

September 16, 2019



# **Budget Primer**

## **Education Funding Progress Report**

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## Pennsylvania's Education Funding Progress Report

**Q: How does total 2019/20 state pre-k to 12 education funding compare to previous years? [Page 2]**

A: There is a clear upward trend in PA's total pre-k to 12 education spending. However, it is important to ask and understand how the pension debt is treated in such comparisons.

**Q: What percentage of the commonwealth's PSERS payment will go toward paying down the unfunded liability in 2019/20? [Page 3]**

A: An estimated 75 percent.

**Q: Where is Pennsylvania on the path to restoring the \$1 billion cut to basic education subsidies? [Page 4]**

A: Nominally, the \$1 billion cut was fully restored as of 2018/19. In inflation-adjusted terms, PA still needs another \$841 million investment. However, PA's true goal should be adequate and equitable funding for public schools, which requires robust state funding support.

**Q: Is Pennsylvania's state support for education keeping pace with school districts' cost-drivers? [Page 5]**

A: No. School districts are particularly struggling with pension, special education, and charter school costs. Only the state share for pensions is keeping pace.

**Q: How does PA's state support for public education compare nationally? [Page 6]**

A: According to fiscal year 2017 data from the U.S. Census, PA ranks 44<sup>th</sup> in state support for public education.

**Q: How does PA's education spending per student compare nationally? [Page 7]**

A: According to 2018/19 estimates from the National Education Association, PA ranks 8<sup>th</sup> in current expenditures per student and is competitive within the Mid-Atlantic region. However, PA's appealing spending average masks the highly inequitable funding between school districts in the commonwealth.

**Q: Is there a fair way to compare spending per student between school districts? [Page 8]**

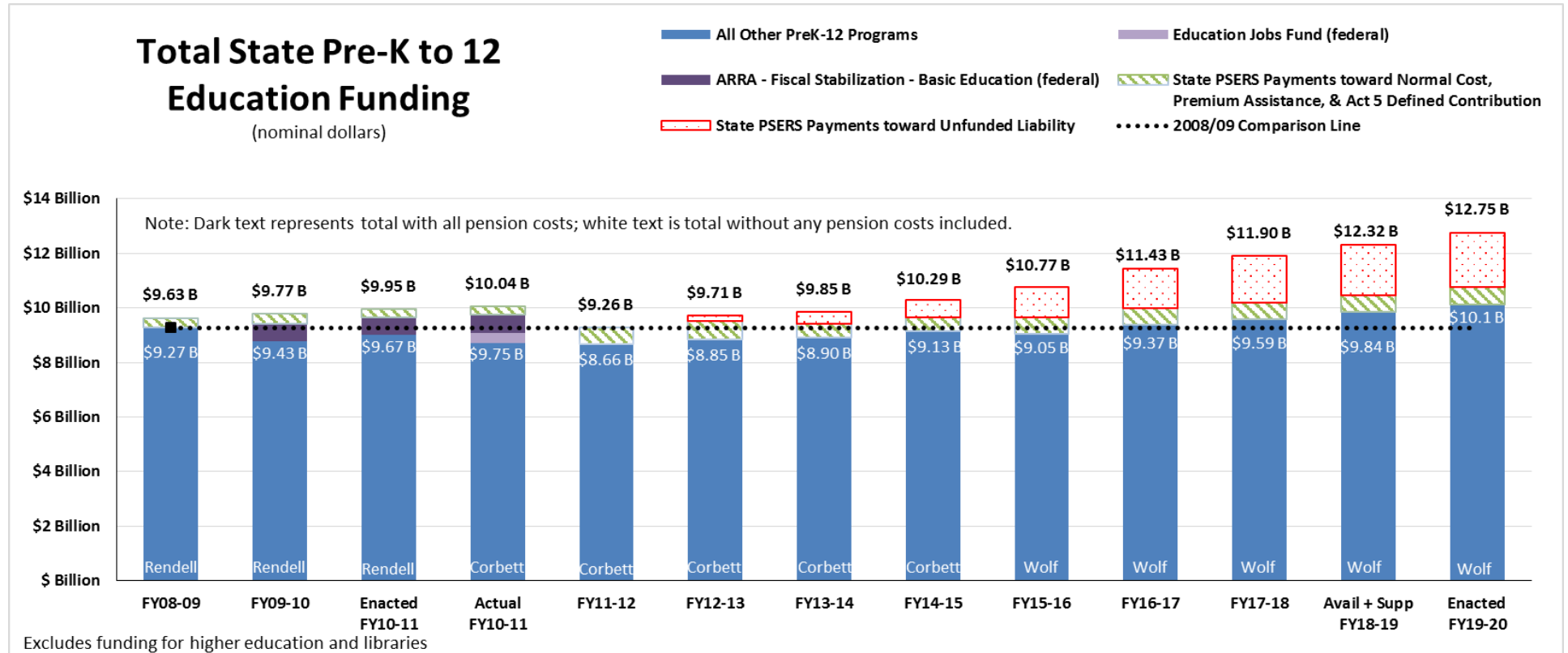
A: Yes, by using weighted student counts. In 2017/18, PA's wealthiest 100 school districts spent \$5,440, or 52 percent, more per weighted student than its poorest 100 school districts.

