70-22,740

CAIRNS, John Joseph, 1909-
AN ANALYSIS OF THE DISTRESSED SCHOOL DISTRICT — COMMONWEALTH OF PENNSYLVANIA.

University of Pittsburgh, Ed.D., 1970
Education, administration

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AN ANALYSIS OF THE DISTRESSED SCHOOL DISTRICT-COMMONWEALTH OF PENNSYLVANIA

by

John J. Cairns

B.S., California State College of California, 1933

M.Ed., University of Pittsburgh, 1948

Submitted to the Graduate Faculty in the School of Education in partial fulfillment of Requirements for the degree of Doctor of Education

University of Pittsburgh

1970

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FOREWORD

The writer wishes to express his thanks and appreciation to Dr. Richard W. DeRemer, his advisor, for his ready assistance, constructive criticisms and helpful suggestions. He is also grateful to Mr. John W. Coatsworth, Assistant Superintendent, California Area Schools for guidance in graphing; to the members of his committee, Dr. Fred E. Bryan, Dr. Walter A. Kearney, Dr. Rueben E. Slesinger, and Dr. Herbert T. Olander for their assistance.

The writer would be remiss if he did not extend his appreciation to members of the staff of the Pennsylvania Department of Education. Assistance and encouragement offered by Dr. David H. Kurtzman, Secretary of Education, Dr. Herbert E. Bryan, Assistant Commissioner, School Administration, and Mrs. Marguerite J. Sheriff, School Accounting Division.

Finally to my brother, Arthur T. Cairns, Assistant Professor, California State College, for editing the study; and to my sister, Margaret C. Ulerich, for her patience and encouragement during the writing of the dissertation.

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TABLE OF CONTENTS

	Page
FOREWARD	ii
I. INTRODUCTION	1
A. General Statement	1
B. Background of the Problem	4
II. THE PROBLEM	19
A. Statement of the Problem	19
B. Elements of the Problem	19
C. Delimitations of the Problem	19
D. Definitions of Terms	20
E. The Data	22
F. Technical Data	22
1. General Method	22
2. Specific Techniques	22
3. Procedures	23
a. Selection of Schools	23
b. Collection of Data	23
c. Tabulation of Data	24
d. Statistical Treatment of Data	24
e. Limitations	25
G. Defensible Bases for the Proposed Study	25

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Page

III. THE CAUSE AND EFFECT OF THE FINANCIAL DISTRESS . . . 26

A. Introduction 26

B. The Cause of Distress 30

C. Failure to Attack School Costs Realistically . . 39

Evaluation of the Commonwealth of Pennsylvania's Program for Distressed Areas 75

IV. FINDINGS, SUMMARY, AND RECOMMENDATIONS 80

A. Summary 80

B. Summary of Findings 81

C. The Effect of Distress 85

D. Conclusions 88

E. Recommendations 90

F. Recommendations for Further Research 92

APPENDIX A 93

APPENDIX B 96

APPENDIX C 97

APPENDIX D 98

APPENDIX E 99

APPENDIX F 100

APPENDIX G 101

APPENDIX H 102

APPENDIX I 103

APPENDIX J 104

APPENDIX K 105

APPENDIX L 106

Bibliography 107

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LIST OF TABLES

		Page
TABLE 1.	Per Capita Personal Income by State, 1969	6
TABLE 2.	Less Than Half of Education Costs Borne by the State	17
TABLE 3.	Commonwealths' Share of Districts' Reimbursable Costs	17
TABLE 4.	Pupil-Professional Staff Ratio of Distressed Districts Studied and the Commonwealth Average . .	33
TABLE 5.	Costs of Collecting Taxes at Local Level Based on Average Daily Membership, 1967-68	36
TABLE 6.	Local Budgeted Taxes by Major Types, Market Value, and Total Tax Effort in Mills on Market Value, 1966-67	42
TABLE 7.	Local Budgeted Taxes by Major Types, Market Values, and Total Tax Effort in Mills on Market Value, 1967-68	43
TABLE 8.	Ratio of Assessed Value to Market Value	44
TABLE 9.	Poor Budgetary Practices	45
TABLE 10.	Plant Maintenance Expenditures Per Average Daily Membership, 1967-68	50
TABLE 11.	Additional Special Assistance Grants on Account of Low Income Families	64
TABLE 12.	Additions to Academic Program During Period of Financial Distress	67

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LIST OF FIGURES

		Page
FIGURE I.	Rank Order of Districts' Initial Indebtedness . .	31
II.	Three Year Comparative Study of District Per Pupil Transportation Costs with Average State Costs	40
III.	Three Year District Comparative Study of Per Pupil Transportation Costs	41
IV.	Tax Effort in Mills on Market Value (State, County, and Local Comparisons)	46
V.	State-Wide Tax Effort Based on 1966 Market Valuations	47
VI.	Market Value Per Weighted Average Daily Membership	59
VII.	Incidence of Distress (Districts' Per Cent Indigent Families)	65
VIII.	Millage Equivalency of Grants-in-Aid on Real Property Assessed Values	74

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I. INTRODUCTION

A. General Statement

In this day of student-teacher-community turmoil, the word "Distressed" assumes many connotations for the school man running the complete gamut from the ordinary meaning of "Pain" to the extraordinary meaning of "Poverty."

Basically, this study deals with the financially distressed school districts. Many school districts in the Commonwealth are experiencing serious financial difficulties. However, since school districts cannot forcibly be designated as distressed, this investigation will concern itself only with those districts that have had the courage to request "grants-in-aid" from the State Department of Education to alleviate their fiscal situation. "Courage" is used to describe the request because it takes "Strength of Character" to expose a school district to public inspection and audit. Public reaction takes one of two views on the announced decision to "go" distressed. One is the general response, "Distressed district! That's too bad, I always thought District X was a well-run district, but, now I see it is in financial trouble." Or a second, "Distressed school district? It doesn't sound quite right. Sort of like going on relief; a time to hang one's head and avoid the neighbor's eyes." An anonymous department official in

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November 1966 stated "right now there are school districts which are actually distressed districts but which have resisted all pressure to be declared officially distressed because of stigma and other reasons". Actually, when studied carefully, it all boils down to the same opinion, one of degradation. Shakespeare put it very succinctly when he wrote in Romeo and Juliet "A beggarly account of empty boxes."

Money in ever-increasing amounts is needed if schools, and particularly the distressed schools, are to be able to pay their way. It, therefore, becomes important to know why a district is distressed. Has the district become the victim of inefficient county assessments? Or, is the district the victim of its own negligence, perhaps indifference, due to the failure to assess needed taxes, failure to collect taxes levied, delay in assessing properties, or failure to add new names and properties to the tax roles? Could it be a lack of shrewdness in financial calculations?

This investigation will argue that section 640 of the Pennsylvania Public School Code of 1949 contributes greatly to a school district's "easing into debt by permitting a district to indulge in borrowing in anticipation of current revenue."

Borrowing funds to be used to pay current operating expenses is money spent, and, once spent, is difficult to redeem--a type of luxury that should be permitted to the most affluent district only. Section 640 of the code becomes an integral part of the study and is, therefore, reproduced here as a readily available source of information.

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Section 640. Borrowing in Anticipation of Current Revenue

"School districts may borrow money in anticipation of current revenues, to an amount not exceeding such anticipated current revenues, which shall be pledged for the payment of such loan or loans, and issue notes or other form of obligation, executed by the president of the board of school directors and attested by the secretary of the board under the seal of the school district, securing such loans. Such notes, or other form of obligation, shall mature and be payable during the current fiscal year in which such money is borrowed. No such borrowing shall constitute an increase of indebtedness within the meaning of Article nine, section eight of the Constitution of Pennsylvania, or of the "Municipal Borrowing Law" of June twenty-fifth, one thousand nine hundred forty one (Pamphlet Laws 159), or of any of the provisions of this act, and shall not require the approval of the Department of Internal Affairs. Such notes shall bear interest at a rate not exceeding six (6) per centum per annum, payable at maturity or in advance, and may be sold at either public or private sale for not less than par. If such loans are not repaid in whole or in part during the fiscal year in which they are made, they, or such amounts as remain unpaid, shall become an obligation upon the following year's budget shall be included therein and paid not later than the first day of November of such following year, in school districts of the second, third, and fourth class. The incurring of such obligations shall receive the affirmative vote of not less than two-thirds of the members of the board of school directors."[1]

Whatever the difficulty, there is a need to know why the school district has become financially distressed, "has accumulated and has operated with a deficit equal to two per centum (2%) or more of the assessed valuation of the taxable real estate within the district for two successive years".[2] If the school district is to become able to live within its means as established by Commonwealth reimbursements plus individual local effort, then, there must be a way to "root" out the "evils" rendering a school district distressed.

This study is aimed at learning the "cause and the effect" of the distress.

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[1]Department of Education, Commonwealth of Pennsylvania, "Borrowing in Anticipation of Current Revenue", School Laws of Pennsylvania, Dec. 1968, Section 640, p. 53.

[2]Ibid. "When District Distressed", Section 691.

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B. Background of the Problem

Public education in Pennsylvania is big business. In Pennsylvania, as "In America, our rising standards of living and our advancing civilization require many things that contribute to the welfare of all citizens. . .the more complex our economy becomes the more we need education."[1]

The successful operation of any undertaking, public or private, depends primarily on finance, the most potent force of business. That education from its infancy to the present has been bound hand and foot by finance is a well-known fact the world over. Educators and financiers have come to look on finance as complementary to education. They know that finding adequate means of school support has presented a problem of major importance since the acceptance of compulsory school attendance and the inception of the idea that the path of adult security was via graded school ladder to a program of higher education. They know that coupled with finding adequate means of school support for the present and the future is the equally important task of locating leadershipability for the administration of said sums of money. They know that these two problems are compounded many times when added to the third problem emanating in this century, that of dealing with the financial difficulties that engulf the distressed school district.

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[1] Taxes are Good, National Education Association of the United States, 1201 Sixteenth Street, N.W. Washington, 6, D.C. March 1961, p. 4.

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It is paradoxical that Pennsylvania's schools should be plagued by money problems, for Pennsylvania, although below the national per capita income, is still among the wealthier states as evidenced by Table 1, page 6. But, if education in Pennsylvania is to keep pace with what is needed in our nation, negotiable capital in ever-increasing amounts is needed. It is necessary that Pennsylvania again recognize the principle espoused by Thaddeus Stevens, heir political proponent for educating the public, "that the wealth of the state must be taxed to educate the children of the state."[1] It was he who "raised the curtain" on education's mystery "How to Finance Our Schools." He emphasized that educational support should move from the inadequacies of organized lotteries, fines, penalties, license on liquor and amusement, tax on banks, and per capita rate bills on parents using the schools to a broader revenue base. He further implanted the thrust to move the force of educational support in the 1830's to a more realistic basis. Now in 1969 that the support of education in the one hundred thirty some odd years has become a mystery and pantomine where the legislature today is truly "shadow boxing" with educational costs, feinting and seldom delivering the needed support. Today, the cycle has recurred and legislators are again talking about organized lotteries. Will the mystery of Thaddeus Stevens and these times ever be solved?

Pennsylvania's distressed school district had its origin in the depression years of the mineteen thirties. Following the "crash" of the stock market in 1929, again in 1932, and still again in 1939,

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[1]Paul R. Mort and Walter C. Ruesser, Public School Finance, (New York: McGraw-Hill Book Company, Inc., 1941), p. 12.

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TABLE 1

PER CAPITA PERSONAL INCOME
BY STATE, 1969 (Est.)[1]

States	Per Capita Income	States	Per Capita Income
Continental United States	$3,527		
District of Columbia	4,757	Wyoming	3,338
Connecticut	4,253	Nebraska	3,332
Illinois	4,181	Missouri	3,254
New York	4,103	Vermont	3,212
Washington	4,047	Florida	3,159
New Jersey	4,043	Virginia	3,133
California	4,030	Montana	3,100
Alaska	3,969	Texas	3,022
Nevada	3,877	Idaho	3,000
Delaware	3,862	South Dakota	2,998
Massachusetts	3,838	Oklahoma	2,980
Michigan	3,819	Arizona	2,980
Maryland	3,812	Maine	2,944
Hawaii	3,798	Utah	2,923
Rhode Island	3,722	Georgia	2,893
Indiana	3,703	Louisiana	2,820
Minnesota	3,605	Kentucky	2,758
Wisconsin	3,593	New Mexico	2,742
Ohio	3,591	North Carolina	2,718
Iowa	3,570	North Dakota	2,717
Pennsylvania	3,514	Tennessee	2,708
Kansas	3,450	West Virginia	2,593
New Hampshire	3,447	South Carolina	2,508
Colorado	3,433	Alabama	2,445
Oregon	3,354	Arkansas	2,380
		Mississippi	2,198

[1] "Income Vs Effort" School Management, January 1969, p. 63.

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many "Districts were unable to collect a sufficient amount in local taxes to meet the costs of operating the schools. The General Assembly was finding it just as difficult to meet its share of the financial demands of the school districts."[1] It was at this time that many professional and non-professional school district employees began to experience "payless paydays" and districts could no longer hide their files of "unpaid bills." It was also at this time that school boards gathered sufficient courage to ask for help.

During the 1933-34 school year, 562 districts of the 1078 districts in the state were distressed and received additional financial aid from a five million dollar fund allocated by the state legislature for the 1933-35 Biennium and placed at the disposal of the superintendent of public instruction. In the 1934-35 term this number was reduced to 533 districts. In addition to receiving increased financial aid from the state, districts were permitted to "reduce teacher salaries (not to exceed 10%) and to increase certain taxes above stated limits."[2]

The first of these remedies had little financial restorative powers. Anything that produced an unwarranted burden on certain individuals could not be justified and could not have any lasting beneficial effects on the financial aspects of the district. The increasing of tax limits at the local level, if justified, would tend to add permanency to the additional funds collected. However, such increases must be removed, and, thereby, are denied the

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[1]"Distressed School Districts 1962", Educational Problems Series No. 1, (Commonwealth of Pennsylvania, Department of Education, 1961), p. 1.

[2]"Distressed School Districts 1966", Educational Problems Series No. 2, (Commonwealth of Pennsylvania, Department of Education, 1966), p. 3.

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district once it has been returned to solvency. These appear to be false economic measures and do not, therefore, satisfy the needs of the distressed district. These techniques are merely a means to an end.

Under constant need for retrenchment in costs, salaries, the largest expense item in most school budgets becomes the prime target for economies. As a consequence teacher-pupil loads, "teaching units consist of twenty-two (22) high school pupils or thirty (30)elementary school pupils",[1] are studied for the purpose of increasing the ratio to one to twenty-six (1-26) in the secondary. This results in younger teachers being suspended and teachers resigning or being retired not being replaced. One can easily see that these are false economies and the only result one can anticipate is reduced quality in the educational program.

A look into what the state believed to be the cause of financial distress revealed that districts were

1. employing many more teachers than were warranted by the enrollment,
2. paying unusually high salaries to school board officials,
3. expending a disproportionate share of receipts for the salaries of janitors,
4. not levying the maximum tax permitted by law,
5. making little effort to collect taxes levied. (It was not unusual to find as many as eighty per cent of the residents of a school district paying no tax at all.)[2]

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[1]Department of Education, Commonwealth of Pennsylvania, "Article XXV" School Laws of Pennsylvania, December 1968, Section 2501.2.

[2]"Distressed School Districts, 1962", op. cit., p. 2.

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Although the early distressed school districts (1933-34) were found throughout the Commonwealth, those located in the coal regions, both anthracite and bituminous, faced the more severe financial problems. "In many areas, the taxes on coal lands had represented as much as ninety per cent of local income and that source of taxation was practically halted."[1] Here, for the first time, this writer came face to face with the hollow value of dependence upon real estate as our main source of tax revenue for financing our schools. Possibly it was here in the nineteen thirties that the sperm cell for tax law 481, 1947 p.l. 1145 (now local enabling Act 511) was implanted? Now that this broadest grant of taxing power conferred by any state upon its local unit is a reality, can it truly supply sufficient revenues to stay the distressed school district? Although an evaluation of this "tax anything" law is not a part of this study, it does offer interesting and challenging research into what could be at least one answer to solving the finances of the distressed school district.

The General Assembly, in 1933, allocated five million dollars to the Superintendent of Public Instruction to aid financially handicapped and distressed districts. In order that a district might be given a grant in aid, it was necessary that certain "economies be exercised," and "that all devices provided for by law be used in the enforcement of tax collections."[2]

Apparently, a guarantee to practice certain economies was not sufficient control, and districts, after receiving a grant in aid,

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[1] Ibid, p. 1.

[2] Ibid, p. 2.

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would revert to their uneconomic practices. "A study made by the General Assembly in 1959 showed that fourteen of the districts that received aid from the first appropriation in 1933-34 were still applicants for aid. It was found that more than twenty-six million dollars had been expended in special grants over the period from 1933 - 1959. It was learned that teachers were still experiencing payless paydays, creditor districts were not being paid tuition owed them, and payments on bond issues held by the public school employees retirement were defaulted.[1]

The members of the legislature enacted and the Governor, on December 15, 1959, signed a law which defined the circumstances under which a district could be declared distressed. This law, involving Sections 691 to 695, is presented here as background data.

