School Funding Reform & Weighted Student Funding
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Thank you for the opportunity to offer testimony to this commission on the important topic of reforming how we distribute state funding for education.

Our written testimony will focus on the benefits of weighted student funding and discuss how "hold harmless" increases inequity between districts, while also briefly putting Pennsylvania funding in a national context. We also describe a few of the best state models for weighted student funding formulas.

Weighted student funding (WSF)—also referred to as student-based budgeting, backpack funding, or fair-student funding—is a method for distributing education dollars that promotes fairness and transparency.[1] Pennsylvania's Basic Education Funding Commission presents an opportunity for lawmakers to join the growing number of states that have implemented WSF.

The specifics of WSF vary in other states and school districts. However, the guiding principles of WSF serve as a marked improvement to the commonwealth's current education funding system, which is plagued by a problematic "hold harmless" provision.

Hold harmless—which guarantees each district receives no fewer state dollars than it received the previous year—is a major factor in Pennsylvania's education finance dilemma. In 2012-13, 25 districts received over $10,000 in state funding per Average Daily Membership (ADM), while 50 districts received less than $3,000 in state funding per ADM.[2] (See the attachment for a ranked list of school districts by state aid). This discrepancy is primarily attributable to hold harmless.

Hold harmless benefits shrinking districts while, in fact, harming growing districts. The gap in state funding between districts with declining enrollment and districts with growing enrollment is widening. In 2012-13, state aid per student in the 20 fastest-growing districts was slightly more than $3,000. In contrast, state aid per student among those districts with the largest decreases in enrollment since 1996 was nearly $10,000.

Put another way, school districts with declining enrollment received more than ***three times the state funding per student*** than growing districts.

[1] Thomas B. Fordham Institute. "Fund the Child: Tackling Inequity & Antiquity in School Finance," June 2006: http://edexcellence.net/publications/fundthechild.html
[2] Pennsylvania Annual Financial Report Data, 2012-13 Expenditure Data: http://www.portal.state.pa.us/portal/server.pt/community/summaries_of_annual_financial_report_data/7673/afr_excel_data_files/509047

PA's 20 Fastest Growing School Districts 1996-2013					
School District	County	Enrollment Growth Change	State Revenue Per Student 1996	State Revenue Per Student 2013	Increase Per Student
Garnet Valley SD	Delaware	119%	$1,761.47	$2,877.47	63%
Perkiomen Valley SD	Montgomery	89%	$2,007.74	$2,826.65	41%
South Fayette Township SD	Allegheny	86%	$2,464.86	$2,698.31	9%
Spring-Ford Area SD	Montgomery	83%	$2,097.98	$2,764.82	32%
Pine-Richland SD	Allegheny	74%	$1,882.87	$2,686.28	43%
New Hope-Solebury SD	Bucks	61%	$1,278.56	$2,777.26	117%
Central York SD	York	60%	$1,769.47	$2,555.85	44%
Oxford Area SD	Chester	56%	$2,718.68	$4,538.11	67%
Avon Grove SD	Chester	53%	$2,220.76	$4,340.74	95%
Daniel Boone Area SD	Berks	53%	$2,325.82	$4,282.96	84%
Mars Area SD	Butler	52%	$2,845.95	$3,217.76	13%
Lower Moreland Township SD	Montgomery	48%	$1,884.32	$2,888.73	53%
Kennett Consolidated SD	Chester	47%	$1,508.17	$2,842.80	88%
Jim Thorpe Area SD	Carbon	45%	$1,589.15	$2,885.29	82%
Central Bucks SD	Bucks	45%	$1,563.52	$2,401.97	54%
Tredyffrin-Easttown SD	Chester	44%	$1,536.96	$2,211.83	44%
Owen J Roberts SD	Chester	41%	$2,177.99	$3,120.39	43%
Peters Township SD	Washington	40%	$1,834.02	$2,608.30	42%
Wilson SD	Berks	39%	$1,692.79	$2,784.51	64%
Northeastern York SD	York	38%	$2,948.35	$4,602.52	56%
Average Top 20		59%	$2,005.47	$3,095.63	57%

