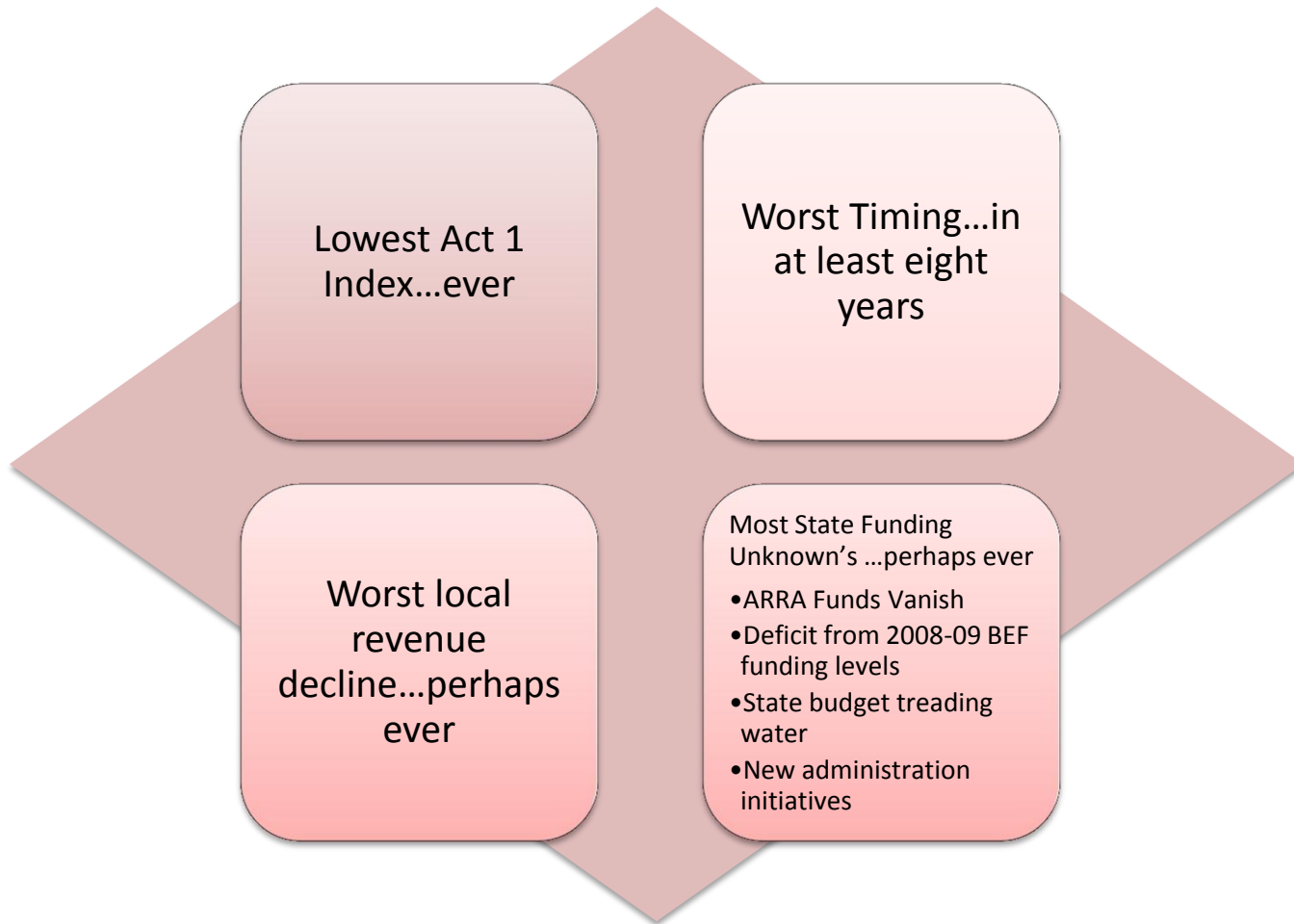


Pennsylvania Education Finance Symposium

Hosted by The Education Policy and
Leadership Center
Jay Himes, PASBO Executive Director
November 18, 2010

Worst Budget School Budget...Ever?



