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How the state budget affects Allegheny County's school districts

Summary: The 2021-22 state budget provides \$7.1 billion in basic education funding (BEF) for Pennsylvania's 500 school districts. BEF will remain a hybrid of "hold harmless" funding and the Act 35 student-weighted funding formula. A new component called "Level Up" will go to 100 districts with "higher at-risk populations."

As noted in *Policy Brief Vol. 18, No. 27*, Act 35 of 2016 adopted the state-appointed Basic Education Funding Commission's recommendation for a student-weighted formula to distribute basic education funding to school districts. This formula utilizes each district's three-year average daily membership, poverty, English-as-a-second-language students, charter school enrollment and sparsity (a district's population density relative to all districts) along with a median household income index and tax effort capacity index (based on a district's ability to generate local tax revenue relative to all districts).

The problem identified in the commission's report was that 320 districts would have experienced a decrease in BEF if "hold harmless"—in which districts never received less than the year before, even if enrollment fell—would have been shifted entirely to the new formula. For that reason, the General Assembly opted to apply the student-weighted formula only to new appropriations. In the years since the dual system of funding has continued. (Beginning in the 2019-20 fiscal year, state funding for school districts' Social Security expense was shifted into BEF; that portion of BEF is not included in this analysis).

The governor proposed moving all BEF through the student-weighted formula in his February 2021 budget address. However, the proposal would have included funding to districts that would have lost money under the formula, essentially keeping "hold harmless" intact. But that is not what arose from June's budget negotiations. Statewide, \$5.6 billion will be distributed as "hold harmless", \$898.7 million (an increase of \$200 million) will go through the student-weighted formula and the new "Level Up" appropriation is \$100 million.

A total of \$504 million in BEF will be [distributed to school districts in Allegheny County](#). This is comprised of \$445.7 million in "hold harmless" dollars and \$55.1

million in student-weighted dollars to all 43 districts and \$3.2 million in “Level Up” dollars to eight districts.

Basic Education Funding in Allegheny County, 2017-18 to 2021-22 (\$000s)

BEF	2017-18	2018-19	2019-20	2020-21	2021-22
Hold Harmless	445,718	445,718	445,718	445,718	445,718
Student-Weighted	28,982	33,816	42,603	42,603	55,070
Level Up	n/a	n/a	n/a	n/a	3,219
Total	474,700	479,534	488,321	488,321	504,007

“Hold harmless” funding ranges from \$153.8 million for Pittsburgh Public Schools (34.5 percent of the “hold harmless” total) to \$1.2 million for Quaker Valley (0.3 percent of the “hold harmless” total).

The student-weighted funding ranges from \$9.9 million for Pittsburgh Public Schools (18 percent of the student-weighted total) to \$0.3 million for Cornell (0.6 percent of the student-weighted total).

The new “Level Up” funding ranges from \$0.8 million for McKeesport Area (24 percent of the “Level Up” total) to \$0.2 million for South Allegheny (5 percent of the “Level Up” total).

Using 2019-20 data from the Pennsylvania Department of Education on average daily membership (ADM is defined as “all resident pupils of the school district for whom the school district is financially responsible”), in 2021-22 total BEF per ADM ranges from \$13,491 in Duquesne to \$905 in Quaker Valley. The county district average is \$3,563.

With seven years of new funding distributed through the student-weighted formula, some observations can be made about this portion of BEF.

For instance, the total amount of student-weighted funding distributed to Allegheny County’s school districts increased from \$9.9 million to \$55.1 million (453 percent). In the remaining districts in Pennsylvania the total increased from \$142.4 million to \$843.6 million (492 percent).

There are 28 districts in the county that equaled or outpaced the 453 percent countywide increase. Of these, 16 had an increase in ADM from 2015-16 to 2019-20. 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.

Another interesting measurement is the percentage share each district had of student-weighted funding in 2015-16 in the county and the share to be received in the coming year. In the initial year, Pittsburgh Public Schools received \$2.3 million of the \$9.9

million (23 percent) county distribution. In 2021-22, the district is scheduled to receive the aforementioned \$9.9 million (18 percent).

Other districts that saw a decrease in the share of student-weighted funding include Duquesne, Northgate, Cornell and Gateway. Districts that have increased their share of funding include McKeesport Area, Baldwin-Whitehall, North Allegheny, South Fayette and Steel Valley.

A final point of comparison is to examine the per-ADM amount from “hold harmless” and the per-ADM amount from the student-weighted formula in 2021-22. The table below shows the 10 districts in the county that are receiving the highest per-ADM amounts from the “hold harmless” portion and the 10 districts that are receiving the highest per-ADM amount from the student-weighted formula.

Seven districts rank in the top 10 on both lists. One moved up (Sto-Rox) and one moved down (Wilkinsburg) in position for student-weighted funding. Three districts that rank in the top 10 for “hold harmless” on a per-ADM basis—Pittsburgh, South Allegheny and Elizabeth-Forward—are not in the top 10 for student-weighted funding. West Mifflin, Woodland Hills and East Allegheny took their place.

**Top 10 Districts for “Hold Harmless” and Student-Weighted Funding
(2021-22 per-ADM)**

Hold Harmless BEF per ADM	Student-Weighted BEF per ADM
Duquesne City SD	Duquesne City SD
Wilkinsburg Borough SD	Sto-Rox SD
Clairton City SD	Clairton City SD
McKeesport Area SD	McKeesport Area SD
Pittsburgh SD	East Allegheny SD
South Allegheny SD	Wilkinsburg Borough SD
Steel Valley SD	Steel Valley SD
Sto-Rox SD	West Mifflin Area SD
Highlands SD	Highlands SD
Elizabeth Forward SD	Woodland Hills SD

The hybrid funding arrangement will continue for the foreseeable future.

In two *Policy Briefs* from 2019 (*No. 12 and No. 22*) the problems with “hold harmless” were detailed noting “the hold-harmless provision for decades has kept basic education funding growing in districts with declining enrollment so that the per-student revenue rises at these schools if they maintain local support at the same level or a little higher” and “the never-reduced funding going to school districts has been a major factor in the rise in per-ADM spending in counties that were losing large numbers of students.”

A legislative proposal introduced before the budget was signed would phase-out “hold harmless” incrementally through 2024-25 and move basic education funding to the student-weighted formula.

The re-argument of the William Penn School District lawsuit is set for early September. This case was filed in 2014, prior to Act 35, and seeks a change in the General Assembly’s method of education funding. The case proceeded to the state Supreme Court before it was sent back to Commonwealth Court.

Will the legislation or the lawsuit result in a different arrangement for BEF? If the court tells the General Assembly to change its method of funding, does that lead to inter-branch conflict? As we have shown throughout the years, academic performance is not correlated with higher funding levels.

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