



**TESTIMONY TO THE BASIC EDUCATION FUNDING COMMISSION  
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EAST STROUDSBURG, PA**

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Good morning, members of the commission. My name is Dr. Rich Frerichs, the 2014 president of the Pennsylvania School Boards Association, and a school director in the Penn Manor School District in Lancaster County. PSBA is a nonprofit statewide association representing the 4,500 elected school board members who govern the Commonwealth's public school districts. PSBA is a membership-driven organization, pledged to the highest ideals of local lay leadership for public schools and working to support reform for the betterment of public education. We promote the achievements of public schools and their elected local school boards. I am joined by John Callahan, our Senior Director of Government Affairs and we also have the pleasure of representing the collective voice of the Pennsylvania Association of Rural and Small Schools (PARSS), the Pennsylvania Association of School Business Officials (PASBO) and the Pennsylvania Association of School Administrators (PASA). These four organizations represent the leaders in public school policy and advocacy. Thank you for allowing us to speak with you today, to participate in the dialogue and to continue working with you.

The responsibility for control and support of public schools is legally vested in the General Assembly, but in a large measure, the operation is delegated to local school boards who strive to improve the educational opportunities of children, youth and adults, to use school tax dollars efficiently and to share the burdens of school support equitably. All of our associations believe that financial support from the commonwealth to its local school districts should be designed to assist in equalizing educational opportunities and in sustaining a steadily improving foundation of education.

We are optimistic that the work of the commission will finally help to develop and maintain a system of public school financing that emphasizes a sharing of costs between the commonwealth and local school districts. State aid for school districts should be established through a funding formula that is equitable, adequate, comprehensive and consistent.

We also take our role in providing funding very seriously and we believe that school districts must have the flexibility to provide local financial contributions to this effort, including a variety of local taxes and the development of available funding bases that are suitable to each school district's economic capabilities and conditions that exist locally.

Today we will focus on answers to the following questions:

- Why is an equitable investment in traditional public schools worthwhile?
- What effect does the diversity of Pennsylvania have on public school funding?
- What pressures compete with funding (expense side of public education)?
- What formula do we believe establishes an equitable, adequate, comprehensive and consistent funding mechanism?

## Why is an equitable investment in traditional public schools worthwhile?

Public education has a valuable place in our nation and in Pennsylvania. Public schools are mandated by federal and state law to meet the educational needs of *all* children; they do not discriminate, or pick and choose which children are deserving of an education. The growth and contributions of public schools continue to show progress, and Pennsylvania's schools are performing among the best in the country.

These successes are hard-earned and well deserved. Our public schools succeed in the face of economic and fiscal challenges, accountability pressures, and mandates to reduce achievement gaps and to raise student achievement. Our public school students succeed as they work to meet the challenges of new academic standards and tougher assessments. According to the 2014 "Quality Counts" report from *Education Week* magazine, Pennsylvania ranks 8<sup>th</sup> in the nation in K-12 achievement. This is based on three distinct aspects of student achievement: current levels of performance (status), improvements over time (change), and achievement gaps between poor and non-poor students (equity). The report also graded Pennsylvania with a B in the "Chance for Success" category, noting that our state ranks above the national average for early foundations, school years and adult outcomes.

*Consider these facts from the PA Department of Education (and other sources noted):*

*Academic performance: Public schools and students are not failing*

- **State Assessments and Measures:** The results of the 2013-14 Pennsylvania School Performance Profile show that 72% of public school buildings are performing well, with a score of 70 or higher.
- Public schools held steady as compared to last year, even though schools were implementing new and more rigorous academic standards and revised PSSA assessments and Keystone exams.
- **NAEP tests:** In 2014, Pennsylvania is only one of 10 states to earn an A in academic achievement, according to the U.S. Chamber of Commerce's *Leaders and Laggards: A State-by-State Report Card on K-12 Educational Effectiveness*.
- As noted in the chamber's report, "student performance in Pennsylvania is very strong," based upon results of the 2013 National Assessment of Educational Progress (NAEP), which found that:
  - 44% of fourth graders performed at or above grade level in math, compared to the national average of 42%;
  - 40% of fourth graders performed at or above grade level in reading, compared to 34% nationally;

- 42% of eighth graders performed at or above grade level in math, compared to 34% nationally; and
- 42% of eighth graders performed at or above grade level in reading, compared to the national average of 35%.
- **AP Exams:** Pennsylvania’s percentage of students earning a score of 3 or above at 68.7% is above the national percentage of 58.7% (The College Board).
  - In November 2011, the College Board named Pennsylvania the state with the most public school districts named to its “AP Honor Roll,” as Pennsylvania successfully expanded participation in Advanced Placement courses from 2009 to 2011 while increasing or maintaining test results (The College Board).

