

## Legislative Report – Mr. Mahler March 2015

**Budget News:** Governor Wolf has proposed a budget that, according to his website ([www.schoolsthatteach.com](http://www.schoolsthatteach.com)) would increase funding for North Allegheny by a little over \$529,000. The website also claims that property tax relief would be over \$12M (16.8%) and that estimated savings from Cyber Charter Funding Reform would be about \$471,000. However, most of the Governor's numbers have been disputed by Republicans in the PA House and Senate and it is unlikely that the budget will pass as proposed. For example, the website [www.TaxPayersThatPay.com](http://www.TaxPayersThatPay.com) shows that North Allegheny residents would pay more in new (non-property) taxes than they would receive in property tax relief. All of this makes budget forecasting a difficult chore for school districts.

At the first formal hearing of what could be a lengthy budget process, the Independent Fiscal Office announced that improved revenue figures will reduce Pennsylvania's structural deficit to about \$1.5 billion. The state agency, created in 2010 to provide nonpartisan revenue projections, will play an major role in negotiations that are full of competing interests and conflicting data. Matthew Knittel, the IFO's director, said the state added about \$250 million in new revenue to previous projects. That included \$100 million from an "unexpected inheritance tax windfall" related to the death of banking scion Richard Mellon Scaife, as well as increases in such areas as motor vehicle fees.

**PSERS Earning:** The Public School Employees' Retirement System (PSERS) announced the Fund's investment performance for the quarter ended December 31, 2014. PSERS earned 8.83% for the calendar year ended December 31, 2014 and added over \$4.2 billion in net investment income for the calendar year. Additionally, PSERS posted returns of 0.20% for the quarter, 9.61% for the 3 year, 9.43% for the 5 year, 6.35% for the 10 year, 8.46% for the 25 year, and 9.32% for the 30 year periods ended December 31, 2014. PSERS' Chief Investment Officer James H. Grossman Jr. commented on the calendar year investment performance, "We were very pleased with our calendar year 2014 returns of 8.83%. PSERS exceeded its policy benchmark by 2.17% which generated above index returns of over \$1 billion for the System, net of all fees. Active managers had a very good year for PSERS, continuing a very strong track record of added value over the passive indexes over the past 15 years."

**PSERS:** Governor Wolf's plan would float a \$3 billion bond to begin addressing the unfunded liability of SERS and PSERS and also would divert \$1.7 billion a year from the state's General Fund to a special reserve account for pension payments. While the plan does not call for changes in pension benefits, the Gov. proposed changing the way the funds are managed. In contrast, the Senate will consider language in Senate Bill 1 that will take employees from their current defined benefit plans to a 401(k)-type defined contribution plan. Sen. Corman has added a new wrinkle to the proposal: subjecting currently non-Act 120 employees to Act 120's changes. "I think you can also deal with current employees moving forward," he said. "You take current employees where they are who are not subject to Act 120 and subject them to Act 120 going forward—so they're not affecting anything they've invested so far—and that can achieve you real savings."

### Legislative News...

**Legislative Schedule** – Both the House and Senate are in recess for appropriations hearings. The House is scheduled to return to session on March 30 and the Senate on April 13.

**Appropriations Committee Schedule** – Budget hearings for the House and Senate Appropriations Committees continue this week. Upcoming hearings include the following (education-related):

**Monday, March 23:** House – PSERS, SERS (10 a.m.); Senate – PSERS, SERS (1 p.m.)

**Thursday, March 26:** House – Budget Secretary/Office of the Governor/Executive Offices

**Monday, March 30:** Senate – Department of Education (9:30 a.m.)

### ***This Month's Legislative Action*** –

**HB 530: Charter Schools; passed by the House (118-78).** The bill proposes comprehensive amendments to the Charter School Law. The bill modifies the cyber charter tuition calculation by allowing districts to deduct their food services costs and, for a two-year period, their cyber charter tuition expenses when calculating the tuition rate for cyber charter school students. The bill also makes several other changes to the current law including the creation of a charter school funding commission, the implementation of some accountability and transparency provisions related to charter school administrators, trustees, foundations and education management service providers, the requirement of direct pay, the capping of charter school fund balances, the imposition of a performance matrix tied to charter school renewal and the creation of multiple charter organizations. It also gives charter schools the right of first refusal to purchase or lease a public school building no longer in use for educational purposes **(Read a summary of HB 530.)**

**House Resolution 102: C/T Education; passed by the House.** The bill establishes a Select Subcommittee on Technical Education and Career Readiness within the House Education Committee to focus on making recommendations how to improve career and technical education, including how to improve pathways between schools and the business community, eliminate negative biases towards technical education and expand career training programs.

