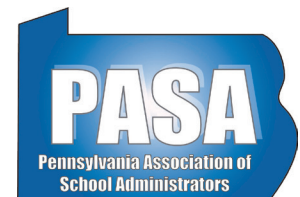




The  
**PASA-PASBO Report**  
on School District Budgets  
January 2017



# 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 wish to acknowledge our non-profit research partner, Research for Action, for contributing to survey design and administration, managing the quantitative analysis of the survey results, and conducting the case studies. Jim Buckheit, former Executive Director of PASA, and Jeff Ammerman, Director of Member Assistance at PASBO, also contributed immensely to the survey design and final production of this report.

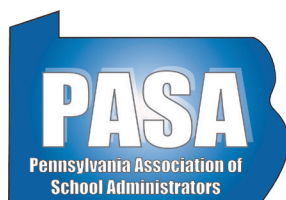
As always, this report would not have been possible without the cooperation and support of hundreds of superintendents, school business officials, and other school district administrators from every corner of Pennsylvania. In particular, we'd like to thank the superintendents and school business officials from Bethlehem Area School District, Chambersburg Area School District, Chichester School District, Keystone School District, Steelton-Highspire School District, and Washington School District for sharing their experiences. To our members: Thank you again for helping us reach the largest response rate in the history of this six-year initiative.

**MARK DIROCCO & JAY HIMES**  
*Harrisburg, January 2017*

# THE PASA-PASBO REPORT ON SCHOOL DISTRICT BUDGETS

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

**January 2017**



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## Summary of Response Rate

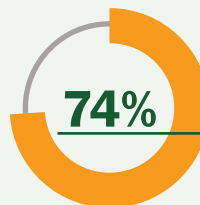
With a response rate of...



**361 school districts** participated in the survey,



these districts educate approximately **1,175,591 students**,



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



Participating districts range from Philadelphia, **134,975 students**...



to **28 districts** with fewer than **750 students**... and every type of district in between:



**3% City**



**20% Town**



**38% Rural**



**39% Suburb**



The survey sample includes representation from all four corners of the state, including **65 of 67 counties**.

# I INTRODUCTION

## Treading Water

Much has happened since the publication of the last PASA-PASBO Report on School District Budgets in early June 2016. The Pennsylvania legislature signed a new student-weighted funding formula into law and passed an on-time budget with \$200 million in new Basic Education Funding. After years of decreasing or stagnant revenues, this was a welcome change that provided a partial reprieve for many districts operating on the brink.

Yet 2016-17 was also notable for what did not happen. State lawmakers failed, once again, to curb rapidly rising expenses, such as pension costs and charter tuition payments, which have become an overwhelming burden for districts across the Commonwealth. And without adequate state funding run through the new funding formula, long-ingrained resource inequities remain and will carry forward into the future.

This report's findings reflect this dichotomy. Last year, after years of cuts and a nine-month state budget impasse, districts of all sizes and types were drowning. This year, they were thrown a life vest. The fall survey results discussed in this report indicate that fewer districts reduced academic programs than predicted in the spring survey. Of those who were expecting to reduce or eliminate staff positions in 2016-17, one fifth were able to forgo those cuts thanks to increases in state funding.

On the other hand, with mandated expenses continuing to rise at alarming rates, most districts are not any closer to reaching the safety of a dry shore. Instead, they continue to tread water. Class sizes continue to increase while districts are forced to raise property taxes or spend down dwindling reserves to maintain the status quo. The vast majority report they're no closer to restoring the cuts they have been forced to make since 2010.

Meanwhile, dark clouds are rolling in. With an estimated budget deficit of approximately \$2.8 billion looming over Harrisburg in 2017, districts report a grim outlook for the future.

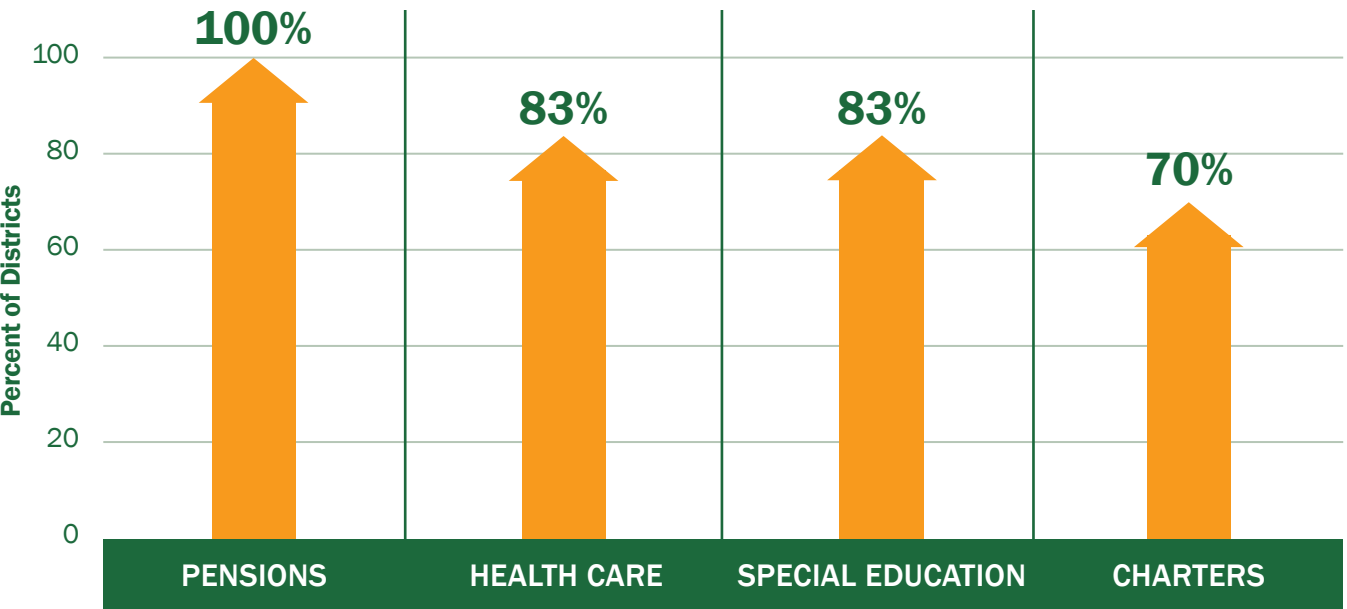
This report highlights data from our largest sample yet—361 of 500 school districts. It also features the stories of six school districts – Bethlehem Area, Chambersburg Area, Chichester, Keystone, Steelton-Highspire, and Washington—and their efforts to balance financial responsibility with providing educational opportunity to all. These districts are not those we've become accustomed to hearing about as poster-children of the education crisis. These are districts that, with the help of devoted and experienced leaders, are weathering the storm. But continued cuts and depleted fund balances will not sustain them forever. Their stories and the survey results from all 361 districts show that curbing rising expenses and addressing structural inequities through increased state revenues are both imperative if Pennsylvania public schools are to stay above water.

