

Testimony to the Joint Hearing Appropriations and Majority Policy Committees
September 20, 2016
Hearing Room 1 North Office Building

Dr. William E. Harner
Superintendent of Schools
Quakertown Community School District

Chairman Argall and Chairman Browne, members of the Joint Committee, ladies and gentlemen. Good afternoon! Thank you for the opportunity to testify about Performance-Based Budgeting in school districts, and Senate Bill 1341. There is no doubt that my invitation to speak comes from the frequent conversations I have with Senator Mensch about school funding, financial management of school districts, and state education policy. These conversations generally end with discussing practical and simple techniques that my colleague from Souderton School District, Frank Gallagher, and I are successfully using to be mindful and respectful of Pennsylvania taxpayers. Performance-based budgeting, used correctly, is one tool that permits us to accomplish our core purpose - to prepare students who are college and career ready, and to also provide exceptional fiscal stewardship. Additionally, my perspective is unique as I have served as a superintendent for twelve years in two states in three districts, and as the Acting Secretary of Education.

It is possible that someone may have reminded you of Ronald Reagan's famous quotation about wasteful government spending. The President once said, "the closest thing to eternal life is a federal program." We could substitute the word "state" or "school district" in that quote. Every year, since 2001 when I presented my first budget to the school board of Greenville County Schools in South Carolina, I reminded my district's duly elected leaders of this quotation. Just like you, they are decision makers who affect taxpayers' precious dollars. It is incumbent on all of us to do the work expected by our citizens to maximize their effect. When a Board of School Directors approves the annual budget, it is the most important decision they make, outside of selecting their superintendent. Their decision establishes priorities for the subsequent fiscal year, and sets the terms and conditions for students' success in the future.

So how are these priorities established? Performance based budgeting, done correctly, is nothing more than **funding what works**. To know what works requires objective evaluation of the results of each program or activity. To do the right thing - to accomplish vision, mission, purpose, while being excellent stewards of taxpayer dollars, you must begin with the end in mind and use classic decision making practices. It takes both political will and transparency, along with an alignment system that is focused on specific organizational objectives, and a routine performance evaluation process that reports on success and/or failure of previous decisions.

Using performance-based budgeting techniques is relatively easy: It's having the courage to challenge past practices and the political savvy to change public opinion through transparency

and routine reporting that is more challenging. When the Pennsylvania Department of Education is the agency under review, with approximately \$13 billion involved, effective use of performance-based budgeting has the potential to save hundreds of millions of dollars. These savings could offset tax increases or be re-appropriated to other priorities, such as the new funding formula.

With 500 school districts in Pennsylvania, I am sure there are 500 different ways to develop a budget. In listening to Mr. Gallagher, and speaking with scores of other colleagues throughout the state, I know first hand that various forms of performance-budgeting are prevalent in Commonwealth districts. I think you would be pleased with the level of sophistication, public accountability, and fiscal responsibility in most districts.

Public pressure to keep new spending down is no different at the local level than it is at the state level. Shortly after my arrival in each of the three districts where I have served as a superintendent, ordinary citizens, taxpayer groups, and numerous board members openly expressed their concern about “wasteful” school district spending. This happens every time. All groups have similar concerns - a demand for a cost-effective game plan for what I will recommend to the Board, a demand for transparency, and an unwavering desire to not raise local property taxes. Competing against these demands for fiscal austerity, other special interest groups - such as those representing parents and teachers, call for sustaining or adding more funding to programs. Political capital of a new superintendent can be used up quickly, if all of these competing special interests are not addressed even handedly and openly.

It is an opportunity to quickly build trust in a superintendent's leadership. Transparency and communication are key! I personally use our district's home web page for reports, financial findings and performance reports in blogs, as well as social media to spread the word. I routinely ask for feedback. If something isn't working, we need to be transparent about that and what we are doing to fix it.

Drilling down into each major category of a school district budget is a step that sometimes gets overlooked. Superintendents need to examine what and where they are spending, similar to what the Souderton and Quakertown school district routinely do, to determine if they are getting the expected “bang for the buck.” There are important questions to which we must routinely seek answers in a performance-based budgeting environment. For example, “How are expenditures tied to student achievement - directly and/or indirectly? What programs work? What programs aren't working? What can we do better or more efficiently? What is the system of transparency that will create public trust in our school board's decision making? What data points or metrics will be used annually to measure a student's academic growth along a 13-year continuum in a school district? What do we have to do differently to keep students on track to become college and/or career ready?

