

# Memo

## *The House Appropriations Committee (D)*

TO: House Democratic Members and Interested Parties  
FROM: **Rep. Joseph F. Markosek, Chairman**  
SUBJECT: **Education (Pre-K to 12) Budget Review and Preparation for 2012/13 Proposal**  
DATE: February 6, 2012

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As we await Gov. Corbett's 2012/13 budget address, there is no indication that he will reverse course and finally make Pennsylvania's children and our public schools a priority. Based on the experience from the current budget, homeowners should brace themselves for more local property tax increases.

Funding for education was cut by \$1 billion in the Republican-passed 2011/12 budget. The Corbet administration claims that it increased school funding because in many cases, schools received more funding in the "Basic Education" appropriation. This is only true if the federal stimulus funds and the Education Jobs Fund money is not counted in the 2010-11

basic education subsidy when compared to the republican budget of 2011-12. However, the basic education subsidy is only one component of state funding for school districts. When you add up the five major state appropriations for education, not a single school district received more state funding in the current budget than it did in 2010/11.

Those harsh cuts forced school districts across the state to cut more than 14,000 teachers

and support staff jobs while other districts dropped educational programs or raised property taxes to make up for the funding cuts from the state.

The current budget abandoned the school funding formulas used in the previous three years that followed the legislatively approved Costing-Out Study's adequate school funding formulas. The current education budget:

- 1) Is unfair to students because the distribution of cuts per student is targeted more heavily toward students in poor school districts. The most affluent school districts in the state are seeing the lowest per-student cuts, but many are still facing financial crisis.
- 2) Reneges on Corbett's campaign promise to support early childhood education by reducing Pre-K Counts and Head Start Supplemental Assistance funding 2.9 percent below 2010/11 levels. Corbett's budgetary freeze released in January 2012 promises an additional 3.1 percent cut to Pre-K Counts.
- 3) Is causing trickle-down taxation – forcing many districts to raise local property taxes.
- 4) Is causing school districts across the state to lay off thousands of teachers and support staff because of inadequate funding from the state.

### **How Schools are Actually Funded by State**

Not counting Special Education funding, which has not received a state increase since 2008-09, there are five other major appropriations that make up the state's portion of a school district's funding, including:

- Basic Education,
- PA Accountability Grant,
- Charter School Reimbursement,
- Education Assistance Program, and
- School Improvement Grants.

In most school districts, four out of the five state funding appropriations were cut or eliminated altogether in the 2011-12 budget, forcing districts to raise the funds locally (through property tax increases) or cut teachers and educational programs.

## Cuts to Every School District

To see how much state funding was cut per student for each school district, major state funding for each school district and “Basic Education” funding for each school district, please visit [www.hacd.net](http://www.hacd.net), click on “Budget,” click on “11/12 Budget” and then click on “Spreadsheets.”

## Charter School Reimbursement Eliminated

Current state law requires public school districts to pay charter schools a per-student fee for each pupil choosing to attend either brick-and-mortar or cyber charter schools. The per-student fee is based on each school district’s selected expenditures per student. This means that a charter school is paid more for students from one district than it is for students from another

district. Based upon the most recent data from the Pennsylvania Department of Education (PDE) for 2010-11, charter school tuition paid for a regular education student by the 500 school districts ranges from \$6,752 to \$16,916; for special education students, the payments range from \$11,839 to \$40,138. In some districts, the

<b>There is More to State Funding than “Basic Education”</b>				
Here is one example where the elimination of the state’s charter school reimbursement resulted in a nearly \$11 million cut in state funding for a school district. The table also shows how it may be technically accurate to claim the state increased “Basic Education” funding for the district, but when the other state funding appropriations are factored in the school district experienced a nearly \$8.5 million cut in funding from the state.				
<b>Chester Upland SD 5 Major Subsidy Payments</b>	<b>2011-2012 Estimated State Funding</b>	<b>2010-11 Estimated State Funding</b>	<b>\$ difference</b>	<b>% difference</b>
Basic Education	\$49,251,802	43,909,437	5,342,365	12.2%
PA Accountability Grant	\$980,044	\$2,494,468	<b>-1,514,424</b>	<b>-60.7%</b>
Charter School Reimbursement	\$0	\$10,887,959	<b>-10,887,959</b>	<b>-100.0%</b>
Education Assistance Program	\$0	\$706,903	<b>-706,903</b>	<b>-100.0%</b>
School Improvement Grant	\$0	\$657,955	<b>-657,955</b>	<b>-100.0%</b>
<b>TOTAL</b>	<b>\$50,231,846</b>	<b>58,656,722</b>	<b>-8,424,876</b>	<b>-14.4%</b>

## State Cuts to Schools = Property Tax Hikes Across State

The Republican-passed 2011-12 budget is resulting in residents across the state paying higher local taxes, despite claims by Gov. Corbett and Republic leaders to the contrary. Following is a **small sample** of state-budget-driven tax increases across the state:

Allegheny County — Wilkensburg SD is considering closing schools, raising property taxes or furloughing staff to address a \$3.1 million budget shortfall.

