

Report Highlights

State Funding Formulas in Pennsylvania

House Resolution 2005-4 calls on the LB&FC to study existing state aid funding formulas and their impact on the Commonwealth's 67 counties. The focus of the resolution was on formulas with hold harmless provisions or that have not been adjusted in recent years to account for population and/or client growth.

The report identifies 52 state appropriations of \$10 million or more (FY 2004-05) that were distributed on a formula basis. Most (35) of the formulas were based on some portion of actual expenditures or used factors that were updated on a regular basis. Others, however, had not been updated in recent years or had hold harmless/historical base amounts that appear to have little relationship to current population figures or number of clients served. For example:

PennCARE. The PennCARE allocation formula was recently updated, but state law includes a "hold harmless" provision such that no Area Agency on Aging receives less state funding than it received in the prior year. As a result, some AAAs (Pike, Adams, and Monroe) received less than half the amount they would have received under a pure formula-driven allocation, while others (e.g., Allegheny and Philadelphia) received substantially more than the formula would provide.

Basic Education Subsidy. State law provides that each school district receives at least as much BES funding as it did the prior year. As a result, districts with declining enrollments have tended to receive far greater increases on a per student basis than districts with growing enrollments. The two extremes are the Harmony Area SD (Clearfield), which had a 25% decline in enrollment (1995-96 to 2004-05) and a \$3,255/student increase in BES funds, and the Spring-Ford SD (Montgomery), which had a 55% increase in enrollment but a \$158/student decrease in their BES allocation.

Special Education Subsidy. Each school district receives its prior year special education funding as a minimum base. As with the BES allocation, districts with declining enrollments tend to receive far greater increases on a per student basis than growing districts. Examples include the Clairton City (Allegheny) SD, which had a 15% decline in enrollment (1995-96 to 2004-05) but a \$2,793 increase in special education funding per estimated special education student, and the Central York SD, which had a 35% increase in enrollment but only a \$69 increase per estimated special education student.

Early Intervention. Although the Departments of Education and Public Welfare allocate their funds somewhat differently, both have used historical allocations as a base. As a result, DPW state EI allocations varied from \$2.13 per capita (county pop.) in the Luzerne/Wyoming joiner to \$7.61 per capita in Potter County. PDE allocations (total) varied from \$2,559/student served for the Altoona SD to \$10,246/student served in the Chester-Upland SD.

Drug and Alcohol. DOH's Bureau of Drug and Alcohol county allocations are based on several factors, including population. Population figures, however, have not been updated since 1972. BDAP allocations range from \$1.99 per capita (Cumberland/Perry) to \$6.75 per capita (Erie).

Mental Retardation, Mental Health, and Behavioral Health. All three of these DPW appropriations, which totaled \$1.43 billion in state funds in FY 2004-05, are allocated based primarily on historical costs. In all three cases, allocations are based on unwritten department policy. MR per capita county allocations varied from \$9.26 (Huntingdon/Mifflin/Juniata) to \$27.28 (Mercer); MH allocations varied from \$19.02 (York/Adams) to \$82.66 (Philadelphia). BH allocations varied from \$1.84 (Westmoreland) to \$9.56 (Philadelphia).

Payments to Counties. PENNDOT reported that Liquid Fuels Tax payments to counties (\$32M in 2004-05) are allocated based on the ratio of county average gasoline consumption in 1927, 1928 and 1929. According to PENNDOT, shortly after the enabling act passed in 1931, gasoline consumption figures stopped being reported, but the legislation has never been updated.

Mass Transit. Appropriations are allocated to Class 3 and 4 mass transit agencies based in part on historical grant amounts and in part on operating factors such as vehicle miles. SEPTA and PAAC allocations are based on historical grant percentages. As a result, when viewed on a per passenger basis, allocations varied widely for each of the three mass transit appropriations.

Recommendations: The report contains no recommendations as a detailed study would need to be conducted of each appropriation.