

PENNSYLVANIA

William T. Hartman
Pennsylvania State University

Barbara J. Nelson
Bureau of Budget and Fiscal Management
Department of Education

I. GENERAL BACKGROUND

State

The state share of local school district general fund revenue has remained relatively stable over the past ten years, varying between 37.1% and 39.8%. The general fund revenue of school districts in 1998–99 was \$14.0 billion with \$5.4 billion provided from state sources. The state percentage is actually higher if adjusted to reflect the direct state contribution to area vocational-technical schools (AVTSs) and to intermediate units for special education. During 1998–99, funding to AVTSs amounted to \$57.0 million, and funding to intermediate units amounted to \$367.2 million. The state's direct payment plus federal revenues to AVTSs and intermediate units increases total school revenue to \$14.7 billion and state support to 40.1%.

The largest general aid formula is called Basic Education Funding. In 1991–92, the amounts calculated through the Equalized Subsidy for Basic Education (the previous general aid formula) were frozen and have been the base upon which annual incremental increases in state aid, ranging from 0% to 4.4%, have been added.

State funds for public education come from state general fund revenue raised mainly through a state sales tax (6%), a personal income tax (a flat 2.8%), and a corporate net income tax (9.99% since 1995). The total state budget for direct aid to public education amounted to approximately \$6.0 billion in 1998–99 and was approximately 33.5% of the state's total general fund.

Local

Pennsylvania has 501 school districts. Philadelphia School District is the only fiscally dependent district; it is dependent upon the city council for local revenue.

One school district does not operate any schools. Additionally, there are 29 intermediate units, mainly providing special education services, and 73 AVTSs.

A total of \$8.0 billion in local revenue was budgeted by Pennsylvania school districts in 1998–99. Local revenue included \$6.3 billion (78.2%) from property-based taxes, \$758.3 million (9.4%) from income and occupation-based taxes, \$341.8 million (4.3%) from other local taxes, \$346.7 million (4.3%) from delinquent taxes, and \$309.3 million (3.81%) from other local revenue sources.

Funding Summary 1998–99

Total State School Aid (All Programs)		\$ 5,870.4 million
Grants in aid	5,204.7 million	
Teacher Retirement Contributions	321.9 million	
FICA	343.8 million	
Total Local School Revenue		\$ 8,178.0 million
Property Tax	6,292.3 million	
Other local source tax revenue	1,446.8 million	
Local source non-tax revenue	438.9 million	
Total Combined State and Local School Revenue		\$ 14,048.4 million
State Financed Property Tax Credits		0
Attributable to School Taxes		

II. LOCAL SCHOOL TAX REVENUE

Property Tax

School districts levied \$6.3 billion in property-based taxes in 1998–99. Property assessments are not uniform. Each county sets its own assessment ratio and determines when there will be a reassessment. The ratio of assessed value to market value ranges from 3.4% to 154.6%.

Pennsylvania has an independent state agency called the Pennsylvania State Tax Equalization Board. This agency is responsible for determining an aggregate market value of taxable real property using uniform procedures for all school districts. The fundamental procedures are based on statistical averages-- "assessment-sales ratio" studies. The State Tax Equalization Board annually

publishes a certification of market values by school district. For 1998, the total market value for all school districts in the state was \$383 billion. These market values are used in the calculation of the market value aid ratio (a measure of district wealth in Pennsylvania) and the equalized mills for each school district. Both measures are used in formulas to distribute various components of state aid.

