

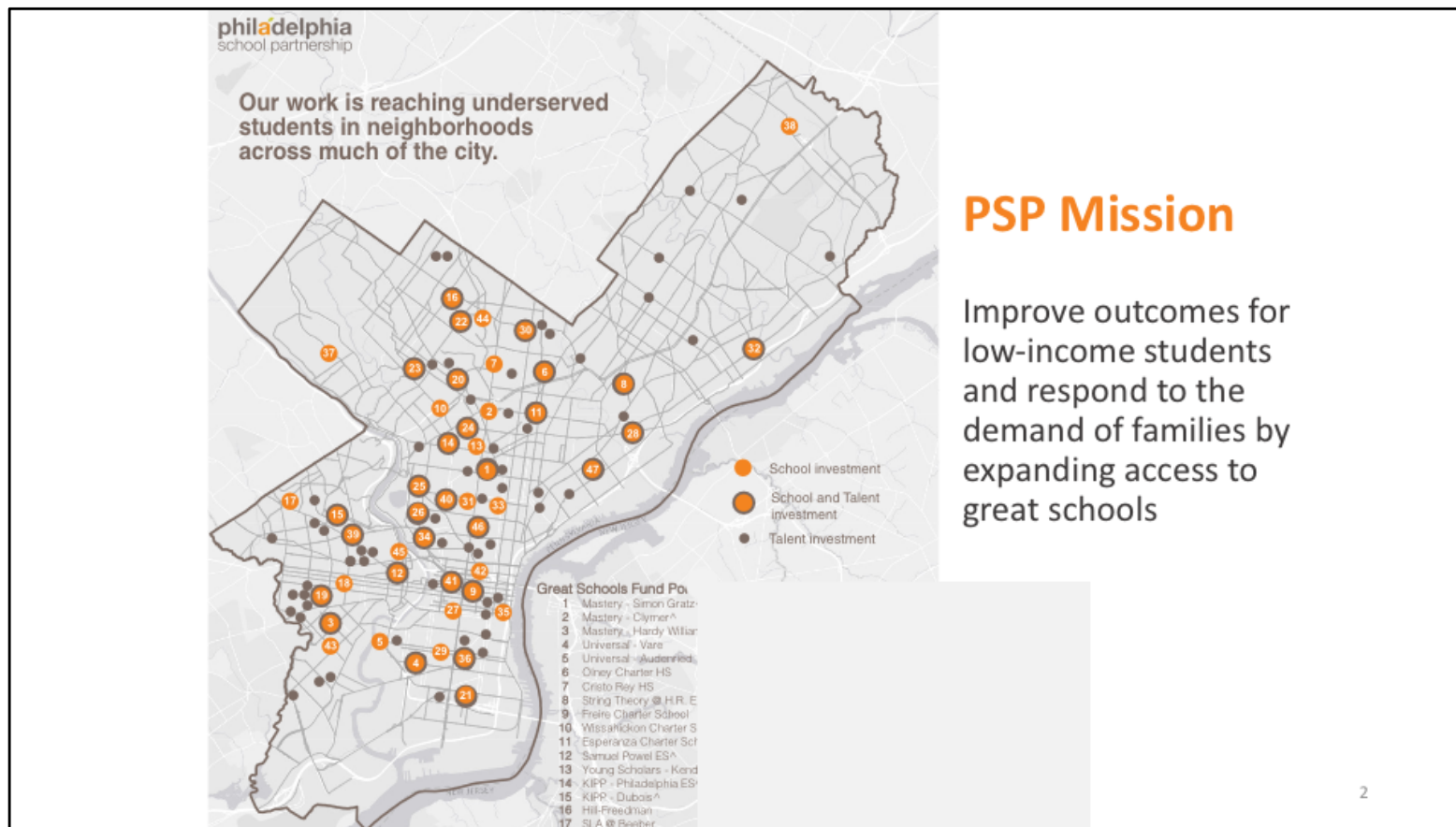
Perspectives on K-12 Education in Philadelphia

May 22, 2018



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Good morning ... thank you ... not here to rebut the School District's April presentation ... rather, here to build on what District leadership presented, digging in more deeply in some areas and bringing some additional data to the table. PSP wants the District to succeed; we believe it has to succeed. With the majority of students enrolled in its schools, no outside reform is big enough on its own to power the improvement Philadelphia needs. But inside reform is needed, too, and so we have to look closely at where things are working and where they aren't.



Orange dots are schools where PSP has made investments; gray dots are schools where principals and assistant principals have been trained in a PSP-funded leadership program.

PSP: Core Ideas

- Collective impact
(many donors, one strategy, broader impact)
\$100 million raised from more than 135 donors since 2011
- Expand what's working across all types of schools
(charter, district, Catholic/private)
More than 60 school investments across 3 sectors
- Urgency
(catalyze change)
When 60% of students aren't reading on grade level, the house is "on fire" — new approaches are needed
- Steady progress, steady pressure
(Transformation requires aggressive action and patience)
Creation or transformation of nearly 27,000 seats

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Catalytic Investing

Our Approach

Invest in Proven & Dynamic School Leaders

Startup: New schools

Growth: Expand high-performing schools

Turnaround: Support management change & transformation at struggling schools

Incubation: Support planning for all of the above

Invest to Develop Leaders & Teachers

- Train and certify school leaders for success in urban schools
- Deepen instructional management skills of principals
- Train and certify teachers for success in urban schools

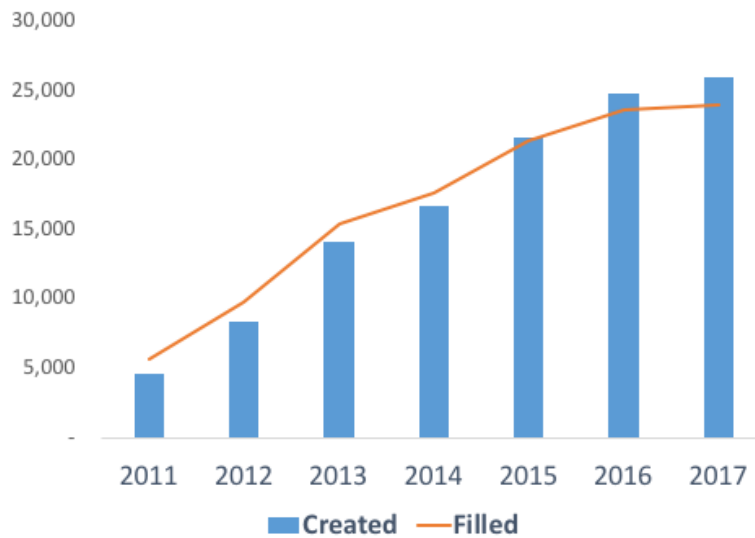
Invest to Engage & Empower Parents & Families

- Improve and equalize access to information about schools
- Eliminate barriers to application and enrollment
- Give parents more voice in educational policy-setting

Change Policies to Prioritize Outcomes

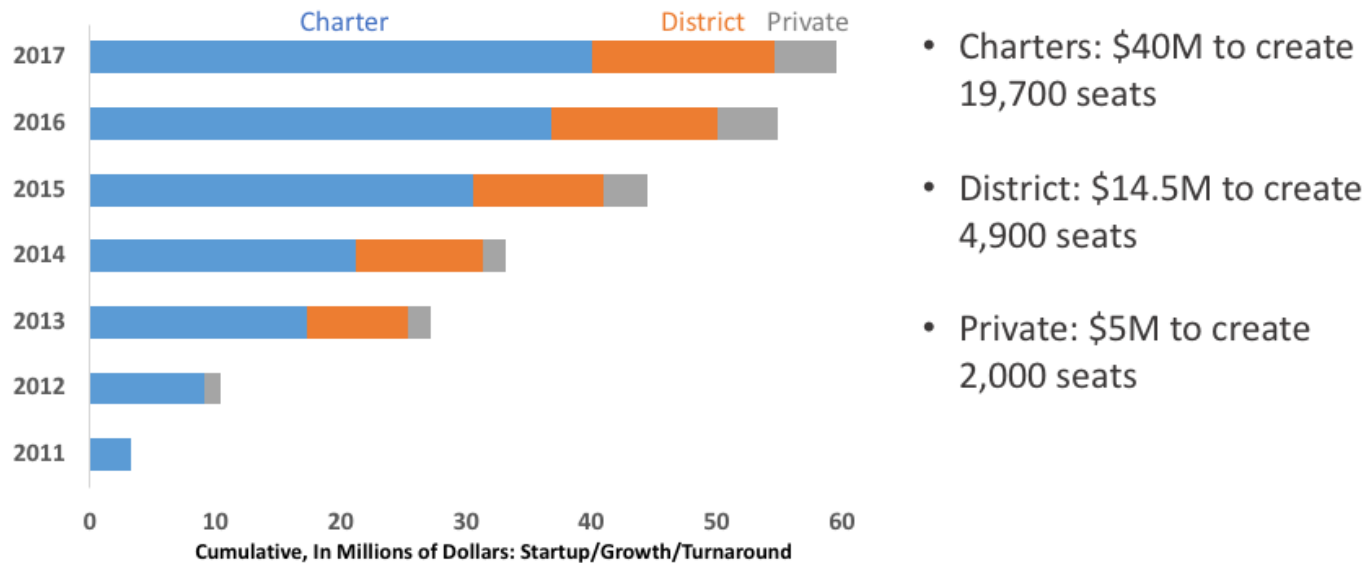
- Make school quality—not school type—the currency of decisions

PSP has supported the creation of 26,600 seats in Philadelphia by high-achieving school operators



