

Introduction

Good afternoon. My name is Joe O'Brien. I am the executive director of the Chester County Intermediate Unit. Special thanks to Majority Policy Committee Chairman Senator Jake Corman (R-34), Senate Majority Leader Dominic Pileggi (R-9), and Senator Mike Folmer for holding this hearing today; as well as to Superintendent Augustus Massaro of the Avon Grove School District for hosting this event. I'm here today to emphasize the need to change the basic education subsidy funding formula in order to more fairly compensate growing school districts in Pennsylvania.

In the limited time I have, I am **first** going to describe the problem.

Second, I am going to make three recommendations on how the state can assist growing school districts financially.

Third, I'm going to describe what we're doing at the local level to help contain costs.

Concerns

Let's begin with an overview of the problem. Chester County, like other areas in Pennsylvania, is experiencing tremendous growth. In the past 20 years, the county's population has increased 37 percent and new housing developments are springing up everywhere. Some areas, such as southern Chester County, have experienced a 79 percent growth in population during that same time period and are continuing to expand. This surge in population has had a tremendous financial impact on our local schools and places the financial burden of maintaining the quality of education in our community squarely on the shoulders of our local homeowners.

Take the Downingtown Area School District for example. And while, I'm speaking about the Downingtown Area School District, I could just as easily be referring to several school

districts in Chester County – including Avon Grove, but Dr. Massaro has that aspect handled extremely well – so I will use Downingtown as my example Chester County school district. Please know that the same logic would apply to any growing school district in York County, or Northhampton, Lancaster or Pike Counties or any one of the growing school districts throughout Pennsylvania. But for now, I'll speak to the Downingtown Area School District's situation.

In the 2007-2008 proposed education budget, the Downingtown Area School District is slated to get the minimum two percent basic education subsidy increase guaranteed by the state to all school districts. However, the average rate of inflation last year was 3.24 percent. What's more, Downingtown's enrollment increased by one percent or 167 students this past year alone. That means that in 2006, Downingtown received \$1,071 from the basic education subsidy for each student. But in 2007, after you adjust for inflation and account for the increased student enrollment, Downingtown will receive only \$1,044 per student, or \$27 less per student than it received in 2006-07. Thus, for many growing school districts, such as Downingtown, the basic education subsidy is not even maintaining current funding levels, and at the very least, we need the state to do that.

This is the current reality for many growing school districts: the basic education subsidy does not maintain funding levels from year to year, leaving school districts to turn to local property owners again and again just to maintain the current level of funding.

Recommendations

While it is fairly easy to summarize the problem, it is much more difficult to resolve it. The following are three possible solutions that have either been before or are now before the Legislature and which deserve serious consideration.

First, the funding formula for the basic education subsidy needs to be changed.

Second, school districts should be given the authority to levy impact fees.

Third, the Legislature needs to fund the basic education subsidy at adequate levels before earmarking education funds for state level initiatives and/or special projects.

Although, there are other actions that also need to be examined such as the mandatory construction contract separation, prevailing wage for school construction projects and fully funding state and federal mandates, I will limit myself to only these three recommendations today.

Change the funding formula for the basic education subsidy

Regarding the basic education funding formula, two fundamental changes must be made.

First, at a bare minimum, the new formula needs to maintain “real or constant” funding levels for all districts from year to year by taking into account both inflation and increased student enrollment. In years past, enrollment growth was always a key factor in driving out new subsidy dollars. Today, it is an incidental factor in a small supplement. The new formula should reflect the average rate of inflation of the preceding year *and* ensure that all school districts receive increases equal to that amount; as it stands now the increase varies from school district to school district with many districts receiving less than the established index even though the overall subsidy meets the index. In essence, we are asking the Legislators to help school districts operate within the guidelines that they have established for us.

Second, the new funding formula must contain a provision for rapid growth. In other words, a substantial amount of money in the basic education subsidy needs to be earmarked

specifically for school districts that are experiencing rapid growth. The \$ 2.5 million set aside in this year's budget is not nearly enough to cover the exorbitant costs associated with student increases of 20 and 30 percent in nearly 50 districts across the commonwealth. Although the most dramatic growth in Chester County is taking place in the southern part of the county in districts such as Avon Grove, the entire county has been affected. For example, the Downingtown Area School District in central Chester County has seen its student population grow by 18 percent or more than 1,800 students since 2000, and the Owen J. Roberts School District in northern Chester County has seen its population grow by 20 percent. In addition to one time fixed costs such as new construction and renovation projects as a result of this growth, there are also ongoing variable costs such as transportation, equipment, supplies, staff salaries and benefits. This burden is being met year after year by the district's homeowners through their residential property taxes.

As a result, the Legislature needs to establish a pre-determined growth index that triggers a district's eligibility for a growth subsidy. This subsidy must be in addition to the basic education subsidy as determined by the funding formula. Remember Downingtown Area School District? Despite, a two percent increase in the basic education subsidy, this year it will receive \$27 less per pupil than it did last year thanks to a 3.24 percent increase in inflation and one percent increase in their student population.

