



PA School Funding: A Problem for Realtors and Communities

Over-reliance on local property taxes to fund schools creates gaps in educational opportunity impacting home values & community investment

Research and homebuyer surveys confirm the mutually reinforcing relationships among school quality, home values and a thriving community. According to the National Association of Realtors' 2022 Home Buyers and Sellers Generational Trends Report, nearly one-quarter of survey respondents said that the quality of a school district influenced their home purchase decision. For buyers between the ages of 32 and 41, that number ticked up to 40 percent.¹

This explains research published in the Federal Reserve Bank of St. Louis Review noting that the value of homes with less-than-average-quality schools nearby is based “essentially on the physical characteristics [of the home]. In contrast, houses associated with higher-quality schools command a much higher price premium.”²

Under-resourced and underperforming schools can deter homebuyers and limit

potential investments in the community. The result is a downward spiral of decreasing property values, diminishing local tax revenue, and a barrier to creating wealth for the members of that community.

ZIP code determines quality of education

Pennsylvania's over-reliance on local property taxes to fund public education has created huge disparities in per pupil spending between wealthy and poor school districts. On average, states across the country cover 47 percent of school funding costs, but Pennsylvania's state contribution to education funding is about 38.5 percent, ranking 43rd in the nation.³ This creates a school funding gap where the poorest 20 percent of school districts in the Commonwealth spend on average \$4,800 less per student than the wealthiest 20 percent.⁴ Such a gap impacts school quality and student success. For

example, students attending Pennsylvania's wealthiest school districts (top fifth) scored significantly higher on state assessments (30 percentage points in math, 25 in science, and 28 in reading) compared to students attending the poorest of districts (bottom fifth). Graduation rates are also 20 percentage points higher in the state's wealthiest districts compared to the poorest (94 percent vs. 74 percent).⁵

Pennsylvania is especially short changing Black and Hispanic students, who disproportionately live in low-wealth communities and attend high-poverty schools with fewer educational opportunities. In fact, Pennsylvania's racial and economic gaps in accessing educational opportunity rank among the five worst in the nation. Data shows that 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.⁶

Quality education & achieving students drive property values

Real estate professionals, who frequently invest in the communities they serve, have a unique understanding of the impact that schools and local property taxes can have on the future of a community. High millage rates assessed on low-wealth properties paired with poor school performance serve as a significant disincentive for individuals and businesses to invest in such communities. Greater state resources for K-12 education can seed a transformation for many of Pennsylvania's low-wealth communities—increasing home values, community investment, and wealth creation for families.

Populations Served By PA's 100 Most Underfunded School Districts



65%

of Pennsylvania's Black students

58%

of Pennsylvania's Hispanic students

58%

of Pennsylvania's students in poverty

64%

of Pennsylvania's English learners

35%

of Pennsylvania's students with disabilities

32%

of Pennsylvania's total student population

Source: <https://leveluppa.org/level-up-100/>

The Reinvestment Fund, a national community development financial institution, quantified this relationship across Pennsylvania in urban, rural, and suburban markets. This study showed that a one percentage point increase in student achievement (measured by performance on Pennsylvania's standardized tests in reading and math) was associated with an additional gain of \$513–\$620 in average home sale prices in following years.⁷ Research published by the National Bureau of Economic Research (NBER) shows specifically that providing districts with additional funding to increase teacher and staff salaries can sharply increase home prices.⁸

Join the effort for education equity

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 20 percent of the Commonwealth's K-12 funding. Lawmakers must continue investing in greater long-term funding through the fair funding formula to ensure that all students, regardless of ZIP code, race, or income, attend adequately and equitably funded schools.

“The real estate sector has a vested interest in adequate and equitable funding for public education. Listings with quality schools have more activity and command a higher purchase price. Investing in school quality is a boost for home sales and the overall community.”



Chris Ivory

Keller Williams Real Estate
Pittsburgh South

SIGN THE PETITION

Please visit StrongNation.org/PAREaltor to learn more about ReadyNation's PA Realtor's Bureau and add your name to our PA realtor petition to Pennsylvania's elected leaders.

ReadyNation's PA Realtors Bureau is a project of ReadyNation / Council For A Strong America, a 501(c)3 non-profit organization. There is no cost to be affiliated with ReadyNation.

