

Acknowledgements

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Finally, this report would not have been possible without the detailed responses provided by hundreds of superintendents, school business officials, and other school district administrators in every corner of Pennsylvania. Thank you to our members for lending their time—the one resource more limited than funding—to this important work.

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Harrisburg
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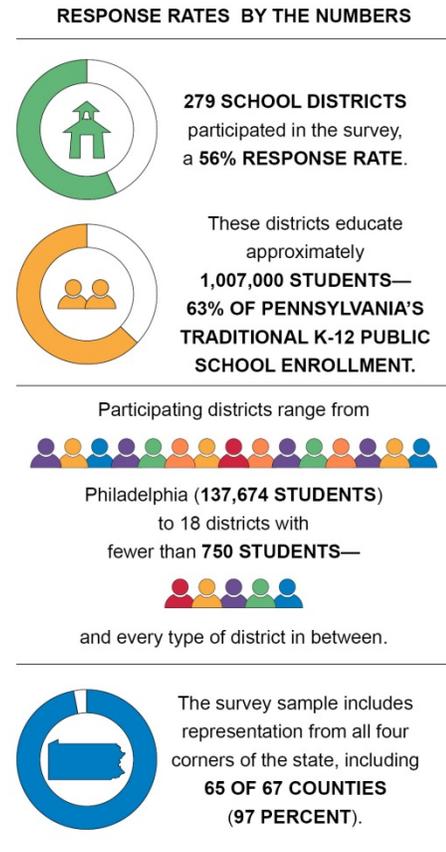
Introduction: Deepening cuts, higher taxes.

Lingering effects of the 2008 recession, increasing education mandates that siphon-off resources for classroom instruction, and rising pension and health care costs have resulted in unprecedented pressures on the Commonwealth's education community. In response, school districts across Pennsylvania continue to reduce academic and extracurricular programs and raise local taxes to balance budgets. In 2011 and 2012 alone, more than 23,000 Pennsylvania school employees lost their jobs.¹

The fourth annual Pennsylvania Association of School Administrators (PASA) and Pennsylvania Association of School Business Officials (PASBO) report draws on a survey of Pennsylvania school districts to provide as current an analysis as possible on the challenges confronting our public schools and students. With 279 districts providing responses, our sample represents more than 1,000,000 of the Commonwealth's traditional K-12 public school students. For additional information on our sample, see Figure 1.

Our report represents the most comprehensive accounting yet of the difficult decisions implemented in districts statewide since the start of the recession. In addition, the analysis looks ahead to planned reductions and tax increases in the coming 2014-15 fiscal year. Based on district responses and publicly-available data, we examine changes to academic and extra-curricular programs, class size increases, staffing adjustments, and overall district financial health.

Figure 1. Summary of survey sample



¹ U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Key findings from our survey and analysis include:

- Even presuming passage of the Governor's proposed budget, over half of responding districts expect to eliminate and/or reduce at least 370 academic programs in 2014-15.² These actions will come on top of 783 program eliminations and reductions since 2010-11.
- Next year, over a third of responding districts expect to cut, reduce, or charge a fee for at least 220 extra-curricular and athletic programs.
- Sixty-four percent of responding districts have increased class size since 2010-11, with frequent increases in the elementary grades.
- Ninety percent of responding school districts have reduced staff, and more than 40 percent of districts have, or will, furlough classroom teachers. Reductions continue to occur among all categories of school employees.
- The overwhelming majority of districts surveyed expect to see increased costs related to state mandates.
- Approximately three-fourths of school district officials expect to increase local property taxes in 2014-15.
- Local revenues constitute a growing majority of total school funding in nearly every region of the Commonwealth.

² Programs in our analysis included: Advanced Placement or International Baccalaureate courses, business education, dual enrollment, career and technical education, field trips, foreign languages, music/theater, online or hybrid learning, physical education, pre-kindergarten, half- and full-day kindergarten, programs for under-credited or over-aged students, special education programming, summer programs, visual arts.

Background: Shifting burdens.

Until the 1980s, the burden for public school funding in Pennsylvania was split relatively equally between the Commonwealth and local school districts.³ Since then, districts have shouldered a steadily increasing share of this responsibility. A national recession, substantial state program funding cuts, and the lack of an established state school funding formula have come together to further challenge school district budgets throughout Pennsylvania.

