



How is the New School Funding Formula Affecting Allegheny County?

Summary: The 2018-19 fiscal year budget provides \$6 billion “for payment of basic education funding to school districts.” This will be the fourth year in which basic education dollars above the amount budgeted for 2014-15 are allocated to districts based on a commission-designed funding formula. Close to \$34 million of “new” money will be distributed through the formula to Allegheny County’s school districts. This *Policy Brief* reviews the district allocations based on the formula.

In June 2015 the Basic Education Commission released its final report on how to distribute the state basic education funds to the 500 school districts in Pennsylvania. The commission recommended a student-weighted funding formula for allocating basic education funds to the school districts. It is important to note that basic education funding is half of the state’s K-12 funding. For 2018-19 basic education funding is budgeted at \$6 billion and the total amount of grants and subsidies for public schools will be about \$12 billion.

A difficult issue faced the commission. It had to deal with the nearly two decades-long method of distributing basic education dollars known as “hold harmless,” given that moniker since funding for districts was never lowered from the previous year’s amount even if enrollment fell.

The commission noted many districts “would be unable to make operational adjustments or generate revenue from other sources to make up for the loss of basic education funding” if hold harmless was eliminated in one fell swoop. A total of \$1 billion in 320 districts would ride on that shift.

The General Assembly dealt with “hold harmless” in Act 35 of 2016 by retaining the hold harmless provision on the funding levels through 2014-15 and applying the new student-weighted formula to future basic education dollars above that level.

For the 2018-2019 school year the basic education funding contains a mixture—the fixed \$5.5 billion of hold harmless appropriation and \$538 million of Act 35 formula dollars, a 10-to-1 ratio. Act 35 basic education funding has increased from \$152 million to \$538 million, or 253 percent, from 2015-16 to 2018-19.

The Act 35 dollars are allocated to districts based on a complicated calculation for each district. The *student-weighted average daily membership* is derived using the sum of weighted factors related to three-year average enrollment, poverty, English-as-a-second-language students, charter school enrollment and sparsity along with its median household income index and its local effort

capacity index. Each district's value is compared to the state as a whole to determine each district's portion of the Act 35 funds.

What does the 2018-19 budgeted school funding mean for the 43 school districts in Allegheny County? The 43 districts had a combined ADM (average daily membership) of 146,776 based on the three-year moving average enrollment with districts ranging size from the Cornell's 675 to Pittsburgh's 26,736. A total of \$479.5 million in basic education funds will be distributed to county districts. Of that, \$445.7 million is based on the hold harmless rule. Thus, the per ADM average total basic education allocation for the county's districts is \$3,267 with \$230 of that coming from the \$33.8 million in "new" Act 35 funding. Note that Pittsburgh Public Schools represent 18 percent of the county's total ADM but account for \$154 million or 34 percent of the county's hold harmless funding. Its \$5,753 in hold harmless funding per ADM is more than double that of the average for the other 42 districts in the county.

Of the \$33.8 million in new funding received by county districts, Pittsburgh Public Schools will receive the most (\$7.5 million or 22 percent of total and \$283 per ADM which is 23 percent above the county average of \$230). Meanwhile, the Avonworth School District with its 1,660 ADM will receive the smallest amount (\$182,809, or 0.5 percent of the new funding and less than half of its share of the county's total ADM). Four districts besides Pittsburgh (McKeesport, Sto-Rox, Woodland Hills and Penn Hills) will receive more than \$1 million. Besides Avonworth, only one other district, Riverview, will receive less than \$200,000.

The amount of new funding awarded in the county through the formula has risen from \$9.9 million in 2015-16, or by 240 percent, to this year's amount. By looking at the changes in funding received by county districts in that time period we can see how the various formula components affect the final allocation.

Since multiple factors with various weights are in the formula, it is not as simple as assuming that districts with the greatest gains or losses in enrollment will see the largest or smallest additional funding. Based on the changes in enrollment from 2015-16 through 2018-19. South Fayette ranked 1st (enrollment increased 7 percent) and Wilkinsburg ranked 43rd (enrollment decreased 9 percent). But in ordering the districts in percentage terms of how much their share of total distribution from the new money changed, South Fayette ranks just 5th (its new money per ADM rose from \$51 to \$193—278 percent) and Wilkinsburg ranks 20th (its new money per ADM rose from \$127 per ADM to \$476—274 percent but a much larger dollar increase per ADM than South Fayette) despite falling enrollment. Clearly, the formula's set of determining factors and their weights are designed to prevent changes in enrollment from being the deciding factor in changes to funding allocations.

In that regard note that in the four-year period Pine-Richland ranked 1st in increased percentage of Act 35 money received (its new money per ADM rose from \$27 to \$113—318 percent) while Northgate ranked 43rd (its new money per ADM rose from \$90 to \$221—145 percent). A look at the factors in the formula for the two districts in 2015-16 and 2018-19 shows that the value of acute poverty in Pine-Richland rose substantially boosting the district's *student-weighted average daily membership* as calculated by the formula. Northgate had a decrease in poverty and in its local effort capacity index. Both districts had slight decreases in enrollment.

One thing is certain. The resources required for record-keeping and data-gathering for each of the 500 districts necessary to carry out the calculations for the incredibly complicated formula scheme are enormous and subject to significant data limitations and reliability. The statistical difficulties and anomalous results will become ever more problematic and subject to criticism as

the amount of funding allocated rises over time. It should be possible to design a simpler, straightforward way of allocating funds.

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