

# From Cutback to Comeback: A Path Forward for Scranton and Its School District



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By: Stephen Herzenberg, Diana Polson, and Eugene Henninger-Voss | November 2021

## Executive Summary

The City of Scranton has struggled for decades—its **population loss** started earlier than in other small Pennsylvania cities because of the decline of anthracite coal. Relative to the 1940-1990 period, Scranton's population has stabilized in recent decades. With efforts at economic diversification beginning to bear fruit, and more people, young and old, seeking the amenities and excitement of a city, Scranton has caught a glimpse of light at the end of the tunnel—a chance to break from irreversible decline. The opportunity to restore prosperity to the city may be as great now as at any point since the 1930s. Its chances will improve if Scranton can capitalize on the unprecedented federal emergency relief provided to schools and communities in the pandemic and its wake.

To do so, Scranton must recognize and address the threat to the city's public school system. Great public schools are the lifeblood of any thriving community, attracting and retaining families and businesses. Public schools can be even more important to low-income communities, a stabilizing influence and a hub that leverages and delivers other social supports, such as health care, housing assistance, recreational activities, and facilities for community groups and events.

Yet Scranton's schools have been under attack and undercut by misguided state policies. State funding is critical to Scranton because, as a low-income community, it has a limited tax base and a student body that research shows is more expensive to educate (with two-thirds of students eligible for free or reduced-price lunch). Yet for decades, Pennsylvania has underfunded its K-12 education. The state now ranks a woeful 45th out of 50 in state share of education funding. With districts relying heavily on local tax revenues, a huge gap exists between affluent suburban districts and low-income rural and urban districts. Lower-income districts like Scranton end up with a double whammy of high tax rates and underfunded schools that is a dagger at the heart of community revitalization efforts. Today, per-pupil spending in Scranton School District ranks 31st-lowest out of the state's 500 school districts. Moreover, these figures do not take into account that Scranton's student population requires more supports than a more privileged student population would.

In 2019, with the district in perilous financial condition, the state appointed a recovery officer charged with guiding the District back to financial health. Unfortunately, the implementation of the resulting recovery plan has achieved financial stabilization at the expense of educational quality, jeopardizing the long-term well-being of the school system and the city. Several of the cost-cutting measures implemented under the plan directly sacrifice educational programming that research shows increases achievement, especially for low-income children:

- Pre-kindergarten programs have been cut.
- Class sizes have increased.
- Inflation-adjusted teacher salaries have fallen and starting teachers in Scranton now make 14% less than in neighboring districts, increasing turnover and vacancies.

Teacher pay in Scranton has also declined relative to overall wage levels in Pennsylvania for all workers—starting teachers are now making 10% less than a typical (i.e., median-wage) worker who works full time, full year.

The Recovery Plan has recognized—on paper—the need for more competitive salaries to attract and retain great teachers. Paradoxically, the Plan proposed to pay for salary increases through cuts in benefits, elimination of extra pay when teachers pick up extra classes, and increases in workloads that give teachers less time to prepare their classes or evaluate student work.

The Recovery Plan has successfully put a focus on the bottom line. But it has offered neither a full diagnosis of why Scranton—like other small Pennsylvania cities—struggles to adequately fund its public schools, nor a vision and implementation plan for how the school district can pivot from being an agent of decline to a force for reinvigoration for the city.

This report offers a diagnosis and prescription for renewal.

Our prescription for renewal starts with capitalizing on federal resources to restore critical educational programming, including reinstating pre-k and maintaining reasonable class sizes, and to achieve the goal of “competitive compensation” highlighted in the Recovery Plan. As well as using the federal resources already received, the School District and its stakeholders should implement “community schools.” Community schools leverage dollars from public agencies and non-governmental organizations for health care, housing, addiction services and other social services that address community challenges that undercut educational achievement. It’s a solution that is being taken up by other high-poverty districts and seems tailor-made for Scranton.

With educational programming stabilized—like finances already have been—the City of Scranton, its school district, and its people must come together with other communities across the state to get the Pennsylvania Legislature to step up to its constitutional responsibility for adequately and equitably funding schools. The most recent state budget did include a first step through “Level Up” funding which delivered \$100 million to the most underfunded school districts annually, including \$2.3 million to Scranton for 2021-22.<sup>1</sup> Another significant step would end the indefensible overpayment of charter schools, saving the Scranton School District more than \$1.3 million annually under Governor Wolf’s reform proposal. Long-term, fair taxation can raise billions for Pennsylvania public schools while lowering taxes for most Pennsylvanians and for the vast majority of Scrantonians.

In the tug-of-war between revitalization and decline, the Scranton School District recovery officer and Pennsylvania public school policies have been pulling in the wrong direction. With the help of significant new federal resources, and some new state resources, it’s time for Scranton’s new school board, District leadership, and the broader community to give a decisive pull towards revitalization. In the end, the city and its schools are “in it together”—everyone will benefit if we recognize that and act like it.

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<sup>1</sup> Pennsylvania Department of Education, *2021-22 Estimated Basic Education Funding*, (Data available in “Level Up Supplement” tab in spreadsheet), 2021; <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Education%20Budget/Pages/default.aspx>.

## Scranton School District: Getting on the Road to Somewhere

Over the past several years, the leadership of the Scranton School District has suffered significant public embarrassment. In 2020, the former superintendent and two top officials were charged with “reckless endangerment” and “endangering the welfare of children” for failure to remediate lead and asbestos contamination in school buildings. While the state dropped most of the charges in June 2021, the facts remain that District leadership failed to create safe learning conditions for students and staff.<sup>2</sup> Another black eye for the District, the school board entered into a no-bid school bus contract that the Pennsylvania state auditor called “the worst in the state” and which prompted an attorney general investigation.<sup>3</sup>

The scandals attract media attention and lead many to think that the District’s recent financial difficulties are self-inflicted and simply reflect poor management. Those difficulties have been substantial and include a \$10 million general fund deficit at the end of the 2017 fiscal year, all but depleting the District’s general fund reserves.<sup>4</sup> Then in the 2018 fiscal year, another general fund deficit left the District potentially insolvent, raising the possibility that the District would not be able to pay all its bills.

There is another and more fundamental cause of the District’s financial problems, however: lack of state funding. In Pennsylvania and across the United States, school district funding comes primarily from a combination of local district tax revenues and state funding. (The federal government provides a relatively small share of K-12 public school funding.) The state funding is pivotal because of the wide variation that exists in the ability of local districts to raise tax revenue, a reflection of similar variation in property wealth and income. In Pennsylvania, state funding contributes less than in most states—it ranks as the 45th-lowest in shares of state school funding. That requires school districts to raise more money locally.

For lower-income districts, raising money locally is difficult—although, as we’ll see, Scranton does try. Districts such as Scranton can end up with underfunded schools and high tax rates, an unsavory combination that can trigger a vicious circle of decline: businesses and families that can afford to may move out of the area, further eroding the tax base and decreasing school funding. That undermines the quality of schools, causing even more businesses and families to leave.

A later section of this report spells out more precisely how much the state underfunds the Scranton School District, threatening the District’s ability to help students meet state achievement standards. In the long run, quality education in Scranton, and the prosperity of the city—which depends in significant part on good public schools—requires the state to step up to its educational responsibilities.

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<sup>2</sup> “Former Scranton schools superintendent may eventually have her criminal record cleared in drinking water, asbestos controversy,” *The Associated Press*, September 2021.

<sup>3</sup> Stacey Lange, “Auditor General DePasquale Calls on Scranton School District to Scrap Bus Contract,” *16 WNEP ABC*, 2019, <https://www.wnep.com/article/news/local/lackawanna-county/auditor-general-depasquale-calls-on-scranton-school-district-to-scrap-bus-contract/523-31caac3f-d430-4088-aff7-75b2d4228e14>.

<sup>4</sup> Scranton School District, *Financial Statements and Supplementary Information for the Year Ended December 31, 2017*, <https://4.files.edl.io/72e4/01/12/21/144214-6cfec726-dd17-4839-95d2-dfa81b933eaf.pdf>.

To date, rather than step up to its responsibility to fund schools adequately, the state has chosen to play a more central role in managing decline. In 2019, the Commonwealth placed Scranton School District in financial recovery under the direction of a state-appointed chief recovery officer (CRO). The CRO is charged with creating and implementing a recovery plan with the goal to “restore public trust, improve academic achievement, and achieve financial stability without jeopardizing academic programs.”<sup>5</sup>

The Scranton School District Financial Recovery Plan lays out the initiatives the District must undertake to achieve financial sustainability. While theoretically only a “guide” for the superintendent and the school board, the CRO carries a big stick: if district leadership fails to implement the initiatives of the Recovery Plan, the CRO can escalate state control from “recovery” to “receivership.” Receivership would grant the state even more authority over the direction of the District and independence from the elected school board.

Under the current Recovery Plan, the school district has stayed on a declining path, which is a dead end for the city, its families, and its school children. The Plan is supposed to help the District achieve financial sustainability and, to be fair, it has done that. But each decision designed to reduce current deficits has an academic or social cost: it further compromises the future of the District’s students and of the city. The academic challenges this creates for the District and the students it serves have been compounded by the pandemic. There is greater need, and that need should be given precedence, both because it’s what’s best for the children and because it will help Scranton in the longer term.

In the context of a newly elected school board, this report aims to refocus the discussion of the Scranton School District away from the distractions of previous district mismanagement and towards the challenge of how the District can take advantage of windfall federal financial support to create a road to school district renewal—and then stay on that road.

In the medium- to long-term, the District needs additional state and federal supports and policy interventions. In the short-term, the recovery should be more focused on using unprecedented federal resources to improve the learning conditions of students and the working conditions of staff. Making Scranton public schools work better is an essential part of the broader revitalization of the community.

To this end, the chief recovery officer and school board should view additional funds from the state basic education formula (made available through the “Level Up” initiative incorporated into the 2020-21 Pennsylvania state budget) and federal stimulus aid, including the American Rescue Plan, as an opportunity to correct course. These additional resources can make Scranton public schools a place where families want to send their kids and where teachers and staff want to work. The federal aid now offers an historic opportunity that increases the stakes for the city and School District of making the right choices. In the longer term, everyone in the state must work together towards policy changes needed to enable both the Scranton School District and the city to thrive.

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<sup>5</sup> Chief Recovery Officer, *Recovery Plan: Scranton School District, Lackawanna County, Pennsylvania*, July 2019; page 1; <https://4.files.edl.io/bf06/07/25/19/141024-fdae84c6-5ec3-4bc9-bf43-176cf2c81aa8.pdf>.

## A Picture of Scranton and Its School District<sup>6</sup>

Like many other smaller (“third-class”) cities and like much of northeastern Pennsylvania, the City of Scranton has been struggling economically for decades. The challenge of raising sufficient resources for the School District locally is compounded by the state of Pennsylvania’s failure to adequately fund K-12 education.

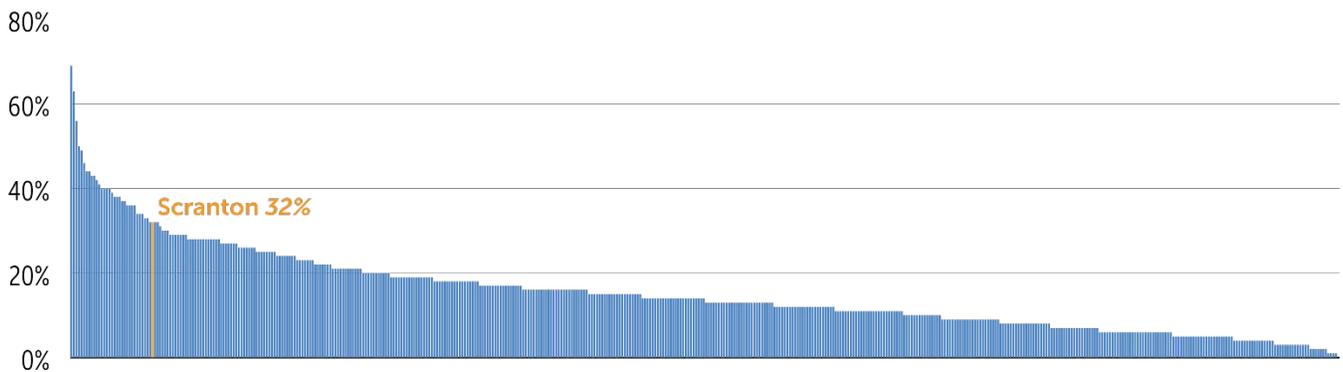
The population of Scranton is a little over 76,000, making it the sixth-largest city in the state. As of 2019-20, the Scranton School District was the 17th largest in the state (out of 500) with a student population of 10,199.<sup>7</sup>

Scranton’s poverty rate is 23.2%,<sup>8</sup> nearly double the state average (12%).<sup>9</sup> The poverty rate for children, aged 5-17, is even higher: nearly a third (32%)<sup>10</sup> compared to the state average of 17%. Scranton has the 33rd-highest child poverty rate out of Pennsylvania’s 500 school districts.

