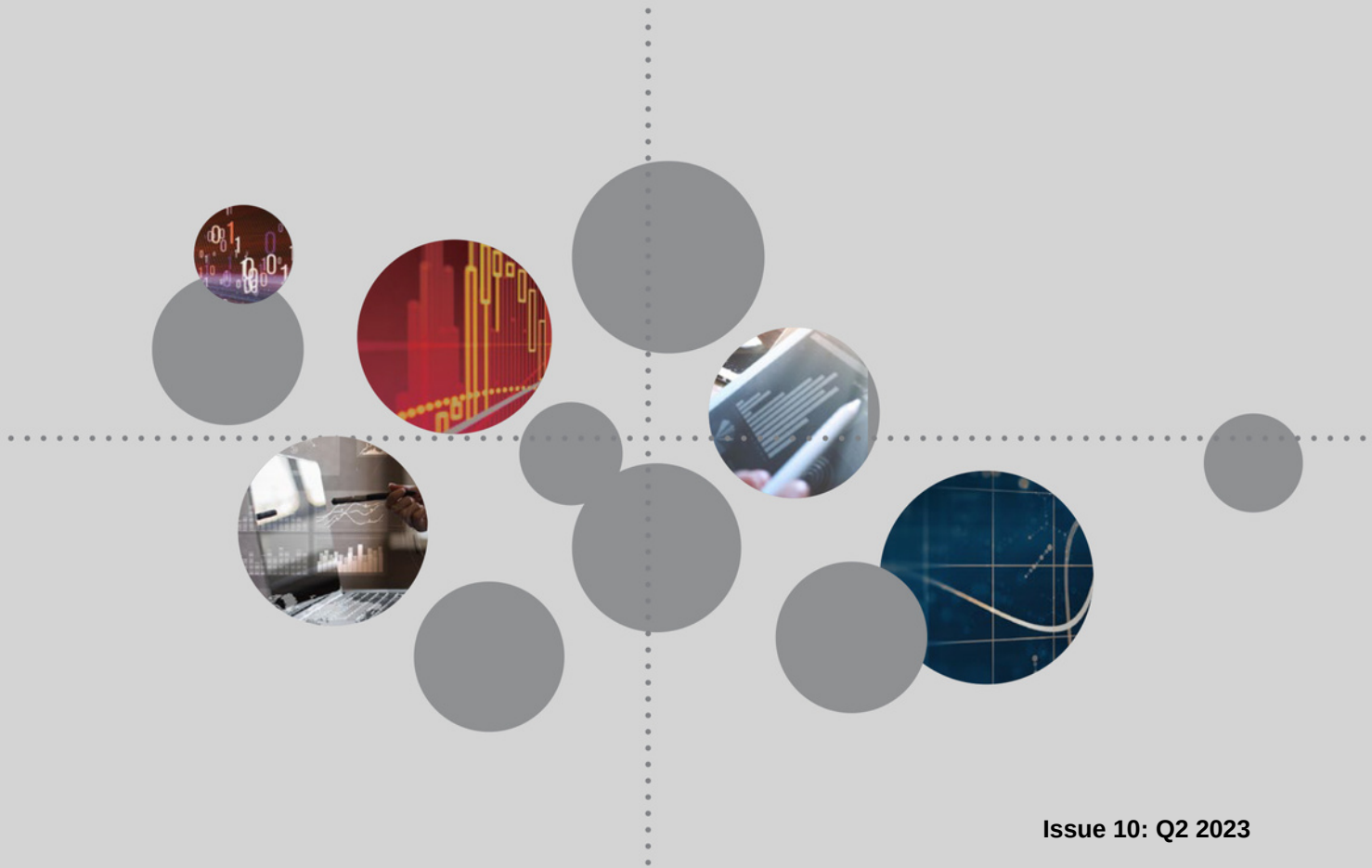


Policy Tracker



THE INSTITUTE FOR PUBLIC POLICY & ECONOMIC DEVELOPMENT



Issue 10: Q2 2023

EDUCATION



EDUCATION FUNDING COURT CASE

[Judge Jubelirer's] decision does not create a framework for making the school funding system constitutional, but tasks the legislature and the Governor's office with that responsibility.

Approaches to Equitable Public School Funding

On February 7th 2023, the state Supreme Court declared the funding structure of Pennsylvania public schools unconstitutional. This ruling found that the distribution of state funds "violates equal protection principles," as low-wealth districts receive disproportionately less funding per pupil from the state, with an average dearth of \$4,800 per pupil in low-income districts. This inequality is largely based on an school funding formula that was deemed to unequally distribute the largest pool of funding, "Basic Education Funding," to higher-income districts.