**HB 141: Truancy Penalties; passed by the House.** The bill amends the School Code to clarify that penalties for violation of the compulsory attendance requirements only apply if the violation was intentional and, for a violation, require that parents and guardians attend a parenting education program or perform community service or, as a last resort, be incarcerated for failure to pay court-imposed fines. The bill, introduced last year as HB 2356, was developed in response to a case in which a parent arrested for failure to pay fines died in jail. In **testimony** last year before the committee on HB 2356, PASA called for a comprehensive approach to the problem of truancy. “It is clear that truancy is a serious, widespread problem that can only be effectively addressed through collaboration among schools, the judiciary, law enforcement, county children and family services agencies, social and human service agencies and families,” PASA testifiers said. “The issue begs a comprehensive legislative and policy review that extends beyond the scope of authority of the education committee.” The House last session passed a resolution (**HR 1032**) directing the Joint State Government Commission to conduct such a review and report its findings by October 2015.

**HB 147: Homestead Exemption; passed by the House.** The bill amends the Pennsylvania Constitution to permit taxing jurisdictions to exempt from taxation up to 100% of the assessed value of a homestead property.

**HB 158: School Year; passed by the House.** The bill amends the School Code to provide the Secretary of Education with the authority to issue weather, safety and health-related emergency declarations on a school district, county or statewide basis under which a school entity may satisfy the 180 instructional days

requirement by one or more of the following: approving, by a majority of the school board, a school year meeting the minimum hour requirements in lieu of 180 days; or approving, by a majority vote of the school board, scheduling additional instructional days on not more than one Saturday per month to complete 180 instructional days or to meet the minimum hour requirement.

**HB 229: Cyberbullying; passed by the House.** The bill amends the Crimes Code to make cyberbullying of a child a misdemeanor of the third degree and provides alternative penalties for juveniles found guilty of cyberbullying. Amendments to the bill require the court to determine if a pattern of misconduct occurred before a penalty could be imposed and re-define terms to require a more serious effect of the action (i.e. from “serious emotional distress” to “substantial emotional distress”).

**HB 472: Limits on State Spending; approved by House State Government Committee.** The bill amends the Pennsylvania Constitution to limit the annual increase in the rate of state spending to the sum of the percentage change in both the CPI for all Urban Consumers and the population during the previous fiscal year.

**Senate Resolution 28: Tax Exemptions; passed by the Senate.** The bill creates a Joint Select Committee of legislators to examine the issue of purely public charities and how their tax exempt status impacts local governments and to make recommendations about whether a change in the criteria used to determine what constitutes a purely public charity is necessary. The resolution was approved in response to criticism of the Senate’s recent passage of **SB 4**, which proposes to amend the PA Constitution to give the General Assembly the authority to define what constitutes an institution of purely public charity for purpose of determining tax exempt status.

**HB 512: AP College Credit; approved by House Education Committee.** The bill requires institutions of higher education to develop uniform standards for recognizing and accepting credit for prior learning, such as credit for AP courses.

**HB 400: Transition Program; approved by House Labor & Industry Committee.** The bill requires the Office of Vocational Rehabilitation to develop a process of job and career development between LEAs and public/private employers to ensure transition of high school students with disabilities into competitive integrated employment.

**SB 333: Mandated Benefits; approved by Senate Local Government Committee.** The bill prohibits the ability of a municipality to mandate that all employers within its borders provide certain types of vacation or other forms of leave not required by Federal or state law. The bill exempts any mandates imposed by a municipality on its own employees.

**SB 500: Paycheck Protection; passed by Senate State Government Committee.** The bill, one of two “paycheck protection” bills passed by the committee last week, proposes an amendment to the PA Constitution to prohibit payroll deductions for membership dues, non-membership fees and political contributions from employees by state agencies and school districts.

**SB 501: Paycheck Protection; passed by Senate State Government Committee.** The bill creates the “Protection of Employee Wages Act” and prohibits public employers, including school districts, from deducting fair share fees or membership dues from employee paychecks.

**Senate Resolution 28: Tax Exemptions; approved by Senate Finance Committee.** The bill creates a Joint Select Committee of legislators to examine the issue of purely public charities and how their tax exempt status impacts

local governments and to make recommendations about whether a change in the criteria used to determine what constitutes a purely public charity is necessary. The resolution was approved in response to criticism of the Senate's recent passage of **SB 4**, which proposes to amend the PA Constitution to give the General Assembly the authority to define what constitutes an institution of purely public charity for purpose of determining tax exempt status.

#### Also of interest:

Sen. Dean Wiley (D-Erie) introduced **SB 128**, which addresses the cost and performance of cyber charter education in the Commonwealth. The bill develops a system of competitive bidding for cyber-charter education that would allow any online public education providers, including cyber charter schools as well as in-house school district cyber-charter programs, to bid to become the primary regional cyber-charter provider for a designated region, with bids based on the actual tuition cost per student. "This proposal encourages competition and innovation while still offering education choices to families," Wiley said. The bill requires those bidding to score at a minimum above the statewide average on the SPP.

Another potential bill, proposed by state Rep. Mike Reese, would grant charter schools a right of first refusal on the purchase or lease of unused school district buildings.