

# Center On Regional Politics



## Bulletin

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### A MESSAGE FROM THE DIRECTOR

The formulas that spend public education dollars in Pennsylvania and most states are generally considered the business of school officials, legislators, teachers unions, and education advocates. The jargon and math of such formulas – aid ratios, special needs weights, poverty, sparsity and density factors, etc. – are almost indecipherable to average citizens and even to otherwise sophisticated public and private sector leaders.

Few have as much at stake in educational outcomes as business leaders who will employ most public school students, either after graduation (if they graduate) or after they complete post-secondary training. Yet, perhaps because public education has longer time horizons and more indirect impacts than, say, tax policy, business has not been at the table when arcane but momentous school funding issues have been debated and decided.

That may be changing. As reported herein, business leaders actively participated in two recent symposiums on this topic: our May 30 symposium in Conshohocken and the Pennsylvania Business Council’s June 11 symposium outside Harrisburg. Both events drew more than 100 attendees, including not just professional educators but employers who affirmed the importance of stronger public schools to their firms and to Pennsylvania’s economy. Between these two events, Act 51, establishing a commission to revamp school funding over the next 12 months, was signed into law. Its work will begin this summer.

Higher education also has a stake in the future of public schools. Working with Penn State, the University of Pittsburgh, and the Pennsylvania Policy Forum, an informal network of faculty members and policy researchers at public and private institutions, Temple’s CORP plans two more such symposiums: October 3 in suburban Pittsburgh and later this year or early next year in Harrisburg. One implicit theme at these events will be: What’s good for our public schools is good for business, and what’s good for business is good for Pennsylvania.

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

### CORP SYMPOSIUM: HOW OTHER STATES FUND SCHOOLS, WHY BUSINESS SHOULD CARE

How other states are dealing with such challenges as “hold harmless” funding, charter school reimbursements, and efforts to improve equity and achieve adequacy in public school funding were among topics discussed at a symposium hosted on Friday, May 30, by Temple University’s Center on Regional Politics (CORP).



Left to right: Pennsylvania Budget Secretary Charles Zogby, State Senator Anthony H. Williams, and State Representative Bernie O’Neill

