

# Pennsylvania

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Philadelphia and Pittsburgh for FY 2006-07 (Figure 1).<sup>1</sup>

## Summary and Highlights

This snapshot analyzes the revenue sources and funding equity of district public schools and charter schools in Pennsylvania and, in particular,

In the following figures, the statewide values show how much per pupil funding districts in the state received compared to how much charter schools received per pupil. The statewide values weighted for charter enrollment adjust these figures to account for the fact that some districts enroll

**Figure 1: District and Charter School Revenues and Enrollments**

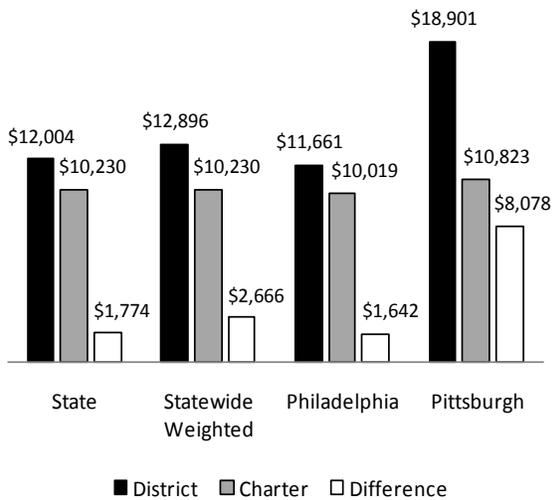
<b>Pennsylvania (2006-07)</b>	<b>Statewide</b>		<b>Statewide Weighted for Charter Enrollment</b>		<b>Philadelphia</b>		<b>Pittsburgh</b>	
<b>Per pupil Revenue</b>								
District	\$12,004		\$12,896		\$11,661		\$18,901	
Charter	\$10,230		\$10,230		\$10,019		\$10,823	
Difference	<b>(\$1,774)</b> <b>(14.8%)</b>		<b>(\$2,666)</b> <b>(20.7%)</b>		<b>(\$1,642)</b> <b>(14.1%)</b>		<b>(\$8,078)</b> <b>(42.7%)</b>	
<b>Per pupil Revenue by Source</b>	<b>District</b>	<b>Charter</b>	<b>District</b>	<b>Charter</b>	<b>District</b>	<b>Charter</b>	<b>District</b>	<b>Charter</b>
Federal	\$441	\$667	\$1,164	\$667	\$1,217	\$780	\$1,903	\$307
State	\$4,422	\$483	\$6,110	\$483	\$6,387	\$498	\$7,239	\$338
Local	\$6,835	\$8,714	\$5,131	\$8,714	\$3,539	\$8,366	\$9,132	\$9,736
Other	\$305	\$366	\$490	\$366	\$517	\$375	\$627	\$442
Indeterminate	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$12,004	\$10,230	\$12,896	\$10,230	\$11,661	\$10,019	\$18,901	\$10,823
<b>Enrollment</b>								
District	1,804,517		N/A		203,168		31,212	
	96.8%		N/A		83.9%		76.0%	
Charter	59,920		N/A		39,097		9,839	
	3.2%		N/A		16.1%		24.0%	
Charter Schools	117		N/A		68		14	
<b>Total Revenue</b>								
District	\$21,661,138,710		N/A		\$2,369,111,299		\$589,930,540	
	97.2%		N/A		85.8%		84.7%	
Charter	\$612,956,631		N/A		\$391,698,759		\$106,485,876	
	2.8%		N/A		14.2%		15.3%	
Total	\$22,274,095,340		N/A		\$2,760,810,058		\$696,416,416	
<b>Percentage of Revenue by Source</b>	<b>District</b>	<b>Charter</b>	<b>District</b>	<b>Charter</b>	<b>District</b>	<b>Charter</b>	<b>District</b>	<b>Charter</b>
Federal	3.7%	6.5%	9.0%	6.5%	10.4%	7.8%	10.1%	2.8%
State	36.8%	4.7%	47.4%	4.7%	54.8%	5.0%	38.3%	3.1%
Local	56.9%	85.2%	39.8%	85.2%	30.4%	83.5%	48.3%	90.0%
Other	2.5%	3.6%	3.8%	3.6%	4.4%	3.7%	3.3%	4.1%
Indeterminate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Change in district school funding if subjected to charter funding structure</b>								
	<b>(\$3.2 billion)</b>				<b>(\$333.6 million)</b>		<b>(\$252.1 million)</b>	

more charter students than others and the district per pupil revenue varies between districts. The weighted values estimate how much more or less per pupil funding charter schools received compared to the funding district schools would have received to educate the same students. (See Methodology for details.)

