

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE HEARING
BUDGET HEARING

STATE CAPITOL
MAJORITY CAUCUS ROOM
HARRISBURG, PENNSYLVANIA

MONDAY, MARCH 3, 2008, 2:10 P.M.

VOLUME V OF V

PRESENTATION ON DEPARTMENT OF EDUCATION

BEFORE:

HONORABLE DWIGHT EVANS, CHAIRMAN
HONORABLE MARIO J. CIVERA, JR., CHAIRMAN
HONORABLE STEPHEN E. BARRAR
HONORABLE CRAIG A. DALLY
HONORABLE GORDON R. DENLINGER
HONORABLE BRIAN ELLIS
HONORABLE DAN B. FRANKEL
HONORABLE JOHN T. GALLOWAY
HONORABLE WILLIAM F. KELLER
HONORABLE THADDEUS KIRKLAND
HONORABLE BRYAN R. LENTZ
HONORABLE TIM MAHONEY
HONORABLE KATHY M. MANDERINO
HONORABLE MICHAEL P. MCGEEHAN
HONORABLE FRED McILHATTAN
HONORABLE DAVID R. MILLARD
HONORABLE RON MILLER
HONORABLE JOHN MYERS
HONORABLE CHERELLE PARKER
HONORABLE SCOTT A. PETRI

1 BEFORE: (cont.'d)
2 HONORABLE SEAN M. RAMALEY
3 HONORABLE DAVE REED
4 HONORABLE DOUGLAS G. REICHLEY
5 HONORABLE DANTE SANTONI, JR.
6 HONORABLE MARIO M. SCAVELLO
7 HONORABLE JOHN SIPTROTH
8 HONORABLE MATTHEW SMITH
9 HONORABLE KATIE TRUE
10 HONORABLE GREGORY S. VITALI
11 HONORABLE DON WALKO
12 HONORABLE JAKE WHEATLEY, JR.

13
14 ALSO PRESENT:
15 MIRIAM FOX
16 EDWARD NOLAN

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DEBRA B. MILLER
REPORTER

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1 CHAIRMAN EVANS: I would like to reconvene
2 the House Appropriations Committee meeting.

3 This is, in my view, and I think every
4 member up here, the most important section of the
5 budget. There is no other section that is more
6 important than this discussion today relating to the
7 proposed budget that the Governor has recommended as
8 well as for what education means to all.

9 But we have some visitors here.
10 Representative McIlhattan, do you want to introduce
11 them? You have all your district up here, don't you?
12 Is this your entire district you have up here?

13 REPRESENTATIVE McILHATTAN: Just about.

14 CHAIRMAN EVANS: Is this your entire
15 district? Is anybody back in the district?

16 REPRESENTATIVE McILHATTAN: Nobody today.
17 They all came down on the bus.

18 CHAIRMAN EVANS: Do you want to at least
19 introduce them?

20 REPRESENTATIVE McILHATTAN: Yes. I would
21 like to say that the Keystone School District is the
22 district I grew up in, and in fact it is the district
23 I still reside in.

24 We had 200 students come down today -- I am
25 proud of them -- who came down for this hearing. A

1 lot of them are in this room and the others are in
2 the fill-in down in 60 watching it on TV. And they
3 are here today, number one, to watch the process, and
4 number two, to send a message to us that they are
5 really concerned about their education and what is
6 going to happen in this new funding formula.

7 Mr. Secretary, they are in one of those 1.5
8 groups that are really going to be hit tremendously
9 hard, and we need to discuss that later on today.

10 And Mr. Secretary, Jean Gool, the
11 superintendent, is with us. Jean, do you want to
12 stand and be recognized? I'm sure you'll be here for
13 comments later on.

14 So I just wanted to introduce those folks to
15 you. I'm proud of them and want to thank them for
16 coming.

17 Thank you, Mr. Chairman.

18 CHAIRMAN EVANS: You're welcome.

19 What I would like to do, Mr. Secretary, as
20 you know, we don't take any testimony; we go right to
21 the questions from all of the members on the
22 committee. They get to ask you your questions, and
23 then after you finish, you know, your testimony, then
24 we will bring up the panel of superintendents who are
25 here and have some dialogue and discussion with them

1 also.

2 SECRETARY ZAHORCHAK: Can you start from the
3 beginning with that, Mr. Chairman?

4 CHAIRMAN EVANS: We go right to questions to
5 you.

6 SECRETARY ZAHORCHAK: You are going to skip
7 the testimony?

8 CHAIRMAN EVANS: Yes, skip the testimony.
9 You can put that in for the record.

10 SECRETARY ZAHORCHAK: All right.

11 CHAIRMAN EVANS: This is a hungry group;
12 they want to get right to the questions.

13 SECRETARY ZAHORCHAK: Well, that is
14 appreciated. I do want to say there's a fairly
15 complicated new funding formula in the testimony that
16 I not only want to have on the record, at some point
17 we are going to have to have a conversation about the
18 elements of that funding formula.

19 So I think that part of the testimony might
20 be best read up front, but, Mr. Chairman, of course
21 I'm here for you.

22 CHAIRMAN EVANS: The Chairman convinced me
23 with some arm-twisting, and he is going to ask you a
24 question. But I would like to start off with a
25 question, and then you will get the chance to talk a

1 little bit about the basic formula.

2 The question that I would like to ask is,
3 the Governor under this budget is recommending a
4 6-percent overall increase in basic education. Have
5 you, in your mind and within the department, looked
6 at the aspect of what type of impact that that could
7 have upon the kids of the Commonwealth of
8 Pennsylvania in terms of increased test scores, other
9 kinds of activity? You know, have you figured out
10 what an increase will mean of that nature?

11 SECRETARY ZAHORCHAK: Well, thanks for the
12 question.

13 Of course this budget, as budgets past,
14 collectively gives school districts the funds they
15 need, or begins to give school districts the funds
16 they need to get children ready for school, to ensure
17 that children have early childhood programs that are
18 appropriate, so they come out of the first and third
19 grade ready for the rest of their education, and it
20 focuses on high school and the transition from high
21 school, getting ready for college or careers.

22 There is a lot in between all of that, but
23 this budget indeed is a budget that continues the
24 steps along the way. And I have to say that because
25 of your efforts collectively as a Legislature, with

1 the Governor's partnership and following the good
2 leadership that I think this education Governor has
3 brought to Pennsylvania, we have been recognized for
4 all of those efforts.

5 We are being recognized most recently by
6 Quality Counts, which is the Education Week
7 newspaper, as an anomaly. We are making progress
8 against all criteria, and we are only three States
9 receiving a higher grade on the Quality Counts
10 report.

11 We are fifth in the nation in terms of
12 achievement in the Quality Counts report; also, first
13 in the nation in terms of improvement of what we have
14 done for early childhood education. And remember, it
15 was just 6 years ago we were one of the few States
16 not taking responsibility to invest in early
17 childhood education.

18 So we are making progress. That progress is
19 being recognized. I can tell you of other
20 recognitions for the progress you are making because
21 you are making the investments.

22 And believe this: Every dollar we invest of
23 course has returns long term -- and we will get into
24 that, I'm sure, as the questions go -- the kinds of
25 returns on investments when you invest in education.

1 But I think, undoubtedly because of your actions in
2 the past 5 years, I'm obviously among a lot of choir
3 members in terms of getting that investing in
4 education has economic implications for the
5 individual child but also for all of us as a
6 Commonwealth.

7 CHAIRMAN EVANS: Can you then take some time
8 and explain this new proposed formula that you have?

9 This committee, we are doing this jointly
10 with the Education Committee. I don't know if the
11 chair, Chairman Roebuck, as well as Chairman Jess
12 Stairs -- they are not here, but I know that their
13 staffs are here, so we are doing this in conjunction
14 with the Education Committee.

15 So can you take some specific time and tell
16 us exactly how that formula would benefit the
17 children of the Commonwealth of Pennsylvania?

18 SECRETARY ZAHORCHAK: Sure, and thank you.

19 The proposed budget introduces a school
20 funding formula that is based on your landmark
21 costing-out study that is designed to raise student
22 achievement by investing in programs that are proven
23 to help students learn.

24 You commissioned the costing-out report to
25 answer the long-debated question of what it costs to

1 give our school districts the resources they need to
2 get 100 percent of the students to adequate levels
3 measured by State standards by the year 2014.

4 The adequacy target, that cost that you need
5 to each school district, was the missing piece of the
6 puzzle, and now, for the first time ever, we finally
7 have it.

8 Step one of the proposed funding formula
9 takes the results of the costing-out report and
10 calculates an annual adequacy funding target for
11 every school district. Your report laid out a very
12 clear formula for determining each school district's
13 adequacy target.

14 It starts with a base funding amount for
15 every student, increases the target for each student
16 who is low income or has limited English proficiency,
17 since extra resources are needed to enable these
18 students to succeed, and then adjusts each school
19 district's target based on its size, recognizing that
20 smaller school districts cannot achieve the same
21 economies of scale as larger school districts, and
22 based on the cost of living then in each region of
23 the Commonwealth.

24 It is important to note that for the first
25 time in more than a decade and a half, this proposal

1 would use annually updated enrollment figures for
2 each school district.

3 As a result, it contains permanent growth
4 supplements built into the formula, while also
5 balancing the needs of school districts with
6 declining enrollments through a weighted 5-year
7 average of enrollment.

8 And then step two of the proposal compares
9 each school district's funding target to its actual
10 spending and then determines an appropriate State
11 share of the resulting funding gap.

12 We believe the State's contribution toward
13 closing the adequacy gap should give the most
14 assistance to communities that already have the
15 highest local taxes and the least local wealth.

16 The total State share of the adequacy gap is
17 \$2 billion based on '06-07, or just over 51 percent
18 of the total gap.

19 Governor Rendell's 6-year plan for meeting
20 our State's commitment anticipates a total investment
21 of \$2.6 billion by 2013-14 to reflect inflation and
22 changing enrollment patterns.

23 The Governor's '08-09 education budget
24 provides \$291.3 million, a nearly 6-percent basic
25 education increase, as a crucial first step in

1 meeting the State's commitment.

2 And I want to emphasis that at the same time
3 as we are proposing a dramatic investment and new
4 school funding formula on the General Assembly's own
5 report, Pennsylvania is simultaneously poised to make
6 historic progress in cutting local property taxes
7 that have increased as a result of our broken school
8 funding system since the 1990's.

9 In '08-09, State-funded tax relief is
10 projected to cut local property taxes by
11 \$854 million, a total local benefit of over
12 \$1 billion when you add \$291 million and basic
13 education funding increases.

14 By 2014, we are projecting to deliver over a
15 billion dollars of annual property tax relief, along
16 with \$2.6 billion in proposed additional investments
17 in student achievement under the new funding formula.

18 It's a total of \$3.7 billion in total local
19 benefits. Both our property tax relief and new
20 school funding formulas are targeted to communities
21 with the highest taxes and greatest need.

22 So after we determine the gap and the
23 State's portion, the third step of the proposed
24 funding formula ensures that our State school funding
25 investment results in additional services for

1 students based on what we know about boosting student
2 achievement.

3 School districts should be able to use any
4 annual increase they receive up to the rate of
5 inflation, the Act 1 inflation index, for regular
6 operation purposes. Any amount that they receive
7 above the inflation index must be invested with
8 confidence that it will improve student learning.

9 Eighty percent of the funds above the Act 1
10 inflation index must be used to expand programs and
11 services that exist or launch new programs and
12 services that do the following: provide extra time
13 for learning, such as tutoring or a longer school day
14 or school year; expose students to new and more
15 rigorous courses; train teachers and other school
16 employees; reduce class size; provide for
17 prekindergarten and full-day kindergarten
18 experiences; recruit effective teachers and
19 principals; and reward performance for
20 superintendents and principals.

21 The remaining 20 percent is split two ways.
22 Ten percent can be used to maintain existing programs
23 that accomplish these goals or for essential one-time
24 costs, and the other 10 percent can be used for other
25 promising programs or for one-time costs.

1 Our goal is straightforward: target
2 investments into proven programs that directly impact
3 student achievement, and under our proposal, all
4 districts that receive a funding increase above the
5 inflation index would be required to submit plans
6 showing how they plan to use the new resources for
7 those purposes. The Department of Ed will be able to
8 review the plans and make suggested recommendations.

9 The strongest accountability, though, is
10 reserved for the academically challenged school
11 districts, those that are identified for warning,
12 improvement, or corrective action or that have
13 schools identified for school improvement or
14 corrective action.

15 In these districts, 55 in 2008-09, the
16 Department of Education must approve the district's
17 plan for investing the new taxpayers' resources.

18 If we are serious about helping all students
19 succeed, and I know we are, then we must take the
20 steps and action this year to put Pennsylvania on the
21 path toward a real school funding formula with
22 appropriate safeguards to ensure the new resources
23 mean more services closest to the child.

24 CHAIRMAN EVANS: Thank you.

25 Chairman Civera.

1 CHAIRMAN CIVERA: Thank you, Mr. Chairman.

2 Welcome, Mr. Secretary.

3 SECRETARY ZAHORCHAK: Thanks very much.

4 CHAIRMAN CIVERA: As you read that, your
5 formula statement there and how we put these together
6 and to work on the 501 school districts in
7 Pennsylvania, what I wanted to ask you, on your last
8 paragraph that you read to the group today, the
9 school district that acquired the inflation rate of
10 over 4.4, which would be the school district that I
11 represent, would get that type of dollar.

12 Prekindergarten, you are saying that that is
13 mandated by the State that they would have to have
14 prekindergarten? Did I understand that correctly?

15 SECRETARY ZAHORCHAK: No, Mr. Chairman.

16 CHAIRMAN CIVERA: Okay.

17 The proposal that comes from the Department
18 of Education when a school district -- there are
19 probably about 140 of those school districts that
20 qualify, what I can see of the inflation rate over
21 4.4. The program that they would submit to the
22 Department of Education would be reviewed by the
23 Department of Education, and then is the Department
24 of Education mandating that they have to do certain
25 things within those 140 school districts?

1 SECRETARY ZAHORCHAK: Those districts would
2 have complete control of how they are spending that
3 money inside that framework that I read from in my
4 testimony, so they can increase tutoring. They can
5 use money for professional development. They can
6 increase the program for kindergarten from half day
7 to full day if they wanted to. They could add
8 prekindergarten. If they wanted to, they could add
9 more rigorous courses at the high school level, those
10 kinds of things.

11 CHAIRMAN CIVERA: But basically the menu
12 that you are giving, that you are looking at, those
13 school districts would have to respond within that
14 menu of some type of latitude one way or the other as
15 far as the courses that they would have to be giving
16 to those individuals in those individual school
17 districts.

18 I just want to be clear, is it a mandate?
19 Is it something that you are recommending, or is it a
20 menu that you have to follow? They may do this or
21 they may do that? That's what I'm basically asking
22 you.

23 SECRETARY ZAHORCHAK: Chairman, that's a
24 great question, and let me tell you, it is about
25 proven practices that we know will help school

1 districts that are receiving these funds.

2 And school districts already know these
3 things. We have been using the accountability block
4 grant funds for these types of programs and other
5 funds. So when you tutor a child, or when you start
6 professional development against the curriculum that
7 is used by the district, or when you add courses to
8 increase the rigor, all of those things are things
9 that the school districts know are the kinds of
10 things that are going to increase student
11 achievement, and it is our way of knowing that the
12 dollars that are in excess of the inflation rate are
13 used closest to the child.

14 CHAIRMAN CIVERA: Okay.

15 Now, I have been trying to comprehend this,
16 and it is a change. I mean, the last time that we
17 changed the formula for education in this General
18 Assembly or in the State I believe was 1991.

19 The local tax base, in any way does this
20 formula affect that local base as far as, do the
21 individual school districts have to tax more into the
22 local areas? Does it in any way require of -- like
23 some formulas, if you were at 100 percent of
24 taxation, there was some relief or there was some
25 added. Is there anything that will affect that local

1 tax base whatsoever in this new adjustment?

2 SECRETARY ZAHORCHAK: Well, I think the
3 formula, when put in the context of what your
4 business has been about, what the Governor has been
5 leading for many years, the formula fits well.

6 One, it provides for a very fair, reliable,
7 predictable way for schools to know what part of
8 their budget is coming from the State.

9 Another thing I think that is important to
10 understand is, simultaneously, we are providing
11 gaming funds for the first time ever, and because of
12 that, we are reducing the local needs for funds, but
13 we are also doing a number of other things led by
14 past budgets and our activities.

15 The local task force for reducing costs at
16 schools had a number of recommendations, are
17 encouraging districts to think about consolidating
18 efforts. Or even merging and consolidating school
19 districts will add to the local share portion of
20 that.

21 So while we are increasing, starting with
22 \$291 million, the funds that come from the State, we
23 are also watching the efficiencies by the school
24 districts come down. We are sort of encouraging
25 deflating the cost when we say, a common health-care

1 plan that came out of the Education Committee and now
2 is with your committee, those kinds of things
3 collectively bring down and show that we are being
4 good stewards at both levels, led by the Legislature,
5 led by the Governor's Office here in Pennsylvania.

6 CHAIRMAN CIVERA: Thank you, Mr. Secretary.

7 That will be all, Mr. Chairman.

8 SECRETARY ZAHORCHAK: Thank you, Mr.

9 Chairman.

10 CHAIRMAN EVANS: Keller.

11 REPRESENTATIVE KELLER: Thank you, Chairman

12 Evans.

13 Mr. Secretary, we have had many discussions
14 about this. I believe that the biggest problem in
15 the Philadelphia School District is the disruptive
16 and violent students and that we have to remove them
17 from the classroom and get them the necessary help
18 that they need. But I see you are requesting a
19 \$20 million cut in alternative schools?

20 SECRETARY ZAHORCHAK: As you know, it has
21 been a practice of the Legislature and the budgeting
22 process always that any demonstration grant going
23 back through multiple Administrations always comes
24 back to a zero count. So we begin the conversation
25 with all of those demonstration grants at zero, and

1 this is the cut that you are referring to.

2 REPRESENTATIVE KELLER: Yes, but my question
3 is, do you believe that in order to get the students
4 the help they need, we need alternative schools?

5 SECRETARY ZAHORCHAK: Yes; I really do think
6 that alternative education for disruptive students is
7 a good practice in any of the 501 communities.

8 Most peopled understand that when you look
9 at students who come into a school district,
10 regardless of where the school district is, there are
11 students who need smaller, more personable, wrapped
12 with a mental health or other services provided for
13 the need. It doesn't mean you are cutting the
14 student off; it means that you are caring about that
15 student really unconditionally. But in order not to
16 disrupt the environment, you have alternative
17 education programs going on across the State.

18 The State is making contributions to it in
19 multiple ways. One is, if we get to the costing-out
20 study with a formula that gets to adequacy, it is
21 built in. If we add then alternative education
22 moneys, it is another way of supporting the costs
23 that are necessary to do alternative education in
24 school districts.

25 So I am not absolutely anything but

1 encouraging school districts to think about ways to
2 best serve children.

3 REPRESENTATIVE KELLER: Well, if you feel
4 the same way we do, that these kids need help, how do
5 you propose we get it if we are not requesting the
6 \$22 million for alternative education?

7 SECRETARY ZAHORCHAK: We still have the safe
8 and alternative education appropriation in the
9 budget. It is almost \$24 million. So that
10 appropriation stays in the budget.

11 REPRESENTATIVE KELLER: But we cut
12 \$22 million, or are we just flip-flopping?

13 SECRETARY ZAHORCHAK: John, do you want to
14 answer?

15 MR. GODLEWSKI: We have two line items in
16 our budget---

17 CHAIRMAN EVANS: Could you introduce
18 yourself for the record?

19 SECRETARY ZAHORCHAK: I'm sorry. This is
20 John Godlewski, and John is the Budgeting Chief at
21 the Department of Education.

22 MR. GODLEWSKI: In our budget for this
23 current year, we have a line item called alternative
24 education demonstration grants, \$17 1/2 million.
25 Again, that was a legislative initiative line item

1 that was added in the budget.

2 In budgeting for '08-09, all lines
3 associated or all increases associated with
4 legislative initiatives are eliminated from the
5 budget as we start out the process.

6 REPRESENTATIVE KELLER: So you are telling
7 me that you do agree that this is a good program,
8 this is a way to get our children educated, but the
9 Legislature is going to have to put the money back
10 in?

11 SECRETARY ZAHORCHAK: Well, I think more
12 importantly than that, because as we go toward the
13 costing-out study and we start adequately funding
14 schools, things like ELL, challenges for low-income
15 students, et cetera, the cost of doing business in
16 schools to get students, all students, to 100 percent
17 is factored in.

18 So I think, if you asked about the
19 priorities, the priorities are always going to come
20 back to, let's do a funding system that is based on
21 what we know is an adequate number to get those
22 students -- all students that is -- to proficiency by
23 2014.

24 So that is not a new target; it is not
25 anything different, but for the first time ever, we

1 have a formula proposal that changes everything.

2 REPRESENTATIVE KELLER: I'm one of the kids
3 you are talking about. I guess I was not a good
4 student.

5 Do you believe that the \$17 million that the
6 Legislature put in last year did its job in getting
7 help to the kids, the violent and disruptive kids, in
8 the Philadelphia School District?

9 SECRETARY ZAHORCHAK: Well, absolutely.

10 With respect, Representative, we believe
11 that all children need to be coming toward
12 proficiency. All demonstration grants come back to
13 zero.

14 So any one of those line items that we talk
15 about that are demonstration grants, we are going to
16 talk about them coming back to zero, but I'll also
17 give you my values in terms of getting all kids --
18 and "all" means all -- to 100 percent and throwing
19 none to the streets of their own accord.

