

Testimony of:

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Good morning, Senator Argall and members and staff of the Senate Commission.
Thank you for the invitation to present comments today to the Commission.

I am Ron Cowell, President of the Education Policy and Leadership Center. EPLC is an independent, non-partisan, non-profit organization based in Harrisburg, Pennsylvania with a variety of policy and leadership programs throughout the state. The Center's work is intended to improve the development and implementation of more effective state-level education policies to improve student learning in Pre-K to 12, to increase the effective operation of schools, and to enhance educational opportunities for citizens of all ages. We welcome your invitation to offer comments concerning the work of the Commission as it pertains to education.

Most of my comments today will focus on the K-12 education system.

To begin, it is appropriate to first take a quick look at the question of overall spending by school districts in Pennsylvania. The National Center for Educational Statistics, part of the United States Department of Education, reported in May 2010 that Pennsylvania ranked 15th in the nation for expenditures of for K-12 education incurred in Pennsylvania for the 2007-2008 school year. Pennsylvania spent \$11,741 per student and the national average for that year was \$10,297. Our contiguous states were scattered ahead and below us as follows:

• Pennsylvania	\$11,741
• National	10,297
• Delaware	12,153
• Maryland	13,235
• New Jersey	17,620
• New York	16,794
• Ohio	10,340
• West Virginia	10,059

This relatively high ranking, however, is due to the generosity of local taxpayers, especially in many of the highest spending districts.

When we consider spending by state government for K-12 costs, Pennsylvania ranks far below the national average by three measures.

For the school year 2007-2008, the share of K-12 costs paid for by the State across the nation was 48.3% while in Pennsylvania it was only 36.5%. This ranked us 44th in the nation.

For the school year 2006-2007, State dollars appropriated per student in Pennsylvania amounted to \$4,755 compared to a national average of \$5,466, ranking us 32nd among the states. Here is the comparison with our contiguous states in 2006-2007:

• Pennsylvania	\$4,755
• National	5,466
• Delaware	9,348
• Maryland	5,501
• New Jersey	7,358
• New York	8,293
• Ohio	5,312
• West Virginia	5,962

When considering the burden of state and local taxes for K-12 purposes per \$1,000 of personal income in 2006-2007, Pennsylvania overall ranked 17th in the nation with a burden of \$53.09 versus a national average of \$50.72. However, when considering only the burden of state taxes for school funding, Pennsylvania ranked 41st with a burden of \$18.85 compared to the national average of \$24.12.

By all of these measures, Pennsylvania is not providing state support for K-12 at even the national average among the states.

Concerning suggestions for improved management and, perhaps, cost-cutting ideas, I encourage the Commission and the Legislature to consider more seriously some of the advice you already have received in previous reports.

In particular, the November 2007 report of the Task Force on School Cost – a Task Force mandated by the Legislature in Act 1 of the Special Session of 2006, included numerous recommendations which, if enacted and implemented, could reduce the costs incurred by school districts.

The Task Force report provided insight into some of the major cost-drivers affecting school districts. For the period 1995-96 to 2004-05, while there was 28% growth in CPI, and regular education costs grew by 34%, increased spending on special and gifted education grew by 97%. During this same period, school district costs for employee health insurance grew by 132%, expenditures for debt service by 90%, and costs for transportation by over 58%.

The report of the Task Force made suggestions for changes in statutes in each of these areas, as well as in others cited as significant cost drivers affecting school districts. In most instances, the Legislature has not acted on recommendations included in the report.

One of the most obvious areas where savings might be realized for many districts concerns health care costs for employees. While the idea of a statewide system of benefits is not unanimously supported, it seems worthy of enactment in a form that would provide cost reduction to a very significant percentage of districts. Legislation to make this happen appears stalled in the General Assembly.

Another report mandated by the General Assembly was completed in June, 2007. This is the “Study of the Cost-Effectiveness of Consolidating Pennsylvania School Districts” which suggested that in some circumstances the consolidation of two currently very small districts would result in a more cost-efficient single district that could also provide more services to students.

