

THE GENERAL ASSEMBLY OF PENNSYLVANIA

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INTRODUCED BY PIEVSKY, JOHNSON, COHEN, RIEGER, OLIVER, SCANLON,
GIAMMARCO, JONES, BORSKI, MCINTYRE, WIGGINS, DUMAS, BARBER,
GREENFIELD, WHITE, HARPER, CIANCIULLI AND RICHARDSON,
APRIL 27, 1977

REFERRED TO COMMITTEE ON EDUCATION, APRIL 27, 1977

AN ACT

1 Providing for the creation of the Public School Finance
2 Assistance Authority and providing for its powers and duties;
3 and imposing additional powers and duties on the Department
4 of Education.

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6 The General Assembly of the Commonwealth of Pennsylvania
7 hereby enacts as follows:

8 CHAPTER 1

9 GENERAL PROVISIONS

10 Section 101. Short title.

11 This act shall be known and may be cited as the "Public
12 School Finance Assistance Act."

13 Section 102. Legislative findings and determination of policy.

14 It is hereby determined and declared as a matter of
15 legislative finding that:

16 (1) The welfare of the Commonwealth is threatened by the
17 fact that some school districts may not be able to find
18 adequate funding.

19 (2) The tax burden of the citizens of Pennsylvania is
20 already at a very high level of their incomes.

21 (3) As the economy expands, and school enrollments
22 stabilize or are reduced, the taxing authority of school
23 districts will be adequate to meet future expenses.

24 (4) The Commonwealth has a strong responsibility to
25 assist financially hard-pressed school districts in order to
26 promote the educational opportunities of all of its citizens.
27 The Commonwealth recognizes its obligation to assist these
28 school districts to restore financial stability by providing
29 the guidance of the Secretary of Education and paying the
30 school districts for some of the costs associated with

1 restoring their financial health.

2 (5) The Commonwealth has a responsibility to promote
3 educational opportunities by assisting school districts to
4 plan for long-term financial stability.

5 (6) Therefore, it is hereby declared to be the policy of
6 this Commonwealth to create an authority to issue bonds and
7 to enact a program to:

8 (i) Loan money to or purchase school buildings from
9 school districts for the purpose of assisting them in
10 achieving and maintaining fiscal stability;

11 (ii) Require the preparation of a financial plan by
12 school districts from which school buildings are
13 purchased or qualify and apply for such loans;

14 (iii) Empower the Secretary of Education to monitor
15 the finances of those school districts which qualify and
16 file financial plans and receive loans or from which
17 school buildings are to be purchased;

18 (iv) Authorize the Secretary of Education to apply
19 sanctions to any school district participating in the
20 loan program, or from which school buildings are
21 purchased, which fails to comply with its approved
22 financial plan.

23 Section 103. Definitions.

24 The following words and phrases when used in this act shall
25 have, unless the context clearly indicates otherwise, the
26 meanings given to them in this section:

27 "Authority." The body politic and corporate created by this
28 act.

29 "Bond" or Bonds." Notes, or any renewals thereof, bonds,
30 refunding bonds and other evidences of indebtedness or

1 obligations of the authority.

2 "Department." The Department of Education.

3 "School building." Includes, but shall not be limited to,
4 any structure used or useful for schools and playgrounds,
5 including facilities for physical education.

6 "School district." A school district as defined in the act
7 of March 10, 1949 (P.L.30, No.14), known as the "Public School
8 Code of 1949."

9 "Secretary." The Secretary of Education.

10 "Unfunded debt of a school district." Its obligations of the
11 same or a prior year, properly contracted for current expenses
12 (including tax anticipation notes) due and owing, which taxes
13 and other revenues of the school district remaining to be
14 collected in the fiscal year and funds on hand will not be
15 sufficient to pay without a curtailment of school district
16 services to an extent which endangers the proper education of
17 school children.

