



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2169

PRINTERS NO. 3059

PRIME SPONSOR: Owlett

COST / (SAVINGS)

FUND	FY 2021/22	FY 2022/23
General Fund	See Fiscal Impact	

SUMMARY:

House Bill 2169 adds a new article to the Public School Code relating to the Lifeline Scholarship Program. It would take effect immediately.

ANALYSIS:

House Bill 2169 adds a new article to the Public School Code to be known as Article XX-L concerning the Lifeline Scholarship Program. This article is summarized by section below.

Section 2001-L. Scope of Article. This article relates to the Lifeline Scholarship Program.

Section 2002-L. Definitions. The following terms are defined: Applicant, Attendance boundary, Average daily membership, Department, Department of Education, Distance education, Eligible postsecondary institution, Eligible student, Institution of higher education, Lifeline scholarship account, Low-achieving school, Nonpublic school, Parent, Participating entity, Program, Public school, Resident school district, School-age child, State-related institution, and Student with special needs.

Section 2003-L. Establishment, application and agreement. Establishes the Lifeline Scholarship Program within the Treasury Department to begin with the 2022-23 school year. This section establishes a review, approval, and appeal process for applications, which must be developed and ready by July 15, 2022. Once an application is approved, the agreement between the Department and the parents of eligible students is described in this section as well, including terms and rules for termination, automatic termination, and renewal. To be eligible for the program, a student must reside within the attendance area of a low-achieving school. A low-achieving school is a public 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 PA Department of Education (PDE) has posted results on its website.

Section 2004-L. Lifeline scholarship account. If an agreement is entered into, the Treasury Department must establish a lifeline scholarship account for the eligible student. Upon

establishment of a lifeline scholarship account, the Treasurer must deposit a grant for that school year in the scholarship account for the eligible student. For a student without special needs, the grant amount will be equal to the total State revenue received by all school districts minus total State transportation subsidies received by all school districts divided by the average daily membership of all school districts based on the most recent annual financial report published by the Department of Education. For an eligible student with special needs for which expenditures have been reported, the grant amount is calculated by multiplying the amount for a student without special needs by the category weight multiplier assigned to the student to determine the weighted special education student headcount in the special education formula. For a student with special needs for which expenditures are not reported, the grant amount is calculated using the Category 1 multiplier from the special education formula.

For an eligible student receiving a grant, the amount of State subsidies paid by the Department of Education to the resident school district must be reduced by the grant amount calculated for the eligible student. A student receiving a grant will be included in the average daily membership of the student's resident school district for the purpose of providing State subsidies. The departments of Treasury and Education will consult to determine a schedule for depositing the grant money.

Money remaining in a lifeline scholarship account at the end of a school year may be carried forward to an ensuing school year if the agreement is renewed. Money remaining in a lifeline scholarship account when an agreement is not renewed or is terminated must be repaid to the resident school district within 15 business days of nonrenewal or termination. Money remaining in a lifeline scholarship account after the eligible student graduates from high school may only be used for qualified education expenses at an eligible post-secondary institution for a two-year period after graduation if the parent or eligible student notifies the Department of the student's intent to utilize money remaining in the account for qualified education expenses at an eligible post-secondary institution within 30 days of graduation from high school.

Section 2005-L. Qualified education expenses. This section provides for how money deposited in a lifeline scholarship account may be used by establishing what qualifies as educational expenses. Funds from a lifeline scholarship account may not be refunded to parents. The Department must develop a payment system that enables a parent to pay for services provided by participating entities under the program by electronic money transfer.

Section 2006-L. Duties of the department. Establishes the duties that must be performed by the Treasury Department to administer the Lifeline Scholarship Program. This includes developing guidelines in consultation with the Department of Education and may include contracting with private financial management firms or third party administrators to manage some or all of the program. The Department may, at its discretion, deduct an amount from the grants to lifeline scholarship accounts necessary to pay the costs of overseeing the accounts and administering the program up to a limit of 3% of the grants.

Section 2007-L. Duties of the Auditor General. The Auditor General must conduct random audits of lifeline scholarship accounts on an annual basis, refer cases of suspected fraudulent

misuse of lifeline scholarship accounts to law enforcement agencies for investigation, and notify the Treasury Department of cases of suspected fraudulent misuse that are referred to law enforcement. If a parent is found to have engaged in fraudulent misuse of a lifeline scholarship account, the account must be terminated, and the eligible student will be ineligible for future participation in the program. Upon a finding that a parent engaged in fraudulent misuse of a lifeline scholarship account, the remaining money in the account must be repaid to the resident school district within 15 business days. A parent may appeal the Department's decision regarding termination and student eligibility to the courts within 30 days of issuance of the decision.

Section 2008-L. Accountability standards for a participating entity. A participating entity of the Lifeline Scholarship Program can be a nonpublic school for grade one through grade twelve, or a combination of grades, an institution of higher education, a distance learning program, a tutor or counselor certified by the Commonwealth to work with school-aged children, or a provider of curriculum that adheres to the education laws of the Commonwealth. This section establishes requirements for these entities, including financial and academic accountability standards.

Section 2009-L. Bar of certain participating entities. The Department may bar an entity from participation in the program if the Department establishes that the entity has routinely failed to comply with accountability standards or failed to provide an eligible student with the educational services funded by the student's lifeline scholarship account. If the department bars a participating entity from the program, the department must post the decision on its website. A participating entity may appeal the Department's decision to bar its participation in the program to the courts within 30 days of issuance of the decision.

Section 2010-L. Duties of resident school districts. A resident school district must provide a participating entity that has admitted an eligible student participating in the program with a complete copy of the student's school records immediately upon the student's enrollment or when services in the participating entity begin. A resident school district must provide transportation for an eligible student to and from the participating entity under the same conditions as the resident school district provides transportation of other resident students to nonpublic schools.

Section 2011-L. Legal proceedings. This section provides for liability, challenges, and severability.

FISCAL IMPACT:

The Treasury Department indicates enactment of this legislation will have a fiscal impact. The legislation provides that the Department may, at its discretion, deduct an amount of up to 3% from the grants to lifeline scholarship accounts to offset the costs of overseeing the accounts and administering the program.

The Auditor General estimates the fiscal impact of this bill would be nominal.

For a student without special needs, a Lifeline Scholarship grant will be equal to the total State revenue received by all school districts minus total State transportation subsidies received by all

school districts divided by the average daily membership of all school districts based on the most recent annual financial report published by the Department of Education. Currently the Lifeline Scholarship Grant amount would be \$6,697 per student. For a special education student in category 1, the grant amount would be \$10,112, in category 2, \$25,247, and in category 3, \$49,958. These are the amounts that would be deducted from a school district's state revenue for each eligible student that participates in the program. According to the latest data on the PDE website, there are 382 low-achieving schools across 76 school districts, enrolling approximately 191,000 students.

PREPARED BY: Jeff Miller
House Appropriations Committee (R)

DATE: April 27, 2022

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