



Presentation to the Basic Education Funding Commission

PA Association of School Business Officials'
Benchmarking Committee
November 24, 2014
Lancaster IU #13



ABOUT PASBO

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SMART BUSINESS + INFORMED DECISIONS = GREAT SCHOOLS

The Pennsylvania Association Of School Business Officials (PASBO) is a state wide association, 3,000 members strong, devoted to helping the business of schools stay on the right track through education, training, professional development and timely access to legislative and policy news. Our membership base covers school professionals working in finance, accounting, operations, facilities, transportation, food service, technology, communications, human resources, purchasing and safety services. While diverse in areas of specialty, all members share a common goal - to support classroom learning in schools during good and bad economic times through smart business practices. PASBO helps make that goal a reality.

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What We Want to See in a Basic Education Funding Formula...

- Predictability
- Sustainability
- Fairness
- Benefits for all students in all school districts
- Use of known, reliable and verifiable data for formula components
- Cause and effect creating an understandable formula that allows school leaders to estimate the future impact of local decisions



What We Avoid in Our Proposal

- Using indicators and measures that may have outlived their reliability
- That continue to be used because “that’s the way we have always done it”
- Trying to address all localized situations and circumstances in hopes of creating the “perfect formula”
- Adding complexity when simplicity works



Specifically Our Proposal...

- Does NOT use Aid Ratio
- Does NOT use Equalized Mills
- Does NOT establish a base cost
- Does NOT apportion state and local costs
- Does NOT differentiate between elementary and secondary education costs (WADMs)
- Does NOT use free/reduced lunch to measure poverty
- Avoids cliffs that draw arbitrary eligibility lines



Aid Ratio May Be A Flawed Measure of Wealth

- Real estate market values drive Aid Ratios (60%)
- There are no standards for assessment practices so assessment practices vary from county to county
- The variation in the age of county assessments is tremendous—no reassessment in some counties for five decades
- Aid ratio does not measure tax effort
- The components of the aid ratio—market values and personal income—are not tax bases for schools; the school tax base is assessed value and earned income



Aid Ratio Decrease—Ten Year Change

SD	County	04-05 Aid Ratio	14-15 Aid Ratio	Change	ADM Change
West Greene SD	Greene	0.4976	0.3060	-0.1916	-10%
Oswayo Valley SD	Potter	0.7755	0.6117	-0.1638	-11%
Galeton Area SD	Potter	0.5834	0.4287	-0.1547	1%
Shanksville-Stonycreek SD	Somerset	0.4635	0.3090	-0.1545	-1%
Wayne Highlands SD	Wayne	0.4877	0.3400	-0.1477	-10%
Rockwood Area SD	Somerset	0.4634	0.3180	-0.1454	-6%
Austin Area SD	Potter	0.6719	0.5294	-0.1425	-16%
Danville Area SD	Montour	0.5064	0.3758	-0.1306	-12%
Northern Potter SD	Potter	0.7317	0.6028	-0.1289	-13%
Avella Area SD	Washington	0.7001	0.5744	-0.1257	-13%
Forest City Regional SD	Susquehanna	0.6185	0.4929	-0.1256	-12%
Elk Lake SD	Susquehanna	0.7405	0.6154	-0.1251	-9%
McGuffey SD	Washington	0.6622	0.5378	-0.1244	-10%
Mountain View SD	Susquehanna	0.6412	0.5189	-0.1223	-13%
Pittsburgh SD	Allegheny	0.5304	0.4134	-0.1170	-6%