20 REPRESENTATIVE KELLER: Well, the Chairman
21 is not going to gave me that much time. We'll have
22 that discussion later, because I believe that does
23 get all kids to proficiency, to get the kids who are
24 disruptive in the classroom out, get them the help
25 they need. That helps the other kids get the

1 proficiency.

2 So you can't say we are not helping all kids
3 by helping the disruptive children.

4 SECRETARY ZAHORCHAK: I would agree.

5 REPRESENTATIVE KELLER: And we'll wait for
6 the Legislature to put it back in. Is that---

7 SECRETARY ZAHORCHAK: It's the normal
8 process. You understand that much better than I do.

9 REPRESENTATIVE KELLER: No, I don't, not
10 when it comes to children's education. No, I don't.

11 All right. Another question, Mr. Chairman?
12 Thank you.

13 A number of years ago, in a bipartisan
14 manner, myself, Representative Kenney, who is here
15 today, Representative Taylor, Representative
16 Butkovitz, and Representative Marie Lederer, it took
17 us about 3 years, but we got Act 26 passed, all
18 right? And it was no easy going.

19 As a matter of fact, Speaker Ryan had to
20 issue subpoenas to get the Philadelphia School
21 District to cooperate. All right? One of the main
22 things we got accomplished was the Safe Schools
23 Advocate, which is under your department. Is that
24 correct?

25 SECRETARY ZAHORCHAK: Correct.

1 REPRESENTATIVE KELLER: All right.

2 This act provided the Advocate to make
3 recommendations to the Legislature on the impact of
4 private litigation consent decrees that we entered
5 into with the Education Law Center. Thirty years
6 ago, those consent decrees went in.

7 One of the things we found out when we
8 worked on this problem was that one of the consent
9 decrees made it a 27-step process to remove a
10 student, a disruptive or violent student, from the
11 classroom. Every other school district has a
12 five-step process.

13 We were supposed to get a report back on
14 that process. I haven't seen it yet. Do you know
15 anything about that?

16 SECRETARY ZAHORCHAK: Well, we are waiting
17 for that report as well. So I can only tell you that
18 we are working with the Advocate to develop the
19 report. It's a report, as you know, the Advocate
20 provides to the Department of Education, and we
21 provide it to you.

22 We are working well with school safety in
23 all school districts and with the School District of
24 Philadelphia. We have done a lot to go back to the
25 consent decree and the amended version of the consent

1 decree.

2 We have had meetings in the School District
3 of Philadelphia regarding due process for children.
4 We found that mostly, as you have been saying, it is
5 mostly about giving due process to children who are
6 charged with any type of misbehavior that is going to
7 lead to an out-of-school suspension or a longer-term
8 suspension or maybe an expulsion, and just ensuring
9 that we are going to provide students with the
10 opportunity to be heard before a decision is made
11 about whether or not we are going to exclude them
12 from regular education where they go.

13 So in addition, we follow the consent decree
14 in terms of getting the committees and lots of
15 collaboration about planning. And we have been about
16 good planning with the school district, with
17 representatives from the Teachers Association, from
18 the principals of the school districts,
19 Administration, the police involved, school district
20 police and others, all around the table making sure
21 we are planning. We are planning for general school.
22 We are planning for how we treat due process, how we
23 treat children with special needs. It is not unlike
24 a lot of the work in any other school district, but
25 it is something that we are paying particular

1 attention to.

2 We have received a \$660,000 grant for a
3 school-based community policing initiative. We
4 provide a grant for a million dollars to the 40 most
5 troubled schools in Philadelphia, the Single School
6 Culture Initiative, it is called, where we are trying
7 to get common language about the practices on school
8 behavior so we can deescalate a lot of negative
9 behavior. And the city also, we have the Student
10 Government Peace Corps Initiative with a \$50,000
11 grant.

12 So we are engaged. We are taking it very
13 seriously that we need to set the kind of social and
14 emotional context in school districts across the
15 Commonwealth that create wellness for readiness for
16 learning.

17 REPRESENTATIVE KELLER: That's very nice,
18 and the Chairman is going to cut me off. I have one
19 more question.

20 That report, how long is it going to take?
21 It has been over 4 years.

22 SECRETARY ZAHORCHAK: We have been saying
23 the same thing, and we are working hard with the
24 Advocate to get that report. I can give you a
25 follow-up to this question by the end of the day

1 today---

2 REPRESENTATIVE KELLER: Okay.

3 SECRETARY ZAHORCHAK: ---to let you know
4 where we are at specifically with that.

5 REPRESENTATIVE KELLER: And also in the act
6 -- remember, this is Act 26; this isn't Suggestion
7 26.

8 SECRETARY ZAHORCHAK: Correct.

9 REPRESENTATIVE KELLER: This is a law, all
10 right?

11 The act also requires the Advocate to
12 prepare an annual report, right? It directs copies
13 to go to district superintendents, the Secretary of
14 Education, the Chairmen of both the Senate and the
15 House Education Committees. When will that report be
16 sent to the appropriate committees?

17 SECRETARY ZAHORCHAK: Well, it's the same
18 answer. We are working with the Advocate.

19 REPRESENTATIVE KELLER: Look, Mr. Secretary
20 -- Mr. Chairman, I'm sorry.

21 The report, it's not a suggestion. It is
22 supposed to be out. We have never seen them. This
23 is very important, education in Philadelphia.

24 I want to see those reports. It is not a
25 suggestion. It says it in the act; you have to get

1 that report, the annual report, to the committees.
2 We don't see it. If you want, we'll bring the
3 Advocate in here and ask him where is the report. I
4 would like to see the reports.

5 SECRETARY ZAHORCHAK: Well, we are working
6 with the Advocate, and we are working to get the
7 report to you from the Advocate.

8 That is a responsibility of his. You
9 realize, too, that the Advocate is part of our
10 organization as a Department of Education, has
11 protocols that we expect him to report like any other
12 employee of our 800 to a particular supervisor, and
13 ultimately work in cooperation with us.

14 We are pushing. I don't want to get into
15 personnel issues with you, good or bad, about any one
16 of our employees, but---

17 REPRESENTATIVE KELLER: Oh, please, do,
18 because the Advocate has been advocating. He has
19 been doing his job. That is why we did Act 26. We
20 wanted to put it under the Attorney General and not
21 in the Department of Education.

22 I'm sorry, Mr. Chairman. Can I get an
23 answer?

24 CHAIRMAN EVANS: Okay. Can you give like a
25 yes-or-no answer? That is what I am asking.

1 SECRETARY ZAHORCHAK: Okay.

2 CHAIRMAN EVANS: Can you just give a yes or
3 no?

4 SECRETARY ZAHORCHAK: Yes, I can give a
5 yes-or-no answer.

6 CHAIRMAN EVANS: Okay.

7 Then the only thing I need to do is, when
8 will you have the report ready?

9 SECRETARY ZAHORCHAK: Well, we are hoping to
10 have the report as soon as possible, and---

11 CHAIRMAN EVANS: Give me -- that's not it.
12 Can you give me---

13 SECRETARY ZAHORCHAK: I'm saying it is
14 really contingent upon the Advocate's work.

15 CHAIRMAN EVANS: Okay; I understand.

16 Let me say this to you, because he is the
17 vice chair of the committee. I will have that
18 conversation with you. We will figure out a date
19 certain.

20 SECRETARY ZAHORCHAK: Yeah; sure.

21 CHAIRMAN EVANS: I'll work it out.

22 SECRETARY ZAHORCHAK: I don't have that
23 today, and I apologize for that. I appreciate the
24 question, though. I think it is the right question.

25 CHAIRMAN EVANS: But let me say to the

1 members of the committee, if my math is correct, if I
2 did multiplying with like 14 members and you multiply
3 it by five or whatever, I need members to police
4 themselves. I need members to police themselves. We
5 have guests back there; we want them to give us their
6 reaction.

7 And my suggestion to you, Mr. Secretary,
8 like if you could do yes or no. That's always the
9 best way to do it, do yes or no, and we can move this
10 process through. I want to be very open, because
11 this is important. Thank you.

12 Miller.

13 REPRESENTATIVE MILLER: Thank you, Mr.
14 Chairman. I'm afraid these aren't yes-or-no
15 questions.

16 CHAIRMAN EVANS: I understand. I know it's
17 not. I'm trying; I'm trying again.

18 REPRESENTATIVE MILLER: Mr. Secretary, I
19 appreciate the fact that we are looking at a formula
20 change, and I love spread sheets, so I need your help
21 with this formula.

22 SECRETARY ZAHORCHAK: Okay.

23 REPRESENTATIVE MILLER: On calculating the
24 adequacy target, can you tell me what a modified ADM
25 is? I believe that's a fairly new term, something we

1 haven't discussed before. What is a modified ADM?

2 SECRETARY ZAHORCHAK: Sure.

3 REPRESENTATIVE MILLER: You talked about a
4 5-year average.

5 SECRETARY ZAHORCHAK: Yeah; you bet.

6 What we do is, we go to the most recent data
7 set that we have for student attendance as opposed to
8 relying on 1991 student attendance data. We come to
9 the most recent year, and for the first time ever, we
10 are using real enrollment figures and going 5 years
11 back and then modifying it so the most recent year
12 collected that we have gets the heaviest weight.

13 REPRESENTATIVE MILLER: What are those
14 weightings for the 5 years?

15 SECRETARY ZAHORCHAK: So we go from the
16 closest year and have .52 -- and, John, you can check
17 me on this -- and then the next year going back .26,
18 .13, .06, and .03.

19 REPRESENTATIVE MILLER: Okay. And then you
20 come up with this modified ADM, which I understand
21 would provide for growth and it would also take away
22 the hold harmless, but it would soften the blow over
23 a 5-year period and it would not be immediate.

24 The next column is a poverty supplement.
25 I'm guessing, now my spread sheet says that is based

1 on free and reduced lunch.

2 SECRETARY ZAHORCHAK: That is correct.

3 REPRESENTATIVE MILLER: Is that the best
4 measurement of poverty in a school district,
5 recognizing, especially when you get to senior high,
6 there's a stigma and a lot of kids don't want to
7 participate, especially if they are in a district
8 where there aren't a lot of students getting the free
9 and reduced lunch. Is that the best---

10 SECRETARY ZAHORCHAK: I think that is the
11 best method we have, because that data comes
12 annually, it is on time, and it is income generated.
13 So to be qualified for free and reduced lunch, income
14 generated, yes.

15 REPRESENTATIVE MILLER: Can you explain the
16 district size supplement, how that was derived?

17 SECRETARY ZAHORCHAK: Well, our smallest
18 districts would get the 20 percent, average-sized
19 districts would get 10-percent extra.

20 REPRESENTATIVE MILLER: And then there are
21 districts that get nothing?

22 SECRETARY ZAHORCHAK: Because of economies
23 of scale, the suggestion of the costing-out formula
24 was that it costs more to try to do business in the
25 smaller school.

1 REPRESENTATIVE MILLER: And this is formula
2 driven?

3 SECRETARY ZAHORCHAK: Yes.

4 REPRESENTATIVE MILLER: Okay.

5 ELL, the multiplier, is based, well, on the
6 reporting data to you, on the number of students that
7 are English-language learners, and it is some type of
8 a multiplier put in on that line.

9 On the geographic price adjustment, can you
10 explain that us to? Is that like a cost-of-living
11 index?

12 SECRETARY ZAHORCHAK: That is exactly that,
13 the cost-of-living index across the Commonwealth
14 county by county.

15 REPRESENTATIVE MILLER: I note in some of
16 these school districts on the spread sheet -- and
17 this is formula driven also, is it not?

18 SECRETARY ZAHORCHAK: Correct.

19 REPRESENTATIVE MILLER: So I note that there
20 are school districts that are zero, but there are
21 also school districts that are negative numbers.

22 SECRETARY ZAHORCHAK: That is right.

23 REPRESENTATIVE MILLER: Well, I have a
24 question: Why in the geographic price adjustment do
25 we, when the formula says minus, we deduct it from a

1 school district, but in the formula driven on the
2 district size, when the formula says minus, we give a
3 zero. Why is it not formula driven there also?

4 And I guess I could say on the district size
5 supplement, the formula says that the School District
6 of Philadelphia is a minus 0.128 but they don't lose
7 anything; they get a zero. But on the geographic
8 price adjustment -- we can pick one -- Clarion Area
9 School District is a minus \$687,000, and they take a
10 ding for \$680,000. So we are not really honoring the
11 formula, are we?

12 SECRETARY ZAHORCHAK: Yes, we are.

13 The formula that is in the costing-out study
14 is what we are using here. So I can tell you that
15 the cost of living is the cost of living and it
16 becomes a multiplier. Similarly, we multiple aid
17 ratio in that vein. Size adjustment is to reward or
18 add money to school districts that are smaller.

19 REPRESENTATIVE MILLER: So maybe the
20 formula--

21 SECRETARY ZAHORCHAK: The same thing with---

22 REPRESENTATIVE MILLER: ---of the
23 costing-out study is a little skewed or something
24 that it gave negatives instead of zeroes.

25 SECRETARY ZAHORCHAK: I think each one of

1 these categories, though, is different, from my
2 perspective on it, because, you know, you are getting
3 extra money if you have limited English students,
4 extra money for poverty students, extra money if you
5 have a smaller-sized district, and then, of course,
6 it is all eventually multiplied by your geographic
7 price cost of living.

8 REPRESENTATIVE MILLER: Okay.

9 If we go and accept that, that we now have
10 what is the adequacy target, then there is a bunch of
11 other modifiers. And you look at the spending gap,
12 and then we have the market value, aid ratio being
13 applied to it, the personal income aid ratio
14 equation, and then we come up with the State funding
15 target multiplier. And then we come up with a
16 category that is high-tax effort, and that is a
17 formula also, is it not?

18 SECRETARY ZAHORCHAK: That is correct.

19 REPRESENTATIVE MILLER: And it is basically
20 anybody over 24.7 mills, that gets a higher amount,
21 they get listed as a high-tax effort.

22 SECRETARY ZAHORCHAK: That is correct, on an
23 equalized millage.

24 REPRESENTATIVE MILLER: Well, if I unhide
25 the formulas in this spread sheet and I scan down

1 through, was there a clerical error that, yes, got
2 typed in in Philadelphia? There is no formula there?

3 SECRETARY ZAHORCHAK: No. The Philadelphia
4 School District's school board has no taxing
5 authority, so they can't control how much tax they
6 would tax the residents there, the municipal tax. It
7 is the only district like that. And in the School
8 Code, there are provisions for that municipal tax
9 being used.

10 REPRESENTATIVE MILLER: In this School Code
11 there are provisions for---

12 SECRETARY ZAHORCHAK: Coming up with the
13 municipal tax for equalized mills, and the School
14 District of Philadelphia is the only district that
15 uses equalized mills and the only district that has
16 no taxing authority for their school board.

17 REPRESENTATIVE MILLER: May ask that you
18 supply the committee Chairman with that reference in
19 the code to where we find that?

20 SECRETARY ZAHORCHAK: Sure.

21 REPRESENTATIVE MILLER: I'm unaware of that.
22 Real quick.

23 Well, I think I'm going to basically
24 conclude here just with a quick statement. I
25 appreciate the fact that we have a formula, and it is

1 a change.

2 I question a little bit of the changes we
3 made to a formula. Formulas are great when you know
4 what they are, they are going to be predictable, and
5 when we start changing things for certain areas like
6 this, it is how we ended up with such a mess in the
7 last formula. It really is.

8 SECRETARY ZAHORCHAK: May I, though?

9 Because if you are directing it to
10 Philadelphia, you are still understanding that in
11 6 years, every district's target is the same.
12 Nothing changes to get to 6 years of funding that
13 goes to that target. Not over the target, to that
14 target. So there is no difference in the formula,
15 how it is applied at all, as I see it.

16 REPRESENTATIVE MILLER: But there is a
17 significant difference this year and next year, and
18 it may work out in 6 years, but most of us may not be
19 here in 3, and this formula could change again. So
20 we need to look at the realities of what it does now.

21 Thank you, Mr. Secretary.

22 SECRETARY ZAHORCHAK: Thank you.

23 REPRESENTATIVE MILLER: Thank you, Mr.
24 Chairman.

25 CHAIRMAN EVANS: Manderino.

1 REPRESENTATIVE MANDERINO: Thank you, and
2 good afternoon, Mr. Secretary.

3 Let me just actually pick up, again talking
4 about the formula change, but ask kind of a next
5 question.

6 First of all, I applaud the Governor for
7 using the costing-out study as the basis. I think it
8 is the absolute right way to go, and I can't quibble
9 about all of the factors, but I think in general they
10 just make a heck of a lot of sense, the various
11 factors that we are weighing to get in there.

12 My question is, based on this 6-year plan
13 that the Governor has kind of put forward here, that
14 is not quite getting us, it is my understanding, to
15 the State being back up to at least 50 percent of the
16 funding for education. Is that correct?

17 And then the follow-up is, is that because
18 you thought that that was all the political will
19 there was? I mean, why did we lay out a 6-year plan
20 and not at least get to 50 percent?

21 SECRETARY ZAHORCHAK: Well, remember, we are
22 talking about a State and local partnership. The
23 costing-out study very clearly recognizes in its
24 context that revenues come from the State, they come
25 from local government and other sources, a smaller

1 percentage from the Federal government. Knowing
2 that, we have calculated the gap in step two, and we
3 calculate it based on aid ratio, equalized millage,
4 as multipliers times the gap number what the State
5 share should be per district, recognizing that we are
6 helping those most challenged economic districts that
7 have the highest tax burden.

8 REPRESENTATIVE MANDERINO: Right. Now, I
9 understand that and I understand that individual
10 school districts, and I represent two of them, one
11 that will be getting substantially more than 50
12 percent of their revenue from the State and one that
13 will be getting substantially less than 50 percent of
14 their revenue from the State.

15 SECRETARY ZAHORCHAK: Sure.

16 REPRESENTATIVE MANDERINO: But the overall
17 6-year plan, I understand, gets us to 45 percent. Is
18 that because you are assuming 5 percent is Federal
19 and then 50 percent is local, or--- Do you
20 understand what I'm saying? Why are we just a little
21 bit short of where everyone seems to think they
22 wanted to go?

23 SECRETARY ZAHORCHAK: Well, I think the
24 costing-out study provided the blueprint.

25 REPRESENTATIVE MANDERINO: Okay.

1 SECRETARY ZAHORCHAK: It gave us the
2 mechanism, the process, to get to those adequacy
3 targets, knowing that it is an effort from the State
4 and local government, and in great strides, because
5 just to keep at 34 where we started from several
6 years ago and now have made increases in the
7 percentage coming from the State, it caused
8 percentage increases every year, but then to improve
9 it.

10 So if we go from 32 to 33 percent State give
11 a couple of years back to 44 percent, that alone, to
12 me, is a significant change. The bigger change,
13 though, is the idea that it is predictable, reliable.
14 We know the target number, and it's the first time in
15 history we have had that number.

16 And remember, it was 1990-ish when the rural
17 and small schools were coming after the State for not
18 being thorough and efficient through the Supreme
19 Court's final decision that the Legislature should do
20 this.

21 You have done courageous work, and it is a
22 historic time in Pennsylvania of having a formula
23 that is based on adequacy numbers, the first time.

24 REPRESENTATIVE MANDERINO: Okay.

25 Again, looking at all 6 years together, when

1 we get to the end of the 6 years, assuming the
2 Legislature follows the blueprint that has been
3 outlined here, we are at 2-point-something billion
4 additional State dollars and an anticipated
5 2-billion-extra local dollars.

6 Where do those extra local dollars, or not
7 where do they but how do those extra local dollars
8 that will need to be raised interface with Act 1 and
9 the legislation that capped increases in school
10 spending unless they go to referendum, et cetera?
11 How do you see that interplaying across our 500
12 school districts?

13 SECRETARY ZAHORCHAK: Well, the nice news
14 is, we will know reliably what the State is going to
15 do for the next 6 years.

16 The nice thing also is, we know for certain
17 that school districts will be working to, one,
18 respect Act 1, but two, work in a variety of ways to
19 reduce costs led by the State's efforts -- the
20 health-care program, the consolidation and merging
21 efforts, the commonsense initiatives, everything that
22 we are doing to reduce costs, including, I think most
23 conspicuously, the money that is coming from gaming
24 on the property tax side.

25 We are going to be at historic levels, you

1 know, first of all, being able to bring \$854 million
2 in local property tax relief in 2008-09, including an
3 average of 185 in first-ever property tax reductions
4 for every home- and farmstead owner and extra relief
5 for the senior citizens.

6 We anticipate as we go forward, this will be
7 over a billion dollars annually coming at the
8 property side of it.

9 So you are helping in two ways. You are
10 increasing the State side of it, and you are
11 reducing, by the gaming money plus all of those
12 efficiency efforts, the money needed from local
13 property owners.

14 REPRESENTATIVE MANDERINO: My last question,
15 asked on behalf of my colleague, Representative Tom
16 Petrone, deals with private residential
17 rehabilitative institutions, which provide
18 residential treatment to children who have been
19 removed from their homes because of family crisis,
20 abuse, or neglect.

21 Representative Petrone has introduced
22 HB 1496 to address the administrative costs of these
23 institutes and allow them the same 10-percent rate at
24 which the Department of Ed currently reimburses the
25 approved private schools for administrative expenses,

1 viewing them as kind of different missions but
2 comparable in terms of the role they pay for our
3 education systems.

4 Have you looked at 1496? Does the
5 department support the legislation? And have you
6 estimated the cost or the dollar amount for this?
7 And will you support that additional money for the
8 PRRI rolls?