# II

# MANDATED EXPENSES

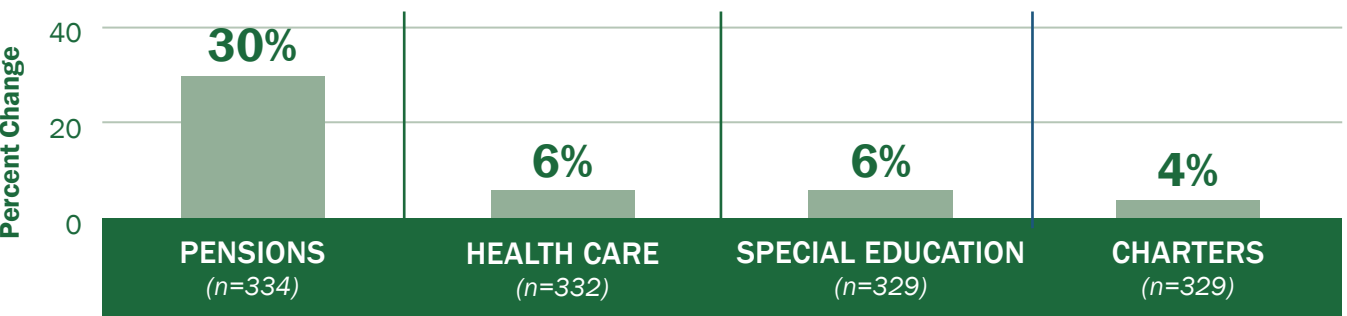
Mandated expenses continue to rise for districts across the Commonwealth. A large majority of districts saw increases in each area surveyed: pension contributions, health care costs, special education services, and charter school payments. Figure 1 presents the percentage of districts surveyed that saw increases in each category from FY 2015-16 to FY 2016-17.

Figure 1. Percent of school districts with increased mandated expenses in 2016-17 (n=351)



Notably, every district surveyed experienced an increase in pension contributions in FY 2016-17. As Figure 2 illustrates, the size of that increase was substantial; on average, districts saw growth of 30% in a single year, even higher than the 24% growth in pensions that districts predicted in the spring survey.<sup>1</sup>

Figure 2. Average percent change in mandated expenses in 2016-2017



<sup>1</sup>Throughout this report we include a number of comparisons between the spring survey results, which were based on predictions of district budgets for FY 2016-17, and the fall survey, which is based on actuals. These are based on different samples; however, the comparisons were nearly identical (within +/- 1%) when the sample was restricted to districts that answered both surveys.



## CASE STUDY



# BETHLEHEM AREA SCHOOL DISTRICT

In the Bethlehem Area School District, a diverse district made up of the City of Bethlehem and its neighboring suburbs, the squeeze associated with mandated expenses increasing faster than revenues is particularly acute. As Business Manager Stacy Gober laments, “There is no new money that isn’t already bookmarked. All of our resources and tax capacity are going to support mandated programs and nothing is left to put toward the expansion needed to make our students better graduates.”

Bethlehem’s ever-increasing charter tuition payments are a major concern. Of 15,500 total students in Bethlehem, 1,900, or 12%, attend charter schools. Because those students are drawn from 22 schools and 13 grades, Gober and Superintendent Joseph Roy are largely unable to reduce staff or shutter classrooms when students leave. But they still shoulder an added cost of almost \$25 million in charter tuition annually. “We’re operating a second medium-sized school system within our own district,” explains Roy.

Like many other districts, Bethlehem has responded by delaying transportation improvements and building maintenance, cutting summer and after-school programs, and trimming their administrative and social services staff. The board and administration have made it a priority to maintain programs like marching band and the performing arts, which Roy calls “cornerstones of the community.” Now Gober worries about the future: “We are going into the 7th year of this and there’s nothing left to cut.”

As Roy explains, “The new Basic Education Funding formula is a good step in that it aims to address the types of pressures that we see, like providing support for our large population of English Language Learners (ELLs). Unfortunately without substantial new revenues it’s going to take a long time to have any impact for us.” Bethlehem’s 2016-17 increase in state funding was approximately \$1,650,000—equivalent to one third of what they budgeted this year for charter tuition increases alone. The district still receives far less state support than other districts with similar disadvantaged and ELL populations.

Despite these challenges, Bethlehem remains focused on what matters most. “We have to make sure we are improving instruction and meeting the socio-emotional needs of our students,” says Roy. “That’s the role of an outstanding public school system, and we’re lucky to have a board that has supported that even when the state has not.”

**“Unfortunately without substantial new revenues it’s going to take a long time to have any impact for us.”**

**– Joseph Roy**  
Superintendent



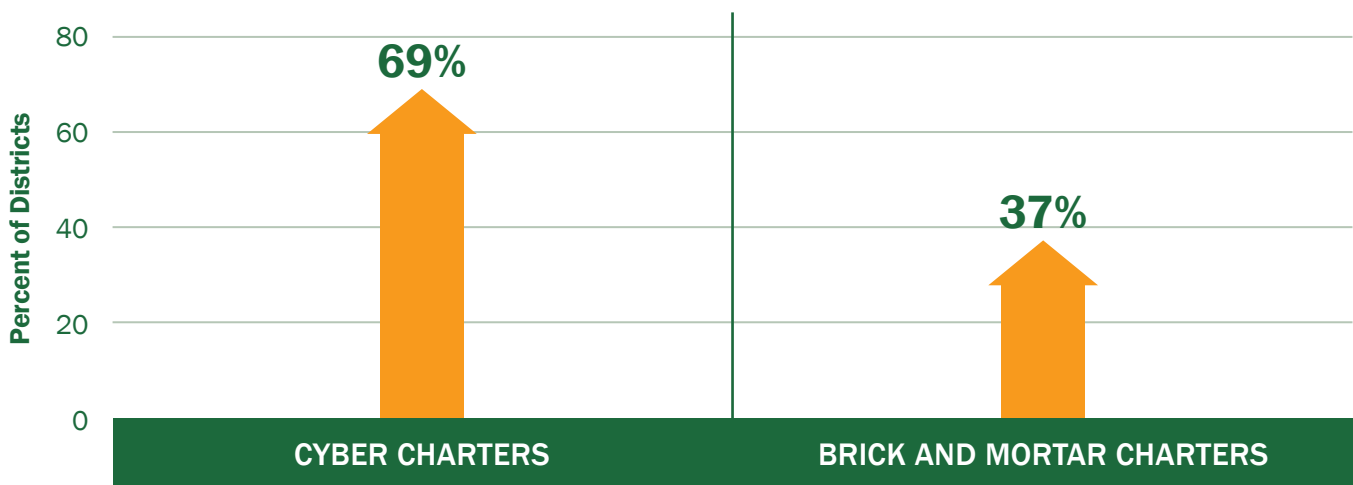


# MANDATED EXPENSES

## FOCUS ON CHARTER SCHOOLS

As seen above in Figure 1, 70% of surveyed districts saw an increase in their mandated tuition payments to charter schools (either cyber or brick and mortar) in FY 2016-17. Figure 3 illustrates that increases in cyber charter costs affected 69% of districts, compared to 37% impacted by increased costs from locally-based brick-and-mortar charters.

**Figure 3. Percent of districts with increased charter expenses in 2016-17 (n=351)**



While fewer districts shoulder tuition costs associated with brick-and-mortar charters, Figure 4 shows that, for districts that do, the cost increases from 2015-16 to 2016-17 were approximately four times as significant as the cost increases associated with cyber charters.

**Figure 4. Average percent change in charter expenses in 2016-17—brick and mortar vs. cyber**



These overall averages mask more extreme increases experienced by many individual districts. For example, from FY 2015-16 to FY 2016-17, 41 surveyed districts experienced increases in cyber charter expenses that exceeded 20%, and 30 districts had cost increases over 20% for brick-and-mortar charters.

Meanwhile, the actual cost increases for cyber charter schools were lower than the increases predicted by our spring 2016 survey (2% vs. 16% respectively), indicating that, in some districts, cyber charter schools likely experienced declining enrollment from FY 2015-16 to FY 2016-17. Figure 5, below, suggests one possible explanation for this trend. In FY 2016-17, 28% of districts surveyed expanded their own online or hybrid learning programs, attracting back students previously enrolled in cyber charters. The impact of these efforts to enhance educational experiences for students who choose online learning and to save taxpayer money seems to have offset rising costs of cyber charter tuition in some districts.

**Figure 5: Percent of districts that expanded online/hybrid learning programs in 2016-17**





## CASE STUDY

# WASHINGTON SCHOOL DISTRICT

“It comes down to very diligent monitoring, using everything efficiently, and being transparent with the public about where money’s going.” According to Superintendent Roberta DiLorenzo, this is the recipe for success in the Washington School District, a small urban district located 30 miles southwest of Pittsburgh in Washington County.

