



Augenblick, Palaich  
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**IDENTIFYING AND MEETING THE ECONOMIC CHALLENGES  
FACING THE ALLENTOWN SCHOOL DISTRICT**

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## **Introduction**

The struggles of large, urban school districts across the United States have been well chronicled. Both researchers and the media have extensively discussed and written about the lagging performance of students in many urban centers and the public has heard time and again about many seemingly intractable challenges which school districts in these areas seem to inevitably face. Some of these challenges are known, particularly regarding the fact that urban districts serve ever higher percentages of poor students and students for whom English is a second language.

What is less understood, however, is the extent to which many urban districts are treated fairly in receiving the resources they need to properly serve the students they enroll. Such resources are critical to enabling any school district to provide the high quality teachers, programs, facilities, and equipment that are needed to offer a sound education to students.

This study attempts to provide a greater understanding of how such resource issues affect the school districts located in Lehigh Valley, Pennsylvania. In particular, it examines the situation of Lehigh Valley's largest, urban district – the Allentown School District (ASD). Data for the study was drawn from a variety of sources, including the Pennsylvania Department of Education, the National Center for Education Statistics, the Pennsylvania Economy League, and Standard and Poor's School Evaluation services.

To provide an added “on-the-ground” view and interpretation of the data gathered, the study also incorporates input received through a series of telephone interviews conducted with CEOs from major businesses located in the Lehigh Valley, with local economic experts and officials, and with school district superintendents and business managers from Allentown School District and surrounding Lehigh Valley school districts.<sup>1</sup>

The study was conducted by Augenblick Palaich and Associates, Inc. (APA), a Denver, Colorado-based education consulting firm with over 20 years of experience in education policy and school finance. APA's work was conducted on behalf of Education 2010! – a group comprised of key business and community leaders, as well as education and local government professionals, whose purpose is to support the viability of public education in Allentown and the economic prosperity of Lehigh County. The approach which the study – and this report – follows is to gather data to examine five key issues:

- 1. The significant challenges now facing the Allentown School District.**
- 2. Allentown's lack of fair access to state and local revenues.**
- 3. How current resource levels impact ASD's ability to educate its students.**
- 4. The resources Allentown needs.**
- 5. The consequences of doing nothing.**

After gathering data to address these five issues, the report draws on APA expertise as well as input received through a series of meetings held in late 2005 and early 2006 with education, political, and community leaders in Lehigh County to offer **a series of potential options** that can address the issues presented.

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<sup>1</sup> See Appendix A for a list of those interviewed.

## **I. The Significant Challenges Now Facing the Allentown School District**

Over the past 20 years, APA has worked with educators and policy makers in over half the states to evaluate school finance systems and to study the types of fiscal, staffing, and technology resources that schools and districts need in order to successfully educate their students to achieve state and federal academic standards. During that time, the firm has helped evaluate and create the school finance systems used in Colorado, Kansas, Kentucky, Louisiana, Maryland, Mississippi, New Hampshire, Ohio, and South Dakota. The company has also conducted studies in Alaska, Arkansas, Arizona, Delaware, Hawaii, Idaho, Illinois, Indiana, Maine, Minnesota, Missouri, Montana, Nebraska, New Jersey, New Mexico, Oklahoma, Pennsylvania, South Carolina, Texas, Utah, Vermont, and Wyoming.

This experience working across the country has repeatedly shown that one of the key factors influencing the level of resources a district needs to be successful is the number of enrolled students with special needs. In particular, APA studies have consistently shown that it requires significant additional resources to successfully educate students who are:

1. Economically disadvantaged;
2. In special education programs; and
3. English language learners.

Examples of the types of additional resources needed to educate these children effectively include additional technology, supplies, and specialized curricular materials as well as additional staff to reduce class sizes, to address specialized student needs, to provide additional counseling and support, and to promote increased interaction with parents.

Substantial additional research findings support what APA has found in its studies across the country. With regard to economically disadvantaged students for instance, researchers have found significant differences in the cognitive abilities of children when they enter kindergarten and that many of these differences are directly tied to a student's socioeconomic status. In fact, researchers have found that socioeconomic status alone accounts for more of the variations in students' cognitive ability than any other factor.<sup>2</sup>

With regard to English Language Learners (ELL), research findings are similarly consistent. Such research shows that ELL students typically are well behind other classmates in terms of the key language skills needed for success in reading and in higher academic achievement. While the research shows it is possible for teachers to educate ELL students to successfully achieve academic standards, it also finds that significant additional commitments of staff time and resources are necessary to do so. In particular,

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<sup>2</sup> Economic Policy Institute, *Inequality at the Starting Gate: Social Background Differences in Achievement as Children Begin School*, (2002), [http://www.epinet.org/content.cfm/books\\_starting\\_gate](http://www.epinet.org/content.cfm/books_starting_gate); cited in Education Commission of the States, *The Progress of Education Reform: Closing the Achievement Gap*, (2003), <http://www.ecs.org/clearinghouse/43/00/4300.pdf>.

teachers of ELL students must be able to offer intense and specific instruction and require significant professional development and training in order to be effective.<sup>3</sup>

While it is clear that schools and districts must incur substantial additional costs if they are to successfully educate students with special needs, it was not clear at the beginning of the current study the degree to which such impacts might affect the Allentown School District (ASD). Nor was it clear what the differences were between Allentown and the other districts in Lehigh County. To gain a better understanding of where ASD stands in relation to the number of students it serves with special needs, APA gathered statewide enrollment data, as well as data from each district in Lehigh County. This information – shown in Table 1 on the following page – clearly illustrates stark differences in the level of challenges ASD currently faces.

For instance, when compared to the statewide average, Allentown enrolls more than double the number of economically disadvantaged students and more than four times as many English language learners. When examined against the other districts in Lehigh County, the data is even more compelling. Compared with the rest of the county:

- ASD has almost three times as many poor students as the next highest district (Northern Lehigh).
- ASD has more than five times as many English language learners as the next highest district (Whitehall).

Even these statistics alone fail to tell the whole story, however. In fact, compared to half the other districts in the county, ASD has seven times as many poor students and fifteen times as many English language learners.

*Compared to the statewide average, Allentown enrolls more than double the number of economically disadvantaged students and more than four times as many English language learners.*

Allentown’s enrollment of students with special needs places it in the ballpark of some of the most challenged districts across Pennsylvania and in other states. To demonstrate this fact, four Pennsylvania districts (Erie, Lancaster, Reading, and Scranton) and three districts each from nearby states Connecticut and New Jersey were selected for comparison purposes. These comparison districts are also shown in the table below.

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<sup>3</sup> The American Educational Research Association, *Research Points: Essential Information for Education Policy*, (Winter 2004).  
[http://www.aera.net/uploadedFiles/Journals\\_and\\_Publications/Research\\_Points/RP\\_Winter04.pdf](http://www.aera.net/uploadedFiles/Journals_and_Publications/Research_Points/RP_Winter04.pdf)

**TABLE 1: ENROLLMENT LEVELS OF STUDENTS  
WITH SPECIAL NEEDS (2002-03)**

<b>School District</b>	<b>Total Students</b>	<b>Economically Disadvantaged Students</b> (students receiving free or reduced price lunch)	<b>English Language Learners</b>	<b>Special Education Students</b>
<b>Lehigh County School Districts</b>				
<i>Allentown</i>	<i>16,693</i>	<i>60.5%</i>	<i>12.6%</i>	<i>11.7%</i>
Catasauqua	1,755	18.9%	0.8%	15.3%
East Penn	6,916	7.6%	0.6%	9.9%
Northern Lehigh	2,113	23.8%	0.3%	12.2%
Northwestern Lehigh	2,332	8.0%	0.0%	14.6%
Parkland	8,462	4.9%	1.3%	11.3%
Salisbury	1,867	10.1%	2.1%	13.9%
Southern Lehigh	2,911	4.5%	0.3%	11.7%
Whitehall-Coplay	3,886	19.5%	2.5%	10.3%
<i>State Averages</i>		<i>29%</i>	<i>3%</i>	<i>13%</i>
<b>Other Pennsylvania School Districts</b>				
Erie	12,908	67.3%	4.3%	19.4%
Lancaster	11,206	66.6%	13.7%	22.1%
Reading	16,128	67.2%	10.2%	11.8%
Scranton	8,841	44.5%	3.6%	17.7%
<b>Connecticut Comparison Districts</b>				
Hartford	22,734	66.9%	13.4%	17.0%
New Haven	20,329	67.5%	8.9%	11.2%
Waterbury	17,413	67.7%	10.9%	19.2%
<b>New Jersey Comparison Districts</b>				
Camden City	17,266	80.1%	7.2%	18.6%
Elizabeth City	21,024	72.1%	20.5%	11.6%
Trenton City	13,231	54.6%	6.2%	20.4%

*Sources: National Center for Education Statistics, Common Core of Data (2004); Pennsylvania Department of Education, LEP Student Counts by School 2002-2003, (2003).*

The increased student challenges which ASD currently faces have a direct impact on the district's ability to educate all its students to achieve state and federal academic standards. Student performance data on the Pennsylvania System of School Assessment (PSSA) for the nine Lehigh County school districts shows ASD's test scores lagging behind all other districts. In relation to the four Pennsylvania comparison districts external to Lehigh County, ASD's scores on the most recent state assessments seem to place the district on par most closely with the Reading and Lancaster school districts.

Students in the Erie and Scranton districts have made some gains in PSSA test scores in recent years. When broken out by grade level performance, (the PSSA is administered in 3<sup>rd</sup>, 5<sup>th</sup>, 8<sup>th</sup>, and 11<sup>th</sup> grades) ASD's test scores are close to those of the Erie School District in the early grades but drop off significantly later on, especially at the high school level. The Scranton School District appears to have made significant PSSA score gains in recent years. While more study of that district is necessary to ascertain how these gains have been achieved, our preliminary interpretation of the available data indicates that Scranton has been able to significantly reduce class sizes, perhaps by assessing an extremely high local property tax rate (see Table 2) to raise additional funds for its schools. Scranton now enjoys the lowest student to teacher ratio of any of the Pennsylvania districts, including those in Lehigh County. At the same time – when compared to ASD – the Scranton district has fewer students with special needs, including (as Table 1 shows) almost 20% fewer poor students and less than a third as many English language learners.

Another useful indicator of student performance is each district's 2004-05 and 2003-04 "Adequate Yearly Progress" (AYP) designations. The AYP designation is a requirement of the federal No Child Left Behind (NCLB) Act and is designed to ensure yearly performance growth towards NCLB's ultimate goal of 100% student proficiency by 2013-14. To achieve AYP, Pennsylvania schools must reach achievement targets in reading and math, as well as certain graduation, attendance and test participation targets. According to the most recent data available from the Pennsylvania Department of Education, Allentown is the only district in Lehigh County currently not making AYP. Of the four comparison districts, only the Scranton School District achieved AYP in 2004-05. In both 2002-03 and 2003-04 Scranton was designated as not having made AYP.<sup>4</sup>

The table on the previous page offers graphic evidence of the significant challenges ASD faces in educating all its students to achieve academic standards. The questions of whether ASD currently has the resources needed to meet these challenges, and whether the district has the capacity to raise additional resources on its own are addressed in the following sections.

