



December 11, 2015



STATE BUDGET

2015-16 Budget Update: Omnibus School Code Bill

Work on the 2015-16 budget continues within the General Assembly, with the House scheduled for session over the weekend and the Senate returning to Harrisburg on Monday, Dec. 14. Yesterday the Senate amended and passed [House Bill 530](#), a bill amending the School Code with language making various provisions related to a new state budget. Included are provisions for basic and special education funding, charter school reform, delay in Keystone Exams, reimbursement for school construction and a pilot program for academically struggling schools in Philadelphia. A fiscal note accompanying the amendments sets a price tag of \$7.1 billion to implement the omnibus bill.

House Bill 530 will now return to the House for consideration where changes to the bill are likely to occur.

During these long session days and evenings, PSBA remains a continuing presence at the Capitol to work on your behalf regarding the budget and related important issues. The association will continue to provide updates as events occur.

The following is a summary of House Bill 530 as passed by the Senate on Dec. 10, 2015 with a vote of [41-9](#). This summary is based on information from the Senate Appropriations Committee.

PSBA is examining the language of House Bill 530 and will be issuing more detailed information on some of the key provisions. During its review of the bill, the association is noting concerns with portions of the charter school reform language and anticipates the possibility of legal challenges.

Basic Education Funding: Provides for the distribution of \$5.8 billion in basic education funding to school districts. The formula determines the greater of the amounts calculated through the formula devised by the Basic Education Funding Commission (BEFC) and the Governor's February Basic Education Funding Proposal and provides for a pro rata allocation of the funding. Language is included in the bill making the BEFC formula effective for the distribution of the basic education funding appropriation beginning in FY 2016-17 and each year thereafter. The BEFC formula considers a weighted student count based on student factors, wealth, tax effort and capacity and a sparsity/size adjustment.

Special Education Funding: Provides for the distribution of \$1.09 billion in special education funding to school districts. Specifies the following provisions: (1) School District Subsidy - Reenacts the formula recommended by the Special Education Funding Commission currently contained in the Fiscal Code. The

formula considers a weighted student count based on student costs, wealth, tax effort and sparsity/size; (2) IU Funding - Provides for intermediate units to be funded at an amount equal to 5.4% of the Special Education Funding appropriation; (3) Contingency Fund - Provides 1% of the Special Education Funding appropriation to be set aside for the fund and for funds to be awarded to school districts and charter schools for extraordinary special education expenses.

Ready to Learn/Accountability Block Grants: Provides for the allocation of funds to school districts, charter schools and cyber charter schools in the same amount as fiscal year 2014-15.

School Construction Reimbursements/Moratorium: Provides for the state share of reimbursements for school building construction and reconstruction projects currently approved (Part H) to be refinanced through the Commonwealth Financing Authority. Provides for projects that are approved or awaiting approval to be brought current (Part G). Provides for future borrowing for projects in the early stages of the PlanCon process (Parts A-F). Authorizes the Authority to issue bonds to provide the required reimbursements to the school districts. Requires the state to annually appropriate funds necessary to cover the debt payments of the Authority. It is anticipated that there will be additional capacity for future school building construction and reconstruction projects.

Establishes the Public School Building Advisory Committee to review and make recommendations regarding construction and reconstruction of public school buildings, including planning, financing and Commonwealth reimbursement by Nov. 1, 2016. *A representative from PSBA will be named to the committee.*

Provides for payment of leases and debt service reimbursements for payments necessary in Fiscal Year 2015-16 but not subject to the new financing provisions.

Creates a two-year moratorium for new construction projects by requiring the Department of Education to not accept or approve new project applications during the 2015-16 and 2016-17 school years. Completed project applications received by the department by Jan. 15, 2016 are not subject to this provision.

Reenacts provisions contained in the Fiscal Code for 2014-15 requiring the department to move projects back in reimbursement order when a district fails to submit required paperwork in a timely manner for reimbursement.

Requires the Department of Education to publish quarterly reports on its website that provide information specific to each school building construction and reconstruction project under PlanCon in a searchable and sortable format.

