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# Recovery Plan

Harrisburg School District  
Dauphin County, Pennsylvania

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Prepared by the  
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**April 26, 2013**

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## **Executive Summary**

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# Executive Summary

The Harrisburg School District can do better, and it will! Although the District faces academic and financial challenges, this document provides a roadmap to improved academic achievement for the District's students while achieving financial stability.

On December 12, 2012 the Harrisburg School District was declared to be in a state of moderate fiscal distress under the terms of the Commonwealth's Act 141 of 2012. This designation led to the appointment of a Chief Recovery Officer (CRO), Gene G. Veno, on the same day. CRO Veno was charged with developing a Recovery Plan for the District that stabilized its finances while providing for academic improvement. This document is that Plan.

The District's academic results have been unimpressive, with children's performance lagging Dauphin County and statewide averages for reading, writing and math proficiency, for graduation rates, and for college testing performance. State testing results for Harrisburg are shown below:

### PSSA Math Results for Harrisburg City School District, All Students, 2011-12<sup>1</sup>

Jurisdiction	Number Scored Math	Advanced Math		Proficient Math		Basic Math		Below Basic Math	
Harrisburg SD	2,822	339	12.0%	714	25.3%	683	24.2%	1,084	38.4%
Dauphin County	14,344	6,968	48.6%	4,104	28.6%	1,812	12.6%	1,455	10.1%
Statewide	815,712	398,049	48.8%	231,450	28.4%	104,123	12.8%	82,112	10.1%

### PSSA Reading Results for Harrisburg City School District, All Students, 2011-12

Jurisdiction	Number Scored Reading	Advanced Reading		Proficient Reading		Basic Reading		Below Basic Reading	
Harrisburg SD	2,812	253	9.0%	728	25.9%	641	22.8%	1,189	42.3%
Dauphin County	14,308	5,218	36.5%	5,221	36.5%	2,099	14.7%	1,771	12.4%
Statewide	813,195	306,096	37.6%	289,390	35.6%	113,378	13.9%	104,321	12.8%

In addition, the District and most of its schools failed to make adequate yearly progress (AYP) under federal No Child Left Behind (NCLB) requirements, and have not done so for several years in a row.

The District has also faced significant financial challenges in recent years. While the District has taken dramatic steps to live within its means, closing schools, cutting expenses and furloughing employees, the changes have not been rapid and far-reaching enough to offset a decline in the number of students. In the past three fiscal years the District has reported a net operating deficit, though 2012-13 results are expected to be quite close to balance.

### Harrisburg School District Net Operating Results, FY2009-10 – FY2012-13, \$000

(\$000)	2009-10	2010-11	2011-12	2012-13 (projected)
Revenues	136,491	134,794	118,495	136,557
Expenditures	147,432	137,468	124,184	136,861
Net Operating Balance	(\$10,941)	(2,675)	(5,689)	(304)

The District has had a modest fund balance that has provided time to manage its financial issues. However, the recent annual deficits have eroded this buffer, and the District projects a fund balance of just under \$10.0 million at the end of FY2012-13. It is important to preserve as much as possible of this remaining fund balance, since the District will need working capital to maintain operations and

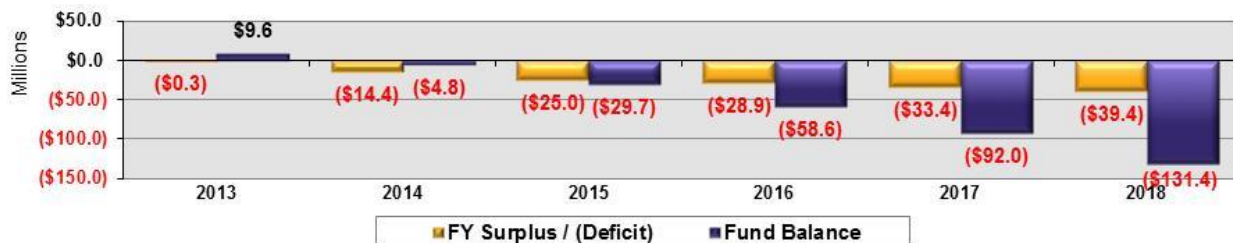
<sup>1</sup> Results for Dauphin County and statewide are net of Harrisburg City School District results.

successfully manage coming challenges and changes. The Recovery Plan creates a reserve fund balance of \$5.0 million for this purpose.

This plan calls for comprehensive action to turn the Harrisburg School 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 path towards financial collapse in just a few years if nothing is done.

Based on trends in live births and overall City residence, a modest population decline is projected in future years across all categories of K-12 age students in Harrisburg. A unique characteristic of the Harrisburg School District is the significant number of students enrolling in cyber charter schools in the last several years. Cyber charter enrollments are 70 percent of the total charter school enrollment of approximately 672 in the District this year. Unless the District improves its academic achievement and offers competitive programs that halt – and reverse – the continuing trend of declining enrollment in District-operated educational programs, it cannot continue to exist as a viable educational entity. The key to making this change is providing outstanding opportunities in District-operated educational programs that will attract parents and students. The Recovery Plan includes initiatives to increase attendance at the District-sponsored Cougar Academy cyber school, improve academic performance at other District schools with specific deadlines for achieving educator effectiveness, install rigorous program analysis to support staff accountability, and deliver a standards-based curriculum.

In order to create a financial recovery to match the educational turnaround, the CRO reviewed 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. The results are grim - after breaking even in 2013, the District has a shortfall of \$14.4 million in 2013-14, with a worsening deficit each subsequent year. By FY2017-18, the District would have a cumulative shortfall of \$131.4 million. Clearly this situation is untenable - if the District does nothing, it will be out of business, unable to make payroll, in short order, and is not likely to be able to operate through the next year or two as cash flow pressure accumulates.



There is only one path to addressing the financial crisis - rapidly right-sizing district operations to fit the current financial resources, including changes in workforce costs; tying instructional staffing to enrollment while maintaining current student-teacher ratios; improving academic offerings to bring students currently in non-District charters to the District's cyber school or its traditional schools; and increasing local revenue effort to fund the changes.

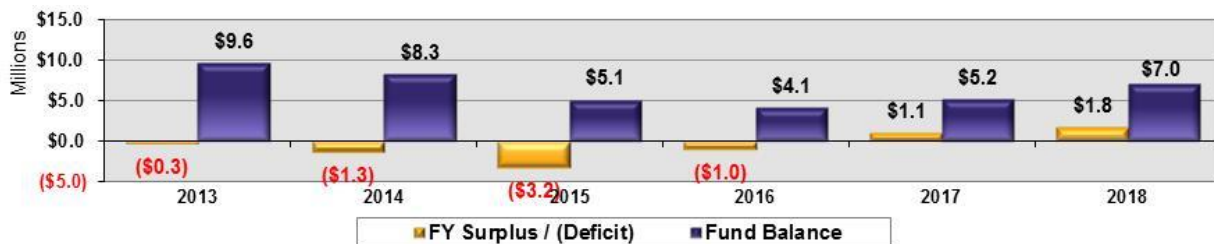
The financial crisis is not solely the result of recent increased attendance at charter schools or the resumption of historical debt service payments after an artificially low rate for the last five years. Even without these issues, the District would still face deficits. Likewise, the long-term problems with the District's finances cannot be balanced without contributions from all parts of its operation - changes in how it does business, how it compensates its workforce, how well it educates students, and how much it charges taxpayers to do so.

Even if workforce costs are reduced, other efficiency measures are implemented, and academics improve to reverse the trend of declining enrollment, the District's finances will remain in deficit at current local tax rates. The same is true of workforce adjustments. If local revenues are raised, all of the Plan's non-

workforce initiatives are implemented, and academics improve to reverse the trend of declining enrollment, the District's finances will remain in deficit without changes in workforce costs.

During the development of this Recovery Plan, most stakeholder groups have suggested that they have made substantial sacrifices and can do no more for the District. These comments are well-founded, as students, parents, instructional and non-instructional employees, administrators, taxpayers and others have made real sacrifices in recent years. Unfortunately, the District's situation will get much worse - and it will soon have to cease operations - unless all parties agree to a comprehensive, multi-year Recovery Plan which involves some additional difficult measures for all in order to turn the District around and serve the children of Harrisburg.

When the District successfully adjusts its spending to match current and potential revenues and improves academic offerings to successfully recruit students to District cyber and traditional schools, it will reverse negative financial trends and become financially viable. As shown below, implementation of the recommendations in this report, including matching non-instructional costs with available resources and increasing rather than losing student population will create positive annual fund balance results in each year with a growing net balance by the end of the Plan period.



Fiscal Year Ending:	2013	2014	2015	2016	2017	2018
Revenues	136,556,518	136,474,896	133,437,251	136,073,811	139,473,271	142,203,137
Expenditures	136,860,979	137,812,771	136,599,357	137,049,913	138,358,041	140,392,288
Surplus / Deficit	(\$304,461)	(\$1,337,875)	(\$3,162,107)	(\$976,102)	\$1,115,231	\$1,810,849
Fund Balance	\$9,599,264	\$8,261,389	\$5,099,282	\$4,123,180	\$5,238,411	\$7,049,260

Key aspects of this Recovery Plan that lead to the financial results shown above include:

Academic

- Adoption of a detailed roadmap to restore academic performance, including specific deadlines for developing and implementing steps to achieve educator effectiveness, conduct rigorous program analysis, support staff accountability, and implement a standards-based curriculum;
- Expansion of the in-District cyber school alternative and market research to match District cyber offerings with what parents and students want;
- Realigning District schools to create a kindergarten/pre-kindergarten center, three elementary schools, and three middle schools;
- Recruiting a Chief Executive Officer to manage non-instructional District services, freeing the Superintendent to focus 100 percent of her efforts on leading the District to academic excellence.

Financial

- Creation of multi-year financial stability based on comprehensive operating and capital budgets that can be updated as conditions change;
- Maintaining a positive fund balance to achieve long-term stability, avoid short-term cash flow problems, and offset short-term deficits before positive annual results return beginning in 2016-17;

- Dedication of proceeds from building and land asset sales to future capital needs;
- Developing a comprehensive policy on debt and debt management;
- Application for a \$6.44 million no-interest Transitional Loan from the Commonwealth to fund short-term costs for Cougar Academy marketing and the Chief Executive Officer, to fund transportation costs related to reorganizing school buildings and upgrading early childhood programs, and for transitional costs.

#### Facilities

- Improved energy efficiency and better building management to provide quality facilities at a lower cost;
- Right-sizing maintenance, custodial and food service headcount to match standard work levels across buildings.

#### Workforce

- Wage reductions of 5 percent in 2013-14 and an additional 5 percent in 2014-15, followed by a wage freeze in 2015-16; creation of a pool of funds for each bargaining unit to access in new contracts negotiated with the District beginning in 2016-17;
- Workforce changes need to be made with minimal impact on current class sizes and student teacher ratios;
- Benefit cost reduction of 5 percent in 2013-14, with future annual increases for District-paid portion limited to 5 percent;
- Changes in teacher expectations commensurate with the academic goals.

#### Revenue

- Generate \$6.6 million in non-tax revenue for the District by improving revenue collections;
- Improve grant-writing and monitoring to secure additional federal, state, local and private funds;
- Preserving local tax effort by increasing locally-generated property tax revenue through one-time partial Act 1 exception amount in 2013-14, annual Act 1 index millage increases and improved collections through 2016-17;
- Elimination of annual Act 1 index millage increases in 2017-18 as District finances recover.

#### Measurement & Success

- Requirement that the District achieve annual academic performance goals, with 2013-14, 2014-15, and 2015-16 targets of approximately 5.0 percent annual improvement in reading and mathematics at each grade level and similar improvement on Keystone Exams for 11<sup>th</sup> graders;
- Requirements for increased graduation and attendance rates;
- Additional monitoring of and public reporting on progress in PSSA scores, SAT performance, and teacher proficiency;
- Fail-safe plan to protect District students by transferring District educational programs to external management if the required performance goals are not achieved in results reported for the 2015-16 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 the immediate implementation of changes in 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 2016-17 school year.

## **Introduction**

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# Introduction

The Harrisburg School District can do better, and it will! Although the District faces academic and financial challenges, this document provides a roadmap to improved academic achievement for the District's students while achieving financial stability.

On December 12, 2012 the Harrisburg School District was declared to be in a state of "moderate fiscal distress" under the terms of the Commonwealth's Act 141 of 2012. This designation led to the appointment of a Chief Recovery Officer (CRO), Gene G. Veno, on the same day. CRO Veno was charged with developing a Recovery Plan for the District that stabilized its finances while providing for academic improvement. This document is that Plan.

In recent years the District has had difficulty managing its finances, with relatively static revenues out of balance with growing expenditures. At the same time, the District's academic results have been unimpressive, with children's performance lagging Dauphin 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 Harrisburg School District has not been successful, this plan cannot focus on the past. Rather, it is a plan for a future that the District – students, parents, teachers and administrators – must seize now to move forward. The future can bring high-performing schools to which parents will want to send their children and 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 Harrisburg School District as it has existed. With a recent trend of students and their parents electing to transfer to charter schools or make other educational choices each year, unless the District's schools become a desirable option now, in just a few years the District's budget will become unmanageable. The choice is very basic: the District must change the way it does business or no longer serve as a direct education provider.

To remain a viable school district, parents, educators and community leaders must work as partners to set the District's children on the path to a brighter future. This will require sweeping changes to how the District has done business - educationally and financially - to succeed in the current environment of academic competition and financial constraints. To make these changes, the CRO has prepared this Recovery Plan to chart a course of transformation for the Harrisburg School District. The plan is based on a few basic principles:

- Every child in the District can be successful. But in the current environment the resources to provide our children with the opportunity to succeed will require the adults who support and operate the District to think creatively, trying some previously unpopular or brand new alternatives and changing how business is done in the classroom, in the principal's office, at the Administration Building and at the School Board level.
- 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 to compete for students who have recently left the District; apply for additional federal and state grants it has failed to secure in the past; reconfigure to become more efficient; and call on the community to help 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. In each case, decisions must be made to benefit the children of the Harrisburg School District; this is likely to require adults to make some choices that are not universally popular.

- Every member of the District 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 Recovery 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 of the answers or a step-by-step guide to how to implement every needed change. However, it is a solid starting point that provides a template for success.

## **Overview of the Harrisburg School District**

The Harrisburg School District serves solely the students of the City of Harrisburg. The City is located along the Susquehanna River in central Pennsylvania and is the capitol of the Commonwealth of Pennsylvania. The District is governed by a nine-member elected school board, one of whom is selected to lead the Board as President. The Superintendent and other senior administrative officials are appointed by the Board. For much of the last decade the District was an Empowerment District with a governing board appointed by the Mayor of the City of Harrisburg.

In the 2012-13 school year the District employs approximately 940 staff members, almost 900 of them full-time, with slightly more than one-half serving in direct instructional roles. Physically, the District covers 11.4 square miles and has a total population of just over 47,000 people. Student enrollment for the 2012-13 school year is 6,340. The student population is over 67 percent African-American, 24 percent Hispanic and 4 percent Caucasian, with the remainder made up of Asian-American and other ethnic groups.

The District provides education in 10 school buildings and has title to 5 closed school buildings. In addition, the District owns several administrative facilities but the main administrative offices are currently located in a leased facility.

Over 115 District students attend the Dauphin County Vocational Technical School. Approximately 672 District students also attend 14 different charter schools, including physical schools ("brick and mortar") and cyber charters. Currently over 70 percent of the total charter enrollment is in cyber charters. In addition, Harrisburg school-age students attend non-public schools in and around the Harrisburg area.

The District operates on a fiscal year that runs from July 1 to June 30. The budgeted expenditures for the 2012-13 fiscal year were \$135.9 million.

## **Statutory Basis for the Recovery Plan**

On December 12, 2012, under the provisions of recently-enacted state legislation (Act 141 of 2012), the Commonwealth of Pennsylvania's Secretary of Education Ronald Tomalis declared the Harrisburg City School District to be in a state of moderate fiscal distress and appointed Gene G. Veno to serve as Chief Recovery Officer (CRO) to improve academic performance and bring financial stability to the district.

The CRO is charged with taking input from the School Board and the community to develop a Recovery Plan to lead the district into financial solvency and position it for academic success. The Act requires the appointment of an Advisory Board to the Chief Recovery Officer, to meet monthly. Prior to the release of this Plan, the Advisory Board met on January 16, February 7, March 7, and April 11, 2013 (members of the Advisory Board are listed in Appendix 1 of this document).

Act 141 provides 90 days to complete the plan, but allows for an extension with the approval of the Commonwealth's Secretary of Education. An extension to April 26, 2013 was approved by Secretary Tomalis. This document is the plan required by Section 663-A of Act 141.

## Performance Basis for the Recovery Plan

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 declaration of financial recovery status.

### Educational performance

There are many ways to measure educational performance. Evaluating the District against a varied group of indicators, however, shows that the Harrisburg City School District falls short of providing its students with a great education.

One widely-publicized set of indicators of District performance are the results of Pennsylvania System of School Assessment (PSSA) tests. Each year, students are administered tests to measure attainment of state academic standards while also determining the degree to which school programs enable students to attain proficiency of the standards. In the spring of 2012, 63.7 percent of District students scored below proficient in math and 65.1 percent were below proficient in reading.<sup>2</sup> In comparison, 22.7 percent of all other students in Dauphin County and 22.9 percent of all other students statewide scored below proficient in math while 27.1 percent of all other students in Dauphin County and 26.7 percent of all other students statewide scored below proficient in reading. Proportionally, nearly four times as many Harrisburg students are below basic in math than in the rest of the county or state. More than three times as many Harrisburg students are below basic in reading than in the rest of the county or state.

The District's performance even lags when its students are compared only to other economically disadvantaged students. On the 2011-12 PSSAs, 64.3 percent of economically disadvantaged District students scored below proficient on math, compared with 38.4 percent of economically disadvantaged students in Dauphin County and 37.1 percent statewide. On the reading PSSAs, about two-thirds of economically disadvantaged District students - 66.7 percent - scored below proficient, compared with 44.6 percent of economically disadvantaged students in Dauphin County and 43.8 percent of economically disadvantaged students statewide.

### PSSA Math Results for Harrisburg City School District, All Students, 2011-12<sup>3</sup>

Jurisdiction	Number Scored Math	Advanced Math		Proficient Math		Basic Math		Below Basic Math	
Harrisburg SD	2,822	339	12.0%	714	25.3%	683	24.2%	1,084	38.4%
Dauphin County	14,344	6,968	48.6%	4,104	28.6%	1,812	12.6%	1,455	10.1%
Statewide	815,712	398,049	48.8%	231,450	28.4%	104,123	12.8%	82,112	10.1%

### PSSA Math Results for Harrisburg City School District, Economically Disadvantaged Students, 2011-12<sup>2</sup>

Jurisdiction	Number Scored Math	Advanced Math		Proficient Math		Basic Math		Below Basic Math	
Harrisburg SD	2,468	274	11.1%	607	24.6%	615	24.9%	972	39.4%
Dauphin County	4,503	1,316	29.2%	1,457	32.4%	892	19.8%	839	18.6%
Statewide	316,196	97,517	30.8%	101,266	32.0%	60,489	19.1%	56,927	18.0%

### PSSA Reading Results for Harrisburg City School District, All Students, 2011-12<sup>4</sup>

<sup>2</sup> Every Pennsylvania student in grades 3-8 and grade 11 is 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.

<sup>3</sup> Results for Dauphin County and statewide are net of Harrisburg City School District results.

Jurisdiction	Number Scored Reading	Advanced Reading	Proficient Reading	Basic Reading	Below Basic Reading				
Harrisburg SD	2,812	253	9.0%	728	25.9%	641	22.8%	1,189	42.3%
Dauphin County	14,308	5,218	36.5%	5,221	36.5%	2,099	14.7%	1,771	12.4%
Statewide	813,195	306,096	37.6%	289,390	35.6%	113,378	13.9%	104,321	12.8%

**PSSA Reading Results for Harrisburg City School District, Economically Disadvantaged Students, 2011-12<sup>3</sup>**

Jurisdiction	Number Scored Reading	Advanced Reading	Proficient Reading	Basic Reading	Below Basic Reading				
Harrisburg SD	2,454	191	7.8%	626	25.5%	567	23.1%	1,070	43.6%
Dauphin County	4,482	856	19.1%	1,622	36.2%	948	21.1%	1,055	23.5%
Statewide	314,795	63,936	20.3%	113,132	35.9%	63,145	20.1%	74,507	23.7%

Results of the statewide tests are one criterion used to determine whether schools are achieving adequate yearly progress (AYP) under federal No Child Left Behind (NCLB) requirements. As shown below, the Harrisburg School District's results indicate that its children are being left behind: most schools failed to make AYP in 2012, and the District's overall AYP status remains Corrective Action II.

District	2012 AYP	AYP Status	
Harrisburg SD	No	Corrective Action 2 (tenth year)	
Schools	Schools (NCLB)	Status	
Ben Franklin	BENJAMIN FRANKLIN SCHOOL	No	Corrective Action 2 (second year)
Ben Franklin	MATH SCIENCE ACADEMY @ BENJAMIN FRANKLIN	Yes	Made AYP
Camp Curtin	CAMP CURTIN SCH	No	Corrective Action 2 (seventh year)
Downey	DOWNEY SCH	No	School Improvement 2
Foose	FOOSE SCH	No	Corrective Action 2 (eighth year)
John Harris	HARRISBURG HS	No	Corrective Action 2 (ninth year)
Marshall	MARSHALL SCH	No	Corrective Action 2 (third year)
Melrose	MELROSE SCH	No	Warning
Rowland	ROWLAND SCHOOL	No	Corrective Action 2 (third year)
Scott	SCOTT SCHOOL	No	School Improvement 2
SciTech	HARRISBURG HS - SCITECH CMP	No	Warning

The Harrisburg City School District's most talented students will take a college admission test, typically the SAT®, and apply to college. In 2012 only 183 District students took the college admission test, achieving average results of 404 on the verbal portion of the test, 404 on the math test, and 390 on the written portion. These results were 14 percent, 16 percent and 14 percent lower respectively than statewide averages for each section.

In late 2012 and early 2013, the District's 11<sup>th</sup> grade students completed the new statewide Keystone Exams in three subjects: Algebra I, Biology, and Literature. Again, District performance lagged statewide averages, as shown below:

<sup>4</sup> Results for Dauphin County and statewide are net of Harrisburg City School District results.

**2012/13 Grade 11 Keystone Exams  
% of Students Scoring Proficient or Advanced**

	<b>Algebra I</b>	<b>Biology</b>	<b>Literature</b>
<b>Harrisburg SD</b>	28.9%	11.2%	43.6%
<b>Statewide</b>	54.0%	41.5%	66.8%

Finally, the success of students is determined in part by the expertise and ability of their teachers. According to 2010-11 Pennsylvania Department of Education Teacher Evaluation survey, 80.3 percent of teachers evaluated for that school year were rated as Level 6 Satisfactory, the highest level attainable on the survey. The remaining teachers, a total of 116 teachers, or 19.7 percent, were given no rating at all. All of these figures are outside countywide averages. The following table illustrates this:

**Pennsylvania Department of Education Teacher Evaluations, Dauphin County, 2010-11 School Year**

School District	Total Employed	Not Rated		Level 1		Level 2		Level 3		Level 4		Level 5		Level 6	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%
Harrisburg City School District	588	116	19.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	472	80.3%
Dauphin County Totals	2,941	121	4.1%	13	0.4%	12	0.4%	0	0.0%	0	0.0%	238	8.1%	2,557	86.9%
w/o Harrisburg City School District	2,353	5	0.2%	13	0.6%	12	0.5%	0	0.0%	0	0.0%	238	10.1%	2,085	88.6%

Another key indicator of performance is the Pennsylvania Value-Added Assessment System (PVAAS) which measures year-on-year growth in performance. Here, too, the District lags.

**Harrisburg City School District: PVAAS Average Growth Index & AYP, 2011-12**

PSSA Test	Growth Measure	Standard Error	Average Growth Index	% Proficient	% Advanced	% Total	2012 AYP Targets
PSSA Math 4-8	-0.7	0.3	-2.6	25.2%	11.2%	36.4%	89.0%
PSSA Math 9-11	21.0	9.4	2.2	21.9%	9.3%	31.1%	89.0%
PSSA Reading 4-8	-0.2	0.3	-0.7	26.4%	8.5%	34.8%	91.0%
PSSA Reading 9-11	21.7	9.8	2.2	28.5%	12.2%	40.7%	91.0%
PSSA Writing 4,8,11	-17.6	15.0	-1.2	48.4%	5.6%	54.0%	N/A
PSSA Science 4,8,11	1.7	3.5	0.5	12.5%	3.7%	16.2%	N/A

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

**Financial performance**

The District has faced significant financial challenges in recent years.

The effect of the national economic downturn and policy changes on federal and state revenue sources, along with a local revenue base reliant on *ad valorem* taxes in a City with nearly half of its assessed value exempt from taxation, has been a stagnant revenue base. Total revenues in the current 2012-13 fiscal year are expected to decline slightly from 2009-10. It is projected that District revenues will drift lower in the next few years as certain federal grants expire, offsetting modest baseline increases in state and local sources.

The District has taken dramatic steps to live within its means. Over the past several years, the District reports closing five schools, furloughing over 500 employees and making \$23.0 million in operating budget reductions. Unfortunately, the changes initially have not been rapid and far-reaching enough to offset a decline in the number of students. In the past three fiscal years the District has reported a net operating deficit, though 2012-13 results are expected to be quite close to balance.

**Harrisburg School District Net Operating Results, FY2009-10 – FY2012-13, \$000**

<b>(\$000)</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13 (projected)</b>
Revenues	\$136,491	\$134,794	\$118,495	\$136,557
Expenditures	\$147,432	\$137,468	\$124,184	\$136,861
Net Operating Balance	(\$10,941)	(\$2,675)	(\$5,689)	(\$304)

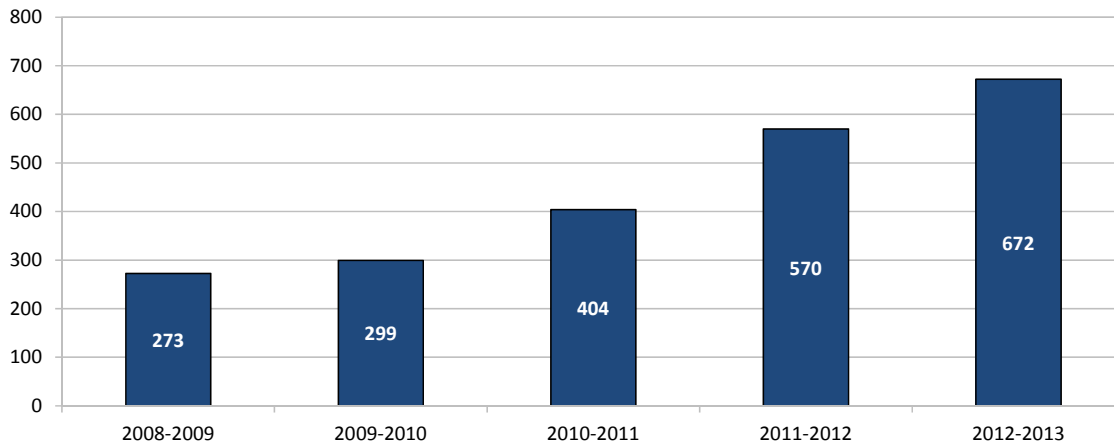
The District has had a modest fund balance created by an unfunded debt borrowing; the fund balance has provided time to manage its financial issues. However, the recent annual deficits have eroded this buffer, and the District projects a fund balance of just under \$10.0 million at the end of FY2012-13. As will be described later in this report, it is important to preserve as much as possible of this remaining fund balance, since the District will need working capital to maintain operations and successfully manage coming challenges and changes.

**Student population**

A key aspect of the District's financial challenges are related to a decline in student population and the related need to reduce the number of facilities and make sure that remaining buildings are optimally utilized. Based on trends in live births and overall City population, a modest enrollment decline of 2.0 percent per year is projected in future years across all categories of K-12 age students in Harrisburg.

A unique characteristic of the Harrisburg School District is the significant number of students enrolling in cyber charter schools in the last several years. Cyber charter enrollments are 70 percent of the total charter school enrollment of approximately 672 in the District this year. As shown below, this trend has driven substantial overall charter school enrollment growth.

**Harrisburg School District Charter School Enrollment, FY2008-09 – FY2012-13**



Later in this chapter the financial impact of the loss of students to charter schools is described in more detail, as is the positive impact of bringing students back to District as traditional students or enrollees in the District's cyber school, the Cougar Academy. At this point, however, it is important to note that unless the District halts – and reverses – the continuing trend of declining enrollment in District-operated educational programs, it cannot continue to exist as a viable educational entity. The key to making this change is providing outstanding educational opportunities in the District-operated educational programs that will attract parents and students.

## **Recent Progress**

As noted in the financial section above, the District has taken a variety of steps to address the challenges it faces, furloughing both academic and administrative staff, closing five school buildings, and reducing overall spending. In the course of developing the 2013-14 budget, the school board has demonstrated an understanding of the severity of the financial issues facing the District and has offered additional cost reductions. Finally, in recognition of the demand for cyber-education alternatives, the District has collaborated with the Capital Area Intermediate Unit to establish its own cyber school.

In spite of recent progress, in today's competitive K-12 academic environment, the District must continually anticipate the needs of students and parents and meet those needs or be prepared to adjust the District operation to deal with declining enrollments in District-operated programs.

## **Current Challenges**

In addition to this progress, it is important to clearly describe the financial and academic challenges confronting the District. As noted above, declining enrollment has required building consolidation and affected staffing levels, deployment, and formula-based revenue.

The District's annual contribution to employee retirement funds through the Public School Employees' Retirement System (PSERS), while anticipated to be somewhat offset by State grant funds, will grow by over \$6.5 million over the next several years as obligations increase to make up for past underfunding statewide.

The District's debt service on prior capital borrowing is slated to increase from \$14.9 million in the current year to \$20.5 million in two years, reflecting a return to historical debt service expenditure levels after five years of reduced annual debt payments based on a debt restructuring that was done in FY2009-10.

If historic trends in health care costs continue, 0.8 to 2.0 million dollars in additional premium costs will be incurred each year even if overall District employment declines with lower student enrollment. While there is some reason for optimism on property valuations as the economy recovers nationally and locally, even a fairly strong rebound in assessed value will not translate into substantial additional revenues for the District.

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 Harrisburg School District**

As noted above, this plan calls for comprehensive action to turn the Harrisburg School 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 path towards financial collapse in just a few years 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 meet the requirements of Act 141 and gain broad input, the CRO convened an Advisory Committee of academic professionals and community leaders, meeting regularly during the plan development process. In addition, to obtain community input and to explain the process to residents, the CRO has held a series of public meetings. A community forum is also scheduled for the date of plan release to present the plan to the community. In addition, the CRO has met regularly with the School Board to discuss the emerging plan, and has had numerous individual meetings with community leaders, and individual citizens and other stakeholders from employees to local businesses.

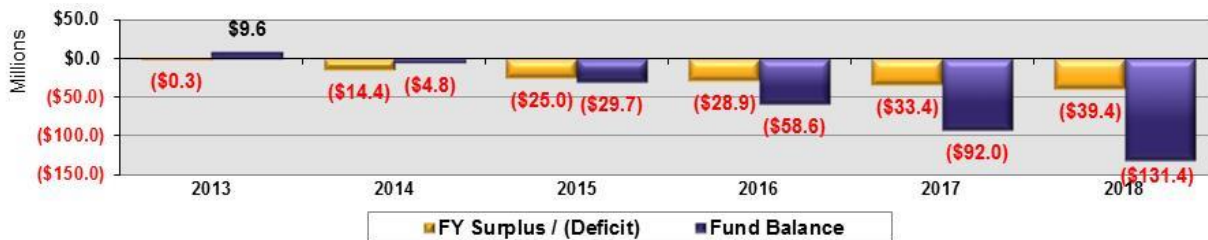
The CRO has established a website ([www.hsdrecoveryplan.org](http://www.hsdrecoveryplan.org)) to provide the public with details of the Act 141 process, announce public meetings, and provide other information. This Recovery Plan was posted to the CRO's website at the time of release.

## 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 current projected results for 2012-13 and assumes current trends and policies are continued, and that known future events occur:

- Revenues decline for two years, primarily due to lower federal grants, 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);
- An additional 417 children transfer from District schools to charter schools next year, and the trend continues with 13.6 percent charter enrollment growth in subsequent years, one-half of the recent rate of growth;

The sum of all of these assumptions produces a grim picture - after breaking even in 2013, the District has a shortfall of \$14.4 million in 2013-14, with a worsening deficit each subsequent year. By FY2017-18, the District would have a cumulative shortfall of \$131.4 million. Clearly this situation is untenable - if the District does nothing, it will be out of business, unable to make payroll, in short order, and is not likely to be able to operate through the next year or two as cash flow pressure accumulates.



Fiscal Year Ending:	2013	2014	2015	2016	2017	2018
Revenues	\$136,556,518	\$130,654,420	\$129,548,990	\$131,600,649	\$133,293,858	\$134,735,838
Expenditures	\$136,860,979	\$145,006,057	\$154,521,929	\$160,474,282	\$166,694,209	\$174,179,365
Surplus / Deficit	(\$304,461)	(\$14,351,637)	(\$24,972,939)	(\$28,873,633)	(\$33,400,351)	(\$39,443,527)
Fund Balance	\$9,599,264	(\$4,752,373)	(\$29,725,312)	(\$58,598,945)	(\$91,999,295)	(\$131,442,823)



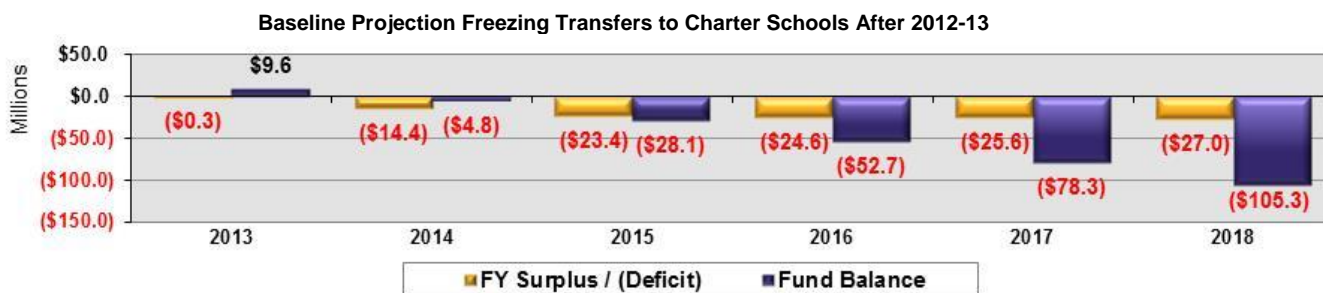
There is only one path to addressing the financial crisis - rapidly right-sizing district operations to fit the current financial resources, including changes in workforce costs; tying instructional staffing to enrollment while maintaining current student-teacher ratios; improving academic offerings to bring students currently in non-District charters to the District's cyber school or its traditional schools; and increasing local revenue effort to fund the changes.

Both educational and financial elements must be present. The District's finances are at a tipping point, requiring that expenditure changes be made right away to avoid accelerating recent financial problems and creating a downward budget spiral, with local revenue contributions as well. The quality of academic offerings and the District cyber school alternative must become attractive enough to retain existing students and bring other students back to the District.

### Understanding District Funding

It is worth explaining these elements in some detail to help readers of this report understand the dynamics of the District's financial situation.

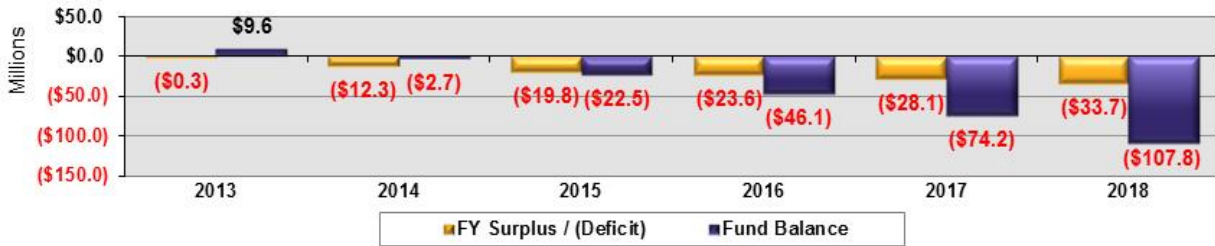
First, the financial crisis is not solely the result of recent increased attendance at charter schools or the resumption of historical debt service payments after an artificially low rate for the last five years. If the District improves to become attractive enough to parents to stop the departure of students from the District after the current 2012-13 school year and not lose additional students to educational alternatives in future years, it still would not be sufficient to cure the District's financial ills. As shown below, merely making this change in the baseline would still leave the district with annual deficits increasing to more than \$20 million, and a cumulative deficit of \$105.3 million in FY2017-18.



