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State Update

State Budget Update – Seventy-Two Days and Counting

As of the deadline of this edition of Cap Watch, a state budget has yet to be enacted. We are now in the third month of the new fiscal year without a state budget. Parents who rely on state programs for child care don't know whether they'll have a place to leave their kids so they can go to work. Moreover, some day care centers across the state are beginning to shut their doors. The new school year also began for some 1.8 million school children, yet some school districts had to cut staff and programs like tutoring – and hundreds more don't know when they can expect their state subsidies. Schools have missed \$1.3 billion in subsidy payments.

On Aug. 18, the state Senate Republican majority attempted – yet failed – to override several of Governor Rendell's line-item vetoes of Senate Bill 850. A vote to override the governor's veto requires a two-thirds majority of the entire Senate. With one vacancy in the Senate, that means that 33 "yes" votes were needed to approve an override. All Senate Republicans voted to override the governor's vetoes and all Democrats, with the exception of Sen. Lisa Boscola, D-Northampton, voted to keep the governor's vetoes in place.

The budget conference committee then met for a brief session on Sept. 1, but no progress was made – and the committee has not met since (as of our publication deadline).

Over the past several months, hundreds of education, social services and human services organizations have rallied legislators to enact a responsible budget that preserves funding for critical programs like child care, basic education and pre-kindergarten, county child welfare, CHIP and more. Child care advocates from around Pennsylvania implored the Legislature to pass a responsible budget that prioritizes the needs of children, including funding for child care. Child care providers that serve low-income children with state resources are facing serious cash flow challenges. But, simply passing a budget that gets money flowing isn't the answer.

"High-quality, affordable child care is essential to keep parents working and provide them with the peace of mind that their children are safe and well cared for," said Joan L. Benso, president and CEO of Pennsylvania

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Partnerships for Children. “A budget that cuts investments for child care simply is not acceptable. We need the Legislature to pass a budget that keeps its commitment to the early care and education of Pennsylvania’s children.”

The state’s budget shortfall was \$3.2 billion for the fiscal year that ended June 30. Revenue estimates show a projected shortfall for the current fiscal year that could approach \$5 billion. By 2011-12, Pennsylvania’s budget deficit is on track to grow to nearly \$10 billion, and will continue to climb if new, recurring revenues are not approved.

Piccola Seeks for More Preschool Verification

State Sen. Jeff Piccola, R-Dauphin, chairman of the Education Committee, is seeking to make changes to Pennsylvania’s Pre-K Counts Program, which provides high-quality pre-kindergarten to students at risk of education failure through a mixed system of school districts, child care centers, and more.

Pre-K Counts is designed to help children ages 3 and 4 in districts with large impoverished, disabled or English-learning populations develop skills for kindergarten. Participating preschools receive a state subsidy to serve the children, who attend at no charge to their parents.

The legislation, (S.B. 1073) would make a number of changes to the program relating to establishing priorities for enrollment, imposing a fee structure on the public education program, requiring income verification, and authorizing auditing powers.

PA Gains Academic Ground for No Child Left Behind

Nearly 80 percent of Pennsylvania’s public schools met the required academic goals of the federal No Child Left Behind law for 2009.

Driving the progress were the school districts that have received the most significant increases in state resources since 2002. These districts have seen an average 37 percent increase in the proportion of students performing at grade level in reading and math.

The governor noted the 50 districts where the state invested the most since 2002 showed an average 41 percent increase in the proportion of students performing on grade level in grades 5, 8 and 11 – the three grades tested longest.

PPC’s Joan L. Benso said that the gains made prove that the Legislature must keep its commitment to investing in basic education – and fund all schools adequately and equitably.

Additionally, school districts where state investments increased by at least \$2,000 per pupil collectively reduced the number of students scoring in the lowest performance category by more than 17,500 in those three grades.

When student performance is compared to the funding goals identified in the General Assembly’s Costing-Out Report, it shows:

- *An average of 81 percent of students perform on grade level in school districts that are investing at their Costing-Out Report per-pupil target.*
- *School districts with the statewide average per-pupil funding gap have 10 percent fewer students on grade level.*



- *School districts with the greatest funding gaps – at least \$3,000 per pupil – have one-third fewer students on grade level.*

Historically low-performing students also are making notable gains under the state's education investment strategies, Education Secretary Gerald Zahorchak said. In the three grades that have been tested longest, the number of students in the lowest achievement group dropped by more than 30,000 – a 33 percent decline – from 2002 to 2009.

