



TESTIMONY OF THE

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION

BEFORE THE BASIC EDUCATION FUNDING COMMISSION

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Chairwoman Phillips-Hill, Chairman Sturla, and members of the Basic Education Funding Commission, thank you for inviting the Pennsylvania School Boards Association (PSBA) to testify today on behalf of the 5,000 local public school leaders we represent. My name is Kevin Busher and I am not only the Chief Advocacy Officer for the Pennsylvania School Boards Association, but also a former nine-year veteran of the Lower Dauphin School Board in Dauphin County.

This commission and the education community are in an incredibly unique position in Pennsylvania's history concerning public education. Since the Commonwealth Court issued its landmark ruling finding Pennsylvania's system of public education unconstitutional, we find ourselves with a virtual clean slate as to what the future of public education could look like in Pennsylvania. Today, I'd like to share PSBA's view on what that future may look like.

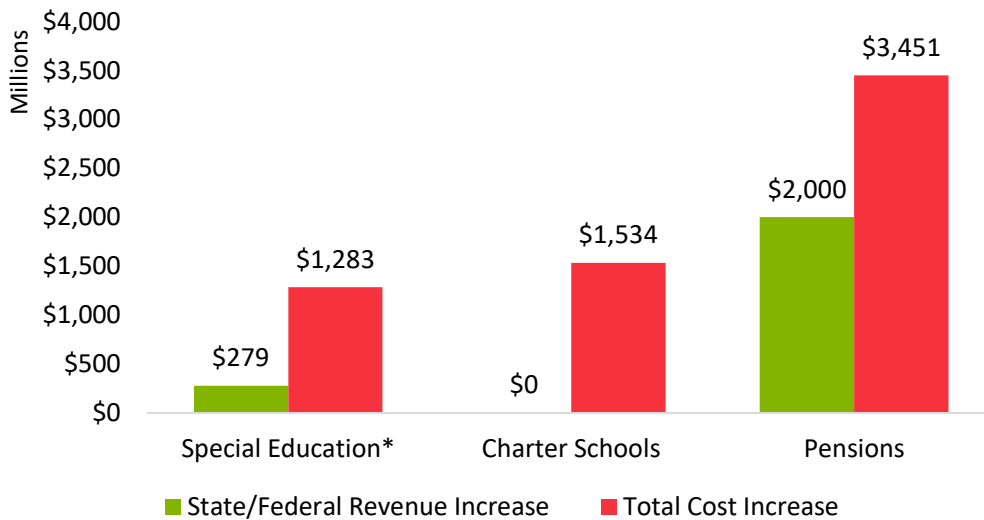
I wanted to start by first addressing some of the misconceptions out there about education funding before getting into some specific areas of particular interest for PSBA members and recommendations for the Commission.

You've all heard how much Pennsylvania schools spend per student and that PA ranks in the top 10 for education spending. But if you look a little deeper into the data to examine WHY those numbers are what they are you'll see that school leaders have little, if any, control over most of that spending because of mandated costs.

You're also likely familiar with the historic increases in basic education funding over the last few years and yet public education advocates are still asking for more state funding for public education.

While these increases are extremely welcome, they pale in comparison to increases in mandated costs for pensions, charter school tuition, and special education. These three mandated costs alone have been the primary cause for increases in education spending over the last decade. Combined, those costs have increased by more than \$6.2 billion over the last decade while state revenue intended to help pay those costs has only increased by more than \$2.2 billion. That leaves schools with a nearly \$4 billion mandated cost gap to fill.

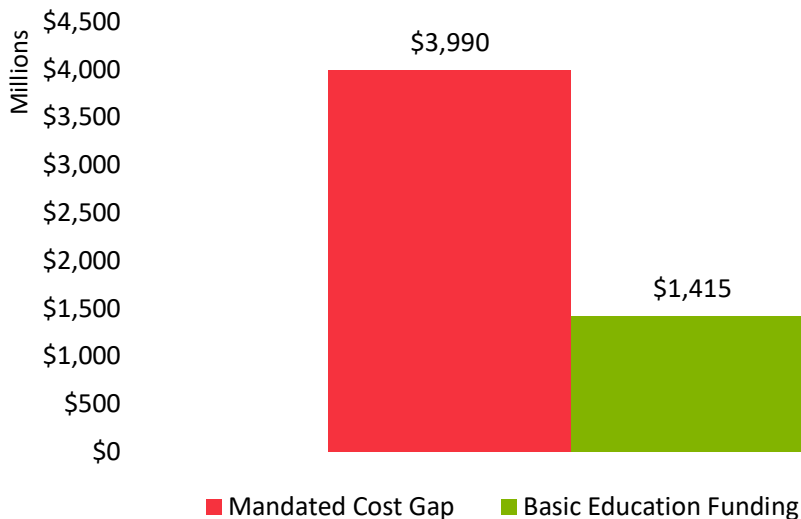
Manadated Cost Increases vs State Revenue Increases 2011-12 to 2021-22



