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HOUSE DEMOCRATIC POLICY COMMITTEE
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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

HOUSE DEMOCRATIC POLICY COMMITTEE HEARING

Topic: State Budget Cuts

**Penn State Fayette, The Eberly Campus – Uniontown, PA
September 13, 2011**

AGENDA

- 2:00 p.m. Welcome and Opening Remarks
- 2:10 p.m. Education Panel:
- Dr. Francis Achampong, Chancellor, Penn State Fayette-The Eberly Campus
 - Dr. Tammy Stern, Superintendent, Connellsville Area School District
 - Jesse Wallace, Superintendent, Laurel Highlands School District
 - Kenneth Meadows, Superintendent, Frazier Area School
 - Dr. Philip Savini, Superintendent, Brownsville Area School District
 - Carl Bezzjak, Superintendent, Albert Gallatin Area School District
- 3:30 p.m. Government and Human Services Panel:
- Andrew Boni, Chairman, Perry Township Board of Supervisors
 - Tom Karpiak, Councilman, City of Connellsville
 - Jeff Landy, Borough Manager, Borough of Mt. Pleasant
 - Steven Handy, Chief Financial Officer, Uniontown Hospital
- 4:50 p.m. Closing Remarks

House Democratic Policy Committee Meeting
September 13, 2011
Community Center – Magerko

Local Impact of 2011-12 State Budget Cuts

INTRODUCTION

- Will speak specifically on impact on higher education
- State-related institutions and PASSHE Cut 19%
- PSU's appropriation cuts \$ 68M (347M to 279M) (19.6% cut)

IMPACT ON CITIZENS OF COMMONWEALTH

- Role of appropriation – make higher education more accessible and affordable to citizens of the Commonwealth.
- Students from out-of-state (OOS) and international venues pay full freight –

Penn State Fayette

| | <u>Lower Division</u> | <u>Upper Division</u> |
|---------------------|-----------------------|-----------------------|
| OOS/International - | \$ 18, 682 (+ 540) | \$ 19, 780 (+ 544) |
| PA Residents - | \$ 12, 242 (+ 300) | \$ 13, 250 (+ 378) |
| Difference = | \$ 6, 440 | \$ 6, 530 |

NOTE: (Special rates apply to Business, Engineering, IST, and Science)

- Impact of Appropriations - \$ 6,500 per in-state student or \$ 6.5 M for 1,000 students.
- Modest tuition increase of 2.9 % to help make up funding gap
- More significant increases in PASSHE schools (7.5%); Pitt (8.5%); Temple (10%)
- Impacts accessibility and affordability – fewer citizens may be able to afford higher education with declining state support
- Tuition increases over past decade at Pitt and PSU 116%; PASSHE 64%. But household income up 24% and cost of living up 27.5% over same decade

IMPACT ON COMMONWEALTH

College graduates make more over lifetime (average lifetime earnings of high school graduate \$1m; \$1.7 for associate degree graduate; \$2.3m for bachelor's degree graduate; \$3.6m for professional degree holders mostly in law and medicine)

- Tax implications for Commonwealth's treasury

- Implications for stimulation of economy through spending
 - Implications for our democracy
- (Probably all reps/senators and congressional delegates from PA are college grads.)

IMPACT ON OUR GLOBAL COMPETITIVENESS

- Implications for global competitiveness of our nation
- Where we rank now (#12 in bachelor's degree completion in industrialized world)
- Where we ranked in 1995 in industrialized world
- Lumina Foundation on Education – need 800,000 more credentials a year to take lead in 2025

IMPACT ON Penn State Fayette (PSF) ACADEMIC PROGRAMS & BUDGET

- Core Council process – finding opportunities for greater efficiencies and new revenue generation.
- Reviewed programs in every college and at every campus
- Programs not fully subscribed (enrollment #s and #s of graduates) being cut.
- PSF – losing four degree programs
- Impact on adult learners – with accumulated credits from other institutions – loss of completion degrees (e.g. OLEAD)
- 2009 -- 23.4% of adults (46,000 adults) in PSF service area – some college but no degree.
- Loss of completion degrees reduces their opportunities to obtain higher education.
- PSU – 2% budget cut across the board with PSF being cut \$123,000
- Finding efficiencies to avoid job loss (20% cut in PSF unit budgets – cumulative 2010-2011) and other measures.

SUMMARY

Cuts impact –

- Access and affordability of higher education
- Commonwealth's tax base/economy
- U.S. global competitiveness
- Adult access to completion degrees that got cut
- Fayette campus budget and operations

My name is Dr. Tammy Stern, and I have been serving as Interim Superintendent for Connellsville Area School District since this past May while performing my duties as Curriculum Supervisor and Director of Federal Programs.

As a result of Governor Tom Corbett's budget as approved by the state lawmakers, Connellsville Area is now receiving \$4,323,929.00 less than last year's allocation. That's an approximate 6.5% decrease, which has affected our ability to offer many invaluable programs for our students, including after school tutoring.

Connellsville Area School District has an aid ratio index of 72%, which is one of the higher ones in the state. We also have over 5,300 students, one of the larger districts in the state, and we are highly dependent on state and federal funding.

This continuous annual uncertainty of what the state is going to do makes it extremely difficult for districts (like our's) to appropriately deal with multi-year contracts for various employee groups and maintain multiple facilities.

I'm not here just to voice concern for loss of revenue but to offer some suggestions which may help school districts cope with the responsibility of educating our children.

