

Prohibiting sale
of proxies.

Inconsistent acts
repealed.

Section 2. That anything contained in any general or special law inconsistent with this act be, and the same is hereby, repealed in so far as it relates to railroad corporations.

APPROVED—The 2d day of July, A. D. 1937.

GEORGE H. EARLE

No. 601

AN ACT

To amend the act, approved the eighteenth day of May, one thousand nine hundred and eleven (Pamphlet Laws, three hundred nine), entitled "An act to establish a public school system in the Commonwealth of Pennsylvania, together with the provisions by which it shall be administered, and prescribing penalties for the violation thereof; providing revenue to establish and maintain the same, and the method of collecting such revenue; and repealing all laws, general, special or local, or any parts thereof, that are or may be inconsistent therewith," as amended, by further regulating the incurring or refunding of indebtedness, the issuing of bonds by school districts, and the retiring of indebtedness; making payroll obligations preferential claims against the district; providing for penalties for failure to comply with any part of the act; and repealing provisions of State laws inconsistent with this act.

Section 506,
act of May 18,
1911 (P. L.
309), as last
amended by section 4, act of
June 1, 1933 (P.
L. 1152), further
amended.

Section 1. Be it enacted, &c., That section five hundred and six of the act, approved the eighteenth day of May, one thousand nine hundred and eleven (Pamphlet Laws, three hundred nine), entitled "An act to establish a public school system in the Commonwealth of Pennsylvania, together with the provisions by which it shall be administered, and prescribing penalties for the violation thereof; providing revenue to establish and maintain the same, and the method of collecting such revenue; and repealing all laws, general, special or local, or any parts thereof, that are or may be inconsistent therewith," as last amended by section four of* the act, approved the first day of June, one thousand nine hundred and thirty-three (Pamphlet Laws, one thousand one hundred fifty-two), is hereby further amended to read as follows:

May create in-
debtedness and
issue bonds.

Section 506. The board of school directors in any school district [of] *in* this Commonwealth, in any year, in order to purchase or acquire proper sites or grounds for school buildings, or any lands additional to any present school sites or grounds, or to erect, enlarge, equip or furnish any school building, or to repair, *remodel* or rebuild any new or old building [or in order to pay or refund any existing indebtedness] of any school district, or to pay any indebtedness incurred by

* "of" inserted.

any municipality for or on account of any school district or for school purposes, as herein required to be assumed by any school district hereby established, [or to refund as herein authorized to any municipality the amount of any such indebtedness, or to pay or refund obligations of certificates of indebtedness issued under the provisions of section five hundred and eight of this act,] *or to pay any refund of taxes decreed by an order of court, or to refund certain bonds as hereinafter provided, or to pay temporary indebtedness which was incurred for the foregoing purposes,* may create and incur an indebtedness against such school district, and issue bonds, *payable as hereinafter provided,* to secure the same. [for any and all such purposes, or may create and incur an increase of any existing indebtedness against any such school district, for any and all purposes, to any amount that the total indebtedness of such school district, including the indebtedness of any school or ward school district therein, if any, shall never exceed seven per centum upon the assessed value of the taxable property for school purposes therein.]

In school districts of the first class, the indebtedness of any such district, including the bonded indebtedness, together with the temporary indebtedness, shall never exceed two (2) per centum of the last assessed valuation of taxable property for school purposes therein.

In school districts of the second, third, and fourth class, the indebtedness of any such school district, including the bonded indebtedness, together with the temporary indebtedness, shall never exceed seven (7) per centum of the last assessed valuation of the taxable property for school purposes therein.

In determining the indebtedness of a school district, the following deductions from the amount of all indebtedness are permitted: cash in the sinking funds inviolably pledged for the payment of existing indebtedness, and any bonds of the school district purchased and held in such sinking fund, such outstanding property taxes for school purposes as are certainly and promptly collectible as quick assets and applicable to payment of said indebtedness, and any other revenue that may be applicable within a year to the payment of the indebtedness.

Section 2. Section five hundred and seven of the said act is hereby amended to read as follows:

Section 507. All bonds *hereafter* issued by any school district in this Commonwealth [after the approval of this act] shall be made payable and become due at stated periods, [not exceeding thirty years after the date thereof] *as hereinafter provided,* and the school district issuing the same shall, in its annual tax levy, provide, in such manner and at such times as it may determine,

Section 507,
amended.

When payable.

Proviso. for the payment thereof [within thirty years] *at or before maturity* with interest: Provided, That any school district hereafter issuing any bonds may provide therein for its right to anticipate the payment thereof at such stated times as it may deem proper.