* Does not include pension and charter tuition costs attributable to special education

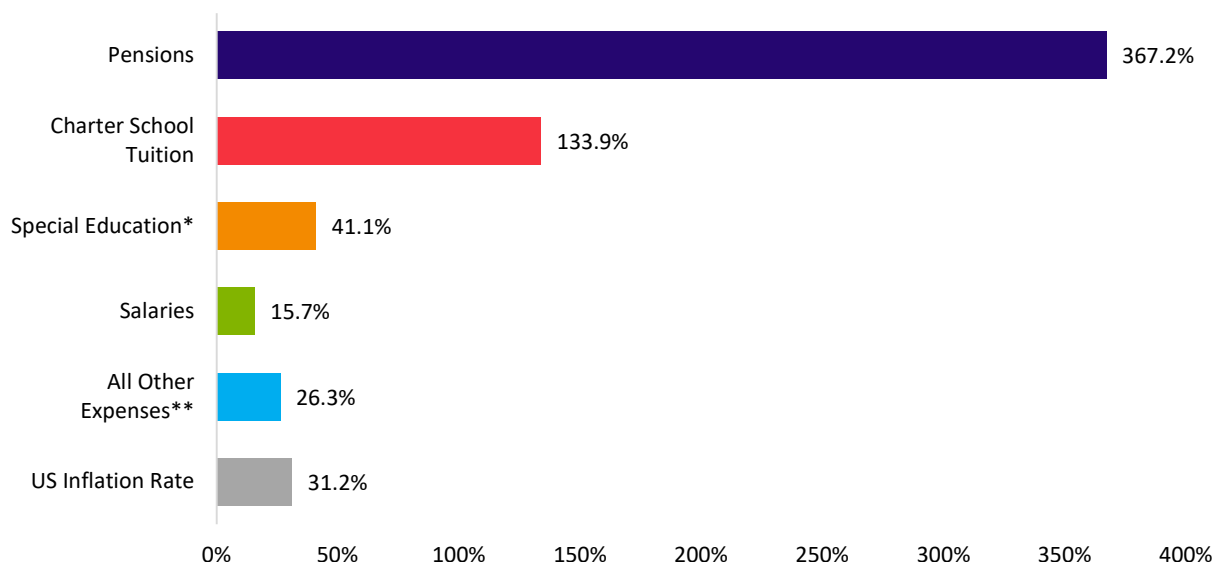
Even if public schools used every single dollar of Basic Education Funding increase to help pay those costs, we would still see a mandated cost gap of more than \$2.5 billion.

Mandated Cost Gap vs BEF Increase 2011-12 to 2021-22



When we compare increases in mandated costs to all other types of school district expenditures, we see clearly that districts are doing an excellent job controlling the costs that they can control. Aside from increases in pensions, charter school tuition, and special education, districts have kept increases in other types of spending below the rate of inflation.

Growth in Expenses 2011-12 to 2021-22

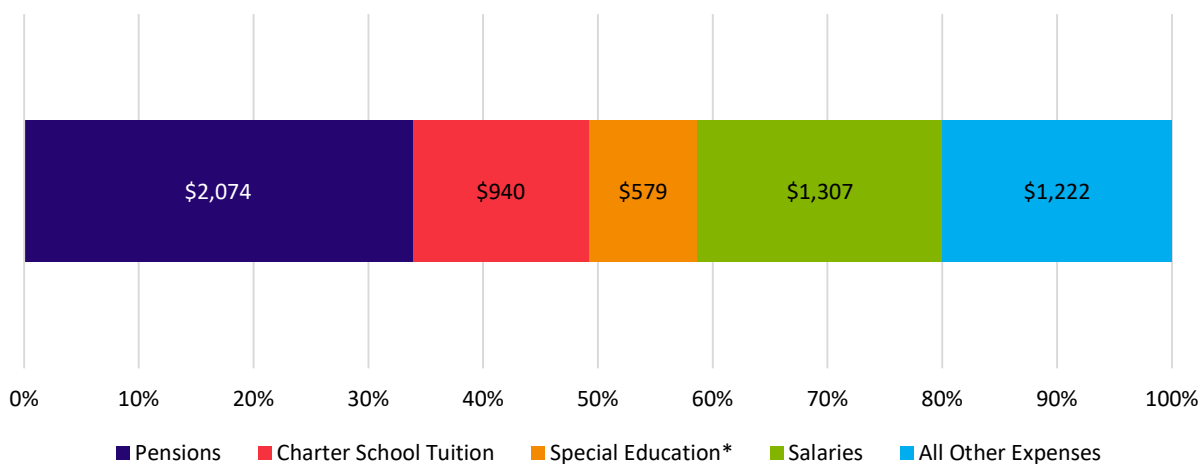


* Does not include pension, charter school, and salary costs attributable to special education

** These exclude fund transfers and debt service payments

When we look at increases in spending from a per-student perspective we see that mandated cost increases for pensions, charter school tuition, and special education account for nearly 60% of the roughly \$6,000 increase in expenses per student that has occurred over the last decade.

