



BUDGET BRIEFING

DWIGHT EVANS, DEMOCRATIC CHAIRMAN

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2010/11 Budget: Education

Basic Education

The 2010/11 budget funds the **basic education subsidy** at more than \$5.77 billion, an increase of \$250 million or 4.52%. For 2010/11, **each school district is guaranteed a two percent minimum increase** above its 2009/10 level. The total subsidy payment consists of \$5.12 billion in state funds and \$654.7 million in federal stimulus funds. A combined total of \$1.3 billion in federal stimulus funds is allocated for basic education in 2009/10 and 2010/11. Fiscal year 2010/11 represents the final payment of these federal funds.

Fiscal year 2010/11 marks the third year of the new basic education subsidy formula. This formula is based on the findings and recommendations of the **Costing-Out Study** (Act 114 of 2006) by calculating the state share of funding to provide “adequate” and “equitable” spending for each commonwealth school district. The new formula that resulted from this study was first applied in 2008/09. This formula identified an adequacy target by calculating a base cost to educate each student, then adjusting that amount for individual districts based upon variables such as low-income, district size and geographic location. This target amount was then compared to the actual district per student expenditures to determine the adequacy funding shortfall. The proposed state share of the shortfall was then calculated originally to be phased-in over a six year period. However, as with 2009/10, the 2010/11 funding falls short of the original target for the state share funding of the adequacy target. Therefore, increasing the state share to the fully recommended level will most likely take longer than six years.

Traditionally, school districts receive *at least* the amount of basic education funding that is proposed in the governor’s February budget. However, for fiscal year 2010/11, the final funding for basic education is approximately \$104 million less than the governor’s proposal. As such, most school

districts will see a reduction when comparing June basic education funding by school district to the February proposed basic education funding by school district. Three changes are made to the June basic education breakout by school district that, when combined, account for a subsidy allocation change for individual districts:

1. Calculations of the basic education subsidy formula remain the same as in 2009/10 except for the *state share phase-in* amount. This is the percentage of the total state portion of the adequacy gap funding that will be allocated for 2010/11. Because there is a reduction of \$104 million in the total subsidy, this phase-in amount is decreased. In February, the state share phase-in was 37.17% for each district; in the final budget, the state share phase-in is 32.06%.
 - a. The state share phase-in amount is the annual portion of the adequacy shortfall in funding that the state is paying for in the current budget year.
2. Data elements for each district, including average daily membership, equalized mills, and aid ratio, were updated *at the same time* that the subsidy decrease was put into place. These data elements affect the formula calculations for each district.
 - a. **“Average daily membership”** is the term used for all resident students for whom the district is financially responsible. This represents the number of students for which the district receives funding.
 - b. **“Equalized mills”** is a calculation of each school district’s taxes and market value. A higher equalized mill rate means both a higher tax effort by the district and a higher state share towards the adequacy target.
 - c. **“Aid ratio”** measures the relative wealth of a school district in terms of market value and personal income. A high aid ratio corresponds to less

wealthy school districts and also means a higher amount of state share funding.

3. A correction was made by the Department of Education in June 2010 to the 2009/10 total base cost for each school district. This base cost is part of the basic education subsidy calculation and was not reflected in the February proposed basic education funding spreadsheet.

Note: These changes in the data elements and the base cost make it difficult to compare the subsidy reduction among different school districts. In some cases, a district may receive a more severe subsidy reduction than a similar district due to the changes outlined above.

Other than the basic education subsidy, and those lines with mandated increases such as pupil transportation and social security reimbursements, all education lines are either flat-funded or reduced. The new Teacher Certification line, proposed by the governor in February at \$2.4 million, is eliminated from the budget. The budget funds the **Accountability Block Grant**, introduced in the 2004/05 budget to provide funding for programs such as pre-kindergarten, at \$259.5 million. This represents a decrease of 4.4%.

The 2010/11 budget funds the **Education Assistance Program** at \$47.6 million, a reduction of \$11.5 million from the 2009/10 level. This program provides extra tutoring services for students in school districts and Career and Technical Centers.

