

PUBLIC SCHOOL CODE OF 1949 - AMEND DISTRESS IN FIRST CLASS SCHOOL  
DISTRICTS AND MEDICAL EDUCATION LOAN ASSISTANCE, ETC.

Act of Oct. 30, 2001, P.L. 828, No. 83

Cl. 24

Session of 2001

No. 2001-83

SB 640

AN ACT

Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An act relating to the public school system, including certain provisions applicable as well to private and parochial schools; amending, revising, consolidating and changing the laws relating thereto," further providing for distress in first class school districts; providing for medical education loan assistance; making appropriations; making repeals; and abrogating local charter provisions.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 696 of the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, amended or added April 27, 1998 (P.L.270, No.46) and December 21, 1998 (P.L.1194, No.154) and repealed in part June 22, 2001 (P.L.530, No.35), is amended to read:

Section 696. Distress in School Districts of the First Class.--(a) The Secretary of Education shall appoint a chief executive officer within fifteen (15) days after a declaration by the Secretary of Education that a school district of the first class is distressed under section 691(c) to oversee and manage the school district. The chief executive officer shall serve at the pleasure of the Secretary of Education.

(b) The chief executive officer and the School Reform Commission shall assume control of the affairs of the district. Except as provided in this section, the chief executive officer shall assume the powers and duties of the superintendent and the board of school directors until termination of the period of distress under subsection (n).] **(a) Within thirty (30) days of a declaration by the Secretary of Education that a school district of the first class is distressed under section 691(c), a School Reform Commission shall be established consisting of four members appointed by the Governor and one member appointed by the mayor of the city coterminous with the school district. The School Reform Commission shall be an instrumentality of a school district of the first class, exercising the powers of the board of school directors. The Governor shall appoint a chairman of the School Reform Commission. At least three of the commission members, including the member appointed by the mayor, must be residents of the school district.**

(b) Membership of the School Reform Commission shall be as follows:

(1) Members appointed pursuant to this section shall serve terms as follows:

(i) Two of the members appointed by the Governor shall serve initial terms of seven (7) years.

(ii) One of the members appointed by the Governor shall serve an initial term of five (5) years.

(iii) One of the members appointed by the Governor shall serve an initial term of three (3) years.

(iv) The member appointed by the mayor shall serve an initial term of three (3) years.

(v) After each initial term, a subsequent term shall be for four (4) years.

(2) Except as authorized in this subsection, no commission member may be removed from office during a term. The Governor may, upon proof by clear and convincing evidence of malfeasance or misfeasance in office, remove a commission member prior to the expiration of the term. Before a commission member is removed, that member must be provided with a written statement of the reasons for removal and an opportunity for a hearing in accordance with 2 Pa.C.S. Ch. 5 Subch. A (relating to practice and procedure of Commonwealth agencies) and Ch. 7 Subch. A (relating to judicial review of Commonwealth agency action).

(3) Upon the expiration of term or the occurrence of a vacancy in the office of a commission member appointed by the Governor, the Governor shall appoint, with the consent of a majority of the members elected to the Senate, the successor member. Upon the expiration of term or the occurrence of a vacancy in the office of a commission member appointed by the mayor, the mayor shall appoint the successor member. An appointment to fill a vacancy shall be for the balance of the unexpired term.

(4) A commission member shall hold office until a successor has been appointed and qualified.

(5) A commission member may serve successive terms.

(6) No commission member may, while in the service of the School Reform Commission, seek or hold a position as any other public official within this Commonwealth or as an officer of a political party.

(7) Commission members shall be reimbursed for reasonable and necessary expenses incurred in the performance of their official duties from funds of the school district.

(b.1) Actions of the School Reform Commission shall be by a majority vote. A majority of the commission members appointed shall constitute a quorum.

(b.2) Upon the issuance of a declaration by the Secretary of Education that a school district of the first class is distressed under section 691(c), the Governor shall appoint an interim chairman of the School Reform Commission, who shall have the full power and authority of the School Reform Commission. The interim chairman shall serve for a term not to exceed thirty (30) days. The interim chairman may be appointed to the School Reform Commission pursuant to this section.

