

PENNSYLVANIA

Budget and Policy Center

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Alternative Approaches to Making a Down Payment on Education Equity

Introduction

In this paper we compare the impact of two proposals: one in the Shapiro administration’s budget plan and one by the PA Schools Work (PASW) campaign for a down payment on fair and full funding of K-12 schools regarding how far they go in reducing the state’s inequitable and inadequate school funding for school districts on the basis of class, race, and Hispanic ethnicity.¹ We show that the PASW proposal, by spending more money and distributing some of that money through the Level Up program, takes a larger step forward in pursuit of the goal of giving every child the “thorough and efficient” public education required not only by basic notions of fairness and equity but by the Pennsylvania Constitution.

The Critical Task

The Challenge

Governor Shapiro’s budget address acknowledged that he and Pennsylvania lawmakers faced a critical challenge, to meet the moral requirement and—now, after President Judge Jubelirer’s striking Commonwealth Court Opinion—constitutional requirement to fund K-12 education fully and fairly. He also pointed out, as all observers of Pennsylvania politics recognize, that this challenge cannot be met in one year. Indeed, he said that all Pennsylvanians—legislators, advocates for education, and all of us who care about the future of our state—must come together and think through how best to reduce and finally eliminate the striking inequity and inadequacy in the state’s funding of K-12 education demonstrated in Judge Jubelirer’s long opinion, which draws heavily on the analysis of advocates and academics.

But the Governor said that it’s also important to make a “down payment” this year on the new and fairly distributed funding that is necessary to meet the challenge.

Such a down payment is eminently sensible for two reasons. First, every year that goes by, more of our children suffer from the devastating lack of resources in so many of our schools. The first-grader in a severely underfunded school this year will be a second-grader next year. He or she may benefit from more fairly funded schools in third or fourth or fifth grade. But he or she may never fully

¹ Governor Josh Shapiro, *Executive Budget, 2023-2024*, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>; PA Schools Work, *The Roadmap to Adequate and Equitable Funding for PA Schools*, https://paschoolswork.org/wp-content/uploads/PASW_roadmap_JAN_2023.pdf.

overcome what was lost in first grade or second grade. Anything we can do to make his or her first and second grade experience better, will benefit that child and the rest of us over the long term. Any failure on our part to do the best we can this year reflects badly on our commitment to this child and the other children in our Commonwealth.

Second, there is no question that it will take more than one year of new funding to fund all of our schools adequately and equitably. So next year we should begin building on the \$850 million investment in basic education and Level Up funding added under Governor Wolf to the current year budget. When we consider that inflation in general, and in education costs in particular, has been high in the last 18 months, it's clear that every year we wait and do less than we can in reducing inadequacy and inequity in K-12 school funding makes the task even harder in future years.

The Opportunity

This year we have an opportunity to do more. By the end of the current fiscal year, we expect the state to have a \$13 billion in accumulated surplus, \$8 billion in the General Fund, and another \$5 billion in the Rainy Day Fund. This huge accumulate surplus gives us the opportunity to meet the challenge of making a large down payment in the budget for fiscal year 2023-24.

Two Proposals

This paper looks only at proposals to provide basic education funding through two mechanisms, the Fair Funding Formula and the Level Up program. There are other critical parts of a good education funding program such as charter school reform, new funding for special education, and new funding for remediating or replacing our dilapidated and, in some cases, toxic schools. We will address those aspects of K-12 school funding elsewhere.

The Administration Proposal

The Shapiro administration has called for a \$567-million increase in basic education funding (BEF) with all of those funds flowing through the Fair Funding Formula. The proposed \$567-million increase in basic education funding keeps up with general inflation but does little more than that. As required by law, the \$100 million in new Level Up funding in 2021-22 and the \$225 million in Level Up added in the current fiscal year, 2022-23, becomes part of a school district's basic education funding base for subsequent years. So, although the administration could have proposed *new* funding for Level Up it did not.

The PASW Proposal

Prior to the Governor's budget speech, the PA Schools Work campaign (PASW) called for \$1 billion in new funding for our schools, \$700 million in basic education funding to flow through the Fair Funding Formula, and another \$300 million for the Level Up program. It continues to advocate for the same funding program.