18 CHAPTER 2

19 PUBLIC SCHOOL FINANCE ASSISTANCE AUTHORITY

20 Section 201. Creation of authority.

21 (a) Members.--The Governor, the State Treasurer, the Auditor
22 General, the Secretary of Education, the Secretary of General
23 Services, the President pro tempore of the Senate, the Speaker
24 of the House of Representatives, the minority leader of the
25 Senate, the minority leader of the House of Representatives, and
26 their respective successors in office are hereby created a body
27 corporate and politic, constituting a public corporation and
28 government instrumentality by the name of the "Public School
29 Finance Assistance Authority." The President pro tempore of the
30 Senate and minority leader of the Senate and the Speaker of the

1 House of Representatives and minority leader of the House or
2 Representatives may designate any member of the Senate or House,
3 respectively, to act in their stead to serve at the discretion
4 of the respective President pro tempore or minority leader and
5 Speaker of the House of Representatives or minority leader. Such
6 designees, if any, shall be the same persons designated under
7 the "State Public School Building Authority Act." Said members
8 of the authority shall be entitled to no compensation for their
9 services as members but shall be entitled to reimbursement for
10 all necessary expenses incurred in connection with the
11 performance of their duties as members.

12 (b) Term for members of General Assembly.--The President pro
13 tempore of the Senate and the Speaker of the House of
14 Representatives, the minority leader of the Senate and the
15 minority leader of the House of Representatives, shall continue
16 as members of the authority until their respective successors in
17 office assume such office, regardless of whether or not they
18 shall have ceased to be members of the Senate or the House of
19 Representatives.

20 (c) Deputy permitted.--The member of the authority may
21 authorize by written proxy or authorization a personal deputy to
22 appear and act for them at a meeting and for the purposes
23 specified in such written proxy or authorization, provided that
24 a separate written authorization or proxy shall be required for
25 each separate meeting.

26 Section 202. General powers.

27 The authority is hereby granted and shall have and may
28 exercise all the powers necessary or convenient for the carrying
29 out of the aforesaid purposes, including but without limiting
30 the generality of the foregoing, the following rights and

1 powers:

2 (1) To have perpetual existence as a corporation;

3 (2) To sue and be sued, implead and be impleaded,
4 complain and defend, in all courts;

5 (3) To adopt, use and alter at will a corporate seal;
6 use any property real, personal or mixed, tangible or
7 intangible, or any interest therein (necessary or desirable)
8 for carrying out the purpose of the authority, and to sell,
9 lease, transfer and dispose of any property or any interest
10 therein at any time acquired by it;

11 (4) To make bylaws for the management and regulation of
12 its affairs;

13 (5) To obtain from the State Public School Building
14 Authority, for a fee, those executive, fiscal and
15 administrative services, as may be required to carry out the
16 functions of the authority under this act;

17 (6) To fix, alter, charge and collect rentals, and other
18 charges for the use of the facilities of, or for the services
19 rendered by the authority, at reasonable rates to be
20 determined by it for the purpose of providing for the payment
21 of the expenses of the authority, not provided for by
22 appropriation by the Commonwealth, or otherwise, the
23 construction, improvement, repair, equipping and furnishing,
24 maintenance and operation of its facilities and properties,
25 the payment of the principal of, and interest on, its
26 obligations, and to fulfill the terms and provisions of any
27 agreements made with the purchasers or holders of any such
28 obligations;

29 (7) To borrow money for the purposes of making loans to
30 school districts and purchasing public school buildings;

1 (8) To make loans to school districts in accordance with
2 this act on such terms and conditions as it deems desirable
3 subject to the approval of the secretary.

4 (9) To make and issue bonds and to secure the payment of
5 all such bonds and to make such agreements with the
6 purchasers or holders of all such bonds, or with others in
7 connection with all such bonds, whether issued or to be
8 issued as the authority shall deem advisable, and in general
9 to provide for the security for all such bonds and the rights
10 of the holders thereof; and in connection therewith to enter
11 into a trust indenture, deed of trust, mortgage, or other
12 similar security instrument with any bank or trust company as
13 indenture trustee, trustee, mortgage or equivalent: Provided,
14 however, That each separate issue of bonds shall be issued
15 pursuant to a trust indenture, deed of trust, mortgage or
16 other similar security instrument, separate, distinct and
17 apart from that of each and every other issue of bonds:
18 Provided further, That a particular bank or trust company may
19 be designated by the authority as indenture trustee with
20 respect to more than one trust indenture.

21 (10) Without limitation of the foregoing, to borrow
22 money, and accept grants from, and to enter into contracts,
23 leases or other transactions with any Federal agency;

24 (11) To pledge, hypothecate, mortgage or otherwise
25 encumber, all or any of the school buildings, revenues or
26 receipts of the authority as security for all, or any of the
27 obligations of the authority;

28 (12) To do all acts and things necessary or convenient
29 to carry out the powers granted to it by this act or any
30 other acts.

