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The Education Funding Commission's Search for a Problem to Solve

Business leaders, government officials and educationists are pushing for fair and equitable funding for Pennsylvania schools. Ironically, one of the attendees and speakers at a Harrisburg kick off for a campaign for fair education funding was the Mayor of Pittsburgh whose school district spends over \$20,000 per pupil, almost \$9,000 of that from the state's coffers. The City is home to many of the poorest performing schools in the state, particularly the high schools. And, except for a few magnet schools with good performance, the bulk of the schools have deplorable academic achievement records.

The Governor's Education Funding Commission is charged with coming up with a more equitable education funding formula for the Commonwealth. But, as one looks at the issue of fairness in funding, one quickly discovers that the more likely agenda is finding ways to boost state education funding by substantial amounts. And the unfortunate reality is that the state's most severe education problem is the large number of its schools that are failing miserably to educate students adequately despite spending substantial sums of taxpayer dollars.

It is time we once and for all dispense with the argument that Pennsylvania's school funding formula is unfair and inequitable. To be sure, there are differences in total funding per student among school districts, with rich districts raising far more tax dollars locally and spending more per student than less well-off districts. But state funding, as we shall show, goes the other way with poor districts getting far more from the state than rich districts on a per student basis. As long as wealthy school districts with huge tax bases are able to levy local taxes to fund education, this situation will continue.

It is important to note that the differences in state funding per student are enormous with poorer districts receiving five to six times more dollars per student than wealthy districts. That is because the state allocates funds in a manner based heavily on the ability of districts to raise funds locally.

For example, in the 2012-13 school year, the state awarded Duquesne city schools \$14,264 per student or 78 percent of the district's total revenues (the Federal government added \$1,563 per student). Local funding amounted to only 14 percent of total. Meanwhile, the Upper Merion District in Montgomery County spent almost \$25,000 but received only \$2,120 per pupil in state funding (8.5%) with the bulk of its funding raised locally.

In fact, during the 2011-2012 school year—using the latest data on aid ratios posted by the Department of Education—the 50 districts receiving the highest per student state aid had an average state aid ratio of 0.7080, several above 0.8250. The state average ratio was 0.5510. The higher the ratio, the lower the income and assessed value of real estate per pupil in the district and

thus is inversely related to the ability to generate tax revenue to fund schools. These districts received an average of \$10,000 from the state with seven getting above \$11,000. The state average financial support was \$5,769. Meanwhile, the 50 districts receiving the lowest per student state aid had an average aid ratio of 0.2736, about a third of the districts getting the highest aid per pupil. These 50 districts got an average of only \$2,504 in state assistance.

To be sure the correlation of aid ratio to funding is not perfect with some outliers in each set of 50, but the overall tendency is strong and clear. The aid ratio system does greatly reduce what would otherwise be severe funding disparities. One other point needs to be made. There is a category of funding simply called “other” (not Federal dollars, those are accounted for separately) that is very large in some of the highest spending districts such as Newport that received \$14,000 per student in the 2012-13 school year. Several other districts got \$8,000 or more from “other” sources. That is one source of disparity that could be looked into.

Clearly, the aid ratios of market value of taxable real estate to the number of students and the ratio of personal income of the district to student count are strong indicators of capacity to fund schools but other factors weigh heavily in funding as well. There is little question that the number of students with learning difficulties is also a major factor. Then there are transportation funds that can vary by district along with building funding—that can vary considerably from year to year—property tax relief from gaming (using a needs based formula), and PA Accountability grants and a few others of generally small size and finally funding for pensions and social security. The latter are driven primarily by the size and compensation of payroll employment.

There is little doubt that special ed funding is highly correlated with basic ed allocations. The 50 districts receiving the largest per student (based on the entire student count) special ed funding in 2011-2012 got \$799 per student—three districts received over \$1,000 per student, far more than the PA average of \$570 per student. That means these districts have a considerably higher share of special ed students in their enrollment. At the same time, these 50 districts got over \$6,028 per student in basic ed funds, compared to the state average of just \$3,590.

At the other end of the school district funding list, the 50 districts with the lowest special ed funding got just \$377 per student, and only \$1,175 in basic ed funding, a sixth of the amount received by the 50 highest special ed funded districts. Thus, the correlation is very strong between basic funding that is driven by tax capacity measures and special ed funding that is driven by children with special needs. Poorer districts tend to have more special needs students.

