

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** House Bill 479

**PRINTER NO.** 1804

**AMOUNT**

See Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

March 16, 2023

**PRIME SPONSOR**

Representative Borowski

**DESCRIPTION**

House Bill 479 amends the Fiscal Code to make changes to ambulance reimbursement rates and establishes the Pennsylvania Award for Student Success Program.

This legislation increases ambulance transportation rates by requiring the Department of Human Services (DHS) to pay for all loaded miles. DHS shall reimburse providers at the greater of Medicare or Medicaid rates for all ambulance services.

The bill establishes the Pennsylvania Award for Student Success Program (program) within the State Treasury (treasury) to provide scholarships to help students pay tuition, school-related fees and special education services fees to attend a nonpublic school beginning in the 2024-2025 school year.

The legislation provides that to be eligible for the program, a student must be a Commonwealth resident, reside within the attendance boundary of a low-achieving school and be living in a household with a household income below 250% of the Federal poverty guidelines and satisfy one of the following criteria: (1) attended a public school in this Commonwealth in the preceding school year; (2) received a scholarship from the program in the preceding school year; or (3) will attend kindergarten for the first time in the next school year.

The legislation defines a "low-achieving school" as a school district school that ranked in the lowest 15% of the school's designation as an elementary school or a secondary school based on combined mathematics and reading scores from the annual assessment administered in the previous school year and for which the Department of Education (department) has posted results on its publicly accessible internet website. This is the same criteria presently used to determine the list of schools where students are eligible for a tax credit scholarship under the Opportunity Scholarship Program.

The legislation requires the treasury to develop an application for parents to complete on its publicly accessible internet website for a student meeting the eligibility criteria to apply and be approved for the program. It provides that for the 2024-2025 school year, scholarships will be awarded on a first-come, first-served basis. For the 2025-

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2026 school year, and each year thereafter, it provides for priority for awarding scholarships to prior year scholarship recipients and for new scholarships to be awarded on a first-come, first-served basis. It requires a renewal application to be approved notwithstanding a student’s residency in a low-achieving school or the student’s household income. It allows the treasury to establish a wait list for eligible students with approved applications who did not receive awards due to availability of money. If money becomes available, the treasury may award scholarships to eligible students on the wait list on a first-come, first served basis.

The legislation provides for a parent of a student that has been awarded a scholarship to apply for enrollment of the scholarship recipient directly to a participating nonpublic school. It requires the participating nonpublic schools to provide confirmation to the treasury of the scholarship recipients who have accepted enrollment and provide the treasury with the amounts to be charged to the scholarship recipient for tuition, school-related fees and special education services fees.

The legislation requires the treasury to enter into an agreement with the parent of a student who is accepted into the program which requires the student to withdraw from public school and receive instruction from a participating nonpublic school for the school year for which the agreement applies.

The legislation requires the treasury to develop an electronic payment system to enable the parents of a scholarship recipient to direct payments from the account for tuition, school-related fees and special education services fees. It provides for the treasury to deposit scholarship money into scholarship accounts on a schedule determined in consultation with the department when it enters the agreement with the parent. For the 2024-2025 school year, the amounts to be deposited into the scholarship accounts are as follows:

<b>Scholarship Award Amounts</b>	
For a student in half-day kindergarten	\$2,500
For a student in full-day kindergarten through grade 8	\$5,000
For a student in grade 9 through grade 12	\$10,000
For a student with special needs regardless of grade level	\$15,000

The legislation provides for the scholarship award amounts to increase annually by the greater of the average percentage increase in the Act 1 Index for all school districts or the percentage increase in the appropriation for basic education from the prior year.

The legislation establishes the Pennsylvania Award for Student Success Scholarship Fund in the treasury. It provides that all interest and earnings received from investment or deposits into the fund from appropriations and other sources are to be used for the purposes of administering the program by the treasury on a continuing basis. It also provides for \$100 million to be transferred from funds received for personal income taxes under Article III of the Tax Reform Code no later than August 1, 2023, and each August 1 thereafter.