Both ways in which the PASW program differs from the administration's proposal are important. Our school districts and the kids they teach need more funding. They also need a substantial share of that funding to be distributed through the Level Up program.

Why is Level Up so important? PASW supports the Fair Funding Formula. The problem, however, is that it only applies to new basic education funding added since the 2015-16 school year. And at the slow rate at which the state has added to the BEF, the deepest inequities in the funding of our schools have barely been addressed. That's why more funding needs to be provided to the 100 least-well-funded school districts, school districts, which serve a disproportionate share of the state's students living in poverty, students of color, students with disabilities, and English learners.

Level Up is not a comprehensive solution to the school funding problem—and called for in court ruling, we are eager to work with Governor Shapiro and legislative leaders to develop a lasting solution over the next few years. But in the meantime, Level Up is the only mechanism we have to deal with the worst inequities in Pennsylvania’s school funding.

Comparing Proposals

*Our Methodology*²

As we have done in previous papers, we measure adequacy by examining the gap in per-student spending in school districts between what they actually are spending compared to what an adequate level of spending would be according to the most recent update to the “Costing-Out Study” carried out by Augenblick, Palaich and Associates (APA) at the request of Pennsylvania’s State Board of Education pursuant to the bipartisan Act 114 of July 2005. The goal of the study was to “arrive at a determination of the basic cost per pupil to provide an education that will permit a student to meet the state’s academic standards.”³

The following charts divide school districts into four groups, each of which contain school districts that include one-quarter of the K-12 students taught in the Commonwealth.⁴ The groups vary depending on the share of students who are Black or Hispanic or in the share of children who live in poverty. For each group, we give the average per-student funding gap; that is the average difference between the per-student cost of giving students in these school districts an adequate education and the current per-student spending in these school districts.⁵ The four groups do not include the same number of school districts because the student population in school districts varies considerably.

Each chart looks at the adequacy gap for each group of school districts according to the three funding scenarios. The first is current funding in 2022-23. The second is the administration’s proposal for 2023-24. The third is the PASW proposal for 2023-24.

² A more detailed account of our methodology can be found in: Marc Stier, Eugene Henninger-Voss, Stephen Herzenberg and Diana Polson, *Economic, Racial and Ethnic Inequality in Pennsylvania School Funding*, Pennsylvania Budget and Policy Center, November 11, 2021, https://krc-pbpc.org/research_publication/inequity-in-school-funding-in-pennsylvania/. That paper was an update and revision of an earlier paper: Marc Stier, Eugene Henninger-Voss, Diana Polson, and Stephen Herzenberg, *A Necessary First Step: Governor Wolf’s Proposal to Provide Adequate and Equitable Funding of Pennsylvania Schools*, Pennsylvania Budget and Policy Center, April 6, 2021, https://krc-pbpc.org/research_publication/a-necessary-first-step-governor-wolfs-proposal-to-provide-adequate-equitable-funding-of-pa-schools/.

³ State Board of Education, *Education Costing-Out Study*, accessed April 4, 2021, <https://www.stateboard.education.pa.gov/Reports/Costing-Out/Pages/>.

⁴ The four groups do not include the same number of school districts because the student population in school districts varies considerably. So these data are not comparable to data found in our analyses of school district funding in past years, which divided all school districts into four quartiles of 125. A full explanation of how we create these quintiles can be found in Eugene Henninger-Voss, *Uncovering Pennsylvania’s School Funding Disparity*, Pennsylvania Budget and Policy Center, November 11, 2021, https://krc-pbpc.org/research_publication/uncovering-pennsylvanias-school-funding-disparity-by-income/.

⁵ The estimates of the per-student cost of an adequate education adequacy were provided to us by the Public Interest Law Center, which hired Dr. Kelly to update the APA Costing-Out Study. The calculations of the per-district funding gap, as well as our estimates below of the impact of Governor Wolf’s proposal to reform state funding of K-12 education, were produced by Eugene Henninger-Voss with the KRC-PBPC PA K-12 Education Funding Model. Details about the model are available from the Keystone Research Center and Pennsylvania Budget and Policy Center.