PA's 20 Fastest Shrinking School Districts 1996-2013					
School District	County	Enrollment Growth Change	State Revenue Per Student 1996	State Revenue Per Student 2013	Increase Per Student
McGuffey SD	Washington	-30%	$3,787.87	$7,979.42	111%
Sullivan County SD	Sullivan	-30%	$3,129.75	$6,208.08	98%
Southeastern Greene SD	Greene	-31%	$4,708.76	$11,399.85	142%
Warren County SD	Warren	-31%	$3,306.88	$7,881.19	138%
Jeannette City SD	Westmoreland	-32%	$3,481.43	$9,242.87	165%
Ligonier Valley SD	Westmoreland	-32%	$2,821.31	$5,611.11	99%
Susquehanna Community SD	Susquehanna	-32%	$4,056.27	$10,778.41	166%
Union SD	Clarion	-32%	$4,953.65	$11,529.47	133%
Punxsutawney Area SD	Jefferson	-32%	$3,980.33	$9,524.06	139%
Austin Area SD	Potter	-32%	$3,586.77	$11,885.68	231%
Galeton Area SD	Potter	-33%	$3,494.98	$7,903.20	126%
Cranberry Area SD	Venango	-33%	$3,905.42	$8,525.50	118%
Farrell Area SD	Mercer	-33%	$5,086.05	$12,197.76	140%
Marion Center Area SD	Indiana	-34%	$4,671.21	$10,288.15	120%
Northern Potter SD	Potter	-35%	$4,330.35	$10,904.21	152%
Allegheny-Clarion Valley SD	Clarion	-35%	$4,498.89	$11,479.26	155%
Purchase Line SD	Indiana	-35%	$4,773.89	$12,383.83	159%
Johnsonburg Area SD	Elk	-36%	$4,730.09	$11,175.29	136%
Salisbury-Elk Lick SD	Somerset	-39%	$3,338.61	$9,555.59	186%
Cameron County SD	Cameron	-39%	$3,541.78	$10,600.96	199%
Average Bottom 20		-33%	$4,009.21	$9,852.69	146%

Proponents of hold harmless defend the provision on the grounds that it provides districts with financial stability from one year to the next. This, however, ignores the needs of districts with growing enrollment that are not compensated with additional state dollars. Enrollment trends throughout Pennsylvania's 500 districts are varied to the point that hold harmless can no longer be accommodated.

Phasing out hold harmless in favor of a WSF model would not compromise a school district's ability to plan for the next school year, and it would more accurately provide districts with the necessary resources for their unique circumstances. WSF is a simpler, more transparent allocation method that does not leave schools guessing about next year's bottom line. Some districts might receive less state aid under a WSF model, but this is only because their status-quo funding levels are disproportionate to their students' needs.

A WSF model provides the same baseline amount of per-pupil funding in each district, with a further adjustment based on individual student characteristics. In addition to low-income students and English-language learners, additional weights could be provided for those who are returning dropouts, have recently changed schools, or have learning disabilities. WSF eliminates much of the disparity in per-pupil state aid while ensuring that education dollars "follow the student." A district with high concentrations of economically disadvantaged students, for example, would see greater state funds per ADM than a district with low concentrations of economically disadvantaged students. WSF recognizes and accounts for the fact that some students have greater educational needs than others.

Pennsylvania ranks among the nation's leaders in total spending per pupil.[3] State taxpayers contribute more than $5,000 per student, which ranks in the middle of the pack compared to the national average.[4]

Public School Revenue per Student, by Source, 2010-11

Per Pupil Revenue	Total	Federal	State	Local
United States	$12,217	$1,527	$5,394	$5,296
Pennsylvania	$15,153	$1,851	$5,230	$8,073
PA Rank	10	11	27	7

Source: National Center for Education Statistics, Digest of Education Statistics, Table 235.20. Revenues for public elementary and secondary schools, by source of funds and state or jurisdiction: 2010-11, http://nces.ed.gov/programs/digest/d13/tables/dt13_235.20.asp

Some claim that Pennsylvania's "state share" of education funding once reached 50 percent, and returning to this level of state funding should be a policy goal. However, according to state Department of Education records, Pennsylvania's state share never topped 45 percent, which occurred in 1974.[5]

[3] National Center for Education Statistics, "Total and current expenditures per pupil, 2009-10." Table 215: http://nces.ed.gov/programs/digest/d12/tables/dt12_215.asp
[4] United States Census Bureau, "States Ranked According to per Pupil Finance Amounts: Fiscal Year 2012." Table 11: http://www2.census.gov/govs/school/12f33pub.pdf
[5] Pennsylvania Department of Education, Summary of Annual Financial reports. Prepared by the Commonwealth Foundation:

While the state share has modestly declined over the last several decades, this is not due to a reduction in state subsidies for education. State aid—adjusted for inflation—increased by 41 percent since the 1970s. The state share only declined because local tax revenue—also adjusted for inflation—increased 98 percent over that timeframe.

