



# Pennsylvania's Path to Adequately Funded Schools

922 N. 3rd Street, Harrisburg, PA 17102 • [www.pennpolicy.org](http://www.pennpolicy.org) • [info@pennpolicy.org](mailto:info@pennpolicy.org)

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By Castin Stone, Laura Beltrán Figueroa, and Marc Stier

As we wait for the Pennsylvania General Assembly to belatedly pass a budget for the current fiscal year, we want to share an analysis of the state of school funding relative to the ideal of ensuring adequacy and equity for all students in the Commonwealth.

## A Brief History

In February 2023, Pennsylvania's Commonwealth Court issued a landmark ruling declaring the state's school funding system unconstitutional. The case, *William Penn School District et al. v. Pennsylvania Department of Education*, had been winding its way through the courts for nearly a decade before the Court ruled that the General Assembly had failed its constitutional duty to provide a "thorough and efficient" system of education.<sup>1</sup> At the heart of the case was the concept of adequacy: the principle that regardless of where a student lives, that student is entitled to sufficient funding to meet academic standards and prepare for civic and economic life. The ruling directed the legislature and Governor to repair a system that had long produced stark inequities.

While initial steps toward fairness were taken following recommendations from the Basic Education Funding Commission (BEFC), created in 2014, the Court made clear that Pennsylvania's system was still falling short. The BEFC's formula, enacted in 2016, was designed to calculate what it would cost to provide an adequate education in each district based on student needs. As defined by the BEFC, "adequacy" is the dollar amount needed to provide every student with the resources necessary to meet Pennsylvania's benchmarks. The "adequacy gap" is the difference between that benchmark and what a district actually receives in combined state and local funding.

Pennsylvania's Basic Education Funding (BEF) formula was meant to close these gaps by distributing new state aid more equitably. Beginning in 2015–16, any funding added above the fixed 2014–15 "base" was allocated through the formula, which weights student enrollment by factors such as poverty, English-learner status, sparsity, and local tax capacity. But most of the state's education funding—roughly 90%—remained locked at the base year levels through a so-called "hold harmless" policy. For decades, "hold harmless" guaranteed that districts would receive at least as much funding as they had in the prior year, regardless of enrollment decline or changing demographics. When the fair funding formula was adopted, the legislature effectively froze districts' 2014–15 allocations as the permanent base. Only new money appropriated since then flows through the formula.

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1. *William Penn School District et al. v. Pennsylvania Department of Education et al.* No. 587 M.D., 2014, Commonwealth Court of Pennsylvania, Memorandum opinion by President Judge Renée Cohn Jubelirer, filed February 7, 2023, <https://www.elc-pa.org/wp-content/uploads/2023/02/Memorandum-Opinion-Filed-2.pdf>.

This system reduced inequity but at a very slow rate. By 2018–19, just \$539 million—about 8.8% of the \$6.1 billion BEF appropriation—was distributed using the formula. The rest continued to flow based on outdated allocations. That left a great deal of inequity in school funding and a majority of districts underfunded by state standards. For that reason, Judge Renée Cohn Jubelirer ruled that Pennsylvania’s system of funding K–12 education was unconstitutional in February 2023.

## Recent Steps Forward

Following the landmark decision, in 2023–24, the Basic Education Funding Commission proposed a formula that determined how much each school district needed to spend—and how much each should receive from the state—to have sufficient funds to provide an adequate education for its students. The formula was created by examining the funding provided in the school districts that met the state’s own standards for an adequate education. With a bipartisan vote, the General Assembly in July of 2024 created an adequacy formula that mostly followed the advice of the Commission. That formula concluded that the state would need to spend an additional \$4.5 billion per year to bring all school districts to the adequacy standard.

At the same time—for the first time in Pennsylvania’s history—a majority of new funds for K–12 education was sent to school districts that were historically underfunded. In addition, the General Assembly created a \$32 million tax equity supplement to support districts with high local tax burdens, particularly those raising a far greater share of funding from local resources than the state average. Together with the adequacy formula, these new adequacy and tax equity funds were a legislative response to the Court’s ruling. It set Pennsylvania on a path toward systematically closing adequacy gaps in the years ahead.