<i>Fiscal Year Ending:</i>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Revenues	\$136,556,518	\$130,654,420	\$129,926,786	\$132,407,863	\$134,619,043	\$136,620,461
Expenditures	\$136,860,979	\$145,006,057	\$153,283,244	\$157,017,371	\$160,229,047	\$163,635,435
Surplus / Deficit	(\$304,461)	(\$14,351,637)	(\$23,356,457)	(\$24,609,508)	(\$25,610,004)	(\$27,014,974)
Fund Balance	\$9,599,264	(\$4,752,373)	(\$28,108,830)	(\$52,718,338)	(\$78,328,343)	(\$105,343,316)

Likewise, if the District could continue to pay the \$14.9 million in annual debt service it will spend in 2012-13 rather than the roughly \$20.5 million it will pay in 2014-15 and future years, it would still face large annual and cumulative deficits.

Baseline Projection Freezing Debt service at 2012-13 Level

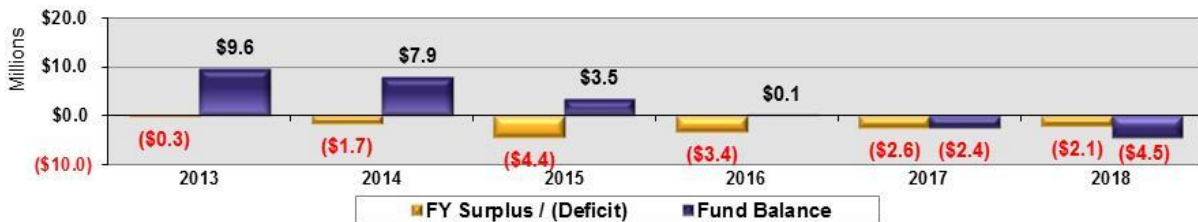


Fiscal Year Ending:	2013	2014	2015	2016	2017	2018
Revenues	\$136,556,518	\$130,654,420	\$129,548,990	\$131,600,649	\$133,293,858	\$134,735,838
Expenditures	\$136,860,979	\$142,978,946	\$149,349,165	\$155,157,171	\$161,364,418	\$168,432,375
Surplus / Deficit	(\$304,461)	(\$12,324,526)	(\$19,800,176)	(\$23,556,522)	(\$28,070,560)	(\$33,696,537)
Fund Balance	\$9,599,264	(\$2,725,262)	(\$22,525,438)	(\$46,081,959)	(\$74,152,519)	(\$107,849,056)

While improving academics to successfully bring students back to the District's cyber school and traditional schools is critically important, more change is needed. The District must continue to become more efficient, lowering its operating costs. Numerous initiatives in this Plan address how the District can reduce costs and increase revenues to succeed financially.

However, the long-term problems with the District's finances cannot be balanced without contributions from all parts of its operation - changes in how it does business, how it compensates its workforce, how well it educates students, and how much it charges taxpayers to do so. Even if workforce costs are reduced, all other efficiency measures are implemented, and academics improve to reverse the trend of declining enrollment, the District's finances will remain in deficit at current local tax rates. As shown below, without any change in local revenues, a persistent structural deficit remains.

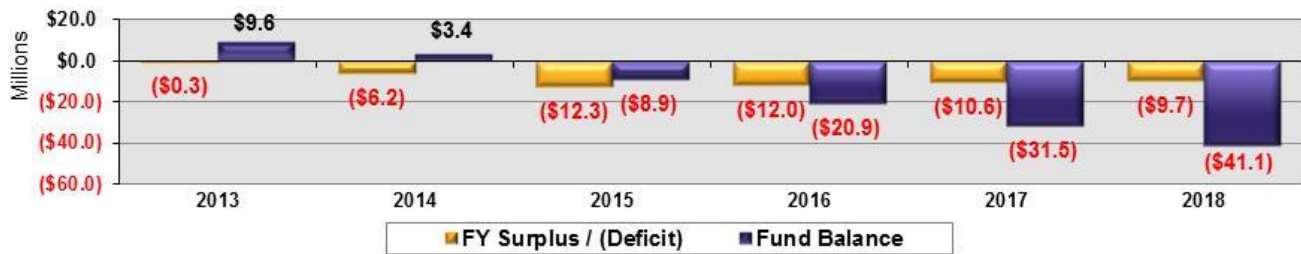
Revised Projection: All Revenue & Expenditure Initiatives Except Real Estate Tax Changes



Fiscal Year Ending:	2013	2014	2015	2016	2017	2018
Revenues	\$136,556,518	\$136,101,070	\$132,186,974	\$133,694,772	\$135,806,222	\$138,341,342
Expenditures	\$136,860,979	\$137,812,771	\$136,599,357	\$137,049,913	\$138,358,041	\$140,392,288
Surplus / Deficit	(\$304,461)	(\$1,711,701)	(\$4,412,384)	(\$3,355,140)	(\$2,551,819)	(\$2,050,946)
Fund Balance	\$9,599,264	\$7,887,563	\$3,475,179	\$120,039	(\$2,431,780)	(\$4,482,726)

The same is true of workforce adjustments. If local revenues are raised, all of the Plan's non-workforce initiatives are implemented, and academics improve to reverse the trend of declining enrollment, the District's finances will remain in deficit without changes in workforce costs.

Revised Projection: All Revenue & Expenditure Initiatives Except Workforce Cost Changes

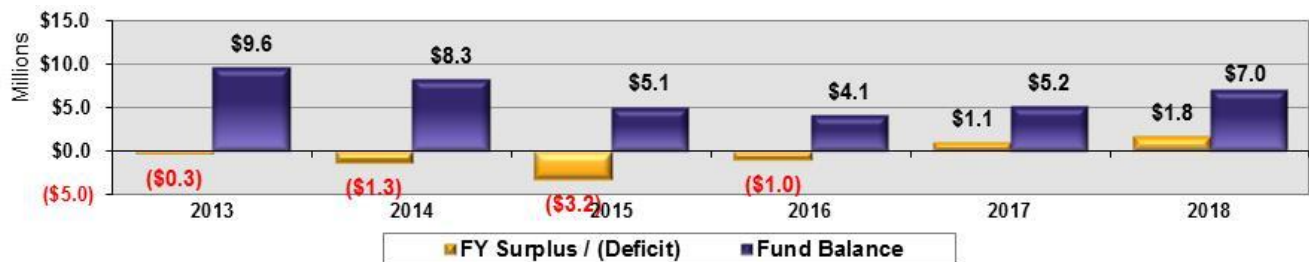


Fiscal Year Ending:	2013	2014	2015	2016	2017	2018
Revenues	\$136,556,518	\$136,834,083	\$134,323,753	\$137,134,866	\$140,474,870	\$142,898,984
Expenditures	\$136,860,979	\$143,030,638	\$146,632,376	\$149,090,650	\$151,086,090	\$152,564,607
Surplus / Deficit	(\$304,461)	(\$6,196,555)	(\$12,308,623)	(\$11,955,783)	(\$10,611,221)	(\$9,665,623)
Fund Balance	\$9,599,264	\$3,402,709	(\$8,905,914)	(\$20,861,697)	(\$31,472,918)	(\$41,138,541)

During the development of this Recovery Plan, most stakeholder groups have suggested that they have made substantial sacrifices and can do no more for the District. These comments are well-founded, as students, parents, instructional and non-instructional employees, administrators, taxpayers and others have made real sacrifices in recent years. Unfortunately, the District's situation will get much worse - and it will soon have to cease operations - unless all parties agree to a comprehensive, multi-year Recovery Plan which involves some additional difficult measures for all in order to turn the District around and serve the children of Harrisburg.

**The Recovery Plan for the Harrisburg School District**

When the District successfully adjusts its spending to match current and potential revenues and improves academic offerings to successfully recruit students to District cyber and traditional schools, it will reverse negative financial trends and become financially viable. As shown below, implementation of the recommendations in this report - including matching non-instructional costs with available resources and increasing rather than losing student population – will create positive annual results with a growing net balance and a rainy day fund balance reserve by the end of the Plan period.



Fiscal Year Ending:	2013	2014	2015	2016	2017	2018
Revenues	\$136,556,518	\$136,474,896	\$133,437,251	\$136,073,811	\$139,473,271	\$142,203,137
Expenditures	\$136,860,979	\$137,812,771	\$136,599,357	\$137,049,913	\$138,358,041	\$140,392,288
Surplus / Deficit	(\$304,461)	(\$1,337,875)	(\$3,162,107)	(\$976,102)	\$1,115,231	\$1,810,849
Fund Balance	\$9,599,264	\$8,261,389	\$5,099,282	\$4,123,180	\$5,238,411	\$7,049,260

The remainder of this document 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 this Recovery Plan that lead to the financial results shown above include:

### Academic

- Adoption of a detailed roadmap to restore academic performance, including specific deadlines for developing and implementing steps to achieve educator effectiveness, rigorous program analysis, and strict adherence to a standards-based curriculum;
- Expansion of the in-District cyber school alternative and market research to match District cyber offerings with what parents and students want;
- Excellent academics resulting in the slowing of enrollment decline after 2013-14 with 6.0 percent charter enrollment growth in 2014-15, 3.0 percent in 2015-16, and no charter growth thereafter. In addition, enrollment at Cougar Academy is expected to grow 50 students next year, 100 students in 2014-15, and 50 students each subsequent year as the District grows and expands its cyber options including a variety of hybrid education options;
- Pursuant to a plan developed by the District and reviewed by the Recovery Plan technical assistance team and the CRO, realigning District schools to create a kindergarten/pre-kindergarten center(s), a grades 1-5 or 1-4 structure in three elementary schools, and a grades 6-8 or 5-8 structure in the three middle schools;
- Recruiting a Chief Executive Officer to manage non-instructional District services, freeing the Superintendent to focus 100 percent of her efforts on leading the District to academic excellence.

### Financial

- Creation of multi-year financial stability based on comprehensive operating and capital budgets that can be updated as conditions change;
- Maintaining a positive fund balance to achieve long-term stability, avoid short-term cash flow problems, and offset short-term deficits before positive annual results return beginning in 2016-17;
- Dedication of proceeds from building and land asset sales to future capital needs;
- Developing a comprehensive policy on debt and debt management;
- Application for a \$6.44 million no-interest Transitional Loan from the Commonwealth to fund short-term costs for Cougar Academy marketing and the Chief Executive Officer, for transportation costs related to reorganizing school buildings and upgrading early childhood programs, and for transitional costs.

### Facilities

- Improved energy efficiency and better building management to provide quality facilities at a lower cost;
- Right-sizing maintenance and custodial headcount to match standard work levels across buildings;
- Sale of unused facilities to generate funds for capital investment elsewhere in the District.

### Revenue

- Generate \$6.6 million in non-tax revenue for the District by improving revenue collections, seeking additional aid from non-profits, continuing existing efforts to secure payments-in-lieu-of-taxes for properties placed in Keystone Opportunity Zones or receiving other tax abatement designations, increasing reimbursement for Medicaid Access, school lunch and other programs.
- Improve grant-writing and monitoring to secure additional federal, state, local and private funds for the District;

- Preserving local tax effort by increasing locally-generated property tax revenue through one-time partial Act 1 exception amount in 2013-14, annual Act 1 index millage increases and improved collections through 2016-17;
- Elimination of annual Act 1 index millage increases in 2017-18 as District finances recover.

### Workforce

- Wage reductions of 5 percent in 2013-14 and an additional 5 percent in 2014-15, followed by a wage freeze in 2015-16; creation of a pool of funds for each bargaining unit to access in new contracts negotiated with the District beginning in 2016-17;
- Workforce changes need to be made with minimal impact on current class sizes and student teacher ratios;
- Benefit cost reduction of 5 percent in 2013-14, with future annual increases for District-paid portion limited to 5 percent;
- Changes in teacher expectations commensurate with the academic goals.

### Measurement & Success

- Requirement that the District achieve annual academic performance goals, with 2013-14, 2014-15, and 2015-16 targets of approximately 5.0 percent annual improvement in reading and mathematics at each grade level and similar improvement on Keystone Exams for 11<sup>th</sup> graders;
- Requirements for increased graduation and attendance rates;
- Additional monitoring of and public reporting on progress in PSSA scores, SAT performance, and teacher proficiency;
- Fail-safe plan to protect District students by transferring District educational programs to external management if the required performance goals are not achieved in results reported for the 2015-16 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 the immediate implementation of changes in the District, and includes many initiatives that will be 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 2016-17 school year.

This plan is intended to be transformative. The District's children can no longer be permitted to achieve at current levels - they deserve 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.

## **Other Provisions**

### **Exit Criteria**

Pursuant to section 641-A (9) of Act 141, the CRO must establish specific criteria that the District must satisfy before the Secretary may terminate financial recovery status. The District shall meet at least the following criteria in order to be released from financial recovery:

- The District is achieving adequate yearly progress under the provisions of the federal No Child Left Behind law, or complying with similar requirements of successor statutes;
- The District has achieved financial stability by maintaining a positive fund balance of at least five percent of annual revenues for three successive years, and concluded two successive years with positive annual financial results, both as reported in the District's audited annual financial statements;
- The District does not request or require an advance of its basic education subsidy;
- All employee salaries are paid when due;
- The District is not in default on any bonds, notes or lease rentals and is not subject to withholding by the Secretary under section 633 of the Public School Code;
- The District does not satisfy the criteria for determination of recovery status established in regulations promulgated under section 621-A (a) (2) of Act 141.
- Under Section 625-A(c) of Act 141, the City of Harrisburg must emerge from Act 47 municipal recovery oversight before the school district may be released from Act 141 financial recovery status.

### **Powers and Duties Under Section 642-A**

Throughout this plan, the District and the CRO are directed to take actions authorized by section 642-A of Act 141, granting certain powers and duties to achieve the goals of the plan. The specific actions authorized in this plan pursuant to section 642-A shall include but are not limited to:

- Cancel or renegotiate contracts that are in conflict with or an impediment to timely implementation of the provisions of this plan (subsection 3);
- Increase tax levies (subsection 4);
- Appointment of a special collector of delinquent taxes, subject to approval by the CRO (subsection 5);
- Dispense with the services of nonprofessional employees (subsection 6);
- Employ professional and senior management employees who do not hold State certification (subsection 9);
- Enter into agreements with for-profit or non-profits organizations to provide services (subsection 10);
- Close or reconstitute a school, including the reassignment, suspension or dismissal of professional employees (subsection 11);
- Reallocate resources, amend school procedures, develop achievement plans and implement testing or other evaluation procedures for educational purposes (subsection 13);
- Supervise and direct principals, teachers and administrators (subsection 14);
- Negotiate new collective bargaining agreements to effect needed economies (subsection 15);
- Delegate powers of the CRO (subsection 16);
- Employ entities to review financial and educational programs (subsection 17).

Should the District fail to meet the performance requirements included in the plan<sup>5</sup> by the close of the 2015-16 school year, this plan also authorizes the imposition of alternative educational delivery systems as described in subsections 2 (relating to converting school buildings to charter schools); 7 (relating to entering agreements with persons or for-profit or nonprofit organizations to operate one or more schools); 8 (relating to suspending or revoking a charter); 12 (relating to appointing managers, administrators or for-profit or nonprofit organizations to oversee the operations of a school or schools); and 18 (relating to negotiating a contract with a charter school) of section 642-A of Act 141.

This section is meant to be liberally construed, not limit, the initiatives and directives found throughout this plan.

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<sup>5</sup> See initiative ED04 in the Education chapter of this Recovery Plan for detailed performance requirements.

**Education**

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# Education

## Overview

The Harrisburg School District (HSD), like all school districts in the Commonwealth of Pennsylvania, is responsible for providing educational services to its students in accordance with state and federal laws and regulations. Its mission statement indicates that the HSD is committed to providing a rigorous and relevant education to all students in a learning environment that fosters high expectations and is data-driven with standards aligned instruction provided by committed, highly qualified teachers. The District's mission statement also commits to a culturally responsive, safe, and positive school environment to enhance, empower and promote the value of lifelong learning for its students. The HSD sees its families and the Harrisburg community as active partners in the educational process.

Accountability for the educational program ultimately lies with the Superintendent of Schools. The overall day-to-day oversight for the educational program lies with the Assistant Superintendent for Leadership and School Accountability. In addition, there is a School Improvement Administrator who supervises core academic program coordinators and a Transformation Reform Specialist who is responsible for leading and supervising the Transformation Team. Both positions provide guidance and support to the Principals and school staff. Also in the area of curriculum and instruction there is a Director of Special Education and an English Second Language (ESL) Supervisor.

The following Pennsylvania regulations that the District should continue to focus on are:

- Chapter 4 in regard to the expectations that the instructional programs are designed to meet, so that all students can:
  - 1) demonstrate mastery of state academic standards; and
  - 2) meet specific graduation requirements to receive a high school diploma;
- Chapter 14 - requirements for special education;
- Chapter 16 - requirements for gifted education;
- Chapter 10 - focus on a safe school environment;
- Chapter 11 - focus on student attendance;
- Chapter 15, which addresses services to disabled students who do not require specifically-designed instruction under the Individuals with Disabilities Education Act (IDEA).

The established District goals and priorities are as follows:

- Use data to guide improved student achievement, school engagement, and social emotional wellness;
- Align district teaching and learning and operational systems;
- Revise the District support system to schools:
  - embrace Pennsylvania's Standards Aligned System (SAS) and Response To Instruction and Intervention (RtII) framework;
  - align to Pennsylvania Common Core Standards;
- Implement a District-wide system of accountability to ensure student learning and effective practices;
- Engage families and community;
- Build positive school climates through Resiliency training and Positive Behavioral and Interventions and Supports (PBIS).



## Assessment

The Harrisburg School District faces profound educational challenges that are typical of many urban school systems in Pennsylvania as well as in the nation. The challenges manifest themselves in low performance on standardized tests, low graduation rates and limited success in progressing to college or vocational training. This unacceptable academic performance continues in spite of significant expenditures per student and significant organizational focus on school improvement.

The additional financial problems that face Harrisburg are addressed elsewhere in this report. The District will need to make tough decisions on resource allocation. The District's financial challenges mandate that the District optimally utilize every resource to achieve measurable improvement in student performance.

This report is not focused on the past but the future. However, in order to understand what it means to achieve measurable improvement in student performance it is vital to establish the baseline of academic performance of Harrisburg students. A key indicator of is the Pennsylvania Value-Added Assessment System (PVAAS) which measures year-on-year growth in performance.

**Harrisburg School District  
PVAAS Average Growth Index & Adequate Yearly Progress, 2011-12**

PSSA Test	Growth Measure	Standard Error	Average Growth Index	% Proficient	% Advanced	% Total	2012 AYP Targets
PSSA Math 4-8	-0.7	0.3	-2.6	25.2%	11.2%	36.4%	89.0%
PSSA Math 9-11	21	9.4	2.2	21.9%	9.3%	31.1%	89.0%
PSSA Reading 9-11	-0.2	0.3	-0.7	26.4%	8.5%	34.8%	91.0%
PSSA Reading 4-8	21.7	9.8	2.2	28.5%	12.2%	40.7%	91.0%
PSSA Writing 5, 8, 11	-17.6	15	-1.2	48.4%	5.6%	54.0%	N/A
PSSA Science 4, 8, 11	1.7	3.5	0.5	12.5%	3.7%	16.2%	N/A

The performance of the students at HSD must improve and it can improve. The entire school community owes the students a concerted effort and their total support in improving performance. All parents, teachers, non-teaching staff members and community members in Harrisburg must consider themselves personally accountable for the improvement Harrisburg's public schools. Accomplishing this goal is a matter of community security and vital to the long term viability of the City of Harrisburg.

The good news is that the Board, administrators, teachers and parents have made progress in establishing the infrastructure to support improvement in student performance; the bad news is that this effort has not to date produced evidence on PSSA tests of student performance improvement and without significant refinement, the current infrastructure is not likely to be successful in the future.

### Assessment of Current School Improvement Effort and Key Findings

The study team carried out an extensive review process in order to assess the District's current academic approach and the School Improvement Grant (SIG) plan. The review process consisted of:

- Interviews with all building Principals;
- Interviews and discussions with central office administrators overseeing school improvement;
- Site visits at district buildings to witness some educational processes and classroom instructional approaches.

The focus of the review process was to understand the organizational structure of the academic program in the District, to examine the District's educational practices, to determine the method for student assessment and monitoring, to view actual classroom instruction, and to discuss with the practitioners the strengths and weaknesses of the current academic approach.

As a result of the review effort, the study team made the following key findings and recommendations, which form the basis for initiatives for corrective action that shall be undertaken as part of the Recovery Plan:

1. The Harrisburg School District has put in place an educational infrastructure that, if fully and effectively utilized, can lead to student improvement.
2. The current approach is deficient in several major areas:
  - a. Administrators are not spending enough time in classrooms assessing, monitoring and modeling effective instruction.
  - b. Administrators in the District do not consistently use a common set of lenses to review and assess classroom instruction. Furthermore, the administrators are not adequately trained as a team on assessing and improving classroom instruction using the new Pennsylvania teacher evaluation tool.
  - c. There are many separate working groups in the District focused on instruction and improving student performance; however, the working groups do not function as an effective team in accomplishing common goals related to instruction.
  - d. In order to significantly improve student performance, administrators and teachers need more professional development related to elements of effective instruction and teaching.

### **Classroom Observation Rationale**

Extensive research indicates that classroom effects are more powerful influences than school effects as they relate to improving student performance. Moreover, more can be acquired from improvements in the classroom than improvements in the overall school. Therefore, administrators need to find ways to increase their presence in the classroom observing instruction as well as student engagement. As District administrators revealed their daily schedules to the study team, the overwhelming majority of administrators reflected a less than satisfactory presence in the classroom. Presence in the classroom is merely the first step in improving instruction and student engagement. Administrators also must have a clear and unified vision for effective instruction and student engagement so that observation feedback to teachers will be consistent. There was no evidence of this common understanding among District administrators.

It is essential that all teachers apply effective teaching and learning at all times each day in all classrooms to promote student achievement. Although it has an adequate infrastructure the District does not have a well-coordinated effort to improve instruction with high expectations of Principals and staff.

It is imperative that all District Principals become true instructional leaders by strategically utilizing the positions within their infrastructure so they are not spending large blocks of time on lower level administrative issues. In addition, Principals must spend more focused time on ensuring that standards based instruction is built into each classroom. A key component is the development of a building level leadership team that is capable of shouldering the work load in order to free the Principal to become more of an instructional leader. Building level leadership teams that meet at least one time per week to structure the focus around instruction can be instrumental in enabling the Principal to be involved in classroom instruction. District Principals appear to be bogged down with discipline issues that remove them from instruction. The building leadership teams can be better utilized to minimize the Principal's involvement in tasks that can be managed by others. Interventions to maximize instructional involvement can be used (e.g., establishing time out rooms that are monitored throughout the day by the building leadership team until the Principal is available to give attention to those students).

Other key components of infrastructure improvement that should be refined and made consistent are classroom walkthroughs and formal observation frequency and quality. Walkthroughs should be conducted regularly to determine whether or not the principles of learning and teaching are being applied. There should be a stop-gap quick study of the Ten Principles of Learning and Teaching from the National Institute for School Leadership (NISL) course 1, unit 4, so they can be identified during classroom observations.

### **Expanded Cyber School Services**

It is clear that the failure of the Harrisburg School District to meet the academic needs of students has caused parents to seek alternatives to the traditional school setting. Charter school enrollment in Harrisburg has grown substantially over the last five years, with average annual increases of 27 percent over the last three years. The loss of District-educated students has been one of the driving forces of the fiscal issues facing the District, and it is vital that the District become competitive in meeting the needs of students so that it can retain enrollment and avoid the economic consequences of loss of students to other educational options.

The increasingly competitive nature of the K-12 education system in Pennsylvania is having an impact on many school districts. In particular, as charter school options expand, parents are critically evaluating their educational options and availing themselves of many alternatives including both brick-and-mortar and cyber charter schools. Many public schools have embraced this competitive environment and have developed a heightened awareness of the importance of understanding the needs and concerns of parents and students and developing programs to meet those needs within the public school setting.

In terms of the evolution of the K-12 education structure, Harrisburg is somewhat unique in that presently the bulk of the students attending charter schools are doing so through cyber charters rather than brick-and-mortar charter schools. In 2013 approximately 672 Harrisburg school age children are enrolled in charters, and about 70 percent of them attend cyber charter schools.

In terms of meeting the needs of the parents and students, the predominance of cyber enrollment presents a competitive opportunity for the Harrisburg School District in that the variable of the physical location and condition of the school is less of a factor. The issue and challenge for the District is to understand the goals and objectives of the students enrolled in cyber schools, and to present a District-operated alternative that meets or exceeds the performance of the non-District cyber schools. The development of the District cyber schools will require a deep understanding of the needs and desires of students and parents and the development of creative solutions to meet those needs. These options should include hybrid education arrangements that combine in-class instruction and support along with cyber education. A key to successfully operating a competitive cyber school will be to differentiate the District's cyber option from other cyber options that are available, capitalizing on the strengths of the Harrisburg School District.

To their credit, Harrisburg school officials have recognized the value and importance of providing high quality cyber education for their students. Through a cooperative program called CAOLA (Capital Area Online Learning Association), in the 2012-13 school year the District began to offer cyber education to Harrisburg School District students through the Cougar Academy. The Cougar Academy currently provides cyber education for grades 9 – 12. The Harrisburg School District pays \$3,000 for each student enrolled in the Cougar Academy; students are provided with a computer, a printer and internet access to the CAOLA programs. Upon graduation, the students receive a diploma from Harrisburg School District. In addition, students enrolled in the Cougar Academy have access to extracurricular activities at the District.

In contrast, from a fiscal standpoint, Harrisburg pays approximately \$10,000 for each regular education student enrolled in a cyber charter school and about \$23,000 for each special education student. Clearly, if Harrisburg can attract its students to the in-District charter there is a significant positive fiscal impact for the District.

# INITIATIVES

## Improving School Performance

The critical components of effective standards-based instruction that should become the focus in the District are effective classroom instruction; curriculum development; the reorganization of student enrollment and building utilization; new evaluation instruments for teachers and administrators; professional development; and team building. These critical component pieces must function efficiently in order for the system to thrive and become sustainable, but most importantly for the students in the District to become successful.

The poor performance in the District is characterized by a number of factors which include:

- Ineffective school improvement plans;
- Ineffective implementation of evaluation instruments for all professional and non-professional staff;
- Low expectations from teachers, administrators, and students;
- The absence of differentiated professional development that includes the School Board and central office administrators;
- Questionable ability of the central office administrators to transform the existing working groups into high performing teams;
- Questionable willingness on the part of building administrators and teachers to rigorously implement the best and most effective practices;
- Ineffective implementation of the RTII model for intervention;
- Inability of building leaders to consistently provide feedback on effective instruction to teachers.

The infrastructure is in place regarding staff and administrative positions that can affect change and make a positive difference. The required plan outlined below is predicated on using the existing District infrastructure to fully implement a standards based and aligned system that employs the principles of teaching and learning with a monitoring system and unwavering accountability.

The seven goals for improving instruction and student achievement at the District are:

### Goal 1

By May 20, 2013, a rigorous schedule and monitoring system of classroom walkthroughs and formal observations shall be implemented on a consistent basis in all of the buildings using Principals and/or their designees to insure that the principles of learning and teaching are being applied. There should be a stop gap quick study of the Ten Principles of Learning and Teaching from NISL (regarding what they look like) so they can be identified during classroom observations. The central administrative staff should conduct this study session.

The observation schedule shall require Principals to conduct a minimum of fifteen walkthroughs or five formal observations per week to begin immediately at the start of the 2013-14 school year.<sup>6</sup> This averages three walkthrough observations or one formal observation per day. Three walkthrough observations are equivalent of one formal observation. Therefore, a Principal can perform any combination of observations as long as they can be combined to equal the minimum quota (i.e. a Principal could perform two formal observations and nine walkthrough observations in a week to meet the minimum quota as well as any other combination that meets the quota).

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<sup>6</sup> Although this provision will not be binding until the Recovery Plan is approved, there is no reason that the Superintendent could not require the walkthroughs and observations for the remainder of the 2012-13 school year.

## Goal 2

By its May 2013 meeting, the School Board shall approve a plan and timeline to reorganize the grade level compositions in the buildings. The plan and timeline will specify the development of Early Childhood Centers (PreK-K), Middle School, and College and Career Academies for the 2014-15 school year. One to two existing open buildings will be designated as the Early Childhood Center and each of the Middle Schools will have "themes" (i.e. Math/Science Academy). These configurations will enable a smaller grade level structure within each building to deliver effective instruction from early childhood throughout high school. In order to assess the quality of learning in the Pre-K program, the District shall require Capital Area Head Start (the provider of Pre-K services to the District) to align curriculum to the SAS portal Pre-K standards. Furthermore, the District shall use the Kindergarten Entry Inventory or a similar tool to make such assessments.

## Goal 3

By May 31, 2013, the central administration shall adopt a communication plan to publicize the implementation of the new Pennsylvania Department of Education teacher effectiveness system and administrative evaluation tool that provides specific feedback to both groups (teachers and principals) that will enable teachers to grow in the instructional areas and for Principals to become more effective instructional leaders.

## Goal 4

By June 15, 2013 the appropriate central office staff shall review the Pre-K to 12 curricula to determine if they are aligned with the Pennsylvania core standards. An action plan for that alignment shall be presented by the Superintendent and approved by the Board at its June meeting.

## Goal 5

By July 1, 2013, the central office and principals shall establish a structure for professional learning communities in each school and office throughout the District. This team building will be based in collaborative dialogues that are focused on improving teaching and learning.

## Goal 6

By July 1, 2013 the central office staff under the direction of the Superintendent shall develop an extensive, detailed strategy for professional development that is focused on building capacity to improve instruction for all teachers, non-professional staff and administrators at all levels. The three areas for professional development that are crucial to improving teaching and learning are: 1) Pennsylvania Inspired Leadership (PIL) training for the Principals; 2) Standards-Aligned System (SAS) training for Principals and teachers; and 3) training for classroom assistants. Training in these areas can be facilitated and/or supported and/or conducted by the Pennsylvania Department of Education (PDE) and the Capital Area Intermediate Unit (CAIU).

## Goal 7

By August 1, 2013 building principals shall establish organized parent groups/associations within each building that engage families and the community. The parent groups will meet monthly. Principals of each building will convene a school community council with publicized regularly scheduled meetings. The Superintendent will establish a Superintendent's Advisory Committee (SAC). This committee will be comprised of the presidents of the parent groups and will meet monthly with the Superintendent to discuss/review the parent involvement initiative district wide.

If the District fails to achieve the minimum improvement shown above for the 2015-16 school year, does not meet the specific PSSA, Keystone exam, graduation and attendance improvement targets established in initiative ED04 later in this chapter, or does not implement the educational reforms described earlier,

the CRO and the Secretary of Education shall take the necessary steps to transfer District-educated students to schools under external management for the 2016-17 school year. Authorization is provided by section 642-A of Act 141, specifically subsections (2), (7), (11), (12), (13), (16) and (18). These provisions of Act 141 authorize the management and operation of schools by non-profit or for-profit providers, converting buildings to charter schools, and other powers necessary to bring the schools under external management.

<b>ED01.</b>	<b>Establish Principals in All Buildings as Instructional Leaders</b>	
	<b>Target outcome:</b>	Instructional and performance improvement
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	Superintendent and academic leadership team

### **Monitoring System**

The Superintendent and upper level central office staff should share the direct oversight of instruction. The Principals will be allocated among central office administrators, in accordance with the minimal quotas, for the purpose of weekly monitoring to assure that the walkthroughs and formal classroom observations are completed.

It is essential that the following monitoring system be implemented with consistent consequences for all teachers, principals, central office administrators and the Superintendent. The monitoring system will require the following steps and timelines:

- 1) The Principals will give feedback to teachers using the available electronic software within three days of observing each teacher. The same day, the Principals will submit that feedback to their designated central administrator using the electronic software
- 2) By each Tuesday, the central administrators will give electronic weekly feedback to the principals for whom they have been given oversight, and also to the Assistant Superintendent. The Assistant Superintendent will provide feedback to all pertinent central administrators and simultaneously copy all feedback to the Superintendent.

Failure to comply with any of these deadlines or the submission of unsatisfactory work will have escalating consequences as follows: first offense – written reprimand; second offense – three-day suspension without pay; third offense – recommendation for dismissal to the Board or other governing entity. These expectations and consequences apply to all administrators. Teachers must comply with their Principal’s feedback or receive the same consequences.

Central administrators will be required to extract observation data (reports) from Eduphoria weekly for each Principal that they are assigned to monitor. Central administrators will submit a concise progress report three days after each deadline, which is twice per month by the fifteenth (15<sup>th</sup>) and the last day of the month to the Superintendent. The Assistant Superintendent will provide feedback to the central administrators supervising principals as well as a report to the Superintendent. The Superintendent will provide written feedback to the Assistant Superintendent. Failure to do so will result in the same three step escalating discipline procedure as outlined previously. The CRO must receive monthly reports from the Superintendent summarizing the data no more than five days past the last day of each month.

<b>ED02.</b>	<b>Reorganize the School Buildings</b>	
	<b>Target outcome:</b>	More focused instructional delivery
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	Superintendent and central office staff

The District shall reorganize the current buildings to improve educational outcomes, with the following considerations:

- Create one to two pre-kindergarten and kindergarten centers for all students at those levels within the district using existing facilities;
- Establish a grade level scheme of 1<sup>st</sup> through 5<sup>th</sup> grade or 1<sup>st</sup> through 4<sup>th</sup> grade in the three elementary schools;
- Establish a grade level scheme of 6<sup>th</sup> through 8<sup>th</sup> grade or 5<sup>th</sup> through 8<sup>th</sup> grade in the three existing middle schools;
- At the high school level both the John Harris campus and SciTech campus would remain the same.

Approval of the reorganization plan would be completed at the May, 2013 School Board meeting. Prior to approval however, the district shall obtain an independent evaluation of academic soundness of the restructuring plan that will endorse and recommend the plan to the school board. Costs for building realignment or restructuring, if any, would be drawn from existing capital funds or capital generated through other initiatives of this Plan. In order to assess the quality of learning in the Pre-K program, the District shall require Capital Area Head Start (the provider of Pre-K services to the District) to align curriculum to the SAS portal Pre-K standards. Furthermore, the District shall use the Kindergarten Entry Inventory or a similar tool to make such assessments.

<b>ED03.</b>	<b>Adopt New Educator Effectiveness System</b>	
	<b>Target outcome:</b>	Improved teacher and principal performance
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	Superintendent, central office support and Principals

Administrators within the district need to use a common set of lenses as they observe classroom instruction and student engagement to ensure that feedback to teachers will be consistent and useful for improving student performance. To achieve this consistency, administrators must engage in professional development that specifically focusses on classroom instruction as well as the principles of teaching, learning and curriculum. Administrators must know what good mathematics instruction looks like (as well as literacy, science, social studies, etc.). Without this type of professional development, it is unlikely that student performance improvement will occur throughout all schools.

In the District a culture of low expectations and a lack of accountability are present. There is no clear and consistent and professional approach to evaluating teacher performance, therefore, professional development designed to improve performance is either absent or not strategically targeted. The cost of providing basic tools and resources to improve teacher performance is minimal, because the

Pennsylvania Department of Education (PDE) provides free, substantial standards-aligned professional development through the Standards-Aligned Systems portal. The driving cost of professional development is personnel time. While adequate time for professional growth and development should be built into the school calendar, teachers have a personal obligation to ensure they are capable of meeting the basic requirements of their profession.

During the 2012-13 school year only School Improvement Grant schools, Phase III Pilot schools, and Race to the Top districts are required to participate in the Pennsylvania educator effectiveness initiative. Principals need to begin preparing now to become certified evaluators by utilizing the on-line resources available through PDE. There are also viable resources for teachers so they can understand the quality of instruction required to receive a rating of proficient. Implementing this new system with fidelity is a critical component of improving student performance. Accountability for quality instruction will result in teachers who are more engaged in teaching and students who are more engaged in learning.

By July 1, 2013 the district shall develop a comprehensive plan to fully implement the Pennsylvania educator effectiveness system beginning in the 2013-14 school year to establish accountability for teacher practices associated with student achievement. The components of the Danielson Model should be kept at the forefront. Those components include: preparation/planning, classroom environment, instruction and professional responsibilities.

<b>ED04.</b>	<b>Implement a Standards Based Curriculum</b>	
	<b>Target outcome:</b>	Improved student performance
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	Superintendent and Director of Curriculum

The Pennsylvania Common Core Standards are intended to provide a consistent, clear understanding of what students are expected to learn, so teachers and parents know what they need to do to help them. The standards are designed to be robust and relevant to the real world, reflecting the knowledge and skills that our young people need for success in college and careers. The performance of the District's students as measured by the PSSA indicates that consistent exposure and engagement with a sequential program of studies designed to build essential knowledge and skills is severely lacking. Every student needs access to high quality instruction with a focus on achieving Pennsylvania's standards. The PDE provides substantial resources to achieve this goal through the Standards- Aligned System (SAS) portal, found at <http://www.pdesas.org>.

Professional development is provided by the local intermediate units through PDE to learn how to use the resources. The SAS portal includes voluntary model curriculum, classroom diagnostic tools, professional learning communities and video-taped lessons that can be used as practical guides or for training purposes. All administrators and teachers shall be familiarized with the SAS portal. Utilization of the portal and its resources by teachers and instructional leaders shall be mandated and non-negotiable. The Director of Curriculum and Instruction shall contact and rely on Capital Area Intermediate Unit (CAIU) to help develop a plan for technical assistance, using the PDE Comprehensive Planning Tool as the basis for beginning the work. Using this tool will allow the District to comply with Chapter 4 planning requirements and Title I school improvement plan requirements.

