



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1615

PRINTERS NO. 2268

PRIME SPONSOR: Turzai

COST / (SAVINGS)

FUND	FY 2018/19	FY 2019/20
General Fund	\$0	See Fiscal Impact

SUMMARY:

House Bill 1615 amends the Public School Code concerning Educational Tax Credits and makes extensive changes in other areas. 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 122. Special Education Funding Commission - This section is amended to reconstitute the commission not later than August 15, 2019 in order to issue a report not later than November 30, 2019. The commission's review is limited to only the provision of special education payments to school districts by the Commonwealth under the special education funding formula.

Section 221.3. Full Academic Year Requirement - This new section provides that if a student is enrolled in a school on or before October 1 and is continuously enrolled in the school until the last day of the applicable Pennsylvania System of School Accountability testing window, and the student has been absent for at least 20% of the school days during that same time period, the student will be deemed as not meeting the full academic year requirement for the school and the student's score may not be included in the school's accountability performance calculation.

Section 687. Annual Budget; Additional or Increased Appropriations; Transfer of Funds - Changes to this section require PDE to post electronic copies of school district budgets on its website and eliminates the requirement that these electronic copies be provided to the Education Committees of the State House and Senate.

Section 732.1. Limitation on New Applications for Department of Education Approval of Public School Building Projects - This section is amended to extend the moratorium on the acceptance of new Plancon projects through the 2019-20 fiscal year.

Section 1003. Eligibility – Changes to this section provide that a person be eligible for election or appointment as a district superintendent or assistant district superintendent if the person has served as a chief recovery officer or a financial administrator.

Section 1326. Definitions – The definition of “compulsory school age” is changed from eight to seventeen years of age to six to eighteen years of age.

Section 1337. Nonprofit School Food Program – This section is amended to allow the serving of an alternate meal to students whose unpaid lunch balance grows to over \$50 dollars in a school year.

Section 1408-A. Audit required – Changes to this section require PDE to pay for the annual audit of the recovery high school.

Article XIV-B. Innovation Schools Program – This new article establishes the Innovation School Program to study and evaluate innovative approaches to economically disadvantaged schools, including workforce development programs, mentoring services, before-school and after-school programs, prevention measures and social wrap-around services. The Secretary of Education, in consultation with the Department of Human Services (DHS) and Department of Labor and Industry will choose from among schools that apply based upon the application criteria provided. Schools chosen will receive waivers from certain state and federal laws and regulations based upon the schools’ annual plans.

Section 1913-A. Financial Program; Reimbursement of Payments – This section is amended to provide for a community college funding formula for the 2019-20 fiscal year. Any appropriation increase for 2019-20 will be distributed using a formula based on each community college’s most recent audited full time equivalent enrollment.

Section 2002-B. Definitions – The various definitions for eligible students in this section are amended to include any student who has received a scholarship or opportunity scholarship in any prior year. In addition, the maximum annual household income for the Educational Improvement Tax Credit (EITC) is increased from \$85,000 to \$90,000. It also adds "Qualified Subchapter S trust" as defined in section 1361(d)(3) of the Internal Revenue Code of 1986 to the definitions in the section. It then adds “qualified subchapter S trust” to the definition of “Pass-through entity.” “Economically disadvantaged school is defined as any school within this Commonwealth at which at least 75% of the students attending the school in the immediately preceding school year received a scholarship pursuant to this article.

Section 2003-B. Qualification and Application by Organizations – This section is amended to provide for an Opportunity Scholarship Organization for Economically Disadvantaged Schools. In addition to meeting the other scholarship organization requirements in this section, this new organization must demonstrate a history of serving schools throughout this Commonwealth and the capacity to distribute opportunity scholarships statewide to applicants from economically disadvantaged schools. The organization must also agree to distribute Opportunity Scholarships to applicants from economically disadvantaged schools not later than December 1 of the school

year. The Department of Community and Economic Development (DCED) may not designate more than one such organization for any school year.

Section 2004-B. Application by Business Firms – Changes to this section require business firms that intend to apply to DCED for a tax credit for contributions to an Opportunity Scholarship Organization for Economically Disadvantaged Schools must submit a separate application from any applications submitted for tax credits to other types of scholarship organizations.

Section 2005-B. Tax credits – This section is amended to provide that applications for tax credits submitted on July 1 for a two-year commitment by a business firm that applied for and was denied credits in the prior fiscal year and that had been approved for tax credits in a prior fiscal year, shall be considered prior to an application from a business firm that does not meet these criteria.

