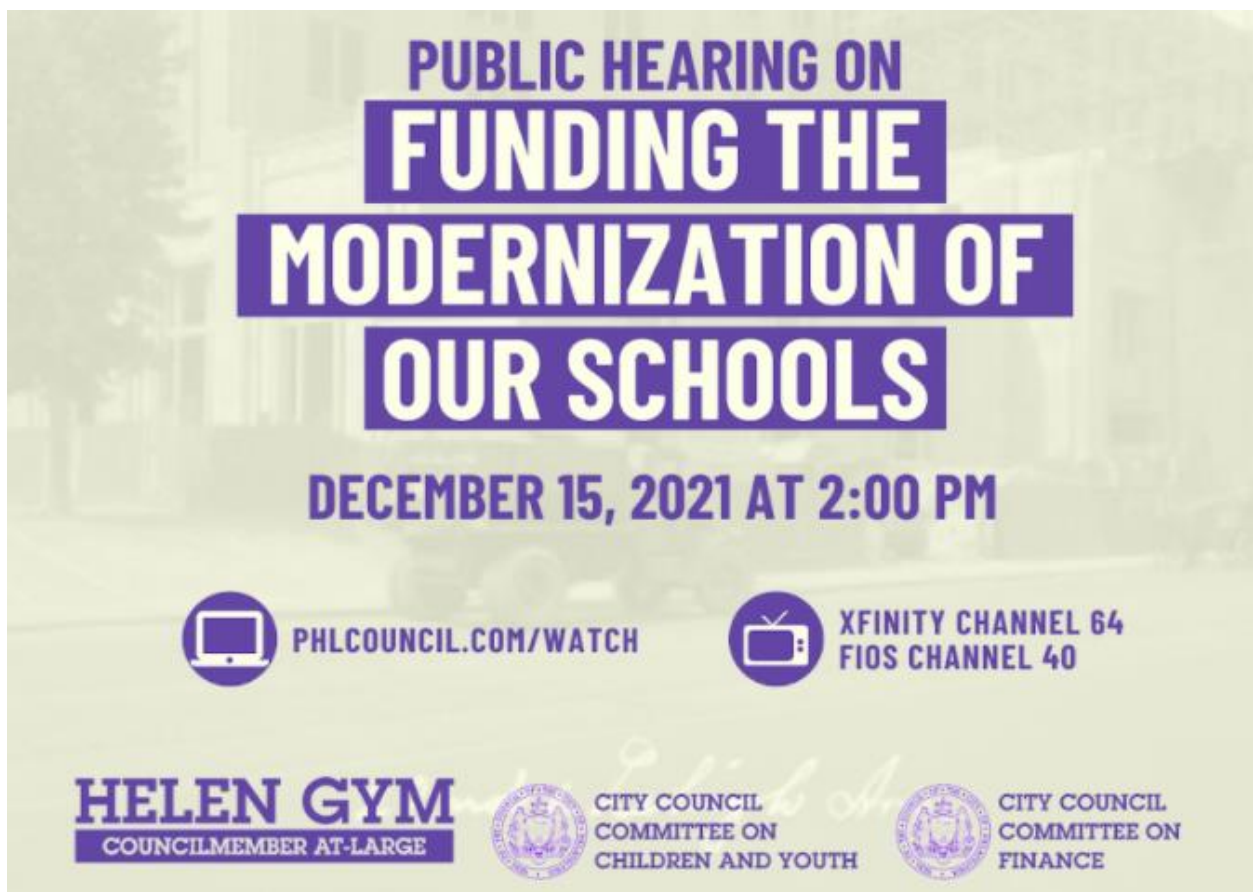


Extended Testimony



David I. Backer

On 12/15, I testified before the Children and Youth and Finance Committees in Philadelphia's City Council. The hearing, focusing on how to fund a school modernization initiative, was organized by Councilwoman Helen Gym's office. The testimony only gets to be between 2-4 minutes. Here's the extended draft of what I wrote at first, which I then whittled way down. These extended comments are also a kind of year in review post for me, as they draw from lots of the writing I've done in this newsletter.





