



Pennsylvania Association of School Administrators
Proud Leadership for Pennsylvania Schools

Education Update June 12, 2017

In State Budget News...

Budget Update – The first full week of June was a busy one in Harrisburg, and as we get closer to the end of June, tensions, anxiety and the number of folks in the Capitol building will continue to increase exponentially. With pension reform the main attraction at the circus this week, the budget was on the back-burner. However, as the legislature is busy looking for change under the couch cushions, the House set the stage for a revenue discussion surrounding gaming that is likely to continue next week.

Recognizing that progress needs to be made on filling the massive deficit for 2017-18 before some real budget negotiations can begin, the House passed **HB 271** by a razor-thin margin, 102-89. The bill makes several gaming-related changes that could result in \$250-300 million in new revenue, combining many of the individual gaming-related revenue options, including: allowing video gaming terminals in bars, taverns, truck stops; selling casinos licenses to operate internet gambling; allowing bets on fantasy sports; allowing airport tablet gambling; allowing slots at casino-run off track betting parlors; and allowing bets on major league sports (pursuant to federal approval)/

The Senate has taken a narrower and conservative approach to gaming changes, so there is **much** to be worked out between the two chambers before this issue is finalized. Expect ongoing conversations on gaming next week, and heightened focus on revenue options for 2017-18.

In School Funding News...

PASA/PASBO Report on School District Budgets – Last Tuesday, during a press conference at the Capitol, PASA and PASBO unveiled the findings of the spring survey of school districts concerning district budgets.

As expected, the latest survey finds ongoing distress due to lack of sufficient funding going into 2017-18.

Among the survey findings:

- * 43 percent of respondents indicate that the fiscal conditions of their school district will worsen in 2017-18.
- * Almost 15 percent plan to furlough employees.
- * More than half anticipate leaving positions vacant.
- * One in five anticipate reducing instructional programs next year.

“Many districts are approaching the tipping point, where they no longer will be able to deliver a quality education program to students due to their financial situation,” said PASA Executive Director Dr. Mark DiRocco concerning the report. “Subsidy increases to districts need to be greater than what they are required to spend on pensions and other state mandates in order to ebb the tide of program cuts and staff reductions in our schools.”

The [report](#) and [press release](#) are posted on the PASA website.

Assessment Appeals – The vote on **HB 1213** was delayed last week, so we live to fight another day ... although that day is likely to come today (Monday, June 12). Please continue to reach out to your House members on the bill, mentioning the impact on your school district should your assessment appeal rights be limited, the impact on the rest of your fairly assessed taxpayers (e.g. higher property taxes), and the underlying fairness concerns when taxing districts have their appeal rights slashed but taxpayers do not.

Property Tax Elimination Arguments – In a recent examination of property tax elimination proposals, Keystone Crossroads notes the arguments both for and against such a change. While some insist eliminating property taxes would equalize tax burdens, others note the serious implications: creating

winners and losers among taxpayers, placing school district finances at extreme risk, and putting the commonwealth in charge of collecting and distributing tax dollars to public schools. *Read the report: [“Push to Eliminate Pa. Property Taxes Would Have Major Implications for Schools, Prioritizing Homeowners.”](#)*

Pension Reform...

Pension reform? Check. Whether agreement on this much-sought-after issue was as a result of divine intervention, issue fatigue or something else, the legislature has managed to pass a bill that attempts to address Pennsylvania’s pension issue by developing a new plan for new employees that shifts the risk in the system long term. The Senate approved the bill with a 40-9 vote, and the House sent the bill to the governor with a 143-53 vote. Governor Wolf is expected to sign the bill shortly.

Focusing on **new employees hired on or after July 1, 2019**, [SB 1](#) creates three retirement options:

* A DC-only plan with an employee contribution rate of 7.5% and an employer contribution rate of 2.0%.

* A DC/DB hybrid plan with an employee contribution rate of 5.5% for the DB portion and 2.75% for the DC plan, and an actuarially determined employer contribution rate for the DB plan and 2.25% employer contribution rate for the DC plan. This plan has a multiplier of 1.25% on the DB portion, and the final average salary is the highest five years. [This is the default plan](#);

* A DC/DB plan with an employee contribution rate of 4.5% for the DB portion and 3.0% for the DC plan, and an actuarially determined employer contribution rate for the DB plan and a 2.0% employer contribution rate for the DC plan. This plan has a multiplier of 1.0% on the DB plan and a final average salary of the highest five years.

