

# Proposed State Budget Endangers Student Achievement [May 19, 2011]

## Introduction

**T**he financial health of Pennsylvania’s public schools is bad and getting worse. Three years of a national recession have hurt school district tax collections and interest earnings, and significantly reduced reserve funds. For the past two years, schools have had federal stimulus funds to help cushion the blow. But now those funds are gone, and the Governor’s proposal to cut hundreds of millions of additional dollars in state funding means schools are facing overall cuts well in excess of \$1 billion for next year. A recent survey of school districts shows that these cuts will result in significant harm to educational quality as schools across the Commonwealth are forced to cut programs that directly affect student learning, including full-day kindergarten, academic courses, and class size reduction efforts.<sup>1</sup>

## Context

**A**ccording to a 2009 report by the Center on Education Policy, Pennsylvania is the only state it reviewed that consistently improved student achievement in reading and math at every grade level between 2002 and 2008. As recently as 2002, only half our students were performing at grade level, but, after increased and sustained investments, three-quarters of Pennsylvania’s students now meet this critical benchmark.<sup>2</sup> In 2005, only 62 percent of Pennsylvania school districts were making adequate yearly progress (AYP) according to No Child Left Behind standards; five years later, 95 percent of districts made AYP.<sup>3</sup> State efforts to provide adequate and equitable investments in public education during these years were among the keys to this improved student achievement and the future health of our state’s economy.

In 2008, the General Assembly adopted a new school funding formula to address the lack of adequate funding available to many school districts and to assure that funds are distributed in an equitable manner. This marked the first time in two decades that the Commonwealth used a rational and reliable formula to distribute state education funds.

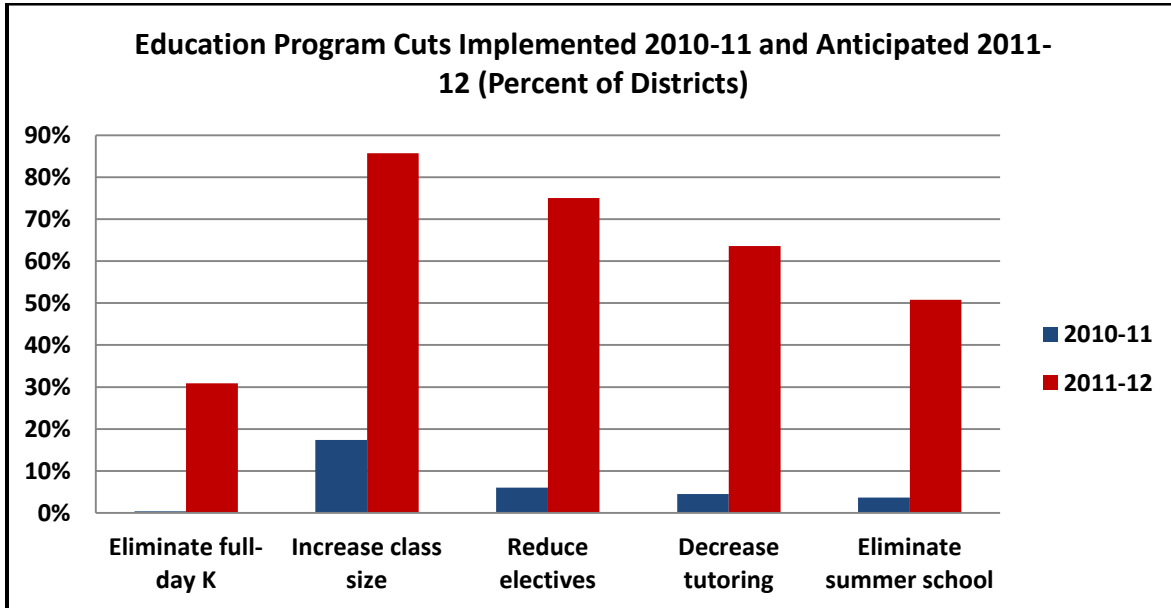
State funding increases in 2008-09 and federal stimulus funds in 2009-10 and 2010-11 began to close the adequacy funding gap for many school districts. But Governor Corbett’s proposed state budget for 2011-12 will result in public schools losing well over \$1 billion next year – including \$654 million in federal stimulus funds and an additional \$578 million in state funds. These cuts will disproportionately hurt poor districts with large numbers of children who are not yet achieving at grade level.

