

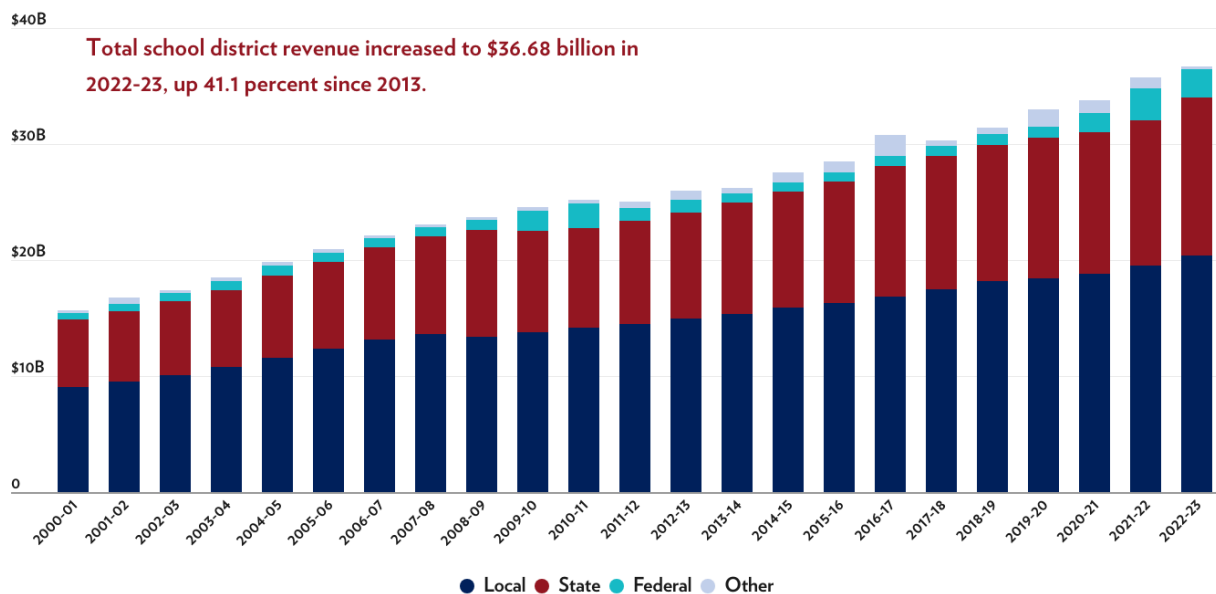
## Pa. School Funding Reaches \$22,000 per Student in 2023

### PENNSYLVANIA PUBLIC SCHOOL SPENDING IS GROWING

Over the last decade, state spending on Pennsylvania public schools reached all-time highs year after year.

- Pennsylvania per-pupil public school funding increased to \$21,985 in the 2022–23 school year, up 38 percent since 2014–15, according to recent data from the Pennsylvania Department of Education (PDE).<sup>1</sup>
- Total school district spending from all sources (local, state, and federal) increased to \$36.6 billion in 2022–23.

### School District Revenues



Source: Pennsylvania Department of Education, Summary Annual Financial Report [Data](#). "Revenue Data 2000-01 to 2022-2023."