I believe it is clear that Pennsylvania currently does not have 500 districts that are both academically and financially viable. Based on the S and P report, there is some evidence that at least in some cases the General Assembly could serve the interests of both taxpayers and students by requiring the consolidation of some of the smallest districts in the state. But I understand that there is no appetite in this General Assembly for such a mandate, so the next best option is to consider what kind of incentives the General Assembly might create to encourage and facilitate the consolidation of such districts. Those incentives may have to be customized almost on a case by case basis.

But the greatest promise for benefits to taxpayers and students alike will be found in the opportunities for collaboration among districts – what I will call the functional rather than structural consolidation of school districts.

There already is much happening in the nature of voluntary collaboration among districts, often in the form of the work of intermediate units. Especially since 1991 when the Legislature changed the method of funding special education and shifted to districts the primary responsibility for special ed services previously placed upon IU's, many of these service agencies have become increasingly entrepreneurial and effective in providing services to districts that each district alone may not economically nor effectively provide for itself.

It should also be noted that in December 1997, a report of the Joint State Government Commission discussed Intermediate Units in Pennsylvania and the Role of Educational Service Agencies in Promoting Equity in Basic Education. Consistent with this report, the General Assembly should consider the role that IU's can play in helping to overcome the very unequal opportunities afforded students in a system where frequently one or more districts which are pockets of poverty sit immediately beside or among other districts which are pockets of wealth.

Unfortunately, state support for IU's to encourage and facilitate district collaboration – this functional consolidation – has been uncreative and increasingly financially stingy. The state makes hardly any investment at all in these agencies that can be key instruments to promote improved management and cost-efficiency for important services to students and educators. The General Assembly would be wise to consider strategic investments to build the capacity of these agencies to promote improved district efficiencies and effectiveness for taxpayers and students.

A looming crisis that will affect annual budget obligations of the Commonwealth and school districts and intermediate units pertains to the Pennsylvania School Employees Retirement System. Due to a dramatic downturn in the stock market, increased benefits mandated by the General Assembly, and dramatically reduced annual employer contributions made by the Commonwealth and school entities, the state and school entities face a huge increase in required annual employer contributions. I note that two of the three causes of this problem are the direct result of past and sometimes recurring decisions made by the General Assembly. Constitutional issues preclude some cost reduction options that would affect current employees covered by PSERS, but it is imperative that the General Assembly consider policy changes that at the least ought to include more adequate and more consistent employer contributions to avoid future contribution spikes such as are imminent under current policies.

A report from The Education Policy and Leadership Center (EPLC) several years ago made some recommendations that I urge the General Assembly to consider. These recommendations, if enacted, could result in improved management of school districts, including financial.

First, school board members should be required to complete a basic orientation program before or shortly after assuming office. Second, school board members should be required to engage periodically in professional development activities without cost to the board member. And third, the School Code should be amended

to clarify that the superintendent of the district is the CEO, will have appropriate authority related to the position, and will be held accountable by the school board for performance as the CEO. Suggested changes included in our report would get school boards out of the business of managing the district, assign management to the CEO, assign policy to the board, and provide appropriate accountability by the CEO to the board and community based upon student performance and effective district management.

I believe that prior testimony presented to you on behalf of the Pennsylvania Association of School Business Officials discussed PASBO's report on "500 Cost Reduction Strategies for Local Education Agencies." The General Assembly should note all of the suggestions made in that report to local education agencies and consider how state policy might be changed in order to support the implementation of significant ideas in that report. That report is a reservoir of ideas, many not at all controversial, that should prompt state officials to partner with PASBO and other associations representing districts and educators to develop a legislative and regulatory agenda.

I want to emphasize there are no magic bullets available to substantially reduce school district costs. In 499 of these 500 districts, there are elected boards, selected by and accountable to their neighbors - local taxpayers. There is no evidence of widespread disregard for the interests of taxpayers. Only a couple of decades ago boards were made more accountable to voters through terms reduced from six years to four years. More recently, the General Assembly placed limits on the ability of a school board to increase taxes without voter consent.