9 SECRETARY ZAHORCHAK: Well, two things.

10 One is, the proposed legislation is under
11 review in the department, and we are making
12 considerations.

13 And two is, we had these discussions for the
14 last couple of years in terms of the one-time, and up
15 front everyone knowing one-time high administrative
16 percentages that we knew would be there just for the
17 one-time introduction and now are no longer a part of
18 that.

19 So we are taking a look at it, yes, and we
20 will give a response to this committee or any others
21 who are interested.

22 CHAIRMAN EVANS: Representative McIlhattan.

23 REPRESENTATIVE McILHATTAN: Thank you, Mr.
24 Chairman.

25 Mr. Secretary, when I hear you talk, you

1 sort of herald this new formula as the second great
2 coming in public education. Let me share with you
3 some headlines in my local paper:

4 "Rendell's education budget throws local
5 districts into turmoil."

6 "Keystone launches protest against proposed
7 funding."

8 "Clarion Limestone joins protest over
9 proposed '08-09 funding."

10 An editorial in the newspaper by the editor:

11 "School districts need to team up."

12 So I guess back where we come from, this
13 isn't the greatest thing since the second coming.
14 And I guess -- I have a lot of students here today
15 from my school district. Our problem is, you know
16 that we are in the bottom of the rank. I have seven
17 districts. I think four of them get 1.5 and the rest
18 get a little bit. Everybody is under 2. And we
19 realize when we make some changes as monumental as
20 this, there certainly are some winners and some
21 losers, but I guess we got the feeling that we just
22 didn't lose, we got shut out of this game.

23 Sort of talk to us a little bit briefly and
24 explain to us why you think what you did and how it
25 affects my school districts is fair.

1 SECRETARY ZAHORCHAK: Well, it is actually
2 not what we did; it is what the report suggested to
3 us that we should do.

4 And you asked for a costing-out study that I
5 think was very courageous, because we know if we
6 wanted to discontinue the practice of having an
7 amount total shared by everyone equally, because each
8 of you have to go home to a particular place and then
9 come back with something more, that we never get to,
10 one, adequacy, and two, we take a slower route toward
11 equitable distribution of funds.

12 I don't think there are any losers at all
13 when we think about the Commonwealth in total. Our
14 kids will get to an adequate education, and we have
15 been about, I think, a fairly decent equitable
16 distribution of that system.

17 And a couple of things about the 1.5
18 districts that I think we should understand. One is,
19 if we were to increase 1.5 to 2 percent, districts---

20 REPRESENTATIVE McILHATTAN: Three would have
21 been better, but go ahead.

22 SECRETARY ZAHORCHAK: ---the districts would
23 get, on average, about \$27,000 more, those 1.5
24 districts. Some of them, like Quaker Valley, would
25 get \$5,600 more.

1 Individually, it hardly makes any
2 difference. Collectively, though, when we are
3 keeping that money away from schools that have for
4 decades, because of a really bad funding system, not
5 had the opportunities that other districts have had,
6 it hurts a lot trying to make that shift.

7 So the second point -- I said two on the 1.5
8 districts -- is, if you go along the way toward their
9 adequacy formula, those districts that have high tax
10 and lower wealth, next year, the year after, the year
11 after, going towards that sixth year, many of those
12 districts are going to see significant increases in
13 the funding percentage that is coming from the State.

14 REPRESENTATIVE McILHATTAN: You are telling
15 me then that looking down the line, we are going to
16 do better? This is the worst we are going to get and
17 we are going to do better next year and the next
18 year? Talk to me about that, quickly.

19 SECRETARY ZAHORCHAK: Well, I'm saying
20 generally speaking, a lot of the districts that are
21 1.5 are indeed districts that do better as you
22 increase the amount of money available for the
23 funding. When we go from the \$290 to \$400 million
24 year after year going forward toward 6 years,
25 districts are going to do better, and they are going

1 to be recognized for their tax burden and they are
2 going to be recognized according to the wealth.

3 REPRESENTATIVE McILHATTAN: The tax effort;
4 I mean, they are going to have to raise taxes to get
5 there, right?

6 SECRETARY ZAHORCHAK: Exactly.

7 REPRESENTATIVE McILHATTAN: You know, 1 mill
8 brings in \$50,000. I mean, we have a small rapport.
9 You know, our manufacturing base is gone. You want
10 to toll our interstate to even make it worse. I
11 mean, our scenario just keeps getting worse, and
12 that's the reason the people are here today. They
13 are really concerned.

14 Let's move on to another quick question.
15 The language in the School Code says that we are
16 supposed to do this costing-out study, and then the
17 costing-out study is supposed to go to the Senate and
18 House Education Committees and they are supposed to,
19 from that, develop legislation to deal with this
20 thing, and that is how we really thought this was
21 coming down.

22 Now all of a sudden we get this costing-out
23 formula I guess thrust on us. I guess my question to
24 you is, I have talked to the folks on our side of the
25 aisle and our staff that deal in education issues,

1 and I said, did you have any input into this formula?
2 I mean, what's going on here? They said, nope,
3 nobody talked to us; nobody asked us anything.

4 I guess what I'm saying is, it seems to be a
5 pretty small group in this huddle calling the plays.
6 Who are they? Can you tell us? Who put this great
7 second coming together?

8 SECRETARY ZAHORCHAK: Well, you as a
9 Legislature asked for a costing-out study.

10 REPRESENTATIVE McILHATTAN: I understand
11 that.

12 SECRETARY ZAHORCHAK: You have probably the
13 most reputable firm in the country, maybe the world,
14 that does this kind of work. They came in, collected
15 the data across Pennsylvania, and developed for the
16 first time in history an adequacy number per
17 district.

18 We are determined to get to filling the gap.
19 So it is a matter of just responding to the
20 costing-out study that you had.

21 Now, we have heard that people are
22 interested in studying the study, and I'm sure there
23 will be a group interested in studying the group that
24 studied the study, and we can get into a lot of
25 paralysis just by overanalyzing everything.

1 You went to the most reputable place you
2 asked for in the world to give you a costing-out
3 study that is reliable, one, that would be a fair
4 funding formula for the first time in history, that
5 superintendents could make predictions and rely on
6 what is coming as opposed to waiting for the whim of
7 those people who play every year. This is no longer
8 really in the control of anyone except the results of
9 the costing-out study.

10 REPRESENTATIVE McILHATTAN: Are you telling
11 me then that the folks that did the costing-out study
12 are the folks that gave us this formula?

13 Did they do it and just say, here's the
14 study; now here's the formula we recommend that you
15 implement? Is that what you are telling me? That's
16 the question I'm asking.

17 SECRETARY ZAHORCHAK: We came up with the---

18 REPRESENTATIVE McILHATTAN: "We." Now,
19 again, that's what I'm talking about. Who is in the
20 huddle? Who are "we"?

21 SECRETARY ZAHORCHAK: The answer is yes, the
22 formula is embedded into the costing-out report. I
23 don't think there is any doubt that this is a formula
24 that supports getting to those adequacy targets over
25 a 6-year period.

1 The costing-out study said it is going to
2 take time, you couldn't do that in 1 year, and these
3 are the targets.

4 Nothing changed. The end game for that is
5 absolutely the same as the costing-out study. So you
6 can only answer, in respect to the Chairman, yes.

7 REPRESENTATIVE McILHATTAN: Okay.

8 One final question following up on
9 Representative Miller's point on the ratio equity and
10 the situation in Philadelphia and all that.

11 You are convinced that there is no extra
12 money being driven into Philadelphia. Some of our
13 folks say there is about \$24 million being driven to
14 Philadelphia, because you are using a totally
15 different set of things there, and it even says
16 \$35 million. I mean, that is a real issue with us,
17 and we certainly need to have a good conversation
18 about that. I know we can't do it all in this room
19 today.

20 SECRETARY ZAHORCHAK: Sure.

21 REPRESENTATIVE McILHATTAN: But, I mean,
22 that is something we need to sit down around the
23 table and make sure. That is a lot of money. You
24 put that back over into those that get 1.5, that
25 brings us up to a pretty good situation. I mean,

1 that's a lot of money in this formula.

2 SECRETARY ZAHORCHAK: May I?

3 REPRESENTATIVE McILHATTAN: Yes.

4 SECRETARY ZAHORCHAK: I respect the
5 question.

6 We indeed treat Philadelphia, in terms of
7 the adequacy number, exactly as the report suggests
8 that Philadelphia or any of the other 500 school
9 districts get treated. This is the adequacy target
10 for that district, the adequacy target for any other
11 district.

12 The process for coming through, we used the
13 municipal tax because the district does not have the
14 capability of controlling the school tax. So we used
15 the district's equalized mill.

16 It does respond to the sensitive situation
17 of funding in Philadelphia, but remember, and I think
18 this is important, because, you know, I'm from
19 Cambria County originally and operated in an
20 average-sized school district for a long time.
21 when we talk about Philadelphia, we almost talk about
22 it as if it is just one school district. It is
23 70 school districts---

24 REPRESENTATIVE McILHATTAN: Yeah; I
25 understand that.

1 SECRETARY ZAHORCHAK: ---operating all
2 at once. So it is almost like responding to
3 70 districts, and 70 districts that have some of the
4 biggest challenges.

5 REPRESENTATIVE McILHATTAN: I'm not against
6 the city of Philadelphia. I know they have problems.
7 I'm not against driving some money in there, but we
8 need to be fair about this process. That is what I'm
9 saying; it is fairness we are talking about, and we
10 need to take a look at that.

11 Thank you.

12 SECRETARY ZAHORCHAK: I appreciate that.

13 CHAIRMAN EVANS: Siptroth.

14 REPRESENTATIVE SCAVELLO: All right, John;
15 go to work.

16 REPRESENTATIVE SIPTROTH: Sorry,
17 Representative Scavello.

18 Thank you, Mr. Chairman.

19 Secretary Zahorchak, thank you very much for
20 being here.

21 SECRETARY ZAHORCHAK: Thank you, sir.

22 REPRESENTATIVE SIPTROTH: I just want to do
23 a little follow-up.

24 First of all, I am a big proponent of the
25 costing-out study. I'm the author, the prime sponsor

1 of HR 460, which is the committee to study the
2 costing-out study, and I'm very pleased that the
3 Governor was able to initiate the costing-out study
4 formula into this year's budget.

5 Unlike last year's budget, coming from
6 growing school districts, we were sort of cut out of
7 the additional funds that we had received the year
8 before, in last year's budget, so it looks like the
9 majority of that is restored. Nonetheless, it will
10 take us quite a few years to get caught up with those
11 individuals that are working in a no-growth district
12 with the 1991 formula.

13 But on the costing-out study, some
14 individuals, and you expounded very well on this, but
15 some individuals have questioned the validity of the
16 costing-out study. Is there any specific response
17 that you could give those individuals other than the
18 fact that it is a more fair and equitable way to
19 distribute the funds and a more fair and equitable
20 way to educate our kids?

21 SECRETARY ZAHORCHAK: I think two things.

22 One is, the costing-out study did use
23 multiple methodologies, the methodologies that you
24 asked for as a Legislature when you asked for the
25 costing-out study. So it used multiple methodologies

1 and gave back a costing-out study that I think was
2 very, very conservative all along the way.

3 The authors of the costing-out study stand
4 ready and are responding, even today, to questions of
5 the Legislature of the methodology and what is behind
6 the costing-out study.

7 I don't think this particular organization
8 is anything but credible myself, and I have great
9 confidence.

10 REPRESENTATIVE SIPTROTH: Okay. Thank you.

11 One other -- well, I have a few other
12 questions, Mr. Chairman, and I will try to be brief.

13 The costing-out study for Pennsylvania
14 showed an aggregate need of about a 25.4-percent
15 increase. How does that compare with other States
16 across the country? Do you have any idea on that?

17 SECRETARY ZAHORCHAK: Sure.

18 In terms of the State's portion? Is that
19 what you are asking, how much is the State---

20 REPRESENTATIVE SIPTROTH: Yes. Not the
21 local portion by any means.

22 SECRETARY ZAHORCHAK: Well, we have made
23 some increases, but we are still not in a place at
24 the present time. The costing-out study takes us
25 further.

1 The short answer is, when this
2 Administration came into office and Governor Rendell,
3 we were near the bottom of the pack. We have made
4 enormous progress over the last 5 years but still
5 trail much of the nation.

6 In '03, we ranked 34th among all States in
7 State expenditures for students from K to 12. Two
8 years later, we went up to 30th -- still lower than
9 all of the surrounding States near Pennsylvania. And
10 when it comes to the State's share of education
11 funding, this 6-year proposal would predict, with
12 property tax relief alongside of it, it moves us from
13 37 percent to about 44 percent.

14 REPRESENTATIVE SIPTROTH: What would happen
15 if for some reason the local property tax relief that
16 is expected to be generated by the gaming were not to
17 quite get that accomplished? Other than the
18 37 percent, would we be, do you feel, in a medium
19 range of about 40 percent or something like that
20 rather than, you know, the 44 percent at the top and
21 the 37 percent at the bottom, factoring in, you know,
22 the lack of the full gaming funds? And I guess that
23 could be pretty variable depending on how many
24 dollars actually come in from the gaming funds.

25 SECRETARY ZAHORCHAK: Yes.

1 REPRESENTATIVE SIPTROTH: I think I have
2 answered my own question.

3 SECRETARY ZAHORCHAK: I think you have.

4 REPRESENTATIVE SIPTROTH: Thank you.

5 This could be a yes or no: Did you say that
6 there are incentives for school districts combining
7 their efforts becoming merged to one school district?
8 Are there financial incentives as well?

9 SECRETARY ZAHORCHAK: Well, the Governor---

10 REPRESENTATIVE SIPTROTH: Coming from the
11 State?

12 SECRETARY ZAHORCHAK: The Governor has
13 experienced recently leading conversations with a
14 couple of school districts that he has made pledges,
15 along with Representatives and Senators from the
16 particular district, to help them overcome one-time
17 costs, so we think that is reasonable. If there are
18 one-time costs to making consolidation work, we stand
19 ready to help that way.

20 But we are also geared up as a department to
21 pitch in, help study consolidation of any districts
22 that want to do it. We are asking districts to
23 simulate their projections going out 5 or 7 years
24 independently, do their hypothetical district merger,
25 simulate that as well, put the two next to each

1 other, and ask and answer the question of what kinds
2 of savings are we talking about?

3 In a particular district in western
4 Pennsylvania, we looked at about a million 4, and
5 these are two small districts savings taxpayers
6 annually \$1.4 million in property taxes.

7 REPRESENTATIVE SIPTROTH: Okay.

8 Really quickly. The Pre-K Counts program,
9 which was established a couple years ago, have we had
10 any way to measure the success of that program to
11 date, or is it just too early to really---

12 SECRETARY ZAHORCHAK: Well, we have been
13 very successful with Pre-K Counts. We are being
14 recognized nationally for the work that is going on
15 with the program. And in all sincerity, I have even
16 been asked by the 49 other chiefs to represent them
17 on early childhood education. Harriet Dichter, our
18 Office of Childhood Development and Early Learning,
19 has been looked at nationally in the work that we are
20 doing here in Pennsylvania, because you have allowed
21 that to happen.

22 We have more students than ever before being
23 served in our 3- and 4-year-old programs. We
24 anticipate increasing that. There is a waiting list
25 for the Quality preschool programs. We have more and

1 more providers getting to quality as measured by our
2 Keystone STARS.

3 So we have a lot of indicators and 360
4 degrees measured against those indicators. We are a
5 quality program that is getting better along the way.

6 REPRESENTATIVE SIPTROTH: Okay. And one
7 more real quick one.

8 Cyber charter schools. A lot of school
9 districts themselves, especially up in my area, I
10 know one school district that is starting a program
11 of their own, a cyber charter school. Do you feel
12 that that may provide a better cyber school education
13 for those individuals if the school district were to
14 run it themselves so that the curriculum would be the
15 correct curriculum for that particular individual?

16 SECRETARY ZAHORCHAK: Well, we think
17 districts who are together thinking about cyber
18 charter school are doing a pretty good job, and we
19 think the cyber charter schools that are the highest
20 performers give us a lot of good data about what it
21 takes to manage and pay for the cyber charter
22 education.

23 REPRESENTATIVE SIPTROTH: Thank you very
24 much.

25 Thank you for your patience, Mr. Chairman.

1 CHAIRMAN EVANS: Thank you.

2 Barrar.

3 REPRESENTATIVE BARRAR: Thank you, Mr.
4 Chairman.

5 Good afternoon, Mr. Secretary.

6 SECRETARY ZAHORCHAK: Good afternoon.

7 REPRESENTATIVE BARRAR: The study was
8 authorized by the House and the Senate that was done,
9 but the parameters of the study were set up by the
10 Administration. I mean, decisions to leave out debt
11 service and busing were made by you, not by the
12 Legislature when we passed a resolution, was it?

13 SECRETARY ZAHORCHAK: We were, I believe,
14 back and forth with the Legislature and staff in
15 developing the requests for proposals to do the
16 costing-out study. I think everyone knew the
17 proposal and were well aware of what was in it when
18 it actually went to the street and we had responses
19 from the vendors.

20 REPRESENTATIVE BARRAR: Well, the purpose of
21 leaving out debt service would hurt growing school
22 districts more than other school districts that
23 haven't acquired as much debt.

24 I mean, in my school district, which is one
25 of the fastest growing school districts, would you

1 say that this study, that this new formula does
2 something to help? My school district has to build a
3 new school every other year. I can't see -- they get
4 a \$52,000 overall increase this year. Where is there
5 anything done to help a growth district like that?

6 SECRETARY ZAHORCHAK: Well, this is the
7 first time -- now, think about this -- because of the
8 formula, this will be the first time permanently
9 embedded in the formula recognition of growth because
10 we are recognizing actual student counts, and you
11 have not done that since, you know, 1991 to consider
12 that.

13 So we use updated school enrollment numbers
14 every year. The Governor's plan is then a real
15 funding formula, because it sets the annual funding
16 target for each school district based on those and
17 then adjusts the target every year to take into
18 account again the new numbers from the most recent
19 year. So we will continuously embed growth and
20 actual numbers.

21 At the same time, it is recognizing those
22 growing school districts, because there are sort of
23 two types. There are growing school districts that
24 are losing property tax revenue, but there are also
25 growing school districts that in the growth, they are

1 building homes and adding new local revenue. So it
2 recognizes, again, wealth and effort from those
3 growing school districts.

4 We believe that this is, you know, an
5 absolute, again, historic moment, because we embed
6 permanently growth as a factor in the formula.

7 And I could take you across the fastest
8 growing high-need school districts that absolutely
9 get huge support, and it is probably in 30 or 40
10 districts across the State that will see, for
11 example, in the Poconos, where we have talked about
12 over and over those five high-growth districts that
13 are not high-wealth districts or high-tax burden
14 districts -- they are -- we will see \$5.5 million
15 increases for '08-09.

16 In Chester County, you have three districts
17 that are high growth -- \$2.9 million. And I could go
18 across the State and tell you about the fastest
19 growing, high-need school districts that absolutely,
20 because of the change in formula, are going to see
21 significant increases.

22 REPRESENTATIVE BARRAR: It just seems very
23 unfair to leave out debt service, which is a major
24 part of the cost to a school district, out of the
25 formula. Still, I can't imagine that certain school

1 districts that lose population will actually lose any
2 revenue that we see getting quite a bit today.

3 You made a statement earlier, and maybe I
4 misunderstood you. You said that the study did not
5 recommend a formula to be used for this funding
6 formula to basically get to this point, but then you
7 said also that the study said that you had to use the
8 Philadelphia municipal tax equalization rate in the
9 study. Or did I misunderstand you?

10 SECRETARY ZAHORCHAK: No. The municipal tax
11 was the fairest way to look at the School District of
12 Philadelphia, because they don't have any control
13 over the taxes as a school entity and they use only
14 the municipal taxing authority to tax their
15 properties.

16 REPRESENTATIVE BARRAR: But how does that
17 influence what they get in education funding? The
18 fact that the city council refuses every year after
19 year to put any additional money into their school,
20 meaning that the State has to pay extra? I mean---

21 SECRETARY ZAHORCHAK: No. They also use the
22 same type of high-need, high-tax calculation with the
23 municipal tax inserted at the place of tax burden.

24 So it is aid ratio. It is equalized---

25 REPRESENTATIVE BARRAR: So you have somebody

1 living in a \$6 million house paying \$2,000 in school
2 taxes, and you consider that a fair tax rate.

3 SECRETARY ZAHORCHAK: What I suggest is that
4 we are getting to adequacy by your study's results
5 for every single school district.

6 That has changed, and I can feel the change
7 here in the atmosphere as we are having these
8 conversations. But it is, nonetheless, a change that
9 is positive because it is going to be predictable and
10 reliable, and it is based on a real number that a
11 great deal of time went into creating and a great
12 deal of expertise.

13 REPRESENTATIVE BARRAR: So now when my
14 citizens and superintendents question me on the 50
15 percent, where a lot of times it is brought up to us
16 about the 50 percent, that the State should be paying
17 50 percent of the cost of education, now we can say
18 we have abandoned that completely; that is no longer
19 a goal?

20 I remember when the Governor ran for office.
21 He said time and time again that one of the goals of
22 his Administration would be to bring all school
23 districts up to the 50 percent. So my school
24 district that gets around \$300 and I think \$370 a
25 student, I can tell my superintendent that the

1 Administration and your Administration has just
2 abandoned the 50-percent formula completely?

3 SECRETARY ZAHORCHAK: Well, you can tell
4 your superintendents, again and with all due respect,
5 we talked about adequacy and knowing an adequacy
6 number over and over, every year.

