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State Education Funding Scheme Rewards Failure

Pittsburgh Public Schools have failed to meet federal standards for student achievement and could be in danger of being taken over by the state's Department of Education. Academically the District has been languishing for years as math and reading proficiencies on the state's standardized tests have been abysmal and the dropout rate high. But the District's proponents argue they could do more if only the state provided more money. The reality is that the state provides more than enough funds yet receives a terrible return on investment.

In fact, the state formula for funding, known as the Basic Education Formula (BEF), guarantees that not only will each district receive at least as much as the year before, but will also receive an increase based on factors such as poverty, growth, and an inflation index. Thus, no matter how many students a district loses, its state supplement can and often does continue to grow. This is the situation the Pittsburgh Public School District faces—declining enrollment and increasing state subsidies.

According to the Department of Education, for 2007-2008 “each school district will receive an amount equal to its 2006-2007 Basic Education Funding allocation pursuant to sections 2502.13, 2502.45, and 2504.4 of the School Code.” Previous versions of the School Code, going back at least twenty years, specify that each district will receive at least an amount equal to the previous year's allotment and then be eligible for increases based on certain criteria.

The formula also allows for a base supplement increase according to the district's so-called aid ratio—the ratio of market value of real estate to personal income. Other supplements include; a foundation supplement (based on enrollment), a poverty supplement (based on the number of reduced price meals), a tax effort supplement (based on the change in market values from one year to the next), a growth supplement (for those districts with enrollment increases greater than 5 percent), and an inflation index supplement. Basically, each district has been guaranteed a minimum increase of 2.0 percent over the previous year's BEF allocation.

For the last five years, the Pittsburgh School District's BEF funding has increased 2 percent annually. For the 2001-2002 school year the BEF amount was \$118 million and increased to \$130.3 million in 2006-2007. Meanwhile, in a departure from the pattern of 2 percent increases, the Pittsburgh District budgeted \$140 million for the current school year. However, during the interval from 2001 to 2006-2007, enrollment declined from an average daily membership (ADM as calculated by the state) from 38,600 to an estimated ADM of 31,600—a decrease of 18 percent. For 2007-2008 the District's reported enrollment is only 28,265.

A quick calculation shows the state basic education supplement per student has risen from \$3,056 in 2001 to \$4,946 in 2007, a 62 percent jump and far greater than inflation over the period. But it

gets worse. Consider that for the 2006-2007 school year the District received a total of \$200.7 million from state taxpayers—more than \$6,300 per ADM. This total includes the \$130 million in the BEF plus subsidies for items such as transportation (\$12.6 million), special education (\$26.2 million), social security payments (\$8.5 million), and retirement contributions (\$5.6 million). And the District has budgeted \$211 million in state money for the current year, or \$7,455 per student.

Unfortunately, with District enrollment projected to decline to 27,000 next year and even further for the years following while the state's total allocation keeps rising under current funding formulas, Pennsylvania taxpayers will soon be providing well over \$8,000 per student.

Looked at another way, Pennsylvania is providing as much or more money per Pittsburgh student as many school districts around the nation spend in total. Add to the \$7,500 in state money the tax dollars raised in Pittsburgh and total district general fund spending climbs to over \$18,000 per student, one of the highest in Pennsylvania and certainly far above the national and Pennsylvania average.

Obviously, Pennsylvania's school funding formula is a disaster for taxpayers. It essentially rewards schools for losing enrollment because of poor performance and high costs. In effect, the guarantee of no reduction in funding year to year negates the principal incentives districts have to provide a high quality, economically efficient educational experience in a safe environment.

Surely it is time for the Legislature to immediately rectify the Commonwealth's perverse school funding scheme. School districts should never be rewarded for delivering a substandard academic and social experience for students. No school that has seen its enrollment shrink because of its poor performance and excessive costs should willy-nilly get more money from the state year after year. It is little wonder education apologists are always claiming that more money is necessary. When the funding scheme rewards failure, there will never be enough money.

Ironically, unless the state changes its year to year guarantee of no reduction in funding, Pittsburgh's enrollment could theoretically shrink to half its current size and be able to meet its general fund spending of \$18,000 per student with only the state dollars it receives. How preposterous.

Jake Haulk, Ph.D., President

Frank Gamrat, Ph.D., Sr. Research Assoc.

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<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