Figure 1

### Scranton School District Has One of the Highest Child Poverty Rates in the State

Child Poverty Rates of All Pennsylvania School Districts



Source: : Pennsylvania Budget and Policy Center analysis of ACS 2019 5-year estimates, accessed here: <https://data.census.gov/cedsci/table?q=Official%20Poverty%20Measure&g=0400000US42,42%249700000&tid=ACST5Y2019.S1701&moe=false&tp=true&hidePreview=true>

<sup>6</sup> For more information about Scranton School District, see the Pennsylvania Schools Work school district factsheets accessed at: [https://www.paschoolswork.org/500/LackawannaCounty\\_ScrantonSD.pdf](https://www.paschoolswork.org/500/LackawannaCounty_ScrantonSD.pdf).

<sup>7</sup> Pennsylvania Department of Education, *AFR Data: Summary-Level*; <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Finances/AFR%20Data%20Summary/Pages/AFR-Data-Summary-Level.aspx>.

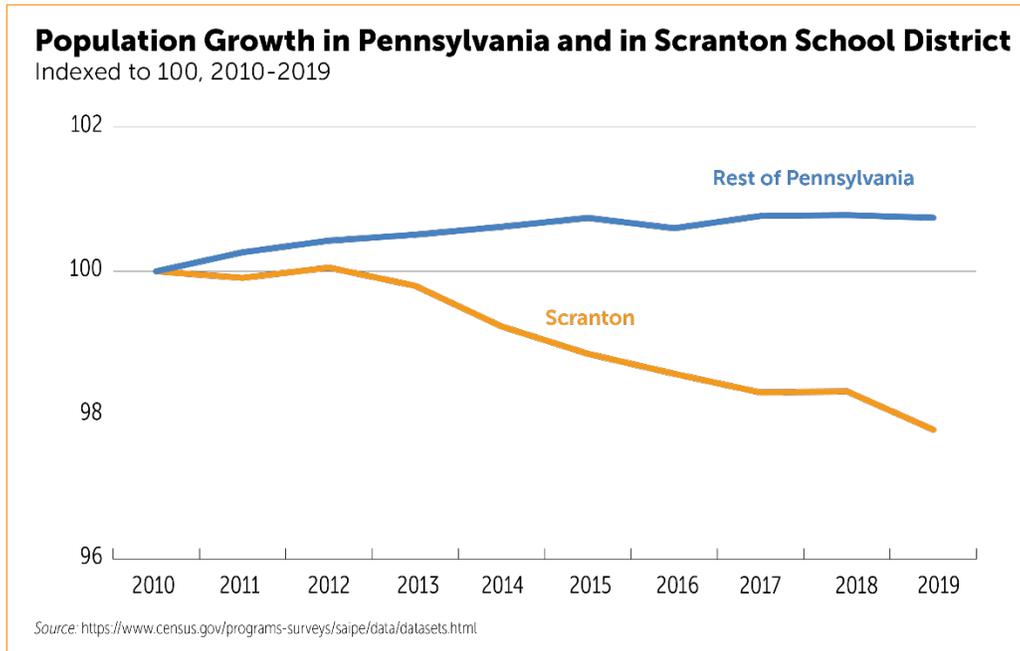
<sup>8</sup> U.S. Census Bureau, QuickFacts: Scranton City, Pennsylvania; <https://www.census.gov/quickfacts/fact/table/scrantoncitypennsylvania/PST045219>.

<sup>9</sup> U.S. Census Bureau, QuickFacts: Pennsylvania; <https://www.census.gov/quickfacts/PA>.

<sup>10</sup> U.S. Census Bureau, *Poverty Status in the Past 12 Months 2015-2019: American Community Survey 5-Year Estimates*; <https://data.census.gov/cedsci/table?q=Percent%20Below%20Poverty%20Level%205%20to%2017&g=0400000US42&y=2019&tid=ACST5Y2019.S1701&moe=false&tp=true&hidePreview=true>.

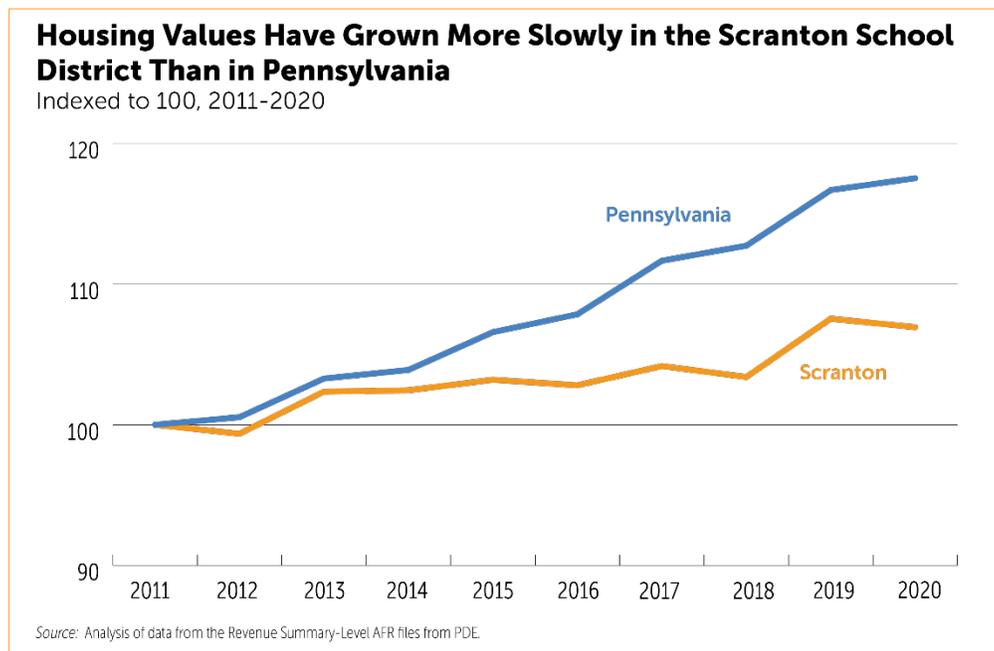
Scranton also continues to lose ground relative to the rest of the state, albeit more gradually than in the past. While Pennsylvania’s population has increased slightly since 2011, Scranton’s population has not.

Figure 2



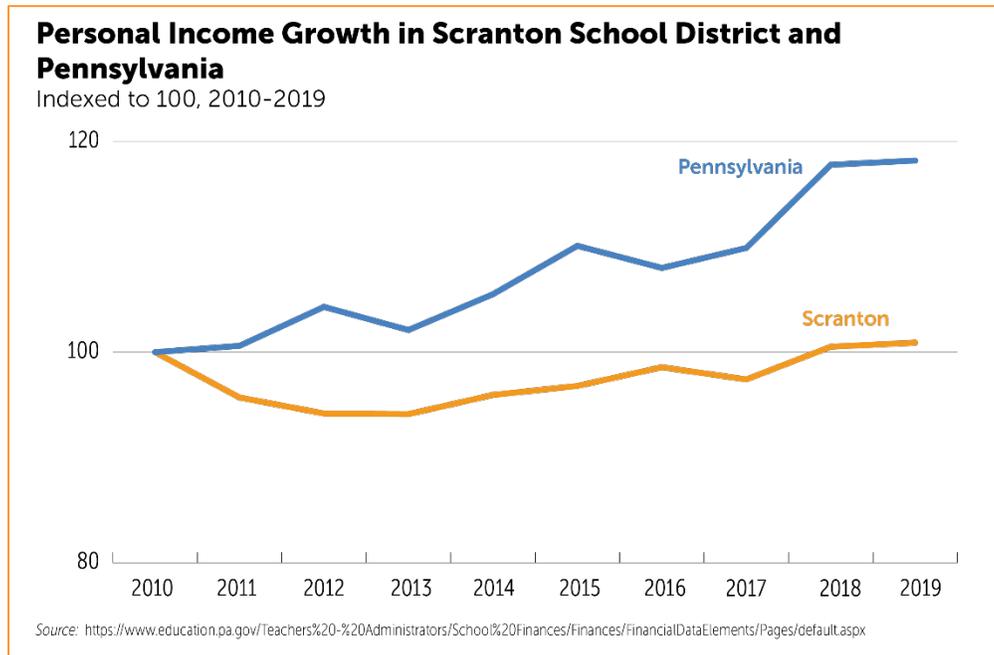
The primary local tax base for school districts is the value of property within their boundaries. While the market value of property across the Commonwealth has grown on average by 1.81% annually, the value of properties within Scranton has grown only 0.75% per year.

Figure 3



The other school districts in Pennsylvania have experienced, in aggregate, 1.91% growth in real personal income per capita per year over this same period, a rate over **three-and-a-half times as large** as Scranton’s real personal income growth rate during the same period.

Figure 4



While Scranton’s population has not grown in the past decade, and its property wealth and personal income have grown more slowly than the state’s, the city has stabilized in the last several decades compared to earlier years (see box 1). The slowdown in the pace of the city’s decline—and the region’s—provides an opportunity for a Scranton comeback. State education policy, however, continues to work against such a comeback.

### Box 1. Scranton’s Choice—Decline or Revival

Many contemporary observers see the decline of small, older cities in Pennsylvania as inevitable. In Scranton, a long-term historical perspective suggest that this is too pessimistic a reading. The city and northeast Pennsylvania have indeed struggled for nearly a century. Measured by population loss, however, the city’s and the region’s most difficult decades occurred from 1940 to 1990 (Figure 1). Since then, Scranton’s population has stabilized, a pause in decline that leaves open the possibility of a reversal of fortune—of a comeback.

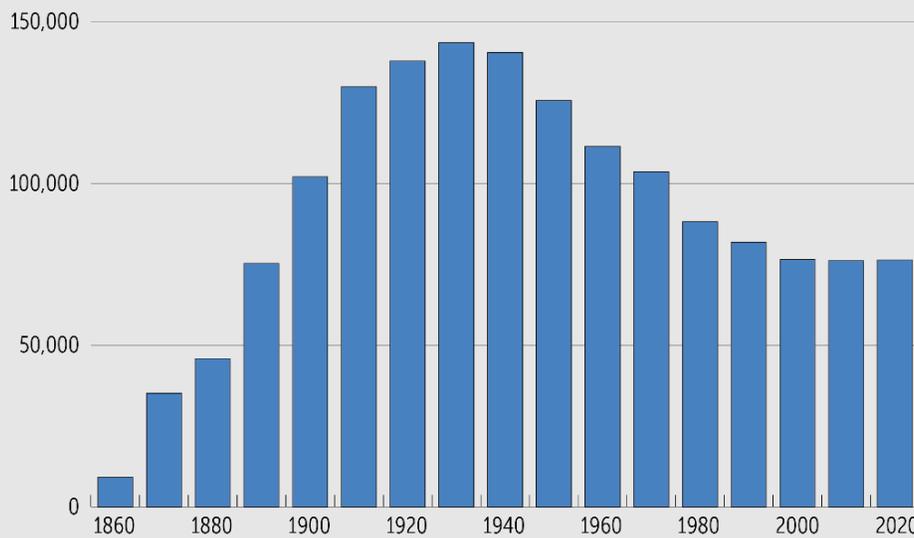
Northeast Pennsylvania was America’s original “coal country” and Scranton its capital. The extraction of anthracite coal brought prosperity but also economic vulnerability. When coal production ebbed, the region lost jobs and people. In later decades, the region lost manufacturing jobs, many in the garment industry.

