

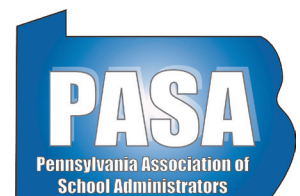


The
PASA-PASBO
Report
on School District Budgets

Continued Cuts:

Losing Confidence, Losing Learning

June 2016



Acknowledgments

The **Pennsylvania Association of School Administrators (PASA)** and **Pennsylvania Association of School Business Officials (PASBO)**

want to thank the William Penn Foundation for its generous support of this research project. The opinions expressed in this report are those of the authors and do not necessarily reflect the views of the William Penn Foundation. We also wish to acknowledge the contributions of Matthew Przywara (Lancaster School District); Jennifer L. Pesanka (Brentwood Borough School District); Susan Green (Southern York County School District); and Ryan Kirsch (Spring Cove School District)—all of whom provided careful reviews of draft versions of the survey instrument.

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And, as always, this report would not have been possible without the cooperation and support of superintendents, school business officials, and other school district administrators from every corner of Pennsylvania. In particular, we'd like to thank the superintendents and school business officials from Coudersport Area School District, Corry Area School District, Elizabeth Forward School District, Hanover Area School District, Southeast Delco School District, and Reading School District for sharing their experiences. To our members: thank you for helping us reach the largest response rate in the history of this six-year initiative.

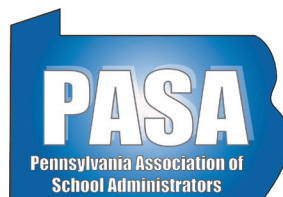
JIM BUCKHEIT & JAY HIMES
Harrisburg, June 2016

Continued Cuts: Losing Confidence, Losing Learning

THE PASA-PASBO REPORT ON SCHOOL DISTRICT BUDGETS

Pennsylvania Association of School Administrators &
Pennsylvania Association of School Business Officials

June 2016



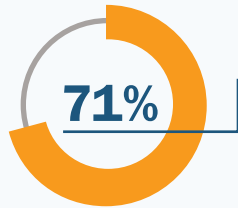
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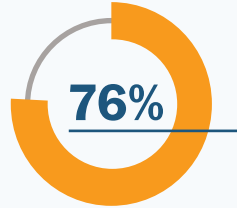
Summary of Response Rate

With a response rate of...




355 school districts
participated in the survey,

these districts educate approximately **1,211,821 students**,

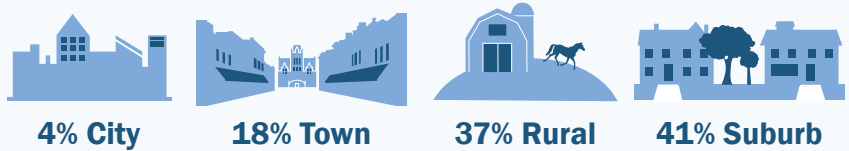



of Pennsylvania's traditional
K-12 public school enrollment.

Participating districts range from
Philadelphia, **134,538 students**...



to **31 districts** with fewer than **750 students**...
and every type of district in between:



The survey sample includes representation from all four corners of the state,
including **67 of 67 counties**.

I INTRODUCTION

Losing Confidence, Losing Learning

In 2010-2011, when PASA and PASBO first started documenting how lost and stagnant revenues have forced school districts to cut learning opportunities for Pennsylvania’s school children, no one imagined that the cuts would continue six years later. No one imagined that in all this time state policy-makers would still have failed to take meaningful action to curb growing expenses or that the state share of school funding would still be declining. No one imagined that our school leaders would be **losing confidence** in state policy makers and students would still be **losing learning** opportunities.

Yet this is the story of this edition of the annual *PASA-PASBO Report on School District Budgets*. As in previous years, this report provides current budget data and program details from school districts across every corner of the Commonwealth. Our survey received its highest response rate yet, with 355 of 500 school districts participating, and includes representation from all 67 counties. Districts were asked to detail plans based on preliminary budgets for the fiscal year 2016-2017. New this year, we document how districts coped with the nine-month-long 2015-2016 budget impasse, as well as uncertainty around PlanCon reimbursements for school construction. Also for the first time, we are able to include longitudinal comparisons to past surveys. The results are not good.

Even as Pennsylvania’s leading economic indicators project “continued growth in the economy going forward,”¹ our 2016 survey results show the worst outlook for public schools of any of our previous surveys. Districts project increases in mandated expenses for pensions (100 percent), health care (84 percent), special education (88 percent), and charter schools (77 percent), higher in every category than in previous reports. More districts are planning local tax hikes, borrowing funds, dipping into fund balances, and delaying payments to vendors. Most importantly, the number of districts projecting cuts to staff (46 percent), increases in class size (34 percent) and cuts to educational programs (50 percent) continue to rise.

Based on our survey, we estimate that in 2016-2017 the increased cost of mandated expenses will exceed \$600 million, not including any cost of living salary adjustments. Thus, even under Governor Wolf’s proposal to add \$250 million in basic and special education revenues to next year’s state budget, the vast majority of districts report they could not restore the cuts they have been forced to make since 2010. It’s basic math.

It’s also deeply personal. Woven throughout the data are stories of how superintendents and business officials from six individual school districts have coped with continued cuts. This is not a cherry-picked rehashing of only the most well-known school funding challenges and inequities in Philadelphia, Chester-Upland, and York City districts or even the newer crises growing in Erie City and Scranton. The featured school districts – Coudersport Area, Corry Area, Southeast Delco, Elizabeth Forward, Reading, and Hanover Area – are reflective of public education across the Commonwealth. Their experiences demonstrate the depth of the state’s structural school funding problems. Together with the survey data, their stories show that the time to **restore confidence** and **restore learning** opportunities is now.

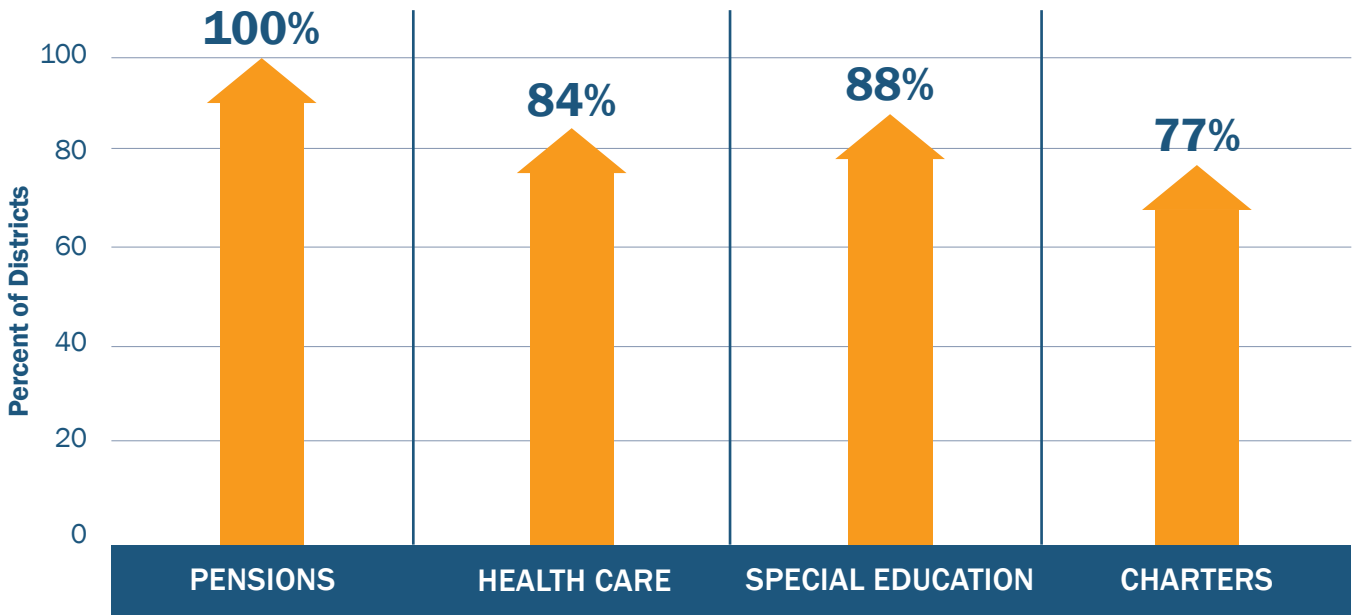
¹ Center for Workforce Information & Analysis (2015). *Economic Review of Pennsylvania*.

