

Legislative Report
Submitted by Linda Bishop
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Pennsylvania's new **2012-13 state budget and related legislation has been finalized** by the governor and the General Assembly. The following bills have been signed into law:

HB 1901, now Act 82 of 2012, is the omnibus School Code bill that provides for distribution of state budget subsidies and other funds to schools. It also establishes a new system for teacher evaluations, enacts some new provisions related to superintendent contracts, and changes the proposed moratorium for PDE's acceptance or approval of new school construction project applications under PLANCON to those received after Oct. 1, 2012.

Appropriations under the new budget are contained in SB 1466. Basic Education Funding is set at \$5.40 billion, with funding for the basic ed subsidy, transportation, and school employees Social Security continuing as separate line items, not the Block Grant approach favored by the Governor. Most K-12 education programs, including special education, are level-funded. The Accountability Block Grant funding was included at \$100 million. The budget does nothing to address the upcoming "pension crisis.", including the tripling of mandatory contributions from public school districts by 2015-16.

HB 761 was signed into law as Act 85 of 2012, amending the Tax Code to expand the original Educational Improvement Tax Credit (EITC) program from \$75 to \$100 million. It also gives \$50 million to a new EITC 2.0 program that applies to the lowest performing 15% of public schools for scholarships up to \$8500 for regular education students and \$15000 for special ed students. Family income of EITC 2.0 scholarship recipients may be as high as \$75,000 plus \$12,000 for each dependent. The original EITC program will spend \$100 million this year and \$500 million over 3 years on vouchers to allow families to send their children to private and parochial schools at taxpayer expense. The bill would NOT restrict the program to students currently enrolled in public schools, which means that 85 to 90 percent of the students receiving vouchers could be students ALREADY ATTENDING private schools, including Catholic schools and schools like Shadyside and Sewickley Academies. Like all previous Pennsylvania voucher bills, this legislation would not require the private schools to accept students with disabilities and would not subject these schools to any sort of state audit requirements or other forms of oversight mandated for public schools.

HB 1307, signed into law last week, establishes comprehensive new provisions for financially distressed school districts (except Philadelphia). It creates triggering events wherein districts would be declared in financial recovery status, allowing PDE to step in and take drastic measures such as abrogating the district's contracts though, significantly, NOT collective bargaining agreements.

HB 823 was signed, requiring municipalities to notify school superintendents of plats within the district approved for residential development each month.

HB 1363 was signed, requiring the Legislative Budget and Finance Committee to report by Nov. 30 on the costs and benefits of the Act 48 continuing education program.

SB 157 was signed, authorizing the creation of a task force on homeless children's education.

SB 449 was signed, requiring schools and independent contractors to provide mandatory training on child abuse recognition and reporting to their employees who have direct contact with children.

Significantly NOT passed by the Legislature or signed by the Governor was any sort of charter school reform bill. The House had passed SB 1115, a special education finding bill, which had been amended to include important plans for a statewide authorizer for charter schools, the establishment of a charter direct pay system, and the creation of a funding commission to examine cyber/charter school funding. As negotiations continued, the Senate unanimously passed its own plan under HB 1330, which did NOT include the statewide authorizer but did include the other provisions. Since agreement could not be reached in time, plans for charter school reform were once again deferred. Neither of the plans discussed would have provided immediate charter funding relief by revising the funding formula or by revising the charter school payment calculation to end the pension “double dip,” which would save taxpayers an estimated half a billion dollars within five years.

To make matters worse, the new teacher evaluation bill that was approved to establish a new system for evaluating public school employees using student performance as a rating factor, specifically excludes charter/cyber schools from its requirements. The deferral of charter school reforms yet again leaves charter/cyber schools free from the kind of fiscal and academic accountability that one might reasonably expect of schools that are funded by taxpayers. For years, Pennsylvania's Auditor General Jack Wagner has been advocating charter school funding reform. A study by his office found that school districts have overpaid charter schools by an average of approximately \$3000 per student, costing taxpayers \$365 million per year.

In addition, last week, the story broke that FBI agents searched the headquarters of PA Cyber, the Beaver County based cyber charter school, as part of a criminal investigation of PA Cyber's founder and former CEO, Dr. Nick Trombetta. Trombetta's business activities are being investigated. Sunday, the Post Gazette reported that PA Cyber, which is the largest cyber charter school in Pennsylvania, pays tens of millions of dollars a year (which it receives in tuition payments from public school districts) to a network of nonprofit and for-profit companies run by former executives of the school. PA Cyber receives over \$100 million per year from school districts whose students opt to enroll in their school, including \$780,000 last year from North Allegheny. Trombetta's financial dealings were investigated back in 2007 when Corbett was Attorney General, but nothing ever came of that investigation. Public money has continued to

flow freely to PA Cyber since then, with no legislative action to change the flawed funding formula that permits the accumulation of vast sums of excess cash by PA Cyber, some of which in turn continues to be funneled to a network of companies run by former PA Cyber executives. Late in his administration, Governor Rendell asked PA Cyber for better accounting of these payments, but Governor Corbett made an early decision to allow the payments to continue to flow without heightened accountability. Now, in the absence of state action, it appears to be up to the Feds to try to get to the bottom of this matter.

Also, it has been reported that PA Budget Secretary (and former Secretary of Education), on his Statement of Financial Interests Form SEC-1 for 2011 filed with the PA State Ethics Commission on June 30, 2012, listed “Senior Vice President of Education and Policy” at K12, Inc. as a source of direct or indirect income. In addition to managing Pennsylvania’s Agora cyber charter, K12, Inc. provides curriculum services to cyber charters. According to the Keystone State Education Coalition, **“There is no reliable evidence that for-profit (cyber) operators provide education that is effective, but there is no question that they are highly effective at turning public tax dollars into private gain.”**

Finally, the PA NAACP has issued an Education Alert with talking points centered around four themes:

1. **PA is headed in the wrong direction** under the Corbett Administration's push for charter and private school expansion.
2. **Pennsylvania taxpayers want strong public school systems**, yet Corbett's education cuts of over a billion dollars have forced local districts to significantly raise class sizes and to cut programs in art, music, physical education, foreign languages, technology instruction, and higher level math and science.
3. **Pennsylvania taxpayers want accountability and transparency in the spending of public funds**, yet the Legislature and the Governor have specifically excluded charter and cyber schools from greater oversight.
4. **Pennsylvania taxpayers want responsible stewardship of state funds** and do not support the diversion of tax dollars into funding religious schools, private schools, or businesses that establish for-profit schools in the form of vouchers or “Educational Improvement Tax Credits.”

NAACP has urged its membership to take up these issues with the Legislature and the Governor.