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Still No Relief for Suffering School Districts in Governor's Proposed Budget

Gov. Corbett's 2013/14 budget proposal does little to restore the nearly \$1 billion in education cuts imposed in his first budget. With the passage of pension reform (Act 120 of 2010), school districts were able to project future pension payments and set aside funding. However, school districts were not prepared for the devastating cuts to education in 2011/12 and many were forced to deplete their reserve balances.

Under Gov. Corbett's tenure, the Republican education cuts have disproportionately harmed poorer school districts and caused: "trickle-down" tax increases at the local level; school districts to deplete their reserve balances; and 20,000 school employees to lose their jobs. According to the [Report on Referendum Exceptions](#), 186 school districts have now filed requests with Department of Education to raise property taxes above the inflation index level. The impact of Gov. Corbett's education policies are far-reaching—from fewer educational opportunities and larger class sizes, to higher student loan debt and possible decreased workplace preparedness.

Pre-K - 12

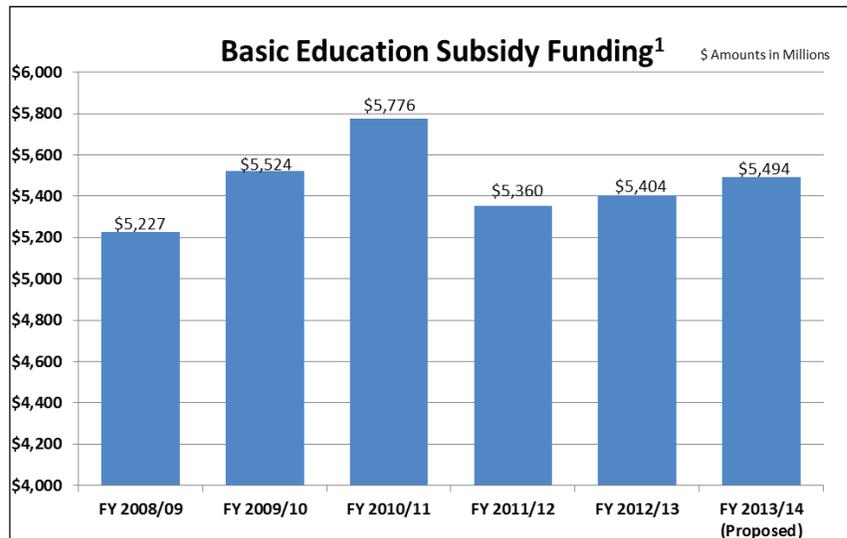
Basic Education Funding (BEF)

Gov. Corbett's proposed 2013/14 budget includes \$5.49 billion in Basic Education Funding (BEF), the largest appropriation in the education budget, which reflects an increase of \$90 million or about 1.7 percent compared to the prior fiscal year.

While this would be a record increase for the governor, it remains a substantial reduction compared to the 2010/11 budget when the BEF subsidy formula drove out nearly \$5.8 billion to school districts.

Key points of this proposed funding include:

- Each school district would receive a "hold harmless" plus a formula-driven portion of the \$90 million increase.
- Increases per school district would range from 0.7 percent to 6 percent.
- The formula used to distribute the \$90 million **fails to consider poverty factors** such as free/reduced lunch; thereby, providing higher increases to many wealthy districts and lower increases to many poor districts.



¹ State and Federal ARRA funds. Federal funds ONLY include the ARRA federal stimulus funds that were part of the basic education subsidy formula. Guidance from the Department of Education assured school districts that federal funding in the basic education subsidy would be replaced with state funding when stimulus expired. BEF for 2011/12 is updated to include a supplemental appropriation of \$5.7 million from the federal Education Jobs Fund federal appropriation that was awarded in 2012.

Proposed School Funding Formula: $\$96 \times \text{ADM} \times \text{Aid Ratio}$

The **ADM or Average Daily Membership** is the number of students for which the school district receives funding.

The **Aid Ratio** measures the relative wealth of a school district in terms of market value and personal income. A high aid ratio corresponds to less wealthy school districts.

Five Major Education Subsidies

For a second time, Gov. Corbett's budget locks in nearly all of the \$1 billion in cuts to education enacted in his initial 2011/12 budget. His proposal continues the elimination of three out of five of the major education subsidies.

