

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1544 Session of
2007

INTRODUCED BY MICOZZIE, MANDERINO, CIVERA, CURRY, GEORGE,
M. KELLER, KOTIK, MYERS, READSHAW, STURLA, THOMAS, BISHOP,
BLACKWELL, COHEN, JOSEPHS, KENNEY, McGEEHAN, M. O'BRIEN,
PARKER, PAYTON, ROEBUCK, J. TAYLOR AND WILLIAMS,
JUNE 18, 2007

REFERRED TO COMMITTEE ON EDUCATION, JUNE 18, 2007

AN ACT

1 Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An
2 act relating to the public school system, including certain
3 provisions applicable as well to private and parochial
4 schools; amending, revising, consolidating and changing the
5 laws relating thereto," providing for a successful school
6 budget subsidy system.

7 The General Assembly of the Commonwealth of Pennsylvania
8 hereby enacts as follows:

9 Section 1. The act of March 10, 1949 (P.L.30, No.14), known
10 as the Public School Code of 1949, is amended by adding an
11 article to read:

12 ARTICLE XXV-B

13 SUCCESSFUL SCHOOL SUBSIDY SYSTEM

14 Section 2501-B. Legislative findings and declarations.

15 The General Assembly finds and declares as follows:

16 (1) Section 14 of Article III of the Constitution of
17 Pennsylvania states: "The General Assembly shall provide for
18 the maintenance and support of a thorough and efficient

1 system of public education to serve the needs of the
2 Commonwealth."

3 (2) The current system of financing public education
4 provides inequitable learning opportunities for pupils, based
5 largely upon the wealth of the communities in which they live
6 and results in an education system that is neither thorough
7 nor efficient.

8 (3) The current system of financing public education
9 places an onerous local tax burden on property owners but
10 does not guarantee every pupil an adequate education and
11 results in an education system that is neither thorough nor
12 efficient.

13 (4) Some school districts are doing an exemplary job of
14 helping their pupils succeed and achieve the State's academic
15 standards, but many other school districts are unable to do
16 so; the result is an education system that is not thorough
17 and efficient.

18 (5) Funding levels for all pupils in this Commonwealth
19 should reflect the funding levels in the school districts
20 that meet the performance standards established by the No
21 Child Left Behind Act of 2001 and by the department.

22 (6) In order to provide for the maintenance and support
23 of a thorough and efficient system of public education to
24 serve the needs of the Commonwealth and to reduce inequities
25 among school districts, the Commonwealth should pay the
26 substantial majority of the total costs of public education,
27 as occurs in the majority of other states.

28 (7) In order to ensure local control of and support for
29 public schools, every local school district should provide
30 some of the funds to support its schools from local tax

1 sources, but reliance upon these sources should be greatly
2 reduced.

3 (8) The Commonwealth should provide relatively greater
4 support to those school districts with the greatest needs and
5 the least ability to raise revenues locally.

6 (9) In no case should any school district receive from
7 the Commonwealth less financial support than the school
8 district receives under the Article XXV funding system.

9 Section 2502-B. Definitions.

10 The following words and phrases when used in this article
11 shall have the meanings given to them in this section unless the
12 context clearly indicates otherwise:

13 "Aid ratio." The market value/income aid ratio of a school
14 district as defined under section 2501(14.1).

15 "Average daily membership" or "ADM." The average daily
16 membership of a school district as defined under section
17 2501(3), including pupils enrolled in preschool programs
18 administered by the school district. Each pupil enrolled for
19 less than a full school day shall be counted as one-half of one
20 ADM.

21 "Department." The Department of Education of the
22 Commonwealth.

23 "District educational performance cost factor." The amount
24 of spending per pupil required by a school district in order to
25 achieve levels of spending equivalent to those in high
26 performing districts, as calculated under section 2505-B(b).

27 "District successful school education cost." The district
28 spending average for the district to achieve the equivalent
29 spending levels of the high performing schools. The cost is
30 calculated by multiplying the district calculated performance

1 cost factor by the district's ADM.

2 "Economically disadvantaged pupils." Any pupil who applies
3 and qualifies for free or reduced-price lunches under the
4 National School Lunch Program under 7 CFR 210.2 (relating to
5 definitions).

6 "Educational difficulty factor." The amount calculated under
7 section 2506-B(a) to account for additional costs associated
8 with educating higher concentrations of pupils who are
9 economically disadvantaged, pupils who are receiving special
10 education programs or services and pupils who have limited
11 English proficiency.

