COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, May 24, 2011
10:25 a.m.

PRESENT:
COUNCIL PRESIDENT ANNA C. VERNA
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN DARRELL CLARKE
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BILLS 110135, 110136, 110137, 110138, 110139 and 110140
RESOLUTION 110161

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COUNCILWOMAN BLACKWELL: Good morning. Let me thank everyone for coming here today. We're grateful to have the Superintendent/CEO of the Philadelphia school system, members of her Board that we will ask -- who are in her office -- we will ask her to introduce. We welcome them all. We welcome the PFT and all their members, and certainly all who are here, including the students, who have been holding up signs in the balcony. We're grateful to have them here.

(Applause.)

COUNCILWOMAN BLACKWELL: Thank you very much. So this will formally begin our hearings for the School District of Philadelphia on their budget, and we will ask the Clerk to read both bills, the title of both.

MR. McPHERSON: This is a continuation hearing on bills and resolution, Resolution 110161, the City's Five Year Plan; Bill No. 110135, the

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Capital Program, 2012 through 2017; Bill No. 110136, the Capital Budget for 2012; Bill No. 110137, the Operating Budget for 2012; Bill No. 110138, the wage tax bill, and we're going to take testimony today on Bill Nos. 110139, an ordinance amending Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," by amending Section 19-1806, entitled "Authorization of Realty Use and Occupancy Tax."

Bill No. 110140, an ordinance amending Section 19-1801 of The Philadelphia Code, entitled "Authorization of Tax," to further authorize the Board of Education of the School District of Philadelphia to impose a tax on real estate within the City of Philadelphia.

COUNCILWOMAN BLACKWELL: Thank you very much.

We note that we have a quorum this morning, and we will now call on our guests, Dr. Ackerman, to introduce yourself to the record and begin your testimony.

DR. ACKERMAN: Thank you, Chairwoman. Before I --

COUNCILWOMAN BLACKWELL: Please pull the mike closer. We can't hear you.

DR. ACKERMAN: I'm sorry.

COUNCILWOMAN BLACKWELL: Thank you.

DR. ACKERMAN: I'd like to introduce two of our Commissioners who are here, and Chairman Archie will start with remarks today, but sitting next to him is Commissioner Joseph Dworetzky.

COUNCILWOMAN BLACKWELL: Welcome.

DR. ACKERMAN: Chairman Archie.

MR. ARCHIE: Good morning, Council President Verna and members of City Council. As the Superintendent said, I am Robert Archie, Chairman of the School Reform Commission, and I, along with my fellow Commissioner Joe Dworetzky, are here today to show our support and to have me testify on behalf of the School District of Philadelphia in support of Bill Nos. 110139, 110140 and 110178 and I believe 110179.

As we all know and as the School District of Philadelphia approaches Fiscal Year 2011 through 2012, it faces dramatic proposed reductions in funding, as well as a legal obligation to adopt a budget, a balanced budget, of the coming year. Mindful of those challenges, the District leadership has conducted this year a budget -- this year's budget preparation process with considerable thought and due diligence. It's now time for City Council to review and react to the budget plan proposed by the School District's management team in order to gain a better understanding of the School District's current fiscal challenges and how Philadelphia education programs and priorities are likely to be affected.

To avoid adversely impacting

and eliminating these educational programs and priorities, the School Reform Commission respectfully requests financial assistance in the form of increased revenues from the City of Philadelphia and this City Council. With that as a background, it is incumbent upon all of us to ensure the equitable allocation of resources, along with access to an equal opportunity education for all students.

District managers and staff have worked hard to preserve the core mission of our public education system while building a balanced FY 2011 to 2012 budget for your review. I anticipate a lively and informed discussion about the proposed budget and its alignment with our community academic needs and priorities.

Before I introduce Dr. Ackerman and Deputy Superintendent Dr. Leroy Nunery and our Chief Business Officer Michael Masch, I want to take this moment to thank Mayor Nutter and every member of City Council for the leadership and ongoing support you have provided the School District during my two years on the School Reform Commission. I, as well as my fellow Commissioners, deeply appreciate all that you've done, especially in light of the unforeseen economic challenges we have all endured and the uncertain future that lies ahead.

Now I invite Dr. Arlene Ackerman, Superintendent of the School District of Philadelphia, to review how collectively we plan to continue in the intense pace we have set for achieving the ambitious goals of Imagine 2014 and the great strides our students have made over the last eight years. Following Dr. Ackerman's testimony, Deputy Superintendent Dr. Leroy Nunery and our Chief Business Officer Michael Masch will outline the School District proposed FY11 to '12 budget and how we pledge to be careful stewards of the financial resources that the City, the Commonwealth and the Obama Administration have and hopefully will bestow upon us. Thank you.

Dr. Ackerman.

DR. ACKERMAN: Good morning. As Superintendent and CEO of the School District of Philadelphia, I am privileged to be here representing almost 200,000 of the City's children who attend our public and charter schools and over 23,000 employees who are dedicated to their success and well-being.

Let me begin by thanking you, Madam Chairperson and members of the City Council. I also want to thank you for your leadership, for your commitment to public education and also for the opportunity to provide you with an update on the reform efforts underway in our School District, on the gains we have made since the launch of Imagine 2014 and on our response to the massive budget cuts we face in the Fiscal Year

2011-2012.

Our specific purpose today, however, is to present a draft of the school budget for the school year 2011-12 and explain how we intend to close a $629 million deficit which we now anticipate. But first I would like to review the remarkable progress of our schools and students that they have made since the implementation of Imagine 2014, taking summary highlights from major findings reported last week by the Accountability Review Council, otherwise known as ARC, which is an independent state entity composed of seven individuals charged with monitoring the School District's reform efforts.

From 2002 through 2010, the School District of Philadelphia made considerable gains as measured by AYP, otherwise known as Adequate Yearly Progress, and PSSA, the Pennsylvania System of School Assessment, test scores.

Over eight years, the

percentage of the District's schools that met AYP standards rose from 9 percent to 59 percent. Since 2008, indication of improvement in student performance and school quality have accelerated.

For example, in August 2010, we proudly reported the following data: 158 schools made AYP, and that's 59 percent of the District's schools, 33 percent more schools than last year's total of 119. That's an increase of 51 schools since 2007.

Forty-three percent of our high schools made AYP, 50 percent of our middle schools made AYP, 67 percent of our elementary schools made AYP and 34 percent of our empowerment schools made AYP, 76 percent of our non-empowerment schools made AYP, and 83,141 of 162,662 District students attend schools that made AYP.

Similarly, over an eight-year period, Philadelphia's charter schools have made considerable progress, increasing the percentage of schools meeting AYP from 12 percent to 70 percent.

In addition to the remarkable improvement in the academic achievement of our students, we are proud to report numerous accomplishments over a period of three years, including a 29 percent decrease in violent incidents; an expanded summer school program that enrolled 58,000 students last July; Parent University enrollment, which reached 22,000 at 50 sites by December of last year and was recently profiled by CNN in a special on education; an average of 600 parents and caregivers who attended one or more of our Parent Roundtables; the establishment of School Advisory Councils in our school communities; the launch of a leadership institute for aspiring school leaders within the District; the opening of Parent Resource Centers and Newcomer Learning Academies in multiple regions throughout the City; and the successful implementation of the Renaissance Schools Initiative, which led to the opening of seven Renaissance Charter Schools and six Promise Academies in September 2010.

Across the nation, the School District of Philadelphia is becoming recognized as a leader in the forefront of turning around low-performing schools by engaging entire communities and promoting a diverse provider model in management.

The severe budgetary reductions anticipated for the next school year, however, now characterize our latest and greatest challenge thus far. Our purpose and priorities are clear. We remain committed to building a system of great schools where all students can succeed, where all have equal access to opportunities that matter and people who care. Critical to achieving our purpose and addressing our priorities is the matter, though, of adequate funding.

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As recommended in the May 2011 report of the Accountability Review Council, the School District is urged to continue to support and invest in the following initiatives, accomplishments and challenges: In the exercise of spending authority, give the highest priority to reform efforts and continue to accelerate student achievement; to provide ongoing training to build capacity within our School Advisory Councils; to strengthen professional development programs to strengthen school leadership; to maintain ongoing support for the second generation of Renaissance Schools and the recruitment of teachers; and then, finally, to address the less-than-adequate rate of academic achievement made by subgroups of black and Latino students relative to that of Asian and white students.

In accordance with my core beliefs that children come first, that parents are our partners, that victory is is in the classroom and facilitated by a strong instructional leader, leadership and accountability are the keys to our success and it takes the engagement of the entire community to ensure the success of its public schools.

In a few minutes, Dr. Nunery, our Deputy Superintendent, and Michael Masch, our Chief Financial Officer, will present the details of our Fiscal Year 2011-12 budget. Even after the salary reductions of our most senior staff and a 50 percent cut to all Central Office staff, programs and contracts, you will hear about dramatic cuts to school staffs and programs that we believe are the basic foundation of a quality public education, cuts in early childhood education, transportation, art and music, reading teachers, counselors, and the list goes on.

As an educator with more than 42 years of experience, please understand that the staff and I have agonized over these proposed cuts for months now. We as District leaders are painfully aware that many of the spending cuts in next year's budget will cause great pain and disruption to thousands of Philadelphia families and will threaten the hard-won improvements in academic achievement that I mentioned earlier. We know our children deserve the best educational opportunities possible if they are to compete in tomorrow's world.

It is with these thoughts in mind that we urge all of us - District employees, City government officials and elected state representatives - to work together in true partnership.

A friend once told me of a custom in some African villages where the elders would visit to determine how well things were going in the respective communities. He told me that the elders would ask one question, How are the children?

Another wise friend told me

that when children fail, it is a systems failure. In other words, he said it is a failure of the adults, both inside and outside of the School District, to do no harm.

The truth is, ladies and gentlemen, we all acknowledge that the proposed cuts will hurt our children. We also know that if as adults charged with their care we do nothing and fail to restore some of these critical programs to the Fiscal Year 2011-12 budget, we will do irreparable harm to this city's most precious resource, our children.

Because we are mindful that the proposed cuts will be devastating and disruptive to our Philadelphia School District and because we are clear that the future of our city is inextricably tied to the quality of our schools and the education of our children, we, the School District, respectfully request from the City Council and the Mayor additional funding for the Fiscal Year

2011-2012 as we face these very difficult economic times.

We recognize that the specific methods and amounts of additional funding must be decided by you, the elected officials who guide and govern our city. Please know, however, that we welcome the support of the City Council and the Mayor. We are prepared to work cooperatively with you, because our children deserve nothing but our best collective efforts.

Thank you.

(Applause.)

DR. ACKERMAN: At this time, Deputy Superintendent Dr. Leroy Nunery and Chief Financial Officer Michael Masch will present the details of our Fiscal Year 2011-2012 budget.

DR. NUNERY: Good morning. For the record, my name is Leroy Nunery and I am honored to be working with Dr. Arlene Ackerman and have been serving as Deputy Superintendent and Deputy CEO for the

School District of Philadelphia since July 2010. As a key member of the Office of the Superintendent, working closely with Dr. Ackerman, my responsibilities are broad and they encompass the leadership and management of several District functions, including Facilities; Capital Programs; Procurement; Talent Development; Information Technology; Charter, New and Partnership Schools; Grants Development and Compliance; and a wide range of other mission-critical District-wide initiatives and activities such as the Facilities Master Plan. I am pleased and blessed to have the honor of serving Philadelphia's children at this most important time in our city's history.

As Dr. Ackerman just outlined, Philadelphia's public and charter schools have made significant and steady progress for eight straight years, especially since we've implemented our five-year strategic plan, Imagine 2014. Even in the face of unprecedented fiscal challenges, I hope that the members of the City Council and the public will recognize the enormous dedication and effort of District personnel as we strive to continually lift achievement, transform schools that underperform and create new opportunities for educational attainment. And many of my colleagues are here today in the last rows.

For several months now and especially since early March, when Governor Corbett's budget proposal became public, our entire senior management team at Dr. Ackerman's instruction has developed multiple options and scenarios that balance three main priorities. One, protecting our core educational mission; two, terminating, eliminating or modifying the services that support the educational mission; and, three, achieving a mandated balanced budget. We have done our homework and we're prepared to do everything that we must do in order to achieve these goals. I assure you that nothing has been left untouched by this intensive review.

As our Chief Financial Officer Michael Masch will tell you in a few moments, the $629 million projected budget gap presents Philadelphia with dynamic complications and trade-offs. To that end, our gap-closing measures include sharp reductions in staff, early retirements, reviewing all contracts, deferring expenditures and finding new efficiencies and cost savings.

Our three-phased planning approach was initiated in January 2011, at which time our executive leadership acted to ensure the District's fiscal stability for the remainder of this current academic year. These actions included, one, furloughs or unpaid work days for the Superintendent and myself, accounting for 20 days each, and other senior and Central Office staff, 16 days and six days, respectively; two, immediate reductions in Central Office spending; three, implementing a hiring freeze; four, restricting the spending of unobligated funds; five, applying surplus funds to the net operating budget; and, six, consolidating and reducing Central Office departments, programs and services. We will end this year, June 30th, 2011, with a balanced budget.

But because of the severity of our funding shortfall, the second phase of planning for Fiscal Year 2011-12 included planning for extending controls on spending; freezing hiring and closely examining the intent and the purpose of each initiative; initiating reductions in force, including a 50 percent reduction in staffing at the Central Office; reducing central allocations and operational supports, for example, facilities services for schools; and reducing costs through efficiency improvements and elimination of redundancies. As an example of one of our cost-saving solutions is the recently developed textbook inventory that complements our normal purchases through publishers. Within just three weeks, we have saved over $350,000 by supplying schools from this inventory. That 350,000 is equivalent to four teachers. So our efforts to find efficiencies can translate into real savings and potentially real people. And this was a staff-driven effort.

The third phase of planning called for deeper budget cuts across the board and a number of initiatives to save cash and to lower costs, such as a voluntary early retirement program, locking in energy costs, lowering purchasing volumes and the implementation of the Facilities Master Plan.

We are ready as a district and we are willing as a district to discuss any and all feasible options, including partnerships with institutions of higher education, the Mayor's Office, City

Council, the corporate and private sector and the non-profit sector.

In this current political and economic climate, we're deeply concerned about the potential disproportionate impact that necessary budget cuts will have on our children and the state of our city and our schools. As everyone here knows, good public schools are what make neighborhoods work, and thriving neighborhoods are essential to the well-being and economic health of our city, Philadelphia.

We also think that all financial and all non-financial issues pertaining to student success and school improvement belong to all of us. We're determined to be good stewards of the public's money, just as surely as we're dedicated proponents of public education and the learning needs of our children.

At this time, I yield the floor to Mike Masch, the District's Chief Financial Officer, who will present our proposed budget for Fiscal Year 2011-12. Thank you.

(Applause.)

MR. MASCH: Good morning, Madam President, Councilwoman Blackwell and the other members of City Council. I'm honored to be here again with my colleagues. I wish it was under more pleasant circumstances than these, but I believe that we do have an opportunity here this morning to understand the problem that's before us and to begin the dialogue that's necessary to determine the City's appropriate response to the challenges that we face.

As Dr. Ackerman and Dr. Nunery and Chairman Archie have noted, we face unprecedented reductions in state and federal aid at present. Unless there is a decision to change the current path, we face zero growth in local school tax revenues and we face unavoidable increases in costs for critical items, including health benefits, pension contributions and state-mandated contributions to charter schools.

Despite those challenges, we have done what the Philadelphia Home Rule Charter and the Pennsylvania School Code require. We have presented a balanced budget. This budget does not include a deficit or a gap, but this is accomplished only through deep and painful cuts in programs and personnel that we recognize will profoundly affect every aspect of the instructional program of our School District.

What I want to do very briefly this morning for the members of Council and for the public is to illustrate some of the key points in the construction of this budget.

The first, as you can see on the screen, is our projected enrollment for next year. As you can see, after a slight decline, enrollment in the School District, which ten years ago was about 215,000 students, is just a little bit over 200,000. We project 203,000 next year at this point. The critical difference, as you can see from the mix of blue and red in the columns, is the fact that the way that we deliver public education is changing dramatically, and next year under the budget that we have proposed, our projection is that one out of four public school students in the City of Philadelphia will attend a charter school and three out of four will attend a District-operated school, a little over 150,000 in District-operated schools and about 51,000 in charter schools. So this is very much a budget that has to look at both the budget for charters, which are now you will see over 20 percent of the total School District budget, and the budget for District-operated schools, and that presents us with some challenges that we will describe in a moment.

Dr. Ackerman has noted our academic progress. We want to state for the record that although there are some who have, in the public debates about school funding in Pennsylvania, in recent months suggested that there is no relationship between funding and achievement, as the Superintendent has noted, achievement in this School District has increased substantially. We have one of the best records in terms of urban educational improvement over the past decade, but our funding has increased over the same period of time, and the columns that you see there are the increases in state and local funding since the formation of the School Reform Commission.

We are deeply appreciative to the Mayor and City Council for the support that you provided us in the past, and we do believe that it is an important contributing factor to both rising achievement in District-operated schools, which is what you see on this slide, and an increase in student choice and family choice in terms of public education, because this slide shows over that same period of time the increase in the number of students who are attending charter schools in the City of Philadelphia.

Our point to you is, Philadelphia public schools have gotten better, and Philadelphia operates in fact the largest number of successful public schools in the Commonwealth. This past year, 158 District-operated schools and 46 charter schools achieved Adequate Yearly Progress, and that is more than the number of schools achieving Adequate Yearly Progress in the ten next largest school districts in the state.

(Applause.)

MR. MASCH: But this is our problem. We always face challenges in terms of spending growth and we have been able to manage them. Since this Administration and this School Reform Commission have been in office, the School District has returned to financial stability. We have had not just balanced budgets but modest surpluses in the past three years. Our problem next year is not a spending problem. Our problem is a funding problem, and it is illustrated here.

The revenues available to us this year are a little over 3.1 billion. Next year we project that the revenues available to us, unless there is a change, the revenues available to us will be a little over $2.7 billion, and that represents a $400 million, 15 percent, reduction in the resources that the School District will have to spend next year. And we'll talk about the causes of that in just a moment.

What it will mean in terms of total revenue is that about half of our resources, 1.36 billion, would come from the Commonwealth, that 815 million would come from local school taxes authorized by this Council and by the $36 million City grant, and that would represent just under 30 percent of the School District's resources. About 15 percent would come from federal instructional aid, another 3 percent from federal support for our food services program for free and reduced breakfast and lunch in the School District, and the rest from operating earnings and small contributions from the Parking Authority and through the gaming law.

What that means is that the resources that would be available to the School District next year, unless there is a change, will be back at the level of 2008-2009. Unfortunately, our costs are not back at the level of 2008-2009. Everything that we do - the cost of labor; the cost of materials, supplies and equipment; fuel for our buses; the lighting and heating of our schools; the payments that we make to charter schools - all of those costs have gone up since then. So if we have the same number of dollars we had in 2008, we can't buy what we were able to buy in 2008.

This is what has happened over the past decade to local funding, and you can see that before the beginning of the recession, there was steady growth. There was about 4 to 5 percent in local funding, primarily through the School District share of the property tax. That went up about 19 million additional in 2007-2008 because of a shift of 1.69 mills in the property tax from the City to the School District. So that's why -- that's part of the reason you see the bump up in '07-'08. But since then, local funding for public schools has been flat, and absent a change in existing tax rates and funding levels and based on the projections that we've received from the City, we do not see an increase in the underlying base revenues from the property tax, the use and occupancy tax, the City liquor by the drink -- the tax levied for the schools or the school income tax.

This is compounded by Governor Corbett's proposal to reduce state funding by $292 million. A hundred and seven million of that would be in the Basic Education subsidy, 110 million in charter school reimbursement. That would wipe out the charter school reimbursement that is provided to us to help pay for the expansion of charter schools, which we have done every year and are still proposing to do next year, notwithstanding the financial problems that we're facing.

Fifty-five million in funding from the Accountability Block Grant is completely eliminated. That is the funding that this School District has used to fund full-day kindergarten.

Nineteen million in Educational Assistance funding is proposed to be completely eliminated by the Governor. That is the funding the School District has used for after-school remedial programs and to help pay for summer school.

And, finally, 1 million in dual enrollment funding from the state, those are funds that the School District uses to pay for tuition for high school students who are able to take college courses in their senior year of high school.

What is striking about this proposal on the part of the Governor is that it is such a dramatic break from anything that we've seen in the recent history of funding by the Commonwealth for the Philadelphia public schools. As you can see from this chart, over the past 20 years the average annual increase in just the Basic Education subsidy for the School District has been 3.6 percent. The Governor is proposing a 10 percent reduction. Again, that would bring our state funding back to the level of 2008.

What is of equal concern to us is that while the Governor is proposing cuts in K-12 education across the board, of the 1.1 billion in cuts the Philadelphia School District, which educates 10 percent of the Commonwealth's school children, is being asked to bear 25 percent of the cuts in state funding, and that is part of a pattern, as you can see here. In fact, across the state, the school districts with the lowest levels of poverty are being asked to bear per student reductions in state funding of less than $100 per student, whereas in the school districts with the highest levels of low-income families, including the City of Philadelphia, the cuts range from, as you see, 1,400 for the Philadelphia School District, 1,400 per student, all the way up to 2,600 per student in the Chester Upland School District just outside of Philadelphia.

This is compounded by the loss of federal stimulus funds coming directly to the School District. This was anticipated, and as we have said repeatedly since we released this budget, if this was the only problem the School District faced, we knew about it, we were prepared for it, we had a plan to handle it. Unfortunately, it is now only one component of the challenges that are facing the School District this year.

So as we've noted, taking into account the reductions in federal funding, the reductions in state funding -- and I should note that while we're focusing on next year, the state has proposed a reduction of $71 million in state funding for the School District this year, which compounds the problem, because we've had to accommodate that, and while we'll still have a balanced budget, that means that our base going into next year is lower. And when you add that to the increases in our mandated costs, our projection is that we have a budget gap of 629 million. And so we have proposed a $629 million gap-closing plan. That plan tries, in every way that it can, to close the gap between revenue and spending without touching school budgets. And as Dr. Ackerman and Dr. Nunery have noted, the first thing that we have done is to reduce the central administration of the District by half, but unfortunately, the central administration of the School District only comprises four percent of the School District budget. So even cutting it in half and even by doing that, saving $52 million, that still leaves us with a very significant gap that remains to be closed.

We have proposed other things to close that gap that don't hit the school budget's savings from the initial implementation of our Facilities Master Plan, savings we hope to achieve through a voluntary early retirement program. Because we are going to be required in this budget to increase spending for our existing charter schools and we will also be expanding the number of students in charter schools, we are seeking charter school budget relief, and we have targeted that at 57 million. We have asked our collective bargaining units to discuss with us ways of reducing our labor costs next year so that we could achieve another 75 million in gap closing. But when all of those initiatives are taken into account, we still are left with about half of the gap to be closed. And so the other 300 million of this gap is closed through reductions to school budgets, which we have enumerated for you and which I will just summarize very briefly in a couple of moments.

