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Pennsylvania's School-Funding Remedy

Substantial Progress, a Large Remaining Adequacy Gap, and Slowing Growth in Core Education Funding

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$1.547B Recurring adequacy funding added	**$3.253B** Original statutory gap remaining	**$4.137B** Estimated gap remaining after accounting for inflation	**FY 2032–33** Current nine-year trajectory

Executive Summary

While Pennsylvania has begun to repair its unconstitutional school-funding system after years of chronic underinvestment and deep disparities across districts, the Commonwealth still has substantial work ahead to ensure that every student has access to an adequately funded public education.

The first three years of the school-funding remedy have produced real progress. Historically underfunded districts are receiving significant new resources, and Pennsylvania has begun narrowing funding gaps that for decades left a child's educational opportunities too dependent on the wealth of the community in which they lived. But progress is not the same as completion: roughly two-thirds of the statutory adequacy gap remains, inflation has increased the cost of completing the remedy, and growth in several core education funding streams has slowed.

The central challenge now is not simply whether Pennsylvania continues making annual adequacy investments, but whether those investments are large enough to finish the remedy while the Commonwealth also maintains the core funding schools need to preserve existing services. Adequacy dollars are intended to give historically underfunded districts greater capacity to provide students with the teachers, programs, services, and supports associated with an adequate education. If those dollars increasingly have to cover ordinary cost increases instead, Pennsylvania may continue making progress on paper while delivering less new educational capacity in classrooms.

In particular:

- Pennsylvania has added nearly $1.55 billion to the annual recurring adequacy funding base since FY 2024–25, closing approximately 32 percent of the original $4.8 billion statutory benchmark.
- Approximately $3.25 billion of the original adequacy gap remains. Because that benchmark is based on FY 2021-22 spending, however, it does not reflect the higher cost of providing the same level of educational resources today. Accounting for inflation increases the estimated remaining gap to approximately $4.14 billion.
- Simply repeating the most recent $526.44 million annual adequacy investment will not keep Pennsylvania on its current completion trajectory. Closing only the $3.253 billion original statutory balance over the six budgets remaining through FY 2032–33 would require approximately $542 million annually. Preserving the same trajectory after updating the benchmark for inflation and assuming 2.5 percent future annual inflation would require approximately $751 million annually, about $225 million more than the FY 2026–27 installment.
- Adequacy funding has become the principal source of new K–12 investment. Meanwhile, annual growth in Basic Education Funding slowed from 3.6 percent in FY 2024–25 to 0.7 percent in FY 2026–27, while Special Education Funding increases remained below the $100 million provided in the first adequacy budget.
- Taken together, these trends create a two-part test for the Commonwealth's school-funding remedy: Pennsylvania must continue closing the historic adequacy gap at a pace that reflects rising costs while also providing sufficient growth in Basic Education Funding, Special Education Funding, and other core supports so that adequacy dollars can expand educational opportunity rather than simply help districts maintain what they already provide.

Introduction

For decades, Pennsylvania’s school-funding system produced deep disparities in educational opportunity. Because school districts depend heavily on local property taxes, communities with lower property values often imposed higher tax rates while still raising less revenue for their schools. State funding did not sufficiently offset these differences, leaving many districts without the resources needed to meet students’ needs and making the quality of a child’s education heavily dependent on where that child lived.

The result was a system in which communities could make a substantial local tax effort and still lack the resources available to wealthier districts. Students experienced the consequences through the educational opportunities their schools could afford to provide, while taxpayers in lower-wealth communities often shouldered heavier local tax burdens without being able to close the gap.

In February 2023, the Commonwealth Court ruled in W*illiam Penn School District v. Pennsylvania Department of Education* that this system violated the state constitution. The court found that Pennsylvania was failing to provide all students with meaningful access to a comprehensive, effective, and contemporary public education and that the system disproportionately disadvantaged students in low-wealth districts. Although the decision did not prescribe a specific funding amount or formula, it required the governor and General Assembly to develop a remedy capable of providing constitutionally adequate and equitable educational opportunities.[1]

The purpose of that remedy is not simply to increase the amount of money flowing to historically underfunded districts. It is to give those districts additional educational capacity: greater ability to hire and retain educators and support staff, strengthen academic programs and student services, purchase instructional resources, and provide students with opportunities their schools previously lacked. For adequacy funding to serve that purpose, it must add to the core funding districts rely on to maintain existing services rather than increasingly being used simply to cover rising operating costs.

