

# Education Advocate

September / October 2009  
Vol. 10, No. 2

A Publication of the Commonwealth Education Organization



## PSERS threatens the economic viability of PA School Districts

An Invitation to the *Women of Character Conference*

PSERS threatens the economic viability of PA School Districts

Update: State House Attempts To Stop Keystone Exams

Commonwealth  
Education  
Organization

90 Beta Drive  
Pittsburgh, PA 15238  
Phone 412-967-9691  
Fax 412-967-9694  
E-mail  
ceopa@ceopa.org  
Website  
www.ceopa.org

*CEO is a 501(c)3 non-profit so your contribution is tax-deductible as allowed by law. The official registration and financial information of Commonwealth Education Organization may be obtained from the Pennsylvania Department of State by calling toll-free, within Pennsylvania, 1-800-732-0999. Registration does not imply endorsement.*

Our Pennsylvania public schools face a host of crises which will determine their survival in the next few years. The most immediate risk to Pennsylvania school districts though is getting no press coverage.

The Public School Employee Retirement System of Pennsylvania (PSERS) is quickly going bankrupt. Due to a combination of the global financial situation and the ensuing negative pressure on all investments; the rising number of retired educators in Pennsylvania (generally twenty years of service); and state government interventions which have had an uncertain effect; the amount of money available to the PSERS fund has not been able to continue to fund growing liabilities. The result will be dramatic increases in tax dollars that are funneled away from the classroom and towards the well-earned but generous pension plans.

In a 2003 presentation, as the state became aware of this growing issue, PSERS administrators showed how the fund had grown from less than \$1 billion in 1960 to more than \$70.1 billion in 2007<sup>1</sup>. That was unfortunately the high point for the fund. On March 31, 2009 that same fund stood at approximately \$40 billion<sup>1</sup>. Although recently returns have started to turn around, the damage has already been done. The retirement fund has lost \$30 billion in assets that have to be made up either through (1) higher than expected returns in the future, (2) higher charges from school districts or (3) lower payments to retirees.

The first option is not a viable strategy. PSERS has essentially ruled out option three, cutting benefits for the more than 547,000 members in the system<sup>1</sup>. This leaves a dramatic increase in the size of the payments from the districts.

How dramatic? Estimates have varied over the past six years from between a 135% and a 574% increase over the current charge to school districts starting in 2012-2013. That is just three short years away.

Consider the numbers of the situation: The current rate (2009-2010) school districts pay is 4.76% of salaries. Schools pay the average teacher \$63,000 and then pay approximately \$2,990 to the state to fund that persons future retirement benefits<sup>2</sup>. This is regardless of whether that employee is vested or not. There are 151,000 teachers and administrators across the 500 districts in Pennsylvania, or about 300 per district<sup>3</sup>. That means the typical district currently pays \$897,000 in contributions per year. Across the state, that translates into more than \$44,850,000 in pay-

ments to the fund, actually slightly down from the more than \$50 million in payments received a decade ago.

Over the years, the state has suggested four possible increases to contribution rates to resolve the situation<sup>4</sup>. These proposals have varied in the change in contribution as the investment market and actuarial tables have fluctuated. Not one of the scenarios has any good news for districts, especially small districts and those already strapped for cash due to the on-going budget difficulties. (See chart on next page).

Statewide this could mean an additional \$6 to \$30 million transferred to the retirement fund in the first year of the change alone. If this were a one-time event it would be bad enough, few districts have millions lying around unused (the state actually caps general fund surpluses at 8% of the annual budget). However, even the most optimistic state projections will have districts making contributions at rates above the current rate for the next twenty years. The 2007 projection (the least damaging to districts) had the rate peaking at 11.2% and then remaining at approximately 8% through 2031.

Where will these hundreds of millions of dollars in pension contributions come from? Pennsylvania taxpayers will be on the hook, with no direct say over the decisions made by the PSERS board which is currently appointed. But Pennsylvania taxpayers are not the only ones who will pay. Because of the short-sightedness and the put-off-until-tomorrow attitude of Governor Ed Rendell, who has already been aware of this problem for more than seven years; Pennsylvania school students will face reduced education spending. This will translate into older textbooks and fewer extracurricular activities in even the best funded districts. For those small districts or those already weakened by recent economic downturns, it will be a disaster.

- 1 <http://www.psers.state.pa.us/hotnews/hotnews.htm> - June 11, 2009 press release, accessed August 28, 2009.
- 2 2006 review of contracts in Allegheny County, 43 school districts plus vocational/technical schools.
- 3 <http://php.app.com/PAteachers0607/search.php>—accessed August 31, 2009.
- 4 March 9, 2009 presentation to PASBO.

*Continued on Next Page*

## PSERS threatens the economic viability of PA School Districts—cont'.

	Proposed Rate	Contribution for average teacher	Contribution for average district (300 teachers)	Expense increase/ revenue shortfall for districts
2003 Base rate	32.1%	\$20,601	\$6,180,300	<b>\$6,096,600</b>
2003 Adjusted	27.7%	\$17,451	\$5,235,300	<b>\$4,338,300</b>
2007 Projection	11.2%	\$7,056	\$2,116,800	<b>\$1,219,800</b>
2009 Estimate	20.16%	\$12,701	\$3,810,300	<b>\$2,913,300</b>

Article written by Rich Herko. In addition to serving on the Commonwealth Education Organization board, he is a doctoral candidate at the University of Pittsburgh and a board member of the Pine-Richland School District.