Per Student Expense Increase Breakdown 2011-12 to 2021-22



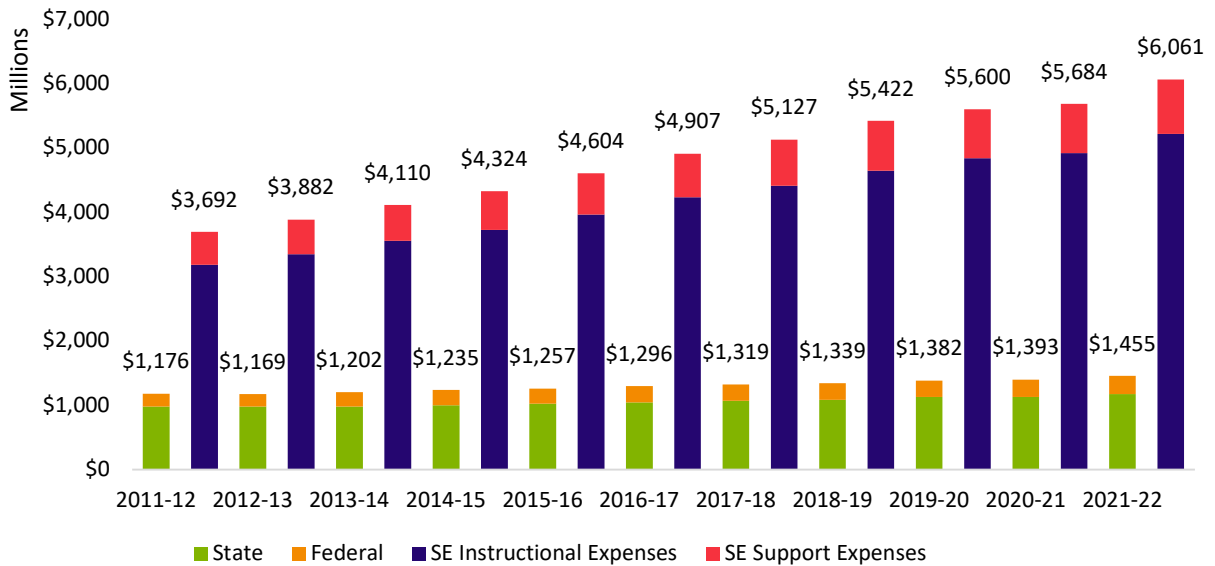
* Does not include pension, charter school, and salary costs attributable to special education

Although there is a separate Commission set up to consider special education funding, the topic is nonetheless relevant to helping understand the complete financial picture facing school districts. It is also important to note that the mandate to provide students with disabilities a “free appropriate public education”, or “FAPE” comes from the federal

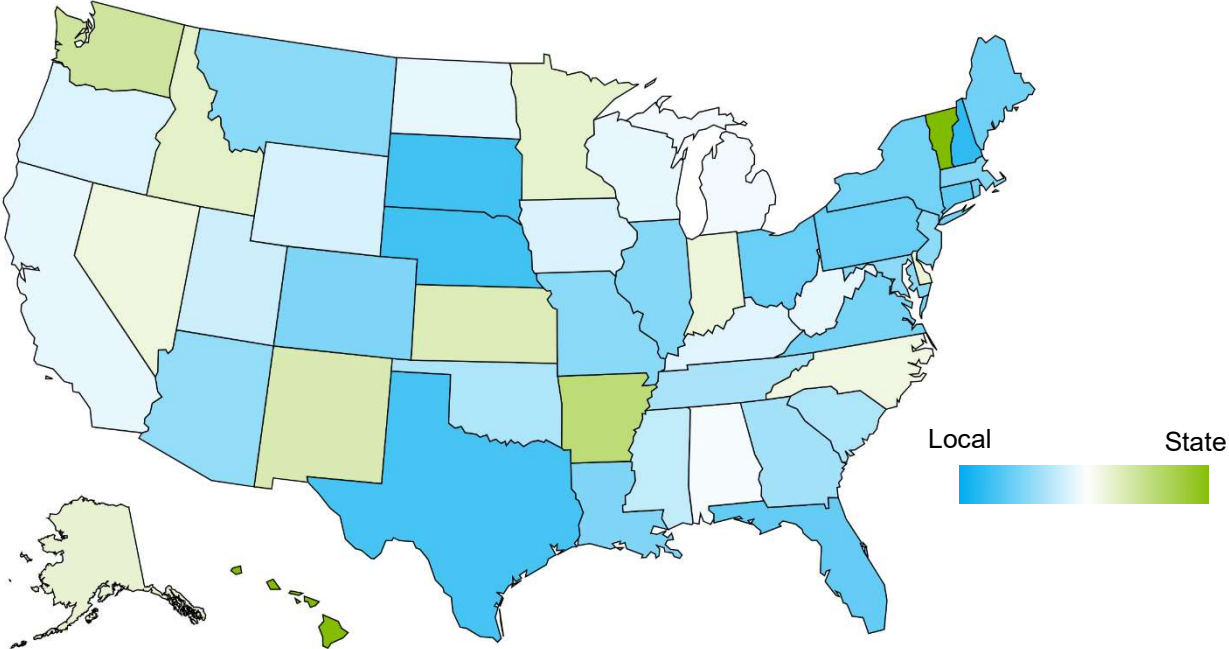
government, yet Congress has failed to live up to their promise to fully fund the mandate they placed on public schools under the Individuals with Disabilities Education Act (IDEA).