7 REPRESENTATIVE BARRAR: But it is not
8 adequacy for all schools. I mean---

9 SECRETARY ZAHORCHAK: It is adequacy for all
10 schools.

11 REPRESENTATIVE BARRAR: It's---

12 CHAIRMAN EVANS: Can we slow down?

13 For the sake of the recorder, we got to ask
14 a question and answer a question. Remember that yes
15 or no? If you could stick to that yes or no, please.
16 Okay.

17 SECRETARY ZAHORCHAK: Sorry.

18 REPRESENTATIVE BARRAR: I'm a little excited
19 about this, Mr. Chairman.

20 CHAIRMAN EVANS: Obviously you are. I don't
21 mind; I just want to make sure the recorder can get
22 it, okay?

23 SECRETARY ZAHORCHAK: Your question again,
24 sir?

25 REPRESENTATIVE BARRAR: About abandoning the

1 50-percent formula. We will no longer refer to that
2 as far as a goal of this State as far as education;
3 it will no longer be a goal of ours. And you are
4 basically saying the formula helps with that, so I
5 apologize for interrupting.

6 SECRETARY ZAHORCHAK: Okay.

7 REPRESENTATIVE BARRAR: Let me ask you a
8 question: Wouldn't it have been a fairer formula if
9 we had done something in this formula to create a
10 bottom, like a base number, like a \$2,000 number per
11 student? I mean, if we are saying that the statewide
12 adequacy number is \$8,000 -- what is it, \$8,800 or
13 something? Wouldn't it be fair, wouldn't a sensible
14 formula start out with like a \$2,000 per student base
15 and then do these other ways to drive money out? I
16 mean---

17 SECRETARY ZAHORCHAK: Again, I don't know
18 your background, but I would respect seeing your
19 formula, because the folks that we used to get the
20 adequacy number absolutely have the background.

21 They did indeed start with a base, a base
22 that has been inflated because of the cost of living
23 from the numbers that they used. That base gets us
24 to \$8,355 per student. I'm not sure what you mean by
25 \$2,000 per student.

1 REPRESENTATIVE BARRAR: Well, I mean as far
2 as what the State should be contributing toward the
3 education of a student. Is it fair to fund education
4 in some parts of the State at \$8,000 per student and
5 fair in other parts of the State to give \$370 to a
6 student from the State? I mean, to me, I think
7 somehow you are blinded to the inadequacy here of the
8 State formula.

9 SECRETARY ZAHORCHAK: Yes, and one of the---

10 REPRESENTATIVE BARRAR: I think you think
11 that everyone is receiving the same amount of money
12 under this, and they're not.

13 SECRETARY ZAHORCHAK: No, I absolutely do
14 not.

15 CHAIRMAN EVANS: Excuse me, excuse me,
16 excuse me.

17 SECRETARY ZAHORCHAK: I'm sorry.

18 CHAIRMAN EVANS: Excuse me.

19 Let's play like school. Time out.

20 Seriously, one question, one answer.

21 You are narrowing it down, right?

22 REPRESENTATIVE BARRAR: Yes. I have one
23 more to go.

24 CHAIRMAN EVANS: That's it. One more is it.

25 SECRETARY ZAHORCHAK: Was that a question

1 for me to answer, or just---

2 REPRESENTATIVE BARRAR: Well, really, I
3 could sit here all day and ask questions on this.

4 Okay. The Administration, now, the adequacy
5 gap that is in education right now is estimated to
6 be, according to the study, \$4.6 billion, okay? Now,
7 over the 6 years, the Administration is committing to
8 put in another \$2.6 billion into education to bring
9 us up to and make up for that 4-point. Where is the
10 other \$2 billion planning to come from?

11 SECRETARY ZAHORCHAK: From the context of
12 the costing-out study, very clearly there are
13 multiple resources for school funding -- State,
14 local, and other.

15 The State portion is determined by the
16 amount of the gap and then the aid ratio of a
17 district, which is that fairness formula from your
18 last series of questions, and then times equalized
19 mill. The State formula is based on that. That
20 gets us to a target number for the State that we
21 address over a 6-year period that ends up costing
22 \$2.6 billion.

23 REPRESENTATIVE BARRAR: Right. So the other
24 \$2 billion will have to come from increased, more or
25 less, increased property taxes.

1 SECRETARY ZAHORCHAK: Well, remember, you
2 also approved gaming, so you have to think of the big
3 picture, Representative. So you also have a gaming
4 fund that is going to have a billion dollars to
5 reduce property taxes every year. We have
6 efficiencies being created.

7 So, you know, bringing that home for you, I
8 think it's a combination of all of those things that
9 get us to an adequacy number in each district.

10 REPRESENTATIVE BARRAR: That's all I have,
11 Mr. Chairman. Thank you.

12 CHAIRMAN EVANS: Thank you very much.
13 Santoni.

14 REPRESENTATIVE SANTONI: Thank you, Mr.
15 Chairman.

16 I have two questions, and hopefully they
17 will be pretty quick.

18 Mr. Secretary, I got a couple of letters
19 from my local school districts, Antietam and
20 Muhlenberg in particular in Berks County, and they
21 are concerned about -- and they were passed
22 unanimously by the board -- on the supposed
23 Pennsylvania Department of Education's proposed high
24 school graduation competency assessments, and could
25 you respond?

1 I'm sure you have heard of the concerns that
2 school districts have about it. I just wondered if
3 you could respond to their concerns.

4 SECRETARY ZAHORCHAK: Well, I understand
5 change, and you know what? If I were a
6 superintendent and first hearing about the idea that
7 we are going to look at uniform exams that are
8 replacing final exams for subjects like algebra II, I
9 would be concerned about that, and so there is no
10 problem with that concern. But we need in
11 Pennsylvania and in every State a uniform way to say,
12 look, how do we measure the standards that we have
13 developed in our State for subjects like mathematics
14 in a uniform way? How do we know that all of these
15 investments that we have been talking about all
16 afternoon indeed are measurable ones in terms of
17 student achievement?

18 And coming out of high school, we know
19 gateway subject areas like mathematics, fundamental
20 subjects like English, can be measured in a uniform
21 way that helps a school district then create the
22 coherency in planning for student achievement for
23 baseline, again, in disciplines like math or science
24 or social studies or English.

25 So we are looking at, how do we measure in a

1 uniform way standards in Pennsylvania for math and
2 those other disciplines? It is, I do not think,
3 anything but promoting, and eventually I think
4 everybody will understand that it creates a lot of
5 coherence in planning at the local level.

6 REPRESENTATIVE SANTONI: Okay. And my
7 second question.

8 Now, you talked briefly about cyber charter
9 schools on a question from Representative Siptroth,
10 and I know that there is wide opinion on cyber
11 charter schools. I mean, on the one side I hear from
12 superintendents that say it's a serious drain on
13 their budgets, and from the cyber charter school
14 people, of course, they say it's a great alternative
15 and then a wonderful opportunity for students that
16 sometimes get lost in the public school arena.

17 My question is, the Auditor General, it is
18 my understanding that the Auditor General's Office
19 released a report that was concerned about the
20 current funding situation for our charter and
21 cyber charter schools. And also there was another
22 audit done that brought into question some of the
23 compulsory attendance laws that maybe some of the
24 cyber charters were not meeting properly, all right?

25 My question is, first, how does the

1 department's budget request ensure that charter
2 reimbursement by districts does not exceed cost, and
3 secondly, how does your department's budget request
4 provide that efforts are going to be made to ensure
5 that cyber charter students are satisfying those
6 attendance requirements?

7 SECRETARY ZAHORCHAK: Well, I think there
8 has been a lot of concern from school districts about
9 cyber charter schools, and we agree on both of those
10 sides, that they are a viable alternative for some
11 kids and worthy, and at the same time we have to make
12 sure that they are not provided with money that is in
13 excess of the true costs and that they are following
14 all the rules for student attendance. And student
15 performance expectations are the same for the cybers.

16 So we have worked with members of the
17 Legislature, and we are supporting the legislation
18 that is proposed from Representative Beyer's bill.
19 And Representative Roebuck is, I believe, also
20 sponsoring a bill that would amend the cyber charter
21 legislation to have a one State-one rate based on the
22 best performing cyber charter schools in the
23 expenditures that they have. Also, capping the
24 amount of unrestricted fund balances that range in
25 school districts from 8 to 12 percent, the same way

1 that school districts do, and considering things like
2 the number of instructional hours, et cetera, and how
3 we monitor that, all inside of a bill that we think
4 does the job.

5 REPRESENTATIVE SANTONI: Thank you, Mr.
6 Secretary, and thank you, Mr. Chairman.

7 CHAIRMAN EVANS: True. Representative True.

8 REPRESENTATIVE TRUE: Thank you, Mr.
9 Chairman.

10 Good afternoon, Mr. Secretary.

11 I really hate to belabor; I do have another
12 quick question to ask. But just in listening to the
13 questioning of Representative McIlhattan about the
14 costing-out study and the formula, it sounded, and
15 perhaps I got it wrong, like you said that the
16 formula was in the costing-out study, and I didn't
17 think it was in the costing-out study. And I did go
18 to one of the meetings where it was explained, so
19 could you just clarify that?

20 SECRETARY ZAHORCHAK: Yes, and I'm sorry for
21 the confusion, but the formula that is being used is
22 not in the costing-out study, but the adequacy
23 number, the end game, the target that we will get to
24 over a 6-year period, in the costing-out study it
25 says very clearly this is going to take time. It is

1 not going to be done in 1 year.

2 In the costing-out study it said that it is
3 going to be the equitable distribution, and it's
4 going to be based on more current attendance and it
5 is going to have the factors that we use for
6 increasing according to size, et cetera, et cetera.

7 So in merging, nothing out of balance in the
8 formula that would say we have done something in the
9 formula that is not aligned very well with the
10 costing-out study, ultimately it gets every district
11 to their adequacy target with State help by the year
12 2014. It uses that number to plan forward.

13 REPRESENTATIVE TRUE: Okay. I am not
14 criticizing the formula. I just really would like to
15 know, who did it? Who put the formula together?

16 SECRETARY ZAHORCHAK: It is a combination of
17 my office and folks inside the office, folks like
18 John Godlewski and others.

19 It comes after listening to a lot of groups
20 with very disparate ideas about how to get to a
21 formula. So lots of opportunities for people to be
22 heard along the way, giving ideas. But also in
23 getting to the work of getting the formula moving,
24 I don't think there's anything wrong with this
25 formula.

1 REPRESENTATIVE TRUE: No; okay.

2 Just a clarification.

3 SECRETARY ZAHORCHAK: Sure.

4 REPRESENTATIVE TRUE: Just quickly, I'm kind
5 of asking this on behalf -- I attended a high school
6 last Thursday and spoke to two honors government
7 classes, and needless to say, they were really not
8 happy when they got to ask me questions about having
9 to be tested additionally after they have to go
10 through final exams.

11 And it was really interesting; it was a
12 really great group, and I felt somewhat inadequate as
13 to, you know, why basically are you people doing this
14 to me? is what came across, and the young people in
15 the room can relate to that.

16 So I guess, and as someone that took final
17 exams and got out and went out into the world, I feel
18 -- well, I was educated in the city and I got a very
19 good education. I didn't really, you know, have
20 anything really wonderful to make them feel better.

21 But I would ask you, you know, you said this
22 is a good way to measure. Why did the department
23 decide not to do it statutorily? Why didn't we do
24 this? Why did you do it?

25 SECRETARY ZAHORCHAK: Well, assessment is

1 inside of Chapter 4, which is part of the regulatory
2 process.

3 REPRESENTATIVE TRUE: Okay.

4 SECRETARY ZAHORCHAK: So all of the
5 assessment issues that come up have always been done
6 through regulation, as far as I know. So we just
7 stuck with the regulatory process.

8 REPRESENTATIVE TRUE: Okay.

9 It is going to cost money -- and I guess
10 I'll just make a final comment, Mr. Chairman. Thank
11 you for your indulgence.

12 Apparently it took \$15 million to develop,
13 if I'm not incorrect, three graduation competency
14 assessments, and I would just politely say on behalf
15 of those young people I spoke in front of, I would
16 really like to see a big chunk of that money go to
17 alternative education, because I certainly concur
18 with Representative Keller on that issue.

19 Thank you, Mr. Chairman.

20 CHAIRMAN EVANS: Thank you.

21 Kirkland.

22 REPRESENTATIVE KIRKLAND: Thank you, Mr.
23 Chairman.

24 Thank you, Mr. Secretary, for being here and
25 your presentation.

1 Mr. Secretary, you said in your testimony,
2 you talked about successes, that Pennsylvania is
3 doing better than it was doing in 2002. We are doing
4 much better 6 years later, and I applaud that. I
5 think we also recognize that there is still a gap
6 that needs to be filled, that achievement gap.

7 My question is this to you. The first part
8 of my question is this: In your testimony, we are
9 doing better. Can you identify those programs, or
10 one or two or maybe three of those programs that have
11 helped us increase our academic excellence here in
12 Pennsylvania? And part two of that question is, do
13 you believe that we need to expand those programs and
14 increase the funding of such programs?

15 SECRETARY ZAHORCHAK: Identifying the
16 programs, it starts at birth. The more we put into
17 programs like Nurse Family Partnership, Pre-K Counts,
18 full-day kindergarten, professional development class
19 size, training for and support for capacity building
20 for principals and for teachers, superintendents, the
21 money that we invest in the formula that helps get to
22 adequacy -- all of those taken together are the cause
23 of student achievement.

24 We know that; it is known across the world.
25 You can study that anywhere. You will know that

1 student achievement is done by those kinds of
2 investments in our systems, including the assessment
3 systems that we have, because we now can measure, and
4 when we're measuring, we're finding out that our
5 students are accelerating.

6 We have a long way to go. Last year, 57,000
7 -- 45 percent -- of our high school seniors, on the
8 only standard measurement we have as a State, were
9 not able to show us they were proficient in reading
10 and mathematics at their grade level. That could be
11 very, very costly to them for the next 40 years of
12 their lives if they are not leaving high school ready
13 for work or ready for entering their freshman year or
14 anything across that postsecondary continuum.

15 So we are being applauded, one, for making
16 increases in our assessment scores. We are also
17 being applauded for closing the achievement gap,
18 because more kids who are African-American, Latino,
19 more kids who are disabled, more kids who have
20 English as a second language, is growing by
21 percentages faster than any other comparable group.

22 So, you know, that is something to start to
23 be proud of. We will not be proud, though, until we
24 can say 100 percent of our students are there. And
25 that is the work that we have to do, and we think

1 funding it is one thing; doing the right things with
2 the fund, like the list that I shared with you, is
3 also the right thing to do.

4 REPRESENTATIVE KIRKLAND: So do you believe
5 that we need to increase funding and/or expand these
6 programs throughout the Commonwealth? You know, to
7 all 501 school districts?

8 SECRETARY ZAHORCHAK: Continue these
9 programs, expand these programs, and get to adequate
10 levels per district so that the districts can provide
11 regardless of the circumstance that a student lives
12 in -- in terms of the zip code that a student comes
13 from, that is.

14 REPRESENTATIVE KIRKLAND: Okay.

15 And the other question I have, Mr.
16 Secretary, on behalf of my colleague, Representative
17 McIlvaine Smith, goes along the lines of the previous
18 speaker, Representative True.

19 I see here in the budget where we are
20 talking about a \$30.3 million increase, or a
21 3-percent increase for special education, with a
22 clear understanding that the special education needs
23 are great and will probably increase. On the other
24 hand, we are asking for half that, \$15 million, to
25 provide for the graduation competency assessment, the

1 test.

2 I'm trying to understand the rationale
3 behind that \$15 million, half of that, \$15 million
4 for a test, and only \$30.3 million towards our
5 special education programs.

6 SECRETARY ZAHORCHAK: Well, let me tell you
7 this: When we fund special education, we look toward
8 the Federal government to support that and we push on
9 the Federal government. We also use State funds, and
10 we also use basic education funds, and we also use
11 those funds that are those birth to school-age
12 programs to help us with children with disabilities
13 -- so all funds combined.

14 We are more than wanting to have a larger
15 conversation about the cost of special education.
16 You have been interested, and we are interested in
17 doing that, too, going forward.

18 But again, when you think collectively the
19 kind of money we are spending in schools -- you know,
20 basic education, if you would say it is more than
21 \$20 billion collectively -- a very, very small
22 percent of that goes into measurements. That is less
23 than a tenth of a percent, probably, all total, that
24 will go into measurements of our students' success,
25 and measurement is a huge part. If we are getting

1 students to perform well in mathematics or English
2 and reading, we have to be able to measure.

3 REPRESENTATIVE KIRKLAND: Thank you, Mr.
4 Secretary.

5 And, Mr. Chairman, just a comment -- two
6 quick comments.

7 One, I applaud and appreciate the efforts of
8 this Administration and yourself and others for my
9 district's sake, because we have been neglected far
10 too long, Administration after Administration after
11 Administration. This Administration has saw the
12 needs for funding and greater education in my
13 district, my school district, so we applaud that.

14 And I also want to comment on the graduation
15 competency assessment test. To my colleague,
16 Representative True, you probably can tell the
17 students that this is a replacement for corporal
18 punishment.

19 Thank you, Mr. Secretary.

20 SECRETARY ZAHORCHAK: Interesting.

21 CHAIRMAN EVANS: Petri.

22 REPRESENTATIVE PETRI: Thank you, Mr.
23 Chairman.

24 Thank you, Mr. Secretary, for your
25 testimony.

1 You know, I got to say, the more you talk
2 about this new formula, the more questions I have, so
3 I'm going to try and ask very directed questions, and
4 so that I don't get in trouble with the Chairman, I
5 would ask that you try and answer as very directly as
6 well.

7 You responded to Representative True, and I
8 wrote down what you said, so if I got it wrong, tell
9 me. You said you stopped with the regulatory process
10 in reviewing this formula that you are presenting.
11 Did you even start with the regulatory process,
12 because to my knowledge, we've had no hearings. This
13 is the first time this thing has been rolled out.

14 SECRETARY ZAHORCHAK: When she asked about
15 the regulatory process, she was referring to the
16 graduate competency assessments.

17 REPRESENTATIVE PETRI: Well, that's not how
18 I understood it, but we will leave the record speak
19 for itself.

20 SECRETARY ZAHORCHAK: Yes.

21 REPRESENTATIVE PETRI: This year's
22 educational index, as I understand it, is 4.4 percent
23 roughly?

24 SECRETARY ZAHORCHAK: Yes.

25 REPRESENTATIVE PETRI: And that is the

1 number that we anticipate the rate of inflation to be
2 for school districts. Is that correct?

3 SECRETARY ZAHORCHAK: Yes.

4 REPRESENTATIVE PETRI: Well, let's, since
5 you have been touting this formula as delivering
6 property tax relief, let's talk about how it impacts
7 Pennsylvanians with property taxes.

8 Have you calculated how many schools
9 receive the minimum amount under your formula of
10 1 1/2 percent?

11 SECRETARY ZAHORCHAK: Yes.

12 REPRESENTATIVE PETRI: And how many schools
13 are they?

14 SECRETARY ZAHORCHAK: There are 101
15 districts out of 500.

16 REPRESENTATIVE PETRI: That is what I
17 calculated, too. So one-fifth of the school
18 districts receive the minimum amount.

19 Have you calculated how many school
20 districts get less than 4 percent?

21 SECRETARY ZAHORCHAK: We could do that.

22 REPRESENTATIVE PETRI: I have done it. It
23 is 329, or two-thirds. So two-thirds of the school
24 districts are going to receive less than what you
25 anticipate the rate of inflation for education to be.

1 So my question would be, who is going to, in
2 those districts, in those two-thirds or 329
3 districts, who is doing to pay the difference that is
4 likely to be the cost of education in those
5 districts?

6 SECRETARY ZAHORCHAK: Well, remember this:
7 This costing-out study that you asked for asked us,
8 one, to get to an adequate number; and two, we based
9 funding in Pennsylvania for a long time, and this
10 formula does that, on the wealth of the district and
11 their efforts. So this continues to do that.

12 REPRESENTATIVE PETRI: Okay. So the answer
13 to that is the taxpayers locally, I assume. It is
14 going to have to come from the local share to make up
15 the difference, or the school district is going to
16 have to cut programs. Isn't it that simple?

17 SECRETARY ZAHORCHAK: No.

18 REPRESENTATIVE PETRI: Okay.

19 SECRETARY ZAHORCHAK: You also have to think
20 of it in terms of raising funds for districts that
21 are making good effort and are more challenged
22 districts, first. You also have to think of it in
23 terms of the 6-year context. And I think you have to
24 then parallel it with all of the things that are
25 going on to reduce property taxes, including, most

1 conspicuously, releasing almost a billion dollars
2 this year to help local districts reduce their
3 property taxes.

4 And, you know, when you think about that,
5 there are some districts that are going to get \$500
6 and \$600 per resident, an average of \$185. The most
7 challenged high-tax districts are going to see that
8 kind of relief in their property taxes.

9 In addition to that, and I have said it
10 multiple times this afternoon, you are going to see a
11 lot of efficiency caused when we do things like
12 shared health care, or when we do commonsense
13 approaches, or when we consolidate or merge. So we
14 are pushing at becoming more and more efficient while
15 increasing the revenues that are coming from the
16 State.

17 REPRESENTATIVE PETRI: Mr. Secretary, let's
18 talk a little bit, since you brought up the high-tax
19 effort, according to your chart, 103 school districts
20 out of 501 are using some sort of adequacy in
21 obtaining local revenues or local share to fund
22 education. Wouldn't that mean that the opposite is
23 true, that four-fifths of the school districts are
24 really not paying their fair share locally?