The story in regards to school transportation funding by the state is similar but not quite as dramatic as the special ed situation. The 50 districts with the highest per student transportation funds received \$905 per student and got \$5,488 for basic ed. Eleven districts obtained over \$1,000 per student. Bear in mind that the average transportation funding for all PA districts was \$399 and that the PA average for basic ed was \$3,590.

Meanwhile, the 50 districts receiving the lowest transportation funding got \$105 per student and \$2,674 in basic ed funds. Again the correlation between transportation and basic ed funding is fairly close but there are outliers as this source of funds depends considerably on population density and the number of miles traveled by students to get to school. For example, Wayne Highlands receives only \$2,025 per student for basic ed but a hefty \$1,170 for transportation. On the other end of the range, the Reading, Sharon and York districts get less than \$70 per student in transportation money but receive around \$6,000 in basic ed funds.

Property tax relief tends to be correlated with basic ed funding but not to the extent that special ed and transportation are. Many well-to-do districts in the Southeast receive per student tax relief at

levels above the state average. Commonwealth allocations on a per student basis for social security and pensions show no discernible correlation with the basic ed or special ed funding and seem to be driven solely by employment and pensions.

There are funding categories that tend to be aimed at poor districts and districts with high concentrations of special education pupils, especially in some inner city urban areas. Indeed, on top of all the normal funding categories it receives, Chester-Upland District in Delaware County got almost \$1,809 per student from a not well described category entitled “Revenue for the Public Schools”. The District received virtually all of the “Revenue for Public Schools” allocations—only one other district got any of it and, at that, a tiny amount. Amazingly, with the nearly \$13,000 in state funding and \$16,000 total per pupil revenue, only 10 percent of eleventh graders in Chester-Upland scored at the proficient level on the Keystone math exam and only 25 percent in the reading exam.

Similar, if not quite so horrendous, numbers are seen in many high schools across the state: Westinghouse and Perry in Pittsburgh, Sayre High and University City High in Philadelphia, Harrisburg High and Wilkesburg to name some of the very poorest performers. Except for Philadelphia, all these districts spend \$20,000 or more per pupil.

Granted, there are wealthy school districts with large tax bases that can afford to spend as much or more than \$20,000 per student but there are others less wealthy such as Mt. Lebanon, North Allegheny, South Fayette, and West Jefferson Hills that spend \$15,500 per student or less and yet academically rank in the top tier of districts statewide. Indeed, Mt. Lebanon and South Fayette are in the top 10 with North Allegheny and West Jefferson Hills in the top 20 districts in the state.

The alleged unfairness in funding problem facing the Funding Commission is a bit of a red herring. If the Commission views equity as all schools getting the same amount per student, it will have to do three things. First, it will have to decide what the correct amount per student is. Second, it will have to recommend eliminating the power of school districts to levy taxes (or set a low limit amount per student they can raise) and third, it will have to explain how the state can raise enough to provide the correct per student amount. Let’s say the Commission decides it is \$15,000 per student. Pennsylvania’s public school funding revenues would have to rise to \$27 billion from the current \$10.2 billion. If a more modest \$13,000 was the target, then only \$23.4 billion, or \$13 billion in additional revenues, would be necessary. That will be an interesting set of proposals to say the least. State taxation of real estate anyone? Talk about assessment nightmares with the hodgepodge of assessment systems that are in place across the state.

Many school districts will not give up local taxes without a fight. Those with enormous tax bases thanks to commercial properties can raise large sums with relatively low millage rates. Indeed, the richer districts are already heavily subsidizing poorer districts with the state income, sales and other taxes they pay.

To conclude, it must be repeated; the state’s school funding scheme is as about fair as it can be – with maybe a few tweaks—unless the Commonwealth decides to become the sole funder of education. And that will face enormous political and practical challenges.

The fairness issue arises out of—and is sustained to a great extent by—the public’s misconception about how much is spent on education. In a recent national survey, almost 50 percent of the public responding believes education spending is \$8,000 or less per pupil with 20 percent thinking it is below \$4,000. Compare that to the almost \$15,000 actually spent in Pennsylvania. To be sure, the education lobby has done a wonderful job of propagandizing this issue and creating a false narrative.

Here's a better idea for the Commission; figure out how to educate the kids with the money already being spent and quit wasting so much of it. Start with eliminating teacher strikes and institute some accountability with teeth.

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