1 Section 203. Limitation on contracts.

2 No contract for the purchase, sale or lease of school
3 buildings or for the loan of money, or for any other purpose,
4 shall be executed between the authority and school districts or
5 municipality authorities created by school districts without
6 specific prior written approval of the secretary.

7 Section 204. Leases, loans and transfer of buildings.

8 (a) Authorization to lease.--Any school district or
9 districts within the Commonwealth shall have power and authority
10 to lease as lessee from the authority any school building, and
11 the furnishings and equipment thereof for a term, with respect
12 to each not exceeding 40 years, at such rental or rentals as may
13 be determined by the authority.

14 (b) Authorization to borrow money.--Any school district or
15 districts within the Commonwealth shall have the power and
16 authority to borrow money from the authority and to transfer
17 title of school buildings to the authority as part of such loan
18 transaction.

19 (c) Conveyance of lands.-- Any school district shall have
20 the power and authority, with the approval of the Secretary of
21 Education, to grant, assign and convey to the authority, with or
22 without consideration, any lands, easements or rights in lands
23 together with any improvements, school buildings or structures
24 therein or thereon, now owned by such school district or
25 hereafter acquired by it, needed or convenient to carry out the
26 purposes of this act, as well as furnishings and equipment for
27 school buildings.

28 (d) Reconveyance by authority.-- When the authority shall
29 have finally paid and discharged all bonds, including refunding
30 bonds, together with all interest due thereon, which were issued

1 for the purposes of this act and shall have paid any and all
2 other charges and obligations incurred, the authority may
3 reconvey such school buildings conveyed to it in connection with
4 the issuance of such bonds to the school district to which such
5 buildings were leased.

6 CHAPTER 3

7 BONDS; NOTES; OBLIGATIONS OF THE AUTHORITY

8 Section 301. Issuance of bonds and notes.

9 (a) Power to issue bonds.-- The authority shall have the
10 power and is hereby authorized from time to time to issue its
11 bonds, either as serial bonds, maturing in annual installments
12 or as term bonds, or any combination thereof, in such principal
13 amount as in the opinion of the authority shall be necessary to
14 provide sufficient funds for achieving its corporate purposes,
15 including but not limited to the payment of interest on bonds of
16 the authority, establishment of reserves to secure such bonds
17 and all other expenditures of the authority incident to and
18 necessary or convenient to carry out its corporate purposes and
19 powers. The authority shall have power, from time to time, to
20 issue bonds to pay notes and whenever it deems refunding
21 expedient to refund any or all bonds by the issuance of new
22 bonds, whether the bonds to be refunded have or have not
23 matured, and to issue bonds partly to refund bonds then
24 outstanding and partly for any other purpose. The proceeds of
25 the refunding bonds shall be applied to the purchase, redemption
26 or payment of the bonds to be refunded, all as authorized by the
27 authority.

28 (b) Form of bonds.-- The bonds shall be authorized by
29 resolution of the authority, shall bear such date or dates, and
30 shall mature at such time or times, not exceeding 40 years from

1 the date of issue, as such resolution or resolutions may
2 provide. The bonds shall bear interest at such rate or rates, be
3 in such denominations, be in such form, either coupon or
4 registered, carry such registration privileges, contain such
5 terms and provisions relating to, but not limited to, pledges of
6 the assets, setting aside of reserves, limitations or additional
7 bonds, and such other matters as may affect the security or
8 protection of the bonds, be executed in such manner, be payable
9 in such medium of payment, at such place or places and be
10 subject to such terms of redemption as such resolution or
11 resolutions may provide. The bonds of the authority may be sold
12 at public or private sale, at such price or prices as the
13 authority shall determine.

14 (c) Liability for bonds.-- Neither the members of the
15 authority nor any person executing the bonds shall be liable
16 personally on the bonds or be subject to any personal liability
17 or accountability by reason of the issuance thereof.

18 (d) Repurchase of bonds.-- The authority, subject to such
19 agreement with bondholders as may then exist, shall have the
20 power out of any funds available therefor to purchase its bonds,
21 which shall thereupon be cancelled, at a price not exceeding:

22 (1) if the bonds are then redeemable, the redemption
23 price then applicable plus accrued interest to the next
24 interest payment date thereupon, or

25 (2) if the bonds are not then redeemable, the redemption
26 price applicable on the first date after such purchase upon
27 which the bonds become subject to redemption plus accrued
28 interest to such date.