The Directors of Elementary and Secondary Curriculum, the Superintendent, Assistant Superintendent, Director of Special Education Supervisor of ELL and the building Principals shall lead the development of programs and opportunities for students to complete a standards-based curriculum through innovative means. Additionally, professional development needs to be utilized for analysis of student performance data to develop targets and strategies for continuous improvement in all of the aforementioned areas.



The same corps of administrators will look at thematic learning through “Small Learning Communities” (SLCs) at the middle schools and high schools. The SLC is a form of school structure that is increasingly common in urban secondary schools to subdivide large school populations into smaller autonomous groups of students and teachers. The primary purpose of restructuring secondary schools into SLCs is to create a more personalized learning environment to better meet the needs of students. Each community will often share the same teachers and students from grade to grade. SLCs are often focused on specific interests of students and have coursework designed to boost student interest and learning in their chosen area. The teachers within that community structure the course materials and assignments to offer greater depth in that particular area. Studies show that small learning communities can create more positive relationships among students and among teachers. They demonstrate that a strong relationship with the teacher and a perception that the course is relevant results in higher student attendance and that 9<sup>th</sup> grade attendance and course grades are powerful predictors of high school graduation. A plan to move forward with the Small Learning Community concept shall be developed for Board approval by June 30, 2013.

By August 15, 2013, the District shall ensure that all students served have access to curriculum, instruction, and assessments aligned to Pennsylvania’s academic standards and related exams. Specific required steps and timelines include:

- By June 15, 2013 the Directors of Curriculum shall present to the Superintendent and CRO an inventory of the current Board-approved and non-board approved curriculum with an analysis of its degree of implementation within the district and adherence to state standards for the purpose of identifying immediate priorities for curriculum development. Prior to the presentation, the inventory and its analysis shall be evaluated by a qualified outside agency.
- June 15, 2013, the Directors of Curriculum shall present to the Superintendent and CRO a written plan demonstrating how and when standards based curriculum will be developed and presented to the Board of Directors for approval. Prior to the presentation the written plan shall be evaluated by a qualified outside agency.
- By May 20, 2013, in time for consideration in the 2013-14 budget, the Directors of Curriculum shall present to the Superintendent and CRO an analysis of various modifications to the delivery system utilizing all available resources and potential modifications to the deployment of instructional personnel, to accelerate standards-based learning. This analysis should utilize research and best practice information, and must be completed in conjunction with the other instructional leaders in the district. Prior to the presentation the analysis shall be evaluated by a qualified outside agency.
- By July 1, 2013, any recommended changes in the curriculum and delivery systems shall be presented to the Board of School Directors for approval so that summer and 2013-14 in-service days can be utilized to support the implementation of these changes. Prior to the presentation the recommended changes in the curriculum and delivery systems shall be evaluated by a qualified outside agency.
- By May 1, 2013, the Assistant Superintendent shall have begun to research the available funding sources to launch the Small Learning Community initiative at the middle and high schools.
- By June 1, 2013, immediately after the approval of the SLC concept, the Assistant Superintendent and the Grant Writer shall apply for available funding to support the SLC initiative.
- By June 15, 2013, active planning and preparation, with a knowledgeable advisor, shall begin to formulate the SLC initiative.
- The targeted outcome for initiative ED04 is improved student performance. In order to demonstrate success the district shall achieve improved student performance across all grades

on the Pennsylvania System of School Assessment (PSSA) tests for mathematics and reading as shown in the first two charts below, building from 2011-12 actual results. Students in the 11th grade shall achieve improved performance in the Keystone Exams and shown in the third chart below. In addition, the District shall achieve significant and progressive improvement in the rate of graduation and overall student attendance as noted in subsequent charts. Finally, the District shall monitor and publicly report on progress on these measures, SAT performance, and teacher proficiency, and other measures identified by the CRO, the Superintendent and the Board.

**Minimum Performance Improvement by Grade, Math PSSAs, 2012-13 to 2015-16  
% of Students Scoring Proficient or Advanced**

School Year	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
2011-12	42%	32%	34%	32%	43%	41%
2012-13	42%	32%	34%	32%	43%	41%
2013-14	47%	38%	41%	38%	49%	49%
2014-15	52%	44%	47%	43%	55%	56%
2015-16	57%	49%	52%	48%	60%	61%

**Minimum Performance Improvement by Grade, Reading PSSAs, 2012-13 to 2015-16  
% of Students Scoring Proficient or Advanced**

School Year	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
2011-12	40%	23%	26%	25%	43%	50%
2012-13	40%	23%	26%	25%	43%	50%
2013-14	46%	30%	34%	32%	50%	57%
2014-15	51%	37%	41%	39%	56%	63%
2015-16	56%	42%	46%	44%	61%	68%

**Minimum Performance Improvement, Grade 11 Keystone Exams  
% of Students Scoring Proficient or Advanced**

School Year	Algebra I	Biology	Literature
2012-13	28.9%	11.2%	43.6%
2013-14	33.9%	16.2%	48.6%
2014-15	38.9%	21.2%	53.6%
2015-16	43.9%	26.2%	58.6%

**Minimum Graduation Rate Improvement, 2012-13 to 2015-16**

School Year	Minimum Graduation Rate Improvement
2011-12	45.3%
2012-13	45.3%
2013-14	48.3%
2014-15	51.3%
2015-16	54.3%

**Minimum Attendance Rate Improvement, 2012-13 to 2015-16**

<b>School Year</b>	<b>Grades K-8</b>	<b>Grades 9-12</b>
<b>2011-12</b>	91.45%	79.19%
<b>2012-13</b>	91.45%	79.19%
<b>2013-14</b>	93.50%	80.00%
<b>2014-15</b>	95.00%	83.00%
<b>2015-16</b>	96.00%	86.00%

If the District fails to achieve the minimum improvement shown above for the 2015-16 school year, or does not implement the educational reforms described earlier, the CRO and the Secretary of Education shall take the necessary steps to transfer District-educated students to schools under external management for the 2016-17 school year. Authorization is provided by section 642-A of Act 141, specifically subsections (2), (7), (11), (12), (13), (16) and (18).

<b>ED05.</b>	<b>Develop a District Wide Team Building Initiative</b>	
	<b>Target outcome:</b>	Staff collaboration
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	Superintendent, central office staff and principals

Historically, team building has had a positive impact on group attitude and behavior as well as on organizational change. In school districts, team building helps staff increase communication, promotes trust, and gives teachers a sense of belonging to something larger than themselves. If used correctly, teaming can increase the productivity and adaptability of schools. The knowledge base and skills needed for team building are not in place in most traditional school settings.

It is apparent that many working groups are active in the Harrisburg School District. However, a working group does not produce or maximize results in a way that effective teams produce results. Effective teams have a clear vision that guides their work. They consider their contexts and develop a strategy that is clearly aligned to achieving its goal with benchmark measuring points and adjustments made wherever necessary. The working groups in the District need to be transformed into effective teams with specific goals.

The delivery system in the District must be changed to meet the challenges that are affecting the students. A system must be adopted that develops a spirit for learning. The educational pedagogy that emerges must have a transformational effect on the learner(s), the teacher(s), and school administrator(s). It needs to be experience based and allow the process to embody and model the values of compassion, consensus and cooperation instead of competition.

By July 1, 2013 the central office staff in cooperation with the building Principals shall develop a progressive plan to transform the District into professional learning communities that are strongly focused on team building. Prior to the implementation of the Plan it shall be evaluated by a qualified outside agency. The following components will be incorporated into that plan:

- Professional development for central office staff, building administrators and teachers and support staff that will teach them the dynamics of team building and how to work collaboratively within a team;
- The application of team building at all levels to include central office to Principals, Principals to teachers, teachers to students, and students to students;
- The master schedules in the schools will be analyzed and structured so that teams will be able to meet and work together;

- The professional development and new structure in the building(s) will enable teaming both horizontally and vertically for grade levels in the schools;
- Scaffolded dialogue/articulation from not only grade level to grade level in the school, but progressively from pre-school to elementary, elementary to middle, and middle to high schools;
- A provision within the plan that at each level there will be a hard stand taken against those that are unwilling participants or low performers in the professional learning/teaming concept.

<b>ED06.</b>	<b>Plan and Structure District Wide Professional Development Initiative</b>	
	<b>Target outcome:</b>	Improved teaching and learning
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	Superintendent and central office staff

Having the capacity within classrooms for schools and districts to enable, support and sustain high quality instruction is a critical condition for any educational system that has made mastery of a high demand curriculum aligned to the Pennsylvania Common Core standards a goal for all students. The need for instructional capacity and having the resources to support teaching in a manner in which students learn at a high level is widely recognized by reformers and educators. Four types of instructional resources are needed in the District in order to provide high quality instruction to all students. Those four resources are:

1. instructional knowledge;
2. instructional materials;
3. instructional relationships;
4. organizational structures.

The success of the professional development initiative is dependent on the District building an organizational structure that supports the identification, development and use of instructional resources. Examples include:

- Common learning time for subject/or grade level teachers;
- Common learning time for building Principals;
- Common learning time for instructional assistants;
- Formal instructional leadership roles and organizational mechanisms that foster teacher collaboration;
- Learning from peers and communication patterns that develop a shared understanding of teaching practices that are linked to student learning.

Extensive professional development is needed in several areas in the District in order to reach the goals of this chapter and to develop a sustainable system that demonstrates consistent annual growth. The most crucial areas are:

- PIL training for Principals – in particular Courses 1 and 4. This training can be arranged with the PDE in order for the Principals to be certified;
- SAS training for Principals and teachers – the training can be arranged through the PDE and/or Capital Area Intermediate Unit (CAIU);
- Training for classroom assistants – the training can be arranged through CAIU or by using resources within the District.

Additionally, the District shall explore the development of an instructional coaching model provided by the Pennsylvania Institute for Instructional Coaching (PIIC). This model will establish one to two instructional coaches in each building, preferably one for literacy and one for numeracy. These coaches will be hand-picked by the Superintendent and immersed in training one day each week in the best and most effective instructional practices. The other four days they will work in the buildings with teachers in the classrooms

and during planning time to refine their skills. The training for the coaches will be provided by a recognized outside group or organization. This training should be a two- year process.

By the June 17, 2013 School Board meeting the Directors of Curriculum shall present to the Superintendent and CRO a comprehensive professional development plan that addresses the goals of this chapter. The plan will include summer training and the strategic use of Act 80 days and scheduled in-service days throughout 2013-14 school year.

By July 15, 2013, the Principals, working with the Directors of Curriculum and central office staff, shall structure their buildings so that the professional development can occur. This restructuring will include a master schedule that enables vertical and horizontal planning opportunities, regular early dismissal days, and any creative schemes that provide opportunities for professional development (e.g. a schedule within a schedule to free up grade levels).

<b>ED07.</b>	<b>Develop a District-Wide Parent Involvement Initiative</b>	
	<b>Target outcome:</b>	Increased parental involvement
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	Superintendent/Building Principals

Each school in the district needs to have an organized parent group to support the schools and help parents help the children become more successful academically and behaviorally. The most consistent predictors of children’s academic achievement and social adjustment are parent expectations of the child’s academic attainment and satisfaction with their child’s education at school. Parents of high achieving students set higher standards for their children’s educational activities than parents of low achieving students. Decades of research show that when parents are involved students have:

- Higher grades, test scores, and graduation rates
- Better school attendance
- Increased motivation, better self esteem
- Lower rates of suspension
- Decreased use of drugs and alcohol
- Fewer instances of violent behavior

Although most parents do not know how to help their children they may become increasingly involved in home learning activities and find themselves with opportunities to teach, model for and guide their children. The strongest and most consistent predictors of parent involvement at school and at home are specific school programs and teacher practices that encourage parent involvement at school and guide parents in how to help their children at home.

Parent involvement components are required in the federal Elementary and Secondary Education Act (ESEA). In the HSD parent involvement is inconsistent and lacks an organized, well-orchestrated approach. Such an approach, followed with fidelity, will increase participation and help parents identify programs and services to help their children and schools become more successful.

By August 1, 2013 the Principal of each school will identify a parent that will serve as the president of the parent organization in the school. Some schools may already have an active PTA/PTO. The president and the Principal will work toward the development or further development of the parent organization. Additionally, the Superintendent will implement a Superintendent’s Advisory Committee (SAC). The committee will be composed of the presidents of school organizations which will meet monthly with the Superintendent to discuss and review the progress of the parent involvement initiative. It is an opportunity

for each organization to become further refined. The organizations will become acquainted with the services that the district can offer parents to overcome obstacles that impede their involvement in their children's education. A regular face to face meeting with the Superintendent will demonstrate the District's commitment to the initiative. The Title I State Parent Advisory Council (SPAC) will provide guidance and support at little cost to the district.

<b>ED08.</b>	<b>District must comply with all statutory requirements</b>	
	<b>Target outcome:</b>	Effective programs for all students
	<b>Multi-year financial impact:</b>	N/A
	<b>Responsible party:</b>	Superintendent, Director of Special Education, building principals

This Recovery Plan includes resources to serve all students of the District, including those with special education needs, those assigned to alternative schools, and those attending vocational education or other programs. The terms of the Plan do not eliminate or modify the District's requirement to comply with all relevant statutes governing the education of children in the District.

<b>ED09.</b>	<b>Secure outside funding for educational enrichment and other programs</b>	
	<b>Target outcome:</b>	Increased academic and non-academic enrichment opportunities
	<b>Multi-year financial impact:</b>	N/A (externally-funded)
	<b>Responsible party:</b>	CRO, Superintendent, CEO

The District is fortunate to have the Harrisburg Public Schools Foundation to generate community support for its programs. The Foundation serves as the District's EITC conduit to solicit and allocate charitable contributions to benefit the District and its children. It also encourages a wide variety of direct and in-kind contributions to the District. Several of the initiatives in this Recovery Plan include roles for the Foundation, most notably the provision of grant writing services. In addition, while this Plan does not include specific programmatic directives or fund-raising targets for the Foundation (as it is an independent organization), the senior leadership of the District shall work with the Foundation to expand its support of programs to enhance academic and non-academic offerings. These might include but not be limited to music, art and language supplements; field trips and special visitors; supplemental college counseling, college access support and test preparation; after-school academic (instruction, tutoring, homework help) and non-academic opportunities (from chess to athletics); summer academic and non-academic activities; day care support; and teacher development. Funds may also be solicited to reward student and teacher performance.<sup>7</sup>

### **Improving Educational Options**

The Harrisburg School District shall undertake an aggressive program to develop, expand and promote in-District cyber school options for its students. The program will involve multiple components and require the laser-like focus of both the School Board and Administration. Further, the program will require dedicated resources and the sole attention of individuals within the District. The components of the program include:

<sup>7</sup> Authorization for this initiative is provided by Section 642-A(16) of Act 141, *inter alia*.

- the development of a knowledge base on current and potential cyber students;
- the designation of a single person responsible for the success of the District's cyber school;
- an evaluation of the current program in relation to the assessment of needs;
- the modification or expansion of the current Cougar Academy based on the needs assessment;
- the active promotion of the Cougar Academy through communication with target customers; and
- continuous outreach to cyber students and parents to assess satisfaction with the program, and identify and implement opportunities for improvement.

Most of all, this program will require a change of mind set for the School Board, Administration and faculty, in which there is recognition that the students in cybers are Harrisburg School District students who are simply seeking an alternative means for completing their K – 12 education.

The overall goal of the initiatives is to increase the number of cyber students from the District who choose to attend the Cougar Academy. The targeted number of new students attending the Cougar Academy each year is shown below:

2013-14	2014-15	2015-16	2016-17	2017-18
50	100	50	50	50

<b>ED10.</b>	<b>Development of a Database of Current and Potential Cyber School Students</b>	
	<b>Target outcome:</b>	Develop a complete understanding of the factors causing Harrisburg parents and students to seek cyber education
	<b>Five year financial impact:</b>	(\$20,000)
	<b>Responsible party:</b>	Superintendent and Designated Cyber School Leader

The District shall immediately undertake an effort to develop a complete understanding of the needs and goals of students and parents who are selecting cyber education. The survey shall encompass both current and prospective students and shall consist of both direct outreach and statistically valid surveying of the target consumers of cyber services. The survey shall be conducted in the 2012-13 school year and again in the 2016-17 school year.

The cost of the survey and database development will be paid from the Financial Recovery School District Transitional Loan Fund.

#### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
(\$10,000)	\$0	\$0	(\$10,000)	\$0	(\$20,000)

<b>ED11.</b>	<b>Employ a Staff Person who is Fully Dedicated to Development and Expansion of the Cougar Academy</b>	
	<b>Target outcome:</b>	Create focus and accountability for the success of the Cougar Academy
	<b>Five year financial impact:</b>	(\$533,454)
	<b>Responsible party:</b>	Superintendent

The District shall immediately select and designate (with the approval of the CRO) a qualified individual whose job it is to oversee the development and success of the Cougar Academy program. The individual selected will be designated as the Director of the Cougar Academy and shall report directly to the Superintendent. The Director will have specific job performance objectives which all relate to the growth and development of the enrollment in the Cougar Academy. The individual selected for the position will be given a three year contract with contract renewal predicated on attaining the objectives spelled out in relation to the growth of the Cougar Academy.

The cost of this position for the first three years will be paid from the Financial Recovery School District Transitional Loan Fund.

**Financial Impact**

<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>Total</b>
(\$100,000)	(\$102,858)	(\$106,674)	(\$109,293)	(\$110,846)	(\$528,798)

<b>ED12.</b>	<b>Modification and Expansion of Cougar Academy</b>	
	<b>Target outcome:</b>	Based on user survey and other outreach adapt the Cougar Academy to meet the needs of students and parents in order to increase participation
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	Director of the Cougar Academy

Based on analysis of the data obtained from the current and potential students, the District shall adapt the Cougar Academy concept with the goal of increasing enrollment in the program. The adaptation of the program should use best practices from around the Commonwealth and the nation regarding public school operated cyber programs. The adapted program shall include but not be limited to:

- The creation of hybrid in-seat and cyber education;
- The opportunity for graduation acceleration through cyber study;
- The provision of funds to parents to cover educated related costs of the cyber program;
- Complete participation in District extracurricular activities by cyber students;
- Supplemental guidance and counseling services for cyber students;
- Direct access to instructional staff for supplemental educational support.



<b>ED13.</b>	<b>Promotion and Communication in Relation to Cougar Academy</b>	
	<b>Target outcome:</b>	Increase awareness of Cougar Academy among current and prospective cyber students and their parents
	<b>Five year financial impact:</b>	(\$500,000)
	<b>Responsible party:</b>	Director of the Cougar Academy

The competitive environment in public education requires that the District not only create a great cyber school program, but also promote that program to the current and potential consumers of the service. The District shall immediately develop a program to communicate the qualities of the Cougar Academy using a variety of media and techniques including written material, public meetings, commercial advertising and one-on-one meetings with parents and students.

The first three years of this promotional effort shall be funded from the Financial Recovery School District Transitional Loan Fund.

#### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$500,000)

<b>ED14.</b>	<b>Outreach and Evaluation</b>	
	<b>Target outcome:</b>	Continuously evaluate and revise Cougar Academy based on outreach to current and prospective students and their parents
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	Director of the Cougar Academy

The District shall develop a comprehensive program of outreach and evaluation regarding the Cougar Academy. The information gathered from this process will be used to modify and adapt the program to meet the needs of students and parents and to adapt to the changing market for cyber education. The Director of the Cougar Academy will be responsible for this effort and the Director will report quarterly to the CRO on the outreach efforts and the changes to the Cougar Academy program that will be made as a result of the outreach and evaluation effort.

## **Administration and Finance**

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# Administration and Finance

## Overview

Successful school systems, particularly larger urban school systems, are complex operations. In addition to the core educational functions, the school system has to house staff and students, provide transportation, food service and health service. The school system has to pay staff and vendors, collect taxes, manage cash and debt and make sure there is adequate insurance for people and buildings. In sum, the administrative and financial operations of school systems are complex and demand significant expertise and focus to manage successfully.

In the course of developing the CRO Plan for Harrisburg, there was a review of all operational and financial areas of the District. A number of the functional areas are dealt with in separate chapters (i.e. Facilities and Maintenance, Food Service). The focus of this chapter is on the remaining core administrative functions of the District including Human Resources and Payroll. The chapter will also deal with issues of administrative staffing levels, absenteeism among staff, and the repayment of the Act 141 Loan Funds that are embedded in the plan and the creation of a new position of Chief Executive Officer (CEO) who will oversee all administrative and financial functions of the District.

## Administrative Leadership

The overall conclusion of the review of administration and finances of the District is that there is an infrastructure in place but there is significant room for improvement. Improvement in these functions will lead to cost savings and more effective operation of the District. At present the administrative staff appears to be stretched as it pursues multiple goals and objectives. There is at present a strong central control approach to administration with the Superintendent as the focus of many initiatives. Administrative staff is not given the latitude to operate independently and demonstrate their capability, resulting in a lack of initiative in dealing with numerous issues and areas for improvement facing the District.

With the additional responsibilities of implementing the numerous initiatives contained in CRO including the initiatives related to academic improvement, the present Superintendent and administrative structure will not be successful in achieving the change necessary for Harrisburg. This report requires the creation of the position of Chief Executive Officer (CEO) for the District who will have the responsibility to oversee the administrative and financial operation of the District. The CEO will be coequal to the Superintendent and report directly to the School Board and the CRO. The CEO will work collaboratively with the Superintendent to achieve the academic goals of the CRO plan but will relieve the Superintendent of responsibility for implementing the non-academic initiatives of the CRO Plan. This will allow the superintendent to focus her time on the very important and challenging academic goals for the District.

## Initiatives

Implementing the numerous initiatives contained in the CRO's Recovery Plan while improving the daily operation of the instructional and non-instructional aspects of the District will constitute a significant task. In order to insure that Recovery Plan initiatives will be implemented with alacrity and fidelity, and to provide the Superintendent with sufficient time to focus on the academic enhancement aspects of the Plan, the District shall immediately create the position of Chief Executive Officer (CEO) and retain a highly-qualified individual to serve in the post.

<b>AF01.</b>	<b>Create and Staff the Position of Chief Executive Officer for the District</b>	
	<b>Target outcome:</b>	Improve the overall administration of the District while implementing the initiatives of the CRO's Recovery Plan to achieve long-term fiscal stability and academic achievement
	<b>Five year financial impact:</b>	(\$1,000,000)
	<b>Responsible party:</b>	School Board and CRO

The CEO will report directly to the School Board and the CRO; the Board and CRO shall set compensation for and evaluate the CEO. The CEO may possess an academic certification or have experience managing large public sector organizations, but certification or other credentials shall not be a requirement for the job. The goal is to cast a wide net to find a dynamic CEO with a record of achievement.

The CEO will work closely with the Superintendent of Schools in the management of the District, and non-instructional senior personnel such as the Business Manager and the head of Human Resources shall report to the CEO. A specific job description for the position shall be developed; however, the duties of the CEO shall include but be not limited to:

- Oversight of the implementation of the Recovery Plan;
- Development of annual budgets;
- Preparation of monthly and annual financial reports;
- Management of the District's human resources department and payroll office;
- Make hiring and firing recommendations to the school board in relation to any district staff;
- Management of the business office and the transportation, food service and facilities departments;
- Management of the federal grants;
- Liaison with the District's foundation and other outside donors of funds and services;
- Implementation of new revenue initiatives;
- Oversight of debt and debt issuance;
- Management of the collective bargaining process.

The School Board shall immediately undertake an appropriate search for a qualified person to serve as CEO. The School Board must receive the approval of the CRO before selecting the person to fill the position. The cost of the salary and benefits for the CEO for the first three years will be provided from the Financial Recovery School District Transitional Loan Account. The cost of the search process for the CEO will also be covered by the loan fund.

By the end of the third year in the position, the CEO shall be required to document to the School Board and CRO that she or he has attained sufficient savings in District operations to cover the total salary and benefits of the position on an annual basis and repay the first three years of salary to the loan fund.

**Financial Impact**

<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>Total</b>
(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$1,000,000)

<b>AF02.</b>	<b>Recruiting process for the CEO Position</b>	
	<b>Target outcome:</b>	Undertake an appropriate professional search to fill the position of CEO early in the 2013-14 fiscal year
	<b>Five year financial impact:</b>	(\$50,000)
	<b>Responsible party:</b>	School Board and CRO

The School Board with the concurrence of the CRO shall immediately develop an appropriate plan for the recruitment of the CEO. The School Board may employ a professional services firm to conduct the search. Resources to support the search process shall be provided from the Transitional Loan fund.

**Financial Impact**

<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>Total</b>
(\$50,000)	\$0	\$0	\$0	\$0	(\$50,000)

**Staff Absenteeism**

During the course of the project team’s review of the Harrisburg School District, an issue of excessive absences among both instructional and non-instructional staff was identified. Based on the examination of available records, the study team saw multi-year evidence of high absenteeism District-wide, but with concentrations in certain buildings. The table below summarizes the absentee rate in school buildings for the period 2009-10 through March of the 2012-13 school year.

<b>School Year</b>	<b>Total Absences in School Buildings</b>	<b>Absences Per School Day</b>
2009-10	23,155.30	123.8
2010-11	21,260.00	113.7
2011-12	22,154.38	118.5
2012-13	13,482.37	114.9
<b>Total (School Buildings)</b>	<b>80,052.05</b>	<b>118.0</b>

Note: “Absences” includes personal illness days, vacation, and all other paid and unpaid leave

As can be seen from the table above, over the period reviewed there has been 80,052 person days of absence in the District. Based on current staffing levels, this implies that the average number of days of absence per staff person in 2012-13 is 24. Thus far in 2012-13, the statistics indicate that approximately 12 percent of the staff is absent on any given school day. The educational experts on the study team found this level of absenteeism to be “extraordinary” in their experience.

Absenteeism at this level has a number of negative impacts on the organization:

1. It hurts the overall productivity of the District and creates bad morale among the staff who have to pick up an extra workload;
2. It has a negative impact on education, in that short-term substitutes have limited ability to quickly adapt to the curriculum and lesson plans in order to have a productive class session;
3. It provides a poor model for students who observe the accepted pattern of frequent absence;
4. There are fiscal impacts from the absenteeism in terms of substitutes and overtime pay.

In addressing this issue with District administration, there did not appear to be a high level of recognition of the severity of the problem. In fact, the administration did not seem to think they had reliable data on absenteeism.

Therefore, the District shall immediately undertake a series of steps to document the nature of the absenteeism issue and to put in place a series of corrective actions to reduce absenteeism. Successful implementation of a corrective action plan will have both academic and financial benefits for the District.

<b>AF03.</b>	<b>Assess absences among District Staff and Develop an Action Plan</b>	
	<b>Target outcome:</b>	Document the number and type of absences by staff member for both instructional and non-instructional staff
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	Human Resources Director and Business Manager

The District shall immediately establish a reliable and sustainable data system to record staff absences and create a series of daily and monthly reports that can be used by management to monitor and track staff absences. The monthly reports shall be presented to the School Board and the CRO.

<b>AF04.</b>	<b>Develop a comprehensive program to reduce staff absenteeism with a focus on cost savings and academic improvement</b>	
	<b>Target outcome:</b>	Decrease absenteeism through establishing policies, processes and accountability for tracking and dealing with unwarranted levels of absenteeism
	<b>Five year financial impact:</b>	\$650,000
	<b>Responsible party:</b>	Superintendent, Human Resources Director and Business Manager

Using the information gathered through the creation of the absenteeism data base and reports, the District shall immediately develop a comprehensive plan to address absenteeism. The District shall create specific objectives for reduced absenteeism and the Superintendent and Principals shall be evaluated on specific criteria related to achieving the absenteeism targets.

In developing the comprehensive absenteeism reduction program, the District shall employ a series of best practices that include but are not limited to the following:

1. Developing and distributing to all staff the District's policy on absences that include specific consequences for abuse of leave.
2. Addressing issues of absences with union leadership and appropriately modifying work rule provisions of contracts.
3. Providing daily and monthly staff absence reports to supervisors and principals.
4. Requiring staff taking unscheduled leave to directly contact their supervisor.
5. Requiring written physician documentation for medical leave beyond three days.
6. Requiring supervisors to discuss each instance of unscheduled leave with staff.
7. Develop an appropriate incentive program to reduce absenteeism that may involve additional credited sick leave for those staff that do not use sick leave for a defined period.

**Financial Impact**

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$100,000	\$150,000	\$200,000	\$100,000	\$100,000	\$650,000

**Financial Recovery School District Transitional Loan**

Section 681-A of Act 141 established a Financial Recovery School District Transitional Loan fund to be used by school districts that are declared to be in financial recovery status under the Act to facilitate their financial recovery. The funds are borrowed interest free from the fund and repaid over time. Transitional Loan funds are only available if the proposed Recovery Plan is adopted by the School Board and subsequently approved by the Secretary of Education. If the School Board does not approve the Recovery Plan, Transitional Loan funds may not be disbursed.

<b>AF05.</b>	<b>Act 141 Financial Transition Recovery Loan</b>	
	<b>Target outcome:</b>	Borrow \$6.44 million from the Act 141 Transitional Loan Fund repay the funds over a ten year period
	<b>Multi-year financial impact:</b>	\$4,082,714
	<b>Responsible party:</b>	Business Administrator/Superintendent

This Recovery Plan includes borrowing \$6,435,153 from the Act 141 Financial Recovery School District Transitional Loan Fund to help achieve several key initiatives described elsewhere in the plan, including:

- Retention and three years of salary for a Chief Executive Officer, as described earlier in this chapter (see initiatives AF01 and AF02 for more detail);
- Survey, staffing and promotion for the Cougar Academy (see the Education chapter of this Plan for more detail);
- Transitional funding for the increased transportation required to reorganize school buildings and upgrade early childhood programs; this amount will cover the one-year lag between the beginning of higher transportation costs and their partial reimbursement by the Commonwealth (see the Education chapter of this Plan for more detail).

In addition, the loan total includes borrowing \$3.0 million 2013-14 to allow a slower drawdown of the District's fund balance and mitigate the need for higher tax increases and greater workforce reductions by providing more time to implement the changes in this Recovery Plan. The loan total also includes a \$1.0 million optional borrowing in 2014-15 to help the District address a particularly deep one-time operating shortfall and provide a source of working capital if needed.

<i>Fiscal Year Ending:</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
<b>Loan Amounts Received</b>						
CEO Loan	\$250,000	\$200,000	\$200,000	\$0	\$0	<b>\$650,000</b>
Transportation Loan	\$1,116,465	\$0	\$0	\$0	\$0	<b>\$1,116,465</b>
Cyber Academy Loan	\$259,157	\$202,858	\$206,674	\$0	\$0	<b>\$668,688</b>
Additional Loan	\$3,000,000	\$1,000,000	\$0	\$0	\$0	<b>\$4,000,000</b>
<b>Total Loan Received</b>	<b>\$4,625,622</b>	<b>\$1,402,858</b>	<b>\$406,674</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,435,153</b>
<b>Repayment Schedule</b>	<b>\$0</b>	<b>(\$462,562)</b>	<b>(\$602,848)</b>	<b>(\$643,515)</b>	<b>(\$643,515)</b>	<b>-</b>
<b>Annual Net Loan Amounts</b>	<b>\$4,625,622</b>	<b>\$940,296</b>	<b>(\$196,174)</b>	<b>(\$643,515)</b>	<b>(\$643,515)</b>	<b>-</b>

The loan will be repaid over ten years in equal dollar amounts, beginning the fiscal year after each loan installment is drawn down. The borrowing and repayment amounts are shown above, with additional detail on the programmatic loan elements in the relevant chapters of the Plan. The net impact of the loan during the five years covered by this Recovery Plan is shown below. It is important to note that receipt of Transitional Loans is contingent on School Board approval and implementation of the entire Recovery Plan. Pursuant to Section 652(c)(2)(i) of Act 141, failure to approve the Recovery Plan within 30 days of its submission will make the District ineligible for Transitional Loans.

### Financial Impact

<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>Total</b>
\$4,625,622	\$940,296	(\$196,174)	(\$643,515)	(\$643,515)	\$4,082,714

### Business Services

The District's Business Services office manages a variety of important non-instructional areas including budgeting, financial reporting, payroll, accounts payable, grants, food service, facilities and maintenance and transportation. The project team's interaction with Business Services identified that it has an appropriate infrastructure to serve the District. The Business Manager is organized and able to produce information to aid in the team's analysis. Business Services also has acceptable software and systems to support its operation. The books and records, based on the latest audit appear to be in good order.

The most significant concern of the review team was the lack of experience and institutional knowledge in the office. The District has had a succession of business administrators in the recent past, with three business administrators in the last decade. The current Business Manager is capable and dedicated but is new to the position and relatively new to the District. During the initial period of the development of the Recovery Plan, Business Services had an interim leader who worked with the new Business Manager during a transition period that included development of the preliminary 2013-14 budget. Certain functions, especially in the finance portion of Business Services, might benefit from an upgrade to more skilled positions or employees with stronger relevant skills.

Overall, the financial and operational issues of the Harrisburg School District are complex and will require an experienced school executive to manage and resolve, especially with the multiple initiatives included in this Recovery Plan. As noted above, the mentorship and direction of an experienced Chief Executive Officer would allow the Business Manager and Business Services to focus more effectively on core services.



## Human Resources Department

The operational purpose of Human Resources is to recruit, hire, develop, and retain a highly competent and effective professional, administrative and support staff including substitutes at all levels to support the mission of the District to provide a quality education for all students. The Department must be committed to providing quality, individually focused service and support to all employees. The operational components of the Department include but are not limited to organization and management; policies and procedures; recruitment/employment; compensation and benefits; employee/labor relations including collective bargaining; staff development through human resources programs; employee support and management of an employee assistance program; development and maintenance of a personnel handbook; records management; oversight and training for the District's security personnel and crossing guards.

The Human Resources Department of the Harrisburg School District currently has five staff members:

- **The Director of Human Resources** oversees the managing, planning, organizing and operation of the Human Resources Department. This administrative staff member provides leadership and guidance in all areas of the Department including the direct supervision of the Human Resources Manager and indirect supervision of the three other staff members in the Department. This position reports to the Superintendent.
- **The Human Resources Manager** assists the Director of Human Resources in the development, implementation and monitoring of the District's Human Resources function including but not limited to participating in developing, implementing and negotiating collective bargaining agreements; assisting with the coordinating of staffing, including recruitment, screening, interviewing, and selection process; developing correspondence, reports, evaluations, recommendations and analytical studies applicable to all personnel related policies, procedures and actions; implementing the District's Affirmative Action Plan and administering the workers compensation and unemployment insurance programs. This position reports to the Director of Human Resources.
- **The Administrative Assistant/Agenda Coordinator** is responsible for the development, coordination and implementation of the District's employment services including but not limited to developing and utilizing procedures for the completion of employees' personnel files; assisting in the coordination of staffing; providing technical assistance and support; assuring compliance with all agreements, policies and procedures; compiling agenda items; maintaining employee files; administering the retiree benefits and unemployment compensation programs. This position reports to the Human Resources Manager.
- **The Administrative Assistant for Human Resources Office** is responsible for the development, coordination and implementation of the District's employment services including but not limited to processing of District employment paperwork; coordination of staffing; providing technical assistance and support to all staff; preparing and processing tuition reimbursement; assisting with employee inquiries and researching payroll issues; maintaining HEA salary increase records, recording post-baccalaureate credits, and updating database files. This position reports to the Human Resources Manager.
- **The Receptionist** is responsible for receiving and routing incoming calls, greets visitors to the Administration Building; provides general information and assistance to the public; assists in preparation and distribution of District materials; receives, signs for and distributes incoming mail and packages from delivery firms; performs routine office support functions, including word processing and data entry; and performs related duties as assigned. This position is under the AFSCME union agreement and reports to the Human Resources Manager.

## **Other Resources**

The Department is one of the primary users of the District's E-Finance and Cognos software for finance, budgeting, accounting and human resources. All Department staff could benefit from additional and continuous training on these software applications, including changes and updates. The Department can order training directly from the software supplier but it is expensive and response is reported to be slow.

## **Finances**

The Human Resources Department has no budget of its own. All supplies, materials, facility and utility costs are included in the Administration budget.

## **Assessment**

The District has recently gone through a period of staff downsizing, restructuring, school building closures and staff reassignments. This has put a severe strain on the time and efforts of the reduced Human Resources (HR) staff. In addition, the District's collective bargaining agreements contain benefits and past practices that complicate the recruitment, hiring, and placement of staff and require significant attention from HR personnel. Recent rounds of layoffs resulting in bumping and the enforcement of the terms of collective bargaining agreements affecting employee benefits, work ethic, time reporting, absences and other areas have been unpopular, as the new Human Resources Director has enforced policies, rules and contracts that were not adhered to in the past.

Changes in leadership, new policies and procedures, layoffs, staff assignments and negotiations have generated supervisory and clerical work in the Department, as well as the need to support the new approach. Communications at all levels need to be improved and the new Human Resources Director has made this a priority.