## Harming Students: Cutting Instructional Programs and Staff

**D**uring the past couple of years, school districts have instituted most of the “easy” cuts available to them, and they will continue to do so as long as there is anything left to cut. But now the only choices available to most districts involve direct cuts to instructional programs and supports that help students learn. The academic gains our students have made are directly at risk as a result.

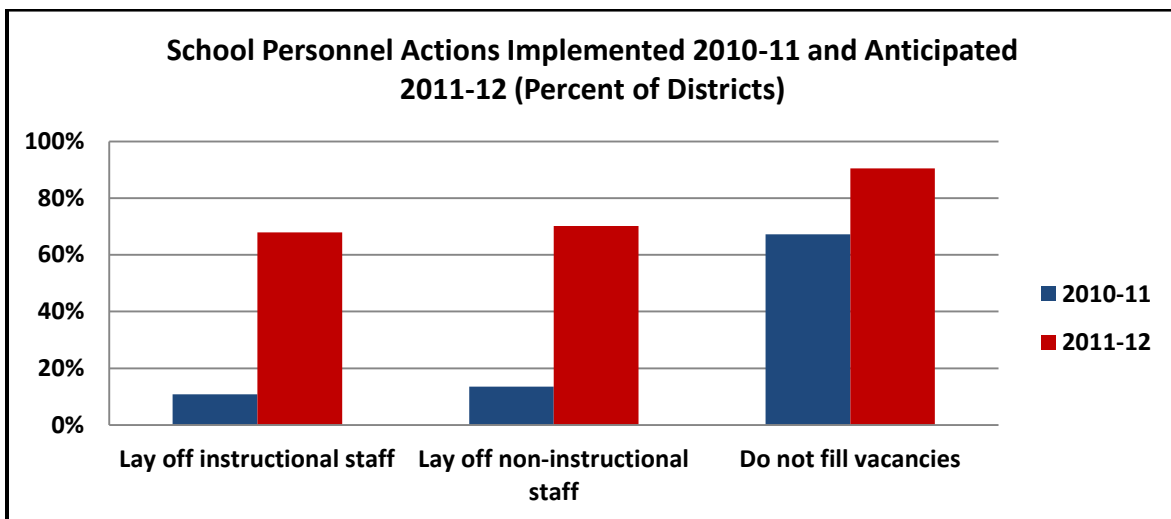
About three-fourths of Pennsylvania school districts anticipate that they will need to reduce or eliminate educational programs next year in order to balance their budgets. Less than 1 percent of districts eliminated full-day kindergarten this year, but 31 percent are considering it for next year. School district leaders know that full-day kindergarten leads to increased academic performance and higher test scores.<sup>4</sup> But it is not mandated, and eliminating it can help balance budgets in hard times. This year, 17 percent of districts

increased class size, but next year 86 percent anticipate the need to do so. Only 6 percent of districts eliminated elective courses this year, but three-fourths plan to do so next year. This year, 5 percent of districts reduced tutoring for struggling students, and 4 percent eliminated summer school. Next year, 64 percent plan to cut tutoring, and 51 percent anticipate eliminating summer school.



In addition, three-fourths of school districts anticipate reducing or eliminating student field trips next year – three times as many as did so this year. And three-fourths are planning to reduce or eliminate extracurricular activities, including sports programs – nearly ten times this year’s percentage. More than a quarter of Pennsylvania school districts are considering closing schools next year in order to reduce costs – five times as many as did so this year.

Almost all districts (91 percent) plan to eliminate vacant positions. In addition, two-thirds plan to lay off instructional staff, and 70 percent will lay off non-instructional staff next year. These represent significant increases over the current year. The reductions in instructional staff will result in the class size increases reported above.