The reconstituted Basic Education Funding Commission subsequently developed an adequacy framework that compares each district's existing resources with a district-specific spending target informed by the spending levels of districts meeting the Commonwealth's academic standards. The framework begins with a base adequacy cost of $14,120 per weighted student, adjusts enrollment for differences in student needs, and incorporates local tax effort and fiscal capacity. Because the enacted formula relies on FY 2021–22 expenditure data, that year also provides the starting point for assessing how rising prices have changed what the original funding benchmark can buy.[2]

The framework identified an approximately $4.8 billion statewide adequacy gap.

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[1] William Penn School District v. Pennsylvania Department of Education, 294 A.3d 537 (Pa. Commw. Ct. 2023), memorandum opinion filed February 7, 2023, https://www.pacourts.us/news-and-statistics/cases-of-public-interest/587-md-2014---william-penn-school-district-et-al-v-pa-department-of-education-et-al

[2] Pennsylvania General Assembly, Act of July 11, 2024, P.L. 618, No. 55, sec. 48, amending section 2599.6 of the Public School Code of 1949, https://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2024/0/0055..HTM?21=.

That $4.8 billion figure represents more than a statewide budget shortfall. It measures the difference between the resources districts had and the resources the Commonwealth's framework determined they needed to provide students with an adequate education. In practical terms, closing that gap is intended to give historically underfunded schools resources they did not previously have—not simply enough money to preserve the same level of services as costs rise.

This distinction is central to evaluating Pennsylvania's progress. Adequacy funding can close historic resource gaps most effectively when core state support continues to keep pace with the cost of maintaining existing educational services. If it does not, districts may have to use part of their new adequacy funding simply to preserve what they already provide.

Under the FY 2024–25 enactment, approximately $4.5 billion was initially assigned to the Commonwealth and roughly $300 million was treated as a potential local contribution. Beginning in FY 2025–26, lawmakers removed that assumed local share and distributed new adequacy funding according to districts' shares of the full $4.8 billion statutory gap.[3]

In addition, while the legislation originally established two remedy-related funding components—the adequacy supplement and the tax-equity supplement—the Ready to Learn Block Grant now includes three distinct supplements. Beginning in FY 2025–26, lawmakers added a minimum adequacy supplement for districts receiving relatively little through the principal adequacy calculation. The grant therefore now contains a principal adequacy supplement, a tax-equity supplement, and a minimum adequacy supplement, each serving a distinct purpose.[4]

Across the first three remedy budgets, Pennsylvania provided $493.798 million in new adequacy funding in FY 2024–25 and $526.440 million in each of FY 2025–26 and FY

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[3] Pennsylvania House Appropriations Committee, "Education—Pre-K to 12," in 2025/26 Budget In Depth, accessed July 18, 2026, https://www.houseappropriations.com/Topic/2025-2026/853.

[4] Pennsylvania Department of Education, "Ready to Learn Block Grant," accessed July 18, 2026, https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/ready-to-learn-block-grant; Pennsylvania Department of Education, "Education Budget," accessed July 18, 2026, https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/education-budget; and Pennsylvania General Assembly, Act of July 11, 2024, P.L. 618, No. 55, sec. 48, amending section 2599.6 of the Public School Code of 1949, https://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2024/0/0055..HTM?21=.

2026–27. Together, those installments added $1.546678 billion to the annual recurring adequacy base and closed approximately 32 percent of the original $4.8 billion gap.[5]

The Commonwealth also provided approximately $32.202 million in tax-equity funding in each of the three years and added a $6.437 million minimum adequacy supplement in both FY 2025–26 and FY 2026–27. These components address related inequities, but only the principal adequacy supplement is counted as directly closing the statutory adequacy gap.

The first three budgets have therefore delivered substantial and strongly targeted gains to many of Pennsylvania's most underfunded districts. That is real progress, but it is not completion: roughly two-thirds of the original adequacy gap remains. At the same time, those investments were enacted amid the rising costs of wages, transportation, utilities, health care, instructional-materials, and other operating pressures.

For school districts, those rising costs translate directly into what it takes to keep educators and support staff in schools, transport students, provide employee health benefits, operate school buildings, purchase classroom materials, and maintain student services. A funding increase that does not keep pace with those costs buys less from one year to the next.

That means simply maintaining the same dollar amount of adequacy funding from year to year does not preserve its purchasing power. Completing the remedy will require future appropriations that account for the rising cost of providing an adequate education.

This brief assesses how much of Pennsylvania's statutory adequacy gap has been closed, how much remains after accounting for inflation, and what level of annual funding would be required to complete the remedy under alternative timelines. It also examines whether Basic Education Funding, Special Education Funding, and other core supports have continued to grow alongside the adequacy supplement.