In 2011-12, 32% of all special education expenditures were covered by state and federal funding. By 2021-22 that percentage had dropped to just 24% due to mandatory special education costs increasing by nearly \$2.4 billion while revenues intended to help cover those costs only increased by \$278.5 million.

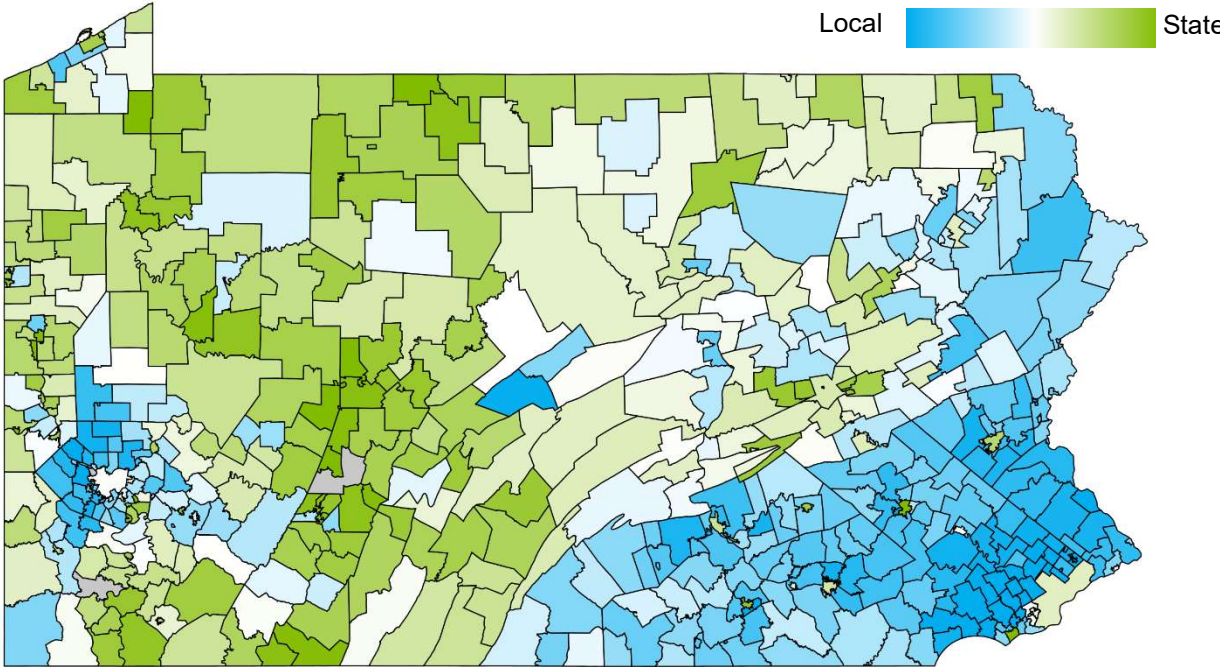
Special Education (SE) Revenues vs Expenditures



Statewide, only about 37% of education revenues come from the state. Only eight other states have a lower percentage of education revenues coming from the state.



However, when we look at school districts individually, we see a very diverse picture. In rural and urban parts of the state, we see a reliance on the state for education revenues while in suburban areas we see a reliance on local sources.



This diversity was one of the keys to the Commonwealth Court's ruling. In many of the suburban school districts, property values and income levels were sufficient enough to pay the mandated cost gap and still be able to invest in classrooms, while in rural and urban areas, many of those school districts did not have resources to invest in educational programs and services after paying for the mandated cost gap, thus contributing to an education system consisting of the haves and have nots.

Recommendation #1 School Infrastructure

The current system of funding public education also results in very different means for improving and addressing school infrastructure needs which is why the state needs to begin funding the PlanCon program passed into law in 2019 or funding on a recurring basis a facilities construction, renovation, maintenance, and remediation program. This gives school leaders predicable funding for long term facilities planning.