Accordingly, the problem with education funding in Pennsylvania is not insufficient levels of state taxation. The problem is centered on how current funding is apportioned, which does not account for enrollment trends or student needs. Transitioning to a WSF model does not require additional education appropriations—it simply provides a more efficient and equitable method for distributing current funding levels. Furthermore, there is little evidence that additional education spending produces better outcomes. A study funded by the National Science Foundation found "either no or very weak association between levels of education expenditures and student achievement" in Pennsylvania.[6]

For the purposes of the Funding Commission, WSF represents an improved method to direct state funds to school districts. It should be noted, however, that WSF can (and should) also be used at the district level. More than a dozen of the largest school districts in the nation have implemented WSF to direct district funds to individual schools.[7] Although the Funding Commission is not charged with directing district level policy, school districts would be well served to utilize WSF models to allocate funds to individual schools based on student need instead of inflexible staffing schedules. Ideally, school principals would receive WSF dollars on a per-pupil basis *and* be granted the autonomy to spend those dollars based on student need. Moving from a staffing-based allocation to a student-based allocation is equally important at the state and district level.

There is no one-size-fits-all approach to WSF, as no two WSF models are precisely the same, but it is instructive to examine the experience of other states in designing and implementing WSF.

Hawaii

In 2004, Hawaii's legislature initiated the transition to WSF by establishing a "Committee on Weights" that determined which student characteristics would be weighted and how much weight to apply for each characteristic.[8] The Committee is comprised of principles, teachers, parents, and other education professionals. It holds regular meetings throughout the year to consider potential changes to the formula.

Beginning in 2006-07, Hawaii implemented a budget-neutral WSF model. Adopting the WSF model did not result in more or less funds being available to the state's Department of

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https://docs.google.com/spreadsheet/pub?key=0AqduBXrlJrJxcDVfcVE2bWFSSm1zOFYwY2VZTFhuRlE&output=html

[6] The 21st Century Partnership for STEM Education; "Are Educational Expenditures Associated with 11th Grade Student Achievement in Pennsylvania School Districts?" November 2010: http://21pstem.org/EducationalExpendituresPA.pdf

[7] Snell, Lisa and Furtick, Katie. Reason Foundation, Weighted Student Formula Yearbook 2013: http://reason.org/studies/show/weighted-student-formula-yearbook

[8] Committee on Weights For the Weighted Student Formula, "Recommendations to the Hawaii State Board of Education." January 2005: http://reach.k12.hi.us/empowerment/wsf/committeeonweights/cow1/CmteRecToBoe0501.pdf

Education—it merely changed how the funds were allocated.[9] Hawaii's education system is more centralized than Pennsylvania's system of 500 districts. Hawaii operates with a single statewide school district, and all education funds are distributed from the General Fund, as the state does not rely on property taxes to finance public schools. This likely eased the transition to a WSF model.

Hawaii applies different weights for three levels of English proficiency (full, limited, and non-English), as well as for economically disadvantaged, transient, and gifted and talented students (see Figure 1).[10] WSF does require careful record keeping of student enrollment. The Hawaii Department of Education regularly collects data on the state's student population to project the Official Enrollment Count (OEC). There are three allocation adjustments throughout the year—the first of which occurs shortly after the school year begins. Each school's funding allocation is recalculated based on updates to official enrollment, demographic information, and the overall WSF appropriation provided to the Department of Education.[11]

[9] Hawaii Department of Education: http://reach.k12.hi.us/empowerment/wsf/committeeonweights/index.htm
[10] Details of WSF Official Enrollment Allocation Calculation: http://hidoereports.k12.hi.us/wsf/Documents/FY2013-14%20WSF%20Details%20of%20Weighting%20Factors%20for%20OEC.pdf
[11] Hawaii Department of Education, Weighted Student Formula: http://www.hawaiipublicschools.org/VisionForSuccess/SchoolDataAndReports/StateReports/Pages/Weighted-Student-Formula.aspx