29 Section 302. Credit of Commonwealth or any subdivision not
30 pledged.

1 Except as may otherwise be expressly provided by the
2 authority, its bonds shall be general obligations of the
3 authority payable out of any moneys or revenues of the
4 authority, including rental payments, the proceeds of loans made
5 under this act, reserve funds created therefor by the authority,
6 and other money lawfully available to the authority, subject
7 only to any agreements with holders of the bonds pledging any
8 moneys or revenues. Bonds of the authority issued under the
9 provisions of this act shall not be deemed to constitute a debt
10 of the Commonwealth or of any political subdivision thereof or a
11 pledge of the faith and credit of the Commonwealth or of any
12 such political subdivision thereof or a pledge of the faith and
13 credit of the Commonwealth or of any such political subdivision.
14 All such bonds shall contain on the face thereof a statement to
15 the effect that neither the Commonwealth nor any political
16 subdivision thereof shall be obligated to pay the same or the
17 interest thereon and that neither the faith and credit nor the
18 taxing power of the Commonwealth nor any political subdivision
19 thereof is pledged to the payment of the principal of or the
20 interest thereon.

21 Section 303. Moneys of the authority.

22 All moneys of the authority from whatever source derived
23 shall be paid to the treasurer of the authority and shall be by
24 him invested in United States Treasury obligations, obligations
25 of agencies and instrumentalities of the United States, or
26 obligations of this Commonwealth, or deposited in one or more
27 banks or trust companies, in one or more special accounts until
28 required to be transferred to one or more sinking funds or
29 analogous funds in order to make payment of interest or
30 principal on bonds of the authority. Each deposit shall be

1 continuously secured by pledge of direct obligations of the
2 United States of America or of this Commonwealth, bonds of the
3 agency, of other authorities of this Commonwealth, or of
4 agencies and instrumentalities of the United States, having an
5 aggregate market value, exclusive of accrued interest, at all
6 times, at least equal to the balance on deposit in the account.
7 The security shall be either deposited with the treasurer or
8 held by a trustee or agent satisfactory to the authority. All
9 banks and trust companies are authorized to give the security
10 required. The treasurer shall make reasonable efforts to obtain
11 the highest available yield on the investments or deposits.
12 Interest or other income earned on the investments or deposits
13 shall be used for debt service reduction, administrative
14 expenses or for such other purposes as the authority may from
15 time to time determine. The moneys of the authority shall be
16 paid out on the warrant or other order of the treasurer of the
17 authority or of another person authorized by the authority to
18 execute warrants or orders. Moneys held in trust or otherwise to
19 secure the payment of bonds or notes shall be secured in the
20 same manner as moneys of the authority and all banks and trust
21 companies are authorized to give security for such deposits.
22 Notwithstanding the provisions of this section, the authority
23 shall have power to contract with the holders of any of its
24 bonds or notes as the custody, security, investment and payment
25 of any moneys of the authority or any moneys held in trust or
26 otherwise to secure the payment of bonds or notes. Any
27 provisions with respect to custody, security, investment or
28 payment of moneys of the authority shall not become effective
29 until the resolution or trust indenture containing such contract
30 with bondholders or noteholders shall have been approved in

1 writing by the Governor.

2 Section 304. Annual report, books and records of the
3 authority.

4 The authority shall file an annual report with the Department
5 of Community Affairs. The authority shall have its books,
6 accounts and records audited annually by a certified public
7 accountant and a copy of this audit shall be attached to and be
8 made a part of the aforesaid annual report. A concise financial
9 statement shall be published annually by the authority and shall
10 be available for public inspection at the office of the
11 authority. The Auditor General shall have the right to examine
12 the books, accounts and records of the authority.

13 Section 305. Exemptions from taxation.

14 (a) Public purpose of authority.-- The creation of the
15 authority is in all respects for the benefit of the people of
16 the Commonwealth and for the improvement of their health,
17 safety, welfare, comfort and security, and its purposes are
18 public purposes and the authority will be performing an
19 essential governmental function.

20 (b) Interest free of certain taxes.--The Commonwealth
21 covenants with the purchasers and all subsequent holders and
22 transferees of the bonds issued by the authority in
23 consideration of the acceptance of any payment for the bonds,
24 that the bonds of the authority issued pursuant to this act and
25 the income therefrom shall at all times be free from taxation or
26 assessment of every kind and nature except for inheritance,
27 estate, gift and transfer taxes.