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<sup>4</sup> Pennsylvania Department of Education, *District AYP Status*, (2005).  
[http://www.pde.state.pa.us/a\\_and\\_t/cwp/view.asp?a=3&q=115279](http://www.pde.state.pa.us/a_and_t/cwp/view.asp?a=3&q=115279)

## II. Allentown’s Lack of Fair Access to State and Local Revenues

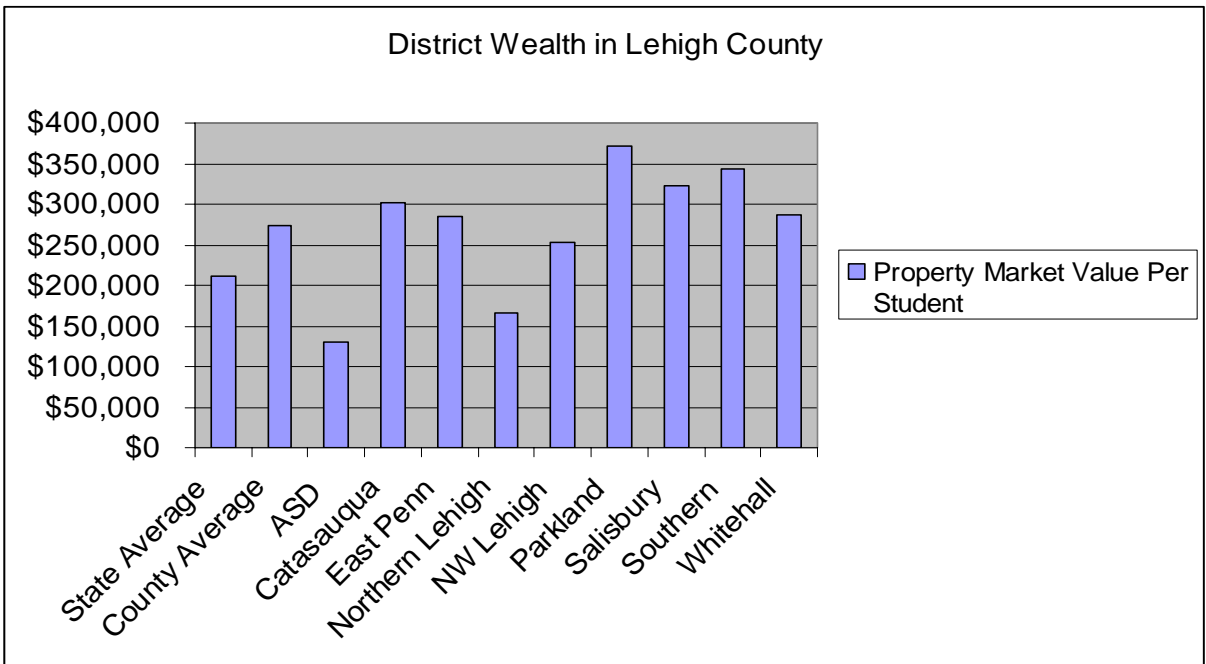
In Pennsylvania, as in most states, school districts receive the vast bulk of their resources from state and local revenues. In fact, Pennsylvania schools receive, on average, only about 4% of their revenues from the federal government.<sup>5</sup> The remaining 96% is split between local and state revenue sources.

### **Local Revenue Sources**

On the local level, Pennsylvania school district revenues are dominated by two main sources:

1. Property tax collections, which account for the vast majority (between 75-85%) of local revenues; and
2. Act 511 tax collections, which are a distant second (around 15%) in terms of producing revenues for school districts.<sup>6</sup>

Accounting for the lion’s share of local school district revenues, property tax revenues are directly tied with two key factors: 1) the value of property in each district; and 2) the rate that such property is taxed. The higher the property values within a district, the more revenues that can be brought in. And, importantly, districts with higher property values can bring in more revenues per student than a neighboring district even though the wealthier district might establish significantly lower tax rates. Such lower tax rates can help attract more development, thereby raising property values and ultimately increasing local school district revenues.



<sup>5</sup> The Pennsylvania Economy League, *An Analysis of Demographic, Socio-Economic, Financial and Related Data of the Allentown School District and Surrounding Lehigh County School Districts*, (2005).

<sup>6</sup> Id.

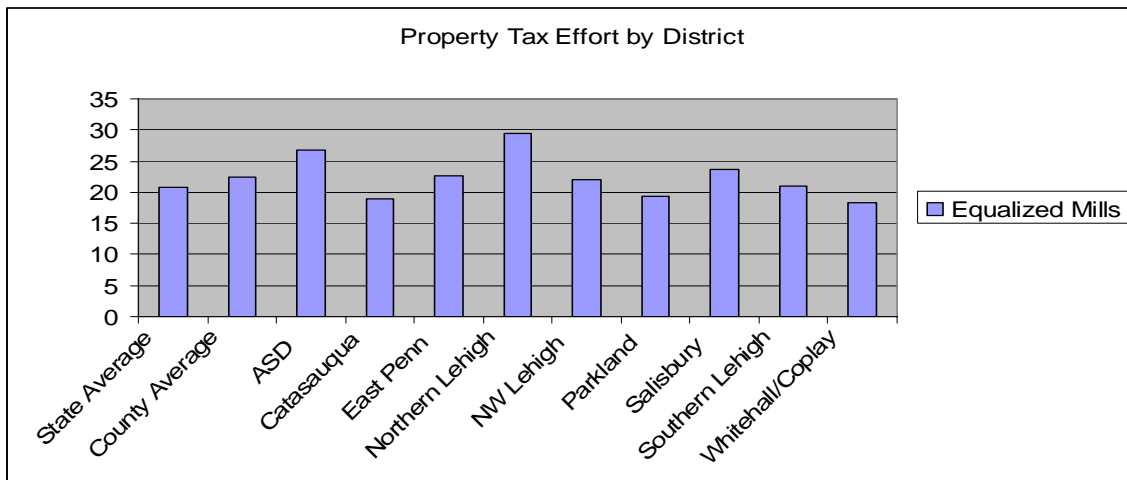


On the other hand, a district with low property values can easily find itself in the reverse position. Such a district may require additional resources to accomplish the job of effectively educating its students and may therefore seek to raise property taxes in order to tap its primary source for bringing in local revenues. Raising taxes may bring in additional revenues in the short term, but could also serve to discourage future economic development. Such stunted development can drive down property values and ultimately reduce the amount of local revenues that the school district receives.

According to the available data, Allentown School District appears to fall into the category of this type of low property value, high tax effort district. As both the chart above and Table 2 below show, Allentown has the lowest property value per student of any district in Lehigh County. In fact, Allentown has less than half the property value per student of what most of the other districts in Lehigh County currently have. At the same time, however, ASD's property tax rate, as reflected by its equalized mill levy, is the second highest in the county and is significantly above the statewide average for school districts in Pennsylvania.

*Allentown has less than half the property value per student of what most of the other districts in Lehigh County currently have.*

The degree to which Allentown's higher property tax rates impact the growth of property values in the district is not clear. What is clear, however, is that the district's property values in all sectors (residential, commercial, and industrial) lag far behind those of the other districts in the county. Data show that from 1997 to 2003, Allentown saw a growth in residential property values of less than 1%. The increase over the same time period for the other districts in Lehigh County ranged from 18.5% to 24%. The story in the other sectors is even worse. From 1997 to 2002 Allentown saw a net *loss* of almost 4% in its industrial and commercial property values, while the other districts saw significant increases of anywhere from 20-49%.<sup>7</sup>



<sup>7</sup> The Pennsylvania Economy League, *An Analysis of Demographic, Socio-Economic, Financial and Related Data of the Allentown School District and Surrounding Lehigh County School Districts*, page 2-12 (2005).

Such drastic differences in the growth of property values not only make it less practical and less feasible for Allentown to increase its tax assessment rate to generate more revenues for its schools, but it also serves to erode the current revenue base that the school district has to rely on. Adding to the difficulty of raising Allentown's already high property tax levy is a sense in the community that further increases in taxation would only serve to drive out future economic investment and job growth in the City of Allentown. This sense was confirmed during the course of this study through various interviews conducted with local business, economic development, and education leaders.

As discussed earlier, after property taxes, the second most important local revenue source for school districts in Pennsylvania is known as Act 511 taxes. Act 511, which is derived from Pennsylvania's Local Tax Enabling Act of 1965, allows public school districts to levy certain taxes in order to obtain additional funding from local sources. Such taxes can include, among others, an earned income tax, amusement tax, business privilege tax, real estate transfer tax, occupation tax, per capita tax, and a real estate transfer tax.

Among these various taxes, however, the earned income tax accounts for, by far, the largest amount of Act 511 funds available to school districts. In fact, data shows that the earned income tax generates close to 70% of all Act 511 taxes.<sup>8</sup> In the case of the Allentown School District, such earned income taxes currently generate close to 90% of the district's Act 511 revenues.<sup>9</sup> Since the earned income tax is the crucial indicator for determining a district's wealth vis-à-vis Act 511, it is instructive to gather data on personal income levels within a school district. The higher the personal income levels, the more dollars a district can bring in with the earned income tax.

Data on per-student personal income level by school district is provided in Table 2 below. This data reveals that ASD has a significantly lower capacity for bringing in earned income tax revenues under Act 511. In fact, within Lehigh County, five of the other eight districts have more than twice Allentown's personal income wealth per student. Even when compared with the four outside districts in Pennsylvania, Allentown appears to be one of the lowest wealth districts, with only the Reading School District faring worse.

Unlike property tax revenues, which can be adjusted locally through an increase or decrease in local tax effort, the tax rate applied to Act 511 taxes appears to be relatively inflexible. School superintendents and business managers from the numerous districts in Lehigh County that were interviewed all agreed that there was little maneuverability under the law for adjusting the rate assessed for collecting such taxes. This fact means that, unless personal income levels rise significantly in Allentown, there is little likelihood the district will see any significant Act 511 revenue increase in the near future.

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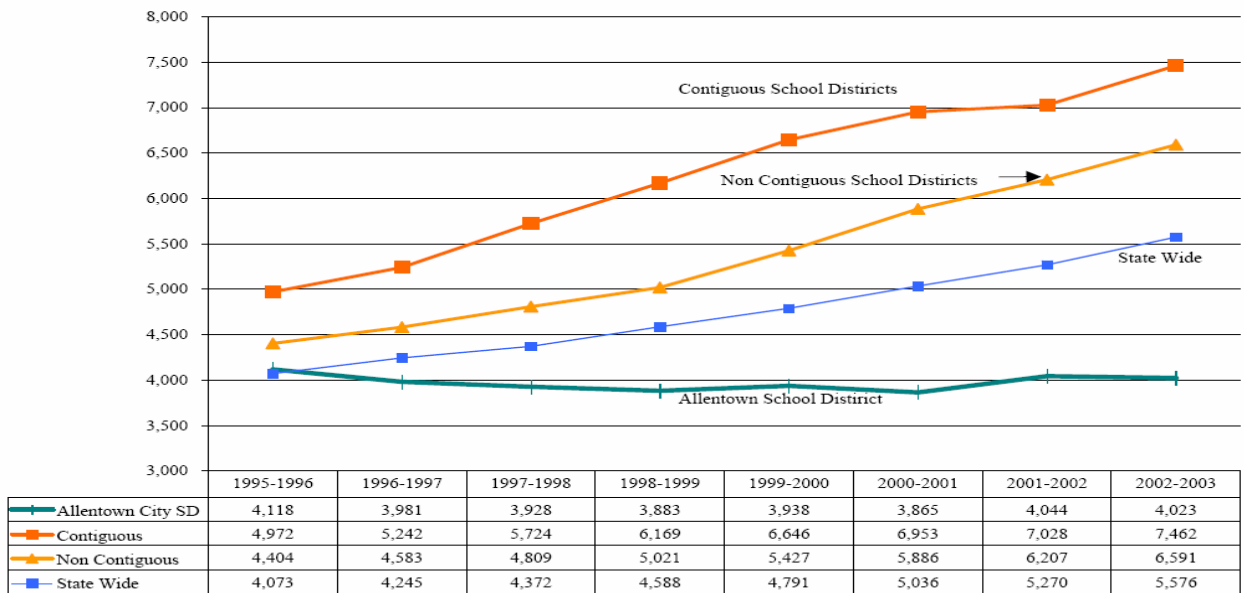
<sup>8</sup> Pennsylvania Department of Education, *Act 511 Tax Report*, (2004).  
[http://www.pde.state.pa.us/k12\\_finances/lib/k12\\_finances/2001-02\\_Act511PubTotal.pdf](http://www.pde.state.pa.us/k12_finances/lib/k12_finances/2001-02_Act511PubTotal.pdf)