Total student population in Philadelphia (public and private) is approx. 240,000

Charter schools make up 67% of PSP's school investment portfolio



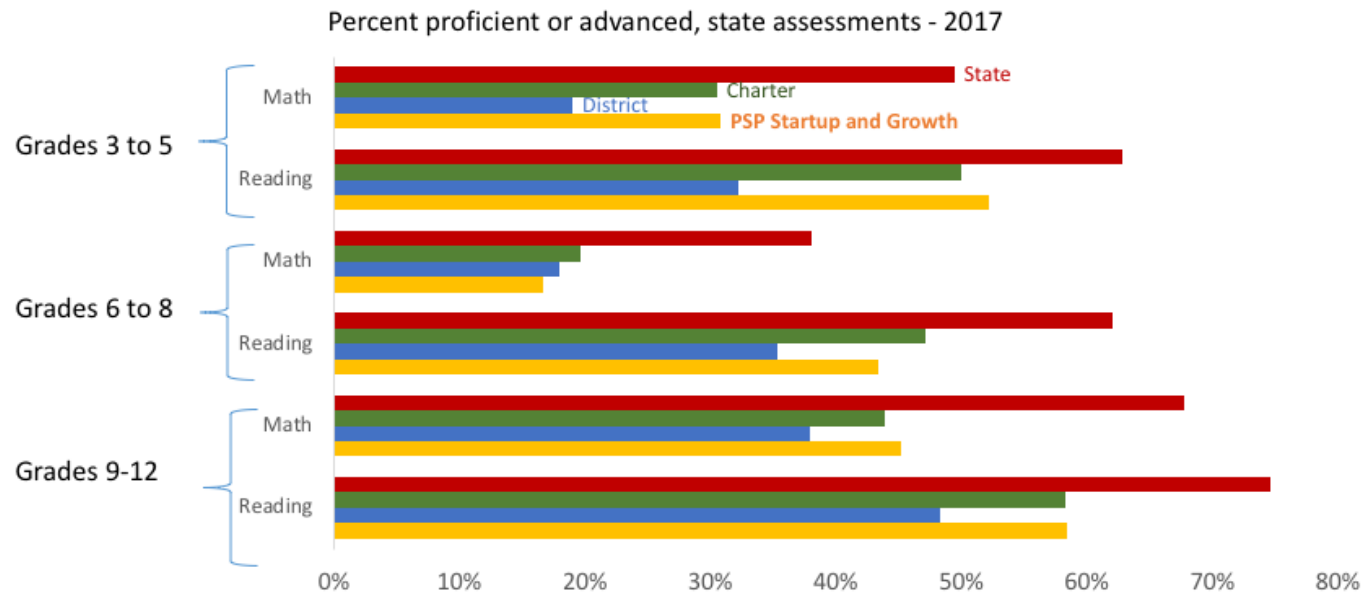
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Charter investments include citywide charters that enroll via lottery, charters that use a lottery with a neighborhood preference, and Renaissance charters that are district neighborhood schools converted to charter management. While our investments have been largely focused on the charter sector, we also have been the largest funder directly into district schools since 2011.

Portfolio schools serve predominantly low-income and minority students, reflecting PSP's focus on expanding access to good schools for those who need it most

Subgroup	PSP Portfolio	Philadelphia County	State
Low Income	76.8%	68.6%	41.9%
Black	65.7%	48.9%	9.6%
Hispanic	14.6%	18.6%	9.9%
Asian	4.6%	6.6%	3.4%
White	11.7%	19.5%	73.6%
Other	3.7%	6.3%	3.6%
English-Language Learners	4.4%	7.8%	2.5%
Special Education	15.9%	13.3%	15.4%

PSP growth and startup grants outperform the District and are on pace with the charter sector

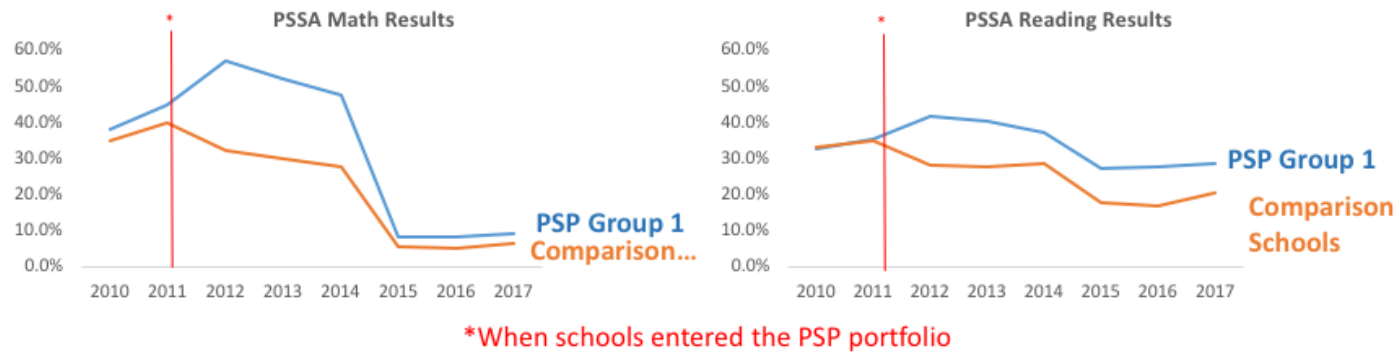


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Charter sector here includes only citywide and neighborhood lottery schools (not Renaissance schools)

Turnaround schools funded by PSP have made modest gains; their rate of improvement is generally slowing

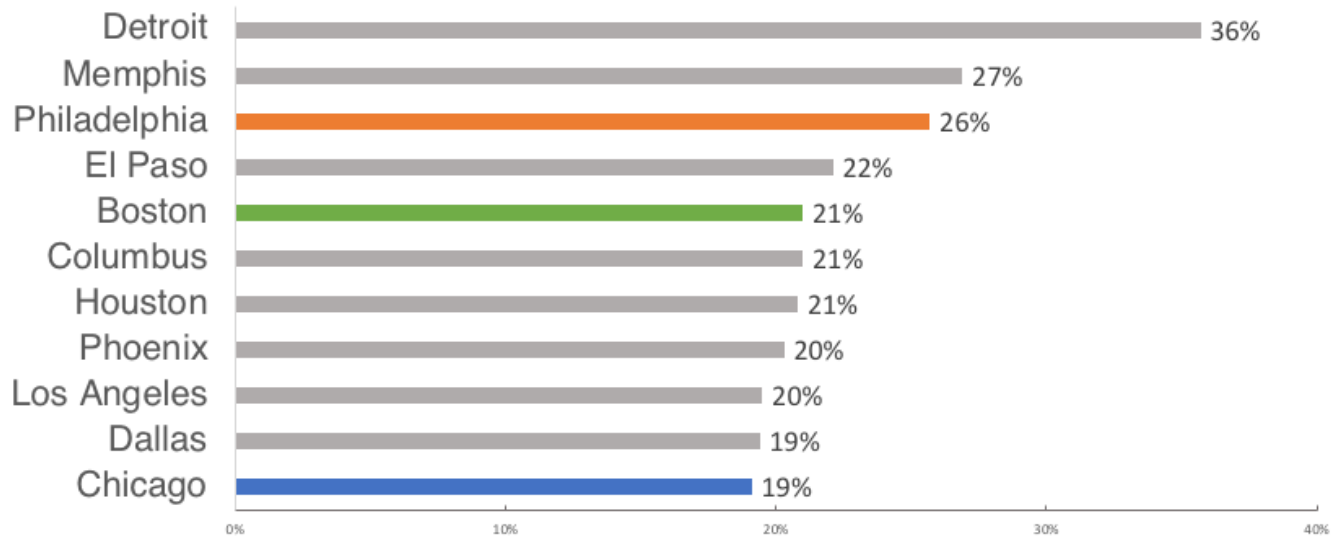
Our earliest K-8 turnaround investments



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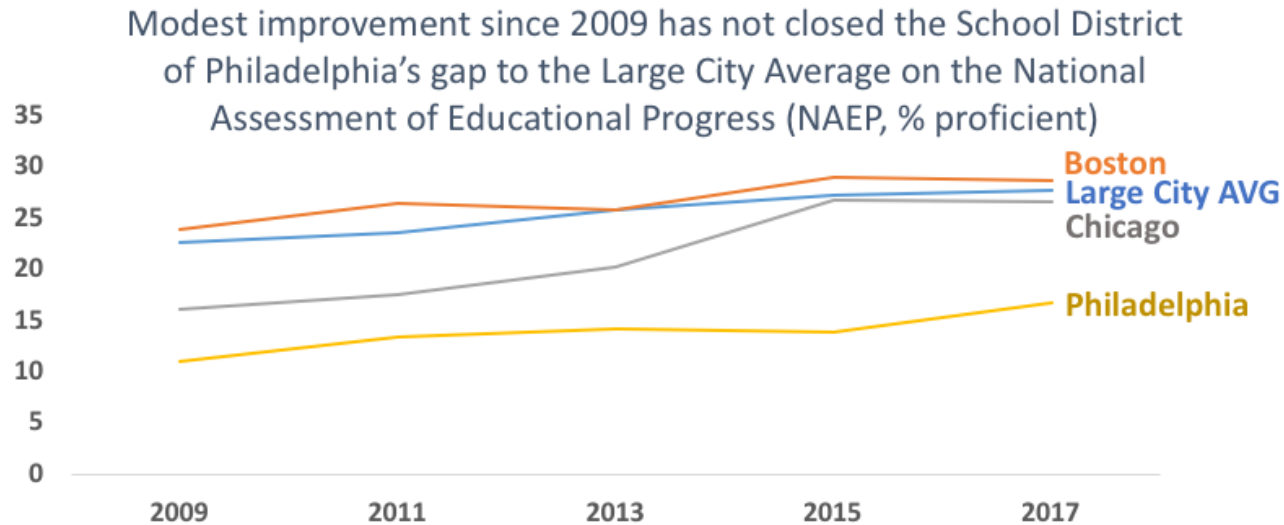
New research out of Harvard concludes that two-thirds of academic growth in Newark, N.J., has been driven by moving students into higher-achieving schools, and one third has been driven by the harder work of improving instructional practices in struggling schools. Newark as a whole has made significant progress in creating better outcomes for low-income, minority students in the past decade. Our conclusion—from experience in Philadelphia and buttressed by the research—is that turnaround investing should play a role, but there is more upside in expanding schools that already are working and getting results for students.

Philadelphia has among the highest poverty rates of large cities in the U.S.



