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HOUSE DEMOCRATIC POLICY COMMITTEE

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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

HOUSE DEMOCRATIC POLICY COMMITTEE HEARING

Topic: Education Funding

Scranton High School – Scranton, PA

April 8, 2015

AGENDA

11:00 a.m. Welcome and Opening Remarks

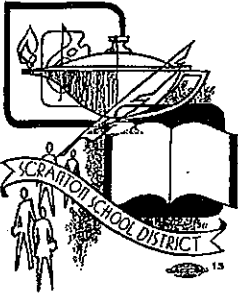
- Dr. Alexis Kirijan
Superintendent
Scranton School District

11:10 a.m. Panel of Local School District Superintendents:

- Paul Brennan
Superintendent
Riverside School District
- Dr. Michael Mahon
Superintendent
Abington Heights School District

12:00 p.m. Rosemary Boland
President of Scranton Federation of Teachers
Executive Vice-President of AFT Pennsylvania

12:30 p.m. Closing Remarks



Scranton School District

Office of the Deputy Superintendent/Finance
425 North Washington Avenue
Scranton, Pennsylvania 18503

Phone: (570) 348-3496
Fax: (570) 348-3155

April 6, 2015

Dear Members of the House Democratic Policy Committee:

Please accept this written statement on my behalf, as I have been selected for Jury Duty today, April 8, 2015 and not able to appear in person. I would like to offer the following:

The proposed Governor's Budget for the 2015-2016 year would be a significant step forward in additional funding for the Scranton School District. The combined increase for the Scranton School District in both the Basis Education Funding and the continuation of fully funding for Special Education would be an increase of an additional \$3.2 million dollars. This increase is significant in the regards, of the acknowledgement, of the Commonwealth, for adequate funding for Education. The reinstatement of the Accountability Block Grant and the Education Assistance Program allows the Scranton School District to restore programs that directly benefits to our students. Also, the continuation of increase funding from the bi-partisan Special Education Funding Formula continues to address the significant yearly costs increases in educating the exceptional child in an Urban District setting of which Scranton is considered.

The Governor's proposed budget also addresses the Cyber Charter School funding issues which are currently categorized as a traditional "Brick and Mortar" Charter School. The cost associated with the Cyber Charter School is not near what a traditional Charter School costs would be. The proposed Budget would identify a fundamental difference in funding for the 'Brick and Motor' Charter from a Cyber Charter School. This change in funding would benefit the Scranton School District and present a dollar savings of an additional \$616,000 back to the School District.

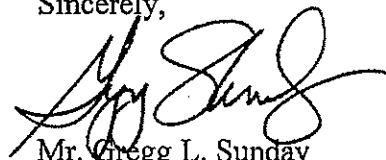
The Proposed Property Tax Relief that is being considered would greatly benefit the taxpayers of the Scranton School District. The Governor's proposal would reduce the Residential Real Estate Tax by 131.49% in the City of Scranton and would translate a significant reduction to Scranton Home Owners of over \$1,000 on the average property tax bill. Although there are more "losses" to the proposal, in Lackawanna County then the two school districts that would benefit, it represents a step in the right directions of adequately distributing the burden of taxation for all Pennsylvanians.

The Governor's proposed budget is a significant step in restoring lost educational funding from previous years which had a drastic effect on the Scranton School District. The potential increase in revenue shows a continuation to the education of public school students that was lacking in the past few years, which created extremely difficult situations in the Scranton School District.

Although this is an extremely promising Budget Proposal for Educational Funding for School Districts of the Commonwealth, I would be remised if I did not mention the current issues of the Pension System which have a significant impact on School Districts. Without any intervention, the Scranton School District's additional cost for PSERS will be \$2.8 million dollars in its next year Budget. It is extremely difficult to provide the best quality of education to the students with these existing cost increases of the Pension System. As you can see, that any additional revenue for Education is almost consumed by the increased cost of pension contributions to the School District.

In closing, I believe that proposed Governor's budged is a step in the right direction for allowing both the Commonwealth and the School District's in meeting the challenge of educating Pennsylvania's Public School children. Thank you to the Committee for allowing me to submit my testimony on behalf of the Scranton School District.

