the funding gap for different school districts and show the impact of Governor Wolf's proposal. The funding gap for all school districts is reduced, with larger reductions coming in school districts with a larger share of households living in poverty, as well as larger shares of Black and Hispanic students. However, the funding gaps are not completely closed and economic, racial, and ethnic inequities still remain, albeit to a lesser degree.

Figure 10 looks at school districts grouped by the number of households living in poverty. Governor Wolf's proposal would reduce the funding gap for school districts with the highest share of households living in poverty from \$3,167 to \$1,615, a reduction of 49% or \$1,551 per student. For school districts with the second highest share of households living in poverty, the funding gap would drop from \$1,429 to \$1,044, a reduction of 27% or \$385 per student. For the third group,

the funding gap would drop from \$843 to \$573, a reduction of 32% or \$279 per student. And for school districts with the lowest share of households living in poverty, the funding gap would drop from \$305 to \$193, a reduction of 37% or \$112 per student.¹⁰

Figure 10

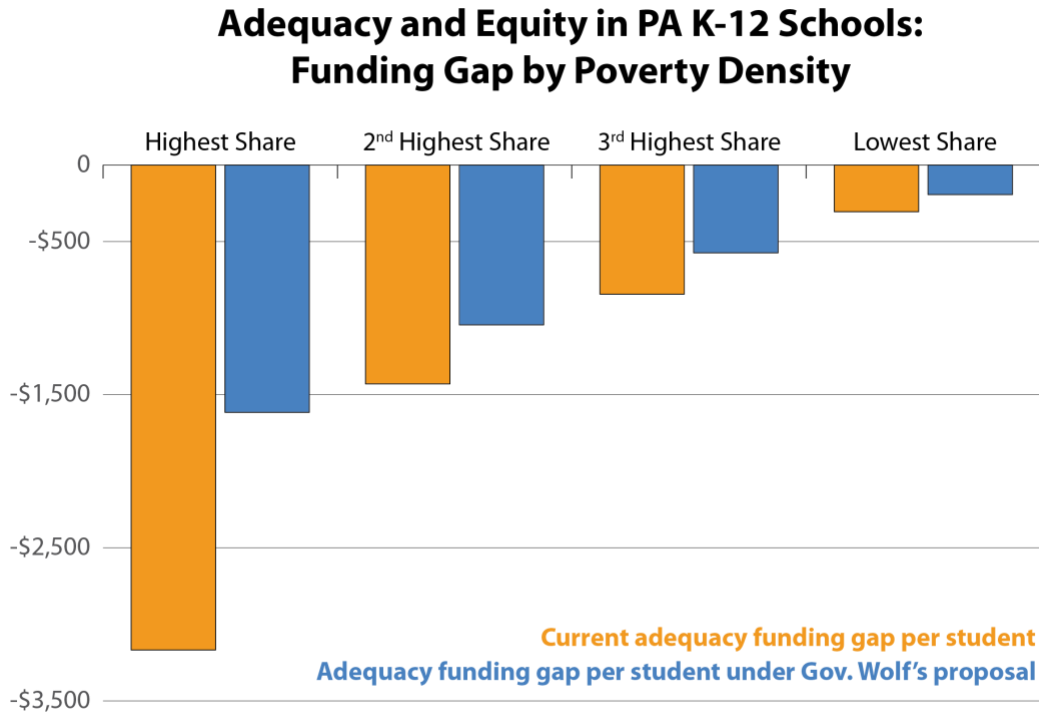


Figure 11 looks at school districts grouped by the share of Black students. Governor Wolf's proposal would close the funding gap for school districts with the highest share of Black students from \$2,646 to \$1,153, a reduction of 44% or \$1,153 per student. For school districts with the second highest share of Black students, the funding gap would drop from \$1,422 to \$578, a reduction of 59% or \$844 per student. For the third group, the funding gap would drop from \$868 to \$618, a reduction of 29% or \$250 per student. And for school districts with the lowest share of Black students, the funding gap would drop from \$831 to \$742, a reduction of 11% or \$89 per student.

¹⁰ Note that the reduction in the funding gap for each group of schools portrayed in figures 10, 11, and 12 does not equal the additional funding provided each of those groups as portrayed in figures 7, 8, and 9. The reason is that there are some school districts in each group that are so close to having an adequate level of funding that it does not take all the new funds provided under Governor Wolf's proposal to close the funding gap. In others words, any new state funding included in figures 7, 8, and 9 that creates a funding "surplus" are ignored in figures 10, 11, and 12. Some of the funding that puts school districts into "surplus" comes not from the state contribution but from the local contribution to school district funding.

