



State Update

Governor's Executive Budget Released

Governor Rendell unveiled his FY 2007-2008 Executive Budget plans before a joint session of the General Assembly on February 6. Overall, the proposed \$27.3 billion spending plan is an ambitious attempt to tackle a great number of issues of importance to Pennsylvania's children and their families. Rendell spoke of improving health care, delivering property tax relief to homeowners, offering a comprehensive transportation funding solution, and expanding education investments. The Governor said that this year's spending plan posed unique challenges as the state faces more cutbacks in federal funding. Budget highlights include:

Education

Governor Rendell devotes \$9.3 billion (or 31.4 percent) to pre-K to 12 education. While the overall general fund budget includes an increase of \$948 million or 3.6 percent, the proposed increase for PK-12 education is \$526 million (6 percent), or 55.5 percent of the overall increase.

The Governor proposes to increase the basic education subsidy by 3.5 percent (to \$4.95 billion) and the special education and career-technical education subsidies by 3 percent each (to \$1.01 billion and \$63 million, respectively). The largest component

of the basic education subsidy increase (\$58 million) is the foundation supplement targeted to low-spending districts that are making reasonable local efforts to support their schools. (*See box on page 2 for more details on the basic education increase.*)

The proposed budget also includes a number of important policy proposals, some of which are new, and some of which expand upon existing state funding efforts.

Early Childhood Education:

The budget includes \$130.9 million in additional funds to support early childhood education:

- \$75 million for a new, targeted pre-K program within the Education Accountability block grant to provide half-day or full-day pre-K services to about 11,000 3- and 4-year-olds. Funds would be distributed through a competitive grant process to school districts, Head Start programs, child care providers, and nursery schools that meet the requirements of the new State Board of Education pre-K regulations. While funds would be available statewide, priority would be given to communities in which at least 30 percent of students qualify for

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free or reduced price lunch or to providers who operate in higher income communities but can demonstrate they will serve a concentration of children at risk of education failure.

- \$25 million of targeted funds within the block grant for districts to expand or begin full-day kindergarten. The goal is to increase from 55 to 65 percent of all kindergartners attending full-day programs which would bring Pennsylvania in line with the national average.
- An increase of \$30.9 million (or 21.75 percent to \$173.1 million) for further growth in the early intervention program for 3- to 5-year-olds with disabilities or developmental delays and to offset reduced federal funds. The Governor also proposes an increase of \$14 million in DPW funding for early intervention for children from birth to age 3 with disabilities or developmental delays.
- In addition, the budget continues state supplemental support for the federal Head Start program at the current rate of \$40 million.

High School Reform:

The budget also includes \$75 million in increased funding for three existing high school reform programs:

- A \$2 million (or 25 percent) increase in funding for dual enrollment programs that underwrite the costs of high school students taking credit-bearing college courses. The additional funding is targeted to serving an additional 3,000 students, especially low-income students. More than 12,000 students in 306 districts and career and technology centers are taking more than 18,300 postsecondary courses in cooperation with 112 postsecondary institutions this year.
- A \$3 million (or 37.5 percent) increase in Project 720, the state's comprehensive high school reform model designed to provide a more rigorous high school curriculum and increased counseling services. The Governor anticipates that the

Proposed Basic Education Subsidy (\$4.951 Billion)

Step 1: Every district (501) receives what it did this year (\$4.789 billion).

Step 2: Every district (501) receives a base supplement based upon its number of students (ADMs) and local wealth (aid ratio). Districts with lower wealth receive more per pupil. (\$48.695 million).