12 "Equalized mills." A measure of a school district's local
13 tax effort which shall be equal to the amount of school taxes
14 collected divided by the real property valuation for the school
15 district.

16 "High performing districts." School districts whose overall
17 student achievement on the 2004-2005 PSSA test of reading and
18 mathematics exceeded proficiency requirements that will become
19 effective in 2011 under the No Child Left Behind Act of 2001 and
20 all of whose schools met the requirements for adequate yearly
21 progress using standards in place during the 2005-2006 school
22 year. Once a school district has been determined to be a high
23 performing district, it shall retain that designation for a
24 period of three years.

25 "Local revenue." All revenue raised by a school district
26 through local taxes or any other source except from the Federal
27 or State government.

28 "Local taxes." Taxes levied by boards of school directors or
29 by city councils on behalf of school districts of the first
30 class with which they are coterminous that support spending of a

1 successful school budget.

2 "No Child Left Behind Act of 2001." The No Child Left Behind
3 Act of 2001 (Public Law 107-110, 115 Stat. 1425).

4 "Pennsylvania System of School Assessment" or "PSSA." The
5 Pennsylvania System of School Assessment established by the
6 State Board of Education under 22 Pa. Code § 4.51 (relating to
7 State assessment system).

8 "Prior spending per pupil." The amount calculated by
9 subtracting from a school district's total expenditures the
10 amount spent on account of capital outlay, debt service and
11 pupil transportation and dividing the result by the number of
12 pupils in ADM.

13 "Prior State subsidies." The sum of all payments received by
14 a school district from the Commonwealth except for payments made
15 from State appropriations for rentals and sinking funds and for
16 pupil transportation.

17 "Pupils with disabilities." The term shall have the same
18 meaning as given to the term "students with disabilities" under
19 22 Pa. Code § 14.101 (relating to definitions).

20 "Pupils with limited English proficiency." Pupils reported
21 annually to the department by school districts as having limited
22 English proficiency.

23 "Real property valuation." The real property valuation of a
24 school district as defined under section 2501(9).

25 "Statewide performance cost factor." The weighted average
26 spending per pupil of the high performing districts.

27 "Successful school budget." The greater of the district's
28 successful school educational cost per student or the district's
29 prior spending.

30 Section 2503-B. Data.

1 (a) Time periods for data.--To ensure the ability of the
2 Commonwealth and its school districts to budget accurately, the
3 successful school subsidy shall be calculated using actual pupil
4 and fiscal accounting data from three years prior to the payment
5 year.

6 (b) Time periods for test data.--In determining high
7 performing districts, PSSA test data from one and two years
8 prior to the payment year shall be used, except that for
9 subsidies paid in the 2007-2008 school year, data from the 2006-
10 2007 testing shall be used.

11 (c) Application of section to definitions.--If the terms
12 defined under section 2502-B are used in this article, the
13 provisions of this section shall be applied to the terms, unless
14 clearly provided otherwise in this article.

15 Section 2504-B. Successful school budget subsidy established.

16 In order to provide for a thorough and efficient system of
17 public education to serve the needs of the Commonwealth and its
18 students, the General Assembly hereby establishes the successful
19 school budget subsidy system. The State subsidy shall be
20 calculated under section 2506-B for the school year beginning in
21 2007-2008 and each school year thereafter and shall be phased in
22 under section 2507-B.

23 Section 2505-B. High performing districts.

24 (a) Determination of districts.--By September 1 of each
25 year, the department shall determine those school districts that
26 are high performing districts for the purpose of determining the
27 successful school budget subsidy for subsequent school years.

28 (b) Determination of Statewide performance cost factor.--By
29 September 1 of each year, the department shall determine the
30 Statewide performance cost factor for purposes of determining

1 the successful school budget subsidy for subsequent school years
2 by calculating the weighted average spending per pupil of all
3 the high performing school districts. The department shall also
4 determine the average educational difficulty factor of the high
5 performing school districts.

6 (c) Notification by department.--By October 1 of each year,
7 the department shall notify the Secretary of the Budget and the
8 chairman and minority chairman of the Appropriations Committee
9 of the Senate, the chairman and minority chairman of the
10 Appropriations Committee of the House of Representatives, the
11 chairman and minority chairman of the Education Committee of the
12 Senate and the chairman and minority chairman of the Education
13 Committee of the House of Representatives of the names of the
14 high performing school districts, the amount of the Statewide
15 performance cost factor, the average educational difficulty
16 factor of the high performing school districts and the data used
17 to calculate these factors.