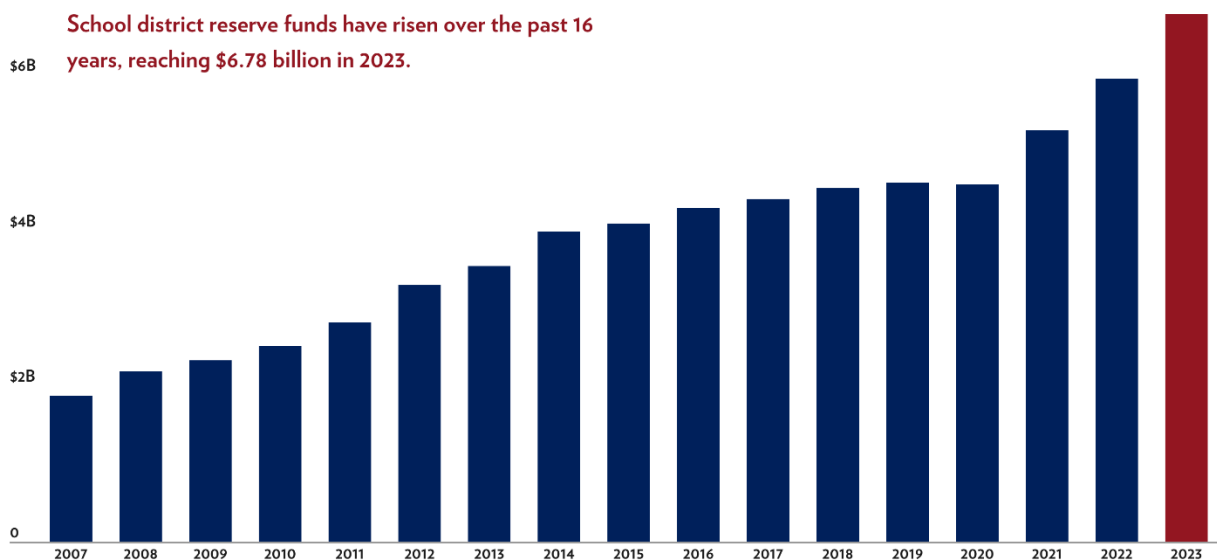
- State support of public schools increased 53.8 percent from 2014–15 to 2023–24, with a total increase of \$5.4 billion.
- Pennsylvania spending per student ranks seventh highest in the nation, approximately \$4,100 more per student than the national average (according to the latest available data from 2022).<sup>2</sup>

### SCHOOL DISTRICT RESERVE FUNDS ARE GROWING TO EXCESSIVE LEVELS

School districts have excessive stockpiles of taxpayer resources.

- School district reserves consist of assigned, unassigned, and committed funds. While the intent for assigned funds may be for capital improvements or unforeseen events, reserve funds are fungible, which allows school districts to repurpose their use.
- The most recent PDE [data reveals](#) that school districts collectively hold \$6.8 billion in reserve funds (as of 2022–23), up \$836 million from the previous year.<sup>3</sup>
- School districts' collective combined reserve funds increased in 13 of the past 14 years, with a rapid increase of 48 percent since 2020.

## School District Fund Reserves



Source: Pennsylvania Department of Education, Detailed Annual Financial Reports, "General Fund Balance 1996-97 to 2022-2023." General Fund Balance includes Assigned, Committed, and Unassigned funds.

These numbers represent school district reserves at the end of the 2022–23 school year (or June 30, 2023), before the \$690 million increase in support for public schools included in the 2023–24 state budget.

The state's previous auditor general, Eugene DePasquale, [recommended](#) that reserve funds be no more than 20 percent of the school district's total spending.<sup>4</sup> Remarkably, more than half of Pennsylvania's 500 school districts have reserve funds in excess of 20 percent of their spending. The overall school district reserve balance represents 24 percent of expenditures.

- Fifty-six districts have reserves of 40 percent or greater.
- Twenty districts have reserves of 50 percent or greater.

In January 2023, Pennsylvania Auditor General Tim DeFoor [released an audit](#) showing that school districts were misusing reserve funds—shifting funds around in a “shell game” to avoid restrictions on raising taxes.

- The audit covered 12 school districts and found that “common yet questionable practices” allowed the districts to raise taxes 37 of the 48 times they were eligible. The districts raised taxes despite having sufficient funding—an average of more than \$360 million collectively—in their reserves.<sup>5</sup>

- Claims of inadequate or inequitable funding fail to take reserve funds into account. Increased funding for public schools must be balanced with a commonsense plan for addressing [excessive district reserve fund balances](#).<sup>6</sup>

## SCHOOL DISTRICTS CONTINUE TO HOLD FEDERAL FUNDS

Public schools sit on unspent federal aid. This leftover federal money is in addition to the billions school districts hold in general reserves.