25 I mean, that's the assumption I reach from

1 your chart. If we are rewarding school districts
2 that have high local tax effort and you tell me there
3 are only 103, that must mean that there are a lot of
4 school districts that don't have local effort or
5 sufficient, according to the Department of Education.

6 SECRETARY ZAHORCHAK: I would disagree,
7 because that kind of thinking is still thinking
8 without changing thinking about one year at a time,
9 one year at a time tax systems. This is a
10 costing-out study that gets everyone to adequacy over
11 6 years.

12 REPRESENTATIVE PETRI: Well, if that's the
13 case, where is the chart for the second year, the
14 third year, or the fourth year? Because I don't have
15 them.

16 Let me move on to some more questions.

17 SECRETARY ZAHORCHAK: And---

18 REPRESENTATIVE PETRI: How does the
19 department calculate a market value? Because as I
20 understand the way the department has always done
21 your calculations with regard to local effort, it is
22 earned income taxes and local taxes compared against
23 fair market value. So where do you get your numbers
24 that determine what the fair market value of various
25 properties is throughout the Commonwealth?

1 SECRETARY ZAHORCHAK: We get it from the
2 State Tax Equalization Board.

3 REPRESENTATIVE PETRI: Right.

4 And this formula depends heavily on that, as
5 have other formulas, so that, for instance, just take
6 Bucks County, only two schools in Bucks County have
7 any kind of high local tax effort.

8 What we are saying is that despite the fact
9 that most schools in Bucks County get less than 20
10 percent, and many of them get less than 15 cents on
11 the dollar, they don't have a high-tax effort. Can
12 you explain that to our taxpayers, because they
13 really don't understand it.

14 SECRETARY ZAHORCHAK: Yes. It is
15 interesting in some places in Pennsylvania that,
16 because of the wealth of the community -- personal
17 income, property values -- they are able to spend
18 \$20,000 or more per student, while, you know, across
19 the road almost, other districts can only spend
20 \$7,000 or \$8,000 per student.

21 There are inequities when you think about it
22 through the filter of wealth and need and ability to
23 pay and willingness to pay.

24 REPRESENTATIVE PETRI: But my question,
25 though -- I don't think you answered it; in fact, I

1 know you didn't answer it -- I asked the question,
2 how in the world, when a school district is getting
3 less than 15 cents per dollar, can you consider them
4 not having a high local tax effort?

5 SECRETARY ZAHORCHAK: I can---

6 REPRESENTATIVE PETRI: I can't understand
7 that. If 85 percent is coming from the local
8 individual, either through an earned income tax or a
9 property tax, how can they not be in a
10 high-tax-effort district?

11 SECRETARY ZAHORCHAK: I can give you a lot
12 of examples where very little effort produces a heck
13 of a lot of money because of the wealth of the
14 community.

15 I could give you examples just about in
16 every region where districts are able to, with very
17 little effort, produce enough funds to have that
18 \$15,000, \$16,000 per student, and they have some of
19 the lowest millage rates when compared to all of
20 their neighbors.

21 So I do not think it is as simple as the
22 85/15 example with respect to your question.

23 REPRESENTATIVE PETRI: Well, I guess we will
24 continue to disagree, as we have in past years. And
25 I refuse to accept, Mr. Chairman, the argument that

1 school districts where the bulk of the money is
2 coming from the local efforts, that they are not
3 making a high-tax local effort, and I think this
4 formula continues to disregard that. In fact, it
5 makes it even worse.

6 The last question: Where in the new
7 proposed formula does the Department of Education
8 consider how much money is actually being contributed
9 locally? I know that you compare it through aid
10 ratios, but where does the school district actually
11 get credit for the real dollars they are spending to
12 educate their students?

13 SECRETARY ZAHORCHAK: It is the aid ratio
14 tax effort, and I don't know any other way to
15 describe that for you.

16 REPRESENTATIVE PETRI: But the actual
17 dollars that they are putting in, in the case of my
18 school districts, the 85 percent, where do they get
19 credit for that 85-percent contribution and relieving
20 the State of its obligation of 50 percent or more?

21 SECRETARY ZAHORCHAK: Well, when we look at
22 the gap, we multiply aid ratio, and then we multiply
23 their effort. So some districts may not get credit
24 in your definition of that word because they have
25 either a low effort or a great wealth.

1 REPRESENTATIVE PETRI: Thank you, Mr.
2 Chairman. I have no further questions.

3 CHAIRMAN EVANS: Jake Wheatley.

4 REPRESENTATIVE WHEATLEY: Thank you, Mr.
5 Chairman.

6 Good afternoon, Mr. Secretary.

7 I know it has been a long hearing for you,
8 but as you are quite aware, you are heading a very
9 important department in this Commonwealth and for the
10 future of this Commonwealth, so I am sure you were
11 prepared for this type of questioning and
12 conversation.

13 I'm not going to spend a lot of time on the
14 costing-out study, because I think we have beat that
15 to death here already, but I don't want to lose sight
16 and I don't want the people at home and I don't want
17 the people here to leave here with the last things on
18 the costing-out study as being about money, because
19 although we did as a group of individuals want to
20 find out what was the cost to get every one of our
21 children in this Commonwealth to proficiency on our
22 State assessments, it is ultimately about making sure
23 every child, no matter where they live, regardless of
24 the geography that they happen to be in, get the same
25 opportunities to advance and be productive citizens.

1 So although we are focusing then on the
2 money and where the money comes from, it almost feels
3 like a who-done-it and what for? Let us not forget
4 why we are embarking upon this very historic idea
5 that every child, regardless of where they live,
6 regardless of their abilities or their parents'
7 abilities to afford it, have the opportunity to
8 succeed in life. That is the purpose.

9 And so if a dollar in one place buys you a
10 quality education, it should not be at the expense of
11 another place that that dollar barely gets them to
12 adequacy. It should not be at the expense and vice
13 versa. It is not. We want to make sure every child
14 in this Commonwealth has what they need to succeed.

15 So just briefly, go back over the purpose
16 and what we are trying to accomplish with the
17 costing-out study.

18 SECRETARY ZAHORCHAK: Well, I think you said
19 it very eloquently, Representative Wheatley, when you
20 said it is about 2014 and it is about every child,
21 regardless of where that child comes from. Being
22 prepared to leave our high schools assured that they
23 are ready for work or they are ready for their
24 freshman year of college, the definition is the same.
25 But that is the purpose of investing in education,

1 and the returns on those investments are enormous.
2 For that individual child, the return on that
3 investment is enormous for this cost to the
4 Commonwealth when you think we are not going to have
5 to remediate so many kids in our community colleges,
6 our colleges. We are not going to have to overload
7 the dependency system because people are inadequately
8 prepared, or we are not going to have to continue to
9 spend more and more money on our incarceration and
10 corrections systems.

11 So that is the purpose, and I think you said
12 it extraordinarily well.

13 REPRESENTATIVE WHEATLEY: Thank you.

14 And I'm going to do a little plug, and I'm
15 not going to ask questions around the achievement gap
16 issue, because we are having a subcommittee hearing
17 on that this Friday, and we would encourage members
18 to attend that.

19 And I know that you can't be there, but I
20 believe that you have a representative from your
21 office who will talk about your initiatives, and we
22 will get more into what you have been able to do to
23 close down the gaps.

24 But I do want to ask the question, and I
25 asked this of the State-relateds, I asked this of the

1 State-owned, I asked this of the one independent that
2 was before this committee: If we were to envision a
3 system from birth to death of educating our citizens,
4 how would we do such a system, and what is the
5 interplay -- and I'm primarily speaking about the
6 department, because right now, you are charged with
7 most of that tax. How would we create a pre-K
8 through death, basically, system, and what would we
9 have to do to invest in that? And do you have any
10 estimates on what it may cost to do it?

11 SECRETARY ZAHORCHAK: Well, I can tell you
12 this: Without the estimates, that it is exactly
13 where we think we need to head, and when we are
14 planning for information systems, we are thinking
15 that way. When we are planning for what is the
16 difference or what is the connect between freshman
17 year/workplace and that senior year of high school,
18 when we plan for that experience in learning or dual
19 enrollment, we are thinking in that way. So it is
20 the direction that we are heading.

21 If you want to call that pre-K to Ph.D. or
22 birth to death, we need to plan that way. We need to
23 make sure regulations support that. Our Offices of
24 Higher Ed and Elementary Education and our early
25 childhood offices are planning constantly together

1 with that kind of linear approach.

2 So there will be expenditures like for
3 building an information system that is able to
4 interoperate between those levels or among those
5 levels, as one example, but I wouldn't be able to
6 tell you today the cost of doing that in total.

7 But it is the right line of thinking, it is
8 where we are heading, and it is why we are, I think,
9 working so well with dual enrollment, working so well
10 with your transfer and articulation to make sure that
11 horizontally we work well together, too, across the
12 higher ed systems or across our basic ed systems when
13 we talk about GCAs. Those kinds of things make us
14 horizontal, and the planning that you say, again,
15 gives us---

16 REPRESENTATIVE WHEATLEY: I want to put
17 another little plug in to the Chairman. Maybe he is
18 willing to work with the Chairman of Education to do
19 some work with the department around what are the
20 required mechanisms, and how can we institutionalize
21 a system of birth to death and what it means as it
22 relates to every year we come back to this budget
23 table and we start to place numbers around exactly
24 what our goals are and how we are trying to get
25 there, because today, it seems as if it is not a

1 clear picture to me, being on this committee for now
2 5, 6 years, hearing that clear, coordinated effort of
3 what this investment will get us ultimately.

4 And then finally, these three final
5 questions, and you may not be able to get to them
6 all, and I'm certainly willing to get it back in
7 writing. I see the Chairman is ready to pull me.

8 One, I want to know exactly what is being
9 done for the financially, those districts that are
10 either financially or academically on the list of
11 distressed or close to being taken over by the State
12 or are in those situations. What are we doing
13 specifically for them? We know those districts, we
14 know who they are, but what are we doing to move them
15 from their positions to be able to be
16 self-sufficient, either financially or academically?

17 And I say this in the context of what
18 happened with the Duquesne School District, but in
19 the west, we know we have at least nine other ones
20 that are close to being similar to Duquesne and have
21 been there for years.

22 So you don't have to respond now; it may be
23 in writing.

24 The second is this whole idea around your
25 responsibility with the higher educational

1 institutions. I would love to know what you think
2 your capacity is to monitor and to really drive an
3 agenda that we all can agree to around what are the
4 purposes of higher education and how they all
5 interrelate. So I would love to understand that
6 whole role, and if you think you have the capacity to
7 really monitor the higher ed institutions the way
8 that we are requesting of you.

9 And then third is related to that. I know
10 that the last several years, maybe there have been
11 cuts in the budget, not just under this
12 Administration but prior Administrations around the
13 Department of Education. I really want to know from
14 you if you think you have the capacity to meet all of
15 the mandates that we have placed on you, meaning
16 staffing, technology, all the required resources to
17 really do what you need to do under your department.

18 And so with those three questions, Mr.
19 Chairman, I will appreciate any response you have in
20 writing, and thank you, Mr. Secretary, for your time.

21 SECRETARY ZAHORCHAK: Thanks very much.

22 CHAIRMAN EVANS: Scavello.

23 REPRESENTATIVE SCAVELLO: Thank you, Mr.
24 Chairman.

25 Good afternoon, Mr. Secretary.

1 SECRETARY ZAHORCHAK: Good afternoon,
2 Representative.

3 REPRESENTATIVE SCAVELLO: Before I start my
4 line of questioning, I just want to go back to a
5 question that was asked earlier by Representative
6 Miller, and it had to do with the formula used and
7 deriving the formula with the Philadelphia schools.

8 Now, equalized mills has been used for
9 Philadelphia for years. Am I correct? In the
10 formula.

11 SECRETARY ZAHORCHAK: Correct; yes.

12 REPRESENTATIVE SCAVELLO: So what is
13 different now with the cost-out study that wasn't in
14 place then? Or is there anything different at all?

15 SECRETARY ZAHORCHAK: Well, we just think
16 it's a value of mind. When the school district isn't
17 able to control the revenues through taxes locally
18 because they have to depend on the municipality, it
19 is a fairness question.

20 And also quite transparently, everybody gets
21 to the same adequacy number in 6 years.

22 REPRESENTATIVE SCAVELLO: Yeah.

23 SECRETARY ZAHORCHAK: Knowing the context of
24 these, what I called them before, these 70 districts
25 that make up the one district financially, I think it

1 is the prudent thing to do. So that is very, very
2 open to you.

3 REPRESENTATIVE SCAVELLO: I just want you to
4 remember what you said there, because that is going
5 to come back later.

6 Now, you had said that the school districts,
7 the municipal equalized millage is already in law.
8 Am I correct?

9 SECRETARY ZAHORCHAK: Correct.

10 REPRESENTATIVE SCAVELLO: I looked, and I
11 didn't see it, sir. As a matter of fact, there is a
12 piece of legislation that it is being listed in, and
13 the legislation is legislation that was supported by
14 -- let's see here. It is written legislation,
15 actually by Senator Mellow and Representative
16 DeWeese, and the act, I'm looking at page 5 of that
17 where it has, "The equalized millage used for a
18 school district of the first class shall be the
19 school district's municipal equalized millage." So
20 we are going to probably have to pass legislation in
21 order for that to occur.

22 MR. GODLEWSKI: Within the School Code right
23 now, there is a section 2501(9.4) that provides a
24 definition for municipal equalized mills. It is that
25 definition that was used to do the calculations as it

1 relates to the Philadelphia School District.

2 REPRESENTATIVE SCAVELLO: And that is just
3 for the Philadelphia School District?

4 MR. GODLEWSKI: I believe it is any
5 districts of class 1, 2, or 3.

6 REPRESENTATIVE SCAVELLO: But you just used
7 it for the Philadelphia in your formula for the cost
8 out. Am I correct? Or was it used in the others as
9 well? Was it used in 2 and 3?

10 MR. GODLEWSKI: It was looked at -- all the
11 districts that were eligible under that particular
12 calculation were looked at, and in terms of there is
13 such a disparity between Philadelphia's percentage
14 and any other school district using that particular
15 calculation.

16 REPRESENTATIVE SCAVELLO: Okay.

17 My questions from this point on are going to
18 be really to deal with fast-growing school districts,
19 and I notice that the Chairman invited five
20 superintendents here from various school districts.
21 Are any here from fast-growing school districts? Are
22 we represented? No.

23 DR. ANGELLO: We went through a period of
24 time of being fast growing---

25 CHAIRMAN EVANS: Excuse me a second. You

1 have to---

2 REPRESENTATIVE SCAVELLO: Would you mind?
3 Please?

4 CHAIRMAN EVANS: ---announce yourself.

5 You may sit up here in the seat. You can
6 announce your name, who you are. Yes; why don't you
7 come up.

8 SECRETARY ZAHORCHAK: This is Karen Angello,
9 superintendent of the Allentown School District.

10 REPRESENTATIVE SCAVELLO: Oh; I don't think
11 we've met. Hi, Karen.

12 DR. ANGELLO: Yes; we went through a period
13 of time from 2002 up to about 2 years ago where we
14 doubled -- I mean, we actually increased by 2,000
15 students. So we went through a rapid growth period
16 then.

17 REPRESENTATIVE SCAVELLO: Okay. You know,
18 because I'm going to be talking about a school
19 district that in 1990 had 4,000 students and today
20 has just shy of 12,000.

21 CHAIRMAN EVANS: Karen, thank you for saying
22 that.

23 REPRESENTATIVE SCAVELLO: Thank you very
24 much.

25 Mr. Secretary, you were at a meeting that

1 the Governor had on the budget in Monroe County where
2 he praised me to no end and talked about my being a
3 person of integrity and all, and there was a question
4 asked at that meeting about funding for our school
5 districts. And you approached me at the end and said
6 that you were going to come and see me, because we
7 had a problem with the description of wealth. Do you
8 recall that meeting?

9 SECRETARY ZAHORCHAK: Yes.

10 REPRESENTATIVE SCAVELLO: Are we still going
11 to have that meeting?

12 SECRETARY ZAHORCHAK: Yes. I also asked my
13 staff, which has been following up and talking with
14 members of your staff, about the particulars of this
15 funding formula. So I'm more than happy to---

16 REPRESENTATIVE SCAVELLO: I think you might
17 have the wrong Mario. It could have been
18 Representative Civera, because no one on my staff has
19 been contacted.

20 SECRETARY ZAHORCHAK: Well, absolutely more
21 than interested.

22 We, 2 weeks ago I think it was, were in your
23 district, and between that time and now, I and you
24 have not determined a date certain. But 14 days
25 isn't a long time, but I would be happy to meet with

1 you.

2 REPRESENTATIVE SCAVELLO: Okay.

3 Let us go back to this. You mentioned
4 property tax quite a bit, and I need to, like I said
5 earlier, 4,000 students in 1990. We had the
6 hold-harmless legislation in '91 based off of that
7 1990 census.

8 SECRETARY ZAHORCHAK: Right.

9 REPRESENTATIVE SCAVELLO: And here we are,
10 at almost 12,000. You had stated at that meeting
11 that I had a rich school district, and today I think
12 you changed that a little bit, especially after
13 looking at almost 5,000 students are on free and
14 reduced lunch in that school district, the Pocono
15 Mountain School District.

16 The Governor, even in his first speech to
17 the General Assembly, mentioned the Pocono Mountain
18 School District on the effects that it has had
19 because of that hold harmless. In his first speech,
20 spoke about that school district and the hurt that
21 was on the citizens in that school district.

22 I look at the study, and, you know, I
23 compare, I'm just going to compare one school
24 district -- I'm not going to mention any names --
25 1,341 students; 482 on reduced lunch; your basic

1 education funding for this coming year will be
2 \$8,144,000. Pocono Mountain School District, 11,008
3 is the number you are using; 4,938 students on
4 reduced school lunches; \$18,941,000. There is
5 something wrong. There is something wrong. I have
6 got folks in my district, you know, foreclosures
7 galore, and the property taxes, because unfortunately
8 the only way they can go is the property taxes
9 because we are not helping them from the State.

10 SECRETARY ZAHORCHAK: Well, I think,
11 Representative, in the Pocono area, remember, there
12 are five high-growth districts that are also
13 high-need districts that will share \$5.5 million this
14 year.

15 REPRESENTATIVE SCAVELLO: Now, I used, by
16 the way, part of that number was used in my number.

17 SECRETARY ZAHORCHAK: And it has to be,
18 because this is a predictable formula, and it is
19 based on the costing-out study's number, and it gets
20 to adequacy. And it is also based, because of the
21 costing-out study's recommendation, on the wealth of
22 the district and their tax burden as it exists.

23 What is missing, and I don't know precisely
24 on each of the 501 districts, but you would also have
25 to talk about the growth of the number of houses

1 being built in the district and the new taxes that
2 are generated from those houses, and the combination
3 of local resources that come to the district in
4 response to a lot of new people, a lot of new
5 employees, et cetera, that get taxed and pay that
6 back to the school district through those taxes.

7 REPRESENTATIVE SCAVELLO: Yeah.

8 SECRETARY ZAHORCHAK: So if indeed there are
9 school districts that are growing rapidly, we are
10 going to be addressing those districts when they are
11 high need, high tax. So aid ratio is one, and we
12 have to know that aid ratio; and two, the equalized
13 mills. But the nice thing is, permanently embedded
14 is the attendance and the 5-year averaging that is
15 done.

16 REPRESENTATIVE SCAVELLO: But, Mr.
17 Secretary, unless that hold harmless finds a hole
18 somewhere that we can get rid of it, unless you
19 front-end this, you take that \$291 million and
20 address the equity issue, address the equity issue,
21 take care of those school districts that have been
22 growing since 1991 and short fund it and help those
23 school districts survive.

24 I have got -- you know, you say that we
25 continue to build houses. Well, I'm going to tell

1 you, the property taxes, since 2005 to today, the
2 year we adopted gaming, have been going up between
3 \$200 and \$300 a year. Just think about your school
4 districts out there. Your property tax is going up
5 between \$200 and \$300 a year. So I'm going to use
6 the \$250 number -- we'll go right in the middle --
7 for 2005, 2006, and 2007, \$750, okay?

8 Now, you just mentioned that property tax
9 reform has arrived. We have \$854 million -- is that
10 the number that you quoted, sir? Let's say I get
11 \$300, \$400 from that formula, I didn't even get back
12 to 2005. But what worries me more than anything
13 else, we are not going to have \$854 million next
14 year. The Philadelphia ones aren't open yet; the
15 hotels aren't open yet. We're not going to have \$850
16 million next year. If we have it, we'll have it this
17 year because of the dollars that were paid up front
18 for those gaming licenses.

19 So now, next year I might get \$100, but
20 meanwhile, the property taxes again will go up about
21 \$250, and it is not going to end unless we correct
22 this formula.

23 I want you to put yourself in the place of a
24 superintendent in a school that is growing, where you
25 might have picked up a thousand new kids in 1 year,

1 and your net gain might have been 500 -- 1,000 in the
2 Pocono Mountain School District in 1 year with a net
3 gain of 500 -- 500 leave, okay?

4 Now I'm going to talk about my favorite
5 subject, and I can't believe that nobody here has
6 mentioned No Child Left Behind, because I got to tell
7 you, the Federal legislation isn't that bad; it's the
8 way we adopted it here in PA.

9 For example, if a student is in your school
10 on June 30, the Federal mandate says he is yours.
11 When you test in March, he is yours. If the student
12 walks in in September, October, November, December,
13 we test in March; he is ours. That is how we are
14 looking at it.

