

POLICY BRIEF

An electronic publication of
The Allegheny Institute for Public Policy

January 17, 2003

Volume 3, Number 3

Debunking the 50 Percent State Share of Education Rhetoric

One of the most oft-repeated sound bites of Democrat political rhetoric over the past year has been the assertion that the Commonwealth must increase the state's share of K-12 funding to 50 percent. It appears on its face to be a simple, straightforward and fair idea. However, because of the state's complex formula for allocating funds to the 501 school districts, the calls to increase the state's share to 50 percent raise a number of difficult questions and are actually little more than attempts to create a political advantage.

As it now stands, the PA Department of Education distributes funds in such a way that poorer, more economically distressed areas receive as much as 70 percent of their per pupil funding from the Commonwealth. At the same time, many of the more affluent school districts receive only 10 to 15 percent of their per pupil funding from the state. This situation means that any attempt to raise the state share to 50 percent will be fraught with problems.

Arriving at 50 Percent

Conceptually, there are several ways to boost the state share of funding to 50 percent. We can rule out a couple as non-starters, either for budgetary or political reasons. In the first scenario, the state would increase education funding by \$4 billion to around \$11 billion to match the local funding level. That would push total K-12 spending in the state to \$22 billion or \$12,200 per student and 22 percent above current spending. Since Pennsylvania already ranks among the highest education spending states, it is a virtual certainty that the legislature will not go for this idea.

In a second possible scenario, the Commonwealth would set a goal to have each school district receive at least half its funding from the state. School districts getting 50 percent or more of their funding from the state currently would keep what they have while those receiving less than half would receive an increased amount that would bring the state's share to 50 percent. Under this scenario, the school districts would be required to reduce local taxes dollar for dollar for the increased funds from Harrisburg.

The political problem here is that richer districts such as Upper St. Clair, Camp Hill, Marple Newtown, etc., would get \$4,000 or so per pupil. Indeed, the average per pupil amount for all school districts currently receiving less than 50 percent of their funding

from the state is \$2,800. This program would boost total state K-12 spending by over \$3 billion. And, the poorer districts that get more than half their funds from the state would get no additional funds. To finance such a plan would mean higher taxes-- income and sales most likely. So, the people in the poorer districts would face a greater tax burden and all the money would go to the roughly 60 percent of districts that currently get less than half of their funding from the state. But the real winners would be the most affluent districts, where a fair number of taxpayers might actually see a reduction in their total tax bill. While many taxpayers in the more affluent areas deserve a tax break, this scenario would be dead on arrival politically.

A more plausible 50 percent state share scenario would play out as follows. The state would increase education funding by \$2 billion to \$9 billion, which would be half of total current K-12 spending. School districts would be required to reduce local taxes by \$2 billion in order to hold total spending to the current \$18 billion level. The question: How to distribute the additional \$2 billion?

Distributing State Monies

Two schemes come to mind. In one, the Education Department would simply use the current allocation formula for the additional \$2 billion. Using that formula, the poorer districts would benefit enormously. Consider the Conemaugh district in Somerset County. In the 2000-01 school year the district received \$5,572 per pupil from the state and collected \$1,959 per pupil from local taxpayers. Conemaugh schools would receive an additional \$2,100 per pupil, raising their state funding close to \$8,000 per pupil. That would cover virtually all of the district's expenses. Similarly, the Duquesne school district, which received \$8,548 per pupil in 2000-2001, would receive another \$2,670 per pupil. Again the state would be funding the entire budget except for the federal grants.

At the other end of the spectrum, the Camp Hill district, which got a mere \$1,307 per pupil in 2000-2001, would receive only \$408 per student from the \$2 billion in additional state funding. The additional funding would edge the state share up to 19 percent, still a far cry from 50 percent. While these examples represent the extreme cases, it is generally the case that the poorer districts will do very well and their average taxpayer will actually achieve net reductions in total taxes. Meanwhile, the average taxpayers in the wealthier districts will end up having their total state and local taxes increase.

For those who are driven largely by a redistributionist impulse, this scenario will be warmly welcomed. For those who recognize that taxpayers in relatively well off districts are already paying a disproportionate share of state taxes as well as funding 75 to 85 percent of K-12 education costs in their own district, the notion that those districts would have their taxes go even higher to further subsidize the poorer districts will be met with serious objections. This is especially true when they see that some of the poorer districts are spending \$9,000 or more per student and turning out large numbers of inadequately prepared students. In all likelihood, this option will never be approved.

In a second version of this scenario, the \$2 billion in added state funds would be allocated equally in the amount of \$1,110 dollars to every student in the state. In this scheme, Conemaugh's total state funding would rise to about \$6,600 per pupil increasing the state share to 83 percent and would lead to meaningful local tax reductions. By contrast, in Camp Hill, the district would get \$2,300 per pupil, raising the state share to 26 percent. In all probability, the average taxpayer in Camp Hill would see an increase in taxes, as would taxpayers in other more well off districts.

Unless state school funds can be raised through non-tax revenues, this scenario, or one close to it, is the only one with any real chance of surviving the legislative process, and that is a very slim chance.

Focus Should be on Accountability and Competition

It is obvious that the sound bite political rhetoric was aimed at deluding the voters into thinking there is a free lunch. As we have shown, we are dealing with a very complicated problem. Moreover, unless or until the governor and the legislature show they are willing to create real competition through vouchers and begin to hold school districts accountable for academic performance, funding reform should focus on how to cut spending-- not more money.

Jake Haulk, Ph.D. President

Eric Montarti, Policy Analyst

Policy Briefs may be reprinted as long as proper attribution is given.

For more information about this and other topics, please visit our website:
www.alleghenyinstitute.org

| |
|--|
| <p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd. * Suite 305* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p> |
|--|