When considering the five major school subsidies, school districts would receive less funding even as compared to 2008/09, which was the fiscal year PRIOR to receiving the federal stimulus money. In Gov. Corbett's initial 2011/12 budget, poor districts were disproportionately harmed by the reduction in BEF and the elimination/reduction of programs such as the Accountability Block Grant, Education Assistance Program and Charter School Reimbursement.

Special Education Funding (SEF)

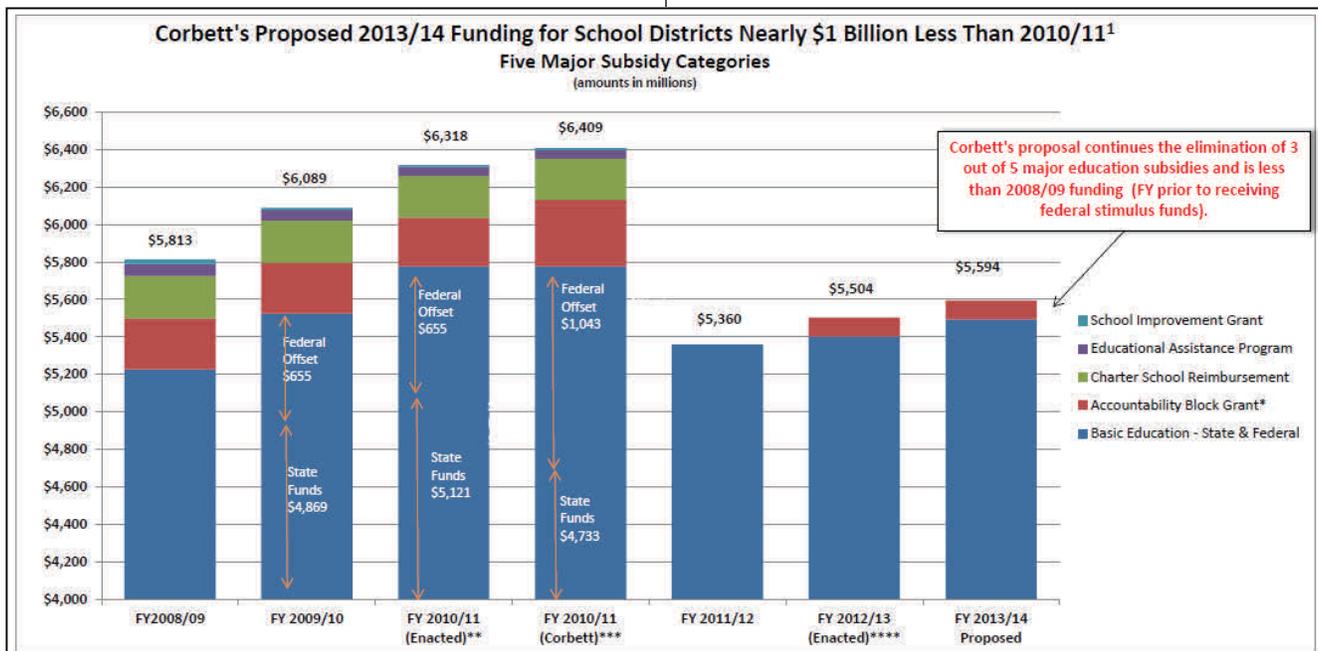
Gov. Corbett's proposed 2013/14 budget includes \$1.03 billion for Special Education Funding (SEF), which would be flat compared to the previous fiscal year, but would effectively result in a 0.5 percent decrease to

school districts and Intermediate Units (IUs).

While the proposed budget continues the same \$1.03 billion appropriation, **the governor changed the distribution of the funds.** The contingency fund portion of SEF has been increased from 1 percent (\$10.3 million) to 2 percent (\$20.5 million) of the total SEF appropriation. In order to fund this increase, the governor's proposal reduces payments to school districts and IUs by 0.5 percent.

Overall, school district funding will decrease by \$5.1 million, from \$947.6 million to \$942.5 million. The IUs will lose a total of about \$5.2 million, reducing the overall appropriation from \$56.5 million to \$51.3 million.

The **contingency funds** are held by PDE. When districts have a special education student with extraordinary cost, the district applies to PDE for extra funding. The most recent data from 2011/12 indicates 134 school districts received monies from the contingency fund with awards ranging from \$9,332 to \$300,000.