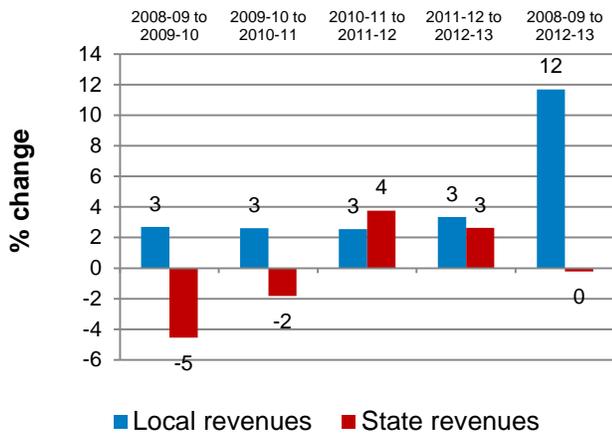
Even the Governor's 2014-15 education budget, which calls for an additional \$368.6 million in education investments—does little to reverse these trends.⁴ For example, the Governor's call for a two percent increase in the special education funding stream, the first proposed increase in six years, comes as over one-quarter of school districts prepare for double-digit increases in costs in this area.

Figure 2 displays percent change—the year-to-year increase or decrease—by funding source from 2008-09 to 2012-13 based the most recent revenue data provided by the Pennsylvania Department of Education. State support for education dropped in 2009-10, and further still in 2010-11, in the immediate aftermath of the financial crisis.

³ Bissett, J. & Hillman, A. The History of School Funding in Pennsylvania 1682-2013. *The Pennsylvania Association of Rural and Small Schools*. 2013. p. 25.

⁴ Pennsylvania Department of Education, http://www.portal.state.pa.us/portal/http://www.portal.state.pa.us:80/portal/server.pt/gateway/PTARGS_0_148494_13_94307_0_0_18/Education%20Proposed%202014-15%20Budget%20Fast%20Facts.pdf

Figure 2. Percentage change in local and state revenue sources, yearly and cumulative, 2008-09 to 2012-13 (anticipated) (in millions)⁵



While state education funding is finally back to 2008-09 levels, a significant portion of recent increases are earmarked for contributions to the Pennsylvania School Employees Retirement System, or PSERS.

Increasingly, local funds are filling the shortfall. Local spending on education has grown by at least \$360 million every school year between 2009-10 and 2012-13. The increasing local burden has had a disproportionate impact on high-poverty school districts and systems where local revenue sources are limited.

The nature of state funding has also changed. For example, school districts' 2008-09 Annual Financial Reports included 31 revenue streams funded by the state; four years later, an examination of the same reports revealed that 23 of these line items had been either eliminated or reduced.⁶ These funding streams include the Educational Assistance tutoring program (\$67 million in 2008-09 fiscal year) and the charter school reimbursement line item, which provided transition aid (\$228 million in 2008-09) in recognition of the fixed costs that remain with local school districts when students enroll in charters.

⁵ Source: Pennsylvania Department of Education, Annual Financial Reports

⁶ *Ibid.*

Academic programs: Further reductions and eliminations—with especially deep cuts in vulnerable communities.

“The ability to grow and improve education has been minimized. The district is just trying to hold on and maintain the current services it provides.”

The first PASA-PASBO report in 2011 predicted widespread harm as “schools across the Commonwealth are forced to cut programs that directly affect student learning.” Program reductions may be a consequence of state policy limiting the ability of districts to furlough staff to instances in which there is an enrollment reduction or elimination of programs.

This year’s report documents the scope and severity of these decisions over the last several years—and the likelihood of even more reductions in 2014-15.⁷ **The cumulative number of program eliminations and reductions is estimated to be well over 1,100 within the next school year.**

Program eliminations

Twenty-three percent of responding districts reported full elimination of a total of 96 academic programs between 2010-11 and 2013-14; an estimated 49 eliminations will reach 39 districts in 2014-15.

