



State Update

Gov. Rendell Unveils 2008-09 Budget

Governor Ed Rendell delivered his annual budget address to the General Assembly on February 5. The governor's spending plan for FY 2008-2009 totals \$28.337 billion; this amounts to an increase of 4.2 percent or \$1.131 billion over current fiscal year spending.

Gov. Rendell remarked that despite a slowing economy and numerous states running sizable deficits across the nation, the Commonwealth is in relatively good fiscal health. He projected that Pennsylvania will end the current fiscal year on June 30 with a \$400 million surplus.

In his address, Rendell highlighted an economic stimulus package for low-income working families, infrastructure investments including bridges and roads and his call once again to ensure that Cover All Pennsylvanians and his renewable energy proposals make it through this legislative cycle. (Cover All Pennsylvanians would require a 10-cents per pack increase in the cigarette tax.) However, the governor also touched on education funding inequities and his plan to address the results of the costing-out study released in November 2007.

Following is a summary of the education portion of the governor's budget:

- *The FY 2008/09 budget will include a 5.9 percent increase in basic education funding – or \$291 million – to begin to address the inequities cited in the recent costing-out study. **See more detailed discussion below.***
- *Special Education funding will grow by 3 percent or roughly \$30 million.*
- *The Accountability Block Grant will continue to be funded at \$275 million for school districts to invest in a variety of school improvement efforts, including full-day kindergarten programs, pre-K classes or class size reduction.*
- *Pre-K Counts will grow by 17 percent, or roughly \$12.6 million, enough to fund pre-K for 1,000 more children.*
- *Head Start will continue to be funded at \$40 million for preschool classrooms to serve approximately 5,620 children.*
- *Science, It's Elementary will receive a \$1.5 million increase for a total of \$15 million expanding the program to an additional 6,500 students in 15 new schools.*
- *Dual Enrollment efforts – which allow school districts to enter into agreements with higher education institutions to offer college-level courses and credits to high school students – will grow by \$2 million.*

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Published by Pennsylvania Partnerships for Children, a strong, effective, and trusted voice to improve the health, education, and well-being of the Commonwealth's children. Joan L. Benso, President and CEO.

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- The Education Assistance Program will continue to be funded at \$66 million, but the program will be broadened to allow school districts to use the funds for a range of research-based practices to help improve student achievement.
- Support to assure the high school diploma represents postsecondary education and career readiness for all students with the commitment to develop voluntary, model curriculum and new tools for teachers to identify and help struggling students beginning in the 6th grade.
- The budget will continue to provide \$90 million for Classrooms for the Future initiative to double the number of computers available to students.
- Project 720, the state's high school reform initiative, will continue to be funded at \$11 million.
- The governor proposed a 3 percent increase in funding for the Pennsylvania State System of Higher Education and the Commonwealth's community colleges.

The most significant education proposal was for a revamping of the state's school subsidy system, with a \$291 million initial payment on what the governor referred to as a \$2.6 billion six-year effort. Rendell's proposal is based upon the costing-out study commissioned by the State Board of Education at the General Assembly's direction through Act 114 of 2006. The study grew out of a desire among state officials, educators, and others to understand what it costs for all of our students – no matter where they live – to attain state academic standards and demonstrate proficiency on state reading and math tests by 2014. It was also borne of a concern about the growing gap between high- and low-spending districts and the implications for the quality of education received by students in our lowest spending districts, and for local taxpayers.

The proposed new funding formula includes three steps:

1. **Calculate each district's adequacy target.** This begins with a base cost of \$8,355 per student (the costing-out study's 2005-06 figure of \$8,003 increased by inflation), to which additional resources are added for low-income students and English language learners (the governor proposed keeping a separate appropriation for special education, although the costing-out study suggested additional resources for students with disabilities and gifted students as part of any new funding system). Each district's target is then adjusted to reflect district size and regional cost-of-living variation.
2. **Calculate the state share of each district's adequacy gap.** The difference between each district's adequacy target (step 1) and its actual spending is its "adequacy gap." The state share of the gap is determined by local wealth (the district's aid ratio) and local tax effort. The state share is thus larger for districts with low local wealth per pupil and high tax effort. For 2008-09, Rendell proposed including "transition assistance" to the 36 districts already spending in excess of their adequacy levels and to others that are near those levels, so that all districts will receive state subsidy increases of at least 1.5 percent.
3. **Ensure the use of new resources to improve student achievement.** The governor proposed that any state subsidy increases within the Act 1 inflation index (4.4 percent this year) could be used to offset any increased district costs. At least 80 percent of the state subsidy increases in excess of 4.4 percent would need to be spent to implement or expand a menu of school improvement strategies, including extra time for learning, new and more rigorous courses, teacher training, class size reduction, early childhood education, recruiting the most effective teachers and principals, and performance contracts for administrators. Another 10 percent would be spent to maintain any of those strategies districts