Poverty

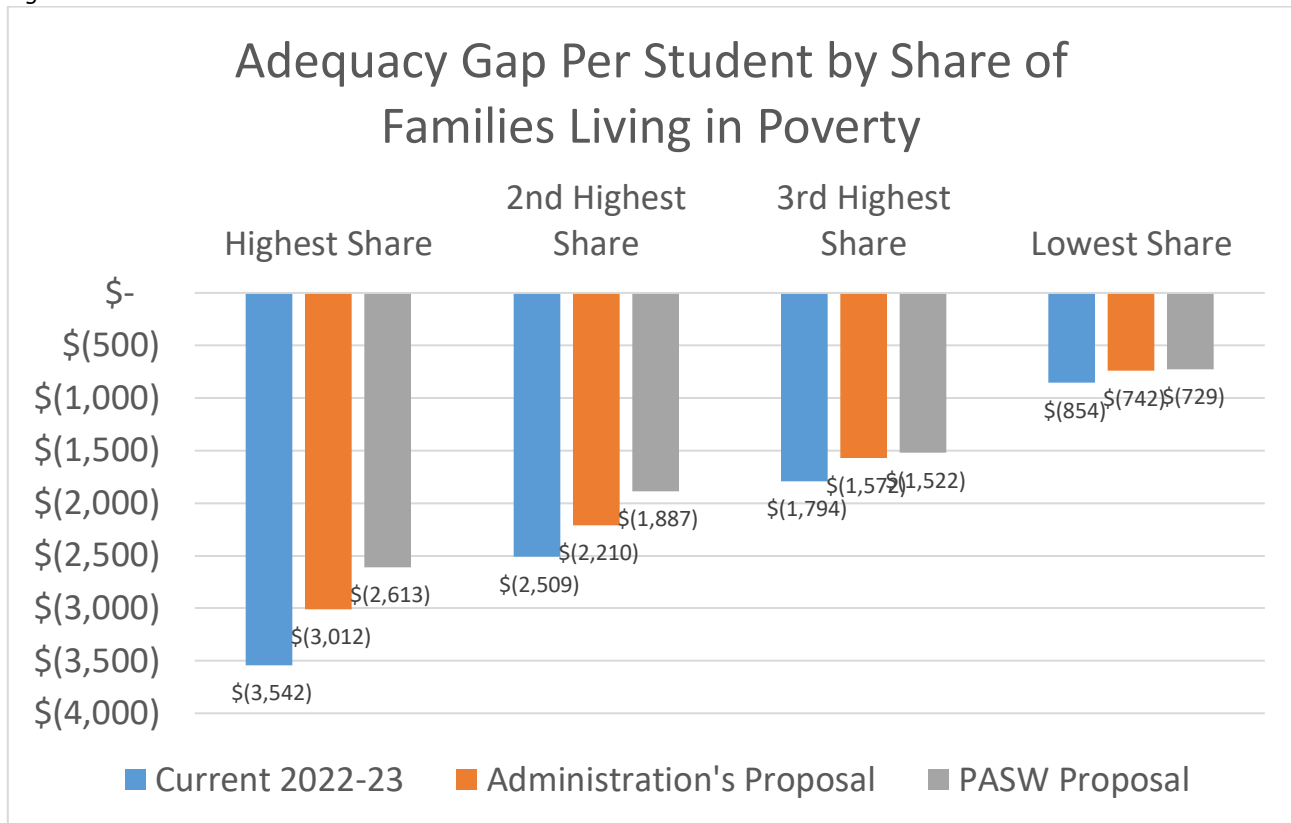
Figure 1 presents the funding gap for school districts grouped by the share of children living in poverty. The gap in funds per student in the quartile with the highest share of students living in poverty in 2022-23, shown in the blue bars, is \$3,542. As the share of students living in poverty gets smaller, so does the funding gap. It is only \$854 per student in schools with the lowest share of students living in poverty. The difference in the funding gap between the schools with the highest and lowest shares of students living in poverty is \$2,688 per student.

