



2015-16 Budget Update: Omnibus School Code Bill

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June 30, 2015

Work on the 2015-16 budget continues within the General Assembly. Yesterday the Senate Appropriations Committee amended [House Bill 762](#), a bill amending the School Code regarding higher education reciprocity agreements, with language making various provisions related to a new state budget. A fiscal note accompanying the amendments sets a price tag of \$6.7 billion to implement the omnibus bill. House Bill 762 is now on the Senate floor calendar for consideration. As the bill moves through the Senate and House, 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 to support enactment of a new basic education funding formula, as well as school construction reimbursements and other important issues. The association will continue to provide updates as events occur this week.

Provisions and costs under House Bill 762 include:

School Construction Reimbursements: \$306 million for 2015-16

The bill provides for reimbursement to school districts with school construction or reconstruction projects that have not yet received reimbursements from the state under the PlanCon program. The state will refinance the reimbursable portion of the debt for such projects through the State Public School Building Authority; the Authority will issue bonds to pay the required reimbursements. The bonds will not be considered a debt of the state or any school district. Districts receiving reimbursements from the Authority must relinquish any future claims on payments for debt reimbursed through the bond issuance. The state must annually appropriate funds necessary to cover the debt payments of the Authority.

The bill also establishes a Public School Building Advisory Committee to review and make recommendations regarding construction and reconstruction of public school buildings, including planning, financing and state reimbursement. The bi-partisan panel includes legislators, the secretary of education, representatives from PSBA and the PA Association of

School Business Officials, and appointees who must have experience in municipal debt and finance. The committee report is due Feb. 1, 2016.

The bill 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.

Additionally, the language establishes a one-year moratorium on new construction projects during the 2015-16 school year. Completed project applications received by the PA Department of Education (PDE) by Aug. 15, 2015 are not subject to the moratorium.

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

Basic Education Funding: \$5.53 billion

The bill provides for the formula recommended by the Basic Education Funding Commission to be implemented for the 2014-15 school year. Each school district would receive the amount it received in fiscal year 2014-15 and a distribution of any future funding increases. The formula considers a weighted student count based on student factors, wealth, tax effort/capacity and sparsity/size. Any remaining funds will be deposited in the Financial Recovery School District Transition Loan Account.

Special Education Funding: \$1.06 billion

The bill includes the following provisions:

- * **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;
- * **IU Funding** - Provides for intermediate units to be funded at an amount equal to 5.5% of the special education funding appropriation;
- * **Contingency Fund** - Provides 1% of the special education funding appropriation to be set aside to be awarded to school districts and charter schools for extraordinary special education expenses.

Ready to Learn/Accountability Block Grants: \$2 million

The bill provides for the allocation of funds to school districts, charter schools and cyber charter schools in the same amount as fiscal year 2014-15.

Charter School Pension and School Employees' Social Security

The bill precludes charter and cyber charter schools from receiving funds from the state appropriations for social security costs and school employees' retirement costs.

Use of Undistributed Funds: \$4.5 million

The bill 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.

Vocational Education Equipment Grant: \$3 million

The bill establishes a grant program for the 2015-16 school year to assist vocational-technical schools and school districts with an approved vocational program in purchasing equipment.

The distribution of funding is based on a formula that provides a base amount of \$3,000 to each school and distributes the remainder of funding based on average daily membership.

Alternative Education Program Account

The bill includes language that was in last year's Fiscal Code bill to set up a fee structure for alternative education programs. The fee is \$400 for initial and renewal applications submitted by a school district, a combination of school districts or charter school; for private institutions, the fee is \$1,000.

Higher Education Distance Learning Compact: \$50,000

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. PDE estimates the annual fee for the state to enter into the interstate reciprocity agreement to be \$50,000.

Rural Regional College for Underserved Counties: \$1.2 million

The bill reestablishes a rural regional college and specifies the organizational administration and operations of the college in a multicounty rural area that is underserved by comprehensive college education and workforce development.

Community Colleges: \$222 million

Community colleges will 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.

Libraries: \$54.47 million

Libraries will receive the same allocation as the current year and a pro rata share of any additional funding.