

Foundation Funding & State/Local Share  
A Presentation for the Pennsylvania Legislature

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Chairs and Members of the Committee, thank you for the opportunity to appear before you today. My name is Michael Griffith, and I serve as a Senior Researcher and Policy Analyst at the Learning Policy Institute (LPI), an organization dedicated to advancing evidence-based policies in education to ensure equitable learning opportunities for all children. I'm here today to discuss two critical subjects: how states determine the foundation amount within their school funding formulas and the optimal allocation of K-12 education funding between state and local sources.

**Foundation Formulas in Each State:** States employ two primary distribution methods for K-12 funding. The first is through a foundation or base formula, and the second involves a resource allocation system. The latter, while once common, has lost favor due to its inflexibility in today's dynamic education landscape. Thirty-six states currently use foundation formulas, six state use resources allocation formulas, and the remaining six have funding systems that are unique to their states.

Illinois and Pennsylvania both use a modified foundation formula. These systems provide districts with a “hold harmless” amount of funding and distribute all new education funds through a foundation system.

**What is a Foundation Formula:** Foundation formulas serve as the cornerstone of K-12 education funding. These formulas commence by establishing a foundation amount, which theoretically covers the necessary funding to meet state standards for a general education student. This foundation amount is then adjusted through the application of student weights, designed to address the unique needs of student groups such as at-risk students, English language learners, and special education students. Foundation amounts can also be adjusted based on district characteristics (Size, cost-of-living, location, ect.)

States employ various methods to determine their foundation amounts, including research-based approaches, past year expenditures, reliance on educational inputs, or considering available funding. For example, Maryland has established its foundation amounts through commissions and comprehensive studies.

However, each method has its challenges, from clarity and time-consumption to cost considerations. Georgia, for instance, utilizes educational inputs to calculate its foundation amount, allowing policymakers to see precisely what state funding covers, but this method requires meticulous detailing and regular updates.

**State Local Funding Split:** Over the past century, there has been a significant shift towards greater state involvement in education funding. In the 1919-20 school year, states covered 83.2% of education funding, whereas today, that figure stands at 45.1%. In contrast, the percentage of state funding has increased from 16.5% to 47.5%.

Research doesn't prescribe a specific percentage for state funding, but it does underscore the relationship between increased state funding and greater equity in education. In the 2020-21 school year, 45.3% of K-12 public education funding came from state sources nationwide, compared to 37.4% in Pennsylvania.

**Pennsylvania's School Funding System:** To illustrate, let's examine Pennsylvania's school funding system for the 2023-24 school year. Approximately 50.9% of state funding flows through the "Basic Education Funding" program, while 25.3% of these funds are distributed via the "Weighted Student Funding" program, accounting for 12.9% of the state's K-12 education funding and 4.8% of total education funding.

**Conclusion:** In closing, achieving greater equity within a state's school finance system can be attained through specific measures. Increasing the state's share of school funding, especially when channeled through primary funding formulas tailored to student and district needs, is a key step. Moreover, it's essential to ensure that state funding is directed toward districts and students in the most need.

Thank you for your attention, and I am prepared to respond to any questions or provide further information on these crucial matters.