While the average funding gap for school districts with the lowest share of students living in poverty is substantial, some of those school districts do have an adequate level of funding. But in the state as a whole, only 70 of 500 school districts, or 14% of school districts, have an adequate level of funding.⁶ About 86% of school districts, which include some with a low share of children living in poverty, spend too little to provide an adequate education to their students. But the gap between the level of funding needed to provide an adequate education and what is actually provided is far greater for school districts located in communities with a higher share of children living in poverty.

By putting more money through the Fair Funding Formula, the Shapiro administration's proposal, shown in the orange bars, reduces the funding gap more for schools with a high share of student living in poverty than schools with a low share of students living in poverty. That proposal would reduce the funding gap for the quartile with the highest share of students living in poverty to \$3,012. The funding gap is reduced to \$742 for the schools with the lowest share of students living in poverty. The difference in the funding gap between the schools with the highest and lowest share of students living in poverty is \$2,270, a reduction of 16% from the current year.

⁶ Fund Our Schools PA, [Summary of the Expert Report by Dr. Matthew Kelly](https://www.pubintlaw.org/wp-content/uploads/2021/02/20.10.27-Kelly-report-handout-pubintlaw.pdf), Fall 2020, accessed April 4, 2021, <https://www.pubintlaw.org/wp-content/uploads/2021/02/20.10.27-Kelly-report-handout-pubintlaw.pdf>.

Figure 1



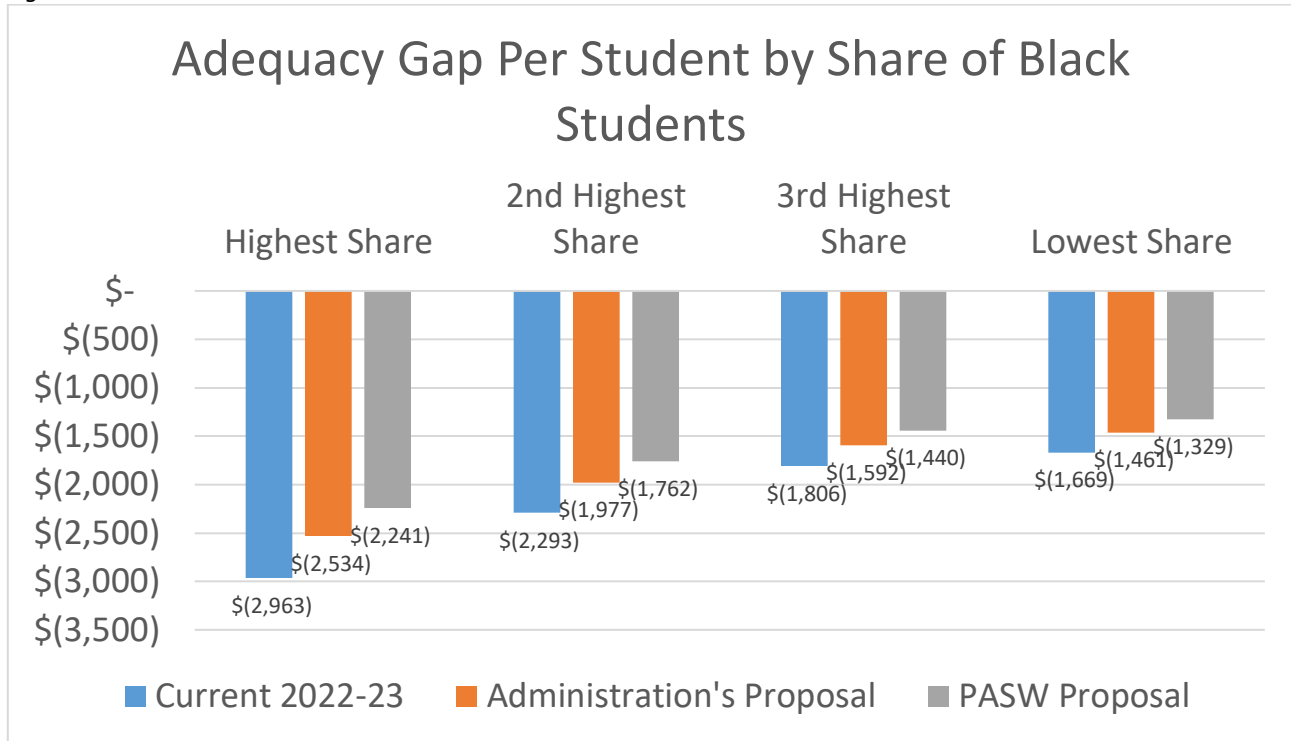
Source: PBPC analysis of updated costing-out study data provided by the Public Interest Law Center and school districts data provided by the State Board of Education.