(c) [Upon the appointment of the chief executive officer,] **The School Reform Commission may suspend or dismiss** the superintendent [shall be suspended or dismissed, and the powers and duties of the board of school directors shall be suspended] **or any person acting in an equivalent capacity.**

[(d) Within fifteen (15) days of a declaration by the Secretary of Education that a school district of the first class is distressed under section 691(c), a five-member School Reform Commission shall be established. Members shall serve at the pleasure of the appointing authority. The School Reform Commission shall consist of the following:

(1) Three members appointed by the Governor, at least two of whom shall be residents of the school district.

(2) One member appointed by the mayor who shall be a resident of the school district. In the event the mayor fails to appoint the member to the commission within fifteen (15) days of the date the Secretary of Education declared the district to be distressed, the Governor shall appoint the remaining member.

(3) The Secretary of Education, who shall serve as chairman, or his designee.]

(e) **The following shall apply:**

(1) The School Reform Commission shall [advise and assist the chief executive officer regarding] **be responsible for** the operation, management and educational program of the school district **of the first class**. The **powers and duties of the board of school directors of a school district of the first class shall be suspended**. All powers and duties granted heretofore to the board of school directors of a school district of the first class under this act or any other law [regarding the], **including its** authority to levy taxes and incur debt, shall be vested in the School Reform Commission until the Secretary of Education issues a declaration under subsection (n).

(2) **The School Reform Commission may enter into agreements necessary to provide for the operation, management and educational programs of the school district of the first class. The agreements shall include appropriate fiscal and academic accountability measures. Academic accountability measures shall include:**

(i) **Strategic goals and objectives for improving academic performance.**

(ii) **Methods setting forth how the strategic goals and objectives are to be achieved and the specific methodology for evaluating results.**

[(f) The commission members shall be reimbursed for expenses incurred in the performance of their official duties from funds of the Department of Education.

(g) Actions of the School Reform Commission shall be by majority vote. Three members shall constitute a quorum.]

(h) The [chief executive officer and the] School Reform Commission shall [direct] **be responsible for** financial matters related to the distressed school district of the first class and:

(1) All taxes authorized to be levied by a school district of the first class or for a school district of the first class by a city or county of the first class on the date of the declaration of distress shall continue to be authorized and levied in accordance with this act and shall be transmitted to the school district. For the first fiscal year or part thereof and every fiscal year thereafter in which the school district is declared to be distressed, the amount appropriated or paid by the city or county to the school district shall be in an amount not less than the highest amount paid by the city or county to the school district during any of the three full preceding fiscal years. In addition, the city of the first class shall provide to the school district of the first class all other available local non-tax revenue, including grants, subsidies or payments made during the prior year.

(2) In addition to the moneys collected under paragraph (1), the city of the first class shall remit to the school district of the first class for each year that the school district is declared distressed that portion of all other local tax revenue levied for a full fiscal year by a city or county of the first class coterminous with a school district of the first class that was allocated to the school district prior to the school district being declared distressed in accordance with section 691(c).

(3) All taxes collected on behalf of a school district of the first class by any person or entity, including a city or county of the first class, shall be promptly paid following collection to the [chief executive officer] **School Reform Commission** for the benefit of the school district.

(4) In the event the city or county of the first class does not meet the financial obligations prescribed in this subsection, the Commonwealth may apply to that obligation any amounts otherwise due from the Commonwealth to the city or county of the first class, including, but not limited to, grants, awards and moneys collected

by the Commonwealth on behalf of the city or county of the first class. Funds withheld shall be maintained in a separate account by the State Treasurer to be disbursed as determined by the Secretary of Education in consultation with the State Treasurer.

(5) The [chief executive officer shall develop and] **School Reform Commission shall** adopt a budget [with the assistance of the School Reform Commission].

(i) In addition to all powers granted to the superintendent by law and a special board of control under section 693 and notwithstanding any other law to the contrary, the [chief executive officer] **School Reform Commission** shall have the following powers:

(1) To appoint such persons and other entities as needed to conduct fiscal and performance audits and other necessary analyses.

