

1 PENNSYLVANIA HOUSE APPROPRIATIONS COMMITTEE
2 THE HONORABLE WILLIAM ADOLPH, CHAIR
3 PUBLIC HEARING

4 WIDENER UNIVERSITY
5 CHESTER, PENNSYLVANIA

6
7
8 Proceedings held at Widener University,
9 Alumni Hall, 521 East 14th Street, Chester, Pennsylvania,
10 on Friday, January 27, 2012, commencing at 10:02 a.m.,
11 before Jennifer L. Bermudez, a Registered Professional
12 Reporter, and Notary Public, pursuant to notice.

13
14
15 BEFORE REPRESENTATIVES:

16 WILLIAM F. ADOLPH, JR., MAJORITY CHAIRMAN

17 JOSEPH F. MARKOSEK, MINORITY CHAIRMAN

18 ED NOLAN, MAJORITY EXECUTIVE DIRECTOR

19 MIRIAM FOX, MINORITY EXECUTIVE DIRECTOR

20 DAN CLARK, CHIEF COUNSEL
21
22
23
24
25

1 ALSO PRESENT:

- 2 Representative Stephen Barrar
- 3 Representative Thomas Killion
- 4 Representative Joseph Hackett
- 5 Representative Mario M. Scavello
- 6 Representative Bernie O'Neill
- 7 Representative Glen Grell
- 8 Representative Scott A. Petri
- 9 Representative Gary Day
- 10 Representative Maria Donatucci
- 11 Representative Steve Samuelson
- 12 Representative Matthew D. Bradford
- 13 Representative H. Scott Conklin
- 14 Representative Michelle Brownlee
- 15 Representative Michael H. O'Brien
- 16 Representative James Roebuck
- 17 Representative Thaddeus Kirkland

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2 Mr. Thomas E. Marks, Deputy Auditor

3 General for Audits Office of the Auditor

4 General

5 Ms. Danielle Mariano, Director Bureau of

6 School Audits, Office of Auditor General

7 Dr. Tom Persing, Chester Upland School

8 District Acting Deputy Superintendent

9 Dr. Tony L. Watson, Chester Upland School

10 District Acting Superintendent

11 Mr. Bob Bruchak, Chester Upland School

12 District Chief Financial Officer

13 Ms. Gloria Zoranski, President, Chester

14 Upland Education Association

15 Ms. Roslyn Adams-Dixon, Chester Upland

16 Teacher

17 Paul E. Gottlieb, PSEA, Region Field

18 Director

19 The Honorable Ron Tomalis, Secretary

20 Pennsylvania Department of Education

21 Dr. Lawrence O'Shea, Executive Director

22 Delaware County Intermediate Unit

23

24

25

1 CHAIRMAN ADOLPH: Thank you all for being
2 here today. My name is Bill Adolph. I'm the Republican
3 Chair of the House Appropriations Committee. Before we
4 have opening comments, I would like to turn the mic over
5 to Representative Kirkland for some welcoming remarks.

6 Representative Kirkland, some welcoming
7 remarks.

8 REPRESENTATIVE KIRKLAND: Thank you,
9 Mr. Chairman, caught me off guard there.

10 First of all, let me just thank you,
11 Chairman Adolph and Chairman Markosek and the entire
12 members of the Appropriations Committee, for coming here
13 to beautiful downtown, 159th Legislative District, here
14 at Widener University as well.

15 We appreciate your interest and your
16 energy concerning our school district, and we are very
17 hopeful that by working together and collectively
18 positive outcomes will happen here for the young people
19 of Chester, so we just want to say thank you -- I'm
20 sorry, Chester Upland and Chester Township, so we just
21 want to say thank you and welcome once again.

22 CHAIRMAN ADOLPH: Thank you,
23 Representative.

24 What I would like to do first is starting
25 to my right, I would like each member of the committee to

1 identify themselves, and then we also have other
2 legislators that are also at this hearing to identify
3 themselves and the district that they represent.

4 Chairman Markosek.

5 CHAIRMAN MARKOSEK: Thank you very much,
6 Chairman Adolph.

7 I'm Representative Joseph Markosek. I'm
8 the Democratic Chairman of the House Appropriations
9 Committee, 25th Legislative District, which includes
10 parts of Allegheny County and Westmoreland County.

11 REPRESENTATIVE CONKLIN: Scott Conklin,
12 77th District, Center County, Penn State University, the
13 home of Joe Pa.

14 REPRESENTATIVE BROWNLEE: Michelle
15 Brownlee, Philadelphia County, 195th Legislative
16 District.

17 REPRESENTATIVE O'BRIEN: Good morning.
18 Mike O'Brien, 175th District, Philadelphia, here in a
19 joint role as a member of the Appropriation and Education
20 Committees.

21 REPRESENTATIVE ROEBUCK: Good morning.
22 Jim Roebuck, Democratic Chair House Education Committee,
23 188th Legislative District, Philadelphia.

24 REPRESENTATIVE GRELL: Good morning.
25 Representative Glen Grell from the 87th Legislative

1 District, which is part of Cumberland County.

2 REPRESENTATIVE O'NEILL: Good morning.

3 Representative Bernie O'Neill with the 29th Legislative
4 District, which is the center of Bucks County, and I
5 serve both on Appropriations and Education.

6 REPRESENTATIVE SCAVELLO: Good morning.

7 Representative Mario Scavello from Monroe County.

8 REPRESENTATIVE HACKETT: Good morning.

9 Representative Joe Hackett from Delaware County, proud
10 representative of Ridley, Wallingford-Swarthmore, and
11 Penn-Delco School District.

12 REPRESENTATIVE KILLION: Representative
13 Tom Killion, Delaware and Chester County.

14 REPRESENTATIVE BARRAR: Representative
15 Steve Barrar from Delaware and Chester County.

16 CHAIRMAN ADOLPH: Okay. I'm sure there
17 are going to be other members of the committee as well as
18 other members of the General Assembly that may come in
19 today. Obviously, the weather has folks a little backed
20 up today.

21 Thank you all for being here today. As
22 you know, the Chester Upland School District financial
23 situation has reached a critical point that requires
24 swift, decisive, and deliberative intervention to address
25 some very serious financial problems.

1 What we know right now is that these
2 problems were not caused by the children or the families
3 of Chester Upland, and they should not have to endure the
4 stress and uncertainty that the situation has allayed
5 upon the community.

6 The students of Chester Upland are
7 entitled to a public education in their community, and
8 that is why we are all here today, to work together in a
9 bipartisan manner to identify both short-term and long-
10 term solutions to the problems that have hindered this
11 Chester Upland School District for quite some time.

12 I'm happy to point out that a bipartisan
13 group of legislators from this region and Governor
14 Corbett met on Monday, and that Governor Corbett recently
15 committed to doing all that is necessary to keep Chester
16 Upland School District open for the remainder of this
17 school year, as we all work together to identify
18 solutions for long-term stability.

19 I have called this hearing today to
20 accomplish two goals: To help understand what we can do
21 to assist the Administration to keep Chester Upland
22 School District open for the remainder of this year; and
23 also to identify what long-term steps are required to
24 allow Chester Upland School District to educate the
25 children of this community in a financial, sustainable

1 manner.

2 As the Appropriations Committee, our
3 charge focuses on dollars and cents of state government.
4 We are not here today to debate education policy
5 direction, but rather to understand the financials of
6 this particular district and other districts that may be
7 close to financial crisis of their own.

8 I have put together a diverse group of
9 state and local officials that will help us better
10 understand these issues. As we start to shape the
11 solutions for tomorrow, we need to understand how we got
12 to this point so the same mistakes are not made.

13 We also need to understand that this
14 situation that took place took many years to develop and
15 was not caused by one person, one budget, or one group.
16 And it is irresponsible and unproductive to point fingers
17 as we work out the facts and develop solutions.

18 We have a full agenda today and a lot of
19 material to cover, so I have established some ground
20 rules that we will follow for this hearing today.

21 Individuals presenting testimony will have
22 a few minutes for opening comments, and we will have an
23 opportunity to review their testimony. So that everyone
24 has an opportunity to ask questions and participate with
25 our members, we have a maximum of five minutes to ask the

1 questions or make comments.

2 Members of the Appropriations Committee,
3 both Republicans and Democrats will have the first
4 opportunity to ask the questions.

5 Then I will ask for members from the
6 Delaware County delegation and from the surrounding
7 legislative districts if they have questions or
8 comments. All will be held to five minutes because of
9 time.

10 Chairman Markosek, any opening comments?

11 CHAIRMAN MARKOSEK: Yes. Thank you,
12 Chairman Adolph.

13 First of all, I want to thank you for
14 extending the opportunity for all of us here to attend
15 this hearing, to call this hearing and to attend this
16 hearing because this is a very, very important problem,
17 certainly not only in the region but statewide.

18 As you mentioned, besides Chester Upland,
19 there could be many other school districts that will soon
20 see the same problem or similar problems, particularly
21 related to funding. It is hard to ignore the fact that
22 we do have a funding program in place here in
23 Pennsylvania now that, in many ways, is not necessarily
24 fair to school districts such as Chester Upland.

25 It's interesting to note that some of the

1 funding per student this year, the cuts -- and we all
2 know there was approximately a billion dollars' worth of
3 cuts for basic education this year -- that those cuts are
4 not necessarily spread around fairly.

5 Schools like Chester Upland, schools like
6 Sto-Rox in Allegheny County or Duquesne in Allegheny
7 County or Harrisburg, where I live and where our capital
8 building is, suffered cuts that are far greater than some
9 more wealthier districts, and that is just simply unfair.

10 So while we are focusing today on Chester
11 Upland, I think we all should keep in mind that this is
12 really a greater problem than just what we are seeing
13 here in Chester Upland, and the budget decisions that we
14 make in Harrisburg, the current budget here and the
15 future budget here coming up, will affect all children in
16 all of Pennsylvania, and we need to do the right thing
17 and have fair funding for every student in Pennsylvania.

18 Thank you, Mr. Chairman.

19 CHAIRMAN ADOLPH: Thank you, Chairman.
20 Thank you, Chairman Markosek.

21 I would like to acknowledge the presence
22 of Representative Bradford from Montgomery County and
23 Representative Day from Lehigh Valley.

24 Thank you for your attendance.

25 At this time, I would like to start with

1 our first testifiers today. Today we have with us from
2 the Auditor General's Office Mr. Thomas E. Marks, CPA,
3 Deputy Auditor General for the Office of the Auditor
4 General, as well as Ms. Danielle Mariano, Director of
5 Bureau of School Audits and Office of the Auditor
6 General.

7 Good morning and welcome to Delaware
8 County.

9 MR. MARKS: Good morning, Chairman.

10 Thank you.

11 CHAIRMAN ADOLPH: The time is yours.

12 MR. MARKS: Thank you.

13 Good morning, Chairman Adolph, Chairman
14 Markosek, members of the Appropriations Committee, and
15 other members. My name is Thomas Marks. I'm Deputy
16 Auditor General for Audits with the Department of the
17 Auditor General. I will be providing testimony on behalf
18 of Auditor General Jack Wagner, who unfortunately could
19 not attend today because of a scheduling conflict.

20 As you said, Mr. Chairman, with me today
21 is Danielle Mariano, who is Director of our Bureau of
22 School Audits.

23 Thank you very much for the opportunity to
24 appear before you to provide testimony on our most recent
25 audit of the Chester Upland School District.

1 As Pennsylvania's independent fiscal
2 watchdog, the Department of the Auditor General is
3 responsible for making sure the tax dollars of
4 hardworking Pennsylvanians are spent efficiently,
5 effectively, and for their intended purpose.

6 The Department of the Auditor General
7 audits government agencies and programs at the state and
8 local level that receive state funds or that receive
9 federal funds that pass through state government.

10 The Department of Auditor General issues
11 thousands of audits each year, many of them mandated by
12 law.

13 We audit all of the state's 500 school
14 districts, 163 charter and cyber charter schools, as well
15 as the Commonwealth's 650 liquor stores, 24 correctional
16 facilities, 14 universities under the state system of
17 higher education, and thousands of municipal liquid fuel
18 and pension funds, volunteer fire relief associations,
19 local government offices, such as magisterial district
20 judges that collect funds from half of the state, as well
21 as all of the departments of state government.

22 Under the tenure of Auditor General
23 Wagner, the Department has upgraded our routine school
24 audits to determine whether every school building in the
25 state has basic safety measures, such as having a single

1 point of entry to buildings, a registration policy for
2 visitors, a memorandum of understanding with local law
3 enforcement, which helps track and reduce school
4 violence.

5 At the Department of the Auditor General,
6 our main concern is that children receive a quality
7 education and that taxpayers receive maximum value for
8 their tax dollars.

9 Our Bureau of School Audits conducts
10 performance audits of school districts, charter schools,
11 vocational/technical schools, alternative education
12 schools, and intermediate units. During their review,
13 auditors analyze an array of activities in those entities
14 and conclude on their effectiveness, their efficiency,
15 and their compliance with statutes and regulations.

16 Topics examined through the Bureau --
17 through the Bureau of School Audits include determining
18 whether teachers are properly certified and bus drivers
19 are appropriately qualified, as well as assessing basic
20 safety practices.

21 Our audits also examine depositing state
22 funds, school board minutes, pupil membership records,
23 reimbursement applications, as well as records retained
24 of pupil transportation, professional employee
25 certification and state ethics forms.

1 We released our latest audit of the
2 Chester Upland School District in January, 2011. The
3 scope of that audit covered August 7th, 2003, through May
4 4th, 2010. It's important to note that during our audit
5 period, the School District was under the control of the
6 State-appointed Empowerment Board of Control.

7 By way of background, the Chester Upland
8 School District was declared financially distressed by
9 the State Department of Education on July 1st, 1994, when
10 a special board of control assumed control of the
11 financial affairs of the School District and operated the
12 School District in place of the publicly-elected school
13 directors.

14 On May 3rd, 2000, the Education
15 Empowerment Act was enacted into law under which the
16 Department of Education appointed a new Empowerment Board
17 of Control that assumed the day-to-day operations of the
18 District.

19 On July 30th, 2010, this is after our
20 latest audit was concluded, the Education Empowerment Act
21 expired and the publicly elected board assumed leadership
22 in the District.

23 Again, as I said, our audit was released
24 in January, 2011 and in that report we included four
25 findings and three observations, most related to improper

1 recordkeeping. There were three significant findings
2 related to the financial condition of the District.

3 We cannot verify the School District's
4 entitlement to state funding because of inadequate
5 documentation. District administrators could not provide
6 our auditors with the Department of Education's basic
7 education funding formula report for the '04-'05 school
8 year, or the special education funding report for '04-'05
9 and '05-'06.

10 Without those reports, we could not verify
11 the School District's entitlement to millions of dollars
12 in state subsidies.

13 We also cited the School District for
14 internal control reasons as related to records retention;
15 the District failed to retain records necessary to audit
16 the safe schools grant and alternative school program.
17 As a result of citizen inquiries, our department received
18 about Chester Upland's state school grant money, we made
19 an attempt to audit it.

20 We asked for grant applications, approval
21 letters, and expenditure reports to determine if the
22 monies received were expended according to grant
23 requirements. However, District personnel could not
24 produce the documents, so again we were unable to
25 complete the audit of these funds.

1 With regard to an alternative school
2 program, the School District officials stated the
3 District's policies were followed when placing students
4 in the program and also the assignment for teachers.
5 However, District officials could not provide our
6 auditors with copies of those policies.

7 We also attempted to determine if
8 membership in the program was recorded correctly, but,
9 again, District officials were unable to produce the
10 documents we requested.

11 Our audit also found that for school years
12 '02-'03, '03-'04 and up through '08-'09, the School
13 District's budgets exceeded their total by over \$25
14 million.

15 The State Board of Control violated
16 Section 609 of the Public School Code, which says in
17 part, No work shall be hired to be done, no materials
18 purchased and no contracts may be made by any board of
19 school directors which will cause the sums appropriated
20 to specific purposes in the budget to be exceeded. In
21 other words, ladies and gentlemen, you can't overspend
22 your budget.

23 Although our last finding was not related
24 to finances, it did pertain to lack of documentation. We
25 determined that Chester Upland School District officials

1 cannot verify the qualifications of 15 bus drivers, and
2 it could not provide our auditors with information to
3 determine whether two bus drivers possessed the valid S
4 Endorsement driver's license.

5 In addition, the School District could not
6 verify if eight drivers had undergone a required criminal
7 history background check, and if nine bus drivers had
8 retained the required Child Abuse Clearance Statement.

9 These are serious safety issues that
10 should be of grave concern in the Chester Upland School
11 District and the parents. It's the responsibility of the
12 Department of Education, school boards, and all public
13 administration officials in the state to do everything
14 possible to keep our children safe while they are on
15 their way to and from school and while attending school.

16 During his tenure, Auditor General Wagner
17 has made it a point to determine whether an auditee has
18 adopted the recommendations contained in previous
19 audits. We determined that the Chester Upland School
20 District's State-appointed Empowerment Board of Control
21 did not implement all of the recommendations contained in
22 prior reports.

23 In the January, 2011 audit, we determined
24 the School District implemented recommendations related
25 to one previous finding and partially implemented the

1 recommendations of another, but it did not implement
2 recommendations on two other findings. We are always
3 concerned when an auditee ignores our recommendations
4 from previous audits.

5 Although we didn't discuss it in our audit
6 of Chester Upland School District, the State's flawed
7 charter school funding formula played a role in the
8 School District's financial problems.

9 In a separate special report entitled The
10 Commonwealth Should Revise its Charter and Cyber Charter
11 School Funding Mechanisms, which was released in
12 September, 2010, that report found that the current
13 charter school funding formulas for nonspecial and
14 special education students as codified in state law
15 resulted in tuition inequities that were unfavorable to
16 school districts, charter schools, and taxpayers.

17 These tuition inequities have never been
18 resolved, because unlike school districts, state law does
19 not require charter schools to reconcile tuition payments
20 with actual costs at year end, nor does the law limit
21 charter school General Fund reserves.

22 Because these inherent financial
23 inequities have never been corrected, the current funding
24 system places additional strains on school districts,
25 charter schools, and the Commonwealth's taxpayers.

1 Auditor General Wagner has repeatedly
2 called on the Governor and the General Assembly to fix
3 the charter school funding formula. In the case of
4 Chester Upland School District, the proliferation of
5 students in charter schools has hurt the District
6 financially, because 45 percent of its students are now
7 attending charter and cyber charter schools.

8 This has decreased enrollment and reduced
9 state funding because the current charter school funding
10 formula requires the cost of educating the child at the
11 sending district to follow the student to the charter
12 school.

13 Auditor General Wagner supports
14 alternatives in education, and he voted for the charter
15 school laws as a State senator. However, the cost of
16 educating a child at a charter school must reflect only
17 the true cost of educating the child, and that simply
18 does not exist in the current funding formula.

19 We appreciate the opportunity to testify
20 today on behalf of the children and the taxpayers of
21 Pennsylvania. It is important to note that we are
22 currently engaged in a new audit of Chester Upland School
23 District that began in the summer of 2011 that will focus
24 specifically on our previous findings and recommendations
25 related to the financial condition of the School

1 District.

2 Moving forward, we are open to suggestions
3 and ideas from this Committee relating to the seriousness
4 of the issues pertaining to the Chester Upland School
5 District, and I would be very happy to answer any
6 questions you have.

7 CHAIRMAN ADOLPH: Thank you, Mr. Marks. I
8 will lead off the questioning.

9 In going through the 2011 audit, you find
10 that there is in a period of five budget years a \$25
11 million budget that exceeded its expenses and that there
12 is inadequate documentation to support funding for over
13 \$79 million.

14 I have to ask this macro question because
15 you audit many school districts: This type of finding in
16 Chester Upland, how does that compare with the other 499
17 school districts? Is this the type of finding in a
18 typical school district audit that you are charged with?

19 MR. MARKS: Representative, clearly we do
20 not see this type of finding in the overwhelming majority
21 of school districts that we audit, but I will say that we
22 do see it in other districts. Chester Upland is not the
23 only district that has these types of problems.

24 CHAIRMAN ADOLPH: Okay. We have 500
25 school districts in the Commonwealth of Pennsylvania.

1 Are you finding this type of inadequate bookkeeping and
2 unsupportive documentation in how many of the 500 when
3 you audit, to this extent?

4 MR. MARKS: I really couldn't put a
5 specific number on how many we have.

6 CHAIRMAN ADOLPH: Take a guess. Take a
7 guess. Is it 10 percent of our school districts? Is it
8 50 percent of our school districts?

9 MR. MARKS: No, I would -- again, I would
10 have to get back with specifics, because we could go
11 through our reports and look, but I would think it is no
12 more than ten.

13 CHAIRMAN ADOLPH: Okay. Because I need
14 that for some type of relief, okay, as an appropriator
15 and someone who has no experience in education as far as
16 running a school district, but one who is very
17 responsible for the number of dollars that is
18 appropriated to these school districts.

19 We, as members of the Appropriations
20 Committee, have to have faith that, when we appropriate
21 state tax dollars to the 500 school districts, that
22 proper documentation and bookkeeping is supporting, so
23 our state auditors can go in there and know that there is
24 accountability in our system.

25 So, 10 percent is too much, okay, and I

1 say that as my personal opinion. We have to correct that
2 system. Okay. And, as you can see, this didn't happen
3 in the last year; this didn't happen in the last four
4 years; this has been a decade-plus problem here in this
5 particular School District.

6 So do you make recommendations after these
7 audits?

8 MR. MARKS: Yes. Clearly -- and, again, I
9 wouldn't say the number was 10 percent, Representative, I
10 would say it is more like, 10, the number.

11 CHAIRMAN ADOLPH: Ten school districts?

12 MR. MARKS: Yes.

13 CHAIRMAN ADOLPH: I'm glad you clarified
14 that. That makes me feel a lot better.

15 MR. MARKS: Now, to be clear, when we do
16 find this situation, we write findings and make
17 recommendations to hopefully fix the problem. And also,
18 please know that our reports go to the Department of
19 Education, and it's the Department of Education's duty to
20 monitor and make sure that those recommendations are
21 implemented as is the responsibility of the District
22 itself.

23 MS. MARIANO: And I would just add that
24 every time we go in to do another audit, we follow up on
25 the status of the prior recommendations, and I think it

1 was stated in the testimony, to try to ensure, to
2 determine what if any progress has been made on those
3 recommendations.

4 CHAIRMAN ADOLPH: Because we all have
5 opinions of formulas, but no matter what type of formula
6 we determine up in Harrisburg through our Education
7 Committee and legislation, none of that formula would be
8 fiscally responsible if the locals are not keeping track
9 of what's coming in and what's going out.

10 And I'm trying to make this as simple as
11 possible so the folks understand that this is a very
12 serious matter that's been going on for quite some time.

13 I want to remind members that we are going
14 to limit our questions and comments for five minutes. I
15 have Dr. Nolan to my left, who is the timekeeper, and I
16 will try to get everybody's question in. But we have
17 some very important folks that want to give testimony
18 today.

19 Mr. Marks, Ms. Mariano, thank you.

20 Chairman Markosek.

21 CHAIRMAN MARKOSEK: Thank you, Chairman
22 Adolph.

23 Just very briefly, Mr. Marks. Thank you
24 for your testimony. In Page 2 of your testimony, it
25 indicates that the scope of the audit that you did

1 covered August 7th, 2003, through May 4th, 2010, and
2 correct me if I'm wrong and just help me walk through
3 this, in 2001 there was a State-appointed board of
4 control assigned to Chester Upland.

5 In 2005 and '06, the State sought control
6 of the District, and in October of 2006, the court placed
7 the District in receivership and appointed the
8 Pennsylvania Secretary of Education as the receiver.

9 Would this, would your audit, then, cover
10 the activities of Chester Upland under the time that it
11 was under the control of the Secretary of Education?

12 MR. MARKS: Yes, that -- the time period
13 of our audit was when the Secretary of Education and the
14 Empowerment Board was in place.

15 CHAIRMAN MARKOSEK: Okay. You also
16 mentioned the charter schools, and just a basic
17 question: Do you have the ability to audit charter
18 schools?

19 MR. MARKS: Yes.

20 CHAIRMAN MARKOSEK: Okay. Have you done
21 audits on the charter schools that are involved here at
22 Chester Upland?

23 MR. MARKS: There is -- and, Danielle,
24 correct me if I'm wrong, there's approximately 12 or 13
25 different charter schools that are utilized by students

1 of the Chester Upland School District. We have audited,
2 I believe, three of those.

3 MS. MARIANO: Five.

4 MR. MARKS: Five.

5 CHAIRMAN MARKOSEK: The average cost to
6 educate one student at Chester Upland, would you happen
7 to know that figure, by any chance?

8 MR. MARKS: Not off the top of my head.

9 CHAIRMAN MARKOSEK: Okay. We had some
10 discrepancies to what we thought that was and what the
11 Pennsylvania Department of Education had said it was, and
12 I thought I would ask you while you were here if --

13 MR. MARKS: I can certainly look and
14 provide you with that.

15 CHAIRMAN MARKOSEK: Okay. If you can
16 provide what you find to the Committee.

17 MR. MARKS: Sure.

18 CHAIRMAN MARKOSEK: It also appears that
19 more funding per student is being paid to charter schools
20 than the District is actually receiving. Is that true?

21 MR. MARKS: I'm not aware currently,
22 Mr. Chairman, of what that percentage is. I know I have
23 seen numbers like 45 percent of the students are in
24 charter schools, but I don't specifically know at this
25 time what that percentage is and how much money would be

1 going -- but it clearly is a substantial amount of money.

2 CHAIRMAN MARKOSEK: What do you mean by
3 inequities in funding charter schools?

4 MR. MARKS: Well, in our report that we
5 put out a number of months ago related to charter
6 schools, we showed that the funding of a charter school
7 is not based on the cost to educate the child at the
8 charter school. It's based on the cost of the school
9 district that's sending the child to the charter school.

10 So you can have a situation where one
11 charter school is receiving a certain amount of dollars
12 for the Student A, but for Student B, it's receiving
13 maybe a significant amount more money. So the cost to
14 educate the student is not being paid to the charter
15 school.

16 CHAIRMAN MARKOSEK: And these charter
17 schools are profit centers. Correct?

18 MR. MARKS: Yes.

19 CHAIRMAN MARKOSEK: Okay. So if they are
20 profit centers educating Pennsylvania children, shouldn't
21 there be some audits or additional audits of all charter
22 schools, I guess, for that matter, I mean it's a broad
23 question, but, and what are the plans of the Attorney
24 General if there are any relative to that -- Auditor
25 General, excuse me?

1 MR. MARKS: That's all right.

2 We certainly have the intent to audit all
3 charter schools. As I'm sure this Committee knows, when
4 Auditor General Wagner took office, we had approximately
5 750 employees. We now have about 600.

6 So we are clearly challenged to meet our
7 goals of auditing charter schools, cyber charter schools
8 and all of the entities that we look at, and the numbers
9 of charter schools and cyber charter schools continue to
10 grow daily.

11 CHAIRMAN MARKOSEK: All right. Thank you.
12 Mr. Chairman.

13 MS. MARIANO: Might I add something?

14 I would just say also that our concern is
15 the formula and that everyone is receiving the correct
16 amount of money, both the School District and the charter
17 schools, because it's from the limited education money.

18 CHAIRMAN ADOLPH: Thank you.

19 Representative Bernie O'Neill.

20 REPRESENTATIVE O'NEILL: Thank you,
21 Mr. Chairman.

22 A couple of quick questions. My first one
23 is just kind of like a follow-up. When you talk about
24 when you do your audits for school districts and you find
25 deficiencies in the audit, and you find problems and so

1 forth, of course, the School District is informed, but
2 you inform the Department of Education and you said it is
3 the Department of Education's responsibility to follow
4 through.