Because the PASW proposal, shown in the gray bars, directs more money to schools through the Level Up program as well as through the Fair Funding Formula, it leads to a greater reduction in the funding gap between relatively rich and poor schools. The PASW proposal would reduce the funding gap for the quartile with the highest share of students living in poverty to \$2,613, almost \$400 below the administration’s proposal. The funding gap would be reduced to \$729 for the schools with the lowest share of students living in poverty. The difference in the funding gap between the schools with the highest and lowest share of students living in poverty is \$1,884, a reduction of 30% from the current year.

Race

Figure 2 presents the funding gap for school districts grouped by the share of Black students. The gap in funds per student in the quartile with the highest share of Black students in 2022-23, shown in the blue bars, is \$2,963. As the share of students living in poverty goes down, so does the funding gap. It is only \$1,669 per student in schools with the lowest share of students living in poverty. The difference in the funding gap between the schools with the highest and lowest share of Black students is \$1,294 per student.

Figure 2



Source: PBPC analysis of updated costing-out study data provided by the Public Interest Law Center and school districts data provided by the State Board of Education.

Again, schools in every quartile have a substantial funding gap, which shows how widespread the problem of inadequate school funding in the state is.

By putting more money through the Fair Funding Formula, the administration’s proposal, shown in the orange bars, reduces the funding gap more for schools with a high share of Black students than schools with a low share of Black students. That proposal would reduce the funding gap for the quartile with the highest share of Black students to \$2,534. The funding gap is reduced to \$1,461 for the schools with the lowest share of Black students. The difference in the funding gap between the schools with the highest and lowest share of Black students would be \$1,073, a reduction of 17% from the current year.

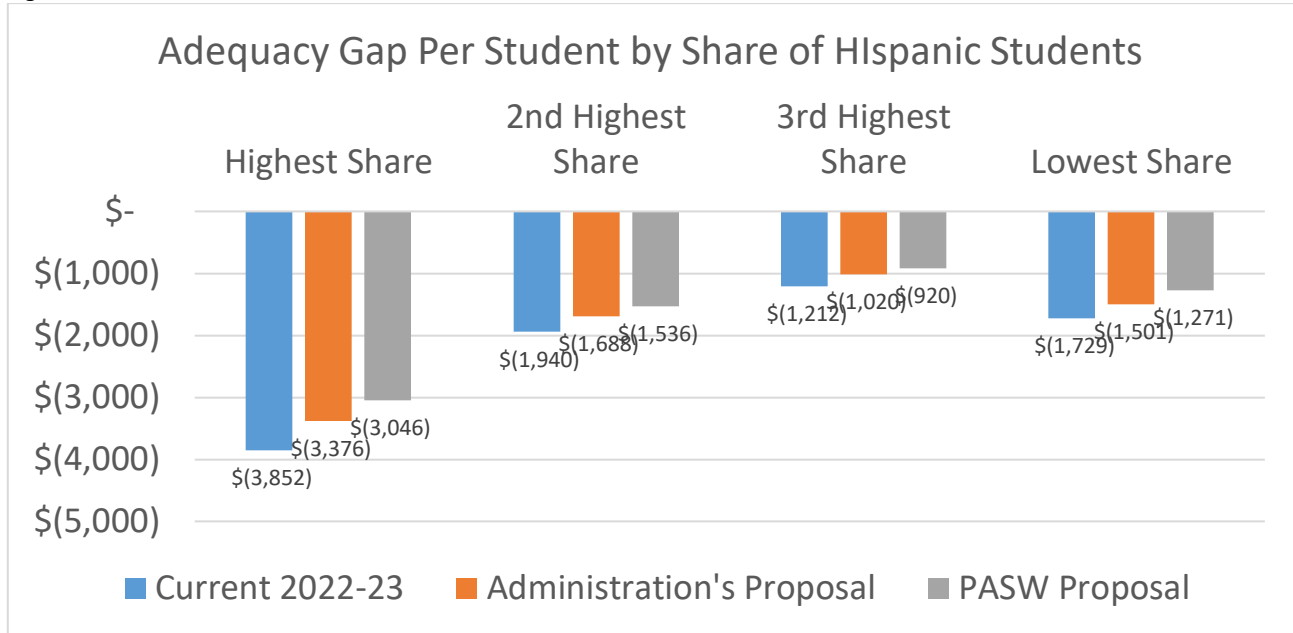
Because the PASW proposal directs more money to schools through the Level Up program, as well as through the Fair Funding Formula, it leads to a greater reduction in the funding gap between school districts with a high and low share of Black students. The PASW proposal would reduce the funding gap for the quartile with the highest share of Black students living in poverty to \$2,241 about \$300 below the administration’s proposal. The funding gap would be reduced to \$1,329 for the schools with the lowest share of Black students. The difference in the funding gap between the schools with the highest and lowest share of Black students is \$912, a reduction of 30% from the current year.

