



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1606

PRINTERS NO. 3723

PRIME SPONSOR: Christiana

COST / (SAVINGS)

FUND	FY 2016/17	FY 2017/18
General Fund	See "Fiscal Impact" below.	

SUMMARY: House Bill 1606 makes extensive changes to the Public School Code concerning the creation of the Public School Web Accountability and Transparency (School WATCH) System and other topics. Effective dates vary by provision.

ANALYSIS: This legislation makes extensive revisions and additions to provisions found throughout the Public School Code. Below is a list of the sections and articles of the School Code added or significantly amended by this legislation.

Section 125 Duties of Public School Building Construction and Reconstruction Advisory Committee - This new section adds to the duties of the Public School Building Construction and Reconstruction Advisory Committee established under the Fiscal Code. It requires the Committee to review and report on whether the Commonwealth should implement a comprehensive public school building safety program.

Section 221.2 Data Collection Reduction - This new section requires the State Board of Education to establish a 17 member advisory committee on data collection reduction. Members from state government include the Secretary of Education or a designee, and the majority and minority chairs of the House and Senate Education Committees or their designees. Members from local education agencies include business managers and board members from school districts, intermediate units, charter schools, and area vocational-technical schools.

The State Board, in consultation with the advisory committee, will review data collection requirements imposed on public school entities in the areas of finance, human resources, food services, transportation, child accounting, athletics, health and special education, with the goal of identifying those requirements that are redundant, overly burdensome, or no longer necessary. Within 180 days the State Board and advisory committee must issue a report, and the Department of Education must, by the conclusion of the school year following the issuance of the report, terminate all data collection requirements imposed on public school entities identified in the report that are not required by state or federal statute or regulation. The state board must provide administrative support, meeting space, and any other assistance required by the advisory committee to carry out its duties.

After enactment, any new data collection requirements from the Department of Education that are not the result of state or federal legislation will be subject to certain information disclosure requirements. Sixty days prior to the collection of the data, the Department must justify the necessity of collecting the data, explain how it will be used, explain how it will be shared with public school entities, affirm that it is not duplicative and will not imposed unjustified costs on school entities, and state the estimated costs to public school entities for complying with the data collection requirement, including the cost of staff time, training and software.

Section 510.2. Publication of Rules, Regulations and Policies. - This new section requires school districts to post on their publicly accessible Internet websites certain rules, regulations and policies to the extent they are required to be adopted under Federal or State law.

Section 689 Payroll Tax - This new section allows a school district within which a financially distressed municipality is located to levy a payroll tax under the Local Tax Enabling Act. Each financially distressed municipality within the district must also levy a payroll tax, and the school district must also have already levied a mercantile or business privilege tax, which will be replaced by the payroll tax. The tax and tax rate are subject to other provisions within the section as well.

Section 694-A Additional criteria - This new section requires the Secretary of Education to issue a declaration of financial watch status if a school district receives funding from the appropriation for the educational access program in any one fiscal year that exceeds \$2 million. It also places reporting requirements on such school districts.

Article VI-B School Watch - This new article seeks to improve access to school financial data in the Commonwealth using the internet. It requires PDE to post on its internet website the data from annual financial statements and final adopted budgets of school districts, charter schools, regional charter schools, cyber charter schools, and area vocational-technical schools, to the extent the information is available to the Department.

No public school entity will be required to provide any additional information not specifically required as of the effective date of this legislation, and no public school entity shall be required to provide additional information beyond the information required to be provided by any other public school entity.

The Department is required to provide a link to the public school entity's fiscal information from the School Performance Profile the Department compiles annually for each public school entity. This must be done within 90 days of the effective date of this legislation and by May 31 of each year thereafter.

Section 1154 Payment of Salaries in Cases of Sickness, Injury or Death - This legislation would add grandchild to the list of near relatives for which a professional school employee must be granted paid bereavement leave.

