



# Capitol Watch for Children

**An update on state and federal policies  
affecting Pennsylvania's children**

## **Fiscal Pressure Highlights State and Federal Budgets**

Governor Rendell and President Bush face spending and revenue stressors creating uncertain funding for children's programs for FY 2005-06.

### **Pennsylvania: Revenue and Reserves Not Enough**

Through the first half of the current fiscal year, General Fund collections are over \$250 million ahead of estimate. Last fiscal year most of the higher than expected General Fund collections were used to pay for supplemental appropriations such as escalating Medicaid costs, and this year's collections will probably be needed again to pay the bills for the current fiscal year. So while revenue collections are ahead, the outlook for the budget situation is quite bleak.

Pennsylvania recently received preliminary approval of more than \$1 billion over four years in Medicaid funding for a nursing home assessment that the Administration had been counting on since last fiscal year. This funding will help, but the state faces well over a \$1 billion hole in its Medicaid budget for next fiscal year alone. Other federal revenue enhancements are pending and may be approved, but even those will not create the amount of revenue needed to balance the MA budget. Nor are any of these revenue enhancements solutions for the long term. Each of them will expire in a few years, putting PA smack

back in the same fiscal situation. To make matters worse, federal rules now limit using local revenues as match to pay for Medicaid services, and Pennsylvania will lose about \$200 million in federal revenue next year paid for by the use of remaining account reserves through the intergovernmental transfer.

This fiscal year Pennsylvania is projected to overspend the TANF block grant by \$166 million leaving a TANF reserve balance of only \$10 million for next year. This overspending has occurred for a number of years to support critical health and human services. But, the truth of the matter is that reserves have dried up at the same time that the need for services has not declined. For more information on TANF spending see a recent PPC report at [http://www.papartnerships.org/pdfs/about\\_sfai\\_vulnerable\\_fam.pdf](http://www.papartnerships.org/pdfs/about_sfai_vulnerable_fam.pdf).

Both the lack of TANF reserves as well as the depletion of reserves from the Social Services Block Grant sends some warning signs out to advocates for the next state budget.

Even with balances in the Rainy Day Fund and the Health Endowment Account, the state is unlikely to have the resources necessary to continue the level of current funding for programs.

According to Budget Secretary Michael

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## Fiscal Pressure Highlights State and Federal Budgets

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Masch, the FY 2004-05 General Fund budget would have been in deficit if not for one-time federal aid. This aid is not available next year, costs in programs such as Medicaid continue to rise, and the revenue and budget reserves picture does not appear sufficient enough to cover spending. By law the governor must propose a balanced budget, and he is clearly facing some tough choices as he prepared to present his spending plan for FY 2005-06 on February 8.

### Federal Budget Faces Mounting Costs

President Bush must submit the federal budget for FY 2005-06 by February 7. Final passage of the current federal fiscal year budget just concluded in early December and could be an indication of things to come next year. Many discretionary programs saw very little increases or cuts in funding. (To see federal appropriations for children's programs go to [http://www.papartnerships.org/capitol\\_federalbudget\\_05status.asp](http://www.papartnerships.org/capitol_federalbudget_05status.asp))

To fit the overall funding amount into a

determined appropriation, an across-the-board reduction of .8% for discretionary programs was put in place. With an escalating federal debt, the President has vowed to cut the federal deficit in half over the next five years. To do this, there is discussion of entitlement caps that may affect funding for Medicaid and the Earned Income Tax Credit and cuts in discretionary program funding. (See story on potential Medicaid block grant in this edition.)

While the federal budget deficit has slightly declined, the appetite in Congress for funding constraints has been stated recently by both Senator Judd Gregg (R-NH), the new chairman of the Senate Budget Committee and Representative Jerry Lewis (R-CA), the new chairman of the House Appropriations Committee.

The President has committed to making the tax cuts of his first term permanent, cuts in some spending items seem to be an area where the President might try to gain some resources to reduce the deficit.