II

MANDATED EXPENSES

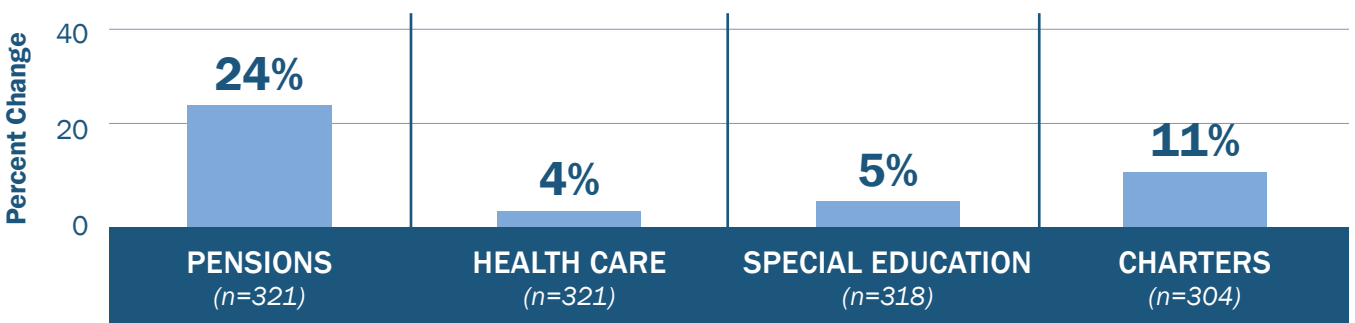
Survey results indicate that mandated expenses continue to rise. A significant majority of districts project increases in every area surveyed: pension contributions, health care costs, special education services, and charter school payments. The percentage of districts projecting these increases is higher, *in every category*, than was the case in 2015-2016 (see Figure 1).

Figure 1. Percent of school districts anticipating increased mandated costs: FY 2016-2017 (n=334)



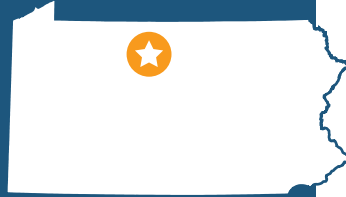
Every district surveyed anticipated increased pension contributions in 2016-2017. As Figure 2 illustrates, districts expected the size of that increase to be severe; on average they anticipated a jump of 24 percent in just one year.

Figure 2. Average percent anticipated change in mandated expenses from 2015-2016 to 2016-2017



CASE STUDY:

Coudersport Area



Increases in mandated expenses are squeezing districts across Pennsylvania between a rock and a hard place. In rural Coudersport Area School District, the single largest cost driver is pension contributions, which have grown from five to 30 percent of total salaries in the last six years alone. “The huge jump in PSERS is driving us over the edge,” said Superintendent Alanna Huck, “we’re just not able to raise revenue to cover that kind of cost increase.” Employee health benefits, charter, and special education costs have also risen year after year.

“There’s a line in the sand and I don’t want to cut more from our kids.”

– Alanna Huck, Superintendent

Like many other districts, Coudersport has responded by significantly reducing its workforce, leaving teaching, support, and administrative positions unfilled. Teachers now fill in as cafeteria aides and coordinate to staff the otherwise shuttered library. Superintendent Huck herself has taken on many of the duties of the district’s former technology director. “We’ve all had to wear more and more hats as we’ve been forced to eliminate these key positions,” explained Huck.

As educators in Coudersport look to the future, they worry things will only get worse in 2016-2017. “We’ve made it work the last six years but we’re at the end of the list of what we can do,” said Huck. “There’s a line in the sand and I don’t want to cut more from our kids.” Unfortunately, she may have little choice. A shrinking population and tax base make raising sufficient local revenue a challenge.

Huck urges educators and parents to engage with their legislators in Harrisburg, “We need to be vocal about these structural problems like pensions and charter school costs. Without government action, increasing mandated expenses will continue to erode our ability to provide the high-quality education our children deserve.”

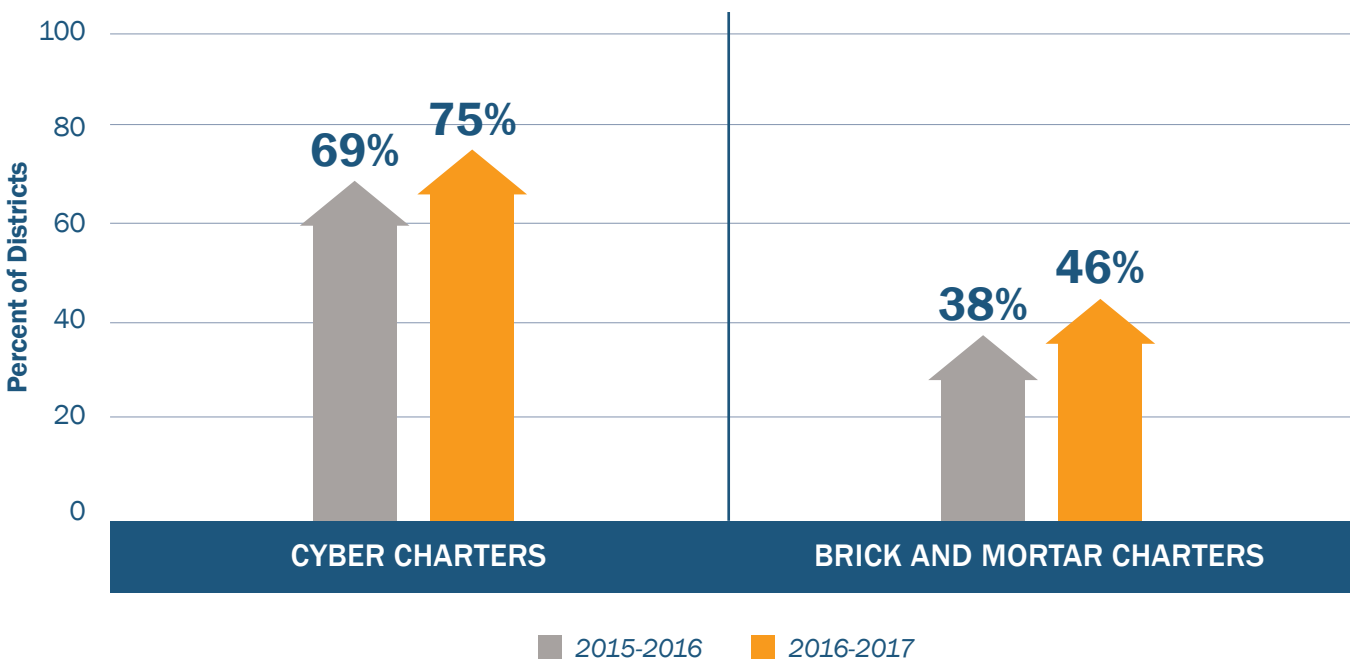


MANDATED EXPENSES

FOCUS ON CHARTER SCHOOLS

As shown above in Figure 1, the percentage of districts expecting an increase in their mandated tuition payments to all charter schools (cyber and brick and mortar combined) is projected to be larger next year. Seventy-seven percent of districts anticipate increases in 2016-2017, compared to 71 percent of districts that experienced increases in mandated charter tuition expenses in 2015-2016. Figure 3 below distinguishes between types of charters and demonstrates that increased mandated costs associated with cyber charters affect 75 percent of districts surveyed, while increased mandated costs associated with locally-based brick and mortar charters impact a smaller but still significant share of districts (46 percent).

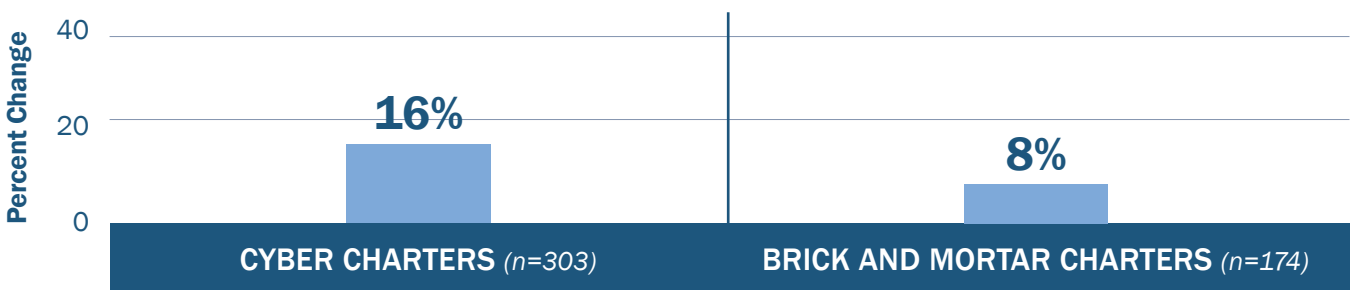
Figure 3. Percent of districts anticipating increased charter expenses for 2015-2016 and 2016-2017



(For cyber charters n=346 for 2015-2016 and n=346 for 2016-2017. For brick and mortar charters n=346 for 2015-2016 and n=334 for 2016-2017. Note, the results are nearly identical (within +/- 1 percent) when the sample is restricted to the 282 districts that answered both the spring 2015 survey and the spring 2016.)

