

Center On Regional Politics



Bulletin

Volume 3, Number 3 | Fall 2014

A MESSAGE FROM THE DIRECTOR

“Government can’t solve this problem by itself” Dave Malone said at our October 3 symposium on public school funding. “If we could split ourselves off from the rest of the state, we could solve this problem in our region.” Malone, a respected Pittsburgh business leader and chair of the Pennsylvania Workforce Investment Board, might have sounded boastful to some and despairing to others, but there is evidence that he is right.

Fifteen years ago, a team of top political scientists studied public school reform efforts in 11 major US cities. These efforts typically failed, they concluded, because most cities failed to build and maintain a broad coalition of political, civic, labor, and especially business, leaders to support school improvements. Rather, school reform was left to superintendents, politicians, and school interest group “insiders” that have shown more staying power than business.

The authors of *Building Civic Capacity: The Politics of Reforming Public Schools* ranked the 11 cities on “civic capacity” and on school improvements and found the two measures strongly correlated. Cities with more civic capacity did better at improving schools. Pittsburgh was ranked at the top on both measures. The Allegheny Conference on Community Development was seen as particularly effective.

Symposium attendees also heard Malone and other private sector leaders complain that the schools were not producing workers with needed skills. As reported herein and in previous Bulletins, there are signs that business is preparing to become a partner in a statewide civic coalition along the lines of the Pittsburgh model, provided that the fix leads not just to fairer funding but better outcomes for students, employers, and the rest of us.

Joseph P. McLaughlin, Jr., PhD
Director, Center on Regional Politics

CORP AND IOP SYMPOSIUM: THE FUTURE OF FUNDING PA PUBLIC SCHOOLS, WHY BUSINESS INVOLVEMENT IS CRITICAL

An audience of state and local leaders heard a sobering forecast of the financial futures of most of Pennsylvania’s school districts at a symposium hosted outside Pittsburgh on October 3 by the University of Pittsburgh Institute of Politics (IOP) and the Temple University Center on Regional Politics (CORP). More than 100 attendees gathered to hear presentations on the financial outlook for schools, the importance of an effective school system for the state and regional economies, and how the recently formed state Basic Education Funding Commission can help address funding problems and achievement gaps for Pennsylvania’s public schools.



Left to right: Pennsylvania State Senators Matt Smith and Patrick M. Browne

One presentation forecast that under current state laws and policies, more than half of the state’s 500 school districts will experience budget shortfalls over the next five years. The audience included legislators and other elected officials, business, labor, and civic leaders, as well as school district administrators and education advocates. Among the attendees was **Mark Nordenberg**, chancellor emeritus of the University of Pittsburgh, who begins his work as chair

of IOP in January. The symposium at the Doubletree Hotel Pittsburgh in Green Tree was the second of three such events sponsored by the University Consortium to Improve Public School Finance and Promote Economic Growth. The consortium includes CORP, the University of Pittsburgh's Center on Metropolitan Studies, Penn State's College of Education, and the Pennsylvania Policy Forum, a network of faculty and researchers at 18 public and private universities and colleges in the Commonwealth.

The event was called to order by **Rodney D. Ruddock**, who serves on IOP's Board of Fellows and co-chairs IOP's Education Policy Committee. Ruddock, a retired high school principal, also serves as chair of the Indiana County Board of Commissioners.



Temple University President Dr. Neil D. Theobald

Temple University President, **Dr. Neil D. Theobald**, welcomed the audience and introduced the topic of school funding as one "fraught with complex and interrelated problems of politics and policy," but also as one of critical importance, since the business community and universities depend upon the public K-12 education system to produce quality graduates. (See excerpts of President Theobald's remarks on page five.) Following Theobald's comments, the event continued with two sessions, the first was entitled "Forecasting the Fiscal Future of Pennsylvania's Public Schools," and the second, "Why Smart Investments in Public Schools are Critical to Pennsylvania's Economic Future."

Dr. Stan Thompson, education program director for the Heinz Endowments, introduced the first session, and noted that the Commonwealth's public education system must achieve equity and sustainability for school children, but also needs to ensure "relevant and rigorous" programs of study that prepare students to succeed in higher education and the workplace.

