



Little Relief for Suffering School Districts in 2013/14 Budget

The 2013/14 budget does little to restore the nearly \$1 billion in education cuts imposed in Gov. Corbett's first budget. **Republicans count non-classroom education funding the state is required to pay school districts (e.g. transportation and pensions) to give the impression that the state is providing record K-12 funding.** However, if you consider the five major classroom-targeted subsidies, state funding for school districts remains lower than 2008/09, the fiscal year **prior** to the federal stimulus money.

Keep in mind, for several years, the state chose not to make its pension payments. Now that the state is required to make its payments (under Act 120), the governor is counting those artificially higher pension payments as funding to classrooms.

Under Gov. Corbett's tenure, the Republican education cuts have disproportionately harmed poorer school districts and caused: "trickle-down" tax increases at the local level; school districts to deplete their reserve balances; and 20,000 school employees to lose their jobs. The impact of Gov. Corbett's education policies are far-reaching—from fewer educational opportunities and larger class sizes, to higher student loan debt, increased property taxes and possible decreased workplace preparedness.

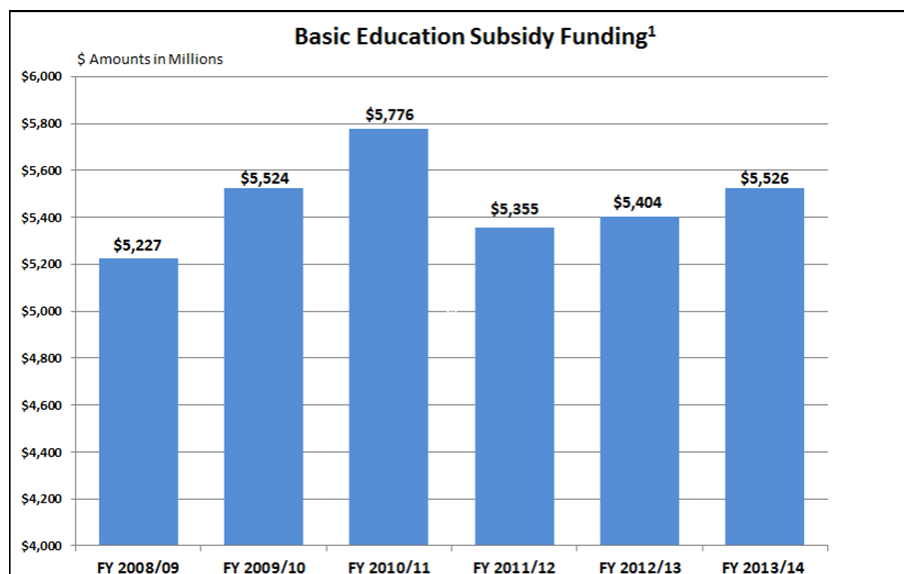
Pre-K - 12

Basic Education Funding (BEF)

Overall, the enacted 2013/14 budget increases the Department of Education's (PDE) total Pre-K-12 funding from \$9.77 billion in 2012/13 to \$10.04 billion, which is an increase of \$266 million (2.7 percent). Of this increase, \$173 million is necessary to fulfill statutorily mandated payments, such as pupil transportation, retirement and early intervention.

The **basic education subsidy (BEF)**, the largest appropriation in the education budget, drives out an additional \$130 million (2.4 percent) to school districts through the basic education formula. However, of this amount the actual basic education appropriation only increases by \$122.5 million (2.3 percent), for total funding of \$5.526 billion. The \$7.5 million difference will be comprised of monies used from PDE's unencumbered funds.

While this is a record increase for the governor, it remains a substantial reduction compared to the 2010/11 budget when the BEF subsidy formula drove out nearly \$5.8 billion to school districts.



¹ State and Federal ARRA funds. Federal funds ONLY include the ARRA federal stimulus funds that were part of the basic education subsidy formula. Guidance from the Department of Education assured school districts that federal funding in the basic education subsidy would be replaced with state funding when stimulus expired.