Income Tax

An earned income tax is levied by 455 school districts. The amount levied in 1998–99 was \$575.8 million. The tax is levied on the wages, salaries, commissions, net profits or other compensation of residents of the school district. There is a 1% limit on this tax; however, where both school district and municipality levy the tax, the 1% limit must be shared on a 50/50 basis, unless otherwise agreed to by the taxing bodies. Consequently, the effective rate for most districts is 0.5%. There is no limit on the earned income tax rate for Philadelphia School District; the limit for Pittsburgh School District is 2%. The Pennsylvania Department of Community Affairs prepares a "Register of Earned Income Taxes" that lists the school districts and municipalities levying the tax, the stated rate for the tax, taxes levied by coterminous jurisdictions, the effective tax rate, and the name and address of the tax officer responsible for collection of the earned income tax. Every employer having a factory, workshop, warehouse or other place of business within the taxing jurisdiction is required to register with the earned income tax officer. All employers are mandated by law to deduct the earned income tax from their employees whenever an ordinance or resolution of a taxing jurisdiction is listed in the Register of Earned Income Taxes. Unearned income (e.g., interest and dividends) is not taxed by school districts

Other Sources of Local Tax Revenue

For school districts the primary sources of other tax revenue come from Act 511 of 1965, the Local Tax Enabling Act. This statute permits districts to levy taxes on other bases that are not preempted by the state. These taxes are known collectively as Act 511 taxes and include the local earned income tax. For 1998–99 other local taxes include: occupation taxes (\$131.5 million), business use and occupancy taxes (\$109.3 million), real estate transfer taxes (\$103.0 million), per capita taxes (\$36.0 million), business privilege taxes (\$16.4 million), occupational privilege taxes (\$14.9 million), mercantile taxes (\$17.3 million), amusement taxes (\$4.8 million), payments in lieu of taxes for property withdrawn from the tax rolls (\$18.1 million), and various other local taxes (\$72.8 million). Also for 1998–99, school districts reported \$346.7 million of delinquent taxes. Pennsylvania school districts are not permitted to levy a local sales tax.

III. TAX AND SPENDING LIMITS

Tax Limits

The real estate tax for second, third and fourth-class school districts (all districts except Philadelphia and Pittsburgh) is limited to 25 mills on assessed value. Pittsburgh (first class A school district) has a rate limit of 32.25 mills on assessed value. However, additional levy amounts are authorized to pay teacher and supervisory staff salaries, rentals due to school building authorities, and interest and principal on indebtedness. The effect of these additional levy authorizations provides essentially unlimited local property tax authority.

In 1998 the Legislature passed Act 50 that allows districts, on a voluntary basis following an affirmative local referendum, to modify the local tax structure. The new tax would permit districts to increase the local earned income tax to 1.0%, 1.25%, or 1.5%. The increased revenues would be used to: 1) eliminate certain Act 511 taxes; 2) provide for limited growth in local tax revenues; and 3) reduce real estate taxes. The reduction in real estate taxes would be accomplished through a homestead and farmstead exclusion for those property owners (up to 50% of the median value in the district). If this does not return all the required real estate tax reduction, then a general millage reduction would be made. Importantly, for the first time the Act places a limit on the total growth in local tax revenues for school districts (maximum of the annual statewide average weekly wage growth). Revenues needed beyond this limit would be subject to a local referendum. At the present time, there is no requirement for voter approval of tax increases in school districts in Pennsylvania.

Spending Limits

The total amount of temporary indebtedness incurred for current expenses and debt service shall, at no time, exceed an amount equal to the sum of: 1) the state appropriations not received but payable during the fiscal year; and 2) the portion of tax levied upon property taxable for school purposes that remains uncollected and unpledged for the current fiscal year.

Voter Approval of Budgets and Bond Issues

School district budgets and bond issues are not subject to voter approval. School districts advertise and hold open hearings on the budget 30 days prior to adoption.

IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

Not reported.

V. BASIC STATE SUPPORT PROGRAM

Funding in 1998–1999: \$3,570.2 million.

Percentage of Total State Aid: 44.4%.