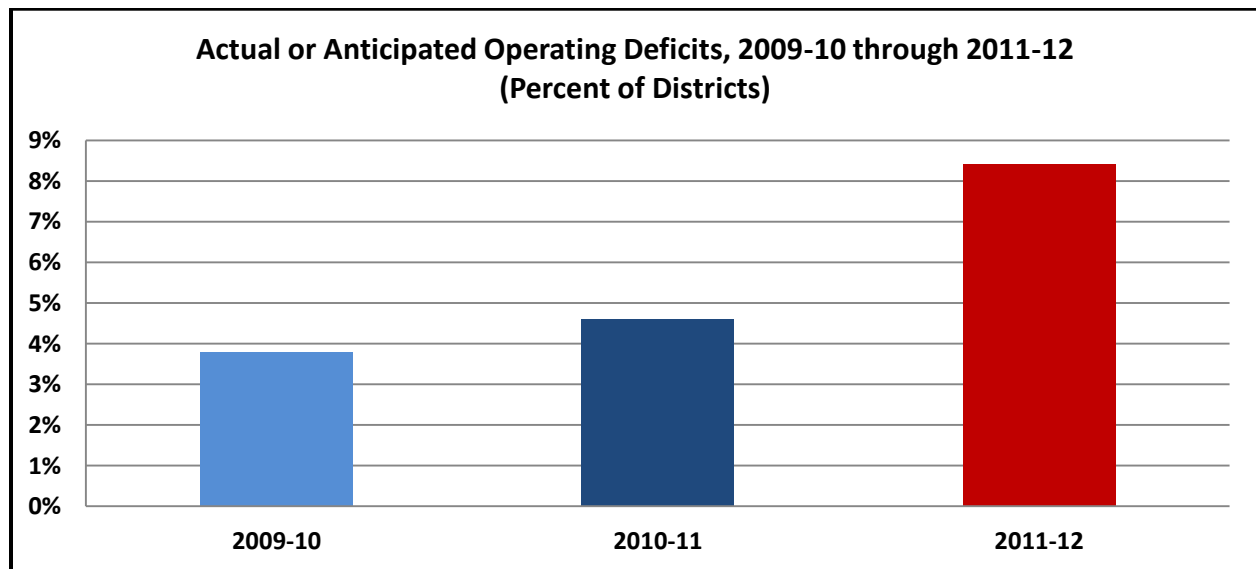


Survey respondents identified additional strategies they will use to further reduce costs. Perhaps most significant, 83 percent noted that their districts have implemented or are considering a wage freeze for 2011-12. This type of cost reduction is unprecedented in the collective bargaining era. Other savings initiatives include deferring maintenance, delaying school construction and renovation projects, and restricting staff travel.

### Fiscal Deterioration of School Districts

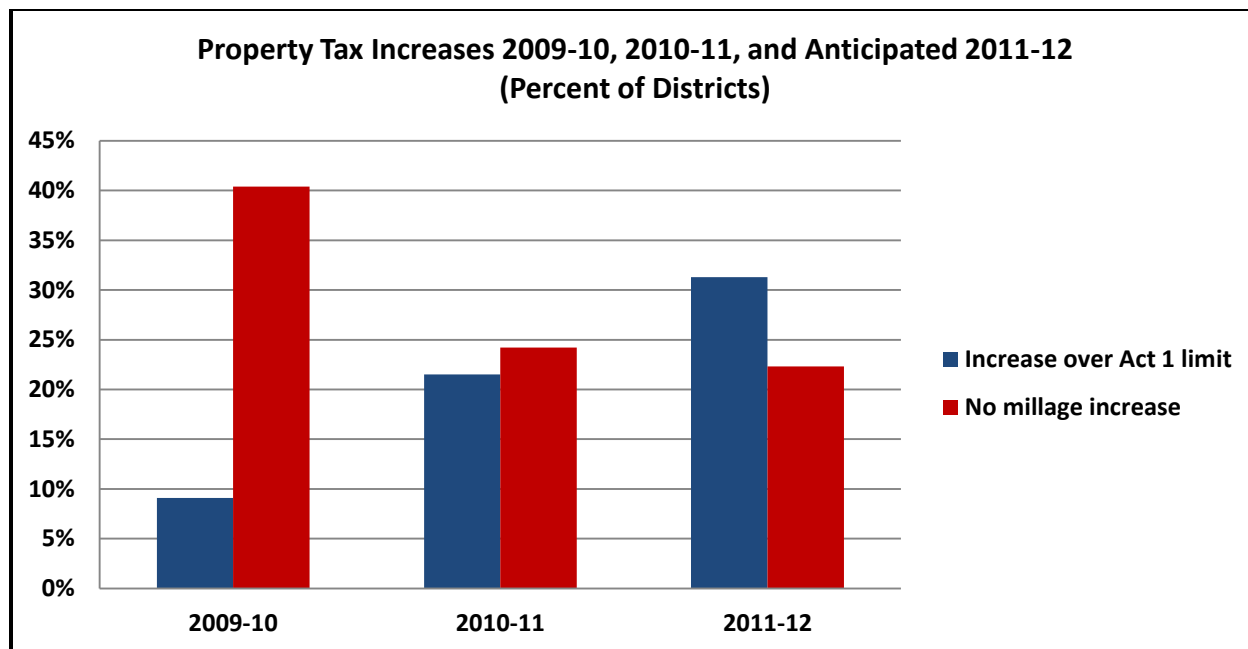
**T**he proposed cut of over a billion dollars comes on top of bad economic times for school districts. Between 2008-09 and the fiscal year that is now coming to an end, many districts have experienced difficulty in collecting local taxes, seen property assessments decline due to appeals, and lost interest on invested funds. Like many Pennsylvania families and the Commonwealth itself, most districts have dipped into and, at times, significantly depleted, their reserve funds to make ends meet. District reserves have decreased in value by \$207 million in the last two years and are projected to decline by an additional \$322 million next year. For the coming year, 76 percent of school districts anticipate using their reserves to balance their budgets – compared with 52 percent over the past two years.