Endnotes

- 1 <https://cdn.nar.realtor/sites/default/files/documents/2022-home-buyers-and-sellers-generational-trends-03-23-2022.pdf>
- 2 Chiodo, A.J., Hernandez-Murillo, R., & Owyang, M.T. (2010). Nonlinear Effects of School Quality on House Prices. Federal Reserve Bank of St. Louis. <https://files.stlouisfed.org/files/htdocs/publications/review/10/05/Chiodo.pdf>
- 3 US Census: 2020 Public Elementary-Secondary Education Finance Data. https://www2.census.gov/programs-surveys/school-finances/tables/2020/secondary-education-finance/elsec20_sumtables.xls. (Note: Census per dollar figures in Pennsylvania are in error, due to a misunderstanding with the way that Pennsylvania finances charter schools. But this does not impact the proportion of funding that comes from local governments.)
- 4 Fund Our Schools PA. (n. d.). Summary of expert report by Dr. Matthew Kelly. <https://www.pubintlaw.org/wp-content/uploads/2021/02/20.10.27-Kelly-report-handout-pubintlaw.pdf>
- 5 Fund Our Schools PA. (n. d.). Summary of expert report by Dr. Matthew Kelly. <https://www.pubintlaw.org/wp-content/uploads/2021/02/20.10.27-Kelly-report-handout-pubintlaw.pdf>
- 6 Research for Action (2020, January). Unequal access to educational opportunity among Pennsylvania's high school students. <http://www.researchforaction.org/research-resources/unequal-access-to-educational-opportunity-among-pennsylvanias-high-school-students/>
- 7 ReadyNation (2017). Equitable school funding- A must for Pennsylvania's economic competitiveness. <https://www.strongnation.org/articles/514-equitable-school-funding-a-must-for-pennsylvanias-economic-competitiveness>
- 8 Bayer, P., Blair, P. Q., & Whaley, K. (2020). Are we spending enough on teachers in the U. S.? NBER Working Paper 28255 <http://www.nber.org/papers/w28255>

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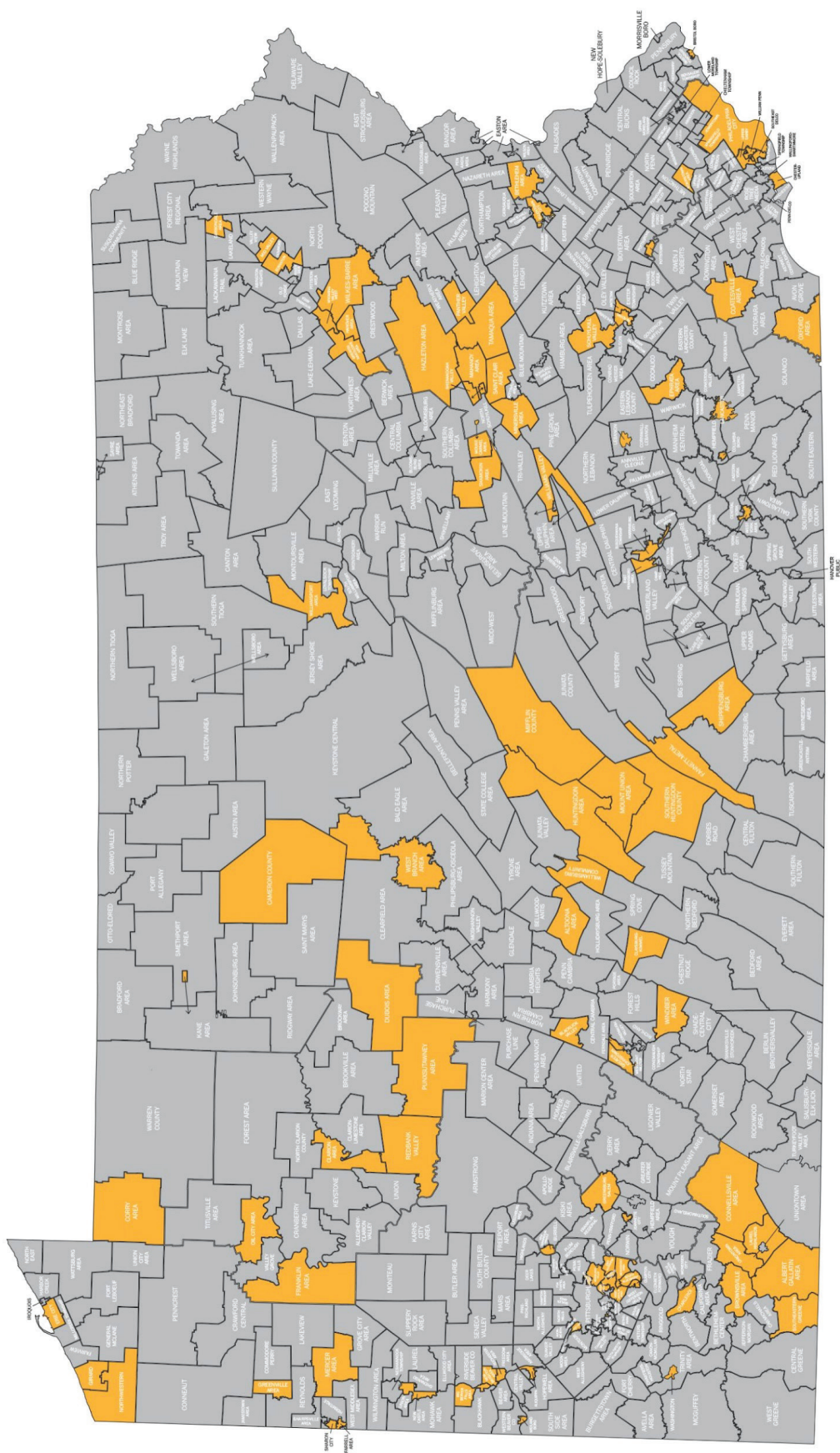
Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life.