The current allocation of the Basic Education Fund is now done by two algorithms, the hold harmless formula and the fair funding formula. The hold harmless algorithm uses an aid ratio method that distributes funds based on school enrollment and the district's resident's personal income per student. However, this algorithm's attempt at equal distribution is nullified by the "hold harmless" provision, which prohibits funding reduction based on enrollment changes. Due to this provision, starting in 1992, a majority of PA's education funding distribution was held static, with additional funds dependent on budget increases from that first fiscal year (1992) The hold harmless algorithm was used to allocate approximately 90 percent of Basic Education Funding in the fiscal year 2022-2023 . The continued use of the hold harmless algorithm has contributed to significant economic disparities between school districts, and a majority of schools negatively affected have a disproportionately greater population of students of low socioeconomic status and students of color . Based largely on the unequal state funding from this formula, the poorest 20 percent of school districts have \$7,866 less per student than the wealthiest 20 percent . However, this funding formula often boosts rural districts, which often have added costs despite smaller student enrollment .

A new funding formula was created to resolve the issues with the hold harmless formula and introduced in 2015 as the "Fair Funding Formula." This formula considers current population; poverty of students; median household income; area enrollment in charter schools; quantity of English Language Learners; Sparsity-Size funding, which takes into account unique cost differences in small rural school districts; local effort for education funding, largely based on property taxes; and local capacity for education funding . The Fair Funding Formula was only applied to about 11 percent of funding in the past fiscal year. It is applied to all of the additional funding that has been added to the 2014 Basic Education Fund, as the Fair Funding Formula was enacted in 2015, while all of the funding up to the amount distributed in the 2014 Basic Education Fund is distributed through the Hold Harmless Formula.

There has been action to fund struggling districts in legislation alongside the introduction of the Fair Funding Formula. For example, the "Level Up" program supplied \$225 million the state's 100 most underfunded districts, including NEPA's own Wyoming Valley West, Wilkes Barre Area, Greater Nanticoke Area, Hanover Area, Hazleton Area, and Scranton school districts.

While earlier programs may generate the highest potential returns, donors that support children beyond age three nonetheless play an important role in sustaining and extending benefits, and there is good evidence that programs targeting older age groups can also generate positive returns.

(continued on the next page)

EDUCATION



Equitable Public School Funding

(cont.)

A suit was filed in 2014 by The Public Interest Law Center and the Education Law Center (representing multiple petitioners in six school districts, including the local district of Wilkes-Barre Area), the Pennsylvania Association of Rural and Small Schools, the NAACP-PA, and five public school parents (including one parent petitioner from Wilkes-Barre). Judge Renee Cohn Jubelirer oversaw the case, and ruled in favor of the plaintiffs, stating, "the current funding system violates equal protection principles," as "Students who reside in school districts with low property values and incomes are deprived of the same opportunities and resources as students who reside in school districts with high property values and incomes." The decision does not create a framework for making the school funding system constitutional, but tasks the legislature and the Governor's office with that responsibility. Several alternative measures are presented here:

Funding Formula Reform

New Jersey used funding formula reform as one of its tools when met with similar rulings. However, many methods are proposed to reform this system away from the Hold Harmless provision.

- Instead of holding the amount of funds put through hold harmless steady, the legislature could increase the amount put through the fair funding formula year by year. This is the solution put forth in House Bill 1595 , which would phase the Fair Funding Formula into place to distribute all Basic Education funding over five years
- Instead of working within the framework of the Fair Funding Formula, the legislature could establish a funding distribution system that prioritizes schools negatively affected by the hold harmless provision for additional funds added on top of a base year.
- A complete switch to the Fair Funding Formula would immediately make the system more equitable on paper. However, it would create a budgetary loss for some school districts in a short time span, thus creating strife at the school level, and is not recommended.

State Budget Infusion

The past two Pennsylvania governors have voiced support for a large increase in educational funding by the state legislature. The Public Interest Law Center also estimates that "school districts collectively may require between \$3-\$4 billion in additional state aid to reach adequacy ." Funding options for this budget increase that have been proposed include: closing tax loopholes, increasing the personal income tax (Pennsylvania has among the lowest in the country), and taxing natural gas drillers per the amount of gas they extract rather than per wells drilled. While an increase in funding, especially in conjunction with formula reform, would likely fulfill constitutional requirements, it may not be popular among all of the legislature.