But before I do that, I want to make clear to the Council and to the public, one of the reasons why the proposed cuts in the School District budget look the way they do, and that is the fact that there is a very substantial portion of our operating budget -- we estimate it is over 60 percent -- nearly two-thirds of the operating budget which we cannot cut, either because of federal laws, state laws or contractual requirements. That includes our debt service obligations, which are a quarter million dollars; our payments to charter schools, which this year are over 400 million, will be higher next year; maximum class sizes that we have agreed to. And these are not our actual class sizes, but this is what we need to put into the budget just to maintain the contractual maximums of 30 students to a teacher in grades K to 3 and 33 students to a class in grades 4 to 12. Prep time support adds another hundred million to that 400 million-plus figure.

One principal per school costs us $46 million. One building engineer per school costs us $21 million. Our special ed costs cost us over $240 million. So when you add these things up, the cuts that we have proposed had to come from the remaining portions of the

School District budget, and that is in fact what we have proposed to do.

So what this budget does is, it reduces central administrative expenditures 50 percent in our central offices. When you add in some things like temporary borrowing, the net decrease is 44 percent. The reduction in District-operated schools is about 11 percent. And then there is a proposed increase in this budget of 15 percent for charter schools. That is a combination of several factors. One is a state-mandated increase in per student payments to charter schools of about 4 percent, and then added to that, growth of over 2,200 students in existing charter schools and expansion of about 350 students in state-sanctioned cyber charters and then the conversion of a half dozen of our District-operated schools into Renaissance Charter Schools.

We have given you the details on the spending changes. The spending that we propose in this budget in order to achieve a balanced budget requires a decline of 9.9 percent in our operating funds. We anticipate a 27 percent reduction in our grant funds, and that means a reduction in our total expenditures of 13.4 million.

As we have noted, the largest share of cuts has to occur in school budgets, and these are primarily cuts in people, because we are a labor-intensive organization. So if this budget is implemented as it has been introduced, the School District workforce will decline by 3,800 positions. That is a reduction in the workforce of 16 percent. There would be a reduction in the teacher core of 1,200, and that would be a reduction of 12 percent in teachers.

So we just want to note that there are -- although there are cuts -- and each one I can tell you, having sat in on the meetings with the Superintendent and the instructional leadership team, every cut was agonized over for hours in terms of what we could bear. The intent is to try to make the entire program as balanced as possible, but this budget does hold harmless the teachers we need to meet our enrollment targets and our prep time obligations. It does provide for full Title I allocations of over a hundred million dollars to the schools. It does preserve, with some increase, the reduced class size initiative in the School District's Imagine 2014 strategic plan, but raises the average class size in grades K to 3 by about three students per class. It does preserve the expanded summer school program. It does improve on the pre-Imagine 2014 counselor ratios, which were about 500 to 1, and now in this plan they are, depending on the school level, either 350 to 1 or 450 to 1.

But there are cuts in the rest of the budget, in some cases substantial.

They range from 5 to 50 to 100 percent, and we are prepared to take your questions about those cuts.

As the Superintendent has said, we all are painfully aware that these cuts will cause great pain and disruption to Philadelphia families and threaten the hard-won improvements in academic achievement that have been attained over the past eight years. And, therefore, mindful of the budget pressures that you face, we are respectfully seeking additional funding in the 2011-12 year both from local and state sources in order to preserve and advance academic progress in all of Philadelphia's public schools, both District-operated schools and charter schools. We recognize that the specifics as to methods and amounts of additional local funding must be decided by the elected officials who guide the City. We welcome your support and the Mayor's support in rolling back the worst of the threatened cuts and are prepared to work with you to determine the best way to do this.

And as the largest of Pennsylvania's 500 school districts responsible for educating 10 percent of the Commonwealth's public school students and 25 percent of low-income students in the State of Pennsylvania, we also hope to work with our fellow school districts and with state elected officials to find ways to increase state education funding and stave off the worst of threatened statewide school cuts so that the entire Commonwealth can prosper.

We pledge to invest the funds that you entrust to us wisely and diligently, to continue to improve upon the results that our District and our City have achieved together. We thank you for your support in the past years, and we look forward to your questions.

(Applause.)

COUNCILWOMAN BLACKWELL: Will you testify as well?

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MR. DWORETZKY: No. I'm just filling Mr. Archie's chair.

COUNCILWOMAN BLACKWELL: Thank you.

We will now begin some questions from our colleagues in Council. Councilman Bill Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair and Madam President.

Good morning, everyone. I just want to try to get some actual numbers in some of these cuts just so it's put in perspective, I guess. I think the two issues that have been raised the most are going to the half-day kindergarten and also the transportation issues. And it might be in here somewhere, so I apologize, but how many children will be affected, or approximately if you don't have an exact number, by going to the half-day kindergarten? Does anybody have that offhand? I'm just trying to get some real numbers here that we're talking about, or real children I guess is a better way to say it.

DR. ACKERMAN: Thirteen thousand.

COUNCILMAN GREENLEE: Thirteen thousand children by the half-day kindergarten?

DR. ACKERMAN: Yes.

COUNCILMAN GREENLEE: And along the same lines, on the transportation -- and I know the transportation issue also affects private and parochial school students, correct?

DR. ACKERMAN: Yes.

COUNCILMAN GREENLEE: Do we, again, have numbers on that, how many we're talking about here?

MR. MASCH: Yes. In regular education students in District-operated schools, we serve about 44,000 students, about 34,000 with TransPasses and about 10,000 through a combination of primarily yellow buses and a very limited amount of cab service. Non-public school students who receive transportation services from the School District are over 20,000, about over 11,000 with TransPasses and about 9,000 with bus service.

COUNCILMAN GREENLEE: Okay. Thank you. That certainly puts it in perspective on how many children we're dealing with here.

On the state cut issue, I thought the biggest or the most -- had the most impact of all the slides Mr. Masch showed was the disparity between some of the schools. I mean, which is really striking. I know the state is operating time-wise a little behind us, but has there been any conversations with some of those other school districts that have been significantly impacted? I know they're a lot smaller than ours. And also with the elected officials that represent those areas? Anything to report on that yet?

DR. NUNERY: Yes, Councilman. We've been meeting with the Pennsylvania League of Urban Schools, which comprises superintendents from across the state. They all have the same exact concerns, that by proportion they are affected. Towns like Allentown, Easton and others, Lebanon School District, are all affected in very similar ways.

We have a double whammy here because of the way charter schools are funded. So we have it in both ways, not just directly for the District but also what will happen for charter school funding next year, because as our revenues go down, they will also be affected. So we are still a unique case.

COUNCILMAN GREENLEE: But I would guess just in cuts, I mean, it would seem like there are strength in numbers if people work together as much as possible. And I know you know that. I guess I'm just kind of stating that, that sometimes it's just shown as a Philadelphia problem, but it's a statewide problem as far as children in disparate numbers are getting hurt here.

Nothing against the kids in Upper Merion or anything, but it seems like we need a little balance here. I know that's a political problem, too.

DR. NUNERY: Councilman, we've actually been meeting with this plus group that I just mentioned and also recently met with all the regional intermediate units from around us, again, all on the same theme, that we should jointly advocate for the restoration of funding, that we should also look at shared services where it's possible to save money, and there are some unique opportunities there. But right now we all also need to have a single voice on what happens to school kids and how the funding is allocated. So we're on the same page as you are.

COUNCILMAN GREENLEE: And how about the last question on this round, the state officials, the elected officials of these areas, have they been involved at all yet? I'm talking about state reps, state senators.

DR. NUNERY: We've been talking to everybody, both on the House and Senate side. We've been to Harrisburg several times. We've been working also with the Mayor's Office through the Mayor's advocacy and lobbying efforts, again, to try to put voice to the concerns we have.

COUNCILMAN GREENLEE: Thank you.

I had some other questions, but I know probably everybody does, so I'll hold.

COUNCIL PRESIDENT VERNA: Can I just ask how much would be needed for full kindergarten, how much for transportation, so that we don't go back and forth on this.

COUNCILMAN GREENLEE: So get that on record.

MR. MASCH: Madam President, Councilman, the cost of full-day kindergarten was a little over 51 million. To go from the half-day program, as is budgeted now, back to full day we would require $25 million in additional funding.

In order to restore the transportation cuts in total, we would require about 36.5 million to restore the bus service for grades 1 to 6 and we would require another 23.4 million in order to restore the TransPass program.

COUNCIL PRESIDENT VERNA: I'm sorry. To restore?

MR. MASCH: The TransPass program for grades 7 to 12.

COUNCILMAN GREENLEE: Could I just follow up on that just one piece. Has there been conversations with SEPTA on the TransPass issue?

MR. MASCH: There have been conversations. Ever since we used to -- for those of you who go back long enough to remember the discounted school tokens that were the predecessor of the free TransPasses, it has always been the case that the cost of student transportation on SEPTA has been borne by the School District and not by the Transportation Authority. The Transportation Authority does provide us with three and a half million dollars to cover administration of the TransPass program, but otherwise all of the costs are borne by the School District. Now, it's a special TransPass. It's not -- it's only available during school hours and not on weekends and, as a result, it has a lower price than the regular TransPass, but we are the ones who pay that price. We don't get a discount on it.

COUNCILMAN GREENLEE: And has SEPTA been open to anything on that, any discussion on that, just for the record?

MR. MASCH: We've been discussing with SEPTA whether there are ways that they could be helpful to us, but that has mostly been a matter of changing the timing in terms of when we make payments as opposed to reducing the actual cost of the TransPasses that they provide us.

COUNCILMAN GREENLEE: Thank you.

Again, I had other questions, but I know a lot of people do, so I'll yield for the moment. Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much. Next is Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Good morning. Let me preface my comments by saying four years ago I was the primary sponsor of the bill that gave more money to the School District and changed the split to a 60/40. Let me then say that I am prepared to vote for additional funds this year. And let me start with the first question, which is simply how much money do you want?

(Applause.)

MR. MASCH: Well, Councilman, that is a tough -- as you know, we have identified, I mean, just to be realistic enough, we have identified the most troubling of the educational cuts in this budget --

COUNCILMAN GOODE: I have it right here, Mr. Masch. The question is, how much money are you asking for?

MR. MASCH: All right.

(Applause.)

MR. MASCH: Councilman, as we've noted, just to restore full-day kindergarten would require 25 million. To avoid the transportation cuts would require 50 million.

COUNCILMAN GOODE: I have the list, Mr. Masch. I'll ask the question one more time. Are you going to make a direct request or not?

MR. MASCH: As you know, the priority list of cuts that we've identified --

COUNCILMAN GOODE: Are you going to make a direct request or not? If you're not going to make a direct request, just say I'm not going to make a direct request.

MR. MASCH: The priority list that we've identified is of $180 million of cuts. We would certainly welcome the Council's support to provide us at least 50 to 75 percent of that, if it is possible for you and the Mayor to put together the votes to do that.

COUNCILMAN GOODE: Let's go back to four years ago. The District did not make a request. I offered a bill on my own that shifted the money, and I thank my colleagues for support of that. One of the requirements of the bill was that before it become effective, that the School Reform Commission had to outline how the money was going to be spent in these areas: early childhood education, class size, after-school programs, dropout prevention and school safety. Can you tell me how the money we gave you four years ago has been spent?

MR. MASCH: Well, Councilman, the total additional funding that was produced by the millage was about $18.7 million. As you know, during that period of time, the School District would have faced a deficit of over $141 million and that would have required reductions in early childhood programs, a possible reduction in full-day kindergarten at that point. None of those cuts took place. There were no cuts that took place in school safety programs at that point, and in fact that year, the School Reform Commission mandated that every school add art and music to school budgets, and as we've noted, we added about $7, $8 million to the school budgets in order to do that.

When we were facing -- and, of course, as you know, this was not the team that was in place at that time, but since that time, we have done far more than maintain those levels. In the past three years since Dr. Ackerman has come here and with this School Reform Commission, we have reduced class sizes in grades kindergarten to 4 substantially down to a level of about 20 to 24 per class and reduced class sizes in grades 6, 8 and 9. That was far more than was even on the table back in the '07-'08 period.

There have been expansions in early childhood programs during that period of time, and all of the programs that you have enumerated have been maintained during that period of time.

COUNCILMAN GOODE: And that period of time still exists; does it not?

MR. MASCH: That's correct.

COUNCILMAN GOODE: So our money is still paying for that?

MR. MASCH: Well, as you can see, $18.7 million only pays for a fraction of it. It couldn't pay for all the things that were on -- it couldn't pay for maintaining services in all the areas that you enumerated, but it certainly made a contribution.

COUNCILMAN GOODE: So what is

our money paying for now?

MR. MASCH: It --

COUNCILMAN GOODE: Let me put it in context for you. I take some exception to the fact that you say that taxes have been flat for the last -- since 2007-2008, without really acknowledging that there was a boost the year before, and there was about a $60 million boost the year before; is that correct?

MR. MASCH: There was, but the balance of that --

COUNCILMAN GOODE: There was a $60 million boost the year before?

MR. MASCH: Right, but only --

COUNCILMAN GOODE: Excuse me.

MR. MASCH: But only 19 million of that came from the millage shift.

COUNCILMAN GOODE: I understand that. We gave a grant beyond that. I understand that. In terms of local tax and grant funds, there was a $60 million boost the year before. So there was $60 million each year after, and there's still $60 million next year. What does that pay for?

MR. MASCH: Councilman, these funds go into the unrestricted funds --

COUNCILMAN GOODE: They go into the pot; is that what you're saying?

MR. MASCH: They go into the unrestricted funds --

COUNCILMAN GOODE: You're saying they just go into the pot?

MR. MASCH: Yes. They're unrestricted funds.

COUNCILMAN GOODE: We're not going to do business that way this year.

Thank you, Madam Chair.

(Applause.)

COUNCILWOMAN BLACKWELL: Councilwoman Reynolds Brown.

COUNCILWOMAN BROWN: Thank you, Madam Chair.

Good morning, School District of Philadelphia. I want to go on record to say that I will join other

Councilmembers in looking at how we figure out how we hold on to full-day kindergarten. And when you consider the downside of moving to half-day kindergarten, is it fair to say that cutting our kindergarten to half day leads to more costs down the road? Could you comment on that, please?

DR. ACKERMAN: Absolutely. We know that the benefits and the research is clear now on the importance of not only full-day kindergarten but quality preschool programs, and we know that young people who leave the third grade without strong reading skills -- and that begins in preschool and definitely the all-day kindergarten -- levels the playing field for young people who didn't get quality care. We know that down the line, that they will pay for the lack of those kinds of quality programs and services, instructional services, to these young people through the academic achievement gains that they can make and whether or not they can keep pace with other young people who have had those through economic -- the fact that they have the economic wherewithal, their parents and families, to provide them with great quality, great school experiences, as well as an all day experience at kindergarten. So we know that academically they are going to suffer.

COUNCILWOMAN BROWN: Consistently over the past many years there's been continuing interest and a favorable response from the School District around arts and culture programming. Can you speak to a relationship, if any, with University of the Arts, Temple University School of the Arts and other higher ed institutions that could have an important role in filling in any gaps in those areas?

DR. ACKERMAN: Well, we believe that we could certainly do more in that area in tapping the resources that -- we have 95, I believe, colleges and universities in and surrounding the Philadelphia area, and we could do more. Certainly in specific schools, many of the universities and colleges have partnerships. We believe that we need to be more targeted in the ask as it relates to the arts and music in particular. We have not because we've been, in the last few years, spending the resources in restoring those programs through art and music teachers back in all of our school programs, especially our elementary programs where three years ago many of our elementary schools had neither art nor music. Now at least they have art or music, and in many of the elementary schools now, they have art and music.

COUNCILWOMAN BROWN: So that's universal across the system, each one of the elementary schools has some form of art and music?

DR. ACKERMAN: And we have been able to maintain that. Even in these cuts, they will have art or music. Maybe not as much of it as they've had in the past year.

COUNCILWOMAN BROWN: I don't see it here in my questions yet, but just give us an update on the pervasive interest and concern around school violence and the like. You did speak to that briefly in the testimony.

DR. ACKERMAN: We did. Over the last three years, we've seen a 29 percent decrease in violence. We have increased our programs, mainly our peer mediation programs in our schools. We've put in place restorative justice practices in our schools. We have focused on 46 of our persistently dangerous schools with specific programs. And I don't know if Dr. Nunery wants to talk about that since that's specifically under his purview, but we have, again, we believe targeted our resources around the most dangerous schools.

We've increased camera

surveillance. I know there's some question about that, but in an audit that was done by the state, it was one of the things that we were told that we should do, given the size of some of our buildings and the fact that there are lots of places that things can happen where there aren't adults available.

So by focusing on a combination of facility kinds of improvements as well as programs directly related to students and professional development for staff and principals, I think it's been a combination of that.

Our Focus 46 schools in particular, we have a collaborative with the Philadelphia Police Department on those schools, and it is not only what happens in schools but what happens in those neighborhoods surrounding the schools as young people go to and from school.

COUNCILWOMAN BROWN: So the peer mediation, that happens after a school has been identified to be -- what's the adage to be used?

DR. ACKERMAN: Persistently dangerous?

COUNCILWOMAN BROWN: Persistently dangerous.

DR. ACKERMAN: No. Actually, we're trying to put in all of our schools a form of peer mediation for all of our especially middle and high schools. That's our goal. And we've been rolling it in over the last couple of years.

COUNCILWOMAN BROWN: Because it is the argument that being proactive and teaching conflict resolution skills on the front end just because you move into middle school has its value before it leads to potential problems.

DR. ACKERMAN: Right. And that's exactly what we're trying to do.

(Applause.)

COUNCILWOMAN BROWN: Define what "restorative justice" means, what that looks like.

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DR. ACKERMAN: Let's see.

COUNCILWOMAN BROWN: Is that a strategy?

DR. ACKERMAN: It's a strategy for helping young people who commit acts of violence understand the consequences not only to themselves in terms of disciplinary -- what happens to them if they do it but the consequences on the victims and what it means to the people that they may do harm to. So it's getting them to look at this in terms of their own behavior but what their behavior, the impact and the rippling impact of that behavior, on others.

COUNCILWOMAN BROWN: So is that a required curriculum type practice? Does that happen only after there have been some transgressions against students? When does that kick in?

DR. ACKERMAN: We've really focused, for the first part of this implementation, on young people who go through the suspension process in our disciplinary schools and for long-term suspensions. So that's where we focused. Actually, it would be great to put that program in all of our schools. I think it's really important, and it's another reason why -- it's one of those programs that I've been really very much supportive of, because I think that young people don't understand the seriousness of their actions as it relates -- often they're just worried about the impact on them, am I going to get suspended, for how long, when do I get back to my school, not what it does, the impact of bullying, for instance, on a young person, on their families and other people who may come in contact as victims.

COUNCILWOMAN BROWN: My last question on this particular topic and then we'll rotate, what does that look like in terms of personnel costs? Because typically programs that have value, we need them. It equals ultimately a bottom-line cost. So if one had to look at a number, what is that number?

DR. ACKERMAN: I know right now we only have one person District-wide who is providing the professional development and the support of these families. We have not been able to expand it. But certainly it would be great if we could get more personnel involved, because ideally to do this would be to build a capacity in all of the schools through professional development, through the police officers who are there, school police officers, and counselors, who could be on the ground where the young people are committing the acts of violence.

COUNCILWOMAN BROWN: Sure. Okay. Well, thank you for your testimony.

(Applause.)

COUNCILWOMAN BROWN: We'll rotate.

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COUNCIL PRESIDENT VERNA: If I could just piggyback on one of your questions. Can you tell us how many school police you have? I see in your budget you are eliminating 20. Is that so?

MR. MASCH: Councilwoman, we are eliminating -- in this budget we are eliminating 20 budgeted but unfilled positions in school safety. But we are also eliminating, which you don't see in the FTE numbers, this budget would require us to eliminate 190 per diem officers, who don't count in our head count. These are officers usually retired police who come in on a part-time basis and augment the full-time complement of school safety officers in the School District.

DR. ACKERMAN: So did you understand that answer?

COUNCIL PRESIDENT VERNA: No, not at all.

DR. ACKERMAN: So I think the

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bottom line what we did, we have per diem officers who are sort of like substitute teachers. That's where we made our major cuts.

COUNCIL PRESIDENT VERNA: And from time to time, do you have the Philadelphia police officers assigned to some of your schools or the surrounding areas of the schools?

DR. ACKERMAN: We work with the Philadelphia Police with our -- around, what's it called, Safe Corridors program, where they work with the schools and the neighborhoods surrounding our schools to and from school. So that's primarily where we work with the police, individual police officers and police precincts, but we do have Chief Patterson, who is on loan to the School District this year from the Philadelphia Police Department, and I can't say how invaluable his experience coming to the District has been, especially since he has been able to use some of his experience, his resources back and forth with the Police Department. So that's another way that we have gotten support from the City.

COUNCIL PRESIDENT VERNA: So if you don't mind, I'm going to ask my question again, because the answer was not too clear to me. How many school police do you have? It appears from your budget, you are reducing 20. So let's get back to the question and the answer, please.

MR. MASCH: Right. The budgeted complement for school police in school buildings is 439 this year and it is budgeted at 419 next year, and that is a reduction in complement of 20. That is correct. But those are positions that are presently unfilled. So that will not be a reduction in the number of school police officers currently serving in the schools, but it means that we won't be able to fill those vacant positions.

But in addition to that, we want to fully disclose that we do rely on these per diems, the substitutes, if you will, to augment that force, and that is where the cut in the school safety budget which we've identified to you, which is over $3 million, $3.3 million reduction. That reduction would come primarily in the per diem officers.

COUNCIL PRESIDENT VERNA: How many per diem officers do you currently have?

DR. ACKERMAN: Two hundred and fifty.

COUNCILWOMAN BLACKWELL: How will you determine where they are and where they will not be?

DR. ACKERMAN: The per diem officers?

COUNCILWOMAN BLACKWELL: Yes.

DR. ACKERMAN: I believe that we focused -- the schools that get priority are our focus -- persistently dangerous schools and our Focus 46 schools. But should something happen and we need to shift them, that's where we put them. But those are the schools -- the Focus 46 schools are the schools that get priority, because these are the schools that the data tells us over time are the trouble spots.

COUNCIL PRESIDENT VERNA: So do we have one police officer at least in every school?

(Someone from audience speaking.)

COUNCIL PRESIDENT VERNA: Just come up to the witness table, please.

(Witness approached witness table.)

CHIEF PATTERSON: Good morning, Madam President.

COUNCIL PRESIDENT VERNA: Good morning. Please identify yourself for the record.

CHIEF PATTERSON: I'm Chief Inspector Myron Patterson. I'm heading up the Office of School Safety.

COUNCIL PRESIDENT VERNA: Welcome.

CHIEF PATTERSON: Currently, that deployment of the officers -- going into this year, we had 250 schools who had personnel assigned, school police officers assigned. That was out of the 265. Going into next year with proposed cuts, what we would do based on the incidents that are occurring, normally the way it looks, the elementary schools have a lesser or less amount of incidents which occur there or serious incidents, and based on that particular data and as we have been doing this year based on the needs, that's where we would place the officers.

Deployment, we start out each year between the high schools, whether four to six officers assigned as a base, and based on past patterns and trends, we build up from there. And that's the way that I have been going through this year looking at the particular deployment patterns as it relates to placing officers in the School District.

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COUNCIL PRESIDENT VERNA: Thank you. Thank you very much.

COUNCILWOMAN BLACKWELL: May I ask while you're there, we've been inquiring for years about probation officers and about probation officers being placed in school and expanding that so that children or students don't have to leave school in order to check in with probation officers. Can you tell me where we are, what we have and what the status of that is now and what it will be like in the future?