Proviso. *All bonds issued for the purposes provided for in this act shall be made payable not exceeding twenty-five years after date of said bonds: Provided, That all bonds issued to pay outstanding bonds, which have been called for payment before date of maturity, shall be made*

Proviso. *payable not later than the date of maturity of the original bonds: And provided, That all bonds issued to refund bonds at the date of their maturity shall be made*

Proviso. *payable not later than ten years after the date of issuance of such refunding bonds: Provided further, however, That bonds may be issued to fund temporary indebtedness incurred for current expenses and debt service prior to the first day of July, one thousand nine hundred and thirty-seven, and such bonds shall be payable as hereinafter provided, not exceeding twenty years from the date of said bonds.*

Proviso. *All bonds hereafter issued by any school district shall be serial bonds. The retirement of the principal shall commence not later than three years after date of said bonds, and thereafter annual installments of principal shall be paid, in as nearly equal amounts as the bond issue will permit: Provided, That if the amount of bonds of any bond issue existing prior to the first day of July, one thousand nine hundred thirty-seven, maturing in any single year, is in excess of five per cent of the total amount of such bond issue, the amount in excess of five per cent of such bond issue may be refunded by the board of school directors of any school district without the assent of the electors. The retirement of the principal of such refunding bonds shall commence not later than one year after date of said bonds, and annual installments of principal shall be paid in as nearly equal amounts as the bond issue will permit, as hereinbefore provided.*

Proviso. *The assent of the electors shall be required in all school districts of the second, third and fourth class in this Commonwealth to issue bonds which will incur any new debt or increase the indebtedness, including the bonded indebtedness, together with the temporary indebtedness, to an amount in excess of two per centum of the assessed value of the taxable property for school purposes therein: Provided, That the indebtedness of any such school district shall never exceed seven (7) per centum of the last assessed valuation of taxable property for school purposes therein: Provided further, That the board of school directors of any first, second, third or fourth class school district shall have authority,*

without the assent of the electors, to issue bonds to incur upon its own authority any amount of such indebtedness not in excess of two (2) per centum of the last assessed valuation of taxable property for school purposes therein: Provided further, That the board of school directors in any school district may issue all refunding bonds, as herein provided, upon its own authority, without submitting any such refunding bond issue to a vote of the electors.

Proviso.

Any school district which calls bonds for payment prior to the date of maturity, as hereinbefore provided, may issue bonds for the purpose of paying any or all such bonds as may be called for payment. All bonds issued for the purpose of refunding bonds shall be issued according to the provisions hereinbefore provided for the issuing of such bonds.

It shall be the duty of the State Superintendent of Public Instruction to require, as part of the annual financial reports of all the school districts, a list of the amount of bonds or other indebtedness that becomes due during the fiscal year, together with the amount paid on each item of indebtedness. In case of failure on the part of any school district to furnish such report at the required time after the close of the fiscal year, the State Superintendent of Public Instruction may withhold any State appropriation that may become due to any such school district until such report covering information regarding the maturities of indebtedness and payments on same during the preceding fiscal year, as required herein, and any other information which he may require of a school district, has been received. In all cases where an audit under the direction of the State Superintendent of Public Instruction reveals that the board of directors of any school district has, in any year, failed to pay, or to provide for the payment of, any indebtedness at date of maturity, in accordance with the schedule under which the bonds were issued, the State Superintendent of Public Instruction shall notify such board of school directors of its obligation, and may withhold all State appropriation that may become due to such school district until such time as he is officially advised that all obligations of such school district, with reference to any bonds or other evidences of indebtedness past due, have been met and paid in full, or arrangements to pay same have been made in a satisfactory manner, and approved by him.

Section 3. Section five hundred and eight of the said act, as last amended by section five of the act, approved the first day of June, one thousand nine hundred and thirty-three (Pamphlet Laws, one thousand one hundred fifty-two), is hereby further amended to read as follows:

Section 508, as last amended by section 5, act of June 1, 1933 (P. L. 1152), further amended.

Temporary debt.

