THE HISTORY OF SCHOOL FUNDING IN PENNSYLVANIA 1682 - 2013

THE PENNSYLVANIA ASSOCIATION OF RURAL AND SMALL SCHOOLS

WRITTEN BY
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Preface

The following monograph was commissioned by the Pennsylvania Association of Rural and Small Schools (PARSS). During the constant debates over the fairness of our current system of school funding in the Commonwealth, there did not seem to be a concise reference that included all of the various ways of funding schools over the many years of public education.

The nature of this document will be to place education funding and public education within the framework of Pennsylvania's economic history. Public education has been both a leader and a reactor to the economic trends within the state. There have been attempts, over the years, to attune the funding of public schools to the wealth, population and land values in the Commonwealth.

There have been a number of formulae over the past 165 years of public schools. The last 30+ years have seen a vast increase in these schemes. Since 1991-92 there has been no set formula for providing funds for schools. 65% of all funds now distributed in this school year are based on statistics from the 1989-90 school year. It is, however, noteworthy that a six-year formula-driven plan was proposed in Fiscal Year 2008-2009. The plan failed because only parts of it were ever implemented during FY 2008-09 and 2009-10, and the General Assembly chose to abandon any further references to the plan in subsequent years.

PARSS went to court in 1991 to create an equitable and predictable system for providing resources for public schools in our state. In 1999, the State Supreme Court upheld a Commonwealth Court decision declaring that this was not a "justiciable issue." It is therefore up to the state legislature to determine how funding is distributed. Legal scholars view this as saying that at this time, education is not a fundamental right, under the State Constitution, in the Commonwealth of Pennsylvania.

PARSS was very fortunate to have Ms. Janice Bissett, former Senior Education Advisor to House Democratic Leaders as the

author of this monograph. Ms. Bissett spent over 25 years in the legislature, reviewing any education funding legislation coming into the House Education Committee. She was also the author of a number of the funding schemes that she describes in this document. Dr. Arnold Hillman, former school superintendent and Intermediate Unit Director and author of this new edition has been at the forefront of educational finance reform for 35 years.

The audience for this piece is the legislature and its staff, the members of PARSS, and members of the education community.

Janice Bissett
Arnold Hillman

Janice Bissett passed away on Saturday September 7, 2013.

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A Summary of the History and Financing of Education in Pennsylvania

"The General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth." Article III, Section 14, PA Constitution

During discussions of financing public education in Pennsylvania, many will quote the Constitutional requirement for a "thorough and efficient system of public education" and the General Assembly's responsibility to devise the system and the manner in which the system is financed. But, little attention is paid to the phrase "…to serve the needs of the Commonwealth." The premise of this monograph is that the economy, at the State and National levels, defines the "…needs of the Commonwealth." Hence the public school system and how it is funded should directly relate to the economic needs of the Commonwealth.

It appears that for a number of years, public education was driven by the economic needs of the Commonwealth and the Nation as a whole, but somewhere along the line the roles became reversed. No longer was public education responding to the needs of the Commonwealth, but the Commonwealth was responding to the needs of the system of public education.

It must be remembered that the maintenance and support of a system of public education in Pennsylvania is the Constitutional responsibility of the General Assembly. Through hundreds of pieces of legislation, the General Assembly has created school districts, merged school districts, provided for school boards as its agents at the local level, provided funding, provided local taxing authority, etc. Everything that a local school district must do or must not do is by act of the General Assembly.

Part I
1682 - 1949 History of School Funding

Money does matter. If it were not for the fact that King Charles II owed William Penn's father 16,000 pounds, the Charter of Pennsylvania would not have been signed.

The agreement was made at the suggestion of William Penn who saw it as a way to find relief from the persecution he encountered for his belief in the tenets of the Society of Friends, Quakers.

In William Penn's "Frame of Government," Penn provides the first reference to public schools:

> *XII. That the Governor and Provincial Council, shall erect and order all public Schools, and encourage and reward the authors of useful Sciences and laudable Inventions in the said province.*

Further, Penn proposed:

> *XXVIII. That all children, within this province, of the age of twelve years, shall be taught some useful trade or skill, to the end none may be idle, but the poor may work to live, and the rich, if they become poor, may not want.*

During the early years, immigration to the colony of Pennsylvania reflected the tolerance towards religions that was an essential provision of William Penn's governance. Quakers from England, Lutherans and members of the Reformed Church from Germany, Presbyterians from Scotland and members of smaller sects such as the Amish, Mennonites, Moravians, Dunkers and Schwenkfelders all immigrated to Pennsylvania.

Catholicism and Judaism also found tolerance in Pennsylvania.

"The first Catholic congregation was organized in Philadelphia in 1720, and the first chapel was erected in 1733; Pennsylvania had the second largest Catholic population among the colonies." "There was a significant Jewish population in colonial Pennsylvania. The Mikveh Israel Congregation was established in Philadelphia in 1740." (PA Historical and Museum Commission, PHMC)

In spite of Quaker opposition, approximately 4,000 slaves resided in colonial Pennsylvania by 1730.

During these early colonial days, education was provided privately and most schools were affiliated with religions. Formal schooling was only for the wealthy.

The economy of Pennsylvania was largely based on agriculture, followed by manufacturing and transportation. Formal education was not imperative for success in these occupations. Apprenticeship programs in manufacturing provided on-the-job skill training.

Rudimentary skills in reading and math were necessary and generally learned in the family environs or religious-affiliated schools rather than in a non-denominational school setting.

"Few children in colonial Pennsylvania studied beyond the three R's. Reading received first priority for it held the key to the one book likely to be in a provincial home, the Bible….the province merely encouraged and did not provide education. Pupils of a scholarly bent might pursue a fourth R, religion, if they seemed likely candidates for the ministry, but those who continued beyond reading, writing and arithmetic either went to European universities if their fathers had means, or studied privately with local scholars." (Klein, Hoogenboom)

Known as the "Athens of America," Philadelphia with its Quaker heritage of tolerance and acceptance established itself as a center for intellectual interests and institutions. In 1740, an academy opened in Philadelphia that later became the College of Philadelphia in 1755 and ultimately became the University of Pennsylvania. The College of Philadelphia was the only nondenominational college of the colonial period. (PMHC)

The Constitutions of Pennsylvania and their education provisions provide a chronology of the emergence of public education in the Commonwealth.

The Pennsylvania Constitution of 1776 in Section 44, required the establishment of schools in each county of the Commonwealth.

"Sec. 44. A school or schools shall be established in each county by the legislature, for the convenient instruction of youth, with such salaries to the masters paid by the public, as may enable them to instruct youth at low prices: And all useful learning shall be duly encouraged and promoted in one or more universities."

Little was done during this period of time by the legislature to encourage the establishment of these basic schools. Creation of such schools was sporadic across the state.

The Pennsylvania Constitution of 1790 contains the first reference to free public education.

"ARTICLE VII Of Public Schools. Section I. The legislature shall, as soon as conveniently may be, provide, by law, for the establishment of schools throughout the state, in such manner that the poor may be taught gratis."

With the adoption of this language to the Pennsylvania Constitution, Governor Thomas Mifflin (1790-1799) began the executive branch's campaign to have the legislative branch enact legislation to carry out this Constitutional provision. In a message to the legislature on December 6, 1794, Mifflin declared:

"Allow me to impress upon our consideration, the constitutional injunction, 'to provide by law, as soon as conveniently may be, for the establishment of schools throughout the state, in such manner that the poor may be taught gratis.' To multiply, regulate, and to strengthen the sources of education is the duty of every wise and virtuous government". (Dunkleberger, 1948)

Although enabling legislation for the establishment of such schools was not enacted during Governor Mifflin's administration, in 1794, the "…House of Representatives did adopt a plan for

funding these schools, with 20% of the costs paid from the state's General Fund and the remaining 80% supported by county taxes." (Understanding School Finances, PSBA, 1987)

The next Governor, Thomas McKean (1799-1808) also sought a legislative response to the 1790 Constitutional provision. In his address to the PA Legislature on November 21, 1800, Governor McKean stated:

"Considering the diffusion of useful knowledge among the people to be the best auxiliary to the administration of a free government, allow me to remind you of a constitutional injunction that the legislature, as soon as conveniently may be, provide by law for the establishment of schools throughout the state, in such manner, the poor may be taught gratis." (Dunkleberger, 1948)

There was little impetus for the Legislature to fulfill its Constitutional mandate. The needs of the Commonwealth were being met through religious-based schools and reading instruction by parents. The economy of the time did not require more.

Governor Simon Snyder (1808-1817) aggressively fought for legislative action to place into statute the establishment of schools as provided for in the PA Constitution of 1790. His efforts culminated in The School Act of 1809.

"This act made it the duty of township assessors to ascertain the names of all children whose parents were too poor to send them to school, and to report their findings to the county commissioners so that provision could be made for the education of all such children in the different subscription schools that were in operation during the winter. The act was designated the 'Pauper Act.'" (Dunkleberger, 1948)

As one can imagine, this designation as the "Pauper Act" turned many parents away from taking advantage of its provisions. To be publicly pronounced a pauper was more than what many parents were willing to endure to provide their children with an education. Hence, many children remained uneducated.

Under the leadership of Governor George Wolf (1829-1835), Pennsylvania began to make major strides in the provision of free public education.

"The rapidly expanding population, the growing complexity of economic life as the Industrial Revolution progressed, the rise of the penny press, the demands of the city workingmen, the equalitarian ideas of the Jacksonian age, the wider participation of people in politics, and the recognition by political leaders that the electorate needed to be literate all had a pervasive and cumulative impact."
(Klein, Hoogenboom)

"…on April 2, 1831, the Legislature passed the Common School Fund Act and a funding start had been made.

The Legislature began to realize its obligation to do something about creating a public school system as funded; however, it took until 1834 for an act to be passed to establish a general system of education by common schools.

…the 1834 act (known as The Common School Law) provided further that "the city and county of Philadelphia and every other county in the Commonwealth and every ward, township and borough …shall form a school district.

It provided for school boards, county taxes to be voted on by a committee of the county commissioners, and one delegate school board member from each board. The amount of county school tax was to be not less than twice the amount received from state aid and negative voting districts were to receive no part of state aid.

The act passed nearly unanimously and immediately ran into trouble from the wealthy who disassociated themselves from the "common" or "poor." (PSBA, 1987)

The following year, 1835, an attempt was made to repeal The Common School Law of 1834. Although, remembered by historians for his anti-slavery position, reconstruction efforts and debate in support of impeachment of President Andrew Johnson, Thaddeus Stevens played a major role in the establishment of and continuation of free public education in Pennsylvania.

A member of the PA Legislature from 1833-1841, Thaddeus Stevens was a staunch and vocal supporter of free public education. On April 11, 1835, he delivered a speech in the PA House of Representatives in opposition to the repeal of The

Common School Law of 1834. It is said that this speech saved free public education in the Commonwealth.

"He considered it the most effective speech he ever made, and styled it the crowning utility of his life….he remarked that he should feel himself abundantly rewarded for all his efforts in behalf of universal education if a single child educated by the Commonwealth should drop a tear of gratitude on his grave." (Schaeffer, 1968)

Stevens stated in his speech:

"If an elective republic is to endure for any great length of time, every elector must have sufficient information, not only to accumulate wealth and take care of his pecuniary concerns, but to direct wisely the Legislature, the Ambassadors, and the Executive of the nation; for some part of all these things, some agency in approving or disapproving of them, falls to every freeman. If, then, the permanency of our government depends upon such knowledge, it is the duty of government to see that the means of information be diffused to every citizen. This is a sufficient answer to those who deem education a private and not a public duty – who argue that they are willing to educate their own children, but not their neighbor's children."