<sup>9</sup>*Id.*

<b>TABLE 2: DISTRICT WEALTH AND PROPERTY TAX EFFORT (2003-04)</b>			
<b>School District</b>	<b>Property Market Value/student*</b>	<b>Personal Income/student*</b>	<b>Tax Effort (in Equalized Mills)</b>
<i>State Average</i>	\$212,149	\$103,788	20.8
<i>Lehigh County Average</i>	\$273,140	\$119,561	22.5
<b>Allentown</b>	<b>\$129,339</b>	<b>\$58,684</b>	<b>26.7</b>
Catasauqua	\$301,861	\$82,076	19
East Penn	\$284,328	\$144,278	22.7
Northern Lehigh	\$165,375	\$91,210	29.5
Northwestern Lehigh	\$253,586	\$120,011	22.1
Parkland	\$371,459	\$147,085	19.3
Salisbury	\$321,924	\$160,954	23.6
Southern Lehigh	\$344,261	\$166,724	21
Whitehall-Coplay	\$286,127	\$105,024	18.4
Reading	\$63,487	\$34,494	29.2
Erie	\$127,796	\$70,232	25.3
Scranton	\$137,498	\$75,704	31.8
Lancaster	\$146,376	\$74,382	25.3
<i>Source: Pennsylvania Department of Education, (2005).</i> * The Pennsylvania Department of Education provides data by “Weighted Average Daily Membership” (WADM) of students. According to the department, “Average daily membership (ADM) is the term used for all resident pupils of the school district for whom the school district is financially responsible. It is calculated by dividing the aggregate membership days for all children on active rolls by the number of days the school is in session. WADM is used to assign weight by grade level to ADM. The current weighting is half-time kindergarten at 0.5, full-time kindergarten and elementary at 1.0, and secondary (grades 7-12) at 1.36.”			

From what we now know about the two primary sources of local revenues (property taxes and Act 511 taxes) available to the Allentown School District, it should come as no surprise that ASD’s local revenues per-student over time have significantly lagged those of the surrounding school districts in Lehigh County. What is important to note, however, is that the local revenue gap between ASD and the other districts has been steadily, and significantly, increasing over time. This increasing gap is depicted clearly in the graph below. In addition to showing the statewide average for total local school district revenues, the graph compares the Allentown School District with those “contiguous” districts that border ASD directly (including Catasauqua, East Penn, Parkland, Salisbury Township, and Whitehall-Coplay), and the “non-contiguous” districts in Lehigh County that do not directly border ASD (including Northern Lehigh, Northwestern Lehigh, and Southern Lehigh). On all levels, the data show a tremendous expansion in Allentown’s local revenue gap over just the past eight years.

**Total Local Revenue per ADM  
1995-96 through 2002-03**



Source: The Pennsylvania Economy League, *An Analysis of Demographic, Socio-Economic, Financial and Related Data of the Allentown School District and Surrounding Lehigh County School Districts*, (2005).

**State Revenue Sources**

A major objective of any state school finance system is to promote fiscal equity among the school districts. Fiscal inequity exists when there is significant disparity in the per-student spending of school districts that is unrelated to the needs of students and/or primarily attributable to school district wealth. The worst kind of fiscal inequity occurs when districts with high needs have relatively low spending and high tax rates, while districts with relatively lower needs have high spending and low tax rates. Achieving fiscal equity does not require that every district have the same per student spending or the same tax effort. Instead, local control of education allows for some local leeway in spending and taxing that reflects the unique interests and priorities of individual communities.

*In each of the past five years Pennsylvania has ranked among the worst ten states in the country in terms of providing funds equitably to school districts.*

Numerous statistical studies have been created to determine the level of equity in existing state school funding systems. In January 2000, the U.S. Department of Education’s National Center for Education Statistics (NCES) compiled a list of seven critical equity measures. Using these measures, NCES measured

the equity of state systems across the country for each year from 1980 to 1994. On nearly every indicator, Pennsylvania ranked poorly.<sup>10</sup>

More recent data on state school finance formula equity has been made available by *Education Week* magazine in its annual “*Quality Counts*” publication. First printed in 1997, *Quality Counts* grades states on a variety of important education policy issues. Grades given are based on a point system and are similar to most school grades – using “A” for high and “F” for low scores.

Over the years, *Quality Counts* has developed a complex approach to grading how equitable each state’s school finance system is today. The approach examines several key factors, including: 1) the state share of funding to school districts and the degree to which the amount of state aid is targeted to low wealth school districts; and 2) a wealth-neutrality score based on spending compared to the property wealth of school districts.

<b>TABLE 3: PENNSYLVANIA’S STATE FINANCE SYSTEM EQUITY RANKING</b>		
<b>Year</b>	<b>Grade</b>	<b>Rank Among 50 States</b>
1997	C+	34
1998	C-	34
1999	C-	36
2000	C-	36
2001	D-	45
2002	D-	45
2003	D-	47
2004	D-	48
2005	C-	42

*Source: Education Week, Quality Counts.*

According to these factors, Pennsylvania has consistently been one of the lowest ranked states in the country when it comes to providing an equitable school funding system. In fact, as Table 3 shows, during each of the past five years Pennsylvania has ranked among the worst ten states in the country in terms of providing funds equitably to districts.

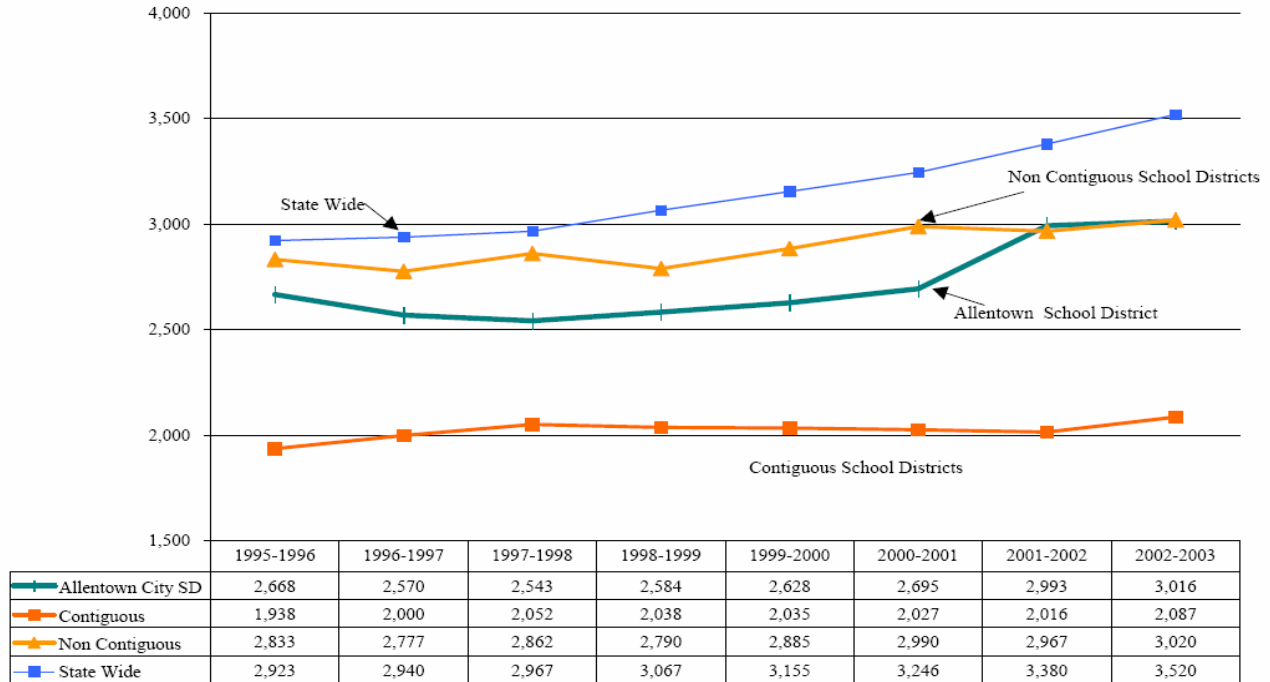
*For total revenues Allentown is now more than \$2,000 per student behind both the county and statewide averages.*

Clear evidence of the lack of equity in Pennsylvania’s current funding system can be found simply by looking at how Allentown compares with the other Lehigh Valley school districts in terms of state revenues. This report’s earlier local revenue discussion and data analysis demonstrated the severity of ASD’s local revenue shortfalls and the lack of ability which the district has to effectively raise additional property or Act 511 taxes. Having established such a clear difference in the local revenue generating capacity between Allentown and the surrounding Lehigh County districts, one would hope that the state funding system would do its part to help close the per-student funding gap. This is especially true since the data show that ASD enrolls far higher numbers of special need students who require significant additional resources to achieve academic proficiency.

<sup>10</sup> National Center for Education Statistics (2000, January). *Trends in Disparities in School District Level Expenditures Per Pupil*. U.S. Department of Education.

Unfortunately, however, the state funding system appears to fall far short of addressing ASD’s resource disparities. Instead, as the chart below demonstrates, ASD state revenues per student fall below the statewide average, and do not come close to making up the local revenue disparities that exist between Allentown and the surrounding contiguous and non-contiguous districts in Lehigh County. *As a result, in total revenues ASD is now more than \$2,000 per student behind both the county and statewide averages.*

**State Revenue per ADM**  
1995-96 through 2002-03



Source: The Pennsylvania Economy League, *An Analysis of Demographic, Socio-Economic, Financial and Related Data of the Allentown School District and Surrounding Lehigh County School Districts*, (2005).

### III. Current Resource Levels Impact ASD’s Ability to Educate Students

The previous section reveals what data now show regarding Allentown School District’s current access to the state and local funds that make up the vast majority of most Pennsylvania school district resources. These data show that, while it educates far higher percentages of students with special needs, ASD is an under-resourced, high-taxing district that lags far behind most of its peers in Lehigh County in terms of both per-student revenues and capacity to raise significant additional resources at the local level. It also shows that state funding support is currently inadequate to address the significant local revenue gap that exists between districts.

How does this lack of revenues and resources play out at the ground level? Once again, the available data is instructive and indicates that Allentown is the overall lowest per-student spending district in Lehigh Valley. As Table 4 demonstrates, in relation to any of the other comparison districts – including those in Connecticut and New Jersey – ASD has the highest student-teacher ratio and the lowest overall staffing level per 1,000 students. In fact, ASD’s student-teacher ratio of 19:1 is also much higher than the Pennsylvania statewide average of 15:1.<sup>11</sup> This is of particular concern since Allentown enrolls such large percentages of children with special needs, who require more intensive, personalized instruction to be academically successful.

The 19:1 ratio also places ASD well beyond its urban district peers from around the nation. According to a recent report studying 65 of the nation’s major city school systems, the average student to teacher ratio in such schools is 17:1. The nationwide average for all schools is 16:1.<sup>12</sup>

<b>Approximate Percentage of Teachers with a Master’s Degree</b>	
<i>Allentown</i>	45%
Catasauqua	47%
East Penn	70%
Northern Lehigh	58%
Northwestern Lehigh	62%
Parkland	64%
Salisbury	75%
Southern Lehigh	67%
Whitehall-Coplay	65%

In addition to the district’s inability to provide staffing ratios comparable to other districts in the state, data indicates that Allentown may confront a unique set of challenges in retaining its teachers. In interviews conducted with superintendents from surrounding districts, many reported low teacher turnover rates and said they often had their pick of experienced, qualified applicants for open teaching positions. Often, they said, applicants included experienced teachers leaving the Allentown district.