But Scranton and northeast Pennsylvania also got a head start on the challenges of trying to engineer resilience. The area’s region’s economic development organizations were leaders nationally in innovative efforts to attract new industries and diversify the economy, starting in the 1950s. Since the 1990s, the region has embraced “asset based” economic development—strategically analyzing how geography, higher education institutions, natural assets, and industrial strengths might contribute to future growth.<sup>1</sup>

By the 2000s, the city and the region had not hit any home runs but had hit some singles. The region attracted some higher tech manufacturing, capitalizing on proximity to the New York metropolitan area and on cheap land, a powerful work ethic, and the potential to distribute to national and regional markets. The city also invested in downtown redevelopment, with mixed results. But population largely stopped for the past 20 years. And in the past decade, Scranton has benefitted from national trends, including the fact that more people, young and old, seek the amenities and excitement of a city.

In this context, Scranton’s public schools take on added significance. With a city still struggling but with real chances for a rebound, the quality of public education can tip the balance one way or the other. This report focuses on how to ensure that Scranton’s public lean in in the right direction—on the side of revitalization.

### Population of Scranton City, Pennsylvania



Source: US Decennial Census, available at: <https://www2.census.gov/library/publications/decennial/>, <https://www2.census.gov/library/publications/decennial/1900/volume-1/volume-1-p9.pdf>, <https://www2.census.gov/library/publications/decennial/1920/volume-1/41084484v1ch5.pdf>, <https://www2.census.gov/library/publications/decennial/1950/population-volume-1/vol-01-41.pdf>, <https://www2.census.gov/prod2/decennial/documents/17216604v1p40ch02.pdf>, <https://www2.census.gov/library/publications/decennial/1970/pc-s1-supplementary-reports/pc-s1-108ch4.pdf>, [https://www2.census.gov/library/publications/decennial/1980/volume-1/pennsylvania/1980censusofpopu80140un\\_bw.pdf](https://www2.census.gov/library/publications/decennial/1980/volume-1/pennsylvania/1980censusofpopu80140un_bw.pdf), <https://www2.census.gov/library/publications/decennial/1990/cph-5/cph-5-40.pdf>, <https://www2.census.gov/library/publications/decennial/2010/cph-2/cph-2-40.pdf>, <https://www.census.gov/quickfacts/fact/table/scrantoncitypennsylvania/PST045219es>

<sup>1</sup> For background on economic development in Scranton, see Patricia Atkins et al., “Responding to Manufacturing Job Loss: What Can Economic Development Policy Do?” Brookings Institution, pp. 37-42; online at [https://www.brookings.edu/wp-content/uploads/2016/06/06\\_manufacturing\\_job\\_loss.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/06_manufacturing_job_loss.pdf)

### Impact on Scranton of Pennsylvania’s Low State Share (45th rank) of School Funding

As noted above, school districts with high poverty like Scranton have less ability to raise sufficient school funds locally, putting their students’ educational quality and futures at risk. The state should step up to fill the funding gap but has not: Pennsylvania ranks 45th in the nation for the state share of total K-12 education funding and provides only 38% of total funding for schools compared to the national average of 47%.<sup>11</sup>

<sup>11</sup> U.S. Census Bureau, 2018 Public Elementary-Secondary Education Finance Data *nder Summary Tables*, Table 5, 2018 data; <https://www.census.gov/data/tables/2018/econ/school-finances/secondary-education-finance.html>.

A low state share of school funding leads to great inequities among Pennsylvania school districts. In fact, as recently as 2012, Pennsylvania had *the greatest* disparity in funding between our wealthy and poor school districts than any other state with students in our poorest districts receiving 33% less funding than students in our richest districts.<sup>12</sup> More recent national research found that poor districts in Pennsylvania received about 21% less funding than needed to meet the researchers' estimate of what an adequate education costs. That gap was larger than average compared to other states.<sup>13</sup>

Pennsylvania has taken some steps to address the state's inadequate education funding, but not enough. In 2015, the Legislature enacted a new method of distributing state aid to school districts, which is known as the "fair funding formula." This new method requires all increases in new basic education funding above the 2014-15 level to be allocated using a formula that takes into account each district's distinct needs. Districts' needs depend on their number of students, number of children living in poverty, number of English-language learners, the overall wealth and income of district residents, and the "tax effort" made by each district. Under what is called the "hold-harmless" provision, however, the state only distributes increases in funding since 2014-15 based on the formula, while the rest of basic education funding is distributed as it was in 2014-15. By 2019-20, only 11% of basic education funding was allocated using this formula. Scranton receives almost twice as large a share of these newer fairer funds.<sup>14</sup>

As a result of low state school funding and a formula that only drives a small fraction of state education funding through the newer, fairer formula, Scranton School District is drastically underfunded by the state. One way to gauge the shortfall in state funding starts with estimating the service levels you'd expect a district to provide based on research on the cost of the inputs (teachers, other staff, etc.) required for a quality education, taking into consideration the characteristics of a district and its students. This is an estimate of the cost of an "adequate" education. Adequacy estimates recognize, as Pennsylvania did in the development of its fair funding formula, that research shows it is more expensive to achieve state standards in districts with concentrated poverty, more students in special education, and more English-language learners. In 2005, Pennsylvania commissioned a "costing-out" study that used this kind of methodology to estimate the cost of adequacy in each district.<sup>15</sup> That study also estimated—taking into consideration the local tax bases—

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<sup>12</sup> National Center for Education Statistics, School District Current Expenditures Per Pupil with and Without Adjustments for Federal Revenues by Poverty and Race/Ethnicity Characteristics [https://nces.ed.gov/edfin/Fy11\\_12\\_tables.asp](https://nces.ed.gov/edfin/Fy11_12_tables.asp). Also see Emma Brown, "In 23 States, Richer School Districts Get More Local Funding Than Poorer Districts." Washington Post, March 12, 2015; <https://www.washingtonpost.com/news/local/wp/2015/03/12/in-23-states-richer-school-districts-get-more-local-funding-than-poorer-districts/>.

<sup>13</sup> Bruce Baker et al., Pennsylvania State School Finance Profile 2017-18 School Year, 2020; [https://www.schoolfinancedata.org/wp-content/uploads/2020/12/profiles18\\_PA.pdf](https://www.schoolfinancedata.org/wp-content/uploads/2020/12/profiles18_PA.pdf).

<sup>14</sup> This year Scranton received 1.3% of the fair funding formula funds but only .77% of total basic education funds, because it received only .67% of basic education funding in 2014-2015. Pennsylvania Budget and Policy Center analysis of Pennsylvania Department of Education's Basic Education Funding; <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Education%20Budget/Pages/default.aspx>.

<sup>15</sup> Augenblich, Palaich, and Associates, Inc., "Costing Out the Resources Needed to Meet Pennsylvania's Public Education Goals," revised December 2007; <https://www.stateboard.education.pa.gov/Documents/Research%20Reports%20and%20Studies/PA%20Costing%20Out%20Study%20rev%2012%202007.pdf>.

what each district could afford to contribute to school funding based on a reasonable level of taxation. With a district achieving that level of tax effort, the state would then be responsible for providing the rest of the funds required to ensure that each district could achieve adequacy.

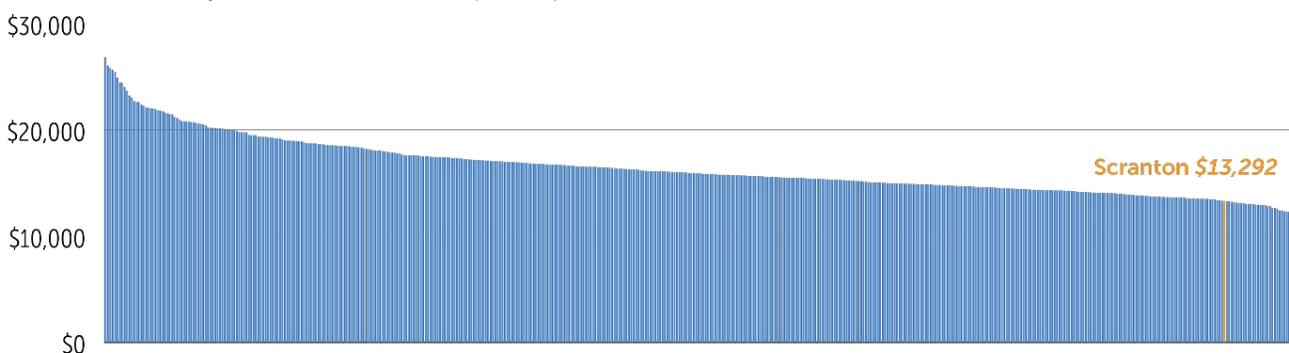
The Pennsylvania Budget and Policy Center has updated those district-level estimates of adequacy with the most recent data.<sup>16</sup> These estimates indicate that the state needs to provide Scranton with \$43 million more than it did in 2019-20 to meet adequacy goals.<sup>17</sup> Based on how much the state should contribute to achieve adequacy (the “state funding target”), Scranton is the tenth-most underfunded district per student in the state, on a per student basis.<sup>18</sup>

Scranton currently spends \$13,292 per student (see figure 5). This amount ranks 470th out of 500—i.e., the 31st-lowest funding amount out of all school districts in the state, even while the district has a high-poverty student population which, as mentioned, is more expensive to educate than a typical student population in Pennsylvania.

Figure 5

### Scranton School District Spends Very Little Per Student Compared to Pennsylvania's Other School Districts

Amount of money each school district spends per student



Note: Current spending per student is calculated by dividing current expenditures by average daily membership (ADM).

Source: Data on current expenditures and ADM are available from the Pennsylvania Department of Education in the file named "Finances AFR Expenditures 20182019" available at: <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Finances/AFR%20Data%20Summary/Pages/AFR-Data-Summary-Level.aspx#VZvrX2XD-Uk>

In 2011, Pennsylvania dramatically reduced education funding under the leadership of Governor Corbett. Since 2010-11—just before these drastic cuts—Scranton has seen an increase of \$15.3 million in instructional costs for the District, an increase of 20%. Yet, state funding increases over

<sup>16</sup> The 2006-2007 Costing-Out Study resulted in a 2008 law that stipulated a base cost per student and a formula that used demographic and financial factors to calculate a state funding target for each school district. The Department of Education was supposed to recalculate these estimates each year but has stopped doing so. We inflated the base cost using the Act 1 index and used the most recent demographic data to recalculate the estimates ourselves.

<sup>17</sup> For a thorough discussion of the lack of adequate funding in Pennsylvania today, see Penn State professor Matt Kelly’s expert report for Fund Our Schools PA; <https://www.fundourschoolspa.org/expert-reports>.

<sup>18</sup> Per student means per “adjusted average daily membership” which equals one times the number of full-time students plus 0.5 times the number of half-time students, most of which are in kindergarten.

that same period have equaled only \$3.06 million (or 6%). The city, despite its low tax base, has tried to make up some of the difference, increasing property taxes five times in the last eight years.