Nature of Program: The basic support program, called Basic Education Funding, is generally a percent-equalized foundation program. Since 1991–92 (except for 1995–96), the subsidy from the prior year has been the base for the current year; any additional funding for the current year has been distributed through various formula components called supplements. The previous funding system, Equalized Subsidy for Basic Education (ESBE), distributed \$2,961.3 million in 1991–92. In 1993–94, an additional \$129 million was distributed through the Equity Supplement. In 1994–95, the Foundation Funding for Equity distributed an additional \$123.2 million. In 1995–96, Basic Education Funding increased by \$144.2 million, in 1997–98 by \$90.4 million, and in 1998 by \$120.7 million. In 1992–93 and 1996–97 no increases in state aid were provided. Consequently, for 1998–99 approximately 83% of the state basic aid is distributed to districts based on the 1991–92 formula and district characteristics at that time.

Allocation Units: Average daily membership (ADM) is the basic allocation unit. ADM equals the sum of the enrollment count for each day in the school year divided by the number of days in the school year.

Local Fiscal Capacity: The measure of local wealth is called the market value/personal income (MV/PI) aid ratio. The 1998–99 aid ratio uses 1996 market value and 1996 personal income. The MV/PI aid ratio is a reverse index in which higher numbers (e.g., 0.8000) represent low wealth and lower numbers (e.g., 0.2000) represent high wealth. A district whose market value per student and personal income per student are both equal to the state average amounts would have an MV/PI aid ratio of 0.5000. For 1998–99, the median school district aid ratio is 0.5900. For purposes of state aid, a minimum MV/PI aid ratio value of 0.1500 is used. The MV/PI aid ratio is calculated as follows:

$$\begin{aligned}
 \text{MV/PI aid ratio} &= 0.6 * \text{MV aid ratio} + 0.4 * \text{PI aid ratio} \\
 \text{MV aid ratio} &= 1 - \left[\frac{\text{District market value} / \text{District WADM}}{\text{State market value} / \text{State WADM}} \right] * .5 \\
 \text{PI aid ratio} &= 1 - \left[\frac{\text{District personal income} / \text{District WADM}}{\text{State personal income} / \text{State WADM}} \right] * .5
 \end{aligned}$$

The measure of local tax effort is called the equalized mill, which is the total taxes collected divided by the certified market value of the district.

How the Formula Operates: In 1998–99, school districts received a Basic Education Funding allocation equal to the amount they received in 1997–98. In addition, school districts received one or more funding supplements based on their characteristics.

Weighting Procedures: The WADM is calculated by weighting half-time kindergarten ADM at 0.5, full-time kindergarten and elementary ADM at 1.0, and secondary ADM at 1.36. Qualifying school district received a base supplement equal to a pro rata share of \$85.5 million based on its MV/PI aid ratio times its ADM. To qualify the school district's MV/PI aid ratio must be equal to or greater than .4000.

Adjustments for Special Factors:

Growth Supplement. School districts whose ADM increased between 1996–97 and 1997–98 received an amount equal to \$400 multiplied by the ADM increase. The funding for this component totaled \$6.8 million.

Poverty Supplement. If the number of children aged five to seventeen from families receiving Aid to Families with Dependent Children (AFDC) of \$2,000 or more in 1997 was more than 10% of the 1997–98 ADM, the school district received \$50 per AFDC count. The funding for this component totaled \$6.8 million.

Minimum Increase. Each school district was provided additional funding, if necessary, so that the total increase provided by the base supplement, growth supplement and poverty supplement equaled a minimum of 1% over the prior year. For poorer districts with the MV/PI aid ratio equal to or greater than .7000, a minimum increase of 4% was guaranteed. The funding for this component totaled \$11.7 million.

Small District Assistance. Any school district with a MV/PI aid ratio of .5000 or greater and ADM of 1,500 or fewer qualified for an additional \$75 times their ADM. The funding for this component totaled \$8.9 million.

Local Share: Determined by the MV/PI aid ratio.

State Share: Pupil count times district pro rate share of the state appropriation.

Aid Distribution Schedule: Not reported.

Extent of Participation: None.