SCHOOL FINANCE PRESENTATION

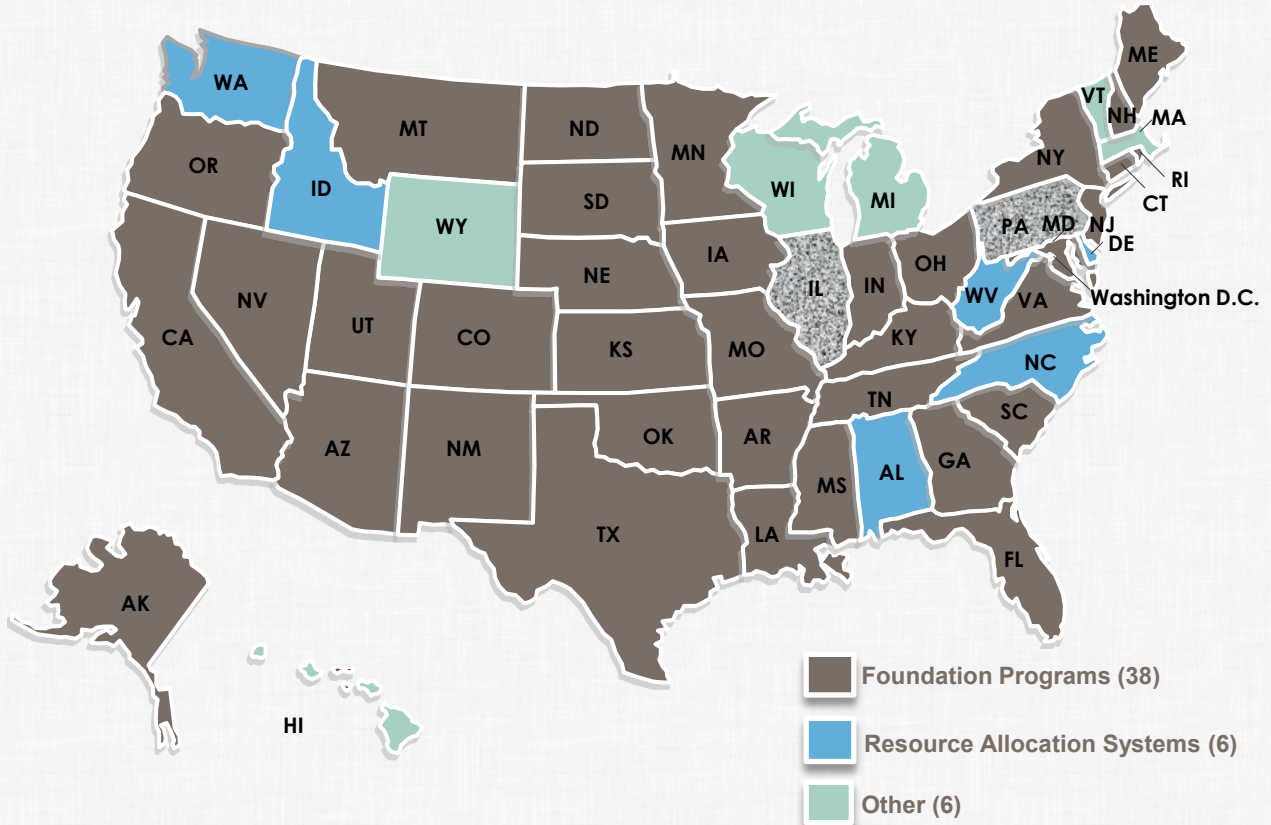
# Pennsylvania Legislature

## Foundation Funding & State/Local Share

# Presentation Overview

- ▷ Introduction to foundation formulas
- ▷ State/local funding shares
- ▷ Pennsylvania's school funding system

# Funding Formulas in Each State



# What is a foundation formula?

Foundation Amount

X

Weighted Student Count

Adjusted by

Other Student & District Factors

=

Total Foundation Funding

# States Differ on How They Share Foundation Costs

Total Foundation Funding

÷

A District's Ability to Pay

=

State Foundation Funding to  
the District

# Issues with Comparing Foundation Amounts

- 1. The primary formula is only part of a state's education funding.**
  - On average – 66.2% of state funds come from the primary funding formula and 33.8% come from other state sources.
- 2. Factors beyond the foundation amount can greatly adjust funding.**
  - This includes weights for high-needs students (at-risk, English language learners, special ed.), regional cost adjustments, additional funding based on district/school needs (size, location, other factors), etc.
- 3. States differ on how they share foundation costs.**
  - In some states, the foundation amount is split between the state and the local education authority (school district). In other states, the state covers the full cost.



# How is a foundation amount determined?

- Based on research
- Based on past year expenditures
- Based on educational inputs
- Based on available funding

# Based on Research: Maryland

- ▶ The state convened two commissions that helped determine the foundation amounts and student weights:
  - Thornton Commission (1999-2002)
  - Kirwan Commission (2017-2019)
  
- ▶ Both commissions relied on school finance studies to help determine the right foundation amount for Maryland based on the state's educational goals.

# Using Research to Determine a Foundation Amount

- ▶ Can be clearer – When the foundation amount is derived from a study, the public and policymakers may better understand how the funding amount was determined.
- ▶ Can be time-consuming – Most studies take multiple years.
- ▶ Can be costly – Studies can cost anywhere from hundreds of thousands to over a million dollars.
- ▶ Studies can be periodically updated – Updates are less costly and time consuming.

# Based on Past Year Expenditures: Nebraska

- ▶ A comparison group is established for each district consisting of the per pupil expenditures of the 10 larger & 10 smaller districts that are closest in size to the district.
- ▶ Exceptions are made for the largest and smallest districts in the state.
- ▶ The amount is increased each year based on a cost-of-living adjustment.

# Past Year Expenditures

- ▶ Relies on past sufficiency - This funding approach assumes that the amount spent in a previous year was adequate and only requires an annual cost-of-living adjustment.
- ▶ May become dated - This funding approach does not consider changes in student needs and educational expectations that occur over time.