Together, these measures help answer a broader question: Are Pennsylvania's school-funding investments giving students in historically underfunded districts access to

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[5] Pennsylvania General Assembly, Act of July 11, 2024, P.L. 618, No. 55, sec. 48, amending section 2599.6 of the Public School Code of 1949, https://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2024/0/0055..HTM?21=; Pennsylvania Department of Education, "Ready to Learn Block Grant," accessed July 18, 2026, https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/ready-to-learn-block-grant; and Pennsylvania Department of Education, "Education Budget," accessed July 18, 2026, https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/education-budget.

additional educators, programs, services, and opportunities, or are rising costs and slower growth in core funding beginning to consume part of those gains?

How the Remedy Has Been Implemented

Pennsylvania's response to the Commonwealth Court's school-funding decision has unfolded through three annual state budgets.

In FY 2024–25, the General Assembly created the adequacy and tax-equity formulas and provided $493.798 million in new adequacy funding and $32.202 million in tax-equity funding.

In FY 2025–26, lawmakers removed the assumed local share from the adequacy calculation, increased the annual adequacy installment to $526.440 million, provided another $32.202 million for tax equity, and added a $6.437 million minimum adequacy supplement.

The FY 2026–27 budget continued those same annual supplement amounts and increased the total Ready to Learn Block Grant appropriation to $1.948 billion.

As of FY 2026–27, Pennsylvania had added $1.547 billion in recurring adequacy funding, $96.606 million in tax-equity funding, and $12.874 million in minimum adequacy supplements. Together, the three budgets provided $1.656 billion in new Ready to Learn supplements.

However, only the $1.547 billion in principal adequacy payments is counted toward closing the statewide adequacy gap. The other supplements serve different purposes: tax-equity funding assists districts facing especially high local tax burdens, while the minimum adequacy supplement provides additional support to districts receiving relatively small allocations through the principal adequacy formula.6

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[6] Pennsylvania General Assembly, Act of July 11, 2024, P.L. 618, No. 55, sec. 48, amending section 2599.6 of the Public School Code of 1949, https://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2024/0/0055..HTM?21=; Pennsylvania Department of Education, "Ready to Learn Block Grant," accessed July 18, 2026, https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/ready-to-learn-block-grant; and Pennsylvania Department of Education, "Education Budget," accessed July 18, 2026, https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/education-budget.

Table 1. New Ready to Learn remedy components, FY 2024–25 through FY 2026–27

Fiscal Year	Adequacy Supplement	Tax-equity Supplement	Minimum Adequacy Supplement	Total New Supplements
FY 2024–25	$493.798M	$32.202M	—	$526.000M
FY 2025–26	$526.440M	$32.202M	$6.437M	$565.079M
FY 2026–27	$526.440M	$32.202M	$6.437M	$565.079M
Total	$1.547B	$96.606M	$12.874M	$1.656B

The scale and targeting of these investments mark a significant departure from Pennsylvania's long history of inadequate and inequitable state support. They represent real and important progress. But progress is not completion: after three budgets, Pennsylvania has closed only about 32 percent of the original statewide adequacy gap, leaving roughly two-thirds still to be addressed.

The Remaining Adequacy Gap

Pennsylvania's progress in closing about 32 percent of the adequacy gap is measured against the original $4.8 billion benchmark established by the funding framework. That measure is necessary for tracking implementation of the enacted framework, but it does not capture the decline in purchasing power since the FY 2021–22 expenditure year used to establish the benchmark.

Put differently, the statutory calculation tells us how much of the original $4.8 billion figure remains unpaid. It does not tell us what those same educational resources would cost today. As the cost of salaries and benefits, transportation, utilities, instructional materials, and student services rise, the same amount of funding buys less for schools.

The following analysis therefore answers two related questions: what would the unpaid portion of the original benchmark be worth in today's dollars, and what could happen to the remaining gap if future adequacy payments do not keep pace with rising costs?

A Backward-Looking Inflation Adjustment

Because the statutory formula relies on FY 2021–22 spending data, the original $4.8 billion benchmark does not reflect how much prices have increased since that period.

To estimate what that benchmark would represent in today's dollars, we compare the national Consumer Price Index for All Urban Consumers (CPI-U) average for FY 2021–22—282.025—with the June 2026 index of 333.952. Prices increased by approximately 18.4 percent between FY 2021–22 and the beginning of FY 2026–27.

Applying that increase to the original $4.8 billion adequacy gap raises the equivalent value of that benchmark in June 2026 dollars to approximately $5.684 billion. After subtracting the $1.546678 billion already added through the three principal adequacy installments, the inflation-adjusted gap remaining is approximately $4.137 billion (Table 2).

