

HAMOT

HEALTH FOUNDATION

May 8, 2017

Education Committee, Senate of Pennsylvania
Attn: Members of Senate Education Committee
Room 173 Main Capitol

Dear Members of Senate Education Committee,

My name is Charles “Boo” Hagerty, I am the President of Hamot Health Foundation and on behalf of our Board of Directors and the 3500 employees of UPMC Hamot , I wish to share my perspective on the important partnerships between our organization and the Erie School District that have benefitted many students and families in our community. Since 2011 Hamot Health Foundation has worked with ESD, focusing on Wayne School. ESD has been a willing and cooperative partner and it has been gratifying to see the results that our partnerships have delivered.

Initially, we worked together to put a School Based Health Center (SBHC) in the lower level of Wayne School. While we had access to plenty of data documenting the need for better access to primary medical care and behavioral health care in zip code 16503 where Wayne is located, the success of our partnership exceeded all expectations. As a result of this endeavor, there are now 4,000 patients from the school and the community who are accessing primary medical care and behavioral health care in a convenient and accessible facility. Before this School Based Health Center was in place, many area residents came to the emergency room for non-emergent reasons. As you know, this is a very expensive way for the Commonwealth to provide primary care, as many of the area residents are eligible for Medicaid. Our initial target for the SBHC was to serve 2,500 patients and now the doctors and nurses at the SBHC are hoping to expand the number of exam rooms to better accommodate the 4,000 patients in the practice. The behavioral health services offered at Wayne were funded through the county for years prior to the SBHC, but few students accessed these services. Now that they share the same space as the medical practice, the behavioral health slots are also filled. We knew the need was there, but the community found it much more comfortable to access behavioral health when it was offered through the same warm and welcoming office as physical health care!

The SBHC was just the beginning of working with ESD to bring additional support to the community. Because of the acceptance of the SBHC office, we were able to bring in so many additional services that support the social determinants of health. This included backpacks full of food (food supplied by the Second Harvest Food Bank) that children who ate breakfast and lunch at the school could take home on Fridays to ensure access to food over the weekend—and food was able to be supplied without stigma by going to the community room that was part of the SBHC. Hamot Health Foundation also supports a Produce Express program at the school. Each month, over 150 families are able to access fresh produce through this program. Numerous community partners offered well attended programs on issues as varied as self-esteem, dental health, financial literacy, parenting, healthy eating and more. When we needed more space than the community room provided, the school cafeteria was always available to us. In all matters, the superintendent, the principal, administration, faculty and the facilities staff did all they could to work with us and other community partners for the benefit of the students and their families.

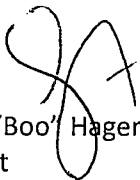
More recently, we have supported the Community Schools initiative at Wayne. Under the leadership of the United Way of Erie County, this effort was brought to our community as an evidence-based successful practice to improve the lives of underserved children and families. The community schools model is a strategy (not a program) for organizing school and community resources around student success. A community school is both a place and set of partnerships that help address health, wellness and the social needs of its students, families and the surrounding neighborhood. Schools become centers of the community, open to everyone, all day, every day, evenings and weekends. At Wayne, we serve as the corporate partner, providing financial support and volunteers. We work closely with our Lead Partner, Safe Harbor Behavioral Health and the Director at our school to mobilize community assets and coordinate resources, in cooperation with school staff.

You may be aware that the ESD will be closing Wayne School as part of a fast paced right-sizing effort to better position ESD financially for the future. It is anticipated that the School Based Health Center will be able to continue in the same location as alternate uses for the former school building are identified with other community partners. Hamot Health Foundation is very supportive of the actions of the ESD to right-size and we will ramp up our commitment to the students and families of the area through working with East. We have a significant project underway to make Wayne Park a much more useful and used community asset through the installation of a playground for the children and the community.

As the ESD changes, Hamot Health Foundation looks forward to the continuation of our partnerships with a school district that has been cooperative, responsive and extremely grateful to work with local business leaders to provide resources to their students and families. We see clear measures of that success in patients served at the SBHC, reduction in emergency department visits from zip code 16503, meals provided, community workshops attended, reduction in school absenteeism and the like. It is also rewarding to see the results of activities that are more difficult to measure, such as the smiles on kids' faces at a field trip we sponsored, early interest in health careers displayed, volunteer readers in the class room, book drives, the ability to support both individual families and the entire community in the footprint of the school through cooperative partnerships and access to resources. Hamot Health Foundation is just one of the successful business partnerships with ESD, and we along with other community business leaders such as General Electric and Erie Insurance encourage businesses large and small to work with us (such as small business support in the building of the playground at Wayne Park) or to work with another school that may be in their area, to experience the learning and support first-hand that these partnerships generate.