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The legislation provides that a scholarship agreement may be terminated early by the parent for any reason. It requires the treasury to terminate a scholarship account if the parent has been found to engage in fraudulent misuse of the funds, the scholarship recipient no longer lives in the Commonwealth or the scholarship recipient withdraws or is forced to withdraw from the participating nonpublic school. It provides that if an agreement is terminated early, the money in the scholarship account reverts to the fund and the participating nonpublic school is required to repay the full amount of the scholarship reduced a pro rata basis for the portion of the school year the scholarship recipient was enrolled.

The legislation requires the treasury to develop a process for nonpublic schools to indicate their interest in participating in the program and for parents to be informed about participating schools by posting a list of the schools on its internet website.

The legislation provides that the treasury may contract with a third party to administer the program, allows for expedited procurement of services to implement the program upon written justification of the treasury and provides for the treasurer to promulgate temporary regulations to facilitate the implementation of the program.

The legislation requires participating nonpublic schools to comply with nondiscrimination laws and provide required employment background checks.

The legislation allows the treasury to bar a participating nonpublic school from participation in the program for routinely failing to comply with nondiscrimination laws, failing to secure required employment background checks or failing to provide a scholarship recipient with the education services funded through the scholarship account. It also provides that the nonpublic school may appeal the treasury's decision.

The legislation provides that money in a scholarship account is not taxable income to the parent or student. It also provides that an award made to or payment from a scholarship account may not be construed to be an appropriation or financial assistance to a participating nonpublic school.

The legislation provides that the Auditor General may conduct a random audit of Pennsylvania Award for Student Success scholarship accounts. It requires the Auditor General to refer cases of suspected fraudulent misuse of scholarship accounts to the Inspector General for investigation. It requires the Inspector General to refer cases where the investigation results in a finding that rises to the level of criminal activity to law enforcement. It also requires the Auditor General to notify the treasury of cases of suspected fraudulent misuse that are referred to the Inspector General.

The legislation provides that a participating nonpublic school is autonomous and not an agent of the treasury, the department or the Commonwealth. It also provides that neither the treasury, the department nor the Commonwealth may regulate the educational program of a participating nonpublic school that accepts money from scholarship recipient beyond what is necessary to administer the program.

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The legislation requires a resident school district to provide a participating nonpublic school that has admitted a scholarship recipient with a complete copy of the student's school records within 10 days of the receipt of notice from the participating nonpublic school.

The legislation requires participating nonpublic schools to report to the treasury the following information regarding scholarship recipients: enrollment and disenrollment, regular attendance, chronic absenteeism, academic progress as measured by advancement to the next level, indication of graduation and concurrent or dual enrollment course credits. It requires the treasury to report the information received from the participating nonpublic schools to the department.

The legislation requires the treasury to annually submit a report to the General Assembly of statistics related to the operations of the program.

**FISCAL IMPACT:**

House Bill 479 changes to the ambulance reimbursement will result in the following fiscal impacts for FY 2023-24:

- The change to reimburse for all loaded miles will cost \$17.9 million in total funds of which \$6.3 million will be state funds;
- The increase to the greater of Medicare or Medicaid rates will cost \$34.8 million of which \$11.7 will be state funds.

The establishment of the Pennsylvania Award for Student Success Program will cost the Commonwealth \$103,693,000 in fiscal year 2023-24. The amount includes \$100,000,000, which is required to be deposited in the Pennsylvania Award for Student Success Fund (fund) from personal income tax revenues annually, and the costs to administer the program, which treasury estimates to be \$3,693,000 assuming full utilization of the scholarships. Below are the treasury's itemized costs:

Administrative Costs	\$\$
Application Processing	\$ 700,000
Marketing and Outreach	\$ 250,000
Payment Processing	\$ 2,000,000
Program Management Software	\$ 250,000
Salaries and Benefits	\$ 493,000
<b>Total</b>	<b>\$ 3,693,000</b>

The provisions authorizing the Auditor General to conduct random audits of scholarship accounts can be accomplished within the Department of the Auditor General's operating budget as the activity is routine to its operations.

Increases in the cost of the program will be dependent on the treasury's cost to carry the current operations of the program forward as the amount provided for scholarships is fixed at \$100,000,000 annually.