Institute Impact Fees

As I stated earlier, some of these costs are one-time expenses such as construction and renovation projects. To help pay cover these costs, the General Assembly should authorize school districts to levy impact fees for new residential construction. (I do not recommend that

impact fees become mandatory. However, they should be an option available to school districts.) As a superintendent in New Jersey for two years, and a resident of New Jersey for over 15 years, I am very familiar with how impact fees are able to reduce the financial burden of school construction on property owners and school districts.

Of course, builders argue that impact fees hurt first-time homebuyers ability to purchase their first home. The reality is that impact fees do affect homebuyers' decisions. In my opinion, what it may do is cause a person to get a more modest home, or to forgo getting the fireplace or the crown-molding package in their newly built home. It may cause some homebuyers to buy existing homes rather than new construction, and that might encourage homebuyers to purchase homes in older or established communities . . . often communities where school enrollments are declining and infrastructures are already in place. I believe impact fees are fair, for it places the costs squarely upon the land developers and builders, who are making a profit on the land turnover and new development. This may be passed on to the new homeowners moving into the community and requiring the expansion of school services – but that also seems fair – and it removes the burden from the long-time homeowner and senior citizen who helped build the town decades earlier. Impact Fees can help offset the incremental costs associated with new developments – and they are an idea whose time has come in Pennsylvania. It is up to our legislators to lead the way.

Give priority funding to Basic Education Subsidy

Third and finally, it is necessary for legislature and the Governor to adequately fund the basic education subsidy before earmarking special interest projects. For example, while the accountability block grants and early childhood education funding and full-day kindergarten

funding are valued by the school districts, it is first imperative that basic education be funded adequately and that districts be given locally autonomy to direct the money where it is needed most.

For a humorous but noteworthy example, consider this: Imagine that your employer not only determines your salary (basic subsidy) but also determines what you are allowed to spend the money on. You need a new car. You bought your current car years ago. It is a two-seater with 200,000 miles on it. Although it still runs, you now have two children, and you need a car that lets the whole family travel together and is safe and reliable. But your boss tells you that this year, the majority of your salary increase must be spent on a plasma television. While you would love a plasma television, you need a new car. This is the same problem faced by school districts. While school districts would love to offer full-day kindergarten for all children, they might need to address other needs first. When Governor Rendell first proposed his full day kindergarten initiative several years ago, our intermediate unit surveyed our school districts to determine the cost impact. The first thing learned was that we had five available classrooms among all the county school districts and a need of minimally fifty classrooms to accommodate the initiative. Those are the kinds of facts you need in hand before specifying programs that we must implement to qualify for funding.

Efforts at the Local Level

Now, that I have detailed ways in which the Legislature can help growing school districts cover expenses, I will share ways in which we are working at the local level to decrease spending. Perhaps the single greatest way in which we are curtailing spending is by working together with each other, our partners in higher education, the Pennsylvania General Assembly

and the business community. One of the biggest cooperative ventures in Chester County public education in decades is the construction of the Chester County Technical College High School. It is a joint venture of the 12 school districts of Chester County, Delaware County Community College, the Chester County Intermediate Unit, Penn Township, the Avon Grove school district, and the business community of Chester County. Instead of building two separate schools, a career and technical high school and a community college, we have formed a partnership with Delaware County Community College to build a single facility that will be utilized by both high school students and college students. When completed it will provide high school career and technical education programs for 600 high school students from area school districts as well as an additional 300 college students pursuing an associate's degree. Plus, the new facility will enable high school students to be dually enrolled in high school and college building at the same time. This dual enrollment can shorten the amount of time a student pays for higher education – by giving students a guaranteed acceptance at some of our regional four year colleges, such as Drexel University, Widener University, Penn State, and other college programs. This innovative concept, often referred to as the “2 + 2 +2 Program”, allows students to study two years at our Chester County Technical College High School, then move into the associate's degree program at the Community College (in shortened time due to dual enrollment possibilities), and finally spend the last two years at a university such as Drexel and Widener. The student's degree will be a Bachelor's Degree from the university – but the dual enrollment and the “2 + 2 + 2 Program” allows this to happen at the reduced cost of community college tuition rates.

As a result of the joint venture that Chester County Technical College High School represents – a true partnership between public schools, community colleges, and higher education, and our Governor and legislative leaders, this new model program represents the new

wave of “shared services” where operating expenses will be shared, and joint faculties will work with the same students for a six year program leading to a college degree. An important footnote to this story of Chester County Technical College High School is that we saved over \$16 million in construction costs by combining the two schools into one facility. This is the model of shared services that should be spotlighted for the future.

I also want to thank the legislature, especially Senator Pileggi, as we were able to receive \$4 million in state funding for the project. Chester County Technical College High School is a good example of providing state support for a locally determined need. This is a model school program for the future of secondary and higher education in Pennsylvania, as well as being a model for cooperative and creative problem solving on the local level. This is just one of the many ways, we have worked together on the local level to contain costs without sacrificing the quality of the education we provide Pennsylvania’s students.

Conclusion

In every way possible, Chester County’s public schools are willing to work together with the Pennsylvania General Assembly to provide the best education possible for all of Pennsylvania’s children while being fiscally responsible and without sacrificing quality. Thank you for your time today. I hope that my testimony today has been informative, practical and helpful in developing policy that will assist growing school districts throughout Pennsylvania cover their expenses, ensure fiscal responsibility and allow for local autonomy and decision making.