Beaver County — Central Valley SD budget includes a property tax increase of 3.31 mills.

Dauphin County — Central Dauphin SD’s budget includes a 3.3 percent tax hike, larger class sizes and furloughs of as many as 50 employees.

Erie County — Erie SD won’t have enough money to pay its bills come March.

Lancaster County — Columbia Borough SD’s budget includes a 10.6 percent tax increase.

Lehigh County — Parkland SD budget includes a 4.96 percent tax hike.

Luzerne County — Wyoming Area SD budget includes a 3.9 mill hike in taxes and changes or closures to schools to deal with a \$1.8 million shortfall.

Lycoming County — South Williamsport Area SD budget includes a 2.2 mill hike.

Montgomery County — Methacton SD budget includes a 2.95 percent tax hike.

Philadelphia County — Philadelphia SD is considering staff cuts, elimination of Spring athletics and educational programs to address a \$61 million shortfall.

Snyder County — Selinsgrove Area SD plans to cut 15 teachers to address its budget shortfall.

total paid to charter schools can be more than half of the district’s total state funding. Prior to the current year, the commonwealth provided a reimbursement to school districts for a portion of the amount they paid to charter schools.

The Republican-passed 2011/12 budget eliminated the state reimbursement to school districts for the charter school costs. The elimination of the charter school reimbursement means that school districts must make up for that additional cut in state education funding. In the Chester Upland School District in Delaware

County, this seemingly minor change in the state budget means that the district’s overall state funding was cut by nearly \$11 million, or nearly 17 percent of the state funds received by the district. This, on top of cuts in the PA Accountability Grant, Education Assistance Program and School Improvement Grant funding, has wreaked havoc on school district budgets.