- 1. Could the state consider a multi-year state budget?**
- 2. If the state finds it necessary to reduce revenue to district, there should also be a reduction in state mandates to reduce the cost to district at least equal to the loss in revenue. One example would be to cut out the mandate that students may choose a cyber school outside their district. Connellsville Area spent over \$1.6 million for student participation in cyber charter schools. There was a cut of \$265,000 in state funding for this item alone for this year. Cyber schooling is a viable option for some students. However, the district should not have to pay local funding to educate our students outside the district. Local tax payer dollars should stay within the district and pay for public education within the taxpaying district.**

These are only a couple ideas, but there are many other mandates that may be able to be cut to save the taxpayers of our district and state money and provide a better education for our students.

Thank you for your time.

Sincerely,


Tammy R. Stern, Ed.D.

CONNELLSVILLE AREA SCHOOL DISTRICT
 SELECTED STATE AND FEDERAL SUBSIDIES ANALYSIS
 2010-11 TO 2011-12

| <u>FUNCTION</u> | <u>REVENUE</u> | June 28, 2011 | | INCREASE (DECREASE) | July-11 INCREASE (DECREASE) | 2011-12 ADJUSTED INCREASE (DECREASE) |
|-----------------|--|--------------------------------|--------------------------------|------------------------|-----------------------------------|---|
| | | 2010-11 <u>FINAL BUDGET</u> | 2011-12 <u>FINAL BUDGET</u> | | | |
| 7110 | BASIC EDUCATION | 28,013,000 | 27,969,400 | (43,600) | 785,947 | 742,347 |
| 7140 | CHARTER SCHOOLS | 265,000 | - | (265,000) | - | (265,000) |
| 7271 | SPECIAL EDUCATION | 4,465,100 | 4,495,500 | 30,400 | (40) | 30,360 |
| 7291 | EDUCATION ASSISTANCE PROGRAM | 426,400 | - | (426,400) | - | (426,400) |
| 7501 | ACCOUNTABILITY BLOCK GRANT | 1,249,300 | - | (1,249,300) | 460,264 | (789,036) |
| | TOTAL SELECTED STATE SUBSIDIES | 34,418,800 | 32,464,900 | (1,953,900) | 1,246,171 | (707,729) |
| 8701 | ARRA - IDEA PART B | 106,500 | - | (106,500) | - | (106,500) |
| 8708 | ARRA - STATE FISCAL STABILIZATION FUND | 3,509,700 | - | (3,509,700) | - | (3,509,700) |
| | TOTAL SELECTED FEDERAL SUBSIDIES | 3,616,200 | - | (3,616,200) | - | (3,616,200) |
| | TOTAL SELECTED STATE AND FEDERAL SUBSIDIES | 38,035,000 | 32,464,900 | (5,570,100) | 1,246,171 | (4,323,929) |

Budget Summary Report

Revenue

Final 30/09/11
10/12/11

| 09-10 ACTUAL REV UNAUDITED | 10-11 FINAL REVENUE 6/30/10 | 10-11 YTD REVENUES | 11-12 FINAL REVENUE 6/28/11 | 11-12 INC FROM 10-11 FINAL REV |
|--|-----------------------------|--------------------|-----------------------------|--------------------------------|
| 10 Fund 10 | | | | |
| 6000 Revenue From Local Sources | | | | |
| 6111 Current Real Estate Taxes | 11,610,604 | 11,184,449 | 11,239,122 | 0 |
| 6113 Public Utility Realty Tax | 22,796 | 21,642 | 25,000 | 0 |
| 6114 In Lieu Of Taxes - State / Local | 37,411 | 38,806 | 35,000 | 0 |
| 6151 Current Act 511 Earned Income Taxes | 2,393,127 | 1,790,848 | 2,250,000 | 0 |
| 6153 Current Act 511 Deed Transfer Taxes | 197,043 | 136,190 | 200,000 | 0 |
| 6211 Disc On Current Real Estate Taxes | -172,981 | 0 | 0 | 0 |
| 6311 Penalties On Real Estate Taxes | 47,096 | 0 | 0 | 0 |
| 6411 Delinquent Real Estate Taxes | 1,033,678 | 1,305,741 | 1,300,000 | 0 |
| 6510 Interest On Investments & Checking | 19,497 | 5,026 | 24,560 | 81 |
| 6710 Admissions | 116,568 | 132,012 | 135,000 | 0 |
| 6831 Fed Rev From Other Pa Pub Schools | 933,010 | 612,212 | 150,000 | 0 |
| 6832 FEDERAL IDEA REVENUE RECEIVED AS | 0 | 0 | 750,000 | 0 |
| 6910 Rentals | 23,891 | 30,717 | 20,000 | 0 |
| 6920 Cont & Donations From Priv Sources | 137,865 | 5,578 | 20,000 | 0 |
| 6941 Regular Day School Tuition | 221,687 | 0 | 150,000 | 0 |
| 6942 Summer School Tuition | 10,477 | 18,562 | 20,000 | 0 |
| 6990 Miscellaneous Revenue | 44,934 | 508,774 | 75,000 | 0 |
| 6991 Refunds | 1,587 | 1,495 | 0 | 0 |
| 6000 ** Function (R) Sub Total | 16,678,290 | 15,792,052 | 16,393,682 | 81 |
| 7000 Revenue From State Sources | | | | |
| 7110 Equalized Subsidy For Basic Educ. | 26,344,992 | 19,050,316 | 27,969,400 | -43,600 |
| 7140 Charter Schools | 311,716 | 154,613 | 0 | -265,000 |
| 7142 Non-public Transfers | 0 | 38,467 | 0 | 0 |
| 7160 Tuition For Orphans & Foster Child. | 38,533 | 0 | 75,000 | 0 |
| 7210 Homebound Instruction | 0 | 0 | 10,000 | 0 |
| 7271 Spec Ed Funds - School Age Children | 4,526,691 | 3,371,595 | 4,495,500 | 30,400 |
| 7290 Other Program Subsidies | 0 | -37,467 | 0 | 0 |
| 7291 <i>EDUCATION ASSISTANCE PROGRAM</i> | 327,291 | 466,263 | 0 | -426,400 |
| 7310 Transportation (regular & Added) | 3,952,992 | 3,114,686 | 3,900,000 | 0 |
| 7320 Rental And Sinking Fund Payments | 659,489 | 658,138 | 1,100,000 | 0 |
| 7330 Health Services | 105,956 | 104,356 | 115,000 | 0 |
| 7340 Unassigned <i>GAMING REVENUE</i> | 1,462,523 | 1,462,599 | 1,462,518 | -81 |
| 7500 Extra Grants | 36,868 | 0 | 0 | 0 |
| 7501 <i>Accountab. 1.7 Block Grant</i> | 1,249,271 | 1,171,491 | 0 | -1,249,300 |
| 7502 | 9,392 | 28,526 | 0 | 0 |

