



The Education Policy and Leadership Center
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EPLC EDUCATION NOTEBOOK

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In this issue:

- Pennsylvania State Budget Watch
- Be Heard! Advocate!
- Campaign for Fair Education Funding
- Apply Now! PA Education Policy Fellowship Program
- EPLC Career and Technical Education Project
- Pennsylvania Business-Education Partnership
- Congratulations to Michelle Figlar!
- Save the Date – 2015 Arts and Education Symposium

Pennsylvania State Budget Watch

Lawmakers, reporters, and lobbyists are speculating whether the 2015-2016 Pennsylvania state budget will be done by the June 30 constitutional deadline. And the pessimism is growing with the deadline less than a week away.

Republicans in the House and Senate likely feel a need to demonstrate, with the large majorities they enjoy in both chambers, they can get a budget passed by the Legislature by the deadline. So it will be no great surprise if they pass a Republican-budget in these final days of the current fiscal year.

But that won't get a budget enacted into law. The Governor is committed to vetoing, in whole or in part, a budget to which he has not agreed. And the Governor and Republican leaders currently are far apart on many issues.

It is probably going to take a while, but there is reason to be more optimistic.

The state budget typically is part of an annual "grand bargain". But this year we may see one of the grander bargains than we have seen for many years.

Several pieces are being moved into place, although the details are far from settled. Surely significant differences remain between the Governor and Republican

legislators, between Republican and Democratic members of the General Assembly, and even between the Republican leadership of the House and those of the Senate.

But it is increasingly likely that this year's grand bargain will not only include the state budget with a substantial increase of state support for early education and K-12, but also a new K-12 funding formula, some measure of state pension reform, property tax relief paid for with higher state taxes, a Marcellus Shale tax, and some liquor store changes.

All of these pieces are on the table to be negotiated, some a greater priority than others for some of the key negotiating parties, but each a priority for at least one of the major budget players.

Obviously, the state budget is central to this annual ritual of negotiations. But this year, with the strong support of Governor Wolf, legislators are **likely to provide a major increase of state support for funding to school districts** to restore a major portion of the 2011 cut that occurred during the first year of the Corbett Administration. Candidate Wolf emphasized the need for more state funding for education, and it was a major point of criticism directed at Governor Corbett by Wolf and by voters. Legislators too have gotten the message that state support for K-12 education in Pennsylvania is woefully insufficient, leading U.S. Secretary of education to call the Commonwealth's system of K-12 opportunities the most unfair in the nation.

Governor Wolf has proposed an increase of \$400 million for the basic education subsidy. While the governor is likely to hold out for something near that amount, it may go to districts in forms other than how the Governor has proposed.

The **legislative commission on basic education funding** issued its report last week, and its recommendations have been met with broad support. But there is significant debate about when the formula should be first applied to new funding – in the upcoming budget, or a year later in 2016-2017.

Look also for a big boost in state support for **early education programs**. An effective Pre-K funding campaign is gaining momentum statewide and is being supported by editorials around the state and a broad-based coalition that includes law enforcement officials who argue the state should invest in early education now to avoid costs of incarceration later.

Many legislators and others argue the current **pension systems** for state and school employees are not sustainable. The continuing increases in annual pension payment obligations for the state and for school districts is a huge problem for state and district budgets, and changing the current pension system for state and education employees is a priority especially for Senate Republicans. Some changes are likely for the pension benefits provided to new employees. Some lawmakers want to make changes for current employees as well, although there are serious constitutional issues about whether such changes are allowed. And no matter what changes are made looking forward, there remains the issue of how to pay existing obligations that are creating the tremendous burden on state and district budgets.

The Governor has proposed a **tax on Marcellus Shale** operations that would generate hundreds of millions of dollars for the state's General Fund, with much of it dedicated to support the restoration of the K-12 funding cuts of the previous administration. Pennsylvania currently has the lowest level of taxation on Marcellus Shale of any of the states with such a tax. The Governor is not likely to get the full rate he proposed, but he

got a big help from the report of the Independent Fiscal Office that said most of the new tax, whatever the rate, would be paid by out-of-staters.

Real property tax reform for school purposes may actually happen soon! There are competing proposals – one proposed by Governor Wolf and another approved by the House of Representatives. But they are similar in purpose and in state taxes to pay for property tax cuts. The House bill crafted by House Republicans has a slightly higher sales tax, but does not eliminate the many sales tax exemptions as proposed by the Governor. And, of course, there is a major difference in the distribution of the cuts with the House plan directing more of the funding relief to wealthier districts that tend to have higher taxes currently (although often lower millage rates).