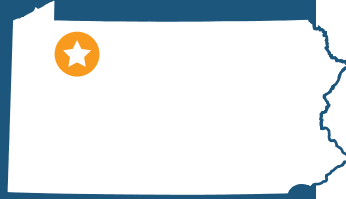
Figure 4 below shows the expected change in the average amount of those expenses from 2015-2016 to 2016-2017 broken down by charter school type.

Figure 4. Average percent expected change in charter expenses between 2015-2016 and 2016-2017



CASE STUDY:

Corry Area



Corry Area School District in rural northwestern Pennsylvania covers 250 square miles and serves nearly 2,200 students from three separate counties. Over the course of 39 years in the district, Superintendent Bill Nichols has seen a steady increase in the number of those students coming from disadvantaged backgrounds. This year, over 70 percent of Corry Area students qualify for free and reduced lunch.

Nichols is increasingly worried about meeting his students' needs. Corry Area has eliminated 22 positions over the last three years, and class sizes have been steadily rising. "Several of our elementary schools are operating with over 500 kids to a single principal, and could really use additional support," said Nichols.

Business Manager Brenda Clabatz says increases in mandated costs, including special education and cyber charter tuition, have driven budget cuts. For every student who attends a non-district cyber, Corry Area pays over twice as much as it costs to educate a student in their own cyber program, which is aligned to the district and state curriculum. "There's no question we see significant differences in kids who attend our own cyber or blended learning programs versus kids who attend the for-profit cyber schools," said Nichols. What's more, many cyber charter students eventually return to district schools, but not before they have fallen behind grade level. "It's as if we're paying for them twice," explained Nichols, "once to attend a cyber and again to remediate when they rejoin our schools."

“It’s as if we’re paying for them twice,” explained Nichols, “once to attend a cyber and again to remediate when they rejoin our schools.”

– Bill Nichols, Superintendent

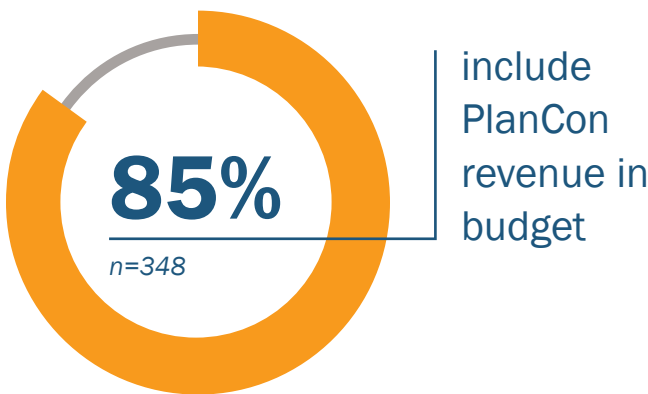
Looking forward, educators in Corry Area have grave concerns about their ability to plan for 2016-2017 and beyond. "Walking into budget planning not knowing where we're going to stand next year, it really makes me nervous for the future," said Nichols. He worries that uncertainty caused by another year of budget impasse would further derail the whole educational process, "You start making decisions, instead of based on the kids and what you know is best, on caution and your lack of confidence in state government." The district has yet to determine if more cuts will be needed next year, but Nichols fears summer school may be on the chopping block.

IV PLANCON

The Planning and Construction Workbook (“PlanCon”) is the process provided in Pennsylvania law for school districts to obtain state reimbursement for a portion of school construction or renovation costs. The PlanCon process requires approval by the Department of Education (PDE) at every step, from preliminary planning to project financing and refinancing. School districts that comply with the strict PlanCon requirements and reach approval for “Part H” are eligible to receive partial state reimbursement based upon their relative wealth.

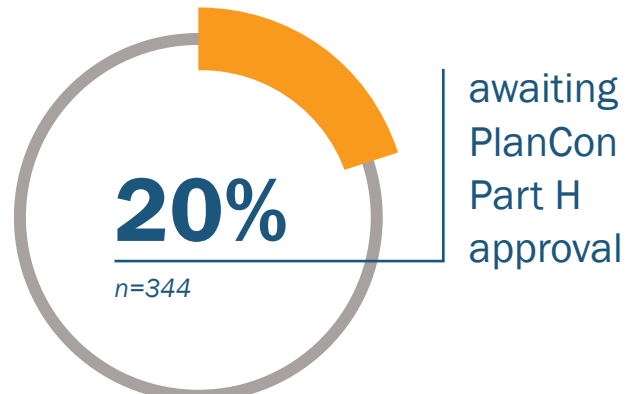
In the 2014-2015 school year, the state appropriated \$306 million for PlanCon reimbursements. Districts are still waiting to receive reimbursements for the 2015-2016 school year. In addition, districts are facing a **moratorium on any new approvals of PlanCon projects for the third time in six years**, forcing many to defer necessary construction and renovation projects.

Figure 5. Percent of districts that included PlanCon reimbursement in their 2015-2016 budget



Eighty-five percent of districts across the state relied on payments for *already approved* PlanCon projects to balance their 2015-2016 budgets. Districts are hopeful they will receive 2015-2016 reimbursements at some point, but these funds have not been distributed.

Figure 6. Percent of districts with PlanCon Projects awaiting Part H approval



One in five districts also have projects in the PlanCon pipeline that were approved up to Part G, but stalled waiting on PDE’s final approval of Part H. Many districts started or even completed projects with no guarantee of reimbursement.

As can be seen in Table 1, surveyed districts, which comprise 71 percent of all districts statewide, are owed more than \$323.5 million for approved projects and those pending Part H approval.

Table 1. PlanCon reimbursements owed statewide

DISTRICTS OWED PLANCON FUNDS	305
TOTAL AMOUNT OF PLANCON OWED AMONG DISTRICTS WHO ANSWERED THE 2016 SURVEY	\$323,594,912

CASE STUDY:

Southeast Delco



Southeast Delco School District is a mid-sized district that serves approximately 4,500 students in Delaware County, in the southeastern corner of Pennsylvania. “We are about as close as you can get, without being in Philadelphia,” explains Dr. Stephen Butz, Superintendent since 2009.

School funding inequities are stark in southeastern Pennsylvania. SE Delco and other struggling districts are neighbors to some of the wealthiest districts in the Commonwealth, and their spending differences often exceed \$8,000 per student. On this uneven playing field, SE Delco strains to provide similar opportunities for their students. As Dr. Butz describes, “We don’t have any indoor swimming pools. We are lacking in the basics in terms of the number of teachers we have and the courses we can offer. Most of our technology is six to eight years old. We want to be held to the same standard as our neighbors, but the resources we have are so different.”

As a majority minority district with a high poverty rate, a growing immigrant population, and a local tax base that generates less revenue than their neighbors despite one of the highest tax rates in the state, SE Delco has already taken extraordinary measures to make ends meet. Since 2010, student enrollment has increased by nearly 500 students, but the district has cut 22 teachers. It has also cut benefits and implemented a salary freeze for all staff—twice for teachers. There have been cuts to music, art, physical education, and other electives. In 2015-2016, securing a loan to get through the budget gridlock was not even an option for SE Delco’s Business Manager, Vanessa Scott. “We were weeks from not making payroll, and our bank said, ‘We’d love to help you, but we don’t see any way you can guarantee that we will get repaid,’” explains Scott.

“We were weeks from not making payroll, and our bank said, ‘We’d love to help you, but we don’t see any way you can guarantee that we will get repaid,’”

– Vanessa Scott, District Business Manager

Failure to receive expected PlanCon reimbursements can make or break the budget of a district like SE Delco. In 2015-2016, the district expected nearly \$1 million of *already approved* PlanCon reimbursements. Due to the budget impasse, Dr. Butz no longer expects to receive those funds before the end of the fiscal year, leaving the district with a very small fund balance.