The new Human Resources Director and her staff appear to handle this workload pressure well. The Human Resources Department seems to have a good working relationship with most administrators, other department heads and building staff. The rapport between the Payroll Office and the Human Resources Department has improved significantly and there is a good working relationship since the hiring of the new Human Resources Director. As mentioned above, there needs to be continuing improvement in communications at all levels. Although the revolving door intrusive type of entry to the Human Resources office of the past had to be controlled, the current restrictive black door entry should be somewhat modified.

In the last two years, four positions have been eliminated from the Human Resources Department and the turnover in staff has been significant: six staff members have left the Department for various reasons. All of the staff is relatively new to the Department and all are experiencing an intensive learning curve. The new Human Resources Director has good HR experience but will need time to fully adapt to the situation in the Harrisburg School District. However, the Director and her staff are committed to change through continued steady work, training and better communications.

The Department currently acts in crisis mode, with critical items handled but other necessary work left undone or completed late. These tasks include completing an administrative handbook, record maintenance, filing, documentation, updating of employee rosters, ADA specific position descriptions, procedures and documentation of past and present practices, and complete training and utilization of the E-Finance and Cognos computer software.

The Director of Human Resources, a Principal on sabbatical leave and the Payroll Supervisor have compiled an initial draft of an administrative handbook which is a compilation of the policies that apply to the Human Resources Program. However, it has not been completed, approved and distributed.

## Initiatives

The following initiatives shall be completed by the Director of Human Resources, her staff and others.

<b>AF06.</b>	<b>Complete training on and utilization of the E-Finance and Cognos software</b>	
	<b>Target outcome:</b>	Complete expert training on the E-Finance and Cognos software for all Human Resources staff including the Human Resources Director
	<b>Five year financial impact:</b>	Minimal; use current budget resources
	<b>Responsible parties:</b>	Director of Human Resources & IT Department Staff

The Human Resources and Payroll staff is not fully trained or fully utilizing the E-Finance or Cognos computer software.

The District's IT Department is currently investigating other administrative software packages which may replace the current E-Finance and Cognos software. Given the importance of HR information to the changes proposed in this Recovery Plan, as well as the potential disruption and expense of a new system, no change in the District's human resources software should be made until a full evaluation has been completed and shared with the Director of Human Resources, the Business Manager, and the Chief Recovery Officer. Should this change take place in the near future, funding for this initiative may not be necessary. Should the implementation of new software be less imminent, the HR and Payroll staff shall complete E-Finance and Cognos training.

<b>AF07.</b>	<b>Consider a complete rightsizing study for the Human Resources Department</b>	
	<b>Target outcome:</b>	Proper staffing of the Department; better utilization of staff and better service to District Staff
	<b>Five year financial impact:</b>	N/A. Minimal.
	<b>Responsible parties:</b>	Superintendent, School Board and the Director of Human Resources

The Human Resources Department has lacked stability for several years due to downsizing, furloughs, resignations and transfers. The new Human Resources Director has consolidated the essential duties and responsibilities among the remaining five positions, but would prefer to have one additional Act 93 staff position for the Department.

In the current difficult financial circumstances, personnel and monetary resources are limited. As the District's finances improve, the District should consider whether a comprehensive evaluation of the HR Department could result in further efficiencies and improved performance with a different staffing configuration.

<b>AF08.</b>	<b>Transfer the oversight and training of the Security and Crossing Guards to the Facilities or Transportation Department</b>	
	<b>Target outcome:</b>	To place the responsibility for this service within the proper Departments
	<b>Five year financial impact:</b>	N/A
	<b>Responsible parties:</b>	The Board of School Directors, Superintendent, Director of Human Resources, Director of Facilities and Supervisor of Transportation

The Director of Human Resources assumed the responsibility for this service during the downsizing and furloughing process because no other Department stepped up to take on the supervision of the Security staff and crossing guards. However, this service function does not belong in the Human Resources Department and should be moved to a more appropriate Department.

The duties and responsibilities of the oversight and training of the Security and Crossing Guards shall be immediately removed from the Human Resources Department

<b>AF09.</b>	<b>Create and Distribute an Administrative Handbook and a Staff Handbook</b>	
	<b>Target outcome:</b>	To provide Administrative personnel and all staff with an instructional guide to the policies, requirements, forms and procedures in Human Resources within the District
	<b>Five year financial impact:</b>	N/A. Minimal
	<b>Responsible party:</b>	Director of Human Resources

An Administrative Handbook was at least partially developed last year by a Principal on sabbatical leave, the Payroll Supervisor and Director of Human Resources. However, to date the document has not been completed, approved or distributed.

The Administrative Handbook shall be completed, approved and distributed as a top priority of the Director of Human Resources prior to the end of this school year.

<b>AF10.</b>	<b>All Position Descriptions should be reviewed and updated and be ADA compliant</b>	
	<b>Target outcome:</b>	Position Descriptions will be current and ADA compliant
	<b>Five year financial impact:</b>	N/A. Minimal.
	<b>Responsible party:</b>	Director of Human Resources and Human Resources Manager

Many of the older position descriptions have not been updated and are not compliant with the Americans with Disabilities Act (ADA). The Director of Human Resources shall draft new uniform ADA-specific position descriptions. Consideration should be given to hiring an outside Human Resources consultant to assist with the development of District-wide uniform ADA-specific position descriptions.

<b>AF11.</b>	<b>Communications and access to Human Resources staff at all levels must be improved</b>	
	<b>Target outcome:</b>	Improved access to the Human Resources office and staff; Improved Communication at all levels
	<b>Five year financial impact:</b>	N/A. Minimal.
	<b>Responsible party:</b>	Director of Human Resources, Director of Facilities

The development and distribution of the Administrative Handbook will eliminate many of the personnel communication problems that exist in the District. However, there is still a perception that it is difficult to reach the Human Resources Director and her staff. In working to secure the confidential nature of the information and conversations within the Human Resources Department, a strict policy of appointments has been established. A control policy is necessary, but since the new policy is such a change from past practice it is perceived to create a barrier to access and service. The physical layout of the office with its closed black glass doors adds to this perception. Visitors and staff, even those with appointments, are made to wait in the main reception lobby.

It is recommended that the door to the HR office be replaced with clear glass and that one of the spare offices be renovated into a waiting room/lounge for staff and others who are waiting to meet with the Human Resources Director, Human Resources Manager or either of the two Administrative Assistants. One of the Administrative Assistants should meet visitors in the outside lobby and bring them into the Human Resources lounge.

## Payroll Office

The operational purpose of Harrisburg School District's Payroll Office is the timely and accurate payment of wages and salary; income tax withholding, reporting and filing; retirement plan withholding, reporting and filing including Public School Employee Retirement System and 403(b) tax shelter annuity plans; reconciliation of payroll accounts to the general ledger; reconciliation of all payroll bank/financial accounts; and the development and maintenance of payroll policies and procedures.

There are currently three employees in the Payroll Office:

- **The Payroll Supervisor** oversees the administration including but not limited to the managing, planning, organizing and operation of the Payroll Office and the related compliance standards. This administrative staff member provides leadership and guidance in all areas of the Department including the direct supervision of the Assistant Payroll Officer and Payroll Secretary. This position reports to the Business Administrator.
- **The Assistant Payroll Officer** assists the Payroll Supervisor in administration, including but not limited to the managing, planning, organizing and operation of the Payroll Office and the related compliance standards. Some specific major duties and responsibilities include entry of time sheets, processing, withholding and distribution of Local Service Tax, processing, administration of and compliance with the Fair Labor Standards Act, providing assistance to new hires and those employees leaving the District, maintaining retirement records, maintaining the District's compliance with IRS regulations for 403(b) plans, planning and administering the workers' compensation program. This position reports to the Payroll Supervisor.
- **The Payroll Secretary** serves as the receptionist for the Payroll Office receiving and routing incoming calls and assist callers with payroll questions when appropriate: greeting and assisting visitors to the Payroll Office; collecting and processing mail; maintaining the filing system; maintaining records for the Public School Employees Retirement System; operating office machines; coordinating and processing employee deductions and preparing vendor checks; assisting in the payroll process, including explaining payroll policies and procedures to

employees; is knowledgeable of the collective Bargaining Agreements and performing related duties as assigned. This position is under the AFSCME union agreement and reports to the Payroll Supervisor.

**Other Resources**

The Department is one of the primary users of the District’s E-Finance and Cognos software for finance, budgeting, accounting and payroll. All Payroll Office staff could benefit from additional and continuous training on these software applications, including fixes or updates. The Department can order training directly from the software supplier but it is expensive and reported to be slow.

**Finances**

The Payroll Office has no budget of its own. All supplies, materials, facility and utility costs are included in the Administration budget.

**Assessment**

The District has recently gone through a period of staff downsizing, restructuring, school building closures, and staff reassignments due to budget restraints. This process, occurring as the staff has been working to accurately set up and maintain position controls, has put a severe strain on time and efforts of the reduced Payroll Office staff. The Assistant Payroll Officer and Payroll Secretary are both fairly new to the Payroll Office and are experiencing the learning curve typical of employees in new positions.

However, under the leadership of the Payroll Supervisor, the Office is meeting and surpassing expectations.

The Payroll Office appears to have a strong working relationship with most administrators, department heads and building staff. There are some disgruntled employees because the Payroll Office staff is now enforcing policies and procedures that were ignored in the past, but this is to be expected with change. The staff of the Payroll office appears to be making efforts to ensure that payroll policies and procedures are fair and consistent. The rapport and cooperation between the Payroll Office and the Human Resources Department has improved significantly since the hiring of the new Director of Human Resources, and now a very good working and trustful relationship exists between these operational offices.

During the spring of 2012, the Payroll Supervisor, a Principal on sabbatical leave and the Director of Human Resources compiled an initial draft of an administrative handbook, which is a compilation of the policies that apply to the Human Resources and Payroll Office functions. However, it has not been completed, approved and distributed.

**Initiatives**

The following initiatives shall be addressed by the Payroll Supervisor, her staff and others.

<b>AF12.</b>	<b>Complete training on and utilization of the E-Finance and Cognos software</b>	
	<b>Target outcome:</b>	Complete expert training on the E-Finance and Cognos software for all Payroll Office staff including the Payroll Supervisor
	<b>Five year financial impact:</b>	N/A. Minimal.
	<b>Responsible parties:</b>	Payroll Supervisor & IT Department Staff

The Payroll Office Staff is not fully trained on or fully utilizing the E-Finance or Cognos computer software. See comments in initiative AF06.

<b>AF13.</b>	<b>Consider a rightsizing study for the Payroll Office</b>	
	<b>Target outcome:</b>	Proper staffing of the Department; better utilization of staff and better service to District Staff
	<b>Five year financial impact:</b>	N/A. Minimal.
	<b>Responsible parties:</b>	Superintendent, School Board, Director of Human Resources and the Payroll Supervisor.

The Payroll Office has also experienced downsizing, furloughs, resignations and transfers. Many administrators feel that another person is needed in this office to properly carry out its operational responsibilities. The review team concluded that once the two new employees in this office are thoroughly experienced in their respective positions, no additional staff will be needed.

In the current difficult financial circumstances, personnel and monetary resources are limited. As the District's finances improve, the District could chose to conduct an evaluation of the Payroll Office to determine if further efficiencies and improved performance are achievable with a different staffing configuration.

## **Facilities and Operations**

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# Facilities and Operations

## Overview

The Harrisburg School District (HSD) faces a convergence of issues that create an imperative to deal effectively and efficiently with its facilities and the operation and maintenance of those facilities. The District must address issues of rightsizing its physical plant to match the current student enrollment and grade structure and it must appropriately dispose of facilities it no longer needs to meet its academic mission. In addition, the District must operate and maintain its remaining facilities in the most economical way possible.

The District has already closed buildings and yet it faces a situation where the remaining buildings are not operating at capacity. It has vacant buildings and yet is leasing space for the administrative offices. It is retaining buildings in a mothballed status when it is unlikely the buildings will be needed again for educational purposes. At the same time, some of the mothballed buildings may have economic value which could be used by the District to offset other costs.

As part of the development of this Recovery Plan, the project team completed a review to determine the current operational efficiency of the District's school buildings and the Facilities Department, and to identify initiatives to increase efficiencies in staffing and building operations in order to both enable HSD cost reductions and to improve building conditions. The analysis concluded that there are substantial opportunities to decrease costs in these areas and to better utilize the facilities of the District. The known net savings to the District of implementing these recommendations will approach \$1.2 million per year.

Following is a listing of some of the key recommendations and findings in this report and the financial implications if known:

- Administration relocation to available District space: \$375,000/year net savings (after renovation costs)
- Energy purchasing contract improvements: \$200,000/year savings
- Increased energy conservation efforts by Facilities Department: \$132,000/year savings
- Lighting energy savings, gyms only: \$20,000/year savings on \$100,000 expenditure
- Reinstate the Supervisor of Custodians position: \$100,000/year additional costs
- Eliminate 4 custodian positions: \$207,000/year to \$235,000/year savings
- Eliminate 4 (net) grounds and painter positions: \$239,000/year to \$270,000/year savings
- Rightsize district facilities to current and projected enrollment: savings unknown
- Sell surplus building and land: value unknown

## Assessment

The primary goal of the Facilities Department is to provide a clean, comfortable, and safe environment which enables and supports the learning process, while contributing to the efficient, effective operation of the physical facilities and efficient use of District funds. It can be said that school facility departments are successful when its customers can go about their normal business in neat, clean buildings without disruption or inconvenience due to facility issues, that department employees are working well when the facilities have a nice appearance (i.e. no adverse cleanliness conditions are noticed), and staff/community support seems courteous and effective. A facilities department is judged by the outward appearance of school facilities, and effective, customer-oriented support of school district operations.

Upon review, the overall impression of the Facilities Department of the Harrisburg School District is that it is generally meeting the common goal for a school facilities unit, but some costs are high when compared to standards, and there are several notable areas for improvement.

The project team's analysis had two area of focus:

- To review the existing condition and efficient use of the existing school facilities, and;
- To review the operation of the Facilities Department.

The primary facilities consultant on the project review team had previously worked in the District in 2001 to perform a similar review. Since the 2001 review, enrollment decreases and changes in District operations have resulted in numerous facility changes and closings as well as Facilities Department staff reductions. After a review of District facilities and interviews with staff to determine practices, procedures, personnel, staffing, and training, the project team made the findings and recommendations described below.

### **School Facilities**

**Facilities:** A complete list of the HSD facilities is provided in Appendix 2 of this Recovery Plan. The District presently operates eight active elementary/middle schools for grades K-8, one large high school, one small science-technology high school, and one leased central administration building. The Facilities Department is housed in the Annex, a separate 23,000 square foot office/warehouse facility. In addition, there are six closed schools. The total architectural area of the active schools is approximately 1,203,800 square feet, and the total area of the closed schools is approximately 505,600 square feet based on a District-furnished summary. The District has a total of 151 acres of grass to maintain. These parameters were used in the project team's benchmark comparisons.

**Pupil capacities:** The project team reviewed the District's Facility Master Plan prepared by Hayes Large Architects in February 2003. This document provides a summary of the conditions of each school at that time, existing and proposed floor plans, instructional room counts and uses, student capacities, and cost estimates of the planned program changes to the buildings at that time, which was the reorganization to the K-8 configuration. The 2003 study represents the latest document of this type available for determining District building capacities. The pupil capacity pages from the 2003 report for the elementary/middle schools (K-8) are included in Appendix 2 of this Recovery Plan. Also noted in the Appendix is the current projected enrollment at each school per the March 22, 2013 proposed grade restructuring plan. Classroom capacities are based on the March 22, 2013 proposed grade restructuring plan and room counts and capacities from the Hayes Large Architects 2003 Master Plan adjusted for increased capacities due to later renovations. The following table summarizes the capacities as detailed in Appendix 2.

**Harrisburg SD Building Capacities**

(Based on Hayes Large Architects 2003 Master Plan calculations)

School	Grades	Capacity Min.	Capacity Max.	Capacity Avg.	3/22/13 Plan Enrollment	Enroll./Cap. %
Ben Franklin	K*-4	728	952	840	788	94
Camp Curtin	5-8	780	1060	920	846	92
Downey	PK-4	576	744	660	515	78
Foose	PK-4	690	878	784	739	94
Marshall	5-8	551	725	638	576	90
Melrose	K*-4	514	662	588	570	97
Rowland	5-8	780	1060	920	733	80
Scott	K*-4	570	718	644	607	94
Totals	PK-8	5189	6799	5994	5374	90

\*Adjusted for 1/2 a.m. and p.m. Kindergarten (room capacity x2)  
Assumes 200 in PK at Foose and 200 at Downey

The total K-8 capacity indicated is in a range from 5,189 to 6,799 students, based on the room minimum and maximum capacities as shown in Appendix 2. Note that these target room capacities are intended for class sizes well below 25 pupils in lower grades (K-4) and are very favorable. Comparing these capacity ranges to the March 22, 2013 projected K-8 enrollment of 5,374 indicates that projected enrollment is at 90 percent of capacity, using the favorable class sizes indicated in the Appendix.

**Initiatives**

<b>FA01.</b>	<b>Consolidate buildings</b>	
	<b>Target outcome:</b>	Rightsize the District in terms of enrollment and reduce building operating costs while potentially obtaining one-time revenue from building sales.
	<b>Multi-year financial impact:</b>	N/A (sale proceeds to capital; operating savings reflected elsewhere in plan)
	<b>Responsible party:</b>	CFO, Business Manager in consultation with Superintendent and School Board

**Renovations & additions:** The District completed a series of building renovations and additions in the 2000 to 2005 period at Ben Franklin, Downey, Camp Curtin, Foose, John Harris, Lincoln, Marshall, Melrose, Scott, and SciTech schools. These renovations and subsequent school closings affected the Facilities Department in several respects:

- newly constructed/renovated buildings are generally easier to maintain, since typically only preventive maintenance is needed for the near term;
- such facilities are easier to clean and keep at a high appearance level;
- new and larger facilities will alter the amount and nature of the custodian and maintenance department workload;
- new facilities should be more energy efficient, and typically have equipment and systems with a longer life-cycle.

As a result of these renovations, the active schools are generally in good physical condition, with some poorer conditions in the older non-renovated facilities. Generally, there do not appear to be any serious deficiencies in the active schools, except for potentially significant capital items such as roof repairs and replacements at John Harris High School, controls and piping work at Rowland, and chiller replacement

at Camp Curtin. These are presently listed as potential projects in the recent bond financing. Other projects in that financing are of a lesser priority, or involved closed buildings. Scott and Rowland have unusual floor plans and as a result are somewhat less attractive as an educational setting. This is due primarily to the fact that they were converted to school use from office buildings. Also, Rowland does not have a secure entrance (i.e. directly supervised and controlled from the office); however, staff indicated that alterations were planned for summer 2013 to relocate the main office to the entry area and provide a secure buzz-in entrance path.

Foose has had issues with water entering into lower level classrooms. These conditions appear to have been corrected, although there are still several empty rooms in that area of the school. The Annex provides ample space for the Facilities Department and also the IT Department offices. The Annex shop/warehouse space is appropriate and the large fenced-in yard allows for reasonably safe storage of vehicles and equipment.

The District's buildings were generally clean and relatively bright, although poor lighting levels existed in several areas of some schools. Lighting issues and potential actions for improvement and energy savings are discussed later in this section. The project team observed clean conditions while touring schools as part of this review and noted some deficiencies. However, rather than deal with individual items from a one-time cursory inspection, the focus of this report is on organizational and system improvements in that section.

**Closed schools:** The closed, inactive facilities are in widely-varying condition. William Penn High School was last used as the vocational-technical school and has been closed since 2010. It is in very poor condition. The building is not heated, has numerous roof leaks, has asbestos-containing materials on old steam lines and in floor tile, and the structure is considerable with very thick poured concrete walls and floors. These conditions will add to the cost of demolition should that be considered. The existing zoning is Open Space Recreational (OSR) which would be very restrictive for other potential uses.

The Woodward School is also in very poor condition, again with no heat and significant roof leaks. In fact, part of the membrane upper roof has blown off and is hanging over the side. It is zoned Residential (R5) which would also be restrictive to alternative uses. The other inactive schools - Hamilton, Lincoln, Shimmell and Steele - are in relatively good condition, except for some break-in and vandalism damage. They are being maintained at a reduced heat level to preserve interior conditions. Hamilton, Shimmell, and Steele were renovated in the 1997-1998 time period, and Lincoln in 2003. These schools are generally sound with good building envelope construction; sound HVAC systems, asbestos abated, ADA compliant, and could be returned to service without major work. Hamilton is being considered for reopening to become the central administration offices if/when the existing leased space can be vacated. Such a move would require interior renovations to create appropriate office spaces, but major work on building systems would not be necessary. One of the other closed schools may ultimately be considered for the administration offices, as Hamilton may be more attractive for sale.

<b>FA02.</b>	<b>Sell unused buildings<sup>8</sup></b>	
	<b>Target outcome:</b>	Obtain one-time revenue from building sales.
	<b>Multi-year financial impact:</b>	N/A (sale proceeds to capital; operating savings reflected elsewhere in plan)
	<b>Responsible party:</b>	CFO, Business Manager in consultation with Superintendent and School Board

<sup>8</sup> Authorization for this initiative is provided by Section 642-A(11) of Act 141, *inter alia*.

<b>FA03.</b>	<b>Terminate Lease on Administration Building and Relocate Administrative Offices</b>	
	<b>Target outcome:</b>	Terminate lease on administrative office and relocate administration to vacant space in a District-owned building in order to reduce costs.
	<b>Multi-year financial impact:</b>	Net savings of \$1.38 million
	<b>Responsible party:</b>	CFO, Business Manager in consultation with Superintendent and School Board

**Administration Building:** The District currently leases its central administration building, Building 2, 2101 North Front Street in Harrisburg. The lease runs through the 2013-2014 school year. The 2013-2014 cost of this rental will be \$427,212 plus \$13,000 for utilities (based on prior year amounts) for 29,159 square feet of rental space. Consideration is being given to terminating this lease and moving the administrative staff to the closed Hamilton School, which is a 70,940 square foot facility. This would be a slightly larger facility, but would operate at significantly less net cost to the District. It is not certain at this time that the lease can be terminated early.

Based on the operation of other similar buildings in the District, it is estimated the operating costs for Hamilton would increase as follows if reopened for the administration:

- Renovations per HSD-provided estimate = \$120,000 one-time cost (estimated);
- Annual utilities = \$40,000 - \$8,000 existing Administration Building costs
- Annual custodial services = \$20,000 for an additional ½ staff;
- Total = \$52,000 per year + \$120,000 renovations.

Hence, the net savings of moving the administration to Hamilton would be approximately \$375,000 per year, after the initial \$120,000 renovation costs.

#### Financial Impact

FY14	FY15	FY16	FY17	FY18	Total
\$0	\$255,212	\$375,212	\$375,212	\$375,212	\$1,380,848

<b>FA04.</b>	<b>Achieve Cost Reduction by Renegotiating Energy Contracts</b>	
	<b>Target outcome:</b>	Renegotiate Electric and Gas Purchase Contracts
	<b>Multi-year financial impact:</b>	\$800,000
	<b>Responsible party:</b>	CFO, Business Manager in consultation with Superintendent and School Board

**Energy efficiency:** Recent years' energy use and expenditure data was reviewed in order to rank the efficiency of District schools in relation to known benchmarks. In addition, the District's energy purchasing contracts were reviewed to see if savings were possible in that area.

With respect to energy purchasing, the District's contracts are expiring in May 2013; hence, now is the time to seek more favorable purchasing rates. However, because of the short timeframe, the District may have entered into a temporary or interim purchasing arrangement until a more permanent purchasing contract can be negotiated. A preliminary purchasing analysis was done by an energy consulting firm and they found that the District could save approximately \$150,000 on the electric and \$50,000 (minimum) on the gas purchasing contracts. This information has been referred to the District's Business Office for possible inclusion in the next RFP process for electric/gas purchasing.

With respect to energy use in the buildings, initial research was delayed as it was difficult to get complete, accurate data on energy use. It appears there has been little effort within the Facilities Department to reduce energy usage. Energy efficiency should be a Department priority, with an emphasis on regular (monthly) energy use monitoring, and ongoing efforts to improve efficiency. Energy usage information was eventually obtained from NRG Building Services, Inc., the District's controls company (discussed in a later section of this chapter). The NRG data only covered the 2009-10, 2010-11, and 2011-12 school years. The external energy consultant mentioned above had access to more current data, which were used for comparisons to validate the data.

From that analysis, it was concluded that the 2011-2012 electric expenditures (adjusted for true monthly periods at the applicable unit prices) were \$1.52 million, and the adjusted gas expenditures were \$550,000, for a total of \$2.07 million. There were significant differences in the actual expenditure amounts in some buildings, but these were attributed to billing interval differences, late bill payments, bill adjustments, and similar factors. The 2012-13 prices and use are expected to be very similar. Thus the 2012-13 budget of \$1,320,000 for electric and \$585,400 for gas, totaling \$1,905,400, seems reasonable. However, the 2013-14 budget of \$1,477,000 for electric and \$649,000 for gas, totaling \$2,126,000 seems high in view of the potential savings from a new purchasing arrangement. Also, based on the analysis to be shown later in this section, the District should be using less energy than is indicated. As previously indicated, the District should enter into new purchasing contracts for electricity and gas as soon as possible, as significant savings in utility costs should result.

#### Financial Impact

FY14	FY15	FY16	FY17	FY18	Total
\$65,000	\$130,000	\$130,000	\$130,000	\$130,000	\$585,000

<b>FA05.</b>	<b>Increase Building Energy Efficiency</b>	
	<b>Target outcome:</b>	Reduce cost of building energy by employing energy saving techniques using the NRG digital building control systems
	<b>Multi-year financial impact:</b>	\$578,000
	<b>Responsible party:</b>	CFO, Business Manager in consultation with Superintendent and School Board

Using the NRG data, an analysis was performed taking into account annual consumption for all buildings and comparing the usage with known benchmarks and with the District's actual expenditures for the past three years. Note that there were numerous inconsistencies in the comparison of the NRG use data with the District's expenditure data. This can be somewhat explained by differences in monthly periods for the data, the District's monthly bill allocations at the beginning and end of school years, billing errors, late payments, and other factors. Generally the comparisons were close enough to believe the accuracy of the NRG data.

Following is a table summarizing the overall district energy use and comparisons for the three year period ending with the 2011-2012 year:

	Actual Expenditure	Utility Data	Cost/s.f. <sup>9</sup>
2009-2010 year electric use	\$1,547,587	\$1,412,828	
2009-2010 year gas use	\$715,223	\$794,512	\$1.55
2010-2011 year electric use	\$1,667,667	\$1,797,938	
2010-2011 year gas use	\$760,262	\$748,212	\$1.67
2011-2012 year electric use	\$1,703,092	\$1,516,825	
2011-2012 year gas use	\$608,036	\$552,414	\$1.59
<b>PASBO Facilities Benchmarking Median</b>			<b>\$1.34</b>

To provide a more focused analysis, the project team also generated the energy cost/square foot for the individual buildings. For this comparison, the 2011-12 year data was used as noted below, and compared with the PASBO 2011-12 year benchmark of \$1.34 per square foot. It is important to note that the indicated PASBO benchmark has decreased from \$1.64 per square foot in the 2007-08 year, an average decrease of \$0.075 per square foot per year. Therefore, even though HSD 2011-12 energy use was near the median, it can be anticipated that the 2013-14 benchmark median would be \$1.19 per square foot.

As a result, with more prudent use of the existing building control systems and more focus on energy management, additional savings can be expected. It would be helpful to have the US EPA Energy Star Ratings for these schools, which would be based on energy use in the units of btu/sf/year or energy use intensity (EIU) and compared to a national database. However, this requires that the most recent 12 months of energy use data be entered, which is beyond the scope and time constraints for this review. However, energy conservation should be an ongoing practice in the Facilities Department. The Department should begin use of the EPA Energy Star Portfolio Manager site to monitor and benchmark the energy use in the District. It is reasonable to estimate an additional 5 percent energy savings (\$130,000) could be attained with better management of the facilities.

#### HSD Building Energy Cost Comparisons 2011-2012 Year

School	Area	Electric cost	Gas cost	Total cost	Cost/s.f.
Annex	23,000	\$60,595	\$10,676	\$71,271	\$3.10
Ben Franklin	106,238	\$105,012	\$24,161	\$129,173	\$1.22
Camp Curtin	150,671	\$153,665	\$54,462	\$208,127	\$1.38
Downey	94,420	\$86,847	\$30,365	\$117,212	\$1.24
Foose	111,811	\$99,313	\$40,887	\$140,200	\$1.25
John Harris	298,130	\$289,445	\$89,616	\$379,061	\$1.27
Marshall	77,950	\$90,270	\$37,355	\$127,625	\$1.64
Melrose	72,150	\$74,511	\$24,330	\$98,841	\$1.37
Rowland*	122,745	\$92,873	\$40,965	\$133,838	\$1.09
Scott*	78,174	\$59,379	\$26,191	\$85,570	\$1.09
SciTech	68,500	\$74,450	\$2,047	\$76,497	\$1.12
<b>Totals</b>	<b>1,203,969</b>	<b>\$1,186,360</b>	<b>\$381,055</b>	<b>\$1,567,415</b>	<b>\$1.30</b>

<sup>9</sup> Cost/square foot. = electric + gas costs divided by the total of the area of all active buildings plus one-half of the area of inactive buildings to account for substantially less use in the inactive buildings.

Closed Schools	Area	Electric cost	Gas cost	Total cost	Cost/s.f.
Hamilton	70,940	\$43,688	\$20,560	\$64,248	\$1.01
Lincoln	82,275	\$82,275	\$21,994	\$104,269	\$1.27
Shimmell	44,044	\$24,871	\$15,916	\$40,787	\$1.08
Steele	55,890	\$17,892	\$4,971	\$22,863	\$0.41
Wm. Penn					
Woodward					
<b>Totals</b>	<b>239,740</b>	<b>\$168,726</b>	<b>\$63,441</b>	<b>\$409,766</b>	<b>\$0.89</b>

Notes:

- \* Rowland/Scott utility data was combined. It was split based on a s.f. basis
- Amounts in *italics* are estimated full year based on only 6 months data.
- Wm. Penn and Woodward are no longer heated; thus not included in analysis
- PASBO Facilities Benchmarking Report Median, 11/12 year = \$ 1.34 / s.f.
- PASBO Facilities Benchmarking Report Median, 13/14 year = \$ 1.19 / s.f. (projected).

**Financial Impact**

FY14	FY15	FY16	FY17	FY18	Total
\$50,000	\$132,000	\$132,000	\$132,000	\$132,000	\$578,000

<b>FA06.</b>	<b>Reduce Energy Consumption by Upgrading Selected Lighting Systems</b>	
	<b>Target outcome:</b>	Install energy saving lighting in gym and high ceiling areas of the District.
	<b>Multi-year financial impact:</b>	\$0
	<b>Responsible party:</b>	CFO, Business Manager in consultation with Superintendent and School Board

**Lighting energy savings:** In reviewing the existing conditions in the District's buildings, the focus was on any obvious energy saving measures which could be implemented without the need for borrowing and which would result in significant budget savings. One potential area of savings that was found was to upgrade the lighting in the schools. Typically the fluorescent lighting in all schools consists of 32 watt T8 tubes and first generation electronic ballasts. This lighting could be upgraded to higher efficiency ballasts with 25 watt T8 lamps and with LED fixtures in many locations for a resulting net savings of 25 percent to 30 percent on the lighting electric cost. This of course would require a capital investment, but it would be repaid in lower electric costs over approximately five to seven years. For example, using an average cost of \$2.00 per square foot from several recent lighting upgrade projects in other school districts, the active schools could be upgraded for approximately \$2.3 million. Of course this project could be reduced in scope to accommodate limited funds, and the project could be completed under the provisions of Act 39 of 2010, the Guaranteed Energy Savings Act or GESA. The resultant electricity cost savings and utility company rebates would be expected to pay back that investment in five to seven years. However, the District has limited/no capability to finance such a project; hence this section focuses on a smaller scope project with a higher payback, the schools' gyms and other high-ceiling areas.

Based on an inventory of these facilities and assuming hours of operation similar to those of other school districts, the existing lighting in those rooms could be removed and replaced with much higher-efficiency light fixtures. This would also improve the light levels in all spaces, some of which are significantly under illuminated. The estimated net cost (less utility rebates) for the gym relighting project is approximately \$50,000 and the annual savings would be \$12,500, indicating a conservative payback of four years. It should be noted that prior to recent Board action the District had \$3.0 million in unallocated one-time capital funds which could be used for such improvements. If these funds are no longer available, this



Recovery Plan suggests that the District consider application for future Transitional Loan funds from the Commonwealth for this project. Regardless of the source of the funds, this energy-saving project should be undertaken as it would provide immediate and continuous reduction to the annual budget for electricity. This project could be contracted via the GESA process (RFP, not specification/ bid) and could be completed in the summer of 2013.

**Financial Impact<sup>10</sup>**

<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>Total</b>
(\$80,000)	\$20,000	\$20,000	\$20,000	\$20,000	\$0

<b>FA07.</b>	<b>Improve Daily Management of Automated Building Control Systems</b>	
	<b>Target outcome:</b>	Realize better customer comfort and reduce energy costs by properly using existing equipment.
	<b>Multi-year financial impact:</b>	N/A
	<b>Responsible party:</b>	CFO, Business Manager in consultation with Superintendent and School Board

**Building control systems:** A priority for the project team review was the status and operational efficiency of the building controls upgrades that were completed under a contract that spanned the last two years. Those contracts totaled \$2.2 million with NRG Building Services, Inc. for upgrades to a new current technology operating system, a new graphics interface, custom programming, and reactivating the automated digital control systems in eight schools with some additional energy savings improvements.

It appears that the contracts were awarded in two phases as proprietary contracts (i.e. not through a bidding or RFP process, nor under the provisions of Act 39 of 2010, the Guaranteed Energy Savings Act or GESA). The contracts did indicate significant energy cost savings would result from the controls reactivation and upgrades in Phase I, even though that apparently was not structured as guaranteed savings, as would have been the case if it was contracted as a GESA project.

The project team reviewed a narrative of the project provided by the District's Facilities Coordinator. It indicated "annual" energy savings of \$640,000 would result. Upon review, it appears the narrative intended to indicate that the savings of \$640,000 would result over the term of the agreement, which was two years. Based on a review of energy records, it appears that the savings (or cost avoidance) is accurately stated by NRG as \$588,026 for the two-year period ending June 2012 for the eight buildings included. This amount is close to the earlier savings estimate (92 percent), although there may have been others factors not related to the NRG contracts which netted energy savings during the period.

Work per the control upgrade agreements is still ongoing, as the contract work was to be completed by October 2012, but was not ultimately complete until January 2013; there are existing punchlist issues with the control systems still to be resolved. As a result of this situation, NRG is providing a technician to the District one day/week through June 2013 at no additional cost. The technician is to work on system problems in conjunction with District staff. In addition, the older control system of a different manufacturer at Rowland recently failed and the building is currently being operated manually. NRG has provided a proposal to replace that entire control system at a cost of \$353,000, which is awaiting allocation of funds according to the Facilities Coordinator. Camp Curtin also has a control proposal (\$15,000) awaiting allocation of funds. The ongoing control system issues are apparently why there are numerous HVAC comfort complaints from the staff. There are also control upgrade proposals for Hamilton (\$280,000) and Lincoln (\$7,000) which should be deferred until the status of those buildings is determined.

Based on past experience with such large scale control system upgrades in multiple buildings, there

<sup>10</sup> Assumes summer 2013 completion; full school year savings in 2013-14; net project generates positive return beginning 2018-19.

typically are many issues to resolve in the way of software glitches, wrong data input, incorrect algorithms, and most importantly for the owner's staff to become knowledgeable in the effective use of the systems. It is very important for the owner to be sure the controls contractor provides regular assistance to correct all the data errors and verify the proper system operation, which it appears NRG is doing. Commissioning of these systems was included in the agreements, which means that the vendor must provide verification of proper operation of all controls and correction, when needed. Also, it is very important that individuals in the Facility Department be trained to effectively operate these systems (Coordinator, Supervisor, HVAC mechanics, etc.). It appears that some training has occurred, but ongoing assistance will be needed for proper system maintenance and operation.

Properly operated control systems are a key component of any energy efficiency program and are critical to the comfort conditions in the buildings. It is not unusual for a school district to have a mechanic trained as an operator/monitor/troubleshooter of the system, and have that person fully dedicated to the job. This usually pays off in the short term via energy savings and reduced comfort complaints. The District needs to dedicate more time to the daily management of the automated building control systems. This will reduce the building comfort complaints and result in energy savings as estimated earlier.