28 (c) Authority exempt from taxation.-- The authority shall be
29 exempt from payment of any taxes or assessments upon any
30 property acquired, held, owned, leased or used by it. The income

1 and revenues of the authority shall likewise be free from
2 taxation.

3 Section 306. Bonds as legal investments.

4 The bonds of the authority are securities in which all public
5 officers and bondholders of the Commonwealth and all municipalities
6 and municipal subdivisions, all insurance companies and
7 associations, and other persons carrying on a insurance
8 business, all banks, trust companies, savings banks and savings
9 associations, investment companies, all administrators,
10 guardians, executors, trustees and other fiduciaries, and all
11 other persons whatsoever who are now or may hereafter be
12 authorized to invest in bonds or other obligations of the
13 Commonwealth, may properly and legally invest funds, including
14 capital, in their control or belonging to them.

15 Section 307. Covenant by Commonwealth not to limit or alter
16 powers vested in authority.

17 The Commonwealth does hereby pledge and covenant and agree
18 with the holders of any bonds issued pursuant to the authority
19 of this act that the Commonwealth will not limit or alter the
20 rights or powers hereby vested in the authority to perform and
21 fulfill the terms of any agreement made with the holders of such
22 bonds or in any way impair the rights or remedies of such
23 holders, until such bonds, together with interest thereon, with
24 interest on any unpaid installments of interest, and all costs
25 and expenses in connection with any action or proceedings by or
26 in behalf of such holders, are fully met and discharged or
27 provided for. The authority may include this pledge and
28 agreement of the Commonwealth in any agreement with the holders
29 of bonds issued by the authority.

1 POWERS AND DUTIES OF THE SECRETARY OF EDUCATION

2 Section 401. Application.

3 Any school district may apply and be considered for
4 authorization to participate in the program provided by this act
5 by filing an application with the secretary. Applications shall
6 be submitted by the board of school directors in such form as
7 the secretary may require.

8 Section 402. Requirements for application.

9 Each application shall state, and be supported by such
10 adequate documentation as the secretary may require:

11 (1) that the school district has unfunded debt;

12 (2) that the board of school directors is taxing real
13 estate at the maximum rate set by statute or that the board
14 of school directors has levied real estate taxes such that
15 the district is making a local real estate tax effort greater
16 than 85% of the school districts in the Commonwealth and is
17 taxing earned income at the maximum rate permitted under the
18 act of December 31, 1965 (P.L.1257, No.511), known as "The
19 Local Tax Enabling act." As used in this section, local tax
20 effort means that figure determined by the secretary to be
21 the mill equivalent of all taxes on equalized value; and

22 (3) that the school district would experience
23 substantial financial benefits through participation in the
24 programs provided by this act in addition to those benefits
25 due to receipt of subsidies as provided for in section 415.

26 Section 403. Initial review by secretary.

27 (a) Review.--Upon receipt of an application the secretary
28 shall review the statements and documentation submitted by the
29 school district and shall determine whether or not the applicant
30 meets the requirements set forth in section 402.

1 (b) Procedure on approval.--If the secretary determines that
2 an applicant meets the requirements set forth in section 402,
3 and if he finds that the school district's participation in the
4 programs provided by this act are in the best interests of the
5 school district, he shall authorize the school district to file
6 the financial schedule and agreements required by sections 404
7 and 405 and to apply to and begin negotiations with the
8 authority so that the school district may participate in the
9 programs provided in this act.

10 Section 404. Financial schedule.

11 (a) Filing of schedule.--As a condition for receiving final
12 approval to participate in the programs provided by this act,
13 each school district authorized to negotiate with the authority
14 pursuant to section 403, shall file with the secretary, for his
15 approval, a financial schedule.

16 (b) Content of schedule.--The financial schedule shall set
17 forth in detail:

18 (1) The budgets of the school district for the current
19 and preceding year.

20 (2) A complete statement of all current obligations
21 whether funded or unfunded.

22 (3) The schedules of all outstanding debts and lease
23 rental obligations and the projects to which they are
24 related.

25 (4) Copies of all current collective bargaining
26 agreements.

27 (5) A five-year detailed estimate of all receipts and
28 expenditures, including the proposed proceeds from the sale
29 of school buildings and the obligations to the authority
30 incurred by the sale of school buildings.

(6) Such other information or matters as the secretary shall determine.