**Highlights of Our Findings**

- Pennsylvania charter schools received \$10,230 in revenue per pupil compared to \$12,004 in revenue per pupil for district public schools — a difference of \$1,774 or 14.8 percent (Figure 1).
- Pennsylvania charter schools received \$10,230 per pupil in revenue, but district schools would have received an estimated \$12,896 to educate the same students – a difference of \$2,666, or 20.7 percent. Weighting the district per pupil revenue for charter enrollment, therefore, increases the funding disparity by \$892.

**Figure 2: Per Pupil Total Revenue for Pennsylvania District vs. Charter Schools, FY 2006-07**



- Charter schools in Pennsylvania statewide served 3.2 percent of students but received only 2.8 percent of total revenues. Charter schools in Philadelphia and Pittsburgh served 16.1 and 24.0 percent of students, respectively, but received only 14.2 and 15.3 percent of revenues, respectively.

- Philadelphia charter schools received \$10,019 in revenue per pupil compared to \$11,661 in revenue per pupil for district schools — a difference of \$1,642, or 14.1 percent (Figure 1).
- Pittsburgh charter schools received \$10,823 in revenue per pupil compared to \$18,901 in revenue per pupil for district schools – a difference of \$8,078, or 42.7 percent.

**Primary Reasons for Funding Disparities**

- Differing student needs and school characteristics are not great enough to account for Philadelphia, Pittsburgh, and statewide *district vs. charter schools* per pupil revenue differences as large as \$1,642, \$8,078, and \$1,774, respectively – there is a funding disparity.
- The Pittsburgh *district school* per pupil of \$18,901 is much higher than the statewide district per pupil of \$12,004. A portion of this difference is explained by a higher percentage of Title 1 eligible district schools in Pittsburgh (89.2 percent) than for statewide district schools (69.8 percent).
- The large disparity (\$8,078) between the Pittsburgh district schools’ per pupil revenue amount and the Pittsburgh charter schools’ per pupil revenue amount, and the large difference (\$6,897) between Pittsburgh district schools’ total per pupil revenue amount compared to the statewide total per pupil revenue amount reflects decreasing enrollments in Pittsburgh district schools without commensurate decreases in revenues. Between FY 2002-2003 and FY 2006-07 Pittsburgh district school enrollment decreased 17.5 percent while revenues increased 15.6 percent. Over this same period, Pittsburgh district schools lost 6,634 students, and Pittsburgh charter schools gained 7,284 students (or a 285.1 percent increase in charter school enrollment). These Pittsburgh disparities have been growing as Pittsburgh district schools struggle with the financial implications of decreasing enrollments. Between FY 2002-03 and FY 2006-07, district

school enrollments for Philadelphia and statewide reflect more moderate changes than for Pittsburgh – Philadelphia enrollment decreased 4.2 percent; and statewide enrollments decreased only 0.3 percent.

- Pittsburgh’s federal, state, local, and other per pupil revenue amounts for district schools are all higher than the corresponding statewide amounts.

### **How Pennsylvania Funds Its District Schools**

The state’s current school district funding formula is based largely on a 1991 system, giving districts an annual increase in basic education funds based on their previous year’s funding. Districts can also get supplements for factors such as poverty and growth. The formula’s resulting revenues mostly do not follow students. Rather than attempting to achieve *student need-based* equity, or even student *headcount* equity, the formula’s emphasis is on cumulative, equal percentage, year-to-year revenue growth rates based originally on a 1991 base year. Therefore, the formula ignores the difference between a district with explosive growth vs. a district with substantially decreasing enrollments. This point likely contributes to Pittsburgh’s failure to proportionally reduce revenues based on a substantially decreasing student enrollment, as noted above. The formula provides a district that has decreasing enrollments with more proportional revenue, with a mathematical result of larger per pupil revenues; and a district that has increasing enrollments with less proportional revenue, with a mathematical result of smaller per pupil revenues.

