



October 9, 2015

The Senate will return to session on Tuesday, Oct. 13; the House of Representatives is adjourned until Monday, Oct. 19.

STATE BUDGET

Stalemate continues after Governor's budget plan fails

The budget stalemate continues after a vote on Gov. Wolf's latest revenue plan failed in the House of Representatives with a vote of [73-127](#) that fell largely along party lines and short of the 102 votes needed to pass the bill. Following hours of debate, all 118 Republicans voted against the plan along with 9 Democrats, while 73 Democrats supported the measure. Three members did not vote.

The governor's plan, which was introduced on the House floor as an amendment to House Bill 283, included an increase in the personal income tax (PIT) from 3.07% to 3.57% and enacted a gas severance tax of 3.5% plus 4.7 cents per thousand cubic feet. The plan also included an expansion in the existing Property Tax/Rent Rebate program, and an expansion in the eligibility for the tax forgiveness program related to payment of the PIT.

With no agreement on tax increases, pension reform and other key issues, talks are expected to resume next week among Republican and Democratic leaders and staff.

KEY VOTE

PSBA supports removal of its employees from PSERS

This week the House State Government Committee approved [House Bill 1084](#) (Rep. Phillips-Hill, R- York) that removes future employees of the Pennsylvania School Boards Association (PSBA) from participation in the Pennsylvania School Employees' Retirement System (PSERS). PSBA supports House Bill 1084, saying in a letter to the committee: "While this bill does not address the significant problems with the unfunded liability of PSERS, we believe that PSBA must lead through example."

House Bill 1084 was approved by the committee with a vote of [19-8](#). All Republicans voted in favor of the bill, along with three Democrats: Representatives Leslie Acosta (D-Philadelphia), Pamela DeLissio (D-Philadelphia) and Brian Sims (D-Philadelphia). PSBA extends its thanks to Rep. Phillips-Hill for introducing the bill and to those legislators who voted in support of it. [Click here](#) to read an article from *The Patriot-News* on the meeting.



Thank you, Senators Blake, Haywood, Teplitz, Vance and Wozniak

Last week PSBA reported that the Senate Finance Committee narrowly passed [Senate Bill 909](#) (Sen. White, R-Indiana), a bill PSBA strongly opposes that would eliminate the Act 1 index and all the allowed exceptions provided under the law. Under the bill, school districts will be required to seek voter approval for all property tax increases.

Although Senate Bill 909 was passed with a [6-5](#) vote, PSBA would like to thank those school officials who reached out to their legislators seeking opposition to the bill and to especially acknowledge the five senators who voted against it: Senators John Blake (D-Lackawanna), Arthur Haywood (D-Montgomery), Rob Teplitz (D-Dauphin), Patricia Vance (R-Cumberland) and John Wozniak (D-Cambria).

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House Floor Action

Passed by the House

PSERS/SERS Compliance -- [House Bill 1332](#) (Rep. Godshall, R-Montgomery), which amends the Public School Employees' Retirement Code and the State Employees' Retirement Code to make technical changes as required by the Internal Revenue Service (IRS) in order to maintain tax deferred status for current

school district and state employee retirement benefits. Following a review by IRS, SERS and PSERS were provided with technical changes that need to be in place prior to Jan. 31, 2016. Failure to comply with the IRS by that date could result in the loss of tax deferred status for the retirement plans and subject the entire value of each member's account and future contributions to federal taxes. While these changes will not impact the vast majority of current employees, there is the potential for a few employees to encounter minor changes as a result of unusual employment fact patterns, higher salaries, longer work histories, or larger benefits. Additionally, some amendments could impact current enrollees by making changes to the minimum distribution rules and incidental death benefit rules. Likewise, members will no longer be able to select a benefit payment option that defers an unlimited amount of the value of the benefit to a survivor annuitant (for example a 100% survivor annuity)

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State News

Auditor General releases PDE audit, saying academically challenged schools are overlooked

This week state Auditor General Eugene DePasquale announced the findings on his department's audit of the PA Department of Education. The 89-page audit report, which covers July 1, 2010, through Aug. 1, 2015, includes the results of two performance audits of PDE and 30 recommendations for improvement to address four findings:

- PDE failed to provide additional assistance to poor-performing schools,
- The State Board of Education failed to update the master plan for basic education since 1999,
- PDE failed to monitor special advisors and assistants, and
- PDE relied on retired employees to fill critical positions and violated the state employees' retirement code.