It also helps to have experienced, stable leadership: Dr. DiLorenzo and Business Manager Rick Mancini both bring nearly two decades of tenure to their respective positions. DiLorenzo and Mancini inherited a significant deficit when they assumed leadership in the late 90s, but have since prioritized fiduciary responsibility, budgeted conservatively, aggressively pursued grant funding, and cultivated partnerships with nearby universities.

Washington has also benefited from hold harmless rules that provided stable state revenues even during years when the district’s student enrollment declined. Down from a high point of 2,300 students, current enrollment has remained steady for the past five years at about 1,500 students, 67% of whom are economically disadvantaged and many of whom are transient. The district has worked hard to provide full-day kindergarten, a free meal program, robust art and instrumental music programs, personalized instruction and supports to all students, AP courses, and dual enrollment opportunities where students can earn college credits for free.

Yet the district is not immune to budget squeezes. The growth of students attending charter schools, particularly cyber charter schools, is a rapidly-growing financial burden. Because districts do not authorize cyber schools, Washington lacks any control over the cyber charter’s academic programs, and many students and families appear to be choosing them to avoid truancy charges. To recuperate charter tuition expenses and better serve the community, Washington has joined with two neighboring districts to provide their own online program which requires that students demonstrate online participation and periodically meet face-to-face with teachers. This strategy has been working to recruit some students back from cyber charters, and Mancini is grateful. “If a student is not logging on and actually learning, that is a waste of money and we, the taxpayers, are all paying for that.”

Still, the district has had to cut over a dozen staff members since 2010, including teachers, administrators, and paraprofessionals. These staff reductions have allowed them to avoid tax increases year after year, but this year an increase of two mills was unavoidable in order to balance the budget. Dr. DiLorenzo thinks it was worth it. “We see the success in one student at a time.”

**“If a student is not logging on and actually learning, that is a waste of money and we, the taxpayers, are all paying for that.”**

**– Rick Mancini**  
Business Manager

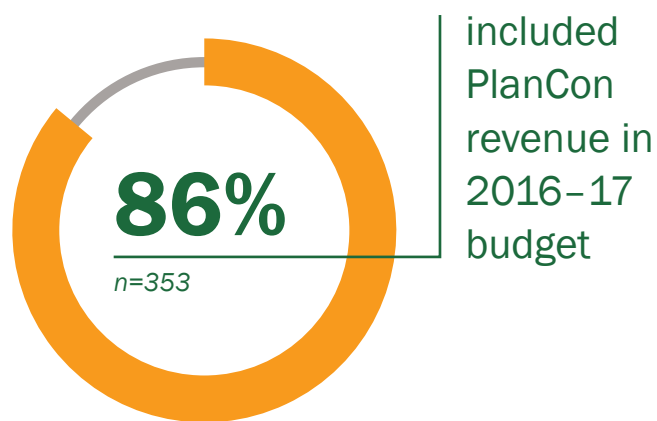


## IV PLANCON

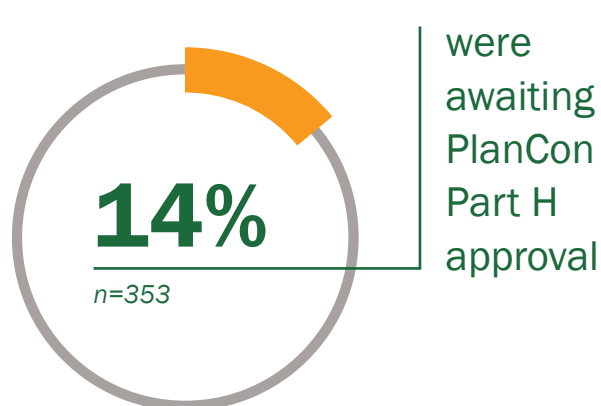
The Planning and Construction Workbook (“PlanCon”) is the process provided in Pennsylvania law for school districts to obtain state reimbursement for a portion of school construction or renovation costs. The PlanCon process requires approval by the Department of Education (PDE) at every step, from preliminary 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 on their relative wealth. However, reimbursements have sometimes been delayed into the next fiscal year, leaving districts facing short-term deficits and uncertainty around how to budget for future PlanCon reimbursement. Districts are also facing a **moratorium on any new approvals of PlanCon projects for the third time in six years.**

Figure 6 illustrates the percent of districts that relied on approved but yet-to-be-received PlanCon reimbursements in their FY 2016-17 budgets. Figure 7 represents the percent of districts with PlanCon Part H projects awaiting approval at the time of their survey submission. Those awaiting Part H approval cannot be sure their costs will ever be reimbursed and must choose whether to defer necessary construction and renovation projects or pay entirely out of their own stretched budgets and hope for help in the future.

**Figure 6. Percent of districts including yet-to-be-realized PlanCon reimbursement in budget**



**Figure 7. Percent of districts with PlanCon projects awaiting Part H approval**



In total, 51 districts surveyed are awaiting Part H approval. The 41 districts that reported the amount of their Part H applications are collectively awaiting over \$115 million from the state.<sup>2</sup>

<sup>2</sup> In the months since the survey was administered, the state has borrowed additional funds to pay PlanCon debt. As of publication for this report, some districts who previously reported that they were awaiting payment or approval may have received one or both.

## CASE STUDY

# CHAMBERSBURG AREA SCHOOL DISTRICT



Chambersburg Area is one of the fastest growing school districts in the Commonwealth. That growth has been driven, in part, by a flourishing local economy bringing new jobs and new construction to the area. At the same time, the county's real estate has not been assessed since 1961, and many properties remain taxed at very low levels. As Superintendent Joe Padasak explains, "It's great that low taxes attract business to our region, but the more large commercial properties are under-assessed, the more local tax burden is pushed onto our residents."

Padasak and his team have worked to recoup more funding for schools by filing reverse assessments on some of the largest and most under-valued properties, but the difficulty of raising revenue, coupled with increasing mandated expenses, has taken a toll on educational programs. In particular, the ever-growing cost of pensions and state-mandated necessities, like special education and English as a Second Language (ESL) services, have hit Chambersburg hard. "State and federal funding for these programs were level over the last five years while the expenses have risen over 5% each year, so we shoulder those costs almost exclusively," Padasak explains.

As Chambersburg Area's enrollment has increased, so has its spending on building maintenance and construction. The district is still awaiting PlanCon reimbursement for projects that were approved and have already moved forward. It also has several applications stuck in the Part H bottleneck.

Facing a structural budget deficit, Chambersburg has increased class sizes across the board and reduced offerings like visual and performing arts and driver's education. It has also imposed a hiring freeze on all non-instructional staff, leaving some schools with too few custodians to open for evening extra-curricular activities and family events. Padasak is frank about the situation: "We're out of low-hanging fruit. Our line items for books and equipment have been cut to the bone. There's nothing left to cut." Business Manager Steven Dart agrees. "In the 2017-18 school year we will need more money or less staff. It's that simple."

Dart is relieved that the new Basic Education Funding formula recognizes that Chambersburg's enrollment and student needs are growing dramatically, but he remains worried that expenses have been outpacing revenues. "Over the last few years, we've spent down our general fund balance to a dangerously low level. We need to build those reserves back up or we'll be in danger of real cash flow issues." It's a sobering reality for a district that, by all accounts, has a solid and growing local economy and the benefit of mostly new school buildings consolidated for district efficiency, and Padasak thinks it should sound alarm bells for state legislators across PA. "The needs are real. Now the question is, how are we going to pay for it?"

