



P.O. Box 338, Hershey, PA 17033 – susvalley@susvalleypolicy.org – 717-471-3513

TESTIMONY PROVIDED BY

DR. CHARLES GREENAWALT, PH.D

SENIOR FELLOW

SUSQUEHANNA VALLEY CENTER FOR PUBLIC POLICY

**THE ECONOMIC IMPACT OF PENNSYLVANIA HOUSE BILLS 1 AND 2 OF THE 2023-
2024 SESSION**

29 March 2023

**ANALYSIS AND RESEARCH CONDUCTED BY MEADOWS METRICS AND DR. PETER ZALESKI,
PH.D., PROFESSOR OF ECONOMICS, VILLANOVA UNIVERSITY**

GOOD AFTERNOON, EVERYONE. IT IS NICE TO SEE YOU HERE, AND I LOOK FORWARD TO WORKING WITH ALL OF YOU THROUGH THIS NEW LEGISLATIVE SESSION.

THE SUSQUEHANNA VALLEY CENTER FOR PUBLIC POLICY IS A NON-PROFIT, PUBLIC POLICY RESEARCH ORGANIZATION THAT IS 25 YEARS OLD AND BASED IN HERSHEY AND LITITZ, PA.

THIS TIME IN OUR NATION'S AND OUR STATE'S HISTORY HAS BEEN CHARACTERIZED BY HYPERPARTISANSHIP AND GALES OF IDEOLOGICAL RHETORIC. THE SUSQUEHANNA VALLEY CENTER FOR PUBLIC POLICY USES TOOLS AND TECHNIQUES DEVELOPED IN PUBLIC ADMINISTRATION AND POLICY ANALYSIS AFTER THE SECOND WORLD WAR TO ENABLE US TO DETERMINE THE COSTS OF PROPOSED LEGISLATION AND HOW WELL IT MAY OR MAY NOT WORK ONCE IMPLEMENTED. THIS WAY, RATIONAL CHOICES CAN BE MADE AMONG POLICY OPTIONS AND THE PUBLIC'S RESOURCES WILL BE MAXIMIZED.

THE TOPIC BEFORE US TODAY IS THE ECONOMIC IMPACT OF PENNSYLVANIA HOUSE BILLS 1 or 2 OF THE 2023-2024 SESSION. IN ORDER TO BETTER UNDERSTAND THIS ISSUE, SUSQUEHANNA VALLEY CENTER WORKED WITH THE CONSULTING FIRM OF MEADOWS METRICS AND DR. PETER ZALESKI A PROFESSOR OF ECONOMICS AT VILLANOVA UNIVERSITY. AS WE LOOK AT THE RESULTS OF THIS STUDY, IT IS IMPORTANT TO REMEMBER THAT SUSQUEHANNA AND MEADOWS METRICS DO NOT SUPPORT OR OPPOSE ANY LEGISLATION BEFORE THE PENNSYLVANIA GENERAL ASSEMBLY. WHAT WE AIM TO DO IS TO SIMPLY TRY OUR BEST TO DEVELOP A RANGE OF COSTS FOR DIFFERENT POLICY OPTIONS SO THAT OUR POLICYMAKERS CAN REVIEW THEM IF THEY WISH AS OUR COMMONWEALTH'S PUBLIC POLICY IS FORGED. AS THOMAS JEFFERSON SAID, "A GOVERNMENT OF REASON IS BETTER THAN ONE OF FORCE."

SEXUAL ABUSE HAS BEEN AN ON-GOING PROBLEM FOR YEARS NATIONWIDE. IN RECENT YEARS, PENNSYLVANIA STANDS NEAR THE TOP OF THE NATION'S LIST IN NUMBER OF CASES. CREATING A TWO-YEAR WINDOW DURING WHICH THE STATUTUE OF LIMITATIONS WOULD BE LIFTED, WOULD PROBABLY RESULT IN A LARGE NUMBER OF CLAIMS BEING FILED AGAINST PENNSYLVANIA SCHOOL DISTRICTS.