When auditors used school performance profile scores for 2013-14, they identified 814 academically challenged schools with scores below 70. Of those, 561 schools received no substantial assistance to improve academic performance. The only schools that received additional academic assistance were a fraction of the schools classified as Title I schools that have a high percentage of students from low-income families. Special assistance for academically challenged schools may include specialized staff, referred to as Academic Recovery Liaisons, who work with school administrators to develop and implement programs tailored to each school. [Click here to read the audit report.](#)

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PSERS investment performance shows low return

This week the Public School Employees' Retirement System (PSERS) reported a return of 3.04% on its investment performance for the fiscal year ended June 30, 2015, lower than the 7.5% assumed return on investments.

In a news release issued by PSERS, Chief Investment Officer James Grossman

commented on the performance, noting that "stocks had their worst quarter since 2011 and so far 2015 has been a challenging year for stocks." He acknowledged the low return environment for investors, including PSERS. "There will be years when PSERS does not meet its earnings assumption and that is to be expected. Our focus remains on maintaining a well-diversified asset allocation that can withstand the volatility in the markets, provide enough liquidity to meet our cash flow obligations (primarily benefit payments), and meet PSERS' earnings assumption over the long-term which the Fund has consistently done," Grossman said.

[Click here to read PSERS' press statement.](#) [Click here to read PSERS investment performance data.](#)

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PSBA News

PSBA presents testimony on tax collection

This week PSBA presented testimony to the House Finance Committee regarding countywide tax collection requirements under [Act 32 of 2008](#), and proposed amendments under [House Bill 245](#) (Rep. Dunbar, R-Westmoreland) and [Senate Bill 356](#) (Sen. Folmer, R- Lebanon) that would make various technical changes to the law. Representing the association was PSBA General Counsel Stuart Knade, who said that the association had provided extensive input into the legislation that became Act 32, and that after the initial implementation phases were experienced, school districts are now familiar with the required processes. Knade said that Act 32 requires a comprehensive review before 2017 that could include recommendations for improvements. He suggested that consideration of specific legislation be deferred until the Act 32 report is released. [Click here to read PSBA's testimony.](#)

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PSBA video explains charter school special ed funding

Pennsylvania's currently formula for funding special education students who attend a charter school is flawed. In 2013-14, charter schools received over \$437 million in special education tuition payments from school districts and reported actual expenditures of \$169 million. Said another way, charter schools received about \$268 million more than was necessary to meet the special education needs of their students. [Click here to see a PSBA video that explains charter schools and special education funding.](#)

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On the Governor's Desk

Signed by the governor

Youth Sports Officials -- [House Bill 315](#) (Rep. Ellis, R-Butler), now **Act 44 of 2015**, amends the Child Labor Act to allow youth as young as 12 to be employed as a "youth sports official" without a work permit. A youth sports official is defined as a minor who enforces the rules and supervises participants in a youth sporting event, including acting as an umpire or referee. The same time and rest

restrictions and requirements that currently apply to 14 and 15 year-old employees under the law will also apply to youth sports officials.

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Headed to the governor's desk

Training for Tax Collectors - The House concurred in Senate amendments to [House Bill 823](#) (Rep. Greiner, R-Lancaster) makes clarifications and revisions to [Act 164 of 2014](#), providing for basic and continuing education requirements for tax collectors, mandatory background checks for tax collector candidates and the appointment of a deputy tax collector. The municipality for which the tax collector was elected must sign off on the deputy, along with the tax collectors bond company, before an appointment is made. The bill now goes to the governor for his action.

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