*Early childhood education: Giving our youngest learners a good start*

- More than half, or 53%, of Pennsylvania’s preschoolers (three and four-year olds) are served in state or federally-funded early care and education programs.
- 448 school districts offer full-day kindergarten programs and 151 offer half-day programs.
- 65 school districts offer pre-kindergarten programs.

*Special education: Public schools serve all children regardless of need*

- For the 2013-14 school year, the total special education enrollment included 269,349 children, or 15.4% of the total school enrollment of 1,753,536.
- 62.7% of special education students are included in regular education classroom environments 80% of the time.

*Opportunities for accelerated learning: Meeting the needs in many ways*

- All Pennsylvania public school districts provide education programs and services for gifted students.
- Over 80% of school districts (409 of 500) offer one or more Advanced Placement (AP) courses, which allow high school students, both gifted and non-gifted, to take part in accelerated learning and earn college credits while in high school. Pennsylvania public school districts outpace provisions of AP courses nationally, where 60% of the nation’s high schools offer at least one AP course. (PA Joint Legislative Budget and Finance Committee).
- Over 75% (383 of 500) offer honors courses. Honors courses are secondary level planned courses designed to be advanced in content, process, and product. (PA Joint Legislative Budget and Finance Committee).

- Over one-third (183 of 500) provide opportunity for students to be dually enrolled in the school district and college programs. Concurrent or dual enrollment allows high school students to take college courses, typically for college credit. (PA Joint Legislative Budget and Finance Committee).
- Approximately one-third (158 of 500) offer the International Baccalaureate programs. This is a pre-university program that students can complete to earn college credit, which emphasizes critical thinking and understanding other cultures or points of view. (PA Joint Legislative Budget and Finance Committee)

*College and career ready: Taking the next steps toward postsecondary education*

- In the 2012-13 school year, 69.4% of public high school graduations were postsecondary bound.
- For Pennsylvania's class of 2014, 99,460 students, or 71.4%, took the SAT test. (The College Board)
- More minority students are taking the SAT tests. Of those students, 24.2% students were minority students, compared to 23.4% from the class of 2013. (The College Board)
- Among all U.S. public school test takers, 42.6% met the SAT College and Career Readiness Benchmark; 39.1% of them were from public schools. In Pennsylvania, 40.5% of all SAT takers in the class of 2014 met the benchmark; 38.5% were public school students. The SAT report notes that the percentage of SAT takers meeting or exceeding the benchmark tends to decline as SAT participation increases. (The College Board).

*Career and technical education: Focus on academic preparation and workforce development*

- Pennsylvania is making a strategic investment in career and technical education (CTE) which annually helps prepare over 160,000 youths and adults for the high skilled, competitive workforce.
- From 2008-09 to 2012-13, the number of industry certifications earned by CTE students has increased over 75%.
- In 2012-13, over 84% of CTE students were competent or advanced on the National Occupational Competency Testing Institute (NOCTI) skills assessment.

*Graduation, dropout rates: More students are graduating; fewer are dropping out*

- Pennsylvania's adjusted cohort graduation rate at 84% for 2011-12 is above the national average of 80% (National Center for Education Statistics).

- Pennsylvania's dropout rate is declining. Pennsylvania's dropout rate for public school districts is 1.30% for school year 2012-13, as compared to 1.87% in 2011-12. This includes students in grades 7-12.