**Facilities Department**

**Organization:** The Facilities Coordinator is the head of this department and reports to the Chief of Business Operations (Business Manager), which is typical in most Pennsylvania school districts. The maintenance, grounds, and painting staff all report to the Facilities Supervisor through foremen, which is an appropriate arrangement. The Coordinator, Supervisor and the maintenance/grounds employees are located in the Annex Building which is shared with the IT department. This facility provides the maintenance group with ample and appropriate space for its needs. Custodians are distributed throughout the schools and currently report through head custodians to the Coordinator with some support from building principals and/or assistant principals. The Facilities Department is currently staffed with seventy-nine employees as follows:

**HSD Facilities Department - Current Employees**

<b>Position</b>	<b>Number of Employees</b>
Facilities Coordinator	1
Facilities Supervisor	1
Secretary/Clerk	1 (Shared with IT)
Maintenance	8 (Including 1 foreman)
Grounds	6 (Including 1 foreman)
Painters	3 (Including 1 foreman)
Head custodians	10
Custodians	49
<b>Total</b>	<b>79</b>

It should be noted that security staff report to the Human Resources Director and not to the Facilities Coordinator (see Initiative AF08 in the Administration & Finance chapter of this Recovery Plan). The only non-union members of the facilities staff are the Facilities Coordinator, who is responsible for the overall direction of the department, and Facilities Supervisor, who is in charge of the building and grounds maintenance. A position of Custodian Supervisor was eliminated in December 2011 with the retirement of the person in that position, and the custodians are now generally supervised and evaluated by head custodians, with additional review and support from the Coordinator and some input from building principals and/or assistant principals.

Maintenance and custodian services in all facilities are primarily provided by in-house staff to the extent possible, with several typical contracted services providers such as for life safety systems, high

technology systems service, uniforms, etc. There are also contracts for other technical services beyond the in-house capabilities, but contracted services expenditures are below average. Facilities Department employees are represented by a bargaining unit, American Federation of State, County, and Municipal Employees (AFSCME) Council 90, with a contract that expired June 30, 2011, although employees continue to work per the terms of that agreement pending negotiation of a new agreement. This bargaining unit includes the facilities employees as well as employees in the following classifications: lunch aides, cafeteria helpers, hall monitors, secretaries, clerk-typists, warehouseman, and similar positions.

A customer survey was sent to the building staff to determine their satisfaction with the Facilities Department services. A copy of the survey document is provided in Appendix 2 of this report. The responses on a 1-5 scale were as follows:

#### HSD Facilities Customer Survey Results

School	Central Bldg Maintenance	Grounds Maintenance	Custodian Maintenance	Day/Night
Ben Franklin	3, 4	3, 4	3, 4	3/3
Camp Curtin		No response		
Foose		No response		
Hamilton		No response		
John Harris	2, 3, 4	4, 5	2, 3, 4	4, 5 / 4,5
Marshall	4	3, 4	3	4 / 2
Melrose	3	2, 3	2, 3	3, 4 / 2, 3
Rowland		No response		
Scott		No response		

Ranking scale: 5 = excellent, 4 = very good, 3 = satisfactory, 2 = needs improvement, 1 = unacceptable, 0 = totally lacking

There were few responses, but those received indicate a mixed opinion on the services. Generally, there seemed to be more satisfaction with day shift custodians, less satisfaction with evening shift custodians, and a mixed reaction to the building and grounds maintenance. This would support the need for a Supervisor of Custodians primarily working the evening shift, which is addressed in the next section along with other issues that are affecting the service levels within the Department.

**Finances & Maintenance Expenditures:** According to District-furnished data, the total Department anticipated expenditures (total 2600 accounts) for the 2012-13 year is approximately \$10.41 million, and the 2013-14 budget is \$11.211 million. If we deduct from those amounts the total cost of utilities (electric, gas, water, steam), the result is termed the "Maintenance Expenditures" of the District, which are \$7.874 million for 2012-13 and \$8.671 million for 2013-14.

Dividing the maintenance expenditures by the total District anticipated expenditures for 2012-13 and the 2013-14 budget yields the maintenance expenditures as a per cent of total District expenditures. For the District these amounts are 5.80 percent for 2012-13 and 5.89 percent for 2013-14. The PASBO Facilities Benchmarking Report statewide median is 6.35 percent for the 2011-12 year and 6.08% for the central region containing Dauphin County, and that number has been fairly consistent for several years. Hence, this would indicate that the Facilities Department is currently operating at a reduced funding level when compared to other Pennsylvania schools. However based on project team knowledge of operations in many other school districts and the review of the District's department, one cannot conclude that the group operates at above average efficiency. Rather, it seems to indicate underfunding of the Department, most likely due to the severe financial constraints in the district and the fact that the department wage rates have not changed since 2011.

However, if we look at another parameter in the PASBO report, it appears that the District's costs are high. That other parameter is maintenance expenditures per square foot of instructional space. The instructional area of the District's active schools is 1,203,789 square feet. To that area can be added 15

percent of the area of the four closed schools still being maintained (Hamilton, Lincoln, Shimmell, Steele), for a total area of 1,239,750 square feet. This yields maintenance expenditures per square foot of \$6.35 for 2012-13 and \$6.99 for 2013-14 versus the PASBO median of \$4.49 for the 2011-12 year (again, the PASBO benchmark survey number has been fairly consistent over recent years). Based on the overall financial position of the District, it is unlikely that a large infusion of budget support is feasible in the near future for the Department. Hence, the bulk of the remaining review focuses on ways to better use the resources available within the Department, and ways to lower costs to the District.

**Custodians:** Based on job descriptions, custodians are part of the Facilities Department. However, they apparently receive some direction and evaluation from the principals by way of the head custodians. Since the position of Supervisor of Custodians was eliminated due to budget constraints, there is not a non-bargaining unit supervisor during the work period of most of the custodian employees. The Coordinator is covering those responsibilities to the extent possible, but the double duties spread him too thin and keep him from more critical tasks within the department (energy efficiency, budget, work orders, preventive maintenance, etc.). This diffused organizational structure has several problems:

- no consistent training in cleaning procedures, the use of materials, and safety issues (AHERA, Right To Know, lifting, etc.);
- inconsistent employee accountability and evaluations;
- potentially inconsistent and/or inefficient budgeting, purchasing, and control of consumable supplies;
- no central coordination of the employee absentee coverage pool or procedures; and
- potentially poor use of educational administrator time on facility support issues.

The inconsistencies are evident in the responses to the O&M survey from several principals as reviewed earlier in this section of the report.

While arguably the building principal should have control over staff in their school, the principal's primary responsibilities are to manage the instructional program, to supervise teachers and students, and to deal with parents and the community. The Education chapter of this plan points out that District principals are already spending insufficient time on instructional matters. Principals are educators first and building managers second, hence their talents are better applied to areas other than custodian direction and supervision. Principals should retain the ability to direct staff as needed, and have input into their evaluation, but direct supervision is needed on the evening/night shift. Much of the custodians' typical student day duties would still be spent responding to staff/student needs, as is the case now. However, scheduling, direction, and evaluation of the custodian staff, both day and night shifts, should be part of the central facilities management function. Central control and direction from individuals knowledgeable in and experienced with custodian duties can provide effective, efficient, and consistent procedures in the deficient areas noted above. It is recommended that the custodians be under the daily direction of a reinstated position, Supervisor of Custodians, who would report to the Facilities Coordinator. The added cost for this position, estimated at \$100,000 for salary and fringes, can be offset by substantial savings from realigned and reduced custodian staffing as described later in this report. Alternatively, the District may use an internal realignment and staff designation to fill this role.

<b>FA08.</b>	<b>Reinstate Position of Supervisor of Custodians</b>	
	<b>Target outcome:</b>	Improve the quality of building upkeep and reduce involvement of building principals in routine maintenance and operations issues.
	<b>Multi-year financial impact:</b>	(\$552,563)
	<b>Responsible party:</b>	CFO, Business Manager in consultation with Superintendent and School Board

It is recommended the Supervisor of Custodians position be filled with someone very experienced in custodial methods and materials, and most importantly, with relevant experience in employee relations/supervision. Also, the new supervisor's work schedule should be primarily directed towards second shift management. The exact distribution of duties can be determined by the Business Manager and Facilities Coordinator, and will be influenced by the skills, strengths, and experience of existing employees and the new supervisor. However, the position should be a non-union, management position, a "working supervisor." This is appropriate to the extent that the supervisor performs custodian work for the purposes of training, absentee coverage, and emergencies; but this position should not be used to correct the lack of sufficient substitute custodians. The Management Rights Provision, Article 31, of the existing AFSCME contract shall be reviewed and revised so as not to restrict this capability.

**Financial Impact**

<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>Total</b>
(\$100,000)	(\$105,000)	(\$110,250)	(\$115,763)	(\$121,551)	(\$552,563)

There are generic position descriptions for Custodian (formerly Facilities Service Worker- I) and Head Custodian A and 1B (formerly Facilities Service Foreman). In addition, there are individual job descriptions (i.e. specific area and task assignments within each building) which include specific areas assigned and duty lists for each area on a daily/weekly/monthly basis, with proper procedures, check lists, and logs as needed. However, these shall be revised and shall be based on time allocations using current time allocations, cleaning methods, materials, and equipment. There are several custodian staffing guidelines available from cleaning materials manufacturers and trade associations to aid in setting up new cleaning duty allocations (Hillyard CCAP, Butchers BlueprintPro, BOMA publications, and others). The new Supervisor of Custodians shall be assigned the task of reviewing and revising these guidelines and standards, reorganizing the cleaning areas to more accurately reflect industry standards, and downsizing custodian work force as noted below.

<b>FA09.</b>	<b>Reduce Custodial Staffing</b>	
	<b>Target outcome:</b>	Reduce the cost of custodial operations by bringing staffing in line with standards.
	<b>Multi-year financial impact:</b>	\$1.1 million
	<b>Responsible party:</b>	CFO, Business Manager in consultation with Superintendent and School Board

In a 2001 review of District facilities there were a total of 68 custodians in the district covering 15 schools. This staffing level equated to 19,438 square feet per custodian. This figure did not include the William Penn building, which is very large but was only partially used. The 2001 review used several formulas to determine appropriate custodial staffing levels for each school and recommended a reduction of three custodians overall, which would have yielded 20,443 square feet per custodian. The reduction in force since 2001 was due to school closings and budget constraints. There are now 59 custodians covering 10 schools at a lower square foot per custodian. Hence, the custodian staffing levels based on total areas (gross square feet) of the schools was reexamined while accounting for the renovations and additions in several schools. The number of square feet per custodian for comparison with the PASBO Benchmarking Report standard is as follows:

School	Day	Evening	Total	Area '(sf)	S.F./Cust.	Required Change in Staff
Ben Franklin	1	4	5	106,328	21,248	0
Camp Curtin	1	7	8	150,671	18,834	-0.5
Downey	1	4	5	94,420	18,884	-0.5
Foose	1	5	6	111,811	18,635	-0.5
John Harris	1	11	13	298,130	22,933	0
Marshall	1	4	5	77,950	15,590	-1
Melrose	1	3	4	72,150	18,038	-0.5
Rowland*	1	6	6	122,745	20,458	0
Scott	1	3	4	78,174	19,544	-0.5
SciTech	1	3	4	68,500	17,125	-0.5
Existing 10 Schools	10	50	60	1,180,789	19,680	-4.0
<b>Required</b>	<b>10</b>	<b>46</b>	<b>56</b>	<b>1,180,789</b>	<b>21,086</b>	
<b>PASBO Facilities Benchmarking Report Median</b>					<b>22,098</b>	

\*Note that there are custodians at Camp Curtin and Rowland who work a 10:00 a.m. to 6:30 p.m. evening work shift. Other custodians work traditional first and second shifts.

These recommended changes to the custodial work force will require significant redistribution of work areas on day, evening, and night work shifts. The recommended changes are based on the PASBO median parameter. There was no attempt to reconfigure all the individual custodian assignments, as this will be the job of the Supervisor of Custodians position. While these staff reductions will not be easy, under the circumstances there is no reason why the District should not be at least close to the median square foot/custodian for Pennsylvania schools.

Based on current wages plus benefit costs, the reduction of 4 custodian positions would save between \$203,000 and \$232,000 annually. The District "custodian salaries per square foot of instructional space" is \$1.26, which is significantly less than the PASBO survey median of \$1.47. Hence, custodian wages in the District are well below average. However, fringe benefit costs in HSD are very high, 86 percent of salaries, which is well above typical Pennsylvania school district levels. These fringe benefit costs can be expected to increase significantly in future years due to rising medical insurance costs and significant increases in the employer retirement contribution. Any negotiations with the AFSCME bargaining unit should address the excessive fringe benefit costs, especially in light of the District's financial crisis.

#### Financial Impact

FY14	FY15	FY16	FY17	FY18	Total
\$203,737	\$211,667	\$219,882	\$226,311	\$231,281	\$1,092,877

<b>FA10.</b>	<b>Evaluate Contracting out Custodial Services</b>	
	<b>Target outcome:</b>	Evaluate the pros and cons of contracting out custodial services by conducting a formal RFP process among qualified bidders.
	<b>Multi-year financial impact:</b>	N/A
	<b>Responsible party:</b>	CFO, Business Manager in consultation with Superintendent and School Board

It is also recommend that the District investigate contracted cleaning services as an alternative to continued use of District employees on the night shift. The wage rates of contractors might not be substantially different from those paid by District, but the contractor fringe costs would likely be significantly less. The District did receive a proposal from ServiceMaster some time ago which indicated savings of approximately \$350,000 annually from contracting these services. A new proposal should be

solicited and reviewed. However, before making any change to contracted services, negotiations in good faith with the bargaining unit would be required, in order to provide the union the chance to match services and costs. Note also that the changes in initiative FA09 would serve to make in-house services more competitive with outsourced services. This would require changes to or removal of the existing Article 32, Section 1 of the existing Agreement.

**Financial Impact**

FY14	FY15	FY16	FY17	FY18	FY19	Total
\$0	\$0	\$0	\$0	\$0	\$0	\$0

<b>FA11.</b>	<b>Reduce Maintenance Staff</b>	
	<b>Target outcome:</b>	Eliminate a net of four positions in the maintenance area to bring staffing in line with standards.
	<b>Multi-year financial impact:</b>	\$1.3 million
	<b>Responsible party:</b>	CFO, Business Manager in consultation with Superintendent and School Board

**Buildings & Grounds Maintenance:** In a 2001 review of the HSD facilities performed by the project team, a total of 24 FTE (full time equivalent) building and grounds maintenance staff was employed in the District. In the current year there are a total of two supervisors and 17 staff consisting of eight building maintenance staff (two HVAC, one electrician, and five building maintenance personnel), three painters, and six grounds crew (including two foremen). Earlier attrition was due to building closures and budget constraints. Using the PASBO survey parameters for comparison with other Pennsylvania school districts yields the following results:

Parameter	PASBO Median	HSD 2012-2013
Supervisor Salaries per instructional s.f.	\$0.22	\$0.11
Total B&G Salaries per instructional s.f.	\$2.06	\$0.27
Skilled Trades Salaries per instr. s.f.	\$0.34	\$0.20
Instructional. s.f. per Skilled Trades/Maintenance FTE	122,500	154,969*
Acres per Grounds FTE	48	25
Contracted Services per instructional s.f.	\$0.36	\$0.25

\*Excludes painters

This analysis once again uses the area of the active schools (plus 15 percent of the area of the four closed but still maintained schools) to determine square feet of maintained space. These comparisons indicate the salaries in the District are generally below typical school district rates, but not for the skilled trade positions. This is also comparatively well below the median benchmark in supervision. The comparison also shows the District to be below the median with respect to contracted services. This is likely not a good situation, as it appears that the District is shortchanging more technical contracted maintenance on building HVAC and control systems. The controls in particular require competent maintenance services to continue optimum operation and to provide satisfactory comfort conditions. The need for trained staff in relation to these functions was discussed in more detail earlier in the section on building controls.

These benchmarks do indicate excessive staffing in some areas of the department. Further analysis of the staffing levels points to the number of District grounds staff and the existence of three full time painters on the building maintenance staff as the focus areas for staff reduction. The six grounds positions appear to be excessive based on the acres per staff comparisons. The painters are a luxury the District cannot afford in its current financial constraints. Based on experience with other school systems, districts have made significant staff changes within their building and grounds operations in response to

ever increasing budget pressures. Districts have combined grounds with other duties such as painting, general building maintenance, warehouse duties. Districts have allocated trimming and hand mowing around schools to the Head Custodians, thus leaving machine mowing and athletic field preparations to the grounds staff, and freeing up their time for other central maintenance work. Many school systems have eliminated full time painter positions in favor of summer painting only, either through the use of reassigned staff or temporary help. These changes were typically because of fume issues with painting during the school year (even though on second shift), and also because of financial constraints. In order to do this, the AFSCME contract would have to be modified to include revised position descriptions and more liberal management rights (see Initiative WF07 in the Workforce chapter of this Recovery Plan).

In summary, the District shall eliminate the three full-time painter positions. It shall also eliminate two grounds positions, with hand mowing/trimming duties reassigned to Head Custodians at each school. One of the five eliminated positions shall be retained for a skilled maintenance mechanic who can be dedicated to the monitoring and management of building controls, energy management, and preventive maintenance. That new position might well be filled with an existing staff member currently familiar with the systems. Seniority may determine which employees are eventually laid off in this downsizing and reassignment of duties, unless sufficient attrition occurs to minimize lay-offs. Obviously, reassignment of staff and duties will be significant; and this should be done to maximize the talents of the existing staff, but not at the expense of maintenance work quality. The total annual savings for the elimination of four positions would be between \$235,000 and \$267,000 based on current wage rates and fringe costs.

**Financial Impact**

FY14	FY15	FY16	FY17	FY18	Total
\$235,702	\$244,756	\$254,123	\$261,193	\$266,381	\$1,262,155

<b>FA12.</b>	<b>Acquire an Automated System to Manage Building Maintenance Issues</b>	
	<b>Target outcome:</b>	Acquire the "School Dude" system to manage work order systems and improve communications on building maintenance issues.
	<b>Multi-year financial impact:</b>	(\$29,600)
	<b>Responsible party:</b>	CFO, Business Manager in consultation with Superintendent and School Board

**Maintenance Management System:** The Buildings and Ground Department currently uses an in-house automated maintenance work order system. The system provides automated transmittal of maintenance requests and periodic reports generated by the Coordinator. However, it does not provide a preventive maintenance (PM) function, and little documented PM is currently being accomplished by the Department. The existing software also appears to lack the ability to effectively track individual maintenance worker productivity and to provide on line access to work order status. It also appears that many communications to and from buildings and buildings and grounds staff is conducted via cell phone. Staff should be required to use the work order system at all times, except for true emergencies. An alternative automated maintenance management system, "School Dude," is readily available on the market at a cost of \$7,200 for the first year and \$5,600 for renewal years. This is a completely integrated system with full management capability. It is used by thousands of schools internationally, and is generally accepted as the best tool for schools. It is recommended that School Dude be considered for use in District to better document, track, report, and evaluate maintenance work, and to provide a documented PM program.

**Financial Impact**

FY14	FY15	FY16	FY17	FY18	Total
(\$7,200)	(\$5,600)	(\$5,600)	(\$5,600)	(\$5,600)	\$29,600



**Food Service**

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# Food Service

## Overview

The goal of the Food Service Department is to provide children with healthy meals to support learning. The District currently operates a school breakfast and lunch program that is designated to serve meals to approximately 7,000 students at 10 schools:

1. John Harris High School
2. SciTech High School
3. Rowland Middle School
4. Melrose School (K-6)
5. Foose School (K-6)
6. Scott School (K-4)
7. Marshall School (K-8)
8. Ben Franklin School (K-8)
9. Camp Curtin School (K-8)
10. Downey School (K-8)

The District also provides meals for three schools operated by the Roman Catholic Diocese of Harrisburg, a summer feeding program, and a District-run pre-school program. All schools have their own cooking kitchens; however, only three schools (John Harris, SciTech and Rowland) have refrigerator and freezer storage capabilities. The remaining schools receive daily deliveries of food for service.

The Food Service Department staff is comprised of approximately 72 employees, 63 of which are full-time. The employees are part of the District's AFSCME bargaining unit. All full-time employees receive full medical, dental, vision, and prescription drug coverage. Part-time employees working 6 hours or more are eligible for dental and prescription drug coverage.

## Finances

The Food Service Department's fiscal 2012-13 operating budget revenues of \$5,258,151 are comprised of \$156,114 in actual in-school sales from breakfast, lunch, à la carte sales, adult sales, and other special functions; \$4,522,498 in federal reimbursements from participation in the National School Breakfast and Lunch program; \$249,201 from state reimbursement; \$311,434 in government commodities, and \$175,018 in state Social Security and retirement reimbursements. Current federal and state reimbursement rates are shown in the exhibit below:

### 2012-13 Federal and State Reimbursement Rates

Federal	Breakfast	Lunch
Paid and Severe Need Meal	\$0.27	\$0.29
Reduced Meal	\$1.55	\$2.48
Free Meal	\$1.85	\$2.88

State	Breakfast	Lunch*
Paid and Severe Need Meal	\$0.10	\$0.14
Reduced Meal	\$0.10	\$0.14
Free Meal	\$0.10	\$0.14

\* Extra \$0.04 given if breakfast participation is greater than 20 percent.

The fiscal year 2012-13 Food service budget has projected expenditures of \$5,544,127 that are comprised of \$2,923,370 in food and paper cost; \$1,767,336 in payroll and taxes; \$719,927 in group insurance and other benefits; \$66,306 in repairs and equipment; \$49,878 in depreciation; and \$17,310 in other expenses.

The Food Service Department has been operating with annual deficits for many years. As shown below, the Food Service Fund has accumulated a negative fund balance estimated to be over \$1.6 million by the end of fiscal year 2013-14.

**Food Service Fund  
FY2004-05 to FY2012-13 Historical and Projected Results and Year End Position**

<b>Fiscal Year</b>	<b>Net Assets Beginning</b>	<b>Operating Revenues</b>	<b>Non-Operating Revenues</b>	<b>Operating Expenses</b>	<b>Annual Surplus/Deficit</b>	<b>Net Assets Ending</b>
2004/05	\$585,992	\$594,734	\$4,143,042	(\$4,979,227)	(\$241,451)	\$344,541
2005/06	\$344,541	\$448,694	\$4,252,655	(\$4,921,467)	(\$220,118)	\$124,423
2006/07	\$124,423	\$308,936	\$4,465,784	(\$5,048,277)	(\$273,557)	(\$149,134)
2007/08	(\$149,134)	\$288,652	\$4,723,045	(\$5,214,273)	(\$202,576)	(\$351,710)
2008/09	(\$351,710)	\$297,495	\$5,278,364	(\$5,741,827)	(\$165,968)	(\$517,678)
2009/10	(\$517,678)	\$296,802	\$5,552,724	(\$6,152,980)	(\$303,454)	(\$821,132)
2010/11	(\$821,132)	\$291,415	\$5,165,430	(\$5,860,855)	(\$404,010)	(\$1,225,142)
2011/12	(\$1,225,142)	\$217,391	\$5,209,387	(\$5,561,731)	(\$134,953)	(\$1,360,095)
2012/13 (projected)	(\$1,360,095)	\$156,114	\$5,258,151	(\$5,544,127)	(\$129,862)	(\$1,489,957)
2013/14 (projected)	(\$1,489,957)	\$164,782	\$5,517,154	(\$5,813,355)	(\$131,419)	(\$1,621,376)

**Assessment**

The Harrisburg School District serves approximately 5,000 lunch and 3,500 breakfast meals per day. Approximately 86 percent of enrolled students are eligible to receive free or reduced price meals. Of that 86 percent, over 91 percent of students participate in the National School Lunch program and 70 percent participate in the School Breakfast program.

In 2012-13 the United States Department of Agriculture implemented the first changes to the National School Lunch program in over 15 years, a result of the Healthy Hunger Free Kids Act of 2010 (HHFKA). The changes included increasing the amount of fruits and vegetables served, implementing calorie restrictions, setting minimum and maximum meat and grain offerings, and requiring certain types of vegetables to be served each week. These mandates have brought on changes to the menus that the students were used to and may also potentially increase the food cost to the program. The District must become certified in these new meal regulations to be reimbursed an extra \$0.06 per lunch served. The District is very close to submitting the documentation to become certified.

The HHFKA also requires districts to ensure sufficient funds are provided to the nonprofit school food service account for meals served to students not eligible for free or reduced price meals. School districts must annually review their paid lunch revenue to assure compliance with the paid lunch equity requirement. When the average paid lunch price is less than the difference between the free and paid federal reimbursement rates, the Food Service Department must determine how they will meet the requirement either by increasing the average paid lunch price or providing funds from non-federal sources.

One of the challenges that the Food Service Department faces is lack of proper storage space at each

location. As noted above, only three of the ten schools have adequate refrigeration and freezer storage, so the District employs three drivers to deliver refrigerated and frozen food daily to the other seven locations.

The Food Service Department prepares a yearly budget. However, there is no monthly revenue and expenditures report reviewed with the Business Manager nor a budget status update completed monthly. The point of sale system being used is outdated and doesn't compile district-wide daily counts and sales reports. Manual calculations are being done for most of the financial reporting.

The responsibilities and efficiencies of the food service staff need to be addressed. Cafeteria managers and assistant cafeteria managers need to have more responsibility and accountability. The Food Service Director is performing job duties that should be expected of a cafeteria manager. Food service workers need to increase productivity. All job descriptions of the food service staff need updating.

Some of the schools are over staffed for the number of meal equivalents that are served. In a convenience style cooking kitchen, the goal for meals served per labor hour is between 17 and 21.<sup>11</sup> Only six of the ten schools are meeting this goal, and the schools' combined meals per labor hour is 15.9. Job responsibilities of staff members must also be assessed to ensure operating efficiencies.

The chart below is an analysis prepared in January 2013 to determine staffing opportunities in the Food Service Department.

### HSD Food Service Department Staffing Opportunities

2012-2013	Enrollment	Number of Operating Days	Total Lunches Served per Month	Average Daily Lunches Served	% Lunch Participation	Total Breakfast Served per Month	Average Daily Breakfast Served	Total Revenue Adult, A La Carte, Other Sales	Total Meal Equivalents	Total % Participation	Actual Labor Hours	Meals per Labor Hour
B. Franklin	878	17	14,868	874.6	99.6%	14,297	841.0	\$0.00	22,017	147.5%	816	27.0
Downey	666	17	8,807	518.1	77.8%	8,589	505.2	\$0.00	13,102	115.7%	672	19.5
Foose	788	17	11,326	666.2	84.5%	9,401	553.0	\$0.00	16,027	119.6%	774	20.7
Marshall	545	17	7,375	433.8	79.6%	3,691	217.1	\$0.00	9,221	99.5%	655	14.1
Melrose	541	17	7,395	435.0	80.4%	6,363	374.3	\$0.00	10,577	115.0%	612	17.3
Scott	618	17	9,210	541.8	87.7%	7,747	455.7	\$0.00	13,084	124.5%	655	20.0
Camp Curtin	802	17	13,336	784.5	97.8%	10,934	643.2	\$0.00	18,803	137.9%	816	23.0
Rowland*	602	17	11,647	685.1	113.8%	3,946	232.1	\$498.00	13,818	135.0%	1,156	12.0
Harris**	1,183	17	13,016	765.6	64.7%	4,360	256.5	\$3,397.08	16,547	82.3%	1,938	8.5
SciTech	359	17	4,312	253.6	70.7%	2,224	130.8	\$867.94	5,769	94.5%	625	9.2
<b>All Schools</b>	<b>6,982</b>	<b>17</b>	<b>101,292</b>	<b>5,958.4</b>	<b>85.3%</b>	<b>71,552</b>	<b>4,208.9</b>	<b>\$4,763.02</b>	<b>138,962</b>	<b>117.1%</b>	<b>8,717</b>	<b>15.9</b>

\* Rowland – 3,833 lunches and 745 breakfasts prepared for Catholic school

\*\* Harris - \$1,110.98 in catering sales included in total revenue

## Initiatives

The success of the Food Service Department is dependent on the provision of healthy meals to District children while eliminating the recurring annual losses in the Food Service Fund. The initiatives in this section will help improve the efficiency of the program, improve the financial reporting, rightsize the operation, and streamline responsibilities of staff. The goal is to make the food service operation self-sustaining.

<sup>11</sup> NFSMI, Financial Analysis and Program Evaluation

<b>FS01.</b>	<b>Rightsize the food service operation and repay prior subsidy</b>	
	<b>Target outcome:</b>	Reduce number of labor hours at three schools
	<b>Five year financial impact:</b>	\$1,657,095
	<b>Responsible party:</b>	Business Manager, HR Director, Food Service Director

The District must rightsize the operation in several schools: SciTech High School, John Harris High School, and Rowland Middle School. These schools are currently overstaffed for the enrollment, number of meals served, and programs offered. SciTech High School can reduce three employees to five hours. John Harris HS and Rowland MS can make staff reductions over a two year period to adjust. At John Harris, year one: reduce 4 employees to 5.5 hours and year two: reduce 6 employees to 4.5 hours. At Rowland MS, year one: reduce 3 employees to 5.5 hours and year two: reduce 3 employees to 5.5 hours. All of these reductions will increase the Meals per Labor Hour in each school, increase productivity, and eliminate benefits for full time staff. Re-training of staff will be necessary to achieve these objectives.

School	Labor \$/Day	Number of Days	Total Labor Amount	Average Benefits	Contribution	Total Yearly Savings
<b>SCITECH</b>	\$68.76	189	\$12,996	\$29,648	\$520	\$42,123
<b>JOHN HARRIS</b>						
Year One	\$183.40	189	\$34,663	\$59,295	\$876	\$93,081
Year Two	\$110.46	189	\$20,877	\$88,943	\$1,315	\$108,505
<b>ROWLAND</b>						
Year One	\$63.00	189	\$11,907	\$44,471	\$586	\$55,793
Year Two	\$66.75	189	\$12,616	\$44,471	\$586	\$56,501
<b>DISTRICT WIDE</b>			<b>\$93,058</b>	<b>\$266,828</b>	<b>\$3,882</b>	<b>\$356,004</b>

**Financial Impact (Food Service Fund)**

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Total
\$190,997	\$356,003	\$384,483	\$415,242	\$448,461	\$1,615,009

**Financial Impact (Eliminate Future General Fund Subsidy)**

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Total
\$131,419	\$131,419	\$131,419	\$131,419	\$131,419	\$657,095

**Financial Impact (Repay Prior General Fund Subsidy)**

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Total
\$50,000	\$200,000	\$250,000	\$250,000	\$250,000	\$1,000,000

<b>FS02.</b>	<b>Increase paid meal price to comply with Healthy Hunger Free Kids Act<sup>12</sup></b>	
	<b>Target outcome:</b>	Increase lunch price
	<b>Five year financial impact:</b>	\$22,483
	<b>Responsible party:</b>	Business Manager, HR Director, Food Service Director

Each year the District shall perform a paid meal equity calculation to determine if the paid lunch price needs to be increased. In the graph below, the calculation used for the next five years is the formula for the 2013-14 school year which is 2.00 percent plus 2.93 percent. Using this formula, the paid meal lunch price shall increase by \$0.10 each year. This will change each year, along with the paid lunch participation.

School Year	K-8 Price	9-12 Price	Annual Impact
2012-2013	\$1.75	\$1.90	Current
2013-2014	\$1.85	\$2.00	\$4,683
2014-2015	\$1.95	\$2.10	\$4,600
2015-2016	\$2.05	\$2.20	\$4,500
2016-2017	\$2.15	\$2.30	\$4,400
2017-2018	\$2.25	\$2.40	\$4,300
<b>TOTAL (cumulative)</b>			\$22,483

<b>FS03.</b>	<b>Operating Efficiencies</b>	
	<b>Target outcome:</b>	Align job descriptions to reflect proper personnel responsibilities
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	HR Director, Food Service Director

The District shall revise current job descriptions for the entire Food Service Department. Cafeteria manager responsibilities shall be increased; the Assistant Manager position shall be considered for elimination, as the volume in the cafeterias does not necessitate this position. The Director is currently performing duties that should be the responsibility of a cafeteria manager, such as preparing food orders and compiling production records. Some of these jobs shall be shifted to the Cafeteria Managers so that the Food Service Director will have the ability to spend more time effectively managing and assessing the financial performance of the operation.

<sup>12</sup> Paid Lunch Equity: School Year 2013-2014 Calculations and Tool, USDA

<b>FS04.</b>	<b>Outsourcing Analysis</b>	
	<b>Target outcome:</b>	Management company proposal on operating food service program
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	Business Manager

The District shall commission an outsourcing analysis from a management company to determine the level of potential cost savings to the District from private operation. Typically, a management company will charge the district a management and administrative fee to completely run the food service program. A district employee would still be needed to process free and reduced applications, submit claims to the state, and complete other state reporting requirements.

**Revenue**

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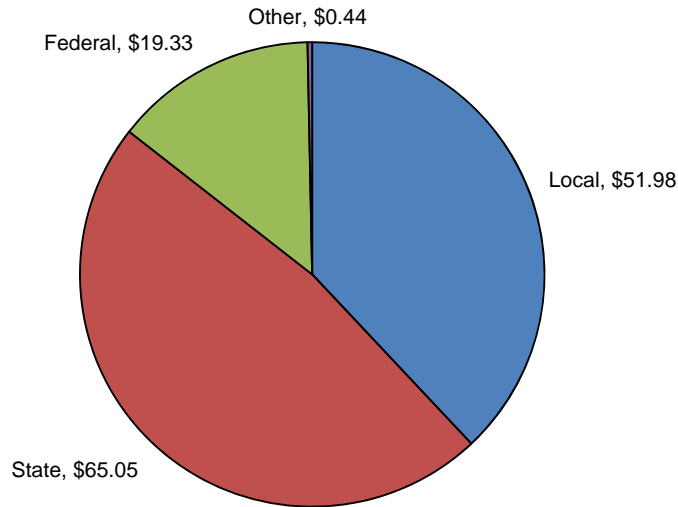


# Revenue

## Overview

The Harrisburg School District, like all Pennsylvania school districts, is funded through a combination of local, state, and federal revenue sources. The amount of revenue from each is determined by a combination of laws and regulations and decisions by the elected school board.

### 2012-13 Revenues (in Millions of Dollars)



Local revenues represent roughly 38.0 percent of the total revenue in the current year's budget. The vast majority of local revenues are derived from a variety of taxes, with over 80.0 percent generated by current and delinquent real estate (property) taxes. Each year the school board establishes the real estate tax rate which is applied against assessed values for each property to generate annual property tax bills. Properties are periodically reassessed by Dauphin County. Another 6.0 to 7.0 percent of local revenues are generated by the District's portion of a 1.0 percent tax on the compensation and net profits of residents of the District. This is known as the earned income tax.

The District is highly dependent upon state funding, which provides approximately 48.0 percent of the revenue in the current year's budget. State revenue to the District is determined by specific laws governing various subsidy and grant programs. Most state revenues are a function of specific district operations or expenditures, such as reimbursement for portions of District spending on transportation, debt service payments on bonds in connection with school construction projects, and contributions toward employee Social Security and retirement payments. By far the greatest source of state revenue is the basic instructional subsidy, which represents almost two-thirds of all state dollars. At \$42.0 million in 2012-13, it is the single largest revenue line item in the District's budget.

While the District is highly dependent upon state funding and a variety of local taxes to provide the majority of its revenue, federal funding is a third significant source of revenue. Unfortunately, several federal sources are in jeopardy of being reduced or in some cases eliminated. Federal funds originate from a variety of "categorical" grants and competitive programs. Some of the federal grant allocations are based on a combination of factors, including the number of students and poverty levels (categorical). Others are based on the District applying for money and being awarded funds based on the quality of the submission and the quantity and quality of other applications (competitive).

The District currently receives approximately 40 percent of its federal revenue through the Title I Education for the Disadvantaged Program. The District anticipates a \$500,000 decline in this line item in 2013-14. The District also receives approximately 39 percent of its federal revenue from a combination of multiple School Improvement Grants (SIGs). Because of the limited term of these grants and the fact that several SIG grants are in their last year, the District anticipates a loss of \$4.3 million in this line item in 2013-14, although there will be offsetting reductions in expenditures. Overall, federal revenues are projected to decrease from 14 percent of the District's budget in 2012-13 to approximately 9 percent in the 2013-14 budget.

## Revenue Profile

### Local Revenue

The underlying economic demographics of the District and the financial challenges of the City of Harrisburg – supported by the same taxpayers – are challenging. There is a high level of poverty and a stagnant tax base, both in terms of real estate and income. The District has had the highest real estate tax rate (millage) of all school districts in Dauphin County since the 2008-09 year, and has raised taxes for three consecutive years. Close to 50.0 percent of the District's assessed valuation for the real estate tax is tax-exempt. Collection rates remain low. And, the City doubled the earned income tax for the 2013 fiscal year.

The District has a number of properties that are currently designated as Keystone Opportunity Zones (KOZs). These properties are taxed at a nominal level for a period of years which is determined by law. The KOZ program is used by the Commonwealth and local communities to encourage economic development in depressed or blighted areas and in former industrial brownfields where there may be considerable work required to rehabilitate the sites. Often, local governments and school districts experience a large additional source of tax revenue when one or more KOZ properties reach the end of the incentive program and are placed back on the tax rolls. However, in Harrisburg it appears that the existing KOZ properties generally include provisions – called payment in lieu of taxes, or PILOTs – whereby the property owners voluntarily make payments to the taxing authorities in an amount similar to what the property taxes would otherwise be. The District is to be commended for maintaining this revenue stream throughout the period of the KOZ. However, this fact ensures that there will not be a sudden increase in local revenues at the expiration of the various KOZs.