Specifically for Quakertown, what are my taxpayers, parents, and students getting for their school district's \$100 million budget? How will they know what we are doing is making a

difference? How do we know which things are making a difference? When you seek answers to these questions, are transparent in your findings - sharing both the good and bad news, you are using effective program evaluation to determine what should be funded - aka, performance-based budgeting.

In January of 2014, when I became superintendent of Quakertown, the first two points of order and direction from the Board were, "Go find the money!" and create a system that significantly enhances college and career readiness. Between 1979 and 2005, the school district raised taxes every year at an average rate of over 6%. Some of these years were marked by high enrollment growth and the need to build additional schools. Since then, taxes have risen every year, but only slightly under 1.8%, on average. The Board had made progress on controlling revenue. Now, they wanted to control expenses. You can see on this slide, where the major expenditures are, by percentage. Plus or minus a few percentage points, it is most likely the same for all school districts. In a performance-based budgeting scenario, superintendents and their teams look at major cost drivers, and systematically review both processes AND expenditures in each of the cost drivers.

The largest expense category by far in a school district is for professional staff - teachers, guidance counselors, school nurses and administrators. Staffing patterns and levels are always where I look first when I begin a new assignment. At QCSD, we challenged conventional thinking, looked for redundant systems and accompanying over-expenditures, and created a communication plan that provided full transparency to our work. Just the process of examining the status quo this way changes adult human behavior instantly. It has the potential to change the existing culture of financial management, and adult and student performance in the long term. Explicit program evaluation becomes embedded in all that we do. Within two months of assuming leadership of the district, I presented to the Board my findings. I showed them where the district was spending too much on teachers at the secondary level - about 8% overstaffed. Then, a month later, my team presented a re-staffing plan on how best to re-allocate human and financial resources, a zero additional cost game plan for advancing student achievement by re-purposing existing positions.

Within five months, the Board approved a three year staffing plan to re-purpose fifteen positions to the elementary and middle levels, and use another five vacant teaching positions - accrued through retirements and resignations, to help balance the budget. Various strategies were used for re-purposing - transfers, teachers obtaining an additional certificate in a high need area, and so on. The Board re-invested the teaching positions into areas that research tells us are best practices for improving student outcomes. Naturally, their approval came with an accountability expectation for these expenditures through program evaluation. Additionally, we target revenue generation opportunities such as state grants and aggressively go after them to offset other expenditures. You can see on this slide what the repurposing accomplished (Slide 2).

- Pre-K program (PA Pre-K Counts grant)
- Full Day Kindergarten (in 4 of 6 schools)

- Full-time guidance counselors
- Coding, K-5
- Spanish, K-5
- Spanish, German, & Chinese, 7-8
- Pre-Engineering PLTW, 7-8
- College and Career, 6-8
- Chinese, 9-12

Changing the status quo to identify what works and to shift resources accordingly may sound easy, but it requires heavy lifting. That comes through honest program evaluation, and an effective communication plan and strategy. Results speak for themselves. Let's look at Quakertown's outcomes in only three years. They are a few data points of our districts metrics (show remaining slides). Interestingly, these results came despite an 8% reduction in high school staff and re-purposing teachers to other positions. Not depicted in the slides is the performance of our students at Upper Bucks County Technical School, 99% of whom passed their certification exam in 2016 - up 11.5%. Similarly, you can see the college readiness potential of students in Cumberland Valley SD, after re-purposing 19 teacher positions from the high school. We are talking about saving each district millions of dollars AND getting significantly greater student achievement.

Local taxpayers benefit since their local school system becomes high performing and responsive. This supports the value of their properties and the desirability of their community as a place to live and raise a family. The true objectives of a performance-based budget development process are to enhance students' college and career readiness, and to display fiscal responsibility and accountability, and transparency, ultimately earning the public's trust. In short - change what isn't getting results and dedicate funding to what is.