VI. TRANSPORTATION

Funding in 1998–1999: \$422.4 million.

Percentage of Total State Aid: 5.2%.

Description: The state provides subsidies to school districts for the transportation of public and nonpublic school students. The subsidy is based on approved allowances for vehicle capacity, mileage traveled, utilized passenger capacity, excess driver hours in congested areas, and the type of service provided. An Approved Reimbursable Costs factor (ARC) is calculated by taking the sum of four components multiplied by a cost index, which is based on the consumer price index (3.726 for 1998–99). The components of the ARC are calculated as follows:

Vehicle Allowance. The vehicle allowance for a bus with a capacity of 11 passengers or more is calculated by adding \$540 to the product of an amount based on the age of the bus and the approved pupil capacity. The allowance for a bus with capacity of 10 or less is calculated by adding \$360 to the same range of bus/pupil capacity products. For contracted service, the amounts based on age of the bus are \$20 for 1-3 years, \$18 for 4-6 years, \$16 for 7–10 years, and \$12 for

11 or more years. For district-owned service, the amounts based on age of the bus are \$15 for 1–10 years and \$12 for 11 or more years.

Mileage Allowance. The mileage allowance is calculated by multiplying the approved daily mileage by the number of school days in service by 23 cents.

Utilized Passenger Capacity Allowance. The utilized passenger capacity allowance is calculated by multiplying the greatest number of pupils in any run by the approved annual mileage by \$.0035 for contracted service or \$.0030 for district-owned service.

Excess Driver Hours Allowance. The excess driver hours allowance for driving in congested areas is the product of the approved hours multiplied by \$3 per hour.

State Share: The state subsidy amount is the lesser of the ARC or the actual costs of transportation multiplied by the district's MV aid ratio. In addition, an Excess Cost Reimbursement limits the local share to one-half mill of the district's market value. If the ARC exceeds one-half mill of market value, the district receives this difference in addition to the regular reimbursement. Districts also receive an additional state subsidy of \$285 per nonpublic pupil transported and per student transported to a charter school outside the school district of residence.

Local Share: The school district is responsible for costs not reimbursed by the state up to a maximum cost of one-half mill times the district's market value of property.

Extent of Participation: 498 school districts received this subsidy in 1998–99.

VII. SPECIAL EDUCATION

Funding in 1998–1999: \$763.5 million.

Percentage of Total State Aid: 9.5%.

Description: The state provides subsidies to school districts, intermediate units, approved private schools and charter schools for the deaf and blind for special education programs. In 1998–99, \$592.6 million was provided to school districts using a formula that provides an amount equal to \$1,260 multiplied by 15% of the school district's average daily membership (total students, not just special education students) plus \$13,955 multiplied by 1% of its ADM. An additional \$33.0 million was provided for supplemental funding equal to 20% of \$1,260

multiplied by 15% of ADM to qualifying school districts. School districts qualified for supplemental funding based on the following criteria:

- A. The school district's 1995–96 special education expenditures as a percentage of the district's regular education, vocational-technical education and special education expenditures was equal to or greater than the state total percentage; the school district's 1997–98 MV/PI aid ratio was equal to or greater than .6000; and the school district's equalized millage was equal to or greater than 21.0; or
- B. The school district's 1995–96 special education expenditures as a percentage of the district's regular education, vocational-technical education and special education expenditures was equal to or greater than the state total percentage; and the school district's equalized millage is equal to or greater than 25.0; or
- C. The school district's number of school-age children in low-income families for calendar year 1996 was equal to or greater than 13%; and the school district's 1997–98 MV/PI aid ratio was equal to or greater than .5500.