¹ Federal funds **ONLY** include the ARRA federal stimulus funds that were **part of the basic education subsidy formula**. BEF for 2011/12 is updated to include supplemental \$5.7 million Education Jobs Fund federal appropriation awarded in 2012.

*Note: Enacted Accountability Block Grant in FY 2010/11 was \$260 million. Corbett's FY 2011/12 budget provided a retroactive supplemental increase for FY 2010/11 of \$100 million that was distributed (via the school code) to schools in FY 2011/12. Chart for FY 2010/11 (Corbett) reflects \$360 million to include this supplemental. Net effect is that districts received \$260 million in 2010/11, \$100 million in 2011/12 and \$100 million in 2012/13.

**Note: FY 2010/11 (enacted) shows funding for the basic education subsidy as passed into law for FY 2010/11.

***Note: The Corbett administration used \$388 million in federal Education Jobs Fund monies to retroactively **offset additional state funds for FY 2010/11** in his first budget in FY 2011/12. This reduced the state spend for FY 2010/11 basic education down to \$4.733 billion.

****Note: Basic education portion flat-funded to 2011/12 level; extra funds appropriated to 16 financially distressed districts (\$49 million). Actual, rather than enacted, amounts are used for this column.

Proposed Education Funding by School District:

http://www.pahouse.com/HACD/series/726/ED_BEF_SEF_ABG_Printout_020513.xlsx

Federal Stimulus Money

Corbett administration officials claim they did not cut education funding and blame the school districts for relying on the federal stimulus money, which ran out. However, the PA Department of Education's guidance to school districts in 2009 indicated the federal stimulus funding in the basic education subsidy would be replaced with state funding:

"...Department of Education advises that districts consider the basic education subsidy increase as being built into the state's funding base."

See Page 4 of [PA School District Guide to Federal Stimulus Education Investments](#).

Other Major Subsidies

Passport for Learning Block Grant

Gov. Corbett's proposed budget assumes proceeds from the sale of the state liquor store system to create a Passport for Learning block grant. The proposed budget assumes an overall four-year investment of \$1 billion for this initiative, beginning with \$200 million for the 2014/15 school year. A restricted account would be established to award grants to school districts for the following:

- School Safety – Including educator training, enhanced security and partnerships with local law enforcement.
- "Ready By 3" – Funding for K-3 education initiatives, including enhanced achievement in reading and math.
- Individualized Learning – A "competency-based" initiative, with a focus on self-paced mastery, rather than hours spent in the classroom. An online initiative is included.
- STEM Initiatives – To enrich science, technology, engineering and math.

The administration has indicated that without passage of legislation to sell the liquor stores, school districts will receive no additional funding for the Passport for Learning block grant. Additionally, the governor has cautioned school districts that this is ONE-TIME funding and it will not be continued when the funding is depleted.

School Employees' Retirement

By far, the single largest increase in the PA Department of Education's budget is for School Employees' Retirement, an increase of nearly \$224 million or 26 percent, for total funding of \$1.08 billion.

When Gov. Corbett initially presented his budget, this increase assumed dramatic changes to the pension law. As explained more fully below, a surplus has developed for the current year (2012/13) which means the amount proposed for school employees' retirement is sufficient without pension law changes.

For 2012/13, the employer contribution rate is 12.36 percent of payroll. For 2013/14, current state law mandates an employer contribution rate increase of 4.5 percent, for a total combined rate of 16.93 percent of payroll. The governor's proposal would reduce this increase by half, resulting in an employer contribution rate of 14.61 percent of payroll. This translates to roughly \$138 million less than what is required by current law for the commonwealth's portion of the employer contribution. The amount due is mandated by law. Any payment that does not cover the full amount owed would require the legislature to enact changes to the current pension law.

Employer contributions are split between the school entity and the commonwealth. The commonwealth pays at least 50 percent of the employer share of the contributions, with less wealthy school districts receiving a larger share. On average, the state will contribute slightly more than 56 percent of the employer share of retirement contributions in 2013/14.

The proposed cut in the state payment would result in school districts paying a total of about \$138 million less than the current amount required by law. **However, reductions in school employees payroll, due largely to the draconian cuts in Gov. Corbett's budgets that resulted in massive school employee layoffs and attrition, has resulted in a surplus for the Public School Employees' Retirement System (PSERS) of approximately \$140 million.** As such, the current proposed budget contains sufficient funds to cover the state-mandated payment due for pension costs.