Step 3: Certain districts qualify for one or more of the following eight supplements:

1. Poverty supplement based upon the percentage of students eligible for subsidized meals and local wealth (aid ratio) — 189 districts share \$26 million.
2. Foundation supplement designed to increase resources available in low spending districts that make a reasonable local tax effort. The foundation rate target is \$9,337 per pupil and for districts with high concentrations (50% or more) of low-income students the target rate is 20% higher, or \$11,204. The supplement will not necessarily get districts to these target spending levels but will move them toward them — 169 districts share \$58 million.
3. Tax burden supplement for districts with less than a 10% increase in market value from 2000 to 2005, paid on the basis of ADM and aid ratio (higher payments to districts with more students and fewer local resources) — 34 districts share \$3 million.
4. Growth supplement for districts with growing student populations but without significant increases in market value per pupil — 44 districts share \$2.5 million.
5. Small district assistance for districts with no more than 1,500 students and aid ratios of at least .6000 — 107 districts share \$2.357 million.
6. Limited English proficiency funding for districts with at least 3.5% of their students who are English language learners and aid ratios of at least .3800 — 31 districts will share \$2.7 million.
7. Inflation index supplement so that all districts receive an increase over the current year that is equal to at least 3.4% multiplied by their aid ratios — 262 districts will share \$14.373 million.
8. Minimum increase to assure that every district receives an increase of at least 2% over current year funding — 170 districts will share \$4.552 million.



increase will expand Project 720 to serve an additional 42,000 students in 30 more high schools – in addition to the 115,000 currently being served in 118 schools.

- An increase of \$70 million (or 350 percent) in the Governor's Classrooms of the Future initiative designed to provide "smart classrooms" with 83,000 laptops for students and teachers, whiteboards, cameras, and scanners in an additional 254 high schools. The appropriation also would provide intensive professional development and teacher coaching to an additional 12,100 teachers.
- Although no funding request is attached for 2007-08, the Governor also announced his intention to seek the adoption of specific state graduation requirements in the form of an enhanced state assessment system for high school students.

Health and Nutrition:

The budget includes – as part of the Governor's major health care reform initiative, Prescription for Pennsylvania – enhancements for the school lunch and breakfast program through a new appropriation of \$6.5 million, which would leverage an additional \$23.6 million in federal funds for:

- Expansion of school breakfast programs in districts with at least 20 percent of students now eligible for free and reduced price lunches.
- Higher state reimbursement rates for districts that agree to meet higher nutritional standards for healthy school meals.

Postsecondary Opportunities:

In addition to proposing increases of 3 percent for community colleges, 3.5 percent for the State System of Higher Education, and 2 percent for Penn State, the University of Pittsburgh, Temple, and Lincoln Universities, the Governor also recommends the establishment of two technical college programs in underserved areas of the state at a cost of

\$2 million. He anticipates that this would be the first installment of funding for up to 10 such programs during the next several years. The program would be a joint undertaking of the Departments of Education and Labor & Industry and would encourage partnerships among colleges, universities, career and technical centers, community education councils, and private licensed schools.

Other budget highlights of interest to PPC include:

Child Care – An increase of \$85.7 million in state funding includes \$9.1 million for Keystone STARS. The FY 2007-2008 Executive Budget will modify payment rates to address the recent minimum wage increase, serve 400 more children and their families through subsidies, create tiered reimbursement rates for STAR 2, 3 and 4 programs, provide a cost of living adjustment for the Education & Retention Awards, increase Merit Awards, add an additional 1,219 children in Keystone STARS programs, and take the Infant-Toddler Mental Health Project statewide.

TANF Reauthorization Pool – The proposed budget also includes a separate \$38 million TANF reauthorization pool which is available if demand for child care subsidy program and or transportation supports for TANF or former TANF families exceeds the original budgeted amount as a result of increasing TANF work participation.

Early Intervention – An increase of \$45.5 million to serve 4,250 additional children ages 0-5.

Nurse Family Partnership – An increase of \$889,000 to serve 200 additional families and three additional counties in the Commonwealth.

Revenue – The Governor's 2007-2008 Executive Budget calls for a number of revenue enhancements including: increasing the state sales tax by one percent (a portion of the proceeds would be used to fund property tax cuts); taxing oil companies' gross profits (for mass transit assistance); imposing a new consumption tax on electricity use (to fund new energy programs); increasing municipal solid waste disposal fees by \$2.75 per ton (for hazardous sites



cleanup); imposing a 3 percent payroll tax on employers that do not provide employee health insurance; increasing the cigarette tax by \$0.10 per pack, imposing a new \$0.36 per ounce tax on smokeless tobacco and imposing a \$0.36 cents per pack tax on cigars (all for the Prescription for PA).