**Q: What portion of Gov. Wolf's education budget requests has the General Assembly been funding? [Page 9]**

A: The enacted 2019/20 budget includes 85 percent of the investments Gov. Wolf requested in basic, special, and early childhood education.



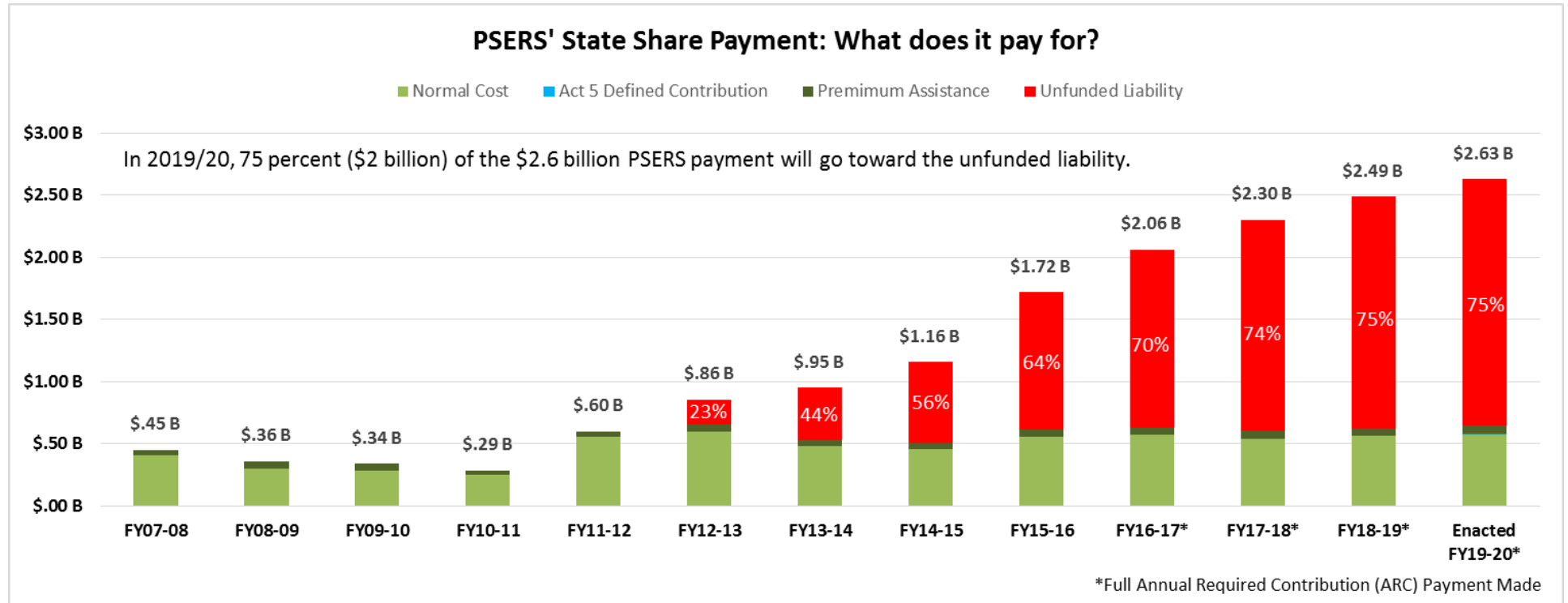
## How does total 2019/20 state pre-k to 12 education funding compare to previous years?