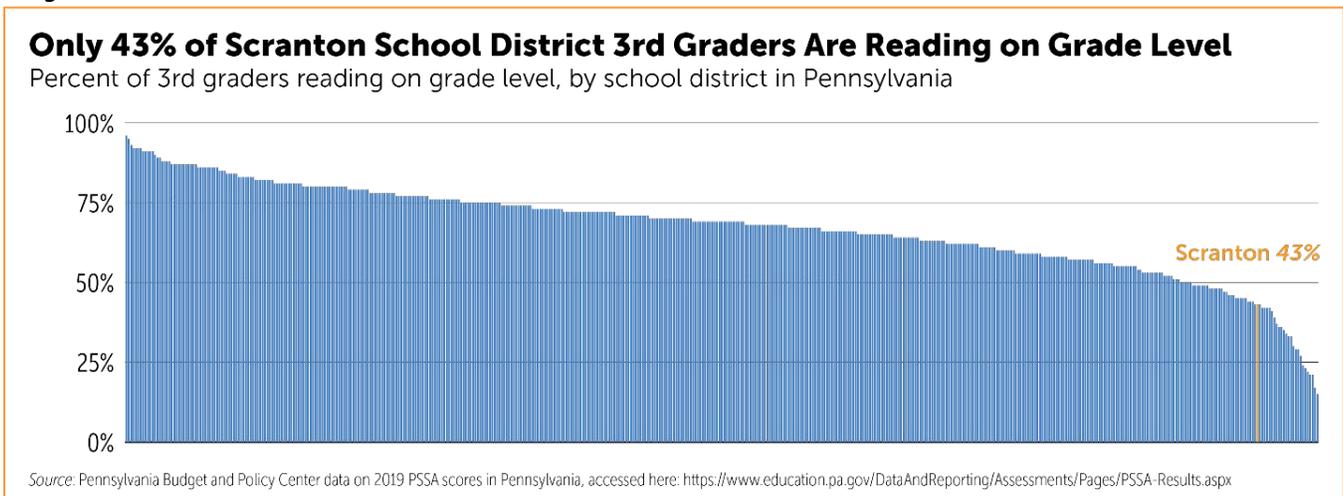
Big increases in school costs with a paltry contribution from the state can also be seen in special education. Since 2010-11, spending for special education has increased by \$10.5 million, or 67%, in Scranton. State funding for special education in Scranton has increased by only \$684,135 (or 13%). This, again, leaves Scranton struggling to afford these increasing costs.

This isn't an accident. It is a result of political choices, mostly taken by the Legislature in Harrisburg. The most recent one, in 2020, concerns the distribution of federal funds under the CARES Act. This was the second tranche of Elementary and Secondary School Emergency Relief Funding (i.e., "ESSER II"). The Legislature chose, and the governor agreed as part of the budget process, to distribute this funding to schools under a formula that had previously been created for school safety. Scranton received \$821,567 under this allocation. Other federal emergency funds were distributed using the federal Title I formula which drives money towards poorer children and schools. This did not. Had the Legislature chosen to use the state's BEF formula, which similarly drives more resources towards at-risk children, Scranton would have received \$2,193,072, a difference of almost \$1.4 million.<sup>19</sup>

### The Impact of Inadequate Funding in the Classroom

There are several ways to track students' school performance, but two typical measures are reading and math scores. In Scranton, only 43% of third grade students are reading at grade level. This ranks Scranton as 474th (or 27th lowest) out of 500.

Figure 6



<sup>19</sup> Diana Polson and Eugene Henninger Voss, "Pennsylvania Distributes Emergency K-12 School Funding Backwards—The Fewest Dollars Go to School Districts With the Greatest Need," Keystone Research Center, 2020; <https://krc-pbpc.org/wp-content/uploads/PBPC-CARES-Act-Dist-FINAL.pdf>.

Of the District’s 7th grade students, only 22% are at grade level in math, ranking the District 441st out of 500.<sup>20</sup> A data tool provided by Stanford University researchers to compare school districts indicates that Scranton’s test scores are roughly equal to those of school districts with similar student populations but that the District is losing ground even compared to those other districts.<sup>21</sup>

Inadequate state funding makes it more difficult for Scranton schools to help students meet state performance standards. Since 2019, the state appointment of a “recovery officer” and the development of a “recovery plan” has also made it more difficult, enforcing financial discipline that eliminates critical investments in the future of Scranton’s public school children.

## **The Perils of State Takeover**

The premise of state takeovers—that financially distressed school districts can achieve the dual goals of balanced budgets and rapid academic achievement—fails to understand the tradeoffs between education spending and academic achievement. While state takeovers of school districts seek ways to both enhance revenues and achieve operational efficiencies, systematic cuts to spending are a key piece of the state-takeover playbook, which raises the question of how such cuts impact student achievement. At the most general level, research has shown that increased spending on public education, especially among the lowest-income districts, improves educational outcomes for students. One study found that school finance reforms that targeted more state dollars toward low-income school districts “increased the absolute and relative achievement of students in low-income districts” and that the effect is “large.”<sup>22</sup>

State takeovers, by contrast, do not raise academic achievements. One study examined all state takeovers from the late 1980s through 2016 and found “no strong evidence that takeover produces benefits for student academic achievement in ELA (English language arts) or math...and evidence that it is typically disruptive for student ELA achievement in the early years of takeover.”<sup>23</sup> High teacher turnover in the wake of “school improvement” efforts partly explains why these efforts fail to

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<sup>20</sup> Pennsylvania Department of Education, *PSSA Results*; <https://www.education.pa.gov/DataAndReporting/Assessments/Pages/PSSA-Results.aspx>.

<sup>21</sup> The Educational Opportunity Project, *Opportunity Explorer*, Stanford University; <https://edopportunity.org/>.

<sup>22</sup> Julien Lafortune et al., *School finance Reform and the Distribution of Student Achievement*, National Bureau of Economic Research, 2016; <https://www.nber.org/papers/w22011>. See also Kirabo Jackson et al., “The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms,” *Quarterly Journal of Economics*; <https://academic.oup.com/qje/article-abstract/131/1/157/246114>.

<sup>23</sup> Beth Scheuler and Joshua Bleiberg, “Evaluating Education Governance: Does State Takeover of School Districts Affect Student Achievement?” Annenberg Institute for School Reform, Brown University, 2021; <https://www.edworkingpapers.com/sites/default/files/ai21-411.pdf>.

achieve their stated goals,<sup>24</sup> consistent with findings that teacher turnover has a negative effect on academic outcomes.<sup>25</sup>

State takeovers also leave their mark on the political life of the community, undermining local autonomy and democratic oversight of school districts. While school boards have a less-than-perfect record of school governance, elected boards are accountable to their communities and in the words of one scholar, are “the least worst option that we have.”<sup>26</sup> School boards also provide opportunities for people of color to gain representation in the public institutions that have a direct impact on their lives and their communities.

In the analysis that follows, we find that the cost-cutting initiatives in the Scranton School District Recovery Plan has reduced investment in programs that research shows improve academic achievement. Moreover, while the Recovery Plan has achieved financial sustainability through balanced budgets in the short term, it jeopardizes the long-term economic sustainability of the community if it erodes academic achievement, making the City a less attractive location for families and businesses.

### **Recovery Plan Initiatives Should Be About More Than the Bottom Line**

We acknowledge that, given the condition of the community and the state’s neglect of its responsibility to adequately fund schools, the Scranton School District faces daunting challenges. For this reason, the recovery officer has a difficult job. Even so, one would expect the starting point for the District’s recovery plan to be (a) identifying the root causes of SSD’s financial problems and (b) outlining a vision for how the District can perform its mission of educating and supporting children and families, while also serving as a lynchpin of community revitalization.

The Plan, however, does not offer an explanation of how the District came to be in state-mandated recovery or a vision for how to get out of it. One comes away from reading it with the idea that SSD’s current financial woes do not have a beginning:

The District’s path to academic and financial recovery took place over a number of years. In order to meet its financial obligations, the District attempted a wide variety of measures to raise revenues and control costs, some of which compounded its fiscal challenges.<sup>27</sup>

The Plan starts with a district already in crisis, and all actions are about ameliorating that crisis. It contains dozens of initiatives, some of which are common sense. But the report fails to articulate and

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<sup>24</sup> Gary T. Henry et al., “Peeking Into the Black Box of School Turnaround: A Formal Test of Mediators and Suppressors,” *Educational Evaluation and Policy Analysis*, 2020; <https://journals.sagepub.com/doi/abs/10.3102/0162373720908600>.

<sup>25</sup> See Christopher Redding and Gary Henry, “New Evidence on the Frequency of Teacher Turnover: Accounting for Within-Year Turnover,” *Educational Researcher*, 2020; <https://eric.ed.gov/?id=EJ1198820>. Matthew Ronfeldt et al., “*How Teacher Turnover Harms Student Achievement*,” *American Educational Research Journal*, 2013; <https://cepa.stanford.edu/content/how-teacher-turnover-harms-student-achievement>.

<sup>26</sup> Matt Barnum, “Struggling Schools Don’t Get a Boost From State Takeovers, Study Shows,” *Chalkbeat*, June 8, 2021; <https://www.chalkbeat.org/2021/6/8/22524765/school-districts-state-takeovers-academic-success-research-studies>.

<sup>27</sup> Chief Recovery Officer, *Recovery Plan: Scranton School District, Lackawanna County, Pennsylvania*, page 1.

provide for a vision of a Scranton School District that is focused on making more of a difference for children and the community.

We focus on a subset of initiatives with the greatest potential impact on educational achievement. First, we examine workforce-related initiatives, given that staffing expenditures typically account for one-half to two-thirds of total District spending, and on the changes to the composition of the workforce that will have the greatest impact on students’ academic achievement. We then examine actions that have the potential to harm students. Finally, we examine the Recovery Plan’s initiative to raise property taxes.

### The Recovery Plan on the Treatment of Staff

Teachers and education paraprofessionals in Scranton recently entered their fifth year without a raise since their collective bargaining agreements expired in June 2017. The Recovery Plan recognizes the importance of increasing staff salaries for the District to remain competitive. Therefore, the Plan defines financial sustainability as the District’s achievement of having an operating surplus while implementing modest raises for staff. The catch is that the Plan seeks savings *from* the workforce to fund increased pay *for* the workforce. In other words, while the Plan calls for increasing nominal staff salaries, it offsets those additional costs through reduced health care benefits, increases in teacher workloads, and cuts in pay when teachers have to cover additional classes.<sup>28</sup>

Table 1 summarizes the key initiatives of the Recovery Plan. Through a combination of higher taxes and cuts to pre-kindergarten and workforce savings, the Plan frees up at least \$15.1 million annually by the 2024 fiscal year. (We say “at least” because we do not have estimates of the savings from all of the cost-cutting initiatives in table 1.)

Table 1. Key Revenue and Spending Initiatives of the Recovery Plan		
Initiative	Description	Favorability to Budget (2024)
<b>Revenue Enhancement</b>		
Raise local property taxes	Raise taxes annually to the Act 1 index (indexed at 3.4% in calendar year 2020).	8.1M
<b>Major Workforce and Program Spending Cuts</b>		
Eliminate pre-kindergarten	Transition to a "center-based" program and to stop using District revenues to fund pre-kindergarten programs	Unavailable
Increase Class Sizes	Seek flexibility in class sizes	Unavailable
Consolidate school buildings	Close two elementary schools	\$1.1M
Increase teacher workload	Require secondary teachers to teach a 6th period	\$1.8 M
Eliminate extra duty pay	Teachers required to cover classes will receive no additional compensation	\$1.7M
Reduce health benefits	Change health plan offerings and/or plan design to lower spending growth by two percentage points	\$2.7M
<b>TOTAL ANNUAL IMPACT</b>		<b>\$15.5M</b>

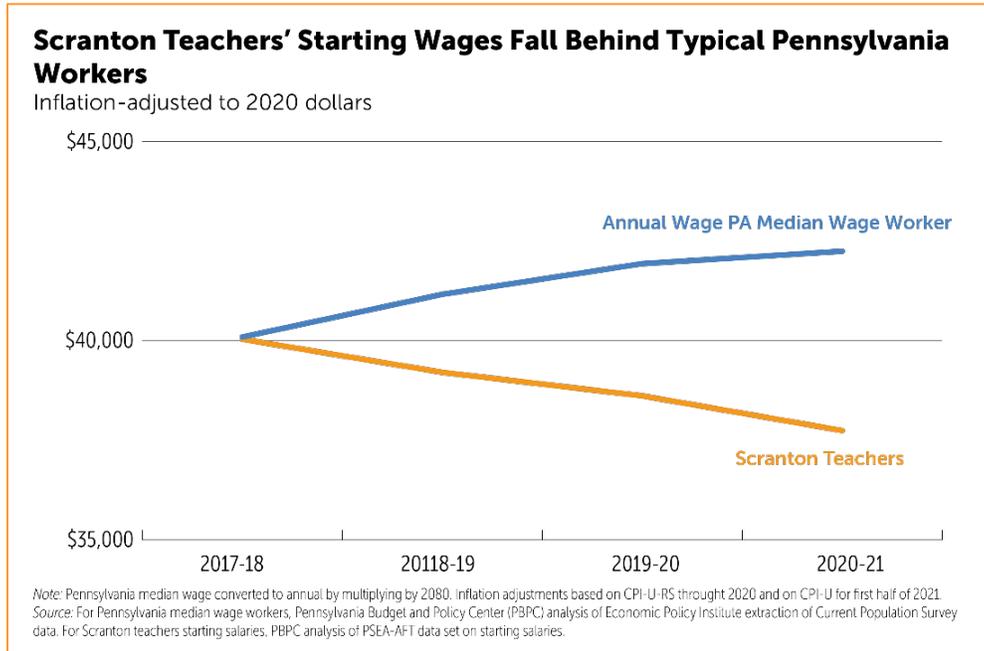
<sup>28</sup> Chief Recovery Officer, *Recovery Plan*.