## Legislative Committee Chairs Named

Committee chairs for the 2005-06 session have been announced that impact children's issues:

### Aging and Youth Committee

Sen. Jane Orié (R-Allegheny, Butler), Chair, Senator Patricia Vance (R-Cumberland, York), Vice Chair; Senator Robert Mellow (D-Lackawanna, Luzerne, Monroe), Minority Chair

### Banking and Insurance Committee

Sen. Gibson Armstrong (R-Lancaster, York), Chair, Sen. Joe Conti (R-Bucks, Montgomery), Vice Chair; Sen. Mike Stack (D-Philadelphia), Minority Chair

### Education Committee

Sen. James Rhoades (R-Berks, Carbon, Lehigh, Monroe, Northampton, Schuylkill), Chair, Sen. Jane Earll (R-Erie), Vice Chair; Chair; Sen. Ralph Musto (D-Carbon, Luzerne,

Monroe) Minority Chair

### Public Health and Welfare Committee

Sen. Jake Corman. (R-Centre), Sen. Jane Orié (R-Allegheny), Vice Chair; Chair; Sen. Vincent Hughes (D-Philadelphia), Minority Chair

For a full listing of Senate committee members and the specifics of their district boundaries go to: [www.legis.state.pa.us](http://www.legis.state.pa.us)

### Children and Youth Committee

Rep. Jerry Birmelin (R-Wayne); Rep. Julie Harhart (R-Lehigh, Northampton), Vice Chair; Rep. Mike Gruitza (D-Mercer), Minority Chair

### Education Committee

Rep. Jess Stairs (R-Westmoreland), Chair; Rep. James Roebuck (D-Philadelphia), Minority Chair

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## Legislative Committee Chairs Named

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### Health and Human Services Committee

Rep. George T. Kenney (R-Philadelphia), Chair;  
Rep. Frank Oliver (D-Philadelphia), Minority  
Chair

### Insurance Committee

Rep. Nicholas A. Micozzie (R-Delaware), Chair,

Rep. Steve Nickol (R-Adams, York), Vice Chair;  
Rep. Anthony DeLuca (D-Allegheny), Minority  
Chair

For a full listing of House committee members  
go to: [www.legis.state.pa.us](http://www.legis.state.pa.us).



## Washington Update

### Medicaid: Changing Times

In his second term, the President will likely propose a re-vamping of the Medicaid program and change the nature of the cost sharing partnership that has long existed with the states. In 2003, the President promised states they'd have more "flexibility" in how they could administer Medicaid and the State Children's Health Insurance Program (SCHIP). In return, however, states would have received a set amount of money—a block grant—that was considerably less than the states were projected to spend under current law. Families USA estimated that such an arrangement would have reduced baseline spending on Medicaid by \$492 billion, or about one of every six Medicaid dollars. Such a move could potentially have cut nearly 7.5 million people from the Medicaid rolls nationwide.

The topic of a Medicaid block grant is alive and well again in Washington. Reduction of the federal deficit is a top administration priority, health care costs are escalating out of control, and the financial demands of the war in Iraq are pushing the federal budget to the limit. The National Governor's Association, with Governor Rendell participating, has jumped out early to stress that most governors feel that an MA block grant is a bad idea.

The conclusion is based on simple math. While a block grant might give states more flexibility in administering their Medicaid programs, it would fail to continue to match the dollars states are spending each year as a

result of growing Medicaid populations and the high costs of health care services. This is a very real dilemma in Pennsylvania – with an aging population we purchase a large amount of high-end services for our MA clients in long term care and pharmaceutical costs. Our state budget picture is very grim for the coming year, primarily due to the ever growing costs of Medicaid and the likelihood of less federal resources available to support health and human services.

Over 53 million Americans rely on Medicaid for their health care, including more than 1,730,000 people in Pennsylvania, more than 870,000 of them children. Any cuts in this critical program will impair the benefits these vulnerable Americans receive, diminish the program's ability to meet the growing need for health coverage for low-income people, those with disabilities and the elderly. In addition, cutting Medicaid would hurt health care providers and the broader health care system.

Beyond the direct impact on health care services and the delivery system, Medicaid funding is also a critical element in supporting the larger economy in Pennsylvania. Because Medicaid spending has a multiplier effect, each \$1 million that Pennsylvania invests in Medicaid results in more than \$2.7 million in new business activity and nearly 25 newly created jobs. In 2005, it is estimated that Pennsylvania will spend nearly \$1.6 billion on Medicaid.