Section 1201.1 Substitute Teaching Permit for Prospective Teachers - This new section allows the chief school administrator of a school district, area vocational-technical school or intermediate unit to issue a one-year Substitute Teaching Permit to an individual who is enrolled in a teacher preparation program and has completed at least 60 semester hours of college credit and meets applicable

background check requirements. Such an individual may serve on such permit for up to 10 days per school year for a single professional or temporary professional employee, and for up to 45 days per school year for multiple professional or temporary professional employees. These substitutes will not have the right to elect membership in the Public School Employees' Retirement System (PSERS), nor will service under this provision be eligible for PSERS credit. The PDE must issue an annual report to the chairs of the Senate and House Education Committees on the use of these provisions, and the provisions expire on June 30, 2021.

Section 1204.2 Provisional Vocational Education Certificates - This new section allows for an individual holding a provisional vocational education certificate to teach for eight annual school terms.

Section 1205.2 Program of Continuing Professional Education - This legislation provides that, if, during a professional educator's five-year continuing education compliance period, a teacher satisfactorily completes credits or hours in excess of the number of credits or hours required during that period, any excess credits or hours completed during the final two years of a professional educator's five-year compliance period must be credited to the educator's continuing professional education record for the next succeeding compliance period. A maximum of 50 hours of continuing professional education programs, activities or learning experiences, or any combination of collegiate studies, continuing professional education courses or other programs, activities or learning experiences equivalent to a maximum of 50 hours can be credited in this way.

Section 1313.1 Assignment of Students to School Districts of the First Class A - This new section establishes criteria for an agreement between a school district of the first class A and an adjacent school district for the assignment of students from the adjacent school district to the school district of the first class A. This will provide for the assignment of students from the Wilkinsburg Borough school district to the Pittsburgh school district.

Section 1372 Exceptional Children; Education and Training - This section is amended to require school districts to report annually to PDE the number of students with disabilities for which expenditures are under \$25,000. It also requires PDE to annually adjust by the Consumer Price Index the dollar ranges for which PDE collects special education cost information from school districts.

Section 1376 Cost of Tuition and Maintenance of Certain Exceptional Children in Approved Institutions - This section is amended to provide for the distribution of amounts remitted to the Commonwealth by approved private schools to those approved private schools with reportable costs that exceed the amount of revenue received. This distribution would begin in 2017-18.

Amendments to Section 1401 and New Sections 1414.3, 1414.4, 1414.5, 1414.6, 1414.7 and 1414.8 Diabetes Care in Schools - These sections provide for the instruction of school employees in diabetes care and treatment, for diabetes care in schools, for a student's possession and use of diabetes medication and monitoring equipment in school, and for diabetes care in nonpublic schools. They also limit the liability of school entities and school employees and provide that coordinating or supervising diabetes care by school employees does not constitute delegation by a licensed health care practitioner.

Article XIV-A Drug and Alcohol Recovery High School Pilot Program - This new article establishes a program of instruction meeting state academic standards for students in grades 9 through 12 who are in recovery from drug or alcohol abuse or addiction. The legislation outlines criteria for the designation of the school and for the students' eligibility to participate in the program. The pilot program will be open to no more than 20 students from a school district of the first class. If fewer than 20 students residing in a school district of the first class enroll in the program the remaining slots may be filled by students who reside in other school districts. Unless the program is permanently established by the General Assembly, the recovery high school may not enroll new students under the program after the 2019-20 fiscal year. For the duration of the program the recovery high school must prepare an annual report and audit for the Secretary of Education and the General Assembly. In addition, the Departments of Education and Drug and Alcohol Programs must jointly prepare a report assessing the program's success and making recommendations regarding possible program extension and expansion. This report must be presented to the General Assembly by December 31, 2019.

Article XV-H Administrative Partnerships Between School Entities - This new article provides for administrative partnerships between school districts and intermediate units under which 2 or more school districts or intermediate units may agree to share personnel and administrative services. It also establishes the Administrative Partnership Grant Pilot Program to provide financial assistance for such arrangements. The PDE is required to develop a procedure for awarding grants. The grants may be funded from appropriations from the General Assembly, from general government operations funds of PDE, or from undistributed funds from appropriations or grants made to PDE, up to \$250,000 annually.

