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# School Districts Financial Recovery Act

## Recovery Plan

Chester Upland School District  
Delaware County, Pennsylvania

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Prepared on behalf of the

Commonwealth of Pennsylvania  
Department of Education  
Chief Recovery Officer

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## Executive Summary

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## Executive Summary

The Chester Upland School District can and will succeed in providing an outstanding education for its children. This document is the first step in turning around the District, in changing its culture to one of success in the classroom, in the principal's office, and at School Board meetings.

Crisis has been the *status quo* for the District. Until mid-2010 the District had been under various forms of state oversight for the past two decades, and last spring it almost ran out of cash to operate. Most important, the District has consistently lagged Delaware County and statewide averages for reading, writing and math proficiency, for graduation rates, and for college testing performance.

While there are many reasons why the Chester Upland School District has not been successful, this plan is not about the past. Rather, it is a plan for a future that the District – students, parents and teachers and administrators – must seize now. The future can bring high-performing schools to which parents will want to send their children; a District that serves as an example of urban education for other districts around the country. Alternatively, the future can bring the end of the Chester Upland School District as it has existed. With hundreds of students and their parents electing to transfer to charter schools each year, unless the District's schools become a desirable option now, in just a few years there will be no more children to educate in traditional District programs. This time the crisis is different and the choice is stark: reform or become irrelevant and go out of business as a direct education provider.

To seize this future, parents, educators and community leaders must work as partners to set the District's children on the path to a brighter future. Together, the adults will turn the District around and serve as a model for success throughout Pennsylvania and the rest of the nation.

This document is an academic and financial recovery plan that has been prepared by the Chief Recovery Officer (CRO) to chart a course of transformation and reform to save the Chester Upland schools. The plan is based on a few basic principles:

- Every child deserves the opportunity to succeed. But becoming a great school district will require thinking creatively about how to move the District forward, trying some previously unpopular or brand new alternatives and changing how business is done in the classroom, in the principal's office, and at School Board meetings.
- Every child must be equipped with the skills not only to meet state performance standards, but to graduate and go to college or trade school.
- The plan starts with a financial baseline, to see how much money is available to the District compared to its needs. Operations will have to be scaled to match available resources, but the District can seek additional federal and state grants it has failed to secure in the past, and can call on private funds to enhance educational options before, during and after school, and in the summer.
- Success is only possible if parents, educators and community leaders work as partners to set Chester's children on the path to a brighter future. In each case, decisions must be made to benefit the children of the Chester Upland School District.
- Every member of the Chester Upland community – School Board members, administrators, teachers, staff, students and parents – must be accountable for the success of the District. Every member of the community must understand the goals of the District and their part in achieving the goals, and strive every day to meet the goals.

Implementing this plan will require tough decisions and a different way of doing things. Because of the short timeline allowed to draft the plan, the plan cannot provide all the answers. However, it is a solid starting point that provides a template for success.

On August 17, 2012, under the provisions of newly-enacted legislation (Act 141 of 2012), the Commonwealth of Pennsylvania declared the Chester Upland School District to be in severe financial distress and appointed Joseph P. Watkins to serve as Chief Recovery Officer (CRO) to improve academic performance and bring financial stability to the district. The provisions of Act 141 required the District's School Board to vote to accept or reject his appointment; the School Board voted to accept the CRO on August 23, 2012. More information about the CRO and the provisions of Act 141 may be found at the CRO's website, [www.cusdrecoveryplan.org](http://www.cusdrecoveryplan.org).

### **Educational performance**

While this plan does not focus on the past, it is important to understand the baseline level of educational and financial performance that has led to the distress designation. There are many ways to measure educational performance. A varied selection of indicators, however, all show that the Chester Upland School District must dramatically improve its performance in order to give its students a great education.

One widely-publicized set of indicators of District performance are the results of Pennsylvania System of School Assessment (PSSA) tests. In the spring of 2012, over 50 percent of District students scored below proficient in reading and math.<sup>1</sup> The District's performance even lags when its students are compared only to other economically disadvantaged students. On the 2011-12 PSSAs, 66.8 percent of economically disadvantaged District students scored below proficient on math, compared with 36.6 percent of economically disadvantaged students in Delaware County and 37.1 percent of economically disadvantaged students statewide. On the reading PSSAs, 72.8 percent of economically disadvantaged District students scored below proficient, compared with 42.1 percent of economically disadvantaged students in Delaware County and 43.6 percent of economically disadvantaged students statewide.