# Based on Educational Inputs: Georgia (2022-23)

Category	Amount Per Pupil		Category	Amount Per Pupil
Teacher	\$2,053		Secretary	\$33
Subject Specialist	\$105		Operations	\$7
Counselors	\$43		Facility M&O	\$298
Tech. Specialists	\$114		Substitutes	\$32
Psychologist	\$19		Staff Development	\$18
Soc. Workers	\$19		Media - Personnel	\$49
Asst. Principal	\$97		Media - Materials	\$13

# Foundation Amounts Based on Educational Inputs

- ▶ Can be clearer - Allows policymakers to see what state funding will pay for.
- ▶ Requires details - This amount must include all possible expenses necessary to educate students to state standards.
- ▶ Requires maintenance - Needs to be updated to take into account cost increases and changes in educational expectations.

# PA Weighted Student Funding:

- ▶ The state determines the total funding amount that will flow through the program.
  - \$1.99 billion in 2023-24
- ▶ The total weighted student count is adjusted by the by the “Median Household Income Index” and the “Local Effort Capacity Index.”
- ▶ Each district receives a proportional amount of funding based on their adjusted weighted student count.
  - Approximately \$755



# A State's Primary Funding Formula is Only Part of Its Education Funding

State	Primary Funding Formula as a Percent of <b>State</b> Funding (2020-21)	Primary Funding Formula as a Percent of <b>Total</b> Funding (2020-21)
United States	66.2%	30.0%
Ohio	83.5%	31.2%
Delaware	80.3%	48.4%
New York	64.0%	24.2%
West Virginia	60.8%	31.2%
Pennsylvania	48.1%	18.0%
New Jersey	46.4%	20.4%
Maryland	45.8%	19.7%

# State/Local Funding Splits

- ▶ The trend over the past 100 years has been for the state to provide an increasing percentage of education costs.
- ▶ Research does not provide a specific percentage that the state should provide.
- ▶ Research does show that greater state funding helps to lead to greater equity.

# State/Local Funding Splits

## Funding Sources

- ▶ State funding primarily relies on sales and income taxes.
- ▶ Local funding primarily relies on property taxes
  - Property taxes as a percentage of local funding (2020-21):
    - Pennsylvania – 80.8%
    - United States – 76.2%
- ▶ Increased reliance on local funding can result in higher local property taxes.
  - Local school property taxes per pupil (2020-21):
    - Pennsylvania - \$10,014
    - United States - \$5,150

# Public Education Funding Sources - United States

	Federal	State	Local
1919-20	0.3%	16.5%	83.2%
1929-30	0.4%	16.9%	82.7%
1939-40	1.8%	30.3%	68.0%
1949-50	2.9%	39.8%	57.3%
1959-60	4.4%	39.1%	56.5%
1969-70	8.0%	39.9%	52.1%
1979-80	9.8%	46.8%	43.4%
1989-90	6.1%	47.1%	46.8%
1999-2000	7.3%	49.5%	43.2%
2009-10	12.7%	43.4%	43.9%
2019-20	7.4%	47.5%	45.1%

# State Funding Share (2020-21)

State	Percent of Funding
United States	45.3%
Pennsylvania	37.4%
Ohio	37.4%
New York	37.8%
Maryland	43.0%
New Jersey	43.9%
West Virginia	51.3%
Delaware	60.2%

# Funding Per Pupil – State Sources (2020-21)

States	State Funding Per Pupil
United States	\$7,909
Delaware	\$12,310
New York	\$12,147
New Jersey	\$11,478
Pennsylvania	\$8,574
Maryland	\$8,493
West Virginia	\$7,863
Ohio	\$6,507

# Pennsylvania's School Funding System

All information is for the 2023-24 school year:

- 50.9% of state funding flows through the “Basic Education Funding” (BEF) program – the state’s primary formula.
- 25.3% of BEF funds flow through the “Weighted Student Funding” (WSF) program.
- WSF accounts for:
  - 12.9% of state K-12 education funding
  - 4.8% of total K-12 funding (Estimated)

# Pennsylvania K-12 Education: State Funding Sources

	2022-23	2023-24*
Base Basic Ed. Funding	38.2%	38.0%
BEF – Weighted Student Funding	9.6%	12.9%
<b>Total BEF</b>	<b>47.9%</b>	<b>50.9%</b>
School Employees Retirement	20.0%	19.4%
Special Ed.	9.0%	9.0%
Pupil Transportation	4.1%	3.8%
School Employees Social Security	4.0%	4.0%
21 Other State Programs	15.0%	12.9%

\*Estimated by LPI



# Conclusion: Creating Greater Equity

The following can help lead to greater equity within a state's school finance system:

- Increase the state's share of school funding.
- Have more significant amounts of funding flow through a state's primary funding formula (but only if that formula targets student/district needs).
- Ensure that all state funding targets districts and students that need it the most.

# Questions or Comments?

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