

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 585 Session of
2007

INTRODUCED BY GODSHALL, CALTAGIRONE, CREIGHTON, EVERETT,
HERSHEY, HUTCHINSON, D. O'BRIEN, PETRI, PYLE, REICHLEY,
SONNEY, WATSON AND GIBBONS, MARCH 6, 2007

REFERRED TO COMMITTEE ON EDUCATION, MARCH 6, 2007

AN ACT

1 Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An
2 act relating to the public school system, including certain
3 provisions applicable as well to private and parochial
4 schools; amending, revising, consolidating and changing the
5 laws relating thereto," further providing, as relates to
6 distressed school districts, when district distressed and for
7 special board of control, petition and appointments; and
8 providing for public school expenditure accountability.

9 The General Assembly of the Commonwealth of Pennsylvania
10 hereby enacts as follows:

11 Section 1. Section 691(a) of the act of March 10, 1949
12 (P.L.30, No.14), known as the Public School Code of 1949,
13 amended April 27, 1998 (P.L.270, No.46), is amended to read:

14 Section 691. When District Distressed.--(a) A school
15 district shall be deemed to be distressed when any one of the
16 following circumstances shall arise and the Secretary of
17 Education, after proper investigation of the district's
18 financial condition, the administrative practices of the board
19 and such other matters deemed appropriate by the Secretary of
20 Education, has issued a certificate declaring such district in

1 financial distress:

2 (1) The salaries of any teachers or other employes have
3 remained unpaid for a period of ninety (90) days.

4 (2) The tuition due another school district remains unpaid
5 on and after January first of the year following the school year
6 it was due and there is no dispute regarding the validity or
7 amount of the claim.

8 (3) Any amount due any joint board of school directors under
9 a joint board agreement remains unpaid for a period of ninety
10 (90) calendar days beyond the due date specified in the joint
11 board's articles of agreement.

12 (4) The school district has defaulted in payment of its
13 bonds or interest on such bonds or in payment of rentals due any
14 authority for a period of ninety (90) calendar days and no
15 action has been initiated within that period of time to make
16 payment.

17 (5) The school district has contracted any loan not
18 authorized by law.

19 (6) The school district has accumulated and has operated
20 with a deficit equal to two per centum (2%) or more of the
21 assessed valuation of the taxable real estate within the
22 district for two successive years.

23 (7) A new, merged or union school district has been formed
24 and one or more of the former school districts which compose the
25 merged or union school district was a distressed school district
26 at the time of the formation of the merged or union school
27 district.

28 (8) The school district has failed to meet the provisions of
29 section 605-A(a) related to its level of operational
30 expenditures for services that directly affect student

1 achievement.

2 * * *

3 Section 2. Section 692 of the act, amended December 9, 2002
4 (P.L.1472, No.187), is amended to read:

5 Section 692. Special Board of Control; Petition;
6 Appointments.--[Whenever] Except as provided in section
7 691(a)(8), whenever on the basis of a proper investigation as
8 herein provided for, the Secretary of Education has declared a
9 school district of the first class A, second class, third class
10 or fourth class to be a distressed school district under section
11 691(a), he or his designated representative who shall be a
12 person trained in public school administration, possessing the
13 certification prerequisites demanded of a district or assistant
14 superintendent, or holding in the Department of Education the
15 rank of Deputy Secretary, shall petition the court of common
16 pleas of the county in which such district, or the largest part
17 in area, is located to appoint two citizens who shall be
18 qualified electors and taxpayers in the county in which the
19 school district is located. School directors and employees of any
20 such school district shall be ineligible for appointment by the
21 court. The appointees, together with the designated
22 representative of the Secretary of Education, shall constitute a
23 special board of control and shall serve for terms of five
24 years. No member of the board may be removed from office during
25 a term, except that the Secretary of Education may upon clear
26 and convincing evidence of malfeasance or misfeasance in office
27 remove a member prior to the expiration of the term. Before a
28 member of the board is removed, that member must be provided
29 with a written statement of the reasons for removal and an
30 opportunity for a hearing in accordance with 2 Pa.C.S. Ch. 5

1 Subch. A (relating to practice and procedure of Commonwealth
2 agencies) and Ch. 7 Subch. A (relating to judicial review of
3 Commonwealth agency action). Vacancies occurring because of
4 death, removal or resignation of members of the board shall be
5 filled within thirty (30) days of the creation of the vacancy in
6 the manner in which that position was originally filled. A
7 member of the board shall hold office until a successor is
8 appointed and qualified. The special board of control shall
9 assume control of the affairs of the district and operate it in
10 the place of the school directors during the period necessary to
11 reestablish a sound financial structure in the district. The
12 costs of the court proceedings shall be paid by the Department
13 of Education.