Governor Shapiro’s proposed budget for 2025–26 builds on last year’s investments by significantly expanding targeted funding streams. It includes a \$526 million increase in the Ready to Learn Block Grant—of which \$494 million is designated for adequacy funding and \$32 million for tax equity funding—bringing total adequacy-directed investments to nearly \$1 billion over two years.<sup>2</sup> At the same time, the proposal scales back growth in Basic Education Funding (BEF), providing only a \$75 million increase compared to the \$225 million boost enacted the year before.<sup>3</sup> While this is a smaller increase than the one provided last year, the Governor also proposed cyber charter school reform, which will bring districts an additional \$378 million. Together with the \$75 million BEF increase, this reform means school districts will receive more funding than is needed to keep pace with inflation, which is the point of yearly increases in Basic Education Funding.

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2. Commonwealth of Pennsylvania, *Education Budget: Summary of State Appropriations for Education, 2025–26 Proposed Budget*, Harrisburg, PA: Pennsylvania Department of Education, 2025, accessed August 25, 2025, <https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/education-budget>.

3. Ibid.

## What Has Been Accomplished So Far; What Remains to Be Done

Our analysis shows that these targeted investments are already beginning to narrow the adequacy gap.<sup>4</sup> Figures 1 to 3 divide school districts into four groups, each of which contains one-quarter of the K–12 students taught in the Commonwealth.<sup>5</sup> The groups vary depending on the share of students who are Black, Hispanic or living in poverty. For each group, we give the average per-student funding gap—that is, the average difference between the per-student cost of giving students in these school districts an adequate education and current per-student spending.

As shown in figure 1, the impact of new funding on the adequacy gap is most pronounced among schools with the highest concentrations of low-income students. These districts saw their per-student funding gaps shrink from about \$3,460 in 2023–24 to \$3,067 in 2024–25, with a further decline to \$2,675 projected in 2025–26. While the largest gains are concentrated in high-poverty districts, the new funding approach is set to benefit all schools, even those with the lowest proportions of low-income students, which will still experience modest but steady reductions in their adequacy gaps.

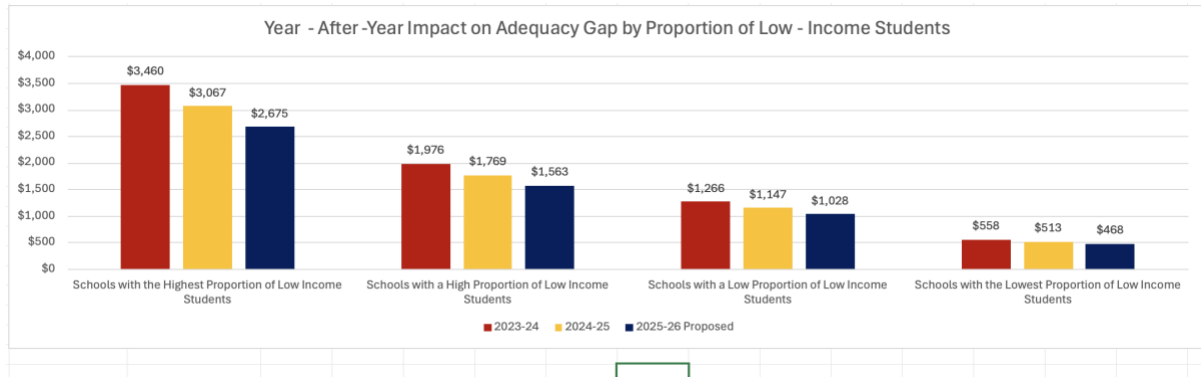
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4. This paper is a successor to a line of similar analyses of K–12 funding in Pennsylvania. One important difference between what we do here and what we did in previous work is that we use the new adequacy formula as the baseline for determining how far any school district is from adequacy funding. In the past, we created our own adequacy baseline by adapting the fair funding formula. While the fair funding formula and the adequacy formula are similar, they are not exactly the same. So, these charts are not strictly comparable to those in our previous work.