CASA REVENUE

R-1

Connellsville Area School District
Budget Summary Report

Final Budget used!!

Revenue

| | 09-10 ACTUAL REV UNAUDITED | 10-11 FINAL REVENUE 6/30/10 | 10-11 YTD REVENUES | 11-12 FINAL REVENUE 6/28/11 | 11-12 INC FROM 10-11 FINAL REV |
|--|----------------------------|-----------------------------|--------------------|-----------------------------|--------------------------------|
| 10 Fund 10 | | | | | |
| 7000 Revenue From State Sources | | | | | |
| 7810 State Share Of Social Security | 1,153,315 | 1,134,800 | 1,126,739 | 1,160,700 | 25,900 |
| 7820 State Share Of Retirement | 612,389 | 1,213,900 | 533,593 | 1,306,800 | 92,900 |
| 7000 ** Function (R) Sub Total | 40,791,418 | 43,430,099 | 31,243,915 | 41,594,918 | -1,835,181 |
| 8000 Revenue From Federal Sources | | | | | |
| 8390 Other Restr Grants Dir From Fed | 59,124 | 0 | 62,767 | 0 | 0 |
| 8514 Esea, Title I | 2,043,669 | 2,400,000 | 0 | 2,400,000 | 0 |
| 8515 Idea | 487,445 | 505,300 | 0 | 505,300 | 0 |
| 8517 Capital Expenses, Title I | 27,863 | 30,000 | 0 | 30,000 | 0 |
| 8518 Federal Funds For Public Charter | 0 | 9,600 | 0 | 9,600 | 0 |
| 8701 ARRA - IDEA PART B | 0 | 106,500 | 0 | 0 | -106,500 |
| 8703 ARRA-TITLE I, PART A & B | 1,420,471 | 0 | 0 | 0 | 0 |
| 8708 ARRA - STATE FISCAL STABILIZATION | 1,772,202 | 3,509,700 | 2,942,886 | 0 | -3,509,700 |
| 8810 Medical Assistance (access) | 3,491 | 300,000 | 1,021,908 | 300,000 | 0 |
| 8800 ** Function (R) Sub Total | 5,814,265 | 6,861,100 | 4,027,561 | 3,244,900 | -3,616,200 |
| 9000 Other Financing Sources | | | | | |
| 9400 Comp For Loss Of Fixed Assets | 6,838 | 0 | 0 | 0 | 0 |
| 9000 Sub Total | 6,838 | 0 | 0 | 0 | 0 |
| 10 Sub Total | 63,290,811 | 66,684,800 | 51,063,528 | 61,233,500 | -5,451,300 |
| Report Totals | 63,290,811 | 66,684,800 | 51,063,528 | 61,233,500 | -5,451,300 |

*ADD: 55 25,900
RET 92,900
COMM (81)
(5,520/100)*

*9/18/11
8/17/11
July '11
Funds
1,246,171
4,333,929*

2011-2012 VARIOUS STATE SUBSIDY COMPARISONS

DIFFERENCE FROM CASD BUDGET

| <u>FUNCTION</u> | <u>TYPE OF SUBSIDY</u> | 2011-2012 FINAL BUDGETED AMOUNT | July 2011 Revised PDE AMOUNT | DOLLAR AMOUNT OVER/(UNDER) BUDGET | PERCENTAGE AMOUNT GAINED/(LOSS) FROM BUDGET |
|-----------------|------------------------|--|---------------------------------------|--|--|
| 7110 | BASIC EDUCATION | \$ 27,969,400 | \$ 28,755,347 | \$ 785,947 | 2.810% |
| 7501 | ACCOUNTABILITY BLOCK | - | 460,264 | 460,264 | #DIV/0! |
| 7271 | SPECIAL EDUCATION | 4,495,500 | 4,495,460 | (40) | -0.001% |
| TOTAL | | \$ 32,464,900 | \$ 33,711,071 | \$ 1,246,171 | 3.839% |



Laurel Highlands School District

304 Bailey Avenue, Uniontown, Pennsylvania 15401
(724) 437-2821 Fax (724) 437-8929 www.lhsd.org



Jesse T. Wallace, III, M.Ed.
Superintendent

Gregory S. Hensh, C.P.A.
Business Manager

Lori DiCenzo, M.S.
*Acting Director of Special Education
and Pupil Personnel Services*

