

Dear Esteemed Members of the Basic Education Funding Commission,

As superintendent of the North Penn School District and formerly a school board member of the Northwestern Lehigh School District, I thank you for the opportunity to offer my perspective on the issue of basic education funding and specifically the need for a fair funding formula.

To set the context for my remarks, I will provide a quick summary of facts relevant to the North Penn School District. The district, situated in 42 square miles of northern Montgomery County, presently has 12,820 students taught in 13 elementary schools, 3 middle schools, 1 alternative school, and 1 high school. The district is ranked among the top 5 percent of school districts in Pennsylvania. Our high school is repeatedly rated by national publications as being among the top high schools in our country. Our district has been the recipient of numerous awards for energy conservation and the district is one of the lowest cost per student districts in southeast Pennsylvania.

Real estate taxes constitute approximately 72% of our budget revenue and 29% of our real estate taxes come from commercial/industrial property. The median assessed value of each homestead in our district is \$147,455 with a real estate tax bill of \$3,418. Earned income tax constitutes approximately 6% of our budget. State funding constitutes approximately 16% of our budget and our state support on a per student basis ranks us at 480 of the 500 school districts in the commonwealth.

Our largest real estate taxpayer is Merck & Company with a total bill of close to \$13 million which represents 8.35%. The next closest large taxpayer is Montgomeryville Associates with a bill of approximately \$1.9 million.

Our median household income ranges from a high of \$116,575 per household in Montgomery Township to a low of \$55,963 in Hatfield Borough. Generally, our townships have higher median household income than our boroughs and with Merck located in Upper Gwynned Township, our real estate and earned income revenue is redistributed among all school district residents with a greater share coming from the townships.

Clearly, we have man-made lines for municipalities and school districts, and revenue would vary if the lines were drawn in a different place. Accordingly, the resources available to our children vary depending on where the lines are drawn for our school districts. For example, the King of Prussia mall is a large taxpayer in the Upper Merion School District. If the line were drawn at a different place, Norristown would receive the revenue from the real estate taxes paid by King of Prussia Mall and the children of Norristown would have access to far greater funds. Similarly, if a person lives on the west side of Cedar Crest Boulevard in Allentown, that person's children attend the Parkland School District with its resources rather than Allentown School District for children living on the other side of Cedar Crest Boulevard. The resources for Parkland are much more extensive than Allentown.

Real estate taxes, by most accounts, are unpopular with taxpayers and as such, Act 1 was adopted to limit increases in real estate taxes. Real property assessments vary by school districts depending on the amount and type of development in such districts and, as we have seen, depending on where the man-made boundaries were drawn. Personal income also varies by school district. All of these factors make

it increasingly difficult to fairly fund education in our commonwealth as reliance on local taxes (absent state-wide redistribution) increases. Please review the chart below to see the difference in taxable real estate market value and personal income per Weighted Average Daily Membership (per student):

MV/PI Aid Ratios of some school districts in Montgomery County

School District	Aid Ratio	MV per WADM	PI per WADM
• Colonial SD	.1500	\$1,158,895	\$383,968
• Lower Merion SD	.1500	\$1,394,319	\$823,967
• Methacton SD	.2101	\$ 639,400	\$240,924
• Norristown SD	.3970	\$ 473,246	\$192,957
• North Penn SD	.1876	\$ 694,032	\$225,761
• Perkiomen Valley SD	.4309	\$ 447,543	\$181,505
• Pottsgrove SD	.5325	\$ 380,036	\$141,593
• Pottstown SD	.6692	\$ 272,701	\$ 97,907
• Spring-Ford SD	.2958	\$ 598,548	\$197,480
• Upper Merion SD	.1500	\$1,138,150	\$290,898
• Wissahickon SD	.1500	\$1,027,327	\$473,806

Clearly, wealth needs to be redistributed among school districts across our commonwealth to equalize the availability of resources and level of the playing field for our students. There is a clear need for a Basic Education Funding Formula to meet both adequacy and equity concerns. In North Penn, our basic education subsidy has grown by approximately \$1.8 million since 2001 while our total budget has grown by \$98 million. This growth has occurred despite North Penn having 200 fewer employees than six years ago, despite significant curtailment in energy use, and despite numerous other cost cutting strategies. The largest cost driver in the past few years has been, of course, the pension obligation.

As a fair funding formula is being developed, seven factors which distinguish districts must be considered:

1. Market Value of the school district's real estate property
2. Personal Income of the school district's residents
3. Total number of school district students
4. Number of students in poverty
5. Number of English Language Learners (ELL students)
6. Number of gifted students
7. Number of special education students

Given the valuable work done the Special Education Funding Commission, I am confident that this commission can also meet its charge to develop a fair funding formula.

Items one, two, and three from above, namely Market Value, Personal Income and total number of students at one time formed the basis for the use of the MV/PI Aid Ratio which when multiplied by the Factor for Educational Expense and multiplied by the Weighted Average Daily Membership of the school district resulted in funding of school districts. This formula must once again be put into action. Research shows that students in poverty, item four, represent a more significant challenge and therefore more need for resources. The number of ELL students in North Penn has grown significantly over the years and our district is now spending more than \$2.7 million to provide specially certified teachers for teaching students the English language. And finally, the number of gifted students and the number of special education students must be accounted for in any funding formula given the higher cost of educating these students and the differences among school districts in the number of such students.

As a new funding formula is developed, the issue of Hold Harmless must be addressed. Because of Hold Harmless, districts with declining enrollment did not feel the effect of a formula tied to total number of students. Likewise, growing school districts did not receive the per student funding they should have been receiving. As such, I recommend that the commission consider a tapered transition in funding such that districts with declining enrollment have an opportunity to adjust to any potential hole in their budget. Of course, if sufficient new money is available to fund the districts with increases in enrollment without reducing funding for districts with declining enrollments, such an ideal scenario would be wonderful to enjoy.

Finally, I ask the commission to consider expanding the Homestead Exclusion, which is presently funded through gaming proceeds. Expansion of this funding would provide relief to the unpopular property tax for homeowners while keeping the stability of the property tax in place.

Thank you very much for your time and consideration.

Sincerely,

Dr. Curtis R. Dietrich

Superintendent, North Penn School District