14 Section 3. The act is amended by adding an article to read:

15 ARTICLE VI-A

16 PUBLIC SCHOOL EXPENDITURE ACCOUNTABILITY

17 Section 601-A. Short title.

18 This article shall be known and may be cited as the Public
19 School Expenditure Accountability Act.

20 Section 602-A. Legislative declaration.

21 The General Assembly finds and declares as follows:

22 (1) It is the responsibility of the General Assembly to
23 provide for the maintenance and support of a thorough and
24 efficient system of public education.

25 (2) Operational expenditures by school districts
26 maximize the quality of each student's educational
27 experience.

28 (3) This Commonwealth's public school students have the
29 right to realize the immediate effects of additional
30 resources, whether these resources are provided through new

1 or reallocated funding, that are focused on services that
2 directly affect each student's achievement.

3 (4) Taxpayers, including parents and business owners in
4 each school district, have a right to know whether their tax
5 dollars are being appropriately budgeted and spent by their
6 school districts to provide students with an opportunity for
7 a quality education.

8 (5) To ensure accountability in school district
9 budgeting to taxpayers and students, it is necessary to
10 require each school district to spend a minimum percentage of
11 its operational expenditures on services that directly affect
12 student achievement.

13 Section 603-A. Definitions.

14 The following words and phrases when used in this article
15 shall have the meanings given to them in this section unless the
16 context clearly indicates otherwise:

17 "Department." The Department of Education of the
18 Commonwealth.

19 "Operational expenditures." All expenditures made by a
20 school district within a single fiscal year, with the exception
21 of the following expenditures related to types of revenues:

22 (1) Money required to be set aside to liquidate the
23 indebtedness of a distressed school district pursuant to
24 section 694.

25 (2) Money received for capital construction pursuant to
26 section 690.

27 (3) Payments made to a charter school or cyber charter
28 school pursuant to section 1725-A.

29 (4) Money set aside for the school district's designated
30 reserve fund pursuant to section 690.

1 (5) Local revenues received through local bond
2 elections, including interest earnings and specific ownership
3 taxes related to bond redemption funds.

4 (6) Bond redemption funds.

5 (7) Federal, State, local and private funds received for
6 a designated purpose that are unrelated to services that
7 directly affect student achievement.

8 (8) Trust and agency funds received for a designated
9 purpose.

10 (9) Internal service funds, as such funds are defined by
11 generally accepted accounting principals for governments,
12 with the exception of property tax revenues or allocations
13 attributable to the General Fund and the corresponding
14 expenditures of such property taxes or allocations.

15 "Services that directly affect student achievement."

16 (1) Programs and services funded by a school district's
17 total budget during a fiscal year that have an immediate
18 effect on the quality of a student's educational experience,
19 including, but not limited to:

20 (i) Salaries and benefits of professional school
21 personnel who hold State-issued licenses or
22 certifications, including, but not limited to,
23 principals, assistant principals, teachers, substitute
24 teachers, school librarians, school counselors, school
25 nurses, school psychologists and school social workers.

26 (ii) Salaries and benefits of school support
27 personnel who do not hold professional licenses or
28 certifications, including, but not limited to,
29 paraprofessionals, bus drivers, food service employees
30 and athletic coaches.

1 (iii) Supplies, materials, equipment and technology
2 intended to serve an instructional purpose.

3 (iv) Instructional services purchased by a school
4 district from individuals or entities outside the school
5 district.

6 (v) Nonmandated instructional services provided
7 through preschool, full-day kindergarten, tutoring and
8 extended-day programs.

9 (vi) Certain support services provided at the school
10 level, including:

11 (A) Instructional support, including, but not
12 limited to, the coordination, delivery, evaluation
13 and technological support of teacher training and
14 professional development, curriculum development and
15 student testing.

16 (B) Student support, including, but not limited
17 to, the coordination, delivery, evaluation and
18 technological support of college placement services,
19 student health care and medical services, nutritional
20 services and attendance and other student
21 recordkeeping services.

22 (C) Food services for students.

23 (D) Transportation for students.

24 (E) Tuition paid on behalf of students placed in
25 residential facilities within this Commonwealth or
26 out-of-State as a result of being adjudicated
27 delinquent pursuant to Article XIII or as part of the
28 student's individualized education plan developed
29 pursuant to 22 Pa. Code, Ch. 14 (relating to special
30 education services and programs).

1 (2) The term does not include:

2 (i) Central school district office services and
3 business, including, but not limited to, accounting,
4 budgeting, payroll, receiving, purchasing, planning,
5 recruiting, human resources administration, risk
6 management administration and communications.

