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RECOVERY PLAN CALLS FOR ALL PARTIES TO SACRIFICE TO SAVE HARRISBURG SCHOOL DISTRICT

'No Time to Waste'

HARRISBURG, PA – Harrisburg School District Chief Recovery Officer Gene G. Veno today released a comprehensive financial recovery plan that aims to bring immediate relief to the fiscal crisis facing the school district and result in improved financial stability and student achievement over the long-term.

In a report that emphasized the severity of the district's academic and financial plight, Veno outlined a series of actions to improve academic performance, including expansion of the district's Cougar Academy cyber school, obtaining interest-free loans from the state, substantially reducing the proposed 9.7 percent 2013-14 property tax increase that is now before the Harrisburg School Board and recommending moderate employee wage cuts. These steps, which cover the next five years, must begin now or the district is in danger of financial collapse, he said.

"The future can and will bring high-performing schools and a district that shines as an example of urban education for other districts around the country," Veno said. "Alternatively, the future can bring the end of the Harrisburg School District. The choice is very stark: The district must change the way it does business or no longer serve as an educational provider. We can only succeed if all of the adults – parents, teachers, administrators, and taxpayers – unite to put the needs of our children first."

The 6,340-pupil district, which has been deemed in "financial recovery status" by Pennsylvania's Secretary of Education, not only ranks near the bottom statewide in achievement, it lags in comparison to similar districts, with just 37 percent of students in math and 35 percent of students in reading scoring at proficient or better levels on Pennsylvania's 2012 standardized tests.

Financially, the district is in dire straits, with a budget shortfall of $14.4 million for 2013-14. By 2017-18, if nothing is done that shortfall is projected to grow to $39.4 million and the District's fund balance deficit will be $131.4 million. While the district's school board has made previous efficiencies and has been actively engaged in tackling the projected shortfall for next year, recurring annual deficits will appear if a long-term solution is not put in place now.

“While these steps have been taken, more must be done. The extremely high level of absenteeism is not only costly but is also harmful to the educational process. Also, benefit costs that nearly equal salary costs for some employees is unsustainable for the Harrisburg School District,” said Veno. “Per pupil costs range from $14,000 for a daily student to as high as $22,000 for special education students. That is beyond the financial resources of the district and not in line with other districts. We need to achieve economies in operations, maintenance, food service and energy usage, and the district cannot continue to carry the cost of five vacant buildings.”

“This plan is intended to be transformative,” Veno said. “It is intended to give the district’s children the tools and support they need and deserve so they can successfully achieve at higher levels.”

As Chief Recovery Officer, Veno was tasked with developing a plan to bring about immediate change. With modest expected growth in local, state and federal revenues, the district‘s expenditures had to be brought in line with actual revenue projections.

To address the growing deficit, district leaders had been considering a tax increase of 9.7 percent for 2013-14. However, taking into account the very real concerns of the public and school board members about the ability of Harrisburg citizens to absorb such a steep increase, the final plan calls for reducing the tax increase to 3.5 percent for the next school year, with additional tax adjustments limited to the annual capped Act 1 index amount for the next three fiscal years and elimination of a levy increase in 2017-18 as district finances recover.

Similarly, after determining that the district could not afford to continue to compensate employees at current levels, a 10 percent wage cut was under consideration for 2013-14. Additional ways were evaluated to reduce the cut in employee salaries while still maintaining the current workforce and pupil-teacher ratios and not closing any school buildings. The final recovery plan calls for employees to accept a 5 percent wage reduction next year and again the following year, with a salary freeze in the third year. In the following two years, employees would see an overall wage increase of 1.5 percent and then 3.5 percent respectively. If agreed to by the employees, this proposal saves $23.4 million over five years, while preserving current classroom sizes and avoiding further school closings. The cost of salaries and benefits for the district’s workforce is currently $76 million.