Article XV-I E-chievement Program - This new article establishes the "E-chievement Program" within the Department of Education (PDE) to award grants on a competitive basis to eligible school entities to the extent that funds are appropriated for this purpose. The legislation outlines application and eligibility criteria for school entities to apply for grants to establish hybrid learning programs, an instructional strategy that blends digital resources with traditional classroom teaching. The grants must be used for components of hybrid learning, including, but not limited to, digital instructional content, classroom management tools, operations support, technology and equipment, professional development, instructional coaching, consulting services, and planning assistance.

The school entity must provide a cash or in-kind local match of money in support of hybrid learning within the school entity of at least 25% of the cost of the project funded by the grant. There are two kinds of grants, either planning grants or implementation grants.

Planning grants may be issued to eligible school entities that are interested in hybrid learning but do not have comprehensive plans to deliver such learning. A planning grant may not exceed \$50,000 per school entity, and a school entity may not receive more than one planning grant within a five-year period.

Implementation grants may be issued to eligible school entities that have a comprehensive plan for hybrid learning and are either ready to implement that plan, or intend to expand a hybrid learning program that is already in place. Implementation grants may not exceed \$250,000 annually per school entity, and a school entity may not receive more than one implementation grant per year, nor more than three implementation grants within a five-year period.

By November 30, 2017, and by November 30 of each year thereafter, the Department must prepare and submit an electronic report to the Governor and General Assembly regarding the effectiveness and administration of the program. The minimum contents of that report are provided for in the legislation.

Any E-chievement grants received by school districts under this program will not be counted as expenditures for the school district when the district is calculating the per student amounts it must pay to charter schools.

Finally, the Department must ensure that at least 15% of money appropriated for the E-chievement grants is allocated to school entities that rank in the lowest 5% of school entities based on academic performance. The Department must also, to the greatest extent possible, ensure that all money for grants is distributed geographically throughout this Commonwealth.

Section 1605 Courses of Study - This legislation provides that, beginning with students graduating at the end of the 2016-17 school year, a student who successfully completes a course in computer science or information technology during grades nine through twelve will be permitted to apply up to one credit earned for successful completion of such a course to satisfy the student's mathematics or science credit requirement for graduation. The governing body of the student's public high school will have discretion to determine the graduation credit requirement to which the credit earned by the student will be applied.

Section 1703-A Definitions - This legislation moves the definition of the phrases "aid ratio" and "market value/income aid ratio" from its current location in Section 1724-A of the School Code (relating to School Staff) to Section 1703-A (relating to Definitions).

Section 1724-A School Staff - Changes to this section make permanent the elimination of the Commonwealth's contributions for public school employees' retirement to charter schools.

Section 1725-A Funding for Charter School Entities - This section is amended to provide that, no later than October 1 of each year, a charter school must submit to the school district of residence of each student final documentation of payment to be made based on the average daily membership for the students enrolled in the charter school from the school district for the previous school year. If a school district fails to make payment to the charter school, the Secretary must deduct and pay the amount as documented by the charter school from any and all State payments made to the district after receipt of documentation from the charter school from the appropriations for the fiscal year in which the final documentation of payment was submitted to the school district of residence.

Section 1855 Career and Technical 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. Senate Bill 1073 provides \$3 million for this purpose.

Section 1904-A Election or Appointment; Term and Organization of Board of Trustees - This section is amended so that a community college located in a county of the third class with a

population between 290,000 and 310,000 as of the 2010 census may appoint up to two community college trustees from a county where a campus is located for which no local sponsor exists.

Section 1913-A Financial Program; Reimbursement of Payments - This section is amended to provide for a community college funding formula for the 2016-17 fiscal year. This formula distributes the funding provided for community colleges.

Sections 1902-C and 1902-E Applications and Contracts 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.

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.