5 I guess my question is, do you ever follow
6 through with the Department of Education or the School
7 District before you do another audit to see if they have
8 been met or if they have attempted to make the
9 corrections that needed to be made?

10 MR. MARKS: Let me just clarify: It is
11 clearly the responsibility of the School District to
12 implement our recommendations. The Department of
13 Education, however, receives our reports and has
14 oversight authority of those school districts, so it
15 certainly could chime in with its opinion, but it is a
16 standard procedure for us to follow up on the findings of
17 recommendations that were previously reported on.

18 MS. MARIANO: In addition, the School
19 Board is required to provide a response to the Department
20 of Education to our audit explaining what process of
21 corrective action they plan to take, and we are copied on
22 that letter, so we would have that response before we go
23 in to do the next audit.

24 REPRESENTATIVE O'NEILL: Okay. Great.
25 Then this question may not be for you, but I'm going to

1 ask it anyway: What happens when the School District is
2 not following through with the plan they submitted or is
3 accepted or are not following through to try to correct
4 the deficiencies in the audit?

5 MR. MARKS: Well, there's two things that
6 can happen. One is, in certain cases the Department of
7 Education can withhold future subsidies depending on what
8 it is that we find, but if, especially like in a safe-
9 schools type of finding, we don't have the authority to -
10 - the Department of the Auditor General does not have the
11 authority to enforce or to issue some type of penalty,
12 that authority would rest with the Department of
13 Education.

14 REPRESENTATIVE O'NEILL: Okay. Great.

15 MS. MARIANO: However, as I mentioned, we
16 do follow up in each of our audits on prior
17 recommendations that were made by our office to determine
18 what action, if any, has been taken, and if we find no
19 action has been taken, we will issue a repeat finding.

20 REPRESENTATIVE O'NEILL: Great. And I
21 guess my last question, it may just be a comment, and you
22 may not be able to address it, my dear friend, the
23 Minority Chairman made a statement about the amount of
24 money going to the charter schools versus staying here at
25 the home school and the average per child.

1 I did some homework before I had gotten
2 here, and I have a list of the payments out to all the
3 charter and cyber schools from the Upland School
4 District, and if you average it out, based on my math,
5 and I was pretty good because I taught math in high
6 school, so I know a little bit of math, but it comes out
7 to a little under \$12,000 per student, which is almost
8 \$5,000 less per student that Upland School District is
9 claiming that they are spending on per student that are
10 still in their system.

11 So I think there are a lot of
12 discrepancies here with what is going on financially, not
13 only in the school system, but what is going on and what
14 is just being paid out to the charter schools. Thank
15 you.

16 CHAIRMAN ADOLPH: Thank you.

17 At this time, I would like to acknowledge
18 the presence of Representative Donatucci from
19 Philadelphia and Representative Samuelson from Lehigh
20 Valley. Welcome.

21 At this time, Representative Bradford.

22 REPRESENTATIVE BRADFORD: Thank you for
23 being here today.

24 I just had a question based on the
25 timeline of these different forms of government that

1 seems to have, at one point or another, been either
2 imposed by PDE, the court system, and overriding local
3 control.

4 It doesn't seem like what you are saying
5 is any of them have made any real differences in terms of
6 moving the bar or getting things better.

7 I guess I just have a 30,000-foot
8 question: Based on the audits you have done, what
9 worked, what didn't work?

10 Which one of these many different
11 iterations, it looks like the timeline goes back to '94,
12 and then it looks like every two or three years someone
13 throws their hands up and says, Okay, the State is now
14 going to use a privateer, a charter school, you know,
15 different ways of saying we are going to attack this, but
16 there doesn't seem to be a sustained effort.

17 Have any of these different iterations
18 worked? What works, what doesn't?

19 MR. MARKS: Representative, that's a very
20 good question. It's one I don't think I have an answer
21 to, however. But I do know that we have written reports
22 and we have written findings that have been repeated and
23 those recommendations have not been implemented. As to
24 what type of system works and doesn't work, I'm not sure,
25 but I know our recommendations have not been implemented.

1 REPRESENTATIVE BRADFORD: Okay. So what
2 you are saying is regardless of whether it is local
3 control or State control, the level of mismanagement has
4 been the one constant?

5 MR. MARKS: The recommendations that we
6 have made have not been implemented.

7 REPRESENTATIVE BRADFORD: Okay. And those
8 recommendations go to mismanagement of district funds.
9 Is that pretty much your testimony?

10 MR. MARKS: Yes. But it's important to
11 note that we are currently doing an audit, and this
12 audit, we're -- we'll see what happens if our
13 recommendations are implemented by this new locally
14 controlled board.

15 REPRESENTATIVE BRADFORD: Got you.

16 Kind of looking on the optimistic side,
17 have you seen any improvements, have there been areas
18 where you can point out a success story where you feel
19 like you have made a recommendation and it was followed
20 through?

21 MR. MARKS: I believe we did not have a
22 teacher certification finding in our most recently issued
23 report as we had in the past.

24 REPRESENTATIVE BRADFORD: And that's about
25 having unqualified or uncertified, I shouldn't say

1 unqualified, but a teacher that didn't have appropriate
2 certification in the classroom?

3 MR. MARKS: Correct.

4 REPRESENTATIVE BRADFORD: Okay.

5 Another question I have going back to the
6 governance issue: My understanding is, since the '06
7 lawsuit, where, I guess, the Rendell Administration
8 intervened, PDE sitting as basically the receiver, the
9 Secretary has been in a position to approve or disapprove
10 all expenditures over, I think, the number was \$5,000.

11 Is that accurate, has that improved the
12 situation?

13 MS. MARIANO: That was not within the
14 scope of the audit that we looked at, and we looked
15 specifically at the budgets and the compliance with the
16 law that's required there.

17 We also examined whether or not there is a
18 General Fund deficit, and we did note that there were
19 expenditures exceeded revenues during the period that we
20 looked at.

21 But in terms of improvement, you know, we
22 are a post audit agency, so we would have been looking
23 back in time and I don't think that our audit findings
24 really speak to that question.

25 REPRESENTATIVE BRADFORD: Got you.

1 Going to kind of the bottom line analysis,
2 and I will wrap up real quick, the General Fund deficit,
3 is the bottom line that we are saying these schools are
4 mismanaged, they are getting all this money and they
5 should be able to make AYP, or are we saying -- or are we
6 not really making any delineation between schools that
7 are woefully underfunded, don't have a tax base, don't
8 have the ability to provide the necessary resources or
9 are we saying the funds are there, the State is doing
10 more than its fair share?

11 MR. MARKS: I believe that based on the
12 work that we have done and the reports that we have
13 issued, the charter school funding formula really needs
14 to be addressed.

15 REPRESENTATIVE BRADFORD: Okay. Solely
16 the charter school? I mean, obviously there were pretty
17 substantial cuts in state funding this year under
18 Governor Corbett's budget; did that exacerbate -- that
19 was another \$8 million hit, I think, to the bottom line
20 of the School District.

21 If we were to have a magic wand and deal
22 with charter schools and deal with them with an actual
23 cost reimbursement, all these other problems are pennies
24 on the dollar in terms of what the cost of this problem
25 is?

1 MR. MARKS: I don't think, Representative,
2 that we have really studied that issue enough to be able
3 to definitively answer that question. But what we have
4 looked at, the management of this particular school
5 district and the charter school formula, there's issues.

6 MS. MARIANO: I would just add also that,
7 again, the audit that we issued in January, 2011 did not
8 cover the period when those cuts would have taken place.
9 That period is included in the current audit that we are
10 now conducting.

11 REPRESENTATIVE BRADFORD: And obviously
12 the charters --

13 CHAIRMAN ADOLPH: Representative, time is
14 up.

15 Representative Scavello.

16 REPRESENTATIVE SCAVELLO: Thank you,
17 Mr. Chairman.

18 I would like to follow up on some of those
19 prior questions and some of your comments.

20 It seems that this School District has had
21 problems since 1994. And we keep saying that the answer
22 is -- the problem has been the funding: the cyber and
23 the charter school funding. It seems to me there's a
24 record of problems here in this School District prior to
25 that charter school audit.

1 It could have added to it, but there's
2 some other problems here. And I'm not a fan, I have to
3 tell you, I'm a fan of public education. So I don't want
4 to just throw the, you know, the darts one way. I think
5 we need to find what the problem is, and if you guys are
6 going in there doing audits and you are finding improper
7 recordkeeping, you don't know where the money is being
8 spent.

9 And just to say the problem is cyber and
10 charter school, I don't think is doing the constituency
11 in that School District and the Commonwealth any justice.

12 MR. MARKS: I would agree with you,
13 Representative. It's not just a matter of charter school
14 funding. The question that I was answering related to
15 funding, however, and I don't have an opinion on the
16 other, just funding in general. I know related to the
17 funding, we are seeing the charter school issue.

18 But I would agree with you this has not
19 happened overnight and the Department of the Auditor
20 General has issued numerous audit reports outlining these
21 deficiencies.

22 MS. MARIANO: And I would add also that
23 our report on the charter school funding issue, again, is
24 not on one side or the other in terms of public
25 education, but simply point out that the formula that

1 used to dole out those dollars is not being based on
2 actual costs.

3 REPRESENTATIVE SCAVELLO: I agree with
4 that, but that's not one school district, that's school
5 districts across the Commonwealth. Not all of them are
6 having this problem, however.

7 You know, the problem in front of us here,
8 you have a school district, just look at last year before
9 the \$8 million supposed cut, which in my mind was candy
10 that was no longer there from D.C. last year, this school
11 district had a problem three months into the Corbett
12 Administration's term, and it was basically off of the
13 prior year's funding, not the Corbett budget. Am I
14 correct?

15 MR. MARKS: Well, could you rephrase --
16 I'm not sure I understand your question. I agree that
17 this didn't happen overnight.

18 REPRESENTATIVE SCAVELLO: My comment was
19 that there was a comment made that there was an \$8
20 million shortfall in dollars this year to that school
21 district. Okay.

22 March of last year, I believe, February or
23 March of last year, I was watching the testimony of the
24 Senate Committee on Education and it came out that the
25 school district was in trouble prior to the Corbett

1 budget. They were short -- what was it? -- 12 million or
2 something, last year.

3 MS. MARIANO: And I believe I pointed out
4 earlier, that is part of our current audit. Our previous
5 audit did not cover that period.

6 REPRESENTATIVE SCAVELLO: Okay. So you
7 don't have that yet. All right. So even with all those
8 other dollars -- I looked at the cost per child in the
9 School District. I wish I had that in mine, you know,
10 the money that they are receiving from the State. I will
11 be very honest with you, we have approximately \$2,000 per
12 student, it is killing us.

13 And I'm looking at this, and I bet you our
14 records are right on target. And I think the records
15 need to be adjusted. If you are going to take state
16 taxpayer dollars, you've got to get your records in line,
17 and if they are not in line, somebody needs to go to
18 jail. I'm sorry, somebody needs to go to jail.

19 CHAIRMAN ADOLPH: Thank you. Thank you.

20 Are there any other members of the
21 Appropriations Committee that have comments?

22 Okay. Representative O'Brien.

23 REPRESENTATIVE O'BRIEN: Thank you,
24 Mr. Chairman.

25 In your testimony, you did audits.

1 Obviously, a large impact on the Chester Upland District
2 has been the cost of charter schools. Correct?

3 MR. MARKS: We believe charter school --
4 yes, charter school funding is an issue, yes.

5 REPRESENTATIVE O'BRIEN: In today's
6 Inquirer, it was reported that the Administration is
7 drafting a plan for distressed districts, and as part of
8 that plan, they are floating the idea of creating along
9 the lines of a school reform commission in Philadelphia
10 with the authority to take wholesale schools in a
11 district or even a whole district and put them out as
12 charters.

13 Now, based on the work that the Auditor
14 General has done on charter schools, talk to us for a
15 moment on what you would project would be the long-term
16 fiscal impact on the Commonwealth.

17 MR. MARKS: Well, I'm not sure I'm
18 prepared to talk about the long-term fiscal effect on the
19 Commonwealth. I do know that based on the study we have
20 done, there's an inadequacy in the formula.

21 REPRESENTATIVE O'BRIEN: And in your
22 audit, were there recommendations on how to right that
23 inadequacy?

24 MR. MARKS: Yes. We made recommendations
25 to the Governor, the Department of Education, to the

1 Legislature to change the law, the charter school funding
2 formula so that it adequately funds charter schools based
3 on the cost of the charter school.

4 REPRESENTATIVE O'BRIEN: Okay. Based on
5 the cost of the charter school.

6 MS. MARIANO: The cost of educating the
7 child at the charter school.

8 REPRESENTATIVE O'BRIEN: Okay. So, if
9 this draft legislation moved forward and if entire
10 districts were turned into charter, under your proposal
11 it would require an entire recalculation of the funding
12 for that district. Is that correct?

13 MR. MARKS: What legislation are you
14 referring to?

15 REPRESENTATIVE O'BRIEN: What I referred
16 to at the beginning of my comments, a draft legislation
17 according to the Administration.

18 MR. MARKS: I have no knowledge -- I have
19 not seen that proposed legislation, so I wouldn't really
20 be able to comment --

21 REPRESENTATIVE O'BRIEN: Could I ask you
22 to give that some thought and maybe get back to us on
23 that?

24 MR. MARKS: Sure.

25 REPRESENTATIVE O'BRIEN: Thank you.

1 CHAIRMAN ADOLPH: Thank you.

2 At this time, for the record, and this
3 Committee's budget house went to great lengths in the
4 last two weeks to try to come up with accurate figures
5 that this School District received in the last two years
6 from all sources, and I couldn't give every member a copy
7 of this, some of this information was not available until
8 very late last night, so I will give each member of the
9 Committee, as well as any member of the public, this
10 information.

11 But for your information, the total
12 revenue from all sources for the 2010-2011 school year
13 was \$110 million. For 2011-2012, it was \$96 million. At
14 the local level, from one year to the next, 20.5 million
15 to 22.5 million. At the state level, \$69.7 million came
16 from the State of Pennsylvania in 2010-2011 from all
17 state sources. 65.6 million in 2011-2012, a decrease of
18 \$4 million.

19 At the federal level in 2010-2011 was
20 \$18.7 million. In 2011 and 2012, \$6.7 million. Other
21 sources, 1.3 million to 1.4 million. A total decrease in
22 funding for Chester Upland School District from one year
23 to the next of 12.7 percent; a 5.9 decrease at the state
24 level, a 63.9 percent decrease at the federal level.
25 They are the facts, they are the correct figures, from

1 all sources.

2 Representative Barrar.

3 REPRESENTATIVE BARRAR: Thank you,
4 Mr. Chairman. Thank you, Mr. Chairman, I appreciate
5 that.

6 Can I ask you a question, do you have the
7 authority to audit the federal funding that comes into
8 schools; is that under your scope of authority?

9 MR. MARKS: We have the authority to audit
10 the federal funding that flows through the state
11 treasury, so if it flows through the state treasury to
12 the School District, yes. If it goes directly from the
13 federal government to the School District, then no.

14 REPRESENTATIVE BARRAR: So the funding
15 that the Chairman just spoke of, you are not auditing
16 where that money is spent, then?

17 MR. MARKS: I would have to know how that
18 money flowed from the federal government to the School
19 District to answer that question.

20 REPRESENTATIVE BARRAR: Do you know if
21 that funding is included in the charter school formula;
22 do the charter schools get a piece of that?

23 MS. MARIANO: No.

24 REPRESENTATIVE BARRAR: So that's not
25 affected at all by charter school funding?

1 MS. MARIANO: Well, they may get some
2 federal funding, but typically the tuition formula that
3 the School District calculates removes certain items
4 before it makes that calculation that the charter
5 school -- programs that they don't have, transportation,
6 for example.

7 So there may be some federal funding in
8 that, but in terms of, again, which specific funding we
9 are talking about, I think we need that information in
10 order to make that conclusion.

11 REPRESENTATIVE BARRAR: Thank you.

12 Are you aware -- well, in 2006 it was
13 mentioned that the School District was placed into
14 receivership. Are you aware of the powers of
15 receivership that are given to the Secretary of
16 Education?

17 MR. MARKS: I wouldn't call myself an
18 expert on that, no.

19 REPRESENTATIVE BARRAR: Okay. And the
20 cause -- how is that power -- why were they placed into
21 receivership and who actually did that? Was that by a
22 Governor's Order or Court Order?

23 MR. MARKS: It's my understanding they
24 came from the courts and the government, the state
25 government itself. I can't really answer that,

1 Representative.

2 REPRESENTATIVE BARRAR: You had mentioned
3 in your testimony in 2010 that the Educational
4 Empowerment Act, the takeover by the State ended in
5 2010. Did that also then cause the status of the
6 receivership to also expire at the same time?

7 MR. MARKS: I don't know. I know it
8 caused the locally-elected school board to take over the
9 District.

10 REPRESENTATIVE BARRAR: But we don't know
11 if the receivership is still in place there?

12 MR. MARKS: I'm not aware. I'm not sure.

13 REPRESENTATIVE BARRAR: Maybe we can find
14 that out later on.

15 Do you audit then the -- you audit the
16 local tax effort, is that part of the performance audit
17 that was done, the local tax effort?

18 MR. MARKS: In terms of collecting taxes,
19 no, we do not.

20 REPRESENTATIVE BARRAR: That's all I have,
21 Mr. Chairman.

22 Thank you.

23 MR. MARKS: If I could, Mr. Chairman, as
24 we said a couple of times, we are in the District
25 auditing now. If anybody has any suggestions, please

1 give them to us in writing and we would be happy to take
2 a look at any ideas that you have.

3 We had a very productive meeting with the
4 Auditor General and Representative Kirkland the other
5 day, and those types of discussions and information that
6 were being received are very helpful to us in conducting
7 the audit so that you can get answers to your questions.

8 CHAIRMAN ADOLPH: Thank you.

9 Representative Samuelson.

10 REPRESENTATIVE SAMUELSON: Thank you,
11 Mr. Chairman.

12 I just wanted to follow up on the overall
13 state funding, and I appreciate Chairman Adolph giving
14 that analysis talking about federal funds going down,
15 state funds overall going down, and local funds actually
16 going up.

17 The net loss was \$14 million for this one
18 school district. Four million less in state funds, 12
19 million less in federal funds, that's 16 million; offset
20 by a \$2 million increase in local effort, so that's the
21 \$14 million loss.

22 I know one of my colleagues from Monroe
23 County talked about the candy from D.C. drying up. I
24 think he is referring to the stimulus, and sometimes our
25 education funding is mischaracterized by some because

1 some people pretend that the only loss of state funds
2 last year was the stimulus.

3 In the overall picture, we lost about \$600
4 million of stimulus money, but the cuts that the Governor
5 and the majority of the Legislature approved were about
6 \$900 million to school districts, all school districts
7 across the state, so if we lost 600 million of stimulus,
8 but the cuts were 900 million, you can't blame all of the
9 cuts on the loss of the stimulus money.

10 Now, in the case of Chester Upland,
11 something very interesting happened, when the stimulus
12 money went away. Most districts in the state went down
13 in the basic education line item, because the Governor
14 talked about, you know, the stimulus being earmarked for
15 the basic ed. I think there are 498 school districts
16 where the basic education line item went down.

17 There are two where the basic education
18 line item went up: the Duquesne School District out in
19 Allegheny County and Chester Upland School District here
20 in Delaware County. So this District is one of the very,
21 very, very few that actually got an increase in basic
22 education.

23 The reason we are talking about an overall
24 loss of state funding is because that rare increase in
25 basic education funding was offset by other line items.

1 Sixty-one percent cut in accountability grants, \$10
2 million cut in charter school reimbursements, and that's,
3 I guess, the basis of my question.

4 When the Governor and the legislative
5 majority eliminated state funding for charter school
6 reimbursements, these are funds that were helping school
7 districts pay the cost of the charter schools.

8 It was \$219 million last year, this year
9 it's zero. So the State, under our new governor, has
10 reduced its commitments to provide funding to pay for
11 charter schools. In this district, they lost \$10
12 million.

13 Now, I realize Chairman Adolph said
14 overall the loss of state funding was 4 million, but a
15 big component of that, the largest component, is the loss
16 of that charter school reimbursement funding from
17 Harrisburg.

18 So if this District lost \$10 million from
19 Harrisburg to pay the charter school bill, did the amount
20 they had to pay the charter schools go down by \$10
21 million, or did somebody else have to make up -- who had
22 to make up the rest of that payment?

23 MR. MARKS: Representative, the only thing
24 I can say to that is the charter school funding formula
25 is a situation where the payment is based on the costs to

1 educate the student at the School District and then, this
2 is before, a year or two ago, and then there was a
3 reimbursement to the School District from the
4 Commonwealth, and that is the part that was eliminated.

5 When we made our recommendations to fix
6 the charter school funding formula, we said you have to
7 fix both, both of those elements; you can't fix one
8 without fixing the other. So I don't know if that gets
9 to your point, but you can't fix just the refund back to
10 the School District. You have to fix the first part,
11 which is making sure the cost to educate the child at the
12 charter school that's reimbursed, that's paid for.

13 MS. MARIANO: In addition, I would just
14 iterate that that time period you are discussing is part
15 of our current audit and we haven't made any conclusions
16 or published any findings, you know, about those issues.

17 REPRESENTATIVE SAMUELSON: Maybe just one
18 last question: How much did the District have to make in
19 charter school payments in the 2010-'11 school year
20 versus how much does the district have to pay in the
21 '11-'12 school year?

22 MR. MARKS: That's information that we are
23 in the process of obtaining now. I don't have that
24 information right now. It's part of our audit, but,
25 again, we can look for that.

1 REPRESENTATIVE SAMUELSON: Okay. Thank
2 you.

3 Thank you, Mr. Chairman.

4 CHAIRMAN ADOLPH: Thank you.

5 I just want to go over a couple of
6 figures, and my good friend and colleague from Lehigh
7 Valley, I agree with Representative Samuelson regarding
8 Chester Upland School District, because of the decreases
9 in state funds and federal funds, Chester Upland received
10 a decrease larger than other school districts throughout
11 the Commonwealth because of what I call categorical
12 grants, okay, and not basic education.

13 Over the years, because of the diversity
14 of our school districts statewide, there have been
15 accountability grants, charter school reimbursement
16 grants, empowerment grants, all types of categorical
17 grants added and subtracted over the years. This
18 particular year, because Chester Upland was the recipient
19 for many years of most of those categorical grants,
20 received a decrease.

21 Now, to correct my colleague from Lehigh
22 Valley, the total state dollars in all grants and all
23 basic education was a slight increase from 2010 to 2011
24 does not mean that all school districts receive an
25 increase in state tax dollars. Chester Upland, in

1 particular, is one that definitely did not. And that I
2 wanted to make perfectly clear.

3 And at this time as the hour of 11:00
4 having arrived, I would like to introduce a long-time
5 chairman of the Education Committee in the House, my
6 colleague from Philadelphia, Chairman Jim Roebuck.

7 REPRESENTATIVE ROEBUCK: Thank you,
8 Mr. Chairman.

9 I wonder, if I could, looking at the
10 testimony you gave, talk about process. I'm having
11 trouble understanding. You detailed a series of things
12 that went wrong. You talk about the inability of the
13 School District to verify their entitlement to state
14 funding that goes back to 2004.

15 You talk about the inability of the School
16 District to verify spending for safe school grants and
17 alternative school programs. You talk about overspending
18 the budget that goes back to 2002 and is consistent in
19 almost every two-year period except for one thereafter.

20 If this is happening, why didn't a red
21 flag go off someplace? How can a district continually
22 not do what it is supposed to do and nothing happen?

23 MR. MARKS: It's a very good question,
24 Representative. As you know, our reports, which I think
25 do a very good job of outlining many of the problems,

1 goes to the District, the Department of Education, key
2 members of the Legislature, and I would hope that the
3 Committee, if it hasn't already done so, will read our
4 report, read our charter school report, and read audit
5 reports that frankly go back 20 years that were issued by
6 the Department of the Auditor General.

7 REPRESENTATIVE ROEBUCK: Thank you.

8 CHAIRMAN ADOLPH: I would like to thank
9 the auditors for coming down today and presenting
10 testimony. We will digest what we heard today, and I'm
11 sure we will be back in touch with you.

12 This Committee is determined to correct
13 this situation. We want to assure that these families
14 and these kids know that the School District will be open
15 through the school year, and we have that commitment from
16 the Governor, and I know you have a commitment from every
17 one of these legislators. However, we have to get to the
18 bottom of this once and for all. And I appreciate the
19 input that the Auditor General has given us.

20 Thank you.

21 MR. MARKS: Thank you, Representative.
22 Pleasure.

23 MS. MARIANO: Thank you.

24 CHAIRMAN ADOLPH: We'll take about a
25 two-minute break before we hear our next testifiers.

1 Thank you.

2 (Recess taken.)

3 CHAIRMAN ADOLPH: Thank you, ladies and
4 gentlemen. Please take your seats. If you want to
5 continue your conversations, please take them outside.
6 Thank you very much. You can continue your conversations
7 outside.

8 The last testimony lasted about 15 minutes
9 longer than we wanted, but I thought the conversation was
10 very good and very informative.

11 Our next group of testifiers are
12 individuals from the Chester Upland School District.
13 Dr. Tom Persing, Tom, raise your hand, Chester Upland
14 School District Acting Deputy Superintendent. Is that a
15 correct title?

16 DR. PERSING: That is correct.

17 CHAIRMAN ADOLPH: Now, from what I
18 understand, you just told me about 30 seconds ago, that
19 Wanda J. Mann, the Chester Upland School Board President,
20 is hospitalized.

21 Is that correct?

22 DR. PERSING: To the best of my knowledge,
23 it is.

24 CHAIRMAN ADOLPH: Okay. We wish Ms. Mann
25 all the best while she is recovering from her illness.

1 Now, could the other gentlemen identify
2 themselves and their position with the Chester Upland
3 School District.

4 DR. WATSON: My name is Dr. Tony Watson.
5 I'm the newly appointed Acting Superintendent of the
6 School District and I proudly sit before you in
7 deposition. Dr. Tony L. Watson.

8 CHAIRMAN ADOLPH: Tony L. Watson?

9 DR. WATSON: That's correct.

10 CHAIRMAN ADOLPH: Thank you, Mr. Watson.

11 DR. WATSON: You're welcome.

12 CHAIRMAN ADOLPH: The next gentleman.

13 MR. BRUCHAK: My name is Robert Bruchak.
14 I'm the newly appointed Chief Financial Officer of the
15 District.

16 CHAIRMAN ADOLPH: How do you spell your
17 last name, sir?

18 MR. BRUCHAK: B-R-U-C-H-A-K.

19 CHAIRMAN ADOLPH: Thank you.

20 And I want to thank all three of you for
21 being here today.

22 Mr. Persing, you can begin. I understand
23 that you are going to be the spokesperson?

24 DR. PERSING: Well, we have an opening
25 statement, if you don't mind, Mr. Chairman, by Wanda

1 Mann. She wanted that read into the record, if that's
2 all right with you.

3 CHAIRMAN ADOLPH: That's certainly fine.

4 DR. WATSON: Again, my name is Dr. Tony
5 Watson. I will be reading that statement that was
6 prepared by Mrs. Mann.

7 CHAIRMAN ADOLPH: Thank you.

8 DR. WATSON: Good morning, Chairman Adolph
9 and all distinguished members of the Pennsylvania House
10 of Representatives Appropriations Committee.

11 Again, I'm reading for her.

12 My name is Wanda Mann and I am the
13 President of the Chester Upland School District Board of
14 School Directors.

15 It is my pleasure to offer testimony to
16 you today regarding the financial crisis currently
17 plaguing our School District. My objective is to provide
18 you with pertinent background information and a brief
19 overview.