The movement to repeal The Common School Law of 1834 failed.

The following year, a funding formula was enacted which was based on the number of taxable inhabitants in a county. The money was sent to the county treasurer who in turn distributed it to the school districts within the county in proportion to their taxables.

This 1835 funding formula was used until 1897. During this period of time, county superintendents *"….constantly complained that the method was not equitable because it favored more populated areas and wealthy counties, disregarding the number of children." (PSBA, 1987)*

In 1863, the formula was changed to the number of children in attendance. The new formula was never utilized and was repealed the following year. The 1835 formula was reinstated. The numeration of children in attendance was too difficult to determine.

The Pennsylvania Constitution of 1838

The Pennsylvania Constitution of 1838 contained the same language as the Constitution of 1790 and did not expand upon the Commonwealth's obligation to provide public education.

The Economy

Although public education made gains during this period, the economy of Pennsylvania did not need a "schooled" work force. The majority of jobs continued to be in agriculture or industries that provided apprenticeship programs or on-the-job training.

Beginning in 1790, the Commonwealth undertook major public works that included studying and mapping of all navigable waterways in the State. The State Works program built canals across Pennsylvania that by 1834 connected the eastern and western sections of the Commonwealth. Although a worthwhile undertaking which opened commerce across the State, the cost of the canal system almost bankrupted the State. (Cochran) Simultaneously, the railroad industry was emerging in Pennsylvania. As part of a State Works project, Pennsylvania became the first state to build and own a railroad line. It was the Columbia and Philadelphia Railroad and was completed in 1834.

However, charters to the private sector to build and operate railroads in Pennsylvania soon became the major source of railroad building. This rapid expansion of railroads soon led to the reduction in traffic on Pennsylvania's canals.

"…whereas Pennsylvania had reached its maximum of 954 canal miles by 1840, total railroad trackage grew by 1860 to 2,598 miles. In miles of rail and in total capital investment in railroads, Pennsylvania led all other states… (PMHC)

The jewels in Pennsylvania's crown of industry were the manufacturing of iron and steel and coal mining.

"Its (Pennsylvania's) production of iron was notable even in colonial times, and the charcoal furnaces of the state spread into the Juniata and

western regions during the mid-1800's. Foundries, rolling mills and machine ships became numerous and, by the Civil War, the state rolled about half the nation's iron…." (PMHC)

In 1836, the PA Legislature passed an act entitled, "To encourage the manufacture of Iron with Coke or Mineral Coal, and for other purposes."

"This act allowed any iron-making firm that met certain requirements to receive a corporate charter so long as they burned coal, rather than charcoal, as fuel. The act required incorporating firms to have at least $100,000 in capital and no more than $500,000. It also allowed them to hold up to two thousand acres of land either in a single county or in two adjacent counties.

The inclusion of bituminous coal furnaces under the provision of this act was necessary to acquire the support of representatives from western Pennsylvania even though the main thrust of the act was for anthracite coal." (Adams, University of Central Florida, 2000)

This act gave Pennsylvania an edge in attracting and establishing new mills, but more importantly edged out its neighboring states that were major producers of charcoal.

"During this time of industrial and mining expansion, the rights of laborers were going unmet. Labor unions were not the force they were to become and only in Philadelphia did labor see any success. In 1845, a city ordinance placed a ten-hour limit on the workday." (PMHC)

"By 1861, the factory system had largely replaced the domestic system of home manufacture, and the foundation of the State's industrial greatness was established. The change was most noticeable after 1840 because of a shift to machinery and factories in the textile industry. By 1869, there were more than 200 textile mills." (PMHC)

Pennsylvania played an important role during the Civil War. Aside from providing over 350,000 citizens, including 8,500 African Americans, for the Union Army, Pennsylvania's natural resources and industries played a vital role in the ultimate outcome of the War.

The Pennsylvania Constitution of 1874

*"**Article X Education Section 1**. Public School System. The General Assembly shall provide for the maintenance and support of a thorough and efficient system of public schools. Wherein all the children of this Commonwealth above the age of six years may be educated, ... and shall appropriate at least one million dollars each year for that purpose.*

***Section 2**. Diversion of School Moneys to Sectarian Schools. No money raised for the support of the public schools of the Commonwealth shall be appropriated to or used for the support of any sectarian school.*

***Section 3**. Women Eligible as School Officers. Women twenty-one years of age and upward, shall be eligible to any office of control or management under the school laws of this State."*

This period saw the expansion of high schools in Pennsylvania.

"In 1860, there were only six public high schools in the state. Beginning in 1887 the Assembly passed general laws authorizing the establishment of high schools. They had enrolled only two percent of the public school population when the state began to appropriate money for high schools in 1895. Ten years later the system was firmly established. By 1895, every school district was authorized to establish a high school. Initially high schools offered only two-year courses."
(PMHC)

Both the formula for distribution and the level of funding to the public schools had been rather stagnant for some time.

"In 1897 a new system for disbursing state aid began, calling for distribution on the basis of the number of children ages 6-16, the number of taxables and taxable residents….In 1903, the first law setting a minimum teacher salary ($35 per month) was passed. In 1907, the minimum pay was raised to $40 per month for teachers and provisional certificates. In 1911, taxable inhabitants were deleted from the subsidy formula. The Woodruff Salary Act of 1919 provided for a range of reimbursements based upon classification of certificates."

In 1919, Governor Sproul appointed Dr. Thomas E. Finegan as Superintendent of Public instruction. During Dr. Finegan's tenure, he reorganized the Department and centralized control of the State's public school system.

"The omnibus Edmunds Act (1921)...embodied the Finegan program. It replaced the Board of Education with the State Council of Education which was empowered to issue new statewide teaching certificates. Raising standards, salaries, and state subsidies, the act also defined primary and secondary educational systems, made the junior high school a part of the system, and gave the State Council power to prescribe high school curriculum. 'Czar' Finegan was damned - particularly by the Grange—for raising salaries and limiting local control, but no one has subsequently equaled Finegan's impact on education in Pennsylvania." (Klein, Hoogenboom)

Another major legislative effort was made during the early 1900's, A Commission was appointed (funded jointly by the executive branch and the General Assembly). Paul Mort of Columbia University chaired this Commission. The Commission studied the distribution of state subsidies to school districts. The report, issued in 1927, recommended that all school districts receive the same amount of tax revenues per teacher unit.

"Called power-equalization, the Mort proposal would have equalized wealth among all districts in the State… A major finding of the Mort Commission was that assessed value per teacher unit was not equitable measure of wealth because county assessments were not uniform. The study proposed that an independent state agency be appointed by the Governor to determine the "true" market values of each school district. The idea was that once the wealth measure was equalized it would be easy for the legislature to equalize subsidies." (Hughes, 1999)

Although there were legislative attempts to implement the provisions of the Mort Commission Report, it was not until 1947 when the General Assembly enacted Act No. 447, P.L. 1046, that the establishment of the State Tax Equalization Board (STEB) was authorized.

The purpose and scope of STEB is defined as follows:

A. The purpose of the Board is to convert aggregate taxable assessments in each school district which are determined by Statewide dissimilar procedures into aggregate market values based on Statewide uniform procedures.
B. The General Assembly of the Commonwealth, in its efforts to provide equal basic educational opportunities for children

throughout this Commonwealth, established the Board in 1947 for the following reasons.

1. The growing need to reflect unequal local financial abilities of school districts in distributing school subsidies.
2. The failure of local assessed valuations to provide such an index on account of the Statewide lack of assessment uniformity.
3. The growing trend of the Commonwealth to assume more responsibility for financing the public school system. (PA Code, Part III, Section 601.2)

"Soon economic and political factors would influence public education as much as, if not more than, theorists would. World War I accelerated the transition to an Industrial society, ending much rural isolation. The Depression had a singular impact on school finance. In 1930, 83% of local school costs were funded locally, almost exclusively by property taxes. As these became unpayble, state aid jumped to almost 30% in 1940, and to 40% by 1950. (PSBA, 1987)

The Economy

From approximately the mid-1800's to the mid-1900's, Pennsylvania's economy expanded. Pennsylvania's nickname as the Keystone State was truly earned during this period of time, as the Commonwealth's industries were critical to the advancement and well-being of the United States.

In manufacturing, the emergence of U.S. Steel, Alcoa, H.J. Heinz, Hershey Chocolate and Westinghouse propelled Pennsylvania's economy.

The rail lines of Pennsylvania were legendary. *"At its peak, the Commonwealth had more than 10,000 miles of railroad track." However, after World War I, both passenger and freight services were reduced. (PMHC)*

Agriculture continued to be a strong basis for Pennsylvania's economy. Although the number of acres farmed began to decrease around 1880, the production of the industry increased through the

use of improved horticulture methods and animal husbandry techniques. The establishment of the land grant college, known as the Agricultural College of Pennsylvania, (which later became the Pennsylvania State University) provided Pennsylvania's farmers with the research, techniques and education needed to make their farms efficient and productive.

"King Coal," and in particular bituminous coal, helped develop Western Pennsylvania. Anthracite coal from eastern Pennsylvania had been the coal of choice for smelting iron. The development of coke from bituminous coal replaced anthracite and western Pennsylvania benefited.

Other fuels began to replace coal in the early 1900's. Although during World War I and World War II the coal industry did see improvement. Coal was no longer king.

Petroleum extraction and refining increased during this same time period. Through a series of mergers and buyouts, today Pennsylvania is not known for its petroleum production, but does remain influential in the refining industry.

The lumber industry flourished during the last half of the 19th Century, but at the beginning of the 20th Century most of Pennsylvania's forest had been cut and the supply exhausted. Gifford Pinchot is credited with salvaging Pennsylvania's forests.

Pennsylvania embraced the arrival of the automobile. Again, Gifford Pinchot, now the Governor of the state, is credited with paving the roads in Pennsylvania. He ran in 1930 for Governor promising to "get the farmers out of the mud." Following his election the state took over 20,256 miles of township road. During the Depression this road paving became an important means of providing work relief. Of interest, the world's first "drive-in-gas station" opened in Pittsburgh in 1913. (PMHC)

Although the 19th Amendment to the U.S. Constitution did not become law until August 26, 1920, Pennsylvania had long recognized the contribution of women to the welfare of the Commonwealth. In 1887, Ella M. Boyce became the school

superintendent of Bradford. Ms. Boyce was the first woman to hold such a position in the United States.

Many institutions of higher education for women opened in Pennsylvania in the late 1800's. Among them the Women's Medical College in Philadelphia and Beaver College (now Arcadia).

Science and technology also flourished during this period. The first commercial radio station, KDKA, went on the air in Pittsburgh in 1920. Pennsylvania also led in invention and the application of science in industry and daily life.

Pennsylvania's funding formula for public schools remained virtually unchanged between 1957 and 1966. Funding was distributed to districts based on district teaching units.

What did change was the National perspective of education. With the successful launch of Sputnik in 1957, the Nation's collective eye was turned to the issue of education and specifically science education. In President Eisenhower's 1958 State of the Union Address, he outlined a series of activities the Federal Government must undertake to meet the military and education challenge that the Russians posed.

"Sixth: In the area of education and research, I recommend a balanced program to improve our resources, involving an investment of about a billion dollars over a four year period. This involves new activities by the Department of Health, Education and Welfare designed principally to encourage improved teaching quality and student opportunities in the interests of national security. It also provides a five-fold increase in sums available to the National Science Foundation for its special activities in stimulating and improving science education. Scrupulous attention has been paid to maintaining local control of educational policy, spurring the maximum amount of local effort, and to avoiding undue stress on the physical sciences at the expense of other branches of learning."

Public education responded with increased science courses, science fairs, science clubs and by placing greater emphasis on the election of science courses by students and their successful completion.