Section 2006-B. Limitations - This section currently provides for a total of \$160 million in Educational Improvement Tax Credits (EITC) and a total of \$50 million in Opportunity Scholarship Tax Credits (OSTC). This legislation increases the amount of tax credits available under the EITC program to \$185 million. The additional \$25 million in tax credits made available under the EITC program is provided to scholarship organizations. The amount of tax credits available under the OSTC program increases to \$55 million. The additional \$5 million must be used to provide tax credits for contributions from business firms to increase the scholarship amount to students attending an economically disadvantaged school by up to \$1,000 more than the amount provided during the immediately preceding school year. The total tax credit increase is \$30 million.

Section 2009-B. Opportunity Scholarships – For students attending an economically disadvantaged school, the maximum amount of an opportunity scholarship is increased to \$9,500 for an applicant without a disability and to \$16,000 for an applicant with a disability, an increase of \$1,000 for each.

Each school that seeks designation as an economically disadvantaged school must report additional information to DCED by the January 1 preceding the applicable school year on a form supplied by DCED no later than the preceding October 15. DCED must notify each school of its decision on its application by March 1. Amendments to this section also place additional reporting requirements on schools designated as economically disadvantaged.

Article XX-J. Postsecondary Institution Sexual Harassment and Sexual Violence Policy and Online Reporting System – This new article requires each college and university in Pennsylvania to establish and maintain an online reporting system to receive complaints of sexual harassment and sexual violence from students and employees, in accordance with the provisions of the article. A report must be investigated through the process established in the postsecondary institution's sexual harassment and sexual violence policy.

Section 2103. Board of Public Education; Additional Duties – Requires school boards to establish the compulsory school age at no earlier than six.

Section 2204-B. Agency – Changes to this section institute a grade point average of at least 3.25 on a 4.0 scale in order to qualify for a ready to succeed scholarship.

Section 2323. State Aid for Fiscal Year 2019-2020 - This new section provides for a library funding formula for the 2019-20 fiscal year, which distributes the funding increase proportionately based upon the funding in the 2018-19 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 2502.8. Payments on Account of Pupils Enrolled in Vocational Curriculums – This section is amended to allow for full funding of the career and technical education formula.

Section 2502.53. Student-Weighted Basic Education Funding – This section is amended to provide for the distribution of \$698,667,244 through the basic education funding formula.

Section 2509.1 Payments to Intermediate Units – This section provides for the distribution of funding for intermediate units for the 2019-20 fiscal year.

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, for the 2019-20 fiscal year, the amount of unencumbered funds PDE may utilize to pay for technical assistance to Financial Watch and Financial Recovery School Districts. The amount is \$5 million. In addition, the appropriations from which PDE may take undistributed funds is expanded to include appropriations for assessments.

Section 2599.6 Ready to Learn Block Grant – This section is amended to provide for the distribution of the Ready to Learn Block Grant for the 2019-20 fiscal year. Each district will receive an amount not less than what was received in the 2018-19 fiscal year.

Section 2599.7. Payment of Required Contribution for Public School Employee's Social Security – Changes in this section provides instructions for PDE on what to do if there is shortage or excess of funding for school district social security payments through the basic education funding appropriation.

Section 2599.8. Advanced Placement and International Baccalaureate Exam Fees – This new section provides that, beginning with the 2019-20 school year, PDE must provide advanced placement and International Baccalaureate exam fee assistance to student with financial need. The per-exam cost charged to students for an exam shall not exceed the rate paid by students with financial need for Advanced Placement exams during the 2018-19 school year.

Article XXVI-K. Fostering Independence Through Education – This new article creates a tuition and mandatory fee waiver program for individuals who are current residents of this Commonwealth and eligible for the Pennsylvania Chafee Education and Training Grant Program

under the Foster Care Independence Act of 1999 as administered by the Department of Human Services (DHS).

The institutions of higher education which must participate in the program are the community colleges, the universities of the State System of Higher Education, the Pennsylvania State University, the University of Pittsburgh, Temple University, Lincoln University, the Thaddeus Stevens College of Technology, the state's Rural Regional College, the state's private colleges, universities and seminaries, private career and trade schools, and out of state higher education providers authorized to operate in this Commonwealth.

Beginning with the semester starting in the fall of 2020, each institution of higher education must award a fostering independence waiver for undergraduate courses at the institution for individuals who are eligible for the program. The fostering independence waiver must be equal to the amount of the tuition and mandatory fees at the State postsecondary educational institution the individual attends, minus the amount of any Federal grants, State grants or other scholarships or grants the individual receives. Institutions must provide these waivers for five years, whether or not consecutive, or until the individual reaches 26 years of age, whichever occurs first, as long as the individual continues to meet all other eligibility criteria.