Key points of the 2013/14 funding include:

- Each school district is “held harmless” and receives no less than the amount it received in 2012/13.
- Of the \$130 million funding increase:
 - \$100 million is appropriated using a formula based on student count and market value/aid ratio of each district; and
 - \$30 million is appropriated using 12 separate calculations specifically designed to drive funds to **21 select school districts**.
- Funding increases per school district range from 0.7 percent to 22.5 percent.
- School districts receiving the lowest percentage increases:
 - Rockwood Area (Somerset County): 0.7%
 - Shanksville-Stonycreek (Somerset County): 0.8%
 - South Side Area (Beaver County): 0.8%
 - Duquesne City (Allegheny County): 0.8%
 - Forest Area (Forest County): 0.8%

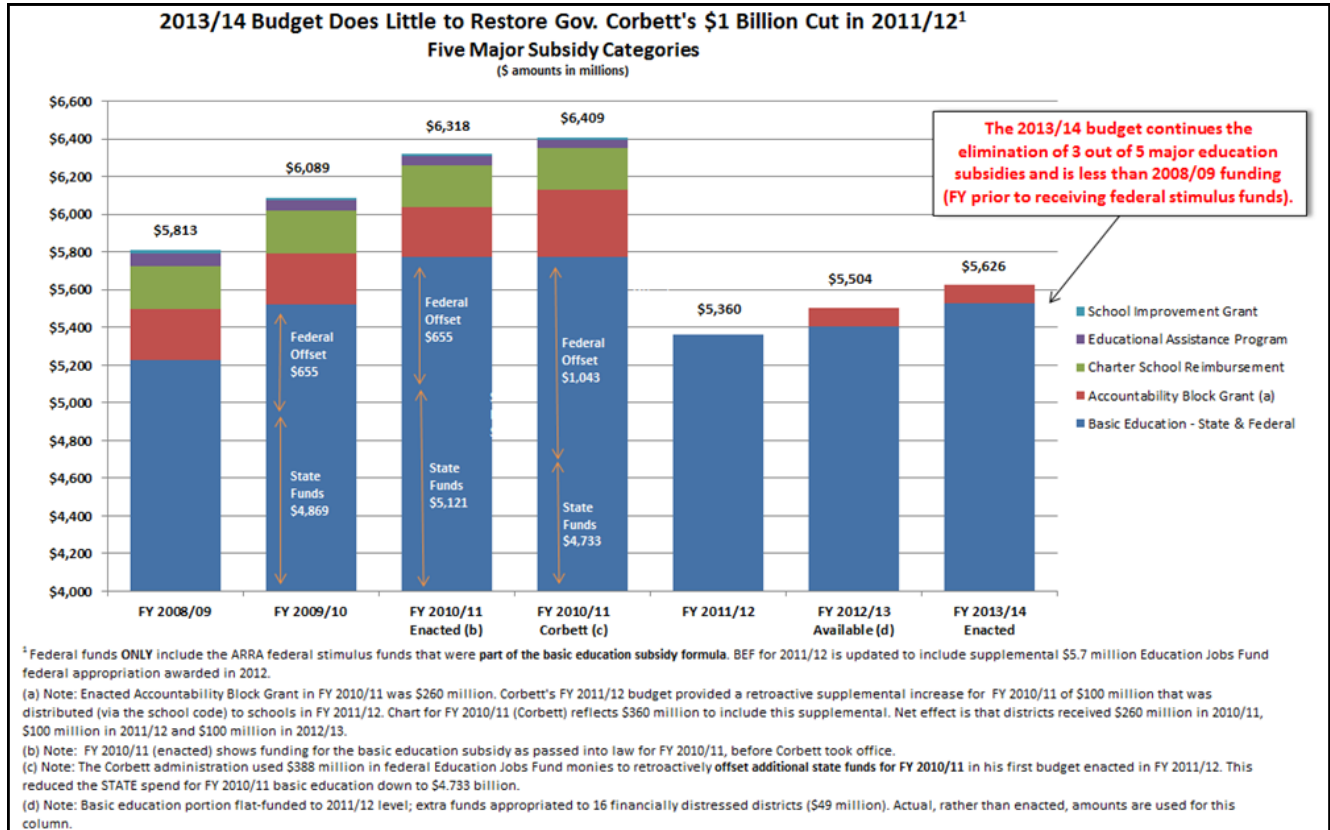
- Districts receiving the highest percentage increases:
 - Austin Area (Potter County): 22.5%
 - Stroudsburg Area (Monroe County): 16.7%
 - Penns Valley Area (Centre County): 13.4%
 - Pocono Mountain (Monroe County): 12.3%
 - York City (York County): 12.3%

Education funding by school district for 2013/14 is available online at: www.hacd.net.

The formula used to distribute the \$130 million fails to consider poverty measures such as free/reduced lunch; thereby, providing higher increases to many wealthy districts and lower increases to many poor districts.