The Constitution of Pennsylvania of 1968

The 1968 Constitution of Pennsylvania, the current constitution, provides the following authority to the General Assembly:

*"**Article III Legislation Public School System***
***Section 14**. The General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth.*

***Public School Money Not Available to Sectarian Schools Section 15**. No money raised for the support of the public schools of the Commonwealth shall be appropriated to or used for the support of any sectarian schools."*

The phrase "to serve the needs of the Commonwealth" was added and a section was added which prohibited the use of public funds being used to support any sectarian schools.

In 1976 and 1977, the administration tried to completely revise the school code. It was felt that the 1949 code was completely out of step with education and the current times. An attorney hired by the Department of Education completed the task, but it was never passed by the legislature.

There have been calls for a referendum on convening a Constitutional Convention. Some fear that by opening the doors to the new constitution, many negative things could happen. The current antipathy between the political parties on the state and national stages, make this a difficult thing to accomplish.

Federal intervention in education reached a new high with the passage of the No Child Left Behind law. This was a compromise between the political parties and the President. Currently the Department of Education is using this law to encourage testing and school turnarounds, by offering millions of dollars to change schools.

The introduction of Core Standards at the national level has incurred the ire of both ends of the political spectrum. The arguments center around local (and state) control of curriculum and teaching. Pennsylvania has its own standards, which are similar to the national standards.

Part II
1949—1992 Review of Education Finance Legislation and Events in Pennsylvania

In this part, we will look more closely at specific pieces of legislation enacted by the General Assembly which established the principles and methodology of financing public education in Pennsylvania.

The first act is commonly referred as the Public School Code of 1949. It is the result of the consolidation of Pennsylvania school law. Although several attempts were undertaken during the 70's and early 80's to codify the Public School Code, these efforts failed and this Act is still the main source of legislative authority for public education in Pennsylvania.

Act No. 14, P.L. 30, The Public School Code of 1949 (S.B. 101)

Summary: A consolidation of all laws dealing with the provision of public education in Pennsylvania.
Reimbursement to public school districts was based on "District Teaching Units" multiplied by a legislatively fixed figure (in 1948-49 $2400; 1949-1950 $2500; and 1950-1951 $2600) and the district's standard reimbursement fraction.

Appropriation: $173,000,000 (2 years)
Governor: James H. Duff, Republican
Party in Control of House: Republican
Party in Control of Senate: Republican

The Economy:
Pennsylvania: With the end of World War II, Pennsylvania's economy began its gradual but, at times, tumultuous shift from the "heavy industries" of coal, steel and rail transportation to light manufacturing and the service industry. Labor unrest in these heavy industries was prevalent.

National: The U.S. continued to deal with severe postwar inflation. The steel industry faced a strike by over 500,000 workers.

Events: The future impact of the "Baby Boom" generation (1946-1964) on public education began to unfold.
Although the components of the funding formula remained the same, by 1955 the 2 year appropriation had increased to $423,840,000. The children born during the first four years of the

"baby boom" (1946-1949) were now public school age. Their enrollment caused an increase in school construction, especially at the elementary school level.

One of the researchers of this document was born in 1948. She attended five elementary schools in 6 years and her parents moved only once. The district's enrollment was rapidly growing and attendance area boundaries were changed yearly. Two new elementary schools were built during this period.

Act No. 391, P.L.860 of 1957, amended the Public School Code of 1949 (H.B. 183)

Summary: Act 391 changed the calculation of District Teaching Units in determining the Basic Account Standard Reimbursement Fraction, the Subsidiary Account Reimbursement Fraction and the Capital Account Reimbursement Fraction. It defined the term "Valuation;" the phrase "Actual Instruction Expense" (AIE) appears in the School Code and is utilized for AIE per elementary teaching unit, AIE per secondary teaching Unit, AIE per joint elementary teaching unit, AIE per joint secondary teaching unit, AIE per Area technical school teaching unit. Further Act 391 provided for supplemental payments to districts of residence that had students enrolled in elementary schools or high schools operated by joint boards, of which the district is a member, or enrolled in area technical schools in which the district participates, or in schools operated by union or merged districts. This special supplement was to encourage the formation of joint and union districts.

Appropriation: $472,446,450 on account of instruction (2 years) $21,764,328 to encourage the formation of joint and union districts.

Governor: George M. Leader, Democrat
Party in Control of House: Republican
Party in Control of Senate: Republican

The Economy:
Pennsylvania: Railroads began to lose ground to the trucking industry. The market for coal continued to decline in favor of oil and natural gas.

National: The National economy was still solid as a result of President Eisenhower's successful campaign to remove price and rent controls enacted during World War II. Although, 1958 was a year of recession, Eisenhower succeeded in balancing the Federal budget and stabilizing the economy.

Events: On September 2, 1957, Arkansas Governor Orval Faubus called out the state's National Guard to surround the Little Rock Central High school to prevent

black students from entering on the next day. On September 19, 1957, the United States set off the first underground nuclear test in a mountain tunnel in the remote desert 100 miles from Las Vegas. Oct. 4, 1957 Soviet Union launched the first earth satellite, Sputnik.

Act No. 580, P.L. 1642 of 1966, amended the Public School Code of 1949 (S.B. 792)

Summary: Act 580 substantially altered the funding formula. New components were defined and added to the formula, "Weighted Pupil, "Weighted Averaged Daily Membership (WADM)," "Actual Instruction Expense per ADM," "Aid Ratio," and "Minimum Subsidy." Act 580 also defined the "State's Share of Total Cost" in Section 2501 Definitions, clause (12). This language clearly stated that the "State's share of total reimbursable costs shall be fifty percent (50%)." "Total reimbursable costs" was defined as the lesser of actual expense per WADM…or a maximum amount to be fixed by the General Assembly from time to time to represent the estimated average actual expense per WADM…." The "District's Share of Total Cost" was determined by subtracting the State's share from 1.00.

Additional payments, commonly referred to as "add ons," included a new payment on account of children living in poverty, "Density Factor," "Sparsity Factor," and for homebound instruction.

For the 1966-67 school year and each school year thereafter, the formula was:

District Aid Ratio x AIE per WADM (or $400 whichever is less) x WADM of the district.

To this, payments on account of poverty, density or sparsity, homebound instruction and vocational education were "added on."

Act 580 also contained language which established a new teacher salary schedule. A beginning salary of $6,000 was required if the State subsidy system was fully funded. Further, the Act required $300 increment per year of service and at $600 increase for a teacher with a masters degree. These provisions were in effect in the 1967-68 school year.

Appropriation: $415,794,904

Governor: William W. Scranton
Party in Control of House: Democratic
Party in Control of Senate: Republican

Pennsylvania Economy: The steel industry continued to contract. The coal industry revived during the mid-sixties due to the increased use of coal for generating electricity.

National: The cost of the Vietnam War 1966 continued to escalate and dominated the U.S. economy. In his 1966 State of the Union address, President Johnson stated: *"I believe it desirable, because of increased military expenditures, that you temporarily restore the automobile and certain telephone excise tax reductions made effective only 12 days ago. Without raising taxes-or even increasing the total tax bill paid-we should move to improve our withholding system so that Americans can more realistically pay as they go, speed up the collection of corporate taxes, and make other necessary simplifications of the tax structure at an early date. I hope these measures will be adequate. But if the necessities of Vietnam require it, I will not hesitate to return to the Congress for additional appropriations, or additional revenues if they are needed."*

Events- In 1966 Governor Scranton signed a law consolidating 2,500 school districts into 505 (later reduced to 501 by federal court order). There are now 500 school districts.

The subsidy system contained in Act 580 remained in effect between 1966 and 1983

William F. Hughes, Jr., President of the Keystone Research Center, in a presentation before a joint meeting of the House and Senate Education Committees on October 7, 1999, stated:

"This proposal of a new subsidy system to provide 50% state support and substantially increased teacher salaries led to the largest State demonstration in history. On March 4, 1968, more than 20,000 teachers took the day off to come to Harrisburg and demonstrate for full implementation of the new subsidy system."

"The state was able to fully fund its new 50% state basic instruction subsidy system until the 1976-77 school year. The highest level of state support in history was reached during the 1974-75 school year when the Commonwealth provided basic subsidy of $1.2 billion to reimburse expenditures of $2.2 billion. During 1974-75, the state thus reimbursed 55% of the 1973-74 expenditures."

History repeated itself on March 4, 2001, when 12,500 members of the education community, including teachers and community members, converged on the Capital steps in support of changing the current funding formula.

Act 59 of 1977, P.L. 1999, Amended the Public School Code of 1949 (H.B. 67)

Summary: Act 59 added the definitions of "Personal Income Valuation," "Real Property Valuation," "Equalized Millage, "Median Equalized Millage," "Median Actual Instruction Expense Per Weighted Average Daily Membership," Market Value/Income Aid Ratio," and "Based Earned for Reimbursement." The definitions of "State's Share of Total Costs," and "Sparsity Factor" were amended.

"The subsidy legislation of Act 59 of 1977 introduced two other concepts. Base Earned for Reimbursement, the maximum amount a district could be paid under the basic instructional subsidy, provided a series of computations that could result in 301 separate reimbursement levels. The statewide maximum reimbursement was the median (midpoint) Actual Instructional Expense per Weighted Average Daily Membership among the state's school districts, and the minimum level of state per-pupil aid was the median less $200." (PSBA, 1987)

Appropriation: $1,297,822,000 appropriated in General Appropriations Act of 1977, reduced to $1,293,500,000 by Governor's line item veto.

Governor: Milton J. Shapp, Democrat
Party in Control of House: Democratic

Party in Control of Senate: Democratic

The Economy:
Pennsylvania: Unemployment rate higher than National average.

Energy crises of the 70's revived briefly the market for coal. As oil became cheaper in the '80's, coal production declined again.

National: In April 1977, President Carter gave the first of a series of major addresses to the nation on energy, which was to become one of the dominant concerns of his administration. Congress approved several of Carter's energy proposals, including the deregulation of natural gas prices, by 1985, and incentives for such conservation measures as conversion to coal in industry and fuel-saving improvements in the home. Inflation rates increased and unemployment rose.

Events: United States and Panama signed treaties to relinquish American control of Panama Canal by 2000 (1977). (Thinkquest.com)

The Equalized Supplement for Student Learning was an attempt to control the Commonwealth's ability to meet its obligation under the Public School Code's subsidy formula was limited. In essence, ESSL attempted to distribute limited funds in an

equitable manner. The formula concept was sound, but inequity of the aid ratio definition which had an artificial minimum aid ratio of .1500 built into it, skewed the final distribution.

Act No. 115, P.L. 397, of 1982, amended the Public School Code of 1949 (H.B. 517)

Summary: School districts received the same dollar amount as they received in the prior school year. A $72 million dollar supplement was added called the "Equalized Supplement for Student Learning" (ESSL). The ESSL for a school district was calculated as follows:
"…multiplying the district's weighted average daily membership by the district's market value/income aid ration, dividing the result by the product of the Statewide weighted average daily membership and the Statewide market value/income aid ratio, and multiplying the result by the amount appropriated in the payment year in excess of the amount appropriated in 1981-1982."

Appropriation: $1,555,800,000
$72,000,000 for the equalized supplement for student learning (ESSL)

Governor: Dick Thornburgh
Party in Control of House: Republican
Party in Control of Senate: Republican

The Economy:
Pennsylvania: The State's economic picture mirrored that of the Nation. High unemployment, business closings and high inflation plagued the Commonwealth.

