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A Historical Overview of K-12 Education Funding in Pennsylvania

K-12 education funding in Pennsylvania has evolved significantly over the years, shaped by legislative policies, court rulings, and shifting economic priorities. As a state that relies heavily on local property taxes to fund schools, Pennsylvania has faced ongoing debates about equity and adequacy in education financing. This report highlights key historical milestones in the funding of K-12 education in Pennsylvania.

The Pennsylvania Constitution and Education Funding

The Pennsylvania Constitution mandates the state's responsibility for public education under **Article III, Section 14**, which states:

"The General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

This constitutional requirement has been the basis for legal challenges regarding the adequacy and equity of education funding in Pennsylvania. Court rulings, including the 2023 Commonwealth Court decision, have reinforced the argument that the state has not met its constitutional duty to provide sufficient and equitable funding for all students.

Early Funding Models (19th to Early 20th Century)

Public education in Pennsylvania traces its roots to the Free School Act of 1834, which established a system of publicly funded schools. Initially, local communities bore the primary responsibility for funding schools through property taxes, with limited state assistance. The Act required local school districts to raise two dollars from local taxes for every dollar of state funding. Over time, state support gradually increased to ensure a basic level of education across districts.

Mid-20th Century: The Rise of State Funding

By the mid-20th century, the state began playing a more significant role in funding public education. The passage of the Public School Code of 1949 laid the foundation for the modern school funding system. The state introduced a basic education subsidy, aiming to equalize funding disparities between wealthy and less affluent districts. However, disparities remained due to the continued reliance on local property taxes. During this time, the state covered approximately 50% of K-12 education costs. In fact, the General Assembly enacted a law requiring the state to pay at least 50 percent of the total cost of public education. State funding did not always meet this requirement. The state's contribution peaked at 55 percent in 1974.

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The 1970s-1990s: Calls for Equity and Reform

During the 1970s and 1980s, concerns about funding inequities grew as wealthier districts had greater access to resources while poorer districts struggled. Lawsuits and policy debates led to incremental changes, including the introduction of need-based funding formulas. However, these formulas were not consistently applied, leading to continued disparities. By the 1980s, the state's share of K-12 education funding had declined to around 40%.

Equalized Subsidy for Basic Education (ESBE) (1983)

The General Assembly enacted a new funding formula and also repealed the 50 percent funding guarantee. ESBE was intended to distribute funding based on the average actual cost to educate children, but the average cost was eventually ignored. In addition, the General Assembly started to distribute funding within a fixed range of annual increase. The wealthiest districts were guaranteed a minimum increase (whether they needed it or not) and the poorest districts were capped by a maximum increase (regardless of greater need).

The Early 2000s: The Costing-Out Study and Funding Formula Changes

In 2007, Pennsylvania conducted a landmark "Costing-Out Study" to determine the actual cost of providing an adequate education. The study found that most districts were underfunded. In response, the state implemented a new funding formula in 2008, which aimed to allocate resources more equitably. However, this progress was disrupted when the formula was abandoned in 2011, leading to significant cuts in education funding. By this period, the state's contribution had dropped to approximately 35% of total K-12 education funding, increasing reliance on local revenues.

Due to the budget cuts in 2011-12, the formula had little impact on the actual distribution or level of state funding. The Study and the resulting formula distribute state funding based on real data about the unique characteristics and needs of each school district. The formula variables measure the number of students in each district, community poverty levels, and local tax effort, allocating relatively more funding to districts that are larger, poorer, and with higher property taxes. The formula also recognizes the additional costs associated with educating students in poverty and English language learners, distributing relatively more funding to districts with higher numbers of these students. The state never fully funded the costing-out formula.

There is little controversy about these basic principles underlying the Costing-out Study and the 2008 funding formula. However, disagreements did arise about the size of the weights used in the formula to calculate the desired level of "adequate" funding. Some legislators would like to revisit the research documenting the size of these weights, to determine if a lower level of spending should be determined as adequate to meet student needs.

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Property Tax Reform

The General Assembly adopted Act 72 in 2004 and Act 1 in 2006, authorizing gambling in Pennsylvania and directing some of the resulting revenue for property tax rebates to eligible property owners. These laws do nothing to reduce property tax levels or to change the education funding system, but instead provide cash rebates to senior citizens and other eligible property owners.

Recent Developments: The Fair Funding Formula and Legal Challenges

In 2016, Pennsylvania adopted the Fair Funding Formula, designed to distribute state education funds based on student needs, poverty levels, and enrollment changes. While this was a step toward greater equity, the formula only applied to new funding, leaving longstanding disparities largely unaddressed. As of the mid-2020s, the state's share of K-12 education funding remains among the lowest in the nation, covering only about 38% of public school costs, with the remainder largely dependent on local property taxes.

In 2023, the Commonwealth Court of Pennsylvania ruled in favor of plaintiffs in a historic school funding lawsuit, declaring that the state's funding system was unconstitutional due to its inequities. This ruling has intensified discussions about how to reform and increase education funding to ensure all students have access to a quality education. The results of the school funding lawsuit have resulted in adequacy payments to school districts in recent budget years. These payments are in addition to money distributed to school districts through the Basic Education Subsidy and are designed to right inequities found in the lawsuit.

Conclusion

Pennsylvania's history of K-12 education funding reflects an ongoing struggle to balance state and local responsibilities while addressing disparities among school districts. While recent reforms and court rulings indicate progress, continued advocacy and policy adjustments are necessary to achieve a fully equitable education system in the state.

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