Sincerely,

A handwritten signature in black ink, appearing to read "Gregg Sunday", written over a horizontal line.

Mr. Gregg L. Sunday
Deputy Superintendent/Finance



House Democratic Policy Committee Hearing on Education Funding

Wednesday, April 8, 2015 / 11:00 a.m. at Scranton High School

Mr. Paul M. Brennan, Superintendent of Schools (Riverside SD)

I would like to take a moment to thank Pennsylvania State Representative Marty Flynn for inviting me to provide testimony on the financial status of the Riverside School District and the potential impact of Governor Wolf's proposed budget.

I want to start by saying that it is a true privilege for me to serve as the Superintendent of Schools for Riverside. Not a lot of superintendents can say that they were a student, a teacher, a coach, a principal, and now a superintendent for the same district. Lacing them up early in the morning with a smile is truly the easy part even when multiple obstacles are coming your way.

Unfortunately, the biggest obstacle that I have to face each day is the financial state of our district. The lack of funds seems to be the root of everything that has been a burden these past two years for me. Anytime we have a large issue there is always a trail back to a decision that we had to make out of survival, rather than best practice. For this testimony, it is important to know who we are...

Riverside School District

The Riverside School District is a small, suburban school district in Lackawanna County (Pennsylvania). Our district serves the boroughs of Moosic and Taylor which are both suburbs of Scranton. Our enrollment as of the first of April was 1,549 students. We are comprised of Riverside Jr. Sr. High School (Taylor, PA / Grades 7-12), Riverside Elementary East (Moosic, PA / Grades K-6), and Riverside Elementary West (Taylor, PA / Grades K-4). About 36% of our revenue comes from the state of Pennsylvania as depicted in TABLE 1. We are always hovering around a 50% free and reduced lunch rate. This is always a moving target as we are experiencing a very transient population for a small school district. Our special education percentage is a little bit over 18%. This number fluctuates as well.

Where does the revenue come from for the Riverside School District?

TABLE 1

REVENUE	Budget 2013-2014	Budget 2014-2015	Budget 2015-2016	BUDGET % 15-16
LOCAL	\$13,419,923	\$13,715,216	\$14,211,880	61.24%
STATE	\$8,021,743	\$8,319,003	\$8,391,778	36.16%
FEDERAL	\$775,000	\$639,000	\$601,600	2.59%
TOTAL REVENUE	\$22,216,666	\$22,673,219	\$23,205,258	100%

What is the burden on the tax payers?

RIVERSIDE SCHOOL DISTRICT / TAX RATE HISTORY

TABLE 2

YEAR	RATE
2012 - 2013	101.82
2013 - 2014	104.06
2014 - 2015	106.86

Here is the PROPERT TAX REDUCTION PROPOSAL:

TABLE 3

School District	County	Fully-Funded Property Tax Reduction Allocation	Percent Residential RE Tax Reduction ¹	2013 Sterling Act Tax Credit
Riverside SD	Lackawanna	\$2,901,849.71	53.69%	\$1,125.00

“Adequacy” is one of the four critical goals that the commonwealth of Pennsylvania must achieve in finalizing the proposed funding formula for the future. The Riverside School District has seen a spike in low-income students, homeless students, and students who are English language learners.

Our English as a Second Language (ESL) population has grown tremendously. We rank second in three counties (Lackawanna, Wayne, and Wyoming) to the Scranton School District with our ESL enrollment. GRAPH 1 shows how much our costs are going to increase for next year.

Here is an example of how much our ESL costs will rise at the Riverside SD next school year:

GRAPH 1



“Predictability” is also a critical goal for Pennsylvania’s future success. In order to be responsible stewards of taxpayer dollars* we need to be able to predict the amount of state funding that we will receive. Last year we had to incorporate the *Ready to Learn* grant funds into our budget just to balance. Unfortunately, when the budget passed it came back \$129,746 shorter than originally estimated. Another area that has been extremely hard to predict has been our cyber-charter costs.