Results of the tests are one criterion used to determine whether schools are achieving adequate yearly progress (AYP) under federal No Child Left Behind (NCLB) requirements. The Chester Upland School District's results indicate that its children are being left behind: the District as a whole failed to make AYP in 2012, and is in its 10<sup>th</sup> year of corrective action. On a school-by-school basis, only the Allied Health high school made AYP. The Chester Upland School of the Arts (CUSA) and Stetser Elementary schools received a warning, and the remaining schools are under school improvement or corrective action plans (see the next chapter of this plan for specific results by school).

This plan is predicated on the assumption that together, the students, teachers, administrators and parents in the District and will improve academic performance shown in these indicators and in other areas, such as graduation rate.

### **Financial performance**

The District has consistently failed to live within annual budgets constraints, and the most recent audited financial statements indicate that it carries an accumulated \$15.5 million negative fund balance, a deficit equal to about 15 percent of its 2012-13 budget. Earlier in 2012, a study of the District's finances found widespread deviation from recommended financial practices and its annual outside audit repeated numerous exceptions, many for the second or third year in a row.

The District has made substantial progress towards righting these financial problems just this year. It has installed and is using new software to account for and track funds, retained professional financial managers to operate its business office, and begun making routine financial reports to the School Board. However, the new financial team and the technical assistance team to the CRO have established that the approved 2012-13 school budget is already out of balance by at least \$3.2 million, largely due to additional costs for a new charter school and out-of-district placements for special education students.

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<sup>1</sup> Every Pennsylvania student in grades in grades 3-8 and grade 11 are given the tests in reading and math. Every student in grades 5, 8 and 11 is assessed in writing, and every student in grades 4, 8 and 11 is assessed in science.

## **Student population**

Over the past several years the District has also seen a steady stream of children departing the District to attend charter schools. From the 2008-09 through 2011-12 schools year the total pre-kindergarten through 12<sup>th</sup> grade enrollment of children from the City of Chester, Upland Borough and Chester Township fluctuated around 7,250. Over the same period, the number of students enrolled in District schools fell from about 4,700 to 3,950, while charter school enrollment grew by a commensurate amount. In short, in just four years one-third of the District's students shifted to charter schools. Preliminary figures for the 2012-13 school year indicate that the trend has continued, with an additional 308 students enrolled in the new Chester Charter School for the Arts and a large increase in cyber charter students.

Unless the District halts – and reverses – the tide of charter school departures, it cannot continue to exist as a viable educational entity. The key to making this change is providing outstanding educational opportunities in the District.

## **Recent Progress**

As noted above, the District has taken a variety of steps to address the challenges it faces. In addition to the new financial software, presentation of routine financial reports and continuing efforts to clean up prior years' accounts, the District has retained professional staff to improve its special education program. The new staff is working with an expert team from the Commonwealth's Department of Education to ensure that the terms of a recent settlement agreement on special education services are fully implemented.

After experiencing difficulty obtaining and retaining substitute teachers from private services during the 2011-12 school year, the District has created its own pool of substitute teachers. Recognizing the need to align the number of schools with current student population, the District worked with its outside architect to devise a building consolidation plan that has been presented to the School Board (a version of what was presented forms the basis of an initiative in the Facilities chapter of this plan). Finally, in recognition of the demand for cyber-education alternatives, the District has collaborated with the Delaware County Intermediate Unit to establish its own cyber charter school. As of late September, 41 students were enrolled in the Cyber Academy.

## **Current Challenges**

In addition to this progress, it is important to clearly describe the financial and academic challenges confronting the District. This fall, a new charter school opened in Chester, with approximately 300 former District students enrolled. The District's annual contribution to employee retirement funds through the Public School Employees' Retirement System (PSERS) will grow by over \$1.0 million per year through 2015-16 at current employment levels. The District's debt service on prior capital borrowing is slated to increase from \$5.4 million to \$7.3 million from 2011-12 to 2014-15. If historic trends in health care costs continue, over half a million dollars in additional premium costs will be incurred each year. Chester's economy is weak, and a current round of assessment adjustments could potentially lower revenues from the District's major locally-generated revenue source, the property tax.