### Districts Making Cuts, Raising Taxes

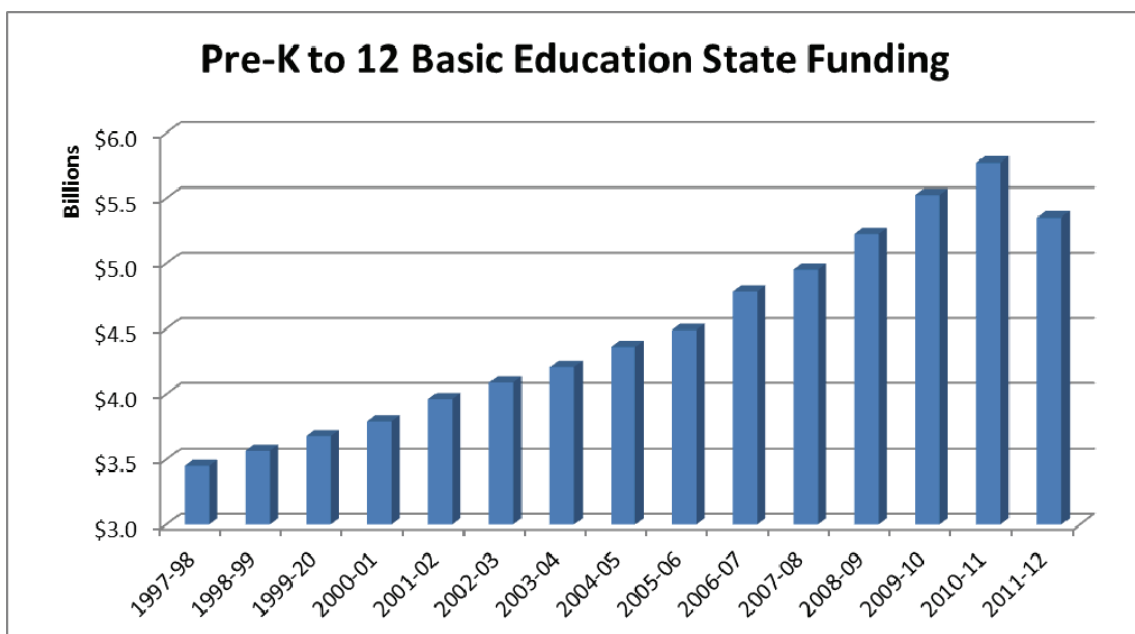
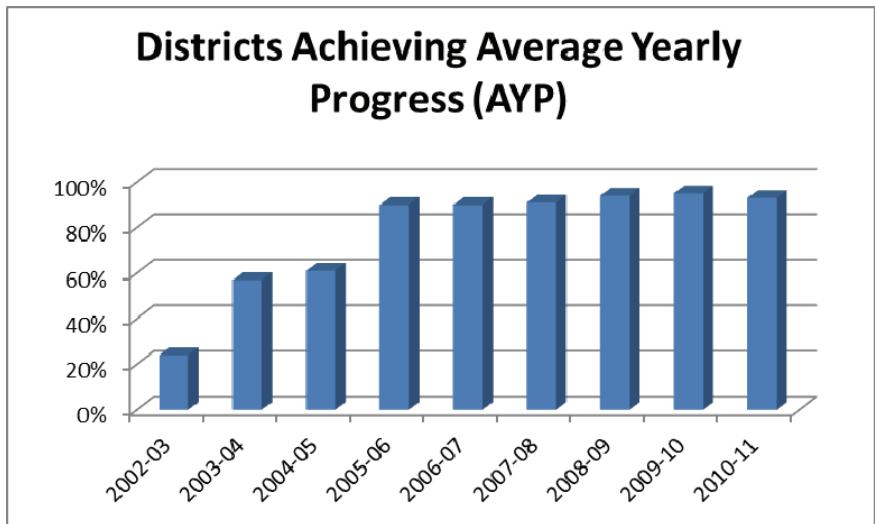
Gov. Corbett’s 2011/12 education budget cuts are forcing school districts across the state to raise local property taxes and cut educational programs. **See if your district is affected:** [http://www.pahouse.com/school\\_funding\\_2011cuts.asp](http://www.pahouse.com/school_funding_2011cuts.asp)

### Funding Affects Education

According to Pennsylvania Department of Education records, the state share of education funding increased between Fiscal Year 2003 and Fiscal Year 2011. During that same time, the number of school districts in the state meeting the federal Average Yearly Progress (AYP) goals increased, even as the AYP standards increased.

According to a Stanford University study of Pennsylvania charter schools released in April 2011, approximately 60 percent of students in traditional charter schools met AYP standards for reading and 53 percent met standards for math. By comparison, 94 percent of public school districts met AYP standards. Read the full study online at: [http://credo.stanford.edu/reports/PA%20State%20Report\\_20110404\\_FINAL.pdf](http://credo.stanford.edu/reports/PA%20State%20Report_20110404_FINAL.pdf)

**These two charts show that as state funding for public schools increased from 2002-03 to 2010-11, there was a corresponding increase in the percentage of school districts achieving the federally mandated Average Yearly Progress (AYP) standards.**



## **Addressing Retirement and Special Education Costs**

Special Education funding, the second largest subsidy to school districts, has not been increased since 2008-09. In recent years, federal stimulus funds provided approximately \$375 million in additional IDEA (special education) funding to school districts and charter schools, which helped mitigate the stagnate state special education funding. However, school districts now face increasing special education costs with no federal stimulus funds and no increase in the state subsidy.

In addition to draconian cuts in the 2011-12 budget, school districts face a dramatic increase in the employer's share of employee retirement costs. For 2012-13, the employer contribution rate will increase more than 40 percent, from 8.65 percent to 12.36 percent, equating to an increase of approximately \$230 million more than 2011-12. Coupled with the rising cost of health care, these retirement increases serve to further stress district budgets.

## **Some of the Questions YOU Should Be Asking about Education Funding for 2012/13**

- Will Gov. Corbett reinstate the Charter School Reimbursement for school districts?
- Will Gov. Corbett restore funding to the levels prescribed in the General Assembly's costing-out study?
- Is there an overall increase or decrease in total state funding for my school district?
- Does Gov. Corbett truly support early learning? If so, can we expect restorations to the early childhood programs, including the Accountability Block Grant?
- What recommendations does Gov. Corbett have for school districts to address dramatically reduced state funding in 2011-12, further constraints on school district's ability to raise property taxes, and rising retirement costs? Increased class sizes? Elimination of education programs? More layoffs?