



Comments on Funding Growing School Districts

**Presented by
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I appreciate this opportunity reiterate our concerns about the funding of growing school districts and the problems they face because of our state's inadequate funding formula. Their problems, like those of other districts, stem from a failure of Pennsylvania to have a coherent school aid system that recognizes the real costs of providing instruction; that is sensitive to the differences between districts that drive those costs; that measures the resources available locally to meet those costs; and that is funded at a level that makes the state a real partner in school funding. I'll discuss these issues as they relate to growing school districts below.

The current system for distributing state funding to school districts is not sensitive to growing enrollment.

As a result, school districts do not see increases in state aid commensurate with growth in student enrollment. Therefore, the cost of providing instructional programs and services to "new" students falls disproportionately on local taxpayers.

Generally, local tax bases do not grow as fast as the cost of meeting the needs of the additional students.

In some cases, the property value and personal income available to support school programs is declining on a per-student basis. In at least one case, the total property value is declining. Changes in wealth are not fully accounted for in the funding formula.

Since 1991-92, when the Commonwealth first moved from a robust formula to a "hold harmless plus" method of distributing state aid, the formula has been insensitive to changes in enrollment and relative wealth. The factors that were in the formula prior to 1991-92 were adjusted annually based on the most-recent available data. We have lost this.

The earlier formula, the Equalized Subsidy for Basic Education, or ESBE, was simple, and sensitive to enrollment. It consisted of a measure of local wealth, a measure of educational need, and a factor to reflect the cost of education.

- The measure of local wealth was the market value personal income aid ratio---a **per-pupil** comparison of the wealth supporting each student in the district. The aid ratio is designed to give districts with less local wealth access to more state aid on a per-pupil basis than wealthier districts.
- The measure of education need was enrollment calculated as the average daily membership weighted by program (elementary and secondary).
- The measure of cost was a factor fixed by the legislature annually that was supposed to approximate the average instructional cost of the median spending school district.

Additional factors were added to reflect additional needs and costs. There was a factor for poverty, in recognition that it often costs more to provide programs to disadvantaged students, a factor for density and sparsity (and later, smallness) in recognition that very urban and very rural districts had additional costs associated with dis-economies of scale. But fundamentally, it was a formula driven by prior year enrollment, local wealth per student and a state-established FEE.

To capture changes in enrollment and relative wealth in the funding formula since 1991-92, the Commonwealth has used various supplements.

The number and nature of supplements have changed each year, as have the qualifying criteria for each supplement, creating “cliffs” between qualifying and non-qualifying school districts. The supplements characteristically have used more current enrollment data and more current wealth data (aid ratios), but they have distributed a relative small amount of the large school subsidy line item. And while the supplement received in one year will go into the district’s base in the following year, the district’s change in enrollment or relative wealth is never again reflected in the state funding formula, unless the district is eligible for a supplement on a following year’s criteria.

The amount available for supplements is more dependent on Commonwealth revenue estimates and other demands on the Commonwealth budget in a given year than on school needs.

The amount that a district might get in a supplement will depend as much on whether it is a “good Commonwealth budget year” or a “bad Commonwealth budget year,” as much as on the district’s compelling need. If a district was unlucky enough to have a supplement-qualifying growth spurt in a “bad Commonwealth revenue” year and slower non-qualifying growth in subsequent years, it will never receive Commonwealth aid that reflects that earlier growth.

The problem is easy to describe and the injustice of not accounting for student growth is easy to recognize. The solution is much harder to find. From our perspective, the problems of growing school districts are like the canary in the mine. They are the first indications of a system more generally toxic. We urge you to address it, but address it in the context of recreating a funding system that recognizes the real costs of providing instruction and the relative ability of different communities to meet those costs with the state as a real partner to insure equity for both students and local tax payers.