already are implementing, and the final 10 percent could be spent on any proven or promising improvement strategies. Districts receiving more than 4.4 percent increases would have to submit plans to PDE showing how the money would be spent, and those with the lowest achievement (AYP status of warning, improvement, or corrective action), would need to have those plans approved by the Department.

“Gov. Rendell has taken a significant step in reframing the school funding debate so it is focused on providing the resources needed by every student in every district to achieve the state’s academic standards,” said Joan L. Benso, president and CEO of PA Partnerships for Children (PPC). “We absolutely need a multi-year plan and are happy that the governor is proposing one, and we need to analyze the details further to be sure that it gets us to the right goal line. And while we understand that this is a difficult budget year and the governor proposed a generous basic education funding increase, we think the down payment on this reform needs to be greater than the budget proposal offers.”

In related news, the Pennsylvania House passed a resolution last month – HR 460 – to set up a commission that would look at how the state pays for public education. The Joint Legislative Commission on Public School Finance, which still requires Senate approval, would recommend how state government should respond to the costing-out study. HR 460 now moves to the Senate for further consideration.

Join the Pennsylvania School Funding Campaign Today!

There’s no more important investment of public funds than in the education of our children. And, the state has no greater responsibility than to assure that every child has a high-quality public education. But Pennsylvania ranks near the bottom nationally in the state share of spending for public education and is over-reliant on local property taxes as a funding source. The end result is that a child’s education experience varies greatly simply because of where he or she lives. That’s not fair and the time has come to make a change.

[Click here to help ensure an adequate and equitable education for every child in Pennsylvania!](#)

Last year the PA General Assembly commissioned a costing-out study to learn what it costs to educate a child in Pennsylvania regardless of where they live or what their unique learning needs are. The study found a \$4.3 billion gap between what we currently spend and the adequate funding level required to ensure academic success for all students in our state.

Now the time has come to urge state policymakers to act on the costing-out study and to enact the goals of the Pennsylvania School Funding Campaign:

- to implement and fully finance by 2013 a comprehensive, systemic and sustainable education funding plan based on the core principles of adequacy, equity, efficiency, accountability and predictability, and
- to allocate sufficient funds in the 2008/09 budget – at least \$1 billion – to make a significant start toward implementation of a new school funding formula based on the costing-out study.

The Governor’s recent budget address included some important elements of a new funding system along with a suggested \$291 million increase in resources. While the Governor is on the right path, we need to make a bigger step forward and we need your help.

Make adequate and equitable education financing in Pennsylvania a reality!

[Click here to join the Pennsylvania School Funding Campaign and become a voice for high-quality public education for every Pennsylvania child.](#)



Other areas of the governor's 2008/09 budget of interest to PPC include:

Health Care

- The proposed budget funds CHIP with an increase of \$21.6 million to meet increased demand for children's health coverage. Enrollment in the program is projected to reach nearly 185,750 children in 2008-09.

Child Care

- The governor's proposed increase of \$48.8 million for Child Care will provide child care subsidies to working families to help pay child care costs. With the increase, child care assistance will be provided to a projected 235,000 children in FY 2008-2009. Included in the Child Care appropriations would be an increase of \$4.6 million for Keystone STARS to ensure that high-quality early education services and professional development continue to be available through the child care system.

Early Intervention

- Early intervention helps children from birth to age five with disabilities and developmental delays and their families. The governor's budget calls for an increase of \$7.9 million to serve 1,450 more infants and toddlers (32,600 infants and toddlers total) and an increase of \$12 million to serve an additional 1,480 preschoolers (44,900 preschoolers totals).

Nurse Family Partnership

- This program, that helps low-income, first-time parents experience healthy pregnancies, will receive an increase of \$1 million to serve approximately 240 additional families in FY 2008-2009 (more than 4,200 families total).

Family Supports

- Another element of the governor's 2008/09 budget is a proposed rebate of \$400 for the state's poorest families. The rebates would be

distributed to approximately 475,000 low-income working families who qualify for the state's "tax back" tax-forgiveness program.

