

# FundEd: Pennsylvania Report

## A Detailed Look at Pennsylvania's Funding Policies



## Pennsylvania



### Funding Basics

#### Formula Type

Pennsylvania has a primarily student-based funding formula. As written, the formula assigns a cost to the education of a student with no special needs or services, called a base amount. It then accounts for the additional cost of educating specific categories of students both through program-specific-allocations and by applying multipliers to the student count then funding the district in accordance with the inflated student count. However, only a small proportion of state education funding is distributed through its formula. The bulk of state education aid is distributed based on historical allocation levels.

The categories of students generating supplemental funding in Pennsylvania are English-language learners, low-income students, and students in small or sparsely populated districts. Services for special education students and students enrolled in career and technical education programs are funded through program-specific allocations.

Pennsylvania's funding formula only applies to state education funds appropriated over and above FY2015 nominal funding levels. For FY2018, less than 8% of the state's total education funding (or \$453 million out of \$6 billion) was distributed through this formula. This funding is divided among districts in accordance with their formula calculations.

#### Base Amount

Pennsylvania does not have a single statewide base amount. Instead, the state provides a per-district amount that is based on the district's weighted student count and varies depending on the state legislature's appropriation for education.

Pennsylvania's funding formula only applies to state education funds appropriated over and above FY2015 nominal funding levels. For FY2018, less than 8% of the state's total education funding was distributed through this formula. This funding is divided among districts in accordance with their formula calculations. For FY2018, each district received a pro-rated share of \$453 million based on their weighted student count, adjusted for local income and local tax effort.

### Local Revenue

## Expected Local Share

Pennsylvania expects school districts to contribute revenue to the funding of public schools. The amount of state formula funding a district receives is based on its local property tax effort, property values, and income. However, no specific tax rate is expected of each district.

Pennsylvania distributes formula funding in amounts based on each district's level of tax effort and its tax capacity. The state compares each district's local property tax rate to the state median, adjusting for the neediness of the student population that the district serves. To determine the tax capacity of a district, the state estimates how much it could raise based on the total market value of its properties and the total personal income of its residents and compares this amount to the estimated state median. Districts with a higher tax effort and with lower tax capacity than the state medians will receive more in state aid, on the assumption that the remainder of education expenditures will be covered out of local tax dollars.

## Property Tax Floors and Ceilings

Pennsylvania does not set a floor or a ceiling for local property tax rates, or a level above which voter approval is required. However, Pennsylvania does limit the size of permissible property tax increases to an extent that varies by district.

Property tax increases are limited based on an inflation index calculated annually by the state. In order to exceed this limit, school districts must seek secure voter approval in a referendum, or apply to the Department of Education for an exception. Exceptions to this limit are given in certain cases, like rising special education costs, rising employee benefit and retirement payment costs, and significant construction costs.

The calculation for the inflation index takes into account average increases in income in the state over the previous year and the federal cost index for elementary and secondary schools. The index is adjusted upwards for some districts whose property wealth or income levels per weighted student count are lower than the state median.

## Other Local Taxes for Education

School districts in Pennsylvania receive revenue from a variety of local taxes, including local property taxes, local income taxes, and others.

In addition to property taxes, school districts in Pennsylvania may impose an earned income tax on the income and profits of residents within the district. School districts may also impose a variety of other taxes, including a real estate transfer tax, a flat tax on each adult resident, and taxes on the gross receipts of some businesses.

## District Characteristics

### Grade Level

Pennsylvania does not differentiate funding based on students' grade levels.

### English-Language Learner

Pennsylvania provides increased funding for English-language learners (ELLs). It does so by applying a multiplier of 1.6 to the count of students who are identified as ELLs. This inflated student count is then used to generate increased funding for districts serving ELLs.

However, Pennsylvania's funding formula only applies to state education funds appropriated over and above FY2015 nominal funding levels. For FY2018, less than 8% of the state's total education funding (or \$453 million out of \$6 billion) was distributed through this formula. The bulk of state education aid is distributed based on historical allocation levels and is not adjusted for student need.

## Poverty

Pennsylvania provides increased funding for students from low-income households and for districts with high concentrations of low-income students. It does so by applying multipliers to the counts of students meeting two different definitions of poverty and then funding the district in accordance with the inflated student count. Pennsylvania also provides increased funding for districts below a certain threshold for median household income.

Pennsylvania applies a multiplier of 1.6 to the count of students who live below 100% of the federal poverty level, as determined by the most recent American Community Survey, and a multiplier of 1.3 to the count of students who live between 100% and 184% of the federal poverty line. In districts where 30% or more of students fall below 100% of the federal poverty level, a multiplier of 1.9, instead of 1.6, is applied to the count of students who live below 100% of the federal poverty line. In addition, Pennsylvania provides increased funding to districts where the median household income falls below the state median household income. It does so by calculating a median household income index that compares each district's median household income to the state median income and applying the index to the weighted student count that is used to determine the district's share of state formula aid.

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## Special Education

Pennsylvania funds special education using a multiple student weights system, providing different levels of funding for different categories of students. Every district receives at least as much as it received for special education in FY2014. For the purposes of distributing any additional appropriated funding, students are assigned to three different categories based on the estimated cost of educating students with their particular disabilities. Pennsylvania also distributes some special education funding through program-based allocations.

The state applies different multipliers for special education students based on the cost of educating them, as reported by the district annually. A multiplier of 1.51 is applied to the count of special education students who are estimated to cost between \$1 and \$24,999 to educate; a multiplier of 3.77 to the count of special education students who are estimated to cost between \$25,000 and \$49,999 to educate; and a multiplier of 7.46 to the count of special education students who are estimated to cost \$50,000 or more to educate.

Pennsylvania also adjusts the level of special education funding districts receive for district sparsity and size, property wealth and income, and property tax rate. (Pennsylvania adjusts special education funding downwards for districts with very low property tax rate.) Funding in excess of the FY2014 amount is allocated in accordance with the inflated student count. Pennsylvania also distributes some special education funding through program-based allocations, including through the Special Education Contingency Fund, intermediate administrative units, the Institutionalized Children's Program, and for special education students placed out of state.

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## Gifted

Pennsylvania does not provide increased funding for gifted and talented students.

## Career and Technical Education

Pennsylvania provides increased funding for career and technical education (CTE) programs. It does so through several program-based allocations, including a subsidy for secondary CTE programs and several grants.

The state provides CTE subsidies to districts based on the number of students enrolled in vocational education programs, with a larger subsidy going to students enrolled in standalone CTE centers rather than in CTE programs housed within district or charter schools. Pennsylvania also provides increased funding for career and technical education through several grants, including those for the purchase of new equipment, partnerships with business and industry, and others.

## Sparsity and/or Small Size

Pennsylvania provides increased funding for sparse or small districts. It does so by inflating the student count for these districts and then funding the district in accordance with the inflated student count.

The state calculates a combined measure of sparsity and size for each district by comparing its number of students per square mile to the state average and by comparing its student count with the average for all districts. These numbers are combined into a single ratio in which district enrollment size counts for 60% and sparsity counts for 40%. Only districts that are among the most sparse and/or smallest 30% receive this adjustment.

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For a complete list of primary sources, please see the appropriate state page at [funded.edbuild.org](http://funded.edbuild.org)