Randy L. Miller, M.Ed.
Director of Curriculum

Jessica Scott, M.Ed.
*Director of Federal
Programs/ Data Analyst*

Richard Barron
*Chief of Police/Security
Attendance Officer/Discipline Review*

Zachary Just
PIMS Coordinator

Craig McKee
*Supervisor of Buildings &
Grounds*

Gerald Lofstead, M.A.
Food Service Director

September 1, 2011

Ms. Debra Kula, State Representative
1251 University Drive
Dunbar PA, 15431

Representative Kula:

Please find below testimony regarding the effects of current and future State budget cuts to the Laurel Highlands School District and public education sector:

- Drastic decrease in district technology funding, therefore producing negative affects upon the Laurel Highlands School District to effectively deliver a 21st Century education (i.e.: classroom computers, interactive white boards, clicker response systems, projectors, ipads, etc.) large class sizes have developed due to the cuts, therefore increasing the need for more computers without adequate funds to meet growing needs.
- Decreasing the ability of the LH district to provide student programs. For example, after school tutoring, transportation for after school tutoring, summer school, various after school programs such as Quiz Team and athletics.
- Decreases the ability of the LH district to effectively train and offer relevant in-service and professional development opportunities for school staff. Consequently diminishing the ability of the district offer a quality educational vehicle.
- Forces the district to utilize numerous grant streams of finance to subsidize decreased funding; therefore, disallowing sustainable programs proven to be effective into the future (once the funding runs out the program and associated personnel are terminated as well).
- Textbook adoption cycle had to be put on hold for at least one year and old copyright resources remain in the hands of students.
- Library/Media centers learning resources are not able to be sustained, diminishing our ability to promote literacy district-wide.
- State and Federal grants have been cut which in the past assisted in affording school districts options to supplement funding and/or district needs.
- Teaching staff have/will continue to be cut resulting in larger class size and fewer regular and elective course options. We want to develop a well-rounded and knowledgeable student who will be prepared for our ever-changing global society.
- Budget increases in Pre-K funding streams will produce a learning gap when coupled with cuts in the kindergarten general education program.

- Technology growth is stalled in the education realm while progressing in the world around us.
- Project based (hands on) activities are eliminated due to costs, hampering differentiated learning avenues.
- Lack of funding decreases the ability to initiate cross-curricular learning activities.
- At-risk students loose guidance resources due streamlined programs.
- Economics have resulted in cutting our inclusion program, therefore diminishing our ability to effectively provide a Least Restrictive Environment (LRE) to learning support students.
- Eliminated progress monitoring aides, a social worker and psychologist from our staff. All are vital in increasing instructional time with students.
- Negative impact on moral and rapport with staff, parents, and community members as they are blaming school districts for all of the above items listed.

Respectfully,

Jesse T. Wallace, III
Superintendent

Frazier School District 2011-2012 Budget Highlights

Original proposed budget was a reduction in revenue in the amount of \$956,000 on a \$14.5 million budget.

Final budget passed was a total reduction in revenue in the amount of \$471,000

As a result:

- Two (2) Faculty positions were eliminated
 - High School Guidance Counselor
 - Elementary Title One Teacher
- One (1) Administrative position
 - Curriculum Coordinator
- Elimination of \$137,000 reserve for renovations at the Elementary Buildings
- Elimination of \$80,000 reserve for the Pre-K program once the grant funding is eliminated
- Elimination of the Videoconferencing program (which was very successful in the elementary buildings).
- Elimination of the contractual services for the Artist in Residence program (currently have no Art Teacher in the Elementary buildings).
- Elimination of all conference requests that are not State mandated by all district employees.
- Student Planners district wide were eliminated
- Reduced our supply order by 50%

**Uniontown Area School District
2011-2012 Budget Highlights**

Expenditures: Reduced @ 3,300,000

| | | |
|---|---|----------------|
| * | Closed Kindergarten Center saving Saving Custodian, Part Time Cleaner, & Secretary Position | \$93,000.00 |
| * | 17 Teachers retired through an early retirement incentive with no replacement estimated savings | \$1,347,290.00 |
| * | 3 Administrative Positions not replaced saving @ Athletic Director, Federal Programs Coordinator, Principal | \$200,000.00 |
| * | Elimination of Central Office Secretarial Position saving @ | \$45,000.00 |
| * | 2 Teaching Positions resigned - not replaced savings @ | \$114,228.00 |
| * | 2 Teaching positions furloughed Math & ISS saved @ | \$100,000.00 |
| * | 2 Custodial Positions eliminated saving @ | \$80,000.00 |
| * | Elimination of Middle/High School Extra Duty/Athletic Positions and Athletic Programs. Ex: Saturday Detention, Sponsor Clubs, etc. Reduction to Middle School Football, Basketball, and other athletic programs saving @ | \$123,700.00 |
| * | Eliminated Band Camp Transportation saving @ | \$4,000.00 |
| * | Eliminated Student Field Trips saving @ | \$6,900.00 |
| * | Eliminated All Equipment Purchases saving @ | \$105,000.00 |
| * | Reduced Books and Supplies purchased saving @ | \$121,000.00 |
| * | Refinanced Debt Service saving @ | \$1,000,000.00 |

Revenues:

| | | |
|---|---|----------------|
| * | Stimulus Funds Not replaced Basic Ed & IDEA | \$2,300,000.00 |
|---|---|----------------|

Budget Assistance Help:

| | | |
|---|---|----------------|
| * | Sold Local Delinquent Real Estate Taxes to increase cash flow | \$1,000,000.00 |
| * | State did reinstate Basic Ed increase of | \$570,000.00 |
| * | Medical Benefit rates were frozen at 10-11 levels | |

2011-2012 Overall Change in Budget Amount

| | | |
|---|---|-----------------|
| * | Overall Budget Decrease from 10-11 by 3.63% | |
| | 2010-2011 Budget | \$40,894,025.00 |
| | 2011-2012 Budget | \$39,409,400.00 |
| | Budget Decrease over Previous | -\$1,484,625.00 |

PDE Exceptions Approved:

Uniontown Area did apply for an was approved to allow millage to increase up to 3.82 in millage for exceptions, no millage was increased for the 2011-2012 budget year. (\$3,540,638.00)

**Philip J. Savini, Jr., Ph. D., Superintendent of Schools, Brownsville Area School District
9/13/11 House Democratic Policy Committee Hearing**

September 6, 2011

The Brownsville Area School District is one of the poorest school districts of its size in the Commonwealth of Pennsylvania, with a 67% poverty level corresponding with a 20% special needs population. This information alone tells us that the funds that were cut are having an impact on our students.

