



Pennsylvania School Boards Association

# legislative special report

July 13, 2016



## 2016-17 Budget Nearing Completion: Final Votes on Revenue Package, Omnibus School Code Bill Today



Work on the 2016-17 budget is nearing completion, with agreement reached on two comprehensive pieces - a revenue package and an omnibus School Code bill. Final votes are happening this afternoon and will continue until the budget work is complete.

### Budget and Revenue

**Senate Bill 1073**, a \$31.5 billion spending plan, was enacted on Monday, July 11 without Gov. Wolf's signature in hopes of a revenue plan being passed in the following days. Today a joint House and Senate Conference Committee reported out a revenue plan under [House Bill 1198](#). This bill provides the necessary revenue to support the spending enacted under Senate Bill 1073, now Act 16A of 2016. **The conference committee report has already been adopted by the Senate and House, clearing the way for the bill to go to the governor.**

The efforts of PSBA and its members to seek additional funding for education was successful, with Act 16A containing a \$200 million increase for the basic education subsidy to be distributed under the new funding formula. This provides a total of \$6.15 billion for basic education funding. In addition, the 2016-17 budget includes the following increases for education programs:

- \$20 million increase for special education (\$1.096 billion)
- \$345 million increase for pension obligations (\$2.064 billion)
- \$30 million in increases for early childhood programs: Pre-K Counts (\$147 million) and Head Start Supplemental Assistance (\$49 million)
- \$5.66 million increase for Community Colleges (\$232 million)

Level-funded programs include:

- Ready-to-Learn Block Grants (\$250 million)

- Career and Technical Education (\$62 million) and Career and Technical Education Equipment Grants (\$3 million)
- Pupil Transportation (\$549 million) and Nonpublic and Charter Pupil Transportation (\$80 million)
- Safe Schools Initiative (\$8 million)

The line item for School Food Services was set at \$30 million, a 6.21% decrease.

[Click here for a line-item breakdown of all education appropriations.](#)

[Click here to see PSBA's per-district estimated basic education subsidy chart.](#)

**The School Employees Social Security** payments to school districts by the state under the 2016-17 budget will underfund school districts by an estimated \$44 million. The 2015-16 budget provided school districts about \$87.4 million less than was necessary in required payments, creating a two-month lag in payments to districts. Those two payments would need to be paid for in 2016-17, however, the increase in this year's line item is \$55.1 million, which still falls short by \$44 million to cover all 14 months of payments. Additionally, beginning in 2016-17, school districts will be reimbursed quarterly for school employees' social security, rather than monthly.

**Pension costs** addressed in the 2016-17 budget indicate a serious need to properly fund the system and reform the system in a way that is sustainable and affordable to the commonwealth and school districts. This is the first budget in 15 years that provides the actuarially calculated annual required contribution. The total payment to the PSERS trust fund will be \$2.06 billion, which is \$345 million more than the 2015-16 appropriation.

**PlanCon**, Pennsylvania's school construction reimbursement program, was zero-funded for the second year. The lack of funding for PlanCon in 2015-16 was an agreed-to action necessitated by the fiscal code language (Act 25 of 2016) that authorizes the Commonwealth Financing Authority to issue a bond for the outstanding payments owed to school districts in an attempt to "right the ship" on the failing and underfunded program. In the 2016-17 budget, Senate Bill 1073 cuts the funding for PlanCon for a second year. However, it is expected that initial bond revenue will be used to provide funding to district for the missed 2015-16 payments and for 2016-17 obligations due, as well as reduce reimbursement backlogs. The 2014-15 funding for PlanCon was \$306.2 million.

## **Omnibus School Code Bill**

Today the Senate amended and passed [House Bill 1606](#), a bill amending the School Code regarding a requirement for the posting of school districts' annual financial information, with language making various provisions related to a new state budget.

The bill is back in the House of Representatives for concurrence, where no additional changes are expected. Once passed, the bill will also head to the governor.