Based on PSBA's most recent State of Education report, nearly three-quarters of school districts reported having at least one school building in need of major repairs or replacement. And the lack of a state reimbursement program was a major obstacle for construction and renovation projects with 70% of school districts reporting that they have postponed construction or renovation projects due to a lack of state reimbursement.

This is not just an urban issue. Across the state school buildings are deteriorating and becoming obsolete. Yet most communities simply do not have the resources to undertake a major school construction or renovation project without the state's help. We all saw or heard the stories about some schools being forced to close or alter their school days because of the heat at the start of the school year. We've also heard stories about mold, leaky roofs, chipping paint, and more. Yet in many school districts, the resources to address these issues simply are not there or they are forced to make difficult choices between improving their educational program or making repairs to their school buildings.

We also know that schools are looking to become more energy efficient by moving to solar power. However, many schools simply lack the resources needed to make the upfront investment needed to install solar panels. We would encourage the state to make funding available to help school districts make the investment in energy efficiency which will provide the districts and their taxpayers with long-term savings.

Recommendation #2 Mental Health and School Safety

Two of the biggest challenges facing public education today are addressing the mental health needs of students and providing a safe and healthy learning environment.

In the 2023 State of Education report, addressing student mental health needs was identified as one of the biggest challenges school leaders faced in the 2022-23 school year. Unfortunately, this need is not going to go away anytime soon. School leaders anticipate student mental health issues to be present for the foreseeable future. Investments made in the last several state budgets have been crucial to helping schools address those needs. More than 81% of school districts reported being able to provide their students with additional mental health supports that they would not have been able to provide without the state resources being available in the 2022 budget.

School leaders, as well as students and parents, are also concerned with the safety and security of their local public school. The work of the School Safety and Security Committee has gone a long way in giving schools needed guidance to make decisions on the best ways to secure their school buildings. However, schools continue to need resources to implement those strategies.

We urge the Commission to keep the needs for student mental health and school safety and security in mind during their discussions. Creating additional barriers for school leaders to access these funds in a locally directed manner will result in delayed services. This is why we ask that local school leaders maintain the authority to see that the mental health needs as well as the safety and security of their school buildings can be addressed in a manner consistent with the beliefs of their community.

Recommendation #3 Community Engaged Schools

There has been a lot of discussion lately about the best way to help students attending struggling schools. Creating a voucher program similar to the Opportunity Scholarship Tax Credit program, or OSTC, which currently exists to provide scholarships to eligible students residing within the boundaries of a low-achieving school to attend another public school outside of their district or nonpublic school.

However, adding a duplicative scholarship program does not identify or address the barriers to achievement that are present in communities with struggling schools. That is precisely what the community engaged school model is intended to do.

Last legislative session's attempt at creating a voucher program was amended to include charter schools in the list of low-achieving schools. When charter schools were added, half of all charter schools in operation would have made the list of low-achieving schools. This indicates that something other than educational options are present in these communities which act as barriers to achievement, and solutions intended to identify and address these barriers need to be explored to help all students and families in those communities.

The community engaged school model is built with the understanding that students often come to the classroom with challenges that impact their ability to learn, explore, and develop to their greatest potential.

Community engaged schools focus on what students in the community truly need to succeed—whether it's access to free healthy meals, health care, tutoring, mental health counseling, or other tailored services before, during, and after school. Community engaged schools identify these needs and then bring together academics, health and social services, youth and community development, and community engagement.

A piece of the future of public education funding in Pennsylvania should include finances to fund the proven community engaged schools model.

Recommendation #4 Mandate Relief

School districts are required to comply with hundreds of individual mandates. Considered separately, many mandates can be defended as implementing important policy objectives or as sincere efforts to enhance the quality of education, student

achievement, health, safety and wellness, accountability, transparency and the efficient expenditure of taxpayer money. Taken as a whole, however, mandates can create unwieldy and burdensome requirements, drain money away from classrooms, result in higher property taxes, and negatively impact local decision-making because they either dictate in considerable detail the actions to be taken or severely limit available options.

Although the state imposes many mandates, the state only sometimes contributes toward the cost of compliance. Those contributions typically do not keep pace with escalating costs and in some cases state funding has completely disappeared, leaving local school districts, and their taxpayers, to assume the burden of an ever-increasing share of the costs required to comply with the mandates.

Most mandates are unfunded, in that the state imposes a requirement on schools, but does not contribute funding to specifically assist schools in paying the costs associated with compliance.

However, mandate relief also provides the General Assembly with opportunities to provide resources for public education without appropriating more funds. Here are three examples where mandate relief would do just that:

- Repeal requirements that force school districts to go through drawn out and unnecessary processes to contract with a third-party vendor.
- Enact Right-to-Know law reforms which allow school districts to recoup some of the costs associated with complying with requests made for a commercial purpose. And provide schools with an avenue to obtain relief from requesters who use the law as a weapon or means to harass the district.
- Provide school districts with a flexible menu of options to advertise public notices as opposed to being limited to using printed newspapers to satisfy legal obligations to notify the public.