18 (d) Publication of report information.--If the department
19 transmits the information required under subsection (c), it
20 shall annually submit the same information to the Legislative
21 Reference Bureau for publication in the Pennsylvania Bulletin.
22 Section 2506-B. Calculation of successful school budget
23 subsidy.

24 (a) Educational difficulty factor.--The educational
25 difficulty factor of each school district shall be calculated as
26 follows:

27 (1) Divide the number of pupils eligible for free and
28 reduced-price lunches by the ADM of the district and multiply
29 the resulting percentage by 0.35. This result shall be the
30 low-income weight.

1 (2) Divide the number of pupils with disabilities by the
2 ADM of the district and multiply the resulting percentage by
3 1.0. This result shall be the disability weight.

4 (3) Divide the number of pupils with limited English
5 proficiency by the ADM of the district and multiply the
6 resulting percentage by 0.15. This result shall be the
7 limited English proficiency weight.

8 (4) Add the weights from paragraphs (1), (2) and (3).

9 (5) Average the summed weights from paragraph (4) of the
10 high performing districts and subtract the result from the
11 summed weights from paragraph (4) for each school district.

12 (6) Add one to the weight determined under paragraph
13 (5), calculated to the nearest 0.00001. This result shall be
14 the educational difficulty factor for each school district.

15 (b) District educational performance cost factor.--The
16 educational performance cost factor of each school district
17 shall be calculated by multiplying that district's educational
18 difficulty factor under subsection (a) by the Statewide
19 performance cost factor under section 2505-B(b).

20 (c) District successful school educational cost
21 calculation.--The successful school educational cost of each
22 school district shall be calculated by multiplying the district
23 educational performance cost factor under subsection (b) by the
24 ADM of the district.

25 (d) State subsidy.--Except as provided under subsections (f)
26 and (g), the Commonwealth shall annually pay to each school
27 district a subsidy consisting of the following:

28 (1) The prior State subsidy.

29 (2) The amount by which the district's successful school
30 budget exceeds the district's prior spending.

1 (e) Payment.--The remainder of a district's successful
2 school budget amount that exceeds the sum of the subsidy
3 calculated under subsection (d) shall be paid from local
4 revenues. Boards of school directors may use whatever mix of
5 taxes they are authorized by this or any other act to levy and
6 any other revenue they are authorized to collect. In school
7 districts of the first class, the city councils of the
8 coterminous cities of the first class may use whatever mix of
9 taxes they are authorized by this or any other act to levy and
10 any other revenue they are authorized to collect.

11 (f) Reduction for low tax effort.--In order to assure
12 adequate local effort, if the State subsidy determined under
13 subsection (d)(2) is more than zero and if the total local
14 revenue of the district is less than the district's market value
15 multiplied by 20 mills, one of the following shall apply:

16 (1) If the State subsidy increase is greater than the
17 difference between the value of a tax rate of 20 mills and
18 the total local revenue, the State subsidy increase shall be
19 reduced by the difference between the value of the 20 mill
20 tax rate and the total local revenue multiplied by one minus
21 the local aid ratio.

22 (2) If the State subsidy increase is less than the
23 difference between the value of the 20 mill tax rate and the
24 total local revenue, the State subsidy increase shall be
25 reduced by the State subsidy increase under subsection (d)(2)
26 multiplied by one minus the local aid ratio.

27 (g) Adjustment for high tax effort.--

28 (1) If a district receives no increase in State subsidy
29 under subsection (d)(2) and if it has a local tax rate
30 greater than 21 equalized mills, it shall receive State funds

1 equal to its current spending minus all of the following:

2 (i) Its prior State subsidy.

3 (ii) An amount equivalent to the value of a 20
4 equalized mill tax rate.

5 (iii) An amount payable that year to the district as
6 tax relief under the act of June 27, 2006 (1st Sp.Sess.,
7 P.L. _____, No.1), known as the Taxpayers Relief Act, or
8 any other local property tax relief statute.

9 (h) Actual subsidy.--The successful school budget subsidy of
10 each school district shall be the sum of the subsidy under
11 subsection (d), the low tax effort reduction under subsection
12 (f) and the high tax effort adjustment under subsection (g). The
13 successful school budget subsidy paid to a district may not be
14 less than the actual State subsidy for the school year prior to
15 the school year of payment.

