



ALLEGHENY INTERMEDIATE UNIT

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Basic Education Funding Commission
c/o Rep. Mike Sturla, Co-Chair
106 Irvis Office Building
P.O. Box 202096
Harrisburg, PA 17120-2096

c/o Sen. Kristin Phillips-Hill, Co-Chair
Room 362 Main Capitol
Senate Box 203028
Harrisburg, PA 17120-3028

Re: WRITTEN TESTIMONY OF ROBERT SCHERRER, ED.D.

To the Basic Education Funding Commission:

I welcome the opportunity to submit this written testimony in connection with the Commission's public hearing regarding student services.

My Background

I am a product of Pennsylvania's public education system, having attended public schools and two state-supported universities. I have spent my entire 27-year career in public education, most of it in school districts in and around Allegheny County: first as a classroom teacher in the Baldwin-Whitehall School District; then as a building administrator in the Woodland Hills, Peters Township and Pittsburgh Public school districts; and most recently as assistant superintendent and superintendent in the North Allegheny School District. To an extent, these districts represent a microcosm of Pennsylvania's public schools – some suburban and relatively affluent, others urban or semi-urban with greater socioeconomic challenges.

For the past three-plus years, I have served as executive director of the [Allegheny Intermediate Unit](#) (AIU). I am also a parent of children who attend, or attended, public schools. My daughter, Olivia, is a special education teacher in the Duquesne City School District. My son, Max, a student who is on the spectrum, is a senior at North Allegheny.

About the AIU

The AIU is one of the Commonwealth's 29 intermediate units (IUs), established by the General Assembly in 1971 to provide support to school districts and other school entities, in place of the former countywide boards of education. The AIU is the largest IU in terms of member school districts, comprising all 42 Allegheny County districts outside the City of Pittsburgh. It is one of the larger school entities in the state, with about 1,200 employees and combined budgets exceeding \$200 million in the 2022-2023 fiscal year. IUs have no direct stake in Basic Education Funding (BEF), as they do not receive any.¹ IUs are, however, authorized by the Public School

¹ In fact, IUs have not received any general operating revenue from the Commonwealth for decades.

Code to serve as liaisons to the state and federal governments on behalf of their member districts. [24 P.S. § 9-914\(a\)\(5\)\(vi\)](#). I am providing this testimony, in part, in that role.

The term “intermediate unit” aptly describes where IUs sit in Pennsylvania’s public education system – between the Department of Education (PDE) and other school entities – but not so much what IUs do. The AIU’s overarching mission is to advocate and advance equitable opportunities for every learner. Below are some examples of the services AIU provides.

Traditionally, IUs have played an important role in special education. The AIU’s Special Education and Pupil Services Division continues to operate three special education schools for students with disabilities who cannot be effectively educated in their home school districts. We provide special education and related services to many other students in their home schools in Allegheny County and beyond, as well as preschool early intervention services to eligible 3- to 5-year-olds in suburban Allegheny County. Nearly 9,500 students between the ages of 3 and 21 in Allegheny County receive direct support from our Special Education and Pupil Services Division.

Our Teaching and Learning Division provides professional development and technical assistance to school entities, in addition to implementing many PDE initiatives. The division also provides direct services to English language learners (ELLs) in public schools and to students in nonpublic schools.

Our Early Childhood, Family and Community Services Division operates a variety of high-quality early childhood programs, including dozens of Head Start and Pre-K Counts locations. The division maintains two alternative education schools for students excluded from their home schools for disciplinary reasons and educates juveniles incarcerated at the Allegheny County Jail. Our 10 family support centers offer resources, opportunities and experiences that promote effective parenting.

Finally, the AIU is increasingly providing its member school districts with noneducational services. The AIU’s Finance and Business Operations, Human Resources, Technology Services, and Marketing and Strategic Communication departments provide expert support that helps other school entities maximize resources.

[This brochure](#) explains who we are. [This one](#) provides an overview of our services. The AIU’s five-year Strategic Plan is available [here](#).

Basic Education Funding

As the commission’s name suggests, its focus is BEF, the Commonwealth’s largest subsidy for K-12 public education. BEF plays a singularly important role in influencing whether the Commonwealth’s public education system is adequately and equitably funded.

Even after the historically large increase in BEF for 2023-2024, only a quarter of BEF is distributed through the student-weighted funding formula enacted in 2016, commonly called the Fair Funding Formula (FFF). The remaining 75 percent of BEF consists of the “base” amounts equal to each district’s allocation during the 2013-2014 school year. The base

allocations largely derive from the amount each district received based on average daily student membership in the mid-1990s, which increased incrementally over the years as the Commonwealth devoted more money to BEF. This means that the allocation of the lion's share of BEF bears no rational relationship to current student population, student need or local revenue capacity. Such a funding method can hardly serve as the foundation for the “thorough and efficient” system of public education guaranteed by the Pennsylvania Constitution.