15 We are forcing these growing school
16 districts, we are forcing them to teach kids to take
17 a test and we are not teaching kids history, we are
18 not teaching kids properly in the faster growing
19 school districts. When are we going to realize that?
20 Bring the date back to June 30, give them some type
21 of help. This way, at least they know that that
22 student has been in the school for at least -- they
23 had him part of the prior year.

24 And I know you keep telling me a date,
25 whenever. We have had this discussion before, but

1 this is an important piece of helping these school
2 districts.

3 CHAIRMAN EVANS: I don't think there was a
4 question in that.

5 REPRESENTATIVE SCAVELLO: No, there was. I
6 said when? When are we going to, you know.

7 CHAIRMAN EVANS: Do what exactly?

8 REPRESENTATIVE SCAVELLO: Move the date back
9 to June 30 to help those growing school districts.

10 That is the Federal government. The Federal
11 number is June 30. Why did we adopt the date we
12 adopted? If we complain about the Federal mandates,
13 why not adopt -- I can go into others. Like, for
14 example, another---

15 CHAIRMAN EVANS: Okay. Let's be specific on
16 that question. What are you asking?

17 SECRETARY ZAHORCHAK: Our value is that a
18 student deserves to be counted and all students
19 deserve to be counted.

20 REPRESENTATIVE SCAVELLO: And I agree with
21 you, sir.

22 SECRETARY ZAHORCHAK: And if we are coming
23 across uniform standards where we are asking kids to
24 learn to read and to do math and we have an
25 assessment for that, we should be able to count

1 students, all students, as best possible. And we do
2 realize there is a cutoff time when we say you should
3 not have to count that student because he arrives
4 late.

5 REPRESENTATIVE SCAVELLO: I agree with you
6 wholeheartedly, but you are missing the point.

7 If the student just walks into a school
8 district from New York, walks into our school
9 district and he is there a month, and we are testing
10 him in March, we are holding that school accountable
11 for that student's grades. Would you think that is
12 fair? Especially when you have a school district
13 that picks up a thousand new kids. How do we address
14 that?

15 At least if you went back to June 30, I'm
16 not saying that the child -- help these schools so
17 that they can take more time and teach students, not
18 just teach them to take a test.

19 SECRETARY ZAHORCHAK: Well, some students
20 will come into a school, you know, they come in at
21 various levels. I can only say to you that we want
22 to count all kids all the time.

23 REPRESENTATIVE SCAVELLO: If you were the
24 superintendent in that school, you would be speaking
25 like I am right now.

1 SECRETARY ZAHORCHAK: Well---

2 REPRESENTATIVE SCAVELLO: You would be.

3 SECRETARY ZAHORCHAK: Well, I also know what
4 the percentages are, and we are not talking about
5 100 percent of the kids to get to the targets under
6 our accountability system. We are talking about not
7 leaving that child out that arrives a month late,
8 but we are also saying that you don't have to have
9 100 percent today.

10 CHAIRMAN EVANS: Representative Scavello?

11 REPRESENTATIVE SCAVELLO: Yes, sir?

12 CHAIRMAN EVANS: I want to thank you.

13 REPRESENTATIVE SCAVELLO: No; I just have
14 one last question.

15 CHAIRMAN EVANS: One question. One specific
16 question.

17 REPRESENTATIVE SCAVELLO: Just two last
18 questions.

19 CHAIRMAN EVANS: No, one question; one
20 question.

21 REPRESENTATIVE SCAVELLO: You know---

22 CHAIRMAN EVANS: No comment before the
23 question; one particular question.

24 REPRESENTATIVE SCAVELLO: Well, it has to do
25 again with the cost-out study.

1 Debt service. You've got some school
2 districts out there with 50- and 60-percent debt
3 service. East Stroudsburg School District is one of
4 them.

5 In the cost-out study, have we taken that
6 into -- at somewhere, can you show me where that is?
7 Because that is a huge piece in the growing school
8 districts.

9 SECRETARY ZAHORCHAK: Okay. Debt service
10 not included, but it is interesting that you use
11 East Stroudsburg, because they are one of the -- you
12 know, 10 years ago, East Stroudsburg had a below
13 average tax burden. Now it is one of the highest tax
14 burdens, and under the property tax reduction, they
15 are going to receive about \$500 per person. It is an
16 interesting district.

17 REPRESENTATIVE SCAVELLO: Okay. But again,
18 that is just this year. What happens next year?

19 CHAIRMAN EVANS: Mr. Scavello.

20 REPRESENTATIVE SCAVELLO: But let me just go
21 back to this.

22 CHAIRMAN EVANS: Mr. Scavello---

23 REPRESENTATIVE SCAVELLO: Please, one last
24 question, sir.

25 CHAIRMAN EVANS: This is absolutely it.

1 REPRESENTATIVE SCAVELLO: This is important.

2 CHAIRMAN EVANS: This is it. I will cut you
3 off if you abuse it.

4 REPRESENTATIVE SCAVELLO: Okay.

5 You use a geographical price adjustment,
6 okay? And in that geographical price adjustment, you
7 have the four districts in Monroe County at zero,
8 okay? Zero. And I guess in this formula you look at
9 what the rents are within those areas? Does that---

10 SECRETARY ZAHORCHAK: The costing-out study
11 itself---

12 REPRESENTATIVE SCAVELLO: Okay.

13 SECRETARY ZAHORCHAK: From the costing-out
14 study, we have the cost-of-living county by county
15 that they have used.

16 REPRESENTATIVE SCAVELLO: Right.

17 SECRETARY ZAHORCHAK: What is underneath
18 that, we can find out for you---

19 CHAIRMAN EVANS: Thank you.

20 REPRESENTATIVE SCAVELLO: No, no. Mr.
21 Chairman---

22 CHAIRMAN EVANS: Mr. Scavello, no; come on.

23 REPRESENTATIVE SCAVELLO: But I just have to
24 get--- One last point, sir?

25 CHAIRMAN EVANS: No, Mr. Scavello. No; now

1 you are pushing it. You are pushing it.

2 REPRESENTATIVE SCAVELLO: This is unfair
3 here.

4 CHAIRMAN EVANS: You are pushing it.

5 SECRETARY ZAHORCHAK: Well, Representative,
6 I am happy to follow up---

7 CHAIRMAN EVANS: What did I say, Mr.
8 Secretary?

9 SECRETARY ZAHORCHAK: Oh, I'm sorry, with
10 all respect to the chair.

11 CHAIRMAN EVANS: Thank you.
12 Representative Bryan Lentz.

13 REPRESENTATIVE LENTZ: Thank you, Mr.
14 Chairman.

15 I want to start off on a positive note, if I
16 could.

17 And I want to compliment the students. I am
18 amazed at how well the students have been behaving
19 today. It is very hot in this room, and the
20 questions are sometimes long. I hope you guys are
21 learning something -- probably daydreaming, too, but
22 we appreciate you hanging in there.

23 Mr. Secretary, good afternoon.

24 I have in my district, my legislative
25 district touches on about seven school districts, so

1 as you can imagine, the reaction to the costing-out
2 study has been varied.

3 SECRETARY ZAHORCHAK: Sure.

4 REPRESENTATIVE LENTZ: And I guess sort of
5 the general pattern that emerges is that those school
6 districts that were rated as spending adequate
7 amounts on their students don't like the costing-out
8 study formula because they are not doing very well,
9 and the increase in those schools that were rated as
10 needing a lot of additional investment, students did
11 better, if that is sort of a simplistic way of
12 putting it.

13 But I know with any study, when you get into
14 the basis or, you know, as you just mentioned, some
15 factual basis, we can sort of get under the
16 assumptions that were made and maybe tweak it. And I
17 hope that that is a process we are beginning here,
18 because I'm sure you are getting some of the same
19 feedback from school districts that do not think that
20 the proposal is adequate or accurate for their
21 district.

22 But I know you mentioned the reputation of
23 the firm that did this study, and I know they got
24 their reputation by doing this study other places. I
25 imagine there are States that are further along this

1 process than we are and encountered some of the exact
2 same issues that we are encountering.

3 I wonder if you could talk for a moment
4 about some of those States, where they have succeeded
5 and where they haven't succeeded and how they relate
6 to what we are trying to do here with a 6-year plan
7 in a sort of the macro sense and maybe give some
8 examples.

9 SECRETARY ZAHORCHAK: Well, I would say this
10 generally about the States that have funding formulas
11 that are based on student achievement as the end
12 goal.

13 When you find out the adequacy number and
14 you declare that there is a fair and fixed formula
15 that will be used to get communities money from the
16 State, and the State is increasing the amount of its
17 share, will do quite well.

18 So I'm confident that if we use the formula
19 and we keep in mind that the study's results for the
20 adequacy number was based on getting all kids to
21 100 percent, or 100 percent of the kids to readiness,
22 we have what the best of the best funding formulas
23 would come to.

24 But if we continue to go backwards and say,
25 now let's get back to normal practice of everybody

1 gets an increase, and we bring down those who are
2 struggling most and do it without that kind of care,
3 but we do it with only the typical response, and I
4 can't blame folks for doing that, but I do think on
5 the other hand, this would take it out of, a lot of
6 this out of your needs to attend to so specifically
7 that everybody wins kind of thing. Because it is,
8 again, a formula that we know is the dream formula
9 from all, anybody's, any superintendent's school
10 financing background.

11 We'll tell you, look, if you are going to do
12 a statewide formula -- fair, predictable, equitable,
13 you know, knows an adequate target -- we have all of
14 that built in now, the first time in history. But we
15 are going to see, I think, regression, you know, from
16 the response to it saying, no, we want to get back to
17 something different.

18 I don't want to lead there and I don't want
19 to suggest that we should go there, because we are
20 really doing this formula, one, as Representative
21 Wheatley said, you know, to bring kids to readiness.

22 REPRESENTATIVE LENTZ: Thank you, sir.

23 CHAIRMAN EVANS: Representative Reichley.

24 REPRESENTATIVE REICHLLEY: Thank you, Mr.

25 Chairman.

1 There might be some pieces of the skeleton
2 out of the horse we haven't beaten to death yet in
3 the last 2 hours, but I'm not sure. But let me try
4 to get to some other areas, and maybe we'll circle
5 back to that. We'll see.

6 My first question is, I think Representative
7 Keller started off by asking about the cuts to the
8 alternative education program, and I have to echo his
9 concerns, not necessarily in that program, which I
10 would agree with him, but on New Choices/New Options,
11 a program which assists women getting back into the
12 workforce who have either, because of a variety of
13 factors, have not been able to continue with their
14 education, and once again the Administration cuts
15 that program -- \$2 1/2 million. Are you saying that
16 you don't value women getting back into the
17 workforce, not getting an education? What are you
18 trying to say with that? For like the fourth year in
19 a row now, you have cut that.

20 SECRETARY ZAHORCHAK: Well, with all due
21 respect, because I said it, Secretaries 10 years ago
22 said it, when you have these demonstration grants,
23 the budget practice is that they always go back to
24 zero and you begin from there. So every
25 demonstration grant throughout the budgets across

1 government, the demonstration grants go back to zero.

2 So it is not a matter of valuing or
3 devaluing anything; it's a matter of practice of
4 budgeting. And you know the practice, obviously, as
5 well or better than I do, but we start at zero for
6 demonstration grants.

7 REPRESENTATIVE REICHLEY: Well, what I do
8 know is that in looking at the sheet for all the line
9 items in the budget within your department, what is
10 noticeable is that the Governor cuts every one of
11 them that the Legislature has advocated for, both
12 Republicans and Democrats, but then he preserves his
13 own programs. That's the truth of how he gets to
14 coming to a balanced budget.

15 So let's not mince words here. It is not
16 about valuing certain programs or applying the
17 age-old practice of how to zero out grant programs.
18 You cut the money for New Choices/New Options, you
19 cut it for alternative education demonstration
20 grants, all the while trying to say you are doing a
21 great job of balancing the budget.

22 The question I have next, it is not
23 necessarily Classrooms--- Oh; "Science: It's
24 Elementary." I'm sorry; "Science: It's Elementary."

25 As I'm informed, you used a requirement that

1 the school districts use something called the
2 Asset curriculum within that program? Is that
3 correct?

4 SECRETARY ZAHORCHAK: Asset is a nonprofit
5 organization partnered with the Bayer Corporation,
6 partnered with, years ago, about 45 school districts
7 in southwestern Pennsylvania. Together, they have a
8 resource-sharing, professional development science
9 initiative that has been proven by international
10 comparisons. When students from those school
11 districts got into international tests on science and
12 entered as if they were a country, they did as well
13 as any country in the world.

14 Now, typically, as you know, America and
15 Pennsylvania, when it comes to science, we are in the
16 bottom parts of international comparison. We looked
17 for and found a way to do professional development
18 for teachers, to increase elementary staff's capacity
19 by the resources, buildings capacity by the
20 professional development, and ultimately the efficacy
21 of adults working with kids on science.

22 You visited perhaps, I visited many of the
23 schools that are engaged. I listened to principals
24 and superintendents and teachers talk about the kind
25 of intense, embedded professional development that

1 comes with resources and materials and the kinds of
2 outcomes that they are getting.

3 So we are very, very pleased with Asset.
4 And on Quality Reports, national quality studies done
5 by the National Science Foundation and more, using
6 National Science Foundation grants from Asset's
7 previous commitment with our engagement with national
8 science, this is probably the hallmark or the best
9 approach to professional development for teachers.

10 REPRESENTATIVE REICHLEY: Okay.

11 Well, with regard to the Asset curriculum,
12 that is going to lead into the next question about
13 "Classrooms for the Future" laptops.

14 With Asset, did you bid out that particular
15 program, or how did the Commonwealth come to select
16 that and, by doing so, deprive districts from making
17 that choice themselves?

18 SECRETARY ZAHORCHAK: We partnered with a
19 high-performing project that has, as I said,
20 international results, and---

21 REPRESENTATIVE REICHLEY: Well, with all
22 due respect, Mr. Secretary, did you bid that out,
23 or how was it that this particular company was
24 selected for the evaluation of a contract, I believe
25 of \$15 million? Is that correct?

1 SECRETARY ZAHORCHAK: Well, because of their
2 ability to do this work. It is a sole-source
3 relationship with Asset.

4 REPRESENTATIVE REICHLEY: So am I correct
5 that this was not a competitively bid contract?

6 SECRETARY ZAHORCHAK: It's a soul-source
7 contract.

8 REPRESENTATIVE REICHLEY: Don't forget about
9 that yes-or-no situation, sir.

10 SECRETARY ZAHORCHAK: No.

11 REPRESENTATIVE REICHLEY: Okay.

12 Now, on laptops for the future, you had two
13 companies, Lenovo getting \$174 million and Apple
14 getting \$26 million. Why did you or the Commonwealth
15 choose to restrict the particular computers that
16 school districts could utilize to those two
17 companies?

18 SECRETARY ZAHORCHAK: Well, we did go
19 through a process to determine the companies, and we
20 wanted two platforms, PCs and Apple, and we knew we
21 were buying volume and we had very specific
22 specifications.

23 The companies that responded, we chose one
24 for an Apple platform and one for the PC platform.
25 Those things in mind, there was a unique

1 specification for this particular project in mind.
2 The companies that were best able to do that received
3 the award.

4 REPRESENTATIVE REICHLEY: And what factors
5 were considered in awarding the contract to Lenovo, a
6 Chinese company?

7 SECRETARY ZAHORCHAK: Well, when you think
8 about production of hardware and computers, there is
9 very little, if any, American company that is in that
10 business. So we didn't consider where you are coming
11 from with building your equipment; we considered who
12 can give us the best bang for the dollar in terms of
13 this high volume and meeting our specifications
14 and doing it on time -- who has the capacity to do
15 that?

16 REPRESENTATIVE REICHLEY: So you are stating
17 there was not an American computer manufacturer that
18 could provide you the laptops that were necessary for
19 this program?

20 SECRETARY ZAHORCHAK: Correct. The two that
21 are selected are the ones that best are able to
22 provide us---

23 REPRESENTATIVE REICHLEY: And the decision
24 was made to limit districts from choosing between
25 these two rather than providing the funds to the

1 districts and letting them make their own
2 arrangements?

3 SECRETARY ZAHORCHAK: Yeah, because
4 remember, what we are doing and what you have been
5 leading is, how many ways can we get to efficiency?
6 So other ways to do that add costs. So we looked at
7 the most efficient way financially to do this.

8 But let me tell you, it is bigger than that,
9 because the results of "Classrooms for the Future"
10 are unlike anything else I have ever been engaged in,
11 and probably most of the superintendents who you will
12 talk to, unlike anything else they have been engaged
13 with in terms of the professional development and the
14 change of the culture inside our high school
15 classrooms. It completely changed everything. So
16 that is the value of this.

17 And we can talk about the way we went about
18 procuring the equipment, but we followed all the
19 procurement rules -- of course; this government does
20 that -- and got to the best able, least expensive way
21 of providing those computers.

22 REPRESENTATIVE REICHLEY: Well, as much as I
23 think in the meritorious argument you made for
24 efficiencies is correct, I think there is concern
25 that you are forcing, from a top down, choices on

1 districts, which they would be in the best position
2 to make those choices.

3 There are other questions, obviously, about
4 the amount of funding put into teacher professional
5 development, an increase of 1,117 percent since
6 2004.

7 But the last question I really want to ask
8 you about is that in the Morning Call on February 12,
9 2008, there was an editorial which questioned the
10 assumptions made in the costing-out study, which
11 essentially came down to this idea of throwing more
12 money into this system.

13 I understand that you have adequacy as the
14 hallmark of the new funding formula, but Professor
15 Spiezio from Cedar Crest College noted that of the
16 82, quote, "successful schools," unquote, which are
17 identified by the study in evaluating their
18 utilization of dollars, 66 of them are spending less
19 than the targeted figure that you identified of the
20 \$8,355.

21 SECRETARY ZAHORCHAK: That is correct.

22 REPRESENTATIVE REICHLEY: So if we are
23 looking at the 82 hypothetically successful districts
24 and looking at the practices they are utilizing, and
25 two-thirds of them are spending less than what was

1 identified, is throwing more money into this
2 situation really the answer?

3 SECRETARY ZAHORCHAK: Well, I appreciate
4 your saying that, because it gives me an opportunity
5 to say, the successful schools that are identified in
6 the study, once you look at those schools one at a
7 time, you will find out that on average, those
8 schools, one out of six students still is not at
9 proficiency levels, and to get them to proficiency by
10 the year 2014, the adequacy study clearly says they
11 have challenges, uniquenesses, and a number target as
12 well.

13 So the adequacy study, one, recognizes them
14 as being successful and en route, but to do the job,
15 the adequacy study, the costing-out study, also says,
16 here's the number for them. And when you think about
17 it, it only makes sense. One in six students in
18 those schools is indeed not there -- are basic or
19 below basic, in other words.

20 REPRESENTATIVE REICHLEY: Thank you, Mr.
21 Secretary.

22 Thank you, Mr. Chairman.

23 SECRETARY ZAHORCHAK: Thank you, sir.

24 CHAIRMAN EVANS: Dan Frankel.

25 REPRESENTATIVE FRANKEL: Thank you, Mr.

1 Chairman.

2 Mr. Secretary, I will try and be quick, and
3 I thank you for your patience today. And I think
4 generally, in a very complicated department, we are
5 making some progress, and I will leave it at that.

6 Let me ask you, you know, last year, you and
7 I and members from the Allegheny County delegation
8 worked together very hard -- and Representative
9 Wheatley briefly addressed this -- to talk about
10 dealing with a problem that I think is a problem that
11 we will be seeing again throughout Pennsylvania.
12 Certainly we will be seeing it in western
13 Pennsylvania with the Duquesne School District, the
14 school district that had shrunk so far and was unable
15 to provide a comprehensive, academic curriculum to
16 students and really needed to be merged.

17 You know, we worked through a very
18 complicated process, and I thought it was just very,
19 very well done at the end of the day. And
20 anecdotally, it appears to me at this point, from
21 what I'm hearing, that it's working out very well.
22 Despite what initially were, you know, perceived
23 academic readiness issues, demographic issues, and so
24 forth, that there was a lot of concern in all the
25 communities, and those seem to have been dealt with.

1 As we look at the costing-out study and
2 bringing everybody up to an equal level, there are
3 certainly school districts across Pennsylvania who
4 really need to kind of look at merging. You know,
5 Duquesne did it with East Allegheny and West Mifflin.
6 I know there are probably at least a couple of
7 others in western Pennsylvania, and my guess is there
8 has got to be others across the State of
9 Pennsylvania.

10 As we go through the process over 6 years of
11 getting everybody up to adequate funding, isn't it
12 also an opportunity to look at this issue as
13 something that your department should be
14 incentivizing as part of the process, looking at some
15 of these districts that just are not capable, really,
16 of providing an adequate educational framework and a
17 comprehensive framework? Shouldn't we be looking at
18 that as well as a part of this, as an opportunity to
19 effectively consolidate those school districts that
20 really need to be?

21 SECRETARY ZAHORCHAK: I really believe we
22 should have a continued statewide conversation about
23 consolidation, and we should be advocating for
24 consolidation where it makes sense.

25 The department has been good partners, I

1 believe, in studying those assimilations that I
2 referred to earlier. It does make a lot of sense in
3 a lot of places. There are, of course, some places
4 where it is hard to do, but generally speaking, it
5 makes sense and we will continue to partner. We will
6 help them with the assimilation. We will help them
7 overcome the one-time costs in terms of incentivizing
8 them.

9 Back to Duquesne, you know, there was a
10 consolidation sort of just with high schools. People
11 may think of consolidation using commissioned
12 officers known as superintendents, where one
13 superintendent might serve more than one district at
14 a time. There are ways at efficiency. We need to be
15 creative and innovative about the approaches toward
16 it, and I think the Duquesne situation was one.