Early Childhood Education

Pre-K Counts

Gov. Corbett's proposed 2013/14 budget includes \$87.3 million for Pre-K Counts, which is a \$4.5 million or 5.4 percent increase. Pre-K Counts provides school-based or community-based early learning programs. Approximately 11,930 students are expected to participate, which is an additional 580 students compared to 2012/13.

Head Start Supplemental Assistance

The proposed budget includes \$39.2 million for Head Start Supplemental Assistance, which is a \$1.9 million or 5.1 percent increase. Head Start Supplemental Assistance provides school readiness and other family support for economically disadvantaged children. Approximately 5,200 students are expected to participate, which is an increase of 2,010 students.

Early Intervention

The proposed budget includes nearly \$222 million for Early Intervention, an increase of \$5 million (after the proposed \$10.8 million supplemental appropriation applied to 2012/13). The funding increase is required due to federal mandates. Early Intervention is a federally mandated program authorized under Individuals with Disabilities Act (IDEA) for developmentally delayed preschool students and the state is required to provide them with services. Approximately 51,495 students are expected to be eligible. The proposed funding increase provides for an additional 1,500 children.

Accountability Block Grant (ABG)

For the first time since coming into office, the governor has proposed funding the Accountability Block Grant (ABG). He proposes to flat-fund the program at \$100 million. Nearly 75 percent of school districts target their funding for the youngest students, including Pre-Kindergarten programs, full-day Kindergarten and class size reduction. The governor's first two budgets proposed eliminating the block grant.

PA Assessment (Keystone Exams)

The governor's proposed budget includes an increase of \$55.9 million or 7 percent for PA Assessments. This appropriation funds the PSSA exams, as well as the three Keystone Exams (Algebra I, Biology and Literature) that were

implemented in 2012/13. The PA Department of Education's (PDE) intent is for these exams to become a graduation requirement and replace the 11th grade PSSA exams for the class of 2017. PDE does not intend to develop or implement additional Keystone Exams at this time. The English Language Proficiency exam, Pennsylvania Value Added Assessment System (PVAAS) and No Child Left Behind (NCLB) programs are also supported with funds from this appropriation.

Significant Changes to Current Programs & Policies

Authority Rentals and Sinking Fund Requirements (Also Known as PlanCon)

Gov. Corbett proposes to flat-fund PlanCon for a second time at \$296 million. This appropriation provides statutorily mandated state reimbursement to school districts for a portion of capital expenditures on school construction projects. Additionally, reimbursements are provided to charter schools for the cost to lease facilities.

PlanCon, an acronym for Planning and Construction Workbook, is the process by which entities seek reimbursement from the commonwealth through a series of steps known as Part A through Part K.

The PA Department of Education (PDE) is not obligated for payment until an entity has successfully completed Part H. **The funding proposed in this line is sufficient to reimburse only those projects that have been approved through Part H and have submitted all required paperwork.**

PDE has indicated that they intend to continue the 2012/13 moratorium on accepting new projects and possibly implement some programmatic changes to the future approval process. Programmatic changes will require legislation.

Expanded Mandate Waivers

The governor intends to expand the mandate waiver program that was in effect from 2000 to 2010. At that time, the program was part of the "empowerment" section of the school code and allowed school entities to waive certain school code requirements. Although no changes have been enacted, some of the most frequently used mandate waivers under the Empowerment Act

were construction (relief from bidding requirements), procurement (relief from bidding threshold, waiver of single prime contractor bidding, etc.) and teacher certification (increase the number of days a substitute can teach outside his/her certification with a waiver letter of eligibility).

- Cut other education subsidies resulting in a more than \$1 billion in cuts to public education.

The basic education subsidy cut, along with the programs listed below, represent just some of the financial devastation inflicted on public education in Gov. Corbett's first budget, which are largely maintained in his current budget:

Office of Chief Counsel

The governor proposes to add six new positions to the Office of Chief Counsel to "prosecute misconduct by professional educators" at a cost of \$775,000. He proposes to pay for the additional positions through a 25 percent increase in the certificate fee paid by educators. The fee that an educator pays for a certificate will increase from \$100 to \$125.