**2013/14 School Funding Formula:
\$108 x ADM x Aid Ratio**

The **ADM or Average Daily Membership** is the number of students for which the school district receives funding. The **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.



Understanding the Basic Education Subsidy Formula

The basic education subsidy formula for 2013/14 consists of a hold-harmless provision and 13 formulas to drive out an additional \$130 million, as compared to 2012/13. Of the \$130 million increase, \$30 million is driven out to specifically to 21 school districts. The subsidy for 2013/14 is comprised of the following.

Basic Education Subsidy Component	Total Amount of Funds	# of School Districts Receiving Funds	How to Qualify for the Funds/School Districts that Qualify
Hold Harmless	\$5.4 billion	500 (all)	Each district receives the same amount it received in the prior year.
Student-Focused Funding Supplement	\$100 million	500 (all)	Formula considers ADM (number of students) and relative wealth (aid ratio).
English Language Learner High Incident Supplement	\$14.65 million	5 districts	Allentown City, Lancaster, Lebanon, Reading and York City
Charter and Cyber Charter School Extraordinary Enrollment Supplement	\$4 million	2 districts	Midland Borough and York City
Increasing Aid Ratio Supplement	\$2.5 million	1 district	Upper Darby
Small School District Supplement	\$500,000	1 district	Penns Valley Area
Small Rural School District Supplement	\$250,000	1 district	Austin Area
Rural School District Supplement	\$500,000	1 district	Philipsburg-Osceola Area
Second Class School District Supplement	\$500,000	1 district	Coatesville Area
Personal Income Supplement	\$3.5 million	2 districts	Pocono Mountain and Stroudsburg Area
Second Class A County School District Supplement	\$1 million	2 districts	Southeast Delco and William Penn
Third Class County School District Supplement	\$1 million	1 district	Hazleton Area
Third Class County Small School District Supplement	\$1 million	2 districts	Iroquois and Union City
Growth Supplement	\$860,000	3 districts	Dover Area, Northeastern York and West York Area
TOTAL	\$5.53 billion		

Special Education Funding

Despite Gov. Corbett's attempt to increase the **special education** contingency fund by cutting school district and intermediate unit funding, the final budget flat-funds the appropriation at \$1.026 billion, ensuring that ***all entities receive the same amount as in 2012/13***. The special education contingency fund is designed to provide additional payments for extraordinary special education expenditures.

Currently, a Special Education Commission is working to devise a new special education formula to more adequately address the funding necessary to provide special education to students. The commission's report is due in late fall of 2013.

Distressed School Districts

Distressed school districts receive only a small portion of the \$130 million basic education subsidy increase. In total, the eight distressed districts receive \$10.9 million, with \$9.4 million of the increase going to the Reading and York City school districts.

A list of the funding for distressed school districts is available online at: www.hacd.net.

In addition, roughly \$10.3 million is available in the Financial Recovery School Transitional Loan Accounts for distressed schools and another \$4.5 million will be available to PDE to provide technical assistance.

Early Childhood Education

Of the **early childhood initiatives** within PDE's budget:

- **Accountability Block Grant** receives flat-funding at \$100 million. Nearly 75 percent of school districts target this funding to the youngest students, including programs for Pre-Kindergarten, full-day Kindergarten and class size reduction.
- **Pre-K Counts** increases by \$4.5 million (5.4 percent). Pre-K Counts provides school-based or community-based early learning programs.
- **Head Start Supplemental Assistance** increases by \$1.9 million (5.1 percent). Head Start Supplemental Assistance provides school readiness and other family support for economically disadvantaged children.

The enacted **budget provides a \$5 million (2.3 percent) increase for Early Intervention**. Early Intervention is a federally mandated program authorized under Individuals with Disabilities Act (IDEA) for developmentally delayed preschool students and the state is required to provide them with services.

Additional early childhood appropriations are contained within the Department of Public Welfare budget. These include a \$14.3 million increase in Child Care Services and a reduction of \$4.1 million in Child Care Assistance. Funding includes additional children served and additional quality improvement initiatives within the Keystone STARS program.

Other Subsidies

For the third budget in a row, no funding is included for **Dual Enrollment, Reimbursement of Charter Schools, Educational Assistance Program, Science: It's Elementary, School Improvement Grants or Intermediate Units**. Because of these eliminations and other education reductions, school districts receive less funding even as compared to 2008/09, which was the fiscal year *prior* to receiving the federal stimulus money. In Gov. Corbett's initial 2011/12 budget, poor districts were disproportionately harmed by these reductions.