20 Following my testimony, Acting Deputy
21 Superintendent Tom Persing will provide you with a
22 thorough financial breakdown. July the 1st, 2010, was a
23 very special day for me. It was a 16-year dream that had
24 finally come true. It was the day that the local-elected
25 School Board returned to governance of the Chester Upland

1 School District.

2 As fellow public servants, I am sure you
3 can imagine the joy and delight that filled my heart that
4 day. The School Board that the voters of Chester City,
5 Chester Township, and Upland Borough elected to represent
6 them as leaders of their School District finally had a
7 meaningful and significant voice at the table.

8 No longer were we limited to only having a
9 voice on matters pertaining to taxes and bond issues. We
10 now had a key voice in determining the way our children
11 and our neighbors' children would be educated. The
12 expectations that voters set for us were extremely high,
13 but they paled in comparison to the expectations we set
14 for ourselves.

15 We returned to govern, determined and
16 devoted, committed and concerned to have a substantial
17 impact on our students' education. Our very first order
18 of business was to conduct a comprehensive review and
19 analysis of the financial state of affairs we had just
20 inherited for the outgoing Education Empowerment Board,
21 which had governed the District for three years.

22 We immediately discovered that we
23 inherited extremely difficult financial conditions
24 requiring significant corrective action. For example, we
25 inherited an inflated budget for the 2010-'11 school year

1 with substantial overspending and projected revenues that
2 were never implemented.

3 Shortly thereafter, Governor Corbett's
4 proposed \$20 million cut in public education in Chester
5 Upland forced us to take drastic measures just to keep
6 the District afloat.

7 The School Board steadily voiced its
8 objections in Harrisburg to the state budget cuts, and
9 upon learning the good news, Senator Pileggi successfully
10 restored about half of the funding we were slated to
11 lose. We worked around the clock with the Superintendent
12 and team staff to develop a plan of action to best cope
13 with the limited resources that had become our new fiscal
14 reality.

15 We merged two high schools into one, we
16 relocated an elementary school, we furloughed more than
17 100 teachers, and we eliminated educational programs such
18 as arts and music, among making other undesirable
19 decisions.

20 We worked in conjunction with the
21 Pennsylvania Department of Education on financial
22 matters.

23 In fact, we acted on the recommendations
24 set forth by the Corbett Administration, such as
25 providing PDE with any and all requested financial

1 information and records, including the PDE's
2 representative in our regularly scheduled Finance
3 Committee meetings and changes in the Administration of
4 the District during an active school year.

5 We also acted on PDE's staffing
6 recommendations. When PDE's first recommendations for
7 Acting Superintendent Dr. Francis Barnes changed his mind
8 about accepting the position based upon medical advice,
9 we stated and offered to the Department's second
10 recommendation, Dr. Levi Wingard.

11 We also brought in Dr. Persing, who came
12 highly recommended by the State, as Acting Deputy
13 Superintendent. Additionally, we hired Robert Bruchak as
14 our Chief Business Officer, who was another PDE
15 recommended candidate, and PDE also approved the
16 appointment of our currently Acting Superintendent, yours
17 truly, Dr. Tony Watson.

18 To avert the payroll crisis that grabbed
19 headlines around the nation, I personally wrote a
20 detailed letter to Governor Corbett, seeking an advance
21 on our June subsidy. The School Board also made a public
22 appeal to the Governor in an attempt to prevent any
23 disruption to our educational programming.

24 We engaged in discussions with the
25 teachers' union, where we asked for and received the

1 patience and total cooperation during this financial
2 crisis.

3 Fortunately for the parties involved, our
4 teachers and support staff plan to selfishly work for
5 delayed compensation, if need be, for as long as they are
6 individually able. We are tremendously grateful to them
7 for making such a huge sacrifice to our students. We
8 salute them, we thank them, and we value them incredibly.

9 We ultimately filed a lawsuit against the
10 State, seeking the monetary infusion we desperately need
11 from the Commonwealth to keep our schools open.

12 We were very fortunate that Federal Judge
13 Mason ordered the State to advance the District \$3.2
14 million for now. However, that allotment would not last
15 long enough for us to meet payroll on February the 15th,
16 2012, and our staff would not be able to work for delayed
17 compensation indefinitely.

18 This is why we need your help. We come to
19 you asking for your support in our effort to secure
20 funding to sustain the operation of the School District.
21 Our students want to learn; our teachers want to teach.
22 We cannot be defined by this unfortunate circumstance,
23 which is very much beyond our control. There is so much
24 more to Chester Upland than state budget cuts and
25 financial difficulties.

1 Our School District offers some of the
2 most diverse, engaging, and invigorating academic
3 programs available; such as automotive, business,
4 culinary arts, cosmetology, dental hygiene, and
5 marketing.

6 Our Youth Court program, the only one in
7 Pennsylvania operated by students, has become a state
8 model.

9 This school year, many of our elementary
10 school students enjoyed as part of their school lunch an
11 assortment of vegetables they personally grew over the
12 summer to support First Lady Michelle Obama's Healthy
13 Eating Initiative.

14 However, these and other wonderful
15 educational opportunities are all in jeopardy because we
16 are not on sound financial footing.

17 In closing, it is important to note that
18 the District's financial crisis is the inevitable result
19 of a 15-year buildup that just happens to have come to a
20 head during this elected School Board's period of
21 governance.

22 As I wrote to Governor Corbett, at least
23 15 years of various boards of control, including the
24 recent Empowerment Board and private management at
25 Chester Upland resulted in sizable deficits that were

1 never corrected, but just transferred from one government
2 body to the next.

3 In fact our auditors determined that the
4 consistent transfer of debt totals \$36.8 million through
5 June the 30th of 2010, just one day before we, the
6 elected School Board, returned to governance. Chester
7 Upland needs a commitment to a long-term sustained effort
8 both financially and academically.

9 Thank you for the opportunity to provide
10 testimony today on this urgent matter which is affecting
11 the education of 3,700 innocent students and the
12 livelihoods of hardworking and generous teachers and
13 support staff.

14 Thank you.

15 CHAIRMAN ADOLPH: Thank you, Dr. Watson,
16 and we all wish Ms. Mann well.

17 We know that Chester Upland School
18 District must deal with many challenges that are
19 different from other school districts, and the State
20 tries to distribute its state tax dollars to the school
21 districts that need it the most, and that's why Chester
22 Upland School District receives approximately 70 percent
23 of their total budget from the State.

24 If you heard my opening comments, one of
25 our first short-term solutions will be to keep Chester

1 Upland School District open until June 30. Obviously to
2 do that, it's going to take state tax dollars.

3 Gentlemen, what can you tell this
4 Appropriations Committee has been put into place in
5 Chester Upland School District to assure that the money
6 that would be appropriated by the Commonwealth of
7 Pennsylvania will go to educate the children, to pay the
8 teachers of Chester Upland School District?

9 Don't all jump at that question at once.

10 DR. PERSING: Allow me, please, to begin.
11 First off, I want to thank you all for this opportunity,
12 and what is more is that I'd like to set the record
13 straight insofar as time is concerned.

14 I have been aboard this School District
15 since all of October 24th, 2011, which constitutes almost
16 three months. My colleague to the right has been here
17 approximately two weeks. My other colleague to the far
18 right has been here since November. So any of the
19 answers that we give you, we are obviously in the process
20 of making sure that we do the right thing.

21 So one of the first things that I did when
22 I came here was to do a, for want of a better term, two
23 things; one, the Secretary of Education was kind enough
24 to forward an allotment immediately to do an audit of our
25 current educational program. We had eight retired and

1 still active educators of superintendents, assistant
2 superintendents, principals, teachers, come in to do
3 that. That gave us a basis of where we are.

4 The second, we had at one time three part-
5 time financial people in the School District which we
6 contacted, I contacted. We sat down for over three or
7 four weeks and came up with an analysis of where we think
8 we are.

9 Each day that we examine or I personally
10 also looked at the record of what had happened over the
11 last several years and what we think will happen in the
12 future always revealed frankly a surprise.

13 So we are in the process of generating an
14 answer to your question. Right now, I feel reasonably
15 confident that we are on the right track.

16 CHAIRMAN ADOLPH: Thank you. And I
17 understand the position that you are in and the period of
18 time, and I thank you for allowing us to know when you
19 started your employment there.

20 Do either of you know what your monthly or
21 quarterly or yearly debt expense is from a long-term
22 debt?

23 When I was reading that report, I was
24 astonished that Chester Upland in the year 2000 had a
25 long-term debt of \$15 million and in a short five years

1 that long-term debt increased to \$85 million, 15 million
2 to 85 million. I don't know what it is right now, but I
3 can imagine that the yearly debt payment on that long-
4 term debt is very high.

5 Can you tell us what that yearly debt is?
6 Can any of you three gentlemen tell us what that yearly
7 debt payment is?

8 DR. PERSING: May I read this statement
9 first, and I would be happy to answer that question.

10 CHAIRMAN ADOLPH: I don't know how long
11 that statement is, Tom.

12 DR. PERSING: It's very brief.

13 CHAIRMAN ADOLPH: I'm looking for your
14 yearly debt, because when we appropriate this money from
15 Harrisburg, we want to know whether it is going to long-
16 term debt or getting into the classroom for the children.

17 DR. PERSING: Okay. Let me address that,
18 since it's part of my testimony. Also, in June, 2010,
19 the State and Receiver were going to increase the debt
20 service of the Chester Upland School District to
21 approximately \$9 million a year. The elected Board
22 stopped this action and reduced the debt service to
23 currently \$5,400,000 a year.

24 CHAIRMAN ADOLPH: 5 million --

25 DR. PERSING: -- 400,000 per year.

1 CHAIRMAN ADOLPH: \$5.4 million a year.

2 Thank you for that information, Tom. Thank you.

3 Chairman Markosek.

4 CHAIRMAN MARKOSEK: Thank you,

5 Mr. Chairman.

6 When I was, you know, reading about
7 Chester in preparation for this hearing today, I was
8 almost startled by just the number of students that you
9 have that are in charter schools, and maybe this is a
10 question for the Business Manager.

11 According to the figures that we have,
12 there's roughly 6,000, a little over 6,000, 6,500
13 students that actually live within the catchment area of
14 Chester Upland, and about 3,000 of those go to charter
15 schools and do not go to the public schools. It's about
16 45 percent of that population.

17 That's a huge cost, and I guess I would
18 just like to get some idea of what that cost you -- what
19 that cost you this past budget when the reimbursement
20 stopped.

21 And also can you talk a little bit about
22 the special ed money that goes along with that or
23 payments that are made relative to also some of those
24 students that, you know, are now in charter schools that
25 are Chester Upland students.

1 MR. BRUCHAK: It's my understanding that
2 we have the largest charter school in the state in our
3 backyard. Chester Community Charter School, from what I
4 understand is the largest charter school in the whole
5 state of Pennsylvania.

6 That is having a huge financial impact on
7 the School District to fund that charter school. We are
8 probably spending \$36 million just to that charter
9 school. All charter schools, including cyber charter
10 schools, were in the tune of about \$43 million. Tuition
11 pay per student right now stands at \$9,800 for regular
12 education. If they get an IEP for special education, we
13 are over \$24,000 per student.

14 Looking at Chester community, the special
15 education population, there is almost 25 percent, much
16 higher than the state average. So instead of spending
17 \$9,800 per student, we are spending closer to \$25,000 per
18 student per year to sustain that nearly 25 percent
19 special ed ratio that the charter school has.

20 Now, it's my understanding, looking at the
21 financials, that we are only getting about \$5 million
22 from the State for special education. Knowing that the
23 charter school reimbursement has been eliminated to the
24 Chester Upland School District, \$5 million versus
25 probably roughly \$17 million just for special ed, just

1 for charter schools is probably impossible for this
2 community to sustain that type of funding.

3 CHAIRMAN MARKOSEK: You were going through
4 the numbers there, and just so I'm clear in my own mind
5 here, if I heard you correctly, it was \$24 million that
6 you spent for special ed in the charter schools.

7 Did I hear that correctly?

8 MR. BRUCHAK: No. No.

9 CHAIRMAN MARKOSEK: Okay.

10 MR. BRUCHAK: I think just on the one
11 charter school when I ran the numbers, it was about 17
12 million, looking at the numbers and the students and the
13 ratios.

14 CHAIRMAN MARKOSEK: So your total for
15 charter school expenditure for both charter schools, and
16 I think you have two main ones, if I'm not mistaken, that
17 you send students to, what would that number be?

18 MR. BRUCHAK: Yes.

19 For all charter schools, it's about 43
20 million. That includes cyber schools, but by far,
21 probably in the neighborhood of 40, 41 million is just
22 for the local ones that are brick and mortar, if you
23 will.

24 CHAIRMAN MARKOSEK: Okay. And as I
25 mentioned in my previous questions to the previous

1 testifiers, charter schools are profit centers, those
2 people that run them for profit. Correct?

3 MR. BRUCHAK: In this situation, yes.

4 CHAIRMAN MARKOSEK: Okay. Any idea of
5 that 43 million how much of that would you happen to
6 know, you know, would be for profit?

7 MR. BRUCHAK: That, I don't know. I
8 haven't looked at their financial books and records or
9 anything. I have hardly enough time getting a handle on
10 our own.

11 CHAIRMAN MARKOSEK: Okay. All right.
12 Thank you, Mr. Chairman.

13 CHAIRMAN ADOLPH: Thank you, Chairman
14 Markosek.

15 Representative Mario Scavello.

16 REPRESENTATIVE SCAVELLO: Thank you.
17 Thank you, Mr. Chairman, and good -- I guess it's still
18 morning.

19 Good morning, gentlemen. I think you are
20 faced with a really difficult challenge, and I want to
21 wish all three of you well.

22 I think hearing your situation, I guess
23 for me the easiest would be to try to attract some of
24 those students back to Chester Upland School District.
25 You have the facility, you have everything there. And to

1 do that you really must -- I don't know what's happened
2 there, you had a mass exodus for some reason or another.
3 What are your plans to try to do that?

4 I know it might be an early question,
5 but --

6 DR. WATSON: I will respond to that, but
7 before I do, I ask each of you to keep in mind today will
8 conclude my first full week on the job.

9 REPRESENTATIVE SCAVELLO: I know that.

10 DR. WATSON: Okay. But I think one of the
11 things that we must focus on, and I'm very seriously
12 charged with this, is to increase our academic
13 performance within the School District.

14 That is something that we will focus on as
15 long as I'm employed in the School District, increasing
16 academic achievement.

17 REPRESENTATIVE SCAVELLO: I don't know if
18 you can answer this one, but there was a question made
19 with the lack of funding, a comment made earlier with a
20 lack of funding from the corporate budget.

21 However, Chester Upland, early last year,
22 prior to the corporate budget, was in trouble, without
23 these cuts that we have been talking about in the last
24 few hours, am I correct?

25 Are you familiar with that or not?

1 You are. Could you answer that? What was
2 the shortfall at Chester Upland prior to these cuts that
3 we have been talking about in this last budget?

4 MR. BRUCHAK: I can't say I have all the
5 numbers memorized in my head. At the end of '09-'10, I
6 believe we had a deficit of about three and a half
7 million dollars. We are still going through the audit
8 for '10-'11.

9 Nothing was done basically when I first
10 arrived in November, so we are working frantically to
11 bring the audit up to speed and get all those numbers.

12 I can tell you that it will be another
13 deficit for '10-'11, and it will be much higher than the
14 3.5 million that we experienced here before, probably
15 closer to 9 and 10, but don't quote me on that directly.

16 REPRESENTATIVE SCAVELLO: The Chairman
17 mentioned that there is an 85 million debt service, total
18 debt that the School District -- did they build a brand
19 new school? How did you come up with -- where did that
20 come from? Do you have any idea where that debt might
21 have been incurred?

22 DR. PERSING: Well, to give you some
23 example, when the Empowerment Board was here they also
24 put a lot of money into one building, Showalter, 9.6
25 million, but that 9.6 million came out of the general

1 operating budget, so that -- and we did not then, at that
2 time, the Empowerment Board did not file what we call a
3 plan con and, therefore, would have been able to recruit
4 perhaps 60 percent of that, so that contributes to the
5 ongoing debt.

6 But as I remember in looking over the
7 records, part of that debt, if not most of it, has been
8 refinancing the bonds and then putting into that money
9 that is going to be recirculated, recirculated. I hate
10 to use a cliché, but it is kicking the can down the road.

11 REPRESENTATIVE SCAVELLO: It sounds like
12 when a business is borrowing money to pay the employees,
13 pretty much is what it sounds like.

14 Just one last --

15 CHAIRMAN ADOLPH: No. No. Thank you.
16 Thank you.

17 Representative Scott Conklin.

18 REPRESENTATIVE CONKLIN: Thank you,
19 Mr. Chairman. And I will try to do this speed round.
20 (inaudible) I represent State College, Pennsylvania, when
21 I'm on the East Side. I don't tell you I'm actually from
22 Philipsburg because everyone will think I'm from New
23 Jersey.

24 And I want to just get my hands around it,
25 because what is happening here is a little bit different

1 than what I normally see in an education process.

2 Normally, for instance, a charter school
3 is opened up -- we have a few very good charter schools
4 out my way, very good public charter schools -- it goes
5 through the School Board and the School Board is made up
6 of elected officials and each represent a certain segment
7 of the population within their parts and district and
8 those people take a voice of the community and then they
9 make that decision on whether that charter school is
10 acceptable to their neighborhood or not acceptable to
11 their neighborhood.

12 Who made the decision on the charter
13 schools?

14 DR. PERSING: Who made the decision in
15 order for the charter schools to come in?

16 REPRESENTATIVE CONKLIN: Yes.

17 DR. PERSING: That would have been the
18 Board of Control and the Empowerment Board.

19 REPRESENTATIVE CONKLIN: And how were they
20 elected? Were they from the community?

21 DR. PERSING: No, they were installed
22 through the State of Pennsylvania, depending on what the
23 law stated; one could have been a representative of the
24 Secretary of Education, the other two could have been
25 appointed by a judge in Delaware County, and that was one

1 of the main mechanisms by which they were put into
2 office.

3 REPRESENTATIVE CONKLIN: So the debt
4 incurrence, that was not by the community, that again was
5 by the State Empowerment Board?

6 DR. PERSING: Yes, basically -- not only
7 basically, yes, sir, that's correct.

8 REPRESENTATIVE CONKLIN: When your funds
9 are brought back from -- when federal, state, whoever
10 decides to make the decision that we can't fund you at a
11 level which you need, how much of a cut went to the
12 charter schools, as well, per pupil?

13 DR. PERSING: Well, the charter schools
14 get approximately 45 percent of the amount of money that
15 we have coming in to the charter schools. That's
16 approximately what we immediately send in.

17 In fact, as you may know, our situation
18 was so dire that we don't get subsidy from the State of
19 Pennsylvania. That subsidy goes directly to the charter
20 schools. A consequence of that, the money that we have
21 to run the School District is essentially that which
22 comes from local and federal funding.

23 REPRESENTATIVE CONKLIN: When we are
24 talking about our special needs students in the school,
25 how many -- when you look at your overall population,

1 special needs students, everything from disruptive to
2 mentally challenged to physically challenged -- how many
3 of those students do the charter schools accept per
4 year?

5 DR. PERSING: To my knowledge, the bulk of
6 all these students that go to the charter school are in
7 two fundamental categories, which would be approximately
8 85 percent-plus up there. Of those two categories, one
9 would be hearing and speech and the other one would be
10 learning-disabled, both of which have variables in
11 costs?

12 REPRESENTATIVE CONKLIN: So, it is
13 basically safe to say that over the last few years, and I
14 will offer this, Mr. Chairman, since 1994 to the present,
15 a lot of the decisions made that has your School District
16 in the problem it is today was made because of government
17 intervention of the state rather than the local community
18 being involved?

19 DR. PERSING: I would like to agree with
20 that, but I must say I don't want to rush to judgment.

21 REPRESENTATIVE CONKLIN: Thank you.

22 CHAIRMAN ADOLPH: Thank you. Thank you.

23 Representative Bernie O'Neill.

24 REPRESENTATIVE O'NEILL: Thank you,

25 Mr. Chairman.

1 Thank you for being here today and sitting
2 in the hot seat in such a short amount of time.

3 First of all, I'm glad that the whole
4 special ed funding form of situation came up, because we
5 actually have legislation sitting in both the House and
6 Senate that would certainly correct that problem, not
7 only with statewide distribution and how it is done, but
8 also with the charter and charter cyber schools, so
9 hopefully we can push that forward.

10 A real quick question: You have only been
11 here a short time. I'm kind of disappointed that you
12 couldn't find somebody who was within the District, who
13 works in the District with knowledge who could have come
14 and maybe answered some questions for us on what's going
15 on.

16 But very quickly, where did you come from,
17 each of you? Did any of you come from within the
18 District or you came from outside of the District?

19 DR. PERSING: All three are from without
20 the District.

21 REPRESENTATIVE O'NEILL: From
22 Pennsylvania, close by, I'm just wondering where you
23 all came from? Just tell us where you came from
24 (inaudible) --

25 MR. BRUCHAK: I spent seven years at

1 Daniel Boone School District. After that I was at
2 Souderton Area School District for the past, like, two
3 and a half years and recently just came to Chester.

4 REPRESENTATIVE O'NEILL: Great. We're
5 close.

6 DR. WATSON: I spent 18 years as an
7 administrator in the Downingtown Area School District.

8 REPRESENTATIVE O'NEILL: Great. Thank
9 you.

10 DR. PERSING: Started in Allentown School
11 District as a teacher of biology and chemistry, went to
12 Wyomissing School District as the high school principal
13 and superintendent, have been Superintendent of Schools
14 for seven years, Superintendent of Schools at Upper
15 Perkiomen for 20 years in Montgomery County, and I have
16 been the Interim Superintendent or Acting Superintendent
17 for financially-distressed school districts for about --
18 if I remember correctly, 11 of them.

19 The last one I was with was Bethlehem Area
20 School District, the sixth largest school district in
21 Pennsylvania, for 15 months.

22 REPRESENTATIVE O'NEILL: Okay. Great.
23 Thank you. I appreciate that.

24 So you, yourself, are probably going to be
25 here short-term until you help get the District on the

1 right track, is that kind of how it happens as the
2 Superintendent?

3 DR. PERSING: That's correct. We are only
4 here for a short time until such time as they find
5 permanent people.

6 REPRESENTATIVE O'NEILL: Okay. Thank you.

7 You made the comment in your statement
8 here that the State has been telling people that Chester
9 Upland School District's cost per pupil is around 17,000
10 per student, but you are saying it is truly just 14-5,
11 can you explain that and where those numbers came from.

12 DR. PERSING: I can explain to you where
13 our numbers came from.

14 REPRESENTATIVE O'NEILL: Okay.

15 DR. PERSING: But I can't speak for anyone
16 else.

17 In order to determine the cost of a pupil
18 in your School District, what one must do is to take the
19 cost of educating the children that are within your
20 School District.

21 So what we do is we take away the total
22 cost for charter schools and we take away the total cost
23 of any child that is educated out of the School District,
24 so, therefore, we are only talking about the costs within
25 the School District.

1 That cost then is divided by the number of
2 students that are present, are in the School District,
3 and that's how we come up with our costs.

4 REPRESENTATIVE O'NEILL: Okay. Just for
5 the record -- and that's why I brought it up -- because
6 this is why so much of what is going on down here is so
7 confusing. And I think with numbers running around, is
8 because, you know, my records are showing, and research
9 shows, that Chester Upland School District, if you
10 include the charter school kids in their daily average
11 ADM, it's around 15-4, and this was going on the audit of
12 the 2009-'10, the most accurate records.

13 But if you take out the Chester -- or not
14 the Chester, the charter school students, then it's
15 jumping up to 17-6.

16 So that's why it is all very confusing and
17 that's why I'm questioning your numbers, because it
18 doesn't seem at all accurate with -- you may be basing
19 yours on 2011-'12 or last year, which hasn't been audited
20 yet.

21 But it kind of doesn't make any sense to
22 me that it would go up \$2,000 per student when you are
23 losing half your population to charter schools.

24 It just doesn't make sense, especially
25 when you are sitting here in front of us and telling how

1 much money is going towards special ed, which I probably
2 agree on, but I just wanted to bring that out.

3 DR. PERSING: Might I add that also
4 according to the Department of Education figures, the
5 Chester Upland School District cost, per total spending
6 per student in the year '09-'10 was \$14,198.

7 REPRESENTATIVE O'NEILL: Okay. Great.
8 Thank you. I appreciate it.

9 CHAIRMAN ADOLPH: Thank you.

10 Representative O'Brien.

11 REPRESENTATIVE O'BRIEN: Mr. Chairman, as
12 Chairman Roebuck has little time and needs to leave
13 shortly, may I yield my time to him?

14 CHAIRMAN ADOLPH: Yes. I'm sure members
15 appreciate that, and we are very happy to have Chairman
16 Roebuck with us today, and I will certainly go along with
17 his scheduling conflict.

18 REPRESENTATIVE ROEBUCK: Thank you,
19 Mr. Chairman. I appreciate the courtesy.

20 I want to ask the question that if it were
21 not for the carryover debt from last year and the
22 previous years, could you balance your budget?

23 DR. PERSING: First off, if I could read
24 this statement, it would help a lot because your
25 questions are all pertaining to this statement, but

1 nonetheless --

2 CHAIRMAN ADOLPH: How long is your
3 statement, Tom?

4 DR. PERSING: It will take approximately
5 seven minutes.

6 CHAIRMAN ADOLPH: Seven minutes, is that
7 okay, Chairman?

8 I'm sure that's okay with the Committee.

9 Let's get your statement on the record.

10 DR. PERSING: Chester Upland School
11 District has been under State control since '94 by virtue
12 of Board of Control, Empowerment Board until July 1st,
13 2010, because of financial and academic distress;
14 however, financial receivership was with the State until
15 June 30th, 2011.

16 It should also be noted that the Chester
17 Upland School District was also under the management and
18 control of Edison, an education management organization
19 which was endorsed by the State from September 11, 2001,
20 until July, 2004.

21 The elected Board on July 1st, 2010,
22 inherited a budget created by the Education Empowerment
23 Board which was unrealistic. Under the Education
24 Empowerment Board, the budget of the Chester Upland
25 School District increased from 85 million to 113 million.

1 The number of employees increased from 590
2 to 755, while student enrollment decreased from 4,609
3 students to 3,717 students. The elected Board decreased
4 employees to 535 and the budget to 96 million by July
5 1st, 2011, in one year because of loss of federal and
6 state revenues.

7 From the revenue side, the Education
8 Empowerment Board was funded with state and federal money
9 which began to disappear in July, 2010, when the elected
10 Board resumed governance. By July, '11, state and
11 federal revenues to the School District was reduced by 23
12 million.

13 Also, the State left the elected Board
14 with a 3,600,000 deficit from the 2009-'10 school year.
15 Further, the State and Receiver left the elected Board
16 with unpaid bills of 6,070,000, including bills to the
17 Delaware County Intermediate Unit of 1,700,000. The
18 money would have gone back to other school districts in
19 Delaware County.

20 Also, in June of 2010, the State and
21 Receiver were going to increase the debt service of the
22 Chester Upland School District to approximately \$9
23 million a year. The elected Board stopped this action
24 and reduced the debt service to 5,400,000 a year.

25 The budget adopted by the Education

1 Empowerment Board for budget year '10-'11 was dependent
2 on cuts of \$5 million which the State failed to make
3 before it left and failed to communicate same to the
4 elected Board.