(c) Review of schedule.--The secretary shall review the financial schedule and may, in his sole discretion, require that it be supplemented or amended.

(d) Approval of schedule.--When the financial schedule is in a form acceptable to the secretary, he may approve it and if approved shall so inform the authority.

Section 405. Agreements.

(a) Contents of agreements.--As a condition for receiving approval to participate in the programs provided by this act, each school district shall agree with the secretary, in a form acceptable to him, that for the period covered by the financial schedule:

(1) The school district will incur no unfunded debt.

(2) The school district will not incur any debt except in accordance with the approved financial schedule.

(3) The school district shall adhere to the detailed financial schedule filed in accordance with section 404 or as amended in accordance with section 408.

(b) Legal effect of agreements.--These agreements shall become legally binding upon the school district in accordance with section 407 and the secretary is authorized to take all appropriate legal actions to enforce these agreements.

Section 406. Approval of agreements.

Each school district authorized under section 403 (b) to negotiate with the authority shall submit to the secretary any proposed agreement pursuant to section 204 between the school district and the authority. The secretary may approve such proposed agreements only if the school district has submitted an

1 approved financial schedule and approved proposed agreements
2 with the secretary, provided that the secretary shall not
3 approve any such proposed agreements pursuant to which
4 obligations of a school district to the authority would result
5 in payments pursuant to section 415 which would exceed without
6 proration appropriations for such purposes.

7 Section 407. Closing.

8 Upon approval of the proposed agreements by the secretary,
9 the school directors shall enter into such agreements with the
10 authority. The agreements made by the school district and the
11 authority in accordance with section 405 shall become legally
12 binding on the parties thereto at the time of closing.

13 Section 408. Amendments to financial schedule.

14 The school district may, subject to the approval of the
15 secretary, amend and revise its financial schedule. The
16 secretary shall not approve an amendment to increase
17 expenditures unless the proposed amendment includes at least an
18 equal increase in revenue.

19 Section 409. Investigation and audits by the department.

20 The department may at any time make such investigations and
21 audits of financial records that it deems appropriate to assure
22 compliance with the financial schedule approved by the secretary
23 and agreements with the secretary made by the district.

24 Section 410. Noncompliance by school district.

25 (a) Determination.--Whenever the secretary, after
26 investigation, determines that a district is in noncompliance
27 with the approved financial schedule and agreements with the
28 secretary required by this act, he shall so notify the school
29 district in writing, citing the specific facts and circumstances
30 which have resulted in the determination.

1 (b) Financial review board.--Upon making a determination of
2 noncompliance, the secretary may call for the establishment of a
3 financial review board to make recommendations regarding the
4 school district's finances. When a financial review board is
5 called for it shall be established as follows:

6 (1) For school districts of the first class the
7 financial review board shall consist of seven members
8 appointed as follows:

9 (i) One resident elector of the city who shall hold
10 no public office or public employment shall be appointed
11 by the secretary to serve as chairman.

12 (ii) Two resident electors shall be appointed each
13 by the school board, the mayor of the city and the city
14 council of the city. At least one of each appointing
15 agencies' appointments shall hold no public office or
16 public employment.

17 (iii) As used in this subsection city means a city
18 which is coterminous with the boundaries of the school
19 district.

20 (2) For school districts other than districts of the
21 first class the financial review board shall consist of five
22 members appointed as follows:

23 (i) One resident elector of the school district who
24 shall hold no public office or public employment shall be
25 appointed by the secretary to serve as chairman.

26 (ii) Two resident electors of the school district
27 shall be appointed each by the board of school directors
28 and by the intermediate unit board of school directors of
29 the intermediate unit to which the school district is
30 assigned. At least one of each appointing agencies'

1 appointments shall hold no public office or public
2 employment.

3 (c) Powers.--The financial review board shall review the
4 facts related to the secretary's determination of noncompliance,
5 the school district's budget and the approved financial schedule
6 and agreements with the secretary submitted pursuant to this act
7 and, within 30 days of the secretary's call for its
8 establishment, the board shall make a written report to the
9 school district with a copy to the secretary and, in the case of
10 a school district of the first class, to the mayor and city
11 council of the city whose political boundaries are coterminous
12 with those of the school district. The report shall contain
13 recommendations for adjusting revenues and expenditures of the
14 school district to bring it into compliance with the approved
15 financial schedule.