CHIEF PATTERSON: Yes. Now, Chairwoman, currently I'm working with Judge Dougherty's office, being with Bennie Price. He's our liaison at this particular moment. Currently, these probation officers aren't in the schools on a daily basis currently.

COUNCILWOMAN BLACKWELL: They are not?

CHIEF PATTERSON: They are not, as far as my knowledge.

COUNCILWOMAN BLACKWELL: Not in any school?

CHIEF PATTERSON: Well, they have assignments. We're reaching out -- the relationship is building. In particular problems, if we have them at particular schools, things that come to our attention, we are directly liaisoning with those probation officers to coordinate information to bring students around in their particular relationships. But it's been an ongoing process this year as to where are we going in the future, and I do look forward to having that relationship on the steady basis where we're coordinating as we do. We do this daily. I don't want to mislead Council that we are not, but we're in constant contact and relations with each other on a daily basis as we go along.

DR. ACKERMAN: Councilwoman --

COUNCILWOMAN BLACKWELL: Yes, because we had them before. We have had probation officers in some schools, and I thought maybe we were expanding it, but obviously we did just the opposite, we took them out.

DR. ACKERMAN: Right. They're not in like they were before, but I also have had discussions with District Attorney Seth Williams and he's very much interested in working with us to put probationary officers back in the schools. And I want to say as a principal some 30 years ago, we had an office in my school for a probation officer and it was very helpful, in that they were there, the young people didn't have to miss school, and we are hopeful that we'll be able to expand that program once again.

COUNCILWOMAN BLACKWELL: Do you know why we cut them out altogether? We had them. I've been fighting for several years to expand them, but we had them, some at least.

DR. ACKERMAN: I'm not sure. I just know that Chief Patterson and I have both -- he's been talking with the Family Courts and I've been talking with the District Attorney about how we expand it. It was prior to both of us being here.

COUNCILWOMAN BLACKWELL: Thank you. Would you keep us informed?

DR. ACKERMAN: We will.

COUNCILWOMAN BLACKWELL: If you let the President know, she'll make sure the information is given to each and every member. Okay. Thank you very much.

Councilman Clarke, you're next.

COUNCILMAN CLARKE: Thank you, Madam Chair.

Good morning.

DR. ACKERMAN: Good morning.

COUNCILMAN CLARKE: Just a couple of questions. I just wanted to follow up on Councilman Goode's line of questioning. I was going to ask the question, but he did a capable job of getting into the crest of the funding and increased funding in prior years. And the question I was going to ask -- and I think I know the answer, but I'm going to ask it anyway. Members of Council and I know myself, we've had some levels of frustration, particularly since this has gone to -- the School District control has gone to the SRC and about Council's role, significant role, in providing support; i.e., financing by the school authorization bill, but in terms of actually being in the position to determine how the money -- where it goes, how it's spent, allocating dollars to very specific programs or departments. And I'm sure that when the issue is thrown out there, all-day kindergarten, it's very difficult for people to say, no, we're not going to support that.

But I'll ask the question -- and this is probably a legal question. I don't know. If somehow Council and the Mayor -- and it's not a commitment to do that, because we're not at that point yet -- decided that they wanted to ensure that we have full-day kindergarten, not necessarily dealing with the transportation issue or some of the other issues, is there a way that people can be assured that that's where that money is going to go and not go into a pot and ultimately be disbursed to other areas as needed?

DR. ACKERMAN: I am not a lawyer, but we can find out. I believe that you probably can. I know that in talking with the Pittsburgh Superintendent and I was talking about the Accountability Grant and the fact that we were going to lose full-day kindergarten, that was not an issue for them because they didn't use the Accountability Grant for that. They, at the local level, decided that that was something that was going to be carved out at the local level. So I at least know that Pittsburgh does not use the Accountability Grant for that. They're not dependent upon it. That was not an issue for Pittsburgh. So we should look at how they do it there, because at least it's being done at least one other -- the second largest big city.

COUNCILMAN CLARKE: Is the Pittsburgh structure as it relates to schools versus state comparable to the City?

DR. ACKERMAN: I think they don't have an SRC, but they have a School Board, but I think the funding is pretty much -- they get about the same amount. They get more with --

MR. MASCH: Traditionally Pittsburgh has gotten a higher per student allocation than Philadelphia.

DR. ACKERMAN: But I know that in talking with them. So I don't know what else we could use the Accountability funds for, should they be restored, but I know that that was not an issue for Pittsburgh, because at the local level, they've made that a priority, full-day kindergarten.

COUNCILMAN CLARKE: Let me ask this question: Is there a School District lawyer in the house?

DR. ACKERMAN: Well, let's see. He's here. And I want to say while he's coming up, we certainly are interested in working with you with that, because I don't want to be in the situation again either that we're depending upon a grant that could go away for something as important as full-day kindergarten. So please know we'll work with you here.

(Witness approached witness table.)

MR. DAVIS: Councilman Clarke, as I understand your question, you would like to know --

COUNCILWOMAN BLACKWELL: Identify yourself for the record. Please identify yourself for the record.

MR. DAVIS: I'm sorry. My name is Michael A. Davis, School District General Counsel.

As I understand your question,

Councilman Clarke, you would like to know whether or not it's possible for City Council to earmark funding for all-day or full-day kindergarten?

COUNCILMAN CLARKE: Correct.

MR. DAVIS: I don't know the specific answer to that question as a legal matter whether that is a power or authority that you would have or that the School District would have, but what I would certainly suggest to you is by making your sense of what you would like your expectations known, certainly that is something the School District would have to take into account and be responsible for use of that.

COUNCILMAN CLARKE: We kind of do that every year.

COUNCILMAN GOODE: Point of information.

COUNCILWOMAN BLACKWELL: Point of information, Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

We actually required it under the last ordinance where we increased the millage rate for the School District. We specifically asked for the School Reform Commission to file a document. It was filed with the Chief Clerk on June 19th, 2007. We're locked in by law to give that amount of money in perpetuity under state law. You actually testified today that that was that School Reform Commission, not this School Reform Commission; did you not?

DR. ACKERMAN: Who, me?

COUNCILMAN GOODE: It could have been Mr. Masch.

MR. MASCH: If --

COUNCILMAN GOODE: So if we give you the money for a given area and there's a change in School Reform Commission, there is no guarantee that the money is going to be spent how we want; is that correct?

MR. MASCH: No. That was certainly not my intent, Councilman.

COUNCILMAN GOODE: That's what you said.

MR. MASCH: No. I said that there was -- I said that the members of the School Reform Commission of the Administration are different now than they were then. There was no intent to suggest --

COUNCILMAN GOODE: So the money we gave you four years ago --

MR. MASCH: -- that we attempted to defy a City ordinance.

COUNCILMAN GOODE: Is the money we gave you four years ago being spent the way we outlined it?

MR. MASCH: I have to say, I am not aware of what those specific restrictions are. So we need to review them.

COUNCILMAN GOODE: So you don't know whether the money we gave you four years ago is being spent as outlined in the ordinance? That's a problem.

Thank you, Madam Chair.

DR. ACKERMAN: Well, can I say something here? I can say that out of three of the four, I know we've made a priority over the last three years since I've been here. That's early childhood, class sizes are down to 21 -- when I came, it was 26. It's now down to 20 to 1, and after school programs we've expanded. Summer schools we've expanded, and even in safety.

COUNCILMAN GOODE: I get that. That's why we put the money there. That's how it's being spent now. The money has to stay there because by law, we can't take it back. We don't want to take a back. In fact, we probably want to give more money in some way, but the question is, as you even outlined the cuts for next year's budget, is what we're paying for four years ago still being paid for?

DR. ACKERMAN: Absolutely. In fact, we have gone down even below that, the number when we came -- when I came three years ago, with class sizes, expanding the after-school program and safety. We've increased the amount that we're putting toward there, and even with the cuts, those were the areas that we protected.

COUNCILMAN GOODE: I understand that, I believe it, but the question was, do you have to do it? And the answer is no, because once we put the money in, it's guaranteed to be there, and all those decisions are made by the Administration and the School Reform Commission. So if you live up to the spirit of the ordinance, that's fine, but you don't have to live up to the letter of the law.

And so to answer Councilman Clarke's question, the truth of the matter is, legally we can't mandate where the money goes. So any $25 million we give you is not necessarily going to go toward full-day kindergarten.

Thank you, Madam Chair.

(Applause.)

COUNCILWOMAN BLACKWELL: Councilman Clarke, you're continuing your questioning.

MR. DAVIS: If I might, Councilman Clarke, if I could respond further. I would like the opportunity to look into ways and structures that we could come up with working with City Council in order to ensure that your expectations are carried out. We know that there are grants, there are government grants, that come that do have restrictions, that do have specific conditions or allotments in terms of where they want that funding to go, and I think we can work that structure out.

COUNCILMAN CLARKE: When you say "government grants," you mean government grants from the federal, state?

MR. DAVIS: Correct. And a similar concept to that in terms of trying to work out some language that will give City Council what it wants in terms of coming back and ensuring that those funds were spent in the way that you expected.

COUNCILMAN CLARKE: Okay. I just want to get it on the record. But your commitment today is to work on something that might enable us to do that?

MR. DAVIS: That is correct.

COUNCILMAN CLARKE: Not that you can definitely do that?

MR. DAVIS: Because I don't know the specific answer to the question that you asked, but I'm willing to look and work at coming up with a structure that will satisfy your concern.

COUNCILMAN CLARKE: Okay. That kind of leads me to my next question. There was earlier asked for support from the City, be it taking over some of the responsibility that the School District currently has for funding of certain personnel or issues, and then I believe there will probably be an additional ask for the City of Philadelphia providing service, say, for instance, trash collection, and that's actually something we did when we consolidated Fairmount Park and Department of Recreation, and it made all the sense in the world. Maybe we want to consolidate some of the similar services as it relates to the School District, and that will obviously cost us a little more money. My question as it relates to that -- and since we now have the lawyer in the house up at the table -- do you believe that will have Act 46 implications, that if we come up with 40 million in in-kind services provided from the City, that we'll be locked into that?

MR. DAVIS: I don't believe so. I don't believe that would be an issue or a problem. Again, something that we'd work out through a contract, memorandum of understanding, which we typically do with other City agencies. I think that's a possibility.

COUNCILMAN CLARKE: Okay. Because I remember this issue came up about police I think in the last Administration, and at that particular time, it was said that, no, that would not have that. So can you put that on the list of things that you have to confer with whomever you're going to confer with?

MR. DAVIS: Absolutely.

COUNCILMAN CLARKE: And get us some relatively definitive language, because there is some concerns about us getting locked into an issue in a time when the general economy is doing rather poorly, but if things improve, we would like to have the right to pare back some of that contribution and maybe provide additional services to rec centers or playgrounds or actually reduce taxes, wage taxes, or some of the other things that we like to do for our citizens.

MR. DAVIS: Yes. Understood,

and I will do that.

COUNCILMAN CLARKE: All right. Thank you.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you very much.

Councilman Clarke, you're fine?

COUNCILMAN CLARKE: Yes, I am.

COUNCILWOMAN BLACKWELL: Thank you very much.

I wanted to mention before I call on Councilwoman Miller, we've been talking a lot about bullying and as that relates to violence and truancy. We are planning with Upper Darby to have another summit with regard to bullying, and as you know, we're involved with the Mayor's Commission on African and Caribbean Immigrant Affairs, and we have specifically Liberians who have been severely preyed upon, and we have a lot of issues with violence and bullying.

I wanted to know -- I'll specifically ask about truancy and where we are. I know that you deal with Dr. Schwarz, Deputy Health Commissioner. I know you deal with that on that issue. I want to know where we are with truancy so we can try and keep our kids in school. And we also are looking forward to a lot of support with regard to bullying and violence.

We have big issues. The Commission even adopted a school where we had big problems with violence, where an African child was severely injured.

So we're doing all that we can with the African and Caribbean community, but we want to know a status report of where the School District is, what your plans are in these areas; that is, bullying and violence, and specifically where we are with regard to truancy.

And my last question in that regard -- and then I'll call on Councilwoman Miller. I try to keep mine down as I'm here -- is where you are with regard to alternative schools when it comes to behavior.

(Applause.)

(Witnesses approached witness table.)

MR. HANNA: Good morning. My name is Tomas Hanna, Associate Superintendent for Academic Support. Council, thank you for having us. I have Erica Washington, who is Deputy for Attendance and Truancy as well.

A couple months ago, you may recall, we were here having this conversation with regard to the issue of bullying and specifically the impact it has on attendance and truancy. We know that, not in all cases but in far too many cases, all young people who are bullied or who are the victims of violence tend not to come to school because they're afraid, and that's something we absolutely agree with you on that we've got to get better at.

One of our strategies with regard to supporting schools with attendance and truancy is, in essence, taking a look at every child by name and having a point person at the school who is taking a look at the kinds of issues that may be impacting this young person's ability to make it to school. It could be health related. It could be a fear factor of coming to school because of issues that have happened.

So that's one way we're doing it, sort of taking a look at each young person by name and having a point person at a school.

We've been working closely and I'm glad you acknowledge the fact that we're working closely with Deputy Mayor Schwarz's team, specifically with Commissioner Anne Marie Ambrose, around how DHS and the District come together, along with Judge Dougherty at the courts to figure out how these three systems work together to provide supports for young people who struggle to come to school.

Frankly, one of the issues are systems, and so when that point person at the school is taking a look at sort of what's happening, one of the questions we have to ask ourselves is, what are the interventions that have come -- that we've done, that we've put in place to help the young person. Sometimes it's just basic as the contact home. Sometimes the school doesn't have a number or an address and we've got to go out and sort of find that, right? From that point, to issues of violence and how we might have to integrate additional services for young people.

You're absolutely right when you talk about the Africa/Caribbean population, the Liberian young people in Southwest Philadelphia. We've been in contact with yourself and others to sort of figure out how we can take a look at that population and what we might be able to do to do differently, similar to the way we're looking at many other populations in the City that have experienced these kinds of issues.

Erica, do you want to get a little deeper where we are or is that covering --

MS. WASHINGTON: You've covered it.

My name is Erica Washington. I'm the Deputy for Attendance and Truancy. And I believe Tomas has covered where we're going. We are in conversations and working regularly with DHS, the Department of Human Services, as well as Family Court, as well as the District Attorney's Office and the Mayor's Office of Education looking to see how the system will work to address the root causes of truancy, because that's one lesson we learned this year, that children aren't just coming to school just because they're scared, but there may be simple issues that can be corrected on the spot as far as transportation, as far as a transfer to another school. There are homeless issues, special education issues.

So we've been working hard this year to really connect the dots, find out what the root cause of the truancy is, and then connecting students and families to those resources to eliminate those barriers to get them into school.

COUNCILWOMAN BLACKWELL: So I'm reminded of W. DuBois talking about preventing the youth from being trained to crime, and that it is our responsibility to deal with the cause. So unfortunately, all these years later, we're still there. Just on Saturday night we went to a multi-cultural affair in Upper Darby, because students, some students, live there, some live here. They have a two-year program for Africans and Caribbeans where they train people. They train young people who have just come from Africa and the Caribbean, and they have a two-year program. They not only do college preparatory, but they train them in language and other skills that they need so that they're ready to deal with public school, and they had all these success stories about young people and how much they -- how well they're doing. And I was just thinking about how many kids we have, African American, Latino, and how many kids and families could benefit from some two-year program that allows them to catch up if they get a chance. So a 50 percent dropout is just so unbelievable.

So I'm sitting here looking at these Africans and Caribbeans and I'm saying, my goodness, we have so many students left behind and we have to find a way to reach them. And I would just like to hear about specific programs and where they are so that we don't have to ask the same questions over and over, so that we don't have to reinvent the wheel, so that together we're working on truancy, bullying, violence, as well as alternative schools.

I don't know where we are with alternative schools. I know we did away with the model we had at Miller School in my area. Can you just name them, what alternative schools exist, and then I'll go on to the Councilwoman, and where we are.

DR. ACKERMAN: I'm going to ask Ben Wright to come up, but I can tell you that over the last three years, we've increased the spending on Multiple Pathways. When we talk about alternative schools, we're actually dividing them up into two categories. One is discipline schools, young people who have been suspended long term or those that are on expulsion, and then we're looking at students who left school and are coming back.

For the last three years, we've spent approximately $29 to $30 million on the latter, the Multiple Pathways, because we've increased that considerably, and another 60 million on our alternative discipline schools. So if you were to compare --

COUNCILWOMAN BLACKWELL: How many are they?

DR. ACKERMAN: How many alternative?

COUNCILWOMAN BLACKWELL: Can you say what they are? And the President wants to --

DR. ACKERMAN: I'm sure that Ben will be able to tell you. I was trying to give you a context for how much we've spent, because we've increased that spending considerably. And I'm not saying it's not good that we did, just that 150 million, if you compare that to all full-day kindergarten, it's about the same. So $150 million we've spent for three years on full-day kindergarten, 150 million for all kinds of -- both kinds of alternative ed, Multiple Pathways, as well as disciplinary schools. So...

MR. WRIGHT: Good morning.

COUNCILWOMAN BLACKWELL: Good

morning.

MR. WRIGHT: Madam President, Madam Chair. The alternative schools --

COUNCILWOMAN BLACKWELL: Please identify yourself for the record.

MR. WRIGHT: I'm sorry. Thank you. My name is Benjamin Wright. I'm the Assistant Superintendent for Academic Division 4, which includes all of the alternative schools as well as the juvenile programs.

The current placement for the transition programs are Boone, which is located in North Philadelphia; Woodhaven; Shalecroft (ph), which is in the Northeast; DVHS, which is on Kelly Drive. We have three sites at Hunting Park and Front Street. We have 11 classrooms across the City managed by Cornell Abraxas. They're in Birney, they're in Decatur, Fels, Harrison, Holme, Hunting Park, King of Peace, LP Hill and Logan.

We also have a program at the Franklin Mill Mall that is called Phase 4

Learning. And those are for ninth grade kids that are overage and under-credited, but they're also transition schools.

The School District manages two of its own programs called the Philadelphia Learning Academies, and they are for students who have been expelled for a short period or long period of time and are coming back, and these programs are located at Front and Hunting Park, as well as Miller, E.S. Miller, which is on 4300 Westminster Street. One of the programs serve all the kids from the west, southwest and south side. The other program is serving kids from the central north --

COUNCILWOMAN BLACKWELL: What's that called again?

MR. WRIGHT: PLA South, Philadelphia Learning Academy South. It's on 4300 Westminster.

COUNCILWOMAN BLACKWELL: We know the school. So all the schools that were built for that program, there were three of them. Are they all part of this same program? Because those schools were designed -- Miller School was -- they were designed for special programs, Allegheny School, Miller School and another school, citywide.

MR. WRIGHT: Right. We combined those programs into Miller, the two that was on that side of town. Allegheny --

COUNCIL PRESIDENT VERNA: Try pulling the microphone closer to you.

MR. WRIGHT: Thank you.

The Allegheny program is no longer there. Those people are in --

COUNCIL PRESIDENT VERNA: Excuse me. Would you mind pulling the microphone closer.

MR. WRIGHT: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

MR. WRIGHT: The Miller building is comprised of the school that used to be there. It is now combined into one school called the Philadelphia Learning Academy South. It's approximately 400 students that attend that school, seventh through twelfth grade. At Front and Hunting Park, there are roughly about 800 kids that attend that school, but they're managed by different people. Part of them are accelerated and part of them are transitional. And also the other part, RETI-WRAP, is in that building, as well as PYDA, which is a school for kids coming out of placement who have more credits and do not need to go back to a comprehensive high school. Anyone that has between 13 and 16 credits go to PYDA. Matter of fact, in February we graduated 15 of those kids. This summer we're graduating 34. The plan program in there, the PLA North, Philadelphia Learning Academy North, is graduating 134 kids this summer. PLA South at Miller is graduating 75 students. They've only been in existence for two years.

COUNCILWOMAN BLACKWELL: Are these private contracts?

MR. WRIGHT: These are District-run schools. The private contractors are the ones I gave you earlier, and those would be Camelot at Boone, Camelot at Shalecroft --

(Applause.)

COUNCILWOMAN BLACKWELL: Do we still have truant officers?

MR. WRIGHT: The truant department is totally separate from what we do.

COUNCILWOMAN BLACKWELL: Pardon me?

MR. WRIGHT: The truant department, the truant officers, are totally separate from what we do, but we do have truant officers.

COUNCIL PRESIDENT VERNA: How many truant officers do we presently have?

MR. WRIGHT: I don't know that information.

DR. ACKERMAN: We don't have truant officers. They're called something else.

COUNCILWOMAN BLACKWELL: Madam Superintendent, please pull the mike over.

DR. ACKERMAN: I'm sorry. Somebody is coming up to answer that question.

MS. WASHINGTON: Erica Washington, Deputy for Attendance and Truancy.

We currently do not have truancy officers. We did not go through with those contracts this year because that work was being done in our schools by a position called the parent ombudsman. So with our student advisors and our parent ombudsman that were performing the same services as the former truancy officers, we did not feel it necessary and actually contractually we could not go through with contracting work that was being done by District staff.

COUNCILWOMAN BLACKWELL: Let me say that there are many of us work on these issues, but we need information. We're out here fighting for the same things you're fighting for, but we don't have information and we're not included in your information pool. We would like to have this information so we know as we go through our communities how we can best provide service and how we can complement or supplement. As I was saying yesterday, we have a meeting scheduled with Penn with regard to the nursing program to complement and supplement nursing services in schools in their area, and we're going to be contacting other universities as well, but it is so much easier if we're included in the information pool. Then we know how we can be helpful and know where we should direct our energies.

Thank you. Thank you very much.

Councilwoman Tasco.

COUNCILWOMAN TASCO: Yes. Thank you. Good morning -- good afternoon. I have a question for Mr. Masch.

COUNCILWOMAN BLACKWELL: Excuse me, Councilwoman. The President wanted to follow up.

Is there an ombudsman in every school?

DR. ACKERMAN: No. In all of our empowerment schools. And then in the other schools, it was up to the school. But in all of our empowerment schools, I believe it's 110 schools, we had them. In all of our empowerment schools we also had student advisors. So we had both positions.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCILWOMAN TASCO: Mr. Masch, I just had one clarifying question. Maybe it's because I don't understand what you've done here.

5/24/11 - WHOLE - BILL 110135, ETC.

You talk about in your testimony you have the limits on the School District's ability to make spending cuts, and you talk about providing -- some of the examples are one would be providing the teachers necessary to comply with contractual maximum class sizes and preparatory time requirements and that cost, but then you have on your sheet of the cuts to be -- that could be restored is the reduction -- restore cuts in reduced class sizes.

MR. MASCH: Yes. So, Councilwoman, what you see on the mandated sheet is the amount of money that we need just to put one teacher in front of every 30 or 33 kids. But we don't have class sizes of 30 and 33 in all of our schools now. In fact, we have lower class sizes. And in the past two years, under the Imagine 2014 plan, we reduced class sizes in grades K to 3 all the way down to a range of 20 to 23. So that required about $20 million of additional funding.

In this budget, we propose to raise K to 3 class sizes. So rather than being in the range of 20 to 23, 24, the range would be in the range of 23 to 26, and that yields us a savings of about $16 million in grades K to 3.

In addition, we had reduced class sizes in grades 6, 8 and 9, and that program cost us $5 million to lower those class sizes. This budget eliminates the lower class sizes for grades 6, 8 and 9 and keeps class sizes lower than they had been in K to 3; that is, lower than they were two years ago, but higher than they've been for the past two years.