The difference is substantial. Measured solely against the original $4.8 billion figure, Pennsylvania has $3.253 billion of the gap left to close. When the original benchmark is updated to reflect what the same level of resources would cost today, the estimated remaining challenge is roughly $884 million larger. In practical terms, that difference reflects the higher cost of providing the educators, services, transportation, materials, and other resources the original adequacy benchmark was intended to support.

CPI-U is used here as a transparent, illustrative measure of general price growth; it is not an education-specific cost index. This estimate therefore illustrates how inflation has affected the purchasing power of the original benchmark; it is not an official recalculation of the district-level formula using updated enrollment, student weights, local tax effort, fiscal capacity, or expenditures.

Table 2. Original and Inflation-Adjusted Estimates of Pennsylvania's Remaining Adequacy Gap

Measure	**Calculation**	**Estimated Amount**
Original-dollar gap remaining	$4.800B – $1.546678B	$3.253B
Original $4.8B target in June 2026 dollars	$4.800B × 1.1841	$5.684B
Inflation-updated gap remaining	$5.684B – $1.546678B	$4.137B

The implication is straightforward: Pennsylvania could close the remaining balance measured against the original $4.8 billion figure without fully restoring the purchasing power that the adequacy framework was intended to provide. Closing the number on paper is not necessarily the same as closing the resource gap students experience in their schools.

What Happens if Adequacy Payments Stay Flat as Costs Rise?

The previous calculation asks what the original adequacy benchmark is worth today. The next question is what happens going forward if Pennsylvania continues providing the FY 2026–27 adequacy installment of $526.440 million over the remaining six budgets while educational costs continue to rise.

To illustrate that possibility, we model the remaining gap under annual inflation assumptions of 0, 2.0, 2.5, and 3.0 percent.

Under every scenario, maintaining the latest annual installment would leave a substantial portion of the gap unpaid in FY 2032–33. Even with no additional inflation, approximately $978 million would remain. At 2.5 percent annual inflation, the remaining gap would be approximately $1.435 billion.

Repeating the latest installment is therefore not equivalent to remaining on schedule. Continuing to appropriate $526.44 million annually may look like maintaining the Commonwealth's current commitment, but the purchasing power of a fixed annual payment declines as costs rise. For schools, that means the same appropriation can purchase fewer of the staff, services, materials, and other resources needed to reach adequacy. Under a 2.5 percent inflation scenario, Pennsylvania would reach FY 2032–33 with roughly $1.44 billion of the inflation-adjusted gap still unfilled.

Future appropriations therefore must do two things at once: continue reducing the historic funding gap and keep pace with the rising cost of the educational resources needed to close it. Otherwise, Pennsylvania can continue making annual payments while falling behind the purchasing power needed to complete the remedy.

Table 3. Remaining Adequacy Gap in FY 2032–33 if Annual Payments Remain at $526.440 Million

Future annual inflation assumption applied to the inflation-updated gap	**Gap remaining in FY 2032–33 if annual payments remain $526.440M**
0.0%	$978M
2.0%	$1.338B
2.5%	$1.435B
3.0%	$1.535B

Methodology note: For each future year, the model applies the assumed inflation rate to the opening gap and then subtracts that year's recurring adequacy payment: $G_t = G_{t-1}(1 + \pi_t) - P_t$*. Enrollment, student weights, local tax effort, fiscal capacity, and other statutory inputs are held constant. The projections are illustrative and are not official recalculations of the district-level adequacy formula.*

What Annual Investments Would Keep the Remedy on Schedule?

Pennsylvania has not enacted a binding multiyear appropriation schedule for completing the remedy. House Appropriations describes the current pace as a nine-year trajectory ending in FY 2032–33. Because three installments have already been enacted, six future budgets remain under that timeline. For comparison, this brief also models an accelerated path ending in FY 2030–31, which would require four additional installments.[7]

These scenarios do not prescribe a particular completion date. They illustrate the choices future governors and General Assemblies will face: how quickly Pennsylvania closes the gap affects how much the Commonwealth ultimately will need to invest. The longer the remedy takes, the more rising costs can increase the amount required to provide schools with the resources contemplated by the original adequacy framework.

What Annual Payments Would Be Needed?

Using the $4.137 billion inflation-updated starting gap, the annual payment required to eliminate the remaining gap depends on both the completion date and the rate of future inflation.