IF THE RATE OF ABUSE IN PUBLIC SCHOOLS MATCHES THAT OF CATHOLIC SCHOOLS, WE EXPECT 10,000 CLAIMS TO BE FILED.

THE U.S. DEPARTMENT OF EDUCATION SPECULATES THAT THE PROBLEM IN PUBLIC SCHOOLS IS 100 TIMES THAT OF CATHOLIC SCHOOLS. IF TRUE, WE COULD SEE 100,000 CLAIMS BE FILED AGAINST PA PUBLIC SCHOOLS.

USING NUMBERS FROM A NATIONAL STUDY ON THE ECONOMIC COST OF SEXUAL ABUSE, ONE CAN ESTIMATE THAT THERE WILL BE ABOUT 15,000 CLAIMS AGAINST PENNSYLVANIA.

EXTRAPOLATING THE RECENT EXPERIENCE OF THE KEN-TON SCHOOL DISTRICT IN NEW YORK, WE ESTIMATE THAT 17,500 CLAIMS COULD BE FILED IN OUR COMMONWEALTH.

ANALYZING 20 CASES FROM 2012-2020, THE AVERAGE AWARD PER CLAIM IS ESTIMATED TO BE \$325,000 TO \$500,000 PER CLAIMANT. IN THE MOST RECENT KEN-TON CASE, THE AVERAGE AWARD WAS \$500,000.

BASED ON ALL OUR ESTIMATES, REMOVING THE STATUTE OF LIMITATIONS ON FILING A CLAIM FOR A TWO YEAR WINDOW IS EXPECTED TO RESULT IN TOTAL CLAIMS RANGING FROM \$5 BILLION TO \$32.5 BILLION STATEWIDE.

IN THEIR RESPONSE TO A REPORT FROM THE SUSQUEHANNA VALLEY CENTER FOR PUBLIC POLICY ESTIMATING THE MAGNITUDE OF CLAIMS TO BE FILED AGAINST PUBLIC SCHOOLS, CHILDUSA CLAIMS THAT "FOCUSING ON INFLATED ESTIMATES OF POTENTIAL LAWSUITS THAT WOULD BE FILED AGAINST PUBLIC SCHOOLS, THE AUTHORS ATTEMPT TO SCARE VOTERS INTO OPPOSING JUSTICE FOR CSA SURVIVORS."ⁱ

THIS IS A MISREPRESENTATION OF THE GOAL OF OUR REPORT. WE APPLAUD THE WORK OF CHILDUSA, AND OUR GOAL IS SIMILAR - POINTING OUT THE MAGNITUDE OF THIS ISSUE.

CHILDUSA'S "APPROPRIATE ESTIMATE RANGE WOULD BE BETWEEN 300 TO 900 CLAIMS."ⁱⁱ

WHAT WE DO KNOW IS - THERE WERE ABOUT 1,500 CLAIMS MADE AGAINST THE CATHOLIC CHURCH IN PA ALREADY TO THE VICTIMS' COMPENSATION FUND CREATED AS A RESULT OF THE GRAND JURY INVESTIGATION. ABOUT 6 TIMES AS MANY PENNSYLVANIANS HAVE ATTENDED PUBLIC SCHOOL AS HAVE ATTENDED CATHOLIC SCHOOL, AND IT IS ESTIMATED THAT THE SEX ABUSE PROBLEM IS HIGHER IN PUBLIC SCHOOL THAN IN CATHOLIC SCHOOL. BASED ON THESE NUMBERS SO FAR IN PENNSYLVANIA, ONE SHOULD CONCLUDE THAT THE CHILDUSA ESTIMATE OF 300-900 CASES SEEMS EXTREMELY UNDERSTATED.