### Teacher Salaries

Attracting and retaining great teachers requires competitive pay. Research shows that investments in teacher pay are generally related to higher student performance.<sup>29</sup> Yet Scranton has among the lowest teacher salaries in the state and the value of those wages has not kept up with inflation. The low starting point for teacher compensation is why it is not tenable to implement a recovery plan that further erodes compensation.

The decline in Scranton teacher salaries has been particularly stark when compared to workers generally.

Figure 7



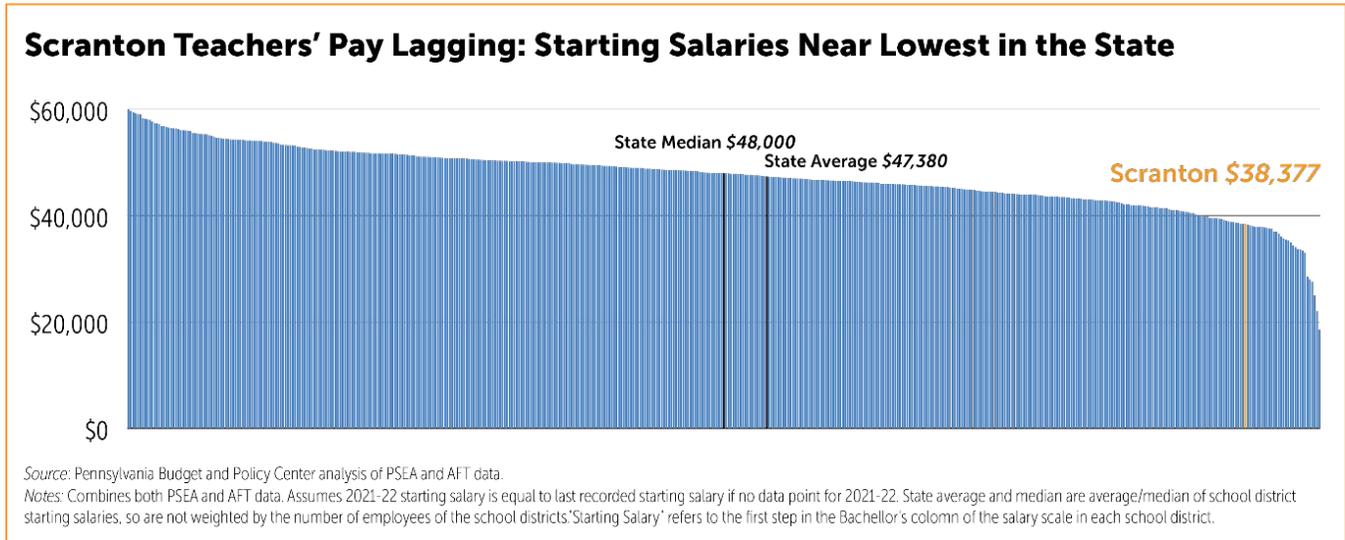
- From 2017-18 to 2020-21, the Pennsylvania median wage rose 5.4% in real terms. Meanwhile, starting teacher salaries fell in inflation-adjusted terms by 5.7% between 2017-18 and 2020-21.
- On an annualized basis, starting teachers have gone from parity with the median-wage Pennsylvania worker to earning \$4,500 less per year or about 10% lower (figure 7).

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<sup>29</sup> Kirabo Jackson et al., "The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms." Also see Susanna Loeb and Marianne Page, "Examining the Link Between Teacher Wages and Student Outcomes: The Importance of Alternative Labor Market Opportunities and Non-Pecuniary Variation," *The Review of Economics*, 2000; <https://cepa.stanford.edu/sites/default/files/loebpage.pdf> and Eric Brunner et al., "School Finance Reforms, Teachers' Unions, and the Allocation of School Resources," *The Review of Economics and Statistics*, 2020; <https://direct.mit.edu/rest/article-abstract/102/3/473/96775/School-Finance-Reforms-Teachers-Unions-and-the?redirectedFrom=fulltext>.

- When compared to other teachers in the state, Scranton teachers have also lost ground even from a lower starting point. For starting salaries, Scranton ranks 468th out of the 500 school districts in the state, 20% below the median district, and 19% below the average starting salary in the state (figure 8).<sup>30</sup>

Figure 8



Scranton teacher salaries also don't compare well to other Lackawanna districts.

- Of 11 nearby districts, only Pittston has lower starting salaries.
- Nearby districts have starting salaries that are as much as 35% higher than Scranton's. Most of these districts educate student populations with lower shares of ESL students and students in poverty and special education. This means the work, while always challenging, isn't as challenging as it is in Scranton yet pay is better.
- As a group, the 11 nearby districts have starting salaries that are 14% higher than those in Scranton on average.
- Scranton School District salaries have been \$38,377 for the past five years. By contrast, the two highest-paid, nearby districts have starting salaries higher than \$50,000 in 2021-22. The average starting salary in nearby districts is just over \$45,000 in 2021-22.

<sup>30</sup> Comparing starting salaries across school districts has the advantage of controlling for teacher seniority. Comparisons of overall averages can fluctuate depending on the age and experience of teachers with shifts in relative pay in districts when they experience a wave of retirements or major hiring because of district expansion. That said, Scranton salaries are low whatever method is used for comparing across districts. The current average teacher salary in Scranton is \$60,236. Based on the statewide averages for teachers, Scranton teachers earn 11%-15% less depending on whether they teach the at the elementary or secondary levels.

**Table 2: Starting Salaries in Scranton and Nearby Districts, 2017-18 to 2021-22**

<b>Starting Salaries in Nominal (not inflation-adjusted) Dollars</b>					
	2017-18	2018-19	2019-20	2020-21	2021-22
Scranton	\$38,377	\$38,377	\$38,377	\$38,377	\$38,377
Average of Nearby Districts	\$43,409	\$43,551	\$44,204	\$44,617	\$45,149
Average Minus Scranton	\$5,032	\$5,174	\$5,827	\$6,240	\$6,772
Highest-paying District (Abington Heights)	\$49,709	\$50,162	\$50,582	\$51,102	\$51,802
Abington Heights Minus Scranton	\$11,332	\$11,785	\$12,205	\$12,725	\$13,425
<b>Starting Salaries as a Percent of Scranton Starting Salaries</b>					
	2017-18	2018-19	2019-20	2020-21	2021-22
Abington Heights SD	130	131	132	133	135
Valley View SD	120	123	126	128	131
Old Forge SD	116	120	121	121	122
North Pocono SD	116	117	118	119	121
Mid Valley SD	107	110	113	116	119
Riverside SD	110	112	115	115	115
Lakeland SD	108	110	111	111	114
Carbondale Area SD	109	111	114	114	114
Pittston Area SD	102	99	99	99	99
Dunmore SD	0	102	104	106	108
Scranton SD	100	100	100	100	100
<i>Arithmetic Average</i>	<i>113</i>	<i>113</i>	<i>115</i>	<i>116</i>	<i>118</i>
<i>Note: A district's "starting salary" is defined as the salary of a newly hired teacher with a bachelor's degree but no teaching experience.</i>					
<i>Source: school district collective bargaining contracts.</i>					

The impact of low pay can be seen in the District's staffing patterns. According to recent reports, 113 teachers and education paraprofessionals have left the District since 2019.<sup>31</sup> The Scranton Federation of Teachers reports that there are an "unprecedented number of vacancies" for teachers.<sup>32</sup>

### Investments in Services That Children Need

The Recovery Plan also calls for a set of reforms, many of which have the potential to harm students: moving from an established pre-k program to a center-based model, allowing class sizes to rise, and closing schools.

**Pupil–Teacher Ratios.** Currently, the District's class sizes are set in the collective bargaining agreement. The Recovery Plan (p. 159) says:

<sup>31</sup> Dave Carr and Cody Butler, "Scranton Federation of Teachers to Go on Strike Beginning November 3rd," Pennsylvania Homepage/WBRE, October 27, 2021;

<https://www.pahomepage.com/top-stories/scranton-federation-of-teachers-to-go-on-strike-beginning-november-3rd/>

<sup>32</sup> Rosemary Boland, "Recovery Plan Fool's Errand," Guest Column, Scranton Times Tribune, October 27, 2021; [https://www.thetimes-tribune.com/opinion/recovery-plan-fools-errand/article\\_46ed5290-1663-5e5d-a7fc-601b3a498282.html?fbclid=IwAR3TNfPHyIzHGukoWtOyITABOMyOqNU2mi2M6lQBfOQtf71wELkuGPszi1M](https://www.thetimes-tribune.com/opinion/recovery-plan-fools-errand/article_46ed5290-1663-5e5d-a7fc-601b3a498282.html?fbclid=IwAR3TNfPHyIzHGukoWtOyITABOMyOqNU2mi2M6lQBfOQtf71wELkuGPszi1M).

...the CRO believes that there is an educational benefit to maintaining small class sizes in order to provide effective instruction for students. Furthermore, **the CRO believes that the limits set in the collective bargaining agreements are close to the maximum levels that would be acceptable in other school districts without severely impacting academic performance.**

However, these hard limitations create a financial burden on the District if enrollment increases in a building requiring the opening of a new section. In order to meet the savings goals of this Recovery Plan, the CRO shall work to develop proposals to allow some flexibility in the class size limitations that is agreeable to both the District and the teachers union [emphasis added].<sup>33</sup>

Even after acknowledging that Scranton's class size limits are at the upper limit for academic effectiveness, the Plan recommends removing existing class size limits to lower costs. The pupil-teacher ratio in Scranton has risen from 13.98 in 2017 to 15.13 in 2020. At the same time, pupil-teacher ratios in the rest of the state declined from 14.97 to 14.85.<sup>34</sup> That means Scranton School District has gone from having a better-than-average pupil-teacher ratio to a worse-than-average one. The pupil-teacher ratio isn't an exact proxy for class sizes, but it's much harder to provide for smaller classes when there is inadequate staffing. And smaller classes are one of the most effective ways to improve student achievement.<sup>35</sup>

**School Closings.** Despite protests from parents, Scranton has already closed Bancroft Elementary School and the Plan calls for one more school closing.<sup>36</sup> Research indicates that closing schools disrupts student learning and harms communities.<sup>37</sup> Moving dislocated students to a *high-quality* new school ameliorates these harms for children but is a challenge given Scranton's school funding constraints.<sup>38</sup> The research finds more broadly that there are negative academic effects on students who move, particularly in the short term. There can also be larger social effects on children and communities. For example, students who have to change schools report being stereotyped and having their social networks disrupted.<sup>39</sup> Research also indicates that when students are dislocated

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<sup>33</sup> Chief Recovery Officer, Recovery Plan: Scranton School District, Lackawanna County, Pennsylvania, page 159.