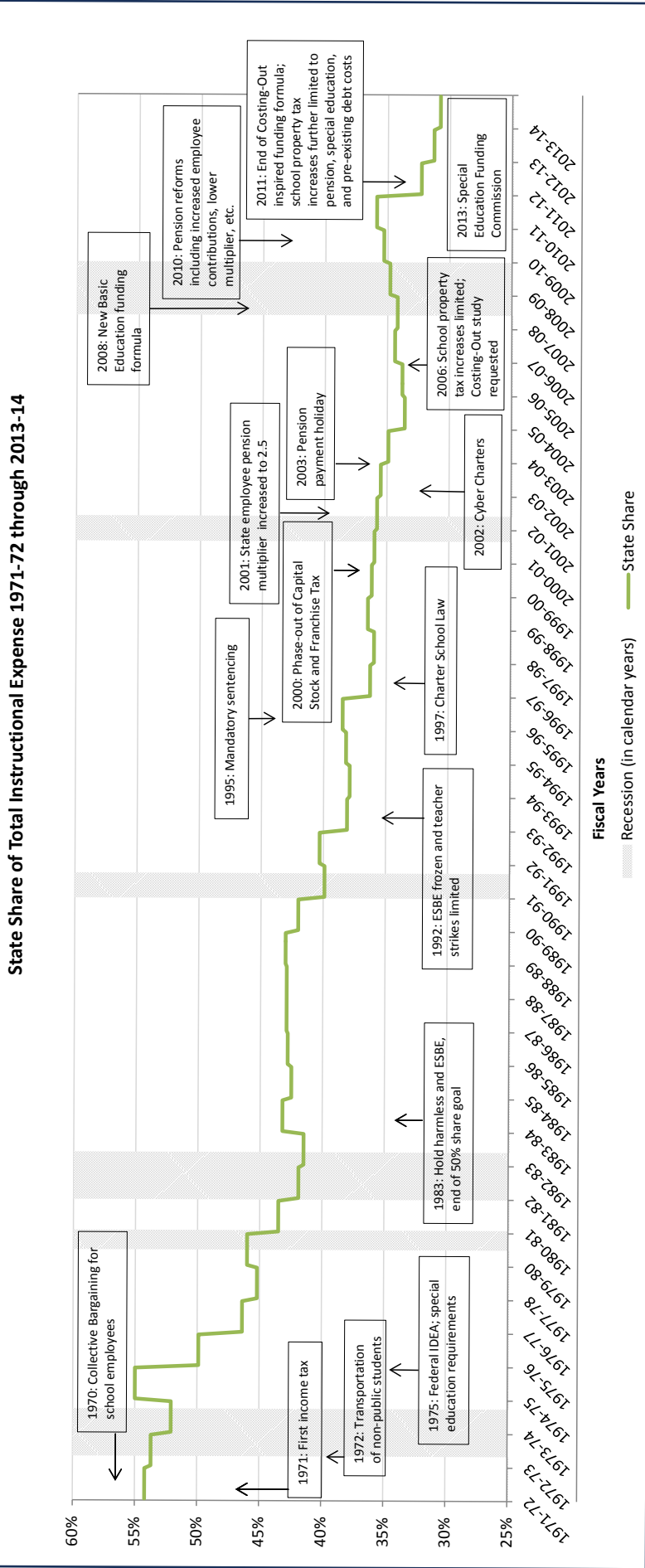
Charles Mostoller

More than 100 attendees also heard a panel of leaders representing business, labor, and the civic sector respond to a speaker who compared the economic cost of achievement gaps in U.S. public schools to a permanent national recession. The audience included legislators and other elected officials, business, labor, and civic leaders, school board directors and supervisors, and education advocates.

The symposium, held at the Philadelphia Marriott West in Conshohocken, was the first of three sponsored by the University Consortium to Improve Public School Finance and Promote Economic Growth. In addition to Temple’s

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Figure 1



CORP's *Story of the State Share* by Michelle J. Atherton recounts Pennsylvania's long struggle to fund 50% of the state and local cost of basic instruction with state revenues to reduce inequities in school resources and relieve pressure on the hated local property tax. Atherton identifies major obstacles to this now abandoned (in law, at least) goal, many of which were extraneous to the school funding debates. They are summarized in Figure 1 above, reprinted from her report.

Source: State share from the Pennsylvania State Education Association (PSEA) Research in "The History of School Funding in Pennsylvania," Pennsylvania Association of Rural and Small Schools (PARSS) 2013. Recessions from the National Bureau of Economic Research (NBER). The BEF amount for 2009-10 includes \$4.87 billion in state funds, and \$654.8 million in ARRA State Fiscal Stabilization Funding. The final BEF for 2010-11 includes \$4.732 billion in state funds, and \$654.8 million in ARRA State Fiscal Stabilization Funding, and \$387.8 million in EducJobs Funding and FMAP Restoration.

**Note:**

As indicated above, the state share shown in this timeline is as calculated by PSEA and reprinted in PARSS 2013. This approach treats state subsidies as reimbursements for prior year spending, which in fact is how they are calculated, and shows the state percentage of Actual Instruction Expenditures (AIE) as exceeding 50% only for four consecutive fiscal years beginning in 1972. The Pennsylvania School Boards Association (PSBA) treats state subsidies as a percentage of AIE in the fiscal year in which they are received, which is their practical effect on funding school operations. Under this approach, the state share exceeds 50% only in 1972-73. Both approaches show the same pattern of decline in the state share from the 1970s on, with the PSBA percentages only slightly lower due to having larger denominators.

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## CORP SYMPOSIUM

CORP, the consortium includes Penn State’s College of Education, the University of Pittsburgh’s Center on Metropolitan Studies, and the Pennsylvania Policy Forum, a network of faculty and researchers at 18 public and private universities and colleges in the Commonwealth.