Section 691. When District Distressed[2]

(a) A school district shall be deemed to be distressed when any one of the following circumstances shall arise and the Superintendent of Public Instruction, after proper investigation of the district's financial condition, the administrative practices of the board and such other matters as to him may seem pertinent, has issued a certificate declaring such district in financial distress:

(1) The salaries of any teachers or other employes have remained unpaid for a period of ninety (90) days.

(2) The tuition due another school district remains unpaid on and after January first of the year following the school year it was due and there is no dispute regarding the validity or amount of the claim.

(3) Any amount due any joint board of school directors under a joint board agreement remains unpaid for a period of ninety (90) calendar days beyond the due date specified in the joint board's articles of agreement.

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[1] Ibid., p. 3.

[2] School Laws of Pennsylvania, op. cit., pp. 65-67.

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(4) The school district has defaulted in payment of its bonds or interest on such bonds or in payment of rentals due any authority for a period of ninety (90) calendar days and no action has been initiated within that period of time to make payment.

(5) The school district has contracted any loan not authorized by law.

(6) The school district has accumulated and has operated with a deficit equal to two per centum (2%) or more of the assessed valuation of the taxable real estate within the district for two successive years.

(7) A new merged or union school district has been formed and one or more of the former school districts which compose the merged or union school district was a distressed school district at the time of the formation of the merged or union school district.

(Cl. (7) added July 31, 1963, P.L. 407.)

(b) No school district shall be deemed to be distressed by reason of any of the above circumstances arising as a result of the failure of the Commonwealth to make any payment of money due the district at the time such payment is due.

(Added December 15, 1959, P.L. 1842.)

Section 692. Special Board of Control: Petition: Appointments

Whenever on the basis of a proper investigation as herein provided for, the Superintendent of Public Instruction has declared any school district to be a distressed school district, he, or his designated representative, who shall be a person trained in public school administration, possessing the certification prerequisites demanded of a district county associate or assistant county superintendent, or holding in the Department of Public Instruction the rank of Deputy Superintendent, shall petition the court of common pleas of the county in which such district, or the largest part in area, is located to appoint two citizens who shall be qualified electors and taxpayers in the county in which the school district is located. School directors and employes of any such school district shall be ineligible for appointment by the court. The appointees, together with the Superintendent of Public Instruction or his designated representative, shall constitute a special board of control. Vacancies occurring because of death or resignation of appointed members of the board shall be filled by the court. The special board of control shall assume control of the affairs of the district and operate it in the place of the school directors during the period necessary to reestablish a sound financial structure in the district. The costs of the court proceedings shall be paid by the Department of Public Instruction.
(Amended July 31, 1963, P.L. 407.)

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Section 692.1 When No Appointment is Made

In the event that the court of common pleas has made no appointment of members to a special board of control within thirty (30) days of the date of the filing of the petition for such appointment, the Superintendent of Public Instruction may designate the county superintendent of schools and a member of the county board of school directors of the county in which the petition is presented to serve until the court makes its appointments. A school director of the distressed school district serving on the county board of school directors shall be ineligible for appointment. (Added July 31, 1963, P.L. 407.)

Section 692.2 Compensation of Special Board of Control

The members of the special board appointed by the court, or the member other than the county superintendent of schools appointed on a temporary basis by the Superintendent of Public Instruction, shall be paid ten dollars ($10) for each meeting of the regular board of school directors of the distressed school district which they attend: Provided, however, That the total amount to be paid in any fiscal year to each such member shall not exceed one hundred twenty dollars ($120). Such payments shall be made from the funds of the school district and shall be charged to administrative services even through no previous provision has been made in the budget of the school district for such expenses. (Added July 31, 1963, P.L. 407.)

Section 693 Powers of Special Board of Control

When the special board of control assumes control of a distressed school district, it shall have power and is hereby authorized to exercise all the rights, powers, privileges, perogatives and duties imposed or conferred by law on the board of school directors of the distressed district, and the board of school directors shall have no power to act without the approval of the special board of control. In addition thereto, the special board of control shall have power to require the board of directors within sixty (60) days to revise the district's budget for the purpose of effecting such economies as it deems necessary to improve the district's financial condition. To this end the special board of control may require the board:

(1) To cancel or to renegotiate any contract other than teacher's contracts to which the board of the school district is a party, if such cancellation or renegotiation of contract will effect needed economies in the operation of the district's schools.

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(2) To increase tax levies in such amounts and at such times as is permitted by the act to which this is an amendment.
(3) To appoint a special collector of delinquent taxes for the district who need not be a resident of the school district. Such special tax collector shall exercise all the rights and perform all the duties imposed by law on tax collectors for school districts. The superseded tax collector shall not be entitled to any commissions on the taxes collected by the special collector of delinquent taxes.
(4) To direct the special board school auditors of the department or to appoint a competent independent public accountant to audit the accounts of the distressed school districts.
(5) To dispense with the services of such nonprofessional employes as in his judgment are not actually needed for the economical operation of the school system.
(6) To suspend, in accordance with the provisions of section 1124 of the act to which this is an amendment, such number of professional and temporary professional employes as may be necessary to maintain a pupil-teacher ratio of not less than twenty-six per teacher for the combined elementary and secondary school enrollments.
(Added December 15, 1959, P.L. 1842.)

Section 694 Additional Tax

When the operation of a distressed school district has been assumed by the special board of control, the board of school directors of the district shall, upon the recommendation and with the approval of the special board of control, levy an additional tax or taxes sufficient to liquidate the indebtedness of the district: Provided, that when such school directors fail to levy such additional taxes within a reasonable time, the special board of control may petition the court of common pleas of the county in which such district or the largest part in area is located to issue a writ of mandamus requiring the board to levy such additional tax or taxes, or he may, in his own name, initiate action to have the board removed from office for neglect of duty subject to the provisions of section 318 of this act. Notwithstanding present limitations on tax rates imposed by law, such limitations shall not apply to distressed school districts. (Added December 15, 1959, P.L. 1842.)

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Section 695 School Directors to Remain in Office: Elections

The school directors of a distressed district may not resign their offices, except with the unanimous consent of the special board of control and shall continue in office, unless removed from office for neglect of duty under the provisions of section 318 of this act by the court of common pleas of the county in which such district or the larger in area is located, or unless any of such directors are elected to another position not compatible with the position of school director or are appointed to any position for which there is a requirement that said appointee shall hold no elective office, for the remainder of their terms during the time the district is operated by the special board of control and shall perform any duties delegated to them by it. The assumption of control shall in no way interfere with the regular election or reelection of school directors for the district. (Amended July 31, 1963, P.L. 407.)

C. Review of the Literature

Though articles, research papers, theses, books concerning all facets of financing public schools are legion, information concerning the financing of, and pertinent to, certain districts known as distressed school districts is meager. Insofar as the writer has been able to learn, the only available research or study concerning the distressed district, as such, is that research developed by employees of the State Department of Education, whose duty is to keep the state legislature informed on matters pertaining to the number, deficits, causation factors, corrective measures being taken, and the results thereof. However, since distress in this study refers entirely to finance, the writer will lean upon certain basic issues of overall finance as they pertain to any district, solvent or distressed.

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Johns and Morphet tell us, when referring to costs of education, that any "learning necessitates an investment of time, effort, and financial resources. But how much of an investment is necessary for the quantity and quality of education needed to achieve the accepted purpose?. . .The investment is still far too limited. . .In fact there is no evidence that the limit has been attained in any nation thus far."[1]

Jarvis, Genty and Stephens recognize that differences exist among schools districts in their ability to finance their educational programs, but believes re-organization to be a curative, "suffice it to say at this point that financial ability is one of the chief criteria for determining district re-organization needs."[2]

Pennsylvania seems to be in complete agreement for district re-organization through jointure, merger, or union, and all of these avenues have been explored in the case of all distressed districts. Thomas agrees with this solution when he says "two hundred well-organized and properly supported school districts would be sufficient for the Commonwealth (Pennsylvania). . .I have recommended for many years that school districts have at least ten thousand boys and girls."[3] (Pennsylvania school districts have been reduced to 741 as of 1969).

A school district's monies for education come from three main sources: local tax, state aid, and federal aid. Until the birth of The Elementary and Secondary Education Act (ESEA), federal aid has been practically non-existent, and, is still so, except for a minimum of funds,

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[1]Roe L. Johns and Edgar L. Morphet, Financing the Public Schools (New Jersey: Prentice-Hall, Inc., 1962), p. 3.

[2]Oscar T. Jarvis, Harold W. Genty, and Lester D. Stephens, Public School Business Administration and Finance (New York: Parker Publishing Co., 1967), p. 343.

[3]Maurice J. Thomas, The Educational Challenge (Pittsburgh, The Tri-State Area School Study Council, 1961), p. 53.

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based on the poor and indigent in the community, that has been given for categorical (clearly expressed without condition or qualification) aid. So, at this time, such funds are disregarded. Various committees, both governmental and private, have indicated that an equitable distribution of school costs between the local and state would be on a fifty-fifty basis. Pennsylvania's, (the state government), share of the total costs of education declined steadily beginning with the 1957-58 school year when it reached its high of 49.5% of the costs to the 1962-63 school year when it paid but 42.1% of the cost. A slight up-swing of .1% and 1.6% occurred in the 1960-61 and 1963-64 terms respectively. The 1964-65 school year reached an all time high of 50.9% only to drop in the 1965-66 period and again in the 1966-67 school year when the state met only 41.7% and 40.1% of the costs respectively The school years 1967-68 and 1968-69 saw the beginning of another up-swing 44.5% and 45.2% respectively as shown in the following table on page 17.

In the light of table 2, a review of a district's aid ratio, "the Commonwealth's share of reimbursable costs"[1] will indicate the district's financial ability as it deviates from the state's average reimbursements. The aid ratios of the distressed districts studied herein are listed in table 3.

The high aid ratios, all exceeding the state's average reimbursement to the individual school district, indicates the economic weakness common to all districts declared distressed.

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[1] Op. Cit., School Laws of Pennsylvania, Section 250.14, p. 174.

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TABLE 2

LESS THAN HALF OF EDUCATION COSTS BORNE BY STATE [1]

Year	Percentage of Total Costs Borne by the State
1957-58	49.5%
1958-59	47.0%
1959-60	44.3%
1960-61	44.4%
1961-62	42.7%
1962-63	42.1%
1963-64	43.7%
1964-65	50.9%
1965-66	41.7%
1966-67	40.1%
1967-68	44.5%
1968-69	45.2%

TABLE 3

COMMONWEALTHS' SHARE OF DISTRICTS' REIMBURSABLE COSTS [2]

District	Aid Ratio
State Average 1968-69	.4520
A	.7611
B	.8112
C	.7523
D	.6330
E	.8347
F	.5948
G	.7813

[1] "Statistics for School Men," Reporter, Pennsylvania State Education Association, Vols. 32, Nos. 5, 10, 1964, 1968, pp. 24,39.

[2] Department of Education, Commonwealth of Pennsylvania, Current Aid Ratios Applicable to Computation of Reimbursements Payable During the School Year of 1969-70, 1969.

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A study to determine the causes of the financially distressed school districts of Pennsylvania and hopefully to ascertain recommendations for overcoming these difficulties is needed.

Extreme care and leadership must be exercised in dealing with a distressed district to assure that grants in aid which are meant to be a "shot in the arm" do not become a lethal "knock-out-drop" keeping a district financially reeling year after year. Extreme care and leadership must be exercised if Pennsylvania is to finance successfully the best education it can offer its populace.

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Chapter 2

B. THE PROBLEM

1. Statement of the Problem

It is the purpose of this study to review the distressed school districts of the Commonwealth to determine the causes of distress and the steps taken to relieve the districts of their financial plight and to restore them to sound fiscal policies.

2. Elements of the Problem

A. To identify Commonwealth school districts that have been declared distressed.

B. To determine and assess the reasons for districts being classified as districts of financial distress.

C. To study the factors contributing to removal of school districts from distressed classification.

D. To arrive at an evaluation of the Commonwealth of Pennsylvania's program for distressed districts.

3. Delimitations of the Problem

A. All distressed school districts of Pennsylvania as of 1968-69 (Five districts remaining distressed and two added at beginning of 1968-69 fiscal year).

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4. Definition of Terms

A. Assessed Value of Property--An appraisal of the value of property for tax paying purposes, not necessarily its market value.

B. Distressed--A school district shall be deemed to be distressed when the Secretary of Education, after proper investigation of the districts financial condition, has issued a certificate declaring such district in financial distress.[1] (Refer to pages 10 and 11)

C. Local Effort--Relationship between potential and actual utilization of taxes as levied by the local administrative government rather than by state or federal governments.

D. Market Value of Property--Is the value placed on the property by the state Equalization Board of the Commonwealth of Pennsylvania.

E. Millage--Number of mills assessed on pre-determined valuations. One mill is equivalent to one tenth of a cent (.001).[2]

F. Non-Feasance--The omission of some act which ought to have been performed.[3]

---

[1]School Laws, Section 691, When Districts Distressed, p. 65.

[2]C. L. Barnhart and Jess Stein, The American College Dictionary, (Syracuse, New York: The L. W. Singer Company, 1961), p. 772.

[3]Ibid., p. 825

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G. Personal Income--"The gross income of the individual represents his receipts during the year in money and in kind ---Receipts of personal services, such as wages, salaries, commissions, fees, and tips are entered as gross amounts before any payroll deductions. Receipts from ownership of property, such as dividends, interest, rents, royalties, and profits are entered net of the expenses incurred in earning them."[1]

H. Real Income--"Real income is broadly defined to include all satisfactions derived from the disposal of monetary receipts."[2]

I. Pupil/Teacher Ratio--Proportional relation of the number of pupils to one teacher.

J. Real Estate Property--For the purpose of this study refers to immovable property such as lands and buildings; "all the property upon which the county taxes are levied and possible."[3]

K. Reimbursement--Total amount of monies paid to the local district by the Commonwealth for its share of educational costs.

L. Grants-in-Aid--Amount of money paid to local district in an attempt to remove it permanently from distressed roll.

---

[1]Philip E. Taylor, The Economics of Public Finance, (New York: The Macmillan Co., 1961), p. 362.

[2]Ibid., p. 385.

[3]School Laws, Section 676, Property Subject to Tax, p. 60

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C. THE DATA

1. Basic Source

   A. Records of the Office of Distressed School Districts, Department of Education.

   B. Reports from the Bureau of Statistics, Department of Education.

   C. Other files of the Department of Education as deemed necessary.

   D. Interview with School Superintendent and Central Office Staff. (Refer to interview schedule pages 89-91.)

2. Other Sources

   A. Authorities in the field

   B. Professional Literature

D. TECHNICAL DATA

1. General Method

   The survey-analytical and case study methods of research.

2. Specific Techniques

   A. Personal Interviews

   B. Data were analyzed by comparison techniques.

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3. Procedures

A. Selection of Schools

All districts presently classified as distressed (7) by the Department of Education were studied. (1966-68)

B. Collection of Data

1. An interview schedule in form of a check list to determine cause and effect of distress and to gather district background information was developed by the researcher in cooperation with Chief School Administrators of past distressed districts and Department of Education field workers for distressed districts. The interview schedule received the approval of Dr. David Kurtzman, Commonwealth Secretary of Education, and Dr. Herbert Bryan, Assistant Secretary.

The Interview Schedule has been reproduced as Appendix 1.

2. Information was gathered from confidential reports issued to the Secretary of Education by central office personnel and field workers of the Department of Distressed Districts. Education Problem Series 1 & 2, also prepared by this Department, were studied for pertinent information.

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3. Information concerning individual distressed districts was obtained by using the interview schedule with the Department field worker.

C. Tabulation of Data

1. Financial deficits were listed and studied.
2. Financial grants-in-aid were listed and studied.
3. Local taxing sources for the school years 1966-67 and 1967-68 were noted and studied to determine total local effort.
4. Assessed and market values were recorded for comparative sources.

D. Statistical Treatment of Data

1. Planned local tax effort for the 1966-67 and 1967-68 school years were studied and expressed in mills on market value for statewide comparative purposes.
2. Financial grants-in-aid were studied to determine the mills equivalent on assessed value.
3. Large expenditure items were studied for comparison purposes with state averages to determine possible areas of financial savings.
4. Weighted average daily memberships and market values were studied and compared with the state average market value behind each pupil.

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5. Pupil/Teacher ratios were studied to determine possibility of overhiring of professional personnel.
6. The incidence of disadvantaged students was studied to determine if it was a cause of distress.

4. Limitations

1. Reports submitted will contain errors. Such human errors will be present as a limitation on absolute accuracy.
2. The withholding of complete information by personnel involved.

5. DEFENSIBLE BASES FOR THE PROPOSED STUDY

1. In the search of existing literature in the field of school finance, no comparable study has been found.
2. Districts once helped to financial solvency have lapsed time and time again indicating the need of such a study.
3. There is a need to determine the causes of school district insolvency.
4. An investigation of the distressed school district is needed to obtain information to reassess the distressed school district program.