- Since 2019, Pennsylvania public schools were granted more than \$6.7 billion in federal pandemic aid through three packages: Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), and American Rescue Plan (ARP).
- As of April 30, 2024, Pennsylvania public schools (including district and charter schools) still have [\\$1.4 billion](#) in federal pandemic aid yet to be distributed from the state Treasury.<sup>7</sup>

## DESPITE RECORD FUNDING EDUCATION PERFORMANCE LAGS

- Across Pennsylvania, 30 schools do not have a single student testing proficient in math in 2023.
  - Keystone results (11th grade) show that 21 high schools do not have one student testing proficient in math.<sup>8</sup>
  - The Pennsylvania System of School Assessment (PSSA) results (3rd–8th grade) show that 9 elementary or middle schools have zero percent of students testing proficient in math.<sup>9</sup>
- The 2023 PSSA results overall show lagging performance.
  - About half of Pennsylvania’s fourth and eighth graders cannot read proficiently at grade level.
  - More than half of Pennsylvania’s fourth graders and nearly 75 percent of the state’s eighth graders cannot perform math at grade level. And math proficiency remains below [pre-pandemic test scores](#) from 2019.<sup>10</sup>
  - Among [low-achieving schools](#), only 11 percent of students are proficient in math. And about one in four students in low-achieving schools demonstrate English language arts (ELA) proficiency (24.5 percent).<sup>11</sup>
- Indeed, [testimony](#) from the Independent Fiscal Office (IFO) notes “the data are less clear” regarding the relationship between spending and academic performance. The highest- and lowest-performing school districts each spent more than the state per-student average for regular instruction.
- A [recent study](#) from the Reason Foundation concludes that “there isn’t a consistent relationship between funding growth and outcomes across states” and that benefit spending accounted for at least half of per-student revenue growth in Pennsylvania, with pension debt being the primary driver of this trend.<sup>12</sup>

## PAST PENSION LIABILITIES LIMIT TEACHER PAY

Pennsylvania teachers are, on average, among the highest-paid teachers nationally. Employee benefit costs have skyrocketed because of past policy decisions—supported by the school unions—to underfund the school pension system and push off needed pension reform.

- The average salary for a classroom teacher in Pennsylvania public schools is \$76,717 for the current 2023–24 school year, according to the PDE.<sup>13</sup>
  - This ranks Pennsylvania 11th highest in average teacher pay, according to the National Education Association (NEA).<sup>14</sup>
- The cost of employee benefits has skyrocketed, crowding out salary increases.
  - From 2012–13 to 2022–23, total public school spending on salaries increased 24 percent; meanwhile spending on employee benefits increased 78 percent, as retirement contributions (i.e., pension payments) increased 238 percent.<sup>15</sup>
- For the 2023–24 school year, the pension contribution rate for all Pennsylvania public schools was 34.0 percent;<sup>16</sup> all public districts had to contribute 34 percent of salaries (in aggregate) towards that state-run pension plan for school employees (PSERS).
  - The lion’s share of this contribution rate—27.23 percent—was not for current teacher’s retirement, but to pay off past unfunded pension liabilities (i.e., debt).
  - That rate (27.23 percent) equals \$20,890 when imposed on the average teacher salary.
  - If Pennsylvania had enrolled all employees in a defined contribution plan, like a 401k, there would be no pension debt to pay off. Had lawmakers done so, Pennsylvania public schools could be paying teachers an additional \$21,000 per year, without increasing overall spending.

## MAJORITY OF STATE FUNDS TO DISTRICTS REMAIN UNTIED TO ENROLLMENT

Pennsylvania public schools lost more than 136,000 students, or 7.6 percent from 2000–01 to the 2022–23 school year.<sup>17</sup> Yet, revenue increased 134 percent from 2000–01 to 2022–23.<sup>18</sup>