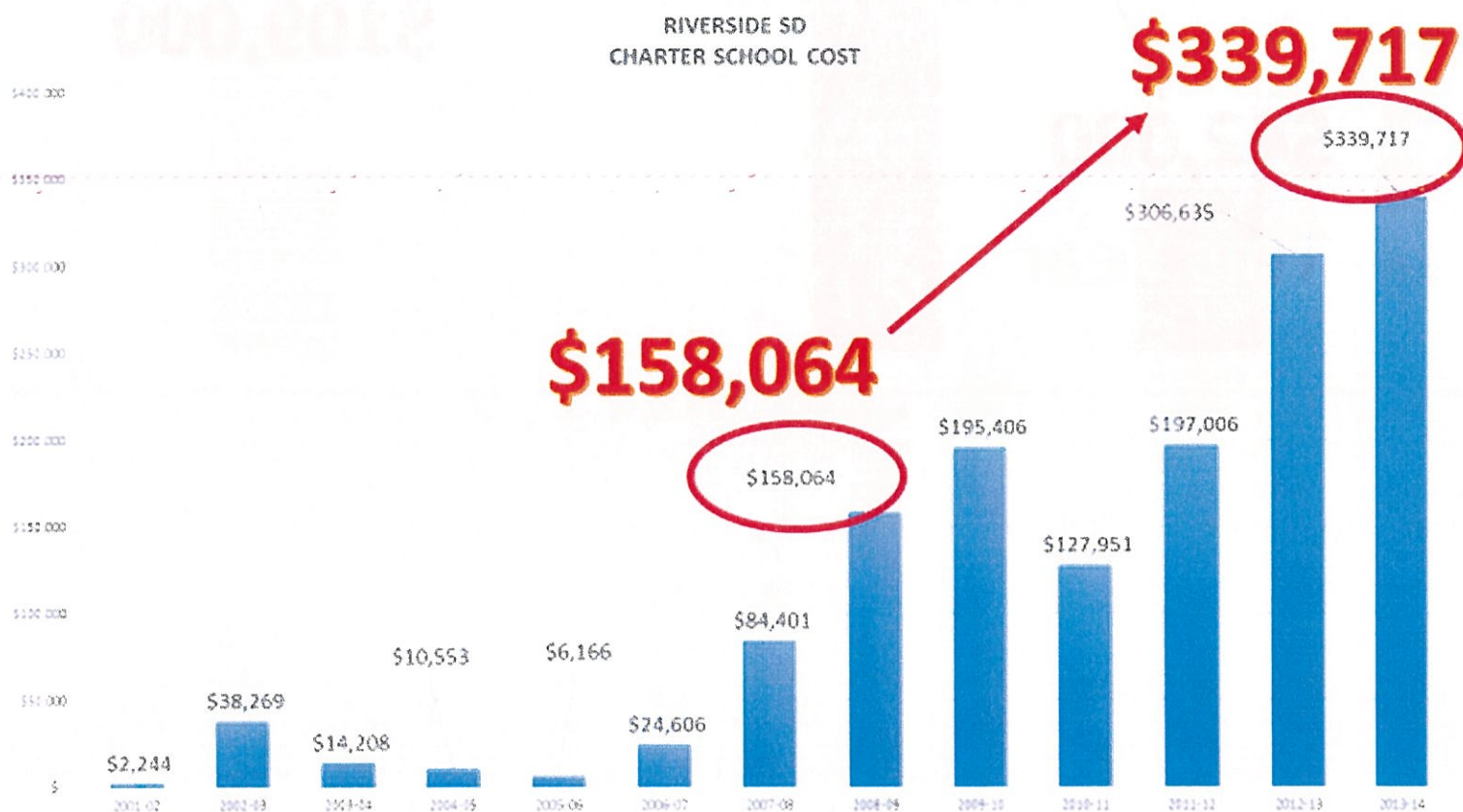
** In 2013 - 2014 there was a 2.20% tax increase and in 2014 - 2015 there was a 2.69% tax increase.*

Charter School Impact

One of the biggest areas that I am excited about in Governor Wolf’s budget proposal is the portion that deals with charter school reform (particularly cyber-charter). Cyber charter tuition expenses to our district have been increasing at an alarming rate (SEE GRAPH 2). If passed, I feel close attention has to be paid to the accountability of monitoring special education charter schools. I predict those numbers to spike.