Early Learning

The budget funds **Pre-K Counts** at \$85.24 million to provide early learning opportunities to approximately 11,800 children. This funding level represents an almost \$1.2 million decrease from 2009/10.

The 2010/11 budget provides \$38.4 million for **Head Start Supplemental Assistance** which supplements the federal Head Start program to provide early learning opportunities to approximately 5,700 eligible children. This is a \$1 million reduction from the 2009/10 level.

Funding for **Early Intervention** is \$182.1 million, an increase of \$8.5 million or nearly five percent. This

program provides early learning opportunities for developmentally delayed school age children. Approximately 47,000 children are expected to participate in this program for 2010/11 and the Department of Education expects to utilize \$9.7 million in ARRA funding towards this program.

Special Education

Special education receives the same funding as in 2009/10, nearly \$1.03 billion. Charter Schools for the Deaf and Blind and the Approved Private Schools receive a formula increase based upon 125 percent of the increase in the special education subsidy appropriation. Because this is the second fiscal year that the special education subsidy receives level funding, Charter Schools for the Deaf and Blind and the Approved Privates Schools are also level funded in the 2010/11 budget.

Public Library Subsidy

The budget funds the **Public Library Subsidy** at \$54.55 million. This represents a decrease of \$5.4 million compared to 2009/10. While the level of library funding is unfortunate, it still has not reached the decade long low point of \$47.5 million in 2002/03.

Higher Education

As was the case in 2009/10, the 2010/11 budget package uses a combination of state and federal ARRA funds for higher education. **Community colleges**, the **State System of Higher Education**, **Thaddeus Stevens College of Technology** and the **state-related universities** will receive the same allocation as in 2009/10.



Higher Education: State and ARRA Funds			
	2008/09	2009/10	2010/11
Community Colleges	\$236,240	\$235,741	\$235,741
State	\$236,240	\$214,217	\$214,217
ARRA	\$0	\$21,524	\$21,524
State System of Higher Education	\$524,236	\$503,355	\$503,355
State	\$497,168	\$465,197	\$465,197
ARRA	\$27,068	\$38,158	\$38,158
Pennsylvania State University	\$335,046	\$333,863	\$333,863
State	\$318,073	\$318,072	\$318,072
ARRA	\$16,973	\$15,791	\$15,791
University of Pittsburgh	\$169,134	\$167,995	\$167,995
State	\$160,490	\$160,490	\$160,490
ARRA	\$8,644	\$7,505	\$7,505
Temple University	\$173,904	\$172,737	\$172,737
State	\$164,974	\$164,974	\$164,974
ARRA	\$8,930	\$7,763	\$7,763
Lincoln University	\$14,453	\$13,782	\$13,782
State	\$13,623	\$13,623	\$13,623
ARRA	\$830	\$159	\$159
Thaddeus Stevens College of Technology	\$10,700	\$10,876	\$10,876
State	\$10,293	\$8,550	\$8,550
ARRA	\$407	\$2,326	\$2,326

The **University of Pennsylvania** veterinary school is funded at \$29.75 million. Additionally, the Center for Infectious Diseases will receive \$248,000.

The grants to students program administered by the **Pennsylvania Higher Education Assistance Agency (PHEAA)** will receive \$388.3 million in funding. This represents a 3.8% cut from 2009/10. Other PHEAA line items also received cuts.

QUESTIONS AND COMMENTS
717-783-1540

Miriam A. Fox, Executive Director
mfox@hacd.net

Debbie Reeves, Budget Analyst
Eric Dice, Budget Analyst

Barbara Fellencer, Communications Director
<http://www.hacd.net>

Educational Improvement Tax Credit

The Educational Improvement Tax Credit (EITC) was temporarily reduced below the \$75 million level that was expected for 2009/10 and 2010/11 as a result of Act 48-2009. Per Act 48, the total credits to be awarded were capped at \$60 million and \$50 million for 2009/10 and 2010/11, respectively.

According to a recent amendment to the Fiscal Code, the EITC cap will increase from \$50 million to \$58 million for 2010/1. Thereafter, the EITC cap will be \$75 million annually.