Figure 1:

Details of WSF *OFFICIAL ENROLLMENT* Allocation Calculation
based on FY2013-14 Final Appropriation
for calculation of allocation adjustments for Official Enrollment Count

		Total OFFICIAL Enrollment [1]	Weighting Factor	Weighted OFFICIAL Enrollment	$ per Student	TOTAL ALLOCATION
1	Pre-K	1,528	1.0000	1,528.00	$3,493.25	$ 5,337,681
2	K - 2	46,634	1.0000	46,634.00	$3,493.25	$ 162,904,077
3	Other Elem	47,954	1.0000	47,954.00	$3,493.25	$ 167,515,163
4	Middle	31,700	1.0000	31,700.00	$3,493.25	$ 110,735,928
5	High	49,035	1.0000	49,035.00	$3,493.25	$ 171,291,363
6	**Subtotal**	**176,851**		**176,851.00**		**$ 617,784,212**
	[1] *Total Enrollment includes General Education, Special Education and Pre-K students, at a rate of 1.00 per student.*					
	Student Characteristics					
7	Grade Level Adjustment					
8	Middle	31,700	0.0429	1,361.20	$150.00	$ 4,755,000
9	K-2 Class Size	46,634	0.1500	6,995.10	$523.99	$ 24,435,612
10	English Language Learners (Aggregate)	23,195				$ 13,197,863
11	Fully English Proficient (FEP)	8,139	0.0584	475.19	$203.94	$ 1,659,939
12	Limited English Proficiency (LEP)	11,252	0.1751	1,970.78	$611.81	$ 6,884,406
13	Non-English Proficient (NEP)	3,803	0.3503	1,332.15	$1,223.62	$ 4,653,518
14	Economically Disadvantaged	94,083	0.1000	9,408.30	$349.32	$ 32,865,515
15	Gifted & Talented	5,260	0.2650	1,393.82	$925.71	$ 4,868,950
16	Transiency	7,779	0.0500	388.96	$174.66	$ 1,358,747
17	**Subtotal**			**23,325.49**		**$ 81,481,686**
	School Characteristics					
18	Neighbor Island	54,804	0.0040	219.22	$13.97	$ 765,776
19	**Subtotal**			**219.22**		**$ 765,776**
		176,851		**200,395.70**		**$ 700,031,674**
	Non-Weighted School Characteristics					
	Base Funding - per school based on school type					$ 64,577,500
20	Elem			$200,000		*$ 33,000,000*
21	Elem - Multi-Track			$280,000		*$ 560,000*
22	Middle			$347,000		*$ 12,492,000*
23	Middle - Multi-Track			$427,000		*$ 854,000*
24	High			$354,000		*$ 11,682,000*
25	Combination Schools					
26	K-12			$465,500		*$ 2,327,500*
27	K-8			$403,000		*$ 1,612,000*
28	6-12			$410,000		*$ 2,050,000*
29	**Subtotal**					**$ 64,577,500**
30	***TOTAL WSF FUNDS AVAILABLE FOR OFFICIAL ENROLLMENT ALLOCATION***					***$ 764,609,174***

Source: Details of WSF Official Enrollment Allocation Calculation: http://reach.k12.hi.us/empowerment/wsf/

An evaluation by American Institutes for Research (AIR) concluded that Hawaii's transition to WSF resulted in increased funding equity and improved funding predictability: "Prior to implementation, no significant pattern existed between socioeconomic disadvantage and

state education dollars."[12] Since implementing a WSF model, AIR found stronger, statistically significant relationships between funding levels and student need.

Rhode Island

Rhode Island enacted a WSF formula in 2010 with the stated goals of improving equity and transparency.[13] Similar to Pennsylvania, Rhode Island's previous method for allocating education dollars included a hold harmless provision that did not account for changes in district demographics. The new formula is in the midst of a multi-year implementation process. Rhode Island provides weight only for students eligible for Free and Reduced Price Lunch. There are no weights for English language learners, students in vocational school, or gifted and talented students.