<sup>34</sup> Calculation by Keystone Research Center, data from Pennsylvania Department of Education: for teacher and professional staff counts see <https://www.education.pa.gov/DataAndReporting/ProfSupPers/Pages/ProfStaffSummary.aspx>. For average daily student membership see <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Finances/AFR%20Data%20Summary/Pages/AFR-Data-Summary-Level.aspx>.

<sup>35</sup> See for example, Alex Molnar, *Smaller Classes Not Vouchers Increase Student Achievement*, Keystone Research Center, 1998; <https://files.eric.ed.gov/fulltext/ED448225.pdf>.

<sup>36</sup> Dylan Fearon, "Reaction After Scranton School Board Votes to Close Bancroft Elementary for Good," Fox 56, June 8, 2021; <https://fox56.com/news/local/reaction-after-scranton-school-board-votes-to-close-bancroft-elementary-for-good>.

<sup>37</sup> For an excellent review of this research, see Matt Barnum, "Five Things We've Learned From a Decade of Research on School Closures," Chalkbeat, February 5, 2019; <https://www.chalkbeat.org/2019/2/5/21106706/five-things-we-ve-learned-from-a-decade-of-research-on-school-closures>.

<sup>38</sup> Center for Research on Education Outcomes, *Lights Off: Practice and Impact of Closing Low Performing Schools*, Stanford University, 2017; [https://credo.stanford.edu/sites/g/files/sbiybj6481/f/closure\\_final\\_executive\\_summary.pdf](https://credo.stanford.edu/sites/g/files/sbiybj6481/f/closure_final_executive_summary.pdf).

<sup>39</sup> Ben Kirschner, et al., "Tracing Transitions: The Effect of High School Closure on Displaced Students," Educational Evaluation and Policy Analysis, 2010; <https://journals.sagepub.com/doi/abs/10.3102/0162373710376823?journalCode=epaa>.

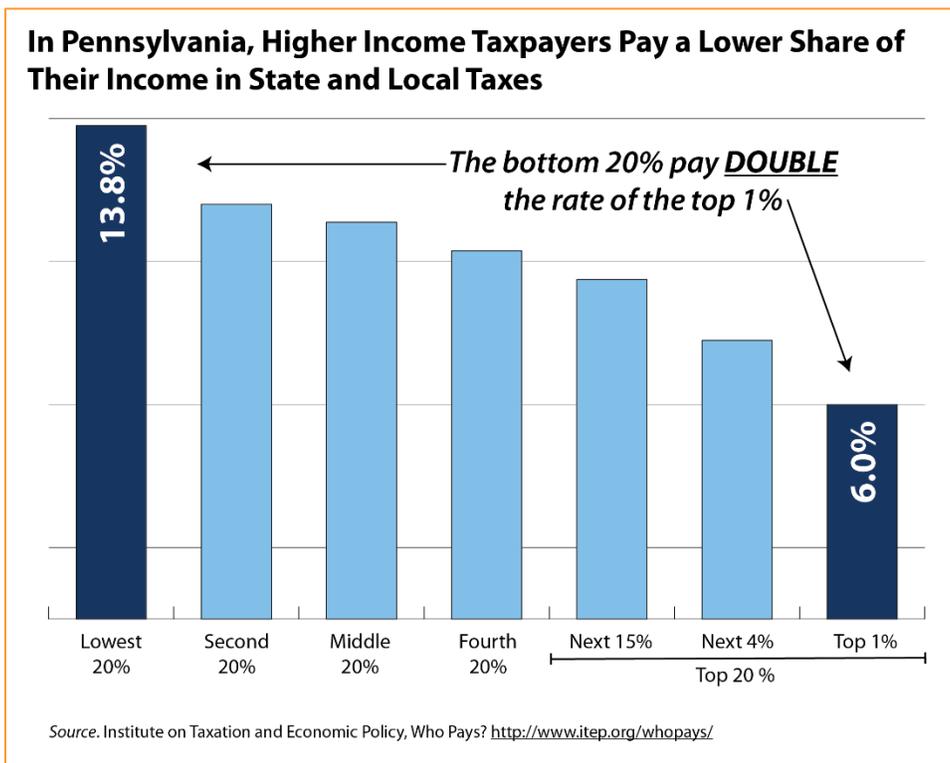
by school closure, the ripples caused by their appearance in new schools can undermine the performance of students already attending those schools.<sup>40</sup>

**Pre-Kindergarten.** Scranton had long used federal Title I funding to provide pre-kindergarten services. This is among the most effective educational interventions available.<sup>41</sup> The recovery officer ended in-district pre-kindergarten and changed to a center-based model. Center-based models have value, but the research indicates that school-based programs have better results, potentially because they use certified teachers and prepare children well for kindergarten and elementary school, often at the same site.<sup>42</sup>

## The Recovery Plan and Property Taxes

Keystone Research Center has long pointed out the need to raise tax revenue fairly to properly provide for the education of Pennsylvania’s children. Our emphasis on fair taxation stems from the already unfair—or “upside-down”—Pennsylvania state and local tax systems, which results in

Figure 9



<sup>40</sup> Matthew Steinberg and John MacDonald, “The Effects of Closing Urban Schools on Students’ Academic and Behavioral Outcomes: Evidence from Philadelphia.” *Economics of Education Review*, 2018; <https://www.sciencedirect.com/science/article/abs/pii/S0272775718302693#tbl0009>.

<sup>41</sup> Betty Meloy, et al., *Untangling the Evidence on Preschool Effectiveness: Insights for Policymakers*, Learning Policy Institute, 2019; [https://learningpolicyinstitute.org/sites/default/files/product-files/Untangling\\_Evidence\\_Preschool\\_Effectiveness\\_BRIEF.pdf](https://learningpolicyinstitute.org/sites/default/files/product-files/Untangling_Evidence_Preschool_Effectiveness_BRIEF.pdf).

<sup>42</sup> Katherine Magnuson et al., 2004. *Does Prekindergarten Improve School Preparation and Performance?* Russel Sage <https://www.russellsage.org/sites/all/files/u4/Magnuson%20et%20al.pdf>.

middle-income Pennsylvanians paying a higher share of their income in state and local taxes than the rich and the lowest income Pennsylvanians paying a still higher share.<sup>26</sup>

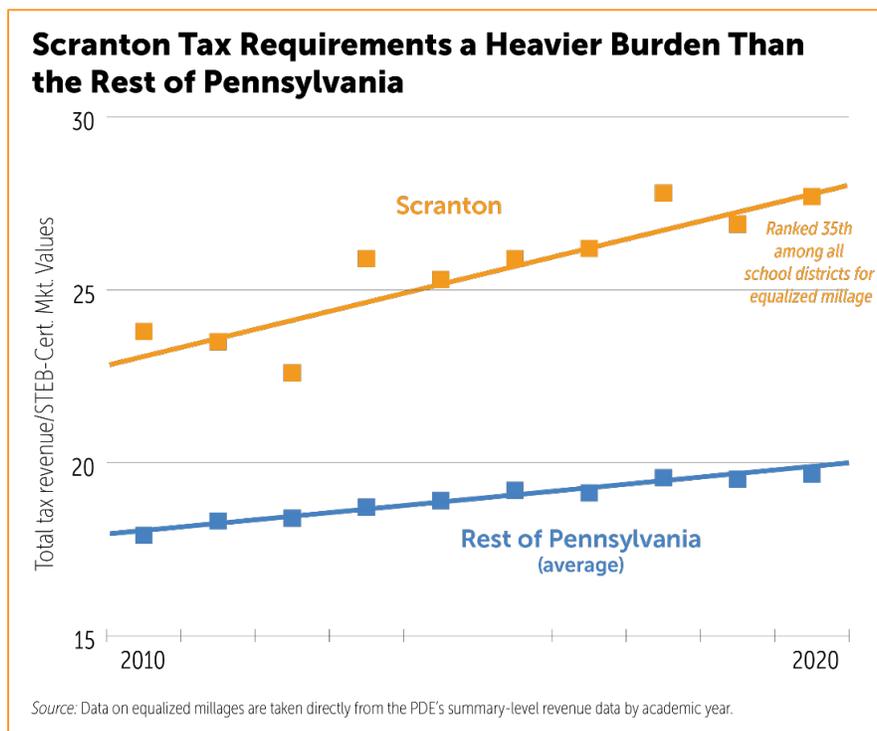
Given the already unfair state and local taxation in Pennsylvania, we have concerns about the Recovery Plan’s focus on raising revenue exclusively through local property taxes—which like the overall tax system in Pennsylvania, takes a larger share of the income of middle- and low-income taxpayers than of the rich.

The Introduction of the Recovery Plan of Scranton School District (p. 6) articulates the “Fundamental Initiatives” that are supposed to be the basis of SSD’s future recovery:

Finally, the budget projections assume that the District will raise the real estate tax rate to the Adjusted Act 1 Index in each year beginning in 2020. While raising local revenue is difficult, the District must continually invest in its staff, program, and facilities in order to make financial and academic progress. **Projected future growth on the substantial increases in State aid over the past few years is not sufficient to cover expected spending by the District, and even with the reform initiatives in this Plan, spending will exceed revenues in most years** [emphasis added].

As part of its “Fundamental Initiatives,” the Recovery Plan recommends raising the local property tax rate<sup>43</sup> 18.2 percentage points over school year 2018-19 to school year 2023-24.

Figure 10



<sup>43</sup> Rates are as cited in the Recovery Plan, page 126. “Mill” is a measure of property taxes rates. A one-mill property tax requires a payment of \$1 for each \$1,000 in assessed property values. While property rates in Scranton are high, the millages in the text—e.g., 133 mills, or \$13,300, for a \$100,000 home—make them seem higher because the last countywide property tax reassessment in Lackawanna County was done in the late 1960s, (See Lackawanna County, “Lackawanna County Property Re-Assessment Study Summary,” 2017; <https://www.lackawannacounty.org/wp-content/uploads/2017/06/Reassessment.pdf>).

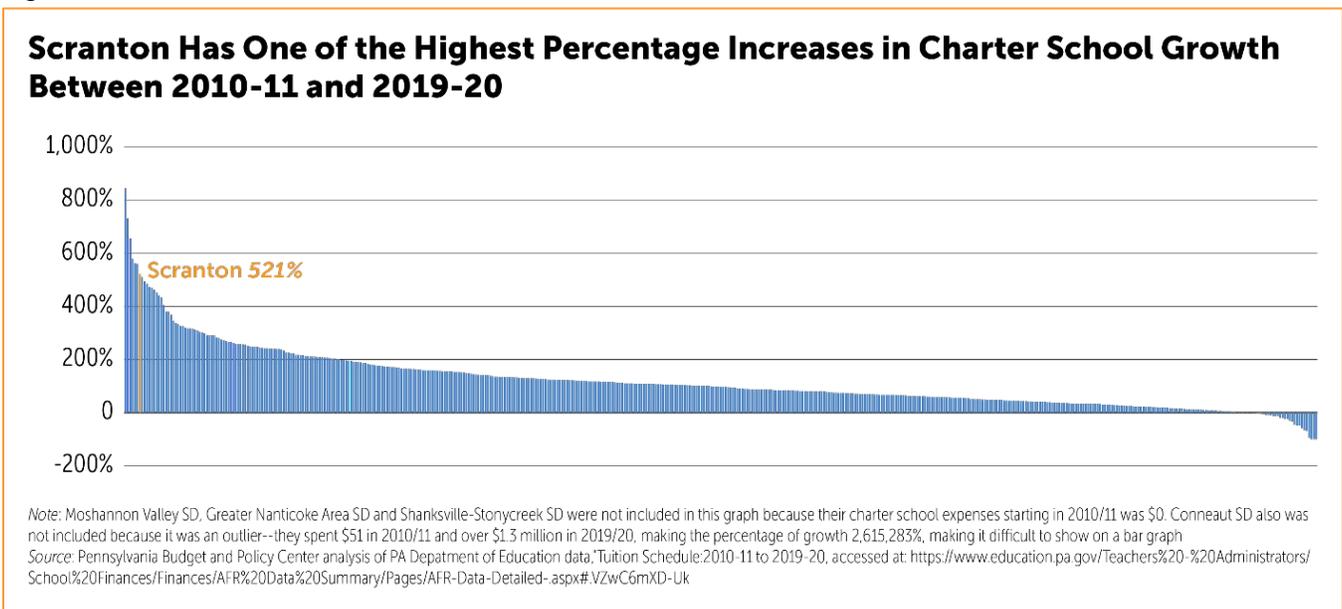
The problem is that Scranton’s local tax burden is already high and rising faster than in the rest of the state. The figure above plots Scranton’s local tax burden (i.e., the total taxes paid per thousand dollars of market-value of property—“equalized millage”<sup>44</sup>) relative to Pennsylvania for the academic years 2011- 2020. As figure 10 shows, Scranton’s local tax burden relative to the state has risen over the decade. As of the academic year 2020, Scranton had moved from 39th to 36th out of the 500 public school districts in PA for the highest-equalized millage rate.