In the past 2 ½ years since I have been Superintendent, we have turned a negative fund balance into a positive fund balance. This has helped us to maintain the current programs. However, with the budget cuts at the state level, this has forced us to practically deplete our funds (including budgetary reserves).

Current state and federal mandates such as Special Needs, Pre-K, funding to Cyber and Charter Schools, along with the budget cuts, has forced the district to eliminate or minimize supplies and services both academically and extra curricular. Funds that we would have used to prepare our students for the PSSA has declined while PDE and/or state legislators have shortened the time schools have to prepare for the tests. Initially the tests were taken in May - were then scheduled in late April, then early April and now March. This is an action both financially and academically by the State to force schools to fail.

I want to commend my teaching staff in that this is the second year they have been working without a contract and have volunteered for summer programs without compensation.

I would also like to commend the parents in our community. Many of the Booster clubs and PTO's have been willing to assist the school where they can. Parents shouldn't have to pay twice through their taxes and fundraising.

I do believe that school districts must spend smart - and I know we have, but the state legislators have forced a poor school district to deplete their fund balance. Where will funds come from if special needs students require specialized equipment, or students are in need of new text books(which we have cut back), or if a safety or maintenance issue arises within the school buildings.

Please keep us in mind, the business of education must have the flexibility to teach to the individual while based on academic criteria that does not allow flexibility. The financial aspects that are given to districts to initiate new programs and then taken away not only put a burden on the district and taxpayers but also on the student.

Sincerely,

Philip J. Savini, Jr., Ph. D.
Superintendent of Schools
Brownsville Area School District
724-785-2021 extension 209

Testimony of Carl Bezjak, Superintendent, Albert Gallatin Area School District
“In Defense of the Public Schools”
9/13/11 House Democratic Policy Committee Hearing

I would like to start by thanking you for inviting me and let say that I am a staunch advocate of our public schools.

The public schools have played a significant role in the development of America. In the early part of the 20th century America received millions of immigrants from many different countries. They came with different languages, religions, and customs. Subsequently they and their children entered our public schools.

Our public schools educated them and molded them into American citizens and therefore into a unified great nation.

America fought and won two great wars – WW I and WW II – and our unified citizenry entered the workforce and created unprecedented prosperity in our nation. The world had never seen the high standard of living that occurred in America.

At the present time our schools are facing formidable challenges. After WW II, America has endured significant social change and social problems. And we must remember society dumps its problems on the steps of our public schools.

The public schools must accept all and for some children, we are the only bright light in their lives. For some kids we are the only source for hope and inspiration. Please remember we not only teach arithmetic, we teach kids. Heaven helps this state and this nation if the public schools go down. Do we have formidable challenges? Of course, we do, but we face them with energy and a positive attitude.

Albert Gallatin is a large school district. We encompass 144 square miles. Our borders extend geographically from the West Virginia line north to South Union Township and from the mountains on the east to the Mon River on the west.

Educators agree that students with disabilities and students reared in poverty are a special challenge. And please remember that Fayette County has been classified as the third poorest county in our state. In Albert Gallatin, 19% of our students receive special education services and 66% receive subsidized breakfasts/lunches. Also remember student with disabilities require extra certificated personnel and please note that many kids from poverty are not on the same educational level as other when they first enter school. Therefore, we must remediate them to close the critical gap in their background.

Unseen by most are the many state-mandated specialist that school districts need for the physically and emotionally handicapped students. Add in the homebound instructors plus extra transportation we must supply for a variety of afflicted students. The schools of 2011 are not the schools of the 1940s and 1950s. And please remember inflation affects our costs and many times we are not compensated for these increased costs. As a matter of fact, Albert Gallatin’s state allocation was reduced by \$2.4 and we need these specialized, certificated personnel for the physically and emotionally disabled and poverty afflicted students.

Funding Lost and Programs Affected:

Funding for ABG (\$864,223) and EAP (\$260,680) grants eliminated in the state budget. Results in total loss of \$1,124,903 of state funding based on 10-11 figures.

Partial funding for ABG restored (\$339,542) and represents a \$524,681 **decrease** from the 2010-2011 allocation.

Accountability Block Grant (ABG) – Has paid for full day Kindergarten positions in the AG School District since its inception. If funding is not restored, full day Kindergarten may be eliminated.

Education Assistance Program (EAP) – Was used to fund tutoring positions that provided non-proficient students with academic support and assistance. Albert Gallatin no longer has tutors available in our schools.

