

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 522 Session of 2019

INTRODUCED BY TOBASH, B. MILLER, SCHLOSSBERG, MURT, LONGIETTI, QUINN, KAUFFMAN, FEE, KAUFER, HICKERNELL, IRVIN, BERNSTINE, HEFFLEY, SIMMONS, McNEILL, PICKETT, DUSH, JONES, JOZWIAK, FREEMAN, STAATS, MILLARD, PYLE, GROVE, BARRAR, STRUZZI, OWLETT, SAYLOR, ZIMMERMAN, DeLUCA, ECKER, RYAN, GOODMAN, SOLOMON, HERSHEY, HELM, MIZGORSKI, KLUNK, CIRESI, ROEBUCK, COX, THOMAS, RAPP, BROWN, MASSER AND GILLEN, FEBRUARY 19, 2019

AS REPORTED FROM COMMITTEE ON EDUCATION, HOUSE OF REPRESENTATIVES, AS AMENDED, MARCH 11, 2019

AN ACT

1 Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An
2 act relating to the public school system, including certain
3 provisions applicable as well to private and parochial
4 schools; amending, revising, consolidating and changing the
5 laws relating thereto," providing for the Career and
6 Technical Education Investment Incentive Program.

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

9 Section 1. The act of March 10, 1949 (P.L.30, No.14), known
10 as the Public School Code of 1949, is amended by adding an
11 article to read:

ARTICLE XX-I

CAREER AND TECHNICAL EDUCATION

INVESTMENT INCENTIVE PROGRAM

15 Section 2001-I. Scope of article.

16 This article relates to the Career and Technical Education

1 Investment Incentive Program.

2 Section 2002-I. Definitions.

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

6 "Applicable tax." The liability for taxes imposed under  
7 Articles III, IV, VI, VII, VIII, IX, XV or XX of the Tax Reform  
8 Code of 1971 or a tax under Article XVI of the act of May 17,  
9 1921 (P.L.682, No.284), known as The Insurance Company Law of  
10 1921. The term shall not include a tax withheld by an employer  
11 from an employee under Article III of the Tax Reform Code of  
12 1971.

13 "Area career and technical education school." A specialized  
14 public secondary school established under subarticle (c) of  
15 Article XVIII which is used exclusively or principally for the  
16 provision of career and technical education programs to  
17 individuals preparing to enter the labor market or pursue  
18 postsecondary education.

19 "Business firm." An entity authorized to do business in this  
20 Commonwealth and subject to taxes imposed under Article III, IV,  
21 VI, VII, VIII, IX, XV or XX of the Tax Reform Code of 1971 or a  
22 tax under Article XVI of The Insurance Company Law of 1921. The  
23 term includes a pass-through entity, including a pass-through  
24 entity whose purpose is the making of contributions under this  
25 article and whose shareholders, partners or members are composed  
26 of owners or employees of other business firms.

27 "Career and technical education partnership organization." A  
28 nonprofit entity which meets all of the following:

29 (1) Is exempt from Federal taxation under section 501(c)  
30 (3) of the Internal Revenue Code of 1986 (Public Law 99-514,

1 26 U.S.C. § 501(c)(3)).

2 (2) Provides support or expands access to career and  
3 technical education programs.

4 (3) Contributes based on one of the following:

5 (i) At least 80% of its annual cash receipts as  
6 contributions to a participating school for program-  
7 related costs. For purposes of this subparagraph, a  
8 nonprofit entity "contributes" its annual cash receipts  
9 when it expends or otherwise irrevocably encumbers those  
10 funds for expenditure during the then-current fiscal year  
11 of the nonprofit entity or during the next succeeding  
12 fiscal year of the nonprofit entity. A nonprofit entity  
13 shall also include a school district foundation, public  
14 school foundation, charter school foundation or area  
15 career and technical education school foundation.

16 (ii) At least 80% of its annual cash receipts to an  
17 enrollment expansion program. For purposes of this  
18 subparagraph, a nonprofit entity "contributes" its annual  
19 cash receipts to a ~~scholarship program~~ AN ENROLLMENT <--  
20 EXPANSION PROGRAM when it expends or otherwise  
21 irrevocably encumbers those funds for distribution during  
22 the then-current fiscal year of the nonprofit entity or  
23 during the next succeeding fiscal year of the nonprofit  
24 entity.