(2) [Except as otherwise provided for in this section, to approve the establishment of a charter school or the conversion of an existing school to a charter school pursuant to the provisions of Article XVII-A.] **To enter into agreements with persons or for-profit or nonprofit organizations to operate one or more schools. A school operated under this clause shall be funded in accordance with the terms of the agreement.**

(i) [A school district building converted to a charter school or] **All applications to operate** a charter school [otherwise approved under this section] **in a school year after a declaration of distress is issued and all charter schools established after a declaration of distress is issued** shall not be subject to sections 1717-A(b), (c), (d), (e), (f) [and], (g), **(h) and (i)**, 1722-A(c) and 1724-A.

(ii) The [chief executive officer] **School Reform Commission** may suspend or revoke a charter pursuant to section 1729-A.

(3) To suspend the requirements of this act and regulations of the State Board of Education except that the school district shall remain subject to those provisions of this act [and regulations] set forth in section 1732-A(a), (b) and (c) **and section 1714-B and regulations under those sections.**

(4) To employ professional and senior management employees who do not hold State certification if the School Reform Commission has approved the qualifications of the person at a salary established by the commission.

(5) To enter into [contracts with] **agreements with persons or for-profit or nonprofit [entities for the purpose of operating schools or] organizations** providing educational or other services to or for the school district. **Services provided under this clause shall be funded in accordance with the terms of the agreement.**

(6) Notwithstanding any other provisions of this act, to close or reconstitute a school, including the reassignment, suspension or dismissal of professional employees.

(7) To suspend professional employees without regard to the provisions of section 1125.1.

(8) To appoint managers [or management teams], **administrators or for-profit or nonprofit organizations** to oversee the operations of a school or group of schools within the school district.

(9) To reallocate resources, amend school procedures, develop achievement plans and implement testing or other evaluation procedures for educational purposes.

(10) To supervise and direct principals, teachers and administrators.

(11) To negotiate any memoranda of understanding under the collective bargaining agreement in existence on the effective date of this section.

(12) To negotiate a new collective bargaining agreement.

(13) **To delegate to a person, including an employee of the school district or a for-profit or nonprofit organization, powers it deems**

necessary to carry out the purposes of this article, subject to the supervision and direction of the School Reform Commission.

(14) To employ, contract with or assign persons or for-profit or nonprofit organizations to review the financial and educational programs of school buildings and make recommendations to the School Reform Commission regarding improvements to the financial or educational programs of school buildings.

(j) The board of school directors of the distressed school district of the first class shall continue in office for the remainder of their terms during the time the district is operated by [the chief executive officer and] the commission unless removed for neglect of duty under section 318 by the court of common pleas or unless the director is elected to another position not compatible with the position of school director or is appointed to a position for which there is a requirement that the appointee shall hold no elective office. The board of school directors shall perform any duties delegated to it by the commission. The [assumption of control by the chief executive officer and] **establishment of** the School Reform Commission shall not interfere with the regular selection of school directors for the school district of the first class.

(k) Collective bargaining between employees and the school district of the first class shall be conducted in accordance with this subsection. **For purposes of collective bargaining, as used in section 693 and this section: "professional employee" shall have the meaning given in section 1101(1), and "teacher" shall have the meaning given in section 1202-A.**

(2) No distressed school district of the first class shall be required to engage in collective bargaining negotiations or enter into memoranda of understanding or other agreements regarding any of the following issues:

(i) Contracts with third parties for the provision of goods or services, including educational services or the potential impact of such contracts on employees.

(ii) Decisions related to reductions in force.

(iii) Staffing patterns and assignments, class schedules, academic calendar, places of instruction, pupil assessment and teacher preparation time.

(iv) The use, continuation or expansion of programs designated by the [chief executive officer] **School Reform Commission** as pilot or experimental programs.

(v) The approval or designation of a school as a charter or magnet school.

(vi) The use of technology to provide instructional or other services.

(3) A collective bargaining agreement for professional employees entered into after the expiration of the agreement in effect on the date of the declaration of distress shall provide for the following:

(i) A school day for professional employees that is equal to or exceeds the State average as determined by the department. An extension of the school day resulting from this requirement shall be used exclusively for instructional time for students.