**Thanks to your advocacy efforts, House Bill 1606 does not include any provisions for charter school expansion.**

The enactment of House Bill 1606 authorizes for the distribution of \$1.66 billion as follows: \$1.096 billion for special education; \$250 million for Ready-to-Learn Block Grants; \$232 million for community colleges; \$54.4 million for public libraries; \$3 million for career and technical education; \$47,000 to implement the law's original provisions; \$240,000 for the Drug and Alcohol Recovery High School Pilot Program; \$4.5 million in unexpended funds for distressed schools; and \$25 million for the Education Improvement Tax Credit Program.

**It includes these provisions:**

**SchoolWATCH** - The Pennsylvania Department of Education (PDE) is required to post annual financial information related to public school entities on its Internet website. Requires the following information to be posted related to each school entity: total expenditures by category; per student expenditures; charter school tuition rates; average daily membership; average teacher salary; total revenue by source; general fund balance; a link to the school's website; a summary of financial report data; a non-administrative and administrative staff compensation report; and, a statement instructing the public to contact the public school entity for access to any union contract. The information must be posted on the entity's School Performance Profile.

No public school entity will be required to provide any additional information not specifically required as of the effective date of the legislation, and no public school entity shall be required to provide additional information beyond the information required to be provided by any other public school entity.

**Ready-to-Learn Block Grants** - Provides for the distribution of \$250 million for Ready-to-Learn Block Grants for school entities in the same amount as was allocated for 2015-16.

**Special education funding** - Implements the Special Education Funding Commission's recommended formula currently contained in the Fiscal Code. The formula considers a weighted student count based on student costs, wealth, tax effort and sparsity/size.

**Contingency fund** - Provides 1% of the special education funding appropriation to be set aside for the contingency fund to be used for extraordinary expenses.

**IU funding** - Provides for intermediate units to be funded at an amount equal to 5.5% of the special education funding appropriation.

**Approved private schools** - Provides for any unspent funds from the appropriation for approved private schools that are returned after the annual audit is submitted to be redistributed to the schools that have exhausted their state allocation to allow for the education of additional students.

**Payments on account of Social Security** - Provides for Social Security payments to be made on a quarterly basis. Requires employers to submit a report to PDE documenting all wages for which payments are calculated on the 20<sup>th</sup> day of the month following the end of the quarter and for PDE to make payment on the fourth Tuesday of the month following the end of the quarter.

**PlanCon Advisory Committee** - Requires the Public School Building Construction and Reconstruction Advisory Committee that was established under Act 25 of 2016 to consider whether the state should implement a comprehensive public school building safety program. The committee was originally tasked to review and make recommendations related to the PlanCon program for reimbursement of school construction and renovation projects.

**E-chievement hybrid learning grants** - Establishes a program within PDE to award planning grants of up to \$50,000 and implementation grants of up to \$250,000 to school districts, intermediate units, area vocational-technical schools and charter schools to provide hybrid learning programs that blend digital resources with classroom teaching. School entities that want to work together may submit a joint application. Schools that are awarded grants must provide a cash or in-kind local match of money of at least 25% of the total project cost and agree to share lessons with other grantees. The grants cannot be counted as expenditures when calculating a school district's charter school payment amount. At least 15% of the funds appropriated for the program must be used to support schools in the lowest 5% based on academic performance.

**Data collection reduction** -- Requires the State Board of Education to establish an advisory committee for the purpose of identifying and issuing a report regarding redundant, overly burdensome or unnecessary public school entity data collection requirements. One school board member is to be named to the

advisory committee. At the conclusion of the school year following the issuance of the report, the PDE must terminate all the identified requirements that are not required by law or regulation.

**Posting of school district policies** - Requires school districts to post on their websites policies that are required to be adopted under state and federal law.

**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.

**College students as substitute teachers** -- Allows college students who have completed 60 credit hours and who are enrolled in a teacher preparation program at a four-year college in Pennsylvania to substitute for 20 days per school year in any school district, area vocational-technical school or intermediate units in the state. For every year after their first year of substituting, college students would be required to obtain additional credits in order to remain a substitute. Students would receive a salary fixed by the school entity but would not be enrolled in the Public School Employees' Retirement System. The program will sunset in five years.