Recommendation #5 Charter School Reform

A common theme throughout testimony to the Commission from school leaders has been the impacts of mandated charter school tuition on school district finances, which should not come as a surprise. Over the last several years, charter school tuition has been identified as the most common source of budget pressure for school districts and more than 93% of locally elected school boards have passed resolutions calling for charter reform.

It's important to note that none of the 466 resolutions call for the elimination of charter schools or school choice. However, what school leaders are calling for is a fair funding mechanism and a level playing field for all types of public schools.

The 26-year-old funding mechanism for charter schools contains a number of flaws which results in school districts overpaying charter schools, particularly when it comes to cyber charter school tuition and tuition for special education students.

Cyber charter schools receive the same tuition payment from school districts as brick-and-mortar charter schools despite not having the same level of expenses as their brick-and-mortar colleagues, particularly when it comes to school buildings and

infrastructure. Although cyber charters incur costs for shipping educational materials to students and for finding space to administer state testing, those costs pale in comparison to the costs of maintaining a physical school building. Plus, school districts are required by law to provide cyber charter schools with access to district facilities for the administration of state assessments.

The charter school tuition payments calculated by school districts are based on the districts' expenses and bear no relation to the costs needed by the cyber charter schools to provide their online educational program. This is particularly problematic in relation to cyber charter schools because the tuition rate calculation includes several school district expenses that cyber charter schools just do not have. For example, cyber charter schools do not incur costs related to tax assessment and collection and providing support services to private schools, nor do they incur costs to the extent school districts do for extracurricular activities, food services, debt service, health services and infrastructure.

Because each school district calculates its own unique tuition rates based on the school district's expenses, this results in vastly different tuition rates being paid to the cyber charter school despite all students in the school being provided the same education.

The funding mechanism for special education students is also based on the school district's expenses for special education and not on what the charter school spends to educate its students with disabilities. This flaw is critical because school districts are responsible for educating almost all of the students with disabilities who require the most extensive special education services and supports – those costing more than \$26,718 per student (as adjusted annually pursuant to School Code section 1372(8)). In 2020-21, more than 93% of the students requiring the most extensive special education services were educated by or through a school district.

In comparison, more than 93% of all charter school special education students were educated for less than \$26,718. Yet, because the tuition calculation is based on the school district's expenses, the average charter school special education tuition rate paid to charters by districts was \$28,553.

The result of this flaw is that school districts are overpaying charter schools for special education. Based on an analysis of 2020-21 PDE data, school districts paid charter schools \$185.6 million more in special education tuition payments than the charter schools spent to provide special education services. Because charter schools are not obligated to use special education tuition solely for special education purposes, and there is no mechanism for school districts to seek repayment of unused funds, these overpayments are profit to the charter school.

Providing meaningful charter reform would allow school districts to maintain the necessary resources which they could then use to invest in their buildings and classrooms.

Final Thoughts

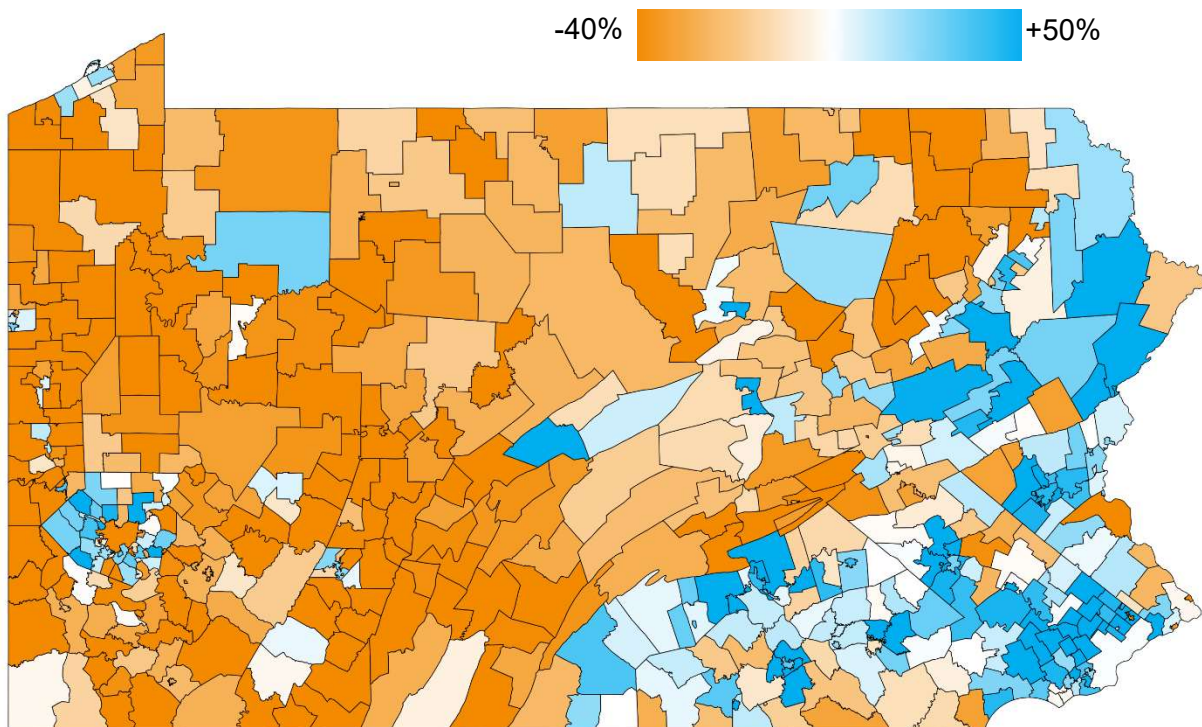
As the Commission continues to work towards its recommendations, we would like to ask that the Commission keep the following points in mind.