25 (iii) At least 80% of its annual cash receipts to a  
26 combination of expenditures under subparagraphs (i) and  
27 (ii).

28 "Career and technical education program."

29 (1) A vocational education program approved by the  
30 Department of Education under 22 Pa. Code Ch. 339 (relating

1 to vocational education); and

2 (2) A program that provides educational activities which  
3 meet all of the following:

4 (i) Offer a sequence of courses that:

5 (A) Provide individuals with content aligned  
6 with academic standards and technical knowledge and  
7 skills needed to prepare for further education and  
8 careers in a high-priority occupation.

9 (B) Provide technical skill proficiency, an  
10 industry-recognized credential, OR a certificate or <--  
11 an associate degree.

12 (ii) Include competency-based applied learning that  
13 contributes to the academic knowledge, higher-order  
14 reasoning and problem-solving skills, work attitudes,  
15 general employability skills, technical skills,  
16 occupation-specific skills and knowledge of all aspects  
17 of an industry, including entrepreneurship, of an  
18 individual.

19 "Charter school." As defined in section 1703-A.

20 "Contribution." The donation of any of the following:

21 (1) Cash to a career and technical education partnership  
22 organization to be used to pay program-related costs.

23 (2) Cash to a career and technical education partnership  
24 organization to be used for an enrollment expansion program.

25 (3) Personal property, including equipment and supplies,  
26 as approved by the participating school.

27 (4) Services, the value of which is the net cost of the  
28 donation to the donor or the pro rata hourly wage, including  
29 benefits, of the individual performing the service, as  
30 approved by the participating school.

1 "Cyber charter school." As defined in section 1703-A.

2 "Department." The Department of Community and Economic  
3 Development of the Commonwealth.

4 "Eligible student." An individual who:

5 (1) Is of school age, as defined in section 2002-B.

6 (2) Is enrolled in a school entity.

7 (3) Intends to enroll in an age-appropriate career and  
8 technical education program.

9 (4) Is a current resident of this Commonwealth.

10 "Enrollment expansion program." A program established to pay  
11 the fees associated with increasing the enrollment of eligible  
12 students in a career and technical education program at  
13 participating schools.

14 "High-priority occupation." A profession that:

15 (1) Is high-wage and high-skill for which there is  
16 excess employer demand as identified in the Department of  
17 Labor and Industry's current year's high-priority or in-  
18 demand occupations list or the State System of Higher  
19 Education's workforce needs assessment.

20 (2) Requires a credential, certification, licensing,  
21 postsecondary training, associate's degree, bachelor's  
22 degree, master's degree or doctoral or first professional  
23 degree.

24 "Participating school." A public school, area career and  
25 technical education school, charter school or regional charter  
26 school that chooses to participate in the program.

27 "Pass-through entity." A partnership as defined in section  
28 301(n.0) of the Tax Reform Code of 1971, a single-member limited  
29 liability company treated as a disregarded entity for Federal  
30 income tax purposes or a Pennsylvania S corporation as defined

1 in section 301(n.1) of the Tax Reform Code of 1971. The term  
2 includes a pass-through entity that owns an interest in a pass-  
3 through entity.

4 "Program." The Career and Technical Education Investment  
5 Incentive Program established under this article.

6 "Program-related costs." Cost and fees for rental or  
7 purchase of equipment, materials or supplies used in instructing  
8 a career and technical education program at a participating  
9 school.

10 "Public school." A public elementary school or a public  
11 secondary school at which a resident of this Commonwealth may  
12 legally fulfill the compulsory school attendance requirements of  
13 this act and which meets the applicable requirements of Title VI  
14 of the Civil Rights Act of 1964.

15 "Regional charter school." As defined in section 1703-A.

16 "School entity." A public school, area career and technical  
17 education school, charter school, regional charter school or  
18 cyber charter school.

19 "Secondary school." A school with an eleventh grade.

20 "Tax Reform Code of 1971." The act of March 4, 1971 (P.L.6,  
21 No.2), known as the Tax Reform Code of 1971.

