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STATE BUDGET WRAP-UP

Welfare Code Changes Impact Early Learning

As part of the state budget agreement, the Senate adopted an amendment to House Bill 960 making significant changes to the Public Welfare Code and sent it to the House for consideration where it easily passed before the legislature recessed for the summer. Now known as [ACT 22 OF 2011](#), the new law gives the Secretary for the Department of Public Welfare (DPW) rule-making authority outside the legislative or regulatory process for the period of one year. The goal of providing the Secretary this authority is to find over \$400 million in savings in Public Assistance programs mandated by the FY 2011-12 state budget.

Through June 30, 2012, DPW will have the authority to establish or modify eligibility and assistance categories, establish or revise provider payment rates, fee schedules and qualifications, and authorize providers to condition the delivery of care or services on the payment of any co-payments. DPW would still be required to maintain eligibility and services as required by maintenance of effort provisions in federal law to be eligible to receive federal funds.

The legislation specifically provides DPW the discretion of increasing co-pays in childcare services on a per child or per family basis on a sliding income scale with a minimum \$5 per week co-pay. Annual co-payments would be capped at eight percent of the family's annual income for families earning 100 percent or less of the Federal Poverty Income Guidelines (FPIG). Co-pays for families earning more than 100 percent of the FPIG would be capped at 11 percent of the family's annual income.



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Omnibus School Code Bill Addresses Variety of Education Issues

Also as part of the FY 2011-12 state budget deal, the legislature passed an omnibus school code bill – now known as [Act 24 of 2011](#) – to, among other things, establish a moratorium on data collection within the early learning system, change superintendent qualifications and professional development requirements, establish alternative certification options for teachers, provide for the distribution of Accountability Block Grants and basic education funding and repeal language specific to the Commonwealth’s funding goal for K-12 education and commitment to adequate state funding.

In 2008, the legislature recognized its “commitment to providing adequate funding that will ensure equitable state and local investments in public education” and that promised to fully fund the then-new basic education subsidy formula by 2013-14. This language was repealed by Act 24. Additionally, the distribution of basic education did not rely on the basic education funding formula utilized by Pennsylvania the previous three years.

With regard to the moratorium on data collection for the early learning systems, DPW and the Department of Education (PDE) must notify program participants of the suspension of data collection through PA’s Enterprise to Link Information for Children Across Network (PELICAN) and the PA Information Management System (PIMS) by August 1, 2011. This would include data collected by the Early Learning Network (ELN) as part of the PELICAN system. The moratorium remains in effect until June 30, 2013.

There are exceptions to the moratorium to provide for state and federally mandated reports to, among other things, provide for the safety of children and the billing and payment of providers. To review, a list of the exceptions, [CLICK HERE](#).

Act 24 also gives the Secretary of Education the authorization to evaluate and approve post baccalaureate certification programs, qualified providers, develop guidelines for approval of such programs and adopt standards. Two alternative certificates were created through this new law – residency and intern – that could be issued by post baccalaureate certification programs. Despite setting new requirements, the approval of alternative certification, Act 24 recognizes the State Board of Education’s recent approval of an alternative certification program created by the Pittsburgh Public Schools and the New Teacher Project. Nothing in the law will impact Pittsburgh’s recently approved program.

Act 24 suspends professional development requirements for teachers until June 30, 2013. This issue was raised during the spring as a strategy to help school districts reduce expenses. The Commonwealth also correspondingly reduced its investment in professional development by almost \$14 million in the state budget agreement. During this suspension period, Legislative Budget and Finance Committee will also conduct a study on the costs and benefits of continuing education. The report is due March 1, 2013.

Professional development requirements that meet the PA School Leadership Standards for candidates seeking superintendent and assistant superintendent positions are not suspended. Persons eligible to serve as either a superintendent or assistant superintendent were expanded under Act 24 to those people who hold a graduate degree from an accredited higher education institution in business or finance and have at least four years of relevant business, finance or management experience.



Industry Partnership Legislation Signed by Governor

Senate Bill 552, a bill that would codify the Commonwealth's Industry Partnerships program and supported by PPC, was unanimously approved by the House and Senate June 30 and signed by the governor.