For this reason, bills have been introduced in both houses of the General Assembly² to require that all BEF be distributed through the FFF, phased in over a period of years. Even with a transitional period, this reform alone is not a viable option. Any change in funding methodology will increase revenue for some districts and decrease it for others. Allocating all BEF for 2023-2024 through the FFF would have diverted money from nearly two-thirds of school districts to the remaining one-third. But not all of the “winners” would be under-resourced and disadvantaged districts, nor would all of the “losers” be at least adequately resourced and affluent. For example, of the seven school districts whose lawsuit resulted in a ruling that the Commonwealth's public education system is unconstitutionally inadequate, two would actually *lose* subsidy if all current BEF were allocated based on the FFF, and one would receive a very small increase.

This pattern holds true in Allegheny County, where most districts outside the City of Pittsburgh would benefit from such a change. Still, some districts with significant challenges and student needs – including Clairton City, Duquesne City, South Allegheny, Steel Valley and Wilkinsburg Borough – would lose BEF under the FFF, assuming the same total BEF allocation. Meanwhile, some of the county's wealthiest, best-resourced districts – such as Avonworth, Fox Chapel Area, Moon Area, Montour, Mt. Lebanon, North Allegheny, and Quaker Valley and Upper St. Clair – would receive windfalls, rewarding them for their population growth or stability relative to other districts.

Moreover, some of the “loser” districts could not realistically offset such a loss in BEF with an increase in local revenue. A prime example is the South Allegheny School District, made up of four small boroughs along the Monongahela River. Nearly two-thirds of the district's students (64.6 percent) are eligible for free and reduced-price school meals. The district's student achievement data show mixed results. At the high school level in 2021-22, 54.3 percent of the district's high school students scored proficient or advanced on state assessments in English language arts/literature (statewide average: 54.1 percent); 58.3 percent, in mathematics/algebra (statewide average: 71.8 percent); and only 31.4 percent, in science/biology (statewide average: 54.4 percent).

Allocating all current BEF through the FFF would cost the district about \$4 million annually. Its budgeted revenue for 2022-2023 was \$28.7 million, including \$9.3 million from local sources. One mill of real property tax raises only \$400,000 in revenue. Making up \$4 million would require a property tax increase of about 40 percent. Even if the district were willing and able to

² [HB 114](#) (Rep. Ciresi) would shift all BEF to the FFF over five years; [SB 930](#) (Sen. Boscola), over two years.

raise such an amount through property taxes, it would take the better part of a decade because of the limitations imposed by the Taxpayer Relief Act (Act 1).

More likely, even if all BEF were shifted to the FFF gradually, districts such as South Allegheny would be forced to cut spending to match their ability to raise revenue. Because personnel costs are the largest portion of any school district’s budget, a significant loss of revenue would translate to reductions in staff and corresponding cutbacks in student programming. Over time, decreased investment in students would likely drive down achievement and cause further population loss, as families in search of better-funded schools and lower tax burdens choose to live elsewhere. Fewer students mean less state subsidy through the FFF, resulting in yet higher taxes, scaled-back services or both: a vicious circle that could become a death spiral for already disadvantaged communities. Strong communities depend on strong public schools at their core. The Commission must be wary of potential unintended consequences of its policy recommendations.

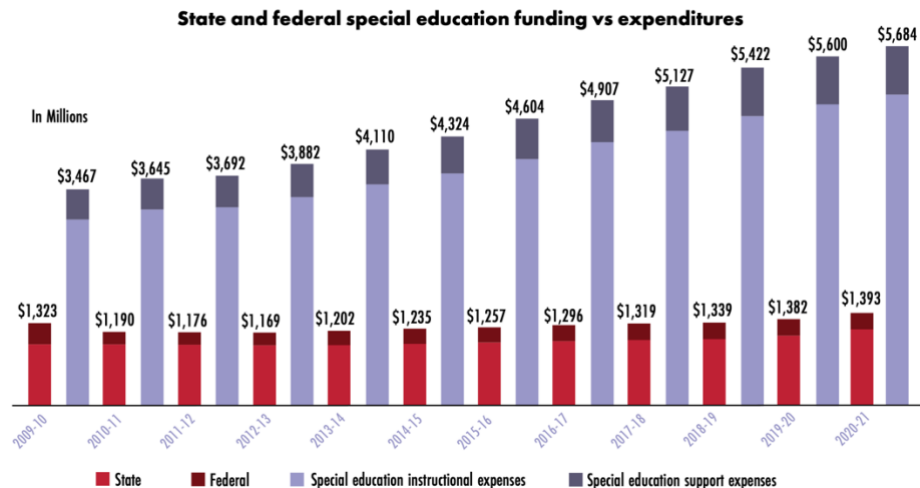
While I cannot recommend an ideal level of BEF or specific changes to the FFF, I can say this: For the sake of communities and students across the Commonwealth, it is imperative that the General Assembly increase BEF and modify or supplement the FFF to ensure that no school district must rely on local revenue that it cannot realistically raise.