### How Other States Fund Schools

The symposium featured two sessions. The first session, entitled “Funding Schools: What Pennsylvania Can Learn from Other States,” was introduced by **State Representative Steve Santarsiero**, (D-Bucks) and **Rob Wonderling**, president and CEO of the Greater Philadelphia Chamber of



State Representative Steve Santarsiero

Commerce. Santarsiero and Wonderling co-chair CORP’s Committee on Education and Workforce Development.

The first panel centered around a presentation by **Rob Knoeppel**, associate professor of educational leadership at Clemson University and co-author of *From Statehouse to Schoolhouse: Education Finance Apportionment Systems in the United States*. Knoeppel discussed the ways in which other states fund public education, stressing that equity in educational resources is more likely when the state pays a higher share of the funding and when an inverse relationship exists between the state share and local wealth levels.

On the other hand, the stability of revenue sources is also important in school funding, and property taxes, rather than more volatile sales taxes, have the advantage of reliability. After South Carolina’s legislature shifted school funding from the local property tax to a state sales tax, the ensuing recession resulted in state support for schools plunging while the property tax remained steady. Michigan, too, experimented with sales tax funding, but experienced such volatility in revenues that the state is reverting to the property tax.

Other states are attempting to phase out “hold-harmless funding,” which protects school districts from losing state aid year to year, even when enrollments are declining, Knoeppel said. Research shows that hold harmless practices undermine the goal of improving equity, he noted. “If districts have time, they can adjust,” Knoeppel said. Various states have begun hold-harmless phase-outs lasting four to 10 years.



Associate Professor of Educational Leadership at Clemson University, Rob Knoeppel

A CORP history of the state share of school funding released at the symposium (see Figure 1 on facing page) documented Pennsylvania’s long history of relying on hold-harmless funding and noted that 53 percent of the state’s FY 2013-14 basic education subsidy can be traced to student counts as far back as FY 1990-91, according to Penn State Professor **William Hartman**.



Left to right: Pennsylvania Budget Secretary Charles Zogby, State Senator Anthony H. Williams, State Representative Bernie O’Neill, and State Representative James Roebuck

Knoeppel reviewed approaches to charter schools in other states and said research is still scant on how charter school costs should be calculated, with several states cushioning the impact on traditional school districts that lose students and funding to charters but can’t always realize savings because of fixed costs.

Introducing the panel of state officials who followed Knoepfel’s presentation, Wonderling noted that the purpose of the discussion was to consider a broad “reset” of public education funding, not short-term solutions. “This is an economic and constitutional imperative,” Wonderling said.

The panel included state budget **Secretary Charles Zogby**, **Sen. Anthony H. Williams** (D-Philadelphia and Delaware), **Rep. Bernie O’Neill** (R-Bucks), and **Rep. James Roebuck** (D-Philadelphia). The panel discussed the importance of a funding system that includes weighted funding for districts based on the individual needs of pupils. The system should provide the resources needed for each pupil, taking into account individuals’ special needs and circumstances that may require additional funds. The goal is not equity of dollars spent per pupil, but rather the equity of outcomes, the panel largely agreed.



Rob Loughery, Chair, Bucks County Commissioners

### Why Business Should Care

The second session was entitled “Why Smart Investments in Public Schools Are Critical to Pennsylvania’s Economic Future: A Conversation with Business, Labor, and Public Leaders.” The session was introduced by **Robert G. Loughery**, chair of the Bucks County Commissioners and co-chair of CORP’s Committee on Economic Development.

The session opened with a presentation by **Bryan Hancock**, lead author of McKinsey & Company’s *The Economic Impact of the Achievement Gap in America’s Public Schools*. The achievement gap, Hancock said, has four facets: the gaps between rich and poor pupils, minority and white pupils, the best and worst classrooms, and between students in the United States and other developed nations. McKinsey’s research projects that each of these gaps has real economic consequences that compound one another to the tune of trillions of dollars of lost potential gross domestic product in the United States. “These are massive macroeconomic effects,” Hancock said. But success in some states gives reason for hope, Hancock noted. Low-income black students in Texas are two years ahead of low-income black students in Washington, D.C.,

showing that states and their efforts to improve education matter. “It’s not intrinsic about the students,” Hancock said. “It’s system based.”