National: *The United States was experiencing its worst recession since the Depression….By November 1982, unemployment reached 9 million, the highest rate since the Depression; 17,000 businesses failed, the second highest number since 1933; farmers lost their land; and many sick, elderly and poor became homeless. (The American Experience, PBS)*

Events: Falklands War. April 30, 1982, Alexander Haig's peace mission to Argentina was terminated. President Reagan declared U.S. support for Britain and initiated economic sanctions against Argentina. W. Hinckley, Jr. found not guilty because of insanity in shooting of President Ronald Reagan.

Act No. 31, P.L. 104
Of 1983, amended Title 24 (Education) of the PA. Consolidated Statutes. (S.B. 385) AND…

Act No. 73, P.L. 267 of 1983, amended the Public School Code of 1949 (H.B. 947)

Summary: Act 31 placed into law the Equalized Subsidy for Basic Education (ESBE) and removed the Commonwealth's obligation to provide 50% of the costs of public education. A new term "Factor for Educational Expense (FEE)" which was utilized in determining a district's base subsidy component. This was a dollar amount set by the legislature, Act 31 set the FEE at $1,650. The formula for the base subsidy was: District's market value/income aid ratio x the FEE x the Weighted Average Daily Membership (WADM) of the district. Under the heading of "Economic Supplement," Act 31 provided additional funds to school districts based on poverty (low income pupils) and one based on local tax effort and population per square mile. Language was added that no district would receive less than 2 percent more than they received in the prior year (hold harmless) and language was added that payments earned by districts would be proportionately reduced if the amount appropriated by the General Assembly was not sufficient. Please note that Act 73 of 1983 moved the language contained in Act 31 to the Public School Code of 1949.

Appropriation: $1,569,204,000

Governor: Dick Thornburgh
Party in Control of House: Democratic

Party in Control of Senate: Republican

The Economy:
Pennsylvania: The State's economy continued to reflect the National economy and began to improve although more slowly than other states because of the closing and downsizing of heavy industries.

National: Actions by the Federal Reserve Board and the support of President Reagan for a moderate tax increase, the economy began to slowly improve.

Events: U.S. invades Grenada. Sally Ride first U.S. woman astronaut in space. Terrorists kill 237 U.S. Marines in Beirut.

Act 93 P.L. 438 Amended the School Code of 1949
HB 690 1984

Act 93 was a signal accomplishment for the administrators in public schools in the Commonwealth. It gave them the right to "bargain" with the school board related to salaries and some few working conditions. The Basic Education Subsidy remained the FEE (at $1725) x WADMs x aid ratio. There were still supplements for, sparsity and density. No district would get less than 3% under this funding add on.. Because of the paucity of funds many school districts only got 80% of their subsidy. This occurred for three straight years and was one reason for the formation of PARSS.

Appropriation-1,893,270,220 (an increase of 7.1%)

Governor: Dick Thornburgh
Party in Control of House: Democratic

Party in Control of Senate: Republican

The Economy:
Pennsylvania: The outmigration of young people in the state was a cause for concern at the state level. As the Commonwealth gets older, the burden on workers to support programs for the elderly, such as Medicaid, welfare, etc. becomes an even larger burden..

National: The national economy improved. President Reagan agreed to a small tax hike and the national debt began to increase in size.

Events: Gorbachev becomes the leader of the Soviet Union and calls for Glasnost (openness) in dealing with the world. President Reagan meets with Gorbachev. A number of terrorist attacks start to escalate.

Act No. 31, P.L. 103 of 1985, amended the Public School Code of 1949 (H.B. 150)

Summary: Act 31 of 1985, continued the ESBE formula. A new supplement was added, "Small District Assistance" (SDA). The formula for determining eligibility and amount of the SDA was: Eligibility, district had an average daily membership of 1,500 or less and a market value/income aid ratio of 0.5000 or greater. If eligible, district received an amount equal to $50 multiplied by the district's average daily membership.

The concept of a minimum or maximum amount of ESBE was introduced. No district would receive less than a 2% increase in ESBE funding over the previous year and no district would receive more than 7.45% over the previous year. This was an easy way for the State to "back into" the ESBE appropriation dollar amount. Even though a district earned more than a 7.45% increase over the previous year under the provisions of the ESBE formula, the payment was capped at the 7.45% increase. Many districts under the provisions of ESBE would not be eligible for any increase, so the Legislature guaranteed them at least a 2% increase over the previous year.

Appropriation: $2,046,856,000

Governor: Dick Thornburgh
Party in Control of House: Democratic

Party in Control of Senate: Republican

The Economy:
Pennsylvania: Economy continued to recover from 1982 recession.

National: Economy continued to turn around from 1982. On December 12, 1985, U.S. budget-balancing bill enacted.

Events: At age 73, President Reagan is sworn in for a second term. U.S. Supreme Court, in a 5-4 decision, barred public school teachers from parochial schools.

Act No. 117, P.L. 1270 of 1986, amended the Public School Code of 1949 (H.B. 209)

Summary: Because ESBE contained artificial caps, both minimum and maximum caps, some school districts were being allocated more than 100% of what the ESBE formula generated and other districts were receiving far less than what the ESBE formula generated. Act 117 attempted to address this disparity by including a "School Supplement." The formula for the supplement was based on the percent the district was receiving against a fully funded ESBE formula. Depending on this "Percent of Fully Funded ESBE" a district would be granted a dollar amount multiplied by the district's weighted average daily membership. The dollar amount of the grant per WADM varied from a low of $16.00 for those districts at 100% or greater fully-funded to $20.81 per WADM for receiving less than 90%.

Appropriation: $2,172,257,000

Governor: Dick Thornburgh
Party in Control of House: Democratic

Party in Control of Senate: Republican

The Economy:
Pennsylvania: After a ten-year period where Pennsylvania's unemployment rate exceeded the National average, PA's unemployment rate dropped below National average in 1986.

National: Economy continued to grow. In October of 1986, President Reagan signed the budget reduction act. U.S. Supreme Court voided the automatic provisions of the budget-balancing act of 1986.

Events: Space shuttle Challenger exploded after launch at Cape Canaveral, Fla., killing all seven aboard. U.S. Supreme Court barred racial bias in trial jury selection. President froze Libyan assets in U.S. U.S. planes attacked Libyan

"terrorist centers." Major nuclear accident at Soviet Union's Chernobyl power plant occurred.

For a ten year period ending with Act 85 of 1992, the ESBE formula formed the basis for payments to school districts on account of instruction. Components of the Economic Supplement were added, deleted or adjusted each fiscal year. For example, Act 43 of 1989 added a component that gave additional funds to school districts that were taxing at or above the median equalized millage. In the case of a school district that draws the majority of its population from a city of the first through third class, municipal equalized millage was used. If a qualified district had a population per square mile in specified ranges, an additional percentage of the district's instruction expenditures was paid. The percentages ranged from 1% to 19%.

Act 25 of 1991 added two new supplements "Low Expenditure/Low Wealth" and "Low Expenditure Poverty Supplement." The purpose of these two new supplements was to aid those school districts that were perceived to be under funded by the Commonwealth and which did not have the local revenue sources to offset the underfunding by the Commonwealth or which had a high percentage of students who were poor.

Act 25 would have a devastating impact on local school budgeting, not through ESBE or supplements to ESBE, but the change in how the Commonwealth funded special education expenditures. Pennsylvania would no longer provide "excess cost" funding to school districts for the provision of programs and services to children identified as needing special education. Act 25 provided a simple formula to distribute state funds to school districts which did not take into consideration the actual location of eligible children, but made the assumption that each school district would have the same percentage of children mildly disabled and severely disabled. This resulted in some districts receiving more state dollars than actually needed and severely under funding other districts.

The most glaring inequitable provisions of ESBE were the artificial minimum aid ratio of .1500 and the two percent hold harmless over the prior year's level every district received whether or not the ESBE formula generated such an increase.

"The ESBE formula increased the disparity in spending and tax effort during the 10 years it was in place. The combination of a minimum aid ratio of 15% for wealthy districts and yearly 2% increases regardless of changes in wealth and student population, provided some wealthy districts with more than 200% of their subsidy entitlement by the 1990-91 school year. (Chartiers Valley (210%) and Lower Moreland (207%))

The low income districts had the opposite problem. The result of caps of 6-8% on increases calculated by the formula resulted in many low income districts receiving far less than their entitlement.

The result was that all the measures of equity for our subsidy system worsened during the 1980's. Low wealth districts had higher local taxes and lower spending then wealthy districts. The disparity in spending from the highest to the lowest in the Commonwealth increased substantially:

The highest spending district in 1980-81 was Jenkintown at $2,646 per weighted pupil and the lowest spending was Northern Cambria at $1,038. The ratio from top to bottom was 2.55.

*The highest spending district in 1990-91 was Lower Merion at $7,937 per weighted pupil. That year Northern Cambria spent $2,332. The ratio from top to bottom increased to 3.40. In 1998-99 the highest spending district was Gateway with $10,481, while the lowest was Juniata County at $2,981 a difference of 3.51. (*Hughes, 1999)

When reviewing the supplements, the poverty supplement is in sharp contrast to the other supplements, as it is the only one which recognizes a specific population of children and attempts to address their unique needs through providing additional funding to school districts with large populations of children living in poverty. The other supplements all addressed the needs of school districts; school districts with increasing enrollments (Growth supplements) and small school districts (Small District Assistance).

As the years went by and supplements were used for reasons other than for equitable funding, questions arose as to the legitimacy of the supplements. The current reasons for adding supplements are to enhance some particular school district within the territory of some specific legislator. Answers as to why these supplements,

rather than others, were distributed, are said to be because of the lobbying of certain legislators. Many other legislators become disruntled because of the favoritism. It is for this reason that there finally appears to be a desire to change the funding and taxation system.

Part III

1992—2013 Review of Education Legislation in Pennsylvania

Part III is a summary of the funding formulae for payments to school districts on account of instruction. **The chart, beginning on page 53, starts with Fiscal Year 1970-71 and ends with Fiscal Year 2013- 2014.**

What you will see is a hit and miss approach to funding public education. By freezing ESBE in FY 92-93, the prior years of inequity were built into all future attempts to provide equity in funding. The artificial minimum payments and maximum payments, the artificial minimum aid ratio and hold harmless provisions provided many districts with state funds which they would not have earned without these artificial components and denied many districts the additional funding earned if the formula had not been so constrained. In 1992-93 and 1996-97 there were actually no increases at all.

Attempts were made to drive out minimal increases to needy districts through special supplements. Although insufficient, these supplements did provide additional aid to these districts.

It is of interest to note that during this period of time, both the National and State economies were booming. Unemployment rates were at an all time low. The stock market hit all time record highs. Pennsylvania's year-end surpluses grew at a high rate. Yet, the Commonwealth did not see fit to assist local school districts to offset their costs. Percentage increases were very low (see chart on pages 53-54 of this report).

Maybe during this burgeoning economy, we lost sight of the needs of the Commonwealth and now, during a downturn, we have little money for public schools.

Testing and accountability became the catch phrases of the 90's and 2000's. It seems that the General Assembly will continue to hold tightly the purse strings until it is satisfied that it is getting its money's worth. Ironically, the General Assembly has never clearly identified what they want for their money.

The idea of "Hold Harmless" continued to the 2013-2014 fiscal year. No school district could get less than it did the year before. Changing the entire system was seen as impossible because of the advantages that many school districts had under this system. As enrollments declined in most districts and increased for a few, no vote in the legislature would have wanted to decrease funding for their school districts.

In the General Assembly, the most noble idea cannot be brought into fruition without first obtaining 102 votes in the House of Representatives, 26 votes in the Senate and finally the signature of the Governor. The politics of public school funding has enabled some very unusual provisions to be enacted into law.

On pages 53-54 is a chart containing the appropriations on account of instruction and special supplements from 1970-2013. These calculations are based on data taken from the General Appropriations Acts for that fiscal year.