16 (d) Conduct of business.--The business of the financial
17 review board shall be conducted in accordance with the act of
18 July 19, 1974 (P.L.486, No.175), referred to as the Public
19 Agency Open Meeting Law, by majority vote of those present and
20 voting provided that a majority of the legally qualified members
21 are present.

22 (e) Distressed district.--The secretary shall review the
23 status of the school district 65 days after the call for the
24 establishment of a financial review board, and if he determines
25 that the district remains in noncompliance with the approved
26 financial schedule and agreements, he shall declare the school
27 district to be distressed. If he determines that the school
28 district is in compliance with the approved financial schedule
29 and agreements, he shall discharge the financial review board.

30 Section 411. Special board of control; petition,

1 appointments.

2 Whenever on the basis of an investigation as herein provided
3 for, the secretary has declared any school district to be a
4 distressed school district he or his designated representative
5 shall petition the court of common pleas of the county in which
6 such district, or the largest part in area, is located to
7 appoint two citizens who shall be qualified electors and
8 taxpayers in the county in which the school district is located.
9 School directors and employees of any such school district shall
10 be ineligible for appointment by the court. Within 10 days after
11 the presentation of said petition, the court shall make the
12 appointments herein provided and the appointees, together with
13 the secretary or his designated representative, shall constitute
14 a special board of control. Vacancies occurring because of death
15 or resignation of appointed members of the board shall be filled
16 by the court. The special board of control shall assume control
17 of the affairs of the district and operate it in the place of
18 the school directors during the period necessary to reestablish
19 a sound financial structure in the district. The costs of the
20 court proceedings shall be paid by the department.

21 Section 412. Powers of the special board of control.

22 When the special board of control assumes control of a
23 distressed school district, it shall have power and is hereby
24 authorized to exercise all the rights, powers, privileges,
25 prerogatives and duties imposed or conferred by law on the board
26 of school directors of the distressed district, and the board of
27 school directors shall have no power to act without the approval
28 of the special board of control. In addition thereto, the
29 special board of control shall have power to require the board
30 of directors within 60 days to revise the district's budget for

1 the purpose of effecting such economies as it deems necessary to
2 improve the district's financial condition. To this end the
3 special board of control may require the board:

4 (1) To cancel or to renegotiate any contract other than
5 teachers' contracts to which the board or the school district
6 is a party, if such cancellation or renegotiation of contract
7 will effect needed economies in the operation of the
8 district's schools.

9 (2) To increase tax levies in such amounts and at such
10 times as is permitted by the act of March 10, 1949 (P.L.30,
11 No.14), known as the "Public School Code of 1949."

12 (3) To appoint a special collector of delinquent taxes
13 for the district who need not be a resident of the school
14 district. Such special tax collector shall exercise all the
15 rights and perform all the duties imposed by law on tax
16 collectors for school districts. The superseded tax collector
17 shall not be entitled to any commissions on the taxes
18 collected by the special collector of delinquent taxes.

19 (4) To direct the special school auditors of the
20 department or to appoint a competent independent public
21 accountant to audit the accounts of the distressed school
22 districts.

23 (5) To dispense with the services of such
24 nonprofessional employees as in his judgment are not actually
25 needed for the economical operation of the school system.

26 (6) To suspend, in accordance with the provisions of the
27 act of March 10, 1949 (P.L.30, No.14), known as the "Public
28 School Code of 1949," such number of professional and
29 temporary professional employees as may be necessary to
30 maintain a pupil-teacher ratio of not less than 26 pupils per

1 teacher for the combined elementary and secondary school
2 enrollments.

3 Section 413. Additional tax.

4 When the operation of a distressed school district has been
5 assumed by the special board of control, the board of school
6 directors of the district shall, upon the recommendation and
7 with the approval of the special board of control, levy an
8 additional tax or taxes sufficient to pay the indebtedness of
9 the district including that for the authority: Provided, That
10 when such school directors fail to levy such additional taxes
11 within a reasonable time, the special board of control may
12 petition the court of common pleas of the county in which such
13 district or the largest part in area is located to issue a writ
14 of mandamus requiring the board to levy such additional tax or
15 taxes. In no case shall taxes levied under this section produce
16 revenues greater than 120% of revenues raised by all local taxes
17 levied for school district purposes in the current fiscal year.
18 The subjects of taxation shall be limited to persons,
19 transactions, occupations, privileges, subjects and real and
20 personal property which may now or hereafter be taxable by the
21 school district for school district purposes.