**PUBLIC HEARING ON
FUNDING THE
MODERNIZATION OF
OUR SCHOOLS**

DECEMBER 15, 2021 AT 2:00 PM

 [PHLCOUNCIL.COM/WATCH](https://phlcouncil.com/watch)  **XFINITY CHANNEL 64
FIOS CHANNEL 40**

HELEN GYM
COUNCILMEMBER AT-LARGE

 **CITY COUNCIL
COMMITTEE ON
CHILDREN AND YOUTH**

 **CITY COUNCIL
COMMITTEE ON
FINANCE**

Dear Committee members,

I am in the confounding position of being a former high school teacher, a professor of education policy, and the parent of a toddler in West Philadelphia. Having become somewhat familiar with the system into which our child Thisbe will spend a great deal of her life, I am angry and sad. I stand with thousands of parents and other community members who are impacted by sick school structures in this city, both physical and social, and who support the initiatives called for in the modernization legislation you're considering.

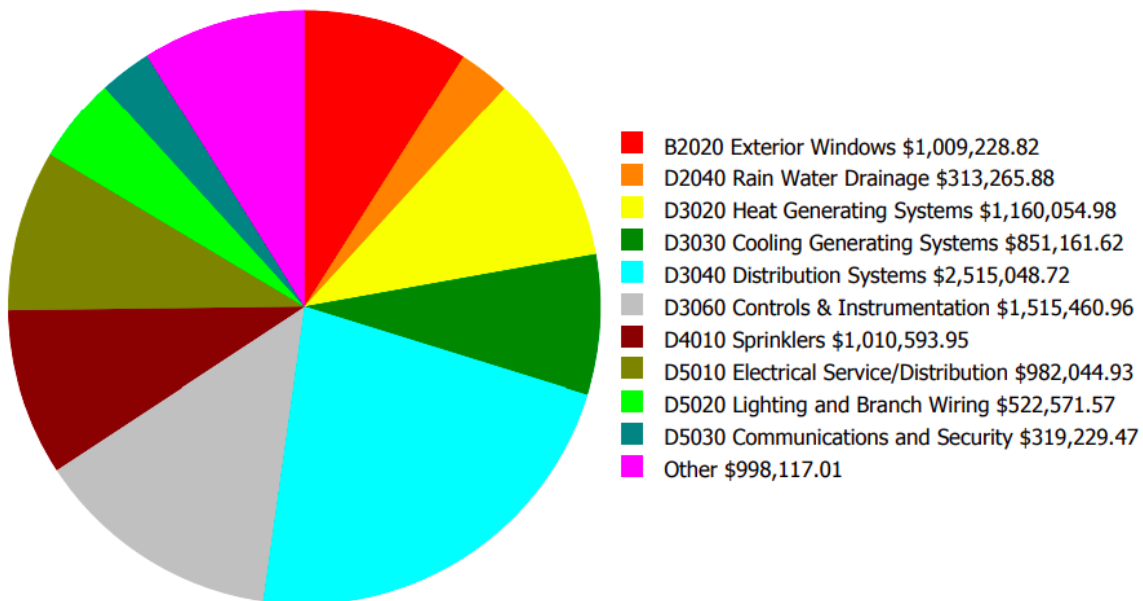
In my remarks I'd like to zoom in on our local elementary school and zoom out to the array of financial and political forces aligned against fixing its much needed facilities. Finally, despite the gridlock creating a sense of impossibility, I'd like to offer some possibilities open to us for implementing your proposed initiative.

Comegys Elementary

My politics compel me to send our daughter Thisbe to our zoned elementary school, Benjamin Comegys Elementary in the Kingsessing area. It is a traditional public school after the mold of institutions fought for by America's diverse working class more than a century ago. Comegys school was recently featured in a [national USA Today feature story](#) on school funding inequity. Alexandra Wong reports that the Urban Institute, in a national study of intradistrict inequity, pointed to the differences between Comegys and its better-known neighbor, Penn Alexander, less than a mile away, as a paradigm case of funding injustice.