While more research is needed to confirm this information, preliminary data obtained from each of the nine Lehigh County district staffing and salary schedules indicate that ASD has the lowest percentage of teachers with a master’s degree or higher. In fact, many of the other districts have 20% more teachers who have received their master’s degree. This is an indication of the relative levels of staff experience and may also be indicative of a larger teacher retention problem for ASD. Since Allentown’s salary scale appears to be on par with many of the other districts in the

<sup>11</sup> National Center for Education Statistics, *Common Core of Data (2004)*.

<sup>12</sup> Council of the Great City Schools, *Beating the Odds: A City by City Analysis of Student Performance and Achievement Gaps on State Assessments*, (2005).

county, it is possible that other issues – such as working environment (which, for many teachers is directly related to class size and the availability of support services) – are impacting the district’s ability to retain its more experienced teachers.

The loss of such experienced teachers amounts to what is, in effect, an additional “hidden cost” to the district. That is, when a new teacher leaves after 3-4 years to work in another district, Allentown has lost its investment in training and development of that new teacher. Most importantly, the district has lost access to a teacher who has most likely begun to hit their stride in terms of classroom management and instruction and who is primed to have a greater impact on student academic achievement.

Another interesting aspect which the data addresses is spending on administration. These days, a frequently heard criticism of school education spending practices is that too many resources are devoted to inflated district administration budgets at the expense of local school resources. The data, however, show that this is certainly not the case in Allentown. In terms of overall spending on district and school administration combined, ASD is the lowest spender of any district shown in Table 4.

Two other key spending areas which are worthy of attention are support services and maintenance and operations. Support services include such personnel as counselors, social workers, and nursing staff. These types of staff play especially crucial roles in reaching out to troubled youth, in working and communicating directly with parents, in dispensing needed medications for students with medical conditions, and in providing additional guidance that can help students stay in school and be academically successful. Such support personnel are particularly critical in districts with large percentages of students with special needs, and yet Allentown is able to spend less than half of what many of the other districts in the county can spend on these types of staff. From our interviews with district leadership, it is clear that this is an area where significant additional funding and resources are needed in order to help Allentown’s students succeed.

*With regard to maintenance and operations spending, the fact that ASD is so far behind all other districts in the comparison chart is indicative of a potentially serious long-term problem.*

With regard to maintenance and operations spending, the fact that ASD is so far behind all other districts (see Table 4) is indicative of a potentially serious long-term problem. In our experience working in other states across the country, we have seen instances where, as with Allentown, under-resourced school districts divert resources away from building and property maintenance in order to allocate as much funding as possible to what are considered higher priority areas, such as instruction. This strategy is certainly understandable, and can provide a sensible, short-term option for making additional resources available to other critical programs. However, building and facilities maintenance simply cannot be ignored forever and will inevitably reach a critical melting point at which time it may be too late for the district to effectively address the changes or upgrades that must be made.



There are already signs that ASD may be reaching such a critical point. According to a “Comprehensive Facilities Plan” which was contracted for in 2004, one of the district’s three early childhood centers was recently closed due to its poor physical condition.<sup>13</sup> In addition, ASD owns 14 elementary schools, four middle schools and two high schools. Although each of the schools has received “ongoing upgrades,” no total renovation projects have been completed in the last 15 years and no new schools have been opened for the past 20 years.<sup>14</sup> Regarding inspections conducted at each school site, the plan finds that:

- At the elementary level, “many of the buildings do not provide space for kindergarten and some of the regular classrooms are undersized.” Libraries, administration, and health areas are all undersized.
- At the middle school level, some classrooms are half the recommended size, none of the science rooms meet specifications. Only one of the four schools has an adequate library but that school has no auditorium. None of the buildings have large group instruction areas, most do not provide faculty rooms and all have undersized guidance and administration areas.
- At the high school level, both facilities are “severely lacking” in small group areas for conference, faculty work areas, and student activities. Only one has a library that exceeds specifications.<sup>15</sup>

In order to address the identified deficiencies and the “great needs of the district,” the facilities plan outlines a significant amount of work – estimated to cost more than \$250 million – that needs to be conducted over the next several years. This work includes significant additions at all grade levels, including constructing a new middle school, the complete replacement of an elementary school with a new building, and renovation of nearly every elementary school in the district.

District leadership is moving rapidly and appropriately to work in cooperation with its school board to raise the needed funds through an increase in the local mill levy. This will, however, add an additional property tax burden at the local level for a district that is already significantly above average state and county levels and could inhibit the district’s ability to raise additional resources in the future to support needed instructional and student service improvements.

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<sup>13</sup> The Ray Group: Architects and Planners, *Comprehensive Facilities Plan for the Allentown School District*, Volume One (2004), page I-3.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*, at I-80.

**TABLE 4: DISTRICT SPENDING (2002-03)**

<b>School District</b>	<b>Instruction</b>	<b>Staff Per 1,000 Students</b>	<b>Student/ Teacher Ratio</b>	<b>Administration</b> (Spending per Student)	<b>Support Services</b> (Spending per Student)	<b>Maintenance and Operations</b> (Spending per Student)
<i>Allentown</i>	\$4,677	101.7	19	\$407	\$162	\$554
Catasauqua	\$5,286	132.2	15	\$698	\$234	\$671
East Penn	\$5,010	116.8	17	\$506	\$479	\$933
Northern Lehigh	\$4,719	121.6	17	\$673	\$311	\$856
Northwestern Lehigh	\$5,057	139.4	16	\$582	\$486	\$967
Parkland	\$4,840	124.7	17	\$675	\$420	\$941
Salisbury	\$5,329	122.1	16	\$717	\$593	\$991
Southern Lehigh	\$4,583	119.5	17	\$673	\$658	\$873
Whitehall- Coplay	\$4,279	106.0	18	\$518	\$276	\$812
Erie	\$4,988	113.7	16	\$625	\$207	\$957
Lancaster	\$5,291	115.3	16	\$511	\$134	\$693
Reading	\$4,309	107.3	19	\$444	\$70	\$749
Scranton	\$6,388	120.2	14	\$507	\$273	\$1,045
Hartford	\$8,605	185.5	13	\$898	\$512	\$1,349
New Haven	\$8,144	167.7	14	\$716	\$656	\$1,367
Waterbury	\$6,391	133.2	15	\$961	\$430	\$732
Camden City	\$8,791	175.6	12	\$994	\$488	\$1,418
Elizabeth City	\$7,329	173.8	12	\$460	\$481	\$1,709
Trenton City	\$9,521	159.1	12	\$422	\$622	\$1,789

Source: National Center for Education Statistics, *Common Core of Data (2004)*.

## IV. The Level of Resources Allentown Needs

It is clear that the Allentown School District is in need of significant new resources in order to adequately serve its students. The district has made strides in recent years in improving student performance on statewide tests, but it is unlikely that such improvements will continue without the means to address serious deficiencies in a variety of areas. This was confirmed throughout our interviews with district leadership and corporate CEOs. These individuals all expressed confidence in the Allentown School District's current leadership and its emphasis on fiscal and performance accountability. But all believe that the resource issue will ultimately threaten the viability of both the district and the local economy. Notably, leadership from the wealthiest districts in Lehigh County were as vocal as any of the others about Allentown School District not getting a "fair shake" in the funding it needs to serve the students it has.

*Simply closing the \$2,000 per student revenue gap that now exists between Allentown and county and statewide averages will require an infusion of revenues in the range of at least \$30-35 million per year.*

One question that must be answered is: what specific level of resources does a district such as Allentown need in order to significantly elevate the performance of its students? The key to answering this question is to establish a clear plan for identifying school-level and district-level needs and priorities. By identifying such needs and priorities, ASD will be much more able to explain and make a case for the level of resources it needs. ASD has recognized the need for such a plan, and is investing significant time and staff energy into the development of a new strategic plan for the district. The district's work on this plan thus far appears to be comprehensive, and should serve the district well in terms of identifying specific areas of cost that cannot be met through current revenues alone.

### **Closing ASD's Existing Revenue Gap**

Simply closing the \$2,000 per student revenue gap that now exists between Allentown and county and statewide averages will require an infusion of revenues in the range of at least \$30-35 million per year. It should be noted, however, that closing this gap alone does **not** account for the significant differences in cost involved with educating children with special needs. As discussed in Section I of this report, ASD now has almost three times as many poor students and more than five times as many English language learners as the next highest districts in the county.

Educating these students to meet state and federal academic requirements is necessarily more costly. Determining the full costs and resources needed for districts of different sizes and with varying populations of students to meet state and federal academic standards requires the use of an in-depth education funding adequacy study. Such a study is beyond the scope of this report. An adequacy study can, however, determine the full costs – including those specifically associated with special need children – of educating all students to meet academic performance standards.

APA has conducted such adequacy studies in more than half the states across the country. From this experience, there are some instructive lessons that can provide a useful benchmark for ASD, Lehigh County, and the State of Pennsylvania. For instance, drawing upon our work in other states, we can estimate what the added costs might look like to educate a child with special needs to achieve proficiency against state and federal standards. Comparing at-risk children and English language learners (two areas where ASD's special needs student populations are far higher than the rest of Lehigh County) to the general student population, we have found that:

- It can cost about 60% more to educate economically disadvantaged students to achieve academic proficiency; and
- It can cost around 90% more to educate ELL students to achieve academic proficiency.

These differences in cost can be translated into separate, per-student weights, which can then be applied to these special need students in order to better identify the cost differences that various districts might face in educating all their students to achieve at a proficient level. Based on the 2002-03 enrollment levels provided in Table 1 of this report, ASD has on average about a 34% higher ratio of weighted to unweighted (without special needs) students than the rest of the Lehigh County school districts. Applying this higher ratio to the \$30-35 million base amount required to close ASD's current revenue gap with county and statewide averages yields a cost number more in the range of \$40-\$47 million. This amount could increase even further in future years if ASD continues to see increases in the number of its families living below the poverty level (from 1990 to 2000 the district saw a 5.3% increase).<sup>16</sup>

It should be noted that the \$30-35 million base number (and therefore the \$40-47 million estimate as well) are based only on current state and county revenue averages. Since no type of adequacy study has been undertaken in Pennsylvania, it is impossible to know whether such current averages are sufficient or insufficient for schools in the county and across the state to meet rising academic proficiency standards.

This is an especially important question to address considering the dramatic increase in performance requirements associated with the federal No Child Left Behind (NCLB) Act. As discussed below, Pennsylvania's NCLB accountability plan establishes rising goals for bringing nearly 100% of students to academic proficiency by the 2013-14 school year. These rising goals bring an even greater urgency to the need to more fairly fund ASD.

*Taking into account that Allentown has far higher percentages of special need students could raise the district's cost of meeting state and federal standards into the \$40-47 million range.*

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<sup>16</sup> The Pennsylvania Economy League, *An Analysis of Demographic, Socio-Economic, Financial and Related Data of the Allentown School District and Surrounding Lehigh County School Districts*, Page 2-14 (2005).