Section 508. Any school district having no indebtedness, or whose indebtedness, incurred or created without the assent of the electors thereof, is less than two (2) per centum of the total valuation of the taxable property for school purposes therein, may, at any time, *for the purpose of providing funds in any fiscal year for current expenses and debt service, for permanent improvements, or in anticipation of proceeds from a bond issue already authorized and approved by the Department of Internal Affairs, with such limitations and for such length of term as hereinafter provided,* by or through its board of school directors, incur, in addition to any bonds therein authorized, a temporary debt, or borrow money, [which, in school districts of the first and second class, shall not exceed four-tenths of one (1) per centum, and in school districts of the third and fourth class shall not exceed one (1) per centum, of the total amount of taxable property in such school district,] and issue an obligation or obligations therefor, under the seal of the district, if any, properly attested by the president and secretary thereof, [payable within two years from the date thereof,] and bearing interest not exceeding the legal rate, but no such obligation shall be sold for less than par: Provided, That the incurring of any such temporary debt, or borrowing money upon such obligation, shall receive the affirmative vote of not less than two-thirds of the members of the board of school directors therein. [Provided further, That the total amount of all indebtedness incurred or created without the assent of the electors in any school district issuing such obligations shall not, at any time, including all such obligations, exceed two per centum of the total valuation of the taxable property therein: Provided further, That any school district incurring any temporary debt, and issuing such obligations, in the manner herein provided, shall provide from its current revenue for the payment of the same, except such temporary debt as shall have been refunded by an issue of bonds, provisions for the payment of which bonds shall be made as herein provided for the payment of all bonds.]

Proviso.

Limitation on amount of indebtedness.

The total amount of temporary indebtedness incurred for current expenses and debt service shall, at no time, exceed an amount equal to the State appropriations not received but payable during the fiscal year, and the tax levied upon taxable property within such school district for school purposes, and remaining uncollected for the current fiscal year. All such loans shall be paid out of the receipts available, or pledged for the repayment thereof when and as the said funds are received: Provided, That the total amount of the temporary indebtedness for such purpose remaining unpaid at the close of

Proviso.

the fiscal year shall become an obligation upon the following year's budget, and be included therein.

The total amount of temporary indebtedness incurred in any school district for the purpose of permanent improvements shall, at no time, in school districts of the first and second class, exceed one-half of one (1) per centum of the last assessed valuation of taxable property for school purposes therein, and in school districts of the third and fourth class, two (2) per centum of such assessed valuation: *Provided, That at or before the time of incurring such indebtedness for such purpose, provision shall be made for the collection of an annual tax, sufficient to pay the interest and also the principal thereof within the term of such indebtedness, as hereinafter provided: Provided, That the total indebtedness in any school district of the first class, including all bonded indebtedness and temporary indebtedness, shall never exceed two (2) per centum of the last assessed valuation of taxable property for school purposes therein, and in school districts of the second, third and fourth class shall not exceed seven (7) per centum of such assessed valuation.*

Total temporary
indebtedness.

Proviso.

Proviso.

The total amount of temporary indebtedness incurred in anticipation of proceeds from a bond issue already officially authorized and approved by the Department of Internal Affairs as hereinbefore provided, shall not exceed seventy-five (75) per centum of the full amount of bonds authorized by such bond issue.

All money borrowed for the purpose of current expenses and debt service, as hereinbefore provided, and remaining unpaid at the close of any fiscal year, shall be paid out of the receipts of the following fiscal year for school districts as heretofore provided, but, in all events, not later than the first day of July of such following year in school districts of the first class, and not later than the first day of November in school districts of the second, third and fourth class: *Provided, That all temporary indebtedness for such purpose, existing prior to the first day of July, one thousand nine hundred thirty-seven, shall be payable at any time, not to exceed three years thereafter.*

Proviso.

All money borrowed for permanent improvements for which no bond issue has been provided and for which an obligation or obligations, other than bonds, have been issued, shall be paid within three years from date of issue of such obligation, together with interest, and at least one-third of the total principal of the original loan shall be paid annually. Such obligation or obligations may be paid in full or in part each year when the taxes are received, and reborrowed again the latter part of the fiscal year: *Provided, That the amount reborrowed is less than the amount borrowed the preceding*

Proviso.

year by at least one-third of the total amount of the original loan: Provided further, That each time the money is reborrowed, the date and purpose for which it was originally borrowed shall be restated: Provided further, That the amount of the original loan shall be paid in full within a maximum term of three years from the date of the original loan for such purpose.

Proviso.

Proviso.

All obligations, other than bonds, issued by any school district in anticipation of proceeds from a bond issue already officially authorized and approved by the Department of Internal Affairs, shall be paid in full, together with interest, out of the proceeds of such bond issue within one year six months from the date of authorization of such bond issue.

Emergency.