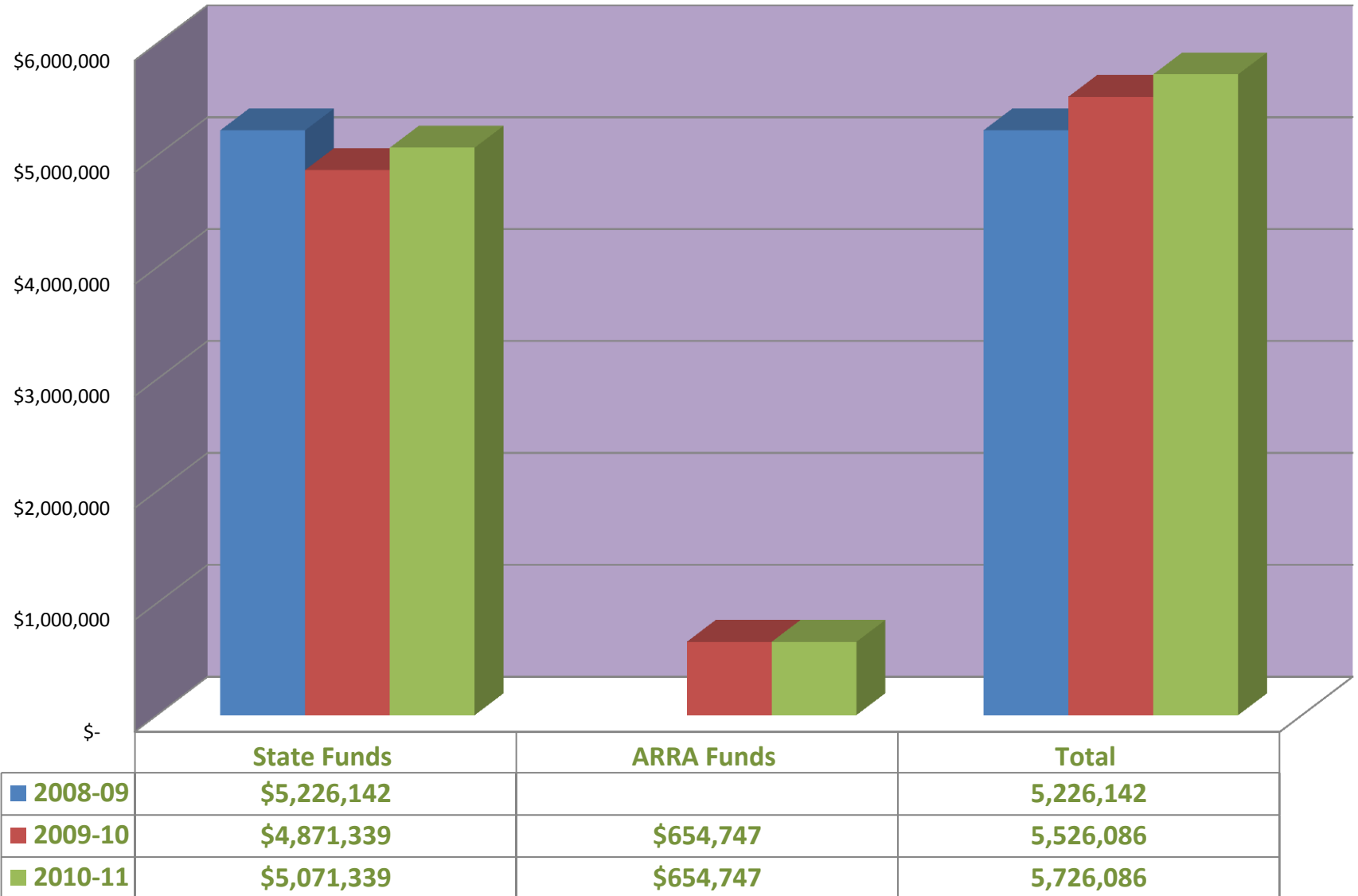
Myth: Schools Were Saved From Cuts

\$343 million in
local revenue
declines estimated
for FY 2009-10

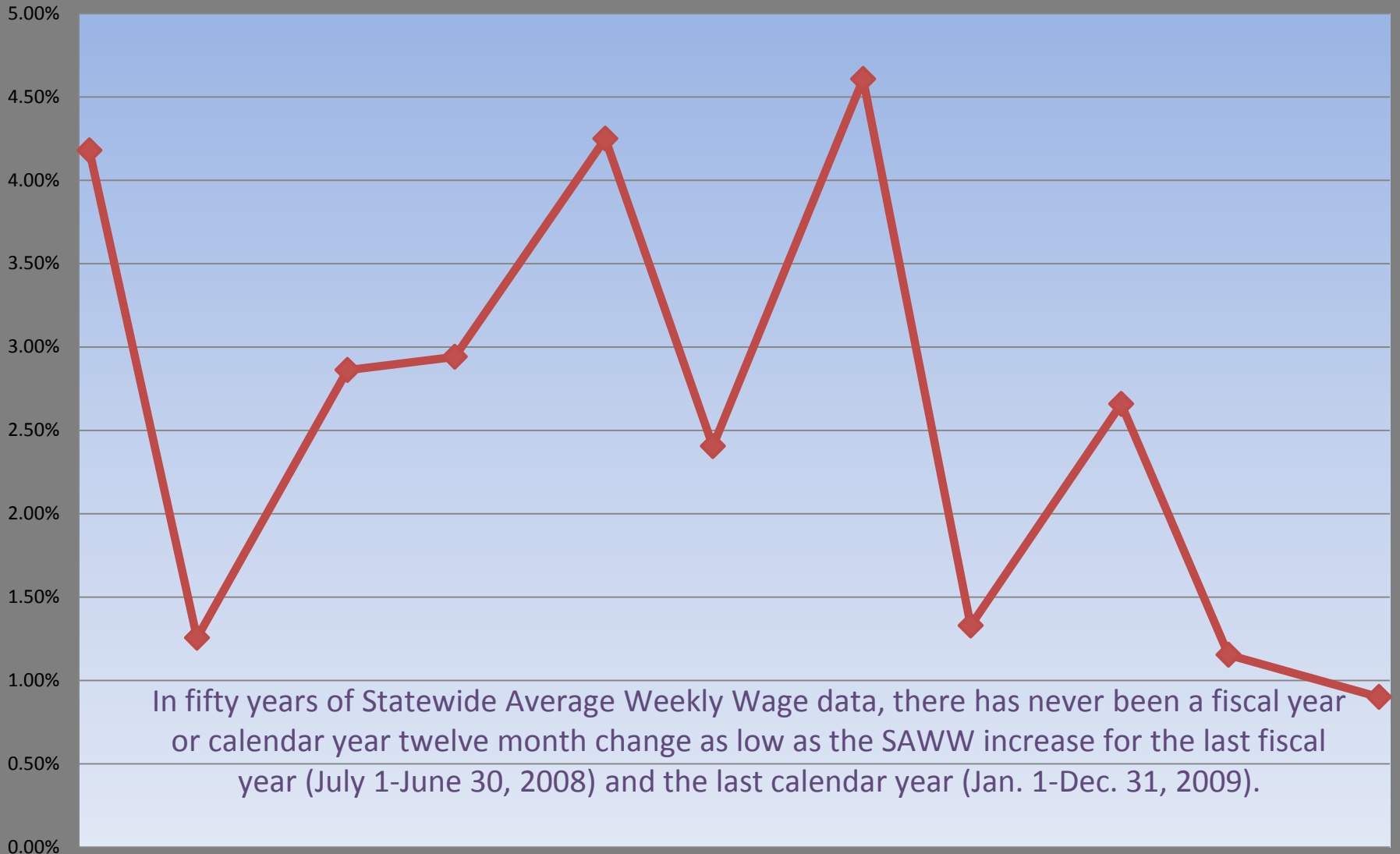
Without state increase
of \$200 billion for BEF,
schools would have
taken a further step
backwards

Local revenue
losses
continue

BEF Shortfall for 2011-12 = 13%
To Return to 2008-09 BEF Funding Level Requires a 3% Increase

