



**Testimony of David W. Patti  
President & CEO, Pennsylvania Business Council  
Before Pennsylvania Basic Education Funding Commission  
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Good morning. I appreciate the opportunity to address the Basic Education Funding Commission today on behalf of the more than 60 CEOs and senior executives who make up the Policy Roundtable of the Pennsylvania Business Council.

The Pennsylvania Business Council envisions a Commonwealth in which residents enjoy a very high quality of life in sustainable communities, where those who are seeking employment find high quality jobs with good compensation, and where those who invest their capital and hard work can grow firms that flourish and are profitable. The PBC Policy Roundtable, like its national counterpart in Washington, is a forum in which senior executives meet on a peer-to-peer basis to formulate public policy proposals to the most pressing issues of competitiveness. Recently we produced an online tool to guide state policymakers and inform the public by gathering and reporting 51 factors that drive the creation of private sector jobs and grow Gross State Product (GSP). You can find that work at <http://pascorecard.com>.

The Pennsylvania Business Council believes strengthening Pennsylvania's education, and career and post-secondary readiness are essential steps to make Pennsylvania more competitive and more able to retain and attract family sustaining employment opportunities.

We know the transformation through which Southwestern Pennsylvania traveled in the last 40 years.

We watched historic plants in the Mon Valley, Turtle Creek Valley, Ohio Valley and so many other areas in the region – mills and factories that employed 8,000 on a shift with three full shifts per day – shutter their bays and tear down their furnaces.

We watched whole towns disappear behind a wall of plywood and dilapidation.

And we watched Southwestern Pennsylvania rise again to be the home of robotics, information technology, advanced biotechnology, radical new medical procedures, sophisticated polymers, and innovative business strategies.

Nor, over the last 40 years, have the arts died. Even after Warhol left, the region produced gifted artists of all genres.

Powering the transformation of Southwestern Pennsylvania is education. Good schools: pre-K, elementary, secondary, community colleges, training academies, liberal arts colleges, and Tier 1 research institutions are making this region and the entire Commonwealth a prime location for world class companies and great jobs.

The strength of Pennsylvania's economy begins with the strength of its public basic education. 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. Let me repeat – and stress – the three modifiers I used to describe the funding:

- Funding must be adequate: adequate to provide an education that takes all of our students to the level expected by our state academic standards and assessed by our graduation requirements; adequate in the aggregate for our state system; adequate to the requirements of each school district; adequate to the needs of each school building; adequate to give equal educational opportunity to every Pennsylvania student.
- Funding must be fair: fair to taxpayers who are already burdened; fair in a manner that appropriately balances state and local resources; fair to school districts who have done their best to be frugal and effective with tax dollars; fair to students whose needs are determined by so many widely varying issues and conditions.
- Funding must be predictable: predictable so school administrators can plan appropriately over a reasonable time horizon; predictable so taxpayers are not subject to wild swings in their local tax demands; predictable so that principals and teachers will know what resources they will have available to them.

There must be accountability for school funding. We appreciate that state and local resources are constrained. 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.

PBC's *Pennsylvania Scorecard* shows that in recent years, the Commonwealth's students are becoming more proficient in educational fundamentals such as language arts and mathematics as measured by the National Assessment of Educational Progress (NAEP). Our high school graduation rates are improving, and more Pennsylvanians are attaining bachelor degrees.

This is great news. But there is a cautionary tale as well: a report released in recent weeks by the American Institute of Research, Educational Equity, Adequacy, and Equal Opportunity in the Commonwealth: An Evaluation of Pennsylvania's School Finance System<sup>i</sup> affirms that proficiency is improving among Pennsylvania students. But, warns the report, proficiency is not even across our 500 school districts or even within school districts across buildings. Moreover, while proficiency is generally rising, proficiency is not rising at an even rate for all school or for all sub-populations.

You know the expenditure data well. Pennsylvania spends billions in local, state, and federal dollars on education. Pennsylvania spends more of its GSP on education than many states and has largely been increasing spending for decades. But again, the "big picture" doesn't tell the whole story. The AIR study does an excellent job of documenting that spending is uneven across our 500 districts, uneven within districts, and uneven as it impacts the educational attainment of individual students.