School districts were guaranteed an amount equal to the amount received during 1997–98 for the ADM subsidy plus supplemental funding. \$6.8 million was set-aside in a contingency fund to augment the formula subsidy by providing additional funding for extraordinary expenses incurred in meeting the educational needs of students with disabilities who require highly specialized education or related services in order receive an appropriate education. \$42.9 million was provided to intermediate units to provide core services and to fund programs for institutionalized children. \$58.1 million was provided to approved private schools and \$22.9 million was provided to charter schools for the deaf and blind. \$9.6 million was provided for other varied special education programs.

Local Share: The school districts provided funds for the cost of special education programs that exceeded the amounts provided by the state. In addition, the school districts were assessed a "tuition recovery" of approximately \$41.9 million for children in institutionalized children's programs, approved private schools and charter schools for the deaf and blind.

Extent of Participation: 501 school districts, 29 intermediate units, 30 approved private schools, 4 charter schools and 1 state-owned school received funding in 1998–99.

VIII. COMPENSATORY EDUCATION

No state aid provided.

IX. GIFTED AND TALENTED EDUCATION

No state aid provided.

X. BINLINGUAL EDUCATION

No state aid provided.

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–1999: \$81.5 million.

Percentage of Total State Aid: 1.0%.

Description: The state is providing funding to intermediate units and school districts for early intervention programs for children with disabilities.

Extent of Participation: 27 intermediate units, 7 school districts and 1 agency received this subsidy in 1998–99.

XII. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1998–1999: \$49.9 million.

Percentage of Total State Aid: less than 1%.

Description: \$40.0 million was distributed to school districts and AVTSs for secondary vocation education programs. A vocational average daily membership (VADM) is calculated by multiplying the ADM for school district-operated vocational education programs by .17 and by multiplying the ADM for AVTS-operated vocational education programs by .21. The subsidy is calculated by multiplying the VADM by the product of the lesser of the school district's actual instruction expense or its base earned for reimbursement multiplied by the greater of the school district's MV/PI aid ratio or .3750.

State Share: The state provides the funding described above to the school district or AVTS operating the vocational education program.

Local Share: The school district is responsible for costs not reimbursed by the state.

Extent of Participation: 273 school districts and 73 area vocational technical schools received this subsidy in 1998–99.

XIII. TEACHER RETIREMENT PROGRAMS

Teacher Retirement

Funding in 1998–1999: \$321.9 million.

Percentage of Total State Aid: 4.0%.

Description: The Public School Employees Retirement System (PSERS) is administered by the PSERS board of directors made up of 15 members representing annuitants, the Governor and the General Assembly. During 1998–99 the employer contribution rate was 6.04% of payroll. The employee contribution rate was 5.25% for employees hired prior to July 1, 1984 and 6.25% for employees hired after July 1, 1984.

State Share: The state provides a subsidy to school districts, AVTSs, and intermediate units for the employer contribution to teacher retirement. For employees hired prior to July 1, 1994, the state provides one-half of the employer contribution (3.02%). For employees hired after July 1, 1994, the state provides a share of the total employer contribution (6.04%) equal to the greater of the entity's market value/ personal aid ratio or 50%. For example, if the district's aid ratio was 0.7000 the state share would be 70% of the employer contribution (4.23%), or if the district's aid ratio was 0.2200 the state share would be 50% of the employer contribution (3.02%).

Local Share: School districts, AVTSs, and intermediate units provide the portion of the employer contribution not provided by the state.

Extent of Participation: 500 school districts, 73 area vocational technical schools and 29 intermediate units received this subsidy in 1998–99.

Social Security

Funding in 1998–1999: \$343.8 million.

Percentage of Total State Aid: 4.3%.

Description: The state provides a subsidy to school districts, AVTSs, and intermediate units for the employer contribution to Social Security.

State Share: The state share is determined in the same manner as for teacher retirement. For employees hired prior to July 1, 1994, the state provides one-half of the employer contribution. For employees hired after July 1, 1994, the state provides a share equal to the greater of the entity's market value/personal aid ratio or 50%.

Local Share: School districts, AVTSs, and intermediate units provide the portion of the employer contribution not provided by the state.

