



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 762

PRINTERS NO. 1999

PRIME SPONSOR: Roae

COST / (SAVINGS)

| FUND | FY 2014/15 | FY 2015/16 |
|--------------|----------------------------|------------|
| General Fund | See "Fiscal Impact" below. | |

SUMMARY: House Bill 762 makes numerous changes and adds sections to the Public School Code, including provisions implementing the 2015-16 appropriations contained in House Bill 1192. Effective dates vary by provision.

ANALYSIS: Below is a list of the sections of the School Code added or amended by this legislation, including an analysis of the fiscal impact where necessary.

Section 124 Powers and Duties of the Secretary of Education - This legislation would require the Secretary of Education to enter into and administer membership in a regional compact and interstate reciprocity agreement for the provision of postsecondary distance education. In states, territories, and districts that are party to such an agreement, institutions that choose to participate provide distance education to students from other states, territories, and districts that are also a party to the agreement.

House Bill 762 also allows the Department of Education (PDE) to charge administrative fees to institutions of higher education that choose to participate in the agreement, as long as those charges do not exceed the Department's additional administrative costs of participation. These fees may be deposited in the Postsecondary Distance Education Interstate Reciprocity Agreement Restricted Receipts Account established as a special restricted receipts account within the General Fund of the State Treasury by this legislation. The Department may use this money for all costs related to administering and implementing a Postsecondary Distance Education Interstate Reciprocity Agreement. The account may also accept funds appropriated for this purpose.

According to the Department of Education, there is an annual fee of \$50,000 for Pennsylvania to join an interstate compact of the type described in this legislation. In the first year the Department pays to belong to such a compact, it will need to pay this fee from its available budget. In subsequent years, this money could be paid from the restricted account established by the legislation.

Section 732.1 Limitation on New Applications for Department of Education Approval of Public School Building Projects – This section is amended to provide that, for the 2015-2016 school year, PDE may not accept or approve new building construction or reconstruction project applications. Completed applications received by PDE by August 15, 2015, are not subject to this provision.

Section 732.2 Public School Building Construction and Reconstruction Advisory Committee – This new section establishes a Public School Building Construction and Reconstruction Advisory Committee to review and make findings related to the construction and reconstruction of public school buildings, including construction and reconstruction planning, financing and Commonwealth reimbursement. It sets forth the membership of the Committee and requires the Committee to issue a report of the Committee's findings not later than February 1, 2016.

Section 1372 Exceptional Children; Education and Training – This section is amended to require PDE to annually adjust the dollar ranges for which it collects special education cost information from school districts, by the Consumer Price Index.

Section 1724-A School Staff – This section is amended to make permanent the Commonwealth's discontinuation of pension reimbursement payments to charter and cyber charter schools.

Section 1855 Vocational Education Equipment Grants -- This section is amended to provide for the distribution of funding based on a formula that provides a base amount of \$3,000 to each area vocational-technical school or school district with an approved program and distributes the remainder of funding based on average daily membership. *House Bill 1192 provides \$3 million for this purpose.*

Section 1913-A Financial Program; Reimbursement of Payments – This section is amended to provide for a community college funding formula for the 2015-2016 fiscal year. *This formula distributes the \$222,137,000 provided in House Bill 1192 for community colleges.*

Section 1902-C and 1902-E Applications and Contract with Private Alternative Education Institutions -- These sections are amended so alternative education providers will pay annual application and renewal fees to augment the Department's costs for administration and oversight activities. It establishes initial and renewal application fees of \$400 for public school entities and \$1,000 for private providers. *The fees are estimated to generate \$162,000 in additional revenues annually, which will be used to offset Department of Education expenses for oversight activities.*

Article XIX-G Rural Regional College for Underserved Counties – This new article establishes a rural regional college and specifies the organizational administration and operations of such college in a multicounty rural area that is underserved by comprehensive college education and workforce development. *House Bill 1192 provides \$1,200,000 for this purpose.*