The District operates eight schools, many of which have student populations well below rated capacity and require substantial renovations. Total building occupancy in the District is less than 40 percent of functional capacity. The District cannot afford to maintain all of its buildings, and will have to realign to stay within budget. Due to downsizing as student population has declined, successive rounds of furloughs have left a more experienced teaching corps, but one that is also more expensive since seniority typically brings increased salary.

## Fixing the Chester Upland School District

As noted above, this plan calls for bold action to turn the District around now. This is important for two reasons: first, because there is no time to waste in bringing the children of the District a higher quality education, but also because the District is on a rapid path toward financial collapse if nothing is done.

### Developing the Plan

To develop the recovery plan, the CRO has combined consultation with the elected School Board and the community with analysis provided by a technical assistance team of finance and education experts. To obtain community input and meet the requirements of Act 141 to explain the process to residents, the CRO has held seven community forums. A community forum is also scheduled for the date of the plan release to present the plan to the community. In addition, the CRO has met at least nine times with the School Board to discuss the emerging plan, and has had numerous individual meetings with community leaders and individual citizens and stakeholders.

The CRO has established a website ([www.cusdrecoveryplan.org](http://www.cusdrecoveryplan.org)) to provide the public with details of the Act 141 process, announce public meetings, and provide subsequent video of the meetings for those who were not able to attend. This recovery plan was posted to the website at the time of release.

### Model and Baseline Scenario

In order to understand where the District is now, the technical assistance team to the CRO built a multi-year budget model, showing the District's current financial situation and what will happen between now and 2017-18 if no corrective action is taken. This baseline view starts with the District's 2012-13 budget and assumes current trends and policies are continued, and that known future events occur:

- Five percent of children continue to transfer from District schools to charter schools each year;
- Federal, state and local revenues are flat for two years, and then grow modestly;
- Expenditures grow at recent historical rates (health care and energy are major drivers) with others growing by formula (charter school reimbursements) or by contract/legal agreement (debt service);
- The District suffers from a 2012-13 budget that is already at least \$3 million out of balance due to the financial impact of a new charter school and other adjustments.

The sum of all of these assumptions produces a grim picture - the District's finances continue in worsening deficit each year, reaching a cumulative shortfall of \$180.9 million by 2017-18, almost twice the size of the current budget. Clearly this situation is untenable - if the District does nothing, it will be out of business, unable to make payroll, in just a few years.

There is only one path to addressing the financial crisis - rapidly right-sizing district operations to fit the current student population, including building consolidation and a more affordable ratio of instructional personnel to pupils, and improving academic offerings to bring students currently in charters back to the District.

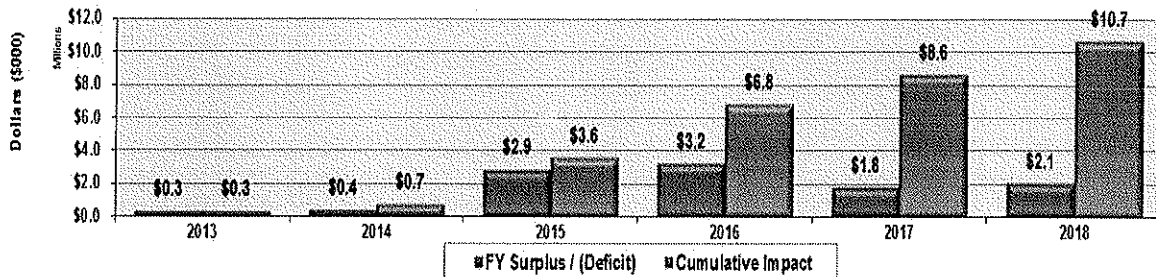
Both elements must be present. The District's finances are so fragile that expenditure reductions must be made right away to preserve vital cash to fund improved operations in a smaller number of classrooms with more students in a reduced number of schools. The quality of the academic offerings and the perception of student safety must be sufficient to bring students back to the District because funds follow students, and failure to retain and begin to win back students creates a downward budget spiral.