Special Education

The term “Basic Education Funding” is a misnomer, because BEF supports more than “basic” education. That is because other subsidies, including Special Education Funding (SEF), are insufficient to cover the needs they are intended to address.

Special education is a largely unfunded mandate: Federal and state law require school districts to identify students with qualifying disabilities and to provide them with special education and related services that enable such students to receive a free appropriate public education. According to the Pennsylvania School Boards Association (PSBA), the percentage of students receiving special education services in the Commonwealth has increased significantly in the past decade, from 15.1 percent in 2009-2010 to 18.1 percent in 2020-21. During the same period, special education expenditures rose at several times that rate, 63.9 percent. Yet state and federal

subsidies to Pennsylvania school districts increased only 5.3 percent, as illustrated by PSBA in this chart. Subsidies covered only about a quarter of school districts’ special education costs in 2021-22. As a result, districts pay for required special



education services in large part with BEF and local revenue – leaving even less money available for “basic” education.³ Thus, an inadequate or inequitable allocation of BEF hinders a district’s ability to fulfill *all* students’ rights to an effective public education.

Early Childhood Education

A “thorough and efficient” system of education begins even before kindergarten. The Commonwealth offers two high-quality preschool programs to 3- and 4-year-olds from low- to moderate-income families: Head Start Supplemental Assistance (HSSAP), for families earning up to 100 percent of the federal poverty level,⁴ and Pre-K Counts, for families earning up to 300 percent of the poverty level.⁵ The AIU is the exclusive operator of Head Start in Allegheny County outside the City of Pittsburgh, and it also maintains 14 Pre-K Counts classrooms in various parts of the county.

Although the General Assembly has increased funding for both programs during the past decade, they require even more investment – both overall and per enrolled child. Combined, both programs serve only 44 percent of eligible children statewide, indicating a need for the Commonwealth to fund additional “slots.” Even as overall funding has increased, per-child funding has often stagnated. On a per-child basis, the AIU and other HSSAP program operators have been flat-funded for four of the past eight years, as illustrated below. Pre-K Counts operators received no per-child increase for five years during the same period. When per-slot increases have been granted, they have generally been modest: below 4 percent, except for double-digit percentage increases in 2022-2023. The 2023-2024 enacted budget was the first in a decade to forgo *both* an overall increase and a per-child increase for these vital programs. (Governor Shapiro had proposed a 10 percent per-child increase for Pre-K Counts and 3 percent for HSSAP.)

AIU Per-Slot Early Childhood Education Funding

Year	Federal Head Start	Year-to-year increase	HSSAP (State Head Start)	Year-to-year increase	Pre-K Counts	Year-to-year increase
15-16	\$10,777.95	N/A	\$9,222.96	N/A	\$8,189.06	N/A
16-17	\$11,070.35	2.71%	\$9,577.31	3.84%	\$8,500.00	3.80%
17-18	\$11,267.30	1.78%	\$9,712.91	1.42%	\$8,500.00	0.00%
18-19	\$11,395.48	1.14%	\$9,712.91	0.00%	\$8,500.00	0.00%
19-20	\$11,599.79	1.79%	\$9,712.91	0.00%	\$8,500.00	0.00%
20-21	\$13,503.18	16.41%	\$9,712.91	0.00%	\$8,750.00	2.94%
21-22	\$13,638.54	1.00%	\$10,007.99	3.04%	\$8,750.00	0.00%
22-23	\$14,000.22	2.65%	\$11,880.00	18.71%	\$10,000.00	14.29%
23-24	\$15,047.29	7.48%	\$11,880.00	0.00%	\$10,000.00	0.00%
Average		4.37%		3.38%		2.63%

³ Substantial increases in SEF are warranted, as discussed by Sherri Smith, Executive Director of the Pennsylvania Association of School Administrators, in her written testimony to the Commission dated September 28, 2023.

⁴ In 2023, \$30,000 for a family of four.

⁵ Currently, \$90,000 for a family of four.

