

RURAL SCHOOL DISTRICTS WILL BENEFIT FROM STATE INVESTMENTS IN ADEQUACY, BEF, AND SEF IN 2025

Rural school districts play a critical role in providing a strong foundation for rural communities. As the state's economy changes, school districts play an essential role in ensuring all students learn the real-world skills they need to succeed. Lawmakers from both sides of the aisle should make a responsible investment in the governor's proposed plan, because it will make historic progress in giving every student the quality of education they deserve.

Nearly half of all PA school districts are rural.

Of Pennsylvania's 500 school districts, 243 are classified as rural in accordance with state and federal metrics^{1,2}. Rural school districts are located in 62 of the state's 67 counties, with the majority in what is commonly called the "T" of the state.

Rural districts provide a strong foundation for a quarter of all public school students and face a high cost to do so.

Rural school districts educate over 400,000 students. To deliver a quality education, rural districts face unique challenges, including higher transportation costs, smaller educator talent pools, and more difficulty scaling programs to reduce costs compared to suburban and urban districts.

Rural districts have been helped for years by the state's policy of holding these districts harmless from state education funding cuts due to declining student enrollment.

For many decades, the legislature has protected school districts from losing state funding as their enrollment declined. This funding protection is called "hold harmless" because state funds to the districts were held steady even though the student population declined in these districts by hundreds of thousands. This policy has ensured all students receive the education they deserve.

¹ <https://www.pa.gov/agencies/education/data-and-reporting/school-climate/school-locale.html>

² For the sake of this memo we simplify and combine "town" with "rural" as the districts classified as "town" are colloquially considered rural and are defined as having a population size of less than 50,000.

Last year, lawmakers agreed to guarantee \$1.1 billion for hold harmless districts - slightly more than half of which benefits rural districts - and guaranteed those funds would remain in place going forward, even if the district loses more students.

When Pennsylvania’s legislature adopted the student-focused investment formula in 2024, which ensures fair funding based on updated student enrollment numbers every year, it also passed a special measure that benefits all students in communities where the population is declining. This measure invested over \$1 billion in state funds to hold harmless districts based on the amount they received for the 2023-2024 school year for every year going forward.

This investment in our students’ future continues to support 85% of rural districts by providing them with more funding than they would receive otherwise.

Number of school districts	
Rural school districts in PA	243
that benefit from hold harmless	207
that benefit from adequacy funding	181
that benefit from both hold harmless and adequacy	160
that do not have an adequacy gap but would have one if hold harmless were eliminated	33

For 33 rural school districts, the hold harmless provision ensures students receive an adequate level of funding as prescribed by the state’s school funding formula. These school districts can provide every student with a strong foundation because the legislature protected their hold harmless funds, which protects them from funding cuts that otherwise would occur as they lose students.

Still, another 160 school districts that benefit from hold harmless still require adequacy funding to meet all of their students’ needs for real-world success. This shows that hold harmless is not enough on its own to fund all rural school districts, and additional targeted state investment is required to fully serve rural students. That’s where the adequacy supplement comes in.

An investment of \$1.1 billion is needed, as three out of four rural districts deserve additional funding according to the state’s own funding formula.

Seventy-four percent, or 181 rural districts, have an adequacy gap, according to the formula that the PA legislature adopted in July 2024. These inadequately funded districts serve nearly 300,000 students, or 18%, of the state's public school students. These districts deserve an investment of \$714 million based on the state's formula. The median adequacy shortfall per student is approximately \$2,100.

That's why the \$112 million of new investments in the governor's proposed education plan will help provide a strong foundation for rural districts.

Overall, the Administration's package would invest over \$112 million in new funds to rural school districts, the bulk of which comes from the robust investment in adequacy supplement for rural districts of \$78 million. The proposal also includes \$9 million in tax equity supplement funding, nearly \$17 million in basic education funding, and more than \$8 million in special education funding for rural districts. Once enacted, school districts would continue to receive this increased level of state funding every year going forward.

When including the cost savings from the proposed cyber charter tuition reform, the proposal brings almost \$192 million in new funds and savings to rural districts.

In addition to new investments, the Administration's proposal relieves rural districts of one of their fastest-increasing costs, which are payments to cyber schools. The proposed statewide standard tuition rate of \$8,000 per student would save nearly \$80 million for rural school districts after accounting for the removal of cyber charter transition funding. Rural districts would receive almost 29% of the statewide savings from the proposed cyber charter tuition reform.

When including the benefit of Hold Harmless, the proposal invests \$777 million for rural districts.

Of the more than \$1 billion invested to hold districts harmless from enrollment declines, more than half a billion (\$585 million) is for rural districts. With the new investments proposed by the Administration for adequacy, tax equity, basic education, and special education funding factored in, rural school districts could receive over \$777 million through this proposal.