



MEMO

TO: Superintendents of all Pennsylvania School Districts
School Boards of all Pennsylvania School Districts

FROM: Senator Joseph Scarnati, President Pro Tempore *JMS*
Senator Dominic Pileggi, Majority Leader *D*
Senator Jake Corman, Chairman, Appropriations Committee *JC*
Senator Jeffrey Piccola, Chairman, Education Committee *JEP*

DATE: June 2, 2009

RE: Facts on Senate Bill 850

The Senate passed its initial FY 09/10 budget proposal (Senate Bill 850) on May 6. Since passage of this bill, significant misinformation has been spread about its impact. This memo is intended to clear up these points of misinformation.

On March 16, we sent a memo (copy attached) to all public school districts in Pennsylvania advising them of the current state budget shortfall (now estimated at more than \$3 billion) and the resulting uncertainty of final state/federal funding levels that will be appropriated to school districts in the FY 09/10 state budget. The March memo explicitly recommended that districts should budget very cautiously this year and hold the line on spending in order to avoid property tax increases on hard-working Pennsylvanians in this tough economy. Since our March memo, there have been several important developments that need to be communicated and addressed to districts.

Currently, two state budget proposals are being considered in Harrisburg. Governor Rendell's proposed budget would spend federal stimulus dollars for education in a manner that would send the state directly towards the fiscally-disastrous "funding cliff" that the federal government explicitly warns states against when applying the increased federal stimulus funding. Federal regulations for stimulus funds say that states should "invest one-time ARRA funds thoughtfully to minimize the 'funding cliff.' ... These funds should be invested in ways that do not result in unsustainable, continuing commitments after the funding expires."

The Senate's proposal for education funding uses the federal Stabilization Fund dollars responsibly, in a manner that avoids the future "funding cliff" and *stabilizes* the state budget, precisely what these funds were intended to do. It is unfortunate that this responsible approach – the very approach encouraged by the federal government – is being mischaracterized.

Please note that Senate Bill 850 does not cut the Basic Education Subsidy as some have indicated. In fact, Senate Bill 850 level-funds the Basic Education Subsidy and appropriates enough state dollars to meet federal Stabilization Fund "maintenance of effort" requirements.

Senate Bill 850 level-funds the Basic Education Subsidy and maintains the \$1 billion in Special Education Subsidy. Schools across the Commonwealth would nonetheless receive an overall increase in combined state/federal appropriations over last year. This increase is a result of the federal stimulus package providing districts millions of additional funds through Title I, Title II-D and IDEA.

This is a sizeable level of additional funding for districts, especially at a time where most other levels of government, private businesses, and households have seen their budgets decrease in these difficult economic times. District-by-district estimates of funding under Senate Bill 850 can be found online here: <http://www.senatorcorman.com/pages/PDF/2009/SB850-school.pdf>

PDE has claimed that Senate Bill 850 would somehow reduce Pennsylvania's commitment to the Basic Education Subsidy when the federal funds expire. The arguments being forwarded to districts by PDE do not reflect the actions of the Legislature or intent of the Senate when it passed Senate Bill 850.

The misinformation spinning throughout the education community about non-existent cuts is partially the result of the "Costing-Out Study." This study and its findings need to be put into clear context. The study's findings established adequacy targets and suggested a 6-year funding schedule to appropriate more dollars to public education to reach those targets. However, it must be noted that the study's recommendations were referenced in state law only as "goals" to be reviewed, nothing more. The state budget and the enactment of legislation providing for the distribution of the Basic Education Subsidy is an annual process, and considering the state's current \$3 billion revenue shortfall, the study's goals are simply not realistic or feasible this year.

Any argument that Senate Bill 850 does not properly invest in public education is false. Over the past six years, school districts have received approximately a 28 percent increase in the Basic Education Subsidy, well above inflation over that time period and a larger percentage increase than many other lines of the state budget over this time frame.

Some have argued that enactment of Senate Bill 850 would inevitably lead to sizeable school property tax increases at the local level. This argument is illogical since the bill would provide most school districts with hundreds of thousands of dollars in increased state/federal funding over last year.

The increased funds districts would receive under Senate Bill 850, the financial commitments Pennsylvania has made over the past decade to public education and the local tax increases that school boards across the state have enacted over the last few years, should allow districts to make it through this year without additional property tax increases.

We once again stress the message outlined in our earlier memo: "This is a time for every governmental entity including our school districts to hold the line on spending and in fact continue to look for ways to cut spending and avoid tax increases on hard-working Pennsylvania families."

We will remain in close contact with you as the budget process unfolds, believing it is important to have a factual, thoughtful exchange of information. Thank you for your important service to public education in our Commonwealth.