SE Delco also has an outstanding PlanCon application for a high school renovation project that was filed more than five years ago, but never received a decision from PDE regarding Part H. The renovation project was completed in August of 2013. “We have had students in the building enjoying the renovations, but we haven’t gotten any reimbursement for that project.” said Dr. Butz. The district has delayed other needs, including repairs to a ventilation system that cools and heats a gymnasium and a bathroom renovation, which, if not fixed soon, could cause water damage and prove more costly to fix in the long run. “When we have the funding we will have to take care of it.”



SHIFTING BURDENS

GROWING RELIANCE ON PROPERTY TAXES

In response to increased mandated expenses and uncertainty about future state revenue, more districts are planning to raise property taxes this year (85 percent) than last year (71 percent) (see Figure 7). If enacted, this will be the seventh consecutive year in which over 60 percent of school districts have raised property taxes to meet educational needs.

Figure 7. Percent of districts planning property tax increases in 2015-2016 and 2016-2017

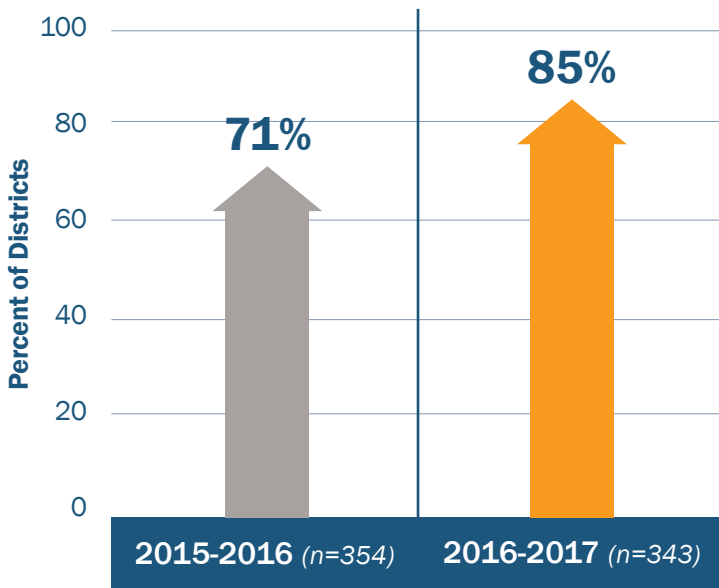
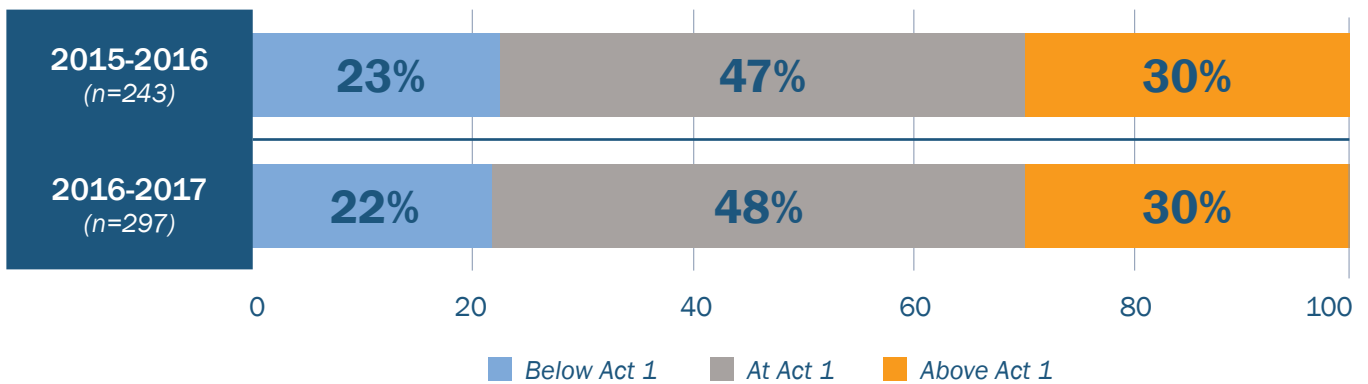


Figure 8 shows that, among districts planning tax increases for 2016-2017, 78 percent plan to tax at or above the Act 1 Index.

Figure 8. Level of anticipated tax increases in 2015-2016 and 2016-2017



CASE STUDY:

Elizabeth Forward



Elizabeth Forward may not seem like a district struggling to make ends meet. One of 73 forward-thinking districts nationwide that make up the League of Innovative Schools, the district has developed curricula in both digital fabrication and computational thinking, and provides an iPad for every child. But obtaining the funding to do so wasn't easy in a district with a shrinking population and growing poverty, says Superintendent Bart Rocco. "The problem in our Commonwealth is the inequity focused around providing education funding based on property values," explains Rocco. "Why should a zip code of where a kid lives determine the quality of the education that he receives?"

Rocco and his team face the same challenges as many districts. Their mandated expenses, particularly pension contributions, are increasing rapidly, while their real estate values and ability to raise local revenues are decreasing. Under Rocco's leadership, the district has managed to bring in impressive outside grant funding through partnerships with philanthropy, industry, and local universities. But this year, the state budget impasse threatened to undermine their financial stability. The district got by with a \$6.5 million dollar loan, which cost them over \$27,000 in unbudgeted interest. They also delayed payments to vendors for things like transportation and classroom supplies.

“We use five year projections in our cost analysis for building our budget. How do you gauge what five years is going to look like without a timely state budget? I don't know about five minutes from now.”

- Bart Rocco, Superintendent

But there was one payment that couldn't be delayed. Like many other districts, Elizabeth Forward borrowed heavily in the 1990s, and is still paying over \$3 million a year in debt service from that time. As Rocco explains, "You can get as creative as you like, but you've still got to pay your debt service!"

Now, with little reassurance that a 2016-2017 budget will be passed by June 30th, uncertainty about their future ability to make debt service payments is mounting. "We use five year projections in our cost analysis for building our budget. How do you gauge what five years is going to look like without a timely state budget? I don't know about five minutes from now."

Even more troubling for Rocco, both state funding levels and delayed budgets have a disproportionate impact on less affluent districts and the children they serve. "Clearly, we need a better way to fund our schools."



SHIFTING BURDENS

UNCERTAINTY AND UNPREDICTABILITY

To keep schools open amidst the uncertainty and unpredictability of the 2015-2016 state budget impasse, districts used multiple strategies, including borrowing, using fund balances, and delaying payments to vendors. The effects of the impasse continue to impact districts and, for some, their credit ratings continue to decline.

Borrowing

This year, 14 percent of districts borrowed additional funds mid-year to cope with the impasse. As Figure 9 shows, if the 2016-2017 budget is not approved on time, 34 percent of districts will again increase borrowing.

Figure 9. Additional borrowing due to budget impasse in 2015-2016 (actual) and 2016-2017 (predicted)

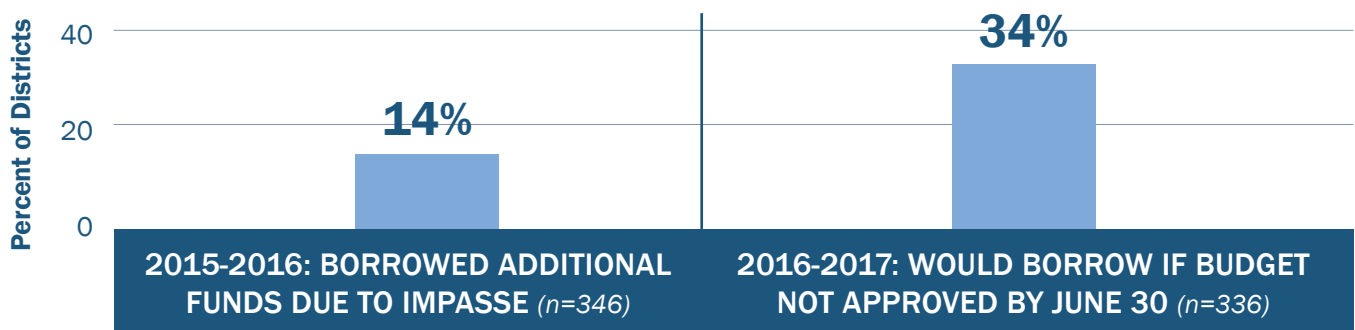


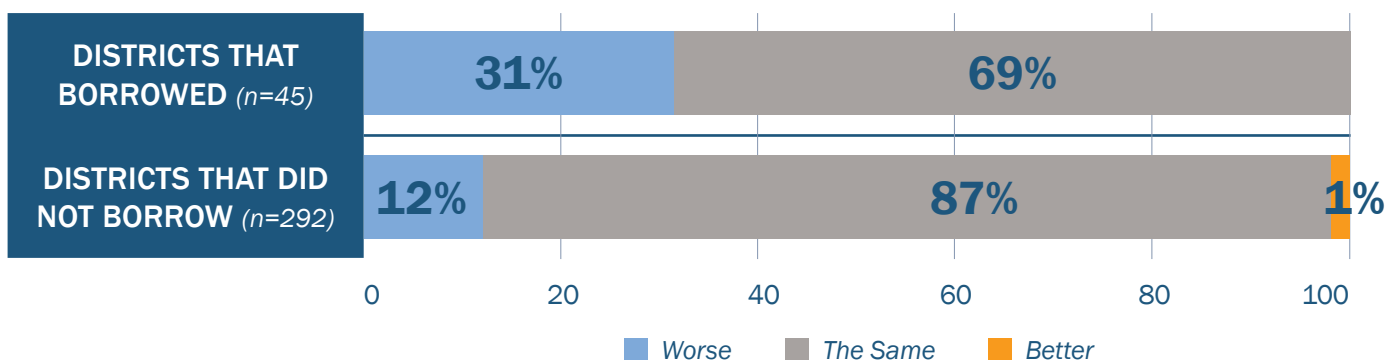
Table 2. Total additional 2015-2016 borrowing due to the impasse