17 It is interesting to note, Duquesne now, for
18 the first time in probably a decade and a half or
19 longer, is operating at a place in the budget that
20 they are not in the red. They have learned a lot
21 about efficiencies. They are taking advantage of
22 everything because of the supports given to them from
23 the department and from the region actually in doing
24 business at Duquesne.

25 So their parents are pleased. So far the

1 students are enjoying a high school experience like
2 never before, and we are expecting each of those kids
3 to come out of their twelfth grade year proficient
4 and ready to go to postsecondary.

5 REPRESENTATIVE FRANKEL: Thank you very
6 much, Mr. Secretary.

7 Thank you, Mr. Chairman.

8 SECRETARY ZAHORCHAK: Thank you,
9 Representative.

10 CHAIRMAN EVANS: Dally. Representative
11 Dally.

12 REPRESENTATIVE DALLY: Good afternoon, Mr.
13 Secretary.

14 SECRETARY ZAHORCHAK: Good afternoon,
15 Representative.

16 REPRESENTATIVE DALLY: Last but not least,
17 Representative Reichley had talked about the laptops,
18 and there was an issue in one of the school districts
19 back in the Lehigh Valley, Bethlehem School District,
20 part of which I represent, in terms of lost laptops,
21 and I think there are anywhere from 80 to 100 laptops
22 that are missing. And it would seem to me that you
23 could have some type of technology on these laptops
24 to require that they wouldn't work for anyone other
25 than the person to whom they are assigned, either a

1 fingerprint or whatever.

2 SECRETARY ZAHORCHAK: Okay.

3 REPRESENTATIVE DALLY: Are there any
4 regulations that you have within your department that
5 would require school districts to adopt regulations
6 like that with these learning tools?

7 SECRETARY ZAHORCHAK: We do. We have
8 agreements that before going into "Classrooms for the
9 Future," you sign with us that you are going to
10 follow some protocols that we have in place.

11 For example, these laptops are generally
12 placed on a cart. That cart is locked and secured
13 every night. We have an agreement of who gets the
14 key and how that one person is responsible.

15 There may be occasions where somebody breaks
16 into a building from outside the system and takes
17 chalk or an overhead projector or laptops. That
18 could happen with "Classrooms for the Future," but it
19 hasn't happened. And we are pleased to say that we
20 believe the protocols, our expectations for security,
21 are part of this.

22 Another protocol that comes to mind, you
23 know, is students are not allowed to take the laptops
24 away from the cart or away from the person assigned
25 for that period of instruction. In other words, it

1 is for a particular classroom at a particular time of
2 the day and not to go home or not to go to another
3 part of the building without that teacher or
4 educational leader being responsible.

5 REPRESENTATIVE DALLY: Well, are you aware
6 of the issue with the Bethlehem School District with
7 these missing laptops?

8 SECRETARY ZAHORCHAK: Yes.

9 REPRESENTATIVE DALLY: Okay. And weren't
10 they involved in that program, "Classrooms for the
11 Future"?

12 SECRETARY ZAHORCHAK: They were, and it was
13 somebody from outside. It wasn't during the day or
14 somebody taking them home or a student figuring out
15 how to get them. It was a break-in, and someone
16 stole laptops during that break-in.

17 REPRESENTATIVE DALLY: Okay. I didn't know
18 that that had been ascertained, but okay.

19 Yeah; I don't believe that it has been
20 resolved as to how they became missing, but--- All
21 right; that was a concern that I had.

22 Getting back to your formula, and I know we
23 beat this horse around enough today, but getting back
24 to this municipal equalized mills concept, are you
25 arriving at that number by taking the school

1 district's spending, the portion of the city budget
2 that is attributed to the Philadelphia School
3 District, and then equating that to the millage that
4 that represents on a residential property?

5 MR. GODLEWSKI: The calculation associated
6 with the municipal tax effort is where you take the
7 taxes collected by the municipality and divide it by
8 the market value of the municipality to determine the
9 municipal equalized millage.

10 REPRESENTATIVE DALLY: Okay. Because it
11 would seem to me that if you want to compare apples
12 with apples, wouldn't it just be easy to take that
13 spending associated with the school district and
14 reduce that to the millage figure, because then you
15 can compare that to what you are paying in a school
16 district for property taxes to fund the school
17 system?

18 SECRETARY ZAHORCHAK: Well, I again think we
19 have to keep in mind, the end adequacy number is
20 where we are driving to, and it is a 6-year process,
21 and we all know where we are going in each school
22 district for the first time.

23 REPRESENTATIVE DALLY: Okay. Well, it will
24 be interesting to see what that number would be like
25 if we used that rationale. Then it would be

1 comparing it to other school districts and their
2 taxing efforts.

3 And I understand that this is uncharted
4 territory here and there are going to be a lot of
5 questions about the proposed funding formula, but one
6 thing that I think it doesn't take into consideration
7 is it doesn't consider those school districts that
8 have realized efficient spending, meaning that they
9 have been perhaps frugal, but they have had results,
10 you know, in the process.

11 Because it seems like if your taxing effort
12 isn't high enough, you get penalized. On economies
13 of scale, if you are a small district, which
14 oftentimes are the most frugal because they don't
15 have the resources, you get penalized. And then
16 those that can realize efficiencies on an
17 economies-of-scale basis are not penalized, there is
18 no change, because it is a negative number and you
19 just, you know, round that to zero. So those are
20 just some of the concerns that I have on the formula.

21 And last but not least, I received a letter
22 from a retired superintendent in my school district
23 pertaining to the proposal for the graduation test,
24 and basically -- and it was addressed to the State
25 Board of Education -- and basically he is saying "The

1 evolution of State and national testing has shifted
2 the priorities in education from developing sound and
3 fundamental curriculum programs to teaching for the
4 test. This is a sad commentary for our educational
5 system today. Students are not widgets in the sense
6 that they are all the same. As we have levels of
7 instruction in our school systems to meet the basic
8 capabilities of the students present, we do not have
9 the tests that compensate for these differences. One
10 must ask the question, what is the testing for and
11 who really benefits from the results?" Then he
12 opines, "I honestly believe the results are used more
13 for political benefits than actual improvement of
14 instruction."

15 But in essence what he is saying is that he
16 would propose a stronger curriculum in mathematics,
17 science, social studies, and language arts, and if
18 students are given 4 years of those subjects, that
19 they are adequately prepared for the future and to be
20 successful rather than testing them, and that is
21 basically his comment.

22 SECRETARY ZAHORCHAK: Yes. Well, if I may,
23 there will be an opportunity again to say -- these
24 are really asking schools to teach to our standards
25 and have a uniform measurement, and I think everybody

1 that does any kind of business in any of the sectors
2 thinks about, how do we measure what we have done
3 here with the outcome?

4 So I disagree that they were teaching to the
5 test. I think we are teaching to standards. I think
6 the assessment is a way that we uniformly say in
7 algebra II or algebra I or English, did we do that or
8 not? And can we say without hesitation that this
9 district compared to that, or this algebra I teacher
10 in a high school building compared to the one across
11 the hall, has the same expectations at the end of the
12 course to assess the students, the same measurements?

13 REPRESENTATIVE DALLY: Okay.

14 SECRETARY ZAHORCHAK: And again, we measure
15 everywhere. We are measuring to make sure kids are
16 ready, and I think what we would be doing is a great
17 disservice if we allow any other approach to it to
18 thousands and thousands of kids and to a workforce
19 that is going to have 40 years of those thousands and
20 thousands of kids.

21 REPRESENTATIVE DALLY: Okay.

22 SECRETARY ZAHORCHAK: Thanks.

23 REPRESENTATIVE DALLY: Thank you, and, you
24 know, we all know it is not an exact science, but I
25 wanted to share those thoughts with you from a

1 retired superintendent.

2 SECRETARY ZAHORCHAK: Thanks.

3 REPRESENTATIVE DALLY: Mr. Chairman, thank
4 you.

5 CHAIRMAN EVANS: Mr. Secretary, if you would
6 like -- it is up to you; I know you have been here a
7 long time. I'm going to ask the superintendents to
8 move up. You can stick around if you want to. You
9 don't have to stick around.

10 SECRETARY ZAHORCHAK: I would enjoy sticking
11 around and listening to them. Thanks very much.

12 CHAIRMAN EVANS: Okay; good. Once a
13 superintendent, always a superintendent.

14 Can the other superintendents move up to the
15 table, please? Just move your chairs on up to the
16 table.

17 SECRETARY ZAHORCHAK: Mr. Chairman, before
18 we transition, can I correct something for the
19 record?

20 CHAIRMAN EVANS: Yes.

21 SECRETARY ZAHORCHAK: My staff, a member of
22 mine, just brought to my attention that the
23 Nitschmann School in Bethlehem was not a part of the
24 CFF project at all. Middle schools are not a part of
25 our "Classrooms for the Future," just high school,

1 and that is where that occurrence happened. And I
2 was thinking of a place in a high school where there
3 was an outside break-in, so I have confused the two.

4 But the Bethlehem School District has a
5 situation with computers not in the CFF project at
6 all.

7 REPRESENTATIVE DALLY: Okay. Are they
8 enrolled now? Are they enrolled now in "Classrooms
9 for the Future"?

10 SECRETARY ZAHORCHAK: Their high school,
11 yes.

12 REPRESENTATIVE DALLY: Okay, but not the
13 middle school.

14 SECRETARY ZAHORCHAK: Not that middle
15 school.

16 REPRESENTATIVE DALLY: All right. Thank you
17 very much.

18 SECRETARY ZAHORCHAK: Thanks very much.
19 Thank you, Mr. Chairman.

20 CHAIRMAN EVANS: You're welcome.

21 SECRETARY ZAHORCHAK: I'm going to give up
22 my seat.

23 CHAIRMAN EVANS: Okay.

24 One, I want to thank all of the
25 superintendents for the amount of time that you have

1 spent here listening, and what I would like to do is
2 explain the game rules for you: Introduce yourself,
3 your school district, where your school district is
4 located, and just give us -- you have heard a lot of
5 conversation. You heard the Secretary of Education.
6 You may have read the Governor's budget yourself
7 around education, and this is your chance to talk to
8 us.

9 This is something I started just this year
10 about trying to get a different perspective so that
11 all the members -- I don't think I have met any of
12 you, for public disclosure. I want to say that to my
13 good friend, Mario Scavello, for public disclosure,
14 and that you were just selected randomly to come
15 here. We tried to pick urban, rural, suburban, and
16 then allow you to say something.

17 So for the record, tell us who you are, you
18 know, where your district is, for the purpose of the
19 record, and then tell us kind of the things that you
20 have heard and your thoughts.

21 So wherever you want to start. Who wants to
22 start first?

23 DR. GOOL: I would be happy to start first.
24 Thank you.

25 CHAIRMAN EVANS: Okay. So introduce

1 yourself and tell us where you are from.

2 DR. GOOL: I'm Dr. Jean Atkin Gool. I'm the
3 superintendent of schools in the Keystone School
4 District in Clarion County. We are north of 80.

5 And we came this morning on two buses, and I
6 am very proud of our students. They are doing very
7 well here today.

8 I am also very pleased to be here, and I
9 thank you all for taking time to listen.

10 I need to tell you what 1.5 percent does for
11 us, because we are a 1.5-percent school district. In
12 our school district, 1.5 equals \$97,000 in revenue.
13 To maintain our existing programs right now with that
14 1.5, it will cost us approximately 6 mills of taxes.
15 I will have to raise taxes 3.74 mills, plus I must
16 cut \$108,000 from our budget.

17 In a small school district, that's huge.
18 I'm looking at cutting programs. I'm looking at
19 cutting academics. I'm looking at cutting everything
20 that I can get my hands on.

21 What is even more challenging to 1.5 is that
22 I'm looking at 6 years of 1.5. I'm looking at an
23 implementation of a program that is going to be very
24 difficult for us.

25 Forty-two percent of our elementary students

1 and 35 percent of our junior-senior high school
2 students are eligible for free and reduced lunch.
3 One mill of taxes in our district equals \$50,000. So
4 you can see what 3.74 means, and you can see what
5 \$108,000 cut from our budgets means.

6 We have made AYP every year. We are a very
7 frugal district, and our students do very, very well,
8 and I appreciate that.

9 The other group of students that I worry
10 about very much are our career center students. The
11 cost for our students to go to the career center --
12 and they do very well there; it makes them career
13 ready when they graduate -- has increased by \$125,000
14 this year.

15 Right now, it is going to be a very big
16 challenge to run our district. We have a \$13 million
17 budget and 1,100 students in two buildings, and that
18 is the Keystone School District and that is what we
19 are looking at right now.

20 DR. DIGGS: My name is Dr. Tresa Diggs, and
21 I am the superintendent of the school district of the
22 City of York.

23 I, too, would like to thank you very much
24 for inviting me here this afternoon. I appreciate
25 the opportunity to appear before you.

1 Please allow me first to tell you a little
2 bit about my district. The City of York has
3 approximately 40,081 individuals in five square
4 miles, 600 city blocks, and 300 of them are
5 residential. The median household income for the
6 city is \$21,812.

7 The York City School District is a very
8 small urban school district of approximately 6,000
9 students. We are a diverse district. We have
10 approximately 42 percent African-Americans,
11 39 percent Hispanic, 18 percent Caucasian, and
12 2 percent Asian and Native American.

13 All of our buildings are Title I buildings,
14 with 86 percent of our students on free and reduced
15 lunch.

16 We have 1,410 students who are in our
17 English language learner program. They speak
18 20 languages, and they are from 10 different
19 countries.

20 Our special education population is at
21 19 percent. We have 802 students who are categorized
22 as homeless. Sixty-seven percent of our students
23 live in single-parent families.

24 As you can see from our demographics, we are
25 an extremely needy population. This is why our

1 district is appreciative of the increase in the basic
2 subsidy proposed by the Governor's budget.

3 Our schools struggle because of inadequate
4 resources. Our school board has once again proposed
5 to increase taxes to balance the budget this year.
6 They are increasing by 3.17 mills.

7 These increases are indeed necessary to have
8 effective schools, because we know that good schools
9 help stabilize property values. We know that good
10 schools attract businesses and employers.

11 Communities with good schools don't have
12 high dropout rates, and good schools help young
13 people become self-supporting adults who contribute
14 to the community in many positive ways.

15 I am deeply concerned with how Pennsylvania
16 funds our public education. Our community doesn't
17 have the property base or the personal wealth to
18 raise adequate funds for our schools.

19 The current way of funding schools does not
20 tie funding to the number of kids that are in the
21 district, and it does not tie funding to the needs of
22 those students. Each year, we have an increased
23 number of English-language learners in our school
24 district but a shortage of qualified teachers to
25 serve them.

1 We have older, deteriorating buildings that
2 are in desperate need of repair.

3 However, we are extremely thankful for the
4 Pre-K Counts program. That initiative gives our
5 children an equal start. We are supportive of that
6 program. As a matter of fact, we need more dollars
7 for Pre-K Counts, because we have students who are on
8 waiting lists.

9 We are concerned that the Federal government
10 will cut the Reading First program, which has been
11 successful for our students.

12 We are a district in corrective action.
13 However, we are seeing academic gains within each of
14 our grade levels, and one of the reasons for those
15 academic gains is the Reading First and other reading
16 programs.

17 If a cut is made, we are unable to maintain
18 the program through our general fund, and we are
19 hopeful that the State will come to our rescue.

20 The investments we have made in proven
21 research-based practices are resulting in student
22 success. The Department of Education has provided us
23 with resources through the Distinguished Educator
24 Program and the CADRE Program, which is the center
25 for data-driven reform in education.

1 And this is at no cost to us. Without the
2 support of these professionals, our district would
3 not continue to move forward, for our district is not
4 financially able to provide this needed support. We
5 are grateful for the funding of the Distinguished
6 Educator Program.

7 We thank you for authorizing the costing-out
8 study. The costing-out study, which was completed in
9 November, gives us better information about what it
10 takes to help students and to effectively educate all
11 children.

12 The increased funding in the Governor's
13 proposed budget will benefit the York City School
14 District. The current proposed budget includes
15 accountability language that states, "To ensure new
16 resources, increase educational services for
17 students, districts in warning, improvement or
18 corrective action" -- i.e., the York City School
19 District -- "must submit a plan to the Department of
20 Education outlining how the additional State funds
21 will be spent."

22 The proposal from the State is that
23 80 percent of any basic education funding increase
24 over the index of 4.4 must be spent for new resources
25 or an expansion in seven areas, in the seven areas

1 that the Secretary of Ed mentioned.

2 We are required to submit a plan to be
3 approved by the Department of Education. I am very
4 much in favor of accountability; however, I urge you
5 to approve language that will expedite the process of
6 approving the plan and language that will allow us to
7 continue funding programs that we currently have in
8 place and that are yielding student success, such as
9 our literacy coaches and our reading ed program for
10 our middle school students. We don't want to have to
11 create new programs, because we have already created
12 those that are working.

13 I view the proposed 2008-2009 State budget
14 as an opportunity to make a significant down payment
15 on the gap, the adequacy gap identified in the
16 costing-out study. I am hopeful that you will use
17 the results of the costing-out study to develop a
18 sound school-funding formula.

19 Thank you very much for allowing me to speak
20 here this afternoon.

21 DR. HOOVER: My name is Dr. John Hoover,
22 superintendent from the Hampton Township School
23 District in Allegheny County, just north of the City
24 of Pittsburgh, and I would also like to thank the
25 committee, Representative Evans, for inviting us

1 here. We really do appreciate the opportunity, for
2 those of us who are in the proverbial trenches, to
3 come and speak before the committee.

4 We also understand, because we are
5 frequently on your side of the table, that listening
6 to people does not always mean agreeing with them.
7 So we will keep that in mind, but we do appreciate
8 you listening.

9 My district is a district of about 3,100
10 students in a community of about 17,500 residents.
11 Our median assessed value of homes there is about
12 \$140,000. That is a full assessment area in
13 Allegheny County. Median income, about \$67,000.
14 Some people consider us to be an affluent district;
15 however, our aid ratio is .4. We are really not
16 there with those districts that are .15.

17 Our budget for this year is about a
18 \$40 million budget. We are one of those districts
19 that has a high tax effort. Our equalized millage
20 rate is 26.5. It puts us probably in about the top
21 10 percent.

22 One of our problems is that we have very
23 little commercial development in our area, so that
24 the taxes are largely funded by the residents of that
25 community.

1 We are a very high-performing school
2 district. The Pittsburgh Business Times last year
3 ranked us the number four district in the State of
4 Pennsylvania based on the PSSA scores. We have been
5 listed in Newsweek, according to the J. Matthew's
6 Index, as one of the top 5 percent of high schools in
7 the country. More recently, we were listed in U.S.
8 News & World Report as one of the top 3 percent of
9 high schools, and Standard & Poor's has listed us not
10 only as an outperformer for 4 consecutive years but
11 also the best value in Allegheny County, meaning that
12 our performance relative to our costs is the best in
13 that area.

14 We realize that virtually everyone comes
15 here asking you for more money, and we certainly
16 could benefit from that as well. And we did
17 appreciate the costing-out study, but I would have to
18 tell you, in all honesty, for my district, it would
19 mean that we would receive an additional \$6 million.
20 I'm not sure that I need \$6 million more to bring all
21 of our students up to proficiency or to do the things
22 that we need to do. Certainly we could use the
23 money; if you give it to me, I'll find a way to spend
24 it. But again, in all honesty---

25 DR. GOOL: If you would like to give it to

1 Keystone, we'd be happy to take it.

2 DR. HOOVER: And I think that's probably
3 fair in terms of the way that the PDE is beginning to
4 look at this issue, to do it in an equitable way.

5 But what I would tell you in terms of what
6 we need and certainly that my board would want me to
7 come here and ask for is more equity in the way that
8 we are funded currently. We are one of those
9 districts that the State only provides about 22 to 23
10 percent of our budget. So the vast majority of the
11 money that is raised is raised locally.

12 And while we do believe that the current
13 Administration is attempting to help districts, and
14 we appreciate things like the accountability block
15 grant and the "Classrooms for the Future," it is hard
16 to become irrationally exuberant when we are only
17 getting 23 percent from the State.

18 So we do believe that there is a need for
19 the State to look at the way this funding is going to
20 districts, particularly when we are a district that
21 has that high-tax effort and we are being funded
22 significantly below even the average rate of other
23 districts, which is about 33 to 35 percent at this
24 point in time.

25 The other problem that we have with things

1 like the accountability block grant is sort of the
2 ephemeral nature of those, that we can't necessarily
3 count on those from year to year, so it is hard to
4 build sustainable programs when you don't know if
5 that money will be there in the succeeding year, and
6 boards are very reluctant to, you know, add
7 additional personnel costs that they may have to
8 absorb in the future. So I do think that is
9 something else for the department to consider.

10 The other tact that I would take in looking
11 at the issue of finances is rather than just asking
12 for more money is to give us help on reducing our
13 costs. That is obviously the biggest driver for why
14 we keep coming back here and asking for more money.

15 You know, there are things like the
16 transportation costs that districts experience. To
17 transport students within my district, it costs me
18 about \$300 per student. To transport those students
19 outside, it costs about \$1,500 per student.

20 And I do understand, you know, I'm not
21 against sending students to parochial schools. I'm
22 the product of a parochial school myself. But in
23 many cases, we are having buses drive past multiple
24 parochial schools to get to some other parochial
25 school that could be up to 10 miles away, as you

1 know.

