

**Pennsylvania Budget Secretary Randy Albright
 Testimony to the Basic Education Funding Commission
 March 12, 2015**

Thank you for the opportunity to appear before you today. It is an honor to serve with you as one of three appointees representing Governor Wolf's Administration on this important Commission. But today I am pleased to sit on the other side of the table wearing my hat as the Governor's Budget Secretary to share with you and the public the Governor's 2015-2016 Education Budget.

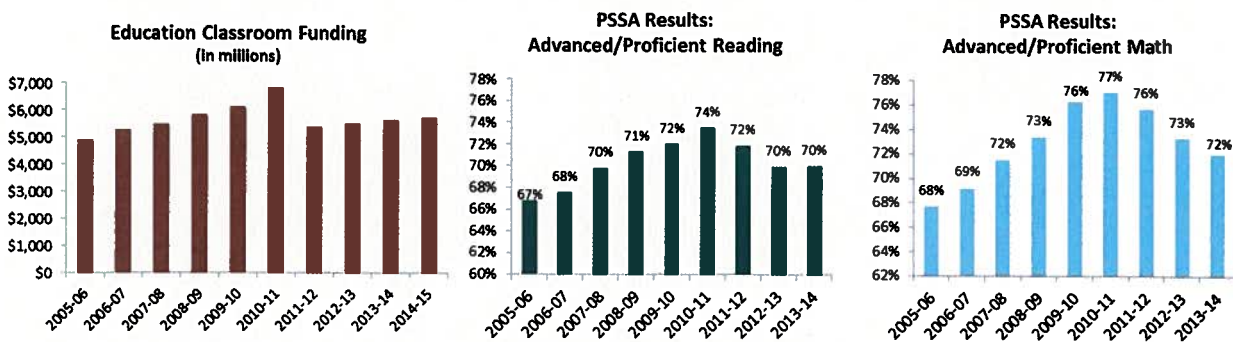
Governor Wolf believes that Pennsylvania's future depends on the quality of our public education system. The 2015-16 Budget therefore reinvests in public education as a centerpiece of Pennsylvania's strategy for economic growth and opportunity.

Pennsylvania's Education Deficit

Pennsylvania's experience over the last four years shows what happens when the state fails to fulfill its fundamental responsibility to public education.

According to surveys conducted by the Pennsylvania Association of School Business Officials and the Pennsylvania Association of School Administrators, 93 percent of Pennsylvania school districts reported staff reductions in the last five years—totaling 23,000 education jobs lost through 2012 alone—and nearly three-quarters of school districts cut academic programs. As a result of state budget cuts, 91 percent of school districts have raised taxes.

The results, of course, have been hardest on our students. Four years ago, Pennsylvania stood as the one state that had made the greatest progress over the prior decade improving achievement in all grades and subject areas, and for all groups of students. Student performance was increasing, and our achievement gap was shrinking. Sadly, due to the state's deep education funding cuts, that is no longer the case.



Source: Pennsylvania Department of Education

We can—and we must—reverse these trends.

The 2015-2016 Education Budget

Governor Wolf's proposed budget increases education funding and implements cost-saving reforms totaling \$1 billion for the 2015-16 school year. To put that total in perspective, nearly two-thirds of all state General Fund appropriations in the Executive Budget either remain level-funded or decrease; education is the rare exception because it is so vital to the Commonwealth's success.

The Governor's education budget includes:

- A \$400 million (7.0 percent) increase in the Basic Education Subsidy. This increase is designed to restore a significant amount of cuts, yet for most school districts it will restore funding levels to less than what they were receiving in the 2010-11 school year. The proposed increase is made up of the following components designed to get our education funding system back on track:
 - Each school district starts with its 2014-15 Basic Education Subsidy, including the Ready to Learn Block Grant proposed by Governor Corbett and enacted by the Legislature. This hold-harmless provision ensures that all school districts benefit as restorations are made.
 - The 2015-16 proposed increase includes:
 - Full restoration of the Accountability Block Grant funding;
 - Full restoration of the Educational Assistance Program funding, which provided tutoring and individual attention in school districts with the greatest needs;
 - Reimbursement for mandated charter school expenditures equal to about 10 percent of each school district's tuition payments in the 2013-14 school year; and
 - Additional funding to help close the gap based on Basic Education Subsidy cuts instituted since the 2010-11 school year.

Please note that while the Accountability Block Grant and Educational Assistance Program funding have been restored, the Executive Budget includes those resources in the Basic Education Subsidy rather than as separate programs. This approach provides more flexibility to school districts, while still maintaining essential accountability as I will describe shortly.

- Second, a \$100 million (9.6 percent) increase in the Special Education Subsidy. This increase will continue Pennsylvania's transition to the formula enacted in 2014 reflecting the work of the bipartisan Special Education Funding Commission. The Governor's budget incorporates that formula as a permanent component of the Public School Code. From the Governor's perspective, this proposal represents the promise of a Commission like this one.
- Next, as the first step in transforming and modernizing Career & Technical Education, the budget establishes a \$15 million CTE Innovation Initiative to support the establishment and enhancement of programs that prepare students for success in today's high-skill economy. Accompanying this initiative, the Governor's budget plan includes \$5 million for CTE equipment grants and \$8 million for college and career counseling, starting in our middle schools. The budget also requests \$9 million from PHEAA to re-establish a Dual Enrollment program so that high school students can earn college credit.