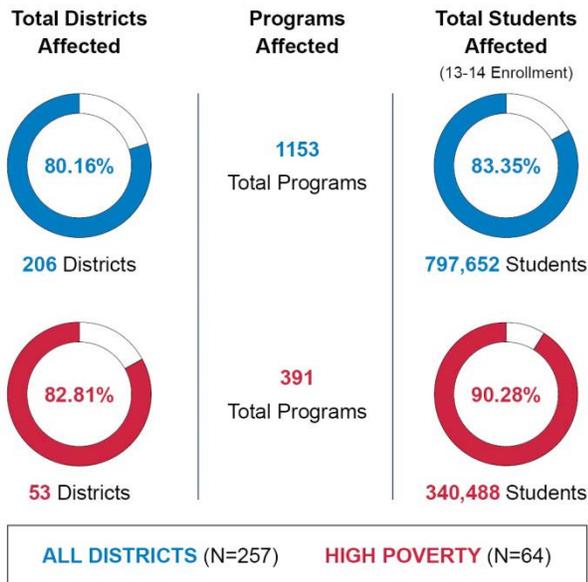
Program reductions

In addition, 182 districts have reduced a total of 687 programs since 2010-11, with 321 reductions planned across 125 districts for the coming fiscal year.

⁷ An important caveat: This analysis may understate the depth of academic program cuts and reductions in two ways. First, substantial impacts were felt in the immediate aftermath of the financial crisis and in the first years of the recession, while this report documents program reductions only since 2010. Second, districts were asked to indicate cuts at the “program” or category level—for example, “music/theater programs.” Since a district could have made *multiple* cuts within a single program—such as marching band AND jazz band AND chorus for this example—the number of eliminations and reductions should be treated as a floor, not a ceiling.

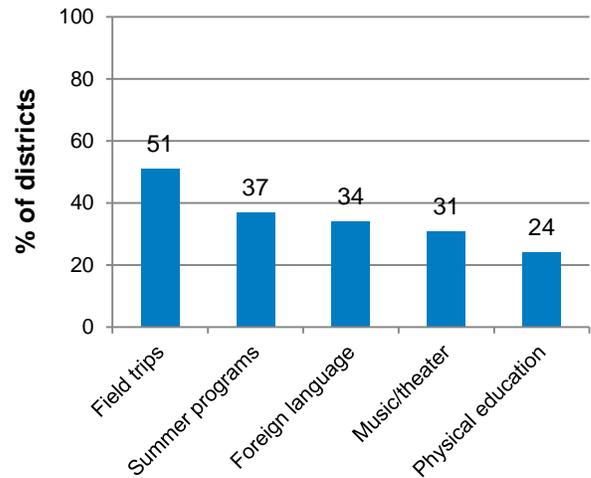
Figure 3 provides detail on the number of districts, programs, and students affected by these eliminations and reductions, including a breakout for the 64 high poverty school districts in the survey sample.

Figure 3. Total eliminations and reductions to academic programs, 2010-11 to 2014-15 (anticipated)



Among these eliminations and reductions, the most-frequently affected programs were field trips, summer enrichment programs, foreign languages, music/theater (performing arts), and physical education. Please see Figure 4.

Figure 4. Percentage of districts reducing or eliminating academic programs, by category, 2010-11 to 2014-15 (anticipated)⁸

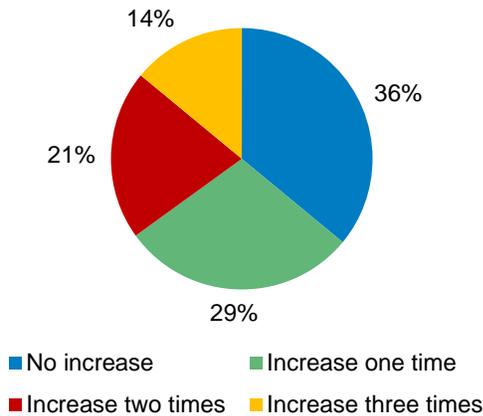


Class size: Increases across the board—particularly in the early grades.

Alongside program eliminations and reductions, districts have also increased class sizes at all levels—elementary, middle, and high school—in an effort to reduce costs. As can be seen in Figure 5, 64 percent of the 250 districts that provided data for this section of the survey have increased class size, or anticipate doing so in 2014-15. **More than one-third of responding districts have increased class size in multiple years since 2010.**

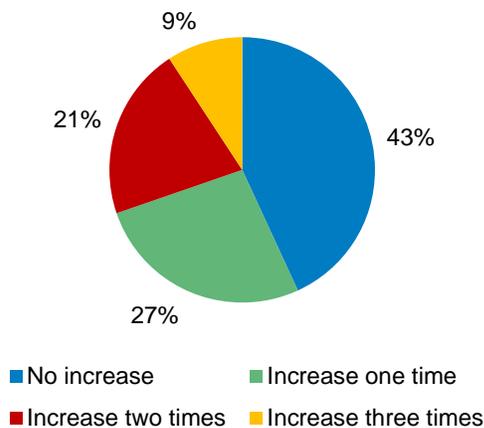
⁸ Districts Responding: Field trips: n=250; summer programs: n=251; foreign language: n=251; music/theater: n=250; physical education: n=249