In the first session, **Dr. William Hartman**, a professor at Penn State University's College of Education, and **Dr. Timothy Shrom**, business manager for the Solanco School District in Lancaster County, forecast how Pennsylvania school district

budgets would fare under current laws and policies over the next five years. Using conservative assumptions, the pair projected that 297 of the Commonwealth's 500 school districts would have insufficient revenue to cover necessary costs over the period of study if current spending and revenue trends hold. Their research found that districts have limited options in solving budget shortfalls, given that most districts are approaching maximum local property tax levels allowed under state law. Without the ability to raise additional local revenue, many districts would have to make program reductions and



Left to right: Rodney D. Ruddock, Chair, Indiana Board of Commissioners; Dr. Timothy Shrom, Business Manager, Solanco School District; Dr. Stan Thompson, Director, The Heinz Endowments Education Program

expenditure cuts to deal with projected shortfalls. An improved basic education funding formula could lessen the fiscal stress on districts by targeting additional aid to districts with the greatest need and creating a sustainable funding mix, the presenters said. But they concluded that changes to the basic education subsidy alone are unlikely to be sufficient to solve the schools' fiscal problems.



Dr. William Hartman, Professor of Education, Pennsylvania State University

In a second presentation, **Dr. Maureen McClure**, an associate professor in the University of Pittsburgh's Department of Administrative and Policy Studies in the School of Education, focused on long-term population trends in Pennsylvania and the impact these will have on the future of school finance. McClure noted that Pennsylvania has a rapidly aging population and taxes little retirement income. Indeed, Pennsylvania

imposes no income tax on pensions or social security. Moreover, some districts are losing income-earning demographic groups that support schools with their taxes. This combination means trouble for the long-term sustainability of public education funding unless the Commonwealth alters the funding mix that covers public schools.

Following the presentations, state government officials discussed the problem of education finance in the Commonwealth. The panel was moderated by **Rick Stafford**, a distinguished service professor of public policy at Carnegie Mellon University and a member of the Pennsylvania Policy Forum. It included four members of the Basic Education Funding Commission: **Sen. Patrick M. Browne** (R-Lehigh), commission co-chair and majority whip; **Rep. Donna Oberlander** (R-Clarion and Armstrong); **Sen. Matt Smith** (D-Allegheny and Washington); and **Nichole F. Duffy**, deputy secretary of the Office of Administration in the Pennsylvania Department of Education. The fifth panelist was **Rep. Jake Wheatley** (D-Allegheny), a member of the House Education Committee and Appropriations Committee. The 15-member Basic Education Funding Commission was created in June to develop and recommend to the General Assembly a new formula for distributing basic education funding from the state for K-12 public education.



Dr. Maureen McClure, Associate Professor, University of Pittsburgh Department of Administrative and Policy Studies, School of Education

Senator Browne noted that changes to the way the Commonwealth distributes basic education funding must include considerations of wealth variation among the school districts, as well as a fair and accurate measurement for that variation. Some districts have more need, but determining how to best measure that need will be a challenge, he said. The Commonwealth needs to respond to the local challenges of school districts. “Additional mandates on districts would be truly irresponsible,” Senator Browne said.

Senator Smith added that the formula will need to take into account the variety of problems faced by different districts. Whether a district is urban, rural, or suburban, for example, affects the types of financial pressures it has, he said. The

General Assembly must address the problem of how much is the right investment for schools, but also how that investment gets targeted to the specific needs of school districts. Representative Oberlander agreed, saying that the basic education



Rick Stafford, Distinguished Service Professor of Public Policy, Carnegie Mellon University, and member, Pennsylvania Policy Forum

formula overhaul would be only a piece of the puzzle in ensuring that Pennsylvania public school graduates can “compete nationally and globally.” Duffy, too, argued for a forward-thinking perspective in the commission’s work to ensure the new formula lasts and makes sense heading into a future with continued technological advances in public education.

Representative Wheatley took a dramatically separate stand, suggesting the General Assembly needs to “blow up the system” and start over with a new system that redirects resources to bring poor, struggling districts up to the standard of the wealthier, better performing districts.