## The Need for Action is Urgent

The graph below helps to demonstrate the importance of addressing the ASD situation as soon as possible. It shows ASD's actual revenues from 1998-2003 and also shows what ASD's per student revenues would look like if no action is taken except to adjust 2003 revenues by 3% per year for inflation. It should be noted that this 3% figure is somewhat optimistic for Allentown. In fact, while statewide average revenue increases from 1995-2003 consistently met or exceeded 3%, the ASD increase has been inconsistent and has tended to average slightly more than 2%. In any event, assuming a more optimistic rate of 3%, and a fairly consistent enrollment level (ASD's enrollment is only projected to grow by 1.7% through 2014)<sup>17</sup> ASD's revenue gap with the statewide average will remain constant at around \$2,000 per student.

The least aggressive approach for addressing ASD's revenue disparities is to utilize a phased approach that, in 2006, begins addressing the 2002-03 per-student revenue gap between ASD and the state average. Including an adjustment for ASD's higher numbers of special need students, such a phased-in approach might look like this:

- \$30 million from 2006-07
- \$30 million from 2007-08
- \$35 million in 2008-09
- \$40 million in 2009-10
- \$42 million in 2010-11
- \$45 million in 2011-12
- \$47 million in 2012-14.

As shown in the "Addressing Only the Gap" line in the graph below, such a phased approach – even including inflation adjustments of 3% – will take until 2010 just to bring ASD in line with the statewide average. From 2010 through 2014, when NCLB's full accountability requirements will be in effect, ASD will remain only slightly above the state average.

There are several problems with utilizing this approach. For instance, if it takes until 2010 to bring ASD in line with the statewide average for per-student revenues, it gives the district and its schools far less time to ramp up programs and services to meet steadily escalating NCLB requirements. Addressing the district's full needs as quickly as possible will make it much more feasible to hire needed staff, put required programs in place, and make needed changes to equipment and facilities in time for such changes to have a significant impact on student performance. Another problem with this approach is that simply bringing ASD to the statewide average revenue level still fails to fully recognize the increased costs of effectively educating the district's far higher numbers of special need children.

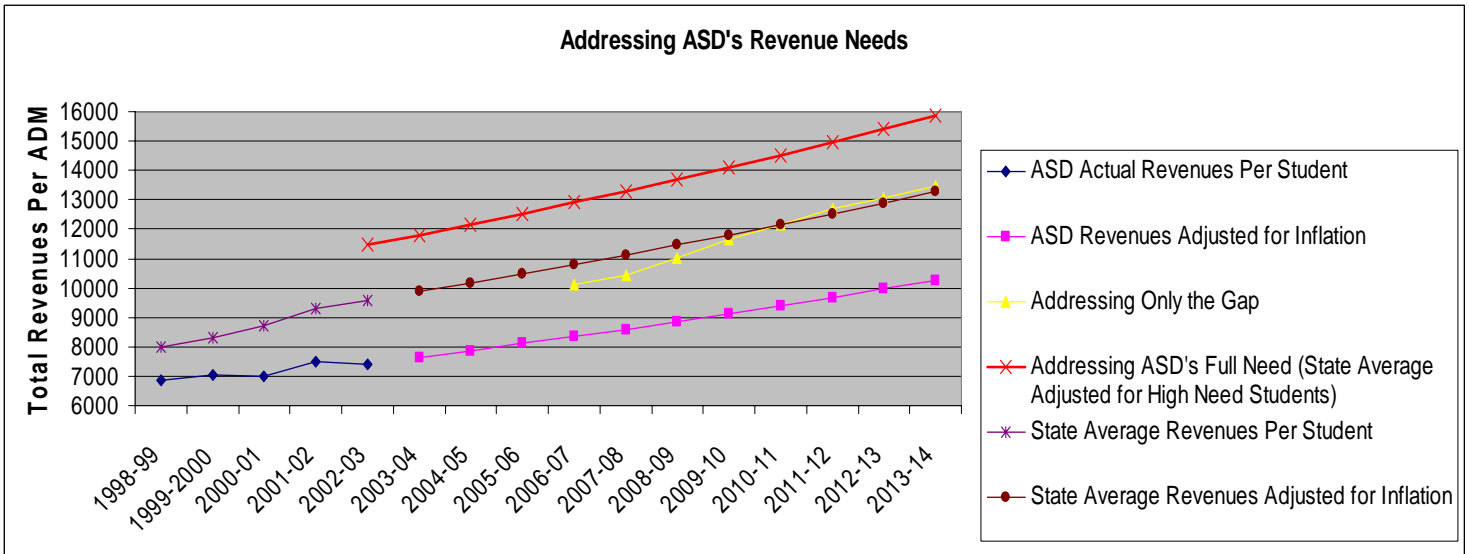
*Implementing an aggressive approach that fully accounts for ASD's higher need students would require immediate additional revenues on the order of \$77 million.*

<sup>17</sup> The Pennsylvania Economy League, *An Analysis of Demographic, Socio-Economic, Financial and Related Data of the Allentown School District and Surrounding Lehigh County School Districts*, Page 2-19 (2005).

If, on the other hand, an aggressive funding approach is implemented (shown as the “ASD Full Need” line on the graph) ASD’s resources per student will more appropriately reflect its far higher level of need. Properly implementing this approach requires recognizing that ASD’s revenue disparities have been an ongoing, worsening problem for years. The ASD “Full Need” line therefore uses the 2002-03 actual statewide average revenues as a starting point. This figure is adjusted based on ASD’s higher percentages of special needs kids when compared to the state average. As discussed earlier, although no adequacy study has been conducted in Pennsylvania, APA can use its previous work in other states to produce an estimated factor that accounts for the higher cost of educating these students to achieve proficiency when measured against state and federal standards.

The resulting calculation yields a starting target number for what ASD revenues should have looked like in the 2002-03 school year. This number can then be adjusted for inflation by 3% each year in order to show where district per-student revenues should be in order for ASD to have the resources it will likely need to be successful.

Such an analysis indicates that, for the 2006-07 school year, *ASD would need additional revenues on the order of \$77 million.* By recognizing the urgency of ASD’s situation and the higher needs of its student population, this level of funding will give the district both the resources it requires and the time needed to utilize those resources in order to make rapid improvements in student performance.



How would such a substantial infusion of new funds likely be used? Addressing ASD's staffing issue, for example, will help reduce class sizes<sup>18</sup>, improve the district's ability to provide counseling and family outreach services for at-risk students, improve building security, and improve the provision of technology services. Each of these areas has already been identified by ASD as a high priority. Assuming a relatively conservative cost of \$50,000 for each new staff member (including salary and benefits) simply raising ASD staffing levels to the county-wide average – which is around 123 per 1,000 students – would cost around \$18 million per year.

Such a level of staffing might bring the district in line with the county average but, again, it would not account for the fact that ASD enrolls a far higher percentage of special need students. And providing new funds to increase staffing is only one part of the equation. In our interviews with ASD leadership as well as our review of the comprehensive facilities plan conducted for the district, it is clear that, even if ASD could hire the staff it needs, there is currently no place to put such staff in existing facilities. Many buildings are in need of significant upgrades, and most are already beyond capacity. As mentioned earlier, addressing such maintenance and building capacity issues alone is estimated to cost more than \$250 million over time.

Beyond the significant facilities issues involved, Allentown also needs resources to fully implement important programs for its students. One such program is full-day kindergarten. Research in recent years has shown that students in such full-day programs show significantly stronger academic gains over the course of the kindergarten year than their half-day counterparts.<sup>19</sup> Research also has found that poor and minority students can especially benefit from participation in full-day programs.<sup>20</sup> While the district has already identified full-day kindergarten as an important offering, current resource issues prevent such a program from being fully delivered.

Among other priorities, the district is also in sore need of resources to support:

- Textbook replacement;
- Implementation of numerous expanded and revised curricula – including those for reading, math, science and for English language learners;
- Alternative programs and facilities for students;
- Technology upgrades and technology training programs for teachers;
- Implementation of a district-wide data tracking system to allow for the tracking of student progress on assessments (studies have shown that use of data in this fashion to drive district decision making can be an important aspect of successful urban districts compared with similar, less successful districts); and
- Expansion of expanded mentoring and induction programs to help reduce the turnover of quality teachers.

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<sup>18</sup> Research has shown a positive correlation between class size reduction and improved performance, especially for at-risk children. American Educational Research Association, *Class Size: Counting Students Can Count*, (Fall 2003). See Also, Borhnstedt & Stecher (eds), 2002; Finn (2002); Egelson & Harman (2000).

<sup>19</sup> Education Commission of the States, *The Progress of Education Reform*, vol. 5, no. 4, (September 2004).

<sup>20</sup> Id.

## V. The Severe Consequences of Doing Nothing

There will be dire consequences if nothing is done to change the Allentown School District's currently inequitable and inadequate funding situation. Such consequences include, among others:

1. **Significant penalties from failure to meet state and federal accountability requirements.**
2. **Expanded out-migration of ASD's students into surrounding school districts.**
3. **Serious economic decline that impacts the entire Lehigh County area.**
4. **Escalating dropout rates that bring additional social and economic problems.**

### **Looming Federal Penalties**

In just the next few years, Pennsylvania's NCLB accountability plan establishes a series of rapidly escalating goals for bringing nearly 100% of students to academic proficiency. By the 2013-14 school year – less than eight years from now – almost all students in Pennsylvania will be expected to have reached the proficient level in both reading and math on the Pennsylvania System of School Assessment (PSSA).

<b>Pennsylvania's NCLB Adequate Yearly Progress Goals for Core Subjects Based on PSSA Test Scores</b>							
<b>Year</b>	<b>2002-04</b>	<b>2005-07</b>	<b>2008-10</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<i>Percent Proficient in Reading</i>	45	54	63	72	81	91	100
<i>Percent Proficient in Math</i>	35	45	56	67	78	89	100

*Source: Pennsylvania Department of Education, (2005).*

It is clear that, even by 2010, ASD will need to make significant gains in order to meet the requirements of Pennsylvania's federally approved accountability plan. For instance, as the graphs below show, in the 2004-05 school year ASD students scored in the 35%-44% (3<sup>rd</sup> grade – 44%; 5<sup>th</sup> grade 41%; 8<sup>th</sup> grade 35%; and 11<sup>th</sup> grade – 40%) reading proficiency range on the PSSA. These scores indicate that at no grade level are district students meeting current reading proficiency targets – let alone the 91-100% proficiency targets set for 2013 and beyond.

