

## Creating Fair and Equitable Public School Funding Talking Points

### KEY POINTS

- The greatest barrier for many families is access to education.
- Early in Governor Wolf's administration, elected officials worked together to implement a fair funding formula to distribute education funding equitably, but it applied only to new funding.
- Currently only 11% of existing basic education funding flows through the Fair Funding Formula.
- The governor is proposing 100% of existing basic education funding dollars flow through the Fair Funding Formula, a historic investment in education.
- During the past five years, Governor Wolf has secured an additional \$1.4 billion in funding for pre-k through college, including nearly \$800 million for basic education, \$140 million for special education, and \$40 million for career and technical education.
- While this has helped repair the damage done by education cuts under previous administrations, it is not nearly enough.
- The governor's plan more than doubles this investment in education and builds on his successful education and workforce development programs, further extending high-quality education to more Pennsylvanians.

### THE PROBLEM

- Despite shifts in school enrollment over the past 30 years, most state funding (\$5.5 billion, or 89%) is still distributed based on student counts in 1992 and is distributed based on what a district received in the prior year and not based on actual costs.
- While Pennsylvania created a Fair Funding Formula in 2016, only \$700 million, or 11%, of basic education funding runs through this formula.
- Because of this outdated process, Pennsylvania has one of the most unfair school funding systems in the country and it's hurting students and property taxpayers.
- That's causing too many urban and rural districts to fall behind, especially lower income communities that are forced to raise property taxes even higher. Many communities still can't meet the needs of students.
- Many parents from big cities to rural communities feel like their kids' opportunities are determined not by their talent and drive, but by their zip code.

### THE SOLUTION

- The governor is proposing a more than \$1.3 billion investment in basic education funding.
- This investment directs all existing state-level basic education funding through the Fair Funding Formula and includes a \$1.15 billion adjustment so that no school district is negatively affected.

- An additional \$200 million investment in basic education funding is proposed to allow all districts to continue to invest in student achievement.
- This investment enables all school districts to have the basic resources they need to provide a high-quality education for Pennsylvania students.

### **CUTTING TAXES FOR PENNSYLVANIA WORKING CLASS FAMILIES AND MAKING THE TAX SYSTEM MORE FAIR AND EQUITABLE**

- Pennsylvania's tax system is one of the most unfair and regressive in the country.
- Working class and low income families pay exactly the same rate as the most well-off in our commonwealth.
- The COVID-19 pandemic has only exposed the inherent unfairness and inequity in our system, with the most vulnerable Pennsylvanians bearing the brunt of the pandemic while many of the wealthiest became even more prosperous.
- It's time to put working class and low income families first, and make our system more fair for those who need help most.
- Under the governor's proposal, not only will the commonwealth invest billions of dollars in education through the Fair Funding Formula, Pennsylvania working class families will also receive a historic tax cut.
- The proposal expands the special tax forgiveness credit so working class families will have their taxes reduced or eliminated completely. Overall, 67% of Pennsylvanians will either get a tax cut or see their taxes stay the same.
- The proposal increases the allowances for tax forgiveness to \$15,000 for single filers, \$30,000 for married filers, and \$10,000 allowance for each dependent. Filers with incomes at or below these thresholds will receive 100% tax forgiveness.
- The percentage of tax forgiveness declines by 1 percentage point for each \$500 above the threshold for 100% forgiveness.
- For example, this means that families with two children making less than \$84,000 will receive a tax cut while a family of four making \$50,000 will have their taxes eliminated.

### **BASIC EDUCATION FUNDING (BEF)**

- In 2016, Pennsylvania enacted the Basic Education Funding Formula to distribute state education funding across school districts in a way that is fair and allows for accountability, transparency, and predictability.
- The formula directs money to school districts based on factors such as the number of students enrolled and the poverty level of those students.

- The formula also takes into account factors that reflect student and community differences such as the population density (sparsity-size adjustment), the household income of families in the district, the number of students attending charter schools and the district’s ability to raise money through local taxes.
- The formula is based on recommendations from a bipartisan commission that the General Assembly formed in June 2014 to recommend a new equitable school funding formula.
- The Basic Education Funding Commission included representatives from the Governor’s Office, PDE, and both parties in the state House and Senate. The Commission held 15 hearings across the state and heard from over 110 individuals including superintendents, academics, school board presidents, representatives of the business community, nonprofit organizations, experts other states, and parents.
- The formula is vital to ensuring all students—no matter where they live—can succeed in school and have access to a quality education.
- The General Assembly determines the total state funding available for K-12 public education through an annual appropriations process and then each school district receives a share of that money based on the formula.

#### **BASIC EDUCATION FUNDING FORMULA FACTORS**

##### **1. Base Allocation/Hold Harmless**

- Each school district receives an amount equal to its BEF for the 2014-15 fiscal year.<sup>1</sup>
- The Base Allocation is the bulk of the annual \$6 billion plus appropriation.

##### **2. Student Weighted Funding Formula**

- This formula distributes “new” money that has been added to the BEF appropriation since the 2014-15 fiscal year.
- Funding is distributed on a prorata (proportionate) basis.
- *Student Factors:*
  - Average Daily Membership (ADM):** Calculated as the average of the school district’s three most recent years’ average daily membership figures, plus
  - Acute Poverty ADM:** Calculated by multiplying the school district’s average daily membership by its acute poverty percentage and 0.6, plus
  - Poverty ADM:** Calculated by multiplying the school district’s average daily membership by its poverty percentage and 0.3, plus

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<sup>1</sup> Several districts also receive special enhancements that were added on top of the original base: Duquesne City SD, \$2.5 million; Allentown City SD, \$1.45 million; Wilkinsburg Borough SD, \$3 million; and Chester Upland SD, \$12 million.

- d. **Concentrated Poverty ADM:** Only school districts with an acute poverty percentage equal to or greater than 30% qualify for this factor. It is calculated by multiplying the school district's average daily membership by its acute poverty percentage by 0.3, plus
  - e. **Number of English Language Learners:** Calculated as the number of the school district's limited English-proficient students multiplied by 0.6, plus
  - f. **Number of Charter School and Cyber Charter School Students:** Calculated as the average daily membership for the school district's students enrolled in charter schools and cyber charter schools multiplied by 0.2.
  - g. **Sparsity/Size Adjustment:** Only school districts with a sparsity size ratio greater than the 70<sup>th</sup> percentile qualify. Calculated by dividing the school district's sparsity/size ratio by the ratio at the 70<sup>th</sup> percentile; subtracting 1; multiplying by the sum of (a) through (f); multiplying by 0.7.
- *Median Household Index:* Calculated for each school district by dividing 1 by its median household income divided by the State median household income.
  - *Local Effort Capacity Index:* Calculated as the sum of the local effort index and the local capacity index.