Disconnect: Market Value and Personal Income

School District	County	MV / PI Aid Ratio	MV Aid Ratio	PI Aid Ratio	PI Aid Ratio Less MV Aid Ratio
Wallenpaupack Area SD	Wayne	0.3451	0.1000	0.7129	0.6129
Western Wayne SD	Wayne	0.3529	0.1210	0.7009	0.5799
Wayne Highlands SD	Wayne	0.3400	0.1113	0.6834	0.5721
Shanksville-Stonycreek SD	Somerset	0.3090	0.1000	0.6225	0.5225
West Greene SD	Greene	0.3060	0.1000	0.6150	0.5150
Rockwood Area SD	Somerset	0.3180	0.1150	0.6225	0.5075
Sullivan County SD	Sullivan	0.2892	0.1000	0.5730	0.4730
Jim Thorpe Area SD	Carbon	0.4301	0.2473	0.7045	0.4572
Forest Area SD	Forest	0.3846	0.2065	0.6518	0.4453
Galeton Area SD	Potter	0.4287	0.2544	0.6903	0.4359



Disconnect: Market Value and Personal Income

School District	County	MV / PI Aid Ratio	MV Aid Ratio	PI Aid Ratio	PI Aid Ratio Less MV Aid Ratio
Hampton Township SD	Allegheny	0.4391	0.5475	0.2767	-0.2708
North Allegheny SD	Allegheny	0.3324	0.4475	0.1598	-0.2877
Peters Township SD	Washington	0.3568	0.4721	0.1842	-0.2879
Westmont Hilltop SD	Cambria	0.4993	0.6166	0.3236	-0.2930
Chartiers Valley SD	Allegheny	0.3656	0.4877	0.1826	-0.3051
Pine-Richland SD	Allegheny	0.4228	0.5491	0.2337	-0.3154
Avonworth SD	Allegheny	0.3377	0.4761	0.1304	-0.3457
Wyomissing Area SD	Berks	0.3100	0.4501	0.1000	-0.3501
Mt Lebanon SD	Allegheny	0.3815	0.5329	0.1547	-0.3782
Upper Saint Clair SD	Allegheny	0.3826	0.5710	0.1000	-0.4710



Equalized Mills

- Measures total school district taxes (property, earned income, realty transfer, per capita, etc.) as mills of market value of real estate
- **Equalized Mills** - A standardized millage calculated by dividing a school district's total taxes collected and remitted by its total market value as certified by the Pennsylvania State Tax Equalization Board.
- Using market value in any indicator or measurement is flawed since market value methodology is questionable. The lowest 25 districts in equalized mills are ALL rural districts west of Harrisburg



Base Cost

- Established by the COS in 2007 as \$8,003
- Inflation adjusted to more than \$9,000
- Requires extensive research



Apportioning State and Local Commitments to Basic Education

- What is fair?
- What is a partnership?
- What is the local tax burden vs. state wide tax base?
- Policy decision
- Our opinion—50% not the current 35%



WADM vs. ADMs

- *Weighted average daily membership* (WADM) is the term used for the assignment of weight by grade level to ADM. The current weighting is half-time kindergarten at 0.5, full-time kindergarten and elementary (grades 1-6) at 1.0, and secondary (grades 7-12) at 1.36.
- The differential between elementary and secondary students has been reduced
- The 36% differential is a relic of the past
- Simplicity argues for an all student measure (ADMs)



Free and Reduced Lunch No Longer Uniform Measure in School Districts



■ NO SUCH THING AS A FREE LUNCH | 6:02 AM | NOV 17, 2014

More Free Lunches Could Spoil Data For Researchers

By BEN WIEDER

A new federal initiative that could provide millions of students with a free lunch might have an unexpected cost for researchers and state educational agencies.

Starting in July, many high-poverty schools where at least 40 percent of students qualify for a free or reduced lunch could begin to offer that free lunch to every student — regardless of income — under the new community eligibility provision of the [National School Lunch Program](#).