TOTAL BORROWING	\$746,632,504
AVERAGE PER DISTRICT	\$15,554,843
N	48

Seventy-one percent of districts responded to the PASA-PASBO survey. Between them, total new borrowing due to the impasse reached a whopping \$746 million.²

Fifteen percent of districts note that their credit rating declined from July 1, 2015 to April 1, 2016. Another 17 percent of districts predict that their credit ratings will get worse in 2016-2017. Not surprisingly, districts that had to borrow due to the impasse reported greater declines in credit ratings over the 2015-2016 year, as can be seen in Figure 10.

Figure 10. Changes in credit ratings in 2015-2016 for districts who borrowed additionally

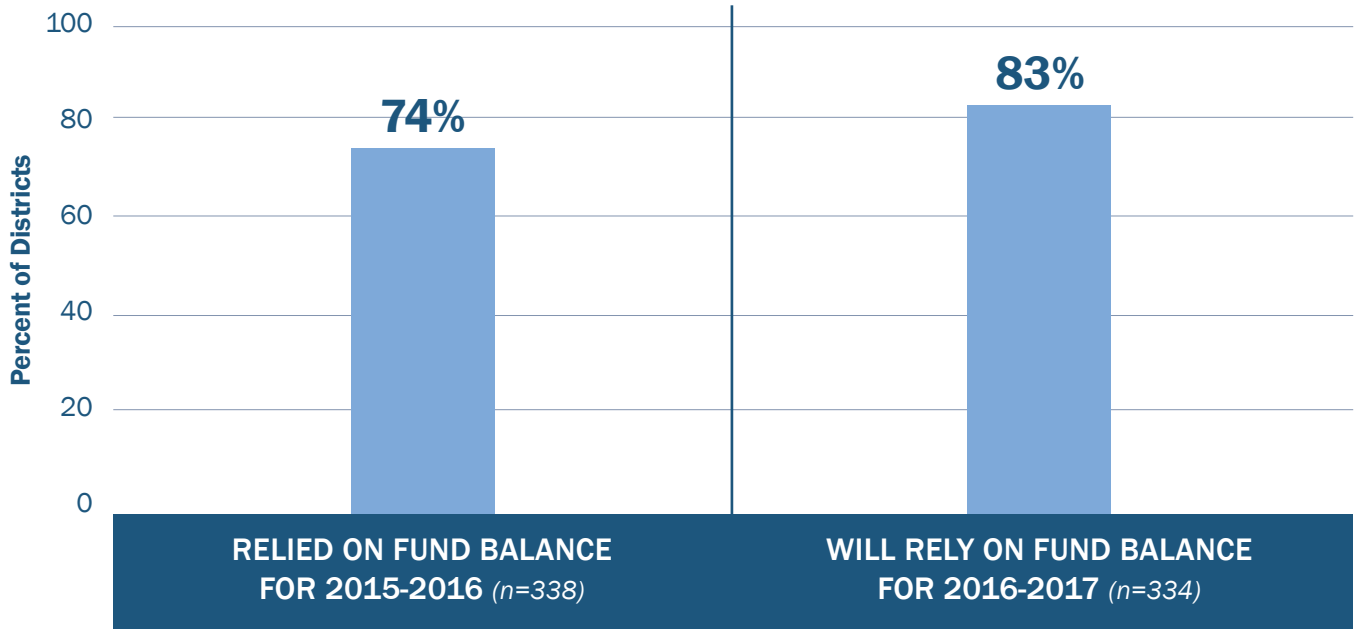


² These numbers are comparable to the reports from the Auditor General. Russ, H. (2015, December 9). *Pennsylvania schools borrow \$900 million to survive state budget impasse*. Reuters. Retrieved from <http://www.reuters.com/article/us-pennsylvania-budget-education-idUSKBN0TS31U20151209>.

Fund Balance

Figure 11 compares the percentage of districts that dipped into their fund balance in 2015-2016 to those planning to rely on fund balance in 2016-2017.

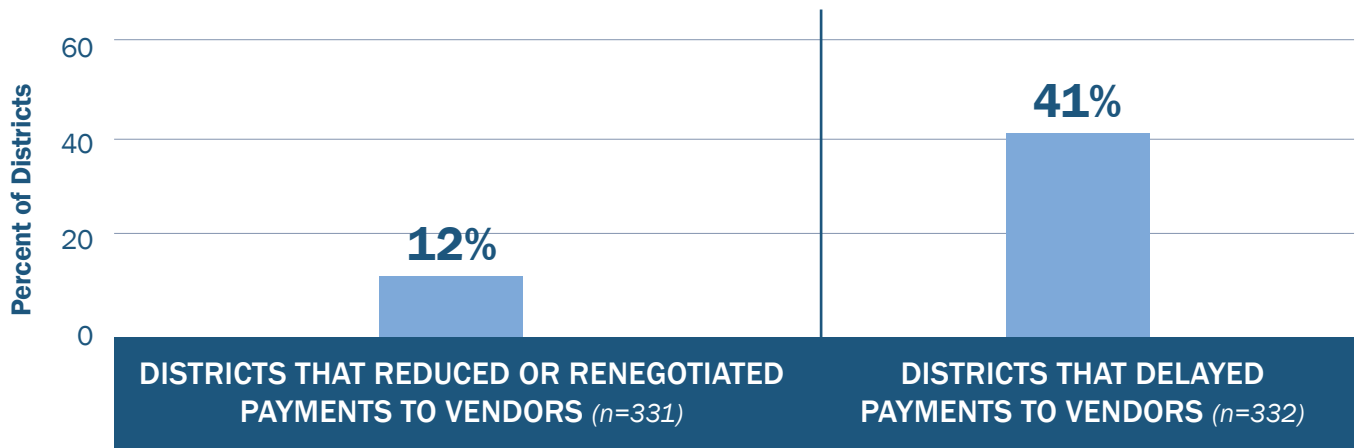
Figure 11. Percent of districts relying on fund balance in 2015-2016 (actual) and 2016-2017 (planned)



Payment to Vendors

As can be seen in Figure 12, survey results indicate that the budget impasse forced more than 140 school districts to reduce, delay, or renegotiate payments to vendors in 2015-2016.

Figure 12. Percent of districts that reduced, renegotiated, or delayed payments to vendors due to impasse

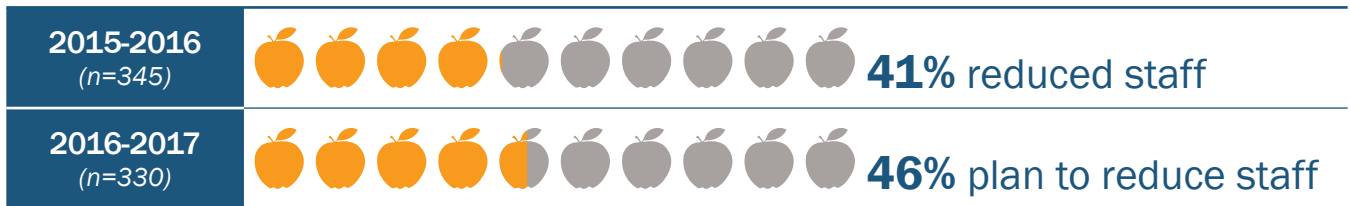


Contracted services, supplies and equipment payments were most likely to have their payments reduced or renegotiated. Charter schools were the most likely to have their payments delayed.