CHILDUSA'S COMPARISON WITH DELAWARE AND NEW YORK MIGHT BE MOST MEANINGFUL SINCE THOSE ARE NEIGHBORING STATES. THEY CALL DELAWARE AN OUTLIER, BUT THAT DOES NOT MEAN PENNSYLVANIA IS NOT LIKE DELAWARE. THEY APPLY THE DELAWARE RATE TO PENNSYLVANIA YIELDING ABOUT 20,000 CASES, BUT THEY NOTE THAT BASED ON NEW YORK, HALF THE CASES WOULD BE AGAINST RELIGIOUS INSTITUTIONS. THAT WOULD AGREE WITH OUR LOWER ESTIMATE OF 10,000 CASES. IN PENNSYLVANIA, CLAIMS FOR OLD CASES AGAINST THE CATHOLIC CHURCH ALREADY OCCURRED. SO, WE SHOULD NOT EXPECT HALF OF ALL FUTURE CASES IN PENNSYLVANIA TO BE AGAINST THE CATHOLIC CHURCH AS CHILDUSA ASSERTS. ALSO, CHILDUSA CAME UP WITH THAT ESTIMATE THAT HALF OF THE CASES WOULD BE AGAINST RELIGIOUS INSTITUTIONS BY LOOKING AT ONLY 8 OF NEW YORK'S 62 COUNTIES. THEY WERE THE MOST POPULOUS COUNTIES, BUT STILL NOT A STATE-WIDE ESTIMATE.

AN IMPORTANT FACTOR TO CONSIDER THAT CHILDUSA DOES NOT CLEARLY EXPLAIN IS THIS - IS CHILDUSA ESTIMATING THE NUMBER OF CASES OR THE NUMBER OF VICTIMS? IN THEIR TABLE REPORTING THE EXPERIENCES IN OTHER STATES, CHILDUSA REPORTS "NUMBER OF LAWSUITS FILED." A GOOD QUESTION TO ASK IS - HOW MANY PLAINTIFFS PER LAWSUIT? MOST LAWSUITS IN SUCH CASES HAVE MULTIPLE CLAIMANTS. IN THE RECENT KEN-TON CASE, FOR EXAMPLE, IT WAS JUST ONE CASE, BUT THERE WERE 35 CLAIMANTS.

FOR UTAH, THEIR TABLE REPORTS ONLY 4 CASES. THEIR LIST OF PERPETRATORS DOES NOT INCLUDE CURTIS PAYNE FOR WHOM THERE WERE OVER 30 ACCUSERS.ⁱⁱⁱ

CONSIDER THIS CASE FROM CALIFORNIA. "140 MILLION - THIS TOTAL WAS AWARDED TO 82 CHILD SEX ABUSE SURVIVORS WHO WERE VICTIMIZED BY A SINGLE TEACHER, MARK BERNDT AT

MIRAMONTE ELEMENTARY SCHOOL. FOR DECADES, SEVERAL ACCUSATIONS OF IMPROPER BEHAVIOR BY BOTH PARENTS AND STUDENTS WERE LARGELY IGNORED BY SCHOOL ADMINISTRATORS DATING BACK TO 1983. THIS ALLOWED THE ABUSE TO CONTINUE FOR MORE THAN 30 YEARS. BERNDT IS CURRENTLY SERVING A PRISON SENTENCE OF 25 YEARS TO LIFE FOR HIS CRIMES. IT IS BELIEVED HE MAY HAVE ABUSED OVER 100 CHILDREN."^{iv}

THIS PERPETRATOR WAS NOT IN THE CHILDUSA LIST OF PERPETRATORS. IS HE INCLUDED IN THEIR CASE COUNT? IS HE INCLUDED AS ONLY 1 CASE? DO THEY ACCOUNT FOR HIS 82 VICTIMS WHO RECEIVED COMPENSATION LET ALONE THE ESTIMATED 100?