The last version of the analysis is: Castin Stone and Marc Stier, “K–12 School Funding in PA Remains Inadequate and Inequitable,” Pennsylvania Policy Center, June 26, 2024, [https://pennpolicy.org/research\\_publication/school-funding-in-pennsylvania-remains-inadequate-and-inequitable](https://pennpolicy.org/research_publication/school-funding-in-pennsylvania-remains-inadequate-and-inequitable). The 2022 version of this analysis gives our most comprehensive account of the state’s failure to adequately and equitably fund our schools: Marc Stier, Eugene Henninger-Voss, Diana Polson, and Stephen Herzenberg, “Inequity and Inadequacy in K-12 Education Funding in Pennsylvania: Fiscal Year 2022-23 Update,” Pennsylvania Budget and Policy Center, November 21, 2022, [https://keystoneresearch.org/research\\_publication/inequity-and-inadequacy-in-k-12-education-funding-in-pennsylvania-fiscal-year-2022-23-update/](https://keystoneresearch.org/research_publication/inequity-and-inadequacy-in-k-12-education-funding-in-pennsylvania-fiscal-year-2022-23-update/). A previous analysis can be found in: Marc Stier, Eugene Henninger-Voss, Diana Polson, and Stephen Herzenberg, “Economic, Racial and Ethnic Inequality in Pennsylvania School Funding,” Pennsylvania Budget and Policy Center, August 15, 2022, <https://keystoneresearch.org/wp-content/uploads/inequity-in-school-funding.pdf>. Eugene Henninger-Voss, “A Quarter Century of Decline: School Funding in Pennsylvania: 1993-94 to 2019-20,” Pennsylvania Budget and Policy Center, November 11, 2021, [https://keystoneresearch.org/research\\_publication/a-quarter-century-of-decline-school-funding-in-pennsylvania-1993-94-to-2019-2020/](https://keystoneresearch.org/research_publication/a-quarter-century-of-decline-school-funding-in-pennsylvania-1993-94-to-2019-2020/) looks at the history of school funding, accounting for inflation in education costs.

5. The four groups do not include the same number of school districts because the student population in school districts varies considerably. So, these data are not comparable to data found in our analyses of school district funding in past years, which divided all school districts into four quartiles of 125. A full explanation of how we create these quintiles can be found in: Marc Stier, Eugene Henninger-Voss, Diana Polson, and Stephen Herzenberg, “Economic, Racial and Ethnic Inequality in Pennsylvania School Funding,” Pennsylvania Budget and Policy Center, August 15, 2022, <https://keystoneresearch.org/wp-content/uploads/inequity-in-school-funding.pdf>.

**Figure 1: Year-After-Year Impact on Adequacy Gap by Proportion of Low-Income Students**

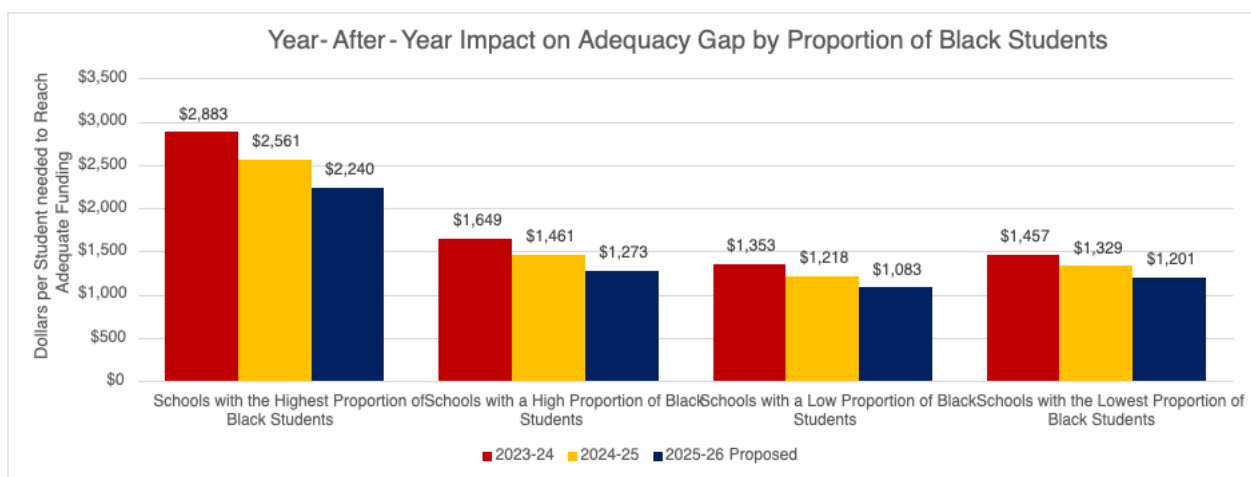


Source: Pennsylvania Policy Center’s calculations using Pennsylvania Department of Education enrollment and demographic data, and adequacy benchmarks established by the Basic Education Funding Commission.