***“In the 2017–18 school year we will need more money or less staff. It’s that simple.”***

**– Steven Dart**  
Business Manager



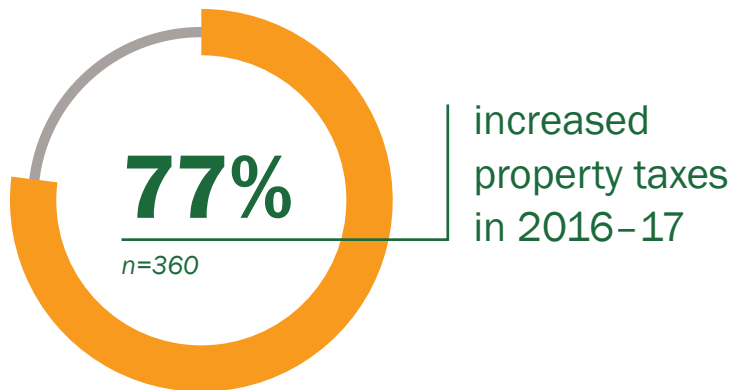


# SHIFTING BURDENS

## GROWING RELIANCE ON PROPERTY TAXES

With mandated expenses rising rapidly, 77% of districts were forced to raise local property taxes in FY 2016-17 to support essential programs and services. This is a slightly lower percentage than predicted by districts in our spring 2016 survey, as shown in Figure 8.

**Figure 8. Percent of districts that increased property taxes in 2016-17**



Of those districts that predicted tax increases in FY 2016-17, 1 in 4 were able to reduce or eliminate those tax increases thanks to increases in state Basic Education Funding (Figure 9).

**Figure 9. Percent of districts who were able to reduce or eliminate planned tax increases**

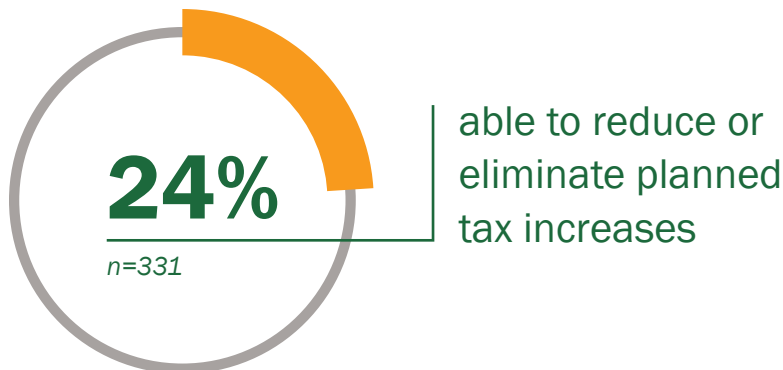
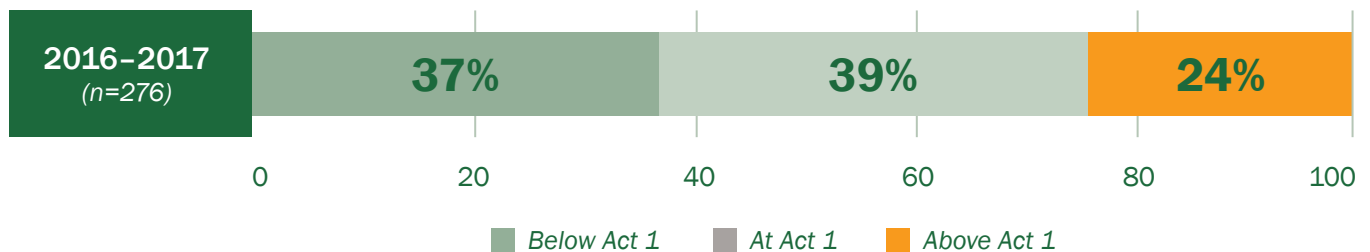


Figure 10 demonstrates that, among the districts that increased taxes, 63% raised taxes at or above the Act 1 Index.

**Figure 10. Level of tax increases in 2016-17**





## CASE STUDY

# KEYSTONE SCHOOL DISTRICT

Keystone, a rural school district in PA's northwestern Clarion County, serves little more than 1000 students but prides itself on offering a large number of advanced academic course offerings, including an array of AP courses, and a diverse spectrum of enrichment and arts programs. Yet Keystone is not exempt from the challenges facing districts across the Commonwealth. In particular, growing poverty and increased drug use in the community and surrounding areas have impacted the families and students it serves.

Superintendent Shawn Algoe says his teachers and support staff have been working hard to address these out of school issues, but he sees a growing need for more specialized help. "We could really use a school-based social worker to aid students in coping with trauma and behavioral and mental health issues," he says, "but with limited resources we have to make tough choices."

Algoe and his school board are highly motivated to mitigate the burden of local taxes on a community that is already struggling. Business Manager Vernon Laufer and other administrative staff work hard to negotiate lower utility pricing and watch every penny that comes in and goes out. Still, mandated costs are rising and Algoe often feels pulled between prioritizing fiscal prudence and investing more in students' physical, academic and social-emotional needs. The district doesn't have newly updated facilities like some of its neighbors, and the central office staff is bare bones.

"We are a lean administration and all of us wear many hats," Algoe explains. For example, while bigger and better-financed districts often employ dedicated support staff to handle time-consuming tasks such as complying with the state's data reporting requirements, at Keystone, the administrative leadership team, including the Superintendent himself, often absorb these responsibilities. Algoe recognizes that data is important for accountability and informed decision-making, but the Pennsylvania Information Management System (PIMS) creates a staffing burden for a district as small as his. "There's so much complexity that has been introduced into the system and all of it takes time." He would like to see a little more flexibility from the state as they consider future mandates, especially when these mandates require additional resources. "We educate everybody— the hungry ones, the cold ones, the ones that have seen violence, those that struggle— that's the job of a public school system."

***“ We educate everybody, the hungry ones, the cold ones, the ones that have seen violence— that’s the job of a public school system. ”***