The difference between the original-dollar calculation and the inflation-adjusted calculation is important. The original statutory calculation begins with the $3.253 billion remaining from the original $4.8 billion gap and does not account for the purchasing power lost since the formula's FY 2021–22 spending base. Under that original-dollar benchmark, closing the remaining balance over the six budgets in the current trajectory would require approximately $542 million annually.

But $542 million is enough only to close the remaining balance measured in the original dollars used to establish the framework. Once the benchmark is updated for inflation through FY 2026–27, the required payment rises to approximately $690 million even if no additional future inflation occurs. At 2.5 percent future annual inflation, preserving the FY 2032–33 completion trajectory would require approximately $751 million annually—about $225 million more than the FY 2026–27 installment. An accelerated four-year path would require approximately $1.100 billion annually under the same inflation assumption (Table 4).

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[7] Pennsylvania House Appropriations Committee, "Education—Pre-K to 12," in 2025/26 Budget In Depth, accessed July 18, 2026, https://www.houseappropriations.com/Topic/2025-2026/853. The committee describes the enacted pace as a nine-year trajectory; the alternative FY 2030–31 path presented here is an illustrative accelerated scenario rather than a statutory deadline.

Table 4. Required Annual Adequacy Payments Under Original-Dollar and Inflation-Updated Completion Paths

Completion path	Payments remaining	Original statutory gap, not adjusted for inflation	Inflation-updated gap: 0% future inflation	2.0% future inflation	2.5% future inflation	3.0% future inflation
Current trajectory: FY 2032–33	6	$542M	$690M	$739M	$751M	$764M
Accelerated path: FY 2030–31	4	$813M	$1.034B	$1.087B	$1.100B	$1.113B

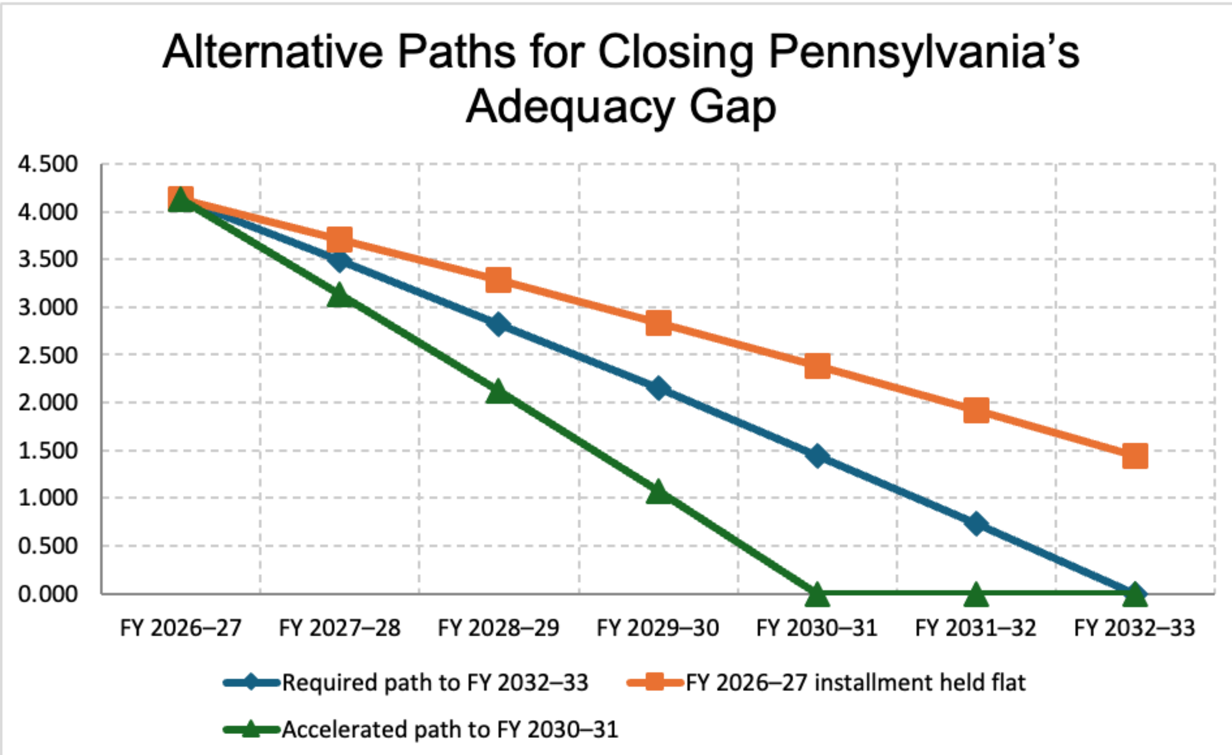
Note: The original statutory benchmark divides the $3.253 billion unadjusted balance remaining after FY 2026–27 into equal installments and assumes no inflation adjustment. All other scenarios begin with the $4.137 billion inflation-updated gap and apply the stated rate of future annual inflation.