Health care – The Governor’s compilation of proposals to make the health care system more efficient – “Prescription for PA” – contains costs and provides more access to health care coverage. A key component of this is Cover All Pennsylvanians, the plan to offer affordable health insurance to small businesses that currently do not offer health insurance to their employees and to the uninsured through the private insurance market. The Governor also proposes to enable nurses, dental hygienists and other licensed health care providers to practice to the fullest extent of their education. The proposal also targets best practices to increase patient safety by avoiding medical errors and to better manage chronic conditions. The plan calls for \$150.9 in state funding in its first year.

The House and Senate Appropriations Committees will hold hearings on the various departmental components of the budget over the course of the next several weeks. The Commonwealth’s current fiscal year expires on June 30, 2007.

Spending Cap Bill Reintroduced

Senators Bob Regola (R-Westmoreland) and Mike Folmer (R-Lebanon) announced plans to re-introduce legislation and a proposed amendment to the Pennsylvania Constitution that would cap state spending. The proposals would limit state spending according to a formula that accounts for inflation, growth of population and change in personal income. A number of key senators, including the Senate President Pro Tempore Joseph Scarnati (R-Jefferson), and Senate Finance Committee Chair Pat Browne (R-Lehigh) expressed support for the proposals.

Imposing artificial curbs on state spending will negatively impact the Commonwealth’s ability to provide services, both existing and new, to our

children. PPC will work to make sure that spending caps are not enacted so the Commonwealth can continue to dedicate adequate and appropriate funding to programs that provide critical services to children and their families.

State Revenue Update

The Department of Revenue reported that the Commonwealth collected \$2.3 billion in general fund revenue in January, which was \$28.2 million, or 1.3 percent above the official estimate. Fiscal year-to-date collections total \$13.7 billion, which is \$95 million, or 0.7 percent above the official estimate.

New Merger Helps people with Disabilities

Pennsylvania Protection & Advocacy, Inc. (PP&A) and the Disabilities Law Project (DLP) have merged to form the Disability Rights Network of Pennsylvania (DRN). DRN will provide the full range of legal, policy, and advocacy services necessary to protect and advance the rights of persons with disabilities.

DRN will provide services through a more focused and efficient organizational structure featuring a single board of directors and a combined staff of more than 50 persons working from offices in Philadelphia, Harrisburg, and Pittsburgh. DRN will also continue to offer all of the legal and advocacy services PP&A and DLP have provided to persons with disabilities for many years, including advice and technical assistance via a toll-free phone number; individual, systemic, and policy advocacy; systemic-impact litigation and other legal services.

More information is available by contacting Ilene Shane, Chief Executive Officer, at 800-692-7443 ext. 302 or Mark Murphy, Legal Director, at 215-238-8070 ext. 209.

Report on Governor’s Commission on College and Career Success

In order for Pennsylvania to compete and thrive in a 21st century economy, it needs a highly-educated and proficient workforce. It’s critical that the Commonwealth take the necessary steps to



ensure that all of its young people have the academic background needed to succeed.

In August 2005, Governor Rendell asked a group of educators, business representatives and educational advocates to come together as the Governor's Commission on College and Career Success to review research and make recommendations to ensure that Pennsylvania's high school graduates are prepared to be the citizens and workers the Commonwealth's economy demands.