Figure 5. Percentage of districts increasing class size, 2010-11 to 2014-15 (anticipated)⁹



As shown in Figure 6, increases are especially pronounced at the elementary level—a concerning finding given research that documents strong academic benefits from small class size in the early grades, and especially for vulnerable students.¹⁰

Figure 6. Percentage of districts increasing class size, elementary grades, 2010-11 to 2014-15 (anticipated)¹¹



Nearly 60 percent of responding districts have increased, or plan to increase, elementary class size. Thirty percent of responding districts have increased elementary class size in multiple years since 2010-11.

⁹ Districts Responding: n=250

¹⁰ Fredriksson, P., Öckert, B., & Oosterbeek, H. (2013). Long-term effects of class size. *The Quarterly Journal of Economics*, 128(1), 249-285.

¹¹ Districts Responding: n=250

In planning for 2014-15, 23 percent of responding districts that collectively educate more than 268,000 students in the early grades report that class size increases are on the horizon. Several respondents identified elementary class size increases as the single-most damaging cut implemented in their districts since the onset of the state’s education funding challenges.

Extra-curricular activities: Diminishing supports—and opportunities.

Districts are also implementing significant cut backs in extra-curricular and athletic programs. Participation and other fees to sustain specific extra-curricular initiatives are also on the rise—a step that shifts additional burdens onto families and students.

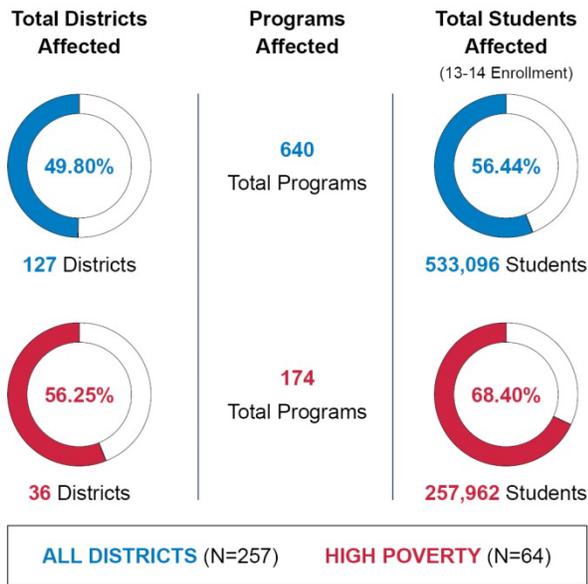
Affected areas include athletics, academic clubs, and national student organizations—in other words, *categories* of programs. The number of individual affected programs within these categories (*e.g.*, specific sports teams or clubs) would likely be far higher.

Forty percent of responding districts eliminated or reduced a total of 261 extra-curricular programs between 2010-11 and 2013-14. Approaching 2014-15, 28 percent of respondents are poised to cut or curtail 172 programs.

Meanwhile, at least 20 percent of responding districts implemented fees for participation in 134 different extra-curricular programs between 2010-11 and 2013-14. Approximately 14 percent of districts are exploring activity fees and charges in 2014-15.

Figure 7 provides detail on the number of districts, programs, and students affected by these decisions. Again, we provide a breakout for 64 responding high poverty school districts to show the impacts in these communities.

Figure 7. Total eliminations and reductions to extra-curricular programs, 2010-11 to 2014-15 (anticipated)



Staff reductions: Widespread impacts.

“Frustration and fear of losing jobs and benefits never used to be part of the culture...and are now almost impossible to avoid.”

“The work and expectations continue to increase...but the number of people to actually do the work has decreased.”

The reductions in academic and extra-curricular programs are accompanied by deep staff cuts among classroom teachers, librarians, guidance counselors, school nurses, district and building administrators, and support staff.

Data from the U.S. Bureau of Labor Statistics documents the loss of more than 23,000 education jobs in Pennsylvania through the end of 2012. With the loss of positions well-documented, we designed this year’s survey to provide important context on the *spread* of these painful actions across school districts of every type.