"2018 State of Center City" Center City District, Source: US Census Bureau, 2016 American Community Survey available at <https://centercityphila.org/research-reports/state-of-center-city-2018>

4th grade reading proficiency in Philadelphia is among the lowest in the United States

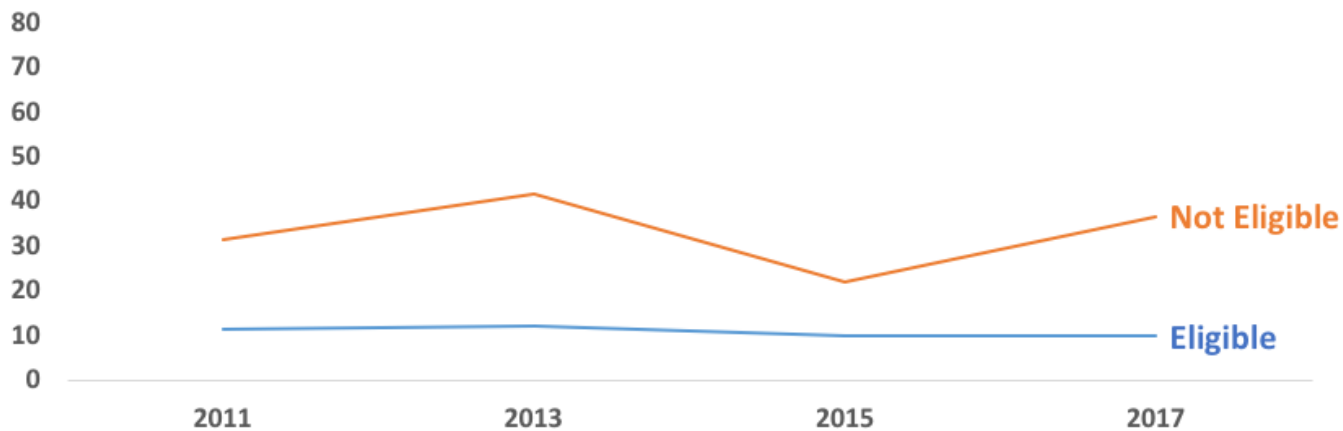


U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP). Available at <https://www.nationsreportcard.gov/ndecore/explore/nde>

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Nine out of 10 **low-income** 4th graders in Philadelphia don't show grade-level proficiency on NAEP

District students eligible for free or reduced lunch have declined in reading proficiency since 2011



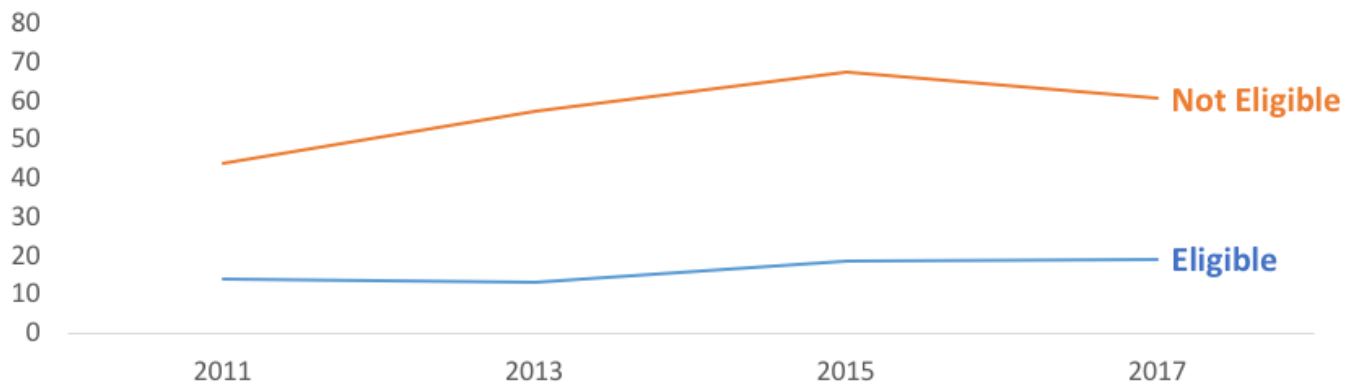
U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP). Available at <https://www.nationsreportcard.gov/ndecore/explore/nde>

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Philadelphia's modest gains have been driven by students at the higher end of the income scale.

Chicago, among most improved on NAEP, has seen smaller gains with **low-income** 4th graders

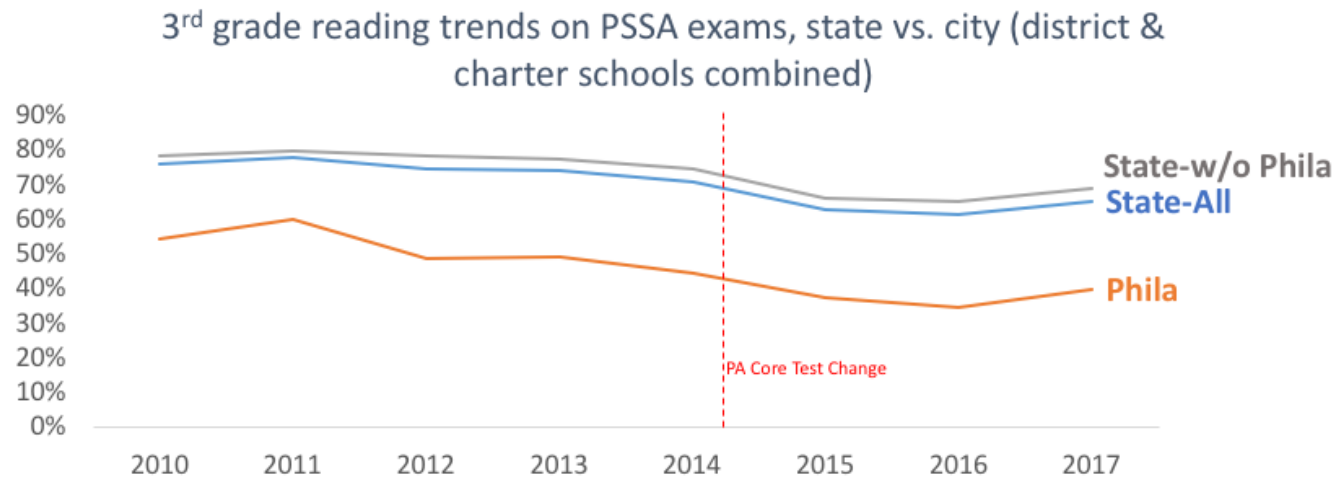
Proficiency among students eligible for free/reduced lunch has climbed from 14% to 19%; gains have been bigger for non-eligible students



U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP). Available at <https://www.nationsreportcard.gov/ndecore/explore/nde>

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City's gap vs. state has gotten bigger on state assessments (PSSA) ... state is improving more

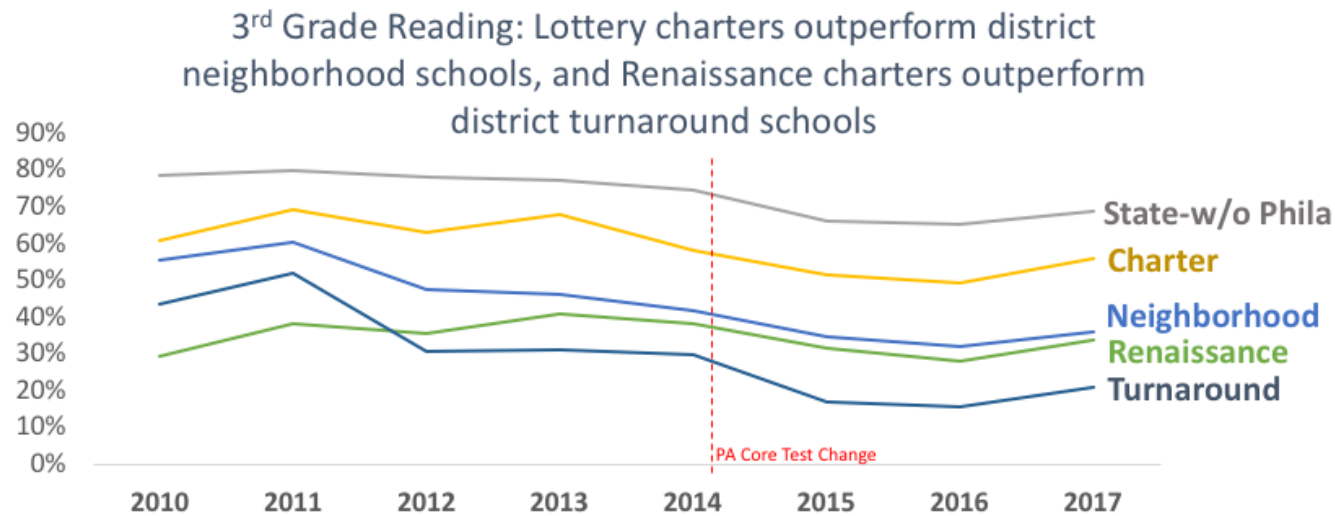


Pennsylvania Department of Education, PSSA and Keystone Performance. Available at <http://www.education.pa.gov/data-and-statistics/Pages/default.aspx>

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Philly's gap to the state has grown from 24 percentage points to 29 percentage points since 2010, in spite of recent improvement here in the city.

Charter schools in Philadelphia outperform district-run schools in reading

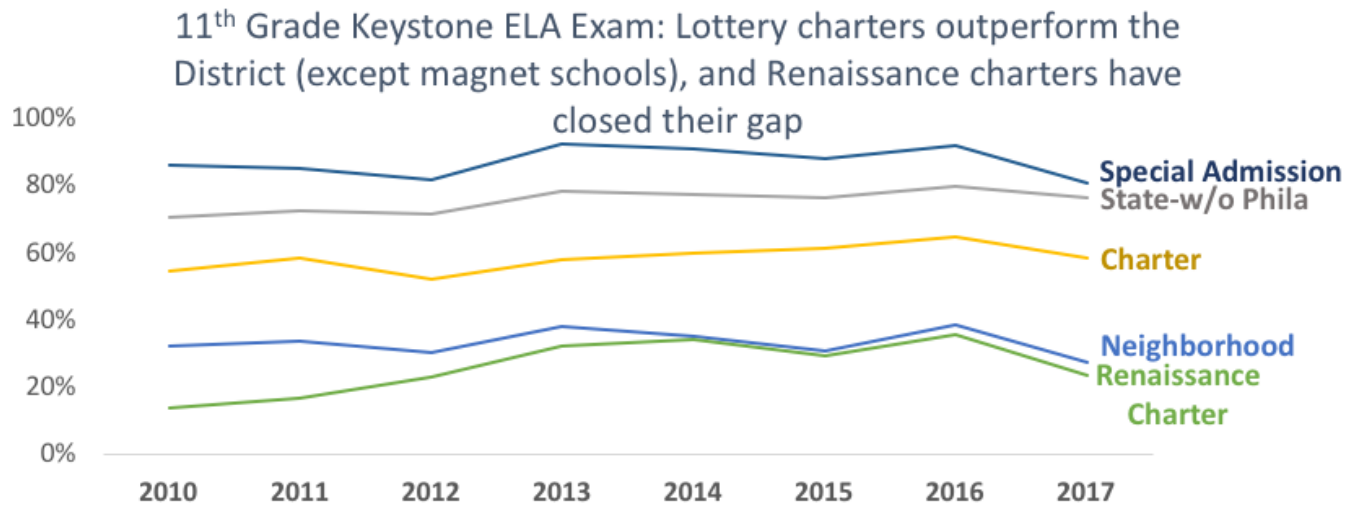


Pennsylvania Department of Education, PSSA and Keystone Performance. Available at <http://www.education.pa.gov/data-and-statistics/Pages/default.aspx>

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Charters in elementary and middle grades outperform the District by a pretty big margin in reading; less so in math. At high school, as we'll see in a moment, charters under-perform relative to the District's magnet schools and outperform relative to the rest of the District.