Cap on Local Tax Effort

A cap could be placed on a uniform statewide tax-effort rate to limit an unequal burden on homeowners living in low income school districts and to even unequal funding based on property taxes. Funds necessary above that uniform tax ceiling would be calculated and distributed by the state . This would lead to high tax reductions on Pennsylvania homeowners, but put a higher fiscal responsibility on the state.

Single Statewide Education Property Tax

This measure would eliminate local education-based property taxes and set a single statewide education property tax, and the state would then distribute those funds. This is the method Vermont utilized after a similar lawsuit. Local communities that would like additional funding can vote for a Town Specific Homestead Property Tax Rate, but if per-pupil education spending is too far above the state average, an additional town-specific surtax could be imposed. This measure could put more responsibility on the state legislature.



STATE LEGISLATIVE BRIEFING

A curated briefing of state legislative proposals and recent legislative actions

Budget Agreement Reached, Avoiding Delays in Payments

For several weeks after the June 30th deadline, Pennsylvania's budget remained at an impasse. Several state agencies warned of delays to payments in the event a budget was not signed by the Governor promptly.

The \$45.5 billion budget was passed the Senate on August 3rd and signed by the Governor. As part of the agreement, just over \$1 billion of these funds cannot be spent until further legislative action is taken. These include programs such as legal aid, housing, and support for low-income school districts.

The budget also left out a private school voucher program supported by Governor Shapiro and Senate Republicans but opposed by Democrats in the House.

Notable provisions of the budget include:

- An increase in education funding overall by over \$700 million, more than eight percent compared to last year's budget.
- Allocation of \$46.5 million to provide universal free breakfast to all public school students statewide
- Flat funding for Pre-K Counts and Head Start Supplemental Assistance, and a smaller increase in additional funds for special education

- A nearly 11 percent funding increase for the Department of Environmental Protection to clear permitting backlogs and add administrative capacity
- A first-ever state funding source for public defense. This line item cannot be spent until a code bill is passed by the legislature to provide more specific direction on how the money is spent

The state Senate and House are scheduled to reconvene in September, at which time negotiations are expected to resume on code bills to finalize spending on the outstanding line items.





STATE LEGISLATIVE BRIEFING

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Lawmakers Propose Fair Share Tax Plan

A group of state House lawmakers is proposing a significant change in Pennsylvania's taxing system. Rep. Rabb (D-Philadelphia), Fiedler (D-Philadelphia), Innamorato (D-Allegheny), Krajewski (D-Philadelphia), and Siegel (D-Lehigh) point to a 2019 study by the Pennsylvania Budget and Policy Center that found 20% of families with the lowest incomes pay roughly 14% of their income on state and local taxes, while those in the top 1% only pay 6%.

In an April 14 memo to their House colleagues seeking support for their proposal, the Democratic lawmakers said they plan to introduce one of three variations of their tax fix:

- Under this plan, the personal income tax on wages and interest would decrease from 3.07% to 2.8%. The income tax would increase to 6.5% on passive income from net profits, dividends, net gains derived from rents, royalties, patents and copyrights, gambling, and lottery winnings, and net gains derived through estates and trusts. It would raise \$2.6 billion in new tax revenue.
- A second option decreases the income tax on wages and interest to 1.9% and increases the tax on passive income to 12%. This version would raise \$6.22 billion annually.
- The third version is a middle ground between the first two. It decreases the income tax on wages and interest to 2.35% and increases the tax on passive income to 9.25%.

Cannabis Bills Referred to Committees

Previous editions of the Policy Tracker summarized several proposals related to cannabis in Pennsylvania. Several updates are presented here.

Senate bill 846 would legalize adult use of marijuana statewide. It would grant licenses to sell marijuana to social and economic equity applicants and expunges all nonviolent marijuana convictions. The bill also addresses safety concerns by setting the minimum consumption age at 21. Additionally, law enforcement would be given the means to adjudicate driving under the influence and the authority to pursue and eradicate any illicit market. Additionally, the legislation bans any marketing directed toward children.

Latest action: SB 846 was referred to Law and Justice [Senate] on July 6th.

Senate Bill 773, introduced in June 2023, would amend the Medical Marijuana Act's provisions on permits and licenses and provide additional dispensary permits.