Do not end hold harmless immediately. Doing so would be catastrophic to hundreds of school districts. The original BEF Commission recognized that “eliminating the hold harmless clause would have a significant negative impact on many school districts across the Commonwealth that would be unable to make operational adjustments or generate revenue from other sources to make up for the loss of basic education funding.” See Basic Education Funding Commission Report and Recommendations, page 68.

In the current 2023-24 fiscal year, running all BEF dollars through the formula would result in a little more than \$1 billion being taken from 311 school districts and given to 189 districts. The loss of funding for those 311 districts varies, but 224 districts would see BEF reductions of more than 20% and 107 of those districts would see a reduction of more than 40%. As illustrated by the map below, rural areas would be especially impacted negatively.

PSBA members have debated taking a position on eliminating hold harmless and our members overwhelmingly did not want to support a proposal which would harm more than 60% of school districts to benefit the other 30%.

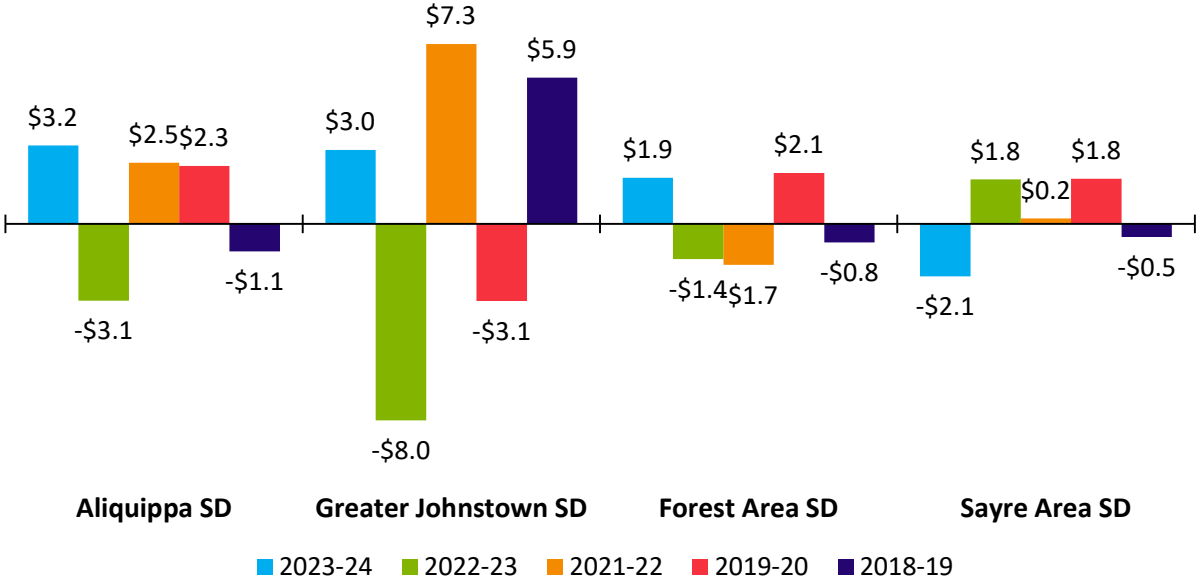
Change in BEF funding levels by running all BEF through the current formula.