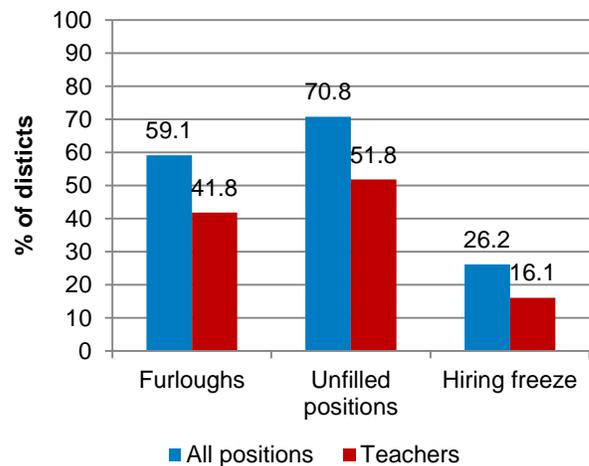
In short, the numbers are stark.

In total, 87 percent of school districts reported reducing staff, or immediate plans to reduce staff, through one or more of the following actions: furlough, leaving positions vacant, or instituting broader hiring freezes.

In addition, as can be seen in Figure 8:

- Nearly 60 percent of districts have furloughed staff, with nearly 42 percent reporting teacher furloughs.
- A majority of districts left classroom teacher positions vacant through attrition.

Figure 8. Percentage of districts impacted by furloughs, unfilled positions, or hiring freezes one or more times, 2010-11 to 2014-15 (anticipated)¹²



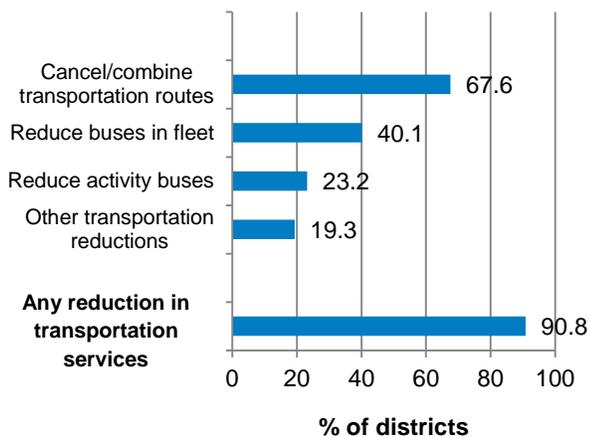
Planned staff reductions in 2014-15 will continue to reduce school capacity, and increase class sizes. Even with the Governor’s proposed increase for K-12 education, more than one-quarter of districts anticipate furloughs; 14 percent of districts in the survey sample are planning furloughs of classroom teachers next year.

¹² Districts Responding: Furlough - all: n=252; furlough - teachers: n=251; unfilled positions - all: n = 250; unfilled positions - teachers: n = 249; hiring freeze - all: n=248; hiring freeze - teachers: n=248

Transportation: A long and winding road?

Changes to core transportation services have also been felt in the overwhelming majority of school districts. As can be seen in Figure 9, more than 90 percent of districts implemented, or plan to implement, changes to transportation plans. Notably, more than two-thirds of districts plan to cancel or combine bus routes—a step that virtually assures that students will spend less time doing homework or participating in extra-curriculars, and more time traveling.

Figure 9. Percentage of districts facing one or more reductions in transportation services, 2010-11 to 2014-15 (anticipated)



District financial vital signs: Continued heavy reliance on local property taxes to fund education...

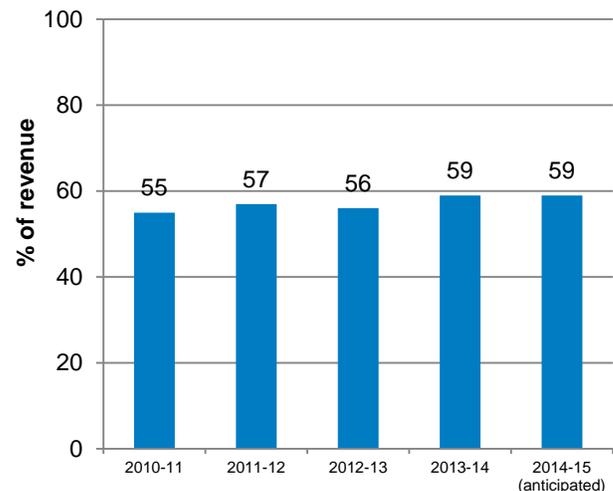
At the heart of the painful program and staff cuts occurring statewide is a simple truth: Pennsylvania pays a lower share of total K-12 education costs than any neighboring state, forcing the Commonwealth's school districts to shoulder a significant and growing majority of educational costs.¹³