22 Section 2003-I. Declaration of policy.

23 The Commonwealth recognizes that businesses need educated and  
24 trained workers. It is the intent of the General Assembly to  
25 foster and encourage private investment in career and technical  
26 education programs and the repair, upkeep, replacement and  
27 upgrading of industry-grade materials and instructional  
28 equipment. Furthermore, it is the intent of the General Assembly  
29 that private investment will open doors of opportunity for  
30 students and enable them to develop the knowledge and skills for

1 high-demand careers under this article.

2 Section 2004-I. School participation in program.

3 (a) Election to participate.--By October 1, 2019, and each  
4 January 1 thereafter, a school entity other than a cyber charter  
5 school may elect to participate in the program under this  
6 article for the following school year.

7 (b) Notice.--A school entity that elects to participate  
8 under subsection (a) shall notify the department of the intent  
9 to participate on a form developed by the department. The notice  
10 under this subsection shall specify all of the following:

11 (1) That the school entity intends to be a participating  
12 school.

13 (2) The amount of program-related costs attributable to  
14 each eligible student. The amount under this paragraph shall  
15 not exceed the amount that would have been attributed to a  
16 student outside of the enrollment expansion program.

17 (c) Participating school responsibilities.--The following  
18 responsibilities shall apply to a participating school:

19 (1) Prior to enrollment of a student, a participating  
20 school shall inform the parent of a student of the rules,  
21 policies and procedures of the participating school,  
22 including any academic policies, disciplinary rules or  
23 administrative procedures. Enrollment of a student in a  
24 participating school shall constitute acceptance of any  
25 rules, policies or procedures of the participating school.

26 (2) A participating school may enroll an eligible  
27 student in a career and technical education program until the  
28 participating school's available seats are filled.

29 ~~(d) Transportation.~~

<--

30 ~~(1) Transportation of students of school age, as defined~~

1 ~~in section 2002-B, shall be provided under section 1361.~~

2 ~~(2) Reimbursement shall be as follows:~~

3 ~~(i) Transportation of a student of school age, as~~  
4 ~~defined in section 2002-B, attending a participating~~  
5 ~~public school shall be subject to reimbursement under~~  
6 ~~section 2541.~~

7 ~~(ii) Transportation of a student of school age, as~~  
8 ~~defined in section 2002-B, attending a participating area~~  
9 ~~career and technical education school, participating~~  
10 ~~charter school or participating regional charter school~~  
11 ~~shall be subject to reimbursement under section 2541.~~

12 ~~(3) A participating school may provide transportation to~~  
13 ~~an eligible cyber charter school student. Transportation~~  
14 ~~shall be subject to reimbursement under section 2541.~~

15 Section 2005-I. Establishment and qualification by  
16 organizations.

17 (a) Qualification.--

18 (1) In order to qualify for contributions under this  
19 article, a career and technical education partnership  
20 organization must certify to the department that the  
21 organization is eligible to participate in the program.

22 (2) A career and technical education partnership  
23 organization must agree to annually report by October 1,  
24 2019, and each September 1 thereafter, on a form provided by  
25 the department, the following information:

26 (i) The organization is exempt from taxation under  
27 section 501(c)(3) of the Internal Revenue Code of 1986  
28 (Public Law 99-514, 26 U.S.C. § 501(c)(3)) or is formed  
29 as a nonprofit corporation under the laws of this  
30 Commonwealth.

1           (ii) The total number of eligible students and the  
2 total amount of contributions awarded per participating  
3 school during the immediately preceding school year  
4 through an enrollment expansion program.

5           (iii) Where the career and technical education  
6 partnership organization collects information on a  
7 county-by-county basis, the total number of eligible  
8 students and the total amount of contributions awarded  
9 during the immediately preceding school year through an  
10 enrollment expansion program to residents of each county.

11           (iv) The names and descriptions of career and  
12 technical education programs and the total amount of the  
13 contributions made to those programs during the  
14 immediately preceding school year.

15           (v) The name of each participating school that works  
16 with businesses that offer internships, apprenticeships  
17 and mentoring programs.