A total of 2,443 schools – 78 percent of all schools in the state – met the AYP targets for 2009.

Information on the academic progress of districts and schools can be found by clicking [HERE](#).

PA Earns High Marks for Student Achievement

Pennsylvania is the only state in which student performance on its own tests has improved in elementary, middle and high school grade levels in both reading and math as well as at three achievement levels – basic, proficient and advanced – for at least 2002 to 2008, according to a report released yesterday by the Center on Education Policy, an independent public school advocacy group based in Washington, D.C.

CEP's conclusion is based on a study of results of the Pennsylvania System of School Assessment math and reading tests given from 1999 through 2008 for grades 8 and 11 and from 2006 through 2008 for grade 4.

Robert Falk, superintendent of the Otto-Eldred School District in McKean County, spoke at a Capitol press conference when the results were released. Falk said his district is among the poorest in Pennsylvania, and its effort to improve student performance would suffer if basic education is not adequately funded.

"I suggest to legislators and Gov. Rendell: Pass and sign a budget that is the right budget for education," he said. "Even if it takes more time. Do it, but do it right.

"State lawmakers should continue that investment by funding the formula for K-12 education it created a year ago."

In 2008, the General Assembly passed a school funding formula designed to move the state toward a fair and adequate funding system for all districts over the next six years. The formula was based on a comprehensive, statewide costing-out study that found Pennsylvania's system of public education was under-funded by more than \$4 billion.

The report is available online at www.cep-dc.org.

Did you know that...

...nearly one half of youth who "age out" of the system will not complete high school and only two percent of former foster care youth ever complete college?

But we can change that.

The Department of Public Welfare is



offering a proposal to change how the state funds county-based child welfare services for abused and neglected

children. The proposal is designed

to prevent more children from ever being removed from their homes and placed in foster care and takes steps to assure a permanent family for every child.

Here's how it works: The proposal increases funding for services such as intensive "family finding" that will help assure youth in foster care become part of permanent families that will provide them with lifelong stability, promoting greater likelihood that they will stay in and finish school.

This proposal will not cost the state any more money and will help our most vulnerable children – those who live with the perils of child abuse and neglect.

For more details on this proposal visit [PORCH LIGHT PROJECT](#).





PPC President Addresses Need for Child Welfare Reform

At a hearing before the House Children and Youth Committee in August that focused on foster care and adoption initiatives, Joan L. Benso, PPC President and CEO, spoke about children in the child welfare system.

On any given day there are more than 50,000 children and families receiving in-home services by County Child Welfare Agencies across the Commonwealth. The goal of in-home services is to strengthen families so they can successfully and safely raise their children in their homes. Examples of in-home services could include drug and alcohol counseling, parenting and life skills instruction, and housing or employment assistance.

More than 18,000 Pennsylvania children are living in foster care. Children are placed in foster care in every community in the Commonwealth. Children from birth to age five make up 30 percent of the foster care system; children age six to 12 equal 24 percent of the population, while the vast majority or 46 percent of children living in foster care are teenagers 13 and older. Benso said she was pleased that the Legislature has put child welfare reform on its legislative agenda.

PPC's Porch Light Project Leadership Council recommends the following objectives to guide our collective vision of safely reducing the number of children in placement:

- *Ensure that all families with children who at risk of abuse and neglect receive family strengthening services and supports so fewer children ever enter foster care and can remain safely in their homes.*
- *Lessen Pennsylvania's reliance on congregate settings and place more children in family-like settings, preferably with kin and in their home communities.*
- *Establish a goal of true permanency for ALL children in foster care.*
- *Promote permanency for all children in foster care through timely and effective reunification and permanency services that make every effort to reunify children with their birth families and assure that children are prepared to be part of another permanent family should reunification efforts fail.*
- *Assure that all children in foster care receive the necessary education, employment and mental health services that facilitate positive adult outcomes.*

Learn more by clicking [HERE](#).