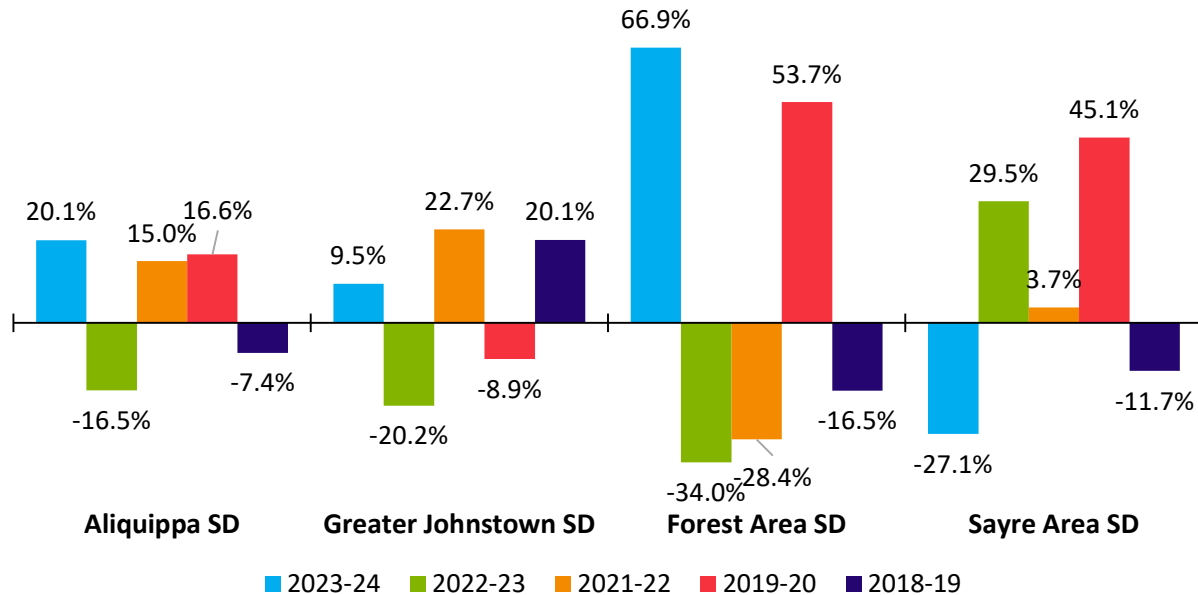
Exercise caution in sending all BEF money through the formula. Running all BEF money through the formula would also present school districts with a new set of challenges. The current formula brings with it the possibility that formula factors for each district can change from one year to the next. While in some cases, those changes will benefit a district and bring more funding, they can also result in a reduction in the district’s funding allocation. The impact of these annual fluctuations will only grow with the more money that goes through the formula.

To illustrate this point, if all \$7.8 billion in the 2023-24 BEF budget line item ran through the formula each of the last 6 years (excluding 2020-21 where BEF for all districts was frozen at prior year’s levels) we can see many instances where school districts would have experienced substantial volatility – both in terms of dollars received by the district and percentage of BEF funding – due to annual changes in formula factors. A few such examples are highlighted in the graphs below.

Yearly BEF Change All Money Through Formula (in Millions)



Yearly BEF Change All Money Through Formula (Percentage)



The large swings in BEF levels from one year to the next would force districts into very difficult predicaments. Due to Act 1 index limits, school districts may not be able to shift to property tax increases to cover the loss in state funding. If school districts could not make up the loss of state revenues locally, that only leaves the option of reducing programs and services to make up for the difference.

Not only would school districts be confronted with potentially large swings in their BEF funding from one year to the next, but they would not know about those swings until they are set to approve their own budgets. Formula factors for the upcoming year are currently not set in June, the same month school districts are required by law to approve their final budgets. Since those factors decide how much funding each school district will receive, districts could be confronted with substantial last-minute changes to their financial plans.

Do not mandate mergers or consolidations. The state should recognize that mergers and consolidations may not have significant financial savings. Rather than forcing school districts to merge or consolidate, the state should find ways to incentivize mergers, consolidations, and sharing of services by providing state financial support to overcome the most common financial barriers that school leaders encounter when considering these actions. If mergers and consolidations of school districts are considered by this Commission, we hope that it will be mindful of the original BEF Commission's consideration of this issue. In its final report, the original BEF Commission stated - "the cost of studying the impact of consolidation and differences in school districts' tax and debt situations can serve as an impediment to consolidation that may be reconcilable with some level of additional financial support." See Basic Education Funding Commission Report and Recommendations, page 68. Where school

leaders have chosen to consider merging or consolidating, additional state financial assistance could go a long way in studying and carrying out those plans.

Maintain local control over expenditures and revenues. Local control is one of the core tenets of public education in Pennsylvania. Locally elected and accountable school leaders are empowered to make decisions regarding taxation and spending in order to provide the educational programs that their local community deems necessary and desirable. Decisions regarding taxation and spending are not taken lightly by our school leaders and are some of the most difficult decisions they must make. Whether it's raising taxes on their friends and neighbors or investing public funds in new classrooms or curriculum, school directors weigh each decision and vote based on their conscience and beliefs. Our members would like to see this preserved in the Commission's work.

PSBA as a resource. While PSBA does not have all the solutions to the issues that face our public school communities PSBA, our members, and member affiliates stand ready to assist the Commission, General Assembly and Shapiro Administration to accomplish the monumental task of reshaping the public education system in-light-of the Commonwealth Court's landmark ruling.