Each institution of higher education must designate an appropriate staff person or persons as a point of contact (POC) for students eligible for the program. This POC will help students obtain verification of eligibility for the program and assist all eligible students applying to or attending the institution with information and referrals for on-campus support services and resources, including admissions, housing, financial aid, health, mental health, tutoring, career, academic advising and other services.

The Department of Human Services, in conjunction with the PDE, must, by January 1, 2020, and January 1 each year thereafter, prepare and provide information to be disseminated by county agencies, PDE, and institutions of higher education that describes the availability of the program and explains how to participate. This information must be disseminated to potentially eligible individuals. Each institution of higher education must assist DHS and PDE in the dissemination of this information and make it available to recipients of a Pennsylvania Chafee Education and Training Grant under the Foster Care Independence Act of 1999 that are applicants for admission and by posting it on their websites.

The institutions of higher education must also track the retention rates of students that participate in the program. They will also provide PDE with recommendations on ways to improve the program and are required to report other information related to the program to PDE by June 30, 2021, and each June 30 thereafter.

In order to determine and maximize the effectiveness of this program, PDE, in conjunction with DHS, shall collect information obtained from all institutions of higher education and prepare a report to be submitted by August 31, 2021, and by August 31 of each year thereafter, to the General Assembly. The specific content for this report are detailed in the bill.

FISCAL IMPACT:

It is estimated that the requirement for PDE to pay for the recovery school audit pursuant to Section 1408-A will cost approximately \$20,000.

The amended formula for community colleges in Section 1913-A requires a minimum of \$232,111,000 for 2019-20.

Concerning Section 2006-B, based on information provided by the Department of Revenue, approximately 75% of the Educational Tax Credits awarded in a fiscal year are claimed on a tax return filed within that same fiscal year. Assuming that the full amount of tax credits are awarded, enactment of this legislation will result in a reduction of revenues estimated to be \$22.5 million in 2019-20 and \$30 million a year thereafter.

The library funding formula for 2019-20 in Section 2323 requires a minimum of \$54,470,000.

The changes to the Career and Technical Education formula in Section 2502.8 will require approximately \$67,574,000 to fund the formula for 2019-20.

The changes to the Student-Weighted Basic Education Funding in Section 2502.53 will require \$698,667,244 in 2019-20.

The change to Section 2510.3 will allow for the use of up to \$7,000,000 in unexpended funds for school districts declared to be in financial recovery or financial watch status, the expenditure of which will be dependent upon the availability of such funds within PDE.

The Ready to Learn Block Grant formula in Section 2599.6 requires a minimum of \$268,000,000 for 2019-20.

The addition of Section 2599.8 will cost PDE approximately \$300,000 in 2019-20.

The addition of Article XXVI-K, Fostering Independence Through Education, will have no adverse impact on Commonwealth funds. However, it could have an impact on the institutions of higher education that must provide additional tuition and mandatory fee waivers to program participants. Below is a summary of information related to the fiscal impact of the program on the Commonwealth's public institutions of higher education.

The State System of Higher Education based its estimate of the fiscal impact of the program on the number of students eligible for the federal Chafee Education and Training Grant under the Foster Care Independence Act of 1999. The System had 102 Chafee students in the fall 2018 semester, with an out-of-pocket expense – before loans – of \$160,000 for the semester. If the System has the same number of students, and these are the only students that fall under this proposed legislation, the cost to the System per academic year would be about \$350,000 or approximately \$3,350 per student. If participation in the program were to double, it would cost the System about \$700,000.

According to the State's community colleges, the mandates in this legislation will result in lost revenue and increased costs to the colleges. The lost tuition and fee revenue the colleges will experience will depend on the number of students who utilize the program, and each student's financial need. However, lost tuition and fee revenue could approach several thousand dollars annually for every student who receives a waiver under the provisions of this program. In addition, the colleges will incur increased costs to fulfill the requirement in the bill to designate a single point of contact at each college to assist eligible students and perform the duties required. These administrative costs are estimated at \$1 million annually, statewide.

The University of Pittsburgh estimates the additional cost of providing the fostering independence waivers and complying with other requirements in this legislation will be minimal.

Temple University estimates 12 to 20 students per year would qualify for fostering independence program waivers, which would cost about \$2,000 per student. Therefore, Temple anticipates a fiscal impact of \$24,000 to \$40,000 per year.

Lincoln University estimates this program would cost approximately \$12,000 per year for each qualifying student, less any state and federal financial aid each student receives.

The Thaddeus Stevens College of Technology anticipates no additional cost to the College as a result of this program.

Based on the current language, Penn State has no way to estimate how many current or potential students may qualify for the tuition and mandatory fee waiver proposed in the article.

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House Appropriations Committee (R)

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