State Board Passes New Graduation Requirements

The Pennsylvania State Board of Education passed revisions to the state's high school graduation requirements Jan. 17 that would create Graduation Competency Assessments (GCAs) as a means to measure students' achievement of the state academic standards for high school graduation purposes. Other allowable assessments include the PSSA, an independently validated, locally aligned assessment, and Advanced Placement and International Baccalaureate exams. PPC champions GCAs as well as the Board's regulations that feature a comprehensive system of academic supports for districts and students including: model core curricula; mandatory remediation for struggling students; professional development for teachers in content areas; technical assistance for districts to design remediation, tutoring and extended instruction; accommodations and modifications for English language learners and students with disabilities; and, quick turnaround of student scores to enable targeted remediation. Action on many of the key supports also are included in the governor's budget.

Joan Benso, president & CEO of Pennsylvania Partnerships for Children (PPC), testified before the State Board that the Commonwealth needs a consistent common-sense accountability and supports system aligned with the standards that assures every child in every school district is meeting the standards. PPC supports the development of GCAs as a tool to measure the state standards for a number of reasons: GCAs place assessments closer to the point of instruction and create a sense of relevance and progression for students; they present an opportunity to assess more in-depth knowledge and smaller bodies of knowledge at one time. Students would take the GCAs when they complete the relevant coursework and have multiple



opportunities to pass them. GCAs could also be utilized as a valuable credit-recovery tool for dropouts returning to school.

The proposed rulemaking must go through the regulatory review process which includes several opportunities for public comment.

Several newspapers including the *Philadelphia Inquirer*, *Pittsburgh Post-Gazette*, *Harrisburg Patriot-News* and *Allentown Morning Call* editorialized in support of Graduation Competency Assessments. Below is an op ed in support of GCAs by Joan Benso that ran in the *Allentown Morning Call*.

http://www.papartnerships.org/pdfs/news_clip_011508.pdf

PA Revenue Update

The Pennsylvania Department of Revenue reported that the Commonwealth collected \$2.3 billion in general fund revenue in January. This is \$23.7 million or 1 percent more than the official estimate. Fiscal year-to-date collections total \$14 billion, which is \$199.4 million or 1.4 percent above the official estimate.

February General Assembly Session Dates

The House and Senate will be in session on the following remaining days in February: 11, 12, 13 (House only).

PPC Unveils New Youth Agenda



PPC unveiled its new PA Ready@21 youth agenda and logo on its web site Jan. 30. Beginning this year and continuing, PPC will be focused on youth 12-21 helping to ensure smooth transitions for them as they move from middle school to high school, high school to postsecondary education, or high school to career and beyond. PPC believes that all young people in the Commonwealth should have the opportunity to achieve academic success today in

order to build productive and successful lives for themselves and their families of tomorrow.

For updates on the PA Ready@21 initiative, be sure to visit the site at

<http://www.papartnerships.org/readyat21/index.asp>

Education Week Releases its Annual "Quality Counts" Report

Pennsylvania ranks 10th in the nation in education performance and policy, earning an overall grade above the national average, according to the latest "Quality Counts" report released by Education Week.

Education Secretary Gerald L. Zahorchak said in a news release issued by the Department of Education that the grade shows Pennsylvania is making strides in bolstering public education and better preparing its students, but more work remains to ensure all students leave high school with the skills needed to compete in the global economy.

The comprehensive annual report awarded a grade of B- to Pennsylvania, compared to the national grade of C. Pennsylvania outperformed the nation in five of the six grading categories and 14 of the 17 graded criteria. The "Quality Counts" report assessed the states in six areas:

- A **Chance for Success** index which awarded Pennsylvania a grade of B, compared to a national grade of C+. Pennsylvania ranked 10th in the nation in this grading category.
- The **Elementary and Secondary Performance** index uses NAEP scores, graduation data and AP test scores to evaluate the each state's overall achievement and ability to close the poverty gap. In this category Pennsylvania scored a grade of C+, compared to the national grade of D+, obtaining the fifth highest score in the nation in this category.
- The **Transitions and Alignment** index measures the state's ability to align their education system from



early childhood programs through workforce and postsecondary needs. In this area, Pennsylvania earned a B-, compared to the national grade of C and ranked eighth in the nation.