Bryan Hancock, McKinsey & Company

Panel discussion was led by **Rana Foroohar** global economic analyst for CNN News and assistant managing editor for economics and business with *TIME Magazine*. The panel included **Pat Eiding**, president of the Philadelphia AFL-CIO and co-chair of CORP’s Committee on Economic Development; **Feather Houstoun**, former Pennsylvania secretary of welfare, member of the Philadelphia School Reform Commission (SRC), and co-chair of CORP’s Transportation Committee; **Mike Pearson**, president and CEO of Union Packaging; **Phil Rinaldi**, principal partner and CEO of Philadelphia Energy Solutions; and **Bill Strahan**, executive vice president for human resources with Comcast Cable.



Left to right: Phil Rinaldi, principal partner and CEO of Philadelphia Energy Solutions, and Rob Wonderling, president and CEO of the Greater Philadelphia Chamber of Commerce

The business leaders agreed that the Philadelphia region needs a school system that produces both college-ready students for high-level positions, as well as job-ready graduates of vocational and technical programs. Attracting high-quality job candidates from outside the region requires a strong public education system, Strahan said. The inequity in the public education system is unattractive to top-level job candidates,

who would prefer to see a more unified community rather than an “us” and “them.” He noted that due to technology, a large tier of Comcast workers, such as call centers, could be located anywhere in the world.

Pearson, whose minority-owned company hires public school graduates, said the cost of retraining to compensate for deficiencies in public education can raise the cost of doing business for a company like his and put it at a disadvantage in competitive bidding for national contracts.

Eiding, whose council represents 150,000 members including public school teachers and workers with a wide range of skills and trades, argued that the state needs to step up to provide more funding for public education. “It is about the money,” Eiding said. “We have not had the leadership to put together the money to adequately fund our schools.” He expressed concern about the ability of local public schools to prepare their students to compete with workers educated in better funded and performing schools abroad.



Left to right: Rana Foroohar, global economic analyst for CNN News and assistant managing editor for economics and business with *TIME Magazine*, and Mike Pearrison, president and CEO of Union Packaging

The panel suggested the school system needs to do a better job in vocational training, instilling critical thinking skills, and working on soft skills such as interpersonal communication and telephone training.

Attendee **David Patti**, of the Pennsylvania Business Council, asked the panel what state taxpayers should expect to get for their money, and how to instill a sense of accountability in the system.

Houstoun, who earlier noted that money alone does not improve schools unless it is combined with smart leadership, responded that the funding levels for Philadelphia’s public schools are currently inadequate. Given current financial shortfalls, “we can barely call it a school district,” Houstoun said. That will need to change before a sense of trust and accountability can take root, she said.



Feather Houstoun, former Pennsylvania secretary of welfare, and member of the Philadelphia School Reform Commission, and Bill Strahan, executive vice president for human resources at Comcast Cable

Rinaldi suggested that leaders in education finance reform need to pick a goal: either focus on raising the top student achievers to chase results in high performing developed nations, or lift the lowest performing students to a level that is more adequate. Rinaldi said “lifting the bottom” performing students was the more realistic and important goal for an improved jobs picture and overall economic progress.

Both panels fielded questions from the audience, which seemed to be hoping for clear answers about how to move forward and improve the region’s schools. The problem extends beyond the beleaguered Philadelphia district, participants said, and will require a major overhaul of the state’s education financing system.

Additional symposia sponsored by the university consortium will be held in southwestern Pennsylvania on October 3 and in central Pennsylvania later this year. The Philadelphia event was made possible by funding from the William Penn Foundation and Temple University.