The perception of high aggregate education spending in Pennsylvania is enhanced by significant local spending in some districts. Not all districts, however, have this capacity. Moreover, AIR finds that there is a greater concentration of students with significant special or additional needs in some of the districts that have the least local resources.

Of course, when we discuss education spending we inevitably ask the question, “Who should pay?”

Basic education is the quintessential “public good.” Basic education is necessary for all citizens. Its “consumption” is determined by society as a whole, not the individual. The “consumption” of basic education by one student does not limit the availability of basic education for other students. Basic education is provided in full measure without consideration of a student’s ability to pay for it. 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. Public goods are not funded by levies on a single or special class of taxpayer. All Pennsylvanians must share in paying for public basic education. All of us – local and state taxpayers, individuals and businesses, parents and neighbors – share the responsibility for making sure that all our children have a fair opportunity to meet the academic standards they need to succeed. All of us share responsibility for building a future workforce that is productive and competitive with the rest of the world, so that we can all move forward.

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. House Bill 1738 which created your Commission outlined some factors to be considered. There may be other factors. But this is the right approach.

We need to acknowledge that there are certain fixed costs to providing a high quality, rigorous education.

We need to acknowledge that our funding challenges are exacerbated by the high number of separate school districts and the difficulty – in some districts – of reaching economies of scale. Our funding challenges are made more onerous by population concentrations in which special needs and student circumstances generate disproportionate added costs. Our funding challenges are complicated by legacy costs imposed by years of combined decisions that in some – but by no means, all – instances include neglect, mismanagement, ill-conceived bargaining, bad labor practices, and even corruption.

But, repeating and protracting bad funding decisions by ensuring continued funding that does not reflect current demographics is bad public policy.

I understand that what I am saying is not popular with everyone in this room and certainly not with everyone in this region of the state. But we have to look at local demographics: the economy of this region is stronger than it has been in decades; the firms are thriving at high levels; and we are an economic powerhouse in part because we are “leaner.” There are fewer people working in the large employers of the region; fewer people living in the region; and fewer students in our local schools.

I understand there are other – particularly rural -- regions of the state that have faced similar demographic changes.

Just as western Pennsylvania and portions of upstate Pennsylvania lost legislative districts over recent decades; our schools have lost students and with them a claim on state resources.

But: just as western and rural Pennsylvania continue to have a strong share of Pennsylvania’s political leadership and power, an appropriate funding formula can ensure these regions receive a fair share of Pennsylvania’s basic education funding.

Clearly we have to end the practice of “hold harmless.” And, clearly we have to do so in a phased approach that allows time for school districts to devise and implement strategies for a smooth transition to a more rational funding formula. And, clearly we have to craft a formula that distributes funds in a fair manner providing each school district with funds adequate to the needs of its students.

Let me end with these comments: funding alone will not improve Pennsylvania’s education system and ensure us of a population that is ready for post-secondary education and training; ready for careers; and ultimately ready to be productive citizens in a democratic society.

For those of you too young to remember the famous 1966 “Coleman Report,” I would recommend a quick review. Even with later criticisms – many well-founded – the basic findings stand-up to the test of time.

We have long known that parental and family – however defined – involvement in supporting education is a fundamental determinant of student success. Adequate, fair, predictable basic education funding is required, but does not replace strong family and community support for education.

We have long known that teacher quality is a determinant of student success. Training, recruiting, employing, retraining, motivating, and equipping high quality teachers takes funds. But money alone doesn’t make great teachers.

Recent political polemics notwithstanding, we have for several decades largely agreed that schools need rigorous academic standards; that these standards need to be uniform across the Commonwealth; and that we ensure that all students are educated to meet the threshold set by the standards.

This concludes my testimony. I am happy to take your questions. Thank you.

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<sup>i</sup> Baker, Bruce and Jesse Levin. Educational Equity, Adequacy, and Equal Opportunity in the Commonwealth: An Evaluation of Pennsylvania’s School Finance System. San Mateo, CA: American Institutes for Research, October 2014.