In planning for the 2014-15 fiscal year, respondents estimate that local revenue will

¹³ United States Census Bureau. 2012 Local Government School System Finance Survey. Retrieved from: <http://www.census.gov/econ/overview/go0900.html>

constitute nearly 60 percent of their districts' overall budgets (see Figure 10). **Local revenues constitute an outright majority of the overall school funding picture in nearly every geographical region, with the most pronounced imbalances in the fast-growing south-central and southeastern portions of the Commonwealth.**

Figure 10. Percentage of local revenue supporting public K-12 education, 2010-11 to 2014-15 (anticipated)¹⁴



...and greater burdens for districts with the fewest resources and highest need.

To provide a clear picture of the local burden in high poverty communities, we sorted respondent districts by family income, dividing districts into quartiles based on concentration of poverty in their schools as determined by student eligibility for free and reduced price lunch.¹⁵

¹⁴ Districts Responding: n=279 for 2010-11, 2011-12, 2012-13. n=248 for 2013-14. n=247 for 2014-15.

¹⁵ Note: "High poverty" represents top quartile of the 499 districts with highest poverty density as measured by the percentage of Free and Reduced Price Lunch (FRPL) students in 2013-14. Data source for FRL: http://www.portal.state.pa.us/portal/server.pt/community/national_school_lunch/7487

Only in the very poorest school districts do state education dollars comprise the largest portion of school funding; however, even in these communities, the local share of education funding is increasing, rising from 37 to 45 percent between 2010-11 and 2013-14. **In fact, responding high poverty school districts increased local education funding per student by 20 percent in this time period—outpacing all other school district types by a significant degree.**

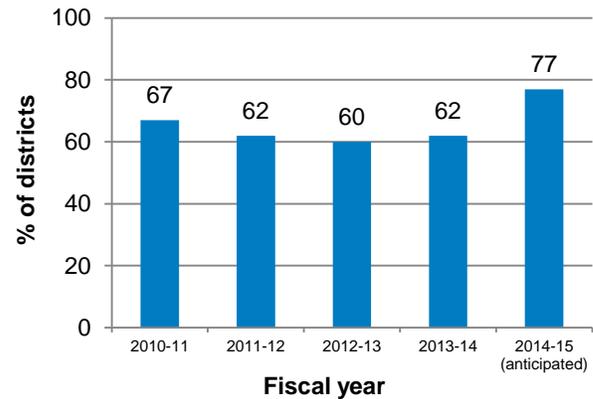
Local tax increases

“Reduction in state aid has impacted the school district by forcing us to raise taxes on our taxpayers and reducing services provided to our students.”

“The local taxpayers are at the breaking point, and cannot shoulder the responsibility of the state government.”

While high poverty school districts face particular burdens, increased property taxes are an annual fact of life in the great majority of school districts statewide—irrespective of poverty level, region, or size. Survey results reveal that nearly 80 percent of school districts plan to raise local property taxes in the 2014-15 fiscal year (see Figure 11). **If these plans are enacted as budgets are finalized over the next four weeks, it will mark the fifth year in a row in which a majority of the district respondents raised local property taxes in response to budgetary pressures.**¹⁶ Counting plans for 2014-15, 90 percent of responding districts will have raised taxes in at least one year.

Figure 11. Percentage of districts raising property taxes, 2010-11 to 2014-15 (anticipated)