22 Section 414. School directors to remain in office; elections.

23 The school directors of a distressed district may not resign
24 their offices, except with the unanimous consent of the special
25 board of control and shall continue in office, unless removed
26 from office for neglect of duty under the provisions of the act
27 of March 10, 1949 (P.L.30, No.14), known as the "Public School
28 Code of 1949," set by the court of common pleas of the county in
29 which such district or the largest part in area is located, or
30 unless any of such directors are elected to another position not

1 compatible with the position of school director or are appointed
2 to any position for which there is a requirement that said
3 appointee shall hold no elective office, for the remainder of
4 their terms during the time the district is operated by the
5 special board of control and shall perform any duties delegated
6 to them by it. The assumption of control of a distressed school
7 district by the special board of control shall in no way
8 interfere with the regular election or reelection of school
9 directors for the district.

10 Section 415. Payments to school districts.

11 (a) Appropriations.--From appropriations specifically made
12 for this purpose, the department shall pay school districts for
13 the amounts required to be paid to the authority by the school
14 districts pursuant to agreements entered into in accordance with
15 section 204. The amount of such payments to each school district
16 shall not in any year exceed the amount of interest accrued or
17 to accrue that year on the principal amount of the authority's
18 outstanding bonds or notes, the proceeds of which were used to
19 make a loan to or to finance the purchase of the school
20 buildings, of the respective school districts.

21 (b) Certification of interest.--The authority shall certify
22 the secretary as to each school district, the amount of such
23 interest, for each school district.

24 (c) Pro rata payments.--In the event an appropriation
25 specifically for each such payment is not adequate to fund the
26 aggregate of all such payments certified by the authority, the
27 secretary shall make pro rata payments.

28 (d) Payments to be additional.--Payments under this act
29 shall be in addition to all other funds, subsidies and
30 reimbursements made available to school districts under any law

1 now in effect or as may be henceforth enacted, including sinking
2 fund and lease rental reimbursements to be extent and for the
3 period currently committed.

4 Section 416. Withholding Commonwealth funds for unpaid
5 indebtedness.

6 In all cases in which the board of school directors fails to
7 pay or to provide for the payment of rental or rentals or loan
8 repayments due the authority for any period in accordance with
9 the terms of any lease or loan agreement entered into in
10 accordance with the provisions of this act, the authority shall
11 notify the secretary and the department shall withhold out of
12 any moneys which may be or have been appropriated by the
13 Commonwealth and which are due such school district an amount
14 equal to the sum of the rental or rentals or loan payments owing
15 by such school district to the authority, and shall pay over the
16 amount so withheld to the authority.

17 CHAPTER 5

18 RULES AND REGULATIONS

19 EFFECTIVE DATE

20 Section 501. Rules and regulations.

21 The authority, the secretary, and the department shall have
22 the power to promulgate rules and regulations as are necessary
23 and appropriate and as are consistent with the intent and
24 purpose of this act.

25 Section 502. Secretary.

26 The secretary is authorized to employ the staff necessary to
27 administer this act. Persons so employed shall not be subject to
28 the provisions of the act of August 5, 1941 (P.L.752, No.286),
29 known as the "Civil Service Act."

30 Section 503. Severability.

1 The provisions of this statute shall be severable. If any
2 provision of this statute or the application thereof of any
3 person or circumstance is held invalid, the remainder of the
4 statute, and the application of such provision to other persons
5 or circumstances, shall not be affected thereby, unless the
6 court finds that the valid provisions of the statute are so
7 essentially and inseparably connected with, and so depend upon,
8 the void provision or application, that it cannot be presumed
9 the General Assembly would have enacted the remaining valid
10 provisions without the void one; or unless the court finds that
11 the remaining valid provisions, standing alone, are incomplete
12 and are incapable of being executed in accordance with
13 legislative intent.

14 Section 504. Authorized investments for school district funds.

15 Authorized types of investments of proceeds from the
16 authority shall be limited to:

17 (1) United States treasury bills.

18 (2) Direct obligations of the United States Government
19 and its agencies.

20 (3) Deposits in time accounts, open time accounts, share
21 accounts and all other investments in authorized depositories
22 for which collateral is secured by the pledging of assets in
23 accordance with the act of August 6, 1971 (P.L.281, No.72),
24 relating to pledges of assets to secure deposits of public
25 funds.

26 Section 505. Effective date.

27 This act shall take effect immediately.