While Scranton School District needs revenues, the focus on local taxes and not on other forms of revenue is also potentially self-defeating because it reinforces population loss and business relocation which erodes the tax base. Whether it is in acknowledgement of this potential dynamic or not, it is clear that the school board has reticence about higher property taxes as well; the school board has voted not to raise property taxes for two years in a row, despite them being in the Plan. As we will show, there are better ways forward.

### Charters Exacerbate the Scranton School District’s Problems

As the Scranton School District continues to struggle, families are choosing to send their children to charter schools. Since 2011, payments to charter schools have risen by 415% (or by \$5,407,552), the ninth-biggest increase out of Pennsylvania’s 500 school districts.

Figure 11



A growing body of research indicates that charter expansion is dangerous to school districts. Moody’s, the bond rating agency, found that charter schools tend to proliferate in areas where districts already show underlying stress and that charter schools pull finances away from districts

<sup>44</sup> The “equalized” tax millage is calculated by taking the dollars in current-year total tax revenues collected and divided by the current-year property values as assessed by the Pennsylvania State Tax Equalization Board. Use of the equalized millage metric facilitates easier comparisons of reliance on local taxes between school districts with different tax structures.

faster than districts can reduce costs. As a result, charters lower school district credit ratings, increasing the cost of borrowing.<sup>45</sup>

At least a dozen other reports have quantified the phenomenon of fiscal harm. Three of those reports focus on Pennsylvania. The Boston Consulting Group, at the time working for a pro-charter school reform commission, found that every student leaving a Philadelphia school for a charter resulted in \$5,400 less being available for the education of the district's remaining students.<sup>46</sup> A more recent study by Afton Consulting estimated costs of between \$4,828 and \$6,898 per student going to a charter.<sup>47</sup> Research For Action (RfA) conducted a study that included Philadelphia and five other districts.<sup>48</sup> RfA found a negative fiscal impact in each district. These impacts compounded as more students departed for charters. Over the long term, the impact from any one student leaving decreases. Even so, after five years, the districts in the study still had not recouped 44% to 68% of the cost for each student that left.

Governor Wolf has proposed much-needed, commonsense charter school reforms for Pennsylvania that would save the state's school districts a total of \$395 million.<sup>49</sup> The governor proposed, first, to reform the **cyber charter tuition** formula. Currently, cyber charter schools receive the same funding per student as brick-and-mortar schools—an average of \$13,000 per non-special education student—despite the lower costs of online learning. By contrast, Pennsylvania Intermediate Units charges just \$5,400 for online education, indicating just how far out of line per-student funding of cyber charter schools is with actual costs.<sup>50</sup> Governor Wolf proposes to decrease funding for non-special education students in cyber charter schools to \$9,500 per student. This reform would save Pennsylvania school districts \$210 million next year, \$1.13 million in Scranton.<sup>51</sup>

Second, Governor Wolf proposes to **apply the special education funding formula to charter schools**. Because the funding system for charter schools is based on the average cost of special education rather than the costs for helping students' particular disabilities, it creates loopholes that give charter schools extra money for enrolling students with less severe disabilities and less money for those students needing more services. That makes it subject to gaming. Typical school districts pay charter

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<sup>45</sup> Moody's, "Charter Schools Pose Greatest Credit Challenge to School Districts in Economically Weak Urban Areas," 2013; [https://www.moody.com/research/Moodys-Charter-schools-pose-greatest-credit-challenge-to-school-districts--PR\\_284505](https://www.moody.com/research/Moodys-Charter-schools-pose-greatest-credit-challenge-to-school-districts--PR_284505).

<sup>46</sup> Boston Consulting Group, "Transforming Philadelphia's Public Schools: Key Findings and Recommendations," 2012; [http://webgui.phila.k12.pa.us/uploads/v\\_/IF/v\\_IFJYCOR72CBKDPrrGAAQ/BCG-Summary-Findings-and-Recommendations\\_August\\_2012.pdf](http://webgui.phila.k12.pa.us/uploads/v_/IF/v_IFJYCOR72CBKDPrrGAAQ/BCG-Summary-Findings-and-Recommendations_August_2012.pdf).

<sup>47</sup> School District of Philadelphia, *Financial Impact Analysis: Funding, Purchasing Power and Stranded Cost Analyses Outcomes*, 2017; <https://www.philasd.org/finance/wp-content/uploads/sites/789/2019/04/20170306-SDP-Summary-Outcomes-1-with-disclaimer-langauge.pdf>.

<sup>48</sup> Research For Action, *The Fiscal Impact of Charter School Expansion: Calculations in Six Pennsylvania School Districts*, 2017; <https://www.researchforaction.org/publications/fiscal-impact-charter-school-expansion-calculations-six-pennsylvania-school-districts/>.

<sup>49</sup> Pennsylvania Department of Education, *Legislative Proposal*; <https://www.education.pa.gov/K-12/Charter%20Schools/CharterPolicyReform/Pages/LegisProposal.aspx>.

<sup>50</sup> Pennsylvania Department of Education, *Legislators, And School Leaders Urge Action On Charter School Accountability, Reform*, 2021; <https://www.media.pa.gov/pages/education-details.aspx?newsid=1096>.

<sup>51</sup> See spreadsheet at Pennsylvania Department of Education, *Legislative Proposal*, <https://www.education.pa.gov/K-12/Charter%20Schools/CharterPolicyReform/Pages/LegisProposal.asp>.

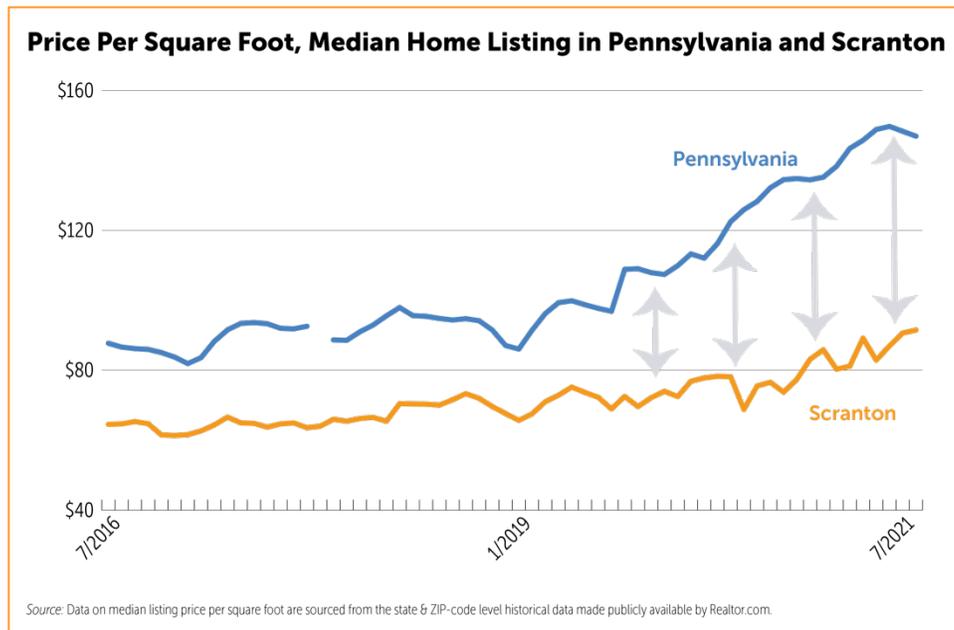
schools nearly 25% more per special education student, on average, than those districts spend on special education students who remain in their own district schools.<sup>52</sup> The governor’s proposal would apply the special education funding formula. This would provide equal treatment for school districts and charter schools and save taxpayers \$185.3 million annually, including about \$198,000 in Scranton.<sup>53</sup>

If the state were to enact both these charter reforms, Scranton would save \$1.33 million a year, the 30th largest saving out of all 500 school districts.

## School Quality, Housing Prices, and Recovery

The figure below plots the median housing list price per square foot<sup>54</sup> for Scranton zip codes and for Pennsylvania over the past five years. We can use these two data series to get an idea of Scranton’s housing market relative to its peers.

Figure 12



A few facts jump out immediately: first, the cost of housing per square foot is considerably lower in Scranton than in Pennsylvania writ large. Second, both Scranton and Pennsylvania have experienced increases in housing prices in recent years, reflecting the national trend and indicative of a degree of economic health in the Scranton real estate market. Third, Pennsylvania’s cost of housing has grown faster than Scranton’s during the past few years.

<sup>52</sup> Education Voters PA, “Fixing the Flaws in Pennsylvania’s Special Education Funding System for Charter Schools: How an Outdated Law Wastes Public Money, Encourages Gaming of the System, and Limits School Choice” (June 2020); <http://educationvoterspa.org/wp-content/uploads/2020/06/Complete-and-Final-Education-Voters-charter-special-ed-report.pdf>.

<sup>53</sup> See spreadsheet at Pennsylvania Department of Education, *Legislative Proposal*.

<sup>54</sup> [Realtor.com](https://www.realtor.com) data, publicly available.

These facts indicate that housing demand in Scranton is low relative to Pennsylvania and the gap has grown in recent years. To put it in plainer terms, living in Scranton is less desirable than living in other places in Pennsylvania.

Economists study how the value of housing is a function of the amenities/characteristics of the neighborhood the house is in. School quality is one such characteristic as underscored by a 2017 study by The Reinvestment Fund.<sup>55</sup> For people with school-aged children, the value of a home in a higher-quality school district should be directly higher than the value of an identical home in an identical neighborhood in a lower-quality school district. But this dynamic makes a high-quality school system an asset even to the homeowners without children. And schools contribute to economic health in other ways which can redound to property values. There is a sizable literature in urban and public economics that documents how school quality is capitalized into housing prices. A typical finding is that an improvement of one-standard deviation in test scores is associated with approximately 3% higher home values, although larger estimates have been found in certain contexts.<sup>56</sup> With this in mind, we can infer that the initiatives of the Recovery Plan will affect property values in as much as they materially affect perceptions of school quality.

## **If You Build It, They Will Come**

The Recovery Plan places priority on getting the District to positive financial results in the quickest manner possible. In so doing, it endorses policies that jeopardize the school quality needed to rebuild the community and achieve long-term financial sustainability. Scranton School District, like many other high-poverty, low-revenue districts, has a structural deficit—it brings in less money than needed to pay for the inputs that would enable students to meet state standards. In the long run, saving money by eroding school quality is a dead end. In the short run, it keeps the District from using available resources to do best by the people it serves.

