Description of the Formula

In 2006, the General Assembly directed the State Board of Education to conduct or provide for a comprehensive statewide costing-out study to arrive at a determination of the basic cost per pupil to provide an education that will permit a student to meet the state’s academic standards and assessments.

The 2008-2009 fiscal year was the first year that the formula distribution for Basic Education Funding was based on the results of the costing-out study.

For the 2010-2011 fiscal year, each school district will receive the Basic Education Funding allocation it received in 2007-2008 plus the minimum increase provided in 2008-2009 plus a state share phase in allocation plus a minimum increase as needed.

The state funding target will be calculated for each school district as follows:

Calculate an adequacy target for each school district by summing the following:

**base cost:** (a) the base cost per student ($8,950) multiplied by (b) its 2010-2011 modified average daily membership.

**poverty supplement:** (a) the base cost per student multiplied by (b) its number of students eligible for free or reduced price meals under the national school lunch program on October 31, 2008, multiplied by (c) 0.43.

**district size supplement:** the greater of zero or (a) the base cost per student multiplied by (b) its 2008-2009 adjusted average daily membership multiplied by (c) the sum of 0.483 and the natural logarithm of its 2008-2009 adjusted average daily membership multiplied by -0.05.

**English language learner supplement:** (a) the base cost per student multiplied by (b) its number of students identified as limited English proficient in the 2008-2009 school year multiplied by (c) the sum of 3.753 and the natural logarithm of its 2008-2009 adjusted average daily membership multiplied by -0.23, provided that such amount shall be no less than 1.48 and no greater than 2.43.
adjustment for geographic price differences: (a) the greater of 1 or its location cost metric multiplied by (b) the sum of the base cost, poverty supplement, district size supplement, and English language learner supplement minus (c) the sum of the base cost, poverty supplement, district size supplement and English language learner supplement.

The adequacy shortfall is calculated as the greater of zero or its adequacy target minus its actual spending for 2008-2009.

The state funding target equals the adequacy shortfall multiplied by (a) its 2010-2011 market value/personal income aid ratio multiplied by (b) the lesser of 1.00 or its 2008-2009 equalized millage divided by 21.1 (the equalized millage at the 75th percentile).

Each school district will receive a state share phase-in allocation equal to 32.06 percent of its state funding target.

A minimum increase will be provided to each school district, if necessary, so that its total increase including its state share phase-in allocation shall equal a minimum 2.0 percent increase over its 2009-2010 Basic Education Funding allocation.

**District-Based Components**

**Density/Sparsity of Small Schools**
There is no specific subsidy component for density/sparsity of small schools.

**Grade Level Differences**
Grade level differences are used to calculate Weighted Average Daily Membership (WADM). Several components of various state subsidy calculations include WADM as an element.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kindergarten(half-day)</td>
<td>0.5</td>
</tr>
<tr>
<td>Elementary</td>
<td>1.0</td>
</tr>
<tr>
<td>Secondary</td>
<td>1.36</td>
</tr>
</tbody>
</table>

**Declining Enrollment or Growth**
There is no specific subsidy component for declining enrollment or growth.

**Capital Outlay and/or Debt Service**
The state provides subsidies to school districts for the construction, renovation or purchase of school buildings on the basis of approved expenditures, which are based on the rated pupil capacity of the building as approved by the Department of Education.

The limit for school district indebtedness is based on the level of the borrowing base, which is the average of a district’s total revenues for the three years preceding the year in which such debt will be incurred. Non-voted debt cannot exceed 250% of the borrowing base, except in Philadelphia where the limitation is 100%. The limitation goes to 300% of the base when new lease rental debt is included (150% in Philadelphia).
Transportation
Reimbursement for regular pupil transportation is determined by multiplying the cost of approved reimbursable pupil transportation by the district’s aid ratio. Payments are also made for excessive cost to be determined by subtracting from approved costs the sum of the regular state reimbursement plus half mill times the district market valuation. In addition, payments are made to school districts for transportation of charter school students and nonpublic school students.

Elementary students eligible for transportation reimbursement must reside at least 1.5 miles from their school and secondary students must reside 2 miles from their school. Students residing along a hazardous route, as certified by the Department of Transportation, are also eligible for reimbursement.

Payments are also made to intermediate units for the cost for transportation of pupils to and from classes and schools for exceptional children, and of eligible young children to and from early intervention programs.

Student-Based Components

Special Education

Special Education Funding for School Districts
Each school district receives the amount it received for the 2008-2009 school year.

Contingency Fund
A special education contingency fund allocation equal to 1 percent of the special education appropriation is available to school districts.