Like the cost of doing business or raising a family, the expenses associated with operating early childhood programs go up every year: salaries, benefits, rent,⁶ utilities, supplies, insurance. In a tight labor market, the AIU and other early childhood education providers are increasingly struggling to attract and retain qualified staff at salaries supported by current funding. The Office of Child Development and Early Learning (OCDEL), which administers Pre-K Counts, recommends a starting teacher salary of \$45,000. At least for the AIU, such a figure is unrealistic and unsustainable in relation to per-slot funding. Our starting salary for Pre-K Counts teachers, who are required to have PDE certification, is less than \$36,000. Affording even that salary is challenging within current funding constraints, especially when future per-slot increases are speculative. We encounter similar issues with HSSAP. During the same period when the state has often flat-funded HSSAP, the federal government has provided regular per-slot increases for the Head Start classrooms it funds, with average year-over-year increases exceeding 4 percent, as shown in the chart above. Consequently, the AIU now receives significantly more per-slot funding for its federally funded early childhood classrooms than for its state-funded ones.

The General Assembly should provide reasonable annual increases in funding for HSSAP, Pre-K Counts and other early childhood education programs – on an overall basis, to expand the number of children served, and on a per-child basis, to compensate providers for ever-increasing costs and to enhance employee compensation. These programs are critical to supporting the Commonwealth’s economic health, not only by improving long-term outcomes for children entering our public schools, but also by providing child care that enables working parents to more fully participate in the labor market.

Other Reforms

In its decision finding Pennsylvania’s public education system constitutionally inadequate, the Commonwealth Court stated that potential reforms are “virtually limitless,” going far beyond simply providing more funding. While this Commission focuses on one component of the revenue side of the equation, it should consider the expense side as well. After all, Pennsylvania school districts spend more per student than their counterparts in most other states.

One way districts can reduce costs and maximize educational resources is by sharing services with other school or public entities. The AIU is a statewide leader in offering shared services to districts. We provide:

- School-based ACCESS services to 39 districts, facilitating reimbursement for services covered by Medical Assistance.
- Business office services, such as payroll, accounts receivable, accounts payable and benefits management, to two districts (and soon three), using cloud-based Oracle Fusion applications.

⁶ All AIU early childhood education locations are leased; the Public School Code authorizes intermediate units to own only offices and warehouses, not educational facilities. 24 P.S. § 9-914-A(11).

- Technology services, managing certain or all aspects of the information technology departments for five districts.
- Marketing and communication services, including media relations, publications, websites, social media, crisis communications and related functions, for eight districts and one other intermediate unit.

Bills have been introduced in both houses of the General Assembly to incentivize school entities to enter into shared-service arrangements. [HB 110](#) (Rep. Ciresi) and [SB 931](#) (Sen. Boscola) would establish a shared services grant program within PDE. The program envisioned by SB 931 would provide funding “to improve and enhance the capabilities of school districts through shared services activities between partners that may include other school districts, other schools, universities and colleges, businesses, municipalities, nonprofits and community health centers to provide agreements for services such as pupil transportation, purchasing, administration, safety and security, health services or food services and nutrition.” Such a grant program could help offset implementation costs that otherwise create a barrier to achieving long-term efficiencies. These and other measures that encourage school entities to realize savings through streamlining noneducational functions are worthy of the General Assembly’s support.

Another area in which the AIU and other intermediate units have helped school districts conserve resources is cyber education. For many years, the AIU’s Waterfront Learning program has negotiated contracts with providers of online curriculum and instructional services at consortium rates. The AIU resells these services to school districts, which incorporate them into their own cyber education programs. Waterfront Learning serves about 70 school districts statewide, with thousands of students enrolling for one or more courses annually. These districts pay lower rates than they would if they contracted with the providers on their own, while retaining students who might otherwise attend a cyber charter school – at several times the cost to the district. Bills introduced in the House and Senate⁷ would incentivize school districts to offer their own cyber education programs comparable to those in cyber charter schools, by relieving such districts from paying cyber charter school tuition. [HB 1422](#) (Rep. Ciresi) would establish a statewide cyber charter school tuition rate (initially, \$8,000) that is much closer in cost to services provided by the AIU and other intermediate units than to current cyber charter tuition. Such measures would afford school districts meaningful financial relief.

These are a just a couple of examples of reforms that could help school districts maximize the extent to which available resources are devoted to direct student services.

⁷ [HB 132](#) (Rep. Bizzarro); [SB 337](#) (Sen. Schwank).

Conclusion

On behalf of the AIU and its 42 member school districts, I thank the Commission for the opportunity to share my perspectives. I am happy to answer any questions or provide other information that the Commission may need.

Thank you for your service on the Commission and for your support of public education.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'R. Scherrer', with a long horizontal flourish extending to the right.

Robert Scherrer, Ed.D.