Now referred to as [ACT 67 OF 2011](#), the law provides that IPs bring together employers in the same industry cluster to identify common workforce needs and then create strategies to address the needs, thereby helping all the employers in that specific industry cluster to succeed, innovate and grow. A key component of the IPs, and an area of particular interest to PPC, is the collaboration to create a pipeline of qualified workers to enter jobs in the industry cluster. Act 67 requires interagency coordination among the Departments of Agriculture, Community and Economic Development, Education and Labor & Industry to support career pathways for students and to coordinate career education in middle, high and career and technical schools. Agencies would be required to collaborate to develop strategies to reduce barriers to employment – including high school dropout; deficient basic skills; homeless, runaway or foster care; pregnant/parenting; offender – to engage all potential workers to meet the industry cluster's workforce needs.

Teacher Evaluation Bill Not Considered Before Summer Recess

Legislation that would improve Pennsylvania's teacher evaluation system, sponsored by Sen. Jeff Piccola (R-Dauphin), did not achieve full consideration by the Senate prior to the summer recess. [SENATE BILL 1087](#) was reported out of the Senate Education Committee in mid-June after a hearing about PDE's efforts to improve the Commonwealth's teacher evaluation system. The bill directs PDE to include student performance as a component of teacher evaluation and to advance a process to develop appropriate measurement tools during the 2011-12 school year. The bill was referred to the Senate Appropriations Committee where it will receive a fiscal note and await consideration until the Senate returns to session in the fall.

School Districts' Taxing Authority Further Limited

Prior to recessing for the summer, the legislature adopted changes to [ACT 1 OF THE SPECIAL SESSION OF 2006](#) that further limit school districts' taxing authority by eliminating many of the referendum exceptions. Governor Corbett made it clear in the last few weeks of June that he would not sign a budget that didn't include companion legislation that addressed the referendum exceptions.

Act 1 is Pennsylvania's most recent effort to address school property tax reform. The law restricts districts from raising taxes above a fixed inflationary index each year. The index is determined annually by PDE. Districts that sought to raise their property taxes above the index had to seek permission from the voters in a referendum or apply to the PDE or the courts for an exception. The new law, [ACT 25 OF 2011](#), retains exceptions for electoral debt and grandfathered debt, special education and pension; although the special education and pension exceptions were modified.

There was a strong push by Senate leadership to retain the exceptions related to construction debt, however, the governor would not budge from his position against retaining the construction exception and Senate leaders could only promise to revisit the issue this fall.



Revenue Update

Pennsylvania collected \$3.2 billion in General Fund revenue in June, which was \$246.1 million, or 8.3 percent, more than anticipated. Fiscal year 2010-11 General Fund collections totaled \$27.5 billion, which is \$785.5 million, or 2.9 percent, above estimate.

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FEDERAL UPDATE

Three Options for National Debt Ceiling Legislation

As negotiations with congressional leaders continue over a deficit reduction proposal, President Obama made it clear he would veto a short-term hike to the debt ceiling. During the negotiations, three options for the size and scope of a package were discussed, according to reports from Capitol Hill.

Speaker John Boehner (R-Ohio) and the president are said to be in agreement on a \$4 trillion deficit-reduction package option. According to sources, Obama thinks Congress should “go big” and pass legislation that will cut into the national debt. House Majority Leader Eric Cantor (R-VA.) and Senate Republican Whip Jon Kyl (AZ.) have indicated their doubt about passage of this package.

The \$4 trillion option is estimated to reduce the deficit to roughly 3 percent of GDP. Several economists believe with this size of reduction the debt could be kept under control, helping to grow the economy longterm.

A second option under consideration would cut spending by \$2 trillion and raise the debt ceiling through calendar year 2012. A group of negotiators led by Vice President Biden had been discussing this option.

Senate Minority Leader Mitch McConnell (R-KY.) and some of his Republican colleagues have suggested a short-term option of a \$1 trillion cut in spending and hike to the debt ceiling. This proposal, supported by neither Obama nor Boehner, would require congressional leaders to vote more than once to raise the debt ceiling before the 2012 election.

Remaining are issues of disagreement surrounding the size of deficit reduction. A deficit-reduction package of \$4 trillion would likely include increased revenue and eliminate some tax breaks. Republicans have indicated their opposition to the elimination of tax breaks and have drawn a hard line against any tax increases as part of a deficit-reduction package.

Also at issue are any potential changes to Social Security and Medicare as a means to reduce the deficit. House Democratic Leader Nancy Pelosi (CA.) has indicated that any Social Security reform must be used to support that existing program. She has also voiced the House Democrats opposition to cuts to Medicare.

Regardless of which legislation package the president and congressional leaders agree to, what remains at risk are cuts to federal Medicaid funding for the states for programs to low-income families including health care and CHIP.

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