High school trends in English Language Arts look similar

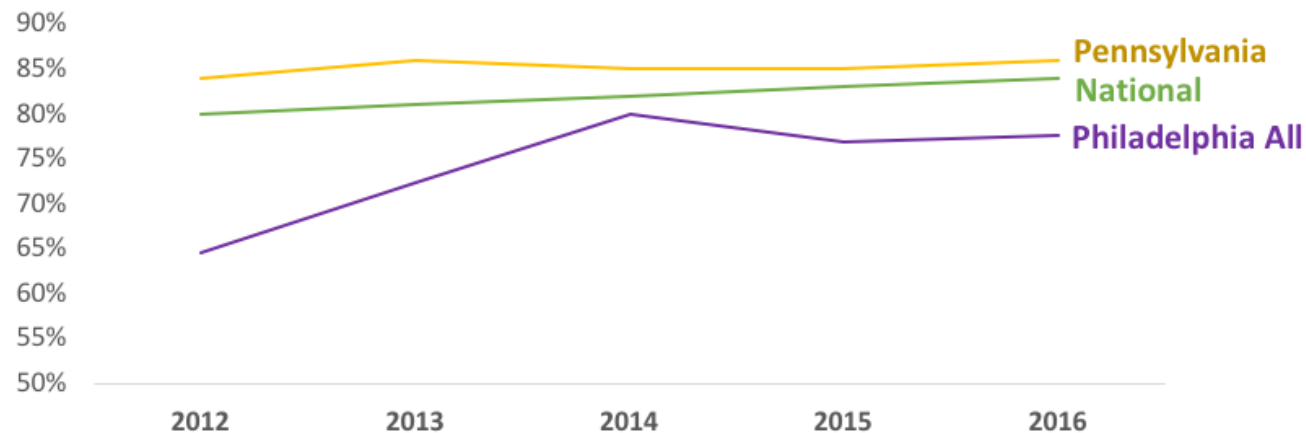


Pennsylvania Department of Education, PSSA and Keystone Performance. Available at <http://www.education.pa.gov/data-and-statistics/Pages/default.aspx>

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The HS graduation rate is up in Philadelphia, narrowing the gap vs. state and national trends

All Public Philadelphia Schools Graduation Rate (District & Charter)



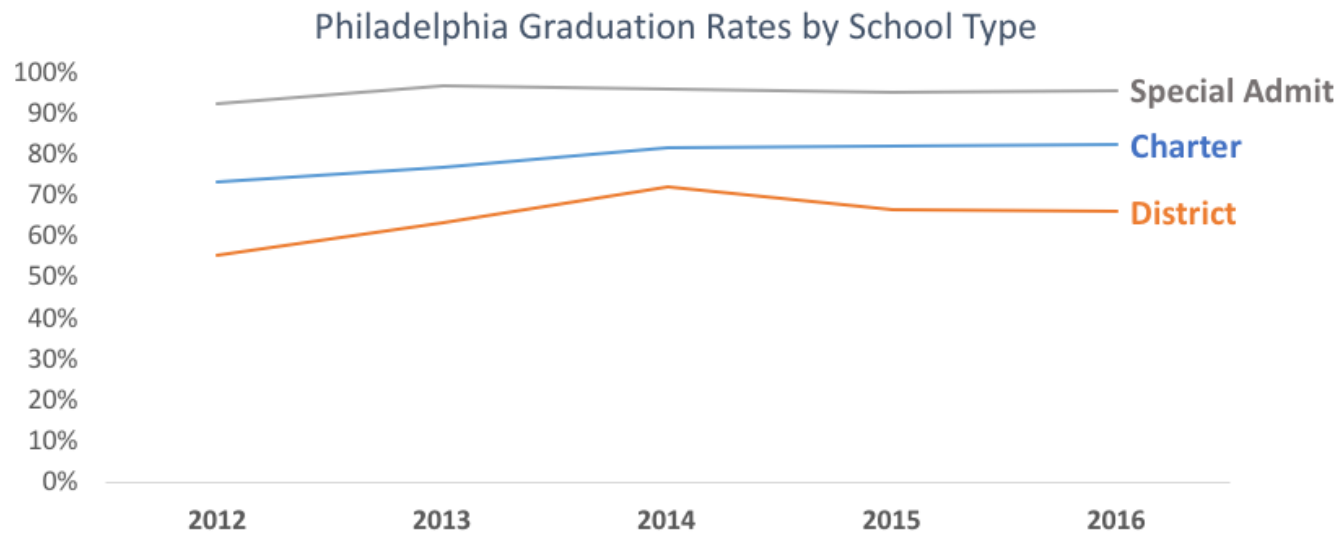
Pennsylvania Department of Education, Graduation Rates. Available at <http://www.education.pa.gov/Data-and-Statistics/Pages/Graduates.aspx>

National Center For Education Statistics , Table 219.46, Public high school 4-year adjusted cohort graduation rate (ACGR), by selected student characteristics and state: 2010-11 through 2015-16. Available at https://nces.ed.gov/ipeds/data/ipeds_datacenter/ipeds_datacenter.asp?table=219.46

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Note that the city's improved graduation rate is not mirrored by comparable gains in SAT scores or Keystone results. It largely reflects more intentionality and success in ensuring students meet minimum requirements and attain the required credits. It's important to get students their diploma, but there is a long way to go before we are dramatically improving students' readiness for college and careers.

Graduation rates vary by school type

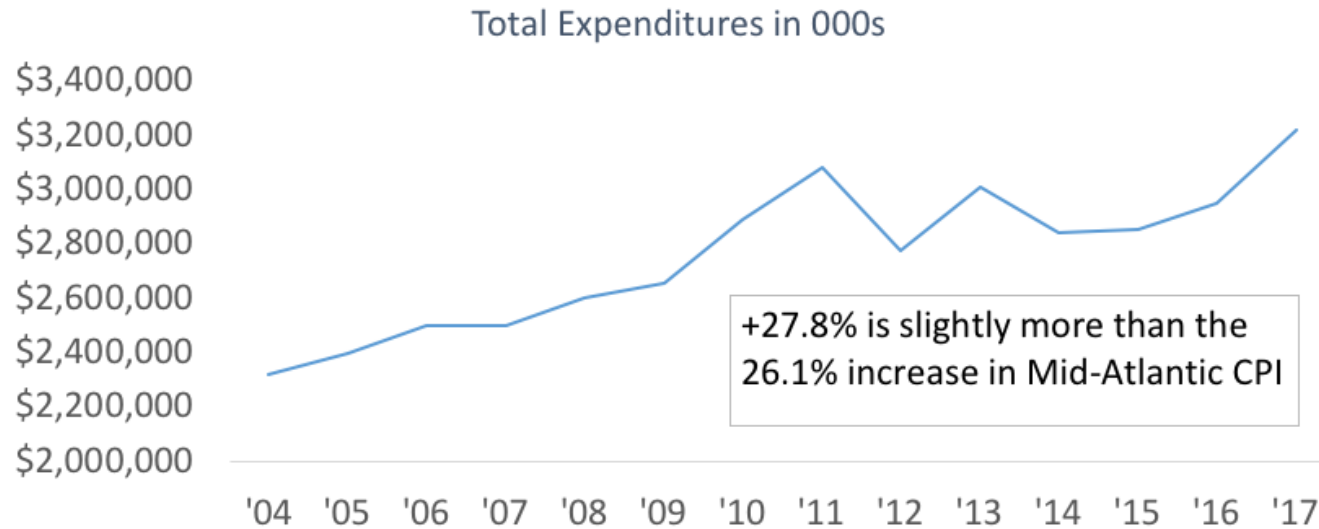


Pennsylvania Department of Education, Graduation Rates. Available at <http://www.education.pa.gov/Data-and-Statistics/Pages/Graduates.aspx>

Let's talk money ... isn't that the problem?