A performance-based budget process has the potential to be just as effective at the state level, with an even more profound compounding effect than school districts. I commend our state senator, Senator Mensch, for creating the conversation and SB 1341. To make a performance-based budgeting system work that is transparent, effective, and efficient, requires a phenomenal amount of courage and political will. What will be your measurements of success? Is there the will to eliminate programs that aren't working in order to fund those that are? What is the annual or periodic review process used to quantitatively and qualitatively determine if state expenditures are providing measurable results? What are we getting for \$30 billion a year? Do you know? I encourage you to follow the sage advice of author Stephen Covey, "Begin with the end in mind." There is a lot of "low hanging fruit" that is ripe for picking within the state's budget. I wish you well in your journey.

Again, thank you for the opportunity to speak.

Dr. William E. Harner, Superintendent
Quakertown Community School District



Performance Based Budgeting



Academics **ATHLETICS** *Arts*

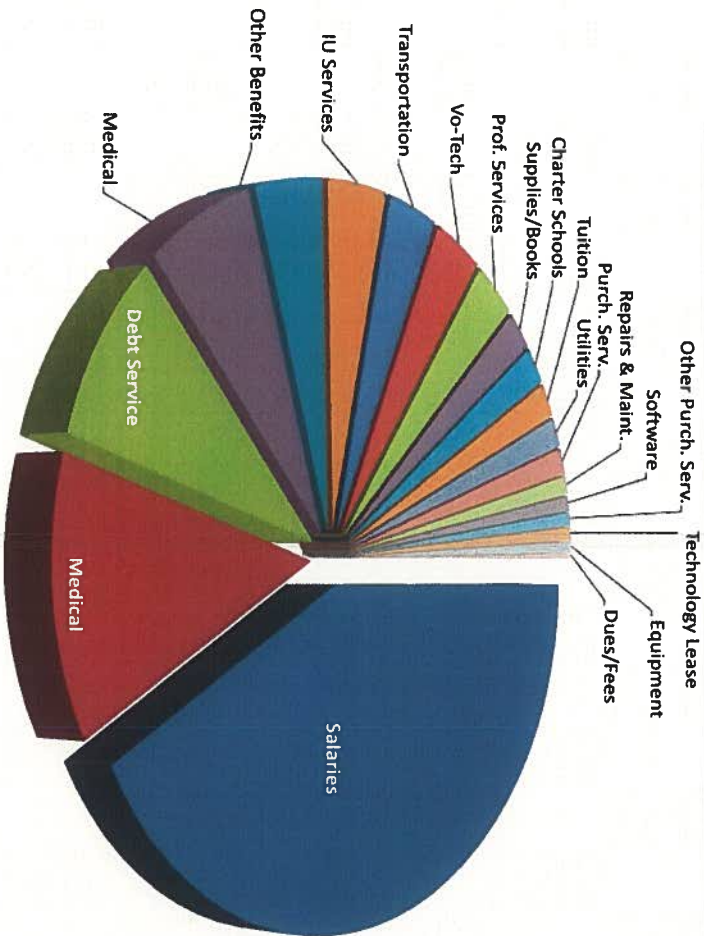
Bill Harner, Ph.D.

Superintendent, Quakertown Community School District





	2016-17	Budget
Salaries	42%	\$43,653,733
Retirement	13%	\$13,109,216
Debt Service	9%	\$9,137,652
Medical	7%	\$7,002,002
Other Benefits	4%	\$4,583,373
IU Services	4%	\$4,154,451
Transportation	3%	\$3,448,073
Vo-Tech	3%	\$3,399,241
Prof. Services	3%	\$3,007,733
Supplies/Books	2%	\$2,004,221
Charter Schools	2%	\$1,900,000
Tuition	2%	\$1,736,000
Utilities	1%	\$1,486,000
Purch. Property	1%	\$1,346,826
Repairs & Maint.	1%	\$950,550
Software	1%	\$758,430
Other Purch. Serv.	1%	\$709,370
Technology Lease	1%	\$670,549
Equipment	1%	\$569,921
Dues/Fees	0.3%	\$261,334
	100%	\$103,888,675

