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PENNSYLVANIA

REPORT

Equitable School Funding — A Must For Maintaining Pennsylvania's Workforce

Workforce shortages across the commonwealth demand adequate funding for all schools



Acknowledgements

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Summary

The COVID-19 pandemic has dramatically impacted America's workforce. As of March 2022, there were more than 11.5 million open jobs across the country—an increase of 36 percent from the previous year.[1] In Pennsylvania, 411,000 jobs remain unfilled, up nearly seven percent from the preceding year.[2] Current labor shortages, paired with employers' inability to find enough skilled workers to fill these (and future) positions, are compounding present supply chain issues and threatening our overall economy, both today and in the future.

With more than 80 percent of Pennsylvania kids attending traditional K-12 and career and technical education schools, public education is an important element in effective school-to-workforce pipelines.[3] Pennsylvania must invest greater long-term funding through its fair education funding formula to overcome gaps in funding adequacy and equity. Doing so will ensure that all students, regardless of zip code, have the opportunity to gain skills that will prepare them for careers or college and enable them to bolster Pennsylvania's workforce.

Labor shortages and skills gaps threaten the economy

The pandemic led to millions of Americans either losing their jobs, searching for new employment, staying home to be family caregivers, or retiring—leading to a significant shortage of workers across nearly every economic sector.

In the wake of the pandemic, as of March 2022, America's labor force participation rate stood at 62.4 percent.[4] Pennsylvania's labor force participation rate was 61.3 percent, placing the commonwealth 31st in the nation for workforce participation at a level not seen since 1987.[5, 6]

The labor force was especially impacted by aging employees. By the third quarter of 2020, nearly 29 million Baby Boomers (born between 1946 and 1964) left the workforce due to retirement, an increase from 25 million in the same time period of 2019.[7] By the third quarter of 2021, half of adults over the age of 55 were retired, up from the 2019 rate of 48 percent.[8]

In Pennsylvania, the number of individuals who reach retirement age increases by over 60,000 annually. Retirements paired with slow population growth are expected to decrease Pennsylvania's working-age population (individuals between 25 and 64) every year through 2030.[9]

The problem of Pennsylvania's shrinking labor force is compounded by the fact that many workers do not have the necessary skills for open positions. Skills gap concerns among the commonwealth's employers are nothing new. According to the PA Chamber of Business and Industry's 29th Annual Pennsylvania Economic Survey (2019), employers identified "the lack of qualified applicants to fill job openings" as the "single most important issue" facing Pennsylvania businesses. Further, "[only] 43% of employers at that time rated the [PA] workforce as either excellent or good, the second lowest on record and down from a high of 66% in 2012." Most employers identified deficiencies in both "soft skills" and "hard skills" among job applicants.[10]

According to Monster.com's 2022 Global Report, "more than 9 out of 10 employers [nationally] say they are struggling to fill positions because of a skills gap, and 29 percent agree that the skills gap has increased compared to a year ago."[11]

> "Ensuring all children attend adequately-funded schools with abundant educational opportunities is critical to reducing future workforce shortages"



Lindsay Griffin
President & CEO of the Greater Wyoming Valley Chamber of Commerce and Greater Wilkes-Barre Chamber of Business and Industry

Combined, current labor shortages and continued skills gap disparities will cost our economy trillions of dollars in the years to come. The Federal Reserve Bank of Atlanta has estimated that current staffing shortages are costing U.S. businesses more than $60 billion a month in lost sales.[12] Another study has estimated that by 2029, the national demand for workers with an associate degree or some college could be about 800,000 higher than the supply, while the shortage for workers with a bachelor's degree or higher could be about 8.6 million. The study predicts that, "these educational and skill shortages could result in about $1.2 trillion in lost economic output." Looking specifically at Pennsylvania, the study estimates that there will be a shortage of 101,000 workers with an associate degree or some college and 460,000 workers with a bachelor's degree or higher by 2029. The projected lost economic output to the commonwealth is in excess of $66 billion.[13]

Adequately funded public schools - part of the solution

To maintain and grow our economy, the commonwealth needs more skilled workers. Expected decreases in the state's working-age population through the end of the decade mean that Pennsylvania must do everything it can to ensure that the next generation is prepared for the workforce. With the vast majority of children attending traditional K-12 and career and technical education schools, public education is a natural starting point of our school-to-workforce efforts.

