

Legislative Report
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Submitted by Linda Bishop

The PA House Republican caucus is advancing a legislative package aimed at reforming charter and cyber charter school funding. Reform is long overdue and can't come soon enough. A report last year by PA's then Auditor General Jack Wagner revealed that of the five states with the highest student enrollment in independently-operated cyber and charter schools, Pennsylvania spends the most per student, and by a large margin:

Pennsylvania	\$12,657
Ohio	\$10,652
Michigan	\$ 9,480
Texas	\$ 8,954
Arizona	\$ 7,671

The charter and cyber funding reform package includes a variety of bills. HB 2, which has already passed the House, is a re-write of HB 1115, which failed in the fall as a result of some charter school provisions that were tacked onto it as amendments. The bill, introduced by Rep. O'Neill, develops a two-tiered approach to funding special education, whereby districts receive more funding for students with greater need. In the new version, the bill also creates a commission to address special education funding formula inequities between public schools and charter/cyber schools. This bill awaits action by the Senate.

Several additional Republican Caucus bills are currently under consideration by the House Education Committee:

- HB 618, sponsored by Rep. Emrick, would eliminate the "pension double dip" by allowing public school districts to deduct pension payments prior to calculating payments due to cyber charter schools. This is expected to save districts \$165 million over the next five years.
- A bill introduced by Mike Reese changes the current cyber charter funding formula, allowing districts to deduct 50% of the costs of any cyber programs they offer, 50% of the costs they incur for extracurricular activities, and 100% of the costs associated with services they offer that are not offered by cyber schools, such as student health services, food services, and library services.
- HB 759, sponsored by Rep. Mike Fleck, would also eliminate the "pension double dip" and would allow school districts to make additional deductions for tax collection, library, health, food service costs, and the costs of operating a district-run cyber or online program. This proposal also requires cyber charter schools to complete an annual audit to determine the actual costs of operating the cyber charter school and requires reconciliation at the end of the school year to return any overpayments to school districts. It bill also creates a moratorium on the approval of new cyber schools for three years.
- A bill introduced by Rep. Garth Everett contains many of the same provisions, but also includes transparency and accountability requirements for charter and cyber charters, such as ensuring that charter school trustees and administrators comply with the Ethics Act and that the same fund balance caps apply to charter and cyber schools as currently apply to public school districts.

The Republican legislative package does contain some provisions that charter/cyber school advocates have been seeking. One such concession is direct payment of charter schools by the state, whereby the schools would submit their invoices to PDE, which would pay them directly, deducting the funds from the sending district's state subsidy. Currently, the payments are made by the sending school district. This raises serious concerns for school districts about the accuracy of the payments made by the state

and the process for dispute resolution. A second concession is the lengthening of the term of charters from 3 to 5 years for the initial charter and from 5 to 10 years for renewal. This raises serious accountability concerns.

James Roebuck, a House Democrat, announced this week that he also intends to introduce legislation shortly that will make comprehensive amendments to the Charter and Cyber Charter School Law. He said his bill will strengthen local school board and taxpayer ability to approve and have authority over charter schools. It would also create a Charter School Funding Advisory Commission to determine the actual costs of charter and cyber charter schools as part of developing a new equitable funding formula that would also address specific financial concerns including special education overpayments, pension “double-dip”, and limiting surplus fund balances. It would also strengthen fiscal and academic accountability for charters and cybers including greater transparency and financial accountability of for-profit management companies contracted to run cybers and charters.

Governor Corbett delivered his proposed budget for 2013-14 on Feb. 5. The Governor has proposed a \$90 million increase in the basic education subsidy. Special education is flat-funded for the sixth year in a row. While North Allegheny is slated to receive an additional \$1.5 million under the Governor's budget, only \$266K of this increase is in the basic education subsidy, while \$1.1 million is for pensions and social security, and the remainder is for transportation. Also, the Governor's comments prior to the budget address indicated that basic education funding may be in jeopardy if the legislature does not approve the Governor's plans for pension reform.

The Governor's pension reform plan calls for new employees to be enrolled in a 401(k) plan instead of a defined benefits plan, beginning in 2015. Current employees would also see changes in the way their benefits are calculated. The calculation of average salary for retirement would be based on the last 5 years instead of the last 3 years of service. There would be a larger financial penalty for employees who take a lump sum of their contributions to the plan upon retirement. The multiplier would be reduced from 2.5 to 2.0 for each year of service unless employees make higher contributions to get the higher multiplier. Earnings eligible for retirement could be limited to base salary. The plan also calls for reducing employers' annual contribution rate by 2.3 percentage points, which would actually increase the unfunded liability.

Governor Corbett also proposed a new block grant initiative called “Passport for Learning” which would utilize revenues from the sale of the state's liquor store system to make \$1 billion available to school districts, beginning in 2014-15, to support eligible activities in the areas of school security, STEM education in grades 6-12, and preschool/early childhood education.

There will undoubtedly be many changes and new developments on the cyber/charter reform front and much negotiation on the Governor's budget, pension reform, and liquor store privatization proposals in the months ahead. Stay tuned.