



Philadelphia City Council Joint Meeting of the Committees on Education, Children and Youth

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Good afternoon, Chairwoman Blackwell, Chairwoman Gym, and honorable members of the Education and Children and Youth Committees. Thank you for the opportunity to appear before you today to discuss the impact of five years of reduced state funding on the safety, essential services, and academic outcomes of students in Philadelphia and across Pennsylvania.

My name is Kate Shaw and I am the Executive Director for Research for Action, a non-profit research and evaluation firm that has helped to inform education policy more than two decades.

I should note that RFA does not engage in advocacy; my goal today is to inform your conversation by providing a brief overview of the state level data we have collected in collaboration with school administrators and business officials on the extent and impact of budget cuts on districts and the students they serve.

Background on State Education Funding: 2010-2015

As you know, over the past five years, lingering effects of the 2008 recession, increasing education mandates, and rising pension and health care costs have resulted in unprecedented pressures on our education system. In the immediate aftermath of the financial crisis, state support for public education dropped by five percent (from 2008-09 to 2009-10) and then again by two percent the year after (from 2009-10 to 2010-11), requiring staff and program cuts when and where increases in local revenues were insufficient to make up the difference.

Despite incremental increases in state education spending in the last years of the Corbett administration, state revenue as a percentage of overall K-12 school funding remained down two percent for the 2014-15 school year as compared to 2008-09.

PASA-PASBO Report on School District Budgets

For the past two years, RFA has lent its research expertise to the design and administration of a statewide survey of school districts led by the Pennsylvania Association of School Administrators (PASA) and the Pennsylvania Association of School Business Officials (PASBO). RFA's analysis attempts to a.) document the effects of externally-driven pressures on district budgets; and b.) quantify resulting losses of staff and educational programs.

While Philadelphia's chronic fiscal challenges understandably demand most of our attention most of the time, it's important to recognize that **Philadelphia is not alone**. Districts across the state, of all sizes and in all locations, are experiencing significant and growing challenges as a result of inadequate and unpredictable funding. For this reason, today I would like to speak about the impacts we have documented at the state level, keeping in mind that all of them disproportionately affect students in our highest-need districts, including but not limited to Philadelphia.

These impacts include:

- Increases in local funding to pay for mandated expenses
- Reduction or elimination of academic programs
- Increases in class size
- Cuts to extra-curricular activities
- Reductions in Staff

I will now provide more detail on our findings in each of these areas.

1. Increases in Local Funding

First, survey results show that the **vast majority of school districts across PA have raised taxes on an annual basis since 2011**. Local funding—largely in the form of property taxes—has increased 16 percent since 2008-2009. In Philadelphia, where the District lacks the authority to levy school property taxes, we have relied on a number of other taxes and one time revenue sources to begin to close the gap left by decreased state funds and increased mandated costs. And, despite our relatively weak tax base, recent analysis from Temple's Center on Regional Politics finds that between FY 2011 and FY 2014, Philadelphia increased its local support for schools by four times the statewide average¹.

So what's driving these increases? Districts across the state identified the largest cost drivers contributing to tax increases as:

- soaring **pension** obligations (100 percent)
- mandated costs associated with **health care** (93 percent)
- **special education** (91 percent)
- stranded costs related to student enrollment in **charter schools** (85 percent)

All four are serious concerns for Philadelphia. For example, charter enrollment in the District has more than doubled in the last six years and shows no sign of slowing. And, without changes to current law, Philadelphia's pension costs will nearly double from fiscal year 2015 to fiscal year 2019².

2. Reduction or Elimination of Academic Programs

As a result of increased costs and decreased state funding:

- Nearly three-quarters of districts we surveyed in 2014-15 (74 percent) reported at least one academic program had been cut or reduced since 2010-11.
- In fact, nearly forty percent of districts reported program cuts made in 2014-15, despite the slight boost in state education spending last year.

¹ <http://www.cla.temple.edu/corp/files/2016/01/Tax-Effort-Philly-Web.pdf>

² <http://www.businesswire.com/news/home/20160209006815/en/Fitch-Affirms-Philadelphia-School-Districts-Underlying-Rating>

- The most common cut among high-poverty districts was summer programming. This is particularly troubling given that extensive research has demonstrated the value of extended-year out-of-school academic programs in closing achievement gaps.
- At least ten percent of high-poverty districts also reported cuts in field trips, foreign languages, visual arts, business education, music/theater, and pre-kindergarten.