So we have to build this. First we need this much money to have a class size of 33, this much more money if we lower the class size to 26, this much more money if we lower the class size to 23.

COUNCILWOMAN TASCO: Okay.

5/24/11 - WHOLE - BILL 110135, ETC.

DR. ACKERMAN: So we are just trying to go back to the class sizes for this year. As we were out in the community, it's one of the things that the parents really appreciated, that the class sizes across the District were smaller. So when we're asking, we're asking to go back to what they are this year as opposed to going up by three.

COUNCILWOMAN TASCO: As you held your meetings throughout the City, what was the level of participation of parents?

MR. MASCH: In the community meetings that we've held to date, it's ranged between 150 to over 300 parents per meeting. We have one last meeting at Imhotep Charter School this Wednesday evening at 7 o'clock, with a particular outreach to charter school parents.

DR. ACKERMAN: And this is the second round of community meetings. We had one earlier when this process first started. So we probably had all of about

18 now.

COUNCILWOMAN TASCO: The other question I had is, the gentleman -- I'm reading this information and I'm looking at you're trying to control utility costs. Have you begun to look at green schools and/or the use of solar?

DR. NUNERY: Councilwoman, we've done a number of things along that regard. We not only have locked in energy costs, both natural gas and electricity using long-term forward contracts, but we actually just won an award for a LEED, L-E-E-D, designed school and are looking not only at solar but green projects as well.

I think as we look at the Facilities Master Plan that we are about to roll out, the combination of green schools, green construction, working with the City on the Green 2015 plan all will come together. So as we either renovate buildings or construct any new buildings or consolidate buildings that will be solar, green and any kind of energy saving will all be a part of how we present the plan.

COUNCILWOMAN TASCO: Thank you very much.

Dr. Ackerman, we just spoke about the ombudsman. How is that process, how is the appointment or the placement of an ombudsman in a school? Is it at the request of the principal or is it something that the School District assigns? And what is the relationship of the ombudsman with the principal?

DR. ACKERMAN: Ideally, the ombudsman is there to work with the principal, with the school staff in parent outreach. That's what they're supposed to be doing. So I believe that every staff person who works in the school should report directly to the principal. I know that the process of interviewing ombudsmen comes from our Department of Parent and Community Engagement. That's where they get their professional development. I don't believe that -- do they report directly to the principal? Yes, they do. I thought they did, because I know that as a former principal, I believe everybody in the school should report to the principal. But there is a close relationship with building the pool of staff from our Office of Parent and Community Engagement.

COUNCILWOMAN TASCO: Thank you.

DR. ACKERMAN: And then the principals interview the people.

COUNCILWOMAN TASCO: Thank you. Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much. If all minds are clear, we'll break for lunch and report back at 1:30.

Thank you, everybody.

(Applause.)

(Luncheon recess.)

COUNCILWOMAN BLACKWELL: We're sorry to hold everyone. We're not ready to resume quite yet. We could be another 20 minutes. Sorry to hold you up.

Thank you.

(Recess.)

COUNCILWOMAN BLACKWELL: Thank you very much for your patience. We will now renew our hearings with regard to School District funding.

The next question was to be posed by Councilman Bill Greenlee. Thank you all for your patience.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Good afternoon again, everybody. I just had a question, because one of the things that we hear as a criticism -- and I know, Mr. Masch, you address this in your remarks -- was the whole use of the federal stimulus money, and I know you said you prepared for it not to -- that it was going to run out, that kind of thing. I wonder if you could just discuss that a little bit, because, again, we hear that criticism.

I'm not talking about the validity of it, but I was wondering if you could just go on record and talk about that a little bit.

MR. MASCH: Right. Thank you, Councilman. Yeah. I was responding to comments that we've obviously seen in the media that suggest that we should have seen the end of the stimulus money coming. So I want to assure the members of City Council, yes, of course, we understood the stimulus money was for two years. We did plan for and prepare for the termination of that money. We used all of the funds we received exactly as was intended. But I want to state for the record what that means, because there are different pots of stimulus money that were provided, some to the School District and some to the Commonwealth and for different purposes.

The stimulus funds that were provided to the School District were about 110, 115 million a year for over two years, a little over 81 million in Title I and about 22 million in IDA and then some smaller amounts of money for education technology and for services to homeless students. So that comes to 112, 113 million a year.

The rules for our use of those funds were the rules for those federal programs. Now, Title I is a program that provides supplemental educational services to low-income students, and IDA is a program that enables school districts to provide supplemental services to students with special needs. And the rule in both of those programs is supplement, not supplant. What that means is, you are not permitted to use those funds to cover spending you're already doing. You can't replace your regular operating funds with those funds. You can only use those funds to expand programs or to start new programs.

We've also heard it said that we should have banked that money. Well, that was not permitted. It was use it or lose it during the period.

And then the other thing we heard people say is, Well, why don't you use it for something one time, like bricks and mortar, construction projects. Well, in the final regulations, that wasn't permitted either. So we used the money as all other school districts used it. I read some comments in the press and elsewhere that other school districts used it on things that were non-recurring. Well, all school districts, all big city school districts in the United States, are facing a need to cut back programs because of the loss of those stimulus funds. So we all -- every major school district in the United States accepted those funds with those rules.

Now, our plan was to keep some of those programs and shift to recurring funding. And if you look at three key programs that were funded in that way -

reduced class size, expanded summer school and improved student-counselor ratios - we even in this budget did what the Superintendent said she was going to do when we started the Imagine 2014 plan, which was to try to preserve the most important, most strategic of these initiatives with recurring funding.

But there was a second part of stimulus funding, and it did not go to the School District. It went to the Commonwealth. And that is funding in two other categories called State Fiscal Stabilization funds and Education Job funds. And those sources between them equal about $193 million a year, this year, 122 million State Fiscal Stabilization fund, 71 million in Educational Jobs money. A hundred and forty of that 193, about 140 million, the state gave us and cut state funding by exactly the same amount. In other words, we didn't realize any extra money --

COUNCILMAN GREENLEE: You

didn't gain anything.

MR. MASCH: No. We had no gain. That was a budget relief for the state, but not for the School District.

Now, what's happened is, a new Governor has come, and of course he wasn't the Governor during that period of time. Maybe he didn't know what had transpired before, but he came in and said, Okay, the stimulus funds are gone. What? You expect me to replace them? Well, that basically meant that the savings the state realized now will come at the expense of school districts, 140 million for us and over 555 million across the Commonwealth.

So those funds, yes, the intent of the Congress was -- they understood. President Obama and the Congress understood in February 2009 that state revenues were dropping and that state funding during the recession might get cut as a result. So they wanted to stabilize funding during that period, with the understanding that when the recession was over, then the state would resume its traditional role as a School District funder.

Now, even there, we didn't expect to get the funds restored 100 percent. We thought we'd get some portion of them. But, in fact, the new state budget, the one that the Governor proposed on March 8th, eliminates all of those funds, does not replace any of them, and cuts states funding to this School District by 100 million besides.

So, yes, it is true we did not anticipate that, but it's not because we failed to plan or we didn't understand the programs.

We now have an administration in Harrisburg with a very different approach to education funding. The fact is that the 1.1 billion in education cuts is twice as much as the lost education stimulus money. So there's no way that you can say that if we had anticipated the need to replace the stimulus money, then we wouldn't have a budget problem.

COUNCILMAN GREENLEE: I understand. I'm glad, just as an aside, you addressed the banking thing, because that's what we hear sometimes too. Well, you spent the money; you should have saved some of that. But that was not allowed under the program, right?

MR. MASCH: No, it was not.

COUNCILMAN GREENLEE: Right. Thank you.

Thank you, Madam Chair.

COUNCILMAN GREEN: Point of information.

COUNCILWOMAN BLACKWELL: Point of information. Yes, Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

In the FY11 budget hearings, I asked the District, What happens when the funding runs out? Do we have a plan for far fewer resources from the federal government and from state government that will allow these programs to continue?

The response from the District was, Yes, we do, and mentioned an increase in state and local funding, potential Race to the Top money, some other competitive funding and a reduction to base operating expenditures as a solution to when the stimulus funding runs out.

I'd like to hear more from the District about what its plan was last year and how it's evolved over the last 12 months, starting with the increase in local funding you mentioned as part of the post stimulus plan. I'm trying to understand how the District projects local tax revenues and whether or not they're trued up to PICA. To what extent does the District coordinate revenue projections with those of the City's, and what were your base revenue assumptions for real estate tax growth from the City? If you could just sort of clarify that for me, because the City's projections the last three years were that revenue from real estate was going down, and I guess I'd like you to explain to us what the plan was when you said you had a plan last year.

COUNCILWOMAN BLACKWELL: Yes. Mr. Masch.

MR. MASCH: Okay. Councilman, the answer is in several parts. First of all, as I said, we did anticipate some additional competitive federal funds. We did receive some of those funds in the portion of the stimulus called the School Improvement Grant program. We were not successful as a state in receiving state Race to the Top funds in two rounds of applications, and that was a major disappointment. It would have made a big difference for all school districts in Pennsylvania, including the School District of Philadelphia. It was not a City application. It was not a School District application. It was the state that made the application.

We did see their application. We thought it was a sound proposal. We had hopes that it would be funded. It was not.

There still is a further round of stimulus funding. They've gone through one round already in the program called Investing in Innovation, and there will be a second round there. There will also be a second round of stimulus School Improvement Grant funds. So we are still hopeful that we will receive some additional federal funds from that source.

As I said in the previous response, we did not anticipate that there would be a 100 percent failure to restore any of the Fiscal Stabilization funds, nor did we anticipate that the Corbett Administration would propose to take the entire amount of Education Jobs bill money and reduce State Basic Education funding dollar for dollar. We did anticipate that they might do 50 percent of that, but not 100 percent. And then we did not anticipate that there would be further cuts that are in excess of the losses from stimulus funding.

As for local funding, the dilemma for the School District has been that it has not been clear to us how long the School District would be under an assessment freeze. With the assessment freeze, there's no ability for real estate tax revenues to grow because of changes in the assessed values. So the only way that there can be an increase in the real estate tax is through a change in the millage, either the share of the millage for the two partners in sharing the tax, the City and the School District, or an absolute increase. And it's still not clear to us exactly when we will see a change there.

In the past, as you know, prior to the recession --

COUNCILMAN GREEN: Mr. Masch, I'm sorry. You've repeated the same answer you gave to Mr. Greenlee, and for the sake of everybody's time, including yours, I'd like to -- I did hear what you said before and I know everybody else did, and I just want to save us some time.

With respect to local tax increases and specifically if you could address the part of the question where part of the response was increase in local funding. And I know you were trying to address that when you talked about the assessment freeze that the City undertook, but in our own five-year projections last year, we had real estate taxes going down 1.4 percent, 1.59 percent, 0.57 percent. So what did you mean last year when you and Dr. Ackerman said increased local funding? Because it wasn't part of the City's Five Year Plan or any projections that could have been provided, and I'd like to understand once again what the plan for increased local funding was, and if it was to come get more money from City Council, perhaps we could have started that sooner than a month and a half ago or a month ago.

MR. MASCH: Well, first of all, Councilman, as I said, it's not been clear to the School District when there will be an end to the assessment freeze. It also has not been clear to the School District when the City would move to full value assessment and what the impact of that would be on assessment, but it has been our understanding that that was the Administration's plan. We understood that until the reforms and changes could take place to the property tax assessment, Administration and the District, with the abolition of the Board of Revision of Taxes and the establishment of the Office of Property Tax Assessment, that the Mayor would not have the mechanism within his control in order to do a reassessment and a reform of the assessment system, but we did understand that those were on the horizon. What hasn't been clear to us is what the timing would be or, indeed to this day, what the impact of that might be on our finances, and that has made it difficult for us to plan on a multi-year basis.

COUNCILMAN GREEN: Okay.

COUNCILWOMAN BLACKWELL: Excuse me. Councilman, you are on a point of order.

COUNCILMAN GREEN: Yes, ma'am.

I accept your response, except I refer you to our Five Year Plan, which clearly did not anticipate any increase in the local contribution to the School District as you testified to last year, and I still don't feel like I've gotten an answer to that question.

So thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You're welcome.

Councilman Greenlee.

COUNCILMAN GREENLEE: I'm finished.

5/24/11 - WHOLE - BILL 110135, ETC.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCILMAN GREENLEE: A long time ago, but I was finished.

COUNCILWOMAN BLACKWELL: Thank you.

Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you. Thank you, Madam Chair.

Good afternoon. Earlier this morning Councilman Goode asked a question, and I don't really think we got a specific answer about the dollar amount that you're requesting from the City. Is there a specific dollar amount? You said 50 to 75 percent.

DR. ACKERMAN: Yes. Above the 11 million that we've included in budget reductions that we're expecting, those are services and programs that the District covered a few years ago when the City was experiencing some budget reductions. So above and beyond that, it would be 75 to 110 million. That would include restoration of full-day kindergarten, restoration of all of the transportation cuts, restoration of the reduction in class size going back to what it is this year. And I know that the rest of that would be, we believe -- on this list there has been talk, I know, with the Mayor and some of the City Councilmembers about the alternative ed, so we'd be willing to talk about that. But those other cuts -- the use of those dollars.

But our primary and priority are restoration of full-day kindergarten, transportation and reduced class size.

COUNCILWOMAN MILLER: Okay. What exactly do you do now with transportation? Who gets transportation?

DR. NUNERY: Councilwoman, we transport not only District children on yellow buses and also giving those who are eligible by income TransPasses on SEPTA for discount, but we also transport by law charter school children and non-public children, children who go to schools that are private schools or parochial schools. So we have a full population each and every day that we transport around the City.

COUNCILWOMAN MILLER: So you determine at the Central Office who gets transportation, not the school budget?

DR. NUNERY: Not the school? I'm sorry.

COUNCILWOMAN MILLER: Budget.

DR. NUNERY: No, not the school budget, that's correct. Central Office does determine that.

COUNCILWOMAN MILLER: Well, I don't have any children in public school. I have plenty of nieces and nephews, but when my daughter went to public school, she went to Fitler, which was a citywide -- children attended Fitler citywide.

DR. NUNERY: Yes.

COUNCILWOMAN MILLER: And they received transportation.

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DR. NUNERY: That's correct.

COUNCILWOMAN MILLER: Does that still happen --

DR. NUNERY: Yes, it does.

COUNCILWOMAN MILLER: -- through those types of programs?

DR. NUNERY: Yes.

COUNCILWOMAN MILLER: Is that part of the transportation you will be cutting?

DR. NUNERY: That's exactly right, and that's why we've put it in close priority to kindergarten, because we realize that with the loss of transportation, the loss of that flexibility, that money would have to come out of each household, and if you have multiple kids, it becomes expensive, but it also limits the amount of choice that children have and it also could contribute to some of the things that we don't want to see in terms of truancy and so on. So that's why we are so adamant that kindergarten and transportation are really hand in hand in terms of top priorities.

COUNCILWOMAN MILLER: Right, because I would wonder --

(Applause.)

COUNCILWOMAN MILLER: I would actually wonder what would happen to a school like Fitler where children attend from all across the City. My daughter started -- well, it starts in first grade. I would not want my first grader riding SEPTA --

DR. NUNERY: Absolutely.

COUNCILWOMAN MILLER: -- to get to school.

DR. NUNERY: Nor do we. We don't want -- she might get great experience, but I think the key right now is to make sure that children go to school on time. We have a good record generally on our school buses. As we do our Facilities Master Plan, which you've probably heard about, the goal is to try to rebuild feeder patterns, but even there, you would still need to modify transportation and give parents the choice that they need to have in order to make sure the children get educated where they want them to go.

COUNCILWOMAN MILLER: So as it stands now, without the extra funding, you will be cutting transportation, and the only students that will receive transportation are charter and special ed?

DR. NUNERY: That's basically it the way it's configured now given what's in front of us.

COUNCILWOMAN MILLER: Okay. With your Facilities Master Plan that you just mentioned, does what to do with the vacant school buildings fall under that master plan?

DR. NUNERY: Yes, it does. So existing schools that are vacant are in our first phase of work. We've done all the analytics, all the demographics. We've gone out to the public to vet all of the issues, planning area by planning area, across the City, north to south, east to west. The first step is to look at the buildings that right now are vacant and/or dormant, get them appraised, see what we can sell, also to close some of the annexes that are not in great shape.

Starting in the fall, we'll be coming back through the Superintendent and the SRC with a number of seats that we need to close and/or buildings that will affect and vet that with the community. And as we select buildings and/or look at which ones we go after because they're underutilized or because they are in poor condition or there's some reconfiguration, the public will get to comment on that, and then we'll start making decisions starting in late winter, early spring of next year.

COUNCILWOMAN MILLER: Right. Because you've been doing this now for a while. So you're saying late winter, early spring you'll have an actual plan?

DR. NUNERY: Yeah. We'll have a small wave starting now, and then a larger wave starting in the fall. But it took us -- the reason why it took us the time and starting around September is because the District had not had a Facilities Master Plan in multiple years and this is the first time we've taken a comprehensive look, looking at demographics, looking at movement of children and also looking at what we can afford.

COUNCILWOMAN MILLER: Off the top of your head, how many vacant buildings do we have?

DR. NUNERY: I think we have six right now, and we have a number that are underutilized, but the six is on top right now.

COUNCILWOMAN MILLER: Two of those six are in the 8th Council District.

DR. NUNERY: Yes, ma'am. We

understand that.

COUNCILWOMAN MILLER: Speed it up. Okay?

DR. NUNERY: We will speed it up. We need to talk to you about how to -- the priorities that we have or like to see in terms of how those buildings get reused.

COUNCILWOMAN MILLER: Okay. One alternative school -- this morning Councilwoman Blackwell asked about alternative schools, and there's a program in Germantown on Chelten Avenue called the Ombudsman. Is that -- that was not mentioned in the list that was -- plus, we actually need a list. In addition to that, we also need a glossary of terms, because you guys talk this every day and we don't, and we don't know -- we can't remember always renaissance school, empowerment school, what all this means, who they all are. But this morning -- and then I saw in your booklet that you had a list of alternative schools, but this one program called the Ombudsman program was not listed. Who funds that? I'm sure you're familiar with the program. Who funds that? Do you fund that or -- for a minute I actually thought that that kind of program took the place of CEP, which you no longer have, correct?

DR. NUNERY: No, it did not take the place of CEP, but actually Benjamin Wright, our Assistant Superintendent for District 4, will answer the question.

(Witness approached witness table.)

MR. WRIGHT: Good afternoon.

COUNCILWOMAN MILLER: Hi.

MR. WRIGHT: Thank you. Ombudsman is one of the programs that we fund through Academic Division 4. It has a blended model right now. It has transition students as well as accelerated students. We can get you -- transition, those students who have committed an act, like we call them, act of -- violation against the Student Code of Conduct, number two versus number one, and they're placed in a transition school after a hearing and then they work there for -- we check them out every 30 days. We do a periodic review on them. At the end of 90 days, they're eligible to go back if they've made progress, they've gone through the character education program, or they stay an additional 30 and we do another review on them in 30 days. We also at the end of 180 days, they should be ready to go back if they had not made it in the 90 day.

Ombudsman was one of those smaller programs that had 60 kids in it, and they're also accelerated kids. We can get you the brochure, if you would like the brochure, of where they're all located. Those may change in the upcoming school year.

COUNCILWOMAN MILLER: Right. That would be good. So all those programs, all the alternative programs, are actually operating today as we speak or have people been laid off or when does the contract -- someone told me that you want to bring lots of these programs in-house now?

MR. WRIGHT: Yes. We do plan on bringing five of those programs in-house.

COUNCILWOMAN MILLER: Five? Okay. So you have a whole list of those that are left?

MR. WRIGHT: Yes. We have a matrix, a performance matrix, that each program has to meet. So in June, we'll be going through that matrix. And we've done all year long, every quarter, we have a review. We have a report card review, just like we do for comprehensive schools. We also do those for the alternative programs. And during the course of the year, we do tell the providers, if you're not meeting the matrix -- if you remember the report that the ARC gave last year about the accountability system, we had already built that system, so now we tell the providers -- they come in and talk to us three times a year. So they know pretty much where they are. And so when June come, we do make a recommendation that they be continued or not continued based on their performance.

COUNCILWOMAN MILLER: So all the programs still operating -- has Ombudsman --

MR. WRIGHT: All of the programs at this moment are still operating.

COUNCILWOMAN MILLER: No one has been laid off?

MR. WRIGHT: We wouldn't know that because we don't operate the programs. The providers lay the people off. They hire them. We don't hire the staff at the schools.

COUNCILWOMAN MILLER: But they still have a School District contract, I guess?

MR. WRIGHT: Yes, they do.

COUNCILWOMAN MILLER: Okay. One other question, not about alternative schools. This is about schools' discretionary funds. Now, does most of the schools receive the same dollar amount based on enrollment, or how is that determined? When I was reading in the book, it said that Title I schools, I think, receive -- Title I schools receive 125,000 up to 1.6 million. What makes the difference and who gets the 1.6 million? That's a lot of money.

MR. MASCH: Councilwoman, under federal law, we must give out Title I funding proportionate to the number of low-income students -- the relative proportion of low-income students in each school, and that is what we do. Those funds are given out with the number that you've cited as the 125,000 as the minimum that -- every school receives at least that much, but then the amount of money that is provided to schools increases depending on whether they have more than the minimum number of low-income students in the school.

COUNCILWOMAN MILLER: So some schools everybody gets free lunch, correct? And that's like a citywide kind of -- not citywide. School-wide free lunch program. So that school, of course, has more than maybe a school that gets --

MR. MASCH: Right. In about 70 percent of our schools, we have what's called universal feeding. We have a special agreement with the United States Department of Agriculture. This is different from the Title I. But it also is looking at the relative number of low-income students.

We have been -- in most school districts, a student has to bring in a form that's filled out by their parent or caregiver to qualify for a free or reduced lunch, but in Philadelphia -- and this has been true for over 20 years -- we do a survey every three to four years to determine the estimated number of low-income students in each school, and in a school in which 70 percent or more of the students are projected to be low income, the U.S. Department of Agriculture has agreed that we can provide free breakfast and lunch to all students in the school. That means that the number of low-income students who get to obtain those services is much higher, because it's not dependent on parents or caregivers filling out the forms and keeping them current.

COUNCILWOMAN MILLER: So with the 125,000 -- was it 125? With whatever money they get from Title I, the school can use that money as they see fit?

MR. MASCH: That's correct.

COUNCILWOMAN MILLER: What about the discretionary funds? How does that -- what is the normal, average amount and how is that determined and what do they use that money for?

MR. MASCH: I actually have to look up the number for you this year. I know we have folks from the Budget Office. I'm going to ask them what the average is, because it's changed this year with the reduction in the allocation. We had been allocating about $200 million among the schools for principals to use as discretionary funds in their budgets. That's been reduced by about $60 million this year. So it's $140 million. And we changed the allocation formulas to ensure that every school had enough money to operate, to run its basic office functions, and then any other money was distributed on a proportional basis among all the schools. But obviously with a cut as deep as 30 percent, the number of discretionary dollars is going to be much less in next year's school budgets than it has been in the past. And in terms of what the new averages are, we will get that number for you hopefully during the hearing.

COUNCILWOMAN MILLER: You can just get it to the Chair if you can't get it now.