Latest action: SB 773 was re-referred to Appropriation [Senate] on June 26th.



STATE LEGISLATIVE BRIEFING

A curated briefing of state legislative proposals and recent legislative actions

Cyber Charter Reform Bill Passes State House

The state House passed legislation that would modernize Pennsylvania's charter school law to ensure transparency, accountability, and fiscal responsibility. House Bill 1422, sponsored by Rep. Joe Ciresi (D), would set a single statewide tuition rate for non-special-education students at cyber schools that is better aligned with the actual cost of cyber education. It would also apply the existing three-tier special education funding formula currently used for school districts, which sets funding based on students' special education needs.

The bill would do the following:

- Require transparency in cyber charter advertising expenses and prohibit the use of taxpayer money for sponsorships of parades and professional sports
- Cap cyber charter school unassigned fund balances, which increased from \$22 million in 2018-2019 to \$250 million in 2021-2022.
- Require wellness checks for students to ensure their well-being and to verify cyber school participation.
- Set transparency and public records requirements for cyber charter schools and their management companies
- Prohibit taxpayer funding from being used to pay for field trips, gifts, and incentives to enroll or consider enrolling in a cyber charter school.
- Require cyber charter schools to demonstrate they are spending additional monies they are receiving for students with the highest special education needs on those special education services.
- Allow cyber charter schools to use school district facilities for standardized testing and require school districts to provide transportation for cyber special education students.

Latest action: HB 1422 was referred to the Senate Education Committee on July 17th.

PBDA Working to Expand Broadband Access

Governor Shapiro and Pennsylvania Broadband Development Authority (PBDA) Executive Director Brandon Carson highlighted plans to expand broadband access across the Commonwealth using more than \$1.16 billion in federal funding and outlined plans to ensure every Pennsylvanian can access the internet during a visit to Luzerne County.

PBDA staff and leadership have been traveling the Commonwealth, hosting community engagement events to collect feedback to shape Pennsylvania's broadband expansion plans and digital equity programs. The PBDA wants to hear from as many Pennsylvanians as possible as it works to make Internet for All a reality in Pennsylvania and develops a five-year action plan to implement the BEAD funding. In recent weeks, PBDA has hosted community engagement events in Washington, Montour, Huntingdon, Erie, Lackawanna, Somerset, York, and Centre counties.



FEDERAL LEGISLATIVE BRIEFING

A curated briefing of federal legislative proposals and recent legislative actions

Numerous Bills Proposed to Address Child Care

As the graph below illustrates, despite an increased focus on infrastructure and safety during the pandemic, child care has been a high priority in Congress. Below are a timeline of bill introduced in the 118th Congress pertaining to child care.

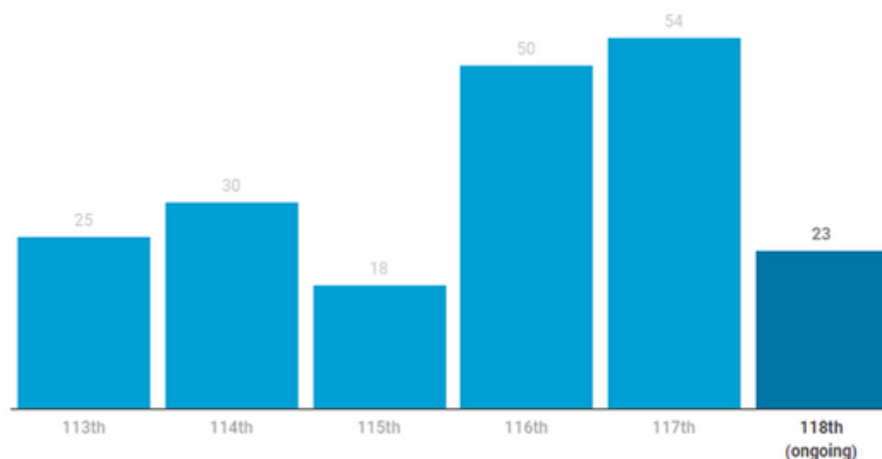
- After Hours Child Care Act (Bipartisan)
- Child Care for Every Community Act (D)
- Child Care for Working Families Act of 2023 (D)
- Child Care Workforce and Facilities Act of 2023 (D)
- Community Mentors for Moms Act (R)
- Early Educators Apprenticeship Act (Bipartisan)
- Eliminating the Head Start Vaccine Mandate Act (R)
- Ending Mandates on Head Start Educators Act (R)
- Head Start for Our Future Act (D)
- Helping HANDS for Families Act (Bipartisan)
- Loan Forgiveness for Educators Act (D)
- PROSPECT Act (D)
- Providing Child Care for Police Officers Act of 2023 (Bipartisan)
- Small Business Child Care Investment Act (Bipartisan)
- Targeting Child Care Funds Based on Poverty Act of 2023 (R)