Some Republican legislators are demanding a sale of the **state stores**, but even among Republican House leaders there are differences about how much this can be a deal-breaker. Most Democrats are opposing a sale, but supporting changes. Obviously the state store system as it exists today is nothing like the state stores of decades ago. Access, choices, and marketing are dramatically different. But there remains the philosophical difference of opinion about government versus private ownership. And, of course, there is the issue of whether the state should give up annual revenues from “profits” for a one-time gain by selling the stores. Look for more changes, but not a dismantling of the system

The making of a budget and the grand bargain may be helped by the Commonwealth’s **improving revenue picture**. While the state continues to have a very significant structural deficit problem, revenues for the current year (as well as those forecast for the next fiscal year) have significantly improved.

There is usually an **omnibus School Code bill** that gets enacted about the same time as the annual budget. It typically includes the formula that is used to distribute various education dollars appropriated in the budget legislation. Other education issues are also often addressed in the omnibus bill. This year, other issues may include charter school funding, teacher furloughs, and distressed districts. And often there are surprises as well!

Even if the June 30 budget deadline is not met, there’s **good reason to anticipate a significant grand bargain and real progress on several important public policy issues** before all is done with this year’s budget process.

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Be Heard! Advocate!

Now don’t just sit around after reading the previous budget update and hope that good things happen. **Speak out. Be heard. Advocate!**

State lawmakers need to hear from their constituents. Contact your legislators (House and Senate members) today and let them know how you feel about the important issues related to education and any other issues you care about.

Find your state legislators and their contact information [here](#).

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[Campaign for Fair Education Funding](#)

The Campaign for Fair Education Funding, a coalition of nearly 50 organizations, rallied in Harrisburg on June 23 to support a fair funding formula and fair funding for Pennsylvania students. The coalition includes a very broad coalition of statewide and regional organizations speaking with a common voice about key education funding issues.

Find more information about the Campaign for Fair Education Funding [here](#).

[Apply Now! PA Education Policy Fellowship Program](#)

Applications are now available for EPLC's **2015-2016 PA Education Policy Fellowship Program**. This is a unique 10-month long professional development opportunity for school district superintendents, school business officials, other educators, school board members, community leaders, education advocates, and others who want to learn much more about education policy issues and expand their network of professional colleagues.

The 2015-2016 Program will begin with an Opening Retreat in Harrisburg on September 17-18, 2015 and include monthly activities through June 2016. The Program will bring together a diverse group of professionals who are interested in learning more about key education policy issues while also enhancing their own leadership skills. Fellows will interact with experienced and insightful speakers and policy leaders, and they will have many opportunities to share with and learn from one another.

The Pennsylvania Fellowship Program has graduated nearly 450 participants since 1999, including the leaders of many local, regional, and statewide organizations. You can see the application [here](#) that you can print.

A partial list of alumni is included in the application brochure, and the full list is online [here](#). Testimonials from alumni consistently and enthusiastically applaud the quality and value of the Program.

[EPLC Career and Technical Education Project](#)

EPLC has convened a **Career and Technical Education Study Group** to help identify and discuss significant issues pertaining to career and technical education in Pennsylvania. The Study Group began to meet earlier this year and will help EPLC develop a report with actionable recommendation by early 2016. Key issues to be considered will pertain to governance and funding, as well as the relevancy and rigor of programs.

The Project will include a series of regional forums and site visits this fall.

*If you have suggestions about CTE issues or exemplary programs, please send your comments to cowell@eplc.org with Subject Line – **CTE Project Comment**.*

[Pennsylvania Business-Education Partnership](#)

Great 3rd Annual Pennsylvania Education Summit held on June 11 in Harrisburg. The Summit was sponsored by the PA Business-Education Partnership, a coalition of more than twenty organization promoting discussion about significant education issues. For more information about the Partnership, visit [here](#).

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[Congratulations to Michelle Figlar](#)

Congratulations to **Michelle Figlar** who assumed her new assignment as the **Deputy Secretary of the Pennsylvania Office of Child Development & Early Learning (OCDEL)** earlier this month. Michelle has done a great job for the past nine years as Executive Director of the Pittsburgh Association for the Education of Young Children (PAEYC) and also is a member of the EPLC Board of Directors. She is a terrific advocate for children and early education!

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[Save the Date – 2015 Arts and Education Symposium](#)

The 2015 **Pennsylvania Arts and Education Symposium** will be held on **Thursday, October 29**, at the Radisson Hotel and Convention Center Harrisburg. More details to be announced in coming weeks. Registration will open in late summer.

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