18           (vi) The name of each participating school where  
19 career and technical education programs that received  
20 contributions were implemented as a result of the  
21 contribution during the immediately preceding school  
22 year.

23           (vii) Where the career and technical education  
24 partnership organization collects information on a  
25 county-by-county basis, the total number and the total  
26 amount of contributions made during the immediately  
27 preceding school year for career and technical education  
28 programs at participating schools in each county in which  
29 the contributions were made.

30           (viii) The number of credentials earned, including,

1 but not limited to, a certificate, industry certification  
2 or State license, and the industry or occupation to which  
3 the credential is linked to this program during the  
4 immediately preceding school year.

5 (ix) The number of students employed in high-  
6 priority occupations as a result of participating in the  
7 program.

8 (x) The number of students who secured internships  
9 or apprenticeships for high-priority occupations.

10 (xi) The organization's Federal Form 990 or other  
11 Federal or State form indicating the tax status of the  
12 organization for Federal and State tax purposes, if any,  
13 and a copy of a compilation, review or audit of the  
14 organization's financial statements conducted by a  
15 certified public accounting firm, including an itemized  
16 list of expenditures.

17 (3) A career and technical education partnership  
18 organization shall provide information under paragraph (2) to  
19 the best of the career and technical education partnership  
20 organization's ability.

21 (4) The department shall provide forms to interested  
22 career and technical education partnership organizations and  
23 shall post the forms on its publicly accessible Internet  
24 website.

25 (5) The department may not require any other information  
26 to be provided by career and technical education partnership  
27 organizations, except as expressly authorized under this  
28 article.

29 (6) A career and technical education partnership  
30 organization that does not meet the certification

1 requirements of this article shall not be eligible to  
2 participate in the program.

3 (b) Publication.--The department shall post and update as  
4 necessary a list of each career and technical education  
5 partnership organization qualified under this section on the  
6 department's publicly accessible Internet website.

7 Section 2006-I. Contributions.

8 (a) Designation of contribution.--A contribution made by a  
9 business firm under this article shall be designated for:

10 (1) an enrollment expansion program; or

11 (2) program-related costs in a career and technical  
12 education program.

13 (b) Use of cash contributions.--A participating school shall  
14 keep all cash contributions received under this article in a  
15 restricted account which shall only be used for program-related  
16 costs and enrollment expansion programs.

17 Section 2007-I. Tax credit.

18 (a) Application.--A business firm may apply to the  
19 department for a tax credit certificate for contributions made  
20 to a career and technical education partnership organization  
21 under section 2006-I. A business firm that receives a tax credit  
22 under this article shall be subject to the limitations in this  
23 section and section 2008-I.

24 (b) Time of application for credits.--

25 (1) Except as provided in paragraph (2), the department  
26 may accept applications for tax credits for a two-year  
27 commitment available during fiscal year 2019-2020 beginning  
28 no earlier than January 1, 2020, and for tax credits  
29 available each fiscal year thereafter, no earlier than July  
30 1.

1       (2) The application of a business firm for tax credits  
2 available during a fiscal year as part of the third year of a  
3 three-year commitment or as a renewal of a three-year  
4 commitment which was fulfilled in the previous fiscal year  
5 may be accepted no earlier than May 15 preceding the fiscal  
6 year.

7       (c) Tax credit.--The Department of Revenue shall on a first-  
8 come, first-served basis grant a tax credit against an  
9 applicable tax to a business firm providing proof of a  
10 contribution to a career and technical education partnership  
11 organization in the taxable year in which the contribution is  
12 made in accordance with the following:

13       (1) The tax credit shall not exceed 75% of the total  
14 amount contributed during the taxable year by the business  
15 firm.

16       (2) Except as provided under subsection (i), the tax  
17 credit may not exceed \$750,000 annually per business firm for  
18 contributions made to career and technical partnership  
19 organizations.

20       (d) Priority.--Priority for a tax credit certificate under  
21 subsection (c) shall be given to:

22       (1) A business firm that did not receive a tax credit  
23 under Article XX-B in the prior fiscal year.

24       (2) A business firm that makes a contribution to a  
25 career and technical education partnership organization  
26 located in the business firm's workforce development area as  
27 described in the Workforce Innovation and Opportunity Act  
28 (Public Law 113-128, 128 Stat. 1425).