Answers: **NO** and **YES**

Public school spending in Philadelphia has risen at a rate slightly ahead of inflation



Philadelphia City School District, Accounting Services, "Comprehensive Annual Financial Report" 2004-20017.
Available at <https://www.philasd.org/accounting/financial-reporting/annual-financial-reports/>

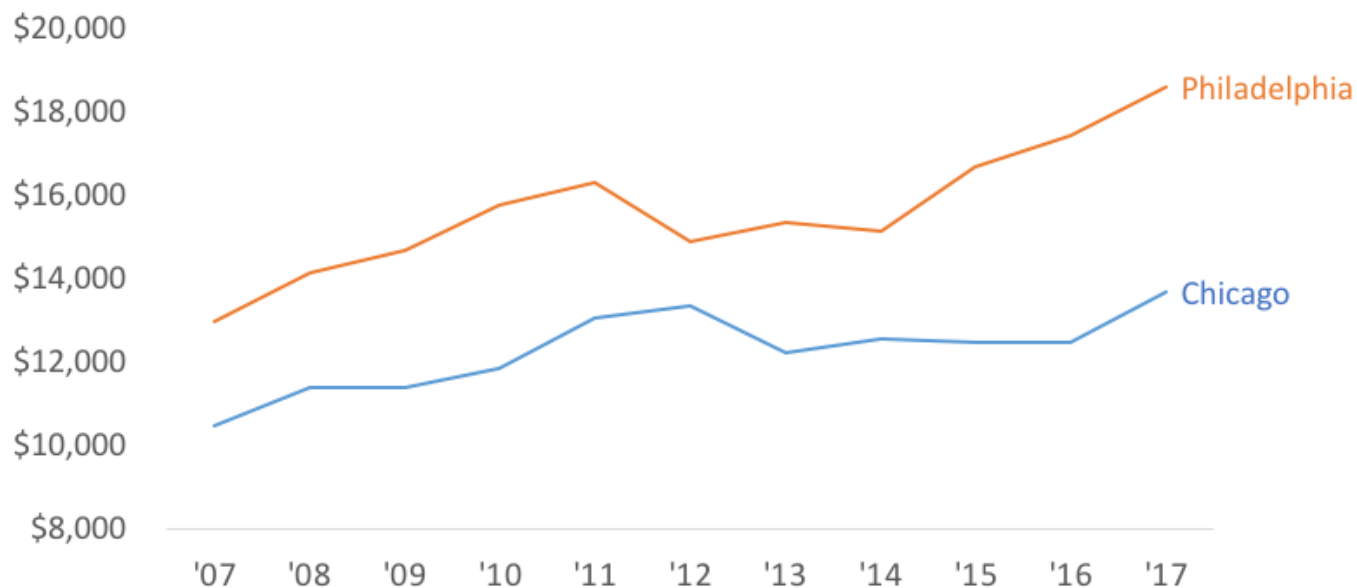
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Summarize: Philadelphia has shown modest gains in graduation rates and student assessments over the past six to seven years. But in general, the city has not kept pace with gains in large cities overall or when compared to the Commonwealth of Pennsylvania

The common refrain is that our schools need more money. I agree with that. Our schools are challenged in many ways, and to effectively overcome those challenges requires additional resources. But we must be clear-eyed that providing additional funding alone will not make our schools better. Leadership, management, training and curriculum all matter even more. Most of all, we need to elevate our expectations for what schools and students can do. If you are a parent, you know that children will rise to meet your expectations. When we bring low

expectations to urban education, as Philadelphia has for too long, poor results will be the result. Note: Enrollment has been fairly flat during this era, dipping by 4% or so during the middle years on this graph but recovering somewhat in the past few years.

Philadelphia schools spend more and have enjoyed bigger increases in funding than schools in Chicago – but have accomplished less (*per-pupil expenditures*)



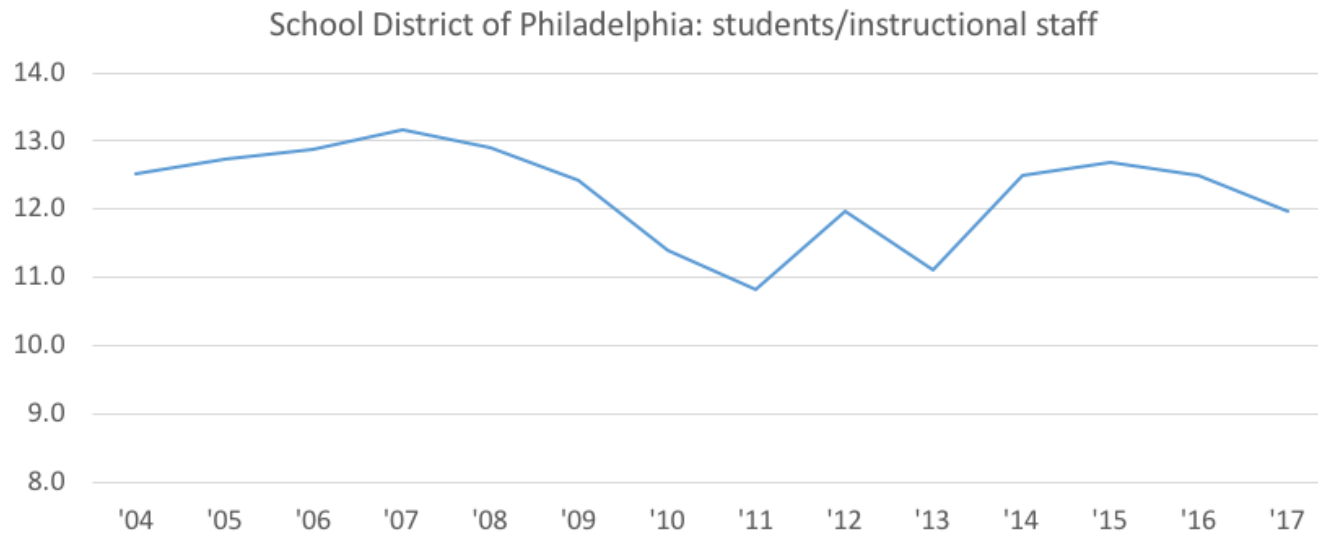
Philadelphia City School District, Accounting Services, "Comprehensive Annual Financial Report" 2004-20017. Available at <https://www.philasd.org/accounting/financial-reporting/annual-financial-reports/>

Chicago Public Schools, Office of Financial Services, "Comprehensive Annual Financial Report" 2004-20017. Available at http://cps.edu/About_CPS/Financial_information/Pages/Annualreport.aspx

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School District of Philadelphia spends nearly 40% more than Chicago on a per-pupil basis (after removing charter students and charter spending); the difference in consumer price index is about 7%.

The ratio of students to instructional staff has fluctuated here, but in a fairly narrow band



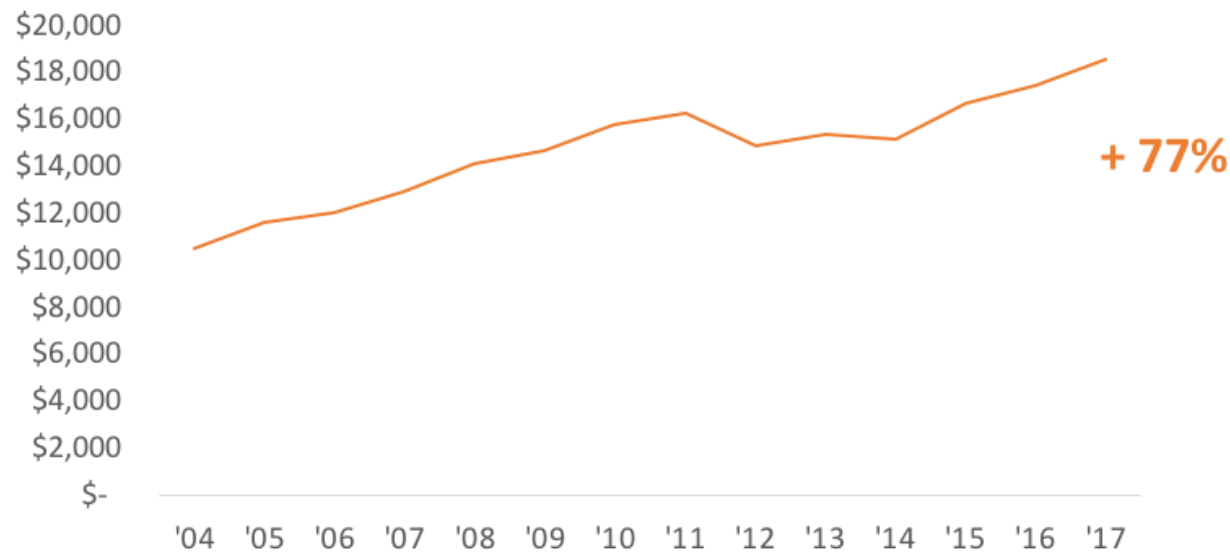
Philadelphia City School District, Accounting Services, "Comprehensive Annual Financial Report" 2004-20017.
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The student/teacher ratio has increased during this period, as the District has hired more and more instructional support staff.

Higher-performing Chicago, for comparison, has a slightly higher ratio than Philadelphia (12.9).

After deducting charter-school payments, School District of Phila per-pupil spending has nearly doubled since 2004

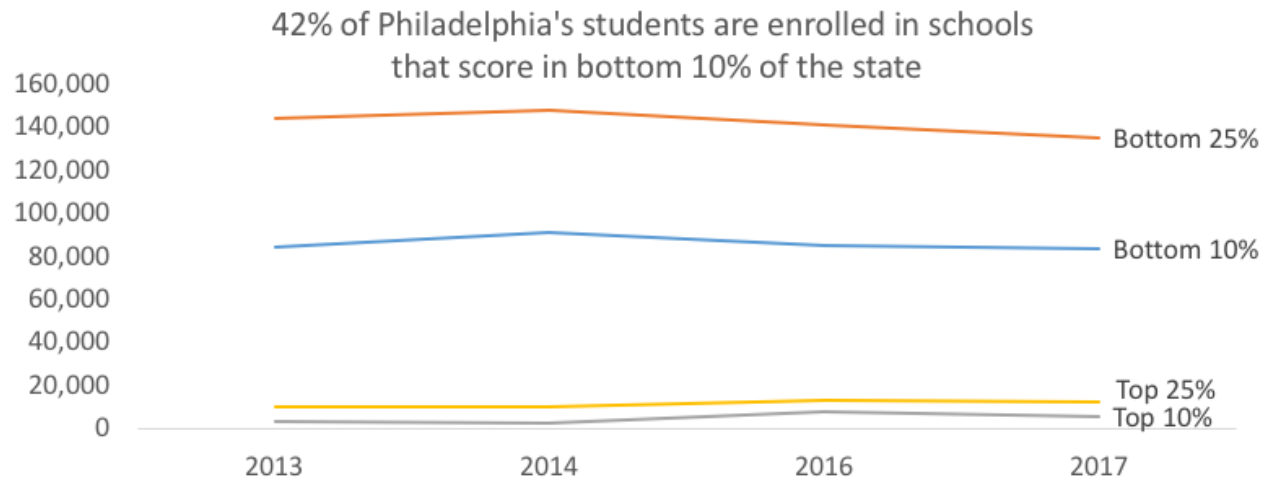


Philadelphia City School District, Accounting Services, "Comprehensive Annual Financial Report" 2004-20017.
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3 times the rate of inflation