The comparison shows that simply repeating or modestly increasing the previous year's appropriation is not enough to determine whether Pennsylvania remains on track. What matters is whether the annual investment is sufficient to continue closing the resource gap after accounting for rising costs.

A six-year payment of approximately $542 million would eliminate the remaining balance measured using the original statutory figure, but it would not restore the purchasing power of the original adequacy benchmark. Even with no further inflation after FY 2026–27, approximately $690 million annually would be needed to close the inflation-updated gap. If costs instead rise by 2.5 percent annually, continuing the current $526.44 million payment would leave approximately $1.44 billion of the inflation-adjusted gap still open in FY 2032–33. Preserving the current nine-year trajectory would instead require annual installments of approximately $751 million. Completing the remedy two years earlier would require a steeper—but shorter—series of payments of roughly $1.10 billion annually (Figure 1).

The practical difference between these paths is not simply how quickly a budget target is reached. It is whether state investments keep pace with the cost of providing the educators, programs, services, and other resources historically underfunded schools need to reach adequacy.

Figure 1. Alternative Paths for Closing Pennsylvania's Adequacy Gap Under a 2.5 Percent Annual Inflation Assumption.



Note: The starting point is the illustrative inflation-updated gap after FY 2026–27. The flat-payment path holds the annual installment at $526.440 million; the completion paths use equal annual payments sufficient to reduce the modeled gap to zero by the stated year.

The paths diverge substantially over time. Under the illustrative 2.5 percent inflation scenario, a flat annual appropriation leaves a large gap at the end of the current trajectory, while larger annual investments keep Pennsylvania on a path toward closing the inflation-adjusted resource gap.

Is Adequacy Funding Expanding Educational Capacity?

Adequacy funding is intended to remedy a specific constitutional shortfall, but it operates within a broader school-funding system.

Its purpose is not merely to replace dollars districts already use. The remedy is intended to give historically underfunded schools greater capacity to provide the educational resources their students have lacked.

Its practical effect depends on whether Pennsylvania also maintains the core appropriations districts rely on to operate schools and meet legally required student needs. Basic Education Funding (BEF) supports districts' general operating costs, including teachers and staff, transportation, utilities, instructional materials, and student services. Special Education Funding (SEF) helps districts cover the additional costs of providing required services and supports to students with disabilities. If these core funding streams grow too slowly, districts may have to use part of their adequacy gains to cover rising costs and maintain existing services rather than to add the staff, programs, and supports associated with an adequate education.

As outlined below, Pennsylvania's recent funding pattern raises this concern. Adequacy investments have remained substantial, but growth in BEF and SEF has slowed. The slowdown is particularly pronounced in BEF: the annual increase fell from $285 million in the first remedy budget to $105 million in FY 2025–26 and just $58 million in FY 2026–27, reducing annual growth from 3.6 percent to 0.7 percent. SEF presents a less dramatic but similar concern. After a $100 million increase in the first remedy budget, annual increases fell to $40 million in FY 2025–26 and $55 million in FY 2026–27, remaining below the level provided when the remedy began.

These trends do not show that adequacy funding is directly replacing BEF or SEF. They do, however, show that the core funding streams districts rely on to maintain existing services are growing more slowly at the same time that adequacy funding is carrying a larger share of Pennsylvania's new investment in public schools. BEF therefore provides the clearest evidence of slowing core support, while the SEF trend reinforces the broader concern that growth in the funding districts rely on to maintain existing services has not kept pace with the scale of the first remedy budget. That increases the risk that districts will have to use some of their adequacy gains simply to preserve existing staffing, services, and programs rather than expand educational opportunity.

Basic Education Funding

Basic Education Funding provides flexible general operating support that districts use to finance the everyday foundation of public education, including classroom teachers and other instructional staff, salaries and benefits, transportation, utilities, curriculum and instructional materials, student services, and other recurring costs.

Pennsylvania's Basic Education Funding system also includes a provision that is commonly called "hold harmless." In general, districts retain the state funding they received in prior years rather than having their entire allocation recalculated each year as enrollment and student needs change. Newly appropriated formula dollars are then distributed using more current measures of enrollment, student need, and district capacity.