29       (e) Additional amount.--Subject to the limitations of  
30 section 2008-I, and in accordance with this section, the

1 department shall grant a tax credit certificate of up to 90% of  
2 the total amount contributed during the taxable year if the  
3 business firm demonstrates a written commitment to provide the  
4 career and technical education partnership organization with the  
5 same amount for at least three consecutive tax years at the time  
6 of application.

7 (f) Restriction on applicability of credits.--No tax credit  
8 granted under this section shall be applied against tax withheld  
9 by an employer from an employee under Article III of the Tax  
10 Reform Code of 1971.

11 (g) Approval of tax credits.--Unless all authorized tax  
12 credits have already been awarded, the department shall give  
13 written notice of its approval to each business firm that  
14 submits a completed application within 30 days following the  
15 date postmarked on the envelope of the completed application.

16 (h) Waiting list.--The department shall maintain a waiting  
17 list of each business firm whose application has not been  
18 approved because all available tax credits have been awarded. A  
19 business firm that is not awarded a tax credit due to a lack of  
20 available tax credits shall be notified of a place on the  
21 waiting list. When a tax credit becomes available, the  
22 department shall award the tax credit to the business firms in  
23 the order in which the business firms were placed on the waiting  
24 list.

25 (i) Temporary increase in maximum tax credits available.--

26 (1) If all tax credits authorized under this section for  
27 contributions to career and technical education partnership  
28 organizations have not been awarded as of October 1 of a  
29 fiscal year, the limitations specified in subsection (c)  
30 shall not apply. The following shall apply:

1           (i) The department may accept applications from  
2           October 1 through November 30 from a business firm,  
3           including a business firm that already applied for the  
4           maximum tax credits available under subsections (a) and  
5           (e).

6           (ii) Tax credits awarded under this subsection shall  
7           not exceed 75% of the total amount contributed during the  
8           taxable year by a business firm pursuant to an  
9           application filed under this subsection.

10           (iii) The provisions of subsection (b) shall not  
11           apply to applications for tax credits made under this  
12           subsection.

13           (2) The tax credits awarded under this subsection shall  
14           be awarded on a first-come, first-served basis.

15           (j) Timing of contribution.--A contribution by a business  
16           firm to a career and technical education partnership  
17           organization shall be made no later than 30 days following the  
18           approval of an application under subsection (a).

19           Section 2008-I. Limitations.

20           (a) Amount.--~~The~~ SUBJECT TO PARAGRAPH (3), THE total           <--  
21           aggregate amount of all tax credits approved for contributions  
22           from business firms to career and technical education  
23           partnership organizations may not exceed \$10,000,000 in a fiscal  
24           year. The following shall apply:

25           (1) Ten percent of the total aggregate amount of tax  
26           credits under this subsection shall be distributed to a  
27           business making a contribution to be used for an enrollment  
28           expansion program.

29           (2) Ninety percent of the total aggregate amount of tax  
30           credits under this subsection shall be distributed to a

1 business making a contribution to pay program-related costs. <--

2 AND FOR SERVICES AND PERSONAL PROPERTY CONTRIBUTIONS. <--

3 (3) BEGINNING JULY 1, 2021, AND EACH JULY 1 THEREAFTER,  
4 THE DEPARTMENT SHALL AUTOMATICALLY INCREASE THE TAX CREDIT  
5 AMOUNT BY \$5,000,000 IF THE AMOUNT USED IN THE PRIOR FISCAL  
6 YEAR IS EQUAL TO OR GREATER THAN 90% OF THE TAX CREDIT AMOUNT  
7 APPROVED IN THE PRIOR FISCAL YEAR OR THE AMOUNT PUBLISHED BY  
8 THE LEGISLATIVE REFERENCE BUREAU. THE DEPARTMENT SHALL  
9 IMMEDIATELY TRANSMIT NOTICE OF THE INCREASED DOLLAR AMOUNTS  
10 TO THE LEGISLATIVE REFERENCE BUREAU FOR PUBLICATION IN THE  
11 PENNSYLVANIA BULLETIN.