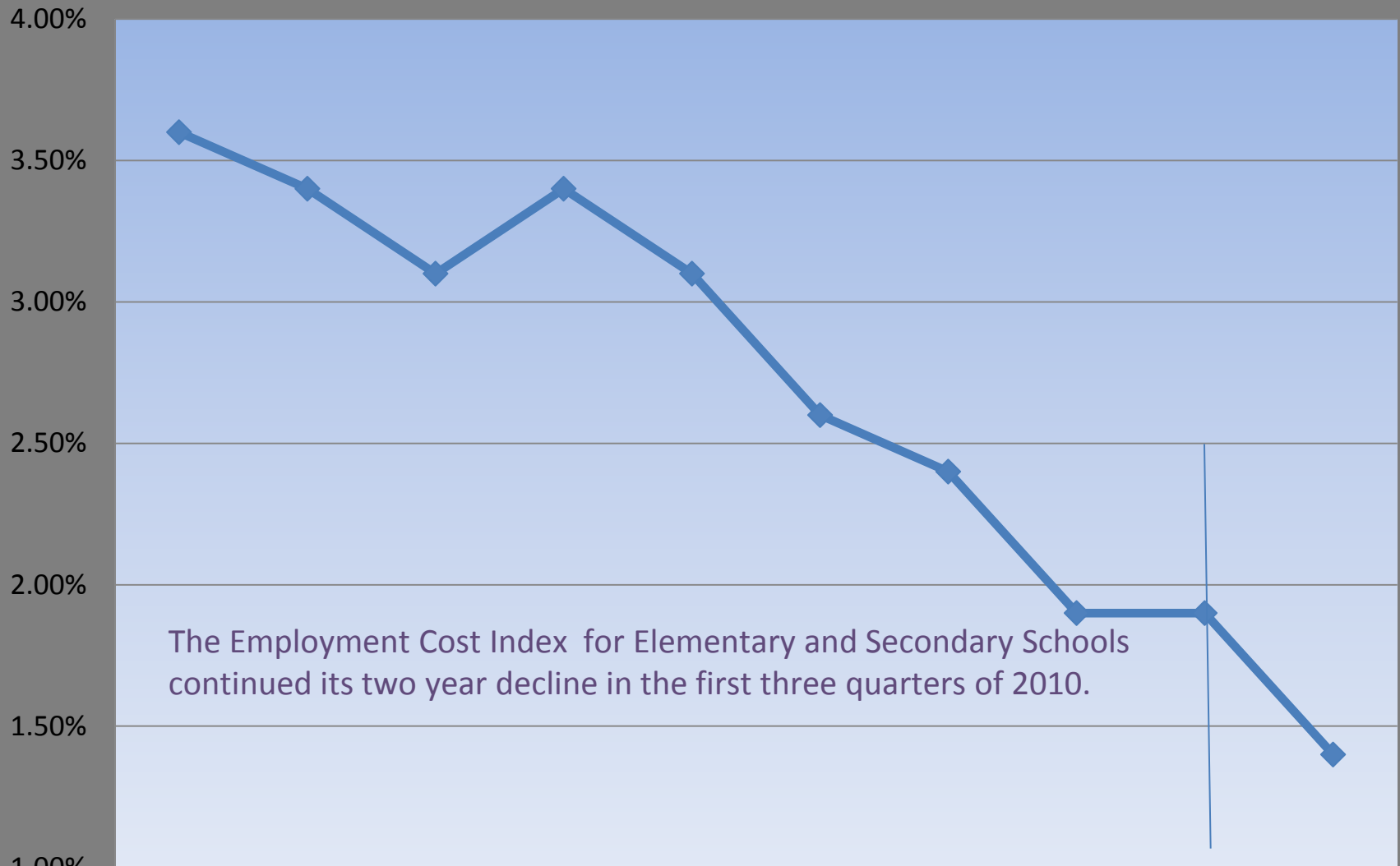


SAWW Increase Lowest in 50 Years



	1-Jan-04	30-Jun-04	1-Jan-05	30-Jun-05	1-Jan-06	30-Jun-06	1-Jan-07	30-Jun-07	1-Jan-08	30-Jun-08	1-Jan-09
Series1	4.18%	1.26%	2.86%	2.94%	4.25%	2.40%	4.61%	1.33%	2.66%	1.15%	0.90%