Here is a graph displaying a timeline of the cyber/charter school costs for the Riverside SD:

GRAPH 2

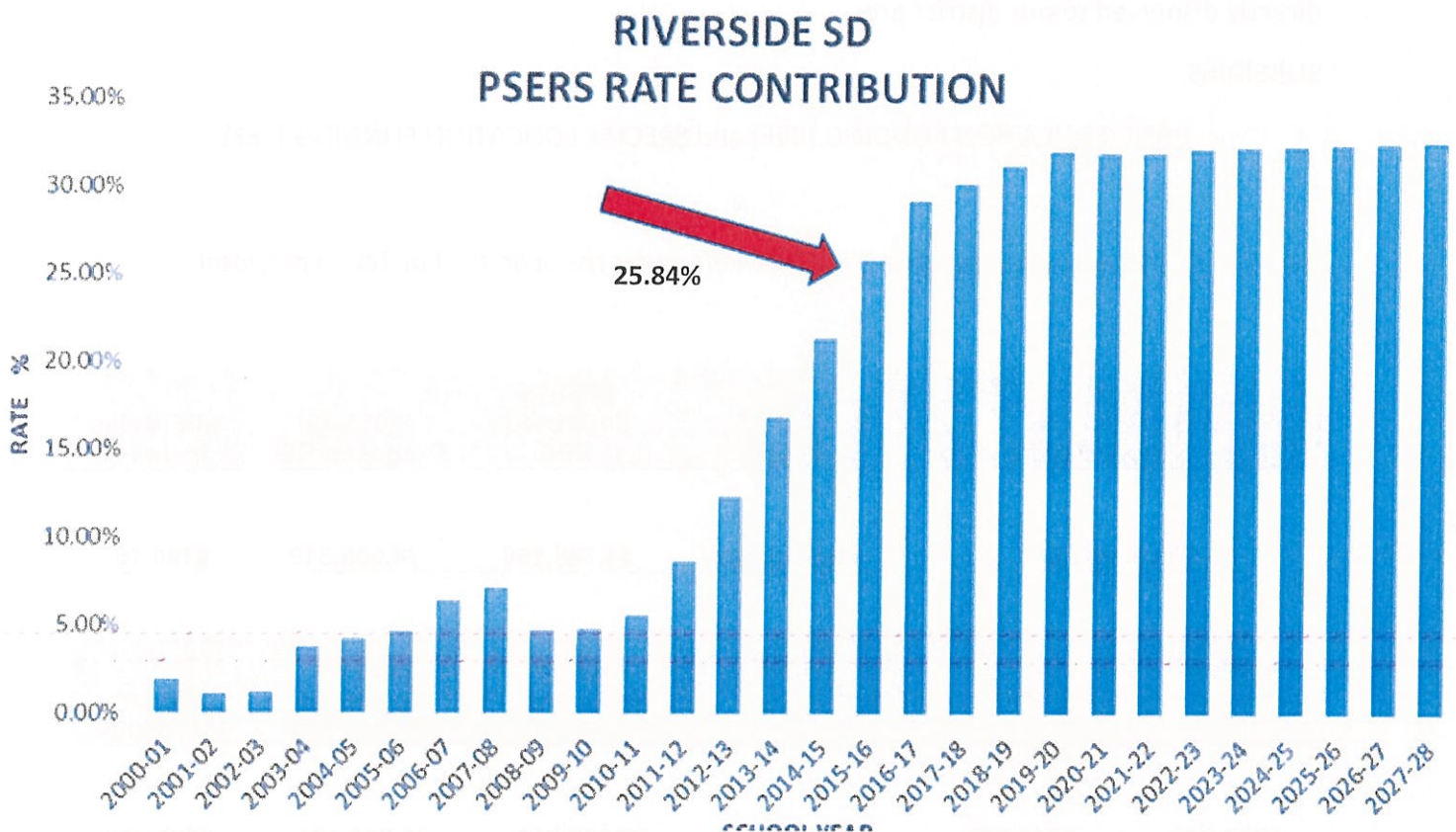


Pension Increases (PSERS)

Massive increases in pension costs, coupled with less funding and taxation of municipalities has been a recipe for disaster not only the Riverside School District, but school districts across the Commonwealth. GRAPH 3 shows how the contribution rates have increased and will continue to increase. Pension reform is desperately needed.