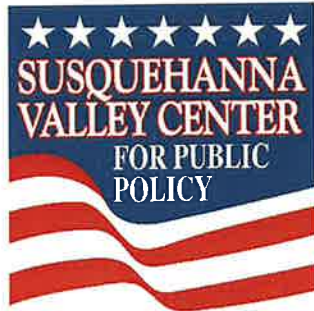
THE PENNSYLVANIA DEPARTMENT OF EDUCATION REPORTS 365 CASES INVOLVING SEXUAL MISCONDUCT FOR JUST THE FIVE-YEAR PERIOD 2008-2012. FROM 2011 TO 2012, THE NUMBER OF CASES DOUBLED.⁵ THIS FIVE-YEAR PERIOD ALONE HAS MORE CASES THAN CHILDUSA'S LOWEST ESTIMATE FOR ALL POTENTIAL CASES. AND FOR EACH OF THESE PERPETRATORS, IS THERE MORE THAN ONE VICTIM?

TO CONCLUDE, THERE ARE 500 SCHOOL DISTRICTS IN PENNSYLVANIA. IF CHILDUSA'S ESTIMATE OF 300-900 CLAIMS IS CORRECT, THIS WOULD SUGGEST THAT OVER THE PAST 50 YEARS OR SO, THERE IS ONLY ABOUT ONE VICTIM OF SEX ABUSE PER SCHOOL DISTRICT WHO WOULD FILE A CLAIM. THAT IS POSSIBLE. BUT IT IS MORE LIKELY THAT A PERPETRATOR HAS MORE THAN ONE VICTIM. THERE MAY WELL BE 300-900 LAWSUITS RESULTING FROM SOL REFORM. BUT IF THE AVERAGE CAREER PERPETRATOR HAS 30 VICTIMS, THEN THE NUMBER OF CLAIMANTS COULD WELL BE 15,000. WE ARE NOT OPPOSING JUSTICE FOR VICTIMS AS CHILDUSA ASSERTS. RATHER, WE ARE ALL BETTER SERVED BY HAVING A REASONABLY GOOD ESTIMATE OF THE MAGNITUDE OF THIS PROBLEM. AND UNDERSTATING THE PROBLEM DOES NOT HELP THE SITUATION.

WE NEED TO REMEMBER JEFFERSON WHEN HE TELLS US THAT "THE WHOLE ART OF GOVERNMENT CONSISTS IN THE ART OF BEING HONEST." OUR STATE FOUNDING FATHER, WILLIAM PENN, REMINDS US, "LET MEN BE GOOD, AND THE GOVERNMENT CANNOT BE BAD."

IF YOU HAVE FURTHER QUESTIONS AFTER REVIEWING OUR REPORT, PLEASE SEND US AN EMAIL OR PHONE US. WE HOPE THAT THIS INFORMATION MAY BE HELPFUL IN CONSIDERING FUTURE OPTIONS. THANK YOU FOR ATTENDING.

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1. ⁱ CHILD USA (JANUARY 18, 2023). A REALISTIC ESTIMATE OF THE IMPACT OF SOL REFORM IN PENNSYLVANIA
 2. ⁱⁱ CHILD USA (JANUARY 18, 2023). A REALISTIC ESTIMATE OF THE IMPACT OF SOL REFORM IN PENNSYLVANIA
 3. ⁱⁱⁱ CHILD USA (JANUARY 18, 2023). A REALISTIC ESTIMATE OF THE IMPACT OF SOL REFORM IN PENNSYLVANIA
 4. ^{iv} <https://dominguezfirm.com/child-sexual-abuse-and-molestation/school-child-sexual-abuse-lawyers/>



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**The Economic Impact of a Constitutional Amendment
to Implement Pennsylvania House Bill 14 of the 2021-22
Session**

The Susquehanna Valley Center for Public Policy

January 10, 2023

Introduction

The Educator Discipline Act defines Sexual Misconduct as:

“any act, including, but not limited to, any verbal, nonverbal, written or electronic communication or physical activity, directed toward or with a child or a student regardless of the age of the child or student that is designed to establish a romantic or sexual relationship with the child or student. Such prohibited acts include, but are not limited to, the following:

- (1) sexual or romantic invitations;
- (2) dating or soliciting dates;
- (3) engaging in sexualized or romantic dialogue;
- (4) making sexually suggestive comments;
- (5) self-disclosure or physical exposure of a sexual, romantic, or erotic nature; or
- (6) any sexual, indecent, romantic, or erotic contact with the child or student.