Page 54 lists the percent of reimbursement from the Commonwealth based on instructional expenses.

FY 1992-93
Act No. 85, P.L. 392,
of 1992 (S.B. 6)

No change in components. ESBE formula and supplements frozen.

Increase: 0.0%

Comment: In FY 1991-92 ESBE generated a total of $2.938 billion. Supplements generated $22 million. Total: $2.961 billion. For FY 1992-93 school districts received same amount as received in 1991-92.

FY 1993-94
Act No. 16, P.L. 49,
of 1993 (H.B. 438)

ESBE (frozen at 1991-92 level and distribution) plus an Equity supplement that consisted of a poverty payment, an enrollment growth payment, and a payment based on the district's aid ratio.

Increase: 4.2%

Comment: ESBE -- $2.961 billion
Equity Supplement:
$130 million =
$3.091 billion

FY 1994-95
Act No. 6-A, P.L.
1473, of 1997
(H.B. 1262)

ESBE and Equity supplement frozen at 93-94 level. A "Foundation Funding for Equity" supplement was added on. This supplement provided that each district would have a foundation amount of $4,700 per average daily membership from both local and state sources. A poverty component provided $120 per AFDC child in districts with 35% or more of their average daily membership (ADM) identified as AFDC children or $110 per AFDC child in districts with less than

35% of their ADM identified as AFDC children. A growth component which was calculated to pay $225 per ADM increase between years 92-93 and 93-94 if ADM increase was 4.5% or less; and $450 per ADM increase if greater than 4.5%. Included a three-tier guarantee based on a school district's aid ratio. The range was: aid ratio of .5 or less 1%; aid ratio greater than .5 and less than or equal to .7 1.25%; aid ratio greater than .7 1.50%.

% Increase: 3.8%

Comment: Frozen ESBE and Equity supplement: $3.090 billion. Foundation Funding for Equity supplement: $123.2 million. Total: $3.213 billion

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FY 1995-1996
Act No. 26, P.L. 220,
of 1995 (H.B. 20)

ESBE plus Equity supplement plus Foundation Funding for Equity frozen at 1994-95 level. New Money distributed through "Base Amount." "Minimum" and "Small District Assistance." Base amount was whatever the district received in the prior year from the State. Minimum payments were as follows: 1% increase over base amount if aid ratio less than .5; 2% increase over base amount if aid ratio greater than .5 and less than .7; 4% increase over base amount if aid ratio greater than .7. Small District Assistance was distributed as follows: Qualifiers: Average Daily Membership (ADM) of 1,500 or less; aid ratio of .5 or greater. Payment $95 multiplied by the district's ADM.

PS 17-1701-A created Charter Schools whose purpose was to: improve pupil learning, increase learning opportunities for all pupils,encourage the use of different and innovative teacher methods, create professional opportunities for teachers including the opportunity to be responsible for the learning program at the school site, hold the schools accountable for meeting measurable academic standards and provide the school with a method to establish accountability standards

% Increase: 4.3%

Comment: ESBE Plus Equity supplement and Foundation Funding for Equity = $3,213 billion base amount, minimum and small district assistance = $143 million Total: $3,356 billion
Distribution now referred to as Basic Education Funding

FY 1996-1997
Act No. 107, P.L. 633,
of 1996 (H.B. 837)

Basic Education Funding frozen at prior year level

% Increase: 0.0%

Comment: All districts received same amount as received in FY 1995-96, $3.356 billion.

1997-1998
Acct No. 30, P.L. 297,
Of 1997 (H.B. 8)

Basic Education Funding frozen at prior year level. New dollars were distributed through four formulae. "Base supplement" To qualify 97-98 aid ratio must be .4 or greater. "Base supplement" calculation: District's 97-98 aid ration multiplied by its 96-97 ADM. Divide the resultant product by the sum of the product of the 97-98 aid ratio times the 96-97 ADM for all qualifying districts.
"Growth supplement" calculation: If increase in ADM between 94-95 and 96-97 is equal to or greater than 4.5%, multiply the increase in ADM by $200. If ADM increase is less than 4.5%, multiply the increase in ADM by $100. "Minimum guarantee" A school district with an aid ratio of .7 or greater is guaranteed a 4% increase over prior year; if aid ratio is less than .7 the district is guaranteed a 1% increase.
"School Performance Incentives" approximately $10 million was set aside to be distributed by the Department of Education.

4% increase in BEF

BEF = $3.359 Billion (adjusted to hold harmless)
New dollars = $143.3 million
Total: $3.499 billion

1998-1999
Act No. 46, P.L. 270,
of 1998 (S.B. 494)

Hold Harmless at prior year allocation. New dollars distributed through 4 supplements. "Base supplement:" To qualify district must have a 98-99 aid ratio equal to or greater than .4. Calculation: school district's 98-99 aid ratio times 97-98 ADM, multiply this product by $85 million and divide the resultant product by the sum of the products of the 98-99 aid ratio times the 97-98 ADM for all qualifying districts. "Growth supplement" calculation: If difference between 96-97 and 97-98 ADMs is equal to or greater than 4.5%, multiply the increase in

ADM by $400. “Poverty supplement:” To qualify a school district must have 10% or more of its students in low-income families. The number of student’s living in low income families is multiplied by $50. “Guaranteed Minimum” district with aid ratio of .7 or greater are guaranteed at 4% increase; district with aid ratio less than .7 is guaranteed a 1% increase. “Small District Assistance:” To qualify district must have an ADM of 1,500 or less and an aid ratio greater than .5000.
Calculation is ADM times $50.

% Increase: 2.0%

Comment: Hold Harmless = $3.499 billion plus $70.7 million in new dollars = $3.570 billion

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1999-2000
Act No. 36, P.L. 394,
of 1999

Same as FY 1998-1999 with updated data for purpose of calculations.

% Increase: 3.0%

Hold Harmless = $3.570 billion plus new dollars $107 million = $3.677 billion

Comment: The signal event of the first decade of the 21st century was the Destruction of the world trade center, the crashing of a plane Into the Pentagon and the crash of flight 91 into a field in the Shanksville Stoneybrook School District. By the time all of the Information was dispersed, a new federal department of Homeland Security was created with former Governor of PA Tom Ridge as its head.

There did not seem to be any appetite to do any kind of change to the hold harmless provision of the myriad of school funding formulas embedded in the Basic Education Funding line item. The only attempt to change everything was a plan by Senator James J. Rhoades, Chairman of the Senate Education Committee, to blow up the current system and start all over again with a 67% reduction in all local school taxes and an increase of 2.37% in the personal income tax. 21 senators signed onto the bill, but the administration in Harrisburg would not have any of it.

2000-2001
Act No. 16, P.L.44
S.B. 652 2000

The Basic Education Funding (Basic Instructional Subsidy) added $114.5 million to the hold harmless from 1999-2000. This amounted to a 3.1% increase. A reduction in a line item marked Educational Opportunities Grants (essentially vouchers) seems to be the new special education funding increase of $63.6 million (8.8%). The basis for the distribution of the new basic instructional subsidy is: a supplement based on district wealth and enrollment, a special allocation for growing school districts, additions for districts with low income families, a minimum increase of 1%, and higher for those districts above .70 aid ratio. Small district assistance is $75 for each student providing the district is less than 1500 students and an aid ratio above .50.There will be $330 million in property tax rebates. School improvement grants for districts that fall under the new Education Empowerment Act. There are now 11 such districts. Public Utility Realty Tax PURTA) is reduced by $83.7 million. Transportation increased by $23.6 million (6.1%). PA Assessment increased by $4.8 million (46.7%). Teacher Professional Development increased by $4.1 million (116.7%). Many other line items for education were frozen. No district was to get less than a 5% increase. If districts did not receive that amount by the aforementioned supplements, they would get it via a special supplement . 157 school districts were in that category. Social Security payments rose by $21.3 million (6.1%). Pension changes included a division between those above .50 aid ratio and those below .50. For employees hired after 1994-1995, the state funds at least half of the district contributions. Districts with aid ratios above .50, the state pays according to the aid ratio.

Comment: There was no consideration given to the employer contribution rate to the retirement fund. In this year it was 1.94%. That allowed those at the district level to establish a reserve account to save money with the intent to offset future increases. Those who did not choose to use this fiscal option would see it come back to haunt them 10 years later. That was also true of the state. There were thirteen years when the state paid less of a percentage than did the actual employee. At this time investments were going well and there were few voices warning about dire consequences. The administration initiated a number of new programs to go with their policy ideas. Among the new programs; a beta site for their teacher performance based pay program, Read to Succeed efforts, School Improvement grants, District Information online for all Commonwealth residents to see an effort to produce a test to measure the strengths and weaknesses was set in motion.

In addition to Hold Harmless, there were aid ratio supplements, removal of aid ratio on small district assistance, a growth supplement and a minimum guarantee of 2%. Hold Harmless = $3,791,813, 000 billion plus new dollars of $168,072,000 million = $3,959,385,000 billion, an increase of 4.4 %. It was distributed by giving every district the same funding at 2000-2001. The additional funds were distributed based on district wealth, and enrollment. All districts, no matter what their situations, would get a 2% increase. This applied to six school districts in the Commonwealth. There was a 100% increase in the line item for Education Tax Credits ($15 million). Education Support Services was introduced to give grants to students to transfer from schools who were said to be lacking in proficiency. Students Achieving Success was a technology initiative ($15 million). Digital School Districts line item was $10 million. Student testing, to include development of PSSA tests, were at $5.5 million. Teacher Tests were pegged at $4 million dollars. Pupil transportation reduced by 4.2% ($18.1 million). Improvement in Library Services increased by $13 million dollars. Authority and Sinking Fund was increased by 3.2%. Vocational Education Equipment reduced by 50%. Performance based pay increased by $3.4 million dollars (10%). Appropriation for charter schools increased $2 million dollars (71.4 percent). Increased funding for School Improvement, Safe and Alternative schools, and vocational education. Special Education received a 10.2% increase. Social Security increased by $18.2 million dollars (4.8%). Contributions to the Retirement Fund decreased by $44.4 million dollars. A new program to tell how well school districts were doing would be put on a website. This program would be done by Standard and Poors and would link expenditures to school improvement.

Comment: Small District Assistance contained no aid ratio. Therefore, some of the wealthier small districts in the Commonwealth got some added funds. The impetus for this removal of the aid ratio came from some state senators who claimed that their districts received very little aid and they needed to get more. This was their way of gaining some funding. As with all other funding supplements, whenever it got into the BEF, it remained there. Hold Harmless continued to this year and many years afterwards. PURTA fund (Public Utility Realty Tax Act) were reduced because of deregulation of the electric industry. There was a loss of tax income for school districts from PURTA. By giving property owners rebates on their local property taxes, local school districts were forced to rely on all local taxpayers for increases. Tax credits were given to businesses to fund business contributions to a Neighborhood Assistance Program which

further reduced local property taxes and were seen as a boon to businesses.

2002-2003
Act No. 88 P.L. 524
H B4 2002

Basic Education Funding (Basic Instructional Subsidy) increased by 3.2% ($126.4 million). The subsidy was divided into three tiers based on aid ratios. There was a poverty supplement based on free and reduced lunches. There was also a continuation of small district assistance with an aid ratio of .50 or above and 1500 adms or less. A reimbursement for charter school expense was frozen at $52,940,000. Early Intervention was essentially flat funded. Education Support Services was frozen. Non-public and charter school transportation was increased by 34.4% ($19.3 million). Performance Incentives were reduced by 32.2% ($11. 9 million). Pupil transportation was increased by 5.6%. Read to Succeed was reduced by 40% ($10 million). Safe Schools was reduced by 17.3%. Contributions to Social Security were increased by 5.3% ($23 million). Contributions to the retirement system were reduced by $10.6 million (19.2%).Teacher Professional Development reduced by 36% ($3.3 million). Technology Initiative reduced by 80.9% ($21.5 million). Vocational Education was frozen and vocational education equipment grants were eliminated.