Vesting for new employees would be 10 years for the DB component of a plan and three (3) years for the DC-only plan or the DC component of a hybrid plan, and employees would be able to make an actuarially neutral lump sum withdrawal of their contributions. Additionally, both the shared risk and shared gain provisions would apply to these members, which could increase or decrease the employee contribution rate depending on the actual rate of return.

Current employees would have the option to opt into participation in one of the three new retirement options. If they chose not to participate in a new plan, the proposal has little impact on them. However, Act 120 employees would get the ability to withdraw their contributions in an actuarially neutral manner. Additionally, Act 120 employees would be subject to the shared gain provision, not just the shared risk provision.

Overall, **the focus of this bill is shifting the risk, not savings**. In terms of shifting the risk to employees, for PSERS, this proposal is estimated to reduce the need for future employer increases by 53% (a 58% reduction for SERS; the combined value of this risk shift is estimated to be \$6.5 billion). Additionally, under this proposal, employer contributions would increase less than under current law if the investment rates of return are reduced below current assumptions. This is as a result of the fact that the new plan design is less impacted by investment return changes than current law.

Concerning costs to employers and the state, the bill provides about \$4.2 billion in reduction of unfunded liabilities, but nearly all of this is from SERS, not PSERS. The shift to the new plan design for new employees under PSERS will reduce the employer contributions by an estimated \$217 million by 2050. However, employer contributions will increase in the short term. According to estimates, with these system changes, the turning point for actual savings in PSERS won’t occur until 2034 – and until that year, employer and state contributions will continue to **increase**, from \$4 billion today to **\$8 billion** in 2033-34.

[CLICK HERE](#) to read the actuarial note for SB 1.

In Other Legislative News...

This Week's Legislative Schedule – Both the House and Senate are scheduled to be in session at least three days this week, with many education bills among those that could see action.

LAST WEEK'S LEGISLATIVE ACTION

* **Graduation Requirements for CT Students: [HB 202](#); passed by the Senate, 49-0.** The bill amends the School Code to eliminate the requirement that the PDE develop additional Keystone Exams in English composition, Algebra II, geometry, U.S. history, chemistry, civics and government and world history. The bill also creates an alternative pathway for CTE students who do not reach proficiency on a Keystone. Specifically, the bill would require a CTE student to complete grade-based requirements for the associated academic content area for any Keystone Exam on which a CTE student has not obtained proficiency in order to meet graduation requirements. CTE students utilizing this option also would be required to either obtain an industry-based competency certification related to the CTE student's program of study or demonstrate a high likelihood of success on an approved industry-based competency assessment, such as NOCTI or NIMS exam, or readiness to continue in the CTE student's chosen program of study, as demonstrated through benchmark assessments, course grades, and other factors consistent with the CTE student's career plans.

* **Performance-Based Budgeting: [HB 410](#); amended and passed by the House, 115-79.** The bill requires the Independent Fiscal Office (IFO) to examine and evaluate state agency line items to develop a performance-based budget plan for each agency beginning in the 2018-19 state budget. The bill also creates a performance-based budgeting board to review the IFO-created plans, calls for performance reviews of each agency's proposed budget annually, and provides for performance audits of selected agency programs or services.

* **EIT Rates and Credits: [HB 866](#); approved by the House Finance Committee.** The bill amends the Local Tax Enabling Act to do several things including expanding the provision related to credits for payments to other states, allowing any other EIT assessed or any change in EIT rates made by other state law to be credited and allowed as a deduction from EIT liabilities. This is a reintroduction of House Bill 245 from last session, which was vetoed by Governor Wolf.

* **Philadelphia Taxation: [HB 871](#); approved by the House Finance Committee.** The bill amends the PA Constitution to allow Philadelphia to have an increased real estate tax for businesses in exchange for reduced wage and other business taxes.

THIS WEEK – Committee Schedule

Monday, June 12

House Agriculture & Rural Affairs Committee to consider:

* **[HB 944](#): Agriculture Education.** The bill creates a Commission for Agricultural Education Excellence to assist in developing a plan for agricultural education and coordinate the implementation of agricultural education programming with the Department of Agriculture and PDE.

Tuesday, June 13

House State Government Committee to consider:

* **[HB 1479](#): Prevailing Wage.** The bill excludes from the definition of "public body" under the Prevailing Wage Act school districts that are in financial watch or financial recovery status.