(ii) The number of instructional days shall be equal to or exceed the State average number of instructional days.

(iii) The [chief executive officer and the commission] **School Reform Commission** shall not increase compensation for employees solely to fulfill the requirements under subparagraphs (i) and (ii).

(4) A provision in any contract in effect on the date of the declaration of distress under this subsection that is in conflict with this subsection shall be discontinued in any new or renewed contract.

(5) [Nothing] **Except as specifically provided in section 693, nothing** in this subsection shall eliminate, supersede or preempt any provision of an existing collective bargaining agreement until the expiration of the agreement unless otherwise authorized by law.

(6) If upon the termination of a collective bargaining agreement in effect on the date of the declaration of distress under this section a new collective bargaining agreement has not been ratified, the [Secretary of Education] **School Reform Commission** shall establish a personnel salary schedule to be used until a new agreement is ratified.

(1) During the time the school district of the first class is under the direction of the [chief executive officer] **School Reform Commission**, all school employees shall be prohibited from engaging in any strike as defined in Article XI-A and section 301 of the act of July 23, 1970 (P.L.563, No.195), known as the "Public Employee Relations Act." The Secretary of Education may suspend the certificate of an employee who violates this subsection.

[(m) If a vacancy occurs in the position of chief executive officer, the Secretary of Education may implement a temporary transfer of all powers and duties of the chief executive officer to the School Reform Commission until a new chief executive officer is appointed.]

(n) The Secretary of Education, **only** upon the recommendation [of the chief executive officer and with the concurrence] of a majority of the School Reform Commission, may issue a declaration to dissolve the [commission and terminate the services of the chief executive officer] **School Reform Commission**. The dissolution declaration shall be [effective ninety (90) days after issuance by the Secretary of Education.] **issued at least one hundred eighty (180) days prior to the end of the current school year and shall be effective at the end of that school year. Except as otherwise provided in this section, after dissolution the board of school directors shall have the powers and duties of the School Reform Commission.**

(n.1) When a declaration has been issued by the Secretary of Education under section 691(c) and a School Reform Commission has been appointed under this section, section 1705-B shall be suspended for school districts of the first class.

(n.2) Beginning in 2003, by August 31 of each year, the School Reform Commission shall provide a report for the preceding school year regarding progress made toward improvements in fiscal and academic performance in a school district of the first class. The report shall be filed with the Governor's Office and with the chairman and minority chairman of the Education Committee of the Senate and the chairman and minority chairman of the Education Committee of the House of Representatives.

(o) The provisions of this section are severable. If any provision of this section or its application to any person or circumstance is held invalid, the invalidity shall not affect the remaining provisions or applications.

Section 2. The provisions of section 1708-B(b) of the act relating to the appeal of charter school applications are repealed insofar as they apply to section 1707-B of the act.

Section 3. The act is amended by adding an article to read:

#### **ARTICLE XXII-A**

#### **MEDICAL EDUCATION LOAN ASSISTANCE**

##### **(a) General Provisions**

**Section 2201-A. Scope.**

**This article deals with medical education loan assistance.**

**Section 2202-A. Purpose.**

**The purpose of this article is to provide an incentive to Pennsylvania students to pursue higher education and training in**

medicine, professional nursing, biomedicine and the life sciences in order to maintain the delivery of quality health care services in this Commonwealth.

Section 2203-A. Definitions.

The following words and phrases when used in this article shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Accredited medical college." An institution of higher education located in this Commonwealth that is accredited by the Liaison Committee on Medical Education to provide courses in medicine and empowered to grant professional and academic degrees in medicine as defined in the act of December 20, 1985 (P.L.457, No.112), known as the Medical Practice Act of 1985.

"Agency." The Pennsylvania Higher Education Assistance Agency.

"Approved institution of higher learning." An institution of higher learning located in this Commonwealth and approved by the agency.

"Approved nursing program." An institution located in this Commonwealth and accredited to grant professional and academic degrees or diplomas in nursing as defined in the act of May 22, 1951 (P.L.317, No.69), known as The Professional Nursing Law.