**– Shawn Algoe**  
Superintendent





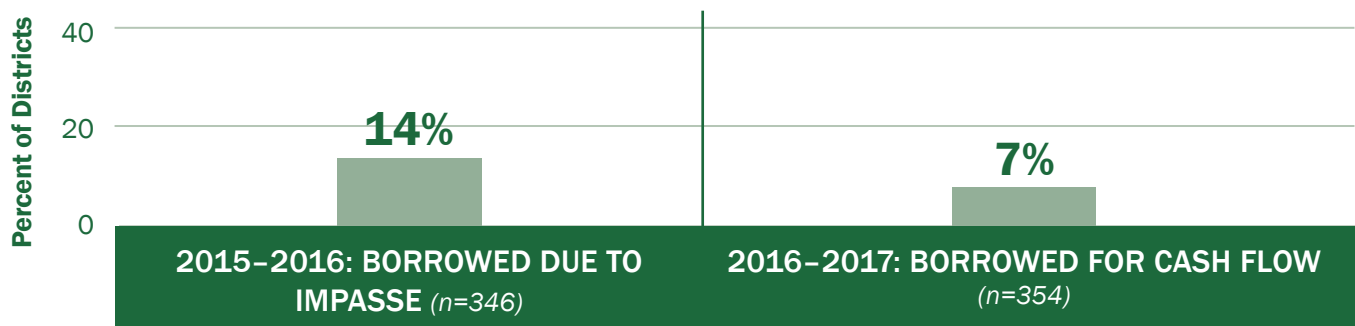


# SHIFTING BURDENS

## BORROWING & FUND BALANCES

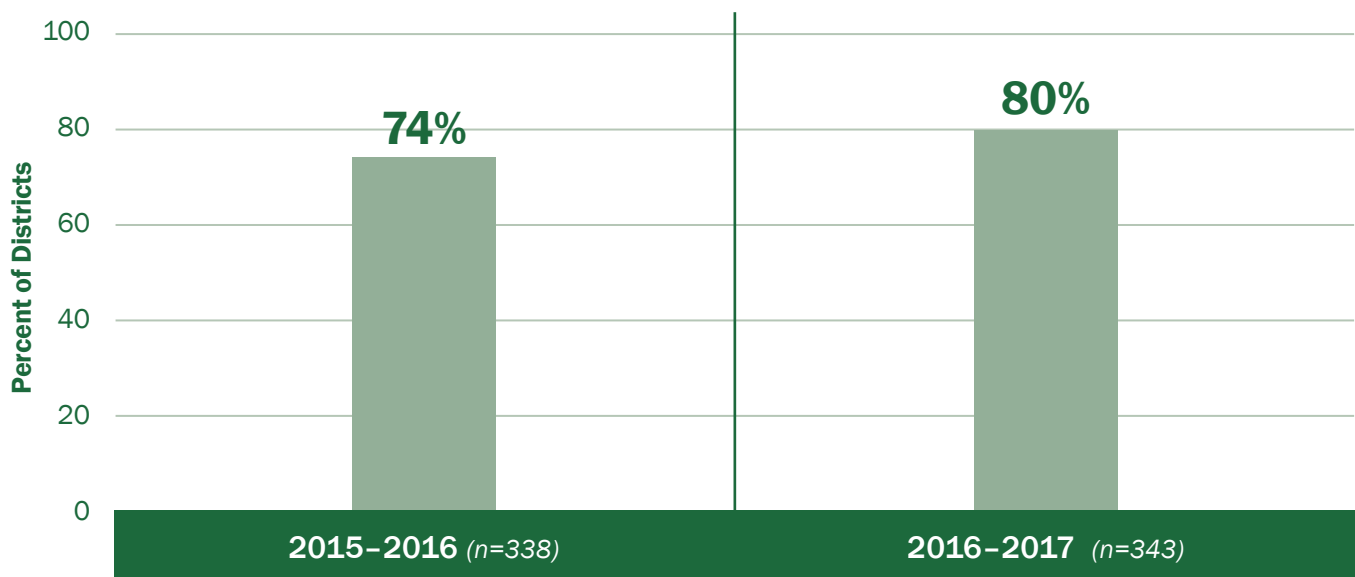
Last year districts took extraordinary measures to deal with the nine-month state budget impasse. They borrowed additional money to make payroll (14%), spent down their fund balances (74%), and delayed payments to vendors (41%). As Figure 11 shows, with this year's on-time budget, about half as many districts were forced to borrow money for cash flow purposes.

**Figure 11. Districts that borrowed due to impasse (2015–16) vs. borrowed for cash flow purposes (2016–17)**



Yet as shown in Figure 12, an even higher percentage of districts than last year (80%) utilized their fund balance in their FY 2016-17 budgets.

**Figure 12. Percent of districts relying on fund balance 2015-16 vs. 2016–17 budget**



Fund balances (unassigned, assigned, and committed) are important to district financial health. Experts recommend that school districts carry a minimum unassigned fund balance of 5% and up to 10% of total operating expenditures in order to safeguard against economic uncertainty. While overall fund balances are on the rise across the Commonwealth, there are many districts that hold well less than a 5% unassigned fund balance. In fact, 18 districts have negative unassigned fund balances, and an additional 31 districts currently carry less than 1%.<sup>3</sup>

Districts who participated in the survey commonly reported that increases in state-mandated expenses led them to spend down fund balance. Districts reported that pensions (41%), special education costs (30%), cyber charter tuition (28%), health care costs (27%) and lack of PlanCon reimbursement (21%) contributed to utilization of fund balance.

<sup>3</sup> <http://www.cla.temple.edu/corp/files/2016/07/Fund-Balances-Update-at-a-Glance-Web.pdf>



## CASE STUDY

# STEELTON-HIGHSPIRE SCHOOL DISTRICT



Steelton-Highspire School District is a small, urban school district that serves approximately 1,329 students in Dauphin County, just south of the state capitol. Raising local revenue to support schools has been hard in a community with very little business presence and a growing number of economically-disadvantaged families, many of whom rely on public housing. The district has raised local property taxes four of the last six years but is still forced to lean on state and federal sources for over two thirds of its funding. As Superintendent Travis Waters explains, “Our residents are heavily taxed; but with a dwindling tax base and immense student needs, there’s only so much we can do. We are really at the whim of the legislature.”

As a result of these factors, Steelton-Highspire was hit particularly hard by last year’s state budget impasse. Business Manager Cynthia Craig describes the district’s efforts to maintain services as crisis management: “We had no fund balance to rely on and we had trouble getting any banks to come to the table. In the end we paid over \$90,000 in up-front fees for a four-month loan.” The district also delayed payments to vendors, acquiring over \$385,000 in penalties for lateness.

As Craig explains, that might not sound like a lot, but every dollar counts for a district like Steelton-Highspire. “About 80% of our budget is already eaten up by mandated expenses like PSERS, employee health care, charter tuition payments, salaries and utilities. The remaining balance is what we have to support our academic programs and student supports.”

Growing enrollment in cyber charter schools has hit Steelton-Highspire particularly hard. In 2016-17 it spent over \$1.1 million, or almost 19% of the total district budget of \$20.6 million, on cyber charter tuition payments. Craig notes that the district is billed for cyber charter students in real time without seeing documentation, and then forced to spend precious time and energy challenging discrepancies later: “Too often we are charged for students who live outside of our district’s boundaries, and there’s no timely process for appealing or recouping these payments.”

Squeezed between a rock and a hard place, Steelton-Highspire has done away with its much-needed full-day Kindergarten program and has made due with limited educational technology and only one full-time nurse. “In an area with no hospital and very few established social services that is just not adequate,” says Waters. Craig agrees. “It just doesn’t make sense to me that our students need more than most, but they receive less. We’ve got to fix that.”

**“It just doesn’t make sense to me that our students need more than most, but they receive less. We’ve got to fix that.”**

**– Cynthia Craig**  
Business Manager

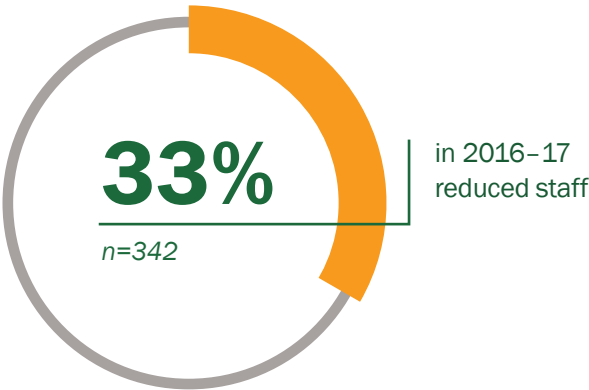


# VII

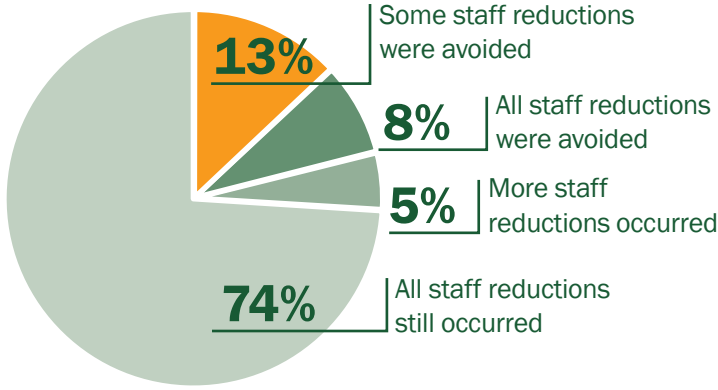
# STAFF REDUCTIONS

Amidst rising financial pressure, 33% of districts surveyed were forced to reduce staff in 2016-17 (Figure 13). This was a lower number than what districts projected in our spring survey. As shown in Figure 14, of the 85 districts that were anticipating staff reductions for FY 2016-17, 21% were able to avoid some or all of those reductions thanks to increased BEF. Yet 74% of those districts still made all predicted reductions, and another 5% were forced to reduce staff more than anticipated.