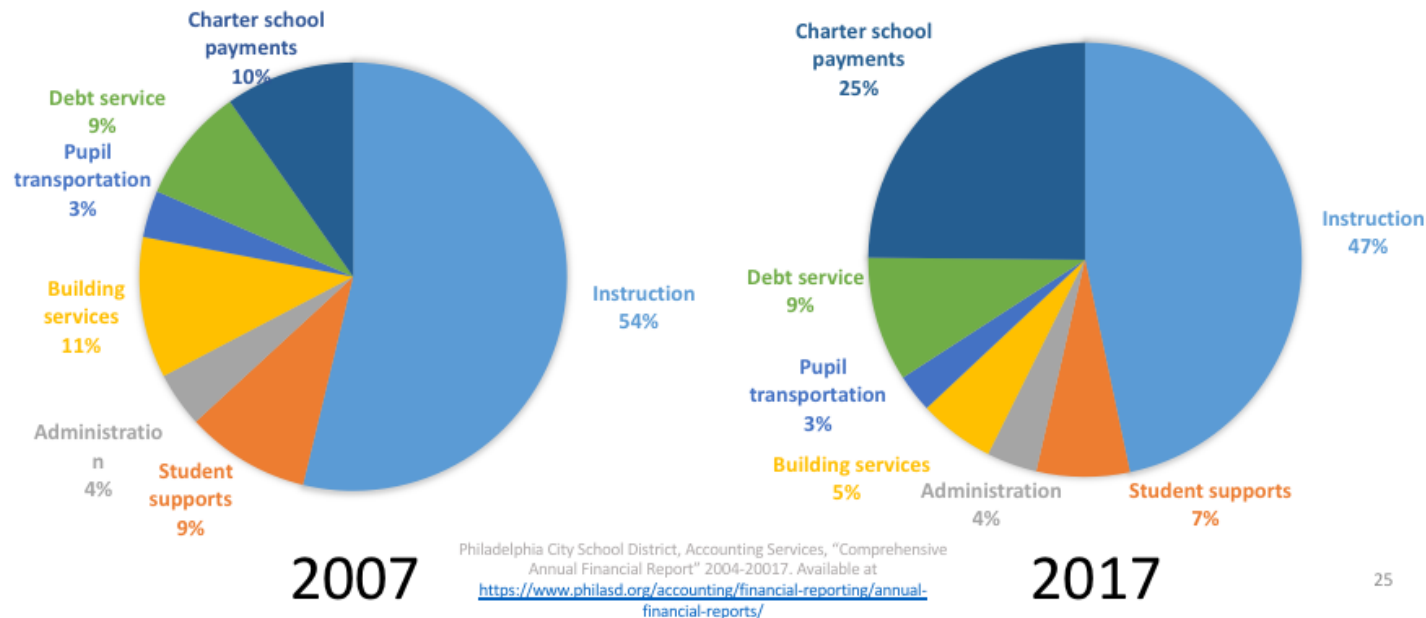
A big chunk of district spending goes into schools that do not work for children



Pennsylvania Department of Education, School Performance Profile, Available at <http://www.paschoolperformance.org/Downloads>

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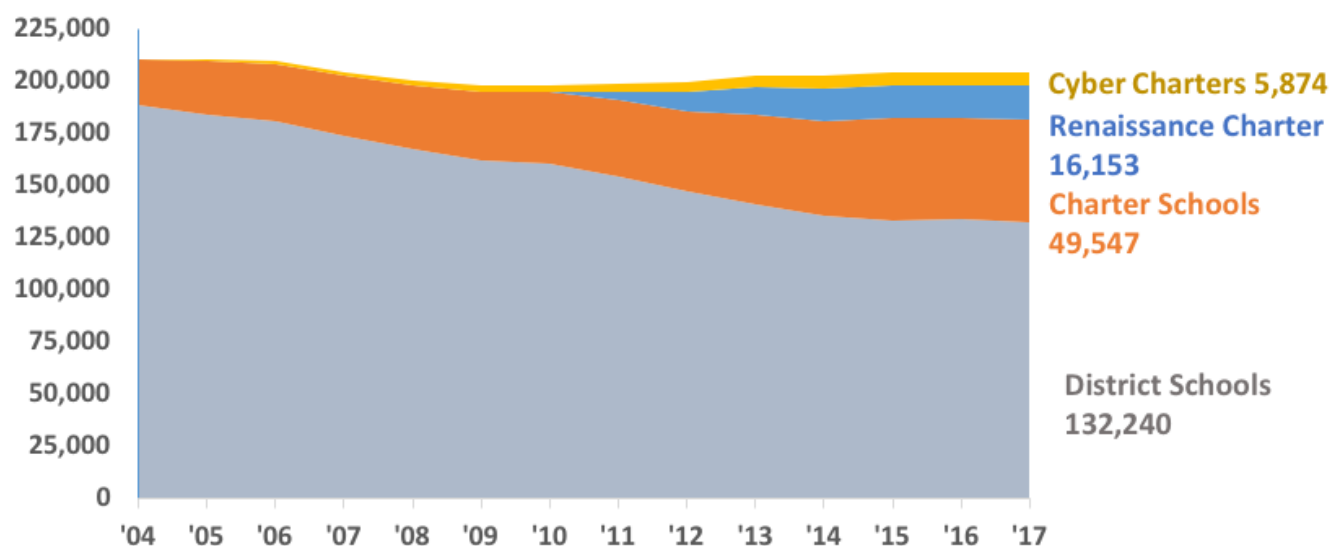
Charter-school payments are the fastest-growing expense category in Philadelphia, effectively driving up the share of dollars going toward instruction



Charters as a whole spend about 60% of dollars on instruction, which means the District and charters combined are spending 62% on instruction in 2017, vs. 60% in 2007.

Charter enrollment is now above 30%, although the majority of students remain in district schools

62% of all public and private students attend schools of choice



Philadelphia City School District, Accounting Services, "Comprehensive Annual Financial Report" 2004-20017.
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In Philadelphia, charter schools enroll 35% of the students and take in about 28% of the revenue.

Increasing charter enrollment has certainly put pressure on the District to watch costs. With 9% of all spending going toward debt service, and nearly 30% going to charters, the District has relatively little flexibility.

Financial Impact of Charter Schools

“Stranded costs” are real, but charter schools aren’t entirely the cause

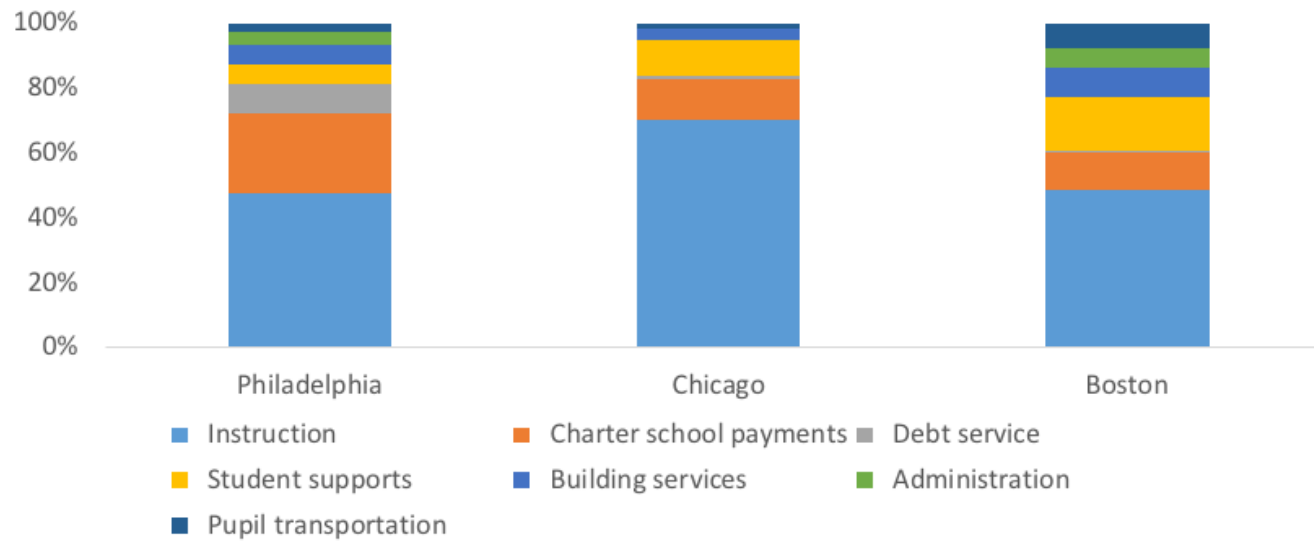
A 2017 report by the School District made these 4 points:

- Charter schools are funded at 2% less than district-run schools on a weighted basis (even after excluding certain district revenue items)
- Because of lower average salaries and benefits, charters are able to afford 3 teachers for the cost of every 2 in the District
- Charter schools have fewer constraints on uses of their funding and thus are better able to spend in ways that align with strategic priorities
- District limitations including labor contracts, internal policies and structural barriers are major drivers of “stranded costs”

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PSP pegs the difference in charter and district funding at a bit more than 2%--but we agree on the essential point.

Philadelphia spends a higher share on debt and building services than Chicago and less on instruction vs. peer cities

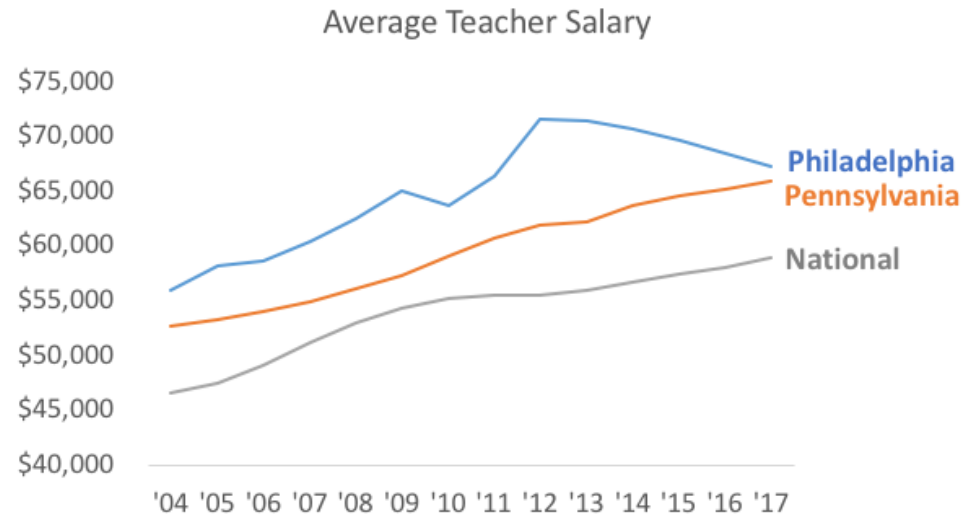


Philadelphia's average teacher salary has declined in recent years but remains higher than in PA and the U.S.