PA State Representatives Jake Wheatley and Donna Oberlander

Stafford asked the panelists whether they supported removal of the hold harmless provision in basic education funding that guarantees all districts in the Commonwealth, at minimum, the amount they received the previous year, plus a share of any increases in state aid. Senator Browne pointed out that the provision cannot be considered in isolation, and the other panelists concurred. Representative Wheat-

ley, whose Pittsburgh constituency benefits greatly from the hold harmless provision, said he would support taking it out if the new formula distributes funding more fairly to districts with the greatest need and allows districts time to adjust to potential decreases in state funding. Similarly, Representative Oberlander said her willingness to end the hold harmless practice would depend on whether the replacement funding system was not only fair to all districts but sensitive to the fiscal needs of rural districts like hers. Senator Smith agreed, noting that a new formula could eliminate the need for hold harmless, as long as it includes adjustments for school district enrollment trends, such as high growth, which many of his districts are experiencing.



Nichole F. Duffy, Deputy Secretary, Office of Administration, PA Department of Education

The second session of the symposium shifted the focus to the impact of public education on the regional and statewide economies. It began with a presentation by **Eva Tansky Blum**, who is senior vice president and director of community affairs for PNC Bank, as well as chairwoman and president of the bank's philanthropic arm, the PNC Foundation.



Eva Tansky Blum, Chairwoman and President, PNC Foundation, and Senior VP and Director of Community Affairs for PNC Bank

Perhaps because her foundation has focused on early childhood education, Blum said she had not realized how dysfunctional the much larger statewide basic education funding system had become until she began preparing for her address. The foundation's work in early childhood education program-

ming flowed from a recognition that quality public education is essential to improved outcomes for children. Better education leads to higher incomes and economic returns, Blum said, citing recent research. She noted that job candidates considering positions with PNC look at the quality of public schools when deciding whether to take a job offer, suggesting that the region risks losing quality workers if the schools don't meet their expectations.



Bill Flanagan, Executive VP of Corporate Relations, Allegheny Conference on Community Development

Moderating the discussion panel that followed Blum's presentation was **Bill Flanagan**, host of the television show "Our Region's Business," and executive vice president of corporate relations for the Allegheny Conference on Community Development and its affiliates: the Greater Pittsburgh Chamber of Commerce, the Pennsylvania Economy League of Greater Pittsburgh, and the Pittsburgh Regional Alliance. The panel included **Michael R. Dunleavy**, business manager for the International Brotherhood of Electrical Workers Local



Left to right: David J. Malone, President and CEO, Gateway Financial, and Chair, PA Workforce Investment Board; Michael R. Dunleavy, Business Manager, International Brotherhood of Electrical Workers Local No. 5

Union No. 5; **David J. Malone**, president and chief executive officer of Gateway Financial, a national independent insurance advisory firm based in Pittsburgh, and chair of the Pennsylvania Workforce Investment Board; **John Pippy**, chief executive officer for the Pennsylvania Coal Alliance, a member of the Board of Fellows for IOP, and a former member of the PA Senate; and **Richard W. Taylor**, chief executive officer for Imbue Technology Solutions, Inc.

The panelists emphasized the need for improvements in public education that produce better qualified job candidates who have essential skills in math, reading, writing, and interpersonal skills. Taylor, who grew up in Louisiana and moved to the Pittsburgh area in the 1990s, said school choices, then and now, have not really changed. Parents moving to the region, as he did, make their decisions about where to live, in large part, based on the quality of public schools. If parents feel they need to factor in the cost of private education, that might sway them away from moving to the region at all, Taylor said.

Several of the panelists suggested that business-school partnerships can help improve student outcomes. Dunleavy explained that the IBEW apprenticeship program combines higher education and on-the-job training to prepare public education graduates for careers in his field. The applicant pools for the program include graduates of poor, urban high schools, who tend to be the least qualified. The program includes remedial courses to help those applicants improve, Dunleavy said.



Left to right: Dr. Dave Miller, Professor and Director, Center for Metropolitan Studies, University of Pittsburgh Graduate School of Public and International Affairs, and member, Pennsylvania Policy Forum; Mark A. Nordenberg, Chancellor Emeritus, University of Pittsburgh

Arguing that government alone won't be able to solve the state's public school problems, Malone suggested that the

Pittsburgh region (which is noted for its civic capacity), could succeed in improving public school finance and school outcomes if it could "split itself off from the rest of Pennsylvania," a view for which there is some empirical support (see the director's message). He lauded the IBEW apprentice program and criticized the public education system for not creating a rewards structure that encourages improvement. He argued that a new funding formula should tie state aid to performance and incentivize districts to partner with businesses. Former state Senator Pippy, a West Point graduate and lieutenant colonel in the Pennsylvania National Guard, discussed not only the energy industry's need for better educated workers but the inability of too many Pennsylvania high school graduates to pass the entrance examination for military service.