**Figure 13. Percent of districts that made staff reductions in 2016-17**

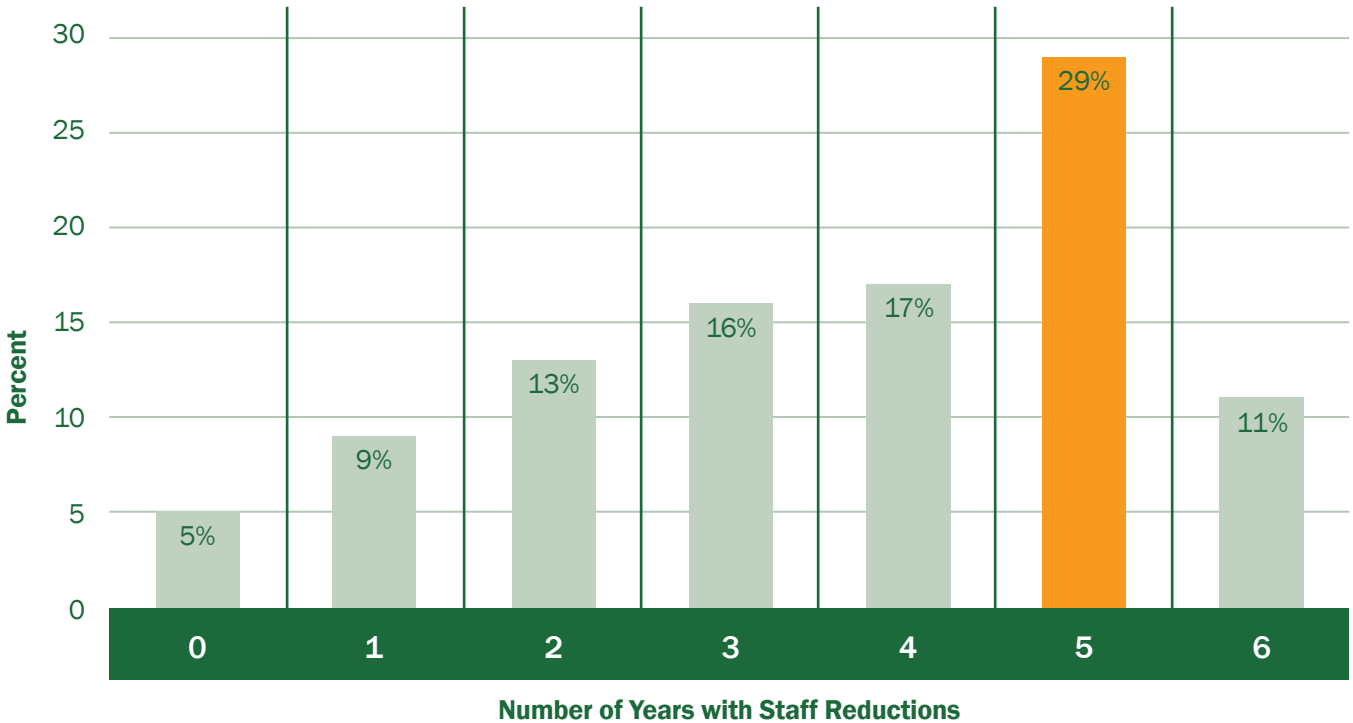


**Figure 14. Impact of increased state Basic Education Funding on districts anticipating staff cuts (n= 85)**



Unfortunately, for many Pennsylvania districts, this year's staff reductions are nothing new. Longitudinal analysis of past survey data reveals that the vast majority of surveyed districts have experienced continued cuts, and 40% of districts have reduced staff at least 5 of the last 6 years surveyed (Figure 15). Only 10 districts surveyed (5%) were spared entirely.

**Figure 15. Percent of districts experiencing staff reductions since 2010-11 (n= 234)**

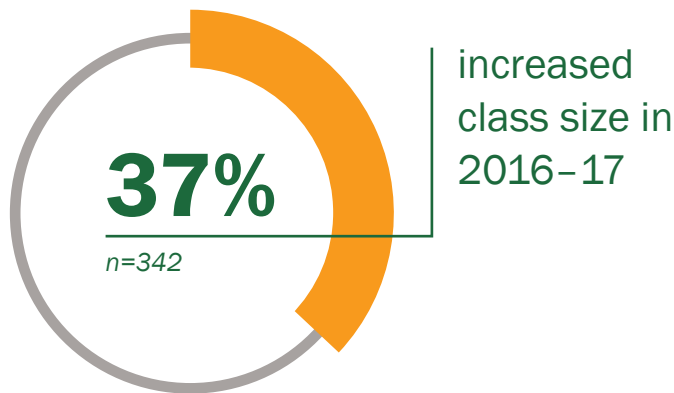


*\*Sample restricted to districts that answered these survey questions for school years from 2010-11 to 2016-17, excluding the 2015-16 school year which did not have a fall survey.*

## Class Size

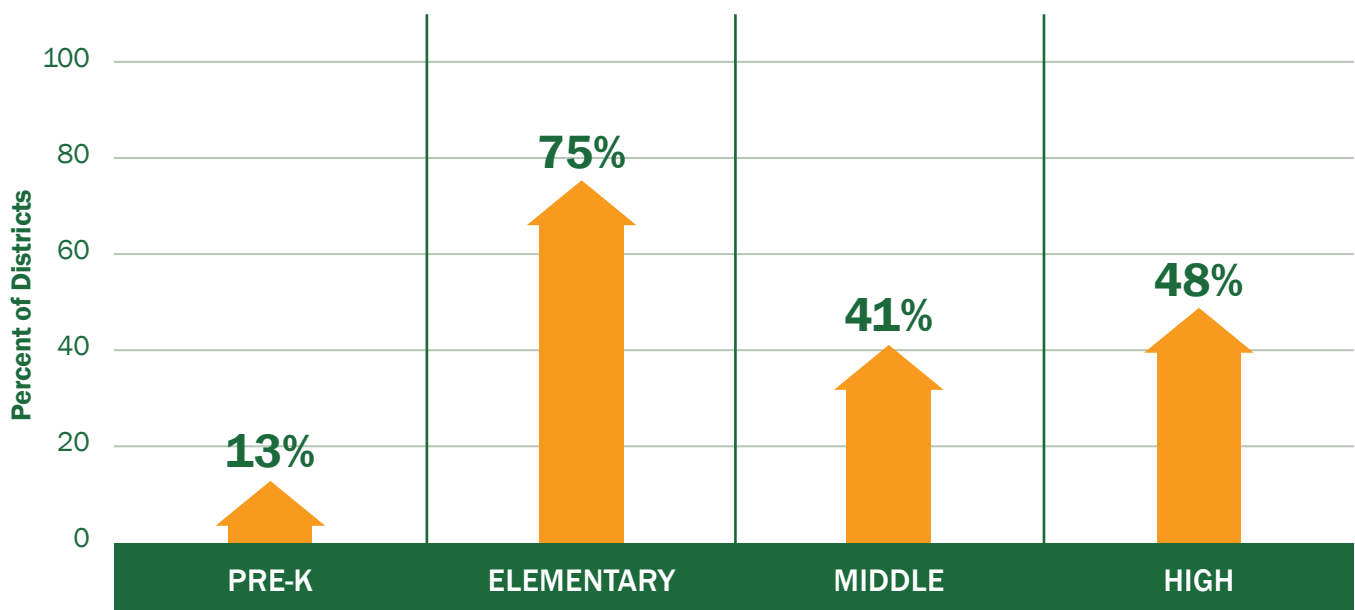
Prolonged staff cuts often impact class size. As can be seen in Figure 16, over a third of surveyed districts (37%) increased class size in FY 2016-2017.