The base funding formula also ignores variations in district wealth, and makes no effective attempt to equalize for variations in local and federal revenues. Although statewide district school state revenues provide only 36.8 percent of total district revenues, the funding formula characteristics noted above likely contribute to the wide variation in district-to-district total per pupil revenues – from a low of \$8,969 per pupil to a high of \$18,701

per pupil (after eliminating the lowest five and the highest five districts as possible outliers).

Pennsylvania is a “local control” state; 501 local school districts each have taxing authority. Most of a district’s funding comes from local property taxes. In the early 1970s, state support for public schools equaled 50 percent of school budgets. Now, state revenues constitute about one-third of total revenues. Statewide, local revenues provide 56.9 percent of district school revenue; and 85.2 percent of charter school revenue. Property taxes account for 76 percent of district local revenue (Figure 1).

### **How Pennsylvania Funds Its Charter Schools**

Charter school funding is based not on revenue, but on the prior school year’s budgeted total expenditures per average daily membership expenditures. Districts receive impact aid from the state for the first year a student attends a charter school. Funds pass through the district.

“For non-special education students, the charter school shall receive for each student enrolled no less than the budgeted total expenditure per average daily membership of the prior school year, as defined in section 2501(20), minus the budgeted expenditures of the district of residence for nonpublic school programs; adult education programs; community/junior college programs; student transportation services; for special education programs; facilities acquisition, construction and improvement services; and other financing uses, including debt service and fund transfers as provided in the Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems established by the department. This amount shall be paid by the district of residence of each student.” [24 P.S. § 17-1725-A(2)]

The language used in the code is contradictory regarding transportation and special education, which has contributed to challenges that tend to delay or completely withhold charter school funding inconsistent with legislative intent. The

above section 17-1725-A(2) says that charter school transportation and special education

**Figure 3: State Charter School Policies**

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state		X <sup>2</sup>	
Charter schools are eligible for local funding	X		
Cap on funding a charter school can receive		X	
District public schools receive differential funding (e.g. more funding for 9-12 vs. K-8 schools)	X		
Charter schools receive differential funding			X
State allows district to withhold funding from charter schools for providing administrative services	X		
State "holds harmless" district funding for charter enrollment			X <sup>3</sup>
School is considered LEA if authorized by non-district organization	X <sup>2</sup>		
School is considered LEA if authorized by district	X <sup>2</sup>		
Cap on number of charter schools		X	
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X		

program costs are subtracted from the charter school funding formula. However, in other sections of the code there is specific reference to district schools having responsibility to either provide these services or pay charter schools to provide them.

**Facility Funding**

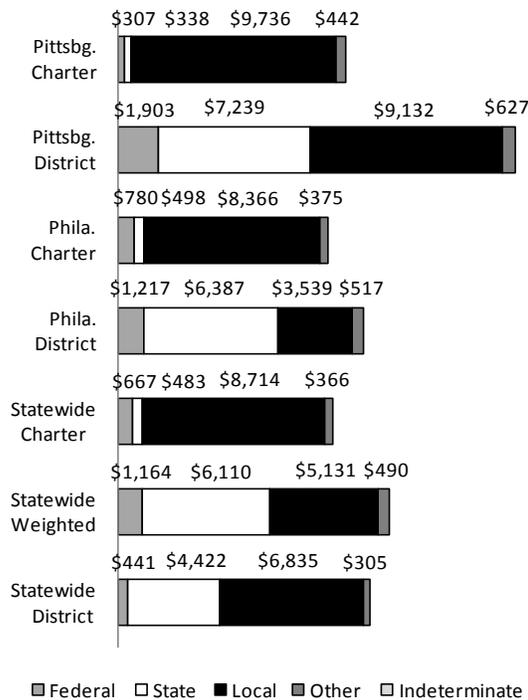
Charter schools are not provided with funding for facilities acquisition, nor for construction and improvements; but the state does provide limited revenues for rental/lease arrangements. The state department of education calculates an approved reimbursable annual rental charge for leases of buildings or portions of buildings for charter school use which have been approved by the secretary of education on or after July 1, 2001. This charge is the lesser of (1) the annual rental payable under the provisions of the approved lease agreement or (2) the product of the enrollment times \$160 for elementary schools, \$220 for secondary schools or \$270 for area vocational-technical schools.