CORE Services Funding To Intermediate Units
An amount equal to 5 percent of the special education appropriation is provided to intermediate units to maintain core Services.

Institutionalized Children's Program
Funding is provided to intermediate units to maintain the Institutionalized Children's Program.

Compensatory Education
There is a Poverty Supplement in the Basic Education Funding formula. It is described above.

English Language Learner/Bilingual Education
There is an English language Learner Supplement in the Basic Education Funding formula. It is described above.

Gifted and Talented Education
Gifted students are classified as part of exceptional students and are included in special education funding.

Other
Secondary Career and Technical Education Subsidy (2010-11)

Reimbursement is provided for the following vocational programs: agriculture education, distributive education, health occupations education, home economics education (gainful), business education, technical education, trade and industrial education, or any other occupational-oriented program approved by the Secretary of Education.

The subsidy is calculated as follows:

- The vocational average daily membership (VADM) is determined by multiplying the average daily membership of students in vocational programs in an area vocational-technical school by .21; multiplying the average daily membership of students in vocational programs in a school district (SD) or charter school (CS) by .17.
- The base earned for reimbursement (BER) is determined using the state median actual instruction expense per weighted average daily membership (AIE/WADM) and the equalized mills (EqM): \( \text{BER} = \frac{(\text{State Median AIE/WADM} - (\text{Highest EqM} - \text{SD EqM}) \times 200)}{(\text{Highest EqM} - \text{Lowest EqM})} \)
- The fully funded amount equals 1) the lesser of the AIE/WADM or the BER multiplied by 2) the greater of the market value/personal income aid ratio or .3750 multiplied by 3) the VADM.
- Any additional funding provided by the Commonwealth over the amount provided for the 1998-1999 school year will be distributed to area vocational-technical schools, to school districts and charter schools with eight or more vocational programs, and to school districts and charter schools offering a vocational agriculture education program.
- The actual allocation is proportionately reduced so that the total does not exceed the amount appropriated. The reduction fraction for "regular allocation" is .70. The reduction fraction for "new allocation (8 or more programs)" is .15.

Pennsylvania Accountability Grants
Pennsylvania Accountability Grants provide financial assistance to school districts to implement effective educational practices and initiatives to attain and improve academic performance targets.

Educational Assistance Program
The Educational Assistance Program provides for the continuing support of tutoring services to eligible students. Funds are available to eligible school districts and full-time career and technical centers in which one or more schools have failed to meet at least one academic performance target.

Reimbursement of Charter School Expenditures
The subsidy provides a reimbursement of up to 30 percent, subject to the availability of state funding, of the actual expenditures incurred by school districts in the previous school year for resident students attending a charter or cyber charter school.

A school district may be provided a reimbursement of up to 41.96 percent if the school district had: 1) 2007-2008 average daily membership of resident students enrolled in a charter school or cyber charter school equal to or greater than 12 percent of the school district’s 2007-2008
average daily membership; 2) a 2008-2009 market value/personal income aid ratio equal to or greater than .6000; and 3) made payments equal to or greater than $1,000,000 as required under section 1725-A(a).

Revenue and Expenditure Information

State Mandates Restricting Revenue or Expenditure Increases
Act 1 of 2006 requires that local property tax increases that exceed an inflationary index must be approved by district voters unless a referendum exception is approved by the Department of Education or County Court of Common Pleas.

Property Assessment Ratios Used/Legal Standards For Property Assessment
Varies with each county. Rates range from less than 10% to 100%.

Measure of Local Ability to Support Schools
Market Value/Personal Income Aid Ratio (MV/PI AR) is the state’s measure of local district wealth and its ability to support schools. It is calculated to compare a school district’s wealth compared to the state average. The components of wealth and their weights are sixty percent dependent upon property valuation per pupil and 40% dependent upon personal income per pupil.

School District Budget and Tax Rate Procedures/Sources of Local Revenue
There are 498 fiscally independent districts and two fiscally dependent districts. The school board of directors approves the school district budgets without a specific limitation except for having sufficient revenues projected to fund projected expenditures.

Local revenues for schools are derived from the property tax (78%), other taxes (17%), and other local non-tax sources (6%).

Total revenues come from local sources (56%), state sources (39%), federal sources (4%), and other sources (1%).

State Support for Nonpublic Schools
A program of auxiliary services including remedial reading, remedial mathematics, guidance and counseling, speech, and psychological services are available to students attending nonpublic schools are provided by the intermediate unit in which the nonpublic school is located.

Textbooks, instruction materials and instructional equipment are loaned to students enrolled in grades kindergarten through twelve in a nonpublic school.