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Chapter 3

The Cause and Effect of the Financial Distress

A. INTRODUCTION

There is no magic formula for helping a distressed school district wipe out its debts. Many have called for a tightening of the belt, which when carried out to its fullest meaning, means the curtailment, if not elimination, of educational programs, frills, as many term them, such as remedial classes, drivers' education, college mathematics and composition, pre-school classes, adult education, recreational activities, and even to increasing the teacher-pupil load to a place where it defies any semblance of a quality program. This certainly is not the answer.

Districts searching for a path to financial solvency, without the quality of their educational program becoming a sacrifical offering, must be given an opportunity to find their way. The move must be sound both fiscally and educationally. Dr. F. K. Shields, Superintendent, Cambria County Public Schools, defines the distressed school district act as "a legal way of remaining solvent without reducing the quality of education."[1] The distressed act, then, appears to offer the kind of help needed by the districts. Implementation requires that six sequential steps must be taken as follows:

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[1]F. K. Shields, "School District's Move to Distressed Status Sound", Tribune-Democrat, (May 8, 1969.)

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Step No. 1 is filing the application for distressed district status which is reproduced here for clarity purposes.

APPLICATION FOR SPECIAL AID GRANT - DISTRESSED SCHOOL DISTRICT

To: Superintendent of Public Instruction

The _____ School Board, _____ County by resolution, duly recorded in the school board minutes, of _____, 19 ___, certifies and affirms that the school district is distressed under the definition in Act 675, approved December 15, 1959, that the functioning of the educational system is being seriously interfered with, and requests to be declared a distressed district by the Department of Public Instruction and to be considered for a special aid grant in the amount of $ _____, to be used for the payment of _____.

A. The school district considered itself in a distressed status by reason of the following item, or items, as indicated:
   ( ) 1. Salaries of teachers and other employes unpaid for ninety or more days.
   ( ) 2. Tuition payments unpaid after January for prior years' obligation.
   ( ) 3. Joint board pro-rata share unpaid ninety calendar days beyond due date.
   ( ) 4. School district had defaulted on ( ) bonds and interest, ( ) rentals due authorities, for a period of ninety days after due date.
   ( ) 5. School district has contracted a loan, or loans, unlawfully.
   ( ) 6. School district has operated for two consecutive years with a deficit of, or more than, two per cent of assessed valuation.

( ) B. The school board submits, attached hereto, the required statement and supporting data to substantiate the distressed conditions claimed as checked in "A" above.

( ) C. The school board understands that, under Act 675, it is subject to the provision that the administration of its affairs may be assumed by the Department of Public Instruction, the Department deeming it necessary and advisable.

_____ _____
Date President School District

_____
Secretary School District

Sworn and subscribed to and before me this ____ day of _____, 19 _____.

_____
Signature and Seal, Notary Public

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Step No. 2 - An audit investigation is made to determine the exact financial status of the school district and its eligibility for consideration under the applicable provisions of the school code.[1]

Step No. 3 - The secretary of education declares the school district financially distressed by official certificate and directs the establishment of a Special Board of Control to assume supra-administration of the business affairs of the district.

Step No. 4 - The Court of Common Pleas of the particular county concerned appoints two (2) citizens who, with the representative of the secretary of education as chairman, comprise the special board to work with the locally elected board in correcting financial problems involved.

Step No. 5 - Organization meeting of special Board of Control. (See p. 29)

Special Board of Control have full authority and power in that the local boards may not act without their approval and in many instances are required to cancel or renegotiate contracts, increase taxes, enforce collections, to dispense with excess personnel, and to take any proper actions to affect economies.

The Special Board of Control is maintained until the school district is again solvent and the local board is ready to resume control.

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[1]Confidential Report, Financially Distressed School Districts 1968, Commonwealth of Pennsylvania, Department of Education, p. 1.

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Organization Meeting of Special Board of Control

_____

_____
(Date)

The Special Board of Control for the _____ School District met in the _____ AT _____ P.M.

Present: _____

_____

_____

Mr. _____ explained Act 675, 1959, as amended and how the regular board might be expected to function in cooperation with the Special Board of Control.

MOTION: It was moved and properly seconded that the Department Representative be elected Chairman of the Special Board. Motion carried.

MOTION: It was moved and properly seconded that the regular board be restrained from making payments and negotiating any new contracts after this date except to approve the payments of salaries, retirement and social security, and utility bills, transportation payments as approved by the Department of Public Instruction, Jointure payments when due, when money is made available. All other contracts and payments from the general fund must have prior approval of the Special Board of Control. Motion unanimously approved and carried.

MOTION: It was moved and properly seconded that the Secretary of the regular board be asked to notify the Special Board of all meetings. Further, that the Secretary send copies of the minutes of all board meetings to the Chairman of the Special Board, Department of Public Instruction, Harrisburg, and that the minutes of the Special Board's meetings be made a part of the permanent record of the School District.

NOTE: The regular board meets _____ At _____.

A question and answer period followed concerning the financial condition, tax structure, etc., and the steps that can be taken in the rehabilitation of the School District.

The Names and Addresses of the Special Board:

_____ PH: _____

_____ PH: _____

Meeting adjourned at _____.

_____
(Signature of Dept. Representative)

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B. The Causes of Distress

In trying to pinpoint the reasons for a district's becoming distressed, one needed to recognize the fact that many persons involved, for whatever reasons, did not wish to discuss the issues frankly. It, therefore, became necessary for this writer to glean much of his information from district budgets on file in county offices, and publications developed by the Department of Education.

For the purposes of this study five districts remaining distressed at the close of the 1967-68 school year and two districts added at the beginning of the 1969-70 school year representing the total of the announced distressed districts in the Commonwealth today have been visited and studied. The names of these districts must be treated confidentially and will not therefore be a part of the study.

1. Board Nonfeasance

a. Violation of Section 640 of the Pennsylvania School Code

In attempting to determine the cause of financial distress, responsible persons in the distressed school districts and county school administrative officials were interviewed. Board nonfeasance (omission of some act which should have been performed) was not a factor except in one category, the violation of Section 640 of the Pennsylvania School Code. All seven districts admitted knowingly violating this section of the school code. Many of the smaller districts in the distressed districts studied did not fully realize their overall involvement until the day of reorganization when they found their debts, but no assets remained. The initial debts, beginning debts established by the Department of Education auditors upon acceptance of district as distressed, are shown in Graph 1, page 31. The accummulated debts amounted to $3,159,783.00.

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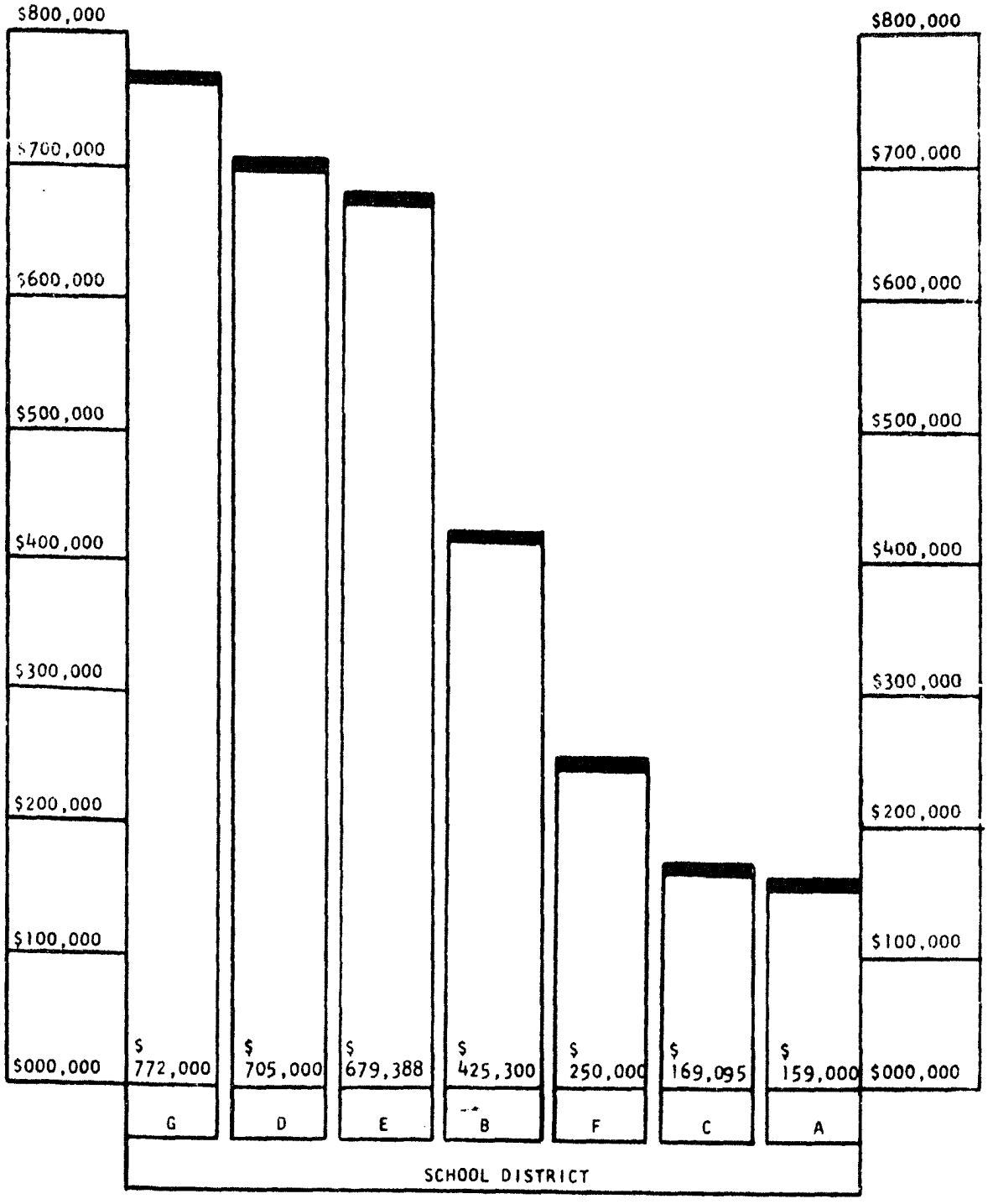

FIGURE 1

RANK ORDER OF DISTRICTS' INITIAL INDEBTEDNESS

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b. Poor Budgetary Practices

1. Overhiring of Personnel

Hiring more personnel, professional or non-professional, than needed would be a costly luxury. Therefore, it was necessary to determine, if possible, when a district had an optimum staff. This research will maintain that a comparative study of pupil-teacher ratios as established by leaders in the fields of education and economics will set an acceptable pattern for the numbers of professional personnel needed for efficient operation of the school district.

Jarvis, Genty, and Lester refer to the standard pupil-teacher ratio of "twenty-five pupils to one teacher".[1] A study conducted by Moody's Investors Services, Inc., New York City and Campus Associates of Boulder, Colorado, at the request of South Carolina's Governor Robert E. McNair, recommended "smaller class sizes"[2] to improve teacher effectiveness and concluded that one of the most effective means of promoting economic growth is state government investment in education. Economist Leon H. Keyserling's study, "A Ten Year Plan" was the basis for the American Federation of Teachers' minimum standard of equalized excellence for public school performance and recommends, among other things, "Lowering the ratio of teachers to enrollment to 1-to-20 from the 1967 ratio of 1-to-24".[3]

The Bureau of Distressed Districts, Department of Education,

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[1]Oscar T. Jarvis, Harold W. Genty, and Lester D. Stephens, Public School Business Administration and Finance (New York: Parker Publishing Co., Inc., 1967), pp. 151-152.

[2]Moody's Investors Services, Inc., "State Government Investment in Education", Education U.S.A., (Sept. 2, 1968).

[3]Leon H. Keyserling, "A Ten Year Plan", Education Summary, (Dec. 15, 1968) p. 3.

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urges districts experiencing financial difficulty to institute a ratio of 26-to-1. The pupil-professional staff ratio in the districts studied ranged from a low of 19.9 to a high of 24.3 pupils to one teacher as shown below. During the same year (1968-69) the average for the Commonwealth was 19.7.

TABLE 4

PUPIL-PROFESSIONAL STAFF RATIO
OF DISTRESSED DISTRICTS STUDIED
AND THE COMMONWEALTH AVERAGE
(1968-1969)

District	Number Pupils	Number Professional Personnel	Professional Staff-Pupil Ratio
Commonwealth	2,306,950	117,198	19.7
A	1798	84	21.4
B	1664	74	22.4
C	2498	112	22.3
D	2350	118	19.9
E	6357	286	22.2
F	1700	81	20.9
G	4702	193	24.3

The pupil-professional staff ratio of distressed districts studied was found to exceed the Commonwealth average. However, in the light of these findings, economies in the distressed districts could be realized by having the staff-pupil ratio approximate the Bureau's recommended ratio of 1-26.

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2. Payment of Extravagant Salaries

a. Professional

No evidence was found to substantiate the thought that distressed districts were paying unreasonable or expensive salaries. Teachers' salaries were all hovering at limits established by the legislature.

b. Non-Professional

Excessive salaries were not found among the non-professional workers: clerical, teacher-aides, maintenance, cleaning, and janitorial personnel. In many instances almost the exact opposite was found to exist. Beginning secretarial salaries were found to be as low as $2400.00 yearly (12 months). Cleaning women were hired for as low as $1.52 per hour, teacher-aides (non-instructional) at $1.50 per hour, school guards at $1.25 per hour, janitors and maintenance personnel at $3000.00 yearly (12 months). It appeared that some of these would have fared better on relief inasmuch as $2,000.00 to $3,000.00"[1] has been established as poverty level by our Federal Government.

c. Tax Collectors

A problem of definite concern, when studying salaries, appeared to be the commissions earned by tax collectors. How one could assess the costs of collecting taxes was hampered, because in every instance of the districts studied, the district was the result of reorganization with each district bringing its own tax collector. For the purpose of this study, the amount of taxes collected and the overall costs for

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[1] "Financial Assistance to meet the Special Educational Needs of Educationally Deprived Children", Public Law 89-10, U. S. Department of Health, Education, and Welfare, November 1968, p. 5.

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collection were studied. The cost was then broken down to show the cost of collections per pupil in average daily membership in each of the districts studied. These figures were then compared with statewide costs as shown in Figure 5.

Tax collection costs in one of the seven distressed districts studied were less, 71.23% of state costs. Costs for the remaining six districts exceeded state average costs from 135.52% to 221.49%. Skelton[1] tells us that unnecessary inroads of available tax revenue result from high tax collection costs. . .There is a need for new and mandatory legislation in Pennsylvania to effect efficiency in the organization and administration of school district tax programs. The facts show a definite need to reduce these costs.

Solutions to this problem are now being considered.

James B. Conant, former Harvard President, and one-time advocate of local financing of schools, recently reversed his position and now "favors a transfer of public school financing from the localities to the states."[2] Edward B. Fort, Superintendent of Schools, Inkster, Michigan, called for an end of the chaos in school finance. "This was to be achieved by accomplishing the following: (a) shifting the responsibility for setting and collecting property tax for education from local districts to the state and standardizing it there; (b) re-channeling industrial tax wealth at the local level to state

---

[1]Skelton, Albert R. "The Cost of Collecting Taxes at the Local Level for the Support of Public Education in Pennsylvania in 1962-63" (Unpublished Ed.D. Thesis, School of Education, University of Pittsburgh, 1965), pp. 38-102.

[2]The Nations Schools, McGraw-Hill Publications, Vol. 83, Jan. 1969, Conant State Finance Plan Gets Qualified Approval, pp. 70-71.

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TABLE 5

COSTS OF COLLECTING TAXES
AT LOCAL LEVEL BASED ON AVERAGE DAILY MEMBERSHIP
1967-68

District	Number Tax Collectors	Taxes Collected	Costs of Tax Collection	Pupils Average Daily Membership	Costs Per Pupil ADM	Percent of State-wide Costs
State (1965-66)		$670,514,278	$ 12,221,200.00	2,170,728	$ 5.63	----
A	4	416,339	17,200.00	1,798	9.57	$ 169.98
B	2	304,700	12,700.00	1,664	7.63	135.52
C	14	505,587	31,158.82	2,498	12.47	221.49
D	9	708,070	28,433.54	2,350	12.09	214.47
E	8	979,300	57,709.91	6,357	9.07	161.10
F	2	483,500	6,812.81	1,700	4.01	71.23
G	5	834,760	48,000.00	4,702	10.21	181.35

coffers for purposes of redistribution through the state."[1] This introduces a somewhat new principle not previously mentioned in this thesis, but one certainly worthy of much consideration, "a statewide property tax for education."

Mort as early as 1946 recognized the possible need for a change from local to state control of taxes as evidenced "if local taxation works satisfactorily, it is still a satisfactory means of exercising the state's educational function. If it does not work satisfactorily, it is the responsibility of the legislature to establish a system of financing that will operate satisfactorily."[2]

By whom is the tax to be levied? Once levied, where collected? These are big questions haunting the local boards of education. The distressed district bureau, Department of Education, Commonwealth of Pennsylvania, has recognized the need for change. It was the recommendation of the bureau that "a state tax collecting agency, patterned after the Federal Internal Revenue Service, should be established by the Commonwealth. Tax collections could then be in the hands of persons trained for that service."[3]

Another consideration is that of setting aside the tenure of locally elected tax collectors. A central collector, at a stated salary far below the budgeted costs needed to meet the commissions of the various collectors, could then be named.

