

No. 2016-35

AN ACT

HB 1552

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," in preliminary provisions, providing for powers and duties of the Secretary of Education; in reimbursements by Commonwealth and between school districts, providing for student-weighted basic education funding and for supplemental payment of basic education funding for 2014-2015 school year; and making an appropriation.

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 sections to read:

Section 124. Powers and Duties of the Secretary of Education.—(a) On behalf of the Commonwealth, the Secretary of Education shall have the authority and duty to enter into and administer membership in a regional compact and an interstate reciprocity agreement for the provision of postsecondary distance education by the following:

(1) Institutions of higher education to students in other states, territories and districts party to such agreement.

(2) Postsecondary institutions in other states, territories or districts that are a party to such agreement to students in this Commonwealth.

(b) The Department of Education may charge administrative fees to institutions of higher education that choose to participate in the agreement, not to exceed the amount necessary to pay the administrative costs of the agreement. The department may promulgate final-omitted regulations pursuant to the act of June 25, 1982 (P.L.633, No.181), known as the "Regulatory Review Act," necessary to implement this subsection, provided that such final-omitted regulations shall expire June 30, 2018. After June 30, 2018, any revisions to the administrative fees charged under this subsection shall be made through regulations promulgated under the "Regulatory Review Act."

(c) The Postsecondary Distance Education Interstate Reciprocity Agreement Restricted Receipts Account is established as a special restricted receipts account within the General Fund of the State Treasury, from which the Department of Education may draw moneys for the purpose of agreement expenses, the costs of administering and implementing the agreement and all other costs associated with the activities of the department related to implementation of this section. This account shall consist of all administrative fees deposited under subsection (b) and State funds appropriated for use under this section. The restricted receipts account shall be subject to audit by the Auditor General.

(d) For purposes of this section, "institution of higher education" shall have the meaning given in section 118.

Section 2502.53. Student-Weighted Basic Education Funding.—(a) The General Assembly finds and declares that the student-weighted basic education funding formula is the result of the work of the Basic Education Funding Commission established pursuant to section 123.

(b) For the 2015-2016 school year and each school year thereafter, the Commonwealth shall pay to each school district a basic education funding allocation which shall consist of the following:

(1) An amount equal to the school district's basic education funding allocation for the 2013-2014 school year.

(2) A student-based allocation to be calculated as follows:

(i) Multiply the school district's student-weighted average daily membership by the median household income index and local effort capacity index.

(ii) Multiply the product in subparagraph (i) by the difference between the amount appropriated for the allocation of basic education funding to school districts and the amount appropriated for the allocation in paragraph (1).

(iii) Divide the product in subparagraph (ii) by the sum of the products in subparagraph (i) for all school districts.

(c) For the purpose of this section:

(1) Student-weighted average daily membership for a school district shall be the sum of the following:

(i) The average of the school district's three most recent years' average daily membership.

(ii) The acute poverty average daily membership calculated as follows:

(A) Multiply the school district's acute poverty percentage by its average daily membership.

(B) Multiply the product in clause (A) by six-tenths (0.6).

(iii) The poverty average daily membership calculated as follows:

(A) Multiply the school district's poverty percentage by its average daily membership.

(B) Multiply the product in clause (A) by three-tenths (0.3).

(iv) The concentrated poverty average daily membership for qualifying school districts with an acute poverty percentage equal to or greater than thirty percent (30%), to be calculated as follows:

(A) Multiply the school district's acute poverty percentage by its average daily membership.

(B) Multiply the product in clause (A) by three-tenths (0.3).

(v) The number of the school district's limited English-proficient students multiplied by six-tenths (0.6).

(vi) The average daily membership for the school district's students enrolled in charter schools and cyber charter schools multiplied by two-tenths (0.2).

(vii) The sparsity/size adjustment for qualifying school districts with a sparsity/size ratio greater than the sparsity/size ratio that represents the seventieth percentile sparsity/size ratio for all school districts calculated as follows:

(A) Divide the school district's sparsity/size ratio by the sparsity/size ratio that represents the seventieth percentile for all school districts.