Left to right: Richard W. Taylor, CEO, Imbue Technology Solutions, Inc.; John Pippy, CEO, Pennsylvania Coal Alliance

The symposium concluded with remarks from **Terry Miller**, director of IOP. The symposium's presentations and panels were intended to help motivate and inform the discussion on how best to develop a "fair, smart, and equitable funding system," Miller said, so that the public schools can set up their students "to compete and win in the global marketplace."

The third and final symposium in this series on the topic of public education funding is planned for Harrisburg early in 2015.

EXCERPTS OF TEMPLE PRESIDENT DR. NEIL D. THEOBALD'S WELCOMING REMARKS AT GREEN TREE SYMPOSIUM

"Having worked on this topic with legislatures in other states, including with my co-author David Monk, now the dean of Penn State's College of Education, I know that the task of rewriting the basic education subsidy is fraught with complex and inter-related problems of politics and policy. I am delighted that David's college is represented in this effort and on today's program. I commend the governor and the legislature for taking it on, even in the midst of an election year. I will be following the Basic Education Funding Commission's work with great interest, and I particularly want to thank the members of the commission who are here with us this morning for their contributions to this effort..."

"I can think of no subject more worthy of the attention of the university community that is gathered here this morning than putting our system of public education on a sounder financial footing. It is trite but true to say that our children are our future, but also true that we are their future, and we, as citizens of a Commonwealth, owe them a fairer and more stable distribution of our common resources for their education. I hope that what we as educators and researchers can contribute to this important mission are evidence and ideas for policy makers, and broader and deeper understanding for leaders in other fields, particularly business, and for citizens."

SELECTED TESTIMONY FROM THE BASIC EDUCATION FUNDING COMMISSION'S HEARINGS

Patrick Dowd: Allies for Children, Executive Director

...Recent studies examining Pennsylvania's education funding have concluded there are large funding disparities across the Commonwealth that have had corresponding effects on the academic achievement of our students. This is not as a result of policy decisions traceable to one administration or another, to one legislative session or another, but rather an accumulation over time...

The Commission has before it the opportunity to align Basic Education Funding with the needs of our students and reverse significant education disparities across our Commonwealth. This is not something that will be achieved in one year, one legislative cycle or even a few terms. However, the Commission can lay the foundations and begin building the long-term commitment to achieving Basic Education Funding that is accurate, equitable, stable and accountable and that gives every student in Pennsylvania an equitable chance at success.

Dave Patti: Pennsylvania Business Council, President & CEO

...As this Commission knows, we cannot discuss education without discussing education funding. Adequate, fair, predictable state funding of basic education is essential to Pennsylvania's competitiveness...

There must be accountability for school funding...The Pennsylvania Business Council joins those who believe we must have full fiscal accountability and performance accountability for taxpayer resources – whether those resources be collected and dispensed by the federal, state, or local school governments...Adequacy demands accountability. Accountability requires adequacy.

...Basic education is the quintessential "public good." Basic education is necessary for all citizens...Basic education must be paid for by all of society...In this manner we cannot discuss the financing of public basic education in any context other than General Fund appropriations with revenues derived from the broadest and most inclusive sources...

Hold harmless is not a fair, or appropriate, or empirically-based funding distribution scheme. It is a political solution to a difficult challenge...We need to acknowledge that a rational funding formula based on empirical factors for which there is clear and transparent data is the only appropriate way to move to an improved future condition...

Cheryl Kleiman: Education Law Center of Pennsylvania, Staff Attorney

...Our students lack basic educational elements — textbooks, science labs, art classes, tutoring supports — that provide them with opportunities to learn and succeed in school. These are not extras — these are basic elements of a quality education that should be available to all of our public school students — not merely those who happen to live in the right zip code...

Fortunately, research shows that state finance reforms can have substantial positive effects on student outcomes, including increases in overall achievement levels and a reduction in achievement gaps...

