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NEW PCCY REPORT SHOWS “HOLD HARMLESS” EDUCATION FUNDING FORMULA DRAMATICALLY HARMS CHILDREN

PHILADELPHIA (January 27, 2021) – Public Citizens for Children and Youth (PCCY) today released a report revealing the significant harm done by the education funding system paradoxically known as “hold harmless.” This system fails to account for the massive shift in district enrollment, resulting in an education funding system that’s among the most inequitable in the nation.

Implemented in 1992, hold harmless is the policy that school districts cannot receive less funding than they did the year prior. For the last 29 years, the state has continued to increase funding to shrinking districts while districts with rising enrollment are not getting funding that meets their growing needs.

Shrinking districts have lost a total of 167,000 students—a fifth of their student body—since 1991–92. They now have \$590 million tied to students they no longer educate. Growing districts have 204,000 more students today than in 1991–92, but they have largely been denied the additional funding needed to compensate for the increase in students. The average growing district has received about \$1,000 more per student from the state over the three decades since hold harmless began. Meanwhile the average shrinking district has received an additional \$3,200 per student—more than triple the amount.

The most impoverished of these growing districts are the hardest hit by Pennsylvania’s hold harmless policy. The state gives \$925 million less to high poverty growing districts than it would if funding was distributed based on current enrollment levels and student and district need factors. The inadequate state funding forces these impoverished districts to raise their property taxes, often to extremely high levels, in order to fill the gap; 16 of these districts are ranked in the top 20 on tax effort statewide, and all but one are in the top 75.

Black and Hispanic students bear the brunt of the systemic underfunding. More than 80% of the state’s Black and Hispanic students attend growing school districts. To be sure, some Black and Hispanic students are in shrinking districts that benefit from hold harmless, but the vast majority attend schools that are hurt by the policy.

State underfunding of high poverty districts makes it virtually impossible for them to fully meet the needs of their students. For instance, the two most impoverished and underfunded growing school districts, Reading and York City, could hire enough teachers to significantly reduce their class sizes were the state to fund them adequately. Instead, the students in these districts—90% of whom are Black or Hispanic—must often attend schools without the desired staffing levels and with fewer academic opportunities than their wealthier peers.

Pennsylvania took a step towards a more rational and equitable education funding system when it adopted a new funding formula in 2016. The formula calculates the share of state funding that each school district should receive based on their actual enrollment levels and other factors such as poverty. However, the state puts only new funding allocated after 2016 through the formula, which makes up just 11% of all funding. The rest is still distributed through the pre-formula, hold harmless-based method.

Until the state funds the education system at an adequate level and distributes those funds equitably, it is contributing to the structural racism and economic inequality plaguing America.

PCCY recommends the following to fix Pennsylvania's broken education funding system:

1. Maintain the funding approach that began in 2016 in which new funds are distributed through a dynamic funding formula in accordance with enrollment levels and student and district needs.
2. Eliminate the gaps between districts' current levels of funding and levels that are adequate for providing a quality education.
 - a. provide supplemental funding to districts that have the least funds relative to their student needs, calculated as the districts in the bottom 20th percentile on current expenditures per student, with the student count weighted based on the student and district needs included in the Basic Education Funding Formula, such as poverty, and the Special Education Funding Formula.
 - b. or the state could establish adequacy targets – an actual dollar amount that each district would require to effectively provide a quality education – and drive increased funding towards closing the gaps for districts that are below their targets.
3. Increase state funding by \$4.6 billion and drive that funding through the formula, which is the least complicated approach.

PCCY is a non-profit, non-partisan organization that works to improve the lives of children in Bucks, Chester, Delaware, Montgomery, and Philadelphia counties by developing initiatives and advocating for quality health care, child care, public education, and family stability. Learn more on our website (www.pccy.org), Twitter (@pccyteam), and Facebook page (PCCYPage).