Keystone Exams: Provides that the use of the Keystone Exams as a graduation requirement or as a benchmark for the need to participate in a project-based assessment will be delayed two years until the 2018-19 school year. Requires the Department of Education to investigate alternatives to the Keystone Exams as a requirement for graduation and issue a report of its findings and recommendations, including proposed legislation within six months. Requires the State Board of Education to submit a fiscal impact statement to the House and Senate Education Committees upon submission of proposed and final-form regulations relating to Keystone Exams. The language also requires the State Board to submit a fiscal note prepared by the Governor's Office of the Budget for regulations that relate to other subject matter.

Charter School Pension and School Employees' Social Security: Precludes charter and cyber charter schools from receiving funds from the appropriations for social security costs and school employees' retirement costs. Similar provisions were included in the Fiscal Code for FY 2014-15.

Charter School Reforms: Reforms the funding formula for cyber charter schools and makes various changes to the Charter School Law:

- Allows school districts to make certain deductions from their per-student expenditures when calculating their cyber charter school payments beginning in Fiscal Year 2015-16.
- Establishes a Charter School Funding Advisory Commission to consider and make recommendations concerning funding and other matters related to charter school entities.
- Makes ethics, transparency, governance and auditing reforms.
- Sets limits on allowable unassigned fund balances, and provides for the refund of excess fund balances to school districts.
- Monitors and provides for academic quality through a performance matrix to be developed by the department and utilized at the time of reauthorization.
- Requires charter schools to develop and use a system for teacher evaluation that mirrors traditional public schools.
- Provides for longer renewal terms for high-performing charters.
- Provides a process to approve multiple charter organizations.
- Revises the chartering process by utilizing a standard application form to be developed by the State Board of Education for the use of all authorizers.
- Adds a charter school administrator and board trustee to the Charter School Appeals Board.
- Establishes a charter amendment process.
- Revises the student enrollment process.
- Grants charter schools a right of first refusal for the purchase or lease of unused district buildings.
- Requires school districts, intermediate units, and others to make their facilities available to cyber charter school students for purposes of standardized testing. The district can charge a facilities rental fee to the cyber charter school.
- Current law permits voluntary enrollment caps for charters in Philadelphia and that provision continues until a new funding formula is enacted.

(Editor's Note: PSBA is conducting a thorough review of this language.)

State Opportunity Schools: Creates a three year pilot program in the School District of Philadelphia that would transfer underperforming schools to the Department of Education. Requires the department to designate five persistently low achieving schools per year for three years from a list created by the school district. Requires the department to either convert or authorize a new charter in two of the schools. Requires the department to operate the other two schools. Requires a report each year on the status of the schools. Requires an evaluation at the end of three years for the first cohort of schools in the program and permits no additional schools may enter the program if the schools have not outperformed eligible schools not transferred to the department.

Career and Technical Education Career Preparation: Provides for \$8 million to be distributed on a competitive basis to school districts and vocational-technical programs to offer college and career counseling in middle and high schools.

Provisional Vocational Education Certificate: Authorizes the department to grant provisional vocational education certificates to individuals who: (1) present the department with satisfactory evidence of good moral character; and (2) have completed work in vocational education as required by the standards of the State Board of Education. The certificate entitles the recipient to teach for eight annual school terms.

Vocational Education Equipment Grants: Provides for the distribution of funding based on a formula that provides a base amount of \$3,000 to each area vocational-technical school or school district with an approved program and distributes the remainder of funding based on average daily membership.

Use of Undistributed Funds: Allows the Department of Education to use up to \$4.5 million in undistributed funds to assist school districts in financial distress or identified for financial watch status.

Internet Posting of School District Policies: Requires school districts to post policies that are required to be adopted under state and federal law on their websites.

Background Clearances for School Employees: Intends to make conforming changes to comply with the Child Protective Services Act.

School Watch: Requires the Department of Education to post annual financial information related to each public school entity on its website. The information required to be posted must be accessible as a "View Fiscal Information" icon located on the school entity's annual School Performance Profile and must contain an electronic feature that will allow the public to compare financial information for a minimum of four schools.