I was interviewed for that article based on my own research of this phenomenon, specifically regarding school building finance, which gives me pause when it comes to the prospect of Thisbe attending Comegys. In 2017, consultants found that school buildings in our city require \$5 billion of deferred maintenance. That number is nearly twice the annual operating budget for the district. Buried in that massive amount are the things the Comegys needs: \$11.3 million of repairs, which would cost \$36 million to replace. The analysis recommended that within one year, urgently, Comegys needed \$2 million for its air distribution systems, telling the district to "replace the existing unit ventilators with new units designed to provide adequate ventilation."

This is of particular concern in an airborne virus pandemic. The biggest needs at our zoned school concern its air system. The HVAC needs \$2.5 million, heating and cooling \$1.5 million, and the windows need more than \$1 million. Controls and instrumentation in the building need \$1.5 million and electrical service needs \$1 million. And on and on.



But again, the numbers cover up the lived reality of these repairs. The facilities condition analysis says "Fire Alarm System is approximately 30 years old and has exceeded its useful service life. The present Fire Alarm system does not meet current code." It says "Replace wood flooring – severe water damage in library." It says "Replace rain water drainage piping due to reported flooding of first floor fixtures during storms." I would rather not send Thisbe to a building whose ventilation system urgently needs replacing in a pandemic, whose electrical fixtures flood during storms (only increasing in climate change), and whose fire alarm system doesn't work. Nor should any parent.

You know these problems. They've been reported extensively and you include them in your legislation. Admirably, you're interested in fixing them with a modernization initiative and cite existing and proposed schemes to reduce carbon emissions and fix up the buildings. We desperately need this initiative. Having researched political and financial issues surrounding similar proposals, there are two factors I would like to submit to you as being necessary for this initiative. We need new approaches to revenue and accountability.

Accountability

By accountability, I mean structures of responsibility that are clear, transparent, and responsive. This fall, I engaged in a public examination of the School District's operations office, focusing on facilities, maintenance, and capital programs. I wanted to know who was in charge of what when it comes to fixing up our school buildings. When schools are toxic, who's in charge?

What I found was shocking. As a researcher and concerned parent, I looked to the district's website and hiring spreadsheets to see who was in charge of facilities maintenance. I found Richard Karp and Tim Holman were listed as executive director of operations and director of finance for operations respectively. A contact in the district confirmed they still held the positions. But after some digging, I discovered that Karp was actually self-employed as a consultant in Alabama (and had several racial discrimination cases pending against him from previous positions). I also found that Holman was the director of finance at an entirely different school district in Pennsylvania. They'd been hired relatively recently and SDP's webpages celebrating their hiring were still posted.

I also found that there were vacant positions in asbestos remediation and significant organizational confusions regarding the relationship between Offices of Facilities and Management Services, Capital Programs, and the Office of Environmental Management and Services. Certain officials like Steve Link were listed as leading some of these offices while also listed as serving under others.

Shortly thereafter, the Office of Operations made it clear that Jeff Scott now occupies Richard Karp's position and Holman was no longer listed. But I was left with a distinct sense of fear and disappointment that the structure of leadership in charge of facilities and maintenance was at best a constantly spinning door and at worst disorganized. If no one is in charge of structures whose purpose is to maintain school facilities, then how can we expect to ensure their healthy and safe upkeep?

Following the example of districts like Washington, DC, I recommend setting up a separate authority to oversee the modernization program you propose. I believe there is may be legislation to this effect being considered by other committees as well. Until the District is able to maintain a rational, reliable, and organized structure I would not be confident that a modernization plan would be successful.

Revenue

The issues with which you concern yourselves are measured by the slow violence your constituents experience in these sick buildings. But they're also measured in dollars. I have devoted the last several years of my research agenda to studying how school building finance works. I've wanted to understand school construction finance to radically change it given the radical problems in our school buildings. I would like to lay out my understanding of that system as it comes to bear on us and school buildings, and tell you about the structures that I think could get us going in the right direction.