***Total Summary of Cuts:**

| | 2010-2011 Actual | 2011-2012 Budget | Decrease In Dollars | Percentage Decrease |
|--------------------------------|-----------------------------|-----------------------------|--------------------------------|--------------------------------|
| Basic Education Subsidy | 23,515,293.00 | 22,118,944.00 | (1,396,349.00) | 6.0000% |
| Charter Schools | 201,928.00 | 0.00 | (201,928.00) | 100.0000% |
| Educational Assistance Program | 262,144.00 | 0.00 | (262,144.00) | 100.0000% |
| PA Accountability Grants | 864,223.00 | 339,542.00 | (524,681.00) | 61.0000% |
| Dual Enrollment | 13,990.00 | 0.00 | (13,990.00) | 100.0000% |
| Totals | 24,857,578.00 | 22,458,486.00 | (2,399,092.00) | 10.0000% |

The public schools are a good value for the costs. Ignorance that accompanies an uneducated citizenry is much more expensive than schools. Just check the cost to the state for one prisoner for one year. Schools are a much better bargain. However, what does our governor do? He drastically cuts funding for the public schools. And please remember that before these drastic cuts Pennsylvania’s support lagged behind the national average. Again, prior to the cuts, the national average state support of local school budgets was approximately 45% while Pennsylvania’s contributed about 35% for local budgets.

However, overall Albert Gallatin’s grads have fared quite well. We have a number of physicians, pharmacists, attorneys, engineers, college professors and a variety of professionals among our graduates.

Perhaps with vouchers, finances for public schools will be adversely affected. Please remember not all private schools are equal. Some do the job and some don’t. Also note, that private schools escape state scrutinization since they are not subject to state testing. In other states, some private schools were found to be expensive failures. Futhermore remember, the public schools must accept all while the private schools can be exclusive in their admittance policies.

I would also like to point out that more than three-quarters of Pennsylvania’s students achieved proficiency in math in the last school year, up from 57.6 percent in 2005; and nearly three-quarters achieved proficiency in reading, up from 65.6 percent over the same time period. In fact, scores on the latest Pennsylvania System of School Assessment tests rose for all grade levels and at all levels of achievement. The national Center of

Education Policy lauded the advances as a singular accomplishment, citing Pennsylvania in 2009 as “the only state with rising test scores across the board.”

Not surprisingly, the gains coincided with increased in state support as well as a change that apportioned the state’s basic education subsidies to help level the playing field for poorer districts.

It would be tragic to withdraw resources that our schools have put toward so much progress when there’s still so much more progress needed. Few districts can hold onto these gains, much less push further ahead, without the funding that Mr. Corbett plans to eliminate. Many, particularly in poorer communities, would fall backward.

Our administrators and teachers and staff work very hard to be positive and to help each student reach his/her full potential – and the job is not easy. I extend an invitation to our governor and to any state legislator to serve one day as a principal or teacher – come experience the difficult challenges public school people face daily. These people earn every penny that are paid.

In closing, I live and pay taxes in the district that I serve and please note my children attend my school district – and that is a blatant sign that I believe in the fine quality of the Albert Gallatin School District.

Sincerely,
Carl Bezjak
Superintendent
Albert Gallatin Area School District

Chairman Sturla and members of the House Democratic Policy Committee:

Good afternoon. My name is Andrew J. Boni, township supervisor for Perry Township, Fayette County and Executive Board member for the Pennsylvania State Association of Township Supervisors. We are a non-profit and non-partisan association appearing before you today on behalf of the 1,455 townships in Pennsylvania. Thank you for this opportunity to participate today and thanks to Representative Kula for the invitation to testify.

Townships comprise 95 percent of the commonwealth's land area and are home to more than 5.5 million Pennsylvanians — nearly 44 percent of the state's population. These townships are very diverse, ranging from rural communities with fewer than 200 residents to more populated communities with populations approaching 60,000 residents.

The Association strongly believes that local and state government are partners in the delivery of critical services – among them, transportation, environmental protection, and public safety. We believe that there is a need to rebuild and forge a stronger partnership between local and state government. In recent years, local government has been frequently viewed as a special interest, rather than an equal in providing public service. This has been especially true during budget debates, where funding for many local government programs and services has been decreased.

For instance, since the 2008-09 budget, spending for the Department of Community and Economic Development's Shared Municipal Services Program, which promotes multimunicipal cooperation, was cut from \$2.37 million to \$476,000, while funding for the Land Use Technical Assistance Program, which helps fund sound land use planning, was reduced from \$4.17 million to \$357,000. We do acknowledge and appreciate that in the 2011-2012 budget, these programs were combined with the Floodplain Management Program and received a small *increase* compared to 2010-2011.

While the overall decreases in these programs have seen valuable funding opportunities for townships reduced, they remain optional. In contrast, the Department of Environmental Protection's Sewage Facilities Planning and Enforcement Grant programs, which townships rely on to administer and enforce the commonwealth's sewage laws, have decreased by more than \$2 million since 2008-09. These laws ensure that septic systems are appropriately sited and function properly, an important part of providing a safe water supply in our commonwealth. As funding decreases, townships are faced with an unfunded mandate. Without funding, townships are forced to pass along the costs of this mandatory program onto applicants and taxpayers.

In addition, DEP has recently decided to eliminate funding for required continuing education training for sewage enforcement officers, who administer and enforce our sewage laws. Previously, mandatory training was provided free of charge to the SEOs. Now SEOs and the local governments they serve will be required to pick up these costs as training will now be provided through third party vendors.

Another example is municipal police training through the Pennsylvania State Police, which has decreased by more than \$3 million since 2008-09. This program ensures that our law enforcement officers have a critical level of training. However, without funding, the costs of this mandatory program will be passed along to local taxpayers. In addition, the Municipal Recycling grant programs have been reduced in recent years, and this funding is essential for the continuation of our recycling because it is not self-sufficient.