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[1]The Nations Schools, McGraw-Hill Publications, Vol. 83, No. 6, June 1969, Let's End the Chaos in School Finance, pp. 45-48.

[2]Paul R. Mort, Principles of School Administration, (New York: McGraw-Hill Company, 1946), p. 305.

[3]Educational Problem Series No. 2, Department of Education, Harrisburg, History of Distressed School Districts, 1966 Progress Report, p. 33.

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d. Board Members

Sections 431 and 443 inclusive of the School Laws of Pennsylvania sanction the appointment of elected board members to fill the offices of secretary and treasurer specifying duties and compensations.

This study was interested in compensations received. Section 432 relates that "the secretary of the board of school directors may receive for his services such compensation as the board shall fix"[1]. Section 438 refers to the treasurer and states "in all school districts of the second, third, and fourth class such compensation or commission shall not exceed two percentum of the amount of funds paid out on school orders".[2]

The study revealed that monthly stipends paid ranged from twenty to thrity dollars respectively for secretary and treasurer positions. The salaries were in accord with existing law and were not excessive. Five of the distressed districts studied are continuing the practice of having elected board members serve as secretary and treasurer on a rotating basis.

3. Excessive Transportation Costs

With the increased activity in jointure developments throughout the state of Pennsylvania, came a corresponding increase in transportation

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[1]Department of Education, Commonwealth of Pennsylvania, "Organization Meeting and Officers of Boards of School Directors," School Laws of Pennsylvania, Dec. 1968, Section 432, p. 38.

[2]Ibid., Section 438, p. 39.

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costs to school districts. These costs represent one of the major outlays of school district funds. To determine whether transportation costs were excessive in the districts studied, the cost for transporting pupils were studied in view of the Commonwealth average cost of "$45.65 per pupil."[1] Comparison costs of the individual districts were studied for the time they remained as distressed generally three to five years. The results are as listed in Figures 2 and 3, pages 40 and 41.

At least one district showed a marked reduction in transportation costs as a result of forming an area school district. Once existing contracts had lapsed, a much improved routing program, eliminating expensive overlapping of services, instituted a savings of several thousands of dollars to the district. Per pupil transportation costs in the district were reduced from $62.00 yearly to $36.14 yearly. This amounted to a forty-two per cent reduction. Transportation costs proved to be a factor contributing to distress in three of the districts studied. These districts, aware that undue costs can not be justified in any budget category, were reviewing their routes and contracts in an attempt to reduce costs.

C. Failure to Attack School Costs Realistically

Had the board actually failed to attack school costs realistically? Did the board fail to levy needed taxes?

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[1]Jesse Ritenour, Bureau of School District Transportation, Calculator, 1969, Commonwealth of Pennsylvania.

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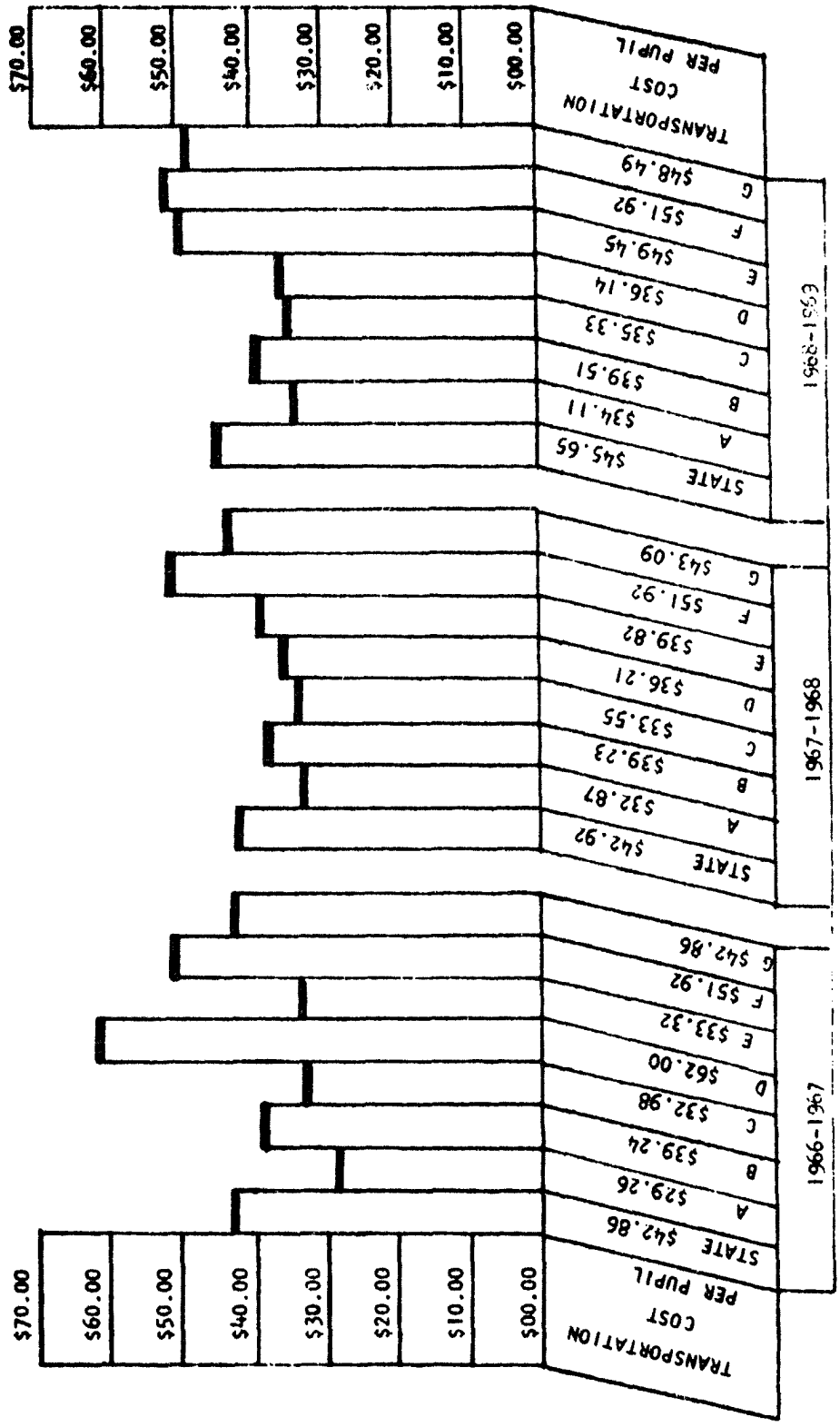

FIGURE 2

THREE YEAR COMPARATIVE STUDY OF DISTRICT PER PUPIL TRANSPORTATION COSTS WITH AVERAGE STATE COSTS

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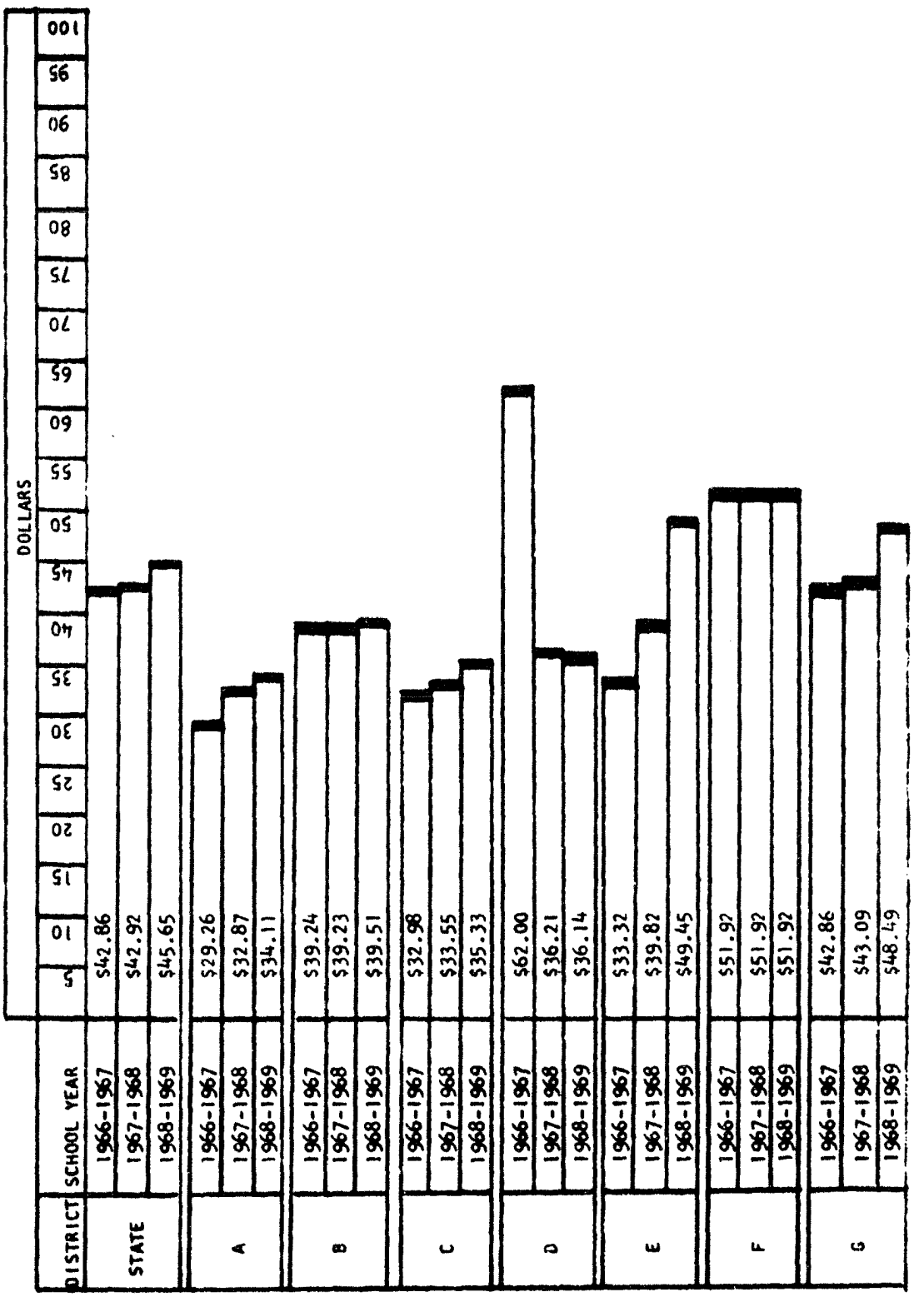

FIGURE 3

THREE YEAR DISTRICT COMPARATIVE STUDY
OF PER PUPIL TRANSPORTATION COSTS

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TABLE 6

LOCAL BUDGETED TAXES BY MAJOR TYPES
MARKET VALUE, AND TOTAL TAX EFFORT IN MILLS
ON MARKET VALUE (1966-67)

District	Real Estate	Per Capita 679	Act 511	Other	Total Tax	Market Value	Mills Tax Effort
A	352,223.00	16,740.00	66,126.00	13,000.00	448,089.00	17,099,400	26.2
B	169,247.36	16,500.00	71,792.44	23,300.00	280,839.80	11,966,700	23.5
C	322,228.71	33,480.00	146,563.56	18,000.00	520,272.27	23,644,800	22.0
D	484,428.74	23,895.00	102,070.00	15,826.39	626,083.05	32,789,500	19.1
E	503,009.15	34,742.90	236,695.00	106,660.09	881,107.87	39,853,600	22.1
F	314,792.59	14,000.00	----	------	528,792.59	25,316,000	12.9
G	449,191.43	23,757.92	164,298.92	72,800.00	710,048.27	40,073,500	17.7

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TABLE 7

LOCAL BUDGETED TAXES BY MAJOR
MARKET VALUE, AND TOTAL TAX EFFORT[1] IN MILLS
ON MARKET VALUE (1967-68)

District	Real Estate	Per Capita 679	Act 511	Other	Total Tax	Market Value	Mills Tax Effort
A	327,159.00	16,740.00	59,440.00	13,000.00	416,339	17,099,400	24.3
B	160,000.00	16,500.00	104,900.00	23,300.00	304,700	11,966,700	25.5
C	298,447.00	33,480.00	155,660.00	18,000.00	505,578	23,644,800	21.4
D	534,465.00	47,230.00	111,375.00	15,000.00	708,070	32,789,500	21.6
E	550,000.00	33,000.00	311,000.00	85.300.00	979,300	39,853,600	24.6
F	386,000.00	14,000.00	75,000.00	8,000.00	483,500	25,316,100	19.1
G	483,900.00	33,900.00	162,460.00	154,500.00	834,760	40,073,500	20.8

[1] Department of Education, Commonwealth of Pennsylvania, Budgeted Local Tax Effort of Public School Districts in Pennsylvania, 1967-68, January 1968.

To get the best tax picture possible for these districts it was decided to use the tax years 1966-67 and 1967-68. These were the first and second years as distressed districts for the majority of the districts being studied. All tax receipts as shown in Tables 6 and 7 were studied.

To determine the amount of effort produced locally, the writer chose to use market value as opposed to assessed value. It is the best source for comparative purposes since it is determined by the State Tax Equalization Board by applying a like formula to all school districts throughout the Commonwealth. And because a standard ratio of assessed to market value had never been mandated as evidenced, in part, by the different assessed value to market value ratios found to exist in the districts studied herein as shown in Table 8.

TABLE 8

RATIO OF
ASSESSED VALUE TO MARKET VALUE

District	Market Value	Assessed Value	Ratio AV/MV
A	$ 17,099,400.00	$ 7,418,570.00	43.4%
B	11,966,700.00	5,079,840.00	42.4%
C	23,644,800.00	10,691,830.00	45.2%
D	32,789,500.00	10,229,000.00	31.2%
E	39,853,600.00	19,154,740.00	48.1%
F	25,316,100.00	9,755,100.00	38.5%
G	40,073,500.00	17,758,400.00	44.3%

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The local effort of all the districts, but, one exceeded the state average local effort of 20.4 mills for the school year 1967-68 as shown in Figure 4. For the same year, the local effort for four of the districts was found to be in the first quartile (see Figure 5) while the remaining three hovered very close to the established state average.

Did the boards actually fail to attack taxing problems realistically? The answer appeared to be "no" generally. However, of the seventy-two school districts declared distressed in the 1960's, twenty-seven districts or thirty-eight per cent were distressed because of poor budgetary practices. All of the declared distressed districts as of 1968 suffered because of poor budgetary practices. Table 9 lists the mal-practices and the frequency of occurrence.

