

PENNSYLVANIA SCHOOL FUNDING CAMPAIGN
Successful Schools . . . Successful Children . . . Successful Communities

The ASSET Proposal
Comments by Jane Carroll
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Good morning. As Tim stated, the Pennsylvania School Funding Campaign is calling on Governor Rendell and the General Assembly to enact a new funding formula that is, adequate, equitable, efficient, accountable and predictable. Consistent with these principles, the Campaign has developed the ASSET formula which stands for ... Adequacy in School Spending and Equity in Taxation.

Keep in mind that until the General Assembly abandoned the use of any consistent funding formula in 1991, the key elements of a statewide formula considered the number of students, the cost of education, and the aid ratio or relative wealth of each school district. In addition, extra funding was provided to support the needs of poor students and to cover the excess cost of providing for special education students. Since then, the state has funded school districts assuring that districts receive the same funding as in the prior year, with a small percentage increase. Each year that the current system has been in place every districts' state allocations for instruction has moved further and further from its true aid ratio share. Said differently, the state has created and used a system for over a decade that ignores the realities and conditions of school districts and causes more inequity each and every year.

The ASSET school district funding formula is a dramatic change in how our school districts are funded and puts an end to the current system and its unfairness. The formula addresses two basic objectives:

- § Determining the state's funding share of resources needed to meet the academic standards it has set; and
- § Capping the local funding share to lessen the impact on households.

The ASSET formula we propose today begins by using each district's adequacy amount as determined by the Costing-Out Study. This adequacy amount already reflects consideration of student enrollment, and the cost of education, including extra costs associated with educating students in poverty and students with special needs. It also takes into account the extra costs associated with students for whom English is a second language.

The proposed formula then uses each district's Market Value /Personal Income Aid Ratio to determine the state's funding share of the adequacy amount for the district. The Aid Ratio, as I mentioned, is the state's measure of a district's relative wealth based on its market value per student and its personal income per student compared to the state average. The wealthier a district...the lower the aid ratio and therefore...less state support is needed and provided.

The local funding share is the part of the adequacy amount that remains after the state funding share has been calculated. That part of the local funding share to be paid from household personal income as taxes is compared to the total personal income of the district and calculated

as a percent. In an effort to accomplish fairness in tax effort across the State and to reduce the over reliance on local support for instruction, the Campaign capped the total household taxes for each district at 2.7% of personal income. This is the state median of household taxes as a percentage of personal income for all school districts. The state share would be increased to maintain this cap. This allows districts currently taxing at a rate higher than the median to reduce the local tax burden - including property taxes - on their residents.

This is a different measure of local tax effort that looks NOT at the property value of a district but rather the *household income* of a district to determine the effort a community is exerting to support its students' instruction. It is fairer because it is based on taxpayers' ability to pay, not the value of their property.

The ASSET proposal establishes adequacy, equity and when enacted into law, predictability, but does not restrict school districts that want to spend more than the adequacy amount from doing so. That, however, is a local decision and would be funded from local sources.

Our proposal combines several existing line-items into one appropriation - the ASSET appropriation. The proposal also includes a state supported contingency fund that would be established at one-half of one percent of the ASSET Appropriation to provide additional state revenue for unusual circumstances, as is the case with the current appropriation for special education.

This proposal envisions a five-year implementation plan completed in 2013, with a new Costing-Out Study undertaken in 2014. All data used in the ASSET formula would be updated annually.

We estimate that once this formula is fully-funded at both the state and local levels:

- Each district would have available the amount needed for all students to achieve state standards.
- Total household taxes for instruction would not be more than a fixed percentage of total personal income in any district in a given year.
- The state's share of relevant school costs would increase by \$5.7 billion if fully funded in the first year. This would increase the state's reimbursement for instruction from 38% to over 50% and make Pennsylvania's support for public education more consistent with other states' efforts.
- 315 districts could reduce taxes on households by a total of nearly \$1.2 billion with additional potential reductions for business taxpayers as well.

As you know, the main purpose of the Costing Out study was to determine the cost of bringing all of Pennsylvania's public school students up to the proficient level on the commonwealth's academic standards by 2014. We believe that we have constructed a funding system that will help school districts to ensure that students reach that goal, in a manner that is fair to state and local taxpayers.