House Labor & Industry Committee to consider:

* **[HB 18](#): Workers' Compensation.** The bill requires the PA Department of Labor & Industry to adopt an evidence-based drug formulary for the workers' compensation program and requires standards for Utilization Review Organizations and Peer Review Organizations to ensure that they meet the same certification requirements as those that do utilization reviews for other types of health insurance.

Senate Local Government Committee to consider:

* **Tax Collection:** [SB 653](#). The bill consolidates the collection of several Local Tax Enabling Act taxes under the Act 32 collection structure.

THIS WEEK – House Floor Calendar. The following bills may be considered this week:

* **HB 866: EIT Rates and Credits.** The bill amends the Local Tax Enabling Act to do several things including expanding the provision related to credits for payments to other states, allowing any other EIT assessed or any change in EIT rates made by other state law to be credited and allowed as a deduction from EIT liabilities. This is a reintroduction of House Bill 245 from last session, which was vetoed by Governor Wolf.

* **Restricting Assessment Appeals:** [HB 1213](#). The bill restricts taxing district assessment appeals, applies the restriction retroactively for appeals that have not been finally adjudicated, gives the taxing district seeking to increase an assessment under the bill the burden of proving that the proposed increased assessment isn't unconstitutional, and dictates how this constitutionality will be determined, stating that appraisals are not necessary and that an assessment will be deemed constitutional if it is the lesser of either the amount provided in section 8844(e)(2) or an amount that is comparable to other similar properties.

* **Homestead Tax Exemption:** [HB 1285](#). The bill amends the PA Constitution to permit taxing jurisdictions to exempt from taxation up to 100% of the assessed value of a homestead property. *The bill needs to be approved this session, as it was last session, before it can go before the voters for approval.*

THIS WEEK – Senate Floor Calendar. The following bills remain on the Senate voting schedule:

***Censorship of Historical Documents:** [SB 88](#). The bill prohibits content-based censorship on historical U.S. or Pennsylvania documents and ensures that no teacher or administrator is prohibited from using, reading from or posting in a public school excerpts from historical documents, including the U.S. Constitution, the Mayflower Compact, the national anthem and the Declaration of Independence, during the course of educational instruction.

* **Employee Leave Policies:** [SB 128](#). The bill prohibits municipalities from mandating that all employers within that municipality comply with certain employee leave policies. This legislation would impact school districts as employers.

* **Mandated Leave:** [SB 229](#). The bill removes several provisions from the School Code, including the provision requiring a minimum of 10 days of sick leave, the requirement to provide up to 25 days of accumulated sick leave (with the exception of when schools consolidate) to employees switching employers, the requirement to provide bereavement leave, the requirement to provide alternative payment plans and the requirement to provide sabbatical leave.

* **Employee Gun Possession in Schools:** [SB 383](#). The bill permits school boards to adopt policies allowing school personnel to have access to firearms on the grounds of a public school. As amended, the bill requires those employees to go through an approved training program in order to have that access and to prohibit disclosure of the names of employees with access either through right-to-know requests or in a public meeting.

* **Restrictions on Raising Property Taxes:** [SB 406](#). The bill requires a 2/3 majority school board vote to increase property taxes from the prior year.

* **Union Leave:** [SB 494](#). The bill prohibits a collective bargaining agreement from permitting full-time union leave.

* **Restricting Assessment Appeals:** [SB 586](#). The bill prohibits a taxing district from appealing an assessment based on the purchase or sale of a property, the financing or refinancing the property or

following certain investments or improvements to the property. The bill only allows taxing districts to appeal an assessment following a countywide reassessment, when the parcel has been divided or when a change has occurred in the productive use of the property.

***Advance Notice of Superintendent Hiring and Terms: [SB 592](#).** The bill requires offers of employment made to a prospective superintendent, assistant superintendent, associate superintendent and principal to be posted on the school district's website for two weeks before the board takes official action. The bill also provides the same for offers of employment made to prospective executive directors or assistant executive directors of an intermediate unit. The posting would need to include the details of the final offer, including salary and the length of the employment contract.

School Choice and Vouchers...

Vouchers and Potential Discrimination – How far can private schools that take taxpayer-funded vouchers go in selecting students without running afoul of civil rights and antidiscrimination laws? The answer is complicated—and less than reassuring to those concerned about the rights of students of color, LGBT students, and children with disabilities. And it's a question supercharged now by the Trump administration's strong advocacy for expanding school choice and U.S. Secretary of Education Betsy DeVos' opaque stance on the issue, especially in recent testimony before members of Congress. *Read the rest of the story: ["In States' Private-School Vouchers, Few Safeguards Against Discrimination"](#)* (from *Education Week*, 6/6/17).