TABLE 9

POOR BUDGETARY PRACTICES

Practices	1960-68 Frequencies	The Seven Districts Studied Herein
1. Failure to levy tax to cover current expenses	24	5
2. Failure to collect taxes levied	14	5
3. Adopting unbalanced budgets	14	7
4. Ignoring past years liabilities	11	7
5. Bad Administrative management	6	0
6. Bond issue default	4	0
7. Poor assessment program	3	3

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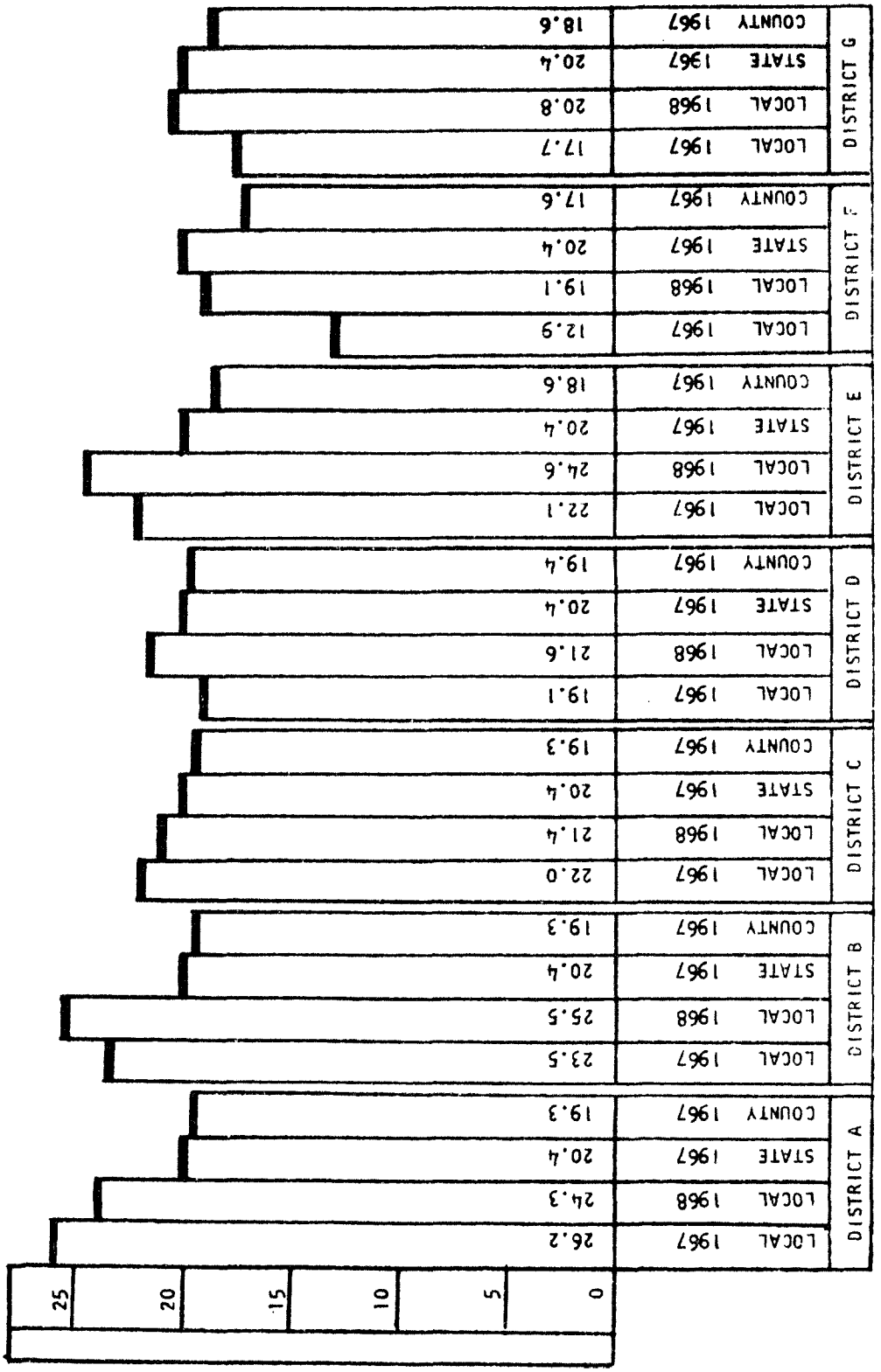

FIGURE 4

TAX EFFORT IN MILLS
ON
MARKET VALUE
(STATE, COUNTY, AND LOCAL COMPARISONS)

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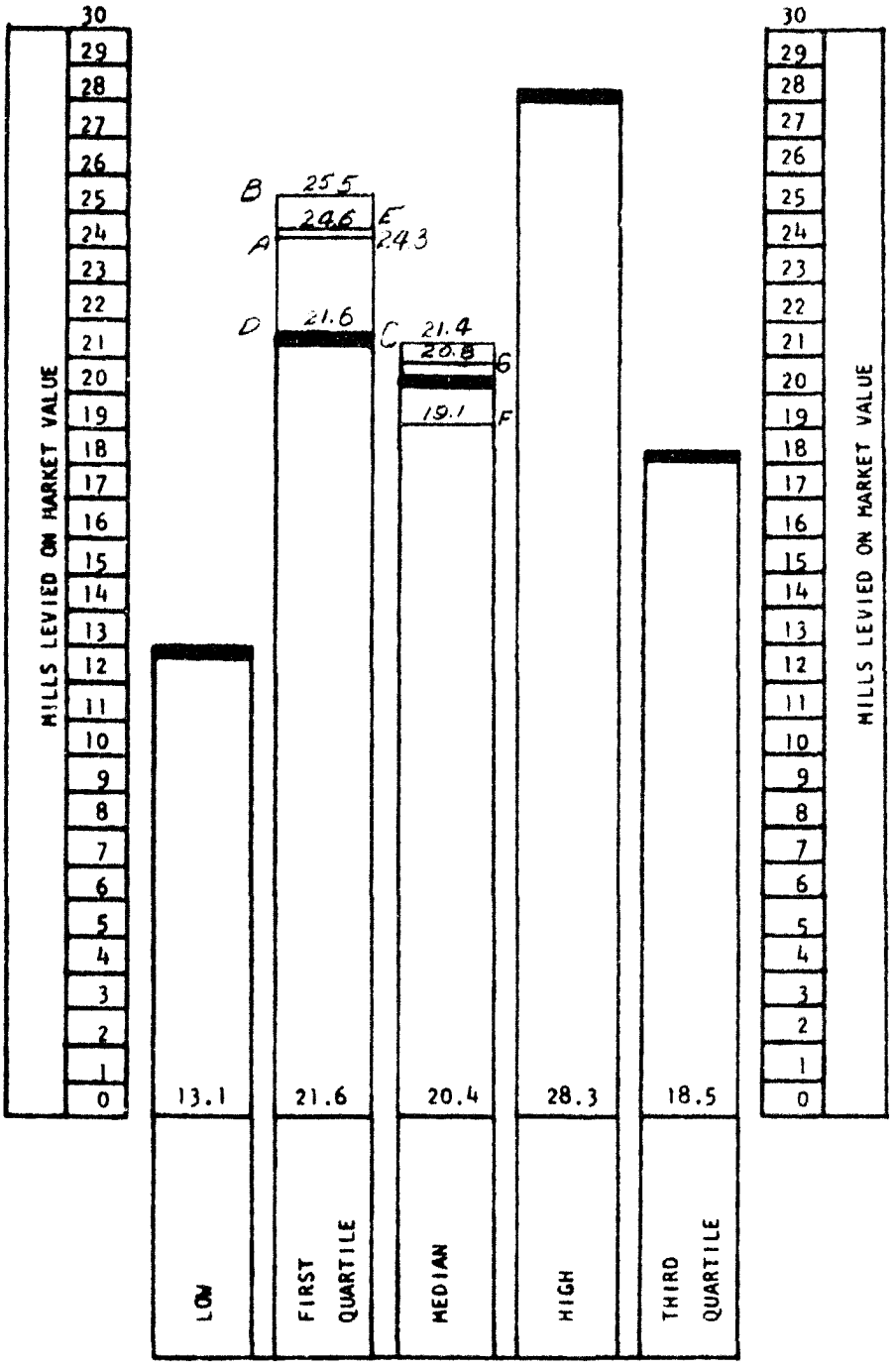

FIGURE 5

STATE-WIDE TAX EFFORT BASED ON 1966 MARKET VALUATIONS

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It appeared to be a fairly common practice to underestimate costs, wage tax and delinquent tax incomes, to overestimate real estate and per capita tax incomes, and to ignore short term loans. Practices such as these, whether used in their entirety or in part, added up to deficits.

d. Failure to Press for Tax Collections

Of the seven districts studied, the most flagrant abuse of tax collections was gleaned from a personal interview with an administrator who told of only twenty-four to twenty-seven per cent of per capita taxes levied being collected. The elected tax collector gained votes by recommending residents pay only the property taxes assessed. In the same district, owners of liened real estate were permitted to redeem property on a quarterly payment plan which was less than the current taxes levied. It appeared that local and county officials, living within the confines of the law, had joined forces to conspire against established local authorities.

It was necessary to establish new rules governing the collection of all taxes, current and delinquent, in the districts studied. In many instances, the Board of Control urged, if not compelled, appointment of delinquent collectors. Appointment of a business manager was high among the recommendations of the Control Boards with much emphasis being placed on tax collections and related fields--such as up-dating census, delay and assessing new

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properties, failure to collect penalties on delinquent taxes, purging tax lists of deceased and non-residents, and failure to add new names to the duplicate. "The experiences of the Special Boards had shown that many tax collectors were only tax receivers. Many tax collectors were reluctant to pursue collections and alleviate the taxable because they were running for re-election."[1] "A condition that requires attention from the legislature is the matter of local tax collection. . . a state agency should undertake to give newly elected collectors a training period to assist them in doing a more efficient job."[2]

e. Financing School Construction

Each of the presently distressed districts had entered into a building program, some much more extensive than the others, within two or three years prior to their becoming distressed. At least one business manager in the Commonwealth, saw this as a cause of distress. He stated in a personal interview that "most districts became distressed because they were not ready to meet the initial rental payment on new buildings, and once in arrears with rental payments they were never able to catch up." New facilities "demand financial outlays that are in reality prohibitive to most small school districts."[3] Yet, new buildings are needed, even by the small district to prevent its educational program from becoming obsolete. "A school building is a

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[1]History of Distressed Districts Progress Report, Ed. Problem, History of Distressed Districts, 1966, Vol. 2, p. 31.

[2]Ibid., p. 32.

[3] Oscar T. Jarvis, Harold W. Genty, and Lester D. Stephens, Public School Business Administration and Finance (New York: Parker Publishing Co., Inc., 1967), p. 154.

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form of communication. . .it speaks forcefully for what is expected of its occupants. Pupils and teachers alike tend to live up to those expectations."[1] All districts,large and small, should take advantage of department 3000 of the school budget to build-up sizeable sinking funds to get one off to a good start on building rentals.

1. Program of Building Maintenance

To determine whether an unwarranted amount of money had been expended on maintenance costs, the districts' expenditures per average daily membership were investigated and then compared with the statewide cost of maintenance per average daily membership (Refer to Table 10, below). The 1967-68 school year was studied.

TABLE 10

PLANT MAINTENANCE EXPENDITURES
PER AVERAGE DAILY MEMBERSHIP 1967-68[2]

District	Plant Maintenance Costs	Average Daily Membership Expenditures
State	$42,075,483.00	$ 18.71
A	20,606.00	11.54
B	36,416.00	22.69
C	26,129.00	10.96
D	49,533.00	22.63
E	73,456.00	11.73
F	9,177.00	5.61
G	38,800.00	8.26

[1] James Theodores and Associates, Crisis in Planning, Council of Educational Facilities Planners, The School Administrator, May 1969, p. 7.

[2] Pennsylvania Department of Education, Bureau of Statistics Public School Financial Statistics Report 1967-68, Vol. 8, No. 7, 1969.

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The information produced by the study showed that while two districts exceeded the statewide expenditures per average daily membership, five districts spent less. It should therefore follow that maintenance costs were not, in and of themselves, a major factor for distress.

2. Lack of Leadership

a. Board and Chief School Administrator

Was financial distress caused by a lack of leadership? If so, on whose part--the board and the chief school administrator, the county office, the Department of Education and related agencies--whose?

This was a most difficult question to answer in the case of the distressed district. Perhaps the best way was to back-off a little, and, before tackling the main problem, review briefly what is meant by leadership. Yeager stated "leadership may be defined as that quality which enables a person to come into some degree of prominence through commanding the loyalty, respect, and obedience of others. However, it is more than this. It involves action, accomplishment, and followership in others."[1] Tannebaum, Weschler, and Massarik set forth that "social sensitivity (empathy) and action flexibility (behavorial flexibility) - - - - are variables of key importance in contributing to leadership effectiveness."[2] The

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[1]William A. Yeager, Administration and the Pupil (New York: Harper & Brothers, 1949), pp.372-374.

[2]Robert Tannebaum, Irving R. Weschler, and Fred Massarik, Leadership and Organization (New York: McGraw-Hill Book Co., Inc., 1961), p. 2.

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successful leader is one who is keenly aware of the forces which are most relevant to his behavior at any given time; and he is one who is able to behave appropriately in the light of such understanding."[1] Saunders, Phillips and Johnson believe "leadership is a product of the interaction among individuals in a group, not of the status or position of these individuals."[2]

Perhaps the best answer to leadership, or the lack of it, came from those persons working directly with the districts in an attempt to return them to solvency. To do this, a "Reaction Questionnaire" was developed in 1966 by the Bureau of Distressed Districts and issued to all control board members functioning at that time. Permission has been granted to reproduce this questionnaire and the results of the survey.

Response to questions 2, 3, 4, 5, and 10, which dealt with the ability of the boards and the manner in which they performed their duties, clearly favored the boards' actions. The questionnaire left no doubt, about possible misuse of funds, (question 5), as ninety-one per cent favored the regular boards' manner of handling funds. The answer to only one question (question 14) was damaging to the boards' image. Fifty per cent (50%) of the control board members agreed that more local effort was possible--seventeen per cent (17%) felt that the local effort raised was adequate--thirty-three per cent (33%) were doubtful. Going on the old saying "You

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[1]Ibid.

[2]Robert L. Saunders, Ray C. Phillips, and Harold T. Johnson, A Theory of Educational Leadership (Columbus, Ohio: Charles E. Merrill Books, Inc. 1966).

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are either with me or against me," it appeared that approximately eighty-three per cent (83%) were unhappy with the local effort to support the schools' needs. Question fifteen regarding possibility of boards' reverting to deficit financing upon their release as a distressed district was one of conjecture and although at a first glance one came up with the answer "no." Further study showed forty-three per cent (43%) saying "no" with seventeen per cent (17%) saying "yes" and forty per cent (40%) saying "I am not certain." In reality, was this not fifty-seven per cent (57%) saying "yes"? This thinking seemed to uphold a finding of the 1959 General Assembly to determine a district's ability to remain stable once it had been returned to solvency. In this study, "It was found that fourteen of the districts that received aid from the first appropiration in 1933-34 were still applicants for aid. Fourteen districts, not necessarily the same as above, had received fifteen or more grants in the twenty-six year period, one having received twenty-five grants and another twenty-four. The grants to some districts had been hundreds of thousands of dollars, ranging to a high of $965,250.00 in one case."[1] Of the districts being studied here-in, one was known by this writer to have been distressed in 1933-34.

Questions 8 and 9 pertaining to political influence peddling favors the board slightly with fifty-five per cent (55%) saying

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[1] History of Distressed Districts, Prob. Series #2, p. 4, op. cit., p. 4.

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QUESTIONNAIRE	SURVEY RESULTS Yes		No		DIVERSIFIED REPLIES	
1. Are you in agrrment with the general handling of the distressed districts?	38	(90)	2	(5)	2	(5) 1
2. Would you favor taking full control of the District?	7	(18)	31	(79)	1	(3)
3. Would we be better able to function if the regular board were removed from office?	4	(10)	30	(71)	8	(19)
4. Are the regular board officers doing their jobs to your satisfaction?	26	(60)	8	(19)	8	(19)
5. Do you suspect misuse of funds by the regular board?	2	(5)	38	(90)	2	(5)
6. Are tax collectors controlled by the board?	19	(45)	17	(41)	6	(14)
7. Is there a sincere effort to collect taxes due the school district?	25	(59)	10	(24)	7	(17)
8. Are regular boards controlled by their political affiliations?	15	(36)	24	(57)	3	(7)
9. Are the decisions of the regular board often dictated by politics first?	14	(33)	22	(53)	6	(14)
10. Is there a sincere effort to improve education?	32	(76)	6	(45)	4	(10)
11. Is the record keeping satisfactory?	28	(67)	6	(14)	8	(19)
12. Are the reports complete and informative?	22	(52)	8	(19)	12	(29)
13. Is the administrative staff capable and doing the job expected of them?	30	(71)	3	(7)	9	(22)

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	QUESTIONNAIRE	SURVEY RESULTS Yes		No		DIVERSIFIED REPLIES	
14.	Is more local effort possible?	21	(50)	14	(33)	7	(17)
15.	Will board revert to deficit budgeting following release of the Special Board?	7	(17)	18	(43)	17	(40)
16.	Will reorganization improve the local situation?	26	(62)	6	(14)	10	(24)
17.	Should this program be continued after reorganization?	20	(48)	12	(28)	10	(24)
18.	Should the Department of Public Instruction make an effort to identify distressed districts and move in sooner?	39	(93)	0		3	(7)

[1]Percentages Calculated From Data and not a part of the questionnaire.

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"no" and thirty-five per cent (35%) disagreeing.

Question ten indicated that seventy-six per cent (76%) of control board members believed a sincere effort to improve education was evident as opposed to fourteen per cent (14%) with ten per cent (10%) being undecided. Question thirteen (13) dealing with the capability of the administrative staff found seventy-one per cent (71%) approving staff action as opposed to seven per cent (7%) disapproving with twenty-one per cent (21%) vacillating.

Although the control boards looked with disfavor upon the regular boards' failure in the fields of producing local effort in needed amounts, by and large it recognized and endorsed the boards' leadership as being acceptable.

b. Department of Education

This writer, through contact with chief school administrators of distressed districts, found agreement concerning the failure of the Department of Education, in part at least, to show the necessary leadership expected of them in the area of school budgeting. One hundred per cent (100%) of administrators contacted were unhappy with the department's refusal or disregard, perhaps even negligence, to review and to return to districts, budgets that were not balanced. One administrator, failing at the local level to influence a member district of his jointure to balance its budget, in the early sixties sought to call attention to the deficit by encircling

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figures with red, thereby hoping to receive support for his stand from county school office officials, or, failing in that, from the Department of Education. Assistance failed to come. The budget was accepted and deficit financing was underway. In discussing this matter in 1969 with the Secretary of Education, it was learned that this was not an isolated case, that such was an acceptable practice because the legislature had failed to put any teeth into the provision of the code requiring submission of budgets. All of the administrators lamented "that the Department of Education should refuse to accept unbalanced budgets." Still another called for "an audit of budgets submitted by the State Auditors Department." One stated you must be prepared to "pay as you go" and this must be reflected by a balanced budget.