Diabetes Care and Management: Permits a student to self-monitor their diabetes care and allow possession and utilization of diabetic medication and monitoring equipment if the student's health care practitioner, parents and school nurse acknowledge the student's competency. Requires the Department of Health in coordination with the Department of Education, to establish education modules and guidelines for the instruction of school employees in diabetes care and management. Allows a school employee who is not a school nurse or licensed health care provider to receive training to assist diabetic students with administering glucagon and operating monitoring equipment and provide other diabetes care. Provides that school employees have the right to decline responsibility for care and treatment of a diabetic student.

Bereavement Leave: Adds grandchild to the list of near relatives for whose funeral day a professional or temporary professional employee of a school district may be absent with pay.

Approved Private Schools: Provides for the distribution of excess funds in the 2015-16 appropriation on a pro rata basis and for those funds to be included the base for distribution of future funding.

Supplement Online Math Support: Provides for the Department of Education to make online math support available to students in public school entities in grades 3 through 8 and provide training to school personnel to promote the effective use of the online math support. Funding for the program is dependent on appropriations made by the General Assembly.

Alternative Education Program Application Fees: Reenacts provisions contained in the Fiscal Code requiring alternative education programs to submit application and renewal fees to the Department of Education.

Rural Regional College for Underserved Counties: Reestablishes a rural regional college and specifies the organization, administration and operations of such college in a multicounty rural area that is underserved by comprehensive college education and workforce development.

Libraries: Provides for each library to receive a pro rata share of funding based on its prior year allocation.

Higher Education Distance Learning Compact: Requires the Secretary of Education to enter into and administer membership in a regional compact and an interstate reciprocity agreement for the provision of postsecondary distance learning.

Community Colleges: Provides for community colleges to receive the same allocation as the current year and a pro rata share of any additional funding based each college's share of full-time equivalent students. Allows a community college located in a county of the third class with a population between 290,000 and 310,000 as of the 2010 census to appoint up to two trustees from a county where a campus is located with no sponsor. This provision applies to the Northampton Area Community College.

Fiscal Impact

According to the fiscal note prepared by the Senate Appropriations Committee, the enactment of House Bill 530 provides for the distribution of approximately \$7.1 billion. This includes the following General Fund appropriations:

- Basic Education Funding (\$5.89 billion)
- Special Education Funding (\$1.09 billion)
- Ready to Learn/Accountability Block Grants (\$2 million)
- Vocational Education Equipment Grants (\$3 million)
- Career and Technical Education Career Preparation (\$8 million)
- Community Colleges (\$226 million)
- Public Library Subsidy (\$54 million)

Also according to the fiscal note:

- The Department of Education has estimated the cost to implement School Watch will be \$47,000 annually.
- The provisions related to refinancing the reimbursable portion school district's debt for construction or reconstruction projects through the State Public School Building Authority save the state (\$3.06 million) in Fiscal Year 2015-16 and may result in additional savings for school districts through reduced principle and interest payment.
- The bill allows for the use of \$4.5 million in unexpended funds to be used for school districts in financial distress and financial watch status.
- The cost to the General Assembly and the Department of Education to assist the Public School Building Advisory Committee and the Charter School Funding Advisory Commission with staff, meeting space, data, research, other information and necessary travel and expenses should be minimal and can be accomplished within their existing operating budgets.
- It is estimated that the changes to the cyber charter school funding formula will reduce school districts' payments to cyber charter school by approximately \$30 million in FY 2016-17.
- Funding for the operation of state opportunity schools by the Department will be provided through a tuition payment made by the student's school district of residence equal to the total expenditure per average daily membership for the prior year for non-special and special education students minus deductions for services provided by the school district similar to the charter school funding formula.
- The Department of Education estimates the annual fee for the state to enter into the interstate reciprocity agreement to be \$50,000. Costs after the first year of participation will be minimal as the department should recover its costs from the fees paid by the participating institution of higher education. The operations of the Rural Regional College will cost \$1.2 million for Fiscal Year 2015-16.

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