In many of the wealthiest and highest spending districts of the Commonwealth – districts that drive the average per student cost of K-12 education much higher than would otherwise be the case – the higher spending is encouraged and supported by a majority of citizens who place demands on the system that go far beyond the expectations of state policy alone. Although it is not recommended, the General

Assembly could substantially reduce the statewide average per student cost of education by limiting what those districts and their citizens can choose to spend for students in those districts. But this is just another example of a cost-cutting measure for which the General Assembly likely would have no appetite.

Certainly there are differences of opinion about policy, and the General Assembly already has lots of advice about policy changes that could save dollars in some cases and in some places. In the end, you should ask if each of these proposed changes in policy, including the changes suggested in this testimony, are in the best interest of students who are to be served and the public education system for which legislators act as trustees. Furthermore, as I know you are aware, some financial cost "cuts" have other costs associated with them. And some cost "cuts" benefiting state government may simply shift responsibility for costs to an already burdened local level of government.

It also is important to remember that state policymakers have placed on the public education system and those who manage it an unprecedented responsibility. Unlike ever before, you have approved policies that create unprecedented expectations that this system will prepare every student to accomplish unprecedented academic proficiencies and high school graduation requirements in an unprecedented accountability environment for academic performance. These unprecedented yet very appropriate demands for academic performance by every student, combined with the increasing complexity and diversity of the student body, make absolutely irrelevant any realistic comparisons to CPI and similar inflation indices.

It also is important to keep in mind the impact on school districts of policy decisions made by the General Assembly in other areas. Recent reductions in state support for public libraries, including the state library, adversely affect services and costs in districts. Decisions about state funding for the Pennsylvania Council on the Arts and the Pennsylvania Public Television Network ultimately impact resources available to school districts, educators and students. Decisions about funding for various human

services ultimately affect the capacity of providers of those services to be effective partners with districts providing services to children and families.

In a similar vein, the wise investments the General Assembly has provided in early education programs and appropriate early intervention services even for infants at risk or with disabilities reap benefits relative to the ultimate cost and effectiveness of the K-12 education system and other human services.

I offer a final note about higher education. The General Assembly is to be commended for the support you have provided in recent years to encourage dual enrollment opportunities for high school students. This student-focused initiative has helped students successfully complete requirements for high school graduation and get an early start on the post-secondary experience.

The Legislature also has been wise in its demands that publicly funded higher education institutions show progress in the development and implementation of articulation agreements that will better assure students and taxpayers that tuition dollars and taxpayer funds are used efficiently to enable students to advance toward the successful completion of their academic program and degree. Both dual enrollment opportunities and articulation agreements help to reduce costs and enhance post-secondary education opportunities for students.

Previously published reports about higher education in Pennsylvania have noted that we do not use our higher education investments most efficiently because we underutilize community colleges as a means to provide the first two years of a student's undergraduate education. State support for community colleges has been erratic in recent decades, generally unpredictable, and has not kept pace with enrollment increases. In addition, we have failed to develop a comprehensive system of community colleges providing affordable access in all areas of the Commonwealth. Instead, we have a system of higher education in Pennsylvania that

makes students more dependent on relatively more expensive four-year institutions with resultant higher costs for students and taxpayers.

Finally, I urge you to commission an independent study of the Pennsylvania Department of Education to examine the capacity of the Department to fulfill all of its responsibilities required by federal law and our still-evolving system of standards-driven operations for school districts. More demands are being placed on resources of the Department by requirements for professional development, academic supports for students and educators, new oversight and accountability, more diverse modes of delivering educational services, and interventions for schools and students who struggle. The Department, like many agencies of state government, has experienced declining employee complement and declining state appropriations. We need an objective opinion about what capacity is needed by the Department to do its job effectively, and whether it currently has those necessary resources.

As always, EPLC will welcome any opportunity to provide additional information or to work with the Commission and your legislative colleagues in any way that you find useful.

Thank you.