Dr. Linda Hippert: Allegheny Intermediate Unit, Executive Director

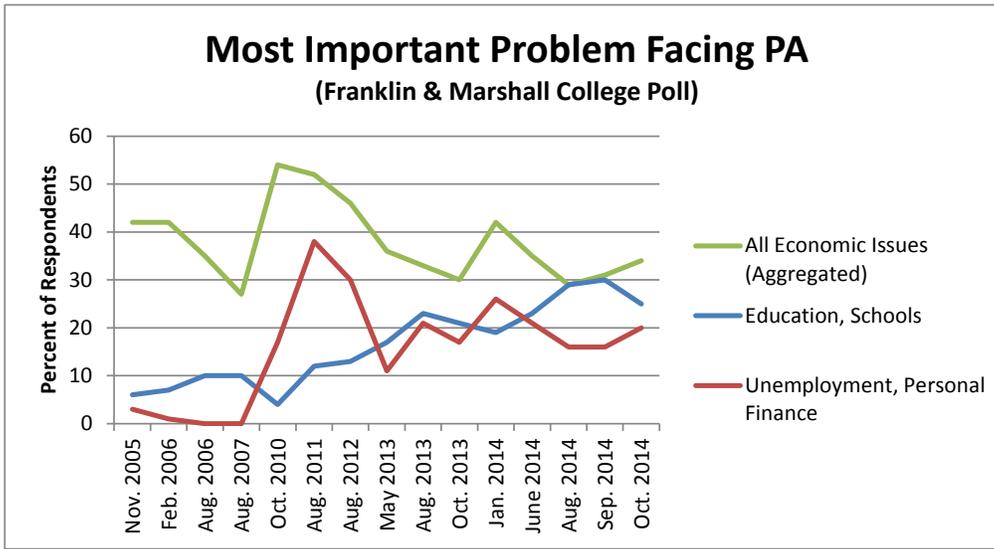
...Most recently, the General Assembly has been discussing eliminating the "hold harmless" clause for school funding...However, in today's funding environment such a drastic move would be extremely detrimental to school districts and could easily further exacerbate an already dire financial status of many districts...

If [the state adopts] a completely new fair funding formula, which takes into account district student enrollment, resident student data, charter school enrollment, special education, English language learner and economically disadvantaged populations along with available facilities, condition of facilities, location of facilities, transportation needs, size and location of district, etc. perhaps the "hold harmless" clause could and should be phased out.

Dr. David A. Zerbe: Methacton School District, Superintendent

...Let me just suggest that regardless of the factors and how you re-distribute a finite amount of funding, the rising underfunded mandated costs will remain. If you change the formula without first addressing these three major rising cost areas (PSERS costs, Special Education costs, and Charter Schools costs), any intended improvements to the formula will be lost in the need to meet the mandates...

PUBLIC EDUCATION REMAINS THE MOST IMPORTANT ISSUE FACING PA IN FINAL PRE-ELECTION POLL



In Franklin & Marshall’s final pre-election poll, conducted October 24-26, 2014, respondents identified education as the single most important issue facing Pennsylvania, and it therefore seems likely to dominate next year’s legislative agenda. Concern about unemployment and personal finances was dominant from August 2007 until May 2013, when education rose from second to first place and remained there throughout most of the 2014 election year. Concerns about other economic issues, such as taxes, also trailed education in voters’ minds, although when all economic issues are aggregated under the coding system used by the Pennsylvania Policy Database Project, they topped education.

Source: The Franklin & Marshall College Poll, and for all economic issues, Temple University’s Pennsylvania Policy Database (www.temple.edu/papolicy).

ARTS AND CULTURE INITIATIVE MOVES UP ON CORP AGENDA

Temple’s Center on Regional Politics has agreed to work with the Greater Philadelphia Cultural Alliance in identifying options to strengthen the arts and culture sector in Southeastern Pennsylvania. The initiative was approved by the CORP Executive Committee in the fall of 2013 but postponed during 2014 while both the City of Philadelphia’s Office of Arts, Culture, and the Creative Economy and the Alliance were in transition to new leadership. CORP will coordinate its efforts with the Metro Caucus and the Economy League of Greater Philadelphia, which is developing a white paper to document the importance of arts and culture, as well as other regional assets such as parks and open space, and to survey approaches used in other metropolitan areas.