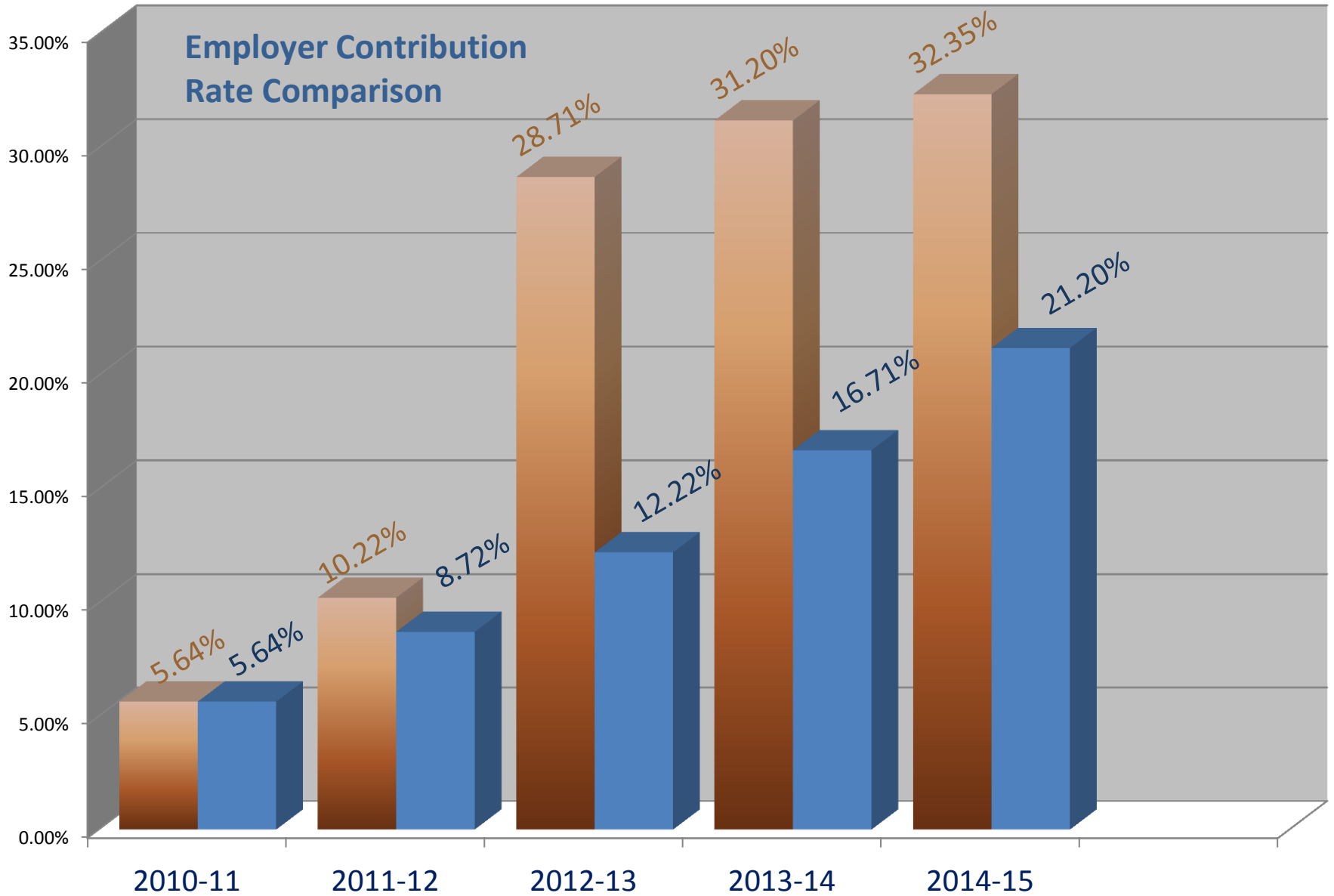
ECI Continues Slide



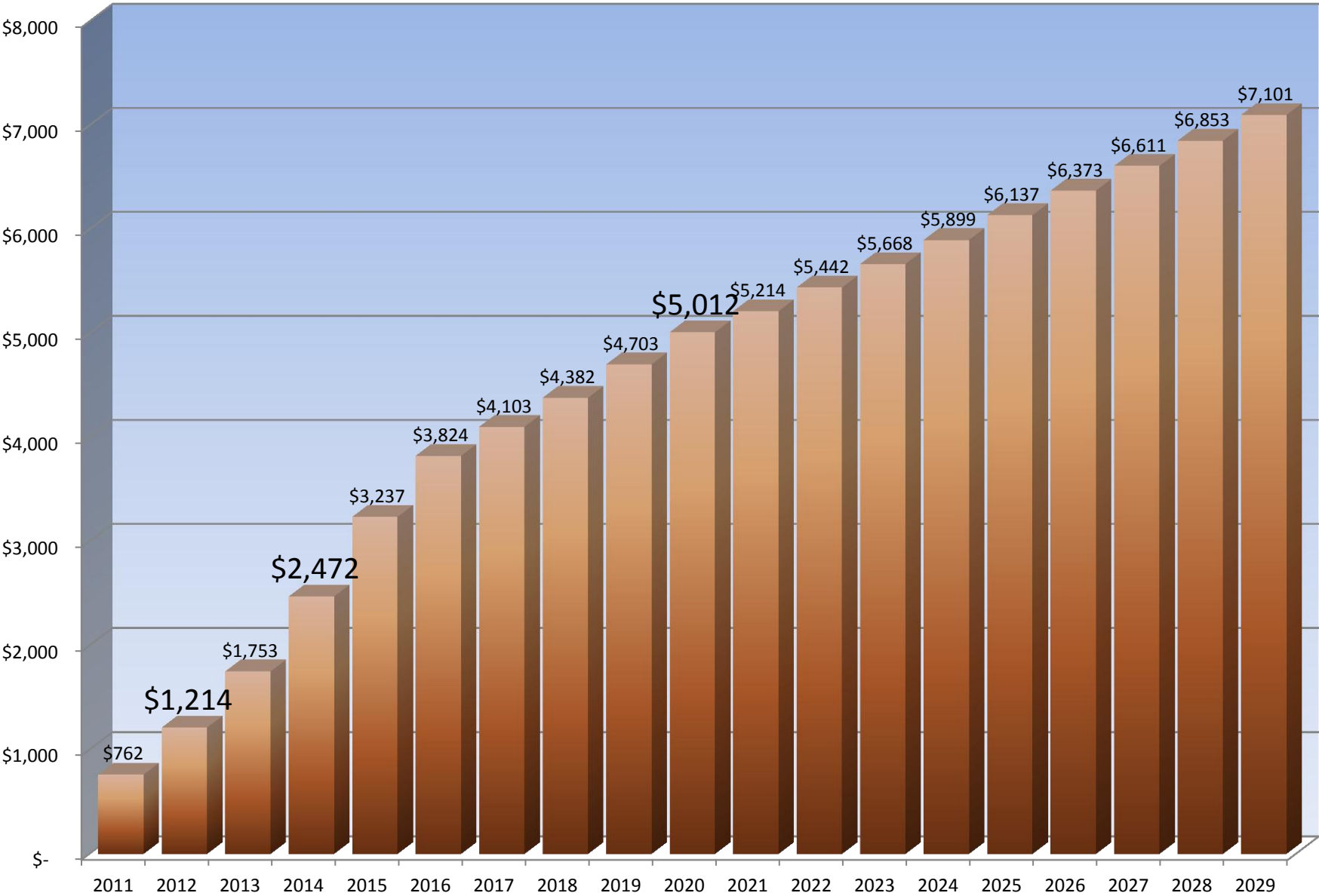
The Employment Cost Index for Elementary and Secondary Schools continued its two year decline in the first three quarters of 2010.

	2nd Qtr. 2008	3rd Qtr. 2008	4th Qtr. 2008	1st Qtr. 2009	2nd Qtr. 2009	3rd Qtr. 2009	4th Qtr. 2009	1st Qtr. 2010	2nd Qtr. 2010	3rd Qtr. 2010
Series1	3.60%	3.40%	3.10%	3.40%	3.10%	2.60%	2.40%	1.90%	1.90%	1.40%

