

## Legislative Report – Mr. Mahler August 2015

There is relatively little news, as the Legislature has been out of session for the past month.

**State Budget Update... *Budget Negotiations*** – The budget impasse continues. On Tuesday, House Republicans unsuccessfully attempted to override Governor Wolf’s budget veto, through the use of 14 line-item votes. Democrats questioned the constitutionality of the process.

Wolf and top lawmakers met briefly earlier Tuesday to discuss the GOP's position on overhauling pension benefits for state government and school employees. Another meeting was planned for Wednesday. Republican leadership had prepared and presented a modified proposal to Governor Wolf last Wednesday. They indicated that they would be amenable to increasing the basic education funding appropriation by \$400 million if the governor accepted their proposed pension reforms.

According to reports, the proposal provided by the Republicans was a slight modification of Senate Bill 1 and increased the employer contribution to a defined contribution plan for new hires from 2.59% to 4%. They indicated their plan would save the state approximately \$12 billion over the next 30 years.

***Appropriation for School District Loans*** – Last week Gov. Wolf announced his support for an appropriation to be included in a final state budget to reimburse school districts and small nonprofits for the interest payments incurred on loans as a result of the budget impasse. Noting that the commonwealth already provides reimbursement to qualified small business for interest when the commonwealth does not pay an invoice for 45 days, the governor said he supports this being extended to school districts, similar to the reimbursement provided in the 2003 budget, and to small nonprofits.

### Legislative News

***Legislative Schedule*** – The House came back to Harrisburg on Tuesday to swear in new members of the General Assembly who were elected in August special elections. The Senate has indicated that they may return on Tuesday and Wednesday, but they have not formally scheduled session and appear to be waiting on the governor’s response to the Republican pension plan.

Meanwhile, House leaders last week sent a letter to House members that stated, “our current plan is to begin voting on specific line items in House Bill 1192 [state budget bill] which were at or near the same amount as originally proposed by the governor. An override vote on these lines would be the quickest and most efficient way to get agreed-to, needed funds to these schools and agencies without additional costs. These agreed-to funds can flow to the appropriate service providers while negotiations continue on the rest of the budget.” In response, Democratic leaders and members of the Wolf Administration called the plan unconstitutional, with Wolf spokesman Jeff Sheridan stating, “It’s time for the gimmicks and games to stop.” (from a story published on Capitolwire, 8/21/15)

***Student Privacy Legislation*** – State Rep. Dan Miller (D-Allegheny), a member of the House Education Committee, last week said he has begun drafting legislation to protect the state’s students from abuses that could occur when their data flows into the new world of education technology applications and websites. “I do believe that we can find a balance between recognizing today’s technology, appealing instructionally to our children in a modern sense, and making sure that if their information is being used for financial gain by someone else, that at the very least they have the opportunity to opt out,” he said.

***Charter School Reimbursement*** – A plan backed by Governor Wolf includes would mean that charter schools in Pennsylvania would have to return any money not used for yearly expenses to tuition-paying school districts — and all charters would be paid the same tuition rate. That’s just part of the governor’s plan involving charter school funding. Wolf also wants to end the practice of charters receiving more than 100 percent of the costs for pension payments, mandate audits, and have the state reimburse districts roughly 10 percent of their charter school tuition payments. Over the years, charter schools have been keeping unspent tuition. Charter schools receive per-pupil tuition that varies by district, but averages \$9,500. Under the governor’s proposal, the tuition rate would be set at \$5,950 per child. The charters are publicly funded but privately run, with less stringent oversight than traditional public schools. They also would have to undergo annual audits under Wolf’s proposed budget plan.

## **Across the State...**

**Recovery Plan for Chester Upland:** Gov. Tom Wolf and members of his cabinet have proposed to conduct a forensic audit of the district’s finances, appoint a turnaround specialist and amend the reimbursement formula to charter schools that have crippled the school system. The plan also calls for ongoing monitoring of finances to prevent future deficits. Charter school payments, which account for 46 percent of district expenditures, are also addressed in the governor’s plan. Wolf wants to alter the charter school reimbursement figures using a formula created by a bi-partisan funding commission.

However, a Delaware County Court judge ruled Tuesday that the Chester-Upland SD must abide by the state’s charter school funding formula and keep paying the charter schools that now educate about half of the struggling district’s students. Judge Chad Kenney said the commonwealth’s plan was “wholly inadequate” to restore the district to financial stability. He also faulted the state’s and district’s lawyers as failing to provide “meaningful specifics or details” as to how they arrived at the plan. Kenney did approve two smaller requests: He said the district could hire a turnaround specialist and a forensic auditor.

**Bond Downgrading** – Pennsylvania school districts are among the worst off in the nation, and for Auditor General Eugene DePasquale said it continue to highlight the need for reform in the education system. Moody’s Investor Service downgraded eight Pennsylvania school districts to a junk bond rating category in a July 20 report. This means that the bonds would be a higher risk to default and may have difficulty acquiring capital for an inexpensive cost. According to Moody’s 20 percent of 38

"speculative grade school districts" are in Pennsylvania. "This is troubling news for school districts and for residents because when bond ratings are downgraded it drives up the costs when schools need to borrow money to repair or upgrade their facilities," DePasquale said in a news release. "Simply increasing funding is not enough. We need to stem the hemorrhaging of school district finances and look for long-term, systemic changes."

## **In National News...**

***Potential Cuts to Pre-K*** – The U.S. Department of Education went on the offense last week to protect federal education programs ahead of looming spending battles in Congress to stave off a government shutdown prior to the end of the fiscal year, October 1. Specifically, the department took aim at the appropriations bills that passed through the U.S. Senate and the U.S. House of Representatives that would slash funding for federal education programs by \$1.7 billion and \$2.8 billion, respectively. Both the House and Senate version would eliminate Obama's Preschool Development Grants. (from stories published in *Education Week* and *The Dallas Morning News*, 8/17/15)

## **National News**

***IDEA Maintenance of Effort Bill*** – (from AASA) In July, AASA successfully lobbied to have legislation introduced that would amend IDEA to grant districts additional exceptions to reduce the maintenance of effort requirements as long as the provision of special education services to students was not compromised. Rep. Walberg (R) of Michigan introduced the legislation, the Building on Local District (BOLD) Flexibility in IDEA Act (**HR 2965**).

*What flexibilities are provided to districts under the BOLD Flexibility in IDEA Act?*

Districts can reduce MoE (Maintenance of Effort) if they can demonstrate that (1) they are increasing the efficiency of their special education programs and there is no impact on the provision of special education services to students or (2) the reduction in expenditures is related to employment-related benefits provided to special education personnel (such as pay, retirement contributions, health insurance, etc) as long as the reduction does not result in a reduction in special education services to students.

Districts can also apply to the State for a waiver to reduce MoE if they are facing a serious financial crisis, but only if the districts provide evidence they are still providing FAPE to students.

***School Start Times*** – Five out of every six middle schools and high schools nationwide start classes earlier than 8:30 a.m., making it difficult for teens to get the sleep they need to be healthy, according to a report published Thursday by the Centers for Disease Control and Prevention. The American Academy of Pediatrics recommends that schools start later than 8:30 a.m. to help teens avoid becoming chronically sleep-deprived and exhausted. Adolescents need between 8.5 hours and 9.5 hours of sleep each night, but their natural sleep rhythms make it hard for them to fall asleep before 11 p.m., according to the academy.