**Figure 16. Percent of districts that increased class size in 2016–17**



Once again, class size increases occurred across grade levels, but were most common at elementary schools, as illustrated in Figure 17.

**Figure 17. Increases in class size by grade level among districts that increased class size (n=128)**



# VIII

# ACADEMIC PROGRAMS

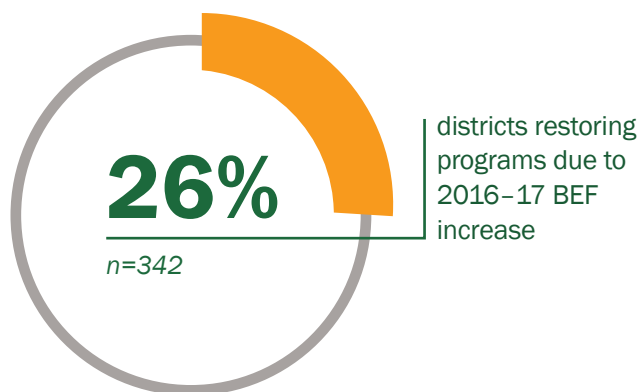
Earlier reports documented that a large majority of districts statewide have reduced or eliminated academic programs over the past six years. As indicated in Figure 18, below, this year's fall survey found that the trend is continuing in much of the state. Thirty-seven percent of districts surveyed made some kind of academic program cuts in FY 2016-17. Hardest hit were field trips, summer programs, foreign languages, and art and music programs. Still, it is notable that the percentage of districts forced to make program cuts was somewhat lower than predicted in the spring survey.

**Figure 18. Percentage of district reducing academic programs in 2016–17 (predicted vs. actual)**



There is some good news. As indicated in Figure 19, increases in state Basic Education Funding allowed 1 in 4 districts surveyed (26%) to restore some academic programs this school year.

**Figure 19. Percent of districts restoring academic programs in 2016–17 due to increased state BEF**



## A Word About Pre-K

One encouraging finding from our survey questions about academic programs was that more school districts (6%) expanded their district-run pre-K programs in 2016-17 than cut them (1%). Research has demonstrated that high-quality pre-K boosts social and academic development and helps kids succeed in kindergarten and beyond.<sup>4</sup> However, this finding was tempered by the fact that the majority of districts surveyed did not provide district-run pre-K programs at all.<sup>5</sup>

<sup>4</sup> [http://8rri53pm0cs22jk3vvqna1ub-wpengine.netdna-ssl.com/wp-content/uploads/2015/10/RFA\\_PACER\\_Early\\_Childhood\\_Ed\\_April\\_2014.pdf](http://8rri53pm0cs22jk3vvqna1ub-wpengine.netdna-ssl.com/wp-content/uploads/2015/10/RFA_PACER_Early_Childhood_Ed_April_2014.pdf)

<sup>5</sup> In some districts, pre-K programs may be housed in school buildings but administered and staffed by the Intermediate Unit or a non-profit partner.

## CASE STUDY

# CHICHESTER SCHOOL DISTRICT



The Chichester School District is all too familiar with making cuts to withstand Pennsylvania's school funding crisis. The district has had to reduce teaching and administrative staff over the last six years, eliminate the summer enrichment program and contended with million dollar deficits in each of the last five school budgets. As Superintendent Dr. Kathleen Sherman puts it, "We've cut and cut and cut, to the point where we don't know where to look any longer." Chichester has also borrowed to invest in much-needed new buildings and ground improvements, incurring debt service that stretches out to 2029.

An urban/suburban district serving 3,400 students in Delaware County about 20 miles southwest of Philadelphia, the district is led by Dr. Sherman and Business Administrator Tony Testa, who each bring years of experience and prioritize fiscal responsibility. Dr. Sherman describes the Chichester School District as a strong, community-oriented district that is home to generations of stable working-class families. The district also serves a significant population of high-needs students, with over 50% of students who experience economic disadvantage.

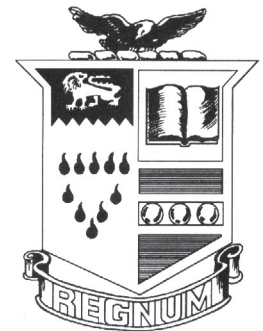
As with so many other districts, the rise in PSERS contributions has been a primary cost driver at Chichester. The district's contribution has skyrocketed from 12% of the total salaries five years ago to 32.5% for next year. "The state has pushed the PSERS responsibility onto school districts and local taxpayers," says Dr. Sherman.

Dr. Sherman is proud of how hard her teachers and staff work, how they care about the community, and what the district has been able to accomplish in spite of budget strains. The district was recently recognized as a "District of Distinction" by the District Administration Magazine and received a Bronze Medal for college and career readiness from U.S. News & World Report. To maintain this quality programming, Business Administrator Testa explains, "We've relied on fund balance to close the budget gap this year but that is not a sustainable long term strategy. Fund balance is truly a one-time resource best used for one-time expenditures."

"Some kind of equity needs to take place," says Dr. Sherman. "Some districts are well funded with a strong economic base, but we're in a needy district and it costs us more to educate our students because they need more intervention. It's a real challenge to provide the necessary resources and programs while not passing along higher taxes to our residents."

***“We’ve relied on fund balance to close the budget gap this year but that is not a sustainable long term strategy.”***

**– Tony Testa**  
Business Administrator



# **IX** CONCLUSION

## Dark Clouds on the Horizon

The results of this year's school district budget survey tell a familiar story. After years of state revenues that are inadequate to cover the expanding costs of a quality education, too many Pennsylvania school districts are struggling. Those that are able to make up the difference with local revenues continue to do so, increasing property taxes year after year. Those that cannot, rely on borrowing and fund balance to make ends meet. Despite the adoption of the new Basic Education Funding formula, Pennsylvania's school funding inequity, already worst in the nation, continues to grow. The reason is simple: a formula is only as good as the revenues it distributes.

Meanwhile, districts are forced to spend more and more on mandated expenses like pension contributions and charter school tuition, diverting precious resources from children and classrooms. Even in a year when state spending on education increased, many districts had little choice but to continue to cut staff and valuable programs in 2016-17.

Looking forward to next school year, most districts expressed grim expectations. Over two thirds of districts surveyed (70%) predicted that they would have to increase property taxes in 2017-18 (Figure 20), and 94% anticipated that their financial conditions will be the same or worse next year (Figure 21). The reality could be even more dire than they predict; this year's survey was launched prior to now-widespread reports of lower-than-expected state revenues and a projected \$2.8 billion deficit for FY 2017-18.

This should sound the alarm. If policymakers don't invest in strong public schools and fully fund the bipartisan formulas they've worked hard to enact, then 2017 could prove to be another perfect storm. The stories in this data—of hardworking administrators, business managers, and educators across the Commonwealth barely treading water to educate their students—have been in the making since the last budget crisis in 2010. Without big changes in 2017, this next one will leave many beloved school districts underwater.