Comments- There were warnings that the budget would be unbalanced because of an anticipated revenue shortfall. Funds could be augmented by using a "rainy day" fund.

2003-2004
Act No. 48 P.L. 304
SB 80 2003

Basic Education Funding increased by 3.0% ($121.2 million). There was a base supplement of $50 million to be divided by the district's share of state students times their market value/personal income aid ratio. An additional supplement went to districts (172) whose aid ratio was above .65 and whose personal income per student was less than $103,571. Those districts would get a share of $30 million as their students were a percent of those districts qualifying for the supplement. 254 school districts would get a further supplement based on tax effort. Those districts that were above the median tax effort of 20.6 would get the student's percent of state student's share of $15 million.133 school districts with less than 1,500 students (adms) would get small district assistance of $75 per adm ($10.5 million). A growth supplement ($10 million) if the school district's adms increased from 2001-2002 to 2002-2003. The percent of the "new student"

would determine the amount of dollars times the district's aid ratio. If any district got less than 2% in all of the base and supplements, they would be held harmless at 2%.Special Education funding increased by 4.5% over 2002-2003. This was a $36.15 million dollar increase. Funding depends on a hypothetical number of special education students in a district of 16%. Total students times .16 times aid ratio was the initial step in the calculations.Vocational Education funding increased by 2.5%. Pennsylvania Accountability grants were created and set to begin in 2004-2005. Act 16 attempted to help school districts in financial distress, as well as educational lack of attainment continues and also adds Reading school district. These were called empowerment districts.

Comment: This was the new administration's first budget. There were a number of plans that finally resulted in a compromise on tax increase that saw an agreement of an increase from 2.8% to 3.07%. Those additional funds provided for a number of new supplementals for needy school districts, as well as an increase in special education. The Accountability Block Grants (ABG) were created for the 2004-2005 school year to instigate new pre-school and full day kindergarten classes. Basic Education Funding was increased with targeted supplemental variables. The problem with the pension fund is that there have been fewer dollars contributed by the state and with a new multiplier there would be less revenue and more payouts in the future. New Elementary and Secondary Education Act (ESEA) requirements will increase school costs as time goes on.

2004-2005
Act No. 70 P.L. 536
HB564 2004

Basic Education Subsidy increased by 3.5%, $148 million.

Each district received a base supplement which is the share of $46.5 million based upon the district's share of the state total of students weighted by their aid ratio. . . . $7.5 million is divided among the districts with the highest aid ratios (lowest ability to fund AIE from local tax dollars, $34 million. . . is divided among the 309 districts with moderate ability to fund classroom expenditures locally and $5 million is allocated among the 103 districts with the greatest ability to fund AIE from local taxes (with the lowest air ratios).
Districts with aid ratios greater than or equal to .6500 and personal income per ADM less than or equal to $103,571 (159 qualify) receive a Poverty Supplement equal to the same percentage of $33 million as the districts share of the total

number of student in districts qualifying for the supplement.(Dr. Eric Elliot Analysis of State Budget 2004-2005) .

This method of funding is similar to the previous year and tends to favor larger poor school districts. Reimbursements to the retirement system increased by 36.5%. Contributions to Social Security increased by 4.1%. A new line item which was set up to increase pre-school programs and all-day kindergarten in public schools was established as Accountability Block Grants with $200 million in this first year. Early Intervention increased by 4.1%. Charter school reimbursements were increased by $27.7 million or 52.2% as more charter schools made their appearance. Education Assistance program, a new line item, was established to help pay for tutoring services for students in schools failing to meet testing standards. Alternative Education Demonstration Grants increase of $19.1 million (265.3%). Philadelphia School District is given $25 million to fulfill a "partnership agreement" with the state. School Improvement Grants of $21.4 million given to 16 school districts with either low performance on state tests or in financial distress. State continued to give small district assistance to over 136 school districts. Educational Improvement Tax Credits is used to give businesses a tax break if they contribute to PreK scholarship programs. Education Support Services is frozen. School District Demonstration Projects is a 34.6% reduction to $8.5 million. Technology Initiative is frozen at 2003-2004 levels. Teacher Development grants are frozen. Charter School establishment grants are frozen as is PA Assessment and Comprehensive Reading.

Comment: Increased BEF of 3.5%. This is the largest increase, in terms of dollars to the BEF since 1991-1992 and if the Accountability Block Grants were added, it would far surpass dollar increases since the beginning of school funding in Pennsylvania. The calculation multiplier for teacher pensions (2.5) which moved from (2.0% x # of years' service x final average salary) to (2.5% x # of years' service x final average salary) began to increase the necessity for the state to contribute more to the pension fund than before. As this point the employees were contributing 7.5%, while the employers were contributing 4.23%. The original concept was to have the state to pay 1/3, the school district 1/3 and the employee 1/3.

2005-2006
Act No. 46 P.L. 226
HB 628 2005

Basic Education Funding (BEF) increased by 3.0%, or $131.3 million. Special education subsidy increased by 2.5%. Career and Technical Education (formerly Vocational Education) increased by 2.5%. Reimbursements for retirement contributions increased by 11.2 %. Accountability Grants continue for new Pre-K

and full day Kindergarten, class size reductions and other proven means of improving student performance. This program is frozen at $200 million. Reimbursements for charter schools are $92.6 million, an increase of 14.9% over the previous year. Education Assistance of $66 million to help provide tutoring programs in schools that do not meet academic performance levels. This is the largest % increase in all education line items. Education Improvement Tax Credits is a set aside in the Department of Community and Economic Development to provide business tax credits for donations to educational organizations. It was $49 million dollars. Alternative Education Demonstration Grants, which the Governor removed from the budget, is restored. Philadelphia School District gets $25 million maintained from prior year to solidify "partnership" agreement with former Governor and Mayor of Philadelphia. Dual enrollment funds created for the first time to allow students to enroll in college courses while in high school and get credit for courses in high school (and colleges). State funding is removed for charter school establishment grants.

Comment: In the summer of 2006, the legislature passed Act 1. The main components of the law were to allow funds from state gaming revenues, once they reached a certain level, to go to reduce local property taxes. It was estimated that reduced assessments would produce tax reduction of anywhere from $110 to $275 for each property owner. It also provided for a homestead exemption that might also reduce local taxes for schools and municipalities. Beginning with the 2007-2008 school year, school districts would not be able to raise taxes anywhere beyond the cost of living as determined by the SAWW (state average weekly wage increase). Once past the cost of living increase, there would have to be a referendum to increase taxes, with some exceptions. These exceptions were increased special education costs, some school construction projects, retirement and health care expenses, emergencies and disasters. These exemptions were further restricted in 2010.

2006-2007
Act No. 114 P.L. 1092
HB 185 2006

Bush Administration cuts to federal funding for Medicaid, TANF and other low income subsidies, caused a loss of federal funds for the Commonwealth. Increases in federal funds for public education were 1.2%. Basic Education Funding increased by 5.8 %($260.1million). This line item includes the $25 million partnership funds for Philadelphia that was continued from 2005-2006.

Special Education funding increased by 2.9% ($27.6 million).Career and Technical Education increased by 2.5% ($1.5 million). The state's employer share of pension costs rose 44.9%, an increase of ($114.3 million). Costs of transporting non-public school children decreased by 5.5%. Authority and sinking fund payments were frozen for the third consecutive year. Accountability Block Grants were increased 25% to $250 million. Reimbursements to pay for charter schools were increased 36.8% increase to $126.7 million. Education Assistance program was frozen. Education Improvement Tax Credit (EITC) was increased by 8.9% to $49 million dollars. Additional grants for Teacher Development ($23.4 million), Safe and Alternative Schools (frozen), Science and Math Education programs (a new line item at $12. 6 million) , Lifelong Learning at $9.7 million , High School Reform ($8 million) were some of the new programs that were contained in the budget.

Comments- Hold Harmless plus $260 million dollars added to BEF an increase of 5.8%. Act 1 passage further restricted a school district's ability to adjust school property taxes.

Changes in the way property taxes are to be levied, and the possible sanctions under federal law for districts that do not make Adequate Yearly Progress in student test scores; focus the policy spotlight on the amount and distribution of state aid to school districts. The state needs to distribute significant amounts of new dollars in ways that actually begin to relieve pressure on those districts paying the highest percentages of their local school taxes, and those districts needing additional resources to meet performance goals.

For years, the formulas used to distribute Basic Education Funding have been based primarily upon the amounts Districts received in the previous year, so over three-fourths of the total subsidy was based on the system from the early 1990's that triggered the equity lawsuit (PARSS v. Ridge). Additional funds available each year have been driven to districts with lower wealth, (i.e. higher aid ratios) in terms of both per pupil allocations and reimbursement rates with some positive effects (especially on equity for smaller, rural districts). But they have not been driven consistently to districts with relatively high

taxes or relatively low percentages of students deemed proficient on the state assessment-the policy benchmarks set by the state's Act 1 of SS2006 and the federal No Child Left Behind (NCLB) legislation .(Dr. Eric Elliott, 2006 Analysis of 2006-2007 State Budget).

2007-2008
Act No.45 P.L. 278
HB 842 2007

The Basic Education Funding increased by 3.5% ($166.7 million) bringing the audited total for the BEF to $4, 951,516, 696, bringing the percent of instructional costs to 34.2% from a high of 55% in 1974-1975. Special education subsidy was increased by 3.1% ($27, 7 million). Career and Technical Education by 3.0%. The Accountability Grants were divided into new programs and old programs. The old programs increased by 10% to $275 million with $75 million going to a new Pre-K counts program. Reimbursement contributions for pensions increased to $451.2 million for an increase of 22.4 %.Social Security contributions increased by 4.3% to $494.8 million. Authority and Sinking Fund payments increased by 4.0% for the first time in four years.Early Intervention programs increased by 21.8% to $173.1 million. Payments to districts for charter school reimbursements increased by 27.3% to $173.1 million. The state was obligated to reimburse districts up to 30% of Charter Schools expenses, if funds are available. Three school districts- Philadelphia, Chester Upland and Duquesne were reimbursed 32.5%. EITC was increased by 13.6%, or $8 million. Education Assistance was frozen for the second straight year and the Classroom Plus Program was eliminated. Head Start Supplemental Assistance was frozen at $40 million. The PSSA test allocation was increased to $11.5 million (increase of 57.4%). Teacher Professional Development at $30.4 million (30% increase). Alternative Education Grants not provided for in original Governor's budget was reinserted by the legislature at a decrease of 59.6%. Science, It's Elementary, a program to improve science teaching in the lower grades was set at $13.5 million. A number of other programs were eliminated or reduced.

Comments- Total BEF is $ 4,951, 516, 696. Accountability Block Grants increased by $100 million. Special Education funding continues to be set not by actual numbers/costs, but by estimated numbers of children.