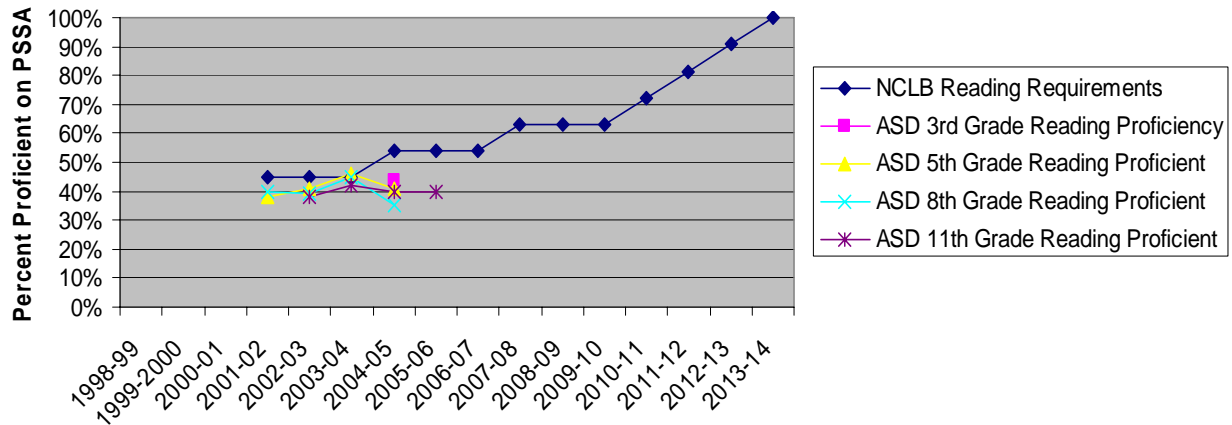
In math, ASD students performed at a much higher level in the early grades than in high school (3<sup>rd</sup> grade – 71%; 5<sup>th</sup> grade 61%; 8<sup>th</sup> grade 43%; and 11<sup>th</sup> grade – 24%). But even the lower level grades will need to improve in order to meet 2011 performance targets and beyond.<sup>21</sup>

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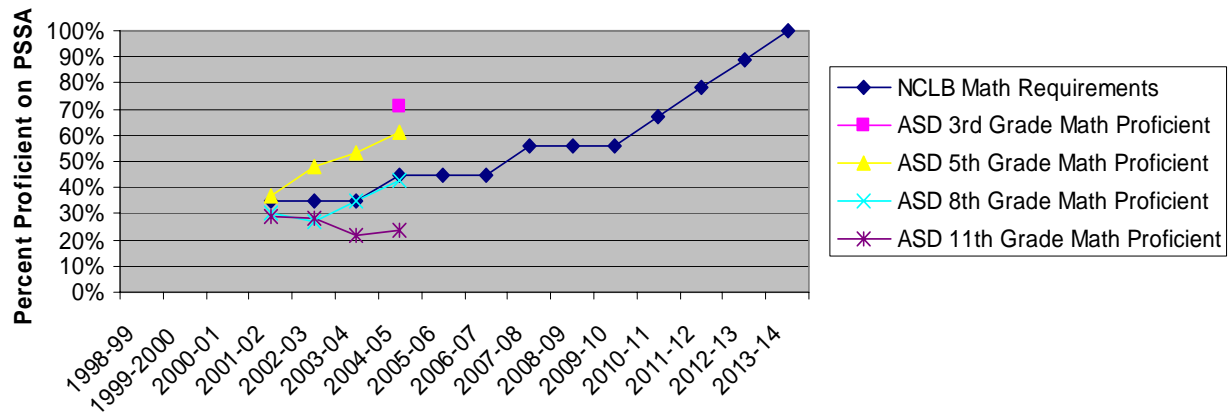
<sup>21</sup> Pennsylvania Department of Education, PSSA Scores (2005).



### ASD PSSA Reading Performance Compared with NCLB Requirements



### ASD PSSA Math Performance Compared with NCLB Requirements



If ASD schools fail to improve student test scores, both the district and individual schools are subject to a series of escalating penalties under NCLB. Such penalties include:

- Requiring school choice and/or the implementation of school assistance teams
- Requiring the delivery of supplemental services such as tutoring.
- Forced changes in leadership, curriculum, and professional development
- Significant changes in school governance such as firing all staff, chartering, or privatization/state takeover.

Implementation of these penalties will cost the district significant additional resources to address and will have significant consequences on the stability and morale of ASD's teachers and administrators. Such a loss of stability would cause a further increase in the out-migration of Allentown students to other districts in the county, and would further weaken the district's already precarious economy and tax base.

## **Escalating Out-migration of Students from Allentown to Other Districts**

In our interviews with school district leaders from across the county, similar concerns were expressed regarding the current out-migration of students from Allentown into surrounding districts. In those areas that directly border Allentown, district officials said, schools and districts are already being forced to divert significant resources and personnel to accommodate the distinct needs of a growing population of high need students. At least some of these high need students are migrating away from the Allentown area, perhaps in search of other education options. District leaders agreed that, if this out-migration continues, then many of the other districts and schools around Lehigh County will also face significant new cost pressures in order to maintain and raise student performance levels to meet state and federal expectations. If adequate resources are not provided as quickly as possible to enable the Allentown School District to succeed, such out migration of at-risk and other high-need students will not only continue, but will escalate rapidly as increasing numbers of parents seek better opportunities for both themselves and their children.

## **Significant Economic Damage to the Region**

Research and all the available data indicate that doing nothing to improve ASD's current resource situation will have significant negative economic consequences throughout Lehigh County. The negative impacts will affect not only Allentown, but the surrounding districts as well. The CEOs that were interviewed through the course of this study are each well acquainted with Lehigh County's economic atmosphere. They are also intimately familiar with the type of regional environment that business leaders consider important when making decisions regarding where to locate new facilities and offices associated with their companies.

Disturbingly, all the CEOs we interviewed agreed that the local economy has suffered significantly due to the situation with the Allentown School District. And they believe the consequences will not only get worse if nothing is done, but the broader Lehigh County economy will not continue to be viable with such an expansive problem at its center. Such a problem, they said, would serve as a deterrent for other companies in the future to select Lehigh County as a place to locate their facilities and their employees. This deterrent effect, over time, will decrease the county's ability to compete effectively with other counties in Pennsylvania and surrounding states for new business development and growth opportunities. If Lehigh County is unable to remain competitive in this regard, it will also be unable to continue attracting the higher income, higher educated workforce that fuels the county's tax base, property values, and current quality of life.

Research findings agree with what the CEOs told us regarding the significant economic consequences which accrue when schools are not properly funded. Research corroborates the fact that, rather than being narrowly isolated, these economic consequences can become regional in nature.<sup>22</sup> For instance, studies find that:

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<sup>22</sup> KnowledgeWorks Foundation, *Public Schools and Economic Development: What the Research Shows*, (2004).

- Quality public schools can help make states and localities more competitive in attracting the top new businesses and employees and the highest-paid, highest sought after jobs.
- Metropolitan growth rates vary directly in relation to average education level. Those areas with higher education levels tend to grow faster, have a higher paid workforce, and produce more wealth for an entire region.
- In the current “information age economy,” – where the best jobs are increasingly based on the knowledge and education of creative and skilled workers – a highly educated workforce is essential to local economic health.
- In making decisions on where to locate, more and more businesses and employees now focus on quality of life issues. Surveys show that school quality is one of the top quality of life factors that businesses and employees consider in making location decisions.
- The economic development issue can be regional in nature because, in making location decisions, some employers look at regions as a whole to decide whether or not there is a viable pool of skilled workers from which to draw.<sup>23</sup>

### Escalating Dropout Rates

When school districts are allowed to fail, additional economic and societal impacts can accrue to an urban center and its surrounding areas. For instance, largely due to the ASD situation, Lehigh County now has the *third highest* dropout rate in Pennsylvania.<sup>24</sup> This is especially significant today, because studies have found that the earning power of high school dropouts across the country has been in continuous decline over the past 30 years. For instance, in 1971 the average male high school dropout earned about \$35,000 a year in 2002 dollars. By 2002, this figure fell to only about \$24,000. In the same timeframe, the earnings of female dropouts fell from around \$20,000 to \$17,000.<sup>25</sup> This loss of earning power and productivity can have a ripple effect on local housing values, businesses, and overall economic development.

*Lehigh County now has the third highest dropout rate in the entire state of Pennsylvania. The loss of income and productivity from such elevated dropout rates can be significant to any local economy.*

The loss of income and productivity from such elevated dropout rates can be significant to any local economy. Equally important are the potential for increases in crime, welfare and state aid dependence and the economic and societal costs which these problems impose. Perhaps most important, however, is the potential long-term impact that high dropout rates have on the next generation of children whose parents are dropouts and who are raised in poverty. Such children will inevitably become the next generation of “at-risk” students that Allentown and the Lehigh Valley as a whole must take responsibility for educating and offering the opportunity of a better chance in life.

<sup>23</sup> KnowledgeWorks Foundation, *Public Schools and Economic Development: What the Research Shows*, (2004).

<sup>24</sup> Pennsylvania Department of Education, *Public Secondary School Dropouts in Pennsylvania 2003-2004*, (2005). <http://www.pde.state.pa.us/k12statistics/lib/k12statistics/PubSecSchDropouts03-04.pdf>

<sup>25</sup> Educational Testing Service, *One-Third of a Nation: Rising Dropout Rates and Declining Opportunities*, (2005). [http://www.ets.org/Media/Education\\_Topics/pdf/onethird.pdf](http://www.ets.org/Media/Education_Topics/pdf/onethird.pdf)

## **VI. Options to Address the Problem**

The negative impacts from an economic, political, and societal standpoint indicate that there will be serious consequences in the next several years if no action is taken to address Allentown's current situation. The analyses in Section IV of this report also indicate the importance of implementing a rapid, aggressive strategy to meet ASD's revenue needs.

To help identify such a strategy, Education 2010! and APA staff held a series of meetings in December 2005 and February 2006. The meetings brought together education, business, political, and community leaders from across Lehigh Valley to discuss this report and to offer ideas, options, and recommendations for addressing ASD's current crisis. The significant input gained through these meetings as well as APA's experience working on similar issues in other states each indicate that there are a series of options available at three specific levels:

1. Pursue a **state-level** solution by securing a special state funding appropriation for ASD and/or revisiting the state formula for how schools are funded.
2. Pursue a **county-level** solution through either creation of a county-wide school district, or development of a county-wide tax to raise additional revenues.
3. Pursue additional resources at the **local level**.

### **Pursue a State-Level Solution**

As expressed earlier in this report, Pennsylvania's current school finance system is one of the least equitable in the country. The formula used by the state for distributing funds to districts has not been appreciably altered for years and the result has been ever-widening disparities in resources available to districts such as Allentown. More than ever, differences in local district property values and personal income wealth dictate the haves and have-nots among schools.

This does not represent either a fair or wise policy environment for Pennsylvania. While recent state funding changes from the state recognize that a problem exists, the changes are not permanent and represent an insufficient amount of funds to even begin addressing the needs of ASD and similar districts in the state. Instead, to affect the level of change that is required, the resources of the state government should be brought to bear. In fact, action at the state level offers the best chance of not only closing ASD's current revenue gaps, but also of addressing the district's long-term needs.

In particular, the state legislature needs to revise its formula for funding schools so that state revenues are not only distributed on a more equitable basis, but that such funds also take into account the level of resources needed to educate children to reach state and federal academic standards. With regard to meeting state and federal requirements, the fact is that most states and the federal government have decided that standards-based reform is the best way to improve the elementary and secondary education system in this country. Under standards-based reform, the role of the state is to:

1. Set standards for students, teachers, schools, and/or districts;
2. Measure how well students, teachers, schools, and/or districts are doing (which may mean developing assessment procedures specifically tied to the standards); and
3. Hold students, teachers, schools, and/or districts accountable for their performance.

*Interviews with business, education, and economic development leaders from throughout Lehigh County found a universal acknowledgement of the need for the state to revise its current school funding formula*

The standards-based reform approach implies that a state should know how much it would cost for a district to meet the state's expectations. It also implies that the state must assure that all districts have at least that much revenue available from all sources.

At the outset of the standards-based reform movement, starting with the reform of the Kentucky education system in 1990, most states and the federal government did not attempt to estimate the costs that every school or district would incur in order to meet performance standards. Determining such costs – which are now generally understood to be the costs of providing students with an “adequate” education – has therefore become an essential missing piece that state policy makers need in order to understand what resources are required for schools and districts to succeed. Once these adequacy costs are determined, policy makers also need to be able to properly incorporate them into the state's school finance system.

Pennsylvania's school finance system is not only inequitable, but it is not based on any type of adequacy analysis. That is, the state's current system is not inherently designed to distribute funding based on a calculation of what it would cost to educate students to reach proficiency against state or federal academic standards. Nor does it account for the increased cost involved with educating children with special needs – especially those who are economically challenged, in special education, or English language learners.

Our interviews and meetings with business, education, and economic development leaders from throughout Lehigh County found a universal acknowledgement of the need for the state to revise its current school funding formula. At the same time, the interviews also surfaced a shared belief in the level of difficulty and lengthy timeframe involved with getting such action to be taken.