The Commission released its final report this month and proposed a series of bold recommendations to transform Pennsylvania's public schools to better prepare students for postsecondary education and 21st century careers. Highlights of the Commission's recommendations include:

- *Requiring all Pennsylvania high school students to demonstrate proficiency on Pennsylvania's academic standards to graduate by scoring proficient or advanced on the 11th grade PSSA or by passing a series of state-developed Graduation Competency Assessments (GCAs). All students should be required to take the GCAs, which would be aligned with the College and Career Essentials that were developed in partnership with the America Diploma Project and vetted with both business and higher education leaders. GCAs would be required in English, mathematics, science and social studies.*

The GCAs should be developed to allow students to display knowledge in multiple forms, be administered as soon as possible after students complete related instruction, and offer students the opportunity to take the assessments multiple times to maximize success. The GCAs can also be a valuable tool for credit recovery and completion for students who have failed to graduate and are returning to complete their high school graduation.

- *Requiring all school districts to record PSSA and GCA scores on all student transcripts and encouraging postsecondary institutions and employers in the commonwealth to use this information for admission, placement and employment.*
- *Developing model curricula for preK through grade 12 in English, mathematics, science and social studies through which students can achieve the academic standards that are aligned with the College and Career Essentials and proceed on tract to demonstrate proficiency on the PSSA and GCAs.*
- *Developing and implementing a student information system that is designed to collect information on student performance from pre-kindergarten through postsecondary. This system is critical to ensure that necessary data is available to make informed policy changes.*
- *Identifying early (no later than sixth grade) those students in danger of falling behind in their academic achievement and providing additional instruction and supports to put them back on track for success.*

This recommendation is based on a 2005 study conducted by Johns Hopkins University and the Philadelphia Education Fund that found that sixth grade attendance, behavior and academic performance are critical early indicators of dropout risk.

- *Redefining and expanding the role of guidance counselors to ensure that all high school students have the academic and career guidance needed to transition successfully into both college and career.*
- *Enhancing existing and establishing new regional alliances of business, high schools, and higher education institutions to collaboratively address locally-specific challenges in preparing students to be college and career ready.*
- *Increasing the number and quality of educational options for high school students to achieve high standards with particular attention to career and*



technical education as a pathway to success. Students learn in very different ways, and aligning students' needs with curricular options is a key element in ensuring that all students complete their high school education ready for college and career.

- *Encouraging economically and educationally disadvantaged students to attend and complete postsecondary education programs. This includes addressing the availability and cost of postsecondary education in Pennsylvania.*
- *Building systems to re-engage dropouts in high-quality programs that yield a high school diploma and lead to college and career success.*

Pennsylvania Partnerships for Children's has convened a diverse, statewide Ready By 21™ coalition to identify and advance a set of youth-centered public policies and programs designed to ensure that all Pennsylvanians youth have equitable access to high quality education and support services that meet their needs and build on their aspirations, that prepare them to earn a family sustaining wage, be active citizens, lifelong learners, and enjoy healthy physical, social, and emotional health. The Coalition is finalizing its own recommendations and is taking the Commission's recommendations into consideration.

Federal Update

Federal Fiscal Year 2007 Federal Budget Update

On January 31, the U.S. House passed a \$463 billion spending measure that would keep the federal government operating through the remainder of the current fiscal year. Under the joint funding resolution, most federal programs would be funded at Federal Fiscal Year (FFY) 2006 levels, with an additional \$16 billion for certain programs, including Head Start (\$103.7 million increase), Pell Grants (\$615.4 million increase) and the new Title I School Improvement Fund (\$125 million for schools that failed to meet NCLB requirements).

The joint funding resolution was approved by a vote of 286 to 140. PA Representatives Altmire, Brady, Carney, Dent, Doyle, English, Fattah, Gerlach, Holden, P. Murphy, T. Murphy, Murtha, Platts, Schwartz, Sestak, and Shuster voted for the joint funding resolution. Representatives Kanjorski, Peterson, and Pitts voted against it.

As previously reported, with the exception of defense and homeland security, the federal government has been operating under a series of continuing resolutions since the beginning of FFY 2007 on October 1, 2006. The Senate is expected to take up the measure before the current continuing resolution expires on February 15. Clearing up the

current fiscal year allows Congress to concentrate on the FFY 2008 budget. According to press reports, the White House has indicated that President Bush will sign the measure.