Formula 3.0 Act

A bipartisan group of Senators and Representatives introduced legislation (S. 1782) that would permanently waive tariffs on infant formula base powder. In response to a nationwide shortage of formula in 2022, a previous bill was signed into law temporarily suspending this tariff. The new bill would make this change permanent to prevent future supply issues.

Latest action: Read twice and referred to the Committee on Finance on May 31st.

Number of child care-related bills introduced, 113th–118th Congress

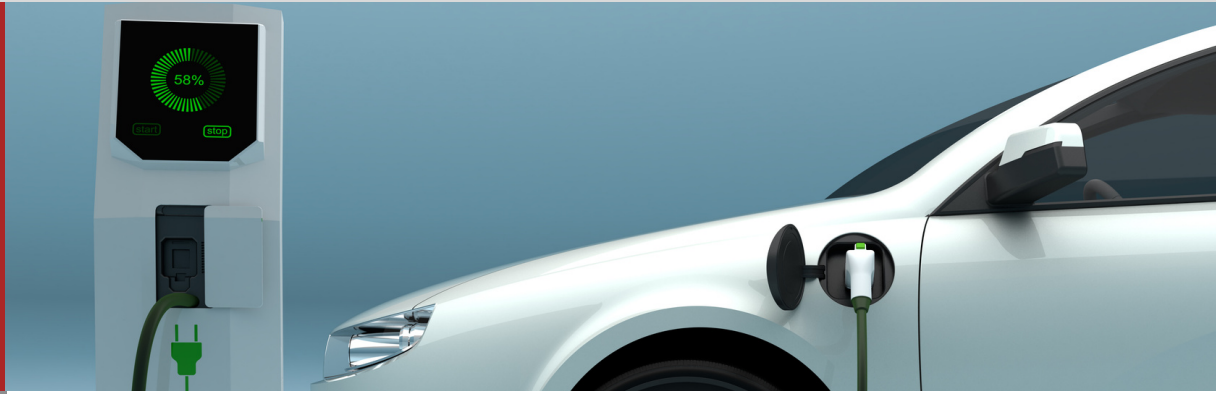


Note: The tally for total bills in the 118th Congress is as of May 10, 2023.

Source: Data for each Congress were obtained through a search conducted by the authors of child care-related bills, which can be found at [Congress.gov](https://www.congress.gov). See Methodology for additional details.

Chart: Center for American Progress

ENERGY



Electric Vehicle Infrastructure

This brief summarizes findings from this year's Energy Task Force report on electric vehicle infrastructure. Electric vehicles or EVs represent a monumental shift in energy systems for transportation. This year's research provides an overview of EV infrastructure – types of electric chargers and stations, costs associated with developing EV infrastructure, and an overview of policies and the economic impact of EV's both at the national and state level.

In 2021, \$7.5 billion in federal funds were allocated for EV charging infrastructure under the Infrastructure Investment and Jobs Act, also known as the Bipartisan Infrastructure Law. This includes \$5 billion for National Electric Vehicle Infrastructure, also known as NEVI and \$2.5 billion for the Discretionary Grant Program for Charging and Fueling Infrastructure or CFI.

Pennsylvania's plan under the NEVI program was approved in September 2022. PennDOT has advanced appropriations of \$61.9 million for the next two years. Some of this amount may be used for labor & workforce training, planning, outreach, and program management as allowed by NEVI guidelines and the remainder for the corridor.

The plan's priorities are to build out the Alternative Fuel Corridor or AFC Network, expand charging to non-interstate routes that can serve disadvantaged communities, provide mobile charging to support emergency response motorists, enable charging at key public destinations and mobility hubs, and develop infrastructure to support heavy and medium-duty freight movement.

Alternative Fuel Corridors are intended to have charging infrastructure at least every 50 miles, with criteria for charging capacity and speed. Interstates 80, 81, and 84 are designated as AFCs but do not yet meet these standards, so new charging infrastructure is needed. The region's other AFC-designated highway, the Pennsylvania Turnpike Northeast Extension, already meets AFC standards for EV charging.