"Degree in medicine." A degree from an accredited medical college that qualifies the degree recipient to be licensed as a physician.

"Designated area." Any of the following:

(1) A geographic area of this Commonwealth that is designated by the Secretary of Health as having a shortage of physicians.

(2) A geographic area of this Commonwealth designated by the United States Department of Health and Human Services as a medically underserved area or designated to have a medically underserved population.

"Eligible applicant." An individual who holds an undergraduate degree from an institution of higher learning and is enrolled in:

(1) an accredited medical college; or

(2) an approved institution of higher learning for purposes of obtaining a graduate degree in biomedicine or life sciences.

"Guarantor." An insurance company or not-for-profit guarantor whose primary purpose is to provide default coverage and loss prevention services to an offeror of unsecured student loans.

"Licensed health care facility." A health care facility that is enrolled in the Commonwealth's medical assistance program and is licensed under Article X of the act of June 13, 1967 (P.L.31, No.21), known as the Public Welfare Code, or the act of July 19, 1979 (P.L.130, No.48), known as the Health Care Facilities Act.

"Nursing school applicant." An individual who is a resident of this Commonwealth and is enrolled in an approved nursing program.

"Offeror." An institution that makes unsecured loans to eligible students in cooperation with the agency.

"Physician." An individual licensed to practice medicine and surgery within the scope of the act of October 5, 1978 (P.L.1109, No.261), known as the Osteopathic Medical Practice Act, or the act of December 20, 1985 (P.L.457, No.112), known as the Medical Practice Act of 1985.

"Registered nurse." An individual licensed to practice professional nursing under the act of May 22, 1951 (P.L.317, No.69), known as The Professional Nursing Law.

"Work requirement for nurses." Postgraduate, full-time employment in direct patient care with a licensed health care facility located in this Commonwealth in an occupation related to an approved course of study. The term does not include a paid student internship, a paid fellowship, volunteer service or employment before graduation.

(b) Program

Section 2211-A. Pennsylvania Medical Education Loan Assistance Program.

The agency shall establish and administer the Pennsylvania Medical Education Loan Assistance Program as set forth in sections 2212-A and 2213-A to provide financial assistance to individuals who acquire the required degree or diploma in medicine, professional nursing, biomedicine or life sciences and to recruit these individuals to practice their professions in Pennsylvania.

Section 2212-A. Loan guarantor program.

(a) Establishment of program.--The agency shall administer a loan guarantor program on a Statewide basis. The agency shall utilize funds in the Medical School Loan Account to encourage eligible applicants to attend an accredited medical college or an approved institution of higher learning.

(b) Loan Guarantor Program.--The Loan Guarantor Program shall provide for the following:

- (1) Life of loan servicing.
- (2) Contracting for insurance with a guarantor, approved by the agency, which offers a low-cost loan with competitive interest rates and loan fees to eligible applicants.
- (3) Predetermining the eligibility of applicants who receive a loan from an offeror to attend an accredited medical school or an approved institution of higher learning that is insured by a guarantor.
- (4) Evaluating the benefit package of a guarantor for adequacy, accessibility and availability of funds necessary to provide adequate loss prevention.

(c) Low-cost loans.--An eligible applicant shall apply to an offeror for a low-cost loan to attend an accredited medical college or an approved institution of higher learning. A low-cost loan made under this subsection shall be guaranteed by an approved guarantor through a contract with the agency. Low-cost loans made under this subsection shall provide reduced interest rates and loan fees to eligible applicants compared to loans made for the same purpose that are not guaranteed by this article.

(d) Loan requirements.--Loans provided under this section shall cover up to 100% of the actual cost of tuition, room and board at an accredited medical college or an approved institution of higher learning and the actual cost of course-required textbooks and supplies for the recipient.

(e) Default.--If a recipient fails to repay a loan received under this section, the agency shall collect the loan pursuant to one of the following:

- (1) Section 4.3 of the act of August 7, 1963 (P.L.549, No.290), referred to as the Pennsylvania Higher Education Assistance Agency Act.
- (2) A process established by the applicable guarantors.
- (3) Any other collection procedure or process deemed appropriate by the agency.