One other disturbing trend emerges from the PASBO-PASA survey. Since 2009-10, a growing number of districts have been recording operating deficits in their budgets. They have taken action to reduce their expenditures, spend their reserves, increase taxes to the limit allowed by Act 1, and are still not able to balance their budgets. About twice as many districts anticipate being in this situation in 2011-12.



### Impact on Homeowners

**H**omeowners already bear most of the burden for supporting public schools in Pennsylvania because the state share of education costs (36 percent) is so much lower than the national average of 48 percent. In fact, Pennsylvania ranks fifth in the nation in the degree to which we rely on local taxes to support our schools.<sup>5</sup> In recent years, more districts have had to increase their property tax millage rates, and increasing numbers anticipate raising taxes by more than the Act 1 index (the inflation rate limit that requires voter approval or exceptions granted by the courts or the Department of Education) next year.



Declining revenues combined with the historical low Act 1 index of 1.4 percent and skyrocketing pension costs have created upward pressure on property taxes. Despite all of these negative trends, fewer than one-third of districts plan to increase real estate taxes in excess of the index next year. In the three previous fiscal years over 70 percent did not increase taxes above the index and did not need to use any exceptions allowed by Act 1. From 2008-09 to 2009-10, property tax revenue grew by less than 4 percent per year, and one-third of districts this year experienced increased revenue of less than 1 percent.

### Conclusion

**F**or nearly a decade – with the help of growing investments – Pennsylvania’s students have been making steady academic gains. Those gains are now at risk, as the Governor proposes to cut public education funding next year by over a billion dollars. The result will be fewer programs that work for student success, fewer teachers to instruct them, and larger classes. The billion dollar cut is the wrong answer for Pennsylvania’s children today and the wrong answer for Pennsylvania’s future.

<sup>1</sup> This report is based on a recent survey of school districts that was conducted by the Pennsylvania Association of School Business Officials (PASBO) and the Pennsylvania Association of School Administrators (PASA). PASBO and PASA surveyed all 500 school districts in April 2011 to obtain the data included in this report. The survey instrument asked for actual revenues for fiscal years 2008-09 and 2009-10. The survey also asked districts to report estimated 2010-11 revenues through the end of this fiscal year and information on budgets for 2011-12. Responses were received from 263 districts across the state (52.6 percent of all districts), which constituted a strong sampling of the state’s 500 school districts. Respondents had 51.8 percent of all school district revenues, so extrapolations to the state as a whole were calculated based on that fact. The Pennsylvania Association of School Business Officials (PASBO) is a statewide association with 3,000 members, two-thirds of whom are non-instructional administrators below the rank of superintendent. PASBO members provide a myriad of services for K-12 education that support classroom learning and student achievement. They are engaged in school finance, accounting, facilities, transportation, technology, human resources, food service, purchasing, communications, safety and other operational services in schools. The Pennsylvania Association of School Administrators (PASA) represents school superintendents and other school leaders from across the Commonwealth. PASA’s mission is to promote high quality public education for all learners through its support and development of professional leadership.

<sup>2</sup> [http://www.education.state.pa.us/portal/server.pt/community/school\\_assessments/7442](http://www.education.state.pa.us/portal/server.pt/community/school_assessments/7442) and

[http://www.education.state.pa.us/portal/server.pt/community/school\\_assessments/7442/2001-2002\\_pa\\_assessment\\_test\\_results/507487](http://www.education.state.pa.us/portal/server.pt/community/school_assessments/7442/2001-2002_pa_assessment_test_results/507487)

<sup>3</sup> <http://paayp.emetric.net/StateReport#pie>

<sup>4</sup> Pennsylvania Partnerships for Children. *Full-Day Kindergarten: A Proven Success*. Harrisburg, 2011.

<sup>5</sup> U.S. Census Bureau. *Public Education Finances 2008*. Washington, 2010.