The structural challenges facing smaller Pennsylvania cities and their school districts are not a new phenomenon. The Brookings Institution wrote about them in its 2003 “Back to Prosperity” report. Governor Wolf observed them firsthand in the 1990s as a business leader in York, Pennsylvania, when he helped pay for “The Rusk Report,” which documented the declining population and concentrated poverty of his home city. Governor Wolf knew then—as he knows now—that Scranton and other older cities and inner suburbs need the state of Pennsylvania to provide investment, not austerity. With the right support from the state, Scranton School District could become the foundation of a renewal for the community itself, rather than a contributor to the loss of population and business tax base. That investment should sit in a broader plan of economic development for all our communities that would include the kind of investments in community we called for in our 2015

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<sup>55</sup> The Reinvestment Fund, “Assessing the Relationship Between School Quality and Home Prices Across the Keystone State,” 2017; [https://www.reinvestment.com/wp-content/uploads/2017/08/ReinvestmentFund\\_PA\\_District\\_Perf\\_Report.pdf](https://www.reinvestment.com/wp-content/uploads/2017/08/ReinvestmentFund_PA_District_Perf_Report.pdf).

<sup>56</sup> For a review of the literature see: Thomas Downes, “The Impact of Education Reforms on Property Values: A Review of the Literature,” Lincoln Institute of Land Policy, 2009; [https://www.lincolnst.edu/sites/default/files/pubfiles/1658\\_873\\_downes\\_final.pdf](https://www.lincolnst.edu/sites/default/files/pubfiles/1658_873_downes_final.pdf). Also see Vincent La, “Capitalization of School Quality Into Housing Prices: Evidence from Boston Public School District Walk Zones,” *Economics Letters* 134, 2015; <https://www.sciencedirect.com/science/article/abs/pii/S0165176515002748>.

report “All Pennsylvanians Prospering Together,” and its roots are far older still.<sup>57</sup> To borrow a phrase from a native son, a revitalized school district should be part of a broader effort to enable the City of Scranton to “build back better.”

The good news is that, because of federal assistance in the pandemic, the Scranton School District has unprecedented resources that can help break the cycle of decline and help launch a virtuous circle of recovery for the District and for the city. These include monies made available to the City of Scranton and the School District under the American Rescue Plan. They also include additional “Level Up” funding from the state.

Spending this money properly could create opportunities for students and hope for the community. The District could use these funds to stabilize and improve staffing. It could provide a more substantial set of services. These are not only allowable uses of the federal funds—they would advance precisely the two missions that those funds are intended to fulfill—targeting resources to families and communities challenged by the pandemic AND promoting long-term equity. This is the best way the school board could help Scranton’s children and community.

### **An Opportunity Not to Squander**

After years of structural deficits, the District is in a stronger financial position due to the sacrifices that have been made by the District’s children, staff, and community. Deficits have now been erased from the most recent budgets and the fund balance has grown.<sup>58</sup> The District has also been helped by the infusion of pandemic-related federal funding and additional state aid. Through three rounds of federal aid, starting with the CARES Act in March 2020 and through the passage of the American Rescue Plan in March 2021, Scranton School District received \$58 million in additional federal aid through the Elementary and Secondary School Emergency Relief program or ESSER.<sup>59</sup>

The District also received more than two million dollars in new state money as a result of the state’s “Level Up” funding formula. None of these funds were available or considered as part of the original recovery plan. Their availability now allows for a reset of the recovery plan.

<b>Table 3. Additional Funds Received By Scranton School District</b>	
<b>Program</b>	<b>Fund Amount (in millions)</b>
ESSER I	\$4.0
ESSER II	\$17.7
ESSER III	\$35.8
State “Level Up” Funding	\$2.3
<b>Total</b>	<b>\$59.8</b>

<sup>56</sup> John McAuliff and Stephen Herzenberg, “All Pennsylvanians Prospering Together (APP): A Pennsylvania Economic Development Strategy for the Long Term, Keystone Research Center,” 2015; [https://krc-pbpc.org/research\\_publication/all-pennsylvanians-prospering-together-app-a-pennsylvania-economic-development-strategy-for-the-long-term/](https://krc-pbpc.org/research_publication/all-pennsylvanians-prospering-together-app-a-pennsylvania-economic-development-strategy-for-the-long-term/).

<sup>58</sup> Scranton School District, *School Board Scranton Education Committee Meetings*, Video (Budget and finance presentation starts at 1:34:30), 2021; <https://www.youtube.com/watch?v=BGiOldNpGBQ&t=5678s>. See also Scranton School District, *Final General Fund Budget, Calendar Year 2021*; <https://4.files.edl.io/cc91/01/20/21/190630-28f51334-fcf5-478a-a846-0e046bdc33cc.pdf>.

<sup>59</sup> For allocations, see Pennsylvania Department of Education, *ESSER Funding Information*; <https://www.education.pa.gov/Schools/safeschools/emergencyplanning/COVID-19/CARESAAct/Pages/default.aspx>.

The American Rescue Plan funding (ESSER III), in particular, was designed to be flexible to meet the unique needs of school districts. There is the one requirement that districts spend at least 20 percent of the funding to address the impact of lost learning time.<sup>60</sup> Districts can spend the funding on a broad range of interventions, but the guidance emphasizes the importance of allocating funds “in ways that advance equity and ensuring they are adequate for providing the opportunities and supports students need to succeed.” Permissible uses also include using the funds to “stabilize and support the educator workforce” by paying teacher salaries, avoiding layoffs, and addressing teacher and staff shortages.

### **Community Schools Would Help Stabilize Scranton**

The community schools approach views the school as a hub for a variety of partnerships among parents, students, staff, and the broader community. These partnerships marshal resources and supports from multiple public agencies (not just education departments) and non-governmental partners to provide children, their families, and the community with academic, social, and health supports. Across the country, heightened economic inequality, concentrated poverty, and residential segregation have generated interest in community schools as a strategy to abate persistent inequities in the K-12 public education system. While community schools are appropriate across a variety of socioeconomic contexts, they are particularly suited to the specific out-of-school barriers to learning that are associated with poverty.

Because community schools leverage supports from a variety of other public agencies and community-based organizations, they can be an efficient reform. According to the Coalition of Community Schools there are currently more than 50 community schools in Pennsylvania. Philadelphia schools operate 12, the school district in Lancaster operates six, the United Way of Greater Lehigh Valley operates 28.<sup>61</sup>

No two community schools are exactly alike because the underlying partnerships, targeted resources, and supports are tailored to meet the specific needs of the community. For example, community schools provide wraparound services like health services, extended school days, after-school programming, and summer learning opportunities through enrichment activities like athletics and music.

To illustrate how these schools work, during the pandemic community schools in Baltimore provided a lifeline for families whose children were thrust into remote learning with parents forced to choose between work or staying at home with their children. In one instance, the parent of a preschooler who decided to stop working and stay home with her child faced mounting unpaid bills and an eviction notice from her landlord. The community school coordinator connected the parent with a community agency that dealt with her eviction notice and brought food to her home.<sup>62</sup> The

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<sup>60</sup> U.S. Department of Education, Frequently Asked Questions: Elementary and Secondary School Emergency Relief Fund, Governor’s Emergency Education Relief Fund, May, 2021; [https://oese.ed.gov/files/2021/05/ESSER.GEER\\_FAQs\\_5.26.21\\_745AM\\_FINAL.b0cd6833f6f46e03ba2d97d30aff953260028045f9ef3b18ea602db4b32b1d99.pdf](https://oese.ed.gov/files/2021/05/ESSER.GEER_FAQs_5.26.21_745AM_FINAL.b0cd6833f6f46e03ba2d97d30aff953260028045f9ef3b18ea602db4b32b1d99.pdf).

<sup>61</sup> Coalition of Community Schools, *Coalition Communities: Pennsylvania*; <https://www.communityschools.org/map/pennsylvania/?tab=commcoalitions>.

<sup>62</sup> Jessica Shiller and Kayla Hunt, *When Covid struck, Baltimore’s community schools became a lifeline*, June, 2021; <https://www.baltimorebrew.com/2021/06/05/when-covid-struck-baltimores-community-schools-became-a-lifeline/>.

school was able to respond because they had a community school infrastructure in place without which the parent would have had to navigate complex social assistance programs on her own.

A large body of research points to how the ingredients of any given community school program—integrated student supports, expanded learning time, family engagement, and collaborative leadership—lead to better outcomes for students.<sup>63</sup> So it is not surprising that there is broader research showing that community schools provide better outcomes for students. One early review of the research (i.e., a “meta-analysis”) found academic gains in 36 of 49 relevant evaluations. Other research in this analysis found increased parental involvement and reductions in suspensions.<sup>64</sup>

There are at least four analyses of the long-term benefits of community schools. These find that there are between \$3 and \$14.80 in economic benefits for every dollar invested in community schools. These particular community schools were associated with outcomes, including higher graduation rates and lower dropout rates. Using analysis similar to that used to estimate the benefits of preschool programs the studies showed that these results would lead to higher family incomes, better health outcomes, and a lower need for later social spending.<sup>65</sup>

Scranton could use existing federal funding under Title I or Title IV to support community schools, or it could use ESSER funds.<sup>66</sup> There is a competitive federal grant program as well.<sup>67</sup> The U.S. Department of Education’s resources on ESSER III, in particular, highlights that community schools are a specifically allowable use of these federal funds. On release of a guide to using these funds for community schools, U.S. Education Secretary Cardona said, “When schools are at the center of our neighborhoods and communities, children and families benefit. I hope that the resource we are releasing today will help states and school districts use American Rescue Plan funds to increase access to evidence-based community schools for more students and families across the country.”<sup>68</sup>

### **Good Scranton Schools, A Thriving Community**

Americans love a comeback story, and that is the story that Scranton has been trying to write for the last several decades. This report aims to trigger a renewed team effort to finish the script and get it into production.

To date, the state’s recovery plan has stabilized the District’s finances. But it has also given Scranton a case of community writer’s block. Focused on the immediate bottom line, the recovery plan has sacrificed, or at least threatened, essential ingredients of quality education in a high-poverty community: pre-kindergarten, smaller classes, sufficient planning time in teachers’ days for lesson

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<sup>63</sup> For a review see Anna Maier, et al., *Community Schools as an Effective School Improvement Strategy: A Review of the Evidence*, Learning Policy Institute, 2017; <https://learningpolicyinstitute.org/product/community-schools-effective-school-improvement-brief>. Jeannie Oakes

<sup>64</sup> Joy Dryfoos, *Evaluation of Community Schools: Findings to Date, 2000*; <https://eric.ed.gov/?id=ED450204>.

<sup>65</sup> As cited in Maier, et al., 2017.

<sup>66</sup> Maier, et al., 2017.

<sup>67</sup> U.S. Department of Education, “Full Service Community Schools;” <https://oese.ed.gov/offices/office-of-discretionary-grants-support-services/school-choice-improvement-programs/full-service-community-schools-program-fscs/>.

<sup>68</sup> U.S. Department of Education, U.S. Department of Education Releases “Frequently Asked Questions: Using American Rescue Plan Funding to Support Full-Service Community Schools & Related Strategies,” 2021, <https://www.ed.gov/news/press-releases/us-department-education-releases-%E2%80%9Cfrequently-asked-questions-using-american-rescue-plan-funding-support-full-service-community-schools-related-strategies%E2%80%9D>.

preparation and evaluating student progress, and pay that is high enough to attract and retain teachers who have a mission to “make a difference” in children’s lives.

But additional resources from the federal government, and a bit of additional support even from the state, give the School District, the recovery officer, and the city room to rebound. Those resources must be used to restore pre-kindergarten, maintain reasonable class sizes, and pay teachers comparably to neighboring districts, as well as help them catch up with other Pennsylvania workers, who have finally received real increases in the past five years.

From that foundation, there must then be an “all-hands-on-deck” effort to leverage additional federal resources meant for places just like Scranton, including for community schools. And Scranton must become a leader of the statewide coalition effort to finally achieve adequate and equitable school funding—an effort that has a real chance at historic progress, in part, because of a school funding lawsuit and a governor’s race in which K-12 educational funding should be a key issue.

The time to start is NOW. It is impossible to imagine a federal government and a governor that would be more committed to helping to finish and film “The Scranton Comeback.” Pick up your pen and let’s get going.