Extent of Participation: 500 school districts, 73 AVTSs and 29 intermediate units received this subsidy in 1998–99.

XIV. TECHNOLOGY

Funding in 1998–1999: \$36.3 million.

Percentage of Total State Aid: less than 1%.

Description: 1998–99 was the third year of the three-year Link-to-Learn program. Its purpose is to improve the basic technology infrastructure and capabilities of public elementary and secondary schools. Funding is provided for school districts and area vocational technical schools to assist them to: invest in the acquisition of new, or replacement of obsolete, personal computers for use in classrooms; purchase cabling and equipment needed to install local area networks and wide area networks to position schools for eventual connection to the Pennsylvania Education Network; and train teachers to integrate technology effectively into course curricula. The amount of the Link-to-Learn grant is based on the average daily membership and market value/personal income aid ratio of the school district or area vocational technical school.

Extent of Participation: 500 school districts and 73 area vocational technical schools received funding in 1998–99.

XV. CAPITAL OUTLAY AND DEBT SERVICE

State Aided Programs

Funding in 1998–1999: \$253.8 million.

Percentage of Total State Aid: 3.0%.

Description: The state provides subsidies to school districts for the construction, renovation or purchase of school buildings on the basis of approved expenditures and percent equalization. State subsidies are based on the rated pupil capacity of the building as approved by the Department of Education.

The local fiscal capacity of the district is taken into account by use of the MV aid ratio or the capital account reimbursement fraction (CARF), whichever is higher. (The CARF was the fiscal capacity factor in effect for the 1955-56 school year and is based on the relative market value wealth for a teacher unit of 30 elementary or 22 secondary pupils.)

In order to qualify for state subsidy for the construction, renovation or purchase of a school building, each school district must go through a substantial approval process called PLANCON. This process includes, but is not limited to justification, site acquisition information, calculation of project costs, calculation of rated pupil capacity, and full documentation at each stage of the project's development.

State Share: Once all the approvals have been received, the state participates in the funding of the project based on the maximum reimbursable amount calculated from the rated pupil capacity of the building and the district's MV aid ratio or CARF, whichever is higher.

The maximum reimbursable amount for new construction, purchase or alterations to an elementary building is \$3,900, to a secondary building is \$5,100, and to a vocational facility is \$6,300 multiplied by the rated pupil capacity. There are additional allowances for architect's fees, sanitary sewage disposal, and rough grading to receive the building.

Local Share: The school district is responsible for costs not reimbursed by the state.

Extent of Participation: Not reported.

Local Capital Project Financing

Bonding Procedure: School districts may finance capital projects through the State Public School Building Authority, General Obligations Bonds, or through local authorities. School districts generally engage a bond counsel to supervise the financing and to provide legal opinions as to the validity and tax-exempt nature of the bond issue. Districts also engage a financial advisor or investment banker (or both) to structure the bond issue, prepare The Official Statement, and to arrange for a bond rating. Application is then made to the Department of Community Affairs for approval to incur debt.

Necessary Voter Approval and State-Imposed Limits: Capital project financing is governed by the Local Government Unit Debt Act, Act 34 of 1973 (PA. CODE § 7-701.1), and Act 50 of 1998. The Debt Act provides that there is no debt limitation approved by electors. More recently, Act 50 of 1998 limited total non-electoral debt to a maximum of 225% of the district's borrowing base, which is defined as the arithmetic average of the total revenues for the three full fiscal years preceding the incurrence of the debt.

The School Code requires a referendum in instances where the construction costs for a new building or a substantial addition, defined as more than 20% of the area and replacement value, exceeds a per pupil expenditure standard.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

Funding in 1998–1999: \$12.0 million.

Percentage of Total State Aid: less than 1%.