The District must be aggressive in demonstrating to the parents in the District that it is delivering a quality educational product in an environment that is safe and inviting for the students. Demonstrating that change will not be easy. It will require a consistent and well-defined message throughout the District and consistent leadership at the level of the Superintendent and the Board. It will also require a common

vision for success of the students enrolled in the Chester Upland schools and performance against the vision needs to be regularly measured and communicated to the community.

### The Recovery Plan for the Chester Upland School District

When the District successfully adjusts its spending to current enrollment, and improves academic offerings to successfully recruit students back from charter schools, it will reverse negative financial trends and become financially viable. As shown below, implementation of the recommendations in this report, including rightsizing building numbers and instructional ratios while winning back students from charter schools, will create positive annual results and a growing net balance.



The full recovery plan that follows this chapter reviews each area of the District in detail, identifies key challenges and opportunities and puts forth a series of initiatives to reform and improve school district academics and operations while controlling costs. Key aspects of the recovery plan include:

#### Academic

- Recruiting a permanent Superintendent to lead the District to academic excellence;
- Adoption of a detailed roadmap to restore academic performance, including specific deadlines for developing and implementing steps to achieve educator effectiveness, rigorous program analysis, support staff accountability, and access to a standards-based curriculum;
- Parallel plans to provide safe schools and ensure compliance with special education requirements;
- Alignment of the number of instructional personnel with enrollment in the District;
- Excellent academics resulting in the return of 4.5 percent of charter students to the District in 2013-14 and 3.0 percent in subsequent years;
- Funding for in-school educational enhancement, after-school programs, summer opportunities and teacher incentives from external contributions directly or through a community endowment.

#### Financial

- Continuing recent progress toward more accurate and transparent financial data;
- Creation of multi-year operating and capital budgets, initial funding of operating and capital reserves;
- Developing a plan to eliminate the District's accumulated fund balance deficit;
- Improvement in internal controls and elimination of existing multi-year audit exceptions;
- Recruiting a chief financial officer to assure continued financial progress and transparency.

#### Facilities

- Building consolidation to reduce operating costs and focus spending on educating children;

- Development and funding of a deferred maintenance program to improve the quality of remaining District schools and facilities;
- Sale of unused facilities to generate funds for capital investment elsewhere in the District.

#### Revenue

- Improving grant-writing and monitoring to secure additional federal, state, local and private funds for the District;
- Increasing reimbursement for Medicaid Access, school lunch and other programs;
- Raising local tax effort by increasing locally-generated property tax revenue through millage increases and improved collections;
- Application of new revenues from the expiration of Keystone Opportunity Zones.

#### Workforce

- Creation of a pool of funds for each bargaining unit to access in new contracts negotiated with the District;
- Changes in teacher expectations commensurate with the academic enhancements and goals.

#### Measurement & Success

- Requirement that the District achieve annual academic performance goals, with 2013-14 and 2014-15 targets based on the minimum improvement required to make Adequate Yearly Progress under the safe harbor provision of the 2012 Pennsylvania Accountability Workbook;
- Additional monitoring of and public reporting on progress in PSSA scores, SAT performance, teacher proficiency, and the five- or six-year rolling graduation rate;
- Fail-safe plan to protect District students by transferring District educational programs to external management if the required Adequate Yearly Progress is not achieved in results reported for the 2014-15 school year.

If promptly and properly implemented, these changes will provide an improved education for students and bring the District's budget into balance. However, the recovery plan requires immediate and wrenching change for the District, and includes many initiatives that are difficult to implement and may be unpopular with some segments of the community. While it is clear that this change is required if children are to have opportunity and the District is to survive, children cannot be left at risk if adults fail to implement the plan and help them make real progress in educational achievement. Therefore, if the required District restructuring is not implemented and academic progress not achieved as described in the measurement of success section, the District's remaining operations shall be transferred to an educational management organization or other non-District operator in the 2015-2016 school year.

This plan is intended to be radical and bold. The District's children can no longer wait to be offered a great education and the opportunity to succeed. This plan offers the District's leaders, administrators, teachers, and parents a framework to work together in partnership to succeed for their children now. They are urged to accept this challenge and move forward to improve and preserve the District's schools for the children.