A few months ago I asked you how much allocation per student do we need, and you said 19,000 per student, and that's based on what Montgomery County and a lot of these other counties have. So where are we now? And that was before you heard about state cuts. So if we needed 19,000, where are we per student, so we can understand the gap a little bit better? I mean, it's one thing to say, okay, I have a $292 million gap, but per student, sometimes it's easier to understand. Like if we need 19,000 and we only have 10, then it helps us see the difference.

MR. MASCH: Well, the way that the state defines per pupil spending, we're at about $13,000 now, and that's increased by a couple of thousand dollars over the past decade because the increases in state funding. We think it will go down by about a thousand dollars a student next year.

I want to caution that that's based on a state definition. And you are correct that the state Board of Education in December of 2007 did a funding adequacy study and in that study concluded that to have an adequate amount of money to successfully educate every child in the Philadelphia schools, the state Board of Education said we ought to have an additional $4,900 per student. So that would have taken us up to the number that you were talking about before. So obviously we're moving in the wrong direction if this budget is enacted in the way that it's been introduced right now based on available funding sources.

Now, there are other districts, even low-income districts, that receive higher amounts of funds. The Pittsburgh district, for instance, is about $2,000 per student higher than us the way the state funding formulas have been done. That's been an advantage that they've had for several decades, and it's reduced in recent years as the states tried to make funding among school districts more equitable. But this gap is still there.

COUNCILWOMAN MILLER: So what are you doing to try and -- what are you doing at the state level? Because you know what happens, as soon as the School District announced the proposed cuts, then we started getting calls in our offices and people outraged about half-day kindergarten, no transportation. One man called our office and he was yelling and screaming at us, and I said, Hey, did you call Governor Corbett's office? Did you call your state rep? Did you call your state senator?

So what are you doing on the state level? Do you meet with them? Do you have a budget presentation with them?

DR. NUNERY: Councilwoman,

we've been to Harrisburg multiple times. We have no lobbyists, so we are largely doing this on our own, trying to advocate not only for what we think is appropriate in terms of the funding but also the same prioritization list that you have seen, we've presented to folks on both sides of the aisle.

We've also been trying to work with the Pennsylvania Coalition of Charter Schools, because the $110 million that was cut out of charter school reimbursement is important not only to us but to them, and there's a resonance there. They agree that they would be harmed if we get hurt next year, they will feel that pain. But I think it's not as if we've not been banging on the door. That's why I think some of the proposals that have been put forth in Harrisburg are starting to respond to the fact that efforts here in Philadelphia, like protectphillyed.com and all the rallies, are starting to get to folks, especially when they see it is a universal pain that people are feeling, not just black and brown but everybody in the City.

COUNCILWOMAN MILLER: Okay. This is my last question. The District is to be commended for the progress of the public and charter schools, but could we have a list per school who is doing what, if they've made progress, who they are rather than lumping it all together, both public and charter? And I have a charter school in my district that's doing, I think, a wonderful job, Imhotep, and I think everybody would agree with that. They've asked to be allowed to have more students, and I don't know whether that decision has been made or not, but I know other schools that have asked for an increase in the number of their students and they've been granted that.

So at some point, we might need to just talk about what's happening with a school like Imhotep that -- I can't remember how the ranking is, but they're ranking pretty close to the top, if not at the top, and I don't know why they have not been allowed the opportunity to increase the number of students that they have. It's an excellent program.

DR. NUNERY: Councilwoman, I think it's great. We can not only give you that listing in terms of what we call the School Performance Index not only for District schools but also for charters, and we've talked directly with Christine Wiggins, founder of Imhotep, about her specific request to add seats. So we're going to be acting on that soon.

COUNCILWOMAN MILLER: Okay. All right. Thank you.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You're welcome.

And with regard to the alternative schools and her request, please submit that information to the

Chair, and the Chair will make sure it's distributed to all members of Council.

The next person is Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you, Madam Chair.

Good afternoon. I'd like to add to that request. I think in previous years when we got our budget information, there was additional data provided by District in terms of schools, ranking charters and some other stuff that's not in our data, and I think had that been provided this year, a lot of the questions, particularly with my Council colleague Donna Reed Miller, would have been answered.

So, Madam Chair, if you would allow me to request that we get that updated information by district as they've done in the past, that would be very helpful. I look forward to those report cards every year.

COUNCILWOMAN BLACKWELL:

Certainly. Thank you. Thank you very much.

COUNCILWOMAN SANCHEZ: Thank you.

So I'm going to start with a couple of things. I just want to kind of echo my concern that I expressed yesterday around the severity of some of the projected cuts, and very concerned about the hysteria that it's created in the community, particularly by parents and teachers and providers. So I just want to say, I'm very concerned and getting bombarded.

Most of the students that were here earlier this morning were from my councilmanic district. So I want to kind of lay some of these -- put some stuff on the record that's not correct so that we can kind of move on.

I'm not going to talk about full-day kindergarten, because I think that out of a $3 billion budget, the fact that we're talking about 25 million is just like, if I can use Sandy Shea's expression, a no-brainer. So I would hope that we're going to figure that one out.

But I do want to talk a little bit about the transportation piece and for the record ask, of the $50 million that -- or the $49 million, how much of that is reimbursed by the state?

MR. MASCH: Councilwoman, there are different rates of reimbursement. So for non-public transportation, for instance, the reimbursement is over 80 percent. For bus transportation, it ranges in the 50 to 60 percent range. So the total level of reimbursement is in the 60, 70 percent range, and as we have noted in the Budget and Brief and in our budget presentations and want to make clear for the record here, we are reimbursed by the state for transportation with a one-year lag. We are reimbursed in each year for the subsequent year. Since we've provided full transportation services, we will receive those full reimbursements next year. The cuts in transportation, if they are implemented next year, will result in a loss of state reimbursement in Fiscal Year 2012-13, which means that the net savings in the second year after a transportation cut would be much less than the savings in the first year. And we've recognize that, we've acknowledged it. We've only made these recommended reductions because while I take your point about in what was a $3 billion budget, unfortunately now only a merely $2.7 billion budget, each individual item doesn't sound like it's that great, but the problem is we have to cut 600 million plus, and if we had not proposed these transportation reductions, the only option left to us would have been further reductions in instructional programs. And since those aren't on the table, it's hard to envision that, but if you had seen those cuts, our feeling was they were going to be even worse than the transportation cut, because if we had transportation but we couldn't get people the quality educational programs, then the transportation wasn't going to avail us that much.

But that said, we also agree that it's a terrible cut, and in particular because the beneficial effect is going to erode in the second year.

COUNCILWOMAN SANCHEZ: And I guess that's to my point. So this particular cut this year will realize us what savings this year?

MR. MASCH: The savings this year is $50 million.

COUNCILWOMAN SANCHEZ: And next year?

MR. MASCH: So the savings next year would be in the range of about $16, $17 million.

COUNCILWOMAN SANCHEZ: I just say that because when we're talking about these numbers, there's a lot of zeroes in these, and it's a lot easier for people to fathom 16 million than 50 million. So I just think it's an important clarification, because when we talk to parents, there's this notion of $50 million, and really what we're talking about is trying to close a gap that it will be 6 million.

I also want to make sure that we're not passing the buck to next year with some sort of funding scheme this year, not looking at next year. So with transportation, I just wanted to get that clarified.

I'm a little concerned about -- and let's get into the alternative education. I know that last year when the School District, rightfully so, looked at creating additional slots, there was a lot of discussion about current Philadelphia-based providers and folks coming in and the disparity between the cost of students by the different contractors. Where are we as it relates to that? Do we now have a standard? I know at that point when we talked about it last year, we tried to create a more uniformed standard about what the cost per student is.

DR. ACKERMAN: We do have a standard. I'll let Mr. Wright.

MR. WRIGHT: Good afternoon, Councilwoman. We have standardized the costs across the District in terms of each provider. The difference is whether it's a full day or half day. Some providers work on a half day; some of them work on a full day. So we're in the process of doing that now as we go through the rubric again this year and look at the performance indicators that are there for each provider. And so as we put that together, those costs, we would be asking each one to take equal costs.

COUNCILWOMAN SANCHEZ: We like to look at those. Right now my understanding -- and I asked this question yesterday in our briefing, and just to clarify for the record, my understanding is that if the proposal before us stays, the providers' funding will end June 30th even for those who are graduating kids after that; is that correct?

MR. WRIGHT: Their contract ends when it ends. There are some that will be graduating their students on August the 4th. So we are very much aware of that.

COUNCILWOMAN SANCHEZ: Okay. Wait a minute. So that's a concern. Because we're saying to folks, You have a commitment with us to graduate these kids in August, but we're only providing funding for June. Is that what you're saying?

MR. WRIGHT: No, that's not what I'm saying. What I'm saying is that each provider had their own contract as to when they would graduate students, and those contracts are still intact. So no one has changed the contract on that issue.

Now, going forward next year, we are going to have to negotiate some cuts and some cost-saving measures.

COUNCILWOMAN SANCHEZ: So based on your current proposal about how alternative education would look next year versus this year, can you highlight for me the one or two or three different things? Because I know there's a discussion about some of this being brought in-house. So what would change based on what you're proposing now?

MR. WRIGHT: We're basically proposing to do five high schools, accelerated high schools in-house, three middle schools in-house.

COUNCILWOMAN SANCHEZ: Where would these schools be located?

MR. WRIGHT: The high schools will be located in current places that we have providers operating right now. For example, at the AER Center on Front and

Hunting Park; at E.S. Miller, which is 4300 Westminster; also at Southern High School, which right now there's a program there; at Bartram Annex, there's a program there; and at Ben Franklin High School on the flip side of the schools, on Green Street or Brandywine.

At the same time, we have some providers that are very exemplary, so we'll be working with them in terms of what capacity that they could be utilized in to move it forward on a smaller scale at a reduced rate per student, and they all will be the same.

COUNCILWOMAN SANCHEZ: Can you explain to me the thought process -- and we had this discussion before and I'm just really concerned because it's an issue that we had at DHS when we moved from a robust provider system based on where we needed these schools to be located, the types of kids that they were going to service, and then when we go back to centralizing, we're going to lose that.

What is the thought process and why -- is this a budgetary decision or is this one of let's transition in the long run these programs back into the District?

MR. WRIGHT: Basically it is both. We want to transition in the long run because we have created our own programs. We have plats and plans, Philadelphia Learning Academy South, which uses a non-graded model; Philadelphia Learning Academy North that uses a non-graded model. We have --

COUNCILWOMAN SANCHEZ: They're using what kind of model?

MR. WRIGHT: An ungraded model.

We have Albertson for middle school students. We have a program PYDA for high school students who are coming out of placement that use a very similar model.

Now, the providers use a very similar model as well. So for providers per student in the accelerated side of the house, they do differ in terms of whether they're full day or half day. That's the only difference.

Now, on the transition side of the house, $10,200 for the full-day program and $5,297 for the half-day program.

On the transition side, those programs are all full-day programs right now, and the providers are paid $8,800 as a minimum and 10,002 as a maximum, keeping in mind that each provider in the RFP quoted the cost that they wanted associated with their budget to run those programs. So the District did not legislate the dollars.

COUNCILWOMAN SANCHEZ: How many slots will we be losing in this cut?

MR. WRIGHT: None. We're actually increasing 500, because it costs the District less to run the program. PLA North, for example, they was allocated $10,200 for 275 kids, but right now they run 400 kids a piece. So that cost is about $5,000 per kid.

COUNCILWOMAN SANCHEZ: So you're saying that we can do it more efficiently internally?

MR. WRIGHT: Absolutely.

COUNCILWOMAN SANCHEZ: We are going to have the capacity based on teachers -- are we going to have that capacity to transition that quickly with teachers and everything else?

MR. WRIGHT: Yes, we will. When we were given the okay to open the PLAs, we opened them in one month. So we know we have the capacity. We have the training. We have the professional development all set up to go. We have the administrators in place. So we know -- there are going to be some hiccups, there's no question about that, but, of course, we'll be there with the Alka Seltzer to make sure that those hiccups are taken care of.

COUNCILWOMAN SANCHEZ: I don't

doubt your intentions. It's just that I've been involved in education long enough to know that it is taking us a very long time to create these very unique programs to meet the needs of these kids, and you're asking us to have a leap of faith that in one year you're going to be able to build that capacity internally, and it's really difficult for me to say that that's possible. It's doable over two or three years. I don't see it doable in one year.

So these -- I worked at ASPIRA, as Director of ASPIRA, and I had an alternative education and accelerated program. The kids who come into these programs have a variety of special needs. We failed them once. We can't afford to fail them twice as we try to figure it out, when we already have some proven track records of graduating these kids.

So I'm not going to be against reform in saying how do you bring that stuff internally. I am not going to accept that we're going to do this in one year. It's just not possible. I've seen what's happened when we attempt to do these drastic changes overnight, and the kids get caught up in the middle. There's a geography issue of where kids want to go and how far they're willing to go, because many of these kids, as you well know, have kids. So you're talking about single mothers, single fathers. You have adjudicated youth.

So we're going to have to rethink this area, and I know that's one of the areas where we've talked about restoration, but I want to go beyond restoration of funding. I want to go to -- part of what makes the portfolio work is the mix, is the ability to have different slots and different types of situations for all the kids. So I want to be real careful about how we work that.

DR. ACKERMAN: Actually, it is still a mix, and we will have 4,000 young people who will have access to the contract providers, the ones who have done the best in our DOL schools. We have 4,000 young people. So it is a mix. We're actually not transitioning all of the contract providers out of the alternative mix. That just wasn't explicit. And we'll be working in schools as they are in all of our DOL schools. That's about 4,000 young people that will still have access.

COUNCILWOMAN SANCHEZ: That's part of the concern. Again, what I found is dealing -- when we were doing some of this work is, you don't want to set kids back in the same environment where they failed the first time. There's a reason why these smaller environments are more conducive. It's about not putting a kid back where he failed again once.

DR. ACKERMAN: But many of them are already there and --

COUNCILWOMAN SANCHEZ: No. I understand that. There's a pocket of kids that that works for because of their situation, but, you know, when I visit my alternative schools in my district, I'm acutely aware of the fact that it is a very different environment in their schools, that we're not putting these kids back up in that same environment.

(Applause.)

DR. ACKERMAN: Councilwoman, we're doing both. So some will remain in their schools like they are now and some will have off-site centers, those providers that have off-site centers. So there will be a choice. It's what we're doing now, with a smaller number of kids, 4,000.

COUNCILWOMAN SANCHEZ: And I think before we finish this budget discussion, I'd like to see more details about what that looks like, because I think it's real important that again -- and I said it, I was one of the first folks to say these budget cuts are drastic. I'm going to do my part as an elected official to provide as much support, but it is going to be with conditions, and that's clearly one of the areas where, because of my experience, has to be worked out.

(Applause.)

COUNCILWOMAN SANCHEZ: So I'm sure we'll get to some agreement there.

DR. ACKERMAN: Okay.

COUNCILWOMAN SANCHEZ: I want to talk a little bit about the ESL impact and the cuts. This is one of the areas where I always sound as a broken record as the Latino on Council. But for the last three years, I've been asking for what is our bilingual education plan, and we've gotten different variations of what we're doing around ESL and bilingual education, but I'm extremely concerned about the elimination of 42 bilingual positions. Now, correct me if that's not the number.

DR. ACKERMAN: Yeah. She's going to come up and explain that. I believe it's bilingual counseling positions. It's not teachers. We've added 63 more teachers. We did not reduce those teaching staff.

(Witness approached witness table.)

MS. FERIA: Good afternoon. Lucy Feria. How are you?

That's correct. As I was coming up and I heard the number, I was saying that's BCAs. That's not teaching positions. The ESL program will continue. It actually saw the least reductions. We were watching it closely and are very committed to the ESL program. So we will continue to have 301 ESL teachers. In addition, we're actually enhancing our programs because we are going to open a dual language program at Luis Munoz-Marin.

COUNCILWOMAN SANCHEZ: So the cuts in the bilingual piece/ESL piece is on the counseling side? So where are we seeing --

MS. FERIA: Family supports. The bilingual counseling --

COUNCILWOMAN SANCHEZ: Can you explain that to me, what that means?

MS. FERIA: There are several offices that provide services to parents and students in schools. The Office of Parent and Engagement has another office that has two big offices that serve ESL students or ELL immigrant families. They are the Family Supports, Office of Family Supports, as well as the Office of Translation and Interpretations.

In my shop, the Office of Multilingual Curriculum and Programs, we do the instructional program.

COUNCILWOMAN SANCHEZ: Okay.

DR. ACKERMAN: And, actually, we've increased our Office of Translation Services. I don't remember how many, but it's a big office now. So we felt like we could -- the bilingual counseling assistants are sort of like instructional aides, and what we've done is shifted the resources so we'd have more interpreters for schools and for services District-wide.

COUNCILWOMAN SANCHEZ: Okay. Well, I'm interested in looking at how these cuts -- the one issue that I'd like to revisit is -- and maybe Lucy will remember since she's been around a little. I don't want to put your age out there, Lucy, but a little bit -- is the designation of bilingual schools that allows us to ensure that when we have the type of cuts that we're talking about, usually first in is first out, and then I end up losing bilingual personnel at the school-based level. How are we making sure that that doesn't happen in those schools in the past -- and I don't know if it was the '80s rendition of bilingual schools.

MS. FERIA: Gosh, I think that was about in the 1990s. What we are currently doing is designating positions bilingual. So we have positions based --

and the school principals make that decision, as well as many of the other offices. For example, we have bilingual counselor positions, bilingual secretaries, bilingual teachers.

COUNCILWOMAN SANCHEZ: So when we make these cuts, if they're last in, are they first out?

MS. FERIA: Not if they have a bilingual designation for the position. For example, I have five transitional bilingual programs and there are teaching positions that are designated bilingual. In order to implement the program, we would need the bilingual teachers.

COUNCILWOMAN SANCHEZ: The other area that -- last week I had an opportunity to sit down with some parents -- is the, I guess, the parent ombudsman positions. They have all been eliminated?

DR. ACKERMAN: They have, and they're coming back. We eliminated both the -- and I guess I want to say, you know, the last thing we want to do was to eliminate these positions, the parent ombudsman and the student advisor, but what we've done is combined the two now so that we can still keep parts of both of those positions. So there will be somebody there who will handle both the advising of students who are truant and have other issues to support the counselor, and they will also work with parents. So we've combined the two positions.

COUNCILWOMAN SANCHEZ: So how many cuts are we talking?

(Witness approached witness table.)

MS. DUNKLEY: So we have approximately -- Karen Dunkley, Deputy Chief, for the record, of the Office of Parent, Family, Community Engagement and Faith-Based Partnerships.

We will have a total of the new positions, they're known as school improvement support liaisons, and we will have a total 150 of those positions, reduced from 177 parent ombudsman.

COUNCILWOMAN SANCHEZ: So that is 20 something you're only losing?

MS. DUNKLEY: For parent ombudsman and student advisors, we're losing 150 of those. So a total of 170 positions.

COUNCILWOMAN SANCHEZ: How are the qualifications different? Because I think one of the uniquenesses about the ombudsman was you had people who were from the neighborhood, understand. So how are the qualifications changing?

MS. DUNKLEY: The qualifications are actually comparable. We did retain the same qualifications to ensure that we would not lose those people who were connected to communities.

COUNCILWOMAN SANCHEZ: Okay.

DR. ACKERMAN: But there is -- I mean, we do have a bumping rights issue. So the most senior will bump into these positions first.

COUNCILWOMAN SANCHEZ: Okay. So there again, I may get hurt on the bilingual and language.

MS. DUNKLEY: They will not -- bilingual designations absolutely remain bilingual regardless of seniority. So, for example, if you take a school like a Cayuga or Furness, it's strictly based -- as long as the position is designated bilingual, the seniority there only applies to personnel who are bilingual. So they will absolutely be staffed bilingual.

COUNCILWOMAN SANCHEZ: Okay. Thank you.

Thank you, Madam Chair. I'll let my colleague -- Bill is busting at the seams over here. I will be back.

Again, this is very drastic. We're very much committed to saving where we've made progress, but it will be with caveats. So I'm there.

COUNCILWOMAN BLACKWELL: Thank you very much.

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Councilman Green and then Councilman Jones. I apologize, Councilman Jones. He really took to task his point of order, albeit it was a rather long point of order.

COUNCILMAN GREEN: Thank you, Madam Chair.

Maria knows a lot of things. One of the things Maria knows is education, I have to say. That was a very impressive colloquy.

I'd just like to say for the record that over the last two years, we've learned a lot in this Chamber about making tough budget-balancing decisions. We went through that at a time when School District funding increased year after year, and we've disagreed at times and we've grappled with serious fiscal challenges and trying to find a responsible way to do so while preserving essential services.

Our touchstone has been really outcomes, productivity and collaboration.

And our ability to deal with these challenges was enhanced by having multiple stakeholders at the table - the Administration, City Council, PICA, the Controller and others. The City balanced its budget using suggestions from all of these parties and benefited from diverse perspectives.

It seems likely that the City will provide some assistance to the School District this year. From my perspective at least, it's important that any such assistance be accompanied by two things. First, a willingness on the part of the District to allow oversight that is equivalent to the oversight we have over City departments, including the equivalent of subpoena power, our ability to get any information we want when we want it, et cetera, and, for example, allowing the Controller to have the ability to do pre-audits and performance audits and look at anything that he wants and get information about anything he wants. And it's likely that this issue will be go on in 2013 as well. So the second commitment is to use the funding for programs such as those that people have talked about are important today.

I'm concerned that the items on the chopping block include initiatives that we know improve outcomes for kids. I'm not confident that all of the programs we're preserving have a data or evidence-based approach that they actually do improve outcomes for kids. And so it looks to me like we have some positioning here rather than linking spending decisions to increased or best outcomes for children. And I guess we can get into that a little bit more in the questions, but I wanted to start my questioning with that premise and wonder whether the School District will be amenable to memorandums of understandings and other contractual items that are enforceable in court.

MR. ARCHIE: Councilman Green,

I think we have multiple numbers of memorandums of understanding between various City departments. So I wouldn't find this out of the ordinary with respect to the Controller's Office.

I do recall -- and Mike will have to -- what do we have on staff on the Controller's Office?

MR. MASCH: Well, there are seven positions that are currently paid for out of the School District budget, seven FTEs out of the Controller complement that are paid for out of the School District budget.

MR. ARCHIE: And their purpose?

MR. MASCH: Well, they are not staff who are assigned to School District audits. They are members of the general staff of the Controller's Office. They perform their duties at the behest of the Controller.

COUNCILMAN GREEN: And the Controller's Office does not have pre-audit authority like he does for City departments. He can only go back and look retrospectively.

MR. MASCH: That's correct. Under the School Code, the pre-audit function is a School District function. We have an internal audit unit of our own which performs that function.

As for performance audits, the Controller's Office does conduct performance audits on a regular basis on the School District, and we cooperate with them fully.

COUNCILMAN GREEN: So my question once again is, is there any objection to providing City Council and the Controller with the same authority, even if we have to do it by contract, that we have over City departments?

MR. MASCH: Under the School Code, the School District is required to maintain its own internal audit unit. So you would basically be putting these transactions through two levels of --

COUNCILMAN GREEN: I'm not

suggesting that we would use it to perform an additional audit. It's not clear to me that we're given all of the information we request. It takes a long time to even get a hearing on issues, whether it's related to bullying or other things. We do get them eventually three or six months after the fact, but the level of cooperation at least -- I'm only speaking from my perspective -- would have to change dramatically for me to want to support additional funding.

