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," establishing the Lifeline Scholarship Program and the Lifeline Scholarship Fund.

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

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

ARTICLE XVII-E

LIFELINE SCHOLARSHIP PROGRAM

Section 1701-E. Scope of article.

This article relates to the Lifeline Scholarship Program.

Section 1702-E. 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:
"Applicant." A parent who applies for participation in the program under section 1704-E on behalf of an eligible student.

"Attendance boundary." As defined in section 2002-B.

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

"Eligible student." A school-age child who:

(1) Has not received a high school diploma.

(2) Resides within the attendance boundary of a low-achieving school as determined under section 1302 upon initial application under section 1704-E(b)(1).

(3) Satisfies one of the following:

(i) Attended a public school in this Commonwealth in the preceding school year.

(ii) Received a scholarship from the program in the preceding school year.

(iii) Will attend kindergarten for the first time in the next school year.

"Fund." The Lifeline Scholarship Fund established in section 1708-E.

"Kindergarten." A one-year formal educational program, whether part time or full time, that occurs during the school year immediately prior to first grade.

"Lifeline scholarship account." A spending account established and administered by the State Treasury, and controlled by a parent for a scholarship recipient, that may be used for tuition, school-related fees and special education services fees to attend a participating nonpublic school.

"Low-achieving school." As defined in section 2002-B.

"Nonpublic school." A nonprofit school, other than a public school, located in this Commonwealth where a resident of this
Commonwealth may legally fulfill the compulsory attendance requirements of this act.

"Parent." An individual who is a resident of this Commonwealth and:

(1) has legal custody or guardianship of an eligible student; or

(2) keeps in the individual's home an eligible student and supports the student gratis as if the student were a lineal descendant of the individual.

"Participating nonpublic school." A nonpublic school offering a program of instruction for kindergarten through grade twelve, or a combination of grades, that notifies the State Treasury of the nonpublic school's desire to participate in the program and provides certification to the State Treasury that the nonpublic school meets the criteria under section 1711-E.

"Program." The Lifeline Scholarship Program established under section 1703-E(a).

"Public school." A school operated by a school district, an intermediate unit, area career and technical school, a charter school, regional charter school or cyber charter school.

"Resident school district." The school district in which an eligible student resides.

"Scholarship." A scholarship that is awarded to an eligible student under the program.

"Scholarship recipient." An eligible student that is awarded a scholarship under the program.

"School-age child." A child enrolling in kindergarten or in grade one through grade twelve.

"School-related fee." A fee charged by a participating nonpublic school to all students for books, instructional
materials, technology equipment and services, uniforms, activities and concurrent enrollment programs under Article XVI-B.

"Special education services fee." A fee charged by a participating nonpublic school for special education services for a student with special needs as agreed to by the parent and the participating nonpublic school.

"State Treasury." The Treasury Department of the Commonwealth.

"Student with special needs." A child who is subject to an individualized education program under 20 U.S.C. Ch. 33 (relating to education of individuals with disabilities) and 22 Pa. Code Ch. 14 (relating to special education services and programs).

Section 1703-E. Lifeline Scholarship Program.

(a) Establishment.--Beginning with the 2023-2024 school year, the Lifeline Scholarship Program is established as a program in the State Treasury to provide scholarships to help eligible students pay tuition, school-related fees and special education services fees for attendance at a participating nonpublic school.

(b) Notice to parents.--

(1) No later than July 15, 2023, and within 15 days of receipt of a notice under section 2010-B each year thereafter, a school district with at least one school designated as a low-achieving school shall notify the parent of a student who is attending or residing within the attendance boundary of a low-achieving school during the school year of the school's designation.

(2) The notice shall be in a form provided by the State.
Treasury, in consultation with the department, and shall provide the following information regarding the program:

(i) A description of the program.
(ii) Instructions for obtaining information about applying for a scholarship under the program.
(iii) A list of schools in the school district that have been designated as low-achieving schools.
(iv) Notice of the parent's responsibilities regarding application to a participating nonpublic school if the parent seeks to enroll an eligible student in a participating nonpublic school.