5 In order to balance the '11-'12 budget,
6 the elected Board cut 23 million from the budget, but
7 soon found out the education and support staff remaining
8 would not allow the District to provide special education
9 and mandated programs, they were forced to re-call some
10 staff. This cost us 6,500,000; however, the net
11 reduction cost of 17,750,000 for the school year '11-'12,
12 by virtue of further cost cutting.

13 Also, the State has been quoting Chester
14 Upland School District a cost of 17,000 and the amount
15 allotted per pupil cost is about 14,500. As a matter of
16 record, the elected Board reduced the cost per pupil from
17 15,300 while the District was under State control.

18 As we look to the rest of the school year,
19 Chester Upland School District will need an excess of \$20
20 million to keep functioning and will accumulate
21 approximately a \$21 million debt.

22 Further, my personal view is that the
23 current funding situation for the Chester Upland School
24 District will not in any way provide a thorough and
25 efficient education for the children in the School

1 District.

2 Immediate possible remedy for next fiscal
3 year is to correct the flaw in the funding for charter
4 school that is as follows: The Chester Upland School
5 District receives a special education subsidy of
6 approximately \$5 million to support 1,387 special ed
7 students, which amounts to about 3,605 per student.

8 Chester Upland School District is required
9 to pay the charter schools \$14,670 per education student,
10 special education student, which is the case of the
11 Chester Community Charter School, which has 650 special
12 education students, 9,535,000.

13 Also, Chester Upland School District is
14 capped at 16 percent of its students that are funded for
15 special education, while Chester Community has no cap.

16 Chester Upland School District has 20
17 percent special education students, Chester Community has
18 28 percent. This would immediately make available about
19 \$8 million to the Chester Upland students.

20 Make the law equitable and fair and it
21 will not cost taxpayers a single penny more, and the
22 Chester Upland School District would make a giant step
23 towards being on sound financial ground.

24 It is now imperative that we all move
25 forward. Let us determine together a sound financial and

1 educational plan that will improve the future
2 opportunities for Chester Upland School District.

3 Let us put aside any differences that
4 would hinder our joint obligation to ensure a far better
5 future for the children of our School District than what
6 was afforded to them in the past.

7 Thank you.

8 CHAIRMAN ADOLPH: Thank you, Dr. Persing.
9 Chairman Roebuck.

10 MR. BRUCHAK: To answer your question,
11 balancing our budget, from what I have seen it is hardly
12 unlikely, we would be extremely challenged.

13 Based on the funding that the School
14 District receives, the mandates that are in place,
15 charter school, special education, all the variables that
16 are affecting our School District, we would be extremely
17 challenged to come up with a balanced budget.

18 REPRESENTATIVE ROEBUCK: So it's not that
19 in your mind the debt that you carry from year to year
20 that has been created, it's rather the ongoing policies
21 in reference to special education and charter schools
22 that are a problem?

23 MR. BRUCHAK: Yes, it would be several
24 variables. You would have to look at everything that is
25 affecting the District. It's not just the debt.

1 REPRESENTATIVE ROEBUCK: If I could just
2 make a concluding comment. I am dismayed when I hear
3 that Chester Upland has cut art and music from the
4 curriculum, and I say that not only because my wife is a
5 music teacher, but also because art was one of the things
6 that kept me focused while I was in high school
7 particularly and was an incentive to do well.

8 And I wonder as you move forward certainly
9 one of the things that's worked well in my district in
10 part is the creation of schools that focus on things like
11 performing arts and creating schools that draw kids in
12 because they offer excellent academic opportunities, not
13 only in that area but also in terms of academics, so I
14 would hope as you try to reclaim students you might focus
15 on that kind of successful model.

16 I know that Philadelphia, and we get beat
17 up a lot in the Legislature and other places, but we get
18 students from every surrounding county to the city:
19 Montgomery, Bucks, and Delaware, who come into our city
20 for our special schools, and that might be a way that
21 Chester City could draw kids back in.

22 DR. PERSING: Well, thank you. We do have
23 a Chester Upland School of the Arts, which is very
24 successful; however, I couldn't agree with you more. As
25 we progress, and we are just starting our hearings on the

1 budget for '12-'13, that is going to be a primary
2 requisite that we fund art and music in our schools.

3 Because I agree with you wholeheartedly,
4 even though I'm a science major, it is the arts and music
5 that really renders the soul restful.

6 CHAIRMAN ADOLPH: Thank you, Dr. Persing.

7 And Chairman Roebuck, it was nice having
8 you here.

9 And the Chair gave much leeway to both
10 Chairman Roebuck, as well as Dr. Persing, to make sure
11 that his testimony, which was very helpful to this
12 Committee, that it be put into the record.

13 I'm going to, and I had said this to
14 members earlier, that we are going to allow five minutes
15 for questions and comments. I'm going to reduce that to
16 three minutes for the sake of time because we have people
17 that are traveling to, you know, to testify and I want to
18 get back on schedule.

19 Keeping that in mind, it's now three
20 minutes comments and questions, so get to the point with
21 your questions, get to the point with your answer.

22 Representative Gary Day.

23 REPRESENTATIVE DAY: Thank you,

24 Mr. Chairman.

25 First, I want to thank you three for

1 stepping forward and coming here so new to the job, we
2 really appreciate it, and also taking on this great
3 challenge.

4 You had said in Mrs. Mann's comments that
5 at least 15 years of issues have led to this situation,
6 and I just want to thank you for those comments and pass
7 it on to her as well.

8 She really resisted the temptation to just
9 zero in on a hot political issue. And a lot of people, a
10 lot of my colleagues on both sides of the aisle, we
11 really want to get to that point, how do we help kids in
12 the District.

13 You are the perfect testifiers for today.
14 A colleague of mine also told me we have to look forward,
15 how do we help the kids going forward, how do we finish
16 the year, how do we set up for next year.

17 So you guys are the perfect people to be
18 here, as far as I'm concerned. I don't want you to sell
19 yourself short because you have only been on the job so
20 long.

21 My first question, Dr. Watson, why did you
22 take this assignment?

23 DR. WATSON: Again, I spent 13 years as a
24 building administrator from assistant principal to a
25 principal. I spent five years as a central office

1 administrator followed up with the Director of Secondary
2 Education, and two and a half years as an Assistant
3 Superintendent. Naturally, from an Assistant
4 Superintendent to a Superintendent is the next move.

5 I think I'm greatly qualified, educated,
6 and prepared to be a Superintendent. Chester needs
7 someone with that kind of background, and I think my
8 experience will help us move forward in the future, and I
9 think there's a lot -- let me rephrase that, I don't
10 think, I know there's a lot of potential in Chester and I
11 want to tap into that potential.

12 REPRESENTATIVE DAY: When handed a deficit
13 spending budget, I'm curious, I'm going to ask you some
14 questions and make a quick brief comment: My questions
15 are, what management actions have you taken as a team or
16 as an individual, and what do you plan to do?

17 And I will give you a chance to think
18 about that by just making a brief comment: When handed
19 with a deficit spending budget, and it happened to me
20 when I worked in the City of Allentown, the third largest
21 municipality, there were certain steps we took in
22 managing a municipality.

23 Managing a school district is different,
24 but there's certain things you can do in a public budget,
25 very few, so I will ask you again, what management

1 actions have you immediately taken in your first three
2 weeks, and what do you plan to do in the next three
3 weeks?

4 DR. WATSON: Okay. I will go first.

5 Again, from another question, my interest
6 is to increase the academic achievement within the School
7 District. I think that, taking care of both points of
8 your question, that is something I have done immediately,
9 I began going into the buildings so that I could meet all
10 of the teachers, so I could have the students know a face
11 and name going into the classes and talking with kids and
12 explaining to them the importance of focusing in on their
13 education. I believe long term that will help increase
14 some revenue for this District.

15 CHAIRMAN ADOLPH: Thank you, Dr. Watson.

16 Representative O'Brien.

17 REPRESENTATIVE O'BRIEN: I yielded

18 Mr. Chairman. Thank you.

19 CHAIRMAN ADOLPH: Thank you,

20 Representative O'Brien.

21 Representative Barrar.

22 REPRESENTATIVE BARRAR: Thank you,

23 Mr. Chairman.

24 In your testimony, Dr. Persing, you had
25 mentioned that the receivership, the people in charge of

1 that, were going to increase your debt service for the
2 Chester Upland School District from 9 million -- to \$9
3 million -- the newly elected board made a decision to
4 take that debt service down to 5.5 million. How was that
5 accomplished, do you know?

6 DR. PERSING: Yes. What they did was take
7 the current debt that's there and to not fund, first off,
8 but not fund the items that were asked in the original
9 bond issue, but take the debt that is currently there and
10 refinance it for a period of 20 years as opposed to
11 approximately 16 or 17 years that was there.

12 In addition to that, it brings down the
13 rate of interest that they were paying on those bonds
14 because of the current market.

15 REPRESENTATIVE BARRAR: In your
16 testimony -- okay. You talked about the need for an
17 additional 20 million this year to keep the School
18 District funded, okay, and you said you would still
19 accumulate another \$21 million in debt at the end of this
20 school year. Is that correct, or am I reading that
21 wrong?

22 DR. PERSING: No, you are correct.

23 REPRESENTATIVE BARRAR: What is that 21
24 million? Is that just an accumulation of the years past
25 and added to the top of the 80 million that you currently

1 have?

2 DR. PERSING: Well, don't confuse the \$80
3 million with an operational deficit. That's two
4 different --

5 REPRESENTATIVE BARRAR: But the 80 million
6 is an accumulation, from my understanding, of operating
7 deficits.

8 DR. PERSING: No. The \$80 million
9 happens to be an accumulation also of the debt that is
10 owed on the buildings; it is not an operational budget.
11 Don't get the two confused.

12 REPRESENTATIVE BARRAR: Where did the debt
13 involved in past deficits go?

14 DR. PERSING: The past deficits are, if
15 they are bonding that they did for buildings or they
16 refinanced their debt, that's where some of that goes,
17 but what we are concentrating on is the operational
18 budget that goes from year to year, so partial answer to
19 your question, \$3,224,000 were salaries from 2010-'11
20 that have to be paid in '11-'12.

21 \$8,500,000 of advances on our subsidy from
22 '11-'12 was advanced in '10-'11 to pay the '10-'11
23 bills. That money is not money that's going to be
24 available for this current fiscal year.

25 In addition, \$4 million in accounts

1 payable were from prior years. Also, because we laid off
2 almost 200 employees, about 185 to 200 employees, we have
3 an accumulation of unemployment compensation for this
4 next year.

5 Even though you lay off people, you got to
6 pay that amount of unemployment compensation. That
7 amounts to \$2,200,000.

8 That's a total negative cash balance, when
9 they started in '11-'12, this school year, of
10 \$19,994,000.

11 REPRESENTATIVE BARRAR: That's
12 incredible. Your legal fees --

13 CHAIRMAN ADOLPH: Representative.
14 Representative Bradford.

15 REPRESENTATIVE BRADFORD: Thank you,
16 Chairman.

17 Dr. Watson, I want to let you know I share
18 your sentiments about the City of Chester. Actually, my
19 father grew up on 4th Street, 4th and Penn, and my
20 grandmother, as a child, lived on 21st Street, so I know
21 it's a special community, but I also understand it is
22 facing huge problems.

23 Superintendent, everyone is talking about
24 the finances, and rightfully so in light of the
25 predicament, but on the student test scores and what we

1 are really here about, and why the buildings are there,
2 is, are we making AYP, what percentages of children are
3 college bound, how are we doing, by any measure?

4 DR. WATSON: Every time I lean toward this
5 microphone and begin to talk, I talk about student
6 achievement, one simple statement. I am not satisfied
7 with the academic ruckus that has occurred in this
8 District over the years. My intent is to improve student
9 achievement.

10 REPRESENTATIVE BRADFORD: Are we making
11 safe harbor under AYP, are we closing the gap, as we
12 should be, under No Child Left Behind?

13 DR. WATSON: I'm in the process of
14 analyzing all the data in reference to our student
15 achievement over the past several years, but at this
16 point, I would say to you, I think the answer to that
17 would be no.

18 REPRESENTATIVE BRADFORD: How many of our
19 buildings are making AYP?

20 DR. WATSON: Two.

21 REPRESENTATIVE BRADFORD: How many
22 buildings are there total?

23 DR. WATSON: Is it six? Eight. Six are
24 elementary.

25 REPRESENTATIVE BRADFORD: Are we missing

1 AYP in one or two subgroups and we are close, or are we
2 just getting the barn doors blown off?

3 DR. WATSON: That's the analysis that I'm
4 currently working on.

5 REPRESENTATIVE BRADFORD: Okay.
6 Unfortunately, to go to the funding side of things, have
7 you guys done a preliminary budget under Act 1 yet? Do
8 you have to use Act 1? What does your preliminary budget
9 show in terms of a tax increase?

10 MR. BRUCHAK: I shook my head yes only to
11 respond to the second part of your question. We do have
12 to adhere to Act 1. I have such a daunting task of
13 cleaning up last year and this year we are not done with
14 our budget for '12-'13 yet. We are just starting it.

15 REPRESENTATIVE BRADFORD: Do you expect a
16 tax increase, and what is your increase pension
17 contribution?

18 MR. BRUCHAK: I don't know the increase to
19 the pension contribution off the top of my head. I will
20 recommend a tax increase to the Board.

21 REPRESENTATIVE BRADFORD: When was the
22 last time there was a property tax increase?

23 MR. BRUCHAK: Many, many years.

24 REPRESENTATIVE BRADFORD: Are we talking,
25 like my school district sometimes we do it every year, is

1 this seven years, is it last year, two years ago, or a
2 decade?

3 MR. BRUCHAK: Probably over a decade, from
4 what I hear.

5 REPRESENTATIVE BRADFORD: One of the
6 things I'm struggling with and this is on --

7 DR. WATSON: Can I just add a little bit
8 to that?

9 REPRESENTATIVE BRADFORD: Let me just get
10 this in.

11 The thing I'm struggling with, especially
12 on the revenue side is there is a Receiver that's
13 supposed to approve anything over \$5,000, yet we are
14 talking about blowing budgets by \$20 million.

15 Are these expenditures -- PDE is approving
16 these expenditures, so why are they approving
17 expenditures that are tens of millions of dollars beyond
18 budget and then if we have a revenue issue and there is a
19 local Board of Control, why aren't -- and I hate to say
20 why aren't we raising taxes, but what are we missing
21 here?

22 I know, Dr. Persing, this isn't your first
23 tour of duty here. What is going on here?

24 DR. WATSON: Well, this is part of what I
25 wanted to respond to. I recently read that one of the

1 issues that we are dealing with is, number one, that
2 there are some individuals within the community have a
3 difficult time meeting the current payment of their
4 taxes, and when they don't pay those taxes, they lose
5 their property and the properties go up for short sale.

6 In addition to the property going up for
7 short sale, they are not moving, so you can increase the
8 taxes and the result may be more people not able to pay
9 and the property is sitting there, and they can't move
10 them.

11 CHAIRMAN ADOLPH: Representative, just
12 trying to stay on time here. Okay.

13 Okay. Chairman Markosek.

14 CHAIRMAN MARKOSEK: Thank you,
15 Mr. Chairman.

16 Very briefly, this is relative to the
17 special education charter school money for special ed.
18 Mr. Bruchak, you had mentioned, very briefly, it was
19 24,000 roughly per student that you were spending.

20 And, Mr. Persing, in your written
21 testimony you have 14,670. It's a difference of \$10,000.

22 Can you clarify that, please?

23 MR. BRUCHAK: If you look at the PDE Form
24 363, which is what calculates the tuition rate for
25 charter schools, you come up with a regular education

1 rate, which for our School District was \$9,800, you come
2 up with a special ed piece which is 24,000, I don't
3 remember the exact amount, but a little over 24,000, part
4 of that 24,000 is regular AYPs. He is backing out the
5 regular AYPs off of the 24,000 and that's where you come
6 up with the 14.

7 CHAIRMAN MARKOSEK: All right. Thank you.

8 CHAIRMAN ADOLPH: Okay.

9 Thank you, gentlemen, and thank you for
10 your testimony. It's apparent that you have a tremendous
11 job ahead of you. The information that you gave us today
12 we will take back and analyze it.

13 As Representative O'Neill said, there are
14 several bills in the House Education Committee, I believe
15 it is, regarding special ed funding. I know many members
16 are going to be looking at the charter school funding
17 payments, so we are going to take a look at that as well.

18 The one thing that I have to bring to the
19 attention of everyone here is whether these charter
20 schools exist or not, those expenses for those children
21 do not go away. Okay. And I don't want anybody in this
22 audience to be fooled that because that charter school
23 does not exist that those expenses for those children to
24 be educated goes away.

25 They would be the same expenses,

1 approximately 80 percent, and this special ed part of
2 this charter school funding, we will look into, I promise
3 you. But, however, that bottom line won't change. You
4 will still have those types of expenses for those
5 children.

6 And, finally, I also want to mention that
7 Widener University also runs a nonprofit charter school
8 right here in the City of Chester on this campus, and not
9 all charter schools are profit, and I don't think that's
10 a deterrent whether there is a for-profit or nonprofit.

11 The bottom line is we have to find out
12 whether the funding method is correct, because our higher
13 education system is all based upon for-profit, nonprofit,
14 State system, okay, so we all have to take a look at
15 that.

16 So, we are going to take a look at these
17 items that you have brought up to us, and we will do our
18 best to correct some of the problems that exist for you,
19 but obviously we have to have -- we have to have the
20 confidence that we are going to appropriate money that is
21 sent down here, which represents 70 percent of your
22 budget, that it is being held accountable and spent
23 wisely and put the money into the classroom for the
24 children.

25 Thank you.

1 We will continue this hearing in two
2 minutes.

3 (Recess taken.)

4 CHAIRMAN ADOLPH: Thank you so much
5 everyone for your understanding. Before we get started,
6 I would like to acknowledge the presence of
7 Representative Ron Waters of Philadelphia, a member of
8 the House Appropriations Committee.

9 REPRESENTATIVE WATERS: And Delaware
10 County.

11 CHAIRMAN ADOLPH: Yes, and Delaware
12 County. Make sure you spend your money here in Delaware
13 County, please. Thank you.

14 REPRESENTATIVE WATERS: Yes.

15 CHAIRMAN ADOLPH: Especially in Chester
16 Upland.

17 Okay. With us today are Representatives
18 of the Chester Upland Teachers Association. Ms. Roslyn
19 Adams-Dixon, a special ed teacher, I understand, with the
20 Chester Upland District, as well as Gloria Zoranski,
21 President of the Chester Upland Education Association.

22 And I understand, Gloria, you have opening
23 comments that you would like to read, and would you
24 identify the fine gentleman sitting with you.

25 MS. ZORANSKI: This is Paul Gottlieb. He

1 is our PSEA agent for our local in the Southeast Region.

2 CHAIRMAN ADOLPH: Well, welcome.

3 And, Roslyn, I noticed your reaction when
4 I said special ed teacher. Did I misspeak?

5 MS. ADAMS-DIXON: Actually, in the
6 District, I have been a special education teacher.
7 Currently, I am a fourth grade teacher.

8 CHAIRMAN ADOLPH: Fourth grade teacher,
9 okay. Thank you.

10 Gloria.

11 MS. ZORANSKI: Good afternoon, Chairman
12 Adolph and members of the Appropriations Committee. My
13 name is Gloria Zoranski, and I am a business education
14 teacher at Chester High School. And I have been with the
15 District for over 35 years.

16 On behalf of the teachers and the
17 education support professionals who do their best each
18 and every day to educate our students, I thank you for
19 the opportunity today to testify before you.

20 Today, we offer our collective voice for
21 our students who have been cheated out of their right to
22 a quality and effective education. Our first concern is
23 that this District offers every student who lives within
24 its borders a quality education. This, too, should be a
25 primary concern of the Commonwealth.

1 Unfortunately, for the past several years,
2 our District has been in financial distress. We hear
3 there are many reasons for the situation, but attempting
4 to assign blame will not resolve our situation here.
5 Instead, we need long-term solutions to make this
6 District vital for years to come.

7 Every child in this District is entitled
8 to a quality education. For that to happen, this
9 District needs the revenue and resources. Yet education
10 funding cuts have diminished our ability to provide the
11 quality programs we desire. Millions of dollars of
12 funding cuts forced this District to furlough over 160
13 teachers out of 320 last June.

14 While some of our individual teachers were
15 recalled to work at the start of this school year, the
16 District still has lost 104 teachers. This means our
17 students walk into their school with fewer adults to aid
18 and assist them. The impact has been we have only two
19 school nurses to service eight school buildings and only
20 one assistant.

21 The pre-K program was cut from full day
22 down to a half a day. In some elementary schools, they
23 combined pre-K with kindergarten. Our class size has
24 increased throughout the District, they average anywhere
25 from 30 to 35, and in some situations, like at the high

1 school, our science classes are over 45 and our PE
2 classes are close to 60.

3 The art and music programs have been
4 completely cut throughout the District. Courses our
5 students need to continue on to higher education and
6 compete with students throughout the United States were
7 cut and eliminated, as well as including our advanced
8 classes in math and science, our AP and honor classes.
9 Foreign languages went from two down to one.

10 There are no elective courses offered at
11 the high school, just the minimum that the State
12 requires. There's a lack of teaching materials, and our
13 technology is outdated and has been for a few years.

14 There are absolutely no librarians or
15 guidance counselors in any of the buildings except the
16 high school, and our after-school programs and tutoring
17 programs have been eliminated.

18 Anyone can see that the cuts in education
19 have had and will continue to have devastating
20 consequences for all the students in our communities.

21 We are at a point where public education
22 is being threatened by a group of people who are looking
23 for their own financial gain and political careers.

24 I am saying that the first job of this
25 State is to ensure that our public schools have a safe

1 learning environment, sufficient number of teachers, and
2 adequate supplies and books and programs to help our
3 students to achieve.

4 Our teachers continue to persevere because
5 they want the best for students in Chester Upland, but
6 our hands are being tied. Please help us get back to
7 doing our jobs. Untie our hands that the anti-public
8 school interests have tied them behind our backs for
9 years. Public monies should not go to private gain. We
10 need resources and programs for students to learn and be
11 competitive.

12 Unite our hands and give us the resources
13 we need for our students. I and my colleagues were
14 encouraged and appreciative of your desire to hear our
15 thoughts and concerns today.

16 Thank you for this opportunity.

17 CHAIRMAN ADOLPH: Thank you, Gloria. You
18 didn't sound too nervous. Okay. You did a very nice job
19 there.

20 Roslyn, did you have a statement?

21 MS. ADAMS-DIXON: Yes, I do.

22 CHAIRMAN ADOLPH: Please.

23 MS. ADAMS-DIXON: Good afternoon, Chairman
24 Adolph and members of the House Appropriations
25 Committee. My name is Roslyn Adams-Dixon and I have been

1 an educator in the state of Pennsylvania for 24 years.

2 The first 12 years of my teaching career
3 were spent in the Philadelphia School District. The past
4 12 years, I have been an educator in the Chester Upland
5 School District. Currently, I am a fourth grade teacher.

6 I moved from the Philadelphia School
7 District to the Chester Upland School District, hoping to
8 form a more personal connection with the students and
9 their families. My hopes have been fulfilled. Our
10 community is strong, and we will continue to do what it
11 takes to instruct, enrich, and support our children.

12 As a teacher and member of the Chester
13 Upland community, I see the future of our students being
14 threatened. When educational funding is reduced, the
15 quality of education is negatively affected. Classroom
16 sizes in our District have soared. Basic educational
17 supplies, such as paper, pencils, erasers, and other
18 daily essentials are nonexistent.

19 These cuts have resulted in having to
20 continue to use long-outdated books, computers, and other
21 classroom staples for the foreseeable future. Our
22 students should be afforded a comprehensive, balanced
23 education.

24 Unfortunately, the most common cuts have
25 been in the area of art education, early childhood

1 education programs, before-and-after-school programs, and
2 enrichment programs.

3 Chester Upland has been devastated with
4 all of these cuts. Currently, our students do not have
5 art classes and only one school in our District has music
6 classes. Prekindergarten and kindergarten are now cut to
7 half-day schedules.

8 Some schools even have been forced to
9 combine kindergarten and first-grade classes. Students,
10 including our students, should be getting the necessary
11 materials they need to help them succeed.

12 They need current books and technology.
13 They need programs that can offer support and help before
14 and after the school day. They need classes that enrich
15 and educate beyond the State minimum in order to allow
16 them to achieve all they can.

17 Our focus should now be on the future of
18 our students. We must be committed to fostering the
19 process of learning. We must continue to positively
20 promote each student's desire to learn. Every student
21 deserves a quality education without the worry and stress
22 of whether their schools will remain open.

23 All students need a sense of stability, a
24 sense of trust, a sense of community. With this security
25 comes a connection to their learning environment and a

1 deepened engagement to achieve at a higher level.

2 Thank you.

3 CHAIRMAN ADOLPH: Thank you.

4 Let me start by thanking both of you for
5 your commitment to the students of Chester Upland School
6 District. I know that your commitment through these
7 trying times has made a huge difference.

8 I think your profession is somewhat and
9 sometimes misunderstood, and I know when I was speaking
10 to my Committee members yesterday -- because I have
11 friends that teach in the Chester Upland School District
12 and I know what you go through every single day, and the
13 kids of this community need a good education.

14 We all worry about decreases in funding
15 and so forth and so on, but it's hard for me to sit here
16 and listen to the previous testifiers and wonder is it
17 only the decreases in funding that's the problem?

18 It seems to me, that with a hundred
19 million dollars in funding, that we have to take a look
20 at why this money is not getting into the classrooms.

21 And I think this is so important, because
22 that's what this is all about. And to just say we need
23 more funding and more funding, and that may be -- it may
24 be proven, but without a doubt we heard 14,000 per
25 student, we heard 15,000 per student, we heard 17,000 per

1 student, you can attend some of the best private schools
2 in the Commonwealth of Pennsylvania for \$15,000.

3 We have to take a close look at why this
4 money is not getting into the classrooms. I, for one, do
5 not like to micromanage any industry. An education
6 should be run by the educators.

7 But when the money runs short and the
8 problem is now on us to keep the School District open,
9 and that's what every one of us wants to do, we have to
10 take a look at the system itself.

11 And I don't want the teachers of Chester
12 Upland to think that we are trying to turn that School
13 District upside down, but the District itself has to be
14 held accountable, because there's an awful lot of state
15 tax dollars being sent to Chester Upland, past, present,
16 and the future.

17 So just keep that in mind, and let's work
18 together. And, once again, thank you for the job that
19 you are doing.

20 Representative Scavello.

21 REPRESENTATIVE SCAVELLO: Thank you,
22 Mr. Chairman.

23 I just want to follow up on, were you here
24 earlier for the Auditor General's report?

25 MS. ZORANSKI: Yes.

1 REPRESENTATIVE SCAVELLO: When you heard
2 those deficiencies in the audit, what were you
3 thinking -- because I know the problems aren't in the
4 classrooms, the problem is somewhere else in the School
5 District -- where they couldn't justify some of the
6 dollars into the programs where they were being spent?

7 MS. ZORANSKI: We are not surprised by
8 it. I mean, since I have been there, you know, our
9 Administration, I mean, we are on our fifteenth
10 superintendent. Okay.

11 REPRESENTATIVE O'NEILL: In how many
12 years?

13 REPRESENTATIVE SCAVELLO: In how many
14 years?

15 MS. ZORANSKI: In 37 years.

16 REPRESENTATIVE SCAVELLO: So it's like
17 every two years, you have another superintendent.

18 MS. ZORANSKI: When the state took over,
19 that's when a turnover was beginning in the District and
20 it seemed like people would only stay on two years and
21 then leave. So who knows what happens with that money
22 with the different types of management.