MR. MASCH: I can only say with respect to the Controller's Office and my office as the Chief Financial Officer, we work extraordinarily closely. They are an independent auditor, so it's not -- it's not cooperative in the sense that's inappropriate, but I am -- I can't think of an instance in which we have not been able to provide the Controller's Office with information that they have required. They are in fact the auditors of the School District and have --

COUNCILMAN GREEN: I understand what their authority is.

MR. MASCH: -- on a day-to-day basis.

COUNCILMAN GREEN: The Controller was in here the other day and specifically raised these problems in terms of his relationship with the School District and how difficult it is to get information in the School District, specifically mentioning they have to come up with alternative theories to get access to buildings just to check the equipment there so that they can actually perform audits about what's going on in the schools. He gave that specific example.

So rather than getting in a back and forth, my question is simple. Are you willing to give us the kind of authority we have over other departments in terms of quick access to information, the equivalent of subpoena power, et cetera, if we're going to provide you with additional resources so that there is an accountability to this body?

DR. ACKERMAN: I don't think I can answer that. I think that we'd have to have legal look into that, along with the other issue that was raised by Councilman Clarke, and it would have to be then a School Board decision, certainly not staff.

COUNCILMAN GREEN: Okay. I accept that. I wanted to make that point and say I honestly think that at least on the City's side, we've benefited from having more information available to more people to make suggestions.

Councilwoman Quinones-Sanchez just raised a point that I think was lost on us because we don't have details about the City budget, and, that is, if you get $35 million on a cash flow basis next year, you can pay for transportation as long as 16 million is there. So I don't know whether the School District is allowed to do revenue anticipation notes.

We can do them and lend the money to the School District in a way that doesn't make it an ongoing obligation, but it seems to me that the transportation issue is a $16 million problem as long as we can create a financing mechanism and not a $53 million problem, because you'll get reimbursement at the 60 or 70 percent rate as long as that cash is available to you.

In terms of like problem-solving together, is there a way for us to go to banks together, put that extra 35 million in our trans and get the money back from you next year when we repay them, that sort of thing?

MR. MASCH: Councilman, as I noted, we are in discussions with the Southeastern Pennsylvania Transportation Authority about the possibility of that kind of arrangement to deal with TransPasses, but it would be much more difficult to do it with respect to the bus service. There are certain limitations on us. One is, we don't receive the reimbursement 100 percent on day one of the next fiscal year. This is not to say that it's impossible to do this, just it's one of the difficulties we're wrestling with with SEPTA. The state reimburses us on a bimonthly basis over the course of the next year. So it's actually a two-year transaction, not a one-year transaction.

COUNCILMAN GREEN: Okay. However long the transaction is, is there a way for us to work together for us to provide potentially the cash flow necessary for you to continue that, even if it's a two-year reimbursement to the City?

DR. ACKERMAN: We would welcome that.

COUNCILMAN GREEN: Okay. So really the ask for transportation, as long as there's the financial mechanism, whether it's through loans from banks that we guarantee, whether it's through a shared services arrangement where we actually provide the bussing and can get reimbursed by the state, it's really a $16 million problem?

DR. ACKERMAN: If you can give us that kind of support, then it becomes a $16 million problem.

COUNCILMAN GREEN: Okay.

COUNCILWOMAN BROWN: What was that?

DR. ACKERMAN: If we can get that support of the advance, the kinds of alternatives, then it becomes a $16 million problem. But right now we don't have any of that as surety.

COUNCILMAN GREEN: And that's the kind of collaboration that happens in our budget process all the time where we figure out how to work things out and help each other, and certainly we want to do that for the School District, and hopefully we can work that out with the Administration and other stakeholders to try to do that.

So we just -- gosh, that was pretty good, 53 million to 16 million. That's a pretty big savings.

MR. ARCHIE: But the tran must be paid back within a 13-month period. You don't have two years in which to pay back the tran.

COUNCILMAN GREEN: I understand, but there's bank financing and there are ways for us to financially engineer to get -- this is a finance problem, it's a cash flow problem. That's all it is.

MR. MASCH: It's also a budget and expenditure problem in that one of the things we've been wrestling with with SEPTA is, we will incur the expense next year, and one of the things that I in fact have to do with the Controller's Office and with our own staff and with SEPTA is figure out is there a way to avoid our having to recognize the expenditure. If we have to recognize the expenditure, it's a problem.

Also, I agree with you that in theory, this is potentially a financeable transaction. But we don't know that yet. We don't know what kind of credit or security from what parties, at what level of interest expense. All of that is not to say -- I mean, the message from the Superintendent is clear, that if we can do this, we would welcome it. I mean, we don't want to make the cut. We'd love to find a way to make this a financeable transaction. We've been thinking about ways to do that already, but there are a number of hurdles that we've got to figure out how to clear in order to ensure that we actually have figured it out.

COUNCILMAN GREEN: No. I understand, but you didn't come here asking for us to help you solve a problem. You came in here asking for 53 million, and working together, we can jump those hurdles and solve the problem with $16 million, is my -- I think we're going to work that out.

So I guess my next question is, of the Imagine 2014 initial proposal, how much are we still spending on it and how much was cut?

MR. MASCH: Let me just see. I'm asking my Budget Director. I'm not sure we have those numbers.

I think that's in the ball park. As we've noted, the major things that are preserved are expanded summer school, reduced class size and the counselors. There are a few other programs that are partially preserved. The total expenditure at its peak, which is this year, was a little under $180 million. We think in this budget there is about between 45 and 50 million of initiatives that are still in this budget.

COUNCILMAN GREEN: So we've gone from 180 in spending on Imagine 2014 to 40?

MR. MASCH: Closer to 50.

COUNCILMAN GREEN: To about 50 million. Could you provide the detail of that to the Chair?

MR. MASCH: Yes.

COUNCILMAN GREEN: Rather than trying to go through each program with us.

Can you pull up Page 9 of your chart that was in the PowerPoint?

I'm sorry. It's the chart that shows higher student achievement gone hand in hand with increased funding.

MR. MASCH: Okay. Yes.

COUNCILMAN GREEN: So can you tell me when Imagine 2014 began, what year? 2009?

DR. ACKERMAN: 2008 -- 2009.

COUNCILMAN GREEN: 2009?

MR. MASCH: Imagine 2014 initiatives were implemented beginning in the '09-'10 fiscal year, and that was last year, and then in the '10-'11 fiscal year, that's current year.

COUNCILMAN GREEN: So we

wouldn't have seen an impact until 2010 in terms of school increased scores, right? Because it began in --

DR. ACKERMAN: And we did.

COUNCILMAN GREEN: Well, there is certainly an impact there in terms of increased scores. What data or evidence do we have that demonstrates that that increase is related to Imagine 2014 and not sort of the general other programs that have been happening in the School District over the course of the last ten years?

DR. ACKERMAN: Well, we can correlate the work that we did with empowerment schools, and they actually made greater progress than our other schools. We can show that the young people who went to summer school actually did not regress as much as those that did not. So we can show you the research.

COUNCILMAN GREEN: How much specifically of the increase between '09 and '10 can you attribute to Imagine

2014? And I'm not asking you to answer that right now, because you probably don't keep the data that way, but the things you just mentioned. If you hadn't had the empowerment schools, for example, if you hadn't had the summer programs.

DR. ACKERMAN: Or lower class sizes.

COUNCILMAN GREEN: What would have the chart looked like in 2010, if you can provide that to the Chair.

So when did we first get funding for early childhood education?

DR. ACKERMAN: I don't --

MR. MASCH: Well, the first funding for early childhood education was Head Start, and that was the war on poverty.

COUNCILMAN GREEN: Oh, okay, from the state that increased early childhood education.

MR. MASCH: I'm ashamed to admit that I'm old enough that I can remember that, actually. It was in

2007-2008 that Governor Rendell proposed the Pre-K Counts program, which added additional state funds to the federal funds that we were already using. However, the state also began doing what most other states do, and, that is, supplementing federal Head Start with state Head Start, and they began doing that in 2004.

DR. ACKERMAN: I believe we can show you exactly the programs we put in and the results in terms of student achievement. There's been a lot of discussion around alternative ed. We put in Multiple Pathways. When I got here, there was one program. Now, I don't know -- there are Multiple Pathway programs. Our graduation rates have gone from 59 percent in two years to 63 percent. I'll be happy to send you that data.

COUNCILMAN GREEN: That's great. So what year did we first get the state funding for full-day kindergarten?

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MR. MASCH: State funding for full-day kindergarten was part of the Accountability Block Grant, and that was 2004.

COUNCILMAN GREEN: 2004. So what we know from the data that was mentioned at the beginning of this budget hearing is that K through, I think, 8 or K through 4, K through 5, I can't remember, has sort of like 67 percent of students at grade level in District-operated schools, and then as you get up into high school, the number drops off to 43 percent, my recollection is. And I guess my point is that it seems clear just from these charts that early childhood education and full-day kindergarten are probably as strongly, if not, more correlative to the increased success because it carried throughout grade school than the Imagine 2014 program has been, with all its successes, which I acknowledge, with all its successes. And so what we're really talking about -- and if my colleagues will bear with me. You've heard me say this a number of times -- budgeting is choosing between competing ideas for good with limited resources. And I guess I don't understand a decision to spend 50 million on some of those programs versus the 25 million that's needed on kindergarten. In other words, when you make that decision, what you're saying is, there is nothing in our budget that is less effective in terms of achievement than full-day kindergarten, because you've chosen to eliminate full-day kindergarten. So you've said of all the choices you made, nothing is less effective than full-day kindergarten. And that's a premise I think, as Councilwoman Quinones-Sanchez said, that I don't agree with. There is money in there that can be spent on full-day kindergarten instead of something it's being spent on in a $2.7 billion budget. Would you agree that there's money in the

School District budget that is less effective to outcomes than full-day kindergarten?

DR. ACKERMAN: I don't know that I can say that. I think that certainly full-day kindergarten is important. This is -- you know, we're talking about -- I mean, I believe if we had ten years of what we put into Imagine 2014, look at what we did with graduation rates. I mean, we are dealing with a whole system here. The budget reductions that we put on the table hurt across the board. And so the Accountability Block Grant cover all of kindergarten. We made a choice. We said half day. We don't want to do it, and I don't certainly want to pit one against the other. I could then start pitting full-day kindergarten against alternative programs, which we just said were important for young people who need a second chance.

We're here to ask for help, and we have made some difficult choices.

None of them are what we want. I'm an early childhood teacher. Believe me, I didn't want to make that cut, but I also know that -- and it's been now -- research has proven that young people who are engaged in summer school don't go backwards. Young people who start who don't have activities in summer school regress.

So you're asking us to make difficult decisions, and we're making them. You can disagree or agree with us, but we did the best we could and we're here today asking for help.

COUNCILMAN GREEN: Right. And I think that there's been tremendous progress over the last few years in the School District, and I applaud you and your team for that. That's not the issue here. The issue is, we're making budget choices between things, and by funding something instead of all-day kindergarten, you're basically saying that that program is better than full-day kindergarten.

DR. ACKERMAN: I don't think we're saying that.

COUNCILMAN GREEN: You've made a choice. You've made a choice.

MR. MASCH: I mean, just to clarify and to repeat what we've tried to make clear before, the Governor decided to completely eliminate our funding source for that program. We had to cut 25 million in other programs in order to restore half-day kindergarten. And I think if you look at our overall approach, recognizing that -- and I think the record of today makes clear, there are a number of critical things that we do. From the most important, which is what happens every day in every classroom in the City, to all of the supports that we try to wrap around that, whether it's social services or remedial programs or summer programs, programs for students with special needs and ELL or because of disabilities and all the supports, our approach was to try to spread the pain out rather than wholesale eliminations in some areas and complete preservation in others. I would say that that was the general approach.

So we did not eliminate all gifted programs. We did not eliminate all athletic programs. And I say that not to say that -- we recognize on the part of you as members of Council and state legislators and the media and the public and everybody else in Philadelphia that each person may have made a different choice. The different members of our team made different choices, and ultimately Dr. Ackerman had to ref after hundreds of hours of debates among us. I mean, this is the final product. All I think we want to do is convey the thinking of the School District's management about how we went about this.

COUNCILMAN GREEN: Right. And I'm asking you to explain the choice of spending 50 million on programs that are remaining from Imagine 2014 instead of funding everything that's gotten us up to where we were in 2009.

DR. ACKERMAN: Well, some of those choices have been reduced class sizes. We can take up it up to 31 to one if you want, and that would be another discussion that we have. Summer school is actually -- what we've done is reallocated our federal grants for that to keep that in place.

So, I mean, we could get -- we could restore full-day kindergarten and we'd have to make some other difficult cuts.

COUNCILMAN GREEN: What would you cut -- what's the first thing you'd cut to restore full-day kindergarten?

DR. ACKERMAN: I don't believe that I can sit here and say that. I think that this has come after months of discussions with the staff, and lots of people have been involved in this process.

COUNCILMAN GREEN: I think that's a fair answer, and I'm not going to put you on the spot --

DR. ACKERMAN: I appreciate that.

COUNCILMAN GREEN: -- on that. So what I'd like you to do is provide the Chair with the priorities of cuts you would make to -- what choices you would make if Council's money was -- let me rephrase this. If you were to get no more funding and you had to restore full-day kindergarten because we helped you out with transportation, for example, what you would cut in order to keep full-day kindergarten, what you would cut in order to keep early childhood education. I'll just ask with respect to those two specific things in dollar amounts, but I have -- you mentioned class sizes. Other districts like in Charlotte and Mecklenburg, North Carolina School District reduced class sizes or continued reduced class sizes in all the lower grades, which academic studies say have a tremendous impact, and they increased much more significantly classes in high schools, because there's no data or evidence that shows that increased class sizes in the upper grades actually impact results, at least from the education studies that my office looked at. And so I'm curious why you wouldn't make a choice to do that, keep lower school classes small and upper school classes larger.

DR. ACKERMAN: That's exactly what we did.

COUNCILMAN GREEN: Even above 31.

DR. ACKERMAN: That's exactly what we did.

COUNCILMAN GREEN: Is it?

DR. ACKERMAN: That's exactly what we did. We kept our lower size -- I mean, the lower grades, primary grades, the class sizes are still smaller. As we went up, we increased them. So that's exactly what we did.

COUNCILMAN GREEN: So what are they going from?

DR. ACKERMAN: They're going anywhere from 23 to 24 to one, and some of our schools it's 20 to one, our empowerment school, up by three children.

COUNCILMAN GREEN: And how about the upper schools?

DR. ACKERMAN: Those are pretty much -- we had focused on the lower grades.

COUNCILMAN GREEN: So why not increase class size in the upper grades and not in the lower grades?

DR. ACKERMAN: Because we have a contract.

COUNCILMAN GREEN: You'd have to negotiate that?

DR. ACKERMAN: We'd have to negotiate that.

COUNCILMAN GREEN: Okay. But it is something that you would look at because, I mean, the data demonstrates that it makes a huge impact in lower grades --

DR. ACKERMAN: I agree.

COUNCILMAN GREEN: -- and not much of an impact in the upper grades.

DR. ACKERMAN: I agree with you.

COUNCILMAN GREEN: Okay. So ideally that would be something you would do if you could work it out?

DR. ACKERMAN: We'd have to get the union to come back to the table and discuss it for sure.

COUNCILMAN GREEN: Which raises, I guess, an interesting point, which is that -- I apologize. I think that there's $75 million in your budget that is related to lowering costs or renegotiating with your contracts?

DR. ACKERMAN: Yes.

COUNCILMAN GREEN: And there's $57 million in your budget that is related to --

COUNCILMAN JONES: Point of

information.

COUNCILWOMAN BLACKWELL: Point of information, Councilman Jones.

COUNCILMAN JONES: Thank you.

My intern, who has attended full-time kindergarten, wants to know if we get paid by the word to ask all these questions in City Council, and I assured him that we don't, that I will attempt to be succinct in my point of information very quickly, if I will be allowed by my colleague. Thank you.

On the issue of contract negotiations and savings, I think it was on Page 26 where you cite said savings. Your assertion is that you are going to reopen the labor negotiations with the teachers?

DR. ACKERMAN: With the unions. That is what we would like to do. I'll let Dr. Nunery talk about that. And this is what's happening in school districts across Pennsylvania.

COUNCILMAN JONES: And my point

is that whether that is a welcomed circumstance by the union or not, are you also prepared -- how many professional services contracts do you have over the year, annual expenditure, how many consultancies with law firms, accounting firms and what does that dollar come to, and are you also putting on the table renegotiating those contracts?

DR. ACKERMAN: Yes. Absolutely.

DR. NUNERY: Councilman, that's a great question. In terms of the -- trying to figure out how to address you without turning my back to you.

So in regards to the first question, we've already started our conversations with our partners across the unions. We've made some progress with some and not so much with others. And what we're trying to do is come up with the right bundle of contract re-openers, concessions and/or agreements so that we can reach that $75 million number. I don't want to --

COUNCILMAN JONES: So is that $75 million all wage concessions by the unions or are we talking about contractors' concessions?

DR. NUNERY: It's a combination of the two, and it also could involve some other things that we figured that would be more appealing; for example, the waiving a 12-month advance layoff notice could save a significant amount.

COUNCILMAN JONES: I'm less concerned about -- I learned never get involved in labor negotiations as a legislator, but I will get involved in contract negotiations with consultants and law firms.

DR. NUNERY: Yes.

COUNCILMAN JONES: What is the anticipated giveback concession from contractors, not labor?

DR. NUNERY: So you're actually asking about the unions as well as on professional services side. I don't have the exact number of professional services contracts we have, but what we are doing in our budget cuts, they anticipate contract eliminations altogether, outside counsel being cut.

COUNCILMAN JONES: So what is that number?

DR. NUNERY: You have to add up.

MR. MASCH: I have it.

Councilman, professional service contracts in the central offices -- most of our professional service contracts are for educational programs or support for operations. Only about $14 million is in the administrative budget. That's about 5 percent of the total administrative budget, and that is being cut more than in half. It's being cut about 60 percent.

In departments like Information Technology, Finance, the various central administrative office, Transportation, HR, all of what constitutes the Central Office. So there will be a reduction out of that of 7, 8 million plus, but that's not where we spend most of our contracted money. As you've heard in testimony today, the largest contracts in the District are the alternative education contracts. Our total professional service contracts are 129 million and all debt constitutes 49 million of that. The second largest is facilities, which is 23 million, and most of that is the contracted out custodial services in our comprehensive high schools, which are performed under contract. The other contracts are in special education, and those are primarily for specialized medical and treatment services that we cannot provide in-house.

COUNCILMAN JONES: Excuse me. Under -- and we may have different procurement standards than the City of Philadelphia. Under Class 200, which is your traditional consultants, what is your expenditure annually?

MR. MASCH: The total expenditure consists of about 280 million, but 65 million of that is payments to institutions where students from Philadelphia County are placed in full-time residential institutions.

COUNCILMAN JONES: So that means you're about 130 in traditional consultancies?

MR. MASCH: Correct. Right. And then after that, services to non-public schools are about 39 million. So 23 percent is payments to these institutions for educational services in those institutions. When DHS or the Family Court or CBH places a student in an institution, we have to provide the educational services. That's 65 million in contracts. That's 23 percent of our total contracting. Fourteen percent is payments for services to non-public schools, which are state mandated. Thirty-two million, 11 percent, is bus transportation. Sixteen million is in utilities. Those are largely fuel contracts. One million is for hospital and homebound instruction, which we contract out. And then, as I said, 40 million for the alternative education programs we've been testifying about today, 23 million primarily for contracted out consulting services, and I think I have gotten to about 75 percent. Then special ed is 3 percent. That's 9 million. Information technology, we have remote hosting for our IT services. So that's primarily that. All of our "P" data applications are all off site. So we do that under a contract. And then almost everything after that are for educational programs, 3 million for, for instance, our arts and other enrichment providers for summer programs, 3 million for extended-day programs for --

COUNCILMAN JONES: Let me go line item. I'm losing that battle. Line item, how much for legal services?

MR. MASCH: Legal services, outside counsel is 1 percent of the contract budget, $2 million.

COUNCILMAN JONES: How much is accounting services?

MR. MASCH: Accounting services -- well, finance in total this year again is 1 percent of the budget, $2 million. Again, all of those things are going to be cut substantially next year. I know that in my office contracts, we cut 60 percent.

COUNCILMAN JONES: By way of your Facilities Master Plan and your rightsizing of the School District, what does that represent by way of the appraised value of the properties that are vacant and/or for sale?

DR. NUNERY: Councilman, we won't know that. We're just starting the appraisals or the reappraisals now. As I mentioned earlier, we had the first phase of that. Those buildings that have been empty or vacant for some time, we're going to appraise. At the moment we actually have the appraiser working today. So we'll be able to give you a better answer probably in the next few weeks.

COUNCILMAN JONES: What was the last time -- was there ever an appraisal done?

DR. NUNERY: There was, but it's been -- I don't know how many years.

COUNCILMAN JONES: So what was it then and how many years ago?

DR. NUNERY: I don't know. I don't have that number in front of me.

COUNCILMAN JONES: Finally and I'm going to let this go --

MR. ARCHIE: I think we budget $10 million.

DR. NUNERY: So that was part of the answer. Some of them have never been appraised. They were closed and we've never gone to sale.

COUNCILMAN JONES: So we have no sense of what that --

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DR. NUNERY: What we have in our budget-closing plan, though, is $10 million roughly to say that's what we expect from closure of buildings and sales that we hope to net during this year.

COUNCILMAN JONES: All right. And then my final point on my point of information, which my colleague was so gracious to allow me, is that when we look at these proposed funding cuts from Harrisburg and there was a list of poorer districts to richer districts and the percentage of cuts, to me just on the surface and not being an attorney, we are being discriminated against. When we look at counties like Upper Dublin and Montgomery County where they're being only cut $97 per student versus Philadelphia County with $1,438 per student, where Philadelphia has a poverty concentration of 61 percent, closing in on 62 if we round it out, if my public school education allows me to round up, and in places like Radnor, 6 percent; in Upper Dublin, 9 percent.

Some of us here in this body think that that's somehow discriminatory. I mean, I don't understand the logic in this formula.

DR. NUNERY: Nor do we.

COUNCILMAN KENNEY: Just a point of information.

COUNCILWOMAN BLACKWELL: Excuse me. We have a point of information on our point of information.

COUNCILMAN KENNEY: It will be a short one. It's based on Councilman Jones' line of questioning.

Just hypothetically, if the cuts that were being suggested in Upper Dublin, Wissahickon, Lower Merion, Tredyffrin and Radnor were the same cuts they're recommending for us, would we be here talking about this?

DR. NUNERY: No.

COUNCILMAN KENNEY: So if they were equitable to the cuts as they are to the cuts in the richer districts, we wouldn't have this problem?

DR. NUNERY: We would not.

COUNCILMAN KENNEY: I want to just state for the record that it's not just Philadelphia. Chester Upland; Duquesne City, Allegheny County; York City, Harrisburg; Clairton City, Allegheny County; and Philadelphia, they all have something in common, they're all poor, they're all urban -- most of them are urban -- and they're all going through some really serious economic problems for a long time now. And to eliminate or suggest that those cuts that you see in the lower level are in any way equitable and any way fair or in any way going to guarantee that the kids in this city have a chance to do well and not wind up incarcerated or worse, then I think that that states volumes.