Nevada: No Funds for Vouchers – An effort to fund Nevada's ambitious program to give all public school students the option to take state money allocated to them and use it instead for private school tuition, or other approved education-related expenses, is dead for this session. It's unclear what this means for the future of the program, as the Nevada legislature only meets once every two years. Nevada's education savings account program, a relatively new policy idea popping up across the country as an alternative to traditional school vouchers, was created in 2015 by a Republican-led legislature. But the program hasn't been officially launched because of disputes over how to pay for it. *Read the rest of the story: ["Vouchers for All' Program Will Remain Unfunded in Nevada"](#)* (from *Education Week*, 6/5/17).

In National News...

Hearing on the Proposed Budget – Senators had a clear message for U.S. Secretary of Education Betsy DeVos in a recent budget hearing: Don't get too attached to your budget proposal. Republican and Democratic senators on the Senate education appropriations subcommittee expressed skepticism about cuts and eliminated programs in the budget proposal for the U.S. Department of Education. And Democrats sparred with DeVos over how the spending blueprint for fiscal 2018 handles Title I spending on disadvantaged students, and how a voucher proposal would handle issues of discrimination. "This is a difficult budget request to defend," Sen. Roy Blunt, R-Mo., the subcommittee chairman, told DeVos. And he said the elimination of formula-funded programs like the \$2 billion Title II program for teacher training, and the \$1 billion 21st Century Community Learning Centers program that funds after-school, will be "all but impossible" to get through Congress. *Read the rest of the story: ["Senators Hammer at DeVos on Planned Budget Cuts, Proposed Vouchers"](#)* (from *Education Week*, 6/6/17).

Defining 'Teacher Quality' under ESSA – Teacher evaluations—both their role and the mechanics of carrying them out—are a politically fraught subject, and the Every Student Succeeds Act has kicked the dust up once again as states wrestle with how to comply with teacher-quality sections of the new law. ESSA, which goes into effect this fall, does away with the "highly qualified teacher" mandates under its predecessor, the No Child Left Behind Act. It also bans the U.S. secretary of education from dictating the ways in which states grade their teachers, a sore spot under the NCLB law. At the same time, ESSA requires states to provide a single definition of "ineffective teachers" in the plans they submit to the federal government and then describe how they will ensure that poor and minority students aren't being taught by a disproportionate number of them. This shift in policy has reignited battles over who should stand in front of America's classrooms, whether state or local leaders should make those decisions, and what information about teachers' performance should be reported. *Read the rest of the story: ["States Struggle to Define 'Ineffective Teachers' Under ESSA"](#)* (from *Education Week*, 5/30/17).

Across the Nation...

Iowa: Sharing Superintendents – The number of Iowa school districts that share superintendents more than tripled over the past decade as more small, rural districts in particular looked for ways to save money. The spike in shared superintendents largely can be traced to three factors, according to multiple school officials: historically lower increases in state funding, enrollment decreases that also lead to lower funding, and a program started in 2007 that provides incentives by increasing state funding to districts that share administrative personnel. *Read the rest of the story:* [“More Iowa School Districts Sharing Superintendents To Save on Expenses”](#) (from *The Gazette*, 6/5/17).

Kansas: Rolling Back Tax Cuts – Kansas legislators last week repudiated the tax-cutting experiment that brought Gov. Sam Brownback national attention, with even fellow Republicans voting to override his veto of plan reversing many of the income tax reductions he's championed in recent years as a way to fix the cash-strapped state's budget. The state will increase its personal income tax rates and end an exemption for more than 330,000 farmers and business owners. Legislators expect the changes to raise \$1.2 billion in new revenue over two years to close projected budget shortfalls totaling \$889 million through June 2019 and also provide additional funds for public schools. The conservative Republican governor still touts the income tax cuts enacted in 2012 and 2013 as pro-growth policies. But voters soured last year on the governor's policies, ousting two dozen of his allies from the Legislature and giving more power to Democrats and moderate Republicans who then backed this year's tax increase. The Legislature's action leaves his main political legacy in tatters. *Read the rest of the story:* [“Kansas Legislators Repudiate Governor by Overriding Tax Veto”](#) (from *Education Week*,

On the Calendar...

July 4 – PASA office closed

July 10-12 – AASA Legislative Advocacy Conference (Washington, D.C.)

July 11-12 – New Superintendents' Academy Part 1 (PASA office)

July 23-25 – PA Educational Leadership Summit (Altoona)