Rhode Island's formula has three primary components: core instructional amount, student success factor, and state share ratio. The core instructional amount is a baseline funding level that covers salaries, supplies, curriculum development, professional development, and leadership costs.[14] The second component, the student success factor, accounts for economically disadvantaged students. Students eligible for Free and Reduced Price Lunch receive an additional 40 percent of the core instructional amount.[15]

A district's ADM is multiplied by the core instructional amount, which is then added to the district's Free and Reduced Price Lunch population multiplied by the student success factor. Finally, the Rhode Island state share ratio is applied to the total funding amount, which determines how much revenue must be raised locally and how much is provided by the state. The state share ratio accounts for a district's ability to generate revenue by analyzing property values and median family incomes.

Florida

Florida's Education Finance Program (FEFP) utilizes WSF principles to distribute state funds to school districts. In order to participate in the FEFP, each district must keep records of its full-time equivalent (FTE) student enrollment. FTE students are then multiplied by relevant cost factors (see Figure 2) resulting in weighted FTE students.[16] (Program cost factors account for the different costs associated with educating different types of students).

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[12] American Institutes for Research. "Evaluation of Hawaii's Weighted Student Formula: Highlighted Findings," June 2013: https://www.hawaiipublicschools.org/DOE%20Forms/WSF/Evaluation_Hawaii's_Weighted_Student_Formula_06-17-13.pdf

[13] Rhode Island Department of Education, "A Funding Formula for Rhode Island." http://www.ride.ri.gov/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/Funding-Sources/State-Education-Aid-Funding-Formula/Formula-Presentation.pdf

[14] Rhode Island Funding Formula Frequently Asked Questions: http://www.ride.ri.gov/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/Funding-Sources/State-Education-Aid-Funding-Formula/FAQ-Updated-42011.pdf

[15] Rhode Island Funding Formula Summary: http://www.ride.ri.gov/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/Funding-Sources/State-Education-Aid-Funding-Formula/Funding-Formula-Summary-2-19-11-version.pdf

[16] Florida Department of Education. "2014-15 Florida Education Finance Program." http://www.famisonline.org/wp-content/uploads/2014/06/14-15FAMISFEFP.pdf

Figure 2:

	2014-15 Cost Factors
(1) Basic Programs	
101 – Kindergarten and Grades 1, 2 and 3	1.126
102 – Grades 4, 5, 6, 7 and 8	1.000
103 – Grades 9, 10, 11 and 12	1.004
(2) Programs for Exceptional Student Education	
111 – Kindergarten and Grades 1, 2 and 3 with ESE Services	1.126
112 – Grades 4, 5, 6, 7 and 8 with ESE Services	1.000
113 – Grades 9, 10, 11 and 12 with ESE Services	1.004
254 – Support Level 4	3.548
255 – Support Level 5	5.104
(3) **130** – English for Speakers of Other Languages	1.147
(4) **300** – Programs for Grades 9-12 Career Education	1.004

Source: 2014-15 Funding for Florida School Districts, pg. 12: http://www.fldoe.org/fefp/pdf/fefpdist.pdf

Next, the weighted FTE students are multiplied by a base student allocation (BSA) and again by a district cost differential (DCD) to reach the base funding level. The BSA is a foundation level of funding—$4,031 in the 2014-15 school year—while the DCD accounts for differences in labor costs across Florida school districts.

The base funding level is added to a number of different supplements (see Figure 2), which results in the gross total of state and local funds. While these supplements are relatively inexpensive, the sheer quantity of supplements is suboptimal from a transparency and simplicity standpoint.[17] The final step is an adjustment for required local effort. This ensures that districts with low property values receive larger state aid than districts with higher property values. The percentage of funding from local sources in Florida ranges between 10 and 90 percent of the total funding level.[18]

Toward a Smarter Funding System

Pennsylvania's education system is not underfunded, but it certainly is broken and irrational. Only by implementing a WSF model—and following the lead of other states who have moved toward a smarter funding method—can the commonwealth construct a more efficient and effective system to fund a first-class education for all of its students.

[17] Excessive supplements and unnecessary complexity creates the environment for political manipulation over state funds. Ideally, a high percentage of the total education funding would be placed in the Basic Education line item—and within this line item, there would be few supplements except for essential weighting factors.
[18] Florida House of Representatives. Florida Education Finance Program (FEFP), Education Fact Sheet 2010-11, pg. 30: http://basiceducationfundingcommission.pasenategop.com/files/2014/10/2010-11-Florida-Education-Finance-Program-FEFP.3.pdf