23 REPRESENTATIVE SCAVELLO: I was appalled
24 after I heard the class sizes. How many students are in
25 your School District right now, is that 3,600?

1 MS. ZORANSKI: About 3,600.

2 REPRESENTATIVE SCAVELLO: Okay. And how
3 many teachers are there?

4 MS. ZORANSKI: We have approximately 193
5 teachers, but if you subtract the nurses and the one
6 counselor, the one librarian, so we have about maybe 175
7 teachers that are actually in the classrooms.

8 REPRESENTATIVE SCAVELLO: Okay. Thank
9 you.

10 CHAIRMAN ADOLPH: Thank you.

11 Representative Conklin.

12 REPRESENTATIVE CONKLIN: Thank you.

13 Just -- you may not know the question, but
14 just for curiosity sake for myself, out of the 160
15 teachers that were let go, how many were retired and how
16 many were --

17 MS. ZORANSKI: There were exactly eight
18 retirees, okay, and it was a total of 18; eight retired
19 and ten resigned, and they were not replaced.

20 REPRESENTATIVE CONKLIN: And you talk
21 about, you have how many teachers now presently
22 teaching?

23 MS. ZORANSKI: 193, but it's 180 teachers.

24 REPRESENTATIVE CONKLIN: For how many
25 students?

1 MS. ZORANSKI: 3,600 students.

2 REPRESENTATIVE CONKLIN: So what does that
3 come out to --

4 MS. ZORANSKI: It's averaging about 30 to
5 35. You have to subtract out the emotional support where
6 they are limited in the number.

7 REPRESENTATIVE CONKLIN: Yes. And I was
8 asking earlier about special needs. Are you able to
9 offer -- different school districts call them different
10 names for the more disruptive students, the ADHD
11 students, we call them wraparounds, some call them class
12 assistants, some call them others -- are you able to
13 offer those in the system for students that need extra
14 care or is that something that just isn't anywhere in the
15 budget?

16 MS. ZORANSKI: We used to have a mental
17 health team and that was eliminated a couple of years
18 ago. Are we in need of it, yes, we are. It was
19 eliminated. Wraparounds are --

20 REPRESENTATIVE CONKLIN: It's an old term.

21 MS. ZORANSKI: Right, I know.

22 What are they called now?

23 MS. ADAMS-DIXON: PCAs.

24 MS. ZORANSKI: PCAs, they are coming
25 privately from the State, I believe.

1 REPRESENTATIVE CONKLIN: Because when I
2 look at the number of students you have and the increase
3 of special needs students because they are the ones that
4 are left behind.

5 Just another question, and I really don't,
6 you know, I just know where the schools are, but for
7 instance, I'm looking at your school districts compared
8 to maybe a Haverford Township or a Radnor Township, is
9 there a difference in pay for the teachers between
10 these --

11 MS. ZORANSKI: Yes, there is.

12 REPRESENTATIVE CONKLIN: I take it it is
13 less at Radnor. Is it Radnor? I take it Radnor teachers
14 get paid less than yours do?

15 MS. ZORANSKI: No, they get paid more.

16 REPRESENTATIVE CONKLIN: What's the class
17 size there; do you know?

18 MS. ZORANSKI: No, I do not know that. I
19 want to say 20, maybe 25.

20 REPRESENTATIVE CONKLIN: Because I was
21 looking at state funding and they got cut \$38 dollars and
22 you got cut 1,144, and I thought, well, but I can see if
23 they make more money, they would get more pay, I guess,
24 so they wouldn't get cut as much, but that was my
25 sarcasm.

1 MS. ZORANSKI: I understand.

2 REPRESENTATIVE CONKLIN: Mr. Chairman,
3 after that remark, I apologize --

4 CHAIRMAN ADOLPH: You won't get away with
5 that.

6 REPRESENTATIVE CONKLIN: I was just
7 picking.

8 As anyone can tell you, special needs
9 program, special needs students are dear in my heart, in
10 all seriousness, off of the wisecracks.

11 Is there any way, as a teacher, that you
12 know, especially with the diminished amount of resources
13 you have, what we would have to do from a state or from
14 an organization within the school system to help you get
15 these children through, because many of what brings your
16 test scores down, much of what brings down your overall
17 performance is due to the fact that you are heavily
18 numbered with special needs students?

19 MS. ADAMS-DIXON: When you look at our
20 special ed population and you look at our itinerant
21 support teachers and you look at their caseload of
22 responsibility, some of them may have a caseload of 50
23 children; our resource from teachers have a caseload of
24 30 children. This is a huge, huge responsibility.

25 I know that the State tells us what their

1 caseload should be, but when you have an itinerant
2 support teacher at Chester High School and she is
3 responsible for 50 students who are in maybe 15 to 20
4 different regular education classrooms, it's hard for
5 that teacher to get to those students and get to them
6 with quality, support, and enrichment.

7 MS. ZORANSKI: And to chime in on this, we
8 are down to one psychologist. At one time, we had eight,
9 okay, and we are down to one now, which means for
10 students who are being referred or being serviced, one
11 psychologist cannot get to everyone in a school year.

12 REPRESENTATIVE CONKLIN: So --

13 CHAIRMAN ADOLPH: Thank you.

14 Representative Barrar.

15 REPRESENTATIVE BARRAR: Thank you,
16 Mr. Chairman.

17 I had the opportunity to watch the
18 education, Senate Education Hearing the other day, and
19 Anthony Williams had mentioned an interesting fact about
20 two school districts in Chester: One being William Penn
21 and one being Lee, that had totally different results.
22 One was considered a very successful school; the other
23 one was considered a failing school.

24 Have you looked into these two districts
25 to see, and I think if you look the community is the

1 same, the peers are the same, at-home life, popular level
2 were pretty similar.

3 There was really nothing much different
4 between the two schools except for probably, my
5 understanding from his testimony, and I don't know this
6 for a fact, was that some of the work rules were very
7 different for the employees and teachers in those school
8 districts.

9 Have you looked into that? What would
10 create so much, a successful school district versus a
11 failing school district right within a mile of each other
12 in the same school district?

13 MS. ADAMS-DIXON: You mentioned William
14 Penn?

15 REPRESENTATIVE BARRAR: William Penn and
16 Lee.

17 I'm sorry, they are in the Philadelphia
18 School District. I thought it was this district.

19 Okay. But are you looking into the
20 classroom, I guess you call it a classroom analysis, to
21 see how that is so different?

22 MR. GOTTLIEB: If I may respond,
23 Mr. Chairman.

24 CHAIRMAN ADOLPH: Absolutely.

25 MR. GOTTLIEB: Thank you very much.

1 My name is Paul Gottlieb. I am the Union
2 representative from Penn. I also have been the Union
3 representative for the teachers and support staff at the
4 William Penn School District, and I would suggest to you
5 that the rules of operation, conditions of employment are
6 basically the same in those two places. There isn't
7 anything -- if I understood your question.

8 REPRESENTATIVE BARRAR: Okay. I was just
9 going by what Senator Williams had stated in the Senate
10 Hearing.

11 Can I ask you, with 40-some percent of
12 your students leaving the School District, when a student
13 that may have in one year who was a fairly good student
14 leaves and opts out for a charter school, do you try to
15 do a follow-up with that student or the parents to find
16 out why the parents would decide then to pull a child out
17 of the Chester School District and opt into a charter
18 school versus staying here?

19 MS. ZORANSKI: Well, one of the reasons
20 why they register their children to the charter schools
21 is because the District does not have a school on the
22 West End of the city. And a lot of parents like that
23 neighborhood school, so that's why that charter school is
24 growing, because of the population on the West End. We
25 do not have any school on the West End, middle or

1 elementary.

2 REPRESENTATIVE BARRAR: So your thoughts
3 are that 40 percent of your students have left because of
4 the location of the charter school versus where we are
5 today?

6 MS. ZORANSKI: That's part of it. Not all
7 of it, and I don't have the rest of the answer for you.

8 REPRESENTATIVE BARRAR: It would be nice
9 to hear from the parents to find out their exact reason.
10 I would think in a school district where 40 percent of
11 the children have left the school and, I guess you could
12 say, voted with their feet to leave, there would be,
13 I mean, a scream coming from the people that work there
14 to find out what's the reason, why 40 percent. I think
15 that's unprecedented anywhere in the -- probably in the
16 State of Pennsylvania, that children would leave like
17 that.

18 I know when I'm out campaigning, which I
19 have to do every two years, and I see someone who had my
20 sign on their lawn one year and next year has my
21 opponent's sign, I knock on their door and I say, Why
22 have you lost faith in me.

23 I think the same thing needs to happen
24 here. I think you need to talk to these parents and say
25 why have you lost faith in us, why did you go somewhere

1 else.

2 And just a real quick comment on the
3 school district analogy of school districts losing \$34
4 versus \$1,100. Okay. Several of my school districts get
5 less than \$350 per year and we are cut \$30, but I think
6 if you took all my school districts combined, probably
7 with Representative Adolph and Representative Killion's,
8 the Chester School District receives in subsidies more
9 than all of them combined and probably with a huge
10 surplus after that.

11 So it's really an unfair and very
12 disingenuous analysis to make that the rich school
13 districts were cut more or less than the poorer school
14 districts.

15 You know, I think the cut that came to
16 them was probably more than a student -- I think Fern
17 Valley, which I represent, gets about \$350 per student,
18 which in my opinion is very, very unfair, but the funding
19 formula for all of education, I think everybody at this
20 table agrees, has to change. Thank you.

21 CHAIRMAN ADOLPH: Thank you.

22 Representative Brownlee.

23 REPRESENTATIVE BROWNLEE: Thank you,

24 Mr. Chairman, and good afternoon.

25 First of all, I want to thank you for the

1 jobs that you have done. You teachers have sacrificed
2 for the students here at Chester Upland, and I just want
3 to thank you for that.

4 I have a couple of questions. The first
5 one is, is the Chester Upland Education Association and
6 the teachers involved in a discussion on how to resolve
7 the problems at the School District?

8 MS. ZORANSKI: At the present time, no.
9 That has been one of our concerns, that we are never part
10 of everything. The last Administration -- I have to say
11 that the last Administration was right on board in asking
12 input, we were there for every step of the way, but not
13 all the way.

14 REPRESENTATIVE BROWNLEE: Well, I think
15 because you are the ones in the trenches and with your
16 boots to the ground, I would suggest that you strongly
17 urge, and if we can, we can strongly urge that you become
18 a part of the discussion.

19 The other question I have you may or may
20 not know, maybe somebody here does or I can get an answer
21 to.

22 I'm trying to find out, because of
23 everything that's going on, what are the current fees of
24 the attorneys that represent the School District, and
25 exactly where does that money come from? Is that money

1 coming from the School District's money?

2 MS. ZORANSKI: I believe it's coming from
3 the General Fund. We do have very high legal fees. And
4 we have a Solicitor now. Last year or the last three
5 years, we have had a full-time lawyer, too, lawyers that
6 were hired by the District, and plus another lawyer just
7 to handle the special ed, another lawyer to handle
8 hearings.

9 So, yes, I do not know what the legal fees
10 are for us, but I'm sure it's over 300,000.

11 REPRESENTATIVE BROWNLEE: That's at least
12 five lawyers I counted. Right?

13 MS. ZORANSKI: Right.

14 REPRESENTATIVE BROWNLEE: Thank you.

15 Thank you, Mr. Chairman.

16 CHAIRMAN ADOLPH: Representative Brownlee,
17 for your information, in the Auditor General's report,
18 and I can't really remember the exact year, but there was
19 a three-year period where legal fees in the School
20 District was in excess of \$2 million, a little over
21 \$800,000 a year.

22 There was no explanation in the audit
23 report what those legal fees were for. And in talking to
24 some of the superintendents of the school districts that
25 I represent, the special ed issue is a very costly one in

1 court, and I don't know whether that was the reason
2 why -- I don't know if \$800,000 is normal for the School
3 District, but that was mentioned in the Auditor General's
4 report, for your information. Okay.

5 Representative Samuelson.

6 REPRESENTATIVE SAMUELSON: Thank you,
7 Mr. Chairman.

8 I wanted to try to get three quick
9 questions in. I wanted to close with asking about some
10 of the success stories among your students and alumni at
11 Chester Upland School District. But first I want to ask
12 about some of the extraordinary challenges faced by the
13 students.

14 I think you said there is only one foreign
15 language currently being offered in the high school?

16 MS. ZORANSKI: Yes.

17 REPRESENTATIVE SAMUELSON: And also the AP
18 and honors classes have been cut. How many AP and honors
19 classes are still up there?

20 MS. ZORANSKI: There's none.

21 REPRESENTATIVE SAMUELSON: All of the AP
22 and honors classes have been cut?

23 MS. ZORANSKI: Yes.

24 REPRESENTATIVE SAMUELSON: That is
25 extraordinarily troubling.

1 I want to ask about specifically science
2 education. I think I heard you say there is 45 students
3 in a high school science class.

4 MS. ZORANSKI: Yes.

5 REPRESENTATIVE SAMUELSON: Last night, I
6 should have been reading these budget charts, instead I
7 watched the Presidential debate, and folks were talking
8 about a couple of different things: Cutting a trillion
9 dollars on the one hand but increasing science and math
10 education. In fact, one candidate even said we should
11 establish a colony on the moon at a time of cutting a
12 trillion dollars.

13 The rhetoric did not seem to match the
14 reality, and I wanted to ask you about the extraordinary
15 challenge of a student in a class of 45 students, how
16 does that student perform, can the teacher communicate
17 with all the parents, what are the extraordinary
18 challenges with a class size that large?

19 MS. ZORANSKI: In science, it's extremely
20 extraordinary for the teacher. The teachers who teach
21 science at the high school are doing the best they can.
22 Some students are frustrated, they know that the class
23 sizes are large.

24 Some students, you know, very few give up,
25 they try to stay in there, but not only do they have that

1 many but you don't have enough textbooks, not enough
2 computers, not enough science materials to go through
3 everything that a science teacher needs. So, yes, it's
4 frustrating all around, by all parties.

5 REPRESENTATIVE SAMUELSON: And my closing
6 question would be on some of the success stories.
7 Despite all of these obstacles and some of this that has
8 gone on, I'm always troubled when the newspaper
9 highlights only the sports stars who go on to college,
10 but they never talk about the academic stars that go on
11 to college in that kind of format.

12 MS. ZORANSKI, there are many. We have had
13 students that have left us and gone on. I mean, one of
14 my former students is a neurosurgeon in Texas. We have
15 one that does the news on Channel 3, I don't even know
16 who that was, Dray Clark. We have -- you know, we do
17 have them, we don't brag like we should, but, yes, we
18 have them.

19 REPRESENTATIVE SAMUELSON: Any chance to
20 get some of those alumni back here to work with the
21 current students?

22 MS. ZORANSKI: We are trying.

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

25 CHAIRMAN ADOLPH: Thank you,

1 Representative.

2 Representative Hackett.

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

5 Gloria, just one question. Do the
6 teachers have any input in the budget process here --

7 MS. ZORANSKI: No.

8 REPRESENTATIVE HACKETT: You answered that
9 one quickly. No input at all?

10 MS. ZORANSKI: None.

11 REPRESENTATIVE HACKETT: Everybody is
12 raising their hands here.

13 MR. GOTTLIEB: If I may, Representative.
14 The budget process is inherently managerial and is
15 excluded from our interaction. The labor law excludes us
16 from any formal participation in the budget process.

17 REPRESENTATIVE HACKETT: The labor law
18 excludes you?

19 MR. GOTTLIEB: Act 195, the Public
20 Employee Relations Act specifically notes that the budget
21 is inherently a managerial subject and not part of our
22 capability to bargain as are wages, hours and terms and
23 conditions of employment.

24 REPRESENTATIVE HACKETT: So we have a law
25 where, if you talk to the School Board members in the

1 Wawa over a cup of coffee with some input for our
2 students, that would be illegal?

3 MR. GOTTLIEB: No, sir, I don't think it
4 would be illegal. I'm just suggesting we don't have any
5 formal way to input into that process. We might have the
6 Wawa informality, which would be fine. It wouldn't be
7 illegal at all, and in fact, I'm quite sure people have
8 always talked to board members in the neighborhood, but
9 for us as an association, as a union, to engage the
10 budget process would be out of line for us.

11 REPRESENTATIVE HACKETT: Thank you very
12 much.

13 CHAIRMAN ADOLPH: Thank you.
14 Representative Donatucci.

15 REPRESENTATIVE DONATUCCI: Thank you,
16 Mr. Chairman.

17 I don't know if you have an answer to this
18 question: You have been there for a while. Back in 1994
19 there was a special Board of Control appointed, and in
20 2000 an Empowerment Board, and in 2003 a Special Board,
21 2006 the Secretary of Education was a receiver.

22 Did you see any difference under any of
23 these special boards, and if so, what were they? Did
24 anything work better?

25 MS. ZORANSKI: In 1994 was when the start

1 the State took over, and I believe, and I might be wrong
2 on that, what we did see was our budget increased. But
3 the teachers, students, we didn't see that. The increase
4 we didn't see; it didn't get handed down to us.

5 I believe in 1993, I believe we had like a
6 \$40 million budget and by 2000, we were up to 80, 90
7 million. So with the start of the takeover, no, we
8 didn't see much change.

9 In 2006, we were starting to improve. And
10 if you look at our test scores for 2006, we were seeing,
11 plus we had the stimulus money, and we are increasing,
12 the students are doing better on the tests, but nothing
13 happens overnight when you are dealing with students.
14 Everybody works at their own pace, per union.

15 CHAIRMAN ADOLPH: Thank you.

16 Representative Bradford.

17 REPRESENTATIVE BRADFORD: Thank you again
18 for what you are doing, and I understand you are doing it
19 under very difficult circumstances.

20 My question, again, is kind of just making
21 sure we are making progress in the classroom. As
22 educators, what are the -- and I realize there's no
23 crystal ball and if it was this simple, you know, the
24 President would do it tomorrow, or the Governor, what do
25 we have to do in these schools to make sure we are

1 meeting AYP, to make sure we are sending kids off to
2 college?

3 What is it, you know, what is the five,
4 six, seven things, ten things, a hundred things maybe,
5 most of them probably out of your control, but what would
6 you like to see done to help student achievement in
7 Chester?

8 MS. ADAMS-DIXON: If I may. I have had
9 the honor of being a teacher in the two schools who have
10 received AYP, and in looking at both of the schools, they
11 are the two schools in our District with the smaller
12 class sizes. They are the two schools in our District
13 with classroom assistance and with more support staff
14 available. That, I think, is a major thing we should all
15 look at.

16 As I said, I have had the honor of working
17 in both schools, in both schools, and these are two of
18 the schools that consistently make AYP, and it's only
19 obvious that smaller class sizes, the teachers work
20 one-on-one. There are classroom assistants, more support
21 staff.

22 The picture's there, I just don't
23 understand why anyone has not addressed it other than our
24 teachers; my colleagues are fully aware.

25 REPRESENTATIVE BRADFORD: I guess on that

1 very point, a lot of the folks who pushed competition in
2 education in prior administrations, to push the voucher,
3 they pushed at that point for charters and the
4 privateers, Edison and so forth, now we are seeing
5 vouchers and there's additional competition.

6 Do you think that vouchers and having more
7 for-profit entities are part of the solution as to what
8 you are dealing with in the classroom every day?

9 MS. ADAMS-DIXON: No.

10 MS. ZORANSKI: Vouchers, no.

11 REPRESENTATIVE BRADFORD: Why has
12 competition not worked? What is it not in your opinion
13 again --

14 MS. ZORANSKI: Competition has not worked
15 for us because we are not competing; our students do not
16 have what the other students in other districts have.

17 Our students cannot take home a textbook.
18 We are lucky if we have a textbook for every child in the
19 classroom.

20 We don't have a simple thing as copy
21 paper. Teachers have to go and buy their own copy paper,
22 and if we have a copier that works, that's nice. Okay.

23 If you only have a few textbooks and the
24 teacher spends all their preparation time making copies
25 of the material, so every student will have something to

1 learn from. Our students, they can't even take a book
2 home to study or to review. I, as a student, I can't
3 imagine how they are doing it. I'm one that had to take
4 a textbook home.

5 Small class sizes, you are dealing with
6 class sizes 40, 45. I mean, in the beginning in June,
7 they were cutting out the PE program. They laid off all
8 the PE teachers.

9 REPRESENTATIVE BRADFORD: Just as kind of
10 a question I always wonder, in school districts that are
11 really struggling, what would you think of longer school
12 year, longer school day?

13 MS. ADAMS-DIXON: If I may. I have had
14 the experience of teaching in Philadelphia for 12 years
15 and teaching in Chester Upland for 12 years.

16 While in Philadelphia, although it was 12
17 years ago, I did work at a school where we consistently
18 had Saturday school and some summer school, and what I
19 saw was a big improvement in the achievement of the
20 students, not only because they were there for more
21 hours, but because they felt a sense of community.

22 They felt a sense of someone cares. They
23 were there with a smaller number of students and they got
24 more one-on-one attention. I agree with you.

25 REPRESENTATIVE BRADFORD: Thank you for

1 the time, Chairman.

2 I just want to say I think it's really
3 great that teachers, who have already sacrificed,
4 understand that, in order to do this, to solve all the
5 problems, the financial and the student achievement, that
6 everyone is going to have to contribute, and it is not
7 going to be based on the orthodoxies that everyone may
8 have wanted in the past.

9 CHAIRMAN ADOLPH: Thank you,
10 Representative.

11 In closing, I just want to get a couple
12 facts into the record.

13 Representative O'Neill, did you want to
14 say something?

15 REPRESENTATIVE O'NEILL: I thought I was
16 on the list.

17 CHAIRMAN ADOLPH: No, you were not on the
18 list, but you certainly can be put on the list. And you
19 are up right now.

20 REPRESENTATIVE O'NEILL: Thank you.

21 Actually, I just wanted to reiterate a lot
22 of what the Chairman said earlier. I feel like screaming
23 that movie, "Show me the money." I think it's all coming
24 down to -- I don't understand, none of this makes sense
25 to me.

1 Whether we argue over \$17,000 a student or
2 14-5, the bottom line is that's around what my school
3 district, that's what my school district pays for a
4 student when I was a teacher for 26 years.

5 And we don't have 40 kids in a class, we
6 don't have a lot of these programs being cut, so there is
7 something seriously wrong in the School District in the
8 handling of the funds. And I think that's what we are
9 trying to drive here.

10 The question I wanted to ask earlier is,
11 and I applaud you for the conditions you are working
12 under, I truly do, have you ever looked at the ratio of
13 some of the charter schools that the kids are going to
14 from your District, how many kids might be in that
15 classroom versus how many in yours and that sort of
16 thing?

17 Have you guys ever looked into that as an
18 association or anything, so that you can maybe compare
19 apples to apples, oranges to oranges, and if they are
20 making AYP, and so forth and so on?

21 MS. ZORANSKI: No. In the one charter
22 school, we don't know what's going on in that charter
23 school, we don't know the class size, we don't know how
24 many teachers. It's like forbidden territory. The
25 other --

1 REPRESENTATIVE O'NEILL: Before you go on,
2 it's a public school, so isn't that public information?
3 If I call your Superintendent up and ask him what's the
4 average number of people in your classroom, I would think
5 he's obligated to tell me. This is public information.
6 Isn't it the same with the charter schools?

7 Okay. Then, I won't put you on the spot,
8 then. But I don't know, I think we just have to scream
9 "Show me the money," what the -- excuse my language, what
10 the hell happened to it.

11 Thank you.

12 And I'm sorry to interrupt you,
13 Mr. Chairman.

14 CHAIRMAN ADOLPH: Not at all,
15 Representative.

16 Whether you are a, for sake of labeling, a
17 regular public school or a public charter school, all
18 that information regarding classroom size is available at
19 the Pennsylvania Department of Education.

20 So Representative O'Neill, we will get
21 that information, okay, and spread it throughout the
22 Committee.

23 Just a couple of things that I need to get
24 on the record. During this financial crisis, and I have
25 read in the local papers that the Chester Education

1 Association, did they vote to continue to work without
2 pay?

3 MS. ADAMS-DIXON: Yes, we did.

4 CHAIRMAN ADOLPH: Yes, you have.

5 MS. ZORANSKI: We made a resolution at the
6 chair membership meeting.

7 CHAIRMAN ADOLPH: Okay. Was that for a
8 specific period of time, Gloria?

9 MS. ZORANSKI: No, it wasn't.

10 CHAIRMAN ADOLPH: No, it was not. Okay.

11 MS. ZORANSKI: It was based on an
12 individual basis. Some would be able to work longer than
13 others.

14 CHAIRMAN ADOLPH: Okay. The second part
15 of that question: Have you, as of today, received all
16 your paychecks from the Chester Upland School District?

17 MS. ZORANSKI: Yes.

18 CHAIRMAN ADOLPH: Yes, you have. So no
19 pay has been missed?

20 MS. ZORANSKI: No.

21 CHAIRMAN ADOLPH: Okay. All right.

22 MR. GOTTLIEB: May I, Mr. Chairman?

23 CHAIRMAN ADOLPH: Yes.

24 MR. GOTTLIEB: We have not missed a pay
25 date, but we have been short in terms of the District's

1 contractual obligations.

2 CHAIRMAN ADOLPH: Clarify that for me,
3 please.

4 MR. GOTTLIEB: Yes, sir. We have a three-
5 year contract that's in place, and for the first year of
6 the contract, which was '10-'11, all of our employees
7 received a raise that we had negotiated on their behalf.
8 For '11-'12, they have not. No employee has received a
9 raise that has been negotiated for them, either as
10 support staff or at the teacher's level, which represents
11 the blue collar workers.

12 CHAIRMAN ADOLPH: Okay. Thank you for
13 that clarification.

14 I want to thank you for the job that you
15 are doing. We will try to do our best to, number one,
16 come to a short-term resolution of your financial crisis,
17 and then we will continue to dig in to what has caused
18 this financial crisis here in Chester, because, to echo
19 the comments of Representative O'Neill, who is a former
20 public school teacher in Bucks County, it's my opinion
21 that it's not the amount of money that is coming into the
22 School District, it's how it was managed.

23 So, with that, I'm going to take a break,
24 and we will resume this hearing at 1:45. 1:45. We have
25 the Secretary of Education, Ron Tomalis, who will be our

1 next testifier, and following Secretary Tomalis, we will
2 have the Delaware County Intermediate Unit testifying.

3 So we will see everybody back here at
4 1:45. Thank you very much.

5 (Thereupon, at 1:07 p.m. a luncheon recess
6 was taken until 1:47 p.m., at which time the following
7 proceedings were had:)

8 CHAIRMAN ADOLPH: Ladies and gentlemen,
9 could you please take your seats.

10 Members of the House Appropriations
11 Committee, could you please have your seats. I want to
12 thank everyone for their cooperation in working with the
13 very tight time constraints that we have. Thank you,
14 ladies and gentlemen.

15 I would like to acknowledge the presence
16 from Bucks County, the Vice President of the Committee,
17 Representative Scott Petri.

18 Good afternoon, Representative.

19 The first testifier we have this afternoon
20 is Secretary of Education of the Commonwealth of
21 Pennsylvania, Secretary Ron Tomalis. I want to
22 personally thank the Secretary for making his appearance
23 and presenting his testimony to the House Appropriations
24 Committee.

25 Secretary Tomalis was appointed by

1 Governor Corbett in January, 2011. I'm not quite sure
2 when he was confirmed. There was a period he was called
3 Acting Secretary, but I know that during his first couple
4 of months of being Secretary of Education, he received
5 letters and phone calls from the local officials here at
6 Chester Upland School District.

7 Secretary Tomalis will help this House
8 Appropriations Committee in understanding some of the
9 financial ins and outs of this District.