VII STAFF REDUCTIONS

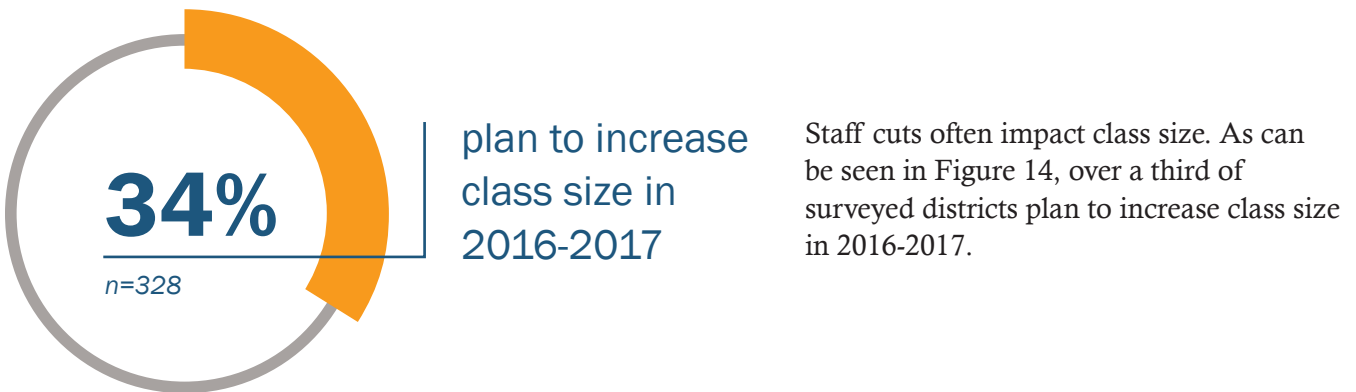
Almost half of districts surveyed (46 percent) plan to reduce staff in 2016-2017, up from 41 percent in 2015-2016 (see Figure 13).

Figure 13. Expected staff cuts in 2015-2016 and 2016-2017



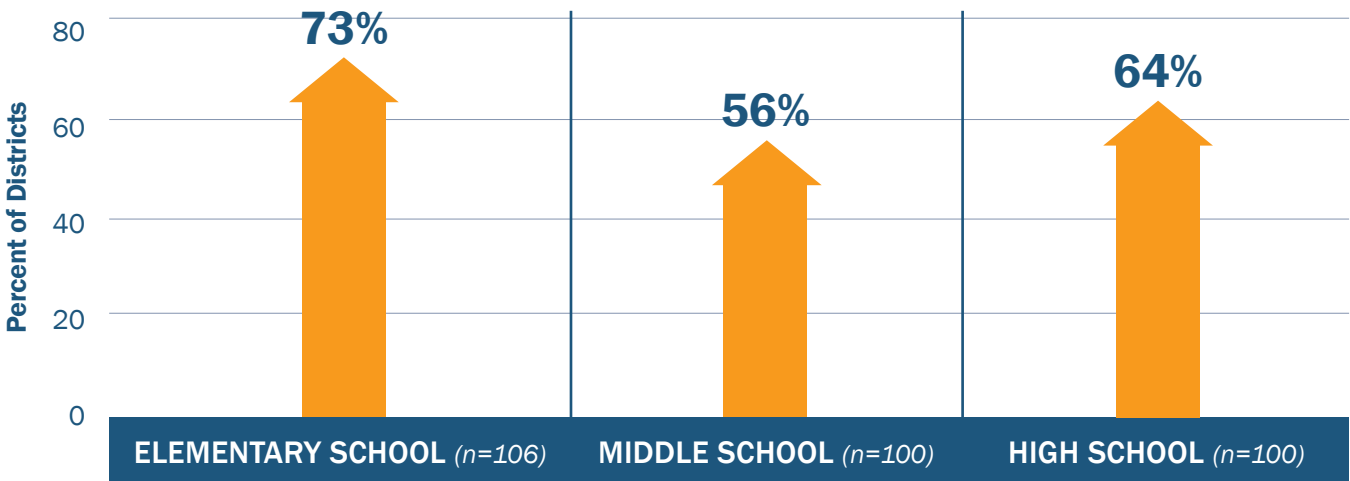
Class Size

Figure 14. Percent of districts that plan to increase class size in 2016-2017 (*n=328*)



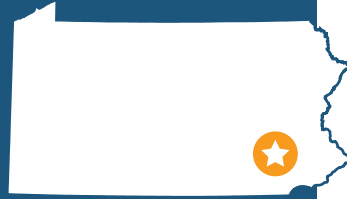
Planned increases in class size will occur across grade levels, but are most common at elementary schools, as illustrated in Figure 15.

Figure 15. Planned increases in class size by grade level among districts that plan to increase class size



CASE STUDY:

Reading



Perhaps nowhere in Pennsylvania are the impacts of the state's education funding crisis and continued inequities more apparent than in Reading School District. The district was forced to eliminate hundreds of positions in 2012, including significant numbers of instructional and social support staff, and they have yet to fully recover. "It's been felt by classroom teachers and kids," laments Superintendent Khalid Mumin. Elementary schools are especially over-enrolled, with some Kindergarten class sizes reaching 30 students.

“Without more money in the formula it will take 30 years for Reading to catch up. That window is just too long for our kids.”

– Khalid Mumin, Superintendent

More staff and smaller class sizes are far from being a luxury in a district like Reading; they are a necessity. The exceptionally diverse student body is made up of over 17,000 students who hail from 28 countries and speak 27 different languages, but nine in 10 are considered economically disadvantaged. "We have excellent students with amazing strength and problem solving ability but one in four are learning English as a second language, and they need additional supports," Mumin said. "The resources and individualized learning required to get them to proficiency and graduation are significant."

Rising mandated costs, heavy reliance on state funding, and accumulated debt have left Reading in a difficult spot. The district spends roughly 10 percent of their annual budget on debt service, and was forced to borrow an additional \$20 million this year to weather the budget impasse. "We spent two and a half teachers' salaries on interest and fees because of the impasse," recalls CFO Wayne Gehris, "and frankly we're not sure we'll even be able to acquire loans next year if we need them to carry us through another delayed budget."

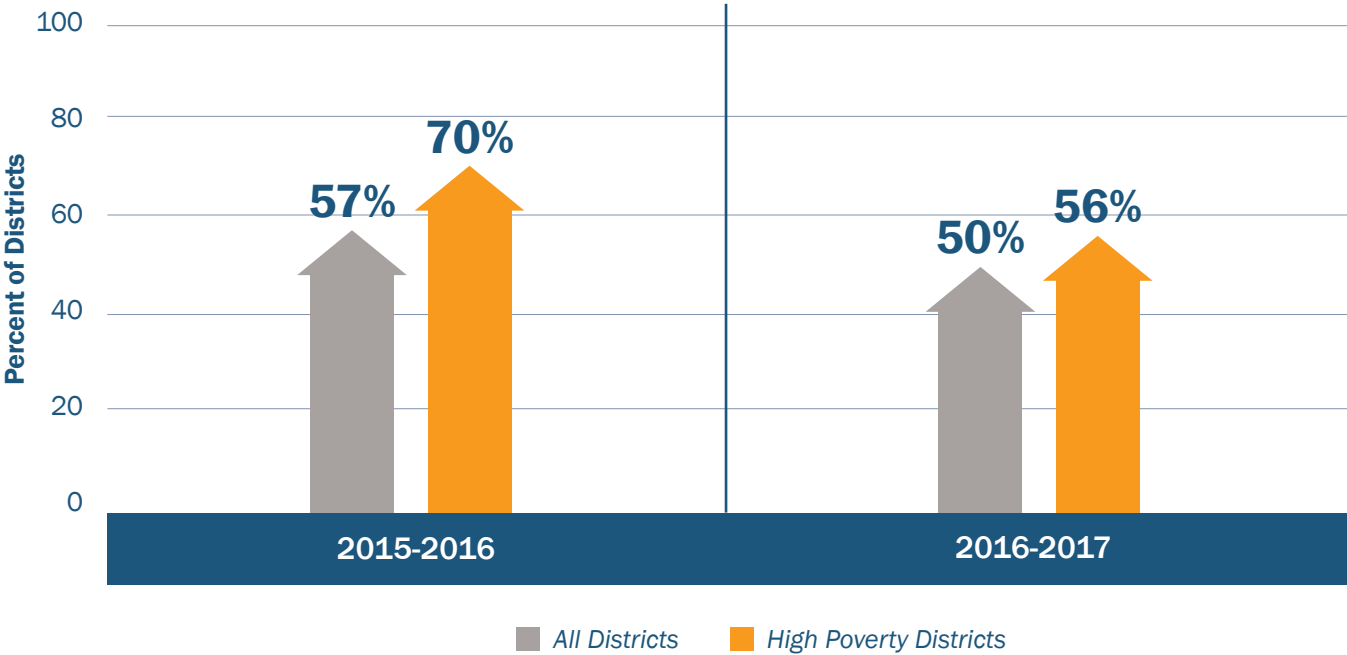
Mumin and his team are grateful for the recent adoption of the bipartisan Basic Education Funding Commission's formula, which will begin to correct for years of underinvestment in districts with large populations of economically disadvantaged students and English Language Learners. Mumin calls it "a win" for students across the Commonwealth. "We are excited at the prospect of planning for a sustainable future." Unfortunately, he worries it will not be enough: "Without more money in the formula it will take 30 years for Reading to catch up. That window is just too long for our kids."