## Update: State House Attempts to Stop Keystone Exams

The Governor's Initiative known as the Keystone Exams (previously called the Graduation Competency Assessments) is based on the *state* academic standards as is Pennsylvania's curriculum in conjunction with current local and state assessments. There has been a debate raging for months about the Keystone Exams originally having groups such as the NAACP, and the teacher unions coming out against this form of exit/graduation examinations. Many think (with the support of research) that high stakes testing does nothing to help students learn. What is making this heated discussion at the state level even more interesting is what is also happening nationally.

The Council of Chief State School Officers (CCSSO) and the National Governors Association (NGA) met last April 17, 2009 in Chicago. There representatives from 41 states convened to discuss the process and adoption of state-led common education standards, and new national assessments utilized for international benchmarking. Many of the states joined in April with Pennsylvania signing on to this initiative in early June.

In collaboration with the US Department of Education, work is being done behind closed doors to develop what is being called **Common Core Standards**. There is very little public discussion about this initiative, and very little information about the first set of standards being worked on. Many are waiting to see what nationalized standards will do to state and local control of education. In the meantime, the debate rages on within Pennsylvania about the development of the Keystone Exams.

Despite his knowledge of this push for nationalized educational standards, Governor Rendell signed a \$201 million contract on May 13, 2009 with DRC (Data Recognition Corporation) for these Keystone Exams. This was done with little regard for statewide opposition and despite knowing the federal education agenda would supersede the state's own agenda. Additionally, the National Governor's Association presented their national report, "International Benchmarking", on Dec. 19, 2008 while Governor Rendell was their chairman. Despite this, the Governor's office has implied that they didn't know the US Department of Education was moving in the direction of the **Common Core Standards**.

The Pennsylvania Department of Education's position on the Keystone Exams continues to be in conflict with grassroots oppo-

sition and is questionable considering what is happening on the national level. On September 10, 2009, HR 456 (Clymer/Youngblood Joint Bipartisan Concurrent Resolution) was filed in Harrisburg with 141 co-sponsors. This resolution supports the NAACP and other groups in asking the Governor to withdraw the Keystone Exams Plan.

Process over the next two weeks:

1. HR 456 will be referred to the House Education Committee. (Chairman James Roebuck (717) 783-1000).
2. The House Education Committee will vote on HR 456.
3. If voted out of committee, HR 456 will then be placed on the House Calendar for a House vote.
4. After the House votes, it will be sent over to the Senate for concurrence.

Additionally, citizens have until October 22, 2009 to make comments for or against this plan. This can be done at the Independent Regulatory Review Commission website: <http://www.irrc.state.pa.us/>.

Many thanks to Kim Geyer of Mars Research & Retrieval Service for her continued research and contributions to this article.



CEO invites you to visit our website for additional information and articles.

[www.ceopa.org](http://www.ceopa.org)

# *If only I'd known... if only someone had told me!*



*The other side of sexual health: what you aren't being told might hurt you."*

**A former campus psychiatrist reveals how inaccurate information can endanger students sexual health. A culture war of sorts exists with alarming psychological and biological consequences particularly for young women.**

***Dr. Miriam Grossman***



#### About the Speaker

*Miriam Grossman, M.D.* is the author of *Unprotected: A Campus Psychiatrist Reveals How Political Correctness Endangers Every Student*, published in November 2006 by Sentinel (Penguin).

*Unprotected* draws on Dr. Grossman's 10 years' experience as a staff psychiatrist at UCLA Student Psychological Services. She has been interviewed on over 100 radio shows, Fox News, and *700 Club*, and her book received positive reviews in *The Wall Street Journal*, *National Review*, *The Weekly Standard*, *The American Spectator*, *Townhall.com*, *NewsMax.com*, and elsewhere. She also has a new book out titled *You're Teaching My Child What?*, which addresses sex education.

Dr. Grossman graduated cum laude from Bryn Mawr College. She attended New York University Medical School and completed her residency in psychiatry, followed by a fellowship in child and adolescent psychiatry, through Cornell University.

**Women of Character Conference  
Tuesday, October 27, 2009 @ 7 PM  
Carnegie Museum of Art Auditorium**

**\$5 Students with ID - \$20 Adults**  
Reserve tickets at 412.967.9691 or  
purchase at the door.

***Call early  
Seating is Limited***

Sponsored by Commonwealth Education Organization  
[www.ceopa.org](http://www.ceopa.org)  
Underwritten by Federated Investors Foundation Inc.

**Please copy and distribute!**

---

Commonwealth Education Organization  
90 Beta Drive  
Pittsburgh, PA 15238

NON-PROFIT ORG  
US POSTAGE  
PAID  
PGH PA  
PERMIT NO 5239

## *CEO IN 2009*

CEO continues to provide many services. The following is just a sampling:

- ⇒ The second Women of Character Conference is scheduled for Oct. 27, 2009.
- ⇒ Providing expanded professional development programs for public, private, and parochial educators.
- ⇒ Hosted forum on proposed Pennsylvania Keystone/Graduation Exams.
- ⇒ Speaking to various groups.
- ⇒ Developing a new website format with expanded information.
- ⇒ Networking with other groups who share mutual interests.
- ⇒ Continuing our newsletter, the *Education Advocate*.

Thank you to all our benefactors who make our work possible!