	2010/11 (Actual)	2011/12 (Actual)	2011/12 Gov. Corbett Cuts Total \$	2013/14 Gov. Corbett Proposed Budget	2013/14 Gov. Corbett Cuts Compared to 2010/11
\$ Amounts in Thousands					
Basic Education Subsidy ¹	\$5,776,086	\$5,354,629	(\$421,457)	\$5,493,629	(\$282,457)
Accountability Block Grant ²	\$354,526	\$0	(\$354,526)	\$100,000	(\$254,526)
Charter School Reimbursement	\$219,825	\$0	(\$219,825)	\$0	(\$219,825)
Educational Assistance Program	\$46,701	\$0	(\$46,701)	\$0	(\$46,701)
School Improvement Grant	\$10,592	\$0	(\$10,592)	\$0	(\$10,592)
Dual Enrollment	\$6,827	\$0	(\$6,827)	\$0	(\$6,827)
Science: It's Elementary	\$6,779	\$0	(\$6,779)	\$0	(\$6,779)
Teacher Professional Development	\$21,153	\$7,177	(\$13,976)	\$6,459	(\$14,694)
Pre-K Counts	\$83,620	\$82,784	(\$836)	\$87,284	\$3,664
Head Start Supplemental Assist.	\$37,655	\$37,278	(\$377)	\$39,178	\$1,523
High School Reform	\$1,729	\$0	(\$1,729)	\$0	(\$1,729)
TOTAL	\$6,565,493	\$5,481,868	(\$1,083,625)	\$5,726,550	(\$838,943)

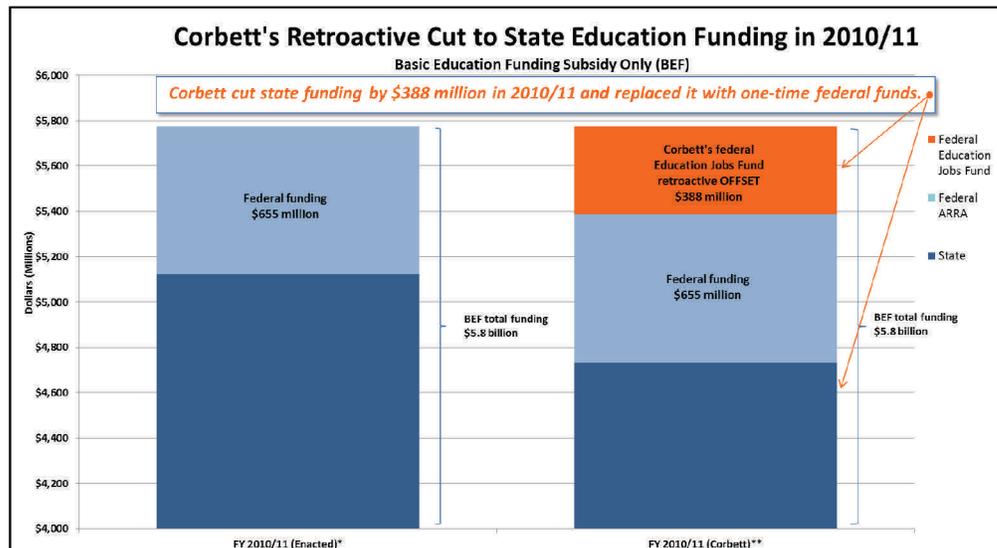
¹ Includes state and federal funds. PDE instructed districts to assume any federal funds provided through the basic education subsidy would be "state funding".

² 2010/11 enacted Accountability Block Grant amount was \$254 million. Corbett's 2011/12 budget provided a retroactive supplemental increase for 2010/11 of \$100 million that was distributed in 2011/12. BEF for 2011/12 is updated to include supplemental appropriation of \$5.7 million from the federal Education Jobs Fund.

Gov. Corbett's History of Education Cuts

In his first budget, Gov. Corbett:

- Cut state funding by \$388 million and replaced it with one-time federal funds.
- Claimed that federal stimulus funds were never supposed to be replaced, while at the same time replacing them in the Department of Corrections' budget.
- Cut \$420 million from the basic education subsidy.



¹ Federal funds ONLY include the ARRA federal stimulus funds that were part of the basic education subsidy formula.

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**Note: Corbett used \$388 million in federal Education Jobs Fund monies to retroactively offset additional state funds for FY 2010/11 in his first budget in FY 2011/12. This reduced the state spend for FY 2010/11 basic education down to \$4.733 billion.

House Appropriations Committee (D)

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