If the school board accepts the recovery plan as it has been proposed at its May 20 meeting, the plan will be forwarded to Secretary of Education Ron Tomalis for consideration, and if it is approved, the state could make available up to $6.41 million in no-interest loans to aid in the immediate recovery of the Harrisburg School District. If the school board does not accept within 30 days after the plan’s release, the state monies would not flow into the district.

“Our financial team considered many scenarios in our effort to stem the deficit spending that has occurred in the Harrisburg School District in the past decade. The plan contains a request to Secretary Tomalis to provide us with additional money - through an interest-free state loan - so we can ensure that changes will commence immediately without undue hardship on the citizens of Harrisburg and our dedicated staff,” Veno said. “I understand that what we are proposing still will be painful for many, but without these key actions, it will be difficult to maintain the district as a viable educational entity to provide a quality education for our children."

"For the sake of our students, we are asking for sacrifice from everyone on behalf of our kids – parents and taxpayers, teachers and other staff. Our financial situation is at a tipping point. We have to work as partners to make the choices needed to correct our financial and academic course and set our children on a path to a better future," Veno said.

To move the district forward, the recovery plan report released today also calls for:

- Implementing key education initiatives designed to bring a higher level of accountability to the schools and result in improved student performance;
- Reconfiguring the school's K-8 grade structure and strengthening the district's pre-K and kindergarten program;
- Improving and expanding the district's cyber school;
- Improving the efficiency of the food service operations, reining in energy costs in part through conservation, rightsizing the custodial staff, and taking advantage of opportunities to refinance debt if and when available; and
- Freeing up the school superintendent to focus on academics by hiring a strong, experienced chief executive officer to take on the operational aspects of running the school district, including managing human resources, the business office, food services, transportation, payroll and developing an annual budget.

Key to the district's academic recovery is the establishment of seven initiatives to improve instruction and raise student achievement. Chief among them is a plan to immediately increase the presence of principals in the classrooms so teachers can be effectively mentored and assessed. The academic improvement initiative also calls for a plan to be created and approved within the next month to develop an early childhood education center and establish three grade 5-8 elementary schools and three grade 6-8 themed middle schools, as well as college and career high school academies by the 2014-15 school year. In addition, a curriculum review will be required, while professional learning communities are to be established to improve teaching and learning.

Veno's recovery plan establishes a three-year timeline to achieve specific academic improvement targets; failure to meet these attainable academic benchmarks by 2015-16 will result in a transfer to an external management organization to operate the Harrisburg School District. While no schools are slated to close in 2013-14, the plan recommends evaluating five school buildings that have been closed in recent years, with the aim of reducing operating costs through possible sale. The proceeds would boost the district's capital reserve.

Veno acknowledged the district's efforts to meet its challenges in the past few years by closing schools, laying off staff and reducing spending, as well as the school board's recent efforts to cut the 2013-14 deficit but said further change is needed if the district is to achieve long-term stability.

"We have been so busy trying to keep our heads above water, we failed to see the tsunami coming at us," he said. "We cannot continue along the same path, and we have no time to waste in bringing the children of the district a higher quality education and ensuring they are prepared for the workforce, vocational training or college. As a school district, we can do better, and with this plan, we will."

Under the proposed five-year recovery plan, the district would be returned to financial stability while employees could look forward to salary increases in the final two years of the plan and taxpayers would see relief in the form of a flat tax rate in the final year. The recovery plan is lean and allows no margin for error, making it vital that a well-organized system is in place for implementing the plan and ensuring its success.

If the district fails to meet targets for financial improvement, or is unable to meet academic improvement standards by the end of the 2015-16 school year, a receiver and an external educational manager may be appointed.

The recovery plan was developed with the assistance of Public Financial Management, a Philadelphia- and Harrisburg-based national financial advisory firm, which began with a financial baseline and examined the resources available to bring the district into financial solvency, and also worked with educational specialists to measure the impact of the district's financial crisis on academic performance. It was also crafted with input from school board members and community leaders, whose support and leadership going forward are essential to its success, Veno said.

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