Given the highly racialized nature of Pennsylvania’s funding inequities, it is no surprise that districts serving the highest proportions of low-income, Black, and Hispanic students experienced the largest reductions in per-student adequacy gaps. As shown in figure 2, schools with a high proportion of Black students saw the largest percentage reduction in their adequacy gap between 2023–24 and 2024–25, closing by about 11.4%. Schools with the highest proportion of Black students followed closely with an 11.2% reduction, while schools with lower proportions of Black students saw smaller reductions of about 10% and 8.8%, respectively.

Governor Shapiro’s proposed budget further accelerates this progress. Compared to 2023–24, the adequacy gap is projected to shrink by 22.3% among schools with the highest proportion of Black students, 22.8% among schools with a high proportion of Black students, 20.0% among schools with a low proportion of Black students, and 17.6% among schools with the lowest proportion of Black students.

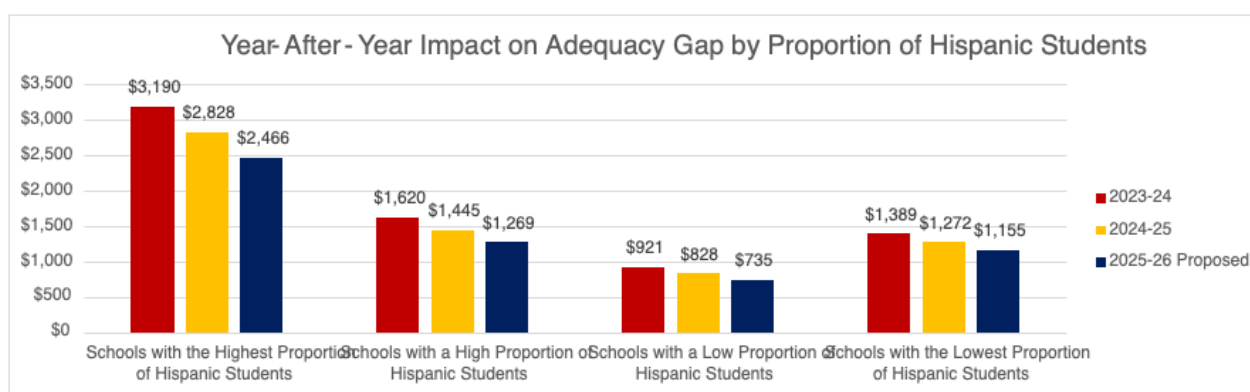
**Figure 2: Year-After-Year Impact on Adequacy Gap by Proportion of Black Students**



Source: Pennsylvania Policy Center’s calculations using Pennsylvania Department of Education enrollment and demographic data, and adequacy benchmarks established by the Basic Education Funding Commission.

Similarly, as shown in figure 3, schools with the highest proportion of Hispanic students saw an 11.3% reduction in their adequacy gap between 2023–24 and 2024–25, while schools with a high proportion of Hispanic students reduced their gap by 10.8%. Schools with lower proportions of Hispanic students experienced smaller reductions of 10.1% and 8.4%, respectively. Under the 2025–26 proposed budget, the gaps are projected to decline even further: by 22.7% among schools with the highest proportion of Hispanic students, 21.7% among schools with a high proportion of Hispanic students, 20.2% among schools with a low proportion of Hispanic students, and 16.8% among schools with the lowest proportion of Hispanic students.