There are also a number of properties within the School District that have been approved for participation in another tax abatement program, the Local Economic Revitalization Tax Assistance Act (LERTA). LERTA programs generally operate with five or ten-year periods during which the property owners gradually increase their real estate payments in prescribed steps from no payment in the first year until the taxing bodies are receiving the full amount of taxes by the end of the program. Local governments and school districts utilize LERTA programs for the same reasons as KOZs. A review of properties in the Harrisburg School District which have been granted LERTA status reveals that there is no new or additional source of tax revenue from LERTA properties before 2019.

The District is projecting an increase of less than 1.0 percent in the real estate tax base for the 2013-14 year. Because of the extremely high percentage of tax-exempt properties in the District, this increase in assessed value, without an increase in the tax rate, would generate less than \$300,000 in additional revenue. This modest increase follows several years of slightly declining tax assessments due to tax assessment appeals. While continued incremental growth is expected as the national economy continues to rebound, there is no indication that the District will experience significant increases in its real estate base in the short- or medium-term. It is clear that any revenue growth that comes naturally from an increase in tax assessments will not be sufficient to support the District's projected growth in expenditures. As a result, it will be necessary for the Board to levy tax increases as part of an overall

multi-faceted plan to balance its budget.

In addition to the practical limitations on increasing future real estate tax revenues, there are statutory restraints. Act 1 of 2006 placed restrictions on increasing the millage rate beyond a cost of living rate which is established annually by the Commonwealth. The exceptions to this are if a district seeks approval of its taxpayers through a public referendum or if the district qualifies for certain adjustments attributable to increased costs for special education programs, pensions, or school debt payments. The statewide Act 1 index for 2013-14 is 1.7 percent. Because of its demographics, the Harrisburg School District is assigned a modified index which is 2.5 percent - the same as in the 2012-13 year. Exceptions for special education, pension, and debt service costs permit the Board to increase real estate taxes by an additional 7.25% for 2013-14, for a total of 9.75%. However, the Plan recommendation is to only increase the millage rate by the Act I Index plus the amount allowed for the Special Education Exemption, for a total of a 3.5% increase. Please refer to the table below for the Act 1 index, the modified Act 1 index for the District, and the District's tax increases since the passage of Act 1.

School Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Act 1 Increase</b>	3.9%	3.9%	3.4%	4.4%	4.1%	2.9%	1.7%	1.7%
<b>HSD Modified Act 1 Increase</b>	5.8%	5.1%	6.6%	6.1%	4.4%	4.1%	2.5%	2.5%
<b>HSD RE Tax Rate</b>	21.23	22.31	23.75	23.75	25.20	26.31	26.97	27.91
<b>HSD RE Tax Increase %</b>	0.0%	5.1%	6.5%	0.0%	6.1%	4.4%	2.5%	3.5%

There are a few other significant considerations in terms of local revenue. The District has historically had a high rate of tax delinquency. In recent years, the District has collected 83-85 percent of its current real estate taxes in the timeframe that is prescribed by law before unpaid (delinquent) taxes are turned over to the Dauphin County Tax Claim Bureau. Once taxes become delinquent, interest and additional charges become due, causing the unpaid amount to increase significantly over time. If taxes remain unpaid after a period of two to three years, the property can be sold at a sheriff's sale and the owner can lose title to the property.

The District has utilized a tax lien monetization program since 2004. The program involves a complex arrangement between the District, the Tax Claim Bureau, the Redevelopment Authority of the City of Harrisburg, a lender, and a third-party that coordinates the program and packages the transaction. The program provides the District with a fairly predictable amount of income annually and eliminates the cash flow issues that would normally be associated with what can be a lengthy process of collecting delinquent real estate taxes. The program clearly has some aspects that are beneficial to the District, but it does cost several hundred thousand dollars annually in fees and the entire arrangement needs to be evaluated periodically to ensure it is the best option for the District.

Act 32 of 2008 required all municipalities and school districts to form county-wide committees for the purpose of consolidating the collection of earned income taxes and selecting a single collection entity. Prior to January 1, 2012 – the effective date of Act 32 – the Harrisburg School District utilized Capital Area Tax Bureau to collect earned income taxes. The decision in Dauphin County was made to contract with another firm, Keystone Collections Group. However, the District continues to utilize Capital Area Tax Bureau for the collection of delinquent earned income taxes for years prior to 2012. It appears that the District is receiving a very minimal level of delinquent earned income taxes now that current and

delinquent taxes are separated and collected by different entities. This matter deserves further study and evaluation.

Finally, another local revenue item that requires a very careful analysis and the development of a strategic multiple-year plan is related to the existence of several vacant school buildings. A feasibility study and enrollment projection should be done to determine the future building needs for the District, the buildings which best serve those needs, the marketability of the excess buildings, and a plan for disposing of those facilities based on district needs and the market values.

## **State Revenues**

State aid is determined annually as part of the Commonwealth's budget process. The Commonwealth's budget year is the same as the District's – July 1 to June 30. State budgets are often not passed and signed by the governor until close to July 1. Since school boards must approve budgets before the end of June, this phenomenon makes it very difficult for school districts to accurately project the amount of state revenue they will receive for the new school year.

There is not one single line item that represents state aid to school districts. In fact, the current budget for the Harrisburg School District contains over a dozen separate sources of state revenue. Each revenue item utilizes its own funding formula which represents the current political and philosophical intent of the General Assembly and the Governor and the revenues that are available to the Commonwealth to be spent on K-12 education in what is a very competitive budgetary process with many other needs and goals (including higher education, pre-school education, prisons, protection of citizens, and various social programs such as Medicaid). Each year, school districts are forced to predict what is likely to occur with regard to each of these separate line items.

The District is currently projecting the majority of its revenue from state sources to be continued in 2013-14 under essentially the same formulas and/or at generally the same levels as in 2012-13.<sup>13</sup> For the most part, that means the District expects line items to be "level-funded" at the current amounts or to change nominally. With nearly half of the District's revenues projected to remain fundamentally the same, this suggests that a balanced budget will require significant increases in local or federal revenues (see those sections) or major cost reduction or some combination of the two.

One state revenue line item which the District anticipates to be funded in the current manner, but which would necessarily involve a substantial increase, is the reimbursement for Public School Employees Retirement Systems (PSERS) pension contributions made by the District. The Commonwealth generally pays for 50 percent of the "employer" PSERS costs. An exception is made for districts that are poorer than the average, as determined by a measure that compares the per pupil real estate market value and per pupil personal income of each district to that of the statewide averages. In those districts which are poorer than average as determined by this measure, including the Harrisburg School District, the Commonwealth shares disproportionately in the employer costs associated with those employees who were hired after June 30, 1994. With each passing year, the District is eligible for the higher level of state funding on an increasingly larger percentage of its payroll. This higher level of reimbursement that applies to some of the District's pension costs generated an additional \$1.0 million in state revenue in the current year and is projected to generate more than \$1.2 million in additional revenue in 2013-14.

Although any or all of the state revenue sources in a given year can undergo a major shift or even elimination in the next budget year, over the long term there has been annual growth of a few percentage points each year on average. In addition, there are some factors which are generally responsible for the allocation of resources to school districts. An individual district's wealth (relative to other districts), student enrollment, and level of expenditures tend to greatly influence the amount of state aid it receives. For many years, state support of public education has attempted to help level the playing field for

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<sup>13</sup> However, state revenue projections in this Recovery Plan are based on District revenues announced in February 2013 in conjunction with Governor Corbett's proposed 2013-14 budget.

students in poorer school districts as compared to the students in wealthier areas. This is the major underlying factor behind the fact that Harrisburg School District receives close to half of its funds from state sources.

### Federal Revenues

The District is projecting to receive over \$19M in federal revenues in the 2012-13 year from a variety of nine programs or grants. Preliminary District estimates are for federal revenues to decline in the 2013-14 year by over \$6M. There is also an unknown potential impact of federal sequestration. Although some of the expenditures that are currently supported by the federal revenue that is being eliminated may be continued by the District and funded with state and local funds, the vast majority of those expenditures will need to be eliminated, also.

One source of federal revenue that could be increased in the 2013-14 year if the District takes swift and decisive action is Medical Assistance (ACCESS) funds. Relative to the revenue that other districts generate and the levels of revenue that the District previously received, it appears to be underutilizing the ACCESS program. Data pertaining to ACCESS revenues during the District's last five completed fiscal years can be found below.

Category	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual
Total Students Reported	849	709	501	398	213
Claims Submitted	\$1,315,137	\$940,925	\$752,302	\$317,883	Unknown
Reimbursement	\$688,114	\$497,341	\$407,212	\$177,822	\$194,682
<b>Total</b>					

### Future Outlook

Although the economy continues to show signs of rebounding from an extremely deep and prolonged recession, national and state economic growth is slow and uncertain. Governments at all levels anticipate ongoing challenges associated with increased costs outpacing the rate of growth in tax revenues. The continued trend of health care costs increasing well above the rate of inflation and steadily absorbing greater shares of budgets, combined with projected future shortfalls in Social Security, Medicare, and Medicaid, and almost universally underfunded pension programs threaten to continue to put great pressure on public sector budgets for years to come. Although there are signs of recovery, many businesses are still refraining from the level of investment commensurate with expectation of a robust economic turnaround in the near term. Continued high levels of personal debt and unemployment virtually ensure that while consumer spending may continue to increase, individuals will remain cautious and contribute to the likelihood of a slow, sustained economic recovery, at best.

All of this supports a conclusion that the District will experience very little inherent growth in local, state, and federal revenues and will need to rely on regular increases in the real estate tax rate as one part of a comprehensive strategy to help balance budgets and ensure financial viability.

	2013-14	2014-15	2015-16	2016-17	2017-18
Local Sources	49,928,357	50,388,579	50,853,653	51,323,635	51,798,578
State Sources	66,510,527	70,227,378	72,309,646	73,970,539	75,370,312
Federal Sources	13,271,467	8,053,684	7,689,359	7,445,616	7,236,998
Other Sources	444,070	444,070	444,070	444,070	444,070

Several things which have the potential to improve this revenue outlook for the District include:

1. Increased state funding attributable to the investment of additional dollars in the education budget following the sale of the state liquor stores as proposed by the Governor.
2. A fundamental restructuring of the basic instructional subsidy system which provides an even greater share of education dollars to the poorer districts.
3. A revision to the special education funding formula which has the effect of providing more state funds to the District.
4. The sale of some of the District's properties due to excess building capacity. This could not only generate one-time income from the sales proceeds, but has the potential to convert non-revenue generating properties to taxable properties and add to the District's tax base in a broader fashion if the new owners of the properties attract people to live and work in the District.
5. Additional economic development from such tax-friendly incentive programs such as the Keystone Opportunity Zone (KOZ) program, especially if the District continues to receive PILOTS associated with any properties that are provided KOZ status.

Perhaps the greatest threats to the current revenue projections are

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1. Sequestration or similar far-reaching reductions to federal spending
2. A change in the method currently used by the Commonwealth for sharing employer costs of PSERS
3. A change in the basic instructional subsidy formula to more closely match state funding with student enrollment at a time when the District's enrollment is anticipated to decline steadily for the foreseeable future

## Initiatives

<b>RV01.</b>	<b>Delinquent real estate tax collection</b>	
	<b>Target outcome:</b>	Increase revenue by performing a thorough evaluation of the sale of delinquent taxes vs. the traditional method of utilizing the Tax Claim Bureau or subjecting the sale of taxes to a bid or RFP process if that approach appears to be advantageous
	<b>Five year financial impact:</b>	\$1,250,000
	<b>Responsible party:</b>	Business Manager

The District has utilized a tax lien monetization program provided by Municipal Revenue Services (MRS) since 2004. While the program enhances cash flow to the District and provides a degree of predictability in terms of annual revenue, it is an expensive and complex program. The costs of the current program equal 6.0 percent of the amount that is advanced to the District. As such, they currently run close to \$500,000 annually. The District does not currently have a cash flow problem and the accelerated delinquent tax proceeds are not as valuable in the current extremely low interest rate market as they would be if the District could invest the proceeds and earn significant investment interest.

No analysis has been done for a number of years to determine if the District might benefit from ceasing the program and relying solely on the Dauphin County Tax Claim Bureau for delinquent real estate tax collection or switching to another program that is arranged by a different vendor. It has been established that the District is in a position to non-renew the current contract with MRS without a penalty or settlement

cost to the District.

The District shall immediately seek competitive proposals from the current vendor (MRS) and from other parties, including banks, which might be interested in purchasing the District's future delinquent real estate taxes. Furthermore, the District shall compare all of the responses to this request for proposals to the costs and benefits of having the County Tax Claim Bureau collect the delinquent taxes in a traditional format without a tax lien monetization component. The District shall select and immediately implement the option which provides the greatest economic value to the District.

### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,250,000

<b>RV02.</b>	<b>Delinquent earned income tax collection</b>	
	<b>Target outcome:</b>	Increase revenue by performing a thorough evaluation of the current effort being provided by Capital Area Tax Bureau (CATB) and consider transferring that work to Keystone Collections Group or awarding it through a competitive process or altering the compensation arrangement with CATB
	<b>Five year financial impact:</b>	\$1,350,000
	<b>Responsible party:</b>	Business Manager

When the municipalities and school districts in Dauphin County appointed Keystone Collections Group as the Act 32 collector, the District decided to retain its former earned income tax collector, Capital Area Tax Bureau, as the delinquent earned income tax collector for taxes due prior to January 2012. Since then, delinquent EIT revenues have been nominal. Capital Area Tax Bureau operates as the Act 32 EIT collector for other counties. It stands to reason that it is more economical for a tax collector to expend resources in the collection of current taxes than to make the often time-consuming and sometimes expensive effort to collect delinquent taxes.

It is possible that Capital Area Tax Bureau is doing a good job of collecting the District's delinquent earned income taxes. However, it is also possible that the bureau has been forced to decide how best to deploy its staff and utilize limited resources and that a better job could be done if another vendor was selected or if the compensation structure with Capital Area was revised to better incent the collector to make the necessary efforts to collect the District's delinquent taxes.

It is difficult to compare the current level of delinquent EIT revenue to prior years, since the District did not distinguish between current and delinquent EIT revenue when Capital Area collected both. However, the current delinquent revenue does not appear to be appropriate or typical given the size of the District. Other governmental entities have found that the amount of money that can be collected by pursuing non-filers, promptly filing all claims against other tax offices, and ensuring that enforcement actions are taken against individuals who have not fully paid their taxes not only generates substantial revenues in the near term, but also leads to greater compliance and filing rates in future years.

The District shall immediately seek competitive proposals from tax collection firms to collect the District's delinquent earned income taxes. Based upon a legal analysis of the District's ability to assign the duty for collecting delinquent taxes for the 2012 and prior years, the District shall, if possible, have a single

delinquent earned income tax collector and shall specifically evaluate the merits of Keystone Collections Group collecting both the current and delinquent earned income taxes due to the inherent advantages and efficiencies of sharing information about the same taxpayers across multiple years. Furthermore, the District shall obtain or create a list of all residents who were potentially subject to filing earned income tax returns at any point during the past five years and an accounting of which tax returns have been filed and whether outstanding taxes are due for each individual for each year. Based on this information, the District shall establish reasonable estimates for such outstanding delinquent taxes and shall, on no less than a monthly basis, obtain and evaluate reports from the delinquent tax collector that summarize, by taxpayer, what steps have been taken to collect such taxes and what payments have been received. The District shall ensure that every effort is being made by the current tax collector to obtain a tax return and supporting evidence of income for each resident subject to the earned income tax and to claim earned income taxes that were withheld by an employer but not remitted to the District.

If the decision is made to not use Keystone Collections Group as the District's delinquent earned income tax collector for all tax years, the District shall ensure that all relevant information concerning current collections (including names, addresses and other identifying information of taxpayers; names, addresses and other information regarding taxpayers' employers; and any and all information pertaining to self-employment) is shared with the delinquent tax collector to enhance collection efforts for the delinquent amounts.

### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$200,000	\$250,000	\$300,000	\$300,000	\$300,000	\$1,350,000

<b>RV03.</b>	<b>Encourage additional KOZ development with associated PILOT agreements</b>	
	<b>Target outcome:</b>	Increase revenue by attracting further economic development within the District's boundaries
	<b>Five year financial impact:</b>	\$1,100,000
	<b>Responsible party:</b>	Board/Superintendent/Business Manager

The current law authorizing the establishment of Keystone Opportunity Zones (KOZ) expires at the end of 2013. Applications by developers are due to the Harrisburg Regional Chamber and Capital Regional Economic Development Corporation (CREDC) by the end of September 2013. The Chamber and CREDC have multiple neighborhoods within the City of Harrisburg that they have identified as having potential for KOZ development. The District should do everything it can to encourage such development as long as it does not need to forego the revenue associated with these properties. This can be accomplished with the use of payments in lieu of taxes (PILOTs), a mechanism that the District has previously used.

Such development not only provides the District with an additional source of revenue from the renovation and construction of buildings that are not currently contributing much assessed value to the tax rolls, but it has the potential to create new jobs and additional earned income which is subject to taxation. The "ripple" effect of the developers' contractors and the new businesses' employees' spending money in already established nearby businesses provides yet another potential source of tax revenue.

The District shall immediately coordinate and attend monthly meetings with representatives from city government, county government, the Chamber, and other appropriate parties to develop a joint strategy for using the KOZ program to generate development interest, to facilitate discussions with potential



developers, and to maximize use of the program to generate tax revenues and improve the quality of life for citizens of the City and School District and the surrounding area. The District shall also immediately contact the PA Department of Community and Economic Development to ascertain what programs and resources exist to support the District's efforts to spur development and increase its future tax base while generating PILOT revenues in the meantime.

#### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$100,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,100,000

<b>RV04.</b>	<b>Develop partnerships with tax-exempt entities to generate voluntary payments</b>	
	<b>Target outcome:</b>	Increase revenue by attracting voluntary payments from tax-exempt organizations in return for public recognition & reward programs
	<b>Five year financial impact:</b>	\$1,500,000
	<b>Responsible party:</b>	Board/Superintendent/Business Manager

The District is in the unenviable position of having close to 50 percent of its real estate tax base declared tax-exempt. In addition to the usual array of religious structures, non-profit medical facilities, and other tax-exempt properties that almost every community has, the District is the state capital and the county seat. Moreover, some federal government offices are located in the District's boundaries for the same reason.

As a result, only slightly more than half of the District's property owners pay substantial real estate tax amounts for the benefit of the public school system. As indicated previously, the District has the highest real estate tax rate of all school districts in Dauphin County. At 26.965 mills, the District's rate is more than 25 percent higher than that of 10 of the other 11 school districts and is more than 50 percent higher than six of the eleven.

Other than to encourage development by tax-paying property owners through the use of tax incentive programs and the sale of one or more of its vacant buildings, the District can do very little to change this phenomenon. However, it needs to become the driving force behind a District-public-private partnership which encourages tax-exempt organizations to make payments to the District and recognizes and rewards them for doing so. The residents and taxpaying businesses of the District need to support such an effort. Other government entities in the Commonwealth have been successful in generating non-profit contributions, and the District can be as well.

The District shall immediately coordinate and attend regular meetings with representatives from city government, county government, the Chamber, The Greater Harrisburg Foundation, and a broad spectrum of non-profit organizations to spur discussion about how the non-profit sector can financially assist the District with cash payments or in-kind services. The District shall also contact state and national government officials to determine if there is funding or other resources available to promote such partnerships and shall research partnerships that exist elsewhere to identify best practices.

#### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$100,000	\$200,000	\$300,000	\$400,000	\$500,000	\$1,500,000

<b>RV05.</b>	<b>Develop a strategy for marketing the District's vacant and unneeded properties and maximizing short-term (sales proceeds) and long-term (real estate tax) revenues.</b>	
	<b>Target outcome:</b>	Generate immediate sales proceeds and ongoing real estate tax revenue and avoid costs of maintaining the properties.
	<b>Five year financial impact:</b>	\$10,000,000
	<b>Responsible party:</b>	Board/Superintendent/Business Manager

The District has multiple properties that are not currently being used. In addition, projections based on live births and other available information suggests that the District will continue to lose student enrollment over the next five years. Since it is not likely that they will be needed by the District, a thorough and comprehensive feasibility study of all of the District's properties should be done to develop a long-range plan for their use, including an identification of any that should be put up for sale. Professional consultants working in conjunction with the District would be able to consider all aspects of these decisions, including the need to preserve sufficient collateral for current outstanding debt.

The financial impact of this item will depend heavily on which buildings are sold, when they are sold, and what the overall real estate market is at the time of the sales. It is impossible to predict with any precision at this time, but the following table is meant to illustrate a pattern of revenue that might reasonably be expected to be realized over a multiple-year period. The cumulative estimate for proceeds is much more important than the precise timing of the revenues.

The District shall ensure that a feasibility study and enrollment projection are done to determine the future building needs for the District, the buildings which best serve those needs, the marketability of the excess buildings, and a plan for disposing of those facilities based on district needs and the market values. Such plan shall take into consideration economic development initiatives being undertaken by the City and Chamber.

#### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$0	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$10,000,000

<b>RV06.</b>	<b>Optimize utilization of the federal Medical Assistance (ACCESS) Program</b>	
	<b>Target outcome:</b>	Increase federal revenues and partially offset the need for local funds to support special education costs
	<b>Five year financial impact:</b>	\$1,600,000
	<b>Responsible party:</b>	Superintendent/Business Manager/Director of Special Education

The level of ACCESS revenues that have been received by the District has dropped sharply over the last five or six years. Although some of this decline can be attributed to fewer students being educated by the District, changes in the program, and a loss of staff for whom the District can claim reimbursement, the majority of the decline appears to be a failure to use the program successfully. For example, there were no service logs entered into the ACCESS system by the District during the last six months of 2012. As of March 19, 2013, the District had entered 74 service logs in January 2013, 203 in February 2013, and 12 thus far in the month of March 2013, for a total of 289 service logs. Of those 289 service logs that had been entered between July 1, 2012 and March 19, 2013, only 35 were correctly submitted. Of the 254 service logs that were submitted incorrectly, there were a variety of errors, including missing provider

certification, failure to submit “on behalf of” a provider, and missing IEP dates. The 289 logs that were submitted represented services provided to only 32 of the 467 students who were Medical Assistance (ACCESS)-eligible as of March 19, 2013. The District shall properly submit all logs for all eligible services within 180 days of the service in order to receive the reimbursement to which it is entitled.

Some of the factors that appear to contribute to the underutilization of the ACCESS program include difficulty in obtaining parental consent; difficulty in keeping the Individual Education Programs (IEPs) current; a slow turnaround in receiving medical authorization from the school physician; use of a third-party temp service who does not provide fully-trained individuals (thereby preventing the District from claiming those costs); unpredictable and inconsistent cooperation at the building-level; and a failure to claim all eligible services. District personnel who are most directly involved in this function cite a loss of staff in their own office and throughout the District and the impact that has had on their efforts and the ability for other District staff to provide them with the required information. The amount of available money that is not being claimed by the District appears to be so substantial that it would benefit the District to incur the costs of another employee if that was determined necessary for the District to optimize the program.

The District shall conduct or engage a qualified individual or firm to conduct a thorough analysis of the workload, the skill sets of the key individuals in this function, and the organizational processes and work flows that exist to determine if additional training, better practices and processes, and/or an additional staff member is needed in order to effectively utilize the ACCESS program. The Superintendent shall hold the Director of Special Education and ACCESS Coordinator and building-level administrators accountable for ensuring that each of them accurately and timely performs their duties to ensure that the program is optimized. Should the analysis reveal that the current staffing pattern is not adequate to optimize the ACCESS program, the District shall add up to one additional full-time secretarial person who reports to the ACCESS Coordinator and whose only responsibility is to assist in maximizing the program.

#### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$250,000	\$300,000	\$350,000	\$350,000	\$350,000	\$1,600,000

<b>RV07.</b>	<b>Engage professional contracted grant-writing services to seek additional funding from competitive grants and non-traditional sources</b>	
<b>Target outcome:</b>	Increase revenues and partially offset the anticipated loss of federal funding	
<b>Five year financial impact:</b>	\$1,600,000	
<b>Responsible party:</b>	School Board/Superintendent/Business Manager	

The District has a close working relationship with Pennsylvania Department of Education officials and is attempting to maximize federal and state grant dollars that automatically come to the District. However, other than for the current School Improvement Grants, there is little evidence of the District seeking competitive grants or exploring non-traditional sources of additional funding from private foundations, corporations, or philanthropists.

The District shall identify skilled professional grant-writers and engage one or more on a contracted basis such that compensation will be contingent on the success of the grant-writer(s). Furthermore, the District shall seek outside financial assistance from the Greater Harrisburg Foundation and other parties to provide funding for the grant-writer(s) so as to not reduce the money that is generated from the competitive grants and non-traditional sources.

### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$150,000	\$250,000	\$300,000	\$400,000	\$500,000	\$1,600,000

<b>RV08.</b>	<b>Utilize a combination of District personnel and professional contracted grant-writing services to seek School Improvement Grant funds for buildings that have not already been awarded a SIG grant</b>	
	<b>Target outcome:</b>	Increase revenues and partially offset the need for local funds to support certain expenses that were previously covered by expiring federal programs
	<b>Five year financial impact:</b>	\$2,000,000
	<b>Responsible party:</b>	School Board/Superintendent/Business Manager

Although the District is facing the loss of existing School Improvement Grants (SIGs) related to several buildings, it has the opportunity to offset or partially offset the loss of those funds by seeking similar funding for the remaining buildings. SIG grants are building-specific and they require a strong commitment to changing and improving education in those buildings.

The following table is intended to reflect a conservative estimate for the magnitude of funds that might be obtained through additional SIG grants and a typical pattern for that money if the District were to receive a series of grants over a multiple-year period. Since the grants are for three years, the money would not become a permanent revenue stream for the District, but they could provide a meaningful source of money over the next five year period. Since SIG grants typically provide Districts with money to improve schools by incurring expenditures that would not exist without the grants, an attempt has been made to estimate only those costs which would otherwise have to be supported by the local funds. Any additional revenue that would be used to pay for new or incremental costs would have no net impact on the District's budget.

### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$0	\$250,000	\$500,000	\$750,000	\$500,000	\$2,000,000

<b>RV09.</b>	<b>The severity of the District's financial condition is such that annual tax increases will be necessary each year to close the gap between expenditures and revenues</b>	
	<b>Target outcome:</b>	Increase revenues to support the costs of operating the District and providing a quality education to all students
	<b>Five year financial impact:</b>	\$10,721,469
	<b>Responsible party:</b>	School Board

As described throughout this Recovery Plan, even if all other cost-reduction and revenue-raising initiatives are implemented, the District will still face structural deficits. Therefore, the District's local revenues will need to increase over the next several years.

Commonwealth school districts are allowed to raise property taxes each year by a percentage amount

called the Act 1 index. Although an Act 1 index is established annually, districts like Harrisburg are provided with a modified index which is intended to reflect a low level of wealth per capita. For example, the Act 1 index for the 2013-14 year is 1.7 percent and Harrisburg SD's modified Act 1 index is 2.5 percent. That rate and an annual 1.0 percent increase in the tax base to reflect recent trends as the economy recovers have been assumed for each year from 2013-14 through 2015-16.

As part of the balanced multi-year approach taken throughout this Recovery Plan, the School Board shall increase the real estate tax rate annually through 2016-17 by the modified Act 1 index. The Plan does not include a millage increase in 2017-18. If the District projects financial results that are better than those in the Plan in any given year, it may adjust the Act 1 index increase downward to reduce the burden on District taxpayers.

In addition, in order to make a one-time adjustment to correct for tax effort trailing expenditure increases, the Board shall approve an additional 2013-14 millage increase sufficient to utilize the Act 1 exception for Special Education, which totals an estimated \$373,826. Since each year's tax increase is in addition to any prior ones, the impact is cumulative. The resulting increases in revenue are reflected in the table below.

As noted earlier, the Plan's requirements for tax increases are included only after all other financial changes have been explored and implemented. Over \$6.6 million in revenue collection from other sources is included in the Plan, and some grants sought in the Plan may provide additional relief. The District may lower the millage rate increase rate below the Act 1 index amount in years after 2013-14 if performance exceeds expectation.

**Financial Impact**

<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>Total</b>
\$373,826	\$1,250,277	\$2,256,364	\$3,403,483	\$3,437,518	\$10,721,469

**Debt**

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# Debt

## Overview

Over the last two decades the Harrisburg School District has undertaken a substantial number of capital projects related to purchasing, renovating and upgrading aging school facilities. While today the buildings used by the District are generally in good repair, borrowing to make needed improvements has resulted in an outstanding principal amount of debt in excess of \$265.0 million. The debt consists of both fixed rate and variable rate bonds, and the District entered into interest rate swaps on some of the bond issues. The table below shows recent bond issues of the District and lists the principal amount and the purpose for each bond issue.

Bond Issue	Original Principal (\$000)	Purpose
1999 General Obligation Bonds	\$80,000	Renovations to John Harris, William Penn, new elementary building, new intermediate school, refund 1996 Series A
2002 General Obligation Bonds	\$34,210	Refund 1996 Series B
2002 QZAB	\$ 5,100	Renovations to Lincoln
2003 General Obligation Bonds	\$77,000	Renovations to John Harris, Camp Curtain, Ben Franklin, Downey, Foose, Marshall, Scott, Woodward add 7 Pre-K rooms
2006 General Obligation Bonds	\$44,000	Renovations to John Harris, William Penn, Woodward
2007 Note	\$ 9,000	Working capital/lease-sublease
2008 General Obligation Note	\$ 4,000	SciTech purchase and renovation, John Harris renovations
2009 Series ABC General Obligation Bonds	\$183,240	Refund bonds, deficit financing (\$18 million), swap termination
2009 Series D General Obligation Bonds	\$ 74,850	Refund 2003 variable rate demand bonds
2010 Qualified School Construction Bond	\$ 9,194	Roof repairs and replacement, HVAC upgrades

In recent years, the District has taken steps to restructure its debt and to move from variable rate to fixed rate bonds. As a result of the restructuring, in 2009 the District created some temporary budgetary relief for a five year period. The restructuring reduced annual debt service costs by about \$4.0 million for a five year period that ends with the 2014-15 budget. Annual debt service costs in 2014-15 will return to \$20.5 million, which is approximately the amount of the annual debt service in 2008-2009. The annual debt service continues at the \$20.0 to \$21.0 million level through 2034. While the restructuring provided five years of budget relief, it also means that there are no additional opportunities to restructure principal payments. As outlined below there may be limited opportunities to refinance debt based on interest rates in the future.

Although the principal debt outstanding is substantial, Harrisburg's annual debt service is 11.1 percent of its budgeted expenditures for 2012-13. The percentage of debt to total general fund budget is above the state average, like that of other urban school systems where there has been a need to invest in facilities for students. The table below shows comparisons to a selected group of Pennsylvania school districts for the 2010-11, the last year for which there is uniform available data.

<b>School District</b>	<b>Annual Debt Service as a Percent of General Fund Budget, 2010-11</b>
Harrisburg	11.98%
York	9.71%
Reading	9.59%
Allentown	8.84%
Chester Upland	7.01%
Scranton	9.90%
<b>State Average</b>	<b>8.96%</b>

The District has six outstanding debt issues. The schedule of principal and interest is on the table at the end of this subsection.

### **2002 Bonds**

The District's Series of 2002 Bonds are Qualified Zone Academy Bonds (QZABs) with a zero percent (0%) interest rate. The amount outstanding as of July 1, 2013 is \$1.220 million, with a final maturity date of July 30, 2016. The District makes one payment per year on each July 30 to Wells Fargo Bank (formerly Wachovia), which in turn deposits the money into an investment account that will pay off the bondholder at the final maturity date.

### **2009 A, B, C Bonds**

The District issued fixed rate bonds Series A, B, and C of 2009 in May 2009 through the State Public School Building Authority in the aggregate amount of \$183.240 million. The 2009 A Bonds have \$133.765 million of principal outstanding with a final maturity date of November 15, 2033. The call date on the 2009 A Bonds is May 15, 2019. While further legal analysis may be needed, it appears that the 2009 A Bonds may be advance refunded prior to the call date. As a result of historically low short-term interest rates, there is a significant amount of negative arbitrage in the escrow, currently resulting in no savings. The District should continue to monitor these bonds and as negative arbitrage diminishes due to the passage of time or a change in interest rates in the escrow, there could be an opportunity to refund the bonds for savings either on a current or advance refunding basis. It should be noted that if the 2009 A Bonds were refunded, it may impact the basis swap related to these bonds since the par amount of the bonds must be equal to or greater than the notional amount of the swap.

The 2009B Bonds have \$22.855 million of principal outstanding with a final maturity date of November 15, 2020. The call date on the 2009B Bonds is May 15, 2014 and according to bond counsel may be advance refunded prior to the call date. Because of negative arbitrage in the escrow, if rates stay the same, the closer to the call date that a refunding occurs, the more savings would be realized. The District should analyze this advance refunding opportunity which will be largely contingent on receiving a favorable bond insurance commitment as well as applying the state intercept agreement structure currently being used on the 2009B Bonds. Assuming the District can receive favorable bond insurance, the state intercept agreement with the Treasurer and the state Department of Education can be used again, and based on current market conditions, this advance refunding could potentially provide over \$1.5 million of net savings to the District, most likely spread out over the next five fiscal years. If rates remain low, the savings could potentially be greater depending on the financial condition of the District, the success of procuring bond insurance, and the marketability of the bonds.



The 2009C Bonds were issued as taxable bonds and have \$26.605 million of principal outstanding with a final maturity date of November 15, 2017. The 2009C Bonds are non-callable.

The debt payments for the 2009 A, B, and C Bonds are covered by an agreement with the State Treasurer ("Intercept Agreement") whereby District state subsidies are directed to the trustee (M&T Bank) in advance of the debt service payment dates to provide security to the bondholders. Under the intercept agreement, the District instructs and directs the Commonwealth and the State Treasurer to withhold a portion of the Commonwealth appropriations due to the District on the last Thursday of the months of April and October, and to pay such withheld amounts directly to the Trustee to provide for the payment of debt service on the 2009 A, B, and C Bonds. These withholding dates correspond with the May 15 and November 15 payment dates on the Bonds. Notwithstanding the foregoing, the District remains primarily liable to make all debt service payments.

### **Basis Swap related to the 2009A Bonds**

In October 2009, the District entered into a basis swap with Jefferies Funding LLC ("Jefferies"). The outstanding notional amount of the basis swap is \$133.765 million. The notional amount of the basis swap was structured to match the principal amortization of the 2009A Bonds. Pursuant to the swap agreement, the District pays the SIFMA Index (resetting weekly) (as of March 15, 2013 the SIFMA index was 0.12 percent) and receives from Jefferies 74 percent of 3-month LIBOR plus 0.3113 percent (as of March 15, 2013 LIBOR was 0.5185 percent). The SIFMA Index is reset weekly and the LIBOR index is reset quarterly. The net exchange of payments occurs annually on November 15. The agreement has generated a positive amount for the District in recent years, ranging from \$400,000 to \$660,000, but the debt service table in this chapter of the Recovery Plan does not reflect any net payments to or from the swap counterparty. The swap agreement terminates on the final maturity date of the 2009A Bonds, November 15, 2033, unless otherwise terminated earlier.

### **2009D Bonds**

The District issued variable rate bonds Series D of 2009 in the amount of \$74.85 million in June 2009 through the State Public School Building Authority. The 2009D Bonds currently have \$72.295 million of principal outstanding with a final maturity date of December 1, 2027. At the time of issuance in 2009, the 2009D Bonds were variable rate demand bonds with a direct-pay letter of credit provided by Wachovia Bank. When the letter of credit expired in June 2011 the 2009D Bonds were remarketed into an index rate mode with Wells Fargo. The current index rate mode is 70 percent of 1-month LIBOR plus 0.95 percent. This mode expires in June 2014.

### **Fixed Payor Swap related to the 2009D Bonds**

In May 2004, the District (through The Harrisburg Authority) entered into two forward-starting fixed payor swaps with JP Morgan Chase Bank, N.A. ("JP Morgan") and the Royal Bank of Canada ("RBC"). These swaps each had an effective date of April 1, 2009. The current outstanding notional amount of the swap with JP Morgan is \$49.602 million and the outstanding notional amount of the swap with RBC is \$21.258 million for a combined total of \$70.86 million. These swaps were originally related to the 2003 Bonds and as a result of the 2003 Bonds being refunded by the 2009D Bonds, the swaps became related to the 2009D Bonds and the swap counterparty became the State Public School Building Authority as assignee of The Harrisburg Authority. Pursuant to both of the swap agreements, the District pays 5.25 percent and receives from both counterparties 63.00 percent of 1-month LIBOR plus 0.20 percent. Both swap agreements terminate on the final maturity date of the 2009D Bonds of December 1, 2027 unless otherwise terminated earlier.

### **2010 QSCBs**

The District issued a general obligation note in October of 2010 through a bond financing issued through the State Public School Building Authority's ("SPSBA") Qualified School Construction Bond program

("QSCB"). The District's QSCB was issued with a par amount of \$9.194 million and was part of a \$325.526 million Series A of 2010 financing issued by SPSBA for the benefit of 31 Pennsylvania school districts including the District. As part of the "pooled" program, the credit rating for the QSCBs was based on an enhanced State intercept program and not on the underlying creditworthiness of each school district in the pool, resulting in credit ratings of Aa2/AA by Moody's and Fitch, respectively. The enhanced State intercept program that is part of the structure of the QSCBs requires that each school district make their debt service payment fifteen days prior to the actual payment on the bonds, thereby giving an additional fifteen days to ensure that the State could provide necessary funds should there be a shortfall. This State intercept program differs from the District's other financings in that the District is making the debt service payment for the QSCB directly to the bond trustee (Wells Fargo).