Adequately funding schools can help ensure that more students gain the knowledge and skills they need to be career- or college-ready. Multiple studies show that, "more [education spending] consistently means better outcomes for students—higher test scores, higher graduation rates, and sometimes even higher wages as adults."[14] For example, students attending Pennsylvania's wealthiest quintile of school districts scored significantly higher on state assessments (30 percentage points in math, 25 in science, and 28 in reading) compared to students attending the poorest quintile of districts. Graduation rates are also 20 percentage points higher in the state's wealthiest districts compared to the poorest (94 percent vs. 74 percent).[15]

Research also shows that money must be spent wisely to yield benefits. Investments in smaller class sizes, skilled teachers, additional student supports, and early childhood education are all positively associated with student outcomes.[16] In short, money (and how you spend it) does impact student success. This is especially true when additional school funding is directed towards solving adequacy and equity gaps in higher-poverty school districts.[17]



Career and Technical Education (CTE) is an important opportunity for public school students to experience a combination of hands-on learning, technical skills, and rigorous academics to ensure that they are prepared to enter the workforce. Participants in CTE programs are prepared to pursue a two- or four-year college degree, apprenticeships and training programs, or to enter directly into a skilled career. In Pennsylvania, 90 percent of funding for CTE opportunities comes from local school districts, but many districts are forced to cap the number of students able to access CTE because of inadequate funding.[18]

Pennsylvania is failing in equity and adequacy—shortchanging many students

Pennsylvania has huge disparities in per-pupil spending between wealthy and poor school districts. According to research from the Pennsylvania State University, the poorest 20 percent of school districts in the commonwealth spend on average $4,800 less per student than the wealthiest 20



percent.[19] Pennsylvania is especially shortchanging Black and Hispanic students who disproportionately live in low-wealth communities and attend high-poverty schools with less educational opportunity. In fact, Pennsylvania's racial and economic gaps in accessing educational opportunity ranks among the five worst in the nation.

According to recent data, Pennsylvania's Black students, Hispanic students, and students from low-income families have substantially less access to high-quality teachers, rigorous academic curricula, and positive school climates compared to their white and higher-income peers.[20] Estimates indicate that such gaps have cost Pennsylvania billions of dollars in lost potential earnings and Gross Domestic Product (GDP).[21]

The Commonwealth's overreliance on local property taxes to fund public education has exacerbated these problems. On average, states across the country cover 47 percent of school funding costs, but Pennsylvania's state contribution to education funding is about 38 percent, ranking 45th in the nation.[22] Low-wealth communities struggle to fund their schools adequately—no matter how high they raise taxes—because of depressed local property values. In total, the commonwealth is shortchanging public schools by $4.6 billion.[23] This results in inadequate resources for more than 80 percent of the state's 500 school districts to ensure student opportunity and success.

Conclusion

Current labor shortages and skills gaps in Pennsylvania are expected to persist through the end of the decade with a huge cost to its economy. If the commonwealth is to maintain its workforce, a multifaceted approach is needed that includes making sure that ALL students emerge from school prepared for postsecondary education or a career.

Pennsylvania has made progress in recent years by enacting a more equitable way to distribute new education funding based on student and community needs such as student enrollment and the percentage of students living in poverty. This formula also takes into account district size, wealth, and the local tax effort. However, this fair funding formula only applies to roughly 14 percent of the commonwealth's K-12 funding. Lawmakers must now take the next step in approving greater long-term funding through the fair funding formula to ensure that all students, regardless of race and income, attend adequately and equitably funded schools.

The attainment of high-level skills and the development of the future workforce begins in Pennsylvania's public school classrooms.

Endnotes

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