In view of these concerns, we present two options for state-level action. Option 1 can be realistically achieved on a shorter time scale because it does not require comprehensive reform to Pennsylvania's school finance system. It can be used to specifically address ASD's most immediate needs and to bring the district at least in line with the statewide, per-student revenue average. As discussed below, providing such resources as quickly as possible is critical to the district's efforts to meet the escalating demands of the federal No Child Left Behind Act.

The second option, which calls for reform of the state's school funding formula, would likely require coalition building to push for action from the state legislature and would therefore take more time to accomplish than Option 1. Option 2, however, would provide a longer-term solution to not only ASD's difficulties, but would serve the larger purpose of correcting the underlying weaknesses in the state's school funding system that help create funding disparities in other districts as well.

**Option 1: Secure a Special State Funding Appropriation for the Allentown School District that permanently brings ASD's total revenue up to the state average per student**

The urgency of ASD's current crisis and the potential timeframe involved with revising the state's school funding formula argue for Allentown and Lehigh County leaders to join together in seeking funding assistance for ASD through a specific state legislative budget appropriation. Participants in the community meetings hosted by Education 2010! In December 2005 and February 2006 were skeptical of the promise of a significant overhaul of the state's funding approach in the next couple of years. There was, however, belief that the state legislature might be willing to assist with Allentown School District's special needs highlighted in this report. Some Lehigh county legislators reported efforts already underway that might be of assistance in gaining such a special appropriation.

Pennsylvania's school finance system has long provided special assistance to the state's two largest urban school districts in Philadelphia and Pittsburgh. As the third largest urban district and fourth largest overall in the state, it is logical for the legislature to extend similar special assistance to ASD, especially in view of the district's now documented resource shortfalls and high student need.

Seeking a special state funding appropriation has the advantage of bringing needed resources to ASD as quickly as possible. Unlike a full overhaul of the state's school funding formula, which could require more time for additional study and debate, a special funding appropriation could – with the consistent support of the business community and state legislators from Lehigh County – realistically be accomplished during the current legislative session. This is an important consideration in light of the already short time frame with which the district has to meet rapidly escalating NCLB requirements. In just six years for instance, the district will be expected to have 81% of students proficient in reading and 78% in math. Two years after that, 100% of students must be proficient in both subjects.

Under such tight timeframes, the district would need access to new resources as soon as possible to have any realistic opportunity to ramp up new programs, personnel, facilities, and services to significantly impact student performance. If executed quickly, the request for a special appropriation also would have an advantage in that it comes at a time when there appears to be available resources that the legislature could access without having to significantly revise the existing school funding system.

**Option 2: Create a Coalition for State-level Education Funding Reform**

Another way to address the difficulties involved with implementing change at the state level is to form or join a statewide coalition to push for needed reform of equity in education funding. As parties with reputations for strong fiscal and performance management, local business leaders and CEOs should remain front and center. Such a coalition should also include school districts across not only Lehigh County, but the entire state as well. Districts that join the coalition could be, at least initially, from those areas that (similar to Allentown) have: elevated percentages of high need students, low overall wealth, and high property tax rates.

For instance, based on available data, there are more than 80 districts in the state that have:

- 28% or more of their students in free/reduced lunch.
- A property tax effort above the state average.
- Both property market values and personal income per student lower than the state average.

In 2003-04, these 80 districts enrolled close to 260,000 students. As a group, they therefore represent an opportunity to secure significant leverage with state policymakers. A list of these districts is provided in Appendix A.

Revising Pennsylvania's state funding formula involves overcoming significant political and institutional obstacles that will undoubtedly take some time to navigate. Of the options presented in this section, however, a state-level solution offers one of the strongest chances at providing the level of funds needed for districts like Allentown to succeed. Such a solution also offers the opportunity for the type of stability in school funding that can allow local educational leaders to focus their attention long-term on the types of issues that are most critical to successfully educating their students.

State level school funding solutions have been sought and successfully executed in several states across the country. APA has seen first-hand how such a state level solution can be accomplished. In Maryland, for instance, a study group called the Thornton Commission was formed by the state governor in 2000. APA worked with the group to evaluate the state's existing school finance system and used multiple methodologies to estimate the cost that school districts faced in meeting state standards. In particular, the group relied on methodologies that: 1) examined the basic spending of "successful" school districts that meet state performance requirements in order to determine a base

cost for all districts; and 2) incorporated the “professional judgment” of current education practitioners to specify the level of resources needed for students to meet state and federal performance expectations. The recommendations of the Thornton Commission were forwarded to the state legislature, where they were enacted into law in 2002 and integrated into a new school finance system. While the new system has only been in place for three years, state leaders report positive gains in the performance of districts – like Allentown – that were previously under resourced.

### **Pursue a County-Level Solution**

There are three main ways to try and address the needs of the Allentown School District at the county level:

1. Create a uniform county-wide property tax levy for schools.
2. Merge all Lehigh Valley districts into a single, county-wide school district.
3. Consider merging ASD with one or more of its surrounding districts.

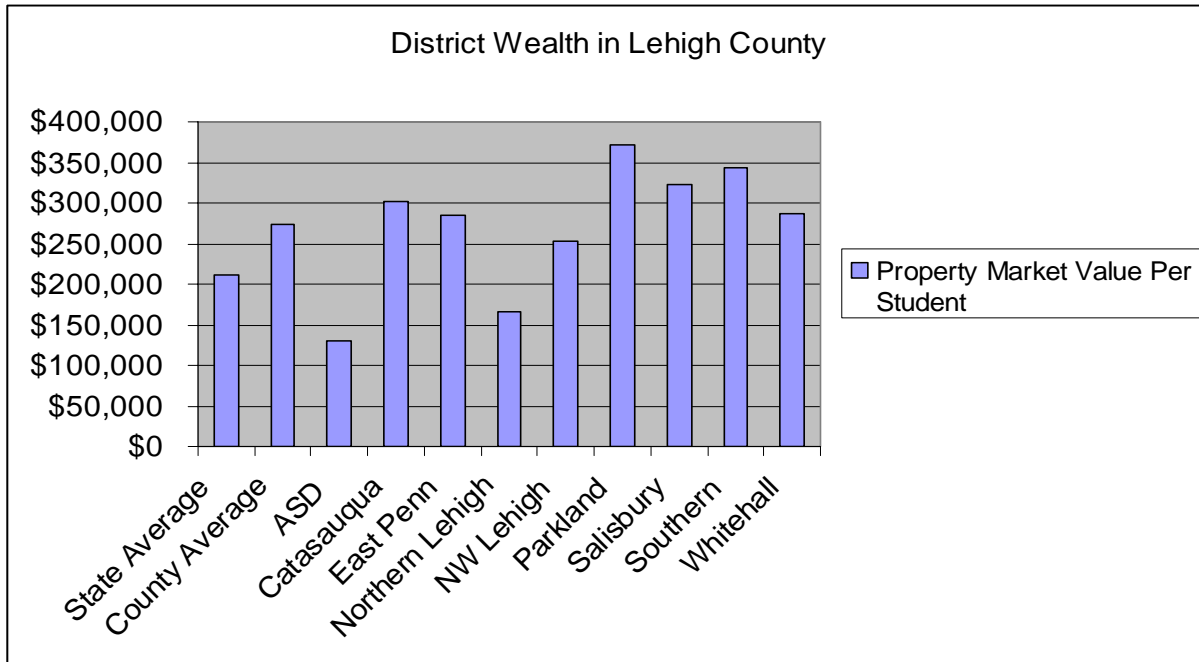
Implementing any of these approaches offers the possibility of significantly raising levels of new resources to ASD. Each would bring the wealth of the entire county to bear and each could help reduce the currently strong resource disparities that exist between different districts throughout the county (see Table 2 and the chart below reflecting 2003-04 data). For instance, a county-wide solution could help make more resources available to students in districts such as ASD and Northern Lehigh, which have less than half the property value than some of the other districts in the county. This is an especially crucial issue since property values make up the lion’s share of local school district revenues.

But while each of the county level options discussed here offer benefits to ASD, they are less attractive solutions in terms of Lehigh County as a whole. In fact, as our discussions and meetings in Allentown revealed, each of the three county-level options pose certain difficulties. Unlike a state-level solution (as discussed in Options 1 and 2 above) a uniform county-wide property tax levy, for instance, places the burden of resolving ASD’s revenue crisis – which is essentially a result of state-level funding problems – on Lehigh County residents. And it would require residents throughout the county to pay higher taxes, even though two-thirds of the county’s school districts are already above the statewide average property tax effort.

Merging several districts together or merging all into a single, county-wide district could help ASD by reallocating existing resources from other, currently wealthier districts in the county. It would again, however, place the burden on the backs of Lehigh County residents to solve what is essentially a statewide problem. No new state resources would necessarily be brought to bear under this scenario so, unless citizens are willing to raise their own taxes, currently wealthier districts such as Parkland and Southern Lehigh would likely be asked to shift their existing resources and programs to higher need areas such as Allentown. Such reallocation is likely to be politically unpopular and difficult to execute.



With these caveats in mind, we discuss potential county-level strategies in Options 3, 4, and 5 below.



**Option 3:** Create a uniform, county-wide property tax levy for ASD.

To create a uniform county-wide property tax levy, Allentown officials and interest groups such as Education 2010! will need to tap into and significantly expand the support for Allentown that already appears to exist throughout the county. Such support was expressed repeatedly in each of our interviews with CEOs and surrounding Lehigh County school district officials. Again, creative ideas will be needed to help expand such support into any push to create a new tax assessment. In particular, benefits from the county tax must accrue to more than just ASD. As mentioned in the county-wide district discussion above, some funds generated by such a tax could be used to create additional specialized schools or academies that would be open to any child in the county.

To give an idea of the level of tax increase that might be required, APA ran several calculations. Based on 2005-06 data, the total assessed value in Lehigh County is approximately \$8 billion. Depending on the target goal the following levels of mill increases would be needed:

- To raise an additional \$30 million per year to try and close the gap between ASD’s current revenues and the statewide average would require approximately a 3.7 county property tax mill increase, which would also mean additional taxation for Allentown residents.

*To raise funds for ASD at the county level in the order of \$30 million would require the entire county to levy a 3.7 mill increase on property taxes.*

- To raise \$47 million per year in order to incorporate a student need factor into the gap between ASD and the state average would require a 5.8 mill increase.
- To raise \$75 million per year – in order to address the estimated cost of ASD educating its students to meet state and federal academic standards – would require a 9.3 mill increase.

While the county does not have authority to pass a county-wide income tax, it may also be a useful illustration for the reader to note that, based on 2003-04 data, total personal income wealth in the county is close to \$6 billion. In order to raise \$30 million for ASD, a 0.5% local county-wide personal income tax would therefore be needed.

**Option 4: Study the possibility of merging current Lehigh Valley districts into a single, county-wide school district.**

While a popular idea with many of the business leaders we interviewed and met with, most admitted the serious political difficulties involved with creation of a single, county-wide school district. Several of those interviewed indicated that Pennsylvania has a history of strong, localized, parental control of school districts. A tendency towards such control makes the prospects for creating a county-wide school district more challenging than the option of creating a county-wide tax levy for schools.