VIII

PROGRAM REDUCTIONS

Earlier reports documented that a large majority of districts statewide have reduced or eliminated academic and extra-curricular programs over the past six years. Figure 16 below indicates this trend is continuing and that the impacts are worse in high poverty districts.³

Figure 16. Program cuts in 2015-2016 (actual) and 2016-2017 (planned) (all districts vs. high poverty districts)



(For all districts n=331 for 2015-2016 and n=315 for 2016-2017. For high poverty districts n=79 for 2015-2016 and n=75 for 2016-2017.)

As Table 3 illustrates, program cuts are most common in professional development, instructional materials, and in construction and maintenance. The poorest school districts expect larger reductions in each category.

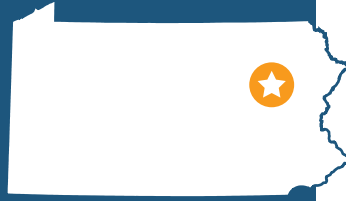
Table 3. Anticipated cuts by type of program in 2016-2017 (all districts vs. high poverty districts)

	ALL DISTRICTS	HIGH POVERTY DISTRICTS
Academic Programs	19%	26%
Student Support Services	12%	19%
Professional Development	27%	36%
Purchase of Materials	37%	45%
Extracurricular Activities	20%	27%
Transportation Services	22%	32%
Construction and Building Maintenance	29%	38%

³ High poverty school districts are defined as the quarter of school districts with the highest percentage of students who are considered economically disadvantaged in data provided by the Pennsylvania Department of Education.

CASE STUDY:

Hanover Area



Serving an increasingly diverse population of 2,000 students in the scenic Wyoming Valley of northeastern Pennsylvania, the Hanover Area School District is all too familiar with tightening its belt. In the last five years, the district has closed an elementary school, cut 17 teachers and four administrators, and eliminated classes in elementary school music, art, and physical education. Teachers are now asked to cover “specials” during their prep time. “Keystone testing preparation—we aren’t offering, because we don’t have the bodies,” explains Superintendent Andy Kuhl. “We are done cutting fat and we are into the meat and bone.”

Despite years of cuts, the budget impasse this year caused an “unprecedented” crisis, bringing the district to the brink of closure in April. The school board has already raised taxes in all but one of the last six years and now has the highest millage rate in the county. The district’s taxable assessed valuations have decreased, leading to a half million dollar loss in local tax revenues. This year, Kuhl and Tom Cipriano, Hanover Area’s Director of Finance and Operations, took out an additional loan, negotiated extended terms with vendors, and utilized a health trust consortium that allowed them to defer health care costs, delayed paying PSERS quarterly, and asked for accelerated payments from tax collectors. “We’ve done all the tricks,” said Cipriano, “but we’re spending so much time on negotiations and contingency plans to close schools, instead of doing the things that we’re supposed to be here to do.”

Superintendent Kuhl is proud of the way his staff have “dug their heels in and did what they had to do,” but still recounts teachers meetings that were “like a funeral” and a general “atmosphere of doom and gloom that seeped down into the grassroots, affecting morale from administration all the way down to support staff.” Mr. Kuhl notes that the uncertainty could have impacted student concentration levels on state tests, “Our kids were in the auditorium where we had to talk about locking the doors here.”

“Our kids were in the auditorium where we had to talk about locking the doors here.”

– Andy Kuhl, Superintendent

The good news, according to Kuhl, is that where school boards are often pitted against tax payers and school districts pitted against teachers associations, the budget impasse “has opened people’s eyes. I think people on all sides saw this year that we are all in this together.”

IX CONCLUSION

The Challenges Ahead

After years of mandated expenses outpacing state revenues and resulting cuts to staff and programs, schools across Pennsylvania are struggling. In 2015-2016, districts also faced the unprecedented challenge of meeting the needs of students during the prolonged state budget impasse and the failure of the state to provide anticipated PlanCon reimbursements on time. Together, these pressures forced districts to make tough choices, such as spending down fund balances (74 percent), reducing or renegotiating payments to vendors (43 percent), and taking out unplanned mid-year loans (an estimated total near \$1 billion).

Perhaps more troubling, 97 percent of district administrators predict the same or worsening conditions next year. Districts describe the paralyzing uncertainty of blind budgeting with little reassurance that next year's revenues will be approved on time or prove adequate to off-set rising expenses. Given this context, it's no surprise that administrators are projecting continued cuts again next year:

- Half of districts plan to cut valuable programs.
- 46 percent plan to cut additional staff.
- 34 percent expect class sizes to increase.

Even when asked to imagine a scenario in which a 2016-2017 budget was enacted and an additional \$200 million was distributed through the basic education funding formula, the outlook of responding districts was still grim. As shown in Figures 18, 19, and 20 below:

- 72 percent of districts report they would still need to enact planned property tax increases.
- 74 percent would still not be able to restore any staff positions. Only two percent could restore *all* positions lost since 2010.
- 77 percent of districts report they would not be able to restore any eliminated or reduced programs. Not one district would be able to restore all programs lost since 2010.

There is, of course, some good news. This year was the first in which new education dollars were distributed through the bipartisan Basic Education Funding Commission's formula. But while administrators agree this is an important step towards a more equitable system of school funding, many are quick to point out that a funding formula is only as good as its revenues. Even under generous projections, less than six percent of state funding would be distributed through the formula in 2016-2017. Unless policymakers pursue a bold new commitment to public education, the rising expenses from pensions, health care, special education and charter costs will outpace state revenues and heavy reliance on local property taxes will continue to drive inequity.

Administrators and educators on the front lines of the education funding crisis are clear: without immediate government action to address these challenges, cuts will continue. Every year that we fail to provide revenue that covers mandated expenses and invest adequately and equitably in public education, our school leaders and citizens lose confidence in state government and students everywhere lose learning opportunities.

District Responses to Proposed 2016-2017 Budget with Additional \$200 Million in Basic Education Funding

Figure 18. Could you eliminate or reduce planned property tax increases?

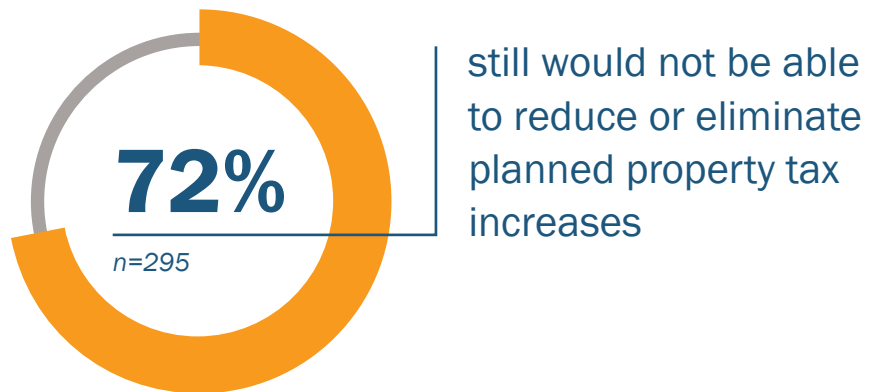


Figure 19. Could staff positions cut since 2010 be restored? (n=272)