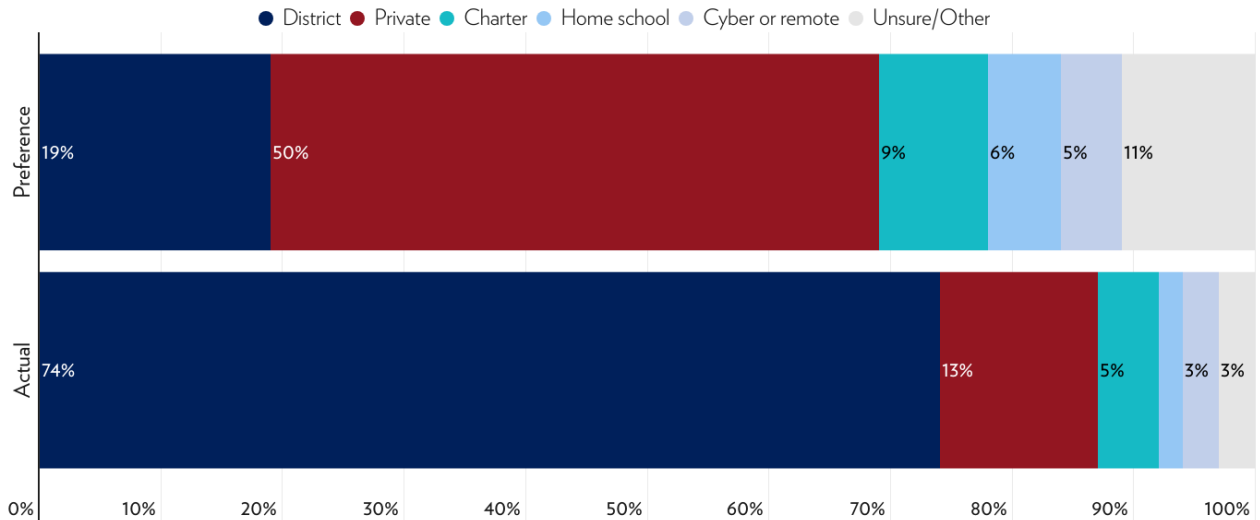
- The commonwealth adopted new student-based funding formulas for both basic education and special education by 2014–15, yet most distributions—more than 70 percent of each appropriation in 2023–24—follow the baseline allocation, not the new funding formulas.<sup>19</sup>
- The baseline funding formula has a serious drawback. It continues the decades-old practice of “hold harmless,” which guarantees districts the same amount of state revenue as the prior year, plus a percentage of the increase. The result is districts that have [shrinking student enrollment get significantly more state funding per student](#).<sup>20</sup> Disparities will decrease as more money flows through the fair funding formula.
  - Funding that follows students is the best guarantee that students, especially those in high-poverty neighborhoods receive adequate resources.

## PARENTS AND VOTERS WANT EDUCATIONAL CHOICE

Polling indicates a tremendous mismatch between what type of school children attend and what their parents would prefer. Wealthy families already have options for their children. School choice policies ensure all children—regardless of zip code, income, or race—have similar options.

### Parents' School Preference

In 2024, fewer than 1-in-5 parents surveyed would select a public district school for their child, if money was of no concern.



Source: Commonwealth Foundation, Common Ground in the Commonwealth 14 Survey, March 2024, <https://www.commonwealthfoundation.org/commongroundpoll/>

Pennsylvania currently has two tax credit scholarship programs, the Educational Improvement Tax Credit (EITC) and the Opportunity Scholarship Tax Credit (OSTC) that allow businesses to donate to scholarship organizations to provide K–12 scholarships to private schools (as well as donating to PreK scholarship organizations and educational improvement organizations). Yet, while nearly 12 percent of Pennsylvania students attend private schools, the \$470 million available for tax credit scholarships represents only about 1 percent of funding.

Education Opportunity Account (EOA) programs like the proposed Lifeline Scholarships, referred to as the Pennsylvania Award for Student Success (PASS) Scholarship Program in [Senate Bill 795](#),<sup>21</sup> would directly fund students—giving families the resources they need for educational costs and delivering on the promise that every child has access to a quality education regardless of their zip code.

An overwhelming majority of parents want school choice. A [March 2024 poll](#) found that 77 percent of Pennsylvania voters support providing Lifeline Scholarships to families in the lowest-performing schools to use for their children’s educational expenses. In addition, 80 percent of Pennsylvania voters support expanding the commonwealth’s tax credit scholarship program.<sup>22</sup>

## EDUCATION CHOICE WORKS

Studies show that school choice programs have positive, verifiable results for the children who change schools and for the children who stay.