Estelle Richman, Secretary Department of Public Welfare, emphasized that the Department's "primary focus is on the safety, permanency and well-being of the children we serve." She said the Department "operates from the assumption that children belong with their families and should receive necessary services in the community." She assured the committee that the Department "encourages best practices" that are aligned with the goals of the child welfare system in order to: increase safety, safely reduce reliance on out-of-home care, improve permanency, and reduce re-entry.

Sandra Moore, Administrator for the Office of Children and Families in the Courts, gave an overview of the Permanency Practice Initiative. The PPI revolves around three key practices—Family Group Decision Making, Family Finding, and Family Development Credentialing—which she said have been proven to produce the best outcomes for children. She stressed the importance



of collaboration between the courts and the Children and Youth Services and affirmed that “this is a new way to do business.”

The Department of Public Welfare is partnering with the Administrative Office of Pennsylvania Courts in fourteen counties to implement the Permanency Practice Initiative which focuses on decreasing the use of congregate care and increasing permanence for older youths in care. The Initiative also promotes best practices such as family finding and family group decision making which are financed at 95 percent state share under this proposal. An additional 13 counties are beginning to participate in phase two of the initiative, bringing the total count to 27 counties. It is also important to note that while Philadelphia does not officially participate in the Permanency Practice Initiative, it is voluntarily implementing the policy changes required of the county participants in the program.

Sixteen counties are participating as part of a six-state National Governors Association policy academy on safely reducing the number of children in foster care. Each of these counties have committed to safely reducing placement over the coming years in an effort to achieve the statewide reduction goal of 20 percent. Together, these two initiatives cover 14,916 children or about 81.2 percent of all Pennsylvania children in foster care.

Keystone Exams Receives Final Approval

In August, the State Board of Education gave its final approval requiring Pennsylvania students to pass end-of-course exams to receive a high school diploma. The exams and supports included in the rulemaking will help prepare more students for postsecondary education and will help to reduce the number of students who must take remedial classes when they enter college.

“I commend all parties for coming together and creating a plan that will ensure our students will leave high school prepared for the future,” said PPC’s Joan Benso. PPC has long stated that Pennsylvania needs a consistent, common-sense accountability and supports system aligned with the state’s academic standards to assure that every child graduates from high school ready for college courses.

The proposal includes supplemental instruction for students who fail to achieve to the academic standards along with tools for school districts including voluntary model curriculum and diagnostics to find struggling students early in their academic careers. The first group of students to be affected by the proposed requirements would be the class of 2015, entering seventh grade this fall.

“The regulations will assure that more of our children will graduate from high school, college- and career-ready by providing a reliable and consis-



Pennsylvania's Children's Health Insurance Program

CHIP Update

CHIP enrollment jumped to 195,932 in September, an 11.2 percent increase over the previous year. There are 12,280 children enrolled in CHIP in September who would not have been eligible before Cover All Kids was implemented.



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tent assessment system for all students, with appropriate accommodations for diverse learners,” Benso said. “The proposal strikes the right balance between accountability and local control by providing school districts multiple pathways for students to demonstrate proficiency of the state standards and earn a diploma.”

The next step in the regulatory review process is consideration by the Independent Regulatory Review Commission. If approved, the regulations can be published as final and take effect.

Poverty Tax Provisions Compared

The Pennsylvania Joint State Government Commission released a study that examined Pennsylvania’s special tax provisions for poverty and whether alternative forms of the provisions would be more beneficial to PA taxpayers. The study examined the Federal Earned Income Tax Credit (EITC), the Commonwealth’s tax forgiveness program, and various states’ EITC programs.

The federal EITC program provides a refundable credit (meaning that the credit could exceed income) on federal income taxes that vary by income level and number of dependent children. In 2005, nearly 780,000 Pennsylvanians received credits totaling \$1.3 billion; the average credit was \$1,722.