QSCBs are issued as taxable with a substantial Federal reimbursement on the interest. The District will pay a taxable interest rate of 5.000 percent. Until the recent federal sequestration, the District was scheduled to receive a Federal subsidy of 4.83 percent, resulting in an effective interest rate of 0.17 percent. Recently, as a result of the federal sequestration the Internal Revenue Service (IRS) has announced that direct pay subsidy bonds such as the QSCBs will receive an 8.7 percent reduction in the subsidy. This 8.7 percent reduction is for payments through the end of the federal fiscal year on September 30, 2013 and therefore affects the District's September 1, 2013 interest payment. The IRS has not announced the future subsidy reductions. For these purposes, if the subsidy for both the September 2013 and March 2014 payment dates is assumed to be cut by 8.7 percent, that would result in a subsidy reduction of approximately \$40,000 for the District's 2013-14 fiscal year.

Along with a very low interest rate, another benefit of the QSCB is that since the \$9.194 million is owed to the bond holder only at the final maturity of September 15, 2027, the annual principal sinking fund deposits that the District makes (\$574,313) are invested by the SPSBA and provide interest earnings that reduce the net payments owed by the District. The QSCBs have a make-whole prepayment provision.

### **PLANCON Reimbursement**

The District is eligible for substantial amounts of state reimbursement on a portion of their outstanding debt via the PLANCON process. The Commonwealth of Pennsylvania is currently reimbursing the District for approximately 17 percent of its annual debt service cost. The District should make sure that all the proper documents are filed with the Commonwealth for all eligible projects, including filing PLANCON Part J to receive the permanent percentage for reimbursement.

In relation to Harrisburg's school buildings it is important to take into account the fact that the District is receiving reimbursement from the Commonwealth for building or renovation costs on many of its buildings. In the event that the District sells or leases any of its excess buildings, there could be an impact on state reimbursement. The District shall coordinate its plans in relation to buildings with the Department of Education so as to minimize the impact on reimbursement.

The table on the next page provides a debt summary of the District beginning July 1, 2013. It includes the annual gross debt service of each of the debt issues along with the local effort of each financing net of any state reimbursement. The debt service amounts for the variable rate 2009D Bonds are estimates based on assumptions provided in footnotes to the table.

<b>Debt Service Requirements</b>							
1	2	3	4	5	6	7	8
Fiscal Year Ended	QZABs Series of 2002	SPSBA Series A of 2009	SPSBA Series B of 2009	SPSBA Series C of 2009 - Taxable	SPSBA Series D of 2009 [1]	SPSBA QSCBs Series of 2010 [2]	Total Debt Service
6/30/2014	305,046	6,362,625	1,113,475	4,330,655	4,667,866	589,942	17,369,610
6/30/2015	305,046	6,362,625	1,113,475	7,466,630	4,667,544	589,942	20,505,262
6/30/2016	305,046	6,362,625	1,113,475	7,466,138	4,812,384	589,942	20,649,610
6/30/2017	305,046	6,362,625	1,113,475	7,469,460	4,821,741	589,942	20,662,290
6/30/2018		6,362,625	5,373,631	3,604,125	5,149,166	589,942	21,079,490
6/30/2019		6,362,625	8,978,006		5,187,885	589,942	21,118,459
6/30/2020		6,362,625	8,975,488		5,236,283	589,942	21,164,337
6/30/2021		13,898,825	1,539,375		5,138,551	589,942	21,166,694
6/30/2022		15,408,056			5,165,336	589,942	21,163,335
6/30/2023		5,661,088			14,932,849	589,942	21,183,879
6/30/2024		5,661,088			14,968,836	589,942	21,219,866
6/30/2025		5,661,088			15,004,191	589,942	21,255,221
6/30/2026		5,661,088			15,040,528	589,942	21,291,557
6/30/2027		6,373,750			14,367,840	589,942	21,331,532
6/30/2028		13,211,875			7,416,716	582,127	21,210,719
6/30/2029		20,774,831					20,774,831
6/30/2030		20,776,413					20,776,413
6/30/2031		20,775,369					20,775,369
6/30/2032		20,778,350					20,778,350
6/30/2033		20,776,831					20,776,831
6/30/2034		20,778,600					20,778,600
6/30/2035							
<b>Totals</b>	<b>1,220,185</b>	<b>240,735,625</b>	<b>29,320,400</b>	<b>30,337,008</b>	<b>126,577,716</b>	<b>8,841,320</b>	<b>437,032,253</b>

<b>Local Effort Requirements</b>							
9	10	11	12	13	14	15	16
Fiscal Year Ended	QZABs Series of 2002	SPSBA Series A of 2009	SPSBA Series B of 2009	SPSBA Series C of 2009 - Taxable	SPSBA Series D of 2009 [1]	SPSBA QSCBs Series of 2010 [2]	Total Local Effort
6/30/2014	227,914	5,465,039	1,113,475	3,369,289	3,857,271	589,942	14,622,930
6/30/2015	227,914	5,465,039	1,113,475	5,809,105	3,857,005	589,942	17,062,480
6/30/2016	227,914	5,465,039	1,113,475	5,808,722	3,976,693	589,942	17,181,785
6/30/2017	227,914	5,465,039	1,113,475	5,811,307	3,984,425	589,942	17,192,102
6/30/2018		5,465,039	5,373,631	2,804,042	4,254,992	589,942	18,487,646
6/30/2019		5,465,039	8,978,006		4,286,987	589,942	19,319,974
6/30/2020		5,465,039	8,975,488		4,326,980	589,942	19,357,448
6/30/2021		11,938,094	1,539,375		4,246,220	589,942	18,313,631
6/30/2022		13,234,416			4,268,354	589,942	18,092,712
6/30/2023		4,862,468			12,339,696	589,942	17,792,107
6/30/2024		4,862,468			12,369,434	589,942	17,821,845
6/30/2025		4,862,468			12,398,650	589,942	17,851,060
6/30/2026		4,862,468			12,428,676	589,942	17,881,087
6/30/2027		5,474,594			11,872,804	589,942	17,937,340
6/30/2028		11,348,053			6,128,772	582,127	18,058,953
6/30/2029		17,844,090					17,844,090
6/30/2030		17,845,449					17,845,449
6/30/2031		17,844,552					17,844,552
6/30/2032		17,847,113					17,847,113
6/30/2033		17,845,808					17,845,808
6/30/2034		17,847,328					17,847,328
6/30/2035							
<b>Totals</b>	<b>911,655</b>	<b>206,774,641</b>	<b>29,320,400</b>	<b>23,602,465</b>	<b>104,596,958</b>	<b>8,841,320</b>	<b>374,047,439</b>

<b>Principal*:</b>	1,220,185	133,765,000	22,855,000	26,605,000	72,295,000	8,614,688	265,354,873
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<b>PE%:</b>	35.31%	19.70%	0.00%	31.00%	24.25%	0.00%	
<b>PE% Status:</b>	Perm	Perm		Perm	Temp		
<b>AR%(12-13):</b>	71.61%	71.61%	71.61%	71.61%	71.61%	71.61%	
<b>Call Date:</b>	Non-callable	5/15/2019	5/15/2014	Non-callable	Anytime	Make-Whole	
<b>Swaps:</b>		Basis: 74% 3m-LIBOR+0.3113%			2 Fixed Payors: 5.25% vs. 63% 1mLIBOR+0.20%		
<b>Purpose:</b>	New Money	Refund 1999, 2006 & 2008 Notes	Deficit Funding, New Money & Ref 2007 Note	Adv Ref 2002A	Refund 2003 Bond	New Money (QSCBs)	

[1] The 2009D Bonds are variable rate and in an Index Rate Mode with Wells Fargo that expires in June 2014. The current Index Rate is 70% of 1-month LIBOR +0.95%. The Bonds have two Fixed Payor Swaps where the District pays 5.25% and receives 63% of 1-month LIBOR +0.20%. For these purposes, the future debt service in the table assumes an all-in rate of 6.45%.

[2] For these purposes, the 2010 QSCB debt service is net of the initial Federal Reimbursement Subsidy Rate of 4.83% and assumes no investment earnings for the principal sinking fund. This Federal Subsidy is subject to a reduction as a result of the \*Principal Outstanding as of 7/1/2013.

<b>DS01.</b>	<b>Advance Refunding of 2009B Bonds</b>	
	<b>Target outcome:</b>	Perform ongoing debt analysis and refund or refinance debt as market conditions allow.
	<b>Multi-year financial impact:</b>	\$1,500,000
	<b>Responsible party:</b>	Business Administrator and Superintendent

The District shall pursue the known refunding option in the 2013-14 fiscal year and, if economically feasible, execute the refunding. Based on current interest rates and cost assumptions, there is an assumed reduction in debt service costs of \$200,000 in 2013-14 and subsequent fiscal years, and \$700,000 in 2017-18.

#### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$200,000	\$200,000	\$200,000	\$200,000	\$700,000	\$1,500,000

<b>DS02.</b>	<b>Monitor Refunding Opportunities for 2009A Bonds</b>	
	<b>Target outcome:</b>	Perform ongoing debt analysis and refund or refinance debt as market conditions allow.
	<b>Multi-year financial impact:</b>	N/A
	<b>Responsible party:</b>	Business Administrator and Financial Advisor

The District shall monitor refunding opportunities for the 2009A bonds, and, if economically feasible, execute the refunding. Because the bonds are not currently able to be refunded for savings, no financial impact is shown or assumed.

<b>DS03.</b>	<b>PLANCON Reimbursement for SciTech Construction</b>	
	<b>Target outcome:</b>	Finalize reimbursement percentage for SciTech building costs and secure payments from Commonwealth for period for which debt service payments have been made
	<b>Multi-year financial impact:</b>	\$715,000
	<b>Responsible party:</b>	Business Administrator and Financial Advisor

The Commonwealth's PLANCON process provides reimbursement to school districts for a portion of the annual debt service cost for approved building projects. Harrisburg's SciTech facility qualifies for such reimbursement, however the District has not finalized the necessary paper work to secure reimbursement. When approved, the District will receive reimbursement from the State back to the date of the initial debt service payment on bonds related to the purchase and renovation of the SciTech

building. The total estimated reimbursement through the life of the debt service is estimated to be \$3.0 million, with annual payments of \$143,000 per year. The District shall immediately pursue the submission of final reimbursement information and establish annual reimbursement payment amounts including reimbursement for debt service payments made prior to 2012-13.

#### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$143,000	\$143,000	\$143,000	\$143,000	\$143,000	\$715,000

<b>DS04.</b>	<b>Establish Debt Service Policies</b>	
	<b>Target outcome:</b>	Provide objective guidelines to be used by the District in incurring and managing debt for capital projects
	<b>Multi-year financial impact:</b>	N/A
	<b>Responsible party:</b>	Business Administrator and Financial Advisor

The District shall create a debt management and capital funding policy that shall include, but not be limited to, the following elements:

- A requirement that refundings of outstanding bonds generate present value debt service savings of 2.0 percent or greater.
- A policy detailing the conditions under which the District may enter in to swaps and derivative products.
- The establishment of a long-term pay-as-you-go capital funding policy identifying a source and annual amount/percentage of operating funds to be dedicated to capital expenditures (this policy would work in concert with the establishment of criteria for projects eligible for capital funding.
- The adoption of debt ratio targets, including the amount of General Fund-supported debt service as a percentage of General Fund revenues or expenditures, the amount of General Fund-supported debt as a percentage of assessed valuation, and the target for paying down debt principal.

**Workforce**

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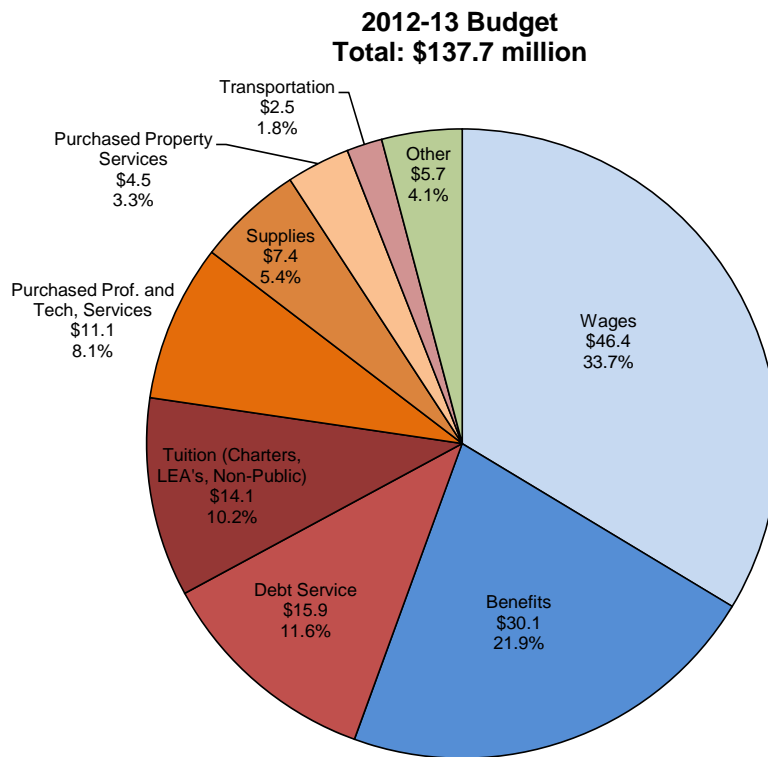
# Workforce

## Overview

A strong and effective workforce is critical to the recovery of the District. Students and parents depend on the District's staff members to provide quality instruction, a safe learning environment and supportive services. The District must be able to attract and retain highly-skilled teachers and other workers.

At the same time, the District's finances are severely limited, especially by revenue constraints described in detail in the Revenue chapter of this Plan. This Workforce portion of the Plan balances the need for talented, dedicated staff with the reality of the resources available to provide their wages and benefits now and throughout the five years covered by the Plan.

To understand the District's personnel dynamics, it is important to know that staff wages and benefits are a key driver of the District's budget, accounting for approximately 55.5 percent (\$76.5 million) of total 2012-13 budgeted expenditures (\$137.7 million).



Given the pressures on the budget and the concomitant need to provide improved educational outcomes, it is imperative that the District staff its schools efficiently, utilize every employee to her or his full potential, and look for long-run cost saving opportunities in the structure of wages and benefits.

In order to provide financial stability for the District and to be fair to employees who have been working without contracts, it is important that the Administration reach affordable yet fair new collective bargaining agreements with all of its union groups next year. Act 141 provides that collective bargaining agreements or arbitration settlements/awards may not "violate, expand or diminish the provisions of a financial recovery plan in effect on the date of the execution of the collective bargaining agreement,

arbitration settlement or arbitration award.” Therefore, this plan includes provisions that will guide the District and its unions in reaching new agreements.

### **Description of current workforce**

There are approximately 940 employees in the Harrisburg School District (HSD) for the 2012-13 school year, approximately 895 of whom are full-time employees. Positions include:

- 511 Teachers (not including long-term substitutes)
- 65 Special Education Aides
- 57 Custodians and custodial supervisors
- 50 cafeteria workers and supervisors
- 38 Business Administrator/Business Admin Support staff
- 35 Secretaries/Clerical Workers
- 30 Safety Monitors
- 25 Facilities workers (maintenance staff, foremen, utility workers)
- 11 Principals
- 7 Assistant/Vice Principals

Teachers work on a ten-month, 187-day calendar, with yearly salaries set by steps in the Collective Bargaining Agreement. Approximately 29 percent of the Teachers on the District’s payroll are at the top of the pay scale for their educational level, and approximately 44 percent of the teachers have been with the district for 10 years or more.

The seniority of the teaching workforce means that average compensation is relatively high relative to the negotiated pay scale, with median teacher salary at \$56,861 and 25.6 percent of the teachers on the HSD 2012-13 payroll earning over \$70,000. Teacher salaries for 2012-13 range from \$41,769 to \$76,395.

### **Collective bargaining agreements and membership**

There are three bargaining units that represent District staff members. The Harrisburg Education Association (HEA) is the largest unit, representing the teachers and other professionals such as school counselors, nurses and psychologists. The HEA represents approximately 550 employees. The HEA 2007-2011 HEA contract was extended for one year in 2011-12, and that extension expired on June 30, 2012.

The American Federation of State, County, and Municipal Employees (AFSCME) District Council 90 represents approximately 300 employees, including Food Service workers, Custodians, Maintenance Workers, Secretaries, Office Assistants, School Safety Monitors, Special Education Aides, and several other position types. The current AFSCME agreement expired on June 30, 2011.

School Administrators, Directors, Supervisors, Coordinators, and other administrators as defined by Act 195 of 1970 are covered by the District’s Act 93 Administrators’ Compensation Plan. The 2007-2011 plan was extended for 2011-12 and expired on June 30, 2012.



The key cash compensation terms of the current contracts are as follows:

	<b>Harrisburg Education Association (HEA)</b>	<b>AFSCME, DC 90</b>	<b>Act 93 Administrative/Supervisory</b>
<b>Current Term</b>	2007-2011; 2011-12 extension	2007-2011	2007-2011; 2011-12 extension
<b>Raises</b>	2008/09: <b>2.06%</b> 2009/10: <b>2.13%</b> 2010/11: <b>2.23%</b> 2011/12: <b>0%</b>	July 2007: <b>4.5%</b> (retro.) July 2008: <b>4%</b> July 2009: <b>4%</b> July 2010: <b>4%</b> July 2011: <b>0%</b>	July 2008 & July 2009: annual adjustments based on performance and comparable public sector jobs (primarily public education) July 2010: <b>0%</b> July 2011: <b>0%</b>
<b>Longevity</b>	N/A	FT employees receive \$300 for each 5 years of service (\$300 after 5 yrs, \$600 after 10 yrs, etc.)	N/A
<b>Sick Leave Cash Out</b>	At retirement, paid \$50/day for 1- 75 days, \$75/day for 76-150 days, \$100/day for 151+ days	At retirement, paid 35% of accumulated sick leave, up to 100 days (rate not specified)	At retirement, unused days paid at 25% of current per diem rate
<b>Overtime</b>	Members required to perform duties beyond specified teaching responsibilities shall be additionally compensated on a pro rata basis; preapproval needed \$30.50/hour for 2010-11 for before or after-school activities not covered by supplemental contracts	Time and a half for hours in excess of 8/day or 40/wk; double for any hours in excess of 12/day or 60/wk	N/A
<b>Tuition Reimbursement</b>	Up to 9 credits per year, with preapproval, and 3 additional at Superintendent's discretion, at PSU cost for graduate credits; must earn B or above	Up to 6 credits/fiscal year with prior approval	Advance reimbursement of credits toward graduate degree, at PSU rate; courses must be pre-approved

The key insurance benefits of the three current contracts are as follows:

	<b>Harrisburg Education Association (HEA)</b>	<b>AFSCME, DC 90</b>	<b>Act 93 Administrative/ Supervisory</b>
<b>Medical Plan</b>	Choice of Highmark PPO or HMO	Choice of Highmark PPO or HMO (EPO)	Choice of Highmark PPO or HMO
<b>Med. Premium Contribution</b>	5% of premium	March 2008: 0.5% of base wage July 2009: 1% of base July 2010: 1.5% of base	5% of premium
<b>Medical plan notes</b>	Buy-up option for pre-1998 hires was phased out effective 10/1/2007  HMO and PPO have \$20 office copays and \$10/\$35/\$50 Rx	Medical and Rx limited to employees scheduled to work 7.5+ hr/day; dental for those scheduled 6 hr/day+ HMO and EPO have \$20 office copays and \$10/\$35/\$50 Rx	District offers 125 Plan for pre-tax contribution toward medical & child care expenses
<b>Dental Plan</b>	Unspecified; same since 1989	Unspecified, district pays full premium	Unspecified; same coverage as HEA
<b>Life Insurance</b>	Maintained to employee's salary	FT who work at least 7.5 hrs/day will have policy maintained to employee's salary	Unclear
<b>Retiree Health Coverage</b>	Not specified	Regular retirees who are COBRA-eligible receive PPO or EPO coverage (whichever is less costly); coverage for retiree only; district pays premium net of any amount contributed by PSERS or other third party; coverage ends with Medicare eligibility	Not specified; same as HEA unit

The key leave benefit terms of the three group agreements are as follows:

	<b>Harrisburg Education Association (HEA)</b>	<b>AFSCME, DC 90</b>	<b>Act 93 Administrative/ Supervisory</b>
<b>Vacation</b>	N/A	After 1 YOS: 5 days/yr. 2-5 YOS: 10 days/yr. 6-15 YOS: 15 days/yr. 16-25 YOS: 20 days/yr. 26+ YOS: 25 days/yr.	1-9 YOS: 15 days/yr. 10-19 YOS: 20 days/yr. 20+ YOS: 25 days/yr. Paid yearly for up to 10 days over the accrual cap of 40 days
<b>Sick Leave</b>	11 days per year, cumulative	<260 day employees: 11 days per year; 260 day employees: 13 days per year Both cumulative	15 days per year, cumulative
<b>Personal Leave</b>	3 days/yr.; may accrue up to 5 days, with excess converted into sick leave	3 days/yr.; may accrue up to 5 days, with excess converted into sick leave	4 days/yr.
<b>Maternity Leave</b>	Per PHRC guidelines	FLMA minimum leave plus up to 12 months unpaid leave	Unpaid leave
<b>Sabbatical Leave</b>	After 10 YOS, then after 7 yrs; leave at 50% pay	N/A	"As provided by law"
<b>Holidays</b>	Not specified; student calendar	13 paid holidays per year for FT 260 day employees	Not specified

Other key terms of the three current group agreements are as follows:

	<b>Harrisburg Education Association (HEA)</b>	<b>AFSCME, DC 90</b>	<b>Act 93 Administrative/ Supervisory</b>
<b>Work Year</b>	189 days (180 student days, 7 prof. dev. days, 2 clerical days)	-Aides, Food Service, Safety Monitor: 189 days -Office Asst, Parent Coordinator: 214 days -Secretaries, Custodians, etc.: 260 days	Not specified; full time considered to be at least 185 days/yr.
<b>Work Day</b>	7 h, 30 min, including 30 min. duty free lunch	7.5 or 8.0 depending on title; 2 to 6 hour shifts for food service worker, lead food service worker, and cafeteria monitor	Not specified; most appear to be full-time
<b>Probationary period</b>	Not specified	45 work days	N/A
<b>Layoffs</b>	"No employee shall be furloughed without just cause which shall be defined as those reasons and methods set forth in the applicable laws, regulations, rulings and opinions." p.18	"Layoffs or furloughs of full-time employees shall be made in reverse order of seniority within the job classification..." Recall in reverse order; recall rights for 2 years. Bump back into previously held job classification; 7 union officers have "super seniority"	Silent
<b>Just cause</b>	"No employee shall be disciplined, discharged, suspended, reprimanded in writing or reduced in position or compensation without just cause." p.8	"The employer shall not demote, suspend, discharge or take any disciplinary action against any employee without just cause." p. 22	Silent
<b>Temporary Staff &amp; Outsourcing</b>	Silent	Temporary if hired for up to 5 months; after 5 mos., employee becomes member of unit with credited seniority to initial date of hire  Article 32: "The employer agrees that it will not contract out any bargaining unit work that would result in the layoff of any regular bargaining unit employee."	Silent

### Areas of focus for change

As described in the introduction to this Recovery Plan, the District's current and projected budget gaps are too large to close without reductions in personnel costs. If enrollment continues to drop substantially as it has for the past few years, the District must reduce the staffing complement to adjust to enrollment levels. However, if implementation of the Recovery Plan is successful and students begin to return to District-operated schools, the District may begin to adjust headcount commensurate with growth.

As the District prepares for negotiations with its three bargaining units in 2013, it shall seek to reduce salary and benefit costs in the near term and limit the growth of personnel costs over the next contract

cycle. Because health care insurance premiums are the primary driver of employee benefits costs for the District, seeking reductions in the District's premium costs and reducing the rate of cost growth in the out years must be a priority.

## Baseline Assessment

The Recovery Plan's baseline forecast assumes that student-to-instructional staff ratios will remain constant through 2017-18, and that wages per employee will not increase. Instructional staff includes Teachers, Counselors, Psychologists, Teacher Aides and Librarians. Health benefit inflation is assumed to be at the recent historical experience of 10 percent per year, and PSERS pension contribution rates are assumed to be 16.93 percent in 2013-14, increasing to 29.15 percent by 2017-18 (based on the 2011-12 actuarial valuation). The baseline wage and benefit expenditures in the table below are shown without the annual state revenue to the District for PSERS and Social Security, which partially offset those expenditures.

**Projected Baseline Salary and Benefit Expenditures  
Assumes Current Ratio of Students to Instructional Staff**

<b>Category</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Salaries	46,351,249	44,184,199	43,129,420	42,004,585	40,962,406	40,028,147
Medical Benefits	16,822,635	17,659,434	18,946,695	20,264,667	21,711,928	23,276,334
Social Security Contributions	3,407,208	3,245,254	3,159,973	3,068,874	2,983,594	2,906,014
PSERS	5,504,476	6,828,788	8,141,956	9,271,392	9,570,922	9,301,110
All Other	4,415,338	4,288,297	4,231,316	3,689,611	3,275,026	2,954,523
<b>Total Wages and Benefits</b>	<b>76,500,906</b>	<b>76,205,972</b>	<b>77,609,361</b>	<b>78,299,129</b>	<b>78,503,876</b>	<b>78,466,129</b>

## Initiatives

The following initiatives and related savings estimates assume that all other initiatives in the plan are successfully implemented. These initiatives will serve to guide collective bargaining for new contracts beginning in 2013. Some initiatives may impact the District's workforce during the current school year, depending on the timetable for implementation.

Section 642-A of 141 provides the authority to implement the initiatives in this section. In particular, section 642(A)(6) authorizes the portions of these initiatives related to dispensing with the services of non-professional employees not needed for economical operation of the District; section 642-A(9) allows the appointment of professional and senior management employees needed to carry out these initiatives; section 642-A(10) allows the District to enter into alternative service agreements when three-year cost comparisons show savings; section 642-A(11) allows the closing or reconstituting of schools and reassignment, suspension or dismissal of employees when required by these initiatives; section 642-A(13) provides the authority to reallocate resources, amend school procedures and take other steps required by these initiatives; section 642-A(14) authorizes the District to supervise and direct professional staff when required by these initiatives; and section 642-A(15) authorizes the negotiation of new collective bargaining agreements to comply with these initiatives.

If overall personnel costs are to be held within affordable parameters, it is critical that management flexibility be retained to achieve efficient and effective staffing levels, work processes, use of technology, and governance approaches.

<b>WF01.</b>	<b>Reduce Wages in 2013-14; Wage Freeze Until 2016-17</b>	
	<b>Target outcome:</b>	Reduce workforce expenditures to affordable levels
	<b>Five year financial impact:</b>	\$26.5 million
	<b>Responsible party:</b>	District Human Resources Department and Administration

### Overview

Before any significant reductions to overall workforce costs, and assuming all other initiatives in this plan are implemented, the District's projected 2013-14 deficit is \$6.2 million, and the cumulative fund balance deficit would reach \$41.1 million by 2017-18. Even after other changes in the Plan, maintaining wages and benefits at current levels simply is not sustainable given the District's current financial condition. Therefore, the District shall reduce employee wages by five percent in 2013-14 and an additional five percent in 2014-15 to yield the savings shown below.

Wages shall be frozen at the reduced 2014-15 levels in 2015-16.

Provided all other savings targets are met and the District achieves or performs better than the annual financial results assumed in the Plan, in 2016-17 and 2017-18 the District may provide wage increases as shown in initiative WF03.

### Classroom Size and Pupil Teacher Ratios

The chart below shows the pupil teacher ratios at various grade levels for the 2012-13 school year. Maintaining appropriate classroom size is important to accomplishing the educational goals outlined in this plan. The workforce recommendations provided in this plan were designed to maintain pupil teacher ratios at approximately the current levels and these levels should be retained by the district in the course of achieving the salary and benefit savings enumerated in initiative WF01.

Grade	Student/Teacher Ratio
K	18:1
1-3	24:1
4-6	24:1
7-8	24:1
9-12	30:1

### Provisions Related to Represented Employees

The reduction of wages for represented employees is subject to collective bargaining. Other options to reduce wages without reducing headcount may be implemented if mutually agreed upon, provided those options yield the same savings shown below. These alternatives may include a mix of wage reductions, retirements with or without position backfilling, and mandatory days off or short-term furloughs. If an agreement to reduce employee wages is not reached, the District shall reduce employee headcount to yield the wage and benefit savings shown in initiatives WF01 and WF02.

A reduction in wages without headcount reductions will allow the District to maintain current student to teacher ratios and existing programs. Given the challenges identified in the Education chapter of this Plan, the preference is to minimize the impact on class sizes and education programs. If an agreement cannot be reached and layoffs are necessary to achieve the savings shown below, there would likely be some impact on class sizes.

The District has already started to identify positions that may be reduced for the 2013-14 budget year. While these have not yet been fully evaluated because they are still in development, any reductions made beyond those identified elsewhere in this plan shall be counted towards the overall reductions shown below.

**Provisions Related to Non-Represented Employees**

Approximately ten percent of the required overall reduction shown below would come from wages for non-represented employees. While such a reduction can be imposed in most cases, the District may propose other wage reduction options as described above to meet the portion of the reduction applicable to non-represented employees.

**CRO to Validate Savings**

Since the overall reduction in wage costs is critical to the District's financial recovery, the Chief Recovery Officer shall determine whether the budget wage reductions have been successfully achieved. The District shall provide full analysis of the proposed mix of reductions to the CRO in form and content acceptable to the CRO as soon as possible for the CRO's review and approval. The District shall also provide the CRO with a written description of the reductions and how they will be successfully achieved.

**Financial Impact**

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$2,456,227	\$5,493,608	\$6,117,572	\$6,213,636	\$6,193,450	\$26,474,493

<b>WF02.</b>	<b>Flexible health insurance cost containment</b>	
	<b>Target outcome:</b>	Reduce workforce expenditures to affordable levels
	<b>Five year financial impact:</b>	\$24.8 million
	<b>Responsible party:</b>	District Human Resources Department and Administration

In 2013-14, the District shall reduce its share of premium contributions by the amount shown below. This amount equals a five percent reduction in per-employee premium costs. This decrease shall be achieved by increasing employee contributions and/or plan design changes if an agreement with the unions can be reached prior to the start of the 2013-14 fiscal year. If an agreement cannot be reached, the District shall reduce employee headcount to yield at least the level of savings shown below (and wage reduction targets, see Initiative WF01).

In 2014-15 through 2017-18, the District's per-employee contribution for healthcare shall not increase by more than five percent. Any annual increase in excess of five percent shall be paid by the employees through premium contributions and/or adjustments to plan design as necessary.

The District's premium rates for employee medical insurance have increased by more than 66 percent since 2008-09, an average annual rate of 13.6 percent. Budgeted 2012-13 health insurance expenditures are \$16.8 million, more than 12 percent of the total General Fund budget. With escalating health care costs as a key driver of employer-paid benefits, if costs continue to increase beyond affordable levels it is imperative that District employees contribute to insurance coverage or that changes in plan design are implemented.

### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$2,402,453	\$3,652,908	\$4,862,109	\$6,193,473	\$7,661,895	24,772,839

<b>WF03.</b>	<b>Compensation Flexibility</b>	
	<b>Target outcome:</b>	Allow some growth in employee compensation in the out years of the Plan, assuming all other initiatives implemented
	<b>Five year financial impact:</b>	(\$3.1 million)
	<b>Responsible party:</b>	District Human Resources Department and Administration

Provided all other initiatives in this Plan are implemented successfully, the District shall allow limited compensation growth in the final two years of the Plan (2016-17 and 2017-18). Specific, maximum allocations for each bargaining unit and the non-represented employees have been established as shown in the chart below. These allocated amounts shall be the maximum dollars available for each bargaining unit and the non-represented employees in each year for increases and improvements to all components of employee compensation other than health benefits, and include PSERS and FICA costs and the associated offsetting state revenue impact.

For the represented employees, their bargaining units and the District may agree to expend the annual maximum allocation on various compensation components within their collective bargaining agreements as they see fit (except for specific limitations and requirements otherwise set forth in this Plan). However, in no case shall the annual total cost exceed the maximum allocation in the chart below. Further, compensation adjustments that would have disproportionate long-term costs shall be avoided.

#### Compensation – Maximum Allocations (Cumulative)

Union	2013-14	2014-15	2015-16	2016-17	2017-18
HEA	\$0	\$0	\$0	\$504,055	\$1,761,654
AFSCME	\$0	\$0	\$0	\$101,745	\$355,596
Act 93/Non-Rep	\$0	\$0	\$0	\$74,857	\$261,624

### Financial Impact

2013-14	2014-15	2015-16	2016-17	2017-18	Total
\$0	\$0	\$0	(\$680,657)	(\$2,378,874)	(\$3,059,531)

#### *Required cost projections*

For any proposed changes to compensation in place at the expiration of the current collective bargaining agreement or any new compensation components proposed, the District shall conduct a full cost analysis of those changes for each year of the proposed collective bargaining agreement (or annually for non-represented employees) to determine and assure that the maximum allocations shown above are not exceeded. The District shall provide the full cost analysis information to the CRO in form and content acceptable to the CRO as soon as possible for the CRO's review and approval.



If the CRO determines that the proposals exceed the maximum allocated amounts, the proposals shall be returned to the bargaining units or employees and the District for modification. The CRO will not approve any cost analysis if the CRO determines that inadequate information is provided to verify the cost analysis or if the analysis is not provided in a timely manner. The intent of this provision is that the CRO is the final decision maker as to the cost of any proposed change to a compensation component, whether those proposed changes occur during labor agreement negotiations or during arbitration of any such agreement or at any other time.

<b>WF04.</b>	<b>Right-size District staffing to match the student population</b>	
	<b>Target outcome:</b>	Maintain current student to teacher ratios, reducing headcount as enrollment declines
	<b>Five year financial impact:</b>	Included in baseline
	<b>Responsible party:</b>	District Human Resources Department and Administration

The District's current student to teacher ratios (approximately 26 to 1 in elementary and middle schools, and approximately 30 to 1 in high schools) shall be maintained as enrollment continues to decline. Class sizes shall not be decreased unless the District's financial condition improves and reduced class sizes become affordable, or unless the cost of such decreases can be offset with other savings initiatives.

<b>WF05.</b>	<b>Eliminate the Health Insurance Opt-Out</b>	
	<b>Target outcome:</b>	Eliminate excessive cost
	<b>Five year financial impact:</b>	\$1.7 million
	<b>Responsible party:</b>	District Human Resources Department and Administration

The District's collective bargaining agreements currently provide payments to employees who opt to not use District health benefit coverage. HEA members who opt out of coverage receive half of the annual premium savings to the District, and AFSCME members receive \$50 per month for each consecutive month the employee waives coverage. The amounts provided are more than is needed to create an incentive to opt out, and because employees already contribute to premium costs an incentive to opt out already exists. The savings estimates below assume that some members who would otherwise opt out will instead elect to take the District-provided coverage.

#### Financial Impact

<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>Total</b>
\$300,000	\$315,000	\$330,750	\$347,288	\$364,652	\$1,657,689

<b>WF06.</b>	<b>Remove impediments to outsourcing from collective bargaining agreements</b>	
	<b>Target outcome:</b>	Allow for the outsourcing of certain district operations if the District cannot afford to maintain service in-house
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	District Human Resources Department and Administration

In anticipation of considering outsourcing of cafeteria and custodial services and potentially other services over the life of the Plan, any impediments to outsourcing must be removed from collective bargaining agreements. The District shall have full authority to outsource services where cost advantages and/or service improvements can be achieved.