- A meaningful historical comparison of total state education funding should:
  - Not represent the entire PSERS appropriation as funding for today's classrooms;
  - Begin in 2008/09, the year before the Great Recession and the influx of federal stimulus funding; and
  - Include the fiscal stabilization dollars provided by the federal government to help states maintain spending at a time when state tax revenues were significantly underperforming. The mid-year supplanting of state revenue in 2010/11 is also important.
- Pennsylvania's total state education funding has been trending upward since the 10-year low point in 2011/12.
  - Republican claims in recent years of record state spending on education ignore the unfunded pension liability's share of the increases. Payments toward the unfunded liability should not be credited as investments in today's classrooms (see page 3).
  - Unrepresented policy nuances detract from the value of broad comparisons like year-to-year total state education funding. For example, the bonding of the PlanCon program (school construction) beginning in 2015/16 explains the dip in programmatic spending relative to 2014/15.
  - This chart does not account for inflation or reflect school districts' evolving budget challenges (see page 5).



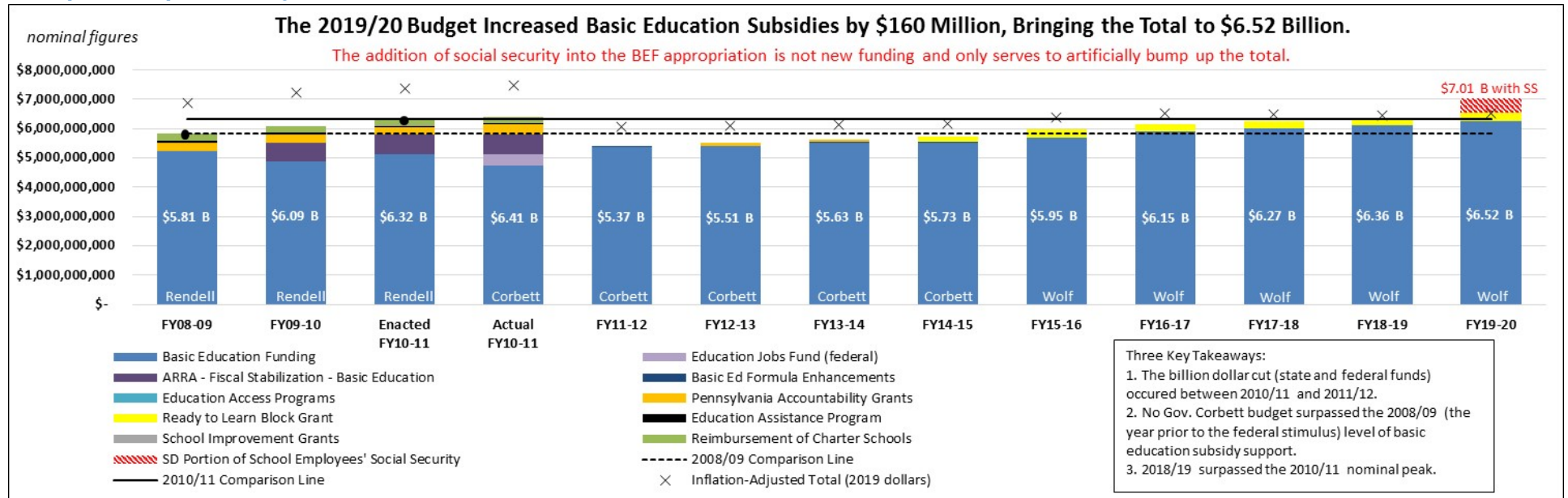
## What percentage of the commonwealth's PSERS payment will pay down the unfunded liability in 2019/20?



- In the General Appropriations Act, there is one appropriation for the state's employer contribution for the Pennsylvania School Employee Retirement System (PSERS) fund. However, this money is effectively used for three distinct purposes: payments for health care premium assistance, the retirement contributions for current school employees (normal cost and Act 5 defined contributions), and payments for old pension debt (unfunded liability).
- Representing the entire PSERS appropriation as funding for today's classrooms is false. In 2019/20, an estimated 75 percent of the state's PSERS payment will go toward the unfunded liability.
  - One way to depict total education funding for today's classrooms would be to remove the PSERS payments altogether since so much of the appropriation is used to pay old debt and the cost for current employees (normal cost) is relatively flat across the years. Unfortunately, this method shortchanges the total education spending picture since current labor costs, of which pensions are a meaningful part, should be included.
  - At the very least, the unfunded liability should be differentiated from the normal cost of pension payments in the total education funding conversation.



## How does Pennsylvania's support for basic education, the largest source of direct funding to classrooms, in 2019/20 compare to previous years?