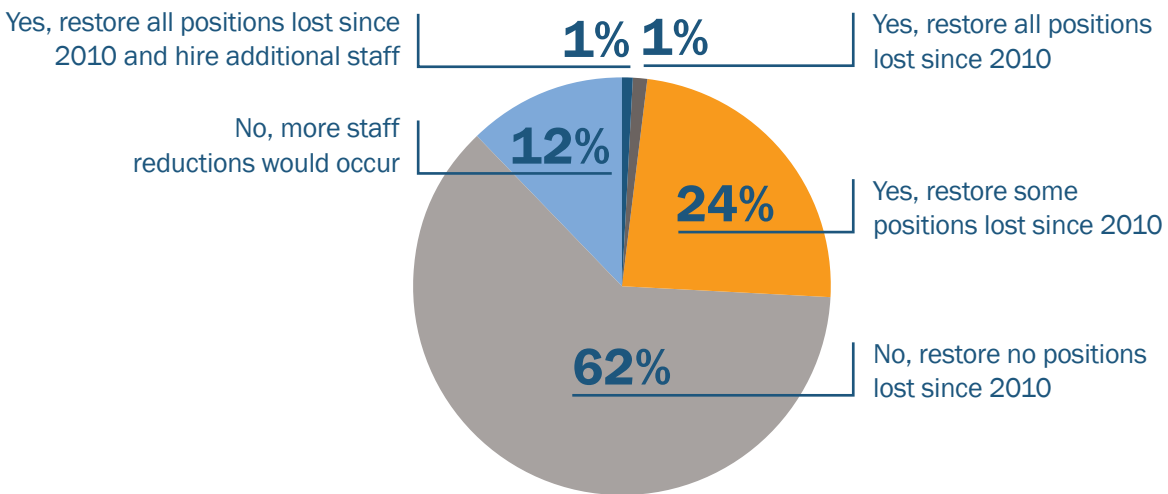
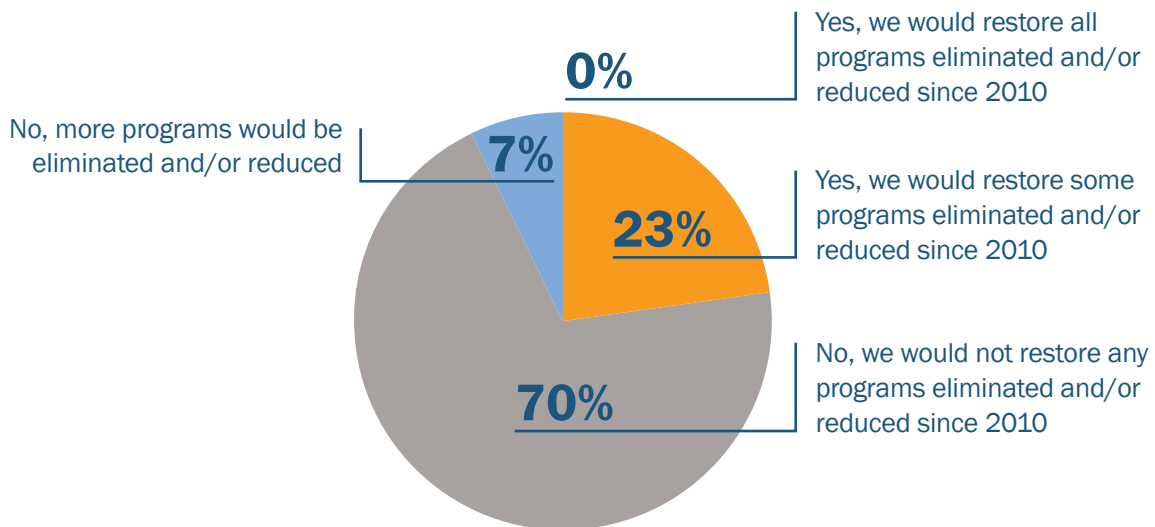


Figure 20. Could programs eliminated and/or reduced since 2010 be restored? (n=256)



X METHODOLOGY

The Spring PASA-PASBO survey was released on April 4, 2016, to 1,073 administrators and chief financial officers in 500 school districts based on membership lists provided by both PASA and PASBO. Significant efforts were made to achieve a high, representative, and geographically-balanced response.

When the survey was closed on April 29, 2016, the response rate reflected submissions from 355 school districts, or 71 percent of the statewide total. This includes representation from every corner of the state, including all 67 counties. Together, these districts educate approximately 1,211,821 students, or 76 percent of the Commonwealth's traditional K-12 public school enrollment. Participating districts range from the largest district in the state (Philadelphia with 134,538 students) to 31 districts with fewer than 750 students, and every type of district in between.

Survey Description

The survey was composed of 41 questions concerning school district finance, staffing, and programmatic conditions. Districts were asked to reflect on the 2015-2016 fiscal year, as well as outline plans for the coming 2016-2017 fiscal year, and to detail how those plans might change based on Governor Wolf's proposed education budget.

Survey Testing

Prior to dissemination of an online survey to Pennsylvania school district superintendents and business administrators, the instrument was piloted by staff at Research for Action and with current and former school district administrators to ensure clarity.

Survey Administration

The survey went live on April 4, 2016. Regular reminders were sent to those districts that had not completed the survey. The survey was closed on April 29, 2016.

Sample

The survey was sent to superintendents and business managers in 500 Pennsylvania school districts; the superintendent and business manager in each district filled out a single survey. In Table A1 below, we compare the districts that responded to the survey to the entire state. As seen below, the demographics of the responding districts are very similar to those of the entire state.

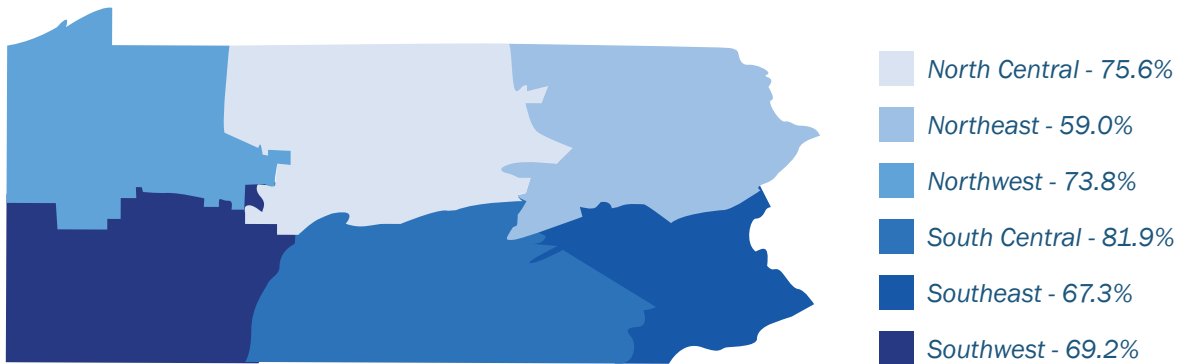
Table A1. Description of demographic data for respondent districts

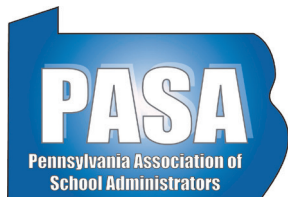
	SPRING SURVEY RESPONDING DISTRICTS (n=355)	ALL PENNSYLVANIA DISTRICTS (n=500)	DIFFERENCE
Total Enrollment	1,211,821	1,589,440	-377,619
Average Percent White	83.8%	83.8%	0%
Average Percent Special Education 2012-2013	14.5%	14.7%	-0.2%
Average Percent ELL 2012-2013	1.3%	1.2%	0.1%
Average Percent Low Income 2014-2015	41.0%	41.4%	-0.4%
Percent of Districts in Highest Poverty Quartile	23.9%	24.9%	-0.5%
Average Total Revenue 2013-2014	\$56,773,496	\$52,539,968	\$4,233,528
Urbanicity (Percentage of Districts in Sample)			
City	4.2%	3.4%	0.8%
Rural	36.9%	35.1%	1.8%
Suburb	40.9%	41.5%	-0.6%
Town	18.0%	20.0%	-2.0%

Note: Numbers for enrollment, ethnicity, special education, English Language Learners, percent low income, poverty level and total revenue are most recent publicly available data from the PDE website.

Bryn Athyn School District contracts-out educational services. Source: <http://www.brynathynschooldistrict.org/>

Figure A1. Response rate by region





The **Pennsylvania Association of School Administrators (PASA)** is an organization that is instrumental in developing successful school leadership through advocacy, professional development, support, sustainment of high quality school administrators and a statewide collegial network. Our mission is to develop, support and serve Pennsylvania school leaders.

The **Pennsylvania Association of School Business Officials (PASBO)** is a statewide association, 3,000 members strong. We are devoted to providing members with education, training, professional development and timely access to legislative and policy news. Our mission is to create great schools by developing outstanding school leaders and providing responsive school business solutions.

For additional copies or electronic versions of this report, please contact **PASA at (717) 540-4448** or **pasa@pasa-net.org** or **PASBO at (717) 540-9551** or **pasbo@pasbo.org**.