2 And even in the case of a high school --
3 there are not as many of those -- but we have to
4 drive past two parochial high schools to deliver
5 students to a third parochial high school that they
6 prefer to go to. You know, I think there are areas
7 of cost savings that we can look at with some of
8 those issues.

9 Another issue is the wage tax collection
10 system that costs every district a lot of money
11 locally and we believe could be consolidated at the
12 State level, which would help us tremendously.

13 Another issue is the area of special
14 education. The costs, I believe at this point, are
15 just going out of control. I have one student next
16 year who will cost me \$100,000, and it really is not
17 necessary.

18 My background is as a psychologist, so I
19 have always been an advocate for children, including
20 handicapped children, but some of these costs just
21 are no longer realistic, and we need help from the
22 State to look at how we can control those costs but
23 still provide quality programs for students.

24 And another area that I think we would
25 benefit and would appreciate help from the State

1 would be with the issue of attempting to control
2 labor costs in the district.

3 I'm currently in negotiations now, and since
4 those are confidential, we won't reveal all the
5 details, but I can tell you that by the end of that
6 contract, our teachers will be making well over
7 \$90,000 a year, and in this point of negotiations, we
8 are currently being threatened with a strike.

9 Again, we think there has to be some
10 reasonable degree of balance. Once upon a time I
11 worked in a union; my father worked in unions.
12 Again, I am not anti-union, but I think there's a
13 balancing area that we can achieve.

14 And if the Legislature was not inclined to
15 prohibit strikes and modify Act 88, perhaps you could
16 look at issues like if teachers are making over a
17 certain amount of money -- pick a benchmark, \$75,000,
18 \$80,000 -- or if the district is in one of those
19 high-tax efforts, that you could look at, you know,
20 some relief or modification for them from that
21 standpoint. And I think the biggest concern there,
22 the issue is that the idea of leveraging children to
23 get more, it just isn't really a fair way to conduct
24 business.

25 Again, I'm very grateful for the opportunity

1 to come and speak before you. Thank you very much.

2 DR. ANGELLO: Good afternoon, or early
3 evening.

4 I'm Karen Angello. I'm superintendent of
5 the Allentown School District, and forgive me for
6 talking through my nose. I'm kind of coming down
7 with something, I believe.

8 I want to thank you for giving me the
9 opportunity to be here today, and I want to commend
10 you as legislators for supporting the completion of
11 the costing-out study and also for the Governor to
12 start forging forward in the implementation of that
13 study.

14 I might say that within this budget, as in
15 prior budgets in the past few years, are many
16 best-practices programs, including the Pre-K Counts,
17 in which we work in partnership with local, our
18 community services for children, so that we have
19 worked in an outsourcing manner so that we can get
20 the best amount of money out of each of those
21 dollars. And so by working in partnership with
22 outside partners, we have been able to use those
23 funds to serve many more students, and we will do
24 that as we apply it this next year.

25 "Classrooms for the Future"; dual

1 enrollment; kindergarten. Although we do not have
2 the space for the kindergarten, we were able to
3 extend our kindergarten days in using smaller spaces.
4 So that certainly is very important in our particular
5 school district.

6 I just want to give you a little background,
7 and then I'll tell you about our school district.

8 The Allentown School District has
9 consistently faced a funding gap. It was a concern
10 not only with our board of directors but also with
11 CEOs in the Lehigh Valley.

12 In 2006, they formed a group, Education
13 2010, and they commissioned the same group that did
14 the costing-out study for all of you to do a study of
15 our particular school district.

16 They wanted to make sure that we were very
17 prudent with our fiscal management, and they did find
18 out we were very prudent with our fiscal management.
19 We have one of the lower ratios in terms of
20 administrators per teachers and per students, and
21 also, unfortunately, we have a very low ratio in
22 terms of many of our support services due to funding
23 needs.

24 I commend the work of the legislative
25 delegation, Education 2010, for they have given us

1 unwavering support, and I feel that they had great
2 influence in the discussion about the funding of
3 education in the Commonwealth.

4 The costing-out study has emphasized the
5 funding gap experienced by ASD to be about \$5,449.
6 That figure is certainly influenced by the fact that
7 we have a great high-risk population, and let me tell
8 you a little bit about that population.

9 We have over 18,000 students. About
10 15 percent of those are English-language learners.
11 We do have a low percentage, 11.8 percent of our
12 students, who are in IEPs. However, the needs have
13 become much more severe.

14 If we look at a combination of both our
15 Medicaid-eligible students and also our students who
16 are on free and reduced lunch, 75 percent, 75.8,
17 would qualify for low income. That has been quite a
18 change since the year 2001-2002 in which it was 62.3
19 percent.

20 We are 19.9 percent Caucasian, 17.4 percent
21 Black, and 61.2 percent Hispanic.

22 We have 16 elementary schools for middle and
23 2 high.

24 Our district is composed of 2,093 district
25 staff with the 22 schools. We have almost 1,300

1 teachers and 67 administrators. We have a number of
2 other staff, but I think it is also important to
3 note, we do have 28 security officers, and we have a
4 need to increase that amount.

5 The Allentown School District, due to a
6 number of issues with its funding over the years, did
7 not always meet the needs in terms of capacity with
8 its school district, and even in the year 1994-95 had
9 exceeded the capacity in terms of enrollment and
10 capacity.

11 I have to really commend our board of
12 directors, who have entered a long-range facilities
13 plan. We are now in phase 1, which is a \$153 million
14 venture, and I might say it is a very prudent
15 venture.

16 We have taken advantage of the green-school
17 concept with three of our schools. We will be
18 building one new school, two grade-9 buildings, and
19 we are doubling the capacity of another elementary
20 school and also increasing the capacity of two of our
21 middle schools.

22 This will only be the beginning, and as I
23 said, we appreciate the fact that we have been able
24 to do the extended kindergarten, because when we use
25 the moneys, we still do not have the capacity to

1 bring in the full-day kindergarten across the
2 district, and that is a very high need of our school
3 district.

4 We have had continued fiscal restraints, but
5 do receive a great deal of funds through the Federal
6 level. And at the State level, we have really
7 received historical increases in the last 3 years --
8 21 percent in '06-07, 12.3 percent for this school
9 year, and in the next school year it is proposed to
10 be a 19.7 percent.

11 That funding has supported teacher
12 development and support, staffing to reduce class
13 size, special education, addressing the increasing
14 needs of English-language learners, counselors,
15 nurses, replacement of textbooks, tutoring, and
16 summer programs.

17 Whenever we add staff, we go back and we
18 review the study that was done on our school district
19 to ensure that we are using data-driven decisions
20 when we add the staff.

21 The value of the funds at the local level
22 remained the same for about 6 years. I mean, it was
23 even prior to my coming here, but the 6 years I have
24 been there, it has remained about the same. EIT
25 either remains or it declines on a yearly basis.

1 The poverty level has grown from 1994 to
2 1995, which was .5471 to an aid ratio now of .7495.

3 I might say there have been a number of
4 actions taken to be very prudent with funds. The
5 boards had commissioned, prior to my coming to the
6 school district, had had both the Wright and Touche
7 and KPMG review every fiscal part of the district to
8 ensure that the district was prudent with its fiscal
9 management.

10 There have been efforts to join purchasing
11 with other school districts, and the districts in our
12 Intermediate 21 continually work together to find
13 ways to reduce costs in a mutual manner.

14 Some of the areas that I would just like to
15 specifically talk about with respect to the budget,
16 and I will do that briefly, is, one, the area of
17 special education funding and to look at all
18 districts across the Commonwealth to determine how
19 they can best have additional support in special
20 education.

21 The depth of the disabilities has become
22 much more severe with many of our students, and it is
23 very important that we have specialized supports and
24 behavioral interventions and specialized skills of
25 our staff when working with students needing autistic

1 support and learning support.

2 The accountability block grant, I would
3 assume, is becoming institutionalized in that our
4 money that we would gain from the costing-out study
5 would be used to support the increases in costs
6 gained by continuing with the accountability block
7 grant. If that not be the case, then in order for a
8 sustained block grant where it is, we would need
9 another \$244,000.

10 This block grant has been used to support
11 our homeschool visitors, a district-wide parent
12 liaison, literacy and math coaches, special education
13 teachers to implement co-teaching models, as well as
14 the extended-day kindergarten.

15 We are a district on Corrective Action 1. I
16 might say that there has been substantial progress
17 made in the school district. Over a 3-year period of
18 time, we have gone from 4 to 10 schools that have now
19 made AYP, but we have a ways to go, and we will need
20 support for our students.

21 We presently have 3,112 students that are
22 being served in the Educational Assistance Program.
23 That has been level funded at \$1.8 million for
24 3 years. It will require an additional \$97,000 from
25 the general fund to sustain the staff.

1 In looking at what we can do with the
2 additional funds we would receive, I know that the
3 Secretary did comment that funding could be allocated
4 towards tutoring.

5 I do want to make a few comments about
6 "Classrooms for the Future," and I want to first of
7 all say I solidly support this program.

8 We have received enough computers at this
9 time to meet the needs of half of our high school
10 students. The use of the laptops and the interactive
11 whiteboards is highly motivating for students and
12 teachers and gives them both broader access to
13 information in a learning environment. But
14 problematic to the implementation of the 2007-2008
15 have been costs, that the district was disallowed to
16 use its expenditures in the grants.

17 We met with a significant challenge with the
18 two particular laptops that had been selected. We
19 really truly had to move to a Macintosh platform, as
20 the PC had lacked adequate RAM, and upgrading the PCs
21 was not possible as we did not have the funds for
22 that. So I think it is very important as this
23 program moves forward that you have comparable
24 computers or comparable laptops in the program.

25 In addition, we had to expend \$45,000 from

1 district funds for remote access points to address
2 the security needs of the district's local area
3 network. Because of the size of our district and
4 because we have an enterprise system, even Macintosh
5 said that our systems would not be secure without
6 changing the remote access points.

7 There are a number of other areas that we
8 think are very important to look at carefully, and I
9 have brought those to the attention of the Secretary
10 of Ed.

11 ASD is committing additional technical staff
12 in its general fund budget this next school year
13 because we feel that we also have to have a
14 commitment in order to sustain the program.

15 Now, very briefly in regard to the plan that
16 we submitted to PDE for approval. I want to ensure
17 that this plan is not redundant with the district
18 improvement plan or if it could be interfaced so that
19 the funding could be, the budget could be linked
20 right within that plan.

21 I can well understand the requirement for
22 more accountability when we receive substantial
23 increases in funding. I do wish to receive greater
24 detail on the constraints placed within the plan.

25 As we have received funds in the

1 accountability block grant and the Educational
2 Assistance Program, the increased funding does become
3 categorical in nature. What is good about it, it is
4 tied in to research-based practices that will help
5 student achievement, but the district also receives
6 Federal funds that are categorical and are designated
7 for specific areas.

8 My concern is to make sure that these
9 prescriptive requirements for use of the funds also
10 take into consideration operational funds, the adding
11 of capacity to the school districts, and the
12 increases that we must pay in costs to our technical
13 schools. We also send money; we are a sponsor of
14 the local community college and the intermediate
15 unit.

16 We are working with our boards now in
17 reviewing the approved preliminary budgets, and we
18 need to gain clear direction soon on how we proceed
19 with this planning process.

20 I do feel very optimistic about the budget.
21 I know that it is extremely challenging for all of
22 you as you begin this paradigm shift with the funding
23 formula, and I would say that we as superintendents
24 are here to work in any way with you and with the
25 Secretary of Ed.

1 I think it is a very great historical move
2 on the part of funding in the Commonwealth, and I
3 want to thank you for letting our voices be heard
4 today.

5 MR. HUTCHESON: Good afternoon. Mathew
6 Hutcheson from the Austin Area School District,
7 located in Potter County. It is in north-central
8 Pennsylvania.

9 I thank you for the opportunity to address
10 the Appropriations Committee. I commend Chairman
11 Evans for inviting the school administrators to be a
12 part and to have our voice heard in this testimony
13 today.

14 I thank my colleagues for participating in
15 this hearing also. We do share a common goal in
16 providing the students of Pennsylvania with a quality
17 education.

18 As a member of the costing-out study, I feel
19 that it was a valuable activity to address funding
20 structure for schools. I support the need for a
21 formula to adequately address the funding of schools
22 within this State. The formula presented is a start,
23 with some issues that do adversely affect school
24 districts, including those in rural areas.

25 I would like to tell you a little bit about

1 the Austin Area School District. It is the smallest
2 public school in the State of Pennsylvania. There
3 are 225 students, pre-K through 12, located in one
4 building.

5 The district covers 228 square miles. We
6 have 29 professional employees---

7 CHAIRMAN EVANS: Can you repeat that again?
8 How many miles?

9 MR. HUTCHESON: 228 square miles.

10 CHAIRMAN EVANS: And how many students do
11 you have?

12 MR. HUTCHESON: We have 225 students.

13 CHAIRMAN EVANS: Excuse me. Okay. I'm just
14 checking.

15 MR. HUTCHESON: We are extremely rural.

16 CHAIRMAN EVANS: I'm just checking.

17 I wanted Scavello to hear that.

18 REPRESENTATIVE SCAVELLO: Yeah; I heard
19 that. I heard that.

20 MR. HUTCHESON: There are 29 professional
21 employees, 6 support personnel, including secretary,
22 maintenance, and business.

23 We do not currently have a principal. I
24 share the role of high school principal, my guidance
25 counselor is the elementary principal. So we have

1 done everything that we can to reduce costs
2 administratively and professionally.

3 Forty-nine percent of the students are
4 eligible for free and reduced lunch. Twenty-five
5 percent of our students receive special education
6 services, which represents 10 percent of our total
7 budget.

8 Local revenue amounts to 48 percent of the
9 budget, with 80 percent coming from property tax.
10 One mill generates \$28,000. State revenue for basic
11 education is 33 percent. Special education revenue
12 represents 4 percent of our budget; Federal, 3.6.

13 The district has made AYP for the past
14 6 years, and we are one of the 1.5-percent increase
15 districts.

16 Concerns for the rural schools are two
17 issues: equalized mill, and the location cost
18 metric.

19 The equalized mill is used as a State
20 funding target multiplier. Austin has an equalized
21 millage rate of 19.9 mills, which means that we
22 receive a 16-percent reduction in our total funding
23 because of our millage being below the high average.

24 However, the local property tax represents
25 7.4 percent of the personal income, yet we are not

1 considered a high-tax district. Seven-point-four
2 percent of our personal income goes towards paying
3 property tax.

4 The district is further penalized with the
5 market value personal income ratio, as that there is
6 declining student enrollment, these numbers continue
7 to increase.

8 The largest landowner in the district pays
9 \$1.25 per acre, which equates to an assessed value of
10 \$30 per acre, while private landowners pay a rate of
11 \$44 per acre, which equates to an assessed value of
12 \$1,000 per acre.

13 The State, as the largest landowner, has
14 110,000 acres within our district, and we do not
15 receive a yearly increase for that. We are set at a
16 fixed amount.

17 The location cost metric. Again, rural
18 schools are assessed a 7-percent penalty due to the
19 formula generated for the cost of living. Yes, we do
20 have a lower cost for housing; however, our
21 commodities costs are equal or greater than that that
22 you would find in an urban setting. For example, as
23 of Friday, before traveling down here, the cost of
24 gas was \$3.26 per gallon. A gallon of milk, because
25 of the location that we are in, is \$4.79; a loaf of

1 bread, \$2.79. Local store owners must pay a
2 surcharge for all goods transported into the area
3 because of the distance that the food has to travel.

4 These current formula costs will amount to
5 the State, as has already been referenced, paying
6 less than the 50 percent over the 6 years.

7 There are some important notes that I would
8 like to make on behalf of the budget, on behalf of
9 the funding that has been provided.

10 The district has benefited from the Pre-K
11 Counts. The district has operated a preschool
12 program for 15 years. We have strongly believed in
13 early childhood education. We have a full-day
14 kindergarten. We were able to make modifications,
15 expansions to our program, to receive the
16 Pre-K Counts funding, which has been very crucial for
17 us.

18 "Classrooms for the Future" has also been
19 another program that the district has benefited from
20 during this past year. The district received 57
21 student laptops, 4 teacher laptops, and 3 interactive
22 whiteboards. As part of this program, our teachers
23 have expanded their instructional process for the
24 students, and I do believe we will see great gains
25 from the students.

1 One final note. In a rural community, we
2 have been able to work very well together as schools
3 within the county. There are five schools within
4 that county. We have used our Safe & Drug Free
5 Schools funds, which are minimal, but we have used
6 that to offset the cost of having an intensive case
7 manager within each one of the buildings in the
8 county, and it has been done in conjunction with
9 human services.

10 I do thank you for the opportunity to be
11 here today. Hopefully I have represented or given
12 you a picture of what rural schools do face.

13 Thank you very much.

14 CHAIRMAN EVANS: Before I make any comment,
15 Representative McIlhattan would like to make a
16 comment. Fred.

17 REPRESENTATIVE McILHATTAN: Thank you, Mr.
18 Chairman.

19 I know it is getting close to closing, and I
20 thank you for giving me the opportunity to make an
21 announcement here.

22 I want to thank our students from Keystone
23 for coming down today. I'm very proud of each and
24 every one of you, and I want to thank you for that.

25 And a little caveat to you. The gentleman

1 to my left, Representative Mario Scavello, he and his
2 wife are very benevolent people. They don't say a
3 lot about what they do, but they do a lot to help
4 kids. And Representative Scavello said that he and
5 his wife would be honored to offer a scholarship for
6 \$200 to two students from Keystone for coming down
7 today. So, Jean, we'll figure out how to choose
8 those two.

9 But there's a little bit of a reward for
10 you. So, Mario, to you and your wife, we want to say
11 thank you very much.

12 CHAIRMAN EVANS: What I would like to do is
13 thank you, one, for your testimony. I want to make
14 sure that Lisa or Johnna gets a copy of your
15 testimony. I know we have it on the record, but
16 anything that you have written.

17 The Chairman and I are really -- I'm not
18 going to put words in his mouth; he can speak for
19 himself -- trying to do something different, not to
20 have this wall of Democrat and Republican between us,
21 because I think on education, there is no such thing
22 as a Democratic way versus a Republican way. It's
23 only a Pennsylvania way of educating our kids.

24 And I know you have heard a lot of
25 discussions about the debate about money, and that is

1 always going to be a discussion. But in the end, I
2 hope we will find a way, no matter if it is rural,
3 urban, suburban, fast growing, not growing, size
4 growing, to figure out some way, because there are a
5 certain amount of dollars. And, you know, these are
6 not our dollars; these belong to your residents, like
7 our residents. So we are going to try.

8 Your testimony, I think, is very helpful,
9 because you are on the front lines. And we heard the
10 Secretary, and it is good that he stayed around. I
11 want to thank the Secretary for sticking around,
12 because he is a former superintendent. It is always
13 in his blood. So it is good that he stuck around so
14 that he could hear.

15 So we have heard what you have had to say.
16 We will take that testimony. We will try to figure
17 out where we go from here.

18 But I want to again personally sincerely
19 thank you for coming, and see if the Chairman would
20 like to have any comments that he would like to make.

21 CHAIRMAN CIVERA: Yes; thank you, Mr.
22 Chairman.

23 Let me say this, that I guess back in 2001
24 -- and I will be very brief, because it is really
25 late -- I chaired the select committee on how to fund

1 basic education.

2 That costing-out study was in that report
3 that we had concluded back in '02. It was Nick
4 Colafella, who has a doctorate in education, and
5 myself were the chairs, and that is where that
6 costing-out study originated from, if you read that
7 report.

8 The way we have been doing business in
9 Pennsylvania, it is not adequate. To the growing
10 school districts, they don't receive enough money,
11 and when you are faced with situations in that
12 manner, it is frustrating between the educator and
13 the property owner, and everybody gets caught in the
14 middle.

15 But the one that gets hurt the worst is the
16 student, and that is what we are here for. It is for
17 the children of Pennsylvania to give them a better
18 education and finding a better way to fund these
19 programs.

20 This is a start. And, you know, when we are
21 in the budget negotiations, as we are in the present
22 time, we have these hearings, not just to have them,
23 we have them to learn. And now, starting after next
24 week of these budget hearings, we start to negotiate
25 dollars and how we put things together.

1 So everything that we have heard here today,
2 believe me, will be taken back. And the questions,
3 they weren't political questions; they are sincere
4 questions, because those individual members represent
5 a district. And what happens is, when a new formula
6 comes out or every year when the school subsidy comes
7 out, the first thing a legislator will do is go to
8 his district and say, uh-oh, did I drop? Did I gain?
9 What am I going to do? How am I going to justify
10 this? I can't vote for this budget. And that is
11 what we are trying to alleviate. That is what we
12 are really trying to alleviate.

13 So I hope that in a bipartisan way, like the
14 Chairman has offered, that we can work this out and
15 we can go in the right direction as a new beginning.

16 Thank you, Mr. Chairman.

17 CHAIRMAN EVANS: And I particularly want to
18 thank the young people, for you sitting through this
19 process. One day -- I hope some of you have picked
20 out your seats up here. Mario and I have volunteered
21 to give up our seats to you. But I hope you have,
22 because this is the way that the process works. We
23 go through this every year in terms of the budget
24 process. This is your mother's and father's taxpayer
25 money.

1 So I hope you have learned something from
2 this process and have enjoyed your visit, and have a
3 safe ride home.

4 Again, this hearing is now adjourned, and we
5 will reconvene at 9 a.m. tomorrow morning. Thank you
6 very much.

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8 (The hearing concluded at 5:23 p.m.)

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1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the
3 notes taken by me on the within proceedings and that
4 this is a correct transcript of the same.

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Debra B. Miller, Reporter

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