7 (ii) General school district administration,
8 including, but not limited to:

9 (A) Salaries and benefits of school district
10 superintendents, assistant superintendents and other
11 personnel associated with central school district
12 office services and business services, as these
13 services are described in clause (B).

14 (B) Administration functions, including, but not
15 limited to, costs associated with the board of school
16 directors, legal matters, audits and elections.

17 (iii) Operations and maintenance of facilities,
18 including, but not limited to, utilities, debt service,
19 property insurance payments, maintenance and repair of
20 buildings, grounds, ventilation systems, equipment and
21 security systems and the salaries and benefits of
22 custodial maintenance and grounds personnel.

23 Section 604-A. Annual budget reporting.

24 (a) Filing of annual budget.--Each school district shall
25 prepare an annual budget as required by section 687 and file
26 that budget with the department by June 30, 2008, and by June 30
27 of each year thereafter.

28 (b) Standard format.--The department shall designate a
29 standard format for the school district's annual budget by July
30 1, 2008, which permits the school district and the department to

calculate the percentage of operational expenditures on services that directly affect student achievement.

(c) Summary information.--The standard format for the annual budget shall summarize revenues by revenue source and shall summarize expenditures by function, fund and object.

(d) Consistency of format.--Beginning with the 2008-2009 school year, the annual budget report format designated by the department shall be substantially consistent from year to year.

Section 605-A. Expenditures on student services.

(a) Requirement.--Except as otherwise provided in section 606-A(b), in 2008-2009 school year and in each school year thereafter, each school district shall spend at least 65% of its operational expenditures on services that directly affect student achievement. Expenditures by a charter school within a school district shall not be considered expenditures by that school district.

(b) Department determination.--The department shall annually determine whether a school district has satisfied the operational expenditures requirement specified in subsection (a). The department shall base this determination upon the financial audit of the school district's budget conducted by the Auditor General and not upon the annual budget prepared by the school district pursuant to section 687.

(1) Before December 31, 2009, and before December 31 of each year thereafter, the department shall report to each member of the General Assembly a list of all school districts in this Commonwealth that:

(i) failed in the preceding school year to satisfy the operational expenditures requirement specified in subsection (a); and

1 (ii) are not exempt from the operational
2 expenditures requirement specified in subsection (a) as a
3 result of a waiver issued pursuant to section 606-A(b).

4 (2) The General Assembly may impose sanctions upon a
5 school district that fails to satisfy the operational
6 expenditures requirement specified in subsection (a) unless
7 the school district is exempt from the requirement or a
8 waiver issued pursuant to section 606-A(b).

9 Section 606-A. Enforcement, waivers and local elections.

10 (a) Operational expenditure increase.--Except as otherwise
11 provided in subsection (b), if a school district fails to
12 satisfy the operational expenditures requirement specified in
13 section 605-A(a) in the 2008-2009 school year or a school year
14 thereafter, the school district shall increase its operational
15 expenditures on services that directly affect student
16 achievement by a minimum of 2% of its total operational
17 expenditures each year until the school district satisfies the
18 operational expenditures requirement. Failure to do so will
19 subject the school district to a declaration of distressed
20 district by the Secretary of Education under section 691.

21 (b) Waiver.--

22 (1) A school district that has failed to satisfy the
23 operational expenditures requirement specified in section
24 605-A(a) may apply to the department for a waiver, excusing
25 the school district from compliance with the operational
26 expenditures requirement.

27 (2) A school district that applies for a waiver pursuant
28 to this subsection shall specify in the application the
29 manner in which it shall comply with the intent of the
30 operational expenditures requirement and shall be accountable

1 to the department for such compliance.

2 (3) If a school district that has failed to meet the
3 operational expenditures requirement specified in section
4 605-A(a) applies to the department for a waiver pursuant to
5 this subsection, the department may approve a one-year waiver
6 excusing the school district from compliance with the
7 operational expenditures requirement. The district may
8 reapply for such a waiver for not more than three consecutive
9 years.

10 (4) The department may identify criteria for approval or
11 denial of a waiver.

12 (5) If the department grants a waiver to the school
13 district pursuant to this subsection, the department may
14 orally notify the school district of the decision to grant
15 the waiver. If the department denies a waiver to the school
16 district, the department shall notify the school district in
17 writing that the request has been denied and specify the
18 reasons for the denial.

19 (6) If the department grants a waiver to a school
20 district pursuant to this subsection, the waiver shall be
21 valid for one year, after which time the school district
22 shall either:

23 (i) Meet the operational expenditures requirement.

24 (ii) Reapply to the department for another waiver.

25 Section 4. This act shall take effect July 1, 2008, or
26 immediately, whichever is later.