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## News for Immediate Release

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### **Auditor General DePasquale Says Aliquippa, Sto-Rox School Districts Continue to Struggle Financially**

*Need help from Harrisburg to deal with financial challenges, including charter school tuition payments*

**HARRISBURG** – Auditor General Eugene DePasquale today said recent audits show Aliquippa School District, Beaver County, and Sto-Rox School District, Allegheny County, are among the commonwealth’s most financially struggling districts and continue to face mounting costs, many of which are out of the district’s control.

“Aliquippa School District is one of seven districts statewide on the Pennsylvania Department of Education’s (PDE) financial watch list, and Sto-Rox School District is teetering on the edge of joining them,” DePasquale said. “Despite both districts’ efforts to resolve their financial issues, they are both barely treading water.

“We simply cannot continue to allow school districts to circle the proverbial drain,” he said. “We need action from the PDE and the General Assembly once and for all to address costs out of the districts’ control, including spiraling charter school tuition payments, a problem that was compounded when Harrisburg ceased charter school tuition reimbursements in 2012.”

DePasquale said unless Harrisburg acts to come up with a more equitable school funding formula, more and more school districts will join Aliquippa and Sto-Rox on the financial cliff.

“There is just no way school districts such as Aliquippa and Sto-Rox can remain viable when they are losing population and local revenue sources, and hemorrhaging tuition to charter schools,” DePasquale said. “As the saying goes: you can’t get blood out of a turnip.

“We need solid and sustainable school funding and charter school reform now,” he said.

### **Aliquippa School District, Beaver County**

The 21-page Aliquippa School District report, which covers July 2012 through June 2016, contains one finding and three recommendations.

Auditors found the district’s general fund balance dropped by 70 percent from July 2012 to June 2016 from a negative \$928,556 to negative \$1,582,546.

The district’s financial position has continued to deteriorate despite being placed on ‘financial watch’ status by PDE in March 2013. Being on financial watch status allows the district to receive technical assistance by a PDE-appointed advisor who is supposed to provide ideas for the district to improve its financial situation.

Specifically, auditors found Aliquippa School District:

- Had a cumulative operating deficit over the audit period of \$687,538;
- Saw mandated charter school tuition payments grow from \$1.14 million in 2013 to \$1.7 million in 2016;
- Attempted to stem the loss of students to charter schools by adding robotics and computer coding programs;

- Experienced a decline in its tax base, as the result of a 19.6 percent population decrease from 2000 to 2010 , and has 20 percent of its current population living at or below the federal poverty level, almost double the national average; and
- Held the line on some expenditures by subcontracting some transportation and maintenance costs, and is working with the school board to strategically eliminate programs.

“No one can reasonably say that Aliquippa School District isn’t trying to turn around their financial situation, but while they wait for Harrisburg to act, I urge the district to continue to reduce expenses – where possible – and use longer term planning tools such as multi-year budgeting,” DePasquale said.

### **Sto-Rox School District, Allegheny County**

The audit of Sto-Rox School District covers July 2012 through June 2015. The 37-page audit report contains three findings and 11 recommendations for improvement.

“In just three years, the Sto-Rox School District’s general fund balance went from a positive \$1,356,489 in June 2013 to a negative \$2,641,419 as of June 2016,” DePasquale said, noting the district also had operating deficits in all years reviewed.

As of June 30, 2016, charter school tuition alone was 18 percent of the district’s expenses. Charter school tuition payments grew from \$3 million in 2013 to \$4.97 million in 2015 and decreased to \$4.6 million in 2016. The drop in payments from 2015 to 2016 can be attributed to the district restructuring grade levels within buildings, allowing it to offer additional classes for seventh and eighth grades to retain more students in the district.

“In my prior audit I recommended ways for the district to try to prevent further fiscal challenges, but it is clear Sto-Rox School District has many economic circumstances beyond its control and additional assistance is now needed,” DePasquale said.

Auditors also found the district:

- Failed on multiple occasions to make timely payments to the Public School Employee Retirement System and/or failed to remit both the employer and employee share of its required retirement payments, resulting in interest charges of \$34,115.
- Failed to ensure school bus drivers and bus monitors met all employment requirements, including obtaining background checks, relying instead on the contractor to obtain licenses and clearances and provide them to the district without review by district officials.

“It appears that at the time, using retirement contribution funds to cover operating expenses was the most financially prudent decision the Sto-Rox School District could make,” DePasquale said. “It is troubling that the district was forced to make this decision, especially since teachers agreed to work under a three-year salary freeze to help cut costs.

“It is evident that Sto-Rox School District has been struggling for the past several years and continues to struggle,” DePasquale said. “The district’s professional staff is doing its best to cut costs where possible, but there are just too many circumstances working against those efforts. It is time for Harrisburg to step up and lend a hand.”

The Aliquippa School District and Sto-Rox School District audit reports are available at [www.PaAuditor.gov](http://www.PaAuditor.gov):

- [Aliquippa School District](#)
- [Sto-Rox School District](#)

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