However, we are not here today just to complain about budget issues. We realize that times are hard and difficult choices must be made. As township supervisors, we face the same choices and the last thing that we want to do is raise taxes on our residents, particularly when many are struggling.

Rather than look for a hand out from the state, we need a hand up in the shape of common sense reforms – those that would reduce unfunded mandates on our communities. These are simple measures that lawmakers can enact that will cost the commonwealth little, if anything, while helping townships make better use of scarce revenues and avoid property tax increases while rolling back unfunded mandates.

These include:

* **Increase the threshold for bidding limits:** This spring, the House took a major step towards providing mandate relief when it approved a package of bills that would increase the mandatory bidding limits for all local governments for purchases of \$10,000 or more to those that are \$25,000 or more. This legislation also includes an annual cost-of-living increase, which would help local government's buying power stay current. We sincerely thank you for taking this step, which, if approved by the Senate, will help with much-needed financial relief and make the procurement process more affordable.

* **Expand townships' advertising options:** We ask you to allow townships to also place legal ads on websites or in mass-circulation, community newspapers. Expanding our options beyond general-circulation newspapers will help townships reach a wider audience, while helping to reduce advertising costs by spurring competition.

* **Exempt paving from the prevailing wage:** PSATS is asking lawmakers to provide townships with relief from the Prevailing Wage Act, which inflates the labor costs for public works projects, by increasing the current threshold of \$25,000 which has remained the same since 1963. At a minimum, the Association would like the legislature to eliminate the costly requirement that paving projects comply with this act, which could save local governments an estimated \$300 million if all paved local roads received a fresh coat of blacktop.

* **End unfunded mandates:** Unfunded state and federal mandates are crippling municipalities statewide, and we need your help to restore common sense. For instance, the U.S. Environmental Protection Agency has been ordering expensive upgrades to stormwater and sewer systems regardless of the significant costs to communities and the often minimal benefit to the environment. We believe that legislation is needed at the

state and federal level to guarantee that adequate funding is provided for any mandates imposed on local governments.

In closing, we all have tough challenges in front of us. However, by working together and forging a stronger partnership, local and state government can better serve our shared constituency, the people of Pennsylvania.

I would like to thank Representative Deberah Kula and the Pennsylvania House of Representatives for inviting me to speak at this House Democratic Policy Committee Hearing.

I am here representing small boroughs from the point of view of a borough manager. I have been the borough manager of Mount Pleasant in Westmoreland County since July 2005. The current economic climate has not made it the best time to be the manager of a borough.

Mount Pleasant was founded in 1828. The 2010 census shows the population of Mount Pleasant to be 4,454. Like most small communities, Mount Pleasant grew in the early 1900's and has remained fully developed since 1970. The infrastructure of the Borough is very old, especially the water and sewer lines which were installed in the 1950's. We also have overhead telephone lines and any alterations must be retrofitted by engineers, which is much more costly than starting new. Currently the land within the Borough is 95% developed and new development is limited. Any development other than the 5% that is available must begin with demolition and then retrofitted by engineers which, again, is costly.

When the question was asked of me "How have the budget cuts affected the Borough of Mount Pleasant?" I answered, "It really hasn't had much of an affect at this point in time". And then I thought "What a shame". It points to the fact that the state probably hasn't really supported boroughs our size in Southwestern Pennsylvania.

Mount Pleasant is considered to have a vibrant downtown, with many businesses and plenty of Main Street traffic. But the problems these businesses are facing have shown some concerning trends. Businesses that have been family owned for decades are closing, leading to deterioration of the building. There have been no new and exciting retail businesses opening to spark the interest of visitors to shop on Main Street.

On the other hand, boroughs are expected to provide many services such as Fire and Police Departments. Mount Pleasant considers these services a great value to the Borough. But the Police Department uses 30% of the yearly budget. The Fire Department is an all-volunteer service and the Borough supports them the best they can. Continuing to provide a Fire Department will become a critical problem if we continue to loose volunteers.

Boroughs are run by a small administrative staff and a Council formed by citizens who are paid very little for their efforts. To effectively operate a borough with the current money constraints we are faced with takes much more time than some council members can give. With the scrutiny of the media, and limited resources, civic involvement is becoming difficult to recruit.

47% of the Borough's yearly income is from property taxes and 30% comes from earned income tax, totaling 77% of the budget income.

In small boroughs, having a grant writer is a luxury that is hard to budget. The state offers grants, but the grant process is not user-friendly to the degree that you might wonder whether it is done purposely to limit the number of grants awarded. Under this new administration the D.C.E.D. is undergoing changes. Recently the Borough of Mount Pleasant, along with two other municipalities met with state officials. Those officials were hard pressed to give us the information or parameters to apply for new Keystone grants. Many grants rely on comprehensive plans as part of the proposal. These comprehensive plans cost approximately \$75,000 to \$150,000 to prepare. The plans are developed to include the entire municipality and are seldom followed through entirely. The money used to prepare a costly comprehensive plan could be better used for actual needs in the Borough.

I am not one to discuss the problem without having some suggestions for a solution.

1. The state should mandate school districts, fire and police departments. The local officials are too close to the public to act on these issues.
2. Building codes for restoring structures built before 1980 need to be enforced. Sometimes it is financially prohibited.
3. The state needs to provide creative assistance to boroughs with engineering and planning issues.
4. The municipality could utilize college research and engineering departments.
5. Use casino money that the state is getting and allot to more municipalities.
6. Encourage tourist attractions to come to Southwestern Pennsylvania. Look what Disney and Universal Resorts have done for the underdeveloped Central Florida area.
7. Finally, develop a marketing board made up of government officials, business owners guided by a professional forum.