- Fourth, a \$120 million (87.9 percent) increase in high-quality early childhood education to increase enrollment by more than 75 percent in Pennsylvania Pre-K Counts and the Head Start Supplemental Assistance Program.
- And finally, an estimated \$160 million in savings from cyber charter school funding reform. We must recognize that cyber charter schools are fundamentally different from traditional brick-and-mortar charter schools, and fund them appropriately. The Executive Budget sets a regular education tuition rate of \$5,950 per student based on the highest-cost of several high-performing Intermediate Unit online programs, further inflated by 10 percent, and sets a special education tuition rate based, again, on the recommendations of the Special Education Funding Commission.

Although not included in the \$1 billion total, Governor Wolf's budget also calls on school districts to work together to achieve \$150 million in additional savings through shared services and other efficiency strategies. Pennsylvania school districts spend more than \$3 billion each year on administrative staff, back-office operations, transportation and other central office costs. While these functions are of course necessary, school districts should work to maximize the resources that are invested directly in teaching and learning.

Fulfilling the State's Responsibility

As a recent study by the American Institutes for Research concluded, Pennsylvania "is consistently among the most regressively funded education systems in the nation" and "has among the region's lowest state aid contributions to public school districts." In fact, Pennsylvania's state share of total K-12 education funding is currently the sixth-lowest in the country.

The state's failure to adequately fund schools for more than a generation has had two damaging consequences. Shifting the burden to local school districts has meant dramatic property tax hikes for Pennsylvania homeowners, threatening economic security for middle-class families and seniors, and damaging communities. In addition, stark disparities in local wealth have led to dramatic school funding inequities—often leaving the students with the greatest needs in the worst-funded schools.

Governor Wolf's 2015-16 Budget addresses both of these damaging trends.

Combined with the landmark \$3.8 billion property tax reform plan included in the Governor's 2015-16 Budget, this renewed investment in public education will finally bring Pennsylvania's state share of education funding over the 50 percent threshold.

But there is no such thing as a one-time fix. That is why the 2015-16 Budget is the first phase of a four-year goal to increase overall pre-k–12 investment by \$2 billion in order to meet the state's education commitments and provide all children with a quality public education.

Achieving this goal will be made possible by enactment of the Pennsylvania Education Reinvestment Act. This will raise needed new revenue for our state's public education system by imposing a reasonable tax—in line with our neighbors—on the extraction of natural gas within the state. The tax proposed in the Education Reinvestment Act is modelled after the severance tax in neighboring West Virginia, which like Pennsylvania has seen a recent boom in production of natural gas from unconventional drilling.

Establishing a School Funding Formula

Pennsylvania's lack of a school funding formula has left the state without a long-term strategy for financing its schools and, as I noted, increasingly shifted the burden to local property taxes. Governor Wolf believes that the work of this Commission is the Commonwealth's best opportunity to craft and enact a meaningful, long-term, bipartisan school funding formula for Pennsylvania's future.

As the Commission continues its work, we would offer four principles that we will use to evaluate any proposal:

- **Adequacy:** School districts need sufficient resources to prepare all students for college and careers. A formula must therefore provide additional resources, or weighting, to help all students succeed. Some of the most common factors considered in formulas include:
 - Low-income students, recognizing that highly concentrated poverty presents unique challenges;
 - English Language Learners and English as a Second Language students;
 - Homeless students;
 - Students in foster care; and
 - Pregnant and parenting students.
- **Equity:** The state's funding formula must distribute funds fairly so that communities with the greatest needs and least local wealth receive the most assistance from the state. An equitable formula also addresses factors such as tax burden, sparsity, district size, regional cost differences and the challenges of fast-growing communities where the tax base may not be keeping up with increases in enrollment.
- **Predictability:** School districts should be able to reliably project the amount of state funding they will receive in the future so that they can be responsible stewards of taxpayer dollars and student achievement. The current calendar simply makes no sense. We require school districts to develop a preliminary budget by January, even though they are forced to do so without knowing how much state funding they can expect to receive. This creates both fiscal and academic uncertainty, and is an unnecessary construct.
- **Accountability:** Along with increased resources, there must be accountability for how school districts invest these funds and for the ultimate impact on student learning and success.

Improving Our Accountability System

I want to pause for a moment on the final principle that I described: Accountability.

Governor Wolf believes that it is time for a renewed focus on strong and fair accountability at all levels—for students, educators and schools. The Governor's budget includes clear accountability for the proposed increase in the basic education subsidy—with requirements that districts invest in the programs that are proven to work and that they be held accountable for the results using meaningful and transparent measures of student performance.

More broadly, the Governor hopes that this Commission and other members of the General Assembly will consider appropriate accountability measures that can be enacted in concert with the new basic

education funding formula. Let's look—together—at our accountability system, at what is working and what is not. This process should address both academic and fiscal performance and must recognize that school and district leadership are the lynchpin of effective transformation strategies.

Conclusion

Governor Wolf looks forward to the Basic Education Funding Commission completing its work by the June 10 deadline, and to working with the Legislature to enact a school funding formula by June 30, 2015, so that it can take effect for the 2016-2017 school year. As part of the funding formula's enactment, we should make clear what school districts can expect to receive in the formula's first year so that they and their communities can begin planning this fall.

Thank you again for the opportunity to appear before you today. The Governor is optimistic about the Commission's progress and grateful for your work and for the work of the education advocates and stakeholders who have appeared before you and are committed to helping us all enact a school funding formula that will enable our students to fulfill their greatest potential.