As is apparent in the definition, sexual misconduct is a broad term encompassing any behavior designed to establish an inappropriate relationship with a child or student, ranging from inappropriate comments to sexual intercourse. It is important not to confuse sexual misconduct with sexual abuse. While the definition of sexual misconduct covers all forms of sexual contact and what is commonly referred to as sexual abuse, it also includes non-sexual behaviors that may lead up to sexual contact. In addition, while sexual misconduct may involve criminal behavior, the term also captures conduct that, although itself not illegal, is designed to prepare the student for future sexual contact. For purposes of educator misconduct, the term sexual misconduct refers to a broad set of inappropriate behaviors including sexual abuse of students.”¹

The problem of sexual abuse in the public schools is national in scope. “In the first half of this year [2022], over 180 school educators got arrested for various sex crimes. That’s roughly one teacher or school administrator arrested each day.² Sexual abuse in the public schools has been an ongoing problem for years. Most cases went unreported in the past, but as more light is shed on the issue, Pennsylvania is among the top states in the nation with respect to such crimes. From 2009 to 2013, “At least 233 teachers have lost their licenses ... because of criminal convictions, most related to sexual misconduct, child pornography and assault.”³

¹ <https://www.pspc.education.pa.gov/Educator-Discipline-System-and-Reporting/Overview-Discipline-System/Pages/Sexual-Misconduct.aspx>

² <https://townhall.com/tipsheet/mattvespa/2022/07/23/pervert-parade-an-insane-number-of-teachers-have-been-arrested-for-sex-crimes-this-year-n2610708>

³ <https://archive.triblive.com/news/pennsylvania-near-top-of-list-for-teacher-impropriety/>

forecast how many victims would decide to submit a claim. In addition to forecasting the number of claims submitted, one also needs an estimate of the average dollar value per claim.

Historically, awards have been affected by the number of claimants in a case and whether the case is resolved settlement or jury trial. Historically, individual claimants tend to receive higher awards per person than larger classes receive per person from class action cases. Historically, claimants tend to receive higher awards from juries than from settlements.

In the final analysis, this report projects the possibility of between 10,000 and 100,000 claims. The analysis suggests a range between 10,000 to 17,500 claims are most likely, but there is reasonable speculation to suggest that 100,000 claims are possible. With the median historical award being about \$325,000 and with an average award of \$500,000, the total dollar value of claims could be at least \$5 billion with a high-level scenario of \$32.5 billion.

Projecting the number of claims

To estimate the potential number of claims that would be submitted regarding public school sex abuse, this report considers three methodologies. First, the experience of the Catholic Church in Pennsylvania provides one benchmark to estimate the number of claims to be made in the case of public schools. Second, a published study on the aggregate economic costs of child sex abuse in the United States provides a source of estimates one can use for Pennsylvania. Third, the recent experience in the Ken-Ton school district in New York provides an estimate of the number of claims per district.