- Studies **consistently show** that educational choice programs improve the academic outcomes of students. Eleven out of 17 quasi-experimental studies found educational choice improved the test scores of at least some participating students; only three found any negative effects. Another five empirical studies (out of seven) found that school choice improves the long-term educational outcomes of participants. Educational choice was further linked to reducing segregation and increasing civic values.<sup>23</sup>
- A **2022 study of Ohio's school choice program** found no negative impact on school district per-student expenditures. While receiving less state funding for school choice participants, school districts retain local per-student funding—even for students they no longer pay to educate.<sup>24</sup>
- Additionally, **EdChoice's compilation of academic studies of educational choice programs** found that 26 out of 29 studies concluded that school choice programs improve the academic outcomes of public school students. By exerting competitive pressure on public schools, school choice programs benefit participants and public school students alike.<sup>25</sup>

## CONCLUSION

Pennsylvania spends \$22,000 per student in public schools. This all-time high coincides with fewer district students, more teachers, more administrators, more support staff, and significantly larger reserve funds.

Instead of funding buildings and allowing districts to stockpile resources, state lawmakers should target education funding to follow the student. This includes delivering on the Court's 2023 mandate that **"every student receives a meaningful opportunity to succeed"** by expanding educational options.<sup>26</sup>

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<sup>1</sup> Pennsylvania Department of Education, Annual Financial Report (AFR) Data Files, 2014–15 and 2022–23,

<https://www.education.pa.gov/Teachers - Administrators/School Finances/Finances/AFR Data Summary/Pages/default.aspx>.

<sup>2</sup> Stephen Q. Cornman et al., "Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2021–22 (Fiscal Year 2022)," (Washington D.C.: National Center for Education Studies, May 7, 2024), 7, <https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2024301>.

<sup>3</sup> Pennsylvania Department of Education, Annual Financial Report (AFR) Data: Detailed, "General Fund Balance: 2013–14 to 2022–23," accessed May 15, 2024, <https://www.education.pa.gov/Teachers - Administrators/School Finances/Finances/AFR Data Summary/Pages/AFR-Data-Detailed-.aspx>.

<sup>4</sup> Jan Murphy, "School Districts Reserve Funds Continue to Grow, Amassing \$4.3 Billion in 2014–15." *PennLive Patriot News*, June 15, 2016, [https://www.pennlive.com/politics/2016/06/school\\_districts\\_reserve\\_funds.html](https://www.pennlive.com/politics/2016/06/school_districts_reserve_funds.html).

<sup>5</sup> Pennsylvania Department of the Auditor General, "Auditor General DeFoor Questions Annual Property Tax Increases for 12 School Districts; Calls on Legislature to Close Loopholes," news release, January 25, 2023, <https://www.paauditor.gov/press-releases/auditor-general-defoor-questions-annual-property-tax-increases-for-12-school-districts-calls-on-legislature-to-close-loopholes>; Auditor General Timothy DeFoor, "School Districts – General Fund Balances: Applying for Referendum Exceptions, Designating Funds, and Increasing Taxes," (Harrisburg, PA: Department of the Auditor General, January 2023), <https://www.paauditor.gov/Media/Default/Reports/speSchoolReservesAuditReport012523.pdf>.

<sup>6</sup> Commonwealth Foundation, "Find Your School District's Reserve," May 15, 2024, <https://www.commonwealthfoundation.org/research/school-reserves/>. Note: This is a searchable database of reserve funds by district sourcing the Pennsylvania Department of Education, Annual Financial Report (AFR) Data: Detailed, "General Fund Balance: 2013–14 to 2022–23."

<sup>7</sup> Pennsylvania Treasury Accounting Bureau, Status of Appropriation (COVID-ESSER-LEA), April 2024 monthly report, April 30, 2024, <https://www.patreasury.gov/tabs/>.

<sup>8</sup> Pennsylvania Department of Education, Keystone Exams: 2023 Keystone Results, <https://www.education.pa.gov/DataAndReporting/Assessments/Pages/Keystone-Exams-Results.aspx>.

<sup>9</sup> Pennsylvania Department of Education, PSSA Results: 2023 PSSA School Level Data, <https://www.education.pa.gov/DataAndReporting/Assessments/Pages/PSSA-Results.aspx>.

<sup>10</sup> Commonwealth Foundation, "Stagnating PSSA Scores Illustrate Desperate Need for Education Opportunity," news release, November 28, 2023, <https://www.commonwealthfoundation.org/2023/11/28/stagnating-pssa-scores/>.

<sup>11</sup> Pennsylvania Department of Education, PSSA Results: 2023 PSSA School Level Data.