- The **School Finance** index compared equity and spending among states. In this category Pennsylvania was given a B- and the national grade was C+ and ranked 15th nationally.
- The **Teaching Profession** index compared state's teacher licensure requirements, evaluation procedures, salaries and incentives. In this category, Pennsylvania earned a C+, compared to the national grade of C and ranked 15th nationally.
- The **Standards, Assessments and Accountability** index compared the alignment of assessments and accountability policies. In this category Pennsylvania was given a C+ compared to the national grade of B and ranked 32nd nationally.

Child Care Bills Moving through House

The House moved the following bills in January regarding child care services and standards:

HB 324 – requiring the development of a comprehensive plan for child care service was reported out by the House Children and Youth Committee. <http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2007&sind=0&body=H&type=B&BN=0324>

HB 1474 – instituting a statewide zoning standard for home-based child care, (with the exception of Philadelphia) was passed by the House and now moves to the Senate for further consideration. <http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2007&sind=0&body=H&type=B&BN=1474>

CHIP Enrollment Continues to Climb

CHIP enrollment increased .8 percent to 168,377 in February, which is 9.5 percent greater than enrollment in Feb. 2007. Free CHIP was up to 147,646; Reduced-Cost increased to 19,625; and At-Cost was up at 1,016. There are now 7,273 children enrolled in CHIP who would have not been eligible before the Cover All Kids expansion.

Federal Update

President Bush Gives Last State of the Union Address

President Bush used his final State of the Union address to instruct Congress to reauthorize the No Child Left Behind Act and to propose a new program called “Pell Grants for Kids” that would authorize \$300 million for public and private school choice that would provide grants on a competitive basis to states, school districts, cities, and non-profit organizations to create scholarship programs for low-income students in schools that have missed their achievement targets and in high schools in which graduation rates are lower than 60 percent.

President Unveils FY 2009 Budget Proposal

Pres. Bush delivered his \$3.1 billion FFY 2009 budget proposal to Congress Feb. 4. The document calls on Congress to continue significant spending increases for defense and homeland security, but proposes cuts or minimal growth for several domestic discretionary programs. Unfortunately, non-defense domestic discretionary funding – which includes important programs for children and families – grows by 0.3 percent according to budget documents. Upon closer examination, the budget proposal actually cuts these programs by \$2.4



billion when current fiscal year veterans' health care funding that was designated as emergency funding, but was used to meet ongoing needs, is included in the calculation. The president's proposed budget provides some \$15 billion less for these domestic appropriated programs than would be needed just to ensure that funding keeps pace with inflation, thereby decreasing the buying power of federal dollars. Please see the following table for funding of some key programs in the president's budget.

Program	FFY 2008 Actual	President's Proposal for FFY 2009
Head Start	\$6.878 Billion	\$7.027 Billion
21st Century Community Learning Centers	\$1.093 Billion	\$800 Million
Child Care and Development Block Grant	\$2.062 Billion	\$2.062 Billion
LIHEAP	\$2.570 Billion	\$2.0 Billion
Social Services Block Grant	\$1.700 Billion	\$1.200 Billion

According to a budget analysis from the Center on Budget and Policy Priorities (CBPP), the president's proposal falls short in funding SCHIP in FFY 2009 by \$500 million before any other proposals or proposed changes in the program are taken into consideration and as long as funds are perfectly targeted to states that are experiencing shortfalls. Perfect targeting of funds is virtually impossible, which means that the shortfall could be even greater. The proposed funding through FFY 2013 of \$19.7

billion falls short of CBPP's estimate of \$21.5 billion needed to maintain current enrollment. The proposed budget documents include legislative proposals that could lead to the codification of the August 2007 CMS SCHIP Directive and apply it at 200% FPIG, thereby placing the health care of many more children in Pennsylvania in jeopardy.

Congressional reaction to the proposal was mixed. Pennsylvania's Senators Arlen Specter and Robert Casey each indicated that the plan requires substantial work by Congress. Given the mixed reaction, Congressional observers are speculating that Congress may resort to continuing resolutions to keep the federal government operating in the new fiscal year (beginning October 1) rather than try to enact a spending plan that meets the president's approval. Doing so would give Congress and the new president an opportunity to work on the FFY 2009 budget in the next calendar year.

The next step for Congress is to conduct budget hearings. Following the hearings, the Budget Committees of the House and Senate will draft budget bills that set the overall spending levels for government and break the spending down into large categories of funding.