In FY 2023–24, the year before Pennsylvania began making adequacy payments, Basic Education Funding increased by $248 million, or 3.3 percent. In the first adequacy budget, FY 2024–25, Pennsylvania increased BEF by $285 million, including $225 million distributed through the student-weighted formula and a separate $60 million hold-harmless relief supplement that was subsequently incorporated into districts' protected base. This represented year-over-year growth of approximately 3.6 percent. BEF continued to increase in dollar terms in the following two budgets, but its annual growth slowed sharply: the increase fell to $105 million in FY 2025–26 and $58 million in FY 2026–27, representing growth of approximately 1.3 percent and 0.7 percent, respectively. Thus, annual BEF growth declined from 3.6 percent in the first adequacy budget to 0.7 percent in FY 2026–27 (Table 5).

Because BEF supports districts' broad operating base, growth below ordinary cost increases can erode the practical value of the adequacy supplement. Districts receiving new adequacy dollars may still face rising costs for salaries, health benefits, transportation, utilities, and instructional materials.

When the cost of maintaining those existing services rises faster than core state support, districts may have to direct part of their adequacy investment toward preventing cuts rather than expanding the educational opportunities and capacity the adequacy remedy is intended to provide. That can mean fewer of the new dollars are available to hire additional staff, strengthen academic programs, expand student services, or provide other resources historically underfunded schools have lacked.

Table 5. Basic Education Funding Appropriations and Annual Growth, FY 2022–23 through FY 2026–27

Fiscal Year	BEF Appropriation	Annual Increase	Annual Growth
FY 2022–23	$7.624B	—	—
FY 2023–24	$7.872B	$248M	3.3%
FY 2024–25	$8.157B	$285M	3.6%
FY 2025–26	$8.262B	$105M	1.3%
FY 2026–27	$8.320B	$58M	0.7%

The trajectory is striking: Pennsylvania continued increasing BEF each year, but the size of the annual increase fell by nearly four-fifths between FY 2024-25 and FY 2026-27, from $285 million to $58 million. As BEF growth slows, adequacy funding is carrying a larger share of Pennsylvania's new state investment in public schools, increasing the risk that some adequacy dollars will be needed to maintain existing services rather than expand them.

Special Education Funding

Special Education Funding helps districts pay the additional costs of serving students with disabilities, including specialized teachers and instructional aides, related and therapeutic services, behavioral supports, assistive technology, specialized transportation, and higher-cost placements. These services are legally required and can rise more rapidly than general operating costs.

For districts, those costs are not easily deferred when budgets tighten. Students remain entitled to the services required to meet their educational needs, which means insufficient state growth can place additional pressure on local resources and other parts of district budgets.

In FY 2023–24, the year before Pennsylvania began making adequacy payments, Special Education Funding increased by $50 million, or 3.7 percent. In the first adequacy budget, FY 2024–25, the Commonwealth increased SEF by $100 million, representing year-over-year growth of approximately 7.2 percent. SEF continued to increase in dollar terms in the following two budgets, but the annual increases were smaller: funding rose by $40 million in FY 2025–26 and $55 million in FY 2026–27, representing growth of approximately 2.7 percent and 3.6 percent, respectively. Thus, annual SEF growth remained below the pace established in the first adequacy budget.

Of the $55 million increase enacted for FY 2026–27, approximately $46.75 million was distributed through the district formula; the remainder supported statewide and non-district obligations, including contingency funding, intermediate-unit core services, institutionalized children, wards of the state, and out-of-state placements. The total appropriation increase therefore exceeded the amount of new formula funding available directly to school districts (Table 6).[8]

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[8] Pennsylvania Department of Education, “Education Budget,” accessed July 18, 2026, https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/education-budget; Pennsylvania House Appropriations Committee, FY 2026–27 school-district subsidy estimates, https://houseappropriations.com/files/Documents/SD%20budget%20day%20track_updated.pdf.

Table 6. Special Education Funding Appropriations and Annual Growth, FY 2022–23 through FY 2026–27

Fiscal Year	SEF Appropriation	Annual Increase	Annual Growth
FY 2022–23	$1.337B	—	—
FY 2023–24	$1.387B	$50M	3.7%
FY 2024–25	$1.487B	$100M	7.2%
FY 2025–26	$1.527B	$40M	2.7%
FY 2026–27	$1.582B	$55M	3.6%

The Special Education Funding trend therefore reinforces the broader concern identified in this brief. The Commonwealth has continued increasing funding, but recent increases have not matched the scale of the first remedy budget, even as districts remain responsible for providing legally required services whose costs continue to rise. When state support does not keep pace with those costs, districts must absorb more of the pressure elsewhere in their budgets, leaving less room for adequacy funding to support additional educational capacity.