**Provisional vocational education certificates** - Authorizes PDE to grant provisional education certificates to individuals who present the department with satisfactory evidence of good moral character and have completed the required work in vocational education. The certificate allow the recipient to teach for eight annual school terms.

**Continuing professional education** - Allows a professional educator to carry over excess continuing professional education credits or hours into the next five-year compliance period.

**Diabetes care and management** -Permits a student to self-monitor their diabetes care and allows possession and utilization of diabetic medication and monitoring equipment if determined competent to do so. Requires the Department of Health and PDE to establish modules and guidelines for the instruction of school employees in diabetes care. Allows a school employee who is not a school nurse or licensed health care provider to receive training to assist diabetic students with administering insulin and glucagon and operating monitoring equipment. School employees have the right to decline responsibility for the care and treatment of a diabetic student.

**Recovery High School Pilot Program**-- Establishes a four-year recovery high school pilot program in Philadelphia for up to 20 students in grades 9-12 in recovery from substance abuse. The program would be housed in a licensed private academic school with experience in providing recovery services and follows the standards of the [Association of Recovery Schools](#). Funding for the students participating in the program would be shared between the school district of residence and the state. Establishes a per-student regular education tuition rate of \$20,000 with annual adjustments. The state will pay 60% of the tuition for each student and the school district of residence must pay 40%. The program will sunset in 2019-20 unless permanently established.

**Administrative partnerships** - Allows two or more school entities to enter into an agreement to share personnel and administrative services. Establishes the Administrative Partnership Grant Pilot Program to provide financial assistance to facilitate the sharing of administrative functions between school entities.

**Career and technical education funding/equipment grants** - Provides for the distribution of \$3 million for funding based on a formula that has 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. Makes equipment grant funding language permanent.

**Computer science/information technology grants** - Allows students who successfully complete a course in computer science or information technology to use the credit for the course to satisfy a math or science graduation credit requirement.

**Removal of the state obligation for charter school pension and employees' social security** - Removes the requirement for the state to make payments to charter schools for contributions to retirement and social security payments.

**Charter school and cyber charter school aid ratio** - Clarifies the method used to determine the aid ratio and market value/income aid ratio for charter schools and cyber charter schools. For a charter school, the aid ratio and market value/income aid ratio is the same as for the district that granted the charter. For a regional charter school, it will be a composite, as determined by PDE, based on the districts that granted the charter. For a cyber charter school, it will be that of the school district in which the administrative office of the cyber school are located.

**Financial watch status** - Identifies a school district that receives education access program funding equal to or greater than \$2 million in any one fiscal year to be identified for financial watch status. (This applies to the Erie City School District.)

**Use of undistributed funds** - Allows PDE to use up to \$4.5 million in undistributed funds to assist school districts in financial distress or identified for financial watch status.

**Alternative education program applications** - Reenacts provisions contained in the Fiscal Code requiring alternative education programs to submit application and renewal fees to PDE.

**Regional rural college for underserved counties** - Reestablishes the rural regional college in a multi-county area that is underserved by comprehensive college education. Provisions are currently contained in the Fiscal Code.

**Educational Tax Credits** - Reenacts in the School Code the Education Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) which are currently in the Tax Reform Code. It increases the EITC tax credit from \$100 million to \$125 million. It also provides for the first \$10 million in tax credits available for reallocation to be set aside initially for pre-kindergarten scholarship organizations. The Department of Community and Economic Development is required to give written notice of reallocation application approvals to businesses within 30 days of receiving an application. The application date for a preferred tax credit is the same date as an alternative tax credit when the preferred credit is not available.

**Wilksburg/Pittsburgh students** - Provides guidelines applicable to an agreement between the Wilksburg School District and the School District of Pittsburgh regarding the assignment of elementary and secondary students. Students are considered as residents of the School District of Pittsburgh for purposes of enforcing compulsory attendance, programs for exceptional students, disruptive student programs, and career and technical education. If the adjacent district fails to make payments, PDE will deduct and pay the amounts due to the other district.

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## **Pennsylvania School Boards Association**

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