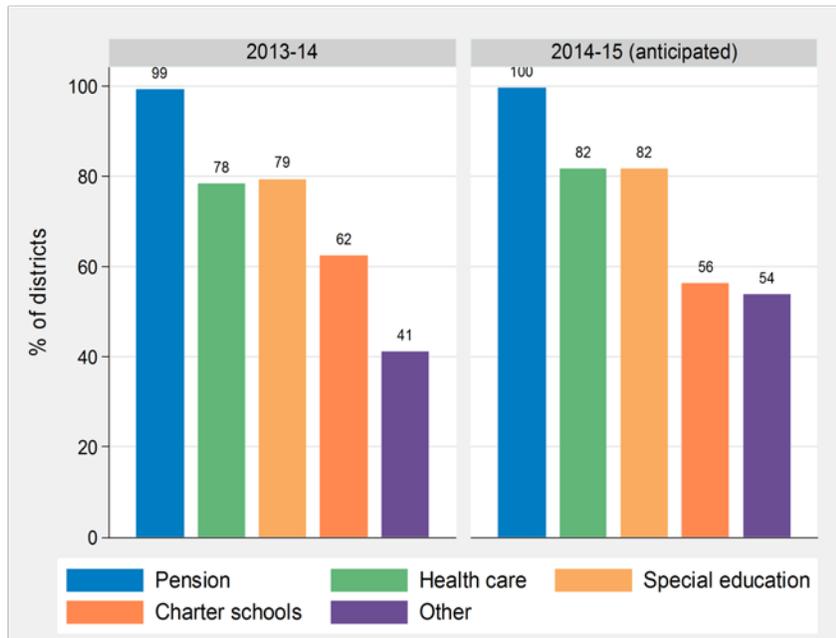


Significant, structural forces are buffeting every type of district...

Districts report that the unrelenting need to increase property taxes goes hand-in-hand with externally-driven or mandated costs in the form of state and federal policies, public pension contributions, and escalating health care costs. Figure 12 details the percentage of districts from our sample indicating increased expenditures in each of these areas.

¹⁶ Source: 2013 PASA-PASBO report.

Figure 12. Percentage of districts with increased mandated costs, 2013-14 and 2014-15 (anticipated)

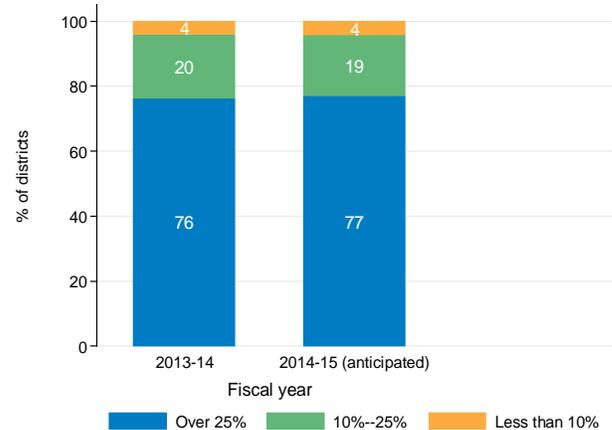


Pensions

As has been widely reported, the increasing state-mandated local contribution towards the Pennsylvania School Employee Retirement System (PSERS) is having a serious impact in nearly every school district. One-hundred percent of respondents are planning for increased costs in this area in 2014-15. This increase builds on the substantial, escalating pension costs over the span of 2010 to 2013—during which 98 percent of school districts experienced increased pension-related expenditures.

The prevalence of these increases is rivaled only by the magnitude of the increase. As can be seen in Figure 13, for the 2013-14 fiscal year, **over three-fourths of school districts experienced a 25 percent or greater increase in pension costs.** In 2014-15, 77 percent of districts are bracing for at least a 25 percent increase.

Figure 13. Among districts that increased pension contributions, percentage of districts that increased by over 25%, 10%-25%, or less than 10% (anticipated)¹⁷



Health care costs

While not as dramatic as the increases in pension contributions, districts are also grappling with higher health care costs for employees and retirees. Between 2010 and 2013, more than 80 percent of responding districts reported financial pressures in this area. Approximately 82 percent of districts are

¹⁷ Districts Responding: n=255 for 2014-15 and n=244 for 2013-14.

preparing for increased health care costs in 2014-15, with 28 percent planning for double-digit spikes.

Special education

Mandated special education services are a third area where school districts face annual increases that far outstrip additional federal or state education aid. Seventy-nine percent of respondents indicated higher special education costs in 2013-14, and 82 percent of school districts are planning for increased costs in 2014-15. Like pension obligations, these increases build on prior year increases: 87 percent of districts reported major increases in special education-related expenditures in at least one fiscal year between 2010 and 2013.