House Fails to Override President's VETO on SCHIP

The U.S. House of Representatives attempted again Jan. 23 to override Pres. Bush's veto of SCHIP reauthorization legislation. But like previous attempts, the vote fell 15 votes short of the amount necessary to override the veto. As previously reported, the president signed legislation into law extending SCHIP through March 2009. The extension will adequately fund SCHIP so that no state should fall into shortfall status.

Congress must still address the August 2007 CMS SCHIP Directive that requires states to clear a number of hurdles in order to utilize federal funds to cover children in families above 250% FPIG beginning in August 2008. The implementation of the CMS



Directive could place the health care coverage of thousands of Pennsylvania children in jeopardy.

Fourteen states, including Pennsylvania, utilize federal funds to help provide coverage to children in families with incomes above 250% FPIG. Ten other states have enacted expansions but have not moved forward with the expansions or have curtailed or otherwise modified expansions due to the CMS Directive. According to an analysis conducted by the Georgetown University Health Policy Institute Center for Children and Families, few if any states will be able to meet the requirements of the CMS Directive.

While Pennsylvania has an efficient and effective CHIP program, it does not meet all of the requirements contained in the CMS Directive. If the CMS Directive remains in effect, the Commonwealth would not be eligible to use federal funds to cover the 3,300 currently-enrolled children above 250% FPIG.

Congress created SCHIP with strong bipartisan support to provide children access to affordable health coverage. Since 1997, the Commonwealth and the federal government have worked in tandem to provide much-needed health coverage to children. The CMS Directive represents a major step backward in this partnership and will have a significant negative impact on CHIP in Pennsylvania and similar programs nationwide.

It is up to Congress to save SCHIP by addressing the CMS Directive and not allowing it to take effect. Time is of the essence – the health care of Pennsylvania’s children and the nation’s children is at stake. In an economic slowdown, such as we are currently experiencing, Pennsylvania’s families will no doubt need CHIP more than ever before.

Stimulating the Economy

Amid growing concerns about the economy, Congress and Pres. Bush worked quickly to negotiate an economic stimulus package. The goal is to infuse funds into the economy and help families weather the economic downturn. House Republican

and Democratic leaders negotiated a stimulus bill with the president. The House approved its stimulus measure Jan. 29 and sent it to the Senate for approval.

The centerpiece of the House stimulus bill is a rebate plan for individuals and families. The bill would not provide the same level of rebates to low-income families that it provides to higher income families. Low and moderate income families with at least \$3,000 in earnings but do not have positive tax liability would receive \$300 if they are a single individual or \$600 if they are a married couple. They would also receive \$300 per child. Higher income families that owe at least \$300 in taxes would receive \$600 if they are a single individual or \$1200 if they are married, and \$300 per child. The rebates would phase down starting at \$75,000 for singles and \$150,000 for married couples.

The Senate developed its own version of stimulus legislation which slightly scaled back the rebates to \$500 for single individuals and \$1,000 for married couples, maintained the \$300 per child, but made the rebates more widely available to low and moderate income families and senior citizens. Importantly all households that qualify for the rebate are entitled to the full rebate amount, as compared to the House version which limits the rebate for low and moderate income individuals and families. The Senate measure also extended unemployment benefits and provided additional LIHEAP assistance. Finally, the Senate measure made it clear that the receipt of rebates by lower income working families would not cause any benefits or assistance under any federal program or state or local program financed with federal funds to be cut – this can be thought of as a “hold harmless” provision.

Both measures also contain provisions targeted to businesses. While the measures contain laudable provisions for individuals and families (the Senate version more so), PPC and its allies at both the state and national levels advocated for additional supports, including temporarily enhancing food stamp benefits and providing both general and



targeted aid to states (in the form of enhanced federal matching funds for Medicaid).

On Feb. 6, the Senate version fell one vote shy of garnering the necessary 60 votes to advance. Fortunately, both Senators Casey and Specter voted in favor of advancing it. Sen. Specter was among a handful of Republicans to vote for the measure. Faced with a lack of votes for its version, the Senate amended the House bill with language expanding eligibility for rebate checks to include low-income seniors, disabled veterans and widows of veterans. The Senate subsequently passed the amended bill by a vote of 81-16. Both Senators Casey and Specter voted for the amendment and passage of the amended bill. The House quickly adopted the Senate-amended bill by a vote of 380-34. All Pennsylvania members of the House voted for the measure. Rep. Joe Pitts was absent and did not cast a vote.

The measure now moves to the president's desk for final action. President Bush has indicated that he will sign the measure into law.