<b>WF07.</b>	<b>Other Changes to Collective Bargaining Agreements</b>	
	<b>Target outcome:</b>	Maximize instructional time and productivity, enhance ability to implement Plan initiatives
	<b>Five year financial impact:</b>	N/A
	<b>Responsible party:</b>	District Human Resources Department and Administrationjlh.4

The District and Unions shall negotiate around issues that may impact the amount of classroom instructional time, worker productivity, and quality of work, including but not limited to:

- Establishment of Management Rights clause, including recognition of the District's unilateral authority in the field of educational policy and development and the right to manage all operations including the direction of the work force except as modified by agreement
- Rights of assignment after furloughs and downsizing
- Time permitted to union officials for conducting union business (currently 50 days per year)

## Appendix 1

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**Harrisburg School District  
Chief Recovery Officer  
Advisory Committee**

Under the terms of Act 141, an Advisory Committee to the Chief Recovery Officer must be appointed, with certain *ex officio* appointments and others nominated by the School District and the Intermediate Unit. Members of the Advisory Committee for the Harrisburg School District are:

Dr. Rachelle Bonfield, Educator  
Donna Cheatham, Principal, Scott School, Act 93 Chair  
M. Nichelle Chivis, Representative, AFSCME District Council 90  
Dr. Mary Jane Gales, Executive Director, CAIU  
Dr. Sybil Knight-Burney, Superintendent, Harrisburg School District  
Mark Leidy, Superintendent, Mechanicsburg SD  
Lisa Lyles, Director of Human Resources  
Sherri Magnusson, President, Harrisburg Education Association  
Merry-Grace Majors, Resident  
Terry Mathis, Representative, AFSCME District Council 90  
Debra Miller, Business Manager  
Dr. Kevin Moran, Director, Sylvan Heights Charter School  
Karl Singleton, Resident  
Jennifer Smallwood, President, Harrisburg School Board  
James Thompson, Member, Harrisburg School Board; Chair, Budget and Finance Committee

## Appendix 2

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<b>District</b>		<b>2012 AYP</b>	<b>AYP Status</b>
Harrisburg SD		No	Corrective Action 2 (tenth year)
<b>Schools</b>	<b>Schools (NCLB)</b>		<b>Status</b>
Ben Franklin	BENJAMIN FRANKLIN SCHOOL	No	Corrective Action 2 (second year)
Ben Franklin	MATH SCIENCE ACADEMY @ BENJAMIN FRANKLIN	Yes	Made AYP
Camp Curtin	CAMP CURTIN SCH	No	Corrective Action 2 (seventh year)
Downey	DOWNEY SCH	No	School Improvement 2
Foose	FOOSE SCH	No	Corrective Action 2 (eighth year)
John Harris	HARRISBURG HS	No	Corrective Action 2 (ninth year)
Marshall	MARSHALL SCH	No	Corrective Action 2 (third year)
Melrose	MELROSE SCH	No	Warning
Rowland	ROWLAND SCHOOL	No	Corrective Action 2 (third year)
Scott	SCOTT SCHOOL	No	School Improvement 2
SciTech	HARRISBURG HS - SCITECH CMP	No	Warning

## HSD Facilities

Building	Address	Alt. Address*	Zip Code	Original	Additions Construction	Renovations	Square Footage	Approx. Acres w/ Grass	Active/Inactive
Annex	2291 N. 7th Street		19110	1930	1950	2005	23,000	0.1	Active
Ben Franklin	1205 N. 6th Street		17102	1960	2001/2005	2001/2005	56,305	0.5	Active
Camp Curtin	2900 N. 6th Street		17110	1952	1979/2005	1990/2005	121,793	25	Active
Downey	1313 Monroe Street		17103	1953	1960	2004	41,168	1.4	Active
						2004	95,168		Active
Foose	1301 Sycamore Street		17104	1953	1960	2001	111,611	4.1	Active
						2005	133,611		Active
Hamilton	1701 N. 6th Street		17102	1904	1954	1998	63,792	0.2	Inactive
John Harris	2451 Market Street		17103	1922	1962	1990	189,000	20	Active
					2005	2005	279,000		Active
Lincoln	1601 State Street		17103	1891	1958		46,587	2	Inactive
					2003	2003	82,275		Inactive
Marshall	2041 Hale Street	310 Hale Street	17104	1950	2002	2002	44,144	20	Active
Melrose	2041 Berryhill Street		17104	1961	2002	2002	49,809	0.4	Active
Rowland	1832 Derry Street	1842 Derry Street	17104	1947	1972/1999	1999	122,745	2.5	Active
Scott	1900 Derry Street		17104	1947	2005	2000	67,233	0.7	Active
SciTech	215 Market Street		17101	1946		2004	68,500		Active
Shimmell	548 S. 17th Street		17104	1914	1960	1998	37,783	0.7	Inactive
Steele	2537 N. 5th Street		17110	1914	1955/1960	1998	55,890	0.9	Inactive
William Penn/CTA	2915 N. 3rd Street		17110	1922	1981		222,446	25	Inactive
Woodward	1801 N. 18th and Herr Streets	1001 N. 18th Street	17103	1911	1955		58,446	0.1	Inactive

Harrisburg School District  
Facilities Department Review

CUSTOMER SURVEY

(Please complete as much information as possible and return to PHM.)

School: \_\_\_\_\_ Year built/addt'n./renov.: \_\_\_\_\_

Enrollment: \_\_\_\_\_ Grades: \_\_\_\_\_ # Teachers: \_\_\_\_\_ Size/Area: \_\_\_\_\_ (s.f.)

Customer name: \_\_\_\_\_ (Optional)

Position: \_\_\_\_\_

Ranking scale/terms: 5 = excellent

4 = very good

3 = satisfactory

2 = needs improvement

1 = unacceptable

0 = totally lacking

**A. Central Building Maintenance:**

1. Promptness of response to routine work requests. \_\_\_\_\_
2. Promptness of response to emergency work requests. \_\_\_\_\_
3. Thoroughness, job completion efficiency \_\_\_\_\_
4. Effectiveness, work done correctly \_\_\_\_\_
5. Neatness, services completed in a workmanlike manner \_\_\_\_\_
6. Cooperative attitude \_\_\_\_\_
7. Communications, feedback \_\_\_\_\_
8. Mechanic skills \_\_\_\_\_
9. Overall department effectiveness \_\_\_\_\_
10. Overall department efficiency \_\_\_\_\_



Comments: \_\_\_\_\_

**B. Internal Building Maintenance (Head Custodian):**

1. Promptness of response to routine work requests. \_\_\_\_\_
2. Promptness of response to emergency work requests. \_\_\_\_\_
3. Thoroughness, job completion efficiency \_\_\_\_\_
4. Effectiveness, work done correctly \_\_\_\_\_
5. Neatness, services completed in a workmanlike manner \_\_\_\_\_
6. Cooperative attitude \_\_\_\_\_
7. Communications, feedback \_\_\_\_\_
8. Mechanic skills \_\_\_\_\_
9. Overall effectiveness of internal building maintenance \_\_\_\_\_
10. Overall efficiency of internal building maintenance \_\_\_\_\_

Comments: \_\_\_\_\_

**C. Central Grounds Maintenance:**

1. Promptness of response to turfgrass/site work requests. \_\_\_\_\_
2. Promptness of response to snow/ice work requests. \_\_\_\_\_
3. Thoroughness, job completion efficiency \_\_\_\_\_
4. Effectiveness, work done correctly \_\_\_\_\_
5. Neatness, services completed in a workmanlike manner \_\_\_\_\_
6. Cooperative attitude \_\_\_\_\_
7. Communications, feedback \_\_\_\_\_
8. Mechanic skills \_\_\_\_\_
9. Overall department effectiveness – turfgrass-site/snow-ice services   /
10. Overall department efficiency – turfgrass-site/snow-ice services   /

Comments: \_\_\_\_\_

**D. Custodial/Cleaning Services (day shift / night shift in each case):**

- 1. Promptness of response to work requests. \_/\_
- 2. Promptness of response to emergency work requests. \_/\_
- 3. Thoroughness, cleaning efficiency \_/\_
- 4. Effectiveness, work done correctly \_/\_
- 5. Neatness, services completed in a workmanlike manner \_/\_
- 6. Cooperative attitude \_/\_
- 7. Communications, feedback \_/\_
- 8. Mechanic skills – minor maintenance \_/\_
- 9. Overall department effectiveness \_/\_
- 10. Overall department efficiency \_/\_

Comments: \_\_\_\_\_

**D. Building Conditions:**

- 1. Heating system \_\_\_\_\_
- 2. Cooling system \_\_\_\_\_
- 3. Temperature control system \_\_\_\_\_
- 4. Electric power system \_\_\_\_\_
- 5. Plumbing system/fixtures \_\_\_\_\_
- 6. Building envelope – windows, walls \_\_\_\_\_
- 7. Building envelope – roofs \_\_\_\_\_
- 8. Flooring: carpet, tile, etc. \_\_\_\_\_
- 9. Auxiliary systems – communications, T.V., fire alarm, etc. \_\_\_\_\_
- 10. ADA, handicapped accessibility \_\_\_\_\_

Comments: \_\_\_\_\_

## Appendix 3

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## SCENARIO - Baseline

## General Fund Revenues

<i>Fiscal Year Ending:</i>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Baseline Data</b>	<b>Budget</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
<b>REVENUES</b>						
<b>Revenues From Local Sources</b>						
6111 Current Real Estate Taxes	33,781,801	34,534,692	34,880,039	35,228,839	35,581,128	35,936,939
6113 Public Utility Realty Tax	50,000	54,000	54,000	54,000	54,000	54,000
6114 Payment in Lieu State & Local	900,000	870,000	870,000	870,000	870,000	870,000
6142 Current Act 511 Occupation Taxes-Flat Rate	800,000	785,000	788,925	792,870	796,834	800,818
6143 Current Act 511 Local Services Taxes	235,000	195,000	195,975	196,955	197,940	198,929
6151 Current Act 511 Earned Income Taxes	3,000,000	3,340,000	3,356,700	3,373,484	3,390,351	3,407,303
6153 Current Act 511 Real Estate Transfer Taxes	325,000	345,000	346,725	348,459	350,201	351,952
6154 Current Act 511 Amusement Taxes	250,000	260,000	261,300	262,607	263,920	265,239
6155 Current Act 511 Business Privilege Taxes	800,000	800,000	804,000	808,020	812,060	816,120
6157 Current Act 511 Mercantile Taxes	800,000	750,000	753,750	757,519	761,306	765,113
6411 Delinquent Real Estate Taxes	4,000,000	4,800,000	4,906,977	4,956,047	5,005,607	5,055,663
6442 General Fund District Wid	1,500,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
6510 Interest on Investments and Interest-Bearing Checking Acc	35,000	25,667	25,667	25,667	25,667	25,667
6530 Investment Earnings	600,000	440,000	440,000	440,000	440,000	440,000
6710 Interest Earnings	50,500	60,000	60,000	60,000	60,000	60,000
6832 Federal IDEA Revenue Received as Pass Through	1,900,000	1,562,312	1,562,312	1,562,312	1,562,312	1,562,312
6910 Rentals	35,000	25,000	25,000	25,000	25,000	25,000
6920 Contributions and Donations From Private Sources I Capit	627,381	86,686	86,686	86,686	86,686	86,686
6941 Regular Day School Tuition	20,000	10,000	10,000	10,000	10,000	10,000
6944 Receipts from Other LEAs in PA - Education	300,000	285,000	285,000	285,000	285,000	285,000
<b>Revenues From Local Sources Subtotal</b>	<b>50,009,682</b>	<b>50,428,357</b>	<b>50,913,056</b>	<b>51,343,463</b>	<b>51,778,011</b>	<b>52,216,741</b>
<b>Revenue From State Sources</b>						
7110 Basic Ed	43,797,685	44,287,990	45,505,910	46,871,087	48,394,398	49,967,215
7160 Tuition for Orphans & Children Placed in Private Homes	100,000	100,000	100,000	100,000	100,000	100,000
7240 Driver Education - Student	70	70	70	70	70	70
7271 Special Education Funding for School Aged Pupils	5,128,254	5,102,605	5,191,901	5,282,759	5,375,207	5,469,273
7299 Program Revenues not Listed Previously	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
7310 Transportation (Regular and Additional)	1,242,972	1,585,377	2,701,841	2,701,841	2,701,841	2,701,841
7320 Rental & Sinking Fund Payments / Building Reimbursemen	1,500,000	2,790,619	3,294,396	3,317,587	3,319,624	3,386,652
7330 Health Services (Medical, Dental, Nurse, Act 25)	175,000	175,000	175,000	175,000	175,000	175,000
7340 State Property Tax Reduction Allocation	2,773,436	2,773,436	2,773,436	2,773,436	2,773,436	2,773,436
7501 PA Accountability Grants	964,822	964,822	964,822	964,822	964,822	964,822
7599 Other State revenue not listed elsewhere	82,839	82,839	82,839	82,839	82,839	82,839
7810 State Share of Social Security & Medicare Taxes	2,246,169	2,139,402	2,083,182	2,023,126	1,966,905	1,915,761
7820 State Share of Retirement Contributions	2,805,400	4,508,366	5,375,320	6,120,973	6,318,723	6,140,593
<b>Revenues From State Sources Subtotal</b>	<b>62,816,648</b>	<b>66,510,527</b>	<b>70,248,716</b>	<b>72,413,540</b>	<b>74,172,866</b>	<b>75,677,503</b>
<b>Revenues From Federal Sources</b>						
8110 Payments for Federally Impacted Areas	200,000	175,000	147,455	137,365	128,070	118,763
8391 ROTC	70,000	60,000	50,556	47,096	43,910	40,719
8514 NCLB, Title I - Improving the Academic Achievement of the	8,569,662	7,219,658	6,083,302	5,667,005	5,283,568	4,899,577
8515 NCLB, Title II - Preparing, Training and Recruiting High Qua	1,786,002	1,224,846	1,032,058	961,432	896,380	831,234
8516 NCLB, Title III - Language Instruction for Limited English Pr	438,310	270,590	228,000	212,397	198,026	183,634
8690 Other Restricted Federal Grants-in-Aid Through the Comm	1,683,249	905,085	182,699	170,197	158,681	147,149
8704 ARRA -Title I, School Improvement	6,946,401	3,156,288	0	0	0	0
8732 Qscb Subsidy ARRA	444,070	0	0	0	0	0
8810 Medical Assistance Reimbursements (ACCESS)	200,000	160,000	134,816	125,591	117,093	108,583
8820 Medical Assistance Reimbursement for Health Related Tra	100,000	100,000	84,260	78,494	73,183	67,864
<b>Revenues From Federal Sources Subtotal</b>	<b>20,437,694</b>	<b>13,271,467</b>	<b>7,943,148</b>	<b>7,399,576</b>	<b>6,898,911</b>	<b>6,397,523</b>
<b>Revenues From Other Sources</b>						
9340 Debt Service Fund Transfers	0	444,070	444,070	444,070	444,070	444,070
<b>Revenues From Other Sources Subtotal</b>	<b>0</b>	<b>444,070</b>	<b>444,070</b>	<b>444,070</b>	<b>444,070</b>	<b>444,070</b>
<b>Total Revenues</b>	<b>\$136,556,518</b>	<b>\$130,654,420</b>	<b>\$129,548,990</b>	<b>\$131,600,649</b>	<b>\$133,293,858</b>	<b>\$134,735,838</b>

## SCENARIO - Baseline

## General Fund Expenditures

<i>Fiscal Year Ending:</i>	2013	2014	2015	2016	2017	2018
<b>Baseline Data</b>	Budget	Projected	Projected	Projected	Projected	Projected
<b>EXPENDITURES</b>						
<b>Personnel Services - Salaries &amp; Wages</b>						
105 Sick Reimbursement	400,000	250,000	250,000	250,000	250,000	250,000
106 Health Insurance Opt Out	500,000	600,000	660,000	726,000	798,600	878,460
110 Official / Administrative	3,843,316	3,843,316	3,843,316	3,843,316	3,843,316	3,843,316
120 Professional - Instructional Staff	30,430,713	28,438,431	27,377,123	26,257,584	25,196,276	24,253,453
130 Professional - Other	3,475,127	3,475,127	3,475,127	3,475,127	3,475,127	3,475,127
140 Technical	995,687	995,687	995,687	995,687	995,687	995,687
150 Office / Clerical	1,425,682	1,425,682	1,425,682	1,425,682	1,425,682	1,425,682
160 Crafts and Trades	199,580	199,580	199,580	199,580	199,580	199,580
170 Operative and Laborer	414,232	414,232	414,232	414,232	414,232	414,232
180 Service Work	2,480,792	2,480,792	2,480,792	2,480,792	2,480,792	2,480,792
190 Instructional Assistant	2,186,120	2,061,353	2,007,881	1,936,586	1,883,114	1,811,818
<b>Personnel Services Subtotal</b>	<b>46,351,249</b>	<b>44,184,199</b>	<b>43,129,420</b>	<b>42,004,585</b>	<b>40,962,406</b>	<b>40,028,147</b>
<b>Employee Benefits</b>						
210 Group Insurance	16,822,635	17,659,434	18,946,695	20,264,667	21,711,928	23,276,334
213 Life Insurance	113,420	110,727	110,482	109,896	109,503	109,175
220 Social Security Contributions	3,407,208	3,245,254	3,159,973	3,068,874	2,983,594	2,906,014
230 Retirement Contributions	5,504,476	6,828,788	8,141,956	9,271,392	9,570,922	9,301,110
240 Tuition Reimbursement	600,000	600,000	600,000	600,000	600,000	600,000
250 Unemployment Compensation	1,922,525	1,922,525	1,922,525	1,441,894	1,081,420	811,065
260 Workers' Compensation	1,259,794	1,145,445	1,088,708	1,028,221	974,503	924,683
290 Other Employee Benefits	510,000	500,000	500,000	500,000	500,000	500,000
291 Vehicle Allowance	9,600	9,600	9,600	9,600	9,600	9,600
<b>Employee Benefits Subtotal</b>	<b>30,149,657</b>	<b>32,021,773</b>	<b>34,479,941</b>	<b>36,294,544</b>	<b>37,541,471</b>	<b>38,437,981</b>
<b>Purchased Professional and Technical Services</b>						
320 Professional - Educational Services	4,047,968	3,597,181	3,679,916	3,764,554	3,851,139	3,939,715
330 Other Professional Services	6,561,229	4,954,736	5,068,695	5,185,275	5,304,536	5,426,541
340 Technical Services	490,183	417,500	427,103	436,926	446,975	457,256
390 Other Purchased Prof & Tech	20,206	21,000	21,483	21,977	22,483	23,000
<b>Purchased Professional and Technical Services</b>	<b>11,119,585</b>	<b>8,990,417</b>	<b>9,197,196</b>	<b>9,408,732</b>	<b>9,625,133</b>	<b>9,846,511</b>
<b>Purchased Property Services</b>						
411 Cleaning Services	565,750	117,550	120,254	123,019	125,849	128,743
421 Utility Services	1,937,000	1,872,300	1,915,363	1,959,416	2,004,483	2,050,586
431 Repairs and Maintenance	778,500	805,950	824,487	843,450	862,849	882,695
441 Rentals	1,203,000	1,320,100	1,350,462	1,381,523	1,413,298	1,445,804
<b>Purchased Property Services</b>	<b>4,484,250</b>	<b>4,115,900</b>	<b>4,210,566</b>	<b>4,307,409</b>	<b>4,406,479</b>	<b>4,507,828</b>
<b>Other Purchased Services</b>						
560 Tuition	14,095,000	24,046,689	28,462,115	33,016,264	38,441,703	44,957,074
561 Tuition to Other School Districts	3,810,000	4,310,000	4,310,000	4,310,000	4,310,000	4,310,000
562 Tuition to PA Charter Schools	6,650,000	14,952,388	19,348,520	23,882,931	29,288,179	35,782,894
569 Tuition to Other Non Publics & Other Costs	3,635,000	4,784,301	4,803,595	4,823,332	4,843,524	4,864,180
511 Student Transportation	2,505,009	3,802,865	3,890,331	3,979,809	4,071,344	4,164,985
521 Insurance - General	691,900	707,814	724,093	740,748	757,785	775,214
538 Communications	277,993	284,387	290,928	297,619	304,464	311,467
540 Advertising	11,100	11,355	11,616	11,884	12,157	12,437
550 Printing and Binding	757,700	775,127	792,955	811,193	829,850	848,937
581 Travel	94,121	96,285	98,500	100,765	103,083	105,454
591 Services Purchased Locally	301,314	308,244	315,333	322,586	330,006	337,596
<b>Other Purchased Services</b>	<b>18,734,136</b>	<b>30,032,766</b>	<b>34,585,871</b>	<b>39,280,867</b>	<b>44,850,392</b>	<b>51,513,163</b>
<b>Supplies</b>						
618 Other Supplies	4,289,393	2,202,111	2,252,760	2,304,573	2,357,578	2,411,802
620 Energy	1,079,500	1,063,300	1,087,756	1,112,774	1,138,368	1,164,551
635 Food	58,935	79,561	81,391	83,263	85,178	87,137
640 Books and Periodicals	1,515,756	742,968	760,056	777,537	795,420	813,715
648 Educational Software	55,405	98,118	100,374	102,683	105,045	107,461
650 Supplies & Fees - Tech Related	449,543	102,061	104,408	106,810	109,266	111,779
<b>Supplies</b>	<b>7,448,532</b>	<b>4,288,118</b>	<b>4,386,744</b>	<b>4,487,640</b>	<b>4,590,855</b>	<b>4,696,445</b>
<b>Property</b>						
750 Equipment - Original & Additional	1,091,249	256,400	262,297	268,330	274,502	280,815
760 Equipment - Replacement	392,996	337,220	344,976	352,911	361,027	369,331
<b>Property Subtotal</b>	<b>1,484,246</b>	<b>593,620</b>	<b>607,273</b>	<b>621,241</b>	<b>635,529</b>	<b>650,146</b>
<b>Other Objects</b>						
810 Dues and Fees	152,450	152,450	152,450	152,450	152,450	152,450
830 Interest	175,000	175,000	175,000	175,000	175,000	175,000
840 Contingency	300,000	300,000	300,000	300,000	300,000	300,000
880 Refunds for PY Receipts	75,000	75,000	75,000	75,000	75,000	75,000
890 Misc. Expenditures	2,007,700	2,007,700	2,007,700	2,007,700	2,007,700	2,007,700
<b>Other Objects Subtotal</b>	<b>2,710,150</b>	<b>2,710,150</b>	<b>2,710,150</b>	<b>2,710,150</b>	<b>2,710,150</b>	<b>2,710,150</b>
<b>Other Use of Funds</b>						
930 Fund Transfers	16,042,004	18,069,114	21,214,767	21,359,115	21,371,794	21,788,994
990 Misc. Other Uses of Funds	(802,146)	0	0	0	0	0
<b>Other Use of Funds Subtotal</b>	<b>15,239,857</b>	<b>18,069,114</b>	<b>21,214,767</b>	<b>21,359,115</b>	<b>21,371,794</b>	<b>21,788,994</b>
<b>Total Expenditures</b>	<b>136,860,979</b>	<b>145,006,057</b>	<b>154,521,929</b>	<b>160,474,282</b>	<b>166,694,209</b>	<b>174,179,365</b>

SCENARIO - Recovery Plan

General Fund Revenues

<i>Fiscal Year Ending:</i>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Baseline Data</b>	<b>Budget</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
<b>REVENUES</b>						
<b>Revenues From Local Sources</b>						
6111 Current Real Estate Taxes	33,781,801	34,908,518	36,130,316	37,485,203	38,984,611	39,374,457
6113 Public Utility Realty Tax	50,000	54,000	54,000	54,000	54,000	54,000
6114 Payment in Lieu State & Local	900,000	970,000	1,320,000	1,420,000	1,520,000	1,620,000
6142 Current Act 511 Occupation Taxes-Flat Rate	800,000	785,000	788,925	792,870	796,834	800,818
6143 Current Act 511 Local Services Taxes	235,000	195,000	195,975	196,955	197,940	198,929
6151 Current Act 511 Earned Income Taxes	3,000,000	3,540,000	3,606,700	3,673,484	3,690,351	3,707,303
6153 Current Act 511 Real Estate Transfer Taxes	325,000	345,000	346,725	348,459	350,201	351,952
6154 Current Act 511 Amusement Taxes	250,000	260,000	261,300	262,607	263,920	265,239
6155 Current Act 511 Business Privilege Taxes	800,000	800,000	804,000	808,020	812,060	816,120
6157 Current Act 511 Mercantile Taxes	800,000	750,000	753,750	757,519	761,306	765,113
6411 Delinquent Real Estate Taxes	4,000,000	5,050,000	5,156,977	5,328,721	5,519,173	5,729,940
6442 General Fund District Wid	1,500,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
6510 Interest on Investments and Interest-Bearing Checking Acc	35,000	25,667	25,667	25,667	25,667	25,667
6530 Investment Earnings	600,000	440,000	440,000	440,000	440,000	440,000
6710 Interest Earnings	50,500	60,000	60,000	60,000	60,000	60,000
6832 Federal IDEA Revenue Received as Pass Through	1,900,000	1,562,312	1,562,312	1,562,312	1,562,312	1,562,312
6910 Rentals	35,000	25,000	25,000	25,000	25,000	25,000
6920 Contributions and Donations From Private Sources I Capit	627,381	86,686	86,686	86,686	86,686	86,686
6941 Regular Day School Tuition	20,000	10,000	10,000	10,000	10,000	10,000
6944 Receipts from Other LEAs in PA - Education	300,000	285,000	285,000	285,000	285,000	285,000
<b>Revenues From Local Sources Subtotal</b>	<b>50,009,682</b>	<b>51,352,183</b>	<b>53,113,333</b>	<b>54,822,501</b>	<b>56,645,060</b>	<b>57,378,536</b>
<b>Revenue From State Sources</b>						
7110 Basic Ed	43,797,685	44,287,990	45,505,910	46,871,087	48,394,398	49,967,215
7140 Charter Schools	0	259,157	202,858	206,674	0	0
7160 Tuition for Orphans & Children Placed in Private Homes	100,000	100,000	100,000	100,000	100,000	100,000
7240 Driver Education - Student	70	70	70	70	70	70
7271 Special Education Funding for School Aged Pupils	5,128,254	5,102,605	5,191,901	5,282,759	5,375,207	5,469,273
7299 Program Revenues not Listed Previously	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
7310 Transportation (Regular and Additional)	1,242,972	2,701,841	2,701,841	2,701,841	2,701,841	2,701,841
7320 Rental & Sinking Fund Payments / Building Reimbursemen	1,500,000	2,933,619	3,437,396	3,460,587	3,462,624	3,529,652
7330 Health Services (Medical, Dental, Nurse, Act 25)	175,000	175,000	175,000	175,000	175,000	175,000
7340 State Property Tax Reduction Allocation	2,773,436	2,773,436	2,773,436	2,773,436	2,773,436	2,773,436
7501 PA Accountability Grants	964,822	964,822	964,822	964,822	964,822	964,822
7599 Other State revenue not listed elsewhere	82,839	3,332,839	1,282,839	282,839	82,839	82,839
7810 State Share of Social Security & Medicare Taxes	2,246,169	2,042,880	1,879,491	1,829,028	1,836,355	1,888,533
7820 State Share of Retirement Contributions	2,805,400	4,332,916	4,933,634	5,688,289	6,190,484	6,509,402
<b>Revenues From State Sources Subtotal</b>	<b>62,816,648</b>	<b>71,007,176</b>	<b>71,149,197</b>	<b>72,336,432</b>	<b>74,057,077</b>	<b>76,162,084</b>
<b>Revenues From Federal Sources</b>						
8110 Payments for Federally Impacted Areas	200,000	175,000	151,864	145,184	140,660	136,787
8391 ROTC	70,000	60,000	52,068	49,777	48,226	46,898
8514 NCLB, Title I - Improving the Academic Achievement of the	8,569,662	7,219,658	6,265,195	5,989,607	5,802,935	5,643,164
8515 NCLB, Title II - Preparing, Training and Recruiting High Qua	1,786,002	1,224,846	1,062,917	1,016,162	984,493	957,387
8516 NCLB, Title III - Language Instruction for Limited English Pr	438,310	270,590	234,817	224,488	217,492	211,504
8690 Other Restricted Federal Grants-in-Aid Through the Comm	1,683,249	905,085	188,162	179,885	174,279	169,481
8704 ARRA -Title I, School Improvement	6,946,401	3,306,288	250,000	300,000	400,000	500,000
8732 Qscb Subsidy ARRA	444,070	0	0	0	0	0
8810 Medical Assistance Reimbursements (ACCESS)	200,000	410,000	438,847	482,740	478,603	475,062
8820 Medical Assistance Reimbursement for Health Related Tra	100,000	100,000	86,780	82,962	80,377	78,164
<b>Revenues From Federal Sources Subtotal</b>	<b>20,437,694</b>	<b>13,671,467</b>	<b>8,730,651</b>	<b>8,470,808</b>	<b>8,327,064</b>	<b>8,218,447</b>
<b>Revenues From Other Sources</b>						
9340 Debt Service Fund Transfers	0	444,070	444,070	444,070	444,070	444,070
<b>Revenues From Other Sources Subtotal</b>	<b>0</b>	<b>444,070</b>	<b>444,070</b>	<b>444,070</b>	<b>444,070</b>	<b>444,070</b>
<b>Total Revenues</b>	<b>\$136,556,518</b>	<b>\$136,474,896</b>	<b>\$133,437,251</b>	<b>\$136,073,811</b>	<b>\$139,473,271</b>	<b>\$142,203,137</b>

## SCENARIO - Recovery Plan

## General Fund Expenditures

<i>Fiscal Year Ending:</i>	2013	2014	2015	2016	2017	2018
<b>Baseline Data</b>	Budget	Projected	Projected	Projected	Projected	Projected
<b>EXPENDITURES</b>						
<b>Personnel Services - Salaries &amp; Wages</b>						
105 Sick Reimbursement	400,000	250,000	250,000	250,000	250,000	250,000
106 Health Insurance Opt Out	500,000	300,000	315,000	330,750	347,288	364,652
110 Official / Administrative	3,843,316	3,715,141	3,432,584	3,432,584	3,484,613	3,607,834
120 Professional - Instructional Staff	30,430,713	27,112,096	23,913,864	22,961,884	23,054,791	23,661,911
130 Professional - Other	3,475,127	3,381,371	3,216,302	3,216,302	3,263,347	3,374,764
140 Technical	995,687	945,903	898,608	898,608	912,087	944,010
150 Office / Clerical	1,425,682	1,354,398	1,286,678	1,286,678	1,305,978	1,351,687
160 Crafts and Trades	199,580	189,601	180,121	180,121	182,823	189,222
170 Operative and Laborer	414,232	393,520	373,844	373,844	379,452	392,733
180 Service Work	2,480,792	2,128,776	2,010,938	2,010,938	2,044,522	2,124,059
190 Instructional Assistant	2,186,120	1,969,870	1,744,558	1,708,910	1,702,857	1,755,123
<b>Personnel Services Subtotal</b>	<b>46,351,249</b>	<b>41,740,676</b>	<b>37,622,497</b>	<b>36,650,620</b>	<b>36,927,756</b>	<b>38,015,995</b>
<b>Employee Benefits</b>						
210 Group Insurance	16,822,635	15,233,433	15,389,220	15,879,860	16,504,537	17,194,631
213 Life Insurance	113,420	110,597	109,803	110,323	110,642	113,248
220 Social Security Contributions	3,407,208	3,086,295	2,766,992	2,690,445	2,701,560	2,780,708
230 Retirement Contributions	5,504,476	6,535,273	7,279,846	8,415,555	9,172,126	9,653,794
240 Tuition Reimbursement	600,000	600,000	600,000	600,000	600,000	600,000
250 Unemployment Compensation	1,922,525	1,922,525	1,885,160	1,404,529	1,044,055	773,700
260 Workers' Compensation	1,259,794	1,152,116	1,086,951	1,046,866	1,023,168	1,004,919
290 Other Employee Benefits	510,000	500,000	500,000	500,000	500,000	500,000
291 Vehicle Allowance	9,600	9,600	9,600	9,600	9,600	9,600
<b>Employee Benefits Subtotal</b>	<b>30,149,657</b>	<b>29,149,840</b>	<b>29,627,573</b>	<b>30,657,176</b>	<b>31,666,688</b>	<b>32,630,600</b>
<b>Purchased Professional and Technical Services</b>						
310 Official / Administrative Services	0	250,000	200,000	200,000	200,000	200,000
320 Professional - Educational Services	4,047,968	3,597,181	3,679,916	3,764,554	3,851,139	3,939,715
330 Other Professional Services	6,561,229	5,064,736	4,007,279	4,123,859	4,253,120	4,365,124
340 Technical Services	490,183	417,500	427,103	436,926	446,975	457,256
390 Other Purchased Prof & Tech	20,206	21,000	21,483	21,977	22,483	23,000
<b>Purchased Professional and Technical Services</b>	<b>11,119,585</b>	<b>9,350,417</b>	<b>8,335,780</b>	<b>8,547,316</b>	<b>8,773,716</b>	<b>8,985,095</b>
<b>Purchased Property Services</b>						
411 Cleaning Services	565,750	117,550	120,254	123,019	125,849	128,743
421 Utility Services	1,937,000	1,837,300	1,632,558	1,670,107	1,708,519	1,747,815
431 Repairs and Maintenance	778,500	913,150	935,252	959,598	984,646	1,010,418
441 Rentals	1,203,000	1,320,100	1,095,250	1,000,441	1,023,451	1,046,991
<b>Purchased Property Services</b>	<b>4,484,250</b>	<b>4,188,100</b>	<b>3,783,314</b>	<b>3,753,166</b>	<b>3,842,465</b>	<b>3,933,967</b>
<b>Other Purchased Services</b>						
560 Tuition	14,095,000	22,168,078	22,798,828	22,639,928	22,150,771	21,645,180
561 Tuition to Other School Districts	3,810,000	4,310,000	4,310,000	4,310,000	4,310,000	4,310,000
562 Tuition to PA Charter Schools	6,650,000	12,923,777	13,235,233	12,831,596	12,097,247	11,346,000
569 Tuition to Other Non Publics & Other Costs	3,635,000	4,934,301	5,253,595	5,498,332	5,743,524	5,989,180
511 Student Transportation	2,505,009	3,802,865	4,001,977	4,091,455	4,182,991	4,276,632
521 Insurance - General	691,900	707,814	724,093	740,748	757,785	775,214
538 Communications	277,993	284,387	290,928	297,619	304,464	311,467
540 Advertising	11,100	11,355	11,616	11,884	12,157	12,437
550 Printing and Binding	757,700	775,127	792,955	811,193	829,850	848,937
581 Travel	94,121	96,285	98,500	100,765	103,083	105,454
591 Services Purchased Locally	301,314	308,244	315,333	322,586	330,006	337,596
<b>Other Purchased Services</b>	<b>18,734,136</b>	<b>28,154,155</b>	<b>29,034,231</b>	<b>29,016,178</b>	<b>28,671,106</b>	<b>28,312,915</b>
<b>Supplies</b>						
618 Other Supplies	4,289,393	2,202,111	2,028,807	2,080,621	2,133,626	2,187,850
620 Energy	1,079,500	1,063,300	1,087,756	1,112,774	1,138,368	1,164,551
635 Food	58,935	79,561	81,391	83,263	85,178	87,137
640 Books and Periodicals	1,515,756	742,968	561,538	579,020	596,903	615,198
648 Educational Software	55,405	98,118	100,374	102,683	105,045	107,461
650 Supplies & Fees - Tech Related	449,543	102,061	104,408	106,810	109,266	111,779
<b>Supplies</b>	<b>7,448,532</b>	<b>4,288,118</b>	<b>3,964,275</b>	<b>4,065,170</b>	<b>4,168,385</b>	<b>4,273,975</b>
<b>Property</b>						
750 Equipment - Original & Additional	1,091,249	256,400	262,297	268,330	274,502	280,815
760 Equipment - Replacement	392,996	337,220	344,976	352,911	361,027	369,331
<b>Property Subtotal</b>	<b>1,484,246</b>	<b>593,620</b>	<b>607,273</b>	<b>621,241</b>	<b>635,529</b>	<b>650,146</b>
<b>Other Objects</b>						
810 Dues and Fees	152,450	152,450	152,450	152,450	152,450	152,450
830 Interest	175,000	175,000	175,000	175,000	175,000	175,000
840 Contingency	300,000	300,000	300,000	300,000	300,000	300,000
880 Refunds for PY Receipts	75,000	75,000	75,000	75,000	75,000	75,000
890 Misc. Expenditures	2,007,700	2,007,700	2,007,700	2,007,700	2,007,700	2,007,700
<b>Other Objects Subtotal</b>	<b>2,710,150</b>	<b>2,710,150</b>	<b>2,710,150</b>	<b>2,710,150</b>	<b>2,710,150</b>	<b>2,710,150</b>
<b>Other Use of Funds</b>						
930 Fund Transfers	16,042,004	17,687,695	20,683,348	20,777,696	20,790,375	20,707,575
990 Misc. Other Uses of Funds	(802,146)	(50,000)	230,916	251,201	171,869	171,869
<b>Other Use of Funds Subtotal</b>	<b>15,239,857</b>	<b>17,637,695</b>	<b>20,914,264</b>	<b>21,028,897</b>	<b>20,962,244</b>	<b>20,879,444</b>
<b>Total Expenditures</b>	<b>136,860,979</b>	<b>137,812,771</b>	<b>136,599,357</b>	<b>137,049,913</b>	<b>138,358,041</b>	<b>140,392,288</b>

## **Chief Recovery Officer/Technical Assistance Team**

**Chief Recovery Officer:** Gene G. Veno

**Public Financial Management, Inc.:** Matthew Eckes, John Frey, Blair Gearhart, David Hoskins, Dean Kaplan, Anne Kapoor, Karolina Pater, Janet Razler, Brad Remig, Virginia Rutledge, David Sallack, Nicole Westerman, Christopher Wheeler

**Other Team Members:** Dr. Francis V. Barnes, Melissa Charry, George Crawford, Tresta Delater, Gina Giarratana, Barbara Kucsan, Debra Lemeshow, J. Drue Miles, Philip Mowry, Andrew Reilly, James J. Snell, Linda Stein, Becky Taylor, Thomas Tracy, Jr.

The CRO and the Technical Assistance Team gratefully acknowledge the assistance of Dr. Sybil Knight-Burney, Debra Miller, the School Board and other staff of the Harrisburg School District and their outside professional advisors, as well as the Secretary and staff of the Pennsylvania Department of Education.