Hispanic Ethnicity

Figure 3 presents the funding gap for school districts grouped by the share of Hispanic students. The gap in funds per student in the quartile with the highest share of Hispanic students in 2022-23, shown in the blue bars, is \$3,852. As the share of Hispanic students goes down, so does the funding gap, at least to the quartile with the third-highest share of Hispanic students, where it is only \$1,212 per

student. The difference in the funding gap between the schools with the highest and the third-highest share of Hispanic students is \$2,640 per student.

Figure 3



Source: PBPC analysis of updated costing-out study data provided by the Public Interest Law Center and school districts data provided by the State Board of Education.

And once again, schools in every quartile have a substantial funding gap because only 14% of school districts in the state are adequately funded.

By putting more money through the Fair Funding Formula, the administration’s proposal, shown in the orange bars, reduces the funding gap more for schools with a high share of Hispanic students than schools with a low share of Hispanic students. That proposal would reduce the funding gap for the quartile with the highest share of Hispanic students to \$3,376. The funding gap would be reduced to \$1,020 for the schools with the third-highest share of Hispanic students. The difference in the funding gap between the schools with the highest and the third-highest of Hispanic students would be \$2,356, a reduction of 11% from the current year.

Because the PASW proposal directs more money to schools through the Level Up program, as well as through the Fair Funding Formula, it leads to a greater reduction in the funding gap between school districts with a high and low share of Black students. The PASW proposal would reduce the funding gap for the quartile with the third-highest share of Hispanic living in poverty to \$920, about \$100 below the administration’s proposal. The funding gap would be reduced to \$2,126 for the schools with the lowest share of Hispanic students. The difference in the funding gap between the schools with the highest and third-highest share of Hispanic students is \$2126, a reduction of 19% from the current year.

Conclusion

Even if the PASW education proposal is adopted for 2023-24, most schools in Pennsylvania will be inadequately funded. And the inequity between schools on the basis of poverty, race, and Hispanic ethnicity would remain. Both of the school funding proposals considered in this paper are down payments on the much greater levels of funding and reform of the way we fund our schools, necessary to close both the adequacy and equity gaps and meet the requirement so well stated by Judge Jubelirer

that every child in the state deserves “a meaningful opportunity to succeed academically, socially, and civically, which requires that all students have access to a comprehensive, effective, and contemporary system of public education.”⁷

That we only have the time to enact a stopgap in our pursuit of a constitutional and moral way to fund K-12 education does not mean we should not do as much as is feasible this year to move towards that goal. And with \$13 billion in the bank, the state of Pennsylvania can afford to raise basic education funding by \$700 million while adding \$300 million to the Level Up program.

Our kids deserve much more. They should receive no less.

⁷ William Penn School District, et al v. PA Department of Education, et al., 587 MD 2014, p. 729.