So I just wanted to make that point on top of Councilman Jones' point, that it is appalling to look at those numbers. Appalling.

COUNCILMAN JONES: And we understand, conversely, we're going to pay one way or another. We're going to pay now or we're going to pay when -- we're going to build schools or we're going to build prisons, and it's a real simple formula.

So you're taking the blunt of this today, and we realize this and you realize this, and that's -- we're big boys and girls. We get paid to do this. But at the end of the day, we're going to stop pointing the fingers each way and start pointing the fingers where they need to be pointed and hold people accountable for it.

(Applause.)

COUNCILMAN JONES: Thank you, Madam Chair.

DR. NUNERY: I think that's one of the reasons why the conversation from Councilman Green is so important, because in terms of trying to make a series of forced choices, you still want to try, no matter how much pain there is, to make sure everybody gets something out of it.

We've got principals calling us every day asking if they can save one job because -- whether it be music at Shawmont or Bache-Martin or go down the list, Roxborough. Everybody is asking for the same thing, is there enough money to save this one job, because at Shawmont the music program is so fantastic the kids go off to GAMP, they go off to all other kinds of schools.

So I think what we're saying is, we're trying to do this and level it and not be so -- we don't also want to be disproportionate if we can avoid doing that. But we know that this pain that we're seeing and feeling is not -- this is not theoretical. This is quantifiable. This is factual.

COUNCILMAN JONES: Thank you, Madam Chair, and thank you, Councilman Green, for your indulgence.

COUNCILWOMAN BLACKWELL: Thank you.

Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

I appreciate the profound commitment all of you have to the children of the City, and I appreciate your patience and that you've been here all day. I want to assure you that the questions that I'm asking you are the same questions I ask every department as they come before the City of Philadelphia and ask us for resources.

The ability to understand and measure the outcomes of the dollars that we decide to appropriate or invest in a particular purpose is the purpose of these questions, and there is no other purpose. And so I just wanted to make that clear, and I hope we can have this discussion more than once a year in terms of outcomes and other things.

And before I get back to

questions, along that line in terms of measuring outcomes for our expenditures, I'd like to ask you, not today, but to provide the Chair with the information we discussed yesterday in the briefing, which is if you could please provide the AYP students at grade average, SPI -- or SIP, I guess it is --

DR. NUNERY: SPI.

COUNCILMAN GREEN: SPI, and the breakdown of each SPI measurement for each school individually rather than in aggregate categories in the City, so that we can look at the data, understand it and slice and dice it ourselves and reach our own conclusion independently, and I would appreciate that. We'll get that to the Chair?

DR. NUNERY: Sure. Absolutely, yes.

COUNCILMAN GREEN: Okay. Great. So the question -- I guess before I get to the question I was asking, are we at the cap for high school class size in the budget you propose?

MR. MASCH: Well, in this sense: There is no class that is higher than 33 students in a classroom. However, if in a particular school in a particular grade in a particular subject there only are 24 students, then there are 24 students in that class. I think one of the things that Dr. Ackerman and Dr. Nunery are trying to point out is, the goal that the SRC has set for us in the Facilities Master Plan is to raise our average occupancy, and that will make our schools more efficient, and that will probably have the effect of raising average class sizes in some schools. But we fill each class and provide a teacher. If in a particular classroom there are no more students, we don't make the students go and leave the school and go to another school just so we can get to the 33.

COUNCILMAN GREEN: I understand that. I mean, the parochial schools for ten years have been making very painful decisions, closing elementary schools, closing down high schools, North Catholic most recently, that meant a lot to the communities they were in, and it was a heart-wrenching process, and still is, that they're going through, and if you look at the trends now where one-quarter of the students are charter school students, we can imagine a School District ten years from now where less than 100,000 students are in District-operated schools, especially given the legal decision that recently came down that lifts the cap on charter school enrollment. And I just think that it's time, and it wasn't done before you were there, but it is now time to be serious about that work. I don't know what else to say about it.

DR. ACKERMAN: Are you talking about school closure?

COUNCILMAN GREEN: I'm talking about closing schools where it's not efficient to have a school and

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rightsizing the District's buildings to the number of students, not just that it has today but that we project it will have ten years from now.

DR. NUNERY: Councilman, so what we've been doing and we've been explaining to the public is along those lines, that there are areas of the City that have some schools overpopulated, some underpopulated. What we want to get to in a rightsizing policy is to correct for that and to look forward at what the projected demographics are like, anticipate charter school growth, the fact that vouchers may come into existence, and we don't know exactly when that may be, and the fact that cyber charters are also growing. So the whole delivery of public education is changing. So what we intend to do is look at not only how buildings are configured, but grade configurations, boundary changes, closures, renovations, consolidations, seven or eight different options that we can work with.

What we don't want to do is the problem that we referenced earlier, and that is just turn the lights off on buildings and leave them blank, because I think that doesn't serve the public well. And we've been working with the City, with PIDC and other agencies to start talking about what the right way is to treat those buildings, where we can sell them, what we're able to sell, et cetera.

COUNCILMAN GREEN: I understand that, but in terms of the consolidation plan, it can't be driven by those external concerns. You've got to save money within the District so that you have money for children, and that's going to involve a painful process that was avoided at Lincoln and other places, my recollection is. It's hard work and nobody wants to do it, but --

DR. NUNERY: We're taking it on.

COUNCILMAN GREEN: And once

again, I'm not trying to be at all negative or critical, but we've been talking about a Facilities Master Plan and getting a copy of it since my first School District hearing in 2008, and it's just come out, and it's time to act on it at this point.

So I was talking about the 57 million in charter school budget relief and 75 million in DSP labor contract re-openers, which is $132 million. So what is your plan if these savings do not come to fruition?

MR. MASCH: Well, Councilman, in the Budget and Brief document that we've provided to you, we do point out that there are elements of this budget that are not within our control and that it is possible that there might be additional spending reductions that we would have to make in order to achieve a balanced budget.

We've also tried to suggest that those -- given the cuts that have already been made, that those will be very unpleasant choices. So we're hoping that we can, by alerting the public, the media, civic leadership and our own parents, convince not only this body but also working with other school districts, the State Legislature, that the cuts have gone as far as they can go.

We're also highlighting the charter school element, because we have a unique problem here. The charter school law requires us to increase funding for charter schools next year, because the funding is based on our enrollment and our expenditures this year. It's clear that the charter school law never anticipated a situation in which revenues might drop by 10 or 15 percent in a single year. So when that provision was adopted, it made sense, but now it has put us in this very inequitable situation where all of the cuts that we have to recommend are to the schools that three out of every four Philadelphia public school students attend and no cuts are imposed on one out of four.

Now, we think the best solution to that is to reverse the Governor's recommendation on cutting charter school funding, that if it's a positive thing, which we're hearing from Harrisburg, that we have one of the largest networks of charter schools in the country, that that's worthy of support. But is that guaranteed? It is not guaranteed. And we've been very straightforward, and that's why we made a point of putting the page in the budget document that said it could get worse and here's why and here are some of the things that we'd have to contemplate. But the things that are left are, as I said, wholesale eliminations that we've been trying to avoid. So eliminating the entire instrumental music program would save us 6.7 million. Eliminating the entire athletics program would save us 7.1 million.

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COUNCILMAN GREEN: I'm not trying --

MR. MASCH: Those are the things we'd have to do.

COUNCILMAN GREEN: I'm not trying to go through all of them, and I understand your policy position, and I agree with you completely. The state should continue reimbursement of charter schools, not just at 57 million but at the amount they did last year. So we are completely aligned on that. The question -- and I'll ask you to provide the answer to the Chair -- is what you're going to cut if that funding doesn't come through, if you don't get 75 million in concessions, so that it's on the record for us and for everybody else to understand what it is the choice is.

Have you seen the memo I think we all received this morning from Parents United for Public Education?

MR. MASCH: No.

COUNCILMAN GREEN: They sent it

to members of City Council and a group of other people. It basically has a bunch of contractual spending, including 671,000 on communications contracts. It mentions a seven-person communications office with 170,000 chief communications officers, four deputies at 139, three staff who earn over $100,000, and then in addition to that, 671,000 in consulting contracts. It talks about 2.2 million for a program called Achieve 3000, which we spent nothing on three years ago, and a bunch of other savings that -- or expenses, and you may have already cut some of these or that may be the plan to cut some of this in the administrative budget, but it seems to me that they've identified a number of things that are worthy of considered cuts which would provide money for, say, early childhood education or full-day kindergarten that ought to be considered before we cut those programs. So I will refer you to that and be happy to get you a copy of this.

DR. ACKERMAN: And I'd like to say that most of the things that you just mentioned have already been considered in this budget. We've cut every Central Office budget and programs and contract by at least 50 percent.

COUNCILMAN GREEN: Yeah. And all they had was last year's data.

DR. ACKERMAN: I see. It was last year? I thought that was this year.

COUNCILMAN GREEN: And so I guess, finally, I know this is a hard year for all of us. I want to thank you for the thought that you put into this. It is a lot of great thought. It's a lot of great work. The Administration does that every year. They come to Council. We don't always agree with the priorities with the spending things and we make changes, and I hope you take what we're doing in that light. We all have, I think, you and we, the School District and the City of Philadelphia, the best interest of the children at heart, and I really want to work together in a collaborative way to help solve some of these problems over the next month while we put the budget together.

So thank you very much for your testimony.

COUNCILWOMAN BLACKWELL: Thank you.

Before we return to Councilman Jones, let me ask a question with regard to noontime aides and food service workers. Rumor has it that 650 noontime aides could be cut, 130 food service workers. Can you tell us how many there are in total? We're told that we could have a cut -- this could mean a 40 percent cut for safety in cafeterias and also that noontime aides are already now working as former -- are already working in security as NTAs and police positions have been cut. We understand that with regard in this area, you had worker 1, 2, utility worker and cook, and now you're talking about one position and some of these being cut.

Could you give us some information on that? They have been rumoring before we heard about this budget that they would get layoff letters effective June 1st.

MR. MASCH: Well --

COUNCILWOMAN BLACKWELL: So we're hoping all of that is not so. Could you give us the numbers over these positions?

MR. MASCH: First of all, in terms of noontime aides, it is -- I want to explain something about the budget that we presented to you. The budget that we presented to you, when it comes to school-based positions, was our best projection on April 27th when we were legally mandated to present a budget. We did not yet at that time have all of the school budgets submitted by all of the principals. So I want to caution that these numbers may -- now that we've gotten all the budgets in, our Budget Office is actually updating all this for the School Reform Commission's vote on the budget next Tuesday. But in our projection, knowing that we had 1,668 noontime aides in this current year, budgeted positions, our projection was that we would see a reduction of 645 of those positions based on the way that they're distributed among schools and the cuts that were occurring in school budgets. So it may be more or it may be less than that, because this is one of those positions that principals can actually influence in terms of the size of the complement.

There are reductions anticipated for food services as well that I think Dr. Nunery could speak to in more detail, but basically would involve our expanding pre-plating and doing some other things that would improve efficiency but would not compromise safety in any way. The fact is that we do run presently a food service deficit and we need to eliminate it, and that is a budget-balancing measure as well, even though food service is budgeted in a separate fund. If there's any deficit in that fund, it has to be covered in the General Fund of the School District, and that if we don't eliminate that deficit, it contributes to the overall School District deficit. So food service cannot be exempt from the same kind of cost-containment exercise that we've done elsewhere.

COUNCILWOMAN BLACKWELL: But we are also told that where you had youngsters receiving fresh food, now they get that like frozen food because you get rid of people, even when they have full kitchens in schools, that with this --

COUNCILMAN GOODE: Point of information.

COUNCILWOMAN BLACKWELL: Point of information, Councilman Goode.

COUNCILMAN GOODE: Thank you,

Madam Chair.

Mr. Masch, I believe your first response to Councilwoman Blackwell was that these decisions were made by the principals themselves and they were school-based decisions. Then the second statement you made was that you had to reduce the overall food service expense. So which is it?

MR. MASCH: I'm talking about two different things. The first statement was referring to noontime aides. The food services in schools are administered centrally by the Division of Food Service.

COUNCILMAN GOODE: So it's both?

DR. NUNERY: So it is both.

COUNCILMAN GOODE: So were decisions made to cut those aides made by principals or were they made by Central Administration?

MR. MASCH: Any adjustment in noontime aides is made by principals out of the discretionary funds that they have.

COUNCILMAN GOODE: The second part of the question is, with regard to a deficit in the food service, you're talking about a food service contract?

MR. MASCH: No. The food service operation is, in terms of the staff, it's completely provided with School District employees. Obviously we have contractors for bulk purchases of food and also some pre-plating as well.

COUNCILMAN GOODE: You do have food service contracts?

MR. MASCH: We do have food service contracts, but the food service operations in our buildings are run -- are serviced by School District employees.

COUNCILMAN GOODE: And do you know if you can find any savings in the actual food service contracts?

MR. MASCH: Pardon me?

COUNCILMAN GOODE: Do you know

if you can find savings in the actual food service contracts?

MR. MASCH: We can and we have.

COUNCILMAN GOODE: I'm talking about additional savings.

MR. MASCH: We can, we did, and we are doing more.

COUNCILMAN GOODE: Okay. I can tell you from the history of the City, one of the things that came up in discussion of several different departments, Department of Recreation, is we actually are finding savings there. We're also finding opportunities for work there for people, because when we contract out those things that we can keep here. And I want to get into discussion of who your food service contracts are with, but we take that very serious when we talk about cutting and you begin to cut at the most vulnerable places. And so we are for contracting with Philadelphia, but even before that, we're for providing work to Philadelphia citizens if that is an option.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you very much.

MR. MASCH: Our target for reductions in those areas in food service, I just looked up, in food materials and supplies is a $1.9 million target for next year.

COUNCILWOMAN BLACKWELL: How many food service workers are there?

MR. MASCH: Hold on a second. Eight hundred and thirteen in the Food Services Division.

COUNCILWOMAN BLACKWELL: And the April 27th info said that you were talking about cutting 130 food service workers, albeit you have kitchens and people who prepare good food and wholesome food and that they would be taking just the frozen food into the schools where these young people are used to food in these two areas, and, again, they talk about the security in lunchrooms and such being cut about 40 percent due to these issues, and we really are concerned about those cuts.

MR. MASCH: Councilwoman, I'm not sure where this information is coming from, but while there are cost savings, measures in this budget for food services, there is no planned budgeted reduction in the complement for food services. So the 800-plus number that I gave you is budgeted for next year at the same level as this year.

COUNCILWOMAN BLACKWELL: All right. So food service workers are okay. And now noontime aides, what are you telling me about that? I'm happy food service workers are not cut.

MR. MASCH: I'm saying that schools -- principals and, where they are active, School Advisory Councils, with parents who work with the principals, need to make decisions about which staff they're going to allocate, and we do anticipate that because of the reductions in school budgets, that some principals are going to eliminate those positions, because, again -- it will be perhaps a bad alternative, but they've determined that there are worse cuts that they would have to make elsewhere in the school budget.

COUNCILWOMAN BLACKWELL: But then they'll need more security, more NTAs, more police officers. So as old folks say, you cut your nose despite your face.

We ask you to consider that. We had hearings, and we realize there are cuts, so we won't have -- we introduced resolutions that were passed by this Council, and one of them was to ensure that every child has a library program. I told Dr. Ackerman that I would not have those hearings now due to these cuts, but those cuts and students have library programs occurred when principals had to choose between an English teacher and a math teacher, when I'm told when Ridge was Governor and principals were allowed to provide the cuts. Such a bad system. It's such a bad system that says children can go to public schools and not have a library and not have books. And so sometimes principals are told they have to choose unfairly. And I submit having noontime aides is not going to be cost effective, because it's going to create so many other issues in lunchrooms where students eat lunch and that this is something we really, really need to look at. It will cost you more in another end if you don't have aides in the lunchroom.

(Applause.)

COUNCILWOMAN BLACKWELL: So we hope that you'll look at that and maybe you will get back to us.

So on June 1st -- and that was from former information. There's no letter, layoff letter, coming out on June 1st; am I correct?

DR. ACKERMAN: There are layoff letters coming out on June 1st.

Thirty-eight hundred people will get letters.

COUNCILWOMAN BLACKWELL: Thirty-eight hundred people will get letters on June 1st that they'll be laid off?

DR. ACKERMAN: June 6th, the week of June 6th, 3,800 people under this current budget proposal will get letters. There's a variety, from noontime aides, to teachers, to the Central Office managers, Central Office staff.

MR. MASCH: Bus drivers, secretaries.

DR. ACKERMAN: Everybody.

COUNCILWOMAN BLACKWELL: Frightening, 3,800 people.

All right. Councilman Jones, I have nothing to say after that comment. Your turn.

COUNCILMAN JONES: Thank you, Madam Chair. Again, I'll have an attempt to be brief.

My concern is on vocational

training and finding out -- I believe in your budget testimony you state that we are looking at 30 percent -- I think it's on Page 28 -- 30 percent cuts by way of vocational training.

While you look up that, I will make a statement and say that there are many measurements by which we determine the success of our product, which is our graduates. One of them is their academic scores. Another one of them is how they matriculate into colleges, universities. But a real simple one is upon graduation, how many wind up with a paying job. And vocational training offers that pathway to real work right now and helps all of society, particularly for them to have a vision of success that my parents, your parents had, that at the end of the day, they would graduate, get a job, raise a family, those kinds of traditional values.

When you start talking about cutting those values, every one of us isn't necessarily headed for college. All of us aren't going to Harvard. All of us -- but all of us deserve a future.

I say that to say that I'm concerned about those projected cuts, and I want to point out some potential collaborations. Thanks to all of our efforts, including the President, we might be just maybe, cross our fingers, knock on wood, seeing the end of the recession. I make note of that because there are companies coming back to Philadelphia. I won't name the car company, but it is a car restoration company with 100 jobs heading into Hunting Park in Mr. Clarke and my districts, shared in that proximity.

There's a trade school called Dobbins and Randolph right near there. They want things from the City, concessions from the City. We are prepared to give them all kinds of concessions, but one of the things they will do for us if we create that synergy -- and you took the tour over at Randolph when you first got here -- is put them in touch with those kinds of students that would be willing to make those kinds of partnerships that could get that kind of vocational mentorship, on-the-job training connection.

So when you start telling me that 30 percent of that, I get worried, and I look at the numbers that you're talking about. We're talking about 730 students in culinary arts, and that's good, that's important. We have over a thousand restaurants here in the City of Philadelphia. That's good. But we also have some of the best hospitals on the East Coast, and we only have 337 -- what is that, 394 students in health tech. That's a disparity that -- when you start talking about 30 percent cuts, where is that going to come from and who is it going to impact?

DR. ACKERMAN: This is a supplemental fund. Actually, CTE programs is something that we're really focusing on, trying to shore up those programs. We have a lot of CTE classes and we have actually some fine programs, like at Randolph and some of the other vocational ed schools, career tech schools. What we're finding, though, is we're losing money at the state because the young people aren't leaving those programs with certifications. So this is some supplemental money.

What we're trying to do is reposition those programs, have fewer of the courses and more concentrated programs in some designated schools. We're calling them Centers of Excellence. So that young people can get certifications and get into the jobs and we can get more money back from the state.

We're losing about $3 million every year because our young people aren't -- they're in the programs and courses, but they aren't getting certification. So this is not to the core program.

COUNCILMAN JONES: So where does the 30 percent cut come from?

MR. MASCH: So this is a supplementary about $6 to $7 million of additional funding beyond the core budgets of our CTE schools. The core budgets of our CTE schools just for instruction are 263 million next year, just to put that in perspective. But this is not a 30 percent service cut, because as we've noted in the Budget and Brief, some of the teaching responsibilities are going to be shifted to existing staff, because this has been supplemental, and some of the savings will be realized by eliminating paraprofessional positions and maintaining the teacher positions. So even in this supplemental program, we're going to try to preserve as much service as we can, but this is not -- I don't want anyone to think this is a 30 percent cut in the School District of Philadelphia's career and technical education programs. It is not.

COUNCILMAN JONES: If I were to get that CEO of the car company that wants to do restoration of cars, then send them out on leases, these are 100 jobs, who do I send them to in the School Board to make that connection?

DR. ACKERMAN: You would send them to our Deputy for Secondary School Reform, Ted Thompson, who is behind me, I think. He's sitting behind me. There he is.

COUNCILMAN JONES: Ted, are you back there?

DR. NUNERY: Right there.

COUNCILMAN JONES: Okay. Because we want to make that connection, and I think it's important in the short run, but I think it's important in the long run as we start to look at what contributions these companies are willing to make, which takes us into naming rights, that if in fact we create a demand for auto mechanics, which you need almost a Bachelor's degree to understand -- back in the day it would be nothing to see Bill Greenlee in the back of his driveway changing his spark plugs, but now he needs a computer and -- I mean, you know, things have changed. But if we can make these connections early, these companies are willing to make commitments to you, which therefore makes commitments to our young people, which helps increase our bottom line as a government.

So it's important that we make these connects and not lose, because what we see in these schools and what we see on our streets in violence is because they know -- some of them don't believe they'll ever get to the campus of Harvard. So if you take away their dream, then they become a nightmare.

DR. ACKERMAN: We're absolutely --

COUNCILMAN JONES: So we need to deal with that.

DR. ACKERMAN: -- with you here, and what you'll see even in the midst of the budget reductions is a real focus on more CTE programs where young people leaving our school system with certificates having -- as opposed to having gone through CTE programs, sometimes for four years, and all they have is a diploma.

COUNCILMAN JONES: All right. And we're working with the colleges, universities, technical schools to create that?

DR. ACKERMAN: We have a team of people, including some of the local colleges and IT programs, but I -- what's the man -- Mr. Clyde Hornberger, who runs the Allentown Training Center --

COUNCILMAN JONES: We were encouraged by Mr. Archie and the Mayor's visit to Allentown, and one of the things that stuck in my mind, Mr. Archie, was the fact that the Allentown School Board buys the products that are produced by the vocational schools. Is there a plan that maybe in doing so, we give young people a craft, but we also reduce our procurement liability and payments? Is that underway?

DR. ACKERMAN: Yeah. That's why we have him working with us, to see if we can --

COUNCILMAN JONES: Did we steal him from Allentown or something?

DR. ACKERMAN: No, we didn't steal him from Allentown, but we have had Mr. Hornberger working with us on a long-range plan, and that plan we hope will be developed more fully over the course of the next year. What we're doing this year is actually reducing the number of courses. You see that we have a lot of young people who are in, for instance, culinary arts, but they're not leaving -- they're not in full certified programs. So we're saying, you know what, we're going to reduce the number of culinary art courses and at these designated Schools of Excellence, young people can go there and know that they will leave with a certificate.

COUNCILMAN JONES: Dr. Ackerman, we'd like to work with you.

DR. ACKERMAN: We'd be happy to work with you.

COUNCILMAN JONES: This body passed the Intern Tax Credit law, which gives private-sector people incentives, tax incentives, to hire these young people and give them what we would call a stipend. We'd love to pull together logistically as they ask these Councilpeople for their support to bring these establishments in the City. Irrespective of what people think, this is a great place to locate your business. We are within one day's truck ride of one-third of the country's population. Do not get it twisted. This is a good city. And so as they start to come in and realize that, we want to pair them to you almost to create that synergy. All right? Thank you.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you.