A county-wide district does, however, offer the opportunity to more evenly allocate resources throughout the county to address the higher needs of specific areas, such as Allentown. Were such a plan to be pursued, several implications would need to be considered:

- Creating a county-wide district can produce a perceived set of “losers” and winners” among the former individual districts, especially as resources are channeled to address serious problems facing districts such as ASD. Creative solutions will be needed to ensure that all participants in the county-wide district see benefits from the consolidation. For instance, as suggested in some of our interviews, the county could use its resources to create more specialized schools or academies that would be open to any child in the county. ASD has already created several such specialized schools which have proven to be popular with parents and students alike, although children from other districts must currently attend on a tuition basis.
- A study should be conducted to document the potential for improving the overall education quality in the county. This study should address not only the benefits which might accrue to a district such as Allentown, but also should discuss policy options to ensure that there is no erosion in quality of currently high-performing districts in the county.
- A study should also be conducted to examine the efficiencies which might be gained through creation of a county-wide district. Such efficiencies, which could

include bulk purchasing, consolidation and streamlining of administration, sharing transportation services, and other economy of scale savings, could be used as an advantageous selling point for the county-wide district concept.

- A plan would need to be created to address representation on a county-wide school board. In particular, if small communities are given only limited representation on a county-wide board, they will see limited advantage to creating a county-wide school district. Current districts such as Salisbury, Southern Lehigh, and Catasauqua, for instance, will need to be represented in such a way that their interests will not be consistently overshadowed by larger districts such as Allentown and Parkland.
- An analysis of the impact of a county-wide district on the overall level of state aid to Lehigh County should be conducted. Currently, districts throughout the county receive differing levels of state funds to support their schools. A study of the overall level of state funds which a county-wide district would receive, and the likely impact and use of such funds, will provide a clearer view of the overall expected revenue picture. The state department of education should appoint a fiscal agent to aid the county during this process.
- A plan must be developed to create a county-wide pay scale for teachers, administrators, and other personnel. Impacts on any existing collective bargaining agreements would need to be analyzed and addressed in cooperation with teacher unions. In addition, current employees that will be impacted by the formation of a county-wide district must be educated concerning any positive or negative impacts to their current salary and benefit packages.
- It is likely that state legislative action would be required to approve the creation of a county-wide school district. Raising the issue of school consolidation at the state legislature could be a tremendous political challenge. And even if state statutory approval for district consolidation were obtained, significant changes to the state's school funding system would still be needed for Lehigh County as a whole to see any fiscal benefits. Absent such changes to the state's funding system, consolidation into a single county-wide district would, in effect, only serve to rearrange existing resources within Lehigh County – it would not bring the new funds and resources which our study of Allentown School District alone indicates is required.
- Lehigh county leaders could consult with policymakers and education leaders in other states, such as Florida, where regionalization of school districts has already taken place.

**Option 5: Study the possibility of merging ASD with one or two other districts in the county.**

A corollary option to studying the creation of a single, county-wide school district is to study the benefits and feasibility of merging ASD with one or more surrounding districts in the county. Such a limited merger of districts would reduce the overall level of resources that could be brought to bear, but might allow important benefits to accrue to the students and districts involved. If this path were pursued, a variety of concerns similar to those associated with creating a county-wide district (such as impacts to teacher pay, state aid and the potential for improvements in efficiency and education quality) would need to be studied and addressed.

**Pursue a Local-Level Solution**

Our interviews and analysis of the Allentown School District indicate that the district has been highly creative and resourceful in finding ways to plug the holes where resources are currently lacking. District leadership has, for instance, gone to extensive lengths to pursue grants that now support a variety of programs, including implementation of an anti-bullying program, the first phase of an adolescent literacy program, and a pre-Advanced Placement to AP continuum program for grades 7-12.

The district has also reached out to the local community and received thousands of dollars in donated support to develop a district-wide customer service plan and annual satisfaction survey as part of its commitment to increased public accountability. Where funds have been lacking for programs deemed high priority, as with full-day kindergarten, the district developed arrangements with outside providers to ensure that half-day kindergarteners have a facility to attend for the second half of the school day.

All of these efforts, however, reflect the state of affairs of a district stretched to the limit for resources. Such efforts also entail a significant commitment of time, energy, and creativity from an administration that already receives notably less funding than other districts in the county. The necessity to invest such energy into these efforts necessarily draws administrative attention away from its core mission to provide instructional support and leadership. Perhaps even more damaging is that many of the solutions generated by these efforts, including soliciting local donations and increased grant writing, are temporary at best. Such funding is not generally a sound source for establishing the types of stable, ongoing programs or staffing changes that the district most needs implemented.

While the evidence gathered thus far points to limited opportunities for generating more local revenues, there are still several options to be pursued. Though helpful, the level of new resources which these options can be expected to provide is likely to fall far short of addressing ASD's overall needs.

**Option 6:** Complete work towards creating a community foundation. The district has already forged a strong relationship with local business leaders and ASD has been working to create such a local foundation. The district should continue these efforts and, once operational, the foundation could help generate funds for some needed programs. The amount of funds to be expected from such a foundation, however, is likely to be small in relation to the overall needs of the district.

**Option 7:** Consider raising the local mill levy even further. Increasing the mill levy would, at least in the short term, increase one of the district's main sources of revenues. As stated earlier in this report, however, Allentown's levy is already significantly higher than county and statewide averages. It is likely to be politically very difficult to continue raising such taxes and several business and economic leaders indicated that such a tax hike could serve to seriously discourage future investment in the area.

**APPENDIX A**  
**List of Districts with Characteristics Indicative of Being  
Higher-Need, Higher taxed, and Lower  
Resourced**

<b>County</b>	<b>AGENCY NAME- MOST RECENT YEAR (DISTRICT)</b>	<b>2003-04 ADM</b>
Lehigh	ALLENTOWN CITY SD	17,387.891
Berks	READING SD	16,897.185
Erie	ERIE CITY SD	13,558.050
Lancaster	LANCASTER SD	11,344.137
Lackawanna	SCRANTON SD	9,198.609
Dauphin	HARRISBURG CITY SD	8,551.302
York	YORK CITY SD	7,361.949
Delaware	CHESTER-UPLAND SD	7,316.760
Luzerne	WILKES-BARRE AREA SD	7,117.385
Armstrong	ARMSTRONG SD	6,766.872
Lycoming	WILLIAMSPORT AREA SD	5,998.362
Allegheny	PENN HILLS SD	5,891.894
Delaware	WILLIAM PENN SD	5,859.395
Luzerne	WYOMING VALLEY WEST SD	5,526.187
Allegheny	MCKEESPORT AREA SD	4,760.715
Clearfield	DUBOIS AREA SD	4,630.217
Lebanon	LEBANON SD	4,389.272
Crawford	CRAWFORD CENTRAL SD	4,205.709
Delaware	SOUTHEAST DELCO SD	4,128.359
Lawrence	NEW CASTLE AREA SD	4,090.485
Washington	RINGGOLD SD	3,796.809
Cambria	GREATER JOHNSTOWN SD	3,479.290
Montgomery	POTTSTOWN SD	3,407.543
McKean	BRADFORD AREA SD	2,958.327
Allegheny	HIGHLANDS SD	2,916.262
Westmoreland	NEW KENSINGTON-ARNOLD SD	2,599.890
Westmoreland	MOUNT PLEASANT AREA SD	2,567.751
Venango	OIL CITY AREA SD	2,554.124
Erie	CORRY AREA SD	2,501.675
Mercer	SHARON CITY SD	2,421.937
Venango	FRANKLIN AREA SD	2,392.929
Greene	CENTRAL GREENE SD	2,366.836
Allegheny	STEEL VALLEY SD	2,252.217
Indiana	BLAIRSVILLE-SALTSBURG SD	2,210.574
Centre	BALD EAGLE AREA SD	2,070.926
Luzerne	HANOVER AREA SD	2,063.355
Allegheny	EAST ALLEGHENY SD	2,036.754
Beaver	NEW BRIGHTON AREA SD	1,988.721
Susquehanna	MONTROSE AREA SD	1,954.069

Beaver	BIG BEAVER FALLS AREA SD	1,916.167
Adams	UPPER ADAMS SD	1,815.388
Armstrong	APOLLO-RIDGE SD	1,676.586
Washington	CHARLEROI SD	1,665.194
Indiana	MARION CENTER AREA SD	1,621.898
Allegheny	STO-ROX SD	1,594.457
Lackawanna	CARBONDALE AREA SD	1,576.097
Washington	BURGETTSTOWN AREA SD	1,562.586
Allegheny	NORTHGATE SD	1,539.902
Lancaster	COLUMBIA BOROUGH SD	1,536.478
Beaver	ALQUIPPA SD	1,527.147
Westmoreland	JEANNETTE CITY SD	1,462.902
Washington	BETHLEHEM-CENTER SD	1,434.178
Dauphin	STEELTON-HIGHSPIRE SD	1,412.829
Washington	FORT CHERRY SD	1,351.585
Wyoming	LACKAWANNA TRAIL SD	1,349.243
Susquehanna	BLUE RIDGE SD	1,263.587
Clinton	KEYSTONE CENTRAL SD	1,250.106
Indiana	UNITED SD	1,246.903
Erie	IROQUOIS SD	1,246.310
Bradford	SAYRE AREA SD	1,230.470
Indiana	PURCHASE LINE SD	1,216.216
Schuykill	MAHANoy AREA SD	1,211.916
Schuykill	MINERSVILLE AREA SD	1,196.965
Beaver	ROCHESTER AREA SD	1,166.395
McKean	PORT ALLEGANY SD	1,152.351
Greene	CARMICHAELS AREA SD	1,146.018
Westmoreland	MONESSEN CITY SD	1,115.453
Elk	RIDGWAY AREA SD	1,104.016
Mercer	FARRELL AREA SD	1,077.415
McKean	SMETHPORT AREA SD	1,049.718
Susquehanna	SUSQUEHANNA COMMUNITY SD	1,032.771
Indiana	PENNS MANOR AREA SD	1,027.505
Allegheny	CLAIRTON CITY SD	1,013.999
Schuykill	SHENANDOAH VALLEY SD	1,005.776
Greene	JEFFERSON-MORGAN SD	954.453
Armstrong	LEECHBURG AREA SD	941.745
Clearfield	GLENDALE SD	916.029
Allegheny	DUQUESNE CITY SD	905.056
McKean	OTTO-ELDRED SD	845.221
Beaver	MONACA SD	821.446
Cambria	FERNDALE AREA SD	781.642
Washington	AVELLA AREA SD	759.612
Greene	SOUTHEASTERN GREENE SD	707.740
Fulton	FORBES ROAD SD	489.708
Potter	AUSTIN AREA SD	252.905
TOTAL ADM		258,692.808

Note: Listed districts are those with: 1) 28% or more of their students in free/reduced lunch; 2) a property tax effort above the state average; and 3) both property market values and personal income per student lower than the state average.

## **APPENDIX B**

### **List of Those Interviewed in September 2005**

Karen Angello – Superintendent, Allentown School District  
Lee Butz – CEO, Alvin H. Butz, Inc.  
John Corby – Superintendent, Whitehall/Coplay School District  
Bert Daday – Special Assistant for Community Affairs, PPL Corporation  
John Dickson – CEO, Agere Systems  
Louise Donohue – Superintendent, Parkland School District  
Jane Ervin – Lehigh County Executive  
Jeff Grim – Business Manager, Parkland School District  
Bill Hecht – CEO, PPL Corporation  
Susan Hunt – Publisher and CEO, The Morning Call  
Ken Mohr – Lehigh County Director of Community and Economic Development  
Gary Reigal – Business Manager, East Penn School District  
Robert Spengler – Superintendent, Catasauqua Area School District  
Christine Stafford – Business Manager, Northern Lehigh School District  
Robert Strauss – Business Manager, Whitehall/Coplay School District  
Dr. Elliot Sussman – President and CEO, Lehigh Valley Hospital  
John Vignone – Business Manager, Allentown School District  
Mary Ann Wright – Superintendent, Salisbury School District