Description: Under the leadership of the Pennsylvania State Board of Education, the state is currently in the process of developing and implementing academic standards for elementary, middle, and secondary students. In January 1999, standards had been established for mathematics and reading, writing, speaking and listening. Additional standards are planned for: science and technology; environment and ecology; health, safety, and physical education; civics and government; arts and humanities; family and consumer science; economics; geography; history; career education and work; and world languages.

State Share: While not funded directly, the state provided funds for support of the standards process. In 1998–99 \$3.0 million was provided for professional development of educators implementing academic standards. An additional \$9.0 million was provided to support the state assessment system to assess the achievement of standards; this represented an increase of \$3.0 million for the fiscal year. In addition, \$20.0 million in federal funds were available to support professional and curriculum development related to academic standards beginning in 1998–99.

Local Share: Additional costs beyond those funded by the state were the responsibility of local school districts.

Extent of Participation: All districts are mandated to prepare students to attain the academic standards promulgated by the state.

XVII. REWARDS/SANCTIONS

Funding in 1998–1999: \$13.4 million.

Percentage of Total State Aid: less than 1%.

Description: The state provided Performance Incentive funding of \$13.4 million to recognize schools that made notable improvements in student achievement and effort. Academic achievement is measured by a school's improvement in comparison to results from prior years on the Statewide Pennsylvania System of School Assessment (PSSA). A school's effort is assessed through improvement in student attendance. The funds are provided to individual schools that qualify. At least 50% of the funds to the school must be spent on planning, delivery, and assessment of the instructional program. Up to an additional 25% can be used for teacher rewards, and the disposition of the balance of the funds is determined by a school committee established to determine the disbursement of the incentive funds.

State Share: Schools that qualified for the student achievement awards received between \$7.50 and \$37.50 per student depending upon their increase over the prior year. Schools that qualified for the effort awards received between \$6.00 and \$37.50 per student depending upon their level of increase over the prior year.

Extent of Participation: In 1998 approximately 1,075 schools received student achievement awards and 480 schools received effort awards.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

Charter Schools

Funding in 1998–1999: \$2.6 million.

Percentage of Total State Aid: less than 1%.

Description: The state provides subsidies to groups and schools interested in planning and starting charter schools. Charter schools are independent public schools custom-designed by local citizens to fulfill a specific and locally driven educational mission. Charter schools operate free of most state mandates, except those ensuring the health, safety, and civil rights of Pennsylvanian children.

State share: A one-time payment from federal and state funds of \$800 per student is allocated to the new charter school.

Local share: A charter school receives the bulk of its funding from the school districts in which the students reside. For each district that has students attending the charter school, the local funding per student to the charter school is equal to the amount the district would spend on each student minus: the average per student expenditure for special education programs; nonpublic school programs; adult education programs; community/junior college programs; student transportation services; facilities acquisition; construction and improvement services; debt service and fund transfer; and federal programs.

Extent of Participation: 31 charter schools serving nearly 6,000 students were operating in Pennsylvania in 1998–99. Additionally, 52 applications to open new charter schools in the fall of 1999 are being considered by 21 school districts.

Alternative Schools

Funding in 1998–1999: \$5.2 million.

Percentage of Total State Aid: less than 1%.

Description: This program assists school districts in developing appropriate programming for students who behave in a manner disruptive to the school environment. The goals are to protect the regular schools; to provide special programming for students who are dangerous, violent and disruptive; and, ultimately, to ensure positive reentry into the regular school environment.

Extent of Participation: Enrollment in alternative schools may not exceed 2% of any district's secondary (grades 7–12) enrollment.

XIX. AID TO PRIVATE SCHOOLS

Funding in 1998–1999: \$84.4 million.

Percentage of Total State Aid: 1.0%.

Description: The state provided funding of \$64.6 million for services to nonpublic schools and \$19.8 million for textbooks and supplies for nonpublic schools.

Extent of Participation: Not reported.