Council for a Strong America is a national, bipartisan nonprofit that unites membership organizations, including law enforcement leaders, retired admirals and generals, and business executives, that promote solutions ensuring that our next generation of Americans will be successful, productive members of society.

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Pennsylvania's 100 Most Underfunded School Districts Map



Source: <https://leveluppa.org/level-up-100/>

Pennsylvania's 100 Most Underfunded School Districts

Albert Gallatin Area SD	Greater Nanticoke Area SD	Punxsutawney SD
Aliquippa SD	Greensburg Salem SD	Reading SD
Allentown City SD	Greenville Area SD	Rochester Area SD
Altoona Area SD	Hanover Area SD	Saint Clair Area SD
Antietam SD	Harrisburg City SD	Scranton SD
Bethlehem Area SD	Hazleton Area SD	Shamokin Area SD
Berwick Area SD	Huntingdon Area SD	Sharon City SD
Big Beaver Falls Area SD	Jeannette City SD	Shippensburg Area SD
Blacklick Valley SD	Lancaster SD	Shenandoah Valley SD
Bristol Borough SD	Laurel Highlands SD	South Allegheny SD
Brownsville Area SD	Lebanon SD	Southeast Delco SD
Cameron County SD	Mahanoy Area SD	Southeastern Greene SD
Carbondale Area SD	Mckeesport Area SD	Southern Huntingdon Co SD
Charleroi SD	Mercer Area SD	Steel Valley SD
Chester-Upland SD	Mid Valley SD	Steelton-Highspire SD
Clarion Area SD	Midland Borough SD	Sto-Rox SD
Clairton City SD	Mifflin County SD	Tamaqua Area SD
Claysburg-Kimmel SD	Minersville Area SD	Uniontown Area SD
Coatesville Area SD	Moshannon Valley SD	Upper Darby SD
Columbia Borough SD	Mount Carmel Area SD	Washington SD
Connellsville Area SD	Mount Union Area SD	West Branch Area SD
Corry Area SD	New Brighton Area SD	West Mifflin SD
Dubois Area SD	New Castle Area SD	Wilkes-Barre Area SD
Duquesne City SD	New Kensington-Arnold SD	Wilkinsburg SD
East Allegheny SD	Norristown Area SD	William Penn SD
East Pennsboro SD	North Schuylkill SD	Williams Valley SD
Ephrata Area SD	Northwestern SD	Williamsburg Comm SD
Erie City SD	Oil City Area SD	Williamsport Area SD
Fannett-Metal SD	Oxford Area SD	Windber Area SD
Farrell Area SD	Panther Valley SD	Woodland Hills SD
Ferndale Area SD	Philadelphia City SD	Wyoming Valley West SD
Franklin Area SD	Port Allegany SD	York City SD
Girard SD	Pottstown SD	
Greater Johnstown SD	Pottsville Area SD	