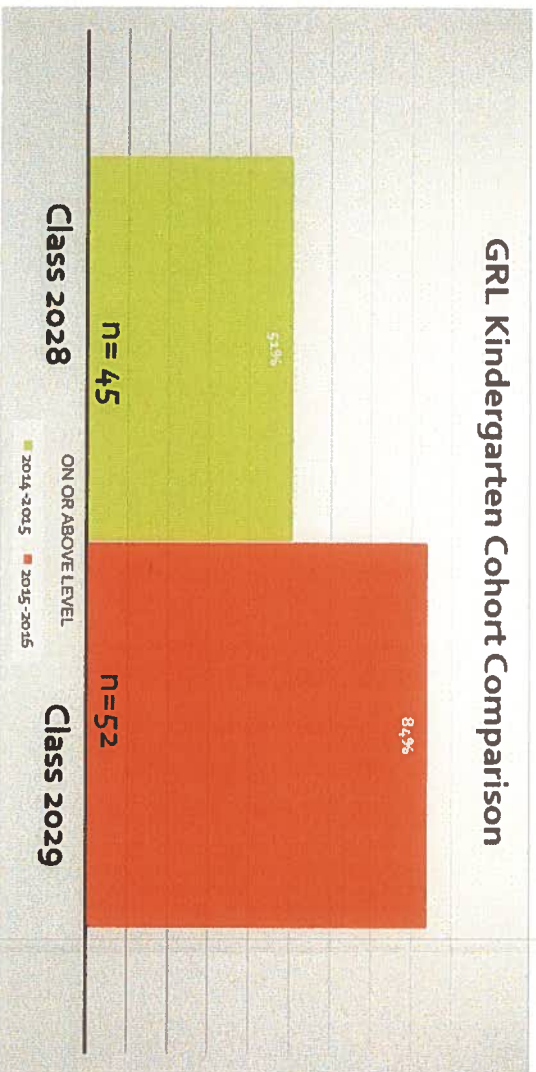




- **Full Day Kindergarten (in 4 of 6 schools)**
- **Full-time guidance counselors**
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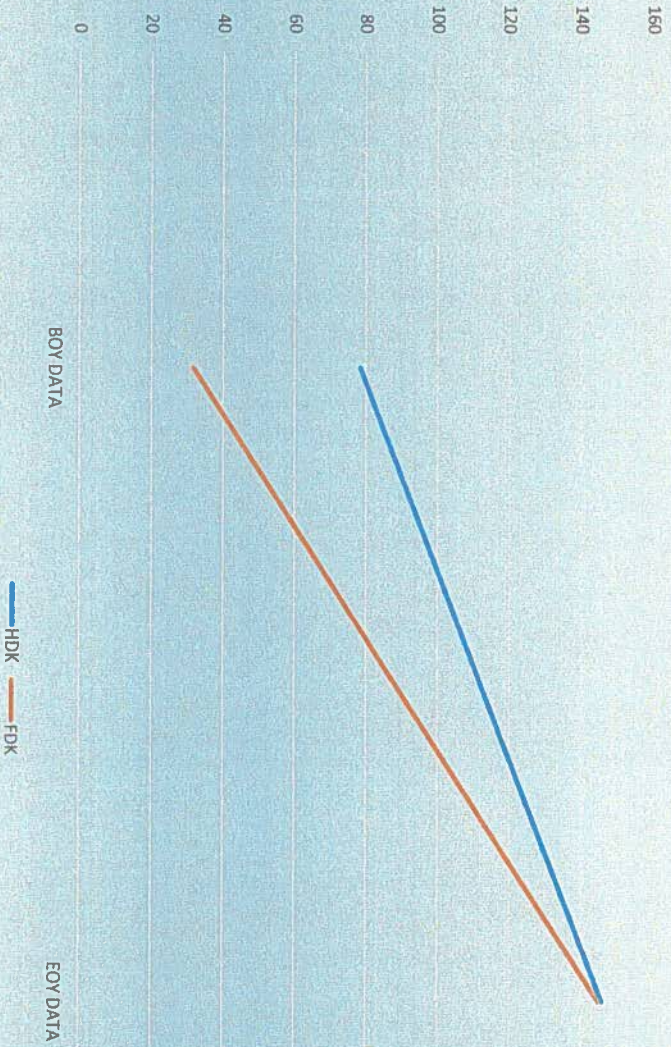
Comparison of the 2014-2015 FDK End of Year Cohort
to 2015-2016 FDK End of Year Cohort
Guided Reading Levels