As we all know, Philadelphia has not been spared. Despite demonstrated impacts on student success, summer and extended learning programs have been significantly reduced or eliminated in many of our most needy schools.

3. Increases in Class Size

Fifty-seven percent of respondent districts statewide reported at least one round of class size increases since 2010-11. In 2014-15 alone, over 100 school districts reported an increase in class size, most commonly at the elementary level. This is cause for concern given that research demonstrates strong academic benefits from small class sizes in the early grades, especially for the most vulnerable students. In Philadelphia, class sizes in some elementary schools have risen above 30 children.

4. Cuts to Extra-Curricular Activities

Across the state, districts continue to make cuts to extra-curricular activities and institute fees for participation, shifting the cost burden onto families and students. More than half of respondent districts (53 percent) reported cuts or reductions last year, most commonly in athletics, academic clubs, and art and music programs.

5. Reductions in Staff

An overwhelming majority of districts statewide (93 percent) also reported staff reductions since 2010-11. Of these:

- Ninety percent of districts left positions vacant,
- 50 percent made furloughs, and
- 46 percent did both.

Importantly, more than 85 percent of districts reported taking these actions more than once over the last five years. Even last year, with a 3 percent increase in state education funding, significant numbers of districts—from the wealthiest to the poorest—reported staff reductions.

According to the Pennsylvania Department of Education, nearly 11,000 professional education positions were lost in just three years from 2010-2011 to 2013-2014. Our 2014-15 survey results show that the highest-poverty districts in our sample alone reported a loss of more than 3,200 classroom teachers last year. Forty-one percent of districts also reported plans for further staff reductions in 2015-16. As we all know, Philadelphia has already eliminated thousands of positions over the past five years, leaving many schools understaffed and without full-time nurses or librarians.

Districts across the state are also increasingly outsourcing positions in an attempt to control for pension and health care-related costs. Over 20 percent of the districts in our sample (63 districts) reported outsourcing employees during 2014-2015—nearly twice the number that outsourced during the 2013-2014 fiscal year.

Policy Implications for Philadelphia Schools

These survey results make one thing clear. The public schools that educate 1.7 million Pennsylvania students are very different places than they were just a few years ago. They have seen reduced educational programs and opportunities, and are operating with fewer teachers and support staff. These were the unmistakable findings of our PASA-PASBO surveys, and they are signals of a state that is failing to invest in the safety and academic outcomes of its most vulnerable children.

Of course, with the budget overdue by 8 months, the fiscal situation for districts across the state has only gotten worse since our last survey. According to the Auditor General's latest report, **school districts have already taken out nearly \$1 billion in loans to cover shortfalls caused by the current state budget impasse, costing them between \$40-50 million in interest and fees so far.** Philadelphia alone has borrowed \$525 million to remain open³.

So what can be done? Further attempts to quantify and document the damage, as outlined in this Council's School Safety and Services Resolution, is a good start.

At the state level, a new Basic Education Formula will be one step towards fair, adequate and more predictable school funding, and several elements of the proposed formula would steer additional resources to districts that serve high numbers of traditionally-underserved students.

But a new formula, by itself, will not correct for years of underfunding, or one of the nation's most inequitable distributions of state education resources. Policymakers interested in addressing the issues I've highlighted today will need to commit to adequate, sustained levels of funding for the new formula.

The state's dwindling support for school facilities is another barrier to addressing safety concerns for students: years of deferred maintenance and other capital needs have contributed to inadequate learning environments in many district buildings, and especially in the state's most economically vulnerable communities.

Here in Philadelphia, our new mayor and many Council members have expressed support for community schools, which would coordinate or co-locate a broad range of supports for children, their families, and their communities. While research tells us that community schools are not a silver bullet, there is a growing body of evidence suggesting that, if implemented robustly, this model can ameliorate many of the barriers that so many students in Philadelphia encounter. And if they are coupled with a robust curriculum, well-supported, effective teachers and strong school leadership, they can lead to academic gains as well. However, adequate and stable funding is the foundation of any effective school reform, and community schools are no exception. There are no successful community schools in this country that are not supported by robust funding, oftentimes from a combination of local, state, and private sources. In the current environment, that amounts to a daunting challenge.

³ <http://www.paauditor.gov/press-releases/auditor-general-depasquale-says-borrowing-by-school-districts-is-now-at-least-431-million-because-of-state-budget-impasse>