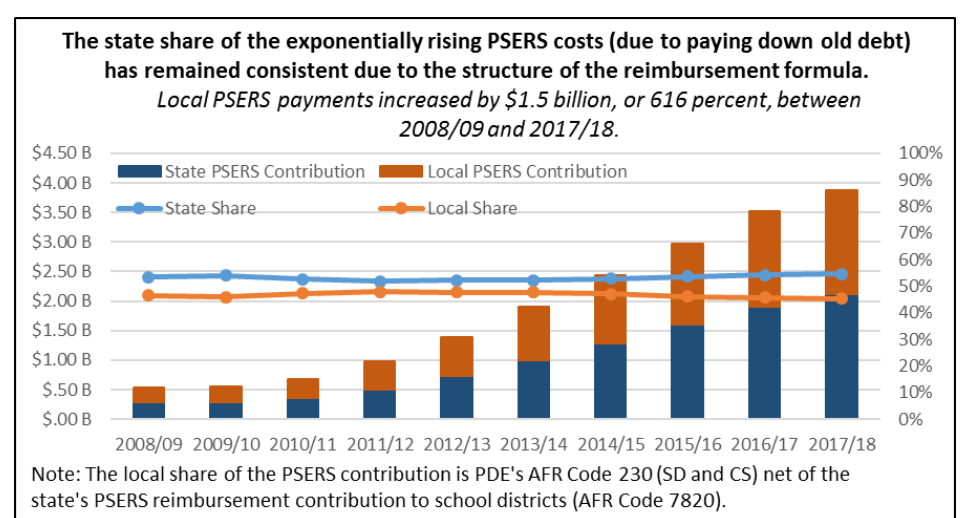
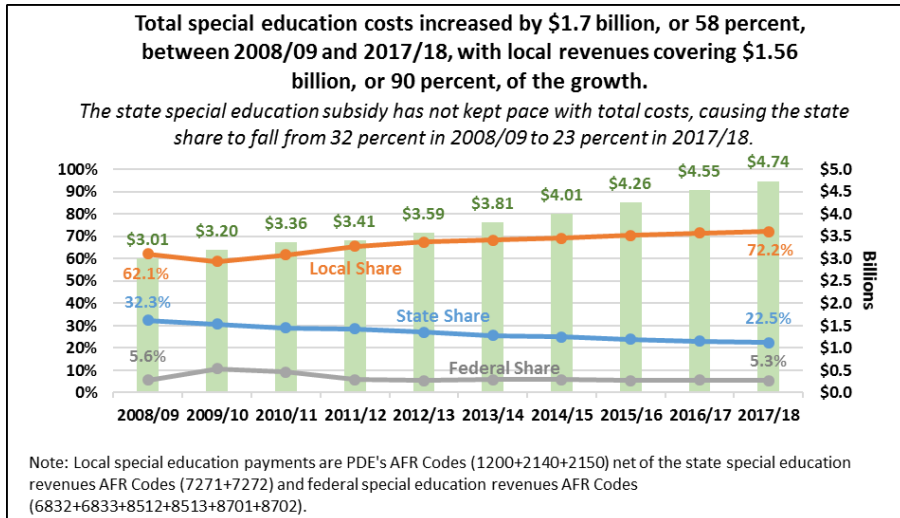
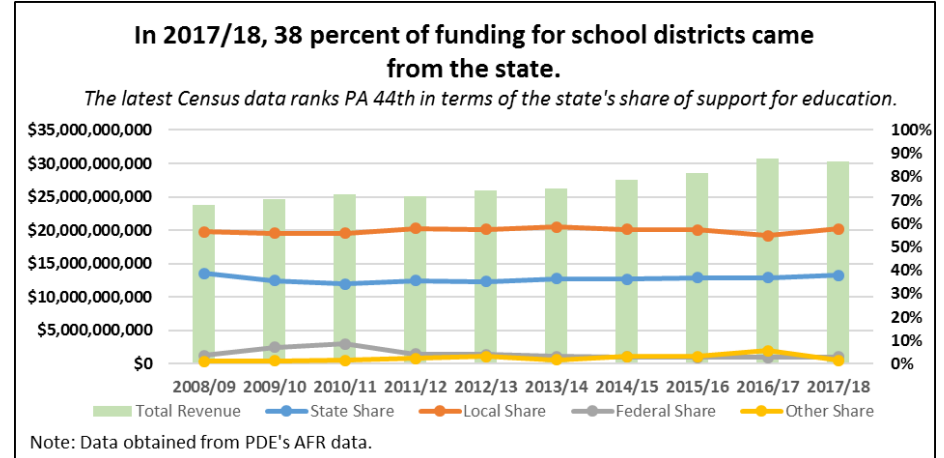
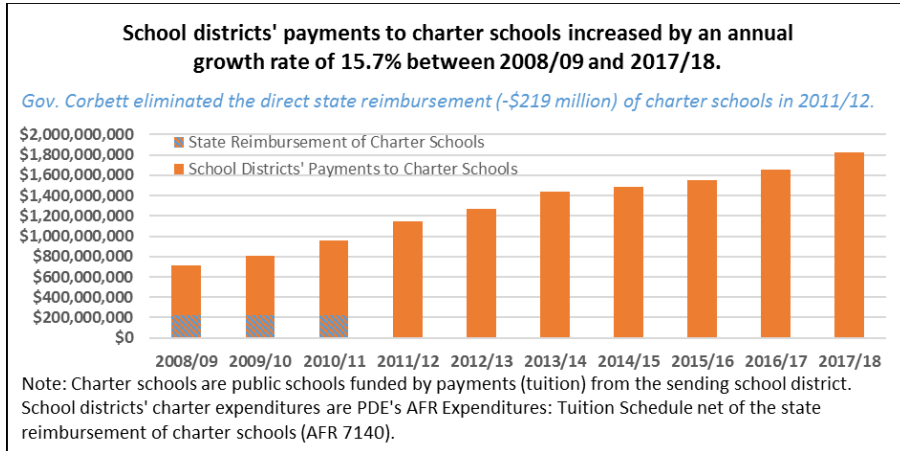