Councilman Kenney, you haven't had a chance today, so we'll let you go next and then we'll go back to our --

COUNCILMAN KENNEY: Thank you, Madam Chair.

First of all, I want to thank you for being here all day. We know how important this is, and you don't mind doing it, but it's a long day.

I want to apologize for not being here this morning. I had a longstanding 16-year commitment to speak at Roman Catholic High School, which I've done every year for 16 years. So I want to let you know where I was. I just wasn't hanging out in the hallway.

I want to try to encapsulate this whole conversation to a degree.

What is the full amount -- let me go back for a second, because I made some comment earlier about the cuts to poor districts and the cuts to rich districts.

What is the projected surplus of the Commonwealth of Pennsylvania for this year?

MR. MASCH: As of the end of April, state tax collections were 530 million over the Governor's estimate. In other words, the Governor has projected a balanced budget this year with 530 million less that has come in already. Now, we still have two more months to go. April is the highest collection month. However, May is the second highest collection month. So it is possible that by the end of June, the surplus, although the Governor doesn't want to call it a surplus, the surplus could be over 530 million. But there's 530 million in the bank, not in this year's state budget, not in next year's state budget, already in the state's bank account.

COUNCILMAN KENNEY: And I've heard as much, unofficially, as much as 800 million.

MR. MASCH: Eight hundred is entirely possible.

COUNCILMAN KENNEY: Which makes those numbers even more unconscionable, but that's another story.

How much money are you being asked to absorb in cuts totally, both state and federal?

MR. MASCH: About $400 million, 292 of state cuts and 113 of federal.

COUNCILMAN KENNEY: We've all committed and we're going to continue to do our best to get those state cuts reduced so that there's less impact, and we're going to talk to SEPTA and try to do that little arrangement to save some additional dollars.

How many hours have you spent on that document that we're dealing with? As difficult as that document is, how many hours have you and your staff spent on it? How many days? You can give me days, you can give me weeks.

DR. ACKERMAN: Hundreds of hours.

COUNCILMAN KENNEY: Hundreds of hours. How many people have had their hands on that document dealing with recommending cuts and levels of cuts, all this stuff?

DR. NUNERY: Councilman Kenney, you see a great deal of them back here, and principals included.

COUNCILMAN KENNEY: But all educational professionals.

DR. NUNERY: Educational, operational.

COUNCILMAN KENNEY: Working literally hundreds of hours to examine a document that we're in a situation to deal with beyond our control at this point. So there are some things we can do to mitigate this stuff with our legislative delegation, with the Governor, whoever. You're not going to kick him too hard yet because we want to see if he can maybe make that better, but -- and all the other things we're doing. And you're asking us for 75 million; is that the number?

DR. ACKERMAN: 75 to 100.

COUNCILMAN KENNEY: 75 to 100. I like to go on the low end. It makes life easier. But 75 to 100 million.

MR. MASCH: 110.

MR. ARCHIE: 110.

COUNCIL PRESIDENT VERNA: 110.

COUNCILMAN KENNEY: I'm sorry?

COUNCIL PRESIDENT VERNA: 110.

COUNCILMAN KENNEY: All right, 75 to 110, or somewhere in there.

And if we don't do it, we're going to lose the major portions -- the all-day kindergarten is going to get half, all this stuff we've talked about, transportation, alternative schools, all that stuff. So in the end, the decision is whether we decide to provide it or we don't.

DR. ACKERMAN: Right.

COUNCILMAN KENNEY: And you can profess all your love for children. You can profess your love of public education. You can profess anything you like, but when push comes to shove, you need to do the heavy lift and sometimes make a decision that's not popular, but that you think might be right. Because I can't imagine these young children and older children, but mostly younger children it really would affect, I guess, the most, dealing with these cuts.

Now, I don't know what form this help is going to come in and I don't know what combination of revenue sources or assistance or whatever it is, but at the end of the day, either we decide as a group to provide that help or we don't. And no profession of wonderfulness is ever going to make that choice any easier, or if you decide not to do it, to make these cuts any palatable, less palatable than they are already.

5/24/11 - WHOLE - BILL 110135, ETC.

So I think in the end, I understand all the work you put into it. I understand how difficult these choices are, and I understand how difficult our job is, because we wouldn't be here if the job wasn't difficult, but in the end, I'm hoping to be able to help you get where you want to be. And I do appreciate your patience and your help and your hard work, and I do want to say for -- I said this in the briefing yesterday. No one in this briefing room or in this Chamber can argue that the improvements in the School District over the last number of years have been substantial. When it comes to the test scores of our children, they are going up, and they're going up dramatically.

So it's our choice in the end, but I just think that we can talk and talk and talk and talk some more, but in the end, you're going to have to decide whether you want to lift it or you don't want to lift it, and that's where I think we're at. So good luck, and we hope to be able to be there for you.

DR. ACKERMAN: Thank you.

COUNCILWOMAN BLACKWELL: Thank you.

Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam Chair.

This has been a marathon, and I am going to abbreviate, severely abbreviate, a line of questioning and comments and simply put Councilman Kenney's remarks in bold letters, underscored, with exclamation points. I join him and others who are committed to us figuring it out. And as he has said, we don't know yet what that will look like. It will end up with a combination of ideas and proposals, but that's why we ask to come here, so that we can participate in complex decision-making. So I say that for the record.

A few comments. I want to underscore Councilwoman Donna Reed

Miller's request for charter schools, and my reason for asking that is, very often we get calls from parents who are seeking help, guidance and referrals around charter schools. So when we can provide them accurate, informed information about what's really happening academic at those schools, it helps us help them better.

If we rewind back to where Councilman Goode started this morning and now having come back, to have a more clarified, real number on what your needs are informs how we go forward. So that I think needed to happen, because now we know what priorities we care about.

The good news I think is you came with some priorities. There are many of us who agree with these priorities, particularly on full-day kindergarten. I think that's non-negotiable and is not even a conversation when we look at what research tells us.

Also, the Parents United for

Public Education also stipulate what their priorities are, full-day kindergarten and restoring free transportation for all school-age students. So the question to that is, given where there's great alignment from a number of different stakeholders, what has been the process where parents have been engaged in helping you figure out what the priorities have been? If you could just speak to that briefly for the record.

DR. ACKERMAN: We did have a series of budget hearings before we started this process and we asked parents and community members to prioritize for us. That's why I think you're seeing some agreement. And we've gone back out and we've pretty much -- as hard as it was trying to make these awful decisions about what to put in the budget reduction cuts, one of the things that -- I mean, the things that you see there were the things that parents -- that were important to them. Class sizes stayed small. They said that. Full-day kindergarten, we didn't know that was going to be even an issue, because we thought we were going to get that block grant back in the budget this year. But they talked about art and music being important, lower class sizes. Safety was an issue for them and enrichment, summer school. Because our summer school last year was not only something that was good for young people and the young people who did go did show they didn't regress as much as those that did not and it didn't matter where they were on the instructional continuum, if they were behind, if they were on grade level. So there was an economic, social value to that also.

COUNCILWOMAN BROWN: Okay.

DR. ACKERMAN: We had, I'm sorry, nine meetings before and then I think we've had nine -- we're finishing up with the last meeting. So it will be about 18 community meetings we've had on this budget.

COUNCILWOMAN BROWN: And one important stakeholder that has been insinuated but not fully talked about is the Philadelphia Federation of Teachers, who also have weighed in, I would imagine, in some way, privately I would presume, on what these priorities should look like. Is that fair to say?

DR. ACKERMAN: That would not be fair to say that they weighed in on it.

COUNCILWOMAN BROWN: All right, then. Councilman Clarke had to leave, but he wanted me to put on the record, when will the SRC vote on your budget? What's your projected date?

DR. ACKERMAN: May 31st.

COUNCILWOMAN BROWN: And the potential dilemma that he raised is, Philadelphia City Council has its schedule, action or proceedings, and our time clock to figure out how we help may not be in sync with what your stipulated deadline is. So I put that -- maybe you can respond to that in Councilman Clarke's absence.

MR. MASCH: The May 31st deadline established in the Philadelphia Home Rule Charter, and it harkens back to a time when the primary source of funding for the School District was local taxes. As we've noted, half of our funding now comes from the state, and the state never adopts a budget by May 31st. In fact, in recent years, they've rarely adopted a budget by June 30th.

So the vote that -- the School Reform Commission is required to take a vote on May 31st, but it will necessarily have to be a provisional budget and subject to amendment based on the actions of this body and the Pennsylvania General Assembly. And I think we've discussed among ourselves that we will make it clear that it is a provisional vote and that the School Reform Commission will need to reconvene probably at the very end of June to consider how the budget will be revised based on the actions of this body and the General Assembly so that we'll have a working budget going into the next fiscal year and school year.

COUNCILWOMAN BROWN: Okay. Councilwoman Quinones-Sanchez gave a lot of discussion to the alternative programming, and it was stated in the testimony that five programs are coming in-house. Just say again the reason behind that decision.

DR. ACKERMAN: Mr. Wright can come back up. It was partly an economic decision. We cut the program back $25 million.

COUNCILWOMAN BROWN: So smarter to bring them in-house.

DR. ACKERMAN: And we have been building in-house programs over the last two years. We will still have, as I said, some programs that are provided for young people by outside providers.

COUNCILWOMAN BROWN: But if we round a contract -- and we did not get into a lot of that today, but you gave numbers around 129 million for professional services. Speak to where the District has moved to with regards to ensuring that women and minority get fair opportunity and access with -- let's start with professional contracts.

DR. NUNERY: Councilwoman, on an average basis, our professional services contracts are about 30 percent M/WBE and actually higher on design, architectural services when it comes to construction or some of the renovations that we do. Our overall goal right now is 20 percent. We are actually going to be presenting to the SRC soon some recommendations for changes in M/WBE. We want to be more in line with where the City is going, looking at the City's disparity study, using that as a basis as opposed to doing our own, and also reporting out on the same basis that the City's OEO office does.

COUNCILWOMAN BROWN: So to link what you just said with Councilman Jones' ongoing interest in vocational education, under the former Chairman -- and Councilman Goode may remember this far better than I -- there was something that was called a Project Labor Agreement. And so maybe not now, but for sure before we -- maybe even in the fall, I'd be curious to know, how far along are we in making sure that young people that attend our vocational schools really do get first opportunity and first shake at being on those construction projects that are being built in our neighborhoods where you have young people who are unemployed. So we really need to revisit that and get a handle on where that is and where it needs to go.

DR. NUNERY: Right. And I think with the Facilities Master Plan, there's an opportunity. When you had a huge building program, of course, it opened up some doors. That's more or less come to a close, but the Facilities Master Plan will offer some opportunities for everything from painting to electrical work, plumbing, et cetera. But we have to -- so we'll have to redo the Project Labor Agreement. The one we had has essentially sunsetted and we're necessarily under those principles, we still use those, but we do not have one currently, but we're still talking to the building trades about that.

COUNCILWOMAN BROWN: Very well. So let me just go through these notes real quick. There's a lot of discussion given to ESL and graduation rates. Significant improvement with math and reading scores. Bravo, when we look to see where we are as a nation when it comes to math and reading compared to what's happening around the world. So has the District conducted a study to understand the purpose behind this improvement? What has contributed to that? Can you put your finger on it? How do you measure and monitor the significant improvement that has happened in math and reading scores? If you can speak to that briefly.

DR. ACKERMAN: Well, we are closely looking at and trying to do our own in-house research, and actually you heard me talk about ARC, the Accountability Review Council. They look at our programs, and they also hired an outside firm to look at specifics that they want to address annually. In this last year, they looked at our renaissance school program, and that was Research for Action. We do our own in-house research. Like one of the things we wanted to look at was the value of summer school. So we looked at those young people that went to summer school, for instance, and those that did not, and we were able to look at their first predicted test that they take in October, all of our young people, to take a look at who regressed and who did not. And so that's what we're trying to do. And actually as we were making some of these tough decisions, we were eliminating programs and services that didn't -- we didn't seem to be able to correlate with growth.

So we're trying to closely look at -- we haven't had but three years, two years with Imagine 2014 and some of the programs, but we agonized over what to keep, but in the end, we looked at what were the programs that we believe were getting us significant student achievement and yield with positive student outcomes.

COUNCILWOMAN BROWN: Just a couple more. Around the alternative schools, I'd be curious to know what is the role of parents or guardians when it comes to the admission of young people in these schools? What duty, what responsibility do we place on them? What is their role in the equation?

DR. ACKERMAN: Well, I'm going to ask Ben to come up, but I know that in our Multiple Pathways, many of these young people are 18 and older. They've come through the school system or through -- or they didn't come through, they didn't finish. So they can make these choices without their parents.

COUNCILWOMAN BROWN: I see.

DR. ACKERMAN: They want to come back.

On the other hand, we have students that our in our disciplinary process, and those parents for young people who were under 18 do have to agree that their child will go into the disciplinary process or program and/or they can make other arrangements. If the child is expelled, the parent can decide whether to use our services or other services. But for the Multiple Pathways, the programs that we're talking about, the transitional programs, those are young people who left our school system and now are coming back, didn't graduate and now want to finish, didn't have enough -- under-credited, overage, and many of them can make those choices without their parents. And we can't -- where they're underage, we can talk to their parents, but most of them are overage, under-credited or they actually dropped out of school and want to come back.

COUNCILWOMAN BROWN: That helps explain that.

Just one thought for consideration. The Mayor's Office of Sustainability has done a lot of work, research and documents on how to grow a greener city. So to the extent that as you move forward with the Master Facilities Plan, there would be some value in not redoing some of the work they've already done and just look to capture what you can use, because therein saves time and money.

DR. NUNERY: We've actually

been working with the Mayor's Office on not only Green 2015, the whole idea of taking impervious hard surfaces and flipping them into green space, trees, that kind of thing, but also all of the work that we're going to do is towards a sustainable end. So that's terrific.

COUNCILWOMAN BROWN: Very good.

Graduation coaches, what was the graduation rate for the School District last year and how does this compare to rates a couple of years before? And then just speak to the value of the graduation coaches. Are they still in place? Are they going to be cut, when there you can actually see a connect between their value or them being in place and the actual increase in graduation rates.

DR. ACKERMAN: The six-year graduation rate -- and for me that's a problem, that we now talk about graduation rates over six years instead of four. I don't know when that changed, but it changed sometime in the last decade. So we're measuring now six-year graduation rates.

It has gone from 59 percent to 63 percent in two years. So we are making significant progress, but we've done a lot of things, including graduation three times a year, graduation in June like we traditionally have done graduation and full-day -- because we have full day offerings in high school, young people who are behind could catch up. So we had a thousand young people -- I mean, 700 young people last year graduate in August as opposed to 100 over the years before traditionally. And then this year we instituted February graduation, and another 400 young people graduated.

So we anticipate that the graduation rate will continue to go up, because we have multiple things going on right now to help young people who are behind catch up and to give young people a chance who want to leave, go on to college early, the opportunity to do that.

COUNCILWOMAN BROWN: Okay. My remaining questions have already been fully discussed, charter schools and the like, English as a second language, Facilities Master Plan. So I am going to -- well, police officers, we talked about that as well.

That completes my questioning. Thank you very much.

DR. ACKERMAN: Thank you. Thank you.

COUNCILWOMAN BROWN: Thank you very, very much.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you, Councilwoman.

Dr. Ackerman, we ask you to acknowledge another member of the SRC present.

DR. ACKERMAN: Yes. Our Commissioner Johnny Irizarry is here.

When we introduced the Commissioners this morning, he wasn't here. He came in after.

COUNCILWOMAN BLACKWELL: Thank you. Thank you for your attendance.

Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Good afternoon. We've made a lot of progress today. We've had a lot of discussion about potential cuts and what we might be able to invest in in terms of restoring some of those cuts. There are a list of items in your presentation that are not among those things to be cut because they are subject to mandate or difficult to cut. Can you tell which of these items are not actually mandates, but simply difficult to cut, in your estimation?

DR. NUNERY: Councilman, would you just restate the question.

COUNCILMAN GOODE: The question is, which of these items are simply difficult to cut rather than actually mandated on the list that you have on Page 20 of the presentation. I'm just asking which aren't mandated or difficult to cut.

MR. MASCH: The only one that we would put in the difficult to cut category really is special ed and special ed transportation. First of all, special ed transportation, because one of the things we are challenging ourselves on is to run our transportation operation more efficiently.

COUNCILMAN GOODE: So that's the only thing that's not mandated?

MR. MASCH: So the reason we said difficult to cut is --

COUNCILMAN GOODE: I'm going to ask you the question very simply so we can save some time. What on the list is not mandated?

MR. MASCH: I'm trying to make the distinction. The service is mandated; the particular level of spending we have budgeted may not be. So if we can find what's difficult is to provide them -- everything on here is mandated. Every single thing is mandated.

COUNCILMAN GOODE: Mandated, but not in terms of that particular cost?

MR. MASCH: Right. Not in terms of necessarily that particular cost. So that's the difficult thing.

COUNCILMAN GOODE: That's a very important clarification. So these are not mandated costs?

MR. MASCH: So --

COUNCILMAN GOODE: That's the question now. These are not mandated costs?

MR. MASCH: So, as I said, special ed is the only one that I would say there's not a mandated cost. We're looking for ways to provide the service more efficiently.

COUNCILMAN GOODE: Okay. So debt service and temporary borrowing, explain to me how that is a mandated cost. If you've already borrowed the money, I can understand how it's mandated. If you intend to do more borrowing, then it's not mandated. It's still a decision of how much more borrowing you're going to do.

MR. MASCH: That's correct. What you're seeing here is the debt service we are already obligated to pay on borrowings the School District has conducted in the past.

COUNCILMAN GOODE: So this $254 million is a reflection of money that is absolutely mandated cost?

MR. MASCH: That's right, because this is all debt already issued.

COUNCILMAN GOODE: This is all borrowing that has already taken place?

MR. MASCH: Correct.

COUNCILMAN GOODE: Do you intend to be taking on any more debt service?

MR. MASCH: Yes, and I would

direct your attention and the attention of the other Councilmembers to the next-to-last page in the Budget and Brief, Page 51, which is the summary of the capital improvement plan, and in the detailed budget, we have more information. But this budget calls for $160 million capital expenditure level next year, with the debt being issued probably in the fall at that $160 million level, and we identify the things that we need to spend that money on.

COUNCILMAN GOODE: So how much more in debt service are you taking on?

MR. MASCH: So that will be -- well, that will be about, depending -- we don't know based on interest rates, but somewhere in the vicinity of $13 to $17 million, depending on what interest rates are, annual debt service, depending on what interest rates are.

COUNCILMAN GOODE: And that has to be done in Fiscal Year '11 and '12?

MR. MASCH: Yes.

COUNCILMAN GOODE: Why?

MR. MASCH: Because we run all of our capital programs pay as you go. Basically we don't go into the capital markets to borrow until our capital projects fund is close to depletion. So it's just-in-time borrowing.

COUNCILMAN GOODE: I'm asking why does the work have to be done.

MR. MASCH: The work has to be done because in some cases, construction projects are already underway, like West Philadelphia High School. In some cases, in fact the majority of the funding, $101.1 million, is for lifecycle replacements where components of our buildings are coming to the end of their useful life, boilers, facades, roof replacements, window replacements, electrical systems. Those are the major components.

DR. NUNERY: Councilman, there's also reimbursement on some of those items, the state's planned-time programs. So we do borrow and then we get some reimbursement back from the state.

COUNCILMAN GOODE: Okay. I'm not clear there's not some flexibility there, but I'll leave it alone, because I do believe that infrastructure and capital projects are important. What I will focus on, though, is part of that debt service and temporary borrowing we had discussion in the briefing about interest rate swaps, and I believe the response you gave, Mr. Masch, may not have been a full response. I asked whether interest rate swaps had cost the School District any money, and you said they had not because those swaps have been ended. The question now is, did you pay to get out of the swaps?

MR. MASCH: Yes, of course.

COUNCILMAN GOODE: How much did you pay to get out of the swaps?

MR. MASCH: I don't remember the number. We will get it for you.

What I can tell you about the transaction is --

COUNCILMAN GOODE: I really just need the number. The information I have says you paid $63 million to Morgan Stanley, Goldman Sachs and Wells Fargo to cancel five swaps.

MR. MASCH: Well, first of all, those were institutions that were handling the transaction. So the money didn't go to them. They were not necessarily the holders of the counter-party agreements.

Yes, we had to pay money to unwind the swaps, but the reason that we waited to go into the market was, you have to look at the total transaction --

COUNCILMAN GOODE: I would prefer rather than give me the type of answer you gave me yesterday, which was not complete, I want a full accounting for what you paid to them, why you paid it to them --

MR. MASCH: I will give you a

full --

COUNCILMAN GOODE: -- how much you paid and whether that was actually a mistake in terms of how you handle the refinancing and whether you should have ever been going from a fixed to a variable rate to begin with, and included in that I'd like to know what your interest rate swap policy is now, because while you said you will not enter into future swaps, if this potentially cost the District tens of millions of dollars, that's something that needs to be accounted for.

MR. MASCH: Well, when you enter into and then unwind a swap transaction, you need to look at what you put in and what you got out over the entire life of the transaction, and we netted a gain on the transaction in its totality. In addition, the --

COUNCILMAN GOODE: It doesn't mean the way you handled the swap didn't still lose money. So you may have had a net gain, but you still may have made mistakes along the way that cost tens of millions of dollars in terms of even engaging in a swap to begin with.

MR. MASCH: Right. While that is theoretically possible, it was not the experience of the School District, and as I said to you yesterday, we realized gains. We were on the verge of realizing losses. We did have to pay to unwind the swaps. And that was not the question I was asked yesterday, but there's no question that was part of the transaction in December. But the net gain budgetarily to the School District from that transaction was $19.2 million in December. So we did not lose money on that transaction.

COUNCILMAN GOODE: What does "on the verge" --

MR. MASCH: So we will provide you with the full details, including the source and use and the history of the swaps.

COUNCILMAN GOODE: What does "on the verge of losing money" mean?

MR. MASCH: That means if we had held the swaps, we would have started to lose money on them.

COUNCILMAN GOODE: Had you not entered the swaps, what would have been your experience?

MR. MASCH: Well, over the -- we've actually done the analysis. Over the period of time that we held the swaps, if we had simply had conventional fixed-rate debt, we would have had a worse position. We would have had higher borrowing costs than we did with the swaps.

I want to emphasize, no one who is currently on the School Reform Commission or in the senior management of the District, including Dr. Ackerman and myself, was a party to those transactions when they were entered into.

COUNCILMAN GOODE: So as I mentioned, include your swaps policy, your current swaps policy, and also include that analysis of the swaps that proves that you didn't lose money by entering into the swaps.

MR. MASCH: We'll be happy to provide that.

COUNCILMAN GOODE: Thank you.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any other questions from members of Council?

(No response.)

COUNCILWOMAN BLACKWELL: No other questions?

(No response.)

COUNCILWOMAN BLACKWELL: Seeing none, then we will recess this hearing until 1:00 p.m. tomorrow where the public will come to testify. We hope to have you on board so that we may be able to refer some of the questions that come to you to work on.

Thank you very much. Thank you

all.

COUNCIL PRESIDENT VERNA: I would just like to add -- I would like my colleagues to hear me. We do have, as of this moment, 65 witnesses that would like to testify tomorrow. So I ask that you all be here and try to be prompt, please.

Thank you.

(Committee of the Whole recessed at 5:15 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on May 24, 2011, and that this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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