The boards of control through their survey approached the question from a slightly different angle through question eighteen (18) which read "should the Department of Education make an effort to identify distressed districts and move in sooner?" The response was a resounding yes--ninety-three per cent (93%).

3. Inadequate Tax Support for Child

To determine whether or not "inadequate tax support per child" was a cause of distress, market values and weighted average daily membership were studied. The market value per weighted average daily membership for each of the districts being studied was then compared with the state market value per weighted average daily

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membership of $16,275.00, figure 6 shows the comparisons.

All of the current distressed districts were far below the average state market value per weighted average daily membership. The property behind each student (WADM) ranged from a low of $5,378.86 to $12,694.74. This was just another way of saying that the distressed districts studied lacked the necessary tax base to support a quality educational program. Once again the study indicated the possibility of a statewide property tax, levied, collected, and disseminated at the state level as opposed to the local level. Or had it signified the need for adding to the property tax base that of the per capita personal income as a main source for tax dollars? Pennsylvania's Tax Law 511 (tax anything law) granted school districts the right to levy a wage on income tax at the local level, but limited that right to one-half per cent (.5%). This was truly a step in the right direction but the legislature was unwilling to set a state per capita personal income tax. Pennsylvania's average per capita personal income was $3,514 as compared to the national average of $3,527.[1]

The study emphasized the lack of adequate resources at the local level when viewed from the much used property valuation.

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[1] "Income vs Effort", School Management, January 1969, p. 63.

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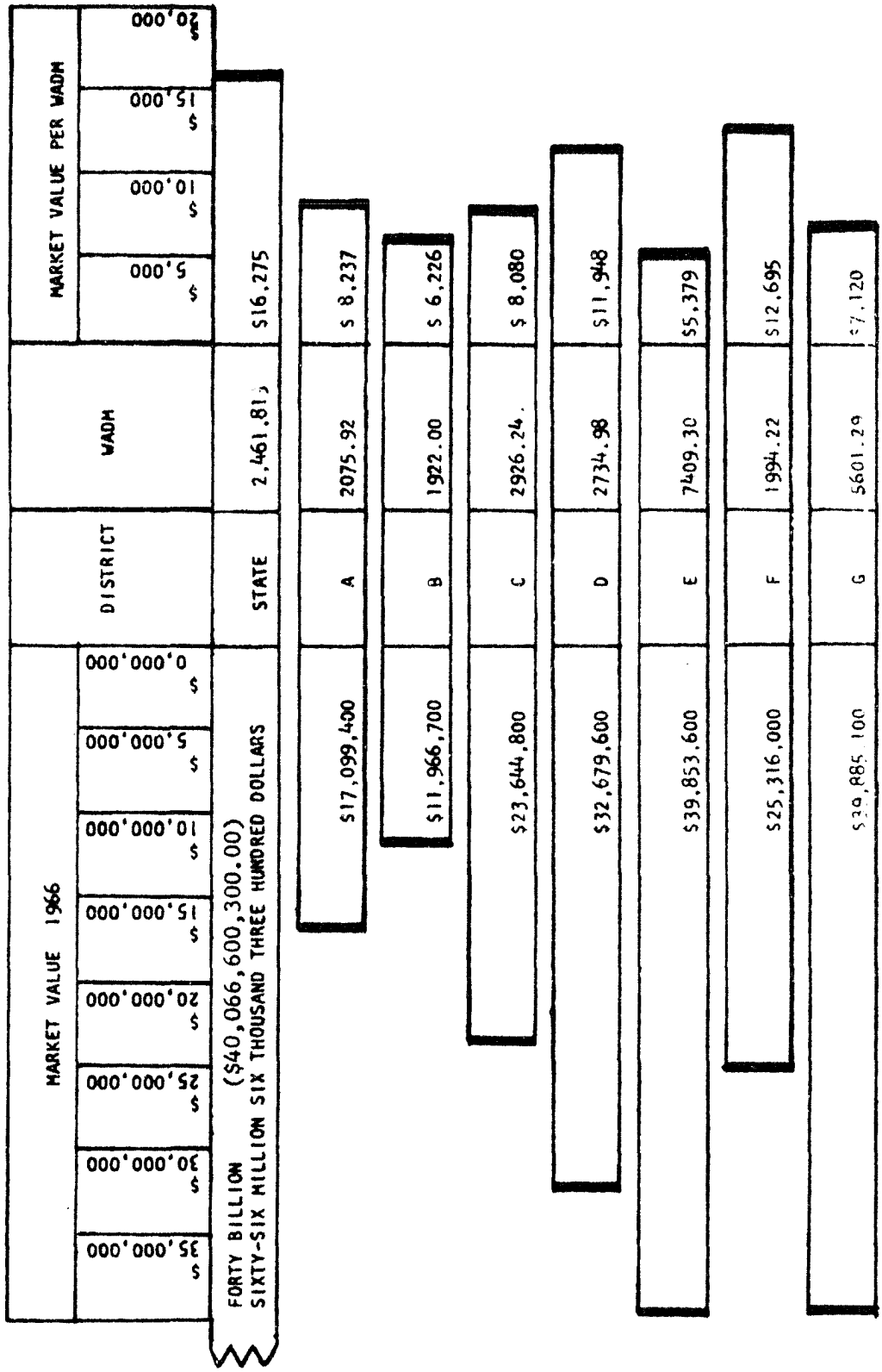

FIGURE 6

MARKET VALUE PER WEIGHTED AVERAGE DAILY MEMBERSHIP

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4. Increased Instructional Costs Due to Legislative Mandates

Have increased instructional costs due to legislative mandates been a factor causing distress?

All school administrators contacted agreed that the state's clinging tenaciously to the $5800.00 per teaching unit reimbursement established in 1957-58 school year did result in placing an undue strain on local effort. Mandated teacher increments of $200.00 yearly, companion increases for all school lay personnel (secretaries, teacher-aides, maintenance, and janitorial and cleaning personnel), all began to bear down heavily on local effort.

The increasing of the $5800.00 per teaching unit base for reimbursement in 1962-63 school term to $6500.00 and $6800.00 in 1963-64 and in 1967 the establishment of the weighted average daily membership and $400.00 per pupil expenditure up to $550.00 was a much needed change and was welcomed by all. These yearly successive increases were indicative that the legislature realized that the state's share of educational costs had dwindled from 49.5% in 1957-58 school term to a low of 42.1% in the 1962-63 term and 40.1% in the 1966-67 term as shown in Table 2, page 17.

Further legislative mandates resulting in increasing costs are found in the constantly expanding courses of study, pupil personnel services, length of school day, length of school year, and health services. All are required if the district is to receive the Department of Education's Elementary and Secondary Program Approval Certificates.

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Legislative mandates did play a significant role and is thought of therefore as a major cause of district's becoming distressed.

5. Is Jointure a Contributing Factor

Article XVII, Section 1701, School Laws of Pennsylvania, permitted "any two or more school districts---to establish, construct, equip, furnish and maintain joint elementary schools, high schools, consolidated schools or any other kind of schools---provided for in this act."[1]

The legislature was either completely taken-in by the advocates of school jointure, or it was willing to sit idly by until district reorganization swallowed this financially untenable alignment of school districts. Planners for jointures failed to develop a realistic financial plan aimed at genuine cost sharing. They failed to take into consideration that adjoining school districts had widely differing tax sources available to them. Or, they just chose to ignore the financial strain placed on the less affluent district. Soon, the poor dist icts became poorer. Assets faded, unpaid bills mounted and what started out as a "helping hand" in reality became the "kiss of death."

Of the seventy-two (72) school districts declared distressed in the 1960's, forty-eight (48) districts or sixty-seven per cent (67%) of them owed tuition and/or other costs to the jointure to which they belonged. Six of the seven districts studied in this research were

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[1]Department of Education, Commonwealth of Pennsylvania, "Article XVII", School Laws of Pennsylvania, Public School Code 1949, Section 1701, p. 224.

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members of jointure prior to their reorganization.

The Bureau of Distressed Districts stated "financial plight resulted from a combination of poor budgetary practices, not raising enough revenue to meet current operating expenses, a limited tax base, and "a burdensome plan of apportioning jointure costs among the member districts."[1] Again, "the district was required to pay a disproportionate share to the jointure costs."[2] And still again "the special board found the practice of distributing costs in the jointure indicated the cost of education to be priced beyond the economic reach of the poorer districts."[3]

Yes, jointure could be counted as a major contributing factor of distress.

Reorganization, other than jointure, appeared to be bringing about an equalization of costs at least within the districts. The legislature seemed to have found one of the vehicles that would tend to equalize educational costs in the Commonwealth. The Bureau of Distressed Districts referred to the 1965-66 term as "a school year of progress because many more districts were rehabilitated and released than were gained. There was a net reduction of twenty-six school districts. Advanced establishment under the provisions of the

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[1] Distressed District, Book 2, p. 19.

[2] Ibid., p. 11.

[3] Ibid., p. 18.

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'The School District Reorganization Act of 1963' was an important factor."[1] It was not expected that reorganization would solve all financial problems but it was a step in the right direction.

The study showed that unequal tax loads and poor distribution of costs proved burdensome to many joint districts. However, eventual reorganization was certainly not a cause for distress. The exact opposite could be true--it could be properly supported, the remedy for distress.

6. Incidence of Disadvantaged Students

In attempting to pin-point poverty within a school district, this researcher turned to two sources dealing with low income families, namely, House Bill No. 717 session of 1969, The General Assembly of Pennsylvania, which was based on regulations developed by the U. S. Department of Health, Education, and Welfare governing Title I of the Elementary and Secondary Act of 1965, Public law 89-10 establishing low income factor as $2,000.00 to $3,000.00 (refer to page 34).

House Bill No. 717, in its Table of Percentage category of poverty pupils, indicates fifteen per cent as the mid-point of the poverty scale as shown in Table 11. The Health, Education, and Welfare Department of the federal government considers anything above the fifteen percent to be significantly indicative of distress.

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[1] Ibid., p. 30.

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TABLE 11

ADDITIONAL SPECIAL ASSISTANCE
GRANTS ON ACCOUNT OF LOW INCOME FAMILIES

Percentage Category of Poverty Pupils in Average Daily Membership	Grants Per Poverty Pupil
1 - 5 percent	$ 50
6 - 10 percent	75
11 - 15 percent	100
16 - 20 percent	125
20 - 25 percent	150
Over 25 % (2nd, 3rd, and 4th class districts)	175
Over 25% (1st, and 1st class A districts)	200

Low tax base and low personal income was found to be prevalent in at least three of the four counties studied. Six of the seven distressed districts were classified as high incidence. The remaining district's incidence of disadvantaged students stood at thirteen per cent (13%). The highest incidence of disadvantaged students was placed at fifty-one percent (51%) (See figure 7).

In the seven districts studied herein, a high incidence of disadvantaged students was an indicator of financial distress.

C. The Effects of Distress

1. On the Academic Program

The primary concern of the special boards of control, appointed by the courts in their respective counties and given by law full

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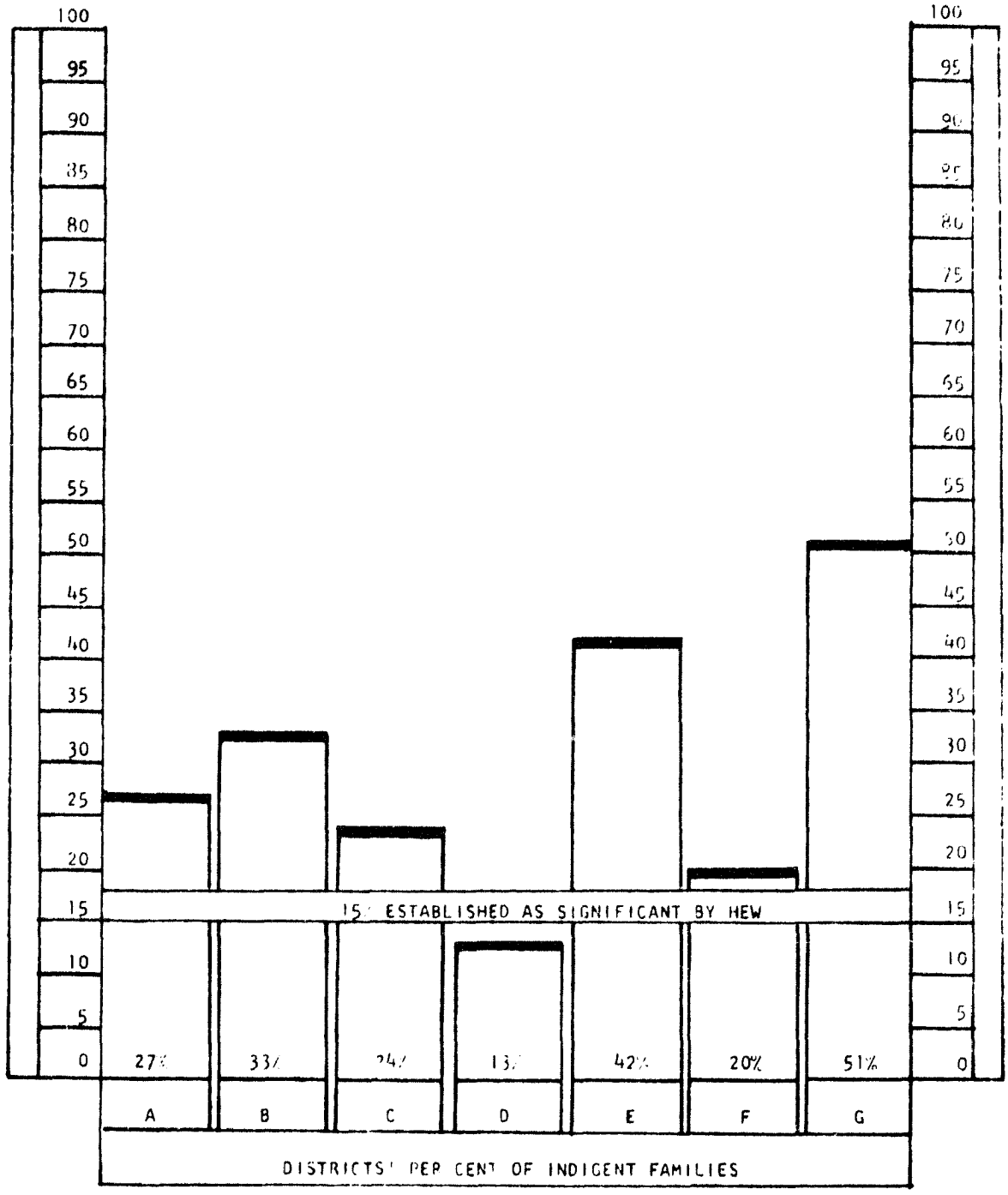

FIGURE 7

INCIDENCE OF DISTRESS
(DISTRICTS' PER CENT OF INDIGENT FAMILIES)

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authority of regular school boards, was that "some day there would be the satisfaction of returning these districts to a sould financial basis."[1] An excellent goal if the quality of the academic and related programs were not placed in a scholastic strait jacket. The role of the regular board, administrators, and professional and lay staffs now had to undergo a change from "producer" to :sentinel" of their quality programs.

When those directly involved in a distressed district were approached and asked "what effect being distressed had on the academic program--whether improvements or impairments were a result", one fould general agreement in five of the seven that improvements resulted. Such answers as "being declared distressed 'enhanced' our academic program," "our district was 'sided' immeasurably." "It proved better for us." Table 12 lists additions to academic programs as well as types of personnel and equipment needed to improve the academic program. Also shown is the method of financing used. The impact of federal financing through categorical aid appears dominant.

The Bureau of Distressed Districts in its Confidential Report to the Secretary of Education at the completion of the 1967-68 school year commented on the Bureau's ability to maintain academic programs, "also noteworthy is the fact that full educational programs were continued---during the varying years of rehabilitation."[2]

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[1] Ibid., p. 1.

[2] "Financially Distressed School Districts 1967-68", Confidential Report (Commonwealth of Pennsylvania, Bureau of Distressed Districts) p. 8.

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TABLE 12

ADDITIONS TO ACADEMIC PROGRAM DURING PERIOD OF FINANCIAL DISTRESS

		Method of Financing			
District	Program Additions	Local	State	Fed.	Grant
E	Pre-school children (ages 3-4)		x		x *
C	Kindergarten			x	
D,E	Modern Math in Elementary	x		x	
	Cultural Studies				
A,B,C,D,E, F,G	a. Minority History	x			
C,D	b. String Instruments	x			
F	Tutorial Services				
D,F	Library Services Extended			x	
F	Special Education (mentally retarded)	x			
A	Reading				
C	Auto Mechanics			x	
C	Gardening, Landscaping, Flower Arrangements			x	
	Personnel				
A,D,E	a. Para-Professional			x	
F	b. Secretarial			x	
	Equipment				
C,D	a. Learning Laboratories			x	
	b. Business Machines Laboratories	x			

* Ford Foundation Grant

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2. Improved Budgetary Practices

When one studied the effect brought about on budgetary practices, he came face to face with the area that contributed most to a district's being distressed. All seven districts experienced some change in budgeting practices. For that reason, it was in this area that most changes were wrought. It must be noted, however, that no one district experienced all of the changes discussed herein.