- **The infamous \$1 billion cut was restored as of 2018/19.** Under Gov. Corbett, between 2010/11 and 2011/12, through a combination of a loss of federal stimulus funds and reductions to state education subsidies, Pennsylvania school districts weathered a \$1 billion cut in basic education subsidies.
  - Gov. Corbett added back \$356 million during his remaining three years. Gov. Wolf, fulfilling his promise to fully restore the cuts, invested another \$633 million during his first term, bringing the nominal 2018/19 subsidy total back to the 2010/11 peak level.
- However, Pennsylvania still has a lot of work to do to climb out of the inflation-adjusted hole.
  - After the \$160 million increase in 2019/20, the basic education subsidies remain \$841 million below the inflation-adjusted 2010/11 peak and \$338 million below the pre-federal stimulus, inflation-adjusted 2008/09 level.
- Restoring the \$1 billion cut, whether nominally or in inflation-adjusted terms, was always an arbitrary target because it did not signify adequacy or equity. An [ongoing lawsuit](#) contends PA is not meeting its constitutional obligation to “provide for the maintenance and support of a thorough and efficient system of public education.”
- Although the 2019/20 budget moved (it's not new money!) the school district portion of the state's reimbursement of school employees' social security into the basic education funding appropriation, the accompanying school code clarifies that the funding streams remain separate.