Figure 11

Adequacy and Equity in PA K-12 Schools: Funding Gap For Black Students

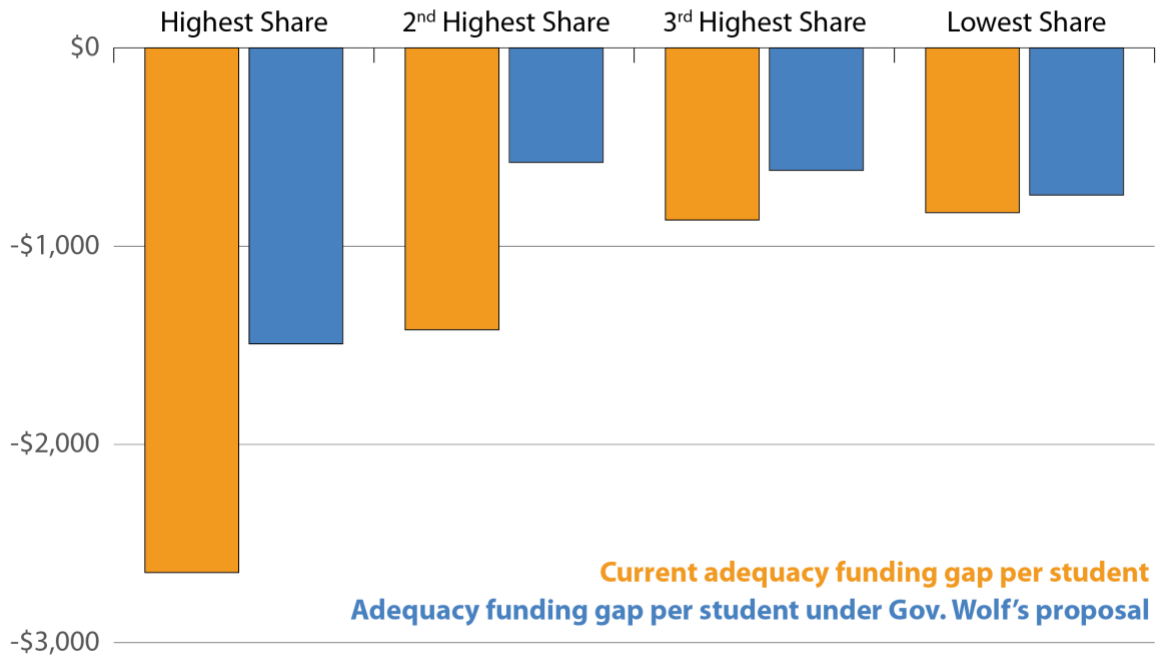
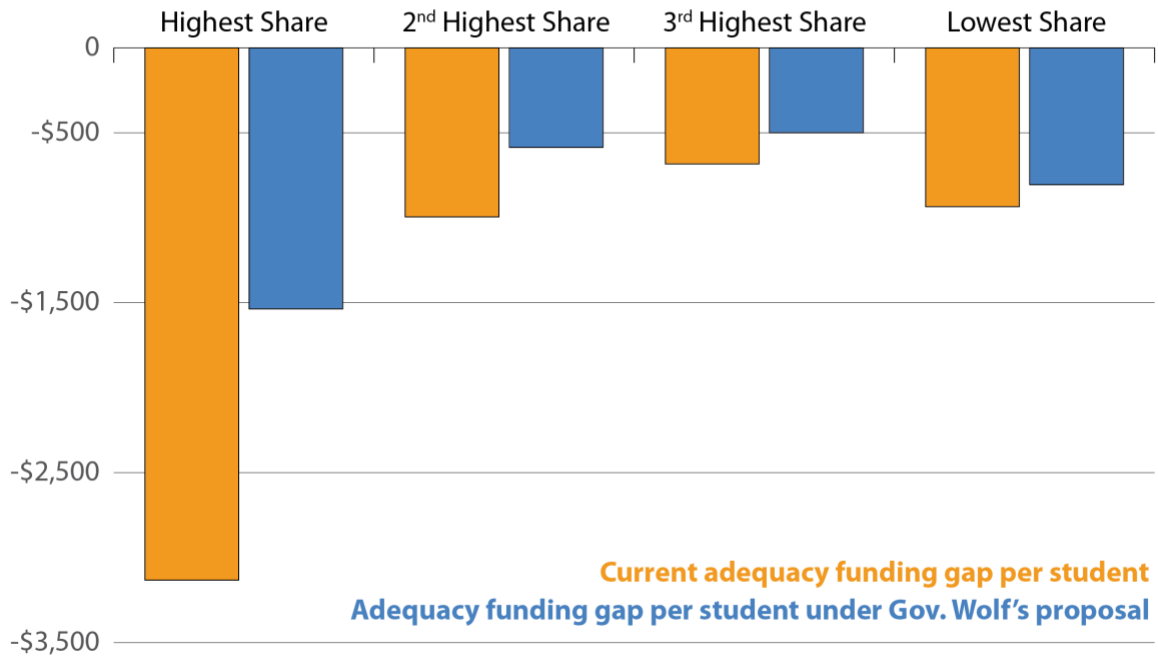