16 Section 2507-B. Phase-in of successful school budget subsidy.

17 (a) General rule.--To provide for orderly, planned and
18 effective use of additional spending resources for many school
19 districts, the payment of the successful school budget subsidy
20 shall be phased-in over a period of three years.

21 (b) Phased payment.--During the 2007-2008 school year only,
22 the subsidy increase of each school district shall be limited to
23 one-third of the difference between the successful school budget
24 subsidy under section 2506-B(h) and the prior State subsidy of
25 the school district. During the 2008-2009 school year, the
26 subsidy increase of each school district shall be limited to
27 two-thirds of the difference between the successful school
28 budget subsidy under section 2506-B(h) and the prior State
29 subsidy of the school district.

30 Section 2508-B. Maintaining and increasing local effort.

1 (a) General rule.--The successful school budget subsidy is
2 designed to enable every school district to achieve spending per
3 pupil equal to the State's most successful districts, with a
4 reasonable local tax effort. Except for the sums provided under
5 2506-B(g), State subsidies under this article shall not be used
6 to reduce local tax effort.

7 (b) Reconciliation.--If in any school year a school district
8 levies taxes under section 2506-B(e) at a rate insufficient to
9 achieve its successful school budget when the local revenues are
10 added to the successful school budget subsidy amount calculated
11 under section 2506-B(h), the department shall reduce the
12 district's subsidy payment under subsection (c).

13 (c) Reductions.--During the payment year, the amount of the
14 reduction required under subsection (b) shall be determined by
15 one of the following:

16 (1) Recalculating the reduction for low tax effort under
17 section 2506-B(f) based on the school district's actual
18 budget for local revenues, if section 2506-B(f) is
19 applicable.

20 (2) Multiplying the difference between the local
21 revenues calculated as necessary to meet the successful
22 school budget under section 2506-B(e) and the actual local
23 revenues times the district's aid ratio.

24 (d) Permitted increases in local taxes.--Notwithstanding any
25 other provision of law, a school district which would receive a
26 reduced State subsidy under subsection (c) because of low local
27 support may increase its taxes or local revenues until the time
28 as its local taxes are sufficient to ensure a full State subsidy
29 without any reduction under section 2505-B(f). For school years
30 prior to the effective date of this section, the amount of local

1 taxes shall be calculated by subtracting from total expenditures
2 spending for capital outlay, debt service, pupil transportation
3 and prior State subsidies. For the 2007-2008 school year and
4 each school year thereafter, the amount of local taxes shall be
5 calculated by subtracting the successful school budget subsidy
6 under section 2506-B(g) from a school district's successful
7 school budget.

8 Section 2509-B. Accountability.

9 The increase in State subsidy provided under this article is
10 intended to be used to increase student achievement. Each
11 district shall use its increase in State subsidy in accordance
12 with best practices demonstrated to improve student achievement,
13 including reducing class size, establishing and expanding pre-
14 kindergarten programs, focused professional development and
15 other programs permitted under the Accountability Block Grant
16 program. Each district shall annually report to the department
17 how the increased State subsidy is being used in accordance with
18 regulations issued by the department.

19 Section 2. The following shall apply:

20 (1) State subsidies in effect prior to the effective
21 date of this section shall be paid as provided by law through
22 the 2007-2008 school year.

23 (2) The provisions of Article XXV shall apply for the
24 purposes of making any necessary adjustments and
25 reconciliations after the effective date of this section and
26 for the calculation of prior State subsidies under section
27 2502-B.

28 (3) Except as provided under paragraph (4), the
29 provisions of Article XXV pertaining to the payment of State
30 subsidies shall not apply to payments which school districts

1 would previously have been entitled to receive in the 2007-
2 2008 school year or any school year thereafter.

3 (4) Nothing in this act shall affect State subsidies
4 that school districts are entitled to receive under sections
5 2502.16, 2502.30, 2541, 2542, 2543, 2572, 2574, 2574.1,
6 2574.2, 2574.3, 2575, 2575.1, 2575.2, 2576, 2577, 2578,
7 2578.1, 2579, 2580, 2595, 2597.5 and 2599.

8 (5) Nothing in this act shall affect State subsidies
9 paid to intermediate units or area vocational-technical
10 schools.

11 (6) Nothing in this act shall be construed to relieve a
12 school district of the responsibility to operate schools,
13 departments and programs provided for under the act or other
14 Federal or State statutes or regulations.

15 Section 3. This act shall take effect immediately.