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- <sup>12</sup> Aaron Garth Smith, Jordan Campbell, and Christian Barnard, “Public Education at a Crossroads: A Comprehensive Look at K-12 Resources and Outcomes for All 50 States,” Reason Foundation, February 2024, <https://reason.org/wp-content/uploads/public-education-crossroads.pdf>.
- <sup>13</sup> Pennsylvania Department of Education, Professional Staff Summary: 2023–24 Professional Staff Summary Report, October 2023, <https://www.education.pa.gov/DataAndReporting/ProfSupPers/Pages/ProfStaffSummary.aspx>.
- <sup>14</sup> National Education Association, “Rankings of the States and Estimates of School Statistics 2024,” April 2024, [https://www.nea.org/sites/default/files/2024-04/2024\\_rankings\\_and\\_estimates\\_report.pdf](https://www.nea.org/sites/default/files/2024-04/2024_rankings_and_estimates_report.pdf).
- <sup>15</sup> Pennsylvania Department of Education, Annual Financial Report (AFR) Data: Detailed, “Expenditure Detail – SDs: 2012–13 to 2022–23,” accessed May 15, 2024, <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Finances/AFR%20Data%20Summary/Pages/AFR-Data-Detailed-.aspx>.
- <sup>16</sup> Pennsylvania Public School Employees Retirement System (PSERS), “Fiscal Year 2024/2025 Employer Contribution Rate,” December 15, 2023, <https://www.psers.pa.gov/FPP/Publications/General/Documents/FY%202024-2025%20ECR%20fact%20sheet%20FINAL.pdf>.
- <sup>17</sup> Pennsylvania Department of Education, Public School Enrollment Reports, accessed August 18, 2023, <https://www.education.pa.gov/DataAndReporting/Enrollment/Pages/PublicSchEnrReports.aspx>.
- <sup>18</sup> Pennsylvania Department of Education, Annual Financial Report (AFR) Data: Summary (Revenues), accessed May 10, 2024, <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Finances/AFR%20Data%20Summary/Pages/AFR-Data-Summary-Level.aspx>.
- <sup>19</sup> Pennsylvania Department of Education, Education Budget, “2023–24 Estimated Basic Education Funding” and “2023–24 Estimated Special Education Funding,” August 2023, <https://www.education.pa.gov/Teachers - Administrators/School Finances/Education Budget/Pages/default.aspx>.
- <sup>20</sup> Commonwealth Foundation, “Education Funding in the Commonwealth,” January 10, 2024, <https://www.commonwealthfoundation.org/research/education-funding-commonwealth/>.
- <sup>21</sup> Sen Judy Ward, Senate Bill 795, Pennsylvania General Assembly, Regular Session 2023–24, <https://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2023&sInd=0&body=S&type=B&bn=0795>.
- <sup>22</sup> Commonwealth Foundation, “Common Ground in the Commonwealth Poll,” Quarter 1, 2024, <https://www.commonwealthfoundation.org/research/common-ground-commonwealth-poll/>.
- <sup>23</sup> EdChoice, “The 123s of School Choice: What the Research Says about Private School Choice Programs in America,” October 5, 2023, <https://www.edchoice.org/research-library/?report=the-123s-of-school-choice-3#report>.
- <sup>24</sup> Stéphane Lavertu and John J. Gregg, “The Ohio EdChoice Program’s Impact on School District Enrollments, Finances, and Academics,” Thomas Fordham Institute, December 14, 2022, [https://fordhaminstitute.org/ohio/research/ohio-edchoice-programs-impact-school-district-enrollments-finances-and-academics?utm\\_source=pocket\\_saves](https://fordhaminstitute.org/ohio/research/ohio-edchoice-programs-impact-school-district-enrollments-finances-and-academics?utm_source=pocket_saves).
- <sup>25</sup> EdChoice, “The 123s of School Choice: What the Research Says about Private School Choice Programs in America,” October 5, 2023, <https://www.edchoice.org/research-library/?report=the-123s-of-school-choice-3#report>.
- <sup>26</sup> William Penn School District et al. v. PA Department of Education et al., 587 MD 2014, “Memorandum Opinion Filed” (February 7, 2023), <https://www.pacourts.us/news-and-statistics/cases-of-public-interest/587-md-2014---william-penn-school-district-et-al-v-pa-department-of-education-et-al>.