The initial changes, probably because districts were accepted as distressed during as opposed to the beginning or ending of the school year, came about with expenditures. Expenditures not allocated in the budget were denied unless they were of an emergency nature. Three of the seven districts felt this pinch: one district when it attempted to create new positions in co-curricular activities; three districts when the boards voted inter-departmental budgetary transfers to permit districts' participation in board in-service programs.

Although most districts maintained a running inventory of expenditures and balances, the control board requested all districts to include as an essential part of the treasurer's report a print-out of complete receipts, disbursements, and balances.

Two districts admitted budgeting for one hundred per cent (100%) collections of taxes levied. This is an unsound practice. It is bound to increase as usable funds, monies not available for current year expenses. The practice is compounded when one then adds monies derived from delinquent taxes. This was reckoned with by averaging

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the per cent of overall taxes collected over the immediate past three years and using that per cent of taxes levied as available for the year being budgeted. This action was taken when dealing with all major tax categories i.e. real estate, per capita, and 511 taxes.

All distressed districts expecting to enter into a building program experienced a change in Department 3000 of the Commonwealth's budget, Form PISA-32. The control board, particularly when it appeared that the district was able to produce a sound, balanced budget, began to insist on the development of a sinking fund to pave the way for an easy access to large expenditure outlays such as instructional and non-instructional repair and/or replacements, physical plant improvements, and rental payments for new building facilities. Such a practice made available state rental reimbursements for immediate use in rental payments.

a. Establishment of a District Wide Tax Collecting Agency

Up until the time of this study none of the presently distressed districts had made an attempt to establish a district wide tax collection agency. One district has agreed to study the possibility for implementation at expiration of the present tax collectors' term of office.

b. Salary Alignment Schedules

In no instance in the districts studied did the Control Board advocate implementation of Act 48, passed by the 1933 session of the General Assembly, which permitted a 10% reduction in teachers' salaries.

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In all but one district, teachers' salaries were maintained at established minimums and maximums. However, in one of the districts salary alignment schedules were known to have benefitted as a result of control board action. House Bill No. 2039 of 1967 was interpreted by the control board, regular board and teachers' representatives in a joint meeting. Aftermath of the meeting which never hit a discordant note, was a suggestion by the control board chairman to increase all teachers' salary three hundred dollars beyond established state minimums and maximums. All administrators were granted a similar increase but, based on twelve, rather than nine months. Lay workers (secretarial, maintenance, janitors, cleaning personnel) were also granted increases.

3. On Reduction of Debt

It was in this area, debt reduction, that the greatest change for good came about. In the five districts that were in their third year as distressed districts, a healthy financial climate now existed. All debts amounting to a combined sum of $2,137,783.00 had been paid. Of this amount $1,093,000.00 or fifty-one per cent (51.12%) were outright grants from the state (none to be paid back). The remaining balance of $1,044,783.00 or forty-eight per cent (48.88%) was raised through tax increases, better tax collections, recommended economies, and more realistic budgeting.

In addition to debt clearance, one district boasted of $225,000.00 in Department 3000 and an $80,000.00 surplus. Another

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district, although it would not disclose the amount, boasted of having some money through Department 3000 invested at interest. Still another had a contingency fund of $100,000.00 to clear summer payroll. One of the remaining two districts was debt clear but still lacked sufficient funds to meet the summer payroll. The remaining district had budgeted $79,000.00 to complete summer payroll and expected a surplus of approximately $10,000.00 at the close of the 1969-70 term.

The two remaining districts comprising this study had just been accepted as distressed. The full impact of aid and the new budgeting and spending programs were just being implemented. Grants-in-aid of $160,000.00 and $95,000.00 for a total of $225,000.00 had been made to date. During the ensuing term, pressures and benefits alike would be experienced through economies practiced and budget development for the 1970-71 term.

4. Physical Facilities

As for effect on physical facilities, some impact had been encountered through sponsoring good budgetary practices in the realm of Department 3000. Three of the seven districts studied had accumulated funds in Department 3000, placed on interest, ranging from $10,000.00 to $225,000.00. The remaining five districts have physical facilities of recent construction (less than twenty years of age) with two of them boasting of very modern facilities (2-10 years).

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The impact on physical facilities as a result of being distressed remains to be seen. It will probably take two or three years for the three aforementioned districts contemplating building to accummulate sufficient funds in Department 3000 to meet the initial rental payments.

5. On Faculty

When school administrators were questioned regarding the actions, mental attitudes displayed, and cooperation of the staff as a result of the district's being classified as distressed, it was learned that no noticeable change had been effected. The staff accepted the initial and periodical briefings and continued to perform its duties. Apparently none left the district's employ as a direct result of the distressed status. Faculty members interviewed seemed to accept, even though they did not completely understand, the classification as being necessary, but, looking forward to the day when the classification would be removed. In no instance did a district reduce teacher salaries the ten per cent (10%) permitted by law.

6. On Students

Students, as the teachers, were briefed concerning the distressed status in all the districts. This was the first line of communication with the home. The community as a whole. Students, and the parents through the students, were informed that the distress period would not be one of slashing educational programs, lowering

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academic standings, or shattering music, forensic, or athletic instruction. But, rather, was a time for practicing much needed economies; all necessary equipment, books, and supplies were still to be handled as before.

7. The Community

The effect on the community overshadowed that on teachers and students. High taxes and going distressed were difficult to reconcile. Some believed "it was a time to hang one's head in shame." The old "pay as you go" rule had been violated. It was a time to avoid your neighbors' eyes.

However, no difficulty was experienced when tax increases in three out of the first five of the districts studied were announced. Grants-in-aid and the equivalency in mills on assessed valuation are shown in Figure 8. Districts F and G are in the first year of distress thus accounting for the smaller grants.

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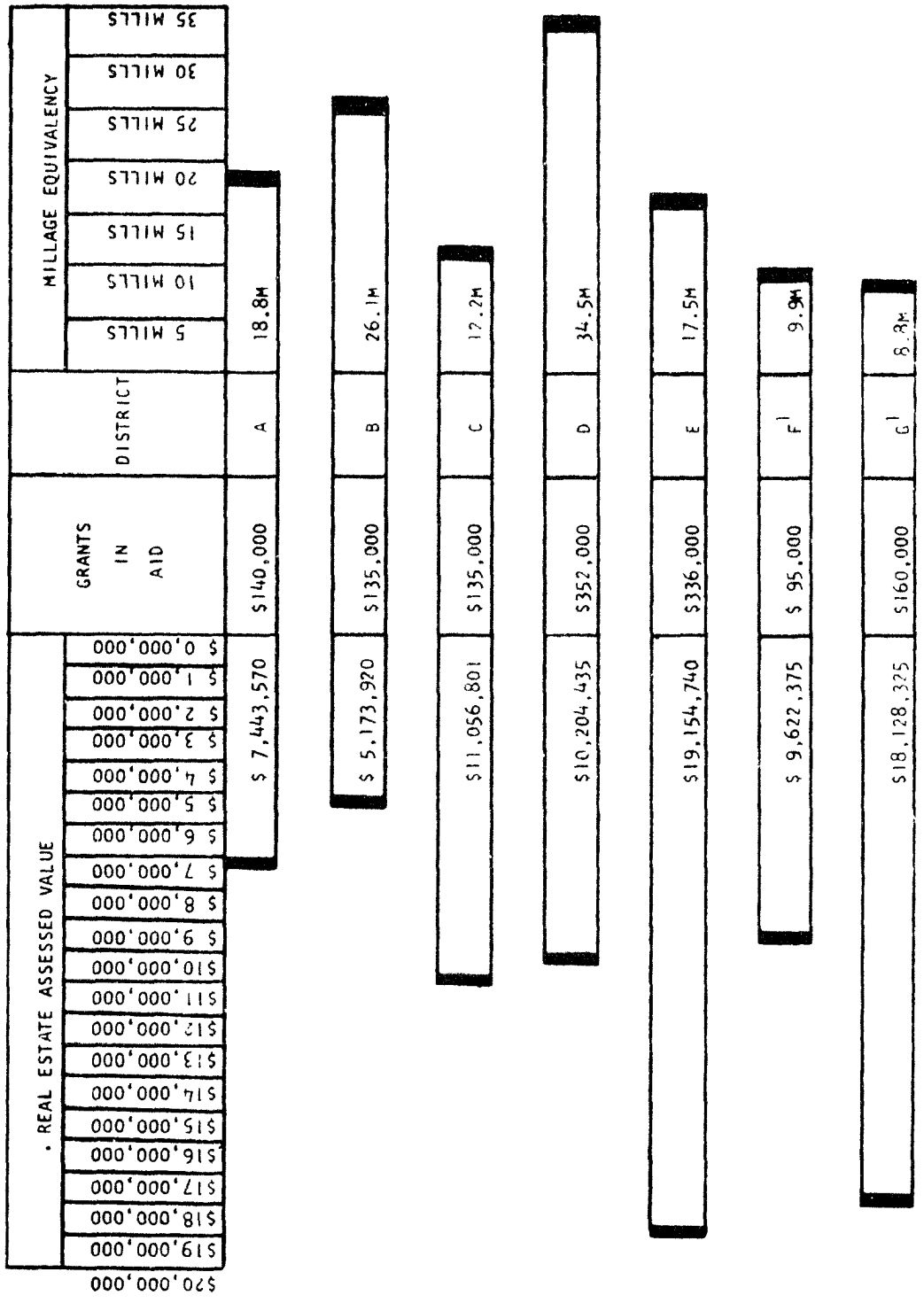

1 FIRST YEAR AS DISTRESSED DISTRICTS

FIGURE 8

MILLAGE EQUIVALENCY OF GRANTS - IN - AID ON REAL PROPERTY ASSESSED VALUES

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Evaluation of the Commonwealth of Pennsylvania's Program for Distressed Districts

The distressed school district in the Commonwealth of Pennsylvania is a very real problem--a problem that is reaching major proportions. Since its acknowledgment in 1933, more than $30,000,000.00 has been spent in an attempt to return distressed districts to solvency. If returning the district to solvency were the only problem confronting the Bureau of Distressed Districts, then the answer would be simple. Districts' finances could be bolstered through outright grants. However, a problem much more serious than the first is the ability to remain solvent. But, this has proved difficult. One of the seven districts studied was distressed during the 1933-34 school term. This is not an isolated case as evidenced by a study performed by the bureau in 1959. It was found that fourteen of the districts that had received aid from the first appropriation in 1933-34 were still applicants for aid. . .some had received fifteen or more grants, one having received twenty-five grants and another twenty-four.[1]

Local effort to support education, based on the factors studied here, showed room for improvement. It also showed a need for a change of tax assessments. The total taxes collected in 1967-68 for all school districts in the Commonwealth were $812,812,947.00 an increase of $59,187,920.00 over the preceding year. Of this amount $625,697,452.00 or 77 per cent came from real estate taxes.[2]

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[1] Educational Problem Series No. 2, Department of Education, Harrisburg, History of Distressed School Districts, 1966, Progress Report, p. 4.

[2] Our Schools Today, Public Schools Financial Statistics Report, 1967-68, Bureau of Statistics, Pennsylvania Department of Public Instruction, Vol. 5, 1968.

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Even in view of this, Ecker-Racz and McCloone showed agreement when they said "taxable property on which local districts are largely dependent, has long since ceased to be a satisfactory base for financing this costliest domestic government function."[1] Wendell E. Pierce, Executive Director of the Education Commission of the states said "Local property taxes are inadequate."[2] Thomas says, "Our present economy is no longer agrarian or property. . .if salaries and purchase make up the major portion of our economy, then taxes should be levied upon them to produce revenue to support governmental activities. . .property can no longer bear the chief burden of governmental services. A broad base tax system is essential. This of course, means sales and income taxes."[3]

An innumerable number of persons have called for an "infusion of federal funds." Feitrick called for a flat percentage of federal income tax school district residents paid during the school year.[4] President Nixon predicted that education, which consistently takes over two-fifths of all state and local general revenues, will be the major beneficiary of his new "revenue sharing" program. The tax sharing scheme will begin in 1971 and will for the first time return federal revenues to states and cities--with no strings attached. By 1975, $5 billions are expected to return annually to the states.[5]

---

[1]The Education Digest, Prafken Publications, inc., Ann Arbor, Michigan, The State Role in Financing Public Schools, L. L. Ecker-Racz and Eugene McCloone, December 1968, p. 5.

[2]Education U.S.A., National School Public Relations Association, Washington, D.C., April 3, 1967, p. 187.

[3]Maurice J. Thomas, The Educational Challenge, The Tri-State Area School Study Council, University of Pittsburgh, 1962, p. 56.

[4]Tax "Druthers" - What's Yours, The Bulletin, Pennsylvania School Board Association, Boyerstown, Pennsylvania, May/June 1969, p. 17.

[5]Education Summary, Trends and Issues, September 15, 1969

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A high incidence of disadvantaged students coupled with the low real estate value behind each student in the distressed district magnifies the need for increased state reimbursement or major taxing shifts.

Pennsylvania's program for distressed districts is a step in the right direction. The plight of the distressed district has been recognized and the legislature through its Secretary of Education has initiated actions to alleviate the situation as follows:

1. Infusion of additional state funds with increased local funds on an emergency basis.
2. Attempts at consolidation of districts to increase tax base.
3. Appointment of a control board knowledgeable in the fields of law, education, finance, and budgeting.

Action such as No. 1 offer only temporary relief. Under these conditions, the district once removed from the distressed roster faces, not the same, but heightened financial burdens armed with the same tax privileges which had proved inadequate before. The district, unless its financial distress was the result of poor budgetary practices, generally returns to the distressed role.

Action No. 2 is generally beneficial and could result in complete rehabilitation of the district.

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The Commonwealth's program could possibly be enhanced, and consideration should be given to the following:

1. Increasing the $500,000.00 yearly rehabilitation fund to permit acceptance of districts at a more rapid rate.
2. Institute tax changes for distressed districts setting aside limitations, under the guidance of a state budgeting and auditing or fiscal control center.
3. Forced consolidation and/or acceptance by more affluent districts.
4. Additional reimbursement credits for lack of tax base.

Poor budgetary practices, whether as a result of board non-feasance, lack of leadership on the part of the board and administrator, or failure to attack school costs realistically for whatever reasons, should not be tolerated.

Jointures, in their present form of financing, should not be allowed to exist. There are 742 districts in the Commonwealth today. Of this number, 415 are third class districts and 268 are fourth class.[1] It would appear therefore that reorganization will be the subject matter of the day for the next several years. An equitable distribution of jointure costs must be determined to assist the financially weak districts.

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[1]Selected Educational Statistics for the Commonwealth of Pennsylvania, Bureau of Statistics, Pennsylvania Department of Public Instruction, Vol. 5, 1968.

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Administrative guidance, tax modifications, and increased state subsidies are needed to guarantee that distressed districts are on a sound financial base. It is, either, this, or the Commonwealth can start intoning its requiem for quality public education for all but the select few of its children found where the industrial complexes have rendered their school districts affluent.

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Chapter 4

Summary, Findings, Evaluation and Recommendations

A. Summary

This study was concerned with the distressed school district. Research prepared by the Commonwealth's Bureau of Distressed Districts and related literature were reviewed for background information. An interview schedule was used as the primary device to gather data.

The study concentrated on four basic areas:

First, identification of the distressed school district,

Second, determining the reasons leading to the districts becoming distressed.

Third, evaluating factors leading to districts removal from the distressed role.

Fourth, assessment of the Commonwealth's program for distressed districts.

Data were gathered from all school districts classified as distressed districts at the time of the study, seven (7) in all, three (3) from Cambria, two (2) from Fayette, one (1) from Greene and one (1) from Washington Counties.

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B. Summary of Findings

Finance is an all-important factor in education. Because of this, finance in ever-increasing amounts must be found to produce an unbroken system of public education from the primary to the secondary and on through higher learning. No child, regardless of his financial capability, should be separated from educational opportunities until he has reached his fullest potential whether that be when he could care for himself or when he was able as a result of his accomplishments to return to others what others had helped him attain. Steps should be taken to assure that adequate financial support would be available for schools in all districts regardless of local wealth.

Rehabilitation of the financially distressed school districts is a joint responsibility of the state and the local government. That the commonwealth of Pennsylvania has recognized this, is evident by its establishment of a $500,000.00 fund, allocated yearly, to assist districts to be restored to financial stability. Although this sum is available to districts as outright grants, by and large, it was matched dollar for dollar by the local districts. Some thirty million dollars ($30,000,000.00) have been allocated by the legislature since 1933-34 to assist in the financial recovery of its distressed school districts.

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Just why did a school district become distressed? Was it due to an inadequate tax structure? Or, was it due to a lack of know-how? Howard J. Samuels, Undersecretary of Commerce for President Johnson, once observed "America is not putting enough of its fabulous wealth where it should go; its priorities are confused. The economic problem is no longer how to create wealth; its how to distribute it more evenly."[1]

A. Principal Findings

The purpose of this study was to attempt to find the "cause and effect" of a district's being distressed. The findings are as follows:

A. The Cause of Distress

1. Boards' Non-Feasance (Omission of some act which should have been performed)

a. All boards involved knowingly admitted violating Section 640, Pennsylvania School Code.

b. Poor budgetary practices evident

1. Pupil-teacher ratio of 26 to 1 not adhered to.

2. Payment of unrealistic salaries for professional and non-professional personnel was not a contributing factor except as follows:

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[1] The School Administrator, American Association of School Administrators, May 1969, p. 7.

