
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 1064 Session of
1999

INTRODUCED BY SATHER, ZUG, CHADWICK AND MAJOR, MARCH 24, 1999

REFERRED TO COMMITTEE ON APPROPRIATIONS, MARCH 24, 1999

AN ACT

1 Establishing the School District Financial Emergency Fund and
2 the Financial Emergency Program; and making an appropriation.

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

5 Section 1. Short title.

6 This act shall be known and may be cited as the School
7 District Financial Emergency Act.

8 Section 2. Definitions.

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

12 "Department." The Department of Education of the
13 Commonwealth.

14 "Fund." The Financial Emergency Fund established in section
15 3.

16 Section 3. Financial Emergency Fund.

17 A special fund is hereby established in the State Treasury to
18 be known as the Financial Emergency Fund. The fund shall be used

1 exclusively for the purposes set forth in this act.

2 Section 4. Financial Emergency Program.

3 (a) Program established.--The department shall establish and
4 administer a Financial Emergency Program for the purpose of
5 providing loans from the fund to school districts that have
6 school district moneys attached, frozen, held back or allocated
7 as a loss by a court in a legal proceeding initiated by
8 September 26, 1997, involving the investment of school district
9 moneys by any person, broker or investment advisor subject to
10 the act of December 5, 1972 (P.L.1280, No.284), known as the
11 Pennsylvania Securities Act of 1972. Loan payments shall be
12 returned to the fund.

13 (b) Other department assistance.--

14 (1) State subsidy payments for basic education and
15 special education funding pursuant to Article XXV of the act
16 of March 10, 1949 (P.L.30, No.14), known as the Public School
17 Code of 1949, shall be made as follows to a school district
18 which has experienced a loss as described under subsection
19 (a) if the loss is less than \$1,000,000:

20 (i) Within 30 days of the beginning of the school
21 district's fiscal year a school district shall receive
22 90% of the amount apportioned and allocated to the school
23 district during the previous school year for the same
24 purposes.

25 (ii) The final payment shall be made in the final
26 month of the school district's fiscal year and shall be
27 the balance of the apportionment due for the applicable
28 school year.

29 (2) Payments made under this subsection shall be held
30 separate and apart from all other school district moneys.

1 Interest which accrues from such payments shall be applied
2 toward repayment of losses under subsection (a). This section
3 shall not apply after a school district recovers the full
4 amount of any loss experienced under subsection (a) by virtue
5 of interest accumulations or settlement of a claim filed to
6 recover the loss. A school district shall be eligible for
7 payments in accordance with this subsection for three
8 consecutive fiscal years. A school district may only invest
9 the money received under this section in an investment
10 program administered by the State Treasurer.

11 Section 5. Loan terms and conditions.

12 Each loan approved by the department under this act shall
13 contain the following terms and conditions:

14 (1) The amount of the loan shall not exceed the
15 principal amount of the school district's moneys attached,
16 frozen, held back or allocated as a loss by the court at the
17 time of application for such loan as provided for in section
18 6. Administrative fees determined or assigned by the court
19 shall be included when determining the eligible amount of the
20 loan.

21 (2) The loans shall be payable without interest.

22 (3) The amount of the loan shall be repaid in full by
23 the school district within 60 months of the date the loan
24 moneys are released from the fund to the school district.
25 However, upon the show of cause to the department, the time
26 of repayment may be extended no more than an additional 36
27 months.

28 (4) If the school district receives any proceeds from
29 resolution of the legal proceeding prior to the effective
30 repayment date of the loan, the school district shall pay the

1 proceeds to the department up to the amount outstanding on
2 the loan and be subjected to a rate of interest of 2% per
3 annum for the term of the loan.

4 (5) If the school district invests any of the loan
5 moneys, it may only do so in an investment program
6 administered by the State Treasurer for school districts and
7 other municipalities.

8 (6) If the school district fails or refuses to pay the
9 loan back to the account by the effective repayment date of
10 the loan, the Secretary of Education shall deduct from any
11 appropriated moneys due the school district the amount
12 outstanding on the loan.

13 (7) A school district is eligible for a loan under this
14 act if its loss under section 4 exceeds \$1,000,000 as of the
15 effective date of this act.

16 (8) A loan agreement may contain other terms and
17 conditions as deemed necessary by the department.

18 Section 6. Applications.

19 The department shall develop an application for loans from
20 the fund and all applications for loans must be received within
21 12 months of the effective date of this act. No loan shall be
22 approved by the department unless the school district seeking
23 the loan has completed the application and agreed to the terms
24 and conditions required by this act.

25 Section 7. Appropriation.

26 The sum of \$15,000,000 is hereby appropriated to the
27 Department of Education for deposit into the fund for the
28 administration of the Financial Emergency Program and for the
29 issuance of loans under this act. Any moneys in the fund
30 unencumbered and unexpended on January 1, 2001, shall lapse into

1 the General Fund.

2 Section 8. Expiration and transfer of fund moneys.

3 (1) This act shall expire ten years from its effective
4 date.

5 (2) Loan payments made to the fund shall be transferred
6 to the General Fund annually.

7 Section 9. Repeal.

8 All acts and parts of acts are repealed insofar as they are
9 inconsistent with this act.

10 Section 10. Effective date.

11 This act shall take effect immediately.