

Commonwealth of Pennsylvania

State Board of Education

Summary of Costing-Out Study

In March 2006, the State Board began to explore with the Governor's Office and the General Assembly the idea of conducting a costing-out study. In July of 2006, by votes of 185-13 and 43-6, the House of Representatives and Senate passed, and Governor Rendell signed, Act 114, which assigned to the State Board responsibility for conducting such a study. Act 114 requires the study to address two issues – adequacy and equity. The study of adequacy grows out of a desire among state officials, educators, and others to understand what it costs for all of our students – no matter where they live – to attain state academic standards. The study of equity grows out of their concern about the growing gap between high- and low-spending districts and the implications (1) for the quality of education received by students in our lowest spending districts and (2) for local taxpayers.

Last fall, after consultation with the leadership of the General Assembly, the State Board issued a request for proposals to select a contractor to conduct the costing-out study. In December, after reviewing proposals, the Board selected the firm of Augenblick, Palaich and Associates (APA), and they began work in January, gathering and analyzing data, assembling and meeting with Pennsylvania educators and others, and working with a team of researchers from throughout the nation. They presented their report to the State Board on November 14, 2007, and a revised version in December 2007.

Adequacy Findings

The study was designed to determine the cost of meeting this **standard**: 100 percent of Pennsylvania students mastering the state standards in 12 academic areas and demonstrating proficiency on state reading and math tests by 2014. APA used three primary methodologies in the study and combined results from all three and several other statistical analyses to reach their conclusions. The primary methods were **professional judgment** (empanelling educators to determine the resources needed to achieve the standards in different sized schools and districts); **successful schools** (determining actual costs in districts on track to meet the standard); and **evidence-based** (determining the costs of implementing research-based reforms shown to improve student performance). Supporting analyses included a cost function analysis of district spending, geographic cost of living differences, wage and salary issues, enrollment changes, and student transportation. The report is based upon 2005-06 data (the last year for which all necessary data are available) and excludes food service, capital costs and debt service, transportation (studied separately), community services, and adult education. Act 114 did not request the design of a new funding formula.

- ◆ The statewide cost of meeting the standard (in 2005-06) is \$21.63 billion, compared with actual comparable spending of \$17.25 billion. Achieving this adequacy level would require an additional \$4.38 billion or 25.4 percent. On a per pupil basis, the adequacy level averages \$11,926 (compared with current spending of \$9,512), including:
 - A base cost of \$8,003 for all students, assuming they have no special needs.
 - A modification of enrollment to recognize growth and decline over five years.
 - An additional weight for students with disabilities (1.30 or \$10,404).
 - An additional weight for children in poverty (0.43 or \$3,441).
 - An additional weight for English language learners (highest weights for the smallest districts, with a minimum of 1.48 and a maximum of 2.43).
 - An additional weight for gifted students (highest weights for the smallest districts, with a minimum of 0.20 and a maximum of 0.66).
 - A district size modification that recognizes higher per pupil costs in small districts.
 - A geographic cost of living adjustment.
- ◆ The report calculates adequacy levels for each district, based upon its own student and community characteristics.
- ◆ 471 districts (94 percent) are spending less than their adequacy levels; the other 30 are spending a total of \$188.8 million more than their adequacy levels.

- ◆ 1.67 million students (92 percent) attend districts spending less than their adequacy levels.
- ◆ The least wealthy districts are furthest from meeting their resource needs; they would need an additional 37.5 percent (compared to the average of 26.8 percent). The wealthiest districts would need only an additional 6.6 percent.
- ◆ Current transportation spending appears to be reasonable.

Equity Findings

Act 114 also required the study to consider the equity of the current school finance system for **students** (variations in spending across districts) and for **taxpayers** (variations in tax effort across districts).

- ◆ Wealth (personal income and property value) per pupil varies widely across the state – from \$33,691 per weighted pupil (using the weights from the adequacy analysis) to \$2,354,028; the latter district has 70 times the wealth of the former.
- ◆ State aid is distributed so that poorer districts receive more funding per pupil than wealthy districts.
- ◆ However, the effect of this aid is overwhelmed by local wealth discrepancies, since local revenues account for about twice as much as state aid.
- ◆ Districts with the greatest student need generate the least local revenue per pupil.
- ◆ Districts with the lowest wealth make a greater tax effort than districts with more wealth.
- ◆ Districts with higher wealth and lower needs spend more than lower wealth districts that are making a higher tax effort.
- ◆ State and local taxes are comparable to those nationally but are considerably lower than the average of the six states that border us (Delaware, Maryland, New Jersey, New York, Ohio, and West Virginia). If Pennsylvania's state and local tax revenues matched the six-state average of revenues per capita, we would generate an additional \$6.02 billion. If our tax revenues matched the six-state average of revenues per \$1,000 of personal income, we would generate an additional \$3.17 billion.

Next Steps

APA's report is posted on the State Board's website at www.pde.state.pa.us/stateboard_ed. It will be transmitted, as required by Act 114, to the Governor and members of the General Assembly. The statute also requires the House and Senate Education Committees to "promptly review and consider the recommendations of the study and develop legislation as deemed appropriate."

Oversight of the Study

The costing-out study was conducted under the direction of a special committee of the State Board, chaired by Dr. James E. Barker. Other members were Karl R. Girton, Mollie O'Connell Phillips, and Larry A. Wittig. The committee was staffed by Jim Buckheit, State Board Executive Director, and Dr. Robert E. Feir, Project Manager.

Although the Board was directed to conduct the study and present its findings to the General Assembly and Governor, it has no direct role in addressing school funding or tax issues. These are matters for the consideration of the General Assembly and Governor.

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