2008-2009
Act No. 61 P.L. 846
HB 1067 2008

A costing out study was commissioned by the legislature to determine what an adequate base cost would be for a student. Adjustments were made for a number of different variables including geography, poverty, special needs, English Language Learners, and others. When all of the elements were included and the cost of living index for 2008-2009 was applied, it appeared that the number arrived at was $4.3 billion less than what an adequate education would show. The study, done by John Augenblick and his company did not say that all of the money should come from the state. The outcomes of the plan were debated in the legislature and caused a School Funding Campaign organization to be started for the purpose of analyzing the implementation of the findings. The Administration proposed that a 6 year plan would increase school funding to a level approaching 56.9% reimbursement for Actual Instructional Expenses (AIE) from the then current 34.5%.
As a result, the Basic Education Funding was increased by 5.5% ($270 million). That was one of the positive notes in the 2008-2009 budget. In October of 2008, the financial system in the world suffered one of its worst downturns in history, approaching the market collapse of 1929. More on this later. Although special education funding rose by 1.7%, Career and Technical Education, Accountability Grants, Educational Assistance, employer contributions to the retirement system (20.1 %), Approved Private Schools, Classrooms of the Future (cut by 50%), Head Start Supplemental Assistance, Safe Schools, School Entity Demonstration Projects, High School Reform, Lifelong Learning, Consolidation Incentives (eliminated) are all reduced. This list does not contain those line items that were frozen. Charter School Reimbursement, Early intervention, Special Education, Pupil Transportation, Authority Rentals increased by modest amounts.

Comment- This was the beginning of an economic downturn that has lasted for a number of years. The 2008-2009 budget was the first budget to take cognizance of the lack of financial resources, reduction in numbers of people working, mortgage foreclosures, bank failures, business failures among other negative economic news. The bailout of the auto industry and the American Recovery and Reinvestment Act (ARRA) program of early 2009 was somewhat helpful, but not in the short term. It was a surprise; therefore, that BEF was increased by 5.5%.

2009-2010
Act No. 50 (fiscal code) P.L. 537
HB 1614 2009

At the end of the 2008-2009 fiscal year, the state found itself $3.25 billion below its original estimates for revenues. The 2009-2010 budget was 1.8% below the amount in the 2008-2009 budget estimates at mid-year. The 2009-2010 budget was already $1.17 billion in arrears by the estimates for the years' budget. The American Recovery and Reinvestment Act (ARRA) funds were already included in these estimates. Although the total dollars for Department of Education increased by 0.6%, the Basic Education Funding number was increased by $300 million. This increase was made possible by ARRA funds from the federal government. Most other line items were either frozen or reduced. Employer Contributions to the Pension fund was reduced by 7.2%. Contributions to Social Security increased by 4.6%. Special Education funding was frozen. Career and Technical Education was reduced by 1%.Accountability Block Grants were frozen. Education Assistance Program was reduced by 9.2%. Reimbursement on account of Charter Schools was frozen. Pre-K counts was reduced by 9.1%.Education Improvement Tax Credits reduced by 20%. Head Start Supplemental Assistance was frozen. Teacher Professional Development was decreased by 37%. Science in Elementary was frozen. School Improvement Grants were cut in half. Dual Enrollment was cut by 20%.Scranton School for the Deaf was cut out of the budget, but $5.5 million to help students transition to other schools. High School Reform cut by 65.5%. State funding for the following programs were eliminated; Classrooms for the Future, Alternative Education Demonstration Projects, School Entity Demonstration Projects, Lifelong Learning, Teen Pregnancy and Parenthood, Technology Initiative, Homebound Instruction, Consolidation Incentives, Urban and minority teacher development. Under the Costing out Study, which continues its movement towards adequacy for all school districts, the following were the signal items by which schools were given parts of the $300 million of Basic Education Funding- School District's Adequacy Target, the Adequacy Shortfall, The State Share Target, and the State Share Phase-In.

Comment- BEF increase of 5.7%

The hold harmless plus the $300 million dollar addition to the Basic Education Funding amount raised the total of BEF to $5,526,532,893. However, the 2009-2010 increase in subsidy was primarily derived from the ARRA funds from the federal government which was soon to cease that distribution.

2010-2011
Act No. 46 P.L.270 (Fiscal Code)
SB1042 2010

The Education portion of the state budget continues to decline with relation to Public Welfare, Corrections and other expenditures. Even though the state's share of Basic Education Funding and some supplements increased, the share of state participation in school funding did not replace an increase in local taxes. Those local taxes had increased by $10 billion since 1991-92. The Costing Out Study was used for the third time to determine the level of school funding. Each school district had an adequacy target. There was a base cost for students and a weighting for certain categories of students. There was no exceptions made for special education and gifted students (no weighting). There was also an inflation component to the adequacy target. An adequacy shortfall was calculated. After the difference between the target and the shortfall was calculated, the funding was said to increase until 2013-14 when the total adequacy target was reached. Those school districts that had tax effort above the 80th percentile were to reach their adequacy target before 2013-14.
The total BEF funding was to be an additional $249.9 million, 4.5% higher than in the previous year. It was over $100 million less than proposed by the Governor in the original budget. This would be the last of the ARRA years. These funds would increase the percent of instructional expenses funded by the state to 35.7%. Without them it would be 31.7%. Special Education would once again be frozen. Career and Tech Education was frozen (originally lowered by the Governor). Accountability block Grants lowered by 3.0%.Pupil Transportation increased by $11.4 million (2.2%).State contribution to the pension fund increased by $65.3 million (19.5%). Reimbursement for Charter Schools reduced to $224 million (1.3%). Early Intervention increased by 4.9%. Head Start Assistance decreased by 2.8%. Educational Improvement Tax Credits frozen at 2009-10 levels at $60 million. School Improvement Grants reduced by 5.6%. Dual Enrollment reduced 13%. Science It's Elementary reduced almost 50%. High School Reform cut by 52.4%.

Comment: The 2011 year saw a change in administration. A new Governor and his staff soon understood that the entire state budget would require significant changes made during the current fiscal year. Revenue predictions had continued to slow with no end in sight. Even under the old administration there was an understanding that some portions of the state budget must be lowered. The outgoing Governor, cut 1.5% from all executive departments and withheld $50 million from Basic Education Funding. It appeared that there would be a huge shortfall for the incoming administration of over $4 billion dollars. The ARRA funds would no longer be available in all budget categories. In February of 2011, the Budget Secretary removed $337.8 million

dollars from the Basic Education Funding program and replaced it with stimulus dollars in preparation for the deficit in 2011-2012. In that transfer, the $50 million taken from Basic Education Funding from the previous administration was restored.

2011-2012
Act No. 24 P.L. 112
HB 1352 2011

ARRA funds for Public Education were not replaced by state funds. The BEF line item decreased by $420.4 million in the final 2011-2012 budget, even though the state increased its appropriation by $622.2 million. The decision was made not to replace the ARRA funds that were used for the three previous years. That meant that the 2011-2012 budget actually was a $127.5 million increase from the 2008-2009 budget. Special Education was once again frozen. Pupil transportation increased by .6%. Contributions to Social Security increased by .7%. Early Intervention increased by $16 million ((8.8%). Along with reimbursements for charter school, education assistance, the following categories were eliminated: school improvement grants, science, it's elementary, dual enrollments, funding for intermediate units, formula enhancements, and high school reform. These reductions totaled $298.7 million from the 2010-2011 budget.

The formula for distributing the Basic Education Funding was based on a number of supplements. The base amount was $100 per ADM adjusted downward for aid ratio, students and tax effort. Since there were no more AARA funds, the hold harmless numbers reverted to the 2008-2009 BEF (this amount was $106 million). The next supplements were for ELL students, a poverty supplement and one for district size. The new funds tilted toward small, poorer and poorer performing school districts. Although there had always been a politically motivated portion of funding that focused on one school district, or a small set of school districts, this year was more obvious than most. The motivation for funding particular school districts was more obvious in this set of supplementals. Five school districts got the English Language Learners (ELL) supplement. There was also a subsidy loss supplement that went to 4 school districts. There was a second class school district supplement which went only to one school district (Coatesville). The final supplement was the Personal Income supplement which targeted 4 school districts (three in the Pocono Area and William Penn). These districts were targeted by using five variables that could only include those four. The problem of an unfunded liability in both the state and teacher pension funds began a trip to the front burner. The state had for 13 years paid less into the system than the employees (percentage). During those years of investment increases, it appeared that it would save the state some funds. The funds were now over $40 billion in unfunded liabilities. The discussions began to remedy this problem. The State had poured in over $312 million in the 2011-2012 budget to double its contributions from the prior year. As we will see, it did not stanch the need for even more funds, or a change in the way the pension funds were set.

The reduction in the BEF was attributed to the lack of funds from ARRA. This caused a considerable discussion on whether the state had put more or less money into Basic Education Funding.

Comment- a decrease of 7.3%, $420.1 million.

2012-2013
Act No 82 P.L. 684
HB 1901 2012

The administration had proposed a block grant system with Basic Education Funding, transportation, non-public transportation and social security. The legislature was not in agreement and a $49 million increase in BEF, a .09% increase was established. Once again special education was frozen. Career and Technical Education was frozen. The administration had suggested a $100 million reduction in the Accountability Block Grant program. However, the legislature restored the figure to its 2011-2012 level. State contribution to the teacher's pension system increased by 42.6%. It was both dollar and percentagewise the largest of all of the increases. Payment on account of social security was reduced by 1.9%. Pupil transportation increased by $4.3 million. Debt service payments were frozen at 2011-2012 levels. A moratorium was put on school construction and those who had completed the last parts of the Plan Con forms for building a school (bonds were already out and some schools already built) were not given their state share. Early Intervention was increased by 4.1%. EITC, tax credits were increased by $25million (33.3%). Pre-K counts was frozen. A new line item, Education Opportunity Scholarship Tax Credits was funded at $50 million. Head Start Supplemental Assistance was frozen at 2011-2012 levels. Teacher Professional Development was reduced by 10% to $6.5 million. Basic Education Enhancement Funding was reduced by 82.1% to $2.6 million. The Mobile Science Education program was restored after being removed by the administration.
The increase in BEF funding went to 16 school districts. The other 484 school districts were frozen at the 2011-12 levels. New funds for some of the receiving districts were restricted in what they could expense. The new line item, Education Opportunity Tax Credit was for students in the lowest 15% of performing school districts. Students from these districts could choose to go to other school districts or to private schools. There may be a constitutional issue sending funds to private or parochial schools. Businesses contributing to this scholarship fund could then get tax credits. A new Financial Recovery Law passed in 2012 focused on school districts that were financially unstable. Two school districts were immediately put under this watch, Harrisburg and York. Chester Upland and Duquesne were put under a severe financial watch. A Transitional Loan Account was established from which these sorts of districts could apply for interest free loans. There continued to be a construction moratorium and a continued stopping of school districts from getting reimbursement if their Plan Con construction sections were either in Part G or Part H. Without the state filling in the gaps from the ARRA funds, Education is

one of the few departments of state government not to have their funding filled in by state dollars. Departments such as corrections and others had their ARRA funds refilled by state coffers.

Comment: The 2012-2013 budget discussions, the issue of charter schools rose to the top of the list of things that were accelerating education costs. The costs were over $1 billion and were continually rising. Advocates for charter schools and cyber charter schools claimed that they were providing a valuable service. They claimed that they were servicing much more difficult students and were succeeding. The majority of the charter schools resided in Philadelphia, with other cities having large numbers of charter schools. The cyber charter schools were more intrusive to rural schools because of their ability to send programming over the internet. School districts claimed that these charters, both brick and mortar and cyber were not doing what the law had mandated-being innovative and helpful as examples to local schools. They also claimed that none of the cyber charters had made Adequate Yearly Progress (an NCLB term for improvement). There have been over 40 investigations of individual charter schools by federal and state authorities. The 2012 SAT scores show all charter schools to be significantly below the state average for Verbal and Math scores on the SAT

2013-2014
Act No. 59 P.L.
HB 1141 2013

Appropriations for the Basic Education Funding line item is 2.27% higher than 2012-2013. Of the $122.5 million, $99.5 million is distributed by a formula that includes $108 times the number of students (ADMS) multiplied by the 2013-2014 aid ratio. The additional $22.5 million is distributed to a limited number of school districts using 12 different supplementals based on specific variables. In some cases, the variables are written narrowly so that only one or sometimes two school districts are affected. Special Education was frozen for the sixth consecutive year. A commission has been authorized by the legislature to study special education funding. Improving teacher quality funding has been eliminated. School improvement grants have been eliminated. PreK Counts has been increased by 5.4% to $87.2 million. Head Start Supplemental Assistance increased by 5.1%. Career and Tech Education frozen, but $3 million for equipment. Early Intervention increased by 2.3%. Social Security payments reduced by 9.3%. Pension contributions increased by 18.8% to $1.017 billion. Safe Schools initiative increased by $6.5 million or 321%.