- (B) Subtract one (1) from the quotient in clause (A).*
- (C) Multiply the sum of subparagraphs (i), (ii), (iii), (iv), (v) and (vi) by the amount in clause (B).*
- (D) Multiply the product in clause (C) by seven-tenths (0.7).*
- (2) Local effort index for a school district shall be calculated as follows:*
- (i) Determine the school district's local effort factor calculated as follows:*
- (A) Multiply the school district's median household income by its number of households.*
- (B) Divide the school district's local tax-related revenue by the product in clause (A).*
- (C) Multiply the quotient in clause (B) by one thousand (1,000).*
- (D) Divide the product in clause (C) by the Statewide median of clause (C).*
- (ii) Determine the school district's excess spending factor, to be calculated as follows:*
- (A) Divide the school district's current expenditures by the sum of its average daily membership and the amounts in paragraph (1)(ii), (iii), (iv), (v), (vi) and (vii).*
- (B) Divide the quotient in clause (A) by the Statewide median of clause (A).*
- (C) Divide one (1) by the quotient in clause (B).*
- (iii) Multiply the school district's local effort factor by the lesser of one (1) or the school district's excess spending factor.*
- (3) Local capacity index for a qualifying school district shall be calculated as follows:*
- (i) Divide the school district's local tax-related revenue by the sum of its market value and personal income valuation.*
- (ii) Multiply the sum of the school district's market value and personal income valuation by the Statewide median of subparagraph (i).*
- (iii) Determine the school district's local capacity per student by dividing the product in subparagraph (ii) by the sum of its average daily membership and the amounts in paragraph (1)(ii), (iii), (iv), (v), (vi) and (vii).*
- (iv) If the school district's local capacity per student is less than the Statewide median of subparagraph (iii):*
- (A) Divide the school district's local capacity per student by the Statewide median.*
- (B) Subtract the quotient in clause (A) from one (1).*
- (4) Local effort capacity index for a school district shall equal the sum of its local effort index and local capacity index.*
- (5) The data used to calculate the factors and indexes in this section shall be based on the most recent years for which data is available as determined by the Department of Education.*
- (d) For purposes of this section:*
- (1) "Acute poverty percentage" shall mean the number of children six (6) to seventeen (17) years of age living in a household where the ratio of income to poverty is less than one hundred percent (100%) of the Federal*

poverty guidelines divided by the total number of children six (6) to seventeen (17) years of age as determined by the most recent five-year estimate of the United States Census Bureau's American Community Survey.

(2) "Households" shall mean the number of households in each school district as determined by the most recent five-year estimate of the United States Census Bureau's American Community Survey.

(3) "Local tax-related revenue" shall mean the sum of school district revenues for State property tax reduction allocation, taxes levied and assessed, delinquencies on taxes levied and assessed, revenue from local government units and other local revenues not specified elsewhere, as designated in the Manual of Accounting and Financial Reporting for Pennsylvania Public Schools.

(4) "Median household income" shall mean the median household income for school districts and the State as determined by the most recent five-year estimate of the United States Census Bureau's American Community Survey.

(5) "Median household income index" shall mean a number calculated as follows:

(i) Divide a school district's median household income by the State median household income.

(ii) Divide one (1) by the quotient in subparagraph (i).

(6) "Poverty percentage" shall mean the number of children six (6) to seventeen (17) years of age living in a household where the ratio of income to poverty is between one hundred percent (100%) and one hundred eighty-four percent (184%) of the Federal poverty guidelines divided by the total number of children six (6) to seventeen (17) years of age as determined by the most recent five-year estimate of the United States Census Bureau's American Community Survey.

(7) "Size ratio" shall mean a number calculated as follows:

(i) Divide the average of a school district's three (3) most recent years' average daily membership by the Statewide average of the three (3) most recent years' average daily membership for all school districts.

(ii) Multiply the amount in subparagraph (i) by five-tenths (0.5).

(iii) Subtract the amount in subparagraph (ii) from one (1).

(8) "Sparsity ratio" shall mean a number calculated as follows:

(i) Divide the average of a school district's three (3) most recent years' average daily membership by its total square miles as reported in the latest decennial census as reported by the United States Census Bureau.

(ii) Divide the State total average daily membership by the State total square miles.

(iii) Divide the quotient in subparagraph (i) by the quotient in subparagraph (ii).

(iv) Multiply the quotient in subparagraph (iii) by five-tenths (0.5).

(v) Subtract the product in subparagraph (iv) from one (1).

(9) "Sparsity/size ratio" shall mean a number calculated by adding the following amounts:

(i) The sparsity ratio multiplied by four-tenths (0.4).

(ii) The size ratio multiplied by six-tenths (0.6).

Section 2502.54. Supplemental Payment of Basic Education Funding for the 2014-2015 School Year.—(a) The Commonwealth shall make the following supplemental basic education funding payments for the 2014-2015 school year as follows:

(1) For a third class school district identified in financial watch status under section 611-A to curtail its educational program and assign pupils to a neighboring school district through a written agreement, an amount of three million dollars (\$3,000,000).

(2) For a second class school district declared to be in financial recovery status under section 621-A(a)(1)(i)(B) to reduce its structural deficit, an amount equal to twelve million dollars (\$12,000,000).

(b) Payments made under this section shall be deemed to be part of the school district's allocation amount under section 2502.53(b)(1) for the 2015-2016 school year and each year thereafter.

Section 2. The sum of \$15,000,000 is hereby appropriated to the Department of Education for the purpose of supplemental payments of basic education funding for the 2014-2015 school year in accordance with section 2502.54 of the act.

Section 3. This act shall take effect as follows:

(1) The addition of section 2502.53 of the act shall take effect July 1, 2016, or immediately, whichever is later.

(2) The remainder of this act shall take effect immediately.

APPROVED—The 1st day of June, A.D. 2016

TOM WOLF