These successes show the importance of the state's investment in public education. The numbers above are mostly state-based data points that do not show the differences of school districts on a more granular level. Within Pennsylvania, there are school districts that are doing exceedingly well and others that are struggling. We must provide the advisement and fiscal resources to those that are struggling because we can improve. Certainly there is much more work to be done, and an increased state commitment to public schools will lead to increased achievement. Money does matter. Money pays for a quality curriculum and the books and materials to support it; high quality teachers and reasonable class sizes, guidance counselors who help students prepare for their futures by understanding their options and selecting the right courses; supports to meet the needs of certain groups of students, including those with disabilities, those who are learning English, those who are gifted, and those impacted by poverty, professional development to improve the skills of current teachers and administrators, and modern educational technology to help students learn and prepare for college and the 21st century workplace.

**What effect does the diversity of Pennsylvania have on public school funding?  
*What are the problems with the current funding system?***

A look at national and local studies provides an overview of the problem: 1.) A 2012 report by the Center for American Progress found that Pennsylvania's state funding formula is reinforcing inequity; 2.) A 2014 report by the American Institute for Research noted that Pennsylvania has one of the least equitable education funding systems; and 3.) According to the 2014 Education Law Center National Report Card, Pennsylvania has a regressive funding system.

PSBA, along with PASBO and PASA, has been around the state over the past few months listening to local school officials as they speak about school funding problems directly affecting their districts. These local testimonies, like the ones you have heard, point to significant problems. Common themes that may possibly be addressed by changing the funding formula include:

- Increased enrollment: The enrollment factor does not account for significant swings in enrollment due to unpredictable circumstances. Since 1993, 336 school districts have experienced a decrease, while 162 districts have experienced an increase.
- Increased enrollment ramifications: Increases in enrollment without adequate state resources, along with the constraints on the ability to raise local revenue due to the implications of Act 1 of 2006, have led to an overall decrease in funding for certain districts.
- Act 1 budget process ramifications: School districts' budget processes are currently under way and will be finalized before a new state budget is agreed upon in June. Because of the lack of a transparent and consistent formula, districts cannot possibly predict with any certainty what funding they will have available in June of next year.
- Enrollment of transient students: Several school districts have seen over 30% enrollment turnover in one year. These students usually come with increased remediation costs or other needs due to social economic changes.
- Hold harmless implications: Arguments to change funding because of enrollment decreases only work in a situation where funding has been adequate and infrastructure has not been developed. In today's and tomorrow's funding environment, we simply cannot get rid of the hold harmless guarantee, as it will result in defunding a significant portion of the schools in Pennsylvania. Since 2002-03, over 70% of school districts across the commonwealth have experienced a decrease in student population, and on average, statewide student population has decreased by nearly 6% during this time. As a result, 70% of school districts are generally benefitting from hold harmless.
- Charter school funding: While the original intent to privatize public education and create laboratories for innovation was purposeful, the results of this experiment have been detrimental to student performance in many circumstances. The current formula that funds charter schools is bankrupting many districts because it is not fair or equitable and needs to be addressed. For example, the East Stroudsburg Area School District receives \$1,731.41 per student from the state and pays \$10,528 per student to charter schools.

- Tax exemption: Many districts have large parcels of land that are exempt from taxation, leading to the inability to finance the public school system at the local level.
- Aid ratio issues: This ratio consists of two factors combined to assess the relative wealth or poverty of a school district - total market value of property (60%) and total personal income (40%). In some districts, the real property value could be high (vacation, business or lodging areas of the state) while the district's constituents' personal income is low. This leads to a low aid ratio indicating the district is wealthy when that is not the case. Further, due to the inadequate property assessment system in Pennsylvania, it is sometimes impossible to figure out equalized millage even though we have a tax equalization office. The aid ratio also does not function because it has a floor that for some lower aid ratio districts provides funding that would not be realized if it was set at the actual number.
- Shifting of public education expense: The proportion of state funding to local funding has been shifting where now 58% is locally funded and 35% is state funded.
- Property tax swings: In many areas of the state, businesses within a district have suffered, leading to large swings in local property tax receipts. The social repercussions of these changes take effect over a period of years and cause shortages over the short term for school districts as a factor like the aid ratio attempts to catch-up.