(3) The notice shall be posted on the school district's publicly accessible Internet website.

(c) Notice to State Treasurer.--A school district required to submit a notice to parents under subsection (b) shall provide the State Treasurer with a list of students whose parents were provided the notice.

Section 1704-E. Application.

(a) Application form.--By July 15, 2023, the State Treasury shall develop an application form that can be accessed from and submitted electronically on the State Treasury's publicly accessible Internet website.

(b) Application and approval process.--

(1) By July 31, 2023, and by April 1 of each year thereafter, the applicant may apply to the State Treasury for a scholarship for the following school year according to guidelines developed by the State Treasury under section 1709-E. An application shall be approved by the State Treasury if the student meets the eligibility requirements of this article.
(2) By August 9, 2023, and by May 1 of each year thereafter, the State Treasury shall notify the applicant whether a scholarship will be awarded for the following school year.

(3) For the 2023-2024 school year, scholarships shall be awarded on a first-come, first-served basis considering money available in the fund.

(4) For the 2024-2025 school year and each school year thereafter, priority for scholarships shall be given to prior year scholarship recipients. New applicants shall be awarded a scholarship on a first-come, first-served basis considering money available in the fund.

(5) Upon notification by the State Treasury that a scholarship has been awarded, the applicant shall apply for enrollment of the scholarship recipient directly to the participating nonpublic school under an application procedure developed by the participating nonpublic school.

(6) By August 16, 2023, and by June 1 each year thereafter, a participating nonpublic school shall provide written confirmation to the State Treasury of scholarship recipients who have accepted an offer of enrollment for the following school year and provide the State Treasury with the amounts to be charged to the scholarship recipient for tuition, school-related fees and special education services fees.

Section 1705-E. Agreement.

(a) Authorization.—Upon approval of an application, the State Treasury shall enter into an agreement with the applicant. The agreement shall provide the following:

(1) The scholarship recipient shall enroll in a
participating nonpublic school for the school year for which
the agreement applies.

(2) A certain sum of money shall be deposited into a
lifeline scholarship account under section 1706-E on behalf
of the scholarship recipient.

(3) The money in the lifeline scholarship account may be
expended only as authorized under this article.

(4) The parent shall notify the State Treasury if the
scholarship recipient no longer resides in this Commonwealth
or withdraws or is forced to withdraw from the participating
nonpublic school within 15 days of the change of residency or
withdrawal.

(b) Term of agreement.--Except as otherwise provided under
this article, an agreement entered into under subsection (a)
shall be valid for one school year.

(c) Termination.--

(1) An agreement entered into under subsection (a) may
be terminated early by the parent for any reason.

(2) An agreement entered into under subsection (a) shall
be terminated by the State Treasury for the following
reasons:

(i) The parent is found to have engaged in
fraudulent misuse of the lifeline scholarship account. In
such case, the scholarship recipient shall be ineligible
for future participation in the program. The parent may
appeal the State Treasury's decision regarding
termination and student eligibility within 30 days of
issuance of the decision. The appeal shall be governed by
2 Pa.C.S. Chs. 1 (relating to general provisions), 5
(relating to practice and procedure) and 7 (relating to
(ii) The scholarship recipient no longer resides in this Commonwealth.

(iii) The scholarship recipient withdraws or is forced to withdraw from a participating nonpublic school prior to the completion of the school year.

(3) If an agreement is terminated early under this subsection, the following shall apply:

(i) All available money in the lifeline scholarship account shall revert to the fund.

(ii) The participating nonpublic school shall repay to the State Treasury for deposit into the fund the full amount of the scholarship payment, reduced on a pro rata basis by the tuition, school related fees and special education services fees owed for the portion of the school year in which the scholarship recipient was enrolled.

(iii) The participating nonpublic school may not require a parent to reimburse the participating nonpublic school for the amount of the scholarship returned to the State Treasury.

(d) Renewal.--An agreement entered into under subsection (a) may be renewed for each school year for the same student.

(e) Multiple agreements.--A parent may enter into separate agreements under subsection (a) for each child of the parent who is a scholarship recipient.