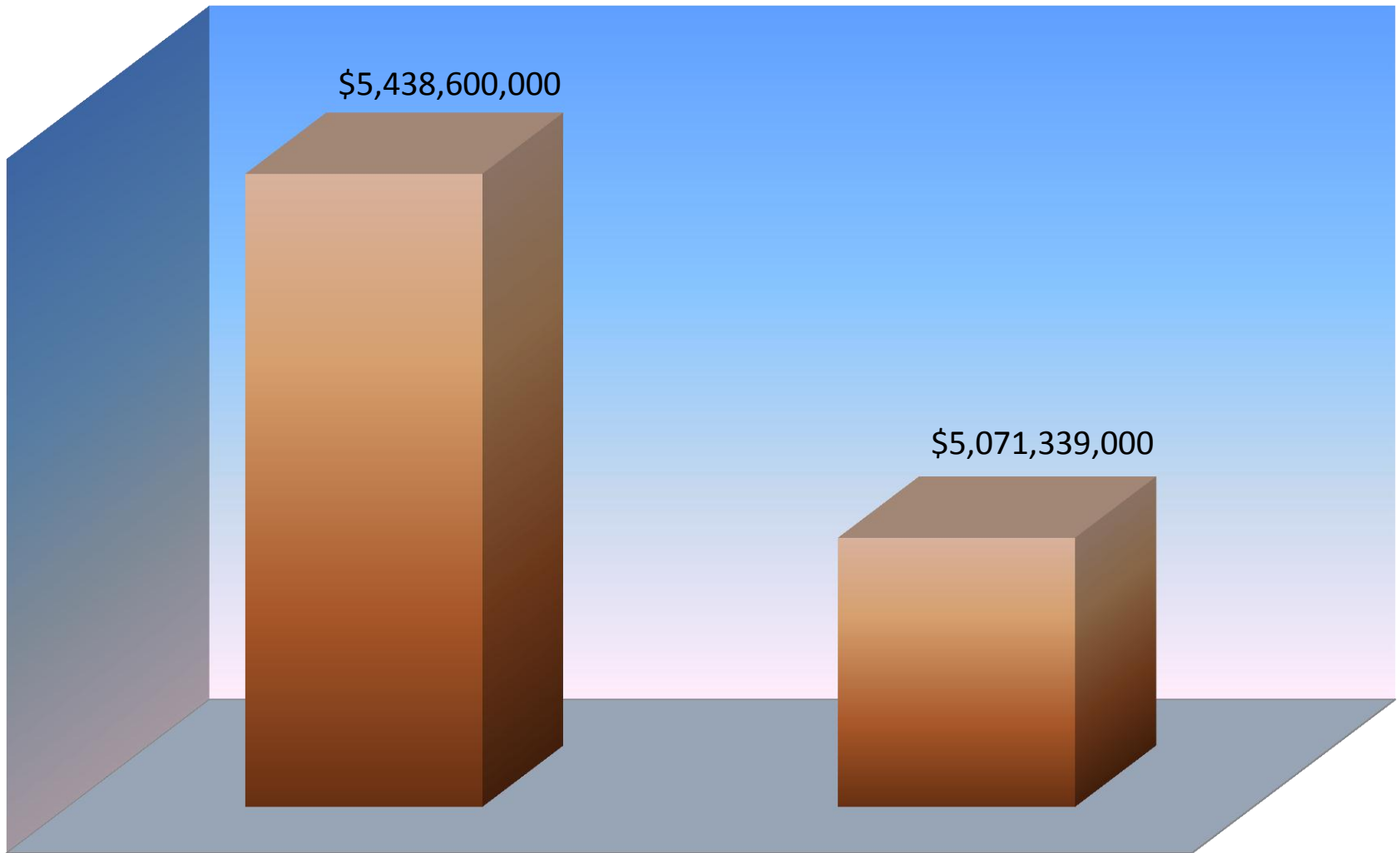
■ Current Law ECR ■ House Bill 2497 -Senate Amended



Annual Cost to Schools/State Under HB 2497--Senate Amended (\$ in Millions)



**The Next Three Years of State/School Retirement under HB 2497
Costs Exceeds the State Commitment to Basic Education Funding This Year**



3-yr PSERS Cost 2011-2014 HB 2497 as Amended

2010-11 BEF--State (after freeze)

Bleeding School Budgets

- Lack of control on personnel expenditures
- Cyber/charter school costs
 - Example
 - AR .7016
 - ADM 1,406
 - Charter/Cyber cost for reg. education = \$9,779
 - Charter/Cyber cost for special education = \$22,939
- Assessment appeals by the minute