10 Hopefully he will have some suggestions
11 for the local officials, and, also, I want Secretary
12 Tomalis to know, because I know he was at the meeting
13 with the Governor and the local legislators, that we are
14 going to try everything that we can do to keep this
15 School District open through the remaining parts of this
16 year, and obviously we are going to be asking Secretary
17 Tomalis what that will take.

18 Without further ado, it is my pleasure to
19 introduce Secretary Ron Tomalis.

20 SECRETARY TOMALIS: Thank you,
21 Mr. Chairman, Representative Markosek, members of the
22 panel, this is indeed a great honor to be here with you
23 today and talk with you about this issue.

24 In the spring of 2011 -- let me preface
25 this by saying that I want to engage with you as much as

1 possible into a dialogue about some of the issues.

2 As you may know, we have three ongoing
3 court cases involving litigation involving the Chester
4 Upland School District, and the Chester Community Charter
5 School, in particular, that's pending, and so I will try
6 and be cautious and cognizant of what I can and can't say
7 about those proceedings, but in the meantime, if that's
8 the reason that there's an issue, that's the reason why.

9 But in the spring of 2011, the Chester
10 Upland School District was facing some serious financial
11 challenges. The District's financial position was such
12 that it was not making payment to its vendors, was behind
13 in its payment for health insurance premiums, and was not
14 meeting its financial obligations to the charter schools.

15 The District was also projecting that by
16 the end of the school year, it would not be able to make
17 payroll and/or would miss a mandated payment on a \$14
18 million bond.

19 While we were in office only a few months
20 when confronted with this situation, the Corbett
21 Administration took some extraordinary steps to assist
22 the District in addressing these issues. By using funds
23 from accounts to support education programs across the
24 State, the Department of Education provided the District
25 with a one-time infusion of \$5 million, assistance

1 clearly communicated to the District that it would not be
2 reoccurring.

3 The District also provided \$4.5 million in
4 state revenue reserved for districts identified under the
5 former Education Empowerment Act, even though the
6 District was no longer an empowerment district because
7 that law had expired in the summer of 2010.

8 The Department also provided an advance of
9 \$6.2 million to the District out of the anticipated
10 '11-'12 school year subsidy payment with the agreement
11 that it was to be paid during the '11-'12 school year.
12 Despite this clear understanding, the District did not
13 account for this repayment in its current budget.

14 In addition to this financial assistant,
15 the Department recognizing the weaknesses in the existing
16 management of the District brought in outside assistance
17 to help the District get its financial books in order, as
18 well as to provide critical leadership direction.

19 The Department provided the District with
20 a full-time district finance expert with more than 30
21 years of experience in Pennsylvania with the goal of
22 ascertaining the District's actual cash flow and
23 financial condition.

24 At one point in the spring of 2011, for
25 example, the District had held more than \$8 million in

1 checks written to service providers in the District bulk
2 because the District could not determine if it actually
3 had the funds to cover that \$8 million.

4 Since the District did not file its
5 application for federal funds until June, 2010, a step
6 most school districts accomplish in the fall, the
7 Department's Division of Federal Programs assisted
8 Chester Upland in making sure that a viable, legitimate
9 application was submitted to the district to access
10 approximately \$5 million in federal funds. This year, we
11 were able to help them and get their application in time
12 in October.

13 Because of concerns about the District's
14 special ed program, the Department has employed experts
15 to assist the District in complying with requirements of
16 the federal law and the Department's Office of School
17 Services worked with Chester Upland's leadership team in
18 the spring and summer of 2011, activities, by the way,
19 that we have done for a number of school districts, to
20 identify programs that could be altered due to declining
21 enrollment and financial conditions; however, the
22 District did not adhere to those changes that we
23 discussed and recommended.

24 I wish to emphasize that all of these
25 activities, all of this action was taken to address a

1 budget crisis before the start of the current year. In
2 fact, the current -- the last spring or many of the
3 issues that we are seeking this year come to play in
4 Chester was actually taking place last year, but not in
5 the press as it is this year. It would not have made
6 payroll, the staff would have been on the street, they
7 were not making bond payments, they were not making
8 payments to charter schools all last spring.

9 And while much has been said about the
10 impact of the '11-'12 State budget on the School District
11 and the requests by the District for the State to forward
12 \$18.7 million from an anticipated June payment, a few
13 facts should be brought to light.

14 First, while it's true that given the
15 State's financial fiscal conditions, some line items in
16 the budget had to be eliminated, Chester Upland's basic
17 ed line item in state dollars increased \$35.9 million in
18 2010-'11 to \$49.2 million in '11-'12.

19 Second, while the District claims that it
20 will be able to make payroll for the remainder of the
21 year if the Department merely advanced the \$18 million
22 payment from June, this would only happen if the District
23 abandons its obligations to pay most of its other
24 commitments.

25 In fact, the District has requested not

1 just an \$18 million advance, but a \$20 million from the
2 State just to meet an obligation, \$20 million that is
3 nowhere in the current pipelines for education funding.

4 And I just want to amend my comments: As
5 of last night, the District, in a letter that I received,
6 or our counsel received, cosigned by the Chester
7 Community Charter School, that number that they presented
8 to the court two weeks ago as 20 million, that number is
9 now 24 million.

10 However, I wish to point out that just --
11 some have asked, given these obvious issues why I do not
12 declare the District in fiscal distress and return
13 Chester Upland School District to court oversight. The
14 difficulty lies in the statute to trigger a designation
15 of fiscal distress.

16 Simply put, the existing law is weak on
17 two fronts. First, none of the seven triggers in the law
18 has actually been met. Triggers such as not making
19 payroll for 90 days; or a district holding a deficit for
20 two consecutive years equal to 2 percent of its assessed
21 property value; or a district not being able to make its
22 bond payment, or not having made its bond payment, excuse
23 me.

24 Second, but more importantly, even if a
25 trigger was met, the tools the new authority would have

1 to address the problems in Chester, I believe, would be
2 insufficient to do the job.

3 It is clear that this is a very difficult
4 situation, but I would be remiss if I did not express the
5 fact that those caught in the middle are the students who
6 attend and the staff who work in the District schools.

7 The Corbett Administration's main concern
8 has been the educational opportunities for every child in
9 the District, which is why for nearly a year countless
10 resources, financial and otherwise, have been dedicated
11 to helping Chester Upland.

12 My focus, as well as the focus of the
13 Administration, is to develop solutions for the children
14 so that the problems in Chester Upland and other
15 districts that are not managing their educational systems
16 appropriately do not cause children to suffer.

17 The Governor has stated his commitment to
18 work to keep Chester Upland School District open through
19 the end of the school year. However, we cannot and will
20 not kick the can down the road any longer. We need
21 better tools to develop better solutions.

22 Thank you, Mr. Chairman.

23 CHAIRMAN ADOLPH: Thank you,
24 Mr. Secretary.

25 Before we get started with the questions,

1 I made a statement earlier and I'm going to make it again
2 regarding the revenue that Chester Upland School District
3 received in the fiscal year 2010 and 2011 and what it is
4 receiving in 2011 and '12.

5 And I say that because when we start
6 comparing basic education funding from one year to the
7 next, increases, decreases, it can be very deceiving.

8 And a lot of the folks that work in the
9 Department of Education, they know about all these
10 categorical grants for empowerment and charter school
11 reimbursement, but back home, back home the locals deal
12 in the total money that's received, and this particular
13 Committee looks at the bottom line, and I will go over it
14 one more time.

15 The total revenue in 2010 and 2011 from
16 the local district, local sources, 20.5 million;
17 2011-'12, 22.5. From the State, 69.7 million, 65.6
18 million, a decrease of \$4 million or 5.9 percent, total
19 state revenue.

20 Total revenue from the federal sources,
21 18.7 million down to 6.7 million, a decrease of 63.9
22 million. Other finances, 1.3 to 1.4. Total revenue
23 appropriated to Chester Upland School District in 2010-
24 2011 from all sources, 110,377,000. 2011 to 2012,
25 96,392,000, a decrease of close to \$14 million, a 12.7

1 percent decrease.

2 I say that because they are the facts. We
3 received this information with the cooperation of the
4 Department of Education, U.S. Department of Education,
5 and the local district here. These figures are the
6 correct figures, backing out all the federal stimulus
7 money that is no longer here.

8 The first question will be that of
9 Representative Tom Killion.

10 REPRESENTATIVE KILLION: Thank you,
11 Mr. Chairman.

12 Mr. Secretary, this morning we heard from
13 several teachers talking about how they are faced with
14 using outdated textbooks. There aren't enough textbooks
15 to go around, students can't take books home, lack of
16 computers, oversized classrooms, all this all with
17 deficit spending

18 I really have two questions. First, there
19 were several testifiers that indicated that they think
20 part of the problem for the funding problems here at
21 Chester Upland School District is due to charter school
22 reimbursements. We want to know, A, do you agree with
23 that?

24 The second question, charter schools
25 receive approximately 75 percent of what the School

1 District receives per student.

2 Do you see charter school deficit spending
3 and do they also lack resources like the teachers
4 indicated they lacked in the Chester Upland School
5 District?

6 SECRETARY TOMALIS: I do not believe that
7 the charter schools, particularly as it relates to
8 Chester Upland, is the reason why this is an issue.
9 Because, if you look at the increases and the money
10 that's actually staying with the District itself and the
11 decisions that are made with the District itself, you
12 have seen a vast amount of increase of dollars that are
13 going to the District.

14 So I don't think -- that, to me, is not
15 the issue. And I would agree that charters, which spend
16 about 75 cents on the dollar, that the resident school
17 district where the child is coming from are having to
18 make ends meet, at the same time, with less money.

19 I'm not dealing with a pressure point of
20 any charter school that I'm aware of like I am right now
21 with Chester Upland School District and some of the other
22 school districts that are happening around the State,
23 some of the concerns.

24 The other thing that I would note, on the
25 way that the finances are set up with charter school

1 reimbursement, because of the difficulty in getting the
2 data in time, charter schools are actually a year behind
3 in their allocation of what the rate will be, and the
4 decreases that some school districts are receiving this
5 year will actually manifest themselves in charters next
6 year.

7 So I think that certain school districts,
8 for example, Philadelphia, which has a very large number
9 of charters, is not having the same crisis because of its
10 charter school issue. I don't think that that's the
11 reason why we are here today.

12 I would want to say, if I could, in part,
13 I want to read to you just a couple of sentences out of
14 the Complaint that was actually filed by the School
15 District against me, against actually you in the Senate
16 in federal court a couple of weeks ago. One paragraph in
17 particular that I think gets to the heart of the matter.

18 "During the fiscal year 2006 to 2011, the
19 Commonwealth of Pennsylvania through its appointed
20 Education Empowerment Board and the Secretary of
21 Education as receiving the Chairman of Education
22 Empowerment Board increased the budget of Chester Upland
23 School District from \$85 million to \$113 million,
24 increased the number of employees in the School District
25 from approximately 590 to 735, yet while at the same time

1 the enrollment in the School District was declining from
2 4,600 to 3,700."

3 That speaks more to how the District
4 actually got to this point, I believe, than what happened
5 in this current year or what's happened in the charters.

6 CHAIRMAN ADOLPH: Thank you.

7 Chairman Markosek.

8 CHAIRMAN MARKOSEK: Thank you very much,
9 Chairman Adolph.

10 Mr. Secretary, thank you for testifying
11 here and appearing before the Committee this morning, or
12 this afternoon, I should say.

13 And, of course, you did mention at the top
14 of Page 3 of your testimony that you are looking at the
15 District's special education program and have deployed an
16 expert to assist you. And I have a question about
17 special ed funding and how it relates not only to Chester
18 Upland but to the charter schools that are involved in
19 Chester Upland.

20 In the past, there was a cap of 16 percent
21 on the special ed reimbursements for the population for
22 Chester Upland and other public schools that has since
23 gone away, but there is some concern that the percentage
24 of students who Chester Upland sends to charter schools
25 that then become eligible or are identified, I should

1 say, as special ed students, goes much higher.

2 It appears, for example, that the speech
3 and language impairment identity is far higher in the
4 charter schools than the same disability identity in
5 Chester Upland public schools.

6 So I guess really the bottom line question
7 here is, is it possible that the charter schools are
8 accepting general education students from the District
9 and then identifying them as special needs students?

10 SECRETARY TOMALIS: Well, yes, it's
11 possible. It's also -- but they have to meet certain
12 criteria of which they need to be identified.

13 I think the issue is not the
14 identification. I think the issue is the reimbursement
15 rate and how you drive the reimbursement, which is
16 something I have talked about in the past in very public
17 forums to say that's something we should take a look at,
18 because you have different categories as to what this
19 special ed issue is.

20 And we, because of what the statute
21 mandates, we tend to reimburse at a rate to the charter
22 schools at a much higher category. So it's not just the
23 identification, it's also the reimbursement rate.

24 CHAIRMAN MARKOSEK: It seems here in this
25 case, you know, with that particular identity of speech

1 and language impairment, which there is a significant
2 reimbursement, that once the children opt or their
3 parents opt them into the charter school system as
4 opposed to Chester Upland Public Schools, that there is
5 far, far higher number and percentage of those students
6 that, all of a sudden, become identified with that.

7 And as a result, that charter school
8 receives quite an additional funding addition subsidy for
9 that, and it does raise the question of someone like
10 myself who doesn't have the education background that
11 someone like you has, but is more of a layman when it
12 comes to education funding, but nevertheless, I think
13 it's a fair question and it does, in my case, raise an
14 eyebrow.

15 SECRETARY TOMALIS: Well, we do do audits
16 of the school districts and do periodic audits in the
17 charter schools to make sure that the identification
18 process is correct, and part of it is, frankly,
19 Representative, is that maybe they should have been
20 identified in their sending district and they weren't
21 identified.

22 So it works both ways. But it is an issue
23 of concern that I think we need to look at, not just for
24 this particular situation but all situations.

25 CHAIRMAN MARKOSEK: Well, there is a huge

1 difference in the identification. I mean, that almost 40
2 percent of the students in the charter schools are
3 identified as such and the statewide average is 16
4 percent, so it's not even close.

5 And when you say Chester Upland, their own
6 identification is about 6 percent, 6.3 percent, as
7 opposed to 39.6 when these same students go to one of the
8 charter schools.

9 And, again, just as a casual observer, and
10 I will take my chairman's hat off here for a second,
11 I mean, it just seems like to me, as a reasonable person,
12 that is way out of whack and far out of line.

13 SECRETARY TOMALIS: Those are issues that
14 we agree are needed to be looked at. We will concur with
15 those numbers with the Representative. I know the prior
16 Administration did the same thing and they looked at it
17 as well.

18 CHAIRMAN MARKOSEK: I will just end by
19 saying, again, in your testimony that you have assigned
20 somebody to look at this, and I would suggest that they
21 look at this, and these particular things that I brought
22 up, very seriously.

23 SECRETARY TOMALIS: Thank you,
24 Representative. The purpose was trying to help the kids
25 that are currently attending Chester Upland School

1 District to make sure they were getting their benefit of
2 IEP services, but I understand your concern.

3 CHAIRMAN MARKOSEK: Thank you.

4 CHAIRMAN ADOLPH: Representative Scott
5 Petri.

6 And, Secretary Tomalis, since your back is
7 to the audience, if I could ask you to speak louder or
8 closer to the mic, I would appreciate that. And I'm sure
9 the folks in the audience and the auditorium would as
10 well.

11 SECRETARY TOMALIS: My apologies, sir.

12 REPRESENTATIVE PETRI: Good afternoon,
13 Mr. Secretary. And thank you again for being here today.

14 I'm going to go through a set of facts, at
15 least findings by the Auditor General and talk a little
16 bit about the financial aspect of -- as you know, this is
17 the Appropriations Committee, and so we look at things
18 like funding, controls, accountability.

19 There may be lots and lots of educational
20 questions that can be asked, but I think they are more
21 appropriate for the Education Committee, so what I would
22 like to do is just go through some things to make sure
23 that I understand the history of what has led us here.

24 According to the Auditor General, in March
25 of 2007, the then-Secretary of Education, Secretary

1 Zahorchak, decided that the Chester Upland School
2 District was in sound financial structure and eliminated
3 the court-imposed control and established an Empowerment
4 Board of Control, if I understand that correctly.

5 SECRETARY TOMALIS: That's correct.

6 REPRESENTATIVE PETRI: And he did so
7 apparently even with some knowledge of internal audits
8 that had shown that the School District had overspent in
9 '02-'03, '04-'05 -- '03-'04, '04-'05, '06-'07, so, in
10 other words, all but three consecutive years and then
11 another year, of \$15 million.

12 The audit goes on to identify that when
13 this audit took place there was \$80 million of
14 inaccurately documented expenditures. It goes on to find
15 that with regard to charter schools, the District was
16 unable to provide charter school reports to us.

17 Without these reports, we were unable to
18 determine how many students attended. Vocational
19 educational subsidies, same thing. Transportation
20 expense, couldn't identify mileage or pupil count.
21 Rentals, sinking fund, no documentation.

22 I mean, the report goes on for four or
23 five pages. District personnel were unable to identify
24 miscellaneous grants totaling 213,000 for '05-'06.

25 As a result, we couldn't verify where the

1 District used the money. As a result of frequent
2 turnover in the District's business office and lack of
3 adequate record retention, the 79 million was not
4 available for audit.

5 And the audit management response is,
6 There have been a number of changes with the
7 administrative staff in the business affairs department.

8 As a result, current Administration was
9 able to locate reports substantiating state funding.
10 However, they are not the specific documents that were
11 requested.

12 Further response is Current Administration
13 is in the process of re-designing file systems.

14 You got to be kidding me. You got to be
15 -- does that strike you as wholly inappropriate,
16 completely without any accountability or lack of control,
17 and if you can answer this, who in the heck are these
18 people that are on the Empowerment Board of Control?

19 SECRETARY TOMALIS: That was an issue, a
20 big issue as far as the management of the business
21 operations and the finances of the District.

22 The Empowerment Board is no longer around,
23 and all the authority under the Empowerment Board under
24 the Act that the court imposed that trustees or others
25 actually expired when the Empowerment Board went. Some

1 of those concerns actually continued from our
2 perspective.

3 As I said, two weeks ago, the District
4 made a representation to the court that it needed \$20
5 million through the end of the year and two weeks later,
6 we are now up to \$24 million.

7 Just this week, one of the District
8 business officials testified in the court that last year
9 they had a teaching staff of approximately 340
10 individuals last year.

11 340 individuals would represent a class
12 size with 3,600 kids in the District and a teaching staff
13 of approximately 10 to 1. And that they laid off --
14 their statement was -- they laid off 115 teachers.

15 Math says that the remaining teaching
16 staff are 225, which then would be approximately a class
17 size of about 18 to 1, yet I believe there is testimony
18 that the class size is much higher and that the number of
19 teaching staff is much different.

20 It's very difficult to get arms around the
21 finances of this District. It has been for a number of
22 years. It is a very frustrating part for us. The
23 controls have not been put in place.

24 The Empowerment Board that was in place
25 for a good portion of the last eight years, in addition

1 to the Board of Control that was in place, appointed two
2 members by the court, one member by the Secretary of
3 Education, frankly led up to a certain -- made certain
4 decisions that I believe led us to this point.

5 One of those decisions actually you talk
6 about, and I think it was mentioned before, about the
7 debt of the District. This District has about an \$80
8 million debt for 3,600 kids.

9 They actually came, the District proposal
10 in the spring was to come in and make 15, take a \$15
11 million loan, again, on one of its buildings in order to
12 finance its short-term \$15 million hole.

13 We put a stop to that and introduced these
14 other extraordinary areas that we had talked about
15 before. But even in the part that we are at right now,
16 where we are seeing all these numbers fly around, that's
17 very concerning to me.

18 CHAIRMAN ADOLPH: Representative, and I
19 know you were not here earlier this morning, but we are
20 going to try to limit the questions to five minutes,
21 questions and answers, and we will catch you on the
22 second round.

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

25 CHAIRMAN ADOLPH: Representative Bradford.

1 REPRESENTATIVE BRADFORD: Thank you,
2 Chairman. And I also want to thank you for -- after the
3 Secretary's remarks for kind of clearing the record on
4 the cuts that were made in the Corbett budget for
5 education.

6 I will tell you, I'm from Montgomery
7 County, and I represent some of the more affluent school
8 districts and some that are also financially struggling
9 and share much of the same issues that Chester does.

10 And for our local school boards to hear
11 that the basic education support went up when we are
12 talking about one line item is a little more than
13 disingenuous, respectfully.

14 These people work very hard in a lot of
15 these school boards and they are trying to explain the
16 troubles that they are dealing with when it has to do
17 with pension and charter school obligations and they are
18 trying to be fair to their local constituencies.

19 I think it's an obligation of us not to
20 use Alice-In-Wonderland accounting, but admit that there
21 were cuts to the basic education support in this year's
22 budget, which were required by financial realities.

23 We all understand that, what the choices
24 that were made in the Administration, but I think when we
25 throw local electives under the bus needlessly, I think

1 we do ourselves a disservice, and I for one thank you,
2 Chairman, for noting that there were real cuts and
3 Chester Upland suffered them.

4 But I think we talked again a lot about
5 finances, numbers, the impact on this District, and
6 clearly there are huge problems and they go back 15
7 years, but I think the context is one of the things that
8 is someone who is relatively new to the Legislature just
9 doesn't understand.

10 This has been going on in some form or
11 another for close to 20 years, and all of the court
12 documents, and I was looking at some of the factual
13 assertions, in fact, I was looking at the allegations --
14 actually, the numbered factual recitals in the Complaint
15 that was made leading up to this today against PDE and,
16 again, against the Commonwealth for failure to fund.

17 And I know you chose one factual
18 assertion, but this goes back talking about, in very
19 clear terms, the controls that PDE allegedly has at its
20 disposal to rein in some of the issues that have been
21 delineated.

22 And my question is, is PDE unable,
23 unwilling, and frankly, in fairness to PDE, are the
24 locals not providing the information so that you can get
25 controls?

1 It looks like you are the receiver by
2 operation of your title in the Commonwealth. Why can't
3 we just say no, there's a budget, this is where we
4 stand?

5 SECRETARY TOMALIS: So, a couple of
6 things. The controls that local school districts have
7 over its own budget, autonomous school districts are
8 absolute. They develop their own budget, they pass their
9 own budget, they decide what spending decisions that they
10 make and all those other things.

11 I am not a receiver for the District. The
12 receivership for the District actually terminated at the
13 expiration of the end of the empowerment law. The
14 District actually wrote a letter in July of last year to
15 the Department saying that we believe that the District
16 Solicitor is saying the trusteeship is over.

17 REPRESENTATIVE BRADFORD: I see in the
18 allegation, and I know you cite paragraph 22 where you
19 talked about the increase from 85 to 113 million over a
20 period of years, and I would refer you back to paragraph
21 19 where it says, The Chester Upland School District has
22 been under the supervision of receiver, pendent lite
23 receiver appointed by the Commonwealth Court of
24 Pennsylvania in October of 2006.

25 The Secretary of Education of the

1 Commonwealth of Pennsylvania was appointed as a receiver
2 by the Commonwealth Court of Pennsylvania on October
3 16th, 2006, and given financial oversight of the School
4 District, including full authority to monitor, assess,
5 and report on the fiscal condition of the School
6 District, approval of all expenditures in excess of
7 \$5,000 and contracts entered equal in an amount in excess
8 of \$5,000, so the Secretary unilaterally voluntarily
9 relinquished these duties in June of 2011.

10 So I guess you are correct as of June of
11 this year, but up until that point, and understanding the
12 Corbett Administration is only one player, and this just
13 goes back to the Ridge, Schweiker, Rendell
14 Administrations, why is nobody hitting the red button?

15 SECRETARY TOMALIS: I disagree with what
16 they asserted here in this position. As a matter of
17 fact, that was the issue related to the court, a case and
18 the court discussion this past week in another court
19 case.

20 The judge issued the order that you
21 correctly cited in October of 2006, but this, not
22 surprisingly, doesn't reference the judge's, the
23 subsequent judge's order based upon a settlement
24 agreement that occurred in the summer of 2007, which led
25 to the creation of the empowerment law or the empowerment

1 law -- excuse me, the empowerment designation for the
2 School District.

3 At that time, at that time, the settlement
4 agreement was that at the expiration of the empowerment
5 law that the receivership would be terminated, and the
6 judge agreed and he issued the order in 2007 to that
7 end. The Department -- excuse me, the School District
8 wrote the Department back in July of last year and said
9 that the receivership is terminated, based upon the
10 settlement agreement that was entered into in 2007.

11 REPRESENTATIVE BRADFORD: We already have
12 like \$110 million or we are hearing allegations of \$100
13 million of debt that have already been incurred.

14 SECRETARY TOMALIS: That's under the prior
15 Administration? Under the prior receivership. Exactly
16 right. And so the point -- I think you are --

17 REPRESENTATIVE BRADFORD: Are the monies
18 being spent, are they necessary, I mean, are they going
19 to educate kids?

20 SECRETARY TOMALIS: That's the difficulty
21 of trying to get a hold of this District's budget. We
22 are a 3,600-student School District. Even if you were to
23 look at the numbers that would be allocated to the
24 charter schools that are currently in the District, the
25 per-pupil expenditure is still relatively high for the

1 Commonwealth.

2 We are, Representative, as you know,
3 education. Private, public, doesn't matter, it's a
4 labor-intensive business, and almost all of the decisions
5 associated with that labor is decided at the local
6 level. And so it's hard for the State to get in there
7 and get our arms around these kind of things.

8 REPRESENTATIVE BRADFORD: And I will just
9 sum it up by saying but we are funding 70 to 80 percent
10 of this School District's education costs. We are not
11 some outside observer. And we have a right to ask.

12 And I guess I would just summarize by
13 asking some very simple questions. We have a
14 Constitutional obligation to provide a free and
15 appropriate education to every child, not \$17,000, not
16 \$14,000, I don't know what that number is. There was a
17 costing-out study that was thrown aside that tried to
18 come up with that number, I just want to know are we
19 providing every child the appropriate education here in
20 Chester?

21 SECRETARY TOMALIS: I think it's difficult
22 to say that just when you are looking at the numbers. If
23 you are looking at the numbers, then I think it is
24 difficult just to say on the numbers.

25 REPRESENTATIVE BRADFORD: Not even the

1 numbers, just in general.

2 CHAIRMAN ADOLPH: Thank you.

3 Representative Scavello.

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

6 And good afternoon, Mr. Secretary.

7 SECRETARY TOMALIS: Good afternoon,
8 Representative.

9 REPRESENTATIVE SCAVELLO: I want to thank
10 you for your testimony.

11 In your earlier testimony, you stated that
12 there was approximately 15.7 million that was funneled to
13 this School District last year. Am I correct, 5 million,
14 4.5 and 6.2?

15 SECRETARY TOMALIS: Yes.

16 REPRESENTATIVE SCAVELLO: I have asked
17 that question numerous times to different folks who
18 testified earlier in the day and the highest I got was
19 about 3.1 million or so. It's amazing, where is this
20 money going? It's definitely not hitting the classrooms.

21 SECRETARY TOMALIS: The District has a
22 series of bills that it has to pay. Some of them they
23 haven't paid in a while.

24 Some of them, like I mentioned before,
25 they had the fiscal control, they had money, checks in a

1 vault that they hadn't mailed out to cover.

2 The other thing that happened at the end
3 of last year that was a big payment was a TRAN, a tax
4 revenue anticipation, that they were not going to make
5 payment on the TRAN, and the ramifications of a School
6 District not making payment on a bond are not just
7 limited to the School District.

8 It could have a statewide ramification,
9 and that's why we acted so aggressively as we did in the
10 fall -- or, excuse me, in the spring.

