



Pennsylvania Association of School Business Officials

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TO: Members, House of Representatives

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SUBJECT: Support for Amendments Preserving Certain Act 1 Exceptions

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The Pennsylvania Association of School Business Officials (PASBO) expresses its strong support for amendments being offered by Representatives Mario Scavello (R-Monroe), Bernie O'Neill (R-Bucks), Dave Reed (R-Indiana), and Mike Carroll (D-Luzerne) to House Bill 1326 which would remove all ten exceptions available to schools provided in Act 1. The exceptions were well designed to allow schools to fund costs imposed by mandates, emergencies, court orders and other expenditures beyond the control of schools.

The facts show schools have been judicious in the use of exceptions. Three out of four districts opted to stay within the index during the last four years. For FY 2011-12 school budgets, almost half of the districts in the state will not use exceptions despite unprecedented reductions in federal and state education funding.

With the future cost of pensions for school employees continuing to spiral upwards and the Act 1 Index at historical lows, removing all the exceptions will create financial chaos. Over the next four years, pension costs to schools will increase by more than \$1,000,000,000. With a reduction in funding, pension costs and an extremely low Act 1 Index, many schools will not be able to meet mandated pension payments without Act 1 exceptions. In 2013-14, more than 90% of school districts will not produce enough revenue from the Act 1 Index to pay their pension obligation.

House Bill 1326 in its present form will not only create financial chaos but it also changes rules in the middle of the game. Some schools are using grandfathered debt to fund school construction and renovation. House Bill 1326 will take away the exception even in cases where construction may have already started. The restoration of the debt exception proposed in *A03157 (Carroll)* will allow a district that complied with Act 1 requirements for debt to fund school construction to be able to continue projects already underway.

We respectfully request that you also support *A02415 (Scavello)*, preserving the pension obligation exception; *A02955 (O'Neill)*, maintaining the special education and court mandate exceptions. We also believe schools and taxpayers will benefit from the proposed amendment to allow unused Act 1 Index amounts to be utilized over the next three fiscal years. This amendment, *A02708 (Reed)*, allowing Act 1 Index future utilization will eliminate the need for schools to use all of the Index in a given year thereby establishing a safety net for unknown future costs or changes in the Index.

With the current economic challenges facing schools, the adoption of these amendments is very important. **PASBO urges you to support amendments *A02415 (Scavello)*, *A02955 (O'Neill)*, *A02708 (Reed)*, and *A03157 (Carroll)*.**