Charter schools

A fourth area of externally-driven costs relate to charter school payments. As noted earlier, prior to 2011, districts received charter school reimbursement funds from the Commonwealth in recognition of the fixed costs—such as heating and maintaining buildings—that remain when an individual student departs for a charter school. The loss of these funds comes alongside the growth of the state’s cyber charter school sector, which draws students from districts far outside the urban centers that house the great majority of the state’s brick and mortar charter schools.¹⁸

These factors are likely contributors to the following statistics: nearly 90 percent of school districts reported increased costs related to charter schools in at least one fiscal year between 2010 and 2013, and 62 percent reported increased costs in this area in 2013-14 *alone*. The next fiscal year promises additional pressure, with 56 percent of districts planning for increased charter costs. Like pensions, the ubiquity of the increase is matched by the size: last year, a solid majority (63 percent) of the

districts reporting higher charter school costs had increases of at least 10 percent. **Next year, 60 percent of districts expecting higher costs report that another double-digit percentage increase is likely to occur.**

Other major costs

Districts were also asked to identify “other” external factors contributing to annual financial pressures. For fiscal years 2010-11 through 2014-15, responding districts provided 398 answers to this survey question, with payments to area vocational and technical schools (AVTSS)/career education making up more than half of all responses in each of these fiscal years. There were 100 reports of increased payments to intermediate units.

Districts turn to private and charitable sources to fund operations

Districts face hard decisions in balancing annual budgets. State and federal education aid are not keeping pace with mandated expenses, and the ability to generate local revenue is limited by both Act 1 levels and rising concern over property tax levels.

As a result, a growing number of school districts are turning to private sources and donations to maintain programs. Our survey responses reveal that from 2010 to 2013, at least 19 percent of districts relied on private donations in at least one fiscal year; nearly 30 percent of districts utilized support from a local education foundation. This reliance increased in 2013-14, and is set to rise again in 2014-15, with 35 percent of districts looking to local education foundations and nearly a quarter planning to rely on private donations.

¹⁸ According to PDE reports, Pennsylvania’s cyber charter enrollment included students from 498 of 500 districts in October 2013.

Conclusion: A call to action.

We end where we began: Pennsylvania's school districts are under increasing pressure. As with any complex policy challenge, no single factor is to blame. A gradual slide in the state share of education funding, the 2008 financial crisis, and growing pressure in the form of externally-mandated costs all play a role.

As the analyses presented in this report show, school districts across the state have eliminated or reduced hundreds of academic and extra-curricular programs, increased class sizes, sharply reduced teaching and other staff, and curtailed transportation services. In most cases, these reductions occur alongside annual increases in local property taxes—creating harmful tension between public schools and the communities they serve. Left unchecked, this cycle will impact the Commonwealth's economic health and standard of living for decades to come.

Four years of PASA-PASBO reports leave no doubt that academic opportunities for our students are eroding at the very moment a world-class education is an imperative for success. The figures and charts in this report reveal real damage to real students.

Together, let's commit to providing an adequate, fair, and predictable funding system that supports the Constitutional mandate that the General Assembly provide for a thorough and efficient system of public education to serve the needs of the Commonwealth.

Methodology: Achieving a representative sample of Pennsylvania school districts

The 97-question survey that informed this analysis represents the most comprehensive effort to account for school district financial conditions, outside of required state¹⁹ and federal reporting, since the start of the recession.

The survey was released on Wednesday, April 14, to 972 administrators and chief financial officers in 499 school districts based on membership lists maintained by both PASA and PASBO.²⁰ Significant efforts were made to achieve a high, representative response rate; we are especially grateful to the Pennsylvania Association of Intermediate Units, the Pennsylvania Association of Rural and Small Schools, and the Pennsylvania League of Urban Schools for support in this regard.

When the survey was closed on May 12, the response rate reflected submissions from 279 school districts, or 56 percent of the statewide total. This includes representation from every corner of the state, including 65 of 67 counties (97 percent). Together, these districts educate approximately 1,007,000 students,²¹ or 63 percent of the Commonwealth's traditional K-12 public school enrollment. Participating districts range from the largest district in the state (Philadelphia with 137,674 students) to 18 districts with fewer than 750 students, and every type of district in between.

¹⁹ While Pennsylvania Department of Education financial data elements, such as Annual Financial Reports, have been utilized to provide important statewide context, these reports are currently only available through the 2012-13 fiscal year, necessitating reports directly from school districts.

²⁰ Bryn Athyn School District contracts-out educational services. Source: <http://www.brynathynschooldistrict.org/>

²¹ Based on October 1, 2013 enrollment report.

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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.