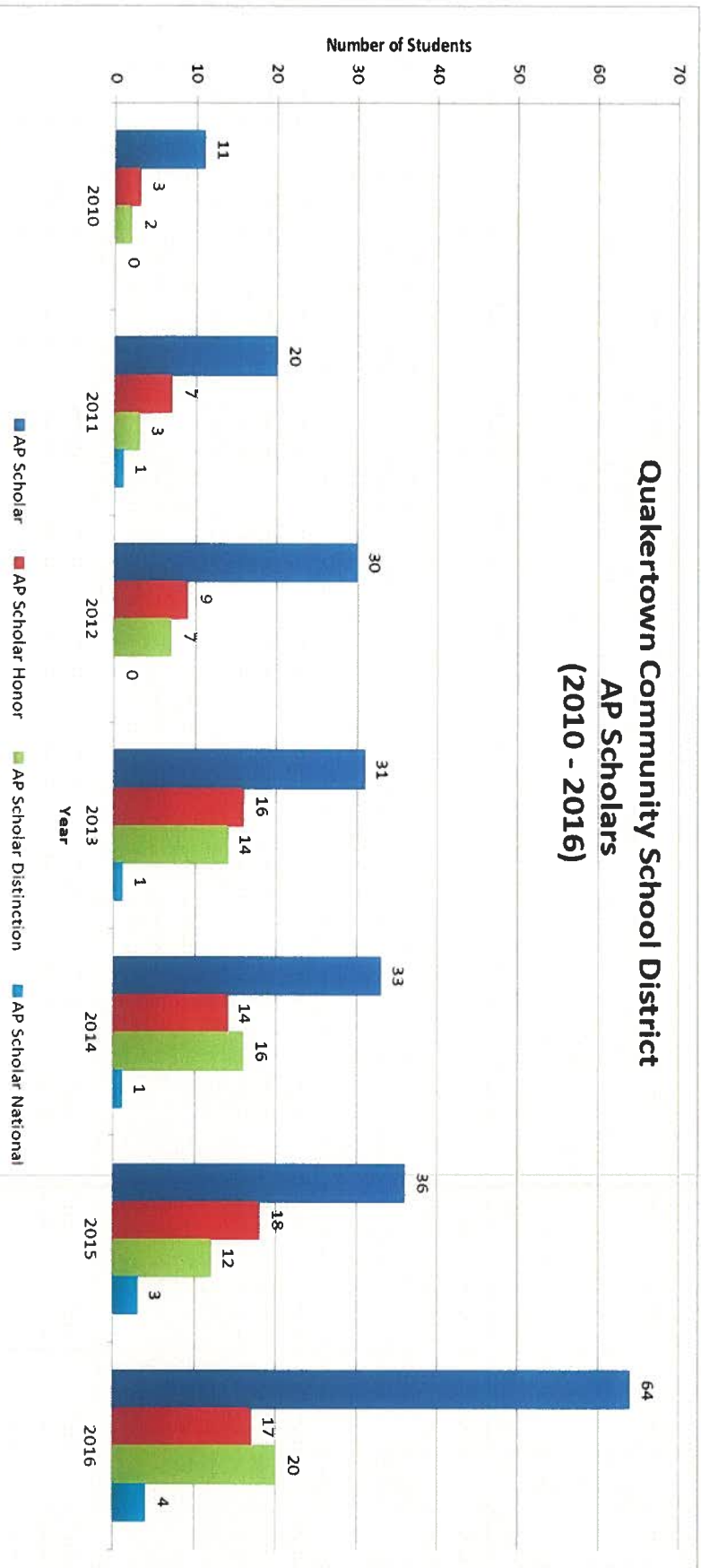
HDK vs. FDK 2015-2016 Class of 2029 Beginning of Year to End of Year Literacy Growth Comparison

2015-2016 HDK/FDK Literacy Composite District Average Growth





Quakertown Community School District AP Scholars (2010 - 2016)