In case of an emergency, any school district in this Commonwealth in any fiscal year, after incurring temporary indebtedness for current expenses and debt service to the full extent of the provisions hereinbefore provided, and finding the receipts from said temporary loans, together with all other receipts, to be inadequate to meet the expenditures of the official fiscal year's budget, may appeal to the State Superintendent of Public Instruction for permission to increase the temporary indebtedness of such school district beyond the amount hereinbefore provided, and shall present to the State Superintendent of Public Instruction, or his agent, such financial statements or reports as he may require to give him adequate facts relative to the necessity of such increase in indebtedness. The State Superintendent of Public Instruction is hereby authorized, after due examination of the need of such school district, either to refuse or grant permission to such school district to borrow additional funds beyond the provisions hereinbefore provided, and in case of approval, he shall set a maximum limit of the total amount of additional temporary indebtedness that such school district may incur during the fiscal year in addition to all temporary indebtedness outstanding at the time of such approval:

Proviso.

Provided, That such additional amount of temporary indebtedness, together with all other temporary indebtedness, at any time, for the purpose of payments on current expenses and debt service, in school districts of the first and second class, shall not exceed four-tenths of one (1) per centum, and in school districts of the third and fourth class, shall not exceed one (1) per centum of the total amount of taxable property in such district, and the total indebtedness for such purposes, together with all other indebtedness incurred without authorization by vote of the electors of the district, shall, at no time, exceed two (2) per centum of the last total assessed valuation of the taxable property therein. All temporary indebtedness remaining unpaid at the end of the

fiscal year shall be paid in the same manner as hereinbefore provided.

Section 4. Section five hundred and eighteen of the said act is hereby amended to read as follows:

Section 518,
amended.

Section 518. Any school district in this Commonwealth, [established by this act, which assumed, and] *which* is [hereby] required to pay, any school indebtedness existing at the time of the approval of this act, may establish a sinking fund for the purpose of liquidating the same.

Sinking fund.

Any school district in this Commonwealth, which hereafter incurs any bonded indebtedness, shall, at or before the time of so doing, levy and provide for the collection of an annual tax sufficient for the payment thereof, together with interest, as per the schedule of maturities in the bond proceedings as provided in this act, and shall establish a sinking fund for the purpose of payment of such bonds.

Section 5. Section one thousand two hundred ten of the said act, as last amended by the act, approved the twelfth day of July, one thousand nine hundred thirty-five (Pamphlet Laws, nine hundred ninety-three), is hereby further amended by the addition of a new paragraph to read as follows:

Section 1210, as
last amended by
act of July 12,
1935 (P. L.
993), further
amended.

Section 1210.

27. The payroll obligations of each school district in this Commonwealth shall be preferential claims. It shall be the duty of the board of school directors of each district to provide for the payment of said payroll obligations before authorizing the payment of any other current expense, except for fuel, water, electric service, or such supplies as are actually essential for keeping the schools in session. In order to meet payroll requirements, the board shall, if necessary, negotiate such short term loans as are necessary and possible, in accordance with the law governing the borrowing powers of the district.

Section 6. All other provisions of the laws of the State of Pennsylvania, or parts thereof, inconsistent herewith, are hereby repealed: Provided, That the repeal of said provisions, or parts thereof, shall in no way affect the legality of the issue of any bonds or other evidences of indebtedness issued under laws previously in force: Provided, That the provisions of this act shall not be construed to be inconsistent with or as repealing, in whole or in part, any provisions of the act, approved the eighteenth day of May, one thousand nine hundred and thirty-three (Pamphlet Laws, eight hundred thirteen).

Repeal of in-
consistent acts.

Section 7. The provisions of this act shall be severable, and if any of the provisions shall be held to be unconstitutional, such decision shall not affect the validity of any of the remaining provisions of this act.

Constitutional
provisions.

It is hereby declared as the legislative intent that this act would have been adopted had such unconstitutional provision not been included therein.

When effective.

Section 8. The provisions of this act shall become effective on the first day of July, one thousand nine hundred and thirty-seven.

APPROVED—The 2d day of July, A. D. 1937.

GEORGE H. EARLE

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No. 602

AN ACT

To repeal the act, approved the seventh day of August, one thousand nine hundred thirty-six (Pamphlet Laws, one hundred two), entitled "An act transferring money from the State School Fund to the General Fund, and requiring the State Council of Education to liquidate such investments in the State School Fund as may be necessary to effectuate such transfer."

Act of August 7,
1936 (P. L.
102), repealed.

Section 1. Be it enacted, &c., That the act, approved the seventh day of August, one thousand nine hundred thirty-six (Pamphlet Laws, one hundred two), entitled "An act transferring money from the State School Fund to the General Fund, and requiring the State Council of Education to liquidate such investments in the State School Fund as may be necessary to effectuate such transfer," is hereby repealed as of the first day of September, one thousand nine hundred thirty-seven.

When effective.

APPROVED—The 2d day of July, A. D. 1937.

GEORGE H. EARLE