The facilities equity issue in Pennsylvania applies not only to charter schools, but also to school districts, because local school districts must secure their own facilities financing (not the state) and the state does not use its revenue streams to equalize funding. Therefore, low-wealth districts may have fewer facilities funding options than high-wealth districts. Although ideas churn in Pennsylvania regarding a more equitable facilities funding solution, for the period covered by the financial data in this report, charter schools and many school districts do not have equal access to facilities funding.

**Primary Revenue Sources for Pennsylvania’s Public Schools**

In practice, the charter school formula assures that charter school funding begins with a base amount that excludes one year of revenue increase that district schools receive, and subtracts from that base amount: adult education, facilities acquisition, construction and improvement services, debt service, and other non-current amounts. In addition, a charter school’s funding passes through its host district – and host districts on occasion make charter school funding decisions based on unfavorable contradictory code language, rather than legislative intent.

**Figure 4: Per Pupil Revenue by Source for Pennsylvania District vs. Charter Schools, FY 2006-07**



All of these characteristics contribute to the *district school vs. charter school* statewide funding disparity of \$1,774 per pupil (14.8 percent) as shown in Figure 1.

Hosting school districts receive state impact aid for the first year of operation of a new charter school authorized by the hosting district.

As illustrated in Figure 4, Pennsylvania charter schools receive less state revenue per pupil and more local revenue per pupil than district schools. Statewide, charter schools receive slightly more federal revenue per pupil – \$667 vs. \$441 for district schools.

Figure 5 indicates that Pennsylvania charter schools serve higher percentages of students eligible for free or reduced price meals than district schools, 56.1 percent vs. 34.5 percent, respectively; and serve a higher percentage of schools eligible for Title 1 funding than district

schools, 77.5 percent vs. 69.8 percent, respectively.

**Figure 5: School Characteristics**

Pennsylvania (2006-07)	Statewide District	Statewide Charters
Percentage of students eligible for free or reduced price lunch	34.5%	56.1%
Percentage of schools eligible for Title I	69.8%	77.5%
Percentage of students by school type:		
Primary (K-5)	44.2%	31.8%
Middle (6-8)	19.3%	3.4%
High (9-12)	34.4%	14.9%
Other (K-12, K-8, etc.)	2.2%	50.0%

**State Scorecard**

We have assigned ratings to each state based on the quality of data available, as well as to the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are

**Figure 6: State Scorecard**

Findings		PA
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)	Y
	Percentage of federal revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	< <sup>4</sup>
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Percentage of state revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	<
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y
	Percentage of local revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	>
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Percentage of facilities revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	N/A
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y
	State provides detailed, public data on federal, state, local and other revenues for charter schools (Yes = black, Partial = grey, No = white)	Y
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	Y
	State funds student (black) or the LEA (grey)	L
	State funding formula is fair and equitable (Yes = black, No = white)	N

considered to be LEAs. “No” means charters in the state are never considered an LEA for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

**Endnotes**

<sup>1</sup> The Pennsylvania Department of Education (PDE) provides numerous Excel files of summary finance and enrollment data – downloadable from PDE’s website. However, Access database files with more detailed information are available via download from an FTP site. For instructions to download these files contact the Coordinator of Subsidy Administration, Division of Subsidy Data and Administration, Bureau of Budget and Fiscal Management, Pennsylvania Department of Education at (717) 787-5423. The 2006-07 revenue file was named: AFRData\_AFR2007Comb\_20080328.zip The FTP site address was: [ftp://ftp.state.pa.us/pub/PDE\\_PUBLIC/ePDE\\_AFR/AFRData](ftp://ftp.state.pa.us/pub/PDE_PUBLIC/ePDE_AFR/AFRData)

<sup>2</sup> Charter schools can be authorized by local school boards, by PDE (PA) for virtual schools, or by the independent Philadelphia School Reform Commission. All charter schools are considered LEAs for most functions; but receive revenues through their host district.

<sup>3</sup> Hosting school districts receive state impact aid for the first year of a new charter school authorized by the hosting district.

<sup>4</sup> For the state on average, charter schools receive a greater percentage of federal funding. However, on a district-to-district basis, this varies greatly. Philadelphia and Pittsburgh charter schools, by example, receive a smaller percentage of federal revenues than their enrollment would suggest compared to district school enrollment – even though the percentage

of schools eligible for Title 1 funding for Philadelphia charter schools is 96.3 percent; and for Pittsburgh is 83.3 percent compared to district schools, 94.5 percent and 62.0 percent, respectively.