



Pennsylvania School Boards Association

legislative report

July 21, 2016

There's still time to register for PSBA's complimentary 2016-17 Budget Webinar that will be held tomorrow, Friday, July 22, 11:30 AM - 12:30 PM. [Click here to register.](#)

PlanCon reimbursement update



Steps to provide reimbursement to school districts for approved construction costs are moving forward as earlier this month the Commonwealth Financing Authority (CFA) approved a bond resolution to authorize the borrowing of up to \$850 million for initial payments owed. However, it is the PA Department of Education (PDE), not the CFA that will determine when districts will begin seeing the payments, and how much they will receive. The resolution approved by the CFA this month authorizes the bonds but distribution of payments from PDE are not expected to begin until the bonds are

actually issued later this fall.

Act 25 of 2016 required the CFA to establish a program to issue up to \$2.5 billion in appropriation-backed bonds for the purpose of providing reimbursements to school districts for construction costs approved under PDE's PlanCon process. According to a fiscal note attached to the legislation that became Act 25, the enactment of the PlanCon provisions is estimated to result in finance costs of approximately \$1.5 billion over 20 years for the bonds authorized assuming an interest rate of 5% on the bonds.

In addition, Act 25 required PDE to post on its website information and the status of school construction projects still in the PlanCon pipeline. The information is required to be updated every 90 days. [Click here to see to access the project logs.](#)

The new law also established a Public School Building Construction and Reconstruction Advisory Committee to review and make recommendations related to the PlanCon program. PSBA has a seat on the committee. The panel met on July 12 and heard an overview of the PlanCon process from PDE staff. The committee will continue to meet and is required to issue its final report by May 17, 2017.



Fiscal Code bill includes provisions for school district intercept payments
[House Bill 1605](#) (Rep. James, R-Venango), now **Act 85 of 2016**, amends the Fiscal Code to provide for the 2016-17 state budget implementation and making other changes.

Of particular interest is a new article is added to provide for the intercept of school subsidy payments by the Department of Education when annual appropriations have not been enacted by July 1 and continue to be not enacted when a school district debt service payment is due. Any payments made will be deducted from the school district's allocations upon the enactment of a budget. The total amount of all intercept payments may not exceed 50% of the total non-Federal General Fund subsidy payments made to a school district in the prior fiscal year. The state may not issue tax anticipation notes or enter into a loan agreement with the Treasury Department to provide cash flow for intercept payments.

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Signed into law by the Governor

Clean and Green

[House Bill 806](#) (Rep. Causer, R-McKean), now **Act 89 of 2016** amends the PA Farmland and Forest Land Assessment Act of 1974 (known as Clean and Green) to prohibit the application of use values that result in assessments higher than fair market value.

The intent of the law is to provide a reduction of property taxes by assessing the enrolled land at its use value rather than at its fair market value. In applying preferential assessment to eligible land, county assessors are responsible for establishing use values for three land use categories: agriculture use, agricultural reserve and forest reserve. The Department of Agriculture annually provides counties with use values (by county) for all three land use categories. A county

may use the department's values or something lower. In some cases, usually in counties that have not implemented a countywide reassessment in many years, the use value assessment is higher than if the land wasn't enrolled in preferential assessment (fair market value assessment).

In counties where a county-wide reassessment has not been conducted for many years, the fair market values may be lower than the use values provided by the department. In those counties, being enrolled in Clean and Green provides no tax benefit.

Under Act 89, for all three land use categories, a county assessor must apply the use values in effect as of the effective date of the bill (July 20, 2016), and use those values until the next countywide reassessment. This essentially "freezes" the use values. In the year a countywide reassessment becomes effective, a county must establish new use values for all three land use categories and use them until the next countywide reassessment.