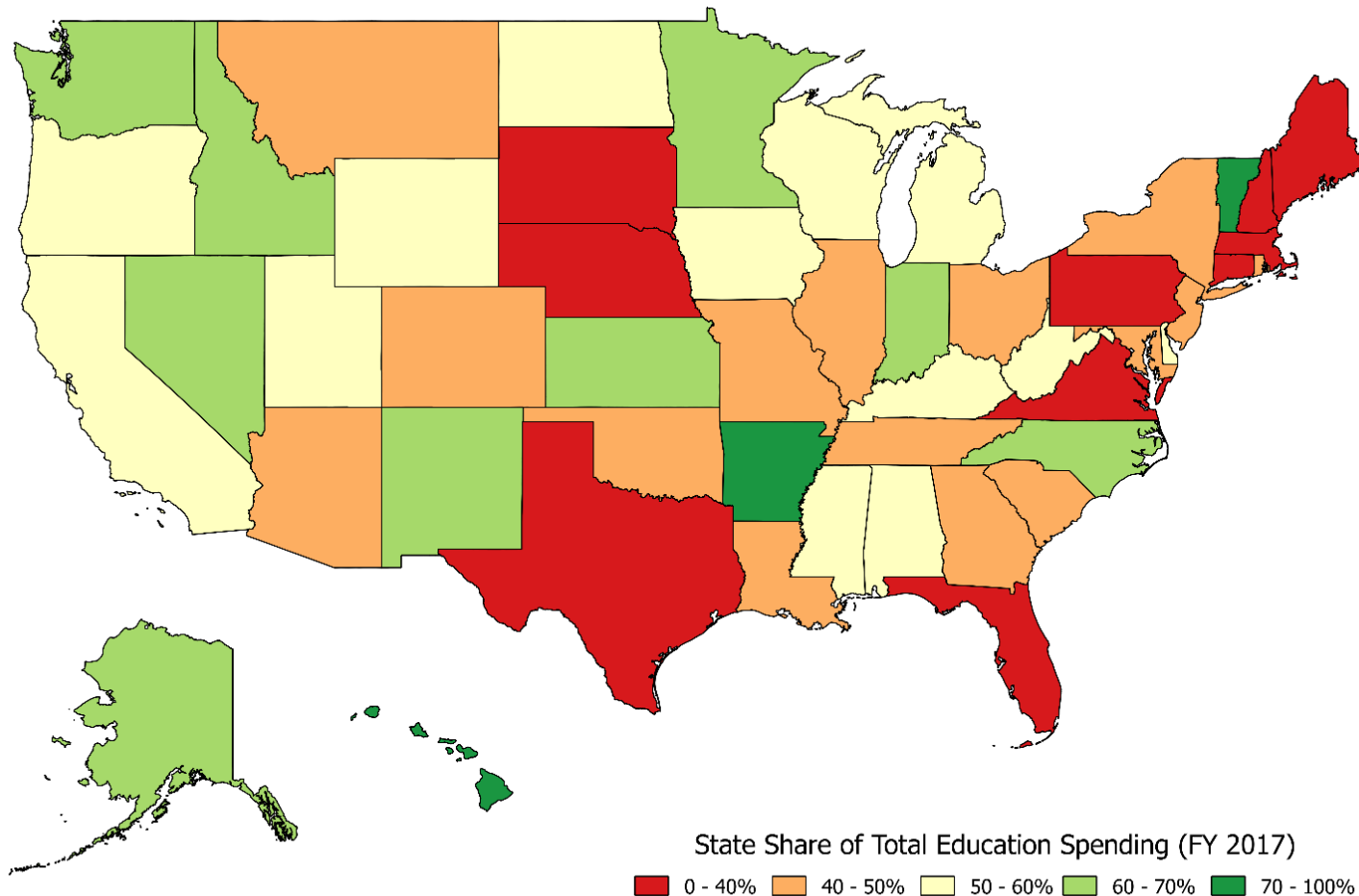
## Is Pennsylvania's state support for education keeping pace with school districts' cost-drivers?

- The [June 2019 PASBO/PASA School District Budget Report](#) shows most school districts list charter tuition, special education, and pensions as their top three cost-drivers.
  - PA's direct charter school reimbursement was eliminated in 2011/12. The state can help by reinstating the reimbursement appropriation or revisiting the 20-year-old charter tuition formula.
  - The 2019/20 budget's \$50 million special education funding increase will help mitigate PA's lagging special education support.
  - PA's state pension payments keep pace with total pension costs by design.
  - The state increases in basic education funding have not translated into a higher state share of total funding because local support continues to increase at a higher rate.



## How does PA's state support for public education compare nationally?

- The House Republican Caucus [claims](#) at least part of the reason for moving the social security reimbursements into the basic education funding appropriation is to get credit for that spending in national comparisons. It is not clear which comparisons they are talking about. What is clear, is that the U.S. Census already includes social security payments in its state support rankings.
- The [U.S. Census' Public Elementary-Secondary Education Finance Data for fiscal year 2017](#) shows Pennsylvania's 38.7 percent state share of total education spending ranks 44<sup>th</sup> in the nation. The Census' appendix tab notes employee benefit expenditures, which are included in the total spending calculations, contain contributions on behalf of employees for social security.

