

PRELIMINARY DECLARATION OF FINANCIAL RECOVERY STATUS
FOR THE SCRANTON SCHOOL DISTRICT

I, David W. Volkman, Executive Deputy Secretary of Education of the Pennsylvania Department of Education (“Department”), state and declare that I am aware of the financial condition of the Scranton School District (“District”), the administrative practices of the elected board of school directors, and other pertinent matters concerning the District; and

1. **WHEREAS**, on June 23, 2017, the Department placed the District in Financial Watch Status pursuant to section 611-A of the Public School Code of 1949, 24 P.S. § 6-611-A; *see also* 22 Pa. Code § 731.2, based upon a number of indicators that evidenced the District was experiencing financial difficulty;

2. **WHEREAS**, based upon the District’s Financial Watch Status, the Department has been providing technical assistance to the District related to financial and budgetary matters;

3. **WHEREAS**, because of that technical assistance, the Department is aware of the financial circumstances of the District;

4. **WHEREAS**, the District lacks a concrete, long-term plan to deal with its financial deficiencies;

5. **WHEREAS**, despite the appropriation of additional state revenue during the 2017-18 and 2018-19 school years, the District continues to experience significant and ongoing financial deficiencies;

6. **WHEREAS**, the State Board of Education promulgated regulations establishing criteria which the Secretary of Education may consider in determining whether to issue a declaration that a school district is in Financial Recovery Status and whether a school district in Financial Recovery Status shall be deemed a Moderate Financial Recovery School District or a Severe Financial Recovery District 22 Pa. Code §§ 18.5; 18.7;

7. **WHEREAS**, based upon the most recently-available public information, the District meets criteria to be placed in Financial Recovery Status pursuant to 22 Pa. Code § 18.5, including:

- A. The District's unreserved fund balance has declined for three consecutive years and is less than five percent of the school district's annual expenditures.
- B. The District's total outstanding debt is greater than the school district's total annual expenditures.
- C. The District's assigned and unassigned total fund balance is less than zero in the school district's general fund.
- D. The District's assigned and unassigned total fund balance in the school district's general fund as a percentage of total expenditures is less than three percent.
- E. The District experiences a delinquent tax rate of more than 10 percent.
- F. The assessed valuation of taxable real estate in the District, as certified by the State Tax Equalization Board, has not increased over the previous five years.
- G. The District has accumulated and operated with a deficit equal to at least two percent of the assessed valuation of the taxable real estate within the school district for two successive school years.
- H. The District experienced a deficit of three percent or more for three consecutive school years, resulting in a reduction of unassigned fund balance each year.

8. **WHEREAS**, there is no indication that the District is unable, or is reasonably unlikely, to be able to fulfill the 180 days instruction for pupils requirement of section 1501 of the Public School Code of 1949, 24 P.S. § 15-1501;

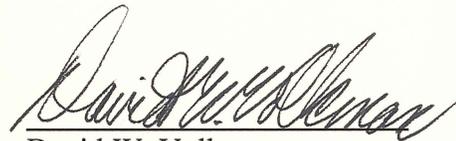
9. **WHEREAS**, this Preliminary Declaration is in the nature of an Order to Show Cause pursuant to 1 Pa. Code § 35.14;

10. **WHEREAS**, pursuant to 1 Pa. Code § 35.14, the District has until January 30, 2019 to respond to this Preliminary Declaration and request a hearing; and

11. **WHEREAS**, if the District does not respond and request a hearing by January 30, 2019, this Preliminary Declaration will become a final Declaration of Financial Recovery Status executed by the Secretary of Education;

NOW, THEREFORE, in consideration of the above facts and the criteria for the issuance of a declaration of Financial Recovery Status, I make the following declaration:

AND NOW, this 16th day of January, 2019, the Scranton School District is in Financial Recovery Status as defined in section 621-A of the Public School Code of 1949 and section 18.5 of the Pennsylvania Code, 24 P.S. § 6-621-A; 22 Pa. Code § 18.5, and is subject to the provisions of Article VI-A that apply to Moderate Financial Recovery School Districts as defined in section 651-A, 24 P.S. § 6-651-A.


David W. Volkman
Executive Deputy Secretary

Date Mailed: 1/16/19