Article XX-B Educational Tax Credits - This new article brings all the current provisions of the Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) programs from the Tax Reform Code into the Public School Code. The Tax Code currently provides a total of \$100 million for EITC and a total of \$50 million for OSTC. This legislation increases the amount of tax credits available under the EITC program to \$125 million. The additional \$25 million in tax credits made available under the EITC program is provided as follows: (1) \$15 million for contributions to scholarship organizations for a total of \$75 million; (2) \$7.5 million for contributions to educational improvement organizations for a total of \$37.5 million; and (3) \$2.5 million for contributions to pre-kindergarten scholarship organizations, for a total of \$12.5 million.

Some provisions are added to the programs as they will now exist in the School Code. The first \$10 million in tax credits available for reallocation through the "open door" for EITC and OSTC shall be set aside initially for contributions to pre-kindergarten scholarship organizations. Additional requirements are placed on the Department of Community and Economic Development to give timely notice of application approvals to business entities. Finally, provides that when under current law a business submits an application and elects that its application for a specific tax credit should, in the alternative, be deemed an application for a different tax credit if the preferred tax credit is not available, this application in the alternative will be considered to have been submitted on the original application submission date.

Section 2320 State Aid for Fiscal Year 2016-2017 - This new section provides for a library funding formula for the 2016-17 fiscal year which distributes funding in the same manner as in the 2015-16 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.

Section 2509.1 Payments to Intermediate Units - This section provides for the distribution of funding for intermediate units for the 2016-17 fiscal year.

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 over \$65,000,000 under the Special Education Funding Commission formula that considers student costs, wealth, tax effort and the sparsity ratio. This formula is also made permanent in the Public School Code for the 2016-17 fiscal year and each year thereafter. The 2016-17 budget provides \$1,096,815,000 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 2014-15 school year through 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 2016-17 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 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 2015-16 fiscal year.

Section 2599.7 Payment of Required Contribution for Public School Employees Social Security – This new section requires schools to report certain data to PDE to receive reimbursement of costs associated with payments for school employee social security.

FISCAL IMPACT: The fiscal impact of the changes in House Bill 1606 is summarized below.

The addition of Article XIV-A will have a fiscal impact on the Commonwealth. The initial tuition rate for the program is set at \$20,000 per student for fiscal year 2016-17. For each successive fiscal year the tuition rate will increase by the rate of inflation and be rounded to the nearest hundred. If the rate of inflation is zero or negative, the tuition rate will remain the same as the previous year and not decrease. The inflationary increase is also capped at three percent. The state will pay 60 percent of the tuition for each student and the school district of residence will pay 40 percent. Assuming a full enrollment of 20 students for 2016-17 would put the cost of the program at \$240,000 for the state. Assuming the maximum annual inflationary increase of 3%, the total cost to the state for the remaining years of the program would be as follows: \$247,200 for 2017-18; \$254,400 for 2018-19; and \$261,600 for 2019-20. The total cost per fiscal year for the school district of the first class, assuming that district fills all 20 student slots would be as follows: \$160,000 for 2016-17; \$164,800 for 2017-18; \$169,600 for 2018-19; and \$174,400 for 2019-20.

The changes to Section 1913-A, the formula for community colleges, require at least \$226,450,000, the amount appropriated for 2015-16.

The fees from Sections 1902-C and 1902-E are estimated to generate \$162,000 in additional revenues annually, which will be used to offset Department of Education expenses for oversight activities.

To the extent that the additional tax credits made available by this legislation under Article XX-B are fully utilized, enactment of this legislation will result in the loss of revenue to the General Fund of \$25 million annually beginning in fiscal year 2016-17 and each fiscal year thereafter.

The library funding formula for 2016-17 in Section 2320 requires the expenditure of \$54,470,000.

The special education formula in Section 2509.5 requires a minimum of \$1,026,815,000.

The Ready to Learn Block Grant formula in Section 2599.6 requires \$250,000,000 for 2016-17.

The other provisions of this legislation will have a minimal impact on Commonwealth funds.

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