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a. Tax collectors' commissions ranged from 71.23% of statewide costs based on costs per pupil in average daily membership to 221.49% for collecting local tax. This variance appeared in six of the seven districts studied.

3. Excessive transportation costs are very difficult for one to assess when districts studied are situated in different parts of the state. However, in view of the average per pupil costs in the state of $45.65, costs in two of the districts appeared unreasonable.

c. Failure to Attack School Costs Realistically

Local effort when compared with the average state effort based in mills on market valuations showed the distressed districts producing more on the average than districts were producing state wide. Four of the districts placed in the first quartile, while two were high in the median quartile with one in the lower median quartile. However, if a district is to remain financially solvent, local funds, when added to state reimbursement plus other sources of income, must be raised in sufficient amounts to balance expenditures. Failure to do this results in deficits. All of the districts studied here

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permitted these deficits to mount beyond the two per cent (2%) of the assessed value limitation established in Section 691 of the School Laws of Pennsylvania.

d. Failure to press for tax collections was paramount in each of the distressed districts.

e. Financing School Construction

Building programs were found to affect at least five of the districts under study.

2. Lack of Leadership

a. Board and Chief School Administrator

Leadership, although accepted as favorable failed in the area of producing required local effort.

b. Department of Education and related agencies

(County offices included). The Department of Education, composed of men trained in the many facets of school finance, failed the local district in dealing with budget preparation, school audits, financial reports, building request, adequate reimbursements, etc. and because of this were partially responsible for districts' financial distress.

3. Inadequate Tax Support Per Child

All districts studied were far below the state market value per weighted average daily membership of $16,275.00. This emphasized the lack of adequate local resources.

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4. Increased Instructional Costs Due to Legislative Mandates

The study revealed that legislative mandates did play a significant role and were thought of as a major cause of distress.

5. Was Jointure a Contributing Factor

The method of financing the jointure was found to be a major cause, probably the largest contributing factor to distress.

6. Incidence of Disadvantaged

A significant incidence of disadvantaged students was found in six of the seven districts studied. Disadvantaged students ranged from 13% to 51% of the student body.

B. The Effect of Distress

1. On the Academic Program

The study revealed that the academic program benefitted from being distressed.

2. On Improved Budgetary Practices

Major changes took place in this area. Tax estimates were improved, indebtedness at close of fiscal year had to be reported on Budgets submitted to the Department of Education, reimbursement revenues were accurately compiled, expenditures were scrutinized, and Department 3000 was brought into play for debt reduction and/or sinking fund payments.

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a. Establishment of a District Wide Tax Collection Agency

It was learned that much consideration had been given to this area of concern, but at the time of this study nothing had been accomplished.

b. Salary Alignment Schedules

It was learned that all but one district had salary schedules on the state schedule.

The control board urged districts to meet or surpass, if possible, the state mandated schedule. The control board also recognized the importance of fringe benefits and helped to implement them.

3. On Reduction of Debt

The greatest improvement brought to the district was elimination of its debt. In addition to debt clearance it was learned that four of the seven districts had budgeted some cash balance.

4. On Physical Facilities

The control board pointed the way for establishing funds in anticipation of building that reduced the impact of the initial rental outlay on the current budget.

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5. On the Faculty

No adverse effects were found on the faculties involved as a result of being distressed.

6. On the Student

No adverse effects were found to exist.

7. On the Community

After the initial shock, the community appeared to rally in defense of the district's need for additional funds.

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Conclusions

1. The distressed school district in the Commonwealth of Pennsylvania is a very real problem---a problem that is reaching major proportions.

2. Section 640, School Laws of Pennsylvania contributes to delinquency of board members by granting power to borrow, but establishing no mechanism by which total amount borrowable can be calculated or verified.

3. There is a need for a change of tax assessments to meet the increased costs of education. Real property is no longer a satisfactory base. Salaries and purchases appear to make up the major portion of our economy and as such should bear the chief burden of tax assessments.

4. The cost of collecting taxes at the local district is exorbitant suggesting a need for change perhaps a state tax collecting agency.

5. Jointures, applying the present form of financing, should not be allowed to exist. An equitable distribution of jointure costs must be determined to assist the financially weak districts.

6. Federal funds in increasing amounts are needed to assist the local district to meet its costs.

7. School districts involved in building programs should be encouraged to develop sufficient funds in Department 3000 to meet the initial year's rental costs.

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8. Poor budgetary practices centered around inflated incomes and/or deflated expenditures result in financial deficits and can not be permitted to exist.

9. A high incidence of disadvantaged students predicts low income available to the district.

10. Districts that are financially distressed should request to be declared distressed unhesitatingaly because it is a sound move both financially and academically.

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D. Recommendations

On the basis of the findings, the following recommendations are made:

1. That the Department of Education recognize that its method of determining pupil-teacher ratio is outmoded. Future ratios should be obtained in relation to classroom teachers independent of nurses, guidance personnel, home and school visitors, administrators, etc.
2. That the Department of Education establish a "Fiscal Control Center" with the express purpose of "guardian of the budget." Section 687 of the Commonwealth's School Laws requiring budget submission be implemented fully.
3. That the Department of Education require districts contemplating a building program, to develop a sinking fund in Department 3000 sufficiently capable of meeting the first full year of rental requirements.
4. That the Department of Education require full enforcement of Section 640 of the Commonwealth's School Code.
5. That the Commonwealth of Pennsylvania establish a state tax collecting agency patterned after the Federal Internal Revenue Service to collect all taxes in the Commonwealth.

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6. That the Pennsylvania legislature study its tax structure for the purpose of implementing a more effective program of taxation. The following are recommended for consideration:
   a. Addition of the second broad base tax, the income tax. This tax to be coupled with the existing broad base tax, the sales tax. Retain minimal per capita taxes with a view to possible elimination.
   b. Inauguration of a state wide property tax to be applied to financing educational costs only (a corresponding decrease would be applied at the local level).
   c. Restructure taxes placed on Commonwealth's business to permit alignment with state programs economically comparable to Pennsylvania.
   d. Provide increased state funds to school districts with a high incidence of children from low income families by passage of H.B. 717.
7. If tax collections should remain either the full or partial responsibility of the local government, then an efficient system handling both current and delinquent taxes at the least possible expense should be developed.

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8. The state legislature either abolish "jointure," as a vehicle for school district reorganization, or permit costs to be adjusted so as not to burden the poorer districts.
9. That the Commonwealth advocate and work untiringly for federal aid to education. Both categorical and general sums, to approximate a third of the overall cost.

E. Recommendations for Further Research

On the basis of this study, the following recommendations for further study are made:

1. The sociological impact of being distressed upon the local community.
2. Pennsylvania's tax structure should be studied to implement a fair share of the revenues on business, real estate, and personal income.
3. A state-wide study of practices of county tax liens bureaus in the sale or collection of taxes due on real estate. Redeeming property must never be less costly than current tax bills.
4. The extent of the Department of Education's review of school district's budget, financial report, and audits compared with states comparable to Pennsylvania.
5. To evaluate recommendations made herein and to determine additional procedures aimed at eliminating the distressed district.

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APPENDICES

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APPENDIX A

THE DISTRESSED SCHOOL DISTRICT

An Interview Schedule

To Ascertain

the

Cause and Effect

of

Being Declared

Financially Distressed

(Each item, after check-off was explored in depth with the Superintendent and Central Office Staff)

	Yes (Place a check in correct column)	No
A. Cause		
1. Board Nonfeasance		
a. Violation of Section 640 of the Pennsylvania School Code a contribution factor.	____	____
b. Poor Budgetary Practices		
1. Over-hiring of a. Professional Personnel	____	____
2. Payment of Excessive Salaries		
a. Professional	____	____
b. Non-Professional	____	____
c. Tax Collectors	____	____
d. Board Members	____	____
3. Excessive Transportation Costs	____	____
c. Failure to Attack School Costs		
1. Failure to Assess Needed Taxes	____	____

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APPENDIX A (CONTINUED)

	Yes	No
	(Place a check in correct column)	
d. Failure to Press for Tax Collections	____	____
e. Financing School Construction	____	____
1. Program of Building Maintenance	____	____
2. Lack of Effective Leadership		
a. Board and Chief School Administrator	____	____
b. Department of Education	____	____
3. Inadequate Tax Support for Child	____	____
4. Increased Instructional Costs Due to Legislative Mandates	____	____
5. Is Jointure a Contributing Factor	____	____
6. High Incidence of Disadvantaged Students (Approximately 15% of Student Body)	____	____
B. Effect		
1. On the Academic Program		
a. Improvement	____	____
b. Impairment	____	____
(Consider such factors as teacher/ pupil load, co-curricular activities, adult programs, extension programs, curriculum expansion, etc.)		
2. On Improved Budgetary Practices		
a. Establishment of a District Wide Tax Collection Agency	____	____
b. Salary Alignment Schedule		
1. Professional	____	____
2. Non-Professional	____	____

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APPENDIX A (CONTINUED)

	Yes	No
	(Place a check in correct column)	
3. On Reduction of Debt	____	____
4. On Physical Facilities	____	____
5. On Faculty	____	____
6. On Student Body	____	____
7. On the Community	____	____

C. District Background Information

Population _____ No. Taxables _____ Class _____

Number of Municipalities in School District _____

1. Local Effort Produced in Mills Based on Market Value _____
   (Commonwealth's average on M.V. _____)

2. Aid Ratio _____

3. Poverty Funds _____

4. Total State Funds _____

5. Total Federal Funds _____

6. Total Local Funds (Taxes Levied) _____

7. Instructional Costs Per Pupil _____

8. Teacher-Pupil Load

   Elementary (Pupils) ____ (Tchrs.) ____ Elem. T/P _____
   Secondary (Pupils) ____ (Tchrs.) ____ Sec'y. T/P _____

9. Tax Support Behind Each Student (WADM)

   District Average _____
   Commonwealth's Average _____

10. Cost of Collecting Local Taxes _____

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APPENDIX B

BEGINNING DEFICITS IN THE SEVEN DISTRICTS

District	Certified Distressed in the Year	Number Years Distressed	Amount of Debt
A	1967	2	159,000.00
B	1967	3	425,300.00
C	1967	2	169,095.00
D	1966	3	705,000.00
E	1966	5	679,388.00
F	1968	1	250,000.00
G	1968	1	772,000.00

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APPENDIX C

DIFFERENCE IN TRANSPORTATION COSTS OVER 3 YEAR PERIOD

District	1966-67	1967-68	1968-69	Average Number Children Transported	Average Cost Per Pupil
A	75,649.00	93,953.00	97,500.00	2585	29.26 32.87 34.11
B	35,982.75	35,973.00	36,230.00	917	39.24 39.23 39.51
C	100,222.56	101,966.02	107,360.00	3039	32.98 33.55 35.33
D	109,373.78	63,872.88	63,760.00	1794	62.00 36.21 36.14
E	176,619.11	211,041.44	262,063.00	5300	33.32 39.82 49.45
F	67,500.00	67,500.00	67,500.00	1300	51.92 51.92 51.92
G	180,000.00	180,997.60	203,665.68	4200	42.86 43.09 48.49

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APPENDIX D

AVERAGE PER PUPIL COSTS

(1966-67, 1967-68, 1968-69)

Districts	Total Cost Three Years	Average 3 Years	Average Per Pupil Cost 3 Years
A	267,102.00	89,034.00	34.44
B	108,185.75	36,061.91	39.33
C	309,548.58	103,182.86	33.95
D	236,606.66	78,868.88	43.96
E	649,723.55	216,574.51	40.86
F	202,500.00	67,500.00	51.92
G	564,663.28	188,221.09	44.81

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APPENDIX E

1966-67 LOCAL TAX EFFORT IN MILLS ON MARKET VALUE

DISTRICT	REAL ESTATE	PER CAPITA	ACT 511	OTHER	TOTAL TAX	MARKET VALUE	TAX EFFORT IN MILLS
A	352,273.00	16,740.00	66,126.00	13,000.00	448,089.00	17,099,400	26.2
B	169,247.36	16,500.00	71,792.44	23,300.00	280,839,80	11,966,700	23.5
C	322,228.71	33,480.00	146,563.56	18,000.00	520,272.27	23,644,800	22.0
D	484,428.74	23,895.00	102,070.00	15,826.39	626,083.05	32,789,500	19.1
E	503,009.15	34,742.90	236,695.00	1,763.73 104,896.36	881,207.87	39,853,600	22.1
F	314,792.59	14,000.00	-----	-----	328,792.59	25,316,100	12.9
G	449,191.43	23,757.92	164,298.92	72,800.00	710,048.27	40,073,500	17.7

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APPENDIX F

1967-68 LOCAL TAX EFFORT IN MILLS ON MARKET VALUE

DISTRICT	REAL ESTATE	PER CAPITA	ACT 511	OTHER	TOTAL TAX	MARKET VALUE	TAX EFFORT IN MILLS
A	327,159.00	16,740.00	59,440.00	13,000.00	416,339.00	17,099,400	24.3
B	160,000.00	16,500.00	104,900.00	23,300.00	304,700.00	11,966,700	25.5
C	298,447.00	33,480.00	155,660.00	18,000.00	505,587.00	23,644,800	21.4
D	534,465.00	47,230.00	111,375.00	15,000.00	708,070.00	32,789,500	21.6
E	550,000.00	33,000.00	311,000.00	85,300.00	979,300.00	39,853,600	24.6
F	386,000.00	14,000.00	75,000.00	8,000.00	483,500.00	25,316,100	19.1
G	483,900.00	33,900.00	162,460.00	154,500.00	834,760.00	40,073,500	20.8

APPENDIX G

1966-67

MILLS ON MARKET VALUE

(LOCAL, COUNTY, AND STATE COMPARISONS)

DISTRICT	TAX EFFORT IN MILLS	AVERAGE COUNTY EFFORT	AVERAGE STATE EFFORT
A	26.2	19.3	20.4
B	23.5	19.3	20.4
C	22.0	19.3	20.4
D	19.1	19.4	20.4
E	22.1	18.6	20.4
F	12.9	17.6	20.4
G	17.7	18.6	20.4

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APPENDIX H

1967-68

MILLS ON MARKET VALUE

(LOCAL, COUNTY, AND STATE COMPARISONS)

DISTRICT	TAX EFFORT IN MILLS	AVERAGE COUNTY EFFORT	AVERAGE STATE EFFORT
A	24.3	19.3	20.4
B	25.5	19.3	20.4
C	21.4	19.3	20.4
D	21.6	19.4	20.4
E	24.6	18.6	20.4
F	19.1	17.6	20.4
G	20.8	18.6	20.4

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APPENDIX I

1967-68

STATEWIDE LOCAL EFFORT ON MARKET VALUE

Districts	
	28.3 Mills - High (State)
B	25.5 Mills
E	24.6 Mills
A	24.3 Mills
	21.6 Mills - First Quartile (State)
D	21.6 Mills
C	21.4 Mills
G	20.8 Mills
	20.4 Mills - Median (State)
F	19.1 Mills
	18.5 Mills - Third Quartile (State)
	13.1 Mills - Low (State)

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APPENDIX J

WADM - MARKET VALUE

1967-68

	WADM	MARKET VALUE	MARKET VALUE PER WADM
STATE	2,461,813.00	40,066,006,300.00	16,275.00
Districts			
A	2,075.92	17,099,400.00	8,237.02
B	1,922.00	11,966,700.00	6,226.17
C	2,926.24	23,644,800.00	8,080.27
D	2,734.98	32,679,600.00	11,948.00
E	7,409.3	39,853,600.00	5,378.86
F	1,994.22	25,316,100.00	12,694.74
G	5,601.29	39,885,100.00	7,120.00

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APPENDIX K

INCIDENCE OF DISTRESS

1968-69

(NOTE: 15% OF STUDENT BODY CONSIDERED HIGH INCIDENCE OF POVERTY)

DISTRICT	% OF INDIGENT
A	27%
B	33%
C	24%
D	13%
E	42%
F	20%
G	51%

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APPENDIX L

MILLAGE EQUIVALENT OF GRANTS-IN-AID

DISTRICT	DISTRESSED PAYMENTS	DEBT	ASSESSED VALUE	MILLS OF ASSESSED VALUATIONS
A	140,000.00	159,000.00	7,443,570.00	18.8
B	135,000.00	425,300.00	5,173,920.00	26.1
C	135,000.00	169,095.00	11,056,801.00	12.2
D	352,000.00	705,000.00	10,204,435.00	34.5
E	336,000.00	679,388.00	19,154,740.00	17.5
F	95,000.00	250,000.00	9,622,375.00	9.9
G	160,000.00	772,000.00	18,128,325.00	8.8
TOTAL	1,353,000.00	3,159,783.00	80,784,166.00	16.75

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