(f) Medical Education Loan Loss Account.--An account is hereby established within the agency to receive funds appropriated for purposes of this section. Moneys in the account are hereby appropriated to the agency to provide the loan guarantor program. When funds in the account are expended, no additional loans shall be offered.

(g) Interest rate reduction.--The agency or an offeror may modify loans under this section to further reduce interest rates as follows:

(1) The agency or the offeror may reduce the interest rate of the loan by not less than 1% if the loan recipient, upon completion of a graduate degree in biomedicine or life sciences or upon licensure as a physician, agrees to practice medicine or be employed to conduct research on a full-time basis in Pennsylvania for a period of three consecutive years.

(2) The agency or the offeror may reduce the interest rate of the loan by not less than 2% if the loan recipient, upon licensure as a physician, agrees to practice medicine for not less than three consecutive years in a designated area.

(h) Contract.--In addition to the requirements of subsection (g), in order to be eligible for an interest rate reduction, a loan recipient shall enter into a contract with the agency or an offeror or its assigns at the time the loan is made. The contract shall include the following:

(1) The loan recipient practicing in a designated area shall agree to treat patients eligible for medical assistance and Medicare.

(2) The loan recipient shall permit the agency or the offeror to monitor the recipient's practice or employment to determine compliance with the terms of the contract and this article.

(3) The agency shall certify compliance with the terms of the contract.

(4) Upon the loan recipient's death or total or permanent disability, the agency or the offeror shall nullify the service obligation of the recipient.

(5) If the loan recipient is convicted of or pleads guilty or no contest to a felony or if the licensing board has determined that the recipient has committed an act of gross negligence in the performance of service obligations or has suspended or revoked the license to practice, the agency or the offeror shall terminate the loan recipient's participation in the program and seek repayment of the amount of the loan on the date of the conviction, determination, suspension or revocation.

(6) A loan recipient who fails to comply with a contract shall pay to the agency or the offeror the amount of loan received under the original contract as of the time of default. Providing false information or misrepresentation on an application or verification of service shall constitute default.

(i) Accountability.--In July 2004, the agency shall conduct a performance review of the program and services provided. The performance review shall include the following:

(1) The goals and objectives of the program.

(2) A determination of whether the goals and objectives were achieved by the agency-participating guarantor and offeror.

(3) The specific methodology used to evaluate the results.

(4) Recommendations for improvement.

Section 2213-A. Loan forgiveness program.

(a) Establishment of program.--The agency shall administer a loan forgiveness program for nursing school applicants on a

Statewide basis. The agency may provide loan forgiveness as provided in subsection (b) for recipients of loans who by contract with the agency agree to practice professional nursing in this Commonwealth upon attainment of the required license.

(b) Loan forgiveness.--Agency-administered, federally insured student loans for higher education provided to a nursing school applicant may be forgiven by the agency as follows:

(1) The agency may forgive 50% of the loan, not to exceed \$50,000, if a loan recipient enters into a contract with the agency that requires the recipient upon successful completion of an approved nursing program and licensure as a registered nurse to practice nursing in this Commonwealth for a period of not less than three consecutive years.

(2) Loan forgiveness awards made pursuant to paragraph (1) shall be forgiven over a period of three years at an annual rate of 33 1/3% of the award and shall be made from funds appropriated for this purpose.

(3) The contract entered into with the agency pursuant to paragraph (1) shall be considered a contract with the Commonwealth and shall include the following terms:

(i) An unlicensed recipient shall apply for a registered nurse's license to practice in this Commonwealth at the earliest practicable opportunity upon successfully completing a degree in nursing.

(ii) Within six months after licensure, a recipient shall engage in the practice of nursing in this Commonwealth according to the terms of the loan forgiveness award.

(iii) The recipient shall agree to practice in a licensed health care facility in the provision of direct patient care on a full-time basis.

(iv) The recipient shall permit the agency to determine compliance with the work requirement for nurses and all other terms of the contract.

(v) Upon the recipient's death or total or permanent disability, the agency shall nullify the service obligation of the recipient.