A school district can look in two directions for the resources necessary to keep up with its buildings: grants from taxes and capital from loans. In Philadelphia, these two routes lead down very different paths. Both are fraught. Tax grants come from city and state collecting various taxes, as well as some help from the federal government. Increasing taxes at these levels is never popular. And while recent federal spending packages provide a much-needed breather, they are not sustainable policies as they have a four-year shelf life and are doled out by sadistic conservatives at the state-level. When it comes to our \$5 billion need, the grants will never cut it for multiple reasons. So districts must look down the lonesome road of loans.

For capital projects like school buildings, credit is like water. Districts need lots of money up front to take care of buildings. Just as students need loans to go to school, couples might need a loan to get their first house or get married, districts need loans to keep up with their buildings. In our special brand of American capitalism, we treat this credit like Poland Springs and Nestle treat water: it is a product for sale in a competitive market whose primary aim is to generate profitable investment for ruling class investors. Shockingly, our ruling class believes that this private credit market is the best way to provide loans to public entities like school districts.

I'm being sarcastic of course, for it is in their interest to keep the private credit system--chiefly because the interest payments they get from school districts who pay back these loans are tax-free, while a swarm of consultants, lawyers, advisors, and other hangers-on do good business helping issue the loans. The Haas Institute found in 2018 that local governments like cities and school districts pay roughly \$4 billion in fees to take out these loans, about 1% of the proceeds of a loan goes to merely taking it out.

Comegys Elementary, Philadelphia schools, and school buildings around the country are the best indictment of this private credit system. The Public Finance Network reports that more than a third of all nontaxable bonds go to educational purposes. They report that federal funding for school buildings has stayed roughly flat over the last thirty years while costs have increased exponentially. The New York Times reports that a full two-thirds of school district spending goes

to private loans. Meanwhile, the American Society of Civil Engineers gives the United States a D+ rating for its school building infrastructure.

We have to understand that D+ as a grade for our credit allocation system. It is a sick system that leads to sick schools. We have to understand it as a primary cause of Comegys Elementary's plight. These loans are toxic and thus our schools are toxic. To the private bond market, our school district was considered a junk investment until 2018. 'Junk' is a technical term referring to risky investments. In a financial system that thinks of our schools as junk, is it any wonder that they have become junk?

While local district's actions are part of the problem in these matters, I take a larger-scale view. Public finance sets up our public schools to fail. We need a public credit system now. Here are some actions the City of Philadelphia could take to finance this school modernization initiative that would work towards the public credit system we need:

1) Ask the Philadelphia Reserve Bank to create a School Building Facility to issue no-cost, long-term loans for public school buildings in the Philadelphia region. The United States issues its own currency that it withdraws from its own bank, the Treasury and the Federal Reserve. Creating such a facility is fully legal, within the Fed's mandate, and now has precedent in the Municipal Liquidity Facility. It also has the benefit of being independent of state and federal government limitations. Last year, organizers with the socialist group Lilac and the Action Center for Race and the Economy led an action to flood Philly Fed president Patrick Harker's email box with this demand. The office was responsive to our email campaign, showing interest, but the meetings never happened. Perhaps a word from City Council could move the ball forward. I worked with that group and would be happy to provide resources, information, and contacts in this vein.

2) Make sure the nascent Public Bank of Philadelphia, currently being considered by the Finance Committee, is able to issue bonds to the school district.

3) Approach surrounding school districts with high property values, particularly those on the Main Line, and propose issuing solidarity bonds with them for our school buildings. Pennsylvania has an inspiring history of school districts coming together across race, class, and regional lines to improve school facilities. I'm thinking chiefly of Tredyffrin-Easttown's construction of an integrated public high school in 1907 through jointly issued debt with the burden distributed according to capacity. Perhaps our fellow Pennsylvanians in nearby districts, eager to practice newfound antiracist thinking, would be open to sharing the burden of school modernization with us.

I thank you for the opportunity to offer this testimony.