According to the Alliance’s most recent publication, *2014 Portfolio*, the arts and culture sector generates more than \$166 million in tax revenue, contributing to 24,000 paid positions, and \$1.1 billion in direct spending. From hotels, to restaurants, to retail, tourism, and transportation, the effects of the arts transcend geographic and industry lines. However, despite its economic footprint in the southeast, the report argues, the community is ailing from unpredictable (and in most cases decreasing) financial support as other pressing issues such as education funding and pension obligations overwhelm the public sector, and businesses and individuals continue to recover from the recession.

These were among the messages relayed to 400 attendees at the Greater Philadelphia Cultural Alliance’s membership meeting on October 20th at the Franklin Institute. The *2014 Portfolio* report examines this information and identifies both positive and negative trends that have emerged the last few years.

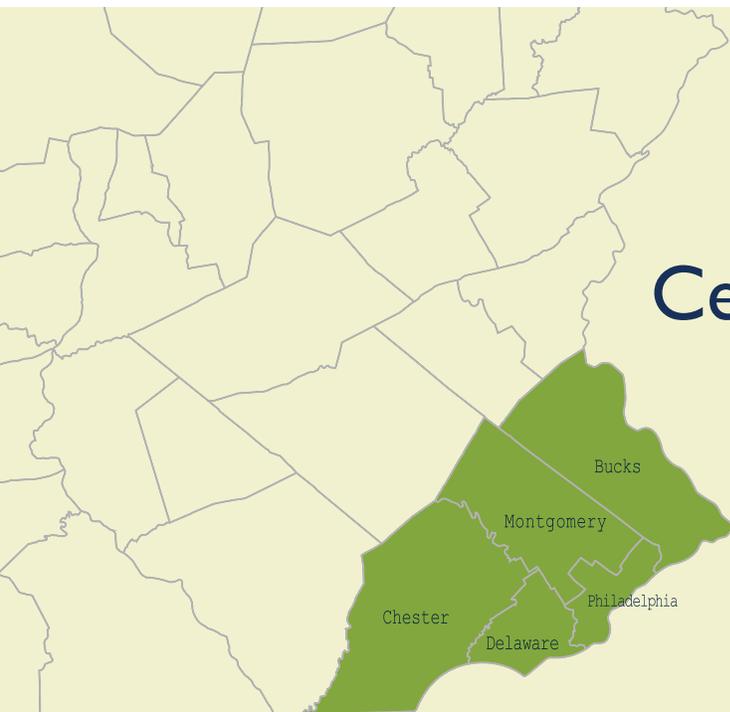
The negative? Two out of five organizations reported a deficit; half of which reported a deficit greater than 10%. The positive? The emergence of a new group called “Growth Organizations” – medium to large institutions that have achieved remarkable growth and success within a short amount of time, perhaps providing a template from which other groups may learn, or offering insight as to how the sector is evolving. The arrival of Maud Lyon in January of 2014 as the new president of the Cultural Alliance, and Mayor Nutter’s appointment of Helen Haynes as chief cultural officer in May, will provide additional expertise and leadership on this issue.

Like our education system, the arts is paramount to creating a first class region, by not only exposing our current population to cultural opportunities, but providing an environment that attracts individuals and families to move here. While much of CORP’s work in 2014 has been on public school financing, there is a natural relationship between the arts and education. As such, CORP will continue to work with the Cultural Alliance and other public and private stakeholders to encourage a civic discussion on the issue of creating financial stability for this sector.

 Center on Regional Politics
TEMPLE UNIVERSITY®

1114 W. Polett Walk (022-02)
840 Anderson Hall
Philadelphia, PA 19122-6090
215-204-1600
corp@temple.edu
www.temple.edu/corp

NONPROFIT ORG.
US POSTAGE
PAID
PHILADELPHIA, PA
PERMIT NO. 1044



Center On Regional Politics



Bulletin

Volume 3, Number 3 | Fall 2014

Center on Regional Politics - Staff

Joseph P. McLaughlin, Jr. - Director
Kelly D. Colvin - Associate Director
Michelle J. Atherton - Senior Policy Writer and Publications Editor

Meghan E. Rubado - Graduate Assistant
David M. Ferreira - Assistant Publications Editor