11 In addition to that, the charter schools
12 were not receiving payments from the School District.
13 The law requires that the School Districts pay the
14 charter school a portion, 75 percent of the amount of
15 money. The School District stopped making those payments
16 to the charter school in the spring as well.

17 So there were some issues involved in
18 that. The 3.2 million, we reached -- back in the spring,
19 we reached, and I don't think the Department has ever
20 done this. That's why I continually refer to the
21 extraordinary measures that we did.

22 We reached into the future and pulled the
23 BEF funding back, so that they can make payroll in the
24 spring. They were not going to make payroll in the
25 spring.

1 But at the same time, we were saying you
2 have to prepare for the '11-'12 school year, you have to
3 reallocate your resources for the '11-'12 school year.

4 So all these things were difficulties that
5 we experienced in the spring.

6 REPRESENTATIVE SCAVELLO: At 12.2 percent
7 increase in the '11-'12 year, it's not that they got --
8 you know, if I compare this School District to my school
9 districts who are getting the absolute reverse, we're
10 funding locally 8 percent from property taxes, and it's
11 killing us.

12 At any point, is the Attorney General
13 going to look into this School District and see where
14 these dollars are going; is that a possibility?

15 SECRETARY TOMALIS: I can't speak for the
16 Attorney General.

17 REPRESENTATIVE SCAVELLO: Is someone going
18 to ask the Attorney General to look into this? If we
19 look at these numbers, the audit reports, and he just
20 read some of those findings, somebody is doing something
21 and those dollars aren't going where they need to be
22 going. I just, I strongly recommend that someone has the
23 Attorney General look into this.

24 SECRETARY TOMALIS: Representative, aside
25 from the Attorney General, I would say that we have to

1 get a better handle on the -- the most simple thing is
2 the number of employees in the District.

3 The School Board was in my office a few
4 weeks ago and the management of the Administration was in
5 my office a few weeks ago and I asked a simple question:
6 How many teachers do you have?

7 Because there were accusations in the
8 press that 40-to-1 class sizes or other things like that,
9 and I got a range of answers of anything from 125 to
10 almost 300.

11 And in addition to that, we see different
12 representations in court documents and other things about
13 the number of people that are actually being employed by
14 the District.

15 I did look at the Business Manager and
16 asked the Business Manager a very simple question: How
17 many paychecks do you cut? And the answer I got was 600.

18 REPRESENTATIVE SCAVELLO: I had a teacher
19 today and I asked the teacher and she had said there was
20 193 employees and 175 teachers.

21 SECRETARY TOMALIS: Well, if there is 175
22 teachers, that would make a class size of about 21 to 1.

23 REPRESENTATIVE SCAVELLO: I did the math.

24 SECRETARY TOMALIS: Now, it could be in
25 some classes, it would be higher. And it would be higher

1 and high school tends to be higher, and I understand the
2 dynamics of all public education, we want lower class
3 sizes for --

4 REPRESENTATIVE SCAVELLO: I did the math.
5 She's a high school teacher, and I'm assuming that maybe
6 the high school classes might be a little fuller and the
7 kindergarten classes and the first and second, elementary
8 might not be.

9 But that's -- what they are telling me,
10 193 employees, 175 are teachers. I hope, you know, that
11 could be checked out.

12 If they are cutting 600 checks, you know,
13 where are the other folks, I don't know.

14 CHAIRMAN ADOLPH: Thank you,
15 Representative.

16 Representative Samuelson.

17 REPRESENTATIVE SAMUELSON: Thank you,
18 Mr. Chairman.

19 And just to follow up on the finances, and
20 I appreciate Chairman Adolph giving an overview of all of
21 the state and federal line items added together in
22 which -- and local sources of funding in which this
23 District is down about \$14 million.

24 I realize that 12 million of that is
25 federal, 2 million increase in local effort, but an

1 overall 4 million reduction in state funding.

2 Now, all of the line items added together
3 going from 69.7 to 65.6, a \$4 million reduction. I do
4 realize that several line items across the Department of
5 Education budget, whereas in this District, basic
6 education funding went up, in this District, as in all
7 districts in Pennsylvania, state funding for
8 accountability grants went down.

9 In this District, as in all districts
10 across Pennsylvania, state funding for charter school
11 reimbursement not only went down, it was totally
12 eliminated. And so I wanted to ask about the impact of
13 those last two line items, realizing it is part of a
14 larger picture.

15 But on the accountability grants, this
16 morning we had two of the teachers testify that after-
17 school programs and tutoring programs in this District
18 have been eliminated.

19 Now, I know in my own case, in my own
20 district in Bethlehem, some of that accountability block
21 grant had been used in the past for after-school
22 programs, tutoring, pre-K, smaller class size.

23 So that source of funding, which was
24 reduced by about 61 percent, was one of the sources of
25 funding that a lot of districts used for programs like

1 tutoring and after-school programs.

2 I just wanted to ask whether that decision
3 to reduce that accountability of programs is really
4 putting additional pressure on a district like Chester
5 Upland that is already facing significant fiscal
6 challenges?

7 SECRETARY TOMALIS: I do not question the
8 fact that if a School District sees that a line item has
9 been reduced that it makes them think differently and
10 forces them to think in ways that they were not prepared
11 to think because of that issue. I don't have any
12 question about that.

13 As a matter of fact, you brought up school
14 districts across the State, and that's an issue that
15 was -- school districts across the State were put in a
16 couple of years ago when the state funding of the BEF was
17 cut so dramatically and replaced with federal stimulus
18 dollars, because the federal stimulus dollars and the
19 funding cliff was inevitable.

20 As a matter of fact, Secretary Arne Duncan
21 was saying at the time in 2009, Whatever you do with the
22 federal stimulus dollars, do not put it into programs
23 that you are going to necessarily need years from now
24 because you won't -- because the cliff is coming, and
25 that's what happened in part this year with our macro

1 budget at the State level.

2 So that's one of the reasons, and
3 Representative Bradford, you mentioned before about the
4 BEF. I mean, it's one of the reasons why so much money
5 was put into the BEF, and that's because that's the most
6 flexible pot of money to be able to use, not just on
7 after-school tutoring programs but to pay for salaries of
8 the employees in the District.

9 REPRESENTATIVE SAMUELSON: And I do
10 realize that the stimulus money has been used within the
11 Department of Education budget. I was asking about
12 accountability block grant line item where there was no
13 federal stimulus money.

14 My second question was about another line
15 item where there was no federal stimulus money, and
16 that's the charter school reimbursement line item. This
17 is one, as we all know, that was 219 million statewide,
18 now zero. In this District, it was about 10.8 million of
19 lost funding in that one line item.

20 Going back to the Chairman's overall
21 picture, where this District lost 4 million, causes me to
22 think if that line item hadn't been eliminated, this
23 District would have actually had a 6-million-dollar
24 increases in overall state funding. But zeroing in on
25 that charter school reimbursement funding, which was

1 state funding that helped school districts to pay the
2 charter school obligation.

3 The Business Administrator Chief Finance
4 Officer testified this morning that this district has to
5 pay \$43 million in charter school payments in the current
6 year. The year before there was 10.8 million of state
7 funding to help with that payment. This year there is
8 not. Who has to pick up the slack? Who has to step up
9 and pay that when the State makes a decision in the
10 latest budget not to include that line item?

11 SECRETARY TOMALIS: Remember, this was a
12 conversation before the Committee last year during the
13 Appropriations Hearing.

14 REPRESENTATIVE SAMUELSON: Yes.

15 SECRETARY TOMALIS: And at that time, in
16 recognizing the budget situation, the over-four-billion-
17 dollar hole that Governor Corbett inherited and that we
18 all in the Legislature and the Executive Branch needed to
19 address.

20 The question was in what areas are we able
21 to fund. Now, remember what the charter school
22 reimbursement originally was put in place a number of
23 years ago to help cover transitional costs; that one-time
24 transitional cost it seems when they leave the School
25 District that they will transition over to a charter

1 school. But the money, the money is not to pay for the
2 child's education twice.

3 So I understand that you are paying for
4 the education of a student who is no longer in that
5 School District. That charter school reimbursement line
6 item, when the money -- 25 percent of the funds actually
7 still stay in the School District.

8 They don't go with the child to the
9 others, and then another 40 percent of the money that
10 leaves is backfilled to pay for an education of a student
11 who is no longer in that School District.

12 So that was the, as we had talked about
13 last spring during the appropriations hearings, that was
14 the genesis of the thinking behind why are we paying for
15 that education twice.

16 And if we need to fund some programs,
17 let's put the money into BEF, because a basic education
18 formula is the one that's most flexible for school
19 districts.

20 CHAIRMAN ADOLPH: Time, Representative.

21 Representative Hackett.

22 REPRESENTATIVE HACKETT: Thank you,
23 Chairman.

24 Thank you, Mr. Secretary, for hearing us
25 this afternoon.

1 SECRETARY TOMALIS: Thank you,
2 Representative.

3 REPRESENTATIVE HACKETT: Just a common
4 sense question here: Has the Department come down to
5 Chester physically, maybe, and got a teacher count at the
6 schools? Have we been down?

7 SECRETARY TOMALIS: Yes. We have been
8 down to the School District on numerous occasions. We
9 have actually received recently a list of documents from
10 the Solicitor in relation to the \$3.2 million advanced
11 payment that we had on the number of teachers that they
12 say that they need in order -- and the other bills that
13 they need in order to make emergency -- in order to cover
14 the costs that the \$3.2 million would cover.

15 REPRESENTATIVE HACKETT: Okay. So you are
16 down and you take a teacher count and all, do we have a
17 number on how many teachers they really have?

18 SECRETARY TOMALIS: The number, I was told
19 of it and I just don't want to say off the top of my
20 head. I don't remember what it is.

21 REPRESENTATIVE HACKETT: Okay. But you
22 can get it to us?

23 SECRETARY TOMALIS: Yes.

24 REPRESENTATIVE HACKETT: I'm not real
25 familiar with Accountability Grants, I will be very

1 honest with you. So Chester is applying for an
2 Accountability Grant where it appears I don't see
3 accountability just yet, haven't seen it over the years.
4 Am I crossing something up there or does that pertain?

5 SECRETARY TOMALIS: The Accountability
6 Block Grant Program was a program that was initiated a
7 few years ago, and I don't remember which year it was, I
8 think it's three or four years old.

9 I apologize, it was before my time, but it
10 was a program that goes out to school districts on a
11 formula basis in which a school district, I believe has
12 17 or so different things that they can -- or 12 or so
13 different issues that they can use the money for, the
14 accountability -- everything from early childhood
15 education that some school districts use, to increase
16 professional development, to lowering class size. It's
17 very flexible at the local level, but they title the
18 Accountability Programs, but it is not -- it's more of a
19 formula-driven program.

20 REPRESENTATIVE HACKETT: I think that's
21 it, Mr. Chairman, for me.

22 CHAIRMAN ADOLPH: Thank you.
23 Chairman Markosek.

24 CHAIRMAN MARKOSEK: To clarify,
25 Mr. Secretary, the State Department has used the figure

1 \$17,000 per student is what Chester Upland spends to
2 educate a student. The gentlemen before you, you weren't
3 here, but the Acting Superintendent, Mr. Persing had
4 written testimony that indicated that the cost per
5 student was about 14,000. That's a difference of \$3,000
6 per student. Can you clarify that --

7 SECRETARY TOMALIS: I'm sorry, I didn't
8 mean to interrupt.

9 CHAIRMAN MARKOSEK: No, that was pretty
10 much the question, you know, we are hearing from the
11 Department 17,000 and we heard from the School District
12 14,000.

13 SECRETARY TOMALIS: It all has to do with
14 at what time of year you take the picture, it really
15 does. They don't have their financial data in order for
16 this year. They have been trying to figure out what this
17 year's data is.

18 Now, the \$17,000 per year also includes
19 the amount of money that's left under the control of the
20 District. So, I think this year when the numbers -- we
21 will see what happens with any type of additional payment
22 to the School District, but it will all depend on what
23 that final dollar is as to what it's going to be.

24 I have heard everything from 13,000; I
25 have heard as low as eleven or twelve thousand dollars

1 per year coming out of representatives from the
2 District. I have heard much higher as well.

3 CHAIRMAN MARKOSEK: Okay. But your 17,000
4 is based on --

5 SECRETARY TOMALIS: It's based on the most
6 recent numbers that we have, which is the '10-'11 data.
7 It might come down a bit because of the cuts that we have
8 seen in the budget. It would come down -- if it would
9 come down, it wouldn't come down much farther than 15.

10 CHAIRMAN MARKOSEK: Thank you.

11 CHAIRMAN ADOLPH: Thank you, Mr. Chairman.
12 Representative Scott Petri.

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

15 One of things I'm trying to do is separate
16 in my own mind what is fact and fiction, so I would like
17 to go over this memorandum that we have that's the report
18 of the Chester Upland School District financial team
19 dated January 25th of 2011. I assume you have a copy of
20 this or you have seen it as well, generally?

21 SECRETARY TOMALIS: January 25th of -- the
22 last couple of days. I don't believe I have seen that.

23 REPRESENTATIVE PETRI: Okay. Well, let
24 me just go through some things, and you may or may not be
25 able to answer it off the top, and if you can't, that's

1 okay, but --

2 SECRETARY TOMALIS: 2011, I'm sorry. I
3 was thinking 2012. Yes, okay. I'm sorry.

4 REPRESENTATIVE PETRI: Yes. The financial
5 team notes that in '09 and 2010, the Education
6 Empowerment Board overspent the budget by 2.8 million.

7 Do you have any reason to doubt that that
8 is correct?

9 SECRETARY TOMALIS: No.

10 REPRESENTATIVE PETRI: Okay. They also
11 found that the Education Empowerment Board depleted 3.7
12 million out of the operating reserve for unspecified
13 General Fund expenditures.

14 Do you have any reason to doubt that?

15 SECRETARY TOMALIS: I do not.

16 REPRESENTATIVE PETRI: The financial team
17 also found that the School District spent \$2.4 million on
18 lawyers -- 800,000 a year in legal fees.

19 By the way, has anybody looked at those
20 legal bills to find out if they were fair or appropriate
21 and who did the work?

22 SECRETARY TOMALIS: They were prior to my
23 time.

24 REPRESENTATIVE PETRI: I understand that.
25 I understand that, Mr. Secretary, I understand all of

1 this is prior to your time. It's also prior to this new
2 board. And I'm just trying to identify, as you are, for
3 everyone clearly the mess that was left for both the
4 State and the locals to try to deal with.

5 They also found that the Educational
6 Empowerment Board overestimated its revenue by 6.25
7 million and broke it up 1.2 million in delinquent taxes
8 that couldn't be supported by the county tax claim
9 records, 1.3 million for the sale of the William Penn
10 Elementary School, which had been listed for sale
11 apparently for three years and budgeted for three years,
12 and a \$1.3 million collection in lieu of taxes, which I
13 think you mentioned earlier, and then \$2.4 million of
14 overestimated reimbursement for charter schools.

15 Do you have any reason to doubt that any
16 of that is true?

17 SECRETARY TOMALIS: I have no reason. I
18 have mentioned some of those things we have actually seen
19 within the past six to ten months, and that they continue
20 to budget for buildings that aren't sold, revenue
21 generated from those things and other things.

22 REPRESENTATIVE PETRI: Then there's a list
23 of expenditure reductions that apparently the Education
24 Empowerment Board directed to be done but then never
25 followed through. One was a million dollars for

1 out-unionized bus transportation; 60,000 for elimination
2 of support staff; 100,000 for elimination of
3 administrative positions; one staff attorney at \$125,000,
4 and other items that weren't implemented.

5 Do you have any reason to believe that
6 these were recommended and then not followed through
7 with?

8 SECRETARY TOMALIS: I believe the report
9 would be accurate.

10 REPRESENTATIVE PETRI: Okay. And then
11 lastly, the financial team indicates that from '06 to the
12 2010-2011, the budget went from 85 million to 113 million
13 or a 33.7 percent increase. This is really -- with an
14 accompanying decrease in student population and an
15 increase of a hundred students or a hundred persons in
16 employment.

17 Does any of this, Mr. Secretary, strike
18 you as reasonable, responsible to either the taxpayer or
19 to the student or to state government?

20 SECRETARY TOMALIS: It's difficult to see
21 when you -- as we all do every spring, as we all do with
22 our own agencies, the projections on where the revenue
23 may or may not be in the years ahead, and it's difficult
24 to see when you see the enrollment numbers that we have
25 that this was a wise projection.

1 REPRESENTATIVE PETRI: Well, I guess, and
2 I will finish with this, I'm joining Representative
3 Scavello and wondering whether some criminal prosecution
4 and investigation should be looked into into the conduct
5 of certain individuals who are on the Education
6 Empowerment Board, because it seems to me that if there's
7 so many documents and records that are missing, maybe
8 they didn't just take the money or misappropriate money,
9 you took all the records, so nobody could convict you.

10 Thank you, Mr. Chairman.

11 CHAIRMAN ADOLPH: And thank you,
12 Representative.

13 Representative Donatucci.

14 REPRESENTATIVE DONATUCCI: Thank you, and
15 thank you for being here.

16 SECRETARY TOMALIS: Thank you,
17 Representative.

18 REPRESENTATIVE DONATUCCI: I'm pretty much
19 echoing Representative Petri and Scavello. I mean, this
20 didn't happen overnight. We have had appointments from
21 both sides of the aisle, okay. We have no
22 accountability, we have missing reports.

23 Has anyone been approached on this? Have
24 you talked to members of these boards? Is it time maybe
25 to have a forensic audit to see where did every penny

1 go?

2 SECRETARY TOMALIS: Representative, I
3 agree with you that the Auditor General, we need to go
4 back in there and get as quick of an audit as we can. We
5 are in there trying to get -- working with the District,
6 trying to get ahold of its cash flow.

7 Now, I share some of the concerns about
8 the past, and part of the issue has to deal with the fact
9 that this District took back control of itself in July of
10 2010, and there are a lot of things that were dealt this
11 District that it has to deal with.

12 We are trying to help that District get
13 control of the present. We need to also take a look at
14 what happened in the past.

15 REPRESENTATIVE DONATUCCI: Right. And
16 also, could you elaborate on your last statement that we
17 need better tools to develop --

18 SECRETARY TOMALIS: Yes, Representative.
19 In the fiscal distress language that's currently under
20 the law that talks about my ability or the Secretary of
21 Education's ability to declare a district in distress, we
22 don't have the ability to make that declaration and go
23 into it at the point before it's at a place where it
24 can't be helped. And I use the analogy as a person is
25 walking towards a cliff, a person is leaning over the

1 cliff, and a person is falling off the cliff.

2 We have tools currently under the law that
3 you are basically leaning over, you are almost off, you
4 have almost fallen off financially. And we need to get a
5 better trigger system, and then the tools, the way that
6 the law is currently structured is that the courts
7 appoint a three-member panel that will oversee the
8 operations of the School District.

9 Two of those members are actually
10 appointed by a court, one is appointed by the Secretary
11 of Education who will serve as the chair.

12 So they talk about -- the word is the
13 State is in control of the District, even the State
14 Department of Education doesn't have a majority vote on
15 that order control. It's court appointees who actually
16 oversee the operation. It's a three-member board but the
17 State doesn't have the majority of the votes. I think
18 that's something that we should take a serious look at.

19 The other issue that we just have to
20 acknowledge, as I mentioned before, is that we are a
21 labor-intensive business.

22 And one of the things that we are seeing
23 take place in Pennsylvania schools -- God bless them, the
24 teachers that are working in these kinds of situations, I
25 wish -- you know, we could do as much as we can for them

1 financially, but there are certain issues that are locked
2 into the contract that now translate into mandated costs
3 for two or three or four years down the road.

4 And when the revenue changes in any given
5 year because of loss of federal funds or other issues
6 it's hard to adjust those mandated costs and move the --
7 pivot the District into a place where it can be a viable
8 alternative. I think that's something we have to take a
9 look at.

10 And, finally, I would ask the Legislature
11 to take a serious look at the ability for economic
12 furloughs and giving school districts a clean economic
13 furlough bill and giving school districts the ability to
14 reallocate its existing staff in such a way that, when
15 they have declines in enrollment, when they have declines
16 in revenue, that they can make those adjustments in time
17 that will have a minimal impact on students.

18 Those are some of the tools that I think
19 we can adopt that would help. It may not help every
20 school district; it may not help a school district in
21 this situation. Maybe there's more radical things that
22 need to take place.

23 And that's one of those areas where I
24 would be very cautious about talking in too great a
25 detail, but I think that's something that we should look

1 at for other school districts as well.

2 REPRESENTATIVE DONATUCCI: Thank you.

3 CHAIRMAN ADOLPH: Representative Bradford.

4 REPRESENTATIVE BRADFORD: Thank you.

5 Secretary Tomalis, I know in the past
6 under the Ridge and Schweiker Administration, Edison was
7 tried as one of these radical solutions here in Chester.
8 Was that a positive experience?

9 SECRETARY TOMALIS: I wasn't here at the
10 time during that, when Edison was brought in to Chester
11 Upland, and most of the time that Edison was here, I
12 believe, was after the Schweiker Administration left. I
13 think, I have heard different things. I have heard in
14 some cases it was, in some cases it wasn't.

15 REPRESENTATIVE BRADFORD: What do you hear
16 on each side?

17 SECRETARY TOMALIS: Well, I hear that
18 there was -- I think -- I had heard on the negative side
19 that the organization lost focus, and it didn't continue
20 to give it the attention that it needed to give. There
21 was -- it was never able to get control of some of the
22 personnel issues that it needed to get control of.

23 It wasn't like they came in and they ran
24 the entire district and they had carte blanche control of
25 every single aspect, so they dealt with some legacy

1 issues that they inherited that they had to deal with,
2 which is, I think, one of those tools that we have to
3 talk about. We have to have a discussion about, if any
4 other action was taking place.

5 REPRESENTATIVE BRADFORD: Do you think
6 charters has had a positive legacy in Chester?

7 SECRETARY TOMALIS: I think if you ask the
8 parents of the people who are in charters, yes, I think
9 that's one of the important issues that you have to take
10 into account.

11 REPRESENTATIVE BRADFORD: In light of the
12 charter reimbursement issue, and you talked about charter
13 reimbursement as a line item that brought about \$10.8
14 million as being a phaseout.

15 As the Administration looks to ramp up
16 vouchers, is there going to be a voucher reimbursement
17 line item, and what do you think the impact of vouchers
18 would be on the Chester School District?

19 SECRETARY TOMALIS: Well, I would leave it
20 to another day to talk about what the Administration
21 would or wouldn't propose as far as budgets were
22 concerned related to that program.

23 I would say this about choice, in
24 general: I'm a parent of a nine-year-old and 12-year-
25 old, Representative, and I tend to look at that program,

1 that initiative from the prospect of the parent, and
2 wonder from the prospect of a parent if we would find
3 that the best educational opportunity for our nine-year-
4 old or 12-year-olds, any of our kids, would be at another
5 school.

6 The current law says that I, as Secretary
7 of Education, must go to that parent and say, I know the
8 circumstances in this school aren't best for your
9 daughter. I know the circumstances in certain situations
10 that your son or daughter would have less of a chance of
11 walking across that stage in June of their senior year
12 than they would have, potentially, being somewhere else,
13 so --

14 REPRESENTATIVE BRADFORD: As a father of a
15 four- and six-year-old, one in public and one in private,
16 I think that's a great choice to have.

17 SECRETARY TOMALIS: Both of mine are in
18 public school.

19 REPRESENTATIVE BRADFORD: Preschool. I
20 was --

21 CHAIRMAN ADOLPH: We could be here all day
22 on education policy, and I said in my opening comment
23 that we would try to stay with the fiscal matter. So I
24 enjoyed the conversation, but we need to move on.

25 Secretary Tomalis, the next group to

1 testify is the Delaware County Intermediate Unit, and I
2 have heard all day how necessary it is for special
3 education services here in Chester Upland, and I know you
4 are aware of that, and I also know that you are aware
5 that the Delaware County Intermediate Unit provides the
6 services for special ed for Chester Upland School
7 District and for the other school districts in Delaware
8 County.

9 I also know you are aware that the
10 Delaware County Intermediate Unit has not received
11 payments from the Chester Upland School District for a
12 good part of the 2010-2011 school year, and has not
13 received a single payment for the fiscal year 2011-2012.
14 This impacts not only the Delaware County Intermediate
15 Unit, but the other school districts in Delaware County.

16 As part of this solution, this short-term
17 solution that we are trying to work on here today, can I
18 have your thoughts about payments that will not only help
19 the intermediate unit, but also the other school
20 districts in Delaware County.

21 SECRETARY TOMALIS: Yes, sir. I want to
22 preface my comment by saying that I applaud the
23 leadership and the efforts of the Delaware County
24 Intermediate Unit in this regard. They are in a very,
25 very difficult situation, and I understand that, and we

1 have had some discussions with them over the months, both
2 from the issue involving the finances, but also the issue
3 as to what would happen in the situation as to the
4 requirements to provide special ed services.

5 I think that any solution that we bring to
6 the table has to seriously take a look to make sure that
7 the minimal impact for all students is addressed, both
8 students who are in the Chester Upland School District,
9 students who are at the charter schools, and students who
10 may be benefiting from services provided by the Delaware
11 County Intermediate Unit.

12 So they haven't been paid, I believe the
13 last year's number was 1.6 million, I believe it was. It
14 is a substantial number for the IU, it is something that
15 we have to take very serious -- we will take into
16 consideration in our calculation when we find the
17 solution.

18 CHAIRMAN ADOLPH: Just a suggestion: If
19 these services are so necessary, and in order to make
20 sure that the Delaware County Intermediate Unit can
21 provide these services, would it be possible for a direct
22 payment, and have you thought about that, instead of this
23 in and out through the School District here?

24 SECRETARY TOMALIS: Yes, sir, we have
25 thought about that, particularly if the District fails to

1 be able to either provide the services themselves because
2 of other issues or some financial issue.

3 But I have to be very clear of what I'm
4 able to do and not able to do. When money is
5 appropriated through the Legislature, it's directed to
6 certain entities, and I have to follow the law first, but
7 we have brought that up in discussion.

8 CHAIRMAN ADOLPH: So what you are
9 suggesting is possibly some legislation may be necessary
10 for this direct payment to the IU?

11 SECRETARY TOMALIS: If that is an issue
12 where a school district is failing to make payments to an
13 IU, we think we should discuss the potential that IUs, if
14 they are providing services to kids, that maybe they
15 should be folded into that type of arrangement as well.
16 But that currently is not an avenue that I can utilize
17 right now.

18 CHAIRMAN ADOLPH: Okay.

19 Chairman Markosek.

20 CHAIRMAN MARKOSEK: Thank you,
21 Mr. Chairman.

22 Just briefly. Mr. Secretary, you probably
23 were aware there was a test cheating incident here with
24 the charter schools. Do you know if they have been
25 cleared of those allegations?

1 SECRETARY TOMALIS: They have not been
2 cleared of that investigation, Mr. Chairman. Right now
3 we are currently engaged in follow-up data collection and
4 analysis and investigation for a number of school
5 districts and charters around the Commonwealth.

6 About three weeks ago, we sent out letters
7 to a large number of school districts that the data
8 analysis, and I should be very clear that when this first
9 popped up in the summer, we had been in contact with
10 school districts and charters all across Pennsylvania,
11 talking to superintendents or officials of those school
12 entities and saying, Can you provide us this data, can
13 you provide us this data.

14 And then us going to them and showing them
15 the evidence of what we had, particularly as it relates
16 to -- most school districts and charter schools have been
17 absolutely cooperative in providing us that data. If
18 they have not received a letter, then we still work with
19 them to look at where the data is taking us.