## District Outlook for the Future: Anticipating 2017 – 18

Figure 20. Does your school district anticipate a change in property taxes in FY 2017-18? (n= 341)

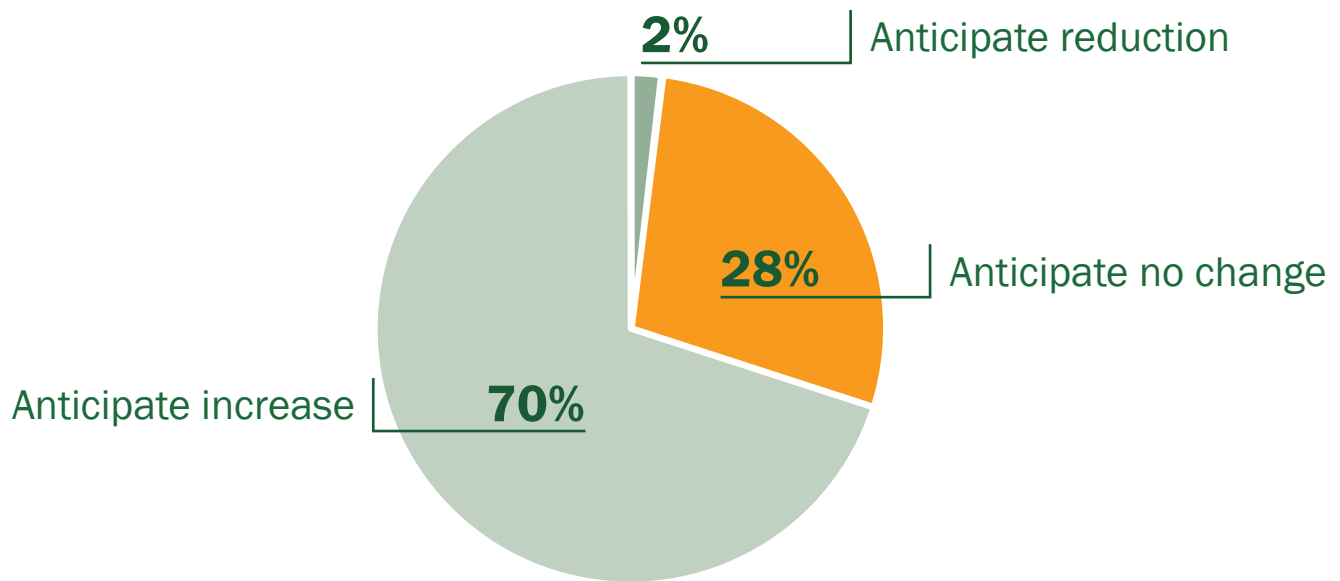
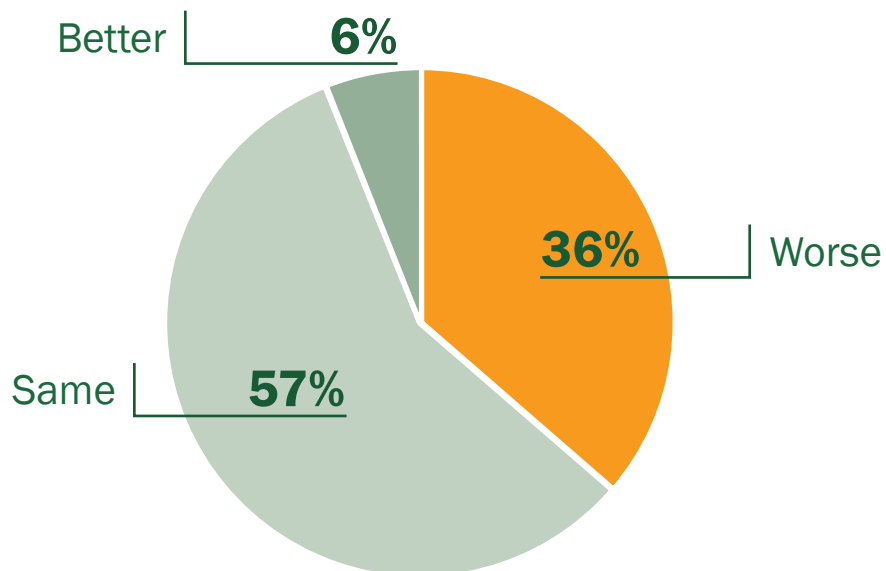


Figure 21. As you anticipate FY 2017-18, do you expect financial conditions in your district to be better, the same or worse compared with the current fiscal year? (n= 343)









# METHODOLOGY & APPENDICES

## Overview

The most recent PASA-PASBO survey was released on November 2, 2016, to 1,183 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 December 1, 2016, the response rate reflected submissions from 361 school districts, or 72% of districts statewide. This includes representation from every corner of the state, including 65 of 67 counties. Together, these districts educate approximately 1,175,591 students, or 74% of the Commonwealth's traditional K-12 public school enrollment. Participating districts range from the largest district in the state (Philadelphia, with 134,975 students) to 28 districts with fewer than 750 students, and every type of district in between.

## Survey Description

The survey was composed of 38 questions concerning school district finance, staffing, and programmatic conditions. Districts were asked to reflect on both their FY 2015-16 and FY 2016-17 budgets, as well as about their outlook for FY 2017-18.

## Survey Testing

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

## Survey Administration

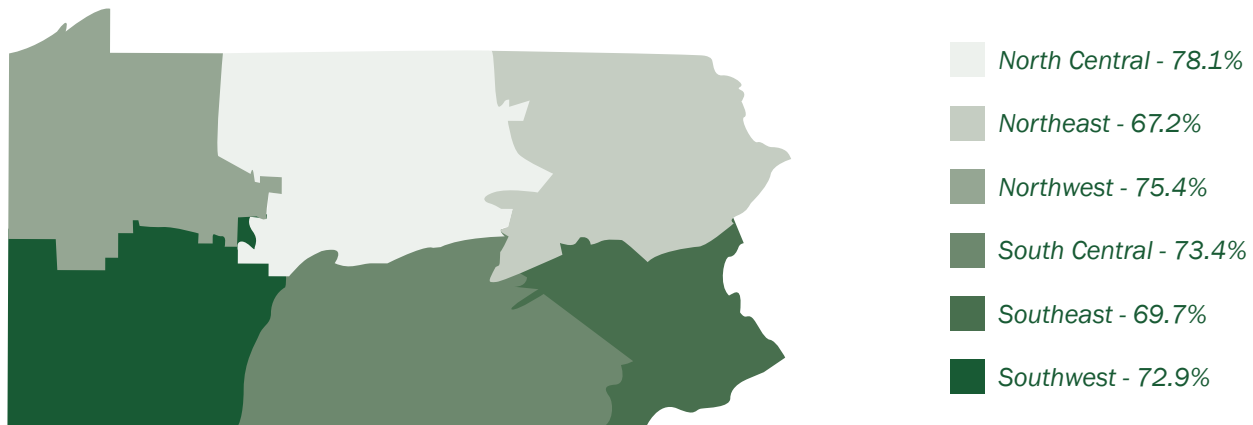
The survey went live on November 2, 2016. Regular reminders were sent to those districts that had not completed the survey. The survey was closed on December 1, 2016.

## Sample

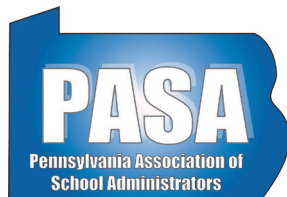
The survey was sent to superintendents and business managers in 500 Pennsylvania school districts; the superintendent and business manager in each district filled out a single survey. In Figure A1, we compare the districts that responded to the survey to the entire state. As seen below, the demographics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

Figure A1. Survey respondents compared to all districts

	FALL SURVEY RESPONDING DISTRICTS (n=361)	ALL PENNSYLVANIA DISTRICTS (n=500)
Total enrollment (2015–16)	1,175,591	1,582,257
Average percent white (2015–16)	84%	83%
Average percent special education (2014–15)	16%	16%
Average percent ELL (2015–16)	1%	1%
Average percent low income (2015–16)	42%	43%
Percent of districts in highest poverty quartile (2015–16)	23%	25%
Average total revenue (2014-2015)	57,349,848	55,266,600
<b>Urbanicity</b>		
City	3%	3%
Rural	38%	35%
Suburb	39%	41%
Town	20%	20%







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](mailto:pasa@pasa-net.org) or PASBO at (717) 540-9551 or [pasbo@pasbo.org](mailto:pasbo@pasbo.org).**