Pat Eiding, president of the Philadelphia AFL-CIO

**PA BUSINESS COUNCIL SUMMIT ATTENDEES TOLD SCHOOLS AND EMPLOYERS SHOULD BE “NATURAL ALLIES”**

Business and public school teachers, administrators, and advocates should be natural allies in developing Pennsylvania’s human capital according to a keynote speaker at the Pennsylvania Business Council’s June 11 Education Summit in Camp Hill, just across the Susquehanna River from the state capitol. The summit followed by less than two weeks CORP’s public school symposium in Conshohocken featuring business leader participation and a similar theme.

Jamie Vollmer, author of *Schools Can’t Do It Alone*, told more than 100 attendees at the summit that America’s public schools are overburdened with dozens of tasks that go far beyond their original mission of teaching children to be productive citizens and workers in the bygone agricultural and industrial economies. And that basic mission itself is outdated, according to Vollmer, who said our schools are training students for an economy that no longer exists.

The audience of business executives, school officials, and education advocates also heard Carolyn Dumesq, acting secretary of education, report on her department’s efforts to align education curricula and standards with employer needs, and Robert Bogle, publisher of *The Philadelphia Tribune*, discuss the need for raising achievement levels among minority students. The *Tribune* is the nation’s oldest newspaper serving the African-American community.

A graduate of Philadelphia’s public schools, Vollmer was president of the Great Midwestern Ice Cream Company when he was asked in 1988 to become a founding member of the Iowa Business Roundtable, which had identified improving public education as a priority mission. Initially a harsh critic of what might be called the public school establishment, he eventually became executive director of the Roundtable and then an ardent independent champion of teachers and administrators who, in his view, cannot succeed without the positive support of business and other community leaders.

Vollmer gave attendees a three-foot list of more than 100 programmatic and administrative requirements (see edited insert), many unrelated to the basic tasks of teaching, that have been imposed on public schools over the last century. Yet, the school day and the school year have remained fixed, and the challenges of educating children in poverty and with disabilities have grown. When time is the constant and required inputs multiply, he argued, quality suffers.

Once a believer in the mantra that schools should be run like a business, Vollmer described how a public school teacher changed his view by asking him what he did when his ice cream factory received an inferior shipment of blueberries for one of his nationally acclaimed flavors. After he told the

teacher that he would send them back and demand higher quality, she told him that public school teachers can’t send back the students in their classroom, no matter how disadvantaged they may be. The incident, also recounted in his book, has become famous as “The Blueberry Story.”

Public schools don’t control their raw materials or their factors of production, many of which are determined in distant legislatures and bureaucracies, he said. Schools are not businesses.

Another myth he discarded, Vollmer said, is that the problem with public schools is “the people” in the school buildings who need to be held to higher standards of accountability. Business leaders who believe this should spend time, as he said he has done, in classrooms with teachers and offices with school administrators to experience first-hand the enormous challenges that they face. The overwhelming majority, he said, are performing almost heroically but have been set up with almost impossible expectations.



Jamie Vollmer speaks at the PA Business Council Education Summit.

The three-foot list of requirements reflects not just the education agendas of multiple administrations in Washington sponsored by one party or the other but a wide range of disparate goals that include health measures, breakfast and lunch programs, dietary standards, behavioral, disability, sex education and pregnancy prevention activities and instruction, plus many others. These requirements have been added over decades with no thought given to their cumulative effect. The list, he said, doesn’t tell schools, “Teach my children,” it tells them, “Raise my kids.”

Business leaders are uniquely positioned to make the case that schools are not businesses but institutions producing public goods whose success is vital to the communities they serve and economic competitiveness and growth, according to Vollmer. He argued for expanding the constituency for public schools to make higher quality the constant and required inputs and time the variables, a mission that might take years but is vital if schools and students are to succeed. As part of that effort, school curricula and teaching methods need to be refashioned to respond to a post-industrial

economy in which higher skill levels are essential to secure satisfactory jobs.

Responding to Dumaresq's remarks, four employers from central Pennsylvania echoed business leaders at CORP's symposium 12 days earlier and argued for closer collaboration between schools and employers in teaching skills that employers need and in fostering internships that can sometimes lead to offers of employment upon graduation.