As you can see, many of my solutions do not involve throwing money at our problems because if a borough doesn't have vision or a plan then the money may be wasted. Legislators should visit their municipalities, see the issues and discuss the officials' plan. I believe that just reading grant proposals, scoring them with a point system to receive money is not the best solution.

In closing I would once again like to thank you for the opportunity to speak to you about the problems facing small boroughs in Pennsylvania. By working together we can find solutions to many of these issues and preserve the way of life our citizens and your constituents cherish.

House Democratic Policy Committee
Budget Hearings on Tuesday, September 13, 2011
Uniontown Hospital Testimony

Good afternoon, my name is Steven Handy. I am Sr. Vice President and Chief Financial Officer of Uniontown Hospital and Fayette Regional Health System. I appreciate the opportunity to address the Democratic Policy Committee.

Disproportionate Challenges

Uniontown Hospital is the largest employer in Fayette County with approximately 1400 employees working at both the Hospital as well as related organizations. As with most hospitals, we are also a significant economic force in the County supporting many other businesses and activities including the offices and staffs of over 100 physicians practicing in the area. The organization has worked very hard over past years to provide up-to-date high quality services to residents of the County and surrounding communities. This has been unusually difficult because of the challenging economic environment in Fayette County. Fayette County has lagged the region in many economic benchmarks including individual and household income and percentage of patients eligible for government assistance programs. As a consequence, the Hospital is much more reliant on Medical Assistance payments than other organizations across the commonwealth to support access to care in the region.

Payments differ tremendously between private insurance, Medicare and Medical Assistance. The more reliant you are on treating patients with Medical Assistance, the less resources you have to work with. Yet, patient needs and care expectations and regulatory requirements are just as great or in many cases greater. Accordingly, there has become a significant disconnect between what is expected and what is funded. Currently the payments provide for some modest differentials (disproportionate share payment) to help offset this but it is woefully inadequate. Our future stability as a community hospital has become clouded in large part due to the inequities in the payment system.

MA Modernization (Act 49) Helped On The Inpatient Side, But ...

The Hospital community over the last year was successful in working with the Department of Public Welfare and the Commonwealth in formulating Act 49, otherwise known as the Medical Assistance Modernization Act, which significantly improved the payment rates for inpatient services provided to patients covered by Medical Assistance. This change had the added benefit of generating additional revenue which could be directed to the state's general fund to support the budget. Last year the State was able to reap an additional \$112,000 million dollars through this program without any tax increase to State residents. In the current fiscal year, the State will again receive \$109,000 million dollars in funds as a consequence of the additional dollars generated from the Federal match of the Act 49 assessment.

We are concerned however with the consequences of changes which were incorporated into this year's budget which effectively reduced some of the gains achieved in the prior year. In particular, we saw a reduction in the payments that Uniontown has received that help to support our obstetrical program, the only one in the County, and also a reduction in funds that we were receiving to help offset uncompensated care. Additionally, we received no increase in inpatient

payments from last year which means that we lose ground in covering the cost of care due to inflationary pressures generated by increased costs in areas such as supplies, pharmaceuticals, utilities, etc. It also makes it very difficult for the Hospital to provide reasonable improvements in compensation and benefits for staff without some increase in reimbursement levels. In fact, we are entering the second year of the past three where we have frozen wages and reduced other benefits to our employees to help offset the insufficiency in payments for our services.

Outpatient Care Payment Needs Major Attention

The major area I would like to focus my attention on however is the area of payment for outpatient services. Community hospitals like Uniontown are much more dependent on outpatient services and serve as a safety net for Medical Assistance patients due to the limited number of private providers who are willing to accept the comparatively low reimbursement rates for outpatient services. In fact, approximately 50% of all revenue supporting the Hospital is generated from outpatient services. Unfortunately, the Medical Assistance outpatient fee schedule, with only a few exceptions, has not been increased for over two decades. Over the past twenty years, the consumer price index has increased by 65%. During that same period, we have seen virtually no increase in the payment rates. In our opinion, this is an unsustainable situation and threatens access to basic services. As payments continue to lag general inflation, the gap between commercial insurance and Medicare payment rates for outpatient services gets larger and more problematic.

By way of example, below I have compared the level Medical Assistance payments to Medicare payments for several common visits or procedures:

| | | |
|------------------------|-------|-----------------------|
| Office Visit (Level 3) | \$35 | (94% Below Medicare) |
| ED Visit (Level 3) | \$35 | (263% Below Medicare) |
| Basic Lab Panel | \$9 | (27% Below Medicare) |
| Chest X-ray | \$12 | (25% Below Medicare) |
| CT Scan | \$100 | (137% Below Medicare) |
| Echo Cardiogram | \$98 | (61% Below Medicare) |

As you can see, the payments are significantly below Medicare levels and Medicare isn't covering the true cost of the care in most cases. Accordingly, this creates a situation where the more you do the more you lose. This problem needs addressed if we are to sustain access to outpatient services for the Medical Assistance population in our rural communities. The lack of access only leads to patients developing more serious conditions which result in unnecessary suffering and ultimately much higher cost inpatient care.

Parting Thoughts

In closing, I would like to recommend that during the budget deliberations in the coming year, serious consideration should be given to needs of community based hospitals that shoulder disproportionate levels of services to Medical Assistance recipients and consideration to the deteriorating level of Medical Assistance outpatient payments that threaten access to these basic services for Medical Assistance recipients. This cannot be at the expense of inpatient rates but must be funded in some way through State funding along with the Federal match which helps support the Medicaid program.

I appreciate your time and attention to these matters and will be happy to answer any questions which you may have regarding my presentation.

Thank You.