Here is an example of our rate contribution increases:

GRAPH 3



Additional Challenges as Superintendent

- Our workforce looks very different today than it did just a handful of years ago. In 2012, the Riverside School furloughed eight professionals (six teachers and two counselors). Three of the professionals still are not back yet. As a result, class sizes have risen.
- On March 2, 2015, the Riverside Education Association participated in a work stoppage. This was the first strike in the Riverside School District since 1995.

The impact that the proposed “Schools that Teach” budget would have on the Riverside SD:

Two of our most important revenues originating from Commonwealth appropriations which are directly dispersed to our district are:

SUBSIDIES

BASIC EDUCATION FUNDING (BEF) and SPECIAL EDUCATION FUNDING (SEF)

Here is a look at how the Riverside SD will benefit under the Schools that Teach proposal:

School District	County	2014-15 Estimated BEF	2015-16 Proposed BEF	BEF Dollar Increase
Riverside SD	Lackawanna	\$4,748,168	\$4,938,319	\$190,151

2014-15 Estimated SEF	2015-16 Proposed SEF	SEF Dollar Increase	2014-15 Combined BEF and SEF	2015-16 Combined BEF and SEF	Dollar Increase
\$780,348	\$845,855	\$65,507	\$5,528,516	\$5,784,174	\$255,658

The Basic Education Subsidy plan seeks to fully restore the Accountability Block Grant funds. We currently use those particular funds to help fund our Full Day Kindergarten Program. The “Schools that Teach” proposal would bring the ABG funding levels back to the 2010 – 2011 mark.

Kids, Cuts, and Consequences (copyright credit: PSEA)

My biggest worries as a superintendent are buried right in a slogan that I am going to steal from the Pennsylvania State Education Association (PSEA). **Kids** – Our kids at Riverside have suffered because the quality of our educational programming is diminished whenever we have to make cuts to our programs. **Cuts** - We have been “cutting” our way to a balanced budget for years now. **Consequences** – Our district has lived with the consequences of a financial crisis. We have been living in survival mode for far too long!

Governor Wolf’s budget has been referred to as “Jenga-like” by Steve Esack from the Morning Call. He states that each piece is key and if pieces start to be removed it will all come tumbling down. At Riverside, we have been removing a piece or two each year. Our Jenga tower is ready to topple.

I commend Governor Wolf’s proposal! I believe that his budget proposal is on the right path to reversing some of the damaging trends that our school district has faced over the last several years. Is it going to take us out of survival mode this year – NO! However, it is refreshing to know that we are heading in the right direction! It is the first time in a long time that we can say that! Let’s face it – anytime phrases such as; *fully restore, largest in Pennsylvania history, historic investments in education.....* it has to be a budget worth fighting for!

Again, I thank you for allowing me to testify today! I urge all of you to be strong advocates to keep ALL of the proposed pieces of the “Schools that Teach” proposal intact. I agree with Governor Wolf by saying that a high-quality education is the birthright of every Pennsylvanian!

Democratic Policy Committee

April 8, 2015

Respectfully Submitted:

Michael Mahon Ph.D.

Superintendent, Abington Heights School District

It is a privilege to participate in today's hearing regarding Governor Wolf's proposed budget and its impact on public schools. This is an issue of great importance to the Abington Heights School District and its community. The Democratic Policy Committee deserves tremendous credit for joining us here in Lackawanna County. Your presence requires both time away from your offices and time away from your homes and families. Your efforts not only to address an important public policy issue but also to include us in the discussion are a great testament to your commitment to the people of Pennsylvania and our region.

Governor Wolf has proposed a courageous budget that recognizes the dire need that exists in Pennsylvania's public schools. As I understand it, one billion dollars have been set aside to assist public schools in their mission to educate the Commonwealth's children. These resources are desperately needed with so many districts either at or racing toward insolvency's door.