President Delivers 2008 Budget to Congress

On February 5, the President's proposed budget was sent to Congress. The \$2.9 trillion spending plan for FFY 2008 proposes to cut entitlement spending by \$95.9 billion over the next five years. The cuts in Medicaid and Medicare spending amount to \$78 billion over the next five years. The President's budget calls for a near-freeze in domestic discretionary spending as part of a plan to balance the federal budget by FFY 2012.

Of great concern, the President's proposed budget would: freeze SCHIP baseline funding at about \$5 billion per year for the next five years; add a total of \$5 billion spread out over the course of the next five years; and "re-focus" SCHIP on children in families earning below 200 percent of the Federal Poverty Income Guidelines (FPIG). The President's proposed budget is inadequate for states to maintain current levels of coverage, let alone move forward with advances in coverage, like Pennsylvania's "Cover All Kids" CHIP expansion passed last year.

"Re-focusing" SCHIP on children in families



earning below 200 percent FPIG is troubling. Right now, Pennsylvania is among 16 states that cover children in families earning above 200 percent FPIG. The Commonwealth's CHIP expansion calls for the use of federal SCHIP dollars to help fund coverage for children in families up to 300 percent FPIG. The President's proposal would shift more SCHIP funding responsibilities onto states, and therefore force states to make difficult decisions regarding the scope and content of their SCHIP programs.

Of interest, the President's budget also proposes the following for FFY 2008:

- *Flat-funding discretionary spending under the Child Care and Development Block Grant for the sixth consecutive year. The Administration projects that the number of children assisted will be cut by 300,000 over the next few years;*
- *Cutting Head Start by \$100 million from the amount contained in the FFY 2007 spending measure, described above;*
- *Flat-funding 21st Century Learning Centers;*
- *Cutting the Social Services Block Grant by \$500 million.*

PPC will continue to monitor the federal budget process and strongly advocate for funding important to Pennsylvania children and families

SCHIP Hearing

The U.S. Senate Finance Committee held a public hearing on February 1 titled: "The Future of CHIP: Improving the Health of America's Children." As previously reported, SCHIP is scheduled for reauthorization in 2007. Among those who testified at the hearing was Cindy Mann, Executive Director of the Center for Children and Families, Georgetown University Health Policy Institute. Mann noted that the key issue facing Congress regarding reauthorization will be ensuring that the program receives sufficient federal funding to build upon SCHIP's successful track record. She said that the current level of funding (\$5 billion per year) falls far short of what is needed when measured against

what states are spending now. Mann's testimony can be viewed via the following link:

<http://www.senate.gov/~finance/sitepages/hearing020107.htm>

The hearing was an important first step in building the case for new funding to help states, like Pennsylvania, cover more children through initiatives like "Cover All Kids." PPC is working with a broad Pennsylvania-based coalition of advocates, health care providers, insurers, and others to advocate for meaningful SCHIP reauthorization. The coalition will be conducting a briefing on SCHIP reauthorization for Pennsylvania Congressional staff on February 15.

Line Item Veto Attempt Fails

On a procedural vote on January 24, the U.S. Senate rejected an attempt to attach to the federal minimum wage bill an amendment establishing a line-item veto. Establishing the line-item veto would have upset the balance of power between the executive and legislative branches of the government by granting considerable (budget and other) power to the President.

Some of the more troublesome provisions of the amendment include: allowing the President to hold funding for 45 days, even after Congress overrides a line-item veto; allowing the President to package line-item vetoes in any way (from different pieces of legislation) that he sees fit (this would allow the President to design packages to work to the specific disadvantage of congressional priorities); allowing the President to veto spending in entitlement programs; and granting the President up to one year to exercise the line-item veto on an enacted bill.

In the 109th Congress, PPC joined more than 60 allied Pennsylvania organizations to express our concern over a package of budget process amendments, including the line item veto. We will continue to vigorously oppose the line item veto in the 110th Congress.