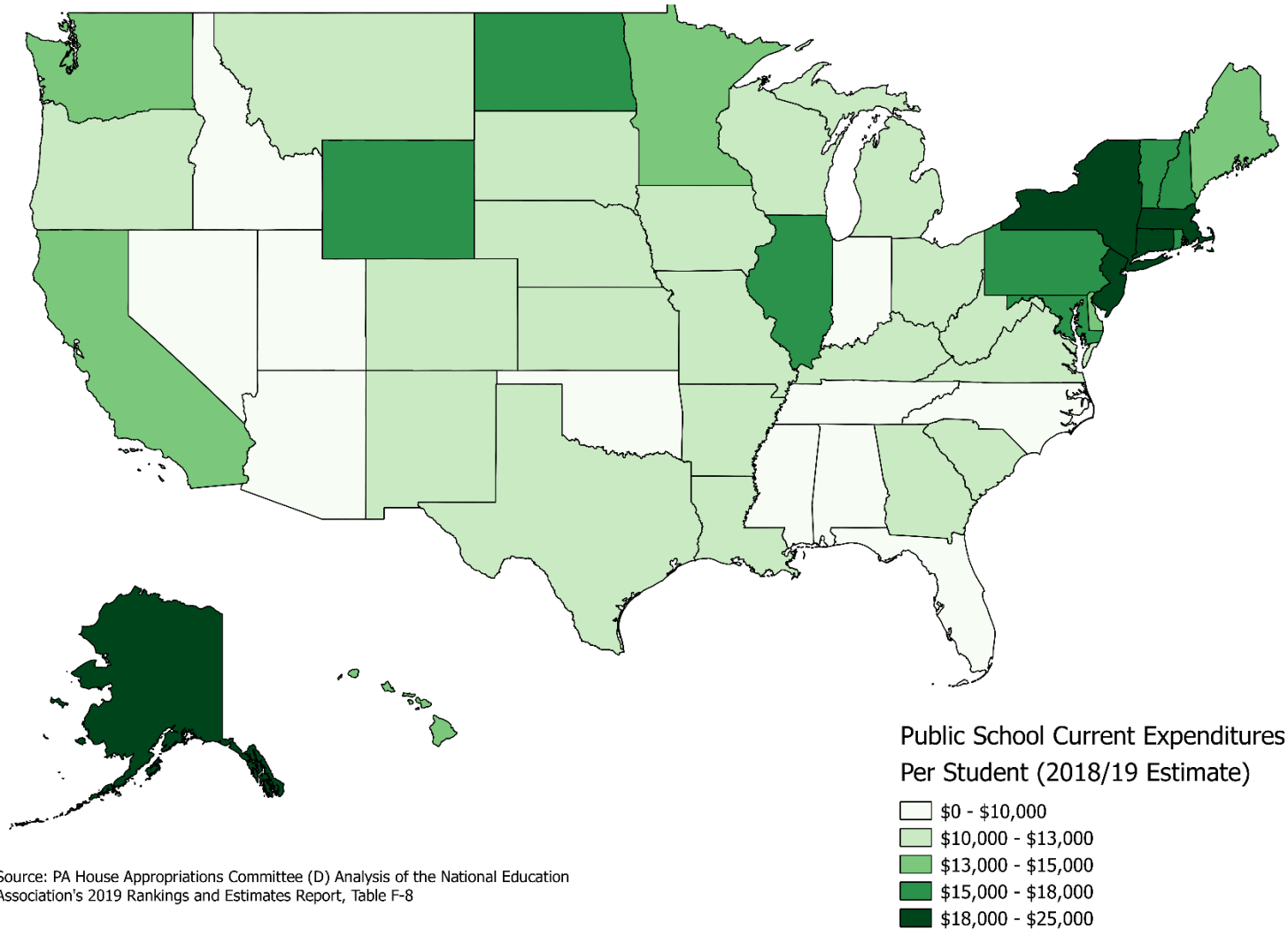


Source: PA House Appropriations Committee (D) Analysis of the U.S. Census' Public Elementary-Secondary Education Finance Data