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Transfer of duties from PERC

[Senate Bill 1227](#) (Sen. Blake, D-Lackawanna), now **Act 100 of 2016** amends the Administrative Code to transfer the duties of the Public Employee Retirement Commission (PERC) to the Independent Fiscal Office (IFO) and the Department of the Auditor General. Among other duties, the law requires the IFO to prepare actuarial notes for any bill or amendment proposing a change to a public employee pension plan. No bill can be given second consideration until the IFO has attached an actuarial note. The IFO is also required to provide an analysis of the shared risk contributions made to the Public School Employees' Retirement System and the State Employees' Retirement System by Act 120 members.

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Approved by the General Assembly

Constitutional amendment for property tax reduction clears first hurdle

Prior to the summer recess, legislation proposing to amend the state constitution to further provide for tax exemptions was approved received first passage by the General Assembly and is now filed as **Joint Resolution 2 of 2016**. If adopted by the General Assembly in the upcoming 2017-18 legislative session, the measure will be submitted to the electorate for approval.

The resolution under [House Bill 147](#) (Rep. Maloney, R-Berks) would allow for the elimination of residential school property taxes via the homestead exclusion. The bill proposes to amend the state Constitution by modifying the Uniformity of Taxation Clause to allow local taxing authorities to exempt up to 100% of the assessed value of each homestead property their jurisdictions. The Constitution currently provides that the General Assembly may authorize a homestead exclusion of up to 50% of the median assessed value.

The state Constitution does not exempt property from real estate taxation;

however, it does permit the General Assembly to grant exemptions within specific guidelines. An amendment to the Constitution approved by the voters in November 1997 added the exemption from the uniformity clause allowing an exclusion level of 50% of the median assessed value. The legislation would not require school districts to raise the amount of the homestead/farmstead exclusions; other implementing legislation would have to be enacted to amend current tax laws.

In order to amend the Pennsylvania Constitution, the bill proposing the amendment must be passed by the General Assembly in two consecutive legislative sessions, be advertised to the public, and finally be approved by the electorate. This proposal was introduced as House Bill 125 in the 2013-2014 legislative session but did not receive consideration in the Senate.

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ESSA Update

State Board of Education receives ESSA update

During its July meeting, the State Board of Education received an update from the Department of Education (PDE) on the state's progress in planning and implementation of the federal Every Student Succeeds Act (ESSA).

The ESSA is the reauthorization of the federal Elementary and Secondary Education Act (ESEA) and replaces the previous version of the law known as the No Child Left Behind Act (NCLB). The new framework under ESSA largely goes into effect in the 2017-18 school year, with 2016-17 serving as a transition year. Pennsylvania's existing state plan remains effective until Aug. 1, 2016. Under ESSA, states are expected to continue interventions in priority and focus schools through the 2016-17 school year.

PDE has created work groups to explore four areas (assessments, accountability, educator evaluation and educator preparation) as Phase One of stakeholder engagement. The work groups met on June 14 and will meet again on Aug. 30. A larger stakeholder session was held in April. The framework recommendations of the work groups will be released at another large stakeholder session on Oct. 18.

Phase Two will begin this fall during the development of the state plan. The department will seek public input on the recommendations and finalize them into a plan that will be submitted to the U.S. Department of Education during the spring or summer of 2017.

[Click here to see PDE's presentation to the State Board of Education.](#)

[Click here to see the listing of participants in each of the four ESSA workgroups.](#)

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U.S. Department of Education releases proposed assessment

regulations

The U.S. Department of Education recently issued two Notices of Proposed Rulemaking to implement Title I, Parts A and B of the Every Student Succeeds Act (ESSA), which relate to academic assessments. The notice includes proposed assessment regulations developed through the negotiated rulemaking process conducted earlier this year. The proposed regulations also include provisions relating to ESSA's innovative assessment demonstration authority, more commonly known as the "innovative assessment pilot program." The public comment period for the proposed regulation closes on Sept. 9, 2016.

[Click here to see the proposed Title I, Part A notice/regulations.](#)

[Click here to see the Title I, Part B notice and regulations.](#)

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Pennsylvania School Boards Association

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