The Commonwealth’s tax forgiveness program provides a non-refundable credit against the Personal Income Tax (PIT). The amount of Tax Forgiveness is based on marital status, eligibility income and the number of dependent children. The income threshold for single taxpayers is \$6,500 while the threshold for married taxpayers is \$13,000. Both of the thresholds increase by \$9,500 per dependent child. A tax credit of \$6,500 translates to a reduction of \$200; a credit of \$9,500 translates to a reduction of \$292 at the current PIT rate. For incomes over the thresholds, the percentage of tax forgiveness decreases by 10 percentage points for each \$250 increment. About 25 percent of all PA taxpayers benefit from the program, which cost the state \$312 million in FY 2006-2007. The average relief was \$240.

Several states “piggyback” on the federal EITC and apply a certain credit percentage to the federal program. Fourteen states and the District of Columbia use a refundable piggyback formula with the credit percentage ranging from 5 to 50 percent of the EITC.

The study found that adoption of a state EITC in PA based on federal eligibility criteria could exclude a number of current Tax Forgiveness beneficiaries – including some senior citizens who are not eligible for the EITC and families who have more than three dependent children.

The study noted that since Tax Forgiveness is already in place, if the Commonwealth proceeded with an EITC, it must be decided how the EITC could intersect with Tax Forgiveness. The EITC could be added on to Tax Forgiveness, replace it or allow taxpayers to elect between them.

Revenue Update

Pennsylvania collected \$1.6 billion in general fund revenue in August, \$19.9 million, or 1.2 percent, less than anticipated. Fiscal year-to-date general fund collections total \$3.3 billion, which is \$22 million, or 0.7 percent, below estimate.



Federal Update

Federal Health Care Reform Update

Congress returned from its August recess on Sept. 8. The House is combining the elements of the Tri-Committee (Education and Labor Committee, Energy and Commerce Committee, and Ways and Means Committee) into one bill for a floor vote. The Senate Finance Committee is still working toward marking up its portion of health care reform legislation the week of September 21.

During the August recess several interesting facts surrounding the reform debate have emerged. Families USA released a report showing that health care premiums rose 5.4 times faster than earnings in Pennsylvania from 2000 through 2009. The report shows that for family health coverage provided through the workplace in PA, the average annual health insurance premium (employer and worker share of premiums combined) in the 2000-2009 period rose from \$6,721 to \$13,116 – an increase of \$6,395 or 95.2 percent. During this time, the median earnings of Pennsylvania’s workers rose from \$24,834 to \$29,188 – an increase of \$4,354 or 17.5 percent.

In addition, First Focus released poll results on August 13 showing Americans favor ensuring all children have health insurance coverage by a margin on 87 percent to 11 percent. Respondents noted by a margin of 68 percent to 28 percent that they want to do this even if it increases their taxes. The poll found that by more than a 3-to-1 ratio (78 percent to 21 percent), voters believe that it is extremely/ very important that “all children in America are provided health care coverage as a part of health reform.” Finally, the poll showed Americans oppose eliminating CHIP if it meant that the proposed health insurance exchange “may be more costly for families and provide fewer benefits for children” by a 3-to-1 majority (62 percent -21 percent).

First Focus assembled a number of quotes from leading voices in Congress to accompany the release of the poll.

“Protecting health care for children has been one of my top priorities in the health care reform debate and this poll makes clear that it is also a priority for the American people. As the debate moves forward in Congress, I hope that all members will listen to their constituents on the need to do no harm to children,” said Pennsylvania Senator Robert P. Casey, Jr.

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Ending Childhood Hunger by 2015

The Food Research and Action Center (FRAC) released a new report setting out seven strategies it deems essential for the nation to meet President Obama's goal of ending childhood hunger by 2015. More than 35.5 million Americans, including 12.6 million children – face a constant struggle against hunger. The report, titled “*Ending Childhood Hunger by 2015: The Essential Strategies for Achieving the President's Goal*,” can be accessed by clicking [HERE](#).

The report calls for the nation to:



- *Restore economic growth and create jobs with better wages for lower-income workers;*
- *Raise the incomes of the lowest-income families;*
- *Strengthen the SNAP/Food Stamp Program;*
- *Strengthen the Child Nutrition Program;*
- *Engage the entire federal government in ending childhood hunger;*
- *Work with states, localities and nonprofits to expand and improve participation in federal nutrition programs; and*
- *Make sure all families have convenient access to reasonably priced, healthy food.*