Panelists included Frank J. Trembulak, executive vice president and chief operations officer of the Geisinger Health System; Doug Henry, president of Henry Molded Products; Warren Hudak, president of Hudak and Company; and John Moran, CEO of Moran Industries.

Other sessions of the six-hour symposium included leaders of institutions providing post-secondary education and training and education advocates discussing the need for reforming school funding in Pennsylvania.

## FAIR FUNDING OF SCHOOLS TAKES CENTER STAGE

The long-awaited drive for a renewed examination of basic education financing has finally come to fruition due to overwhelming legislative support for House Bill 1738, now Act 51 of 2014. Championed by **Representative Bernie O'Neill** (R-Bucks), this legislation aims to bring a systematic and measurable approach to the distribution of basic education dollars in the Commonwealth through the creation of a Basic Education Funding Commission.

In addition to the bipartisan voices of Pennsylvania's political leaders, the *Chambersburg Public Opinion* reported on January 23 that a number of influential statewide organizations including the Pennsylvania Association of Rural and Small Schools, the Pennsylvania Association of School Business Officers, the Pennsylvania School Boards Association, the Pennsylvania Association of School Administrators, and the Central Pennsylvania Education Coalition had been working to assist with passage of legislation enabling the creation of a basic education funding commission.

After receiving 187 votes in the House and 47 Senate votes, HB 1738 was signed into law by **Governor Corbett** on June 10 as Act 51, creating a commission that will be comprised of the chair and minority chair of the House and Senate Education Committees, two additional members from each of the four legislative caucuses selected by the President pro tempore of the Senate and the Speaker of the House of Representatives, the state education secretary, the deputy secretary

for elementary and secondary education, and a gubernatorial appointee from within the administration. The identities of these appointees remain unknown as of the time the *Bulletin* went to press.

Following the legislation's adoption and enactment, Representative O'Neill released a statement on his webpage, noting that "With House Bill 1738, we are building on the ideas that we found to be very successful in the Special Education Funding Commission and applying those parameters to a new commission, which will take a look at how we drive out dollars to our K-12 schools." He also stated that funding for Pennsylvania schools "accounts for nearly 40 percent of our state budget. As legislators, it is critical we ensure we meet our constitutional obligation and fairly distribute state funds."

According to the Pennsylvania House Committee on Appropriations, the commission is charged with developing a funding formula for basic education while identifying "factors that may be used to determine the distribution of basic education funding among the school districts in the Commonwealth." These factors include the market value and personal income aid ratio averaged for the three most recent years per district, the averaged millage rate for each of the past three years for every district, geographic price differences for each district, the level of local support provided to the districts, enrollment growth rates over time, and the level of poverty among district residents.

The new commission is required by statute to meet within 45 days of the legislation's effective date of June 10, regardless of whether all of the commission's members have been approved. The commission will then hold hearings in different regions of the state, collect input from experts, review funding formulas used in other states, and make recommendations to the General Assembly.

Members are also charged with reviewing the current administration of basic education programs, determining whether cost savings are available, and considering the consequences of a formula that does not guarantee that each district receives an equal level of state funding as in prior years. Once it has concluded its work, the commission must issue a report to the legislative and executive branches prior to seeking legislative approval for their recommendations.

**For the history of the state and local share of education funding in Pennsylvania, as well as the presentations by Bryan Hancock and Rob Knoeppel from CORP's symposium on May 30, go to publications at: [temple.edu/corp](http://temple.edu/corp)**

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## SAVE THE DATE!

The University Consortium to Improve Public School Finance and Promote Economic Growth  
will hold a symposium on:

### “Funding Pennsylvania’s Public Schools: A Look Ahead”

**When: Friday, October 3, 2014 • 8:30 am to 12 pm**

**Where: Doubletree Hotel, Green Tree, PA**

*sponsored by*

The Temple University Center On Regional Politics and  
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