## **What pressures compete with funding - expense side of public education?**

Like any family budget discussion, we cannot speak about increased funding without addressing the cost side of our budget. School districts across the state have been fiscally responsible in almost every possible way by reducing personnel and administration and being extremely creative through the sharing of services, reduction of transportation routes, increased class sizes, reduction of support staff and many other creative methods. However, the expense side of the budget in many cases is set by mandated costs that require school districts to do more without proportionally increased funding:

1. Pension Costs: Next year's rate will be the highest rate in PSERS history - 25.84%, a 442% increase since 2008. If this rate continues to rise many of the school districts we heard from over the past months will be bankrupt in two to three years.
2. Special Education Costs: While funding has remained relatively flat, the cost of special education has far outpaced inflation. Districts we spoke with experienced, on average, an 8% increase over the past five years.
3. Healthcare Costs: Like every business in the state, school districts face a continual rise in the cost of healthcare that is outpacing inflation.
4. Charter Special Education Costs: On average, based on 2012-13 data from PDE, school districts spend approximately \$13,000 per student on special education instructional costs. Under the old charter school special education formula, charter schools are spending, on average, \$9,300 per student on special education instructional costs (despite the fact that they are receiving, on average, \$19,000 for every special education student). Where is the excess money going that is not being used for special education services?
5. Charter School Costs: The cost of charter schools has increased from \$434 million in 2006-07 to \$1.145 billion in 2011-12. The charter tuition calculation is weighted in favor of paying more for charter tuition than is included in actual instructional expense at a traditional public school.
6. Mandates - Public schools also have built in costs that cannot be adjusted due to state and federal requirements, such as costs related to personnel, professional development, instructional, testing and remediation, gifted education, vocational education costs, alternative education and court-ordered student placements, food service, student transportation, charter school transportation, nonpublic school transportation, facilities maintenance, utilities, etc...

## What formula do we believe establishes an equitable, adequate, comprehensive and consistent funding mechanism?

The goal of any school funding formula is to provide fair, predictable and adequate funding to all school districts in Pennsylvania. The simple formula the school leadership organizations of PSBA, PASBO, PASA and PARSS suggest contains factors that address a multitude of local issues while not overburdening the formula with many factors that complicate and cloud the goals of fair and predictable funding. We believe the current aid ratio pollutes the formula as it is based on market value and personal income, both of which contain flaws that produce opposing results in many cases. Any new formula we proposal would only be applicable to new funding (dollars increased over the current 2014-15 fiscal year). The factors that we would like the commission to consider include:

**Average Adjusted Daily Membership:** Every formula should start off with the basic element of counting students. The count requires the state to collaborate with school districts to manage enrollment information on a yearly average and combines this yearly average with a five-year weighted number to obtain a final count. We suggest this count be averaged over a period of five weighted years to provide stability by preventing swings in population growth or decline that would otherwise cause this factor to fluctuate significantly. The current fiscal year would be weighted 30%, while the subsequent past years would be rated 25%, 20%, 15% and 10% respectively.

### Student Weights:

- **Poverty based on Census Bureau figures:** The Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is in poverty. If a family's total income is less than the family's threshold, then that family and every individual in it is considered in poverty. Base the weight of the rate off of the average five year rate. The official poverty thresholds do not vary geographically, but are updated for inflation using the Consumer Price Index and would keep up with current trends between census studies.
- **English Language Learners:** Use district data reported in PIMS

### District Weights:

- **Sparsity Size Adjustment:** Based off of the special education formula, this adjustment recognizes districts where student populations are thinly scattered, mostly affecting those with large geographic boundaries.
- **Local Tax Effort:** The total property tax divided by the total assessed value would provide a household payment average. The household payment average would then be divided by the median household income.
- **Local Cost Adjustment:**

- **Local Cost Adjustment:** We encourage the Independent Fiscal Office to release a measurement of education costs that are out of the control of a school district - in essence a cost-of-living calculation. There are several states that utilize varying formulas that measure the cost of a basket of goods and services and would allow for comparison of costs across regions. Such a factor would be simple, relatively inexpensive to produce and unbiased. States that have this type of calculation include Maryland, Alaska and Texas.

Thank you for your time today. We appreciate the opportunity to provide testimony and we look forward to your questions.