(vi) If the recipient is convicted of or pleads guilty or no contest to a felony or if the licensing board has determined that the recipient has committed an act of gross negligence in the performance of service obligations or has suspended or revoked the license to practice, the agency shall have the authority to terminate the recipient's service in the program and demand repayment of the amount of the loan as of the date of the conviction, determination, suspension or revocation.

(vii) Loan recipients who fail to begin or complete the obligations contracted for shall pay to the agency the amount of the loan received under the terms of the contract pursuant to this section. Providing false information or misrepresentation on an application or verification of service shall be deemed a default. Determination as to the time of default shall be made by the agency.

(4) Notwithstanding 42 Pa.C.S. § 8127 (relating to personal earnings exempt from process), the agency may seek garnishment of wages in order to collect the amount of the loan following default under paragraph (3)(vii).

Section 2214-A. Tax applicability.

Loan forgiveness repayments received by a student shall not be considered taxable income for purposes of Article III of the act

of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

(c) Miscellaneous Provisions

Section 2231-A. Annual report.

(a) Development of report.--The agency shall publish a report by September 1, 2002, and every year thereafter for the immediately preceding fiscal year. The report shall include information regarding the operation of the programs established under this article, including:

(1) The number and amount of loan guarantees and loan contracts executed and renewed for eligible applicants in medicine, biomedicine or life sciences and the nursing loan forgiveness program.

(2) The number and amount of nursing loan forgiveness contracts executed and renewed for nursing school applicants.

(3) The number of defaulted nursing loan forgiveness contracts, reported by cause.

(4) The number of nurses participating in the nursing loan forgiveness program, reported by type of institution attended, including four-year educational institutions, community colleges, independent two-year colleges, private licensed schools, hospital-based courses of study and certificate programs.

(5) The number and type of enforcement actions taken by the agency.

(b) Submission.--The annual report shall be submitted to the Governor, the chair and minority chair of the Appropriations Committee of the Senate, the chair and minority chair of the Appropriations Committee of the House of Representatives, the chair and minority chair of the Education Committee of the Senate, the chair and minority chair of the Education Committee of the House of Representatives, the chair and minority chair of the Public Health and Welfare Committee of the Senate and the chair and minority chair of the Health and Human Services Committee of the House of Representatives.

Section 2232-A. Appeals.

The provisions of this article shall be subject to 22 Pa. Code Ch. 121 (relating to student financial aid).

Section 2233-A. Regulations.

The agency shall adopt regulations and procedures necessary to carry out the purposes of this article.

Section 2234-A. Funding.

Loan guarantor program payments and loan forgiveness repayments shall be made only to the extent that funds are appropriated for that purpose and are sufficient to cover administration of the programs. The receipt of a loan under this article shall not constitute an entitlement derived from the Commonwealth or a claim on any funds of the Commonwealth.

Section 4. The following appropriations are made:

(1) The sum of \$3,000,000, or as much thereof as may be necessary, is hereby appropriated from the Tobacco Settlement Fund to the Pennsylvania Higher Education Assistance Agency for the fiscal year July 1, 2001, to June 30, 2002, to provide low-cost loans and loan forgiveness for nursing students as set forth in Article XXII-A of the act.

(2) The sum of \$5,000,000, or as much thereof as may be necessary, is hereby appropriated from the Tobacco Settlement Fund to the Pennsylvania Higher Education Assistance Agency for the fiscal year July 1, 2001, to June 30, 2002, to provide low-cost loans to medical school students and graduate students in biomedicine or life sciences.

Section 5. The following acts and parts of act are repealed to the extent specified:

Act of August 9, 1963 (P.L.643, No.341), known as the First Class City Public Education Home Rule Act, insofar as it is inconsistent with section 696 of the act.

Chapter 25 and section 5101(a)(5) of the act of June 26, 2001 (P.L.755, No.77), known as the Tobacco Settlement Act, absolutely.

Section 6. The provisions of 351 Pa. Code Art. XII (relating to public education) are abrogated to the extent they are inconsistent with section 696 of the act.

Section 7. This act shall take effect immediately.

APPROVED--The 30th day of October, A. D. 2001.

MARK S. SCHWEIKER