20 CHAIRMAN MARKOSEK: Thank you. Thank you.

21 CHAIRMAN ADOLPH: Okay. Secretary,
22 Tomalis, I want to thank you for appearing before our
23 Committee this afternoon. Your information was very
24 informative. I'm looking forward to working with you in
25 trying to attain our goals regarding the education of the

1 children in Chester Upland.

2 I know the amount of money that has been
3 requested, and I know the amount of money that is
4 available, and we are going to have to work very hard to
5 reach this goal. So I know members of this Committee,
6 members of the Delaware County delegation are willing to
7 work with you and make sure that this School District can
8 finish the year so these families know what's going on
9 from one week to the next.

10 So thank you for your testimony and have a
11 safe trip back to Harrisburg.

12 SECRETARY TOMALIS: Thank you, Chairman.
13 Thank you very much.

14 CHAIRMAN ADOLPH: Okay.

15 The next testifiers will begin in exactly
16 two minutes.

17 (Recess taken.)

18 CHAIRMAN ADOLPH: Back on the record.

19 For those not familiar with the traffic in
20 Delaware County on Friday afternoons, no problem
21 whatsoever.

22 Okay, the last testifier today is
23 Dr. Lawrence O'Shea, the Executive Director of the
24 Delaware County Intermediate Unit.

25 Dr. O'Shea, the time is yours, and thank

1 you for your patience, and I apologize for the Committee
2 hearing running a little late.

3 DR. O'SHEA: Good afternoon,
4 Representative Adolph and the members of the House
5 Appropriations Committee.

6 My name is Lawrence J. O'Shea. I am the
7 Executive Director of the Delaware County Intermediate
8 Unit, an educational service agency headquartered in
9 Morton, PA.

10 The mission of the Delaware County
11 Intermediate Unit is to provide leadership for the
12 development and delivery of innovative and cost effective
13 programs and services to meet the needs of our Delaware
14 County educational community.

15 DCIU services reach more than 75,000
16 school-age students and more than 6,000 educators on a
17 regional basis. Direct instruction is provided to more
18 than 15,000 students through the Delaware County
19 Intermediate Unit's school-aged special education
20 program, career and technical education, early
21 intervention, Head Start, fiber optic network, services
22 to nonpublic schools, professional development, and other
23 specialized programs.

24 With nearly 40 years in the business of
25 serving the needs of Delaware County, DCIU has grown to

1 provide more than \$120 million each year worth of
2 services through the management of 60 programs. We are
3 pleased to partner with our 15 local school districts in
4 meeting the needs of all students, families, staff and
5 administrators, and we strive to ensure that all
6 operations and services are effective, efficient, and
7 transparent as possible.

8 The Delaware County Intermediate Unit's
9 mission is carried out through three main strategic
10 priorities: financial stewardship, student-centered
11 learning, and a market-based business model.

12 I come before you this afternoon to voice
13 the concerns of our board of directors, comprised of
14 elected school board directors of the 15 public school
15 districts in the county regarding the impact of the
16 financial crisis facing the Chester Upland School
17 District on the Delaware County Intermediate Unit.

18 Specifically, I am asking that, as you
19 work towards a solution to the District's financial
20 situation, you ensure that the Delaware County
21 Intermediate Unit is paid for the services rendered to
22 Chester Upland's students in the 2010-'11 school year and
23 those services that we are continuing to provide without
24 payment in the 2011-'12 school year.

25 The core mission inherent to intermediate

1 units is to prescribe the authorizing language of the
2 Pennsylvania School Code. It's to build consortium among
3 school districts in order to provide efficient and cost
4 effective systems for education and support services.

5 We demonstrate our value by working with
6 school districts in the delivery of multidistrict early
7 intervention, preschool, special education, alternative
8 education and career and technical education services.

9 We further demonstrate our value by managing consortia
10 that make bulk purchases of services and commodities,
11 such as health insurance, fuel and heating oil,
12 electricity, school and office supplies. Through these
13 consortia, the school districts saved over \$6 million in
14 2010-'11 alone.

15 Two of our most effective educational
16 shared service consortia are special education and career
17 and technical education services. Under special
18 education, we provide services to some of the most
19 socially, emotionally, and educationally needy students
20 in the county.

21 The students we serve are children and
22 young adults with autism, hearing and vision impairments,
23 speech and communication disorders, intellectual and
24 physical disabilities.

25 These students require extraordinary

1 levels and quality of service in order for them to
2 benefit from a free and appropriate public education.

3 Due to the nature of the services required
4 and the relatively low incidences of the types and levels
5 of disability presented by these students, the most
6 effective means to deliver services is through a
7 consortium of school districts.

8 Likewise, we oversee a consortia for the
9 provision of career and technical education. As you are
10 aware, career and technical education programs are
11 expensive to deliver, often due to the expenses
12 associated with maintaining state-of-the-art equipment.

13 Again, the most effective means for
14 delivering these services is through a cooperative
15 arrangement of shared services among a set of school
16 districts.

17 In Delaware County, such an arrangement
18 exists among the 15 school districts and several
19 nonpublic high schools. Not only is our CTE consortium
20 cost effective, last year it produced the highest
21 percentage in the state of students achieving competent
22 or advanced on the National Occupational Competency
23 Testing Institute exams.

24 All of these very effective consortia
25 depend on the cooperative efforts of its member to

1 support them financially and otherwise. When one or more
2 of our districts are unable to contribute to the
3 financial support system, then the costs are deferred to
4 the other consortia members.

5 In the current situation, the Chester
6 Upland School District owes the Delaware County
7 Intermediate Unit \$1.08 million for 2010-'11 and is
8 projected to owe the Delaware County Intermediate Unit an
9 additional \$2.2 million for services that are continuing
10 to be provided during the 2011-'12 year without payment.

11 Approximately 80 percent of Chester
12 Upland's debts to the Delaware County Intermediate Unit
13 involve payment for special education services, for
14 students with disabilities, and for services for career
15 and technical education.

16 All 15 public school districts in Delaware
17 County contract with the Delaware County Intermediate
18 Unit to provide these services as part of a shared
19 services program.

20 After the close of the prior fiscal year,
21 the DCIU conducts a reconciliation process with the
22 districts. After the close -- the process begins in
23 October when the actual costs for each year and for each
24 school district are determined, using audited
25 calculations for the prior year's expenses and services.

1 Each school district either owes the
2 Delaware County Intermediate Unit payment for services
3 above what was estimated, or the DCIU owes the school
4 districts payment for services and charges that were less
5 than estimated. Any excess in the pool of funds that are
6 collected from the school districts based on estimates is
7 divided among those school districts, based on each
8 district's actual cost of services for the prior year.

9 For the 2010-'11 school year, three
10 districts owed funds to the pool and 12 districts are
11 owed funds from the pool. The pool of funds managed by
12 DCIU owed 3.05 million to the remaining 12 school
13 districts. Of that amount, the DCIU has rebated to the
14 districts \$2.2 million to date.

15 Due to the Chester Upland's failure to pay
16 all of its invoices, there is a total of \$851,000 dollars
17 owed to the pool of 12 school districts and an additional
18 225,000 owed to the Delaware County Intermediate Unit for
19 other services.

20 With the current financial crisis in
21 Chester Upland, we are facing the same situation in
22 2011-'12.

23 Without payments from Chester Upland, we
24 expect to be owed \$2.2 million by year's end. Our board
25 of directors is now faced with a dilemma of whether or

1 not to terminate services to the Chester Upland School
2 District.

3 In terms of special education and career
4 and technology education services alone, 250 students
5 with disabilities, who require frequent and intense
6 special education services in order to benefit from a
7 free and appropriate public education that is mandated by
8 law and a common moral conviction, will go without
9 services.

10 These students are children with autism,
11 intellectual, learning, and emotional disabilities.
12 These are students who struggle to learn basic skills for
13 self-sufficiency, such as eating, dressing, and going to
14 the bathroom.

15 These are students who struggle with basic
16 communication skills necessary to express their needs.
17 These are students who are incarcerated and, without
18 educational services, surely will be doomed to lives of
19 crime.

20 These students will be the primary
21 casualties of the collapse of the Chester Upland School
22 District. Did these students cause the financial crisis
23 in Chester Upland? Should they be the ones directly
24 impacted by the lack of available funds to deliver the
25 services they need?

1 Despite not having received payment, DCIU
2 has been committed to ensure that these DC students
3 receive the education services that they need and
4 deserve.

5 A secondary casualty very well may be the
6 collapse of a shared services consortia in Delaware
7 County and elsewhere. This current situation has
8 undermined the trust among school districts that they can
9 work together in a consortia arrangement to shared
10 expenses and realized cost savings.

11 If their cost savings is eroded by the
12 fact that one or more of the districts in the consortia
13 can't pay its share, then districts will drop out of
14 consortia and go it alone.

15 The legislature designed a system of
16 intermediate units for the Commonwealth and codified
17 their operations through amendments to the School Code in
18 1970.

19 As an insightful legislature in 1970
20 realized, intermediate units can be and are a platform
21 for creating cost savings and greater efficiencies for
22 the operation of local school districts.

23 Through the shared service consortia
24 managed by intermediate units, local school districts are
25 able to maintain their unique identities and

1 simultaneously reap the benefit of working with other
2 school districts to increase their cost effectiveness and
3 the quality of the services they provide.

4 But if the crisis in Chester Upland is not
5 resolved and the DCIU is not provided with the funds for
6 services rendered and continuing to be rendered, Delaware
7 County School District's penchant for working in
8 consortia arrangements will be undermined.

9 And if the financial crises in other
10 school districts, such as Duquesne, Reading, Harrisburg,
11 and Allentown are not abated, the other districts in
12 those intermediate units will likely view consortia
13 arrangements as too risky and not financially worthwhile.

14 The end result is a collective decrease in
15 cost effective shared service consortia and an increase
16 in the overall cost of delivering public education.

17 The Delaware County Intermediate Unit has
18 no taxing authority and no source of funds to use to
19 recoup the Chester Upland debt. The DCIU board of
20 directors and administration have been working with the
21 Chester Upland Administration and officials at PDE since
22 July to seek a resolution to the debt owed to the
23 Delaware County Intermediate Unit.

24 We have met with our local legislators,
25 including you, Mr. Chairman. Our mantra has been we

1 don't want to be a part of the problem, we want to be a
2 part of the solution.

3 Although we have had constructive
4 discussions, the DCIU was left off the list of essential
5 payments that the District and PEE negotiated with Judge
6 Baylson.

7 As stated above, the services provided by
8 the Delaware County Intermediate Unit are critical, and
9 without payment, the absolute neediest students in the
10 District will be denied care.

11 The Delaware County Intermediate Unit is
12 not asking for more money, just the money that is owed it
13 and continues to accrue as we continue to provide
14 critical services without payment.

15 I am here today to apprise you of the
16 impact that the Chester Upland financial crisis is having
17 on the Delaware County Intermediate Unit and the other
18 school districts in Delaware County, and I ask your
19 assistance to developing a solution to the District's
20 financial crisis, and in so doing, developing a means by
21 which the Delaware County Intermediate Unit can be paid
22 in full for services that we have rendered in 2010-'11
23 and are rendering in 2011-'12.

24 In the meantime, the Delaware County
25 Intermediate Unit board of directors and administration

1 will continue to work with you and all other interested
2 parties to ensure the solvency of the District, and most
3 importantly the continuity in providing quality
4 educational services to the students of the Chester
5 Upland School District.

6 Mr. Chairman, thank you for the
7 opportunity to come before you.

8 CHAIRMAN ADOLPH: Thank you, Dr. O'Shea,
9 for that very powerful statement, very alarming
10 statement, but I want to thank you for the job that the
11 Delaware County Intermediate Unit has done over the
12 years for the residents of Delaware County.

13 For the record, I want to get information
14 from you of how special education funding affects
15 Delaware County Intermediate Unit.

16 Could you please explain to the committee
17 your source of revenue?

18 DR. O'SHEA: The source of revenue for our
19 services, and special education in particular, are by and
20 large from our local school districts.

21 There are federal funds, the IDA funds
22 that flow through the Delaware County Intermediate Unit,
23 and we receive approximately 15 to \$16 million in federal
24 funding, but that funding does not reside with us.

25 Approximately 12 million of that money is

1 passed through to the local school districts to pay for
2 their services. And they have the option of delivering
3 those services themselves, their own staff or contracting
4 with the intermediate unit or other providers to do so.

5 The remainder of those funds are used, in
6 part, for the early intervention program that we provide
7 for children with disabilities between the ages of three
8 to five.

9 There's another portion of those funds
10 that are used to provide technical assistance and
11 professional development to our school districts through
12 those funds, and there is another portion of that for
13 other shared services that we can deliver to the school
14 district.

15 CHAIRMAN ADOLPH: And these individuals
16 with special needs, where do these services take place?

17 DR. O'SHEA: The services that we provide
18 can take place either in a school district building of
19 one of our 15 school districts or they can be housed in
20 other facilities.

21 For instance, we lease a building from the
22 Garnet Valley School District, the Pennington campus; we
23 also lease space from our vocational technical program
24 that we manage on behalf of the Vocational Technical
25 Authority in Delaware County.

1 CHAIRMAN ADOLPH: How many employees does
2 the Delaware County Intermediate Unit employ?

3 DR. O'SHEA: We employ approximately 900
4 employees in contract with a variety of private vendors.

5 CHAIRMAN ADOLPH: Okay. Now, as you have
6 heard that this financial crisis in Chester Upland has
7 been around for quite some time. This lack of payment to
8 the Delaware County Intermediate Unit, is this a new
9 payment missing or is this something that's been going on
10 for a decade?

11 DR. O'SHEA: What we have experienced has
12 been some variation in terms of how the payments have
13 been made by the Chester Upland School District. We have
14 not had the same experience with our other 14 districts
15 in the county.

16 We invoice them, as I referenced in my
17 testimony, on a quarterly basis, and those payments are
18 made to us. And at the end, we reconcile those costs.

19 For Chester Upland School District, we
20 have had -- in past years, intermittently, the District
21 has not made those quarterly payments but by the
22 mid-August, end of August, they have made those payments
23 to us.

24 We have consistently withheld the pass-
25 through of those federal IDA dollars to the District and

1 used those to offset the invoices for the services that
2 we have rendered.

3 This was the first year where they have
4 failed to make full payment by the end of August.

5 CHAIRMAN ADOLPH: Okay. We have heard all
6 during the day special education funding from the State
7 regarding charter schools. My question to you is, is the
8 Delaware County Intermediate Unit providing any services
9 to any charter school pupils?

10 DR. O'SHEA: Yes. We do provide services
11 to charter schools, not only in our area, but from time
12 to time there may be a cyber charter school that can be
13 located anywhere in the state that has a student with
14 special needs attending that cyber charter school who
15 resides in Delaware County, and that cyber charter school
16 may contract with us to provide services, such as speech
17 and language therapy.

18 CHAIRMAN ADOLPH: Okay. Now, I want to
19 see if I can follow the money, okay. You provide the
20 services, the contract is with the charter school?

21 DR. O'SHEA: Yes.

22 CHAIRMAN ADOLPH: Whether it be bricks and
23 mortar charter school or a cyber charter school. Do they
24 pay you directly?

25 DR. O'SHEA: Yes.

1 CHAIRMAN ADOLPH: Now, do they receive
2 their funding for the extra special ed funding from the
3 local school district?

4 DR. O'SHEA: Yes.

5 CHAIRMAN ADOLPH: Yes. So, when the local
6 public school does not pay the local charter school and
7 you have a contract with the local charter school, they
8 don't have the money because they haven't received the
9 money from the local public school and you haven't
10 received the money, or have these charter schools
11 continued to pay you out of their own funds?

12 DR. O'SHEA: To the best of my knowledge,
13 we have received payment from the charter schools. The
14 amount of work that we do with them proportionately is
15 very small, but we have not had an instance that I am
16 aware of from our business office.

17 CHAIRMAN ADOLPH: All right. Do you
18 believe, based upon the current two-year crisis, that a
19 direct payment to the Delaware County Intermediate Unit
20 from the Commonwealth of Pennsylvania would be the answer
21 to correct this situation?

22 DR. O'SHEA: It certainly would be helpful
23 in correcting the current situation. I would have to
24 think through whether that, on a longer term basis, would
25 be desirable.

1 There are some issues around liability for
2 the delivery of those services, and we don't want to
3 assume the role of the local education agency, i.e.,
4 school district, in that capacity.

5 We would like to be able to deliver those
6 services. And in order to rectify the current situation,
7 yes, that would be desirable.

8 CHAIRMAN ADOLPH: And last question, and I
9 thank the Committee members for their indulgence: If you
10 stopped providing services here in Delaware County, in
11 particular to Chester Upland's students, who is
12 responsible for providing those services to those
13 children?

14 DR. O'SHEA: Ultimately, it's the home
15 school district is the LEA, and it's their
16 responsibility. We function as a vendor. There has been
17 some case law debating our role and responsibility in
18 that, but by and large, it's the local school district.

19 CHAIRMAN ADOLPH: Yes. And this would
20 then fall again on the Commonwealth of Pennsylvania as
21 well?

22 DR. O'SHEA: Yes. Ultimately, the State
23 of Pennsylvania does have that requirement under its own
24 statutes, as well as federal statute.

25 CHAIRMAN ADOLPH: Thank you, Dr. O'Shea.

1 Representative Hackett.

2 REPRESENTATIVE HACKETT: Thank you,
3 Mr. Chairman.

4 Thank you, Doctor, for showing up this
5 afternoon. It's good to see you.

6 DR. O'SHEA: Good to see you.

7 REPRESENTATIVE HACKETT: I just have one,
8 maybe two questions. But one, and quickly, would be who
9 performs the testing for special needs children?

10 DR. O'SHEA: That can be done either by --
11 the local school district can do that themselves or they
12 can contract with us to provide those services.

13 So typically, what happens is that a child
14 may be identified who has not been identified at all
15 through the local school district. They will go through
16 the evaluation process, write up an individualized
17 education plan for that student and then, in that
18 process, determine how to best deliver those services.

19 And they can either do that themselves
20 within their own buildings or they may find that the
21 needs are so great for that individual student they would
22 go to the intermediate unit to deliver those services.

23 REPRESENTATIVE HACKETT: Okay. Thank
24 you. With special needs children, there is, I guess,
25 from one end to the other end of the rainbow. Do they

1 get re-evaluated every three years?

2 DR. O'SHEA: Every three years, they are
3 required to either have a re-evaluation or review of
4 extant data on that student, because there can be a value
5 to data that has been collected over that three-year
6 period, the most informal ways through classroom teachers
7 and other therapists that are working with the child.

8 REPRESENTATIVE HACKETT: So schools can
9 re-evaluate, they know that that person is still a
10 special needs another three years, and another three
11 years?

12 DR. O'SHEA: That's correct, and actually
13 they must do that re-evaluation.

14 REPRESENTATIVE HACKETT: But there is no
15 oversight or accountability in looking at those
16 evaluations?

17 DR. O'SHEA: The accountability really
18 comes from the Department of Education, the Bureau of
19 Special Education. They do cyclical monitoring of the
20 districts, and they will come in and work with the
21 district and look at their files and their records in
22 terms of the processes and procedures that they have
23 followed and the results of those processes and
24 procedures.

25 REPRESENTATIVE HACKETT: Thank you,

1 Doctor, for clearing that up.

2 No more questions, Mr. Chairman.

3 CHAIRMAN ADOLPH: And thank you,
4 Representative.

5 Chairman Markosek.

6 CHAIRMAN MARKOSEK: Thank you,
7 Mr. Chairman.

8 Just to follow up on Chairman Adolph's
9 line of questioning, you had mentioned that you get
10 reimbursed from the people that you do the services for,
11 the school district or the charter schools, and you get
12 some federal help as well. Do you get any state help,
13 any direct state help?

14 DR. O'SHEA: We do get core funding, what
15 is referred to as core funding. It's a percentage of the
16 total special education allocation to the 15 school
17 districts that we serve. Those funds are to be used to
18 cover some of our administrative costs in the delivery of
19 the special education services that we provide.

20 CHAIRMAN MARKOSEK: Those are state
21 funds?

22 DR. O'SHEA: Those are state funds, yes.

23 CHAIRMAN MARKOSEK: Just to see if you
24 have a comment about this, and I don't know if you were
25 here earlier, and I had some questions for the Secretary,

1 and I think even before that, relative to the charter
2 schools here with special ed identifying students and,
3 you know, perhaps a follow-up to Representative Hackett's
4 questions as well.

5 It seems that there is a high requirements
6 of special ed students once they get to the charter
7 schools or those that are designated for charters as
8 opposed to those that are -- and it's really not even all
9 that close in my estimation, just from some of the
10 statistics that I have seen.

11 Do you have any comment on that, anything
12 that you would like to offer?

13 DR. O'SHEA: The percentage of students
14 with disabilities nationally has been fairly constant.
15 There's been some fluctuation. Some particular
16 disability areas, such as autism, have seen changes in
17 those numbers. But overall those numbers are relatively
18 constant.

19 It's the best first place to look, I
20 think, in getting a rough picture as to what's happening
21 within a district.

22 If you are seeing an extraordinary number
23 of children percentage-wise being diagnosed, either with
24 special education in general, special education needs in
25 general, or within a specific disability area, that's a

1 red flag to review those data and to do some checks and
2 balances on what's the evaluation process.

3 Are they overidentifying students, and,
4 likewise, in some cases where districts may be under-
5 identifying, and the first clue in that with regard to
6 what's going on is just by those percentages.

7 I think that statistical analysis is what
8 led, you had mentioned the PSSA issue. Well, that was
9 the first glance that the PDE saw and the company that
10 they had contracted with. They saw these statistical
11 numbers that just didn't seem right, and that was the
12 first level of concern where the red flag goes up and
13 then you investigate from there.

14 CHAIRMAN MARKOSEK: There's red flags just
15 in my mind, you know, when I look at the statistics, you
16 know, whereby the charter school, there's 3,000 -- 3,600
17 students in the Chester Upland School District, and I
18 think they have about 6 percent of those that are
19 actually in the speech and language therapy, which is a
20 relatively high reimbursement, special education line
21 item, and then those other 3,000 students who are in the
22 charter school, it's almost 40 percent, that those
23 students have all of a sudden been identified to have
24 this need, again a pretty high reimbursement.

25 So that's the red flag in my mind that I'm

1 trying to grapple with, and just, you know, I asked the
2 Secretary and now I will just ask you.

3 I know that, you know, you have your own
4 entity to worry about and perhaps this isn't something
5 that you are directly involved with, but, you know, you
6 are an expert in special ed and those areas, and again,
7 I'm a layman when it comes to providing those services,
8 so I guess I'm asking you, you know, does that raise a
9 red flag in your mind that there's 40 percent versus 6
10 percent?

11 DR. O'SHEA: That absolutely would raise a
12 red flag in my mind. I think this isn't an issue in
13 terms of just special education funding in general that I
14 think warrants a re-examination. And districts ever
15 since 1990, when the funding formula and system changed,
16 we moved from an excess cost funding system in
17 Pennsylvania down to the census-based formula we have
18 now.

19 That 16 percent that was referenced
20 earlier by Dr. Persing, that's based on that very stable
21 number that I referenced nationally. About 15 percent of
22 your student population you would expect, under normal
23 conditions, would have relatively mild-to-moderate
24 disability. Another 1 percent would have some fairly
25 serious disabilities, which would obviously require

1 significantly more funds.

2 And the original funding system that
3 basically, by all intents and purposes, has gone by the
4 wayside, there was a dollar amount associated with that
5 15 percent.

6 You had 15 percent, whatever that
7 generated among the number of students in the district,
8 times a dollar amount, and there is a 1 percent as well.

9 The difference there was very large. It
10 was somewhere around anywhere from like \$2,000 for that
11 15 percent of the population and about \$12,000 for the 1
12 percent, but that has been replaced by just annual 3
13 percent across the board increases.

14 CHAIRMAN MARKOSEK: Thank you for your
15 testimony. Thank you.

16 CHAIRMAN ADOLPH: Thank you. I want to
17 thank you, Dr. O'Shea, for your testimony, and I promise
18 you that this delegation will work with you, will work
19 with the Administration.

20 We understand the fiscal impact this has
21 on the Delaware County Intermediate Unit, which also goes
22 to the other 14 school districts involved.

23 So I can't thank you enough for your
24 testimony, but once again, I want to thank you for the
25 services that you provide to the residents of Delaware

1 County.

2 DR. O'SHEA: Thank you, Mr. Adolph.

3 I just want to point out that we have, if
4 not all, most of the superintendents from those school
5 districts have been here throughout the day or a portion
6 of the day, and they are here because they are concerned
7 not only in terms of the dollars and cents, but this is
8 an educational community that is very united, and we try
9 to work together in a collegial fashion to assist each
10 other when we can.

11 I think they are here as a symbol of their
12 support for the Chester Upland School District and hoping
13 that we can all come to some resolution for the school
14 system.

15 CHAIRMAN ADOLPH: Thank you very much.

16 Chairman Markosek, for any closing
17 comments?

18 CHAIRMAN MARKOSEK: No. Just again, thank
19 you, Mr. Chairman, for the opportunity. I thought it was
20 a very good hearing, a lot of good questions from both
21 sides of the aisle, and we look forward to working to
22 solve the Chester Upland problem. Thank you.

23 CHAIRMAN ADOLPH: Thank you, Chairman.

24 I want to thank all the Committee members
25 for their attendance, but also their participation in

1 this hearing today.

2 I would be remiss if I did not thank our
3 staffs for preparing us for this hearing today, and for
4 the unbelievable amount of hours that they spent trying
5 to gather the information for us for this hearing.

6 This, without a doubt, is a very, very
7 difficult situation. If my math is correct, the short-
8 term solution here is that after the court ordered \$3.2
9 million, I know the Commonwealth has another \$15 million
10 in a payment due the School District in April, and we
11 would need to advance that \$15 million to the School
12 District probably in a week or so. And then, as you
13 heard Secretary Tomalis state in his testimony that they
14 are requesting another \$24 million.

15 This is not a drop in the bucket. This is
16 very, very difficult to find up in Harrisburg. I just
17 want to remind everyone that the state revenue this year
18 is still sluggish. We are behind in our projections by
19 about one and a half percent.

20 In the Commonwealth of Pennsylvania for
21 the first six months is experiencing about a \$500 million
22 deficit. We do not print money in Harrisburg. We try to
23 live within our means.

24 We understand that Chester Upland School
25 District needs help from the Commonwealth of Pennsylvania

1 and the families and the children need to be educated.

2 This delegation will work in a bipartisan
3 way to see if we can find the necessary funding to keep
4 the School District afloat until the end of the year.

5 But I will make sure that every single
6 dollar that comes down from Harrisburg, hard-earned tax
7 dollars into this School District will be held
8 accountable, will be held accountable and put into the
9 classroom where it should be put in.

10 Long-term solution, a lot of work yet, a
11 lot of work yet. But I want to thank everyone. I want
12 to thank Widener University for opening their doors to
13 our Committee here.

14 Thank you very much.

15 (Thereupon, at 3:35 p.m. the meeting
16 concluded.)

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1 CERTIFICATION

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3
4 I, JENNIFER L. BERMUDEZ, a Court Reporter
5 in and for the Commonwealth of Pennsylvania, hereby
6 certify that the foregoing is a true and accurate
7 transcript of the deposition of said witness who was
8 first duly sworn by me on the date and place hereinbefore
9 set forth.

10 I FURTHER CERTIFY that I am neither
11 attorney nor counsel for, nor related to or employed by,
12 any of the parties to the action in which this
13 deposition was taken, and further that I am not a
14 relative or employee of any attorney or counsel employed
15 in this action, nor am I financially interested in this
16 case.

17
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19
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21 _____
JENNIFER L. BERMUDEZ
22 Court Reporter and Notary Public
23
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25