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Pennsylvania Schools' Financing Fight Pits District Against 'Charter on Steroids'

By **SABRINA TAVERNISE**

CHESTER, Pa. — The Chester Upland School District is more than \$20 million in debt, its bank account is almost empty and it cannot afford to pay teachers past the end of this month.

To make matters worse, the local [charter school](#), with which the district must divide its financing, is suing the district over unpaid bills.

The district's fiscal woes are the product of a toxic brew of budget cuts, mismanagement and the area's poverty. Its problems are compounded by the Chester Community Charter School, a nonprofit institution that is managed by a for-profit company and that now educates nearly half of the district's students.

The district sees the charter as a vampire, sucking up more than its fair share of scarce resources. The state, it says, is giving the charter priority over the district.

"It's not competition, it's just draining resources from the district," said Catherine Smith, a principal at Columbus Elementary, a district school. "It's a charter school on steroids."

The charter says that it is also part of the public school system and that the district, its primary source of financing, has not paid it anything since last spring. The state has taken over payments, but even those are late, it says.

Chester may be a harbinger of fiscal decline. At least six other Pennsylvania school districts are bordering on insolvency, according to State Representative Joseph F. Markosek, the Democratic chairman of the House Appropriations Committee.

Chester's troubles also show just how deeply budget cuts bite in poor districts. With a median household income of \$26,000, just half of the state median, Chester has one of the state's most meager tax bases. State financing makes up about 70 percent of its budget. For comparison, nearby

Radnor Township, with a median household income of \$85,000, draws just 10 percent of its school budget from state money, according to a town spokesman. The largest share is real estate taxes, at 83 percent.

“Poor schools in this state are underfunded,” said Thomas Persing, acting deputy superintendent for the Chester Upland district. “Poor kids aren’t going to get the same shot as wealthy kids. That’s the society we are in now.”

But the district has been troubled for years. The state took over its finances in 1994 but has since handed control back to the community. Five state administrations, including the current one of Gov. Tom Corbett, a Republican, have been unable to fix the district. Budget cuts may be painful, the state argues, but they are not the root of the district’s problems.

In December, Mr. Corbett refused to advance the district emergency money, saying it had mismanaged its budget. The district says that the state was in charge as receiver for years and that it left the district with a large debt when it handed back control in 2010.

Whatever the case, the math was stark: the district could not afford to pay salaries.

The district’s teachers tried to ease the pressure by voting to work without pay as long as they were able, a gesture that drew considerable attention. One of the district’s teachers, Sara Ferguson, was invited by Michelle Obama to attend the State of the Union address last month, and she appeared on “The Ellen DeGeneres Show” on Thursday.

Ultimately, a federal judge intervened in a separate lawsuit by the district, ordering the state to pay \$3.2 million, enough to cover the salaries. In the end, pay was only two days late. Still, the district has money to cover only the next two pay periods. Money to pay vendors, like insurance companies and power suppliers, runs out in the middle of the month.

“There have been money problems, but we’ve never been threatened like now,” said Ms. Ferguson, whose school, Columbus Elementary, was decorated with a poster by students congratulating her on being invited to the State of the Union address.

On a recent Monday, students ran and shouted on the Columbus playground. In the latest round of budget cuts, the school lost its art teacher, its music teacher, its technology teacher, its staff person for the library and even the money for its fledgling band. “The children have gym, gym and gym,” Ms. Ferguson said.

When Ms. Ferguson began teaching here in 1991, she was one of 11 fifth-grade teachers, she said. Now there are only two.

The charter school initially had less than 100 students in 1998, but it has grown to more than 2,600 on two campuses. At its West Campus, a gate with lions on the front and the school's initials, CCCS, on the painted black iron bars give the impression of a private school. Its wooden lockers are open shelves, and its offices have security cameras that watch every classroom. Each student in third to eighth grades was given an XO laptop, a computer designed to be used by students in developing countries.

"It's just an entirely different culture that we've created — very structured, very respectful," said Vahan Gureghian, a lawyer and entrepreneur who founded the charter. When the school first opened, "we had zero parent involvement," he said.

He continued: "Now on any given back-to-school night, it's packed. Parents are looking at us and saying, 'I didn't get an education, but there's hope for my kid.' "

The district argues that the charter is receiving millions of dollars in extra special education funds. And money to the charter also goes toward fees to the private management company of \$5,000 per student. The charter says the district has not paid its bills since last April, leaving it no other choice than to go to court. The state was also named in the lawsuit because it has also fallen behind by millions of dollars in payments, the charter said.

While budget cuts forced the district to slash its staff by about 30 percent and cut art, music and language classes, the charter has made no such reductions, Judge James Gardner Colins of Commonwealth Court wrote in a decision on Tuesday that ruled against immediately satisfying the charter's claims.

Judge Colins wrote that there was no evidence that the charter had been obliged to make any cuts or had tried to renegotiate its contract with the for-profit management company "to reduce its unusually large management fee."

There is no legal mechanism for a school district to declare bankruptcy in Pennsylvania. It is not clear whether the state would dissolve the district, which has contracts with unions that represent teachers and other support staff. There is a designation of distressed school district, but the state has said Chester Upland has not met the requirements, which include the staff's working for 90 days without pay.

Mr. Corbett pledged last month that students “will be able to finish the school year at Chester Upland.”

But how that will be paid for and what happens after the school year ends are both open questions. “This is right on our doorstep now,” Ms. Ferguson said. “There’s a question about whether we will even exist.”



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