Pennsylvania is flat broke by almost any measure and getting more broke by the minute. Our short term 2014-2015 budget is structurally imbalanced. Our medium and long term liabilities are immense and growing. Perhaps worst of all, our demographics are shifting at a rapid rate with an increase in elderly Pennsylvanians in need of services and an alarming drop in younger citizens who generate growth and revenue to support those services. If Pennsylvania were a public company, make no mistake, its board would be looking for a buyer.

It is encouraging that members of this committee are here today because you know that Pennsylvania is not a company. Its leaders cannot simply walk away blaming prior generations for their poor decisions. Together we

must work to rebuild Pennsylvania's ability to serve the needs of its citizens by delivering on its constitutional, statutory and aspirational obligations.

Central to that mission is Pennsylvania's public schools. It is well known that our public schools are struggling. Tens of thousands of educators are out of work. A generation of teachers is being lost. Talented young people are not entering the field as evidenced by the cratering of enrollment in Pennsylvania's teacher preparation programs. Taxpayers are being squeezed through their property tax assessments, many of which have not been updated for decades.

A great public education is a precious gift bestowed by a community on its children. Our districts are either on the brink or heading toward it. Drastic and immediate action is now necessary. It is my hope that this committee will use both its authority and its standing to inspire the difficult decisions necessary to sustain our public school mission.

Governor Wolf has begun this hard process by offering, according to all accounts, a structurally balanced budget. He and his supporters are to be congratulated for planning to fund the Commonwealth's institutions beyond a single budget or election cycle. Setting public education as a top priority in a manner that is fiscally sustainable is a great gift to the Commonwealth's public schools.

Not all schools, however, benefit equally. Abington Heights is a district of 3300 students located just north of Scranton. The district has over the years prepared for hard fiscal times. Fiscal year 14-15 is the first year we will enter into a structural deficit, with subsequent years promising larger deficits, deeper cuts and property tax increases in a county that has not had a reassessment in over 40 years. The district's free and reduced lunch rates, while still low for the region, have spiked from 6% to 18% over the past several years.

According to widely available information, subsidy under the governor's budget will increase for Abington Heights by approximately \$300,000 on a budget of \$43 million, well less than 1%. In contrast to the \$300,000 increase in revenue, the district's pension obligation will go up by over \$900,000 next year.

If estimates on tax revenues are to be believed, when additional subsidy and property tax reductions are netted out, residents of the Abington Heights School District will pay over \$10 million dollars in new taxes under the governor's proposed budget. This represents well over \$350 for every single resident of the district. It equates to nearly 25% of the district's budget and almost all of the subsidy we receive from the Commonwealth.

I believe that our community recognizes that good public policy is much more than calculating the winners and the losers in any particular proposal. If the numbers are correct, however, it is crystal clear that too much is being asked of the Abington Heights School District community. It is my hope that members of the committee will examine this important issue in upcoming budget deliberations.

In addition to developing a transformational budget, there are other challenges that must be met in Harrisburg.

Our pensions are an obvious starting point. Our massive liabilities must be refinanced to lower interest rates. To avoid the mistakes of the past, this refinancing must be funded through some form of a dedicated and sun setting revenue stream. The governor's budget recognizes that refinancing debt at lower rates with dedicated and reliable revenue streams is simply a responsible thing to do. As we sit, yet again, near all time highs in the stock market but with ten year treasury notes yielding less than 2%, it might well be necessary to shift more investment risk from the districts and

Commonwealth to public employees in order to achieve the type of pension reform necessary to avoid educational calamity.

Collective bargaining law must be reformed. At a time when many districts are struggling to keep their doors open, "status quo" can no longer be the default way we run our schools. Our current collective bargaining law rewards the party most skilled at and most willing to engage in attritional warfare. Pennsylvania needs a collective bargaining scheme that is fair to its employees but also allows school districts the flexibility to adapt to rapidly changing economic environments.