Children and education

# No Child Left Behind Implementation: What is Adequate Yearly Progress (AYP), and how is it measured?

The federal No Child Left Behind (NCLB) Act requires that all students in the United States demonstrate proficiency in reading and mathematics by 2014. In addition, states are required to establish interim measures of progress to reaching 100 percent proficiency. These interim measures are referred to as AYP.

The law requires that all students in a school district and all subgroups of students (e.g., low-income and minority students, those just learning English, and those with disabilities) achieve AYP each year in order to avoid NCLB’s sanctions.

The federal law also gives states the right to propose (for federal approval) how proficiency will be measured and the level of proficiency required each year to achieve AYP. Pennsylvania uses its PSSA exams in reading and math at grades 5, 8, and 11, and, beginning in 2005-06 in grades 3, 4, 6, and 7 as well. In addition, the state will begin assessing science in grades 4, 7, and 10 in 2007-08.

Initially, only 45 percent of Pennsylvania students were proficient in reading and only 35 percent in math. In order to move to 100 percent by 2014, the state established the following AYP goals:

	<b>Percent Proficient in</b>	
	<b>Reading</b>	<b>Math</b>
2002-04	45	35
2005-07	54	45
2008-10	63	56
2011	72	67
2012	81	78
2013	91	89
2014	100	100

In order to achieve AYP the percentage of students scoring proficient or advanced will increase for the first time with tests administered this spring. For example, a school that made AYP last year with 45 percent of its students achieving proficiency will not make AYP

this year unless that percentage is increased to at least 54 percent. It is reasonable to expect some schools that achieved AYP in the past might make progress this year but not achieve AYP.

The law also includes measurements of high school graduation rates and elementary attendance rates in the determination of AYP.

During 2004, 48 states revised their NCLB implementation plans with approval of the U.S. Department of Education. Pennsylvania instituted several changes:

- It lowered its graduation target to 80 percent or progress toward the target. Two other states lowered their graduation targets.
- It was one of 22 states receiving permission to average test participation rates. NCLB requires 95 percent participation; averaging allows a school or subgroup to have 96 percent one year and 94 percent the next and still meet the mandated participation rate.
- It was one of 45 states implementing revised regulations allowing up to one percent of a school’s students with the greatest cognitive disabilities to be tested with an alternative assessment aligned with the students’ instructional levels rather than their chronological grade levels.
- It was one of 26 states implementing revised regulations to exclude from AYP calculations English language learners who immigrated to the United States within one year of testing.

This is the first of a series of articles on NCLB implementation in Pennsylvania. Others will cover federally mandated sanctions for schools and districts not achieving AYP, efforts to assist low-performing schools and districts, and efforts to ensure that all teachers are highly qualified.



## Budget Briefing Conference Calls February 2005

Governor Rendell introduces his FY 2005-06 state budget on February 8, starting a process that will determine resources available for children and their families. To learn more, join Pennsylvania Partnerships for Children for one of two identical conference calls reviewing proposed funding, the budget process, and fiscal forces driving the decisions that will be made on a range of health, education, and human services programs. The presentation will be available for download from the PPC website to accompany the call. Time will be reserved for questions. To accommodate callers' schedules, PPC will provide the same briefing in two separate conference calls:

### Dates:

**Thursday, February 17, 1 p.m. to 2:30 p.m.**

(RSVP by February 11)

**Wednesday, February 23, 9 a.m. to 10:30 a.m.**

(RSVP by February 18)

Please RSVP to Angela Smith, [asmith@papartnerships.org](mailto:asmith@papartnerships.org). Please specify which conference call you would like to participate in. Registrants will receive an e-mail confirmation with the toll-free dial-in number and conference call access code prior to the date of the call. Please register early as there are a limited number of spaces available for each call.

### Join the Pennsylvania Children's Advocacy Network

New sessions in Congress and the legislature mean new opportunities for policies benefiting children. Join the Pennsylvania Children's Advocacy Network (PA-CAN) to receive PPC's action alerts when critical proposals are moving, and your voice can make a difference. Sign up at [www.capwiz.com/papartnerships/mlm/](http://www.capwiz.com/papartnerships/mlm/)



**Pennsylvania  
Partnerships for Children**

*Capitol Watch for Children* is published monthly by Pennsylvania Partnerships for Children. PPC is a strong, effective, and trusted voice for improving the health, education, and well-being of the Commonwealth's children. Joan L. Benso, President and CEO.

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