The enacted **budget flat-funds the Public Library** subsidy at \$53.5 million.

The **budget increases the Safe Schools Initiative by \$6.5 million (321.5 percent)**, for total funding of \$8.5 million. The funding provides targeted grants

to schools and municipalities to address school violence and safety issues.

While the **budget flat-funds Career and Technical Education (vo-tech)** at \$62 million, it creates a new \$3 million appropriation for equipment grants. This competitive grant program is available to vo-tech schools and school districts that operate vo-tech programs.

The **budget flat-funds PlanCon at \$296.2 million**, and for the second year a moratorium is in place to stop state funding approval of additional school construction projects. PlanCon, funded through the Authority Rentals and Sinking Fund Requirements appropriation, is a statutorily mandated reimbursement to school districts for a portion of their capital expenditures and to charter schools for the cost of leased facilities. Under this moratorium, approximately 230 school building projects will remain unfunded.

The enacted **budget provides \$50 million for the Educational Opportunity Scholarship Tax Credit**, also known as "voucher-lite". The program affords tax credits to businesses that contribute to scholarship organizations for the purpose of providing school vouchers to students in low-achieving public school districts. Students receiving these vouchers may attend public or private/parochial schools. The tax credit program was first enacted in 2012/13 and continues unless a change is made to the Tax Code. In 2012/13, only \$20 million of the \$50 million was utilized by businesses. To date, no data is available on the number of students who received vouchers and which school each student attended.

The **budget continues the Educational Improvement Tax Credit (EITC) at \$100 million**, the same level available in 2012/13. This program awards tax credits to businesses that make contributions to scholarship organizations, educational improvement organizations and Pre-K scholarship organizations.

The **\$53.7 million budget for PA Assessments (Keystone Exams) includes a three percent increase**. This appropriation funds the PSSA exams, as well as the three Keystone Exams (Algebra I, Biology and Literature) that were implemented in 2012/13. The PA Department of Education's (PDE)

intent is for these exams to become a possible graduation requirement and replace the 11th grade PSSA exams for the class of 2017. PDE does not intend to develop or implement additional Keystone Exams at this time. The English Language Proficiency exam and Pennsylvania Value Added Assessment System (PVAAS) are also supported with funds from this appropriation.

School Employees' Retirement

By far, the single largest increase in the PA Department of Education's budget is for School Employees' Retirement, an increase of nearly \$161 million or 19 percent, for total funding of \$1.017 billion.

For 2013/14, the employer contribution rate is 16.93 percent of payroll, which is an additional 4.5 percent compared to 2012/13.

Employer contributions are split between the school entity and the commonwealth. The commonwealth pays at least 50 percent of the employer share of the contributions, with less wealthy school districts receiving a larger share. On

average, the state will contribute slightly more than 56 percent of the employer share of retirement contributions in 2013/14. **This is lower than projected because reductions in school employees payroll, due largely to the draconian cuts in Gov. Corbett's budgets, resulted in massive school employee layoffs and attrition.**

Corbett's History of Education Cuts

In his first budget, Gov. Corbett:

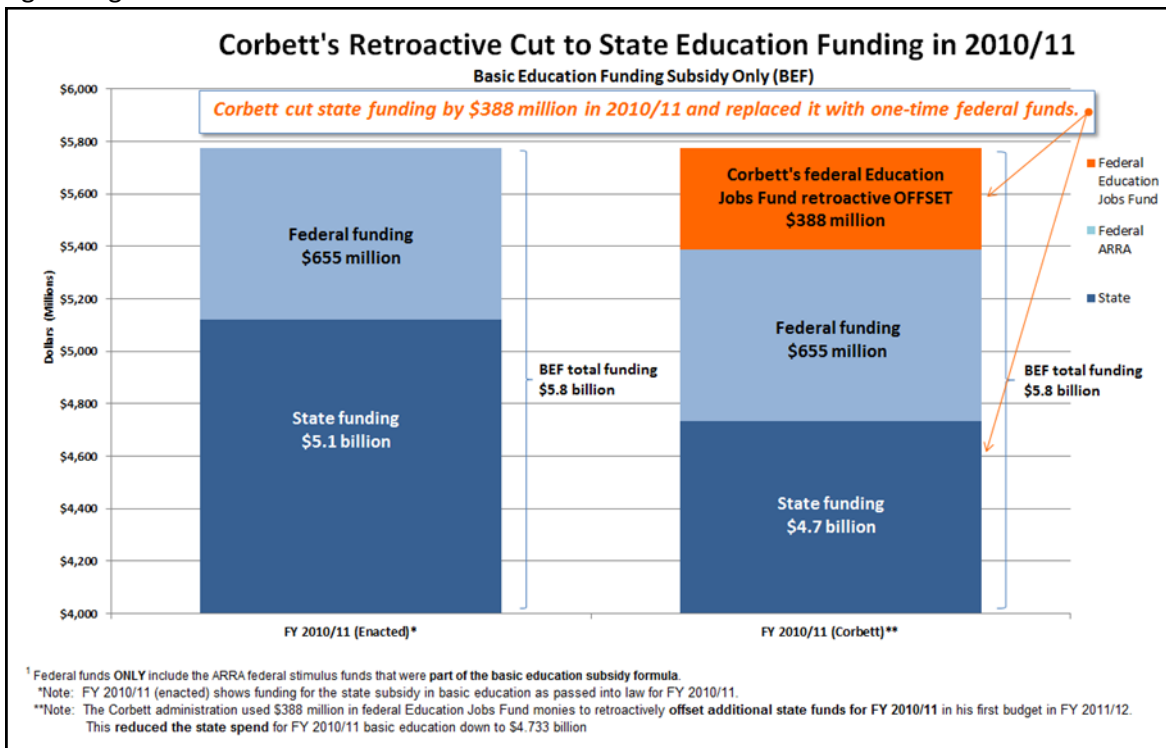
- Cut state funding by \$388 million and replaced it with one-time federal funds. (See chart below.)
- Claimed that federal stimulus funds were never supposed to be replaced, while at the same time replacing them in the Department of Corrections' budget.

Federal Stimulus Money

Corbett administration officials claim they did not cut education funding and blame the school districts for relying on the federal stimulus money, which ran out. However, the PA Department of Education's guidance to school districts in 2009 indicated the federal stimulus funding in the basic education subsidy would be replaced with state funding:

"...Department of Education advises that districts consider the basic education subsidy increase as being built into the state's funding base."

See Page 4 of PA School District Guide to Federal Stimulus Education Investments.



- Cut \$420 million from the basic education subsidy.
- Cut other education subsidies, including the Accountability Block Grant, resulting in a more than \$1 billion in cuts to public education.

The basic education subsidy cut, along with the programs listed in the chart below, represent just some of the financial devastation inflicted on public education in Gov. Corbett's first budget, which are largely maintained in the 2013/14 budget.

\$ Amounts in Thousands	2010/11 (Actual)	2011/12 (Actual)	2011/12 Gov. Corbett Cuts Total \$	2013/14 Gov. Corbett Enacted Budget	2013/14 Gov. Corbett Cuts Compared to 2010/11
Basic Education Subsidy ¹	\$5,776,086	\$5,354,629	(\$421,457)	\$5,526,129	(\$249,957)
Accountability Block Grant ²	\$354,526	\$0	(\$354,526)	\$100,000	(\$254,526)
Charter School Reimbursement	\$219,825	\$0	(\$219,825)	\$0	(\$219,825)
Educational Assistance Program	\$46,701	\$0	(\$46,701)	\$0	(\$46,701)
School Improvement Grant	\$10,592	\$0	(\$10,592)	\$0	(\$10,592)
Dual Enrollment	\$6,827	\$0	(\$6,827)	\$0	(\$6,827)
Science: It's Elementary	\$6,779	\$0	(\$6,779)	\$0	(\$6,779)
Teacher Professional Development	\$21,153	\$6,459	(\$14,694)	\$6,459	(\$14,694)
Pre-K Counts	\$83,620	\$80,184	(\$3,436)	\$87,284	\$3,664
Head Start Supplemental Assistance	\$37,655	\$35,414	(\$2,241)	\$39,178	\$1,523
High School Reform	\$1,729	\$0	(\$1,729)	\$0	(\$1,729)
TOTAL	\$6,565,493	\$5,476,686	(\$1,088,807)	\$5,759,050	(\$806,443)

¹Includes 2010/11 state and federal funds. The Department of Education instructed school districts to assume that any federal funds provided through the basic education subsidy would be considered 'state funding'.

²2010/11 enacted Accountability Block Grant amount was \$254 million. Gov. Corbett's FY 2011/12 budget provided a retroactive supplemental increase for 2010/11 of \$100 million that was distributed in 2011/12.

House Appropriations Committee (D)

Miriam A. Fox, Executive Director

Debbie Reeves, Senior Budget Analyst

Stephanie Weyant, Communications Director