School districts must be empowered and encouraged to re-invent themselves. They must find new ways to leverage technology and partnerships. They must have the courage to be ruthlessly efficient in delivering high quality instructional opportunities to our students. In order to build these efficiencies, there must be a shift in focus at the state and federal level from regulation to innovation. I believe there is evidence that this shift is already underway. Our conversations and resources in recent years have been far more centered on data collection, accountability models and compliance than on building the foundation for excellence in a challenging fiscal environment. Our Board in Abington Heights, for example, would much rather devote their attention to a statewide initiative to bring computer coding to classrooms at all levels than a statewide conversation on how to comply with the PIMS manual.

I am grateful for this opportunity to present my thoughts to the Democratic Policy Committee. At a time when even incremental change is hard, ground shifting change such as the few issues I tried to describe may seem unrealistic. While unrealistic it may be, a failed public school system will be realized absent this type of change. On behalf of Abington Heights Board and school district, thank you for your devotion to public education.

**House Democrat Policy Committee Meeting on Governor's Education Budget Proposal
April 8, 2015
Scranton, PA
Testimony of Rosemary Boland, President, Scranton Federation of Teachers**

Good Morning, Chairman Sturla, Representative Flynn, and members of the House Democrat Policy Committee. My name is Rosemary Boland. I am president of the Scranton Federation of Teachers, Local 1147, and I am the executive vice-president of our state organization, AFT Pennsylvania. Thank you for asking me to provide information today on the Governor's budget proposal.

I would like to thank Governor Wolf and his administration for proposing this budget. For the first time in four years, public school districts across the Commonwealth can breathe a sigh of relief. The days of the Pennsylvania Governor's office taking already-strained resources from our public school classrooms are over. The election of Tom Wolf has ushered in a welcome change that prioritizes the needs of our public school students.

I want to focus my comments on three areas: a fair funding formula for basic education, a plan with a real solution to the underfunding of public employee pensions, and a common sense plan for charter school funding reform. While my testimony today focuses on these three areas, I am happy to answer questions related to other areas as well.

A fair funding formula is essential to providing all children in Pennsylvania the opportunity for academic success. For too long, politics has determined what funding was provided to public schools in Pennsylvania. Study after study ranks Pennsylvania at the bottom for funding inequities among districts with high poverty students. While next year's budget proposal does not incorporate a complete new funding formula, it is a step in the right direction of correcting funding inequities, because it offers a commitment to a new formula in subsequent years.

Governor Wolf's solution for the state's escalating public pension debt is the best plan we have seen in years. His proposal goes to the root of the problem by correcting years of underfunding by the state and school districts. For years, public employers—i.e., the state and school districts—did not even pay on existing employees' benefits as they earned them.

And just as when a person does not pay on the principal of a loan, the cost of the loan gets higher and higher as the years go on. The Governor's \$3 billion bond is a necessary transfusion of cash to protect PSERS, and making the state's Wine and Spirits Shops more profitable in order to make the payments on the bond is a smart way to leverage what the state already has to make the best deal for Pennsylvania's taxpayers.

In the last twenty years, charter school enrollment in both bricks and mortar and cyber schools has increased substantially. This increasing enrollment has led to financial strain for many school districts. The Public School Code and state policy should catch up with the present-day reality of charter schools in Pennsylvania, and the Governor's charter funding proposals offer a more realistic way of balancing how public education is delivered in the Commonwealth. Requiring all charter schools to return to school districts any revenue over and above their audited expenditures is a welcome change to the charter funding debate. Determining the actual cost of providing cyber charter education and funding cyber charters based on that cost is common sense and congruent with calls for district public schools to be funded based on their actual cost.

Governor Wolf's proposals for education funding are a breath of fresh air. Not only do his proposals reject the politics of the last four years, but they also make the best deal for Pennsylvania's taxpayers. In the end, his multi-faceted approach to increasing state support of public schools, right-sizing charter school reimbursements, and leveraging a profitable state asset to infuse cash into PSERS all do the same thing—reduce school property tax for the residents of Pennsylvania while providing essential resources to school districts.

Thank you, Representative Sturla, Representative Flynn, and committee members. I am happy to answer any questions you may have.