Section 2320 State Aid for Fiscal Year 2015-2016 – This new section provides for a library funding formula for the 2015-2016 fiscal year which distributes funding in the same manner as

in the 2014-2015 fiscal year. It also allows the State Librarian, in the event of a change in direct service area from one library to another, upon agreement of the affected libraries, to redistribute the local library share of aid to the library currently servicing the area. *The formula distributes the \$54,470,000 provided in House Bill 1192 for libraries.*

Section 2502.53 Student-Weighted Basic Education Funding – This new section establishes a new student-weighted basic education funding distribution formula, as developed by the Basic Education Funding Commission. A \$100 million increase in basic education funding is distributed through this formula. All other basic education funding is distributed to school districts in the same manner as funding was distributed in the 2014-2015 school year. The section also provides for the deposit of any undistributed funds into the Financial Recovery School District Transitional Loan Account. *This formula will distribute the \$5,630,079,000 provided in House Bill 1192 for basic education.*

Section 2509.1 Payments to Intermediate Units – This section is amended to increase the level of special education funding to intermediate units by \$2,200,000 over the 2014-2015 fiscal year, but maintains the manner of distribution that was in place for the 2014-2015 fiscal year. *House Bill 1192 provides \$58,674,825, or 5.5% of the total State special education appropriation, for this purpose.*

Section 2509.5 Special Education Payments to School Districts – This section is amended to provide each school district with the same amount of special education funding as in fiscal year 2013-14 and distributes nearly \$40,000,000 under the Special Education Funding Commission formula that considers student costs, wealth, tax effort and the sparsity ratio. *House Bill 1192 provides \$1,066,815,000 for special education funding.*

Section 2509.8 Extraordinary Special Education Program Expenses – This section is amended to distribute 1% of the special education appropriation to school districts and charter schools for extraordinary special education expenses according to a methodology developed by the Special Education Funding Commission, which was first implemented in the 2014-2015 school year through the 2014 Fiscal Code. It also permanently repeals Section 2509.14, the previous School Code provision distributing such funding that was in effect prior to the development of a new methodology by the Special Education Funding Commission, which was originally repealed in the 2014 Fiscal Code.

Section 2510.3 Assistance to School District Declared to be in Financial Recovery Status or Identified for Financial Watch Status – This section is amended to extend through the 2015-2016 fiscal year an existing provision of law that allows PDE to utilize up to \$4,500,000 in unencumbered funds to pay for technical assistance to Financial Watch and Financial Recovery School Districts.

Section 2581 Reimbursement for School Districts Not Submitting Required Documentation – This new section requires PDE to distribute available construction reimbursement funding to more school districts by providing that PDE must move those projects that have received reimbursement approval but for which school districts have not provided PDE with all required documentation back in the reimbursement order until the school district complies with PDE's

request for documentation. It also allows the Secretary to waive this provision for school districts that are reconciling financial records or are facing litigation or bond financing delays.

Section 2582 Public School Building Lease and Debt Service Reimbursements for Fiscal Year 2015-2016 – This new section requires PDE to utilize undistributed funds not expended as of June 20, 2015, from appropriations for payment on account of annual rental or sinking fund charges on school buildings, including charter schools, to make reimbursements for school building leases and debt service necessary to make payments in fiscal year 2015-2016.

Section 2599.6 Ready to Learn Block Grant Distribution Formula – This new section provides for distribution of a grant program first established in the 2014 Fiscal Code to be used to maintain and improve academic performance. Distribution amounts will be the same as the 2014-2015 fiscal year.

Article XXV-B School District Debt Refinancing Program – This new article requires that capital funds be acquired from an appropriation-guaranteed issue through the PA State Public School Building Authority in order to provide payments to all school districts that have already received at least a Part G PlanCon approval from PDE. It provides for the elimination of the Authority Rentals and Sinking Fund Requirements appropriation for the 2015-2016 fiscal year due to the realization of savings. It also provides that public school lease reimbursement payments will continue to be made through available prior year funds.

FISCAL IMPACT: Provisions of this legislation require the Department of Education to make payments to school district for basic education and special education, as well as to libraries and community colleges. These amounts total \$6,822,118,000 for 2015-16, all of which is provided for in House Bill 1192.

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House Appropriations Committee (R)

DATE: June 30, 2015

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.