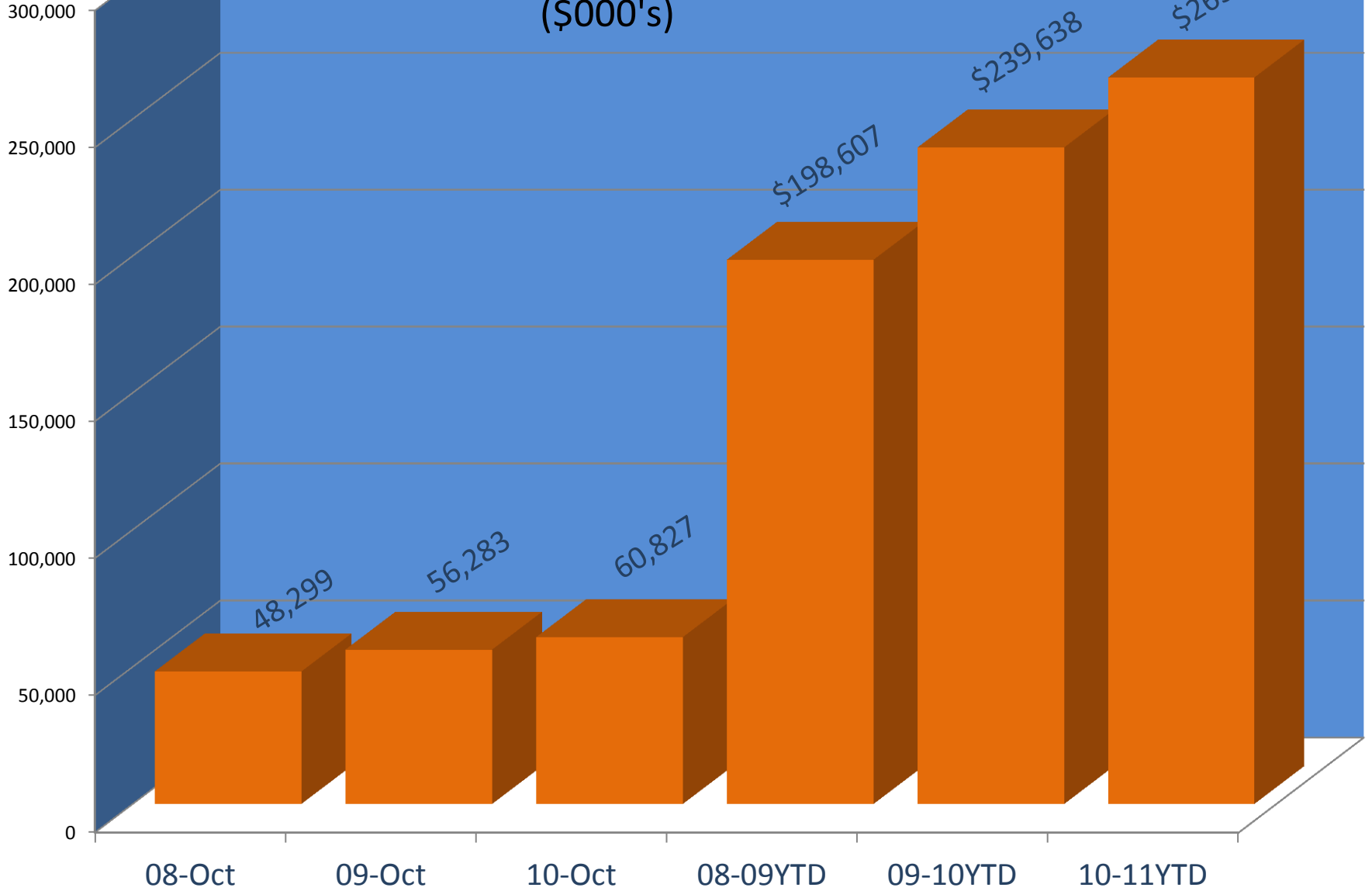
SCoRE



School Cost Reduction & Revenue Enhancement

*500 Cost Reduction Strategies for Local
Education Agencies*

Gaming Fund Continues Growth (\$000's)



Other Good News

- EduJobs Bill provides \$380 million to schools to buffer 2011-12 budgets

Jay Himes, PASBO Executive Director

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www.pasbo.org

THANKS FOR LISTENING!

House Bill 2497

Changes for New Employees

Future Employee Contribution Rates—New Employees Only

Minimum 7.5% Maximum 9.5%

Beginning in 2013 a three year average annual return on investment will be calculated. If the three year average is below the assumed 8% rate of return by 1% or more the Employee Contribution Rate is increased by .5%. If the average rate of return is 9% or more, the employee contribution is reduced. The employee contribution can never go below 7.5% or above 9.5%. In 2016, a six year average is calculated; in 2019 a nine year average is used. Afterward a ten year average is calculated.

Retirement Age—New Employees Only

Retirement Age: 65. To retire prior to age 65, you must have 35 years of service and meet rule of 92. (New employees must have three years of service to be eligible to retire at 65.)

Rule of 92 is the sum of years of service plus age. If 92 or greater then you can retire with full benefits. (See example below.)

Starting Work Age = 21	Years of Service = 36	Age = 57	$36 + 57 = 93 =$ Full benefits
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Starting Work Age = 22	Years of Service = 35	Age = 57	$35 + 57 = 92 =$ Full benefits
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House Bill 2497

Changes for New Employees

Final Average Salary Calculation –New Employees Only

Capped at 100% (This is more of a statement of policy than a substantive provision.)

All of the Above Changes in Addition to Benefit Design Changes Already in HB 2497 for New Employees

Reduction of Multiplier to 2%

Increase in Vesting to 10 Years

Elimination of Withdrawal of Contributions Option

Cost Comparison (July 1, 2011-June 30, 2042)

House Bill 2497 (as passed by the House) = \$191.1 billion

House Bill 2497 (as amended in Senate Finance Committee = \$163.9 billion

Savings = \$27.1 billion