The Additivity Test

Taken together, the recent funding pattern is mixed. Pennsylvania has maintained sizable and targeted adequacy installments, and both BEF and SEF have continued to increase in dollar terms. The available data therefore do not show a direct dollar-for-dollar replacement of core funding with adequacy funding. They do, however, show that growth in the two principal core appropriations has slowed from the levels provided in the first remedy budget, creating a growing risk that the remedy is becoming less additive as school costs rise.

That distinction is important. Pennsylvania can continue appropriating hundreds of millions of dollars in new adequacy funding each year while districts experience a smaller expansion in actual educational capacity if a growing share of those dollars is needed to cover costs that previously would have been supported through stronger growth in BEF, SEF, or other core appropriations.

These statewide appropriation trends are a system-level indicator rather than a district-level test: determining the exact extent to which adequacy dollars are expanding services or offsetting other cost pressures would require comparing each district's allocations, expenditures, and student needs over time.

The statewide evidence therefore does not establish that adequacy funding is being substituted for core funding on a dollar-for-dollar basis. It does identify a warning sign worth following closely: the funding streams that maintain the foundation of school operations are growing more slowly at the same time that Pennsylvania is relying increasingly on adequacy payments to drive new K-12 investment.

A durable constitutional response requires both targeted payments to close historic resource gaps and sufficient growth in core funding to maintain the services districts already provide.

The goal should be for adequacy dollars to build on a stable foundation, not to become the foundation themselves. That is what allows new adequacy funding to translate into the purpose of the remedy: more educators and support staff, stronger academic programs and student services, additional instructional resources, and greater educational opportunity for students in historically underfunded schools.

Conclusion

Pennsylvania has made consequential progress since the Commonwealth Court's 2023 decision. Three budgets have added nearly $1.55 billion to the recurring adequacy base, with the largest gains directed to districts facing the greatest statutory shortfalls, as shown in our recent analysis of the FY 2026–27 school-funding investments.[9] Separate tax-equity and minimum supplements have also addressed unusually high local tax burdens and provided broader participation in remedy-related funding.

Those investments deserve to be understood as meaningful progress. Pennsylvania has begun directing substantially greater state resources toward communities that spent decades operating on the losing side of a school-funding system that the Commonwealth Court found unconstitutional.

Yet the remedy remains far from complete. Approximately $3.25 billion of the original statutory gap remains, and updating the benchmark for inflation raises the estimated shortfall to approximately $4.14 billion. Closing only the original balance over the six remaining budgets would require roughly $542 million annually. Under a 2.5 percent future inflation assumption, maintaining the FY 2032–33 completion trajectory would instead require annual adequacy payments of roughly $751 million—about $225 million more than the latest installment.

The next phase of the remedy therefore requires more than repeating the investments Pennsylvania has already made. The Commonwealth must account for the changing cost

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[9] Pennsylvania Policy Center, "Closing School Funding Gaps Across Urban and Rural Pennsylvania," July 23, 2026, https://pennpolicy.org/research_publication/closing-school-funding-gaps-2026-27-analysis/

of reaching adequacy while preserving the core funding districts depend on to operate their schools.

Future budgets therefore face a two-part test: adequacy payments must be large enough to maintain a credible, inflation-conscious completion timeline, and BEF, SEF, and other core supports must continue to grow alongside them.

If core funding falls behind ordinary cost growth, some of the dollars intended to correct historic underfunding will instead be consumed keeping existing teachers, services, transportation, materials, and programs in place. The Commonwealth may still record progress against the statutory gap, but students will receive less of the additional educational capacity the remedy was designed to create.

Ultimately, the success of Pennsylvania's school-funding remedy should not be judged only by the amount appropriated, or the percentage of a statutory gap crossed off a ledger. The purpose is to change what students can access in their schools: the educators, programs, student supports, instructional resources, and opportunities necessary for a comprehensive, effective, and contemporary public education.

It is also about finally weakening the connection between a community's property wealth and the educational opportunities available to the children who live there. Pennsylvania's constitutional obligation cannot be fulfilled if lower-wealth communities remain forced to tax themselves more heavily while their schools continue to operate with fewer resources.

Pennsylvania has begun building a constitutional remedy. The first three budgets have shown that the Commonwealth can make meaningful progress. The task ahead is to protect that progress from erosion, sustain the core investments schools rely on, and complete the remedy in a way that produces lasting gains for students rather than simply larger numbers in the state budget.

Pennsylvania has started the work. Finishing it will determine whether the promise of the court's decision becomes a durable change in educational opportunity across the Commonwealth.