I am available to you and the entire Education Committee at any time to go into greater detail of our past, present and future plans with the ESD, but please know we have an unwavering commitment to the District and the thousands of students and families they serve. Together our community will continue to grow and thrive with the commitment of the state, the school district and hundreds of community leaders committed to positive and much needed change.

Very truly yours,

A handwritten signature in black ink, appearing to read 'CH' with a large flourish underneath.

Charles "Boo" Hagerty
President



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May 2, 2017

Education Committee
Senate of Pennsylvania
Room 173 Main Capitol

To the Members of Senate Education Committee,

My name is Stephen Danch, I am Chief Financial Officer of UPMC Hamot and a lifelong Erie Resident. I have worked at UPMC Hamot since 1980. I joined the Erie School District Financial Advisory Committee in 2011. Mr. Jay Badams, Superintendent asked for outside advice on the district's finances. At that first meeting our committee of approximately 15 community representatives we heard that the Erie School District was

1. Built for approximately 20,000 students but was currently serving approximately 12,000 students,
2. The majority of expenses were for staff salaries and related high pension cost,
3. Charter school outlays were increasing steadily,
4. Deficits had been incurred for several years and,
5. There were no reserves.

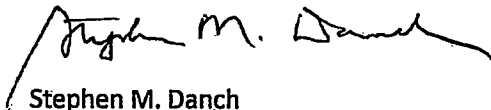
Our committee's reaction was that the district was backed into a corner and the district had no choice but to close schools and lay off staff. To their credit, they acted. They closed three schools and reduced staff. This resulted in Standard & Poor's (S&P) issuing a credit profile in 2013 that changed the outlook from negative to stable. They quoted in the report, "The outlook revision reflects the districts improved budgetary performance." Standard & Poor's went on to say, "The district's financial position has stabilized following several general fund operating deficits. Its financial position bottomed out in fiscal 2011 as the audit showed a negative fund balance of \$14.6 million (8.7% of expenditures) and a negative unassigned general fund balance of \$20.7 million (11.8% of expenditures). This was the result of three consecutive years of net general fund deficits, reflecting lower local and state revenues and rising labor costs. The district's liquidity position at fiscal year-end 2011 was also negligible, reporting less than one day's cash on hand.

For fiscal 2012, the district took substantial steps to balance the budget, after reporting a budget gap of approximately \$26.2 million, equivalent to 15% of expenditures. The district cut well more than 270 full-time positions, and negotiated furloughs with certain staff, generating \$17 million in savings. It also raised taxes and took other temporary measures to balance the budget and improve cash flow such as restructuring a portion of its outstanding debt and selling off delinquent tax liens. To remedy the accrued general fund deficit, the district issued guaranteed lease revenue bonds and used the proceeds to fund outstanding payables."

So far so good. But as S&P noted, there were storm clouds still looming. In addition to the lower local and state revenues and rising labor cost S&P commented, "Despite the ongoing efforts of management to restore structural balance, we believe further challenges remain or the near term fixed costs will continue to rise and revenue growth will remain muted. For the long term, the district is continuing its work on an optimization plan to streamline operations and better align its student population and curriculum needs. Also, a long-term challenge remains the district's other postemployment benefit liability." S&P concluded, "The stable outlook on the long-term rating reflects the strength of Pennsylvania's state aid intercept structure."

Fast forward to 2017. The district has continued to cut expenses. Cumulative staff reductions were at 349 which included a 52% reduction in administrators/supervisors (see PFM Group report dated 6-29-16). Also noted in the PFM report other expenses continue to far outdistance inflation. Most specifically, the 4 year compound annual growth rate for pension contributions is 38.5% and charter tuition payments is 10.7%. The PFM report also notes that the Erie City School District's tax millage rate is high. As committee members, we continue to see city residents move to the suburbs to lower their taxes which further compounds the school districts revenue problems. A plan has also been put forward recently to close two more schools and consolidate the high schools. So cut after cut and despite significant ongoing efforts by the school board and administrative staff, the district received another S&P report dated February 1, 2017 that changed the outlook back to negative. As that report notes, despite all the cuts S&P said "we believe Erie City School District continues to demonstrate a weak financial position." The S&P report goes on to say "if the district can achieve consistent structural balance and demonstrate improved revenue of the next two years, we could revise the outlook back to stable." Structural balance is the key phrase and to echo the S&P comments as far back as the 2013 report "the long-term rating reflects the strength of Pennsylvania state aid." So bottom line they need the states help. The children of Erie deserve it. They are the future. We trust that you will give due consideration to their requests for additional state funding and the need to achieve structural balance.

Very truly yours,



Stephen M. Danch
CFO, UPMC Hamot