Comment: With the Philadelphia School District in the red by $300 million, the legislature looked for ways to help them. The School Recovery Commission which operates Philadelphia came in when the school district was $80 million dollars behind and has been trying to cut expenses. There appears to be some effort on the part of the legislature to produce over $100 million in extra aid to the cash-strapped district. The fiscal code had $45 million as additional funds. The administration began the budget process with several particularly hard issues; privatizing the liquor sales in the state, privatizing the lottery system, redoing the charter and cyber school funding system; statewide transportation concerns and dealing with the pension problems. None of those matters have been solved as of the end of the current fiscal year and into the 2013-14 fiscal year. The legislature, controlled by the Administration's party, is split into a number of groups on each of these issues. In some cases, the minority party is split on such things as the charter schools and the pension fix. A bill to fix some of the funding of charter schools and cyber charter schools was supported by a majority of both parties in the house, but failed to come to a floor vote. The legislature had been set to eliminate the capital stock and franchise tax. A freezing of the tax would have produced $360 million. The final decision was to lower the tax and recoup $50 million for the next few years.

INSTRUCTIONAL SUBSIDY DATA 1971-72 THROUGH 2013-14

EXPEND. YEAR	INSTRUCTIONAL EXPENSE		Dollar Change	Perc. Change
1970-71	1,734,850,227			
1971-72	1,924,596,769		189,746,542	10.9%
1972-73	2,028,302,734		103,705,965	5.4%
1973-74	2,173,974,293		145,671,559	7.2%
1974-75	2,452,069,415		278,095,122	12.8%
1975-76	2,626,975,328		174,905,913	7.1%
1976-77	2,839,841,655		212,866,327	8.1%
1977-78	3,009,473,236		169,631,581	6.0%
1978-79	3,178,896,560		169,423,324	5.6%
1979-80	3,437,721,651		258,825,091	8.1%
1980-81	3,706,976,687		269,255,036	7.8%
1981-82	3,920,252,517		213,275,830	5.8%
1982-83	4,095,399,242		175,146,725	4.5%
1983-84	4,455,623,401		360,224,159	8.8%
1984-85	4,785,369,369		329,745,968	7.4%
1985-86	5,151,376,245		366,006,876	7.6%
1986-87	5,480,534,255		329,158,010	6.4%
1987-88	5,817,642,704		337,108,449	6.2%
1988-89	6,326,003,618		508,360,914	8.7%
1989-90	6,883,791,074		557,787,456	8.8%
1990-91	7,351,788,143		467,997,069	6.8%
1991-92	7,771,523,910		419,735,767	5.7%
1992-93	8,151,017,612		379,493,702	4.9%
1993-94	8,403,642,107		252,624,495	3.1%
1994-95	8,734,144,876		330,502,769	3.9%
1995-96	9,262,010,061		527,865,185	6.0%
1996-97	9,589,087,599		327,077,538	3.5%
1997-98	9,768,332,958		179,245,359	1.9%
1998-99	10,151,317,044		382,984,086	3.9%
1999-00	10,519,646,857		368,329,813	3.6%
2000-01	11,060,621,561		540,974,704	5.1%
2001-02	11,514,862,656		454,241,095	4.1%
2002-03	12,068,181,446		553,318,790	4.8%
2003-04	12,998,407,775		930,226,329	7.7%
2004-05	13,373,237,256		374,829,481	2.9%
2005-06	13,921,108,707		547,871,451	4.1%
2006-07	14,459,900,760		538,792,053	3.9%
2007-08	15,009,707,323		549,806,563	3.8%
2008-09	15,647,798,077		638,090,754	4.3%
2009-10	16,071,243,266		423,445,189	2.7%
2010-11	16,586,292,381		515,049,115	3.2%
2011-12	17,250,597,070	*	664,304,689	4.0%
2012-13	17,941,508,109	*	690,911,040	4.0%

*This figure was estimated by PSEA Research. The estimate is based on the average rate of increase over the previous four years.
^ The BEF amount for 2009-10 includes $4.871 billion in state funds, and $654.8 million in ARRA State Fiscal Stabilization Funding. The final BEF for 2010-11 includes $4.732 billion in state funds, and $654.8 million in ARRA State Fiscal Stabilization Funding, and $387.8 million in EducJobs Funding and FMAP Restoration.

Prepared by PSEA Research, 8/1/2013

INSTRUCTIONAL SUBSIDY DATA 1971-72 THROUGH 2013-14

PAYABLE YEAR	BASIC ED. FUNDING		Dollar Change	Perc. Change	PERC. REIMB.
1971-72	939,861,907				54.2%
1972-73	1,033,562,840		93,700,933	10.0%	53.7%
1973-74	1,057,141,837		23,578,997	2.3%	52.1%
1974-75	1,194,729,817		137,587,980	13.0%	55.0%
1975-76	1,223,710,715		28,980,898	2.4%	49.9%
1976-77	1,219,645,312		(4,065,403)	-0.3%	46.4%
1977-78	1,326,042,726		106,397,414	8.7%	46.7%
1978-79	1,359,728,429		33,685,703	2.5%	45.2%
1979-80	1,462,980,797		103,252,368	7.6%	46.0%
1980-81	1,493,999,997		31,019,200	2.1%	43.5%
1981-82	1,555,000,643		61,000,646	4.1%	41.9%
1982-83	1,627,505,880		72,505,237	4.7%	41.5%
1983-84	1,767,800,000		140,294,120	8.6%	43.2%
1984-85	1,893,270,220		125,470,220	7.1%	42.5%
1985-86	2,046,856,000		153,585,780	8.1%	42.8%
1986-87	2,210,883,389		164,027,389	8.0%	42.9%
1987-88	2,353,000,000		142,116,611	6.4%	42.9%
1988-89	2,504,285,146		151,285,146	6.4%	43.0%
1989-90	2,659,032,758		154,747,612	6.2%	42.0%
1990-91	2,746,350,000		87,317,242	3.3%	39.9%
1991-92	2,961,303,000		214,953,000	7.8%	40.3%
1992-93	2,961,303,000		0	0.0%	38.1%
1993-94	3,090,395,935		129,092,935	4.4%	37.9%
1994-95	3,213,503,000		123,107,065	4.0%	38.2%
1995-96	3,358,370,000		144,867,000	4.5%	38.5%
1996-97	3,359,099,000		729,000	0.0%	36.3%
1997-98	3,449,457,000		90,358,000	2.7%	36.0%
1998-99	3,570,188,000		120,731,000	3.5%	36.5%
1999-00	3,677,294,000		107,106,000	3.0%	36.2%
2000-01	3,791,813,000		114,519,000	3.1%	36.0%
2001-02	3,959,885,000		168,072,000	4.4%	35.8%
2002-03	4,086,325,571		126,440,571	3.2%	35.5%
2003-04	4,213,056,121		126,730,550	3.1%	34.9%
2004-05	4,361,009,029		147,952,908	3.5%	33.6%
2005-06	4,524,121,610		163,112,581	3.7%	33.8%
2006-07	4,788,744,888		264,623,278	5.8%	34.4%
2007-08	4,951,516,696		162,771,808	3.6%	34.2%
2008-09	5,226,142,114		274,625,418	5.5%	34.8%
2009-10	5,526,532,893	^	300,390,779	5.7%	35.3%
2010-11	5,774,685,282	^	248,152,390	4.5%	35.9%
2011-12	5,354,522,913		(420,162,369)	-7.3%	32.3%
2012-13	5,393,437,265		38,914,352	0.7%	31.3%
2013-14	**5,523,294,605**		**129,857,340**	**2.4%**	**30.8%**

*This figure was estimated by PSEA Research. The estimate is based on the average rate of increase over the previous four years.

^ The BEF amount for 2009-10 includes $4.871 billion in state funds, and $654.8 million in ARRA State Fiscal Stabilization Funding. The final BEF for 2010-11 includes $4.732 billion in state funds, and $654.8 million in ARRA State Fiscal Stabilization Funding, and $387.8 million in EducJobs Funding and FMAP Restoration.

Prepared by PSEA Research, 8/1/2013

Conclusion

From the 17th to the 19th century, schools were for the purpose of preparing students to obtain a job and earn a living as an adult. Minimal skills were required for most jobs and few students went on to institutions of higher education.

In the 20th century, as the economy required more skilled workers, the public schools responded. As the economy required workers with higher skills and further education, access to higher education became more readily available.

The past 30 years has seen the system of public education in Pennsylvania assume an increasing role in the provision of social services to students. Whether thrust upon it by society or required by law, the public schools today provide a wide range of social services to their students.

From potty training to violence mediation programs, public schools are looked upon as the resource to resolve child-related problems. The argument made to support the utilization of the public schools for social programs is "that is where the children are." And, they are right. But, the question, "Why are the children there?" remains unanswered. In recent times, schools are seen as the place where students are trained for jobs.

The General Assembly must address what they want the system of public education in Pennsylvania to do. Then they must provide for a stable and predictable method of funding, which insures the equitable distribution of Commonwealth resources. At present, there is no system of funding. Each year a hold harmless is applied with politically motivated supplementals. This is not what our Constitution meant by "thorough and efficient."

GLOSSARY OF TERMS

ADM- Average Daily Membership – The average number of students that belong to your district for 180 school days. It is essentially a child count.

AFR- Annual Financial Report- the actual expenses and revenues of the school district

Aid Ratio- the formula to determine the wealth of a school district based on 60% market value of property and 40% personal income. In 1977 a deal was struck so that no district can have an aid ratio below .15. This would apply to almost all of the very wealthy school districts.

AIE – Actual Instructional Expense- using most of the budget categories and divided by the number of ADMs.

AFDC – Aid for Dependent Children (federal poverty program)

AYP- Adequate Yearly Progress- A term used to comply with federal regulations in No Child Left Behind to determine whether a student, school or school district has met designated levels of achievement in Math and Reading.

BEF/BIS- Basic Education Funding / Basic Instructional Subsidy- The amount of money that the state gives to school districts outside of all the categorical aid. It now totals over $5.526 billion.

Equalized Mil- The manner in which tax effort is calculated. The market value of all property in a school district divided into the total of all local taxes for that year. The product is usually a decimal. For instance if the product is .02, the decimal place is moved over three to the left and it is then seen as 20.0. There has been proposed a tax effort based on personal income.

ESBE- Equalized Subsidy for Basic Education (a set amount of money arbitrarily determined by the General Assembly)

Keystone Exams- In the process of replacing the 11th grade PSSA test. They are subject specific and given after a course is completed.

Link to Learn- a program began with Governor Ridge to improve the computer and online capabilities of all school districts.

PSSA- Tests created to fulfill the obligation of federal requirements stated in No Child Left Behind. They are currently given in Math and Reading in 3rd, 5th and 8th grade.

WADM- a weighted ADM for the purposes of distributing funds- each kindergarten student is .5. An Elementary student (to 6th grade) is counted as 1. Secondary students are counted as 1.36. The last number was created by Dr. Paul Mort in the 1920's to encourage high school creation.

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