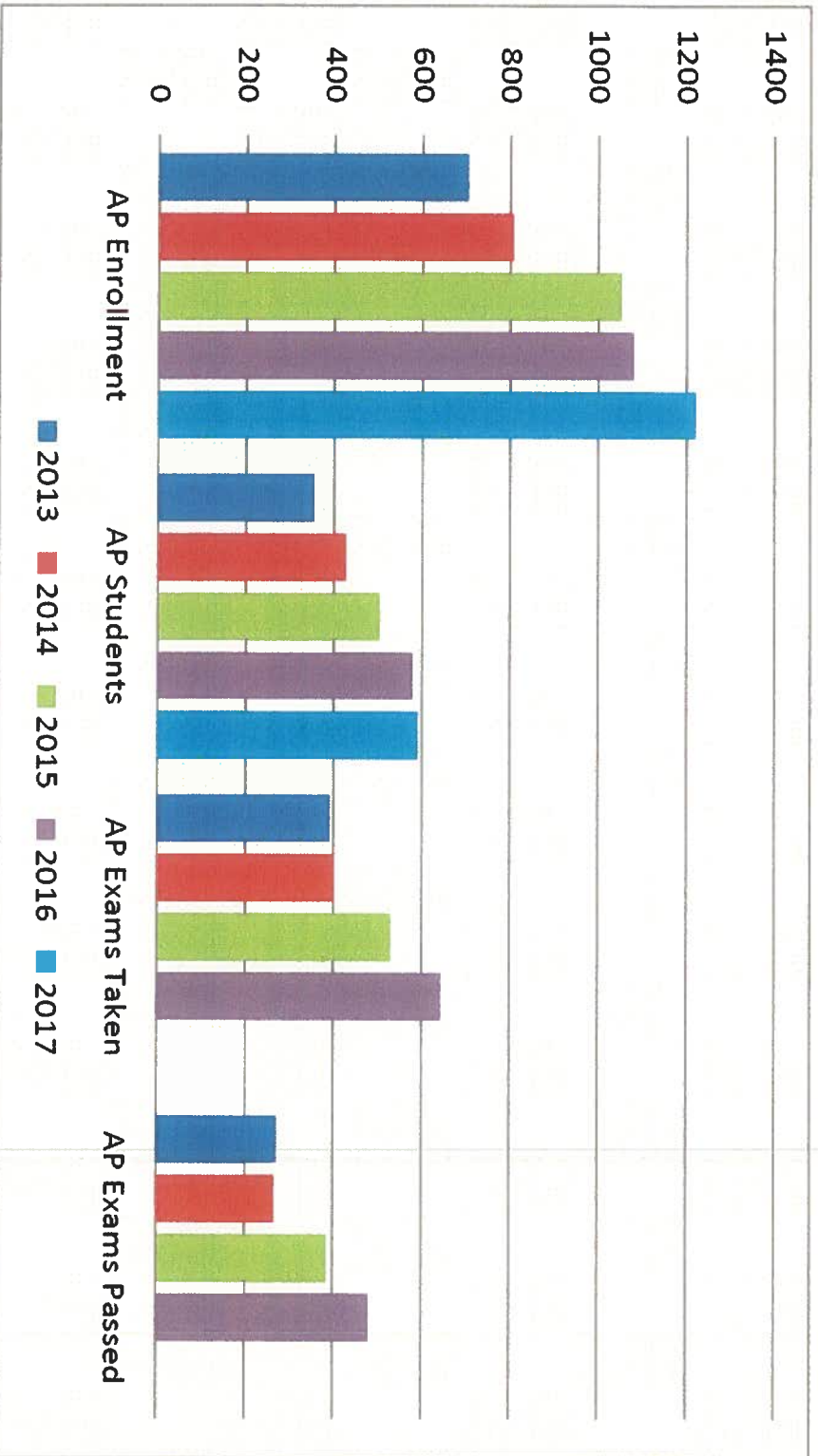
AP Enrollment	2013	2014	2015	2016	2017
AP Students	706	809	1053	1081	1222
AP Exams Taken	356	428	505	579	591
AP Exams Passed	392	399	530	645	
	274	268	387	481	

	Year to Year Growth					Total Growth
	2014	2015	2016	2017		
AP Enrollment	15%	30%	3%	13%	73%	
AP Students	20%	18%	15%	2%	66%	
AP Exams Taken	2%	33%	22%		65%	
AP Exams Passed	-2%	44%	24%		76%	

Total Enrollment (9-12)	2013	2014	2015	2016	2017
% of (9-12) students taking at least one AP class	1585	1589	1610	1618	1650
	22.46%	26.94%	31.37%	35.78%	35.82%



AP[®] 6th Annual Honor Roll





Cumberland Valley AP Scholars - 2007-2012