**Figure 3: Year-After-Year Impact on Adequacy Gap by Proportion of Hispanic Students**



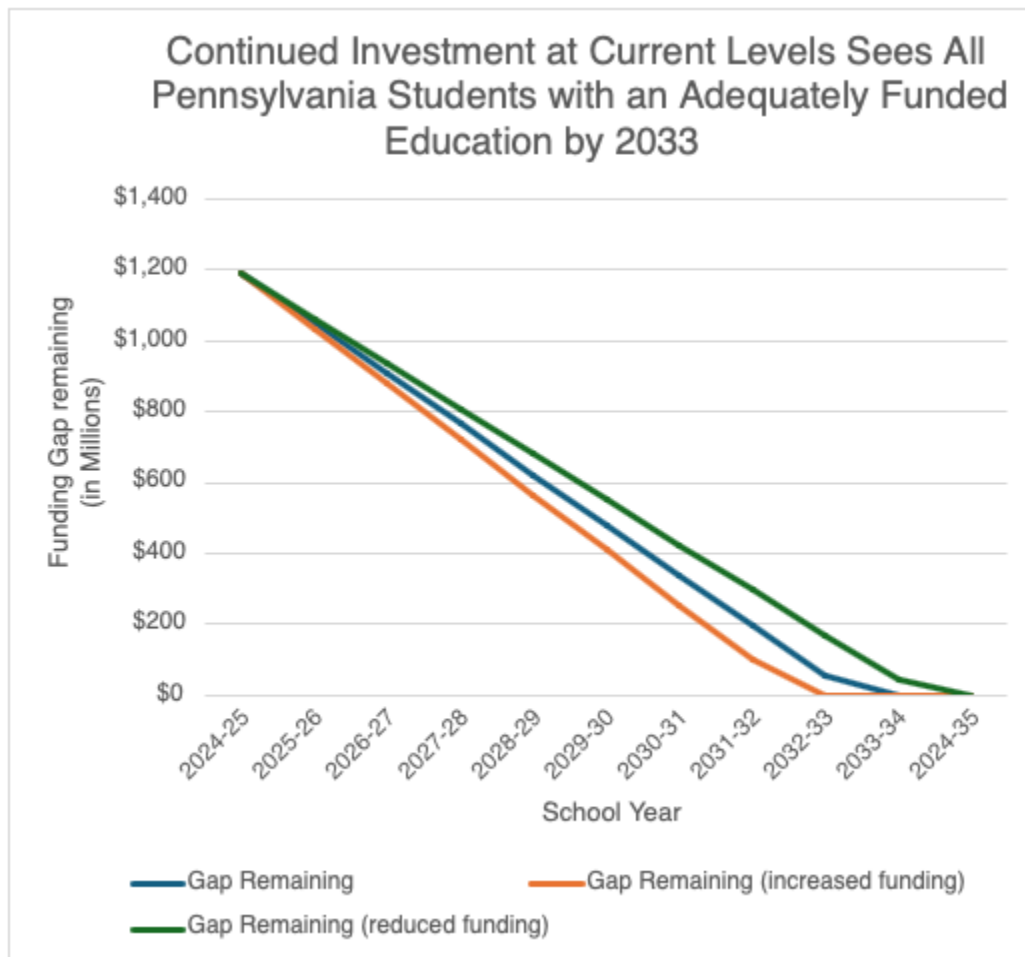
Source: Pennsylvania Policy Center’s calculations using Pennsylvania Department of Education enrollment and demographic data, and adequacy benchmarks established by the Basic Education Funding Commission.

### How Long Will It Take?

If, as it should, the General Assembly adopts Governor Shapiro’s proposal for this year’s budget, the state will have taken major steps for the second year in a row toward meeting its constitutional and moral responsibility to ensure that every student in Pennsylvania has access to a quality education. But as these charts show, even if the second year of adequacy funding is approved, large gaps will remain between an adequate level of funding and what Pennsylvania school districts actually receive. And the gaps will still be far larger for students who go to schools with high proportions of low-income, Black, and Hispanic students.

Figure four shows how fast these adequacy gaps will be reduced and when they will finally be eliminated under three different paths forward. If adequacy funding continues to grow at its current pace, all districts in Pennsylvania will reach adequate funding by 2032–33 (blue line in figure 4). If future legislatures increase appropriations by even 10% more than the current trajectory, the state could close the adequacy gap a year earlier, by 2031–32 (orange line in figure 4). Conversely, if appropriations slip by 10%, full adequacy will not be achieved until 2034–35 (green line in figure 4).

**Figure 4:** Continued Investment at Current Levels Sees All Pennsylvania Students with an Adequately Funded Education by 2033



**Source:** Pennsylvania Policy Center’s calculations using Pennsylvania Department of Education enrollment and demographic data, and adequacy benchmarks established by the Basic Education Funding Commission.

Most importantly, this chart highlights the need for a bipartisan commitment to sustained, new investment and vigilant oversight to ensure that progress toward equity for all students is not derailed. Pennsylvania has taken historic steps toward addressing decades of inequity in public school funding, but the work is far from finished. The court ruling established the constitutional mandate, but it is up to policymakers to maintain momentum year after year. Governor Shapiro’s proposal represents a meaningful step toward fulfilling the promise of adequacy, particularly for districts serving the largest shares of low-income students and students of color. Yet because no legislature can bind the next administration in this respect, the gains of recent years must be safeguarded through continued advocacy and public accountability. Only with continuous commitment will Pennsylvania deliver on the constitutional guarantee of an adequately funded education for all students.