(f) Explanation.--Upon entering into an agreement under subsection (a) or renewing an agreement under subsection (d), the State Treasury shall provide the parent with a written explanation of the authorized uses of the money in the lifeline...
scholarship account.

Section 1706-E. Lifeline scholarship account.

(a) Establishment.--If an agreement is entered into under section 1705-E(a), the State Treasury shall establish a lifeline scholarship account for the scholarship recipient. The lifeline scholarship account shall be administered by the State Treasury in accordance with this article.

(b) Deposit.--

(1) Upon establishment of a lifeline scholarship account, the State Treasurer shall deposit a sum of money for the applicable school year in the scholarship account for the scholarship recipient in accordance with this section.

(2) For the 2023-2024 school year, the sum shall be as follows:

(i) for a student in half-day kindergarten, $2,500;

(ii) for a student in full-day kindergarten through grade eight, $5,000;

(iii) for a student in grade nine through grade twelve, $10,000; or

(iv) for a student with special needs regardless of grade level, $15,000.

(3) Beginning with the 2024-2025 school year, and each school year thereafter, the amounts in paragraph (2) shall be increased by the greater of the average percentage increase in the index as defined in section 302 of the act of June 27, 2006 (1st Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief Act, for all school districts for the prior school year and the percentage increase in the appropriation for basic education for the prior fiscal year. The State Treasury shall calculate the increases on an annual basis and shall
submit a notice of the increases to the Legislative Reference
Bureau for publication in the next available issue of the
Pennsylvania Bulletin.

(c) Installments.--The State Treasury shall deposit the
money for each scholarship into a lifeline scholarship account
on a schedule determined by the State Treasury in consultation
with the department.

(d) Payments to participating nonpublic schools.--A parent
may direct payments from the lifeline scholarship account to a
participating nonpublic school on behalf of the scholarship
recipient via an electronic money transfer system developed by
the State Treasury under section 1709-E.

Section 1707-E. Qualified education expenses.

(a) General rule.--Money deposited into a lifeline
scholarship account may be used only to pay for the following
qualified expenses incurred by or associated with the
scholarship recipient:

(1) Tuition required by a participating nonpublic
school.

(2) School-related fees.

(3) Special education services fees.

(b) Prohibition.--A participating nonpublic school that
receives a payment for qualified education expenses authorized
under subsection (a) may not refund, rebate or otherwise
directly share any portion of the payment with the parent who
made the payment.

(c) Tax consequences and status of awards.--

(1) The money in a lifeline scholarship account is not
taxable income to the parent or scholarship recipient under
State law.
(2) An award made to, or payment from, a lifeline scholarship account may not be construed to be an appropriation or financial assistance to a participating nonpublic school.

Section 1708-E. Lifeline Scholarship Fund.

(a) Establishment.--The Lifeline Scholarship Fund is established in the State Treasury. All interest and earnings received from investment or deposit of the money in the fund shall be paid into the fund and used for the purposes authorized by this article. Any unexpended money and interest or earnings on the money in the fund may not be transferred or revert to the General Fund but shall remain in the fund.

(b) Funding.--The fund shall consist of money that is appropriated, given, granted or donated by the Commonwealth or any other government or private agency or person for the purpose established under this article.

(c) Continuing appropriation.--The money in the fund is appropriated on a continuing basis to the State Treasury for the purpose of administering this article.

Section 1709-E. Duties of State Treasury.

(a) General rule.--The State Treasury shall:

(1) Develop guidelines, in consultation with the department, as necessary for the administration of this article.

(2) Make payments to lifeline scholarship accounts as provided in this article.

(3) Develop a system that enables a parent to direct payment to a participating nonpublic school in accordance with this article.

(4) Develop a process by which a nonpublic school may
inform the State Treasury of the nonpublic school's interest to participate in the program and demonstrate compliance with the requirements of this article.

(5) Ensure that eligible students and their parents are informed annually of the participating nonpublic schools in the program by posting a list of participating nonpublic schools on the State Treasury's publicly accessible Internet website by July 31, 2023, and by April 1 of each year thereafter.