XX. RECENT/PENDING LITIGATION

The Pennsylvania Association of Rural and Small Schools (PARSS) filed suit against the Commonwealth's school funding system in January 1991. The suit alleges that the Pennsylvania school funding system is unconstitutional under both the education clause ("The general assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the commonwealth.") and the equal protection clause of the Pennsylvania Constitution. This is the second attempt to overturn a Pennsylvania school funding system on constitutional grounds.

The trial was held in January 1997 with final arguments made in September 1997. In July 1998 the Commonwealth Court found that the PARSS case was non-justiciable, that only the legislature could decide what is "thorough and efficient." This was identical to a previous finding of a similar case filed by the Philadelphia School District (*Marrero v. Commonwealth*, 709 A.2d 956 (Pa. 1988)). In September 1998, PARSS appealed the ruling to the State Supreme Court. In October 1999, the State Supreme Court denied the appeal, leaving the current state funding system intact.

XXI. SPECIAL TOPICS

Tuition for Orphans and Children Placed in Private Homes

Funding in 1998–1999: \$37.9 million.

Percentage of Total State Aid: less than 1%.

Description: State payments are made to school districts for: (1) the education of non-resident children placed in private homes by court order or by an agency having care of neglected and dependent children; (2) the education of non-resident children with no Pennsylvania school district of residence in orphan homes, correctional institutions and other institution; (3) the education of institutionalized children in classes operated by Allegheny Intermediate Unit #3.

Extent of Participation: 446 school districts and five intermediate units received payments under this program in 1998–99.

School Food Services

Funding in 1998–1999: \$16.7 million.

Percentage of Total State Aid: less than 1%.

Description: This subsidy provides federally mandated state matching funds for meals served in the National School Lunch and School Breakfast Programs. Federal law requires a match equal to 30% of the General Cash Assistance funds expended in School Year 1980-81. The Commonwealth of Pennsylvania pays 6 cents, 8 cents or 10 cents per lunch served depending on the level of participation in the School Breakfast Program. State reimbursement for every breakfast served is 10 cents.

Extent of Participation: 544 public school entities participate in the programs; these include school districts, intermediate units, area vocational technical schools, and charter schools.

Safe Schools

Funding in 1998–1999: \$1.0 million.

Percentage of Total State Aid: less than 1%.

Description: The purpose of this program is to provide children with the opportunity to learn and teachers to teach unhindered by violence and disciplinary problems in the schools. Through the Center for Safe Schools, grants are made available to school districts to develop innovative strategies. A portion of the funds provided are targeted to those school districts that have experienced the

greatest problems with violence. Under the direction of Department of Education, the Center for Safe Schools also ensures data collection and provides materials, training or technical assistance to every school district, intermediate unit and vocational technical school within the Commonwealth.

Extent of Participation: Center for Safe Schools administered 46 grants in 1998–1999.

Teen Pregnancy and Parenthood

Funding in 1998–1999: \$1.5 million.

Percentage of Total State Aid: less than 1%.

Description: The primary objectives of this competitive grant program are to keep students in schools and to have them graduate and receive the necessary skills and knowledge for life, and to enable the teen parents to have healthy and sound babies. Programs emphasize comprehensive services, specifically health and nutrition education, personal and career counseling, employability skills, parenting skills and health care monitoring. For this program no limits or budget categories specifically apply, however the program must have a minimum of 25 students who are receiving aid to families with dependent children and who do not have a high school diploma or its equivalent.

Extent of Participation: This program served approximately 5,400 students in 1998–1999.

Education Mentoring

Funding in 1998–1999: \$1.2 million.

Percentage of Total State Aid: less than 1%.

Description: This program supports grants to community-based organizations that work in partnership with schools to provide adult mentoring to students identified as potential dropouts, with high absenteeism, disciplinary problems, and poor academic achievement. Programs emphasize the coordination of various human and social services and the repositioning of those services at school sites. Grants are awarded on a competitive basis.

Extent of Participation: 18,233 students were enrolled in this program in 1998–99.