



Equal Local and State Education Funding Shares Not Practicable

Summary: For some time groups calling for more state education funding have complained that the state's share of funding is low compared to other states and that Pennsylvania underfunds education—see for example, the Public Interest Law Center, *Campaign for Fair Education Funding: Harrisburg, April 1, 2015*. In response, this *Brief* utilizes the Pennsylvania Department of Education's 2015-16 district financial data (most recent available) to determine whether the frequently promoted 50-50 funding split scheme is a reasonable or feasible objective. This analysis finds that the 50-50 scheme is highly implausible.

Note that the claim of education underfunding in Pennsylvania is disingenuous. According to figures compiled by the National Education Association for 2015-16, Pennsylvania's \$16,629 per-pupil spending puts the state in the top 11 states, nine if the very small population states of Wyoming and Vermont are excluded. It is hard to see how the Commonwealth gets accused of underfunding education as compared to other states.

In the fiscal year 2015-16 a combined \$28.5 billion was available to Pennsylvania's school districts from local, state, federal, and other sources. Since the bulk of funding was generated from local and state sources (\$26.8 billion, or 94% of the total funds—\$16.3 billion local, \$10.5 billion state) and those are the subject of the debate, the focus will be on those sources. The funding split for all districts combined is 61 percent local and 39 percent state.

Advocates of the 50-50 split are apparently suggesting that all districts are forced to raise 60 percent of their funding locally because of the state's unwillingness to spend enough to keep funding equitable among districts. But that is not the case at all, far from it.

A couple of data sets will show that interpretation is badly flawed. Indeed, the primary reason for the local funding to be 61 percent for the aggregate of all districts is the fact that a quarter of the districts raise from 70 to 85 percent of their funds from local sources.

The top 40 districts ranked by local revenue per ADM (average daily membership—for most schools a close approximation of enrollment) raise an average 81 percent of funding

from local sources—in most cases primarily the property tax. These districts receive an average of about 19 percent from the state. Per ADM local funding averaged close to \$17,000 and state funding averaged \$3,889 for the 40 districts.

At the same time the bottom 40 districts ranked by local revenue per ADM raise an average of nearly 25 percent of funding locally and receive an average 75 percent of their funds from the state. These districts averaged per ADM local revenue of \$3,230 while getting \$9,932 from the state.

Or said another way, for the top 40 local revenue per ADM districts—8 percent of all districts—that represent 9 percent of statewide enrollment account for 17 percent of all local revenue produced statewide while receiving just under 6 percent of the state's K-12 appropriations. For the 40 districts with the lowest local revenue per ADM that represent 5 percent of the state's enrollment raised just 2 percent of the \$16.3 billion local revenue while receiving 9 percent of the \$10.5 billion state funds.

Thus, the gap in total spending between the top revenue districts is due entirely to the enormous near \$14,000 disparity in local funds raised and despite the fact that the low local revenue districts received over \$6,000 more per ADM in state revenue.

The same fact pattern is observed when the number of districts is expanded. For example, 191 districts raised more than the statewide average of \$9,463 in local revenue per ADM. About 47 percent (807,588) of the total ADM count in the state were enrolled in these districts, with an average per ADM from local revenue of \$12,939. State revenue received by these districts averaged \$4,521. Forty-two districts brought in 80 percent or more of their funding from local sources. More than half of those were located in the collar counties around Philadelphia. Four districts in Allegheny County (Quaker Valley, Fox Chapel, Montour, and Mt. Lebanon) were in the 80 percent local group. The local-state funding split for the 191 districts was 74 to 26, compared to the 500 district average of 61 percent to 39 percent.

For the 309 districts with 915,928 ADM that had lower local revenue than the \$9,463 state average, the local revenue per ADM was \$6,399, about half the \$12,939 for the 191 districts that were at the state average or higher. There were 54 districts that brought in 30 percent or less of their total funding from local sources. Two southwestern Pennsylvania districts (Duquesne and Midland) were in the group that raised very low amounts from local revenue. The 309 school districts received \$7,450 per ADM in state funds, \$3,000 or 65 percent more than the above state average group.

The higher locally funded districts are typically wealthier in terms of property values and have well above state average per capita income—although there are a few exceptions. It is obvious that the districts with wealthier tax bases are able to generate local dollars in far greater amounts than other districts and leads to very different levels of total funds available per ADM. And, it is important to remember that the state has played a major role in developing the current situation through its funding scheme that for many years has used local revenue capacity, i.e., property values and income, as important factors in

determining the state appropriation to school districts. Wealthier districts get far less than the all district average while poor districts receive far more than the average for all districts.

What does this mean for the 50-50 share idea?

Two questions arise immediately. Does 50-50 split mean statewide average or by school district? Can either be achieved? Clearly, moving to a 50-50 split in total statewide funding from the current situation would almost certainly require the state to force the school districts to hold their revenue at current levels while the state gradually moves its appropriation up to \$16.3 billion (ignoring inflation effects). This process could take years and it does not answer the question of how the additional \$6 billion would be raised or shifted from other spending. Increasing education funding by \$6 billion over the next several years is extremely unlikely, especially in light of the serious and ongoing difficulties with funding the state's budget that appear to be a permanent feature.

Further, if the legislation did not freeze the local revenue and allows it to continue to rise, it would be even more difficult to boost state funding to a level equal to local funds. And where would the money come from—which taxes will be increased?

No matter how the additional \$6 billion (if it could be raised) is allocated among the districts, it would raise Pennsylvania's per student expenditure by \$3,366 to around \$19,000 putting it in the top five or six states, excluding very small population states and \$7,000 above the U.S. average.

If the additional revenue is used primarily to boost total funding per ADM at the schools that are currently below the state average in total funding, that would lift their state to local funding ratios even higher as the poorer districts would receive an even greater percentage of total funding from the state. Meanwhile, the wealthier districts would be unable to increase spending very much because of the freeze or limits on local revenue generation.

On the other hand, if some of the \$6 billion is appropriated to the richer districts to reduce their 80 to 20 local/state split and move them closer to 50-50, the effect would be to push their already far above statewide per ADM spending even higher. Would it ever be politically acceptable to provide more funds to districts that are used in court cases as examples of school funding inequities? Unlikely.

And there is certainly no chance of mandating that each school district be 50-50 funded unless the Legislature is prepared to force equal total spending per-pupil across the state, perhaps adjusted for cost of living differences among the districts. And for that to happen it would require some districts to lower massively their tax collection while others would have to raise theirs, even those that are already hard pressed to generate 25 percent of the cost of schools. It is hard to imagine the Legislature ever attempting to require 50-50 funding for all districts. For one thing, school districts with greater wealth and very high per ADM spending tend to have extraordinarily well paid teachers—some as much as

\$30,000 above the average state teacher salary with commensurate benefits. Mandating lower local revenue would force those salaries to drop or result in large numbers of layoffs. Which legislator will broach that possibility? The teacher unions will fight vehemently against such an effort.

In short, given the existing wide disparity among school districts regarding the shares of local and state funding, moving to a 50-50 share system is simply not a viable option for school funding in Pennsylvania.

Eliminating local funding altogether might be an alternative approach to the spending dilemma but it would face the same opposition from rich districts as the 50-50 scheme. Perhaps some out of the box thinking is now required. Such as allowing districts that want to go it alone with just their own resources to become “state” related but essentially locally owned and managed independent districts.

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