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SENATE EDUCATION FUNDING COMMITTEE

ERIE PUBLIC SCHOOLS AND FINANCIAL WATCH TESTIMONY

Presented May 12, 2017 | Erie, PA

**Mr. Brian J. Polito, CPA, Chief Financial Officer and Incoming
Superintendent of Schools**

Good afternoon Committee Members. Thank you for travelling to Erie to tour our buildings and hear testimony regarding Erie's Public School financial challenges.

Although I've only been with Erie's Public Schools for two years, I have over sixteen years of Pennsylvania public school experience. Prior to working in education, I spent nine years in public accounting. As a practicing CPA, I was exposed to the operations of a variety of business, governmental, and non-profit entities. This experience allowed me to implement a number of private-sector practices at the previous two districts I worked at, including long-term financial planning and a variety of cost savings initiatives. So when Dr. Badams asked me to join Erie, I was confident I would be able to duplicate this success. To my surprise, most of these practices had already been implemented. With the assistance of the district's financial advisory committee, the district had already developed long-term financial projections and implemented numerous cost savings initiatives.

Those tough decisions have made Erie a very cost-effective district. On a per pupil basis, the district now spends less than 89% of the school districts in the state, despite servicing a population that costs significantly more to educate. However, this cost cutting has had a significant impact on programming. Erie can no longer offer the educational resources and opportunities that most districts take for granted. I didn't truly understand this until I started working for the district. In addition to our building and infrastructure challenges, which you saw on the tour today, I would like to share two examples of inequity that were particularly shocking to me:

1. Prior to Erie, I worked at the North East School District, right here in Erie County. In 2015-16, their library materials budget was \$40,420 for three libraries servicing 1,667 students. That is over \$13,000 per library or \$24 per student. For the same school year Erie's spent \$10,939 for 18 libraries and 11,666 students - \$608 per library or \$0.93 per student. Due to years of underfunding, the age of our collection is more than

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twice as old as the average Pennsylvania school district. I have a few examples to share with the Committee.

2. In 2011, faced with a \$26 million deficit, the district made the decision to eliminate the purchase of classroom sets of leveled reading books and make copies for the students to use. So, instead of receiving real books with color illustrations, our emerging readers are provided with stapled black and white booklets. I also have a few sample of these to share as well.

I find it hard to believe that there are many school districts in the Commonwealth that have taken the measures we have to maintain solvency.

Despite the local measures already taken, the district is facing a \$9.5 million budget deficit in 2017-18. Absent any change, this structural deficit is projected to increase to as much as \$19 million by 2021-22. Unfortunately, we have very few options left to address this challenge locally. However, we are not giving up. With the assistance of the Department of Education and Public Financial Management, we are in the process of developing a revised financial plan. For the revision, we have asked Public Financial Management to treat us as if we were already in Financial Recovery and develop a plan that meets those standards. We are confident the revision will include all the viable cost cutting and revenue enhancement initiatives we can implement locally to reduce our structural deficit. The centerpiece of this plan will be our recently announced reconfiguration and consolidation plan.

Starting this summer, the district is planning to embark on an innovative plan to not only consolidate buildings but to completely reinvent itself at the secondary level. The consolidation will impact nearly half of our 11,500 students and include:

- The consolidation of four high school into two
- The repurposing of two high schools into middle schools in order to provide a consistent middle school experience
- The closure of two elementary buildings
- A district-wide adjustment to elementary and middle school boundary maps

Once completed, this consolidation will bring the total number of school closed since 2011 to six.

In addition to consolidating, the district is also embarking on an innovative plan to completely reinvent itself at the secondary level. Instead of creating one or two magnet offerings for students, Erie's Public Schools will provide magnet choices to all high school students. The course offerings in these magnets will be specifically aligned to career pathways and include options for both vocational and college minded students. In order to ensure students are prepared to choose a path in high school, the middle school curriculum will be modified to include career exploration and exposure to a variety of electives.

In addition to providing our students with improved educational opportunities, once fully implemented, this reconfiguration will save the district over \$6 million annually. These magnet programs will be offered on two campuses; Collegiate Academy and right here at Central Tech.

As you saw on the tour today, both of these buildings are in desperate need of renovations. This building in particular will need extensive renovations to accommodate the incoming student population. We are working with our consultants to quantify this need and will be including in our plan a proposal to reinvest a portion of the reconfiguration savings back into the buildings.

This reorganization is designed to provide a system of public education that is innovative, and unique within the Commonwealth. To put it simply, the Erie School District and School Board have made more hard decisions, closed more buildings, laid off more staff, and cut more programs and services than any school district that is in recovery. We have taken advantage of every cost saving opportunity possible to redesign our system of education to meet the needs of today's student. The completion of the consolidation plan and the continued redesign of our curricular options will complete the full restoration of the School District.

None of this, however, is possible without additional investment from the Commonwealth. We believe that the School District is uniquely situated within the Commonwealth to request such additional investment. We have proven, through our past actions since 2011, that we are operating the School District in a financially conservative manner. We have made the hard political decisions on a local level. We have been through numerous financial reviews by our consultants, the State's consultants, and local CFO's. Everyone has come to the same conclusion, that, other than finishing the consolidation and implementing the other items that will be included in our revised plan, the Erie School District cannot cut its way out of this structural deficit and that additional funding is needed. The Erie School District is unique in that there is not another school district in the Commonwealth which can authoritatively make such a claim. Accordingly, we can state, without hesitation that, even after fundamentally altering our school district for the better, we will still need some recurring financial assistance from the state to regain financial stability. Once this amount has been validated by Public Financial Management and the Department of Education, we respectfully ask you to consider it as part of the 2017-18 budget deliberations.

Additionally, and as I previously mentioned, the revised financial plan is being written as if it is a recovery plan. As the District has already done more local realignment and cutting than any district in recovery, and as our revised financial plan will plot our path to financial stability in the short to medium term, there would be no need for the Commonwealth to consider placing us into recovery. The Erie School District has already taken, or is planning to take, any and all steps that a recovery officer would do. All recovery would do, at this point, is delay the further implementation of a fiscally sound plan that we have already committed to implement.

Thank you for the opportunity to provide this testimony.

