

Legislative Report
Submitted by Linda Bishop
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The PA General Assembly has been in recess since our last meeting. Both chambers will reconvene September 24. However, the Senate is only scheduled to be in session for 8 days, and the House for 13 days, before the current session ends on November 30. Three public education-related items that will likely be on the fall agenda are property tax reform, the Educational Improvement Tax Credit (EITC) Program, and pension reform.

Property Tax Reform: A special 13-member House committee to consider this issue met for the first time August 20. It is headed by two legislators from Montgomery County. Allegheny County is represented by 2 Democrats. Three options are possible. One is complete elimination of property taxes, which would cost the state \$11 billion and require massive increases in both state income tax and sales tax to fund public schools. Sen. Argall spoke to the panel about his bill, SB 1400, which would totally eliminate property taxes by increasing the state personal income tax to 4% (now 3.07%) and raise statewide sales tax to 7% (8% in Allegheny County). This bill is identical to HB 1776, which was tabled by the House Appropriations Committee this spring. A second approach is to give counties the power to raise sales tax by 1% and use that revenue to partially reduce property taxes. The third option would be to leave the current system in place.

Educational Improvement Tax Credit Program: As I reported last month, Act 85 of 2012 was passed and signed by the Governor, expanding the original EITC program from \$75 to \$100 million and creation a new \$50 million EITC 2.0 program, whereby students residing in the attendance areas of the lowest-performing 15% of PA public schools can apply for scholarships to attend other public, charter, private or parochial schools. Under the program, businesses apply to the state Department of Community and Economic Development for a tax credit to make a donation to a state-approved scholarship organization of their choice. Once the state approves the application for the tax credit, the business has 60 days to send money to the organization, which processes student applications and distributes grants to schools. Parents of students can apply for individual scholarships up to \$8,500 (regular education) or \$15,000 (special education). Families with annual household income less than \$60,000, plus \$12,000 for each school-age dependent, are eligible. As of last week, the DCED had approved 10 such scholarship organizations, only one of which (an organization operated by the Diocese of Pittsburgh) is in SW PA. A list of the 415 lowest-performing schools eligible for the program was released by the DOE. In our area, the schools are in Clairton, Duquesne, East Allegheny, McKeesport, Penn Hills, Steel Valley, Sto Rox, Wilksburg, and Woodland Hills Districts. It has been reported that 1/3 of the schools on PA's list of "failing schools" actually made AYP on the PSSA's in 2011. Meanwhile, it was reported in the Trib Review on Aug. 21 that the new program has been slow to take off because it was rushed through and is far from ready. About 100 applications for tax credits totaling \$10 million are slowly being processed by the DCED. Letters have been sent to parents of students

living within the boundaries of all the schools on the “failing” list and parents are beginning to inquire, but schools cannot accept the students without the money in place to fund the scholarships. Not surprisingly, private and parochial schools are eager to participate, while only 14 of the state's 500 public school districts have signed up to accept students. It has been reported that expansion of the EITC 2.0 program from \$50 to \$100 million may be proposed in the legislature this fall.

Pension Reform: A joint panel of members of the House Finance and Senate Government Committees, chaired by Rep. Daryl Metcalfe (R-Butler) held a public hearing August 14 on pension reform. Discussion focused on proposals to switch state and public school employees to a 401(k) style retirement plan. While Governor Corbett has identified pension reform as the “number one issue” for the fall session, it is unlikely that anything much will happen until next year, due to the short session length. Meanwhile, Moody's lowered PA's credit rating last month due to the \$37 billion (and growing) gap between the state's pension liabilities and current funding. The state's obligations to PSERS rose by \$500 million in 2012 and will rise another \$680 million in 2013. According to Budget Secretary Zogby, this downgrade as a “silver lining” in that it has generated dialogue in the General Assembly.

The PA Secretary of Education, Ron Tomalis, has selected Joe Watkins, the head of the StudentsFirst PA PAC, to be the recovery officer for the financially distressed Chester-Upland School District in eastern PA. StudentsFirst PA is a state chapter of the American Federation for Children, a nationwide “Super PAC” lobbying hard for taxpayer-funded tuition vouchers, more charter and cyber schools and the privatization of public education. You will also recall that Chester Upland almost had to shut down earlier this year because they had no money, mostly because so much of their funding is being siphoned off to charter and cyber charter schools. Their teachers actually worked without pay for several weeks to keep the students in school until the state reluctantly agreed to provide emergency funding. The appointment of Joe Watkins as the chief recovery officer certainly leaves little to the imagination as to how the state plans to approach Chester Upland's financial difficulties. Watkins will have broad authority to remake the district in a variety of ways. He has the power to convert traditional public schools into charters, to close schools, and to demand a new teachers' contract. According to the Keystone Education Coalition, so far in 2012, the American Federation for Children contributed \$1,250,000, and StudentsFirst PA contributed another \$450,000 to various election campaigns in Pennsylvania, in some cases through a labyrinthine maze of PACs. The Republican Leadership in the House and Senate received \$125,000, including \$50,000 to House Majority Leader Mike Turzai. Rep. Jim Christiana of Beaver County, who introduced and sponsored the EITC bill discussed above, received \$170,000. Senator Anthony Williams (Senate Education Committee) received \$181,000, and a candidate running against the House Education Committee's Minority Chairman Jim Roebuck received \$105,900. The Fighting Chance PAC aligned with the Archdiocese of Philadelphia, received \$395,000.

It was reported this week that Dorothy Jane Hairston Brown, CEO, and four other executives from several charter schools in Philadelphia, have been indicted and charged with defrauding three charter schools of more than \$6.5 million in taxpayers funds. You will recall that I reported last month that the business activities of Nick Trombetta, the founder and former CEO of PA Cyber in Beaver County, are under investigation by the FBI.

Final item: Pittsburgh Public Schools furloughed 271 employees last month, including 178 teachers. The Superintendent said it was the largest layoff in the District's institutional memory.