Figure 12 looks at school districts grouped by the share of Hispanic students. Governor Wolf's proposal would close the funding gap for school districts with the highest share of Hispanic students from \$3,132 to \$1,536, a reduction of 51% or \$1,596 per student. For school districts with the second highest share of Hispanic students, the funding gap would drop from \$995 to \$586, a reduction of 41% or \$409 per student. For the third group, the funding gap would drop from \$683 to \$499, a reduction of 27% or \$185 per student. And for school districts with the lowest share of Hispanic students, the funding gap would drop from \$935 to \$805, a reduction of 14% or \$130 per student.

Figure 12

Adequacy and Equity in PA K-12 Schools: Funding Gap For Hispanic Students



Conclusion

Governor Wolf's proposal for K-12 education funding for the fiscal year beginning July 1, 2021, is a major step forward in providing adequate and equitable funding for Pennsylvania's schools. However, it does not close the funding gap for most schools. Nor does it eliminate all of the economic, racial, and ethnicity-based inequities in school funding. It would, however, enable far more school districts to move significantly closer to providing an adequate education, while also substantially reducing economic, racial, and ethnicity-based inequities in school district funding. This proposal, or another one that attains the same goals, is a necessary first step towards relieving the moral stain of our unequally funded schools.

Governor Wolf's original proposal was to provide additional state aid to education with a reform to the Personal Income Tax. Given the \$7 billion in new funding provided to the state by the American Rescue Plan, no tax increase is now needed to put the governor's proposal into effect for at least two years. To continue basic education funding at the new levels called for, the governor would, however, eventually require an increase in state taxes. Especially if those increases fall primarily on the richest Pennsylvanians—as Governor Wolf's tax reform proposal or our Fair Share Tax proposal would accomplish—thus making Pennsylvania's tax system fairer, we see no serious objection to ultimately taking that step. Moreover, the inequity in school funding is so horribly unjust that we believe that eliminating it would justify even a regressive a tax.

Pennsylvanians with low incomes already pay state and local taxes at almost twice the rate of the top 1% of Pennsylvanians. At the very least, their taxes should provide their children with an education equal to that received by the children of the top 1%.

We understand that the Republican leadership of the General Assembly may be reluctant to embrace the governor's proposals, knowing that at some point they would have to increase taxes to fund it—or cut funding to school districts as was done under Governor Corbett.

But the inequity in how we fund our schools, not to mention inadequacy of that funding, has been a moral scandal for a long time. At a time when all of us in Pennsylvania and throughout the country have come to understand just how deeply embedded white supremacy is in our country, we simply do not understand how anyone with good will and a good heart cannot determine to take some action—whether by embracing the governor's plan or some alternative that attain the same basic goals—to eliminate a system of education funding in Pennsylvania that is clearly a product of racism and white supremacy. And to be clear, white supremacy is responsible in no small part for economic as well as racial inequity inequality in our schools. Here, as elsewhere, opponents to proposals to raise taxes on the well off in order to fund programs that provide equal opportunity for working people have been attacked implicitly or explicitly in racist terms, by those who falsely assert that these proposals mostly benefit Black and brown people. One does not have to spend much time in Harrisburg to hear Representatives and Senators talk about how they won't "raise taxes on their constituents in order to send money to schools in Philadelphia and Pittsburgh," even though proposals to make taxes more progressive, such as those Governor Wolf has put forward, actually cut taxes for most of their constituents. And when such implicit racism is not enough, there are legislators who say out loud what others are thinking.¹¹

Behind the numbers in this dry presentation are our children, children upon whom the future of our commonwealth country depend. The vast majority of those children—Black and brown children and children of all races and ethnicities who live in low-income communities—do not receive an education that enables them to make the best use of their God-given talents and abilities. The equality of opportunity that is central to our ideals—and that is embedded in the Pennsylvania Constitution's guarantee of an adequate education for our children—suffers. The future economy of Pennsylvania also suffers.

And most of all, far too many of our children suffer from this injustice. It is time for the General Assembly to take a major step toward addressing this horrible injustice and ensure that all of our children get the education they deserve.

¹¹ For example, former state senator and Republican chair of the Senate Education Committee John Eichelberger cast doubt on the abilities of students who come from "inner cities." Zach Hoopes, Sen. Eichelberger tackles education questions at town hall meeting, *The Sentinel*, February 16, 2017.