Employee benefits are growing much faster

Year	Cost for Employee Benefits (Per Employee)
2005	\$ 14,174
2017	\$ 23,822

+ 68%



Philadelphia City School District, Accounting Services, "Comprehensive Annual Financial Report" 2004-20017.
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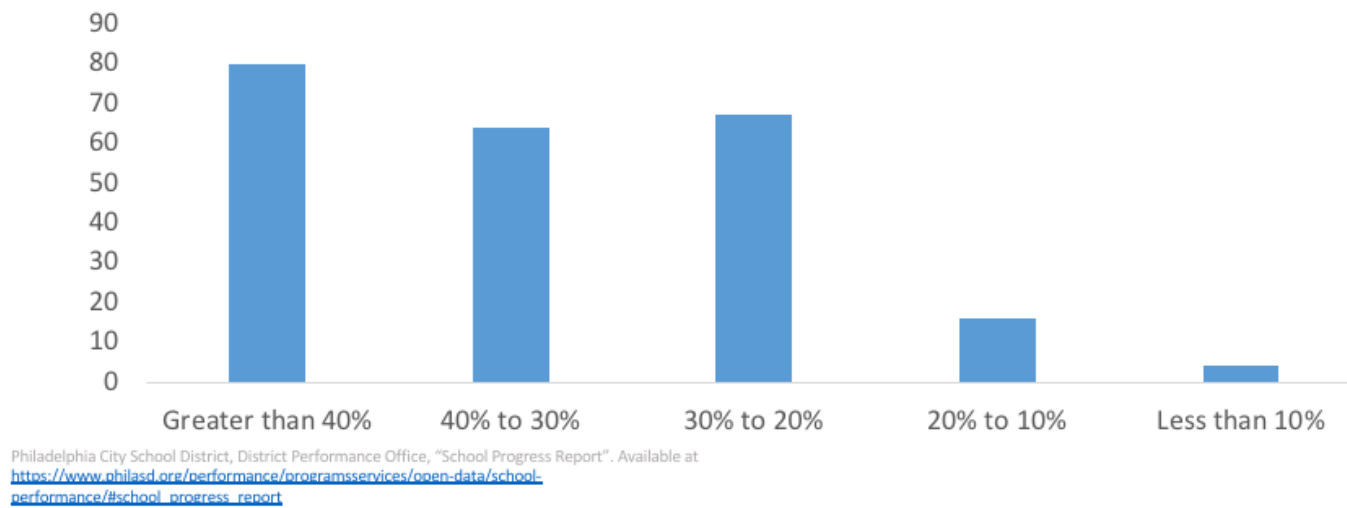
The bulk of district spending goes toward teacher salaries. While the average salary has gone down—reflecting minimal raises the past four years and more junior teachers in the system as a result of baby boomer teachers retiring, the District has not seen savings as a result. That's because the cost of employee benefits, both pensions and health care, have been skyrocketing—up nearly triple the rate of inflation since 2005.

In around 2012, Governor Christie pushed through legislation in New Jersey that required teachers to help pay for health insurance—some up to 30% of annual premiums. Philadelphia teachers only started contributing to health costs this year, and for most it's a small percentage contribution.

It's worth noting that even with a decline the past five years, Philadelphia teachers earn more on average than peers across Pennsylvania or the nation.

37% of Philadelphia district teachers miss 10 or more school days in a year (out of 180 total)

80 schools have 40% or more teachers who miss 10 or more days



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This is perhaps the most discouraging slide of the morning.

A recent report by Excellent Schools Pennsylvania estimated that teacher absenteeism costs the District more than \$100 million a year.

For contrast, other cities also have high teacher absenteeism—but not as high as Philadelphia. Nationally, the average rate of teachers missing 10 or more days per year is 27%.

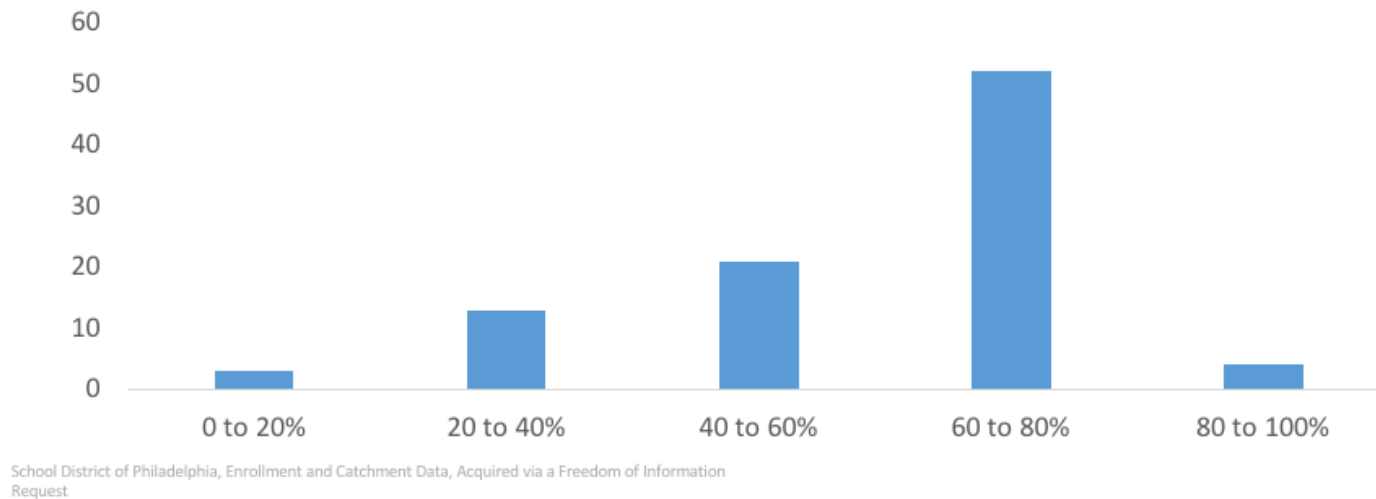
Across the entire U.S. workforce, annual absenteeism averages 2.8 days per year (250 workdays total) Source:

Bureau of Labor Statistics

When teachers are absent, students who are already behind grade level fall even further behind.

Except in pockets where there are few better options, low-performing schools are under-enrolled

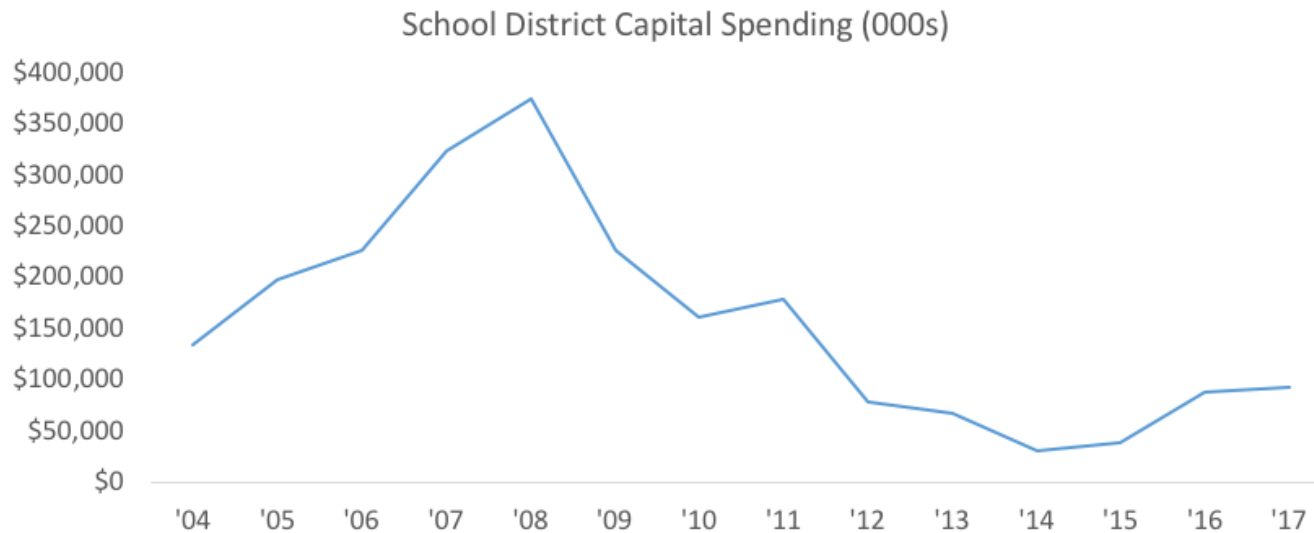
Only 53% of students attend their neighborhood school
if the school is in the lowest 25% of state rank



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About 40% of the lowest-performing schools have fewer than 60% of students in the attendance zone choosing to attend them