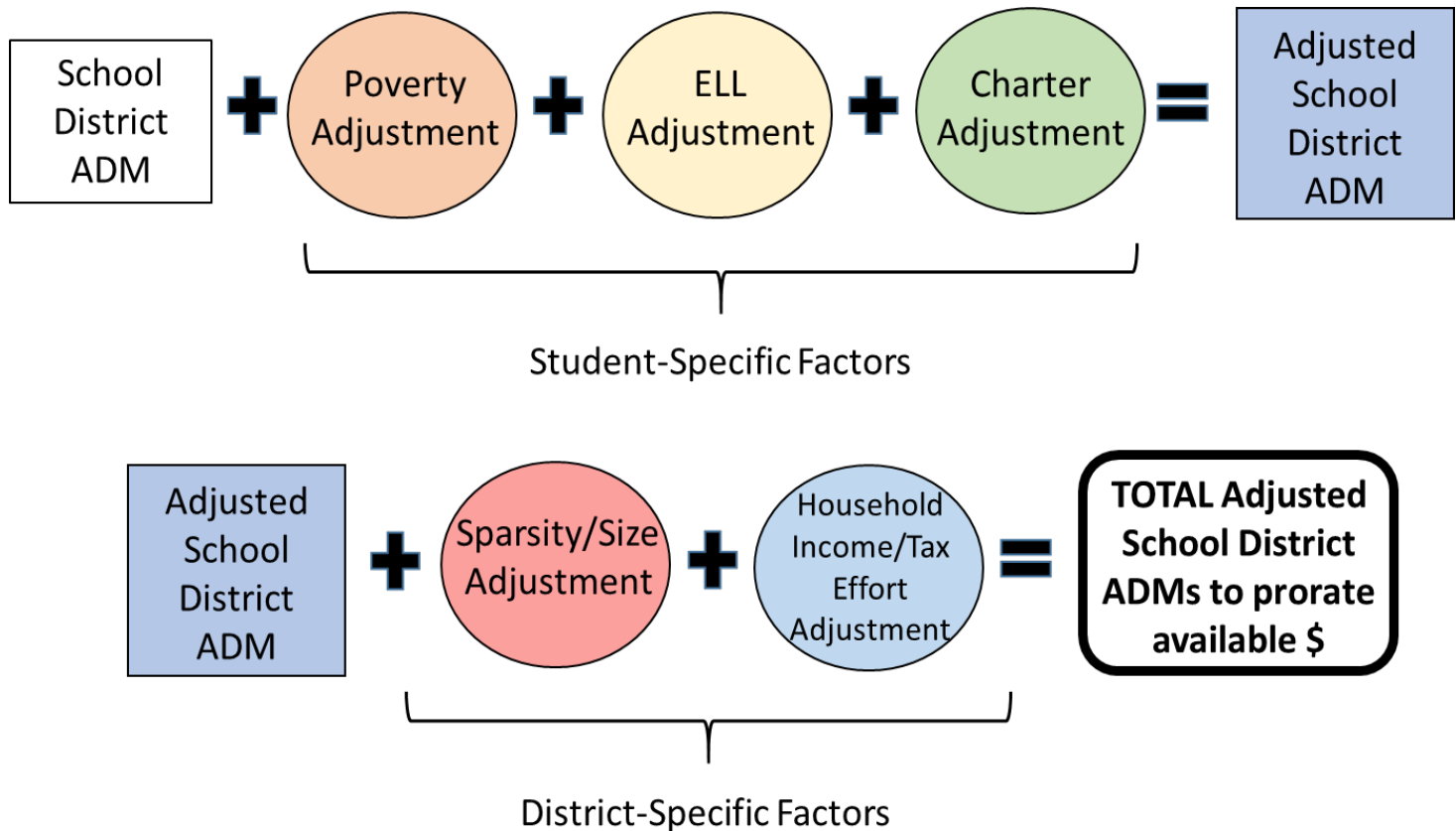


A Student Based Funding Formula

School District	99-00 BEF/ADM	12-13 BEF/ADM	Difference Inflation Adjusted minus Actual BEF
Chambersburg Area SD	\$1,851	\$2,025	-\$4,673,933
Downingtown Area SD	\$980	\$1,030	-\$3,903,326
Canon-McMillan SD	\$2,024	\$2,085	-\$3,441,007
Spring-Ford Area SD	\$1,036	\$1,057	-\$2,887,550
East Penn SD	\$1,124	\$1,230	-\$2,567,447
Owen J Roberts SD	\$1,036	\$969	-\$2,373,012
Mars Area SD	\$1,712	\$1,677	-\$2,205,810
Waynesboro Area SD	\$2,358	\$2,734	-\$2,191,841
Palmyra Area SD	\$1,583	\$1,667	-\$1,705,623
Dallastown Area SD	\$1,106	\$1,251	-\$1,640,225
Pennridge SD	\$1,071	\$1,250	-\$1,618,763
Norwin SD	\$2,290	\$2,830	-\$1,582,017
Northampton Area SD	\$1,813	\$2,213	-\$1,496,305
Central Bucks SD	\$630	\$786	-\$1,485,487
Boyertown Area SD	\$1,514	\$1,867	-\$1,475,181



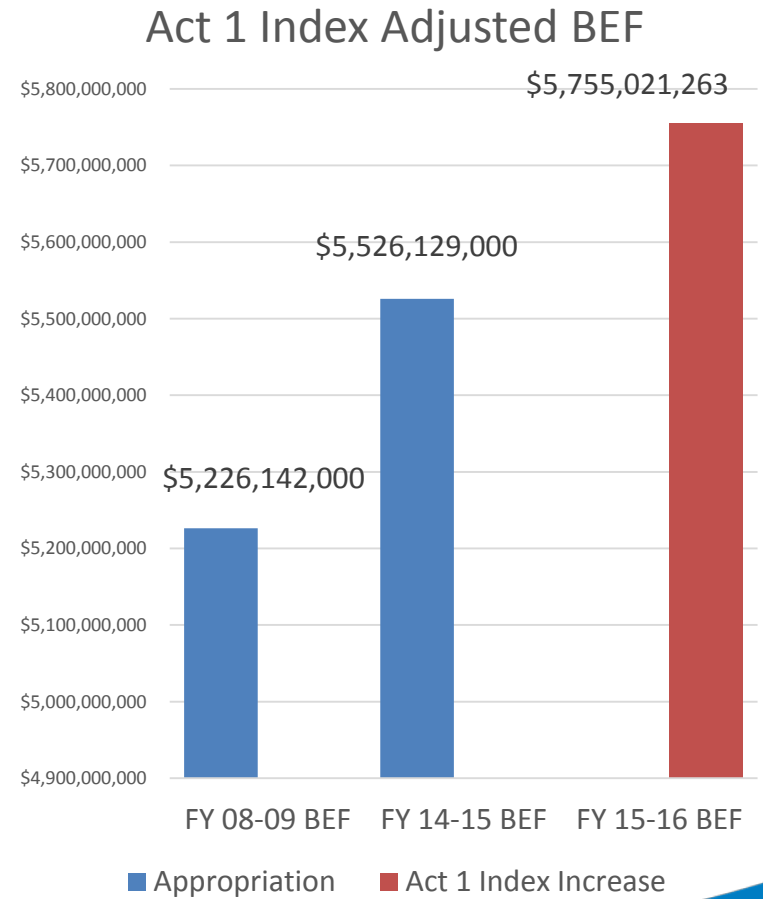
Proposed New BEF Formula





How and How Much

- A new formula without new funding is a hollow achievement.





Rebalancing BEF to Address Hold Harmless Fears

- Many in the field are concerned that a new formula results in less BEF dollars to their district
- A concept under discussion
- Fund districts at base year BEF/ADM with adjustment for inflation but apply actual ADMs



The Cost of Doing Nothing

	5 Year Totals
Total Local Revenues	\$2,389,884,079
BEF (2%)	\$468,016,002
Total Revenues	\$2,857,900,080
Net PSERS	\$974,303,988
Salaries	\$502,409,311
Charter Tuition (10.7%)	\$840,154,870
Health Care & Other	\$942,534,106
Major Expenditures	\$3,259,402,275
Surplus or (Shortfall)	(\$401,502,194)
\$ Negative	(\$990,483,955)
\$ Positive	\$588,981,760
# Negative	297
# Positive	203



**Thank you to
the Basic Education
Funding Commission
For the opportunity to
present the work of the
PASBO Benchmarking
Committee**