## How does PA's education spending per student compare nationally?

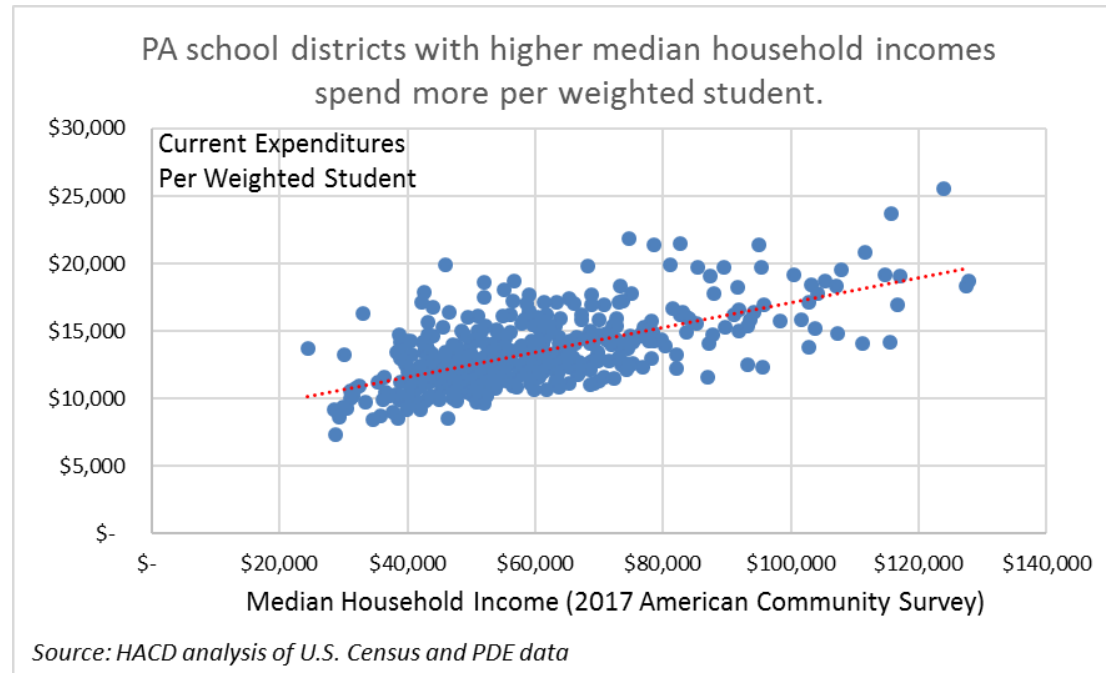
- PA ranks 8<sup>th</sup> in current expenditures per student (\$17,360), according to [NEA's Annual Rankings and Estimates](#).
  - While at the tail end of the top 10 nationwide, PA is competitive within the Mid-Atlantic region.
  - Despite higher spending on a per-pupil basis, PA's overreliance on local funding sources means there is a wide gap between high-spending wealthy communities and lower-spending poorer communities with the most need.





## Is there a fair way to compare spending per student between school districts?

- By taking into account the added costs to educate certain students (e.g. living in poverty or English Language Learners), the weighted student count allows for an apples-to-apples spending comparison between school districts.



<b>PA's wealthiest 100 school districts spend \$5,440, or 52%, more per weighted student than its poorest 100 school districts.</b>	2017/18 Expenditures Per <u>Weighted</u> Student
Bottom Quintile (poorest 100 districts)	\$10,469
Second Quintile	\$11,966
Third Quintile	\$13,211
Fourth Quintile	\$13,344
Top Quintile (wealthiest 100 districts)	\$15,908



## What portion of Gov. Wolf's education budget requests has the General Assembly been funding?

- There was only one occasion over the past five years where the Republican-controlled General Assembly increased basic, special, or early childhood education above the amount requested by Gov. Wolf.
- While Gov. Wolf has not received everything he has asked for, he has been a leader in making investments in pre-k to 12 education.

Fiscal Year	Basic Education Subsidies			Special Education Funding			Early Childhood Education		
	Gov. Wolf's Proposed Increase	Actual Increase Approved by the Republican-controlled General Assembly	Percent of Proposed Amount Funded	Gov. Wolf's Proposed Increase	Actual Increase Approved by the Republican-controlled General Assembly	Percent of Proposed Amount Funded	Gov. Wolf's Proposed Increase	Actual Increase Approved by the Republican-controlled General Assembly	Percent of Proposed Amount Funded
2015/16	\$400 million	\$221 million	55%	\$100 million	\$30 million	30%	\$120 million	\$30 million	25%
2016/17	\$200 million	\$200 million	100%	\$50 million	\$20 million	40%	\$60 million	\$30 million	50%
2017/18	\$100 million	\$117 million	117%	\$25 million	\$25 million	100%	\$75 million	\$30 million	40%
2018/19	\$100 million	\$95 million	95%	\$20 million	\$15 million	75%	\$40 million	\$25 million	63%
<b>1st Term Total</b>	<b>\$800 million</b>	<b>\$633 million</b>	<b>79%</b>	<b>\$195 million</b>	<b>\$90 million</b>	<b>46%</b>	<b>\$295 million</b>	<b>\$115 million</b>	<b>39%</b>
2019/20	\$182 million	\$160 million	88%	\$50 million	\$50 million	100%	\$50 million	\$30 million	60%