Annual capital spending spiked under Paul Vallas and has fallen sharply since

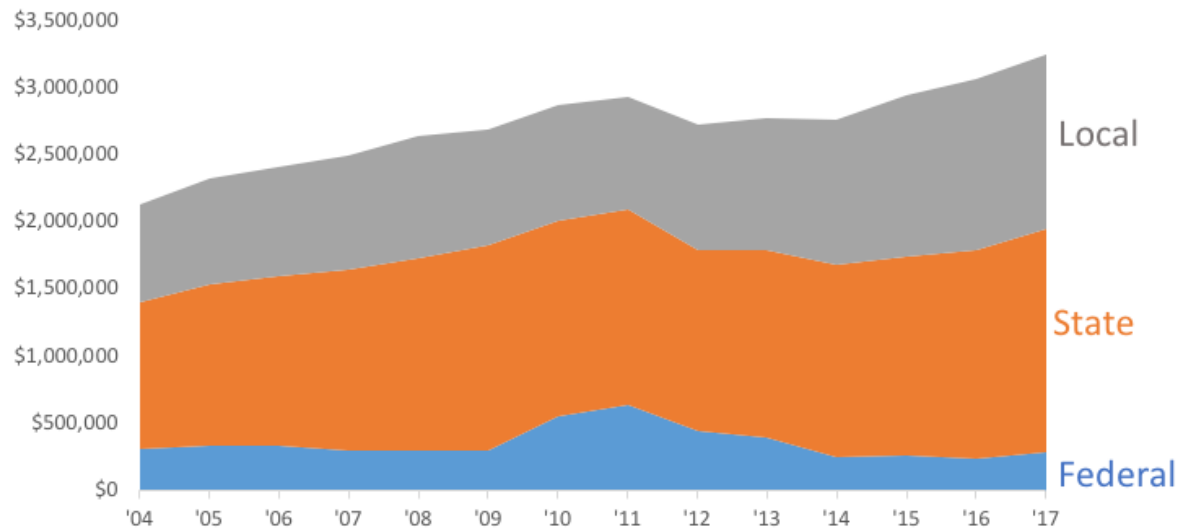


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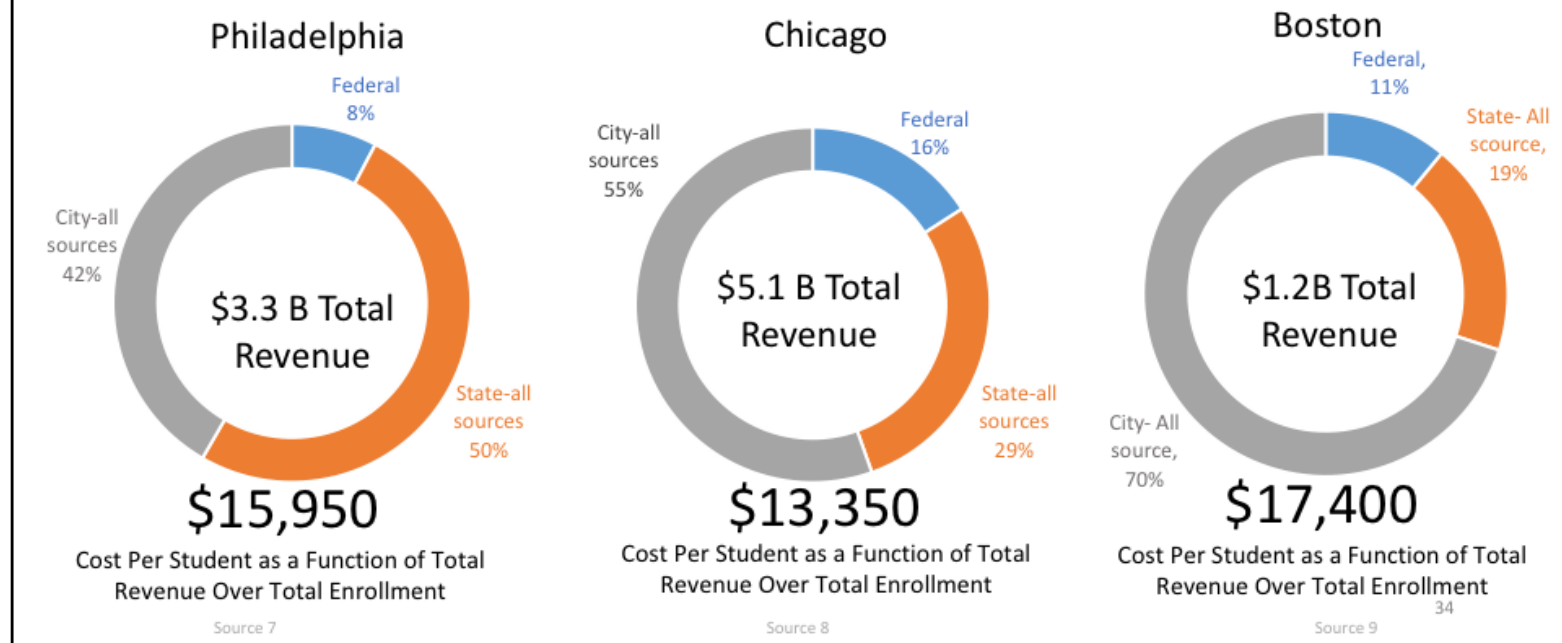
Many of the schools most in need of repairs also fall into the low-performing, under-enrolled bucket.

Local (city) taxes have become a bigger share of school revenues, but PA still provides the largest share



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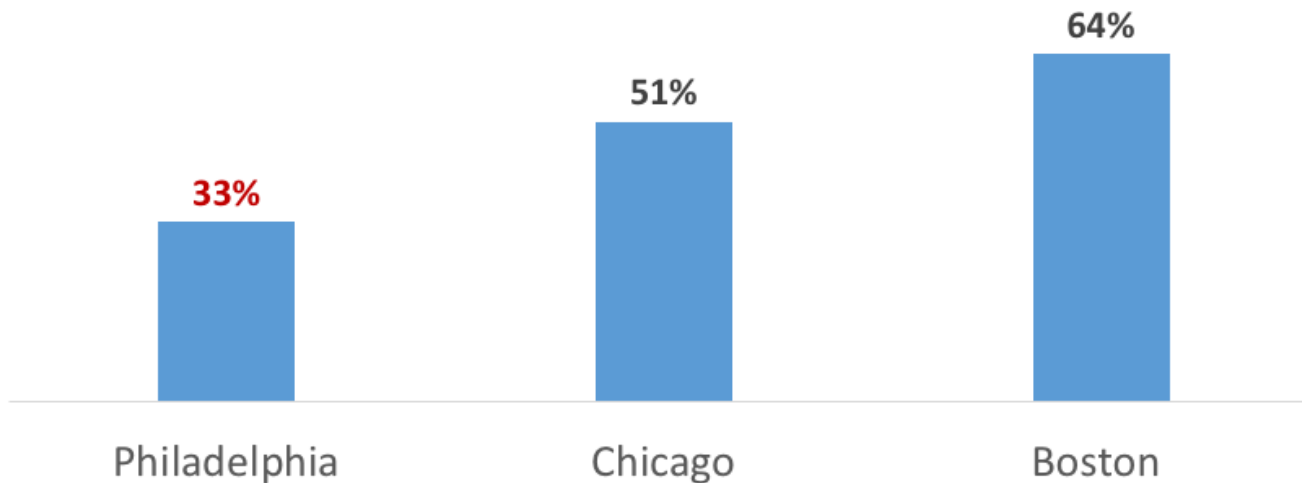
Philly has a lower-percentage local contribution to total schools revenue compared with many other large cities



On this slide, we are dividing total public-school revenues by total pupils (district and charter)

The share of Philadelphia School District revenue coming from property taxes is considerably less than in peer cities

Percent of total revenue from local property taxes, FY16



While Philadelphia's school spending is low compared to East Coast peers, its tax effort is high

	Per Capita Income	Per-Pupil Revenues	Ratio of Expenditures to Per Capita
Boston	\$ 37,288	\$ 15,486	42%
Chicago	\$ 30,847	\$ 11,214	36%
Philadelphia	\$ 23,696	\$ 14,674	62%

U.S. Census source 7,8,&9

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Federal revenue excluded. Note that if we only included the locally funded share of school spending in each city, tax effort would be more comparable, as both of the other cities generate a larger share of their total spending via local tax dollars.

Also, a 2017 study of relative tax burdens in U.S. cities (including income, sales, auto and property taxes) showed that Philadelphia has the highest percentage burden of any city in the United States except Bridgeport, CT, Newark, NJ, and New York City.

Financial Imperatives

Think long-term: Grow the economy, grow the tax base

- **Help the District avoid fiscal crisis**
- **Address structural drivers of the crises**
- **Shift revenue mix toward property taxes for stability and to avoid stifling job growth (especially commercial property taxes)**
- **Leverage tax policy to accelerate economic growth**

(Increased school taxes combined with below-average job and wage growth will eventually lead to even worse district fiscal crises)

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Many other large cities tax commercial property at higher rates than residential properties

What matters more than money?

OR: How to use incremental funds

- Leadership and school autonomy (big levers in Chicago)
- Human capital strategy (big lever in Washington, DC; now Philly)
- Curriculum and professional development for teachers (Boston)
- Teacher attendance!
- Steering resources to schools that work—and that families choose (Denver, New Orleans)
- Accountability for all schools (Key driver in Boston, Philly has made this a priority)
- Measurable goals (these drive fiscal accountability)

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The long arc of improvement in both Boston and Chicago started with policy papers published by a collection of each city's largest employers, identifying weaknesses in the educational systems and prioritizing goal-setting and accountability, and increased funding, to power improvements in student outcomes

Endnotes

1. "2018 State of Center City" Center City District, Source: US Census Bureau, 2016 American Community Survey available at <https://centercityphila.org/research-reports/state-of-center-city-2018>
2. U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP). Available at <https://www.nationsreportcard.gov/ndecore/xplore/nde>
3. Pennsylvania Department of Education, PSSA and Keystone performance disaggregated by reporting groups, obtained through annual Right to Know Requests
4. Pennsylvania Department of Education, PSSA and Keystone Performance. Available at <http://www.education.pa.gov/data-and-statistics/Pages/default.aspx>
5. Philadelphia City School District, District Performance Office, "Master School List" . Available at <https://www.philasd.org/performance/programsservices/open-data/school-information/>
6. Pennsylvania Department of Education, Graduation Rates. Available at <http://www.education.pa.gov/Data-and-Statistics/Pages/Graduates.aspx>
7. Philadelphia City School District, Accounting Services, "Comprehensive Annual Financial Report" 2004-20017. Available at <https://www.philasd.org/accounting/financial-reporting/annual-financial-reports/>
8. Chicago Public Schools, Office of Financial Services, "Comprehensive Annual Financial Report" 2004-20017. Available at http://cps.edu/About_CPS/Financial_information/Pages/Annualreport.aspx
9. "Summary of 2015/2016 Boston Public School Budget Analysis", Prepared by Education Resource Strategies
10. Philadelphia City School District, District Performance Office, "School Progress Report". Available at https://www.philasd.org/performance/programsservices/open-data/school-performance/#school_progress_report
11. Pennsylvania Department of Education, School Performance Profile, Available at <http://www.paschoolperformance.org/Downloads>