If opportunities arise to designate additional highways in our region as Alternative Fuel Corridors, state or regional officials should consider highways such as U.S. Route 6, which serves numerous employment and population centers in the Lackawanna Valley and Wayne County while connecting many communities across the Northern Tier. Other potential corridors not yet designated as AFCs include Interstate 380 in the Pocono region, Interstate 180 near Williamsport, and U.S. Route 11 through the Wyoming Valley.

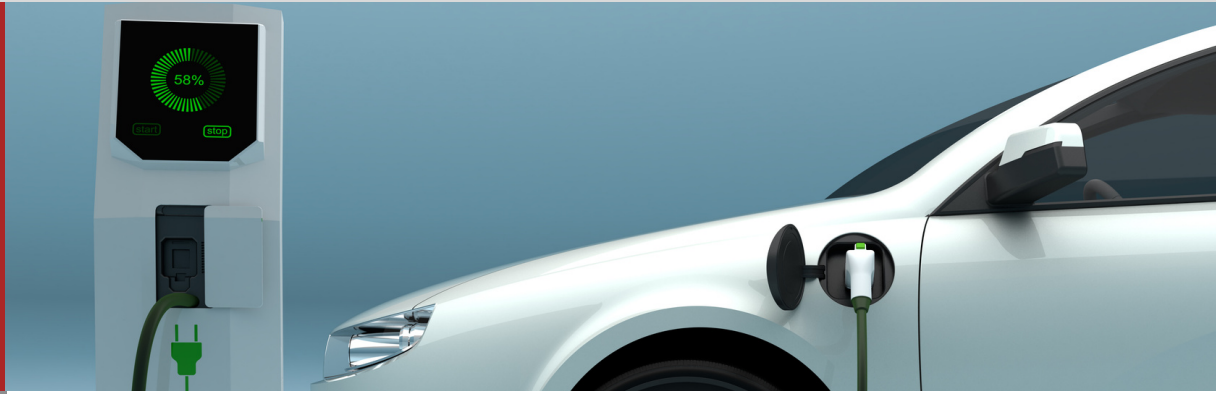
Nationwide, \$1.25 billion has been allocated for areas of implementation beyond AFCs. Regional entities should consider applying for CFI funding to support charging infrastructure in multifamily residential settings, public schools, colleges and universities, health care facilities, and parks.

The Federal Highway Administration has opened the first round of the Charging and Fueling Infrastructure Discretionary Grant Program for applications for a Community Program and AFCs.

Other funding sources also exist to support projects like these. In total, 14 state incentives and six utility or private incentives related to electric vehicles were identified in Pennsylvania. Particularly notable is the Pennsylvania Department of Environmental Protection's EV Charging Station Rebate, which offers reimbursement for a portion of the cost of a charging facility.

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ENERGY



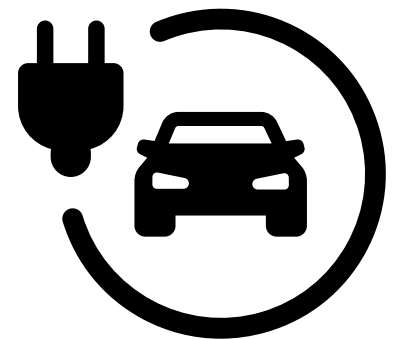
Electric Vehicle Infrastructure (cont.)

Local planners, public administrators, policymakers, and advocates for disadvantaged communities should be engaged in the process of planning for the use of these funds. Their engagement will help ensure that allocation of EV infrastructure funds is consistent with county and municipal comprehensive plans, adequately serves disadvantaged communities, and is conducive to sustainable economic development.

Finally, it is important to consider that a large-scale shift toward vehicle electrification will have significant ramifications for transportation infrastructure funding. Gasoline taxes provide the largest share of these funds, so a decline in gasoline tax revenue will necessitate reconsideration of revenue generation for road and bridge construction and maintenance. The economic impacts are complex, as oil and gas extraction is an important part of Pennsylvania's economy. However, modelling has shown the potential for economic benefit due to the opportunity for long-term consumer savings to be reinvested in local economies.

There are other issues to research. For example, will power plant emissions rise as electric vehicles increase in the U.S. Is the electric infrastructure in need of upgrades or expansions to support increased electric vehicles, and if so, how is that funded and what will be the impact on ratepayers?

While extensive study of these issues were beyond the scope of our current research, we recommend further research in this area.



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