12 (b) Activities.--No tax credit shall be approved for  
13 activities that are a part of a business firm's normal course of  
14 business.

15 (c) Tax liability.--

16 (1) Except as provided under paragraph (2), a tax credit  
17 granted for a taxable year may not exceed the tax liability  
18 of a business firm.

19 (2) In the case of a credit granted to a pass-through  
20 entity which elects to distribute the tax credit under this  
21 article, a tax credit granted for a taxable year and  
22 distributed to a shareholder, member or partner may not  
23 exceed the tax liability of the shareholder, member or  
24 partner.

25 (d) Use.--A tax credit not used by the applicant in the  
26 taxable year the contribution was made or in the year designated  
27 by the shareholder, member or partner to whom the credit was  
28 transferred under this article may not be carried forward or  
29 carried back and is not refundable or transferable.

30 (e) Activities.--No tax credit shall be approved for

1 activities that are not a part of a business firm's normal  
2 course of business.

3 Section 2009-I. Notice of participating schools.

4 By November 1, 2019, and each February 1 thereafter, the  
5 department shall provide all career and technical education  
6 partnership organizations with a list of each participating  
7 school in this Commonwealth located within each county.

8 Section 2010-I. Guidelines.

9 Within 45 days of the effective date of this section, in  
10 consultation with the Department of Education, Department of  
11 Revenue and the Department of Labor and Industry, the department  
12 shall develop guidelines to implement the program.

13 Section 2011-I. Annual report to General Assembly.

14 (a) Submittal.--The following shall apply:

15 (1) No later than December 1, 2020, and each December 1  
16 thereafter, the Secretary of Community and Economic  
17 Development shall submit a report to the General Assembly  
18 summarizing the impact of the program provided under this  
19 article. The department shall post the report on its publicly  
20 accessible Internet website.

21 (2) The report shall be submitted to all of the  
22 following:

23 (i) The chairperson and minority chairperson of the  
24 Appropriations Committee of the Senate.

25 (ii) The chairperson and minority chairperson of the  
26 Appropriations Committee of the House of Representatives.

27 (iii) The chairperson and minority chairperson of  
28 the Education Committee of the Senate.

29 (iv) The chairperson and minority chairperson of the  
30 Education Committee of the House of Representatives.

1 (b) Contents.--The report shall include the following  
2 information:

3 (1) The amount of tax credits claimed for contributions  
4 to a career and technical education partnership organization  
5 during the fiscal year.

6 (2) The total cash, personal property and service  
7 contributions made from business firms to career and  
8 technical education partnership organizations.

9 (3) The number of students employed in a high-priority  
10 occupation as a result of participating in the program.

11 (4) The number of students who secured internships or  
12 apprenticeships for high-priority occupations.

13 (5) The number of students that secured certifications,  
14 industry-recognized occupational or skill credentials for  
15 high-demand occupations.

16 (6) A list of all career and technical education  
17 partnership organizations receiving contributions from a  
18 business firm granted a tax credit under this article.

19 (7) The number of high-priority industries participating  
20 in the program.

21 (8) The regional disbursement of tax credits.

22 (9) Other data points deemed relevant or necessary by  
23 the department administering the program.

24 (10) A funding evaluation of the program and  
25 recommendations.

26 (c) PROVISION OF INFORMATION.--The department shall provide <--  
27 information under subsection (b) to the best of the department's  
28 ability.

29 Section 2. Within 10 days of the development of the  
30 guidelines under section 2010-I of the act, the Department of

1 Community and Economic Development shall transmit notice of the  
2 development of the guidelines to the Legislative Reference  
3 Bureau for publication in the Pennsylvania Bulletin.

4 Section 3. The addition of Article XX-I of the act shall  
5 apply to taxable years commencing after December 31, 2019.

6 Section 4. This act shall take effect as follows:

7 (1) The following shall take effect immediately:

8 (i) This section.

9 (ii) Section 2 of this act.

10 (iii) Section 3 of this act.

11 (iv) The addition of sections 2001-I, 2002-I and  
12 2010-I of the act.

13 (2) The remainder of this act shall take effect  
14 immediately upon publication in the Pennsylvania Bulletin of  
15 the notice under section 2 of this act.