(b) Third-party administration.--The State Treasury may contract with a third party to administer the program.

Section 1710-E. Duties of Auditor General.

The Auditor General may:

(1) Conduct a random audit of lifeline scholarship accounts.

(2) Refer cases of suspected fraudulent misuse of lifeline scholarship accounts to the Inspector General for investigation. If the investigation results in a finding that rises to the level of criminal activity, the Inspector General shall refer the matter to the appropriate law enforcement agency for prosecution.

(3) Notify the State Treasury of cases of suspected fraudulent misuse that are referred to the Inspector General.

Section 1711-E. Duties of participating nonpublic schools.

(a) Notification requirement.--A nonpublic school that desires to participate in the program shall notify the State Treasury by a date and in a manner established by the State Treasury. The notification shall include certification by the nonpublic school that:

(1) The nonpublic school is a nonprofit entity exempt
from Federal taxation under 26 U.S.C. § 501(c)(3) (relating
to exemption from tax on corporations, certain trusts, etc.).

(2) The nonpublic school complies with the
nondiscrimination policies specified in 42 U.S.C. § 1981
(relating to equal rights under the law).

(3) The nonpublic school complies with the provisions of
sections 111 and 111.1.

(b) Prohibition.--A participating nonpublic school may not
charge a lifeline scholarship recipient a tuition rate, student-
related fees or special education services fees that are higher
than the rates the participating nonpublic school would have
charged to a student who had not received a lifeline
scholarship.

(c) Construction.--

(1) For purposes of this article, a participating
nonpublic school shall be autonomous and is not an agent of
the State Treasury, the department or the Commonwealth.

(2) Neither the State Treasury, the department nor other
State agency may regulate the educational program of a
participating nonpublic school that accepts money from a
scholarship recipient beyond what is necessary to administer
the program.

Section 1712-E. Bar of certain participating nonpublic schools.

(a) General rule.--The State Treasury may bar a nonpublic
school from participation in the program if State Treasury
establishes that the nonpublic school has:

(1) routinely failed to comply with the requirements
established in section 1711-E; or

(2) failed to provide a scholarship recipient with the
educational services funded by the recipient's lifeline

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scholarship account.

(b) Notice.--If the State Treasury bars a nonpublic school from participation in the program, the State Treasury shall, after any appeal is concluded and the State Treasury's decision is upheld under subsection (c), post the decision on the State Treasury's publicly accessible Internet website.

(c) Appeal.--A nonpublic school may appeal the State Treasury's decision to bar its participation in the program within 30 days of issuance of the decision. The appeal shall be governed by 2 Pa.C.S. Chs. 1 (relating to general provisions), 5 (relating to practice and procedure) and 7 (relating to judicial review).

Section 1713-E. Duties of resident school districts.

A resident school district shall provide a participating nonpublic school that has admitted a scholarship recipient with a complete copy of the scholarship recipient's school record within 10 days of the receipt of notice from the participating nonpublic school of the scholarship recipient's enrollment.

Section 1714-E. Report.

(a) Duty to prepare and submit.--Beginning January 31, 2025, and each January 31 thereafter, the State Treasury, in consultation with the department, shall prepare and submit to the General Assembly an annual report on the program.

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

(1) The total number of applications received for the program.

(2) The total number of applications received for the program, by resident school district.

(3) The total number of applications approved for the program.
(4) The total number of applications approved for the program, by resident school district.

(5) The total number of lifeline scholarship accounts terminated early.

(6) The total number of lifeline scholarship accounts investigated for fraud by the Inspector General.

(7) The total number of scholarships awarded to students attending half-day kindergarten.

(8) The total number of scholarships awarded to students attending full-day kindergarten through grade eight.

(9) The total number of scholarships awarded to students attending grade nine through grade twelve.

(10) The total dollar amount of scholarships awarded.

(11) The total number of applications not approved due to lack of funding.

(12) The cost of administration of the program.

(13) Other information the department and the State Treasury deem helpful to the General Assembly.

Section 2. This act shall take effect immediately.