Projecting the number of claims based on the Catholic Church experience

Regarding the Catholic Church experience, the grand jury investigation reports one thousand (1,000) cases noting that the true number of cases is in the thousands; however, lost records and reluctance to report limits the number of actual cases. “In November of 2018, seven of the eight dioceses in Pennsylvania launched a victim’s compensation fund, allowing survivors a small window to apply and receive compensation through the church without having to file suit, and without exception to those whose statute of limitations may have already passed.”⁹

To determine how this number would project up to public schools in Pennsylvania, the following adjustments can be made. Approximately 86 percent of students attend public school while 14 percent attended private school.¹⁰ Multiplying 1,500 claims by 86/14

⁹ <https://feeneylawfirm.com/pennsylvania-sexual-abuse-lawsuits/>

¹⁰ <https://www.rural.pa.gov/datagram/392/Pennsylvania-Public-and-Private-School-Students-2008-2012>

Estimating the dollar value per claim

This report utilizes two methodologies for estimating the dollar value per claim. First, the paper by Letourneau, et al (2015) estimates the 2015 cost of abuse to be \$283,000 per female survivor. Data on males was insufficient to make a full estimate. Projecting the \$283,000 to 2022 based on the Consumer Price Index change over those seven years results in a loss of \$347,847.

Additionally, this report considers twenty (20) cases from the past eleven years dating from 2012 to 2022. The cases involve 1,719 claimants. Since the cases occur in different years, the dollar amounts have been inflated to 2022 dollars. The average award per claimant is \$544,000. If the two largest outliers are removed, the average award is \$500,000. This is consistent with the most recent case of the Ken-Ton School District in which the award per claimant is \$500,000. The median award, which is unaffected by any outliers, is \$324,000. The cases are listed in Table 1 sorted by year.

The number of plaintiffs in each case appears to affect the award per claimant. For the ten cases involving a single victim, the average award was over \$9 million. For the ten cases with multiple victims, the average award was \$492,000. The cases are listed in Table 2 sorted by the number of claimants and the award per claimant.

Estimating the Total Cost to the Commonwealth of Pennsylvania

Table 3 reports the total dollar value of awards based on assuming average awards of \$325,000, \$350,000, and \$500,000. Four scenarios are presented for the number of claims made: 10,000, 15,000, 17,500, and 100,000. For the scenario involving 10,000 claims, we expect that these cases would most likely involve fewer claimants per case and go to a jury. As such, we expect the payout per claimant to average \$500,000. In the scenario involving 100,000 claims, we expect that these cases would involve large scale class action settlements. As such, we expect the payout per claimant to be the lower estimate of \$325,000.

Also reported in Table 3 is the implied victimization rate associated with each number of claims. The percentage reported equals the number of claims divided by the 6.8 million adults aged 18-65 years.

Table 4 reports the total awards divided by the number of adults living in Pennsylvania. The number provides an estimate of the added tax burden on a per taxpayer basis. Table 5 reports the total award divided by the budgets of the state and all local governments in Pennsylvania. Table 5 offers an impression of the relative financial magnitude of the situation.

Table 3. Estimated Total Dollar Value of Claims

	% of Adults	Potential Number of Cases			
		10,000	15,000	17,500	100,000
		0.15%	0.22%	0.26%	1.48%
Potential	\$325,000		\$4,875,000,000	\$5,687,500,000	\$32,500,000,000
Settlement per	\$350,000		\$5,250,000,000	\$6,125,000,000	
Claimant	\$500,000	\$5,000,000,000	\$7,500,000,000	\$8,750,000,000	

Table 4. Estimated Total Dollar Value of Claims Per Tax Payer

	% of Adults	Potential Number of Cases			
		10,000	15,000	17,500	100,000
		0.15%	0.22%	0.26%	1.48%
Potential	\$325,000		\$471	\$550	\$3,140
Settlement per	\$350,000		\$507	\$592	
Claimant	\$500,000	\$483	\$725	\$845	

Table 5. Estimated Total Dollar Value of Claims As A Percent of State and Local Government Budget

	% of Adults	Potential Number of Cases			
		10,000	15,000	17,500	100,000
		0.15%	0.22%	0.26%	1.48%
Potential	\$325,000		3.21%	3.75%	21.41%
Settlement per	\$350,000		3.46%	4.03%	
Claimant	\$500,000	3.29%	4.94%	5.76%	